FACT SHEET

Demand-side housing support is just as critical as housing supply for people with low incomes

Why income support is good housing policy

The problem

Too many people with low incomes can't find an affordable place to live. While expanding Canada's housing stock will improve affordability in the long term, especially the stock of social housing, we simply cannot wait years for these efforts to become a reality. In the meantime, income is the only thing that will pay the rent.

This fact sheet highlights key insights from *Why income support is good housing policy: A new case for a permanent housing benefit in Canada*, exploring why stronger income supports are an essential part of housing policy for people in need.

Read the full report: https://bit.ly/455jTha.

Private market supply will never create enough affordable units for people with low incomes

Almost 9 in 10 renters live in market housing, where asking rents have climbed significantly. In 2022, about 34 per cent of renters who lived in market housing spent more on their rent than what's considered affordable, compared to 25.4 per cent of renters who lived in social and affordable housing and 16.1 per cent of owners.[1]

To improve affordability, governments across Canada have focused on increasing the supply of market rental housing based on the belief that more of it will eventually drive down rents for everyone.[2] And while average rents are beginning to cool, they're still far out of reach for people with low and moderate incomes.[3]

The reality is that the market will never set out to build housing that is affordable to people with low incomes because that would limit profits. Plus, rent increases for new builds often don't have limits, making the situation worse for new renters. Even CMHC has said that other policies beyond just supply are needed for people with low incomes.[4]

Expanding social housing is critical, but people need support now

The other roughly 10 per cent of renters live in non-market housing, including social housing. Unfortunately, there isn't enough of it – hundreds of thousands of families are on waitlists across Canada, waiting for about four years on average.[5]

Many housing experts have called on Canada to at least double the stock of social housing to bring us closer to the OECD average.[6] But even if governments commit to such an ambitious target, it could take the better part of a decade or longer to complete.[7]

Income support would help people immediately afford their rent

Income support has a long history as a demand-side housing policy that can urgently help people with low incomes afford their rent. For example:

- Provinces and territories spend about $18 billion a year on social assistance programs, most of which goes to helping people pay rent.[8]
- Core housing need dropped markedly during the pandemic, largely because of temporary income supports that helped lower-income renters afford their rent.[9]
- Having more income is the most cited reason for why people exit homelessness.[10]

We need to challenge concerns about higher income supports

Concerns that demand-side supports end up with landlords instead of tenants, and that landlords may raise their rents in response, are overstated.

An income support for rental housing can be designed and delivered so that landlords don't know the value of the benefit. Ultimately, the worry that landlords will capture some its value shouldn't outweigh the goal of getting people housed.

Stronger policies that regulate rents can also help prevent rents from being raised significantly. And despite the hesitance around stronger rent control, there is no evidence to suggest that Canadian jurisdictions with rent control have reduced rental starts.[11]

And while some are skeptical of raising income supports in general, thinking that they discourage work, the reality is that the current system is far too inadequate to have this effect – it often leaves people in deep poverty.[12] Work, if it's an option, is a much better deal.

Importantly, life is not as simple as a single incentive. People can have physical, mental, social, skill, and many other barriers to work, and face a precarious labour market with few decent jobs that may be suited to them.

It's clear that we need to create a demand-side housing benefit to complement supply-side efforts for people in need. What we need now is to act.

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1 Statistics Canada. (2024). *Housing affordability in Canada, 2022*. https://www150.statcan.gc.ca/n1/daily-quotidien/240910/dq240910b-eng.htm.

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5 See Canadian Housing Survey Data Tables, Table 11.0 Number and Percentage of Households on a Waitlist for Subsidized Housing. https://bit.ly/4dlFtQP.

6 Young, R. (2023). *Canadian Housing Affordability Hurts*. Scotiabank Economics. https://bit.ly/4iWl0TH.

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8 Authors' calculations based on data compiled by Open Policy Ontario from provincial public accounts.

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12 Laidley, J. & Tabbara, M. (2023). *Welfare in Canada*. Maytree. maytree.com/wp-content/uploads/Welfare_in_Canada_2023.pdf

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