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Progressive Housing Policy in the 21st Century: A Contrarian View

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After years of cutbacks to housing programs in Canada, there has emerged a consensus that a progressive housing policy requires significant construction of new social housing units to address both the problems of housing affordability and homelessness. This paper argues that large scale social housing should not be the focus of progressive housing policy in the 21st century. We should use the progressive goals of the original welfare state, but we should modify the programs designed to meet these goals. The paper examines the income and personal insecurities faced by low-income households today, contrasting them with the insecurities faced in the early postwar period, and concludes that social housing is poorly suited to the problems of today. To deal with housing affordability problems, the focus should be upon employment programs, education and training, and income support, not upon new social housing. Furthermore, expansion of social housing would do little to help the homeless. The focus of progressive housing policy should be on programs to directly help the homeless. This requires a coordinated combining of housing first with social support programs: a supportive housing strategy.

Key words: Canadian housing policy, homelessness, social housing, supportive housing strategies

Compared to many western countries, Canada has never had a large social housing sector. Social housing is defined in this paper as rental housing that is owned and managed by

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government or non-profits, and provided to residents at less than cost. (Social housing also includes non-equity co-operatives at less than cost). In the mid-1990s, "about 5 percent of Canada's households live[d] in non-market social housing. This compares with 40 percent in the Netherlands, 22 percent in the United Kingdom, 15 percent in France and Germany, and about 2 percent in the United States" (Hulchanski, 2004, p. 179). Nonetheless, for about a fifteen-year period from 1964 to 1978, Canadian governments moved toward a comprehensive housing policy, including significant programs for the construction of new social housing units, creating about 20,000 to 25,000 per year.

However, over the next twenty years, housing programs were severely cut back, in a continuing effort to reduce the deficit, culminating in 1993 with the federal government's declaration that it would no longer provide funding for new social housing units. By the late 1990s, the Canadian economy was growing strongly, government deficits were replaced by surpluses, and the possibility of a 'new agenda' for the 21st century was actively debated. In housing policy, there emerged a consensus among progressives: Canada needed a comprehensive housing policy centered on major programs for the construction of new social housing. Three major housing problems were identified: housing affordability, homelessness, and aboriginal housing. Aboriginal housing was considered *sui generis*, both because of the history and causes and because of the legal and legislative structures, and it required its own programs. For these reasons, the aboriginal housing problem will not be included in this paper. To address the problems of affordability and homelessness, many initiatives were called for, but the core proposal was for renewed construction of social housing. The call was for a return to the housing policy of the 1964-1978 period.

This paper offers a contrarian view, arguing we should not return to the policy of the 1964-78 period, and that a progressive housing policy does not require major new social housing. The paper is not an academic paper: it is not a report on a piece of research. Rather, the paper is an essay—an essay in the historical sense—a short piece of writing from the author's personal point of view. Such essays can be literary criticism,

political manifestos, learned arguments, or observations of daily life. This essay offers one person's analysis, but it is hoped, it is sustained by 'learned arguments.'

The analysis begins with the origins of Canadian housing policy at the end of the Second War when the welfare state was being established. It is argued that housing policy is best understood as a component of this postwar welfare state. A progressive housing policy for the 21st century should be similarly designed as a component of the welfare state, but this time, a welfare state suited to the 21st century. We need a housing policy based both on analysis of the conditions of the 21st century and on lessons learned from housing policy over the last fifty years. The paper argues that the current progressive consensus arises too much from the desire to restore the comprehensive housing policy of the 1964-1978 period, and not enough from analysis of the situation and challenges of today. However, moving away from the comprehensive housing policy of the past need not imply retreat from progressive principles.

The Origins of Housing Policy in the Keynesian Welfare State

Before World War Two, Canadian governments had taken very few initiatives explicitly designed to improve the housing conditions of Canadians. Housing policy in Canada began with the passage of the second National Housing Act (NHA) in 1944 and with the creation of Central (now Canada) Mortgage and Housing Corporation (CMHC) in 1945. These beginnings occurred in the wider context of planning for postwar Canada. The fundamentals of this planning can be seen in three key reports—the Marsh, Heagerty, and Curtis reports—discussed below. Although each of these reports was only advisory and many of their recommendations were not adopted immediately, and some never, collectively the reports set out a vision of the Canadian welfare state. There would be a new relationship between Canadian citizens and their government. The state would take on new responsibilities to ensure the welfare of its people—hence the term 'welfare state.'

The Canadian reports were heavily influenced by thinking in other countries, particularly the economic analysis

of John Maynard Keynes in *The General Theory of Employment Interest and Money* (1936) and William Beveridge's report: *Social Insurance and Allied Services* (1942). The intellectual pillars of the welfare state are discussed in greater detail in Fallis (2007), upon which the following paragraphs have been based.

