



Canadians and Their Housing: Income, Tenure and Expenditure Shifts

Introduction

As housing become less affordable for Canadians, particularly for those of low income? This issue of *Research and Development Highlights* presents some key findings from a CMHC study of Statistics Canada's Family Expenditure Survey (FAMEX) data.

Findings

Background

The eight-year period between 1978 and 1986 was one of dramatic economic and socio-demographic change. The economy initially slowed down sharply — with housing starts tumbling, and unemployment and inflation rising — before the business cycle started to recover in the latter half of the period. At the same time, birth rates fell, age-at-first-marriage increased, divorce rates climbed and life spans lengthened. Elderly, single-person and single-parent households increased faster than those of traditional families with children. The accompanying shifts in income and housing consumption which occurred over this period are the subject of this highlight.

The Overall Trend

Between 1978 and 1986, increases in aggregate shelter costs spent by all Canadians were matched by increases in their aggregate incomes. As a result, the average portion of income that Canadians spent on shelter remained at about 15 percent throughout the period. However, when these high-level relationships are analysed in detail, important findings emerge.

A Disaggregated Analysis

For the purposes of this analysis, Canadian households have been divided by quintiles based on income, into the five equal groups shown on page two. The group classified as the lowest quintile contains the 20 percent of Canadians with the lowest incomes — for example, those with incomes under \$14,484 in 1986.

Upper Quintile Limits and Percentage Distribution of Total Income and Shelter Expenditures, Selected Years

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile
Upper Quintile Limits (in constant 1986 dollars)					
1978	\$15,961	\$27,191	\$37,050	\$50,389	
1982	\$14,888	\$25,664	\$36,217	\$50,677	
1986	\$14,484	\$25,500	\$36,912	\$52,215	
Shares of Total Income (before tax) —					
1978	5.8	12.4	18.3	24.7	38.7
1982	5.6	11.8	17.9	24.8	39.9
1986	5.4	11.0	17.4	24.7	41.4
Shares of Total Expenditures on Principal Accommodation —					
1978	11.8	16.3	20.5	23.0	28.4
1982	11.7	15.6	19.4	23.6	29.7
1986	12.6	16.4	19.4	23.2	28.4

Average Income and Shelter Cost-to-Income Ratios and Tenure Profile by Quintiles, Selected Years

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile
Average Income (before tax — in constant 1986 dollars)					
1978	\$10,162	\$21,619	\$31,984	\$43,124	\$87,746
1982	\$9,723	\$20,196	\$30,823	\$42,664	\$68,936
1986	\$9,708	\$19,683	\$30,942	\$44,107	\$74,193
Average Shelter Cost-to-Income Ratios — % of income spent on shelter					
1978	28.9	18.9	16.3	13.9	10.8
1982	30.5	20.0	16.4	14.5	11.1
1986	33.0	21.4	16.5	13.9	10.0
Tenure Profile by Quintile (ratio of owners to renters)					
1978	48.9/51.1	49.5/50.5	62.1/37.9	73.0/27.0	85.0/15.0
1982	39.9/60.1	49.4/50.6	61.4/38.6	74.4/25.6	86.6/13.4
1986	34.1/65.9	46.7/53.3	58.3/41.7	73.6/26.4	86.7/13.3

Two Major Findings Emerge

- The distribution of income and shelter expenditures is unequal, i.e. the 20 percent of households in the lowest quintile carry about 12 percent of aggregate Canadian shelter expenditures even through their share of aggregate income is less than half that — under six percent.
- This inequality increased over the 1978-1986 period, with the shelter cost burden increasing for the poorest, i.e. the share of income received by the lowest income households in Canada diminished at a time when their share of aggregate shelter expenditures increased.

Three Additional Findings Emerge

- As incomes — adjusted for inflation — grew for Canada's highest income households, they actually fell for the poorest households.
- While the proportion of income spent on shelter diminished for Canada's highest income households (with the exception of 1982, when high interest rates adversely affected homeowner mortgage expenses), it increased for the poorest households, pushing the average shelter cost-to-income ratio for the lowest quintile above today's accepted affordability norm of 30 percent.
- As a result, there was a major reduction in the level of ownership of dwellings in the lowest quintile, while it edged higher in the highest quintile group.

