

SOCIAL HOUSING, TENURE AND HOUSING ALLOWANCE: AN INTERNATIONAL REVIEW

In-house report 83

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SOCIAL HOUSING, TENURE AND HOUSING ALLOWANCE: AN INTERNATIONAL REVIEW

**A study carried out by the Department for Work and
Pensions**

By

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First Published 2001

ISBN 185197 925 5

ISSN 1368 244X

CONTENTS

List of respondents	7
Summary	9

PART ONE

Introduction	15
1 Overview of tenures, rents and Housing Allowances	19
2 Household Incomes and Housing Support	25
3 Principles of Eligibility	41
4 Targetting, Work Incentives and Consumption	55
5 Administration and Funding	73
6 Conclusion	83

PART TWO

1 Australia	87
2 Canada	93
3 France	101
4 Germany	109
5 Great Britain	113
6 Ireland	119
7 The Netherlands	127
8 New Zealand	135
9 Sweden	143
10 USA	149
Bibliography	155

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SUMMARY

The aim of this study was to review social housing provision and housing allowances in ten countries: Australia, Canada, France, Germany, Great Britain, the Republic of Ireland, The Netherlands, New Zealand, Sweden and the United States of America.

The study brings up to date and extends the scope of a previous study of housing allowances (Kemp, 1997).

Comparisons of housing allowances across different countries are widely accepted as difficult, because of the need to take account of broader economic and social factors, and this difficulty accounts for the scarcity of information in this area.

The principal method of gathering information for this study was by the use of national informants, who were asked to answer a set of specific questions, to complete income matrices and to give examples of the likely responses to changes in circumstances of households in receipt of housing assistance.

Chapter 1: Overview of tenures, rents and housing allowances

There is great variety in the means of housing subsidy provision from country to country.

Support for housing costs tends to be of either of two forms: (i) object ('bricks and mortar') subsidy, for the construction or rehabilitation of social housing, and (ii) personal, consumer subsidies, usually in the form of housing allowances.

Compared with Great Britain, three of the other nine countries have higher rates of home ownership, two have higher percentages of social rented homes, and only two have private rented sectors proportionally as small.

Most of the countries support home ownership by means of tax incentives and many provide help with the housing costs of home owners with low incomes.

Only the Republic of Ireland has a near equivalent to the British Right-to-buy scheme, although New Zealand and the Netherlands do provide some less generous incentives to home purchase for social renting households.

Among the other countries studied, there is little that resembles the British transfer of local authority stock to other social landlords.

Access to social housing is most commonly linked to low income, but Sweden and the Netherlands have traditions of broader household eligibility for subsidised housing; social tenure is generally secure, subject to reviews of income.

In most countries social rents are substantially below market levels – New Zealand and the Netherlands being the exceptions – and in several countries the rents are set in relation to tenants' incomes, rather than property characteristics.

There is, generally, little discretion given to individual social landlords to determine their own rent levels. Furthermore there are still stringent limits on average levels of rents across each landlord's entire stock of housing.

Kemp has distinguished three types of housing allowance schemes: general social assistance or insurance schemes that provide for housing costs at least in part; social assistance schemes with specific housing components; housing allowance schemes separate from more general social assistance.

In Australia, Canada and the Republic of Ireland, housing allowances are of the welfare supplement type, while in the remaining countries housing allowances are independent of other welfare benefits.

Chapter 2: Household incomes and housing support

Internationally, there has been a tightening of the general provision of social assistance, with closer targeting of benefits and greater exclusion of those thought not to be in essential need.

In most countries, over the past 15 years, there has been a shift away from subsidies for building new homes to the provision of social assistance, in the form of housing allowances, for individuals in need.

While most countries have seen increases in social rents during the 1990s, as building subsidies have been cut back, the more consistent feature of the cut backs in subsidy has been the decline in levels of new subsidised house building.

In Australia, Canada, Ireland, the USA and, in the near future, New Zealand, social rents are set as fixed proportions of tenants' incomes.

Property-based rents are sometimes determined in relation to market levels but more commonly relate to operating costs and the amenities offered – as in France, Germany, the Netherlands and Sweden.

Great Britain is exceptional in the amount of discretion currently allowed to social landlords in setting individual rents; there are still stringent limits on average levels of rents across each landlord's entire stock of housing, and the measure of discretion will be reduced under the new rent policy framework to be introduced in April 2002.

Kemp has distinguished three types of housing allowance schemes: general social assistance or insurance schemes that provide for housing costs at least in part; social assistance schemes with specific housing components; housing allowance schemes separate from more general social assistance.

Viewed within Kemp's framework, some schemes show considerable blurring of these distinctions and some countries operate more than one type of scheme. The differential rent schemes operated by five countries for their social rented stock may also more usefully be considered as a fourth distinct type of scheme.

Chapter 3: Principles of Eligibility

In Australia, low income is the main criterion for eligibility for social housing, although individual states differ in the thresholds they use; only households in private rented accommodation are eligible for Rent Assistance.

In Canada, eligibility for social housing generally relates to present housing conditions and the relationship between rent and household income; there is no national rent allowance scheme, but households in receipt of social assistance receive a small 'shelter allowance' as a component of their overall assistance.

In France, households with incomes below nationally set limits are deemed eligible for, but are not guaranteed, social housing; the three French housing allowance schemes are all means-tested but are available to tenants and home owners alike.

In Germany, households that fall within low-income limits are granted certificates of qualification for social housing, but landlords may then choose whichever tenants they prefer from those so qualified; tenants in receipt of social assistance receive a housing allowance to cover all of their rent, and other tenants, and home owners, may apply for a means-tested housing allowance to cover part of their housing costs.

In Great Britain, local authorities determine eligibility for social housing in terms of housing need, with preference given to households with dependent children and those occupying insanitary or overcrowded accommodation; Housing Benefit is available to most tenants, subject to means-testing.

In the Republic of Ireland, to be eligible for social housing, households must demonstrate that their current housing is inadequate and that they cannot afford to remedy this by other means; housing assistance is only available as a component of the Supplementary Welfare Allowance, a means-tested benefit for those not in full-time work.

In the Netherlands, social housing is made available to those considered vulnerable because of low-income, unemployment, disability or homelessness; tenants whose incomes fall below certain levels and whose rents do not exceed set limits may be eligible for a housing allowance.

In New Zealand, during the 1990s, preference was given to households with low incomes in the allocation of Housing New Zealand's homes; both tenants and home owners whose housing costs exceed certain proportions of their income may be eligible for the Accommodation Supplement.

In Sweden, municipal housing is available to all, regardless of income; pensioners, families with children, and young, childless, couples whose incomes are low enough may be eligible for housing allowances.

In the USA, public housing is restricted to households whose income lie within federally set limits; Section 8 rental vouchers are potentially available to households whose incomes fall below federally determined, local limits, but the supply of such vouchers is severely limited.

Chapter 4: Targetting, Work Incentives and Consumption

While all countries target housing allowances, to greater or lesser degrees, on households with lower incomes, they may differ in targeting specific tenures or household types.

Australia, Canada, Ireland, New Zealand (following the recent election) and the USA have housing allowances that are specific to the tenants of the 'social housing' sectors or programmes.

In these countries the system of allocating social housing dwellings targets assistance on households with the lowest incomes, which is part of the justification for a separate housing allowance scheme for the households within that tenure, but this targeting has limitations, whether because of fluctuating policy objectives, security of tenure for households whose circumstances improve over time, or the inability of the very small social housing sector to provide assistance to all of those in need.

These limitations on the extent of targeting achieved provide the basis for a critique of housing allowance schemes particular to that sector, which is linked to a more general criticism of the different treatment of similar income households in other tenures.

For countries with the larger social housing sectors, the primary questions about targeting relate to the 'bricks and mortar' subsidies underpinning the sub-market rents in the social housing sector, rather than the housing allowance schemes.

There is only limited evidence on take up rates outside of the GB, but in Germany it has been estimated that only about 40 per cent of eligible households receive the separate housing allowance available to tenants not receiving general social assistance, similarly in New Zealand the take up rate of the Accommodation Supplement is reported to be very low among low paid workers, and in the Netherlands it was estimated, before the 1997 reforms, that the take up rate for the housing allowance scheme was some 70-75 per cent, compared with an estimate that some 90 per cent of eligible households in the GB claim housing benefit.

Concern about the potential work disincentive effect of welfare benefit systems is widespread and all ten countries have policies to encourage and support the movement of households from 'welfare to work', but these wider concerns are not always focused on the particular role of the housing allowance scheme.

In Australia, the Netherlands, New Zealand and the USA it is possible in some circumstances for the overall marginal rate of tax and benefit deductions from earnings to exceed 100 per cent, because of the limited co-ordination of the rules for the various tax and benefit schemes that can result in cumulative deductions from additional earnings actually leading to a marginal reduction in disposable incomes.

There is some concern that the complexity of the formulas and regulations that determine levels of housing allowance eligibility can make it difficult for households to gauge the likely level of their entitlement.

Despite widespread recognition of the problems with the rates of withdrawal of benefit

(‘tapers’), none of the ten countries is currently considering major changes to marginal deduction rates.

Further concerns exist about the failure of housing allowance schemes to positively promote labour market participation have been expressed in countries with particularly low take up rates, such as New Zealand, and there are similar concerns in the GB.

A more fundamental issue, especially in Canada, Ireland, and the USA, is where households moving into employment can find themselves with lower disposable incomes as a result of taking up low paid employment, because they have to meet in full their housing costs: a problem conventionally termed ‘the unemployment trap’; but only in Canada is there any indication that some consideration is being given to the introduction a comprehensive in-work housing allowance scheme.

In seven out of the ten countries a proportion of the households receiving housing allowances are not directly affected by the level of housing costs for the dwellings they occupy – but in all cases, the choice of dwellings they occupy will have been restricted by the upper limits on the levels of housing costs eligible for assistance, or the limited options available to households that are allocated dwellings in the social rented sectors.

There are, concerns about the potential for under-occupation within the social rented sector, and some countries have explicit policies to address the issue, and in Canada and Ireland rent subsidies can be suspended if a household is under-occupying a dwelling and does not agree to move to smaller accommodation.

In most countries the housing allowance schemes that operate for the private rented sector require most households to make some contribution towards their rent, but in the Netherlands, in many cases tenants, at the margins, need contribute only 25 per cent towards of their rents.

There is widespread concern that the limits to the support provided by housing allowance schemes still leaves a substantial proportion of households living in unsatisfactory housing conditions and/or with very limited disposable incomes; this has been linked to the pressures on low income households to occupy low value dwellings in areas with relatively limited job opportunities.

Chapter 5: Administration and funding

In Australia, Canada, Germany and the USA the responsibility for social housing and housing allowances is divided between the federal nations and their constituent states and provinces; in Great Britain, the Republic of Ireland, the Netherlands and Sweden responsibility is split between national and local government; in France and New Zealand only national institutions play a significant role.

The German federal government determines overall levels of expenditure on social housing while the responsibility of its provision devolves to the states and municipalities; the housing allowance scheme is a national one administered by the municipalities on behalf of the states.

German social landlords are generally either small, community-backed co-operatives or larger, limited-liability housing companies.

Australian social housing is managed by the individual states, but with two-thirds of the funding coming from the federal government, while the federal government is wholly responsible for Rent Assistance.

Social housing in Canada is mainly the responsibility of the provincial governments with municipal housing agencies managing the housing in the larger municipalities; social assistance is also a provincial responsibility, with some contribution from the federal government.

In the 1990s, Canadian housing policy concentrated on deficit reduction and the reduction of federal involvement.

In the USA, both social housing and rental assistance are generally administered locally but in accordance with federal regulations.

Swedish social housing is provided by municipal housing companies with funding from central government, while the housing allowance schemes are national.

The Swedish system of rent setting involves annual negotiations between representatives of tenants and landlords.

Social housing in the Republic of Ireland is provided by local authorities, with some additional subsidy from central government, and the Supplementary Welfare Allowance is the responsibility of the Regional Health Boards.

Most social housing in Britain is still owned and managed by local authorities, with funding from central government, while new development is largely carried out by registered social landlords, with funding from an agency of central government.

Housing Benefit in Britain is administered by local authorities and funded largely by central government by means of a mixture of general housing and benefit specific subsidies.

Dutch social housing is managed by housing associations, which regained increasing autonomy from central government during the 1990s, and housing allowances are the responsibility of national government; social housing referrals, however, are still controlled by local authorities.

French social housing is provided by various types of voluntary housing agencies with funding from national government; the French housing allowance schemes are administered by the central government.

Housing New Zealand, which administers most of New Zealand's publicly owned housing, is an agency of central government, and the Accommodation Supplement is a national government scheme.

PART ONE

INTRODUCTION

This report has been commissioned jointly by the then Department of Social Security and the Department of the Environment, Transport and the Regions and presents information on the social housing and housing allowance schemes in 10 countries (Australia, Canada, France, Germany, Great Britain, Ireland, the Netherlands, New Zealand, Sweden, USA). The research builds upon, extends and brings up-to-date, a previous study of housing allowances (Kemp, 1997). Information on France, Ireland and USA is included in this study for the first time. Although only three years have elapsed since the publication of the previous study it was apparent that there had been many new policy developments.

The difficulty of researching housing allowances is well known and is the principal reason for the relative paucity of quality information and analysis. The diversity and complexity of housing allowance schemes, often interacting with social assistance programmes which are themselves among the most complicated of social protection systems, are rendered more difficult to describe and analyse by the variation which exists within, as well as between, countries. Inequality of income, matched by a wide range of housing costs, adds to the difficulty of comparing housing allowances on a country by country basis.

The aim of the study was to provide a timely and up-to-date review of social housing and housing allowances in the 10 selected countries. More specifically, a number of questions were identified as being of particular interest, including the following:

Tenure

1. *What is the division of households between tenures?*
2. *What is the economic status of social rented households?*
3. *What are the criteria by which a household obtains a social tenancy?*
4. *To what extent do social tenants have security of tenure?*
5. *Are better off social tenants encouraged either to move into home-ownership or private tenancies (thus making the social stock available for poorer households) or to remain in order to promote social mix?*
6. *Are there policies equivalent to Right To Buy?*
7. *Are there policies to promote transfers from local authority social landlords to other social landlords?*
8. *Are there policies to promote owner occupation?*

Social rents

1. *What has been the trend in bricks and mortar ("object") subsidies of social rented housing?*
2. *How do the levels of social rents compare with private rents and, if possible, mortgage costs?*
3. *What are the factors determining the structure of social rents; that is, how is one social rent compared with another? In particular, do relative social rents depend on:*
 - *property characteristics, that is the size, condition and location of properties?*
 - *household characteristics such as size and income?*
4. *Where social rents are based on property characteristics, how closely does the structure of social rents mirror the differences between properties manifested in (a) private rents and (b) the market value of owner occupied properties?*
5. *Where social rents are based on household characteristics, what is the mechanism? For example, does gross rent rise with income (such as if it were a fixed percentage of income)? Current income or last year's income? What counts as income - earnings, social security, income from social insurance scheme, pensions etc?*
6. *What discretion do individual social landlords have in determining their own rent structures? To what extent are they constrained by the policy of central or regional government?*

Housing Allowance Schemes

1. *How are people with low incomes helped to pay their gross rent or mortgage costs and what are the qualifying conditions and restrictions?*
2. *What is the rationale behind this policy/these policies?*
3. *What proportion of incomes for those without paid work is provided through housing allowances? Also, what support exists for those in low-paid employment and how significant are in-work allowances?*
4. *Broadly, what proportion of gross rent of tenants in different tenures is met by the housing allowance? What proportion of tenants in each tenure group are receiving housing allowances as well as the numbers and proportion of home owners receiving housing allowances?*
5. *Make comparisons of gross and net incomes and housing costs through example household types.*

6. *To what extent do tenants receiving housing allowance have an interest in the size of their gross rent?*
7. *How do tenants respond to having an interest in the size of their rent?*
8. *More broadly, what is the interaction with housing supply; what range of local choices do tenants generally have?*
9. *How important are work incentives in the benefits system as a whole and to what extent are housing allowances seen as a critical factor?*
10. *How is the current scheme viewed by policy-makers, researchers and the public; what are the key points of current debate around the scheme(s)?*
11. *Do policies require or encourage landlords to maintain good quality housing?*
12. *Do policies aim (directly or indirectly) to reduce under-occupation and, if so, are they successful?*
13. *Do policies encourage or discourage household formation.*

Information was collected by national informants who were recruited in each of the selected countries. In all cases this involved policy experts and in several cases the co-operation of government officials. Each policy expert was asked to obtain the most recent and accurate information available for their country. This technique is well established, cost effective and allows for appropriate national expertise to be made available. In addition to being asked to answer specific questions, national informants were also asked to complete an income matrix which sought information on the real value of housing allowances for households with specified characteristics, at prescribed income levels, in particular housing locations. The cross-national computation of these data allows for comparisons of the form and value of housing allowances to be made.

Additionally, our respondents were asked to report on probable behavioural responses to specified changes in circumstances such as increase in rent or housing allowance. The purpose of this exercise was to give insight into ways in which ordinary tenants would be likely to behave as a result of changes in policy or practice. The resulting information was necessarily speculative and indicative rather than robustly validated: it nevertheless serves to illustrate the dynamic nature of the policy process.

Structure of the Report

Chapter 1 contrasts different approaches to housing support and locates the discussion within a broader context of social protection. Chapter 2 looks at the role of housing support and household income paying particular attention to interactions with tax systems and other elements of the social security system. Chapter 3 looks at the principles, conditions of eligibility, and target populations of housing allowance schemes.

Chapter 4 concentrates on incentives and the take-up of housing benefits including the extent to which poverty and unemployment traps are generated. Chapter 5 looks at the

organisation, management and delivery of housing allowances, noting the trend towards the devolution of responsibility for administration to local authorities. The concluding chapter identifies a number of common themes and emerging policy objectives.

In contrast, Part II of the report is ordered on a country by country basis and examines policy and provision according to the *italicised* questions listed above.

1 OVERVIEW OF TENURES, RENTS AND HOUSING ALLOWANCES

Introduction

This chapter identifies the specific challenges which confront all analysts of comparative social policy. Although some global trends may be discerned there remains a wide diversity of practice, reflecting the political, economic and socio-cultural characteristics of individual countries. A profile of tenure distribution, key policy trends and housing support strategies is also presented.

A growing interest in comparative social policy has stimulated a corresponding interest in the structure and dynamics of housing markets and support. The rationale for conducting comparative research is worth re-stating. For policy makers, the challenge is to identify models of good (and not so good) practice; to consider the extent to which countries with similar economic structures and political systems develop broadly similar housing markets and support systems; to identify strengths and weaknesses of diverse policy initiatives and to learn lessons from abroad. The global environment and membership of discrete but overlapping international organisations (such as the OECD, Commonwealth, European Union and ILO) provides a framework within which policy networks can develop and ideas be disseminated. To be aware of alternative approaches and responses to common problems can be a cost-effective way of responding to the challenge of change. Students of comparative social policy, more generally, take an interest in principles which inform the development and delivery of policy and seek to construct models which elaborate the essential characteristics of contrasting philosophical approaches to the role of the state, private market and other actors (see Ditch and Chilvers, 1995).

Identifying countries for comparative study may be intuitive or the product of systematic evaluation. In many instances, as in this study, it is a mixture of both. A rational approach takes into account geo-political considerations such as the historic and cultural linkages which tie countries together within the context of 'a family of nations' (Castles, 1993). It may be argued, for example, that the Commonwealth provides such a heritage for the GB, Canada, Australia and New Zealand. On the other hand, continental European countries, exhibiting corporatist polities and Bismarckian principles of social protection, may be said to have more in common with each other than with the Great Britain or the United States. The institutions of the European Union, however, require that the GB looks east as well as west and it is therefore important that appropriate comparisons are made. In contrast, the academic literature, in a tradition that stretches back from Esping-Andersen (1990) to Richard Titmuss (1974) and Howard Wilensky (1975), has created abstract 'worlds of welfare capitalism' that distinguish between liberal, corporatist and social democratic regimes, each with their own exemplar countries: the United States, Germany and Sweden. Although there is a considerable debate about the attribution of particular countries to particular welfare regimes (Castles and Mitchell, 1993) this approach is nevertheless favoured as a means of comparing and contrasting social policies.

The pursuit of 'exemplar' nations has the analytical strength and heuristic advantage of

reducing complex distributional networks to essential characteristics. Equally, however, this process distorts the inherent complexity and necessary subtlety of policies. The distinctiveness of each country's approach to social questions is compromised (Ashford, 1986). There is an inevitable trade-off between the advantages of appearing to systematically compare 'like with like' and the risk that what is compared is but a distortion of the true picture. This report seeks to extract the advantages of systematic comparison while at the same time allowing for the detailed and accurate presentation of policy detail.

A complicating factor when classifying states according to either housing stock or policies or allowances is that the dominant 'allocative' criterion may result in quite different outcomes or patterning of countries; expressed simply, to chose tenure as opposed to type of allowance would result in a different grouping of countries. Indeed, the interaction between housing allowances and other elements in the social protection framework can result in ever more complicated assignments. Research (Eardley et al, 1996, pp168-170) which examined social assistance schemes within the OECD identified no less than seven distinctive models of support and a re-examination of exactly the same data (Gough, 1997, pp.35-37) reported eight regime types.

It is clear that there is no direct mapping of one regime framework over another. First, this is because the extent to which there is reliance on assistance varies significantly from country to country. The demand for support from such schemes will vary according to the level of unemployment, demographic profile and distribution of income within each country. Antipodean principles of allocation, moreover, are wholly selective and quite unlike those of other OECD countries because they generate a higher level of benefit equality. Third, there are countries (such as the GB, USA and Canada) which have moved away from insurance-based practice in favour of more selective programmes of support.

Housing is one of the most basic of human needs and all welfare states have a degree of commitment to ensuring that affordable access to housing is possible to all citizens. The rigour with which the commitment is pursued, the targets that may be set and the policy frameworks that may be elaborated will necessarily vary from country to country. The satisfaction of housing need is not merely challenging but costly. Leaving to one side aggregate cost to a national economy, housing usually represents the largest share of most household budgets. For those at the lower end of the income distribution this can place almost intolerable pressure on their resources and it is for this reason that most countries provide some form of assistance with housing costs.

There are two dominant sets of policy instruments to meet the goal of supporting housing costs: their relative importance has varied over time and across space. First, and more significant in the past than now, are supply side (bricks and mortar) subsidies which are directed at remitting the costs of building, selling and letting property. By providing grants, low interest loans or tax breaks to developers and landlords it is presumed that the rent charged to the tenant will be lower than otherwise would be the case. This approach can be complemented by price or rent regulation. For example, planning authorities may stipulate that a new housing development must include a proportion of subsidised 'starter homes' as a condition of development consent.

The other approach starts not with the supplier but with those seeking accommodation. This demand side approach provides a subsidy direct to the home buyer or renter as a means of ensuring that they can achieve reasonable accommodation at a reasonable cost. A full repertoire of mechanisms are available and widely used: direct subsidies, including low interest loans for house purchase and fiscal support such as mortgage interest tax relief are rather less common now than a variety of income/asset related housing allowances. Most usually these payments, even for those who are poorly paid but within the labour market, are assessed and delivered through the medium of the relevant social assistance scheme.

Eardley *et al* (1996a) found that only three of the (then) OECD countries (Italy, Spain and Turkey) did not have some form of generalised housing assistance or a designated element within their social assistance scheme. Kemp (1997) distinguishes three approaches: those countries (e.g. Belgium and the Netherlands) where the level of social assistance is sufficient to allow for recipients to contribute at least a proportion of their housing costs. In the second group, supplements are paid in addition to social assistance to meet the full costs of a claimant's housing expenditure (usually subject to a ceiling). In the third group, of which the GB is an exemplar, social assistance (Income Support) is not intended to meet housing costs and a separate housing assistance scheme (Housing Benefit) has been developed.

Some broadly identifiable trends in public policy and management may be elaborated: a general move away from statutory or public sector provision and spending in favour of standard setting and monitoring by the state and delivery by private or not-for-profit sectors. A move towards the private sector more explicitly and a trend towards 'subsidiarity' with responsibility (at times for policy and at times for provision, and sometimes both) being devolved to sub-national authorities or executive agencies; new emphasis and reliance upon IT; more international awareness (among national policy makers and international agencies) of common challenges, possible policy responses, similar delivery mechanisms and prospects for enhanced international co-operation.

1.1 Issues of tenure

1.1.1 Tenure distribution

Three of the nine countries have a higher rate of home ownership than the GB, at 67 per cent (Australia 71 per cent; Ireland 80 per cent; New Zealand 71 per cent). Two countries have a home owner rate of only just over 50 per cent (France 54 per cent; Netherlands 52 per cent), while two, Germany (38 per cent) and Sweden (40 per cent), have a home owner rate below 50 per cent. However, it should be noted that the German figure excludes the ex-GDR, while Sweden also has a co-operative sector that accounts for 17 per cent of the stock.

Only two of the nine countries have a social rented sector larger than the GB at 22 per cent (Netherlands 36 per cent; Sweden 23 per cent), and five have a social rented sector that comprises less than 10 per cent of their total stock (Australia 6 per cent; Canada 6 per cent; Ireland 9 per cent; New Zealand 7 per cent; USA 3 per cent).

Only two countries have a private rented sector as small as in the GB at 10 per cent (Ireland 10 per cent; Netherlands 12 per cent). The Netherlands is also the only country, like the GB, where the social rented sector is larger than the private rented sector. In three countries the private rented sector accounts for over 30 per cent of the whole stock (Canada 32 per cent; Germany 43 per cent; USA 31 per cent). Only in the case of Germany is the larger private rented sector linked to a very low rate of home ownership – in both Canada and the USA home ownership exceeds 60 per cent (63 per cent and 64 per cent respectively).

1.1.2 Promotion of home ownership

All nine governments have a favourable view of home ownership, and set a favourable tax regime for the tenure. In addition most include low income home owners within the scope of their schemes for social security or assistance with housing costs, and several have a range of policies to more specifically promote home ownership.

The construction of a favourable tax regime for home ownership varies, however, from country to country. Only five provide tax relief on mortgage costs (France; Ireland; Netherlands; Sweden; USA). However, only the Netherlands applies a tax on imputed rental income, as a corollary to the provision of tax relief on mortgage costs. Similarly only Sweden and the USA impose any capital gains tax, although in the latter case this is softened by exemption and deferral rules.

Further generalised support is provided in Germany through depreciation allowances and tax credits over the first eight years of a mortgage, while New Zealand until recently provided subsidised interest rates for modest income households.

Only in Canada, the Netherlands and the USA are home owners wholly outside the scope of housing allowance or social security schemes providing assistance with housing costs. Australia provides a comprehensive range of support for home ownership, including both mortgage insurance and mortgage relief schemes. New Zealand's new Accommodation Supplement, introduced as part of its 1990s reforms, was extended to provide support for home owners as well as tenants.

1.1.3 Only Ireland has equivalent to right to buy

While most countries had some small-scale schemes involving the selective sale of social housing to sitting tenants, only Ireland has a heavily discounted right to buy scheme on GB lines. Indeed over the decades this has resulted in the sale of some two thirds of the Irish social rented sector stock. This scheme has also played a significant part in boosting the home ownership rate in Ireland to 80 per cent; without the sales policy the home ownership rate would be in the low 60 per cent.

New Zealand has introduced a right to buy scheme as part of its recent reforms, but the subsidy is limited to a 10 per cent loan, which is suspended if the tenant does not resell within seven years. The Netherlands provides transitional subsidies to assist tenants to purchase their homes, and has advised housing corporations to sell some parts of their rental stock to sitting tenants, usually at 90 per cent of market value.

1.1.4 Stock transfers

No other countries appear to have a stock transfer programme equivalent to the GB. In part this because in most countries the local authorities have a limited direct role in the ownership and management of social rented housing. Moreover none of the other countries operate a financial regime equivalent to capital control and subsidy systems applied in England and Wales, or impose controls on borrowing for housing investment as part of its primary fiscal policies.

However some small-scale transfers have been undertaken in New Zealand, of the government owned stock, but this is likely to be discontinued by the new government. Examples of stock transfers can be more readily found in Eastern European countries following the collapse of communist governments, and there have been some transfers to rental co-operatives in the ex-GDR sector of Germany.

1.1.5 Access and Security

In Sweden, access to the local housing company dwellings that make up the social rented sector is open to all applicants, and in many areas there is a surplus of housing in all tenures. Similarly in the Netherlands there is a mix between open renting, and selection based on income and waiting list criteria. In several countries, and particularly those with very small social rented sectors, there are explicit income limits on households eligible for access to the sector, that operate alongside various forms of housing needs assessment. This is generally linked to an ongoing review of household incomes, and households whose incomes rise above given thresholds may be encouraged or required to leave, or to pay higher levels of rent – in Australia at a 3 per cent premium on market rates.

In most countries tenants do have security of tenure (subject to the usual conditions about behaviour, paying the rent etc), but in several this is specifically limited by the rules for households whose incomes rise above specified income limits. In France, tenancies normally run for six years. In New Zealand private and public tenants can be evicted with three months notice; or less if there has been a breach of tenancy conditions. These are the only cases so far identified where there is an automatic time limit on security.

1.2.1 Summary

Just as there are profound differences in the principles and structures which give form to welfare states, so there is great diversity in the means of housing subsidy provision. There has been a general move away from ‘bricks and mortar’ provision towards personal or consumer subsidies, most usually in the form of housing allowances.

Great Britain has a distinctive tenure profile: only three other countries have higher rates of home ownership; only two have a higher percentage of social rented homes and only two have private rented sectors which are as small. Only the Republic of Ireland has a policy similar to the British ‘right to buy’ scheme, but New Zealand and the Netherlands do provide more modest financial incentives to home purchase for social renting households.

In most countries (excepting New Zealand and the Netherlands) social rents are substantially below market levels and in several countries rents are determined by reference to tenants' incomes, rather than property characteristics.

2 HOUSEHOLD INCOMES AND HOUSING SUPPORT

Introduction

The general move away from bricks and mortar subsidies towards income related benefits is consistent with two trends. Firstly there is a pervasive view that the major contemporary problem in the sector is one of insufficient income, rather than deficiency in the supply of housing (as was the case in the immediate post war period). Secondly it is believed that income related assistance is better targeted and more cost effective than either insurance or categorical benefits.

Within an international context there has been a broad shift, over the period of the past 15 years, away from insurance and categorical social security benefits in favour of social assistance payments. This pattern is a function of both 'push and pull' factors: 'push' factors result from the contraction in social insurance schemes, in term driven by rising costs and a contracting contribution base. The 'pull' factors were evidenced where government policies sought to encourage targeting of benefits on those in most need which in turn were linked to packages of incentive and disincentive seeking to change behaviour - in the areas of labour supply, savings, family formation and housing choice. Underpinning both these trends were a range of (apparently global) contextual changes such as declined fertility, increased female labour supply, increased unemployment and labour market flexibility.

Housing costs represent a substantial proportion of the income of the poorest households. The recognition and response to these costs within income maintenance schemes has always been challenging and necessarily complex. As social security systems become subject to rigorous scrutiny so too are policies and procedures for meeting the housing needs and costs of low income households. Before considering in more detail the changes in the area of social housing and housing support that have occurred it is appropriate to review recent changes in the wider arena of social assistance policy.

2.1 Trends in social assistance

Social assistance is the context within which housing support is mostly developed and delivered; it is therefore appropriate to review key trends. The 1990s have seen social assistance policy in France, Germany and Sweden consolidated after a period of substantial reform. In France there has continued to be high levels of unemployment, continued growth in atypical employment patterns and a developing concern with the dynamics of social exclusion. The heart of the social assistance system remains the RMI (guaranteed minimum income). A number of measures have been introduced which seek to encourage RMI recipients to return to paid employment: these include exemptions from social insurance contributions and cash payments to employers for taking on the long-term unemployed.

In Germany, since 1996 a refusal to take work could result in a 25 per cent reduction in the basic social assistance scale rate payable. In Sweden, where the costs of social assistance doubled in the early to mid 1990s, much of the popular and policy concern about claimant welfare concentrates on the number and circumstances of migrants and

asylum seekers. In 1994 responsibility for the administration of housing benefits transferred from municipalities to the National Social Insurance Board and its agencies. Following an increase in the number of those eligible for housing benefits legislation in 1996 actually removed the right to benefits from some households without children.

Australia, Canada, New Zealand and the USA may be said to have been social assistance innovators in the past decade. In common with many other OECD countries Australia has experienced a combination of social, demographic and labour market changes which have contributed to long-term unemployment and ageing of the population. At a general level the government has responded by increased targeting and individualisation of benefits aimed at enhancing self-reliance and labour market participation. These changes have been linked to moves to simplify the structure of programmes and payments.

The Australian government has established an integrated Commonwealth Services Delivery Agency responsible for income support, child care subsidies and some employment services but to which additional services can be added through purchaser/provider agreements. It seeks to achieve economies of scale, eliminate duplication of services and improve accountability.

