



ONPHA

Ontario
Non-Profit Housing
Association

Housing as a Mechanism in Poverty Reduction Strategies

A Brief Review of International Experience and Implications for Ontario

**prepared for
The Ontario Non Profit Housing Association**

**by Steve Pomeroy and Leonore Evans
Focus Consulting Inc.**

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Introduction

Poverty is a multi-dimensional issue, characterized by lack of, or limited, income. It is commonly associated with multiple forms of deprivation and consequences caused by inability to purchase basic goods and necessities. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society (e.g. access to employment, good schools, local commercial services and affordable recreational opportunities). Much policy discussion in Europe has recognized this broader conceptualization in reframing the poverty issue under the rubric of social exclusion (and remedial strategies thereby focussing on social inclusion).

Essential to this reframing is the understanding of the linkages and potential synergies or alternatively negative interactions between the policies and program modules that feed social inclusion or poverty reduction strategies. The interactions between housing programs, social assistance programs, income support programs of all types (including tax incentives), retraining programs, health care availability, and other means tested programs in general, need to be understood. When possible, these overlapping programs should be (re)designed for mutual reinforcement. In Canada, the best known challenges in this regard are the disincentives to work that are built into income-tested support programs and the relationship between housing support and social assistance (i.e. social housing policies and Ontario Works).

Experience in other jurisdictions demonstrates that housing is an important element in both contributing to poverty issues and as a tool in developing policies and programs to alleviate these issues. Yet housing is often a silent or overlooked factor in considering both the causes of poverty as well as potential remedies to alleviate poverty.

Housing is relevant to poverty reduction and social inclusion in two important aspects:

1. As the single largest expenditure in a household budget, housing costs crowd out other necessities and exacerbate an already inadequate income (housing-induced poverty); and
2. Poverty issues often manifest themselves in spatial patterns. Concentrated poverty is a neighbourhood issue and is directly linked to housing markets and housing assistance (Galster and Killen 1995; Galster 2002).

Housing-Induced Poverty

Not only is housing explicitly identified as a basic necessity it is also identified as the single largest expenditure in a basic basket of necessities. This reality has resulted in analysts developing the concept of housing-induced poverty (Stone 1990, 1993; Kutty 2005). Stone defined shelter poverty as occurring when housing costs are so high that households cannot afford non-housing necessities. In the model described by Stone, the maximum amount available to spend on housing is the disposable income of the household minus the cost of a minimum adequate level of non-housing consumption (similar to the basket of goods used in



development of Canadian low-income cut-offs). In Canada, most social housing programs have adopted the practice of establishing rent as a ratio of income.¹ This practice places the emphasis on non-shelter necessities. By restricting rent to a maximum 30% of income, the policy is effectively reserving the remaining 70% of income for non-shelter consumption. By increasing disposable income for non-shelter items these housing programs directly contribute to alleviation of poverty.

Geographically-concentrated poverty

While poverty occurs at an individual or household level, the most visible evidence of poverty arises when poor families and individuals cluster in one area – usually because that is where low cost housing is found. Often, lower cost housing is associated with older homes in poor condition – an issue that can exacerbate poverty as poor physical conditions (unsafe electrical wiring, lack of insulation, broken windows, inadequate or unaffordable heating, molds and toxins all contribute to poor health).²

When communities or neighbourhoods are marginalized by the processes of regional or national economies, often including de-industrialization and de-population, a destructive cycle of mutually reinforcing social and economic forces tends to create a long-term pattern of disinvestment and declining human resources. Economically challenged communities (whether urban neighbourhoods, rural villages, or impoverished segments of local populations) disproportionately bear the social and economic burden of unemployment, business failure, family stress, crime, substance abuse, deteriorated housing, and poor health (Loewen and LePage 2003).

Thus in exploring remedies, fundamental reform of social and economic institutions are necessary – effectively systemic reform. A restorative program that uses techniques directed only at the individual is not likely to be as effective as programs that are directed at assisting both the individual and the neighbourhood to become stronger (i.e. place-based initiatives). The key policy challenge is to pursue and achieve the highest degree of positive reinforcement between a wide variety of programs, while recognizing that there is no “magic bullet” program initiative that is going to singularly eliminate poverty and exclusion.³

¹ In this paper the term *social housing* is used to refer to all forms of publicly assisted housing, including public housing, non-profit and co-operatives, supportive housing and more recent “affordable housing” initiatives. It should be noted that there are subtle variations in the degree of targeting and tenant income levels across different social housing programs.

² As discussed later, the CMHC “core housing need” model incorporates 3 separate indicators – affordability, adequacy (physical condition) and crowding, so this issue is captured. However the core need model does not explicitly expose concentrations of these problems (but such mapping could be undertaken).

³ ONPHA, generally, has argued that the program administration for many poverty-related programs is best done closer to the front lines at the municipal or regional level where “the silo walls tend to be thinner”. Given the fact of devolution, this is particularly the case in Ontario.



Housing Policies and Programs as a Strategy to Reduce Poverty

There are three key ways in which housing-based programs can contribute to poverty reduction:

1. The first is at the individual household level and involves reducing net housing cost (or increase after shelter disposable income). This can be achieved either through rental assistance in private rental housing or in social housing by virtue of providing a subsidy to reduce the households out-of pocket expense to a maximum 30% of their income (so called rent-geared-to-income or RGI rent).⁴
2. The second is by using housing programs as a basis for asset building. More specifically providing assistance to enable modest income households to access homeownership and thereby access equity through an appreciating asset.⁵
3. Finally, construction of social housing has been the predominant approach used to date in Canada. Constructing homes, does not in and of itself relieve poverty – it is the associated RGI subsidy that addresses the affordability aspect. However, constructing homes has a specific spatial impact and undertaken in a carefully designed policy can be effective in creating and sustaining mixed income and mixed tenure communities – such as the St. Lawrence neighbourhood in downtown Toronto in the mid 1970's and now the redevelopment of Regent Park, also in downtown Toronto. A voucher or portable shelter allowance approach does not have this positive linkage to place-based neighbourhood and city planning policies.

