Demand subsidies for private renters: a comparative review

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# TABLE OF CONTENTS

Acknowledgements ..........................................................................................................................ii
Executive Summary .........................................................................................................................iv

1. INTRODUCTION: AIMS AND OBJECTIVES .................................................................. 1

2. WHAT ARE DEMAND SUBSIDIES FOR PRIVATE RENTERS? ..................................... 3

3. POLICY ISSUES ................................................................................................................. 7
   3.1 Context ........................................................................................................................... 7
   3.2 Housing allowances: income support or housing assistance? .................................... 8
   3.3 Housing allowances and income support programs ................................................. 9
   3.4 Housing allowances and housing assistance ......................................................... 11

4. THE STATE OF CURRENT KNOWLEDGE ABOUT HOUSING ALLOWANCES:
   A REVIEW OF THE LITERATURE ............................................................................. 14
   4.1 Historical material from a US experiment in the 1970s ........................................... 14
   4.2 General studies of income security or housing which include some
       consideration of housing allowances ......................................................................... 15
   4.3 Comparative studies of housing allowances .............................................................. 16
   4.4 Critical analysis of housing allowances by academic researchers and non-
       government organisations ....................................................................................... 17
   4.5 Research undertaken by government agencies or commissioned reports
       by consultants ........................................................................................................... 18

5. METHODOLOGY .............................................................................................................. 21

6. REFERENCES ....................................................................................................................... 23
EXECUTIVE SUMMARY

Context
The Commonwealth government pays rent assistance (RA) to income support recipients who rent in the private sector, to assist with their housing costs. It is paid directly to low income households, a type of assistance usually termed a demand or personal subsidy. This approach differs from other types of housing assistance in Australia, such as those covered by the Commonwealth-State Housing Agreement, in which funding goes to housing providers, for example, public housing authorities or community housing agencies, a type of assistance usually termed supply or ‘bricks and mortar’ subsidies.

Housing assistance policy in Australia has become increasingly reliant on demand subsidies (RA). Despite this, there has been little independent analysis and research to progress the policy debate about RA. This paper attempts to fill some of that gap.

Objectives of the research
This paper reports on a research project that compares and evaluates different demand subsidy models for private renters, to enable a more informed debate in Australia about the future of RA.

The research focuses on key policy issues surrounding RA and examines how other, similar countries deal with these issues and what the outcomes have been. The project examines demand subsidies for private renters in Australia, New Zealand, Canada and the US.

Specifically, the research aims to:

• Review the various shelter and non-shelter objectives of housing demand subsidy schemes;
• Compare the design, administration and cost of demand subsidy schemes;
• Document and assess evidence on the shelter outcomes of demand subsidy schemes, including affordability, adequacy, appropriateness and security of housing;
• Document and assess the non-shelter outcomes of demand subsidy schemes, including personal and family wellbeing, housing-related poverty, workforce participation and welfare dependency;
• Evaluate available evidence on the impact of housing allowances on communities and private rental markets, including the supply and location of affordable housing; and
• Review evidence from the four countries on the cost-effectiveness of housing allowances relative to social housing and other supply strategies.

Relevance of the study
In the Australian debate about housing assistance policy in the 1990s, some general policy issues about RA were raised. These included different housing affordability outcomes for different types of households, different housing affordability outcomes for households faced with substantially different rent levels in local housing markets, the shelter and non-shelter outcomes of rent assistance for private tenants, and the roles and responsibilities of different levels of government.

Since proposals to integrate rent assistance with CSHA assistance were withdrawn in 1997, these issues have remained on the ‘back burner’ but need to be revisited in view of increasing policy dependence on RA by the Commonwealth government.
Increased targeting of public housing since 1997 to households with additional housing needs (such as domestic violence, medical conditions, disability and homelessness) has placed even greater importance on gauging the effectiveness of RA for most low income households without additional needs.

Additional policy issues have emerged, including the impact of trends in the supply of low rent private rental housing on RA recipients, and the importance of RA in ensuring financial viability for additional community and affordable housing projects.

The project examines whether other, similar countries also face these issues, how they are being addressed and what the outcomes have been. This comparative review should contribute to a better informed policy debate about RA in Australia.

Methodology

The project entails a comparative analysis of demand subsidy models for private renters in Australia compared to New Zealand, Canada and the US. It has a number of stages:

- Consideration of the role of demand subsidies, such as rent assistance, in relation to both income support and housing assistance policies and programs;
- A review of the relevant literature;
- Contacts with a range of organisations and key informants in the four countries;
- A field visit to New Zealand; and
- Data analysis and review.

This Positioning Paper reports on work to date on the first two stages.
1. INTRODUCTION: AIMS AND OBJECTIVES

Commonwealth Rent Assistance (RA) has become the major type of housing assistance for low income households in Australia, assisting almost a million ‘income units’ and with an annual cost now in excess of $1.7 billion (FACS 2001). It is a cash supplement paid to eligible households in receipt of Commonwealth income support payments who rent accommodation in the private sector and in some types of community housing. Both coverage and cost (in real terms) have grown substantially since the mid-1980s. In contrast, expenditure on other types of housing assistance, particularly public housing provided under the Commonwealth-State Housing Agreement (CSHA), has declined in real terms during the same period, and assistance has been increasingly targeted at households who have additional needs beyond problems of affordability (Purdon Associates 2000). This targeting strategy depends on the effectiveness of RA: it assumes that most low income households without additional needs can find, and remain in, private rental accommodation with the assistance of RA.

Despite this growth in the scale and importance of RA, there has been limited research on the overall effectiveness of this type of approach to housing assistance. Where research has been carried out, it has often had an administrative rather than a policy focus. Likewise, policy debate has been narrowly based and with limited knowledge of developments in other, similar countries. Many other developed countries now also rely substantially on similar payments to low-income households. Over the past twenty years, there has been a move away from supply subsidies for social housing, particularly public housing, and towards demand subsidies for private

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1 ‘Income unit’ is a term used by the Commonwealth Department of Family and Community Services and refers to a single or couple and any dependent children. Dependent children are defined as being under 16 or under 18 if in full-time schooling.
renters, such as RA. Housing allowance schemes can be found in the countries with housing systems most similar to Australia, namely, New Zealand, the UK, Canada and the US, as well as in many European countries (Kemp 1997; Ditch, Lewis & Wilcox 2001).

The purpose of this research project is to compare and evaluate different demand subsidy models for private renters to enable a more informed debate in Australia about the future of RA. This is not to suggest that policies or practices from other countries can necessarily be transferred to Australia. They can, however, be a source of ideas on alternative approaches to similar issues and a means of providing new insights into Australian policies and programs, providing a ‘mirror in which we may see ourselves more clearly’ (Castles 1991: xv). The research focuses on key policy issues surrounding RA in Australia and examines how other, similar countries deal with these issues and what the outcomes have been. In particular, the research will explore policy and practice in Australia compared to New Zealand, Canada, and the US where, as in Australia, demand subsidies to low income households have become the major form of government rental housing assistance.

