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# **Rental Paths from Postwar to Present: Canada Compared**

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# Starting point

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- ❑ How did Canada's social and private rental housing system come to be?
- ❑ What does comparison over time and between nations tell us about possibilities?
- ❑ How does our experience reflect both housing market forces and social policy?

# Outline

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## **A. State and Market**

- 1) Concept of “housing system”
- 2) Welfare state
- 3) Housing & the welfare state

## **B. Canadian Rental Compared**

- 1) Demand    2) Supply    3) Policy
- 4) Results: Distinct production eras
- 5) Results: Tenure & income shifts

## **A. State and Market**

### **1. Concept of “housing system”**

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- **“Systems of housing provision” (Kleinman)**
  - Not just housing policy “intervening” in market
  - Market ⇔ Policy relationship is central
  - Structuring the housing market, esp.:
    - Housing financing (mortgages etc.)
    - Urban development regime  
(land use regulation, infrastructure)
    - Who carries out land dev’t and construction
- **Entwined with welfare capitalism regime type**

## 2. Welfare state

### (a) What?

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#### ***Mainstream:***

- Education
- Health care
- Unemployment insurance ?
- Private pensions
- Management of the business cycle
- Urban infrastructure

#### ***Income-targeted:***

- Social assistance
- Public pensions
- etc.

# Welfare state

## (b) Why?

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### *Economic arguments*

- ❑ Offset market inequalities
- ❑ Ensure efficient working of economy
- ❑ Human resources for modern economy

### *Social rationale*

- ❑ Collective goods essential for modern urban life (education, urban infrastructure)
- ❑ Mitigate impact of market failure on living condits

### *Political reasons*

- ❑ Social and political stability / legitimation
- ❑ Result of political demands in affluent democracy

# Welfare state

## (c) Regime types

### (Classic Typology: Esping-Andersen)

- ❑ For affluent industrial /post-industrial nations

### Other variant types

- ❑ Mediterranean (Spain/Italy)
- ❑ East Asian
- ❑ etc.

<b>Liberal Welfare</b>	<b>Social-Democratic</b>	<b>Corporatist</b>
<i>US, Canada, Australia</i>	<i>Sweden, Netherlands</i>	<i>Germany, Belgium, Italy</i>
<ul style="list-style-type: none"> <li>• “Dualist”;</li> <li>• Residual social programs;</li> <li>• Tax syst supports private provision</li> </ul>	<ul style="list-style-type: none"> <li>• Wider decommodification;</li> <li>• Universal programs</li> </ul>	<ul style="list-style-type: none"> <li>• Social benefits workplace-related, family-oriented</li> </ul>

# Welfare state

## (d) Eras

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### ***Postwar: Keynesian/Beveridgian welfare state***

- Broad consensus about mixed economy
- Macroeconomic management / full employment
- Expanding public sector, broad social programs
- Housing: “Wobbly pillar” of welfare state: mostly market-driven, but significant non-market sector

### ***Neoliberal era (since 1980s): Post-welfare state***

- Neoliberal ideas – market seen as solution, government as a drag on economic efficiency
- Welfare state capped or plateaued (declining relatively?)
- Rising market inequalities not offset by welfare state
- Housing: much wobblier (more market-driven)



# 3. Housing & the welfare state

## (a) Economic & social significance

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### ***Economic weight***

- ❑ Housing is 1/3 of total debt/credit in economy
- ❑ >1/5 of household spending, >1/3 for poor
- ❑ Housing is over half of household assets
- ❑ Similar to pensions as a retirement resource
- ❑ Housing costs exacerbate income inequalities
- ❑ 10-15% of GDP, macroeconomic significance

### ***"Market failure" in housing***

- ❑ Lagged supply/demand response, boom-bust
- ❑ Impacts on macroeconomic stability & efficiency
- ❑ Environmental impact of land use patterns
- ❑ Social impact of slums / concentrated poverty

# Housing & the welfare state

## (b) Commodity or social good?

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- Is housing a commodity?
  - **Yes**
    - de facto* (typically bought or rented in market)
    - Most households can afford it – IF debt-financed
    - Urban land markets and capital markets are very central in capitalist economies
  
- Is housing a social good?
  - **Yes**
    - “Merit good” with positive/negative social impacts
    - “Market failure” and negative externalities
    - Implications for living conditions
  
- What balance to strike between these: how much to “decommodify” housing?

