

Interpreting Housing Allowance as a part of the Norwegian Welfare System

Viggo Nordvik and Jardar Sørvoll
NOVA – Norwegian Social Research
viggo.nordvik@nova.hioa.no

[Housing, Theory and Society](#)

Volume 31, Issue 3 pp. 353-367 | DOI: 10.1080/14036096.2014.907199

Abstract

Housing allowances are part of both the housing policy and the general welfare policy. In order to understand fully how the housing allowances affect welfare and well-being one need to use multiple approaches. We propose to complement traditional analyses of marginal effects and short run incentives with long-run perspectives taken from the new social investment literature and elements of self-esteem and fairness taken from the literature on universalism. A neo-liberal approach where analysts limit themselves to studies of marginal effects and short-run incentives both in the housing and in the labour market runs the risk of neglecting important aspects of the effects of housing allowances. Therefore, this may lead to retrenchment. The approach we propose is illustrated through a closer analysis of important elements of the housing allowance system in Norway as it is today, and the development of the system over time.

Keywords: housing allowance, housing policy, welfare state, universalism, new social investment

Introduction

Housing allowances are an important element in the housing policy and in the more general welfare policy in a majority of developed countries, (Priemus and Kemp 2004; Kemp 2007). There are differences between both the exact design of housing allowance schemes, the share of the population covered and in the share of housing allowances in the public budgets (Nordvik and Åhrén 2005) and in the budgets of vulnerable households. Still, we claim that there are clear similarities in the principal role housing allowances play in the wider welfare policy across countries. The ambition of the paper is partly to systemise arguments used in the debate on housing allowances and partly to demonstrate that this debate can be enriched by utilising central concepts from the social policy such as universalism and new social investments. Such an enriched frame for debate and interpretation of the role and effects of housing allowances should also broaden the set of criteria used in evaluations of the housing allowance system and changes in it. The Norwegian housing allowance system is used as an illustration throughout the paper.

The Norwegian housing allowances have developed from a peripheral policy instrument to a cornerstone of national housing policy over the last forty years, Sørvoll (2011). There has been a drift from the pure housing motivation of housing allowances over to a welfare motivation; combat of poverty is a phrase often used in the rhetoric of housing allowances.

These historical developments are roughly paralleled in many other European countries, where targeted economic support has gradually become more important or has completely replaced general subsidies for housing production (Priemus and Kemp 2004; Kemp 2007).

Our ambition is in part to give an overview of the role and development of housing allowances within the Norwegian (Nordic/social democratic) welfare regime (Griggs and Kemp, 2012) and through this also shed light more generally on housing allowances in particular and their role in welfare policy. In this way, we aim to clarify the current role and future prospects of housing allowances in the totality of social policy. This also helps illuminating the housing allowances' vulnerability in times of welfare retrenchment, and even more important the vulnerability of housing allowance receivers e.g. Lindbom (2007).

As for any social policy instrument, the overarching objective of the housing allowances are that they should increase aggregate well-being. Even though the wording differs across countries, it is fair to say that housing allowances have two distinct types of sub-objectives. They should both enable and stimulate to choose away from sub-standard housing and they should improve the post-transfer and housing cost income of (some) low-income families, or to use the formulation of Peter Kemp. *Income related housing allowances can have housing policy or social security objectives. In practise, however, schemes invariably have both functions, though one or the other is usually dominant* (Kemp 2007:5). In order to understand the state and future prospect of the housing allowance system it is important to understand how the housing allowance system delivers on both the main and the two sub-objectives.

There is an obvious necessity to continuously evaluate and assess whether and to what degree, policy interventions contribute towards their societal objectives. Subsequent to what is termed

the neo-liberal turn (e.g. Hemerijck, 2012); quite a few analysts implicitly equated these necessary evaluations and assessments with analyses of incentives and short-term effects. In the case of housing allowances this lead to a strong interest in implicit marginal tax rates and possible depressing effects on labour supply, e.g. Fack (2006) and Kangasharju (2010). Nordvik and Åhrén (2005) criticised the neglect of marginal benefits of paid work, e.g. pension rights and eligibility to unemployment benefits in analyses that treat marginal withdrawal of housing allowances as a tax on labour supply.

We most certainly acknowledge the analyses of incentives and short run reactions to them, as part of evaluation and assessment of housing allowances' contribution towards the societal ambitions. However, we use the literature on universalism (Anttonen et al., 2012) and the new social investment approach (Morel et al., 2012) as a set of lenses through which we consider aspects of well-being and long-term effects of housing allowances which is not that easy captured by a narrow neo-liberal approach. Hence, through our discussions we provide a base for broader evaluations and assessments of well-being and effects in the longer run.

We start out with a brief description of the Norwegian housing allowance system and a short history of the design and ambitions of the Norwegian housing allowance. Then we discuss the objectives of the housing allowance system and the suitability of housing allowances in the attempts to contribute to these objectives, and locate the policy instrument within central concepts and positions in the scholarly field of social policy. Contemporary issues in the debate on housing allowances are interpreted in the light of social policy concepts, such as universalism and the (new) social investment approach to social policy. A final section gives some concluding remarks.