Specifically, the research aims to:

• Review the various shelter and non-shelter objectives of housing demand subsidy schemes;
• Compare the design, administration and cost of demand subsidy schemes;
• Document and assess evidence on the shelter outcomes of demand subsidy schemes, including affordability, adequacy, appropriateness and security of housing;
• Document and assess the non-shelter outcomes of demand subsidy schemes, including personal and family wellbeing, housing-related poverty, workforce participation and welfare dependency;
• Evaluate available evidence on the impact of housing allowances on communities and private rental markets, including the supply and location of affordable housing; and
• Review evidence from the four countries on the cost-effectiveness of housing allowances relative to social housing and other supply strategies.
2. WHAT ARE DEMAND SUBSIDIES FOR PRIVATE RENTERS?

Governments in Australia provide rental housing assistance for low income households in three main ways:

- The Commonwealth and state governments fund a range of housing products and services through the CSHA, mainly public and community rental housing;
- There are a number of programs operating outside of the CSHA that include funding for the provision of accommodation in conjunction with support services for specific groups, such as the Commonwealth-State Disability Agreement and the Supported Accommodation Assistance Program; and
- The Commonwealth government also provides cash transfers, called rent assistance, to people in receipt of Commonwealth income support payments who are renting in the private market.

The first two approaches entail funding to the providers of public and community housing and various types of supported accommodation to supply housing to low income households. In contrast, RA payments are made directly to low income households themselves. These two contrasting approaches are often referred to as demand and supply subsidies, terminology which derives from economic analysis and which has entered the lexicon of public policy debate. *Supply subsidies* (‘bricks and mortar’ or producer subsidies) are paid to the financiers, developers or providers of housing, either non-profit or profit, to lower the cost of producing and providing housing units. *Demand subsidies* (personal or consumer subsidies) are paid to households to boost their effective purchasing power in the housing market (Haffner & Oxley 1999: 146-7).

There are three key points of difference between demand and supply subsidies:

- **Objective**: demand subsidies aim to increase households’ capacity to pay for housing, while supply subsidies aim at lowering the cost of supplying housing;
- **Recipient of subsidy**: demand subsidies are paid to households while, supply subsidies are paid to the financiers, developers and providers of housing; and
- **Portability**: demand subsidies are attached to households and are portable between housing suppliers, but supply subsidies are tied to specific housing units.

Both supply and demand subsidies may be made either directly (accounted for as government expenditure) or indirectly (mainly through the tax system). They may be paid once only or be ongoing (Kemp 2000a: 44). Various types of subsidies for housing are possible (see Table 1). At one time or another in Australia we have had experience of many of these but, by the mid-1990s, the debate about housing assistance had largely narrowed to two subsidy types, rent assistance and capital funding to public and community housing. Whilst these had operated in parallel with each other for several decades, many community interest groups regarded them as opposing approaches, in view of substantial real increases in funding for RA and real decreases in CSHA funding (SCRCSSP 2000: 1357). More recently the Commonwealth has reintroduced a demand subsidy for first time home buyers (the First Home Owners Scheme), primarily as an offset against increased building costs as a result of the introduction of the Goods and Services Tax in July 2000.
Table 1: Examples of demand and supply subsidies for housing

<table>
<thead>
<tr>
<th>Subsidy type</th>
<th>Demand subsidies</th>
<th>Supply subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Home purchase grant</td>
<td>Capital grants to public or community housing</td>
</tr>
<tr>
<td>(once only)</td>
<td>Payment of initial costs associated with rental (bond/relocation)</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Rent assistance</td>
<td>Operational subsidies to enable public, non-profit and for-profit housing providers to charge ‘below market’ rents</td>
</tr>
<tr>
<td>(ongoing)</td>
<td>Mortgage relief schemes</td>
<td></td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Capital gains tax exemption on owner occupied housing</td>
<td>Once-only depreciation allowances</td>
</tr>
<tr>
<td>(once only)</td>
<td>Stamp duty concessions</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Tax relief on mortgage interest</td>
<td>Tax measures such as negative gearing</td>
</tr>
<tr>
<td>(ongoing)</td>
<td>Tax credits for renters</td>
<td></td>
</tr>
</tbody>
</table>

RA can be characterised as a type of direct and ongoing housing demand subsidy. Such subsidies are usually called housing allowances in the literature, although each country has its own particular name. The term ‘housing allowance’ will be used in this paper to denote such subsidies, unless there is a particular reason to refer to the local name. In practice, the distinction between demand and supply subsidies may not always be as clear as suggested in Table 1, as the following examples show.

Firstly, public tenants are ineligible for RA but most pay rents based on a percentage of income, which includes a subsidy component, largely self-funded from state housing authority operations. These income-related rents in public housing, like RA, provide direct and ongoing assistance to low income households. Unlike RA, however, these subsidies are in the form of a ‘rent rebate’ (revenue foregone) rather than direct government expenditure. Whilst these arrangements provide an implicit financial benefit to households, they are attached to specific housing units and are not portable (or only in terms of internal transfers within the public housing stock). Income-related rents in public housing can be regarded as a hybrid form of assistance; neither pure demand nor supply subsidies.

Secondly, households in certain community housing, unlike public housing, are eligible for RA in addition to the subsidies inherent in capital funding arrangements. Community housing tenants commonly pay a rent set according to income but, unlike in public housing, the way in which income-related rents are set also takes into account receipt of RA. Ongoing assistance to tenants in community housing also appears to be a hybrid, with a subsidy component that is tied to specific housing units and not portable, whilst the RA payment is paid to the households and fully portable.

Thirdly, there are examples of subsidy arrangements in the other countries in this study that are also hybrid forms of assistance. Both Canada and the US have experience with ‘rent supplement’ programs for some tenants in private rental and community housing. Rents are calculated based on individual households’ incomes and set according to an affordability benchmark, but the subsidy is paid to the landlord and is only available in specified units. If the household moves out, they lose the subsidy, even if their circumstances have not changed. The US also has a housing voucher program that has most of the characteristics of a housing allowance, but payment is made to the landlord and not the household.
To complicate matters further, housing allowances can themselves be regarded as something of a hybrid between income support and housing assistance. They provide additional income, but that income is tied in some way to housing consumption (Fallis 1993).

Table 2: Comparison of features of income support, housing allowances and housing supply subsidies

<table>
<thead>
<tr>
<th>A Features</th>
<th>B General income support</th>
<th>C Housing allowances</th>
<th>D Housing supply subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived problem</td>
<td>Lack of income</td>
<td>Lack of income relative to cost of housing</td>
<td>Lack of housing</td>
</tr>
<tr>
<td>Rationale for assistance</td>
<td>Basic income is required to live in a civilised society</td>
<td>Income should be sufficient to ensure access to housing meeting community standards</td>
<td>Decent housing is a basic requirement in a civilised society</td>
</tr>
<tr>
<td>Focus of government involvement</td>
<td>Income support</td>
<td>Income support and housing consumption</td>
<td>Housing consumption, housing supply and housing management</td>
</tr>
<tr>
<td>Objective</td>
<td>Provide untied income through income support to meet basic living expenses, including housing</td>
<td>Provide income tied to one or more housing outcomes: Affordability; Adequacy, Appropriateness; and Tenancy management</td>
<td>Provide housing which meets standards in terms of: Affordability; Adequacy; Appropriateness; and Tenancy management</td>
</tr>
<tr>
<td>Treatment of expenditures on housing</td>
<td>Housing expenditures are no different from other types of expenditures</td>
<td>Housing expenditures differ from other types of expenditures</td>
<td>Housing expenditures are one element to be considered together with the size, type, quality, location and management of housing</td>
</tr>
</tbody>
</table>

Housing allowances can be seen in many respects as a ‘middle way’ between housing supply subsidies, on the one hand, and general income support models on the other, as indicated in Table 2. Much of the policy debate has focused on housing allowances as an alternative to housing supply subsidies (columns C and D in Table 2). Governments in many developed countries have moved away from the direct provision of housing, and supply subsidies more generally, seeing housing allowances as a preferable alternative (Kemp 2000a; Ditch, Lewis & Wilcox 2001). There are many reasons for this. Governments see private markets as inherently more efficient, consider that housing allowances provide better choice of housing for low income households, and see housing allowances as a more flexible policy instrument that can be better targeted than supply subsidies. Increasingly, governments have seen the problem to be addressed as some households having insufficient income to afford housing in private markets, rather than lack of housing (Kemp 2000a: 46).

