

# Holes in the Safety Net, Leaks in the Roof: Changes in Canadian Welfare Policy and Their Implications for Social Housing Programs<sup>1</sup>

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## *Abstract*

This article surveys recent reforms to Canadian social policy at the national level and welfare programs at the provincial level to determine how social housing policy and programming are being affected. The survey considers Canada's Social Security Review consultation process, which played out over 1994 and 1995. The article outlines various concerns raised over the Canada Health and Social Transfer, a fundamental reform to intergovernmental fiscal and policy relations announced in the 1995 federal budget and elaborated on in the 1996 budget.

The transfer of administrative responsibility for federally funded social housing to provincial and territorial governments is discussed and recent developments in welfare programs across Canada are described, noting housing elements within these programs.

**Keywords:** Canada; Policy; Welfare

## **Introduction**

The analysis in this article elaborates on three statements: (1) Housing and housing programs are integral to human and social well-being. In Canada, however, they have been separate from other social programs and contemporary social policy reforms. For both housing and social security policy, reforms in the 1990s involve program targeting, expenditure restraint, and decentralized federalism. (2) Under the new Canada Health and Social Transfer (CHST), social assistance and social services are likely to be pushed aside by the political attraction and greater clout of the health and education sectors. (3) Social housing for those in need has largely been associated with the income security part of the social safety net and as such is in jeopardy under the CHST. While provincial governments' interest is likely to intensify with welfare-to-work-related programming, social assistance and social housing remain disconnected. For years, many tenants of social housing in Canada have

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<sup>1</sup> An earlier version of this article was presented at the 1997 National Conference of the National Association of Housing and Redevelopment Officials in San Diego.

received aid under social assistance (income security) as well as subsidies under social housing programs. However, there has never been a concerted effort to rationalize, harmonize, or adequately integrate these two policy areas. As a consequence, changes are made in one area without proper understanding of the effects on the other.<sup>2</sup>

### **The Social Security Review process, 1994 to 1995**

In 1994, as part of reforming social programs, the federal government launched the Social Security Review (SSR), the most ambitious and consultative process in at least 20 years for discussing objectives of reform and policy directions. The process was billed as a key component of the government's jobs and growth agenda (House of Commons 1995; Human Resources Development Canada 1994). The SSR offers several insights into the relationship between housing policy and social policy. First, the federal government did not include matters of housing and social housing programs in the SSR mandate, despite the urging of some housing advocates and social housing organizations at the early stages of the process and despite the background and experience of Minister of Human Resources Development Lloyd Axworthy. Second, few housing experts, housing groups, or tenant associations were asked to make submissions to the parliamentary committee that was charged with consulting Canadians on the government's plans to reform the social security system. Of the 201 witnesses who appeared in the first phase of the committee's hearings (February–March 1994), only 3 were from housing federations; and of the 148 briefs submitted, only 2 were from housing organizations.<sup>3</sup> In the second phase of hearings (October 1994–January 1995), of the 594 groups that appeared as witnesses, just 4 were housing organizations; and of the 160 groups given intervenor funding by Human Resources Development Canada, not a single national housing association or coalition received financial support.<sup>4</sup>

<sup>2</sup> "Social housing" refers to government-owned or -financed housing projects and nonprofit (or third-sector) units and projects developed by cooperatives and other charitable agencies. In Canada, social housing represents about 7 percent of the total housing stock. For more detail, see Carter (1997) and Dreier and Hulchanski (1993).

<sup>3</sup> The witnesses were from the Canadian Housing Coalition and the Cooperative Housing Federation of Canada, while the briefs were from the Canadian Alliance for Home Managers and the Connection Housing Society of Calgary. Several other key areas of social security were not addressed by the review, including health care, pensions, and taxes.

<sup>4</sup> Witnesses in the second phase were the Canadian Housing and Renewal Association, the Canadian Alliance for Home Managers, Action—Housing, and the Cooperatives Housing Federation of Canada (which was presented by the Prince Ed-

The third lesson from the SSR was that within the larger social policy community—specifically the nongovernmental stakeholders with an interest in social security and welfare issues—just a small proportion of those who participated in the consultations addressed housing or the role of affordable shelter and social housing programs. Business and industry groups were essentially silent, and only a few organized labor federations spoke directly about housing, either as a positive social service or as a valuable employment-generating sector of the economy. Both these sectors concentrated on issues concerning the labor market, unemployment insurance, and the fiscal circumstances of Ottawa. Similarly, groups representing the clientele and providers of community college and university education, child day care, disability programs, and social assistance tended to focus on the corresponding issues of postsecondary financing and student loans, federal and provincial child care programming and funding, child and family poverty, job creation and training, welfare, workfare, and the future of the Canada Assistance Plan (CAP). Many groups in these sectors also raised the issue of tax fairness and reform.

Some social policy groups *did* identify a role for housing and considered the link between social housing and the social security system: municipal federations and urban institutes; some, but not all, city governments; most antipoverty groups and coalitions representing food banks; some, but not all, social planning councils; and a number of women's organizations. For the most part, these groups discussed housing in relation to homelessness, poverty, social assistance, and high shelter costs; in short, the issue of affordability more than issues of housing adequacy or suitability. Another theme was that many women, particularly single parents, face great difficulties in meeting their housing requirements. Research on core housing need offers empirical support for these observations. Other themes included the idea of using social housing projects as sites for social services and employment development programs such as training, and the role of housing in personal safety, family stability, and advancement.

