The Homelessness Income Cut-Off (HICO)

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Data That Makes A Difference Conference

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Preliminary Results. Please do not cite without permission

What is HICO?

- The minimum income an individual or family requires to maintain housing and so avoid homelessness

- Having income at the poverty line does not, *by definition*, put one at risk of poverty

- When thinking about who is at risk of homelessness, it makes no sense to look at poverty lines

- We should instead look at the HICO

- So, how large is the HICO?

The Poverty Line is not HICO

- The poverty line defines a disposable income sufficient to enjoy a "modest and basic standard of living"

- Enough for a couple with 2 kids to afford the median cost of a 3-bedroom unit typically occupied by households in that community with incomes falling within the second decile of incomes

- Also sufficient to afford a nutritious diet, enough for transportation, clothing, cell service, etcetera

The Poverty Line is not HICO

- The poverty line defines disposable income sufficient to
  - avoid having to move to lower quality housing priced below the median
  - avoid "crowding"
    - No sharing bedrooms
    - No boarders
    - No roommate for a single person
  - avoid having to use charities to obtain necessities

- Most people with income below the poverty line avoid homeless shelters

- Being at risk of homelessness means living much differently than what is assumed by the designers of the poverty line

Our Approach

- The poverty line defines levels of expenditure for housing, food, clothing, transportation, and other goods and services
- How much could each of these amounts be reduced if the threat of homelessness loomed?

- We consider realistic responses for reducing each of these expenditures
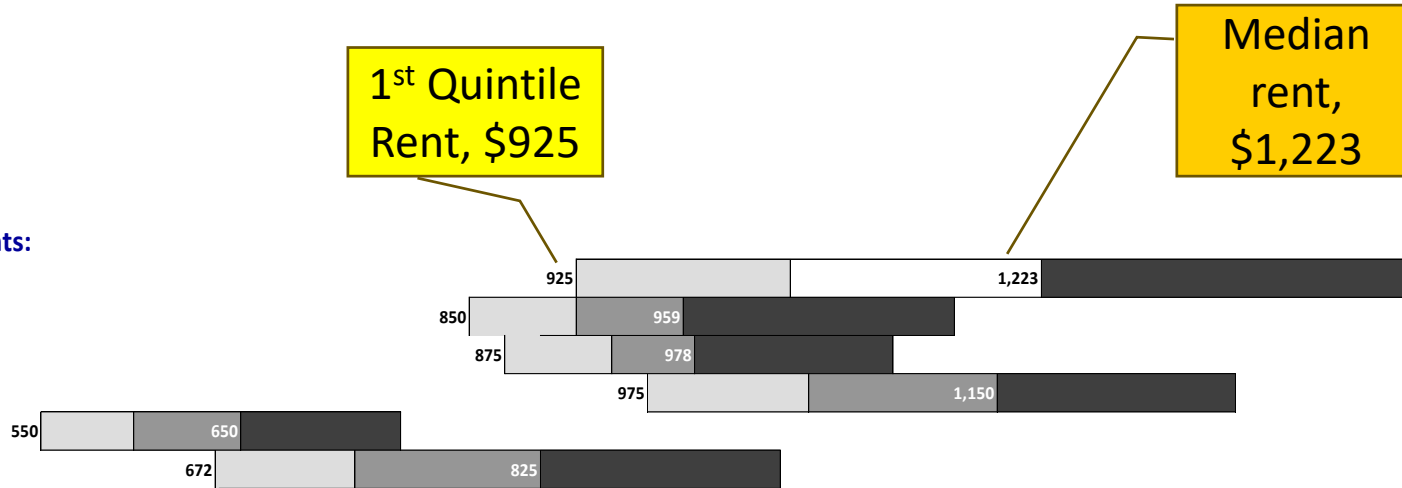- Subtracting these amounts from the poverty line reveals the HICO

Reducing Housing costs

- When faced with the risk of homelessness, an obvious first step is to reduce housing costs