This focus on lack of income as the major issue is precipitating an emerging policy debate on a second alternative: a debate about a general income support model to cover all basic costs rather than treating housing expenditure as a ‘special case’ by providing housing allowances (columns B and C in Table 2). The argument in favour of a general income support model is that housing is not intrinsically different to any other form of expenditure and that households should be left to make their own
choices about housing consumption relative to other goods and services (Olsen 2001). Currently, although many governments have retreated from direct involvement in the supply of housing for low income households, they have not moved to reliance on a general income support model but instead maintained a role in the consumption of housing, through housing allowances like RA.

Why have governments continued with housing allowances rather than moving to an income support model? Firstly, there are the vestiges of an argument that housing is a ‘merit good’ and that decent housing is important not only for individuals but for society as a whole. For thirty years or so after World War II, housing was widely regarded as a merit good and it was taken for granted that a certain standard of affordable, adequate or appropriate housing was important to personal and social wellbeing, even if this was not able to be achieved in practice (Oxley & Smith 1996: 11). This assumption underlay many of the supply subsidy programs of the era but is increasingly being called into question. In essence, whether housing is or is not a merit good turns on a value judgement about its importance to society (see King & Oxley 2000 for a more detailed discussion). Secondly, governments have become increasingly aware of the linkages between housing and other areas such as health, family stability and educational outcomes. This is an argument that housing has positive spill-over effects (‘positive externalities’, to use economic jargon) on a range of areas (Oxley & Smith 1996: 9-10). Thirdly, there are other possible reasons why governments continue to rely on housing allowances rather than general income support (Fallis 1993), including a desire to use them to stimulate an increase in the supply of affordable housing or as a means of addressing equity issues (e.g. treatment of those in different tenures).

Within this general context, underlying all the specific questions in this research is identification of the rationale for housing allowance programs and how this influences program objectives, program design and assessment of program outcomes. In the next section we examine some current policy issues pertinent to RA in Australia and the types of research questions that stem from these.
3. POLICY ISSUES

3.1 Context

RA was introduced in 1958 but until the mid-1980s remained, despite many incremental changes, a small-scale payment added to some types of pensions. Eligibility was then extended until it included most (but not all) income support recipients who rent privately (Prosser & Leeper 1994). A series of incremental changes to its design were also made to try and tailor assistance to households of differing sizes and composition and, to a limited extent, to address the circumstances of those renting privately in high cost markets (McNelis 1997).

By the mid-1990s, partly as a result of these changes and partly because of the increase in the number of people in receipt of Commonwealth income support payments, RA had outstripped CSHA assistance in terms of both those assisted and gross annual expenditure. In June 2001, there were 976,333 ‘income units’ in receipt of RA, far exceeding the approximately 375,000 households living in public and community housing funded by the CSHA (FACS 2001: 112; SCRCSSP 2001: Tables 16A.1, 16A.15). The cost of RA had risen to more than $1.7 billion in 2000-01, greater than the $1.3 billion (gross) in funding by all governments under the CSHA (FACS 2001: 111-12; SCRCSSP 2001: 753). The number of households affected and the cost of RA effectively make it the major form of housing assistance in Australia.

This increasing reliance on RA has stimulated surprisingly little policy debate, with the notable exception of the period 1992-97 when successive Labor and Coalition Commonwealth governments proposed to integrate it with CSHA assistance. In 1997, after several years of heated policy debate, these plans were withdrawn (Caulfield 2000). Whilst the detail of the proposals differed, the focus of debate in the mid-1990s was primarily about the impact of the proposals on capital funding for public housing and community housing and changes to rents payable by existing (and incoming) public housing tenants, rather than on the effectiveness of RA for the much larger number of private tenants. During this debate, however, the Commonwealth began to report on RA as a form of housing assistance rather than as one of several allowances attached to major income support payments.

Some key policy issues began to be raised in the mid-1990s debate, such as the affordability outcomes for low income households renting in local housing markets with substantially different rent levels, the supply of low rent private housing, and consideration of shelter and non-shelter outcomes of RA for private tenants. After the integration proposals were withdrawn in 1997, the Commonwealth government has continued to make incremental micro-level changes to RA (Hulse 2001).

The mid-1990s debate elicited, for the first time, some public information on RA and its effectiveness (Industry Commission 1993a, 1993b; DSS 1993, 1997a; Senate Community Affairs References Committee 1997). Since then, the Commonwealth has commissioned research into the living arrangements and housing circumstances of RA recipients (e.g. Wulff & Rees 1999; Wulff 2000). AHURI has also funded some research into RA as it impacts on specific groups such as young people (Burke, Pinkney & Ewing 2001) and sole parents (Burke & Hulse 2002 forthcoming). Despite this work, many of the issues raised in the mid-1990s remain unresolved. Some new policy issues have also emerged as a result of the Commonwealth’s welfare reform agenda, which is beginning to make fundamental changes to the nature of income support and which will have flow-on effects for a housing assistance strategy centred on income support payments. The major policy issues in relation to RA are discussed below. The research will investigate how other, similar countries have addressed these issues and what the outcomes have been.
3.2 Housing allowances: income support or housing assistance?

The first of these policy issues is the extent to which RA is a form of housing assistance or part of general income support. This dilemma is not restricted to Australia. Housing allowances typically have both housing assistance and income support objectives, although usually one is more dominant (Kemp 1997: 56). In Australia, RA appears to have an ambivalent status, as reflected in current administrative arrangements. The Commonwealth Department of Family and Community Services (FACS) is responsible for policy on RA as part of its responsibility for housing support, which also includes other housing and homelessness programs. RA is, however, administered through Centrelink as part of the nation’s income support system. There is no direct link with other types of housing assistance for private renters administered by the states through CSHA arrangements or regulation of residential tenancies also administered by the states.

A preliminary scan of the countries in this study indicates that housing allowances can be found within both income security and housing programs. For example, in the US, shelter allowances are included in state social assistance programs but there is also a housing voucher program funded by the federal government and administered by local housing agencies, with no policy and little administrative coordination between the two (Newman & Schnare 1988, 1994). In Canada, there are shelter allowances within state/municipal social assistance programs but some provinces, most notably Quebec, also have separate shelter allowance programs for specific groups (Steele 1998). Table 2 indicates housing allowances located within both income support and housing programs.

