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# The Homelessness Income Cut Off

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## EXECUTIVE SUMMARY

Most people with income below Canada's official poverty line avoid homelessness. They do so by making extraordinary efforts to minimize out-of-pocket expenses and so conserve income for rent. These efforts involve moving to less expensive accommodations, living in more crowded housing, forgoing non-necessities, and relying on charities to reduce expenditures on food, clothing, and other necessities. These efforts to minimize expenditures mean that the poverty line is a poor measure of the income required to avoid homelessness. The absence of such a measure means we are unable to determine whether income supports are adequate for keeping people from experiencing homelessness.

The Homeless Income Cut Off (HICO) measures the amount of income families and individuals need to minimize their risk of becoming homeless after they have exhausted their own efforts to remain housed. This paper explains how the HICO is calculated and how it can be used to gauge the adequacy of income support policies intended to keep Canadians from becoming homeless. Since income supports and the costs of necessities vary across Canada and over time, this paper presents calculations of the HICO for seven cities (Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Montreal and Halifax) and for eight years (2015-22).

The HICO does not describe what people with low-income must do before they receive income assistance. Rather, it shows how bad the affordability crisis is for them — a crisis caused by rising housing costs and food prices, lagging incomes and holes in the social safety net. The calculations show the extent to which Canadians with low income must rely on food banks and other charities to hang on to their housing, a reliance made necessary by income supports that are frequently inadequate for this purpose.

The HICO provides policymakers with a gauge against which they can evaluate the adequacy on income supports for preventing homelessness. Income supports need, at the very least, to be sufficient to enable families and individuals to maintain their housing after they have exhausted their own efforts to do so.

## INTRODUCTION

The goal of this paper is to develop a measure of the income an individual or family must have to minimize the risk of homelessness. By defining this level of income, what we refer to as the Homelessness Income Cut-Off (HICO), we provide a measure against which governments can gauge the adequacy of public policies intended to ensure Canadians are able to secure and maintain housing and thus avoid experiencing homelessness. Our measure recognizes the efforts individuals and families make to avoid homelessness by reducing expenditures on other goods and services, by relying on charities and by forgoing non-essential expenditures. How people reduce their expenditures is a key consideration because as Shinn et al. (2013) report, most families manage to stay out of homeless shelters despite being at high risk of losing housing and even when in some instances they are ineligible for support services. This can only be managed by making extraordinary efforts to minimize expenditures to match desperately low incomes. It involves a combination of deprivation (going without) and substitution of goods and services provided by charities for retail expenditures. Recognizing the reality of these efforts is important for understanding which public policies or other societal responses might be most effective at enabling individuals and families to retain housing.<sup>1</sup>

The development of our measure is emphatically not intended to be used to describe the steps individuals and families with low income ought to be required to take before receiving assistance or the attention of policy-makers. On the contrary, our measure is intended to show how deep the affordability crisis is for individuals and families with low income, a crisis brought on by rising shelter costs, rising food prices, lagging incomes and holes in the social safety net that has resulted in rapidly increasing observed and forecasted rates of homelessness. The HICO is not a target. It is, instead, a sign of impending crisis.

We begin in the next section with a discussion of what it means to say one is at a heightened risk for homelessness. We suggest that it involves more than just describing one's income but must also involve describing how one responds to that low income. The risk of homelessness grows as one exhausts options for diverting income from other expenditures to maintain housing. The HICO is the income required to minimize the risk of losing housing after exhausting these efforts.

In the section following, we show that Canada's official poverty line is not at all a good measure of the HICO. We then turn to describing the ways in which individuals and families respond to being put at risk of homelessness. Using estimates of the expenditures made on necessities suggested by designers of the Market Basket Measure (MBM), we adjust those expenditures by amounts that we estimate households at heightened risk of homelessness save by moving to less attractive housing, by crowding and by relying on charities. In this way, we derive an estimate of the HICO directly comparable to estimates of the MBM poverty line.

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<sup>1</sup> The motivation of our paper, to produce a more appropriate measure than the poverty line for determining when an individual or family is at heightened risk of homelessness, is sympathetic to the goal of Ross et al. (2024) to provide a measure of income needed to ensure food security. Those authors note that what they refer to as the Food Insecurity Poverty Line (FIPL) is substantially different from Canada's official poverty line. Emery (2019) similarly notes that a poverty line may not be the best measure of a household's ability to deal with the consequences of poverty.

## WHAT DOES IT MEAN TO BE AT RISK OF HOMELESSNESS?

A person or family is at risk of homelessness when their income is such that even after minimizing expenditures that meet their other basic needs, they remain at heightened risk of losing housing. This definition emphasizes the relative sizes of income and the cost of housing and other basic needs. It also emphasizes that an effort has been made to respond to one's situation. While someone might claim to be at risk of homelessness due to high spending commitments on private schools and extravagant holidays, an observer would deem their risk to be low because a modicum of spending restraint on non-essentials would be sufficient for them to retain housing. Our focus is on the incomes and expenditures of those who perceive themselves as being at risk of homelessness and so are taking steps to mitigate that risk.

## THE MBM POVERTY LINE IS NOT THE HICO

A prerequisite for being at risk of homelessness is very low income.<sup>2</sup> Statistics Canada identifies a level of disposable income it associates with income poverty called the Market Basket Measure (MBM) of income. If this is a reasonable measure of the level of disposable income that puts one at high risk of homelessness, then we are done. But it is not. The MBM is not, by definition, a measure of the HICO.

The calculation of the MBM poverty line is built on estimates of the disposable income required to purchase five broad basket components (Djidel et al. 2020):

- A nutritious diet as specified in Health Canada's 2019 National Nutritious Food Basket;
- A basket of clothing and footwear according to the 2012 Social Planning Council of Winnipeg and Winnipeg Harvest Acceptable Living Level (ALL) clothing basket;
- Shelter cost of renting a three bedroom unit (as per the Canadian National Occupancy Standard for a reference family of four), including electricity, heat, water and appliances;
- Transportation costs — a combination of using public transit and owning and operating a modest vehicle; and
- Other necessary goods and services.

The disposable income required to purchase these basket components is deemed sufficient for individuals and families to enjoy what the MBM's designers refer to as a "modest and basic standard of living."

