

## EXECUTIVE SUMMARY



# Modernizing core housing need

Why the key indicator in Canadian housing policy needs a refresh

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This executive summary provides key highlights of the report, “Modernizing core housing need: Why the key indicator in Canadian housing policy needs a refresh.” Please read the full report for the complete analysis.

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### **About Maytree**

Maytree is committed to advancing systemic solutions to poverty and strengthening civic communities. We believe the most enduring way to fix the systems that create poverty is to ensure that economic and social rights are respected, protected, and fulfilled for all people living in Canada. Through our work, we support non-profit organizations, their leaders, and people they work with.

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# Introduction

In Canada, the federal government and its agencies use a concept called **core housing need** to measure how many people face challenges finding housing that is affordable, adequate, or suitable. Housing is considered unaffordable when it costs 30 per cent or more of before-tax household income, inadequate when it needs major repairs, and unsuitable when there aren't enough rooms to fit the size and make-up of the family.

Core housing need is not just a theoretical concept or rule of thumb: it has practical implications for people, too. Core housing need is increasingly being used in housing policy—to measure progress against the federal government's National Housing Strategy and to determine eligibility for housing programs for people with lower incomes.

With its prominent use, it would be reasonable to assume that core housing need shows an accurate picture of Canadians' housing cost burdens and the quality of our housing stock. Yet, upon closer examination, the measure is disconnected from reality.

In our new report, “Modernizing core housing need: Why the key indicator in Canadian housing policy needs a refresh,” we take a deep dive into what core housing need means, what it measures, and how it stacks up against best practices. We also examine how Canada has changed since core housing need was initially created. In addition, we discuss how the involvement of provincial, territorial, and local governments in housing policy has complicated the design and application of programs targeting people in housing need, with programs often working at odds with each other for competing purposes.

Taken together, our analysis demonstrates that the current definition and use of core housing need does not always reflect the realities people face. It also should be updated to align with a human rights-based approach to adequate housing, as set out in the *National Housing Strategy Act, 2019*.

Based on an examination of the strengths and limitations of core housing need, including where and when it may be appropriate to use in policy, we conclude by providing recommendations to the federal government to give core housing need a much-needed refresh.

[Find the full report with recommendations here.](#)

# What you'll find in the report

## A deep dive into the components of core housing need

Statistics Canada and the Canada Mortgage and Housing Corporation (CMHC) calculate core housing need by estimating the number and proportion of Canadian households who:<sup>1</sup>

1. Live in housing that is **not acceptable**. Housing is not acceptable if it does not meet the CMHC's criteria of **adequacy, suitability, or affordability**; **AND**
2. **Cannot find an acceptable alternative dwelling within their means**. Those who cannot find an acceptable alternative dwelling are households who would have to spend 30 per cent or more of their before-tax household income (i.e., defined as the combined income of each member of the household before personal income taxes and government transfers) to access an **acceptable alternative dwelling**.<sup>2</sup> An acceptable alternative dwelling is one where a household can access an alternative home in their area that meets the CMHC's standards of adequacy, suitability, and affordability.

The report further expands on what each of these components mean and how they come together to determine who experiences core housing need.

## Key trends about people living in core housing need

### 1. The overall core housing need rate decreased in 2021, but this drop is misleading

According to the Census, almost 1.5 million Canadian households lived in core housing need in 2021. This represents an overall rate of 10.1 per cent—a 2.6 percentage point decrease from 2016.<sup>3</sup>

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1 A household means a person or a group of people who live in the same place and do not have another place in residence elsewhere.

2 The CMHC determines the cost of an acceptable alternative by using the median market rent for a unit with the number of bedrooms needed as reported in its annual Rental Market Report. When rents cannot be estimated, the CMHC estimates the monthly carrying cost of a newly constructed home with the number of bedrooms needed.

3 Statistics Canada. (2022). "To buy or to rent: The housing market continues to be shaped by several factors as Canadians search for an affordable place to call home." *The Daily*. Accessed at: <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm>.

The decline in core housing need coincided with the timing of temporary income supports provided to help with the impacts of COVID-19, such as the Canada Emergency Response Benefit (CERB). Since total incomes among lower-income households were generally increased from these supports, the effect on core housing need was that fewer households spent 30 per cent or more of their incomes on shelter costs. Although shelter costs also increased during this time, the higher level of income support provided helped to offset these costs, particularly among the renter population.