Table 3: Housing allowances in income support and housing programs in Australia, New Zealand, Canada and the US

<table>
<thead>
<tr>
<th>Housing allowances within income support programs</th>
<th>Australia</th>
<th>New Zealand</th>
<th>Canada</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent assistance</td>
<td></td>
<td>Accommodation supplement</td>
<td>Shelter allowances within provincial (sometimes local) social assistance programs</td>
<td>Shelter allowances in state social assistance programs</td>
</tr>
<tr>
<td>Private rental assistance program (CSHA) – some components</td>
<td></td>
<td>Specific shelter allowance programs (some provinces)</td>
<td>Housing vouchers (Section 8)</td>
<td></td>
</tr>
</tbody>
</table>

The research will examine the objectives of housing allowances in the four countries and particularly the balance between income support and housing assistance objectives. Does it matter whether housing allowances are seen primarily as a means of housing assistance or income support? The research will assess the implications on program objectives of the way in which housing allowances are conceived, design and administrative arrangements and the way in which outcomes are assessed.
The paper proceeds by examining, firstly, policy issues surrounding the inclusion of housing allowances within income support programs and, secondly, policy issues in relation to housing allowances and housing assistance more generally.

3.3 Housing allowances and income support programs

We start by examining the role of housing allowances in income support systems. These systems vary considerably between countries in ways that are likely to impact on housing allowances. Perhaps not surprisingly, the Australian income support system has most in common with that of New Zealand. Both are single-tier systems run by federal/national governments, funded from taxation, selective and means-tested. Housing allowances are an integral part of these systems. The Canadian and US income support systems, in contrast, are two-tier systems with federal systems of social insurance, particularly for the aged, and state/provincial systems of social assistance for those not covered by federal insurance, such as lone parents or job seekers without entitlement to insurance. Upper-tier programs have more generous payment levels that are intended to cover all costs including housing. State/provincial social assistance programs pay at significantly lower levels and include housing allowances to make specific additional provision for housing costs (Myles & Pierson 1997; Myles 1998).

The first issue in understanding the role of housing allowances is, therefore, how do income support systems deal with housing expenditures. Unlike other essential living costs, household expenditure on housing varies substantially not only by household size and composition but also by tenure type and geographical location.

Kemp (2000a: 45) identifies three main ways in which the income support programs deal with housing expenditures:

- Income support covers all reasonable housing expenditure;
- Income support makes some allowance for housing expenditure;
- Income support makes no allowance for housing expenditure.

A preliminary review indicates that Canada and the US are examples of the first of these. State/provincial (and municipal) social assistance programs in theory cover reasonable housing costs (Newman & Schnare 1988; Myles 1998). Payments are calculated according to two components: shelter allowances (based on reasonable housing expenditure) and a standardised general component to cover all other expenses. In practice, shelter allowances in the two countries often fall far short of actual housing costs (Prince 1995, 1998).

Australia and New Zealand are examples of the second approach with income support payments intended to cover some types of housing expenditures. In Australia, payments are intended to be sufficient to cover the housing expenditures of purchasers and public tenants, but RA is an additional payment paid to private renters and some community housing tenants on the assumption that these renters face higher costs than those in other tenures. Recent research has, however, questioned this assumption and highlighted the similarly high costs faced by some low income home purchasers; for example, Burke and Hulse (2002 forthcoming) make this point in respect of sole parents. In New Zealand, income support payments, as in Australia, are designed to cover some housing expenditures, including those of public tenants (from December 2000), but housing allowances (the accommodation supplement) are available to those paying more than a prescribed percentage of their income on home purchase costs or private rental.
The UK is an example of the third model for renters, although not for purchasers. Social assistance schemes (Income Support and Jobseekers Allowance) make no specific allowance for the housing costs of renters. Instead, there is a separate and parallel system of housing allowances (housing benefit) for households renting public, community or private housing that is part of the nation’s income support system, has a national formula, but is administered by local council housing departments.

These differences raise a number of policy issues about housing allowances within income support systems.

**Who gets housing allowances and who is excluded?**

Where housing allowances are located within income support programs, as with RA in Australia, eligibility for assistance is a consequence of eligibility for major income support payments, such as the age pension, and certain family payments. Eligibility for housing allowances is determined by general eligibility for income support. The research will examine, for the four countries in the study, how eligibility for housing allowances is affected by eligibility criteria for different income support systems. In particular, it will examine which groups are included or excluded, including households with and without children, single people, young people, job seekers, those with some wage income and those fully dependent on low wage jobs.

**Housing allowances and tenure**

RA in Australia is only available to households living in private rental and some community housing, and not to public tenants or those purchasing their own home. As indicated above, a preliminary review indicates that this is not the case for the other countries in the study. This raises some policy issues about RA in Australia. Why is it only available to private renters? Should it also be available to income support recipients who are struggling with home purchase? Does the current system fail to prevent some low income households falling out of home ownership?

**Housing allowances, affordability and disposable income**

The research will also examine the extent to which housing allowances within income support systems are designed primarily to supplement income, thereby, as Kemp (2000a: 47) suggests, reducing the percentage of income devoted to housing and increasing that available for other essentials. If this is the case, what are the implications for the design of housing allowances in the four countries? How do housing allowance programs determine what is considered to be ‘reasonable’ expenditure on housing and the degree of choice and constraint available to low income households? Do housing allowances within income support programs include an explicit or implicit affordability benchmark? What evidence is there of the effectiveness of housing allowances in offsetting housing costs, thereby ensuring that households are not in poverty after paying for their housing?

**Welfare reform and work**

Housing allowances, insofar as they are included within income support programs, are also directly affected by government ‘welfare reform’. Where governments introduce measures to encourage or coerce low income households away from income support and into work, there are likely to be significant impacts on housing allowances. The research will examine whether, and how, housing allowances encourage or discourage participation in paid work. For example, does withdrawal of housing allowances contribute to very high effective marginal tax rates for low income households, thereby contributing to poverty traps? Alternatively, have housing allowances been designed in such a way as to encourage economic participation and, if so, how and with what results? What conditions are attached to housing allowances as a result of welfare reform strategies? The research will
examine whether those in work can access housing allowances in the four countries, the objectives of such schemes, take-up rates and links with other employment support programs.

The remaining policy issues discussed in this paper derive from the governments seeing housing allowances as, at least in part, a form of housing assistance, whether or not they are located within income support or housing assistance programs.

### 3.4 Housing allowances and housing assistance

Some housing allowance programs are (also) seen as part of housing assistance. A prime example of this is the US housing voucher scheme, which is an alternative to supply subsidies to social and private rental housing providers. RA in Australia, the accommodation supplement in New Zealand and some provincial schemes in Canada have also been seen as having, at least in part, housing assistance objectives. Such objectives go beyond supplementing income and may include desired standards in terms of affordability, physical adequacy and appropriateness of housing and tenancy conditions. The more that housing allowances are expected to have specific housing outcomes, the more they can be expected to include conditions relating to affordability, adequacy and so on in program design (Steele 2001). The research will investigate the extent to which conditions are included in program design to achieve housing objectives and how these conditions are monitored and enforced.

