SHRINKING THE NEED FOR HOMELESS SHELTER SPACES†

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SUMMARY

Recent research has confirmed that only a minority of people who use emergency shelter beds are long-term users. Most shelter clients stay for short periods and do so relatively infrequently. These people use shelters as a temporary solution to problems that stem from poverty as opposed to problems arising from addiction or mental health problems. The implication is that addressing poverty may be an effective way of shrinking the need for emergency shelter beds. Our study uses information describing demographic characteristics and a measure of housing affordability in 51 Canadian cities to identify to what extent efforts at poverty reduction may enable the closing of emergency shelter beds.

Across Canada in 2011, 15,493 permanent beds were available in 408 emergency shelters. The provision of emergency shelter beds varies widely across cities. Calgary, for example, provides more than twice as many beds per 100,000 people than does Vancouver or Toronto and more than four times the number provided in Montreal. The number of emergency beds provided is an indication not only of the number of homeless people but it is also a measure of the local response to the issue.

We show that an effective strategy for shrinking the need for shelter beds is to provide improved income support to the very poor. Accounting for differences in climate, housing affordability, and demographics that may be associated with discrimination in housing markets, we show how a relatively modest increase in the incomes of those with very low incomes can shrink the need for emergency beds by nearly 20%. We also show that a modest increase in rent subsidies would have a similar impact. Still other policies that can prove effective are those that reduce the cost of building housing that can be profitably rented at prices those with low incomes can afford. These may involve tax incentives to builders and may call into question efforts at urban densification which makes low-cost construction difficult. The wide range of policy choices means that all levels of government have a role to play in increasing the affordability of housing for those with low incomes. Recognizing the broad range of effective policy options is important because the causes of homelessness vary by city and so policymakers need to be flexible in their responses to the issue.

We continue to be perplexed why governments fail to index for inflation the income support provided to those in poverty. That policy alone would go some considerable way toward enabling those with low incomes to stay housed and so reduce the need for emergency shelter beds.

INTRODUCTION

In 2009, an estimated 147,000 people, or about one in 230 Canadians, stayed in an emergency homeless shelter.[1] In 2011, 15,493 permanent beds were provided in 408 emergency shelters. The provision of emergency shelter beds varies widely across provinces, from 10 beds per 100,000 adults in Prince Edward Island to 102 beds per 100,000 adults in Alberta.[2] The provision of emergency shelter beds also varies greatly within provinces. For example, in 2011 there were just over 1,600 emergency shelter beds available in Calgary, but only 60 per cent of that number was available in Edmonton, a city with a population very similar to Calgary's.[3]

As well as differing in number by city and province, shelter beds also differ by the clientele they are provided to serve. Recent research[4] shows that in large U.S. and Canadian cities only about one-third of emergency shelter beds are provided to those who make chronic use of shelters. These people are most likely to be experiencing homelessness as a result of personal challenges not immediately associated with the economic conditions of the city in which they live. The remaining two-thirds of shelter beds are filled by people who make relatively infrequent use of shelters and are more likely forced into shelters by economic conditions.

This report represents an effort to understand what determines the number of shelter beds that governments and social agencies find necessary to provide. Our focus is on understanding what determines the provision of the roughly two-thirds of shelter beds provided as a refuge for those who suffer homelessness mainly as a consequence of economic, as opposed to personal, circumstances. Our goal is to understand what policy choices might be made to shrink the need for shelter beds provided for that reason.

Understanding what determines the number of shelter beds deemed necessary to deal with homelessness is important for informing policy-makers intent on making progress at reducing the number of people experiencing homelessness. As noted by Ingrid Gould Ellen

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[1] Estimates of emergency shelter use are from *The National Shelter Study 2005-2009,* http://www.esdc.gc.ca/eng/communities/homelessness/reports/shelter_study.shtml

[2] Estimates of emergency shelter beds are from *2011 Shelter Capacity Report,* Homelessness Partnering Secretariat, Human Resources and Skills Development Canada. The data in this paper do not include transitional housing or violence against women (VAW) shelters. We use these data to calculate emergency shelter beds provided per 100,000 people, using data on provincial adult populations (ages 15 and over) available from the 2011 National Household Survey, http://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/prof/index.cfm?Lang=E .

[3] See the appendix for these data and their source.