With respect to housing, the MBM income level is defined as being sufficient for a reference family of two adults (a male and a female aged 25–49 years) and two young children (a girl aged nine and a boy aged 13), to pay the median cost of renting a three-bedroom housing unit that is typically occupied by households in their community whose income falls within the second income decile. That size of accommodation is sufficient to satisfy the National Occupancy Standard (NOS) for this family. The NOS specifies there must be a separate bedroom available for the parents and for each child over the age of six when those children are of opposite sexes. Thus, the income poverty line defined by the MBM assumes the reference family does not live in crowded conditions and has not sought out housing priced below the median rent.<sup>3</sup>

<sup>2</sup> Income poverty also implies an inability to use savings, or to borrow from non-predatory lenders, as a way of maintaining housing. We are therefore implicitly assuming low or no wealth.

<sup>3</sup> In this discussion, we assume rental housing. Because of divorce or other unique personal circumstances, some individuals or families in low income can find themselves to be homeowners, but these cases are rare. Statistics Canada

The reference family is also assumed to have sufficient income to purchase a nutritious diet, to pay transportation costs in a form of public transit where available (or alternatively owning and operating a modest vehicle), purchase cellphone services and finally, to purchase items of personal care, reading materials and other goods and services conducive to maintaining a modest and basic standard of living. All this makes the MBM an interesting and useful measure for some purposes. It is not, however, useful as a definition of that level of income leaving the reference family at risk of homelessness after it has exhausted its own efforts to maintain housing.

## **WHAT, THEN, IS THE HICO?**

Understanding what the MBM poverty line measures makes it clear that people at risk of homelessness must have an income below this amount. But how far below?

In the next section we consider options available to individuals and families with low income to minimize their expenditures and so minimize their risk of losing housing. Subtracting amounts saved by these actions from the level of expenditure that the MBM's designers have identified as necessary for maintaining a modest and basic standard of living, we determine the HICO.

The MBM adjusts for family size by applying a family equivalence measure known as the square root rule. The square root rule is a simple mathematical adjustment.<sup>4</sup> Its use imposes the assumption that what is assumed for the reference family is assumed to be true of families of all sizes. Thus, when adjusted for other family sizes, the MBM defines an income sufficient for that family (or individual) to enjoy a modest and basic standard of living without crowding and without having to rely on charities. As we explain below, our estimates will involve more than applying the square root rule to our calculation of the HICO for the reference family. This is because different-sized families, and families of different composition, can deal with the threat of homelessness in different ways.

Finally, in deriving estimates of the HICO we will account for the variability of costs by community. We derive estimates of the HICO for Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Montreal and Halifax. Our estimates also vary over time to account for changes in the prices of housing, food and other necessities relative to incomes.

## **MINIMIZING HOUSING EXPENDITURES**

Individuals and families in financial stress have two main options for reducing their housing expenditures: moving into less expensive housing and/or living in more crowded housing.

### **MOVING TO LESS EXPENSIVE HOUSING**

The most obvious response, and possibly the least costly in terms of living standards, is for an individual or family experiencing financial stress to move to less expensive accommodations. This saving is possible because in any rental market there are rental units in poorer condition and located further away from desired amenities than others and so are available at lower cost.

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(CANSIM Table 11-10-0057-01) reports that in Canada in 2016, only 22 per cent of individuals and families in low income owned a principal residence. Only about half of these 22 per cent of individuals were mortgage-free. For those who are mortgage-free, costs of homeownership that include maintenance, utilities and property taxes can approximate the costs of renting. Therefore, for individuals with low incomes, we can assume that the costs of renting are a good approximation of the housing costs.

<sup>4</sup> To convert to other family sizes, MBM values are divided by two and then multiplied by the square root of the number of family members. No further adjustment is made for family characteristics such as age or sex.

As Kneebone and Wilkins (2018) show, the distribution of rents can be quite wide and so the savings from this move can be substantial.<sup>5</sup>

We derive measures of the HICO for three family types: the reference family, a lone parent with one child and a single person. Consistent with the MBM imposing the NOS, we assume the reference family resides in a three-bedroom rental, that the lone parent with one child resides in a two-bedroom rental and the single person resides in a studio apartment.<sup>6</sup> These choices ensure that there is no crowding.

Table 1 reports for Toronto in 2022 the savings realized by each family type by moving from a rental accommodation priced at the market median to one priced at the top of the first percentile of the rent distribution. The saving is substantial at approximately 25 per cent. In that same year, the average saving across our seven cities (not shown in the table) was 19.0 per cent for a single person, 20.9 per cent for a lone parent with one child and 21.9 per cent for a couple with two children. In our calculation of the HICO, we assume that a family under financial stress would move to a lower priced accommodation to minimize their risk of losing housing.

**Table 1: Annual Savings from Moving to Less Expensive Housing, Toronto, 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%

Note: The MBM housing cost is based on the median price of rentals appropriate for each family type. The adjusted housing cost is based on rentals priced at the top of the first percentile of the distribution of rents.

## MOVING TO MORE CROWDED HOUSING

A second option available to an individual or family under financial stress is to live in more crowded housing conditions. Crowding can take many forms. A family may take in a boarder or two families may choose to double up, which means they share accommodations that are normally intended for just one family.<sup>7</sup> Finally, a single person may find a roommate.

In calculating the HICO, we consider the cost savings resulting from relatively mild degrees of crowding. We assume the reference family of two adult parents of a boy and a girl moves from a three- to a two-bedroom rental, presumably one in which the children share a bedroom. We assume a lone parent with one child moves from a two- to a one-bedroom rental, presumably one in which the parent or child uses a pullout couch. Finally, we assume a single person moves

<sup>5</sup> As noted above, the MBM defines the amount of income required for housing by the reference family as the amount representing the median cost of renting a three-bedroom unit that is typically occupied by households whose income falls within the second income decile. We do not have access to data on those rents. However, by special request, CMHC made data available showing the distribution of rents paid on all units in each metropolitan area. Data on median rents are available from the CMHC Data Portal. We assume that the distribution of rents paid by households with incomes drawn from the second income decile is the same as the distribution of rents paid by all households. With this assumption, we can derive an estimate of the rent paid on units priced at the top of the first percentile of the rent distribution by households whose incomes fall within the second decile of the income distribution. The difference between this rent and the housing costs reported by MBM provides a measure of the savings a household realizes by moving from a rental unit priced at the median to one priced at the top of the first percentile of rents.