Within these three broad types of approach there are two further variants that focus on the individual/family (so called personal-based) subsidy as well as dwelling-based (supply) approaches.

The first category, is the aspatial subsidy – the main focus is on relieving high shelter cost burdens often with no consideration given to where (geographic location, place) the household

⁴ That is, regardless of whether it is social housing or private housing, the element that addresses affordability is the provision of a rental subsidy. Another variant is a portable shelter (housing) allowance which can be determined on some combination of actual rent, up to a maximum, and some percentage of income so that the allowance covers part of the gap between actual housing cost and a specified percentage of income. A further approach is to provide a shelter allowance such as that available in Ontario under Ontario Works/ODSP – this approach is discussed further below and is in fact the single largest form of housing assistance (in terms of number of households assisted).

⁵ The notion of facilitating asset building through ownership is somewhat controversial (See for example Mendelson, 2005). Research has shown that pushing very low income households into ownership, especially in flat or declining markets can be counter-productive and create unintended negative impacts such as excessive cost of maintaining home, arrears, foreclosure and impaired credit rating). The excesses of the current subprime mortgage crisis in the US have driven this point home. However, for a segment of more low-moderate income households, (with strong mentoring and ongoing counseling support) ownership can be a successful strategy to asset building and poverty reduction.



lives. The second category has more direct links to a place of residence and specifically involves building or buying housing that is fixed in location (it is spatially fixed and place-based).

Under aspatial mechanisms the primary objective is to relieve high shelter cost burdens. This can have the following positive impacts, most of which relate to poverty reduction issues and are examples of the “crowding out” effect high housing costs have on low income household budgets.

- Enables individuals to secure and sustain housing which in the absence of assistance they are unable to do (e.g. housing assistance has been key to the success of the Toronto Streets to Homes program);
- With more income for other necessities there is a lower risk that the household cannot pay the rent and thus less risk of arrears and the spiralling effects of cumulative arrears. The household is more stable, both financially and residentially (this point is well expressed in the title of Mel Hurtzig’s book, “Pay the rent or feed the kids?”);
- With shelter expenses largely covered, the household members are not as vulnerable even in relatively tenuous employment (multiple part-time or casual jobs, without benefits);
- Increased residential stability helps to build the social support networks that current research has shown to be crucial in identifying and pursuing employment opportunities;
- The stabilizing effects of affordable housing can be especially beneficial to young families as constant movement can also be disruptive to children’s school performance and long-term success in labour markets;
- Children also benefit from better nutrition as more budget is available to purchase food.

When housing assistance is delivered through a well thought out social housing construction program (to create social housing) the previous outcomes may be augmented:

- Generally social landlords are more sympathetic to arrears and more willing to work out remedies for repayment (reduced risk of losing housing).
- In the case of special need populations, such as long-term disability, mental health, formerly homeless or frail elderly, when assisted in social housing (supportive housing variants) the housing usually includes on site or community-based links to supports that facilitate semi-independent but supported living;
- When designed as a mixed-income community and located outside of a high poverty area (i.e. avoiding concentrated poverty), social networks may be expanded and may enhance access to employment and educational opportunities.

The contrary is also true: poorly designed social housing programs can exacerbate poverty and its attendant social repercussions.



Policies require careful design and local flexibility

It is important to highlight this last point. There can be and have been negative outcomes of housing assistance programs – either poorly designed or due to unanticipated and inadvertent outcomes. Simply providing affordable (lower rent non-profit operated) social housing is alone not sufficient; the program and the resulting housing must be carefully designed.

For example, person-based housing assistance can have programmatic consequences such as the high marginal claw back rates when both “means-tested” housing and “means-tested” income assistance are entangled and received in the same household (creating work disincentives). They can also have spatial impacts when the design of benefit levels encourage families to seek low cost housing and thereby reinforces the ancillary and negative issue of concentrated poverty. Providing housing assistance to lower housing costs for a household living in a distressed neighbourhood (lack of employment, higher levels of criminality, poorer schools etc.) may have very limited effect as the increased affordability is counter-acted by the negative neighbourhood issues. In such a situation, different strategies are required.

Overall, while housing policies and programs can have a positive reinforcing effect on broader poverty reduction, there is no one “right” housing program or approach. Rather, a variety of housing mechanisms are required so that appropriate versions can be selected and applied as local circumstances warrant. For example, in areas that experience concentrated poverty and distress, the main public policy objectives may be to revitalize and regenerate the area.

ONPHA’s view is that these programs should be deployed based on local or regional needs-based housing plans tied closely to an overall poverty reduction strategy. Such housing plans may entail a variety of community development activities and, more specific to housing, might include:

- Rehabilitation programs to improve physical appearance and help market the area to a better mix of incomes;
- Community-based social housing construction programs based on non-profit and co-op forms of tenure.
- Ownership programs to reduce issues of absentee landlords that neglect the physical upkeep; and possibly
- Mobile or portable housing allowances to enable poor households to relocate out to areas of lower poverty (thus diluting the original neighbored concentration of poverty – a practice extensively used in the US (the so called Moving to Opportunities program)).
- Portable housing allowance programs for emergency housing for the street homeless, abused women and other priority households.
- Tax-based incentives to encourage private sector construction or rehabilitation of rental housing.



When affordability is the general focus of both housing and social assistance programming, there is a significant overlap between the two policy areas. In fact, as suggested earlier, the single largest housing assistance program in Canada and in Ontario is the shelter component of income assistance (Ontario Works). This is one area where existing programming and policies are entangled, sometimes counterproductively, and do not effectively reinforce each other (i.e. enabling individuals and families to become self reliant and independent of both Ontario Works and housing assistance). The area most in need of reform is the situation where a family is both in receipt of income assistance and living in social housing – there are a number of technical issues in this overlap and these are separately discussed in Appendix B.