Housing allowance in Norway: a brief introduction

In order to locate the housing allowances within the system of economic provision, we split income into four types: housing allowances, one's own earnings (labour-income and returns on asset), old age and disability pensions and other social transfers that are entitlements (e.g. unemployment benefits) and (discretionary) social assistance. In principle, discretionary social assistance is withdrawn in a one-to-one manner as housing allowances are granted. The relation between housing expenses and the sum of one's own earnings and pension income, determines the amount of housing allowances. Discretionary social assistance is a lowest safety net and is granted after a dialogue with a social worker. Even though there exist norms and guidelines (which vary between municipalities), the amount of social assistance granted is subject to the discretion of the social worker. The dialogue should also address conditions for support and a plan of how to become independent of this kind of support. Discretion is part of the social assistance system across the Nordic countries (Kuivalainen and Nelson, 2012), and conditionality (e.g. workfare) is to an increasing degree part of the social assistance systems across Europe (Lødemel and Tricky, 2001). Often applicants are told to apply for housing allowances before they get any social assistance.

The Norwegian housing allowance introduced in 1973 and altered several times over the next forty years, resembles housing allowances across Europe. It utilises a relatively simple gap-formula: Housing allowances covers 70 per cent of the difference between calculated reasonable housing expenditures and actual housing expenses up to a ceiling. The parameters of the system vary with location, household type and income (Nordvik and Åhrén 2005), and it is an entitlement: all who satisfy the criteria may receive housing allowances for an unlimited period. This in contrast to the US, where eligible households have to wait in line for rationed housing vouchers (Scanlon and Whitehead 2009); only a little over 30 percent of

eligible households at the beginning of the last decade actually received vouchers, Agiro and Matusitz (2011). In contrast to many other countries, the Norwegian system is tenure neutral; eligible households in cooperative-, rented- and owner-occupied housing receive similar support. In a comparative perspective, the Norwegian system is also quite modest and tight-fisted. For instance, income-related housing consumption support in Sweden, Denmark, Britain and the Netherlands cover a larger share of the population and are a larger burden on public budgets (Åhrén 2004, Nordvik et. al. 2011, Griggs and Kemp 2012).

In May 2010 124,197 households received housing allowances, on average they received a monthly sum of 2,191 NOK. This corresponds to an annual budgetary cost for the Norwegian state of 3,325 millions NOKs. Hence, about 5.7 percent of all Norwegian households received housing allowances in May 2010. To put these figures in perspective: the average housing allowances cover 37.5 percent of the average housing expenses of the receivers, 19.2 percent of the median income of the receivers and 6.4 percent of the median post tax income of all Norwegian families.

Birth, infancy and maturity of the Housing allowances

From the late 1960s to the 1990s the housing allowances was mainly cherished by bureaucrats at the State's Housing Bank and the Ministry of Labor and Municipal Affairs, but had only limited support in parliament and no wholehearted backers in civil society. In this period the Labor Party, the Construction Workers' union and the co-op movement were united in the support for general production subsidies. Large sections of the Left regarded income-related support as nothing more than an unavoidable evil that stigmatized recipients. On the Right, housing allowances were not met with the same ideological distaste; the Conservative Party often praised means-tested benefits in the housing sector. Nevertheless, the Conservative governments of the 1980s did cut back on housing allowances (Sørvoll, 2011).

In recent years, all the major parties have claimed that housing allowance is the single most important instrument of the housing policy. The skepticism in parliament and civil society has vanished and the housing allowance enjoys widespread rhetorical support, probably due to the transformation of Norwegian housing policy over the course of the last thirty years. From the early 1980s general subsidies were gradually phased out and rent- and price controls were slowly but surely abolished. Many view housing allowance as both a necessary and an efficient tool in a deregulated housing sector (Sørvoll 2009).

Over time, the Norwegian system of income-related housing support has undergone several changes. From 1947 to the mid-1960s means-tested housing assistance were only given to families with children; in 1966 people over seventy and people with disabilities were made eligible. In the late 1960s the government made several smaller adjustments that made housing allowances more generous and increased the coverage. The forerunner of the present housing allowance, established in 1970, incorporated these adjustments. However, generally, people could only receive this allowance for up to 10 years (Åhrén 1988).

Building on the reforms of the previous decade, a 'new' system of housing allowances was introduced in 1973. The Social Democratic government headed by Trygve Bratteli (1971-72), presented the new system as an instrument designed to help low-income households with high housing expenditures to obtain or sustain decent housing quality. It emphasized that housing allowances was a targeted instrument of housing policy, not general consumption support to low-income households. Only those living in housing units of sufficient standard were eligible. The reform should promote one of the key goals of Social Democratic housing policy in the 1970s: creating a more equal distribution of housing than the outcome in a free market.

Following the lead of Åhrén (1988), however, it is possible to detect an element of ‘policy conversion’ (Hacker, 2004) quite early in the history of the Norwegian housing allowance. In key policy documents from the early 1980s, there is no reference to the goal of better housing conditions for vulnerable groups. They simply state that households with low-incomes and high housing expenditures are eligible for housing allowances. In this manner, housing allowance was almost disconnected from the goals of the housing policy, and conceived as consumption support targeted towards families with high housing expenditures (Åhrén, 1988). According to this conception of housing allowance, the policy instrument was primarily an efficient way to assist those with the greatest needs.

