

^{AMS}
**Making Rent Affordable? The ~~Development~~ and Outcomes
of Housing and Social Security Policy⁴³ in Britain, 1945-1986.**

Thesis submitted for PhD Degree, London School of Economics, The
University of London.

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ABSTRACT

This thesis studies the development and outcomes of housing and social security policies designed to make rent affordable to tenants in Great Britain. The primary research questions are first, How has policy changed and Why? and, second, How much have these changes cost, and to whom?. The period studied is between 1945 and 1986. Policy development is analyzed through historical examination of documentary archives and published sources. Three themes are used to explore the evolution of policy. First, the development of housing policy is approached by examining the changing priorities between the aims of making rent affordable, the constraint of public spending and of tenure preference. Second, social security policy is analyzed to establish the role of rent in selective and universal benefit strategies. Third, the role of central and local government relations is explored to establish whether the role of rents and subsidies has been one characterised by conflicting aims between these two levels of government.

The outcomes of policy are analyzed through secondary analysis of published government data, and through computerised secondary analysis of Family Expenditure Survey machine-readable data. The changing household composition and incomes of rented households is analyzed and compared between tenures. Model rented households are compared over time to assess the changing value of means tested rent rebates. FES samples from 1971, 1976, 1981 and 1986 are examined to establish how the affordability of rent has changed according to three criteria. First, a comparison is made of rent as a proportion of net household incomes, both with and without means tested rent subsidies. Second, rent is compared to equivalent household net income, with an examination of those who pay high and low proportions of income on rent in the top and bottom quintiles of tenant income distribution. Third, disposable household income, having paid rent, is examined in relation to equivalent supplementary benefit levels.

The last outcomes discussed are those associated with public expenditure. Spending on rent support is examined to establish its changing value in real terms. Explanations are examined for changing trends in spending, and the distribution of spending examined between programmes, between central and local government, and between local authority and private landlords.

CONTENTS

Abstract	2
Glossary	4
List of Figures	5
List of Tables	6
Chapter 1 Making Rent Affordable? A Problem for Social Policy	8

PART I-THE DEVELOPMENT OF POLICY

Chapter 2 The History of Rent Policy: Method, Sources & Pre-War Context	36
Chapter 3 1939-1964: The War, Labour and Conservative Foundations	75
Chapter 4 1964-1976: Affordability During the Welfare Boom	120
Chapter 5 1976-1986: Rents and Welfare Crisis	168

PART II-THE OUTCOMES OF POLICY

Chapter 6 Measuring Subsidies and Rents: Methodology	203
Chapter 7 Households Rents and Incomes	225
Chapter 8 What Price and Affordable Rent?	260
Chapter 9 Public Expenditure and Affordable Rent Policy	299
Chapter 10 Conclusions	333
Bibliography	356

GLOSSARY

ADC	Association of District Councils
AMA	Association of Metropolitan Authorities
AMC	Association of Metropolitan Councils
BP	Beveridge Papers, British Library of Politics and Economic Science
CHAC	Central Housing Advisory Committee
CIPFA	Chartered Institute of Public Finance and Accountancy
DOE	Department of the Environment
DHSS	Department of Health and Social Security
DSS	Department of Social Security
FES	Family Expenditure Survey
GHS	General Household Survey
GLC	Greater London Council
GRF	General Rate Fund
GLRO	Greater London Record Office
HRA	Housing Revenue Account
IMTA	Institute of Municipal Treasurers and Accountants
LCC	London County Council
MHLG	Ministry of Housing and Local Government
MOH	Ministry of Health
MPNI	Ministry of Pensions and National Insurance
NBPI	National Board for Prices and Incomes
PRO	Public Records Office
PSBR	Public Spending Borrowing Requirement
PWLB	Public Works Loans Board
RDCA	Rural District Councils Association
RFC	Rate Fund Contribution, (to Housing Revenue Account)
RPI	Retail Price Index
SBC	Supplementary Benefits Commission
UDCA	Urban District Councils Association

LIST OF FIGURES

2.1	The Aims of Housing Policy	page 37
2.2	Social Security Policy Choices	39
2.3	Central-Local Policy Objectives	41
2.4	Documentary Sources	44
2.5	Tenure and Housing Stock 1911 & 1939	51
7.1	Average Gross Incomes 1951-1986	229
7.2	Tenure of Housing Stock	230
7.3	Gross Incomes and Tenure	234
7.4	Comparison of Incomes of Renters and Non-Renters	236
7.5	Benefit Income as A Proportion of Total Income	238
7.6	Tenure and Supplementary Benefits	239
7.7	Median Incomes of Public and Private Tenants	242
7.8	Rented Households - Elderly & Children	243
7.9	The Real Level of Rents	246
7.10	Rent as a Proportion of All Incomes	248
7.11	Assistance, Rebates & Rent 1951-1986: 2P2K Household	251
7.12	Assistance, Rebates & Rent 1951-1986: OPF Household	253
7.13	Assistance, Rebates & Rent 1951-1986: Pensioner Couple Household	254
7.14	Assistance, Rebates & Rent 1951-1986: Single Pensioner Household	255
8.1	Rent As A Proportion Of Household Income	276
8.2	Rent As A Proportion of Equivalent Income	286
8.3	Disposable Incomes of Rented Households	293
9.1	Average Rents, Rent Rebates and Allowances	315
9.2	National Insurance, Assistance & Rent 1951-1986	320
9.3	The Tenure of Assistance Householders	323

LIST OF TABLES

2.I	State Intervention in Housing 1915-1939	page 52
2.II	Review of Rent Control 1915-1939	56
6.I	Sample Sizes of FES Data Sets	217
6.II	Household Types	221
6.III	FES Households by Tenure	224
7.I	Housing Stock and Households	226
7.II	Elderly Households and Households with Children	227
7.IIIA	Tenure: Children & The Elderly	231
7.III B	Tenure and Children	231
7.IV	Tenure by Household Type	232
7.V	Children and Elderly in Rented Households	239
7.VI	Rented Tenures and Household Types	240
7.A.I.	Characteristics of Household Heads	259
7.A.II	Housing Association Rents	259
8.I	McClements Equivalence Scales	262
8.II	The Proportion of Tenants Paying Rates Separately from Rent	265
8.III	Derived Negative Net Rents	267
8.IV	Median and Mean Net Rents of All Households	268
8.V	Comparison of Local Authority Net Rents	269
8.VI	The Rents of Supplementary Benefit and Other Households by Tenure	271
8.VII	Mean Net Rents and Tenure 1971-1986	274
8.VIII	Households and Housing Benefits	277

8.IX	Households without Housing Benefits	278
8.X	Average Rent as % of Household Net Income, Households With No Housing Benefits	279
8.XI	Households With No Housing Benefits: The Elderly and With Children	281
8.XII	Households Receiving Rebates and Allowances	283
8.XIII	Households Receiving Rebates and Allowances: Rent as % of Household Net Income	284
8.XIV	Rent as A Proportion of Equivalent Income Paid by Top and Bottom Quintiles	287
8.XV	Tenure and Household Type of Low Rent Payers	290
8.XVI	Tenure and Household Type of High Rent Payers	291
8.XVII	Household Types and Disposable Incomes	294
8.XVIII	Disposable Incomes After Rent: Tenure & Household Types	296
9.I	Expenditure on Rent Support	305
9.II	Means Tested Rent Support and General Subsidies	307
9.III	Rent Support Expenditure as A Proportion of Total Welfare Spending And Joint Programme Spending	309
9.IV	Housing Programme Expenditure & Rent Support	312
9.V	Rebate and Allowance Schemes - Take Up and Potential Coverage	314
9.VI	Social Security Programme Expenditure, Rent Support	318
9.VII	Central & Local Proportions of All Rent Support	327
9.VIII	National Local Authority Rent Account- Subsidies, Rebates and Tenant Payments	329
9.IX	Private Rented Sector Rent Roll & Subsidy Income	330

CHAPTER 1

MAKING RENT AFFORDABLE? A PROBLEM FOR SOCIAL POLICY

The past fifty years have witnessed fundamental changes in the way we are housed. We have changed from being a nation who in the majority were private tenants into a land of owner-occupiers, and, to a lesser extent, a land of public or quasi-public tenants. Because of this change less of us pay rent, but nevertheless rent policy has been a consistent political, social and economic problem. Why?

The finance and development of British housing has been often studied. The 'Holy Trinity' of rent control in the private sector; subsidized public renting, and state funded owner-occupation, is fertile ground for examination.¹ One of the blessings of this tripartite alliance was a long-standing commitment to keeping rent affordable. This commitment was fundamental to rent control and subsidising houses in housing policy, but also existed in the social security system through inclusion of rent in a national minimum assistance scheme, and more recently through a system of paying specific benefits for rent. The choice between housing and social security intervention has been labelled as one between subsidising bricks and mortar or subsidising tenants' pockets.

Recent policy changes have led to an accusation of a fundamental breach of any commitment to keep rent affordable through housing policy. The abolition of rent restriction and the near abandonment of general subsidies for rented housing has meant that the commitment to affordability now mainly rests on means tested benefits to help pay the rent. The move from universal to selective housing subsidies for renting has been fundamental. How has this change come about and how does it alter the historical commitment of social policy to make rent affordable?

¹The phrase "Holy Trinity" is taken, from Kemp, (P. Kemp, The Transformation of the Urban Housing Market in Britain, 1885-1939, D.Phil Thesis, University of Sussex, 1984

To answer these questions requires new research and an appraisal of existing knowledge. The remainder of this chapter examines existing social policy literature to assess the existing knowledge of rent policy and the policies which have been introduced to make rent affordable. I divide the literature into three: first, historical analysis of policy history; second, economic evaluations of policy; and third, political and sociological discussions of tenants and policy actors.

Rents and Affordability: Issues within Historical Analysis

Houses are such long lasting and costly structures that much of the discussion of housing policy is dominated by a historical evaluation of this legacy - of a stock of dwellings and their costs, of their tenure divided development and of the occupiers' costs and preferences. But there is no single historical agenda for the study of housing policy. For instance, Burnett² has concentrated of the standard and design of homes and social history saying little of housing finance, and Power has concentrated on the management of housing and the relationship between housing providers and tenants.³ The historical studies which attend most to issues of rent costs and policy development are those which look at economic aspects of housing and policy development. The development of this field of historical literature has also grown over time, so that, while I will concentrate on recent studies which cover the whole of the post war period, there are older studies of more limited periods which provide a wealth of contemporary detail. For instance, Bowley's economic study of the prospects for post-war housing finance, Jarmain's assessment of pre-war local authority rent policy, provide useful descriptions and data that can inform a longer term study.⁴ A question as yet unaddressed in the history of housing policy is the change from general subsidies and rent control to income based rent subsidies, and an accompanying analysis of the effects of these changes on tenants.

²John Burnett, A Social History of Housing 1815-1985, Methuen, London, 1986.

³ A. Power, Property Before People: The management of twentieth-century council housing, Unwin, London, 1987.

⁴ J.R. Jarmain, Housing Subsidies and Rents, Stevens, London, 1948; M. Bowley, Housing and The State, Allen & Unwin, London, 1945.

Subsidies, Expenditure & Building

Holmans concentrates on the economic history of building, state involvement, and the consequences for national finance⁵. His concern with macro-economic narrative, together with a discussion of the development of policy in all tenures means that while demographic changes and financial constraints of housing finance are outlined comprehensively there is little detail given to historical description of rent levels, subsidies and their affordability or the development of means tested rent subsidies and the changes and effects of this change on tenants. This absence is due to the scope of Holman's project and is also of less consequence to his study as the end point of his study, 1979, was just before the rapid move to means testing occurred. However, in his discussion of the historical development of building in all tenures and its finance, he outlines the macro-economic environment of rent policies, and provides ample evidence for the role of government in housing. For instance, in discussing the *raison d'être* of government involvement in tenure sponsorship he states, "*a growth in owner-occupation meant an increase in the number of households whose housing caused government neither expense or trouble. ..Encouraging owner occupation was thus a way of limiting the state's involvement with housing.*"⁶ The relevance of this remark is in its reversal: the opposing position exists for rent policy. It has depended on active state involvement - either spending money which 'counted' to help build houses or pay rents, or intervening in the market to alter the price of rent. Of course, Holmans is not saying that the costs of owner occupation do not count in an economic sense, (an argument covered in great depth in the literature discussed below), but that public expenditure and tenure sponsorship are linked in the development of housing policy at the general level. Any discussion of rent policy and affordability cannot afford to miss this crucial point.

This theme of expenditure and tenure sponsorship had been used by Merrett in an earlier work to explain the introduction of means tested rebate schemes in

⁵ A.E. Holmans, Housing Policy in Britain, Croom Helm, Beckenham, 1987.

⁶Ibid, p464.

public housing.⁷ *"For the government, then, the function of rent rebate schemes was to diminish the total public expenditure required to stimulate the scale of municipal house-building which the centre wished to see achieved."*⁸ The problem with this thesis is that it has, to some extent, been overtaken by events. His analysis of the 1970s does not fit so well with the 1980s, when, contrary to his suggestion, rebates became a problem for spending despite lower spending on general subsidies. In addition, because Merrett is only interested in council housing, the relevance of this to explain the development of rent allowances in the private sector is only tangential. The strength of Merrett's approach is to place policy changes on rents and rebates within a political economy of housing, recognising the political arena of expenditure control, tenure sponsorship and the political relationship between central and local government. Merrett's focus is on a theoretically ambitious link between housing, the state and macro-socio-economic forces. In this level of discussion the less ambitious questions are left unanswered: if rebates were a mechanism for altering spending, what role did they play in the development of spending and the history of central-local relationships in housing policy?

Balchin links the history of policy with the rise and decline of tenures and the spatial and economic consequences. Within this focus the issue of rents incomes and affordability remains largely at the theoretical level without any concrete analysis of household experiences of rent paying ability.⁹ However, insights are given on wider issues of policy development. The housing benefit reforms of 1982/3 are assessed: *"the main criticism of the system is that up to two million households, already poor, have become poorer,.... Rebates have been withdrawn more quickly than net incomes have risen - accentuating the poverty trap and increasing the proportion of income that needy tenants have to spend on housing."*¹⁰ This is an

⁷ Stephen Merrett, State Housing in Britain, Routledge Kegan & Paul, London, 1979.

⁸ Ibid, p 174

⁹ Paul N. Balchin, Housing Policy An Introduction, Croom Helm, Beckenham, 1985,

¹⁰ Ibid p171

essential insight into the effects of housing policy and requires further examination. How much poorer were tenants, and how much was rent rather than rates the problem? More generally: how does this change fit in with the development of housing policy and the changing distribution of incomes and tenures?

Malpass and Murie concentrate on policy and practice in housing, and bring together a historical overview of policy development with a political analysis of its development¹¹. They bring together explanations from public expenditure, central-local, and housing finance contexts to explain developments in housing policy. Rent rebates in public housing are seen as part of: "*a gradual and accelerating shift away from historic cost pricing towards current value pricing, and away from general subsidy towards income related subsidy.*"¹² The strength of their approach is that it looks at broad policy issues, defined by way of post war points of principle, and places them in a changing historical political framework. The focus on the local authority sector provides the majority of material for Malpass and Murie's analysis and this allows for a strong representation of political explanations of policy making. On the other hand, no comparison can be made to developments in the private sector, especially to an assessment of rents and incomes. Even within the public sector, the development of means tested subsidies is sketched in, in the main described as a centrally inspired, anti-local housing development.

The contribution of Malpass and Murie to understanding the development of a subsidy system based increasingly on means tested subsidies for occupation is twofold. First, they place development of subsidies in a political context which recognises the complex interplay of institutional conflicts between central and local government, and recognise the variety of political and financial incentives

¹¹ Malpass and Murie, Housing Policy and Practice, Second Edition, Peter Malpass and Alan Murie, Macmillan, Basingstoke, 1987.

¹² Ibid, p184.

at the local level. Although they place the development as between local authority supported general subsidies and centrally inspired means tested rebates in general, they appreciate the differences in opinion towards housing finance at the local level and categorise authorities according to their housing stock and rent policies. This analysis enables them to divide authorities according to the following factors: subsidy receipt or non-receipt, rent levels, and financial contributions to and from general rate funds. In this way local authorities are portrayed as discrete rational organisations who are able to optimise their financial position differently. Their subtlety is in contrast the Merrett's trenchant anti-central thesis. But, the weaknesses of this approach are twofold: it fails to allow for the organisational effects at the level within authorities, particularly important when it comes to analyze the performance of rebates and housing benefits, (see Loveland, discussed below); and it sticks to solidly to the academic boundary of what represents 'housing policy' and hence fails to deal with social security policy and practice and its shared concerns about affordability. On the other hand, their approach allows the ambiguity of policy effects to be appreciated. Some local authorities had both a political and economic motive to support the central changes: they could use subsidies for their own ends.

Their second contribution is to view the development of subsidies to the strategic sponsorship of tenure which has 'residualised' the local authority sector. In this view, several strands of policy are drawn together, albeit in a Manichean way, to support a larger political agenda. They extend Holmans' link between expenditure, subsidy and tenure sponsorship to argue that subsidies and rent policies have been part of a larger aim of encouraging owner occupation. This, they argue, has led to higher rent pricing and the option to purchase public stock. High rents are inducements to exercise the right to buy encourage opting out of publicly owned stock as well as making owner occupation more attractive in general.

Both insights provide new elements with which to alter the questions about the development of rent policy and affordability. What have been the intended and unintended consequences of different types of subsidies, and the nature of these

consequences as part of larger questions of overt and covert tenure sponsorship? However, these questions call for a more systematic analysis over a longer term and a comparison of policy between tenures, and the changing household structure and incomes which both resulted from and, perhaps, reinforced such policies. In such comparisons the term 'residualisation' can be pinned down to more exact definition, (see the discussion on p.31 below).

The theme of a decline in status of the rented sectors, and in particular, council housing, is a part of most historical accounts. The decline of the private rented sector throughout the post-war period, despite several policy attempts at resuscitation, and the recent decline in the local authority sector and accompanying rise of housing associations. Short discusses the evidence provided from the 1977 Housing Policy Review on incomes, subsidies and family types, but this data is mainly concerned with a straight comparison of owner occupiers and council tenants in one year, 1976.¹³ Profiles of tenant households are given, but no time series with which to make historical comparisons. Even so, the development of post-war public housing policy is described in three phases: *Early encouragement (1945-54)*; *Beginnings of a residual role (1954-70)*; and *A Second Class Tenure Type (1970 onwards)* which supports the thesis of residualisation. But no discussion of a declining private rented sector is made on similar terms. Why? The scope of Short's book, primarily designed as an academic teaching text, is not one which makes it fair to criticise it on the grounds of lack of rigour in any one area of analysis, since it does adequately provide an overview of many aspects of housing and planning policies and concentrates on public sector renting.

The explanation of tenure preference and sponsorship has relied mainly on political and economic factors, but Cooper has also placed the changing system of housing finance, including rebates and social security, into a discussion of

¹³ J.R. Short, Housing in Britain- The Post-War Experience, Methuen, London, 1982.

private property rights¹⁴. The legal status to land rights and legal philosophy behind tenure change and tenure sponsorship are examined parallel to developments in policies and housing finance, including the role of means tested subsidies. The tenure specific nature of the discussion, dealing only with the public sector, means that, when included in a discussion based on a thesis of property rights, her explanation is unable to include matters which fall outside of the housing field and is limited in any discussion of institutional factors. In this way, the introduction of more means tested help with rent supports a proposition of declining property status in public renting. But, how is this status linked to economic status of tenants and how does this economic status compare with that of alternative tenures; is public renting of less status than private renting or is it renting per se which has less status than owner occupation? The context of status leads to a comparison which cannot be limited to ones between tenures without sectoral analysis and without some reference to a position of equality of status.

A positive contribution by Cooper is her discussion of housing benefits as an outcome of a political failure to promote equity. Such a failure is on two counts: both housing and social security, due to the 'failed' reviews of supplementary benefits and, more importantly, housing finance in the late 1970s. Through such an analysis she brings the argument of equity of status into the field of economic reform advocated through the proposed adoption of a equal status universal housing allowance, advocated by Nevitt and others¹⁵: "*Labour's rejection of the claim for equity and their uncertainty about the form of residential property for a socialist society accounts for their failure to respond to the case made for a universal housing allowance*"¹⁶

¹⁴Stephanie Cooper, Public Housing and Private Property 1970-1984, Gower, Aldershot 1985

¹⁵A.A. Nevitt, A national housing allowance scheme, in P. Townsend (ed), Social Services for All?, Fabian Society, London, 1968.

¹⁶Cooper, op-cit, p50

The analysis of policy outcomes linked to the thesis of property rights becomes one of intended and unintended consequences, particularly for the early 1980s and government expenditure on housing and social security. *"In their (the government's) haste to raise rents and reduce public expenditure they failed to appreciate the number of poor people in council housing and the economic justification for maintaining low rents and limiting the number entitled to rebates. With a high proportion of poor tenants direct assistance is more efficient than indirect aid because of the administrative costs of assessing each individual's entitlement. As further savings could only be made by reducing individuals' benefits, a policy known to be unpopular both within the Party and the electorate, there was the supreme irony that the government recreated the very problem the 1980 Housing Act was designed to eradicate: a rising bill not easily susceptible to government control."*¹⁷

But how far can the notion of property rights be used to understand the electoral and institutional politics which accompany central and local relationships, despite its intellectual attraction as a legal/philosophical explanation? For instance, Cooper's conclusion about the unintended outcomes of rent policies on social security expenditure has to be qualified by the effects of other influences on spending, particularly the increases in unemployment, and then contrasted with later reforms which reviewed spending commitments to demand-led social security spending and took steps to contain it, (see discussion of Hills and Mullings below).

The most recent study of rent and subsidy policy, published after this research had begun, has addressed many of the issues recognised above. Malpass addresses the focus of his analysis on rent and subsidy history in public housing¹⁸. However, despite a focus on rent policy and the underlying political intentions of policy, this study is limited to the public sector, and gives little detail

¹⁷Ibid, p75.

¹⁸ P. Malpass, Reshaping Housing Policy: Subsidies, Rents and Residualisation, Routledge, London, 1990

of social security history and development. It is a strong text for advocating local authority housing, although the absence of any detailed discussion of household expenditure on rents, or any appraisal of alternative rented tenures, limit its worth for the study of changing attitudes to rent and affordability.

Kemp's summary of public renting is that it has changed in the Government's mind from being a solution to housing problems to being a problem in its own right, and says that this view of rented housing is based on the performance of the major historical task of housing policy: to build houses and to decide who should build and for whom.¹⁹ The reappraisal of the post-war legacy of the sponsorship of public renting and owner occupation and of the failed sponsorship of the private landlord points to the heart of the historical narrative common to all of the historical commentaries; that the main story was the physical stock of dwellings, their design, their erection and their costs and the role of builders, landlords and occupiers and government, both local and central. The development of rent and subsidy policy has been of secondary importance to a description of house-building in historical literature, and, where it has been given prominence, it has not attempted to bring together the design of rent policies with their experience by tenants.

Private Renting

Discussion of the role of the private rented sector have analyses its decline and periodic promised reinvigoration. Much of it is specific to particular points in the history of rent control and decontrol, for instance Donnison, Cockburn and Corlett on the effects of 1957 decontrol, and Banting on 1965 Rent Control.²⁰ Longer term historical studies of private renting have addressed its relative and absolute decline since the beginning of this century, and have sought to explain

¹⁹ P. Kemp, *From Solution to Problem? Council Housing and the development of national housing policy*, in S. Lowe and D. Hughes, *A New Century of Social Housing*, Leicester University Press, Leicester, 1991.

²⁰ D. Donnison, C. Cockburn and T. Corlett, *Housing Since The Rent Act*, Codicote Press, Welwyn, 1961; K. Banting, *Poverty, Politics and Policy: Britain in the 1960s*, Macmillan, London, 1979.

this decline as the outcome of rent control and/or the introduction of alternative subsidies to alternative tenures. For those who advocate pro-market solutions the role of discriminatory subsidy systems, particularly those brought about by rent control and general subsidies have prejudiced the private landlord's ability to invest in property to let, and have had detrimental effects on labour mobility.²¹ Others have sought to give greater weight to the relative economic advantages of owner-occupation.²² The role of private landlords as providers of housing at affordable rents has been largely one of responding to demand for housing during a period of growing relative economic disadvantage for their tenure. The policies of rent control and decontrol influenced the levels of rents, but in themselves are not policies which sought to make rent affordable per se. Rent control was brought in to ensure that profiteering during war-time did not lead to exorbitant rent levels. Decontrol was always subject to its foreseen effects on rents and the ability of tenants to pay them with the attendant political and economic consequences. The history of rent control and rent control is thus important to any study of rent policies and rent support, but its importance is limited. Rent control was a blunt instrument for achieving affordable levels of rents, and the scope of rent control influenced rent policies across tenures through the proportion of lettings and stock it involved and the consequent effect of prices at any time. Studies of rent control, have shown its historical development and evaluated its fairness and consistency and have compared the resultant rent costs and landlord returns to other forms of tenure.²³ However, the rents under control or outside of control have not been systematically compared to the incomes of private renters in studies during the late 1960s and in the 1970s, and thus an appreciation of the changing affordability of private rents, controlled and non-controlled is limited for

²¹ P. Minford, M. Peel and P. Ashton, The Housing Morass, Regulation, Immobility and Unemployment, I.E.A., London, 1987; D. Stafford, The Economics of Housing Policy, Croom Helm, London, 1978; J. Black & D. Stafford, Housing Policy and Finance, Routledge, London, 1988.

²² For a an over view of these approaches and a concise outline of the development of private renting see P. Kemp, Private Renting: an Overview, in P. Kemp, (ed), The Private Provision of Rented Housing, Gower, Aldershot, 1988

²³ The most recent and comprehensive study is John Doling and Mary Davies, Public control of Privately Rented Housing, Gower, Aldershot, 1984.

these periods. This absence has been remedied by Maclennan et al in their study of rents after 1988²⁴, but their study emphasises the absence of historical comparison. How different is the recent paying experience now as compared to previous periods? The change away from local authority as landlords has not only meant a greater reliance on housing associations but also other private landlords. The position for this form of letting has been recently reviewed and numerous studies have also shown the financial prospects for landlords and potential tenants alike.²⁵

As voluntary organisations, Housing Associations have provided social housing over a long periods.²⁶ Their relative importance as providers of social housing has grown since 1980s due to their favoured status with the Conservative government. Recent debate on the effects of assured tenancies on the incomes of H.A. tenants have shown that high levels of incomes have been taken by new assured rents.²⁷ The debate, however, has formed part of the evaluation of the 1988 changes, and the role of housing associations in rent policy and affordability of rent in the historical background to the debate is therefore of more importance. In this longer term historical context, and often indistinguishable in the statistics, the housing association movement has been incorporated within the private sector, and if their role is to be taken into account in a long-term analysis it will have to form part of the discussion of private rents, particularly as the restrictions on rent and scope of rent control are appropriate to housing associations for the majority of the post war period.

²⁴D. Maclennan, K. Gibb and A. More, Paying for Britain's Housing, Joseph Rowntree Foundation, York, 1990.

²⁵ J. Todd, Recent Private Lettings, in P. Kemp, (ed), The Private Provision of Rented Housing, op-cit; M. Kleinman and M. whitehead, The Prospects for Private Renting in the 1980s and Capital Value Rents: and evaluation, both in P. Kemp, (ed), *ibid*.

²⁶ For a discussion of the historical development of Housing Associations see R. Best, Housing Associations: 1890-1990, in S. Lowe and D. Hughes, A New Century of Social Housing, Leicester University Press, Leicester, 1991.

²⁷ NFHA studies of recent rent rises have given rise to the production of an index of rents and incomes of housing association tenants. See NFHA Core Quarterly Bulletin, NFHA, first published 1989.

But despite these gaps, the development of housing policy has been described in ways which assist historical research into the framing and motives of policy designed to make rent affordable. First, the larger story of tenure sponsorship falls at the front of the historical agenda. Whether this is termed as a residualisation or not, renting has declined and this must be a fundamental element to understanding the commitment to affordability. Linked with this, is the financial costs to the state of spending to make rent affordable and the limitations on the expense and extent of state involvement through lowering levels of renting. With these lessons from the history of housing policy how can the parallel development of social security benefits, or of rebates be seen?

Housing Benefits

The status of housing benefits is uncertain: are they an instrument of housing or social security policy? This is a reflection of current institutional organisation of policy, and of the recent discussions of changes in the scheme. But as the change from subsidising rented houses to subsidising tenants is so important to a discussion of affordability, how can this strand of policy be incorporated into the historical narrative?

The first problem is not often brought together in single studies. Hill²⁸ explores the history of insurance and assistance policies and includes the development of housing benefits, but the developments are mainly described in relation to political objectives, and the period of 1945 to 1979 is only allowed one chapter, and hence the description of the development of social security lacks detail. Hill links social security policy to housing policy and discusses the historical development of means tested housing allowances together with changing rent policies. The space given to this discussion does not allow for examination of the roles of local authorities in this development other than as reacting to central initiatives. Much of the latter discussion is taken up an examination of the rules designed to combat up-marketing in market rents. No discussion of changes to

²⁸ M. Hill, Social Security Policy In Britain, Edward Elgar, Aldershot, 1990.

affordability as a result of these developments is attempted. Alcock,²⁹ places his analysis of the development of social security around the themes of insurance benefits and the role of means testing. This approach, which incorporates structural issues of gender and institutional analysis of the roles of government and the poverty lobby, leaves little room for any detailed discussion of rent and housing benefits. Beveridge's problem of rent is outlined, but the development of housing benefits is placed as a phenomenon of the early 1970s in the main. Lister, in an analysis of the 1980s concludes that a watershed in policy did in fact occur in 1979/80, but in a similar manner to Hill, no comparisons of demographic trends and expenditure are made³⁰. Deacon & Bradshaw attempt a long term history of means tested benefits which brings together the assistance and housing benefits history into a discussion of their problems as policy instruments.³¹ Bradshaw and Huby, analyze the claimant profile of assistance claimants between 1961 and 1988 according to economic, demographic, financial and policy factors.³² Within their analysis, housing costs are seen to provide a high explanatory factor for pensioners receiving assistance benefits.

The literature on social security tends to be issue specific, and there is no separate historical analysis of the development and changing role of housing benefits. The discussion of housing benefits has largely been around the proposals to amalgamate social security and housing finance benefits in the late 1970s which led to the 1983 scheme, and the subsequent revision of this change in policy.

²⁹ P. Alcock, Poverty & State Support, Longman, London, 1989

³⁰ Ruth Lister, Social Security in the 1980s, Social Policy & Administration, Vol 25, No 2, pp91-107.

³¹ A. Deacon & J. Bradshaw, Reserved for The Poor, Basil Blackwell/Martin Robertson, Oxford, 1983

³² J. Bradshaw and M. Huby, Trends in Dependence on Supplementary Benefit, in A. Dilnot and I Walker (eds), The Economics of Social Security, Oxford University Press, Oxford, 1989.

The proposals put forward for a unification of supplementary benefit rent assistance and rent rebates by the DOE in 1981³³ followed a period of review of social security assistance with housing costs by the Supplementary Benefits Commission. A detailed study of this discussion, and the contemporary review in the DOE of housing finance generally, will form part of the historical study envisaged in the thesis. However the underlying analytical framework of the commentators deserves comment at this stage. David Donnison, the chair of the Supplementary Benefits Commission, saw the problem as threefold: of claimant access- take-up and simplicity of service delivery; of administrative overlap - duplicated functions and unclear responsibilities between the DHSS and local authorities with consequences on costs and efficiency; and of equity- claimants were often treated differently and were needlessly worse off³⁴: *"we needed a scheme which would be easier to understand, which would achieve a better take-up of the benefits people were intended to receive, which could be administered less laboriously and inefficiently, and which treated people more fairly-giving them help according to their needs, not according to their status with the social security system."*³⁵

Donnison concentrates on the problems of service output rather than policy design, and from the viewpoint of means tested assistance paying the rent was an administrative problem of long standing. However, it was also a problem of benefit design which went back to Beveridge's flawed proposals on rent and insurance benefits, which had led to large scale supplementation of national insurance benefits merely to meet rent. Rent had always paid an important and growing part in the failure of universal national insurance benefits, but the move to earnings relation of benefits would have decreased this problem. There appears to be a contradiction in policy development between insurance, assistance

³³ Department of Environment, Assistance with Housing Costs, London, 1981

³⁴ D. Donnison, The Politics of Poverty, Martin Robertson, Oxford 1982, chapter 7; and A Rationalization of Housing Benefits, Three Banks Review vol 131 pp 3-14, 1981.

³⁵ Donnison (1982) op.cit. p186

and rent support of long standing, but there is little discussion of the insurance side of the problem during reform. Why?

Donnison's agenda was based on the economic arguments of economic equity in housing finance and a more limited administrative simplification. It was the second aim that proved dominant. The resulting housing benefits legislation with its disastrous introduction led to huge increases in expenditure as rents and unemployment soared in the early 1980s, as outlined above. The wish to control spending and harmonise means tested benefits along common lines of entitlement led to their early redesign. The reform of housing benefits brought into effect by the Social Security Act 1986 was a mixture of ardent government policy and government acceptance of independent advice from the Rowe Committee.³⁶ Evidence given to the review has been published by various organisations, but obviously not all submissions are publicly available. The concern for administrative simplicity and efficiency and the need for greater equity in treatment are the main issues addressed.³⁷ Again the arguments for reform of housing finance and subsidisation on equitable grounds dominated academic discussion of reform, and these will be discussed below. The other major themes addressed by evidence was administrative efficiency and practice. The reason for this was the state of local and central administration of the scheme which had been labelled by the Times as "*the biggest administrative fiasco of all time*".³⁸

The practice of housing benefits, and the implementation of policy produced a small body of literature on the disastrous effects.³⁹ Other writers focused on the administration of H.B. by local authorities and their consequent attitudes to

³⁶ Housing Benefit Review - Report of the Review Team, Cmnd 9250, HMSO, London, 1985

³⁷ see P. Kemp & N. Raynsford (eds), Housing Benefit: The Evidence, Housing Centre Trust, London, 1984 for a collection of edited submissions.

³⁸ The Times, January 20, 1984, Anatomy of a Bureaucratic Bungle, N. Timmins & D. Walker,

³⁹ B. Clark, Nobody's Benefit: a survey of the Housing Benefit Scheme, Child Poverty Action Group, London, 1984; Greater London Citizens Advice Bureaux Service, Housing Benefit: A Case of Irretrievable Breakdown? GLCABS, London, 1984; National Association of Citizens Advice Bureau, Housing Benefit: The Cost to the Claimant, NACAB, London, 1984; and Peter Kemp, The Cost of Chaos- A survey of the Housing Benefit Scheme, SHAC, London, 1984.

reform⁴⁰ While most of these studies have been uncritical of local administration, Loveland examined failings in the adjudication of claims which had organisational causes.⁴¹ Loveland introduces an element of realism into the central-local debate on the housing benefit debacle. The fault for poor administration was shared, while the responsibility for poor policy design rested with central government.

How far has the social security literature assisted in understanding the development of rent policy and means tested subsidies? Perhaps, the most obvious contribution is the ambiguity that exists in the role of housing benefits. This ambiguity is both in their role and their relationship to other subsidies. *"It would be a mistake to see Housing Benefit simply as part of the social security system, in isolation from the rest of housing finance. Equally, changing overall rental policy without regard to the Housing Benefit system can lead to conflicts between different policy aims, as has been evident over the past few years."*⁴²

But the move from general housing subsidies to means tested benefit, while accelerating during recent years, can be seen as longer term. There are historical precedents for comparison - the decontrol of 1957, surely that move to market rents would have also led to greater levels of means tested rent assistance from social security. If so, then how have the motives and concerns about expenditure remained the same or altered? Any argument around the fundamental shift to means testing in recent years can be reassessed through such comparison.

⁴⁰ M. Hill, Implementation Of Housing Benefit, SAUS, Bristol, 1984; Robert Walker, Housing Benefit, The Experience of Implementation, Housing Centre Trust, London, 1985; R. Walker & J. Williams, Housing Benefit: some determinants of administrative performance, Policy and Politics, Vol 14, No 3 pp. 309-334, 1986; Robert Walker, Aspects of Administration, in Peter Kemp, (ed), The Future of Housing Benefits, p39-81, Centre for Housing Research, Glasgow, 1986; and R. Walker and A. Hedges, Housing Benefit, Proposals for Reform, Housing Centre Trust, London, 1986.

⁴¹ Ian Loveland, Politics, Organisation and Environment- Influences on the Exercise of Administrative Discretion within the Housing Benefit Scheme, Journal of Social Welfare Law, June 1986, pp.216-236.

⁴² J. Hills, Housing Subsidies, Taxation and Benefits: An Overview, in Hills J, Berthoud R, and Kemp P, The Future of Housing Allowances, Policy Studies Institute, London, 1989.

Rents, Subsidies and Equity - The Economics of Housing Finance

How can economic evaluation help to understand the government commitment to keeping rent 'affordable', and to assess its performance? First, economic studies of housing policy tend to address sponsorship of tenure from two counterfactual viewpoints, a) the position without intervention, and b) an ideal, rational allocation of subsidies. These do not fit in well with the issue of political motivation in tenure sponsorship alluded to in the housing policy literature. If Malpass and others are correct, and the sponsorship of owner occupation and the residualisation of renting may be manifested in an economic maldistribution of subsidies, and the evaluation of the costs and disadvantages of these on economic grounds must also address this fact.

The justification of state involvement in housing differs according to the intended outcomes and the principles used. There are some who argue that any interference with market processes is bound to produce wider problems - such as shortages, immobility and warped pricing.⁴³ For such writers, emphasis must be on targeted income help on those who are too poor to pay the rent, rather than any interference with supply, demand or price. Housing benefits therefore are a mechanism which more closely accords with economic arguments for minimal state intervention. Hills, in concise and comprehensive review of economic arguments for subsidisation, places housing benefits together with general subsidies to low-income housing and other poverty related measures.⁴⁴ However, as Berthoud points out, the advantages of using housing benefits, particularly those to do with targeting, become less clear if the tenure divide of households means that renters are becoming increasingly poor.⁴⁵ *"In recent decades the focus on poor people has become so strong as to provoke worries about the 'ghettoisation' of welfare cases. In practice, therefore, bricks and mortar subsidies have*

⁴³ See Minford, M. Peel and P. Ashton; D. Stafford; J. Black & D. Stafford, all op-cit; and D.C. Coleman, *The New Housing Policy - A Critique*, Housing Studies, vol 4, No 1, pp 44-57, 1989. London, 1988.

⁴⁴ Hills, Unravelling Housing Finance, op-cit, pp.12-14.

⁴⁵ R. Berthoud, *Issues for Housing Support*, in J. Hills, R. Berthoud, and P. Kemp, The Future of Housing Allowances, Policy Studies Institute, London, 1989.

*been increasingly well targeted on people in need. It is ironic that these subsidies have been getting more 'efficient' in this sense just as concern about their 'inefficiency' has led to heavy cuts in expenditure."*⁴⁶

The problem in the economic literature is that the arguments over the principles underlying subsidies have not been brought together with any analysis of the changing demographic and economic position of tenants. Has this been remedied through studies of the outcomes of subsidies? Lansley suggests that: "*Despite policies of rent control, public housing subsidies, the provision of security of tenure and rebate and allowances, high rents may well remain a cause of poverty and low disposable incomes for many families.*"⁴⁷ The most recent analysis of the outcomes of changing trends in housing expenditure by Hills and Mullings takes the policy aim of affordable housing costs at face value and subjects it to scrutiny over the period of 1974 to 1988⁴⁸. However, in a chapter which concerns all housing policy, and which is separated from another on Social Security by Barr and Coulter,⁴⁹ their analysis is necessarily focused widely. In their analysis of the costs of housing, and in particular, the costs of rent to tenants, they employ a comparison of gross rents to average earnings, without a comparison of tenant incomes in relation to average earnings. Their analysis of assistance with housing benefits is modeled only on single people as household types, to provide one manifestation of declining value of assistance. The actual rent paid by tenants, ie that payable after housing benefit is not discussed further, instead net housing costs, ie. gross rent and rates minus rebates and allowances for tenants, are compared between tenures. No analysis of what is paid in rent alone and its relationship to tenant incomes is made. The conclusion from these comparisons is that housing has become less affordable since 1979, but the actual effect of rents,

⁴⁶ Ibid p.39

⁴⁷ Stewart Lansley, Housing and Public Policy, Croom Helm, London, 1979; p86

⁴⁸ J. Hills and B. Mullings, *Housing: A Decent Home for All at a Price Within Their Means?*, in J. Hills, (ed), The State of Welfare, Clarendon Press, Oxford, 1990.

⁴⁹ N. Barr and F. Coulter, *Social Security: Solution or Problem?*, in J. Hills, (ed), *ibid*.

benefits and incomes are not known in specific detail. Tenants, like most others are included in the conclusion that: "*Whatever the bench mark, the price of housing is clearly less within people's means than it was before.*"⁵⁰

However, Hills et al provide a model for analysis which can be used to examine the historical commitment to affordability: the juxtaposition of policy development with policy outcomes. Outcomes at the aggregate level on public spending are a further essential element in policy development. The realisation that public expenditure cuts in general housing subsidies during the early 1980s had led to increased demand-led social security expenditure on housing benefits has been made in several commentaries on welfare state spending in Britain by Robinson, Atkinson et al, and the SSAC⁵¹ and this has to be done over a longer period, and made specific to types of rent policies which have accompanied them, to allow a longer term discussion.

How can this analysis of policy and outcomes be justified on economic grounds? The reform of housing finance has been a fertile ground for economic prescription. Economic rationality, and especially the concept of tenure neutrality and vertical and horizontal equity are important bench-marks against which to measure welfare outputs. The role of consumption and capital subsidies to owner occupation through fiscal sponsorship and the relative values of this form of welfare compared to state spending on general subsidies, housing benefits and rent regulation have dominated discussion. From these concerns a growing body of literature which has sought to propose alterations to housing finance on principles of economic rationality has arisen. These arguments which began to take place within social policy in the 1960s, for example with Nevitt⁵², grew around the discussion of relative values of tenure sponsorship, and have sought

⁵⁰ Hills and Mullings, op-cit, p 201.

⁵¹ Ray Robinson, *Restructuring the Welfare State*, Journal of Social Policy Vol. 15 Part 1, pp 1-21, 1986; A. Atkinson, J. Hills & J. Le Grand, *The Welfare State*, in R. Dornbusch and R. Layard, p231-234 in The Performance of The British Economy, Clarendon Press, Oxford 1987; and The Social Security Advisory Committee, Sixth Report, HMSO 1988, p25-28.

⁵² A.A. Nevitt, Housing, Taxation & Subsidies, Nelson, London, 1966.

to redress some of the distributional effects of fiscal and social policies for housing subsidies. Discussion of these proposals for reform of housing finance policy has been significantly advanced by Hills' comprehensive review of recent proposals.⁵³ All proposals for reform usually incorporated housing allowances as an important element, but the relevance of these proposals to the history of rents and the commitment to make them affordable is limited. Indeed, from Donnison's evidence, and from evidence which advocated such reforms during the 1984 reviews of housing benefits, equitable recasting of subsidies has taken something less than a back seat in the development of recent policies on keeping rent affordable.⁵⁴

But what of reform of housing benefits and rent policy on their own? The literature on design and theoretical performance of housing benefits has been brought together by Hills and reviewed comprehensively⁵⁵. This discussion amplifies and overtakes his previous proposals for reform.⁵⁶ While Berthoud & Ermisch gave the most thorough proposals for reform of benefits within housing policy put forward to the 1984 reviews.⁵⁷ Perhaps the most useful comparison is not with theoretically improved models, but with actual schemes operating in other countries.

There is a growing interest in policies of other OECD countries on rent policies and changing levels of affordability. Hills, Hubert, Toman and Whitehead have compared British and German housing subsidies, and Kemp has discussed potential changes to the British scheme with regard to German, Dutch and French schemes. Details of the Dutch and American housing allowance schemes, and of European schemes have also formed the basis for comparison for Priemus and

⁵³ J. Hills, Unravelling Housing Finance, op-cit, Chapter 16.

⁵⁴ See Donnison, The Politics of Poverty, op-cit and Kemp and Raynsford, op-cit

⁵⁵ J. Hills, Unravelling Housing Finance, Clarendon Press, Oxford, 1991, Chapter 10.

⁵⁶ R. Hemming & J. Hills, The Reform of Housing Benefits, Fiscal Studies, March 1983, pp48-65.

⁵⁷ Richard Berthoud and John Ermisch, Housing and Low Incomes: Steps Towards A Long Term Solution, in Reshaping Benefits: the Political Arithmetic, Policy Studies Institute, London, 1985.

Ermisch, respectively⁵⁸. Harold Wolman has described the American experience of large scale social policy experiments with cash housing allowances and gives conclusions in the light of the Inquiry into British Housing's suggestion of capital value rents and means tested housing allowances.⁵⁹

The difficulty faced in such literature is that it has to bring together aspects of social security and housing policy in a comparison of actual and projected effects of policies. These institutional differences within and between countries means that comparative analysis can provide much evidence of design problems, but too often there is insufficient contextual material to understand the differences in political, demographic and institutional aspects. The different profiles and roles of housing subsidies between countries are linked to some extent to different emphasis in social security on insurance and other matters of provision, and to wider aspects of housing policy.

Political Dimensions of Housing Finance: Rents & Affordability

From the discussion of historical and economic literature it has been shown that two themes reoccur throughout: the relationship between the government and providers, especially the central-local government relationship; and the institutional politics of decision making and the distribution of subsidies. How have these relationships been assessed in rent and housing issues?

Specialised literature on central-local relations and housing has never focused on rent policy, other than to give historical case histories of periods or instances of conflict; for instance the policies of Leeds council during the 1930s and of the

⁵⁸J. Hills, J. Hubert, F. Tomann and C. Whitehead, Shifting Subsidy from Bricks and Mortar to People: Experiences in Britain and West Germany, Welfare State Discussion Paper 41, Suntory Toyota International Centre for Economics and Related Disciplines; London School of Economics, London, 1989; P. Kemp, Alternatives to Housing Benefit, in J. Hills, R. Berthoud and P. Kemp, The Future of Housing Allowances, Policy Studies Institute, London, 1989; H. Priemus, Housing Allowances in the Netherlands; and J. Ermisch, Housing Allowances in the United States, both in P. Kemp, (ed), The Future of Housing Allowances, Studies in Housing 1, Centre For Housing Research, Glasgow, 1986.

⁵⁹ H. Wolman, Help with Housing Costs- Lessons from the US Housing Allowance Experiments, PSI, London, 1987.

infamous Clay Cross conflict in 1972⁶⁰. The two major studies have applied central-local models of political analysis to housing issues. Houlihan, uses case studies of local authorities to study council house sales, housing investment programme and housing association policy⁶¹. If central-local relations in housing policy is an essential element in the development of policy, then its role in rent setting and subsidies since the war is a necessary part of the changing policies of rent and social security. Dunleavy, in analyzing the relationship between central and local government, subsidies and private building contractors has provided a wealth of insights into the behaviour of institutions involved in high-rise building⁶², but its relevance to rent policy is tangential. Dunleavy's modelling of the political process of housing is of more use as an example of the interaction between institutional actors and the feedback of policy effects on the process. However, any study of rent policy which tried to emulate would have a far wider story to tell both within the public sector, where all stock, not just high-rise would be included, and in the relationship between the private rented sector and rent policy.

But the importance of a political dimension to the development of rent policy is not diminished, the policy process itself proves an essential element to as is shown in specific studies of policy development: for instance, Kemp's study of government intervention in pre-war housing markets⁶³, and Chenier's analysis of Labour's building programme of 1945 -1951.⁶⁴

But any political narrative in the policy process must also refer to the changing economic demography of tenure. If politics influences policy and policy then

⁶⁰D. Skinner and J. Langdon, The Story of Clay Cross, Spokesman Books, Nottingham, 1984.

⁶¹ Barry Houlihan, Housing Policy and Central-Local Relations, Avebury, Aldershot, 1988.

⁶²P. Dunleavy, The politics of Mass Housing In Britain, 1945-1975, Clarendon Press, Oxford, 1981

⁶³ P. Kemp, The Transformation of The Urban Housing Market in Britain, 1885 to 1939, D.Phil Thesis, unpublished, University of Sussex, 1984.

⁶⁴J.A. Chenier, The Development and Implementation of Post-war Housing Policy under the Labour Government, unpublished Oxford University D.Phil, 1984.

influences the political appreciation of the problem then the previous comments on the sponsorship of tenure, of the alleged residualisation of tenures, must take account of the changing electoral pressures from a changing political sociology of tenure. Such discussion has discussed the changing relative positions of renters and owner-occupiers, and in particular between council tenants and owner-occupiers. Recent commentary has grown around the debate over whether increasing differences between the economic and social status between tenures has represented a process of residualisation or polarization.⁶⁵ A summary of this evidence points to council tenants having a growing proportion of unskilled and semi-skilled workers and a relative decline in incomes; a declining number of earners in their households combined with higher rates of unemployment and an increasing prevalence of supplementary benefits claimants; higher proportions of elderly and single parent households; and higher proportions of ethnic origins outside of the UK when compared to all households and owner occupiers. Willmott and Murie also point to an increasing polarisation within council stock with high localised levels of deprivation occurring on some council estates.⁶⁶ This change in the economic and social status of council tenants is of fundamental importance to any discussion of changing affordability of rent, and an acknowledgement of such changes in both private and public rented sectors should accompany any statistical evidence of rents and incomes.

The discussions of the history of housing policy, the economic debate around subsidies and equity, the policy process and the political sociology of tenure can explain much of the context of policy development. But the one fundamental

⁶⁵ Major contributions to this debate have been: John English, The Future of Council Housing, Croom Helm, London, 1982; David Clapham and Duncan Maclennan, Residualisation of Public Housing: A Non-Issue, Housing Review, January 1983 pp 9-10; Ray Robinson and Tony O'Sullivan, Housing Tenure Polarisation: Some Empirical Evidence, Housing Review, July, 1983, pp 116-117; Chris Hamnett, Housing the Two Nations, Urban Studies, 1984, Volume 21, pp 389-405; Graham Bentham, Socio-Tenurial Polarization in the United Kingdom: The Income Evidence, Urban Studies 1986 Vol cc No 2 pp157-162; Alan Holmans, Housing Tenure in England & Wales: The Present Situation and Recent Trends, Social Trends 1979, p10-19, HMSO; Ray Robinson, Tony O'Sullivan and Julian Le Grand, Inequality and Housing, Urban Studies, 1985 vol 22 249-256.

⁶⁶ P. Willmott and A. Murie, Polarisation and Social Housing, Policy Studies Institute, London, 1988.

change which dominates any comparison between subsidies in 1945 and those in 1986 is the change from building related subsidies to those paid to the tenant. So far, the development of these subsidies has been described as a minor story in the history of the development of the housing stock. How far is a separate history available and what are its links to the issues raised previously?

Social Policy, Rents & Affordability

The beginning of this chapter outlined the current dilemma facing affordable rents; in short: higher rents - lower benefits. It was suggested that research should focus around the questions relating to past experience and past models of affordability - the antecedents of the contemporary dilemma. From a discussion of the existing literature various problems have arisen: first, discussions of policy have been dominated by the building of homes not their occupation; second, any discussion of rent policy and the experience of rents has been tenure specific; third, discussion of rents and subsidies has been largely subsumed in cross tenurial comparisons of the distribution and equity of such subsidies; fourth, this economic focus has placed rent and rent policy largely outside any discussion of institutional and political influences in the policy process; and last, there is no hard data in a time series to enable comparisons over time of what rent tenants have paid with whatever sorts of subsidy assistance. Only snapshots exist.

The three different approaches described above address three differing aspects of the development of policies. The development of policy programmes in housing and social security; the appraisal of their economic performance; and the changes in institutional relationships between government, providers and tenants. But each area approach assumes to some extent the other. The shift from universal subsidies to means tested rent assistance has reflected and reinforced shifts in policy, costs, and relationships between policy actors. The major problem with the literature is one of disjunction. The issue of rent policy and affordability is both riven and incomplete. A better understanding would be possible by

analyzing overlaps between these fields in a historical way. This thesis will proceed by doing so.

There are two fundamental research areas to be addressed. First, **How has policy changed and Why?** These are best answered by a fresh analysis of the history of rent and social security policy in which affordability and rents is at the core. The originality of this approach will be both in the synthesis across social security and housing fields and also in dealing with both rented sectors. In addition, the important social and political factors - central-local relationships, political objectives of tenure sponsorship and expenditure control will be central themes to the study. The basis of this history will be documentary research using a variety of sources. This first, fundamental question will be the core of Part I of the thesis, which proceeds as follows. Chapter 2 outlines the sources, methodology and pre-war context for historical study. Chapter 3 discusses policy development from World War Two until 1964; Chapter 4 continues the history during the boom years of welfare between 1964 and 1976; and, lastly, Chapter 5 examines the developments during the welfare retrenchment of 1976 to 1986.

The second fundamental research area is on the outcomes policy making, and revolves around the question, **How much have these changes cost, and to whom?** These form Part II of the thesis which relies on original reinterpretation of existing data, both published statistics and raw machine readable data. Chapter 6 introduces these sources and outlines definitions and methodology. Chapter 7 examines the changing complexion of the rented households and compares average rents and incomes and assistance with rent over the post-war period. Chapter 8 then examines rented households and their payment of rent and receipt of subsidies. Chapter 9 discusses the changes in government spending on rent support over time and examines its distribution between providers, programmes and consumers.

Both these fundamental questions presuppose that there is a new story to tell of rent policy and the experience of rents; and that this story has a cogency of its own. The problem central to a study of rent and rent policy is that rent is in itself a secondary outcome from a combination of building costs, capital finance and investment profits, management and maintenance costs, scarcity, and other economic variables which are then altered by the influence of direct rent policy.

To tell the whole story of rent policy would require the story of all costs and variants, of exogenous and endogenous factors; but these elements have already been adequately covered by Holmans, Merrett and others. Not only is the economic history adequately told in the main, but the focus of the research will take macro-economic influences on policy as contextual, and concentrate on the more specific aims of rent and social security policy. The judgement of how affordable a rent should be is a separate matter from the constituent factors underlying the cost. The historical commitment to making rent affordable is thus examined not the development of costs which led to levels of rent. But a commitment in social policy to an affordable rent cannot ignore costs, in the same way as costs influence the definition of needs, then what is affordable is dependent on how much the cost of making it affordable will be.

The core of this thesis studies the generalised aim of 'making rent affordable' and examines the policy making which underlay it and the changing outcomes. Such a generalised approach is firmly within the academic paradigm of social policy which can stand above academic specialisation and examine problems of policy across a range of disciplines.

PART I

THE DEVELOPMENT OF POLICY

*"A nation's politics creates social policies; they in turn remake its politics, transforming possibilities for the future".**

* Margaret Weir, Ann Shola Orloff and Theda Skocpol, *Understanding American Social Politics*, in M.Weir A. Orloff & T. Skocpol, *The Politics of Social Policy in the United States*, Princetown Press, New Jersey, 1988; p.5.

CHAPTER 2

THE HISTORY OF RENT POLICY: METHOD, SOURCES & PRE-WAR CONTEXT

This chapter sets the context for the historical study of policy making. It is in three sections: the first discusses the themes for historical discussion, the second the methodology and sources employed, and the third describes the historical development of relevant pre-war policies in social security and housing.

I

The Historical Agenda

How has policy changed and why? The question set for historical research in the last chapter requires further discussion and elaboration. The three areas for research, housing policy, social security policy, and institutional relationships between policy actors each require hypotheses that the research will seek to test.

Priorities in Housing Policy

What role did rent policy play within wider questions of housing policy and how did this role alter the relationship of housing policy to other broader aims of political and economic policy? Making rent affordable may have existed as a consistent aim of policy makers. But, if it has, how has this aim been prioritised against other aims? Indeed, is it a strategic aim of housing policy which always predominates, or is it a secondary aim, subservient to, or in contradiction with other aims? In the previous chapter two issues were seen to dominate academic debate. The first was that the government's choice of housing providers was not tenure neutral. The planned place of renting, and of private and public landlords, was therefore crucial to the development of policies designed to keep rent affordable. The second dominant theme was that the level and form of state spending on housing marked an important indicator of the extent and manner of the state's commitment, and that this commitment was an indicator of the state's role in welfare in general. These two themes, of tenure choice and spending, place the discussion of affordable rent policies in a context of broader questions

of political economy and must be part of any discussion of its historical development. Policy history can therefore not be a single strand of specialised development but can be viewed as a relationship between three aims: tenure sponsorship, spending, and making rent affordable.

The predicted relationship between these aims can be hypothesised according to two ideal types or models: the first, where controlling spending and tenure choice determine policy on affordability; and the second, where needs, ie the affordability question, predominates. These two opposing models of policy priorities are shown in Figure 2.1. It is not suggested that these ideal relationships match any

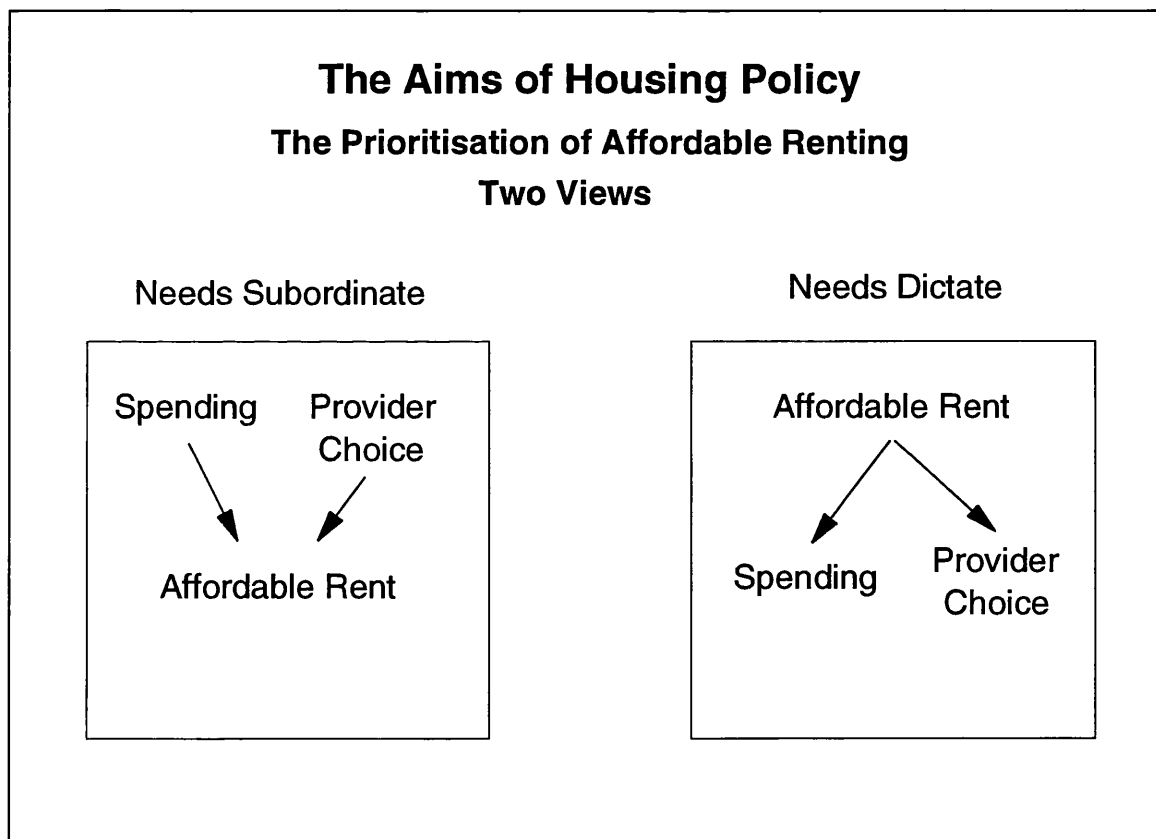


Figure 2.1

historical period of policy making. They merely provide a focus for historical discussion. The role of expenditure control and tenure preference will thus be important themes for historical study.

