



Changing Working Conditions and Renter Core Housing Need in 1996

Introduction

Renter housing need increased in Canada during the 1991 to 1996 period. Recent estimates by CMHC indicate that by 1996 1.15 million renter households were in core housing need, approximately one-third more than in 1991, the last year for which similar estimates are available.¹ The objective of this research highlight is to examine how changing working and income conditions for renters have contributed to this rising level of need.

A household in core need is a household whose housing circumstances fall below one or more of the standards for adequacy, suitability and affordability and who would have to spend 30% or more of their household income to pay the average rent of alternative local market housing that meets standards.²

Findings

The Incomes of the Poorest One-Fifth of Canada's Households Have Been Declining

The increase in renter core need has occurred largely as a result of the changing income conditions of poor households, most of whom are renters. Figures in Statistics Canada's 1997 publication *Income Distribution by Size in Canada* clearly indicate that the poorest one-fifth of Canada's families are not reaping the benefits of recent economic growth. In 1996 alone, these families lost 3.0% of their total income because of drops in earned income and government transfer payments (social assistance, employment insurance payments, child tax benefits and pensions). Families in this quintile depend heavily on transfers (59% of their income in 1996) and female lone parent families account for one in four of these families.

Changing
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result in
declining
incomes.

1 Due to differences between the 1991 and 1996 data bases, the methodology employed for calculating housing need in 1996 is slightly different from that used in 1991.

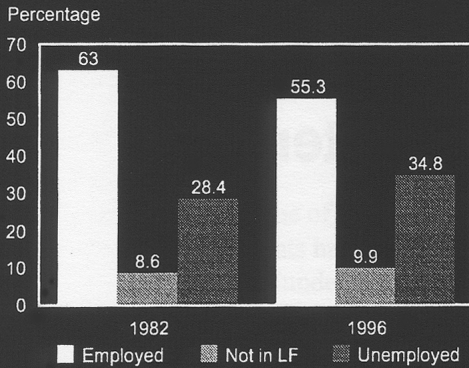
2 All estimates of 1996 renter housing need reported in this highlight are based on application of the following definitions of housing standards to data drawn from Statistics Canada's Household Income, Facilities and Equipment Micro-Data base for 1996:

- To be **adequate**, a dwelling must have full bathroom facilities and, according to its residents, require no major repairs.
- To be **suitable**, a dwelling must have enough bedrooms for the size and make-up of the occupying household, as defined by the National Occupancy Standard.
- To be **affordable**, total shelter and utility costs must consume less than 30 percent of household income.

Cette publication est aussi disponible en français sous le titre *Évolution des conditions de travail et des besoins impérieux de logement des locataires en 1996*.

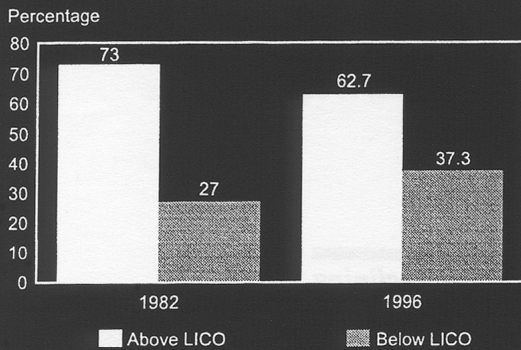
More Renters Are Unemployed, Working Part-Time or Not in the Labour Force

Graph 1: Changing Work Status of Renters



Looking at the trends for renters specifically, it is evident that deteriorating income circumstances are related to changing working conditions. During the 1982 to 1996 period, the proportion of renter households actively engaged in the labour force fell. Among those still active in the labour force, the proportion employed fell steadily as the proportion unemployed increased (Graph 1). The work status characteristics of those in the labour force also changed significantly. The proportion reporting that they had not worked in the past year rose from 23.6 to 33.1% of all labour force participants. Meanwhile, the proportion working full time dropped from 70 to 56.3%, while those working part-time increased from 6.4 to 10.6%. The Canadian Council for Social Development (CCSD) study, *The Changing Nature of Part-Time Work*, indicates that these part-time workers, growing disproportionately in number in comparison to full-time workers, lag behind in wages, benefits, and job security.

Graph 2: Changing Income Circumstances of Renters



The changing nature of their working conditions is having a noticeable affect on renters' income circumstances. For example, declining labour force participation has contributed to increased reliance on transfer payments. During the 1982 to 1996 period the proportion of renters reporting government transfer payments as their main source of income increased from 19.5 to 32.3%. As their ability to rely on work and investment income declined, an increasing proportion of renters fell below Statistics Canada's Low Income Lines (LICO)³ (Graph 2).