The strict restrictions on eligible categories of housing were kept throughout the 1980s, 90s and up to 2009. Government white papers also continued to highlight that housing allowance was an instrument of housing policy designed to promote decent housing standards among low-income groups. From the start in 1973 up to the present, the housing allowances has had a duality of aims. Over time the goal of supporting low-income households with high housing expenditures, has become more important for policy makers (Sørvoll 2011): housing allowances has increasingly been connected to redistribution and war against poverty. This has somewhat paradoxically pushed the original goal of the policy instrument, namely sustaining or improving the housing conditions of low-income groups, to the margins of the political debate regarding housing allowance (Sørvoll 2011).

Over time, an increasing number of low-income groups have become eligible and restrictions on categories of housing have been removed. The recent story about the Norwegian housing allowances is hence, not a story about retrenchment. The reform of 2009 constituted an

expansion of state intervention in the housing sector. This underscores the conclusion of scholars who claim that the transformation of European housing policies since the 1970s is not only a story of retrenchment, but also includes significant examples of government rollout (Doherty 2004, Fahey and Norris 2011).

Over the years, a very large number of minor and some major changes have taken place. Many (or maybe even most) of these changes made sense. However, a large number of single sensible decisions does not necessarily add up to a sensible system. Even more self-evident, through a series of minor and major changes there is a danger of producing an opaque system. One problem with this is that the capacity to provide efficient incentives is low if the system is not well understood. Lindbom (2007, 2010) points to another potential problem, an opaque instrument is more vulnerable to retrenchment. This type of mechanisms is most probable an issue for housing allowances also in other countries, and should be an issue in evaluations and assessments of housing allowances.

Housing allowances – for what purposes

As already stressed, housing allowances have both housing and social policy objectives (Kemp 2007). Alternatively, they should induce households to choose higher quality housing (to a lesser degree sub-standard housing) than they would otherwise have done. This has been denoted the merit good argument. In addition, the scheme should contribute towards lower post-allowance inequality. Housing allowances schemes contribute to this by both transferring money to low-income households and by tilting the (marginal) price of housing consumption, paid out-of-pocket, downwards.

Even though the priority given to the two objectives and the words used differ, it is fair to say that housing allowances across both countries and time are tied to them. Some fifteen years

ago, Koning and Ridder observed that: *Although there is little discussion of the goals of the Rent assistance program, it seems that recently the merit good argument has lost ground to distributional considerations*, (Koning and Ridder 1997:2). This is most certainly also true for the Norwegian case. Politicians talk more frequently about the housing allowances' and the war against poverty, than about their influence on housing consumption and quality.

Housing allowances should contribute to two quite different objectives. It is pertinent to ask whether this by necessity contain a conflict of goals. Johansen (1965) demonstrated that it is not possible to pursue efficiently more (linear independent) goals in the public policy than the number of instruments. However, this result is not a binding constraint when it comes to assessing the capacity of a housing allowance system to deliver on both distributional and housing consumption objectives. Technically each of the parameters of the gap formula of the housing allowance system should be regarded as an instrument.

Housing allowances as a merit good – paternalism

The merit good argument starts from the observation that shelter and housing are immensely important for the quality of everyday life for all of us. Often the argument continues by stating that decent quality housing for vulnerable households is even more important for society than it is for the household itself. Hence, there is an element of paternalism contained within the merit good argument (Hills 2001). Hence, by design the housing allowances are not consistent with a principle of consumer sovereignty.

Departing from the principle of consumer sovereignty in housing can be justified on the grounds of health costs not fully covered by the household itself (Myrdal and Åhrén, 1934), intra-household distributional considerations or different kinds of neighbourhood externalities; it can also relate to social investment aspects. We will return to the latter.

The kind of (housing) paternalism described here can also be rooted in pure societal preferences for the distribution of specific goods (e.g. housing), i.e. in what Elster (1992) calls specific egalitarianism; e.g. a preference for a distribution of housing that is more even than the distribution of income. One way to interpret this goal is that it represents an attempt to lift housing out of what Tobin (1970) writes about as the domain of inequality. If a (policy) field is lifted out of the domain of inequality, we can say that it is lifted into a sphere of local justice where principles of specific egalitarianism rules, Elster (1992). Admittedly, we find it is easier to accept specific egalitarian arguments in the distribution of certain kinds of health services such as organs for transplants and obligations as military service (Elster's examples) than in the housing sector.

There exists one possible justification of housing allowances as a distributional instrument, that do not rely on any merit good or paternalism justification. If a government have distributional preferences, they can pursue these differences most efficiently by general transfers. If general transfers is not feasible, housing allowances can be the most efficient of the feasible instruments when it comes to achieving distributional ambitions. Hence, housing allowances can be a second-best instrument used to achieve (or at least approach) desired distributional outcomes.

Given that part of public opinion is sceptical to general distributional policies to help out 'the others' (*'what is our tax money going into'*), a government which really want to do something about the distribution of resources in society might be constrained to go for policies that can gain support. Support to dignified consumption can be such a legitimate type of policy. Quigley (1999) argue that such mechanisms can be part of the real justification for e.g.

housing allowances and Hills (2001) give some indicators of the empirical relevance of this legitimacy-argument. Hills report survey-evidence from the British Social Attitude survey from 1998, which reveal that hardly anyone wants less spending on specific social benefits even if the alternative is tax-cuts. The respondents were clearly less supportive towards general money transfers to unemployed or other vulnerable groups.

Evidently, the arguments above relates to the local justice arguments. The difference is that this legitimacy-argument is an adaption to a presumed specific egalitarianism amongst others.