[4] For example, see Randall Kuhn and Dennis Culhane, "Applying Cluster Analysis to Test a Typology of Homelessness by Pattern of Shelter Utilization: Results from the Analysis of Administrative Data," *American Journal of Community Psychology* 26, 2, (1998): 207-232; Tim Aubry, Susan Farrell, Stephen Hwang, and Melissa Calhoun, "Identifying the Patterns of Emergency Shelter Stayers of Single Individuals in Canadian Cities of Different Sizes," *Housing Studies* 28, 6, (2013): 910-927; Hannah Rabinovitch, Bernie Pauly, and Jinhui Zhao, "Patterns of Homelessness in Greater Victoria," Greater Victoria Coalition to End Homelessness (2014); and Ron Kneebone, Meaghan Bell, Nicole Jackson, and Ali Jadidzadeh, "Who are the Homeless? Numbers, Trends and Characteristics of those without Homes in Calgary," *SPP Research Papers*, The School of Public Policy, 8, 11, (March 2015). *The National Shelter Study 2005-2009* reports that 67 per cent of shelter users had only one stay in a shelter in 2009 and that over one-quarter of shelter stays lasted only one night.

and Brendan O'Flaherty,[5] two broad sets of policy responses are possible, those aimed at treating causes of homelessness closely tied to individual circumstances and those aimed at treating causes of homelessness related to housing market conditions. As those authors note, it is difficult to suggest the two sets of causes are unrelated. For example, success at addressing the personal issues of homeless person A will push person B onto the streets if no new housing is built. Conversely, building new housing without efforts to address individual problems such as illnesses or addictions is unlikely to yield long-term success. Our focus on the role of housing markets should not, therefore, be interpreted as not valuing efforts to address the personal circumstances of those experiencing homelessness. Rather, it reflects our recognition of the importance of developing public policies aimed at addressing both the broadly defined and interrelated causes of homelessness and being aware that solutions to these problems may require very different policy responses. We believe little attention has been paid to understanding the provision of shelter beds required by economic circumstances.

In the next section, we briefly review the literature relevant for understanding the role of housing market conditions in determining the number of people experiencing homelessness and, consequently, the need to provide beds in emergency shelters. In the section following, we describe our data and provide empirical estimates of what determines the number of emergency shelter beds that are provided. These estimates allow us to show how changes in public policy choices may be used to shrink the number of emergency shelter beds that need to be provided. We conclude with policy suggestions.

BACKGROUND

It is well-recognized that the factors contributing to persons experiencing homelessness are many and varied.[6] A useful way of framing investigations into these factors is to characterize them as being associated with so-called structural factors (the state of labour markets and changing housing market conditions, for example) on the one hand and the personal characteristics (drug addiction and mental health issues, for example) of those experiencing homelessness on the other. The structural framework has found greater emphasis in recent research in part because the growth of homelessness is a relatively recent phenomenon not easily associated with a growth in addiction or mental health conditions.[7] A greater emphasis on the role of structural factors is also due to the growing appreciation that the majority of those experiencing homelessness do so for only short periods. They are therefore unlikely to be experiencing homelessness because of health or addiction issues. Recognition that the majority of those experiencing homelessness may do so for structural

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[5]   "Introduction," in Ingrid Gould Ellen and Brendan O'Flaherty, eds., *How to House the Homeless*, (New York: Russell Sage Foundation, 2010). Also see Sebastian Mott, Malorie Moore, and David Rothwell, "Addressing Homelessness in Canada: Implications for Intervention Strategies and Program Design," McGill Centre for Research on Children and Families, (September 2012).

[6]   For an extensive survey of the many factors contributing to homelessness, see Roger Nooe and David Patterson, "The Ecology of Homelessness," *Journal of Human Behavior in the Social Environment*, 20, (2010): 105-152.

[7]   For example, in his detailed history of the rise of homelessness in New York City, Brendan O'Flaherty, *Making Room: The Economics of Homelessness*,(Cambridge, MA: Harvard University Press, 1998), notes that the timing of psychiatric bed closures and growing drug use correlates poorly with the rise of homelessness.

reasons also suggests the need to pay greater attention to public policies affecting housing and labour markets. Thus, as emphasized by Martha Burt[8] in her review of the reasons behind the growth of homelessness in the United States during the 1980s, the list of causes of homelessness should also include the unintended consequences of public policies.

As Steven Raphael[9] notes, the theoretical connection between homelessness and housing market conditions is straightforward: even if one can pay for the minimum quality of housing available in a city, if there is little income left over for other of life's necessities (food, clothing, etc.)[10] one might rationally choose to forgo conventional housing and try one's luck doubling up with relatives or friends, or temporarily using a city's shelter system. Thus, to the extent that minimum-quality housing is priced such that it would consume an extremely high proportion of one's income, a person may become homeless.

This explanation emphasizes the need to provide shelter beds as being associated with poverty and the accompanying inability to afford housing. For those experiencing homelessness due to structural factors, it is the combined effects of poor labour market opportunities, limited housing options, and government programs insufficient to provide the income necessary to pay for that minimum-quality housing which makes homelessness inevitable and which presents the perceived need to provide shelter beds. It is important to note that the list of potential policy responses is long because the list of causes of structural homelessness is itself long.

Central to the structural explanation for homelessness, then, are measures of poverty and housing costs. The literature emphasizes that a great many factors influence these two measures. Rapid population growth and strong labour markets influence housing prices by increasing the demand for housing. For those unable to benefit from strong economic growth, housing costs can quickly rise out of reach. Changes in income distribution may also play a role as the types of housing available in a city with income skewed toward the high end will differ from housing options available in a city with income skewed in the other direction.[11]

Public policy choices can also be expected to influence the affordability of housing. Interest rates and tax policies influence the housing market by affecting new construction costs, the costs of rehabilitating old buildings, and the costs of maintenance and building abandonment.[12] The generosity and design of social assistance programs – including provisions for child care and health care – and the availability of rent subsidies and

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[8]   Martha Burt, *Over the Edge: The Growth of Homelessness in the 1980s*, (New York: Russell Sage Foundation, 1993).