### **The Canada Health and Social Transfer**

The introduction of the CHST in April 1996 both reflects and reinforces the dominance of the Department of Finance as the leading

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ward Island group). One local housing group did receive intervenor funding of \$9,400 to assist in preparing a brief. Intervenor funding is money provided by the federal government to interest groups for assistance in submitting presentations to a government inquiry.

social policy department in the federal government. (For more information, see Battle and Torjman 1995; Torjman 1995.) The CHST raises worrisome questions about the future of social assistance and social services previously funded under CAP, including the shelter allowance component of welfare and some housing-related services. It also represents the most significant change to federal social welfare policy in 30 years. The CHST replaces federal transfers for social assistance and social services under CAP and for health and postsecondary education under the Established Programs Financing (EPF) agreement (first formed in 1977) with a single, substantially smaller block fund, with fewer federal conditions attached, in the name of federal restraint and “flexible federalism.”

In addition to the loss of the specific statutory base and conditional cost-sharing arrangement for welfare and social services, federal cash transfers to the provinces and territories through the CHST are in rapid decline to the year 2000. They then stabilize at a much reduced level to 2003, the final year of the current funding arrangement. From 1995–96 (the final fiscal year for CAP and EPF) to 1999–2000 (the fourth year of the CHST), total federal cash transfers for these strategic social policy areas will have dropped by \$7.4 billion, or 40 percent. To provide a degree of budgetary certainty against economic fluctuations, a cash floor was legislated (Bill C-76, the Budget Implementation Act, 1995), ensuring that the CHST cash transfer will total at least \$11 billion a year over the course of the fiscal arrangement. This bottom line of cash transfers makes the CHST, at least for the next several years, an established part of the federal government’s program expenditures and Canada’s system of fiscal federalism. It does not, however, prevent any unilateral action by the federal government to increase or reduce its commitment. During the 1997 federal election, the prime minister announced that a reelected Liberal government would raise the annual total cash floor of the CHST from \$11 billion to \$12.5 billion by canceling a planned cut to the transfer program. This decision restores cash payments to the provinces and territories by \$700 million in 1998–99, \$1.4 billion in 1999–2000 and 2000–01, \$1.3 billion in 2001–02, and \$1.2 billion in 2002–03.

In response to the current drive of the provinces for greater autonomy and authority in social policy, the federal government intends to uphold the five core principles of the Canadian national health insurance system under the CHST. With respect to social assistance and social services, however, only one of the five principles under CAP is retained (access to welfare payments without minimum

residency requirements).<sup>5</sup> This change raises serious concerns about the future of social assistance and social services previously funded under CAP, including the shelter allowance component of welfare. Social policy commentators have raised the following concerns:

1. The substantial and continual decline in federal social transfers by itself exerts fiscal pressure on provincial and territorial governments to cut social assistance rates for basic needs and special assistance.
2. The move from a cost-sharing arrangement with matching federal funds to a block fund means the loss of a direct incentive to the provinces, territories, and municipalities to support and develop income assistance and social services. Indeed, the block funds need not be allocated to these social program areas at all. The Canadian federal government has gone overboard on block funding of welfare. With only the one condition, that banning a residency requirement, Canada now has fewer conditions attached to welfare block funds than the United States. In the words of Ken Battle, a leading Canadian social policy expert, “while the federal government has not abandoned the welfare state in general, it has abandoned welfare—a feat not even the Americans have yet managed to accomplish” (Battle 1996, 18). With the removal of cost sharing, James Rice (1995, 198–99) argues, “we can expect to see provinces reducing their support for welfare programs by altering eligibility requirements or reducing benefit levels (or both). Competition for investment dollars, changing provincial agendas, and a fracturing of interest group support over 10 provinces (and 2, soon to be 3 territories) will undermine the commitment to welfare at the provincial levels.” Allan Maslove (1996, 290) makes a similar point: “From the perspective of a provincial government the relative cost of putting money into welfare rather than other activities has in-

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<sup>5</sup> Five principles associated with the Canadian health care system, also referred to as Medicare, are set out in the Canada Health Act, 1984: accessibility (no financial barriers to insured health care), comprehensiveness (all services provided by hospitals and physicians deemed medically necessary must be covered), portability (all Canadians are entitled to coverage wherever they are in the country), public administration (health insurance plans must be administered on a nonprofit basis by a public authority), and universality (all legal residents of a province or territory must be eligible after a residency period of three months or less). The conditions under the Canada Assistance Act of 1966, which is now repealed, were that need must be the sole basis for determining eligibility for income support, that provincial residency rules are prohibited, that there be an appeals system on social assistance decisions, that the provinces and the territories commit to data reporting and sharing, and that the federal transfers go only to supporting nonprofit provision of social services. Under the CHST, like the EPF before it, there are no federal standards or conditions for cost sharing of postsecondary education.

creased, and we might expect to see welfare spending cutbacks as a result.”

3. The loss of national conditions for welfare has prompted questions about the future of the right to assistance for all persons in need, the right to appeal decisions related to income support, the nonprofit provision of social services, and workfare provisions. To date, however, no jurisdiction in the country has replaced its needs test as the criterion for determining eligibility for welfare. A related policy question asks which level of government will fund and deliver social assistance to Aboriginal peoples and communities.<sup>6</sup>
4. Placing federal transfers for social services and income assistance into a single block fund along with health and post-secondary education will increase competition among these four program areas, and on a very unlevel political field. In the words of the Canadian Council on Social Development,

when competition for a diminishing pool of funds intensifies, social assistance and services may well be at a disadvantage. A considerably more powerful upper- and middle-class voice, perceiving much at stake in cutbacks to health and post-secondary education, would no doubt be far more influential than the more fragmented and often vulnerable population that relies on social assistance and services—40 percent of whom are children. Since few Canadians consider themselves beneficiaries of welfare or social services—when, in fact, *all* Canadians benefit from these services directly or indirectly—it is unlikely that many would feel inclined to passionately defend them, as they might do for health or post-secondary education. And, in making tough budgetary choices, provincial governments would be less likely to direct adequate resources to any area of policy with low visibility or lacking public support (Clark and Carter 1995, 27–28).