Social insurance – a safety net

Housing allowances enables households to move into better quality housing than they otherwise would have done. This is of course important. The fact that the existence of a housing allowance system works as an insurance against some of the consequences of (sharp) decreases of income or increases in housing expenses is equally significant. This insurance dimension is important for e.g. households who enter retirement – either due to old age or to disability. Hence, the housing allowance system increases security of tenure for vulnerable households.

Housing allowances do not only enable some households to avoid downscaling their housing consumption in periods of hardship. It can also enable households to stay put instead of having to relocate in the middle of going through some kind of crisis, and to stay in a housing unit they over time have got attached to. A move may impose large moving costs upon households, both pecuniary and emotionally (Nordvik, 2001). From a welfare point of view, it can be valuable to protect households from these types of risks.

Housing allowances as a vehicle for a better distribution

Numerous textbooks on (welfare) economics demonstrate that as long as one has preferences for the distribution of income and direct transfers are feasible – such transfers are the most

efficient ways to pursue desired distributional outcomes. Still, both policy documents and the public debate tell us that distributional concerns are an important part in the arguments for and justification of the housing allowances. This has been increasingly emphasised over the past 10-15 years both inside and outside Norway; note that hardly anyone claims that housing allowances suffice alone as an instrument in the distributional policy.

It seems like a paradox that there is wide agreement that transfers not tied to any specific consumption items are the superior instruments in the distributional policy – and that housing allowances are praised for their contribution towards a better distribution. A possible answer could be that we as a society (or our policy makers) have preferences for the distribution of income after housing expenses are paid. Atkinson (1998) raises a related question when he asks why the UK government calculates poverty measures both before and after housing expenses. He indicate that a possible answer is that UK is a nation where large part of the housing stock is administratively allocated and that there is large rent variation not reflecting quality differences; housing expenses are almost randomly imposed upon households rather than the result of choices.

All this said; it remains that housing allowances reduce inequality. In the Norwegian system housing allowance are progressively withdrawn as income increases. Furthermore, only households with very low incomes qualify for housing allowances. Consequently, housing allowances are really transfers to the poor. It is worth noting that the amount of studies that explicitly address how housing allowances affect distribution is sparse, Gibbs and Kemp (1993). Since 1993, a lot of water has passed under the bridge. There is an emerging literature comparing income distribution included and excluded transfers such as housing allowances, often utilising survey data as the EU-silc (e.g. Frick et al 2010, and Stephens and Van Steen

2011). Still, we would claim that there is a lack of studies, which properly analyse how housing allowances affect distributional outcomes, taking account of the behavioural effects of the allowances.

Universalism and housing allowances

There is a huge literature on universalism of welfare states and of elements of welfare states, see Anttonen et al (2012). A most striking feature of this literature is that there seems to be a large degree of disagreement about conclusions, and that at least part of it stems from differing definitions of the concepts universal/universalism. Stefánsson (2012) argue that universalism is a polysemic concept; and it is a futile exercise to propose or argue for convergence or consensus in the usage of the term universalism.

Our strategy follows Stefánsson (2012) by not addressing the question of whether the Norwegian housing allowance is a universal instrument in order to reach a definite and final yes- or no-answer. Rather we use definitions and concepts from analyses of universalism as a language in which we frame descriptions of important aspects of housing allowance systems.

Some of the ways of talking about or defining universalism is of particular interest here. A strict technical definition of universalism is to identify it with flat-rate benefits with universal coverage¹. Historically it has been argued that universalism was a principle implemented in order to tie together nation states: a way to contribute towards a sense of we-ness, Kettunen (2008). From one perspective, universalism is about inclusion of all citizens, about membership for citizens (Kildal and Kuhnle, 2005). Erikson et.al. (1987) state that *Nordic*

¹ One example of this is a flat-rate child allowance, another example is equal quality primary education provided for everyone at a fee equal to zero or so low that no-one in practise is excluded.

*universalism is presented as a comprehensive combination of systems that promote equality*².

Anttonen et al. (2012) also notes that there is a tendency to talk about universalism as a defining characteristic of the Nordic welfare model. Some scholars are primarily using the concept of universalism as an overarching category or ideal type used in description of welfare systems or states; others focus on the universalism of specific instruments. We discuss universalism in the latter sense.

Titmus (1968) did not give a definition of universalism; it seems that he used it primarily to denote comprehensive coverage: access to the benefits of social policy for everyone without humiliating means-testing (Anttonen et al, 2012). Take-up of housing allowances rather than social assistance really is step away from humiliating means-testing. An impersonal algorithm, i.e. a gap formula (Fallis, 1990 and Gibb, 1995), calculates the amount of housing allowances a household receives. Furthermore, the housing allowances are an entitlement. Social assistance in the Nordic countries, on the other hand are given after a discretionary judgement made by social workers (Kuivalainen and Nelson, 2012). In addition to the discretion, receivers often face a set of (discretionary) conditions and demands that have to be met in order to get social assistance. Lødemel and Tricky (2001) shows that this kind of conditionality of social assistance is widespread across Europe and the US.

The Norwegian housing allowances are far away from the classical flat-rate benefit interpretation of universalism. The allowances are negatively income-related to a degree that gives rise to marginal effects that have led to worries. Under the housing allowance scheme, households with lower incomes most certainly get more generous allowances than otherwise similar households at a higher income level do. Anttonen et al. argue that '*present theoretical*

² Quoted from Anttonen et al. (2012).

discussions tend to share a view on universalism as a matter of access to social policy programmes and fair distribution of social benefits [...]. [Universalism] is rather an ideal type that is always beyond reach', (Anttonen et. al. 2012:187). According to this position, housing allowances are a universal instrument, even though they are means-tested.

