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*Trends in the Federal Role in Housing and Urban Affairs in Canada
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Office of Housing Research

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Trends in the Federal Role in Housing and Urban Affairs in Canada

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“The most important background fact in the Canadian housing experience is that Canada is a federal state” (Rose 1980, 16). When the federal government tabled its proposals for constitutional change in September 1991, housing and “municipal/urban affairs” were two of six sectors offered up as exclusive provincial domains because these are “more properly the responsibility of the provinces.” The federal government, according to the proposal, is prepared “to recognize the exclusive jurisdiction of the provinces . . . and to withdraw from these fields in a manner appropriate to each sector” (Canada 1991, 36–37). No explanation is offered for why these two—along with tourism, forestry, mining, and recreation—are “more properly” the responsibility of the provinces.

During the negotiations that led to the August 1992 constitutional agreement, housing and municipal and urban affairs were among several items for which the federal and the provincial governments agreed that “exclusive provincial jurisdiction . . . should be recognized and clarified through an explicit constitutional amendment and the negotiation of federal-provincial agreements.” This “should be accomplished,” the agreement states, “through justiciable intergovernmental agreements, designed to meet the specific circumstances of each province.” Provincial governments have the option of taking cash transfers, tax points, or requiring the federal government to maintain its spending in the province (from “Consensus Report on the Constitution, Charlottetown, August 28, 1992, Final Text,” Section III, Roles and Responsibilities, 12–18).

In contrast, 18 years earlier, at the January 1973 Federal-Provincial Conference on Housing, the federal minister of urban affairs defended his government’s position on provincial demands for block funding by arguing that housing and urban programs are “matters of national concern,” that block funding would “clearly weaken the Federal Government’s role in providing leadership and coordination in housing and urban programs across Canada,” and that housing “has obvious social and economic impacts on the country—and is relevant even to the question of national unity” (Canada, Ministry of State for Urban Affairs 1973, 8).

Of the factors that influence the federal role in housing and urban affairs, the struggle between the federal and provincial governments over the nature of Canadian federalism is a dominant one. What difference will the current federal constitutional position make if it is implemented? What might happen if it is not implemented?

To answer questions such as these, and to project likely trends, requires not only an examination of past trends but also an explanation of why the past was the way it was. This paper attempts to offer such an explanation, in a brief outline form, arguing that there are five dynamics that shape the federal role in

Figure 1. Factors Affecting Trends in the Federal Role in Housing and Urban Affairs

1. Federal-Provincial Relations
2. Welfare State Type and Logic
3. Federal Political Party in Power
4. Economic and Housing Market Conditions
5. Interest Group and Grassroots Pressures

housing and urban affairs, the first two being the most significant (see figure 1). All five interact with each other in different ways and at different times. The five are

1. The struggle between the federal government and provincial governments over the nature of Canadian federalism
2. The particular nature of Canada's postwar welfare state
3. The constitutional and social policy philosophy of the federal political party in power
4. The economic and housing market conditions of the day
5. The effectiveness of interest group and grassroots pressures

This model of five factors is capable of accounting for the nature of and changes in the federal role in housing and urban affairs. The first two are the most important, in large part because the last three are factors that shape the nature of the first two. For the sake of clarity in explaining housing policy trends, however, it is helpful to organize the discussion in five parts.

Provincial and territorial government policy and programs are not discussed. Each is different, and 12 separate studies are required. A common and central factor in provincial and territorial housing policy, however, is the federal role. Except in Ontario and Quebec, most provincial social housing program activity involves participation in jointly funded federal-provincial programs.

Factors affecting trends in the federal role in housing

Each of the five factors affecting the federal role in housing and urban affairs is briefly discussed below.

Federal-provincial relations

Intergovernmental responsibility for housing policy and urban programs in Canada includes a long history of an ever-evolving, complex web of agreements between the two senior levels of government. When jurisdiction was divided between the federal and provincial governments in 1867, public welfare did not exist beyond a small municipal involvement, and the social needs of an industrial society were not yet identified. The British North America Act (now the Constitution Act) gave the provinces the exclusive right to make laws related to the "establishment, maintenance, and management of hospitals, asylums, Charities" and "municipal institutions in the Province" (Section 92). Since municipal government is clearly the jurisdiction of the provinces, it was assumed that social welfare, including housing and urban affairs, was the constitutional domain of the provinces.

The demands by a wide spectrum of reformers in the 1920s and 1930s that the federal government do something about the many social problems of an industrializing and urbanizing society, and the dramatic centralization of power during World War II, meant that by default and by active federal initiative, the federal government increasingly became the central actor in creating what we now call the postwar welfare state. The provinces had neither the money nor the expertise to play a major role—until the early 1960s. In the 1960s the provinces, particularly Quebec, began asserting themselves as increasingly effective opponents of centralization. The provinces also began objecting to unilateral federal activities in health and social welfare, which, constitutionally at least, belonged to the provinces (Irving 1987). This rising tide of provincial assertiveness threatened the postwar dominance of a strong central state to provide the necessary guidance for managing a large, dispersed, and fragmented country.