5. As an open-ended matching grant program, CAP involved Ottawa in sharing the costs of offsetting the impact of economic downturns on provincial, territorial, and municipal welfare rolls. As a closed-ended block fund, the CHST lacks this stabili-

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<sup>6</sup> The term “Aboriginal peoples” refers to the first inhabitants of what is now Canada and includes the North American Indian, Inuit, and Métis peoples, whether they live on a dedicated land base such as a reserve or land claim settlement or reside generally in Canadian society. In the United States these groups are typically referred to as Native Americans. In all, there are about 1.1 million Aboriginal people in Canada, almost 4 percent of the country’s population.

zation feature. It does not provide for the cyclical nature of social assistance expenditures, which is broadly in line with the ups and downs of the economy. Financial pressure on provincial, territorial, and local governments in Canada will therefore be even greater in the next recession, when unemployment rises higher still and welfare needs expand.

6. Another critical issue, essentially ignored in the debate over the CHST, is the fact that CAP was the primary national policy for addressing housing needs of low-income Canadians and was an important vehicle for providing home-based support services. More than half of direct public expenditures on Canadian housing have been through the shelter component of social assistance programs (56 percent in 1995–96, for example) (Fallis et al. 1995). At the same time, a great deal of direct spending flowed to private sector housing. The new CHST therefore has serious implications for housing policy and for meeting the shelter needs of many low- and modest-income Canadians. Will shelter allowances provided to social assistance recipients across the country be frozen or rolled back? Given that social assistance funds (the shelter component) go to both private sector and public sector housing, will the CHST encourage integration or isolation of social assistance and social housing programs and/or market housing?<sup>7</sup> What will happen to the homemaker services, cost shared under CAP, that enable seniors to live at home; to the attendant services that help people with disabilities with activities of daily living; to the respite services for parents caring at home for children with severe disabilities; to the rape crisis centers for women; or to the more than 7,000 homes for special care for the aged, for battered women and their children, for people with disabilities, and for people with alcohol or drug addictions? These services have traditionally been considered social welfare activities, but they bear directly on living accommodations and housing programs. Cutbacks to already inadequate shelter allowances in welfare systems mean further hardships for thousands of Canadians. If any of these social services are reduced or eliminated, low- and modest-income individuals and families will suffer.

### **Social housing agreements as administrative federalism**

In the 1990s, federal housing policy has been directly influenced by efforts to reduce the deficit by cutting expenditures in real terms, as

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<sup>7</sup> This is not to suggest that the freezing of shelter allowances is now possible because of the CHST. In fact, shelter allowances could be frozen or cut under CAP as well. Moreover, CAP did not encourage an integration of housing and welfare policy making.

well as by efforts to transfer powers and resources to provincial and territorial governments. In the 1996 federal budget, the Liberal government announced a commitment to transfer to the provinces and territories responsibility for the administration of federally funded social housing programs and projects. Contrary to the predictions of some commentators, we have yet to witness the end of direct federal involvement in social housing (Klodawsky and Spector 1997). As of November 1998, Ottawa had negotiated bilateral agreements with the 2 territorial and 4 provincial governments, just 6 of the 12 jurisdictions. Social Housing Agreements had been reached with Newfoundland, Labrador, New Brunswick, Saskatchewan, the Northwest Territories, Nova Scotia, and Yukon—some of the less populated jurisdictions in Canada. The overall number of social housing units connected with these agreements, about 91,700, represents a little over 14 percent of Canada's social housing stock. For federal Liberal party members, these agreements politically symbolize the national government's wish to seek new partnerships in Canadian federalism and its ability to work cooperatively with provinces and territories. Provincial and territorial politicians who have signed agreements portray them as symbolizing their own continuing commitment to provide affordable housing to their citizens.

In each province and territory in Canada, social housing units have been constructed and established over the past several decades, some under the administration of a provincial/territorial housing corporation and some under the administration of the federal agency, the Canada Mortgage and Housing Corporation (CMHC). CMHC's history of shared-cost programs with the provinces goes back to the 1940s. Under these new agreements, CMHC will transfer its responsibilities for the management of nonprofit, cooperative, and public housing programs it directly administers to the relevant housing corporations, which in turn will assume all rights and responsibilities that CMHC currently has under these programs. An important exception to this transfer of federal responsibilities concerns Aboriginal peoples. CMHC will continue to administer Aboriginal housing programs and project agreements, on-reserve in Newfoundland and New Brunswick and both on- and off-reserve in Saskatchewan.

The central element in these accords is the agreement by the Canadian government to continue providing social housing funding each year, based on agreed 1995–96 fiscal year levels, for the remaining term of the commitments to social housing currently in the portfolio of each signatory jurisdiction. Depending on the jurisdiction, these commitments were made over a 30- to 50-year period, meaning that federal funding will be phased out, on a staggered basis, during the first half of the next century. For the territorial and provincial gov-

ernments concerned, guaranteed long-term federal funding for social housing programs is probably the biggest attraction of these agreements. With a given amount of financing provided each year, CMHC's contributions will be stable and predictable. Other benefits expected from these intergovernmental agreements are (1) eliminating overlap and duplication in administration, which will generate savings to be reinvested in housing programs; (2) facilitating "one-stop shopping"—access to social housing services in one location; and (3) enhancing the flexibility and responsiveness of programs to meet local needs. The "new" benefits and directions promised by these agreements are not really so new. Federal/provincial cost sharing, targeted assistance, streamlined administration, and programs customized to local concerns were all emphasized in the 1986 Global Agreements on Social Housing. "This anticipated flexibility was, however, thwarted by the federal government's strict adherence to federal principles," according to Steve Pomeroy (1995, 623), a former CMHC official.

