



Snakes and Ladders:

**Ending Poverty Traps by Rebuilding Livelihoods
in Social Housing**

Prepared by the Social Housing Services Corporation

November 2007

Executive Summary

Social Housing, intended to provide safe, affordable housing for our lowest income families and seniors, has instead become a poverty trap for too many, ensnaring residents with work disincentives, inflexible transfer and re-entry rules, and weak integration with employment programs. In particular, employment initiatives targeted to OW and ODSP clients, are undermined by RGI claw backs. Some of our communities confront the worst of social problems – concentrations of poverty, high unemployment, drugs, crime, and gangs. Solutions are hampered by a dysfunctional fiscal relationship between the province and Service Managers and by a lack of engagement between housing and employment policy-making and program delivery.

It is in our self-interest to replace the obstacles sprinkled through our public policies with ladders to individual success and community health. Designing the right set of community conditions and work incentives for residents in social housing communities will release a labour pool to communities facing labour shortages in all layers of the economy. Where economic growth is limited by labour shortages, less wealth is available for social programs.

For individuals and families, work is an important means of realizing accomplishments, and gaining the self-confidence required for social mobility and self-reliance. When a family moves into social housing due to low income, it is perverse to burden them with disincentives to increase that income.

Municipalities would also benefit from higher employment among social housing residents. As tenant incomes increase, so do rents, which reduces municipal subsidies. The reality is that, under current policies, most municipalities report increased social housing costs. Paradoxically, social housing residents are getting poorer at a time when the economy increasingly needs their labour.

The U.S. and U.K. lead Canada in identifying ways to encourage work. In the U.S., public housing relies on a variety of incentives to successfully promote work effort. Federal government support has been critical to this work, as getting the right kind of program conditions may initially cost local housing authorities more.

In the U.K., the problem is seen in broader terms – that employment is linked to social mix, transportation links, access to child care and employment services, in addition to work incentives. While establishing links between housing and employment services is difficult, it remains a key part of the effort to create communities that encourage the livelihoods of its residents.

Ontario needs to catch up with the U.S. and U.K. Our economic and community health depend on it. As a starting point, the province needs to eliminate the \$175 million in hidden welfare subsidies paid by municipalities each year. This would

create the fiscal flexibility needed to introduce improvements to work incentives and community livelihoods.

New rent structures are required so that working families and individuals are rewarded, not punished, for work. In particular, households receiving social assistance need higher income exemptions so that they realize more than a \$1.00 per hour in moving from part to full-time work. Greater flexibility in entry and re-entry policies would recognize the value of work for individuals, households and communities. Improving the work outcomes of social housing residents is one step on the path to improving the health and mix of our communities.

Other initiatives would be to open up the former public housing to greater income mixing, increasing the portability of RGI subsidies for both the employed and victims of family violence. Housing providers can reach out to residents to ensure they make use of employment services. In some cases, providers may wish to enlarge their role to become community employment centres.

The resourcefulness of our social housing residents should not be underestimated. Ontario (and Canada) can lead the way in transforming social housing to communities of hope and livelihood.

Recommendations

The Province through the Provincial-Municipal Fiscal and Service Review needs social housing policies to support healthy communities and livelihoods by:

1. Improving the policy environment in which Service Managers operate, including:
 - a) Eliminate all municipal social assistance subsidies hidden in RGI rents, in particular, by increasing rents of OW and ODSP clients to the shelter maximum paid to private sector landlords;
 - b) Provide financial guarantees for municipalities to cover any additional costs resulting from new mandatory programs and policies;
 - c) Create the flexibility for Service Managers to innovate with rent structures that encourage employment;
 - d) Increase the choices for victims of family violence to find safe housing by providing portable provincially-funded housing allowances equivalent to RGI subsidies;
 - e) As part of renegotiating the Social Housing Agreement with the federal government, increase the flexibility to improve social mix within the former public housing stock; and,
 - f) Improve the service integration of employment support programs to social housing residents.

2. To increase labour mobility and improve social mix, the Ministry of Municipal Affairs and Housing should:

- g) Open the window of time in which RGI and other households can make use of the Rental Opportunity for Ontario Families (ROOF) program so that they can move closer to employment opportunities
 - h) Increase the priority of working households by shortening their length of stay on waiting lists through the development of provincial rent supplements to assist victims of family violence
 - i) Adjust the length of time that a former RGI household retains immediate re-entry into RGI upon job loss from one year to two years.
3. To increase work incentives provided to social housing residents, the Ministry of Municipal Affairs and Housing along with the Ministry of Community and Social Services should:
- j) Adjust the RGI income thresholds for OW and ODSP clients so they can earn at least the equivalent of full-time work at minimum wages before facing the RGI claw back
 - k) Double the RGI income deduction to \$100 for single persons and \$300 for larger households.
4. To better integrate services,
- l) The Province should establish an inter-ministerial committee comprised of MTCU, SHSC, OMSSA, and housing providers to review how better to integrate housing with employment programs.
 - m) Service Managers in co-operation with housing providers should mount an outreach campaign to inform residents about available employment services and new work incentives

TABLE OF CONTENTS

Executive Summary	iii
A. Snakes and Ladders: Scope of Paper	1
B. Employment Matters	2
1. Public Support for Housing that Works	2
2. Work Improves Family and Neighbourhoods	3
3. The Economy Needs Workers At All Skill Levels	4
C. International Comparisons:	5
1. The U.S.: Work Incentives for Individuals	5
2. The U.K.: Social Mix and Community Inclusion	6
3. Social Mix and Employment	7
D. Ontario: Repaint or Renovate?	8
1. Municipalities Face Disincentives to Innovate	9
2. Outdated Notions of the Labour Structure	11
3. Doubled Disincentives: Social Assistance and Social Housing	12
4. Failure to Integrate: Housing, Social Assistance & Employment	14
5. Bottom of the List: Inflexible Transfer and Re-entry Policies	15
6. Segregating the Poor: Social Mix and Healthy Communities	16
E. Making Housing Work	18
1. Protect Municipalities from Increased Costs	18
2. Remove RGI obstacle for Welfare Recipients	19
3. Integrate Housing with Employment Programs:	20
4. Reward Work in Transfer and Re-entry Policies	20
5. Live-Work: Housing as Employment Sites	21
6. Improving Social Mix	22
F. Conclusion: There are only Pet Snakes in Ireland	23
G. Recommendations	24
Appendix A: Net Income of OW client paying RGI rents	26
Appendix B: Origin of the “Non-benefit income limit”	35

A. Snakes and Ladders: Scope of Paper

This paper follows up on the earlier foundation paper “Sustaining the New Partnership” which set out key issues and principles for social housing as part of the provincial-municipal fiscal and service delivery review.¹ These principles, intended to re-balance the provision of social housing, include:

- 1) Well-funded, well-managed social housing is integral to stable, healthy communities.
- 2) Income redistribution programs should not be financed by property taxes. Municipalities should have access to revenue streams that are appropriate to, and that adequately support the level of funding needed for social housing.
- 3) Housing is a capital investment and requires flexibility in the tools available to ensure benefits for future generations.
- 4) Local governments are best placed to respond to and deliver social housing programs.
- 5) Municipalities need clear authority in critical areas where they bear the financial risk. Providers, who are also funders and owners, must be part of the decision-making process.