[9]   Steven Raphael, "Housing Market Regulation and Homelessness," in *How to House the Homeless*.

[10]   For those with addictions, life's necessities may include the costs of alcohol and drugs.

[11]   The widening gap between rich and poor is at the heart of the explanation offered by O'Flaherty in *Making Room* for why homelessness became a serious social issue only beginning in the 1980s. It is useful to note, however, that these considerations may also have a long-term impact that is conducive to helping those with low incomes. Thus, Edgar Olsen, "Fundamental Housing Policy Reforms to End Homelessness," in *How to House the Homeless*, suggests that a hot housing market incents the private sector to build newer housing, leaving older housing units behind and available at a lower price.

[12]   See, for example, the discussion in a study by TD Economics, "Affordable Housing in Canada: In Search of a New Paradigm," *Special Report* (June 17, 2003), of the impact on the provision of rental housing units of a 1972 change in the tax deductibility of certain costs associated with the construction and renovation of rental accommodations. These reforms reduced the appeal of investing in rental properties.

government-supported low-cost housing – should also be expected to play important roles by their influence on the income the poor have available to pay for rent.

Raphael[13] notes that more onerous local housing market regulation is associated with more homelessness because it is correlated with more expensive housing, which is correlated with homelessness. His list of possible influences includes zoning restrictions, density restrictions and growth controls. The literature on the effects of local housing regulations on housing affordability is interesting because it may go some way to explaining why the perceived need for shelter beds differs among Canadian cities that might otherwise appear so similar. Some evidence on this possibility is available from a report by TD Economics.[14] Using data from 2002, the report provides information that allows one to identify what percentage of the total cost of building a modest rental apartment is due to local infrastructure charges, application fees and building permits. These local charges ranged from a low of 1.7 per cent of total cost in Montreal to a high of 11 per cent in Ottawa. In a study using U.S. data, Stephen Malpezzi and Richard Green[15] show that moving from a relatively unregulated to a heavily regulated metropolitan area increases rents among the lowest-income renters by one-fifth and increases home values for the lowest quality single-family homes by more than three-fifths. The largest price effects of such regulations occur at the bottom of the distribution in units that are disproportionately occupied by low- and moderate-income households.[16]

Studies from the U.S. consistently report that rates of homelessness are higher in high-cost housing markets with the sensitivity strong enough that authors have concluded that even modest efforts to increase the affordability of minimally adequate housing could have significant impacts on homelessness.[17] Using U.S. state-wide data from 2007, Raphael[18] illustrates a close positive correlation between the state median rent-to-income ratio and the proportion of the state population that is homeless. He reports that interstate variation in rents or rent-to-income ratios explains 40 per cent of variation in homeless shares of population across states. The obvious implication is that anything that influences the rent-to-income ratio will have a significant influence on the rate of homelessness, and so on the perceived need to provide shelter beds

Summarizing a large literature, Jill Khadduri[19] suggests that an expanded program of housing subsidies would reduce flows into emergency shelters and enable the shelter system to shrink in size. The influence seems to be large; providing an additional 100 rent-assisted units has been shown to reduce by four the number of people experiencing homelessness.

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[13] Raphael, in *How to House the Homeless*.

[14] TD Economics, "Affordable Housing in Canada."

[15] "What has Happened to the Bottom of the U.S. Housing Market?" *Urban Studies*, 33, 1, (1996): 1,807-1,820.

[16] We know of no research along these lines in Canada. It is an important question to be pursued and may go some way to explaining why, for example, the cities of Edmonton and Calgary, although nearly equal in size and subject to the same federal and provincial housing taxes and regulations, have such different stocks of rental accommodations.

[17] See, for example, John Quigley, Steven Raphael, and Eugene Smolensky, "Homeless in America, Homeless in California," *The Review of Economics and Statistics*, 83, 2, (2001): 37-51; and Marjorie Honig and Randall Filer "Causes of Inter-city Variation in Homelessness," *American Economic Review*, 83, 1, (1993): 248-255.

[18] "Housing Market Regulation," Figure 6.2: 114.

[19] "Rental Subsidies: Reducing Homelessness," in *How to House the Homeless*.

Khadduri emphasizes that housing subsidies are superior to public housing because of the greater choice and flexibility they provide to subsidy recipients.

The literature reviewed in this section focuses on the influence of the structural determinants of, and possible policy responses to, the number of people experiencing homelessness. Our focus in this paper is slightly different in that we seek to understand what determines the number of shelter beds that a local jurisdiction finds necessary to provide. The two issues are clearly closely related. As Burt notes,[20] the number of shelter beds is a measure of a jurisdiction's response to homelessness as well as an indication of the size of the homelessness problem. Our interest is in understanding how changes in the structural and policy-induced determinants of homelessness influence the size of the local response in terms of shelter beds.