While the federal government is willing to negotiate with provinces and territories to transfer the administration of federally funded social housing, a series of federal principles is included in these agreements:

1. *Money for housing*—Federal funds allocated under the arrangements are to be used solely for housing purposes. They cannot be used to support other provincial or territorial priorities such as roads or schools.
2. *Residential accommodation*—Federal funds will be used to provide residential accommodation and related shelter services through a portfolio of programs described in the agreement. Related shelter services exclude the costs of services in such areas as corrections, education, food services, and health.
3. *Income limits*—CMHC will establish maximum housing income limits for a household to be eligible for targeted federal assistance.
4. *Targeted assistance*—Federal funds currently directed to households with incomes insufficient to cover the cost of appropriate accommodation will continue to be used for this purpose. If the funding is not needed in a program where it is currently directed, provinces can use this funding for another program, but it must be directed to households with incomes below established limits.
5. *Nontargeted assistance*—Federal funds currently directed to moderate-income households can continue to be used for this

purpose until such time as the housing units no longer exist. Should this funding be freed up in the future, it is to be used to provide for targeted assistance.

6. *Savings*—Savings will remain in the jurisdiction where they originate. Provinces and territories can use savings achieved through cost reductions and efficient management and administration of the portfolio to serve households in their respective jurisdictions.

In light of these six federal principles, the new Social Housing Agreements represent a conditional transfer of federal funds with the aim of ensuring their continued use for social housing as distinct from other social programs or public services. Moreover, half the principles target federal assistance to households with insufficient incomes, implying that, over time, more and more federal funds previously allocated for moderate-income households will be directed to lower-income households.

These agreements are a good illustration of the pragmatic approach of Prime Minister Jean Chretien and his government toward the issue of national unity and matters of intergovernmental relations. Shunning constitutional reforms, his government prefers to enter into functional agreements with willing provinces and territories, sharing costs but also imposing certain federal conditions. Yet even this style of administrative federalism is not without controversy. Traditionally in Canadian federalism, many provinces have perceived conditional shared-cost programs as largely on the federal government's terms and as unwelcome intrusions on provincial plans and priorities. In recent times, with several instances of the federal government's unilaterally reducing intergovernmental transfers, provinces are leery of accepting more responsibilities with declining funding for programs like social housing.

In February 1997, the Federal Liberal Greater Toronto Area Caucus, comprising 33 members of parliament and 7 senators, issued a press release (unusual, given strong party discipline and executive control in Canadian parliamentary government): Prodded by housing association lobbying, they urged the federal housing minister to move cautiously before devolving administrative responsibility for federally funded social housing to the Ontario government. Ontario is Canada's most populous province, with about 42 percent of Canada's social housing stock (roughly the same as Ontario's share of Canada's general housing stock) and, since 1995, a right-wing provincial government engaged in a wide range of significant cuts and sweeping changes to public services. The press release stated that Caucus members, as well as the minister, believe that existing federal funds for social housing must not be impaired or diminished, in

view of the Ontario government's plan to assign social housing administration to municipalities. At stake is control over \$620 million in federal funds for housing programs and the future of 240,000 low-cost and cooperative housing units.

The federal government's position seems to be that it will not concur until the province provides guarantees that social housing programs will be maintained and that resources will remain dedicated to social housing when the province devolves responsibilities to municipal governments. The federal government now plans to have all future agreements on social housing specify in stronger language that the provincial or territorial government housing authority will respect all agreements that CMHC has with third parties and will perform all of CMHC's obligations under all agreements with third parties (Greenspon and Rusk 1997; Lee 1997; Philp 1997). Ottawa and Ontario have yet to reach an agreement. Several provinces may well decide to maintain the status quo of comanaging social housing programs with the federal government.

### **Welfare programs in Canada**

As in most industrial societies, welfare or social assistance in Canada is the income security program of last resort within the public realm. Social assistance has become an increasingly significant part of the Canadian social security system. For people of working age, conventionally defined as ages 16 to 64, social assistance is the main alternative source of income to paid employment after unemployment insurance. Canadian welfare programs and systems have many features similar to those in other countries, but also some noteworthy differences. Welfare in Canada has the following characteristics:<sup>8</sup>

1. Welfare is run by provincial and territorial governments, and some municipalities as well, resulting in at least 12 distinct welfare regimes throughout the country.
2. Two-tier welfare systems operate in two provinces (Nova Scotia and Ontario), with the provincial government typically responsible for recipients deemed "unemployable" (such as seniors,

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<sup>8</sup> This information is taken from various reports by the National Council of Welfare (NCW), a citizens' advisory body attached to the federal government that advises the Minister of Human Resources Development on matters of concern to low-income Canadians. In particular, see *Welfare in Canada: The Tangled Safety Net* (1987) and *Welfare Incomes 1995* (1997). While the NCW produces reports on a wide range of issues on poverty and social policy in Canada, it has not addressed matters of affordable housing and social housing.

persons with disabilities, and single mothers with infants) and municipalities responsible for “employable” recipients.