<sup>6</sup> An alternative for the single person is a one-bedroom rental. We choose to assume the less expensive option as being consistent with defining a poverty line.

<sup>7</sup> Even if a boarder has their own bedroom, crowding occurs in the form of the family sharing their kitchen, common area and bathroom facilities. Vacha and Marguerite (1993) describe doubling up as a form of homeless shelter provision offered by families and friends who are often at risk of homelessness themselves.



from a studio apartment to instead share the cost of a two-bedroom rental with a roommate. For a single person, this form of crowding yields a very large saving, mainly because the cost of a studio is significantly more than half the cost of a two-bedroom unit.

**Table 2: Annual Savings from Moving to Less Expensive and More Crowded Housing, Vancouver, 2022**

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%

Note: The MBM housing cost is based on the median price of rentals appropriate for each family type. The adjusted housing cost is based on rentals priced at the top of the first percentile of the distribution of rents and families moving into more crowded housing.

Table 2 presents calculations by family type living in Vancouver in 2022 and shows the cost saving from both crowding and moving to a rental unit priced at the top of the first percentile of the rent distribution in that city. For a single person living in Vancouver in 2022, this adjustment in housing choice saved \$5,089, or 47 per cent of their cost of housing. In that same year, the average saving across our seven cities (not shown in the table) was 44.0 per cent for a single person, 19.3 per cent for a lone parent with one child and 20.9 per cent for a couple with two children. In our calculation of the HICO, we assume that individuals and families make these adjustments in their living arrangements to minimize their risk of losing housing.<sup>8</sup>

## MINIMIZING OTHER EXPENDITURES

For an individual or family minimizing the risk of homelessness, other responses to minimize expenditures involve doing without and the use of charities.<sup>9</sup> Recognition of this is consistent with a large literature that emphasizes the threat and experience of homelessness cannot be isolated from other forms of social problems. The threat of homelessness is correlated with experiencing food insecurity, material deprivation, low or no savings or asset accumulation and with enjoying little in the way of benefits that come from discretionary expenditures.<sup>10</sup> These are all elements of the experience of poverty.

<sup>8</sup> These cost savings nonetheless leave people with high rent-to-income ratios. In Vancouver in 2022, the ratio of rent to the HICO was 40 per cent, 41 per cent and 32 per cent for a couple with two children, a lone parent with one child and for a single person, respectively. In 2022, these ratios were highest in Calgary at 44 per cent, 43 per cent and 35 per cent, respectively.

<sup>9</sup> The use of charities is not at all unusual for individuals and families with low income. An IPSOS poll of 1,000 Canadian adults conducted in April 2023 (IPSOS 2023) reports that 46 per cent of those with incomes of less than \$40,000 expected to use charitable services to meet essential needs over the coming six months. Polling was conducted between April 25 and 26, 2023. The poll is reported to be accurate within  $\pm 3.5$  percentage points, 19 times out of 20, had all Canadians aged 18+ been polled. Of these, nearly two-thirds (63 per cent) reported the reason for their expected use of charitable services as being "I can't keep up with the cost of living (e.g., food and shelter)." The percentage of people who reported expecting to use a charitable service in 2023 may be inflated because of the pandemic. Uppal (2023a) reports that prior to the pandemic, in 2019, 16 per cent of families with income in the bottom percentile (median income of \$21,000) used a charity.

<sup>10</sup> See, for example, Gunderson et al. (2003), Kirkpatrick and Tarasuk (2011), Ouellette et al. (2004), Loopstra and Tarasuk (2013), Fafard St-Germain and Tarasuk (2018) and Musiwa (2023).



After housing, the designers of the MBM identify food as the largest household expenditure for individuals and families with low income. This suggests that spending less on food is an important possibility for households hoping to minimize their risk of homelessness. While there is likely some element of deprivation involved in reducing food expenditures, the greater part of this saving is almost certainly due to the use of food banks.

The Calgary Food Bank reports that 70 per cent of clients receive two food hampers per year, 25 per cent receive 7.5 hampers per year and six per cent receive 17 hampers per year. In 2022, a single food hamper for a family of four had an estimated market value of \$368.<sup>11</sup> In 2022, the MBM estimates that in Calgary, the food expenditure necessary for the reference family to maintain a modest and basic standard of living was \$11,527. This means that for 70 per cent of clients, use of the food bank reduced the annual food budget by just over six per cent. But for 25 per cent of clients, the saving was equal to 24 per cent of their food budget and for six per cent of clients the saving was equal to 54 per cent of their food budget. This evidence suggests that households feeling threatened by the loss of housing can reduce out-of-pocket food expenditures by a considerable amount.<sup>12</sup>

Reducing one's expenditure on food by a large amount is possible because food banks provide a close substitute for food purchased from a retail outlet. This is also true of charities providing clothing and household furnishings and so we should expect individuals and households at heightened risk of homelessness to reduce these expenditures by significant amounts. Expenditures on transportation, on the other hand, have few if any close substitutes available from charities.

## CALCULATING THE HICO

As noted earlier, the calculation of the MBM poverty line is built on estimates of the disposable income required to purchase five basket components; namely, food, shelter, clothing, transportation and other necessary goods and services. For households with disposable income that put them at heightened risk of homelessness, we assume they reduce their expenditures on each of these five baskets. We have described the possible reduction in shelter costs by moving to more crowded housing priced at the lower end of the distribution of rental costs. Our assumptions regarding the reduction in expenditures on the other four baskets is based on the availability of direct substitutes for own expenditures.