This backgrounder reviews a broad range of social housing policies through the lens of how to transform social housing from poverty by postal code to communities of hope and advancement. The analysis is comprehensive and systematic; it looks at necessary changes in behaviour of all participants in the social housing / employment system: individual households, providers, Service Managers(SM), and the Province, and the rules that create (dis)incentives among them.²

Clearly, the ability to take advantage of employment opportunities is not solely a function of social housing policies. The employment market, school quality, adequacy of nutrition, access to job training, employment supports, child care, and transportation all play a part. Indeed, a significant role for Service Managers is to integrate these services to best meet client needs.³ Nonetheless, SHSC’s mandate, focused on the business of social housing, provides a unique perspective in fixing one piece of this puzzle.⁴

¹ SHSC, *Sustaining the New Partnership*, February 2007.
[http://www.shscorp.ca/\(4cso0j55xbexccm01vmhf2fl\)/content/Resources/DiscussionResearchPapers/LSRfinalFebruary2007.pdf](http://www.shscorp.ca/(4cso0j55xbexccm01vmhf2fl)/content/Resources/DiscussionResearchPapers/LSRfinalFebruary2007.pdf)

² Thanks to David Priebe, AliasAtlas Consulting Services and those Service Managers and housing providers who helped with consultations on this paper.

³ See for example, *A Guide to Thinking about Human Services Integration*, September 2007, Ontario Municipal Social Services Association;
<http://www.omssa.com/news/newsinfo.asp?itemType=3256&item=10485>

⁴ Others have provided a comprehensive analysis of social assistance. See, for example, *Modernizing Income Security for Working-Age Adults*, Toronto City Summit Alliance, May 2006

U.S. and U.K. reforms over the past decade are instructive. It is not simply a matter of creating the right incentives for individuals to find work profitable. Social mix is critical to healthy communities, as it creates demand for better quality public and private services and results in increased safety.

The single largest obstacle to reforming these policies is embedded in the fiscal arrangement between the Province and municipalities – one that unfairly loads hidden income redistribution costs on property taxes. By re-setting the provincial-municipal fiscal relationship, we can realize the resources to invest in re-vitalizing our communities, provide incentives for work, and reduce the level and concentration of poverty.

B. Employment Matters

Political support for affordable housing rests upon public perceptions that social housing creates healthy communities where personal safety is realized and effort rewarded. Consequently, we need to demonstrate the effectiveness of social housing in creating and supporting livelihoods in its neighbourhoods. Moreover, Ontario faces increasing labour shortages at all strata of the employment market and should remove obstacles to participating in economic opportunities. Livelihoods impart social meaning in people's lives without which, in the worst cases, public resources must be re-directed to deal with the impacts of depression and anti-social behaviour. While not all social housing residents are expected to work (e.g. senior citizens), those who wish to should not be dissuaded by policy and program obstacles.

This paper is dedicated to the progress of under-paid or under-employed social housing residents. They may be youth who have left school, newly-arrived immigrants awaiting Canadian credentials, members of a household led by someone receiving social assistance, or a worker facing the new globalized labour market. For their future welfare, and our own, we need to ensure that social housing attains its promise, providing communities of livelihood, where work is valued.

1. Public Support for Housing that Works

Public support for social housing is sapped by perceptions that it does not encourage the young and the healthy to move to self-dependence. If the political climate views social housing as a liability, rather than an asset, investments for new affordable housing or for capital shortfalls in the existing stock will be difficult to realize. Restoring the faith of the public that social housing works is crucial to growth and renewal of the sector.

For some, there is a suspicion that social housing doesn't just provide stability and affordability; it makes people comfortable enough to make less effort than

they should. At the very least, social housing is seen as a passive income support – one that does not expect much of its residents to be other than good tenants and neighbours.

Yet another perspective argues that program rules and community conditions create obstacles to employment. For example, some analyses⁵ focus on how the stacking of claw-back mechanisms in various programs create tax back rates for the poor higher than those faced by the most successful entrepreneur.

What both approaches share is a concern to create the optimum conditions for individuals to look after themselves as much as possible. Consequently, if the need for affordable housing is due to insufficient income, it is perverse for housing programs to create obstacles to find work with more hours or better pay.

The impact of work disincentives in social housing needs to be minimized, as social housing is in scarce supply. Rationed goods need to be used in as effective a manner as possible. Compared to other low-income households not living in social housing, social housing residents are advantaged and they need to make the most of that advantage. By improving the “flow-through” in social housing, as households move on to better paying jobs, the higher turnover in the existing stock is able to more quickly respond to those on the waiting list. Clearly not everyone will be in a position to work full-time or at a level that permits a move into ownership. But for those who want to, why would we prevent them?

2. Work Improves Family and Neighbourhoods

Most of us - the young, and the not-so-young - are expected, and many would say, should be expected, to support themselves. Work provides a social context that values effort and achievement, and that validation improves self-esteem and healthy functioning. Work provides a structure for daily existence and the means to satisfy our needs for basic necessities and small luxuries. Holding a job means contributing to the general welfare by paying income tax, CPP and EI.

Unemployment is linked to a variety of social impacts: drugs, crime, depression, violence, suicide. The impacts of those ills take their toll on family, friends and neighbourhood, pulling them down into a negative vortex. The notion of an emerging underclass, permanently unemployed, organized by gangs, is the worst imaginable outcome. That can happen where communities are isolated from the economy and broader society through work disincentives and social isolation. The experience of riots in the suburbs of Paris and turmoil in inner-city neighbourhoods in the U.S. cautions us that it can happen here. Ignoring the problem will only make it worse. The added costs of more policing, new courts, and expanded prisons further burden public spending with a permanent millstone.

⁵ See “Making Work Pay”, Ron Saunders, Canadian Policy Research Networks, http://www.cprn.org/documents/42558_en.pdf

The choice is to invest in individuals, families and communities to connect with the broader world of work and independence, or to pay for our inattention through increased spending for health care and the criminal justice system.

3. The Economy Needs Workers At All Skill Levels

Our economy needs the work of all those able to contribute. Even now, Statistics Canada reports that unemployment levels in Canada reached a 33 year low in 2007, with Alberta and Ontario leading the way in number of new jobs.

The labour shortages predicted by governments and labour economists for the coming decade are here and now. The medium-term outlook is that labour force supply will slow down “over the next ten years [as] a consequence of the expected slowdown of population growth, combined with a declining rate of labour force participation as ageing baby boomers begin to retire.”⁶ Indeed, the social housing sector itself anticipates great turnover in its ranks as boomers contemplate retirement over the next 5 to 10 years.

Thomas Courchene⁷ tells us that as we move from a resource-dependent, goods-producing economy, we need to invest in skills development, to build on Canada’s, and Ontario’s, competitive advantage. We have the knowledge base, the technological infrastructure, and through our strong immigrant populations, the organic links to markets throughout the world. He argues that we need to alter the incentive structure to reflect the opportunities and necessity of competing in the new global order.⁸

While Courchene focuses on the need to retain the most mobile component of our labour force – the knowledge workers with the highest level of skills – there is evidence of tightening labour markets in other layers of the economy.

The Ontario government predicts that most of the new jobs in Ontario will “continue to be the service industries. Taken together, the health care and social assistance; wholesale and retail trade; professional, scientific and technical services; education services; accommodation and food; transportation and warehousing; public administration; information, culture and recreation; business,

⁶ HRSDC, Looking Ahead: A 10-Year Outlook for the Canadian Labour Market Jan. 29, 2007; http://www.hrsdc.gc.ca/en/publications_resources/research/categories/labour_market_e/sp_615_10_06/supply.shtml

⁷ Thomas J. Courchene, A State of Minds: Toward a Human Capital Future for Canadians, Institute for Research in Public Policy, 2001.

⁸ The increased numbers of females in senior executive and professional positions may reduce the threat of a “brain drain”.

building and other services; and finance, insurance and real estate sectors will account for over three-quarters of the projected new jobs in the economy.”⁹

Many of these new jobs are at the skilled level – e.g. electricians, car and truck mechanics – and require graduates of apprenticeship programs. However, there is still demand for low and semi-skilled workers, such as dry wall installers, truck drivers, general labourers, and food production workers.¹⁰ In Sault Ste. Marie, for example, the call centre cannot fill \$12 per hour jobs due to the lack of workers with the right skill set. Labour shortages, at whatever skill level, reduce the ability for Canada, and Ontario, to realize its full wealth-producing potential.

