

# A Comparison of the Experimental Housing Allowance Program and Great Britain's Rent Allowance Program

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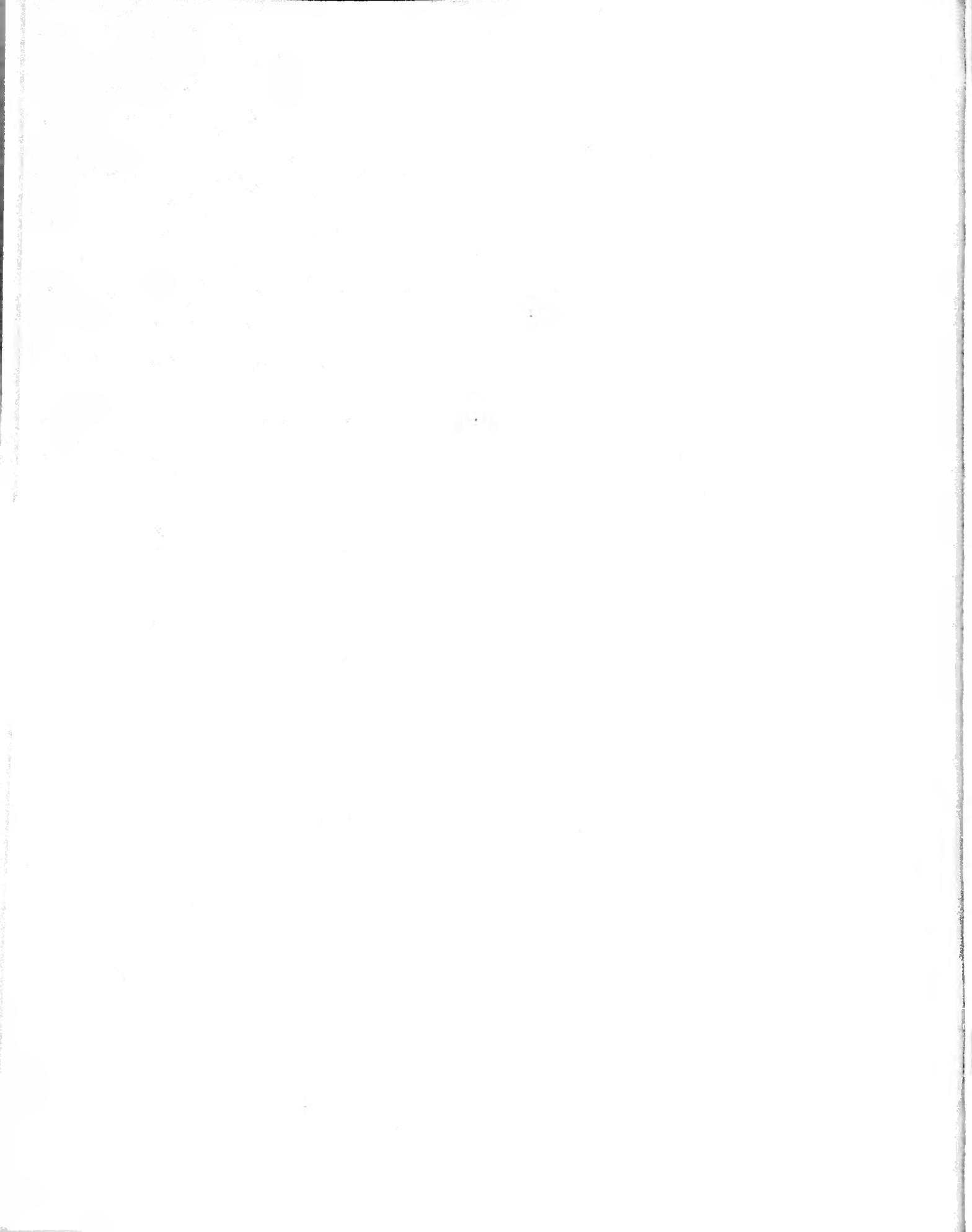
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## CONTENTS

SUMMARY.....	vii
I. INTRODUCTION.....	1
II. PROGRAM OBJECTIVES AND FEATURES.....	3
Program Objectives.....	3
Program Features.....	5
III. A COMPARISON OF PROGRAM EXPERIENCES.....	21
Program Participation.....	21
Program Outcomes.....	27
Program Administration.....	32
Program Costs.....	46
BIBLIOGRAPHY.....	51



## SUMMARY

The United States and a number of Western European countries have considered--in various contexts--the possibility of providing housing allowances to low-income households to assist them in meeting housing expenditures. Generally, these subsidy payments have been made directly to participants who meet all program requirements and a means test. In some instances, allowance payments have been dependent upon a household's ability to meet certain minimum standards of housing quality. In qualifying for payments, households have been permitted to select a housing unit of their own choice.

The housing allowance experiences of two countries are of particular interest: the United States, which is currently conducting an experimental program to examine the effects of housing allowances, and Great Britain, where the Rent Allowance Program is now in operation. In 1972, with the passage of the Housing Finance Acts, Great Britain established a Rent Allowance Program for low-income private rental tenants; in the same year, the United States initiated the Experimental Housing Allowance Program (EHAP). This paper brings together and compares experiences from these two programs.

### Basic Program Features

The underlying objectives of the two allowance programs differ in several important ways. The British Rent Allowance Program is essentially an income-transfer program that seeks to supplement the incomes of recipients and to eliminate some of the basic inequalities within the already established system of housing subsidies in Great Britain. No attempt is made to insure a minimum

level of housing quality under the program. Allowance payments in EHAP, in contrast, are designed both to provide low-income families with supplemental resources for housing expenditures and to encourage or require recipients to improve the quality of the housing they occupy.

The two programs share a number of common features:

- Payment is dependent upon an assessment of family income, need, and housing expenditures.
- Households select their own units within the private market.
- Payment is made directly to the recipient.
- There is no agency contract with landlords in the programs.
- Local public agencies are involved in the day-to-day operation of the programs.
- Processing of applications involves direct contact between the administering agency and the applicant.

There are also a number of differences in the features of the two programs.

The British program and EHAP differ in the following important ways:

- The British program is an ongoing, national housing assistance program; EHAP is an experimental effort that collects experimental data over two to five years, depending on the type of experiment, from twelve different sites.
- Rent allowance payments in the British program are determined by a percent of rent formula; EHAP uses primarily a housing gap formula to determine allowance payments.
- Participants in the British program are not required to meet any housing quality standards before qualifying for payments; in EHAP, most households are required to occupy units that meet specific housing quality standards.
- Few supportive services are provided as part of the British program; in EHAP, households are generally provided with participant services, such as provision of housing market information and equal opportunity support.
- Homeowners are not eligible to receive rent allowances in the British program; EHAP contains a homeownership component.

## Comparison of Program Experiences

A comparison of the basic experiences of the two programs must take into account variation in program contexts, program objectives and the preliminary nature of empirical evidence on each program. Analysis of basic experiences is divided into four areas: program participation, outcomes, administration, and costs.

Program participation is the process whereby eligible households meet program requirements and become recipients. In EHAP, households are defined as participants if they have applied for enrollment, have met all program requirements (especially income and housing quality standards) and thereby qualify to receive allowance payments; the British program does not include housing quality requirements. The allowance programs in both countries appeal to a large number of eligible households; however, participation has not been universal among those eligible in either country and, in fact, has fallen below initial expectations. The participation rate in the British program has been estimated at between 40 and 50 percent of eligible households; this rate appears essentially similar to reported participation rates among eligible renters in the open-enrollment experimental component of EHAP. Reasons for non-participation among eligible households in the two programs are also similar--including lack of program awareness, perceptions of ineligibility, stigma attached to means-tested programs, application requirements and reluctance to reveal family circumstances. In EHAP, the amount of the allowance payment and the necessity of meeting program housing requirements (e.g., housing standards) are also important factors. One major difference in the participation experiences of the two programs

is the higher percentage of elderly among the recipients of allowance payments in the British program.

Program outcomes are the effects of allowance payments on program participants and non-participants, as well as on local housing markets. The two allowance programs appear to have affected only those households that have chosen to participate in the programs; allowance payments seem to have little or no discernible impact on non-participants or on local housing markets generally. The British program essentially provides additional income for participants; EHAP has had both this effect and that of upgrading housing quality for some participants. The main effect of the allowance payments in both countries has been a reduction in housing costs relative to income. Households in EHAP who were residing initially in units meeting program housing requirements reduced the percentage of their income used for housing, as did the recipients of rent allowances in Great Britain, where no housing eligibility requirement exists. Allowance payments for these EHAP and British households were essentially income supplements. EHAP households who initially failed to meet housing quality standards were required to improve their housing circumstances before receiving subsidies, either by upgrading their dwelling units or by moving to units that met program requirements. These households used a much greater portion of their allowance payments to upgrade their housing quality. Finally, allowance payments have had virtually no perceived effect to date in either country on the price of local housing, the quality of neighborhood housing stock, or the composition of neighborhoods.

Program administration involves the feasibility and effectiveness of alternative approaches of program operation. The administrative approaches

to the two programs reveal a wide range of possible procedures. Generally, the administration of EHAP appears to involve a higher proportion of total program costs than that of the British program, partly because of EHAP's emphasis on making allowance payments only to recipients who attain certain minimum levels of housing quality. Outreach, certification and verification of household eligibility, and participant services appear to be more extensive in EHAP. Integration of program administration and benefit levels appears to be more developed in the British program. Both programs have been characterized by wide local discretion in setting administrative procedures, resulting in considerable variation in the style and efficiency of administration.

Program costs are the transfer costs involved in making payments to recipients and the administrative costs of conducting the program. Although extreme care should be taken in comparing program costs between the Rent Allowance Program and EHAP, it appears that EHAP's administrative costs as a percentage of program costs are relatively higher than those in the British program. For example, administrative costs are estimated to be about 11.5 percent of total costs in one city in the British program (Manchester), compared to about 29 percent of total costs in EHAP's administrative experiment. In part, these differences stem from basic differences in program context, objectives and features. Lower relative administrative costs in the British program seem to be associated with the absence of housing requirements, a lower level of program outreach and supportive services, and local responsibility for administrative costs.

Overall, housing allowances in Great Britain and the United States have effectively assisted participating households in meeting housing expenditures, with little apparent impact on non-participating households or on local housing

markets. Research on program administration and costs reveals a wide range of policy choices available for operating housing allowance programs. This analysis is an initial effort to compare the two programs--one that should be updated as more evidence on the effects of allowance payments in both countries becomes available.

## I. INTRODUCTION

The purpose of this paper is to compare program features and experiences from Great Britain's Rent Allowance Program<sup>1</sup> with those from the Experimental Housing Allowance Program (EHAP) in the United States. This report summarizes the British experience with rent allowances and draws comparisons between the Rent Allowance Program and EHAP. The paper is divided into two sections: a description of the basic program features of the British program and EHAP, and a comparison of four aspects of the two programs--program participation, outcomes, administration and costs.