The Canada Health and Social Transfer (CHST) came into effect on April 1, 1996. This was a major reform linked to changing relationships between the Federal and Provincial governments. CHST combines funding for social assistance and services, health and post-secondary education into a single amount: provinces received a total of \$26.9 billion for the 1996-97 fiscal year. The underlying rationale was to promote flexibility, with no earmarked funding for a specific service. By 1997-98, the funding change resulted in an overall reduction of \$7.0 billion in federal transfers to the provinces.

There has been a significant contraction in the scope of the Unemployment Insurance programme with reduced premiums, reduced benefit levels, reduced benefit durations, increased eligibility requirements and provisions when leaving the scheme. The new measures were implemented in January 1997 and in the following month new child support legislation was passed, and came into effect in May 1997: guidelines and procedures for setting levels of child support; new tax rules in respect of child support payments (i.e. they will no longer be deductible from the income of the payer or included in the income of the recipient for tax purposes), and strengthened enforcement procedures.

Adjustments to the balance of responsibilities between federal and provincial authorities prompted the provinces to establish the Provincial/Territorial Council of Social Policy Reform and Renewal. They published a report in March 1996 which proposed that Federal authorities should assume greater responsibility for national income support programmes for children, disabled persons, unemployed, older people and aboriginals and that the provinces should provide all the social services programmes. In June 1996 an integrated Federal/Provincial/Territorial Council on Social Policy Renewal was established, and a priority was declared in favour of improving assistance to children in low income families.

All provinces and territories are planning or implementing reforms to social assistance programmes. In part this is driven by expenditure constraint but also by a concern that programmes should become more 'active' rather than 'passive', encouraging labour market attachment. Examples of policy change include the following:

- a) removing children's benefits from the social assistance system and extending them to all low to middle income families.
- b) removing the disabled and elderly from the social assistance system. British Columbia, Ontario and Quebec are moving in this direction.
- c) establishing stronger conditionality rules linking receipt of social assistance to employment, training and education. This has already been implemented in Alberta and British Columbia and is proposed elsewhere.
- d) in Ontario a 'workfare' programme has been implemented which requires employable claimants to work for their social assistance benefit. The province wide programme came into effect in January 1998. Pilot projects, in 20 locations, have found that the participation rate is lower than predicted.
- e) there is a general move to regard lone parents as 'employables'. In many jurisdictions the age threshold of the youngest child is being lowered. The limited availability of child care is regarded as a problem.

The re-structuring of the welfare state in New Zealand has continued up to, and beyond, the change in government in November 1999. An Accommodation Supplement replaced Accommodation Benefit (for non-public housing tenants) and subsidised public housing in 1993, with public housing rents being moved to a 'market' rent level. There have been regular adjustments to maximum supplement rates and occasional refinements of regional balances to reflect different local housing markets.

The Domestic Purposes Benefit income test was changed (with effect from 1 July 1996) to encourage more part-time employment. From 1 April 1997 a part-time work expectation is applicable to claimants with a youngest child over 14 years. A mandatory interview is required with those with a child aged seven years or more to plan their future. This reform also applies to those receiving Invalids Benefit, which gives assistance to those who are severely and permanently incapacitated. In 1996 an independent Family Tax Credit was introduced.

In the United States President Clinton proposed, in the Work and Responsibility Act of 1994, that all 'employable' welfare recipients should work or participate in work related activities, at least on a part-time basis. Work incentives would have been encouraged by increasing the earned income exemption, expanding funding for child care would have been provided to ease the transition from welfare to work; a requirement to participate in a work programme as a condition of further assistance after two years would have been imposed. Public works jobs were to be provided for those who could not obtain employment on their own account.

However, a change in the political composition of Congress resulted in the legislation not being enacted. The incoming Republican majority had a different, but arguably corresponding set of priorities, specifically to limit the growth in federal spending and out-of-wedlock births and family breakdown; their proposals were presented in the Personal Responsibility Act of 1994.

This measure would have ended entitlement to Aid to Families with Dependent Children (AFDC), and Food Stamps. In turn a 'block grant' would have been provided to the state governments replacing the long established principle of open-ended contribution or match for programme expenses. Lone mothers who had another child while in receipt of benefit would be provided no additional assistance, child paternity would have to be established and a five year time limit on assistance introduced. The former measure was generally popular with the American public, but the latter was not. A compromise solution was sought, consistent with a concern to devolve responsibility for welfare to the states, and took the form of the Personal Responsibility and Work Opportunity Act of 1996 which was signed by President Clinton in August of that year.

The Act brought substantial changes to the safety net programmes in the USA. It ended the Aid to Families with Dependent Children programme and replaced it with a (Temporary Assistance for Needy Families) block grant programme to states. The new block grant ended federal entitlements to income support for low income families; each state now designs its own system, but may not use federal block grant funds to assist families for more than six months (subject to limited exceptions). The law also changed eligibility and benefit rules in the Food Stamp and SSI Programmes and restricted participation of non-citizens in safety net programmes. The new law also provided \$21 billion in funding for child care, over the following seven years, to promote welfare to work initiatives. No additional funding was provided to support employment creation initiatives; states are expected to re-deploy any financial savings from cash assistance programmes. However, additional legislation in 1997 authorised \$3 billion for work initiatives targeted at the families expected to face the greatest barriers to employment.

There is a significant programme of welfare innovation across the USA with states pursuing a range of strategies. Wisconsin has been in the forefront of developments, replacing its entire welfare programme with an employment assistance programme whereby all recipients, except those with children under three months, are required to be engaged in work activities in return for assistance. A number of other states are also testing a range of incentives and penalties, job search, training, job retention and social services strategies intended to promote employment among recipients of assistance.

In the GB recent governments have also given greater emphasis within the welfare benefit system to policies designed to promote labour market participation. In October 1996 Unemployment Benefit was replaced with a Job Seekers Allowance, with the period for the receipt of insurance benefit reduced from 12 to 6 months. Subsequently a range of initiatives have been introduced with the objective of encouraging (and in some cases requiring) out of work households to (re)-enter the labour market.

The financial advantages of low paid work have also been boosted by the introduction of a national minimum wage in 1999 (albeit at a relatively modest level), and by the reform

of the in work benefits for households with young children. The ‘Working Families Tax Credit’ replaced the previous ‘Family Credit’ scheme in October 1999. While essentially the same in structure, the new scheme increased the earnings level at which the maximum credit could be claimed, and reduced the rate at which the credit is withdrawn above that level from 70 per cent of net earnings, to 55 per cent of net earnings. The new scheme is also now administered as part of the tax system, and includes more generous allowances for child care costs.

It is in this wider context of welfare benefit reforms that we outline the policy trends in the ten countries, in respect of housing subsidies, subsidies for social rented housing, and the structure and characteristics of housing allowance schemes.

2.2 Housing subsidies and rents

A summary of the main trends in housing subsidy for social rented housing, and social sector rent policies in each of the ten countries, is set out in Table 2.1 below.

Table 2.1 Housing subsidies and rents in the social housing sector

Country	Subsidies for social housing	Social housing sector rents
Australia	Decline with reduction new build from 14,000 in 1989/90 to 4,000 in 1995/96.	Rents set at 20/25% of incomes or at market levels for higher income households. Average rents less than one third of the cost of ownership.
Canada	Decline with sharp cut in new build from 9,630 in 1989 to 1,370 in 1999. Subsidies on existing commitments capped at 1995/96 levels.	Rents set as 20/25% of incomes. For higher income households rents set at ‘net cost’ or ‘low end of the market’ levels.
France	Switch from bricks and mortar to personal subsidy from 1977. Reduced new build programme.	Rents in Paris some half market levels. In other areas rents often similar to those for poor quality private housing.
Germany	Federal government withdrew from funding in 1985 – sharp decline in new build. New federal programme from 1989 to meet identified shortfall in both west and east of reunified country.	Rents are scheme specific. No cross subsidy or cross sector rent policy. Usually below market levels.
Ireland	Decline in new build reversed in last few years.	Income based rents range from 6 to-10% of incomes. Maximum rents less than half market levels.
Netherlands	Switch away from bricks & mortar subsidies in 1990’s. 1995 settlement.	Rents some 80/90% of costs of ownership. Relatively flat rent structure.

New Zealand	Radical switch to market rents and complete reliance on housing allowances. Now being reversed following change of government.	'Housing New Zealand' switched to market rents. Now reverting to income related rents. Small council sector still has lower rents.
Sweden	Decline in new build and cut backs in subsidy formula.	Housing company rents some 45% of ownership costs for single people and some 60% for couples with children.
USA	Subsidies reduced since c1980.	Rents at 30% of incomes, or market levels.
GB	Decline in new build and cut backs in subsidy, as rents increased relative to earnings during early/mid 1990s. More recently there has been a small reversal of the decline in new build.	Rents some half to two thirds market levels. Housing association rents generally higher than council rents. Marked regional and sector variations.

While Table 2.1 has focused specifically on subsidies for social rented housing, it is also important to note that subsidised housing is produced and managed by various agencies in each of the ten countries. In the GB virtually all bricks and mortar subsidies are provided either to local authorities, housing associations, or other similar 'registered social landlords', many of which are charitable organisations, and all of which are voluntary 'not for profit' agencies.

In several European countries, including Germany, bricks and mortar subsidies have also been provided to private landlords, and 'social housing' is a term applied to dwellings provided with the assistance of subsidy, and which are subject to time limited contractual obligations on rent levels, standards and allocation arrangements. Once the subsidised loans have been paid off the private landlords are free of their contractual obligations, and the dwellings effectively pass from the 'social' to the 'private' rented sectors. These issues are discussed further in Chapter 5.

2.2.2 Social sector rents

In the Netherlands and New Zealand social rented sector rents are currently at, or close to, market rent levels. In New Zealand rents were increased to market levels in the 1990s, as part of the radical market orientated reforms introduced by the then government. However, as noted above, following the recent change of government in New Zealand rent levels are now planned to fall.

In several other countries subsidy reductions have led to increases in rent levels during the 1990s, although nowhere as sharply as in New Zealand. Rent increases in Sweden during the 1990s were, however, limited by the retention of the regulatory system requiring rent levels to be agreed with tenants. Rent increases in England in the early 1990s were checked from 1996/97, partly as a response to the resulting sharp rise in the costs of housing benefit.

In most countries, other than the Netherlands and New Zealand, social rents are nonetheless still generally well below market levels, partly as a direct result of past and/or present government subsidies, and also partly because of the impact of inflation in diminishing social sector dwelling costs relative to current market values. In Australia, France, Ireland, and Sweden they are broadly (and with much detailed variation) about half the level of either market rents, or the cost of home ownership. In the GB social rents are on average set at levels closer to two thirds of market levels, but with marked variations between sub-sectors and regions.

Differential Rents

In several countries rents are determined predominantly on the basis of the incomes of tenants, rather than on the basis of either the costs, value or characteristics of the dwellings. 'Differential rent' schemes, where the rent is set as a fixed proportion of the tenants income, operate in the social rented sectors in Australia, Canada, Ireland and the USA, and are now planned to be reintroduced in New Zealand. In effect these rent schemes are the equivalent of the housing allowance schemes operated in the GB and other countries. Indeed many local authorities in the GB operated such schemes prior to the introduction of the national housing benefit scheme in 1972 (Parker, 1967).

In the countries with differential rent schemes, which apply to a large proportion of the tenants in the social housing sector, changes in rent levels over time are predominantly a function of changes in tenant incomes, rather than any other factors. In the case of tenants with incomes above defined income limits higher rents may be charged, up to (or even above) market levels. In Canada, however, rents for higher income households may, in some cases, remain below market levels, reflecting past policies that gave a greater prominence to the objective of promoting social mix, that aim to retain a proportion of moderate income households within the social rented sector.

Property based rent schemes

In those countries where they apply, systems for relating rents to market values and other property characteristics vary substantially. In some cases they relate to market values, but more often rents are related to net operating costs, with some form of points system or formula to reflect variations in property size, quality, location and other characteristics.

In France rents for dwellings constructed with assisted loans are set primarily on the basis of very broadly defined geographical areas, and the size of the dwelling (measured in square metres). Annual regulations set rent limits for newly constructed dwellings, and specify the percentages for permitted increases for existing dwellings.

In Germany rents are set on a net cost basis, scheme by scheme. There are no provisions that permit social landlords to cross subsidise schemes built at different times, with the result that rents vary substantially from one scheme to another, and do not consistently relate to current values.

In the Netherlands rents are set by national policy, and each year there is a defined maximum level of rent increase. The key factors in the system that determine the rents for

particular dwellings are the date of construction, the size of the dwelling, the quality of the neighbourhood, and the quality and amenities of the dwelling. Relative to market levels the rent system is relatively flat in terms of locational factors, while it exaggerates the value of differences in the age of the dwellings.

In Sweden the rents are set through the regulated social landlord and tenant negotiations over the 'use values' of dwellings. While the system ensures that rents of broadly similar dwellings in a given area are relatively uniform, there is no direct relationship with market values.

In the GB the rent levels of local authorities and housing associations (RSLs) are strongly influenced by the subsidy and grant systems. Local authority rents are broadly linked to local variations in both earnings and capital values, while aggregate RSL rents are more strongly linked with regional variations in earnings. There are, however, differences in both the average levels, and the locational profiles of rents in the local authority and RSL sectors. Detailed rent policies are applied by individual landlords, primarily utilising a variety of 'points' based systems reflecting the size, type and quality of each dwelling.

Rent setting discretion

In most countries individual social sector landlords have only a limited degree of discretion over rent policies. In those countries where rent-to-income policies apply, that discretion largely operates with respect to households with incomes above the specified maximum. In Ireland, however, there is some discretion for local councils in the operation of the differential rent scheme, in respect of the specific formula, incomes taken into account and allowances for dependent children.

In France, where rents are predominantly related to net scheme costs, social housing landlords are expected to set rents within the range of minima and maxima set by central government. In New Zealand 70 per cent of the stock is owned by central government, which thus has direct control over the rent policies of 'Housing New Zealand'.

In Sweden the local authority owned housing companies are required by statute to negotiate rent levels with tenant representatives, and the agreed social sector rents then also set a limit for private sector rents in the locality.

In the GB individual social landlords have a wide range of discretion in determining local rent structures, within the context of a broad legal and regulatory framework. There are currently, however, quite strong limits on the levels of average rent increases each landlord can impose each year. For local authorities those limits are effectively set by subsidy rules, while RSLs are expected to limit annual increases to the level of inflation plus 1%.

The government has now set out detailed plans for a common rent policy framework for both sectors to apply from April 2002, based upon relative property values and local earnings levels. Individual landlords will still be permitted a 5% measure of discretion over rent levels, and compliance with the new policy framework is to be phased over a ten year period.

2.3 Housing Allowances

This section provides an introductory overview to the main characteristics of the housing allowance schemes in the ten countries. A more detailed analysis of the structure and management of housing allowance schemes, and some particular related policy issues, follow in the next three chapters.

There are several dimensions to the characteristics of housing allowance schemes. The relationship between the housing allowance scheme and the wider social assistance and social insurance schemes is taken by Kemp (1997) to provide the primary basis of distinguishing types of allowance. As seen above he distinguishes three types of scheme:-

- 1 Social assistance and insurance schemes that provide sufficient income to meet, at least, a part of household housing costs. Additional help with high housing costs usually provided through separate housing allowance scheme;
- 2 Social assistance schemes that include a specific housing cost addition to basic levels of entitlement;
- 3 Housing allowance schemes separate from social assistance and insurance schemes, that provide all the assistance with housing costs.

While this framework can be applied to individual schemes, in some cases the distinctions are blurred. Moreover several countries operate more than one scheme, and in consequence it is more difficult to provide a simple typology of 'national systems'. Nor does this framework readily capture the common features of the 'differential rent' schemes for social sector tenants, that operate in five of the countries examined in the study.

In addition, housing allowance schemes vary in terms of the scope of the properties and household to which they apply. Schemes may apply to all tenures, or they may be specific to particular tenures, or they may be restricted to properties that were funded under particular programmes. Schemes may apply to all household types, or may be restricted to particular household types and age groups.

The key characteristics of the schemes in each country are set out in Table 2.2 below, and is followed by a brief outline of the schemes operating in each country.

Table 2.2 Main characteristics of housing allowance schemes

Country	Social assistance	Tenure	Households
Australia	Rent addition Differential rents	Private tenants Social tenants No state scheme for home owners	
Canada	Shelter addition. Differential rents	Private tenants and owners Social tenants	Some provincial allowance schemes, mainly for elderly households
France	Separate housing allowance schemes	Three schemes, one for qualifying dwellings, and two for various household types	Two schemes, one for younger and one for older households
Germany	Rent addition Separate housing allowance scheme	Tenant households only. Home owners and tenants not on social assistance	
Ireland	Housing cost addition. Differential rents	Home owners and private tenants Social tenants	
Netherlands	Social assistance covers minimum costs Housing allowance for costs over minimum.	Social assistance for all tenures. Housing allowance for social and private sector tenants only	
New Zealand	Separate housing allowance scheme	All tenures. Differential rent scheme for social tenants due to be re-introduced	
Sweden	Separate housing allowance for main part of costs	All tenures, but capital as well as income conditions for home buyers	Households without children aged 29 to 65 ineligible
USA	Differential rents Social assistance expected to cover some housing costs	Social tenants & voucher holders	Cash limited budget for vouchers
GB	Separate housing allowance scheme for all housing costs	Covers all rented tenures. Home owners mortgage help as part of social assistance	

2.3.1 Key features of housing allowance schemes in each country

Short summaries of the key features of the housing allowance schemes in each country are set out below. Fuller details of the schemes, and other aspects of each countries housing policies, are provided in Part II.

Australia

Some 90 per cent of all tenants in the small public rented sector pay 'differential rents' of 23-25 per cent of their gross incomes. Rent Assistance is only available to private tenants in receipt of another social security pension or allowance; the amount payable, which varies by household type, is determined by the rent level and a payment ceiling.

Approximately 65-68 per cent of the private rented sector receive assistance. There is no broadly based programme to assist low income home owners.

Private tenants have a significant interest in the gross rent level in practice Rent Assistance provides a maximum of between one third and 44 per cent of the total rent payable. It is to be noted that the basic rates for Income Support in Australia are higher, in real terms, than comparable allowances in the GB. It is expected that tenants will be able to make some contribution to meeting housing costs out of the basic allowance.

Although there is some concern about work incentives (a general part of the debate about social security in Australia) it is not central to the future structure of Rent Assistance - there being only limited evidence of perverse incentives. Of greater concern is the difference in treatment accorded public and private sector tenants.

Canada

In Canada, there have been recent and profound reforms of the overall social assistance programme, with decision making passed from national to provincial government. The levels of both the basic social assistance, and the related specific housing component, are set by provincial governments, and vary substantially from one province to another. The housing component is paid to both private and social tenants on the basis of actual costs subject to maximum limits, with the limits for social tenants typically set at a lower level than for private tenants. Home owners qualifying for social assistance also receive limited help with their mortgage interest costs.

There is a very small social housing sector, and low income households not in receipt of social assistance pay differential rents, calculated as 30% of their gross incomes (minus specified adjustments).

France

In France there are three separate schemes to meet/support the housing costs of low-income tenants and home owners. The schemes relate either to specific groups of households, or households occupying dwellings funded under a particular government programme.

In each case a net rent level is determined by reference to income and household size. However, rather than being regarded as a supplement to income those payments are treated as a reduction in rent. On third of the social rented sector tenants, three quarters of the private sector tenants, and eight per cent of home owners, receive assistance in this way. The schemes do create significant poverty and unemployment traps and the benefit

programmes are not well coordinated. Reforms to integrate the three schemes are under consideration.

Germany

Tenants in receipt of the general social assistance benefit (Sozialhilfe) have 100 per cent rent, subject to upper limits and net of service charges, covered by that benefit. However social insurance benefits are related to past earnings, and typically provide a benefit income substantially higher than the level of basic social assistance.

Low income households, including those in receipt of social insurance benefits, apply for a means-tested housing allowance (Wohngeld). The level of entitlement is calculated on formulas that take account of both income and housing cost levels, but typically require households to contribute some 25/30 per cent of their gross incomes towards their housing costs. The levels of housing costs taken into account for the purposes of the allowance are also subject to maximum limits. The housing allowance is available to both tenants and to home owners.

There are increasing concerns to encourage labour market re-integration, and this has been reflected in the shorter periods of time that households receive the maximum levels of social insurance benefits. There have not, however, been any recent major changes to the housing allowance scheme.

Ireland

In Ireland a differential rent scheme operates for local authority tenants whereby the rent paid is determined by income and other household characteristics. In addition there are rent and mortgage supplements within the social assistance (Supplementary Welfare Allowance) scheme: these are only payable to those who are not in full-time employment. There is no assistance for mortgage capital costs, and rents are subject to whom it may concern a ceiling. Forty per cent of private rented tenants receive housing subsidies but less than one per cent of owner occupiers.

Subject to upper limits both schemes calculate benefit on the basis of the full rent. The social assistance scheme is considered to provide perverse work incentives and this is now a priority for policy innovation.

Netherlands

The social assistance scheme provides limited help towards housing costs for households in all tenures. However the assistance for home owners is time limited, and typically after a year or so they are required to move to cheaper housing, mostly in the rented sector.

The housing allowance scheme is for tenants only, and only contributes towards a part of the rent. An initial basic level of rent is required to be met from tenants other income (including social assistance). Above that basic level there is a 'stepped' programme of assistance that tapers the proportion of housing costs eligible for assistance, in 100 per cent, 75 per cent and 50 per cent bands. This stepped reduction in eligible housing costs

is set as a 'quality cut, on the basis that it is considered reasonable that households occupying more expensive, and it is presumed better quality, dwellings should be required to make a greater contribution towards their rent. A substantial proportion of tenant households have rents where, at the margin, they are required to contribute 25 per cent.

New Zealand

As part of the radical market reforms introduced in the 1990s New Zealand has an Accommodation Supplement to assist households in all tenures on low incomes. The entry thresholds are set at housing costs being equal to 25 per cent of benefit amounts for renters and 30 per cent for home owners. The supplement is calculated as being 70 per cent of the difference between the entry threshold and the maximum determined by the size of the household and the location of the property. The value of the Accommodation Supplement is not generous, such that 12 per cent of the AS recipients have to claim further assistance from 'special benefit'.

Following the recent change of government it is planned to reintroduce a differential rent scheme for tenants in the small social housing sector, while retaining the Accommodation Supplement for households in the private sector.

Sweden

Low income households of all tenures in Sweden are eligible for housing allowances. Reversing the more typical relationship, households may also seek help through the social assistance scheme to supplement housing allowances. As in the Netherlands households receive no housing allowance for an initial basic level of housing costs, and then above that level there is a 'stepped' programme of assistance that tapers the proportion of housing costs eligible for assistance (in 75% and then 50% bands).

Assistance is also tapered where household's incomes exceed specified levels, at the rate of 20% for households with children and $33\frac{1}{3}\%$ for households without children.

The housing allowance scheme was substantially reformed in the mid-1990s, in response to concerns about rising costs (in part resulting from earlier reductions in bricks and mortar subsidies), and its scope was narrowed to concentrate on families with children, and young and elderly households.

United States of America (USA)

Basic social welfare payments in the USA are expected to provide households with help towards their housing costs, but they are at very limited levels. The detailed levels of assistance are set by each state. In some states households with higher housing costs may receive (subject to upper limits) additional help in the form of more food stamps.

For households in the small social housing sector welfare payments are supplemented by the operation of differential rent schemes. There is also a small discretionary cash limited scheme to provide 'Section 8' vouchers to assist very low-income families, the elderly

and disabled to rent 'decent, safe and sanitary housing in the private market.' Subject to upper limits on eligible rents vouchers are calculated so that net rents do not exceed a fixed proportion of household incomes.

Following pilots it is intended to extend the Section 8 scheme to enable households to secure low cost housing in the home owner sector.

Great Britain

The GB has an integrated housing benefit scheme that is available to all household types, in or out of work, and in all rented tenures. Subject to various maximum limits households with incomes at basic social welfare levels can be entitled to housing benefit to meet 100 per cent of their rental costs. Households with net incomes above those levels (with limited additional allowances) have benefit reduced by 65 per cent. For home owner households help with mortgage interest costs is only available, after an initial period of delay, as part of the basic social welfare scheme. There is no benefit available to home buying households in low paid work.

In the GB the costs of housing benefit increased substantially between 1989 and 1996, largely because of housing policies that led to significant increases in rents in both the social and private rented sectors. In response to those rising costs new limits on the maximum rents eligible for housing benefit in the private sector were introduced from 1996, and the related space standards for young single people were reduced. From the same time new policies were introduced to check the rise in social rents.

Summary

Internationally, there has been a tightening of the general provision of social assistance, with closer targeting of benefits and greater exclusion of those thought not to be in essential need.

In most countries, over the past 15 years, there has been a shift away from subsidies for building new homes to the provision of social assistance, in the form of housing allowances, for individuals in need.

While most countries have seen some increases in social rents during the 1990s, as building subsidies have been cut back, the more consistent feature of the cut backs in subsidy has been the decline in levels of new subsidised house building.

In Australia, Canada, Ireland, the USA and, in the near future, New Zealand, social rents are set as fixed proportions of tenants' incomes.

Property-based rents are sometimes determined in relation to market levels but more commonly relate to operating costs and the amenities offered – as in France, Germany, the Netherlands and Sweden.

Great Britain is exceptional in the amount of discretion currently allowed to social

landlords in setting individual rents, although there are still stringent limits on average levels of rents across each landlord's entire stock of housing, and the measure of discretion will be reduced under the new rent policy framework to be introduced in April 2002.

Kemp has distinguished three types of housing allowance schemes: general social assistance or insurance schemes that provide for housing costs at least in part; social assistance schemes with specific housing components; housing allowance schemes separate from more general social assistance.

Viewed within Kemp's framework, some schemes show considerable blurring of these distinctions and some countries operate more than one type of scheme. The differential rent schemes operated by five countries for their social rented housing stock may also more usefully be considered as a fourth distinct type of scheme.

3 PRINCIPLES OF ELIGIBILITY

This chapter outlines the criteria for access to social rented housing, and qualification for help with housing costs through means tested housing allowance schemes. The first section provides an introductory analysis and overview of the criteria for access to social rented housing, while the second section provides brief accounts of the access criteria operated in each of the ten countries. The third section provides an analysis of the income and other eligibility criteria applied for the housing allowance schemes operated by each country, while the final section provides brief accounts of the criteria applied in each of the ten countries.

3.1 Access to social housing

Among the countries studied, low income is most often the principal factor in determining eligibility for social housing. In many countries there are explicit income limits on the households that can enter the social housing sector, while in others household incomes are explicitly taken into account in determining priorities as part of the allocations process.

Table 3.1 Size of social housing sectors, income limits and housing allowance schemes

Country	Size of social housing sector (% of total stock)	Income limits	Housing allowance(s) for social rented sector
Australia	6%	Yes	Welfare benefits / Differential rents
Canada	6%	Most lettings	Welfare benefits / Differential rents
France	18%	Most lettings	Housing allowance schemes
Germany	15%	Yes	Welfare benefits / Housing allowance
Great Britain	22%	No	Housing allowance scheme
Ireland	10%	Most lettings	Differential rents
Netherlands	36%	No	Housing allowance scheme
New Zealand	5%	No	Switching to differential rents
Sweden	22%	No	Housing allowance scheme
USA	2%	Yes	Differential rents

It is notable that, with the exception of New Zealand, all of the countries with relatively small social rented sectors impose income limits on households entering the sector (see Table 3.1 above). However, even in New Zealand most allocations are effectively made to low income households, and four fifths of all tenants are either welfare benefit recipients or pensioners.

Sweden deviates most from this general rule in that its municipally owned housing has a long tradition of being available to all, not just to poorer households. Sweden, and the two other countries (New Zealand apart) that do not impose income limits (Great Britain and Netherlands) are also notable as the countries that have the largest social rented sectors.

Table 3.1 also shows that there is a clear correspondence between the relative size of the social rented sector in each country, and the characteristics of their housing allowance scheme(s). In particular the five countries with the smallest social rented sectors all operate 'differential rent' schemes that apply solely to tenants within that sector. In contrast the countries with larger social rented sectors operate welfare benefit or housing allowance schemes that apply across both the private and social rented sectors, and in many cases also extend to the home owner sector.

The following section of this chapter provides national accounts of the eligibility criteria applied for access to the social rented sector in each country. The subsequent section provides an analysis of the income and other eligibility criteria applied for the housing allowance schemes operated by each country, again followed by more detailed national accounts.

3.2 Access to social housing national accounts

Although Sweden is the least restrictive in terms of income, when assessing eligibility for social housing, the Netherlands, also, has traditionally made its social housing available to those on middle incomes, as well as to the very poorest. In Germany, although low income is the main criterion for eligibility, about 40 per cent of the population are potentially eligible for social housing. Australia, France and the USA also use low income as the main qualification, but at less inclusive levels than Germany. Housing New Zealand still allocates its housing predominantly to those with low incomes, despite the fact that its rents are at general market levels.

In the Republic of Ireland emphasis is placed on the inadequacy of current housing as well as on low income. Similarly, in Canada, low income is one component of a set of factors used to assess housing need. In Great Britain, there is no nationally applied restriction of social housing to households with low incomes, but landlords may include it among their criteria and it would be generally assumed that social housing was the resort of those who could not afford to buy or rent privately.

3.2.1 Australia

In Australia, low income is the main qualification for social housing. The precise details for eligibility differ between the states and territories, but there are some common

principles. In all schemes, households are eligible if their incomes and assets fall below certain thresholds.

All assessments are based on gross income. In the schemes of some states, all the household's income is considered together, while other states' schemes differentiate between members of the household, with only part of the income of younger members being taken into account.

The income thresholds, above which there is no eligibility, distinguish between different sizes of households. Equivalent thresholds, for example, those for single people, differ widely between the states (the single person threshold in Victoria is 60 per cent of that which applies in South Australia). The differences between the thresholds for different household sizes also vary greatly (e.g. in Tasmania the single persons' threshold is 60 per cent of that for couples, while in New South Wales the singleton's level is 79 per cent of that for a couple).

The treatment of capital assets also varies between states. Generally, ownership of residential property disqualifies. Some states set simple cash thresholds, others have different levels for single people and couples, and others have different levels for different sectors of the waiting list.

3.2.2 Canada

In Canada, the eligibility criteria for social housing vary according to the funding regime under which it was developed. Social housing stock that was developed between 1974 and 1986 need only be let in part (15 per cent of units) to households with low incomes. The more recently developed homes (since 1986) are intended for households that meet a standard of 'core housing need'.

Housing need is first assessed in terms of the present housing conditions – whether they are overcrowded or in poor repair, and whether housing costs exceed 30 per cent of income. The household's income is next compared with a 'core needs income threshold' (CNIT). The CNIT is set at three and one-third times the median rent for an appropriately sized home for the household (thus, the CNIT is that level of income at which the median rent would be 30 per cent of income). If the household qualifies in relation to its present housing conditions and the household income is below the CNIT, then it is deemed eligible for a public housing tenancy. However, waiting lists are long.

3.2.3 France

In France the main criterion of eligibility for social housing is low income. Prospective tenants with incomes below a set level have entitlement to, though no guarantee of, social housing. Currently, the income limit for childless households is a little more than twice the national minimum wage while that for families with two children is approximately three times the minimum wage. Other factors, such as homelessness or poor housing, would influence the urgency with which housing might be allocated.

3.2.4 Germany

In Germany, social housing is defined by the receipt of public subsidy for the dwelling, rather than by the public status of the landlord. Low-income is the main criterion of

eligibility. The income thresholds used depend upon household size and the type of subsidy used to fund the housing scheme. The current thresholds would allow about forty per cent of all German households to be eligible for social housing. Households satisfying the basic eligibility criterion are granted the issue of a qualification certificate. Landlords may then choose their tenants from among those qualified, but there is usually a category of urgent cases, whose members would be given priority. Thus precedence would tend to be given to lone parents, evicted households, ex-offenders, homeless people and so on.

3.2.5 Great Britain

In Great Britain, most social housing is provided by local authorities and registered social landlords. Eligibility for local authority housing is usually assessed in terms of housing need. Statutory requirements, set by central government, include giving reasonable preference to families with dependent children and households occupying insanitary or overcrowded accommodation. Low income is not addressed directly as a qualification for housing, but it will usually have contributed to housing need – by limiting the household's options for private renting or home-ownership.

Registered social landlords (RSLs) are required to make at least half their new lettings available to households nominated by local authorities from their waiting lists. They may set their own preference criteria for other lettings, which may include priority for certain groups, such as members of black and minority ethnic groups or former workers in specific occupations – for whom the original housing associations were established. Other RSLs may specialise in the type of housing they provide – for instance, it may be intended for older people or people with disabilities – which would restrict the types of properties they have available.