Both the housing allowance introduced in 1973 and its predecessors had a resemblance to universalism as far as they allocated transfers to a group of households based on a formula roughly similar for all eligible. On the other hand, the system violated the spirit of universalism with regard to access or coverage. To be eligible two sets of criteria had to be met:

- i) The household criteria stated that only certain types of households were eligible. At the outset (i.e. from 1973), only families with children or persons aged 70 or more were eligible. Through a series of adjustments over the years the stock of eligible were gradually extended.
- ii) Only households residing in housing units financed with a construction mortgage from the Norwegian State Housing³ bank were entitled to housing allowances. Also with regard to this criterion, there was a gradual drift towards inclusion of larger groups over time. Just before the reform in 2009, all residents in co-ops and public rental housing units were included in the population covered.

In policy documents, it is difficult to trace the rationale for and arguments of constraining accessibility to housing units financed by the State Housing Bank (HB). Three possible explanations is: HB grants finance for new construction conditional upon satisfaction of a set of quality criteria. Restricting housing allowances to these units could be a way to ensure that housing allowances induced receivers to choose housing units that met certain quality criteria. Secondly, by restricting housing allowances to units that satisfy the quality criteria one tilts

³ The Housing Bank financed unit's share of new construction has fluctuated between 40 and 80 percent over the period studied here.

aggregate demand towards such units. Consequently, the housing allowances intend to be a vehicle for increased new construction and improved over-all quality in the housing stock. Finally, there could be pure fiscal consideration behind it.

The main components in the reform of the housing allowance system that took place in 2009 was a removal of the limits to eligibility described in the point i) and ii) above. The housing allowances were reformed from a programme targeted to a limited group into a programme for everyone with certain combinations of low income and relatively high housing expenses⁴. One of the arguments for the reform was to move support for housing expenses over to mechanical calculated entitlements (i.e. housing allowances) from the discretionary needs-testing contained in social assistance system – or in the words of Titmus (1968): from humiliating means-testing to entitlements. Consequently, the 2009-reform was obviously a step towards universalism. We do not find it especially meaningful to ask whether this step was a step over a threshold that made the housing allowance into a universal instrument. Rather, we share the view of Goul Andersen (2012) who argues that the universalism of specific programmes should be regarded as a continuum rather than as an either/or-question.

The US housing voucher systems (Eriksen and Ross, 2012 and Susin, 2002) is not an entitlement, some eligible claimants receive support and some have to queue up for ‘vacant’ or new vouchers. The European style of housing allowances typically is an entitlement, in many countries it is targeted towards tenants (Kemp, 2007), e.g. the name of the Dutch system rent assistance (Koning and Ridder, 1997). The Norwegian housing allowance system is formally tenure neutral; it covers all tenures. The fact that housing allowances are reserved for

⁴ Note that a reform extending the population covered exactly like the one that took place in 2009 did, was proposed already in 21 years before the reform actually took place, Åhrén (1988).

tenants is not much discussed in the literature – somehow it is taken as a for-granted property of housing allowance systems.

Housing allowances intend to ease the immediate burden of housing expenses. Hence, it is a liquidity support. How housing expenses for owner-occupiers should enter the algorithms for calculation of housing allowances is not obvious. Different countries have also have chosen different ways to measure (assess) housing expenses for owner-occupiers. Hence, a comparative cross-national analysis of treatment of tenures in housing allowance system should not be restricted to pure eligibility criteria.

To illustrate, we contrast elements of the treatment of owner-occupiers in the Swedish and the Norwegian housing allowance systems. In Sweden amortisations are not included in the housing expenses concept, neither are all interest payment on outstanding loans – only a measure of real interest rates are included, Åhrén (2007). Housing expenses for owner-occupiers are in the Swedish system a kind of Chop Suey of costs and expenses. In the Norwegian system, both ‘ordinary’ amortisations and nominal interests together with standardised assessed operating costs enter into the concept of housing expenses. Hence, it seems that the Norwegian housing allowance system in principle treats tenants and owner-occupiers symmetrically, while there is an asymmetry between tenants and owner-occupiers in the Swedish system. Symmetrical treatment is more in line with the spirit of universalism.

Before leaving the discussion of housing allowances in the terms of universalism, we mention two topics briefly. Firstly, housing allowances bear strong resemblance to in-kind transfers, they are a kind of good-specific support. As such, they contain an element of paternalism. Is paternalism and universalism compatible? Secondly, housing allowances are granted at a

household rather than at an individual level. This is a means-testing up against the incomes of other individuals (typically spouse). On the one hand, housing consumption is a kind of public good at the household level; on the other hand, it is not obvious that universalism is a concept that fit well at the household level. A thorough analysis of this raises some tricky issues of intra-household distribution, Bojer (2003).

By discussing design and development of the housing allowances using the concept of universalism, we have illustrated important characteristics of the system. To borrow the words of Anttonen et al. 2012: *Using universalism to analyse political debates can give us valuable insight into political and ideological developments, and the constraints that policy makers perceive when making their case to the electorate* (Anttonen et. al. 2012). Our conclusion is that the Norwegian housing allowance system has some properties that reasonably can be characterised as universalistic. Furthermore, it is also fair to say that the housing allowances have developed in a universalistic direction over time.