**Links between housing allowances and housing assistance programs**

After the proposals of the mid-1990s to integrate RA with CSHA assistance were withdrawn, RA has continued to operate separately from public and community housing and supported accommodation programs. Whilst public tenants are not eligible for RA, those in some community housing and supported housing are eligible for the payment, as well as those living in varied private rental arrangements. Since 1997 eligibility for public housing has become similar to that of RA, with some state housing authorities setting the same eligibility for public housing as for RA. Within this eligible population, however, public housing is being increasingly targeted at those considered to have additional needs beyond affordability such as homelessness, a medical condition or a disability (Purdon Associates 2000). These changes have raised a number of policy issues about the linkages between RA and housing funded through supply subsidies such as the CSHA.

The research will investigate policy and practice in the four countries in respect of the linkages between housing allowances and housing assistance programs. This will focus on differences in targeting by factors such as income level, household type, additional needs and the extent to which those living in housing assisted with supply subsidies are eligible for housing allowances. The project will also examine evidence on the housing outcomes for those in receipt of housing allowances, relative to other types of housing assistance.

**Use of housing allowances to stimulate the supply of non-profit housing and public/private partnerships**

A further policy issue of considerable importance to the debate about RA in Australia is whether, and to what extent, it is being used to stimulate the supply of non-profit housing. Whilst there has been no growth in public housing over the past few years, there has been some growth in community housing, with support from both main political parties. Households living in community housing are eligible for RA and this additional income is taken into account in establishing rent levels for such accommodation, although how this is done varies in practice. Anecdotal evidence suggests that RA payments have become crucial to the financial viability of many
providers of community housing. Additionally, there are currently many proposals for developing public/private or public/community partnerships for affordable housing or community housing (e.g. the Social Housing Innovations Program in Victoria, the Affordable Housing National Research Consortium, and development work on the Brisbane Housing Company). All these proposals rely on the continued eligibility of tenants of community housing for RA in addition to government supply subsidies. The research will look at whether housing allowances in the other countries have the role of stimulating non-profit housing and, if so, how and with what result.

**Housing allowances and the supply of private rental housing**

RA in Australia is geared mainly to households renting in the private sector. Its effectiveness depends on a supply of affordable, adequate and appropriate housing for low income households. During the reform debate of the mid-1990s, it was assumed that this was unproblematic. The private rental market was found to be robust and had more than kept pace with the rate of household formation (DSS 1997b). In other words, the problem to be addressed was not one of housing supply but one of lack of income, hence RA was seen as the most appropriate strategy. Since the reforms were shelved in 1997, subsequent research has disaggregated information by market segment and found that, whilst there had been substantial growth at the more expensive end of the private rental market, the low cost end had decreased in relative and, in many areas, absolute terms (Yates & Wulff 2000; Wulff, Yates & Burke forthcoming).

These more recent findings raise substantial questions about the effectiveness of a housing strategy based on RA and the private market, in the absence of measures to stimulate the supply of low price rental housing, other than non-targeted negative gearing. The research will explore evidence on the interaction between housing allowances and the supply of private rental housing in the four countries. What share of private rental market is affected by housing allowances? What trends have their been in the supply of private rental housing which is affordable by those in receipt of housing allowances? How have private markets responded to the increased availability of housing allowances? What evidence is there on the effectiveness of housing allowances for those renting privately? Is there any evidence on their impact on private rent levels? How have programs been designed to facilitate access to private rental? What other, complementary, initiatives, if any, have been implemented to facilitate a supply of low cost rental housing, and how effective have these been?

**Addressing regional variations in housing markets**

In Australia, RA is administered as part of the national income support system, as indicated above, and is affected by the legal and administrative requirements of that system. For example, similar households are treated in the same way wherever they live in Australia. Whilst this principle is aimed at ensuring horizontal equity between households, it causes other types of inequities since housing costs vary by tenure type and location. A major sticking point in the housing reform debate of 1992-97 was how an integrated system of RA could take into account significant local and regional differences in rent levels. Whilst the RA formula does include rent paid, the combined impact of elements of the formula means that there is a variation of less than $2.50 a week in average RA payment to households renting in Sydney, with the highest average payments, and non-metropolitan Tasmania and Western Australia, with the lowest average payments (SCRCSSP 2001: 760, Table 16A.31). This raises a number of issues. Is RA unnecessarily generous to households renting in low cost markets? Is it a relevant strategy in high cost markets such as Sydney, Melbourne and Brisbane? Are recipients able to choose from a variety of stock types and geographic areas or are they concentrated in specific areas of private low rent housing? How have other governments dealt with these issues?
The research will examine how other housing allowance programs treat differences in rent levels between areas. What mechanisms are in place to take into account differing market rents? What evidence is there on the adequacy of payment levels in relation to different local markets? How do program managers monitor local and regional differences in rents? Do governments evaluate the spatial impacts of demand subsidies and, if so, how do they do this? How do the spatial impacts of housing allowance programs compare with those achieved by housing supply programs?

The cost of housing allowances
There has been concern in Australia about the escalating cost of RA and, since 1997, a number of measures to reduce fraud and ‘double dipping’ have been introduced. The cost of RA is dependent on a number of factors, including eligibility criteria, the payment formula, the number of income support recipients and private rent levels. The research examines cost trends in the four countries, the source of cost pressure, and what types of measures have been introduced to try and control costs. Is cost control easier when demand subsidies are part of housing assistance rather than income support? How are trade-offs made between demand for assistance and ensuring adequate payment levels? What processes of review of payment levels are in place?

Coordination and support
The Commonwealth government administers RA through its business partnership arrangements with Centrelink, which is primarily an agency for processing payments and does not have general support or coordination functions. What are the implications of providing housing allowances separately from the responsibilities for social housing, private rental assistance funded through the CSHA, the regulation of residential tenancies and many of the support services for people with additional needs that are primarily the responsibility of other levels of government? The Commonwealth’s recent report on welfare reform suggested that some income support recipients need support with housing search but gave little detail on how this could be done (Reference Group on Welfare Reform 2000: 15). This research examines how housing allowance programs in the four countries address issues of support and coordination, including the dynamics of housing policy when responsibility is split between different levels of government. To what extent are housing allowances connected with other types of support, such as information on housing markets, tenancy rights and advice on housing search processes? How is ongoing assistance with rental coordinated with one-off assistance with bond and relocation expenses?
4. THE STATE OF CURRENT KNOWLEDGE ABOUT HOUSING ALLOWANCES: A REVIEW OF THE LITERATURE

A number of commentators have suggested that, despite the growth in importance of housing allowances in many countries, this type of policy instrument has been relatively neglected in the literature on both income support and housing. This has been variously attributed to:

- The location of housing allowances within both income security and housing programs (Fallis 1993);
- The complexity of many housing allowance schemes and their frequent changes (Bolderson & Mabbett 1991; Eardley et al. 1996);
- The interaction between housing allowances and social assistance programs, which are themselves often very complex (Ditch, Lewis & Wilcox 2001); and
- The difficulty in comparing housing markets, housing costs and types of housing provision across countries (Kemp 1997).

The literature review found that, whilst there are very few comparative studies which focus specifically on housing allowances, there is a good deal of relevant material, although most is single country, and much of it has been prepared by, or funded, by governments, rather than by academic researchers.

The literature which is relevant to this study can be divided into a number of types: historical material relating to a US experiment in the 1970s, general studies of income security or housing which include consideration of housing allowances, comparative studies of housing allowances involving several countries, critical analysis of housing allowances by academics and non-government organisations, and government reports and commissioned studies by consultants. The following sections provide a summary of the literature in each of these areas, with an indication of the relevance of each type of research.