Based on observations of the use of the Calgary Food Bank, we assume that individuals and families at heightened risk of homelessness reduce their food expenditures by 25 per cent.<sup>13</sup> Charities also offer close substitutes for the clothing and footwear offered for sale by retail outlets. We assume that the expenditure on this portion of the MBM basket of goods and services is reduced by 40 per cent. Transportation costs have little in the way of substitutes and so the scope for reducing this expenditure is limited to reduced usage. We assume an individual or family at heightened risk of homelessness reduce transportation expenditures by 10 per cent. Finally, we assume that all other expenditures can be reduced by 40 per cent. These assumptions regarding spending on clothing, transportation and other costs are largely arbitrary. Considering

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<sup>11</sup> These data are from reports produced by the Calgary Food Bank and are available at [www.calgaryfoodbank.com](http://www.calgaryfoodbank.com).

<sup>12</sup> Research from the U.S. (JCHS 2011) indicates households experiencing severe housing cost burdens spend one-third less on food than households not severely cost-burdened.

<sup>13</sup> Fafard St-Germain and Tarasuk (2018) report that relative to households that are food-secure, food-insecure households reduce expenditures on food by up to 37.5 per cent. However, the food-secure households in their comparison are not restricted by income. We are comparing to households that are food-secure, but with an income at the MBM poverty line. Their estimates would be smaller if they made the same comparison as us.

that, in the next section we show how sensitive our estimates of the HICO are to these assumptions.

In Table 3, we present calculations leading to an estimate of the HICO for a single city (Calgary) in a single year (2022).

**Table 3: HICO Calculation and Comparisons, Calgary, 2022**

			Couple, 2 children	Lone parent, 1 child	Single
Calgary	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%
		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. Minimum Wage Gap	\$5.47		-\$6.07

Notes: Social assistance income is assumed to be paid to someone without a disability. This income includes all cash payments, child and tax benefits and rebates provided by both the federal and provincial governments. Source: Laidley and Tabbara (2023) and authors' calculations. Minimum wage income is that earned by someone working 40 hours per week for 52 weeks, at the hourly minimum wage. The hourly wage is calculated as the weighted average of the wage in place each month during the year. Source: Government of Canada (n.d.) Minimum Wage Database and author's calculations.

The first five rows of calculations report the savings realized by an individual or family by reducing their expenditures below that which the MBM's designers deem necessary to enjoy a modest and basic standard of living. Thus, the annual saving on housing is the difference between what the MBM reports as the spending needed to secure non-crowded housing priced at the median of rents typically occupied by households whose income falls within the second income decile and crowded housing priced at the low end of the rent distribution. The annual saving on food stems from consuming a less nutritious diet and making use of a food bank to reduce out of pocket spending by 25 per cent. Similarly, we calculate the annual savings on clothing, transportation and other expenditures. Total Saving, in row 6, is the sum of these amounts and represents the total reduction of out-of-pocket expenditures made by individuals and families so that they may retain housing. While these efforts to reduce expenditure are sufficient to enable them to retain housing, it leaves them dealing with crowded housing, the loss of independence that comes from relying heavily on charities and it means forgoing the ability to enjoy a modest and basic standard of living. It also leaves them at heightened risk of homelessness.

Rows 7-9 compare the size of the MBM poverty line to our measure of the HICO. The difference is the total saving (line 6) realized by individuals and households at heightened risk of homelessness. In Calgary, the HICO is approximately three-quarters of the MBM for families with children and two-thirds of the MBM for a single person.

Row 10 reports the annual social assistance income available to individuals and families eligible for support in Alberta. It includes all cash payments, cash and tax benefits and rebates provided by both the federal and the provincial government. Subtracting this amount from the HICO, we identify in row 11 what we refer to as the social assistance gap. This is the amount by which social assistance income falls short of what individuals and families require to retain housing even after they have made the efforts to retain housing described above.<sup>14</sup> A positive value for the social assistance gap indicates that for someone reliant on social assistance income, retaining housing requires even greater efforts for reducing out-of-pocket expenses than we have described. For a lone parent with one child living in Calgary in 2022, an additional saving of \$490 per month was required to retain housing.

In row 12, we report the annual income available to someone working full time (40 hours per week for 52 weeks) at the provincial minimum wage observed in 2022. The minimum wage gap, reported in line 13, is the amount by which the hourly minimum wage would need to increase to enable an individual or family to earn the HICO. For the MBM reference family of two adults and two young children, the hourly minimum wage would have needed to be higher by \$5.47 for one adult working outside the home to reach the HICO.<sup>15</sup> For a single person, full-time employment at the minimum wage is more than sufficient to meet the HICO. No calculation is presented for the lone parent because the evidence reported by Heidinger et al. (2021) is that only one-third (35 per cent) of lone parents with a child under the age of 12 report childcare expenses. Thus, for most lone parents the appropriate assumption is that the parent does not work outside the home.<sup>16</sup>

Table 4 presents these same calculations for each of the other six cities all for the year 2022. In 2022, the largest social assistance gap for each of the three family types was found in Calgary, while the smallest was in Montreal. The calculations for Montreal deserve additional comment.

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<sup>14</sup> Our measure of the social assistance gap for a single person is based on that person sharing equally the cost of a two-bedroom rental unit. This is assumed to be solely a cost-sharing relationship and the roommates are not deemed to be living as a couple.

<sup>15</sup> This assumes the other adult does not work outside the home and instead cares for the children. Byers et al. (2023) reported that according to the 2016 census, 78 per cent of couple families with two young children, approximately the same age as those in the MBM reference family, had no childcare expenses. This suggests only one parent working outside the home is an appropriate assumption for most couple families.

<sup>16</sup> The MBM currently treats childcare expenses as an unavoidable cost and does not include it in the estimate of the disposable income required to afford a modest and basic standard of living. Thus, the lone parent is assumed to have access to childcare and so is able to work outside the home. This treatment is currently under review. See Byers et al. (2023).