There are several limitations inherent in a study comparing housing programs in two different nations. First, the programs have been implemented in settings that differ significantly, especially in terms of housing programs, housing conditions and social benefit policies.<sup>2</sup> A second constraint on analysis is the difference in emphasis between the two allowance programs. The British program is an ongoing national program to broaden the local

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<sup>1</sup>The program applies only to Great Britain, i.e., England, Scotland and Wales, and not to Northern Ireland. The program in Scotland is essentially similar to that in England and Wales but involves separate legislation; any significant differences are specifically mentioned in the text.

<sup>2</sup>The distribution of the 20.3 million units of the housing stock in Great Britain breaks down as follows: 31 percent is publicly owned and rented; less than 17 percent is privately rented; and owner-occupants make up the remaining 52 percent. Hence, the Rent Allowance Program applies to 17 percent of the total housing stock. The erosion of the private rental sector reflects two factors. The first factor is "municipalization" of the housing stock into public-sector ownership, i.e., local authorities condemn privately owned units and then clear the property and build council (public) housing or, more recently, rehabilitate the dwelling either themselves or through housing associations. The second factor is the sale of units previously available for private rentals to owner-occupants.

authorities' housing role and make subsidies more equitable;<sup>1</sup> EHAP is an experimental research program of limited duration and application to evaluate the concept of housing allowances. Third, available research on the British program does not include extensive analysis and evaluation of the effectiveness of the program. EHAP, on the other hand, was specifically designed to evaluate the costs and effects of housing allowances and to test various administrative arrangements. Fourth, the administering agencies of the two programs are quite different. Existing local authorities administer the British program, while EHAP employs a wide variety of existing and new administering agencies. Finally, variation in details, operations and effects within each program limits the ability to generalize--which, in turn, makes program comparison between nations difficult.

Even though there are some obvious limits to such an effort, the basic characteristics of each program are sufficiently similar to make comparisons of experiences of considerable interest. These comparisons should be particularly useful to policy-makers and others seeking to obtain a better understanding of how housing allowances work.

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<sup>1</sup>Local authorities are defined as general-purpose, local units of government in Great Britain. These units are involved in a wide range of government services and planning (e.g., public safety, fire services, transportation, health services, education, welfare services and housing). The range of housing activities--which includes slum clearance, rehabilitation, building of new council housing, and providing land and funding for housing associations--commands a considerable portion of the local authorities' revenue expenditures (about one-third).

## II. PROGRAM OBJECTIVES AND FEATURES

### Program Objectives

Great Britain's Rent Allowance Program. The Housing Finance Act, 1972, and the Housing (Financial Provisions) Scotland Act, 1972, established a national Rent Allowance Program in England, Wales and Scotland for private rental tenants and a national Rent Rebate Program for public rental tenants.<sup>1</sup> Initially, the Rent Allowance Program was open only to tenants within unfurnished private rental units; later, under the Rent Act, 1974, all private rental tenants became eligible for the program.

The primary program objective has been to supplement the income of households whose income is insufficient for the rent they pay in relation to family size. The program has had several objectives since its initiation; these objectives have varied, depending upon whether the Conservative or Labour Party has been in power. As part of the 1972 Act, rent allowances

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<sup>1</sup>This paper is primarily concerned with the Rent Allowance Program. However, the Rent Rebate Program is essentially similar to this Rent Allowance Program; rent rebates, in fact, preceded and provided the format for allowances. The principal difference between the two subsidy plans is that rent rebates apply to council tenants, while rent allowances are for private tenants. A third subsidy plan, the Rate Rebate Program (initiated in 1966, expanded in 1974), is designed to assist households with the payment of "rates" or property taxes. This latter program, which is based on the same means test (an assessment of family income and needs), is open to both private and public rental tenants as well as owner-occupiers. All these programs--rent allowances, rent rebates, rate rebates--are administered by the local authorities. Generally, households receiving rent rebates or rent allowances are also eligible for rate rebates.

In addition, over four million persons whose resources are insufficient to meet their needs receive a Supplementary Benefit (SB). This includes about two million tenants whose full rent is taken into account in the calculation of their needs. The SB payment, then, generally pays the full amount of the recipient's rent. Those recipients of SB payments may not receive rent allowances. Hence, Supplementary Benefits may be regarded as another possible source of rent subsidy within the British system.

were to help facilitate attainment of the following government objectives:

- Create a more equitable system of housing subsidies across the different types of tenures.
- Encourage local authorities to view their housing responsibilities more widely to include private, as well as public, housing.
- Encourage private landlords to continue to rent their units by permitting modest rent increases, using rent allowances to offset such increases for tenants unable to afford higher rents.
- Provide an indirect stimulus for rehabilitation of private rental units.
- Curtail municipalization by local authorities of private rental units.
- Transfer some costs of housing programs from the national treasury to the local authorities.

In 1974, the Labour Party came into power and instituted legislative and administrative changes inconsistent with the last four objectives. The Rent Allowance and Rebate programs continued, however. The first two objectives were still consistent with Labour policy.

The Experimental Housing Allowance Program. Under Sections 501 and 504 of the Housing Act of 1970, Congress authorized the U.S. Department of Housing and Urban Development (HUD) to establish an experimental program to test the concept of housing allowances. Housing allowances in EHAP are designed to assist low-income households in obtaining adequate housing at a reasonable cost. Extensive design work on the experimental program began immediately after the passage of the 1970 legislation, and EHAP was initiated in 1972. The design called for three separate but related experimental elements, using 12 sites, to provide information about basic policy questions involved in housing allowances. The experiments were:

- The Demand Experiment (at two sites) to examine how households responded to alternative types of housing allowance programs.

- The Supply Experiment (at two additional sites) to test the effects of an open-enrollment allowance program on prices and other conditions in the housing market.
- The Administrative Agency Experiment (at eight other sites) to provide information on different administrative methods for conducting a housing allowance program.

A final design element of the experimental program is the Integrated Analysis. The Integrated Analysis draws upon all sources of experimental data and analysis, links them appropriately to non-experimental data and provides an important information source in determining how the housing allowance concept ties into the development of national housing policy.

#### Program Features

Variation in the context and objectives of the two programs has resulted in several key differences in program features. A summary of the basic program features of the British Allowance Program and EHAP appears in Table 1. The program features outlined in the table are described more fully in the remainder of this section.

Program description. The British Rent Allowance Program is an ongoing, national housing program, designed to supplement the income of low-income private renters, broaden the housing role of local authorities, and make housing subsidies more equitable for private rental tenants (compared to council tenants). The emphasis of EHAP is slightly different from that of the British program. As an experimental housing program, EHAP is designed to provide reliable data for evaluation of the housing allowance approach. Data are collected on household effects, housing market effects, different procedures for administering the program, and the related costs of the program. The basic objective of the housing allowance in EHAP is to supplement the

Table 1

KEY PROGRAM FEATURES OF THE BRITISH RENT ALLOWANCE PROGRAM  
AND THE U.S. EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

Program Features	British Rent Allowance Program	U.S. Experimental Housing Allowance Program
Program Description	<p>A national housing program designed to supplement the income of low-income private renters, broaden the housing role of local authorities, and make housing subsidies more equitable across different tenure groups.</p>	<p>An experimental housing program designed to test the housing allowance concept. Allowance payments are intended to supplement the income and improve the housing quality of low-income private renters (and homeowners in the Supply Experiment). Three experimental elements were designed--AAE: analysis of different administrative experiences; Demand: analysis of household behavior; and Supply: analysis of market response.</p>
Scale of the Program	<p>The program has open-enrollment, no ceilings on participants, and no geographic restrictions. As of January 1977, there were about 200,000 participating households in England and Wales.</p>	<p>The program was initiated at 12 sites. AAE: Ceiling on the number of recipients at each site (ranging from 400-900 households); Demand: Pre-enrollment sample of households made a one-time enrollment offer (ceiling of 1,250 at each site); Supply: Open enrollment and no ceiling on participants. As of August 1977, about 8,100 households were currently receiving payments; about 21,500 households had received allowance payments.</p>
Administering Agencies	<p>Local authorities (i.e., general-purpose, local units of government).</p>	<p>AAE: Public agencies (i.e., state and local housing authorities and welfare agencies); Demand and Supply: Research contractors.</p>
Administrative Arrangements	<p>Households apply to local authorities for assistance to maintain their present dwelling. Local authorities determine household eligibility and provide the allowance directly to the eligible families. Periodic re-application and immediate report of changes in family circumstances are required.</p>	<p>Households apply to agencies for assistance. Agencies determine household eligibility; eligible households must locate an acceptable dwelling. Agencies inspect the unit and provide the allowance directly to eligible families. Periodic reapplication is required and households may report changes in family circumstances.</p>

Table 1 (Continued)

Program Features	British Rent Allowance Program	U.S. Experimental Housing Allowance Program
Landlord Involvement	<p>No authority-landlord contract or tenant-landlord lease is required. Landlords are expected to inform tenants of the availability of rent allowances; they may become involved indirectly if rent is registered. Local authorities attempt to maintain participant's anonymity.</p>	<p>No agency-landlord contract is required, but a tenant-landlord lease is required. Landlords may become involved indirectly during housing inspection, signing of a lease, or eviction proceedings. Agencies attempt to maintain participant's anonymity.</p>
Outreach	<p>Responsibility for program publicity has gradually shifted from the national government to local authorities. Initially, national publicity included television and radio advertisement and issuance of a descriptive pamphlet. Local publicity efforts have generally been limited to semi-annual newspaper advertisement and distribution of pamphlets.</p>	<p>Local agencies have been responsible for developing outreach strategies. A variety of outreach strategies have been selected--including television, radio and newspaper advertisements, direct mailings, outdoor advertisements, community presentations, and distribution of pamphlets.</p>
Payment Formulas	<p>Percent of rent:<sup>b</sup></p> <p>(1) <math>P = R - .4(R)</math> or \$1.75 (whichever is greater) for <math>Y = N</math>.</p> <p>(2) <math>P = R - (.4(R) - .25(N - Y))</math> for <math>N &gt; Y</math>.</p> <p>(3) <math>P = R - (.4(R) + .17(Y - N))</math> for <math>Y &gt; N</math>.</p>	<p>Housing gap:<sup>c</sup> <math>P = C^* - bY</math>.</p> <p>(A percent of rent formula was tested in the Demand Experiment.)</p>
Ceiling on Allowances	<p>London, \$22.75 (£13) per week; elsewhere, \$17.50 (£10) per week.<sup>d</sup></p>	<p>Under the housing gap formula, the determination of market rent for an adequate unit in the program jurisdiction (<math>C^*</math>) sets the ultimate limit.</p>