Rents and Social Security

Writers discussed in Chapter 1 provide ample evidence of the growing role for social security within housing, particularly in the role of making rent affordable to tenants. The growth of assistance benefits and their coverage of rent was seen as partly a conflict between the aims of housing policy, higher rents, and the outcomes of higher numbers of claimants and higher amounts of spending in means tested social security. However, this view of the relationship between social security and housing aims suggests that social security policy has been largely a passive responder to the side effects of rent policies. But is such a view of social policy book-keeping adequate to understand the links between selective policies in both housing and social security? How far can the growth of means tested help with rents be explained as an unintended outcome of housing policy alone without also establishing that it is or is not an intended outcome of wider social policy and hence both fields of policy development, housing and social security?

In social security, growth of selective benefits over universal, (of assistance over insurance), strategies, and the development of specific rent related benefits to meet the changing needs of tenure divided populations for income maintenance must be seen as a failure of the universal strategy. The coverage of contingencies solely on the criteria of circumstantial need rather than applying tests of financial need was an aim of social security policy in the immediate post-war period. Given that the level of rent alters the relationship between such choices for tenant populations, how far has the inclusion of rent within universal strategies been successful? High rents without the indexation of universal benefits to higher prices inevitably leads to greater demands for selective assistance and rent specific benefits, rents could therefore be of central importance to the developing relationship between selective and universal strategies in social security.

The choice between two ideal type alternatives for social security policy, the universal and the selective, can be hypothesised as being determined, at least in part, by the coverage of rent and the changing levels of rent. The overall costs of options of coverage influence choices, and that, over time, as contributory

records build a contractual right to benefit, and economic, tenure and demographic profiles of claimants change, the options change in favour of limiting spending through selective strategies. The effect of rents and rent increases on the balance between insurance and assistance benefit coverage is suggested as reinforcing the move towards greater selectivity in social security coverage. The choice between universal and selective choices and the hypothetical effects of high rents is illustrated in Figure 2.2.

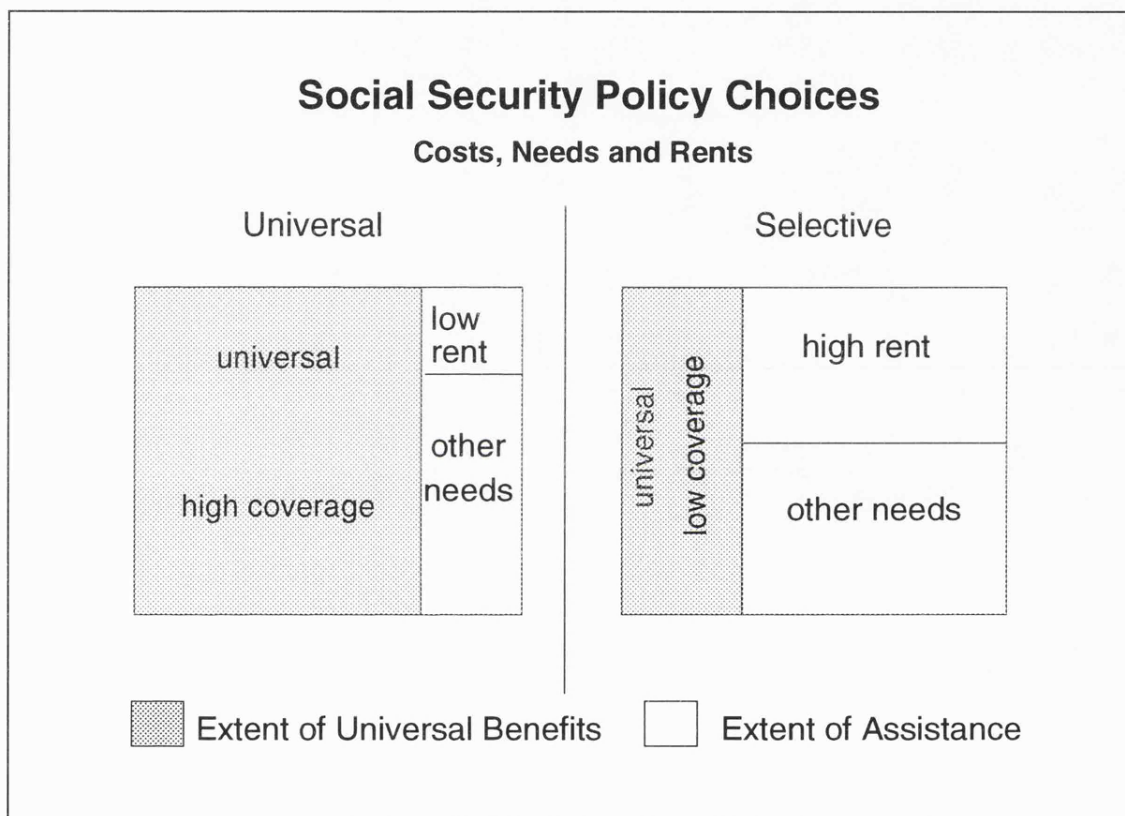


Figure 2.2.

The Institutional Actors

The development of housing and social security policy should not be taken from the context of the division of the responsibility of providing welfare services. In social security policy, provision of all but rent rebates and allowances, and later, housing benefits, has been a centralised government provision since the Second World War. In housing, British rented housing policy between 1945 and 1979 has been dominated by a declining private and growing public sector. The providers

of public rented housing, local authorities have also had no post-war involvement with the provision of cash help to the poor. The relationship between government and landlords is one which can be divided between regulation in the private and subsidisation in the public spheres. If the central role of income maintenance is seen as cutting across or over these relationships a network of complicated policy interchanges can be hypothesised. The levels of private rent, determined by regulation, and the levels of public rents, determined by general subsidies, in turn affect social security coverage and spending. The relationships between landlords and government, and between housing and social security, overlap and potentially influence each other in a variety of ways. However, the large number of possible permutations of subsidy, regulation, rent levels and payments could confound any historical narrative. For historical study of institutional relationships it is necessary to prioritise and simplify these permutations by choosing the most important of these relationships in terms of spending and growth of stock: the relationship between central government and local authorities over rents and subsidies. This does not mean that relationships between private landlords and government are ignored, they will not be, but that the main focus is on the expanding and largest sector of rented housing, namely local authorities.

Local authorities are not just landlords. They are also elected independent authorities who have revenue raising powers. As landlords in their own right and as planning authorities and as providers and funders of welfare, local authorities' role has been crucial to the development of rented housing both as agents for central policy and as sovereign housing policy makers. The development of subsidies has been a history of changing relationships between central and local government over rents, subsidies and costs. This has been a history of both control over building and rent revenue and who should pay what proportion of each. The focus of this study is on the rent and revenue issues rather than the building of stock, although the change in purpose of subsidies must be linked to both. For historical research it cannot be assumed that the policy objectives of central and local government were shared all of the time. Indeed they were often in a relationship of conflict.

Merrett, Malpass and others, presume a simplistic model of local opposition to

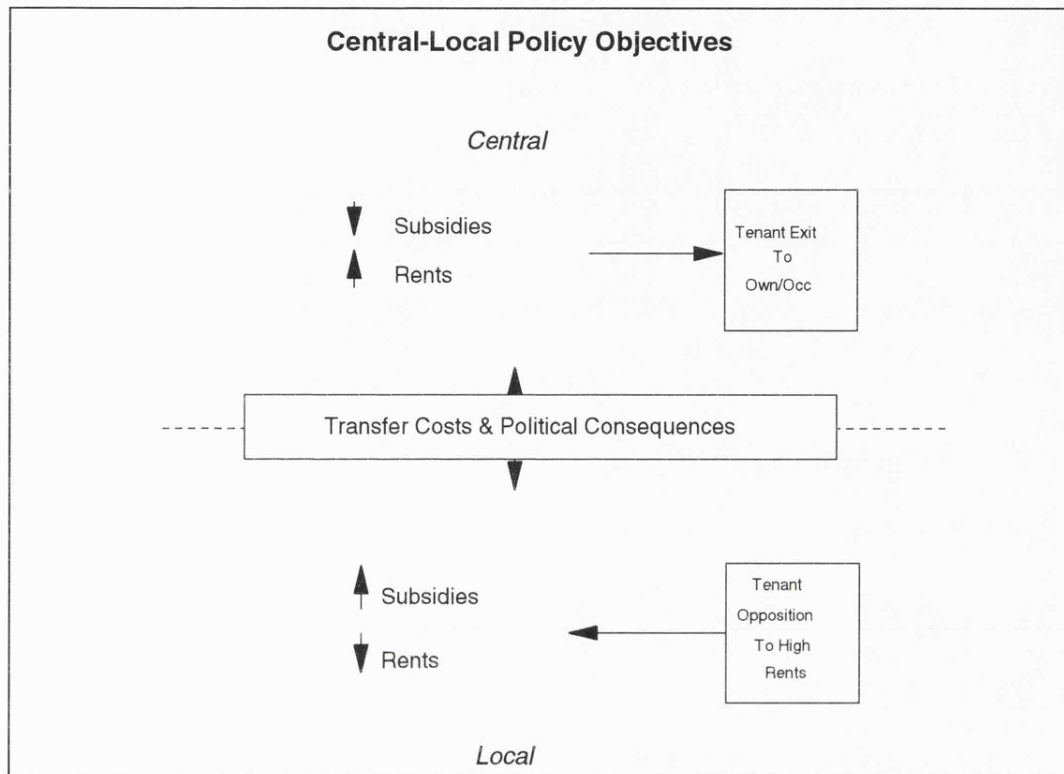


Figure 2.3.

central control of subsidies for both building and occupation of rented stock. The framework of central-local relationships has been studied by many political scientists, but it is not the aim here to compare models of their relationship and prove or disprove which best describes the process. It is, instead, to outline the different and concurrent views of policy development held by these institutional actors and to provide a better understanding of why policy changed as a result. In this regard the difference in attitudes to sponsorship of tenure, and of rent policies held between central and local government and between elements within local government, and the changing attitudes towards the development of means tested subsidies are of primary importance. The hypothesis is that conflict is primarily determined by local support for extension of subsidies against a central policy of their containment due to a over-arching central objective of tenure sponsorship which favours owner occupation.

The assumptive model for central local discussion, based on the theories of Malpass and Merrett and others is shown diagrammatically in Figure 2.3. The representation of conflict between central and local government portrayed is ahistorical, and is not expected to accurately reflect policy development over the whole period of study. For simplicity's sake I have not tried to model the overlapping issues of social security's involvement in paying the rent. But this question will be an essential one for historical research and the effects of assistance payment for rent or housing benefits on rent strategies will be an important influencing factor to be considered. The political and electoral influence of tenure and the changing constituency of tenants and its impact on central and local political outcomes is not a matter for direct study, although the political history of the electoral role in tenure sponsorship in the development of housing policy would be an important parallel piece of research to this thesis. It is left to subsequent researchers in political science to pursue this matter.

The Overlapping History

The description of historical themes, models and hypotheses for each area of study does not mean that there are three distinct histories: the development of housing policy; a separate development of social security policy; and a still separate institutional history of subsidy control and conflict. The aim of the thesis is to show how they have overlapped and all contributed to the development of our current understanding of rent policy and measures to ensure affordability. These areas of overlap and conflict will not only provide a fuller, though partial history of the policy commitment to making rent affordable, but will also enable the later study of outcomes in Part II to pick out relevant areas for measurement of costs and outcomes and the identification of important relationships which underlie such measurement.

II

Sources and Methodology

The long period to be researched, 1945 to 1986, together with the breadth of approach, mean that a variety of documentary sources have had to be used. The

study of policy development was based on published and unpublished government material from parliamentary documents and Public Record Office, (PRO), archives, as well as secondary sources. The inclusion of a central-local theme led to the use of archival material held by local authority associations. These sources provide a patchwork historical coverage in which some periods are covered by all three sources, and others by only two. The major influence on this coverage is the 30 year rule which means that the latest PRO documents available for scrutiny at the time of writing were for 1960. However, as explained below, this does mean that some records which are for periods before this are also still held under that rule. Figure 2.4. summarises the coverage of the post-war period by different sources. Local Authority Association archives consulted were the Rural District Councils Association, (RDCA); the Urban District Councils Association, (UDCA), both of which ceased to exist in 1972 and became incorporated into the Association of District Councils, (ADC), who now hold their own and their predecessors' archives; The Association of Metropolitan Corporations, (AMC), which changed in 1972 to become the Association of Metropolitan Authorities, (AMA), and who hold their predecessor's archives. Access was not obtained to the County Boroughs Association archives. In addition the London County Council, (LCC), and Greater London Council, (GLC), archives were consulted. The former were consulted at the Greater London Records Office and the latter were, at the time of research still under control of the London Residuary Body.

In addition to these sources of official government and local government documents access was gained to private collections of papers held at the British Library of Political and Economic Science, (BLPES), the Beveridge, Dalton and Titmuss papers were consulted.

The Sources and Research Problems

The use of documents in historical research is an area in which methodology has grown in recent times. A general overview of historical documentary methods and

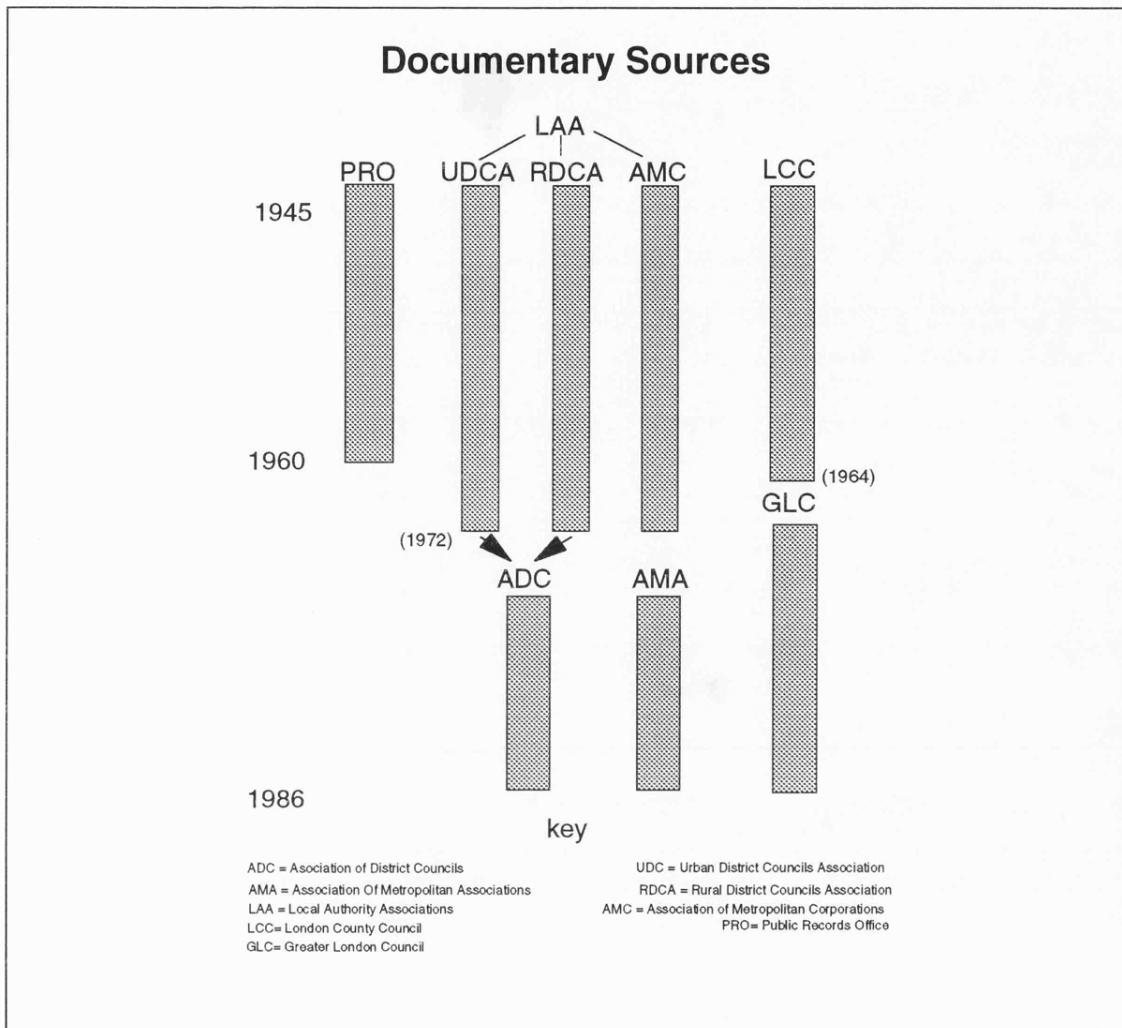


Figure 2.4.

research problems can be found in Scott, and Platt.² Scott suggests four essential questions for the study of documents: Authenticity, Credibility, Representativeness, and Meaning.³ However, whilst these general questions refer to the overall necessity to approximate scientific method, the particular difficulties facing the researcher differ depending on the types of documents consulted and the subject and purpose of research. Some research problems were encountered in the coverage and contents and consistency of the sources.

² Paul Scott, op-cit; Jeniffer Platt, Evidence and Proof in Documentary Research, *Sociological Review*, vol. 29 No 1 pp. 31-66, 1981

³ John Scott, *A Matter of Record*, Polity Press, Oxford 1990

Public Records

While there has been a large increase in historical studies based on PRO documents following the introduction of the 30 year rule, McDonald suggests that there has been no accompanying analysis of the effect of the 30 year rule on historical study.⁴ Questions of authenticity, credibility, representativeness and meaning have been tackled by a number of commentators. Authenticity is a marginal problem at the PRO. The major problem presented by the documents is the status of the writer, or of the identity of written comments on files of documents. The identity and status of the writer, together with the purpose of the written record will depend on the type of file examined, its class, and the organisation of the department involved. Most problems of identification arise from annotated or handwritten material on files which can contain essential insights to ministerial comment and senior civil servant attitudes.

Greater problems surround the problem of representativeness of PRO documents as they are only a selection of government papers which can have differing standards of accuracy, and do not in themselves purport to represent a complete picture of policy making. Taking these problems in turn, the selection of documents to be archived is described by Cox as originally resting on a test of its continued relevance to the Department's current work and then its re-examination after 25 years to establish any permanent historical value.⁵ This two stage process of selection reduces government archives to 1 per cent of total paperwork, but should ensure the permanence of most important papers. Selection rests on an evaluation of general central importance to policy making rather than the administration of ground level cases, although within the social security files are held some samples of individual case files. However, this process does not mean that all historically important documents over 30 years of age are available. Some are held back for reasons of security or political sensitivity, some for reasons of

⁴ Andrew McDonald, Public Records and the Modern Historian, Twentieth Century History, Vol 1, no 3, 1990, pp 341-352.

⁵ Nicholas Cox, Public Records, Anthony Seldon, Contemporary History: Practice and Method, Basil Blackwell, Oxford, 1988.

confidentiality, and others because they exist in a file in which later papers are under 30 years old. The selection process presents an opportunity for problems of representativeness and completeness, which can only be assessed through comparisons of records with other sources, although the involvement of PRO archivists in the departmental selection process after 25 years ensures some consistency of treatment between departments.

The accuracy of the file material has been questioned by a number of commentators, especially concerning Cabinet discussions. The accuracy of Cabinet minutes, when compared to personal recollection by Crossman or others, suggests that they do not record political arguments or other contentious material, but instead present a sanitised version of meetings.⁶ Apart for their accuracy, the other limiting factor on the reliability of Cabinet minutes is their relative unimportance to policy making when compared to departmental papers. However, the records of departmental policy making are only those which exist on paper, which are in themselves incomplete: no record of corridor discussions or other unwritten negotiations are held if there is no minuted record. Hecló and Wildavsky, point to a significant area of policy discussion in the Treasury as occurring in this fashion.⁷ The limitations on interpretation of public records rests on the assumption that "*state papers are not a full and neutral record*"⁸. But the limitations of public records in emphasising the process rather than the origin and effects of policy assist the historical research envisaged in this thesis, but such an emphasis must be carefully weighted to ensure that alternative sources are used.

The organisation of public records is an important factor in research, and for this study two main areas of departmental records have been used: first the National

⁶ For a discussion of Crossman's criticisms of Cabinet minutes see A. Booth and S. Glynn, *The Public Records and Recent British Economic Historiography*, *The Economic History Review*, Vol 32, August 1979, pp 303 - 315.

⁷ H. Hecló and A. Wildavsky, *The Private Government of Public Money: Community and Policy inside British Politics*, Macmillan, London, 1974.

⁸ A. Booth and S. Glynn, op-cit, p.308.

Assistance Board files held in *AST* classes, and the Ministry of Housing and Local Government, and Ministry of Health files held in *HLG* classes. In addition to these Cabinet papers, from the Beveridge Report and from all Cabinet meetings from 1942 to 1960, have been used together with National insurance files, *PIN* class for discussions which followed Beveridge and for developments in national insurance subsequently, and, last, Treasury files, in particular those on social services.

Local Government Association Papers

Two different Associations were approached for access to papers, the Association of Metropolitan Authorities, and the Association of District Councils. These Associations represent local authorities in discussions and negotiations with central government and have a considerable role in the development of housing policy. Full access was given. The LCC and GLC archives were also consulted. The London authorities and these two Associations represent the vast majority of public housing authorities in England & Wales at present, and also keep records of their predecessors, the Association of Metropolitan Councils, Urban District Councils Association and Rural District Councils Association. The historical role of County authorities in housing, which ceased in 1972, is not included in these records.

The records kept by these organisations differ. The LCC and GLC records consist of all committee papers and an archived selection of papers and files. In the Associations, access was given to a very wide source of papers, many of which were not archived, as well as committee papers and archived material. As the most recent unarchived files, dealing with day to day correspondence and discussion within the past six or more years, were not ensured of permanence, no material has been used from them in this thesis as their contents may not be independently verifiable.

The problems of these records are similar to those of the PRO: minutes of committee discussions, (primarily the Housing Committee in all sources), share the problems of Cabinet meetings, except that these committees consist of all

political parties, and hence opposition members have an interest in ensuring that dissent is included in the minutes. Papers prepared for consideration by housing committees are prepared by salaried officers working for the associations, often after discussions with local government officers or elected councillors from constituent local authorities. These papers are, therefore, more parochial than those of government departments; their culture is based firmly in local government tradition. Other papers refer to central-local working parties of civil servants and local government officers discussing policy developments and effects. These characteristics do not make up for the fact that the Association records describe policy at a later stage of formation than would be available from central PRO records, and in this way they are an even less complete record of policy making. They do however provide a consistent source of commentary on the local-central conflicts over policy, even if this commentary is one sided in its appreciation of the problem.

Private Papers

The collection of papers most used are the Beveridge papers deposited at the BLPES. These were used for the study of the war-time development of social security alongside the PRO documents. The Beveridge Papers are a large collection which was deposited in several batches in the 1950s and early 1960s. The index and classification of them was completed in 1972 and, under this system, section viii includes all materials relating to Beveridge's involvement with official reports and includes the Social Insurance and Allied Services report of 1942. In these files are drafts of memoranda and correspondence alongside an incomplete set of minutes, agendas and memoranda. In addition to this specific section of the papers, other sections provide correspondence, copies of articles, newspaper cuttings and written works.

The problems associated with the Beveridge Papers are firstly, their volume - Beveridge kept almost everything and the planned editing of papers prior to handover never occurred⁹; secondly, the organisation of the papers does not

⁹Conversation with Dr. Angela Raspin at BLPES.

ensure that all contemporary material on the same subject is kept together; and lastly, the duplication of material within Beveridge's papers - especially where he collected together materials for his autobiography - and between other sources and the papers- particularly the PRO.

Consistency

There is no source of both central and local unpublished public records over the whole period of study. Instead, as shown in Figure 2.4., a consistent coverage of the period relies on an amalgamation of various sources, each of which, except for published Parliamentary material, offers only partial historical coverage. This has advantages and disadvantages. The disadvantages are that consistency of any discussion cannot occur past 1960 and, instead, evidence is drawn from published material and from material gained from local authority association archives. Given the changing level of involvement in central decision making by local authorities over time, this means that more recent material needs careful analysis. For the local government archives the changes of boundaries and status lead to changes political control and representativeness of the organisations above and beyond the changes which result from local government elections and the resulting changes in representatives who attend and take part in Association meetings. But given the variety of sources used of such material, the problem of partial records and partiality is diminished. The absence of unpublished material from central government after 1960 means that interpretation of the underlying reasons for policy, and other areas of policy making which are not part of public knowledge is more difficult. It is impossible to maintain the same level of analysis of central policy making throughout the period of study, and this is especially so of the research questions based on expenditure control. The use of LAA archive material in no way replicates the missing central detail from unopened PRO material, it does, however, provide evidence of government actions, and, more importantly, enables a direct source of evidence for one of the major research questions: the divide of responsibilities between central and local government.

III

Housing and Social Security Policy:

The Pre-War Context

In this last part of this Chapter I give an overview of the development of housing policies before 1939. Readers who want a fuller history and the details of Subsidy programmes, stock movements, building, housing finance and household formation are referred to Holmans, Kemp, Merrett, and Merrett and Gray.¹⁰ The historical background to the detailed study of post-war history proceeds as follows: first, the changes in stock and tenure between 1911 and 1939 and the government interventions in housing policy are summarised; second, the question of affordability of rent through three mechanisms during this period: rent control, housing subsidies, and personal subsidies is examined; third, two matters which were raised earlier in this chapter - the role of expenditure control in the development of affordability and policy, and evidence of central local dispute over rents and subsidies are pursued.

Subsidising Buildings

Housing Policy 1911 to 1939

Figure 2.5. shows the tenure of the total housing stock in 1911 and 1939. There are two obvious points to be drawn. First, that local authority renting was a late entry in the development of housing policy in this period. Second, that the growth in volume of stock was almost entirely through provision by owner occupation and public renting; private rented stock showed a slight decline in stock count, but fell substantially from being 90% to 57% of the total stock. The structural economic, political and social reasons for these changes, and in particular the 'decline' of the private landlord are not going to be discussed here, but are, in any

¹⁰Holmans, 1987, op-cit; Kemp, 1984, op-cit; Merrett, 1979, op-cit; and S Merrett and F Gray, Owner Occupation In Britain, Routledge and Kegan Paul, London, 1981.

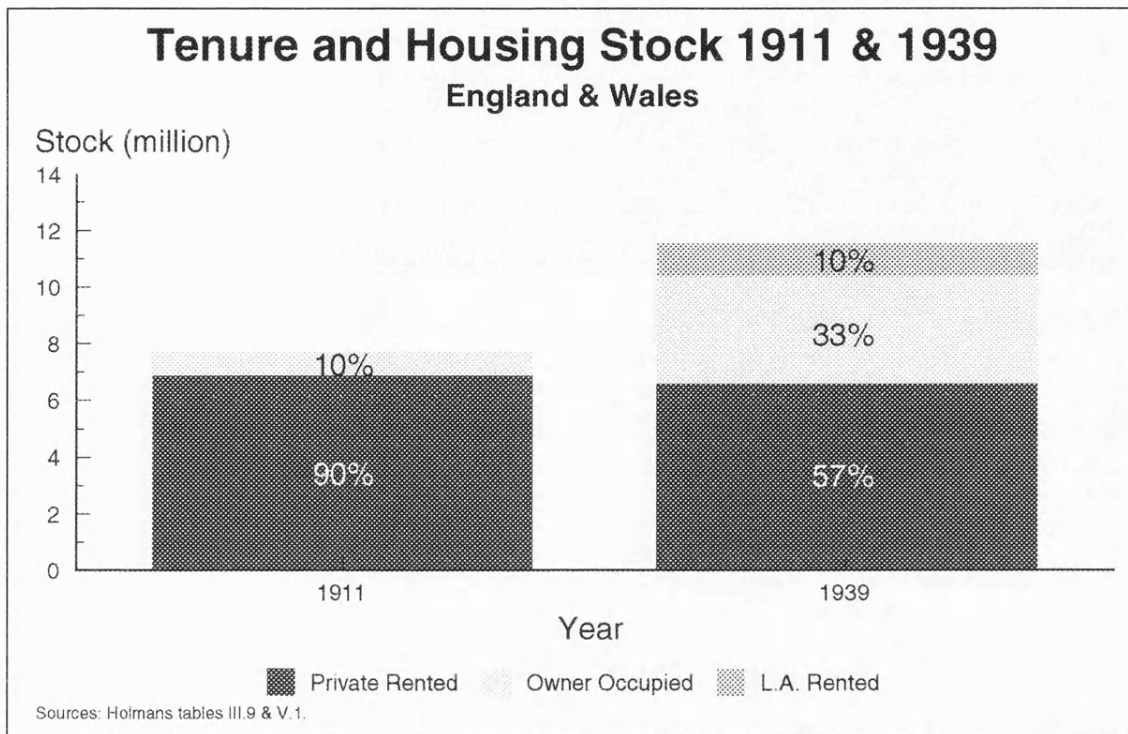


Figure 2.5.

case, subject to various interpretations.¹¹ The inter-war period, however, saw the foundation of state involvement in housing through subsidisation of owner occupied and publicly rented building and through rent control and are thus "*a period of transition to the modern housing market.*"¹²

The elements of state involvement in policy and a timetable of the provisions are given in Table 2.I. Like rose growers, the Ministers of Health who introduced government subsidies have had their creations and discoveries named after them; the Liberal Minister, Anderson in 1918, the Tory, Chamberlain, in 1923, and Labour, Wheatley, in 1924, are examples. This terminology is both conveniently short and a mnemonic for the Party basis of policy, and is employed from now on. In Table 2.I. all provisions for decontrol of rents between 1915 and 1939 are omitted, and are, instead, given in Table 2.II. below.

¹¹ Compare Kemp, 1984, op-cit, and D. Englander, Landlord and Tenant in Urban Britain 1918-1938, Clarendon Press, Oxford, 1983;

¹²Kemp, 1984, (op-cit), p.9.

State Intervention in Housing 1915-1939

Date	Legislation	Aims	Provisions
1915 ↓ *	Rent Control	Stop War-time Profiteering	Held rents and mortgage payments at 1914 prices
1919 ↓ 1921	Addison Act	Stimulate Building of Rented Housing	Subsidy to local authorities: difference between cost and affordable rent and 1d rate subsidy
1923	Chamberlain Act	Stimulate Building of All Housing	Fixed sum per property for fixed number of years - all tenures
1924	Wheatley Act	Increase role of local authorities in building for rent	Amended Chamberlain Act to give LAs better finance
1930	Greenwood Act	Dual role for LAs - slum clearance and general needs	Added subsidies based on slum displacement.
1933	Housing (Financial Provisions) Act**	Limit LAs to slum clearance	Took away all new subsidies except slum clearance
1939	Rent control	Prevent War-time profiteering	Extended rent control back over private rents which had been decontrolled since 1915

Notes

* Decontrol was introduced for different types of properties, see Table 2.II.

** The Minister of Health was Hilton Young, but his name has not stuck to the revision to subsidies which limited their scope.

Table 2.I.

The development of state involvement in housing policy, and the acceptance of state provision by local authorities, came about as a result of the First World War. There are various reasons for the move away from *laissez faire*. Fear of post-war

popular unrest, either within the bounds of democratic debate or of revolutionary proportions was one reason.¹³ The second was economic: low confidence and high building costs mean that the housing market was in crisis and state assistance to builders of local authority and owner occupied dwellings was needed to stimulate demand during a time of a poor comparative return on investment in rented housing when compared to other forms of financial investment. The later boom years of the late 1920s and 1930s were in part the result of earlier state intervention.¹⁴

The position of rented housing altered dramatically. The private landlord lost legitimacy as a provider of housing. In a period characterised by scarcity the profit motive in rents became unacceptable. This change in attitude to housing provision, together with the declining relative return of investment for rent had important long term consequences. First, an acceptance of the alternative, state provision of municipal housing for the working classes, by all three political parties, though as discussed below, the purpose and manner of provision was disputed; second, the beginnings of large scale owner occupation for higher income households. When favourable conditions for investment in housing returned, while some private rented investment was made, the position of the other tenures was already established as more favourable and secure options for housing.

The Rise of Metroland

Before discussing the details of rented housing the explanation of the growth of inter-war owner occupation will be briefly outlined. In a situation of scarcity those that could afford to buy had the 'choice' made for them. During the 1920s, *"anyone who wanted one of the new, modern, 'labour saving' houses had to buy one or go without. And given the acute shortage of accommodation in the post-war years,*

¹³ See and compare Swennerton, Homes Fit For Heroes: The Politics and Architecture of Early State Housing in Britain, Heinemann, London, 1981; L.F. Orbach, Homes for Heroes: A Study of the Evolution of British Public Housing, 1915-1921; P. Dickens, Social Change, Housing and the State: Some Aspects of Class Fragmentation and Incorporation 1915-1946, in M. Harloe (ed), Urban Change and Conflict, Centre for Environmental Studies, London, 1978.

¹⁴ Kemp, 1984, op-cit, p.256.

*purchasing a house was, for those who could afford it, an effective way of solving a personal housing problem'.*¹⁵ Ashworth talks of other 'push' factors such as the problems of security of tenure and stability in the private rented sector.¹⁶ But this choice was not open to all. Those that took advantage were the growing proportion of salaried white collar workers who were in more stable employment, less threatened than their blue collar counterparts by unemployment and short-time working. Such workers were able to plan the repayment of mortgages a future view of adequate and secure incomes. State subsidisation of borrowing through building societies, and the lowering over time of the entry costs of purchase, helped by the state, and the response of the building industry through the move to lower cost homes in large suburban estates all contributed to the creation of a new tenure of largely first-time buyers paying mortgages. Their new homes constituted part of a new lifestyle based on more open consumerism. A car and household appliances matched the suburban lifestyle and Metroland beckoned to all those who could afford it.¹⁷ This prosperity of the suburbs co-existed with mass unemployment and industrial depression for significant periods of the late 1920s and 1930s.

The building of houses for middle class owner occupation should have assisted poorer tenants by freeing more accommodation for rent and reducing scarcity and hence rents. However, the building boom came relatively late in the inter-war period. In the meantime private rents had been controlled to ensure that landlords would not extract commercial advantage out of the war and post-war period.

Rent Control: A Moral Case for Affordability?

¹⁵ibid, p.264.

¹⁶H. Ashworth, Housing in Great Britain, Thomas Skinner, London, 1957.

¹⁷See Merrett and Gray, Saunders, Kemp (1984), op-cit, for further examination of the finance and ideology.

Government could not afford a great inflation in rents during war-time. Wage demands and more militant action, such as rent strikes, showed that workers would not pay rising rents without compensatory wage rises. The supply of housing could not be increased by higher rents as no building could occur; and war-time profiteering by landlords would be harmful to moral and the economy of the country. Rent control and mortgage price control were introduced earlier than other war-time price controls partly because of the huge aggregate sums involved, rent was a large item in household budgets, but also because of feared worker militancy.¹⁸ Restrictions were due to end six months after the end of the war but housing had, in the meantime, become a major concern in planning post-war reconstruction and the war had resulted in a worsening housing shortage. In the immediate aftermath of war builders were not active in the provision of houses and costs were hugely above pre-war levels. A short-term, war-time measure of rent control became part of post-war reconstruction policy, and eventually remained to effect the majority of privately rented stock until World War 2, and long after. Why?

The discussion of decontrol continued throughout the whole inter-war period through a number of Acts which, following independent reviews by committees, responded to differing interpretations of scarcity, affordability and the role of the private landlord. The chronology of these reviews and their main findings are summarised in Table 2.II. Readers who wish to learn more of the details of these discussions are referred elsewhere.¹⁹ How far was rent control a response based on an aim of affordable renting?

Rent Control and The Aim of Affordability

In welfare terms, the decision to introduce rent control cannot be seen as being based on worries about affordability. Rent control was firmly in the realms of economic, not social, policy. But Englander shows that welfare considerations,

¹⁸See Holmans, 1987, op-cit, pp 386-388; and Kemp, 1984, op-cit.

¹⁹ Holmans, 1987, op-cit; Kemp, 1984, op-cit; Englander, 1983, op-cit; and A.A. Nevitt, The Nature of Rent Controlling Legislation in the United Kingdom, Centre for Environmental Studies, London, 1970.

Review of Rent Control 1915-1939

Date	Committee Name*	Proposals
1918	Hunter	Extend rent control to higher value dwellings in immediate post-war period
1920	Salisbury	40% increases allowed on 1914 levels to meet increased costs but control to remain for three more years.
1923	Onslow	New lettings to be decontrolled. Control on post-war controlled properties to cease; control of 1914 lettings to remain for two years
1931	Marley	Households exceed stock; need highest in cheapest dwellings; phased decontrol by class of dwelling
1937	Ridley I**	Scarcity regional; decontrol by class and area.

Notes

* Committees have been named after their Chairmen.

** Ridley II reported in 1945 to the Labour Government, (see above pages 69 and 79)

Table 2.II

based on growing popular demands for improvements in housing provided an important context for tenant reaction to rent increases in the early part of the War, and contributed to a growing demand for welfare policy to include housing. Opposition to private landlords, and higher rents, backed by wide-spread rent strikes, meant that the government's policy of relying on greater discretion of the Courts to forestall possession on the grounds of hardship failed. While one arm of the government had asked landlords and the Courts to be patient with arrears, another had issued War bonds which *"at once threatened the existing supply of housing finance and immediately provoked an acceleration of rent raising"*.²⁰ The Hunter enquiry found that average increases of rents, 6 per cent., were not

²⁰Englander, op-cit, p 220.

excessive to those on higher wages, but were problematic to the lower paid.²¹ However, the growing working class movement against rent increases was based on the more prosperous workers. It was also these workers who mattered most to the war effort and munitions and heavy industry. The government gave way, but in doing so gave no grounds for encouragement of welfare considerations or of an enlarged housing policy, resting its case on the principle of the prevention of profiteering.

Reconstruction and Rent Control

Tenant power, and, more so, the fear of it, was dominant in planning the immediate post-war housing programme. This fear was partly down to domestic experience, provision of newly built subsidised houses by the Ministry of munitions during the war had found economic rents forced down by worker and tenant action, and partly due to international comparison - the abandonment of rent control was seen, even by moderates, as an open invitation to a Bolshevik uprising. If rents were to reflect post-war prices they would have to rise substantially for existing stock. For any new building they would be extortionately high. In 1919 wages were 85% higher than in 1914 but potential rents were 250% higher. Landlord demands for increases of rent after war-time austerity were irreconcilable with political and economic stability. Reconstruction policy by the state was a short term remedy to assist in the return to normality. Welfare policy, and in particular, housing, was envisaged by the left as a future state commitment, while to conservatives it would merely tide over a specific problem for a limited period. Rent control epitomised this accommodation over policy.

Scarcity & Costs

Scarcity of accommodation at the end of the war had worsened across the whole housing market. It became the argument on which rent control continued until 1939. In 1919 and 1920 control was extended to higher value properties in

²¹The Hunter Committee of 1915 is not the one shown in Table 2.II. which later sat in 1918.

response to regional demands and the pressure on rents of higher value dwellings for the middle classes. The point behind such extension was that rents would rise "*beyond the point at which public opinion would ...regard as acceptable.*"²² The argument for affordability was one of a very general nature. The main tenor of discussion lay in the prohibition of market exploitation of post-war conditions. But recognition of the needs of landlords to have some recognition of inflation was given. Rents were allowed to increase by 40 per cent. in 1920, but, post-war prices were 160% higher than in 1914. Building costs were so inflated that new homes were unaffordable to most and rarely built unsubsidised. Even without rent control the investment potential of private renting was low.²³

Creeping Decontrol

By 1923 most prices had fallen back to 90% above the 1914 level²⁴. The Onslow Committee emphasised that economic arguments suggested full decontrol as soon as possible. To this end they advised that all new lettings should be decontrolled together with the higher class properties which had been brought into control in 1919 and 1920. The remainder, those controlled since 1915, should become decontrolled after two further years only. The reluctant recommendation to extend control until 1925 was made in the hope that, by then: "*a sufficient number of working class houses will have been provided....to have reduced the shortage to a point at which the house owners would no longer be in a position to demand and obtain excessive rents.*"²⁵ Scarcity was thus seen as a problem for lower class dwellings and hence for the poorer members of society and rent control a way of ensuring affordability for them. The government agreed only to decontrol on new lettings, 'creeping decontrol'. Both Labour and Conservative governments did not wish to reintroduce control over new lettings or newly built properties, but neither

²² Cmd. 658, The Salisbury Committee, quoted in Holmans, op-cit, p.390.

²³ Kemp, 1984, op-cit, chapters 10 & 11.

²⁴ Holmans, op cit, p. 392.

²⁵ Cmd 1803 1923 p.9.

wanted full decontrol in the short term. Each year, rent control was extended on an annual basis.

The selective control of lower classes of property occupied by the poorer tenant was also favoured by the Marley Committee, reporting in 1931. For them scarcity still existed in 1931 because building had only partly satisfied the rise in household formation. They recommended that rent restriction continue for the houses of lowest rateable value but that decontrol by movement should be withdrawn from that same class of dwelling. In contrast, decontrol should remain for the middle range of dwellings whilst all controls should be abandoned for the highest value properties. These proposals became law in 1933. By 1938, the building boom had further diminished overall scarcity but in some districts problems still prevailed. The Ridley Committee recommended definite phased withdrawal of all rent control on a district by district basis. Existing provisions were extended until 1939, when, faced again by war, rent control was reintroduced over all lettings again.

Did Rent Control Ensure Affordable Rents?

The effect of control on rents is difficult to establish. A substantial proportion of properties with controlled rents were relet at non-controlled rents in the 1920s and 30s whilst some were sold to owner occupiers. The phased decontrol of some properties together with new lettings at market rents led to an increased degree of variability in rent levels. Lettings were linked to household formation so that controlled rents became increasingly correlated with older tenants. Holmans has calculated that non-controlled rents represented between 11 and 11.5 per cent of average manual earnings in 1937, while controlled rents represented 9 percent.²⁶ However, it must be remembered that the incomes of these tenants were likely to be below average manual earnings, and that during the depression, both sectoral and regional unemployment would have made paying these rents a problem for significant numbers of tenants. It must also be remembered that there was an

²⁶Holmans, op cit, p.406

outflow of households from controlled properties into better quality public housing and to owner occupation and a significant number of purchases by sitting tenants.

Public Housing

Quality Housing at Affordable Rents

If the private landlord was increasingly seen as a despised and discredited figure for the attempts to cash in on war-time and post war shortage, the alternative was a social landlord, the state. As Englander states, "*The difficulties of bridging the gap between the rents of pre-war and post-war houses was not, then, a mere matter of administration but a political question of the first magnitude. If, as Sydney Webb asserted, cost was to be discounted and pre-existing custom taken as the only basis of a 'fair' rent, the state would have to subsidize house-building in perpetuity.*"²⁷ Working class demands for better housing could not be met by subsidies to private renting who, even before 1914 had not produced housing of sufficient quality and adequate facilities for their needs. Public housing was a response to the demands for quality and affordability, but only came about in the immediate post-war period as a temporary palliative to the extraordinary problems reconstruction posed.

Municipal housing was viewed as a means of providing good quality housing at rents which, through subsidy, could be affordable in the immediate term. These subsidies were seen as a short term expedient which, when rents had settled to their real post-war level, could be withdrawn as public and private rents rose in tandem. By 1927, it was thought, an affordable rent would meet the economic rent necessary to repay the debt from building. Addison subsidies left the decision on rents to the local authority, who had to have regard to prevailing local levels of rent. They were less affordable than controlled rents but for better homes. The irony of Addison's scheme was that, by the time that local authorities

²⁷Englander, op-cit, p.295.

could organise and housing could command its share of resources from the construction industry, the slump had begun, and political pressure to withdraw subsidy had won. The amount of building was therefore disappointing²⁸

The more permanent involvement of state subsidies to house-building had to await the realisation that house-building would not revive of its own accord. Subsidies to this effect, for all tenures, were made available in 1923 to boost building, with no stipulation concerning the rent to be charge, if rented, by public or private landlord. The affordability of rent was less an issue than the continued unaffordability of building and the subsidies were designed to tackle this effect. The particular problem of rented housing affordable for the working class was re-prioritised in 1924 with the Labour government extending and improving subsidies for local authority building, but not private landlords. To ensure that the rents were affordable they were supposed to be set at a level of, "*appropriate normal rents*" charged in respect of working-class houses erected prior to August 1914"²⁹, or controlled rents of comparable property. But the rents were set higher than controlled rents to reflect improved amenities and the higher standard of new properties over their controlled counterparts.

As the costs of building fell so houses built with Wheatley subsidy in the late 1920s were cheaper than those built immediately after the introduction of the Act. If an authority built early under the scheme it would have a relatively expensive legacy; if it only built in the later period it could charge much lower rents. The potential cheap rents of later building were often pooled so that all properties built under the Act could benefit from the differing historic costs. 1924 subsidies were lowered in the late 20s but retained their worth in real terms. There was, therefore, no change to the incentives to build and consequently the large volume

²⁸Holmans, op-cit, pp 299-304

²⁹ Section 3(i)(e) of Housing (Financial Provisions) Act 1924 as quoted in J.R. Jarmain, Housing Rents and Subsidies, Stevens, London, 1948 p.80.

of cheap houses erected during this period became a lasting legacy of the inter-war period.

Slum Clearance

New building, even at these low costs, had little effect on the problem of affordability of council housing for the poorest. They were stuck in the slums. *"The population of districts of old and low quality housing in urban areas, although by no means uniformly indigent, constituted the bulk of the poorer classes in these areas. Thus the rents of houses at first erected under the 1924 Act, as well as its two predecessors, were normally beyond the means of slum dwellers"*³⁰. Filtering up had not worked. The large scale building on supposedly comparable rents under Labour had still left the poorest behind in the worst conditions. An explicit policy of slum clearance was introduced. Before 1930 local authorities had been able to choose tenants who were able to pay the rents, but, with the introduction of slum clearance, they were forced to rehouse tenants irrespective of their means- some of whom had incomes which could not meet the rents of subsidised building. For a period slum clearance progressed slowly, but then the withdrawal of 1924 Act subsidy in 1935 meant that more building occurred under clearance provisions.

The subsidy calculated for clearance schemes was a per capita sum reflecting the number of people rehoused and quantity of houses built of differing sizes. The majority of replacement houses were built between 1935 and 1938, a period when the costs of building were still low. Even with the reduced costs local authorities were advised and empowered to charge rents which differed according to the income of the rehoused tenant. The lowest rents charged to the poorest would be recouped by higher aggregate rents for other houses built under the scheme. The extent to which this would be done was left to the discretion of each local authority. This was the beginning of rent rebates.

³⁰Jarmain, op cit, p.116.

Rent Policy & Pooling

The potential for rebates and differential rents was not obvious to many authorities until they were freed from the restraints of separately accounting for each tranche of housing stock built under different subsidy. Consolidation of all of these in a single housing revenue account was allowed by the Housing Act 1935 and with this power authorities could manipulate the rents and subsidies across the whole of their stock as had been suggested by the Ray Committee³¹. Comprehensive rent reviews across all of the stock were encouraged by the Ministry who had in the process lost control of Addison scheme rents. A majority of authorities did review their rent setting but Jarmain notes, *"If revisions can be said to connote the equalisation of rents type for type, any attempt to fix uniform rents and, at the same time give weight to those differences was bound to be fraught with complications. Some authorities have tried to reconcile these two elements, whilst others have used them as a pretext for 'leaving well alone'."*³²

The tenants of many authorities were against change as they were accustomed to paying the charges as they were. Rent strikes and legal challenges of rent policy occurred across the country. Where authorities did undertake comprehensive revision, regard to the Act's instruction to make rents *"ordinarily payable by the working classes"* was focused on internal equity of charges rather than external comparability. *"The principle behind comprehensive revision was to rationalise the rent scales of the local authority. If in so doing rents achieved fell easily into the general economy of the particular locality, so much the better"*³³

Subsidising People

The provision to pay the rent of council tenants through benefit, now called rent rebates within housing benefits, has two historical ancestors. The first is a selective use of general housing subsidies, the second is the payment of rent within

³¹ The Committee on Local Expenditure in England & Wales, Cmd 4200, 1932

³² Jarmain, op-cit, p.149

³³ Jarmain, op-cit, p.155.

assistance benefits. The inter-war development of these provisions is discussed in this order.

Differential Rents and Rent Rebates

The selective distribution of general building subsidies had two extremes. At one end of the spectrum, rents were set according to the local authority accounted for costs and subsidies, and then, if a tenant could not afford them, a rebate could be given. This form of help is commonly known as rent rebates and were introduced by authorities on widely differing scales. Some merely gave rebates to a few obvious cases of low income, especially in cases of rehousing from the slums. Others set up their own rent rebate scheme and published its details widely to tenants. At the other end of the spectrum of selective rent policy was the adoption of differential renting, in which all rents were set according to the tenant's ability to pay. The problem in the literature is that the term 'differential renting' is used by commentators of the period to describe the principle of selective use of rent subsidies in general as well as describing a particular model of doing so. To avoid this confusion for readers, the term 'differential renting' will be hereafter used only to describe the application of the model in which all rents are in effect means tested. Jarman and Wilson³⁴ give good contemporary accounts of the operation of such schemes in the inter-war period.

Altering subsidy to suit the income of the poor tenant was first allowed for rehoused slum dwellers in 1930, but required Ministerial approval to vary subsidy between differing houses built under differing subsidy schemes: "*This special provision enables local authorities to exercise a certain amount of latitude in special cases in rehousing displaced persons at appropriate rents in any houses in their possession, irrespective of the particular Act under which they were built or required.*"³⁵ A more widespread use of subsidies awaited the introduction of the single housing

³⁴ Jarman, (op-cit), and G. Wilson, Rent Rebates, V. Gollancz/New Fabian Research Bureau, London, 1936; and second edition 1939.

³⁵ Ministry of Health, Circular 1138 The Housing Act 1930, HMSO London 1930.

revenue account which enabled pooling of all previous subsidies and the historic costs of stock. With the increased flexibility was given permission to alter rents, through rebates, to suit tenant incomes. But, the method of doing so was entirely at the local authority's discretion, which led Wilson to say, "*Far too much, rent rebates are regarded as a merely temporary assistance to tide over the difficult period between removing from a cheap house in a slum to a more expensive house on a municipal estate.*"³⁶ The purpose of rebates was not only to allow slum clearance but to ensure wider affordability and appropriateness of rent to household circumstances.

Comprehensive schemes of differential rents, although often posited on the grounds of equity, were not popular with tenants. One in Leeds was so unpopular that the Labour administration was defeated in local elections.³⁷ Most other rebate schemes were limited in nature and were criticised as inadequate by advocates of the equitable principle.³⁸ The advocates of equity were not only the Fabian left, but were widely drawn. Eleanor Rathbone, wanted rent rebates to accompany her proposed family allowances. The Labour Party, following a unanimous vote at the Party Conference of 1934, endorsed rebates: "*The demands of the social services on public funds are so great and urgent, and the amount available under existing conditions so limited in relation to need, that the best results can only be obtained by a careful schedule of priorities; and it is, for the time being at least, quite out of the question to consider letting all local authority houses at the minimum rents necessary for the poorest families. 'Each according to his need' is a good Socialist precept, especially when there is little enough to go round; and it is believed that housing subsidies can be put to the best use, and best benefit according to need, by the adoption of the differential principle.*"³⁹

³⁶Wilson, op-cit, p.6

³⁷Robert Finnegan, *Housing Policy in Leeds Between the Wars*, in J. Melling [ed.], *Housing, Social Policy and the State*, Croom Helm, London 1980; and Bradshaw & Deacon, op-cit p. 13.

³⁸Eva M Hubback, *Differential Renting*, p183 Appendix to Sir E.D. Simon, *The Anti-Slum Campaign*; and Marjorie Green, *Rent Rebates*, Family Endowment Society, undated.

³⁹The Labour Party, *Up with the Houses! Down with the slums!*, p.33, 1934, London; (quoted in Wilson, op-cit p 11.)

How Successful Was Selective Rent Policy?

Residual schemes of rebates which met the particular problem of rehousing slum dwellers were the rule. In 1939, after nine years of empowerment and three years of complete discretion in the manner of accounting for all housing subsidies, the Central Housing Advisory Committee reported: "*..we are informed by the Ministry of Health that 80 local authorities have schemes of rent rebates in operation and that many others grant rebates on merits, though the arrangements adopted are not reduced to definite schemes*"⁴⁰

Why were early rebate schemes so unpopular? Bradshaw & Deacon conclude that rebates and differential rent schemes failed because of opposition to the 'means test'.⁴¹ But it is easy to overstate this. Certainly, the widespread investigation into incomes was resented, but the effect which most frightened the better off tenants was the rise in rents which would accompany differential schemes. For local authorities, the political repercussions of higher rents combined with the administrative work involved with reviewing all subsidies and reworking the new HRA, together with the regular and detailed enquiries needed to keep a caseload of rebates or differential rents workable, were too great. These factors, together with the growth of national unemployment assistance as a means of paying rents of unemployed tenants, outlined below, meant that opposition to rebates is not so identifiable with anti-means-testing in itself. The complicated politics of local decisions is best described by Jarman: "*Opinions on differential rent relief varied greatly and were often complicated by side issues. There was a tendency for the matter to be made the shuttlecock of local party politics. Even so there was often no consistent party division; the same party supported the inauguration of a scheme in one town and opposed it in another. Again, parties split over the issue. Sometimes where the Council found themselves agreed upon their attitude, they were arrayed against the conflicting opinion of the permanent officials. Some financial officers were sceptical, housing managers enthusiastic, or vice versa. Frequently, complete unanimity did not obtain even*

⁴⁰ Central Housing Advisory Committee, Report of the House Management and Housing Associations subcommittee: The Management of Municipal Housing Estates, HMSO, London, 1939.

⁴¹ Bradshaw & Deacon, op-cit.

where rebate schemes were introduced. Broadly speaking, however, it may be said that Rent Rebates were opposed or championed on ideological grounds by elected representatives, and because of administrative difficulty or convenience by officials."⁴². Whatever the reasons for the general failure of selective rent subsidies, an exception to the rule was to be found in Scotland where, sanctioned by law, there was greater consistency in the coverage of rebate schemes across authorities and a greater consistency in the details of rebate schemes between authorities than elsewhere.

Rent, Subsistence and Assistance.

Insurance benefits, whether for pension, sickness or unemployment, were not designed to cover subsistence. However, the social survey movement, the academic study of poverty in industrial areas begun by Booth and Rowntree at the turn of the Century and continued by Bowley, Rowntree, Llewelyn Smith and others in the inter-war years, developed a paradigm of poverty as a level of basic needs.⁴³ After 1924 both unemployment insurance, under Beveridge's chairmanship of the Unemployment Insurance Statutory Committee, and Unemployment Assistance, operated by the Unemployment Assistance Board, (UAB), moved towards a subsistence model for benefits.

Previously, the only recognition of rent within poverty needs for benefit was in the working of outdoor relief in some progressive urban authorities. The UAB acknowledged the acceptance of the poverty paradigm by stating, "*As regards the meaning to be placed on the expressions 'need' and 'needs' the Board took the view that it was concerned with such primary needs as those of food, shelter, fuel, clothing and the like.*"⁴⁴ The fundamental requirement to maintain shelter was met by including a notional 25 per cent. of the weekly benefit to allow for rent. If this was

⁴²Jarman, op-cit, p.212.

⁴³ For an overview of the social survey during the 1920s and 1930s see *A Survey of Surveys, Planning*, no 109, P.E.P. London, 1939.

⁴⁴Report of the Unemployment Assistance Board, Cmd 5177 pp 31, HMSO, London, 1936.

inadequate because of higher rent it could be raised. Paying the rent was viewed as an essential part of benefit, not only to maintain shelter, but also to protect the other elements of subsistence requirements: *"the Board came to the conclusion that the Regulations must provide for some variation of allowances according to the amount of rent paid, so as to ensure as far as possible that as regards the sum available for food and other items applicants should be substantially on an equality"*⁴⁵

Rent, Supplementation and Insurance

Unemployment Assistance was not originally envisaged as a supplement to insurance benefit, rather as a means tested alternative for those who either had no entitlement or had exhausted their rights to it. However applications for assistance could be made if insurance benefit was insufficient to cover basic needs. The attitude of the Board was not to award benefit where the difference between existing insurance benefit and the scale rates was insubstantial. Claimants faced with high rents represented a significant proportion of supplementary cases: *"The number of persons in receipt of allowances from the Board supplementary to benefit at the end of the year (1937) was about 7,000. A great majority of these were receiving supplementation on account of high rents."*⁴⁶ Of these cases 52 per cent were in London where higher rents and the subsequent supplementation was more common than elsewhere.

In the relationship between rents, unemployment insurance and assistance in the late 1930s lies a vestigial version of the model relationships discussed in the first part of this chapter, and summarised in Figure 2.2. However, the application of this model on a wider scale cannot be properly applied before the nationalisation of insurance and assistance instigated following the Beveridge report, discussed in the next chapter. What evidence is there to substantiate or invalidate the other hypothetical models developed earlier in this chapter?

⁴⁵Ibid pp 34

⁴⁶Report of the Unemployment Assistance Board 1937, Cmd 5752, p.31, HMSO, London, 1938.

The Constraint of Cost On Making Rent Affordable

Subsidies to build houses are expensive. For a government characterised as reluctant to commit the state to long term involvement in housing, the Addison subsidies provided a ready target for financial restraint. National financial necessity overrode housing needs in 1921 and housing subsidies were abandoned as a preliminary to wider welfare cuts of the 'Geddes Axe' in 1924.⁴⁷ Concern for public finance stopped the 1919 building subsidies and also gave rise to central pressure on local authorities to contain the costs of those schemes agreed before the axe fell, and to raise the rents of homes once they were built. This concern over rent levels and the arbitration between central and local government over rent levels is discussed further below. If a slump induced an abandonment of building subsidies in 1921, the subsequent great depression of 1929 did not. Building continued, subsidies were constrained but not ended. The effects on rent policy were however more marked. The Ray Committee, reviewing local government, put forward a recommendation for more comprehensive rebates policies as a method of controlling and targeting spending. This was taken up by the Ministry of Health, who, in guidance to LAs stated, "(1) *that subsidies should not be wasted by being given to those who do not need them; (2) that in present financial circumstances every reasonable endeavour should be made to increase the revenue obtainable or to reduce the loss arising from housing estates, by requiring tenants who can afford it either (a) to pay higher rents or in some cases to buy their houses and so release public capital for other purposes or (b) to vacate their houses, which would thus become available for sale in the open market or for accommodating poorer workers who are unable to provide for themselves.....*"⁴⁸. With the change of subsidies away from general subsidies to slum clearance, the prioritisation of rent policy moved from keeping general rents low to using other methods to target subsidies. Central concern over housing expenditure moved on to rents, not just of the new buildings, but also to the older stock. Here, older, more expensive stock, had higher rents than

⁴⁷See Holmans' discussion of reasons for this cut and a discussion of other interpretations of it, op-cit, pp. 302-304.