These issues are not unique to Canada. Many countries have faced, and are trying to address the interconnection of social housing, rental assistance and income assistance programs. The next section highlights some of these efforts.



A Brief Review of International Approaches

The links and interaction between poverty, social inclusion and housing initiatives have been explicitly recognized in a number of other countries and especially in Europe. The European Union has agreed to a core set of poverty and social exclusion indicators which are regularly produced for every EU country on a comparable basis. These indicators are known as the 'Laeken Indicators'. Housing is identified as a related issue but specific indicators remain to be developed (thwarted in part by the desire to have a common set of measures that can be compared across all EU countries).

At the national (as distinct from EU) level, housing plays an important role in poverty reduction strategies, notably in France, Ireland and Sweden. In other countries, while housing is not as explicitly highlighted in the Social Protection Strategy Reports, it is well integrated in related initiatives (e.g. Netherlands and the UK). Housing programs also play an important role in combating spatial concentrations of poverty and disadvantage in the US.

The key elements in a number of countries are highlighted below.⁶

Ireland

Ireland has embarked on a comprehensive poverty reduction strategy, as documented in their 2007-2013 National Development Plan (NDP). The overall goal of the NDP social inclusion program is to reduce the number of those experiencing consistent poverty to between 2% and 4% by 2012, with the aim of eliminating consistent poverty by 2016. Housing is the fourth priority for poverty reduction in Ireland's plan.

By European standards, Ireland has a small social housing sector representing only 8% of total stock, slightly more than in Canada; ownership is high at 79% while private renting makes up the remaining 13%.⁷ Two central housing programs are Social Housing Provision and Renewal (17 billion Euro); and Affordable Housing and Targeted Private Housing Supports (4 billion Euro).⁸ These programs cover a variety of policies, from place-based initiatives such as social housing estate regeneration to subsidy assistance programs for the purchase of houses by limited income applicants.

One aspect of Ireland's extensive housing policy, related to the issue of overlapping housing and income impacts on incentive to work, is quite relevant to poverty reduction and housing in Ontario: the Rental Accommodation Scheme (RAS). Designed as an improvement to the pre-existing rental supplement which was available only to persons on income assistance, this is a

⁶ To facilitate comparisons the tenure mix and importance of social housing in each country is noted. The comparable numbers for Canada are (2006) 66% ownership; 28% private rental and 6% social housing.

⁷ At one time, the social rented sector was three times larger, but similar to England, has been reduced through the sale of homes to tenants, which also accounts for the rise in ownership rate.

⁸ This totals the equivalent of \$30 billion annually, which compares to total expenditures (federal and provincial in Canada of roughly \$4 billion annually – excluding housing assistance within social assistance programs). In short, there is a much larger allocation of funding for social housing in Ireland than in Canada.



housing subsidy program designed to assist people transitioning into employment. The gradual weaning of housing benefits, over time, allows families to increase work and earnings without losing the assistance (as would happen for example in exiting OW). Under RAS housing assistance continues to be paid while the income portion of out of work benefit is reduced against increasing earning. This subsidy is funded by the national government, delivered through local authorities, and paid directly to landlords.

France

For France, developing the supply of subsidized housing and quality accommodation is the third priority for poverty reduction after 1) access and return to employment of people who are the furthest removed from the labour market and 2) the social and occupational integration of young people, especially those affected by problems of discrimination (Joint Report, 2007). France is facing a housing crisis affecting particularly middle to low-income households, in part due to an insufficient construction level throughout the last decade (with low supply driving up rents).

In France 56% of the population are home owners, while 25% are in private rental and 19% are in social housing. France has continued to assist low-income residents through construction of new housing (the traditional approach), and more recently, through a universal housing benefits (housing allowance) program. In the 1990's, housing allowance was extended to every low-income households residing in the private or public sector. This universal housing allowance system is paid directly to individuals, and allows for freedom of choice between social renting and private renting (and in some cases assists low-income owners).

Compared with other subsidy schemes, the French housing benefit system has some unique aspects. Firstly, the system is universal, implying that every eligible household will receive the allowance if they claim it (and meet low income eligibility). Secondly, recipients can freely choose their accommodation. There is no required agreement with the landlord (which limits the use of quality control measures to make sure the buildings meet a reasonable standard before renting and no restriction on the price of the unit rented, but the rent in excess of the reference rent is not taken into account in the computation of the benefit. The formula also defines a minimum amount to be paid by the household (function of income and family size), so the subsidy never covers 100% of the rent (this is similar to shelter allowance programs currently operating in a number of Canadian provinces, mainly for elderly renters). Indeed, the French system gives people the incentive to find units at the reference rent but not more expensive ones. Thirdly, the recipient usually receives the benefit directly in cash in the private sector. The recipient has to search first for a unit, and once the contract is signed, he can claim benefit. The system itself is therefore not constraining, as the recipient can freely choose accommodation. On the other hand, the disadvantages of aspatial programs mentioned earlier are present. Heavy reliance on portable housing allowance programs that encourage people to seek out the cheapest rental housing can, over time, concentrate poverty and its consequences in specific neighbourhoods.



Netherlands

Holland has one of the largest social housing sectors of all countries accounting for 35% of total stock, funded mainly by the national government funding but developed and operated by municipal housing corporations (together with a small number of co-operative and community-based non-profits). The Netherlands has implemented a number of reforms to its social housing system most notably in shifting away from capital subsidies and loans to a system that subsidizes income and thus improves ability to pay rent.

Holland has a population of just over 16 million, roughly half the population of Canada, but a substantially different housing tenure mix. Overall, 54% of dwellings are owner-occupied, while 11% rent in the private market, and 35% rent in the social market.

