

Summary

Per Medby

The 2009 restructuring of the housing allowance system

An evaluation of the municipal financing contribution

NIBR Report: 2011:11

This report investigates the impact on municipal spending of the restructuring of the state housing allowance system, which came into force July 1 2009.

The restructuring of the state housing allowance system has increased the number of eligible households under the system and resulted therefore in potential savings for the municipalities, i.e. from lower spending on social assistance and possibly also on the municipal housing allowance.

The estimates display weaknesses in that they had to be made before the system came into force and because they were based on inadequate data on the new recipients. This report seeks therefore to explore possible savings in the municipal sector in a better way than was possible when estimates were calculated in the period leading up to the restructuring of the housing allowance system.

In that most of the potential savings under municipal housing allowance scheme are connected with lower spending on social benefits, the analysis of substitution between housing allowance and social benefit will be given most attention. We will, however, also discuss possible substitution between the state and municipal housing allowance.

Estimates we have made based on linkages from Statistics Norway's income statistics show that the widening of the state housing allowance system will result in savings for the municipalities in terms of social benefit outlays for new recipients

of between 300 and 400 million kroner. The estimates are of course uncertain.

There is therefore no evidence to say that the estimated savings have been too large, or indeed that the municipal financing contribution has been too high. We consider it still to be the case that the assumption that the municipalities will enjoy savings of 30 per cent from the restructuring of the housing allowance system is a reasonable one.

There is reason to presume that most of the savings in social benefit spending will be made in central areas of the country. It was precisely in central areas where social benefit payments were highest before the restructuring.

As regards the municipal housing allowance, we do not expect to see larger reductions there because the target group for the municipal housing allowance scheme is the same as under the old state housing allowance system. Savings may occur, however, as a result of municipalities with small numbers of municipal housing allowance recipients discontinuing their schemes. In any event, though, the sums involved here would not be significant.