⁴⁸Ministry of Health, Circular 1334, 1933, p.6.

more recent building, and tenant selection had been mainly to those who could afford high rents. The concern that this caused was shown by Rowntree's comments about council housing in York in 1936. *"The fact that so many comparatively well-to-do families are living in these heavily subsidised Council houses is primarily due to the method employed by the Housing Committee in selecting their tenants."*⁴⁹ It was, in Rowntree's mind, anathema to squander public money so, and he adopted the Ministry's guidance as his own: *"The primary aim of local authorities is to give better houses to those in unhealthy conditions: in general, people live in these conditions only because they can afford nothing better. There would be no sense in putting them into new houses if they could not afford the rents. That is the reason why subsidies are paid on these new houses, so that the change to better houses will not be accomplished at a risk of having less money for food."*⁵⁰

Government spending was not to be wasted, and those with means could, in the 1930s be drawn out into the booming private market in housing. But how far did local authorities agree with this agenda on spending or on the diagnosis of the rent problem?

Central-Local Dispute over Rents

The Addison scheme allowed for Central government to pay the deficit between building costs, the product of a one penny rate and rent revenue. As the level of rents determined the rent income they were at the heart of the financial arrangements. Rent levels, supposedly reflected the local authority's assessment of the rent chargeable according to local levels. Differences in opinion over proposed rent levels were resolved by Rent Tribunals set up under the Addison Act who continued to hear cases until 1935. The Rent Tribunals heard cases from authorities of all political persuasions and the differences in rent proposals often reflected the practical difficulties facing housing officers in letting properties at guideline rents rather than a conflict over control of subsidies and revenue. In

⁴⁹B.S. Rowntree, *Poverty & Progress*, Longman Green & Co, London 1941; p.240.

⁵⁰Ibid p.241.

cases before the Tribunal authorities would argue their case by giving evidence about affordability and wage levels and the Ministry would counter with such statements as: "*..there is a sufficient number of the working class in Birmingham able and willing to pay rents suggested by the Minister, and that those who are lower paid will be provided for in the lower rented dwellings set free by the new tenants. It is submitted, therefore, that having regard to the high cost of the houses and the heavy deficiency which will fall to be borne by the taxpayer and ratepayer, lower rents than those proposed by the Minister are not justified..*"⁵¹

This classic exposition of the filtering up thesis in defence of Ministry guideline rents was obviously at odds with the picture of housing need which presented itself at the local level where such rents were excessive to the low waged. A resolution of this problem awaited the slum clearance schemes of the 1930s.

The frequency of hearings and the inability of the Tribunal to reconcile the issue of individual affordability for low income tenants led to a change in their method of rent calculation. After four years the tribunal moved from setting rents for individual types of home, (number of rooms, parlour or non- parlour houses, flats etc.), to setting the aggregate rent revenue for all dwellings built under the scheme in each authority. "*This course has been adopted to emphasise that the local authorities are able to afford relief to low wage earners, such as agricultural labourers, if they so desire. It is left to the local authority to determine what rents shall be charged to tenants for individual houses or types of houses in order to obtain the aggregate rent income.*"⁵²

The end of central-local arguments over the rents of Addison scheme dwellings came with the introduction of the unified HRA and the central encouragement of pooling, but the significant legacy of the longevity and complexity of deciding rent levels made central government wary of deficit schemes again until well after the Second World War. But dislike of deficit subsidies also combined with the

⁵¹Quoted in Jarman, op cit, p 53.

⁵² Rent Tribunal, Second Report, p.2, quoted in Jarman op cit p.57.

primary wish to subsidise local authorities to build, worries over allocation and rent policies were secondary to the main task at hand.

With the pooling of subsidies into a common HRA fund, the dispute between central and local moved to the failure to introduce on a large scale differential renting and rebate schemes. But as discussed above, the failure of this initiative to gain widespread acceptance, apart from individual rebates for rehoused tenants from the slums, was due to a large number of factors. Local authorities had characteristics in common but the differences between them are important. First, the building history of each local authority meant that stock differed in amount and composition depending on when and to what extent it built under which schemes. The consolidation of accounts led to the differing historic costs being available as a potential form of cross subsidy within the accounts. Jarmain states that the immediate outcome of this consolidation in revised rent policies was negligible in most instances.⁵³ The ability to use the historic costs of cheaper 1930s schemes to subsidise later more expensive building would be a lasting legacy of great importance to post war policies of affordability. Second, as rebate givers, local authorities were not generally very keen to take on individual means testing of housing. It was too much bother: small schemes sufficed for the circumstances of slum clearance, but larger schemes carried potential political and economic risks. Third, the attitude of each authority regarding housing was reflected by factors beyond the party in control of the administration. We have already seen that party politics cut across the issue of rebates. The politics of rent policies reflected the tenant profile and the housing officers' appreciation of the accounting position of each HRA.

Government had given subsidies to local authorities and had given them sovereign right to distribute them as they saw fit to tenants. Central policy which favoured more selective use of subsidies could only request, advise and suggest. Detailed involvement in rent decisions had too high a political cost and was

⁵³Jarmain, op-cit.

administratively burdensome. It could not force local authorities to introduce schemes in areas where incomes were too low on average to warrant selective policies. Indeed, as central government moved towards slum clearance the financial incentives to introduce selective policies at the local level receded. What the Ministry failed to recognise was that for authorities with very high densities of poor or unemployed tenants the logic underlying this advice meant that rebate schemes should not be introduced. *"The subsidy from central government depended upon the number of people rehoused. It followed from this that the greater proportion of these people who qualified for a rebate, the less money there would be for each one. In short, the greater the incidence of poverty in an area, the less generous was the scheme it could afford."*⁵⁴ In this way, the enjoinder to ensure equity and maximise revenue in the poorest areas could be followed by doing exactly the opposite to what had been envisaged by government. It was a problem that would have been lessened had the housing subsidy been linked to local needs in a weighted way, as the 1919 subsidy had been, but that was incogitable to a government bent on economy. The other source of revenue in depressed areas was of course social security, which, after 1934, when centrally funded Unemployment Assistance became available, made rebates schemes even less attractive.

There is evidence that local authorities took advantage of the UAB's rent payments to maximise tenant revenue and minimise the extent of selective rent policies. Where a tenant claimed unemployment assistance his rent would be covered, if, like the majority of local authority rents, it was more than one quarter of the scale allowance. If central government was paying the tenant to pay the rent what point did a local authority have in making more affordable through rebates? Many authorities saw the position this way and the UAB condemned the practice. Such behaviour by local authorities was not new. They had previously been warned of their enthusiasm to collect revenue directly from funds designed for relief of the poor who were also their tenants - *"It has been necessary to inform some Public Assistance Authorities that a direct allocation to the Housing account of a*

⁵⁴Bradshaw & Deacon, op-cit, p.13.

portion of the relief granted representing the amount of rent and rates due to the authority from a Council tenant is contrary to the requirements of Article 12 of the Relief Regulation Order 1930."⁵⁵ Local authorities were keen collectors of rent by whatever means and had strong incentives to maximise and protect all forms of rent revenue.

Concluding Remarks

These pre-war conflicts, over spending and over central and local control over rents and subsidies confirm the practical use of the simple hypothetical models developed earlier in this chapter. With these now placed in context the next chapter begins to unravel the development of policy in the post war period.

⁵⁵13th Annual Report Ministry of Health 1931-32, Cmd 4113, pp 202, HMSO, London, 1932.

CHAPTER 3

1939-1964

THE WAR, LABOUR AND CONSERVATIVE FOUNDATIONS

This chapter discusses the development of rent and social security policy from World War 2 until the defeat of the Conservative government in 1964. As this period is a very long and diverse one, the chapter is split into three sections. The first deals with war-time planning and policy; the second, with the Labour Government of 1945 to 1951; and the last with the Conservative period from 1951 to 1964.

I

War Time Planning

War-time policy development was both to deal with problems made urgent by war and to plan for post-war reconstruction. In September 1939 rent control was re-introduced for all privately rented properties which had been decontrolled since 1914 in order to prevent profiteering by landlords. Otherwise, other than the provision of war-time housing for munition workers and the later development of emergency housing programmes through prefabricated houses, civilian housing policy waited until after the war. In social security war-time changes to the means test and post war planning by Beveridge changed the face of British welfare policy. First, planning for housing and rents is discussed.

Housing A Post-War World

War had set the domestic building agenda back. Bomb damage and the neglect of slum clearance had turned back the advances made in the quantity and quality of housing in the 1930s. A post-war housing shortage was expected. The loss of stock and loss of housing momentum would face an expected surge demand through increased rates of household formation on demobilisation. Reconstruction would require building. Building would require subsidies-at least in the short term post-war period. Subsidies would ensure affordability in a realignment of rents to post-war costs. Economic forecasting of post-war costs and was difficult,

plans for rent levels were primarily decisions of principle: *"Clearly it will not be possible to build new houses at post-war costs, or to maintain existing houses in reasonable repair, unless rents are allowed to rise to appropriate relations with the general post-war level of prices"*¹ Rent control was seen as a hinderance to this process, and an inter-departmental committee was set up to review the Rent Restriction Acts under Lord Ridley. It did not report until after the war.

The conclusion of planners was that post-war housing would have to include public authorities as providers, but the nature and extent of their role was not firmly determined. They would be required to bear a large burden of building in the short term, but after reconstruction the role of the private sector - for owner occupation and rent- was viewed as being predominant. There was no vision of a permanent large scale state involvement in subsidy. The Chancellor was recorded as having the opinion that, *"During the early years after the war, when building costs were likely to be specially high, general subsidies would have to be provided for house-building by local authorities; and he recognised that there might thereafter be some special types of housing for which subsidies would be justified. We ought, however, to aim at reducing as soon as possible the area within which Exchequer subsidies were payable."*²

Protecting the Exchequer's burden meant that rents would need to rise to meet the higher post-war construction costs as soon as was possible. Rents of older local authority housing would have to rise to increase revenue to help: *"..the subsidies which they receive on the new houses, and the rents agreed for these houses, depended on the acceptance by local authorities of the proposals to raise the rents of houses built before the war to a proper relative figure by reference to their size and amenity. Some local authorities would undoubtedly be reluctant to raise rents."*³ Even with subsidies, rent levels of public housing would need to be comparable with

¹PRO CAB 87/3 - IEP(43)2, 'The Economic Background to the Post War Building and Constructional Programme'- Appendix I.

²Ibid, (The Chancellor was not including local compulsory rate subsidy in this figure.)

³PRO CAB87/5 - Minute of Chancellor, 'Rents' R(44), 43rd meeting, 5th June 1944.

privately rented property and would depend on desired rent levels and hence on the awaited report of the Ridley Committee. Assuming a 35 per cent. inflation in building costs and a 3¼ per cent. rate of interest on local authority borrowing, and a real increase of wages, an average rent of 10/- for new building was planned. Subsidies were planned to be a fixed sum per dwelling for a set number of years. An open ended subsidy of the Addison type was unpopular with the Ministry and was not considered.⁴ There is no record of discussion of increased use of selective rent subsidies. However, the provisions for pooling costs and subsidies throughout left rebates a possibility, even if, in the light of other welfare policies, their use was a marginal consideration - "*...the grant of family allowances will affect the need for rebates of rent with a resulting effect in the general rent level, though it is not suggested that the local authorities power to grant rebates should be taken away.*"⁵

Post-war plans for housing were primarily ones dictated by the political importance of large scale building of homes. Firm ideas of rent policy were not made clear within government since the future was economically and politically so uncertain.

War, Inflation and Pensions: Towards a National Assistance Scheme

At the onset of war the purchasing power of pensions was hit hard by inflation. To increase pensions to all was too expensive and selective means tested assistance was preferred. A national scheme of supplementary pensions, administered by a reformed Unemployment Assistance Board, renamed The Assistance Board, was introduced and the basis of entitlement was placed at an individual not a household level by the Determination of Needs Act. In the new 'acceptable' means test the full rent of that individual was included as a separate element of their needs in addition to their scale allowance. The reframing of assistance led to an astonishing level of new claims: 1,275,000 presented

⁴ That did not stop the Ministry using the threat of a deficit subsidy and close Ministry control of finance in its early negotiations with the Associations: PRO HLG/101/252 - Note of Conference on Housing Finance 13th April 1945.

⁵PRO CAB87/5 - Minute of Chancellor, 'Rents' R(44), 43rd meeting, 5th June 1944.

themselves, three times the number expected. Discussions of extending the Determination of Needs Act to Poor Law provisions and of further centralisation of assistance were subsumed within the Beveridge proposals.

Beveridge and Social Security

The Interdepartmental Committee on Social Insurance and Allied Services was given the job of reviewing the various ill-fitting policies for social security and recommending changes. The role of Beveridge as chairman and the political context of the Committee meant that its proposals became a vanguard for progressive post-war social planning which a reluctant government was compromised into accepting.⁶ The report was signed by Beveridge alone due to political repercussions of its radical view. Beveridge turned a 'tidying up exercise' of various elements of insurance benefits and workmen's compensation into a vision of comprehensive universal insurance benefits. His priority was to make a system of insurance benefits comprehensive and adequate for subsistence for as many of the population as possible. State run social insurance against the contingencies of economic insecurity brought about by the labour market, (sickness, unemployment, and retirement in the main), would run alongside economic policy which ensured full employment, a national medical service which would provide health treatment and rehabilitation, and a system of non-contributory family allowances. For all of Beveridge's progressive vision he was wedded to the British tradition of flat rate contributions and benefits. Beveridge saw weekly benefit levels as needing to be adequate to maintain subsistence poverty levels. However, the principles of flat rate contributory finance and subsistence were difficult to reconcile partly due to variations in rent.

⁶See K Jefferys, The Churchill Coalition and Wartime Politics 1940-1945, Manchester University Press, Manchester, 1991; H. Glennerster & M. Evans, Beveridge and His Assumptive Worlds: The Incompatibilities of a Flawed Design, Conference paper to Social Security 50 Years After Beveridge, York, forthcoming; J. Harris, 'Social Planning in War-time: Some Aspects of the Beveridge Report', in J. Winter (ed), War and Social Change: British Society in the Second World War, Manchester University Press, Manchester, 1986; and William Beveridge: A Biography, Clarendon Press, Oxford, 1977; and 'Some Aspects of Social Policy in Britain During the Second World War', in WJ Mommsen, (ed), The Emergence of the Welfare State in Britain and Germany, Croon Helm, London, 1981.

Removing 'want' through benefits at a subsistence level had two intellectual bases: the social survey tradition of poverty measurement, and the long standing proposals for a national minimum put forward by Fabians and others. The latest data on the extent and causes of poverty was from Rowntree, whose 1936 study of York was published in August 1941 and had a profound influence in confirming Beveridge's diagnosis of poverty and prognosis of social insurance⁷. The problem which confronted Beveridge was that subsistence could not be ensured through a national flat rate minimum. Prices and costs varied individually and regionally, and were more varied for some elements of a subsistence calculations than others, especially rent. In part rents varied according to the size, location and quality of the dwelling so that to meet rent in full meant paying for different standards of housing for different people. But rent was also an inevitable cost of living, and sometimes bore little relation to quality of housing so that providing only a fixed or average amount for rent was not equitable either.

Subsistence rates for benefits had to be quantified and Beveridge set up a sub-committee, made up from renowned experts in the field: Seebohm Rowntree, Professor A. L. Bowley, Dr. H. E. Magee and R. F. George. They calculated the non-rent needs of subsistence by taking Rowntree's Human Needs of Labour figures and amending them downwards until they reached a consensus.⁸ Rent, however, was an element of subsistence on which no compromise could be meaningful. It was either met in full or subsistence was not guaranteed. The figure of 10/- put forward as an average rent for benefit by Beveridge was not a happy compromise. In 1938, 10/- was a poor average, it *"would have been anything from 2/6 to 7/6 too much for more than two thirds of the Scottish households and anything from 2/6 to 10/- too little for half of London households. In no part of the*

⁷B.S.Rowntree, Poverty & Progress, Longman Green & Co, London, 1941. Beveridge extensively used data from this study for various parts of his Report.

⁸The computation of the scale rates for Beveridge's benefits has been the subject of recent debate. See the discussion of Veit-Wilson's reanalysis of Beveridge's calculations of subsistence by Atkinson, A National Minimum?, in T Wilson & D Wilson (eds), The State and Social Welfare, Longman, London, 1991.

*country would it have been within 2/6d of the actual rent for as many as half the households."*⁹

Rowntree argued for the inclusion of actual rent in a subsistence calculation. He maintained that to fail to do so would defeat the aim of getting rid of poverty and would undermine the whole calculation of subsistence agreed so far. For Beveridge the principle of a simple average amount was essential to maintain the flat rate nature of the scheme and to avoid enquiries into needs and means; for Rowntree the underlying subsistence principles were sacrosanct.¹⁰ Norman Chester, the Secretary to the Committee suggested a differential rent allowance as part of insurance benefits as a solution which would avoid great additional costs and would avoid additional spending on assistance benefits. *"To include a fixed sum of 10/- as rent in the benefit is not to avoid supplementation; it is to contemplate supplementation without the opportunity of any savings on rents less than 10/-"*¹¹

Chester's advocacy of a differential rent allowance echoed many of the points made by the Fabian Society and the AMC who gave evidence to the committee.¹²

To assist the Committee, The Fabian Society was asked to put forward supplementary evidence on their scheme of variable rent allowances as part of insurance benefits.¹³ Such suggestions were looked on favourably by civil servants in charge of Reconstruction plans¹⁴. The Treasury agreed with Beveridge for different reasons. The rent paid by claimants was their choice as tenants and therefore should not influence benefit rates any more than actual

⁹PRO CAB87/82 - SIC(42)133, Subsistence Needs and Benefit Rates.

¹⁰BP VIII 28; Rowntree, 'Reply to Queries Raised by WHB in the Memorandum S.I.C.(42)55', 29th May 1942; Beveridge to Rowntree, 18th August 1942.

¹¹BP VIII 28; Note by D.N. Chester dated 13th August 1942.

¹²PRO CAB87/80; SIC(42)115, Memorandum of Evidence Fabian Society.

¹³BP VIII, 28; Supplementary Evidence submitted at the Request of the Inter Departmental Committee on Social Insurance and Allied Services. Fabian Society, August 1942. See also Appendix to W. A. Robson (ed), Social Security, George Allen Unwin Ltd, London.

¹⁴BP VIII, 43; letter from Mary Hamilton, Reconstruction Secretariat, to Beveridge dated 31st July 1942.

spending on food or clothing. They favoured selectivity and saw no problem where rents were higher than the element allowed for in insurance benefits; assistance could make up benefit to pay the rent¹⁵.

In the final Report Beveridge sided with his commitment to the flat rate principle over a scrupulous adherence to subsistence. Indeed, while he acknowledged that the principles of assistance demanded payment of the actual rent, he saw much of the argument for meeting rent as part of the wider demand to fund variable subsistence benefits through graduated income tax, which was inimical to his determination to stick to flat rate contributions.¹⁶ The recommendation was to "*provisionally reject*"¹⁷ the proposals to adjust benefit to rent. "*The principle that a flat rate of insurance contribution should lead to a flat rate of benefit has a strong popular appeal and is much easier to defend than any departure from it.*"¹⁸ Seebohm Rowntree, wrote privately to Sir William Jowitt to ignore Beveridge's compromise. "*I have no doubt whatever in my own mind that if this proposal is adopted it will go a long way to defeat the main purpose underlying the Beveridge plan, namely, that the rates of benefit or pension provided by social insurance should be such as to secure for all normal cases an income adequate for subsistence.*"¹⁹ But Beveridge saw the problem of widely varying rent levels as one which required a revised housing policy and the better spatial planning of industry and housing.²⁰ When rent did reflect choice then benefits could amply include a fixed amount, but this was a matter which could be reviewed later by authorities in charge of future social insurance policy.

¹⁵BP VIII, 28; 'Observations', E. Hale, dated 24th July 1942.

¹⁶Social Insurance and Allied Services, Cmd. 6404, HMSO, London, 1942 para. 213.

¹⁷Ibid, para 215.

¹⁸Ibid, para. 213.

¹⁹PRO AST7/607; File copy of letter from Mr. Seebohm Rowntree to Sir William Jowitt, dated 1st January 1943.

²⁰Cmd 6404, op-cit, para 213

The Crack In the Subsistence Facade

Public adulation and official scepticism met the publication of the Report. Jowitt set up another inter-departmental committee of civil servants to make feasible proposals for consideration. The Official Committee on the Beveridge Report, chaired by T. W. Phillips, hereafter the Phillips Committee, met and reported within six weeks of the Report being published. In the list of questions Jowitt and other Ministers gave it to consider was the issue of rent. The Committee confirmed Beveridge's dilemma: "*On the rent question it was felt that if the scheme was to justify its claim of providing subsistence in all normal cases, rent adjustment was essential. On the other hand, if rent adjustments were provided... It would abandon the principle of uniform benefits for uniform contributions.*"²¹ Their conclusion was that Beveridge's view "*might well be the best*"²². Part of their view was a reluctance to have benefits identified with a measurable poverty line. Identifiable elements could be costed independently and demands made to increase benefits to match. Every time the cost of living rose there would be no defense to not raising benefits in line. For the Treasury, keen to maintain as much of the actuarial principle of insurance as possible, it was a slippery slope to demand led extravagance on benefit spending: "*...a rate of benefit which sets out to be a subsistence rate must vary with changes in the cost of living. Any increase in the cost of living would be followed by a demand, which it would be difficult to resist, for a corresponding increase in the rate of benefit.... if the scheme is to retain its insurance basis, changes in the rates of benefits should be accompanied by corresponding changes in the rates of contribution. It is clear that, in a period of fluctuating prices, the attempt to maintain the relationship between contributions and benefits would present serious administrative difficulties.*"²³ The issue of rent and subsistence opened up the weakest part of Beveridge's plan - the 'insurance' principle which was in name only, and the subsistence principle, which was untenable. The conclusion reached by the

²¹PRO AST7/607 & PIN8/115; Minutes of the Committee on the Beveridge Report, 18th December 1942.

²² Ibid

²³PRO PIN8/116; 'Principle of a subsistence basis for rates of benefit', undated.

Committee was that the rates of benefit should be set at a figure calculated not by academic poverty studies but by sound financial accounting -"*which could be substantially supported by contributions and yet involve supplementation among a moderate number of cases.*"²⁴ The principle of subsistence-level insurance benefits was abandoned. The Phillips Committee reported in time for the Government to answer a House of Commons debate on the Beveridge Plan, and the Cabinet agreed to proceed to a White Paper.

The Denial of a Subsistence Commitment and the Inclusion of Rent In Benefits

Sir Thomas Sheepshanks headed the third inter-departmental Committee to draft the White Paper. They confirmed Beveridge's view of the rent problem: no adjustment for rent despite the fact that their political masters "*would not easily accept the idea of recourse to Assistance in respect of Rent.*"²⁵ But neither individual or regional variation of benefit for rent was found acceptable. Jowitt, concerned about the issue of rent, was kept in touch by Sheepshanks, who wrote, "*...a rate of benefit has been fixed which does have regard to the cost of living in the average case and would allow the average case to subsist on the benefit received. There must inevitable, however, be variations from the average, and these variations can only be dealt with individually through public assistance.*"²⁶ The Treasury were determined that the 'problem of rent' was not one which was going to command a role in the combatting of poverty through these means. If rent was a problem then new policies on rent control, probably the introduction of rent tribunals, were seen as the answer, **not** a separate element for rent in benefits or specific benefits for rent which they saw as a threatened future demand after family allowances²⁷. "*If there is to be a specific amount in respect of rent there would be pressure to name a figure*

²⁴ Ibid

²⁵PRO PIN8/1; Central Staff Committee on Beveridge, minutes of 2nd meeting - 12th &14th April 1943.

²⁶PRO PIN8/3; Note to the Minister, (Sir William Jowitt), from Sir Thomas Sheepshanks, dated 11th May 1943.

²⁷PRO PIN8/3; B.W. Gilbert (Treasury), to Sheepshanks, 26th May 1943.

*for food, clothing, fuel and light and so on with the danger that any item might be challenged as insufficient. If the benefit rate is to be discussed on these lines it does in fact become subsistence."*²⁸

The White Paper was prepared accordingly. Rent, if a problem was the responsibility of housing policy and could be left to rent control and subsidies. "*It seems probable that during the ten, fifteen or twenty years after the war the proportion of the population living in houses built by Local Authorities will be very considerably increased. The housing programme is acknowledged to have very high priority in the post-war plans. If this expected development takes place, not only will the general standard of housing be raised, but the standard of accommodation and the level of rents throughout the country should show less variation.*"²⁹ Insurance benefits were no guarantee of an affordable rent. Assistance in supplementation of benefit was. One of the fundamental reasons for this conclusion was the concern to limit expenditure and control subsistence led costs.³⁰

The abandonment of an explicit subsistence basis for benefits had already been made by the Government³¹ and opposition to the White Paper centred on it. The Social Security League, an organisation set up to call for the Report's introduction and sponsored by Beveridge, saw the issue of subsistence as "*the fundamental difference*" between the original report and the White Paper.³² However, the Coalition Government's plans to legislate were overtaken by the ending of the war in Europe and the General Election which returned a Labour Government with a landslide victory.

²⁸Ibid

²⁹PRO PIN8/3; The Problem Of Rent, page 13.

³⁰PRO CAB87/12; War Cabinet- Committee on Reconstruction Priorities, P.R.(43) 12th Meeting , 4th June 1943.

³¹House of Commons Official Report, 16th February 1943, Vol 397, Col. 1668.

³²Social Security Guide- the White Paper and The Beveridge Report Compared, The Social Security League, London, 1944; (seen in BP VIII, 43.)

II

The Labour Government 1945-51

Beveridge, a Liberal, largely made Labour's social security policy. His proposals that were brought forward were enacted almost in full³³. However, subsistence was put back into the calculation of insurance benefits, but this only entailed a commitment in principle and a recalculation of Beveridge's proposals to take account of inflation. No attempt was made to reintroduce any element to reflect individual rents or regional variation of needs. The weekly sum of 42 shillings for a married couple that resulted could be lauded as being subsistence, and Labour gained political credence for its return to Beveridge's principles.³⁴ There is no evidence of any consideration being given to the Fabian proposals for rent allowances to accompany benefits despite their continued advocacy of them.³⁵

The other side of Beveridge's plan, a national assistance scheme, was introduced in 1948. The new National Assistance Board, (NAB), was a renamed Assistance Board operating subsistence level benefits at a rate which was originally slightly below Insurance rates. The NAB, on top of scale rates, took the full rent of the claimant into account, as long as it was reasonable. The Board were independent of both the Ministry of Health and Ministry of Pensions and National Insurance. This allowed it to propose its own rates of benefit to Parliament via the Minister for Pensions. As deliberators of their own needs levels for benefit they could thus apply for increases in the means tested national minimum when a change in prices suggested it necessary. This was an independence which was not established for National Insurance whose benefits were only subject to five yearly

³³Labour gave in to TUC pressure on industrial injuries, abandoned the phasing in of pension entitlement and gave full pensions to all current pensioners, and ignored the proposals to have friendly societies as agencies for state insurance, to nationalise industrial assurance and to unify all social security under a single ministry.

³⁴For a fuller discussion of this process see J. Hess, *The Social Policy of the Attlee Government*, in W.J. Mommsen (ed), *The Emergence of the Welfare State in Britain and Germany*, Croon Helm, Beckenham, 1981.

³⁵See, for example, Robson, op-cit, who in several revised editions of his *Social Security* volume continued to print the Fabian evidence to the Beveridge committee in an appendix.

reviews. With the differing ability of insurance and assistance to revalue themselves against the cost of living and the continued problem of rent, these policies together meant that insurance as a universal benefit was severely compromised. The extent to which National Assistance would be called to supplement insurance would depend on subsequent housing and rent policy.

Housing Policy

Labour policy was to build state subsidised housing for all who needed it. The 1930s policy of dividing private new housing in middle class suburbs and slum clearance flats in the inner cities for the poor was viewed as divisive. Instead, Nye Bevan's dream was of universal provision, "*We want diversified communities, and we are trying to create, in the modern estates, some of the agreeable features of the loveliest villages of England in the 17th and 18th Centuries, where people of different income-groups all lived together in the same street.*"³⁶ This dream relied on large scale public house-building by local authorities rather than private builders who could not be trusted to provide for working class families. To avoid wasteful competition over scarce post-war building resources and to ensure more equitable provision it was the local authorities, as 'plannable instruments' who were Labour's builders and providers³⁷. But to enable authorities to afford to build for general needs subsidies were needed and labour and materials would have to be efficiently organised in the chaos of the immediate post-war period.

Labour refused to remove rent control, such legislation was not a priority or politically attractive. The Ridley Committee's suggestions were indefinitely postponed. The provision of public housing would eventually make private renting of decreased importance. Indeed, furnished dwellings were brought within the ambit of rent restriction to counter post-war profiteering. One hindrance to decontrol was the absence of a recent rating valuation, a situation

³⁶House of Commons Official Report, Vol 421, col 236

³⁷See Chenier, The Development and Implementation of Postwar Housing Policy under the Labour Government, Unpublished Oxford University D. Phil., 1984 and M. Foot, Aneurin Bevan 1945-60, Paladin, London, 1965.

addressed by Silkin's Local Government Act of 1948. Apart from this, the effect of inaction was to avoid unaffordability in a manner which created political and economic pressures on future policies for affordability of rent. *"Leaving controlled rents where they were in money terms meant a sharp fall in rents in real terms, and a sharper fall still in landlords' real income because costs of house maintenance rose substantially faster than the general level."*³⁸

The effects on households of inaction on rent control and the subsidisation of council house building was recognised by Bevan. *"You must always remember, when you are talking about council rents, that the rate subsidies are being paid by the people that have worse houses to keep down the rents of people who have better houses"*³⁹ But nothing could alter the political imperative to build quickly and cheaply enough to satisfy political demands. The history and success of the building process has been discussed elsewhere.⁴⁰ Central to building homes was Bevan's agreement on the projected affordability of new homes, which would, in turn, decide subsidies. Central to the decision of what exchequer subsidies could do was the available revenue from rents to accompany them. The rents of new homes was a crucial element of policy.

Deciding An Affordable Rent- And Keeping Costs Down

A notional rent of 10/- had already been agreed by the Coalition government in determining subsidies for prefabs. The Ministry proposed 11/6 for new houses, but this was very much higher than the existing average local authority rent, estimated at 7/-. Bevan thought the figure too high, even though increases in old rents could have assisted local authorities to charge less than this. Discussion with senior civil servants led to a compromise figure of 10/-⁴¹, matching the

³⁸ Holmans, op-cit, p 409

³⁹ Speech to Labour Party Conference 1950

⁴⁰ For a full description of the co-ordination of house-building under the Labour Government see J.A. Chenier, op-cit.

⁴¹PRO HLG/101/252; Note to Accountant General 13th September 1945.

Coalition's figure for prefabs, which was also portrayed as representing 10 per cent. of average earnings. The Treasury opposed this proposed rent, and the accompanying £4 per annum maximum rate contribution to be asked for from local authorities. Dalton, (Chancellor), and Treasury officials were worried about long term expenditure commitments caused by unrealistically low rents. They wanted 12/- provisional rent underlying a short term subsidy. Setting provisional rents equal to those of inferior prefabs was anathema to them. *"If the long term programme envisaged -4 million houses over 10 years- is to be carried out without placing undue burdens on taxpayers and ratepayers, it is essential that the majority of the houses should be built without subsidy.... If the cost of a house eventually settles down at £900, this would involve a rent of something like 15/-.... These considerations by themselves point to a rent appreciably higher even than 12/-, but we recognise that the rent assumed must also have regard to the general level of rents of existing houses".*⁴² The Treasury view still reflected the position of the reconstruction plans of only short term state involvement. The Cabinet were saved Bevan and Dalton's clash. They agreed the 10/- rent level, but only in the short term. Political expediency meant that the government had to deliver houses and local authorities had to be encouraged to start building on a large scale. However, Dalton exacted a long term promise, his agreement was only to defer higher provisional rents for two years, after which the basis for subsidy would be reviewed and then re-reviewed whenever necessary⁴³. Bevan's subsidy package coincided with local authority demands. The AMC had wanted a 10/- rent, a sixty year loan and subsidy period, and a 3:1 central to local contribution.⁴⁴ They got it.

⁴²PRO HLG/101/252; Treasury minute (E. Hale) to Ministry of Health Accountant general, 2nd October 1945.

⁴³PRO HLG 101/252 and T161/1301: Letter from Hugh Dalton to Aneurin Bevan, 26th October 1945 . Other commentators whilst describing the dispute between Dalton & Bevan do not state the conditional outcome of the agreement. See K. O. Morgan, Labour in Power 1945-51, Oxford University Press, Oxford, 1984, page 164; Chenier, op-cit; and Holmans, op-cit.

⁴⁴AMC Housing Committee minutes, 28th November 1945.

The Promise Repaid - Higher Rents

Two years later, economic problems associated with the convertibility of Sterling had led to higher interest rates as well as higher building costs. Pressure for a matching increase in subsidy came from both local authorities who could not afford to build at higher costs, and their tenants who were faced with high rents of these homes. But Bevan was bound to Dalton. Subsidy was frozen at 1946 rates and local authorities were expected to contain costs through stricter controls on construction and to charge higher rents. However, covert Ministry investigations suggested that most local authorities were placing these higher costs on the tenants of new homes rather than spreading them across the stock through pooling arrangements.⁴⁵ Despite the lower real value of subsidies and local practice, Bevan's commitment to affordable rent levels could still be squared with these restrictions. A rise in earning levels meant that the notional rents, though higher, were still at 10 per cent of male industrial earnings. *"Since 1945 earnings have gone up too. It is as easy for a wage earner on the average wage to pay at the 1949 rates of earnings 13/- or 14/- net rent as it was for the wage earner in 1945 to pay 10/-*

¹¹⁴⁶

Labour's Later Building Programme

Despite the economic crisis of the late 1940s the Housing programme was favourably regarded within Cabinet. Building continued, and on each annual review of housing subsidy the frozen value on subsidy was maintained with the Government continuing to argue that the rent was still affordable as it rose in line with average earnings. Bevan became Minister of Labour in 1951 and Hugh Dalton, having had to resign as Chancellor, returned to government as Minister of a smaller and more specialised unit, Local Government and Planning. The change of responsibility did not herald any substantial changes in policy. Subsidies were still to be frozen. Gaitskell as Chancellor made it clear that: *"He is not prepared to consider an increase in the subsidy and has written on our papers: "If*

⁴⁵PRO HLG101/26 - Minute dated 26th August 1948, and accompanying survey of rents.

⁴⁶House of Commons Official Report, 4 July 1949, col 1829.

there are higher costs rents will have to be put up. People have more money to pay."⁴⁷ Dalton as Chancellor had tied his own hands as a subsequent Minister. He told the local authorities he had no hope of persuading his colleagues to give housing subsidies preferential treatment in a time of cutbacks in food and health subsidies. If this meant increases in rent then: "*.. wages had gone up also. It was true, was it not, that the tenants of Council houses- not perhaps all of them individually but the greater bulk- were now able to pay higher rents. He felt sure that authorities would agree that in the circumstances it was not unjust to their tenants to put their rents up. They could meet the extra costs in one or a combination of four ways- (i) by raising the rents of all their houses or (ii) by raising the rents of their post-war houses or (iii) by drawing on any surplus money they had in their Housing Revenue Accounts or (iv) by raising their general rates*"⁴⁸. Missing from Dalton's prescription was any mention of selective rent policy.

Dalton's concession to increased costs was to allow authorities to build smaller houses, a move which was welcomed by the Associations. This changed proved to be Dalton's lasting legacy. Before any changes in policy could be determined the precarious Labour majority of 1951 fell and the General Election returned Churchill and a Tory Government.

Labour and Rebates.

In the immediate aftermath of war only a small minority of authorities used rebate schemes or checked the incomes of housing applicants. Means-testing housing did not fit with the popular conception of post-war social policy. Under Bevan, the Ministry was ambivalent but would not condemn such actions, "*... in the present housing shortage, the primary consideration must be that of housing need. Having this essential criterion well in mind it is, however, still desirable to ensure that the benefits of an artificially low rent shall go where they are most required . In these circumstances most local authorities make as a matter of routine some general enquiry*

⁴⁷PRO HLG 101/254; Letter from Treasury, (Gomm), to MLGP, (Edwards), dated 9th June 1951.

⁴⁸PRO HLG101/254; Note of a meeting with Local Authority Associations 19th June 1951; AMC Housing Committee 12th September 1951, Appendix A.

about the income of their applicant"⁴⁹ Rises in rents, even during Bevan's tenure, were unpopular and led to vocal lobbying from Labour Parties and tenants groups⁵⁰, reaching a height in 1948, but was countered by laying the responsibility on the particular local authorities. Tenants saw higher subsidies and better central control of rent levels as the answer, not rebate schemes, which were condemned as a palliative to the problem of high rents - a "*new form of means test*"⁵¹. However, Bevan continued to support the raising of pre-war rents to assist in housing finance.

III

The Conservative Governments 1951-64

"Our purpose was different."⁵²

Housing - An Alternative Political Strategy

The new Conservative government inherited an economic crisis and an election promise to out-build Labour. Such a promise, 300,000 homes a year, was expensive and sat awkwardly next to commitments to reduce and contain public spending. However, Macmillan, in charge of the newly renamed Ministry of Housing and Local Government, produced a political strategy which would enable Conservative housing policy to reap meet its short term promises and fulfil long term ideologically more consistent aims. Within the first year of Macmillan's tenure he had not only produced a strategic housing policy, but also had improved organisational structures within the Ministry creating a Minister's Council of top advisers, and had brought in private expertise. Outside the

⁴⁹PRO HLG101/24 In reply to Parliamentary correspondence about income tests being used by councils. Letter to Lt. Col. C.F. Byers M.P., 2nd May 1946.

⁵⁰PRO HLG101/24 Letter to Southend Labour Party 14th September 1946; and PRO HLG 101/27 Letter dated 24th September 1945.

⁵¹ Ibid

⁵² Harold Macmillan, Tides of fortune 1945-55, Macmillan, London, 1969. Page 406

Ministry he freed building from many of the previous restrictions and confirmed Dalton's lower building standards for housing. By June 1952 the short and long term visions were clear. The immediate political necessity of more house-building meant higher subsidies to local authorities: "*In the short term increased subsidies are essential to keep the local authority housing machine grinding out houses.*"⁵³ In the long term, policy turned on recasting rents across public and private sectors and encouraging private provision of housing through owner-occupation.

Rents and Housing Strategy

Rent policy, and more specifically low rents resulting from control or through widespread general subsidies, was a problem which required a long term policy: "*the question of subsidies and of rent control could only be dealt with as a whole. So long as the latter could not be touched, the former must remain. The time had not yet come to deal with the problem of rents.*"⁵⁴ The 'grand design' for Conservative housing policy for the 1950s and beyond was to stand Bevan's dream on its head. Housing was not to be a universal social service: "*Policy has to determine whether housing should develop as a social service in which the provision for the people at large is to be made on the assumption of a charge on public funds - as in education or health - or primarily on a self-supporting basis, with a limitation of this charge to those in need. Apart from the arguments on principle, there is the material point that it will be physically impracticable for many years to come to spread the benefits of housing over the people at large in the same way as is practicable for health and education.*"⁵⁵ Public housing should no longer provide for general needs: "*the scope of municipal tenancy must be limited or a comprehensive scheme of differential rents must be adopted, so as to ensure that all who can pay for the full cost of their accommodation must do so.*"⁵⁶ Rents for pre-war municipal houses should rise

⁵³PRO HLG101/504; Housing Subsidies, H/POL/14.

⁵⁴ Ibid, (my emphasis).

⁵⁵ Ibid.

⁵⁶ Ibid.

following the withdrawal of subsidies for new building which would force an equalisation of rents. Private rents should rise on condition of good repair. Tenure sponsorship under this grand design was towards individual owner-occupation. Cheap, affordable rents were viewed as an obstruction to this political aim: "*The objective of a property owning democracy cannot be secured if the dice are cast against the prospective applicant...at every stage.*"⁵⁷

Rents, therefore, would be made to rise not only to reflect the real increase in post war prices and incomes, but also to a level where they were comparable with the costs of house purchase. Whilst the first of these reasons echoed the planning of the war time government, sponsoring home ownership by making renting less affordable was a part of a party political strategy which viewed a property owning democracy as the future bastion of Conservative votes. Raising rents to levels above what was needed to reflect income and price rises can be described as a policy of 'less affordability'. The new policy was agreed by Cabinet in February 1953.

Macmillan and Public Subsidies- A Marriage of Convenience

Macmillan's long term strategy of reducing subsidy relied in the short term on doing the opposite: large scale subsidisation of public housing. The political target of 300,000 homes a year would require a high profile courtship of local authorities and a substantial dowry in subsidy. However, to continue the analogy, the Treasury were not happy to pay for all of the wedding. Butler, Chancellor, did not agree with Macmillan's proposed rent basis of 18/- for subsidies. He wanted 19/- and a consequent saving of £2 million. The disagreement was not unreconcilable, the Chancellor understood the need for increased subsidies in the short term.⁵⁸ "*But any increase in subsidy would place a large future burden on the country and he was disturbed at the divergence between the cost of the subsidised and that of the unsubsidised house. There was, however, no prospect of tackling this problem*

⁵⁷ Ibid.

⁵⁸ PRO CAB134/908; Home Affairs Committee 28th January 1952, item 2 -"Review of Housing Subsidies".

radically until it became possible to free the house-building market. He had therefore reached the conclusion that an increase in subsidy could not be avoided."⁵⁹ Macmillan's proposals were agreed and local authorities, pleased that at last their remonstrations had been heard, began to build in numbers.

Looking for Savings

Expenditure on housing subsidies depended on the number of houses built in any year together with the outstanding subsidy commitments to houses already built. The short term strategy of increasing subsidised building rankled the Treasury, who, whilst realising that housing subsidies were not a "*promising candidate for economy*"⁶⁰, wanted to flex parsimonious muscle. When Butler asked for savings, Macmillan failed to identify any. This "*very disappointing*"⁶¹, outcome was unacceptable and Butler asked again. To concentrate Ministry minds the Treasury suggested reducing spending through introducing rent rebates: "*.. the Chancellor says, we should make a start in the direction of reducing the burden. The most promising method seems to me the rent rebate schemes operated by some authorities. They charge the tenant the full economic rent of the house. If he can show that he cannot afford to pay it - and this involves a means test - he receives a rebate up to the full amount of subsidy. If, on the other hand, he can pay, he does, and the subsidy is pro tanto saved, directly or indirectly.*"⁶² Butler wrote personally to Macmillan to press him directly on this suggestion as one way of "*eliminating unnecessarily low rents.*"⁶³ Macmillan had put the matter of rebates to the Central Housing Advisory Committee and replied

⁵⁹PRO CAB128/24 - CC(52) 10th Conclusions: Minute 9.

⁶⁰PRO T227/186; Minute: Economy in Government Expenditure, 30th October 1952.

⁶¹PRO T227/186; Hand written comment, dated 14th November 1952, on Memorandum: Economy - Ministry of Housing & Local Government and Department of Health (Scotland).

⁶²PRO T227/186; Memorandum: Economy 27th November 1952.

⁶³PRO T227/186; Letter dated 3rd December 1952

that until it had reported nothing could be done, a reply condemned as "*abominably superficial*"⁶⁴ by one Treasury official.

The pressure to control expenditure was keenly felt by the Ministry, and the higher subsidies were soon reviewed. Demands for subsidy rested on current building costs but many authorities had housing stock built at lower costs which could be rented more expensively to increase income and help to keep new rents down. The move to pool subsidies and rents across all of a local authorities housing stock, a central policy commitment begun in 1935 and quietly encouraged by Bevan, was made more predominant. "*House rents should be related not to building costs prevailing at the time when a house was built, but to size, state of repair and amenities. By means of equalisation, rent increases could be kept to a minimum*"⁶⁵ Immediate action in 1952 or 1953 on rents was hampered by administrative and political problems. The matter, like rebates, was put to CHAC. The problem was that, "*In general it is considered that pooling pre-war and post-war rents assists in letting problems, but authorities are reluctant to pool at a late stage in the post-war programme because of the anticipated resentment of pre-war tenants (who feel that they, rather than the general body of rate-payers, are carrying a heavy share of the burden of post-war building costs.) Also, in a period of continued building and rising costs frequent rent reviews and increases are necessary producing dissatisfaction and sometimes hardship too.*"⁶⁶ If rent comparisons within the public sector were a problem then comparisons with controlled rents were worse. Private rents were low in comparison and dragged down their public counterparts, but there was little legislative time for introducing new decontrol measures.

Higher rents in the public sector necessarily meant introducing rebates on a wider scale and local authority and tenants opposition was assured. "*A bold rents policy - including the amendment of the Rent Restriction Acts- would assist this process by*

⁶⁴PRO T227/186; Note by D.J. Mitchell dated 10th December 1952.

⁶⁵PRO HLG101/504; Housing Policy Committee 6th March 1952

⁶⁶PRO HLG37/27; Memorandum of Evidence, Society of Housing Managers.

*bringing public opinion to the realisation that the ordinary man must pay a bigger proportion of his income in rent than for tobacco, beer and television. On the other hand, the new rates of subsidy will increase the already heavy housing burden on the local rates. This may cause some local authorities to decline to build more houses than they have built already on the ground that they cannot keep on adding to their housing rate burden. Does all this suggest that we should start now a gradual movement towards more and more private enterprise building?"*⁶⁷ Rent policy required a step by step approach which allowed a gradual move towards a decontrolled and unsubsidised future. The steps would be in both private and public renting.

Repairs and Rent increases- The First Step

Raising rents in the private sector was the first step, argued on the grounds of necessary repairs. In early 1953 the Ministry began to assemble information concerning rent increases in Council housing to provide information on repair costs. The most useful conclusion from the mess was *"that the tenants of local authority houses have been prepared to swallow much larger increases than we have in mind for the Rent Bill"*⁶⁸. There were, however, political and economic dangers in rent decontrol. The Treasury were anxious for change but saw that: *"Putting up controlled rents will hit about three quarters of those who rent houses. Roughly speaking the poorest 75 per cent of the nation are tenants as opposed to owner occupiers, so that such a measure is regressive."*⁶⁹ The decontrol of private rents was so politically controversial that there would be no frontal attack. Churchill was concerned that rent control was leading landlords to abandon property and wondered whether these could be purchased by local authorities and put into good repair.⁷⁰ Macmillan's proposals, at Churchill's request, were designed to

⁶⁷PRO HLG101/506; Housing Policy Committee, H/POL.14, Housing Subsidies and Their Implications, a note by S.F. Wilkinson. 5th March 1952.

⁶⁸PRO HLG101/27, Note from J. Beddoe to Edith Sharp dated 13th April 1953.

⁶⁹PRO T230/256; Economic Advisory Section Memorandum, "Rent Control", dated 29th January 1953.

⁷⁰PRO CAB128/25; CC(52) 78th Conclusions 4th September 1952.

give landlords no financial benefit above and beyond the necessary expenditure for repair.⁷¹ A rent bill dressed as a 'Repair Bill' met Cabinet jitters about increasing the rents of between 4 and 6 million homes and the bill was designed so that "... *there would not be an increase in rents until some work on the house had been done after a specified date, ..or the number of rents increased should be limited to, say, 200,000 or 300,000 a year*"⁷² Despite the fact that the legislative timetable was already crowded, it became part of the Government's programme.⁷³

A maximum rent figure was needed for rents raised after repair. The Ridley Committee⁷⁴ had estimated the difference between controlled and market rent at 30 per cent, but the Revenue's new estimates were nearer 75 per cent. In the light of this, with the injunction to stop landlords profiteering from increases, it was considered that a maximum increase be introduced linked to rateable value. The Cabinet agreed it as an admirable plan and "*an essential preliminary to any reduction of subsidy*"⁷⁵. The White Paper,⁷⁶ in Macmillan's hyperbole, 'Operation Rescue', was published in November 1953. At the Report stage of the Bill Macmillan removed all newly built houses and flats from rent control. The amended proposals became law on 30th July 1954. It was the first step to decontrol, and a simultaneous first step towards reductions in public housing subsidy.

Reviewing Housing Subsidies

The press had aired resentment against high income tenants receiving subsidised housing. The Ministry agreed: "*It is the classic case of a subsidy being paid for the benefit of a fortunate few out of the pockets of the general populace most of whom are in*

⁷¹PRO CAB128/25; CC(52) 83rd. Conclusions, 1st October 1952.

⁷²PRO HLG68/84; Minutes of Minister's Council 2nd October 1952.

⁷³ Ibid.

⁷⁴ Cmnd. 6621 op-cit.

⁷⁵PRO CAB128/26; CC(53) 27th. Conclusions, 16th April 1953.

⁷⁶Cmd 8996, Houses, The Next Step, 1953, HMSO. London.

poorer circumstances than the recipients."⁷⁷. The desire for economy and the rejection of inefficient or inequitable subsidy also existed within local authorities: the Treasurers of local authorities were viewed by civil servants as an important source of advice and assistance on the matter.⁷⁸ Control of public spending was still high priority for the Treasury⁷⁹, they suggested making council housing selective by an income limit, or differential rents "*..the general idea seems to me to be a pretty good candidate for a future 'new look' at the housing subsidies, and I imagine it might save quite a lot of money. I suppose the thing that would have to be done would be to say that every tenant of a local authority's house would have to pay either say, one-fifth of his income or the economic rent of the house, whichever is the less. Surely the local authorities would get quite a lot of money out of this, which could be used to reduce the total subsidy or to reduce the Government's share.*"⁸⁰ This suggestion was not feasible without direct central control of rents, which had too great a potential political and administrative cost. For this reason, changing subsidies to a deficiency grant, subsidising the actual loss in the HRA, was rejected. "*The sum total of all these conditions means that local authorities would have far less discretion than they have at present and would become little more than agents for the central government, while the Department would be involved in an immense burden of detailed administrative work. We had the experience of the Addison Act schemes to show us that this is not a theoretical possibility but a real fact.*"⁸¹

⁷⁷PRO HLG101/618; Housing Subsidies and The Housing Programme. Review of the Rates of Subsidy. Paragraph 30, page 6. Undated.

⁷⁸Macmillan wrote to other Ministers concerned with local authority spending- "*asking whether they would see any objection to a meeting of the Accountants General concerned to consider whether it was practicable to ask selected local authority Treasurers privately to make suggestions for economies.*" Links with selected local authority Treasurers were used by the Ministry to test the ground concerning subsidy changes.

⁷⁹The Chancellor had decided against an "Economy Committee" as it was "*politically dangerous*". PRO HLG68/84 Minute of Minister's Council 25th March 1953.

⁸⁰PRO HLG101/618; Personal Note to F.L. Edwards from Clarke, Treasury, dated 6th February 1954.

⁸¹PRO HLG101/618; J. Beddoe to Accountant General, Housing Subsidies, 27th November 1953

Alternatives to a unit based subsidy were not very attractive. Macmillan had asked the Central Housing Advisory Committee, (CHAC), to review, *inter alia*, rent policies of local authorities. The Housing Management Sub-committee, chaired by Henry Brooke M.P. took on the review of local authority allocation and tenant mobility and rent policies.⁸² The Brooke report, whilst equivocal on selective rent policies, provided ammunition for the Ministry in its pursuit of a revised financial regime for Council housing. A proposal for a differential unit subsidy was developed. General needs subsidy would cease except in exceptional cases; instead subsidy would be available for slum clearance and hence be indirectly targeted at low income tenants. "*By and large the slum population is poor and can only pay low rents.*"⁸³ General needs housing could only continue if local authorities could be persuaded to "*increase their resources by putting up rents of existing houses and by applying a differential rent scheme.*"⁸⁴ The outline policy was agreed at Minister's Council in January 1954, but its implementation was aimed for April 1956, "*i.e. when the general election is out of the way*"⁸⁵, and the new package of differential subsidies went to the Cabinet in July 1954. It was agreed but several Ministers wondered whether "*the time was not yet ripe for the introduction of this financial method of control*"⁸⁶. However, the abandonment of general needs subsidy was seen as a necessary lever to raise rents and to reduce public expenditure on subsidy. But would local authorities raise their rents?

⁸²Transfers, Exchanges And Rents, Fourth Report of the Housing Management Sub-Committee of the Central Housing Advisory Committee. Ministry of Housing & Local Government, HMSO, London, 1953.

⁸³PRO HLG101/618; Undated paper entitled "Housing Subsidies".

⁸⁴ Ibid.

⁸⁵PRO HLG101/618; File note dated 26th January 1954.

⁸⁶PRO CAB128/27; Cabinet minutes CC(54) 54th Conclusion, 27th July 1954. Council waiting lists still showed a outstanding demand for houses, particularly in the Midlands. The Tory Party at large were finding it difficult to convince constituents concerning housing policy - "*...Conservative organisations throughout the country....were still grappling with the task of removing misconceptions about the Housing Repairs and Rents Bill, would prefer to postpone for a time the further duty of defending a lower rate of subsidy for local authority houses built to meet general needs.*"

Treasury Pressure & Local Opposition

The new subsidy proposals fitted the requirements of the review of public expenditure by the Committee on Civil Expenditure, (Swinton Committee). The Ministry, together with all departments, was asked to "*submit detailed explanations of their latest estimates for expenditure in 1955-56, showing the increases over 1954-55 and how such increases could be eliminated*"⁸⁷, and "*show what would be the results of applying cuts of 5 per cent and 10 per cent respectively to their total civil expenditure for 1955-56, and to indicate what measures, including legislation, would be required to secure these savings.*"⁸⁸ The new subsidy regime fitted the requirements in the long run, but in the short term a concession to spending could also be given. Subsidy rates under the existing scheme were reduced as Public Works Loan Board rates of interest had fallen. However, convincing the local authorities was a problem.

The authorities pressed for no reductions, a point on which Macmillan was "*disappointed but not surprised*"⁸⁹. Meeting them, he took the opportunity to point out the anomalies between authorities on rent levels. Afterwards, The Ministry wrote to its confidant on the AMC delegation, "*I am just about in despair that the old donkey of the AMC will not at this date accept the necessity of increasing the rent as costs rise as long as that cost is not out of accord with average earnings. How can we ever get a realistic system of housing on an economic basis if it is glibly assumed that every increase in cost is to be borne by subsidy from the Exchequer or rates?*"⁹⁰ Macmillan used the division between authority practice and the evidence of increased average earnings to counter opposition. In addition, some authorities had begun to run their HRAs at a surplus and had asked the Associations to

⁸⁷PRO HLG101/618; 'Proposals for securing the Earliest Relief to the Exchequer', undated.

⁸⁸Ibid.

⁸⁹AMC Housing Committee Minutes, 14th July 1954, Appendix B.

⁹⁰PRO HLG101/618; Letter from Edwards to W.O. Atkinson, Borough Treasurer, Acton, (an AMC representative), dated 25th June 1954, following Atkinson's "*private and advance information of the points being taken.*"

pursue their case for reduced rate fund contributions⁹¹. These differences enabled Macmillan to enlarge his proposals for subsidy changes to allow this. By doing so he could gain maximum political advantage by supporting local discretion and undermining collective bargaining by the Associations. *"Local authorities should be free to do what they like. They will get full subsidy for 'slum clearance' or 'overcrowded' houses; reduced or no subsidy for other houses; possibly 'special' subsidy in certain cases."*⁹²

Macmillan was not to introduce his new subsidy scheme to Parliament. In October 1954 he became Minister for Defence and Duncan Sandys became Minister for Housing. Presenting the Housing Subsidies Bill, Sandys revoked the principle of affordability which had underlain all post war subsidies: the fixed proportion of average incomes as notional rent. *"The Council tenant is heavily subsidised: he must feel the effect of the increases just as those who are buying their houses (and therefore foregoing subsidies) have felt the increases in Building Society terms for mortgages, old and new."*⁹³ A reduced general needs subsidy continued as transitional payments, but was never presented as anything permanent. In fact it lasted for a year.

Opposition to the Bill was strong in local authorities, in particular the Urban Districts who convened a special general meeting of the UDCA at which they condemned the proposals and called for their removal⁹⁴ But opposition to the proposals was weakened by the inequitable distribution of rents and subsidies which had arisen from previous policies. Even Nye Bevan agreed on pooling to harmonise rents, *"..I do not think that local authorities should object to pooling their rents. It is perfectly reasonable that tenants of a local authority living in houses built in*

⁹¹The AMC's view of members requests for them to approach the Ministry to allow cessation of rate contribution had been negative. Its view was that the alternatives, balances on the HRA and rebate schemes, were preferable. AMC Housing Committee minutes 12th January 1955 and Appendix.

⁹²PRO HLG68/85; Note by Minister dated 1st January 1954

⁹³PRO HLG101/714; Untitled document, part B- "The Case for not increasing the Slum Clearance etc Subsidy Appreciably above the Present Figures".

⁹⁴UDCA Minutes. Minutes of the Special Meeting of the Association, Friday, 20th January, 1956.

pre-war days should have their rents readjusted so as to try to obtain some help for post-war houses.... It is therefore reasonable in my view that the rents which local authority tenants pay should be related to the amenities of the houses themselves and not necessarily to the individual cost of construction. I think nobody in the country disagrees with me."⁹⁵ Once the principle of pooling was accepted the opposition to the Bill became increasingly academic, "*..since if the costs of the new houses being built by local authorities are pooled with those houses they already own, the rents of all houses of similar amenities can be kept down to a reasonable level, and the increase in rents needed to meet the cost of the latest houses is, when spread over all houses, very small.*"⁹⁶ Opposition became more centred on the covert proposals for greater use of selective rent policies: rent rebates and differential rents.

The next step in the 'grand design' was to remove rent control.

Private Rents & Decontrol

Low rents could not be allowed to continue if the wider aims of policy were to be met. "*Rent decontrol is a cardinal element in the housing policy which the Treasury is advocating. The immediate object of Treasury policy is to deflate the demand for new houses. The only effective method of doing this is to ensure that economic rents are charged over as wide a field as possible. This involves eliminating subsidies, both open and concealed.*"⁹⁷ Rent control was "*a drag on further increases in Council rents*"⁹⁸. Despite the 1954 Act repair and renovation were discouraged by continued control, it decreased mobility and encouraged under-occupation, and the need to prevent profiteering in a situation of housing shortage after the War was seen to be no longer necessary. The government needed no independent committee to advise on rent decontrol, it had already taken the policy decision to do so.

⁹⁵House of Commons, Official Report, 2nd February, 1956. Col. 1116.

⁹⁶PRO HLG101/74; Undated Note regarding Bevan's speech.

⁹⁷PRO T230/327; Memorandum by the Ministry of Housing and Local Government, "Reform of The Rent Acts", for the Committee on the Rent Acts - RR(56)2

⁹⁸Ibid

Essential to decontrol policy was a successful revaluation of rateable values. Decontrol was linked to rateable value and, beginning with higher valued properties, a rolling programme of decontrol by value was envisaged. The Rent Act of 1957 allowed eventual complete decontrol without further legislation. The political development of policy and the lobby of tenants and landlords is described by Barnett⁹⁹, and will not be discussed here. Instead, I concentrate on the underlying conception of rent levels and their affordability which accompanied government policy. Rents of controlled property, subject to repair provisions, were designed to rise as follows: for all property over a rateable value over £30, (£40 in London), full decontrol meant rents at market rates; for property below these values decontrol could occur on vacant possession only and increases were limited to a maximum annual rent of twice the rateable value. How would these rents be afforded? First, the freezing of rents by control had meant that the proportion of income spent on rents had declined significantly while incomes had grown significantly. Second, for the pensioners, or to others on low income, the national Assistance Board would assist with rent. Treasury documents show that National Assistance was seen as providing the basis for affordability of the new rents for the 'hard cases'- the retired and the unoccupied with incomes of less than £200 a year¹⁰⁰. The effects on assistance expenditure and insurance supplementation are discussed below. Lastly, tenants of slum property on which there was a certificate of disrepair would face no increase.