**Table 4: HICO Calculation and Comparisons, Other Cities, 2022**

			Couple, 2 children	Lone parent, 1 child	Single
<b>Winnipeg</b>	<b>Annual Saving on:</b>	1. Housing	\$3,001	\$1,869	\$3,601
		2. Food	\$3,363	\$2,378	\$1,681
		3. Clothing	\$829	\$586	\$414
		4. Transportation	\$536	\$379	\$268
		5. Other	\$5,086	\$3,597	\$2,543
		6. Total Saving	\$12,815	\$8,809	\$8,508
	<b>Key Measures:</b>	7. MBM	\$50,942	\$36,021	\$25,471
		8. HICO	\$38,127	\$27,213	\$16,963
		9. HICO/MBM	74.8%	75.5%	66.6%
		10. Social Assistance	\$34,103	\$25,182	\$10,252
		11. Social Assistance Gap	\$4,024	\$2,031	\$6,712
		12. Minimum Wage (\$12.34)	\$25,662	\$25,662	\$25,662
		13. Minimum Wage Gap	\$5.99		-\$4.18
<b>Edmonton</b>	<b>Annual Saving on:</b>	1. Housing	\$3,241	\$2,538	\$4,300
		2. Food	\$3,451	\$2,440	\$1,726
		3. Clothing	\$757	\$535	\$379
		4. Transportation	\$521	\$368	\$261
		5. Other	\$5,113	\$3,616	\$2,557
		6. Total Saving	\$13,084	\$9,498	\$9,221
	<b>Key Measures:</b>	7. MBM	\$55,225	\$39,050	\$27,613
		8. HICO	\$42,141	\$29,552	\$18,392
		9. HICO/MBM	76.3%	75.7%	66.6%
		10. Social Assistance	\$35,080	\$24,078	\$9,800
		11. Social Assistance Gap	\$7,061	\$5,474	\$8,592
		12. Minimum Wage (\$15)	\$31,200	\$31,200	\$31,200
		13. Minimum Wage Gap	\$5.26		-\$6.16
<b>Montreal</b>	<b>Annual Saving on:</b>	1. Housing	\$2,386	\$1,384	\$2,735
		2. Food	\$3,403	\$2,406	\$1,702
		3. Clothing	\$882	\$624	\$441
		4. Transportation	\$449	\$317	\$225
		5. Other	\$5,122	\$3,622	\$2,561
		6. Total Saving	\$12,243	\$8,353	\$7,663
	<b>Key Measures:</b>	7. MBM	\$46,027	\$32,546	\$23,014
		8. HICO	\$33,784	\$24,193	\$15,350
		9. HICO/MBM	73.4%	74.3%	66.7%
		10. Social Assistance	\$58,338	\$25,715	\$20,905
		11. Social Assistance Gap	-\$24,554	-\$1,522	-\$5,555
		12. Minimum Wage (\$14)	\$29,120	\$29,120	\$29,120
		13. Minimum Wage Gap	\$2.24		-\$6.62

			Couple, 2 children	Lone parent, 1 child	Single
Toronto	Annual Saving on	1. Housing	\$5,609	\$3,906	\$5,178
		2. Food	\$3,220	\$2,277	\$1,610
		3. Clothing	\$756	\$534	\$378
		4. Transportation	\$664	\$470	\$332
		5. Other	\$4,817	\$3,406	\$2,409
		6. Total Saving	\$15,066	\$10,593	\$9,906
	Key Measures:	7. MBM	\$55,262	\$39,076	\$27,631
		8. HICO	\$40,196	\$28,483	\$17,725
		9. HICO/MBM	72.7%	72.9%	64.1%
		10. Social Assistance	\$33,368	\$23,102	\$10,253
		11. Social Assistance Gap	\$6,828	\$5,381	\$7,473
		12. Minimum Wage (\$15.13)	\$31,460	\$31,460	\$31,460
		13. Minimum Wage Gap	\$4.20		-\$6.60
Vancouver	Annual Saving on	1. Housing	\$5,418	\$3,443	\$5,089
		2. Food	\$3,464	\$2,449	\$1,732
		3. Clothing	\$831	\$588	\$416
		4. Transportation	\$519	\$367	\$259
		5. Other	\$5,174	\$3,659	\$2,587
		6. Total Saving	\$15,406	\$10,506	\$10,083
	Key Measures:	7. MBM	\$55,727	\$39,405	\$27,864
		8. HICO	\$40,321	\$28,899	\$17,780
		9. HICO/MBM	72.4%	73.3%	63.8%
		10. Social Assistance	\$38,298	\$25,876	\$12,177
		11. Social Assistance Gap	\$2,023	\$3,023	\$5,603
		12. Minimum Wage (\$15.46)	\$32,162	\$32,162	\$32,162
		13. Minimum Wage Gap	\$3.92		-\$6.91
Halifax	Annual Saving on	1. Housing	\$5,147	\$2,806	\$4,377
		2. Food	\$3,614	\$2,555	\$1,807
		3. Clothing	\$882	\$624	\$441
		4. Transportation	\$483	\$342	\$242
		5. Other	\$5,394	\$3,814	\$2,697
		6. Total Saving	\$15,520	\$10,141	\$9,563
	Key Measures:	7. MBM	\$52,439	\$37,080	\$26,220
		8. HICO	\$36,919	\$26,939	\$16,656
		9. HICO/MBM	70.4%	72.7%	63.5%
		10. Social Assistance	\$33,449	\$21,724	\$9,493
		11. Social Assistance Gap	\$3,470	\$5,215	\$7,164
		12. Minimum Wage (\$15)	27,690	27,690	27,690
		13. Minimum Wage Gap	\$4.44		-\$5.30

See notes to Table 3.

The calculations for Montreal are remarkable for showing the effects of a dramatic change in social assistance policy in Quebec in 2022.<sup>17</sup> In that year, individuals and households began to receive additional benefits intended to incentivize work-related activity. These additional benefits are similar to those previously offered to other Quebecers receiving training and employment supports. From 2022, new social assistance recipients will be required to enrol in the Aim for Employment program and so be eligible for these additional benefits. As reported in Table 4 for Montreal, these additional benefits were sufficient to produce a negative value of the social assistance gap for all three family types. For individuals and families living in Montreal in 2022 and reliant on social assistance income, the efforts to reduce out-of-pocket expenditures described in our calculation of the HICO were more than sufficient to retain housing.

## THE HICO'S SENSITIVITY TO OUR ASSUMPTIONS

The size of the HICO is sensitive to the ability of individuals and households to substitute the use of charities for their own expenditures on food, clothing and footwear, transportation and other goods. This, in turn, determines the size of the social assistance and the minimum wage gaps. In Table 5, we use calculations for Calgary for 2022 to illustrate the sensitivity of these measures to our assumptions regarding the ability of households to increase their housing security by substituting goods received from charities for those they would otherwise purchase. We show the effects on the size of the HICO by assuming both a greater and a lesser reliance on food banks and other charities.