Table 1 (Continued)

Program Features	British Rent Allowance Program	U.S. Experimental Housing Allowance Program
Income Definition	<p>Gross income minus specific deductions (e.g., \$8.75 (£5) per week of spouse's income, and deductions for certain welfare benefits).</p>	<p><u>AAE and Supply:</u> Gross income minus \$300 (£71) per dependent and secondary wage earner, 5-percent standard deduction (10 percent for elderly) and other specific deductions. <u>Demand:</u> Gross income minus federal, state and Social Security taxes, minus \$300 (£171) annually per earner for work-related expenses and other specific deductions.</p>
Household Contribution	<p>A base contribution of 40 percent of rent is increased by 17 percent (i.e., 25 percent after taxes) of income that exceeds needs allowance and is reduced by 25 percent of unmet need where income is less than needs allowances.</p>	<p>Households pay 25 percent (b = .25) of program-defined income toward rent under the housing gap formula (b = .15 and b = .35 also tested in the Demand Experiment).</p>
Rent Definition (or Housing Costs)	<p>Registered rent (or estimate thereof) minus rates (normally does not include utility costs).</p>	<p>For renters, rent is defined as gross rent or contract rent plus formula-based allowance for utilities. For homeowners, housing costs are defined as real estate taxes, mortgage interest payments, and standard allowance for insurance, maintenance and repairs, fuel, and utilities.</p>
Definition of Eligible Households	<p>Households and single persons.</p>	<p>Households of two or more related individuals; elderly, disabled, or handicapped single persons.<sup>e</sup></p>
Tenure Eligibility	<p>Renters.</p>	<p><u>AAE and Demand:</u> Renters; <u>Supply:</u> Renters and homeowners.</p>
Locational Restrictions	<p>Households may move to any other jurisdiction and reapply to the local authority in the new jurisdiction.</p>	<p>Households restricted to program sites.</p>
Housing Unit Eligibility Requirements	<p>No requirement.</p>	<p><u>AAE and Supply:</u> Minimum standards requirement (standards may be based on locally defined codes or national codes); <u>Demand:</u> Minimum standards requirement (minimum rent requirement also tested).</p>

Table 1 (Continued)

Program Features	British Rent Allowance Program	U.S. Experimental Housing Allowance Program
Participant Services	<p>Services of authorities are generally limited to program information and assistance in applying; however, some provide market information, housing assistance and counseling, and social service referrals.</p>	<p>There is considerable variation among agencies. Services include program information, housing market information, equal opportunity support, indirect market support services, and related social services.</p>
Program Integration	<p>Administrative integration occurs in outreach, application procedures, eligibility determination, and payment operations with Rate Rebate and Rent Rebate Programs; payments are coordinated with Supplementary Benefits. However, payments are not properly meshed with tax laws and some other social benefits are included as income for allowance calculation.</p>	<p>Administrative integration is not yet well developed; most attempts to integrate administratively have been in the area of verifying income eligibility. Allowance recipients may exclude payments from taxes and when calculating benefits for certain social welfare programs (e.g., Aid to Families with Dependent Children (AFDC) program and Supplementary Security Income (SSI) program).</p>

<sup>a</sup>Administrative Agency Experiment.

<sup>b</sup>p = housing subsidy payment; R = rent level; Y = program-defined income; N = program-defined needs allowance. Needs allowance is calculated on the basis of the number and circumstances of persons within the household.

<sup>c</sup>p = housing subsidy payment; C\* = estimate of market rent for adequate housing within program sites; b = fraction of family income assumed allocated for housing (i.e., household's contribution rate); Y = program-defined income. C\* varies by the number of bedrooms assumed appropriate for family.

<sup>d</sup>Dollar equivalents are based on £1 = \$1.75.

<sup>e</sup>As of August 1, 1977, single-person families with the head of the household between 18 and 62 years of age became eligible to receive allowance payments at the two Supply sites; however, the number of these households that may receive an allowance is limited to 10 percent of the total recipients authorized under the Annual Contributions Contract.

income and improve the quality of housing for low-income renters (and homeowners in the Supply Experiment).

Program scale. The British program is national, not limited by specific program sites or by ceilings on the number of participants. The program operates throughout Great Britain, with open enrollment. In EHAP, only the two Supply Experiment sites offer open enrollment. In the Administrative Agency and Demand Experiments, initial ceilings were placed on the number of recipients: in the former, the ceiling on recipient households varied from 400 to 900 at each of the eight sites; in the latter, where a pre-enrollment sample of households was made a one-time enrollment offer, the number of recipients was limited to 1,250 for each site.

Overall, as of January 1977, slightly more than 200,000 households (i.e., 190,000 in unfurnished and 11,000 in furnished dwelling units) were participating in the Rent Allowance Program in England and Wales. As of August 1977, only the two Supply sites of EHAP were still in operation, with about 8,100 households receiving payments. Overall, about 21,500 households had received at least one allowance payment across the 12 sites of EHAP.

Administering agencies. Existing local authorities, which are the local governmental units also responsible for managing council (public) housing, administer the Rent Allowance Program. Although a national payment formula was set forth in the enabling legislation, local authorities have been permitted to increase benefit levels as much as 10 percent above the national payment formula with the use of local funds. In addition, local authorities may establish many of the details of program operations within the bounds of national regulations. The national government, through the

Department of the Environment (DoE),<sup>1</sup> has provided guidance to local authorities through explanatory circulars and correspondence. The DoE has developed sample forms and outreach brochures and provided national advertisement to assist local authorities in start-up activities. The DoE also has assisted local authorities in resolving any program-related problems. At present, the DoE reimburses local authorities for the full cost of allowance payment but the authorities are responsible for meeting the administrative costs,<sup>2</sup> except in Scotland, where 75 percent of the allowance payment costs and all administrative costs are reimbursed.

The administrative agencies in EHAP have varied across the three experiments. The Demand Experiment employed a research organization to develop and operate the program; the Administrative Agency Experiment selected eight public agencies to perform this function--several developed especially for operation of the experimental program. The Supply Experiment, which is the only experimental element still in operation, is managed by a research organization. At a national level, the experimental program has been directed and funded by the U.S. Department of Housing and Urban Development (HUD).

Administrative arrangements. In both programs the administering agency and allowance recipient interact directly. Under the British program, households apply for allowances in their current units. Local authorities then verify household income and rent level, and provide the payment directly

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<sup>1</sup>The Department of the Environment (DoE) is the cabinet-level department with responsibility for managing housing, environmental, and public works programs in England. The Welsh Office in Wales and the Scottish Development Department in Scotland administer the program and generally follow the policies established by the DoE.

<sup>2</sup>These administrative costs are subsidized to some extent by general revenue sharing grants from the national government (rate support grants).

to participating households. Rent allowance recipients must reapply for benefits every seven months, with the exception of pensioners, who must reapply annually. Participants are responsible for notifying the local authorities of any changes in circumstances that may be reasonably expected to affect entitlement or allowance payment. In practice, a participating household need not report changes in weekly income of less than about \$2.00 (£1.17) if the family income is above needs allowances, or changes of less than \$1.40 (£0.80) if family income is below needs allowance.

In EHAP, households also apply for allowances and agencies verify household eligibility. However, after certification, eligible households must locate an acceptable housing unit (which can include the existing unit if it presently meets or can be upgraded to meet program housing standards). Agencies are responsible for inspecting the dwelling unit, providing supportive services and distributing the monthly allowance directly to the participating household. In EHAP, recertification varies across experiments: monthly in the Demand Experiment, semi-annually in the Supply Experiment, and annually in the Administrative Agency Experiment. Generally, households are not required to report changes in family circumstances between recertifications.

Landlord involvement. Both allowance programs attempt to avoid three-way agency-recipient-landlord relationships by eliminating an agency-landlord contract. The British program limits landlord involvement to the requirement that landlords inform new tenants of the availability of rent allowances. Landlords generally respond to this requirement (if at all) by entering notice of the program in the rent book used to record weekly receipt of rent. Local authorities will not reveal tenant participation in the program unless

the tenant agrees to have subsidy payments made directly to the landlord, which is infrequent. Landlords may become involved if the rent is registered under rent control provisions that involve inspection of the unit.

In EHAP, there is no formal landlord-agency contract. Agencies in the program make every attempt possible to insure the anonymity of recipients. Landlord involvement may occur indirectly, however, when it is necessary to upgrade a participant's unit, sign a lease or evict a recipient.

Outreach. An important administrative function in both programs has been publicizing the availability of subsidies. Initially, the British program had a national publicity campaign, which included both radio and television advertisement. At its inception, this campaign was more expensive than any previous publicity effort for a social benefit program. This national effort eventually tapered off and, besides nationally distributed brochures, outreach has been primarily left to the local authorities. Some authorities have made special efforts to advertise the program, though most agencies have simply met their minimum statutory responsibilities (i.e., semi-annual publication of program regulations in newspapers). Also, landlords have been required to inform private rental tenants of the program. Currently there is a low level of outreach effort at the local level.

For most of the agencies administering EHAP, outreach has been a central administrative function. Across agencies, there has been considerable variation in the type, intensity and cost of outreach efforts. Television and radio advertisements, pamphlets, newspaper advertisements and articles, posters, outdoor advertisements and direct mailings are among the techniques that have been tested.

Payment formulas. The two allowance programs use different payment formulas. In the British program, a percent of rent formula is used. Payment

is based on an assessment of family circumstances (i.e., needs allowance),<sup>1</sup> household income, rent level, household size, minimum and maximum allowance payments and the number of non-dependents.<sup>2</sup> If a family's income is equal to the needs allowance, it pays 40 percent of rent and the remaining 60 percent of rent is met through an allowance payment. When the tenant earns more or less than the needs allowance, the allowance payment is adjusted accordingly.

In EHAP, two general methods have been used to determine the amount of a participant's allowance: a housing gap formula and a percent of rent formula. The housing gap formula, which is the main formula tested in the experimental program, bases the allowance on the size and income of the eligible household and on the cost of adequate housing within the local housing market. Under this formula, households receive an allowance equal to the difference between an estimate of market rent for an adequate rental unit of appropriate size and a percentage of the household's program-defined income. Under the percent of rent formula, used only in the Demand Experiment, the allowance is a fraction of the rent paid by the eligible household.

Ceiling on allowances. The minimum rent allowance in the British program (for administrative convenience) is about \$.35 per week (£0.20). Program costs are controlled and limitations are set on rent level by establishing a maximum allowance payment: \$22.75 per week (£13) and \$17.50 in all other locations in Great Britain (£10). In EHAP, the only ceiling on

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<sup>1</sup>The needs allowance is an amount based on a nationally determined, annual assessment of subsistence requirements for households according to the number of persons.