The question that the Ontario government should be asking is how well does the social housing program respond to the need to increase labour supply. The answer supplied by this report is that while some initiatives are promising, more results are required.

C. International Comparisons:

A quick review of developments in the U.S. and the United Kingdom shows that those jurisdictions lead Ontario in revitalizing neighbourhoods. The U.S. has documented that removing work disincentives in rents will improve income and employment. The U.K., on the other hand is improving the mix in social housing in order to heighten personal safety and the quality of private and public services. The positive effects of social mix on employment appears to strongest in the U.S. suggesting that improvements to livelihoods need to work at both the individual and community level.

1. The U.S.: Work Incentives for Individuals

A major U.S. social policy research organization concludes that the legacy of “perverse disincentives to work” in welfare programs is largely over, and the balance has tipped to favour work. However more is required to “make work pay”¹¹ particularly in public housing. The *Quality Housing and Work Responsibility Act*, passed by Congress in 1998, included rent rules to encourage employment among public housing residents, however it is up to housing authorities to choose which ones, if any, to implement.¹²

⁹ http://www.ontariojobfutures.ca/employment_trends.html

¹⁰ TASC (The Alliance of Sector Councils) provides links to the labour market outlook for 33 sectors of the economy, many with low-skilled jobs. <http://www.councils.org/tasc/nav.cfm?s=main&p=index&l=e>

¹¹ MDRC, *Making Work Pay for Public Housing Recipients*. April 2002, MDRC is a non-profit, non-partisan organization <http://www.mdrc.org/publications/181/policybrief.html>

¹² For an extract of rules applying to assisted housing, go to: www.hud.gov/offices/pih/phr/about/titlev.pdf

In one example, the “Jobs-Plus” program combines employment and training services, financial work incentives, and a community support for work component targeted to all working-age residents. Given a decentralized delivery structure, local groups can choose from a variety of rent changes, including rent freezes, flat rate rent structures, lowered RGI ratios, lowered rent ceilings, and other supports such as transportation, child care, and rent credits. Critically, the U.S. Department of Housing and Development compensates local housing authorities for any lost revenue caused by the work incentives.

Research reveals positive results. “Seattle implemented a strong Jobs-Plus program with good results. In the first year of full program operations, residents’ earnings were about 7 percent higher than they would have been in the absence of Jobs-Plus. This effect grew to nearly 11 percent (a gain of \$1,050) in the following year.”¹³ Given the low level of poverty wages, increasing the income of residents on average by over \$1,000 per year is an impressive achievement.

In short, the U.S. is well down the road of inserting employment incentives into public housing rents. Under both Democratic and Republican leadership, their federal government has recognized its role in supporting rent/work incentives through financial incentives to local housing authorities.

2. The U.K.: Social Mix and Community Inclusion

The U.K. has focused less on improving work incentives in favour of developing the social mix, community networks, transportation links, etc. that promote healthy communities.

The Centre for Analysis of Social Exclusion (CASE) this year released a wide-sweeping report on the future role for social housing in England¹⁴ in which the authors remind us that it is unsurprising that social housing tenants were less likely to be employed than tenants living in private sector rental or owner-occupied housing as social housing screens in those with the greatest needs. In contrast, new subdivisions of owner-occupied housing are populated only after a mortgage-approval process. In other words, both market forces and public policies divide population groups into separate yet homogenous neighbourhoods.

Other reasons why labour force attachment is lower among social housing residents:

- Tenants may be fearful of the hassles and uncertainties of losing their housing benefits.

¹³ MDRC, *Raising Hopes with Jobs-Plus*, October 2005, <http://www.mdrc.org/publications/416/overview.html>

¹⁴ “Ends and Means” the Future Roles of Social Housing in England”, John Hills, Centre for Analysis of Social Exclusions, February 2007; <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport34.pdf>

- Moving within the social housing sector to improve employment can be difficult.
- The location of estates (projects) in disadvantaged areas, i.e. poor transportation links, lack of informal employment networks, peer group effects, and
- In some cases, lower school quality works against employment.
- Lastly, the very way in which social housing is provided, by ensuring that basic housing requirements are looked after, may result in expectations that the state will look after everything else.

The U.K. is just starting to look at work disincentives in RGI rents; nonetheless, “there is no sign of a positive impact on employment ... that sub-market rents might be expected to give.” (p.111) This has major implications for Ontario, whose RGI policies are historically based on U.K. social housing. The study also notes the reality that housing and employment programs operate in separate realms and that the existence of program silos remains an enduring obstacle. With that sobering diagnosis, the U.K. is moving ahead to improve social mix and public services to its social housing communities.

3. Social Mix and Employment

Social mix is seen as desirable for several reasons. Introducing a higher proportion of working households into social housing creates new models for behaviour. A higher mix of working residents creates an informal network, where information about good (and bad) jobs is more easily shared. Members of a community with more discretionary income create demand for goods and services, leading to a healthier commercial district. A growing retail sector requires workers often drawn from the surrounding district. In short, social mix is seen as a “virtuous circle”, one that builds upon itself, to create healthier communities.

In England, social housing is moving towards greater social mix, by diversifying the stock of social housing landlords. Vacant units can either be sold, or rented at market levels, and the proceeds used to purchase or rent a unit in another neighbourhood. Similar to Toronto’s Regent Park initiative, they have also redeveloped entire sites, to introduce a greater mix of working households, ownership opportunities, etc. These are long-term solutions, however. In the short term, the English researchers conclude that the most immediate policy options would be to improve the income and employment prospects for existing residents.

The evidence about the effects of social mix within a community shows that many, but not all, of the promised benefits can be realized. A report from the

University of Bonn surveyed the measured outcomes in the U.S. and Europe¹⁵ Reduced crime and improved feelings of safety are reported in rejuvenated communities, however police report that the criminal element may simply have moved elsewhere. Most studies did not report improved social interaction and better mainstream values, but only some noted improvements in employment, citing better work attachments. Children's' services, i.e. schools and drop-in programs, were among the most successful in creating future neighbourhood networks.

Improved perceptions of neighbourhoods were strongest where the number of "social renters" (households receiving assistance) were below 30%, and where such households were "pepper-potted" rather than clustered throughout the community. Enhanced housing quality, commerce, services and infrastructure are necessary in order to attract higher income households. Once these households had moved in, their higher income and greater political power tended to protect those neighbourhood attributes.

A third reported similar findings.¹⁶ Again, researchers found little evidence, **apart from some U.S. studies**, that "the employment prospects of unemployed or economically inactive residents have been improved by living in mixed communities... Other factors, such as individual skills or education, or the nature of local labour markets, seem much more important." (p.15)

While the U.K. researchers acknowledge the positive impacts of social mix on feelings of safety and quality of private and public services, the U.S. experience suggests that rent disincentives suppress employment in all communities, whether income mixed or not. In other words, no matter who you are, if the obstacles to work are too large, it doesn't matter where you live. Fixing the mix demands significant resources and lengthy time frames. The best short-term course of action is to improve the income and employment prospects in existing social housing. The resulting improved incomes represent a first step towards improving the mix.

D. Ontario: Repaint or Renovate?

Ontario lags both the U.S. and the U.K. on a number of fronts. The funding arrangement between municipalities, who deliver social housing, and the senior levels of government, who should fund it, is dysfunctional. Employment

¹⁵ "Social-Mix Policy Approaches to Urban Segregation in Europe and the United States, November 2006, Centre for Development Research, Bonn University
http://www.zef.de/fileadmin/downloads/forum/docprog/Termpapers/2006_3_Wissmann_Fonseca.pdf

¹⁶ "In the Mix: A Review of Mixed Tenure, Mixed Income and Mixed Communities", Housing Corporation, Joseph Rowntree Foundation, English Partnerships and the authors, 2006
<http://www.renewal.net/Documents/RNET/Research/Inthemix.pdf>

programs and housing programs work largely in isolation from each other. Rent disincentives to work are substantial for social housing residents, and even more severe for those receiving social assistance. Place-based housing benefits constrain mobility options for those wishing to move closer to work and employment opportunities. More of our communities need to provide the social mix and informal community support and networks that encourage employment.