Prior to 1990, the national government subsidized the purchase and development of social housing stock, as the primary means of responding to persistent housing shortages in a period of high growth and rapid urbanization. In 1991, the national government stopped subsidizing low-income housing providers, in an effort to transform these associations into more competitive entities, and reduce the role of the state. These supply-side subsidies were replaced with person-based housing allowances, calculated as a percentage of income (rent geared to income, as in Canada). This approach created a new form of work disincentive as earnings were clawed back in the form of reduced rent subsidy. This contributed to a poverty trap that was compounded if the tenant also received income support, which was also reduced as earnings increased.

Currently, over 1 million Dutch renter households (approximately 30% of all renter households) receive the national rent allowance. Whether or not a household is eligible depends on their taxable income, the level of rent and service costs, the household size and its age, and personal assets. The national rental allowance is a universal program, given out on the basis of income to rent ratio.

In response to the added layer of housing related tax breaks (after introduction of housing allowances) the Dutch government has implemented a new mechanism that is designed to neutralize the impact of clawing back housing assistance. This is achieved through a net income index, or NINKI, adopted in 2003. It is based on the net residual income after payment of housing expenses. If the combined total of earnings and rental assistance is below an absolute minimum income, the rental assistance is not reduced. In this way, the Netherlands seeks to minimize the issue of housing induced poverty.⁹

UK

The UK is another country that has traditionally had a large social housing sector, although this has declined proportionally as a result of policies that encouraged and enabled social housing

⁹ Conceptually, this creates a guaranteed annual income and would be similar to adopting LICO's in Canada as a minimum income and ensuring that housing assistance calculations did not undermine this minimum.



tenants to purchase their dwellings at deep discounts. After peaking at over 30% of total stock, social housing is now down to 22% (including a large shift from public, local authority ownership to housing associations) while the private sector accounts for only 10% of total housing stock. Ownership is similar to Canada at 67% but this is up substantially from the pre-1980 (Right to Buy) era.

Although not always targeted, eligibility for social housing has been increasingly restricted to low-income households with the result that local housing authority estates have become concentrations of poverty – high percentages of residents are out of work and dependent on income supports. Exacerbating this issue is the location of many large estates, often on the periphery of metropolitan or large urban centres, distant from employment and commercial areas. Thus poverty and social exclusion have become synonymous with distressed poorly located estates. And, as one would expect, poverty reduction and social inclusion services have often located near their clients increasing the attractiveness of the areas to very low-income households. A series of major national initiatives have targeted estate regeneration as part of comprehensive renewal and revitalization including an array of community development and skills development programs, coupled with modernization and regeneration of housing assets.

There are some very interesting examples of co-ordinated programming focused on poverty reduction being developed in the UK, with a strong “place-based” policy lens. This has not occurred in Canada, in part because we do not have such large isolated social housing estates.¹⁰

As in France and the Netherlands, the UK has a national shelter assistance program with a universal entitlement (means-tested). However, this housing benefit operates as a separate allowance from a basic income support – a separation that has been widely criticized for creating disincentives to work and effectively reinforcing a poverty trap. Numerous efforts have been started to unravel this overlap, although the problem still persists. In part, this is because the Housing Benefit in the UK is a significant form of assistance often covering 100% of rental expenses and the construction of new social housing is financed on the premise that rent levels will be sustained by the Housing Benefit payments. The key lesson from the UK is the need to carefully integrate the way in which benefits are withdrawn as recipients enter work and generate earnings (the Irish RAS, noted above, has been somewhat more successful in this regard).

¹⁰ The concept of place-based policy making in Canada has however been highlighted in the 2006 Final Report of the External Advisory Committee on Cities and Communities: From Restless Communities to Resilient Cities. (Harcourt Report) Infrastructure Canada.



US

The US provides two quite different examples of housing-based poverty reduction strategies. The first is very similar to the UK estate regeneration. While the social housing sector is small by international standards, and very similar to Canada at 5% of total stock (with 68% ownership and 28% private rental), the US has experienced a similar problem of concentrated poverty.

In the US, these issues have also been overlaid with race segregation and poverty especially in inner city urban America. Thus, a major part of US poverty reduction has had important race and anti-discrimination undercurrents. Increasingly, in an era dominated by global re-settlement patterns, the concentration of poverty in Europe is also creating racialized communities and, at a smaller scale, the same is true of some of the larger former public housing complexes in Ontario.

Both in the public housing generation (HOPE VI) and the Section 8 Voucher – Moving to Opportunity (MTO) programs have had spatial elements. The first (HOPE VI) sought to redevelop public housing with mixed tenure and mixed-income. The intention was, in part, to dilute the concentration of poverty by seeking to attract modest and middle-income residents. (often, while distressed these public housing developments were often well located in proximity to reviving central city core areas). The second MTO, which, while initially an aspatial shelter allowance program was adapted and used as a way to deconcentrate poverty, by dispersing the low-income tenants out into modest income non-poverty neighbourhoods. The objectives of MTO (and related dispersal initiatives) were to spatially deconcentrate inner city assisted-housing tenants; to integrate these tenants socially (and sometimes interracially) into suburban middle class neighbourhoods; and (3) to enhance opportunities and choice for assisted-housing residents. While well-intentioned, there is limited evidence on the efficacy of this dispersal approach. As Galster and Zobel (1998) noted, the US adopted a major new housing strategy with only a shred of evidence to suggest what effect it might have on aggregate social problems.



Monitoring and Measuring Outcomes

In Ontario, where the development of poverty reduction strategies is now central to the current government's thinking, the European efforts to identify and develop measurable indicators and outcome-based accountability measures is of great interest.

In order to measure the impact of poverty reduction strategies, the EU has developed 14 commonly agreed upon overarching social inclusion indicators, and 11 context indicators. These range from income and employment to education and health (see appendix A). Indicators for housing and material deprivation are still being developed.

Deciding upon common indicators in order to achieve common goals is one of the processes EU member countries are implementing. Specific targets were developed and are published in a document labelled the Lisbon Strategy a pan-European strategy for economic growth. The same will be true in Ontario and the Premier and his senior cabinet ministers have already signalled the importance of measurable indicators.