<sup>2</sup>Non-dependents are household members who are expected to make some financial contribution to meet family expenditures. For example, each person between the ages of 18 and 21, who lives at home and neither is undergoing full-time educational instruction nor is a recipient of Supplementary Benefits is considered a non-dependent. Deductions are made from the allowance payment for these household members.

payments for households whose allowance is based on the housing gap formula occurs through the determination of market rent according to unit size. This rent level ultimately limits the amount of the allowance.

Income definition. In the British program, the family's income is defined as gross income minus certain (statutorily) disregarded items. No deductions are made for national income tax or national insurance contributions (for health care and social security benefits) but these expenses are reflected in the needs allowance. Certain education benefits are disregarded, as are earnings of the spouse that do not exceed \$8.75 (£5) per week. Income contributions from others in the household, such as dependent children and non-dependent household members, are excluded. However, deductions are made from the allowance, not the rent, for each adult in the household (besides the tenant and spouse) as an assumed contribution toward the rent. If a household has savings in excess of \$2,100 (£1,200), then 0.1 percent of the additional amount is added to the tenant's weekly income figure.

The income definition in EHAP varies across the three experiments. Income in the Demand Experiment is defined basically as that which remains after deducting federal and state income taxes, and Social Security taxes from gross income, as well as subtracting \$300 (£171) per year for work-related expenses of full-time wage earners within the household. Child care expenses, extraordinary medical expenses, and alimony and support payments are also deductible. The definition of income in the Supply and Administrative Agency Experiments involves gross income minus a \$300 (£171) exemption for each dependent and a \$300 (£171) exemption for each secondary wage earner. In addition, there are 5-percent standard deductions (10 percent for the elderly) and deductions for child care, extraordinary medical expenses and alimony.

Household contribution. In the British program, unlike EHAP, the

household contribution rate is calculated as a percentage of rent. This contribution is adjusted depending on the relationship between the family needs allowance and income. When needs allowance equals income, recipients pay 40 percent of rent. When income exceeds allowance, the base contribution of 40 percent of rent is increased by 17 percent (i.e., about 25 percent after taxes) of the income that exceeds needs allowance; when income is less than needs allowance, the base contribution is reduced by 25 percent of the unmet needs allowance.

In EHAP, the household contribution rate is calculated as a percentage of income (except for the sample of households in the Demand Experiment whose allowance payment is calculated under the percent of rent formula). Most households have been required to contribute 25 percent of income toward rent; in addition, tests of 15 and 35 percent contribution rates were included in the Demand Experiment.

Rent definition. In the British program, rent is defined as registered rent<sup>1</sup> minus the cost of rates (i.e., property taxes).<sup>2</sup> Rents do not usually include utilities; tenants must pay these separately. If the unit is not registered, the authority may set a "notional rent,"<sup>3</sup> which is intended

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<sup>1</sup>"Registered" rent refers to rents that either the landlord or tenant have asked to be included under rent control laws. Since 1915, rent control regulations have applied in varying degrees to a significant segment of British housing. Rents subject to government restrictions may be termed "regulated" or "controlled," depending on the particular rent legislation that applies. In addition, rent controls have generated legislation giving tenants security of tenure, which essentially prevents a landlord from evicting a tenant, except in the case of non-payment of rent or damages to the premises.

<sup>2</sup>A similar form of rebate, however, is also given on these property taxes.

<sup>3</sup>"Notional rents" are set by the local authorities for the substantial number of rent allowance applicants whose units have not yet been registered. These notional rents are intended to approximate what the rent would have been if the unit had been registered. However, these estimated rent levels, which become a base for determining rent allowance payments, frequently are inaccurate--tending to be set at lower levels than what registered rent would probably be. This difficulty has been one of the most troubling aspects of the Rent Allowance Program, both for the recipients and for the local authorities. In response to this problem, an advisory committee on rent allowances recommended in June 1977 that mandatory registration of all private rentals be instituted.

to approximate registered rent. The local authority may determine that the rent level of a unit is inappropriate for the circumstances of a household and reduce the amount of the subsidy.

The rent definition in EHAP is set for renters as contract rent plus a formula-based allowance for utilities; for homeowners, housing costs are defined as real estate taxes, mortgage interest payments, and a standard allowance for insurance, maintenance and repairs, fuel and utilities. No limit is placed on the level of housing expenditures for program participants under the housing gap formula. However, because allowance payments do not change with increases in housing expenditures, participants must bear the additional cost of higher housing expenditures.

Definition of eligible households. Any British household may qualify for a rent allowance if it meets the income-eligibility requirements. In EHAP, only those households with two-or-more related individuals and elderly, disabled, and handicapped single persons are eligible for the program.<sup>1</sup>

Tenure eligibility. The Rent Allowance Program is limited to renters within the private market.<sup>2</sup> In the Demand and Administrative Agency Experiments, eligibility was limited to renters; in the Supply Experiment, both renters and homeowners may qualify for payments.

Locational restrictions. A recipient household in the British program may apply to the local authority with jurisdiction for its neighborhood. Because it is an ongoing national program, when recipients choose to move,

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<sup>1</sup> Effective August 1, 1977, single-person families with the head of household between 18 and 62 years of age became eligible to receive allowance payments in the two Supply sites; however, the number of these households that may receive an allowance is limited to 10 percent of the total recipients authorized for the program under its Annual Contributions Contract.

<sup>2</sup> Rent rebates are provided to council tenants; rate rebates apply both to renters, whether they occupy public or private housing, and to homeowners.

they simply reapply to the appropriate local authority. In EHAP, households are restricted to the 12 experimental sites; if a recipient family leaves the site area, its allowance is terminated.

Housing unit eligibility requirements. To qualify for allowance payments in Great Britain, private rental tenants need only meet the income-eligibility requirement; there are no housing quality standards.

In EHAP, households must meet certain housing-related requirements--minimum standards or minimum rent--before receiving payments. All three experiments of EHAP employ minimum standards requirements; in addition, a minimum rent requirement was tested on some households in the Demand Experiment. Under the minimum standards requirements, a household must meet certain housing quality standards, based on widely understood measures of the physical attributes of a housing unit, before receiving payment.<sup>1</sup> Under the minimum rent requirement a household is required to pay a certain level of rent (determined by the market rent for an adequate unit of appropriate size). The existence of this housing eligibility requirement--which makes EHAP different from an unrestricted cash assistance program--thus reflects a fundamental policy difference between the two programs.

Participant services. Participant services, in the form of services to support participation among eligible households, are not specially incorporated in the British program. Households are usually given program information and some assistance in filling out forms to apply for the program. Occasionally, in the case of an elderly or disabled applicant, the local authority will

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<sup>1</sup>The physical requirements prescribe, for example, that the unit should have complete bathroom facilities, sound walls, and adequate ventilation in each room. The occupancy requirements specify how many bedrooms the unit should have to accommodate a household with a certain number of people. See Valenza [14].

make a home visit to assist a household in applying for the program. Counseling and housing market information are provided separately through Housing Aid Centres in many metropolitan areas and through the social welfare programs for which many of those eligible for allowances are usually qualified.

Participant services in EHAP are, for the most part, aimed at helping households find acceptable dwelling units. These services, which vary considerably in type and intensity across agencies, are an important feature of the experimental program. Several types of services are provided at all sites, including program and housing market information, and equal opportunity support. In addition, many agencies provide households with indirect housing market support services (i.e., relations with landlords and local suppliers of housing) and social services (e.g., day-care services while households search for units and transportation during the housing search).

Program integration. Integrating benefit levels and program administration with other social benefit programs is viewed in both countries as a means of creating a more rational system of income transfers and reducing the costs of administration. The British program gradually has coordinated certain administrative functions with similar functions in the Rent Rebate and Rate Rebate Programs. In some local authorities, these three programs have been administratively integrated in terms of program publicity, application forms and procedures, calculation of needs allowance and family income, and payment operations. In addition, some attempts have been made to improve administrative coordination of the Rent Allowance Program and Supplementary Benefits. For example, a major national effort was instituted to determine whether recipients of allowances and rebates would receive higher subsidy payments

under Supplementary Benefits. Attempts to mesh the allowance payments with other programs to reduce the effects of cumulative benefit levels and tax rates have not been as successful as attempts to coordinate administration. This inability to coordinate allowances and benefits from other social programs with tax thresholds has resulted in disincentives to work for some recipients of these programs.

Attempts have also been made to integrate EHAP benefit levels and administration with other social benefit programs. Recipients of housing allowances have been permitted to exclude their allowance payments from income in calculating benefits for the Aid to Families with Dependent Children and the Supplementary Security Income programs. In addition, recipients have been able to exclude EHAP benefits in determining income for tax liability. Administrative integration has proceeded at a slower pace in EHAP than in the British program. Administrative coordination between EHAP and other social benefit programs has occurred primarily in verifying household income and circumstances.

### III. A COMPARISON OF PROGRAM EXPERIENCES

In this section, experiences of Great Britain's Rent Allowance Program will be summarized and compared to those of EHAP. Several important issues are addressed:

- Program participation--How have eligible households responded to the two allowance programs?
- Program outcomes--What effects have the two programs had on program participants, non-participants, and local housing markets?
- Program administration--What are some of the problems in administering the two allowance programs?
- Program costs--What are the overall transfer and administrative costs involved in the two allowance programs?

#### Program Participation

One criterion for judging the success of allowance programs is the level of participation. The size and composition of the participant population affect program costs, equity of benefit distribution, and the extent to which allowances influence the quality of neighborhood housing stock. Levels of participation among the eligible population are measured generally in terms of an overall participation rate and differential rates of participation among various population subgroups.

The major steps involved in becoming a participant are different for the two programs. In both programs, eligible households must learn about the program and apply. In EHAP, eligible households must then go one step further before receiving an allowance payment--they must live in a unit that meets program housing requirements. If a family's present unit is not

acceptable, it must upgrade the unit or move. For some families, moving may be an attractive alternative, while for others it may represent a significant obstacle to participation.

Participation rates. Several different estimates of the participation (take-up) rate<sup>1</sup> have been reported in the British Rent Allowance Program. These estimates have generally been below rates expected before the start of the program. The Department of the Environment (DoE) estimates that between 20 and 25 percent of the eligible population claimed allowances during the first quarter of 1974. This contrasts with the much higher rate of participation among council tenants in the Rent Rebate Program--estimated at between 70 and 75 percent of the eligible population. In 1977, the DoE estimate of participation rates for allowance recipients in England and Wales was between 40 and 50 percent of eligible households.<sup>2</sup> The problem of non-participation among eligible households is particularly noteworthy among

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<sup>1</sup>In Great Britain, participation rate is referred to as "take-up rate." Comparison of estimated participation rates across the two countries must be done with care because: (1) estimates of the eligible population in both countries are only approximate and subject to change over time; (2) participation rates are likely to be affected by economic conditions and the network of other social programs available to low-income families; (3) eligible households differ in composition and attitude toward means-tested programs; (4) program requirements and administrative procedures--such as the stringency of verifying income information, whether housing inspections are required, and the availability of supportive services--are likely to affect the overall level of participation; and (5) the general attitude of the society toward program participants may vary between the two countries.

