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What does an actual housing allowance look like?

Manitoba's *Rent Assist* program

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INTRODUCTION

In 2015, Manitoba pioneered a brand-new type of housing program in Canada, called 'Rent Assist.' Rent Assist is unique in making housing affordable for almost every resident of the province – not, as in all other provinces and territories, only for a limited number of renters in subsidized units, nor, as in several other provinces, paying a few extra dollars to offset a small portion of their rent. Manitoba's Rent Assist housing allowance is designed so that renters in the private market pay no more than 28 percent of their income on housing, if they are renting a modestly-priced apartment (defined as 75 percent of median market rent).

Rent Assist offers the same financial benefit to everyone with low incomes in private market rental housing, whether on social assistance or not (in Manitoba social assistance is called Employment and Income Assistance, or EIA). Rent Assist has provided a new housing allowance for many among the working poor, while substantially increasing shelter allowances

for social assistance recipients. In 2017, Rent Assist helped meet the housing needs of approximately 24,000 households on social assistance and a further 7,000 non-social assistance households (data from authors' communication with officials); this constitutes roughly 30 percent of private market renters in the province.

In addition, Rent Assist differs from other housing assistance programs in Canada in the following respects:

- The Rent Assist benefit does not depend upon the amount of rent a recipient actually pays; rather, Rent Assist is set as a percentage of the current median market rent, so the amount a recipient gets depends solely on income, family size and residence in eligible rental accommodation;
- Rent Assist rates are set in legislation and increase automatically with median market rent, so if rents go up benefits increase, preventing benefits from being eroded by inflation (i.e., they are indexed);
- Rent Assist is available to everyone whether on or off social assistance; whether a family with children or an unattached individual; and without restrictions based on disability, age or employability;
- Rent Assist is a portable benefit, moving with the recipient, not attached to a housing unit; and
- There is no lineup to get on the program; anyone who is entitled can enrol with no pre-set ceiling on the number who can obtain Rent Assist.

Perhaps because of these features, the program is supported by all political parties in Manitoba. The program was initiated by an NDP government but has the continued commitment of the current Conservative government, while also being supported by the provincial Liberals.

Despite its path-breaking nature, the Manitoba Rent Assist program has had little attention outside of the province. The purpose of this article is to introduce the rest of Canada to Manitoba's Rent Assist program. Policy makers, housing advocates and others can learn from Manitoba's experience. Rent Assist is already a proven, practical model for a better, equitable and sustainable housing assistance program for all low-income renters in Canada. While Ottawa is currently reportedly pondering all sorts of options for some form of housing allowance, a working program already exists.

HOW DOES RENT ASSIST WORK?

Manitoba's Rent Assist program currently has two streams of benefits: one for households on social assistance and another for low-income renters not receiving social assistance. Benefits under the Rent Assist program are the same for both groups. But because of the complexity of social assistance rules, it has been necessary for the time being to maintain two streams. The long-run plan is eventually to have a single stream for all Rent Assist recipients, as administrative and other issues are resolved over time.

While social assistance recipients are automatically enrolled during their intake process, low-income renters not on social assistance must apply for Rent Assist and submit their previous year's income tax return and proof that they are renters. Benefit rates for both streams are based on 75 percent of private median market rents in Winnipeg, the province's largest city where over 85 percent of the province's primary rental units are located. Rates depend on household size and whether utilities are included as part of the rent, as set out in Table 1.

For social assistance recipients, Rent Assist replaces the maximum shelter benefit in social assistance, so long as the recipient lives in rental accommodation and does not receive other subsidies through Manitoba Housing. Residents in social housing are currently ineligible, although the long-term plan was to assess whether Rent Assist could replace rent-gated-to-income subsidies in social housing, to provide portability for those in social housing.

Rent Assist is an application-based and income-tested benefit for households not receiving social assistance. Those with total incomes below the thresholds in Table 1 are eligible to apply. For persons not on social assistance, benefits are calculated based on income as reported

for income tax purposes. Other conditions include Canadian citizenship or permanent residency, and proof that the household is renting, such as a lease or rental contract. Residents of First Nation on-reserve communities (since on-reserve housing is a federal responsibility), students on work or study visas and homeowners are ineligible.