From the mid-1960s to the mid-1970s the response of the Liberal governments of Lester Pearson and Pierre Trudeau to the problems of national identity and regional demands was the vigorous implementation of a strategy of active federalism. The federal government used its spending power during the strong economic climate of those times to try to define Canada as one national collective whole rather than a set of diverse and largely independent regions linked by a weak national government. During this period, the federal government played a major role in both housing and urban affairs as part of this constitutional strategy (see figure 2). The federal government took measures to address regional economic disparities, reformed the welfare and health-care systems, and implemented a steady stream of housing and urban programs, including the creation of a federal Ministry of State for Urban Affairs in 1971.

In the field of subsidized nonmarket rental housing, Canada was one of the last Western nations to initiate a public housing program (in 1949), and only 11,000 units had been built by 1964. Until the mid-1960s policy of federal activism, the federal government resisted the expansion of its role in subsidized rental housing, with federal officials insisting that public housing was a provincial and municipal responsibility (Bacher 1986; Dennis and Fish 1972). From the mid-1960s to the mid-1970s, however, because of the new federal commitment, close to 200,000 additional public housing units were built, before the system was replaced by an improved nonprofit housing supply program. The federal government, in expanding its commitment to public housing, assumed that municipal housing corporations would be its partners in the delivery of these units. This strategy for a direct federal presence in municipal government activities

Figure 2. Federal Housing and Urban Initiatives
During the Period of "Active Federalism"

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| <p>1966 Canada Assistance Plan and Medical Care Act adopted, providing for an expanded federal role in financing social assistance and health care.</p> <p>1967 The first Federal-Provincial Conference on Housing and Urban Development (December); Prime Minister Pearson proposes establishment of an Urban Council.</p> <p>1968 The federal cabinet authorizes establishment of a Task Force on Housing "to examine housing and urban development in Canada and to report on ways in which the federal government, in company with other levels of government and the private sector, can help meet the housing needs of all Canadians."</p> <p>The Senate establishes a Special Senate Committee on Poverty "to define and elucidate the problem" and "recommend appropriate action."</p> <p>1969 The <i>Report of the Federal Task Force on Housing and Urban Development</i> is published, recommending an expanded federal role.</p> <p>The Department of Regional Economic Expansion is established by the Trudeau government as the central federal agency concerned with all activities aimed at promoting national unity through addressing regional disparities.</p> <p>Robert Andras is appointed minister without portfolio responsible for housing, the first time a cabinet minister does not have housing as a minor additional responsibility, and undertakes a review of federal policies relating to housing and urban affairs.</p> <p>The federal government commissions Professor N. H. Lithwick to carry out a major review of urban problems and trends and of the role the federal government could play.</p> <p>The federal government announces a target for housing production: 1 million units over the next five years, with an emphasis on the needs of low-income people.</p> | <p>1970 A special \$200 million low-cost housing program is introduced, and the largest housing budget ever is approved as part of the five-year target of 1 million housing starts.</p> <p><i>Urban Canada: Problems and Prospects</i> is submitted to the federal government by N. H. Lithwick, together with six background papers on urban issues, making the case for a national urban policy in which the federal government would play a central role.</p> <p><i>Poverty in Canada: Report of the Special Senate Committee on Poverty</i> is published.</p> <p>1971 The Ministry of State for Urban Affairs is established to coordinate and formulate federal urban policies and programs.</p> <p>The Assisted Home Ownership Program is initiated, with a budget of \$100 million.</p> <p>Federal white paper, <i>Income Security for Canadians</i> is released. Reform of unemployment insurance is carried out.</p> <p>1972 The first national trilevel conference on urban issues and problems is held in Toronto (November).</p> <p>1973 Federal-Provincial Conference on Housing is held in Ottawa (January).</p> <p>The second national trilevel conference on urban affairs is held in Edmonton.</p> <p>The National Housing Act is amended, introducing the following new housing programs: Assisted Home Ownership, Non-Profit Housing, Neighbourhood Improvement, Residential Rehabilitation Assistance, Land Assembly, and On-Reserve Housing.</p> <p>1974 Canada Mortgage and Housing Corporation establishes regional offices in each of the 10 provinces.</p> |
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was quickly sidetracked when Ontario established a provincial housing agency in 1964 (the Ontario Housing Corporation) to take advantage of the new legislation on a direct federal-provincial basis. In 1967 six other provinces, including Quebec, also established housing corporations. To this day, public housing is generally known among the population as provincial housing because it is managed by these provincial housing agencies, even though it was built under a federal program and mainly financed by the federal government.