Keynes developed his economic ideas as he reflected upon the overwhelming economic problem of his era: persistent mass unemployment. Unemployment remained over 10% during the 1920s and soared during the Great Depression. He rejected classical economic analysis which held that the market economy was self-regulating and would always tend toward full employment. Keynes' economic analysis demonstrated that the market economy could become stuck at an under-employment equilibrium because of deficiency in aggregate demand. Fortunately, judicious government policy could increase aggregate demand and move the economy back to full employment. Monetary policy (discretionary changes in the supply of money) and fiscal policy (discretionary changes in tax rates or public expenditure) could move the economy back to full employment. His analysis also showed that government monetary and fiscal policy could stabilize fluctuations in unemployment. Keynes' analysis allowed the first great pillar of the welfare state: governments took responsibility for stabilization of the economy and accepted the goal of full employment. So important is this pillar that the postwar welfare state is often referred to as the Keynesian welfare state.

William Beveridge provided the blueprint for the programs of Britain's postwar welfare state in his report: *Social Insurance and Allied Services*. The Beveridge Report (1942) established a framework of comprehensive government programs for progress against what he termed "the five giants on the road to reconstruction—Want, Ignorance, Squalor, Idleness, and Disease." In the U.K. between the First and Second Wars, social assistance programs, both from the government and voluntary sectors, had grown haphazardly, with overlap, inconsistency, and inequities between programs and regions. The Beveridge Report built upon a growing public commitment to comprehensive social reform and upon public recognition that voluntarism and piecemeal government programs were not enough. "The report set out the long series of proposals that Beveridge had devised over the previous twelve months—for a national

health service, family allowances, full employment and a comprehensive system of social insurance designed to cover the whole community" (Harris, 1977, p. 419). The Report sold over one hundred thousand copies and became the vision for life after the war.

The writings of Keynes and Beveridge were influential throughout Europe and the Anglo-American world, and nowhere more so than in Canada, in the Marsh, Haegerty, and Curtis reports. Guest (1999) in *The Emergence of Social Security in Canada* situates these reports in an historical analysis of Canadian social security from colonial times to the late 20th century.

The *Report on Social Security for Canada* (the Marsh Report) was presented to the House of Commons Special Committee on Social Security in 1943. Michael Bliss has called it "the most important single document in the history of the development of the [Canadian] welfare state" (1975, p. ix). Marsh's blueprint called for a comprehensive, integrated social security system. Income security would be provided in three tiers: (i) social insurance programs for such targeted groups as the unemployed, the sick, the disabled, and those retired from work; (ii) universal family allowances to parents of all children, regardless of income; and (iii) means-tested social assistance for those exceptional cases not covered by social insurance (Government of Canada, 1994). This plan for income security, indeed all of the welfare state planning, assumed high levels of employment, achieved through Keynesian macroeconomic policies. The assumption became explicit in 1945 when the federal government committed itself "to maintain a high and stable level of employment and income" (Government of Canada, 1945).

Also in 1943, Haegerty's *Health Insurance Report* (Government of Canada, 1944) was released, recommending a nationwide health insurance program for the entire population, covering hospital, medical, dental, pharmaceutical, and nursing costs. It would, of course, be over twenty years until national insurance for hospital and medical costs was established; and there is still no universal national insurance for dental, pharmaceutical, or nursing costs.

The Curtis *Report on Housing and Community Planning* recommended major change in the government's role in housing (Government of Canada, 1943). Decrying the slums in Canadian

cities, the Report criticized the lack of city planning and called for the establishment of a federal agency to promote and coordinate town and community planning and to act as a national clearing house and dissemination center. It called for provincial planning boards to regulate all land use, foresaw significant public ownership of land for new communities, parks, parkways and other amenities, and recommended low interest federal loans to municipalities for land assembly. It recommended enhanced NHA loans to assist households in buying a home, a more attractive and expansive assistance program for housing rehabilitation, and a major program of construction of subsidized low-rental housing. Curtis also supported the development of co-operative housing. The report also advocated special programs for construction and rehabilitation of rural and farm housing. Together these reports set out a vision for the postwar Canadian welfare state.

The key points of this early history are several. First, housing policy is best understood and analyzed as one component of the welfare state. Within this welfare state, people can be assisted to obtain better housing in many ways: through employment, through income assistance, or through social housing. And second, the fundamental concern of the founders of the welfare state was that people should be able to have a job and earn income. Beveridge wrote about 'interruptions in income' and how social insurance was needed to support families during an interruption. But, we must be careful to remember that the crucial commitment under the new social contract of the welfare state was not Keynesian policy per se, but that governments have responsibility to pursue employment for all. This commitment arose from the belief that the foundation for the welfare of citizens—for their personal dignity, personal security, and indeed even personal freedom—was to have a job. Citizens would not allow governments to leave employment levels entirely to the operation of the private market.

Although not obvious at the time, we have come to appreciate that the bundles of ideas and government programs that made up the postwar welfare state were a response to a particular time and context. They were a response to the cyclical unemployment of industrial economies of the early and mid-twentieth century. They embodied a view of career and living,

namely that workers would work in one industry, perhaps even with one firm, throughout their working lives, and live in the same city and perhaps even neighborhood. And they embodied a patriarchal view of family: men were the head of the household and would work to support the family; in the main, women would work inside the home and even if in the labor force, the primary wage earner would be the man. And finally, both Canada and the U.K. were relatively homogeneous societies, culturally and ethnically, nothing like the pluralist, multicultural societies of today.