4.1 Historical material from a US experiment in the 1970s

There is an extensive literature resulting from a large and costly series of experiments to test the viability of housing allowances in the US in the 1970s and early 1980s. This Experimental Housing Allowance Program (EHAP) had three components. The demand experiment aimed at monitoring changes in housing consumption by low income households in receipt of housing allowances (Kennedy 1980). The supply experiment was designed to evaluate the market effects of what was intended as an intensive housing allowance program in two specific areas (Lowry 1983). The administrative agency experiment tested different models of program management (Hamilton 1983). In addition, there was an integrated analysis of the three experiments (Carlson & Heinberg 1978; Struyk & Bendick 1981). The findings were summarised by the federal Department of Housing and Urban Development (HUD 1980). EHAP was widely regarded as successful and generated much discussion in the early 1980s (e.g. Bradbury & Downs 1981; Friedman & Weinberg 1983), although there were some alternative voices (e.g. Hartman & Keating 1974; Hartman 1983, 1986). Its historical significance is considered in some recent research on the development of housing assistance policy in the US (e.g. Winnick 1995; Orlebeke 2000; Dreier 2000; HUD 2000a).
These findings had an important impact on debates about housing assistance policy in the countries in this study. In neighbouring Canada, the experiment fuelled heated policy debate (e.g. Bourne & Hitchcock 1978; McClain 1979, 1983; Centre for Urban & Community Studies 1983) and the federal housing agency, the Canada Mortgage and Housing Corporation, undertook and commissioned various reports on housing allowances (e.g. Forma Consulting 1978a, 1978b; Watson, Ermuth & Hamilton 1979; Hum & Associates 1981; CMHC 1981). In Australia, work began on a similar Housing Allowance Voucher Experiment in 1976 (Burbidge 1977), but was abandoned by 1978, largely for reasons of cost (Foard 1995; Hulse 2001).

From the perspective of this research, the significance of this vast literature was that some of the EHAP findings subsequently assumed ‘taken for granted’ status, both in the literature and by policy makers. Three findings were of particular importance:

- Whilst housing allowances did improve affordability (percentage of income spent on rent), many households did not make substantial changes to their housing consumption and spent most of the money on items other than housing;
- There was only a minor effect of housing allowances on improving the quality of existing rental housing and a negligible effect on increasing the supply of additional rental housing; and
- There was a negligible inflationary impact on private rent levels.

The EHAP findings have continued to be used over the years in Australia in support of housing allowances by both academics (e.g. Walsh 1988) and government agencies (e.g. DSS 1997a). There has been little attempt to evaluate whether these findings, derived from a time-limited experiment, are applicable to RA in Australia, which is an ongoing program operating in a different institutional and market context (Hulse 2001).

### 4.2 General studies of income security or housing which include some consideration of housing allowances

For researchers into income support, treatment of housing costs is typically considered to be no more important than treatment of other types of costs, such as those associated with the care of children or with disability (e.g. Bradshaw et al. 1993). Many researchers have focused on specific groups such as children, people with disabilities or the elderly. There have been a few cross-national studies of income support programs, which have paid some consideration to the treatment of housing costs (Bolderson & Mabbett 1991; Joseph Rowntree Foundation 1994; Eardley et al. 1996; Gough 1997), but these typically do little more than describe assistance with housing found within income support programs.

Housing researchers, on the other hand, have been primarily interested in social housing and home ownership, the two traditional forms of postwar housing assistance. This has applied particularly in Australia where research has focused on the development of public housing (e.g. Hayward 1996; Grieg 1995, 1997) and home ownership assistance (e.g. Berry 1999; Dalton 1999) but, until recently, there was little interest in the role of government in relation to changes in the private rental market (some recent work has included Wulff & Maher 1995; Dalton & Maher 1996; Yates & Wulff 2000; Wulff, Yates & Burke forthcoming). It is in this context that there has been little interest in the development of RA (exceptions being Foard 1995; Yates 1997; Hulse 2001).
Where housing allowances have been included in comparative housing studies, they are treated as a small part of total government actions in relation to housing, and accounts are largely descriptive (e.g. Papa 1992; McCrone & Stephens 1995; Oxley & Smith 1996). Much comparative housing of this type is restricted to European countries, driven by the imperative to compare policies across the European Union. Such studies typically pay little attention to the four countries in this research and are thus of limited relevance.

More importantly, there are a number of country-specific studies that attempt to compare housing allowances with supply subsidies, particularly to social housing. Most of these are written in support of one or other form of assistance and mainly emanate from North America. Some date back to EHAP (e.g. Mayo 1983) but there is also more recent literature (e.g. Fallis 1993; Clayton Research Associates 1993; Barton 1996; Olsen 2001). An interesting empirical study carried out by consultants for the Canada Mortgage and Housing Corporation used longitudinal data to compare the outcomes of non-profit housing and quasi-housing allowances (shelter supplements) in private rental housing, finding that non-profit housing was a more cost effective program choice in most cases (Ektos Research Associates 1997: 51). Similarly, whilst the debate about housing allowances or general income support is a relatively new one in Australia, there has been some work in this area in North America, also since EHAP (e.g. Bradbury & Downs 1981; Howenstine 1986: ch. 11; Fallis 1993; Olsen 2001). The next stage of the research will explore this type of literature further.

4.3 Comparative studies of housing allowances

Largely as a result of interest in EHAP, a pioneering study of seventeen developed countries was published in the mid-1980s (Howenstine 1986). This examined why housing allowances had developed in these countries (including all those in this study), and compared details of the design and administration of these subsidies, both those within housing assistance and income support programs. In the case of Australia (and Canada), the study found that housing allowances had developed as ‘a convenient means to target supplementary assistance to the elderly poor who – on small fixed pensions of little income – were suffering from creeping inflation’ (Howenstine 1986: 168).

For the next decade, although housing allowances were detailed in more general comparative studies of housing assistance, as indicated above, there were few specific studies. Where work was undertaken, it focused on a number of European countries (e.g. Oxley 1987; Kemp 1990). Since then, there have been two further comparative studies involving a wider range of countries. Kemp (1997) undertook research into housing allowances in seven countries for the UK Department of Social Security. This study included Australia, New Zealand and Canada, but not the US. The research focused on issues of concern to the Department of Social Security, including the role and context of housing allowances, eligibility and entitlement, payment formula, administration and policy issues (Kemp 1997: 9-10).

Subsequently, the renamed UK Department for Work and Pensions commissioned a further, internal review of social housing and housing allowances in ten countries, which this time included the US (Ditch, Lewis & Wilcox 2001). This study also addresses specific policy and administrative issues of concern to the department, including the role of housing allowances in work incentives and the interaction between housing allowances and housing supply.

Both these reports should be seen in the UK context of widespread dissatisfaction with, and consideration of changes to, housing benefit. They were commissioned by government agencies to provide information on specific aspects of housing
allowances in other countries to help inform the domestic debate. They give a useful summary of several aspects of housing allowances in the four countries in this study and provide background information for this research. They do not, however, cover all the policy areas discussed above nor, in many areas, with the degree of detail envisaged in this research.