Based on the applicant's previous year's income tax statement, 28 percent of net monthly income is deducted from the Rent Assist benefits in Table 1. For example, a single person renting an apartment with utilities included and a net annual income of \$15,000 in 2016 would be assessed as being able to afford to pay \$350 per month for their rent (i.e., 28 percent of \$15,000 divided by 12). With maximum rent for a single person at \$563 per month (as in Table 1), that renter would get a Rent Assist benefit of \$213 a month (i.e., \$563 minus \$350).

Since the Rent Assist benefit is calculated so that 28 percent of income plus Rent Assist is equal to 75 percent of the median market rent, the household's out-of-pocket rent expense up to 75 percent of the median market rent is never more than 28 percent of monthly income. This is an amount considered affordable according to CMHC's guidelines [see Pomeroy 2017 for a discussion of the concept of out-of-pocket rents in the context of Manitoba's Rent Assist program].

As noted, a unique feature of Rent Assist is that it varies with the median market rent rather than depending upon the actual rent paid by the recipient. This feature greatly simplifies the calculation of Rent Assist compared to previous housing allowance programs in Manitoba and those elsewhere in Canada. Since the benefit varies only with income and household composition – not with actual rent – individual households may have either higher or lower out-of-pocket rent expenses. Theoretically, out-of-pocket rent could even be negative – i.e., the subsidy could be higher than actual rent. In most cases, however, the

TABLE 1
Current Rent Assist Rates (as of July 1, 2017)

Household size	Rent Assist		Income threshold
	Utilities included	Utilities not included	
Single adult	\$563	\$495	\$24,129
Two adults	\$639	\$566	\$27,386
Family with children (two to four persons)	\$787	\$664	\$33,729
Five or six persons	\$980	\$770	\$42,000
Each additional person	\$25	\$23	

Source: Manitoba Assistance Regulation, Manitoba Order in Council. 162/2017. Schedule A.

actual rent paid by households will be higher than the 75 percent median market level, due to the limited availability of housing at less than 75 percent median market rent.

An update to rates occurs every July 1, based on the previous year's CMHC housing market survey. This predictable annual update removes an arbitrary element of rate setting that has been partly responsible for the continuous deterioration of welfare programs in most jurisdictions in Canada since the 1990s and earlier. As Ken Battle and Sherri Torjman argue, the absence of indexing of benefits has eroded the value of welfare benefits over time:

Welfare benefits are considered inadequate not only in absolute terms – that is, their actual value. They are also inadequate in relative terms because they are not indexed to increases in the cost of living. Increases tend to be spotty and erratic. While the cost of living has risen over the years, welfare benefits have been frozen or reduced in most jurisdictions [Battle and Torjman 2001].

The absence of indexing in most jurisdictions has allowed governments to cut the real value of social assistance every year without political debate or even any public acknowledgement. The easiest choice for most governments in most years usually is to maintain rates at constant nominal but declining real dollar values – i.e., social policy by stealth.

Manitoba, by contrast, is the first jurisdiction to establish in legislation an indexed increase in shelter rates for social assistance recipients and others with low incomes, through the legislated linkage of Rent Assist to median market rents. (Québec also indexes parts of its social assistance program, but through regulation so that changes can be made through Order-in-Council without legislative approval.) While indexing increases cost challenges for the provincial government, at least in nominal terms, security and stability of rate increases is a key feature of the success of the Rent Assist program.

THE WELFARE WALL AND RENT ASSIST

One of the most persistent arguments against raising social assistance rates has been that higher rates would be a disincentive for eligible workers to participate in the labour force. If rates are high enough to provide an adequate standard of living, the argument suggests, potential workers will drop out of the labour market, creating a burden on those who remain and leading to an escalating cycle of poverty and dependence. This anticipated problem is aggravated when combined wages and benefits for entry level work are lower than the benefits provided through social assistance – in which case, there is a 'welfare wall' that workers must surmount to escape dependence on the social assistance system. The welfare wall may include reduced real dollar incomes, loss of health coverage or other benefits, or increased costs

associated with working such as clothes, transportation or childcare – or a combination of all of the above [Torjman and Battle 1993].