<sup>2</sup>One difficulty in assessing take-up rates for allowances is that of determining the relationship of the Supplementary Benefits (SB) Program to the Rent Allowance Program. The Supplementary Benefits Program pays full rent to SB recipients rather than the portion of rent that allowances provide. As of February 1976, about 578,700 private tenants were receiving these SB payments. Although DoE estimates of participation in the allowance program are intended to exclude SB recipients, it is still very difficult to integrate the SB figures with the rent allowance projections. The SB recipient figures would seem to indicate that an additional, substantial portion of the private rental sector is receiving rent subsidies.

private renters in furnished units. It is estimated that less than 10 percent of these tenants have participated.<sup>1</sup>

Several different estimates of enrollment and participation rates have emerged from EHAP.<sup>2</sup> These differences stem, in part, from variations in enrollment and participation procedures across experiments. For example, enrollment rates in the Administrative Agency Experiment (an estimated median across sites of 22 percent of eligible households) contrast with enrollment rates in the Demand Experiment (estimated at 55 to 60 percent of eligible households).<sup>3</sup> The two sites of the Supply Experiment--where there is universal entitlement and open enrollment similar to the British program--provide the most relevant comparison of enrollment and participation experience. In the two Supply sites, estimated enrollment rates as of August 1977 were about 60 percent for renters and about 30 percent for homeowners. Overall, about 42 percent of the eligible households were enrolled in the two Supply sites. Enrollment is still open in these two sites, but program operations appear to have reached steady state conditions.<sup>4</sup> About 72 percent of the enrolled renters and 85 percent of the enrolled homeowners in the two sites

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<sup>1</sup>Several factors may explain the reluctance of this group to participate in the allowance program: their initial ineligibility (private renters in furnished units became eligible for the program in 1974); fear of alienating resident landlords and the lack of security of tenure; and the general unfamiliarity of this group with the program.

<sup>2</sup>A household becomes enrolled in EHAP when it applies and is certified as eligible; participant status is attained when the family satisfies the housing unit eligibility requirement and actually receives payment. Enrollment levels are of interest in comparisons with the British program because these levels reveal the basic interest of the eligible population in applying for benefits and because they approximate the level of participation if the minimum housing standards did not exist (as is the case in the British program).

<sup>3</sup>Carlson and Heinberg [3, p. 7].

<sup>4</sup>Ibid.

of the Supply Experiment have complied subsequently with housing eligibility requirements and achieved recipient status.<sup>1</sup> Participation in a national housing allowance program--assuming a program most like the Supply Experiment (e.g., open enrollment, with both homeowners and renters eligible)--has been estimated at no more than 40 percent of the eligible households. It is estimated that approximately 50 percent of the eligible renters and 30 percent of the eligible homeowners would become recipients.<sup>2</sup> Overall, participation rates among the eligible renters in the Supply Experiment appear to be essentially similar to those estimated for households in the British program.

Participation of elderly. Possibly as important as the overall rates of participation are the differential levels of participation among various types of lower-income households. Even if a program had a high rate of participation among the eligibles, it may still fail to reach certain groups of the eligible households, resulting in an inequitable distribution of transfer payments among the eligible.

One household group for which there are large differences between programs is the elderly.<sup>3</sup> DoE estimates that pensioners in Great Britain, who comprise approximately a quarter of the private rental market, make up 80 percent of the participants in the unfurnished sector and about 20 percent of the participants in private, unfurnished accommodations. Of the 2,000 recipients of allowances in Manchester, nearly 1,500 are pensioners.

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<sup>1</sup>Carlson and Heinberg, [3, p. 14]

<sup>2</sup>Ibid., p. 45.

<sup>3</sup>The pensioners, or elderly, are defined as those individuals 65 years of age or older in Great Britain. In EHAP, households are characterized as elderly (for purposes of analysis) if the head of the household is 65 years of age or older; welfare households, if they receive any form of income from welfare and are non-elderly; and working poor, if they are neither elderly nor welfare households.

In the Haringey Study,<sup>1</sup> pensioners accounted for 44.1 percent of eligible tenants, while 62.1 percent of recipients were over retirement age.

The high percentage of elderly in the British program contrasts with relatively low rates of participation among the elderly in EHAP. In the Demand Experiment of EHAP, the elderly represented 31 percent of eligible households, 23 percent of the enrolled population and 16 percent of the recipient population.<sup>2</sup> In the Administrative Agency Experiment, the elderly applied to the program at a low rate--about 6 percent of the eligible elderly applied to the program, compared to 22 percent of the potentially eligible non-elderly--but elderly households were more successful in qualifying for payments and maintaining their eligibility than the non-elderly.<sup>3</sup> Finally, in the Supply Experiment, although the elderly represented approximately 25 percent of the estimated eligible households who are renters, they constituted only 21 percent of participating renter households, after two years of program experience.<sup>4</sup>

It is difficult to account for the different response rates of the elderly in the two countries. Several explanations seem to explain the relatively low participation rates of the elderly in EHAP: less program awareness, greater difficulty in completing application forms, more perceived welfare stigma toward the program and a greater unwillingness to move if housing eligibility requirements are not met in their current unit.<sup>5</sup> The relative

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<sup>1</sup>Department of the Environment [4].

<sup>2</sup>Abt Associates, Inc. [1, p. 29].

<sup>3</sup>Hamilton, Budding, and Holshouser [5, pp. 16-17].

<sup>4</sup>Derived from tabulations of Housing Allowance Office records through June 1976 in Green Bay and December 1976 in South Bend.

<sup>5</sup>Carlson and Heinberg [3, pp. 9-12, 18].

success of the British program in attracting the elderly may be related to a general perception that the program is particularly aimed at assisting the elderly poor. Possibly, the elderly compose a larger subset of the eligible population in the Rent Allowance Program than they do in EHAP. It is also possible that the lack of a housing eligibility requirement has made the program particularly appealing to the elderly (i.e., elderly need not move to meet housing quality standards).

Explanations for non-participation. Explanations for a general lack of participation among eligible households in the British Rent Allowance Program and in EHAP seem to be quite similar. The most important reason for non-participation in the British program is a lack of perception by non-participants that the program applies to them, coupled with unfamiliarity with the allowance scheme and application procedures. Studies by the Department of the Environment in Haringey and by Page and Weinberger in Birmingham<sup>1</sup> found that non-participation was related to unfamiliarity with the program. The Page and Weinberger study found that only about 53 percent of its sample of private tenants were familiar with the program and that 84 percent of the furnished and 77 percent of the unfurnished private rental tenants did not know how to apply for the program. The problem is cyclical--unfamiliarity with the program is related to insufficient knowledge of the program's applicability; households do not seek information if the program is not considered applicable. There seems to be little evidence that the problem is one of disinterest. Several other explanations, which seem quite applicable to non-participation in EHAP, include: a stigma associated with welfare-type programs, fear of creating problems with the landlord,

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<sup>1</sup>Page and Weinberger [11] and Department of the Environment [4].

resistance to having family circumstances investigated, concern about a loss of confidentiality, administrative complexities and changes in program scope and eligibility standards.

In EHAP, three factors have been identified as affecting whether families apply and enroll in the program: program awareness, degree to which the household might perceive welfare stigma, and the anticipated amount of allowance payment.<sup>1</sup> The first two factors appear to be comparable to the British experience with participation. The third--anticipated amount of the allowance payment--also is likely to apply to the Rent Allowance Program, though it has not yet been studied. Three additional factors have been cited as being crucial to an enrolled household's success in achieving recipient status in EHAP: the quality of an area's housing stock, the propensity of a household to move and the availability of program-acceptable units to enrollees.<sup>2</sup> These factors have little relevance to the British program because the Rent Allowance Program does not have a minimum standards requirement for dwelling units of participants.

#### Program Outcomes

Housing allowance programs may affect program recipients in several ways--recipients may use their allowance payments to help meet housing expenditures; to upgrade the quality of their pre-enrollment dwelling unit; and to move to another unit to alleviate overcrowding, housing deficiencies or poor neighborhood conditions. Allowance payments may also have important effects on those who do not receive them--they may affect the overall rent or quality of a neighborhood's housing stock, alter the composition of a

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<sup>1</sup>Carlson and Heinberg [3, pp. 9-10].

<sup>2</sup>Ibid., pp. 15-16.

neighborhood, and have important impacts on community attitudes.

Participant effects. Participants of the Rent Allowance Program generally have used their allowance payments as income supplements. The predominant effect of the payments has been to relieve excessive housing costs relative to income, rather than to stimulate improvements in housing quality. This outcome is not unexpected--allowance payments in Great Britain are not linked to a housing eligibility requirement.<sup>1</sup>

An important objective of the British program is to enable recipients to reduce their portion of rent relative to income (i.e., rent burden) and improve housing quality to a level equivalent to that of public rental tenants under the Rent Rebate Program. Data are not yet available to compare the rent burdens between the two types of subsidized renters. The housing quality of the private rental sector, however, continues to decline and lag behind that of the public sector. The program has done little to stimulate landlords or allowance recipients to rehabilitate private rental units. The overall influence of the program on the quality of private rental housing in Great Britain appears to be slight.

In EHAP, housing allowance payments have provided different patterns of benefits for participating households, depending primarily upon whether households initially passed or failed the housing eligibility requirements. Throughout EHAP, roughly half the participants fall into each group. Demand Experiment evidence indicates that families who initially met the housing requirements have used their allowance payments much as they would have

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<sup>1</sup>However, because recipients of the British program pay only a portion of rent, there is some incentive for households to obtain a higher quality unit. This incentive is limited, nevertheless, by the ceiling on rent allowance payments.

any other income.<sup>1</sup> For example, in the Demand Experiment, the estimated average burden for these households was 44 percent of income prior to the experiment. One year after enrollment, the effect of the allowance payment was to reduce the fraction of pre-allowance income required to meet housing expenditures to 28 percent of income.<sup>2</sup>

Households in EHAP who initially failed the housing eligibility requirements but subsequently passed them have used allowance payments both to improve their housing quality and to alleviate high housing costs. These households could improve their housing circumstances either by upgrading their current unit or by moving to another unit that met program requirements. In the Demand Experiment, program-induced changes in rent outlays for these households increased by about 20 percent. On the average, these rent increases absorbed about one-half of a recipient's allowance payment.<sup>3</sup> If housing expenditures are representative of the general quality of housing units, then these households are consuming a higher level of housing quality. In the Administrative Agency Experiment, households that moved generally experienced improvements in their housing and had the largest increases in housing expenditures.<sup>4</sup> In the Supply Experiment, about one-third of units occupied by recipients have undergone some form of upgrading, largely modest improvements. Some of these units have, however, experienced more extensive repairs.<sup>5</sup>

Non-participant effects. Housing allowances may also have effects on non-participants and local housing markets. Rent allowances in Great Britain

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<sup>1</sup>Carlson and Heinberg [3, p. 19].