In 1973 the federal government introduced a sweeping set of amendments to the National Housing Act (NHA), including establishment of an assisted homeownership program, a neighborhood improvement program, a housing rehabilitation program, a municipal land assembly program, a native housing program, and a new nonprofit and co-op housing program. This set of programs was based on direct federal government relationships with nonprofit and co-op housing groups and municipalities in the case of social housing supply, individual owners in the case of the housing rehabilitation program, and individual municipalities in the cases of the Neighbourhood Rehabilitation Program and the land assembly program. This funding approach sidestepped the provincial governments and their housing corporations, thereby increasing federal government visibility in housing and urban affairs. The federal government refused to give in to demands from the provinces for block funding grants for housing.

By the mid-1970s, following the dramatic change in the international economic situation, based in part on the energy crisis, inflation and general economic instability helped put an end to this expensive strategy. In 1974, for example, the economic climate for housing and urban development changed dramatically: Interest rates rose from 9 to 12 percent in one year; private unsubsidized rental housing starts dropped dramatically (and permanently); and inflation in house prices climbed dramatically for the first time in the postwar era. In 1975 the federal government imposed wage and price controls that included provincial agreement, at the request of the federal government, to impose residential rent controls. By the late 1970s most of the new federal urban initiatives were discontinued.

With the demise of the Ministry of State for Urban Affairs in 1979, the federal government permanently removed itself from an active policy and program role in urban affairs—and has not returned since. There has been virtually no direct federal activity relating to municipal affairs since then, and it is unlikely that there will be any in the future. The Conservative government of Brian Mulroney, elected in 1984, has consistently refused to help finance urban infrastructure renewal, though a great deal of pressure to do so has come from municipalities and the provinces.

In summary, the federal government has implemented periodic active and inactive roles for itself in aspects of social policy, including housing and urban affairs, based on its desire to affect the constitutional "crisis" of the day. There is a growing recognition in Canadian political theory that the politics of defining a national identity and of coping with the demands of the provinces are indeed key factors that have shaped the nature of, and changes in, many federal social and economic policy areas (Jenson 1989). In what Banting (1990, 116) calls a "divided state," federal-provincial relations in Canadian social housing "have been shaped and reshaped by the same linguistic, regional, and governmental conflicts that have pervaded social policy generally."

Welfare state type and logic

The struggle between the federal government and provincial governments over the nature of Canadian federalism can be taken only so far as an explanatory framework for assessing policy and program trends. The struggle helps explain some, but not all, of the periodic changes in the federal role; it does not explain the content—the specific nature—of the policy and programs implemented. For an understanding of the specific content of these measures, and for the occasional departure from expected trends, we need to situate housing within the context of Canada's welfare state and the housing-relevant sociopolitical dynamics that shape that state.

The “welfare state” refers to the set of social practices and strategic accommodations designed to address specific problems of the day relating both to the production of goods and services and to their distribution (Myles 1988, 74). Canada has what is usually described as a “liberal” welfare state in which means-tested assistance, modest universal transfers, and modest social insurance plans predominate and in which interference with the commodification of goods and services is minimized, the granting of social rights is minimized, and a dualism between market and state allocation is maintained (Esping-Anderson 1990, 26–27; Myles 1988; O'Connor 1989).

Until the development of the modern welfare state in the 1930s and 1940s, government provision of help to those in need was based on a social assistance model, in which welfare assistance for certain categories of “worthy” poor was designed to allow individuals and families to subsist. After World War II the *social security* welfare state emerged alongside this *social assistance* welfare state. This new welfare state was and is not an antipoverty welfare state but one designed to ensure continuity of living standards through good and bad economic periods. It was designed to provide wage stabilization for the emerging middle class, not to provide subsistence to the poor. In contrast to means testing, there are two principles of state distribution: universality and wage replacement. Universality means that payments become entitlements—rights of citizenship or earned benefits. Wage replacement means that benefits are linked to past earnings and are at levels high enough to maintain a continuity of living standards when the wage earner leaves the labor market through illness, unemployment, or disability. The aim of the social security welfare state is “to smooth the flow of income over the ups and downs of the economic life cycle of individuals and families” (Myles 1988, 86–87).

The problem the social security welfare state sought to address is the maintenance of high and stable levels of mass consumption. This was part of the more general Keynesian approach to management of the economy. The big problem during the postwar years was not how to produce enough, but how to stabilize product markets. Systems of wage stabilization helped to solve this problem. The postwar federal government housing activities have been part of this process by focusing housing and urban affairs efforts on achieving high and relatively stable levels of housing starts. This housing activity contributed to overall economic growth and provided many well-paying jobs. The federal government successfully carried out this activity in a fashion that is compatible with and assists, rather than replaces, housing, land, mortgage lending, and real estate markets. This aspect of housing policy, part of the social security welfare state, has nothing directly to do with helping impoverished households obtain adequate housing—which is a function of the social assistance part of the welfare state.