Even if employment provides better opportunities and a higher standard of living in the long term, for persons at the margin of survival the risk of even a short-term drop in income or benefits may be sufficient to dissuade them from seeking employment. Economists might see this as a problem of incentives, but for those on the wrong side of the wall, it may be viewed as a problem of 'fairness'. A system which penalizes those who try to better their economic position is not only economically perverse but also unfair.

Typically, governments have responded to the welfare wall challenge with a combination of carrots and sticks. Social assistance may be restricted to those not seen as generally employable, such as persons with employment-limiting disabilities, parents with young children and seniors. The stick came in the form of sharp cuts to social assistance everywhere in Canada in the 1990s, so that rates for single employable adults became punitively low. In addition, conditions have been imposed which require participation in training or job-seeking programs and regular submission of progress to case workers.

On the 'carrot' side, most provinces decreased the amount of employment income deducted for those on social assistance who did find work. Working tax credits also provided an additional economic incentive, although mainly for those working part time. Raising minimum wage has made entering the labour force more appealing. The goal of all these measures is to ensure that full-time work provides a higher standard of living than social assistance in most cases.

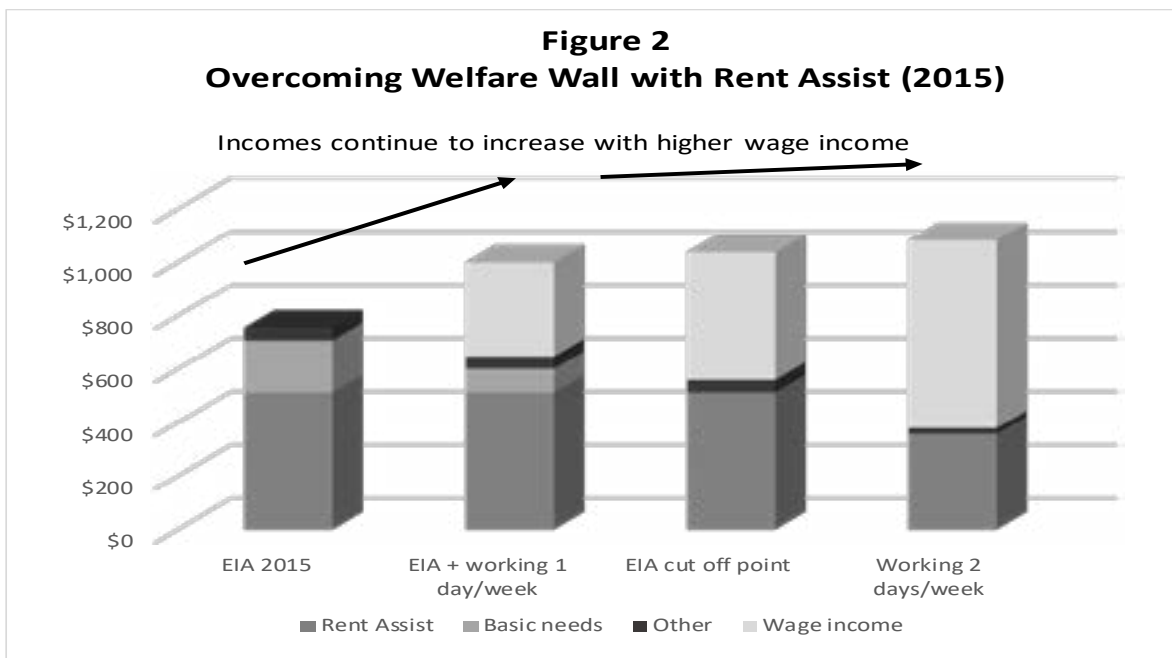
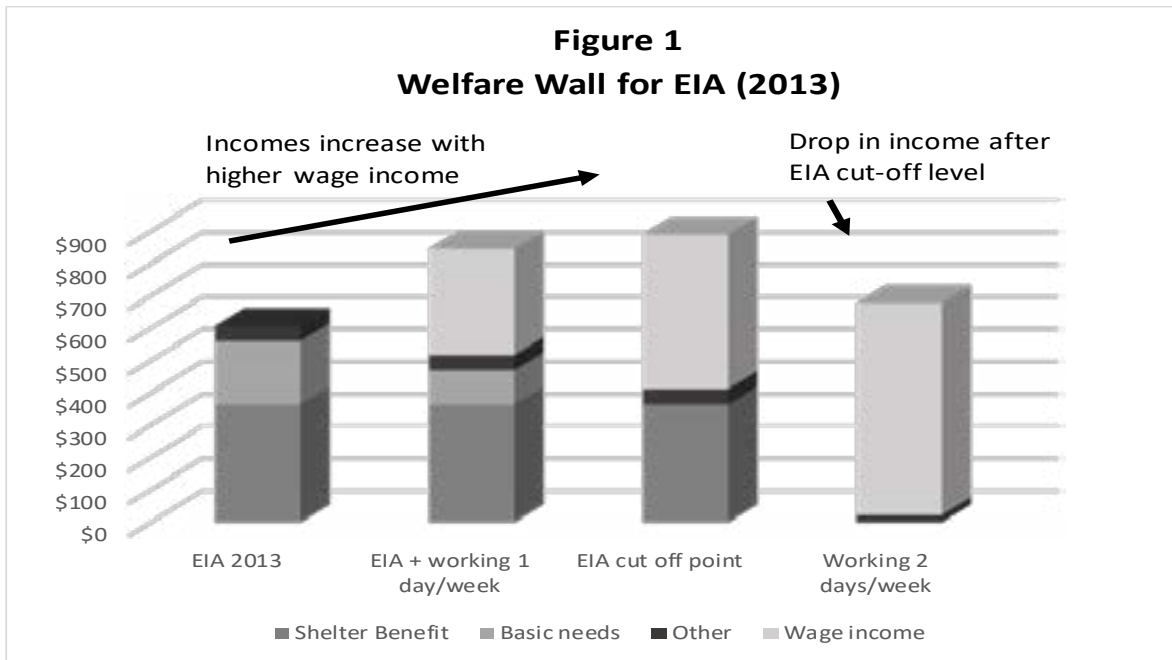
However, this approach leaves a significant segment of society living far below the poverty line. Low levels of social assistance make housing unaffordable for most recipients. As has been documented by the Caledon Institute [Tweddle, Battle and Torjman 2016], the real incomes of Manitobans receiving social assistance declined dramatically in the 1990s as they did elsewhere across Canada. Despite targeted and partial increases for some family types in the 2000s, incomes for all household types on social assistance remained far below their level of the early 1990s. The shelter portion of social assistance benefits had changed little for most household types for nearly 20 years even as housing costs increased substantially.