1. Municipalities Face Disincentives to Innovate

At the outset, it is important to recognize that the fiscal structure underlying Ontario's social housing fails to provide the incentives for municipalities to deal with improving work incentives and community conditions.

SHSC's report, *Sustaining the New Partnership*, points out that the federal government has decided to eliminate its financial commitment, whereas the provincial government provides no on-going financial support at all.¹⁷ When senior levels of government drop the ball, it is the municipalities who do the catching. Social housing costs have increased from \$800 million to \$1.2 billion since devolution, all of that increase borne by municipalities.

Any program improvement that carries a substantial cost increase will be resisted by municipalities, as income redistribution should not be carried by the narrow property tax base. Despite that burden, many municipalities innovate and improvise in order to provide the right mix of services. The devolution of social housing costs creates a conflicted environment for municipalities. In their role as Service Managers, they seek to improve outcomes for their citizens, largely through service integration and access to other supports. For example, re-entry to employment may require community outreach, transportation, and child care services.

But, much of what can and should be done, won't get done, because of the disincentives faced by municipalities, who lack either the fiscal capacity of senior levels of government or the program flexibility to address local conditions.

A major frustration is the on-going hidden welfare subsidies built into the social housing rents charged recipients of Ontario Works (OW) and the Ontario Disability Support Program (ODSP). About one-quarter to one-third of tenants in social housing receive social assistance and pay rents based on a schedule originally designed to upload welfare costs to the federal government. However, when social housing was devolved to municipalities, the rent schedule was left unchanged.

¹⁷SHSC, *Sustaining the New Partnership*, February 2007.
[http://www.shscorp.ca/\(4cso0j55xbexccm01vmhf2fl\)/content/Resources/DiscussionResearchPapers/LSRfinalFebruary2007.pdf](http://www.shscorp.ca/(4cso0j55xbexccm01vmhf2fl)/content/Resources/DiscussionResearchPapers/LSRfinalFebruary2007.pdf)

The result is an inadvertent subsidy paid to the province by municipalities as a result of different cost-sharing arrangements for welfare and social housing. Provincial social assistance programs are cost-shared 80:20 - that is the province pays roughly 80% of the cost of providing benefits, with the municipality picking up the rest. In social housing, the province contributes nothing, while the municipalities cover 100% of the costs, after revenues from residents and the federal transfer.

Tenants living in social housing and in receipt of social assistance pay rent based on a provincially-determined rent. By keeping the rent schedule for social assistance recipients very low (\$85 for a single person, \$226 for a family of three), the province has shifted \$175 million in annual provincial welfare costs to municipalities' social housing costs. Two examples demonstrate how municipalities subsidize social assistance recipients in social housing more heavily than those living in the private rental sector.

Example 1, single person on ODSP, market rent of \$600

Source of revenue	Private Sector	Social Housing
Provincial (80%)	\$342	\$87
Municipal (20%)	\$85	\$22
Maximum shelter allowance	\$427	\$109
Tenant Payment	\$173	0
Extra Municipal Contribution	0	\$491
Total Rent	\$600	\$600
Total Municipal Contribution	\$85	\$513
Municipalities pay an extra \$428 per month (\$513-\$85), or \$5,136 per year if the ODSP client lives in social housing		

Example 2, family of 3 on OW, market rent of \$900

Source of revenue	Private Sector	Social Housing
Provincial (80%)	\$457	\$181
Municipal (20%)	\$114	\$45
Maximum shelter allowance	\$571	\$226
Tenant Payment	\$329	0
Extra Municipal Contribution	0	\$674
Total Rent	\$900	\$900
Total Municipal Contribution	\$114	\$719
Municipalities pay an extra \$605 per month (\$719-\$114) or \$7260 per year if the OW client lives in social housing		

SHSC has previously recommended that the rent scale for social assistance recipients living in social housing be increased to the maximum shelter payable to tenants in private sector accommodation. Not only would this eliminate the hidden \$175 million annual cost for welfare that municipalities pay the province, it would create the fiscal flexibility required for improved work incentives and community livelihoods. (Clients would receive an increase in benefits equal to the higher rent, so that they would be no worse off.)

2. Outdated Notions of the Labour Structure

Ontario's rent geared-to-income (RGI) policies reflect a 50 year old approach to providing below-market rents to low income households. Under the SHRA, RGI tenants are charged 30% of income for rents (with adjustments for utilities and other services) regardless of family composition or size. These rules were developed during the post-war period with an economy experiencing significant growth, with low housing prices and high social mobility. Today, however, the reduction in the manufacturing sector has knocked out several rungs in the employment ladder. The wages of semi-skilled and skilled jobs have lagged as a result. Add to that escalating house prices, and the possibility that someone receiving rent geared-to-income will earn enough income to purchase a home has been greatly diminished.

The chart, below, indicates that a part-time worker on RGI would experience a drop in net hourly after-rent wages, in moving to full-time minimum wage employment from \$5.75 to \$4.78. The marginal hourly rate (each additional hour of work) drops to \$3.80 per hour.¹⁸ This is important, because entry-level full time work is the gateway to higher levels of compensation. The rewards of full-time work at average wage levels are much higher, but how many workers can or will first endure a period where their net hourly earnings decline?

	Part-time employment at minimum wage	Full-time employment at minimum wage	Full-time employment at average wage
Hours worked per month	86 (20 per week)	172 (40 per week)	40
Gross Monthly Income	\$688.00	1386.00	3452.47
Mandatory deductions	32.00	186.69	820.42
Net Monthly Income	656.00	1189.31	2632.05
RGI rent	161.40	367.80	744.62
After-rent income	494.60	821.51	1887.43
Net hourly wage	5.75	4.78	10.93
Notes: Ontario minimum wage is \$8.00/ hour as of February, 2007. Average wage (including overtime and part time) = \$802.90 /week, June 2007, using source http://www.statcan.ca/Daily/English/070828/d070828b.htm Mandatory deductions include CPP, EI and income tax (if applicable), using template from https://apps.cra-arc.gc.ca/ebci/rhpd/calculatePayrollDeductionsJul07.do			

¹⁸ Moving from half-time to full-time work, another 86 hours monthly, results in only \$326.91 net after-rent income. This is equivalent to \$3.80 per hour.

In Ontario, the sole attempt to address this problem is by employment income exemptions. RGI provides for a \$150 deduction from employment income by the head of the household and another \$75 deduction for employment income by other household members. While these deductions have not been adjusted for at least 15 years, increasing them to account for inflation is not the only solution, nor is it necessarily the best solution.

The U.S. experience suggests a variety of other rent adjustments that allow working households to keep a higher level of earnings. Lowered flat rents, lowered RGI ratios, lowered ceiling rents were tested in the U.S. Ontario needs to catch up to the U.S. innovations.

3. Doubled Disincentives: Social Assistance and Social Housing

The provincial government has put considerable resources into improving the training and employment supports available to households receiving social assistance. In 2005, it introduced four new improvements to help OW clients find and keep employment. These included:

- Extending health benefits for up to six months for people exiting social assistance for employment or until employer health benefits are available. Benefits could be extended for up to one year in exceptional cases.
- A flat exemption rate of 50 per cent on earnings to provide a better incentive for Ontario Works clients to work and earn more.
- Increasing the maximum deduction for informal child care costs from \$390 to \$600 per month to provide another child care option for working parents.
- Creating an employment benefit of up to \$500 to help recipients who obtain full-time employment pay for job-related expenses like uniforms and transportation.