**Table 5: Sensitivity of HICO Calculations for Calgary, 2022**

	Couple, 2 children	Lone parent, 1 child	Single
<b>The HICO:</b>			
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
<b>Social Assistance Gap:</b>			
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
<b>Minimum Wage Gap:</b>			
Baseline assumption	\$5.47		-\$6.07
Lesser reliance on charities	\$6.98		-\$5.32
Greater reliance on charities	\$3.97		-\$6.83

Notes: The baseline assumption is that households are able to reduce expenditures on food by 25 per cent, on clothing and footwear by 40 per cent, on transportation by 10 per cent and on all other goods by 40 per cent. Assuming a lesser reliance on charities, we reduce these values to 15 per cent, 30 per cent, five per cent and 30 per cent, respectively. Assuming a greater reliance on charities, we increase these values to 35 per cent, 50 per cent, 15 per cent and 50 per cent, respectively.

<sup>17</sup> The following discussion relies on Laidley and Tabbara (2023).

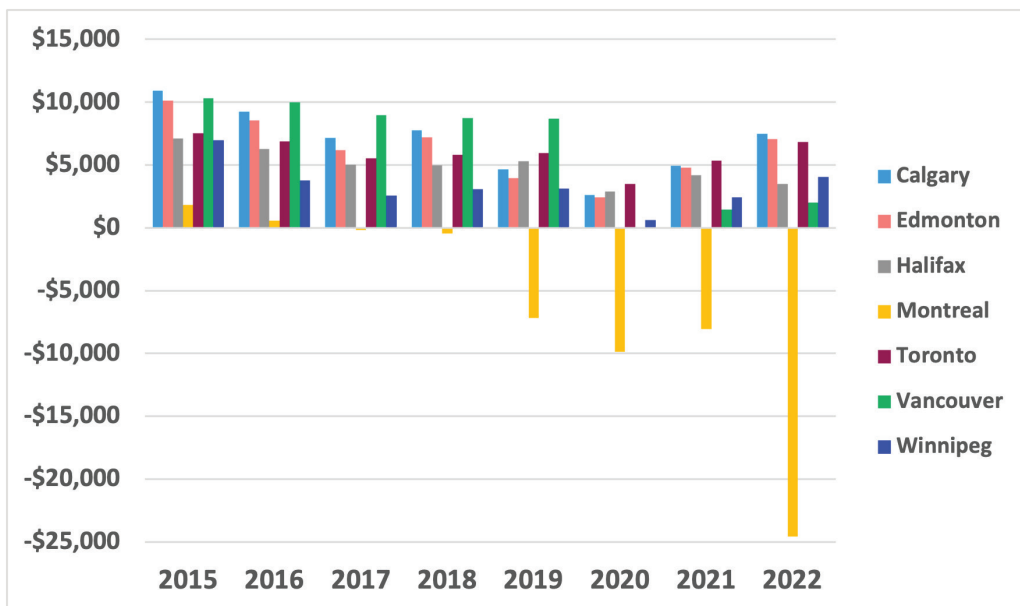
For all three family types, the social assistance gap is large regardless of our assumption about how much individuals and families rely on charities. Our assumption about the size of reliance on charities matters for the size of the social assistance gap, but not for the existence of the gap. Table A1 in the appendix provides estimates of the HICO for all seven cities, for each year from 2015–2022 and for each of our three assumptions about the reliance on charities.

## THE SOCIAL ASSISTANCE GAP OVER TIME

The size of the HICO is sensitive to the cost of living and so should be expected to change over time as food prices, rents and other expenses change. Social assistance benefits also change over time as a result of indexation and irregular discretionary adjustments.<sup>18</sup> For both these reasons, the social assistance gap – the difference between the HICO and social assistance income – varies over time.

Figures 1-3 show the size of the social assistance gap over the period 2015–2022 in each of our seven cities and for each of our three family types. Montreal is the outlier in these figures for having negative values of the social assistance gap. It is noteworthy that this was the case for families even before the policy reform introduced in 2022. Thus, in Montreal, for individuals and families receiving social assistance, retaining housing has always required less reliance on crowding and charities than in the other cities in our sample. Housing security for singles has also always been greater in Montreal, though it is only since 2022 that the social assistance gap for singles turned negative.

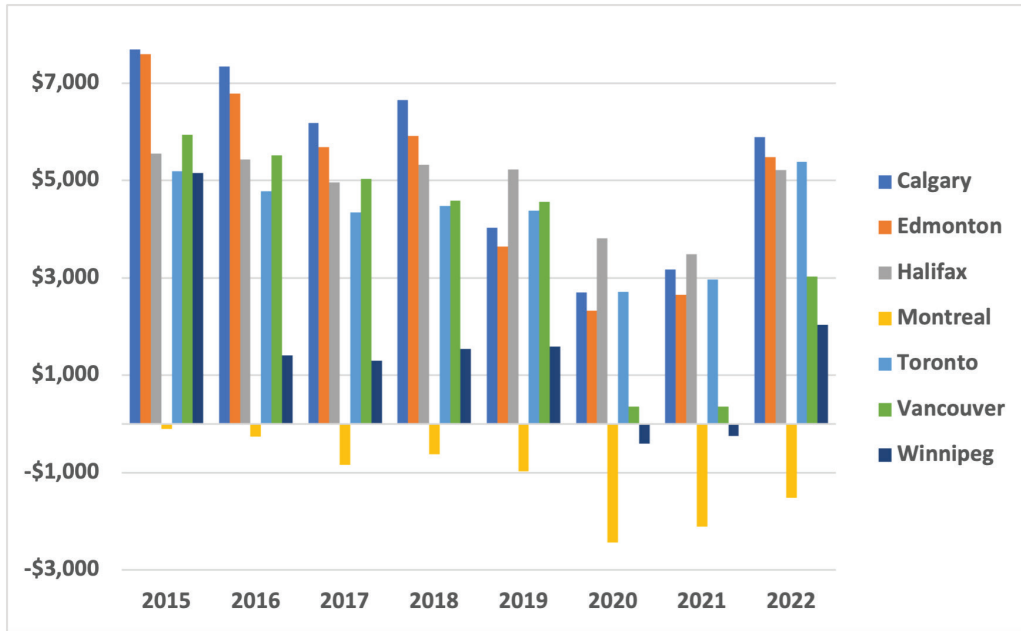
**Figure 1: The Social Assistance Gap for a Couple Family with Two Children, by City, 2015–2022**