The restructuring of the labour market over recent decades has left gaps that have made the welfare wall more significant to an increasing number of potential workers. The rise in precarious work, especially in entry-level positions, means that permanent, full-time employment is no longer the standard for all workers. Even though minimum wages in Manitoba increased substantially between 2000 and 2015, this factor did not prevent some part-time workers from experiencing a drop in income upon leaving social assistance. The potential for a welfare wall rises

when many workers may be in part-time employment, with few or no benefits, for extended periods.

Rent Assist helps lower the welfare wall by providing a portable financial benefit for all renters which continues when a social assistance recipients goes into part-time or full-time work – depending only on

income. Figures 1 and 2 illustrate the combined provincial and federal benefits and wage incomes of a single individual not working compared to working one and two eight-hour days per week at minimum wage, before and after the introduction of Rent Assist. As can be seen, Rent Assist has effectively lowered the welfare wall so that, in both cases, the recipient is better off even in part-time work.



RENT INFLATION

As noted, increasing shelter benefits will not do tenants any good if rents go up and absorb the higher shelter benefits. Pomeroy warned of “a tendency for rent maximums to become a floor in social assistance programs,” especially for the singles portion of the rental market. Evidence from the US housing voucher program indicated that some housing allowance systems are associated with rent inflation [Pomeroy 1998]. In Manitoba, possible rent inflation was a concern of both policy makers and low-income renters.