# Housing & the welfare state

## (c) Regime type and housing

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	<b>Liberal Welfare</b> <i>(Market-led rental)</i>	<b>Social-Democratic and Corporatist</b> <i>(State-led rental)</i>
<i>Dominant tenure</i> <i>(% of households)</i>	Home-ownership 60-70%	Rental (then) 60-70% Mixed (now) 45-55%
<i>Dominant within rental sector</i>	Private rental (80-90% of rental)	Social rental (50-80% of rental)
<i>Profile of social rental</i>	Low incomes: residual housing for the poor	Mix of incomes from middle to lower

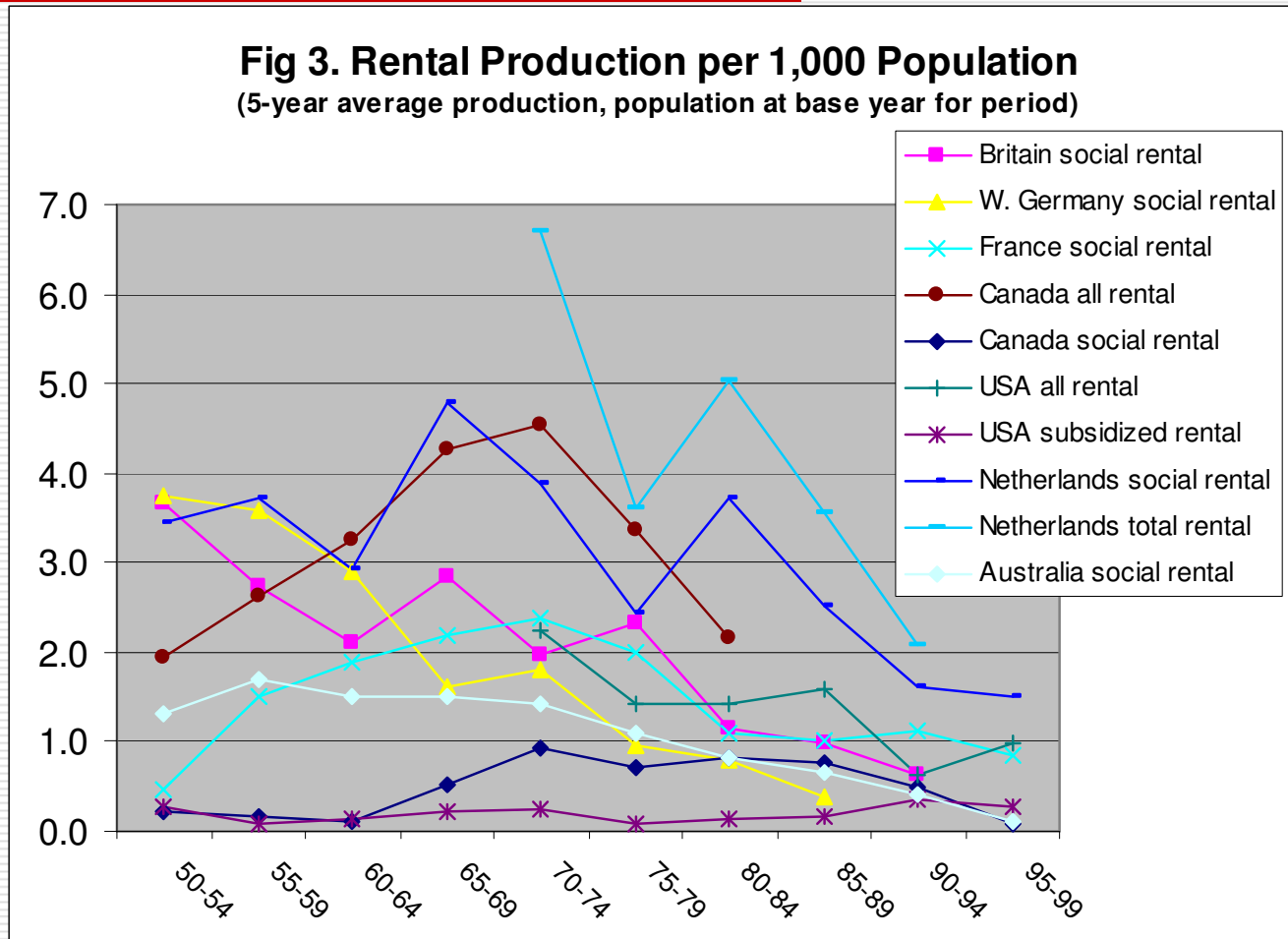
## B. Canadian Rental Compared

### 1. Demand – high in postwar – why?

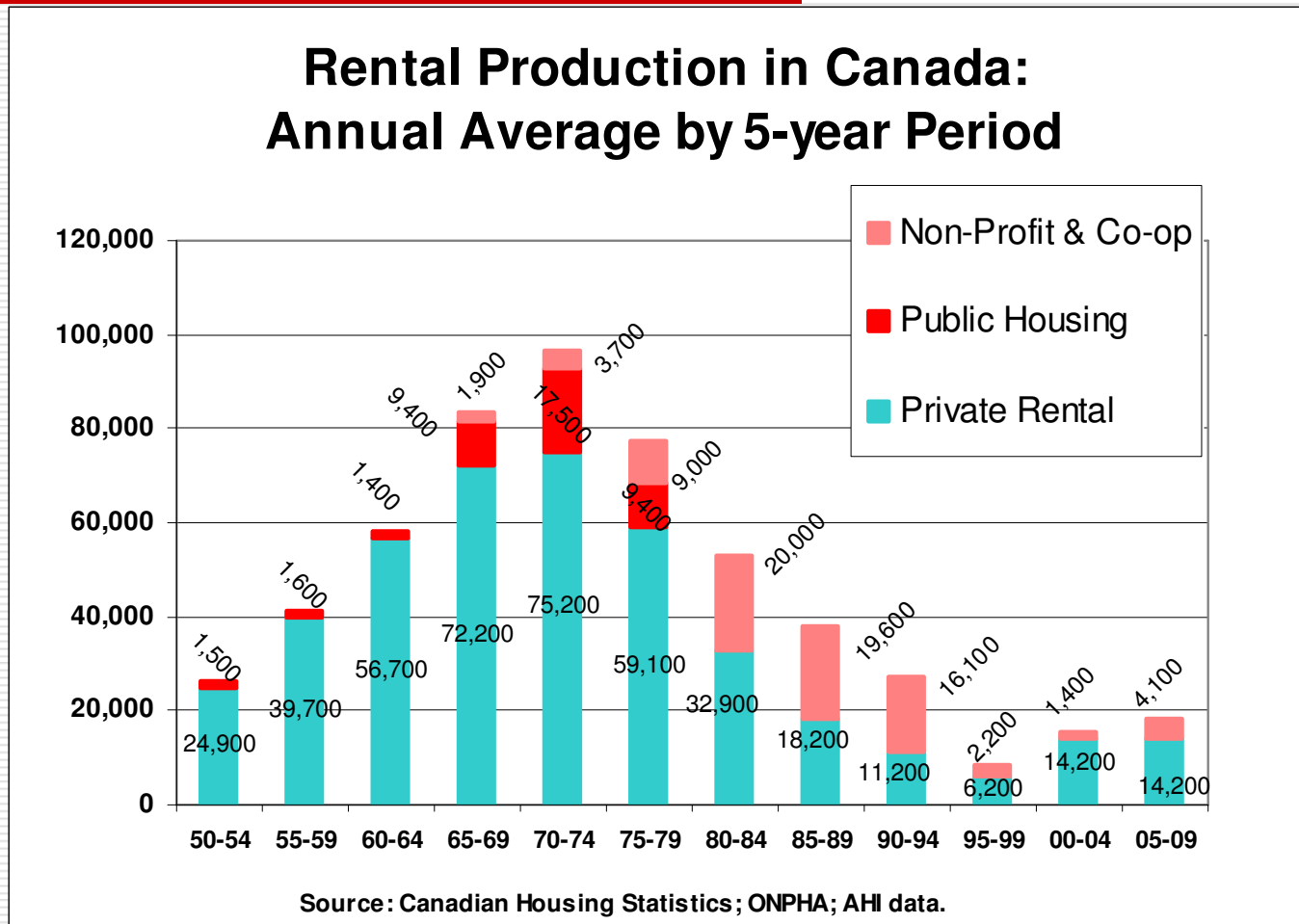
<i>Factor</i>	Europe	Canada	Austral	USA
□ High population growth	√	√√	√√	√
□ Less affluent at outset	√√	√	√	√
□ Catch-up urbanization	√	√√	√	√√
□ Social change	√√	√√	√√	√√
□ Less home-owning	√√√	√√	√	√
□ Backlogs of need	√√√	√√	√√	√
Result: Canada had relatively large postwar rental demand.				