3.2.6 Ireland

In Ireland, eligibility for social housing depends as much on the inadequacy of current housing as on low levels of income. Households applying for local authority rented accommodation must establish that they are living in housing that is inadequate in some way (e.g. unfit or overcrowded) and that their incomes do not permit them to remedy these housing inadequacies themselves. Once on the list of approved applicants, households are allocated accommodation on the basis of urgency and duration of need and on the availability of suitable housing units.

3.2.7 Netherlands

In the Netherlands, priority for the allocation of social housing is given to 'vulnerable groups': low-income households, unemployed households, mentally or physically handicapped people and homeless people. Waiting lists, operated by the local authorities, often work on points systems to assess housing need.

Although low income is a factor determining eligibility, social housing has, traditionally, been made available to those on middle, as well as very low, incomes. Other factors taken into account include the relationship between rent, income and the size of households, and social or economic ties with the locations of homes. (Oxley and Smith, 1996; Boelhouwer et al, 1997)

3.2.8 New Zealand

In New Zealand, most publicly owned housing is managed by the central government's agency, Housing New Zealand (HNZ). During the 1990s, HNZ gave priority to households on low income when letting its properties. However, households with higher incomes may also rent HNZ properties, but would pay full market-level rents, since rents are not directly subsidised.

3.2.9 Sweden

Swedish non-profit municipal housing is available to all. There is no public housing specifically intended for people with low incomes.

There is a small tendency for households with lower incomes to live in non-profit housing. This is attributed to the lower space-standards of municipal housing and the willingness of those who can afford it to rent or buy larger accommodation available in the private sector. It is not a consequence of any official selection procedure. (Turner, 1996)

3.2.10 United States of America (USA)

Public housing in the USA is limited to low-income families and individuals. Local housing agencies (HAs) use income limits developed by the Department of Housing and Urban Development (HUD). Lower income limits are set at 80 per cent, and very low income limits at 50 per cent, of the median gross income for the county or metropolitan area, by household size. Each HA has the discretion to determine which groups are to be regarded as having priority need, where the housing supply is limited. (HUD, 2000)

3.3 Eligibility for housing allowances

The target populations for housing allowances vary, and in some countries there are a number of separate schemes for different population groups. The scope of the various housing allowance schemes can be defined in terms of tenure, and the economic and social status of the households, and the relationship between the housing allowance scheme(s) and the basic social welfare benefit system operating in each country.

In most cases the schemes operate on an entitlement basis – that is if the household meets all the eligibility criteria, in terms of income, tenure, economic and social status, then the entitlement to benefit automatically follows. This is not always the case, however, and in the USA, for example, housing allowance 'vouchers' to assist low income households secure housing in the private sector are allocated from a cash limited budget.

Several countries also operate more than one scheme. For example five of our countries operate 'differential rent' schemes specific to the social rented sector, while several countries operate one scheme for households in receipt of basic welfare benefits, and another for other households. In other cases, such as France, there are separate schemes for households in dwellings supported by public sector loans, and other schemes for social and economic household categories.

Not all countries have comprehensive schemes that are available to all household types. Different schemes exclude households on the basis of tenure, employment or social status, or because they are not eligible for basic social welfare assistance. Thus assistance is not always available to home owner households or to households in low paid employment, and in Sweden, for example, allowances are not available to childless households aged from 29 to 65. A summary of the eligibility criteria for housing allowance schemes in each country is set out in Table 3.2 below. The following section then provides more detailed accounts of the eligibility criteria in each country.

Table 3.2

Country	<i>Basic scheme eligibility criteria</i>
Australia	Social housing differential rent scheme. 'Rent assistance' scheme only for private tenants eligible for other income support payments. No mainstream scheme for homeowners some limited state schemes.
Canada	Social housing differential rent scheme. National housing allowances only for social assistance beneficiaries. Four Provinces with additional housing allowance schemes; of which three are restricted to older people.
France	Three schemes. <i>APL</i> – for households occupying dwellings supported by public loans; <i>ALF</i> - for households receiving family allowances, younger, childless, married couples, and those supporting people with disabilities; <i>ALS</i> - for older people, people with disabilities, and long term unemployed. All schemes subject to income criteria, rather than (generally) employment status, or any direct link to wider social security system, and cover home owner as well as rented tenures.
Germany	One scheme for tenants households receiving basic social assistance (<i>Sozialhilfe</i>). Second scheme for home owner households, and tenant households not receiving basic social assistance (<i>Wohngeld</i>).
Great Britain	Single scheme for tenant households, whether or not receiving basic social security assistance. Help for home owners mortgage costs limited to households receiving basic social security assistance.
Ireland	Differential rent scheme for social housing sector tenants. Rent and mortgage supplements paid only to households receiving 'Supplementary Welfare Allowances'.
Netherlands	Single housing allowance scheme for households in all tenures.
New Zealand	Differential rent scheme for social rented sector being re-introduced. Single scheme - 'Accommodation Supplement' - for all other tenures.
Sweden	Housing allowance schemes for households in all tenures; one for younger people and families, and another for pensioners. Childless households aged from 29 to 65 are not eligible.
United States of America	Differential rent scheme for public sector tenants. Vouchers available for limited numbers of low-income households.

3.4 Eligibility for housing allowances : national accounts

3.4.1 Australia

Rent Assistance (RA) in Australia is part of the overall income support scheme. It is paid as a supplement to a general welfare payment. Only households in private rented accommodation are eligible – tenants in public housing have their rents rebated if their incomes are low. Home owners have no eligibility for RA, nor is there any national equivalent – a few provinces operate small assistance schemes of their own.

A household is potentially eligible for RA if it receives social security pensions or allowances. While these qualifying benefits are usually means tested, RA itself is not. There is a set of minimum rent levels for different sizes of household. Where the rent of a social-security-dependent household exceeds the appropriate minimum level, then the household will qualify for an RA payment, up to a maximum that also relates to household size. Only 75 per cent of the difference between the actual rent and the minimum threshold is covered by the RA amount.

Working tenants in privately owned housing are not eligible for any rent allowances or rebates.

3.4.2 Canada

Of the ten provinces and three territories of Canada only four provinces have specific housing allowance schemes and all but one of these are restricted to older people. Generally, help is only available for housing costs as part of social assistance, which is available to long-term unemployed people and those who are unable to work. Eligibility for social assistance thus constitutes eligibility for a 'shelter allowance'. The shelter allowance would cover the full market rent, but subject to maxima that depend upon household size and location. Home owners may be eligible social assistance to cover mortgage interest.

To qualify for social assistance a household's monetary assets and income must fall below levels specific to its household type. The provinces and territories set their own levels for both income and assets. There are also small variations in what income is exempted from the assessment. All provinces allow and exempt some level of earnings, usually with larger exemptions for recipients who are claiming for reasons other than unemployment. (National Council for Welfare, 2000)

The shelter allowance component is usually inadequate to cover full housing costs. Pomeroy (1996) determined that in most provinces only 65 to 75 per cent of the average market rent is covered.

People in work are not eligible for housing assistance.

3.4.3 France

The three schemes of housing allowances available to tenants and homeowners are all based on the same principles. All are means-tested by reference to households' net incomes after deductions of tax and various allowances.

The two older schemes are distinguished by the groups for which they are intended. *Allocation de Logement à caractère Familial* (ALF) is available to families with children, to younger, childless, married couples and to families that support elderly or disabled people at home. To be eligible for ALF, the potential beneficiary must be receiving a family allowance or supporting any of: a child under 20, a parent over 65 (60 in some cases) or a severely disabled relative. Childless couples, to be eligible for ALF, must have been married for no more than five years, and both members must have been under forty years old at time of marriage.

Allocation de Logement à caractère Social (ALS) is available to certain groups of single people. To be eligible, people must be aged over 65, or have a major disability, or receive long-term unemployment assistance, or claim minimum income assistance (*Revenu Minimum d'Insertion* – RMI), or be in residential care, or be both working and aged under 25. Additionally, people aged over 60 who are unable to work, for medical reasons, or who fall into any of a number of categories of war veterans and those politically persecuted, may be eligible.

Eligibility for either form of *Allocation de Logement* also depends upon conditions relating to the accommodation. The property must be the main residence, tenants may not rent from close relatives, and owners must have borrowed in order to acquire, construct or rehabilitate their homes. Properties must also meet certain standards of space and amenity.

Aide Personnalisée au Logement (APL), is available to those living in homes supported by public loans, whether for purchase, renovation or construction, who are not already receiving ALF or ALS.

For those who meet the basic qualifications for any of the three housing allowances, final eligibility depends upon means testing. Where income is not high enough to exclude payment, then the household will be eligible for an allowance. The net rent paid by beneficiaries of any of the schemes will be proportional to income, but a minimum rent is always payable and the allowances will not compensate for rents above a maximum.

People in low-paid work may apply for the allowances, as well as those dependent on state benefits.

3.4.4 Germany

Both tenants and owner-occupiers may apply for a means-tested housing allowance – *Wohngeld*. Tenants who receive social assistance (*Sozialhilfe*) qualify for payments to cover 100 per cent of their rents, net of service charges.

Tenants not in receipt of social assistance, and homeowners, may also apply for help with their housing costs. This allowance, however, never covers the entire housing expenditure. It is calculated in relation to the size of the household, and its expenditure and income. A number of deductions are made from the amount of income taken into account in the assessment, according to the number of children, older people and earners in the household, and whether income tax, health insurance or pension contributions are paid. Where the assessable income exceeds a threshold, related to the household

composition and location, the household will be disqualified from benefit. Otherwise, local rent levels, and the age and facilities of the property are next taken into account. This process determines a rent ceiling, beyond which the housing allowance will not compensate. The final calculation of any housing allowance payable is assessed by reference to tables – it does not reduce to a simple formula – but is a function of the assessable amounts of income and rent, and the size of the household. (Schluter, 1995)

3.4.5 Great Britain

Housing Benefit (HB) is the main housing allowance available in Great Britain. It is a means-tested benefit restricted to tenants. Owner-occupiers, who receive Income Support or Jobseeker's Allowance, may receive assistance in paying mortgage interest as part of their Support or Allowance.

Eligibility is principally determined by comparing a household's net income to a monetary amount, the 'applicable amount', that varies with household size and other considerations. Where the household's income is less than or equal to the applicable amount, then it is eligible for HB to cover the full amount of the purely housing elements of its rent (the 'eligible rent') – subject to certain limitations on excessively high rents. Where the household's income exceeds the applicable amount, then it may still qualify for HB (of less than the full amount of the eligible rent) where the eligible rent is more than 65 per cent of the excess of income.

Possession of capital assets may affect eligibility for HB. Income from capital or savings is ignored and, below a lower threshold, the amounts of capital and savings are ignored. Above this threshold a 'tariff income', proportional to the amount of savings, is added to the assessment of the household's income, which may affect entitlement. Where savings or capital exceed an upper threshold there is no entitlement to HB.

People in low-paid work may be eligible for Housing Benefit, but there is no assistance for home owners in full-time work.

3.4.6 Ireland

In Ireland housing allowances are supplements to broader social welfare payments. The main instruments are rent and mortgage supplements under the Supplementary Welfare Allowance (SWA) scheme, which are administered by the Regional Health Boards. The main conditions are: that there must be a clear housing need; the recipient must not be in full-time employment and must satisfy a basic SWA means test; eligible rents must be reasonable and are capped at a set level.

Rent Supplement is based on maintaining a standard minimum income (the Supplementary Allowance Rate, less £6) after rent is paid. If the tenant's income falls below this figure after paying rent, the allowance brings it back up to this amount.

Supplementary assistance for welfare dependent households with mortgages is only available for the interest payable on the mortgage.

Generally, no housing allowances are available to people in full-time work, but there may be eligibility for short-term housing assistance under special schemes to encourage a return to employment.

3.4.7 Netherlands

In the Netherlands, households qualify for an allowance when their incomes fall below the maximum levels for their types of household, as set out in the policy. Generally, no help is available to cover mortgage costs, but a scheme to be introduced in 2001 will help purchasers of housing association homes.

All households pay some part of their rent; where the rent exceeds this 'standard rent' level, then a one hundred per cent subsidy is available up to the next rent threshold. A seventy-five per cent subsidy is payable for the amount by which the rent exceeds the second threshold, up to the third threshold. Where the rent exceeds the third threshold, then a subsidy of fifty per cent is payable on the excess, up to the 'maximum rent limit' – the fourth and final threshold. No subsidy is paid on that part of the rent that exceeds the final threshold.

If an application for housing allowance is made for a property with a rent above the maximum rent limit, then no allowance at all is granted – because the property is deemed to be over expensive. But if a rent, originally below the limit, is increased above it, then allowances on the rent up to the limit are still paid.

People in low-paid work may be eligible for housing allowances.

3.4.8 New Zealand

Both tenants and homeowners may be eligible for New Zealand's housing allowance, the Accommodation Supplement (AS). Where households pay above a certain percentage of their net income on housing, then AS pays a contribution to the excess housing costs.

For renters, their rents must exceed 25 per cent of their net incomes for them to be eligible for AS. For those buying their homes with mortgages, costs must exceed 30 per cent of their net income to be eligible for AS. There are also restrictions on eligibility relating to cash assets. Regional limits of AS apply, but housing costs above these limits do not totally exclude households from eligibility, they merely restrict the amount of payments.

The Accommodation Supplement is not restricted to those in receipt of pensions or welfare benefits, and working households may be eligible.

3.4.9 Sweden

Housing benefit in Sweden is available to families with children, and to childless households where all members are under 29 years old. A separate housing allowance system provides for elderly people.

The housing benefit calculation is based on the constitution of the household, and the amounts of housing costs and household income. Households with incomes below set limits qualify to have part of their housing costs met by allowances, up to thresholds that depend on household size. Where the income limit is exceeded, then the amount of allowance is progressively reduced.

Part of the housing benefit is a special allowance payable to households with children. This ranges from SEK 600 per month to SEK 1,200, depending upon the number of children.

The housing supplement for pensioners is available to people receiving state pensions (including old-age, disability and widows' pensions) to allow them access to good-quality accommodation. A housing supplement for pensioners is also available, to bring beneficiaries incomes up to minimum levels.

Working people may apply for housing benefit.

3.4.10 United States of America (USA)

In the USA, the Section 8 rental voucher and rental certificate programmes are the federal government's principal means of rent assistance. There is no specific housing allowance available to home owners, although the 'shelter allowance' component of general welfare assistance may be used to cover mortgage costs.

Since October 1999 only Section 8 rental vouchers have been available to new applicants. Eligibility for rental vouchers depends upon how the household's gross adjusted income (gross income with certain allowances deducted) compares with the area median income (AMI) for that size of family in the county or metropolitan area in which it lives. Of new voucher recipients, 75 per cent must have incomes at or below 30 per cent of the AMI – termed as 'extremely low income'. The remaining 25 per cent may have incomes at up to 80 per cent of AMI. (HUD, 2000)

Section 8 rental vouchers provide the holder with a subsidy that compensates for the shortfall between 30 per cent of the household's 'adjusted' income and the local 'payment standard' appropriate to that type and size of household. The payment standards are usually set close to the 40th percentile rent of appropriately sized properties in the local market. The obsolescent rental certificates provide for the excess of actual rent above 30 per cent of adjusted income. (Maney and Crowley, 1999)

Given the limited availability of assistance, some housing agencies may give preference to homeless and displaced households, those living in sub-standard accommodation and those that pay more than half of their income on rent (HUD, 2000). Most public housing authorities have waiting lists for vouchers. Very often, selection for placement on the

waiting lists is made by lottery. For those on waiting lists, the median waiting time, before the issue of vouchers, is 28 months. Recipients of vouchers must then find accommodation with a fixed period, usually of 60 days, but subject to extensions (Maney and Crowley, 1999).

People in paid work may apply for Section 8 assistance.

Summary

In Australia, low income is the main criterion for eligibility for social housing, although individual states differ in the thresholds they use; only households in private rented accommodation are eligible for Rent Assistance.

In Canada, eligibility for social housing generally relates to present housing conditions and the relationship between rent and household income; there is no national rent allowance scheme, but households in receipt of social assistance receive a small 'shelter allowance' as a component of their overall assistance.

In France, households with incomes below nationally set limits are deemed eligible for, but are not guaranteed, social housing; the three French housing allowance schemes are all means-tested but are available to tenants and home owners alike.

In Germany, households that fall within low-income limits are granted certificates of qualification for social housing, but landlords may then choose whichever tenants they prefer from those so qualified; tenants in receipt of social assistance receive a housing allowance to cover all of their rent, and other tenants, and home owners, may apply for a means-tested housing allowance to cover part of their housing costs.

In Great Britain, local authorities and registered social landlords determine eligibility for social housing in terms of housing need. Landlords' assessments of housing need reflect factors such as the presence of dependent children in the household, whether the present home is insanitary or overcrowded, and the ability of households to find other suitable accommodation. Housing Benefit is available to most tenants, subject to means-testing.

In the Republic of Ireland, to be eligible for social housing, households must demonstrate that their current housing is inadequate and that they cannot afford to remedy this by other means; housing assistance is only available as a component of the Supplementary Welfare Allowance, a means-tested benefit for those not in full-time work.

In the Netherlands, social housing is made available to those considered vulnerable because of low-income, unemployment, disability or homelessness; tenants whose incomes fall below certain levels and whose rents do not exceed set limits may be eligible for a housing allowance.

In New Zealand, during the 1990s, preference was given to households with low incomes in the allocation of Housing New Zealand's homes; both tenants and home owners whose housing costs exceed certain proportions of their income may be eligible for the Accommodation Supplement.

In Sweden, municipal housing is available to all, regardless of income; pensioners, families with children, and young, childless, couples whose incomes are low enough may be eligible for housing allowances.

In the USA, public housing is restricted to households whose income lie within federally set limits; Section 8 rental vouchers are potentially available to households whose incomes fall below federally determined, local limits, but the supply of such vouchers is severely limited.

4 TARGETTING - WORK INCENTIVES AND CONSUMPTION

In the previous chapter the rules of eligibility and outline structures of the housing allowance schemes have been set out country by country. This chapter is focused around the issues of targeting, work incentives and consumption, and is particularly concerned about the impact of housing allowance schemes on household behaviour. In this chapter the discussion of the arrangements in each country is grouped by their salient characteristics for each of these issues.

The issues considered in this chapter is, in the first instance, key policy issues that have been identified in contemporary debates about the structure, strengths and weaknesses of the GB housing benefit scheme. The issues are, however, far from unique to the GB, as they relate to some of the inherent characteristics of means tested benefits. The issues considered in turn below are:

- Take up rates and effective targeting
- Impacts of work incentives
- Impacts on housing market consumption.

Such is the variety in the structure of housing allowances in the ten countries; however, the key issues identified in the GB feature only unevenly in the debates and policy research in the other nine countries. Thus, for example, while concerns about the structures of means tested benefits and work incentive issues are widely expressed in other countries, those concerns are not always specifically focused on the structure of housing allowance schemes (Atkinson & Morgensen (1993)). There is thus inevitably some unevenness in the references to the other nine countries in this chapter, which discusses in more detail, the accounts from those countries that more closely share the policy concerns and issues raised by the GB scheme.

4.1 *Targeting*

Housing allowance schemes are a key policy instrument in targeting help with housing costs on low income households. They are not, however, the sole policy instrument directed towards that objective. Allocation policies for social housing are also often important policy instruments in this respect, particularly in those countries with very small social housing sectors.

Moreover, while all housing allowance schemes involve some form of means testing, so that the allowances are targeted more or less strongly on households with lower incomes, that is but one dimension of the targeting involved in the structuring of housing allowance schemes. We have already seen in the previous chapter that housing allowance schemes in different countries are also targeted on specific household types, and on households in specific tenures.

In particular five countries have housing allowances that are specific to the tenants of the 'social housing' sectors or programmes, as it is constituted in each country. In each case assistance is provided in the form of a 'differential rent' scheme, where the rent the household pays is calculated as a fixed proportion of their incomes. The five countries are Australia, Canada, Ireland, New Zealand (following the recent election) and the USA. They are all countries with relatively small social rented housing sectors or programmes, and have allocation policies, including explicit income limits, so that provision is firmly targeted on lower income households.

In each country a very substantial proportion of all social sector households pay differential rents, and only a minority have sufficient incomes to pay the full property based rent. In Australia, for example, 90 per cent of all public tenants pay differential rents. The proportion is rather lower in Canada, partly because schemes developed between 1974 and 1986, were developed under a regime designed to promote 'mixed communities', and the non-profit landlords of those schemes are only required to ensure that 15 per cent of the tenants have 'rents geared to incomes'. In addition, for the large proportion of tenant households in receipt of social assistance, the rent they pay is effectively set by the social assistance scheme, rather than by the rent to income formula.

The public housing sector in the USA constitutes just 2 per cent of the total housing stock, and is allocated subject to strict income limits, with rules (albeit not always enforced) to terminate the tenancies of households whose incomes subsequently rise above the limits. Only one in five tenant households are in work; two fifths are older people, and a quarter are single parents. Altogether 44 per cent receive social welfare payments, while the same proportion of older households receive old age and survivors public insurance.

In these countries the system of allocating social housing dwellings (or vouchers) is a key mechanism in targeting assistance on households with the lowest incomes, and this is also part of the justification for a separate housing allowance scheme for the households within that tenure. However even in those countries the targeting has limitations, whether because of fluctuating policy objectives (as in Canada), security of tenure for households whose incomes improve over time (Ireland), or more generally the inability of the very small social housing sector to provide assistance to all very low income households.

Thus in the USA only 45 per cent of the extremely low income households (defined as below 30 per cent of the median) receiving income assistance are also assisted by social housing programmes, while altogether less than a third of all extremely low income households are assisted by social housing programmes. Conversely only two fifths of all social housing residents have such extremely low incomes.

These limitations on the extent of targeting achieved through allocation and related policies for social housing provide the basis for a critique of housing allowance schemes particular to that sector. That is linked to a more general criticism of the different treatment of similar income households in other tenures, which has, for example, been recently expressed both in Australia, and New Zealand (in the context of the switch back to a differential rent scheme for social sector tenants following the recent election).

The five countries with larger social housing sectors do not have separate housing allowance schemes for the social housing sector (France, Germany, Netherlands, Sweden and the GB). Nor do they, with the exception of the GB, have such a high proportion of low-income households in receipt of housing allowances. In Sweden less than a third of social sector households receive housing allowances, while just about a third receive housing allowances in France and the Netherlands. In contrast about two thirds of all social housing tenants in the GB receive housing benefit, with a slightly higher proportion in the housing association sector relative to the local authority sector.

For the countries with the larger social housing sectors, with generally lower proportions of low income households receiving housing allowances, the primary questions about effective targeting relate to the 'bricks and mortar' subsidies underpinning the sub-market rents that benefit all tenants in the social housing sector, rather than the housing allowance schemes for lower income households.

4.1.1 Take up rates

If there are legitimate questions about the targeting of differential rent schemes specific to the social housing sector, the five countries with those schemes are, however, typified by relatively high levels of 'take up' of the assistance they provide to eligible households within the sector. This is not always the case with broader housing allowance schemes, and in particular those that operate separately from the basic social security system.

It should be noted, however, that there is only limited evidence on take up rates outside of the GB, as was reported in Kemp's earlier study of housing allowance schemes, and much of the available evidence is quite dated.

In Germany social assistance (*Sozialhilfe*) recipients automatically receive a housing allowance without any need to make a separate application. In contrast it has been estimated that only some 40 per cent of eligible households receive the separate housing allowance (*Wohngeld*) available to tenant households not receiving *Sozialhilfe*, and to home owner households (Holmans, 1987). Similarly in New Zealand nearly 95 per cent of all recipients of the *Accommodation Supplement* are either social welfare recipients or pensioners. While the scheme is available to low paid workers the take up rate is reported to be very low.

In the Netherlands it was estimated, ahead of the 1997 reforms, that the take up rate for the housing allowance scheme was some 70-75 per cent (Priemus, 1998). A somewhat higher estimate of an 80-85 per cent take up rate for the housing allowance scheme in Sweden was made at the end of the 1980s (Schwartz, 1992).

Recent estimates for the GB are that some 90 per cent of eligible household's claim housing benefit (DSS 1997), with slightly higher rates for council tenants and for households receiving Income Support. However, an earlier more detailed analysis suggested that take up rates by working households was considerably lower (Fry & Stark, 1993).

4.2 *Work Incentives*

There are widespread governmental concerns about the potential work disincentive effect of welfare benefit systems, and indeed all ten countries have a range of policies designed to encourage and support the movement of households from 'welfare to work'. Those wider concerns are not always, however, focused on the particular role of the housing allowance scheme.

In Germany, for example, concern has focused more on the relative generosity of the earnings related social insurance based unemployment benefit, and since 1994 eligibility for this benefit has been limited to a maximum one year; the generosity of this and a range of related benefits were eased down relative to the level of the applicants previous earnings (Schluter, 1996).

Similarly in Sweden the main concern has been about the very limited difference between the incomes of households in and out of work, as evidenced by particularly high replacement ratios (OECD, 1998). This has been addressed by more rigorous testing, both of claimants' incomes and their availability for work.

More recently a government appointed enquiry into the systems providing support to households with children has suggested that a new form of support for single parents, a special child allowance for students with children, and an increase in the non means tested allowances for households with many children, should replace the housing allowance for households with children (Out of the poverty trap, SOU 2001 : 24).

As the title of the enquiry report suggests these proposals are directed at concerns about the extent of the poverty trap arising from the current structure of the tax and benefit system in Sweden. The proposals should also be seen in the context of the 1994 transfer of responsibility for housing allowances from the municipalities to form part of the social insurance scheme, and the 1996 restrictions on the provision of housing allowances to households without children.

In countries where concerns about work incentive issues have focused on the role of housing allowance schemes, those concerns have been multi-faceted, and a wide range of initiatives have been introduced in recent years in different countries to try to overcome perceived barriers and disincentives to labour market participation.

In several countries there have been concerns expressed about the high marginal rates of tax and benefit deductions from the earned incomes of households in receipt of housing allowances. In some cases this concern has focused on the relatively high rate of marginal deductions for the housing allowance scheme itself (as in the GB), while in others the concern has focused more on the interaction of the housing allowance scheme with the wider tax and benefit structure.

Thus, for example, in Australia, the Netherlands, New Zealand and the USA it is possible in some circumstances for the overall marginal rate of tax and benefit deductions from earnings to exceed 100 per cent. It is not that the marginal deduction rates for the housing allowance schemes in those countries are particularly high. Rather it is the limited co-

ordination of the rules for the various tax and benefit schemes that can result in cumulative deductions from additional earnings actually leading to a marginal reduction in disposable incomes.

While the GB has a relatively high marginal deduction rate for housing allowances (65 per cent for benefit on rents plus 20 per cent for benefit against local property taxes) those deductions apply as a percentage of net incomes after tax deductions (and credits). As a result while the cumulative marginal deductions from earned incomes can for some households rise as high as 95 per cent, they remain below 100 per cent (DSS, 2000). However it is possible for homeowner households in the GB to experience deductions of more than 100 per cent if they move into low paid work. This is a consequence of the restriction of help with mortgage costs to households receiving social security benefits that are only provided to out of work households.

Complexity

A related concern is with respect to the complexity of the formulas and regulations that determine levels of housing allowance eligibility. In some countries, where entitlement is derived from a single formula linking household structure, rent and income levels, it is inevitably more difficult for households to gauge the likely level of their entitlement. The formulas for housing allowance entitlement in France are, for example, particularly complex. This is illustrated by the formula for *Allocation Logement* set out in Box 1.

Box 1

Formula for *Allocation Logement*

$$AL = K \times [(L + C) - Lo] \quad \text{where} \quad K = 0.9 - [R/(CM*N)]$$

KEY

AL = Allocation Logement payment per month

L = Actual monthly rent (subject to ceilings set by zone and household composition)

C = Addition based on number of persons supported by the household.

CM = constant defined every year (101,184 in 1994).

Lo = 'Minimum rent' calculated as a proportion of household income in five bands, adding 0% from the lowest band, and (where appropriate) 3% from the second band, 26% from the third band, 29% from the fourth band and 41% from the highest band.

R = Revenue Net Imposable of the preceding year

N = Factor based on composition of household

More generally those housing allowance schemes that form an integral element of the basic social welfare scheme, are characterised by very sharp rates of benefit withdrawal, and in many cases a straight 100 per cent deduction of benefit against earned income. In Canada, for example, provincial governments set very limited earnings disregards, and in different provinces any earnings above those levels result in 75 per cent (Alberta & Ontario), 80 per cent (Saskatchewan) or 100 per cent (New Brunswick) deductions apply (OECD, 1999b).

There are also limited earnings disregards for households receiving the basic social welfare benefits in Germany (Sozialhilfe). However it is notable that a relatively high proportion - about a quarter - of all households receiving Sozialhilfe do also receive some income from employment.

There is also a widespread appreciation of the dilemmas involved in setting marginal deduction (or 'taper') rates for housing allowance schemes, whether higher or lower. The choice between higher tapers over a narrow income range, or lower tapers over a wider income range will alter the structure and distributional impact of work disincentives, but some degree of work disincentives are inherent in any form of means tested housing allowance (Schwartz, 1991, Giles, Johnson, McCrae & Taylor, 1996). It may be noted in this context that none of the ten countries are currently planning any major changes to the marginal deduction rates of their housing allowance schemes.

Income range subject to potential disincentives

The range of incomes subject to potential disincentives varies from country to country, and in a number of countries even households with average earned incomes may retain some housing allowance entitlement. In France, for example, both households with or without children qualify for some assistance meeting typical levels of private rents, although in all cases the amounts represent only a relatively small part of the rent. For couples with one or two children, for example, the housing allowance would meet some 15-20 per cent of a typical private rent at the level of average earnings for those households. For a single parent with one child, and with a similar rent, the level of entitlement would be higher, representing some 30 per cent of a typical rent, mainly because of the lower average earned incomes of single parent households.

In New Zealand entitlement to housing allowances at the level of average earnings is largely restricted to households with children, although couples without children would also qualify for a limited level of assistance to meet average private rents in Auckland (but not in Wellington). Levels of entitlement at those levels of earned incomes are rather lower than in France, ranging from 6-18 per cent for couples with one or two children to 24 per cent for a single parent with one child. As in France the higher level of entitlement for the single parent households predominantly reflects the lower average earned incomes of those households.

In the GB entitlement to housing benefit only extends to households with children at the levels of average earnings, and even then only for average rents in the small private rented sector in the most expensive parts of the country. A couple with two children, with an income at the level of average male earnings, would get housing benefit for some 20

per cent of an average private rent for a four room dwelling in London, but would not require assistance at average rent levels in other parts of the country.

A single parent, with an income at the lower level of average female earnings would qualify for housing benefit at average rent levels in both London and the South East, but not in the rest of the GB. Similar households in the much larger social rented sectors in the GB would not qualify for housing benefit, as average social rents are below private sector levels, and are substantially lower in those parts of the country where private rents are highest.

In Sweden housing allowance entitlement would not typically extend to households – with or without children - at average levels of earnings. More generally in Australia, Canada, Ireland and the USA the potential impact of work incentives are restricted to households in the very small social rented sectors, as in other tenures housing allowances are only available to households qualifying for basic social assistance.

Disincentives and behaviour

There is, moreover, only limited evidence that the formal work disincentives posed by high marginal deduction rates have any substantial direct impact on household behaviour, even in the GB where the issue has been explored by detailed research (Ford, Kempson & England, 1995). While the Netherlands has no equivalent systematic evidence, there is a belief that the benefit provisions do not have any significant impact on behaviour. In part this may be related to the relatively long time delays in the Netherlands between a rise in earned incomes, and reductions in levels of housing allowance entitlement, which are phased in over a two year period. There is a similar time delay in France, where housing allowance entitlements are based on annual incomes over a period from one to two years prior to the claim for assistance.

Rather more concerns exist about the failure of housing allowance schemes to positively promote labour market participation, either because of their complexity or a more general failure to ensure that target households are fully aware of the availability of in-work assistance with their housing costs. Those concerns have been expressed in countries with particularly low take up rates, such as New Zealand. There are similar concerns in the GB that households either do not know that housing benefit is available to in-work households, or even if they do, they do not feel sufficiently confident to be able to take that into account when evaluating the potential costs and benefits of moving into employment (Shaw, Walker, Ashworth, Jenkins & Middleton, 1996).

There is a link between those concerns, and the more fundamental issue in countries that do not have a general in-work housing allowance scheme, where households moving into employment can consequently find themselves with lower disposable incomes as a result of taking up low paid employment, whereupon they have to meet in full their housing costs. This problem is conventionally termed ‘the unemployment trap’.

While several countries do not have an in-work housing allowance, other than the differential schemes for social sector tenants, the consequent potential employment trap is not always seen as a major barrier to households moving into employment. In formal

terms the unemployment trap applies for households in private sector housing in Australia, Canada, Ireland, and the USA. There is also an unemployment trap for home buying households in the GB, who are excluded from the GB housing allowance scheme.