Despite the Curtis Report, from the outset there were competing visions for the postwar role of Canadian governments in housing. On one side, most social reformers urged the development of what came to be called a 'comprehensive' housing policy, along the lines of policies in the social democratic countries like Sweden and the Netherlands. They argued that although housing was a necessity like food or clothing, it should be approached differently than food or clothing. Rather than letting the market handle the production and distribution, as in the case of food and clothing, housing should be more like other necessities such as water or electricity. The government should handle all aspects of planning, production, and distribution of housing—at least for the working and middle classes. This vision was given voice in the Curtis Report.

On the other side, there were those who argued that the basic postwar task was to restore and improve the functioning of the mortgage market and the building and construction industries. The housing needs of most Canadians would be met by well-functioning markets; just as the needs for food and clothing would be met by the market. Some households on low income would need assistance to acquire decent housing, but these would be a small residual. Bacher (1993) gives a full account of the debates and struggles between these two visions in the formation of the Canadian welfare state.

A Short History of Canadian Housing Policy

Our understanding of housing policy in the 21st century can be given context and shape by situating the current discussions in the history of Canadian federal housing policy over the

postwar era. The postwar era can be divided into four periods: 1945-1964, 1964-1978, 1978-1998, and 1998 to 2008. Of course, the selection of the periods, and how to characterize each, is not inherent in the historical record, but rather is a choice of the analyst. Nonetheless, I believe this periodization is illuminating; and what is presented below is roughly consistent with other characterizations [see, for example, Fallis (1985) and Hulchanski (2004)]. The focus in this short history is on social housing programs. The financial crisis of 2008, followed by the sharp recession and the quickly ballooning government deficits of 2009 and beyond, surely defines the beginning of another period of housing policy. But this period is beyond the scope of this paper.

The first period of Canadian housing policy extends from 1945, when CMHC was created, to 1964 when major amendments were made to the National Housing Act that facilitated large scale public housing construction. This first period was a time when the government's focus was on the transition out of a wartime economy and a return to normalcy; it was the time of the baby boom and suburbanization of Canadian cities.

The federal government was dominant in housing matters and the priorities of policy were: to get the private mortgage market working; to build new dwellings to overcome the backlog from years of low building during the Depression and the War; and to meet the needs of the returning war veterans and the families of the baby boom. The immediate postwar housing problem was that people lived in inadequate housing (in need of repair or without basic facilities) and/or in crowded conditions (Fallis, 1985). The main federal housing programs were the mortgage insurance program and the direct lending program. Both aimed at the ownership market. There was only a very small public housing program (then called federal-provincial housing). Between the competing visions for Canadian housing policy, this was certainly not the comprehensive housing policy desired by social reformers.

During the 1945-1964 period, there were dramatic improvements in the housing conditions of Canadians brought about by the robust mortgage market and strong building industry, and most importantly by sustained economic growth. By the early 1960s, the perception of the housing problem began to

shift from inadequacy and overcrowding to affordability. And there was the growing recognition, that even with strong economic growth, many households would continue to have affordability problems. The second period of housing policy, from 1964 to 1978, was a marked shift: Canada moved toward a comprehensive housing policy. In particular, there were large scale programs for social housing.

The first initiative came in 1964 with NHA amendments that it made it more attractive for provinces to enter shared-cost arrangements with CMHC for the construction and ongoing support of public housing. The provinces had long held that housing was in provincial jurisdiction and were eager to enter the social housing field. By 1970, over 10% of housing starts were public housing. The mortgage financing for the projects was jointly provided by CMHC and provincial housing agencies. All the tenants were low-income households and were charged a rent geared to their income. This rent did not cover the costs of operation (including the mortgage payments), so that the units required an ongoing deep subsidy, which was also shared between CMHC and the provinces. Even with many units being built, there was always a waiting list for public housing.

However, very quickly public housing was strongly criticized. Many of the projects were large and had required the demolition of older inner city neighborhoods—so called urban renewal; but these neighborhoods, some argued, were more functional than the replacement. Because public housing gathered many assisted households in one place, public housing was said to stigmatize tenants, and to increase crime and vandalism. Furthermore, its operation was inflexible and very bureaucratic: offering tenants little choice of location, requiring intrusive monitoring of tenant incomes and of who was occupying the units, and often locating households far from their jobs, friends and the social services that they used. Sewell (1994) offers a good survey and assessment of these criticisms.

The criticisms led to major reform. Non-profit and co-op housing programs—delivered neither by the public sector nor the private sector, but rather by the third sector—soon replaced public housing as the main way to deliver social housing. This was also a shared-cost undertaking, with CMHC and

the provinces sharing the mortgage finance and the ongoing subsidy. The projects were generally much smaller than public housing and were often initiated with community support. In perhaps the most important innovation, the tenants were not all low-income households, but were a mix of low and modest incomes. The low-income households paid rent geared to income (requiring a deep subsidy, just like public housing) and the modest-income households paid rents slightly below costs (requiring a shallow subsidy). Small scale, community engagement, and income mix were defining characteristics of these third sector programs.

Throughout this period there were also a number of programs for private rental housing construction, which created housing units that would rent for slightly (5-10%) below market rates. Because the units were new, the rents were still sufficiently high such that the units were occupied by modest rather than low-income households. There were also programs for the renovation of housing, for neighborhood improvement, land assembly, new communities, and municipal infrastructure. Beginning in the early 1970s, there were also programs designed to help middle-income households acquire their first home. Throughout the period, mortgage insurance and direct lending continued.