3. Welfare is financed by governments, including the federal government under the CHST, from general tax revenues rather than payroll taxes or premiums.
4. Welfare rates and rules vary greatly across and within jurisdictions, although there are some common patterns.
5. All jurisdictions use as their core eligibility criterion a needs test requiring applicants to show that they have exhausted most of their liquid assets and that any available income is insufficient to meet their own basic needs.
6. Welfare considers the needs and resources of entire families, not just individuals, in determining eligibility and levels and kinds of assistance.
7. In addition to basic assistance, all jurisdictions offer some special assistance (kinds and amounts vary).
8. Welfare benefits are not taxable income.<sup>9</sup>
9. Welfare benefits are not normally indexed; that is, they are not automatically adjusted to cost-of-living increases.
10. Welfare benefits in all regions of Canada fall well below average incomes and even “poverty lines” (low income cut-off lines set by Statistics Canada).
11. The welfare systems contain some financial incentives to work. Welfare recipients in all provinces and territories are allowed to retain a certain amount of personal earnings without their welfare incomes’ being reduced. These exemptions vary by family size. In addition, all jurisdictions allow work-related expenses such as day care, transportation, tools, and work clothes to be deducted from the earnings.
12. Laws in all Canadian jurisdictions empower welfare authorities to decrease, interrupt, or nullify benefits if a client classified as employable refuses a reasonable job offer or quits a job without cause.

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<sup>9</sup> Beginning in 1998, welfare benefits for certain categories of clients in Quebec will be taxable. Other nontaxable income benefits in Canada include workers’ compensation, supplements for low-income seniors, veterans’ allowances, and disability pensions.

Canada's social policy system and welfare programs have a number of striking differences from those in the United States (Blank and Hanratty 1993; Guest 1988). Canada maintains a national health insurance program, like Britain and many other countries, that covers hospital and medical care for the entire population. Canada does not have federal or provincial food stamp programs. While in the United States unemployment insurance is a state-run program, with benefits calculated according to an individual's work and salary history, in Canada it is a national program, offering protection to a greater share of the unemployed, and includes maternity and parental benefits. Both countries have a tax credit program for low-income households with children, although the American Earned Income Tax Credit is directed at low-income working families and the Canada Child Tax Benefit is based on income, earned or not, and is prorated by the number of children.

Canadian social assistance programs have broader eligibility than those in the United States. Assistance under the old U.S. welfare program, Aid to Families with Dependent Children (AFDC), was largely limited to single-mother families, while Canada offers assistance to individuals, persons with disabilities, families with one or two parents, families with or without children, and some senior citizens. Welfare benefits in Canada tend to be more generous and less divergent across jurisdictions than AFDC benefits. Canada sets no limits on how long people may receive social assistance. The result of these features is that Canadian governments tend to have higher transfer expenditures but substantially lower poverty rates for families with children, especially single-parent families with young children (Blank and Hanratty 1993). However, compared with many other modern industrial nations, Canada has a high rate of child poverty: About 20 percent of children are in low-income families.

The decision-making structures for social assistance in Canada differ in two ways from the AFDC program. First, although both countries have federal systems of government, Canadian social assistance programs are more decentralized than the AFDC program in that "the Canadian federal government exerts almost no influence over eligibility rules or benefit criteria for the Social Assistance program" (Blank and Hanratty 1993).<sup>10</sup> This was true under CAP legis-

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<sup>10</sup> This is not to say that the federal government has had no impact on provincial social welfare. By introducing CAP in 1966, Ottawa did widen the scope of social assistance and fostered the development and maturation of social services for people in need or likely to be in need. Critics have charged that CAP also hindered the introduction of income-tested supplements for low-wage earners because the program was based on a needs test rather than a straight income test, and that it inhibited the opportunity of persons with disabilities to live independently. Presumably the replacement of CAP with the CHST will remove these barriers to policy innovation and progressive reform.

lation from 1966 to 1996, and it is even more so now with fewer conditions under the CHST. Second, welfare workers in Canada are required to exercise considerable discretion in assessing clients' resources, income needs, and potential eligibility for special benefits. Blank and Hanratty (1993), American policy analysts, observe that such discretionary powers and decisions on welfare benefits "are almost inconceivable in the United States" (p. 198).

Canada's share of social security spending devoted to welfare is far less than that of either the United States or Britain. In 1992, welfare assistance represented 18.9 percent of social spending in Canada, 33.0 percent in Britain, and 39.8 percent in the United States. Similarly, social assistance expenditures consume a smaller share of the Canadian gross domestic product—2.5 percent in 1992, compared with 4.1 percent in Britain and 3.7 percent in the United States (Eardley 1996). In Canada, a larger share of social spending goes toward health care and unemployment insurance than in the other two countries.

### **The place of housing in income security programs**

Considerations of housing are built into welfare and other income support programs in Canada. The focus here is on welfare.<sup>11</sup> Basic social assistance is meant to include income support for food, clothing, and personal needs as well as for shelter, utilities, and household needs. Most jurisdictions have an explicit shelter component in their basic benefit. The shelter component varies across and within jurisdictions by size of family and size of community to reflect differences in cost of living. The shelter allowances in all 10 provinces and both the territories have ceilings on rent.<sup>12</sup> Most social assistance recipients obtain housing in the private rental market, so their rents are set by local market circumstances. Welfare benefits may also include special assistance or support for special needs,

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<sup>11</sup> Virtually all provinces and territories have one or more taxation and shelter assistance programs for the elderly, near-elderly, and families with children. Such programs offer financial benefits to meet the cost of property and school taxes, rental costs, heating costs, and the general cost of living. Property and school tax assistance, for example, is provided through direct cash payments or through a tax deferral, exemption, reduction, or credit scheme that reduces, eliminates, or postpones the amount of tax payable. Monthly shelter subsidies may be paid to low-income elderly persons spending an unduly large share of their income on rent. Reform patterns in the 1990s are mixed, with some programs terminated, others expanded, and the eligibility of still others restricted. For a description of the range of programs, see Minister of Human Resources Development (1994).