There remains a debate on whether or not these reforms are sufficient. *Modernizing Income Security for Working Adults* points out that “once in the welfare system, the average recipient finds a very high wall to climb to make the transition back to the workforce. Given the value of benefits lost, new employment expenses and taxation of rising incomes, the costs of leaving welfare and going to work are often significantly more than the wages gained from working. This ‘welfare wall’ perversely can make it more economically rational for some people to stay on welfare than to work, despite the low rate of social assistance – a rate that is dramatically below any reasonable cost of living.” (p.11)

This system of disincentives to work is even more punitive if the social assistance recipient lives in social housing. Combining the additional rent charges of 30% for each dollar earned with the 50% welfare reduction results in most households realizing from 89 cents to \$1.32 per hour in moving from part-time to full-time

work at the minimum wage. In the worst case scenario, a single mother with two children would lose \$40 per month in moving from part to full time work.¹⁹ Needless to say, such claw backs are well above the top 46.4% marginal tax rate paid in Ontario only by those with taxable incomes of more than \$174,000.

Given the critical role that full-time work acts as a gateway to higher-paid jobs, it is odd that programs would punish the additional effort in moving from part-time work. The surprising thing is that anybody on welfare would want to work full-time. We need policies that surprise us when people don't work.

Fundamentally, RGI policies contribute to the problem through the low income thresholds that trigger rent increases at earnings well below the minimum wage. These thresholds are a function, not of any science about what households need, but of a simple mathematical formula based on the rent paid. (See Appendix B for a technical explanation).

The chart below also shows that these income thresholds are set well below Statistics Canada "low income cut-offs", the closest measure to a Canadian poverty line.

Household Size	Income threshold		Low-income Cut-off (2)	
	monthly (1)	annual	Rural	Large Urban
1	\$360	\$4,320	\$14,596	\$21,202
2	\$737	\$8,844	\$18,170	\$26,396
3	\$861	\$10,332	\$22,338	\$32,450
4	\$1,001	\$12,012	\$27,122	\$39,399
5	\$1,141	\$13,692	\$30,760	\$44,686
6	\$1,284	\$15,408	\$34,694	\$50,397
7	\$1,424	\$17,088	\$38,626	\$56,110

Sources:

1. O.Reg 298/01, Table 4
2. Low Income Cutoffs for 2006 and Low Income Measures for 2005, Statistics Canada, Catalogue no. 75F0002MIE — No. 004

As these low income thresholds are a function of the current low rent scale, increasing the rents has the effect of increasing the income threshold, which improves work incentives for these households.

Moreover, Service Managers believe the low rent scale creates a perceptual barrier for social assistance recipients to moving to full-time work and eventually paying market rents. A two-person household on social assistance pays only \$175. If, instead, they paid the shelter maximum of \$527 their perception of their ability to eventually pay market rents is more realistic, particularly if eligibility for

¹⁹ The examples in Appendix A were prepared by the Algoma District Services Administration Board.

the \$100 monthly housing allowance under ROOF, Ontario's new housing allowance program was extended to such groups²⁰.

4. Failure to Integrate: Housing, Social Assistance & Employment

The Ontario government has established strong links between its social assistance and employment programs, however, apart from some municipal undertakings; little integration with social housing is evident. Municipalities, who often group child care, social housing and social assistance into one administrative area, are probably more capable of cross-program integration.

Ministry of Training, Colleges and Universities (MTCU) has established Employment Ontario, a provincial employment and training network, offering a comprehensive range of services and information, including adjustment advisory services, literacy and basic skills, employment training and support, job banks, wage subsidies, and other related programs.²¹

The provincial government has based a substantial employment component in its Ontario Works (OW) program on previous efforts of the federal and municipal governments. Clients have preferential access to literacy and numeracy programs, job skills training, and employment placement and support through Employment Ontario. Within provincial welfare programs themselves, 50% of client earnings are exempt from calculations of their welfare benefit. Clearly, the Ontario government makes substantial investments in helping those at the bottom attain greater employment and self-dependence.

By and large, the world of training, employment supports and work incentives has entered into our welfare programs, and to the extent that 1/4 to 1/3 of social housing residents receive social assistance, they benefit from these integrated services. Rarely, however, do housing and employment programs talk to each other or about each other.

For example, someone receiving training or skills development from Employment Ontario is not likely to receive information about Ontario's new housing allowance program. We need to ensure that working families who need only a small subsidy are aware of non-RGI alternatives. Similarly, a low-wage earner may sit on the waiting list and eventually get housing, without ever being directed to the skill enhancement programs available through Employment Ontario. But that is how silos work. They focus their available resources on their core responsibilities.

²⁰ ROOF, or Rental Opportunity for Ontario Families, starts in January 2008; for more information, go to <http://www.mah.gov.on.ca/Page4842.aspx>

²¹ For more information, go to <http://www.edu.gov.on.ca/eng/tcu/employees/services.html>

In order to strengthen the linkages between employment, training opportunities, and housing, more linkages need to be built. “A Guide to Thinking about Human Services Integration”²², recently released by the Ontario Municipal Social Service Associations (OMSSA) describes ways to approach the integration of housing and employment programs.

But, just as in England, achieving greater integration faces obstacles. Reaching out to working RGI households is harder because housing providers, not Service Managers, administer the records and know who they are. Moreover, as OW and ODSP clients are a priority for Employment Ontario, adding a group who already are employed may be seen as a lower priority. In short, fitting in social housing residents with employment programs requires special efforts, such as community outreach, to ensure greater awareness of employment programs.

5. Bottom of the List: Inflexible Transfer and Re-entry Policies

Labour force policies frequently look to reduce obstacles to mobility among the work force as a means of increasing the efficiencies in the labour market. For instance, provinces have moved to “free labour markets” allowing workers certified in one province to be accepted for work in another. The need to quickly assess the credentials and comparability of immigrants is another example. Little attention, however, has been paid to the mobility limitations faced by social housing tenants.

Arguably, the “municipalization” of social housing has decreased the labour force mobility of its residents. Prior to downloading, Local Housing Authorities followed established protocols for households wishing to move from one district to another. Today, the SHRA provides an inflexible regime for households wishing to move closer to a job. While transfers are considered routinely by a housing provider for other units within their portfolio, tenants housed in a small housing provider’s only project are out of luck – there is no other project in which to take advantage of quick internal transfer policies. Instead they must re-apply to the central waiting list to be transferred to another provider with the SM’s catchment area (O. Reg. 298/01, s. 41 (4)).

Worse, there is no mechanism by which an RGI tenant can readily transfer from one SM to another. They too would be placed at the bottom of the other SM’s waiting list and, then . . . wait. Given the length of social housing waiting lists (up to 21 years in Peel Region), they need be patient. It may be unintentional, but RGI tenants are captives of their housing provider or Service Manager.

This captivity reflects the “place-based” nature of RGI subsidies. For the most part, RGI reduces the rent charged for that particular unit. Should the tenant move, the subsidy remains with the unit. ROOF, the new housing allowance

²² “A Guide to Thinking About Human Services Integration”, September 2007, OMSSA, <http://www.omssa.com/lib/Db2file.asp?fileid=18916>

program for working families with children, is a portable benefit that travels with the household wherever they live. While the \$100 monthly benefit level could have been attractive to higher-earning RGI households to leave social housing, the time restrictions (once the window is closed it remains closed) permit only limited take up.

A related measure is the one year time period in which a household can regain RGI subsidies in the event of loss of employment. There is a serious question whether or not 12 months is a sufficient period for someone who might be returning to the labour market after an absence of several years. Ontario Works, for example, provides employment supports for a one year period, in recognition of the disadvantages faced by those with low skills and experience. But a family who loses their employment can immediately access Ontario Works benefits. For social housing tenants, the loss of employment after one year means that they will have dropped to the bottom of the waiting list. For someone returning to the labour force to test out new skills, that could be too great a risk to bear.