The 1964-1978 period was the era of expanding housing programs, particularly in social housing. Canada was moving toward a comprehensive housing policy, with over 20,000 new social housing units constructed each year. However, this was short lived. By the mid 1970s, economic growth had slowed, and both unemployment and inflation were rising. Government deficits were growing and the government's focus shifted to expenditure restraint. The next period, from 1978 to 1998, would be an era of contraction.

The move away from a comprehensive housing policy was not primarily motivated by concerns about housing problems or how housing programs were working. Other larger concerns caused the shift, in particular, the concerns about sluggish economic growth, rising unemployment, rising inflation, and rising government deficits. These larger concerns provoked a vigorous debate because our existing policy structure—the Keynesian welfare state—was not working. Keynesian

policies did not seem to be able to secure full employment. Many argued (and many contested the analysis) that the welfare state had expanded too far, becoming a drag on the economy and causing rising deficits. Also, many of the social problems that the welfare state programs were designed to ameliorate had not diminished and some programs did not seem to work at all, indeed sometimes made things worse: public housing became an iconic example of a failed program. The economic concerns became even more acute in the mid to late 1980s as globalization brought a restructuring of the world's economy. Canada's long-term economic well-being seemed in jeopardy. The debate addressed quite fundamental questions about the role of government in general and the programs of the welfare state in particular. Eventually a consensus emerged that the deficit must be reduced and that it should be addressed mainly through expenditure reduction rather than tax increases.

The cuts to housing programs began with cancelling the programs directed at middle-income renters and first-time home buyers. Expenditure restraint often meant a targeting of available money at the neediest households, and so programs for middle-income people were the first to be cancelled. By the mid-1980s, most of the programs for modest-income households were gone, as were the programs for land assembly, new communities, and municipal infrastructure. Direct lending was ended but mortgage insurance continued. For the first years of the 1978-1998 period, the non-profit and co-op social housing programs continued quite strongly, although with a major change: CMHC would no longer provide the mortgage loan to finance the construction of new units, and instead groups had to secure the mortgage in the private market. CMHC would however provide assistance to keep the mortgage interest rate down. Unfortunately, this new program came just at the time that interest rates were moving strongly upward. The revised program became very expensive and also resulted in the middle-income households, who were part of the social mix in these projects, receiving a very large subsidy. The large expense and poor targeting became the object of much criticism. Gradually the federal government reduced its annual commitments to new social housing units, until in 1993 it announced it would no longer contribute to new units.

The rollback in housing, measured by the cancellation of programs, was dramatic. However, it should be remembered that although the restraint stopped the construction of new social housing units, there was no cut in the number of existing social housing units. There was no cut in total annual expenditure on housing assistance. Actual federal expenditure on housing assistance remained at about \$2 billion annually, as the government continued to fund the existing units. Many of these units are now over thirty years old and in need of major upgrade. An important—but too often neglected—issue for social housing policy is what to do with these units? If they are to be upgraded, how can the renovation be financed?

The cutbacks to housing programs were completed by 1993. But the end of the restraint period is taken to be 1998 because there were still major, indeed the most significant, cuts to total government expenditure between 1993 and 1998. This was when the federal government cut transfer payments to the provinces, with the follow-on cuts across many expenditure fields in the provinces, especially social assistance. There was scant possibility of a new housing initiative before 1998.

However, by 1998 things began to change. Economic growth had returned, inflation remained low, unemployment gradually declined, and government deficits had become surpluses. The fourth period of Canadian housing policy, running from 1998 to 2008, might be labelled: A New Housing Agenda? With the surpluses, there were opportunities for new government initiatives across all its areas of responsibility. There were two fundamental questions: first, what policy areas should be the priorities for new government expenditure? And second, if housing were a priority, what should be the new housing policy?

There were many who argued that the surpluses should be used to reduce taxes and to pay down the deficit; and over the next ten years both were pursued to a degree. But there was also major new expenditure. The first federal priority was health; the transfers to the provinces were restored and increased. Additionally there were new federal commitments to higher education, most particularly in support of research, and later very significant enrichments to the equalization program, a crucial framework of the Canadian welfare state. There were

also social policy initiatives, most especially enhancements to the Canada Child Tax Benefit and its extension through the national Child Benefit Supplement.

In the housing field, there had been strenuous opposition to the housing cuts and renewed activism to spur government action. The focus of this activism was around the problem of homelessness. Homelessness had emerged as a growing and severe problem in Canada during the 1980s that had been exacerbated by the recession of the early 1990s. The most dramatic advocacy was by the Toronto Disaster Relief Committee who declared in 1998 that homelessness was a national disaster—like an ice storm or flood—and required immediate, emergency, humanitarian relief, just as we would provide after an ice storm or a flood. This activism, combined with the severity and visibility of the problem, put homelessness at the top of the new housing agenda.

More broadly, the progressive community urged a return to the comprehensive housing policy of the 1964-1978 period. This advocacy was most effectively represented in the proposal for the 'One Percent Solution.' In the late 1990s, Canadian governments devoted about 1% of total expenditure to housing assistance—the call was to double this to 2%. The specifics of which programs to adopt were less clear but the cornerstone would be new social housing construction of at least 20,000 units per year.