# 2. Supply

## (a) Production: Canada & Others



# Production: Private & social rental prod'n in Canada



# 3. Policy

(a) Policy shifts from postwar to neolib

<b>Policy trend</b>	<b>Tendencies by regime type</b>	<b>How Canada rates</b>
Promote ownership	Convergence	Already high owning
Targeted state benefits	Convergence	Typical for lib-welfare
Deregulate finance	Convergence	Early deregulation
Spend on demand-side	Larger in state-led	Low
Spend on repair etc.	Larger in state-led	Low
Build less social housing	Convergence	Typical for lib-welfare
Devolve responsibility	Varied	Extreme
State/priv/nonprof roles	Varied	Inconclusive

# Policy

## (b) Differences among lib-welf regimes

	<b>Canada</b>	<b>Australia</b>	<b>USA</b>
<i>Main source of postwar rental supply</i>	Private rental construction; Integral in dev't industry activity	Social rental construction ( <i>Shrinking private rental</i> )	Private rental construction + Filtering of older neigh'ds
<i>Nature of postwar social rental</i>	Residual for poor – spatially dispersed	Bungalows for lower middle – spatially dispersed	Residual for poor, slum redev't – in central city
<i>1970s-80s transition</i>	Shift to European-style mixed incomes + Sustained production	Shift to demand-side subsidies + Sustained production	End of new "public housing" + shift to s.8 supp/voucher and Tax Credit