6. Segregating the Poor: Social Mix and Healthy Communities

What is a healthy community? A report prepared for the United Way of Greater Toronto and the City of Toronto identified a virtual consensus that community livability can be boiled down to four factors²³:

1. Inclusive – This includes active community involvement; democratic processes; strong sense of belonging; a welcoming community; respect for diversity; tolerance of differences.
2. Vibrant – This includes an active street life (e.g. cafes, shops and services); opportunities for community interaction (e.g. street festivals); a strong sense of ‘place identity’ and pride.
3. Cohesive – This includes a sense of mutual responsibility and strong bonds of reciprocity (e.g. neighbours looking out for each other’s children); trust (e.g. not having to worry about locking doors); negotiated solutions to conflicts.
4. Safe – This includes both subjective feelings of safety (people feeling they can go anywhere, feeling comfortable in public), as well as objective measures of safety (e.g. freedom from crime, absence of pollutants and contaminants, safe buildings).

The European evidence shows that socially-mixed communities create the conditions necessary for healthy communities, particularly for community acceptance, higher quality private and public services and feelings of safety.

²³ Christa Freiler, “*Why Strong Neighbourhoods Matter*”, November, 2004
<http://www.toronto.ca/demographics/sntf/whystrongneighbourhoodsmatter.pdf>

While work disincentives may mask the impacts on employment, the role of social mix in creating healthy communities cannot be ignored.²⁴

In Ontario, the public image of social housing is tarnished by media stories of gun violence, drug use, unemployment, isolation and anti-social behaviour in larger urban centres. These perceptions are partially grounded in reality - one professor of urban planning noted the high correlation between “Poverty by Postal Code”²⁵ and the location of public housing locations throughout Toronto. This concentration of poverty results from public policy – when devolving its share of social housing to the province, the federal government required that public housing continue to focus exclusively on low-income tenants.²⁶ This policy may have made sense in the 1950s and 1960s when the economy was booming, jobs plentiful, and house prices were so low, families were able to move on into ownership housing.

By the 1970s, with high inflation and stagnant growth (“stagflation”), policymakers were concerned about how reduced mobility was creating ghettos of the poor. This led to the new non-profit housing programs, which had the explicit objective of income mixing. In the mid-1970s, up to 75% of non-profit units were rented at market levels and only 25% on a rent geared-to-income basis.

This policy shifted in the 1980s, when the Ontario government introduced its own non-profit program. Concerns that limited resources should be directed only to those in need focused on market rent units which also receive a subsidy. Recognizing that moderate income households have greater choice, the proportion of RGI units increased to the point that in most non-profit projects, the majority of tenants receive RGI. In some non-profits, we have reverted in practice to the old public housing model – there are no market rent units.

Experience in Canada and elsewhere suggests we need to change the approach that creates concentrated poverty, projects where few work and communities are unable to attract the private and public services that we all need.

7. Constrained Choices for Victims of Family Violence

The *Social Housing Reform Act* (SHRA) requires that municipalities provide a special (higher) priority for victims of family violence who seek a permanent separation from the abuser. Service Managers report that the proportion of those being housed is increasingly those receiving special priority.

²⁴ For a recent Canadian report on social mixing, see “Inclusion and Social Housing Practice in Canadian Cities: Following the Path from Good Intentions to Sustainable Projects”, Joel Thibert, Canadian Policy Research Networks, October, 2007; go to <http://www.cprn.org/doc.cfm?doc=1781&l=en>

²⁵ Go to: <http://www.unitedwaytoronto.com/Poverty-by-Postal-Code/>

²⁶ The federal prohibition against income mixing is reflected by Ontario regulation O.Reg. 368, s.6,

This trend creates several problems for housing providers and Service Managers. First, housing providers are ill-equipped to provide these new residents with the needed supports to settle in to their new housing. Second, projects are increasingly populated by victims of family violence, with negative implications for social mix. The result is that other types of family households have to wait for a longer period on the waiting lists.

Clearly, there is a social obligation to protect vulnerable families from violence perpetrated by other family members. Unfortunately, the reality is that the families, not the perpetrator, is removed from the family home in order to shelter them in a secure location.

Social housing projects already contend with concentrations of worklessness, poverty, and isolation. To add unaddressed social needs to this mix further takes us away from the healthy communities we all require. We best serve victims of family violence by placing them in healthy environments.

E. Making Housing Work

The previous discussion catalogued a substantial number of areas where improvement is necessary in order to regain public support that social housing improves the lives of its residents. This section begins to detail some of the measures that would bring it about.

1. Protect Municipalities from Increased Costs

At first glance, one could ask why municipalities would experience any increased costs. If more households enter the workforce, rents would go up and municipal subsidies would go down. The problem is that the proper work incentives are not in place and their creation and implementation would increase costs, at least in the short term. Without some form of offset against these increased costs, Service Managers are unlikely to make the necessary improvements by themselves.

Greater service integration with employment support, child care, etc. may also require increased budgets to integrate a larger client workload into a more complex mix of municipally-delivered services. Changing rent structures could result in less rent, in order to increase the economic returns of paid employment. Current financial arrangements place much of the burden of these increased costs upon the level of government least able to provide them. The Province needs to provide guarantees that any additional costs faced by Service Managers and housing providers will be compensated, as they reflect an investment in the skill base of the population. Resolving this concern is linked to the next issue, which offers financial relief for hidden welfare costs.

2. Remove RGI obstacle for Welfare Recipients

For most new or returning workers, often with low skills, minimum wage work is all that can be expected, at least at the start. Currently, social assistance recipients in social housing face the chilling prospect of losing well over half of their earnings from minimum wage jobs.

Social housing rent rules need to get out of the way so that the work incentives in OW and ODSP are fully realized. SHSC identifies the current low rents paid by welfare recipients as the major source of the problem and proposes that rents be raised to the maximum paid in private sector rentals. It bears repeating that social assistance clients would be no worse off, as they would continue to receive a housing benefit equal to the rent charged.²⁷ No less significantly, \$175 million per year in hidden welfare costs should be assumed by the level of government better able to bear that burden.

It may seem strange to suggest that increasing the rent paid by social assistance recipients can aid the employment prospects for social housing residents. But there are several reasons for doing so.

Firstly, it will help increase the perceived value of their current housing. By moving the rents charged in social housing closer to that in private sector rental, residents will see their units as having greater worth. At the same time, private market rents would be seen as more achievable. More realistic rent levels reduce the rent gap required to move off welfare and into full-time employment. The provincial ROOF program may prove particularly valuable to reduce the remaining rent gap for families moving off welfare into self-dependence.

Secondly, higher rents would increase the income threshold possible before RGI increases take effect. The proposed income thresholds mean that RGI rents do not go up until well after the \$1386 monthly earnings from a full-time minimum wage job, with the exception of singles. Moreover, the amount of income that could be earned without an RGI penalty increases with family size, which offers the advantage of realism.

Size of Household	Maximum Monthly Shelter Allowance (OW) in Private market	Current Income Threshold	Proposed Income Threshold
1	\$349	\$360	\$1237
2	\$549	\$737	\$1978
3	\$595	\$861	\$2031
4	\$647	\$1,001	\$2304
5	\$697	\$1,141	\$2471
6	\$723	\$1,284	\$2557

²⁷ Some adjustment to utility charges and allowances would be required, as OW/ODSP would have no “room” for any additional shelter expenses.

Thirdly, transferring the burden of welfare rents more fully to the province reduces hidden welfare subsidies. This is fair, because SHSC, AMO and others, have long argued that social welfare costs should not be borne by municipal property taxes.²⁸ And it is timely; because transforming social housing to an employment-positive program environment will cost the level of government facing the greatest costs increases additional money²⁹.

Municipalities will be in a much better position to implement needed improvements if the costs resulting from the inequity of low welfare rents are resolved. The fiscal shifts entailed in raising welfare rents are part of the solution in protecting municipalities from the increased costs of effective work incentives.