<sup>12</sup> The Northwest Territories government once paid actual housing costs with no maximum. As of January 1997, there is a cap of \$450 a month for single people, which is well below actual rents.

which is supplementary to the basic assistance for certain recipients. Special assistance covers one-time needs such as moving costs or emergency home repairs and is determined on a case-by-case basis by welfare workers. In several provinces, authorities reduce basic welfare benefits when it is known that unrelated individuals share the housing or when a client lives in subsidized housing.

In most provinces, social housing rents are determined differently for people on welfare than for low-wage workers. As the National Council of Welfare (NCW) notes, “the rents paid by welfare recipients living in social housing are negotiated between welfare and housing officials, taking into account the amounts paid by the welfare system for different kinds of households. The rents paid by low-wage workers living in social housing are rents geared to income, and they normally amount to 25 or 30 percent of gross (household) income” (National Council of Welfare 1993, 44).<sup>13</sup>

In recent years, some provinces have reduced dramatically the shelter component of welfare benefits, others have added or maintained shelter-related benefits under the welfare system, and still others have imposed new housing-related obligations on welfare clients. The latest wave of welfare cuts began in October 1993, when Alberta reduced most shelter benefits by \$50 a month. Alberta also no longer pays damage deposits for welfare recipients except in cases of family violence. In 1994, Manitoba reduced by 5.8 percent the maximum shelter rate for employable single persons on welfare. The same year, Prince Edward Island reduced by 36 percent the maximum shelter allowance for such recipients, from a relatively generous \$480 a month to \$305 a month in the provincial capital, Charlottetown, and from \$410 to \$260 in the rest of the province. In 1996, shelter allowance rates in Charlottetown were lowered a further 14.8 percent to match rural rates for employable single persons and families. In 1995, Ontario cut basic social assistance benefits for employable single persons and couples by 21.6 percent, which effectively meant a cut of the same magnitude for the shelter component of the assistance. Thus, shelter allowances for employable single persons dropped from \$414 to \$325 a month. In 1996, the province of Nova Scotia reduced shelter allowances for such recipients by 36 percent, from \$350 to \$225 a month, a measure that has been called “the most severe cutback of social assistance rates in the last 30 years” in that province, causing many personal crises, reinforcing old distinctions between the worthy and the less deserving poor, and putting further pressure on social agencies, churches, and community groups struggling to help people in need (Fay 1997,

<sup>13</sup> More research needs to be done on how these rents are negotiated and, more broadly, on how the welfare, social housing, and market housing systems interact and what those negotiations and interactions mean for individuals and households.

92). Newfoundland's 1996 budget announced that room and board accommodation, rather than an apartment, would be the norm for determining the shelter budgetary needs of employable single persons on welfare.

A few provinces have enhanced shelter assistance for specific groups. New Brunswick and Quebec have both introduced a shelter subsidy to assist families with children, whether single- or two-parent families, with a maximum subsidy of \$90 per month. The New Brunswick initiative, introduced in mid-1994, is called the Income Supplement Benefit. For a single parent with one child, this new benefit increased total income by 8.8 percent in 1995. For a couple with two children, it raised income by 7.3 percent (Human Resources Development Department 1995). Under New Brunswick's Family Income Security Act of 1994, the Human Resources Development Department is encouraging welfare clients who have disabilities to share accommodations by applying the single-person rate instead of a collective unit rate to each client. Consequently, each client receives a higher level of assistance while enjoying the social and economic benefits of joint living arrangements (Human Resources Development Department 1995).

Some provinces' social assistance policies have introduced new expectations and obligations related to housing. Again in New Brunswick, under the Family Income Security Act, clients between the ages of 16 and 18 require a social assessment by caseworkers before they can obtain assistance to live on their own. "This assessment will determine whether their parents' home is the best place for them to live. If not, the alternative living arrangement chosen by the client will also be assessed to ensure it is safe and supportive. The department will also seek financial support from parents of these clients through the Family Support Orders Service" (Human Resources Development Department 1995). In the province of British Columbia, new rules, effective August 1997, make renters who are recipients of BC Benefits (the name given to social assistance) responsible for repaying the full amount of any security deposit paid by the Ministry of Human Resources. Recipients who need a security deposit from the ministry are now required to sign an agreement to repay that deposit when they move. The landlord is expected to return a welfare client's security deposit within 15 days after the move (or file a claim for damages or outstanding debt), and the client, in turn, must immediately return the refund to the ministry.

Previously when a welfare recipient moved, ministry officials sought the security deposit directly from the landlord. Now, the client is responsible for returning the full amount to the ministry, even if the landlord withholds some or all of the deposit. If there is

a disagreement between the landlord and the renter over the amount to be refunded, the matter may be referred to the Residential Tenancy Branch for resolution or perhaps end up in small claims court. According to a ministry spokeswoman, the new rule is part of policy changes aimed at “levelling the playing field between welfare and work. All tenants have the responsibility of caring for where they live, regardless of their income” (Manzer 1997, 4). Poverty advocates are concerned that the rule weakens the ability of welfare tenants to get their deposits back from landlords, due to language barriers and power imbalances, and may therefore reduce, for weeks or months, the amount of money actually available to people on social assistance.