While various policy critics in each of those countries have pointed to the issue of the unemployment trap resulting from the absence of a comprehensive in-work housing allowance scheme, only in Canada is there any indication that some consideration is being given to the introduction of such a scheme. Far more widespread has been the introduction of initiatives designed to provide transitional assistance to households moving into employment.

In Ireland there are a number of proposals to amend the Supplementary Welfare Allowance for households returning to work under a range of 'welfare to work' programmes. These include introducing a weekly earnings disregard for part time workers (£25 per week), and tapering the withdrawal of the supplement over a four year period.

In the USA initiatives to ameliorate the work disincentive effect of cumulative marginal deduction rates for residents of public housing projects, and households in private housing supported by Section 8 vouchers, have been expanded in the context of the wider welfare benefit reforms placing a time limit on welfare claims.

The HUD Family Self Sufficiency programme is based on contracts with households that set both interim and final goals for steps towards economic self-sufficiency. The contracts run for five years, but can be extended for 'good cause'. The contract also specifies the resources and supportive services to be made available to the participant. The programme addresses issues of child care, transportation requirements and training, as well as requiring a commitment from applicants to seek suitable employment.

Central to the programme is the establishment of 'escrow accounts' for applicants. When the applicant moves into employment, or increases their earnings, their net rent typically increases by 30 per cent as a result of the rent to income formula of the differential rents scheme. The reduction in benefit represented by the increased rent is paid into the escrow account. The account is maintained over the five years, but once the applicant has achieved their interim goals they can draw down on their account for expenditures that will assist them towards their final goals, such as paying for college tuition or buying a car so that they can get to work.

For applicants that successfully complete the programme participants have full access to the proceeds from the escrow account, and at that stage they may provide the basis for households to move out of public or assisted housing. In 1996 average amounts in escrow accounts stood at \$2,000, but ranged up to \$16,500. While there are indications that this programme has had a positive impact in increasing movements of households from welfare to work, the initiatives have so far only operated on a modest scale. Only some one in forty households in public or assisted housing have enrolled in the programme since its inception (Rohe & Kriet, 1999).

In the GB households moving off basic welfare benefits into employment can continue to receive the maximum level of housing benefit for a four-week period. This is intended to assist households with the transitional financial difficulties involved when entering employment. While this initiative was initially hampered by administrative arrangements, reforms to improve the scheme are to be introduced in April 2001. It is also proposed to provide home owner households moving into work with continued help with their mortgage costs for a transitional four week period. After that period, however, they are not eligible for any further help with their mortgage costs, however low their in work income.

There is also a less severe form of unemployment trap in France, because of the different tax treatment of earned and benefit incomes. However, this will be removed as a result of reforms due to be introduced in January 2001.

A rather different concern about barriers to employment in some countries is a result of the pressures on low income households to reside in very low value dwellings, in areas where there are very limited job opportunities. This concern arises both in countries where housing allowances are restricted to households in marginally located social housing schemes (USA), and where the housing allowance is structured to require households to make a relatively substantial contribution towards the rent (Australia, New Zealand). The wider issues related to the treatment of eligible rents in housing allowance schemes is considered in the following section.

4.3 *Eligible rents and consumption incentives*

Housing allowance schemes vary widely in the way they define the levels or proportions of rents (or mortgage costs) that may be considered eligible for assistance. A key issue in terms of the potential impact on household behaviour is whether or not the schemes totally shield households from any variations in the level of the rent of the dwellings they occupy. This is linked to policy concerns that housing allowance schemes should promote choice and efficiency in the housing market (Department of the Environment, Transport and the Regions, 2000).

In that respect housing allowance schemes can be distinguished between those that automatically require all households to make some contribution towards their rent, *which varies depending on the level of the actual rent*, and those schemes where the level of the allowance is normally varied to reflect in full any variations in the level of the actual rent. This distinction is not absolute. All schemes include some form of upper limit on the levels of rents (or mortgage costs) that might be eligible for consideration, and households with rents above the levels of those limits are consequently required to meet that element of their rent from other resources, however the housing allowance scheme is structured to assist with housing costs below those upper limits.

Subject to the impact of upper limits on eligible housing costs, housing allowance schemes can nonetheless be categorised in terms of whether or not their structure provide incentives for households to limit the extent of their housing consumption, in terms of the levels of rent or mortgage costs they incur for the dwellings they occupy.

Until recently the GB Housing Benefit scheme has had very limited consumption incentives. Subject to upper limits (and exclusions of heating costs and some service charges) the whole of the rent has been eligible for Housing Benefit. For the majority of households in receipt of basic Income Support, or with equivalent incomes from other sources, Housing Benefit would meet the full amount of the rent.

Since 1996 a series of reforms have set more rigorous upper limits on the level of the rent eligible for support in the private rented sector, but within those limits it remains possible for households to have the full amount of their rent covered by housing benefit. A recent GB policy review considered reforms to limit the proportion of rent eligible for assistance in order to extend the scope of consumption incentives, but this has been deferred pending the introduction of rent policy reforms for the social rented sector (DETR, 2000).

It is also possible for households in receipt of basic welfare allowances to have their full rent covered by housing allowances in Canada and Germany, again subject to upper limits – that are particularly tight in Canada where they are set at levels well below local market averages. In all other cases housing allowances make at most a contribution towards meeting households housing costs, rather than potentially covering the whole amount.

In Sweden, however, the housing allowance for welfare claimants may be ‘topped up’ by a supplementary welfare payment, with the net effect that some households do not have to make any contribution to their rent from their basic welfare benefit entitlement.

Under all the other schemes in the ten countries households are required to make some contribution towards their housing costs from their base incomes. However the amount they are required to contribute does not necessarily vary depending on the level of their rents (or mortgage costs).

Thus in the five countries with ‘differential rent schemes’ for social housing (Australia, Canada, Ireland, New Zealand, USA), the level of the contribution households are required to make towards their rent is defined solely as a proportion of their incomes, and is only related to the rent in the minority of cases where their incomes are sufficient to meet the full unassisted rent.

Thus in seven out of the ten countries a proportion of the households receiving housing allowances are not *directly* affected by the level of housing costs for the dwellings they occupy. In all cases, however, the choice of dwellings they occupy will have been fettered to a greater or lesser degree by the upper limits on the levels of housing costs eligible for assistance, or the limited options available to households that are allocated dwellings in the social rented sectors.

Five countries have ‘cost gap’ housing allowance schemes, which have as a common feature a requirement that households make some minimum contribution to their housing costs from their base incomes (Australia, Ireland, Netherlands, New Zealand and Sweden). The cost gap requirement in Ireland is limited to a flat rate requirement, within a scheme available only to households in receipt of basic welfare benefits, of £6 per week. In the other countries households are required not only to contribute a basic

minimum element to their rent, but also to meet a proportion of the rent above the level of the defined minimum.

In Australia, the Netherlands and Sweden the minimum contributions are set at fixed levels, that vary depending on the composition of the household. In New Zealand the minimum contribution is defined as 25 per cent of the household's net income.

A summary of the approach to defining the levels of housing costs eligible for assistance in each country is set out in Table 4.1 below.

Table 4.1

Country	Eligible Rents
Australia	Social housing rents based on earnings. Private sector rent assistance is a cost gap scheme. Above minimum threshold allowance covers 75% of the rent up to level of maximum thresholds. Overall provides maximum of 35%/45% of rent depending on household composition.
Canada	Social housing rents based on earnings, or social assistance limit for welfare claimants. Private sector rent assistance meets rent in full, but subject to tight maximum limits. Varies between provinces but mainly set at around 65-70% of market averages.
France	Housing allowance formulas link rents, earnings and the composition of the household so that the proportion of the rent covered varies widely.
Germany	Households receiving welfare benefits (Sozialhilfe) receive full rent subject to maximum limits. Housing allowance formulas link rents, earnings and the size of the household. Never covers full rent, and subject to maximum limits. Two fifths of households pay rents above the level of the maximum limits.
Ireland	Social housing rents based on earnings. Welfare benefit rent supplement guarantees minimum income. Standard £6 per week contribution required irrespective Of rent level.
Netherlands	Cost gap housing allowance scheme. Above the minimum threshold the proportion of eligible rents is set within a series of bands. Initial band is set at 100%, a second band is set at 75%, and a final third band is set at 50%. Most households have rents within the 75% band.
New Zealand	Re-introducing social housing rents based on earnings. Accommodation Supplement covers 70% of net rent, above level equal to 25% of household net income, subject to regional maximum limits.

Sweden	Cost gap housing allowance scheme; but basic welfare benefit may cover whole gap. Above the minimum threshold the proportion of eligible rents is set within two bands. For the first band the proportion is 75%, for the second band it is 50%.
USA	Social housing rents based on earnings. Households on welfare benefits get limited shelter allowances.
Great Britain	Housing benefit may meet rent in full, but private rents are subject to complex and extensive rules on maximum levels. High proportions of private sector rents exceed limits.

4.4 Impact of policies on eligible rents

In the seven countries where households in receipt of housing allowances may, in some circumstances, have no direct financial incentive to consider the level of the gross rent for the dwelling they occupy, questions potentially arise as to the potential behavioural impact of those arrangements.

In the GB, where the housing benefit scheme completely shields a substantial proportion of claimants from their housing costs, there have been concerns that the rules enabling tenants to have the full amount of their rent covered by housing benefit could lead to tenants under-occupying dwellings, occupying higher value dwellings, or more generally could increase the likelihood of low income people living in separate households.

In those countries with differential rent schemes for their relatively small social rented sectors there are limited concerns about households seeking to occupy higher value dwellings, although in Canada it is recognised that households within the social housing sector will often seek to obtain transfers to newer stock in the non-profit sector.

There are, however, more widespread concerns about the potential for under-occupation within the social rented sector, and some countries have explicit policies to address the issue. In Canada, for example, the entitlement to ‘rents geared to income’ can be suspended if a household is under-occupying a dwelling and does not agree to move to a smaller dwelling. Similarly in Ireland if a dwelling is under-occupied rent supplement payments can be withheld.

However neither Australia nor the USA are reported to have policies to directly tackle under-occupation, although in the USA there has been some discussion of the option of giving older people incentives to move from larger to smaller units.

While there are rules in the GB permitting levels of Housing Benefit to be restricted for households under-occupying dwellings, those rules are far less rigorous for households in the social rented sector. Social sector tenants must be provided with suitable alternative accommodation, and the level of benefit cannot be reduced if the local authority considers that it would not be reasonable to require the household to move. Local authorities have wide discretion in the interpretation of these regulations, with very little financial incentive to interpret them rigorously (Rugg & Wilcox, 1997).

The GB rules restricting levels of benefit payment for private tenants were strengthened in 1996, but even before the rule changes some three fifths of all private tenant claimants had their benefits limited, either because their rents were considered excessive, or the accommodation they occupied was deemed to be too large. Since 1996 rents have also been restricted if they are considered to be above the average for the local area, and the other rent limits have been applied more rigorously. In 1997 the deemed size requirements for single people aged under 25 were tightened, and has subsequently been based on the standard of a single room with shared use of a kitchen or toilet.

In most countries the housing allowance schemes that operate for the private rented sector require most households to make some contribution towards their rent. In some cases this is a result of the relatively low level of maximum rent eligible for assistance, while in other cases it is a result of the structure of the housing allowance scheme that requires households to make some contribution to the rent from their base incomes.

As a consequence of those provisions in only one of those countries - the Netherlands - have concerns been expressed that the schemes provide insufficient incentives to avoid problems of either under-occupation or excessive rents. In the Netherlands concerns have been expressed that, in a substantial proportion of cases, the housing allowance scheme only requires tenants, at the margins, to contribute 25 per cent towards the rents.

This has been linked to concerns that the housing allowance scheme encourages landlords, and particularly housing associations, to upgrade dwellings and increase rents. In this context proposals have been put forward to experiment with the provision of housing vouchers, where entitlement is determined solely on the basis of household composition and income.

There have also been concerns reported in a number of countries about the potential impact of housing allowances in encouraging young single people to set up as separate households. In France, with the extension of housing allowances in 1993, there was an appreciable impact on housing markets in university towns, as students moved into studio apartments. In Ireland the rules for the rent supplement scheme permit authorities to refuse to grant supplements to a single person aged under 25, unless it can be established that intolerable conditions are forcing them to leave the family home.

If, in most countries, there are limited concerns about under-occupation, there are more widespread expressions of concern that the limits to the support provided by housing allowance schemes still leaves a substantial proportion of households living in unsatisfactory housing conditions and/or with very limited disposable incomes.

As indicated in the previous section in some cases those concerns have been linked to the pressures on low income households to occupy low value dwellings in areas with relatively limited job opportunities. In Canada the relatively low limits on eligible rents in the private rented sector are reported to lead to households occupying dwellings that are small relative to household requirements, and that are also likely to be in poor repair. There are also related concerns about households' living standards as a result of households having to contribute towards their housing costs from their basic welfare

income. In Ontario, for example, some two thirds of private tenant claimants pay rents above in excess of the maximum limit on housing cost assistance.

Similar concerns have also been expressed in the GB, particularly since the introduction of more rigorous limits on private rents eligible for benefit in 1996 (Social Security Committee, 2000). In the USA concerns have focused on the poor housing conditions, and affordability difficulties of welfare households unable to gain access to either public housing or Section 8 voucher allowances.

This in turn is linked to policy concerns voiced in a number of other countries (Australia, New Zealand) about the uneven assistance provided by housing allowance schemes to households in different tenures within the housing market.

4.5 *Some illustrations*

Some further illustration of the characteristics of the housing allowance schemes are given in the matrixes that show levels of housing allowance entitlement for households with basic social welfare incomes in five of the countries covered by our study. The five countries provide an illustration for each of the primary types of housing allowance scheme. The matrix is based on typical levels of private rents in major cities in each country.

The matrixes show how the housing allowance schemes vary in the proportion they contribute towards the overall incomes of households receiving social assistance. The housing allowance schemes provide a very substantial part of the households incomes in Canada and the GB, where the housing allowance schemes can cover up to 100% of the rent for households that are dependant on social assistance.

Matrixes for households receiving social assistance

All monetary figures are monthly in the currency of each country

Matrix 1 Single person (aged 35) receiving social assistance benefits

Income ; Rent Housing allowance	Canada	France	Netherlands	New Zealand	United Kingdom
Social assistance	195	2,900	1,085	758	226
Gross rent	685	1,850	477	867	175
Housing allowance	325	1,270	74	434	175
Net rent	360	580	403	433	0
<i>Net rent to income ratio</i>	185%	20%	37%	57%	0%
<i>Housing allowance to income ratio</i>	63%	30%	6%	36%	44%

Matrix 2 Single person (aged 68) receiving social assistance benefits

Income; Rent Housing allowance	Canada	France	Netherlands	New Zealand	United Kingdom
Social assistance	920	7,700	1,073	1,176	340
Gross rent	685	1,700	642	867	274
Housing allowance	0	1,200	106	434	274
Net rent	685	500	536	433	0
<i>Net rent to income ratio</i>	74%	6%	50%	37%	0%
<i>Housing allowance to income ratio</i>	0%	13%	9%	27%	45%

Matrix 3 Couple without children (aged 35) receiving social assistance benefits

Income; Rent Housing allowance	Canada	France	Netherlands	New Zealand	United Kingdom
Social assistance	390	4,900	2,171	1,263	355
Gross rent	755	1,980	611	1,018	274
Housing allowance	511	1,660	68	498	274
Net rent	244	320	543	520	0
<i>Net rent to income ratio</i>	63%	7%	25%	41%	0%
<i>Housing allowance to income ratio</i>	57%	25%	3%	28%	44%

Matrix 4 Single parent (aged 35) with one child receiving social assistance benefits

Income ; Rent Housing allowance	Canada	France	Netherlands	New Zealand	Great Britain
Social assistance	532	3,100	1,519	1,708	403
Child benefit	85	1,280	167	204	0
Gross rent	755	1,930	579	1,018	325
Housing allowance	554	1,400	159	498	325
Net rent	201	530	420	520	0
<i>Net rent to income ratio</i>	33%	17%	25%	27%	0%
<i>Housing allowance to income ratio</i>	47%	21%	9%	21%	45%

Matrix 5 Couple (aged 35) with two children receiving social assistance benefits

Income ; Rent Housing allowance	Canada	France	Netherlands	New Zealand	Great Britain
Social assistance	616	3,430	2,171	1,342	647
Child benefit	170	2,480	433	342	0
Gross rent	822	2,400	644	1,235	339
Housing allowance	602	750	134	628	339
Net rent	220	1,650	510	607	0
<i>Net rent to income ratio</i>	28%	28%	20%	36%	0%
<i>Housing allowance to income ratio</i>	43%	12%	5%	27%	34%

Notes:

- 1 The GB social assistance benefit is inclusive of assistance for children.
- 2 The rent figures given are typical rents for appropriate size private rented dwellings in specific cities in each country (i.e. the Canadian figures are for Toronto, the New Zealand figures are for Auckland, the GB figures are for Birmingham).
- 3 In the net rent to income ratio figures income excludes the housing allowance; in the housing allowance to income ratio figures income includes the housing allowance.

In the Canadian case, however, the upper limits of the shelter allowance are set quite substantially below the level of average local rents, with the result that it is unrealistic for such households to secure accommodation at those price levels. In practice this leads to many households sharing accommodation, or occupying smaller accommodation than they would reasonably require.

In the other three countries, and particularly in the Netherlands, the housing allowance schemes contribute a much smaller part of household incomes. This reflects the structure of the schemes, that are designed only to cover a part of the rent for households with incomes at social assistance levels, even where rent levels do not exceed the upper limits for eligibility for housing allowance support.

4.6 Summary

While all countries target housing allowances, to greater or lesser degrees, on households with lower incomes, they may differ in targeting specific tenures or household types.

Australia, Canada, Ireland, New Zealand (following the recent election) and the USA

have housing allowances that are specific to the tenants of the ‘social housing’ sectors or programmes.

In these countries the system of allocating social housing dwellings targets assistance on households with the lowest incomes, which is part of the justification for a separate housing allowance scheme for the households within that tenure, but this targeting has limitations, whether because of fluctuating policy objectives, security of tenure for households whose circumstances improve over time, or the inability of the very small social housing sector to provide assistance to all of those in need.

These limitations on the extent of targeting achieved provide the basis for a critique of housing allowance schemes particular to that sector, which is linked to a more general criticism of the different treatment of similar income households in other tenures.

For countries with the larger social housing sectors, the primary questions about targeting relate to the ‘bricks and mortar’ subsidies underpinning the sub-market rents that benefit all households in the social housing sector, rather than the housing allowance schemes for lower income households.

There is only limited evidence on take up rates outside of the GB, but in Germany it has been estimated that only about 40 per cent of eligible households receive the separate housing allowance available to tenants not receiving general social assistance, similarly in New Zealand the take up rate of the Accommodation Supplement is reported to be very low among low paid workers, and in the Netherlands it was estimated, before the 1997 reforms, that the take up rate for the housing allowance scheme was some 70-75 per cent, compared with an estimate that some 90 per cent of eligible households in the GB claim housing benefit.

Concern about the potential work disincentive effect of welfare benefit systems is widespread and all ten countries have policies to encourage and support the movement of households from ‘welfare to work’, but these wider concerns are not always focused on the particular role of the housing allowance scheme.

In Australia, the Netherlands, New Zealand and the USA it is possible in some circumstances for the overall marginal rate of tax and benefit deductions from earnings to exceed 100 per cent, because of the limited co-ordination of the rules for the various tax and benefit schemes that can result in cumulative deductions from additional earnings actually leading to a marginal reduction in disposable incomes.

There is some concern that the complexity of the formulas and regulations that determine levels of housing allowance eligibility can make it difficult for households to gauge the likely level of their entitlement.

Despite widespread recognition of the problems with the rates of withdrawal of benefit (‘tapers’), none of the ten countries is currently considering major changes to marginal deduction rates. However a government appointed enquiry in Sweden has recently proposed new forms of assistance for households with children in place of the housing allowance scheme.

Further concerns exist about the failure of housing allowance schemes to positively promote labour market participation have been expressed in countries with particularly low take up rates, such as New Zealand, and there are similar concerns in the GB.

A more fundamental issue, especially in Canada, Ireland, and the USA, is where households moving into employment can find themselves with lower disposable incomes as a result of taking up low paid employment, because they have to meet in full their housing costs: a problem conventionally termed ‘the unemployment trap’; but only in Canada is there any indication that some consideration is being given to the introduction a comprehensive in-work housing allowance scheme.

In seven out of the ten countries a proportion of the households receiving housing allowances are not directly affected by the level of housing costs for the dwellings they occupy – but in all cases, the choice of dwellings they occupy will have been restricted by the upper limits on the levels of housing costs eligible for assistance, or the limited options available to households that are allocated dwellings in the social rented sectors.

There are, concerns about the potential for under-occupation within the social rented sector, and some countries have explicit policies to address the issue, and in Canada and Ireland rent subsidies can be suspended if a household is under-occupying a dwelling and does not agree to move to smaller accommodation.

In most countries the housing allowance schemes that operate for the private rented sector require most households to make some contribution towards their rent, but in the Netherlands, in many cases tenants, at the margins, need contribute only 25 per cent towards of their rents.

There is widespread concern that the limits to the support provided by housing allowance schemes still leaves a substantial proportion of households living in unsatisfactory housing conditions and/or with very limited disposable incomes. In some countries this has been linked to concerns about the pressures on low income households to occupy low value dwellings in areas with relatively limited job opportunities.

5 ADMINISTRATION AND FUNDING

This chapter looks at the differences, from country to country, in the management of social housing and, to a lesser extent, housing allowances. These differences derive both from the nature of the housing and allowance schemes and the geography and politics of the countries. Some of the countries considered in this study have federal structures with subsidiary states that have varying degrees of autonomy. Even in countries with less devolved government, there may be some responsibility for housing at a local level. The descriptions of the administrative and funding arrangements of the countries studied, given in this chapter, have been grouped with these distinctions in mind.

5.1 Administrative variations

The nature of the organisations that provide social housing varies and the degree of governmental control – whether national, provincial or local – differs. Most of New Zealand's public housing was originally managed by central government, but in the 1990s its management was transferred to a national agency – with the unusual mandate to work as a profitable business. In Australia, most social housing is administered by state governments, while in Great Britain, the Republic of Ireland and the USA, most public housing is managed by local government. The Canadian provinces still administer some housing directly, but most is now managed by non-profit municipal housing agencies. Sweden's municipal housing companies have directors appointed by the local councils, but otherwise work independently. In France and the Netherlands, most social housing is owned and managed by housing associations. The French associations, although always reliant on public funds, may, in some cases, be otherwise largely independent of any government control, while other associations may be linked to local authorities. In the Netherlands, housing associations started out as independent organisations, but their autonomy was increasingly restricted by constraining legislation, until the 1990s, since when their independence has been revived.

Most of the countries have national housing allowance schemes. The greatest exception to this rule is Canada, where the provinces operate their own social assistance systems with wide variations in both overall assistance and in the housing components. Although the same applies in the USA, the inadequacy of the American states' 'shelter allowances' forces recipients of state welfare payments to apply for further housing assistance from the national Section 8 scheme – of which there is no equivalent in Canada. In Germany there is a division of labour: *Wohngeld* is a federal scheme, which is the responsibility of the states, but is actually administered by the municipalities on their behalf. In Great Britain, local authorities administer the national Housing Benefit system and its equivalent in the Republic of Ireland is the responsibility of the Regional Health Boards. In other cases national governments assume full responsibility.

In most countries, housing allowances form a distinct scheme, separate from other welfare benefits. Chief among the exceptions, again, is the Canadian provision, which is generally only available as a component of an overall welfare payment. In Australia and the Republic of Ireland, rent allowances are only available as supplements to other welfare benefits, and those not in receipt of such benefits are, therefore, ineligible for any housing allowances.

The main divisions of responsibility for both social housing and housing allowances are summarised in Table 5.1.

Table 5.1 *Administrative control of social housing and housing allowances*

Country	Social housing	Housing allowances
Australia	State governments	Federal government
Canada	Provincial governments, with municipal agents in some places	Provincial governments, with some federal assistance
France	Housing associations	Central government
Germany	Overall federal control, with responsibility for provision devolved to states and municipalities	Federal scheme, administered by municipalities on behalf of the states
Great Britain	Mostly local authorities, with additional provision by registered social landlords	Local authorities, with funding from central government
Ireland	Local authorities, with some assistance from central government	Regional Health Boards
Netherlands	Housing associations	Central government
New Zealand	Central government agency	Central government
Sweden	Municipal housing companies funded by central government	Central government
USA	Locally administered in accordance with federal regulations	Locally administered in accordance with federal regulations

5.2 Federal and Provincial

The political geographies of Australia, Canada, Germany and the USA are those of federal nations with constituent states or provinces. The state and provincial governments have varying degrees of autonomy within different areas of policy, and this is reflected in housing administration and funding.

5.2.1 Germany

In Germany, the federal government assumes part of the responsibility for social housing, while some devolves to the states and to the municipalities. The federal government determines the overall annual subsidy for social housing construction. The states (*Länder*) are obliged at least to match the federal funding levels and are responsible for the allocation of all subsidies and loans for social housing. These subsidies may be allocated by means of any of three paths. Under the First Way (*Erster Förderungsweg*), funds are allocated on condition that the housing is let to tenants with incomes below the state-determined ceiling, and that building quality both exceeds minimum standards and falls below a maximum standard. The Second Way (*Zweiter Förderungsweg*) provides dwellings of higher quality than those provided by the First Way, for tenants whose incomes are up to 40 per cent higher than the social income ceiling. The Third Way (*Dritte Förderungsweg*) can provide short-term subsidies under less rigid conditions. (Smith, 1997)

Capital subsidies are usually interest free loans, partially to finance construction – landlords must provide at least 15 per cent of the initial funding. Operating cost subsidies and loans are provided, at an annually decreasing level, for the first 15 years of the lifetime of the project. The amounts of subsidy are determined by calculation of projected cost rents, which must take into account costs of land and construction and interest on loans. These costs are then compared to the social rent levels set by the states; the subsidies must provide for the shortfall between the social rents that will be charged and the costs incurred. The cost rents must be calculated for each individual housing project, denying landlords the possibility of cross-subsidising one scheme with another. (Smith, 1997)

German social landlords are generally in either of two categories. About two-thirds of these landlords, controlling only about one third of the stock, are co-operatives (*Genossenschaften*) backed by community organisations such as charities, churches and trade unions. Although smaller in number, limited liability housing companies (*Wohnungsgesellschaften*) control a larger proportion of the stock. Housing companies may be controlled by municipalities and national employers, but also by trade unions and churches. All these social landlords are regulated by federal law. (Smith, 1997)

The German housing allowance (*Wohngeld*) is a federal scheme, but it is administered by the municipalities on behalf of the states. Funding of *Wohngeld* is split between the individual states and the federal government. Some states operate supplementary schemes – a need arising from the infrequent updating of the system to take account of monetary inflation.

5.2.2 Australia

In Australia, public rental housing is managed by the individual states and territories. These share a common emphasis on the allocation of their housing to households with low incomes and limited assets, but the precise thresholds that are used vary from state to state. Other factors that influence priorities in the allocation of available housing also differ, and the importance of matters such as overcrowding, poor housing conditions and domestic violence will be judged differently in different states. Increasingly, however, the

basic eligibility requirements, across states, are being linked to the rules for entitlement used in the national Rent Assistance scheme.

Australian public housing was originally funded by subsidised loans from the federal, Commonwealth Government, with the later introduction of contributions from the states. But, in the 1990s, housing policy shifted away from its post-war tradition of supporting home ownership and providing public housing. The new trend is for a curtailment of Commonwealth funds for public housing, and the movement of responsibility for the provision and management of public housing away from central government to the states (Yates, 1997). The 1999 Commonwealth-States Housing Agreement (CSHA), however, still commits the Commonwealth to providing two-thirds of the funding for social housing over the four year lifetime of the agreement, with the states providing the remaining third.

The Commonwealth Government continues to assume full responsibility for welfare provision, including the Rent Assistance system, which is the principal source of help for those renting in the private sector. Rent Assistance is paid only as a supplement to other benefits.

5.2.3 Canada

In Canada, the development and administration of social assistance and social housing is primarily a provincial responsibility. In the past, however, the federal government has played a significant role in funding and influencing programmes. The Canada Mortgage and Housing Corporation (CMHC) was set up, in 1945, as the national housing agency, providing mortgages for housing development. When banks began to deal in mortgages, from 1954, the CMHC began to concentrate on lending for social housing and on its provision of a Mortgage Insurance Fund, which facilitated home purchases with only minimal deposits. Provincial Housing Corporations were set up after revisions of the federal public housing programme in 1964, originally functioning to distribute federal funds to municipal projects. Since 1978, funding of social housing developments has been through means of loans from the private sector, but with CMHC subsidy to cover some part of the mortgage interest. (Wolfe, 1998)

The larger and more rapidly developing municipalities, in Canada, usually have their own non-profit agencies to manage public housing. In some provinces, however, all public housing is still administered by the province, rather than by municipal agencies. In the 1970s the CMHC encouraged the setting up of non-profit community-based organisations to promote housing. These have included charities, churches, community organisations (such as the YMCA) and housing co-ops. Although now less numerous, since the programme cuts of the 1990s, they still retain a presence in Canadian housing provision. (Wolfe, 1998)

Until 1994 the Canadian federal government continued to fund programmes for the development of social housing – principally in support of provincial housing agencies. When these funds were cut, all but three provinces ceased to build new social housing and only two provinces do so at present. The federal housing agency continues to manage the mortgage facilities that fund the pre-1994 stock.

The major focus of Canadian housing policy in the 1990s has been on deficit reduction and administrative realignment. In the area of social housing, federal subsidies for existing commitments have been capped at the 1995/96 level – without a compensating introduction or expansion of shelter allowance or person-based subsidies. The federal government has also increasingly withdrawn from involvement in housing policy. Increasing levels of provincial autonomy have resulted in some variations in eligibility and benefit levels among provinces.

Only four Canadian provinces provide housing allowances unlinked to other welfare assistance – there is no national scheme. General social assistance, which includes a housing component, is administered by the provinces and territories. In two provinces, part of this responsibility is further devolved to municipalities in the case of unemployed, but potentially employable, claimants. Both the level of general assistance and that of the housing component vary widely from province to province. Claims for assistance are assessed by welfare workers, who have considerable discretionary powers.

Since 1996 funding for social assistance has been governed by the Canada Health and Social Transfer (CHST). This replaced both the earlier Canada Assistance Plan (CAP – which provided for social assistance and social services) and another funding agreement that provided for healthcare and higher education. The previous, CAP, system was based on a principle of cost-sharing between the federal government and the provinces; the current CHST provides a much smaller block fund with fewer conditions imposed. Since the introduction of the CHST, some provinces have reduced shelter allowances, others have imposed new restrictions on eligibility and obligations for claimants, while some have maintained, and a few enhanced, the levels that prevailed under CAP. (Prince, 1998)

5.2.4 USA

Despite the high degree of legislative autonomy of the individual states of America, both social housing provision and housing allowances are predominantly federal concerns, but with local administration.

Most social housing is administered by public, or local, housing authorities and some by state housing authorities, but in accordance with the federal Department of Housing and Urban Development's (HUD) regulations. The bulk of the sponsorship for this housing comes from the HUD. The New York City Housing Authority (NYCHA), for example, receives 70 per cent of its revenue from the federal government, 28 per cent from rents, interest and other income, with the City and the State of New York making up the remaining two per cent. (NYCHA, 2000)

The Rural Housing Service of the Rural Development Service (previously known as the Farmers' Home Administration), a part of the federal Department of Agriculture, administers some housing for rural workers and retired people. Multi-family housing is provided under the Rural Rental Housing Programme and the Farm Labour Housing Programme. Eligible tenants may apply for Section 521 Rental Assistance – similar to Section 8 payments. (USDA, 2000)

Housing assistance, in the USA, as provided by the Section 8 Housing Choice Voucher Programme, is funded by HUD. Local housing agencies – usually the local housing

authority for that area but sometimes an agent of the state housing authority – operate the scheme in accordance with HUD’s rules. (MSHA, 2000)

General welfare assistance is provided by the states and varies widely. Welfare payments do include housing components (‘shelter allowances’) but these are universally inadequate, forcing welfare-dependent households to apply for Section 8 vouchers. The greatest problem with the Section 8 programme is the small number of vouchers available. It has been estimated that four times as many households as currently receive help are in need of rental assistance (Maney and Crowley, 1999).

5.3 National and Municipal

In four of the countries studied, responsibility for social housing and housing allowances is divided between national institutions and local authorities.