- Moving to the low end of the rent distribution is one option
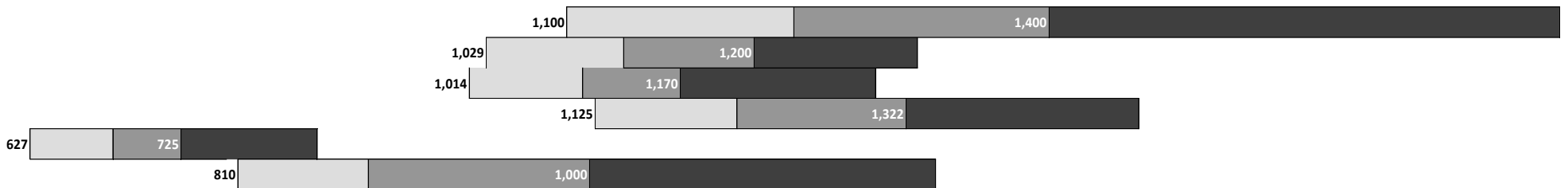
- This results in a large saving …

1st Quintile Rent, $925

Median rent, $1,223

One-Bedroom Apartments:

Vancouver	925 ... 1,223
Calgary	850 ... 959
Ottawa	875 ... 978
Toronto (GTA)	975 ... 1,150
Montreal	550 ... 650
Halifax	672 ... 825

Two-Bedroom Apartments:

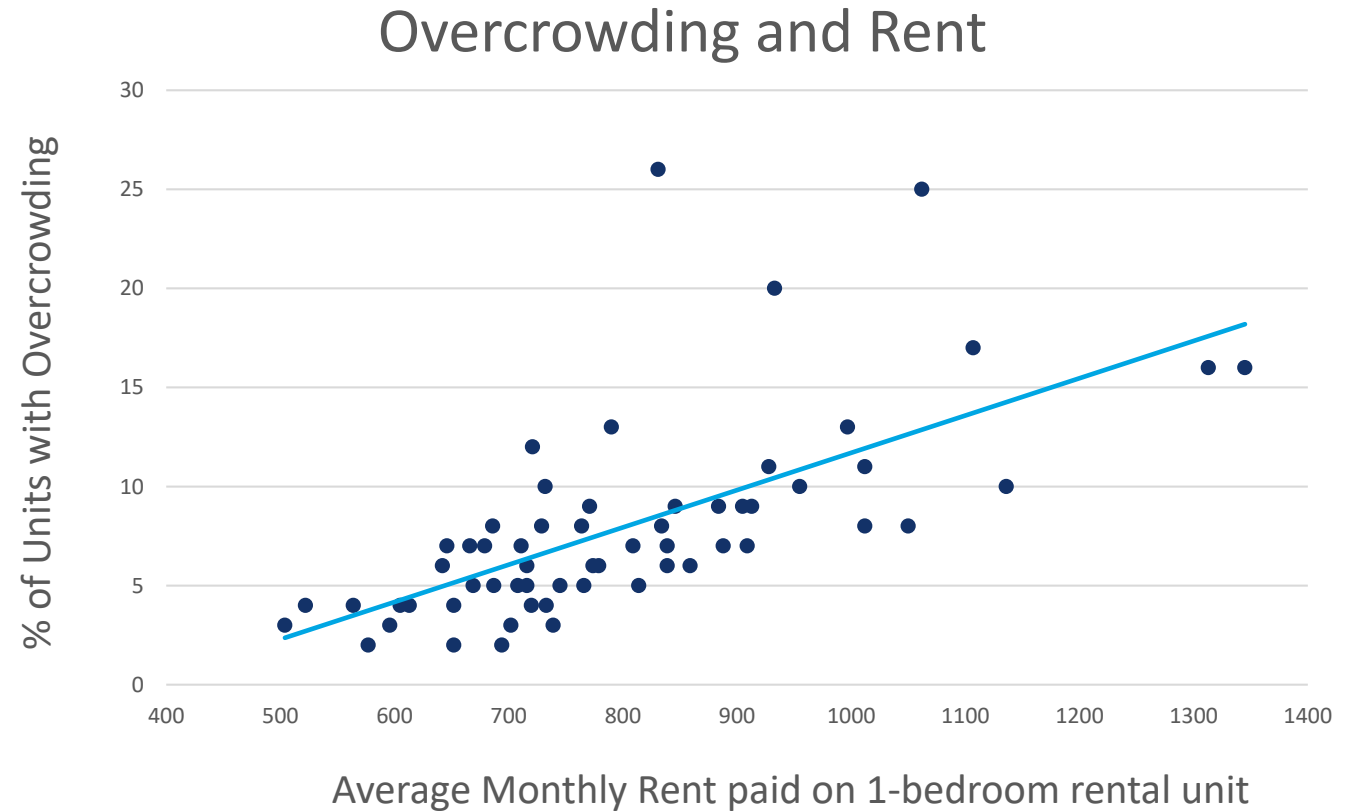|	
Vancouver	1,100 ... 1,400
Calgary	1,029 ... 1,200
Ottawa	1,014 ... 1,170
Toronto (GTA)	1,125 ... 1,322
Montreal	627 ... 725
Halifax	810 ... 1,000

These data are CMHC data from 2017 (special request).