# 4. Results: Distinct Production Eras

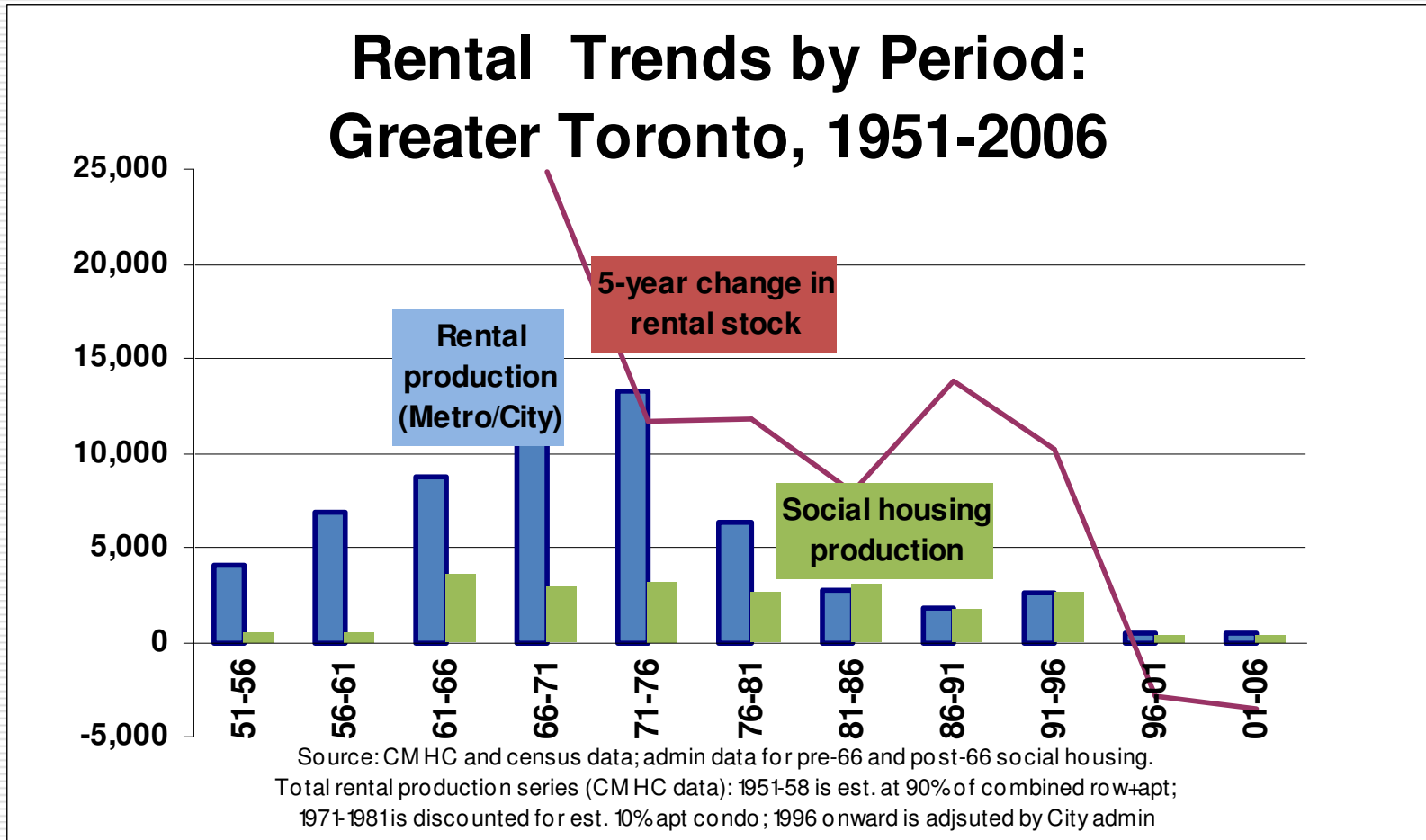
*Mix of policy and market (Toronto case)*

Rental Market Conditions	Private Rental Production	Social Housing Production
<b>1945-65 (early postwar)</b>		
<ul style="list-style-type: none"> <li>■ Rising demand (income levels and numbr of houtholds)</li> <li>■ Central city decline</li> </ul>	<ul style="list-style-type: none"> <li>■ Surging production</li> <li>■ 8,000/yr by 1960s</li> <li>■ Suburban locations after mid-1950s</li> </ul>	<ul style="list-style-type: none"> <li>■ Modest to 1965 (about 500/year)</li> <li>■ Suburban locations after mid-1950s</li> </ul>
<b>1965-75 (peak postwar)</b>		
<ul style="list-style-type: none"> <li>■ Very high added annual demand</li> <li>■ Abundant supply</li> <li>■ Poor people move to burbs (like others)</li> </ul>	<ul style="list-style-type: none"> <li>■ Peak (~15,000/yr)</li> </ul>	<ul style="list-style-type: none"> <li>■ Public housing, 3,200/year,</li> <li>■ 10% of total prod'n</li> </ul>