Following the announcement by the new Labour government in 1998, social inclusion has been a core policy theme of the UK government and generated significant effort to develop and implement a set of indicators – which are reported annually (see appendix A for 2007 summary). The format of this summary is one that does not present absolute values but the recent trends – highlighting whether the situation is improving or declining.

The UK indicators make explicit reference to neighbourhoods and housing, as these have been two key policy areas in tackling social exclusion. Some of the indicators used for neighbourhood strategies are: improvement of primary schools, and numbers of youth programs successfully reaching out to teenagers at risk of severe social exclusion. Housing indicators focus specifically on the number of sub-standard homes, and numbers of homeless sleeping in the open.

In many respects, while the focus here is on housing, the larger poverty perspective means we are as much interested in the non-shelter outcomes that result from housing investment and policies as we are in the shelter outcomes. Accordingly, it is not useful to extract housing indicators without also concurrently identifying other indicators – income, health, education etc. As noted at the outset, if households are spending less on housing they should have more for non-shelter expenses, so for example more to buy food, resulting in more nutritious diet and better health. Is reduced shelter cost a proxy for the latter or is it desirable to measure health outcomes more directly (as well as labour participation, children's educational attainment etc.)? If measuring the latter, is it realistic to associate improvements to reduced housing expenditure alone? Clearly not and that is it is more effective to develop a cluster of indicators that will measure improved well-being in a variety of poverty related areas

In addition to the core set of seven housing related indicators in the social inclusion monitoring program, the UK maintains a poverty measure; Households Below Average Income (HBAI),



somewhat similar to the LICO in Canada. While titled “average income”, the benchmark actually uses 60% of median income as a benchmark.¹¹ More notable, for the discussion here, is that this measure is presented in two forms that specifically reference housing cost – a before housing cost and after housing cost index. This reflects the wide scale entitlement and receipt of a shelter allowance (Housing Benefit) which effectively raises income levels for lower income households and is reflected in measures of gross income. It also recognizes that housing is a significant expenditure and can significantly impact the level of disposable income available for necessities. In addition, because housing costs vary significantly across different parts of the country it helps to identify the impact of high cost housing markets on the issue of “housing induced poverty.”

¹¹ For recent release and discussion of measures and definitions see http://www.dwp.gov.uk/asd/hbai/hbai2006/first_release_0506.pdf



Conclusions and Some Implications for Ontario

As noted, other countries have either explicitly integrated housing policy into income assistance and poverty reduction (Ireland, Netherlands) or have designed housing and neighbourhood regeneration programs separately but in support of non-housing objectives (Ireland, UK, US) such that there is a more coherent linkage between housing policy and non-housing poverty reduction strategies.

In Canada, and more specifically in Ontario, housing policy and income assistance have largely co-existed in relative isolation of each other, even though the shelter benefits part of income assistance (Ontario Works/Ontario Disability Support) is in fact the single largest form of shelter allowance in Canada.¹²

Using either a place-based or person-based (aspatial) typology, there are opportunities to examine housing assistance mechanisms and policies in Ontario, along the lines of those used elsewhere with a view to more purposefully crafting policy to support and deliver outcomes on poverty reduction. This includes minimizing conflicts such as poverty traps and disincentives to (re)enter the labour market.

Since housing is such a singularly large expenditure in a family budget, and given the inevitable interaction between housing costs and non-shelter expenses, any effort to reduce poverty should acknowledge and integrate housing policies and programs into a comprehensive set of strategies.

The experience in other countries suggests that an exploratory and iterative approach is necessary. As indicators are developed and data collection instruments adapted or created, the poverty reducing outcomes can be carefully examined. Understanding of relations and impacts will evolve, possibly resulting in refinement, or in some cases abandoning or replacing certain measures.

In Canada, housing need is already measured using a CMHC developed methodology called core housing need, which identifies the number (and relative proportion by household and family type) of households falling below specified standards for physical condition (adequacy), crowding (suitability) and affordability (paying more than 30%). The core need measure imputes an income benchmark, which is geographically (city) specific. It determines, (for each household size) the income required to afford a median rent dwelling unit (based on annual CMHC rent survey), without spending more than 30% of income. Thus in higher cost/rent cities the income threshold to be “in need” is higher than in low cost places. This is a potential indicator, but suffers from some weaknesses.

First, CMHC has not developed regular inter-censal estimates of core need (in part due to lack of annual data) so this is an irregular indicator;

¹² There are a number of issues that arise from the overlap of OW/ODSP and social housing – especially when a recipient is also a tenant in social housing. Some of these issues are addressed in Appendix B.



Also, the overlap of core need and income assistance (welfare case loads), as well as the benefit structure of welfare assistance, tends to distort the measurement. Some refinement is required. Specifically, for households in Ontario dependent on Ontario Works or ODSP, the shelter component of the total OW/ODSP benefit calculation is always greater than 30% of total income (if this is the only income source) and in many cases, this is more than 50%. Using the rough measure of households spending more than 50% of income for rent is substantially influenced by welfare case loads. A more useful measure is to exclude households for whom OW/ODSP is their primary source of income (in that year) and examine housing expenditure patterns (paying greater than 30%, 50%) only for the working poor.

For OW/ODSP recipients the more important measure is whether they are spending more than 100% of the shelter component for housing, and thus using part of the basic living allowance to cover shortfall in housing allowance – effectively housing-induced poverty

Following the lead in other countries, some place-based statistics would also be useful as a way to highlight issues that arise from poverty concentrations. The United Way initiative: Poverty by Postal Code is an illustrative approach and similar mapping could be applied to other indicators (such as core need and high shelter cost burdens). Better knowledge and insight into concentrations of poverty can help to target and design interventions, potentially including dilution or dispersal strategies used in other countries.



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Appendix A: European Union (Laeken) indicators

The European Union has agreed to a core set of poverty and social exclusion indicators which are regularly produced for every EU country on a comparable basis. These indicators are known as the 'Laeken Indicators'.