DATA AND ANALYSIS

Our investigation employs data from 2011 for 51 cities across Canada. Data measuring our key variable – the number of emergency shelter beds provided in each city – and data on demographic variables by metropolitan area are from the 2011 National Household Survey. All of the data we use in our analysis, their sources and details on what they measure, are presented in the appendix.

Our dependent variable is the number of emergency shelter beds (*Beds*) provided in each city as a fraction of that city's total adult population (*Pop*). Our key policy-sensitive determinant of that dependent variable is a measure of housing affordability, the ratio of a relevant income measure to a relevant measure of housing cost.

Any measure of housing affordability is based on a comparison of income to housing cost. Our measure of income is the amount of social assistance income provided to a person defined in provincial social assistance programs as a single employable (*Income*). A person classified in this way is single and without an impediment to employment that is recognized by the provincial social assistance program. Our measure of housing cost is based on the average amount paid on a one-bedroom rental unit (*Rent*).

We use as our measure of income the aforementioned amount of social assistance paid to a single employable for three reasons. First, the vast majority of homeless shelter users are single. Second, people most likely to experience homelessness are mainly, as emphasized by Burt et al.,[21] the "poorest of the poor." At an average annual income of about $7,500 (our data are for 2011 and vary by province), social assistance is the income of last resort for a single person deemed healthy enough to find employment. Finally, our focus is on identifying public policies that might influence the perceived need to provide emergency shelter beds. One possibly important policy lever is government-provided income support to the income-demographic group most likely to use emergency shelters.

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[20] Burt, in *Over the Edge*, 131.

[21] Martha Burt, Laudan Aron, Edgar Lee, and Jesse Valente, *Helping America's Homeless: Emergency Shelter or Affordable Housing?*, (Washington, D.C.: The Urban Institute Press, 2001), 331.

Our measure of housing cost is based on the amount paid on a one-bedroom rental unit. Our measure recognizes that there is a distribution of rental prices around the average. Rental accommodations most relevant for persons at highest risk of homelessness would be priced at the low end of that distribution. In the absence of data on the distribution of rents, analysts often use a fraction of the average rent as a measure of the rent most relevant for those at risk of homelessness.[22] We follow that approach here by using a rental price equal to two-thirds of the average rent.[23]

Overnight temperatures during Canadian winters are low enough to threaten the lives of those who may be forced to sleep out of doors. For these reasons, we expect that the number of shelter beds that social agencies and governments deem necessary to provide to be negatively correlated with the average overnight low temperature experienced in that city during the month of January (*Temperature*). In particular, the lower that temperature, the more shelter beds we expect to be made available.

After controlling for income and housing costs, discrimination in housing markets is another factor that may force some people into shelters. To investigate this possibility, we include in our statistical analysis a measure of the fraction of each city's adult population that self-identifies as aboriginal (*Aboriginal*). If discrimination in the housing market exists, we might expect to see a positive relationship between the need to provide shelter beds and the share of the total adult population that identifies as aboriginal. To investigate whether discrimination in housing markets might also be directed toward new immigrants, we also include a measure of the number of people residing in a city on the date of the census but who resided outside of Canada one year earlier (*Migrant*). The larger the fraction of the total adult population that is composed of recent immigrants, the larger may be the need for shelter beds.[24]

Due to skewness in the data, we use a logarithmic specification to relate the number of shelter beds provided in a city to housing market conditions in that city. This approach relates percentage changes in the independent variables to percentage changes in the dependent variable. The exception is the variable measuring the average overnight low temperature (measured in degrees Celsius) during the month of January, which is introduced in level form.[25] Table 1 reports the estimated coefficients resulting from

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[22] See, for example, TD Bank, "Affordable Housing in Canada." Our results are not sensitive to replacing the rent on a one-bedroom apartment with that on a bachelor unit. In some jurisdictions, but not all, utility costs are included in rent. We make no attempt to account for this.

[23] A cursory glance at the data appendix makes clear that in any city in Canada, the social assistance income provided to a single employable is insufficient to come anywhere close to the usual threshold for measuring poverty – spending more than 30 per cent of income on rent. To meet this criterion, the ratio of social assistance income to rent would need to be greater than 3.33. In 2011 in Toronto, for example, meeting that criterion would have required an increase in the annual social assistance payment from $8,104 to $26,053.

[24] Another demographic variable available from the National Household Survey is the number of people who self-identify as being a visible minority. This would include native-born Canadians as well as recent immigrants. In Toronto and Vancouver, 45 per cent of the population self-identify as a visible minority. Discrimination comes in many forms and it would be interesting to parse the separate influences of ethnicity, language, religion, refugee status and familiarity with local norms, by employing a refined set of data that clearly identifies people by these characteristics. We focus on recent immigrants and people self-identifying as aboriginal, as these groups are the most clearly defined in the data.