The most relevant feature of Canada's welfare state for assessing the dynamics of housing and related urban affairs policy (i.e., who gets what, of what quality, and with what state assistance) is the dualism in the provision of benefits. There is still the social assistance welfare state that has continued to develop

since the last century, but in addition, there is now the social security welfare state alongside it. There is some overlap where benefits are universal. In general, however, a dualism exists. Dualism refers to the existence of two different benefit systems for two different groups in society. One is based on market-differentiated benefits in which the state plays a key, but often indirect, role in developing and maintaining benefits; the other is based on social assistance programs (direct subsidies to individuals). The nature of these two parts of the housing system largely reflects the historical legacy as well as the current ability of groups to mobilize politically and develop sociopolitical coalitions over time.

How can we best conceptualize Canada's housing system? The dualism means that there are two separate parts to the system—primary and secondary—each with its own distinct and unequal range of government activities and subsidies, and each, therefore, with separate trends. These two mirror the dualism in Canada's welfare state. The primary part of the housing system is a component of the social security welfare state, and the secondary part is a component of the social assistance welfare state. The key features of Canada's dual housing system are summarized in figure 3. The primary part comprises about 80 percent of households, including most homeowners and those tenants who live in the higher end of the private rental market. It also includes households that live in the cooperative housing sector and some but not all of those that live in nonprofit and public housing. These households have secure tenure in good-quality housing appropriate to their needs and at a price they can afford. The secondary part comprises everyone else, including the tenants in the lower half of the rental market, residents of poor-quality and poorly managed subsidized housing, and rural and impoverished homeowners. The division is largely, but not totally, based on tenure.

With a two-part housing system, there are also two categories of government responsibilities relating to housing and urban programs. One involves the primary part, the profit-motivated housing industry and those consumers who can afford to enter this part of the housing system (both the homeownership sector and the higher end of the rental sector). The other relates to everyone else, either temporarily or permanently in the secondary part.

The very nature of the type of welfare state Canada has developed, and in particular the dualism in the distribution of state benefits, is a factor in shaping Canada's housing policy and programs. It is the broader policy context in which decisions about housing policy and programs are made. The primary part of the housing system receives benefits mainly in the form of entitlements (universal rather than selective), as "natural" parts of the way the housing system operates. These benefits include, for example, the government-created and government-managed mortgage lending system, the government mortgage insurance program, the special tax treatment of capital gains on owner-occupied housing, the occasional programs to assist with the initial down payment, and the generally superior community services and amenities in districts with higher cost owner- and tenant-occupied housing. Households that lack the money to be part of the primary system, if they do receive any benefits, generally do so on a selective means-tested basis aimed at meeting minimum needs.

Households in the secondary part of the housing system have little political clout and in the new economic realities of the 1990s—"globalization," more "flexible" labor markets, and the like—may have even less. The housing options for the households in the secondary part of Canada's housing system are limited to the low end of an aging and declining private rental sector and a very tiny nonmarket social housing sector. The nonmarket social housing sector in Canada, with about 481,000 units as of 1991 (4.8 percent of Canada's 10.1 million occupied dwelling units (1991 census)), is very small compared with those of most advanced Western nations. In Western European countries, the percent of the housing stock in the

social housing sector is much higher: 43 percent in the Netherlands, 24 percent in France and the United Kingdom, 21 percent in Sweden (with another 15 percent in the cooperative sector), 17 percent in Denmark, 16 percent in Germany, and 7 percent in Belgium. The small size of Canada's social housing sector is due to the particular nature of Canada's welfare state.

*Figure 3. Canada's Two-Part Housing System:
Key Features*

	Primary Part	Secondary Part
	includes most homeowners—tenants at the higher end of the rental market, and some social housing residents (about 80 percent of households)	includes tenants at the lower end of the rental market, some rural and impoverished homeowners, and some social housing residents (about 20 percent of households)
<i>Welfare State Type and Logic</i>	Social security welfare state—ensure high living and accumulation standards over the ups and downs of the economic cycle	Social assistance welfare state—ensure subsistence for the “deserving” poor, without competing with market mechanism
<i>Method of Distributing Benefits</i>	Universal benefits, distributed as entitlements—rights earned by investors and owners	Selective discretionary benefits, distributed by means testing and targeting
<i>Economic Rationale</i>	Ensure high and stable levels of consumption and accumulation (housing as a key sector of the economy)	Meet basic (minimum) housing needs of some of the “truly needy,” while minimizing decommodification effects of programs
<i>Political Rationale</i>	Political clout of middle class and of house-building, mortgage-financing, and real estate industries	A stop-and-go process of addressing housing needs, depending on political circumstances and strength of the beneficiary groups
<i>Federal Role Based on Constitutional Considerations</i>	Federal government will continue to be involved no matter what the constitutional arrangement; economic and political management issues are more important factors	Likely only <i>if</i> federal government seeks to enhance national unity by a strategy requiring higher federal profile on certain issues deemed to be of national significance

