



Summary and recommendations

Background

Housing allowance is a means-tested benefit granted for one year at a time to households with children and young people aged 18 to 28 years. The size of the allowance depends on the household's benefit-qualifying income, the number of children in the household, the housing cost and size of the dwelling in the calendar year in which the allowance is paid. The allowance is determined provisionally for one year at a time, and the final allowance is determined up to two years after the first payment, when the Swedish Social Insurance Agency reconciles the benefit-qualifying income against income data from several agencies, above all the Swedish Tax Agency. The recipients are obliged to report on a current basis if their income changes in the calendar year in which the allowance is paid.

Nevertheless, about one third of the recipients receive demands for repayment of the provisional housing allowance, which is considerably more than was assumed when the rules were introduced in 1997. To reduce the frequency of recovery the Government decided that an effective system for reporting income changes should be created. For example, interest started to be charged on overdue recovery demands.

Since the allowance has a clear family policy purpose, the actions of the Government and the Social Insurance Agency are assessed against this background as well. As housing allowance targets households with a low economic standard, there may also be negative consequences if recovery of housing allowance leads to indebtedness.

Audit questions

In this light, the Swedish NAO audited the recovery of housing allowance on the basis of the following audit questions:

- Are the Swedish Social Insurance Agency's procedures for checking changes in income deficient?
- Has the Government's governance of the Swedish Social Insurance Agency been sufficient for the purpose of achieving an effective reporting system for income changes?
- Can the recovery trend counteract the family policy objective of housing allowance?

Audit findings and conclusions

The basic structure of the housing allowance, with provisional determination of benefit qualifying income and late income reconciliation, in the opinion of the Swedish NAO is the main reason that recovery is so common and often leads to indebtedness and financial difficulties for the recipients. The fact that the income limits for means testing of the housing allowance were unchanged between 1997 and 2017 may also have been a contributory reason for increase in recovery. However, the structure of the regulatory framework cannot alone explain the recovery trend.

Limited effect of the Government's initiatives

The initiatives taken by the Government to reduce frequency of recovery of housing allowance have had a limited effect on the trend of recovery. They have mainly brought some administrative relief for the Swedish Social Insurance Agency, since it was mainly the number of supplementary payments that was reduced.

The recipient has great responsibility for notifying income changes. However, it may not be clear to recipients how far their own responsibility extends. In the assessment of the Swedish NAO, it may for example be easy to overlook the fact that income changes must be notified to the Social Insurance Agency even when no allowance is being paid out in a calendar year.

Regular control of incomes in the period that allowance is paid to reduce the need for subsequent adjustments of the allowance was not considered necessary when the rules for income reconciliation were introduced. This was mainly justified by the required input of resources this would entail for the social insurance offices at the time.

As long as the Government has not raised the subject of amending the rules and targeting resources for regular control of income, the measures so far taken to reduce recovery of housing allowance have not had any great effect on the recovery problem. Over the years, the Swedish Social Insurance Agency has proposed several amendments to the regulations to reduce the need for recovery of housing allowance, but the proposals have led only to a limited extent to government action.

The financially vulnerable are hardest hit by recovery of allowance

The Swedish NAO's analysis shows that the number of cases of recovery has increased and that an increasingly large percentage of housing allowance recipients receive recovery demands. Those affected most by recovery are found among people with the lowest economic standard. For them the recovery amounts make up a considerable part of their disposable income.

In the cases where repayment is not made in time this leads to households having residual debt. A fifth of the recovery demands remain unpaid after reminder and these households are regarded then as indebted. It is more common for households with poorer finances and higher recovery amounts to become indebted through recovery of their allowances. It is also more common for those becoming indebted through recovery to have a higher frequency of mixed income, such as gainful employment combined with sickness benefit. These features also characterise the households that incur recurrent debt through recovery demands, compared with those who were not in debt through recovery demands in previous years.

About a quarter of households that received recovery demands for housing allowance in 2013–2017 had also received recovery demands for housing allowance in previous years. The findings also indicate that there is a strong correlation between becoming indebted due to a recovery demand and having been in debt due to recovery demands in previous years. In the assessment of the Swedish NAO, this type of lock-in effect is particularly serious, since recipients of housing allowance are to a greater extent financially vulnerable than the rest of the population. In addition, our analysis indicates that the recovery process only to a limited extent deters people who may be entitled to housing allowance from applying again.

On the basis of these observations, the Swedish NAO considers that the measures the Government and the Swedish Social Insurance Agency have taken to design an effective system for reporting income changes have not been sufficient and that the recovery trend risks counteracting the family policy objective of housing allowance.

A review is necessary

Most recently in the Budget Bill for 2018 the Government announced that a broad review will be carried out of the rules for housing allowance. In that context, the proposal submitted by the Swedish Social Insurance Agency to the Government in early 2018 concerning amendment of the rules for housing allowance should constitute an important starting point.

It is understandable that the Social Insurance Agency's proposal is focused on recovery and debt, but in the view of the Swedish NAO, the need for regulatory changes should have a broader basis, as it is more than 20 years since the current rules were adopted. In a previous audit the Swedish NAO drew attention to the problems of the present design of the housing allowance from the perspective of distribution and labour market policy, and these problems also justify a review of the regulations. The Swedish NAO would like to draw particular attention to the importance in the work of reform of regulatory impact assessments focusing on how amendments to regulations may affect various types of household in terms of distribution policy and family policy accuracy.

The problems will remain for a few more years

According to the Swedish Social Insurance Agency, it will be possible to implement regulatory changes in 2020 at the earliest, and the current provisions will remain in force until then. Hence the current problems of recovery will remain up to and including the income reconciliation of 2022. Hence the need to intensify efforts to reduce the risk of recovery within the framework of the current regulatory framework will remain for the next four years. The Swedish NAO also wishes to point out the importance of continuing to monitor and evaluate the recovery trend, also when the regulations change.

The Swedish NAO's recommendations

The Swedish National Audit Office recommends that the Government

- initiate the review proposed by the Swedish Social Insurance Agency, taking a broader approach than that of the Social Insurance Agency's proposal
- Instruct the Swedish Social Insurance Agency to develop its monitoring of recovery trends and improve the IT related conditions for this monitoring.

The Swedish NAO recommends that the Swedish Social Insurance Agency:

- intensify the work of reducing the risk of high recovery demands within the framework of the current regulations
- increases the use of instalment plans and focuses more on information campaigns aimed at reducing the risk of high recovery demands.