Moving to a less expensive rental

- This is Toronto in 2022

Family Type	MBM Housing Cost	Adjusted Housing Cost	Saving on Housing Cost	
Single	$10,907	$8,267	$2,639	24.2%
Lone Parent, one child	$15,424	$11,458	$3,966	25.7%
Couple, two children	$21,813	$17,072	$4,741	21.7%

Reducing Housing costs

- Another way of reducing housing costs is to "crowd"

- 60 cities, percentage of one-bedroom rentals with more than two people (Kneebone & Wilkins, 2021)

Overcrowding and Rent

Y-axis: % of Units with Overcrowding (0 to 30)

X-axis: Average Monthly Rent paid on 1-bedroom rental unit (400 to 1400)

Moving to less expensive *and* more crowded housing

- This is Vancouver for 2022

- Couple with 2 kids moves from 3 to 2-bedroom
- Lone parent with 1 child moves from 2 to 1-bedroom
- Single moves from studio to sharing a 2-bedroom

Family Type	MBM Housing Cost	Adjusted Housing Cost	Saving on Housing Cost	
Single	$10,836	$5,747	$5,089	47.0%
Lone Parent, one child	$15,324	$11,882	$3,443	22.5%
Couple, two children	$21,672	$16,254	$5,418	25.0%

Relying on Charities

- In April 2023, 46% of Canadian adults with income less than $40,000 indicated they expected to use charitable services to meet essential needs

  (IPSOS poll, April 2023)

- Two-thirds of these people reported being unable to keep up with the cost of food and shelter

Using Charities to Reduce Food Costs

- Food received from a food bank is a close, though imperfect, substitute for food purchased from a retail store

- This makes using a food bank an obvious way of responding to the risk of homelessness

- Data provided by the Calgary Food Bank suggests that for one-quarter of clients, hampers offset 24% of their food budget

- For 6% of clients, hampers offset half their food budget

Using Charities to Reduce Other Expenditures

- Clothing and household furniture received from a charity are also good though imperfect substitutes for retail purchases

- More difficult to use charities to pay for transportation

- We assume charities enable at risk individuals and families to reduce
  - Food costs by 25%
  - Clothing and furniture by 40%
  - Transportation by 10%
  - Other costs by 40%

Calculating the HICO for Calgary

Calgary	Couple, 2 children	Lone parent, 1 child	Single
Annual Saving on:			
1. Housing	$3,283	$2,463	$4,366
2. Food	$3,482	$2,462	$1,741
3. Clothing	$757	$535	$379
4. Transportation	$520	$367	$260
5. Other	$5,147	$3,640	$2,574
6. Total Saving	$13,189	$9,468	$9,319
Key Measures:			
7. MBM	$55,771	$39,436	$27,886
8. HICO	$42,582	$29,968	$18,566
9. HICO/MBM	76.4%	76.0%	66.6%

The Social Assistance and Minimum Wage Gaps

Calgary	Couple, 2 children	Lone parent, 1 child	Single
Annual Saving on:			
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2. Food	$3,482	$2,462	$1,741
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Key Measures:			
7. MBM	$55,771	$39,436	$27,886
8. HICO	$42,582	$29,968	$18,566
9. HICO/MBM	76.4%	76.0%	66.6%
10. Social Assistance	$35,080	$24,078	$9,800
11. Social assistance gap	$7,502	$5,890	$8,767
12. Minimum Wage ($15)	$31,200	$31,200	$31,200
13. MinWage Gap	$5.47	-$0.59	-$6.07

Alternative Assumptions regarding use of charities

	Baseline	Greater	Lesser
Food	25%	35%	15%
Clothing	40%	50%	30%
Transporation	10%	15%	5%
Other	40%	50%	30%

The size, but not the existence of the Social Assistance and Minimum Wage Gaps are sensitive to our assumptions