<sup>2</sup>Abt Associates, Inc. [1, p. 38].

<sup>3</sup>Carlson and Heinberg [3, p. 23].

<sup>4</sup>Hamilton, Budding and Holshouser [5, p. 48].

<sup>5</sup>Carlson and Heinberg [3, p. 27].

have had little impact on the price or quality of housing in communities or the nation as a whole. Since only 17 percent of the housing stock in Great Britain is available for private rental and much of that is subject to rent control, significant price impact is unlikely. Some landlords complain that the program has in fact brought more units under rent regulation and may even have resulted in keeping rental prices at lower levels. Also, rent allowances appear to have little impact on the quality of housing stock. Originally, it was hoped that the program would result indirectly in landlord repairs by creating a more certain flow of rental income and possibly (over a longer period of time) by enabling landlords to make modest increases in rent. However, no such improvements have been reported; rather, given the many other pressures on the private landlord, the private rental stock has continued to decline, both in numbers and in quality.

Little evidence has been reported on the impact of rent allowances on participant mobility or on community acceptance of the program. Without the necessity to move to a higher quality unit and with very limited availability of private rental units in Great Britain, it seems unlikely that the mobility patterns of program participants would change. Further, there is little reason to believe that the composition or nature of the neighborhoods would be affected by the Rent Allowance Program. In general, the British program has met with little community resistance. In some cases, the added responsibility of informing tenants of the program and the increased possibility of rent regulation has created dissatisfaction with the program among some landlords.

Early EHAP evidence from the Supply Experiment, designed specifically to test the effects of allowances on housing markets, suggests that there have been no major disturbances to local housing markets or to neighborhood

settlement patterns.<sup>1</sup> Allowance payments have generally conferred specific benefits on participants of the program, with negligible impact on non-participants. There has been no evidence of effects of housing allowances on rent levels at either Supply Experiment site. What increases have occurred during the experimental period have been mostly due to higher fuel and utility prices. Moreover, the program has not dramatically affected housing expenditures in communities; the amount of housing construction or home repairs; neighborhood quality; or the policies of landlords, mortgage lenders, or realtors.<sup>2</sup> However, it is important to remember that these findings are still tentative--over a longer period of time allowances might ultimately have stronger impacts on local markets.

Preliminary evidence from EHAP indicates that housing allowances have not influenced families to move any more often than they would have ordinarily. In the Demand Experiment, where the mobility of allowance recipients has been compared to a control group that did not receive allowance payments, there has not been any significant difference between the mobility rates of the experimental and control households.<sup>3</sup> In addition, housing allowance payments in the Demand Experiment have resulted in only a few moves between the central city and suburban areas.<sup>4</sup> Preliminary evidence from

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<sup>1</sup>Available evidence indicates that moving led to only marginally more integration for black allowance recipients. Blacks moved most often to tracts rapidly becoming more heavily populated by other black families, i.e., areas in racial transition. See Carlson and Heinberg [3, pp. 29-30].

<sup>2</sup>The Rand Corporation [12, p. 117].

<sup>3</sup>Carlson and Heinberg [3, p. 27].

<sup>4</sup>Abt Associates, Inc. [1, p. 47].

the two other experiments generally supports these conclusions, although there is evidence which suggests that mobility may have been affected by the program at several Administrative Agency Experiment sites.<sup>1</sup>

Finally, housing allowances have been generally accepted by the communities in which they were tested. Initially, two possible candidate sites for the Supply Experiment were not selected because of local opposition; however, in all sites in which the program has been actually administered, there has been general community acceptance.<sup>2</sup>

#### Program Administration

A vital link between the design of the housing allowance approach and the actual delivery of allowance payments to eligible households is program administration, i.e., the execution of the program once the basic program elements have been determined.<sup>3</sup> To be successful, allowance programs, whether in Great Britain or the United States, must effectively carry out certain administrative functions--informing potentially eligible households of the program, certifying household eligibility, enrolling households, calculating and dispensing allowances, periodically recertifying household eligibility and providing other necessary services to support household participation.

Outreach. A key administrative function in both programs is informing the eligible population of the program. Under the Rent Allowance Program, this function is known as program publicity; in EHAP, it is referred to as program outreach.

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<sup>1</sup>Carlson and Heinberg [3, p. 27].

<sup>2</sup>Ibid., p. 36.

<sup>3</sup>Zais and Trutko [16, p. 2].

Initial national publicity of the Rent Allowance Program involved extensive newspaper and television advertisements. The DoE reports spending more on advertising the availability of housing assistance through the Rent Allowance Program and the Rent Rebate Program than on any other means-tested program. From September 1972 until April 1975 the DoE spent roughly \$2.0 million (£1.13 million) on publicity for the two programs. However, national publicity for the Rent Allowance Program gradually tapered off and responsibility for program publicity shifted to local housing authorities. Some local authorities have initiated a variety of publicity efforts--including newspaper advertisements, leaflets, posters, radio talk shows, presentations to neighborhood associations, public displays, direct canvassing and bus advertisements. However, the tendency in most local authorities has been toward minimal compliance with program regulations concerning the level of outreach, i.e., generally making nationally provided pamphlets available and providing two newspaper advertisements annually. In shifting the burdens of outreach to the localities, the national government has failed to introduce financial incentives for local authorities to publicize the program. Instead, local authorities have been responsible for the additional administrative costs involved in outreach--e.g., the costs of advertisements, staff time, and processing applications of ineligible persons. The failure to provide continuous support for outreach may have discouraged any real local effort to increase take-up.

Although some preliminary findings are available, overall effectiveness of publicity efforts in the British program has not been extensively analyzed. In the DoE's Haringey Study,<sup>1</sup> various forms of local publicity between November 1973 and July 1974 were found to be instrumental in an overall

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<sup>1</sup>Department of the Environment [4].

increase of participation rate from 8 percent to 25 percent of eligible households. This publicity, while increasing the overall participation rate, did not affect the rate as much as had been expected and did not alter the relative participation rates among different demographic groups. Generally, local publicity efforts were costly in agency time, energy and money, without seriously affecting participation levels (or increasing participation rates to match the 75 percent rate among council tenants in the Rent Rebate Program).

One of the most effective media for stimulating participation is reported to be television advertisements at a national level. For example, national statistics show a significant increase in take-up in October 1972 and March 1973, after national advertising campaigns were launched on television and in the press. However, this increase is at least partially attributable to timing--the program was in its first year. No recent efforts have been made to advertise by television. The policy of requiring landlords to inform tenants of the program has met with little success; landlords have generally complied with only the minimum requirements, i.e., use of rent books to inform tenants of the program's existence.

In EHAP, outreach has been used as an instrument to increase overall rates of participation among eligible households and to stimulate participation rates among certain underrepresented households groups (e.g., the elderly, the working poor). The local administering agencies have been responsible for development of the outreach strategies. Consequently, there has been much variation in the intensity and mix of EHAP outreach efforts. The major types of outreach seem quite similar to the British program--television and radio advertisements, pamphlets, press releases, public service announcements, bus advertisements, outdoor posters, public displays, direct

mailings, use of social service agencies, and presentations to community organizations.

The number of applications received in both the Administrative Agency and Supply Experiments has shown a short-term sensitivity to the intensity of outreach efforts.<sup>1</sup> However, some problems have been experienced in attempting to obtain a representative sample of applicants--in general, it has been difficult to increase the participation rates of the elderly and working poor. Soon after the Administrative Agency Experiment began, it became apparent that applications lagged behind program expectations and that applicant households were not representative of the larger eligible populations. Most agencies responded by increasing outreach activities--and in some cases, targeting outreach toward certain population subgroups--to increase the flow of applications. Eligible households, as well as many ineligible households, responded to agency efforts to publicize the program; targeting efforts generally resulted in increases both in underrepresented and overrepresented groups.<sup>2</sup>

Professionally designed media campaigns appeared to be the most effective technique for encouraging participation of the working poor. Advertisement through mass media--television, radio and newspaper--tended to generate the most representative mix of applicants.<sup>3</sup> Cost figures for outreach in the Administrative Agency Experiment are high when compared to other program costs. Also, depending upon agency outreach strategy, the costs of outreach showed substantial variability across agencies.<sup>4</sup>

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<sup>1</sup>U.S. Department of Housing and Urban Development [13, p. 15].

<sup>2</sup>Hamilton, Budding and Holshouser [5, pp. 11-12].

<sup>3</sup>Zais and Trutko [16, p. 21].

<sup>4</sup>Ibid., p. 19.

Determination of household eligibility. A central feature of the allowance programs in Great Britain and the United States is the determination of household eligibility. The administrative activities involved in this function are quite similar in the two countries: elicitation of information from applicants to establish household eligibility and verification of this information.

Application forms and documentation have been the primary means of obtaining income and rent information from households in the British program. The DoE has granted local authorities considerable discretion in developing application forms and procedures. One major complaint is that these forms and procedures have been excessively complex and, consequently, that they have had an adverse effect on participation rates. In their attempts to limit access to those eligible for the program, local authorities have added considerably to program complexity. In doing so, they may have discouraged many from applying who needed assistance. Brian and Legg assessed application forms from 66 local authorities and reported that over 60 percent of the forms did not meet acceptable standards, e.g., in 40 forms, 20 percent or more of the questions were incomprehensible.<sup>1</sup> Documentation procedures have also varied across local authorities. Generally, supporting documentation has been requested on family income (e.g., pay slips, employer certificates, or bank statements), total assets, number of non-dependent household members, rent levels and actual payment of rent (e.g., rent registration, rent book, lease agreements or landlord statement) and other deductible items for rent or income. Rent level and family income have been the two items most closely checked.

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<sup>1</sup>Brian and Legg [2].

Initial instructions given to local authorities regarding stringency in verifying household information were vague. Generally, authorities have ascertained that all critical items of housing information--particularly family income and rent level--have been fully checked. Third-party verification with employers and other government agencies has also been used. No empirical evidence has been reported on the reduction of overpayments or underpayments resulting from verification. Inadvertent errors and poor understanding among program applicants have been identified as the principal reasons for mispayments. Brian and Legg<sup>1</sup> found that errors by local authorities resulted in some overpayments as well as underpayments. One small sample showed an error rate of 11 percent, though the errors were usually small. Drawbacks of the verification process have been that it has resulted in delays in payments to eligible households and that it has created backlogs in processing applications.