One way of conceptualizing Canada's two-part housing system is to say that it is incomplete—that progress to date has succeeded in housing the majority of Canadians and that the remaining task is to find a way to properly house everyone else. This is an inadequate description, since it ignores the now decades-long evidence that there is little interest among powerful forces in the primary housing sector—the profit-oriented housing industry and many middle-class home-owning tax payers—nor much interest at any level of government, in “completing” the housing system, which means bringing everyone into the primary part. A better way to conceptualize Canada's housing system for the purpose of analyzing government activities is to note that there are two separate and distinct housing subsystems. Each has its own distinct form of government involvement.

The federal political party in power

For housing and urban affairs it does matter, but only in a limited way, which of the major political parties is in office. The “limit” is based on the longer term structural nature of Canada's evolving welfare state and the macro national and international social and economic pressures on it. No government can quickly shift major institutions in society around in a short time, as can be seen in the records of the Reagan and Thatcher governments. In Canada, the federal Liberal party, as outlined above, has, in the past at least, favored a strong, centralized role for the national government in federal-provincial disputes. The federal Conservative party has supported the opposite position. This is a major difference that has had and continues to have major implications for federal housing and urban affairs policy (Hulchanski 1990).

The federal Liberal party is also responsible for “building” much of Canada's modern welfare state, including its dualism. The Liberals were in power from 1935 to 1984, except for 1958 to 1963, and for about 10 months in 1979. The Conservative party, in contrast, has resisted playing much of a role in developing the welfare state. It did very little during the 1958–1963 period, and since 1984 the Conservatives have eliminated some of the universal aspects of social programs and introduced means testing into more programs, including elimination of social mix in the nonprofit housing programs.

There is also a clear difference between the two parties in their willingness to recognize social rights. In the case of the right to housing, for example, the Liberal minister responsible for housing declared, while introducing the 1973 NHA amendments in the House of Commons: “Good housing at reasonable cost is a social right of every citizen of this country. . . . [This] must be our objective, our obligation, and our goal” (Canada, House of Commons 1973, 2257). The minister added that the 1973 bill amending the NHA “is an expression of the government's policy, part of a broad plan, to try to make this right and this objective a reality.” The best the Conservative government could do in its statement of housing policy in December 1985 was the following: “The principle upon which federal housing is founded is that Canadians in all parts of the country *be able to have* decent and adequate shelter at a level of payment that is affordable” (Canada Mortgage and Housing Corporation 1985, 2 [emphasis added]). There is no plan for meeting housing needs and no statement that it is even a government responsibility to meet housing needs (Hulchanski 1988, 1992). Instead, major policy changes were undertaken “in order to more responsively target federal housing resources to provide fair and effective national solutions for Canadians in need” (p. 6). The focus here, of course, is on the secondary part of the housing sector.

There are rights and entitlements associated with the primary part of the housing system (such as property rights relating to homeownership and the private commodity form of houses and mortgage lending) that

the Conservative government fully supports and will intervene to protect and enhance when necessary. In its 1991 proposals for constitutional change, the Conservative government reaffirmed “unequivocally” its support for the rights guaranteed in the Charter of Rights and Freedoms, with, however, the following addition: “The Charter does not guarantee a right to property. It is, therefore, the view of the Government of Canada that the Canadian Charter of Rights and Freedoms should be amended to guarantee property rights” (Canada 1991, 3). Nothing else is said about “property rights.” No definition or any other rationale is offered. The federal government could have considered some or all of the rights contained in the International Covenant on Economic, Social, and Cultural Rights. Wording similar to that of Article 11(1) of the covenant, which, among other related basic necessities of life, guarantees housing as a fundamental human right, could become part of Canada’s constitution. Such wording would address the fundamental rights, needs, and interests of a far greater number of Canadians, and it would help Canada fulfill its international human rights commitments. The covenant requires nations to “recognize the right of everyone to an adequate standard of living . . . including adequate food, clothing and housing, and to the continuous improvement of living conditions.” The nations ratifying it agree that they “will take appropriate steps to ensure the realization of this right.” The August 1992 constitutional agreement lists property rights as one of the issues discussed about which there was a consensus “not to pursue” (Section VI, Other Issues).