5.3.1 Sweden

In Sweden, municipal housing companies provide most of the non-profit, rented housing, but with funding from central government. Usually there is one company for each municipality. The companies’ boards of directors are appointed by the municipal councils. (Boelhouwer, 1997)

Nearly all housing in Sweden, not just municipal housing, receives some subsidy from central government. The usual form is subsidised interest on loans. Before 1993 the effective interest rate was set at fixed levels, with the government making up the difference to the actual rate of borrowing – this subsidy would be progressively reduced over twenty years. From 1993 subsidy was limited to covering a percentage of actual interest costs, reducing year by year, for ten years. In each subsequent year, the starting level of subsidy for new developments was also reduced. (Boelhouwer, 1997; Turner, 1996)

In 1998, the Swedish government committed itself to a new goal for its housing policy: ‘Housing is a social right and the task of housing policy is to create conditions that enable everyone to live in a good home at a reasonable cost in a stimulating and secure environment within ecologically sustainable limits. . . .’ To these ends the government set up a number of reviews to consider all aspects of housing. (Swedish Housing Ministry, 2000)

Initially, rents in Sweden are set by means of the ‘use-value’ system. This is founded on the principle of comparable rents for comparable dwellings and is, consequently, influenced by the dominance of non-profit landlords in the rented sector, who, in turn, are influenced by the lobby of the national tenants’ association.

Rent increases for municipal housing are set by means of annual negotiations between tenants representatives and the landlords’ umbrella organisation. Formerly, the increases determined applied nationally, but currently increases are set for individual developments. The system works to ensure that the landlords make no profit from the rents they charge, by accounting for all sources of income and all expenditure when determining rent increases. (Boelhouwer, 1997)

The Swedish housing benefit scheme and the housing supplement for pensioners are administered by social insurance offices and the National Board of Social Security.

5.3.2 Ireland

In the Republic of Ireland, social rented housing is nearly all provided by local authorities. The shortfall between the rents charged and the actual cost of providing the accommodation, however, is met by the central government's Department of the Environment and Local Government.

Help for housing costs, in the Republic of Ireland, is provided by rent and mortgage supplements to the Supplementary Welfare Allowance. This is a national scheme, but is administered locally by the Regional Health Boards.

There are a number of concerns about the administration of housing subsidies and some re-organisation is currently in hand. Private landlords see themselves as acting as agents of the Health Boards and wish to be recognised as such. On the other hand there are concerns that accommodation in the private rented sector, and its management, may fall below acceptable standards and that local authorities should be given greater powers of inspection and regulation.

5.3.3 Great Britain

In Great Britain the bulk of social housing is still owned and managed by local authorities (although they now build very few new homes) with funding from central government. Registered social landlords (RSLs) are responsible for most new social housing. The main source of subsidy for RSLs in England is a central government agency, the Housing Corporation, which allocates funds within nationally determined regional limits. In Scotland, Scottish Homes fulfils the role of the Housing Corporation in England, and Welsh RSLs are regulated by the National Assembly for Wales.

Housing Benefit, in Great Britain, is a national scheme but is administered by local authorities. Most funding for rent *allowances* (those paid to tenants of private landlords or RSLs) comes from the Department for Work and Pensions, but a small proportion will come from the local authorities' general grants, received from central government. A further burden may be placed on local authorities where benefit is paid in excess of local limits set by central government's Rent Officer Service.

Rent *rebates* (the Housing Benefit of local authority tenants) in England and Wales are covered by the Department of Environment Transport and the Regions' funding for local authorities' housing revenue accounts. These accounts are based on the total estimated housing revenue expenditure of each local authority, not on Housing Benefit alone.

There are concerns over the complexity of the Housing Benefit system and the number of administrative errors and delays that occur.

5.3.4 Netherlands

Most social housing in the Netherlands is owned and managed by housing associations. These started out as privately operated bodies, but their reliance on public funds, which was provided with an increasing number of conditions and restraints, eroded the

autonomy of the associations and left them as little more than the agents of central government. The government's policy document *Housing in the Nineties* (1989) proposed a more enterprising role for housing associations in the future, as the government relinquished much of the control it had assumed. (Salet, 1999)

Since 1995 the financing of social housing in the Netherlands has been largely privatised. Two reserve funds have been set up to date. The *central fund* is maintained by contributions from housing associations, with the size of each contribution in proportion to the financial reserves of the association. Its purpose is to help restore to viability associations that suffer financial difficulties. The *guarantee fund*, to which associations also contribute, assures the repayment of loans, which associations must now raise themselves in the absence of government sponsorship. The central and municipal governments, however, still act as final guarantors. (Salet, 1999)

The allocation of homes, in the Netherlands, is still made through waiting lists operated by local authorities, which are also responsible for the assessment of eligibility. The recent trend, however, is to place more onus on potential tenants to seek out homes for themselves.

In the Netherlands, housing allowances are funded and administered by the national government's Ministry of Housing, Spatial Planning and the Environment. The Ministry of Finance has made known its concern about the sustainability of the Dutch housing allowance system, but no radical revisions are currently planned.

5.3 National

France and New Zealand have very little, sub-national government involvement in social housing and allowances.

5.3.1 France

In France, most social housing is built and managed by *Habitat à Loyer Modéré* (HLM), with funding from national government. The *Offices Publics d' HLM* (OPHLM) are purely non-profit organisations founded in public law. The *Sociétés Anonymes d' HLM* (SAHLM) are founded in private law and may make limited profits. The SAHLM may be sponsored by public companies or local authorities, but the usual sponsors are private businesses. The *Offices Public d' Aménagement et de Construction* (OPAC) were set up to provide new social housing and to rehabilitate existing social housing. OPAC enjoy a greater amount of autonomy than OPHLM, which are closely controlled by the government. (Boelhouwer, 1997)

About 12 per cent of French social housing is owned by *Société d'Economie Mixte* (SEM), which, since 1977, have received similar funding to HLM despite their more commercial orientation. HLM, especially, bear strong similarities to housing associations in Britain, but they and the SEM provide all social housing in France – there is no municipally owned stock.

In France welfare benefits are funded and administered by national government. The three housing allowance schemes all fall within the scope of the *Caisse Nationale d'Allocations Familiales* (National Family Benefit Fund). (Habib, 1995)

Current matters for debate include the possibility of merging the three housing allowance schemes and integrating them with general income support.

5.3.2 New Zealand

In New Zealand, most public housing is managed by the central government's agency, Housing New Zealand (HNZ). Local authorities, and some other central government agencies, also own and manage small amounts of stock.

Housing New Zealand was one of a number of new organisations set up in 1992, following the new government's commitment to focus on personal subsidy rather than social housing provision. HNZ took on the management of the stock previously administered by the New Zealand Housing Corporation. The Corporation's role became restricted to managing the state's portfolio of mortgages. The new Ministry of Housing was to administer tenancy legislation, provide advice and information, and to arbitrate between tenants and landlords in dispute. Later, a subsidiary of the Housing Corporation, Community Housing Limited, was set up to provide accommodation for community groups and to co-ordinate the provision of housing for people with disabilities.

The objectives of Housing New Zealand, as set out in the commissioning act of parliament included that it should: 'Operate as a successful business that will assist the Crown's social objectives by providing housing and related services . . .' Furthermore, it was to be: 'As profitable and efficient as comparable businesses that are not owned by the Crown.' To this end, it has progressively raised its rents until they reached market levels, thus, in principle, making the dwellings themselves independent of subsidy.

The Accommodation Supplement, in New Zealand, is a national scheme. It was set up at the time of the revisions that brought HNZ into existence, with a broader scope than its predecessor. It is administered by Work and Income New Zealand.

In response to concerns about the rising costs of the Accommodation Supplement the new government intends to reintroduce income-related rents for social housing tenants.

Summary

In Australia, Canada, Germany and the USA the responsibility for social housing and housing allowances is divided between the federal nations and their constituent states and provinces. In Great Britain, the Republic of Ireland, the Netherlands and Sweden responsibility is split between national and local government. In France and New Zealand only national institutions play a significant role.

The German federal government determines overall levels of expenditure on social housing while the responsibility of its provision devolves to the states and municipalities. The housing allowance scheme is a national one administered by the municipalities on behalf of the states.

German social landlords are generally either small, community-backed co-operatives or larger, limited-liability housing companies.

Australian social housing is managed by the individual states, but with two-thirds of the funding coming from the federal government, while the federal government is wholly responsible for Rent Assistance.

Social housing in Canada is mainly the responsibility of the provincial governments with municipal housing agencies managing the housing in the larger municipalities. Social assistance is also a provincial responsibility, with some contribution from the federal government.

In the 1990s, Canadian housing policy concentrated on deficit reduction and the reduction of federal involvement.

In the USA, both social housing and rental assistance are generally administered locally but in accordance with federal regulations.

Swedish social housing is provided by municipal housing companies with funding from central government, while the housing allowance schemes are national.

The Swedish system of rent setting involves annual negotiations between representatives of tenants and landlords.

Social housing in the Republic of Ireland is provided by local authorities, with some additional subsidy from central government, and the Supplementary Welfare Allowance is the responsibility of the Regional Health Boards.

Most social housing in Britain is still owned and managed by local authorities, with funding from central government, while new development is largely carried out by registered social landlords, with funding from an agency of central government.

Housing Benefit in Britain is administered by local authorities and funded largely by central government by means of a mixture of general housing and benefit specific subsidies.

Dutch social housing is managed by housing associations, which regained increasing autonomy from central government during the 1990s, and housing allowances are the responsibility of national government; social housing referrals, however, are still controlled by local authorities.

French social housing is provided by various types of voluntary housing agencies with funding from national government. The French housing allowance schemes are administered by the central government.

Housing New Zealand, which administers most of New Zealand's publicly owned housing, is an agency of central government, and the Accommodation Supplement is a national government scheme.

6 CONCLUSION

This study has reviewed the distribution of social housing, the objectives, strengths and weaknesses of housing allowances while providing detailed information in response to a detailed list of research questions. It is well established that researching social housing and housing allowances is difficult to do. There is an irony about why this should be so: on the one hand housing allowances are an integral part of each country's broader portfolio of social protection and to that extent extremely complicated to describe and analyse. On the other hand, the growing ubiquity of housing allowances over bricks and mortar subsidies renders such programmes relatively independent of those dominant characteristics which shape the contours of welfare state regimes. Against an international policy background which is favourable to home ownership a seeming uniformity of principle masks great diversity of practice.

In all countries (with the exception of Ireland) there has been a decline in the scale of public sector new build and a matched increase in rent levels as subsidies are reduced; with the exception of the Netherlands and New Zealand, however, public sector rents remain significantly below market values.

Social assistance schemes treat housing costs in different ways. Some, such as those in Canada, Germany and Sweden cover reasonable housing expenditure; others, as in the Netherlands, New Zealand and Australia make only partial allowance and in the Great Britain there is no presumption that housing costs can be met from social assistance for renters but that it will meet some of the costs of low income home-owners.

Five countries do not have separate housing allowance schemes (France, Germany, the Netherlands, Sweden and the GB) and the GB is exceptional in having a relatively high proportion of low-income households in receipt of housing allowances. In contrast five countries (Australia, Canada, Ireland, USA and, most recently, New Zealand) have differential rent schemes but in support of relatively small social rented sectors.

The overall growth in expenditure on social assistance (Eardley et al, 1996) has been matched by a growth in expenditure on housing allowances. Kemp (2000) has suggested three factors which help explain this trend; first, an international commitment to market and quasi-market has encouraged many governments to target support on those who need it most; second, there is an assumption that housing allowances give recipients increased choice where and how to live; third, that the challenge facing policy makers is less to do with the availability of appropriate housing than the adequacy of income. Reinforcing these trends, as is the case with social assistance generally, demographic change (more retired people and single households), social change (more lone parents and disabled people) and economic imperatives (unemployment and marginality) are all contributing to greater demand for housing allowances.

The difficulty of dealing with housing costs was clearly identified and elaborated by William Beveridge in 1942. A central concern of policy makers has always been to develop a scheme which is fair, cost effective and configured in such a way as to minimise opportunities for fraud and/or moral hazard. Tenants in private sector

accommodation may behave in such a way as to optimise their receipt of benefit, minimise their liability for rent while increasing the quality of their accommodation. Schemes which meet the full cost of rent are sometimes considered as providing incentive as well as opportunity for tenants and landlords to collude in paying rent above the market level or by enabling tenants to move to accommodation which is unjustifiably expensive or bigger/better than is needed to satisfy their needs.

Housing allowance schemes which retain a minimum contribution to cost are designed to constrain the tenant's decision making and thereby minimise moral hazard. There is widespread concern about the perceived behavioural effects of shielding tenants from meeting the full costs of housing: but the paucity of hard evidence make allegations difficult to substantiate. In Canada and Ireland there are measures to restrict the 'under-occupation' of property, while in France there are indications that young single people are setting up independent households, especially in university towns.

There are two major concerns that are shaping debates about the structure and reform of housing allowances:

First, and generally, there is concern about the aggregate costs of such schemes. It is ironic that that the shift from supply to demand side subsidies should result in increased costs when part of the motivation for this policy change is to reduce them. The unintended consequence occurs, however, because removing bricks and mortar subsidies tends to drive up rents and this in turn ratchets up allowances to mitigate the social impact.

Second, there is a view (more frequently articulated in the GB than elsewhere) that housing allowances provide opportunity and incentive for moral hazard. This is a real risk and is, theoretically, more likely in the GB than other countries because of the unique relationship between social insurance and social assistance benefits. The contraction of social insurance benefits (in terms of scope and value) has resulted in a position where the majority of retired and unemployed claimants receive an assistance top-up to bring their income up to a minimum standard. The absence of any provision to meet housing costs within either the standard social insurance or generic assistance benefits, necessarily rendering tenants unable to make the partial contribution to housing costs so characteristic of schemes elsewhere.

There are concerns relating to the complexity of administering housing allowances. In the Republic of Ireland major changes in the responsibilities of local authorities, landlords and the Regional Health Boards are currently under consideration. There are concerns about the excessive complexity of housing benefit systems in both France and Great Britain. In France there are currently three schemes providing housing allowances, none of which is integrated with broader social assistance. It is thought that the complexity of Housing Benefit, in the GB, makes the scheme difficult to understand for beneficiaries and unwieldy in management. In Germany, the lack of annual revision of the income and rent limits used in the *Wohngeld* scheme has led to hardship in some cases, and the creation of additional benefits in others.

Overall policy debate around housing allowances does not have a high public or political profile in any of the countries. Despite changing demographic profiles there is little indication, beyond Canada, that countries are anticipating the implications for social housing. In so far as there are debates these tend to concern affordability and the alignment of housing allowances with the objectives set for general social assistance.

PART TWO Country Profiles

1 AUSTRALIA

1.1 Tenures

1.1.1 Types of tenure

Most households in Australia (71 per cent) live in owner-occupied homes. The rented sector is predominantly private, with only one fifth of rented homes in the public sector. (Table 1.1)

Public housing is provided by State and Territory governments. There is a small amount of community housing, which is particularly relevant to households with special needs, or those who require supported accommodation services.

Table 1.1 Families in private dwellings by Tenure, Australia 1996

Tenure	No. (000s) of families	%
Owner with and without mortgage	4,871	71
Private Rental	1,387	20
Public Rental Housing	351	5
Community Housing	36	1
Other (including rent free)	234	3
Total	6,878	100

Source: Australian Institute of Health and Welfare, Australia's Welfare 1999, p.132.

The basic criteria used to determine eligibility for social housing are income and assets thresholds. There is some variation between the different states and territories in the levels of the thresholds, though they have become increasingly linked to the income and assets thresholds which are used to determine an entitlement for social security payments (the Australian system is means-tested, rather than earnings-related). Thus, broadly, if income and assets levels would allow payment of a social security pension or allowance, then they would also signal eligibility for public rental housing.

If eligible for public housing, applicants are placed on a waiting list. Recent efforts at increased targeting have led to the development of 'segmented' waiting lists and the definition of priority groups. In some jurisdictions, eligible households are ranked according to criteria such as: whether the household is escaping domestic violence, whether occupants are living in an overcrowded situation or substandard housing, whether the household contains people with disabilities who have special accommodation needs, or how long the households has been on the waiting list.

The majority of public-sector tenants (56 per cent) are not in the labour force, with just under a quarter (22 per cent) over the state retirement age. One third (34 per cent) are in work and 11 per cent are unemployed. (Estimated from Australian Bureau of Statistics,

Household Expenditure Survey, 1993-94.)

1.1.2 Security and mobility

Social tenants generally have very secure tenure. Only because of considerable arrears or substantial anti-social behaviour could a tenant face eviction. Even if tenants' incomes rise above the ceilings that govern eligibility for public rental, they may remain tenants (though their rent will increase). In an environment of increased targeting, the argument for social mix, however, holds less sway than it used to. Accordingly, the latest Commonwealth-State Housing Agreement talks about providing assistance for 'the duration of need' and some States and Territories have now introduced fixed-term tenancies (three to five years) for new tenants, with renewal subject to the tenant continuing to meet the eligibility conditions.

It is increasingly the case that better off social tenants are encouraged to move into home ownership. In South Australia, new tenants have their incomes continually assessed. The assessment limits are based on 75 per cent of Average Weekly Earnings, for single households, with increases for larger households. Tenants whose incomes exceed the limits for a period of three consecutive years will have their circumstances reviewed, and those who fail the needs test will be encouraged to consider home-ownership options. Those who do not take up these options will be levied a rent premium (around three per cent) on top of the market rent for the property, if they prefer to remain as tenants.

The equivalents of Right To Buy schemes vary across States. South Australia provides for sales to current tenants and sale of vacant properties that are surplus to requirements. Tenants and purchasers must arrange their own finance, and properties are sold at the current market value. The Progressive Purchase Scheme enables sitting tenants to buy shares in their rental properties in affordable stages (with a minimum share of 25 per cent). Proceeds from sales are spent on other public housing programmes, such as acquiring replacement stock, redevelopment and debt repayment.

There are policies to promote owner occupation more generally. Under the Commonwealth-State Housing Agreement (CSHA) there is a programme of home purchase assistance designed to make home ownership more accessible for people unable to obtain private sector finance. This includes public tenants and households eligible for public housing. Assistance includes: direct lending, government guarantees, deposit assistance, interest rate assistance, home purchase advisory and counselling services, mortgage insurance protection and mortgage relief.

There are many indirect subsidies for home ownership. The Commonwealth Government does not include the value of the family home under the assets test for income support payments (although there are higher thresholds for non-home-owners). Imputed rental income from home ownership is not taxed and the family home is exempt from capital gains tax. Most state governments offer stamp duty exemptions to first-home owners and usually exempt the principal residence from state land taxes. Assistance is also provided to pensioners who receive reductions in their local government rate payments.

There are no policies to transfer public rented housing to other landlords.

1.2 Social rents

1.2.1 Levels of subsidy

The building of public housing has declined in recent years, from around 14,000 homes in 1989-90 to 4,000 in 1995-96. Existing public housing still receives very substantial subsidy, as can be seen from the comparisons with other tenures in Table 1.2.

Table 1.2 Housing costs by Tenure Type - 1995-96

Tenure type	Mean weekly housing costs (\$)
Owner without a mortgage	21
Owner with a mortgage	203
Public renter	62
Private renter	148
All Households	103

Source: Australian Bureau of Statistics, 1999

1.2.2 Rent structures

Public housing authorities initially determine a market level rent, which is then rebated for tenants who satisfy the income test. In 1998 about 90 per cent of all public tenants received rebated rents – ranging from 39 per cent of tenants in the Northern Territory to 99 per cent in New South Wales. Generally, if rents are rebated, public tenants will pay 23-25 per cent of their gross income in rent so long as that is lower than the market rent. As a result, the effective subsidy to tenants will depend very much on location; for example, a rebate in central Sydney will be far more substantial than one in outback New South Wales.

The rent-to-income formula varies from one state to another but, generally, there is a sliding scale in the percentage of income paid in rent – starting at about 20 per cent and rising to 25 per cent. All income is included in the assessment (i.e. including most income support) with the following main exceptions:

- only a proportion of certain family allowances is assessed (there are some other minor income support exceptions as well) and,
- generally, only a portion of additional income (i.e. income of household members other than tenant and partner, if applicable) is assessed.

Community housing landlords generally have discretion to determine their own rent structures, and tend to do so with a view to tenants' entitlements to Rent Assistance (see below).

1.3 Housing Allowance Schemes

1.3.1 Their nature

The major form of housing assistance is Rent Assistance (RA), which is paid as a supplement to other income support payments. Its purpose is to provide assistance to people on low incomes who rent private accommodation (public tenants are not eligible).

Qualifying conditions are the receipt of social security pensions or allowances. The level of RA is set with respect to the amount of rent paid, subject to a qualifying level of rent and a ceiling on the amount of RA. For each dollar by which the rent exceeds the qualifying level, RA is increased by 75 cents – up to the ceiling. The qualifying level of rent and the RA ceiling varies by household type (see Table 1.3).

Table 1.3 Parameters of the Rent Assistance system at July-September 2000.

Family situation	Maximum payment per fortnight (\$)	No payment if fortnightly rent is less than: (\$)	Maximum payment if fortnightly rent is above: (\$)
Single, no children	85.00	73.80	187.13
Single, no children, sharer	56.70	73.80	149.40
Couple, no children	79.80	120.20	226.60
One of a couple, separated due to illness	85.00	73.80	187.13
One of a couple, temporarily separated	79.80	73.80	180.20
Sole parent, 1 or 2 children	99.20	97.00	229.27
Sole parent, 3 or more children	112.20	97.00	246.60
Couple, 1 or 2 children	99.20	143.60	275.87
Couple, 3 or more children	112.20	143.60	293.20

Most allowances and pensions are means-tested and RA counts as income in assessments of eligibility, although RA is usually the last payment withdrawn under the income test. There is no mainstream programme for assisting people on low-incomes to meet mortgage costs, but some states operate small programmes to do so.

The simple rationale for Rent Assistance is the fact that levels of income support are otherwise inadequate for private renters. The justification for the absence of support for low-income home-purchasers is less easy to identify. It does fit with the ‘safety net’ nature of the Australian income security system and with the view that home owners and purchasers receive indirect subsidy through the tax system (not that this helps in the short-term).

1.3.2 The degree of help

Rent Assistance typically amounts to between 10 and 20 percent of the recipient’s total income for benefit-dependent households. Because of the way in which eligibility for RA is linked to receipt of the basic means-tested income support payments, the eligibility disappears at a relatively low level of earnings.

It is difficult to estimate the proportion of private renters who receive rent assistance, as RA is payable to persons in nursing homes who are outside the scope of household based surveys. Estimates for 1994 suggested that about two-thirds of households in private rental dwellings received rent assistance, which some commentators feel to be an implausibly high proportion. A complicating factor is whether individuals are paying rent to other household members who are either home owners or purchasers.

1.3.3 Incentives and disincentives

It can be seen, from Table 1.4, that RA provides a maximum of between 35 per cent of the total rent (for a couple with no children) and 45 per cent of the total rent (for a single person or a sole parent with three or more children). Those with rents below the threshold for RA pay 100 per cent of the rent, while those above the maximum rent level pay increasing amounts as their net rent rises by 100 per cent of the gross rent.

Table 1.4 Percentages of rent paid by Rent Assistance (RA) at maximum RA

Family situation	Maximum share of total rent paid by RA (%)
Single, no children	45
Single, no children, sharer	38
Couple, no children	35
One of a couple, separated due to illness	45
One of a couple, temporarily separated	44
Sole parent, 1 or 2 children	43
Sole parent, 3 or more children	45
Couple, 1 or 2 children	36
Couple, 3 or more children	38

In interpreting these figures it is very important to bear in mind that the basic levels of income support in Australia are well above the level of many payments in the GB. For example, the single rate of pension (including for sole parents) is set at 25 per cent of male total average weekly earnings, while the married rate is set at 41.7 per cent of male total average weekly earnings. People with children receive extra amounts per child, plus the RA payable. The relative generosity of the basic income support payments is recognised by the existence of the rent threshold. This means that, implicitly, it is expected that the basic payments are sufficient for recipients to make some contribution towards their housing costs out of these payments.

While private rental property constitutes a significant share of Australian housing (about 20 per cent) and exhibits a relatively high degree of tenant turnover, the choice (in terms of cost) within a locality can be narrow. Much attention continues to be directed at the search for mechanisms to increase the supply of adequate low-cost private rental housing.

Work incentives are a very important part of the debate, currently, with the government announcing a review of welfare policy and a Green Paper on welfare reform in the middle of 2000. However, housing policy is probably not central to this current debate. Some partial exceptions are in relation to youth wages where replacement rates would be much higher for independent young people receiving RA. There are also concerns that high housing costs may be leading to some welfare recipients moving to areas with lower housing costs but fewer job opportunities.

1.3.4 Encouragement and discouragement

There are no policies that encourage landlords to maintain good quality housing, beyond the basic local government requirements for habitable dwellings.

Rent Assistance policy works to reduce under-occupation in the private rented sector, at least indirectly. The general effect of the relatively low ceiling on RA appears to encourage sharing of dwellings (especially for singles) and moves to lower cost locations – as mentioned above. In contrast, under-occupation is an explicit policy issue within public rental housing – part of a concern with a mismatch between stock and clients.

The Australian income support system (of which Rent Assistance is a part) aims to treat different types of households equally, neither discouraging the break-up of households nor encouraging new household formation.

1.3.5 Opinion and debate

Tenants are perceived to receive very different levels of subsidies depending on whether they are in public housing, or in private rental accommodation and receiving Rent Assistance. So there has been debate about the relative fairness of treatment of these two tenure groups. On the other hand, there is a good deal of concern about the adequacy of assistance to those renting privately with the view from the welfare sector that high housing costs are associated with a substantial problem of after-housing poverty.

Looking specifically at Rent Assistance, there has been considerable unresolved debate over the last five years. Key issues include the nature of the Commonwealth-State Housing Agreement (the current agreement is widely expected to be the last in the current form) with issues concerning Commonwealth-State relations, capital versus recurrent funding, and the generally much higher levels of assistance received by public tenants than by RA recipients. Moves by the Commonwealth toward reducing assistance received by public tenants (through notional rent rebates – the difference between the rent they pay and market rent) to the same levels as enjoyed by RA recipients were thwarted by the States and Territories. Basic concern is with the inadequate supply of low-income private rental housing in appropriate locations.

2 CANADA

2.1 Tenures

2.1.1 Types of tenure

Social housing represents a small part of the total Canadian stock (six per cent). Just under two thirds of the social stock is owned and operated by non-profit corporations while almost one-third is owned and operated by provincial housing agencies (public housing). A small number of units counted as social rental are actually private for-profit units in which the landlord receives a rent supplement to cover the gap between the market rent and a reduced net rent paid by tenants, similar to households in non-profit housing. In addition, some 60,000 of the social rented units are non-profit co-operatives with a mix of market rate and subsidised units. Finally, there is a small number of assisted ownership units (less than 15,000) primarily in rural and remote areas.

Table 2.1 Tenure of households (000s)

	Units	%
Owned	6,893	64
Private Rental	3,272	30
Social Rental	655	6
Total	10,820	100

Source: Statistics Canada 1996 Census and Canadian Housing Statistics.

The criteria of eligibility for a social tenancy have shifted over time and also reflect different forms of ownership and management that depend upon the time of original development. In the stock developed prior to 1974 and after 1986 there are stronger targeting requirements. The stock developed between 1974 and 1986, which is predominantly owned and operated by non-profit associations and co-operatives, is less rigorously targeted – non-profits have substantial autonomy in selecting tenants with only minimal requirements to serve a specified proportion (15 per cent) of low-income, means-tested households. Since 1986, federal funding criteria have limited eligibility to households that fall below specified ‘core housing need’ standards.

The assessment of core housing need generally involves a two step process. Firstly, the current housing conditions are assessed for crowding, physical dilapidation and whether more than 30 per cent of income is spent on housing. Secondly, an income threshold test is applied. The income limit varies according to household size and locality. The threshold is calculated based on a median rent for an appropriate size unit (e.g. a lone parent with two children of same gender would qualify for a two bedroom unit). The core need income threshold (CNIT) is then based on the income required to afford, at 30 per cent of income, a median rent two bedroom apartment. Applicants must pass both tests.

Since the stock of social housing is very limited, large waiting lists exist. In many jurisdictions a centralised registry has been established and as households reach the top of

the list they are referred to social landlords with vacancies. In some jurisdictions the waiting list is prioritised on a point rating system that gives priority to those in greatest need. Almost half of the social rented portfolios are focused on providing housing for older people. By comparison, people aged over 64 accounted for only 18 per cent of all renter households in 1991.

Through the 1990s there has been evidence of increasing residualisation in the private rental stock as more affluent renters have been able to access ownership. The proportion of renter households in the lowest income quintile increased from 50 per cent in 1973 to 64 per cent by 1993. The number of renters dependent on social assistance increased from nine per cent in 1973 to 26 per cent in 1993 (Pomeroy, 1998). During the same period the unemployment rate among renters almost tripled from five per cent to 13 per cent with a parallel rise in the incidence of part-time and casual employment among tenants (Pomeroy, 1998).

2.1.2 Security and mobility

Social tenants are generally subject to the same protection as tenants of private sector landlords. Legislation specifies tenant and landlord obligations and the recourse in event of default under a landlord-tenant agreement. Notwithstanding equivalence in legal terms, there is a general perception that in practice, social landlords may be more lenient and sympathetic to households experiencing difficulty paying the rent – and may take more than the minimum legislated period to try and resolve arrears problems.

There are no explicit policies to encourage better-off social tenants to move to the private sector. The subsidy structure of the 1974-86 social housing portfolios provides only a finite level of assistance, so even if units are vacated, subsidies may not exist to replace the vacating household with a low income one. These programmes were deliberately designed to limit the number of subsidised units and thus to avoid the ‘ghettoisation’ of earlier deeply targeted public housing developments. In roughly one-third of the social housing portfolio, the rent geared to income system (see Section 2.2.2) is uncapped, such that as income rises there is little incentive to remain in social housing and pay more than the market rent of a comparable unit in the private sector.

Most social housing is either equal to or better in quality than the private rental sector housing in the lower half of the rent range. The rents in the income mixed social stock tend to be at the low end of market and thus there is a strong incentive to remain in social housing. Coupled with the limited capacity of targeted households to buy, it is rare for social tenants to move into the private rented sector. However, social housing units tend to be smaller than ownership housing units, and this is the main inducement, for tenants whose incomes rise, to move out.

There is no ‘Right To Buy’ policy and nor is there ever likely be one. Only six per cent of the housing stock in Canada is in the social rented sector and much of this is in apartment buildings – less conducive to the sale of individual units. In addition, most is occupied by very low-income households, who could not afford to buy without very significant discounts.

There is a modest preference for ownership in Canadian housing policy. At various times

provinces have established tax exempt saving plans to facilitate saving for a down payment and some provinces provide property tax grants or tax credits to owners. At the federal level, the First Time Home Insurance programme lowered the minimum down-payment from 10 per cent to five per cent of the sales price. Under this programme the federal housing agency sells mortgage insurance to buyers to protect lenders in event of default. The related Home Buyer Plan enabled first time buyers to withdraw savings (up to \$20,000) from tax-exempt registered retirement savings plan (RRSP) accounts for the purpose of a down payment on a home. The funds must be repaid, interest free, back into the RRSP account over a 15 year period.

Currently there are no policies to transfer ownership of social housing stock although this option is now being discussed in the province of Ontario (where 40 per cent of the country's social housing is located). Fundamental reform of the funding of existing social housing subsidies is underway in Ontario and among the options being considered is the transfer of ownership from a provincial crown corporation to either municipal ownership or to locally based non-profit corporations. Elsewhere, a number of cities have established subsidiary non-profit housing corporations to take advantage of federal-provincial programmes to build and operate social housing and a significant proportion of the stock is now owned by Municipal Corporations. There are also some isolated cases of transfers from public housing (provincial ownership) to tenant owned co-operatives.

2.2 Social rents

2.2.1 Levels of subsidy

From 1994, the federal government stopped providing new funding programmes, except for aboriginal households living on reserves. Only two provinces (British Columbia and Quebec) have continued with modest scale new supply programmes.

Table 2.2 Social Housing Completions, Canada

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
9,628	9,135	9,273	19,651	15,718	9,886	5,271	3,659	1,997	1,439	1,372

Source: CMHC Canadian Housing Statistics (various years)

Output has fallen significantly through the 1990s (Table 2.2) and is even more significant in comparison with the early 1980s when social housing completions exceeded 25,000 units annually.

The major focus of policy in the 1990s has been on deficit reduction and administrative reorganisation. In the area of social housing, federal subsidies for existing commitments have been capped at the 1995/96 level. There has been no compensating introduction or expansion of housing allowances or person-based subsidies.

Social rents are generally lower than private rents, but the levels in the two sectors can be very close.

2.2.2 Rent structures

In much of the stock developed between 1974-86 when income mix was a core principle, project rents were established at the low end of market (LEM). Essentially this involved undertaking a market appraisal and then setting rent at roughly 95 per cent of this level. Although deemed to be 'market units' a subsidy was still required to achieve this rent level. Rents in these properties are adjusted annually to remain just below comparable fair market levels.