[25] The estimated coefficient on *January Temperature* is therefore to be interpreted as showing the percentage change in our dependent variable resulting from a one-unit change (one degree Celsius) in the average overnight temperature in January.

ordinary least squares regressions. The last three regressions weight the observations by adult population.[26]

TABLE 1   REGRESSION RESULTS

Variable	(1) - OLS	(2) - OLS	(3) - WLS	(4) - WLS	(5) - WLS
Constant	-4.826 (0.918)*	-4.229 (0.945)*	-4.564 (0.877)*	-4.058 (0.929)*	-4.057 (0.928)*
Temperature	-0.047 (0.015)*	-0.035 (0.012)*	-0.041 (0.013)*	-0.031 (0.010)*	-0.032 (0.011)*
ln(*Income / Rent*)	-1.136 (0.299)*	-0.850 (0.461)**	-1.201 (0.298)*	-0.920 (0.432)*	-1.146 (0.314)*
ln(*Aboriginal / Pop*)		0.188 (0.086)*		0.167 (0.079)**	0.152 (0.078)**
ln(*Migrant / Pop*)		0.117 (0.154)		0.116 (0.137)	
Adjusted R^2	0.362	0.394	0.345	0.372	0.373

51 observations. The dependent variable is ln (*Beds/Pop*) in a city. All variables except *January Temperature* are measured in natural logarithms. Values in parentheses are heteroscedasticity-consistent standard errors. Regressions (3)-(5) are estimated with weighted least squares using adult population weights.

*denotes statistical significance at the five per cent level or better. **denotes statistical significance at the 10 per cent level or better.

The first and third regressions focus on the effect on the provision of emergency shelter beds of the average low temperature in January and our measure on housing affordability relevant for those with very low incomes. Both variables have estimated coefficients that are significantly different in value from zero. The signs on those coefficients are in the expected direction: in cities with colder temperatures and where the social assistance income provided to those classified as single employable is low relative to rents, social agencies and governments find it necessary to provide more emergency shelter beds. The results are not sensitive to weighting observations by population.

Regressions (2) and (4) add measures of the fraction of the adult population that is aboriginal or recent immigrants. The estimated coefficient is statistically significant on the measure of the fraction of the population that is aboriginal but not so on the measure of the fraction of the population that is composed of recent international immigrants.[27] The positive sign on the statistically significant coefficient suggests discrimination in housing markets that require shelter operators to provide additional shelter beds. We again find that the results are not sensitive to weighting observations by population.

Regression (5) omits the statistically insignificant *Migrant* variable and provides us with the regression coefficients we use in the discussion that follows.

The statistical significance of the estimated coefficient on the variable measuring the fraction of the population that self-identifies as aboriginal ($p = 0.057$) is less than for our other dependent variables but is nonetheless suggestive of an influence. The estimated

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[26]   We assume the population weights are proportional to the inverse standard deviation of the residuals.

[27]   The insignificance of the (*Migrant/Pop*) variable is consistent with the discussion in Alina Tanasescu and Alan Smart, "The Limits of Social Capital: An Examination of Immigrants' Housing Challenges in Calgary," *Journal of Sociology and Social Welfare*, 37, 4 (December 2010), who note that immigrants tend to be under-represented in homeless populations likely because of a social network established by their cultural communities.

coefficient indicates that a one per cent increase in the share of aboriginal persons in the total population of a city is correlated with a 0.15 per cent increase in the number of beds per adult population in that city.

Our results suggest that a fall of one degree Celsius in the average overnight temperature in January would prompt social agencies and governments to increase the number of emergency shelter beds per adult by three per cent. Temperature, then, has a very important role to play in the determination of the necessary number of shelter beds. For example, Vancouver has a 13.2 degree Celsius advantage over Toronto when it comes to the lowest average January temperatures (see the appendix). All else equal, if Vancouver had Toronto's average overnight low January temperature, an additional 723 shelter beds, a 52 per cent increase, would be deemed necessary in that city. Or, to put it differently, if Toronto enjoyed Vancouver's weather, social agencies in Toronto might find themselves able to close 1,113 beds or 34 per cent of the total.

The estimated coefficient on our measure of housing affordability indicates that a one per cent increase in the ratio of social assistance income to rent is associated with a 1.15 per cent reduction in the ratio of shelter beds to adult population. An implication of this sensitivity is that increasing the annual amount of social assistance provided to a person identified as a single employable by $1,500 per year[28] would, by increasing the ratio of income to rent, enable social agencies to close a total of 2,599 shelter beds across Canada, a reduction of 18 per cent. Recognizing that approximately two-thirds of shelter beds are provided in support of those experiencing homelessness as a result of their economic situation, this means that this increase in social assistance income would enable shelter providers to close about one-quarter of emergency beds provided for reasons other than health or addiction issues.

An alternative policy – or perhaps one to be introduced in conjunction with the increase in income – would be to increase the size of the rent subsidy available to those with low income. Our results suggest that increasing rent subsidies by $100 per month would be sufficient to enable providers to close 2,975 shelter beds across Canada. Our two policy options therefore have similar effects.