The shelter component of social assistance does not meet the rent of adequate and suitable accommodation in most Canadian jurisdictions. Thus, welfare clients in private sector housing often use funds allocated for food, clothing, and other costs of daily living to pay rent. This situation can create the problem of “after-shelter poverty” for welfare clients in market-based housing. In light of this fact, and the special arrangements negotiated for welfare clients living in social housing, there is no horizontal equity between welfare recipients in the private market and those in the social market of housing. This problem of equity cannot be addressed unless more social housing is provided or shelter allowance rates are increased for people on welfare living in private sector housing.

### **Trends in welfare caseloads and public policy responses**

Over the past 20 years or more, the number of Canadians on welfare has been generally rising, and their profile has been changing. Table 1 presents the estimated number of Canadians on welfare from 1980 to 1997.

The recent history of welfare caseloads reveals four patterns. First, the impact of the economic recession in the early 1980s threw an additional half million people onto the social safety net from 1980 to 1983, nearly a 39 percent increase. Second, from 1984 to 1990, a period of recovery and then steady growth in the Canadian economy, the overall number of people dependent on welfare hovered around 1.8 to 1.9 million. The official national unemployment rate also remained unacceptably high over this growth period. Third, the years 1991 to 1995 reflect the impact of the worst economic downturn in Canada since the great depression of the 1930s. Three-quarters of a million Canadians were added to welfare caseloads. The proportion of Canada’s population reliant on welfare has risen from under 6 percent in the early 1980s to nearly 11 percent in the mid-1990s. This pattern is apparent in many other industrialized nations, in-

Table 1. Canadians on Welfare, 1980 to 1997

Year	Estimated Number of Recipients	Percent Change
1997	2,774,900	-5.5
1996	2,937,100	-4.4
1995	3,070,900	-0.9
1994	3,100,200	4.2
1993	2,975,000	10
1992	2,704,000	18.5
1991	2,282,200	18.2
1990	1,930,100	4
1989	1,856,100	0.2
1988	1,853,000	-2.6
1987	1,904,900	0.6
1986	1,892,900	-2.2
1985	1,935,800	1.5
1984	1,906,300	3
1983	1,851,100	23.1
1982	1,503,800	6
1981	1,419,300	6.4
1980	1,334,300	—

Source: National Council of Welfare 1997. "Recipients" refers to all persons in a household. Numbers are rounded to the nearest hundred and based on March 31 of each year.

cluding Britain, Germany, France, and the United States. The reasons behind this trend are no doubt complex and certainly contested.<sup>14</sup> The fourth, most recent pattern is that the years 1995 to 1997 reveal a gradual, steady decline of 10 percent in the number of Canadians on welfare. Causes of this decline include a slight easing in unemployment and a combination of policy carrots and sticks for welfare recipients as well as some administrative tricks by governments.<sup>15</sup>

<sup>14</sup> Possible reasons for the secular rise in welfare reliance over the past 20 years include insufficient job creation by the Canadian economy; lack of marketable job skills among many people; the rising incidence of divorce; the increase in single-mother families; violence against women by their partners; repeated federal cut-backs to the unemployment insurance program; disincentives to work in welfare programs themselves; and the lack of affordable, quality child care. People of different political persuasions tend to emphasize some of these reasons over others. Existing national data on welfare clients do not, unfortunately, tell us whether people stay on welfare for years or go on and off. If the latter is the case, then far more households have experienced the welfare system than if the former is true.

<sup>15</sup> Policy carrots include increased earnings exemptions and the extension of support monies and services for families with children beyond the welfare system to the low-wage sector. Policy sticks include toughening eligibility requirements, especially for people regarded as employable; waging publicized attacks on welfare fraud and abuse; and targeting younger people for workfare measures. Administrative tricks include such measures as reclassifying some welfare recipients as job seekers and trainees and closing local welfare offices in the name of reorganization, which has the effect of restricting client access.

Two other trends are worth noting. The profile of people receiving social assistance has changed over the past few decades. In the 1960s (when CAP was established) and into the 1970s, most welfare recipients were considered unable to work and classified as unemployable; this category included single mothers with dependents, persons with severe disabilities, and older people not eligible for public pension benefits. A relatively small proportion were people who could work but were experiencing some temporary setback or special need for assistance. By the 1990s, welfare authorities were reporting that up to 70 percent of their caseloads were people able to work, and that despite this high proportion of employables, a large percentage were receiving welfare for a year or more.

Several Canadian jurisdictions increased welfare rates in the late 1980s and 1990 when caseloads nationally were fairly stable or even dipped. Starting in 1993, however, with the election of assertive conservative governments in Alberta and Ontario, provinces began cutting welfare benefits either across the board or for certain categories of clients, usually employable single persons and couples. Nearly all jurisdictions have frozen or reduced benefits. From 1986 to 1995, of 48 welfare client groups (4 client categories in each of 12 jurisdictions) tracked by the NCW across Canada, 31 (65 percent) saw the real purchasing power of their benefits decline over this eight-year period. For the most recent year available, 1994–95, 45 of the client groups (94 percent) saw their benefits decline in real terms.<sup>16</sup>

In addition to holding the line or actually reducing global expenditures on social assistance, Canadian jurisdictions are striving to get as many people off welfare as possible. Governments have made job training or upgrading more readily available, emphasized personal independence in interactions between clients and caseworkers, required clients to line up to collect their checks in person, required employable recipients to reapply for benefits each month, cross-checked and updated information on client files in an effort to reduce fraud and administrative error, raised the earnings exemption limits for recipients who earn a little extra income, and offered transition benefits to support the move from welfare to work.