Calgary	Couple, 2 children	Lone parent, 1 child	Single
The HICO:			
Baseline assumption	$42,582	$29,968	$18,566
Lesser reliance on charities	$45,711	$32,181	$20,131
Greater reliance on charities	$39,453	$27,756	$17,002
Social Assistance Gap:			
Baseline assumption	$7,502	$5,890	$8,767
Lesser reliance on charities	$10,631	$8,103	$10,331
Greater reliance on charities	$4,373	$3,678	$7,202
Minimum Wage Gap:			
Baseline assumption	$5.47	-$0.59	-$6.07
Lesser reliance on charities	$6.98	$0.47	-$5.32
Greater reliance on charities	$3.97	-$1.66	-$6.83

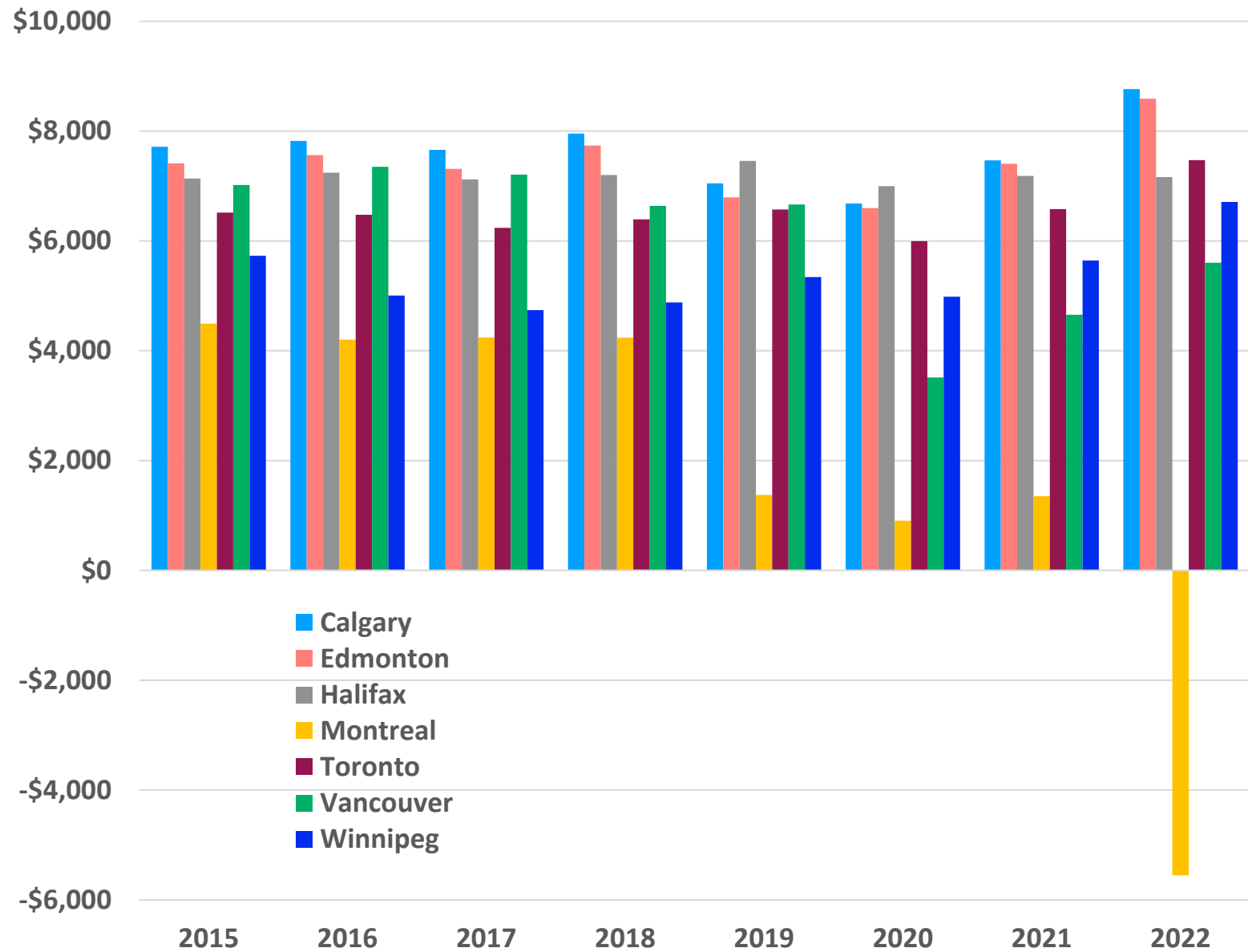The Social Assistance Gap over Time (Couple, 2 kids)
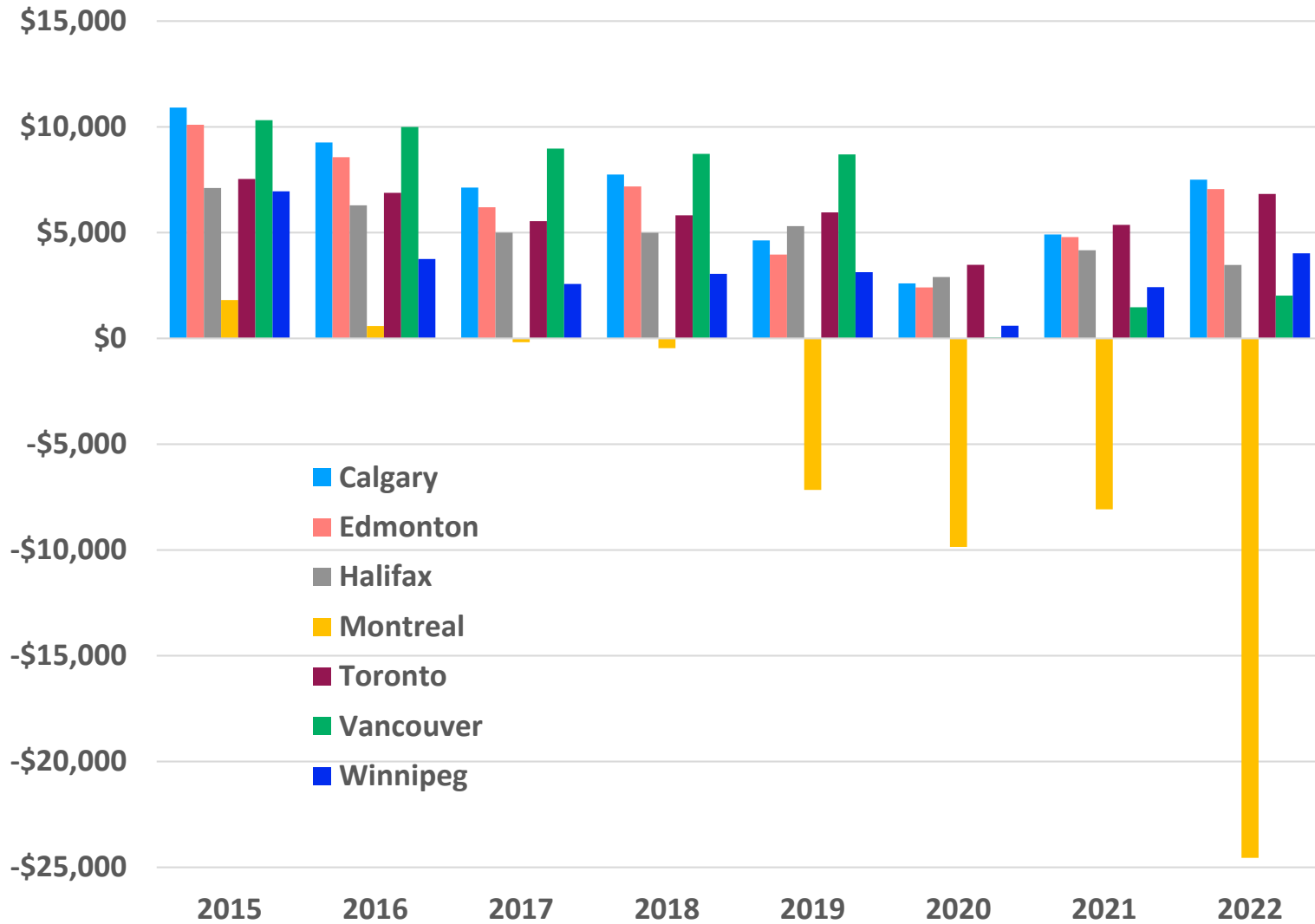
The Social Assistance Gap over Time (Lone parent, one child)
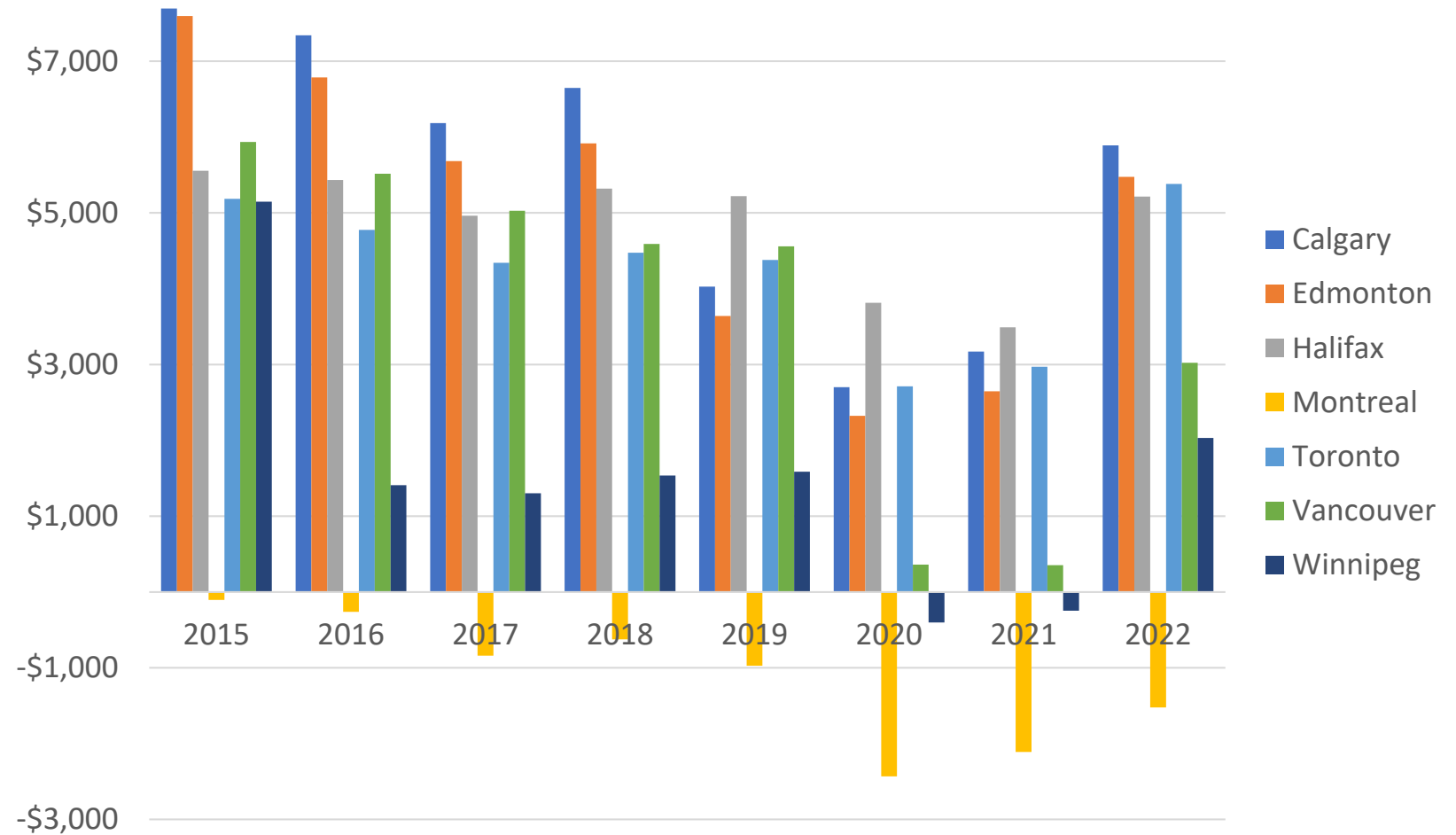
The Social Assistance Gap over Time (Single person)

Conclusion …

- The most cost-effective public policy for addressing homelessness is to enable people to remain housed

- Most people with very low income – income below the poverty line – avoid homelessness

- Like someone pushed into deep water, they fight to stay afloat

- Public policy should be doing a better job of supporting them

- Closing the Social Assistance Gap would go a long way toward stemming the rise of homelessness

Conclusion.

- Many solutions to the problem of homelessness are not found by looking in homeless shelters or back alleys

- Many are, instead, found in the rules, regulations, and levels of support with which we purport to assist people in their own efforts to remain housed.