The largest reductions from policies like these would, of course, come in the largest cities. Table 2 reports the size of the fall in shelter beds from these two policies for each of the nine largest cities.

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[28] This would be an increase in social assistance income payable to persons classified as single employable of between 15 per cent and 20 per cent depending on the province. In Yellowknife, NWT, this would be an increase of nine per cent.

TABLE 2   SHRINKING THE NEED FOR SHELTER BEDS

Policy	Toronto	Montreal	Vancouver	Calgary	Edmonton	Ottawa	Quebec	Winnipeg	Hamilton	51 Cities
Social assistance*	576	246	250	312	186	182	42	124	60	2,599
Rent subsidy**	566	346	245	303	189	194	63	154	79	2,975

*$1,500 increase in annual social assistance payments to single employable.

**$100 per month increase in rent subsidy.

For each city, the number refers to the number of emergency shelter beds that could be closed as a result of adopting the identified policy.

DISCUSSION

Our calculations suggest the potential efficacy of an approach that favours what might be broadly described as a market solution to shrinking the need for emergency shelter beds. This is particularly so with respect to our suggestion to provide the very poor with a higher level of income support and allow them to purchase goods and services through the market. The additional income support might be used to pay rent, but may also enable them to make other purchases and so free their limited income for rent payments; money is fungible and so it would be difficult to know how the additional income is used. But answering that question is unimportant. What is important is that the income support enables the very poor the opportunity to be able to afford housing not otherwise available to them.

Providing rent subsidies is another approach we have shown can be effective at shrinking the need for emergency shelter beds. That approach is somewhat more prescriptive – the very poor must use the support on housing – but is similar in the sense that rent subsidy effectively increases the income available to the very poor to purchase more of life's necessities. If the declining stock of affordable housing is in part the result of rising income inequality and poverty, then providing the poor with income support in these ways is a direct way of addressing that cause of the affordable housing crisis.

This non-exhaustive list of possible influences on the low-end housing market emanating from public policy choices suggests that all levels of government have a role to play in addressing homelessness and that they have a wide variety of policy levers to adjust. Policy-makers need not, therefore, focus too narrowly on just a few policy responses. Policy responses that have more subtle and less direct influences on the housing market than, say, the publicly funded construction of low-income housing, may have far more pervasive influences on the housing market and hence homelessness.[29] What's more, more subtle policy responses may prove to be less costly to the public treasury and may avoid the potential for direct government provision or subsidization of housing units to result in reductions in the unsubsidized housing stock.[30] Finally, it is worth emphasizing Burt's

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[29] For a list of possible policy measures aimed at the supply-side of the market for affordable housing, see Marion Steele and Peter Tomlinson, "Increasing the Affordability of Rental Housing in Canada: An Assessment of Supply-Side Measures," *SPP Research Papers*, The School of Public Policy, 3, 2, (September 2010). The authors helpfully list measures by what is available to each level of government in Canada.

[30] As found, using U.S. data, by Todd Sinai and Joel Waldfogel, "Do Low-Income Housing Subsidies Increase the Occupied Housing Stock?" *Journal of Public Economics*, 89, 11-12, (December 2005): 2,137-2,164.

conclusion that the causes of homelessness may vary with the particular characteristics of each city and so policy-makers need to be flexible in their choice of policy instruments.[31]

We acknowledge that the policy approaches we have suggested are not inexpensive. Consider, for example, the proposal to increase the annual income of those classified as single employable by $1,500 per year and what such a policy would cost the government of British Columbia. In 2015, there were on average 24,446 people in British Columbia identified as being single and classified as "expected to work."[32] To provide each with an additional $1,500 per year would cost B.C. taxpayers $33.9 million annually. As a result of this expenditure, our estimates suggest that 307 emergency shelter beds could be closed in B.C. Assuming each closed bed saves the government $50 per night,[33] this means a direct saving of $5.6 million per year. Other government savings would also result from the improved health and future employment prospects that result from being able to afford better and more secure housing. Though they are more difficult to quantify, these avoided costs should be recognized as a benefit of our proposal designed to keep people housed.[34] Finally, of course, the benefits enjoyed by affected individuals – as opposed to simply the B.C. treasury – should also be included in any calculation of the social benefits of such an investment.

It is useful to emphasize that our suggestion to increase social assistance income is a one-time expenditure made necessary by the failure of policy-makers to properly adjust those payments to inflation. For reasons that are unclear to us, provincial governments do not index social assistance payments to the cost of living in the same way they index income tax brackets relevant to better-off Canadians or pensions provided to seniors adjusted by the federal government. Instead, provincial governments periodically increase social assistance payments in a haphazard effort to enable the very poor to keep up with rising costs. In Ontario, for example, our $1,500-per-year increase in the social assistance paid to a single employable would, in 2011, have simply replaced the real loss of income suffered over the previous 15 years by a failure to adjust payments to inflation. Indexing social assistance payments to the costs of the key drivers of the welfare of the very poor – housing and food costs – would go a long way toward enabling them to stay housed and escape the necessity of having to sometimes rely on homeless shelters.