This trend shows that the affordable housing component of core housing need is more sensitive than its other two components and can be greatly impacted by changes in income support policy. It also indicates that core housing need is more reflective of a household's ability to pay for housing, rather than housing quality.

## **2. Renters are more likely to experience core housing need compared to homeowners**

In 2021, Census data shows that renters were nearly four times more likely than homeowners to be in core housing need. This is particularly the case in cities with larger renter populations, such as Montreal, Toronto, and Vancouver.<sup>4</sup>

This trend also holds over time. A recent study by researchers from the CMHC found that about one-third of renters remained in core housing need during census cycles (five years), whereas only one-sixth of homeowners remained in this category.<sup>5</sup>

## **3. Core housing need rates are higher for certain groups**

Renter status and region are not the only factors that increase the likelihood of experiencing housing challenges. Analyses show that households who are not in couple families (i.e., lone-parent and lone-person households), are led by women, include people with disabilities, are racialized, or are Indigenous tend to experience higher rates of core housing need compared to the broader Canadian population.<sup>6</sup>

## **4. The overall core housing need rate is likely an underestimate**

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4 Ibid.

5 Canada Mortgage and Housing Corporation. (2021). "Transitions Into and Out of Core Housing Need." *Research Insights*. Accessed at: [https://publications.gc.ca/collections/collection\\_2021/schl-cmhc/nh18-33/NH18-33-37-2021-eng.pdf](https://publications.gc.ca/collections/collection_2021/schl-cmhc/nh18-33/NH18-33-37-2021-eng.pdf).

6 Blueprint. (2022). "Analysis of Affordable Housing Supply Created by Unilateral National Housing Strategy Programs." *Prepared for the National Housing Working Group on Improving the National Housing Strategy*. Accessed at: <https://assets.cmhc-schl.gc.ca/sites/place-to-call-home/pdfs/analysis-affordable-housing-supply-created-unilateral-nhs-programs-en.pdf>.

Our understanding of the number and proportion of people in core housing need is limited by the measure itself.

For example, the calculation of core housing need is currently based on people who live in private households only. A private household is a specific Statistics Canada term that refers to a person or a group of people who live in the same dwelling.

Although most people fall into this category, private households exclude many likely facing housing challenges. For example, people experiencing homelessness and people who live in a rooming house are not considered private households. On-reserve communities and households whose costs are paid through band housing arrangements are also not counted, since their shelter costs cannot be determined through survey questions.

In addition to technical design exclusions, the CMHC removes households with younger students (i.e., one or more people under age 29 attending school), since their housing challenges are considered temporary.

As a result, core housing need likely underestimates how many people face housing challenges in Canada, including what these challenges may be.

## **5. An “acceptable alternative” is highly subjective and may have a bigger impact on core housing need than we think**

Removing people from core housing need who have access to an “acceptable alternative” assumes that the CMHC’s definitions of affordable, suitable, and adequate housing are complete and the most important factors a household considers when making decisions about where to live. Yet this may not be the case if the acceptable alternative is not located near transit, does not meet accessibility needs, or is in a basement with little access to light. This acceptable alternative may also charge a higher rent, as some provinces do not have controls over what can be charged between tenancies. As such, it is likely that fewer people have access to an acceptable alternative than what the CMHC thinks.

## **Background on the problem: Core housing need isn’t a good fit for all policies and uses**

While core housing need may be useful in certain circumstances, it isn’t a catch-all measure for policy.

For example, core housing need is one of the main tools being used to evaluate the progress of the federal government’s 10-year, \$80 billion+ National Housing

Strategy (NHS). However, the measure is not aligned with many of the NHS program goals, since it mostly reflects a household's willingness or ability to pay for housing, rather than the condition of Canada's housing stock.

The affordability component of core housing need is also being used to determine the level of government financial support that should be provided for lower-income renters. In contrast with other uses of core housing need in policy (e.g., to determine program eligibility), this one is generally positive because it results in the benefit being more equitably delivered. In Ontario, for those who are eligible to receive the Canada-Ontario Housing Benefit, the benefit pays the difference between 30 per cent of the household's before-tax income and the average market rent in the area. As such, lower-income households would receive a higher level of benefit compared to those paying just slightly more than 30 per cent of their income on rent.