Note that, although comparable across countries, these indicators are not comparable with the various United Kingdom indicators presented elsewhere on this website.

To view the individual indicators go to: www.poverty.org.uk/summary/eu.htm

	Primary indicators	Secondary indicators
Poverty	By age and gender By work status By household type By housing tenure Poverty line By work status Persistent poverty Poverty gap	Poverty rate by threshold Absolute poverty Poverty rate before social transfers Gini coefficient Persistent deep poverty
Work	Regional cohesion Long term unemployment rate Jobless households	Long term unemployment share Very long term unemployment rate
Education	Not in education or training	Low educational attainment ©
Health	Life expectancy at birth Self-defined health status	

Source: <http://www.poverty.org.uk/summary/eu.htm>



UK Social Exclusion Indicators – 2007 Summary Report

Indicator	Trends over time	
	Over the medium term (last 5 years or so)	Over latest year of available data
Low income		
1. Numbers in low income	Improved	Worsened
2. Low income by age group	Mixed	Mixed
3. Children in low-income households	Improved	Worsened
4. Low income and disability	Steady	Steady
5. Low income and ethnicity	Improved	Worsened
6. Income inequalities	N/a	N/a
7. Low income and work	Steady	Worsened
8. In receipt of tax credits	Mixed	Mixed
9. Low income and Council Tax	Worsened	Worsened
10. Adults in low-income households by gender	N/a	N/a
11. Single adults in low-income households by gender	N/a	N/a
12. Working age composition	N/a	N/a
13. Low income by detailed age bands	N/a	N/a
Lacking work		
14. Workless households	Improved	Steady
15. Children in workless households	Improved	Steady
16. Not in education, employment or training	Steady	Steady
17. Young adult unemployment	Steady	Worsened
18. Wanting paid work	Improved	Steady
19. Work and disability	Steady	Steady
20. Benefit levels	Mixed	Worsened
21. Concentrations of low income	Steady	Steady
Disadvantage in work		
22. Numbers in low pay	Improved	Steady
23. Low pay by age and gender	N/a	N/a
24. Low pay by industry	N/a	N/a
25. Pay inequalities	Mixed	Mixed
26. Insecure at work	Steady	Worsened
27. Lacking support at work	N/a	N/a
Education		
28. Low attainment at school – 11-year-olds	Improved	Improved
29. Low attainment at school – 16-year-olds	Steady	Steady
30. Without a basic qualification at age 19	Steady	Steady
31. Working-age adults without qualifications	Improved	Improved
32. School exclusions	Steady	Steady
33. Looked-after children	Steady	Steady
34. Underage pregnancies	Steady	Steady
35. Children with a criminal record	Steady	Worsened
36. Impact of qualifications on work: young adults	N/a	N/a
37. Impact of qualifications on work: disabled adults	N/a	N/a
Ill-health		
38. Long-term recipients of out-of-work benefits	Steady	Steady
39. Long-standing illness or disability	Steady	Steady
40. Mental health	Steady	Steady
41. Child deaths	Improved	Improved
42. Premature death	Improved	Improved
Housing and exclusion		
43. Unmet housing need	N/a	N/a
44. Newly homeless	Improved	Improved
45. In temporary accommodation	Worsened	Improved
46. In mortgage arrears	Mixed	Mixed
47. Access to services with and without a car	N/a	N/a
48. Anxiety	Improved	Steady
49. Without a bank account	Improved	Improved
50. Without home contents insurance	Steady	Steady

N/a shows that the indicator is either not about change over time, or that a change in a particular direction is neither incontrovertibly good or bad.

Source: [Monitoring poverty and social exclusion 2007](#)



Appendix B: Some Issues in Overlap of Income Assistance and Housing Effecting Potential to Help In Poverty Reducing Strategies

While examining the relationship and potential role of housing assistance as a poverty reduction strategy, it is useful to briefly examine the existing income assistance program in Ontario – Ontario Works (OW) and Ontario Disability Support Payments (ODSP) and more particularly the housing elements of these statutory programs. There are two sets of issues:

1. Within the OW/ODSP programs themselves – and how housing assistance is currently managed; and
2. The overlap of OW/ODSP with social housing (where recipient lives in and receives both housing and OW assistance).

How housing assistance is currently managed in Ontario Works

A form of rental assistance is already delivered via Ontario Works – OW and Ontario Disability Support Payments – ODSP). Within the overall calculation of benefits in these programs a separate variable is included specifically to help pay shelter costs (hereafter referred to the “shelter component of welfare”).

This is a variable with a maximum amount based on household size and composition. It is paid up to the maximum to offset actual rent costs. So if, for example the household is able to find a rental unit with rent below the maximum shelter component, then they receive only the amount of the rent paid (plus a utility allowance). Conversely, when the rent exceeds the maximum they must cover the shortfall from the portion of the basic allowance intended for non-shelter necessities.

Many households remain in poverty and with excessive shelter cost burdens because the shelter component is far below actual rental costs (and is not indexed).

Illustrative data from Toronto and the Region of Waterloo confirm that a large number of households incur rental costs that far exceed the shelter allowance maximum and result in families using substantial proportion of the basic living allowance to cover this shortfall. The data from Waterloo identify the average rent paid in Sept 2006 exceeded the maximum shelter component in all cases (except lone parents with 3 children, although the rent paid is for a group average combining all child counts).



Comparison of Actual Rent and OW Maximums, Waterloo, 2005				
Household Type	Shelter Maximum (2005)	Average Rent Paid/Month*		
	\$ Per month	Jun-05	Jun-06	Sep-06
Single	342	376	380	380
Couple (no children)	538	610	597	611
Couple + 1 child	583	708	673	731
Couple + 4 children	708			
Lone parent +1 child	538	630	592	609
Lone parent + 3 children	635			
* Renters in private accommodation only (excl social housing) Source: Region of Waterloo Social Services				

Similarly, the Toronto data reveal that more than two-thirds of households exceed the maximum and the excess payment often exceeds \$200, so substantially reduces amounts available for other (non-shelter) necessities.