A portion of units are allocated to low income households with rents established on a 'rent geared to income' (RGI) basis. The RGI rents are set independent of the size, quality or location of the unit, based solely on a percentage of income. Prior to 1986 the social rent scale ranged from 16 per cent to 25 per cent of adjusted gross income. After 1986 there was a phasing up to a 30 per cent scale and in almost all social housing this RGI rate now prevails. The income base is gross income with minor adjustments, which vary across provinces and across the portfolio depending when the project was developed, for items such as: travel allowances, family allowance and earnings of dependants.

Social housing rents are determined differently for people on welfare benefits than for low-wage workers. Welfare benefit includes a housing allowance that is based on actual rent paid, up to a maximum ceiling. Provinces establish welfare rent scales – which in most provinces generates a relatively low rent payment in comparison with the allowance provided to a similar household on welfare living in a private unit. In a few provinces the social housing rent for welfare households is set at the welfare maximum allowance.

The rent structure is established by policy and articulated in a schedule to a project operating agreement. For market (or low end of market) rental units the social landlord must seek endorsement from the provincial housing ministry. For RGI rents the associated procedure for determining inclusions in gross income and for calculating adjustments is set by schedule. In Ontario, social landlords can charge above the approved low end of market rent and can retain a share of the surplus – but may risk vacancies if rents are pushed to high.

2.3 Housing Allowance Schemes

2.3.1 Their nature

Canada does not have, and never has had, a stand-alone national housing allowance programme. Four provinces have very small housing allowance programmes for the elderly and one also has a small programme for families. In these provinces the assistance level calculation is based on tenants paying a percentage of the actual market rent that exceeds a fixed percentage of income, up to a ceiling for eligible rent. Generally, where rent exceeds a threshold (from 25 to 30 per cent of income – depending on the scheme) then assistance will cover between 60 and 90 per cent of the amount (depending on the scheme) by which the rent exceeds the threshold.

Households unable to work or those that have exhausted time-limited unemployment benefits are eligible for social assistance, which includes a specific housing component in

the total benefits. The size of this component varies by size of family and local differences in the cost of living. All schemes impose ceilings on the level of assistance provided specifically for housing, but most welfare recipients rent from the private sector and actual rents are determined by local market conditions – and often exceed the housing maximum (Prince, 1998). Low-income owners are also eligible for income assistance but assistance payments will only cover the interest portion of the mortgage.

There is no rationale any longer for either the level of the basic allowance or the housing amounts paid. They are seldom adjusted for inflation and in some cases have been arbitrarily cut (e.g. in Ontario, as part of a cost cutting measure, the government cut the benefit levels by 21 per cent in 1995).

2.3.2 The degree of help

Social assistance levels and housing allowance maxima vary widely from province to province and between household types (National Council of Welfare, 1998). The variation in the housing component as a percentage of the total benefit ranges from 28 per cent to 66 per cent. In the majority of provinces it falls close to half of the total benefit (Pomeroy, 1996).

Households with income from wages, however low, are ineligible for income assistance. There are no in-work allowances to assist with housing costs, apart from a recent welfare to work initiative under which welfare recipients may continue to receive benefits during a period of transitional training and work experience.

The housing component of social assistance varies widely from province to province. In combination with significant variations in rent levels across the country, the maximum housing component for a family requiring a 2 or 3 bedroom unit ranges from 42 to 120 per cent of the average market rent for an appropriate sized unit. Only in two provinces is the housing component maximum above the average market level and in most jurisdictions it approximates 65 to 75 per cent of market – thus there is a strong incentive to seek out units in the lower third of the rent distribution. (Pomeroy, 1996)

2.3.3 Incentives and disincentives

For households assisted under social housing, where net rents are a fixed percentage of income, the household is immune to the gross rent of the unit. For households receiving welfare, gross rent is only important when it exceeds the maximum housing allowance.

Households in social housing gain no economic advantage by moving to a smaller home – under the flat RGI system a household in a new three bed home will pay the same rent as a family of similar size and income living in a much smaller, 40 year old apartment. Although programme administrators try to minimise transfers, there is a strong incentive to transfer up to a larger newer unit, as there is no change in rent assuming constant income and RGI rent. Many residents in the older public stock try to get on the waiting list for new non-profit properties, whose selection criteria are typically chronologically based, whereas providers with a point rating system would tend to leave such applicants on the list in favour of more needy households.

Welfare-dependent households unable to find or access lower rent units (of which there is

an insufficient supply) must cover the excess cost above the maximum from the living allowance component of their benefit. Some households are forced to choose smaller units that may not be in a sound state of repair. A recent analysis for the province of Ontario reported that almost one third (31 per cent) of households pay below the maximum; five per cent are almost exactly at the maximum and 64 per cent exceed the maximum (unpublished data from Ministry of Community and Social Services).

As a result of no new social housing development since 1995, choice is becoming increasingly limited for low-income households. Meanwhile, private rental production has also been extremely limited, as the economics of new development have not been favourable, and any new building tends to be at the upper rent ranges. This increasingly limited supply of units has pushed up private rents generally. Between 1991 and 1996 the number of rental units below \$500 declined by 310,000 (10 per cent of the total stock). However, the decline in mortgage interest rates has taken some pressure off of the rental market, as younger working households have been able to opt for home-ownership.

General work incentives include increased earnings exemptions and the extension of support benefits and services for families with children beyond the welfare system to the low-wage sector. More punitive measures have reinforced these incentives: toughened eligibility requirements, especially for people regarded as employable; making publicised attacks on welfare fraud and abuse; and targeting younger people for 'workfare' measures (Prince, 1998).

2.3.4 Encouragement and discouragement

In all jurisdictions, local municipalities enact and, to varying degrees, enforce operation and maintenance bylaws intended to ensure minimum state of repair, health and safety. One of the only remaining programmes funded by the federal government is specifically targeted at residential rehabilitation – providing loans to encourage landlords (and lower income homeowners) to rehabilitate deteriorating properties.

Social housing units are assigned on the basis of national occupancy standards – e.g. parents and children have separate bedrooms, children over 5 years of age of opposite gender have separate rooms etc. This determines an appropriate unit size, based on household composition. In most provinces a household may be required to move to a smaller unit in same housing project or in a different project (via a centralised registry referral system). If a household refuses to move it loses eligibility for the RGI subsidy and is assessed at the full market rent.

To discourage the break up of households certain adjustments are made to the gross income taken into account for the purpose of setting rents. These include exemptions of the earnings of children in full-time schooling and partial exemptions for a working spouse. Household amalgamations can follow as a consequence of the lack of a sufficient supply of affordable housing, where excessive costs lead to doubling up – with unrelated individuals sharing a unit.

2.3.5 Opinion and debate

It has been estimated that expenditure on providing housing support via the welfare benefits system exceeds the total federal and provincial expenditure on direct subsidies to

social housing (Carter, 1998). Questions have been raised about the efficacy of the existing housing benefits within welfare. A report on homelessness, by the City of Toronto, also raised the issue of the high incidence of welfare households among those experiencing affordability problems, and recommended adjustment of the housing allowance maxima to objectively reflect median market rents, by locale; but no action has yet been taken. There is a heightened political awareness about the lack of affordable housing and the impact of severe rent burdens on poverty and homelessness.

The debate is beginning to centre on two related but separate issues. The absolute lack of new rental production to meet project population and household growth; and the increasing problem of affordability. The government has consistently rejected calls for a return to the large-scale supply programmes of prior eras. There appears to be greater government interest in addressing the narrower problem of affordability through a system of rent supplements (contracts with private or non-profit landlords) or through housing allowances – expanded to serve the working poor.

3 FRANCE

3.1 Tenure

3.1.1 Types of tenure

More than half of all French households live in owner-occupied homes (see Table 3.1). A little less than half (46 per cent) of all tenants are in social housing.

Table 3.1 Developments in occupancy status 1984-1996

Occupancy status	October 1984		October 1988		November 1992		December 1996	
	Number of people (000s)	%	Number of people (000s)	%	Number of people (000s)	%	Number of people (000s)	%
<i>Owned, outright</i>	5,360	26	5,829	27	6,612	30	7,465	32
<i>Owned, with mortgage</i>	4,963	24	5,410	26	5,301	24	5,180	22
Total number of owners	10,323	51	11,387	54	11,913	54	12,645	54
<i>HLM dwellings</i>	2,978	15	3,189	15	3,376	15	3,657	16
<i>Other social</i>	384	2	433	2	399	2	434	2
Total Social sector	3,362	16	3,622	17	3,775	17	4,091	18
Private sector	4,570	23	4,291	20	4,550	21	4,786	21
Total number of tenants	7,933	39	7,913	37	8,336	38	8,877	38
Other status	2,109	10	1,957	9	1,882	8	1,764	8
All households	20,384	100	21,256	100	22,131	100	23,286	100

Source: INSEE (National Institute of Statistics and Economic Surveys) Housing Survey

These are two types of social housing provider:

- HLM: (*Habitat à Loyer Modéré* – Moderate Rent Habitation) which benefit from government lending at low interest rates for long term loans;
- SEM: (*Société d'Economie Mixte*) which are privately owned, but receive some public funding – since 1977, they have enjoyed the same advantageous interest rates as HLM.

Low-cost rented accommodation is available to households whose incomes do not exceed a certain limit, which depends upon the household structure and the geographical area. This limit is slightly more than twice the amount of the inflation-indexed minimum wage SMIC (*salairé minimum interprofessionnel de croissance*) for a household without children and approximately three times the amount of the SMIC for a household with two children. For lower-cost rented accommodation, the limit of income is set at 60 per cent of the general limit.

Other factors, such as homelessness or poor housing, would influence the urgency with which social housing might be allocated. (Oxley & Smith, 1996)

3.1.2 Security and mobility

Social tenancy agreements are concluded for a period of six years. However, an extension of the tenancy can only be refused if the house is sold or the tenant fails to fulfil financial obligations (Boelhouwer et al, 1997). Tenants who fail to pay their rents may be evicted, but government financial assistance might be applied for in such cases.

Where a household's income rises to exceed the ceiling of income by 40 per cent or more, then a surcharge may be added to the rent. This can sometimes encourage the household to leave the property. But, a recent reform has been introduced to promote social equality by giving households with various incomes access to new low-cost housing: these dwellings can accommodate households with higher incomes by asking them to pay a higher rent. While 10 per cent of households can exceed the income ceiling by 20 per cent, the social function is maintained by reserving 30 per cent of the dwellings for households who do not exceed 60 per cent of the income ceiling.

There is a sales policy for HLM and other low-cost housing, but it differs from the Right To Buy in that, while the tenant may ask to buy the dwelling, the owning establishment is under no obligation to sell it. As a result, this policy has a very limited effect – about 5,000 dwellings are sold each year out of a total of 3.8 million low-cost rented dwellings.

More broadly, owner-occupation is promoted by a number of subsidies. There are two types of finance for subsidised home ownership: *Prêt à taux zéro* (PTZ – formerly called 'PAP', *Prêt à l'accession à la propriété*) and the obsolescent PC, *Prêt Conventienné*. There are now more than 110,000 PTZ homes. The government lends money to people with low earnings, at zero interest, with a maximum loan of 140,000 FF, dependent upon:

- the price of the house and the amount of the loan
- the year of acquisition
- the number of persons
- the geographical area.

Tax exemptions are available for existing dwellings (but there are no longer fiscal exemptions for buyers of new dwellings). Additionally, households with mortgages may qualify for housing allowances.

3.2 Social rents

3.2.1 Levels of subsidy

A new system for funding social housing was introduced in 1977, with the intention of shifting subsidy away from bricks and mortar towards greater personal subsidy (Evans, 1996). This included the introduction of a new housing allowance, linked to the funding of property development.

By 1999 the annual production of social rented dwellings was down to 40,000 homes. The forecasts are for about 50,000 in 2000 and 55,000 per year in 2001 and 2002. This follows from the introduction of a new method of finance (PLUS, *Prêt Locatif à Usage Social*), the decrease of interest rates and to the reduction in household borrowing. There is also a policy directed at the improvement of existing dwellings (about 15,000 a year in for the next few years).

The rents charged on private rental dwellings are reported annually. It can be seen, from Table 3.2, that the differences between private and *Prêts Locatifs Aidés* (PLA – the main funding scheme for HLM and SEM before 1999) rents are far greater in Paris than outside.

Table 3.2 Comparison of rents of loan-assisted stock (PLA) to those of the private rental sector

Monthly rent in F/m ² of living space	1993	1994	1995	1996	1997	1998
PLA housing (on 01.07)						
<u>Maximum rent* :</u>						
Area 1A	34.70	35.10	35.10	37.20	39.00	39.05
Area 1	32.70	33.20	33.20	35.00	36.70	36.74
Area 2	29.00	29.30	29.30	30.40	31.20	31.30
Area 3	27.20	27.50	27.50	27.40	29.00	29.05
Private rental stock (on 31.12)						
<u>Average rent :</u>						
Paris	79.20	80.00	81.00	81.40	83.00	84.80
Inner suburbs	63.30	64.40	65.10	65.60	66.70	68.00
Outer suburbs	34.50	35.00	36.50	37.00	37.70	38.50

* Until 1995, the rent of PLA housing was set in F per m² of amended area. In order to obtain the equivalent in m² of living space, an average index of 1.7 has been implemented. Since 1996, they have been set in F per m² of floor space, close to living space. The figures correspond to the average of the maximum rents.

Area 1A: Paris and bordering communities.

Area 1: Paris agglomeration, urban area and new cities of the Ile de France region.

Area 2: Rest of Ile de France, the agglomerations of more than 100.000 inhabitants.

Area 3: The rest of the national territory.

In Paris and in the inner and outer suburbs, there exists, a de facto low-cost stock in the private rental sector, offering obsolete housing at very moderate rates. This often provides a fallback solution for households in difficult financial situations. This rented accommodation represents approximately eight per cent of the private rental stock according to the results of the 1992 Housing Survey from INSEE. The rents charged can, therefore, be equivalent to or even less than those of the low-cost housing sector, which, on the other hand, offers housing with proper standards of comfort and habitability.

Outside of the Ile de France, HLM rents are as high or even sometimes higher than those of the private rental stock. This occurs in sectors where the private rental stock is old and offers much lower levels of quality and amenity than that of low-cost housing.

3.2.2 Rent structures

Initially, a social rent is determined by: the geographical area (Paris, near Paris, large

towns, country); the size of the home (m²); and the method of finance (PLA, PLUS...). Nevertheless, this rent cannot exceed a limit, determined by annual regulations, that apply to new construction. It is independent of the tenant's income (except when surcharged for exceeding the income ceiling) and factors relating to the immediate neighbourhood.

Where a household's income increases beyond the ceiling for initial eligibility, by 40 per cent or more, then it may be liable for a 'solidarity surcharge'. Otherwise, rent increases are restrained within the government's annually revised limits.

The emphasis on construction costs, as a determinant of social rents, tends to match the rental structure with those of private rental and property values, though at lower levels (Oxley & Smith, 1996). The differences between rents in the social and private sectors reflect the subsidised borrowing available to the social landlords, and the differing land prices of their chosen localities.

Social landlords have some discretion in how they structure their rents. They may, for instance, choose to equalise rents across different parts of their stock. There is no obligation to use 'historical rents' as long as the new rents are within the limits of the national regulations.

3.3 Housing allowance schemes

3.3.1 Their nature

There are three, mutually exclusive, schemes for both tenants and homeowners:

- *Allocation de Logement à caractère Familial* (ALF) is paid to those receiving family allowances, younger, childless, married couples and those support people with disabilities.
- *Allocation de Logement à caractère Social* (ALS) is paid to older people, people with disabilities and long-term unemployed people.
- The third scheme, *Aide Personnalisée au Logement* (APL), is linked to homes supported by public loans – whether for purchase, renovation or construction – where the tenants or owner-occupiers are eligible for neither ALF nor ALS.

The principles are the same for all three schemes. The calculation of allowances determines a net rent proportional to income, which differs with household size. Elements in the calculation include a minimum rent, for which the household will always be responsible, and a maximum rent, beyond which allowances will not cover.

The calculation of housing allowances uses a complicated formula, that starts with the taxable income of the household. Standard deductions from the income taken into account are then made for dependants, for receipt of certain benefits and if both spouses are working. There is an additional income disregard for APL renters. From the income and household composition a household constant is derived (this constant is a little higher, and therefore more generous, for APL). This constant is then multiplied by a factor derived from the amount of the gross rent (up to the predefined maximum), plus an amount dependent on the size of the household, less the minimum rent. (Evans, 1996;

Habib, 1995)

The minimum rent is calculated by taking a percentage of the household's income from five 'tax' bands. Nothing is taken into account from the lowest band of income, then three per cent from the second, 26 per cent from the third, 29 per cent from the fourth and 41 per cent from all income above the highest threshold. Table 3.X gives an example of the minimum rent calculation (using 1994 values) for a couple with two dependants (the income bands would be different for other types of household). (Habib, 1995)

Table 3.3 Minimum rent calculation for a single parent or couple with two dependants and an annual income, after deductions, of FF60,000

Income band (FF)		Percentage of income taken into account	Amount of income taken into account (FF)
From	To		
0	20,167.50	0	0
20,167.50	29,015.10	3	265.43
29,015.10	37,270.00	26	246.27
37,270.00	58,032.00	29	6,020.98
58,032.00	60,000.00	41	806.88
Total taken into account (= annual minimum rent)			7,339.56

Source: figures derived from Habib (1995)

These allowances are funded by the *Fonds des prestations familiales* (Fund for family benefits), the *Fonds national des aides au logement* (National fund for housing allowances) and government budget. The amount dedicated to these personal allowances was: more than 81 billion francs in 1998, with more than six million households benefiting from them, which means that one household in four receives an allowance, at an average of 12,000 francs per year. Yearly adjustments, between changes in income and the assessment of ceiling rents, keep the cost of these allowances under control.

ALF was introduced in 1948, following the decontrol of rents, to ensure affordable housing for families. ALS was introduced in 1971 to extend assistance to low-income households without children. But it was only in 1993, that it was extended to all households, thanks to the complete generalisation of the ALS. APL was introduced in 1977 as part of a policy to direct subsidies away from bricks and mortar and more towards people.

3.3.2 The degree of help

Tables 3.3 and 3.4 show the numbers and percentages of tenants and purchasers (owners with mortgages) who receive housing allowances. Among HLM tenants, 33 per cent receive some sort of housing allowance, as do 25 per cent of private tenants.

Table 3.4 Tenants receiving housing allowances

	Number of households	%
ALF & ALS	1,617,894	18
APL	2,137,634	24
Non beneficiaries of housing allowance	5,120,817	58
Total	8,876,345	100

Source: INSEE Housing Survey 1996

Table 3.5 Home purchasers receiving housing allowances

	Number of households	%
ALF & ALS	273,168	5
APL	667,387	13
Non beneficiaries of housing allowance	4,252,401	82
Total	5,192,956	100

Source INSEE Housing Survey 1996

3.3.3 Incentives and disincentives

There is an incentive for tenants to find homes with lower rents. Housing allowances depend upon the size of the family, not on the size of the house, so if a family rents a home larger than it needs, its allowance will not be any higher than for more appropriate accommodation. In most cases, the actual rent is greater than the limited rent used in calculating the housing allowance, even in HLM housing. Tenants receiving housing allowances will look for the best ratio of quality to price, in home that meets their needs and their income.

In France, there is a substantial private rental supply. The existence of personal housing allowances does not generally influence the rental market, except in university towns where it affects the rates of small accommodation. The introduction of a housing allowance for students encouraged an upward trend in the student accommodation market, as landlords increased the rents in anticipation of the allowances the students would receive.

The French housing allowance scheme creates an unemployment trap. Social benefits as a whole are not taxable, unlike earned income. Moreover, the income support of the unemployed is not taken into account in the calculation of housing allowances. This causes a general problem, where there is no incentive to work when earnings are equal to the *Revenu Minimum d'Insertion* (RMI) – a minimum-income welfare payment. From January 2001, a reform comes into effect that will put the treatment of earnings and social income on the same footing.

A more general work incentive – or unemployment disincentive – is provided by the reduction of unemployment benefit every four months, where the claimants fails to find work, subject to a minimum level of payment. *Allocation formation Reclassement* (AFR)

is payable to those who undertake redeployment training. An amount of income is disregarded in the calculation of housing allowances for those who receive AFR. (Habib, 1995)

3.3.4 Encouragement and discouragement

High standards are set for the construction of social housing and schemes exist to promote the rehabilitation of housing. There are two rehabilitation schemes: PALULOS (*prêt à l'amélioration à usage locatif social*) allows HLM and SEM to rehabilitate their properties with public subsidies and ANAH (*agence nationale de l'amélioration de l'habitat*) does the same for private landlords.

In a few communities, unoccupied dwellings may be taxed (*Loi contre l'exclusion*). Accommodation which is merely under-occupied is not subject to any measure at present, though HLM would like such provision. There are, however, policies to demolish tower blocks that are old and under-occupied.

Household formation was apparently encouraged when the scope of the housing allowances system was extended in 1993. There was a large increase in the number of recipients, believed to be largely a consequence of students taking up studio apartments, rather than living at home with their families.

3.3.5 Opinion and debate

The current concerns are:

- Merging the three housing allowance schemes into one scheme;
- The increasing number of income support claimants, with currently about 1.1 million in receipt;
- The housing allowance system is not integrated with the income support scheme, which is administered by different government bodies and involves an entirely separate means test;
- The unemployment trap is discouraging people from taking up work.

The public authorities want to keep the cost of housing allowances under control, but very few researchers are interested in this issue and there is almost no public debate.

4 GERMANY

4.1 Tenure

4.1.1 Types of tenure

Renting is the commonest type of tenure in Germany (see Table 4.1). Among the rented stock, landlords are predominantly private, in both the former Federal Republic and the former Democratic Republic.

In April 1998, just over two fifths (41 per cent) of households were owner-occupiers living in their own homes, while 57 per cent of households were tenants and 2 per cent were sub-tenants (Federal Statistical Office, 1999). In 1994, there were approximately three times as many households in the private rented sector as in social rented housing (see Table 4.1).

Table 4.1 Households by tenure

Tenure	% of households
Owner-occupiers	38
Private renters	43
Social renters	15
Others	4
	100

Source: Joseph Rowntree Foundation (1994)

Low income is the main criterion for eligibility for social housing. The income maxima, set by the Federal Government, are dependent upon household size and the housing scheme's type of subsidy. (Dorn, 1997)

At present about 40 per cent of all households would be eligible, when judged against the federal income limits. Households may apply for a certificate of qualification. Landlords may then select tenants from those so qualified. But usually there are two levels of eligibility, with some priority given to those considered by local authorities to be in 'urgent need' by reference to further criteria, e.g. unmarried mothers, dislodged households, ex-convicts, homeless people and so on.

4.1.2 Security and mobility

There is a high degree of security of tenure. Once a household has taken up its tenancy there are no further reviews of income (Oxley & Smith, 1996). Eviction would usually only follow from unacceptable behaviour or rent arrears.

Encouragement for better-off social tenants to either leave or remain in social housing depends on the situation of housing provision in general. Speaking in legal terms, better-off social tenants, whose incomes rise to 20 per cent above the qualification limit, should pay a tax (*Fehlbelegungsabgabe*, which literally translates as 'wrong occupancy rate'). Given a shortage of housing the better off tenants are encouraged or even urged to leave the social housing sector; but at present in certain (socially stressed) areas the 'wrong

occupancy rate' is waived and these households are asked to stay in order to promote social mix. The practice varies in the different states of Germany.

4.2 Social rents

4.2.1 Levels of subsidy

The rents of social housing estates vary with the date of construction, the size of the municipality and the means of finance at the time of construction. Each project has its own 'cost rent', i.e. a rent, that is calculated on the basis of the real costs, the interest rate and the amount of public subsidies.

There are no generally applicable levels of social housing rents, because they vary according to the factors mentioned above. But, to give one example, in Northrhine-Westfalia (which accounts for about 25 per cent of Germany's population) four per cent of social housing rents are above the average of 'private' rents. The bulk of social rents are below the average market price of privately financed housing.

4.2.2 Rent structures

'Social' housing is defined by the receipt of public subsidy for the dwelling, rather than by the public status of the landlord. State governments set the rents that social tenants actually pay, while landlords calculate cost rents for their properties. The landlord is then compensated for the difference between the rent charged to the tenant and the cost rent of the property. (Oxley & Smith, 1996)

Social rents depend on factors of finance and state sponsorship, but not on property or household characteristics. There is now, however, the possibility of the introduction of income-related rents, but to date there have been only few such experiments.

Individual social landlords have little discretion in determining their own rent structures. They reduce rents, waiving a certain amount of their own income, in order to make the dwellings more attractive to prospective tenants. But they are not allowed to establish cross-subsidise within their social housing portfolio.

4.3 Housing Allowance Schemes

4.3.1 Their nature

Both tenants and owner-occupiers may apply for a means-tested housing allowance – *Wohngeld*.

Tenants who receive social assistance (*Sozialhilfe*) automatically get a payment to cover 100 per cent of their rents, net of service charges. Tenants not in receipt of social assistance, and home owners, may apply for a housing allowance – which never covers 100 per cent of housing expenditure.

This latter, partial, housing allowance is calculated in relation to the size of the household, and its expenditure and income. A number of deductions are made from

income, according to the number of children, older people and earners in the household, and whether income tax, health insurance or pension contributions are paid. Next, local rent levels, and the age and facilities of the property are taken into account. This process also determines a rent ceiling, beyond which the housing allowance will not compensate. (Schluter, 1995)

4.3.2 The degree of help

The housing allowance only compensates for 100 per cent of rent in the case of tenants receiving social assistance.

4.3.3 Incentives and disincentives

The housing allowance only covers rents up to a limit, beyond which the tenants will not be compensated. (Schluter, 1995)

A condition for receipt of social assistance is that each claimant should strive to become independent of such assistance 'according to all his abilities'. Thus, if a claimant refuses to find work that meets the legal definition of 'adequate', then payment of benefit may be stopped.

The 'Help to Work' scheme aims to re-integrate social assistance claimants into the labour market. The benefits agency contributes to the costs of creating or maintaining suitable jobs. (Schluter, 1995)

4.3.4 Encouragement and discouragement

Funding for social housing sets minimum standards of building quality for new developments.

Landlords who improve properties are allowed pass some of the costs onto higher rents (Smith, 1997).

4.3.5 Opinion and debate

A problem has been identified with the rent and income limits used in the housing allowance system, which are only adjusted every few years, to take account of general changes in rents and incomes. Between adjustments, households may 'outgrow' these limits and cease to qualify for allowances, only to re-qualify when limits are up-rated, perhaps experiencing financial difficulties in the meantime. This has led to some states developing their own additional, hardship payments in response to problems created by the federal system. (Smith, 1997)

Other concerns relate to the cost rent system of social housing. It is thought that social housing ought to be related more closely to tenants' incomes than to construction costs. The need to reduce construction costs themselves, which are high when compared to those of other European countries, has also been identified. (Smith, 1997)

5 GREAT BRITAIN

5.1 Tenures

5.1.1 Types of tenure

Less than a quarter (22 per cent) of households live in social-rented homes, while two-thirds of households are owner-occupiers.

Table 5.1 Households by tenure, England 1997/98

Type of tenure	%
Owner occupied	67
Social rented from local authorities	17
Social rented from registered social landlords	5
Private rented	10
Total	100
All households (000s)	23,477

Source: Family Resources Survey, 1997/98

During the last twenty years, ownership of social-rented housing has shifted from local authorities towards registered social landlords (RSLs). In 1981, 30 per cent of all dwellings were owned by local authorities while two per cent were owned by RSLs; by 1998, local authorities owned 17 per cent of stock and RSLs five per cent.

Between 1981 and 1991 the number of households that owned their own homes increased from 9.9 million (57 per cent of all households) to 13 million (68 per cent). The rate of growth slowed during the 1990s and the number of owners increased by less than a million to 13.9 million.

Social tenancies are usually allocated by means of the housing registers maintained by local authorities. There is considerable variation in the criteria used by local authorities to determine the housing priorities of households on their registers. Many local authorities require an applicant to have been resident (or working) in their area for a specified period before they may be included. Criteria include current housing circumstances and length of time on the register. But local authorities must give reasonable preference to certain statutorily defined groups, including families with dependent children, households occupying insanitary or overcrowded accommodation and homeless households (there is a central government Code of Guidance, which allows some measure of central influence over allocations policies). Properties may be allocated from local authorities' own stock or households may be nominated RSLs, which are required to make at least 50 per cent of their new lettings available to local authorities' nominees.

About 30 per cent of social housing tenants are in work, with eight per cent unemployed and thirty-eight per cent retired. The profiles of the economic status for tenants of local authorities and those of RSLs are now very much the same.

Table 5.2 Economic status of social housing tenants

	%
Full-time employment	23
Part-time employment	7
Unemployed	8
Retired	38
Other economically inactive	24
Total	100

Source: 1998/9 Survey of English Housing

5.1.2 Security and mobility

Generally, social tenants have indefinite security of tenure in the specific property to which they are allocated, subject to meeting the terms of the tenancy agreement – e.g. rent arrears or certain behaviour would be in breach of the tenancy agreement. But changes in circumstances, such as income or household size, do not affect security of tenure.

Better off social tenants are not encouraged to move to private tenancies, but nor do any policies specifically aim at the promotion of ‘social mix’ within social housing. Various low cost home ownership schemes exist, allowing occupants to partially buy and partially rent their homes. A succession of schemes have provided social housing tenants with cash incentives to vacate their rented housing a purchase other homes.

There have been sales by social landlords under a national Right To Buy scheme since 1980/81. In Great Britain, there have been over 1.75 million Right To Buy sales. Previously, some social landlords had their own arrangements. Recent changes to the scheme have made it less generous.

Households receiving Income Support or Job Seeker’s Allowance are also entitled to Income Support for Mortgage Interest after nine months, but there is no equivalent of Housing Benefit to support owner-occupiers who are in work. Tax relief on mortgage interest has been phased out over recent years.

Local authorities in England, with the consent of their tenants, have been transferring their stock to RSLs since 1986/87. Over 350,000 dwellings have so far been transferred. The Government plans to encourage further transfers, of up to 200,000 homes a year.

5.2 Social rents

5.2.1 Levels of subsidy

There has been a steady decline in object subsidies from central government for many years. In England, the balance has moved from 84 per cent bricks and mortar subsidy and 16 per cent personal subsidy in 1979, to 27 per cent bricks and mortar subsidy and 73 per cent personal subsidy by 1998-99. The gradual reduction in bricks and mortar subsidies resulted in a steady increase in social rents and a corresponding increase in personal subsidies.

Local authority rents are generally about 60 per cent of those in the private rented sector, while RSL rents are about 70 per cent of private rents, although there is considerable variation across regions. The mean local authority rent at April 1998 was £42.24 per week and the mean RSL rent at April 1998, excluding service charges, was £49.71. The 1997/98 median and mean assured private rents were £75 and £87 respectively (Housing in England, 1997/98). The 1997/98 mean mortgage payment (including payments for endowment policies for final repayment of the loan, insurance and other charges) was £78 (Family Expenditure Survey).

The Government is committed to keeping social rents well below private sector levels at what it calls an 'affordable' level.

5.2.2 Rent structures

Although central government encourages social landlords to have regard to the characteristics of their properties in setting social rents, in practice social landlords have considerable discretion in determining the structure of their rents and the weights they give to property characteristics. Many social landlords use points systems to set rents. Typically, larger and newer dwellings get extra points and hence higher rents. Other factors can include central heating, the presence of a garage, the state of repair and similar points; but little weight is given to popularity of location. The Government is consulting on possible schemes for establishing a nationally coherent structure of social rents.

In general, the links between rents and property characteristics are weaker for social housing than for the private sector, where there is a closer relationship with the market value and property characteristics seen in owner occupation. In particular, social rents do not vary as much with location (either within a region or between regions) as is the case with private rents and the market values of owner occupied properties.

There can be significant differences in the social rents of similar properties within a region. These differences can be between local authority and housing association landlords in a given locality, or between local authority landlords in neighbouring localities. These discontinuities are not in general the case for the other tenures.

Social landlords do not base a particular property's rent on the income or other characteristics of the particular household occupying that property.

5.3 Housing Allowance Schemes

5.3.1 Their nature

Housing Benefit (HB) is based on a system for assessing the needs of households and providing rent rebates or allowances to households whose income would otherwise fail to meet their needs. The 'applicable amount' for a household depends upon the number and ages of its members and special considerations for disability. To this is compared the household's net income, with certain amounts disregarded. Where income is less than or equal to the applicable amount, then the household qualifies for housing benefit equal in full to its 'eligible rent' (which excludes certain elements such as fuel charges). Where

income is greater than the applicable amount, then 65 per cent of the excess is deducted from an amount equal to the eligible rent, and, if this exceeds 50 pence, this amount is paid as housing benefit. Further adjustments may be made with respect to non-dependants in the household and amounts of savings or other capital may be taken into account.

