

# LIEN - Backgrounder

Revised: March 11, 2005

## **Low-income consumers and electricity service**

- 14.4% of Ontario's population (1,611,505 persons) are living at or below the poverty line.<sup>1</sup> The majority of these persons live in tenant households.
- In 2003, Ontario households in the lowest income quintile spent 45.4% of their pre-tax income on shelter, including utilities. In comparison, those households in the highest income quintile spent 14.3%.<sup>2</sup>
- On electricity alone in 2003, Ontario households in the lowest income quintile spent 6.13% of their pre-tax income, over five times more than households in the top quintile that spent 1.03%.<sup>3</sup>
- In 2003, for Ontario households in the lowest income quintile, electricity represented 13.48% of their shelter costs (\$1,000 on average for electricity out of \$7,420 spent in total for shelter). In the highest income quintile, electricity was only 7.24% of shelter costs (\$1,604.75 on average out of \$22,165 spent in total for shelter).<sup>4</sup>
- The lowest household income quintile in Ontario is almost twice as likely as the average income household to heat with electricity (26.8% compared to 14.0% for the average income household).
- The lowest household income quintile in Ontario has a far greater proportion of households that use electricity as principal heating fuel for hot water (42.3% compared to 19.7% for the highest quintile and 28.6% for the average income household).<sup>5</sup>
- Approximately 23% of tenant households pay for utilities (hydro, heating, water) directly and separately from their rent.<sup>6</sup> For the majority of tenants whose rent includes utilities, landlords can currently apply, under the *Tenant Protection Act*, to pass on hydro cost increases in excess of the amount accounted for in the Annual Rent Increase Guideline (in 2005, that is any hydro cost increase in excess of 3.9%).
- 20% of Ontario tenant households (265,995 households) pay 50% or more of their household income on shelter costs.<sup>7</sup>
- The risk for homelessness increases where rental costs consume more than 50% of pre-tax household income for a tenant household.<sup>8</sup>
- 96% of Ontario Works' beneficiaries are tenants, but only 17% of these OW beneficiaries who rent live in subsidized housing – the vast majority live in the private rental market.<sup>9</sup>

- 76% of Ontario Disability Support Program beneficiaries are tenants, but only 22% of these ODSP beneficiaries who rent live in subsidized housing.<sup>10</sup>
- A single mother with two children on social assistance in Ontario receives a maximum shelter allowance of \$571<sup>11</sup>. The average rent for a two-bedroom apartment in the Toronto CMA is \$1,052; in the Ottawa CMA, it's \$940.<sup>12</sup> Over half of Ontario's tenant households live in the Toronto and Ottawa CMAs.
- Electricity bills for an average residential customer consuming 1000 kWh per month currently range across the province from \$87 to \$124 per month<sup>13</sup>. For a single mother with two children on social assistance, this represents 15% to 22% of her maximum shelter allowance of \$571.
- A single person working 35 hours a week at minimum wage (\$7.45) has an annual pre-tax income of \$13,559.00. Residing in a city of 500,000 or more, this worker earns approximately \$6,000 less than Statistics Canada's Low Income Cutoff (LICO). The electricity bill for an average residential consumer consuming 1000 kWh per month represents 8% to 11% of this worker's total monthly pre-tax income of \$1129.92.
- A survey conducted by the Ontario Non-Profit Housing Association (ONPHA) in January/February 2004, found that 158,456 households - representing more than 300,000 individuals - were on social housing waiting lists across the province - and the vast majority (76%) of households on the list earn below \$20,000 per year.
- In 2003 in Toronto, 38% of households had been on the social housing waiting list for one to three years, 22% had been on the list for three to five years, and 19% for five years or more. And in the City of Toronto, social housing comprises only 20% of the entire rental housing market.
- According to CMHC's 2001 Census-based Housing Data, while Ontario renter households accounted for 31% of all Ontario households, they comprised 61.8% of Ontario households in core housing need – a significantly disproportionate share.<sup>14</sup>

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<sup>1</sup> Statistics Canada, 2001 Census of Population. Incidence of low income among the population living in private households, provinces – Ontario.

Low Income Cutoffs (LICOs) published by Statistics Canada, using pre-tax, post-transfer household income are currently the best approach for defining low income. Post-tax LICOs adjust for federal and provincial income taxes, but do not reflect regressive taxes such as EI and CPP premiums, GST, provincial sales taxes and property taxes.

The pre-tax, post-transfer LICOs vary according to family size and size of community. Persons and families living at or below these income levels are widely considered to be living in straitened circumstances. Both the Canadian Council on Social Development (CCSD) and the National Council of Welfare (NCW) have adopted the Statistics Canada pre-tax, post-transfer LICOs as poverty lines.

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<sup>2</sup> Survey of Household Spending 2003; detailed average household expenditure by household income quintile, Ontario. Statistics Canada. Catalogue No. 62F0032XDB.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> According to MMAH staff, based on Rent Registry data transferred to the Ontario Rental Housing Tribunal in 1998.

<sup>7</sup> Table: Gross Rent as a Percentage of 2000 Household Income (10), Age Groups of Primary Household Maintainer (8) and Household Type (4) for Private Households With Household Income Greater than Zero, in Tenant-occupied Private Non-farm, Non-reserve Dwellings, for Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2001 Census - 20% Sample Data. Ottawa: Statistics Canada, May 13, 2003. 2001 Census of Canada. Catalogue number 97F0021XCB01008.

<sup>8</sup> Dunphy, Noreen and Lapointe, Linda. *Where's Home: A picture of housing needs in Ontario*. A Project to raise housing awareness in Ontario, sponsored by the Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Canada. March 1999. Page 9

<sup>9</sup> Statistics and Analysis Unit, Social Assistance and Employment Opportunities Division, Ministry of Community and Social Services – December 2004 quarterly report of OW/ODSP cases and beneficiaries by accommodation types

<sup>10</sup> Ibid.

<sup>11</sup> Ontario Ministry of Community and Social Services

<sup>12</sup> CMHC 2004 Rental Market Reports, Toronto CMA and Ottawa CMA.

<sup>13</sup> Ontario Energy Board

<sup>14</sup> Canada Mortgage and Housing Corporation (CMHC) considers households to be in core housing need if they do not live in and can not access acceptable housing. The term "acceptable housing" refers to housing that is affordable (i.e. costs less than 30% of before-tax household income), in adequate condition, and of suitable size. According to CMHC, housing affordability is the predominant cause of core housing need.