The removal of tenants' security together with the increases in rents produced large scale political problems. It was Henry Brooke, Sandys' replacement, who had to deal with the repercussions of policy. A result was the Landlord and Tenant (Temporary Provisions) Act which postponed the full effect of decontrol for higher rated properties. However, with the passing of the Rent Act 1957, the comprehensive housing policy outlined by Macmillan in 1952 has largely been implemented. However, Macmillan's conservative vision of a move towards

⁹⁹M.J. Barnett, The Politics of Legislation, Weidenfield and Nicholson, London, 1969.

¹⁰⁰PRO T230/326; Memorandum, 'The Decontrol of Rents', by J.G. Cox. 24th November 1955.

market predominance in housing through owner occupation and a reduction of public subsidies to a residual role of slum clearance and, later, provision for the elderly, did not fulfil housing requirements. There was a move back to increased public subsidies.

The Public Sector - The 'Problem' of Rents and Subsidies

Keith Joseph, Henry Brooke's deputy, saw targeting public housing to those most in need as requiring higher rents : "*Most authorities have enough cheap pre-war houses and enough above-average income tenants to enable them to do this, even if some of the better-off tenants quit and fend for themselves rather than pay a full rent for a dwelling that they will never own, but there will still remain, from the full rents of the next income level, and the pooled subsidies, ample to enable them (local authorities) to reduce the rents of those who are least well off.*"¹⁰¹ Encouragement to local authorities to introduce selective use of subsidy through changes in central subsidies and written guidance had not stopped a significant proportion of authorities refusing to implement rebate schemes or only introducing token rebate schemes. The financial, regional, social and political differences between authorities stood in the way of a comprehensive selective subsidy regime. Some authorities had large stocks of older houses, many had not. Different rate fund contributions were made, differences existed in the need to build more houses and different entitlements to previous subsidies accentuated the problem¹⁰². As a result, assistance continued to smaller authorities who had little financial need whilst larger urban authorities with large outstanding slum-clearance programmes had insufficient incentive to pursue rebuilding vigorously. The Ministry sought to introduce revised economic incentives which recognised differences between

¹⁰¹House of Commons, Official Report, Volume 619, column 1502.

¹⁰²Nevitt puts the problem concisely: "*The bringing forward of the subsidy depends on the building of houses. If a local authority decides not to build any more houses it continues to obtain subsidies in respect of houses built at half the present cost of building, although the tenants could afford to pay an unsubsidised rent. Even worse, local authorities which did not build houses when they were cheaper to build, obtain an Exchequer subsidy which is too low to cover the gap between the amount the authority's applicants can afford to pay and the current economic rent for new houses.*" A. A. Nevitt, Housing Taxation and Subsidies, Nelson, London, 1966; page 93.

different HRA profiles. Direct political involvement in rent setting policies had shown itself to be bloody and costly in Scotland¹⁰³.

The Solution- The Housing Act 1961

In the Ministry's view financial need would become the primary factor to determine any authority's subsidy. To design a subsidy system which could take account of such differences meant that the post-war fixed-rate subsidies which were attached to dwellings built was rejected. A 'perfect' readjustment of subsidies would require the withdrawal of promised Exchequer support from previous schemes, but such a politically provocative suggestion was not openly considered. Instead, future subsidies were altered so as to meet the difference between the costs and income of each authority concerned.

Subsidies for building for all types of dwellings, (there was no restriction on building for general needs), would be £8 per year per dwelling for 60 years for those authorities whose HRA's costs balanced with income, and £24 for those who had an HRA deficit. But instead of calculating deficit or balance on actual figures the Ministry would use notional figures of their own. By using notional figures for rent it provided a financial incentive for authorities to raise rents or increase rate fund contributions to make up the difference between actual and notional rent. In choosing the basis for calculating notional rent the only national indicator available was gross rateable value, (g.v.). Rateable values were out of date and would not be revalued until 1963, and so the notional rent income for subsidy was based on a figure of twice the total g.v. for each local authority's housing stock. This formula corresponded with the figure used in the Rent Act for calculation of maximum rent following decontrol.

The Brooke Act marked a sea change in public subsidies by being the first step towards a post-war scheme of deficit subsidy. The subsidies it granted were also open to review within their sixty year life; the first occasion on which central

¹⁰³Public enquiries into Glasgow & others rent setting policies was followed by the involvement of District Auditor in the late 1950s

subsidy had been given in such an equivocal manner. Whilst the change to a more selective subsidy was viewed as a step in the right direction, Brooke did not herald it as the long term answer. The Tory panacea would have to await the rating revaluation due in 1963¹⁰⁴. In the mean time the discrepancies between different authorities' building history could begin to be overcome, whilst each authority could continue to use the lower actual historic costs to assist in balancing the housing account. Whilst the 1961 Act brought in heightened incentives to raise rents to levels near to the assumed rent formula there was no remedy for the problem of continued subsidisation of authorities who had no longer any perceived need for their historic subsidy commitment and who subsequently could reduce rate fund contributions and make 'profits' on the rent account. Local authorities were happy with the revised scheme of subsidies but they were concerned by the equivocal commitment to 60 year assistance and the power to renege on earlier subsidy promises¹⁰⁵.

Long Term Subsidy Changes- The AMC proposals

Part of the Ministry's hesitancy in introducing a deficit subsidy was a fear of local opposition. That fear was not entirely unfounded, but was perhaps overstated. The AMC was faced with repeated requests from members to advocate a new scheme of subsidies based on lower interest rates or interest-free loans¹⁰⁶. The AMC, accepting that fundamental changes in housing finance were needed, set up its own review of housing finance in January 1961. The subsequent report rejected subsidies based on interest rate levels and instead put forward

¹⁰⁴Brooke during Committee stage explicitly stated that the 1963 revaluation would be used to review subsidies on the basis of fairness. check and ref.

¹⁰⁵AMC Housing Committee Minutes 28th February 1961, and 18th July 1961, where the following was resolved: "*..the proposals contained in the Bill to a large extent meet the consistent demands of the Association for a general subsidy for all housing, the abolition of differential subsidies and for freedom for authorities to meet their housing needs without an artificial bias being given to their programmes by varying subsidy rates..*"

¹⁰⁶For instance, Eccles, having failed to obtain the Association's support for such loans, set up its own conference for Lancashire authorities which endorsed, inter alia, its call for reduced PWLB rates at 3 per cent.; Minutes of AMC Housing Committee 27th November 1962.

suggestions which contained many elements of a deficit subsidy¹⁰⁷. 1963 gross values were the basis for subsidy: "*the present correct rent level for local authority dwellings should correspond very closely to, but should not exceed, the new gross values included in the 1963 valuations.*"¹⁰⁸ The attraction of the 1963 gross values was that it was "*an objective and independent assessment of rent levels*"¹⁰⁹; in other words they could be seen as politically neutral in the heated debate over rents and subsidies. Whilst using gross value as a neutral value was possible it could not be made to have any practical meaning in the sharing of housing costs between tenant, rate-payer and the Exchequer as this depended on overt political decision at the local and national level. Even so, "*it would be unrealistic in seeking a new subsidy structure not to have regard to official policy and economic trends of the last few years.*"¹¹⁰ Authorities were not prepared to have previously promised subsidy withdrawn in any new financial regime, although this was considered: "*a consolidation of existing subsidies now in payment, or their absorption in a new financial relationship between authorities and the Government, but they concluded that the practical difficulties were insuperable.*"

Their suggestions for a revised subsidy system sought basic subsidies which, following the principle of the 1961 Act, was based on imputed income equivalent to a proportion of the 1963 values, and which reflected the rising building costs and realistic long-term interest rates. In addition, they suggested specific subsidies for high cost and high rise building, and supplemental subsidies for new building where realistic rents were not enough to balance the HRA without a rate subsidy in excess of a 3d rate. "*The proposed subsidy structure would incorporate principles found in past and in current legislation, would achieve a fair and proper*

¹⁰⁷Housing Costs and Finance: Report of the Housing Costs and Finance Sub-Committee, AMC Housing Committee Minutes 20th February 1963: Appendix A.

¹⁰⁸Ibid.

¹⁰⁹Ibid.

¹¹⁰Ibid.

apportionment of costs to the parties concerned, and would introduce realism into housing finance."¹¹¹

The Ministry's Proposals

The AMC's report was published in March 1963. The Ministry's reaction is unknown but in May the Government released a White Paper¹¹² which invited local authority representatives to join a process of 'complete overhaul of housing subsidies'. Dr. Charles Hill, the new Minister, enlarged upon this invitation. The aim of the review was to take forward 1961 principles and refine them to enable forward planning of building programmes on reliable assumptions of costs and rent income held in common. On the question of rents, Hill's views were explicitly put, "*..rents should be related to cost (spread over the whole of the authority's houses) except where this would put too heavy a burden on the tenant's resources in which event subsidy should be available.*"¹¹³ Subsidy was to be only on the basis of unaffordable levels of cost rents in differing areas of the country. Hill did not think that "*any other basis could be acceptable in measuring the subsidy which the Exchequer should be expected to contribute*"¹¹⁴. But, within this proposal was the aim of consolidation and recasting of old subsidies, the matter most hotly opposed by local authorities. "*If it were possible to wipe the slate clean and to use this money to provide subsidy to local authorities in accordance with their needs, a much better and more equitable subsidy structure would be devised than if a new scheme has to start from the existing position. The Minister asks the representatives of local authorities to consider whether they would be willing to examine new proposals on this basis. In suggesting this he has no intention of reducing the total amount of money being paid out and committed to local authorities;*"¹¹⁵

¹¹¹Ibid.

¹¹²Housing, Cmnd. 2050, HMSO, London, 1963.

¹¹³Review of Housing Subsidies: Memorandum by the Minister of Housing and Local Government, reproduced as Appendix B to AMC Housing Committee Minutes 28th May 1963.

¹¹⁴Ibid

¹¹⁵Ibid.

The Consensus Consolidated - A Working Party on Subsidies

A working party was set up of Ministry and Local Authority representatives. Its unpublished report said that *"the need for subsidy, for both new and old houses, should be measured by the total state of the housing revenue account"*¹¹⁶. HRA deficits based on rents from the new 1963 valuation would form the basis for subsidy. *"consideration might be given to the payment of subsidy in future on the basis of any deficiency in the housing account after taking into account (a) actual expenditure on debt charges, repairs, supervision and management and any other expenses, and (b) the notional income from rents together with income from any other sources"*¹¹⁷

The Report itself was framed as a return to the axioms of housing policy: *"The historic purpose of housing subsidies was to bridge the gap between the cost of providing a dwelling and that amount which poorer people might reasonably be expected to pay in rent."*¹¹⁸ Affordable levels of rent and more market level rents based on rateable values were to be brought together, *".. at the maximum use notional rents lying somewhere between 0.9 and 1 gross value. Average net rents at this level would not exceed the rent paying capacity of local authority tenants, being equivalent to one-seventh of the average weekly head of household income, or one tenth of family income."*¹¹⁹ 21 paragraphs of the Report were an analysis of rent and income levels gained from secondary analysis of the Family Expenditure Survey and the efficient and equitable distribution of subsidy to lower incomes was a dominant theme. The discussions of housing finance also touched on a move towards means tested housing allowances but, *"We did not pursue this discussion, however, because it is clear that this involves not only an overhaul of the subsidy structure but a radical alteration in the existing administration of social policy. we have unanimously agreed in*

¹¹⁶Report of the Working Party on Local Authority Housing Finance - unpublished. Quotation from AMC Housing Committee Minutes, 9th February 1965 - Appendix

¹¹⁷ Ibid

¹¹⁸ Para 3 of the Report as quoted in GLC Housing Papers: GLRO, GLC/HG/HHM/3-36, File: Rent Policy, A282 Part 1.

¹¹⁹Ibid

principle the financial assistance available from the Exchequer should be directed to those authorities where the need is greatest."¹²⁰

The Working Party was dominated by housing and finance professionals and by civil servants, the political realities of rent setting at the local level were less important than views of equity and affordability. The recommendations of the Working Party must not, however, be taken as definitive statements of future policy intentions. It is highly unlikely that Government, and especially the Treasury, would have been prepared to have target rents as a set percentage of household income as it would be seen as a binding commitment to the Exchequer. Like a monetary definition of subsistence, the political bind of fixed rent-income proportions would be a political millstone. But in 1964 the Ministry overcame its fear of deficit subsidy and the local authorities had partly overcome their fear of losing fixed rate commitments to both old and new subsidies. The breadth and depth of the consensus should not be overstated. There were many authorities who still wished to have direct subsidies to encourage building, and public building was not the political priority which it was one year later under Wilson's labour Government.

Before turning to Labour's housing policy, what, in the mean time had happened to rent rebates and assistance to assist in making rents affordable?

Paying the Rent

The Brooke Committee.

Macmillan and the Ministry had decided that rents must rise, but in 1952 the advocacy of rebate schemes as a way of ensuring affordability was qualified, and their implementation patchy in the extreme¹²¹ Policy at the local level left a lot to be desired. *"We had the feeling that local authorities were not being very sound as*

¹²⁰Ibid.

¹²¹Society of Housing Managers, Rent Rebates, The Society, 1950.

regards their policy on fixing rents and arranging rent rebates"¹²² The rising concern over inequitable subsidies was conveyed to local authority representatives on CHAC in October 1952. Macmillan suggested that *"it was time to review centrally what local authorities had done and were doing about rents and rent rebates"*¹²³, and asked Henry Brooke to chair the Housing Management Sub-committee to bring forward suggestions. I have already described the Treasury pressure on Macmillan for movement on rebates, (see p. above), but, despite Brooke's own political allegiance, the committee was non-partisan and comprised of both local and central representatives. The report, in part, tried to defuse the political issue of rent and rebate policy, and Brooke followed suit, *"..there are members of my political party who regard a rent rebate system as dangerous Socialism, not having discovered that what they might claim to be the most respectable of Conservative authorities - the City of Westminster - is operating a system of that kind. Conversely I know there are members of the Labour Party who think that rent rebate systems are anathema because they involve a means test, forgetting that the Socialist controlled Leeds City Council was one of the first to experiment with them, and that the annual Labour Party Conference of 1934 passed a resolution definitely in favour of the rent rebate system"*¹²⁴ Brooke also tried to amalgamate the motives for rebate schemes. They could both ensure affordability and reduce public expenditure. *"..perhaps, because we are a nation of compromise, is the real object not a bit of both?"*¹²⁵.

The evidence, from individual local authorities and their Associations, professional bodies such as the Institute of Housing, and specialist housing interest groups such as The Housing Centre Trust, pointed to a consensus for the retention or introduction of rebate schemes. The AMC following a survey of members reported that about half of them used rebates or set differential rents. The

¹²²PRO HLG37/25; Letter from MHLG to DOH(S), 7th January 1953

¹²³PRO HLG37/25; Minutes of 57th Meeting of CHAC, 20th October 1952.

¹²⁴PRO HLG37/27; Speech to the Conference of Housing Managers 30th January 1953

¹²⁵Ibid

schemes reported differed widely, "no two schemes seem to be identical"¹²⁶. In defending the anomalies of local variation the AMC stated: "Rent rebates may be regarded from several aspects as fitting into a complex pattern of relationships between controlled rents, subsidised rents, levels of wages, pensions and benefits, local levels of employment and varying degrees of housing shortages. They should not take the place of other forms of income or assistance and no doubt housing authorities devise their schemes accordingly, including provision for a minimum rent"¹²⁷ IMTA, (Institute of Municipal Treasurers Association), gave a different impression to the AMC about the extent of rebate schemes amongst local authorities. 450 authorities replied to their questionnaire, only 33 had schemes in operation. The Institute of Housing put forward recommendations which were parallel to the Government's long term policy intentions:¹²⁸ The Housing Centre Trust wanted the question of Council rents to be part of a wider review of rents which ensured equity of subsidy and affordability. "It seems therefore that differential rents, rent rebates, or whatever they are called, is the best policy"¹²⁹. The professionals at the local level were, in large, in favour of rebates.

The Report of the Brooke Committee did not advocate universal and unequivocal change. Its recommendations were far more qualified than the evidence quoted above would suggest. "We make no general recommendations for or against any of these new rent systems we have described, for we well realise that the circumstances of local authorities vary greatly, and what is suited to one area may be of little advantage in another."¹³⁰ But no complacency in rent policy was wanted. Every local authority should review their policy. "..our main recommendation to all housing

¹²⁶PRO HLG37/27; Memorandum of evidence by the AMC, March 1953

¹²⁷Ibid

¹²⁸PRO HLG37/27; Institute of Housing, Rent Rebates- Sub-Committee Report. "(a) That the general structure of housing subsidies should be reviewed, bearing in mind the increasing costs to National and Local Funds; (b) That the Rent Restrictions Acts should be amended at the earliest opportunity; (c) That local authorities should endeavour to reduce supplementary rate aid; (d) That subsidies should only be given to tenants who are unable to pay the full economic rent."

¹²⁹PRO HLG37/37; Memorandum of Evidence submitted by the Housing Centre Trust - April 1953

¹³⁰CHAC, Transfers, Exchanges And Rents, (op-cit), Paragraph 99 page 24

authorities is that- without any preconceptions or prejudices- they should thoroughly examine afresh the present-day situation in their area, in the light of all the information and comments contained in this Report. We have made clear our view that certain practices need correcting. Beyond that, we will not presume to lay down what special course any individual authority should take."¹³¹

While CHAC could not actively promote change to widespread rebating, the Ministry could.

The Promotion of Rebates

Reducing subsidy would mean pushing the Brooke Report very hard with local authorities. Duncan Sandys was concerned that tenant opposition would make schemes unworkable and make the Government unpopular. But legal action by tenants against the introduction of rebates schemes had failed¹³², and rent strikes were seen as surmountable by firmness from the local authority. Politically, tenant opposition was interpreted as the work of the Communist Party. The advice of civil servants was that tenant opposition was a transitory phenomenon which accompanied a scheme's introduction. Given that Labour local government representatives had reaffirmed an "*in principle*" commitment to differential rents based on need¹³³, opposition from Labour authorities was expected to "*melt away*"¹³⁴. Even so, the political difficulties of changing rent policy were such that Sandys suggested the National Assistance Board could assess local authority rents. The Board responded that both legislation and 10,000 additional staff would be needed, and the matter was quickly dropped.¹³⁵

¹³¹Ibid., Para. 101, page 25.

¹³²Smith v Cardiff Corporation [1955] 1 All ER 113,117

¹³³PRO HLG101/627; Note dated 26th January 1956.

¹³⁴Ibid.

¹³⁵PRO HLG101/627; Memorandum from Beddoe to Phillips, dated 8th November 1955.

The Ministry Circular advocating Differential Rent Schemes¹³⁶ did not 'push hard' at all. It only contained nine short paragraphs which gave very general advice about the context of schemes and gave details of five schemes in operation as examples. Without more central control of local policy only financial and moral inducements could be used. I have already shown that these did not succeed to the level desired by the Ministry.

National Insurance & Rent

A growing level of supplementation occurred in the early 1950s as National Assistance scale rates outpaced insurance benefits through being uprated to meet price inflation. The blame was not laid on rent payment, "*The fact that the average payment of supplementation is well over 15/- lends support to the theory that it is the family man who is not backward in coming to the Board. Many years ago supplementation was largely confined to London and was due to high rents, but today... it is universal and I think general economic conditions are the cause rather than rents.*"¹³⁷ There is no evidence that the position of rent within the calculation of insurance benefits was considered at either quinquennial review, or during the review of pensions and their costs¹³⁸. Instead, redressing the balance between insurance and assistance in the former's favour was seen mainly as one of financing increases to maintain a difference between benefits and assistance. This was applauded by Beveridge, "*In the field of welfare, the year 1954, by the passage of its National Insurance Act, has established a vital principle- that the main social measure against want should be benefits up to subsistence level given as of right on condition of contribution without test of means*"¹³⁹. But assistance continued to supplement insurance in order to pay the rent.

¹³⁶Ministry of Housing and Local Government Circular No 29/56, Differential Rent Schemes, HMSO, London.

¹³⁷PRO PIN7/322; Letter from NAB to MNI dated 27th January 1950.

¹³⁸Reference to Phillips Report. no discussion reported in papers.

¹³⁹BP IXb,41; Beveridge, undated paper (speech notes for Lords debate).

National Assistance & Council Rent

The NAB noted that council rents paid by claimants were rising. In addition the move towards selective rent policies had reopened the dispute between central assistance and local rent levels and rebates. Local authorities who increased rents and set up rebate schemes wished to exclude tenants on assistance as the Board would meet the whole amount of rent charged. The Board said that it "*will not be prepared to find the money for the increase and that adherence to the proposal could therefore only cause hardship to the tenants affected*"¹⁴⁰ The Board, estimating that one third of rebating authorities were not rebating their claimants' rents, took the example of two authorities, Leeds and Wallasey, to the Ministry. In the housing field the practice was of long standing and had even been outlined by the Institute of Housing's 1950 survey of rebate schemes. The Ministry replied that is was powerless to interfere directly in local rent setting, all they could do was write to individual local authorities or their Associations or put the matter to Henry Brooke for inclusion in his report on rents for CHAC.¹⁴¹ The latter was chosen and the Board put forward its case. Higher rents paid by assistance "*obviously has an appeal to the local ratepayer as direct from the general taxpayer, but it is difficult to see that it has anything to recommend it on a broader view.*"¹⁴² The local authority view was that the ratepayers or housing revenue account should not pay, albeit indirectly, for assistance. Such basic income maintenance policy was central government role. "*In our view, assisted tenants should be required to pay the full subsidised rent and should be able to claim relief from the board in the normal way. By allowing rebates to such people councils would be in danger of usurping the functions of the board and would be placing on local shoulders a burden that should be borne nationally*"¹⁴³. Brooke's suggested remedy to this "*silly quarrel, at the expense of*

¹⁴⁰Report of the National Assistance Board 1952, Cmd 8900, HMSO, London. 1953

¹⁴¹PRO AST7/1065; Letter MHLG, Wilkinson, to NAB, Bullard, dated 27th January 1953.

¹⁴²PRO AST7/1065; Minutes of NAB Board's 93rd Meeting, 29th April 1953.

¹⁴³Municipal Journal, 7th August 1953.

the taxpayer and the very poor"¹⁴⁴ was to suggest a compromise: short term claimants should not have their rent altered and the Board to pay the full amount; for long term claimants the Board and the Council should work out a system which made the setting of rents and rebates in cases where tenants received National Assistance an exercise in which no party lost or gained at the expense of the other. Under this agreement the rent allowance paid by the Board is not greater than would normally be expected for the tenant concerned. Better coordination of local policies between the Board and local authorities was also recommended.

But no compromise altered the fundamental right of local authorities to set whatever rents they liked. This was put directly to the Board, "*what rent a Local Authority charged was entirely its own business and no business of the Board.*"¹⁴⁵ As a result, by April, 1955, NAB Regional controllers reported that 17 authorities had agreed with the Board's view and operated no discrimination; 11 had negotiated a compromise along the lines of the Brooke report; and 7 still excluded NAB claimants from rebates. With Sandy's announcement of reduced subsidies, the future looked bleak to the Board who were convinced that they would suffer. Later, unhelped by the Ministry, the Treasury was approached, but they "*..did not see what sort of sanctions could be employed against Local Authorities short of introducing legislation which she was confident no Minister would contemplate. The broad object of Government policy was to reduce the housing subsidies as drastically as possible and the Housing Departments were urging Local Authorities to bring their housing accounts into balance by raising rents to the necessary level..... and did not think in this context it would be very easy for the Departments to suggest that the rebates should be granted to classes of people who could obtain the money to pay their normal rent from another source.*"¹⁴⁶. The Board's complaint of paying a hidden double subsidy was seen as only marginally relevant - "*it was an objection which might have*

¹⁴⁴Manchester Guardian, August 3rd, 1953.

¹⁴⁵PRO AST7/1065; Note of meeting of the 8th July 1954.

¹⁴⁶PRO AST7/1491; Note of conversation between W. Hepburn, NAB, and Whalley, Treasury dated 3rd January 1958.

to be swallowed unless it could be shown that this hidden subsidy was substantial in relation to the saving on the general housing subsidy."¹⁴⁷ The Board found it hard to swallow. Local Authorities in their turn, found it hard to swallow that the rent part of National Assistance could not be paid directly to them in more, or preferably all, cases. Despite repeated requests from LAs for direct payment of rent the Board resisted claims by insisting that tenants on assistance should pay their own rent except in all but the most exceptional cases.

Private Rents

Higher private rents meant higher assistance benefits. After the introduction of the Housing Repairs and Rents Act the Board found 30,000 out of the 800,000 private tenant claimants had their rent increased, and only minor evidence of landlord exploitation¹⁴⁸. The fact that National Assistance would meet the increased cost of rent, and hence increase landlords' income, was not a problem for Macmillan. *"I find that a very large number of these now drawing National Assistance are already receiving assistance either for the whole of their rent or for some part of their rent.....I am informed, the very great majority, if not all, would in fact have the repairs- I admit it frankly- paid on their behalf. By whom? By all of us. In my view that is right. They will be paid by the nation."*¹⁴⁹ But four years later, greater worries were held about the role of assistance after decontrol. The Board were concerned that *"...the number of increases in rent which will be reported to the Board is likely to be very much greater than was the case under the Housing Repairs and Rents Act, 1954, with the result that a great many allowances will have to be reviewed."*¹⁵⁰ The extra rent cost to assistance was difficult to gauge but, *"if rents of all the 773,000 tenants of private landlords were increased it would cost about £2 million in a full year for each shilling increase. If the average increase were, say 5/- the costs would*

¹⁴⁷Ibid.

¹⁴⁸PRO AST7/1538; Letter to MHLG from NAB dated 29th January 1957.

¹⁴⁹House of Commons, Official Report, vol 521, Speech during 2nd Reading of Housing Repairs and Rents Bill. 1st December 1953 Col 1075.

¹⁵⁰PRO AST7/1538; Note appended to letter to MHLG from NAB, dated 29th January 1957.

therefore be about £10 million a year, apart from the extra cost of assisting people who can now just manage without assistance but who may be brought to apply by an increase in their rent".¹⁵¹

In Parliament, Labour suggested that about £16 million of the £88 million of total rent increase would be met by the NAB.¹⁵² The question of adequacy of insurance benefits against assistance was raised in the light of the rent increases. *"How do the Government propose to enable pensioners to meet a doubling of their rents? Will the NAB take fully into account the rent increase in making rent allowances in future?"¹⁵³* Following the Rent Act, the NAB had to be voted additional money by the presentation of a Supplementary Estimate. Of the additional money, £4,600,000 was for additional benefit. In the debate on the Supplementary Estimate great emphasis was laid by Labour on the NAB having to pick up the finance of rent increases. The Government could only argue that the amount of increase in assistance spending due to rent was indeterminable as assistance met the combination of basic needs and rent, and therefore no independent financial analysis was available.¹⁵⁴ By April 1959, 500,000 weekly allowances had been increased for rent since the beginning of 1957. Three quarters were in respect of the Rent Act and the average amount of additional assistance was 5/1.¹⁵⁵ The Board were partly paying for the changes brought about by radical changes in housing policy, but contrary to more modern comparable changes to benefit expenditure, the Government was happy to bear the costs as a reasonable outcome of changes in housing policy.

¹⁵¹PRO AST7/1538; Board Memorandum 976 - The Rent Act 1957, dated 19th July 1957.

¹⁵²House of Commons, Official Report, vol 560, col 1786. Speech by Mitchinson.

¹⁵³House of Commons, Official Report, vol 565 col 959. Speech by D. Houghton

¹⁵⁴House of Commons, Official Report, vol 582, col 869-870, Debate on Supplementary Estimates for national Assistance, 17th February 1958

¹⁵⁵House of Commons, Official Report, vol 603 col 624. Statement by Boyd-Carpenter.

Summary

- War-time planning of housing policy accepted the need for subsidies in the short to medium term to ensure a sufficient volume of building and its affordability. However, future rent policy was set to relax rent control and raise rents of existing council stock to help finance new building. Beveridge's proposals for social security were based upon flat rate benefits financed from flat rate contributions, and these principles could not be reconciled with a commitment to a subsistence basis for benefits which included the actual rent of all claimants. The compromise on rent, to include a notional average within scale rates, compromised the subsistence basis of the proposals and assisted the Coalition Government's refusal to endorse such a basis as a principle for benefits.
- Labour's housing policy based itself on local authority building of high quality homes for universal use. Subsidies were set on the assumption that rents were 10 per cent of average male industrial wages. But subsidies were also reduced in real terms due to spending restrictions, while rent policies of local authorities did not seek to spread the costs of new building. No action was taken to remove rent control, and private furnished rents were subject to regulation. Social security policy was based on Beveridge, but, while a commitment to subsistence rate benefits was reinstated, no alteration to the Beveridge's treatment of rent was made.
- Macmillan's Conservative housing policy saw owner occupation as the future mainstay of housing provision. Short term political expediency required increased building, and to achieve this, subsidies were increased to stimulate local authority building. In the longer term, rents were raised across both private and public rented sectors culminating in the removal of rent control and the abandonment of general subsidies. Local authority rent policies were pushed towards pooling of costs and the adoption of rebates. Agreement was reached on deficit subsidy but was not introduced. Social security, through National Assistance met the increased rents of the poorest, but conflict arose between rebates and assistance over who should pay the rents of the poorest council tenants.

CHAPTER 4

RENTS AND EXPANSION OF WELFARE: 1964 - 1976

This chapter covers the period from the election of Harold Wilson's Labour Government in 1964, through the Conservative government of 1970 to 1974, and the first years of the subsequent Labour government up to the economic crisis of 1976 and the retrenchment in welfare spending which accompanied the new loans from the International Monetary Fund of that year. This period is characterised by an expanding commitment to state welfare in general. The role of rent policies within this is examined in three parts. The first covers the Labour governments of 1964 to 1970. The second covers the Conservative government of 1970 to 1974; and the third studies the first half of the Labour government's policy until the crisis and spending cuts following the IMF negotiations of 1976.

I

Labour: Building For All Again

Labour won the 1964 election having promised to invigorate house-building and to control the rising costs of land and loans, "*to provide more homes at prices that ordinary people can afford*"¹. Lower interest rates for public borrowing; 100 per cent. mortgages for first-time buyers; and a repeal of the Rent Act were the cornerstones of Labour's housing policy. Labour had abandoned its plans to nationalise private rented property and recognised the popularity and prudence of a large owner-occupied sector. Their commitment to public rented housing had not weakened and council housing was seen as the primary form of new affordable provision. The immediate post-election housing issue, however, was the Milner Holland Report², commissioned by Keith Joseph following the

¹ Let's Go With Labour For the New Britain, The Labour Party's Manifesto for the 1964 General Election, The Labour Party, London, 1964.

² Report of the Committee on Housing in Greater London, Cmd. 2605, H.M.S.O., London, 1965

Rachman affair.

Milner Holland & Housing Policy

Public opinion had turned again against the private landlord. In Banting's words, *"Throughout the early years of the decade, housing debate was repeatedly dominated by signals of hardship from the private sector of the market; charges of disgraceful living conditions, intense over-crowding, exorbitant rents and, in some cases, physical abuse of poor and elderly tenants echoed in the media, parliament and Whitehall. Housing problems gave many Britons the first real glimpse of the other side of the affluent society."*³ London was worst and Milner Holland examined the finance, tenure and planning needs of the capital's private rented sector. The problems of private landlords and tenants were wider than the symptoms of Rachmanism. A rational review of housing finance across all tenures showed that the both private landlords and their tenants were the losers. While council housing and owner occupation received subsidies for building and occupation, landlords had more incentives to sell their property than rent at market rents, and their tenants, poorer than other occupiers and in worse conditions and with no security of tenure, had either controlled or market rents with no subsidy other than National Assistance.

As subsidies were not matched to incomes and rents, low income families could not afford high rented council accommodation unless there was a rebate scheme and, perversely, could not afford to rent better quality private dwellings. They were often left with no choice but to stay in multi-occupied dwellings where conditions were poor and rents poor value. The Committee suggested that the growing inner-London problem of low income and low quality housing could only be solved by radical changes in housing finance. Private and public renting should be encouraged through an equitable system of subsidy; security of tenure restored to private tenants; and landlord abuses stamped out. Private rents should allow an adequate financial return to the landlord but not be extortionate, and subsidies for occupation, in the form of housing allowances, widened to

³ Keith Banting, Poverty Politics and Policy: Britain in the 1960s, Macmillan, London, 1979, p. 14.

include all tenants.

Fair Rents

In the meantime the Ministry had decided on a new form of rent legislation which did not freeze rents or classify them according to rateable value. Instead, 'fair rents', the market rent for the property in a position where there was no scarcity, were adopted. Fair rents were not a new concept⁴, and were based on an economic myth - a notional housing market where supply and demand were in equilibrium. Implicitly, when combined with labour's commitment to build to solve the housing shortage, they foresaw future pure market rents. When combined with the re-introduction of security of tenure, fair rents represented a repudiation of the Tory Rent Act but allowed flexible rent setting related to market value. In addition, independent assessment by legally appointed rent officers and tribunals also allowed the government to distance itself from potentially unpopular decisions to raise rents. "*..By adopting individual assessment, with independent machinery to set rents, Crossman did not have to specify exactly what the rents would be. In reply to conflicting advocated of high and low rents, he could simply repeat that all he wanted was "fair" rents. Rent conflicts would no longer pit all landlords against all tenants; instead conflict would be particularised, with each dispute being settled separately.*"⁵ The only political problem was the co-ordination of decontrol and introduction of fair rents. For those properties which had already been decontrolled then fair rents could be applied immediately. For those which were still controlled the move to fair rents would mean substantial rises in rent. The new system of rents did not ensure affordability to those tenants of small means, only fairness. Labour's left wing were against decontrol, and the small Government majority did not allow the planned implementation of phased rises

⁴ The notion that scarcity value could be ignored in establishing an affordable rent had been advocated by policy makers from a wide political spectrum of views: Nye Bevan had done so on furnished rents, the Ridley Committee before him; whilst on the Right, Geoffrey Howe and Colin Jones made similar proposals before the introduction of the 1957 Act, (G. Howe and C. Jones, Housing to Let, Conservative Political Centre, London, 1956). For discussion of this point see Holmans, op-cit, pp 421-2.

⁵ Banting, op-cit, p.47.

in controlled rents to fair rent levels.

Crossman, Subsidies and Rents

Crossman saw public housing as, "*the only social service the Tories had ruthlessly cut back*"⁶ His plans to expand public house-building relied on new production subsidies which overturned the agreements tentatively reached on the future of housing subsidies described in the previous chapter. Crossman stated that, "*the Department, I soon discovered, had its own policy. It wanted to introduce a measure which would redress the grave injustices between local authorities caused by the piecemeal introduction since the 1920s of successive subsidies. The Department's plan was to capitalize all the existing subsidies, going right back to the 1920s, and also to persuade the Minister to do this in a way which would move rents up towards the 'economic' level.*"⁷ To build, Labour favoured a direct subsidy of interest rates for local authorities, in line with suggestions of J.B. Cullingworth⁸ and the pro-building lobby within the AMC discussed above (p.106 and footnote 106). Subsidies were designed to reduce the marginal rate of interest to 4% for new building loans, and, together with supplemental assistance for expensive sites, were announced in the White Paper of November 1965⁹. But Labour's reintroduction of state building for general needs went hand in hand with the pursuit of a more equitable distribution of state housing subsidies through selective rent policies.

Rebates and Rent Setting

Crossman was convinced on the wider use of rent rebates, "*..if the extra subsidies now to be provided are to be used, as they should be, to relieve those with the greatest need, these policies should reflect the fact that the financial circumstances of council*

⁶ Richard Crossman, The Diaries of a Cabinet Minister- Volume 1, Minister of Housing 1964-66, Hamish Hamilton, London 1975, page 169.

⁷ Ibid page 621.

⁸ J.B. Cullingworth, Socialist Commentary, May 1964, pp 22-24.

⁹ The Housing Programme 1965 to 1970, Cmnd 2838, HMSO, London, 1965.

tenants vary widely. This means that subsidies should not be used wholly or even mainly to keep general rent levels low. Help for those who most need it can be given only if the subsidies are in large part used to provide rebates for tenants whose means are small.... The more generous subsidies now to be provided create an opportunity for all authorities to review their rent policies along these lines."¹⁰

The central view was that council rents should be set locally but under some agreed common principles. *"In deciding the level of standard rents the authority must bear in mind their statutory duty to charge rents which are reasonable. They will be influenced by policy considerations (e.g. whether or not to make a rate fund contribution) and the need to:- (1) secure a sufficient rent income; (2) ensure that Exchequer and rate subsidies are not distributed indiscriminately to tenants who do not need them, while also ensuring that the rents are reasonable; (3) relate rents to the varying sizes, types, location and amenities of the houses concerned."*¹¹ To ensure a common basis for pricing local authorities were encouraged to use g.v.as a common factor in rent setting; a proposal which retained some continuity with principles discussed in the previous chapter. Such principles had also to recognise that management of property required local considerations to in rent setting: *"Some authorities, for example, find it desirable to modify the G.V. basis in relation to pre-war and post-war properties, or in areas of relatively high values which ought not to be too closely reflected in local authority rents (e.g. sought-after villages in rural areas). it is also frequently found that the gross values of flats and bungalows are higher than those of houses, and this again should not necessarily be reflected in local authority rents."*¹² But the balance between local discretion and central control over policy was difficult to find and impossible to codify. Central government would show the greatest constitutional respect for the political constraints of central-local relations when questioned by Parliament: *"We refer with varying degrees of commendation to certain*

¹⁰ Ibid, p.15, (my emphasis).

¹¹ Ministry of Housing and Local Government, Circular 46/67, Rent Rebate Schemes, HMSO, 1967; para 8.

¹² Ibid, para. 12.

broad policies which some local authorities have seen fit to adopt... but we have not given local authorities any categorical or clear guidance about the broad basis for their rent policies."¹³ The government was at the same time both deterred and encouraged by strong internal Labour Party differences, particularly at the local level over the use of rebates and on rents. Even so, the threat to take away local discretion was clear. In direct dealings with local authorities, Ministers warned that if rebate schemes were not introduced voluntarily, they would be made a condition of receiving subsidy, or even worse, they would control rent policy -"*Bluntly, after our first analysis not nearly enough housing authorities are operating rent rebate schemes, and secondly, of the ones that are operating them, not enough are carrying rent rebate arrangements far enough. ...I give warning, we are going to watch,.... if for any reason a large number of local authorities refuse to do their duty, then public opinion in the end demands the change even at the cost of a violation of local democracy.*"¹⁴

Central policy, to have council housing as a universal social service, but to ensure efficient and equitable use of subsidies through rebates was undermined at two extremes. On the left, some Labour authorities would not countenance any move away from universal application of subsidies to keep all rent low; and on the right, authorities moved to make all council housing income tested and to reduce the rate burden for housing to zero.¹⁵

The problem of dealing with both extremes was that in the end run the policy decision of the local authority was sovereign. However, the rent policies of right wing local authorities under Conservative control finally provoked open conflict with central government. Excessive rent increases were inflationary and Conservative local authorities, in particular the GLC, see above p 119, would thus force the Labour government to refine its rent policy as part of wider prices and

¹³ Minutes of Evidence Taken Before The Estimates Committee, House of Commons Paper 473(ii), Session 1968-69, HMSO, London; Q226.

¹⁴ R. Crossman, speech to the Annual Conference of The Urban District Councils Association, 24th June 1966.

¹⁵ The case of Croydon council in the early sixties, which sought to impose a weekly maximum income for new tenants and to evict existing tenants on higher incomes, was a high profile example.

incomes legislation.

Price Control and Rent Increases.

The Government sought to introduce a prices and incomes policy, and while primarily aimed at wages and commodity prices, rents were an obvious area of concern. At first, local authorities were requested to provide early warning of rent increases, together with a justification of the increase, in a voluntary agreement. In 1966, such notification became mandatory and reserve powers were given to the National Board for Prices and Incomes, (NBPI), to impose a standstill on any price or income referred to it. By late 1966 the economic condition of the country had deteriorated further and a period of 'severe restraint' was imposed on prices, including rent. But rents were not like any other commodity. *"Rent and rates could not be subject to a general rule. Rent in private housing was controlled by the Rent Acts, and could hardly be subjected to another control under another Act... So the White Paper, (Cmnd. 3150), merely said that private landlords were "expected to have full regard to the need for severe restraint". Public authority rents were a different matter. Local authorities were expected to avoid any increase as far as possible; and where rent increases proved unavoidable, they were to "protect tenants of modest means" by rent rebates.*"¹⁶

All authorities were alarmed at the prospect of central rent control as part of the prices and incomes policy but the authorities most threatened by it were the Conservative controlled councils which sought to end RFCs and raise rents. While many councils had reduced their RFCs, (IMTA statistics showed that in 1963-64, 43 per cent of the authorities which took part in its statistical survey made no rate fund contributions¹⁷), the incentives to do so increased in 1967. Voluntary compliance with the early prices and incomes policy had worsened many local authorities' already unbalanced HRAs, and the rising costs of interest rates and of building combined with price control and exhortations to introduce

¹⁶ Joan Mitchell, The National Board For Prices and Incomes, Secker and Warburg, London, 1972; pp 26-27.

¹⁷ Figures extrapolated from Malpass (1990), op-cit, page 93.

rebate schemes meant increasing pressures to balance rent accounts. These incentives coincided with a Conservative resurgence in the local elections which meant that new conservative administrations came to power in the Spring. The highest profile political change was at the GLC.

The GLC

The LCC, a Labour bastion of municipal power, had been reformed and renamed and its electoral base altered. The resulting GLC was more influenced by suburban voting and hence Conservative representation and control. The LCC had rejected rebates for a universal low rent policy which was subsidised by the large amount of cheap building during the 1930s and substantial rate contributions. In the early 1960s their low rents policy was challenged by the District Auditor following complaints by tenacious Conservative rate-payers, and rent increases became more frequent without any change in the principles of rent setting. With the creation of the GLC, at first Labour controlled, policy changed. Rents were reviewed, increased and a rebate system, or "Social Aid Scheme", was introduced and grew in size and generosity¹⁸.

In May 1967 the incoming Conservative group wanted to overturn existing rent setting and reduce rates. However, the GLC's rent setting was unlike any other authority's. Not only did it possess properties with different historic costs but also their geographical distribution meant that similar properties in differing areas had to be consistently valued. This problem within the GLC's stock was aggravated by comparisons with the council housing of the London Boroughs which were sometimes next door. Negotiations with London Boroughs to harmonise council rent setting across all of London were continued, but, the new GLC proposal was to use 'fair rents' as per Labour's 1965 Rent Act. The London Borough's Association did not agree, faced by the huge increases this would

¹⁸ Holmans was wrong to state that the GLC "*had no rebate scheme until the Conservatives took office there in 1967*". Holmans, op-cit, page 343.

involve and the imminent transfer of GLC stock.¹⁹ In December 1967 the GLC resolved to go ahead alone on fair rents.

The GLC saw fair rents, set on exactly the same principles as those in the private sector, as a sound basis for rent policy as they continued the historical tradition of ensuring comparability of its houses and flats across London. *"For internal comparison we think that 'comparability' is a very fair system of sharing the burden between tenant and tenant but that it will not stand up to external comparisons with fair rents in the private sector..... We suggest therefore that the Committees should consider utilizing the advantages of both systems by linking fair rents in the private sector to "comparability" for relating the Council's rents fairly to one another"*²⁰ These fair rents also allowed more frequent revaluation of rent than reliance on gross value which was only reviewed ten yearly. The difference in rents to reach fair rent levels meant an average increase of 70 per cent. to be introduced over three years from October 1968 starting with rise of 25 per cent. across the board. Higher rents meant a complete revision of the rebates and a more generous scheme was devised. It was estimated that one third of tenants, 80,000 out of the 240,000, would be eligible for rebate. £7.3 million of the extra £24 million revenue raised by higher rents would be needed to finance the rebate scheme, and, of central importance, no rate fund subsidy would be required after three years.

The GLC hoped to diffuse political opposition by raising rents through fair rents, but the Government would hear none of it. Public rents were not on a par with private rents and rises in rent of the magnitude suggested were unthinkable during a statutory price standstill. The GLC rent increases were *'provocative'* said Harold Wilson, Prime Minister. Other authorities pursued similar levels of increase and the new wave of council rent increases were referred to the Prices and Incomes Board. Although the GLC was not named in the list of authorities

¹⁹ Letter dated 15th September 1967 LBA to GLC. Referred to in Minute of GLC Housing Committee 18th January 1968.

²⁰ G.L.R.O. GLC/HG/HHM/3 36 Review of Housing Finance & Rents- Joint Report by Treasurer and Director of Housing, dated 27th November 1967. (emphasis original)

for the Board's particular scrutiny, it's proposed rent increases were specifically referred to in the terms of reference.

Central Control of Rent Rises

The local authorities made their position on the referral clear to the Ministry: the threat to local autonomy was greater than the particular disputes: "*..this is a matter which affects all housing authorities and not merely those named in the reference ..because they are confident of the rightness of their action in the light of the facts that exist, it is anticipated that the authorities named in the reference will proceed with the action they have already set in motion, even though this may be the subject of a reference to the Board.*"²¹ But local autonomy could not endanger central economic policy: "*While recognising the independent statutory responsibility of local authorities to fix rents of the houses they own, and recognising also that there may be good reasons for rent increases, we attach the greatest importance to the need for moderation and for ensuring by, for example, such means as phasing any substantial rent increases over a reasonable period, that tenants are not presented with a sudden and drastic increase in their weekly outgoings and have time to adjust their household budgets and can plan ahead to meet future increases*"²²

The Board had to discover the reason for rent increases. Local authorities played down the policy decision to cease rate subsidies and emphasised factors influencing HRA costs: the existing and foreseen deficits from new building, higher interest rates, and higher building and maintenance, and the costs of rebate schemes. They were sure that, "*..when the Board conducts its enquiry it will be able to confirm that no authority has looked at this matter solely from the point of view of balancing the housing revenue account and transferring the burden of the deficit from the ratepayer to the tenant.*"²³ The NPBI's report stated that rent rises made without agreement with the Minister of Housing should be illegal and suggested levels of average maximum rises of 7/6d., or of 10/-in any single instance. In its enquiry

²¹ AMC Housing Committee Minutes, 9th January 1968.

²²Ibid, copy of reference to NPBI.

²³ Ibid para 23

into rent setting by local authorities it also came to conclusions about some aspects of housing finance. Commenting on council rents it suggested that, "*As a short term aim, standard rents should be fixed in relation to historic costs, less an estimate for costs in respect of policies that are of benefit to the community generally... As a longer-term objective standard rents should eventually be fixed in relation to the higher costs of rebuilding at current prices.*"²⁴ On rebates, the Board put forward that a national scheme be introduced and extended to private tenants. It suggested that rent rebate and other welfare expenditure should be paid from a separate account into which all Exchequer subsidies should be paid.

The GLC welcomed the Report's suggestion that subsidies be used primarily for a rebate scheme despite their disappointment at losing the fair rent argument. It condemned both the interference in local discretion and, "*the increased burden upon the ratepayers of London (many of whom are poorer than Council tenants) who, under the Government's direction, will have to find an extra £1,000,000 for 1968-9 and over £3,250,000 next year to make good the loss.*"²⁵ The Associations, distancing themselves from the local politics behind rent rises, deplored central interference in local rent setting, but took hold of the wider implications of the Board's report to propose discussions on long-term reform of housing finance.²⁶ This, the Ministry had let known, was under internal review by civil servants, and now greater pressure was placed upon such review to report soon. In the meantime legislation was enacted to give central control over rent increases²⁷. It meant that increases were only allowed where they were needed to introduce rebate schemes or to meet inescapable increases in costs. Even an increase of 7/6 was not always approved. Greenwood, Crossman's replacement as Minister, refused the GLC

²⁴National board for Prices and Incomes, Report no 62, Increases in Rents of Local Authorities, Cmnd 3604, HMSO, London, 1968.

²⁵ GLC Council Minutes, 7th May 1968

²⁶ Letter from AMC to Ministry dated 6th May 1968. AMC Housing Committee Minutes 14th May 1968.

²⁷ Cmnd 3590, Productivity, Prices and Incomes Policy in 1968 and 1969, HMSO, London, 1968.

such a rise in 1969 giving his reasons as its failure to increase the rate fund contribution in line with inflation and of the ability to borrow as an alternative. The GLC, having threatened to reduce rate fund levels, were thereby bound to keep them substantial.

The policy of restricting rent increases was continued throughout the duration of the Labour Government. It finally took the form of specific legislation rather than being a part of wider prices and incomes policy. This enabled all regulation to be done through the Ministry rather than having to involve the NBPI.²⁸

The Select Committee on Estimates

Parliamentary concern over the expense and policy uncertainty surrounding housing subsidies culminated in an enquiry by the Select Committee on Estimates. Their report²⁹ brought together much evidence from all sides and put further pressure on the internal Ministry review of long term housing finance. The Committee noted the disparity between central policy on rents and rent rebates and local practices: "*..it is Ministry policy that subsidies should be used not wholly or even mainly to keep rent levels low, but in large part to provide rebates for tenants whose means were low. This aim has been a part of central government policy for over thirty-five years but only one of the witnesses which gave evidence actively pursued such a policy.*"³⁰ Public spending on housing subsidies should be directed at those most in need, "*The present policy which proposes a link between subsidies and rent rebates should be reviewed in the light of the absence of that link for any practical purpose.*"³¹ The problem was also one of affordability. The Committee noted that 1967 Family Expenditure Survey data showed that, "*there are 63 per cent. of local authority tenants whose incomes are over £20 per week: corresponding figures for private tenants are 53 per cent. and for owner-occupiers 75 per cent. The tenants of privately rented*

²⁸ See Rent (Control of Increases) Act 1969.

²⁹ Fourth Report from the Estimates Committee, Session 1968-69: Volume 1 Housing Subsidies, HC 473 -I, HMSO, London, 1969.

³⁰ Ibid p.51.

³¹ Ibid p.105

dwellings in the lowest income group tend to be significantly worse off than local authority tenants. On the other hand, tenants of local authority dwellings with incomes of below £15 per week pay a significantly larger proportion of their income in rent and rates than do similar private tenants."³²

The evidence to the Committee shows that there had been a significant move towards using fair rents for council housing within the local authority sector. I have already outlined the GLC's move in this direction, but it was echoed and reinforced by other authorities and, more importantly, it became the policy of both IMTA and The Institute of Housing Managers. IMTA supported the growing demand to move subsidies away from buildings to tenants of low means - "*..the present arrangements under which Exchequer subsidies are distributed to local authorities on a 'cost' basis does not ensure that the subsidies reflect the financial needs of tenants either in amount or direction. Consequently, the utilisation of Exchequer subsidies to grant rebates within individual local authority housing revenue accounts cannot be expected to produce comparable or equitable results. The Institute suggests, therefore, that subsidies on a national scale to all tenants assessed on a fair rents basis might well be operated as rent allowances based upon scales of income*"³³ Other organisations giving evidence in support of the use of fair rents showed that the resultant balances on HRAs would reduce the need for continued subsidies³⁴. The conclusions of the Committee did not come down in favour of fair rents as such. Instead, the Committee were determined that subsidies be more closely linked to housing and economic need: "*the heart of the task lies in ensuring that on the one hand the subsidy structure does not run away from itself, and that subsidies do not claim an excessive proportion of the Gross National Product; and that on the other hand they reach those in need, without becoming a disincentive in the economic field.*"³⁵ One way of

³² Ibid, p.47.

³³ Housing and Finance, Memorandum Submitted By The Institute of Municipal Treasurers and Accountants to the House of Commons Estimates Committee, IMTA, London, 1969; p. 19-20.

³⁴ HC 473(i), op-cit, p.50; Royal Institution of Chartered Surveyors,

³⁵ Ibid, p.55.

ensuring this was to make subsidy dependent on rebates being properly introduced.

But in the end, all depended on the internal Ministry review. *"Your Committee, impressed by the need to tailor subsidy arrangements to the differing needs of various sections of the community... recommend that the studies being carried out in the Ministry of Housing and Local Government... be intensified; that comparisons with the arrangements and experience in comparable industrial states be undertaken, and in particular that the closest technical study of subsidy provisions in the Netherlands and Sweden should be undertaken... and that the review in its final form should explicitly take account of these so that the subsidy structure in future may more nearly comply with present needs, and yet present a unified and integrated structure which can be administered consistently."*³⁶

The Review that Never Reported

The pressures for a radical and comprehensive review of housing finance were mounting. The Seebohm Report³⁷ had underlined the necessity for a *"thorough examination of the whole field of the allocation and subsidisation of housing"*.³⁸ In the Housing field, the CHAC Housing Management Sub-Committee, chaired by J.B. Cullingworth, reported on the management and allocation of council housing³⁹. In so doing they dealt with rent-setting policies. *"Here there is a real dilemma: should the policy be to allocate houses irrespective of ability to pay and to charge a rent within the tenants' means, or should rents be fixed on the basis of house values, and tenancies allocated according to ability to pay?"*⁴⁰, and stated *"..we conclude that the majority of local authorities are operating schemes which do not prevent low-income families from*

³⁶ Ibid, p.108, para 279 - Recommendation 18.

³⁷ Report of the Committee on Local Authority and Allied Personal Social Services, Cmnd. 3703, HMSO, 1968.

³⁸ Ibid, para 400

³⁹ Council Housing Purposes, Procedures and Priorities, Ninth Report of the Housing Management Sub-Committee of the Central Housing Advisory Committee, HMSO, 1969.

⁴⁰ Ibid, para 92.

*becoming and remaining council tenants. There is, however, a number whose rent policies may constitute a barrier to such families*⁴¹ CHAC's report on rebates is discussed in more detail later, but it is important to note that the Report was another indicator of the need for thorough review. The internal review carried out by the Ministry has never been published and detailed examination must await historical examination of the relevant public records. We know that it was finished at officer level in July 1969⁴². And it is obvious that the proposed creation of larger authorities following the Maud Report⁴³ was seen as part of a long term review of housing finance as the larger District councils, made up from amalgamated Rural and Urban Districts, would enable a greater pooling of costs. It is known that the Treasury were, in their own words: *"extremely conscious that the subsidisation of people by a system of housing allowances instead of the subsidisation of the dwellings they occupy is an alternative system."*⁴⁴ From subsequent statements from Labour ministers it is also known that it was in favour of a national system of rent rebates, but that it rejected fair rents as a basis for rent levels in the Council sector. Crossman at the time was in charge of a Cabinet Sub-Committee on Housing, and would have had the last say on the report, but any wider policy recommendations are unknown. The review was completed but was only seen by Greenwood and not collectively by the Government⁴⁵. The embarrassment of a lengthy review which came to no public conclusions was felt by friendly commentators: *"The Labour Government could take little pride in its housing achievement. One must marvel... at the lack of political ideas and bureaucratic delays which allowed a review of housing finance in 1965 to remain forever incomplete."*⁴⁶

⁴¹ Ibid, para. 46.

⁴² Minutes of Evidence Taken Before The Estimates Committee, op-cit, Q5543.

⁴³ Ref

⁴⁴ Treasury Evidence, Minutes of Evidence taken Before the Estimates Committee, op-cit, Q5724.

⁴⁵ House of Commons, Official Report; Tony Crosland, vol 826, col. 49; 15th November 1971.

⁴⁶ D.Piachaud, New Statesman, 27 August 1971.

The rent policies of Labour have been shown to be rapidly moving towards a compulsory use of rebates. Before turning to the Conservative government of 1970 to 1974, it is important to consider how this shift in policy was made and how it affected the relationships between central and local government.

Paying the Rent - Income Maintenance or Housing Subsidy?

Local authorities saw the wider use of means tested housing subsidies as a threat to the post-war settlement of central-local responsibilities. Analyzing the NPBI's recommendation for all subsidies to be allocated on that basis, the AMC noted, *"If the recommendations of the Board regarding rebates are taken to their logical conclusion, then it is necessary at the same time to reassess the role of local authorities in relation to housing, and to the principal upon which post-war social legislation is still based, namely that local authorities are responsible for the provision of services and that the provision of financial assistance to those in need is that of central government."*⁴⁷ This threat, combined with the erosion of local discretionary power to allocate subsidies in the way most politically and economically advantageous to each local authority, was a consistent factor in the development of rent rebates and in the co-ordination of rebates and assistance described below.

Promoting Rebates

The selective use of subsidies to fund rebates required local authority cooperation. A new working party of Ministry and local authority representatives was formed to draw up advice on model schemes. The Associations agreed to participate but were worried about Ministry interference in rent setting - *"..in no circumstances should the Minister compel local authorities to introduce rent rebate schemes, but should limit his action to giving advice on recommended principles"*⁴⁸ The threats of NPBI involvement and of rebates being made a condition of subsidy receipt were not

⁴⁷ AMC Housing Committee Minutes 7th January 1969.

⁴⁸ Note of a meeting between Ministry officials and local authority representatives on 30th November 1966. AMC Housing Committee Minutes, 3rd January 1967 Appendix C.

conducive to open discussion of the principles of rebates and a consensus over a model scheme. By moving from the policy model of deficit subsidies to building subsidies the Ministry had encouraged those authorities who saw subsidy as being only to meet the extra costs of house-building caused by high interest rates. The Ministry were, in this instance, happy to concede the general point. *"There was..no suggestion of threatening withdrawal of subsidy or loan sanction, if councils did not comply with the policy. However, the department could not let the matter drop once a circular of guidance had been issued. It would be essential that the circular should be followed by discussion with individual local authorities to find out why they were not introducing rent rebate schemes or, if they had schemes, why they went against the recommended principles."*⁴⁹ The resultant circular was published in June 1967⁵⁰ and contains a clear summary of the central view of the role of selective rent policies: *"..no tenant should be required to declare his income unless he wishes to apply for a rebate. Furthermore, the Ministers consider that standard rents and rebate scales should not be designed in such a way that the great majority of tenants find it necessary to apply for a rebate. A balance must be struck between, on the one hand, ensuring that the scheme helps all those who need help and, on the other, avoiding a situation in which virtually all tenants have to declare their income in order to get their rent settled."*⁵¹

The standard Ministry scheme outlined in the Circular was given further credence by its support by the NBPI⁵² and later by CHAC⁵³, but, two years after the publication of the Circular, CHAC reported that one third of the authorities still did not have a rebate scheme. Amongst those that ran a scheme the divergence of practice was remarkable. *"For instance one northern county borough has a scheme which applies only to houses built since January 1968 and provides for a minimum weekly*

⁴⁹ Ibid Para 3

⁵⁰ Circular 46/67, Rent Rebate Schemes, op-cit.

⁵¹ Ibid, para. 6.

⁵² NBPI Report 62, Rents of Local Authority Houses, op-cit.