A Focus on the Lowest Quintile

The remarkable tenure changes in this group partially reflect its socio-demographic evolution. Households in this group diminished in size throughout the period, falling from an average 1.8 persons in 1978 to 1.6 in 1986. This occurred as the group comprised of one-person, unattached-individual households, with their traditionally low incomes, grew from 48 percent in 1978 to 60 percent in 1986. At the same time, the proportion of married-couple families shrank from 35 to 24 percent.

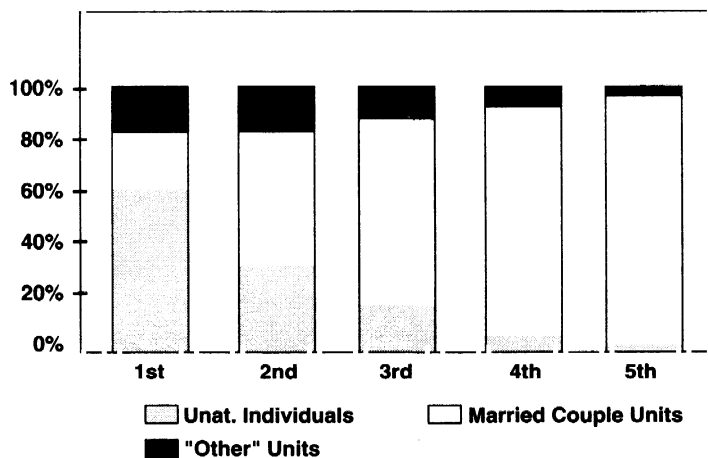
The remaining "other" households (mostly single parents and unattached individuals sharing dwellings) accounted for about 16 to 17 percent throughout the period. The distinctive socio-demographic nature of the households in this lowest income quintile stands out when compared to other quintile groups.

Shelter costs absorbed much of the incomes of the poorest Canadian households. The dwindling group of owners with mortgages in the lowest quintile had the highest shelter cost-to-income ratios, paying on average 44 percent of their incomes for their shelter when mortgage interest rates were high in 1982 and a little less (40 percent) when rates were lower in 1986.

Of greater note is the growing segment of renters in this quintile: by 1986 they numbered 1.145 million households and constituted fully one-third of all Canadian renters. Throughout the period, their shelter cost-to-income ratio averaged above today's accepted norm of 30 percent, climbing to 36 percent by 1986. Even those living in mortgage-free homes generally allocated one-quarter of their incomes for shelter. Regardless of their tenure, after their housing, food expenditures claimed another 25 percent of their already low incomes, averaging under \$10,000 in 1986.

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Quintile Composition by Family Type
Canada 1986



Conclusion

Households in the lowest income quintile in Canada changed significantly in socio-demographic, real income and shelter cost profile between 1978 and 1986. At the same time that housing grew more costly for this group, its composition shifted away from traditional married couples to households more prone to lower income: individuals living on their own and single parents. Home ownership in the group fell, as the percentage of renters paying a high proportion of income for shelter increased.

An understanding of these changes is important to Canada's governments as they work to ensure that all Canadians have suitable, adequate and affordable housing. Future issues of *Research and Development Highlights* will return to this important question.

The Research and International Affairs Directorate of CMHC carries out and finances a broad range of research on the social, economic and technical aspects of housing. This CMHC *Research and Development Highlight* is one of a series intended to briefly inform you of the nature and scope of these activities.

For more information on CMHC housing research, contact:

The Canadian Housing Information Centre
Canada Mortgage and Housing Corporation
Building C-200
700 Montreal Road
Ottawa, Ontario
K1A0P7

(613) 748-2367

This research highlight summarizes some of the findings from "An Examination of Household Housing Expenditures, 1978-1986," a study completed by Mr. Boriss Mazikins for the Research Division of CMHC. A more detailed CMHC report on this subject is forthcoming. Any questions on the contents of this highlight may be directed to Mr. J. Engeland, Researcher, Housing Needs Analysis, Research Division.

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