For tenants in the private sector, the amount of benefit that they can claim may be limited by comparisons made to Local Reference Rents (determined by Rent Officers), considered appropriate to the size of the household and with reference to the level of local rents.

Tenants in receipt of Income Support (IS) or Job Seeker's Allowance (JSA) receive Housing Benefit to cover their full rent. They may continue to receive HB for up to four weeks after ceasing to qualify for IS or JSA, to aid the transition into work.

Recipients of IS and JSA may also receive help to cover mortgage interest payments.

HB is an income-related Social Security benefit designed to help people who rent their homes and have difficulty with their housing costs. The limitations on payments to private sector tenants were introduced to encourage claimants to live in moderately priced accommodation. The extended payments scheme was designed to ease the transition into work, thereby encouraging more claimants to find work.

5.3.2 The degree of help

For tenants without paid work, HB can provide a substantial amount of their total income from social assistance benefits. Table 5.3 gives some illustrations.

Table 5.3 Proportions of income provided by Housing Benefit

	Average Income Support/JSA	Average Housing Benefit	HB/ (HB+IS/JSA) (%)
Aged 60 or over	42.28	42.85	50
Disabled	65.68	50.35	43
Lone Parent	82.33	55.72	40
All IS	59.91	49.13	45
Unemployed with JSA	57.30*	48.95	46

Housing Benefit may cover the housing elements of the rent in full, subject to the level of the claimant's income and to limitations where private sectors rents are seen as excessive.

Table 5.4 shows how many have been assessed under the Local Reference Rent (LRR) scheme. It is estimated that in England and Wales about 70 per cent of all referred rents are restricted – the average shortfall is £21 in London.

Table 5.4 Housing Benefit recipients (Deregulated tenants) assessed under both LRR schemes – May 1998 – Great Britain

	All cases	Aged 60 and over	Disabled	Lone parent	Unemployed	Others
Total						
Housing Benefit	803,000	96,000	146,000	210,000	194,000	156,000
January 1996 LRR scheme	412,000	41,000	74,000	119,000	98,000	80,000
October 1997 LRR scheme	130,000	7,000	19,000	34,000	44,000	26,000

Source: Housing Benefit Management Information System, annual 1% sample enquiries taken on the second Thursday of May 1998.

5.3.3 Incentives and disincentives

Social housing tenants who qualify for Housing Benefit have little financial interest in the size of their gross rent. The amount of rent they pay, if any, will usually only be a consequence of their income and not of the original rent, and any rent increase will be covered in full.

Private sector tenants whose rents exceed local reference limits will not have the full amount of their rents covered by HB. Recent research into tenants' responses to the restriction of their housing benefit because of reference limits found that 21 per cent tried to negotiate rent levels with the landlord, although over half were unsuccessful. One fifth (more in London) considered moving when they found that their level of HB was lower than the asking rent. Tenants' main reason for not considering moving was the expectation that they would not find cheaper accommodation.

A small incentive to find work may be provided by the 'earnings disregards' that apply in the calculation of Housing Benefit, but the amounts are small – £5 for single people, £10 for couples and £25 for lone parents. The Extended Payments scheme was designed to encourage claimants to find work, by eliminating the time between when benefit payments are stopped and a wage is paid. Claimants receive their full HB allowance for the first four weeks of employment, regardless of their new income level. However, take-up is poor.

A disincentive to take up low paid work is created by the combination of the progressive withdrawal of benefits, including Housing Benefit, as earnings rise. Claimants of Housing and Council Tax Benefits who are also in receipt of Working Families Tax Credit may lose up to 95p of every £1 earned above the applicable amount.

5.3.4 Encouragement and discouragement

There are a number of schemes that encourage the maintenance of good quality housing, though none is linked to Housing Benefit. These include voluntary accreditation schemes for private sector landlords, and grants for renovations are available to low-income

households.

The Government is committed to encouraging local authorities to make the best use of their housing stock by reducing under-occupation and bringing empty properties back into use. Incentives may be offered to local authority tenants who under-occupy their homes; these can include priority access to the transfer list, help with moving costs and cash grants for home purchase. It is difficult to say how successful these initiatives are. There is evidence that some households who take advantage of these incentives would have moved anyway.

A scheme designed to encourage Housing Benefit recipients, in the social rented sector, to move to more suitable accommodation is being piloted. Tenants who move will be entitled to a lump sum payment of about half of the Housing Benefit savings that would follow from the lower rent over three years. This gives them a financial interest in their rents, and an incentive to move somewhere cheaper. The scheme is entirely voluntary.

Severe restrictions on the Housing Benefit eligibility of single people under 25 years of age may tend to discourage the formation of single person households in this age group.

5.3.5 Opinion and debate

The Government has recently expressed a number of concerns about the current Housing Benefit system. These include:

- The complexity of the system makes it both difficult to administer and difficult for claimants to comprehend.
- The cost of fraud and administrative errors is thought to be unacceptably high.
- Housing Benefit does not contain strong work incentives. Many claimants may not know they can get HB in work, while for others the high withdrawal rate of benefits, combined with taxation, acts as a disincentive to try to increase earnings.
- Housing Benefit gives tenants little interest in their rent. Provided they are not subject to rent restrictions, it can be reimbursed in full, often directly to the landlord. This means that some tenants are not even aware of the rent they pay.

The Government's plans to address these concerns include some administrative simplifications, improved information processing systems and incentives for local authorities to prevent fraud.

6 IRELAND

6.1 Tenure

6.1.1 Types of tenure

Most homes in Ireland are owner-occupied, with only a fifth of homes rented. Nearly all social housing is provided by local authorities.

Table 6.1 Division of households between tenures

	%
Owner occupied	80
Private rented	10
Local authority	9
Other	1
All	100

Households applying for local authority rented accommodation must establish that they are living in housing that is inadequate in some way (e.g. unfit or overcrowded) and that their income does not permit them to remedy these housing inadequacies themselves. Once on the list of approved applicants, households are allocated accommodation on the basis of urgency and duration of need, and on the availability of suitable housing units.

Housing associations operate as suppliers of social housing through participation in either the Capital Assistance Scheme or the Rental Subsidy Scheme. Under these schemes, loans or rental subsidies, or both, are paid by the Department of the Environment and Local Government (via local authorities) to approved voluntary or non-profit housing associations.

Three-quarters of households in projects funded by the Capital Assistance Scheme must meet local authority criteria of housing need and household type (there is a particular stress on special needs households such as the elderly and the disabled), while there is an income ceiling determining eligibility for the Rental Subsidy

Table 6.2 Economic status of social rented households (compared with owner-occupiers)

	%
Households with people at work (owner occupiers)	24 58)
Risk of poverty (owner occupiers)	50 18)
Households heads with primary education only (owner occupiers)	60 31)
Dependent on welfare (approximately)	80

6.1.2 Security and mobility

A local authority tenant who abides by the tenancy agreement effectively has a 'home for life', and may pass on the tenancy to any relative normally resident in the accommodation. The practice amongst local authorities varies on this, some insisting on a minimum number of years in residence, others only allowing tenants to succeed where the accommodation is considered suitable to their needs. Another aspect to this is that once people are named as tenants (e.g. both partners in a relationship), it is not easy for them to be removed as joint tenants.

While non-payment of rent is grounds for eviction, in practice local authorities are reluctant to evict for this reason and try to come to a repayment arrangement with the offending tenant. Certain provisions of the Housing Act 1997 attempted to assist local authorities in tackling 'anti-social behaviour'. The latter is defined as including selling or supplying drugs and any behaviour that might cause significant danger or injury to neighbours. The local authority may apply to the District Court for an excluding order against a member of a household that it believes is engaging in anti-social behaviour. (Before this Act, the local authority only had power to evict the entire household.) The local authority may refuse to let a dwelling if the prospective tenant has a history of anti-social behaviour. Additionally, the Act gives the Health Boards discretion to refuse rent supplement to someone who has been evicted from a local authority tenancy on grounds of anti-social behaviour. However, Cork Corporation is currently facing a High Court challenge from a tenant suspected of drug dealing, with the result that most activity under this Act has halted nationally.

The main emphasis in policy in relation to home ownership has been on 'right to buy' (see below). An exception, confined to a short period in the mid-1980s, was a housing surrender grant scheme. This provided a grant of £5,000 to tenants (and tenant purchasers) who surrendered their local authority house in order to purchase a private house. A total of 7,700 households (7 per cent of the sector) took advantage of this measure. The scheme was designed to 'free-up' local authority housing. However, it gave rise to a number of negative social effects, which have outlasted its abrupt termination (i.e. creaming off the better-off tenants and an exodus from the worst estates).

Privatisation of the social rented sector through heavily discounted tenant purchase has been a longstanding feature of social housing policy. This would include 'special' initiatives, which offered a further premium to tenants to buy. Indeed, of 330,000 houses ever built by local authorities, less than a third (99,000) are still in public ownership. This policy has obviously contributed to the current small size of the sector. It also means that social rented estates have been transformed into largely privately owned housing. It is worth noting that flats have not been sold off for legal reasons.

Owner-occupation has been the primary goal of Irish housing policy over a long period of time, though somewhat qualified in recent times. The current policy measures include:

- first-time buyer's grant of £3,000;
- mortgage interest relief (£2,500 for first time buyers at standard rate, £2,000 for others);
- supplementary assistance for welfare-dependent households with mortgage costs;

- absence of any property taxes on residences;
- special subsidies for the purchase and renovation of homes in designated areas.

Shared Ownership is a local authority administered scheme which offers home ownership in a number of steps to those who cannot afford full ownership in one step in the traditional way. Generally, an income limit equivalent to £20,000 per annum in the case of a single income household applies (subject to certain exemptions). Purchasers share the equity value with the local authority and pay a rent charge on the local authority equity of 4.5 per cent per annum.

The Affordable Housing Scheme was launched on 2 March 1999. Under the terms of the scheme, local authorities provide houses for sale for eligible purchasers at cost price and, accordingly, at a significant discount from the market value of comparable houses in the area.

There are no policies to promote the transfer of local authority homes to other landlords.

6.2 Social rents

6.2.1 Levels of subsidy

Local authority, voluntary and non-profit landlords have increased their housing stock by very modest amounts in recent years. (This is at a time of record new build nationally.) The relatively marginal role still played by these suppliers of social housing has ensured a continued and widespread reliance on private landlords – subsidised through the rent supplement scheme – by poorer households.

Prior to 1987, local authority housing accounted for between 20 and 30 per cent of total new housing construction. In 1987 and until the early 1990s, there was a sharp reduction in construction, due to an overall policy to reduce government expenditure. In recent years, the policy has been reversed and ‘social’ output has been slowly increasing, rising to 4,000 units last year. (The phrase social housing was coined in the early 1990s to reflect the emergence of voluntary housing. This now accounts for 500 new housing starts, with the remainder in the local authority sector). However, with a major increase in private housing output, this figure represents less than 10 per cent of new housing build.

However, the demand for housing has greatly increased in recent years due to a combination of higher costs of private housing and an increase in households seeking accommodation. This has prompted government to put in place plans to greatly increase social housing output. Under the National Development Plan 2000-2001, social housing is to increase to 9,000 units per year, of which 4,000 will be in the voluntary housing sector. There will be a further 2,000 ‘affordable’ housing units for owner occupation.

Most local authorities and voluntary housing associations set maximum social rents that are considerably below the market value. These range from £69 to £110 per week. Comparable rents in the private sector would be twice or three times these figures. They would also be lower than mortgage costs, but not to the same extent as private rents. This reflects the prevailing low interest rates and, to a lesser extent, mortgage interest relief.

6.2.2 Rent structures

Local authorities and voluntary housing associations operate subsidised rentals: the differential rents scheme in the local authority sector and the rental subsidy scheme in the voluntary housing sector. These reflect the following principles:

- rent should be related to income
- subsidiary earners should make a rental contribution
- allowances should be made for child dependants
- a hardship clause should operate.

Rents are not differentiated by property characteristics.

The resulting rents are below the cost of supplying the accommodation. The shortfall in cost is made up by the Department of the Environment and Local Government.

There are two different methods of calculating assessable income for the purposes of determining social rents:

- rent-fraction: the fraction of income paid in rent increases with income
- proportional: rent paid is based on a constant proportion of income.

Assessable income includes earnings, social welfare and income from other sources.

Within the framework of the differential rents scheme, local authorities exercise discretion in setting rents in terms of

- the forms of income assessable for rent purposes
- the manner in which rent is calculated (i.e. rent-fraction or proportional method)
- the ways in which allowances are made for dependent children.

6.3 Housing allowances

6.3.1 Their nature

The main instruments are rent and mortgage supplements under the Supplementary Welfare Allowance (SWA) scheme. These are administered by the Regional Health Boards.

The main conditions are:

- there must be a clear housing need
- recipients must not be in full-time employment and must satisfy a basic SWA means test
- assessment is based on the basic SWA rate, minus a £6 liability
- eligible rents must be reasonable and are capped at a set level
- assistance is not payable in respect of mortgage capital costs.

Rent Supplement is related to income and size of rent. It is based on giving a standard minimum income (the Supplementary Allowance Rate, less £6) after rent is paid – e.g. for a single person, the current rate is £72 per week and deducting £6 gives a minimum after-rent income of £66. If the tenant's income falls below this figure after paying rent, the allowance brings it back up to this amount.

The Supplementary Welfare Allowance Mortgage Supplement is available to welfare-dependent households with mortgages. This is available under the SWA Scheme and administered by the Health Boards through the Community Welfare Officers at local health centres. The assistance is means tested and is only available for the interest payable on the mortgage. There are planned changes in entitlement to Mortgage Supplement for people returning to work under Community Employment, Back to Work Allowance, Revenue Job Assist and Jobstart schemes. These are as follows:

- the current £250 monthly limit of Supplement is to be abolished
- Back to Work Allowance and Family Income Supplement payments to be disregarded in assessing income for entitlement to Supplement
- withdrawal of the Supplement to be tapered over 4 years , i.e. at 75, 50, 25 and 25 per cent
- additional income payable to people participating in approved training courses no longer counted as means
- a weekly disregard of £25 to be introduced for part-time workers.

The Local Authority Mortgage Allowance Scheme provides assistance worth up to IR£4,500 over 5 years towards mortgage outgoings of former tenants and tenant-purchasers of local authority housing and certain voluntary housing tenants who buy a private house on surrender of their social housing.

The Supplementary Welfare Allowance is seen as the safety net of the social welfare system.

6.3.2 The degree of help

SWA can contribute up to 50 per cent of household income – in the case of single people dependent on benefits. People in full-time work are not eligible, no matter what income they have. Housing subsidies for low-paid part-time workers are based on the standard SWA means tests, which is withdrawn on a pound for pound basis as incomes rise.

Two-fifths of private rented tenants are in receipt of housing subsidies (i.e. 40,000 out of 95,000 households). Owner-occupiers in receipt of housing subsidies account for less than one per cent of the total tenure (6,300).

The amount of rent contribution payable by private tenants from their own resources, in SWA rent supplemented accommodation, when compared with other social housing schemes, can differ significantly for different categories of household, some paying more in local authority rent, others less. These differences can also vary further between areas in accordance with the relevant local authority differential rents scheme. The most significant discrepancy arises for employed persons who do not qualify at all for SWA rent supplementation. There is also a significant difference between the levels of rent contribution in the case of a typical household comprising a couple with two dependent children (Tables 3.3).

Table 3.3 Rent contributions compared for a couple with two dependent children (Receiving unemployment assistance of £143.10 per week; rent of £150 per week)

	Local authority 'differential rent scheme' (Dublin Corporation)	Housing association 'rental subsidy scheme'	SWA Scheme
Rent Contribution (£)	12.97	14.36	7.50
% of income	9	10	5

6.3.3 Incentives and disincentives

The minimum after-rent income is based on 'reasonable cost accommodation' for the area. If the rent is deemed to be above this reasonable cost, payment will have to come from the tenant's pocket, or will be refused altogether.

Work incentives are a central element of welfare and housing policy. In recent years, with the growth in numbers on housing subsidies, the increase in rental levels, and the exclusion of people in full-time work, work incentives in relation to housing subsidies has been the focus of considerable policy debate and intervention.

6.3.4 Encouragement and discouragement

There are no specific links between housing subsidies and quality of accommodation. Payments may be made in respect of housing that is neither registered nor conforms with minimum standards. Essential Repairs Grants are available to secure basic structural improvements to homes occupied by at least one elderly person.

If a household's accommodation is deemed too spacious (and probably too expensive as a result), then Community Welfare Officers (CWOs) can refuse to pay rent supplements to prospective tenants who are eligible in every other way for the payment – the tenants would be deemed to be 'over-accommodated'. The inheritance of a local authority tenancy may be forbidden if the accommodation is deemed 'unsuitable' e.g. if a single person stands to inherit a family house.

There is concern that policy impacts on household formation in that it encourages young adults to leave home and discourages lone parents from forming stable relationships. While practices vary from CWO to CWO, and from Health Board to Health Board, in general it has become more difficult for single people under 25 who are currently living with their parents, to be approved for rent supplement (the 'under-25 rule'). Typically, it must be established that intolerable conditions are forcing the person out of the family home.

6.3.5 Opinion and debate

The following are the main issues:

- escalating cost of and numbers on scheme
- demand-led basis for assessing housing need
- intensification of poverty and unemployment traps
- value for money

- quality of housing
- administration of scheme (entitlement, costs, delivery, etc)
- inequities in subsidies across social rental tenures.

The only nationwide organisation campaigning for tenants' rights is THRESHOLD, a charitable organisation. The main landlord organisation is the Irish Property Owners' Association (IPOA). Both of these organisations, alongside charitable organisations and the Department of the Environment and Local Government, are sitting on a government Commission for the Private Rented Sector. Although its brief is broader, rent supplement is on the agenda.

Landlords state that by participating in the rent supplement scheme, they are performing a social service, and they argue for the establishment of contracts between themselves and the Health Boards (who currently administer the scheme). These contracts would be for between 3 and 5 years.

Critics of the rent supplement scheme point to the fact that many participating landlords are not registered with the local authority, supply accommodation that does not meet minimum standards, and manage the tenancy in an unacceptable way, e.g. not supplying rent books (all these are requirements under the 1992 Act).

As mentioned above, a re-organisation of the administration system is under way, potentially allowing local authorities (whose job it is to enforce the relevant provisions of the Housing Act) to integrate the data on rent supplemented landlords with data on registrations and inspections of private rented accommodation.

7 THE NETHERLANDS

7.1 Tenure

7.1.1 Types of tenure

Almost half the households in the Netherlands rent their homes, and of those two-thirds are in the social-rented sector.

Table 7.1 Division of households between tenures (1998)

	%
Social rented	36
Private rented	11
Unknown rented	2
Owner occupied	51
Total	100

Source: CBS, Housing Demand Survey, 1998.

At the national level, priority for allocation of social housing is given to ‘vulnerable groups’: households with low incomes, unemployed households, mentally or physically handicapped people and homeless people. At local and regional levels, priority is mostly determined by matching the type of housing available to the households seeking to be housed.

Waiting lists, operated by local authorities, often work on points systems to assess housing need, but there has been a shift towards encouraging prospective tenants to seek out their own landlords and accommodation. The increasing supply-orientation in the allocation of housing has led to the publication of magazines, giving details of housing available, for which interested persons apply – subject to local authority checks on eligibility.

Although low income is a factor determining eligibility, social housing has, traditionally, been made available to those on middle, as well as very low, incomes. Other factors taken into account include the relationship between rent, income and the size of households, and social or economic ties with the locations of homes. (Oxley and Smith, 1996; Boelhouwer *et al*, 1997)

Half the social-renting households are dependent upon pensions or social security benefits, compared with less than a quarter among owner-occupiers

Table 7.2 Economic status head of household by tenure (1998)

Source of income	Owner occupied	Social renting	Private renting	Total
Wages/salaries	63	44	48	55
Self-employed	12	3	8	9
Pension	18	35	31	26
Social security	4	15	9	9
Other, without work	2	3	5	3
Total	100	100	100	100

Source: CBS, Housing Demand Survey, 1998.

Among the social-renting households, 73 percent have incomes at or below the national median, compared with 30 percent among owner-occupiers.

Table 7.3 Income deciles (based on after tax household income) by tenure, 1998

Decile	Owner occupied	Social renting	Private renting	Total (number)
1	5	15	16	607,962
2	4	17	12	611,738
3	5	16	12	613,611
4	7	14	11	617,680
5	9	11	11	625,733
6	11	9	9	627,400
7	13	7	8	624,794
8	14	5	8	627,926
9	15	4	6	630,123
10	16	2	7	630,741
Total	100	100	100	6,217,708

Source: Housing Demand Survey 1998, processed by OTB.

7.1.2 Security and mobility

Social tenants and tenants in private rented dwellings have the same security of tenure, laid down in the *Burgerlijk Wetboek* and the *Rent Act on Housing*. Tenants can only be evicted when they fail to pay their rent or when their behaviour causes distress to their neighbours.

High-income households remaining in low-rent accommodation had been identified as a problem and, following the *Housing in the Nineties* report, better-off households were encouraged to leave the social rented sector. This policy changed in the second half of the nineties. In the *Housing Memorandum* the priority switched to social integration and the so-called mismatch ceased to be a matter of concern. Most recently, housing associations

have come under strong pressure, from central government, to sell their properties on a large scale.

There is no Right To Buy in the Netherlands. But, as mentioned above, the Ministry of Housing is urging housing associations to sell their properties (at a rate of 50,000 per year). From 1 January 2001 a scheme will be introduced to give financial support to households that buy their social rented dwellings from housing associations.

There are strong incentives given to promote owner occupation. Mortgage interest is income tax deductible without limit. Home owners are taxed as if they were renting their properties to themselves, but the imputed rent (1.2 per cent per annum of property value) is far below market level. There is no tax on capital gains. As mentioned above, there is also the new individual subsidy scheme for tenants who buy a housing association dwelling.

In 1990, about six per cent of the housing stock was in the hands of municipal companies. During the nineteen-nineties most of these companies converted into private housing associations. In general, dwellings were not transferred but the nature of the social landlord changed. At the moment, less than one per cent of the housing stock is owned by municipal companies, mostly in small municipalities. Gradually, these companies are likely to convert to housing associations, but there is no national political pressure to do so.

7.2 Social rents

7.2.1 Levels of subsidy

On 1 January 1995 the 'grossing and balancing' operation took place. All outstanding object ('bricks and mortar') subsidies for both new dwellings and existing housing were paid out at once, and all outstanding public loans were repaid by the housing associations to national government. This terminated most object subsidies to the social housing sector.

Table 7.4 Average monthly rent (NLG) and gross and net rent to income ratios in the social rented and commercial rented sector (1998)

	Owner-occupied	Social Rented	Commercial Rented
Average monthly rent (NLG)	677	746	694
Gross rent as % of income	28	27	28
Net rent as % of income	24	26	24

Source: CBS, Housing Demand Survey, 1998, processed by OTB.

The rents in the social sector are somewhat higher than in the commercial sector, but, as can be seen from Table 7.4, percentages of income spent on housing costs do not vary widely across tenures. Comparisons of the two sectors are difficult, however, because of the different nature of their rent structures (see Section 7.2.2).

7.2.2 Rent structures

Social rents are principally dependent on historical costs. Subsequent rent increases depend on the quality of the dwelling and its environment, as measured in the Housing Appraisal System (*Woningwaarderingstelsel*), which is considered as a proxy for housing quality. Size of the dwelling is the main factor within this system, followed by the quality of the environment, amenities in the dwelling and the build-quality of the property. The rent is not related to household characteristics.

It is not known how closely the structure of social rents mirrors that of the private sector and that of property values. Firstly, there is a general feeling that scarcity is not taken into account in the social rents (deliberately), and, in that, consequently, there are differences from the owner occupied sector. So regional variations in the prices of owner-occupied dwellings are higher than those for rents. Secondly, subjective differences in the quality of location and the quality of the neighbourhood are not fully expressed in the structure of social rents, but these factors are more strongly reflected in house prices and private rents. Finally, differences in the age of properties are over-accentuated in the structure of social rents; the differences between social and market rents are very much greater for older properties than for newer homes. The outcome is a rather flat structure of social rents, which underscores the larger differences in market rents of the same stock.

Rent policy in the Netherlands, is national. Rents are reviewed annually (on 1st July). Central government determines the maximum rent increase for rented dwellings. When dwellings are vacant the landlords (including social landlords) are allowed to increase the rents to the level of the, so-called, 'maximum reasonable rent' (which is about equal to the supposed market rent). There are procedural rules for the annual rent revision. Landlords and tenants negotiate about the rent increases on the base of the Housing Appraisal System (*Woningwaarderingstelsel*), mentioned above. When a dwelling is not maintained in a proper way the rent is frozen. When there are basic problems with the housing quality even a decrease of rents is possible. When landlords and tenants do not agree on the rent revision the regional Rent Committee, regulated by the Rent Committee Act, decides.

7.3 Housing Allowance Scheme

7.3.1 Their nature

Housing allowances are available to tenants with low incomes to help them to pay their rents. From 1 January 2001, help will be available for those with low incomes to meet their mortgage costs if they choose to buy housing association properties.

The housing allowance system subsidises rents for those with low incomes. Households qualify for an allowance when their incomes fall below the maximum levels for their household types, as set out in the policy. All households pay some part of their rent; where the rent exceeds this 'standard rent' level, then a one hundred percent subsidy is available up to the next rent threshold. A seventy-five percent subsidy is payable for the amount by which the rent exceeds the second threshold, up to the third threshold. Where the rent exceeds the third threshold, then a subsidy of fifty percent is payable on the

excess, up to the ‘maximum rent limit’ – the fourth and final threshold. No subsidy is paid on that part of the rent that exceeds the final threshold (see Table 7.5).

Table 7.5 Subsidy levels at different thresholds

<i>Rent up to the ‘standard rent’ threshold</i>	No subsidy
Rent above standard rent, up to the second threshold	100% subsidy
Rent between second and third thresholds	75% subsidy
Rent between third threshold and the maximum rent limit	50% subsidy
Above maximum rent limit	No subsidy

(Ministry of Housing, 1997)

If an application for housing allowance is made for a property with a rent above the maximum rent limit, then no allowance at all is granted – because the property is deemed to be over expensive. But if a rent, originally below the limit, is increased above it, then allowances on the rent up to the limit are still paid.

The phasing out of subsidy for higher rents is regarded as a ‘quality cut’. It is assumed that those in more expensive dwellings enjoy a higher level of quality, for which they should pay – at least in part. (Different rules apply for older people, whose homes may provide more expensive facilities such as lifts and care services.)

The housing allowance system is the key instrument in Dutch housing policy, enabling subsidy to be directed to those most in need – as part of the shift from ‘object’ to ‘subject’ subsidies. The policies are intended to make housing affordable, while promoting housing quality and choice for low-income tenants, and also promoting home-ownership is for low-income households. Housing allowances are seen as an instrument to combat poverty.

7.3.2 The degree of help

For those without paid work, 12 per cent of total rent is provided by housing allowances in the social rented sector and 5 per cent of total rent in the private rented sector.

Table 7.6 Numbers of tenants receiving house allowances, by tenure

Type of tenure	Number of households (000s)	Percentage within tenure type
Social rented	745	33
Private rented	94	13
All rented	839	28

As can be seen from Table 7.6, many more tenants in the social rented sector receive housing allowances than in the private sector. (No home owners receive housing allowances.)

7.3.3 Incentives and disincentives

Tenants receiving housing allowances have only a small interest in their gross rent levels. The system of rent thresholds means that where a rent increase fails to exceed the

maximum rent limit but is above the 'standard rent' then 100, 75 or 50 per cent of the increase will be met by the housing allowance. Typically, households pay only 25 per cent of any rent increase.

One impact of the housing allowance scheme, is that it serves to encourage landlords (especially housing associations) to upgrade their dwellings and increase their rents. For current urban renewal policies housing allowances are an important stimulating factor. Broadly, tenants accept higher rents (for higher quality). This allows the creation of vacancies in the cheap, low quality, rented sector.

There are large differences in housing choice between municipalities. In large parts of the country (Randstad and Central parts of the Netherlands) there are shortages of housing and households have few choices. While in the Northern and Eastern parts and in Zeeland there is equilibrium in the housing market; especially in the high-rise estates and other multifamily housing there is considerable choice available.

Housing allowances increase the poverty trap considerably. The amount of housing allowance is based on the annual income of the year before. When a household earns more money, the impact on housing allowances is effective after one year (as partial decrease) and two years (a full decrease). Although there is a feeling that housing allowances do not create a significant disincentive to work, empirical evidence is lacking.

7.3.4 Encouragement and discouragement

A number of policies encourage good maintenance of housing. The rent policy means that landlords cannot obtain rent increases for poorly maintained properties. The urban renewal policy provides support for upgrading rented dwelling of low quality (though this provision is very rarely exploited). Housing associations are obliged to manage good quality housing.

Under the building code, municipalities must notify landlords when housing quality is below a minimum standard, in which case landlord must carry out repairs.

Reducing under-occupation is not an aim of housing policy. Allocation policies are primarily concerned with the relation of income to rent. The relationship between the number of persons and number of rooms is seen as the household's responsibility. The composition of a household can change quickly.

A one-person household receives less housing allowance than a two or more person household. This differentiation is intended to discourage the splitting up of households. There are more factors, however, like subsidy for students, old-age pensions and general social support, which could have a cumulative effect leading to a decrease of the household size and to real or fake household formation. But empirical evidence is lacking, and the topic deserves further, in-depth investigation.

7.3.5 Opinion and debate

The *Housing Memorandum 2000* proposes experiments with housing vouchers. These would be related only to household income, and not to rent levels.

The Ministry of Finance is critical of the housing allowances scheme because of its open-ended nature. Some researchers argue that the scheme may not be sustainable in times of an economic recession.

Otherwise, there is little debate in political circles about housing allowances. There is broad support for the scheme and there are no big problems with the public budget.

8 NEW ZEALAND

8.1 Tenure

8.1.1 Types of tenure

At the time of the 1996 Census, 38 per cent of households in New Zealand owned their homes with a mortgage, 33 per cent owned their homes without a mortgage, 25 per cent rented their homes, and 4 per cent occupied their homes rent-free (Table 8.1 presents a similar picture for the number of properties). Of the rental properties (as distinct from households), 72 per cent were in the private sector, 23 per cent were central government (or state) housing, and 5 per cent were local authority rental housing. (Statistics New Zealand, 1998)

Table 8.1 Private Dwellings by Tenure

Tenure	Number of dwellings	Percentage
Owned with mortgage	449,394	37
Owned without mortgage	396,252	32
Owned, mortgage not specified	18,417	2
Total owned	864,063	71
Not owned, rent free	47,109	4
Private	184,572	15
Business	13,278	1
Local authority	14,850	1
Housing NZ	52,818	4
Other Government agency	8,472	1
Not specified	18,357	2
Total rented	292,347	24
Not owned, not specified if rent paid	21,801	2
Total	1,225,317	100

Source: New Zealand Census 1996

From the 1930s to the 1980s, central government operated state housing in a manner equivalent to the GB's council housing, with income-related rents for tenants. Some local authorities (mostly urban) have administered small amounts of subsidised rental housing, but most were encouraged, by changes to housing policy in the 1990s, to increase their rents or to sell their stock. More recently, non-governmental organisations (NGOs) and voluntary sector organisations have played a minimal role in the provision of rental housing.

In the last decade even state housing has not really been operated as 'social rented housing'. Since a change of Government in 1990, state housing has been managed on a commercial rather than social basis by Housing New Zealand. In 1993 central government introduced a cash subsidy called the Accommodation Supplement (AS) to replace all previous forms of housing assistance. This meant that tenants of state housing were charged 'market rents' and had to apply for AS, along with private-sector renters and low-income households paying a mortgage.

However, the recent election of a new Labour-Alliance coalition should change both these aspects of housing policy. The new Government has promised to reintroduce income-related rents (25 per cent of net income) for state tenants by the end of 2000 while retaining the AS for other eligible households. During the election campaign both parties also promised to change the focus of Housing New Zealand to reflect stronger social objectives.

During the 1990s state housing gave priority to low-income households (those with less than \$500 a week after tax, approximately \$50 higher than the average wage), the elderly (over 65), and people with a long-term disability. Households on higher incomes can rent state housing but have to pay the full market rent. Approximately 80 per cent of state tenants are social welfare beneficiaries or pensioners.

8.1.2 Security and mobility

Both state-sector and private-sector tenants are covered by the Residential Tenancies Act (1986) which allows owners to evict tenants with three months notice, or less if there has been a particular breach of the legislation or tenancy agreement (e.g. three weeks' rent arrears). The commercial focus of Housing New Zealand means that state tenants get no preferential treatment.