⁵³ CHAC, Council Housing Purposes, Procedures and Priorities, op-cit, para. 46.

net rent of 53/9d. At the other extreme are schemes where the minimum net rent is purely nominal (e.g. one shilling) or even nil. Nineteen of our sample of local authorities have schemes where the lowest rebated rent for three-bedroomed houses is thirty shillings or more, and three where it is fifty shillings or more.⁵⁴ All in all, despite all the advice and exhortations, a substantial minority still refused. The Urban Districts were the worst offenders in the Ministry's eyes; only 19% of those which contributed to the IMTA statistics operated rebate schemes of any kind in 1965/66. This fact allowed Bob Mellish, Greenwood's deputy at the Ministry, to put the UDCA on a year's probation. "*..let us see whether next year the Urban Districts can show that they are as capable of constructing and administering rent rebate schemes as any other group of authorities. This is not going to be made compulsory but you have a year to have a look and to see and to decide.*"⁵⁵

By early 1969 the Ministry were able to show an increase in the number of authorities operating rebate schemes to a level which represented 70 per cent of all council dwellings.⁵⁶ Even so, this meant that only 14 per cent. of subsidies were distributed through rebates⁵⁷. Such improvement in the coverage of rebate schemes, no matter how far short of the optimum, went hand-in-hand with local obstinacy against rebates. Such obstinacy found no favour with the Estimates Committee. "*The Sub-Committee found several authorities with root and branch objections to the use of subsidy to provide rent rebates. One refused to introduce rebates on grounds it called "ethical" (since they involved "hidden supplementary welfare payments to selected tenants") and "expedient" (the inability to raise rents in an area of fairly uniform and low wage rates to provide a pool from which to meet the cost of rebates). Your Committee's do not sympathise with the positions taken up by these*

⁵⁴ Ibid, p.17, para. 45

⁵⁵ R. Mellish, speech to the Annual conference of the Urban District Councils Association, 29th June 1967.

⁵⁶ Minute of Evidence Taken Before The Estimates Committee, HC 473(ii), HMSO, London, 1969, Q197.

⁵⁷ Ibid, Q203

authorities, but make the point that...the Ministry are not in the last resort in a position to force housing authorities to take a step which they themselves regard as central to the subsidy policy."⁵⁸ The inability of government to ensure that spending on housing subsidy was efficiently targeted in England and Wales sat awkwardly with the compulsory powers held by the Scottish Office on the same problem. The Scottish example was impossible to ignore.

Rent Allowances for Private Tenants?

Milner Holland had pointed out the absence of any financial assistance for poorer tenants other than National Assistance. Academic commentators, such as Donnison and Nevitt had called for private rented housing allowances⁵⁹, and the introduction of fair rents, especially for decontrol and improvement policies, were hindered without such a scheme. No central progress was apparent, although the Summers Committee, and internal MHLG review was considering rent allowances.⁶⁰ The first move towards the introduction of a rent allowance scheme was taken by Birmingham council in 1967 who, through a private Act of Parliament, obtained legal powers to introduce a scheme in 1968. Funding came through the rates alone and the scheme could not begin until 1970. Birmingham's example inspired the GLC who passed resolutions to report on the feasibility of a London-wide rent allowance scheme. The GLC delayed implementing policy due to the protracted negotiations with the London Boroughs, leaving Birmingham alone. Birmingham's scheme of rent allowances excluded students, tenants of housing associations, and tenants receiving supplementary benefits. This meant that of the 1,000 applications received in 1970 only one quarter qualified for help, one quarter had too high an income, and the rest did not qualify at all. Not only was the success rate low on application, but the take up

⁵⁸ Fourth Report from the Estimates Committee, op-cit, para 34, p. 13.

⁵⁹ See, for example, Nevitt, Housing Taxation and Subsidies, op-cit.

⁶⁰ No direct evidence of this review was found, but GLC Housing Committee papers alluded to it.

rate was very low. Six times the number of applicants were expected.⁶¹ It was not an auspicious start to private rent allowances and provided a foretaste of later problems.

National Assistance To Supplementary Benefits

A longer term solution of the low value of insurance benefits required a reappraisal of Beveridge's legacy, and Labour had developed plans for a national superannuation scheme for improving the value of pensions, and a non-contributory counterpart, Income Guarantee, for other pensioners. These, together with earnings-related short term insurance benefits, were viewed as a concerted attack on increased use of means testing and a rejuvenation of universal benefits. Income Guarantee, an allowance run in conjunction with the tax system, failed to reach Labour's programme, and in its place a recasting of a renamed assistance occurred: Supplementary Benefits (SB).⁶² The introduction of SB amalgamated civil service departments, the NAB and MPNI, into a new single Ministry of Social Security. The logic of assistance remained underpinning the new supplementary benefits scheme. There would be set weekly scale rates on top of which additional assistance would be given with rent and some other necessary additional expenditure. Scale rates were payable at a higher long-term rate for claimants who were not required to be available for work as a condition of claiming benefit. In this way pensioners received a means tested down-market version of income guarantee. National insurance benefits were enhanced with earnings-related supplements for the first six months of unemployment and sickness. These higher rates of insurance benefits would decrease the numbers applying for means tested assistance for so long as the earnings related element kept ahead of increasing rents. The running of assistance changed to the Supplementary Benefits Commission, which operated within the new Ministry,

⁶¹ All figures are taken from F. Cocks, *Housing Allowances for Private Tenants - Birmingham's Experiences*, Housing Review, January-February 1972, pp. 24-26.

⁶² For a fuller discussion of development of Income Guarantee and Supplementary Benefits see P. Hall, H Land, R Parker and A Webb, Change, Choice and Conflict in Social Policy, Heinemann, London, 1975; chapter 14.

and in 1968, joined all health and social security functions within a new 'super-ministry', the Department of Health and Social Security, (DHSS), under Richard Crossman.

Assistance and Rents

The agreement between local authorities and the NAB and SBC over rebates set out in the Brooke Report, (see above p. 116), was weakened as rebates grew in application. As more housing subsidy was applied selectively so the overlap between assistance and rebates led to more cases in which the local authority was adapting its rebates so as not to rebate rents where the full rent could be paid through assistance. Such a development was seen as a growing threat to central-local demarcation of income and housing responsibilities mentioned above: "*..the Board ought not to take advantage of the introduction of a rent rebate scheme. To do so means that instead of individual poverty being relieved by the Board, the relief of poverty is being undertaken not only in some but in all cases by other council tenants and/or by the general body of ratepayers. This, in the submission of local authorities, is quite contrary to the original conception of the division of functions between local authorities and the Board, and may even prevent a local authority introducing a rent rebate scheme at all*"⁶³

Local authorities had reason to be concerned. The proposals for rate rebates which, following the investigation by the Allen Committee, were designed to ensure that local taxation was affordable, ensured that all those on assistance had their benefit calculated to cover rates in full. For rent rebates the opposite was true. The irony of this situation, given the years of dispute over rents, was not lost to local authorities. A long-term solution, a national formula to apportion the costs of rents in cases of rebate and assistance overlap, was proposed and left to be negotiated through the joint local central working party on rent rebates in the MHLG. Disagreement over the formula meant that the MHLG circular on rent

⁶³ Letter AMC to NAB 16th November 1965: AMC Housing Committee Minutes 13th September 1966

rebates was published in its absence.⁶⁴

Central policy rested on two principles: first, public tenants should be treated in the same way as private tenants when considering the question of "reasonable rent" for supplementary benefits; and second, "*since the Exchequer already provides subsidies for local authority housing, the rent payable by such tenants should take account of this subsidy and the Ministry of Social Security should not be expected to duplicate the general housing subsidy*"⁶⁵ The suggestion was that supplementary benefit rents should be the lowest of either the standard unrebated rent or the proportion of total unsubsidised costs on the HRA represented by the claimant's property.⁶⁶ Individual calculations like this were an administrative headache for authorities, and in its place the GLC suggested that supplementary benefit pay the full rent of all council tenants and that local authorities could then make an annual reimbursement of the amount thus saved from rebates. The working party on rent rebates was reconvened to produce an agreed formula on this basis.⁶⁷

The NBPI rent referral halted the work of the Working Party and the issue subsided until criticism by the Estimates Committee made it a priority again. The duplication of subsidies through rebates and supplementary benefits was described as an "*expensive practice*"⁶⁸. In the evidence to the Committee the DHSS put forward the view that, "*it would appear that a smaller number of authorities as*

⁶⁴ AMC Housing Committee Minutes 11th July 1967. Note of meeting between MHLG and associations. The Circular only stated: "*separate arrangements should be made with the Ministry of Social Security for tenants eligible for supplementary benefit, in accordance with present practice.*" Ministry of Housing and Local Government Circular 41/67, Rent Rebate Schemes, HMSO, London, 1967

⁶⁵ Letter from MHLG to AMC dated 29th September 1967. AMC Housing Committee Minutes 14th November 1967

⁶⁶ Ibid; (The proportion would be calculated by the formula -

Total housing costs minus Exchequer subsidies $\times \frac{\text{g.v.}}{\text{G.V.}}$

- where g.v. = gross value of dwelling and G.V. = total gross value of HRA).

⁶⁷ AMC Housing Committee Minutes 9th January 1968.

⁶⁸ Fourth Report of the Estimates Committee, op-cit: p.54

each year goes by is, in fact, applying their rebate to their families on supplementary benefits and is pushing the whole of the cost of rent increases on to the department.... The most recent estimate is that less than one-quarter of the 370,000 supplementary benefit recipients who are tenants of authorities with rent rebate schemes are receiving any kind of rebate and that the Ministry (sic) is bearing the whole cost of that in those cases."⁶⁹ The Treasury costed this figure as representing between £7 to £8 million for 1967 and that such expenditure was growing as rebate schemes became more widespread and the number of claimants on supplementary benefits increased.⁷⁰ The Committee endorsed the SBC's call to restart negotiations and supported a call for the integration of rebates and social security.⁷¹

The working party reconvened to work on the GLC's proposals, but was immediately faced with a fundamental problem. The GLC had suggested that any RFC contribution to rebates was sacrosanct. It was rate-payers' money and could never be given back to central government in any form. The Government Departments disagreed. "*..there seemed to be no good reason for deducting the rate fund contribution in full from the cost of rebates -which in many cases would have the effect of producing a negative result and no adjustment to the rent allowed by the SBC. It seemed to the Departments unreasonable that, where local authorities made contributions from the rates to the HRA, the SBC should receive no reduction in standard rents for its clients simply because the rate contribution exceeded the annual costs of rebates.*"⁷² A compromise was reached: the SBC would be reimbursed rebate savings calculated on 50 per cent. of rate fund contributions. The only problem with this compromise was that local authorities had no legal powers to pay rebates to a third party and legislation had to be passed.

⁶⁹ Minutes of Evidence taken before the Estimates Committee, HC 473 ii 1969, HMSO, London, 1969; page 867.

⁷⁰ Ibid Appendix 34, p.866

⁷¹ Fourth Report of the Estimates Committee, op-cit, p.55.

⁷² Ministry of Housing & Local Government Working Party on Rent Rebates, Rents Charges to Council Tenants Eligible for Supplementary Benefit: Report, Unpublished, 1970: p.6. See AMC Housing Committee Minutes 7th July 1970.

Newly built properties were also a problem. Some authorities had excluded them from the pooled arrangements in the HRA to avoid high debt charges being passed on to existing tenants. The SBC were adamant that resulting rents were unreasonable and would not be covered in full by supplementary benefit. In their eyes, "*..the SBC should not be called upon to meet local authority rents which appeared high by comparison either with the rents of similar dwellings owned by the same authority or in relation to the circumstances of their clients.*"⁷³ A maximum reasonable rent of 100 per cent of g.v. was proposed. Alternatively the SBC should only meet the standard rent for that property type or the amount of rent calculated from costs minus Exchequer subsidies. The latter was agreed.

Rent Direct

When it came to paying the rents of tenants on assistance, local authorities regularly pushed their associations to "*..urge the National Assistance Board to take a broader view and make greater use of their restricted power to pay the rent proportion of an assistance grant direct to the local authority landlord in cases of council tenants running the risk of eviction by reason of serious and or habitual arrears of rent.*"⁷⁴ The AMC met with the newly appointed Chairman of the NAB, Lord Runcorn, in October 1964 and suggested that the practice of Regional Office decisions on payment of rent direct should be altered to allow more efficient decision making: "*..local offices of the Board should be given a greater measure of freedom in the exercise of their discretion. They and the local authority housing manager were in the best position to judge the facts of each case, and the cause of any delay or inflexibility (which varied in different parts of the country) arose not at local level but at regional level*"⁷⁵ The NAB, on considering the suggestion, noted that "*where difficulty has arisen it has usually been due to late notification by a local authority that arrears were accruing or a request by an authority that the Board should pay rent direct even though there were*

⁷³ Ibid p.7

⁷⁴ Annual Conference Resolution of RDCA 1964. RDCA Minutes of Housing and Planning Committee 8th July 1964.

⁷⁵ Report of Meeting AMC Housing committee Minutes 17th November 1964.

*no arrears*⁷⁶, and hence refused to alter its arrangements for paying rent direct. Instead it ensured that decisions were expedited and made its standing instructions to local officers clearer. However, this was not enough and after further complaints from local authorities the MSS was pressed to ask its local offices to check rent books *"to ensure that rent allowances paid to problem families were paid to the local authority, or alternatively for the Ministry to make payment direct to the local authority"*⁷⁷

The MSS reiterated its policy that direct payment to the landlord was regarded as the last resort. The Estimates Committee received evidence about the increasing incidence of arrears in supplementary cases and wanted attention drawn to the problem that *"because the rent addition is paid in cash to the tenant and not made by order payable to the landlord authority, an appreciable number of families have been evicted from public authority housing, and have gone to private tenancies at higher rents and in time become a greater charge on public funds."*⁷⁸ Despite all their protestations local authorities were still regarded as any other landlord and claimants entitled to spend their benefit as they wished.

II

Conservative Government 1970-1974

*"At last the casserole started by Sir Keith Joseph in 1962/3 and which many hands have stirred since then, has been served for our delectation!"*⁷⁹

⁷⁶ Letter NAB to AMC dated 18th January 1965. AMC Housing Committee Minutes 9th February 1965

⁷⁷ AMC Housing Committee Minutes 9th January 1968

⁷⁸ Fourth Report of the Estimates Committee, op-cit; p.55.

⁷⁹ John Macey, The Reform of Housing Finance, in Some Implications of The Housing (Finance) Bill, 1971, Institute of Municipal Treasurers and Accountants, IMTA, London, 1972; p. 15

Fair Rents For All?

The policies of Conservative local government under Labour became those of the Conservative government in power. Peter Walker, Secretary of State for the Environment announced to the House of Commons that fair rents would be mandatory for all council housing. Affordability would be through a national system of rebates while increases in council rents would rapidly decrease public expenditure on subsidies. Fair rents and rebates would together solve the perceived problems of housing subsidies: *"Ratepayers and taxpayers are being faced with a large and rapidly growing subsidy bill. The subsidies are not distributed so as to remedy the housing problems of the worst areas. The rents paid by tenants are related neither to the value and quality of their accommodation, nor their capacity to pay. The help available to the poorer tenant is incomplete and haphazard. The present system of rent control in the private sector is creating new slums at the very time when local authorities are replacing existing slums with new houses..... we intend to introduce a pattern of rents which will remove the present artificial distinctions and inequalities between the private and public rented sectors and within each of them."*⁸⁰ In the private sector, Labour's reticence to move from controlled rents to fair rents was swept aside and a national system of rent allowances would ensure affordability on the same lines as rebates. The proposals in the White Paper⁸¹, published in July 1971, applauded the principle of subsidy being directed to the occupier rather than the house or flat, *"the right principle is first to determine a rent which is reasonable for the dwelling and then to consider whether the tenant needs help towards that rent. Any rent subsidy should be directed to the tenant rather than the house"*⁸²

Fair rents were chosen as a basis for housing finance over rents set at historic cost or at current capital values⁸³. The choice was one of political expedience for

⁸⁰ House of Commons Official Report, 3rd November 1970, Vol 805, col 852.

⁸¹ Fair Deal for Housing, Cmnd 4728, HMSO London, 1971

⁸² Ibid para 20

⁸³ Official Report Vol. 836 col.927; Third Reading of Housing Finance Bill 8th May 1972.

several reasons. First, Labour's authorship of fair rents could be used against Opposition objections. Second, by adopting policy developed by local authorities on the ground, it put local authority opposition on a divided footing. Third, it met the pressure of a radical rethink of rents and subsidies set down in pamphlets from both political wings, and within local government. Fourth, there was an ambivalent independence in the fair rent standard: sufficient leeway to give local authorities a say in decisions on rent levels, but compulsory increases in areas where a deliberate low rent policy had been historically followed. In theory, central imposition of a standard rather than a direct involvement in or arbitration over rent setting allowed the Secretary of State and the DOE to avoid being parties to any dispute on rent levels and hence avoid damaging conflicts such as those associated with the Addison scheme. Of course in practice when the mud flew it stuck. Last, the recasting of rents would continue the Conservative policy of less affordability: rising rents would give a direct financial incentive to better-off tenants to move into owner-occupation freeing council housing for the less well-off. With the statement of principles announced there was protracted negotiation with the local authorities. How would they react to the disappearance of their discretion in rent setting?

Fair Rents for Council Housing

Local authority associations accepted the principle of fair rents in both public and private sectors and this was made clear to the DOE very early in the negotiations. Whilst accepting fair rents in principle, the Associations were not happy to have Rent Assessment Committees, who had the private rented sector as their basis for rent setting, as final arbiters of fair rents in the council sector. *"It was generally felt that the definition of fair rents for LA dwellings should be as close as possible to the existing one for private accommodation but some modification would seem necessary because LA tenancies were made available on a different basis."*⁸⁴ Rent Scrutiny Panels were proposed as an alternative. But these, unlike RACs, would not be judicial bodies and no rights of audience would be given to tenant or public landlord to

⁸⁴ Note of Meeting on 22 January 1971 with the Local Authority Associations, DOE minute R33/71. AMC Housing Committee Minutes 2nd March 1971.

question their review of rents.

Fair rents were not acceptable to all local authorities. Even those which agreed with the valuation system sometimes found the loss of local discretion unpalatable: *"There is a great extension of Whitehall control, contrary to the repeated assertions of Ministers that it is the government's intention to reduce central control over local authorities and to give them greater freedom.... Local authorities will lose the power to fix their own rents; to determine their own rebate scheme provisions; to decide whether or not they will assist housing out of the rates..... Over most of the country, outside London, existing subsidies will cease within two years and new subsidies seem unlikely to be available... When grant aid ceases there is apparently no intention to restore real discretion in the management of housing affairs."*⁸⁵ But the Associations focused on the proposed high rate of withdrawal of subsidy and the accompanying rate of increase in rents as issues for negotiation. The AMC, having fought for so long for a radical recasting of housing finance, did not bemoan the loss of local rent setting powers, despite pressure from some of its members. Reductions in the central subsidy bill were, to local eyes being sought too quickly. The political arithmetic of ratepayer, tenant and taxpayer was becoming unbalanceable at the local level: *" what is being produced is a package deal, bringing help to some tenants, and the ratepayers of some authorities, at the expense of higher rents for most council tenants, and higher rates for many more ratepayers. What is not accepted, however, is the need for a virtually immediate clean-sweep of assured subsidies, covenanted mainly for 60 years, and a similar inflexible requirement for repeated 50p overall average rent increases.."*⁸⁶ But pressure on public spending meant that slower or smaller increases in rent would not be acceptable: *"The whole document appears to be designed to safeguard the Exchequer at all points, and to leave the imponderables with the housing authority"*⁸⁷ Amery, Minister of Housing at the DOE, did concede that

⁸⁵ AMC Housing Committee - Supplementary Agenda 1, 2nd March 1971: Comments from Borough Treasurer of Hemel Hempstead.

⁸⁶ AMC Paper on the Transition to Fair Rents, and The Withdrawal of Present Subsidies to The Working Party on the Review of Housing Finance, 11th February 1971. AMC Housing Committee Minutes 2nd March 1971

⁸⁷ Ibid

the rate of withdrawal of subsidy be lessened over the second and third years of the new scheme. However, no concession was made on compulsory annual increases in rents to reach and maintain fair rent standards.

Were fair rents for council houses fair?

The focus on the organised local authority lobby understates opposition to fair rents on the principles of fairness. The Labour Opposition and tenants organisations fervently opposed them as unfair. Fair rents and public housing were incompatible; they were designed to give a fair return to a private landlord, allowing a profit but prohibiting extortionate gain, and making a profit from public housing was anathema to the left. While Labour in power had sought public rent reform, it had rejected fair rents unequivocally.⁸⁸ Tying public rents to a dwindling private sector was an anachronism: as Crosland said, "*It would certainly be the tail wagging the dog with a vengeance. So I say there is no logic in the extension of this principle to council housing.*"⁸⁹ Labour saw fair rents as too high for council housing, they were, in themselves, unaffordable. Their agreement on a national rebate scheme was that it would not mean that the **majority** of tenants had to claim rebates to afford council rents. This view echoed academic commentators, of whom Della Nevitt, who six years previously had called for higher rents and a rebates scheme, argued that, "*The tenants of this country have a moral right to have rents set which the majority can pay without rebate. If we ignore this right, all we do is to shift the debate from 'fair' rents to 'fair wages': because if rents are so high that they cannot be paid out of the average wage, it must surely follow that the average wage is too low.*"⁹⁰

The problem for Labour was that they had no standard for affordability with

⁸⁸ This was admitted by Crosland during the Second Reading of the Housing Finance Bill, "*Fair Rents would be totally unacceptable - this was the only Government decision*", House of Commons, Official Report Vol.826, col.49.

⁸⁹ Official Report Vol. 816, 6th May 1971, Col.1661

⁹⁰ Adela A. Nevitt, The New Housing Legislation, Housing Review, March-April 1972, pp. 60-63, p63.

which to advocate the correct mix of rent levels and a national rebate scheme⁹¹. At one point they reverted to a rent standard of 10 per cent. of income⁹², but at no point was this Party policy, and directly contradicted Crossman's ideas. While Labour may not have had a clearly stated policy on rent levels they were committed to using the lower historic costs of older housing to make rents affordable. In doing so it was seen as introducing a comparable benefit to that gained by owner occupiers. *"A new owner-occupier will have the benefit of historic cost during the lifetime of his mortgage. No one suggests that he is not entitled to retain that historic cost benefit, but, in our view in the Labour Party, it follows that tenants also should not be denied a share of such historic cost benefit. In the public sector the tenant gains as soon as he becomes the tenant as a result of rent pooling. On the other hand, he must expect rent increases over the years to come, so that, in one way or another, it balances out."*⁹³ Labour's argument with the level of rents was also that they would prove to be inflationary. Not only would the increases be unfair to the tenants concerned but they would have an economic consequence which was unfair in general.

Fair Rents in Practice

Local authorities raised rents in anticipation of the Act to enable lower rent rises later. Most local authorities when preparing their budgets for April 1972 knew that £1 a week increases would have to be introduced and chose April rather than October to do it. In any case, more and more local authorities found that they already had rents which were near to fair rent levels and became aware that the first compulsory rises under the Act would take them over fair rent levels. Faced with an increasingly untenable reliance on across-the-board increases, Amery

⁹¹Labour had agreed to introduce a national rent rebate scheme before they lost control of Government. Reg Freeson, Minister for Housing & Construction in 1974 stated, *"..a universal mandatory scheme formed part of our proposals in 1970 for the reform of housing finance."* House of Commons, Official Report Vol. 872, Answer to Written Question Col 311-12, 11th April 1974.

⁹² House of Commons Official Report, V836 col 990.

⁹³ Reg Freeson, House of Commons Official Report Vol. 836, col. 1038; Third Reading of Housing Finance Bill, 8th May 1972.

allowed lower rent increases to be made if 2 per cent. of a housing authority's stock would otherwise be raised above fair rent levels. This concession also allowed some authorities to introduce lower rent rises rather than openly oppose government, but did not stop those who had decided on a high profile collision on grounds of principle. Their opposition took two main forms: either an outright refusal to implement the Act or a policy of calling all existing rents fair and waiting for the Rent Scrutiny Board to raise them.

The more the DOE had to consider applications from local authorities for permission to levy smaller increases, the more the local discretion over methods and computation of fair rents became apparent. For example, Birmingham, had used three methods to calculate its fair rents: the return on capital value of property, a comparison with 1973 rateable values, and a straight comparison of equivalent private rents. Differences in security of tenure and levels of wages of manual workers in the area were only seen as marginal factors.⁹⁴ Newcastle, however, assessed a fair rent in the light of the age, general condition, character, location and size of dwellings and then compared their assessments with the rent officer estimates.⁹⁵ The DOE were happy to agree to lower increases in both these instances. They had not instituted a common method of assessment between authorities.

But were fair rents any more objective than politically decided rents? Some advocates saw fair rents as ending the battle of political interest between council tenant and other rate-payers. According to these advocates, fair rents would stop the situations where, *"Some times..the decision is affected by discussions between the chief officers and the chairmen of the finance and housing committees as to how low the increase can be kept in the light of coming elections. Alternatively the reactions expected from ratepayers may push the rent increase up to a higher figure than it might otherwise*

⁹⁴House of Commons Official Report, Vol. 840, Written Answer col 308-9

⁹⁵ Ibid, col.310

have been."⁹⁶ But while fair rents may have rested on professional valuation by officers, such valuations were not carried out with the same diligence consistently between authorities. This was not only due to the reservation and opposition of authorities but also the sheer volume of work involved which coincided with preparations for the complete overhaul of local government. This fact, combined with the 180 or more authorities who received dispensation for lower rises, meant that comparison of fair rent outcomes is both difficult and of dubious worth.

The resultant rents, assessed by the local authorities, did not provoke widespread tenant uproar. Instead the increasing differences between properties previously at similar rents caused grumbling resentment, *"while the effect of the new system is certainly to make rents within groups of neighbouring authorities more uniform, it appears to be producing greater differences between tenants- and it is this rather than the general level of rents which may cause trouble. This is because councils which have done their job conscientiously have taken into account all kinds of details- such as the number of stairs to a flat, or aircraft noise, or central location- previously considered only in the private sector. And the abandonment of rent pooling has produced greater differences between dwellings of different ages."*⁹⁷

There are two further reasons for lower than expected rent rises. First, the Government, worried about inflation, introduced a prices and incomes policy which increased the coverage of rebates by raising levels of eligibility. Second, the many Rent Scrutiny Boards had not begun to give their final verdicts on rents. Indeed, many Boards had not reported at the time of Labour's re-election the full weight of these potential increases were never felt across the country. When they did report, the increases in rents were dramatic in many instances. As Irrespective of the differing interpretations and manifestations of fair rents the policy which introduced them envisaged them as being less affordable.

⁹⁶ John Macey, (ex GLC Director of Housing), *The Reform of Housing Finance*, in IMTA, Some Implications of the Housing Finance Bill, op-cit, p.16.

⁹⁷ What No Fuss? The Economist, 17th February 1973, p.24.

Affordability was to be ensured by a national rebate scheme for council tenants and a national rent allowance scheme for private tenants which is outlined below.

Private Rents

Conservative policy towards private rents accepted Crossman's concept of fair rents. In doing so it followed the findings of the Francis Report⁹⁸ which had found that fair rents had been working well and should continue with regard to unfurnished tenancies. Even before the introduction of the Housing Finance Bill, Walker had moved to bring forward rent increases previously postponed by Crossman and Greenwood.⁹⁹ The main proposal of Walker's White Paper was to reintroduce the phased decontrol of properties to the fair rent standard. Whereas both Crossman and Greenwood had equivocated over decontrol, Walker was adamant that fair rents should cover all properties other than those deemed unfit for human habitation - the slums. The problem of affordability, especially for the high proportion of elderly tenants who had lived in these properties for considerable periods of time, would be dealt with by the national rent allowance scheme. The substantial increases in rents - average controlled rents in 1971 were £74 p.a. whereas rents registered from decontrol were £221 on average¹⁰⁰ - would be phased over three years. *"At the end of the day no tenant whose rent was previously controlled will pay more than the fair rent for his accommodation. Those who cannot afford the fair rent will be helped by a rent allowance from the community instead of a subsidy from their landlord."*¹⁰¹ Labour's opposition to this decontrol was based on the substantial amount of repair and improvement that many of the properties needed. Why should tenants pay more for poor quality accommodation? Labour's alternative was long term municipalisation of the

⁹⁸ Report of the Committee on the Rent Acts, Cmnd. 4609, HMSO, London, 1971.

⁹⁹ The Regulated Tenancies (Conversion from Control) Order 1971 brought forward decontrol for properties with r.v.s of £40 (£60 in London) from 1st January 1972 to 1st July 1971. See written statement in House of Commons Official Report, Vol 815 col.151, 7th April 1971.

¹⁰⁰ Holmans, op-cit, p. 427 (from Housing & Constructions Stats no 4, table 44)

¹⁰¹ Fair Deal for Housing, op-cit, para. 24, p. 9.

private rented sector; not through a one-off nationalisation as in the 1950s policy, but through acquisition and improvement by local authorities.

Furnished tenants were, in accordance with the majority recommendations of the Francis Report¹⁰², not to have fair rents or full security of tenure extended to them. Instead their right to apply to Rent Tribunals for deferment of notices to quit would remain. The problem was that such tenancies flourished as an alternative to regulated tenancies under the 1965 and 1968 Acts and rents charged were commonly very high: "*the general picture regarding rents in the furnished sector is one where the furnished tenant pays higher rents for inferior accommodation as measured by gross annual value, particularly in the stress areas.*"¹⁰³ Median rent for furnished tenants was £290 per annum as opposed to £169 for unfurnished, and median annual income for unfurnished tenants was £870 as against over £900 for their furnished counterparts.¹⁰⁴

As access to unfurnished lettings became more difficult many poorer people relied on furnished tenancies, often only of rooms. In sum, the poorest were often faced with the most expensive rents, limited security of tenure and no subsidy to enable them to pay the rent apart from supplementary benefit. The proposals in Fair Deal for Housing omitted furnished tenants from rent allowances on the basis that rent allowances were the mechanism to make registered fair rents affordable. Without the mechanism of Rent Officer evaluation, an open ended means tested subsidy on unregistered rents could lead to subsidy sponsored rent increases. "*The real stumbling-block, however, appears to be the fact that the furnished tenant does not have security of tenure. Without security of tenure we cannot impose fair rents, and without fair rents we cannot given rent allowances unless we are prepared to pour public*

¹⁰² See the minority report by Lyndal Evans for the opposing view that furnished tenants should have equal security of tenure, except where there was a resident landlord.- pages 228 - 237 of the Report of The Committee on the Rent Acts, op-cit.

¹⁰³ Report of the Committee on the Rent Acts, op-cit, p. 29.

¹⁰⁴ Figures from James Goudie, Councils and the Housing Finance Act, Young Fabian Pamphlet 31, Fabian Society, London, 1972: p. 17.

*money into the landlord's pocket*¹⁰⁵ The reason given for not extending security of tenure to furnished tenancies by both the Conservative Government and the Francis Committee was that such an extension would cause the supply of lettings to dry up. Whilst the Francis Committee's conclusion admitted that this was a view without any substantiating evidence the Government whole-heartedly adopted the recommendation.

Housing Associations

Voluntary sector housing providers had been slowly expanding during the 1960s by specialising on specific needs for rented housing: the elderly, key workers, the young, and immigrants, amongst others. However, the Housing Finance Act of 1972 extended the principle of fair rents to such associations and resulted in the GLC and other local authorities, of all political persuasions, allocating increased funds for their development and finance. More than this, a Housing Bill was drawn up by the Conservatives which was designed to radically housing association finance for building for rent. Both capital and revenue subsidies were proposed to enable associations to play a lead role in area improvement and rehabilitation, as an alternative to municipal clearance.¹⁰⁶ However, the Government fell before the Bill could reach the statute books.

Paying the Rent

Recasting Central and Local Responsibilities for Housing

The introduction of a national rent rebate scheme and an accompanying system of rent allowances for the private sector was long awaited and would have formed part of Labour's housing policy. The Associations were not adverse to mandatory rebates. Indeed, the AMA suggested that, instead of complicated legislation, "*Council tenants now denied a rebate could have been made eligible by a*

¹⁰⁵ Dilys Page, *Housing: How Fair?*, New Society, 26th August 1971, p. 376.

¹⁰⁶For a more detailed description of the development of the housing association movement and the expansion of the 1970s see R. Best, in S.Lowe and D. Hughes, *op-cit*;

*simple amendment of the law, unrelated to a new subsidy system: this was perhaps overdue.*¹⁰⁷ The major issue of contention concerning the introduction of rebates and allowances was the central subsidy available to authorities to pay them. All the associations viewed the proposal that they should pay 25 per cent. of the costs of rebates and allowances as a direct attack on the post-war settlement of central-local responsibilities on social policy mentioned in the previous section. *"The proposal that local authorities contribute up to 25% of the costs of rent rebate schemes and, particularly, rent allowances in the private sector is wholly contrary to the relationship between central and local government. The provision of housing at a fair rent is the duty of the local authority; but the need to supplement the income of the tenant to pay a fair rent is a matter for central government. Local authorities have no control over the level of pensions, supplementary benefits or minimum wages, and any liability arising from a difference between income and rent levels would constitute a completely open-ended commitment."*¹⁰⁸

Julian Amery, Minister for Housing at the DOE, whilst accepting that the proposals were controversial, was not prepared to back down. *"He could not accept that local authorities had no responsibility to help with the rents of those tenants, including those on supplementary benefit, who were in housing need because their incomes were inadequate to meet fair rents. LAs were playing an increasing role in social problems. It had been agreed that rent rebates and allowances should be administered by the local authorities. A wholly Exchequer-financed system would entail a vexatious control on LAs administering the scheme as well the Exchequer requiring a larger share from HRA surpluses, and he did not regard this as a basis for discussion."*¹⁰⁹ Amery reassessed the position on rent allowances and put forward a choice of proposals, either an extra 5% towards the costs of administration or, alternatively, the Exchequer would pay 100 per cent. of allowances but not their administration in

¹⁰⁷ AMC Paper on the Transition to Fair Rents, and the Withdrawal of Present Subsidies, op-cit.

¹⁰⁸ AMC Housing Committee Agenda 2nd March 1971 p2-3.

¹⁰⁹ Note of a meeting with the Local Authority Associations on the Reform of Housing Finance held on 22nd January 1971. Op-cit.

the first four years so long as surpluses on the HRA went back to the Exchequer. The Surpluses would be used, in the first instance to pay for rent allowance expenditure, but in the long term 50 per cent. would be allocated to reimburse the general rate fund. The latter suggestion was preferred but, *"the surrender by local authorities of the equity in their own housing stock to central government, on a financial arrangement which is quite incalculable in its effect, breaches another principle which is of equal importance to local authorities."*¹¹⁰

National Scheme of Rebates and Allowances

The move from universal building subsidies to selective means tested subsidies for occupation followed numerous academic and professional calls for such a recasting of housing assistance. The Government, like its Labour predecessor, was concerned that only 12 per cent. of subsidy was distributed through rebate schemes.¹¹¹ Following Crossman and Mellish's example, great play was made of the fact that only 60 per cent. of authorities in England & Wales operated rebate schemes, but no mention was made that these schemes covered 83 per cent. of local authority dwellings.¹¹²

One must question the manner in which the Conservative government adopted rent rebates and allowances as a national scheme. Family Income Supplement, a means tested income supplement for low-paid workers with children had already been introduced by Keith Joseph at the DHSS, and rent liability could have been added to that test of needs to produce a single means tested benefit to run alongside supplementary benefit. The DHSS were determined that FIS was to be a simple to administer benefit and rent was notoriously difficult to assess for

¹¹⁰ Report by the Housing Committee to the council of the Association. AMC Housing Committee Supplemental Agenda No 1 9th november 1971.

¹¹¹ Speech by Paul Channon, Parliamentary Under-Secretary of State, Department of Environment, to the Annual conference of the RDCA, 1971. The point in this speech was rather spoiled by it being followed by the **non sequitur** - "In effect only one eighth went to those in need". See p.25 of Conference Report, RDCA, London, 1971

¹¹² Figures taken from Henry Aughton, The Housing Finance Bill- The Curate's Egg, District Council's Review, January 1972, p. 17.

benefits. Even so, given the Cabinet Offices's efforts to introduce a 'Multi-Purpose Means Test' during 1971, the introduction of overlapping means tests which worsened the poverty trap seems contradictory. It is clear that rebates and allowances were justified as housing functions rather than income maintenance, and as such were the job of local authorities as part of their new strategic role as housing agencies. Peter Walker said the job had been given to local authorities because of their past record of giving rebates and, "*one of the most important tasks of local authorities is properly to analyze the housing problem in their localities and my financial arrangements will enable them to solve those housing problems when properly analyzed. We are fitting into a number of major reports on this subject, which suggests that local authorities should deal with the total housing problem instead of a fragmentation of it. It is on that basis that I have pursued this course*"¹¹³ This is unconvincing. More likely was the expectation that rebates and supplementary benefit rent payments could be paid for from surpluses created by charging fair rents. Such a transfer of financial responsibility was a fundamental part of the government's policy and, as such, was unnegotiable throughout the passage of the Bill. If tenants were to increasingly pay for rebates through higher rents the incentives on the richer council tenant to push off into owner-occupation were considerably enhanced. The politics of less affordability were reflected in a transfer of financial responsibility away from central social security budgets to locally based rent revenue. While Labour opposition and academic commentary dwelt on the issue of fair rent, and the rhetoric of the central-local dispute heightened with the advent of a Labour resurgence in local government in May 1972, the change in the financing of affordability marked a paradigmatic break in the post war settlement of social policy responsibilities.

As the inflationary pressures of 1973 reached a peak the rent rises under the Housing Finance Act became a political liability. Higher needs allowances were introduced to try and mitigate the effects by drawing more tenants into the scope

¹¹³House of Commons Official Report Vol 805, Written Answer Col. 860, 3rd November 1970.

of rebates and allowances.¹¹⁴ *"There has been precious little complaint from council tenants, since the act was the Government's first sacrifice to its incomes policy: the pill was so drowned with sugar with rapid increases in rebates.."*¹¹⁵

Supplementary Benefit & Rebates

The Housing Finance Act stood the carefully negotiated 1970 agreement on its head. In the place of the agreed reimbursement of average rebated rent to the SBC for all of the tenants on supplementary benefits, the new provisions insisted that council tenants should receive both a rebate and supplementary benefit towards their rent. Supplementary benefit would meet 40 per cent. of rent and the rest would be rebated by the local authority. Although tenants were not put in a position where they had to apply twice for rent assistance the administrative workload of both the DHSS and local authorities considering each case was considerable. The local authorities, having recently agreed a formula for reimbursement for rebated rents with the DHSS wanted it to continue. The revised proposals no longer needed any payment from local authorities to the DHSS as each was responsible for a separate proportion of the rent. In the words of the Department, *"The proposed new system completely removed the possibility of conflict between the DHSS and the LAs over their allocation of tenancies."*¹¹⁶

With the fundamental principles of change unnegotiable the White Paper dwelt on the superficial integration of rebates and supplementary benefits without mentioning the "better off" problem or the central-local dispute of principle. *"The national scheme will integrate the rent subsidies given to tenants receiving Supplementary Benefit. A tenant whose income is low because he is not in work needs the same rent subsidy as a tenant who obtains the same income from his earnings. In the Government's*

¹¹⁴ These higher needs allowances were more favourable to tenants without children, perhaps because Family Income Supplement was seen as providing increased income in the alternative. See Della Nevitt, *New Society*, Vol. 23, p. 537, 8th March 1973.

¹¹⁵ *Economist*, January 12th 1974, p. 23.

¹¹⁶ Note of Meeting with The Local Authority Associations on The Reform of Housing Finance held on the 22nd January 1971, DOE, op-cit.

*view, the local housing authority has no less a duty to help a tenant with his housing costs when he falls sick, becomes unemployed, or retires than when his earnings are low. Each local authority's rebate and allowance scheme will therefore cover also those tenants who receive Supplementary Benefit. But under arrangements agreed with the local authority associations such tenants will have to apply for help only to the Supplementary Benefits Commission. The Commission will then inform the local authority who will grant the appropriate rebate or allowance, and any remaining rent will be taken into account in calculating Supplementary Benefit."*¹¹⁷

III

The First Years of Labour Government 1974-76:

*"Some areas, such as housing, were sacrosanct. Talk of increasing rents, and it was as if you were planning to snatch children from their mothers or put them to work down a mine"*¹¹⁸

Labour's opposition to fair rents for council housing and their advocacy of fair rents and security for furnished tenants were the mainstays of rent policy. Whatever the outcome of the previous comprehensive review had been, the conclusions were not deemed to be appropriate 5 years on. Tony Crosland, Secretary of State for The Environment, commenced on a short term policy review which would repeal the Housing Finance Act and stimulate greater levels of public house-building. The long term changes would evolve from another comprehensive review of housing finance undertaken to sort out the inconsistencies of approach and assistance; which were, in Crosland's own words, 'a dog's breakfast'.

¹¹⁷Fair Deal For Housing, Op-cit, p.15 para 51.

¹¹⁸ Joel Barnett, First Secretary to the Treasury, in Inside The Treasury, Andre Deutsch, London, 1982: p70.

Short Term Policy

A rent freeze for both public and private rents was introduced in accordance with Election promises. This nullified any further implementation of the Housing Finance Act. But a rent freeze during inflationary times did not please the local authorities who wanted the resultant losses compensated by subsidy. Crosland's reply was to meet 80 per cent of the loss directly; the other 20 per cent. was proposed as eligible for rate support grant if it resulted in an increased contribution to the HRA from the general rate fund. The rent freeze could in these ways be financed through existing powers in the Housing Finance and Local Government Acts. While Labour held on to a slim Parliamentary majority it was all that could be done.

A consultation paper giving details of interim proposals for subsidies was published to local authorities in the early summer of 1974. These proposals formed the basis of the Housing Rents & Subsidies Bill which was presented to Parliament but never debated, the details of which are discussed below. The conservative proposals for housing association finance and housing action areas was brought forward and passed. In October 1974, after another general election, Labour was returned with a small but workable majority and the proper repeal of the Housing Finance Act could begin.

Back to the Future?

Labour's proposals for immediate assistance with public house-building and public rents were to restore a general needs building subsidy and to restore local sovereignty over rent policy. These were popular with the Associations: *"it represents a substantial turning back of the tide of ever-increasing Government involvement in the housing policies of local authorities. In particular the return of broad self-determination of rent and expenditure levels is welcomed"*¹¹⁹ But Government still wanted the ability to step in to control increases of rent if any individual authority sought to increase its rents unreasonably. Inevitably this would have irked the associations so soon after being made to pay 20 per cent. of the cost of

¹¹⁹ Reform of Housing Finance: Comments on the Consultation Paper- Interim Proposals for Local Authority Dwellings in England and Wales. AMC Housing Committee Minutes 20th June 1974.

frozen rents, but as the power to prevent rent increases was a permanent one, unlike the previous interventions by Greenwood, they were furious at the betrayal of principle. *"In the past local government has accepted restrictions of its freedom in relation to increasing charges, rents, pay etc. as part of a national counter-inflation policy across the board affecting the whole public and private sectors. However, enactment of specific permanent powers of control in housing legislation is both unacceptable and unnecessary... The proposal cuts right across the Government's stated intention to restore the rent-fixing discretion of local authorities, and the Association therefore strongly urges that this proposal should not be proceeded with."*¹²⁰

The proposals for rent rebates and allowances remained unchanged. Unlike the previous Labour tenure under Crossman and Greenwood, subsidies for new building (at 66 per cent. of cost) were not directed to be used selectively. Selective subsidy to assist low income families afford their rent was in addition to the general needs building subsidy. This doubling of subsidies, together with the continued control of rent increases as part of an anti-inflationary policy was to produce a decline in the proportion of income met by rents across all authorities. Inflation worsened the situation. *"The sharp increases in costs over the period and the falling proportion which rent income represents of those costs will make it more difficult to reverse the trend in the future. The widening of the gap has been built into the system; the wider that gap, the sharper would have to be any rent increases to narrow it, and the longer it would take to effect any appreciable change. Continuing political controversy has been institutionalised."*¹²¹

In addition to subsidy for normal capital expenditure, other subsidies were available: high cost subsidy for authorities faced with high land and building costs, (essentially a London weighting on subsidy); and a "special element"

¹²⁰ Association of District Councils, Reform of Housing Finance, Comments on Interim Proposals for Local Authority Dwellings in England and Wales, The Longer Term Review and the Interim Proposals. Appendix A to ADC Housing and Environmental Health Committee, 19th June 1974.

¹²¹ Edward Craven, Housing, p. 117 in R. Klein (ed), Social Policy and Public Expenditure 1975: Inflation and Priorities, Centre for Studies in Social Policy, London, 1975.

subsidy which was to assist authorities to keep down rents increases. The calculation of special element subsidy relied on meeting 50% of a notional deficit on the HRA once a 45p weekly increase had been charged per dwelling. 45p a week represented 12% of average unrebated rents and any rise in rents would be the first since April or October 1973, due to the rent freeze, but in the meantime prices in general had risen by 37% and average incomes by 38%. The special element subsidy was therefore making rents more affordable in real terms.

Council rent increases during 1975 varied dramatically. Some authorities did not increase rents at all, perhaps in reaction to the compulsory increases under the Housing Finance Act; 107 others increased their rents considerably, 90p to £1 in some instances, without the Government stepping in to quash such rises under Section 11 of The Rents and Subsidies Act. Some of these larger increases were to preempt larger one-off increases threatened by the Minister, Reg Freeson, who had intimated that rises of 30% would be required in 1976. Having made larger increases, often in two increments, the authorities concerned lost subsidy under the special element. *"Although those authorities may be contributing less from the rates, than had they waited until 1976/7, their tenants have obviously borne rent increases which would otherwise have been subsidised by Government."*¹²²

The policy of controlling rent increases as part of anti-inflationary policies continued for 1976/77 but without the ad-hoc special element subsidy described above. The Remuneration, Charges, and Grants Act 1975 provided a comparable subsidy to those authorities who did not exceed an average 60p increase. As a result rents continued to rise more slowly than prices in general.

But all of these policies were short-term only. The review of fundamental housing finance and policy continued and the costs of housing subsidies and other welfare spending became of paramount importance in the economic discussions the Treasury and Chancellor were having with international financiers. The Crisis of

¹²²AMA Housing Committee Minutes, 26th January 1976.

spending was catching up with the dog's breakfast.

The Legacy of Housing Finance Act

Once fair rents were abandoned The legacy of the Housing Finance Act and its radical recasting of central-local responsibility for rent payments and social security was not as great a concern to the new Labour Government as the issue of fair rents. Local authority contributions towards rebates and allowances were maintained, in spite of the revised rent basis -*"the fact that the change in rent fixing is to swing from 'fair rents levels' to 'reasonable rents' there is a strong cases for the Government to accept responsibility for the whole cost of rent rebates, i.e. 100 per cent. subsidies as is the case at present with rent allowances. In particular the fact that reasonable rents will be charged presupposes that those rent payments made to the Supplementary Benefit recipients should not be subjected to rent rebate and the whole costs of rent rebates included in the Supplementary Benefit should be borne by the State"*¹²³

Their pleading for 100 per cent. reimbursement did not fall on deaf ears. At a meeting with local authority representatives Reg Freeson agreed with the principle of central financial responsibility for rebates but he was not in a position to alter it: *"In referring to the rent rebate subsidy, the Association asked that the Government should accept responsibility for the whole cost of rent rebates. Although the Minister agreed with this view and that in his view it was not a housing cost but one which should be covered by social security, it could not be altered."*¹²⁴ Instead, the incoming government continued the 100 per cent assistance for rent allowances for a further year.

The arrangements for paying rebates to tenants on supplementary benefit were simplified. Instead of local authorities meeting a part of supplementary benefit rent payment the DHSS would pay all of the rent in every case and local authorities would revert to paying the DHSS sums which represented the rebates

¹²³ AMA Housing Committee Minutes, 20th June 1974 - Reform of Housing Finance, op-cit.

¹²⁴ Note of Meeting with Minister for Housing and Construction 11th July 1974, AMA Housing Committee Minutes 19th September 1974, Appendix A.

unpaid as a result. The amount of payment related the average rebate multiplied by the number of cases.

The confusion for tenants between assistance from supplementary benefit or from rebates and allowances was not knowing which was the best financial option. The 'better-off' problem was an embarrassment to central government and proposals were put to local authorities that claimants of the wrong benefit be identified and transferred to the more generous authority. The local authorities did not relish the task: "*As the majority of the expenditure on the social benefits referred to in the proposals is borne by the Exchequer, it seems a needless and unproductive waste of resources to try and identify the precise methods by which recipients would obtain greater benefit*"¹²⁵ Instead, they wondered why supplementary benefits could not be paid in marginal cases at a rate equivalent to rebated rent or rates or rent allowance. The thought of checking for better off claimants at every change in the rules for rebates and allowances was a potential headache which was not relished. Whether these attitudes reflected sour grapes at central intransigence in not fully funding rebate schemes is not certain, but what is sure is that local authorities wanted to hold on to rebate claims, even where the claimant would be better off on supplementary benefits, as they then had full control over rent and rate credits on to their accounts. Once a claimant, even a better off one, had to pay benefit on to a unrebated account the expense of possible arrears and amended billing were just not worth it. So much for 'welfare rights'. The differing workloads of local authorities did not enable national starting date for the transfer of better off cases. Instead, local authorities agreed to a phased introduction between September 1974 and March 1975.

Rent Arrears & Supplementary Benefits

The rising proportion of council tenants relying on supplementary benefit to pay their rent caused a problem of rent collection for local authorities. On the other hand, as 48 per cent of all supplementary benefit claimants were council tenants the administration of rent payments and payment of rent direct became an

¹²⁵ AMA Housing Committee Minutes 19th September 1974.

increasing problem for the SBC. We have seen above that local authorities had repeatedly called for all supplementary benefit for rent to be paid direct to them, during the increasing economic downturn of the 1970s the problem became increasingly acute. There were several problems. First, the instigation of payment of rent directly to a local authority in an instance where the tenant fell into arrears. The SBC reviewed their procedures to make payments of rent direct so that every local office was able to make the decision without reference to the regional office¹²⁶. The SBC's attitude was still that claimants had sovereignty over budgeting their allowance, hence it was only in "really difficult cases" that direct payments of rent would be made¹²⁷. The easing of decision making was not enough for many local authorities. *"they do state that they will only take this action in really difficult cases and whilst the Council are aware that the local office of the DHSS now have authority to make direct payments to landlords, without reference to their regional offices, they consider that the present system is still unsatisfactory as the local office will not make direct payments in all cases where the Council is the landlord."*¹²⁸

Local authorities at least wanted rent direct to be on their request. In 1971 the Associations were not entirely behind such calls from their members. Instead, they thought that local discussions between the SBC and individual authorities could sort out any problems. By 1974, the Associations had changed their attitude and were demanding direct payment of rent in all cases where the claimant was a local authority tenant. The DHSS, DOE and SBC were not willing to give in to local authority pressure, although they were 'mindful of the problem of the problem of rent arrears for local authorities'. Mindfulness was not enough for local government. *"With the present financial difficulties being experienced by authorities, we are not satisfied that local authority interests are being considered sufficiently by the Commission, as many authorities are faced with large deficits due to*

¹²⁶ For previous policy, and reasons for it see p. 137 above.

¹²⁷ Supplementary Benefits Commission, Assistance in Cash, SBC, London, 1972, para 16.

¹²⁸ Letter from London borough of Sutton to AMA, AMA Housing Committee Agenda, 7th March 1972.

*non-payment of rent. Therefore, we are pressing further for the direct payment of rent by the DHSS of all social security cases*¹²⁹

Summary

■ Labour's housing policy after 1964 sought to reverse the unaffordable extremes of the Rent Act through the introduction of 'fair rents' in the private sector. In the public sector general building subsidies were reintroduced, but at the same time the move to increased use of rebates continued. Conservative local authorities introduced the 'fair rents' policy into council housing and were subjected to central control through the Prices and Incomes Board. The need for long term policy review in housing finance and rent policy was accepted but no policies were brought forward. Social security policy reformed assistance into Supplementary Benefits and improved its status and value for long term cases, while short term insurance benefits gained earnings related supplements. The problems of paying the rent of the poorest continued with pressure on both rebates and assistance to co-ordinate their basis and coverage.

■ Conservative policy built on local practice and moved to a national scheme of fair rents for council houses accompanied by a national scheme of rent rebates. However, the intended rent increases and accompanying reductions in spending did not materialise due to inflation, compromises over rent levels and the delays of arbitration. High profile central-local dispute of the Housing Finance Act, particularly in Clay Cross UDC, overshadowed a larger local antagonism over the funding of rebate schemes. Local authorities had to bear the greater cost of awarding assistance level rent rebates to their own tenants and rent allowances to private tenants, as part of the new national scheme.

■ Labour's post-1974 housing policy of reversing the Housing Finance Act led in the short term to increased general subsidies but the rebate and allowances

¹²⁹ AMA Housing Committee Minutes 24th June 1975

introduced by it were continued, not reversed. A further review of housing finance was started but a deteriorating economic climate began to constrain expansionary planning for welfare. Increased unemployment and other factors led local authorities to press harder for control of rent payments from Supplementary Benefits.

CHAPTER 5
AFFORDABLE RENTING & 'WELFARE CRISIS':
1976-1986

This chapter studies the changes in rent and social security policy from the economic crisis of 1976 and for the following decade. It is in two parts. The first deals with the second half of the Labour Government from 1976 to 1979, and the second with the Conservative government of 1979 up until 1986.

I

Labour and Austerity 1976-79

The negotiations with the International Monetary Fund for extended loans were settled after an agreement to control and reduce borrowing in general, and, welfare spending in particular¹. The consequent Treasury constraints on public spending, especially the level of the public spending borrowing requirement, (PSBR), deadened the hand of expansionary welfare planning. For housing reform, the case for greater equity in the distribution of subsidies became economically and politically less tenable. Economically, new capital expenditure on public housing flew in the face of a lower PSBR and was curtailed. New building would, therefore, have to be privately financed, and rely more heavily on the owner-occupied sector accordingly. It can also be argued that the conservatism of tax and subsidy accounting - where mortgage interest tax relief, unlike public rent & building subsidies, did not directly enter into PSBR totals but instead only reduced assumed tax revenue - was reinforced by stringent controls on borrowing. To realign the distributional effects of tax allowances and subsidies without 'costing more' for PSBR purposes was difficult. Political difficulties were most acute due to the narrowness of the Government's Parliamentary majority: any change would require the support of the Liberal party. Crosland's policy review was increasingly compromised. Whatever the disadvantages of the existing 'dog's breakfast', it fed many housing dogs and there was a high chance of being bitten if it was taken away or altered.

¹For more detailed discussion of the discussions and negotiations see Kathleen Burk and Alec Cairncross, Goodbye Great Britain: the 1976 IMF Crisis, Yale University Press, New Haven, 1992.

The Review of Housing Finance

Labour's 1975 subsidies and rent arrangements described in the previous chapter were merely housing policy treading water. Crosland's widely publicised review of housing finance was taken over by Peter Shore, who became Secretary of State on Crosland becoming Foreign Secretary. Shore widened the remit of the Review to take in discussion of housing's role in social policy. The combination of a change in Minister, the changed economic climate and the new areas of review delayed the publication of the report.

Expectations were high. The Review had promised both comprehensive and far reaching change. However, comprehensiveness did not extend to any detailed discussion of the role of social security in rent and housing payments, limiting its discussion of pricing and assistance to housing subsidies and tax allowances only.² This failure meant that the Supplementary Benefits Commission were left to take forward this area of potential reform, which is discussed further later in this chapter. Also missing from the review was any discussion of the private rented sector. A separate further Review of the Rent Acts took this role. But what frustrated radical commentators most was the conservatism of the Review's proposals on pricing, affordability and subsidisation. In the words of Lansley, *"For all the publicity gained during its 2½ year life and all the analysis presented in its 700 pages, the housing policy review is almost entirely a non-event in terms of its policy recommendations, and the housing situation in future years will suffer in consequence."*³

What was this conservatism and how did it affect rent policy and affordability? First, the Review found no compelling reason to introduce long-term reform which outweighed the short term economic and political consequences of its introduction: *"Any change which would substantially raise the cost of housing to the householder in relation to prices and incomes generally would probably lead to a large*

²See the definition of 'general assistance', p. 4., Cmnd 6851, Housing Policy: A Consultative Document, HMSO, London, 1977.

³ Stewart Lansley, Housing and Public Policy, Croom Helm, London, 1979, p.218.

*reduction in housing investment. And the decisions and family budgets of millions of households have been shaped by the expectation that existing arrangements will continue in broadly their present form".*⁴ The escalating costs of housing and the consequent rise in government spending and tax concessions to meet it had led to demands to revise housing finance to contain and distribute such spending more equitably. The second main theme of the Review was to outline reasons why each of four major schemes for radical change - moving general subsidies to means tested assistance; universal housing allowances; rents based on current price valuation; and the realignment of general assistance on economically equitable grounds - could not be pursued.

It was argued that existing policy, relying on general subsidies, ensured a general level of affordability which was not threatened by low standard housing; to reduce this and replace it was seen as creating losers at the middle of the income distribution: "*On average tenants in the public rented sector and home owners with mortgages would tend to pay more in extra charges for housing than they would get back in tax reductions, especially where there was only one earner in the household. Tenants in high cost areas or home owners with high percentage mortgages taken out recently would stand to lose most.*"⁵

Moving to income tested subsidies as an alternative would reduce savings and increase the number of people who were subject to detailed complex administrative procedures and who would face high marginal rates of withdrawal of subsidies and tax. An alternative method of distributing subsidies, through a fixed universal housing allowance for both renters and owner-occupiers, was costly to administer and claw back through taxation and provided no assurance of affordability in areas of high costs and no assurance of being used for its purpose: to pay for housing. The Government's costed scheme produced twice the aggregate costs with one million losers, not a politically viable alternative. For

⁴Cmnd. 6851, op-cit, p6.

⁵Ibid, p 32.

such allowances to work, the proposals for pricing were seen as a necessary first step in order to make housing costs less tied to historic pricing. Rents based on current valuation produced too many problems for affordability for lower income families which would require a huge increase in means-tested subsidies.

The conclusion was that no radical change was worth the accompanying instability and uncertainty, and hence that the use of general subsidies would remain the bulwark of housing policy. But, in the review of the use and effectiveness of such subsidies the problem of territorial distortion was addressed. Subsidies to public housing bore more relation to historic levels of building and debt than to housing need. Rents, therefore differed in a haphazard way, and needed to be more closely linked to costs. The proposal put forward was for a deficit subsidy. At the same time, greater rights for public tenants and a more codified security of tenure were put forward to provide a more rights based status to council tenancy through a tenant's charter.

Overall, the new priorities, to spend less and to increasingly control and focus that reduced spending, were taken forward to influence the proposals for rents and paying for rent.

Public Rents: A Deficit Subsidy

The proposals for public rented subsidies represented a consensus on broad principles. The Opposition spokesman on housing had correctly prophesied that council housing would have to be financed by way of a deficit subsidy: "*Whether or not fair rents should be brought back can be debated. It may be better to work through as mixture of subsidies and the proportion of the housing revenue account which is to be met by rents*"⁶ For those with a policy agenda tilted towards greater selectivity in public subsidies, the proven inability of fair rents to increase with actual costs made a deficit subsidy based on centrally held assumptions of housing revenue account costs the obvious choice both to make subsidy more selective and to

⁶ Timothy Raison, Official Report, Vol. 893, col. 976, 16th June 1975.

regain an element of control over public sector rents. Labour's policy echoed these provisions but based themselves on a positive view of housing needs. Finance of capital spending saw local authorities as strategic housing agencies with investment planned through the Housing Investment Programme bids; subsidies were then to be calculated according to local needs as reflected by the shortfall of rent income against costs: *"payment of subsidy should be based on a regular appraisal of local housing costs, with the subsidy designed to help bridge the gap, if any, between those costs and a reasonable local contribution from rents and rates. This 'deficit' subsidy should be closely linked with the housing investment programmes for new capital expenditure. The system should work by annual adjustment of subsidy entitlement, to avoid sudden lurches in the amount of assistance provided"*.⁷

The most contentious question under such a scheme would be the assumptions central government made on the level of rent revenue at the local level.