Labour Force Activity is a Key Determinant of Renter Housing Need

Renter households whose heads are not in the labour force, as well as those who are in the labour force but unemployed, are among those most likely to be in core housing need (Table 1). Part-time workers also experience much higher levels of need than full-time workers. Households with heads who work part-time have levels of need that are between two and three times as high as households with heads working full-time. Need varies considerably by the type of household as well. Need is much higher for renter households that are female-led than those that are male-led. Similarly, lone parent households are much more likely to be in need than couple households. Of all households, childless couples are the least likely to be in need (Table 1).

³ LICOs constitute income cutoffs that have been developed to identify households that would have to spend approximately 20% more of their income than would the average Canadian household to acquire the basic necessities of food, shelter and clothing.

Table 1: Percentage of Renter Households in Need by Labour Force, Work Status, and Major Source of Income: 1996

| | Not in labour force | In labour force | | Work status | | Major income source | |
|------------------|---------------------|-----------------|----------|-------------|-----------|---------------------|-----------|
| | | Unemployed | Employed | Part-time | Full-time | Govt. transfer | Non-Govt. |
| All households | 44.3 | 47.6 | 16.9 | 40.1 | 15.1 | 58.3 | 15.7 |
| Senior | | | | | | | |
| male | 20.4 | n/a | n/a | n/a | n/a | 27.3 | * |
| female | 46.9 | n/a | n/a | n/a | n/a | 54.2 | * |
| Family <65 | | | | | | | |
| childless couple | 31.0 | * | 6.9 | * | 6.1 | 60.6 | 6.8 |
| with children | 34.2 | 39.8 | 14.5 | 32.5 | 13.7 | 57.3 | 13.6 |
| Lone parents | | | | | | | |
| total | 69.5 | 67.8 | 28.6 | 58.0 | 25.0 | 74.8 | 26.6 |
| female | 70.1 | 66.9 | 30.7 | 60.8 | 25.2 | 74.8 | 27.9 |
| Individuals | | | | | | | |
| male | 49.4 | 50.5 | 16.2 | 32.2 | 16.2 | 69.9 | 16.4 |
| female | 55.3 | 52.1 | 24.6 | 43.8 | 20.8 | 68.1 | 23.6 |

Source: CMHC estimates based on Statistics Canada data.

n/a Category not applicable.

* Sample size is insufficient to support reliable estimates for this small group of households.

Renter Need Is Also Closely Linked to Source of Household Income

Core housing need varies substantially by the main source of income. In 1996, approximately 58% of all households dependent on government transfers were in core need compared to only 15.7% of those relying on salaries or investment income. For single parents, approximately 75% of those on transfer payments were in need. High levels of need were also experienced by individuals and couples dependent on transfer payments: nearly 70% and 60% respectively. Much lower levels of need were experienced by all types of households dependent on salaries or investment income (Table 1).

The average income of renters in core need in 1996 was \$14,600 compared to \$40,300 for those not in need. The average shelter cost-to-income ratio (STIR) was 47.4% for those in need compared to 19.9% for those not in need. The proportion of household income spent on shelter by those in core need is consistently high regardless of the type of household or labour force or work status characteristics, ranging from just over 40 to approximately 55%.

Affordability Is the Most Common Problem Facing Renter Households

Nationally 34.4% of all renter households spent 30% or more of their income on shelter in 1996. Within the subset of renter households experiencing core housing need, 93.8% spent 30% or more of household income on their shelter. On the other hand, only 12.8% of households in need lived in units that were inadequate while 13.2% lived in crowded dwellings. Affordability is undeniably the most important cause of housing need today.

**Core need
renters spend
close to 50%
of their gross
household
income on
shelter.**

Conclusion

Recent changes in the labour force have contributed to an increased level of housing need amongst renter households. Need has risen because renters, already prone to having low incomes, find their incomes deteriorating even further as they are faced with high rates of unemployment or more part-time positions. Some renter households are paying 50% or more of their household income for shelter.

This issue of Research and Development Highlights has been produced as part of a program of work under the direction of the Research Division of Canada Mortgage and Housing (CMHC). For further information about the contents of this highlight, contact John Engeland, Research Division, at (613)748-2799, or e-mail: jengelan@cmhc-schl.gc.ca

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