During the 1990s there was no particular policy on state tenants who were no longer on low incomes, because assistance was delivered through an income supplement rather than subsidised housing, they simply received no assistance. Even with a change to income-related rents later this year, there are no plans to introduce a policy of encouraging higher-income households to move on.

In terms of social mix, during the 1970s and 80s there was a policy of 'pepper-potting' small clusters of state housing throughout more affluent suburbs. However, the policy of charging market rents in the 1990s made this housing less affordable for low-income households and much of it was sold because of its high land value.

The 1994 Budget announced the Home Buy programme, which had similar aims to the GB Right to Buy but operated quite differently. There were no discounts on the sale price, although state tenants were eligible for a suspensory loan of 10 per cent of the sale price (maximum \$12,500) which was written off if they did not resell within seven years.

Between 1991 and 1999, the state housing stock was reduced from approximately 70,000 to 59,000 units, but only a quarter of those sales were to state tenants under the Home Buy programme. Since the election of a new Government late in 1999, all sales of state housing have been stopped, including the Home Buy programme.

There are no tax incentives or direct subsidies for owner occupation, although low-income home owners are eligible for the Accommodation Supplement.

The previous Government encouraged Housing New Zealand to explore the transfer of management (and possibly eventual ownership) of blocks of state housing to community-based organisations. Two or three management contracts were signed, but the new Government has put this policy on hold. Sales of state housing have been halted, so there is unlikely to be any transfer of ownership. However, the Government's election manifestos emphasised community partnerships, so the existing management contracts may be allowed to continue, with further additions if and when suitable community organisations are willing to participate.

8.2 Social rents

8.2.1 Levels of subsidy

The 1991 Budget announced the replacement of a state building programme and income-related rents for state tenants with a cash subsidy for the housing costs of low-income households. The new Government has promised to re-establish income-related rents for state tenants this year, followed by a building programme for new state housing.

For the last eight years rents for state houses have been based on the private sector rental market, and so were set at similar levels. A return to income-related rents for state tenants will reduce their rents, re-introducing a differential between state and private sector rents.

Table 8.2 Median weekly housing costs by tenure in 1996

	Weekly costs (\$)
Local authorities	55
Housing New Zealand	150
Other central government agencies	65
All state sector	132
Private landlords	150
All renting	149.50
Owning with a mortgage	181.50

Source: *New Zealand Now: Housing (1998)*

8.2.2 Rent structures

For state housing, property characteristics have been the basis of rent setting. The Ministry of Housing (1996) stated: 'Housing New Zealand charges market rents for its properties. Rents are reviewed at the start of a tenancy and then annually. Local benchmark rents are assessed for varying property types, and the rents for individual properties are adjusted from these benchmarks according to the specific characteristics of each property.'

The new Government, however, plans to introduce income-related rents for state tenants at the end of 2000. From the end of this year, rents for state housing will be set at 25 per cent of a household's after-tax current income. Income includes wages, salaries, benefits, pensions, interest on savings, etc.

During the 1990s, local authorities and NGOs were able to set whatever rents they liked, because central government subsidies went to consumers rather than providers. However, the details of the Accommodation Supplement formula meant some local authorities deliberately raised their rents in the belief that tenants would qualify for more assistance. This has had mixed results in practice. The situation is unlikely to be affected by changes to housing policy from the new Government.

8.3 Housing Allowance Schemes

8.3.1 Their nature

The Accommodation Supplement (AS) is paid as an income supplement. Once renting households have spent 25 per cent of their after-tax income on housing costs, the AS will cover 70 per cent of the remaining costs (the 'co-payment'), subject to a cash-asset test and regional limits. Households with a mortgage are expected to pay 30 per cent of their after-tax income before the AS applies.

The previous Government, essentially, assumed that housing markets (both rental and ownership) operated adequately without state intervention, but some households needed income assistance to participate fully in the market. The Ministry of Housing (1996) described the Accommodation Supplement as: '... the primary instrument for delivering housing affordability assistance in New Zealand. It is a cash subsidy paid to 275,000 low-income households (95 per cent of whom are social welfare beneficiaries or pensioners) to help with rent, board or home-ownership costs.'

An illustration of the Government's thinking was provided in 1997 when the Minister of Housing defended the decision not to implement the full increase of the 'co-payment' level (originally 65 per cent) to 75 or 100 per cent. 'Fully compensating for housing costs would mean low income households would have no incentive to economise on their housing costs.' (Murphy, 1999)

8.3.2 The degree of help

There is no straightforward relationship between income and housing allowance because the Accommodation Supplement (AS) has a complicated formula that relies on housing costs, household income and cash assets, as well as regional differences. The AS is available to low-paid workers on the same basis as beneficiaries, but the take-up rate is low because they need first to be aware of its existence and then to apply to the central government income support agency. Again, the available figures are too complex to make a simple statement about the significance of the AS to low-paid workers.

In 1998, a couple with two children, dependent on income support (of about \$300 per week) because of unemployment, with a rent of \$160 per week would receive \$59 accommodation allowance: about 17 per cent of their total income. (Ministry of Housing, 1998)

The closest figures for calculating the proportion of tenants receiving housing assistance are given in the table below: the number of dwellings in each tenure type from the 1996 Census and the number of households receiving the AS by tenure from the Department of Social Welfare Statistics Report of June 1998. However, these figures are not compatible because of different definitions for dwellings and households eligible for the AS. Two or more 'households' (may be a single person) in the same rental dwelling may be separately entitled to the AS, and there's no way of knowing how prevalent this is from these figures. For example, there are over 70,000 boarders receiving the AS (nearly a quarter of all recipients) who are not accounted for in the Census figures on number of dwellings. Whether or not other occupants of the house receive the AS is also unknown.

Table 8.3 Numbers Receiving the Accommodation Supplement (June 1998)

Type of Accommodation	Beneficiaries & Pensioners	Low Income Earners	All
RENTERS			
Housing New Zealand	41,550	3,702	45,252
Te Puni Kokiri (1)	13	0	13
Local authority	3,299	62	3,361
Residential Home	4,301	329	4,630
NZ Housing Corporation (2)	5	0	5
Other	129,199	9,635	138,834
All Renters	178,367	13,728	192,095
BOARDERS	70,812	351	71,163
MORTGAGORS			
Housing New Zealand	8	0	8
Te Puni Kokiri	0	1	1
Local authority	1	0	1
Residential Home	3,756	616	4,372
NZ Housing Corporation	5,219	201	5,420
Other	33,108	5,558	38,666
All Mortgagors	42,092	6,376	48,468
Not Classified	9	1	10
TOTAL	291,280	20,456	311,736

Source: Department of Social Welfare, Statistics Report 1998, Table 56 p68 (Notes added).

Notes:

(1) Te Puni Kokiri is the Ministry of Maori Development, which inherited the subsidised rental housing and home loans reserved for Maori.

(2) The Housing Corporation of New Zealand administered state rental housing and subsidised home loans in the 1970s and 80s. The state rental housing was taken over by Housing New Zealand in 1992 and approximately \$3 billion worth of loans were sold to the private sector in the mid 90s. The remaining loans are those that could not be increased to market interest rates under the terms of the mortgage.

8.3.3 Incentives and disincentives

The size of their gross rent is of major importance to tenants, because the Accommodation Supplement only covers 70 per cent of housing costs above the threshold and stops once it reaches the applicable regional limit. There is no specific research on how tenants respond to this because successive Governments throughout the 1990s believed that housing markets worked well in principle and saw no need to document actual processes. However, it is in the best interests of tenants to seek the cheapest rent possible, especially in major urban centres where the regional limits cut in quite soon. There is anecdotal evidence of blocks of empty state housing in some parts of the country, suggesting state tenants are looking for cheaper rents. However, this is not always in the most expensive suburbs, and may have more to do with the physical condition of the housing and the undesirability of the neighbourhoods. The failure of the accommodation supplement to cover total housing costs forces about 12 per cent of AS recipients to claim further assistance from 'special benefit' – payable to those whose fixed costs leave them with insufficient residual income to meet their needs (Murphy, 1999).

Tenants can usually choose between private sector rentals and state housing, but under the 'market rent' policy for state housing there is no price advantage. There is very little subsidised rental housing available from local authorities or community or church-based organisations, and it usually has long waiting lists. The small size of the housing market in New Zealand discourages the establishment of alternative tenure types or methods of housing provision.

Over the last two or three years there has been an increasing emphasis on encouraging welfare beneficiaries to find paid employment, although this has taken the form of punishment rather than incentives. The role of the Accommodation Supplement has generally been ignored in policy design, although a Government appointed Employment Taskforce reported that the steep abatement regime on the Accommodation Supplement made part-time or low-paid employment financially unattractive for beneficiaries (i.e. marginal tax rates between 98 per cent and 110 per cent).

8.3.4 Encouragement and discouragement

There are no policies that require or encourage landlords to maintain good quality housing, although some tenants' advocates are lobbying for something like this. The construction process is covered by the Building Act (1991), but the health effects of substandard housing are covered by regulations dating back to 1947, so are quite basic.

One of the original reasons given for shifting state tenants to market rents was the mismatch between size of household and size of house, but there are no official figures available on changes in occupancy rates for state housing. During the 1990s, plenty of publicity was given to anecdotal evidence of increased overcrowding and pockets of empty state housing, but Housing New Zealand and successive Governments have resisted pressure to release information, claiming it was commercially sensitive.

Housing policies do not explicitly encourage or discourage household formation. It is assumed that household formation is more heavily influenced by other factors, and that the housing market will respond appropriately to the highly dynamic nature of New Zealand household composition during the 1990s.

8.3.5 Opinion and debate

The main public debate about the Accommodation Supplement has been how effectively it addresses problems of affordability. Critics point out that many households are less able to afford their housing costs than under the old system, and the scheme as a whole is costing the Government more and more money. The relationship between substandard housing and poor health was also highlighted by community-based researchers and health officials. These issues prompted a promise of changes to housing policy from the incoming Government. Supporters of the Accommodation Supplement have criticised the proposed return to income-related rents for state tenants on the grounds of 'fairness' (i.e. because it gives preferential treatment to state tenants even if private renters are in similar or worse circumstances, it favours renting over ownership, etc).

9 SWEDEN

9.1 Tenure

9.1.1 Types of tenure

Nearly sixty per cent of Swedish households live in rented accommodation. Rented housing can be subdivided into three sectors. Non-profit housing is owned and managed by municipal housing companies – usually one such company operates within each municipality. The private rented sector is predominantly made up of older stock than is municipal housing. Both municipal and private rented housing may be sold to tenants' co-operatives, which make up the third, tenant-owned rented sector. Table 9.1 shows the percentages of housing in each sector in 1998.

Table 9.1 Percentages of housing stock by tenure, 1998

Type of tenure	%
Owner-occupied	42
Non-profit rented	22
Private rented	17
Tenant owned	18
Other	1
All	100

Source: SABO, Organisation of Swedish non-profit housing companies.

Note : Based on housing census 1990, and updated for subsequent changes in stock.

Social housing in Sweden is not restricted to members of disadvantaged groups. The non-profit municipal housing companies make their homes available to all, regardless of their level of income. Nevertheless, from Table 9.2 it can be seen that there is a preponderance of poorer households in non-profit housing, but the differences across sectors are not great.

Table 9.2 Percentages of households with less than median household disposable income

Type of tenure	% below median income	% in lowest quintile
Owner-occupied	46	14
Non-profit rented	55	26
Private rented	49	21
Tenant owned	44	20

Source: Housing census, 1990

It is notable that while relatively few owner occupier households have incomes within the lowest quintile of the income distribution, there are otherwise relatively small differences in the income distribution of households between tenures.

9.1.2 Security and mobility

Tenants normally have right of tenure and, in certain circumstances, have the option of transferring their tenancy when they move elsewhere.

The present government is strongly opposed to the sale of municipal housing to other landlords, but, in the Great Stockholm Area especially, large quantities of housing have passed into tenant ownership. A further matter for concern has been the sale by housing companies of their most attractive stock, in response to budget cuts (Borgegård and Dawidson, 2000).

The issue of municipal housing sales is highly contentious, and the sales in Stockholm are seen as being politically as well as financially motivated. A further financial incentive for sales is the need by local government for additional funding for what they define as their core activities, such as health care, schools etc. In 1999 the government proposed a sanction to prevent the sale of municipal housing companies, and, at the same time, set up a commission to look into their future development.

9.2 Social rents

9.2.1 Levels of subsidy

In 1992 the government ended the provision of long-term loans for non-profit housing development, forcing all borrowing to come from the capital market. The new subsidies that applied from 1993 were less generous and shorter in term. Moreover, since 1993, the starting level of subsidy has been reduced year by year. Rents have, consequently, risen. Because most housing – not just social – receives some government subsidy, the general effect was to depress property prices while increasing housing costs. (Boelhouwer, 1997; Turner, 1996)

There is no marked distinction between the rents of public and private tenancies. Most housing is built with some government support. As can be seen from Table 9.3, renting is markedly cheaper than owner-occupation.

Table 9.3 Costs of renting compared to costs of owner-occupation

Household/tenure	% of the cost of owner-occupation
<i>Young single adults:</i>	
Public renting:	46
Private renting:	45
<i>Couples with children:</i>	
Public renting:	65
Private renting:	62

Source: Freeman et al, 1996

9.2.2 Rent structures

Under the ‘use-value system,’ rents are restricted from being markedly higher than those of similar properties in the same area. Rent increases are determined by annual negotiations between representatives of tenants and landlords. The system is dominated by the relatively large public rental sector and greatly influenced by the national tenants’ association.

The use-value system, effectively, imposes the same rental market across both public and private housing. Individual landlords have very limited discretion in determining their own rent structures because of the constraints of the use-value system, which only permits them to set rents 5-10% above the levels negotiated for the public non profit rental companies.

9.3 Housing Allowance Schemes

9.3.1 *Their nature*

There are two main housing allowance schemes in Sweden: housing benefit for families and young people without children, and a housing supplement for pensioners. The allowances are available to both tenants and home buyers.(National Social Insurance Board, 1999)

The rationale for the housing allowance for households with children is partly to enable households with children to secure good quality and spacious housing, and partly to be a special support to low income families with children. The rationale for housing allowances for pensioners is to enable low income households to be able to afford reasonable housing, and to be able to stay for as long as possible in the housing and environment they are used to, rather than them being forced to move into institutional accommodation.

Housing benefit is available for families with children, and for childless households where all members are under 29 years old. The housing cost allowance is based on the constitution of the household, and the amounts of housing costs and household income. There is also an additional special allowance based on the number of children in the household. For families with one child the allowance is SEK 600 per month, for those with two children the amount is SEK 900 and for those with three or more children it is SEK 1,200. The system is intended to help families with children, and young people, to live in adequate accommodation.

Major changes were made in January 1996 and January 1997, reducing the scope and generosity of the scheme.

The maximum amount of housing benefit payable relates to the household's type and size – for example, the maximum for a family with two children is SEK 3,175. Maxima are also imposed on the size of the accommodation for which housing benefit may be claimed (e.g. 100 square metres for a family with two children). The amount of benefit payable is reduced from the maximum according to how the claimants' incomes exceed certain limits.

The maximum allowances are constructed from three elements :

- a) special allowance for children
- b) 75% of housing costs between specified levels
- c) 50% of housing costs between (higher) specified levels.

The housing cost levels which qualify for housing allowance vary by household type and size as follows :

Table 9.3 Housing costs eligible for allowance

Household type & size	75% of housing costs between	50% of housing costs between
Young persons without children	1,800 – 2,600 SEK	2,600 – 3,600 SEK
Household with 1 child	2,000 – 3,000 SEK	3,000 – 5,000 SEK
Household with 2 children	2,000 – 3,300 SEK	3,300 – 5,000 SEK
Household with 3+ children	2,000 – 3,600 SEK	3,600 – 6,600 SEK

The maximum allowance for a family with two children (3,175 SEK) is thus made up of the special allowance for two children (600 SEK), plus 75% of any housing costs between 2,000 – 3,300 SEK (975 SEK), plus 50% of any housing costs between 3,300-5,900 SEK (1,200 SEK).

For a single parent, the annual income limit is SEK 117,000, but if the income of *either* member of a couple with children exceeds SEK 58,500 per annum, then benefit is reduced. (See Table 9.4 for more detail.) For households with children the allowance is reduced by 20% of the income above the income limit. For households without children the allowance is reduced by a third of the income above the limit.

Table 9.4 Maximum housing allowances, living areas and income limits

	Maximum housing allowance (SEK/month)	Maximum living area (square metres)	Income limit – single people (SEK/annum)	Income limit – couples (SEK/annum)
<i>Families with children</i>				
1 child	2,500	80	117,000	58,500 / applicant
2 children	3,175	100	117,000	58,500 / applicant
3 children	3,900	120	117,000	58,500 / applicant
4 children	4,200	140	117,000	58,500 / applicant
5 or more	4,500	160	117,000	58,500 / applicant
<i>Households without children</i>				
Aged 18-29	1,100	60	41,000	58,000

Source: National Social Insurance Board

Benefit is calculated, initially, from the households own assessment of the household's earnings over the forthcoming year, including 15% of the wealth held above threshold levels). For home buyers a deduction is also made for levels of housing wealth held above specified threshold level. Later, tax records are examined and where the households estimate was above actual earnings an adjustment, including interest, is paid

to the household, and where earnings were underestimated, then a demand is made for the excess benefit paid, plus an administrative fee. (National Social Insurance Board, 1999)

The housing supplement for pensioners is available to people in receipt of old-age pensions (over 65 years of age) and certain other benefits, including widows' pensions and disability pensions. It is intended to give pensioner households access to good-quality accommodation without prohibitively high housing costs. An additional special housing supplement for pensioners is also available, with the intention to bring income up to a minimum level. (National Social Insurance Board, 1999)

9.3.2 The degree of help

Housing allowance ceilings apply according to the size of the dwelling and the constitution of the household. It is estimated that a third of all tenant households receive housing allowances; 16% of tenant owners, and just 7% of owner occupiers.

Average levels of incomes, housing costs and allowance payments, for family households receiving allowances, are set out in Table 9.5.

Table 9.5 Average housing costs and allowances, 2000 SEK per month

Household type & tenure	Housing costs	Housing allowance	Household income
Rented : single parents	4,840	1,810	10,450
Rented : couples with children	5,140	1,750	9,920
Tenant owners : single parents	4,930	1,570	12,890

Source : 'Out of the poverty trap' SOU 2001:24

9.3.3 Incentives and disincentives

The housing allowance ceilings mean that tenants would not be compensated for rents in excess of these. However, the uniformity of rents for similar properties, created by the Swedish 'use value' rent-setting system, means that there would be little scope for 'shopping around' for cheaper accommodation without sacrificing space or amenity.

9.3.4 Encouragement and discouragement

The housing benefit system imposes maxima on the size of accommodation, according to household type, discouraging households from occupying unnecessarily large properties.

Since January 1997, the incomes of the parents in two-parent families have been taken into account separately. The individual income limits are set at half the former combined limit. This has reduced the eligibility for housing benefit of married and cohabiting couples, compared with lone parents. Whether this will have any effects on household formation has yet to be seen.

9.3.5 Opinion and debate

The recession of the early 1990s has driven government cost-cutting generally. An immediate consequence has been restrictions in eligibility for housing allowances. One view is that the 'tenure neutrality' of Swedish housing is now under threat from further

economising. (Davidson, 1999) However, it may also be noted that the introduction of floor space restrictions led to a reduction in the numbers of owner occupiers qualifying for allowances, while other owners saw their entitlements reduced.

There are also concerns about the complexity of the system for estimating future incomes, and then reassessing entitlement two years later based on the incomes subsequently registered by tax authorities. Certain types of household have particular difficulties in estimating their incomes (including students, and households moving in or out of work). The Parliament has recently increased the threshold of income change under which households do not have to pay back excess housing allowances.

In 2000 the government appointed an inquiry into economic support for households with children. In the report of the inquiry (Out of the poverty trap, SOU 2001:24) it is suggested that housing allowances could be abolished, and replaced with a new system of support for single parents, and a special allowance for children and students, and an increase in the allowance for households with many children. As the title of the report suggests a primary policy concern is to reduce the impact of the poverty trap.

There are also government and commercial concerns about a shortage of housing in urban areas of economic growth, where there are nonetheless the limited levels of investment in rented housing. It is recognised that the current rent setting system does not lead to rent levels that provide a realistic return in those areas, and is restricting investment. Conversely in some areas of economic decline private housing costs have now fallen below the negotiated levels set for housing companies.

10 USA

10.1 Tenures

10.1.1 Types of tenure

Two-thirds (64 per cent) of homes are owner occupied. Less than three per cent of all housing is publicly subsidised.

Table 10.1 *The division of households between tenures*

Tenure	Percentage of all households
Owner occupied	64
Co-operative, condominium (including retirement communities, etc.)	2
Private rental (a small portion assisted by tax credits, low interest mortgages)	31
Public housing	2
Publicly assisted housing (Housing allowances, under Section 8 of the 1974 Act)	1
Total	100
Total housing units (approximately)	108,000,000

Source: P.Marcuse

Two-fifths of social rented housing is occupied by older people. Only one fifth (21 per cent) of social tenants are in work.

Table 10.2 *The economic status of social rented households*

Economic status	%
Disabled people	8
Older people (44% of whom receive old age and survivors public insurance)	40
Single parents with children (large majority under 30% of median income of the metropolitan area in which they live)	24
Employed	21
Receiving welfare	44

Source: P.Marcuse

Public housing is limited to low-income families and individuals. It may be administered by state housing authorities, Rural Development Services of the federal Department of Agriculture, directly by the Department of Housing and Urban Development (HUD) or by a public or local housing authority (MSHA, 2000). Local housing agencies (HAs) judge income levels against limits developed by HUD. Lower income limits are set at 80 per cent, and very low income limits at 50 per cent, of the median gross income for the county or metropolitan area, by household size. Each HA has the discretion to determine which groups are to be regarded as having priority need, where the housing supply is limited. (HUD)

Until the 1998 Housing Quality and Work Responsibility Act, Federal regulations gave priority status to the homeless, those in substandard housing, those paying an excessive percentage of income in rent, and those with very low incomes (under 30 per cent of area median). Those Federal priorities have been repealed by the 1998 Act, and now the maximum income for eligibility is 80 per cent of area median, and local authorities may reserve up to 70 per cent of admissions for those earning over 30 per cent of median. Each local authority will decide whether to relax its formerly Federally mandated rules – New York City will, by and large, keep them.

10.1.2 Security and mobility

Tenants may remain in their homes as long as they comply with the conditions of the lease. However, local housing agencies can move families to alternative accommodation to ensure best use of the housing stock – to avoid under-occupation or overcrowding, to renovate properties or to comply with tenants' requests for transfers. (HUD, 2000)

Tenants are technically required to leave if their income exceeds 120 per cent of admission limits, but in most jurisdictions this is not enforced, because tenants have no alternative accommodation available under conditions of shortage. Tenants are protected by regulations governing evictions, strengthened in the 1960s to provide them full due process protection, but weakened substantially by the 1998 Act. Rent arrears, drug use, criminal activity, nuisance, etc., are grounds for eviction.

Policy is moving increasingly towards the promotion of social mix in public housing, but in what might be considered a contradictory fashion. On the one hand, higher income limits are allowed (see above), and, under the new Urban Revitalisation Demonstration Programme (known as HOPE VI), local authorities are allowed to sell units to sitting tenants. On the other hand, various work assistance programmes encourage tenants to improve their incomes and move out of public housing as rapidly as possible.

There are schemes similar to the GB's Right To Buy, but although favoured in special programmes (e.g. HOPE VI) in Federal legislation and rhetoric, they are little used because incomes are so low and administrative complexities are high in multifamily housing.

There are substantial policies to promote owner occupation. Mortgage interest is deductible for Federal, state, and local income taxes (with high upper limits). Real property taxes, which are high in the United States – usually near 20 per cent of housing cost – are also tax deductible. Imputed rental income from home ownership is not taxed. Taxation on gains from the sale of a house may be postponed and there is a large exemption; and what *is* taxed, is taxed at capital gains rates. Subsidies through these mechanisms are in fact the largest governmental subsidies that go into the housing system. The cost in foregone revenues, through deductions from the tax of home owners, far exceeds subsidies to social housing.

There are no policies to promote transfers from public housing to other social landlords. But there are policies, particularly at local levels, to support non-profits producing or managing housing.

10.2 Social rents

10.2.1 Levels of subsidy

Originally (in 1937) only capital costs in public housing were subsidised. From 1968 operating costs were also subsidised. Operational subsidies continue, but subsidies for new construction are no longer available, following a decline since about 1980. The trend has thus been a sharp decrease in new construction subsidies, a gradual consistent increase in operating subsidies, and more recently, an increase in so-called 'modernisation' funds, to rehabilitate physically deteriorated units.

Social housing rents are very substantially lower than private rents or mortgage costs. Social rents are set at 30 per cent of income (after limited deductions), regardless of size, quality, age, or location of unit. For Section 8 housing allowances for private rented housing, rents paid to the landlord are capped at a statistical determination of 'Fair Market Rents' for the area. Tenants, however, pay 30 per cent of their income towards their rent and Section 8 pays the difference.

10.2.2 Rent structures

Rents vary substantially among units in each social housing development, but are solely dependent on tenant income.

Rent is based on the anticipated gross annual income of the tenant, spouse and non-dependants over 18, from which certain deductions to arrive at the 'gross adjusted income'. The rent is then set at the highest of: thirty percent of the adjusted income, 10 percent of the unadjusted income, the welfare rent (if applicable), the federal minimum rent or the housing agency's minimum rent. (HUD, 2000)

The adjusted income allows deductions for: dependants, older people, persons with disabilities, medical expenses and expenses connected with employment. Tenants' incomes are re-examined once a year (some local authorities more often), but increases under the new law (under the old law, up to 30 per cent of new income) are phased in over several years so as not to create a disincentive to improve income.

Local housing agencies' minimum rents may be up to twice the federal level (HUD, 2000). Otherwise social landlords have no discretion in the determination of their rents.

10.3 Housing Allowance Schemes

10.3.1 Their nature

The US Department of Housing and Urban Development's web site states:

The Section 8 rental voucher and rental certificate programmes are the federal government's major programmes for assisting very low-income families, the elderly, and the disabled to rent decent, safe and sanitary housing in the private market. Since the rental assistance is provided on behalf of the family or individual, participants are able to find and lease privately owned housing,

including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the programme and is not limited to units located in subsidised housing projects. (HUD, 2000)

Under Section 8, households selected as eligible find their own homes to rent or lease, having been advised by their local housing agency (HA) as to what size and type of property would be considered suitable. The HA then inspects the chosen home for compliance with basic health and safety criteria and reviews the terms of the lease. The nature of the allowance will differ between rental certificates and rental vouchers. (HUD, 2000)

Rental certificates may be used only for rents that fall below local maxima set by the HA based on HUD standards. A household with a certificate then pays a rent contribution equal to the greater of: 30 per cent of its adjusted gross income (see *10.2.2 Rent Structures*), 10 per cent of its (unadjusted) gross income, or the rent portion of its welfare payment. The Federal government pays the difference between the tenant's contribution and the lower of the actual private rent and the Fair Market Rent. (HUD, 2000)

Currently, Fair Market Rents are set at the 40th percentile of local rents for particular types of units – between 1984 and 1995 they were set at the 45th percentile and before 1984 at the 50th percentile (Maney and Crowley, 1999). Under other recently abandoned schemes, a tenant was given the difference between 30 per cent of income and the Fair Market Rent, and could pay what he or she chose. Since October 1999, only rental vouchers have been available to new Section 8 applicants and most tenants with certificates will be moved over to the voucher programme within the next two years (Maney and Crowley, 1999).

The new scheme for rental vouchers provides a predetermined maximum level of rental subsidy, calculated as the difference between a 'payment standard' and 30 per cent of the household's adjusted gross income. The payment standards are normally set, at the discretion of the local HA, between 90 and 110 per cent of the Fair Market Rent. 'Exception rents' may be set outside this range with permission from HUD. Households have the freedom to select homes with rents above or below the payment standard. Consequently, a family might pay more or less than 30 per cent of its income on rent, depending on the rent of the home it selects. (HUD, 2000)

Section 8 payments are not made as of right; there are limited numbers of vouchers and certificates available for such payments, only a minority of those eligible receive them and waiting lists are long. Many of those who do receive vouchers do not use them, because they cannot find housing available at permissible rent levels.

Because of the limited availability of vouchers, priority is sometimes given to those in more urgent housing need, but, often, allocation to waiting lists is made by lottery. Typically, in a large city, for every 25,000 applicants, 5,000 would gain places on a waiting list by lottery, and 1,000 would receive vouchers. The average waiting time for vouchers is 28 months, but can be very much longer for the larger public housing authorities – e.g. five years in Chicago, eight years in New York and 10 years in Los Angeles. In most jurisdictions, those who receive vouchers initially have 60 days in

which to search for accommodation – seven per cent grant longer periods. Two-thirds (67 per cent) of jurisdictions, however, routinely grant extensions to the search period but the remaining 33 per cent only do so under special circumstances. A survey of Section 8 administrators in 1997, conducted by the National Low Income Housing Coalition (NLIHC), found a median successful ‘lease up rate’ of 85 per cent, with 15 per cent going unused. (Maney and Crowley, 1999)

Individual states provide subsistence payments generally known as ‘welfare’. This includes a ‘shelter allowance’ that is, in general, inadequate to cover housing costs. It is, however, the sole source of help with housing costs for welfare households outside the public sector and Section 8 programmes. Some 1.6 million extremely poor households (incomes below 30% of the median) receive income assistance, but no specific housing assistance. Nearly three quarters of those households consequently have to meet gross housing costs that exceed 50% of their incomes.

Just 1.3 million extremely low income households receive both income and housing assistance, while over 4 million receive neither income or housing assistance (Harvard University, 1998). Wiseman (1996) reported that, in 1995, public assistance was the primary source of income for 47 per cent of those receiving Section 8 housing assistance.

10.3.2 The degree of help

Normally, Section 8 beneficiaries retain 70 per cent of their income, whatever its source, after meeting their housing costs – because the subsidy covers rent minus 30 per cent of income.

Probably more than 50 per cent of gross rent is covered by the Section 8 payment, but actual figures are not available.

10.3.3 Incentives and disincentives

Tenants in the current Section 8 rental certificate programme have no interest in the size of their gross rent.

Tenants currently have few choices for affordable housing. The level of choice depends very much on how tight the housing market is overall. In New York City, the range of choices may be indicated by the vacancy rates for different prices of accommodation; in general, the higher the rent level, the greater the range of choice (the overall vacancy rate has been under five per cent for decades). So the interaction with housing supply becomes a regional question, as families look outside of New York City for affordable apartments, to communities in New Jersey and on Long Island, New York.

There is supposedly some disincentive to increase earnings (though this has not been proven), because rental subsidy decreases as income increases. In 1995, the Public Housing Authorities Directors Association concluded that: ‘The highest marginal ‘tax’ rate is not paid by millionaires but rather by welfare-dependent public housing residents who accept a full-time minimum wage job.’ Therefore, under the new law, subsidy decrements are phased in.

10.3.3 Encouragement and discouragement

Public policies give no positive incentive for good maintenance. Bad maintenance is at a certain point a violation of building, health or housing codes, which vary from municipality to municipality. In many cities, New York among them, the budgets allocated to building code inspection have been sharply reduced, and enforcement of quality standards depends very much on individual tenant complaint and pressure for enforcement. The main tool used by New York City, to encourage landlords to maintain their property, is a property tax reduction for landlords who carry out rehabilitation of their properties to fix housing code violations. From 1993 to 1999, 638,000 units of housing were renovated under this programme. There is much debate over this abatement and its effect on neighbourhoods. At the same time that the City is relying on this tax incentive, it has cut down on the number of housing inspectors who enforce the housing building codes, thus working at cross-purposes with its policy to create healthy living conditions for as many households as possible.

No policies to reduce under-occupation now exist. There is, periodically, a discussion of 'anti-warehousing' rules, to prevent holding a unit empty, awaiting increases in possible rents, but no such rules are in effect. Likewise, there is some discussion of giving older people incentives to move from large to smaller units, but no targeted programme to that effect now exists.

The effects of housing policy on household formation have not been studied closely. It is not really known whether housing shortages influence household formation. In general, counter-intuitively, household size is shrinking – with a greater number of single-person households and children tending to leave home earlier – despite a continuing shortage of affordable housing.

10.3.4 Opinion and debate

Current debates address a number of points:

- The number of vouchers (entitlements to payments) available is insufficient to meet the needs of all those eligible – many argue that receipt of vouchers should be as of right or that at least the supply should be increased.
- Security – vouchers are given only for a limited number of years (now down to three years at a time).
- There is an inflationary impact on rents charged to HUD under Section 8, which often rise above market levels.
- Generally, there is much rhetoric about 'work responsibility,' but in connection with Section 8 this is actually relevant only to the small minority of recipients and potential recipients who are unemployed but capable of work.

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