The proposal to redistribute costs between local authorities through a national rent pool were rejected. Redistribution of rent surpluses from richer to poorer authorities using such a pool would have alienated large sectors of the local authority housing lobby and gave too high a profile to central control over rent surpluses in a similar way to the Housing Finance Act. The Government were also keen to disown the charge of tenants in low rent areas being subsidised by other tenants. Assumptions on rent levels under such a scheme could not, in the Government's view, be linked to any national assumptions of tenant affordability.

The Government had decided in principle that rents should rise in line with incomes but aggregate rent levels would depend in addition on local authority finances. The adjustment of rents to individual income through rebates was preferable to ensuring affordability in general. *"It is tempting to argue that the annual rate of rent increases should be determined by reference to some clear principle- for instance, that rents should constitute a fixed proportion of income, or that they should meet a minimum proportion of total housing costs. The Government have found none of*

⁷ Housing Policy: A Consultative Document, op-cit, para 9.34.

them entirely satisfactory. No simple principle can hope to cope with the variation in circumstances which will occur from year to year."⁸

The subsidy paid would be calculated on a 'local contribution' which consisted of a centrally determined amount representing rate fund contribution and rent income. This local contribution would be *"the most important factor in determining the total Exchequer subsidy bill and it would also be likely to influence the size of local authority rent increases, though the balance between rents and General Rate Fund contributions, and the fixing of individual rents, would remain a matter for local discretion"*⁹ It gave central government an element of control over rent levels through economic arm-twisting rather than by direct imposition of rent regimes.

Thus, thirteen years after being agreed between local and central government in the Working Party on Housing Finance¹⁰, a deficit subsidy was to be introduced. Were local authorities still as keen as they were then? For the district councils, the unfettered ability to raise rents and the discretion on GRF contributions were more important than the nature of the subsidy scheme itself- *"the recent percentage of gross rents of just over 50% of expenditure has been far too low. Subsidy available to a housing authority from central funds should not make good any deliberate policy of lower rents decided upon by the authority"*¹¹ The AMA also agreed with higher rents, *"The Association would wish to see a phased move towards a system in which a closer relationship is established between the costs of providing and maintaining a dwelling and the rent payable for it. It is recognised that this will mean higher rents in some cases, but the worst effects of this will be mitigated by rent rebates scheme"*¹² But they were less enthusiastic about the potential for central control in a deficit

⁸ Ibid, para. 9.37.

⁹ Ibid, para 9.36.

¹⁰ See page 109-110 above.

¹¹ ADC Minutes of Housing and Environmental Health Committee, 17th October 1977. - Appendix: Comments on the Government Consultative Document- Housing Policy, para 18.

¹² AMA Housing Committee 8th June 1977, Paper H77 69

subsidy, "*..the Association is concerned at the extent of the influence which the Government's assessment of the increase in local contribution will provide on the levels of rent increases and rate fund contributions.*"¹³

Paying the Rent

The problem of affording the rent for low income families increasingly became seen as a problem of reconciling the consequences of economic downturn on tenants. Increased reliance on social security meant that spending on assistance and rebates became more prominent as larger numbers of tenants relied more heavily on means tested rent assistance. There are three elements to this process which are described below: local concerns about securing the rent revenue associated with assistance; central policy review on allocation of and access to means tested subsidies; and efficiency concerns about administration of benefits. and . These factors have already been mentioned in previous chapters, but became more predominant in the economic climate of the late 1970s.

Local Demands for Revenue Control

More and more authorities reported difficulties with local liaison with the SBC over initiating rent direct arrangements as a greater number of tenants fell into unemployment and arrears. Housing officials felt their case for greater control over direct payment was vindicated by the administrative difficulties they faced arranging for the SBC to pay the rent. Numerous problems were cited: "*delay in payment to councils, failure to notify of the withdrawal of the direct payment facility, delays between the request for direct payments to be implemented being submitted to the DHSS and payments being made, and problems in the case of mentally ill tenants who, as a result of their incapacity, will not agree to rent payment or are unable to understand that their rent is not paid direct or indeed paid by any means at all.*"¹⁴ Fed up with the administrative and financial costs involved suggested that vouchers for rent be issued. "*The present system of payment, by which some tenants in receipt of*

¹³ Ibid

¹⁴ AMA Housing Committee Minutes 7th December 1976.

supplementary benefits are left to make their own rent payments and some have direct rent payments made for them is felt to be out-dated and cumbersome."¹⁵ The voucher idea together with a repeated demand for direct payment in all cases was put to the DHSS.

The DHSS and LAAs met at officer level in an attempt to ease the financial burdens of the transfer of assistance payments of rent for both parties. But the differences in approach were blatantly obvious. The AMA considered too few claimants had their rent paid direct, while the DHSS restated their policy of paying direct only in cases of persistent default and pointed out that the numbers of direct rent payments had increased very fast over the previous 2 to 3 years. No fundamental issues were reconciled at officer level¹⁶. Instead, the DHSS agreed to revert to paying rent owed to authorities monthly instead of quarterly. A further meeting was pursued with the Minister to put further pressure for direct payments and the introduction of a voucher system. Deakins, Parliamentary Under-Secretary at the DHSS, met the ADC and AMA on the 12th April 1978 and quashed any movement towards a voucher system as politically unacceptable, "*the Government sought to ensure that people on supplementary benefit managed their own affairs*"¹⁷. The Associations did not relent. They continued to press for mandatory rent direct payment and vouchers¹⁸.

Central Review - Social Assistance

In the meantime the DHSS had been reviewing the Supplementary Benefit scheme

¹⁵ AMA Housing Committee Paper AMA H77 28, Minutes of 5th April 1977.

¹⁶ See Note of A Meeting with Representatives of the Association of Metropolitan Authorities, on 15th November 1977: Subject: Direct Payments in Supplementary Benefit Cases. AMA Paper H78 3, Housing committee Minutes 9th January 1978

¹⁷ Para 7 of Note of a Meeting With Representatives of the Association of Metropolitan Authorities and the Association of District Councils, Held on 12th April 1978, AMA Paper H78 53, Housing Committee 20th June 1978.

¹⁸ AMA Housing Committee 19th September 1978. The ADC also wanted national insurance benefits of their tenants to be payable directly to them - Housing and Environmental Health Committee Minutes, 8th March 1979.

since September 1976. The report of the review, entitled *Social Assistance*, looked for areas for simplification and increased effectiveness and efficiency with a restriction that no extra costs be incurred. Concern about rising expenditure on benefits and staff was uppermost in the review body's minds¹⁹. With these objectives rent was an obvious area for consideration. *"the housing costs of supplementary benefit recipients constitute one of the main elements in the scheme and are a major source of complexity, high staff costs and duplication of effort with local authorities."*²⁰

On both the 'better-off' problem and the increasing workload of direct rent payments rent was a major administrative headache. The review acknowledged that many of the administrative difficulties were endemic to dealing with a variable cost such as rent and would have to be dealt with by any administrative agency. Constrained by the criterion of producing no extra cost, the review any change of arrangements for paying housing costs would need some fundamental reappraisal by Government at large. *"Any form of integration would be likely to involve either an increase in cost which could not be accommodated within current public expenditure plans without sacrificing other expenditure objectives or substantial problems of redistribution of current benefits...And to extend, beyond the limits of the current supplementary benefits scheme, the numbers of those who would look to public funds to meet up to 100 per cent of their housing costs, while advantageous to ill-housed families of low paid workers, would raise wider social and economic issues."*²¹

Having set out the problem in these terms the report proposed nothing. Instead, another review, unheralded, had started, *"..all the existing means-tested housing benefits, including the housing element of the supplementary benefits system, are now being studied on a wider basis to see if some arrangement can be found which offers a net*

¹⁹ See Chapter 1, Main Issues and Options, Introduction in *Social Assistance*, A review Of the Supplementary Benefits Scheme in Great Britain, Department of Health and Social Security, London, 1978.

²⁰ *Social Assistance*, op-cit. Page 58, para 7.2.

²¹ *Ibid*, page 59, para 7.6

balance of advantage over the present system."²² The reason for a separate review of housing costs is unclear, but several points indicate that both leading government departments, the DHSS and DOE, had left the resolution of long term frictions in policy to each other. David Donnison, Chairman of the SBC, confirmed that the SBC had prioritised housing costs as an issue in late 1975. The transfer of 90,000 better off cases was one outcome of that review. The SBC then thought that Crosland's review of housing finance would cover means tested housing assistance. *"For a while we pinned our hopes on what was still being called the Housing Finance Review.... We were soon put right about that: there seemed to be scant concern about the poor among those responsible for the housing review and no radical drive coming from the top."*²³ Once the Social Assistance report was finished and the Housing Policy Review had failed to deliver, the problems of paying social security for rent had to be approached again.

Poverty and Housing Costs Review

A separate review of housing costs was carried out by a Treasury-led inter-departmental committee, a study group on poverty, which was looking into many issues including housing subsidies and rents. Combined with policy objectives were long standing concerns about civil service staff complements - since 1975 reduction in staffing had become a political priority in order to maintain levels of service spending.²⁴ The unification of administration of housing assistance was therefore a popular option with the Treasury and the Civil Service Commission.²⁵ Feeling thwarted by the DOE Donnison began to publicly tout the idea of a unified housing benefits scheme. The SBC's annual reports outlined long term

²² Ibid, p.59, para 7.7

²³ David Donnison, The Politics of Poverty, op cit, p.186.

²⁴ See Joel Barnett, Inside the Treasury, op-cit, p. 82, for a description of how Wilson avoided Cabinet ructions by proposing a shortfall in cuts of £140 million be made up by a straight percentage cut in the civil service.

²⁵ David Donnison, The Politics of Poverty, op-cit, p186.

unification of housing assistance.²⁶ Donnison himself visited local authorities and began to speak at professional conferences about a comprehensive housing assistance scheme. The advantages to local authorities described by Donnison abandoned the SBC's previously adamant protection of claimants' rights to control their own spending. *"It would make life easier for them by simplifying their administration and solving some of their most difficult cases of rent arrears. There would no longer be any need to collect individual rent or rates from tenants living on supplementary benefit: the whole job could be done through one payment made by central government each month to local government".*²⁷

Donnison states that the DOE advised the SBC that local authorities were not in favour of a unified housing benefit. There was little truth in the statement. By late 1978 their desire to take over the administration of all housing benefits was clear, *"local government should be responsible for the administration of rent support schemes, but that there should be 100 per cent. reimbursement by the Government not only on the amount paid out, but also on the costs of administering the scheme."*²⁸ In fact, during the time of Donnison's advocacy of unified housing benefits the AMA were still pushing for vouchers and direct payment in every case, while the ADC wanted to go further by having rent directly deducted from national insurance and disability benefits too. Even the Cabinet Office made it clear that it was aware of the problems of rent payments, housing management, and supplementary benefits through the Central Policy Review Staff.²⁹

Unfinished Business

Labour's Housing Bill was not complete at the time of the General Election in

²⁶ Refs

²⁷ Ibid, p.189.

²⁸ AMA Housing Committee Minutes 19th September 1978. The ADC also favoured such a scheme, but were more hesitant, and required assurance that additional funds would be available to make it work, Housing and Environmental Health Committee, 24th May 1979.

²⁹ Housing and Social Policies: Some Interactions, Central policy Review Staff, HMSO, London, 1978; page 3, para. 17(iii).

May 1979. The Review of the Rent Acts was not published, and the deliberations on the realignment of means tested housing payments were unfinished. Yet these three areas of rent policy were to be taken up and continued by the incoming Conservative Government, although their importance was to be overshadowed by the implementation of one most popular element of housing policy in the manifesto: the right to buy for all council tenants.

II

Thatcherism & Affordable Rents: 1979-1986

The New Agenda?

The Conservative Government elected in May 1979 was committed to rolling back state involvement in all sectors of the economy. Housing was seen as a prime candidate for radical social policy. According to a senior civil servant, the new regime at the DOE, "*came into office with two fundamental policies underpinning their housing policy. First, right to buy would bring immediate political benefits; and second, local authorities were not to be trusted, spent too much, and their role in housing had to be radically diminished.*"³⁰ The development of this policy could draw on both new ideas from Conservative thinking and the existing plans of the previous government. The obvious difference between Labour and Conservative policy was the Tory's unbridled commitment to sell off council houses to their tenants. This new emphasis overshadowed the underlying acceptance of a new deficit subsidy system and a revision of means tested housing assistance. New investment in housing was planned through new building by housing associations and rehabilitation of existing stock by local authorities, new LA building was discouraged. These, together with a revived policy of invigoration of the private rented sector through the creation of new style tenancies, and amendments to the rent registration system, discussed further below, made up the agenda which determined affordability of rent for the first half of the decade.

³⁰David Edmonds, *Sidelined*, Roof, May/June 1992, pp 24-25.

Public Housing

To control the continuing costs of revenue expenditure on public housing the proposals for subsidies contained in Shore's Housing Bill were taken forward and amended. This desire to cut the costs of subsidy was supported by the parallel desire to raise rents so as to make council house purchase more attractive. In this aim the politics of Thatcherism held more than mere echoes of the Macmillan policies of the 1950s. But it is easy to overstate the position; both Labour and Conservative governments were concerned to obtain increases in council rents in order to control and direct spending on Exchequer subsidies. While Labour had significantly reduced capital spending, the Conservatives were determined to reduce revenue spending on housing, and especially to reduce general subsidy expenditure.

Sir Geoffrey Howe, Chancellor of the Exchequer, had stipulated that the decline in real value of rents had to be reversed³¹. The argument of continued affordability of these increases was given on familiar terms. When answering the Treasury and Civil Service Select Committee, The Chancellor returned to the comparison of rents to wages and the costs of owner occupation, *"I remember Aneurin Bevan, when he was Minister for Housing, regarding the reduction in the percentage of income going in local authorities' rents - a reduction to 10 per cent - as being a marvellous objective, so to speak. Yet the average owner-occupier-which is more than half the home occupiers in this country-is paying, I would guess, 20-25 per cent on income towards housing costs. We have seen over the last five years the percentage of average incomes going in local authorities' rents falling from 7.4 to 6.7 per cent. I would suspect the increase we are talking about in real rents over the next four years to secure only a very modest reversal."*³² The effects of these rises on inflation and pay settlements was accepted, but these were subsidiary to the significant role of

³¹ First Report of the Environment Committee, Session 1979-80, HMSO, London, 1980, HC 714, p. 11.

³² The Budget and The Government's Expenditure Plans 1980-81 to 1983-84; Second Report from the Treasury and Civil Service Committee, 1979-80; Minutes of Evidence QQ 400, p.111; HC 584, HMSO, London.

reduced subsidies in reducing housing expenditure by £2½ billion in the medium term.³³

To develop the new system of deficit subsidies local authorities had to be encouraged to raise rents. The method chosen was to calculate subsidy using centrally determined notional calculations of HRA income and spending and providing subsidy to meet the resulting 'deficit'. If no notional deficit occurred no subsidy would be given. An important element in the notional income would be assumptions of rent increases. In the first year every authority's need for subsidy could be calculated from its existing entitlement and allowable costs - such as management and maintenance and loans, and afterwards notional rises in these costs could enter the calculation. These costs were 'reckonable expenditure'. subtracted from these were sums attributable for income, the most important of which was rent, which would include notional increases, set centrally at flat rates. In this way rents could be induced upwards, unless local authorities were prepared to make up the shortfall from higher RFCs. However, as the early 1980s developed, higher RFCs became more difficult as central control and financial pressure on rate income and spending increased through a series of Local Government Finance Acts which ended in rate-capping.³⁴ In any case, although the housing element used in assessing block grant was calculated using different criteria to those for housing subsidy it included assumed notional rent increases. Originally, the effect of this calculation was to presume a credit of HRA profits to the rate fund and block grant was clawed back accordingly. However, these conditions were altered to remove negative subsidy after strong protests from the ADC and the many, mainly Conservative controlled, councils affected. This successful lobby against central housing policy was unrepresentative of the outcomes of central-local disagreements over housing policy.

³³See the conclusions of the Treasury and Civil Service Committee, *ibid*, pp x-xi.

³⁴For a discussion of these changes see T. Travers, The Politics of Local Government Finance, Allen & Unwin, London, 1986.

Local Authorities- Conflict or Co-operation?

The relationship between central and local government during the early 1980s deteriorated to a historic low point. Legal battles over Rate Support Grant, over council house sales and high level political confrontation over control of spending grew. The AMA seriously considered pulling out of a wide range of Central-Local discussions, especially the Consultative Council on Local Government Finance, in 1984.³⁵ We have seen above that the Associations were not against a deficit subsidy scheme in principle. The proposals to dictate indirectly rent increases, however, cut across the deeply held principle that local autonomy on spending decisions should be preserved. For those authorities who had pursued a policy of low RFCs and high rents, the question of most importance was the retrospective alteration of previous rights to subsidy under previous regimes. This loss, however, was a necessary part of any move towards a deficit subsidy system. When local authorities realised that they were about to fall out of subsidy, some argued for legal action to be taken, only to be advised by their Association that there was no established right to the old subsidies.³⁶ More generally, authorities had difficulties with the principle of flat rate increases in rent proposed by the Minister, which, during every consultation, were presented with the background of the falling value of average public rents when compared to average earnings. It was pointed out to the Minister that tenant's incomes were well below average, but this did not alter the reasoning behind proposed rent increases. Individual authorities passed resolutions calling for rent freezes, but none were taken up by an Association as national policy³⁷. In practice, flat rate increases were taken forward by authorities and influenced rent policy directly. The reason that more authorities were not directly opposed to the effects of the subsidy system was that many local authorities when moving out of subsidy were

³⁵AMA Policy Committee, 18th October 1984. Similar withdrawal from housing discussions was considered, H 84 119.

³⁶AMA Housing Committee Minutes, AMA H82 36

³⁷For example, see AMA Housing Committee minutes for 21 November 1982, and ADC's refusal to call for reinstatement of previous subsidy levels, minutes of Housing and Environmental Health Committee, 30th September 1982.

consequently allowed more freedom in rent setting. Freedom already existed on individual rent setting within each local authority's housing stock and when subsidy was nil there were no longer financial incentives with which to influence rents. Practices at local authority level varied widely, veering from making profits on the HRA to subsidise the rate fund at one end, to the continued high level RFC subsidisation and minimal rent rises at the other.³⁸ The effects of differential incentives on rent increases was to dramatically increase council rents in real terms on average but also to decrease the relative differences between rents of different authorities. Local opposition to rent rises was thus diffused, and there was no central imposition of rent levels as in 1972. Furthermore, the issue of rent and subsidy became a small part of larger conflicts which tended to concentrate on issues of spending and revenue control and the sale of council houses and use of the consequent funds.³⁹ With the introduction of Housing Benefits in 1982/83 the logic and strategy of conflict changed considerably and this is pursued further in detail below.

Private Rents

The review of the Rent Acts started under Labour was not taken forward. The incoming Government had a firm intention to relax the grip of rent restriction without any short term commitment to its overturn. The 1980 Housing Act sought to do this in three ways. First, it altered the existing ambit of restriction by decontrolling all remaining controlled tenancies, simplifying possession procedures and grounds, and by altering the phasing of registered rent increases from three to two years. The right of restricted contract holders to apply for Tribunal rent assessment was ended. Second, it created a new status of tenancy for new lettings under special circumstance. These lettings were shorthold

³⁸Compare Malpass, 1990, op-cit; Malpass and Murie, 1986,op-cit; and Hills 1990,op-cit and, in particular, B. Mullings, The Relationship Between Housing Subsidy, Rent Guidelines, and Changes in Local Authority Rents between 1980 and 1988, Research Note WSP/RN/17, STICERD, London School of Economics, for an appraisal of the range of effects on rents which resulted from the 1980 Act subsidies.

³⁹See Houlihan, 1988, op-cit.

tenancies were created for short term lettings at registered rents⁴⁰ with very limited security of tenure, and assured tenancies which were available on newly built properties undertaken by registered landlords to let at market rents. Third, the restrictions on rent allowances were removed which had previously limited payments to tenancies only and hence removed entitlement to those living in licensed property, an increasing practice in order to avoid the Rent Acts.

The success of these reforms is difficult to establish. The increased rents from altered registration requirements led to faster increases in the real value of registered rents in the early 1980s. But this trend understates the increases in rents in the private sector since at least one half of all new lettings are estimated to have been made outside of the Rent Acts altogether.⁴¹ The number of lettings made under assured and shorthold schemes was disappointingly low.⁴² The political uncertainty of future re-extended rent restriction, together with the discrepancy between high rates of expected return from landlords on their rented property and the low incomes of the majority of households who were their tenants or potential tenants made the problem of affordability central to consideration of the rented sector as a whole. In the words of the House of Commons Environment Committee, *"If tenants are to pay very much higher rents than at present for example, the 9 per cent gross return suggested by the British Property Federation, there would need to be very large increases in expenditure on rent allowances and supplementary benefit.."*⁴³ as well as better coverage and take up of rent allowances. While the new style tenancies appealed to better paid younger more

⁴⁰The requirement for registering rent for areas outside of Greater London was removed in December 1981.

⁴¹See, for instance the evidence given to the House of Commons Environment Committee in *The Private Rented Housing Sector: Report, First Report from The House of Commons Environment Committee, Session 1981-82; HC40-I-III*, HMSO, London. This reported trend was borne out by OPCS study in 1984, see J. Todd, *Recent Private Lettings*, in P. Kemp (ed), *The Private Provision of Rented Housing*, Avebury, Aldershot, 1988; and J. Todd, *Recent Private Lettings 1982-84*, HMSO, London, 1986.

⁴²P. Kemp, *The Impact of the Assured Tenancy Scheme, 1980-86*, in P. Kemp (ed), 1988, op-cit.

⁴³HC 40-I, op-cit, p.xxxiii.

mobile tenants, they were in a position to purchase and generally chose to do so. Even the 1980 changes to extend rent allowances in extent and generosity had not overcome the problem of affordability since take up was so poor: for instance, only 7,000 furnished tenants claimed rent allowances in 1978 throughout England & Wales - an estimated take up rate of around 10-15 per cent.⁴⁴

Housing Associations

The main expansion of private lettings occurred within the newly prioritised housing association sector. Previously in the history of rent policy and affordability, these quasi-private landlords had a small but significant role in the provision of affordable accommodation, and as was discussed briefly above, their role from 1974 had been encouraged to expand to compliment the major providers, local authorities. But from the early 1980s their role was expanded. Housing associations became major recipients of government new-build subsidies to let at registered rents as **alternative** to local authorities. It is reasonable to suggest that the role of housing associations as providers of social housing for the poorest began to grow during the early 1980s, both as a result of increasing direct referral from local authorities and as more housing associations increased their selection of potential tenants on grounds of need and income. Hills provides data of the stock of tenants and their rents in 1983,⁴⁵ and the rents paid between 1980 and 1985, and as the role of housing associations will not be separately analyzed from the rest of the private sector in Part II of this thesis, readers are pointed to the Appendix of Chapter 7 where Tables Table 7.A.I. and 7.A.II. give an overview of the relationship between housing association and other tenures.

Across private, public and housing association tenants the common policy of the 1980s was to move to higher rents in real terms. In previous discussion the potential effects of such rises on affordability has been seen to be appreciated by

⁴⁴Ibid, p xxx.

⁴⁵J. Hills, *The voluntary Sector in Housing: The Role of British Housing Associations*, in Estelle James (ed), *The Nonprofit Sector in International Perspective*, Oxford University Press, Oxford, 1989.

the policy makers and commentators at the time. The higher rents would both bring more tenants into consideration for means tested assistance with rent, and raise the spending on such programmes. But, such programmes to assist in paying the rent were also being considered for change. How could benefits assist the policy of higher rents and fulfil the over-riding objectives of reduced Government spending?

Paying the Rent

Unified Housing Benefit- the proposals

The inter-departmental committee set up under the Labour government to bring forward proposals for changes to housing assistance continued under the new administration, although its priorities altered to match the changed policy environment from 'poverty' to 'incentives and income compression'. Meanwhile, local authorities continued to press for unified housing benefits in order to directly receive rent payments from poorer tenants on supplementary benefits. In March 1981, the DOE released a consultation paper, outlining proposals for reform⁴⁶. The proposed scheme had abandoned the wider, more radical agenda set down by Donnison and, on the condition that no extra costs be incurred by the Exchequer proposed to transfer responsibility for all social security help with rent and rates to local authorities so as to "*build on the existing system of rebates*"⁴⁷. Owner occupiers receiving supplementary benefit would continue to receive help from the DHSS.

There were two major areas of discussion over the proposed changes: their finance and the coverage of the new benefits. Coverage was important since the move to unify benefits required the creation of tenant losers for whom the proposals would make the higher rents of DOE policy less affordable. Second, coverage of elements of rent was important for local authorities since they wished to have

⁴⁶ Assistance With Housing Costs, DOE, London, 1981.

⁴⁷ *Ibid*, p.3.

control of as much **gross** rent for as many tenants requiring means tested assistance as possible. However, the amalgamation of rebates and allowances under a 'unified scheme' produced problems of compatibility in the definition of eligible costs for benefit and the calculation of needs and assistance with rent. Thus, elements of rent such as heating costs and water rates were part of supplementary benefits and could not be called rent, while the calculation of supplementary benefit protected a minimum level of income, below which nobody should fall, while rebates merely assisted with the rent element. These differences, when combined with the creation of losers and the injunction of no extra costs to solve them, produced an inevitable level of complexity.

The financial constraints of reform, already contributing to problems of compatibility and unification of benefit regimes, further deteriorated with the pursuit of efficiency savings through lower central administrative costs. Savings in the DHSS, a long term goal of unification became a priority. *"The overall cost of running the scheme based on these estimates is in the region of £15m with development costs in the regions of £10m. DHSS had originally hoped to secure savings in the region of £17m through the scheme, although their latest estimate is £20m. Upon the basis of these costings there is clearly no scope for savings to be made to mitigate the position of the losers"*⁴⁸ At the same time, to encourage the local authorities to take the new proposals, such central savings could not be seen to be made at the expense of local authorities, who had to be reassured on the finance of taking over a part of a central social security function. Originally, this commitment made by the DOE appeared unequivocal, *"The Government accepts that any change should not result in local authorities as a whole having to bear any higher amounts in benefit from their own resources.."*⁴⁹ But as the lead Department on the new changes shifted from the DOE to the DHSS this cast-iron guarantee looked rustier. An attempt to avoid a specific grant to cover local costs was made by proposals to include arrangements within Block Grant. This was successfully opposed.

⁴⁸ AMA Housing Committee Papers; AMA H 81 95, 7th September 1981; para. 6.

⁴⁹ Assistance With Housing Costs, Department of Environment, London, 1981, p.9.

Local Authorities and HB: A Gift of Rent Revenue or a Pig in a Poke?

The long standing concern of local authorities that income maintenance was a central concern of national government and that they should bear no costs towards it has been a common theme of discussion in previous chapters. The 1981 proposals provided a unique opportunity, long argued for, to control the rent income of the poorest, but it also posed a unique threat. The Associations were disappointed with the conservatism of the DOE proposals; they were the 1977 Housing Finance view revisited. *"Both ADC & LBA agreed with the principles of the DOE proposals but would have preferred to have gone the full way to a tax-credit system for housing rather than those proposals put forward."*⁵⁰ Meetings with Ministers made it clear that the extra £40 million necessary to fund a scheme with no losers would not be found. Associations were faced with a choice: to continue or to hold out for a more generous and less threatening scheme. In Scotland, COSLA, boycotted further negotiations. The ADC agreed with reservations. The AMC saw the choice as threefold - to have the scheme dropped altogether, to press ahead on a campaign to ensure no losers, or to compromise and only accept the tenants who had 100% of their rent previously paid. The second was chosen. The local authorities were irrevocably on board.

Protracted negotiations over rent elements and finance delayed implementation, which eventually came in two stages. First, those council tenants whose rent was wholly paid by the DHSS started in November 1982; the remainder in April 1983.

1982 Housing Benefits: One step forward?

The adjective, 'unified', was soon dropped in the development of what were originally entitled 'Unified Housing Benefits'. The 1982 reforms essentially changed the administration of housing assistance for rent while maintaining the dual, separate, assessments of supplementary benefit cases and others. Any tenant receiving supplementary benefit would have a certificate sent on their behalf to the local authority which would authorise the payment of their rent in

⁵⁰Note of Housing Consultative Council discussions in AMA Housing Committee Papers; AMA H 81 91, para. 21.

full through housing benefit. Other tenants would apply directly to the local authority for assistance. Their benefit would be calculated using needs allowances, gross income and tapered benefit scales according to their status, (pensioner or otherwise), and the relation of income to their needs allowance. Local authorities did everything except for the calculation of supplementary benefit needs.

To protect the losers identified above two amendments were made. First, for those tenants who previously would have been entitled to the whole of the difference between their income and the combination of supplementary benefits and rent, there was Housing Benefit Supplement. This topped up the rebate or allowance calculated using the housing benefit tapers to ensure that it met the whole of the shortfall in rent. It was, however, dependant on the DHSS calculating a tenant's supplementary benefit requirements, and any tenant who did not first go to the DHSS would not obtain this assistance. Local authorities had no way of knowing whether these claimants would qualify for the range of additional supplementary requirements for heating, laundry and similar needs. The better off problem was in this way changed to a 'better off' problem. A tenant could receive differing outcomes depending on whether they first approached the DHSS who could recognise such needs. Second, existing claimants of the more generous old scheme rebates and allowances would have their losses limited to 75p a week. The awkwardness of residual charges due to water rates and heating charges for council tenants was partly solved by the inclusion of water rates in certificated benefit and the limitation of heating charges to the amount assumed in supplementary benefit by the DHSS for fuel.

The implementation of housing benefits was not a happy one. Throughout the country the change left many tenants without money for rent. Rent arrears zoomed as backlogs built up. Underestimates of the number of tenants transferring from supplementary benefit, inadequate time for adequate computer installation, lack of staff were all blamed for a disastrous implementation. Evidence of widespread chaos continued to present itself throughout the summer

of 1983⁵¹.

More worrying for local authorities was that the scheme began with no detailed agreement on how their costs of paying benefit and running the scheme would be met. For instance, for those claimants who once would have been DHSS cases, but now, purely because of their need for help with rent, applied to the local authority, a group called 'floaters' to the bureaucrats involved, there was a provisional agreement to augment benefit reimbursement by 6% of its cost. But, this amount was agreed together with, "*an assurance has been given that the 6% is negotiable should a high percentage emerge for this group.*"⁵² On the administration side, once the attempt to move costs to Block Grant had failed, there was hiatus. Eventually, the Associations wrote jointly to the Minister "*..the Associations have always held firmly to the view that income support is essentially a central government obligation and that when the creation of a unified housing benefit system was proposed to be achieved by transferring duties from the DHSS to local government the Associations insisted that no extra costs should fall upon local authorities. The extra work falling upon local authorities under the system is regarded as being more in the nature of agency work than as a true function of local government and it is in this spirit that local authorities were promised that their costs would be fully reimbursed.*"⁵³

Thus at the worst point of the 'fiasco', there was a nationwide breakdown in rent payments as the new system failed to work in many areas, there was no financial certainty on which authorities could rely to improve investment in staff and equipment, and the 'savings' envisaged by the DHSS were being eroded as local authorities gradually realised that Housing Benefits was not merely a revised rebate and allowance scheme but required fundamental changes and expansion of services. While the DHSS had planned that local authorities could make savings on the administration of rent accounting, many experienced the reverse, and began

⁵¹See previous discussion of this literature in Chapter 1, p.16

⁵² AMA Housing Committee Papers, H 82 111, 26th August 1982.

⁵³ Letter from AMA,ADC & LBA to Hugh Rossi, Minister for Social Security, & Lord Bellwin, Minister for Local Government; May 1983. Attachment to AMA Committee Paper H 83 102.

to seek full reimbursement of the costs as part of financial settlement of costs.

The new Minister for Social Security, Rhodes Boyson, though handed a poisoned chalice, did not shy from allocating some of the blame to local authorities. Fury ensued. *"We have told them (the Government) that authorities have had to recruit extra staff to sort out the troubles. Our remarks have been greeted with looks of incredulity and we have been berated for not cutting back on our manpower..... The scheme shifts responsibilities away from a department for which the Government is itself directly responsible on to local government shoulders without actually improving the system. We have constantly advised the Government of the difficulties involved, but so far there is little positive response. Local authorities must be allowed full and proper resources to do this vital job effectively and efficiently."*¹⁵⁴

Short Term and Long Term Review

By the time central and local representatives met, the Minister felt obliged to open proceedings with a categorical statement: *"the Government had no intention of taking the scheme back"*¹⁵⁵. A review of better administrative arrangements was agreed and the Associations put forward their opinion that the fundamental flaws in the 1982 scheme, not yet one year old, demanded further radical reform. The local authorities found HBS too cumbersome and ineffective and wanted it replaced, but the DHSS, keeping to the principle of a minimum level of adequacy through the supplementary benefit calculation, could not agree.

But before any further discussion of reform was pursued, the Chancellor announced in the Autumn Statement that, because of huge increases in HB spending, cuts were to be made in benefit entitlement, as benefits were alleged to be paid 'too far up the income scale'. £230 million cuts were sought. The government's concern about over-generosity, was, however, not borne out by the

⁵⁴ AMA Press Release, 10th August 1983; Attachment to AMA Housing Committee Paper H 83 129.

⁵⁵ Report of Meeting in AMA Housing Committee Paper H 83 183

fact that due to rent increases and increased unemployment the numbers of claimants of benefit had increased and with it expenditure.⁵⁶ The announcement further soured the relationship between local authorities and the DHSS. *"The Association is quite simply appalled by the prospect of such large reductions in housing benefit..... "during the preparation and introduction of the housing benefit scheme, and during the recent round of discussions with the Minister and the Department., the DHSS side have insisted that the housing benefit scheme must be run on a 'nil-cost' basis. As a result of this, our proposals have been very much constrained and moderated We now find that rather than a 'nil cost' scheme, where the gains and losses created by the introduction of housing benefits were meant to be roughly equal, the sum of £230 million is to be taken out of the scheme."*⁵⁷

When this point was made to the Minister, Boyson could only present the DHSS's hands as tied by the Treasury's requirement for cuts of £230 million.⁵⁸ The only areas for negotiation were the type and shape of the cuts. The proposals for £230 million cuts did not prove to be immutable. Concessions were made which deferred some cuts until November 1984 and reduced them to £215 million. Part of this outcome was due to the physical impossibility many authorities had faced with changing computer software at short notice. However, the Minister was very willing to consider long-term review: *"The Minister appeared to give his blessing to such a review by saying that Housing Benefits were costing £4 billion a year and any "Government worth its salt would want to review it." He suggested that the review commence after April."*⁵⁹

The public announcement of this review was made one month later in Parliament by the Secretary of State, Norman Fowler.

⁵⁶Hills and Mullings estimate that 50% of additional housing benefit spending was due to rent rises. Op-cit, p149.

⁵⁷AMA Response to Autumn Statement, Housing Committee minutes H 84 6..

⁵⁸ Note of Meeting with Minister, 4th January 1984; AMA Housing Committee Paper H 84 6

⁵⁹ Note of Meeting with Minister 4th January 1984; AMA Housing Committee Paper H 84 6

The Rowe Review

The experience of housing benefits had given impetus to the Government to curtail costs at the same time as reviewing the structural problems of benefit assessment: "*..the enormous growth of housing benefit expenditure and the income levels at which it is paid require further consideration. Equally the continuing difficulties which some authorities are still experiencing in handling claims and payments is causing anxiety for individual families.*"⁶⁰ An independent review team was set up, led by Jeremy Rowe. The terms of reference were to examine the structure and scope of the scheme and to ensure that it was as simple as possible, and that help was concentrated on those most in need; and to improve its administration by local authorities.⁶¹

There were many who saw these terms as too narrow: why was assistance with housing costs of all tenures not being reviewed, including mortgage tax relief? The Review expressed some sympathy with this view and made several explicit references to the unfair anomalies in mortgage and rent assistance. The relevant recommendation stretched the terms of reference as far as they would go: "*In the longer term, the Government should consider extending the scheme to cover mortgage interest payments and applying a single rate of withdrawal, for all housing costs together, as income rises.*"⁶² The limitations of the terms of reference also precluded a wider analysis of rent policies and their effect on take-up and expenditure. The review team echoed the findings of the Social Security Advisory Committee (SSAC) by making the point that growth in spending on housing benefits was "*principally the result of economic factors and of a transfer of support, rather than, as some people have implied, the uncontrolled result of an over-generous benefit policy.*"⁶³ The point was also made that such increased spending had been on a revised

⁶⁰ Cmnd 9520, op-cit p.29

⁶¹ Cmnd. 9250, Housing Benefit Review: Report of The Review Team, HMSO, London, 1985; p. v.

⁶² Ibid, p.vii.

⁶³ Ibid, p.4.

scheme which had reduced eligibility to benefits." *..housing benefit is less generous now overall than the previous systems of support with rent and rates. The changes introduced have had the effect that for most households rent and rate rebates cease at a lower level of gross income than before..*"⁶⁴

As an advisory committee there was no power to commit the Government to particular levels of expenditure. Much of their proposals would necessarily be dependent on the findings of the other unpublished review of supplementary benefit which was proceeding at the same time.

The Rowe Recommendations

Faced with differing models of rent assistance the Review came wholeheartedly down in favour of a scheme which protected a minimum level of income by meeting 100% of housing costs at a given point. *"Since 1948 actual housing costs have been met in full in addition to payments for other needs. This is because the 'safety net' could be maintained only if the wide variations in housing costs were taken separately into account."*⁶⁵ The determination of this minimum level would depend on the proposals for the reform of supplementary benefit: whatever tests of income, capital and needs was adopted for one should be adopted for the other. From such a harmonised assessment simplicity and effectiveness could be developed. *"It is the first step towards a properly unified scheme and crucial to removing the need for housing benefit supplement."*⁶⁶

The problem which taxed the Review Team was the manner and rate of withdrawal of assistance for those tenants with incomes above this minimum level. Having nailed to the mast their agreement with meeting actual costs at a poverty-line, the method of withdrawal could never be allowed to prejudice this. The proposal to meet housing costs as a set proportion of income was thus

⁶⁴ Ibid, p.4.

⁶⁵ Ibid p.5.

⁶⁶ Ibid p.5.

frustrated: for low incomes it would have resulted in the need for a supplement to maintain the poverty threshold. Such complications were contrary to the need for simplification. The concern for simplicity also dismissed a variable rate of withdrawal as incomes rose; a 'dual taper' scheme had the advantage of reducing the marginal tax and benefit losses for incomes near to the poverty line, but was deemed too complicated.

The preferred option was that of single separate tapers for rent and rates. The problems with these were that, first, it meant that higher rents would obtain assistance higher up the income scale, and, second, that increases in rent would be met in full by increased benefit - a problem of rent increases possibly being covered by benefits with no incentive for claimants to control them. The review team proposed various measures to ensure that there were checks and balances against 'upmarketing' through benefit, and suggested that local authorities be given subsidy incentives to implement them consistently. For very high rents which were not due to upmarketing, the team proposed that an income cut-off be introduced to stop assistance being given above that level.

The Review's proposals for administrative simplification spelled out the need for consistent application of new rules both between the DHSS and local authorities, and between local authorities themselves.

The Government's Proposals

The review of housing benefits had become a part of wider policy changes. The principle of benefits making housing costs affordable was abandoned in several instances. First, and most fundamentally, the principle of supplementary benefit being replaced by a similar 'poverty-line' benefit was abandoned. Instead of there being a commitment to calculating every individual's subsistence needs for benefit, income support was to rely on a crude averaging out of additional requirements according to previously determined criteria of need: age, dependents or receipt of a sickness, invalidity or disablement related benefit. The principles of Assistance, sacred since 1948, were changed for those of administrative efficacy:

the 'plimsoll line' or 'safety net' sacrificed in order to efficiently computerise means tested assistance. Second, this principle was taken further through the review of single payments. Whereas supplementary benefits had maintained its minimum income through one-off grants to assist with capital expenditure on large items, income support would be accompanied by a Social Fund from which the majority who applied would obtain loans. The logic of assistance had been turned on its head. Instead of protecting a plimsoll line, a system of loans deliberately placed claimants who had substantiated their need for extra assistance at a level of income below the new minimum. Third, in an attempt to influence political behaviour at local government level, claimants would not receive 100% assistance with rates, or their replacement: the Community Charge. Every claimant, no matter how poor, was not too poor to pay 20% of their local taxes. Whether this represented £1 a week or £3 was only relevant to the extent in which it influenced the claimant to curb local spending; only a national average rate was to be included in recalculation of income support rates. The poor, often in the poorest areas, were being made poorer in order to contain local expenditure.

In these three ways the historical commitment to a plimsoll line minimum in assistance was revoked : any baseline for affordability of rent had either been sunk or was unseaworthy. The acceptance of the Review's main recommendations for the structure of housing benefits: the unified tapers, the administrative harmonisation and the incentives for better administration, was therefore based on a paradigmatic break with past models of social security for means tested assistance.

The proposals for the maximum of 80% rate rebates had already been dismissed by the Review. One member of the Team, faced with the Government's adamant rejection of their advice, publicly derided the intentions of policy as *"slightly bizarre... it does not seem realistic to me that such people will be able to control their rates through the ballot box or by moving somewhere where the rates are less high. It seems naive to think that this will happen....the numbers who vote in local authority elections have been around 30% for years, even in the 1950s before rate rebates were*

widespread."⁶⁷

The subsequent changes to rate rebates are not directly relevant to an analysis of rent policies and their affordability, but the change marked a watershed in discussions on housing benefits between local and central government. While the previous actions of central government had been seen as a breach of promise, the reimposition of collection of sums of rates, and hence of inclusive rents, was, to the local authority community, the ultimate in perfidy. "*One of the main advantages to local authorities of the housing benefit system has been the direct payment of rent and rates, which not only helps to control arrears, but also reduces collection and other administrative costs... The Association estimate there will be at least another 50 million transactions per annum created by the 20% rate requirement..... In giro charges alone, it will cost local authorities an additional 30p to collect the average amount of £1 per claimant per week.*"⁶⁸ Housing benefit, seen as the answer to rent collection problems for poor tenants, had been stripped of its basic attraction: all tenants would have to pay some element of rates in the rents charged by local authorities.

Housing Benefits Policy and Subsidy Conflicts

Local authorities saw themselves as caught between a rock and a hard place. Different central government departments were pulling policy in different directions. The DHSS wanted to contain benefit spending, and hence did not want authorities to raise their own rents dramatically, or for private housing benefits to be paid out on rents higher than registered rent levels. At the same time, the DOE and Audit Commission were pressing for higher LA rents. Even the Minister agreed there were "*mixed messages in this area*"⁶⁹.

The Rowe discussions and Government proposals occurred over a period during

⁶⁷ Rhea Martin, quoted in AMA Housing Committee Paper H 85 113.

⁶⁸ AMA, *The Reform of Social Security: The Government's Proposals for Housing Benefit*, The Association's Response, p.12; Attachment to AMA Housing Committee Paper H 85 63.

⁶⁹ Note of meeting with John Patten 19th March 1986, AMA Housing Committee paper, H 86 47

which the relationship between local authorities and the DHSS deteriorated further on housing benefits. Further cuts in housing benefit were made, and the AMA took successful Court action over Ministerial failure to consult adequately over HB. Subsidy arrangements had been agreed, but Parliament were unhappy about the failure to make savings in administration costs through housing benefits, and the failure to monitor and audit local authority administration adequately.⁷⁰ Some local authorities had attempted to maximise income by selectively raising the rents of tenants who were in receipt of 100% benefit. They got short shrift. The subsidy rules were altered immediately so as to remove 'blatant abuse'. The DHSS warned, "*We are aware that other Councils are considering variations on the theme and I should like to make it clear that once we have the details of these we shall take any additional steps necessary to block these.*"⁷¹

But, despite these attempts to maximise subsidy income at the Government's expense, local authorities saw that they had a more generally justified grievance. First, the original agreement over 'floaters' was unilaterally broken by the DHSS. Research had shown that the additional element of subsidy paid to compensate authorities was inadequate and was growing more so. Despite this, no allowance was recognised of this problem, "*The DHSS said that Ministers had decided that fine tuning of the subsidy arrangements was not appropriate at the moment (we pointed out that they had been prepared to fine tune in other ways).*"⁷² Worse still, in the consideration of the proposed subsidy schemes for the 1988 changes, the 1982 pledges of no extra costs being transferred to local government were, for the first time, explicitly relinquished: Ministers could no longer "*give any guarantee that this*

⁷⁰See National Audit Office, The Housing Benefits Scheme, HC 638, Session 1983-84, HMSO, London; Public Accounts Committee, Sixth Report, HC 78, Session 1984-85, HMSO, London; and the Comptroller and Auditor General's comments on housing benefit in his Report on the Appropriation Accounts for 1984-85 (Volume 8:Class XI and XII), HC 592-VIII, Session 1984-85, HMSO, London. The follow up report of the Public Accounts Committee, The Twenty-Seventh Report, HC 254, Session 1985-86, HMSO, London; reviewed progress on the issues of housing benefit expenditure and audit.

⁷¹ Letter DHSS to AMA, 11th January 1984; AMA Housing Committee Papers H 84 6, Attachment 7.

⁷² Note of the Housing Benefits Standing Committee held on 27th September 1985; AMC Housing Committee Papers H 85 131

arrangement would continue".⁷³ Even the Conservative controlled ADC admonished the Minister, saying the Government 'had let us down'. By the time that Tony Newton was again approached by the ADC concerning subsidy all remnants of doubt were torn away. *"Tony Newton said that previous assurances could never be seen as immutable, no assurances can be for all time, and the scheme is now different."*⁷⁴

The negotiations on future subsidies broke down and local authorities looked back at the whole issue of housing benefit. Giving evidence to the House of Commons Social Services Committee, they made their contention clear: *"Local authorities were asked to administer the scheme and could see some advantages in having rent paid direct (although these advantages have not generally been realised or have been outweighed by other factors)..... The scheme is essentially an income maintenance system and, as such, local authorities felt that they were acting as agents on behalf of central government.... Unfortunately, the detailed reimbursement formulas were not worked out at that stage and had we known the sort of proposal which the DHSS would subsequently put forward there can be no doubt that local authorities would never have agreed to undertake the scheme."*⁷⁵ All Metropolitan authorities were given the opportunity to call a halt to involvement with HB. The AMA's question to each of their members read: *"Resolved: That in the light of the Government's refusal to review the housing benefit subsidy position, and the amount which local authorities are likely to lose in direct grant, member authorities be asked whether they wish to continue to run the housing benefit scheme on such terms..."*⁷⁶. They answered that they did.

The proposals for the future benefits were eventually agreed, and, again, the local

⁷³ AMA Housing Committee Minutes; 9th July 1985

⁷⁴ Note of Meeting 17th February 1986; AMA Housing Committee Papers H 86 47. (punctuation as original)

⁷⁵ Memorandum of Evidence: Housing Benefit Administrative Costs, AMA Housing Committee, 8th April 1986

⁷⁶ AMA Housing Committee Minutes, 8th April 1986

authorities successfully prevented a move to greater amount of HB payment being moved to Block Grant. However, the details of the introduction and working of the new benefit must be left to future research. This thesis ends its consideration of policy at this point. The position by 1986 was that the now discredited 1982 housing benefit scheme was being further cut back through incremental changes to standard benefit entitlement, while in the long term proposals to properly unify its basis within means tested benefits was going ahead. The Government's proposals were changed again to steepen the withdrawal of future housing benefit to 65p in the pound, from 60p, as a part of cost trimming. Keeping rent affordable was thus once more compromised by decisions about aggregate spending levels for social security.

Summary

- Labour's Housing Finance Review coincided with the beginning of fiscal crisis, no attempt was made to fundamentally alter the distributional effects of differing housing subsidies, or to harmonise tax, benefit and other subsidies. Instead, moves were made to introduce a deficit subsidy for local authority housing and to improve tenants' rights. The increasing burden of collecting social security paid rents led local authorities to demand voucher systems for rent payments for their tenants on Supplementary Benefit, and, in the absence of proposals for revised housing finance, the Supplementary Benefits Commission proposed a unified benefits system for rent payments.
- The Thatcher government took over proposals for revenue deficit subsidy and unified housing benefit. Public tenants were encouraged to purchase their homes. Higher rents resulted from decreased general subsidies and partial freeing of private rent regulation. However, these rents were increasingly paid for by higher housing benefits. The need to contain benefit spending then resulted in both cuts to entitlement to have the higher rents paid and a more thorough review of all social security. The results of this review, not introduced until 1988, after the period studied here, sought to fundamentally alter the basis of means tested

benefits. Local authorities were caught between policies of increasing rents and the job of paying benefits of the tenants thus affected. The assurances made about the responsibility for the costs of housing benefits remaining with central government were not adhered to.

PART II
THE OUTCOMES OF POLICY MAKING

CHAPTER 6

METHODOLOGY

Introduction

The first part of this thesis studied the policy making process and the second now studies the outcomes of such policy on government and tenant spending. As previously outlined in Chapter 1, the primary research question addressed is: **How much have these changes cost, and to whom.** Conclusions from both parts will be presented in Chapter 10.

This chapter sets out the methodology for Part II of the thesis. First the research questions necessary to study the costs of rent support to government and tenants are examined. Second, the data sources available for research are described and compared. Third, a set of definitions of basic data variables is given. These variables are common to all the chapters which follow. More detailed discussion of methodology on applied questions of secondary analysis of rent and income data from FES, and on definitions used for analysis of public expenditure are provided in Chapters 8 and 9 respectively.

I

Questions for the Study of Affordability

The discussion of literature on housing and social security in Chapter 1 led to an approach which brought together the study of housing finance and social security into a single theme for analysis around the concept of making rent affordable. The historical study of policy making which followed based itself on an institutional approach identifying policy actors, their demarcation of responsibility for policy and the conflicts which resulted. To study the costs of policies a consistent and robust framework must be developed which follows these lines of analysis.

The problem of a purely economic analysis of the costs of policy was discussed in Chapter 1: economists discussing social policy tend to have the principles of economic rationality at the core of their analysis, an approach which does not fit in well with the divided and conflicting aims of different actors we have so far

described. Similarly, the purpose here is not the advocacy of a 'fairer' distribution of subsidies between tenures or better incentives in social security and the measurement of adequacy and behavioural consequences. Rather it is to identify and compare the outcomes of policies and investigate the costs to government and tenants. To provide a framework for the measurement and comparison of these costs the broad aim of policy, of making rent affordable, must be made into a strategy, a set of questions and strategies for research and discussion. These questions will include elements of both politics and economics as it will be important to make comparisons which are consistent with the divisions of policy and practice discussed previously in the historical study of policy.

Questions for Study

If the general aim of making rent affordable has been undercut and over-ridden by a series of complementary and conflicting aims and objectives, what can be used to provide a clear framework for study? Without a defined field of study the effects of other policies, of housing and social security policies which are not directly to do with rent, and of a rational appraisal of all costs, intended and unintended, would need to be confronted. To avoid these, the approach of the following chapters will be based on a series of comparisons which each take different elements of the problem separately. It is fundamental to this approach that there is no single measure of an affordable rent or an affordable rent policy; each can only be approached by way of a series of complementary comparisons. There is no affordable Holy Grail.

First Comparison

How have renters changed over time? We have noted the influence of tenure sponsorship in policy making; if the levels of rent and incomes are to be compared it is essential that the changing demographic and economic circumstances of renting occupiers is taken into account. This context is too often ignored in simple prescriptions of rent being a certain proportion of the average wage or income.

Second Comparison

The history of policy has shown the use of differing policy emphasis on rents, rebates and subsidies. How have the theoretical financial consequences of policy changed over time? These changes are examined using model households to examine the intentions of policy, prior to later examination of the outcomes experienced by tenants and government.

Third Comparison

What have renters actually paid as rent and how has this changed over time? Has it become more or less affordable?

Fourth Comparison

How have the government's costs of making rents affordable changed over time? To answer this a consistent definition of public expenditure costs is developed. These costs, once identified, can then be subjected to a more elaborate set of comparisons which take into account the institutional changes and conflicts between elements in the policy making process. In this way the comparative costs of programmes, between central and local government, between landlords, and of means tested and general subsidies, are evaluated.

However, there is a common assumption which runs through these comparisons: that 'costs' can be identified around a concept which has a practical significance, in that it measures something concrete, and yet does not include a full examination of economic costs. Is such a measure justifiable?

Measuring the Costs

The core question for a methodology is that surrounding the definition of cost. All further discussion depends on what is taken as a cost as well as how it is measured. The central theme of this thesis is the effect of social security policy and housing rent policy on tenants and the associated public expenditure costs of such policies. This concentration leads to questions based upon what is charged, what is paid, and the resulting costs - in other words the revenue side of the

housing equation. Put simply, the concern is with rent support rather than rent setting and the economic return on rented property. This means that the underlying economics of what determined rent and how the quality of accommodation has changed are not addressed here.

This limitation leads to several areas of comparison which will either require the reader to refer to alternative sources, or which require further research. To enable readers to understand these missing areas of study and to outline areas for further comparison, either from other academic sources or from future research, the excluded areas of analysis are outlined. First, the costs and benefits to landlords of providing property to rent. The amount of government spending they have received, and the changes over time in the value of this income will be compared, but the costs and consequences of letting property in the larger context will not be addressed. This means that the aggregate losses and gains from the imposition and relaxation of rent control will not be costed for private landlords; neither will the changing financial costs from differing subsidy schemes for local authorities. Second, no extrapolation of costs from rented to non-rented tenures is made; no attempt to place the costs of rent support in a wider framework of housing finance is made. The costs of rent support, as calculated, could however be compared to the costs of owner-occupation, but this would require separate future research.

This study then focuses on the costs of various strands of social policy which can together be labelled as **rent support policy**. This consists of social security which gives money to tenants to pay the rent; of housing subsidies which give money to landlords to enable lower rents to be set; and rent control which stops landlords from charging too high a rent. In Chapter 10 these policies and their outcomes will be brought together to assess whether any have represented an affordable rent policy, or whether, together, they add up to one.

Questions for Tenant Spending

It is not appropriate to ask whether rent has been affordable, only whether it has become more or less so, and for whom. A level of rent, or a proportion of income spent on rent, cannot be tied down to one universal measure. The history of policy has already shown that rent targets in subsidy calculations have been used by governments of opposing political persuasions pursuing irreconcilable directions in housing policy. With this in mind, is there any point of, say, resurrecting Bevan's 10 per cent of average male wages as a target or of re-evaluating its worth for the rented households of today? When we measure household expenditure on rent we are looking at levels of rent which are the product of political social and economic influences. Expressing such expenditure as a single economic relationship, such as an affordability ratio, in which rent is compared to income, has two major problems: the context in which rent and incomes are measured, and the limitations of such a comparison in the information it provides for affordability.

Context of Affordability

Part I has shown that affordable rent policies are a compromise between conflicting policy objectives and administrative systems. This insight must not be lost in a quantitative study. The context of the policy process informs the measurement of rents and incomes in the following ways.

First, the restriction of this quantitative study to rent support costs produces data for incomes and rents which cannot be used for comparison with mortgage costs without further research to make equivalent adjustments to data for other tenures. A worry is that, with the complications which surround tenure comparisons of costs, a simple heuristic device such as an affordability ratio for rent, and the expression of rent as a proportion of income, reinforces a climate of popular superficial analysis which disadvantages renters.

Second, any comparison of rents and incomes must take into account the relative changes in the make-up of renters and non renters. What is affordable may change over time because of a difference in the resources between occupiers of differing tenures as well as the value of rents. While we avoid a comparison of costs between renters and non renters we can not avoid a comparison of

resources. These changes in demographic and economic profiles have been argued as representing a 'residualisation' of public renting. This debate, while important for an assessment of the status of one sector of the renting population, provides an important academic background to this study, but the comparison of the resources of occupants of different tenures made here goes beyond its ambit. The comparisons which are made of renters is both for private and public sectors; between them and between them together and non-renters. The conclusions of which tenure is more residualised is left to others. The changes in private, public rented tenures and owner occupation will provide further evidence for the extended debate concerning residualisation.¹

Third, the study of outcomes, of the amount of rent paid and the incomes of those paying it, must also stand beside a quantitative analysis of what policy intended. These intentions can be the shown by the general level of rents and their comparison to prices and incomes, and a more detailed analysis of how means tested help with rents has changed in value over time for several model families. By providing such a comparison conclusions can be drawn about the actual performance of policy against policy prescription. But, even after such a range of comparisons, there still needs to be a comparison of actual payments of rent with actual tenant incomes.

Comparing Rent to Income

The current debate on affordability of rent has led to several studies on current levels of income and housing costs. Maclennan, Gibb and More concluded from their study that defining rent to income ratios as policy targets was 'wasted effort'² This conclusion was based on the finding that lower ratios of rent to income were often due to tenant households having high income, or less

¹See previous discussion, above p. 24 and literature given in previous footnote 65, Chapter 1.

² D. Maclennan, K. Gibb & A. More, Paying for Britain's Housing, Joseph Rowntree Foundation, York, 1990; p.98.

acceptable housing conditions: over-crowded, poorly repaired and maintained or poorly situated dwellings. But, if the expression of rent as a proportion of income is a misleading indicator of affordability, what can be put in its place?

First, through the comparisons outlined above the historical and political context of both incomes and rents of renting households is made explicit. Second, in the measurement of incomes and rents, a critical approach is adopted. The problems with a comparison of rent to income can be appreciated and alternatives explored. The comparison of rent to income is adopted so as to provide a consistent comparative measure for rent: its expression as a percentage of household income. The adoption of this form of evaluation does not necessarily lead to the adoption of this form of comparison as a measure of levels of affordability. Indeed, to adopt a set rent to income ratio as a measure of what is affordable is clearly untenable. Ten percent of income for one family may be affordable but not so for the family next-door: there can be no absolute measure of rent which ensures or prevents hardship.

To use the value of rent as a percentage of a defined measure of occupiers' income does provide a consistent measure over time, subject to consistent income definitions, and is easily understandable. Obviously, the choice of income measure is an essential assumption, and the choice of measure here, household net income, is discussed in detail below. Unfortunately, in the calculation of notional elements in subsidy according to rent as a percentage of average national male earnings an indicator of tenant incomes has been used which is not appropriate for the population in question. Great care must be made in comparing tenants. Here, a comparison will be made of average values of rent according to tenant status and their receipt of means tested subsidies. It is an essential distinction as to whether higher or lower values of rent are obtained through the giving of rent benefits.

As rent is paid for on a household basis, (the adoption of households as the unit of study is discussed in detail below), the value of rent as a proportion of

household income can also be influenced by household size and composition. As a second form of exploration of affordability, the value of rent is taken as a percentage of **equivalent** household income, that is household income adjusted for household size³ By doing so the affordability of rent can be assessed within an equivalent household income distribution and the relative affordability of rent to high and low incomes explored.

However, neither of these measures of rent as a proportion of income provides an estimate of the adequacy of income against a minimum. Put simply, how can we know whether the income which is left after paying the rent is adequate? This problem leads to the third, and last, measure of affordability which will be adopted: disposable income as a percentage of supplementary benefit income. Using this measure it will be possible to establish how the payment of rent affects households, and the proportion who are left with income equivalent to or near to supplementary benefit levels.