# Rental Production eras continued (*Toronto case*)

Rental Market Conditions	Private Rental Production	Social Housing Production
<b><i>1975-95 (turbulent economy, contested welfare state)</i></b>		
<ul style="list-style-type: none"> <li>▣ Flat wages</li> <li>▣ Very high demand</li> <li>▣ Investm't crash '74</li> <li>▣ Loss in central city</li> </ul>	<ul style="list-style-type: none"> <li>▣ Declining steadily 9,000 ► 1,000/year</li> <li>▣ Public subsidies for half of priv.production</li> </ul>	<ul style="list-style-type: none"> <li>▣ Non-profit housing, 2,500/yr (2/3 low inc)</li> <li>▣ Half of rental prod'n</li> <li>▣ 10% of total prod'n</li> </ul>
<b><i>1995 onward (neoliberal, polarizing)</i></b>		
<ul style="list-style-type: none"> <li>▣ Lower wages etc.</li> <li>▣ Rising homeownership</li> <li>▣ 3,000/yr loss of rental</li> <li>▣ Rising % low-income</li> <li>▣ Decline- postwar areas</li> </ul>	<ul style="list-style-type: none"> <li>▣ Little "rental" production</li> <li>▣ &gt;3,000/year added condo rental</li> </ul>	<ul style="list-style-type: none"> <li>▣ 300-800/year</li> <li>▣ 1-2% of total prod'n</li> </ul>