However, neither the federal nor provincial governments showed much enthusiasm for developing a comprehensive housing policy. They did, however, take major initiatives to address homelessness through the Supporting Community Partnerships Initiative (SCPI), begun in 1999. Although never funded on a long-term basis, this initiative has been regularly renewed and is still in place through the Homelessness Partnering Strategy (HPS), the successor program to SCPI, and stands as the most significant housing initiative of the period. Addressing homelessness is fundamental in the new agenda.

The other initiative was the Affordable Housing Framework Agreement of 2001 and its successors. While touching all the bases of a comprehensive housing policy, it is not well funded, has floundered amidst federal-provincial squabbling, and has resulted only in a smattering of assisted housing—

scattered across all income groups, for both owners and renters, and all regions. It seems to have arisen more out of a desire to show concern for 'the housing affordability problem' than out of a substantive analysis of the nature of this problem and of the best options for addressing it. The scattered approach is well illustrated by Ontario's Affordably Housing Strategy (Government of Ontario, 2006). It provides housing allowances, a little bit of supportive housing, but mainly provides assistance to new rental housing at somewhat less than cost and assistance to home buyers. There is little discussion of targeting the available money toward the neediest, and indeed many of the beneficiaries likely will not have had housing affordability problems before participating.

It is fair to say that a new agenda has not yet been established. The preference of progressives is clear: a comprehensive housing policy which doubles the current levels of housing assistance and embarks on a major social housing program. This paper offers a contrarian view rooted in the progressive principles of the welfare state and drawing upon the lessons from the housing policies and economic and social policies of the past fifty years. This paper argues against a major new social housing program; the progressive priorities should lie elsewhere.

A Welfare State for the 21st Century

The postwar welfare state was created out of an analysis of the needs of households and the risks they faced to secure their well-being in the postwar economy. Social housing programs were one component of the welfare state. A new housing policy should be situated in a vision of a welfare state for the 21st century. Again, we need to analyze the risks facing households to secure their long-term well-being, but this time examining the risks present in the 21st century.

The greatest risk to long-term security remains the inability to find a job. A core commitment of the welfare state, then as now, is that the government will work to ensure employment for all. The causes of unemployment are many; but broadly three types can be identified: frictional, demand deficiency, and structural. Frictional unemployment occurs as people

move in and out of the labor force and between jobs in the normal course of personal life and as firms hire and lay off workers as part of the ebb and flow of normal economic life. It takes time to match people and jobs and there will always be people looking for jobs, just as there will always be some job vacancies. Estimates vary about its extent, but frictional unemployment would likely run between 3% and 4%. However, unemployment can run above this if there is a deficiency in aggregate demand. Keynes recognized all three types of unemployment; his great contribution was to analysis of the second. He recognized that when there was a deficiency of aggregate demand, government fiscal policy to reduce taxes or to increase government expenditure and run a deficit, or government monetary policy to reduce interest rates, would stimulate aggregate demand and reduce unemployment. He also noted that the economy fluctuates with periods of deficient demand and higher unemployment, and also periods of excess demand and lower unemployment. The third type of unemployment is structural: when there is a structural change in the economy certain industries and regions will go into decline and unemployment will rise, even as other industries and regions expand. It takes time for people to find employment in new industries or outside the region.

Keynesian fiscal and monetary policies were conceived to address the problem of deficiency in aggregate demand, but not to deal with frictional or structural unemployment. For most of the 1950s, 1960s, and 1970s, unemployment arose because of demand deficiency over the business cycle and Keynesian policies were very successful. However, during the late 1970s, Keynesian policies were no longer successful and both unemployment and inflation rose. By the 1980s, it was becoming clear that fiscal stimulus and its persistent government deficits would not reduce unemployment in the long run. Furthermore, it was becoming clearer that much of Canada's unemployment was structural. The structure of the world economy was changing—the change often captured under the broad heading of globalization. The key to ensuring the people had employment was to understand the structural changes of globalization and to develop programs in response.

Globalization creates turbulent change, with industries,

countries, and regions within countries rising and falling. There are many opportunities and many people do very well, but many people also lose their jobs. There are a whole range of policies that governments need to develop to help ensure that Canadians have employment in the long run. In the context of social policy and this paper, the needed policies are of three types: policies for education and training, and—very importantly—for lifelong education and for retraining; policies to encourage the mobility, adaptability, and flexibility of the labor force; and an income security system to help those who are having difficulty with the structural changes of globalization.

These are the key components of the 21st century welfare state: education and training, encouraging adaptability, and income security. It is education and training and adaptability which will secure long-term employment, not Keynesian fiscal and monetary policy. I believe that the progressive community too often recommends Keynesian policies and has not grasped the fundamental question for a 21st century welfare state: how can we secure long-term employment for Canadians in a globalizing world?