Housing allowances and the social investment welfare state

Hemerijck (2012) proposes a historical interpretation of phases in the development of welfare states. The period from WW2 up to the seventies was characterised by development of the social security dimensions of the welfare states. It was a period of high trust in the capacity of the social policy to improve living conditions, also for the most vulnerable. The entrepreneurs of the welfare state almost thought of social policy as a kind of social engineering. Through the late seventies, the social security welfare state faced increasing critique and scepticism because income-tested support schemes weakened labour market incentives. This critique, and the policy responses to it, has been termed the neo-liberal turn in social policy.

The neo-liberal turn can be identified in both social policy research and in the design of the instruments of social policy. May be it was (and still is) found most prominently in much of the economic literature on social policy topics. Two quite different albeit, central characteristics of the neo-liberal turn are:

- i) Policy makers and researchers did, to an increasing degree, become aware and concerned about high implicit marginal tax rates produced of income-tested transfers and the depressing effect this could have on labour market participation. The most striking implicit marginal tax rates became evident when the aggregate outcomes of many different social policy instruments were considered.
- ii) A widespread view that there was a need to reform pension systems. In this context, many also held actuarial ‘fairness’ as self-evidently more important than redistributive ambitions.

The historical snapshot given above is more extensively described and convincingly argued for, by Hemerijck (2012) and Morell et.al (2012). From a housing perspective, it is also fair to interpret the right-to-buy policies in Thatchers UK as part of the neo-liberal turn.

The new social investment approach (NSI) to social policy is (partly) viewed as a reaction towards claims and policy proposals from the neo-liberal camp, Morel et al. (2012). An important premise of the NSI is a hypothesis that self-sufficiency and participation is an ambition for a large share of welfare programme participants. In that case, it might be that support in the form of cash- or in-kind-transfers enables participants to increase participation and self-sufficiency. Transfers from welfare programmes might contribute to a stable and safe situation that works as a platform on which participation on other arenas can be erected. One can say that NSI directs the attention towards globally rather than marginally optimising agents. Note, however, that we do not regard New social investment as any unified trend or

programme, neither in social policy practise nor in social policy research. The word new in the phrase *New social investment* is maybe not empirically entirely justified. Very much of the same approach to and arguments for social policy can be found in already in Myrdal and Myrdal (1934).

A study (Harkness and Newman, 2006) demonstrate the relevance of NSI-type of arguments when studying housing assistance (e.g. housing allowances). Their analysis start by observing that from 1996 to 2001 there was a quite large reduction in single mothers' participation in welfare programs and increased labour market participation in the US. In part, this was due to different types of carrot and sticks policies; in part, it was due to favourable labour market conditions, Moffit (2003). Harkness and Newman test (somewhat informally) whether single mothers with housing assistance changed welfare and labour market participation to the same extent as single mothers initially on welfare, without any housing assistance. Two competing hypotheses guide their analysis. Those in a housing assistance programme face an additional cost of entering the labour market, as they only are obliged to pay 30 percent of their income in rent. This additional implicit marginal tax on earned income may depress labour market participation. On the other hand, housing assistance improves housing conditions and every day life. As such, it can form a safe haven from which efforts for self-sufficiency can depart. Hence, one should expect as large improvements among housing assistance receivers as among non-receivers - every thing else equal.

Analysing single mothers who received housing assistance using register data Harkness and Newman (2006), find that they: *increased their employment between 1996 and 2001 as much as, if not more than, comparable single mothers without such [housing] assistance*, p.98.

The review of Shroder (2002) draws up a similar picture and concludes that there is not

empirical convincing evidence for the claim that housing allowances or other types of housing assistance have a depressing effect on labour force participation. Nordvik and Åhren (2005) tests for duration of housing allowance receivership and find no evidence of any lock-in or welfare dependency. There does not exist empirical studies that address the long-term effects of housing allowances on self-sufficiency (i.e. test for NSI-hypotheses on positive effects of the capacity of housing allowances to enable increased participation) in a satisfying way.

A basic characteristic of the (rhetoric of the) Norwegian social policy is the work-line. Choosing work over welfare should pay and labour income should be the principal source of income. Concern about marginal effects has been a part of this policy discourse. Still, it is easy to identify arguments of the NSI-type in policy documents from the field of social housing policy. A White paper on housing policy (Stortingsmelding 2003-04) stress that decent housing is a precondition for the capacity to provide for oneself through labour market participation – and that this is a main argument for running housing assistance programmes. Similar arguments were present in the White paper that introduced the 2009-reform of the housing allowances (Stortingsproposisjon 2008-09).

The new social investment approach do not claim that welfare programmes (as the housing allowances) are always improving self-sufficiency, and that negative incentives on labour supply is non-existent or negligible. It is more of a reminder that welfare programmes can have partial positive effects on self-esteem and (labour market) participation. Evaluations and assessment that neglect this will over-estimate that societal costs of such programmes.

Concluding remarks

Housing allowances in Norway, has gone from a quantitatively quite small element of the housing policy that did not attract much attention or enthusiasm into a far larger programme

that by politicians across most political parties are regarded as a corner stone of the social housing policy. Furthermore, it has been a drift in the way housing allowances are understood, starting out as a marginal part of the housing policy, it is nowadays regarded as an important element of the general welfare policy. Constraints in the eligibility criteria have gradually been removed and we argue in this paper that at the present, housing allowances possess strong universalistic properties.