# Private and social production (Toronto)



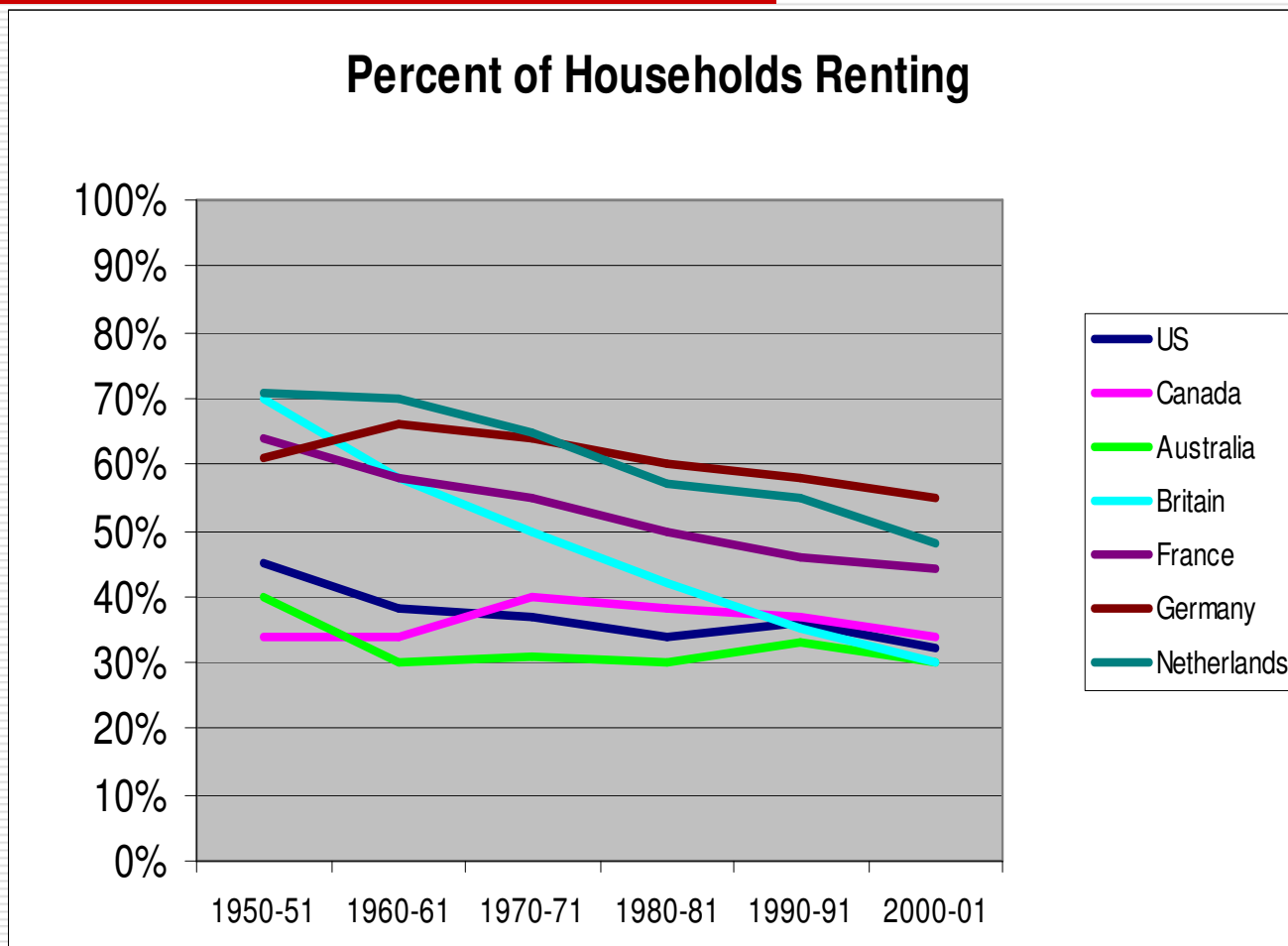
# 5. Results: Tenure & income shifts

## (a) International patterns

<b>Shift to more home-ownership</b>	<b>Income decline in the rental sector</b>
<b>Why?</b> <ul style="list-style-type: none"><li><input type="checkbox"/> <i>Affluence &amp; security</i></li><li><input type="checkbox"/> <i>Policy support</i></li><li><input type="checkbox"/> <i>Financing systems</i></li><li><input type="checkbox"/> <i>Tastes &amp; norms</i></li><li><input type="checkbox"/> <i>Boomers &amp; elderly</i></li></ul>	<b>Why?</b> <ul style="list-style-type: none"><li><input type="checkbox"/> <i>Middle-inc <u>owning</u></i></li><li><input type="checkbox"/> <i>Smaller households</i></li><li><input type="checkbox"/> <i>Income polarization magnified by tenure</i></li></ul>
<b>When?</b> <ul style="list-style-type: none"><li><input type="checkbox"/> US/Aust/Can- 1940s on</li><li><input type="checkbox"/> Europe - 1970s on</li></ul>	<b>When?</b> <ul style="list-style-type: none"><li><input type="checkbox"/> US - 1950s on</li><li><input type="checkbox"/> Can/Europe -1970s on</li></ul>