In summary, the study of household expenditure on rent and affordability is based on three separate measures of affordability:

- rent as a proportion of household income, both with and without means tested housing benefits;
- rent as a proportion of equivalent household income;
- and disposable income, having paid rent, in relation to supplementary benefit level.

Measuring Affordability - Households

No comparisons can be made without a range of comparative indicators for use to assess changing affordability. The use of income and rent for the central questions of affordability have already been argued. The unit of measurement using household data and the adoption of different models of household types are explained below. The costs of occupying a home may be borne by an individual but the benefits of such occupation are spread among all who share with them.

³Details of the equivalence scale used, together with a brief discussion of the use of equivalence measures is given above in Chapter 8, footnote 3.

It is acknowledged that housing demand is linked to the rate at which households form, but while a growing proportion of these households may be small or even single person units, the use of household is fundamental. The distribution of subsidies is either to dwellings or to households. Means tested subsidies for housing costs will only be payable to one unit in the dwelling. Individuals may get help with living costs but only households receive assistance with rent. Any general subsidy which goes to the dwelling, rather than to the occupants via a means test, is shared amongst all the individuals who live there. But, the assertion that housing resources are household based makes no assumption of the distribution of resources within households, individual occupants, and in particular women, may suffer deprivation within households through maldistribution of resources. But for the purposes of a study of the distribution of costs and subsidies, the household must be used as the unit of analysis. The aggregation of income from individuals, and its distribution amongst individuals within the household provide an important but separate area of study.

Household types.

The effect of rent policies will be different for households with different needs. What is affordable for two households with the same income and rent may differ according to their composition and size. To be able to place rent policies in context we must describe the changing make up of tenured households according to household type. If we are to make consistent comparisons over time we need standardised household types for analysis. Following Rowntree, we distinguish households according to their position in a life cycle of changing costs of occupying a home change relative to their family composition and income history. Having children and being elderly are two constant factors which often decrease available income for housing purposes. We can therefore use households with children and elderly households as consistent reference points for analysis. The definitions used for these household types is given in the last part of this chapter.

Questions for Government Spending

The different ways of supporting housing costs and the conventions of accounting for public spending mean that not all housing support is measurable from public expenditure data. For instance, mortgage interest tax relief is not counted as expenditure, but instead is deducted from tax revenues as income forgone. For rented subsidies, rent control neither counts as spending nor is given tax relief and hence is wholly borne by landlords as a negative subsidy through lower income. Following our discussion on costs above, we can omit any calculation of these hidden costs in our approach to public expenditure costs of rent support. The higher spending caused directly and indirectly by mortgage tax relief, and the lower spending from rent control will be taken as given in the calculation of expenditure totals. The influence of rent control will be discussed in the interpretation of actual spending, but no attempt will be made to quantify its value to government or tenants.

Spending on rent support by government is in many ways an artificial categorisation: Government has spent in order to influence rent levels and enable tenants to afford rent, but these expenditures are not a comprehensive measure of state influence on rents. Such state influence has been not only changed over time but has been subject to conflicting influences from within the policy process. This means that rent levels and spending on rent are directly related and interdependent. Because of this, we do not label an area of government spending as making rent affordable as this would be to confuse an ill-defined intention with an undiscovered outcome- or even to misunderstand the intention. Instead, we draw together the different elements of spending on rent and call it **rent support expenditure**.

To answer the questions of changing costs requires more than a consistent comparisons of expenditure totals over time. It is not enough to bring together the various strands of government spending on rent support and provide totals of pounds, shillings and new (or old) pence. Government spending is not only about its total 'worth', but also about the changing proportions of spending on

different programmes, spending authorities and tenures; relationships which are illustrated by changes in relative value over time and between constituent spending participants in the policy process. To measure expenditure is then to examine a series of relationships which have affected both its volume and its distribution. It is central to our argument that bland descriptions of what was spent in aggregate describe less than an analysis of the composition of such expenditure, and that this composition is affected by the political influence of policy actors.

II

The Data Sources

Questions of government expenditure will require government data produced by the Treasury, the spending departments and by the Central Statistical Office. The major source of data for the earlier years of public expenditure will be the Annual Abstract of Statistics for the U.K. and their counterparts for Northern Ireland and Scotland. A comparison of data from these sources gives robust estimates for England and Wales. Later sources of data are the Government White Papers on public spending which provides breakdowns of government spending by spending authority and department and programme. Where these figures have to be adapted to totals for England and Wales comparison can be made with Welsh Housing Statistics and the Scottish Abstract of Statistics. These sources do not give us a complete range of adequate data and we refer at times to other sources for assistance, in particular where rents of private sector have to be used to calculate or weight expenditure data. These other sources include recognised, professional organisations such as The Chartered Institute of Public Finance and Accountancy, (CIPFA), and its predecessor, The Institute of Municipal Treasurers and Accountants, (IMTA); and academic studies, such as Lydall's 1952 study of income and expenditure of households.⁴

Accurate estimates of tenant payments of rent are less satisfactory from published data as they rarely allow us to ask original and consistent questions at the level

⁴H F Lydall, *British Income and Savings*, Basil Blackwell, Oxford, 1955.

of tenant households. The need to measure affordability of rent using a consistent definition of rent and incomes of different types is tackled in Chapter 8 through secondary analysis of primary data from the Family Expenditure Survey, (FES), which is also used in previous chapters in ways described below.

The Family Expenditure Survey

FES was chosen as it is the only consistent source of detailed data on rent expenditure and income. While later years of the General Household Survey, (GHS), have included increasing detail of incomes, it is not of long enough standing for a time series, and does not enable the calculation of income and expenditure in as much detail as FES. For instance, benefit income and tax are far more detailed and consistently recorded in FES. As well as providing data for household expenditure analysis, FES also provides basic data for weighting rent averages for some parts of Chapter 9's enquiries into costs. FES also provides a consistent source of data for the comparison of tenures, household types and incomes in chapter 8. FES has a smaller sample size than the GHS and is not as good a source of data for household and housing data as the GHS for this period, but consistency in the samples for both chapters requires the same data set be used. Given the problems associated with FES data on household type and tenure distribution, information from Census and GHS published material will be used where these are of assistance in setting FES data in context.

In recent years FES has been a sample survey of approximately 11,000 households, of whom over 7,000 respond annually. It has existed since 1953 but has only occurred annually since 1957. The choice of years for study, 1971, 1976, 1981 and 1986, was made so as to provide a consistent time series for the comparison of subsidies, household type, rents and tenure. The starting year of 1971 was chosen due to limitations on the availability of machine-readable data before that period, and the particular difficulty in the identification of subsidy receipt in the council rented sector in prior years of this five yearly sequence (1966 & 1961). The comparability of data for 1966 and 1961 is also weakened by the smaller sample sizes, which when split by tenures and household types would have produced a

great number of problems with sample sizes for reanalysis. However, the extension of this study through an analysis of earlier data is an area of future research which may prove worthwhile.

FES Reliability

To discuss the reliability and representativeness of FES data used in this study we distinguish between three areas of FES data: Households, Resources, and Expenditure.

Households. There are several reasons why the tenure of households may not be ideally representative. First, it is admitted by Kemsley, Redpath & Holmes that procedures for selection of households from multi-household addresses leads to under-representation in inner city areas⁵, and it follows that households in privately rented houses of multiple occupation may thus be more likely to be under-represented. Second, this form of privately rented household may also suffer from the exclusion of ineligible addresses such as commercial boarding houses.⁶ Rented households in general may suffer lower representation following the lower response rates of areas of high population density. These, and other areas of comparative representativeness were studied by Kemsley through a comparison of the 1971 FES and the 1971 Census; this exercise was repeated using the 1981 FES and Census by Redpath⁷. Elderly Households are more likely to be under-represented than families with children and the self employed more than the employed.

Resources. Data on the income of households relies on the responses of all individuals over 16 within the households who co-operate. In an analysis of income data between 1970 and 1977, Atkinson and Mickleright observe the

⁵ W.F.F. Kemsley, R.U. Redpath and M.H. Holmes, *The Family Expenditure Handbook*, OPCS social Survey Division, HMSO, London, 1980; p 11.

⁶ Ibid

⁷ W.F.F. Kemsley, *Family Expenditure Survey: A study of Differential Response Based on A Comparison of the 1971 Sample with the Census*, Statistical News 31, November 1975, HMSO., London.

following: current earnings are between 5 and 10 per cent lower than Blue Book estimates and the main reasons for this under estimation are non-disclosure of subsidiary earnings and a lower response rate from high earners; self employed income is also lower in FES than Blue Book estimates but this difference is due to definitional differences as well as lower response rates and under-reporting; occupational pensions are 15 per cent lower than adjusted Blue Book Estimates, (an adjustment must be made to Blue Book estimates to allow for over estimation), due to non-disclosure and differential non-response; social security benefits suffer from age related differential response and a confusion over status of benefits (for example between Unemployment Benefit and Supplementary Benefit); and investment income suffers most from non-disclosure and is approximately 50% of Blue Book estimates.⁸

Expenditure. The only household expenditure concerning this study is on rent, but FES housing expenditure, of which rent is a part, has a higher sampling errors than other items of expenditure between 1969 and 1976⁹. There is no itemised breakdown of sampling error according to items of household expenditure, indeed, as is described below, the identification of the rental element in tenants housing costs was a major exercise for the computerised analysis presented here; however, the highest sample design factors for this same period placed local authority rented households as the highest, followed by owner occupiers, followed by furnished and unfurnished renters respectively. These high factors are to be expected from geographic clusters, and these clusters are also tenure influenced, and there is no reason, according to Kemsley et al, to suppose that housing expenditure is in fact over or under reported by respondents.¹⁰ The rent expenditure data which is calculated from FES can only be verified by comparison to other sources, and this is done below in the detailed discussion of rent

⁸ A.B. Atkinson and J. Mickelwright, the Reliability of Income Data in the Family Expenditure Survey 1970-1977, Journal of The Royal Statistical Society, v146, pp33-61, 1983.

⁹ Kemsley, Redpath & Holmes, op-cit, p13

¹⁰ Ibid

calculation in Chapter 8.¹¹ The reliability of FES data must therefore be viewed with several caveats, but we will not attempt to re-weight any item of data to allow for under representation by non-response or non-disclosure. Instead, wherever it is appropriate we will include in our conclusions a brief appraisal of any apparent data discrepancies between FES and other data sources so that readers are reminded of FES' shortcomings and other researchers may take up differences discovered.

The Data Samples

Table 6.I.

Sample Sizes of FES Data Sets: Tenant Households- 1971-1986.				
	1971	1976	1981	1986
UK All tenures	7329	7203	7525	7178
E&W-All tenures	6376	6376	6720	6393
E&W Tenants	3054	2855	2794	2230

Source: Author's Own calculations from FES.

Only data for England & Wales has been used in the analysis of FES. The restriction to this territorial area is discussed below. This selection of data led to the creation of data sets based on a sample shown in Table 6.I. From the data sets for E&W only tenants were chosen according to definitions outlined in the following chapters. The data set sizes for tenant only studies are also shown in Table 6.I

The definitions used to analyze data and to produce new variables for analysis are examined in detail at the beginning of each chapter in which they are used. A comparison of definitions with other data sources accompanies these.

¹¹ See p.264 below.

III

Definitions and Basic Data Calculations

In part three of this chapter we discuss the common definitions adopted in each chapter for data analysis. Details of the definitions used for particular parts of the analysis are given at the beginning of each relevant chapter.

Common Definitions

Basic concepts which are common to the study of tenants households and government expenditure are: territory, tenure, household, household type, income and rent. However, details of the computation of rent from FES data are not given in this section but are left to Chapter 8.

Territory. Some studies of housing policy lack clarity in the geographical and political area of study. Malpass, for example, while discussing rent and subsidy policy of public housing, refers to Britain, yet draws the largest proportion of data to support his analysis only from England & Wales. While the trends in the United Kingdom, Great Britain and England and Wales have coincided there is a great difference between Scotland and England and Wales, and due to the political difficulties of local government in Northern Ireland, housing by local government no longer exists. So far, in the analysis of policy development the policy history has been of England and Wales, and the quantitative analysis will continue to ensure that data is for this same territorial area. The Scottish story, while reflecting many of the same changes, is different and should be the subject of separate research.

Households. What is the definition of a household? The definition of household used by means tested benefit in 1986 is, in the main, comparable with data set definitions. The definition of household for both housing benefit and supplementary benefit approaches the issue from the point of shared use of a dwelling by its occupants together with shared living arrangements. A household consists of people who live communally through sharing meals and domestic tasks. If there is separate liability for housing costs, for instance where a portion of the dwelling is sub-let, then a separate household exists. The same definition

is used for housing benefit. All people living in the communal arrangement with the person liable for housing costs will be form a single household. Thus there may be more than one household in a dwelling, but only one will receive housing assistance from benefits unless separate liability can be established. In practice this definition produced a wide range of differing interpretations. The most important distinction for the study of subsidy and benefit receipt is the one made between adults in the household. Adults who are not partners of the householder are classed as non-dependents and the householders assistance with rent, either from supplementary benefit or HB is reduced to reflect a contribution. To sum up, benefit definitions link housing assistance to liability for rent and shared catering & domestic arrangements in a household unit.

If we compare this with definitions used in British data sources, some of the same difficulties can be found. The Census has altered its definition of household twice since 1951. The focus of these changes has been the shared arrangements for catering or use of a living room by occupants of the same menage. In 1951 the test of household was based upon either eating together or sharing a living room. In 1961 the test was only for meals, but in 1981 the definition of a household again returned to arrangements for eating together or sharing a living room. The most important outcome of these changes are that they disproportionately affect rented households, particularly those in private furnished accommodation, where estimates are that it shrunk the number of households in that form of tenure by 17%, as against a 0.6% reduction across all tenures in England.¹² In FES a household is described as, "*one person living alone or a group of people who live at the same address, who share at least one meal a day, and who make common housekeeping arrangements*".¹³ In order to use a consistent definition of household we must distinguish between households within dwellings where there is more than one household but only one would obtain housing subsidy. This selection of

¹² For a fuller discussion of the changes in household definition and their effects on data sources refer to Jean Todd and David Griffiths, The Changing Definition of A Household, OPCS, HMSO, London, 1984.

¹³ Department of Employment, Family Expenditure Survey 1986 (Revised), HMSO, London, 1988, p.93.

households is done for at the sampling stage by FES. For comparison across data sources, a dwelling which contains sharing households will only be counted by reference to the person liable for housing costs, who will be taken as the head of the only household for analysis. Other households will therefore be treated separately and, in most analyses ignored.

Household Type. The two household types with which we are most interested - elderly households and households with children - are not always mutually exclusive as there will be a minority of elderly households which contain children. In cases where there is an overlap such households will be duplicated in separate analyses. What definition of children is used? For an analysis over time, without access to primary data for the whole period the easiest definition is in terms of age. All members of a household under the age of 16 will be counted as children. This use of age fits easily with FES individual data which records the ages of all household members but also has all persons aged 16 and over completing individual spending diaries. (This definition is expanded to include all persons over 16 but under 19 and in full time non advanced education when calculation of equivalent incomes and supplementary benefit incomes is considered, but details of these calculations and the revised definitions used is given below¹⁴.)

The definition of elderly households is more difficult. To interpret published data, the status of the household could be taken from the age or status of the designated head of household. But what definition can be used? If the concept of retired is used it will depend on a element of subjective interpretation by the head of household. It may also include ex-servicemen and women or members of the police force who 'retire' at an early age but who often continue in employment. A definition based upon age is safer than retirement status but what age can be used? Pensionable age is a policy construct which discriminates between men and women. Women are pensionable at the age of 60, but men not

¹⁴ See p.263 below.

so until 65. All data sets do not always give the sex of head of household in published data. The most consistent measure, which is used here, is to describe all households headed by a person aged 60 or over as elderly households. The term 'elderly' will be used throughout rather than 'pensioner' in order to avoid misunderstanding concerning pensionable age or entitlement to state pension. While the household types used for comparative analysis are households with children and elderly households, within these household types we distinguish several model households during data analysis. For future reference in tables and graphical material these households will be given shortened reference names, and

Table 6.II.

Household Types.	
Household Type	Abbreviation
All elderly households	Alleld
Single elderly households	Singeld
Elderly couple households	Coupeld
All households with children	Allkids
Single parent families	OPFs
Two Parent, two child households	2P2K

these are shown in Table 6.II. It should be remembered that the total of all elderly households is greater than the sum of single elderly and couple elderly households since elderly headed households may include other types: for instance three elderly adults, or non-elderly household members. A full description of the distribution of these household types by tenure in England & Wales is not available in published data tables. They were obtained for 1971 and later years from reanalysis of the data tapes. The limitations on published data mean that estimates will have to be used for the periods before our analysis of primary data for 1971. These estimates will be adapted from data on a UK or GB basis.

Income. The resources of households, and primarily their income, will be a major factor in their ability to afford rent. But what measure of income should be used? To be consistent with our chosen unit of measurement, the household, we aggregate incomes within households. This requirement leads to two problems of definition: first, the problem of defining income itself; and second, of finding the most appropriate measure of household income to use in measuring the affordability of rent.

Income is defined as money periodically received by way of earnings, social security, self employment, return on investments, and pension or superannuation; the value of any receipt of goods in kind is ignored. However, the choice to be made of FES income data is between normal and current income as data is produced which relates to both. Current income is preferred as details are more reliable and verifiable at the data collection stage. These definitions leads us to a definition of household income as the combined individual current incomes of all persons aged 16 years or over living in the same household.

But what measure of household income should be used? Gross income before tax or net income after tax? Domestic rent is not tax deductible and hence net income is a more accurate measure of what was available within households to pay the rent. Net household income, (HTOTNT), is not available from published FES data and requires calculation and computation through secondary analysis. For years in which this secondary analysis of statistics has not been made, a proxy will be used from published sources. HTOTNT is also more consistently comparable with levels of income associated with supplementary benefit status. The main area in which HTOTNT cannot be used is to compare rented and non rented households. Until the early 1980s mortgage tax relief was given via PAYE tax codes; this would mean that HTOTNT is not a valid comparative measure of income available to pay housing costs between owner occupiers and tenants. The solution to this problem is to use gross household income, (HTOTGR), as a comparative measure of incomes between tenures, but to use HTOTNT when comparing the affordability of rent for rented households. Future research is

needed to establish a consistent measure of income available for housing costs between tenures where necessary.

There is a further problem with using HTOTNT and published FES tables; it is not fully available over the whole period. Since data on individual earnings is available, we must use the nearest equivalent to HTOTNT for description of trends between 1953 and 1971.

Tenure. The ability to measure rent and incomes at the household level depends on being able to identify the correct households. This leads to the need for a consistent definition of tenure over time and between data sources. The easiest method of definition of renters is to first exclude those who own or are in the process of owning their home. In the Census, in GHS and in FES these are all separately identified. The only problem may be in the very small numbers of households who have opted for shared ownership through housing association or local authority schemes which allow a partial stake in the equity of the home to be purchased at the same time as rent is paid. If these households can be identified they will be classified as owner occupiers, if not their number will not be represent a significant factor of error. Those who do not own their own home or pay a mortgage to do so fall into the categories of tenants or those who occupy their home through business or employment or who pay no rent. As the inclusion of these will be an anomaly in the measurement of domestic rent they will not be included as renters. The definition of the rump of households is that they rent, either furnished or unfurnished, from a private landlord or local authority or New Town authority (NTA). To distinguish between public and private tenants those that rent from local authorities and NTAs can be classified as public tenants. Within these categories, which will be called the public and private sector, distinctions can not always be made between private landlords and housing associations or between local authorities and NTAs.

For the original data calculations contained in this and later chapters the data sets of rented households in England & Wales created for this analysis are outlined in Table 6.III.

Table 6.III.

FES Households by Tenure: England & Wales 1971-1986								
	1971		1976		1981		1986	
Owner Occupiers	3146	49%	3360	53%	3781	56%	4039	63%
L.A. Tenants	1819	29%	1871	30%	2211	33%	1579	25%
Private Tenants	1235	19%	984	15%	583	9%	651	10%
Living Rent Free	176	3%	161	3%	145	2%	124	2%

Source: Author's Own Calculations from FES.

Net Rent. The definition of rent which is needed for a consistent analysis is the element in rented housing costs which represents the charge for the use and occupation of the accommodation only. It does not include charges for other housing costs such as rates and water rates, neither does it include any element for services which are not directly relevant to use and occupation of the dwelling. The definition given by supplementary benefit and housing benefit of eligible rent is the most appropriate. This represents rent without rates and water rates and without service charges such as heating and hot water.

These definitions are refined in applying them to the various data sources, and these refinements, together with the methodology of their calculation are outlined below. These basic definitions, while consistent to both the study of government and household spending, also have to fit alongside other definitions which are specific to both areas of study. The circumstances of such specific variation and the manner of the data manipulation which resulted are given in full in the appropriate part of the relevant chapter.

CHAPTER 7

CHANGING TENURES & CHANGING POLICY INTENTIONS

Introduction

This chapter is in two sections: the first examines the changing composition of renting households and their incomes; the second examines the general policy intentions towards these households by comparing rent levels to model households and assessing the changing value of rent support to these model households over time.

I

Who Were The Rented Households?

To answer questions about the relative size and composition of renting tenures, three comparisons are made: first, the changes over time of the whole of the population of England & Wales, during which households, household types and incomes will be examined to assess the aggregate trends since the Second World War; second, these trends are examined to assess the differing trends between renters and non-renters; and third, these same trends will be examined to establish how private renters and public renters have differently changed.

Population Stock and households

What has happened to the population since the war? The Population of England & Wales has risen from 43.758 million people in 1951, the date of the first post-war census, to 49.634 million in 1981. The estimated population for 1986 is 49.7 million people living in private households¹. The increasing size of the population has been accompanied by an increase in the demand for housing through a growing number and proportion of separate households. The demand for housing is linked to household formation, and this has grown over time. Table 7.I. shows the number of homes and the proportion of the population who have been housed in separate households since the war.

¹Figure for 1988 from Housing & Construction Statistics 1979-1989, Table 9.10..

Table 7.I.

Housing Stock and Households: England & Wales 1945-1986						
000s	1945	1951	1961	1971	1981	1986
Total Dwellings	11,100	12,330	14,545	17,024	19,086	19,951
Separate Households	12,250	13,259	14,724	16,709	18,336	19,210
Of which- Sharing Households	2,050	2,200	1,060	780	455	284*
Vacant Dwellings	n.a.	138	314	676	795	n.a.

Source: Holmans Table iv.12, p. 133; DOE Housing and Construction Statistics 1979-89

Notes: * total for married and single parent concealed households only.

The proportion of households who are sharing has declined as the stock of homes has increased but the number of homes empty has increased. For the purposes of this discussion, the sharing households and empty homes have only secondary relevance as our definition of households is linked to those people who reside with someone who has an equivalent status to a 'householder' in benefit regulations.² The important point to note is that households who share with such households are not eligible for subsidies for occupation and, therefore, should be ignored in this analysis. Unfortunately, the data available from published sources does not enable us to distinguish in many instances; in the following description of the general situation of households this should be borne in mind by readers. Nevertheless, Table 7.I provides several important insights. First, in crude terms, supply of dwellings has outstripped demand since 1961: there have been sufficient dwellings for all separate households. Second, this has led to a declining level of sharing of dwellings. Third, the number of unoccupied dwellings has risen. Of course, the distribution of these has meant that localised demand has not been

²See discussion in Chapter 6 above, p.211.

met, and the unoccupied dwellings are often in poor repair. But, a discussion of the quality of stock and the underlying reasons for vacancy will not be entered into. Instead, it is necessary to establish the changing composition of households to enable us to establish general trends.

Household composition

How have the composition of households of England & Wales changed since the War - especially the proportions of those households headed by elderly people or containing children?

Table 7.II.

Elderly Households and Households With Children: England & Wales 1971-1986.				
% of all hsds	1971	1976	1981	1986
All Elderly	32	35	34	35
Single Elderly	12	14	14	14
Couple Elderly	14	16	14	16
All With Children	30	26	26	32
OPFs	2	2	2	4
2P2K	9	10	10	10
<i>Sample</i>	6376	6376	6720	6393
Source: Author's Own Calculations from FES				

To answer this question two data sources will be used. For the period of 1951 to 1981, published census data will be used. For the period of 1971 to 1986, primary FES data will be used in addition as this is used exclusively in the discussion of affordability which follows in Chapter 8 and in the tenure breakdown of household types and incomes which follows in this chapter. The 1951 Census states that 58.5 per cent of households had children, while 34.8 percent were

headed by someone aged over 60. In 1961, a change in the published Census tables does not allow a similar calculation, but using the primary data from FES tapes for 1971 to 1986, Table 7.II. shows how all households in England & Wales were represented by elderly households and households with children. The numbers and proportions of elderly households are known to be under-represented in FES samples and this analysis of household composition should be set against data from 1971 and 1981 Census and the data for England & Wales from the GHS for a more accurate picture.

Income

The ability for households to pay rent and other housing costs depends on the source and level of income. The increase in individual incomes in real terms since 1945 has attracted much commentary, and the general rise in gross incomes shown in Figure 7.1. is an essential context for the study of housing costs. While a rise in the real value of earnings and other incomes will enable more households to afford higher housing costs, the different rates of increase in household incomes and continued lower relative earnings for women are also shown in Figure 7.1.. The different rates of rise of these types of income over time suggest that female manual earnings rose most quickly during the 1960s and 1970s, while the rise in male manual earnings, always greater than female, has been more even. compared to both forms of earnings the rise in household income was steepest during the 60s and 70s but, unlike earnings has significantly slowed during the 1980s. The different experiences of rising incomes in tenures will be analyzed below. But before we explore the divergent experience of tenures we need to establish how these tenures have grown over time.

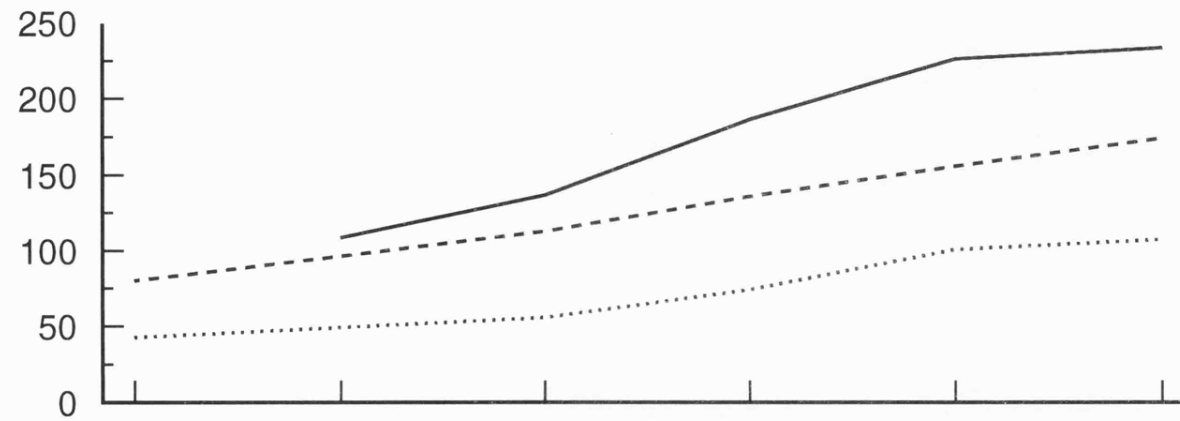
How many Households Rent?

The description of the tenure of households is hampered by the absence of published information on tenure from the 1951 Census. However, using the stock of dwellings as an indicator of the tenure distribution of households, Figure 7.2. provides a guide to changing tenure in England & Wales. The relative growth of the owner occupied sector at the expense of renting; the relative growth of public renting; and the relative decline of private renting are the basic changes in tenure

Average Gross Incomes 1951-1986

Great Britain

£ per week at 1986 prices

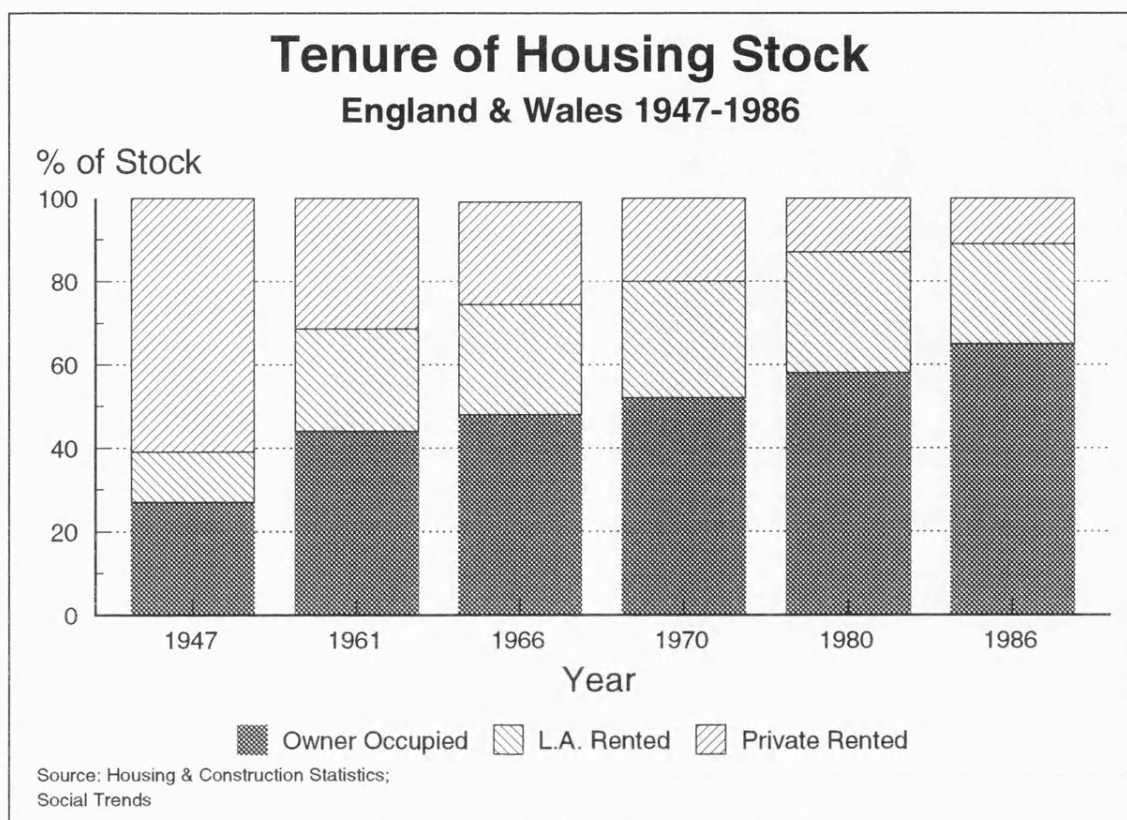


Year	1951	1954	1961	1971	1981	1986
Household Income GB	/	108.71	136.70	186.78	226.16	233.68
Male Manual Earns	80.00	/	112.68	135.69	155.52	174.40
Female Manual Earns	42.56	/	55.82	74.27	100.67	107.50

Source: FES, MOL October Enquiry and NES
 1986 prices: Rossi RPI less housing

Figure 7.1.

Figure 7.2.



since the war. However, has this growth of owner occupation been accompanied by tenure based differences in household types, and income?

Renters and Non Renters

The comparison of renting households and non-renting households will rely on the definition of tenure outlined in Chapter 6. It should be remembered, therefore, that non-renters include those renting free or with their business or employment and, while represented by a large majority of owner occupiers, are not synonymous with them. To compare rented and non-rented households we will use published data for the period before 1971 and primary data from FES tapes for that year and beyond. The continuity of data cannot therefore be assured and care must be taken when making longer historical comparisons which cover both sorts of data.

The first area of comparison is of household types: How have the elderly and households with children altered their tenure representation?

Household Types

Table 7.III.

**Table 7.III.A. Tenure: Children & The Elderly
Great Britain 1953/54**

	mean number per household		% of all such Individuals	
	Owner Occupied	Renter	Owner Occupied	Renter
Children ↓16	0.7	1	23	72
Elderly ↑65	0.36	0.26	54	36

Source: Author's own calculations from FES.

Notes: Furnished and Rent Free tenures not included.

**Table 7.III.B. Tenure and Children
Great Britain 1961 and 1966**

Children ↓ 16	% of children*	
	Owner Occupied	Rented
1961	39	54
1966	49	44

Source: Author's own calculations from FES

Notes: * excluding children living with less than or more than two adults
Furnished and Rent Free tenures not included.

The analysis of distribution of household types by tenure between 1951 and 1971 relies on Census and FES data. FES for 1953/4, 1961 and 1966 provides no published set tables for a consistent time series of household type by tenure. However, in the 1953/54 published tables the number of individuals under 16 and over 65 can be calculated by tenure. However, such calculations are only possible for local authority, private unfurnished, and owner occupied, (both purchasing

and owned outright).³ Table 7.III.A. shows the numbers of elderly and children per tenure in 1953/54. The same exercise repeated for the 1961 and 1966 published FES was unable to replicate results for the elderly, but the results for children are shown in Table 7.III.B.⁴ Readers should remember that Table 7.III cannot be directly compared with later tables due to the difference in definitions of elderly and children, and due to differences between counting individuals and head of households.

Table 7.IV.

Tenures by Household Types: England & Wales 1971-1986.								
% of all hshlds	1971		1976		1981		1986	
	Non Rent	Rent	Non Rent	Rent	Non Rent	Rent	Non Rent	Rent
All Elderly (head \uparrow60)	29	35	32	39	29	40	29	46
Singeld	9	14	11	18	10	19	10	24
Coupeld	14	14	16	16	14	15	18	17
All With Children	33	31	31	25	29	26	36	26
OPFs	1	2	2	3	1	3	2	7
2P2K	11	6	12	7	12	7	12	5
<i>Sample</i>	3322	3054	3521	2855	3926	2794	4163	2230

Source: Author's Own Calculations from FES

For the period of 1971 to 1986 data from secondary analysis of tapes from FES is shown in Table 7.IV. The rented tenures have had a larger proportion of elderly

³Ministry of Labour and National Service, Report of an Enquiry into Household Expenditure in 1953-54, HMSO, London, 1957; Tables 1 and 41 to 44 inclusive.

⁴Ministry of Labour, Family Expenditure Survey, Report for 1960 and 1961, HMSO, London, 1962: tables 8 to 10 inclusive and Appendix A; and Family Expenditure Survey Report for 1966, HMSO, London, 1967: Tables K, and 6 to 8 inclusive.

household than non rented tenures in every year of study while the opposite is true of households with children. The widening difference in tenure representation of these two household types is shown by the fact that the rented elderly households grew from 35 per cent of renters to 46 per cent, while rented households with children decreased from 31 per cent to 26 percent. It is not only that renting has become more dominated by elderly tenants, and less represented by families, within these households the proportion of single headed households, single pensioners and single parents, both grew. In the non rented tenures pensioners remained at approximately 30 percent of households while households with children grew by three percent as a proportion. The changes between 1981 and 1986 were at a time when the proportional size of the rented sector was declining.

These changes provide an important comparative context in which to study the changing affordability of rent. Household types with a greater propensity to lower income and higher needs are becoming over-represented in rented households when compared to non renters and when compared to all households.

Income

The comparison of income between renters and non renters uses gross household income. Net income after tax is not used as, prior to the early 1980s, earners may have had mortgage interest relief included in PAYE tax allowances, see above p.208. For data between 1953 and 1966 published tables from the FES are used. These show that household incomes of renters in 1953 were 85 per cent of owner occupiers, falling to 78 per cent in both 1961 and 1966.⁵

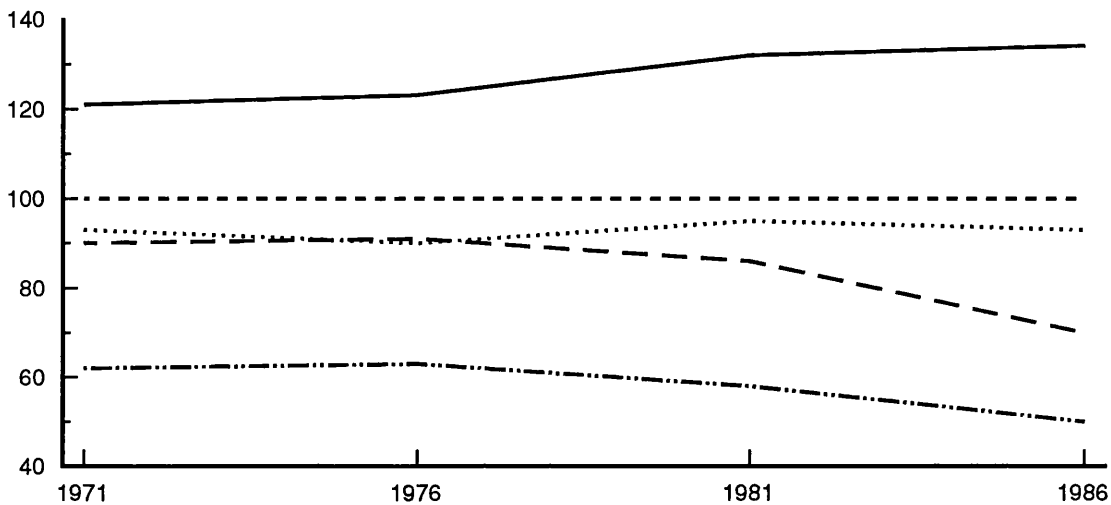
For the period of 1971 to 1986, using primary FES data, the graph in Figure 7.3. shows the widening discrepancy between household and head of household gross income of renters and non renters. Not only have the gross incomes of rented households increasingly fallen below their equivalent non rented incomes, but rented household incomes have also fallen below average male earnings and head

⁵ Author's own calculations from published tables.

Figure 7.3.

Gross Incomes & Tenure England & Wales 1971-1986

% of Mean Male Earnings



£ at 1986 prices	1971	1976	1981	1986
HTOTGR- Non-renter —————	199.89	215.39	246.76	278.84
TOTGR - Non-Renter	153.96	157.43	178.06	192.32
HTOTGR- Renter -----	148.90	160.41	160.13	144.50
TOTGR - Renter -.-.-.-.-	103.27	109.85	108.90	103.81
Mean Male Earnings -.-.-.-.-	165.71	175.73	186.59	207.50

Source: Author's Own Calculations from FES and NES
1986 Prices - RPI less housing costs

of household income for non-renters. The rate of decline against both the male earnings and non-renter incomes has also become greater since 1976. If the rent free households were taken out from the non-renters to leave 'pure' owner occupiers the difference would be greater.

Three questions are raised by these changes. First, the widening gap between incomes of renters and non-renters does not necessarily mean that disposable incomes after housing costs will exactly match this trend. Further research, based on a tenure neutral measure of housing costs, will need to establish whether this is the case. Second, the average gross incomes of rented households may merely be the outcome of changing household composition: the increasing numbers of elderly low incomes and of single parent families in rented accommodation may affect the calculations and produce a bias which overstates the low level of rented income. To establish whether this is the case a comparison is made of the median HTOTGR of each household type according to tenure. Rented elderly households and households with children are compared to the median HTOTGR of all similar households in all tenures and then to the non-rented tenures. The results of this comparison is shown in Figure 7.4. Against both the median of all of their fellow household types in all tenures and against non-renters the median incomes of rented elderly households and households with children have increasingly fallen since 1976. Elderly rented household incomes have fallen less steeply than that of households with children, but the trend is clear. It is not only that the incomes of rented households have declined against other tenures, but the equivalent types of households are poorer by tenure. Not only does a higher proportion of rented households contain elderly people but these elderly households are poorer than the average, and even poorer than their non-renting equivalents. For households with children the same is true except that the relative decline in incomes is greater: there is a greater income difference between rented and non rented, and between rented and all tenures.

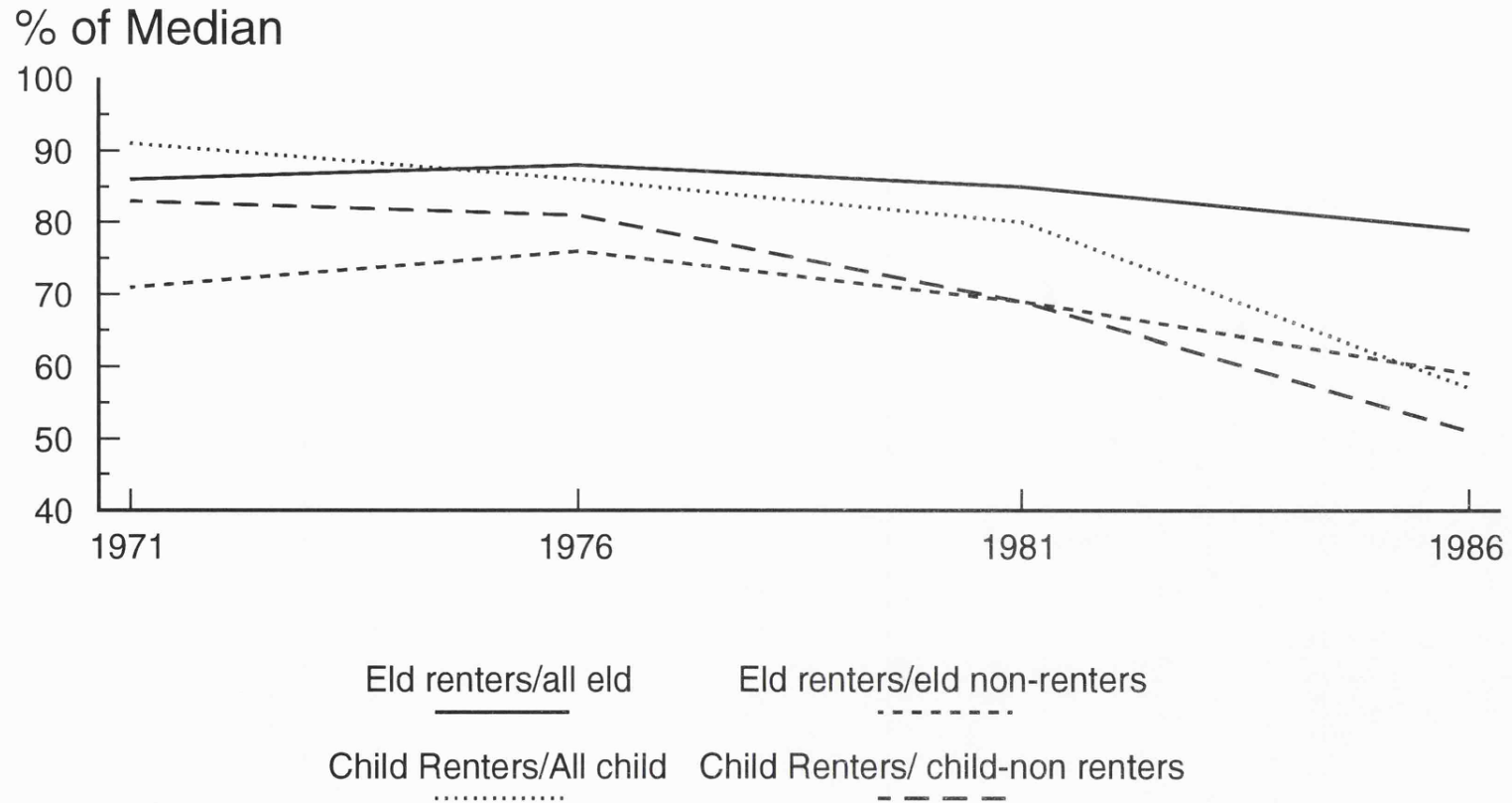
The different income profiles of elderly households and households with children may be partly due to the effect of state pensions in lessening income differences between elderly households in general. Following this point, the third question

Figure 7.4.

Comparison of Incomes of Renters & Non renters

Elderly Households & Households with Children

England & Wales 1971-1986



Source: Author's Own Calculations from F.E.S.
Income is Median Household Gross Income (HTOTGR)

which arises from the comparison of incomes between rented and non rented households surrounds the source of household income. How far is the growing relative decline of rented households accompanied by the prevalence of benefit income as a source? If household income is distinguished by source, two alternative sources, the state and non-state, can be compared to assess the different contribution each source makes to the spending power and rent paying ability of tenures. The state sector can be defined as benefit income while the non-state is all other income. This crude distinction can then be used to analyze the proportion of aggregate tenure income shown by the FES samples. For this measure the gross benefit income of the head of household and their partner will be taken as a proportion of the total gross household income for the sample households of each tenure. Benefit Income is all national insurance and means tested benefits excluding non-supplementary benefit housing assistance.

Figure 7.5. shows that rented households have always, in aggregate, relied more heavily on state benefits. However, while the proportion of benefit income has increased for both tenures, the proportion of benefit income in rented households has grown from 15 to over 40 per cent from 1971 to 1986, while for non-renting households the proportion had by 1986 only increased to 15 per cent.

Over the same period, 1971 to 1986, the proportion of household who receive supplementary benefits in rented and non rented household reflects this trend. Figure 7.6. shows how the proportions of households who receive supplementary benefits in all tenures has changed since 1971. While the proportion of all households who received supplementary benefits has risen from 13 per cent in 1971 to 16 per cent in 1986, the rise in owner occupiers has been from 4.5 per cent to 6 per cent. However, the rented tenures each had between 20 and 25 per cent of households receiving supplementary benefit in 1971 and this has grown to over 29 per cent in private rented and 40 per cent in public rented sectors.

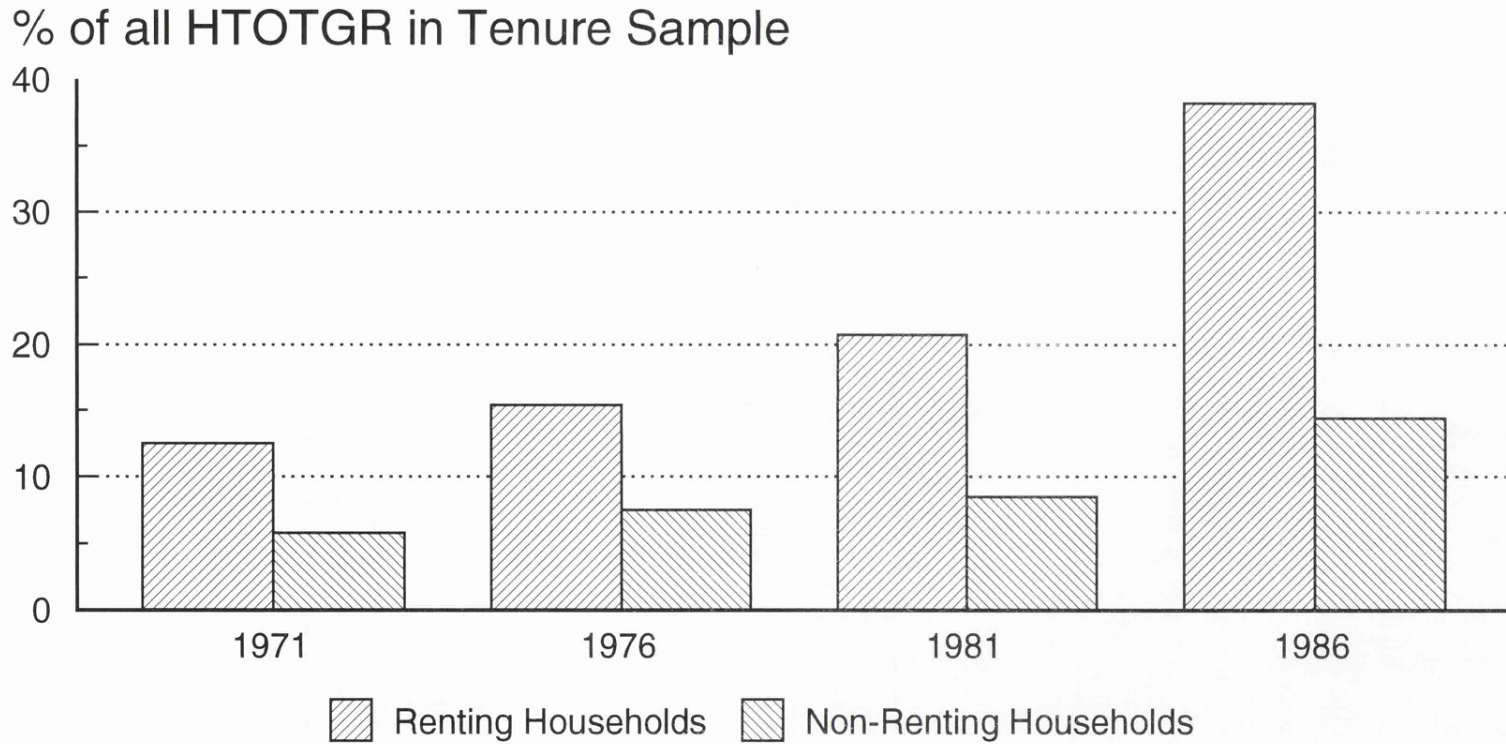
Public Renters and Private Renters

Household Types

Figure 7.5.

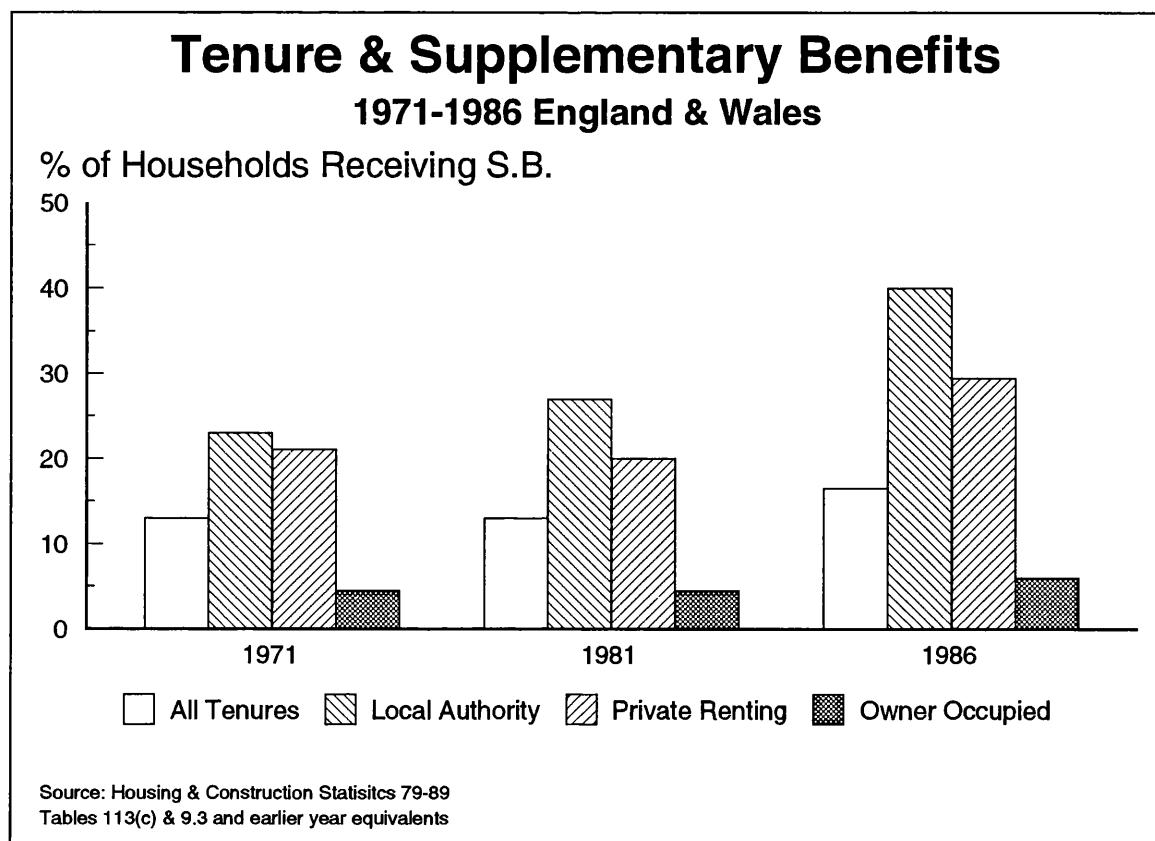
Benefit Income as a Proportion of Total Income

Comparison of FES Samples by Tenure England & Wales 1971-1986



Source: Author's Own Calculations from F.E.S.
Total Income is Every Household's Gross Income

Figure 7.6.



For the period of 1951 to 1971 published data provides great difficulties in

Table 7.V.

Table 7.V.

Children & Elderly in Rented Households Great Britain 1953/54

	mean number per household		% of all such Individuals	
	Private Rented	L.A. Rented	Private Rented	L.A. Rented
Children ↓16	1.42	0.80	38	33
Elderly ↑65	0.31	0.17	46	12

Source: Author's own calculations from FES.

Notes: Furnished and Rent Free tenures not included.

analyzing household type by tenure. 1953 FES provides an individual count of children and elderly, as outlined in the previous section. The distribution of these individuals is shown in Table 7.V. However, published data from 1961 FES does not distinguish between rented sectors but only between furnished and unfurnished rented dwellings, while the 1966 published data do not give individual counts by tenure.

Table 7.VI.

Rented Tenure by Household Types: England & Wales 1971-1986								
% of All Households	1971		1976		1981		1986	
	LA	Private	LA	Private	LA	Private	LA	Private
All Elderly	33	38	39	39	40	37	48	39
Single Elderly	13	16	17	19	19	18	25	23
Couple Elderly	13	15	16	15	15	16	18	14
All Children	37	22	29	17	30	13	31	16
OPFs	6	3	5	3	6	(2)	9	4
2P2K	7	5	7	5	8	4	6	4
<i>Sample</i>	1819	1235	1871	984	2211	583	1579	651

Source: Author's Own Calculations from FES

Table 7.VI. shows the distribution of household types between private and public rented sectors between 1971 and 1986 according to FES. While the proportion of pensioner households has grown in the public sphere the same increase has not been shown in the private sector, where it has remained stable. This is despite the growing proportion of pensioner households throughout the whole population. Whereas in 1971 pensioner households had a larger proportion of a greater sized private rented sector, by 1986 these households had both declined

in real and relative terms. Within pensioner households the increasing proportion of single headed households has been equally reflected across tenures.

Public renting has had a larger proportion of households with children in each year than the private sector, but both have seen a decline over the period of study. Single parent families rose as a proportion of publicly rented households, reaching 9 per cent in 1986. The composition of housing association householders is not discussed here, an overview is given in Appendix A, table 7A.I.

Incomes

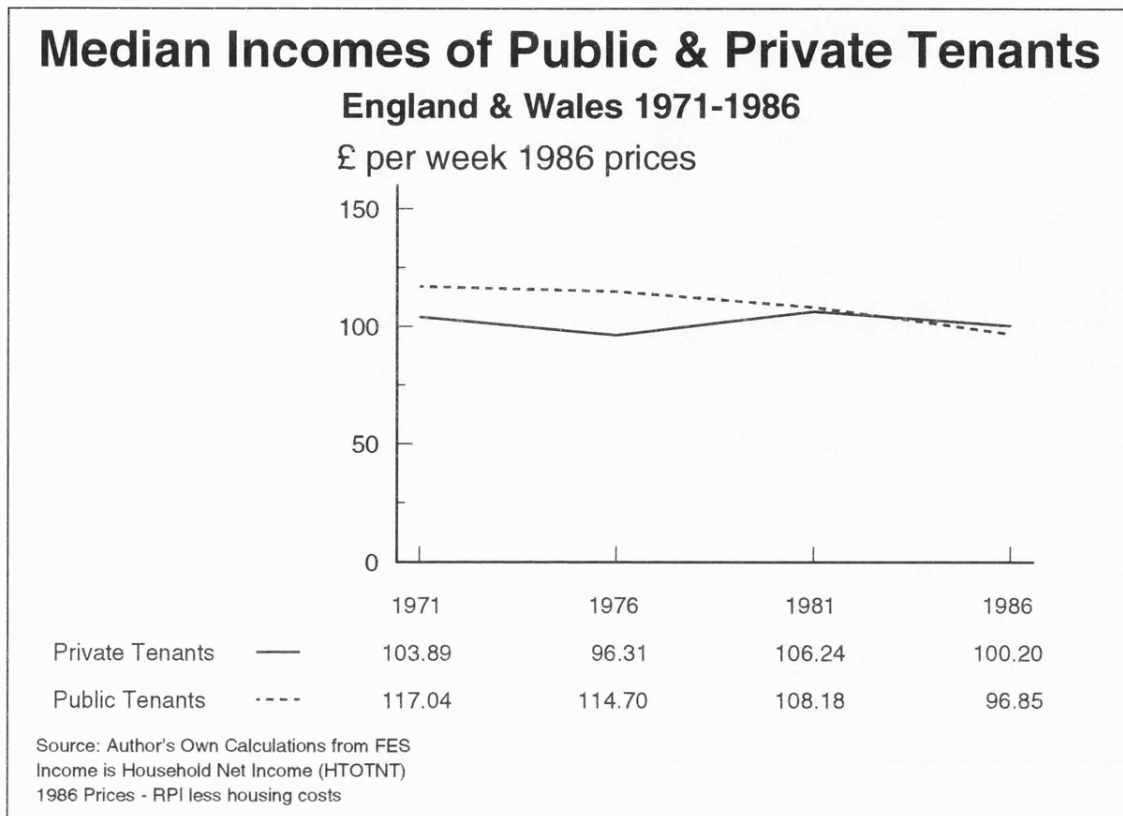
From the 1953 FES the average gross household income of local authority tenant households was 12 per cent higher than those of private renters. No similar comparison is possible from 1961 and 1966 published tables.⁶ The comparison of incomes between private and public renting households will be of household net income. This measure of income best describes what is available to pay rent and is more fully explained in chapter 6. No figures for net household income are available from published FES data sources, and our comparison will therefore be limited to the period of 1971 to 1986 and the data supplied by original analysis of FES tapes.

Figure 7.7. shows the median household net incomes of both private and public renting households from FES. Private renting households began as having lower incomes than public renters but by 1986 this relationship has been over-turned. Is this merely a reflection of changes in household type shown before? For instance, the change in representation in pensioners has made the public sector more likely to have lower aggregate incomes, and a similar effect could be suggested for one parent families.

To establish whether the incomes of household types has shown identical trends the HTOTNTs of elderly households and households with children are compared in Figure 7.8. The incomes of household types largely follows the move from a relatively poorer private sector to a relatively poorer public sector shown in Figure 7.7. and discussed above. The results confirm that elderly household income and incomes of households with children were greater in the public sector

⁶The 1953 figures, in nominal terms, are: LA households, £12.05; private renters, £10.73. These calculations are the author's. 1961 and 1966 FES tables do not distinguish between renting households.

Figure 7.7.