Housing allowances in Norway, as in most other countries, shall both improve housing quality for vulnerable groups and contribute to a reduction of inequality in the society. This does not necessarily lead to a conflict of goals; there are good reasons to believe that housing allowances have the capacity to both affect distribution and housing quality in the desired direction. Still, within the frame developed in this paper we will argue that more research and evaluations of the magnitude of the effect housing allowances have on distribution and housing quality is needed.

Considering the arguments of the new social investment approach, we would claim that the long-term effects of housing allowances are especially under-studied. E.g., does housing allowances have an enabling effect on vulnerable households? Does the allowances increase participation, rather than decrease it? Questions like this can only be answered by empirical analyses. In order to explore the scope for housing allowances to play a welfare-enhancing role in the lives of vulnerable persons and families, without a too large societal cost, it is crucial that such empirical answers are found.

This paper argues that in order to evaluate and assess housing allowance programmes in a satisfying way, one should pay attention to how welfare programmes affect self-esteem and

well-being and how the effects are in the longer run. The concepts of universalism and new social investment are useful lenses through which this can be explored. Failure to account and test, for possible positive long-run effects on e.g. labour market participation and self-esteem in evaluations of housing allowance systems may lead to wrong conclusion and subsequently to suboptimal policy design.

Literature

Agiro, A. and J. Matusitz. 2011, 'Housing Vouchers, Benefits and Allowances (VBAs): Comparing Rental Tools in the US, England and the Netherlands', *International Journal of Housing Policy*, 11:1, 71-88.

Anttonen, A., Häikiö, L., K. Stefánsson eds. 2012, *Welfare State, Universalism and Diversity*, Edward Elgar Publishing.

Atkinson, AB. 1998, *Poverty in Europe*, Blackwell Oxford UK

Bojer, H. 2003, *Distributional Justice – Theory and Measurement*, Routledge, London and New York

Doherty, J. 2004, 'European Housing Policies: Bringing the State Back In?', *European Journal of Housing Policy* 4 (3), 253-260.

Elster, J. 1992, *Local Justice – How Institutions Allocate Scarce Goods and Necessary Burdens*, Cambridge: Cambridge University Press 1992

Eriksen, M. D. and A. Ross. 2012, 'The Impact of Housing Vouchers on Mobility and Neighbourhood Attributes', *Real Estate Economics*, Forthcoming

Erikson R., E.J. Hansen, S. Ringen and H. Uusitalo 1987, *The Scandinavian Model. Welfare States and Welfare Research*, New York: Sharpe.

Fack G. (2006) 'Are housing benefits an effective way to redistribute income? Evidence from a natural experiment in France' *Labour Economics*13(6): 747-771.

Frick, J. R., Grabka, M. M., Smeeding, T. M. and Tsakloglou, P. (2010) 'Distributional effects of imputed rents in five European countries', *Journal of Housing Economics*, 19(3), 167–179.

Kangasharju, A (2010), 'Housing Allowance and the Rent of Low-income Households', *Scandinavian Journal of Economics*, 112:3, 595-617

Fahey, T. and M. Norris. 2011, 'Housing in the Welfare State: Rethinking the Conceptual Foundations of Comparative Housing Policy Analysis', *International Journal of Housing Policy* 11 (4), 439-452.

Fallis, G. 1990, 'The Optimal Design of Housing Allowances', *Journal of Urban Economics*, 27, 381-397

Gibb, K. 1995, 'A Housing Allowance for the UK? Preconditions for an Income-Related Housing Subsidy', *Housing Studies*, 10, 517-532

Gibbs I and P. Kemp. 1993, 'Housing Benefit and Income-redistribution', *Urban Studies*, 30:1, 63-72

Griggs, J and P. Kemp. 2012, 'Housing Allowances as Income Support: Comparing European Welfare Regimes', *International Journal of Housing Policy*, 12:391-412

Goul Andersen, J. 2012, 'Universalization and de universalization of unemployment protection in Denmark and Sweden', in Anttonen, A., Häikiö, L., K. Stefánsson (eds. 2012), *Welfare State, Universalism and Diversity*, Edward Elgar Publishing.

Hacker, J.S. 2004, 'Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States', *American Political Science Review*, 98 (2), 243-260.

Harkness J. M. and S.J. Newman. 2006, 'Recipients og Housing Assistance under Welfare Reform: Trends in Employment and Welfare Participation' *Housing Policy Debate*, 17 (1) 81-108

Hemerijck, A. 2012, 'Two or three waves of welfare state transformation', i Morel, N, B Palier og J Palme eds (2012), *Towards a social investment state? Ideas, Policies and challenges*, Policy Press Bristol

Hills, J. 2001, 'Inclusion or Exclusion? The Role of Housing Subsidies and Benefits', *Urban Studies*, 38, 1887-1902

Johansen, L. 1965, *Offentlig økonomikk* (Public Economics), Oslo, Universitetsforlaget, 1965

Kemp, P. 2000, 'Housing Benefit and Welfare Retrenchment in Britain', *Journal of Social Policy* 29:2 263-279

Kemp, P ed. 2007, *Housing Allowances in a Comparative Perspective*, Bristol, Policy Press.