The experience in the US may not be applicable to Canada because of unique design aspects of their housing programs and their housing market. However, empirical research on housing allowances in Canada is limited and may also not be applicable to the Rent Assist program.

All these previous Canadian housing allowance programs were narrower and more limited than Rent Assist. In Manitoba, RentAid, the immediate predecessor program to Rent Assist, was capped at a maximum of \$230 per month, and was available only to families, seniors and persons with disabilities. Québec’s shelter allowance is available only to those over 50 years of age or those with a dependent child and is a maximum of \$80 a month. BC’s program is limited to persons over 60 years of age or households with dependent children.

Analysis of the housing allowance programs in Manitoba (before Rent Assist), BC and Québec since the 1980s found that these housing allowances have not resulted in rent inflation either for recipients or for the housing system as a whole [CMHC 2006]. One explanation may be the ‘shopping effect,’ where tenant responsibility for a share of the affordability gap provides an incentive to be active in obtaining the best possible rents. Pomeroy and colleagues frame the argument as follows: “When poorer people begin acting like consumers in the housing market, they bring competitive forces to bear on landlords, and help to stop rent inflation” [Pomeroy et al. 2008]. These conditions discourage rent increases and encourage tenants to shop or negotiate to maintain affordable rents. Nevertheless, housing allowance programs prior to Rent Assist did decrease the marginal cost of higher rents for some recipients within certain income and price ranges. These programs limited the extent to which the ‘shopping effect’ restrained rent increases.

In contrast to these previous programs, Rent Assist provides tenants 100 percent of the incentive to resist rent increases. Because Rent Assist housing allowances do not vary with the actual rent the tenant pays, the

entire saving from reduced rent goes to the tenant – and, equally, the entire impact of a rent increase falls on the tenant. While Rent Assist offers much larger subsidies than other provinces’ housing allowance programs and every renter is potentially eligible, the potential inflationary effect on rents is limited by Rent Assist’s functioning as a supplement to income rather than as a price reduction on rent. In practice, education of tenants about Rent Assist was an important part of introducing the new program, so that renters would understand that they would benefit fully from rent reductions and pay the full extra cost of higher rent.

Empirically assessing the actual impact, to date, of Rent Assist on housing markets in Manitoba is difficult for several reasons. Unlike earlier programs, there is no administrative data on the actual rent paid by Rent Assist recipients. Second, housing markets are affected by various pressures, including changes in the economy, migration and other demographic forces. Manitoba’s economy was doing well and the population was increasing when Rent Assist was introduced, so there were likely upward pressures on rents in any case. Third, there is no unitary rental market across the province, but rather local markets responding to different pressures. Finally, it is in any case likely too early to assess the longer-run effects of the Rent Assist program.

An analysis of the rental market since the introduction of Rent Assist provides ambiguous results about whether there has been a significant increase in rents at the lower-priced end of the market (and, of course, tells us nothing about the cause of price changes).

Table 2 shows the Winnipeg rental market by quartile and bedroom type. Since Rent Assist rates are targeted at 75 percent of median market rent, it is likely that the impact of Rent Assist would be felt most strongly on the least expensive quartile of units in each bedroom type. Comparing changes in the first quartile to the median in each bedroom type provides an indication of whether there has been a more rapid increase in price at the lower end of the rental market compared to the median end.

Between 2013 and 2016, the cheapest quarter of bachelor units increased by 4 percent per year, while the median bachelor units only increased by 3.4 percent. For one-bedroom units, the inflation rate was almost identical at 4.4 percent and 4.3 percent for first quartile and median respectively. Two-bedroom units had the largest differential of 4.8 percent compared to 3.9 percent. Rents on units with three or more bedrooms increased by 3.8 percent and 3.4 percent annually. None of these differences are large enough to provide significant evidence of an inflationary effect of Rent Assist.