There will, of course, be times when there is rising unemployment because of deficient aggregate demand. The severe recession of 2009 was an example. Keynesian stimulus is appropriate, but Keynesian countercyclical policies are not the long-run solution to full employment in a 21st century welfare state. The 21st century welfare state, therefore, retains the government commitment to pursue full employment, but goes about it in a different way. Similarly the 21st century welfare state retains the commitments that all will have adequate food, clothing, and shelter; the commitment to provide high quality education and health care; to provide unemployment and disability insurance; and to ensuring sufficient income in old age. But perhaps these commitments should be approached in different ways.

Large scale social housing is ill suited to the 21st century because this form of assistance reduces the mobility of households. The subsidy to households is attached to a specific dwelling unit. Households receive assistance because they live in a social housing unit which rents for less than the cost of producing and operating the unit. The assistance is attached to

a place, not to the person. If the household needs to move, for employment or other reasons, it is very difficult. It is very difficult to move from one assisted unit to another assisted unit because there is always a waiting list, and there are complicated rules for assigning households to dwelling units. In the normal course, households, regardless of income, move a great deal. Data from the 2001 Census show that about one in seven (14%) households moved in the year prior to the census, and over 42% had changed addresses in the previous five years (CMHC, 2009b). People already move around a lot, and the 21st century economy will require even greater mobility. This mobility need not mean moving across the country; it might mean simply moving across the city to be nearer your workplace. In order to support adaptability, the 21st century welfare state should emphasize person-based assistance rather than place-based assistance.

Social housing will be a low priority in the welfare state also because in the 21st century almost all Canadians are well housed, in a physical sense. This is in marked contrast to the early postwar period. The current data on core need demonstrate this. Core need analysis is a two-step process. First, it defines three components of acceptable housing: adequacy, suitability, and affordability. Second, it examines whether the household could have gotten acceptable housing on its own, given its income.

A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before tax income to pay the median rent of alternative local market housing that meets all three standards. (CMHC, 2009a)

In 2006, only 1.9% of households had a core need adequacy problem and only 1.9% had a core need suitability problem. Almost all Canadians are able to secure adequate and suitable housing; that is, they are well housed in a physical sense. The need today is not for more dwelling units. (The glaring exception is aboriginal people, where a shockingly high percentage does not have adequate or suitable housing, especially on reserves.)

This low priority is re-enforced by lessons from social housing programs of the past. The most successful forms of social housing—the non-profit and co-op housing of the 1964-1978 period—have had a mix of households by income, mixing low and modest-income households. However, inevitably this income mix results in subsidies to modest income households—households which did not have housing problems in the first place. And several times in the past, the subsidies to modest-income households became very large. Social housing with income mix is a poorly targeted program.

Social housing is also ill suited to today's family types and dynamics. The original vision of social housing implicitly assumes a stable, traditional family structure. In any social housing program, households of different types are matched to different types of dwellings. For example, a husband and wife with one child would be assigned a two-bedroom unit; if they had two teenage children of opposite sex, they would have a three-bedroom unit. Because it is hard to move between units, the implicit assumption is that this family structure would be stable. However, family structures are much more fluid today: divorce rates are higher, single parents more common, and cohabitation arrangements more changeable. Older children leave for a while and then return to the family. Social housing is ill suited to this family fluidity. And social housing is also ill suited to the desires of many immigrant families who do not have the tradition of separated nuclear families; many immigrant families prefer to have several generations within one unit. Overall, this is another example of where housing flexibility is desirable, this time for family reasons. Unit-based social housing assistance does not provide this flexibility.

Many feminist critics have noted that the postwar welfare state assumed a patriarchal family model. The husband would be the primary income earner in the family, and the focus would be on securing employment and benefits for the husband and hence indirectly for the family. Income insecurity from unemployment was seen as the greatest risk. Today, a great risk to long-term security, particularly for women, is divorce. There are always complex and difficult housing rearrangements to be made after a marriage break-up. Social housing is poorly suited to assist these rearrangements.

This is not to say that the 21st century welfare state is not concerned with the housing conditions of households—the original commitment continues. Today’s welfare state believes all people should have acceptable housing, just as they should have food and clothing. In addition, there should be access to education, transportation, health care and so on. The commitment is there in the 21st century; the question then becomes, how do we ensure that everyone has life’s necessities? There are always fundamental choices: is it better to ensure that people have enough income and let them purchase the necessities; or is it better to provide the necessity at subsidized prices, covering the subsidy through tax dollars; or is it better to provide the necessity freely and pay for it entirely through tax dollars? For each necessity, the analysis may be different and the choice different. For example, we provide primary and secondary education for free, and pay for it through our taxes. To ensure people have enough food and clothing, we seldom subsidize these or provide them for free; rather we focus on income assistance and allow households to purchase food and clothing according to their tastes and needs. I believe that housing should be approached more like food and clothing. People’s tastes and needs differ greatly. It is an important form of self-definition and independence to choose one’s food and clothing—and I would argue—to choose your housing: to choose where to live, in what sort of dwelling, and to decorate and improve your home reflecting your tastes and personality. Social housing—the provision of specific units at subsidized prices—is ill suited to this choice. The progressive policies to ensure that people have acceptable housing in the 21st century welfare state should be policies focused on income: policies for full employment, education and training, and income security.