Kettunen, P 2008, *Globalisaatio ja kansallinen me. Kansallisen katseen historiallinen kritiikki*, Tampere Vastapaino

Kildal N. and S. Kuhnle 2005, 'The Nordic welfare model and the idea of universalism' i N Kildal og S Kuhnle (red) *The Normative Foundations of the Welfare State*, Oxford: Routledge 13-33

Koning, RH. and G. Ridder 1997, 'Rent Assistance and Housing Demand', *Journal of Public Economics* 66, 1-31.

Kuivalainen S. and K. Nelson (2012), 'Eroding minimum income protection in the Nordic countries: Reassessing the Nordic model of social assistance', Chapt 5 p 69-89 in eds J. Kvist, J. Fritzell, B. Hvinden and O. Kangas, *Changing Social Equality: The Nordic welfare model in the 21st century*, Bristol Policy Press

Lindbom A. (2007), 'Obfuscating Retrenchment: Swedish Welfare Policy in the 1990s', *Journal of Public Policy* 27:2, 129-150

Lindbom A. (2010) 'Media News Evaluation and Welfare Retrenchment: The Untransparent Cutbacks of the Housing Allowance', *Scandinavian Political Studies* 33:3 207-223

Lødemel, I. and H. Tricky (2001), *An offer you can't refuse: Workfare in international perspective*, Bristol: The Policy Press

Moffitt R.A. 2003, 'The Temporary Assistance for Needy Families Program', in *Means-tested Transfer Programs in the United States*, ed RA Moffitt 344-99, Chicago: University of Chicago Press.

Morel, N., B. Palier and J. Palme eds. 2012, *Towards a social investment state? Ideas, Policies and challenges*, Policy Press Bristol

Myrdal G. and U. Åhrén 1933, *Bostadsfrågan såsom socialt planläggningsproblem – Under krisen och på längre sikt.* (The Housing Question as a Social Planning Problem, Under the Crisis and in the Long Run), Kooperativt förbundets bokförlag, Stockholm

Myrdal, A. og G. Myrdal 1934, *Kris i Befolkningsfrågan* (The Crisis in the Population Question), Stockholm: Albert Bonniers Förlag

Nordvik, V. 2001, 'Moving Costs and the Dynamics of Housing Demand' *Urban Studies*, 19:3, 519-533

Nordvik, V. 2012, 'Housing Allowances, Mobility and Crowded Living: The Norwegian Case', Working Paper, NOVA

Nordvik, V., I. L. Skog Hansen, C. Koren, and B. Lescher-Nuland 2011, *Den norske bostøtten. Effekter av en reform* (The Norwegian Housing Allowance. The effects of reform), NOVA-report 2/2001.

Nordvik, V. and P. Åhrén. 2005, 'The Duration of Housing Allowance Claims and Labour Market Disincentives: The Norwegian Case', *European Journal of Housing Policy*, 5:2 131-147.

Priemus, H. and P. Kemp 2004, 'The Present and Future of Income-related Housing Support: Debates in Britain and the Netherlands', *Housing Studies*, 19 (4) 653-668.

Quigley J.M. 1999, 'Why should Government Play a Role in Housing, A View from North America', *Housing, Theory and Society* 16, 201-203

Scanlon, K. and C. Whitehead 2009, Review of P. Kemp (ed. 2007), 'Housing Allowances in Comparative Perspective', *International Journal of Housing Policy*, 9 (1), 93-95.

Shroder, M. 2002. Does housing assistance perversely affect self-sufficiency? A review essay. *Journal of Housing Economics* 11: 381-417

St. meld. 23 2003-04, *Om boligpolitikken* (On Housing Policy. Government White Paper).

St. prp. 11 2008-09, *Ei styrkt bostøtte*, (Strengthening Housing Allowance. Government proposal).

Stefánsson, K. 2012, 'What is in a word? Universalism, ideology and practise' i Anttonen, A., Häikiö, L., K. Stefánsson (eds. 2012), *Welfare State, Universalism and Diversity*, Edward Elgar Publishing.

Stephens, M & Van Steen, G (2011): 'Housing Poverty' and Income Poverty in England and The Netherlands', *Housing Studies*, 26:7-8, 1035-1057

Susin, S. 2002, 'Rent vouchers and the price of low-income housing' *Journal of Public Economics* 83, 109-152.

Sørvoll, J. 2009, 'The Political Ideology of Housing and the Welfare State in Scandinavia 1980-2008: Change, Continuity & Paradoxes', paper presented at the ENHR-conference in Prague, 28th of June-1st of July 2008.

Sørvoll, J. 2011, *Norsk boligpolitikk i forandring 1970-2010. Dokumentasjon og debatt* (Norwegian housing policy in transition 1970-2010. Documentation and debate), NOVA-report 16/2011.

Titmus R.M. 1968, *Commitment to Welfare*, London: Allen and Unwin

Tobin, J. 1970, 'On Limiting the Domain of Inequality', *Journal of Law and Economics*, 13, 263-277

Åhrén, P. 1988, *Bostøtteordningen. En gjennomgang av bostøtteordningen samt forslag til forandringer* (Housing allowance. A review of housing allowance & reform proposals), Kommunal- og arbeidsdepartementet.

Åhrén, P. 2004, 'Housing allowances', in M. Lujanen (ed.), *Housing and Housing Policy in the Nordic Countries*, Copenhagen.

Åhrén, P. 2007, 'Housing allowance systems in Sweden', i Kemp, P ed. (2007), *Housing Allowances in a Comparative Perspective*, Policy Press, Bristol.