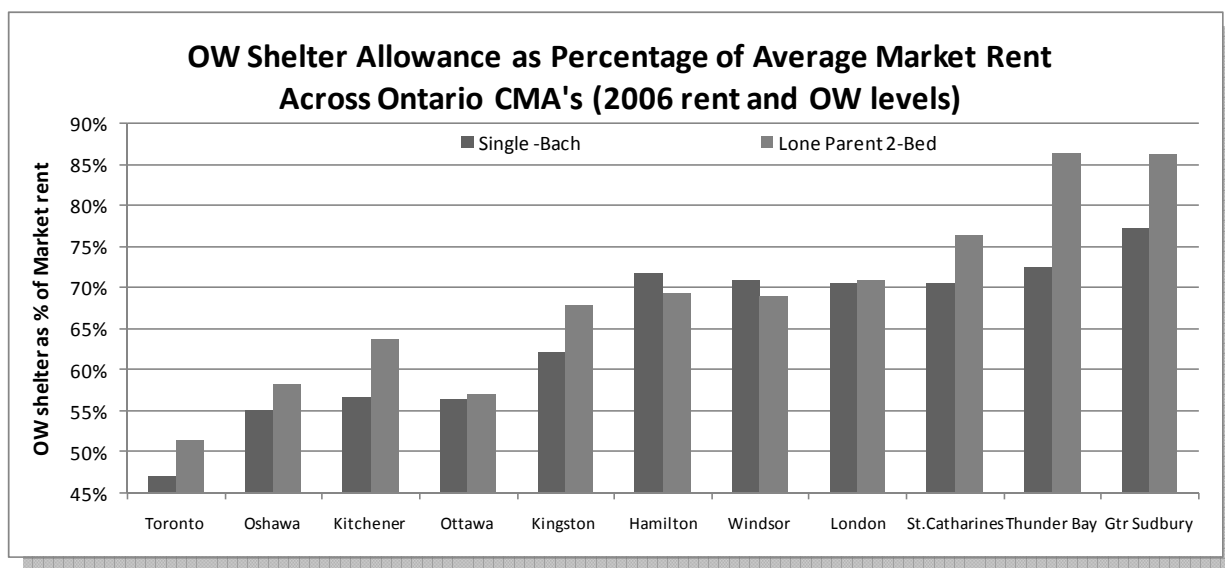
Percentage of OW Cases Paying Rents in Excess of the Maximum Shelter Allowance (Sept 2005), Toronto					
Family Type	# Cases	Ave Rent Paid	# exceeding Maximum	% exceeding Maximum	Average in Excess
Single	37,590	\$ 382.35	25,972	69%	\$ 95.00
Lone Parent with children	18,813	\$ 664.78	12,832	68%	\$ 236.00
Couple	2,014	\$ 672.11	1,581	79%	\$ 208.00
Couple with children	5,731	\$ 839.88	5,082	89%	\$ 270.00
Total	64,148	\$ 515.15	45,467	71%	\$ 158.00
Source: City of Toronto					

It is debatable whether this is a consequence of high rents or insufficient shelter maxima. The fact that the shelter component of welfare maxima were reduced (by 22%) in 1995 and not increased until 2004 (and then only marginally), and are not indexed to market rent changes, suggests that the problem may lie in the structure of the OW policies and more specifically in the non-indexation of the shelter allowance maximum levels.

This problem exists in most cities but is most acute in the highest cost/rent cities as the OW/ODSP allowances are not adjusted by city – there is a single scale that applies equally across the province. In almost all cities, the actual allowance (for illustrated case of a single and lone parent family) is less than 70% of the actual average market rent. In the higher cost cities of



Toronto and Ottawa, it barely covers half of the average market rent. Again, this suggests the need to develop more locally appropriate policies and assistance levels (i.e. vary the allowance for different cost markets).



With rent frequently exceeding the shelter maxima and households having significant portions of basic allowance consumed by housing costs it is not surprising that assisted households continue to experience severe poverty, despite assistance from OW. It is also likely that as a result of multiple demand on the constrained basic allowance many recipients incur rental arrears and become identified as high risk tenants, making it more difficult to access housing (because of impaired credit worthiness and lack of references) .

The response to this problem would be to reform the shelter maximums in OW/ODSP and index these to actual change in market rents. The Mayors Task Force on Homelessness in Toronto in 1999 recommended this approach and suggested that the shelter maxima might be based on 85% of average market rent (for a range of family suitable unit sizes) – data readily available from the annual CMHC rental market survey.

Inadvertent conflicting impacts of housing assistance

While improving housing affordability can have many positive impacts and can be an effective way to help reduce poverty, affordable housing does not always, nor automatically, produce positive benefits. As suggested earlier, subsidized housing approaches can have negative and reinforcing effects on poverty. The most obvious is when housing assistance causes low-income households to concentrate in a particular geographic area, especially one that is already deprived of economic opportunity.

For example, constructing large assisted-housing developments and locating these in isolated areas distant from employment options, community services or good schools can reinforce



poverty. This has not been as serious an issue in Canada as it was in a number of US and European cities – especially the UK where large public housing “estates” were constructed on the urban fringe (so called peripheral estates).

Providing rental assistance can also lead to concentrated poverty, as recipients often seek to locate in low-cost housing which is often in deprived and poor neighbourhoods, and this emulates the effect of constructing larger scale social housing with constrained income eligibility– creating and reinforcing concentrations of poverty.¹³

The design of assistance mechanisms and how they interrelate and interact with income assistance and city planning/neighbourhood regeneration objectives is critically important.