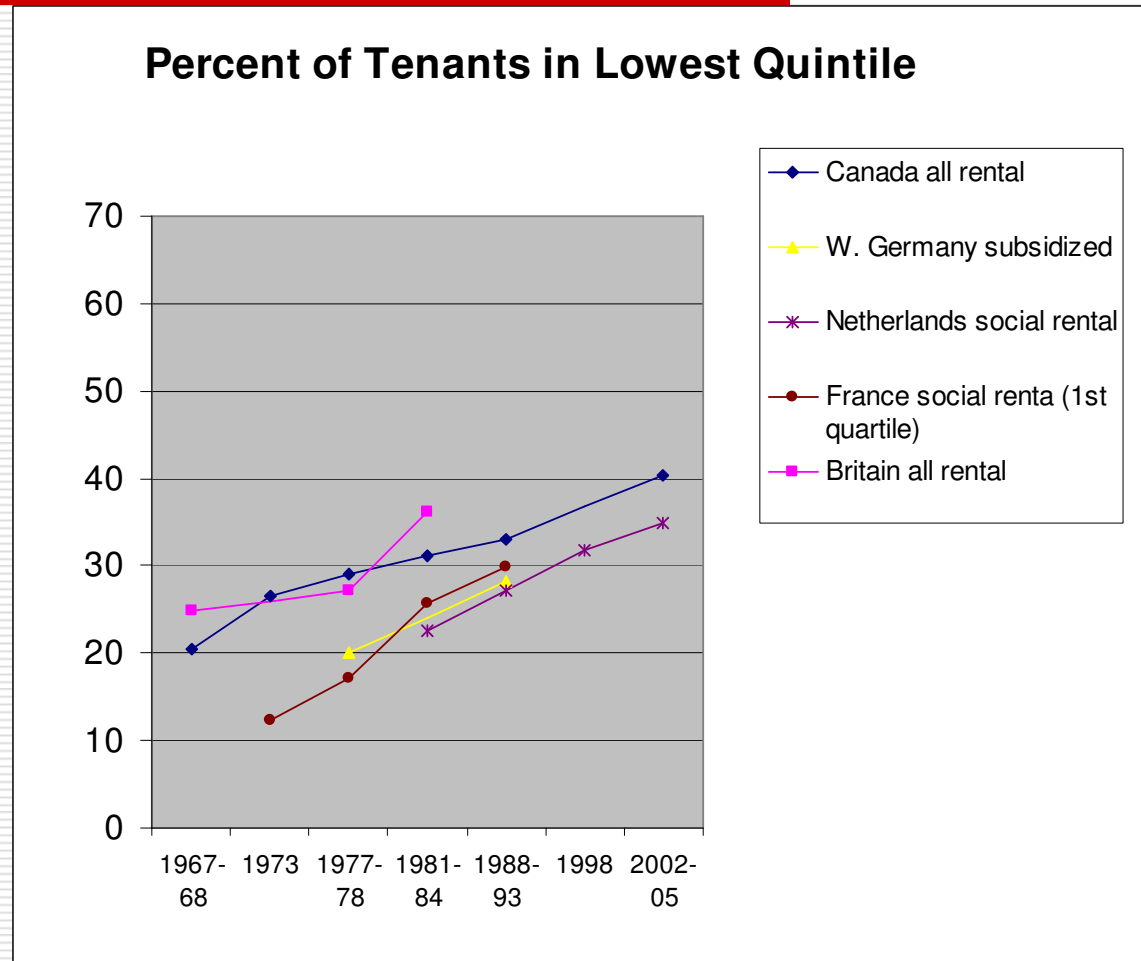
# Resulting tenure & income shifts

## (b) Shift to more home-ownership



# Resulting tenure & income shifts

## (c) Income decline in the rental Sector



# Conclusions – general

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- ❑ Rental as Market ⇔ Policy matter, closely tied to each nation's welfare capitalist regime type
- ❑ Today's rental sector as a legacy of postwar era (urbanization/demand + welfare state), and of later social change affecting that sector
- ❑ Shared rental history and policy trends across most affluent Western nations

# Conclusions – Canada

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- ❑ National particularities: Volume of postwar rental by liberal-welfare standards, extreme of devolution
- ❑ Private rental: 1955-75 period of strong production was peak of postwar urbanization & wage growth
- ❑ Social rental: Mid-60s and mid-90s bookends of peak production were points of strongest expansion & retrenchment of the Canadian welfare state
- ❑ Canada reverting from 1960s-80s “mid-Atlantic” welfare state, back to liberal welfare type?



# Political economy: two eras

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## **Postwar era (1945-1970s)**

### **Economic conditions**

- ❑ Rapid growth
- ❑ Rising gov't tax revenues
- ❑ Benign "long boom"
- ❑ Managed global trade and managed exchange rates

### **Political Ideas**

- ❑ Consensus about national management of mixed economy

### **Incomes and inequality**

- ❑ Rising real income for most households
- ❑ Narrowing inequalities

## **Neoliberal era (1980s on)**

### **Economic conditions**

- ❑ Slower growth
- ❑ Flatter tax revenues
- ❑ 1975-95: unempl't, inflation, sharp recessions, high int. rates
- ❑ Globalized production sys'ts, free trade, open capital markets

### **Political Ideas**

- ❑ Neoliberal ideas – market as solution, gov't as drag on econ.

### **Incomes and inequality**

- ❑ Wages rising for upper, flat for middle, declining for lower
- ❑ Widening inequalities