3. Integrate Housing with Employment Programs:

The municipal response to an application for social housing should not be solely placement on a waiting list for a self contained unit. For young, healthy singles, it may be better to offer shared transitional accommodation with access to training programs and employment supports.³⁰ In other cases, a family may benefit from an assessment of work skills and other supports required, rather than the opportunity to sit on a waiting list.

Similarly, the various employment programs need to ensure that participants are fully aware of the various tax credits available to working families. The new ROOF program, unfortunately, is of more limited assistance as no applications were to be accepted after November, 2007.

The additional cost of providing referral and information services in housing and employment programs is unlikely to be significant. To make it work, however, requires some outreach to social housing residents, who may not be aware of existing programs. Service Managers may find it in their own self-interest to ensure that residents make full use of provincial employment programs.

4. Reward Work in Transfer and Re-entry Policies

Transfer and re-entry policies need to make it easier to move closer to work opportunities and to re-enter the program should employment fail.

²⁸ Municipalities would continue to carry some cost as welfare shelter maximums are in many cases below the operating costs for that unit.

²⁹ Harry M. Kitchen and Enid Slack conclude that the municipal sector is facing the greatest cost pressures with the smallest tax base of all three levels of government. See *Trends in Public Finance*, May 24, 2006 at www.canadacities.ca/background.htm

³⁰ Saskatchewan, for example, provides shared accommodation for singles with access to employment supports. However, not all Ontario municipalities provide transitional accommodation.

Transfer policies can improve the mobility of social housing residents now working or actively seeking employment. It makes no sense for employment-related transfer requests to be placed at the bottom of the waiting list. Indeed, persons seeking to better their employment situation should receive priority placement. Service Managers and providers may need to relocate some RGI units outside of current housing projects. The ROOF program is a small step in the right direction; however the restricted eligibility (only working families with dependent children), modest benefits (\$100 per month) and time-limits (apply by November 2007 for five-year benefits) constrain the program's ability to deal with on-going serious affordability issues.

English social housing addresses this issue by social mix policies - selling or market renting units within social housing and arranging for the purchase or lease of units in other neighbourhoods. This makes sense within Ontario's social housing as well. Service Managers have the greatest ability to arrange this within their own municipal boundaries.

Easing transfers between Service Managers is more difficult. Some Service Managers enjoy greater employment growth than others and they will receive more requests for transfers in than out. For example, social housing residents in Windsor, parts of Northern Ontario, and Toronto may seek employment opportunities in the '905' region of the GTA. Given the municipal basis for funding, Service Managers may well question the virtue of accepting someone already receiving RGI in another municipality over serving one of its own residents. Smaller Service Managers seem better able to work out handshake agreements with neighbours than do large urban ones. Without some form of a portable RGI benefit, the obstacles to moving between Service Managers are difficult to address.

Also related is the twelve-month period in which a former RGI household can regain RGI subsidy. Should they lose their job on the first day of the second year of employment, they would go to the bottom of the waiting list. The intent of RGI rules should be to assure job seekers and workers that all will be well. Those leaving RGI rents for market units should have their RGI status protected for a minimum of two years.

5. Live-Work: Housing as Employment Sites

In the past, social housing residents who provide informal community supports to other residents, e.g. child care, minor repairs, etc have been at least tolerated, and sometimes encouraged to do so. In other parts of the community, live-work situations are a well-accepted component of the new economy. It is time for social housing to catch up.

It doesn't take a lot of imagination to come up with examples. Tax software permits individuals to do tax returns for other individuals. Bicycle repair skills can be learned on the job and improve transportation resources. Laundering, clothing repairs, beauty salons, tutoring, internet rental access. . . the list of services that can be provided by social housing residents is limited only by their resourcefulness and the tolerance of the housing provider.³¹

Procurement policies can require that certain suppliers of goods and services employ a minimum number of social housing residents. For example, one housing provider undertaking energy conservation initiatives required that the outside firms used youth from that project to seal and caulk baseboards, windows, etc. The relatively low level of skills required for much repair and maintenance in housing can be provided by local residents, with a little training and supervision. The U.S., practice of requiring agencies and firms who receive public subsidies to employ minorities could be adapted for social housing residents. Housing providers may wish to consider expanding their role to act as community employment centres for their residents and the surrounding neighbourhood.

6. Improving Social Mix

Improving the social mix of social housing communities is a complicated and longer-term task, requiring a variety of strategies at both the community and individual level.

First, the federal government needs to relax its current prohibition against anyone, other than low-income households, from occupying public housing units. Improving the mix within public housing can be accomplished while satisfying federal concerns that its funding is directed to low income households.

Permitting households to keep a higher portion of their employment earnings would help increase the income mix among existing tenants. Improving the access to social housing by working households on the waiting list is another. Speedier transfers for reasons of employment, possibly through portable benefits would also help.

The province could create a special housing allowance program for victims of family violence. This would allow families at risk to be housed where ever it is appropriate, rather than wait for the first available social housing unit. This increases the choices for families to remain close to schools, family and friends, while protecting the need to remain isolated from the abuser. At the same time, it reduces pressure on the social housing stock to serve those with the least resources.

³¹ Toronto Community Housing Corporation has required contractors in the redevelopment of Regent Park to use labour from the community. In some cases, this has led to apprenticeship programs.

The province could allow greater flexibility in the agreements for each housing project to increase the number of market rent units, as long as it was matched by increased rent supplement units elsewhere.

The U.S. and U.K experience shows that in some cases redevelopment of former public housing sites into mixed-income, mixed tenure neighbourhoods may be required. This is a significant undertaking, one that is best served by the full support of all three levels of government.

F. Conclusion: There are only Pet Snakes in Ireland

Before Patrick became a Saint, he had first to throw out all the Snakes in Ireland. Similarly, we need to eliminate the snakes in our social housing policies so that this limited asset can fulfill its promise as a ladder to opportunity for our most disadvantaged neighbours. The question is how to best lever this capital investment to realize social objectives.

SHSC treats social housing as a business with a focus on the long-term implications. Social housing in Ontario needs to better integrate social housing policies with the realities of the current labour market. Despite the removal of some rungs of the employment ladder, Canada and Ontario increasingly face labour shortages within all levels of the economy. As boomers retire over the next decade, economic growth will be hampered if there is insufficient labour with the necessary skills to replace them. Both the United States and the United Kingdom are moving ahead with new policies to improve work incentives and to rebuild healthy communities. In order to keep competitive, Ontario needs to catch up.

Fundamentally, the Province needs to assure municipalities that growing social housing costs will be reigned in, and that needed reforms will receive the financial support of the Province. Municipalities have long identified the hidden subsidy that the Province receives from low rents for welfare recipients. Correcting that inequity would go a long way to paying for other reforms.

There are a number of measures, short-term and long, that will encourage work and healthy communities. It's not just about changes to rent rules, transfer and re-entry policies, although that's a good start. Developing links to provincial employment programs to aid skill development and employment supports is critical. Improving the mix in social housing communities improves personal feelings of safety and betters private and public services.

Ontario is fortunate to experience a fiscal surplus. It is in our self-interest to invest some of that surplus in our healthy able-bodied residents in social housing. We cannot afford to waste their talents.

G. Recommendations

The Province through the Provincial-Municipal Fiscal and Service Review needs social housing policies to support healthy communities and livelihoods by:

1. Improving the policy environment in which Service Managers operate, including:
 - a) Eliminate all municipal social assistance subsidies hidden in RGI rents, in particular, by increasing rents of OW and ODSP clients to the shelter maximum paid to private sector landlords;
 - b) Provide financial guarantees for municipalities to cover any additional costs resulting from new mandatory programs and policies;
 - c) create the flexibility for Service Managers to innovate with rent structures that encourage employment;
 - d) Increase the choices for victims of family violence to find safe housing by providing portable provincially-funded housing allowances equivalent to RGI subsidies;
 - e) As part of renegotiating the Social Housing Agreement with the federal government, increase the flexibility to improve social mix within the former public housing stock; and,
 - f) Improve the service integration of employment support programs to social housing residents.