Minority governments have also had particularly important—but usually short-term—effects on housing policy. Prime Minister Lester Pearson (1963 to 1968) never had a majority government, and Pierre Trudeau, who nearly lost office in the 1972 election, headed a minority government from 1972 to 1974. During minority governments, the Liberals have to rely on the social democratic New Democratic party (NDP). The active federal role from the mid-1960s to the mid-1970s, as noted above, is mainly attributable to the constitutional jurisdiction issue between the federal and provincial governments. However, the housing programs implemented in the important 1964 and 1973 NHA amendments were shaped by the necessity to accommodate the NDP, a party that has consistently advocated a large government role in the supply of nonmarket housing. The funding formula for public housing was improved in 1964, resulting in the dramatic increase in public housing built. The 1964 amendments “virtually re-wrote most of the social provisions of the National Housing Act,” according to Rose (1980, 38,40), and “proved to be a turning point in Canadian housing history.” The 1972 NHA amendments (Bill C213), tabled by the Liberal government before the elections that year, were thoroughly revised after the election at the insistence of the NDP. The 1973 NHA, as a result, presented a mix of innovative programs that was the closest Canada has come to a comprehensive national housing and urban community development program. Not all programs were implemented, however, and several were terminated in the late 1970s. All were poorly funded. The socially mixed nonprofit and cooperative housing programs were launched, however, and became the major form of social housing supply in Canada.

Economic and housing market conditions

No matter which party is in power, no matter whether the government is majority or minority, and no matter what the constitutional position of the government is, the federal government will intervene in the housing system—mainly the primary part of it—when the economy is in trouble. It will do so both because of practical management issues relating to the economy in general and because of practical political considerations.

When the economy is strong, housing starts rise, and residential construction represents about 7 percent of Canada's gross domestic product. This share usually falls by 2 to 3 percent during recessions. There is a great deal of volatility in Canadian housing starts. The historic peak in national housing starts was 273,000 units in 1973, which was followed by a steady decline bottoming out at 126,000 in 1982. The next period of recovery peaked at 246,000 units in 1987 before falling to 152,000 units in 1991. Housing is a key part of the economy, and the house-building and real estate industries have well-organized regional and national lobbies. Housing-related lobbies also include the construction labor unions and materials sectors such as softwood lumber.

During recessions, in particular, the federal and provincial governments have a consistent record of introducing short-term programs, most often focused on assisting tenants in the high end of the rental market (the primary part of the housing system), particularly those able to buy a house, and homeowners. On three occasions over the past 15 years, the federal government has introduced sets of short-term housing programs in response to a severe slump in the housing market. This housing program activity is due more to economic and housing market conditions, and to the political clout the primary part of the housing sector can organize, than to the other factors outlined above.

In the mid-1970s, because of the recession, during which housing starts, particularly rental starts, fell sharply and vacancy rates fell to 1 percent to 2 percent in most major metropolitan areas, the 1974 and 1975 budgets introduced the following programs: the multiple-unit residential building tax incentive, the Registered Home Ownership Savings Plan, the Assisted Home Ownership Program, and the Assisted Rental Program. The finance minister explained in his June 1975 budget that these measures were designed to "stimulate demand" and to "give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians" (quoted in Hulchanski and Grieve 1984, 10). These incentives were introduced within the context of a government wanting to assert the federal role, but these particular measures are a direct result of the economic conditions of the day as they affected the housing system. All these measures were targeted at the primary part of the housing system—homeownership and the higher end of the rental sector.

During the early 1980s, in response to housing-sector pressures created when mortgage interest rates hit their highest level in history, 21 percent in August 1981, several new federal housing initiatives were announced in the 1981 and 1982 budgets, designed to "spur recovery in the housing industry" (Hulchanski and Grieve 1984, 38-41). Short-term but expensive subsidy programs were implemented for homeowners (the Canada Home Ownership Stimulation Program and the Canada Mortgage Renewal Plan) and for investors in the higher end of the private rental sector (the Canada Rental Supply Program). There was also a temporary increase in the allocation of social housing units (2,500 more units in 1982 and another 2,500 in 1983). Both parts of the housing system received some assistance this time.

The most recent example is the federal government's decision, announced in the 1992 budget, to introduce the Home Buyers' Plan, which lowers the minimum down payment on an NHA-insured house to 5 percent (from 10 percent) and allows a home buyer to use up to \$20,000 in tax-sheltered retirement savings as part of a down payment. The pressure to do something during a severe construction slump became so great that the federal government granted these two demands of the house-building and real estate lobbies. In his budget speech, the finance minister admitted that the Home Buyers' Plan "responds to requests from industry groups, provincial governments and individuals" and that it "will support strong growth in the housing sector this year" (Canada, Department of Finance 1992, 12-13). In the same budget, however, in contrast to what the Liberal government did in 1982-83, social housing was further

cut from the expected 12,400 units to about 8,000, and the co-op housing program—about 3,500 units—was cut entirely. This change has much to do with the philosophical differences between the two parties. The Liberal government offered some stimulus to both parts of the housing system; the Conservatives to only one.

Interest group and grassroots pressures

Starting in the 1960s the number, strength, and effectiveness of lobby groups in both parts of the housing system began to develop. These groups are now part of the dynamic interaction that defines the nature and extent of government activity in housing and related urban programs. It is not surprising to find that the economically and numerically strongest groups and sectors in this process end up with most of the benefits (i.e., the best housing units, the best public services in their neighborhoods, a disproportionate share of housing policy and program attention, and the great potential for housing-related profits and capital gains). The strong private-sector lobby has also successfully lobbied for maximizing the market-commodity form of housing provision and consumption, keeping Canada's nonmarket social housing sector very small and, under the Conservatives, even gradually eliminating the social housing supply programs.

The key private-sector actors in housing and urban development—the construction, finance, and real estate (land) industries—have played and continue to play the leading role in defining the nature of the governmental role in housing and urban affairs. The wealthiest three-quarters to four-fifths of the nation's households have also played a major role in the ownership sector. Canada's housing system has evolved into one in which this wealthiest majority are very well housed, mainly as owner-occupiers (63 percent of Canadian households own their own homes, half of them mortgage free). These major actors have little to complain about in terms of the overall structure of Canada's housing system. It suits them quite well. When the economy is strong, the construction and renovation sector has plenty of contracts, the mortgage lenders have plenty of new customers, and the real estate industry has plenty of commissions to collect from all the buying and selling of land and housing. The middle-class majority who own their own homes have little problem with a housing system in which a consumer can obtain an asset worth \$150,000 or more for about 10 percent down, receive considerable utility from it, benefit from inflation, receive mortgage assistance or government grants when interest rates skyrocket, and be able to sell it with no tax on the capital gain. In short, there is a strong and effective national lobby comprising the producers and owners of the nation's housing stock, as well as the related sectors and services (construction materials companies, real estate agents, land speculators). Their interests have shaped the nature of Canada's housing system and encouraged the dualism.

For households to be brought from the secondary part into the primary part of the housing system, the political pressure from below, pressure from the groups representing the interests of lower income households, must be very strong. Minority governments provide the best opportunity for these groups to influence policy making and program implementation. For the secondary part, unlike the primary part of the housing system, program changes have almost always involved means-tested targeted programs—programs that create and maintain dualism in the housing system.

There are only a few national organizations fighting this dualism in the housing system. The Co-operative Housing Foundation of Canada, established in 1968, but with roots going back much further, was the first national group to propose an alternative form of tenure—non-equity co-ops—to address the

dualism (Cooper and Rodman 1992; Selby and Wilson 1988). The cooperative housing movement in Canada is a community-based response to the inadequacies of Canada's housing system, a response that, not surprisingly, has been resisted and criticized by the private-sector housing lobby. Co-ops provide a nonmarket method for households in the secondary part of the housing system to move into the primary part.

The National Anti-Poverty Organization and the Canadian Council on Social Development have added housing to their agenda, but such national groups depend on federal funding, and the Mulroney government is curtailing its support for these types of national social policy organizations. The National Action Committee (NAC) on the Status of Women has also made housing a part of its agenda. The housing analysis and advocacy work of the NAC Housing Committee is focused on the secondary part of the housing system, which includes a disproportionate share of woman-headed households—a direct reflection of the disadvantaged status of women in all aspects of Canadian society. The Canadian Housing and Renewal Association (CHRA), which began as a narrowly focused organization representing government urban renewal and public housing staff, has in recent years broadened its mandate and membership. CHRA is playing the lead role in organizing a national coalition to advocate an active federal role in addressing the needs of households in the secondary part of the housing system.

There always has been and continues to be a huge imbalance between the primary and secondary parts of the housing system in political strength and political effectiveness of their national organizations and lobbyists. This imbalance is a critical factor in the continuation of the dual housing system.

The future: Two sets of trends

Based on this analysis of the postwar federal role in housing and urban affairs, there are two sets of trends: one for the primary and another for the secondary part of Canada's housing system. The likely trend in the federal role is very different for each part of the housing system.

The primary part of the housing system

For the primary part of the housing system, the federal government will continue to play a role during difficult economic times, whether or not "exclusive" jurisdiction is given to or taken by the provinces in any new constitutional arrangement. The house-building sector is a key part of the economy and, through the support of middle-class homeowners, is able to mount an effective lobby. Federal government housing activity relating to the primary sector, whether direct (budgetary spending programs) or indirect (e.g., tax benefits), is rarely considered a subsidy or a drain on the economy or on the federal budget. Rather, these actions are viewed as the proper responsibility of government in difficult times, and the subsidies are considered incentives and entitlements—rights associated with investing in and owning housing.