## **Details on social and economic shifts that make core housing need less reflective of society**

The concept of core housing need was originally developed in the mid-1980s. Economic and social shifts have since taken place that are not reflected in what we currently consider to be affordable, suitable, or adequate housing.

Consider the following:

- The cost of necessities is much higher than was the case in previous decades.
- Renting has become a more prominent feature of Canada's housing landscape, indicating that policymakers need to have better information on the specific challenges related to the cost and quality of rental housing.
- Rents are increasing at a faster pace than wages with no slowdown in sight, making it unfeasible to assume that households can allocate a fixed percentage of income to housing.
- The composition of families, and how they live, has shifted away from the typical nuclear family to single people living alone and roommates.
- Expectations around adequate housing have changed, moving beyond basics like adequate electrical wiring, to housing with proper lighting, heating, and cooling, or housing that allows for close access to other basic needs, such as transit, support networks, and the internet.

## **An analysis of how the many players in housing policy complicate the picture**

There are more actors—within and across governments—involved in the development and delivery of housing programs in Canada. While, in theory, this

should mean more interest, funding, and support for housing services, in reality, it means that no single government, department, or agency has full accountability over housing policy.

With respect to core housing need, this lack of accountability has resulted in inconsistent affordable housing definitions. For example, in the summer of 2022, the CMHC’s housing market information team released a report estimating the level of housing supply that would be needed to restore affordability by 2030. Although affordability is still calculated based on housing costs and income levels, the report calculates it by focusing on after-tax income, which is different from core housing need. As a result, it’s unclear how the NHS programs will meet their goals if the same agency responsible for delivering on them uses a different housing affordability target altogether.

The inclusion of more subnational governments into the housing policy mix has also led to the creation of differing policies, legislation, and regulations that can undermine efforts to advance affordable housing. For example, some provincial governments have weak rent control policies, which allows for greater year-over-year increases in rental rates. Over time, the federal government’s failure to account for regional differences in the regulatory environments faced by tenants could lead to underestimates of core housing need within this group.

## Best practices from other jurisdictions

Best practices in the measurement of housing need in other jurisdictions should inform Canada’s approach. As such, our report provides a jurisdictional review to illustrate the strengths and limitations of these different approaches. In particular, it examines the concept and use of a measure called “worst case housing needs” in the United States, which focuses on the housing cost burdens faced by lower-income renters.<sup>7</sup> It also examines how the elements of core housing need compare to the seven criteria that must be present to meet international human rights standards for adequate housing: security of tenure; availability of services, materials, facilities, and infrastructure; affordability; habitability; accessibility; location; and cultural adequacy.<sup>8</sup>

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7 U.S. Department of Housing and Urban Development. (2021). “Worse Case Housing Needs: 2021 Report to Congress.” Accessed at: <https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2021.pdf/>.

8 Office of the United Nations High Commissioner for Human Rights. (2009). “Fact Sheet No. 21: The Right to Adequate Housing.” Accessed at: [https://www.ohchr.org/sites/default/files/Documents/Publications/FS21\\_rev\\_1\\_Housing\\_en.pdf](https://www.ohchr.org/sites/default/files/Documents/Publications/FS21_rev_1_Housing_en.pdf).



# Considerations

With scarce resources, governments may be faced with the challenge of deciding where to best use investments to increase housing affordability. For example, governments may wish to focus on increasing the breadth of housing support (e.g., by creating more affordable housing units), deepening the level of support (e.g., by providing more funding to further relieve the costs of existing units), or some balance of both.

However, to be able to make such decisions, governments need the right information—and core housing need as it stands is not able to fully provide it. As such, this report focuses on how to design core housing need so that governments can assess potential tradeoffs between housing policy and fiscal capacity based on the best available information.

## The way forward

Through the *National Housing Strategy Act*, 2019, Canada both recognizes the human right to adequate housing and commits to the progressive realization of this right.

To this end, and guided by a human rights-based approach to housing policy, our report recommends that the federal government:

- 1. Conduct a formal evaluation of the definition, measurement, and use of core housing need in policy;**
- 2. Bring existing and new indicators to the forefront that measure the housing challenges of those most likely to experience housing and income insecurity; and**
- 3. Increase accountability by identifying one department to lead and coordinate housing policy efforts both within and across government.**

In a future paper, Maytree plans to explore how the affordability component of core housing need could be better designed and applied to improve the use of the National Housing Strategy's Canada Housing Benefit.



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