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[31]   *Over the Edge*, 8.

[32]   British Columbia Employment and Assistance Summary Report, (February 2016), http://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/organizational-structure/ministries-organizations/social-development-social-innovation/bcea-caseload-6page.pdf .

[33]   The amount varies by province, city and shelter. This is a guess based on discussions with shelter staff and assumes a payment to provide services to a low-needs client.

[34]   For a review of a large literature identifying these potential savings see "Housing and Health: Examining the Links," Wellesley Institute, (March 2012), http://www.wellesleyinstitute.com/wp-content/uploads/2012/10/Housing-and-Health-Examining-the-Links.pdf . Our policy proposals are aimed at steering people away from emergency shelters by providing them with the income necessary to remain housed. Cost savings associated with housing chronic users of emergency shelters are therefore not directly relevant to costing our proposals. For estimates of these costs, see the results of the At Home/Chez Soi study, http://www.mentalhealthcommission.ca/English/system/files/private/document/mhcc_at_home_report_national_cross-site_eng_2.pdf .

CONCLUSION

Homelessness is an exceptionally complex social problem. It has root causes in the personal traits of those most likely at risk of a spell of homelessness and the structural factors that influence the housing options available to the poorest of the poor. The unintended consequences of public policies also play a role. Our focus in this paper has been on those persons who experience homelessness as a result of what we have described as structural factors, the state of housing and labour markets that destine the very poor to be unable to afford even minimum-quality housing.

Contrary to popular belief, most people who become homeless will remain so for a few days or weeks but not become homeless again. The chronically homeless, whether for long periods or with repeated episodes, are a minority of those experiencing homelessness. An implication is that the majority of emergency shelter beds are provided to meet the needs of people who experience homelessness for short and infrequent periods and do so as a result of poverty. Our results, and similar results from research using U.S. data, suggest that relatively modest public policies can make significant differences in the perceived need to provide shelter beds. Directing support toward those for whom housing costs consume a very large share of their low incomes can have a significant impact on the number of people experiencing homelessness and thus on the need for emergency shelter beds.

DATA APPENDIX

City	Total Adult (15+) Population	Number of Shelter Beds	Aboriginal Adult (15+) Population	Recent International Migrants	Annual Rent on a Lower-end One Bedroom Unit ($)*	Annual Social Assistance Income for a Single Employable ($)	Ratio of Social Assistance Income to Rent	Average Minimum Temperature in January (degrees Celsius)
Toronto	4,606,028	3,253	28,875	83,725	7,816	8,104	0.92	-11.8
Montreal	3,193,225	1,313	21,625	46,340	5,128	7,560	1.31	-12.8
Vancouver	1,959,389	1,390	40,230	45,775	7,712	7,947	0.92	1.4
Calgary	992,523	1,606	24,675	18,275	7,192	7,248	0.90	-13.5
Edmonton	954,572	957	44,240	11,975	6,856	7,248	0.94	-18.8
Ottawa	766,035	1,028	15,305	10,210	7,192	8,104	1.00	-13.9
Quebec	653,147	226	5,260	3,345	4,872	7,560	1.38	-13.8
Winnipeg	605,185	618	55,885	11,800	5,416	6,922	1.14	-24.4
Hamilton	601,358	338	8,650	4,560	5,776	8,104	1.25	-12.1
Waterloo Region	390,794	159	5,115	3,805	6,016	8,104	1.20	-12.4
London	395,972	385	6,355	3,290	5,680	8,104	1.27	-11.4
Halifax	330,608	171	7,830	3,605	6,016	6,954	1.03	-8.0
Niagara Region	332,572	155	6,680	1,330	5,592	8,104	1.29	-8.5
Victoria	299,470	145	10,760	2,895	6,544	7,947	1.08	1.1
Windsor	263,059	92	5,110	2,185	5,000	8,104	1.44	-8.6
Gatineau/Outaouais	258,834	71	9,150	2,010	4,928	7,560	1.36	-14.6
Saskatoon	213,953	127	16,540	3,505	6,296	8,891	1.26	-20.3
Regina	173,498	148	13,005	2,495	6,312	8,891	1.25	-19.6
Sherbrooke	170,193	93	1,515	1,280	3,696	7,560	1.82	-13.7
St. John's	165,648	64	3,185	850	5,240	10,071	1.71	-3.7
Barrie	151,855	67	3,135	590	7,072	8,104	1.02	-16.4
Kelowna	153,583	80	6,085	1,015	5,872	7,947	1.20	-3.6
Sudbury	135,690	88	10,590	445	5,696	8,104	1.26	-18.9
Saguenay	135,226	60	3,485	140	3,568	7,560	1.88	-18.6
Kingston	135,627	44	3,915	765	6,424	8,104	1.12	-13.6
Trois-Rivières	130,980	151	1,455	400	3,568	7,560	1.88	-13.0
Guelph	116,264	69	1,565	910	6,376	8,104	1.13	-13.9
Moncton	117,154	60	1,835	440	4,720	6,796	1.28	-11.5
Brantford	110,975	58	7,965	225	5,808	8,104	1.24	-10.3
Saint John	106,808	55	1,830	670	4,576	6,796	1.32	-13.7
Thunder Bay	103,600	76	8,595	450	5,128	8,104	1.40	-22.6
Peterborough	101,724	85	3,310	320	6,096	8,104	1.18	-15.8
Lethbridge	86,707	93	3,000	995	6,064	7,248	1.06	-13.2
Cape Breton	86,884	12	4,290	160	4,384	6,954	1.41	-6.6
Kamloops	83,645	52	6,055	480	5,536	7,947	1.28	-6.3
Nanaimo	83,906	43	4,835	475	5,288	7,947	1.34	0.1
Fredericton	78,808	49	2,410	415	5,096	6,796	1.19	-13.3
Red Deer	73,991	51	3,380	480	5,552	7,248	1.16	-17.8
Drummondville	73,792	25	500	155	3,856	7,560	1.74	-14.4
Prince George	69,239	40	7,110	290	4,872	7,947	1.45	-11.1
Sault Ste. Marie	68,309	58	6,110	275	4,648	8,104	1.55	-17.4
Medicine Hat	59,483	36	2,190	565	4,664	7,248	1.38	-15.3
Wood Buffalo	54,320	190	5,640	800	13,552	7,248	0.48	-24.5
Charlottetown	53,976	12	585	1,335	4,816	7,152	1.32	-9.6
North Bay	54,437	29	3,735	175	5,264	8,104	1.37	-17.9
Grande Prairie	43,365	72	3,670	335	6,104	7,248	1.06	-18.2
Brandon	43,328	9	3,460	695	4,464	6,922	1.38	-23.0
Prince Albert	33,712	81	10,555	280	5,560	8,891	1.42	-22.1
Bathurst	29,232	8	885	35	3,616	6,796	1.67	-14.2
Yellowknife	15,406	89	3,230	125	10,744	17,326	1.43	-30.8
Thompson	9,668	14	2,975	50	5,192	6,922	1.18	-29.9