For the federal government—no matter which of the three parties is in power—very practical economic and political rationales, based on immediate short-term considerations, govern the decision to either take action or refuse to take action. This is the historical record, and there is no reason to project any change. Political philosophy and constitutional and jurisdictional nuances matter little when a government is confronted with the political pressure that can be mobilized when there are problems in the primary part

of the housing system. "Problems" here include nonhousing policy issues that can be addressed so as to provide special treatment for the primary part of the housing system. When a tax on capital gains was introduced for the first time in 1972, for example, capital gains on owner-occupied housing were exempted, even though this exemption is recognized to be regressive among homeowners and totally excludes the 37 percent of households that rent (Dowler 1983; Powers 1992).

The constitutional agreement reached during August 1992 does not appear to affect this federal role in the primary part of the housing system. The preamble to Section III of the agreement, on roles and responsibilities, states that "when the federal spending power is used in areas of exclusive jurisdiction" it should, among other things, "contribute to the pursuit of national objectives." This statement implies little or no change in the ability of the federal government to initiate its own housing measures, and as the weight of the historical evidence indicates, this federal activity will most likely have the primary part of the housing system as its focus.

The secondary part of the housing system

Political philosophies and legal nuances in constitutions and intergovernmental agreements *do* matter when it comes to the secondary part of the housing system. Housing subsidies for lower income households are part of the social assistance welfare state, over which the provinces claim jurisdiction. They certainly want federal money, but they want to distribute it through programs of their own choosing.

Trends in the federal role in the secondary part of the housing system depend very much on the federal-provincial jurisdictional issues in the area of housing and urban affairs and on changes in the nature of Canada's welfare state. The constitutional and social policy philosophy of the federal party in power is also very important, as is the effectiveness of national social welfare organizations in mobilizing popular support for specific housing and urban policies and programs.

The trend in federal housing and urban affairs activity in relation to the secondary part of the housing system is, therefore, difficult to predict. For the immediate future, current policies will likely continue, creating a growing division between the quality of the housing for those fortunate enough to be in the primary part of the housing system—whose standards are among the highest in the world—and that for the households stuck in the secondary part. Growing homelessness in the 1980s did not produce widespread pressure to do something effective. It will take a very serious deterioration in the quality of the existing rental stock (which has already begun to occur) and widespread discontent and effective grassroots organization to produce positive federal action.

The August 1992 constitutional agreement states that provisions recognizing Canada's "social union" should become part of the constitution. "The policy objectives" should include, the agreement states, "providing adequate social services and benefits to ensure that all individuals resident in Canada have reasonable access to housing, food and other basic necessities" (Section I). This comes close, at first glance, to enshrining the right to housing and other necessities of life in Canada's constitution. However, the agreement clearly states these provisions on the social union "should not be justiciable." They are, therefore, just so many good words about good intentions. They have not been enshrined as constitutional *rights*. Rights require a mechanism for people to enforce or achieve them when a government denies them. The August 1992 constitutional agreement explicitly denies people this mechanism. In contrast, the section on the division of roles and responsibilities between the levels of government is to be

“accomplished through justiciable intergovernmental agreements.” Governments can seek to have what they believe to be their right (their constitutional jurisdiction, in this example) enforced by court action, if necessary. The August 1992 constitutional agreement, in short, has no impact on the secondary part of the housing system. Jurisdictional disputes and buck passing will carry on as usual in both housing and urban affairs. If anything, the agreement allows the federal government to deny any responsibility for conditions in the secondary part of the housing system, since exclusive provincial jurisdiction over housing is to be constitutionally recognized.

An emerging reality that has likely affected the current federal government’s decision to ignore the secondary part of the housing system relates to changes in the broader economic situation. Global economic trends and domestic corporate investment strategies in light of the free trade agreement with the United States mean that structural changes are taking place in the welfare state. There is no institutional or structural imperative to do much about the people in the secondary part of the housing system, other than to forestall embarrassment (too many homeless on the streets) and social unrest. A large unskilled, well-paid pool of labor is no longer required as it was in the immediate postwar decades.

This trend in federal housing policy also means growing regional disparities between the larger and economically stronger provinces—Ontario, Quebec, and British Columbia—and the rest of the country. Regional housing market situations combined with changes in provincial governments can result in provincial activism in social housing in the wealthier provinces, which only makes the regional disparities even greater. Between 1986 and 1994, for example, Ontario will have produced with its own funds 72,000 new social housing units—72,000 Ontario households will be removed from the secondary part of the housing system. In addition, Ontario is using its own funds to supplement the federal-provincial social housing program to eliminate what it considers the more regressive regulations imposed by the Conservative government. This is a result, at a provincial level, of factors 3, 4, and 5—a minority Liberal, then a majority Liberal, then a majority NDP government making housing a priority because of economic and housing market conditions in the province in response to effective pressures from tenant, social housing, and related community-based organizations. Similar conditions can also emerge resulting in a similar priority given to housing at the federal level—someday. For the foreseeable future, however, there is likely to be very little federal activity in the secondary part of Canada’s housing system. Some combination of the five factors outlined here must come into play before this will happen.

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