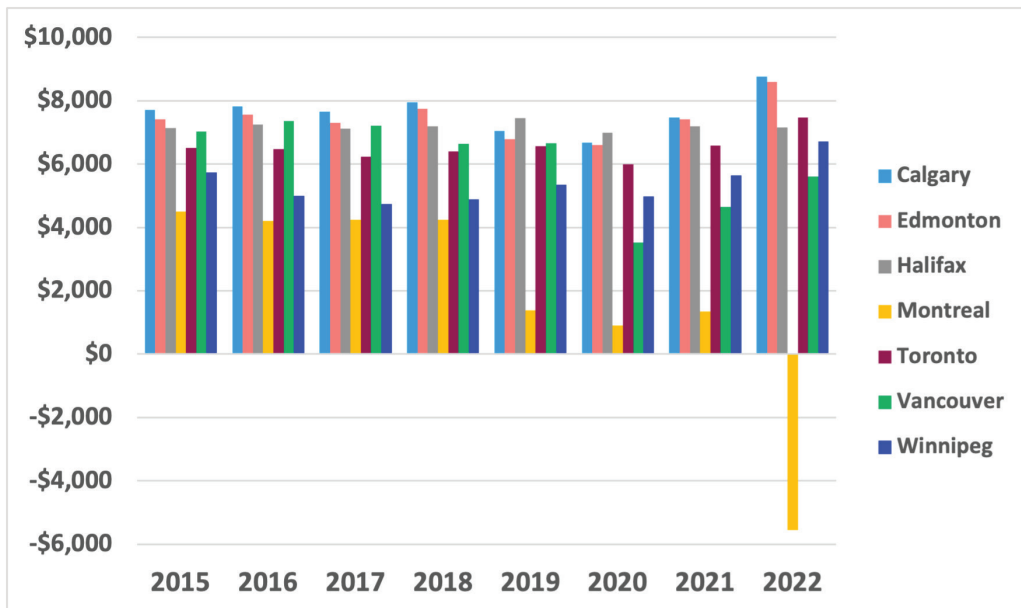
<sup>18</sup> Not all social assistance benefits are indexed to inflation in all provinces. See Kneebone and Wilkins (2022).



**Figure 2: The Social Assistance Gap for a Lone Parent with One Child, by City, 2015-2022**



**Figure 3: The Social Assistance Gap for a Single Person, by City, 2015-2022**



Another noteworthy observation from these figures is how the social assistance gap in all cities shrank during the years of the COVID-19 pandemic, when extra income supports were provided. The end of the pandemic, and the end of these additional benefits, has witnessed a return of the social assistance gap to pre-COVID levels.

## DISCUSSION AND CONCLUSION

In this paper we have provided estimates of what we refer to as the Homeless Income Cut-Off (HICO). We define the HICO as the minimum income an individual or family requires to retain housing after they have made concerted efforts to minimize housing and non-housing expenditures. We have shown that the HICO is a level of income that is well below the official poverty line.

Our baseline calculations presented in Tables 3 and 4 generate values of the HICO for the reference family equal to approximately 75 per cent of Canada's official poverty line, a level of income that Statistics Canada (n.d.) has referred to as deep poverty. One interpretation of our calculations is, therefore, that we provide justification for using that measure of deep poverty as a measure of income leaving individuals and families in housing crisis and at imminent risk of falling into homelessness. It is important to note, however, that the HICO is typically only two-thirds of the poverty line for single people and that it varies as a percentage of the poverty line depending on location, family composition and assumptions made regarding the availability of charities able to provide goods and services to households trying to minimize out-of-pocket expenses. The latter assumption is particularly important. Using the results reported in Table 5 for Calgary in 2022, the HICO defined for the reference family varies from 71 per cent to 82 per cent of the poverty line depending on our assumptions about access to charities. This range of estimates suggests that using 75 per cent of the poverty line as a rule of thumb for measuring the HICO can sometimes be very misleading. Rather than relying on a rule of thumb, we suggest effort be placed into refining the HICO measure by studying the ways in which individuals and families at heightened risk of homelessness try to minimize their out-of-pocket expenditures.

As noted earlier, the HICO is emphatically not intended to be a target. We do not intend for it to be used to define the steps individuals and families with low income ought to be required to take before receiving assistance or receiving the attention of policy-makers. Rather, it is intended to signal that individuals and families are in crisis and that current housing policies and policies of income support are generally failing to support their efforts to retain housing. The exception to this is seen in the calculations presented for Montreal where the size of income support payments has sometimes meant families have had incomes above the HICO, meaning they needed to rely less on crowding and charities than in the other cities in our sample.

The size of certain key measures frequently drives or guides important public policy choices. Thus, for example, in Canada the Central Bank's interest rate policy is determined by observing the inflation rate. For many governments, the size of their debt relative to GDP guides their fiscal policy choices with respect to levels of spending. We suggest that the HICO can play a similar role as those other key indicators. When income supports fall below the HICO, the threat of homelessness becomes very real, despite concerted efforts by individuals and families with limited incomes to do all they can to keep housed. People with incomes at or near the HICO are in housing crisis and have done all they might be reasonably expected to do to respond to that crisis. Social assistance incomes need, at the very least, to be sufficient to meet these families and individuals halfway by closing the social assistance gap and increasing social assistance income to meet the HICO.