Apart from these more general studies, a few studies have attempted to compare housing allowances in two countries, for example, the US and the Netherlands (Priemus 2000) and the US and Canada (Steele 2001), although the latter does make some reference to other countries. In the housing reform debate of the mid-1990s in Australia, the main point of comparison was with New Zealand (e.g. Pender 1996). These two-country studies also provide some useful background information, although none has directly involved Australia.

4.4 Critical analysis of housing allowances by academic researchers and non-government organisations

Unlike the UK, where there is a substantial body of academic work on housing benefit (e.g. Kemp 1994, 2000b), including the way in which the payment works in the private rental sector (e.g. Kemp & McLaverty 1998), there has been only limited academic analysis of RA in Australia. In the late 1980s, some housing economists and others wrote papers in support of a universal housing allowance to replace supply subsidies to social housing under the CSHA (e.g. Walsh 1988). The mid-1990s debate generated only a few academic contributions (e.g. Foard 1995; McNelis 1997; Yates 1996, 1997). More recently, there has been a small amount of work on specific aspects of RA (e.g. Wulff & Evans 1999). Australian academics have largely ignored RA and housing allowances more generally. Non-government organisations contributed to the mid-1990s debate (e.g. Wolf 1996) but have made little contribution since then. Most recently, AHURI has funded some research on aspects of RA (e.g. Burke, Pinkney & Ewing 2001; Burke & Hulse 2002 forthcoming).

There had been little academic research on housing allowances in New Zealand until the 1990s, except as part of general work on the development of housing assistance (e.g. Ferguson 1994). The replacement of the accommodation benefit within the income support system by a more general accommodation supplement in July 1993, and its extension to public tenants in lieu of income-related rentals, did draw some interest from academic researchers (e.g. Murphy & Kearns 1994; Morrison 1995; Murphy 1997, 1999; Robinson 1998; Thorns 2000). Most of this research was reported in international journals and was deeply critical of the new accommodation supplement. The focus of much of this literature was on the impact of the reforms on public tenants, with some attention to the rising cost of the accommodation supplement and they way in which it worked in different housing markets. Academic research on the second wave of policy changes in 2000-01, which narrowed the scope of the supplement and returned to income-related rents in public housing, is not yet available, although there is some work on the wider issue of social assistance (e.g. Boston & St John 1999). There has also been a limited amount of work by non-government organisations on the effects of the accommodation supplement (e.g. Roberts & Robinson 1996; Waldegrave 2000).

In Canada, too, there has been limited academic research on housing allowances, other than a contribution over a long period by a few academics. These tend either to be in support of housing allowances (e.g. Steele 1985a, 1985b, 1998, 2001) or to oppose them as a threat to government commitment to social housing (e.g. Centre for Urban and Community Studies 1983; Hulchanski 1993). There have been some recent attempts to examine both housing allowances within state (and municipal) social assistance programs and those provinces that have also have specific purpose
housing allowance programs (e.g. Pomeroy 1995a; Steele 1998; Prince 1995, 1998). Non-government policy and advocacy organisations have also periodically reviewed and commented on both types of housing allowances (e.g. Canadian Housing and Renewal Association 1994; Caledon Institute of Social Policy 1996).

In the US, academic research on housing allowances has been more substantial than in the other countries from the time of EHAP. Most recent research has focused on the social, racial and spatial outcomes of housing vouchers (e.g. Hartung & Henig 1997; Briggs 1997, 1998; Turner 1998; Galster & Zobel 1998; Galster, Tatian & Smith 1999; Rosenbaum & DeLuca 2000) and the link between housing vouchers and welfare reform (e.g. Kingsley 1997; Bell & Gleason 1999; Center on Budget and Policy Priorities 2000) with limited attention to issues of access and equity (e.g. Apgar & Herbert 1994; National Low Income Housing Coalition 1999). Non-government policy and advocacy organisations have made a more substantial contribution to the literature in the US, compared to the other three countries in this study. For example, the National Low Income Housing Coalition produced an extremely useful overview of relevant research into housing vouchers and also reported on its own research into program administration and outcomes (Maney & Crowley 1999). Organisations such as the Center for Policy and Budget Priorities, the Brookings Institution and the Urban Institute have had a significant and ongoing role in reviewing the housing voucher programs and recommending changes (e.g. Lubell & Sard 1999; Katz & Turner 2000; Sard & Lubell 2000; Turner, Popkin & Cunningham 2000). Importantly, almost all this research focuses on the housing voucher programs; housing allowances within social assistance, as in Canada, have been largely neglected in the literature although there are a few exceptions (e.g. Newman & Schnare 1988, 1989, 1994, 1997).

4.5 Research undertaken by government agencies or commissioned reports by consultants

Significantly, most of the research on housing allowances has been undertaken by governments, including research contracted to private consultants.

In Australia, most of the work on RA has been undertaken or commissioned by the Commonwealth government. Some of this research was commissioned in the context of reviews of housing assistance policy. The National Housing Policy Review commissioned a review of housing allowances (Econsult 1989) which reviewed the literature, undertook a theoretical analysis of the cost-effectiveness of housing allowances and public housing and, for the first time, used some empirical data from the Melbourne private rental market to test the theoretical assumptions. This was followed by the National Housing Strategy (1990-92), which commissioned a series of reports, although none specifically on housing allowances. Commissioned reports confirmed that two-thirds of those in housing stress in the private rental market were income security recipients, despite the increased availability and payment levels of RA (NHS 1991: xi). The strategy did, however, recommend that RA be converted into an affordability payment based on household income as well as housing costs and household composition/type (NHS 1991, 1992). The notion of a housing allowance to both public and private tenants was not new and had been discussed in housing policy circles for many years (e.g. Field 1983; Black 1986; Carter 1987; Kendig & Paris 1987). The subsequent Industry Commission inquiry into public housing did not undertake any specific research on RA but, for the first time, generated some useful public information about RA and its effectiveness (Industry Commission 1993a, 1993b). The then Commonwealth Department of Housing and Regional Development also commissioned research comparing Commonwealth policies for public and private renters (Pender 1996).
With these exceptions, research on RA has been undertaken or commissioned by FACS and before 1998 by DSS, in the context of income support policy. Some of this was made publicly available via the Social Security Journal (e.g. Field 1983; Lever 1984; Prosser & Leeper 1994) or in the context of the Social Security Review of the mid-1980s (e.g. Vipond 1987). Other DSS reports looked at low income households in the private rental market (Wilson 1989) and at the impact of the eligibility and payment changes of the late 1980s and early 1990s. A 1991 consultant’s report, based on a survey of real estate agents, suggested that these changes had had little impact on private rents (Econsult Planning & Development 1991). Further research suggested that RA was used mainly as a general income supplement and not spent on increasing housing consumption (DSS 1992a) and that targeted increases to the payment had improved affordability outcomes for RA recipients (DSS 1992b). These findings were reiterated by the DSS (1993) submission to the Industry Commission inquiry. Further information on the affordability and other outcomes of RA was made available in the DSS (1997a) submission to the Senate Community Affairs References Committee Inquiry into Housing Assistance and related hearings.