Housing Affordability Reconsidered

The starting point for developing a new agenda for housing is a careful assessment of the nature of housing problems today. In Canada today, the basic framework for defining and identifying housing problems is the concept of core housing need (defined above). But, before examining the core need data, we

must recognize that this framework is seriously incomplete, because core need analysis does not identify or measure homelessness. The surveys used to measure core need interview only households who have a dwelling unit. The new agenda for housing must address the problem of homelessness; this will be taken up in the next section.

Analysis of the 2006 Census is now available (CMHC 2009a) and allows a picture of core housing need in Canada over a 15-year interval from 1991 to 2006. In 2006, 12.7% of households were in core housing need. Core housing need stood at 13.7% in 1991, rose to 15.6% in 1996, and has declined since, so that in 2006, it is at its lowest level over the 15-year period. Paradoxically, core housing need has declined even though there has been virtually no new social housing built since 1991. The cutbacks to housing programs did not precipitate a housing crisis, as is sometimes claimed. The paradox is explained by the fact that after the recession of the early 1990s (which caused core need to increase), there was a long period of economic growth, low inflation, and low mortgage interest rates, which caused core need to decline. There is an important, if intuitively obvious, lesson in this history: the most important way to ensure that Canadians are well housed is to ensure that they have jobs and adequate incomes. Good macroeconomic policy is good housing policy.

Within the core need group, the housing problem is overwhelmingly about affordability—spending more than 30% of before-tax income on housing. As noted above, less than 2% of all households couldn't secure adequate or suitable housing. The problem is that for some households, they can secure adequate and suitable housing only by spending more than 30% of their income. Core need affordability is the major housing problem in Canada, affecting 11.4% of households. About 1,314,300 Canadian households have core need affordability problems. This problem is five times greater among renters than owners.

The picture of those who have housing affordability problems is very like those who have poverty problems. Indeed, they are almost one and the same group. It is puzzling why in the broad field of social policy there is so little overlap between poverty analysis and housing affordability analysis. But the

overlap is quite striking, not just because the same group of people have these problems. Consider the definitions of the two problems: the definition of core need housing affordability and the definition of poverty using Statistics Canada's Low Income Cut Offs (LICOs). The LICOs are not technically a measure of poverty, as Statistics Canada is careful to point out, but they are widely used to define and measure relative poverty. Statistics Canada states that a

LICO is an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family. The approach is essentially to estimate an income threshold at which families are expected to spend 20 percentage points more than the average family on food, shelter and clothing. (Statistics Canada, 2009, p. 6)

To reflect differences in the cost of necessities among different communities and family sizes, LICOs are defined for five categories of community size and seven of family size. LICOs are calculated on both before-tax and after-tax income basis. Currently, LICOs are calculated recognizing that the average family spends 35% of its before-tax income on food, shelter, and clothing; thus the income thresholds are set estimating where a household would spend 55% on these necessities (20% points higher than the average).

There are differences in detail between the definitions of LICOs and core need affordability but the similarity is striking. LICOs establish poverty by determining whether a household spends "too much" (over 55% of income) on three necessities: food, shelter, and clothing. Core need establishes a housing affordability problem by determining whether a household spends "too much" (over 30% of income) on one necessity: shelter. Both make adjustments for family type and community size. Thus, in spirit, the definition of core housing affordability is really a definition of poverty: core need affordability just uses a lower threshold, because it only looks at one necessity rather than three.

I believe that much confusion has been introduced by thinking of housing affordability as a problem distinct from

poverty. The real problem is low income and the focus of progressive policy should be to understand why incomes are low and to work to increase them, whether through employment or job training, improved social assistance, improved assistance to families with children, or improved pensions. And there is much work to be done here. Despite some recent increases, social assistance incomes in real terms are below their levels in the mid-1980s (National Council of Welfare, 2008). The current system of federal and provincial child benefits is unevenly applied across the country and has become incomprehensible to most people. The overlap of programs and the tax system means low-income people often face very high marginal tax rates and are caught in a poverty trap—losing more in benefits than they would gain by working. The progressive focus should be on increasing benefit levels, coordinating across programs, and eliminating the poverty trap.

A Supportive Housing Strategy

The most serious housing problem in 21st century Canada is homelessness and the risk of becoming homeless. It is simply unacceptable in a country as wealthy as Canada, and with such a well-developed welfare state, that so many of its citizens should be homeless. The centerpiece of a progressive 21st century housing policy should be a commitment to eradicate homelessness.

How can this be done? Fortunately, we have learned a great deal about homelessness over the past twenty years. The first lesson is that a housing first approach is most effective—people need their own dwelling unit as a base. This has proven much better than the previously used continuum-of-care approach where people moved step-by-step to independent housing, from the street, to emergency shelter, to transitional housing, to a home. But, the next lesson is that housing assistance is not enough. Most homeless persons have other problems—mental health problems, substance abuse problems, many are victims of family breakdown or suffer from physical abuse, and many have chronic disease and are in poor health. They lack basic job skills. These problems contribute to their homelessness—just as these problems are made worse by homelessness.

A home must be accompanied by other forms of assistance, and all these should be sustained and coordinated. Broadly, this can be called a supportive housing strategy: housing first combined with coordinated social support programs. The centerpiece of progressive 21st century housing policy should be supportive housing.