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## A1 — APPENDIX:

### HICO CALCULATIONS BY CITY OVER TIME, ALTERNATIVE ASSUMPTIONS

	Year	HICO - Baseline			HICO - Greater Reliance on Charities			HICO - Less Reliance on Charities		
		Couple Family with Two Children	Lone Parent with One Child	Single Person	Couple Family with Two Children	Lone Parent with One Child	Single Person	Couple Family with Two Children	Lone Parent with One Child	Single Person
<b>Calgary</b>	2015	35,751	25,098	15,509	33,146	23,256	14,206	38,355	26,940	16,811
	2016	35,999	25,757	15,621	33,375	23,901	14,309	38,622	27,612	16,933
	2017	36,121	25,927	15,685	33,484	24,062	14,367	38,758	27,791	17,004
	2018	36,984	26,574	16,061	34,298	24,675	14,718	39,671	28,474	17,405
	2019	37,789	26,763	16,427	35,029	24,812	15,047	40,549	28,715	17,807
	2020	38,258	27,161	16,649	35,446	25,173	15,243	41,070	29,150	18,055
	2021	39,486	28,061	17,195	36,591	26,014	15,747	42,381	30,109	18,642
	2022	42,582	29,968	18,566	39,453	27,756	17,002	45,711	32,181	20,131
<b>Edmonton</b>	2015	34,943	24,999	15,207	32,355	23,169	13,913	37,531	26,829	16,501
	2016	35,305	25,202	15,360	32,698	23,359	14,057	37,912	27,046	16,664
	2017	35,188	25,425	15,340	32,567	23,572	14,030	37,808	27,277	16,650
	2018	36,419	25,844	15,844	33,749	23,956	14,510	39,088	27,731	17,179
	2019	37,120	26,376	16,173	34,378	24,437	14,802	39,863	28,315	17,544
	2020	38,071	26,782	16,566	35,277	24,806	15,169	40,865	28,757	17,963
	2021	39,366	27,537	17,135	36,489	25,503	15,696	42,243	29,571	18,573
	2022	42,141	29,552	18,392	39,033	27,354	16,837	45,250	31,750	19,946
<b>Halifax</b>	2015	32,083	22,717	14,323	29,341	20,778	12,951	34,826	24,656	15,694
	2016	32,720	23,160	14,591	29,941	21,195	13,202	35,499	25,125	15,980
	2017	32,663	23,144	14,554	29,906	21,195	13,175	35,420	25,094	15,933
	2018	32,749	23,559	14,637	29,953	21,582	13,239	35,544	25,536	16,035
	2019	33,281	23,594	14,900	30,420	21,571	13,470	36,142	25,617	16,331
	2020	33,230	23,822	14,918	30,334	21,774	13,470	36,126	25,870	16,366
	2021	34,740	24,624	15,570	31,751	22,510	14,075	37,730	26,738	17,065
	2022	36,919	26,939	16,656	33,663	24,637	15,028	40,175	29,241	18,284
<b>Montreal</b>	2015	28,966	20,401	13,108	26,335	18,542	11,793	31,596	22,261	14,423
	2016	29,049	20,797	13,156	26,402	18,924	11,832	31,697	22,669	14,479
	2017	29,477	20,696	13,326	26,818	18,816	11,997	32,136	22,576	14,656
	2018	29,991	21,243	13,557	27,298	19,339	12,210	32,684	23,148	14,904
	2019	30,475	21,390	13,801	27,718	19,440	12,422	33,233	23,340	15,180
	2020	30,691	21,465	13,911	27,901	19,492	12,516	33,481	23,438	15,306
	2021	31,580	22,421	14,320	28,712	20,393	12,885	34,448	24,450	15,754
	2022	33,784	24,193	15,350	30,698	22,010	13,807	36,871	26,376	16,894

	Year	HICO - Baseline			HICO - Greater Reliance on Charities			HICO - Less Reliance on Charities		
		Couple Family with Two Children	Lone Parent with One Child	Single Person	Couple Family with Two Children	Lone Parent with One Child	Single Person	Couple Family with Two Children	Lone Parent with One Child	Single Person
<b>Toronto</b>	2015	35,309	25,125	15,355	32,804	23,353	14,102	37,814	26,896	16,607
	2016	36,039	25,305	15,655	33,499	23,508	14,384	38,580	27,101	16,925
	2017	36,089	25,477	15,700	33,538	23,673	14,424	38,641	27,282	16,976
	2018	36,820	25,936	16,039	34,211	24,092	14,735	39,428	27,781	17,343
	2019	37,445	26,167	16,347	34,764	24,271	15,006	40,127	28,063	17,688
	2020	37,237	26,071	16,305	34,527	24,155	14,951	39,947	27,987	17,660
	2021	38,024	26,749	16,685	35,237	24,777	15,291	40,812	28,720	18,079
	2022	40,196	28,483	17,725	37,183	26,353	16,219	43,209	30,614	19,232
<b>Vancouver</b>	2015	33,785	24,483	14,835	31,178	22,639	13,531	36,393	26,327	16,139
	2016	34,599	24,635	15,172	31,949	22,761	13,847	37,249	26,509	16,497
	2017	34,950	24,823	15,333	32,274	22,930	13,995	37,627	26,715	16,671
	2018	35,732	25,373	15,681	33,000	23,441	14,315	38,463	27,304	17,047
	2019	36,858	25,954	16,177	34,040	23,961	14,768	39,676	27,947	17,586
	2020	37,281	26,410	16,365	34,425	24,391	14,937	40,137	28,430	17,793
	2021	38,086	27,231	16,730	35,161	25,163	15,268	41,011	29,299	18,192
	2022	40,321	28,899	17,780	37,175	26,675	16,207	43,467	31,124	19,353
<b>Winnipeg</b>	2015	31,671	22,250	14,061	29,081	20,419	12,766	34,261	24,082	15,355
	2016	31,989	22,223	14,183	29,395	20,388	12,886	34,584	24,057	15,481
	2017	32,059	22,666	14,233	29,449	20,821	12,928	34,669	24,511	15,538
	2018	32,973	23,299	14,637	30,302	21,411	13,302	35,643	25,187	15,972
	2019	33,714	23,933	14,982	30,969	21,992	13,610	36,459	25,874	16,355
	2020	33,893	23,976	15,063	31,126	22,019	13,680	36,660	25,933	16,447
	2021	35,045	24,990	15,565	32,205	22,982	14,145	37,884	26,998	16,985
	2022	38,127	27,213	16,963	35,035	25,026	15,417	41,219	29,399	18,509

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