2. Improving the policy environment in which Service Managers operate, To increase labour mobility and improve social mix, the Ministry of Municipal Affairs and Housing should:
 - g) Open the window of time in which RGI and other households can make use of the Rental Opportunities for Ontario Families (ROOF) program so that they can move closer to employment opportunities
 - h) Increase the priority of working households by shortening their length of stay on waiting lists through the development of provincial rent supplements to assist victims of family violence
 - i) Adjust the length of time that a former RGI household retains immediate re-entry into RGI upon job loss from one year to two years.

3. To increase work incentives provided to social housing residents, the Ministry of Municipal Affairs and Housing in league with the Ministry of Community and Social Services should:
 - j) Adjust the RGI income thresholds for OW and ODSP clients so they can earn at least the equivalent of full-time work at minimum wages before facing the RGI claw back

- k) Double the RGI income deduction to \$100 for single persons and \$300 for larger households.
4. To better integrate services
- l) The Province should establish an inter-ministerial committee comprised of MTCU, SHSC, OMSSA, and housing providers to review how better to integrate housing with employment programs.
 - m) Service Managers in co-operation with housing providers should mount an outreach campaign to inform residents about available employment services and new work incentives

Appendix A: Net Income of OW client paying RGI rents

Comparator Chart for Joint OW and Housing Services Individual and Families

(1) Single Person, on OW	No Earnings , and Living in RGI unit with Utilities included	No Earnings and Living in RGI unit with Utilities NOT included	Budget with Earning under the income threshold by \$1.00 (44 hours per month)	Budget with earning over the income threshold by \$1.00 (45 hours per month) Consideration was given on rent calc for the employment exemption	Budget with 8 hours per day at 40 hours per week at 4.33 weeks per month (173 hours per month) Consideration was given on rent calc for the employment exemption
(BN = Basic Needs)		\$206 BN \$85 rent plus up to a max of \$257 for utilities Total \$548	\$206 Basic Needs \$85 rent \$257 Utility \$359 gross earnings OW budget = \$548 - \$152.58 income	\$206 Basic Needs \$85.80 rent \$257 Utility \$361 gross earnings OW budget will = \$548 - \$153.43	\$206 Basic Needs \$393.18 rent \$257 Utility \$1385.60 gross earnings OW budget will =

<p>Disposable income = net after-rent income</p>		<p>\$206 disposable income</p>	<p>deduction = \$395.44</p> <p>Total income will be OW of \$395.44 + \$305.15 (net)</p> <p>Total = \$700.59</p> <p>\$700.59 – \$342.00 =</p> <p>\$358.58 disposable income</p>	<p>income deduction = \$394.57 OW</p> <p>Total income will be OW of \$394.57 + \$306.85 (net)</p> <p>Total = \$701.42</p> <p>\$701.42 – \$342.80 =</p> <p>\$358.62 disposable income</p>	<p>\$548 - \$588.88 income deduction = \$0.00 OW</p> <p>Total income will be OW of 0.00 + \$1177.76 (net)</p> <p>Total = \$1177.76</p> <p>\$1177.76 – \$672.68 = \$505.08 disposable income</p> <p>In essence they are working 128.2 hours hour</p>
---	--	---------------------------------------	---	---	--

(4) OW - Sole Support with two children not in child care	No Earnings and Living in RGI unit with Utilities included	No Earnings and Living in RGI unit with Utilities NOT included	Budget with Earning under the income threshold by \$1.00 (113.25 hours per mo.)	Budget with earning over the income threshold by \$1.00 (113.5 hours per month)	Budget with 8 hours per day at 40 hours per week at 4.33 weeks per month (173.2 hours monthly)
(BN = Basic Needs) (BN = Basic Needs)	\$ 640 BN \$226 rent scale Total \$866	\$640 BN \$226 plus up to a max of \$357 for utilities Total \$1223	\$640 Basic Needs \$226 rent scale \$357 utility \$906 gross earnings OW budget will = \$1223 - \$385.05 income deduction = \$837.95 Total income will be OW of \$837.95 + \$770.10 (net) Total = \$1608.05 \$1608.05 – \$583.00 =	\$640 Basic Needs \$227.40 rent \$363 Utility \$908 gross earnings OW budget will = \$1223 - \$385.90 income deduction = \$837.10 Total income will be OW of \$837.10 + \$771.80 Total = \$1608.90 \$1608.90 – \$590.40 =	Consideration was given on rent calc for the employment exemption \$640 Basic Needs \$370.68 rent \$363 Utility \$1385.60 gross earnings OW budget will = \$1223 - \$588.88 income = \$534.12 Total income will be OW of 534.12 + \$1177.76 Total = \$1711.88 \$1711.88 – \$733.68 = Working 59.7 hours more for \$40.30 LESS PER MONTH.
Disposable income = net after-rent income	\$640 disposable income	\$640 disposable income	\$1025.05 disposable income	\$1018.50 disposable income	\$978.20 disposable income

(8) ODSP Sole Support with two children not in child care - Disabled	No Earnings and Living in RGI unit with Utilities included	No Earnings and Living in RGI unit with Utilities NOT included	Budget with Earning under the income threshold by \$1.00 (working 117.5 hours per month)	Budget with earning over the income threshold by \$1.00 (working 117.75 hours per month) Consideration was given on rent calc for the employment exemption	Budget with 8 hours per day at 40 hours per week at 4.33 weeks per month Consideration was given on rent calc for the employment exemption
(BN = Basic Needs)	\$812 BN \$236 rent scale Total \$1048	\$812 BN \$236 plus up to a max of \$508 for utilities Total \$1556	\$812 Basic Needs \$236 rent scale \$508 utility \$940 gross earnings ODSP budget will = \$1556 - \$385.05 income deduction = \$1170.95 Total income will be ODSP of \$1170.95 + \$770.10 (net) Total = \$1941.05 \$1941.05 – \$744 =	\$812 Basic Needs \$237.60 rent \$508 Utility \$942 gross earnings ODSP budget will = \$1556 - \$385.90 income deduction = \$1170.10 Total income will be ODSP of \$1170.10 + \$771.80 Total = \$1941.90 \$1941.90 – \$745.60 =	\$812 Basic Needs \$370.68 rent \$508 Utility \$1385.60 gross earnings ODSP budget will = \$1556 - \$588.88 income = \$967.12 Total income will be ODSP of 967.12 + \$1177.76 Total = \$2144.88 \$2144.88 – \$878.68 =
Disposable income = net after-rent income	\$812 disposable income	\$812 disposable income	\$1197.05 disposable income	\$1196.30 disposable income	\$1266.20 disposable income 55.45 hours more for \$69.90, or \$1.26 per hour

Appendix B: Origin of the “Non-benefit income limit”

The rent scales used for social assistance recipients in RGI housing were originally set at low levels in order to maximize federal financial transfers for social housing to the province. At devolution, these rent scales were continued; with the result that municipalities now pay this large share of subsidies. Clearly, municipalities are less able than the federal or provincial government to shoulder this hidden welfare burden.

The income thresholds, known technically as “non-benefit income limits” were established to simplify rent calculations where a household receiving social assistance also earned employment income. The intent was to honour the rent geared-to-income ratio of 30% of income, using the rent scale as a base.

For a single person on OW, the \$85 monthly rent equals 30% of the non-benefit income threshold of \$360, less the \$75 single person employment deduction (30% of $(\$360-75) = \85). In a two person household, the \$175 rent equals 30% of the \$737 income threshold, less the two-person earnings exemption of \$150 (30% of $(737-150) = \$175$). And so on.

The implication is that the income threshold is a direct function of the rent scale charge. The current low rent scale results in low income thresholds. If the rents paid were increased to those paid to private sector landlords, the threshold, or amount of earnings not subject to RGI, would also increase. For most families, that increase would mean that they would retain all earnings from full-time employment at the minimum wage.

: