HOUSING, HOMELESSNESS AND POVERTY*

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SUMMARY

In 2014, an estimated 137,000 people, or about one in 208 Canadians aged 18 or older, stayed in an emergency homeless shelter. While addictions and mental illness can contribute to homelessness, evidence suggests that the majority of people who resort to using homeless shelters do so because they are poor. Public policies that reduce the cost of housing for those with low income would reduce these numbers and reduce the number of Canadians who annually experience the debilitating effects of homelessness.

A high proportion of rent-to-income is a key contributor to homelessness. People who find that rent eats up so much of their income that they can’t afford other necessities will often try their luck doubling up with relatives or friends or temporarily using a city’s shelter system. Anything that influences the rent-to-income ratio – from income support programs, to tax policies affecting the costs of new construction and the costs of maintaining or rehabilitating old buildings, to zoning and density restrictions – will therefore have a significant influence on the rate of homelessness. Recognizing this opens a wide range of policy options and exposes all levels of government to the responsibility for initiating useful policy reforms.

Modest efforts to increase housing affordability via rent subsidies and enhanced income support have the advantage over the construction of public housing of maximizing choice and flexibility for those to whom assistance is provided. If the great majority of people experiencing homelessness do so because of poverty, it may be best to address that issue directly with increased levels of income support.

* This note is based on a contribution I was invited to make to the Poverty Reduction Workshop held in Gatineau in September 2017. Contributors to the workshop were limited to short presentations, no doubt to guard everyone from the tendency of professors to be slow to get to the point. At a reviewer’s suggestion, I have made some adjustments to the paper but have done my best to keep to the spirit of being concise.
What is the connection between housing, homelessness and poverty? This short note describes how research in the areas of poverty and homelessness establishes these connections.

It is difficult to identify the number of people experiencing homelessness. This is partly because of disagreements over what it means to be homeless but mainly because unless someone experiencing homelessness stays in a shelter, they are difficult to enumerate.¹ We do, however, have a reasonably good idea of the number of people who have used homeless shelters. In 2014, an estimated 137,000 people, or about one in 208 Canadians aged 18 years and above, stayed in an emergency homeless shelter.² In 2016, 15,409 permanent beds were provided in 401 emergency shelters. The provision of emergency shelter beds varies widely across provinces, ranging from fewer than six beds per 100,000 adults in P.E.I. to over 96 beds per 100,000 adults in Alberta. The provision of emergency shelter beds also varies greatly within provinces. For example, in 2016 there were 1,959 emergency shelter beds available in Calgary but only 760 were available in Edmonton, a city with a population very similar to Calgary’s.³

The factors contributing to persons experiencing homelessness are recognized as many and varied.⁴ A useful way of framing investigations into these factors is to characterize them as being associated with so-called structural factors (the state of labour markets and changing housing market conditions, for example) on the one hand and the personal characteristics (drug addiction and mental health issues, for example) of those experiencing homelessness on the other. The structural framework has found greater emphasis in recent research in part because the growth of homelessness is a relatively recent phenomenon not easily associated with a growth in addiction or mental health conditions.⁵ I use the structural approach to understanding homelessness to frame my discussion here.

A greater emphasis on the role of structural factors is due to the growing appreciation that the majority of those experiencing homelessness do so for only short periods and so are likely to be using shelters because of poverty as opposed to issues related to addiction or mental health. This evidence is now well established. In a seminal paper, Kuhn and Culhane (1998) categorized homeless shelter users in New York and Philadelphia according to the frequency and intensity of shelter use. Contrary to what is perhaps a common stereotype, they found relatively few users of shelters did so for long periods of time. While these so-called “chronic” users of shelters filled about 45 per cent of shelter beds, they accounted for less than 10 per cent of all shelter users. Most people using shelters in those cities – approximately 80 per cent -- used shelters very few times and for very short stays. Examining high-frequency data available in Calgary (Kneebone et al., 2015) and in Toronto, Ottawa and Guelph (Aubry et al., 2013) confirms these results. A more detailed examination of newly available data for Toronto (Kneebone and Jadidzadeh (2018)) shows that these conclusions are also broadly applicable across shelter types – shelters provided for single adults, for families and for youth.

¹ Though not impossible. Point-in-time counts are used to enumerate people experiencing homelessness who do not stay in shelters. PiT counts tend to be expensive undertakings and so are rarely conducted more than once per year. Their accuracy is affected by weather conditions on the night of the count and the time of year chosen to conduct the count. For determining the sensitivity of changes in the number of people experiencing homelessness to economic and social conditions greater accuracy comes from relying on continuously available shelter counts.


³ Estimates of the number of emergency shelter beds provided in 2016 are from CANSIM Table 278-0016. These include shelters and beds provided for single adults, families and youth. Estimates of adult population (aged 18 years and over) are from CANSIM Table 051-0001. The data are for emergency shelters only and do not include transitional housing or violence against women (VAW) shelters.

⁴ For a survey of the myriad of factors contributing to homelessness, see Nooe and Patterson (2010).

⁵ For example, in his detailed history of the rise of homelessness in New York City, O’Flaherty (1998) notes that the timing of psychiatric bed closures and growing drug use correlates poorly with the rise of homelessness.
Recognition that the majority of those experiencing homelessness may do so for structural reasons suggests the need to pay greater attention to public policies affecting housing markets and income support. As Steven Raphael (2010) notes, the theoretical connection between homelessness, income and housing market conditions is straightforward: even if one can pay for the minimum quality of housing available in a city, if there is little income left over for other of life’s necessities (food, clothing, etc.) one might rationally choose to forgo conventional housing and try one’s luck doubling up with relatives or friends or temporarily using a city’s shelter system. Thus, to the extent that minimum quality housing is priced such that it would consume an extremely high proportion of one’s income, a person may become homeless.

For those experiencing homelessness due to structural factors, therefore, the combined effects of poor labour market opportunities, limited housing options and government programs insufficient to provide the income necessary to pay for that minimum quality housing make homelessness inevitable. This list of factors giving rise to homelessness is long and suggests that the list of potential policy responses is itself quite long and will likely vary by city and province.

Central to the structural explanation for homelessness are measures of income poverty and housing costs. Many factors influence these two measures. Rapid population growth and strong labour markets influence housing prices by increasing the demand for housing. Housing regulations and density restrictions constrain the supply of housing and so similarly increase prices. If strong economic growth fails to lift all boats, housing costs can quickly rise out of the reach of those at the low end of the income distribution. Changes in income distribution also play a role in determining the types of housing available in a city. If income is skewed toward the high end, housing options will differ from those available in a city with income skewed in the other direction.6

Public policy choices can thus be expected to influence the affordability of housing in a great number of ways. Interest rates and tax policies influence the housing market by affecting new construction costs, the costs of rehabilitating old buildings, and the costs of maintenance and building abandonment.7 The generosity and design of social assistance programs – including provisions for child care and health care – and the availability of rent subsidies and government-supported low-cost housing – should also be expected to play important roles by their influence on the income the poor have available to pay for rent. Raphael (2010) notes that more onerous local housing market regulation is associated with more homelessness because it is correlated with more expensive housing and more expensive housing is correlated with homelessness. His list of possible influences includes zoning restrictions, density restrictions, building standards and growth controls. Interventions like these are known to have influenced the disappearance of single-room occupancy hotels, boarding houses, trailer parks and other affordable housing options. Finally, public policy in the form of rent control is generally recognized as a double-edged sword. On the one hand, it offers protection to covered tenants but on the other, it tends to drive up rents as landlords respond by decreasing the supply of rental units.8

6 The widening gap between rich and poor is at the heart of the explanation O’Flaherty (1998) offers for why homelessness became a serious social issue only beginning in the 1980s. It is useful to note, however, that these considerations may also have a long-term impact that is conducive to helping those with low incomes. Thus, Olsen (2010) suggests that a hot housing market incents the private sector to build newer housing, leaving older housing units behind and available at a lower price.

7 See, for example, the discussion in a study by TD Economics (2003) of the impact on the provision of rental housing units of a 1972 change in the tax deductibility of certain costs associated with the construction and renovation of rental accommodations. These reforms reduced the appeal of investing in rental properties.

8 See, for example, Diamond, McQuade and Qian (2017) for a recent study of rent control in San Francisco. The authors find rent control caused a long-term reduction in the supply of rental units as landlords converted units to condos or by redeveloping buildings. Although existing tenants benefited from rent control, future potential renters suffered a large welfare loss.
The literature on the effects of local housing regulations on housing affordability is interesting because it may go some way to explaining why the perceived need for shelter beds differs between Canadian cities that might otherwise appear so similar. Some evidence on this possibility is available from a report by TD Economics (2003). Using data from 2002, the report provides information that allows one to identify what percentage of the total cost of building a modest rental apartment is due to local infrastructure charges, application fees and building permits. These local charges ranged from a low of 1.7 per cent of total cost in Montreal to a high of 11 per cent in Ottawa. In a study using U.S. data, Malpezzi and Green (1996) show that moving from a relatively unregulated to a heavily regulated metropolitan area increases rents among the lowest income renters by one-fifth and increases home values for the lowest quality single-family homes by more than three-fifths. The largest price effects of such regulations occur at the bottom of the distribution in units that are disproportionately occupied by low- and moderate-income households. Finally, transportation costs are another barrier to affordable housing that impacts those on low incomes particularly hard as low-cost housing and places of employment are not necessarily near to one another.

Studies from the U.S. consistently report that rates of homelessness are higher in high-cost housing markets. The sensitivity is strong enough that authors have concluded that even modest efforts to increase the affordability of minimally adequate housing could have significant impacts on homelessness and reduce flows into emergency shelters. This literature emphasizes that modest efforts to increase housing affordability via rent subsidies and enhanced income support have the advantage over the provision of public housing because of the greater choice and flexibility subsidies and income support provide to recipients.

Margarita Wilkins and I recently investigated this issue using a cross-section of data from 2011 for 51 Canadian cities (Kneebone and Wilkins, 2016a). We found that, consistent with U.S. studies, relatively modest increases in housing affordability -- either via an increase in social assistance income or via rent subsidies -- are associated with a significant reduction in the need to provide shelter beds.

In a different research paper, Wilkins and I identified the affordability of housing for those with low incomes in Canada’s nine largest cities (Kneebone and Wilkins, 2016b). Those data, available from The School of Public Policy’s website, calculate the percentage of income that someone on social assistance must devote to paying rent on a unit identified as among the 20 per cent least costly in that city. We calculate this affordability ratio for different family compositions (singles, lone parents and couples with two children) and for different types of rental accommodations (studio, one-bedroom and two-bedroom apartments). Our results show that the affordability of housing for the very poor is not, and has not always been, uniformly bad in all cities and for all family compositions. In some cities, however, the affordability crisis has been very serious and prolonged and it shows little sign of abating. Our results also show that housing affordability is significantly better for families than it is for singles. In large part, this is thanks to the availability of federal and provincial child benefits. In Ontario in 2016, for example, these benefits provided 36 per cent of the total income provided to a lone parent with one child and 43 per cent of the income provided to a couple with two children.

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9 I know of no research along these lines in Canada. It is an important question to be pursued and may go some way to explaining why, for example, the stock of rental accommodations varies so widely across cities in Canada. For data on this, see Wilkins and Kneebone (2017).

10 See, for example, Metro Vancouver (2015).

11 See, for example, Quigley, Raphael and Smolensky (2001), Honig and Filer (1993) and Khadduri (2010).

12 https://www.policyschool.ca/publication-category/research-data/

13 See Tweddle et al., (2017), Appendix A.
Finally, our analysis highlights that jurisdictions that have kept housing affordable for those with low incomes – Montreal and Quebec City, in particular – have done so by increasing social assistance payments at a rate comparable to rates of increase in rents.

**KEY TAKEAWAYS**

- There is strong evidence to suggest that most people who use homeless shelters do so because of low and variable income.
- An affordable-housing strategy focused on helping those most at risk of homelessness could go some considerable way toward relieving social agencies and their provincial government funders of the need to provide shelter beds.
- Anything that influences the rent-to-income ratio will have a significant influence on the rate of homelessness. Recognizing this opens a wide range of policy options and exposes all levels of government to the responsibility for initiating useful policy reforms.
- The structural approach to understanding homelessness emphasizes that a focus on the housing market itself is just as important as focusing on the recipients of programs trying to connect to the housing market.
- Housing affordability for those with the lowest 20 per cent of incomes – those most at risk of homelessness – is not uniformly poor in all parts of the country. Policies intended to address the problem of housing affordability must therefore be tailored to the specific needs of each jurisdiction.
- Policy-makers need not focus too narrowly on just a few policy responses. Policy responses that have more subtle and less direct influences on the housing market than, say, the publicly funded construction of low-income housing, may have far more pervasive influences on the housing market and hence homelessness. What’s more, subtle policy responses may prove to be less costly to the public treasury and may avoid the potential for direct government provision or subsidization of housing units to result in reductions in the unsubsidized housing stock. Finally, it is worth emphasizing Burt’s (1993) conclusion that the causes of homelessness undoubtedly vary with the particular characteristics of each city and so policy-makers need to be flexible in their choice of policy instruments.
- Modest efforts to increase housing affordability via rent subsidies and enhanced income support have the advantage over the construction of public housing of maximizing choice and flexibility for those to whom assistance is provided. If the great majority of people experiencing homelessness do so because of poverty, it may be best to address that issue directly with increased levels of income support.

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14 For a list of possible policy measures aimed at the supply side of the market for affordable housing, see Steele and Tomlinson (2010). The authors helpfully list measures by what is available to each level of government in Canada.

REFERENCES


About the Author

Ron Kneebone is the Scientific Director of the Social Policy and Health research division at The School of Public Policy and a Professor of Economics, both at the University of Calgary. His current research examines the characteristics of Canadian federal, provincial and municipal fiscal policy choices, and the problems of homelessness and poverty.
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