*We use two-thirds of the average annual cost of a one-bedroom rental unit.

The cities in our sample are defined by either a census metropolitan area (CMA) or a census agglomeration (CA). Statistics Canada defines a CMA or a CA by one or more adjacent municipalities centred on a population centre (known as the core). A CMA must have a total population of at least 100,000, of which 50,000 or more must live in the core. A CA must have a core population of at least 10,000. To be included in the CMA or CA, other adjacent municipalities must have a high degree of integration with the core, as measured by commuting flows derived from previous census place-of-work data. We assume housing markets are metropolitan in scope but recognize most emergency shelter spaces are located in the core of a metropolitan area.

Data on the total adult population aged 15 years and over, the total aboriginal population aged 15 years and over, and the number of recent international migrants to a city are from the 2011 National Household Survey (NHS) available on the Statistics Canada website at http://www12.statcan.gc.ca/census-recensement/index-eng.cfm .

For the purpose of the census, persons reporting an aboriginal identity include persons who reported being an aboriginal person, that is, First Nations (North American Indian), Métis or Inuk (Inuit) and/or those who reported registered or treaty Indian status; that is, registered under the Indian Act of Canada, and/or those who reported membership in a First Nation or Indian band.

A recent international migrant is a person who lived outside of Canada one year prior to the census reference data of May 10, 2011.

The number of emergency shelter beds is from the 2011 Shelter Capacity Report. Emergency shelters are defined as facilities providing temporary and short-term accommodation for homeless individuals and families, which may include essential services such as food, clothing and counselling. These data do not include transitional housing or violence against women (VAW) shelters.

The annual rent on a one-bedroom unit is provided by the Canada Mortgage and Housing Corporation (CMHC) by way of its primary rental market survey conducted in April and October of each year. We use the rents reported in the October 2011 survey. The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, electricity, parking and hot water. For available and vacant units, the rent is the amount the owner is asking for the unit. In recognition that there is a distribution of rents about the average, we use as our measure of the rent, likely relevant for someone at risk of homelessness, to be two-thirds of the average reported by CMHC.

The average minimum daily temperature for the month of January 2011 is from Climate Canada at http://climate.weather.gc.ca/. For very few smaller centres in our sample, the temperature reported for the nearest location is used.

The annual amount of social assistance paid to a person classified by a provincial program as a single employable is from the Caledon Institute's Canada Social Report, http://www.canadasocialreport.ca/ . That report provides inflation-adjusted incomes. We thank Sherri Torjman for providing us with information that allows us to calculate the nominal values for 2011 that we report here.

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Ron Kneebone is a Professor of Economics and Director of Economic & Social Policy at The School of Public Policy, both at the University of Calgary. His current research is examining the characteristics of Canadian federal, provincial and municipal fiscal policy choices, the problem of homelessness and income supports for persons with disabilities.

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