Elicitation and verification procedures in EHAP, though varying considerably across the three experiments, have generally been thorough and stringent. In all agencies of the experimental program, application forms were used to gather information; in most agencies, some level of documentation was also required. In the Administrative Agency Experiment, local agencies used a standard application form designed for the experiment. In addition, most agencies developed and employed their own supplementary application form. The rigor with which data on income and family circumstances were gathered and documented differed among the agencies. Some agencies required complete documentation, while others accepted a signed declaration by the participant. The Demand Experiment utilized an enrollment form and supporting documentation to gather initial information. In the Supply Experiment,

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<sup>1</sup> Ibid.

applicants complete a detailed enrollment application form and submit supporting documentation during an enrollment interview. Generally, the Demand and Supply Experiments have required more detailed written evidence of income information; the Administrative Agency Experiment relied more heavily on discussions with applicants to obtain income information.

Several different types of verification have been employed in EHAP. In the Administrative Agency Experiment, two procedures were tested-- self-certification and third-party verification. Some agencies employed both types of verification. In the Demand Experiment, enrolled households were generally subjected to third-party verification; when this was not possible, documentation and signed statements were accepted. The Supply Experiment uses supporting documentation to certify eligibility; then, depending primarily upon the thoroughness of this documentation, assigns verification priorities to eligible households. Within each priority, a specific percentage of cases is randomly selected for detailed third-party verification. The Supply and Demand Experiments generally have used greater stringency in verifying household eligibility than did the Administrative Agency Experiment.

Preliminary analysis of EHAP evidence suggests that certification and verification of applicant information, rather than simple acceptance of participants' statements of income at the time of application, resulted in substantial savings in payment costs. These savings resulted from exclusion of ineligible applicants and from payment adjustments for program participants, for example, correcting potential errors in calculating payments. The average payment adjustment in the Administrative Agency Experiment--including both increases and decreases in payments--was \$116 (£66) per certified household per year. Holding other factors constant, complete third-party verifications

resulted in an average annual payment adjustment of \$34 (£19) greater than the payment estimated by self-declaration. Overall, there were more downward adjustments in allowance payments than upward adjustments.<sup>1</sup> These payment adjustments may be viewed as contributing to a more equitable program.

Evidence from the Demand Experiment on verification of household information indicates two basic trends. First, certain types of income--particularly wages and salaries--contribute to the greatest differences between reported and verified income. Second, most underreporting of income seems to be related to unintentional errors or poor understanding of the program, rather than to fraud. Preliminary evidence from the Supply Experiment suggests that the verification procedure may contribute more to program equity than to overall program savings in payments.<sup>2</sup>

Participant services. Participant services in a housing allowance program are those agency activities that provide non-monetary assistance to program participants.<sup>3</sup> The level of services in an allowance program is affected by program objectives and other program features. For example, an allowance program that emphasizes improvement of the housing quality of participants may have to offer supportive services to assist eligible households in securing an acceptable unit. The level of services may also be affected by the availability of services in other government programs. For example, a service such as assistance in locating a better quality housing unit may be provided by another government agency, rather than be incorporated within the allowance program.

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<sup>1</sup>Hamilton, Budding and Holshouser [5, pp. 27-29]

<sup>2</sup>Zais and Trutko [16, pp. 26-27]

<sup>3</sup>Ibid., p. 36.

The Rent Allowance Program limits services to informing potential recipients of program regulations and providing some assistance in applying for benefits. Participants of the program are encouraged to seek other local government services. For example, Housing Aid Centres of local authorities offer housing market information and assistance. Welfare rights assistance and social service referrals are available as a part of other programs. The fact that such services are not part of the program is consistent with the British program's policy of providing additional income to meet high housing expenditures, rather than attempting to change the level of housing quality consumed by these households.

Participant services in EHAP have been developed as part of the program, in accordance with the objective of upgrading participants' housing quality. Across the 12 experimental sites there has been considerable variation in the types and intensities of these services. All sites provide program information sessions, housing market information services, and equal opportunity support services. In addition, some agencies have provided related social services and indirect market support services to assist households in securing an acceptable unit.

The effects of participant services in EHAP appear to vary according to the nature of the services, market conditions, household characteristics, and household plans to move or stay in their pre-program unit.<sup>1</sup> When attendance at housing information sessions was voluntary, participation in the sessions was typically low. For example, in the Supply Experiment only a small number of persons have actually attended information sessions.<sup>2</sup> Two

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<sup>1</sup>Hamilton, Budding and Holshouser [5, p. 14].

<sup>2</sup>U.S. Department of Housing and Urban Development [13, p. 19].

types of services have been identified in the Administrative Agency Experiment: formal services and responsive services.<sup>1</sup> These services made little difference for households attempting to reach recipient status within housing markets with high vacancy rates. However, in housing markets with low vacancy rates, some supportive services may be important for those households that intend to move and for black households, regardless of moving plans.<sup>2</sup> Participant services, while having some impact upon participation rate of eligible households, apparently had little effect on recipient's level of housing quality.<sup>3</sup>

Other administrative issues. Program integration and intergovernmental relations are two administrative issues that cut across both programs.

Program integration is a means of creating a more rational system of income transfer programs and increasing the efficiency of administration. There are two basic ways in which a program may be integrated with other programs: (1) structural integration--the integration of benefit structures, guarantee levels, and benefit-loss rates across programs; and (2) administrative integration--the coordination or sharing of administrative functions across programs.

A key issue in the British context, referred to as the "poverty trap," concerns the effect of cumulative benefit levels and tax rates associated

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<sup>1</sup>"Formal services," offered routinely to all enrollees, are those services that provide information about the program and how to obtain acceptable housing (e.g., program information sessions); "responsive services" are those services available to households as needed (e.g., transportation to search for a new unit, assistance in negotiating lease provisions or repairs with landlords, legal advice or representation, and agency intervention to prevent eviction).

<sup>2</sup>Hamilton, Budding and Holshouser [5, p. 14].

<sup>3</sup>Ibid., p. 49.

with joint participation in income transfer programs. One impact of the Rent Allowance Program for some recipients has been to intensify the "poverty trap." As discussed earlier, the allowance payment gradually declines for those earning more than the basic needs allowance level. When the effect of this loss is added to that of lost or reduced benefits in other means-tested programs, it can result in a disincentive to work as well as a situation in which the tenant actually loses money and benefits from that enjoyed previously.

Administrative integration of the British program has occurred with the Supplementary Benefits program (SB) and other housing programs. Initially, more than 20 percent of the instructions given to local authorities on how to administer the Rent Allowance Program was devoted to integrating payment of rent allowances and SB payments. Although complete administrative integration has not occurred between the two programs, attempts have been made to simplify the payment of housing subsidies to recipients of SB payments. A subsidy for rent is now included in the SB payment; later, each local authority reimburses the Department of Health and Social Services a nationally averaged sum for each SB recipient in the local authority's jurisdiction.

Other examples of program integration--in the areas of outreach, application procedures, eligibility determination, and payment operations--have evolved gradually with the Rent Rebate and Rate Rebate Programs. In Manchester, England, the two rebate programs and the allowance program have been publicized together to reduce the costs of outreach. In some authorities, application and eligibility determination have been integrated between the Rate Rebate Program and the Rent Allowance Program. As a consequence, a single statement of income and household circumstances has been used to determine eligibility for the two programs. Finally, at many local authorities computer processing (e.g., by batches with common renewal dates) has been coordinated across all three programs.

Participation of EHAP recipients in other existing income-conditioned transfer programs points to the possibility of integrating benefit levels across programs.<sup>1</sup> Allowance recipients have been permitted to exclude their allowance payment from income in calculating benefits for the Aid to Families with Dependent Children program and the Supplementary Security Income program. In addition, EHAP benefits have been excluded from income for tax liability. However, food stamp recipients generally have had their benefits reduced because of participation in EHAP. To achieve program integration, intergovernmental and interagency cooperation is needed to reduce the effect of cumulative tax rates and disincentive to work that is associated with joint participation in social benefit programs.

Administrative relationships with other agencies have developed in an ad hoc manner.<sup>2</sup> At present, these experiences are not well-documented. Most administrative integration has occurred in the area of verifying income. It is reported that some of the longest delays in processing applications occurred in EHAP when Administrative Agency and Supply Experiment's agencies made requests for third-party verification by federal agencies. Experience from the Supply Experiment points to the possibilities of coordinating the administration of housing allowances and community development programs.<sup>3</sup>

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<sup>1</sup>Based on work with The Urban Institute's Transfer Income Model (TRIM) and early experimental data from the Administrative Agency Experiment and the Demand Experiment, it is estimated that almost 60 percent of the households that would participate in a national housing allowance program would also participate in the Aid to Families with Dependent Children (AFDC), the Food Stamp program or the Supplemental Security Income (SSI) program.

For a discussion of the possible strategies for integration see Heinberg, Culberston and Zais [7] and Heinberg et al. [6].

<sup>2</sup>Zais and Trutko [16, p. 56].

<sup>3</sup>Ibid., pp. 56-57.

From research on administrative issues in EHAP, several basic premises on how administrative integration might be facilitated have emerged. These include: (1) introducing consistency in program elements; (2) relating income determination to welfare programs and housing quality determination to housing programs; (3) integrating standardized functions; (4) integrating intake and/or maintenance functions; and (5) implementing alternative forms of intergovernmental relationships.<sup>1</sup>

Intergovernmental arrangements involve the allocation of authority and responsibility among the different levels of government in the administration of a program. These arrangements have important impacts on the uniformity of administrative procedures and costs across agencies.

The Rent Allowance Program has divided responsibility for administration between the national and local levels. At the national level, a small staff within the DoE has assisted local authorities with program design and development. This staff has prepared circulars and letters to the local authorities, responded to parliamentary inquiries about the program, prepared statutory regulations, answered questions from the local authorities, set publicity priorities, authorized research and attempted to resolve anomalies within the program.

The local authorities in the British program have been responsible for the day-to-day operation of the program. These authorities have varied the details of program administration to meet local needs and to coordinate with local administrative practices in the Rent Allowance and Rate Rebate programs. For example, initially the DoE circulated an illustrative application form; however, it was expected that local authorities would design their own forms,

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<sup>1</sup>Ibid. [16, p. 80].

using the circulated application as an indication of what might be included on the local form. One result of permitting local discretion in setting operational details has been considerable variation in the style and efficiency of administration at the local level.

The statutory formula also permits authorities, out of their own funds, to increase allowance benefits up to 10 percent over that provided by the statutory formula (the so-called 10 percent discretionary cost). The study by Brian and Legg<sup>1</sup> found that 40 percent of the authorities have increased benefits in this manner. Some local authorities have used this provision to disregard certain income, i.e., war pensions; others have tried to assist elderly recipients; and others have distributed the increased benefits evenly among all recipients.