	2013		2016		Increase per year	
	1st quartile	Median	1st quartile	Median	1st quartile	Median
Bachelor	\$470	\$558	\$529	\$650	4.0%	3.4%
1 Bedroom	\$637	\$750	\$725	\$852	4.4%	4.3%
2 Bedroom	\$800	\$933	\$922	\$1046	4.8%	3.9%
3 Bedroom +	\$984	\$1153	\$1100	\$1275	3.8%	3.4%

Source: Canada Mortgage and Housing Corporation (CMHC): Comprehensive Rental Market Survey Tables

CONCLUSION

Manitoba's Rent Assist program is Canada's first 'universal' housing allowance – a housing allowance available to all low-income households equally. Manitoba households not on social assistance but with very low incomes saw big improvements in housing affordability due to Rent Assist – in both the amount of housing allowance available and in take-up rates.

But Rent Assist also provided a major boost in income for social assistance recipients as shown in Table 3 – the first such increase in many decades. Shelter benefits on social assistance increased between 40 and 72 percent depending on family type. Rent Assist has

therefore provided a viable mechanism for a substantial increase in social assistance incomes through a broad-based program available to all households. For those looking for a poverty reduction strategy, or at least a poverty alleviation strategy which can unfreeze social assistance incomes and be politically sustained, a Rent Assist program should be considered. It is possible to raise welfare incomes without increasing welfare rates.

Of course, increasing benefits means that government costs increased. A recently released review of government programs, conducted by KPMG, found that the replacement of Rent Aid with Rent Assist has cost \$72.9 million since 2013-14, including \$55 million on the social assistance

Household types	Social assistance shelter benefits			Increase
	2013	2014	2015	
Single adult	\$365	\$435	\$513	\$148
Single adult (disability)	\$365	\$435	\$513	\$148
Single parent (two children)	\$430	\$480	\$742	\$312
Two parents (two children)	\$471	\$521	\$742	\$271

Source: The Manitoba Assistance Act, Assistance Regulation, 404/88 R and The Housing and Renewal Corporation Act, Manitoba RentAid Regulations, 148/206

stream and \$17 million on the non-social assistance stream [KPMG 2017]. This amount represents approximately 5 percent of Manitoba's broader social assistance and related expenditure as reported in its 2016-17 Public Accounts – just over a quarter of the total increase over this time frame [Manitoba 2014;2017]. This increase in costs is partly a direct result of the increase in benefit levels. However, there has been a rise in caseloads over the same period, which has been mirrored in Ontario, Saskatchewan and Alberta [Caledon 2017]. In an effort to stem costs, the Progressive Conservative government introduced a number of adjustments to Rent Assist in July 2017. Most significantly, they increased the out-of-pocket rent contribution from 25 percent to 28 percent, reducing benefits for households by up to \$100 per month. A statement from the department argued that these changes were necessary “to ensure the Rent Assist program ... is financially sustainable.”

Even with these changes, Rent Assist remains the most universal and effective housing allowance program in Canada. While costs have increased, the program is nonetheless affordable. Even with Rent Assist, the total cost for social assistance and rental support programs represents just over 3 percent of Manitoba's provincial budget. Moreover, looking at cost only is a poor metric for evaluating income and housing programs. The benefits also have to be considered, including better health, more opportunity and improved quality of life for tens of thousands of Manitoba's most vulnerable residents.

One of the great advantages of Canadian federalism is that it allows jurisdictions to innovate and experiment. Federalism provides an opportunity to test out new ideas in one or two provinces and, if they work, to have them adapted and adopted in other provinces – and then sometimes to become national. Medicare is the well-known example of diffusion of a program by one province through to all of Canada. The much less well-known 'secret' history of our current system of income-related child benefits is that it was an idea first brought forward in Quebec, proposed by Ontario and then finally adopted by BC before becoming a national strategy.

But this possibility of social innovation and experimentation is only as good as the information flow among jurisdictions. In this paper, we are attempting to help correct the lack of information to the rest of Canada about a successful innovative housing program already implemented in one province – in the hope that it might be instructive and seriously considered in other provinces and territories and, who knows, perhaps nationally one day.

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