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<sup>16</sup> Calculated from National Council of Welfare, *Welfare Incomes 1995*, table 5 (1997). The four household categories tracked are single employable persons, single disabled persons, single parent with one 2-year-old child, and a couple with two children 10 and 15 years of age. The first six editions of *Welfare Incomes* published by the NCW over 1987 to 1993 all contained a section entitled “rate increases.” In the 1995 edition, this section has been more aptly if not too neutrally renamed “rate changes.” The *Canadian Review of Social Policy* also provides in most issues a national survey of domestic welfare developments.

The current government interest in welfare reform is largely driven by the growth in welfare rolls to record levels and the pressures of fiscal restraint. Talk is turning away from considering the welfare system as a safety net toward reconceptualizing and redesigning welfare as a “springboard” or “social trampoline.” Housing policy once again appears largely absent from this jargon. Is social housing to be regarded as part of the safety net or as a social trampoline? Historically, Canadian social housing programs sought to enable families to save money and eventually leave public housing for the private rental or housing markets. But social housing may not be as transitional as this approach assumes. A 1990 CMHC evaluation of the public housing program found that over 60 percent of residents of family public housing units had lived there for five or more years, and 25 percent had lived there for at least nine years. Further, 87 percent of the public housing residents surveyed said they were satisfied with their accommodation, a level of satisfaction higher than that among the general renter population. These results suggest that, for most residents, “moving to public housing was associated not only with an improvement in housing affordability but also in the physical condition, size and privacy of their dwelling” (Chamberland 1993, 14–15). If social housing is part of the safety net, emphasizing security and stability of tenure, then permanent or long-term residency in a social housing unit is probably a desired outcome. Indeed, this view was endorsed by the parliamentary committee that held extensive hearings during the SSR process in 1994–95. In their majority final report, the committee supported “the exploration of initiatives leading to better use of existing social housing stock in the pursuit of social policy objectives such as training and child care” (House of Commons 1995, 54). Social housing projects in this context are regarded as safe and stable places for delivering services that support people in seeking employment.

## Conclusions

The most significant change to Canadian welfare in more than a generation is the 1996 replacement of federal transfers for social assistance under CAP with the CHST. The demise of CAP represents the loss of the federal government’s main policy instrument for providing (through the provincial and territorial welfare systems) shelter assistance and services for many low-income Canadians. The offloading of costs and the removal of most conditions mean that any federal influence on affordable housing for low-income households through the welfare system is gone. Further, with the CHST, federal leadership in welfare is effectively dead. A strong federal policy role in health care continues under the CHST only because of the continuation of the 1984 Canada Health Act.

Housing policy remains on the sidelines of the national policy agenda in Canada in relation to social policy generally and welfare reform specifically. The transfer of the administration of social housing programs is part of the federal government's strategy for renewing the Canadian federation, but even in that context, housing is overshadowed by other policy fields and issues such as labor market programs, health care, youth employment, and a national child benefit. As in both Britain and the United States, housing programs in Canada have significantly retrenched. Federal funding for housing has been frozen at \$2 billion annually since 1993, and any new activities must be financed through reallocations within this budget.

It is through the new Social Housing Agreements that the federal government will exercise a role in this policy domain. These agreements do not represent a disentanglement of the two senior levels of government in social housing. Provinces and territories that enter into agreements have less than *carte blanche* with the federal government. Social housing is a field normally overlooked in discussions of the role of national standards in social policy in Canada. National standards, in the form of six federal principles, are affirmed in these accords. The long-term picture under the agreements, however, is that federal funding will be phased out as commitments for social housing units expire over the next 30 to 50 years. Less mixing of income groups in social housing projects is expected as federal funding currently directed to moderate-income households is redirected to lower-income households. As federal finances dwindle in jurisdictions with agreements, those provincial and territorial governments will face some hard choices: contribute more of their own budgets to the portfolio of programs and units, strive for further cost reductions and efficiencies, sharpen the targeting assistance even more, or eliminate certain programs.

Distressingly high numbers of people in Canada are on welfare, among whom are a disproportionate number of Aboriginal people, women and children, and persons with disabilities (Armitage 1996). In Canada as in the United States, politicians speak of ending welfare as we know it. With federal cuts in social insurance programs and transfers under the CHST, and the unemployment rate staying at 8 percent or higher, welfare caseloads, though declining somewhat, remain near historic high levels even in a growing economy. Welfare reform agendas center on reducing expenditures, preventing fraud, promoting individual responsibility and discouraging dependency, and emphasizing training and other "employability enhancement" steps. Reforms to social policies have differential impacts on various groups. Under recent welfare reforms in most Canadian jurisdictions, single persons and households categorized as employable have had their benefits, including assistance for shel-

ter, cut, often by large margins. Persons with disabilities and families with children have not been hit as hard, but they still struggle with inadequate benefits and insufficient supports for independent living and incentives to work.

In housing and urban policy, an important difference exists between Canada and the United States in the relative role of national governments. The U.S. federal government, through the Department of Housing and Urban Development (HUD), devotes considerable resources to distressed urban areas. Community development block grants provide major funding, much of which flows to housing rehabilitation and development. In Canada, given the constitutional division of powers and contemporary political sensitivities around perceived federal intrusions, federal housing policy has been detached from urban policy for about 20 years. So while HUD can be proactive in urban issues and has been directly involved in inner-city welfare reforms, HUD's Canadian counterpart, CMHC, has not dared step in this direction. Since the provincial governments have near-exclusive jurisdiction over urban matters, the transfer of federally funded social housing units to willing provinces may make sense. What would be alarming, though, is if the new Social Housing Agreements were to result, in the early decades of the next century, in moderate-income households' becoming disentitled from housing assistance that is increasingly targeted to the poor. The United States took this direction in the 1980s, and policy makers are still facing the consequences of what concentrated poverty does to people and places.

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