A final aspect of intergovernmental arrangements in the British program relates to program funding. As the Rent Allowance Program originally developed, the national treasury was to give 100-percent reimbursement to all local authorities to cover the cost of transfer payments. Gradually, this reimbursement for subsidy payments was expected to decline to about two-thirds over several years; however, the national government has chosen to maintain 100-percent support.<sup>2</sup> The administrative costs of the program have been the responsibility of the local authorities.<sup>3</sup>

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<sup>1</sup>Brian and Legg [2].

<sup>2</sup>A legislative proposal in summer 1977 indicates that the national contribution may be changed to cover 90 percent of the transfer payments and administrative costs borne by the local authorities.

<sup>3</sup>In Scotland, local authorities receive national reimbursement of 75 percent of total program costs (i.e., the cost of transfer payments and administration).

EHAP experience with intergovernmental arrangements has not provided much data to date. Local discretion was built into the design of the Administrative Agency Experiment. Similar to the experience in the British program, local decision-making resulted in considerable variation in administrative procedures and efficiency across agencies. For example, agencies selected a variety of strategies in publicizing the program. Some agencies selected aggressive outreach campaigns initially, while others did not. Several agencies used a professional, mass media approach, while others relied on word-of-mouth and pamphlets to publicize the availability of allowances. Similarly, agencies used a variety of approaches to verify household income eligibility. Some agencies allowed households to certify their own eligibility through signed statements, others relied on documentation, while still others employed third-party checks. The variety of administrative approaches that evolved from local decision-making resulted in varying levels of administrative efficiency and costs.

#### Program Costs

The overall cost of providing allowance payments to program participants is a central issue both in the British Rent Allowance Program and in EHAP. There are two basic costs involved in the programs: (1) transfer costs--the costs of subsidies paid to participating households, and (2) administrative costs--the costs of managing the process of providing payments, publicizing the program, keeping records, etc. Comparison of cost figures across the two programs is limited by a lack of consistency between cost categories and incompleteness of cost data.

Overall cost figures for the Rent Allowance Program are preliminary and approximate. As of January 1977, an estimated 200,000 households

were receiving rent allowances nationally, with average weekly payments<sup>1</sup> of about \$4.85 (£2.77) or \$21.00 (£12.00) per month. Projecting from these participation rates and monthly allowance figures, annual transfer costs for the British program would be approximately \$50 million (£29 million).<sup>2</sup> The administrative costs incurred by local authorities for the program have not been compiled or estimated except for several local studies.<sup>3</sup>

The transfer and administrative costs have been estimated for one program site--Manchester, England--which may give, by way of example, a clearer indication of the costs involved in the program as a whole. In Manchester--a city of about one-half million population--there were approximately 2,000 recipients of rent allowances, with the total annual transfer payments estimated at \$450,000 (£258,000). Administrative costs in Manchester have been set at approximately \$58,800 (£33,600) per year or about \$30 (£17) per recipient annually. Administrative costs are divided into the following components:

Salary for three full-time staff members and one part-time supervisor.....	\$21,875	(£12,500)
Building rent.....	12,250	(£ 7,000)
Postage.....	8,750	(£ 5,000)
Giro (check) costs.....	6,300	(£ 3,600)
Program publicity.....	5,775	(£ 3,300)
Computer costs.....	3,500	(£ 2,000)
Ten-percent discretionary costs.....	350	(£ 200)

<sup>1</sup>Most lower-priced rental units involve weekly rent collections in accordance with weekly salary payments. As a result, rent allowance payment data are provided on a weekly basis.

<sup>2</sup>Dollar equivalents are based on £1 = \$1.75. National subsidy estimates are only rough approximations, based on the average allowance payment per recipient and the number of recipients during the month of January 1977.

<sup>3</sup>For example, Scottish figures for administrative costs were estimated at the equivalent of \$7.90 per application (not recipient) for the initial 2,000 program applicants, and \$4.40 for each additional application.

Administrative costs constitute about 11.5 percent of total program costs. Overall program costs--the costs of transfer payments and administration--in Manchester have been estimated at approximately \$510,000 (£291,600) annually, or about \$250 (£145) per recipient per year.<sup>1</sup>

Estimates for transfer and administrative costs vary across the 12 sites of EHAP. The average monthly allowance in the eight sites of the Administrative Agency Experiment was about \$80 (£46), with a range of \$72 to \$89 (£41 to £51). In the two Demand sites, comparable payments were \$50 (£29) per month in Pittsburgh and \$78 (£45) in Phoenix. And in the two Supply sites, the average monthly allowance payment in August 1977 was \$75 (£43) in Green Bay and \$70 (£40) in South Bend. Variation in the payments to families in EHAP is related largely to different average program-defined incomes of recipients, variations in the levels set in each locality for the costs of adequate housing and different types of tenure included in each experimental component.<sup>2</sup>

In the Administrative Agency Experiment, total administrative costs for each participating family, based on the actual cost data for the eight AAE agencies, have been estimated at \$250 (£143) per year.<sup>3</sup> In another estimation of administrative costs using a simulation model, which incorporated the procedures found to be most effective in the

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<sup>1</sup>In the Brian and Legg study [2], administrative costs for six authorities were examined. Costs, though tentative and preliminary, were found to vary considerably--from \$26 (£15) to \$54 (£31) per recipient annually. The study also found that administrative costs ranged between 13 and 19 percent of payment costs (not total program costs).

<sup>2</sup>Carlson and Heinberg [3, p. 44].

<sup>3</sup>Carlson and Heinberg [3, p. 41].

Administrative Agency Experiment, these costs were estimated at \$238 (£136) annually per family.<sup>1</sup> Actual administrative costs represented about 29 percent of total program costs for all eight sites,<sup>2</sup> which is considerably higher than the administrative cost figure reported in Manchester (11.5 percent). However, this higher figure for EHAP may be partly related to the evaluation of program costs during the first two years of program operation, when high administrative costs were involved in start-up.

The lower relative administrative cost figures for the British program must be evaluated with caution in any comparison with figures from EHAP. For example, British costs, salaries, and rent levels are often less than 40 percent of those in the United States. Several other factors may also help to account for this difference. One is that the British program is concerned primarily with reducing the ratio of housing expense to income and only indirectly with improving housing conditions of program participants. Hence, the British program has reduced or excluded some of the basic administrative functions that have been incorporated into EHAP's design. For example, two costly functions in EHAP, outreach and participant services,<sup>3</sup> have been carried out at lower levels in the British program; one function, the housing eligibility requirement,

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<sup>1</sup>Hamilton, Budding and Holshouser [5, p. 64].

<sup>2</sup>Maloy et al. [10, p. 11].

<sup>3</sup>Participant services have been partly funded through other programs and agencies. For example, some participant services in the Rent Allowance Program have been provided through Housing Aid Centres. The costs for these services, then, do not fall under the administrative costs of the Rent Allowance Program.

is not performed at all. A second factor that helps explain relatively lower administrative costs in the British program is that these costs are the responsibility of the local authorities. Generally, authorities have attempted to keep administrative costs low by not going much beyond the fulfillment of basic program requirements. A final factor is that administration has been performed by existing agencies, which have experience with housing programs and have been able to integrate some administrative functions with other housing programs.

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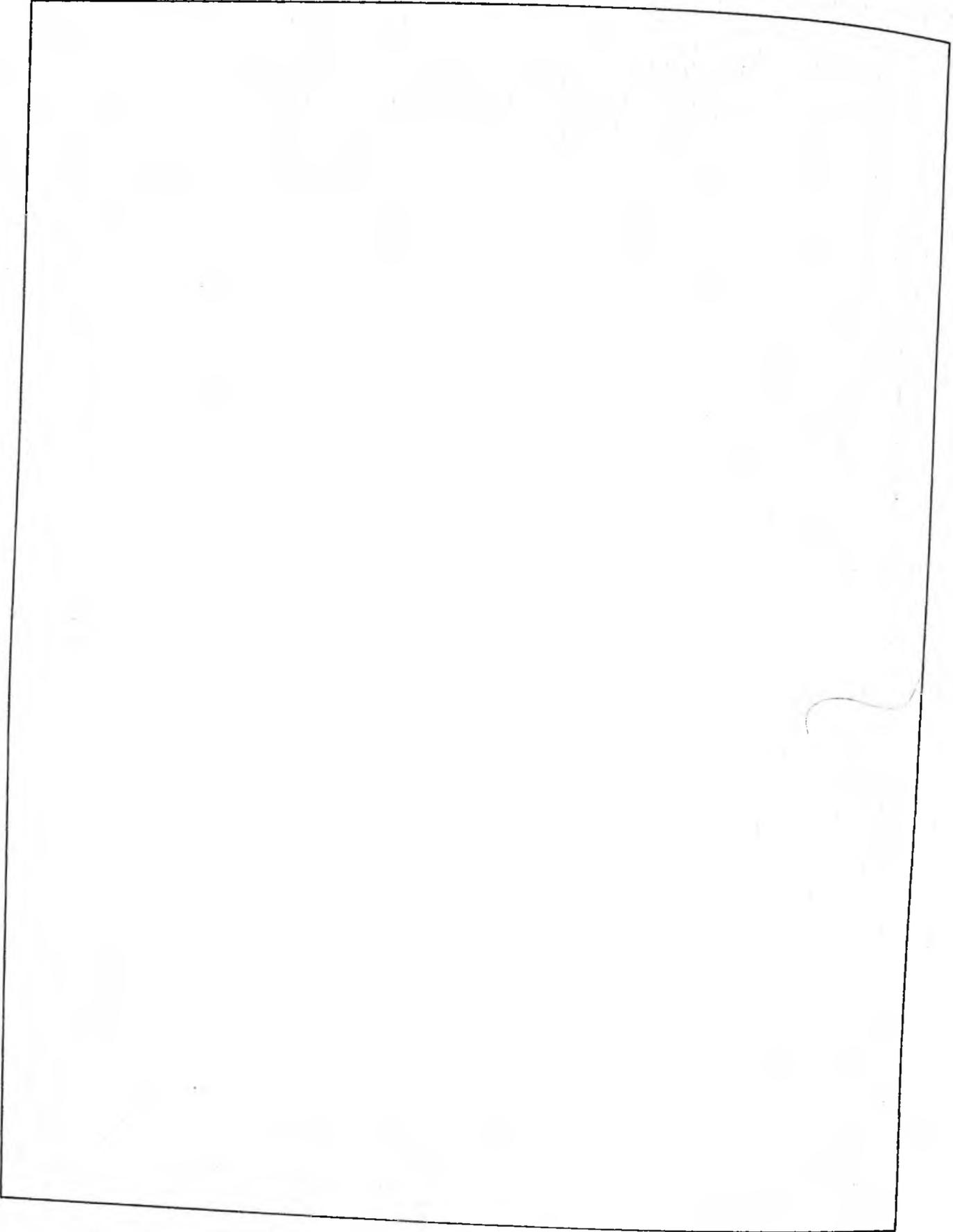
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