Whilst this work provides interesting insights into RA, it is restricted to those issues of concern to the Commonwealth government and much of the data on which it is based is not publicly available and therefore not contestable. Unlike public housing, for which Census data is available as an independent source of information, there is no such alternative source of data on RA. Both the Steering Committee for the Review of Commonwealth-State Service Provision (SCRCCSP 2001) and, to a lesser extent, the Australian Institute of Health and Welfare (AIHW 1999, 2001), the two organisations that report regularly on RA, are heavily dependent on administrative data from FACS. The Australia Institute for Health and Welfare has indicated its concerns with some of the data (Karmel 1998). These concerns have been recognised and the National Housing Data Agreement 2000, a subsidiary agreement to the 1999 CSHA, commits the Commonwealth, states and territories to obtaining reliable and nationally consistent data across housing assistance programs, although this is likely to be a long-term project (AIHW 2001: 88).

In 1998, and for the first time, DSS commissioned ACNielsen to undertake a large survey to generate primary data on RA recipients. Some of these findings can be found in Wulff & Rees (1999) and Wulff (2000), and a brief overview is included in the 2001 report of the Steering Committee for Review of Commonwealth-State Service Provision on housing assistance (SCRCCSP 2001).

In New Zealand, the introduction of the accommodation supplement in 1992 was preceded by three internal government working reports on the then accommodation benefit (Lennon & Badcock 2001: 4) and a consultant’s report which largely reflected the conventional wisdom from the EHAP findings, suggesting that there would be low take-up rates for the new payment, a 2 to 4 per cent decrease in rental and considerable ‘leakage’ from housing assistance to other areas, as recipients spent the money on items other than housing (Infometrics Ltd 1991: 1-2). These findings proved to be very wide of the mark. The government outlined its own view on assistance with accommodation (Luxton 1991). Subsequently, whilst the then Department of Work and Income administered the accommodation supplement, policy responsibility was originally placed within a Ministry of Housing and from 1998 transferred to a new Ministry of Social Policy, which provided some regular data (e.g. Ministry of Social Policy 2000).

In Canada, since there is no national housing allowance program, the federal government has had a much more limited role in relation to housing allowances than in Australia or New Zealand. Human Resource Development Canada reported regularly on social assistance programs until devolution of responsibilities in the mid-1990s. Since then, reporting on social assistance programs and the housing
allowances within them has been the responsibility of nine provinces and three territories, although the National Council on Welfare, a body set up to advise the Minister for Human Resources Development, provides occasional national reports on social assistance programs with the cooperation of the provinces/territories (e.g. National Council of Welfare 1998, 2000). Individual provinces report on their own housing allowance programs, although this is largely restricted to inclusion in the Annual Reports of the relevant departments. Unlike either Australia or New Zealand, local government has also made a contribution through its affordable housing policy, which includes consideration of housing allowances as part of an integrated strategy (Federation of Canadian Municipalities 2000).

The US federal Department of Housing and Urban Development, through its Office of Policy and Research Development, has had a dominant role in producing and commissioning research on housing vouchers from EHAP onwards. Particular areas for research have been management improvements (e.g. Kennedy & Finkel 1994; Finkel 1994; Abt Associates 1996; Feins et al. 1997), the link between housing vouchers and welfare reform (e.g. Abt Associates 1999), use of housing vouchers to promote residential mobility (e.g. Goering, Carnevale & Teodoro 1996; Goering et al. 1999; Varady & Walker 1998, 2000; Varady et al. 1999) and the need for additional housing vouchers in the face of a declining supply of affordable housing (e.g. HUD 1999, 2000b, 2001).

In summary, the findings of the EHAP experiments in the US, concluded twenty years ago, have had an enduring influence on the subsequent literature on housing allowances. The bulk of the literature on housing allowances still emanates from the US, with many studies finding that housing vouchers have advantages over supply subsidies in breaking up spatial concentrations of poor households, minimising work disincentives, targeting and cost control. There is also some literature from the US which finds that some low income households find it difficult to access housing with a housing voucher due to program administration requirements, discrimination by landlords and a lack of low rental housing. The applicability of these findings to Australia is limited by the small scale and diversity of local housing voucher programs in the US. In contrast, the major housing allowance programs in Australia, New Zealand and Canada are larger-scale national or state schemes based on entitlement to assistance. Whilst there has been extensive research in these three countries on income support programs, there has been considerably less research on the outcomes of housing allowances in terms of shelter and non-shelter outcomes for low income households and, more broadly, market and community outcomes.

This research project aims at filling a gap in current knowledge by examining in detail the way in which housing allowance programs in four countries are designed and operated and evidence on their outcomes for both low income households and for communities and housing markets more generally.
5. METHODOLOGY

The starting point of the research is policy issues relevant to RA in Australia, as highlighted in Section 3 above. The research will use a comparative method to examine whether other, similar countries face the same issues and, if so, what approaches they take, to better inform the policy debate in Australia. Comparative research of this type can have benefits for governments, academics, non-government organisations and others interested in the future of RA (Ditch & Chilvers 1995).

The approach chosen was to select countries that have housing systems which are most similar to Australia to throw light on the common challenges they face and differences in approach. A ‘most similar’ approach is usually selected in order to understand patterns of diversity (Castles 1991: 5). There have been a number of attempts to classify clusters of similar countries, with perhaps the most widely accepted being the concept of distinct welfare regimes. This work suggests that there is a distinct liberal welfare regime, comprising the English-speaking countries of Australia, New Zealand, Canada and the UK, which have a narrow definition of what is a ‘social risk’, tend to individualise social risks and promote private market solutions (Esping-Andersen 1999). It was decided to exclude the UK from the study at this stage, as there is a reasonable amount of published material already available, as indicated in Section 4, and the likelihood of significant changes being made to housing benefit for private tenants, in the first instance, and in the longer term for social housing tenants. Depending on the timetable for change, a supplementary study may be justified to include impending changes affecting private tenants in the UK.

In terms of the comparative review of the four countries selected, the research will have a number of levels:

**Ongoing literature review**

There is a growing literature on housing allowances, as indicated above. Current literature will continue to be reviewed during the course of the project. This will include a review of international journals in both housing and income security and journals with a more national focus, but particularly material from governments, which are the main sources of information on housing allowances, such as annual reports, commissioned research studies and internal research carried out by government agencies.

**Contacts with key informants**

Unlike the studies by Kemp (1997) and Ditch, Lewis & Wilcox (2001) that relied mainly on two national informants per country (one academic and one government official), this project will seek information, data and views from a variety of informants in the four countries on the policy issues identified in Section 3. A good deal of material can be accessed via the Internet and followed up with email contact. Those contacted will include those working in government income security and housing agencies at a national or regional level, local government (where applicable), non-government organisations and service providers, policy and advocacy groups, and research and policy institutions.
Field trip
For the New Zealand component of the project, a researcher will visit New Zealand. The purpose of this field trip is to examine the outcomes of the accommodation supplement and the impact of recent policy changes on private renters. Information, data and views will be sought from government agencies, non-government organisations and academics. This information will be analysed and put into the same framework as that of the other three countries.

Data analysis and review
The key informant contacts and the field trip will be used to locate primary and secondary data about housing allowance programs in the four countries, relevant to the policy issues discussed in Section 3. This data will be analysed both in terms of what governments and others know about housing allowance programs and their outcomes, and in terms of the gaps in information. The review will indicate where data is not available to address the research questions.

This results of this research will be reported on in a Final Report which should be available on the AHURI website in mid-2002.
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