Poorly designed or uncoordinated programs can inadvertently create very high marginal tax rates (claw-back of benefits) because OW benefit levels are reduced to reflect increased earnings. For example, the use of the rent-geared-to income scale in social housing taxes each incremental dollar at a 30% rate. Similarly a family receiving OW assistance, with some earning levels just exceeding minimum allowable earnings under OW criteria triggers a \$1:\$1 reduction in benefit levels. Trying to earn an income can leave both of these hypothetical households worse off, thereby creating an unemployment trap.

¹³ There are also examples of positive impacts in using rental assistance as a way to broaden choice for low-income residents and when delivered in a managed context can help poor households relocate into better neighbourhoods where schools, services and employment opportunities may be better. The US “Moving to Opportunity” (focused on helping tenants of poor inner city public housing relocate out to other areas) demonstration initiative has documented success in this approach. Toronto’s Street to Homes Program has had similar success as did their Tent City relocation program.



Issues in the overlap of OW and Social Housing

A number of additional issues arise when OW recipients live in social housing. This overlap tends to reinforce disincentives to work, and thus perpetuates dependence on income assistance.

The first is the challenge, or conundrum of determining both overall OW benefit amount and the process by which rent levels are determined.

- In welfare programs (and OW in particular) the total allowance is an amalgam of basic support, some special funding elements and a shelter allowance. The shelter allowance is a variable and has a maximum value. It is paid only up to the lesser of actual rent or the maximum. So when a household is successful in finding a rental unit at less than the maximum, they do not retain the additional amount, instead the total benefit is reduced (and thus there is no economic incentive for a recipient to seek a unit at a rent less than the maximum – perhaps a moot point as few units exist at such low rents).
- Meanwhile, to calculate a rent-geared-to-income (RGI) rent in social housing, total income must be known (and the RGI percentage, now usually 30%) applied against this total gross income). But, for social welfare recipients total income is a function of the actual rent. In a spreadsheet this would be a circular reference and is unsolvable.

To solve this conundrum, when welfare recipients live in social housing, rents are set administratively at a fixed level. Historically, provinces were motivated to set these at low levels as older social housing programs had a 75% federal contribution (compared to 50% under the former Canada Assistance Program).

In Ontario, for social assistance recipients living in social housing the difference between the administratively set rents versus the legislated shelter maxima is between \$260 and \$383 (and higher for larger households).

ONTARIO COMPARISON OF WELFARE SHELTER ALLOWANCE AND SOCIAL HOUSING RENT				
Unit type	Household type	Maximum Shelter allowance (2007)*	Social Assistance Rent **	Difference
Bach	Single	349	85	264
One-bed	Couple	549	175	374
Two-bed	Lone parent and child (<13)	549	191	358
Two-bed	Couple and child (<13)	595	212	383
Three-bed	Lone parent and two children	595	226	369
* Maximum allowance for rent provided under Ontario Works (social assistance) ** Rent charged to social assistance recipients living in social housing Shelter Max from MCSS; Social Housing Max from SHRA Reg. 288				



This is especially an issue in Ontario where housing subsidy is paid by the municipalities while the cost of social assistance is funded mainly by the province (although municipalities pay 20% of this cost).

This essentially means that municipalities are funding the cost of income assistance, which is a redistribute form of assistance and should more appropriately come through an income tax funded system, not a municipal property tax base.

The more critical issue, though, is the disincentives this rent setting practice creates.

For the OW resident living in social housing they pay the rent charges according to the schedule above (e.g. a single parent in social housing would receive and pay only \$191; a similar single parent living in private rental would receive up to \$549. Although the two families are both immune to this difference, because the OW program only pays their actual cost (\$191 or \$549 and it all flows directly to a rent payment, this does create a negative optic – because the social housing tenant perceives the new (likely higher) RGI rent increase is coming directly from their new earnings.

Moreover, for the non-social housing person that moves back to work, they lose the OW shelter benefit but, replace this with earnings, and their rent does not change; the social housing parent, if they were to return to work, would see the rent set at 30% of gross before tax income. So any earnings above \$160 per week ($\$191 / .30 / 4 \text{ weeks}$) will result in an increase in rent, with 30% of each incremental dollar also being clawed back. Fixed low rents rather than income based rents would be an option to reduce this problem

Conversely, if their social housing rent was initially set (while on OW) at the shelter max (\$549) this would represent a reduction in rent and be a positive inducement to return to work.

Housing could also be designed as a transitional benefit – with basic allowance withdrawn as OW recipients return to work, but the shelter component retained and more slowly reduced (similar to the Irish RAS program). This approach provides residential stability and security while returning to work and ensures that housing as the largest expense is not a deterrent to their efforts to earn an income.

Low administrative rents undermine viability of social housing

Another consequence of the method currently used (and now embedded in the legislation that regulates administration of social housing – the Social Housing Reform Act) to set OW rents in social housing, is that these minimal rents result in minimal revenues. Project owner/operators – either non-profit corporations or municipal housing corporations are required to fund operating expenses and capital replacement expenses from rent revenue and subsidy. The low rent revenues from OW recipients both increase subsidy costs (to municipal “service managers”) and are insufficient to support necessary capital replacement in many aging developments, placing assets at risk.



Reforming the rent setting policy would both correct the problem of the work disincentive and help to facilitate necessary improvements to the assets

Impact of OW caseloads on the measurement of housing need

A final issue especially relevant to establishing indicators to measure progress in poverty reduction is the influence that OW case loads have on a number of housing need measurements. As noted earlier, because of the relative size of the basic allowance and shelter allowance components of OW/ODSP. A statistic that seeks to monitor the number of households experiencing high shelter cost burdens (such as paying more than 30% or more than 50% of income for housing) will capture shifts in welfare case loads.

To avoid these distortions it is important in developing indicators and data collection to create a separate variable to identify and where appropriate remove OW recipients from the data (e.g. focus on the progress among working poor and separately examine progress enabling welfare recipients to successfully return to work).

The way housing need is measured impacts on monitoring the success of affordable housing initiatives and investments. It may also on measuring outcomes of welfare benefit reform. It is important to separate the two sets of measures (and thus better reveal causality and effect of specific policies).