The supportive housing strategy has been adopted by the Supporting Community Partnerships Initiative (SCPI) and its successor, the Homelessness Partnering Strategy (HPS), during the 1998-2008 period. We have many examples of successful initiatives using this approach in Canada and the United States. Interestingly, many of these successful initiatives placed most people in private sector rental housing rather than new social housing. A supportive housing strategy does not require a large scale new social housing program. Very few homeless persons participate in new social housing projects; indeed, many more modest-income households participate. Furthermore, a supportive housing initiative is often better designed when separately focussed upon a certain group, for example street youth, or persons with HIV/AIDS, or the frail elderly, each group requiring a very different array of social support programming. New social housing projects have historically had a different ethos and rationale and are not a good primary vehicle for delivering the package of coordinated assistance needed to address homelessness.

Most of these initiatives, for example Streets to Homes in Toronto, have focussed upon helping the truly homeless: those sleeping outside, sleeping rough, or sleeping in emergency shelters. However, any sound housing policy must also consider those at risk of becoming homeless. Many studies of the homeless looked at the length of time people are homeless and highlighted the instability of their lives.

Many drift from street, to doubling up with a friend, to emergency hostel, to rooming house, and back to the street. They can be grouped into three categories, depending on how much time and how frequently they are without shelter: the chronic who are without shelter for more than thirty consecutive days (most chronic homeless have been in that state for months or years);

the episodic, who tend to alternate for varying periods of time between being and not being domiciled; and the situational, for whom homelessness is the temporary result of a life crisis. (Fallis & Murray, 1990, p. 4)

Research examining the experience of the episodic and situational homeless can form the basis for understanding the risks of being homeless; although this research has not gotten very far yet in understanding the risks. Nonetheless, it seems very likely that the at-risk-of-being-homeless and the homeless share many characteristics: very low income and other complicating problems—mental health problems, substance abuse problems, family breakdown or physical abuse, lack of job skills, and chronic disease and ill health. These problems contribute to their risk of being homeless. This suggests that reducing the risk will also require a supportive housing strategy, in this case providing the coordinated assistance to people where they live, before they become homeless. A supportive housing strategy is well suited to addressing both homelessness and the risk of homelessness.

We do not have good measures of the number of at-risk households. A very rough proxy might be those households in core need with severe affordability problems, that is, who are spending 50% or more of their income on shelter. Of course, only a small percentage of such households will become homeless and some homeless will not come from this group, but it is a helpful first measure. In 2001, 5.3% of households were in core need and were spending 50% or more of their income on housing (CMHC, 2005).

A progressive housing policy should focus on those actually homeless and the 5% of households with severe affordability problems who are at risk of being homeless. The 21st century welfare state does not need a comprehensive housing policy; what it needs is a comprehensive policy to help this group.

Conclusion

This paper has argued that a new approach to housing policy should be situated in a vision for the welfare state of the

21st century. The most important means to secure one's welfare is through employment, so the central problem for the welfare state today is to secure long-term employment for all, just as it was in the immediate postwar period. Today the long-term unemployment problem arises because of the structural changes of globalization, rather than from the fluctuations in aggregate demand over the business cycle. The key social program to complement the goal of full employment in the 21st century is education and training. Also, the welfare state should encourage labor market adaptability and should provide income security to those unable to obtain sufficient income from employment. Within this basic framework, what should be the role of housing policy in addressing the two major housing problems of today: housing affordability and homelessness?

Social housing—the provision of specific housing units at less than cost—is ill suited to the risks and challenges of the 21st century. It is very difficult for individuals to change dwelling units under a social housing program; thus social housing is too inflexible for the mobility needed by the labor market and family dynamics of today. Further, the housing affordability problem is better understood as a problem of low income. Progressive policy should focus on addressing the problem of low income through programs to provide employment, education, training, and income support.

The housing component of a 21st century welfare state should have two parts: (a) it should address the renovation and redevelopment of the existing social housing stock; and (b) it should focus upon strategies and programs to help the homeless and those at risk of being homeless, particularly people whose housing problems are intertwined with other problems—people with poor job skills, people with addictions, mental health problems, former inmates, or people suffering from family breakdown or family violence. The strategy needed requires a coordinated combination of social support programs with housing first—the two together creating a supportive housing strategy. Supportive housing programs, each tailored to a segment of this diverse population, should be the housing component of the 21st century welfare state.

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Book Reviews

Amartia Sen, *The Idea of Justice*. Harvard University Press, 2009. 468 pages, \$29.95 hardcover.

Amartia Sen's latest book, *The Idea of Justice*, continues the philosophical discourse on this important concept, begun by European enlightenment thinkers, including Hobbes, Locke, Kant, Smith, Condorcet, Wollstonecraft, Bentham, Marx, and Mill, and continued by 20th century U.S. philosophers, including Rawls, Nozick, and Arrow, as well as many Asian, Latin-American, and African philosophers.

Before sketching major themes of this work, I should note that it is a difficult text, requiring familiarity with philosophical concepts and with major philosophical writings beginning with early Greek authors. However, if one works one's way through Sen's discourse, one ends up intellectually enriched.

Sen begins with appreciation, as well as critique, of John Rawls' major work, *A Theory of Justice*. Rawls, like many