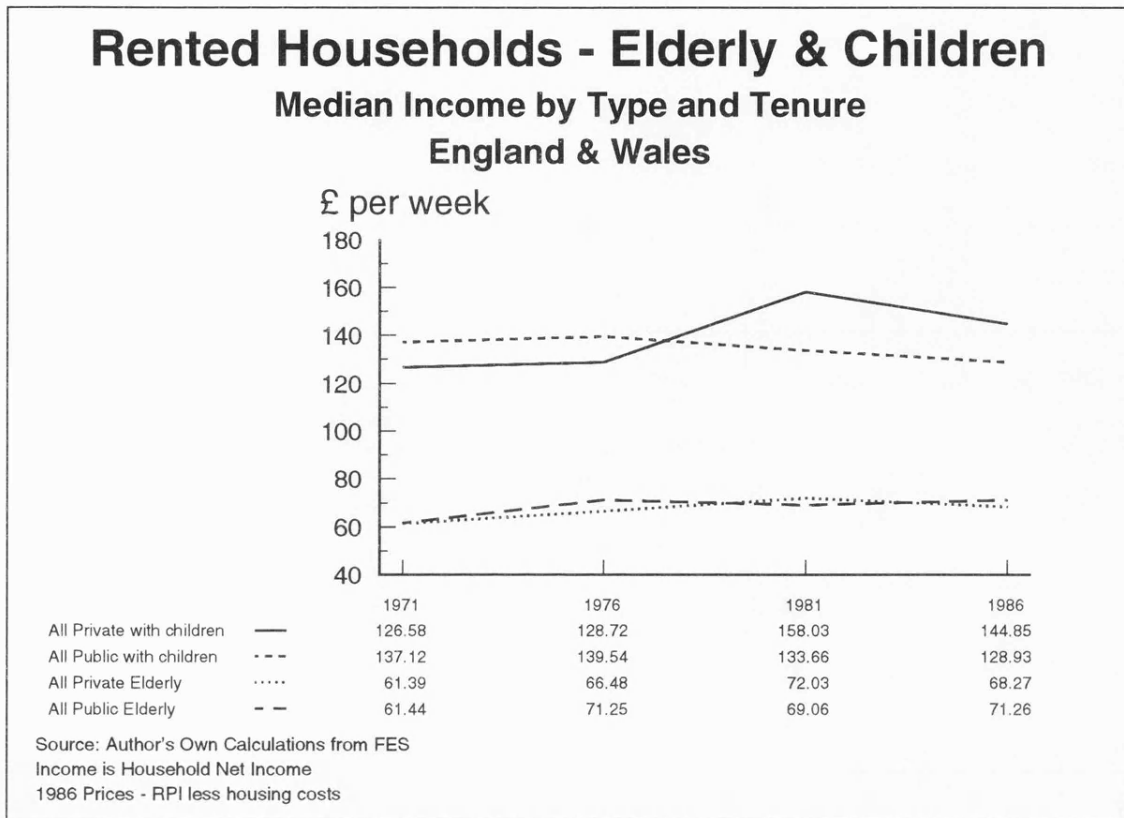


during the 1970s and this relationship for households with children reversed during the 1980s. For elderly households, there is less divergence between incomes according to rented sector, perhaps due to pensions. For households with children, the situation of single parents is made unclear by unreliable sample sizes, particularly in the private sector, but the incomes of two parent two child households follows the trend of all households and all households with children.

Renting Households - Residualised Tenures?

The evidence from FES and other sources on income, household type and the source of income all confirm the relative decline of rented households when compared to all households, and especially to non-renting households. The hypothesis that this change represents a 'residualisation' seems to be confirmed by these findings, but the existence or the usefulness of any such process to an understanding of rent affordability must be limited. Indeed, from the evidence of this section it can be argued that the private sector was the most residualised at certain periods. More significant to a quantitative study of affordable outcomes

Figure 7.8.



is the rent paying liabilities of tenants than any residual political status. Given that the measurement of household income does not include assistance with rent from rebates and allowances, we can only draw conclusions about tenant profile rather than affordable outcomes to tenant households. That is not to deny the political significance of the changes in tenants' economic and demographic profiles but merely to suspend any conclusions about the financial costs of renting to tenants until we have established who paid how much and when, a task taken up in the next Chapter. However, the falling relative incomes of renters has corresponded with the shift from general subsidies to means tested subsidies outlined in Part I and is explored further in Chapter 9.

Before proceeding to examine the rents actually paid by tenants and the related costs of subsidies to government, the policy changes outlined in Part I and the changing demographic and economic context explored in this chapter will be enhanced by a description and modelling of general policy intentions on rent and social security.

II

The Changing Policy Intentions

The intentions of policy are divided into two major areas: first, rent policy in general is discussed by comparing average rents to incomes; second, the changing value of assistance given through 'consumption' subsidies, assistance towards rent and rent rebates and allowances analyzed for several model households. The results of this research will stand for later comparison with the results of tenant and government spending on rent and subsidies.

Rent Levels

Giving rent a value is charged with political significance. The argument around the value of subsidies to tenants and their costs to the general population have already been discussed in the historical chapters on policy making above. To discuss rent it has to be clear what the subject of discussion represents. First, the definition of rent used in the following discussion is that of net rent: details of the reasons behind this definitions are found in chapter 6, while a detailed description of its computation from FES data is found below in chapter 8. The two measures which are used in this section to give a value for rent are first, its value as against other prices - using the retail price index less housing costs index- and, second, its value as a proportion of income.

Rent and Prices

There are two major problems facing research into rents and prices. First, is the inadequacy of data over time. For long term historical analysis all rent data prior to the 1970s has to be viewed with caution. IMTA published data in the 1950s provides no aggregate analysis of average rents, and the comparison of public rents depends on adequately identifying which rents are set by rebated or differential schemes and which are not. Similarly, Housing Statistics published by MHLG only provide aggregate data on public rent levels, and there is no distinction between rents which are net of rebates and differential rents until 1972 and the Housing and Construction Statistics series. For private rents the position is worse. The only Government data, besides the surveys of into the effects of the

1957 Rent Act are those for Rent Registrations and the latter beacon rents exercise. The only source of rent data for an aggregate picture of rent levels is the FES, and this requires detailed examination of primary data, (a process which is outlined in chapter 8), to identify a consistent measure of the rent element of housing costs.

The second problem is that of producing an analysis of the general level of rents which adequately takes into account the huge variation in rent levels due to size, quality and the changing pattern of housing legislation. The effects of rent control in the private sector and of political decision making in the public sector has made rent a difficult commodity for generalised analysis. An average price, unfortunately the only measure consistently available from published sources, is an inaccurate measure of what was paid for by many households, as differing rented households became subject to wide variations in rent depending on the longevity of their tenancy and the effect of rent control or on the policy of their public landlord. Even without these political effects the differences in location, standard of amenities, and region would make an average rent of dubious statistical relevance. However, the policy discussion of rents, rent control and subsidies was mostly based on an analysis of average rents, and this enables a discussion of the intentions of policy in the same terms.

However, despite these two problems, an aggregate picture is available, and Figure 7.9. shows how private rents and public rents have altered in real terms, expressed in 1986 prices. Figure 7.9. uses three average measures: first, average local authority rents, second, average actual private rents, from FES data -either through original analysis for 1971 to 1986, or from recalculation of published data for 1964; and the average registered rent. The last measure is one which must be approached with great care. It is only the average of rents registered in the year, and hence does not account for the stock of existing rents, registered or otherwise, or of new rents which are not registered. But Figure 7.9. also points to the inadequacy of generalised analysis, and the care which must be taken when approaching any examination of rents and their affordability. The position of housing association rents, included as registered rents in this discussion, is

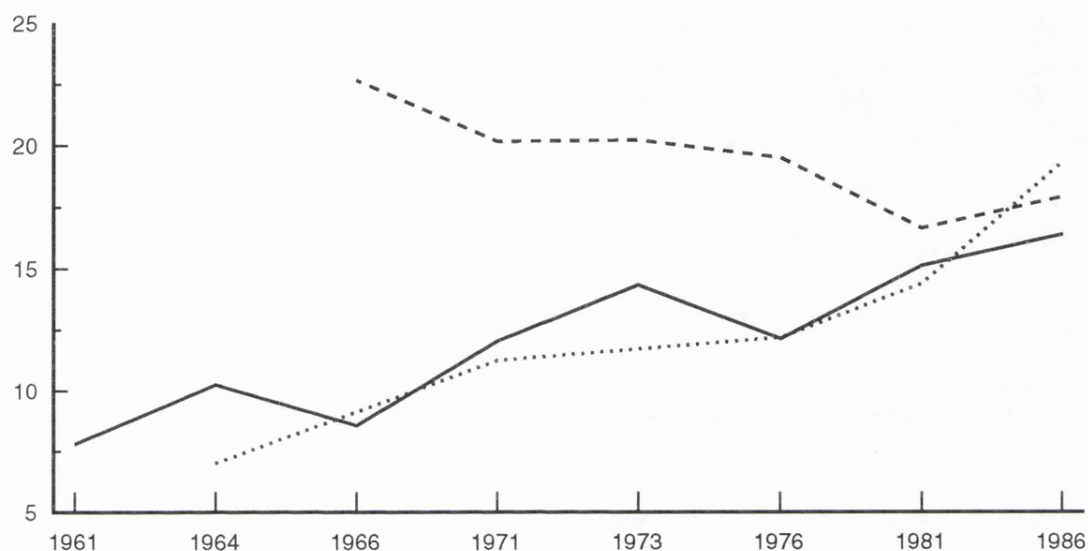
Figure 7.9.

The Real Level of Rents

England & Wales

1961 to 1986

£ at 1986 prices



	1961	1964	1966	1971	1973	1976	1981	1986
Mean L.A. Rent —	7.8	10.26	8.59	12.04	14.35	12.14	15.14	16.41
Mean Registered Rent - - - -	n.a.	n.a.	22.68	20.18	20.24	19.53	16.67	17.96
Mean Private Rent	n.a.	7.02	n.a.	11.26	n.a.	12.19	14.40	19.35

Source: Housing Statistics, Housing & Construction Statistics & FES

Note: 1986 prices RPI less Housing (ROSSI)

separately shown in Appendix A, Table 7A.II.

With these problems in mind, the profile of changing value of rents shown in Figure 7.9. can lead to some tentative conclusions. The first concerns public rents, and is that the value of average council rents have only fallen in real terms during the 1970s between 1973 and 1976. This bears out the history of rent policy described in Chapter 4, when, following the large increases due to the Conservative Housing Finance Act 1972, the incoming Labour government increased public sector subsidies until 1976, when the Healey programme of public expenditure controls was introduced. Second, the levels of all private rents and registered rents gives a clear indication of the problems of rent differing according to tenancy status. Registered rents fell in value over time, whilst all rents increased. The increasing rate of rise during the 1980s a direct result of increased landlord control over prices, and increased avoidance of rent act lettings.

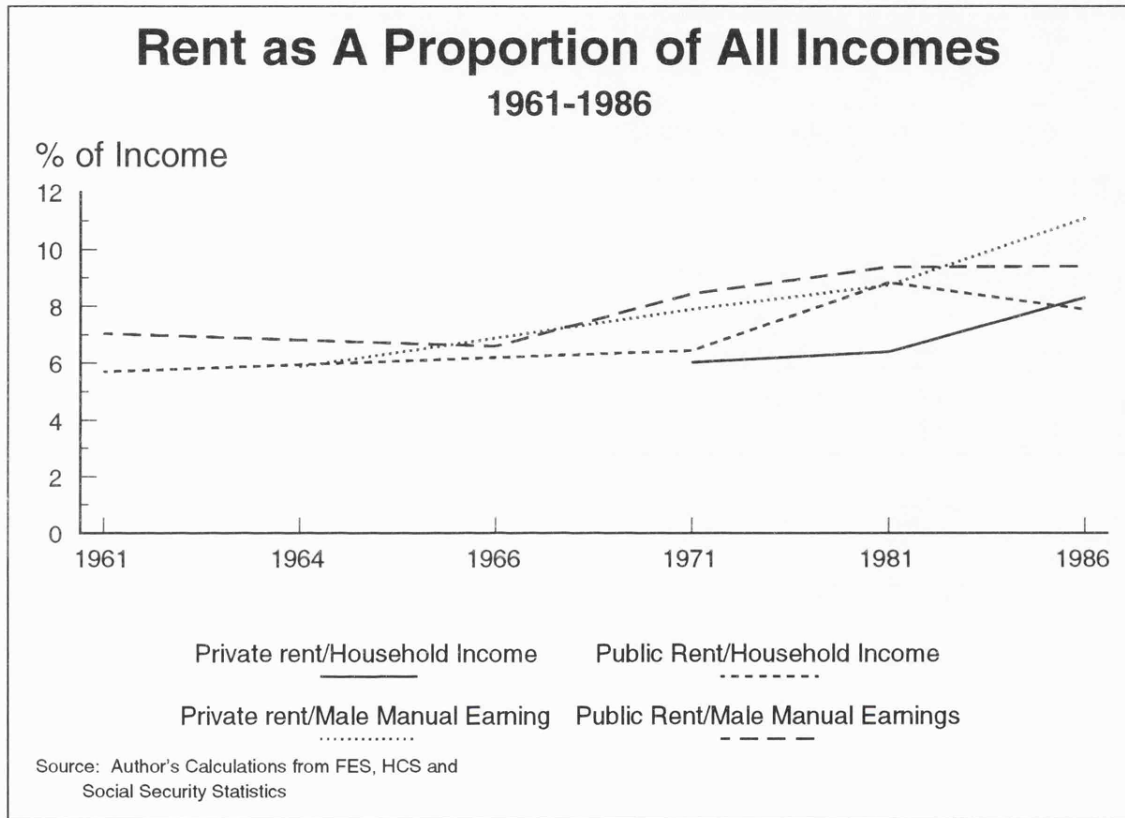
How do these conclusions match the position of rents valued against income?

Rent & Incomes

In Chapter 8 the data from FES samples of tenants only will be examined to assess the changing experience of affordability of rent by tenants. However, policy discussion often discusses the level of rent by measuring it against the incomes of all tenures. This suggests that most existing discussions of affordability, and the income and rent indicators used for subsidy purposes, especially public subsidies under the 1980 Act rely on mistaken assumptions. Some examples of existing measures of rent and income can be outlined to enable a later comparison. Rent assumptions in the calculation of subsidy have often been taken as the average of earnings or household income. However, if rent is valued as a proportion of average male manual earnings and average household income such a valuation will fail to take into account the substantial changes in the economic circumstances of renting households. While 10 per cent of average male industrial earnings may have been attractive to Bevan in the late 1940s, such a figure today

may well make rent unaffordable to many low income tenants as their earnings have fallen behind the average. The valuation of rent as a proportion of male earnings and all household incomes is shown for both actual average private and public rents in Figure 7.10.

Figure 7.10



Private rents, (data only available from 1971 onwards), have risen as a proportion to male manual earnings by almost 100 percent between 1964 and 1986- from 6 to 12 per cent, while as a proportion of all household incomes they have risen from 1971 by 40% approximately. Public rents have shown greater variation in their value against household incomes, being a steady 6 percent between 1961 and 1971, rising to over 9 percent by 1981 and then falling in 1986. Against male manual earnings rents fell in value between 1961 and 1966, then rose until 1981 and levelled out in 1986. These trends are based on limited observations and thus any conclusions must be qualified, but the differing lines produced by differing measures of income show clearly that subsidy policy, if it is to be based on some

form of income to rent comparison, must face the problem of choosing the most appropriate. Earnings are not as good a guide to affordable outcomes as household income, despite the flaws of the latter. Comparison of rent to earnings ignores the differential experience of rent by those who are employed and those who are not, and the tenure differences of earnings shown above. It has also previously been shown that average male earnings are greater than rented household incomes in recent years. Comparison of household income provides a better measure, but we saw in Figure 7.3. the divergence of household incomes according to renters and non-renters.

Given these findings, what can be concluded from Figure 7.10? The intentions of policy have been to encourage owner occupation, and this has been done, in part, by making rent less affordable, and the costs of having a mortgage comparatively more attractive. The use of income and rent comparisons similar to the one in Figure 7.10. point to the need to place rent policy more firmly on the basis on tenant incomes; a point which will be reinforced by analysis in Chapter 8.

However, the other argument against such comparisons of rent to income are that they fail to acknowledge that tenants may pay less than the net rent due to rebates and allowances and assistance benefits for rent. The discussion of broad outcomes of policy through a comparison of incomes and rents must also be include a comparison of how the value of these forms of help has changed over time.

Model Households- Affording the Rent?

Assistance, Rebates & Allowances and Model Households

The changes in the economic circumstances and demography of the rented tenures has been accompanied by a move towards means tested subsidies to assist the payment of rent. These policies are now examined to establish what was intended to occur to model households over time, and how different forms of rent policy provided potentially different outcomes.

Means tested rent benefits for renters have been developed in an uncoordinated manner which makes historical comparisons difficult. For those who obtained rent assistance through Assistance benefits, there is the constant policy mechanism of assistance benefits, which, even with the introduction of housing benefit in 1983, protected a minimum 'plimsoll line' of needs which included rent. The value of rent as a proportion of such assistance and the changing relative value of Assistance with and without Assistance help with rent to other sources of income are the important areas for each model household. To compare Assistance help with rent with other sources of income and assistance we will use figures for earnings and national insurance. But each household will also require a different set of comparisons based on rent rebates and rent allowances, which since 1983 have been called 'standard housing benefit': discretionary rent rebates run by local authorities before 1972; the national scheme of rent rebates and allowances from 1972 to 1983; and standard housing benefits from 1983 to 1986. The value of such help will be given as disposable income after paying tax, national insurance and the rebated rent from $\frac{2}{3}$ of average male manual earnings with help from rent rebates. To ensure consistency over time child benefit has been included in disposable income since 1975. The calculation of rebates and allowances will only be calculated for public sector rents and is based on a rent equal to that of average rent for Assistance help with rent cases to ensure comparability. The method of calculation of rebates prior to the introduction of a national scheme in 1972 is to use the MHLG approved schemes given in Circulars in 1956 and 1967⁷.

Two Parent, Two child Household

A couple with two children aged 5-10 living in a council dwelling. Income will be taken for a single earner, and the earnings will be calculated according to $\frac{2}{3}$ average male manual earnings. Figure 7.11. shows that, since the 1970s, there has been a widening gap between the value of gross earnings and the disposable income after paying the rent. At the same time, the gap between the value of assistance including rent and disposable income has narrowed. This model family

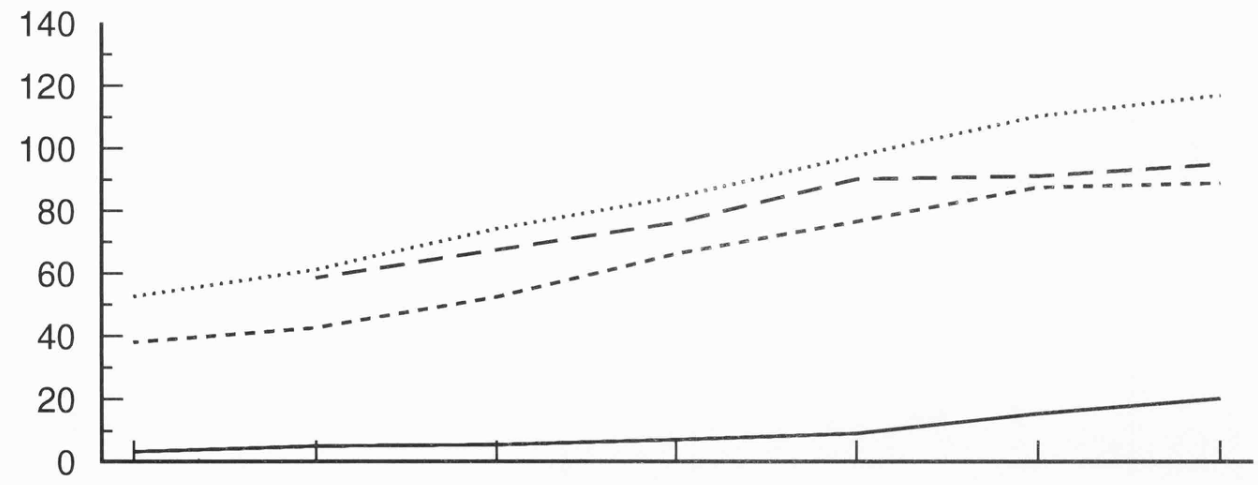
⁷MHLG Circular 29/56, from which the details of the Solihull Rebate Scheme were used for calculation, and 46/67.

Figure 7.11.

Assistance, Rebates & Rent 1951-1986

2P2K Household with 2/3 Av.Male Manual Earnings

£ at 1986 prices



	1951	1956	1961	1967	1972	1981	1986
<u>Rent</u>	3.41	4.99	5.56	6.96	9.15	15.41	20.20
<u>Assistance inc Rent</u>	37.93	42.57	52.50	66.23	76.45	87.66	89.00
<u>Gross Earnings</u>	52.60	61.13	74.22	84.46	97.64	110.21	116.85
<u>Income Minus Rebated Rent</u>	n.a.	58.52	n.a.	76.14	90.13	91.11	95.02

Source: Author's Own Calculations from MHLG, DSS Treasury & DOE statistics

Note: 1986 Prices RPI less Housing Costs

have become on the margins of assistance level income through a combination of tax and rent rebates. If rate liability and rate rebate were taken into account then the situation may deteriorate, but this question is left for further research.

Single Parent Household

Single parent with a single child aged 5-10. For the purposes of comparing levels of earned income to means-tested assistance the average gross weekly manual earnings of women is used. Figure 7.12 shows the changes in the value of net income after tax, N.I. and rent rebates has not fallen as greatly as the previous model family. The increase in real value of net income in the early 1970s was due to the improved situation of single parent for taxation. However, in a similar trend to that of the two parent and two child family, the value of disposable income after rebated rent has fallen in relation to gross income steadily since the 1970s; although the value against assistance has not fallen nearly so markedly.

Pensioner Couple Household

Pensioner couple household has neither member aged 80 or above. Income is calculated on basic pension only, not amounts of graduated or SERPS is given. Figure 7.13. shows the consistent lower value of pensions to the combined value of assistance and rent. The alternative of rebates meant that after rent had been paid, income was equal to or slightly less than original pension. Where net income after paying a rebated rent was less than pension the household was worse off claiming rebates than they would have been on assistance. In 1986, due to the introduction of Housing Benefit Supplement, (HBS), no pensioner household should have had an income less than their pension after paying rent or rebated rent. This situation is shown in Figure 7.13. However, the very low take up of HBS meant that in practice many such households were worse

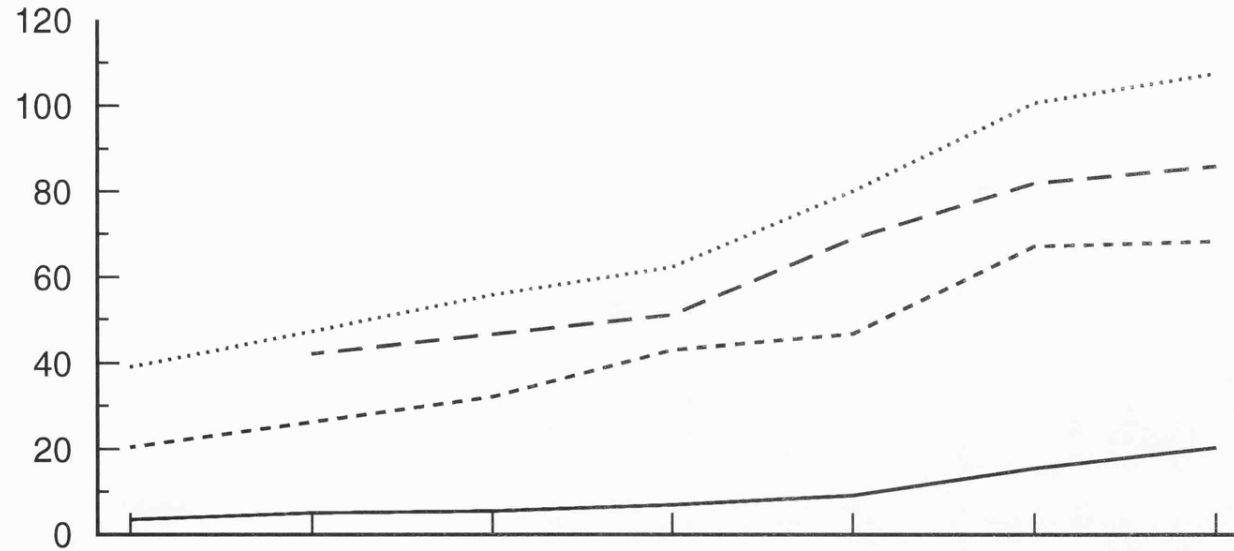
Single Pensioner Household

Figure 7.14. shows the position of a single pensioner household where the householder is aged under 80 and their income is basic retirement pension. As in Figure 7.13. above, no element of graduated pension or SERPS has been given.

Assistance, Rebates & Rent 1951-1986

OPF- One Child & Ave Female Manual Earnings

£ at 1986 prices



	1951	1956	1961	1967	1972	1981	1986
Rent —————	3.41	4.99	5.56	6.96	9.15	15.41	20.20
Assistance inc Rent - - - - -	20.43	26.27	32.10	42.94	46.69	67.15	68.30
Gross Earnings	39.06	47.25	55.82	62.28	79.96	100.66	107.50
Income after Rebated Rent - . - . -	n.a.	42.26	n.a.	51.13	68.88	81.94	85.88

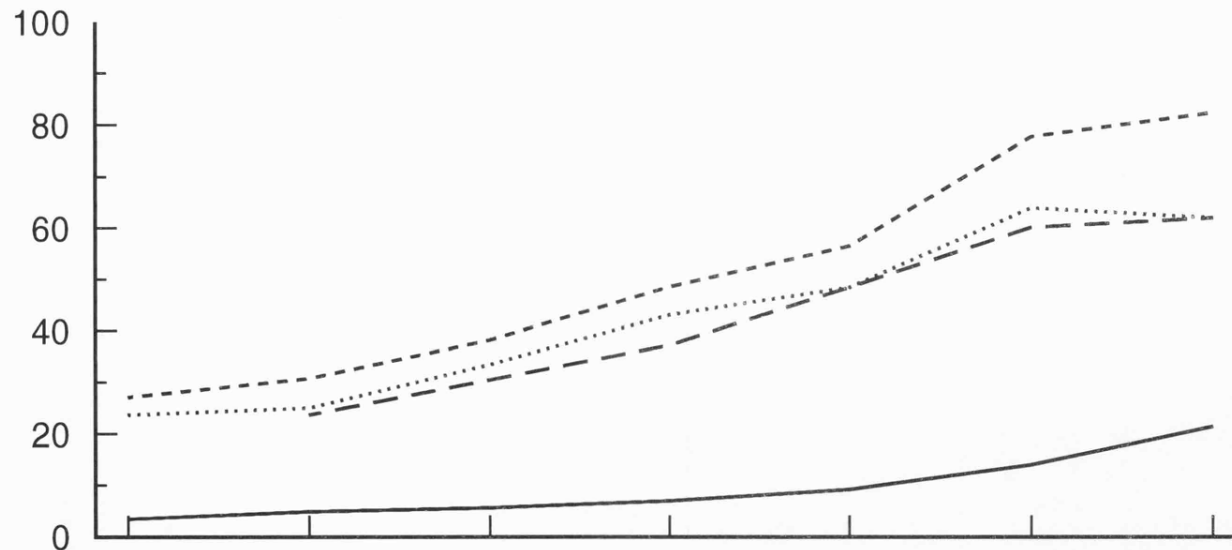
Sources: Author's Own Calculations from MHLG DSS , Treasury and DOE Statistics

Note: 1986 Prices RPI less Housing Costs

Assistance, Rebates & Rent 1951-1986

Pensioner Couple Household on N.I. Pension

£ at 1986 prices



	1951	1956	1961	1967	1972	1981	1986
Rent	3.50	4.99	5.63	6.96	9.15	13.91	21.41
Assistance Inc Rent	27.15	30.68	38.13	48.54	56.46	77.81	82.36
N.I. Pension	23.65	24.93	33.40	43.05	48.42	63.90	61.95
Income less Rebated Rent	n.a.	23.70	n.a.	37.18	48.42	60.06	61.95

Source: Author's Own Calculations from MHLG DSS and DOE Statistics

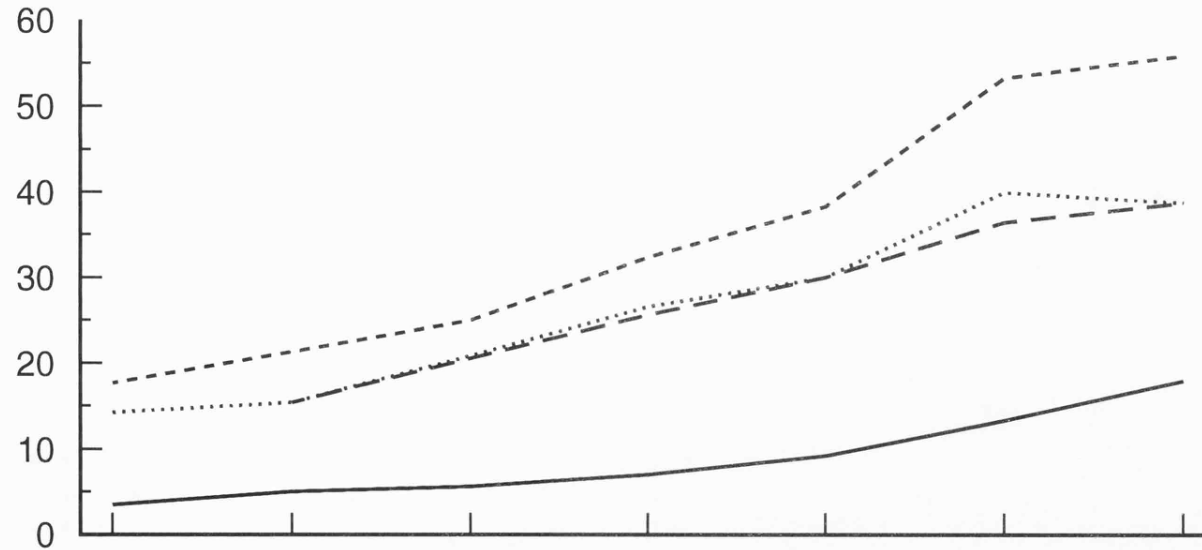
Note: 1986 prices RPI less housing costs

Figure 7.13.

Assistance, Rebates & Rent 1951-1986

Single Pensioner Household on N.I. Pension

£ at 1986 prices



	1951	1956	1961	1967	1972	1981	1986
Rent —————	3.50	4.99	5.59	6.96	9.15	13.25	17.88
Assistance Inc Rent - - - - -	17.69	n.a.	24.91	32.32	38.25	53.19	55.78
N.I. Pension	14.19	15.34	20.76	26.54	30.00	39.94	38.70
Income after Rebated Rent - . - . -	n.a.	15.34	n.a.	25.59	30.00	36.41	38.70

Source: Author's Own Calculations from MHLG DSS and DOE Statistics

Note: 1986 prices -RPI less Housing Costs

The experience of the model single pensioner household mirrors that of their couple counterpart above. The value of retirement pension has been consistently less than the value of assistance with rent; the net income after rebates reduced rent was equal to or less than their pension giving no reason for avoiding assistance. Assistance for pensioners became primarily a rent assistance scheme together with a mechanism of raising incomes to meet individual need. The comments made concerning HBS in 1986 apply to the single pensioner as well.

The Value of rebates and Assistance help with rent

The four model households, despite their simplistic characteristics show that the two forms of means tested help with rents, Assistance help with rent and rebates, provided considerable problems for some households. For households with children on low incomes the incentives of work, here measured without any Family Income Supplement, worsened through a rise in the level of assistance with rent against both earnings and net earnings after rebated rent. Indeed, the real value of rebates declined over time, and this decline accelerated under public expenditure restraint during the early 1980s. The contradiction between the worsening financial incentives of earnings to assistance runs in direct contradiction to government policy. For pensioners, the value of pensions alone has rarely been enough to pay the rent, and this problem has worsened as the real value of rents rose.

Summary: Changes to Tenants and Changes to Policy

- Tenants poorer than non-tenants in the 1950s, have become more so and this relative decline worsened since 1976.(Figures 7.3. and 7.4.) Private tenants, once poorer than local authority tenants became relatively richer in 1986, (Figure 7.7 and 7.8.), A growing proportion of rented householders are elderly, whilst a declining proportion have children, (Table 7.IV). Local authority households have greater proportion of elderly households over private rented, a situation in 1986 which has reversed since 1971; local authority sector has always had greater proportions of households with children than the privately rented (Table 7.VI) .

A growing proportion of renters income relies on state benefits and this proportion is double that of owner occupiers, (Figure 7.5.).

- The real level of local authority rent has doubled since 1961; private rents have increased by 175 per cent in real terms between 1964 and 1986, while registered rents have declined in real terms to 77 per cent of their 1966 value in 20 years, (Figure 7.9.). All real figures expressed by RPI. Rent as a proportion income has shown less dramatic rises: private rents have risen from 6 to 8 per cent of all average household incomes between 1971 and 1986, and from 6 to 10 per cent of average male earnings between 1961 and 1986; local authority rents have risen from 5.8 per cent to 7 per cent of household income between 1964 and 1986, and from 7 to 9 percent of average male earnings from 1961 to 1986, (Figure 7.10.)

- The value of rent rebates grew until 1980s and then became more or less static when modelled for pensioner households on pensions and for households with children on below average earnings, (Figures 7.11., 7.12., 7.13., and 7.14.).

APPENDIX

Housing Association Tenants

Table 7.A.1. shows that in 1983 H.A. tenants were more likely to be elderly, economically inactive, or involved in non-manual employment than local authority tenants, but to be more akin to private rented households in these characteristics. No great difference in incomes between H.A. tenants and other tenants is discernable. Table 7.A.2. shows that H.A. registered rents rose by 9% in real terms between 1979 and 1986, while their relative value against local authority rents remained more expensive, but declined as subsidy incentives for LA rents raised these in comparison to registered rents.

Table 7.A.I and II

Table 7A.I. Characteristics of Household Heads: Great Britain 1983

	Housing Association	Private Unfurnished	L.A. Tenants	All Households
Aged 65+	49%	54%	34%	28%
Economically Active				
Non manual	15%	15%	9%	27%
Manual	25%	28%	41%	36%
Economically Inactive	60%	58%	50%	36%
Gross Wkly Income ≤ £80	54%	56%	50%	33%
Mean Household Income	£95	£92	£92	£144

Table 7.A.II Housing Association Rents: England & Wales 1979-86

	Mean Registered Rent per week	Index of Real Rent Level	H.A Rents as % L.A. Rents
1979	£10.70	100	167%
1980	£12.52	99	162%
1981	£13.96	99	122%
1982	£15.62	101	116%
1983	£17.15	107	123%
1984	£18.65	109	127%
1985	£19.69	109	126%
1986	£21.08	112	128%

Source: GHS - analyzed by Hills 1989 op-cit, tables 10.3 and 10.5, updated by author's own calculations

CHAPTER 8

RENTS AND TENANTS 1971-1986

This chapter describes the changing value of rent payments in rented households in England and Wales between 1971 and 1986. The data comes from FES, the limitations of which, together with the definitions of rent, income and household, and the methodology have been described in detail in Chapter 6. The chapter is split into four parts, the first part covers the detailed description of the data and definitions used; the subsequent parts each relate to the different forms of comparison of household expenditure on rent outlined in Chapter 6: measuring rent as a proportion of income with and without means tested subsidies; measuring rent as a proportion of equivalent income according to household composition; and, last, measuring disposable income after rent has been paid. Not one of these measures aims to describe an 'affordable rent' or to prescribe a set proportion of income as affordable or unaffordable; neither does a combination of these comparisons set a standard for an affordable rent. The comparisons in this chapter form a final set of relative measures with which to explore the contradictions of policy in practice. This chapter can stand on its own as a study of households and rent payments, but it is not designed to do so. It forms part of an unravelling of rent and social security policy underpinning the commitment to affordable rents which is the core of the thesis.

Definitions From FES

FES Income Calculations

Income for each member of the household was separately calculated and then household totals were obtained by aggregating all income at the household level. FES data allowed consistency over most years. To ensure consistent definitions over time and to distinguish between social security benefits and rent rebates and allowances, income from rent benefits was not included in the calculations of household totals. This led to a problem with supplementary benefits which, up until 1982/3 included an element for rent and other housing costs. As it was impossible to apportion supplementary benefit at the household level all supplementary benefit was included in the computation of income. However, the

biggest obstacle to this consistency was the introduction of housing benefits, which in 1983 withdrew all rent and rate elements from supplementary benefit calculation. This change led to a decrease in social security income from supplementary benefit and would have meant that household income figures were not directly comparable over time. To avoid this problem the housing cost element for supplementary benefit households, contained in housing benefit, was added to supplementary benefit incomes for 1986, but only where supplementary benefit was being received. This problem had been encountered by other researchers.¹

As well as the difficulties in ensuring consistency over time in income data, there are two forms of analysis which require re-computation of the resulting household net income figures. The first is the computation of equivalent incomes using household net income and the McClements equivalence scales. These equivalent incomes, taking into account heterogeneous household composition, are used to enable household incomes to be ranked in a distribution of equivalent income to consider the value of rent for differing quintiles.

Equivalence Scales and Household Income

The use of an equivalence scale in this study is to make household incomes equivalent by adjustment according to size and composition of household personnel. The McClements scales were chosen because they represent the current standard scale used by Government statisticians in the measurement of poverty and for the assessment of distributional consequences of social policy.² There is a growing literature on the use of equivalence scales and comparisons have been made as to their efficacy and effects on income measures.³

¹See Hills and Mullings, in J. Hills, (ed), The State of Welfare, op-cit.

² Department of Social Security, Households Below Average Income: A Statistical Analysis, Government Statistical Service, London, July 1990; and The Effects of Taxes and Benefits on Household Income, 1988 in Economic Trends, May 1991, HMSO London, 1991.

³ For a recent review see Fiona Coulter, Frank Cowell and Stephen Jenkins, Differences in Needs and Assessment of Income Distributions, Economics Discussion Paper 02/91, University of Bath, 1991. For a full discussion of the use of equivalence scales in the measurement of income inequality see A.B. Atkinson, The Economics of Inequality, second edition, Oxford University Press, Oxford, 1983.

Table 8.I.

McClements Equivalence Scales Household member Weights	
Household Member	E.V.
Couple Heading Household	1
Single Headed Household	0.61
1st Additional Adult in Couple Household	0.42
2nd and subsequent Adult in Couple Household	0.36
1st Additional Adult in Single Headed Household	0.46
2nd Additional Adult in Single Headed Household	0.42
3rd and subsequent Adult in Single Headed Household	0.36
16-18 year old	0.36
13-15 year old	0.27
11-12 year old	0.25
8-10 year old	0.23
5-7 year old	0.21
2-4 year old	0.18
0-2 year old	0.09

Equivalence scales were developed to produce equivalent incomes of households taking into account the differing purchasing power and expenditure according to the number of adults and number and ages of children.⁴ McClements used the expenditure data from the 1971 FES to calculate an equivalence value for the differences in consumption of adults and children, and the impact of additional adults and children in a household on joint consumption and economies of scale.

⁴ For a full discussion of their calculation and history, including a comparison with earlier scales, see chapter 5 of L.D. McClements, The Economics of Social Security, Heinemann, London, 1978.

Although McClements also calculated a separate equivalence value for pensioners these were not used in this study as expenditure on rent is the subject of study and hence equivalence scales are used to allow primarily for household size rather than lower pensioner purchasing power. The household equivalence values were calculated on a household basis through the FES data sets and the equivalence scales used are given in Table 8.I.⁵

The household net income of every household are then made equivalent through the application of the scales and a distribution of equivalent net household income is produced from which quintile samples are examined according to the value of the rent they pay. The results of this exercise are shown below.

Supplementary Benefit Household Requirements

The other income variable calculated for comparison is the equivalent income of every household represented by the supplementary benefit scale rates. The reason for choosing supplementary benefit income level is that it represented a level of income which governments have accepted as a minimum. While an actual supplementary benefit calculation would involve the assessment of additional needs within the household, an exercise which cannot be done with large data samples, the calculations used in this study merely compute the scale rates of the households concerned. These benefit levels of income are calculated for each household by the addition of basic scale rates for each member of every household which are added to the eligible housing costs for supplementary benefit minus rent, such as rates and water charges, (but not service charges excluded from the calculation of net rent). The resulting level of income thus represents a net income from supplementary benefit after the rent has been paid. The calculation of supplementary benefit scale rates can only be approximate, and under-estimate supplementary benefit entitlement for several reasons. Long term rates of benefit were given to households where there was a single parent or pensioner, but other circumstances where long term rate could have been

⁵ The status of marriage has not been used in this study. Instead if an adult was coded as the partner of the head of household then the head of household was taken as if married according to McClements equivalence scale.

awarded were not included. Further reason for under-estimation is that no extra allowances for additional requirements were made. It should be noted that the definition of children for supplementary benefit is different than the definition used in other calculations as outlined in Chapter 6. Instead of calling all household members over the age of 16 adults, a definition according to child benefit legislation was used for every year. This meant that 16-18 year olds still in full time non-advanced education were calculated as dependents. The results of the comparison of disposable household net income to supplementary benefit income for each household in the FES samples are given below.

FES & Net Rent Calculations

FES data provided several difficulties in the calculation of a net rent variable. The first three FES data sets used in this study, for 1971, 1976 and 1981, provided a basis for consistency by always having as a data item a calculated gross rent for all rented households. The problem is that net rent, as defined in Chapter 6, may, in some instances, be the same as gross rent depending on whether the gross rent included rates, water rates, service charges or any other element of housing costs are charged in addition to the net rental element for use and occupation. Where gross rents were charges which were inclusive of other charges then sufficient data was available to calculate a robust estimation of net rent. In the particular case of rent rebates, the FES questionnaire for these years always requested interviewers to recalculate a gross rent where rebates were given. FES independently obtains the rateable value of the premises from the local authority valuation list. This data, together with the data on rate poundage, enables the true amount of rates to be calculated. Data on rateable value, together with water rate poundage, allowed the calculation of water rates. The combination of gross rents and confirmed amounts for rates, together with the computed water rates means that a rent net of all these costs can be calculated.

To distinguish between households who paid their rates and water rates in their rent a cross tabulation was made to identify all renting households who paid zero rates and/or zero water rates to the appropriate authority. If positive values were given for payments of rates and water rates then these households were taken as

exclusive rates/water rates payers. For 1986 FES a specific variable was available which described whether rates were included in rent, while positive values for payments of water rates were continued as an indicator of exclusive rents in that regard.

Table 8.II.

**The Proportion of Tenants Paying Rates Separately from Rent
England & Wales 1971 - 1986**

Tenure	1971	1976	1981	1986
All	9.1%	12.9%	11.6%	12.5%
Local Authority	0.5%	1.0%	3.1%	1.1%
Private	21.8%	35.6%	43.7%	40.1%

Source: Author's own calculations from FES.

General rates were a far more common and larger component in gross rents, but the majority of all rented households pay their rates within their rent. For local authority tenants this proportion has been over 95 per cent between 1971 and 1986. For private tenants, the proportion of exclusive rate payers is higher, particularly among unfurnished renters. The proportions of households paying exclusive rents is shown in Table 8.II.

More difficult still is the problem of service charges. What services should be included as part of a 'net' rent and how far are they identifiable from FES data? For the study years 1971 to 1981 the FES data distinguished between rents which had separable service charges and those which did not. In addition, variables for different elements or types of service charges were available. In theory then, it was possible to construct a framework in which non qualifying service charges could be identified, and, if not identifiable, an amount could be computed for deduction based on the average of identified charges of the same kind. To decide

which service should be included reference was made to the rules governing the calculation of eligible rent for benefit purposes. These rules allowed any service which was necessary for the occupation of the home and excluded any services which would be met by normal non-housing allowances, eg. heating, clothes washing. Given that the analysis was attempting to find measures consistent with rent data from other sources used previously, and given that these benefit rules have remained largely consistent over time, it was decided to use such a definition.

The quality of data did not allow actual totals to be used for these charges. In 1971 no observations were made for separate heating charges, in both 1976 and 1981 the numbers of observations were less than ten. Most of these were in private furnished dwellings. What values could be used to deduct an element for service charges in rents where they were defined as inseparable? Following the precedent of a previous researcher⁶, and in line with the principles outlined above, it was decided to use the amounts given by supplementary benefits calculations as deductions from rent. The only remaining problem was for 1971, when such deductions had not been standardised. A figure was calculated using the amount stated in 1976 and then adjusting for price inflation of fuel to an estimated 1971 real value.

The 1986 FES however poses a completely new set of problems. The data on gross rents was no longer collected. Instead, only the net rent **paid** was recorded. With the introduction of housing benefits this meant that many tenants of local authorities were coded as paying a zero rent. These zero rents, together with a few minus rents, were given for rents which included non-separable service charges as well as those without. This meant that either the service charge was being covered by housing benefit or was being paid in some other way⁷. Similarly, the collection of data relating to payment of rates was changed to net payment. This, due to housing benefit, could also be zero for direct ratepayers.

⁶ John Micklewright, whose notes for FES variables at STICERD were referred to.

⁷ For instance, by the payment of a portion of the householder's supplementary benefit directly to the landlord.

A zero figure could also indicate tenants who paid rates with their rent. The situation with rates was solved by using the variable specifically introduced to distinguish cases where rates were included with rent. But the problem of service charges was less easily solved.

The question which purported to distinguish items included in rent was useless: 78 per cent of all tenants were coded as not recorded, and the 22 per cent that were positively coded were all in one tenure - local authority. The variable showing the amount for heating included in rent was only positive in six cases, all of which were in local authority tenancies. There were however sufficient positive observations of the variable showing separate service charges to be able to obtain meaningful which could then be used to impute a value for inseparable service charges. However, to be consistent over the spread of study years these had to be linked to the supplementary benefit deductions. Where specified service charges were identifiable then the actual charge was deducted up to a maximum amount represented by the supplementary benefit deduction. Where inseparable service charges were paid as part of the rent the lowest figure between the average service charge and the supplementary benefit deduction was made.

Table 8.III.

Derived Negative Net Rents FES Year and Tenure								
	1971		1976		1981		1986	
	No	%	No	%	No	%	No	%
Local Authority	14	0.8	10	0.5	4	0.2	9	0.6
Private	35	2.8	26	2.6	16	2.7	10	1.5
Total	49	1.6	36	1.3	20	0.7	19	0.9

Source: Author's Own Calculations from FES

How Valid Are The Derived Net Rent Data?

The validity of the produced data on net rents can be tested in several ways. The first problem in the data for each study year is that negative rents are created at the bottom end of the distribution. Yet landlords paying tenants to live in their accommodation is apparently ridiculous. Defining negative rents as meaning rents that are less than or equal to zero the range and tenure of these negative rents is shown in Table 8.III. The existence of negative rents can be explained in two ways. First, the original rent was low: either wrongly under-reported, (data error), for instance because a failure to take into account rebates. (in 1986 two cases of negative net rent payments were reported before any adjustment was made), or due to a true low rent. Second, the deductions used in the formula were too large: either because the actual service charge was less than the assumed deduction or perhaps because the rates element was too high. In some cases the rates may in fact be higher than a contractual rent, especially in old 'controlled' private lettings which have never been subject to increase, so that the rent was genuinely negative.

Distribution of net rent data

Table 8.IV.

Median and Mean Net Rents of All Households England & Wales 1971-1986 by Tenure								
£	1971		1976		1981		1986	
	Medn	Mean	Medn	Mean	Medn	Mean	Medn	Mean
L.A.	2.42	2.51	4.74	4.79	11.28	11.24	16.97	18.59
Private	1.54	2.32	3.75	4.53	8.00	10.67	15.38	19.37

Source: Author's own calculations from FES.

As well as creating negative rents some observations were unexpectedly high. The median and mean net rents are compared for each study year in Table 8.IV.,

and the effects of these extremes in the distribution are shown. The greater discrepancy between median and mean rents in the private sector could be explained by the distortions of a declining number of old controlled dwellings over the period at the bottom of the distribution, but the surprising conclusion that mean rents in the private sector were less than their public counterparts must be carefully qualified. Lower samples of high rent private lettings, for instance in houses in multiple occupation and Rent Act evasions, would account for some error, but this cannot be checked because FES does not provide data with that detailed a description of tenure. The effect of such under-representation on average rents would also be countered by the lower response rate among pensioners who would presumably be expected to occupy tenancies of earlier and higher standards of security with historically lower rents. With these uncertainties, the only checks available for the aggregate values of rent produced in this study is through a comparison with other data sources.

Comparison of rent data with other sources

Table 8.V.

Comparison of Local Authority Net Rents FES and Government Data England & Wales 1971-1986				
Source	1971	1976	1981	1986
DOE	£2.48	£4.77	£11.43	£16.41
FES	£2.51	£4.79	£11.24	£18.40
% Difference	+1.2%	+0.4%	-1.7%	+11.8%
Sources: Author's own calculations from FES & Housing & Construction Statistics				

The data collected from FES should be comparable to DOE statistics for council rents. Table 8.V. shows the difference between the average rents obtained from this study to those published in the Housing & Construction Statistics based on CIPFA rent statistics. Any comparison must be done bearing in mind the difference in year calculation: the DOE are based on financial year while the FES

rents are on calendar year. There is no obvious comparison which can be made for private rents.

The creation of the new variable for net rent is therefore not an exercise in precision. There is no opportunity for a precise measure for rent when the confusion of what is included within rent is common to tenants and landlords and even researchers. The rent data created through this method is used to compare three different views of affordability.

II

Incomes, Subsidies and Rent

This section explores the rents paid by tenants and the effect of receipt of assistance, called certificated housing benefit from 1983, and/or rent rebates and allowances, called standard housing benefit from 1983. The discussion of incomes, subsidies and rents follows a preliminary examination of the effect of paying the rent through social security on the level of rents.

Subsidies & Distortions to Rent Support

Any subsidy which allows tenants to pay rent in full means that they have no incentive to restrain rent rises and can under-occupy property or live in far too luxurious accommodation. The principle has been termed 'up-marketing'.⁸ Economic theory has been validated by examples of landlords charging higher rents to tenants on benefit, and these have been given some publicity. This high profile, together with the theoretical behavioral effects of benefits and entitlement, makes it necessary to question the effects of subsidies on affordability of rent.

The problem posed by the theory of up-marketing is most serious when applied to government spending: If it occurs, benefits and subsidies are 'wasted' expenditure and have not made rent more affordable. If this was so then advocacy of rent support would be prejudiced and in the study of the costs of policies some allowance would have to be made for this, perhaps by a reduction

⁸ For a full discussion of up-marketing and housing benefits see J. Hills, Unravelling Housing Finance, Clarendon Press, Oxford, 1991 p158.

in the calculation of totals. But for the tenants involved, the problem is serious too: they are trapped on benefit with a high rent.

What evidence is there that rent benefits stimulate up-marketing? Under experimental conditions in the U.S.A., tenants who received housing allowances, even those in poor conditions, did not often move up market with them, but instead used them to pay the rent and help with household expenses.⁹ No similar experiment has been done in this country, but the existence of a benefit system which provides 100 per cent rent benefits, supplementary benefit, provides an opportunity to assess the effect of up-marketing. FES data allows a comparison to be made of rents which were paid by tenants receiving 100 per cent benefits towards rents with those who were not. The average rents of these two groups of tenants are shown in Table 8.VI.

Table 8.VI.

The Rents of Supplementary Benefit and Other Households by Tenure 1971-1986 England & Wales								
£	1971		1976		1981		1986	
	Supp Ben	Other	Supp Ben	Other	Supp Ben	Other	Supp Ben	Other
Local Authty.	2.24	2.59	4.44	4.89	10.71	11.42	21.96	16.91
Private	1.52	2.47	3.69	5.00	7.21	11.24	14.69	19.93

Source: Author's Own Calculations from FES

Figure 8.VI. shows that in the period of fifteen years up to 1986, no strong 'up-marketing effect' was immediately apparent from a comparison of average rents, other than in 1986 in public renting. The higher rents of certificated housing benefit rents in local authorities in 1986 may be partly due to sampling error

⁹ H. Wolman, Help With Housing Costs: Lessons from the US Housing Allowance Experiments, Policy Studies Institute, 1987, London.

within FES and partly due to other factors, matters which are further examined in the detailed discussion of FES rent below. The absence of any evidence to show an aggregate effect does not discount up-marketing as a marginal problem. But the evidence from FES does confirm that supplementary benefit rents were not higher than others, except in the one instance of LA rents in 1986. This finding is also confirmed by the absence of higher rents due to the effects of other influences, such as the changing make up of supplementary benefit households over time, is referred to later. While a definitive answer on the total effect of supplementary benefit rents on upmarketing requires more detailed analysis of rationing practice, changes in pricing and of household types on such benefits, it is possible to discount such effects in the rest of this thesis. It appears then that the restraints within supplementary benefits -basically administrative rationing- to combat 'up-marketing' were sufficient to constrain the incentive on landlords to make higher income from households with increasing needs paying a fully subsidised rent. The figures given in FES are therefore used without any adjustment for up-marketing.

Affordability: Average Rents & Incomes

A comparison of average rent to average income enables two areas to be examined. First the relative value of rent when expressed as a proportion of income, and second, the differences in such values between households. To give a value of rent as a proportion of the income of the household who pays it provides a consistent measure across all rents. The differences in such a value of rent between households and tenures provides a useful basis for comparison and analysis. But how robust is the use of averages? The discussion of rent levels relative to prices and incomes in Chapter 7 showed that the use of averages over tenures was not helpful, and suggested that differences in rent levels made many averages unrepresentative. The problems of location, repair, and quality of the dwelling are not identifiable through FES data; only room numbers and local authority area is given. However, the identification of households according to subsidy status enables us the use of data which are closely linked to income, and are thus more relevant to this study. By separately identifying tenants, the other

problem of using average rents and incomes - that they do not reflect what a considerable proportion of tenants actually experience as rent payment - and that they miss the important effects of policy intervention is overcome.

The necessity of such comparison can be shown by an example: two households may pay exactly the same rent when it is valued as a proportion of their income, but one receives supplementary benefit, and hence receives a subsidy which reduces the marginal rent payment to zero as the rent is covered pound for pound by benefit, while the other does not? If these households are merely aggregated in generalised averages no account of the radically different experience of affordability can be made. Chapter 7 has shown that the position of renting households has become relatively poorer than average and that a greater proportion of renting households receive benefit income from benefits; an assessment of changing affordability of rent must take account of these trends and produce comparisons which treat households on the basis of their status for assistance with rent. The concern about including households on assistance is widened to those who claim rebates and allowances as well, since their experience of rent is through a lower net rent due to rebates or allowances. The first task in identifying the changing experience of tenants is to compare how rent has changed for those receiving supplementary benefits and/or rent rebates and for those who have received neither. For the households who receive no means tested subsidy the net rent will be the rent they pay. For households who receive rebates or an allowance, the rent they pay will be the net rent minus these benefits. For households who receive supplementary benefit the marginal rent is taken as zero as all of the rent or the complete shortfall between their income and scale rate needs and rent needs combined will be met at 100 per cent.

To proceed the average net rents paid by all households is outlined. Then FES data on the distribution of supplementary benefits and rebates and allowances is considered claimants compared over time. After these discussions, the average rent to average income is compared, and the changing distribution of rent payments over time allowing for rebated rents and marginal rents of zero for those on assistance.

Average Net Rents

Table 8.VII.

	1971	1976	1981	1986
All	£11.72	£11.76	14.55	18.62
Local Authority	£11.72	£11.76	£14.70	18.40
Private	£11.19	£11.78	£13.96	19.14

Source: Author's own calculations from FES

Notes: 1986 prices obtained by using RPI less Housing Costs, (ROSSI) index..

Table 8.VII. shows the real values for net rent obtained by recalculation of FES data. Data in this table repeats that shown in Figure 7.9. above for private rents only. In the following analysis FES data on local authority rent is used, whereas, previously administrative data from DOE was used in discussion. Rent, according to FES, remained at a reasonably constant average value for 1971 and 1976, but then increased in value by 60 per cent in the last decade. The value of average private and public rents has not differed greatly, although these averages hide a greater distribution in the private sector which contained some very high and very low rents. The comparison of private and public rent levels according to quality of accommodation is not possible through FES, and hence the similarity in average rents may also hide a difference in the quality of accommodation provided. The rents of the private and public sectors showed similar trends, but with private rents rising ahead of public rents in the 1980s. The average rent when expressed as a proportion of average household net income has changed from 9.7 per cent in 1971, to 9.5 per cent in 1976, to 11.5 per cent in 1981 and to 14.4 per cent in 1986. But these averages ignore the differing influences of subsidies. This influence has reduced the net rents for households who receive benefits to help pay the rent. For those who receive supplementary benefit their marginal costs

of rent are reduced to zero as the whole of their rent is paid for by benefit. For those who claim rebates or allowances, or standard housing benefit their rent costs will be their net rent minus their rent benefit, a rebate or allowance. Once the rents are recalculated to take these alterations into account the distribution of actual rents expressed as a percentage of household net income are shown in Figure 8.1.

First, as we have already noted, the proportion of rented households paying a marginal net rent of zero due to receipt of supplementary benefit has grown from 19-20 per cent in the 1970s to over 25 per cent in 1986. If we take 20 per cent of net income as a indicator of high rent to income proportions, then the proportion of rented households paying in excess of this proportion was 15 per cent in 1971, 12 per cent in 1976, 15 per cent 1981, and 23 per cent in 1986. The higher figures for 1971 when compared to 1976 are supported by the fact that rent allowances for private rents were not available at that time, and that the rent rebate schemes of local authorities were less than 100 per cent in their coverage. But at the same time the proportions of households paying less than 10 per cent of income as rent has fallen, while the proportions paying between 10-20 per cent and over 20 per cent have also grown. As a generalisation, the information displayed in the graph supports the proposition that rents have become less affordable for the declining proportion of households who are not on supplementary benefit.

But this aggregate picture is misleading without the role of rent benefits being made explicit for those not on supplementary benefit. For those households there is no further need to examine the value of rent as expressed as a proportion of income. For the remainder, the value of rent as a proportion of income is different for those who receive rebates and allowances and those who do not. First, those households who received only general subsidies and claimed no rent benefits are examined.

Households & Housing Benefits

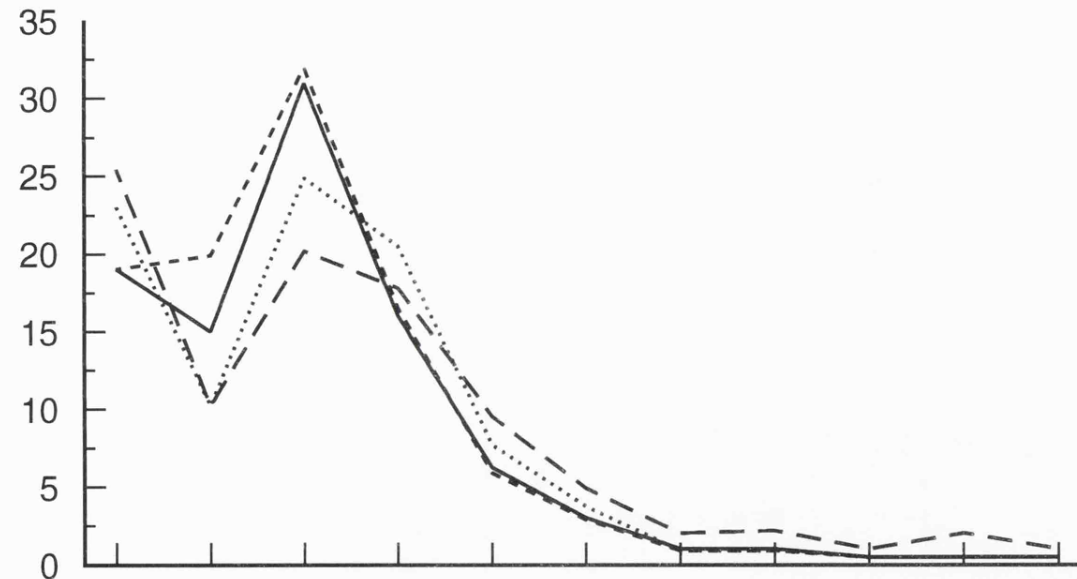
The value of general subsidies at the household level are not calculable directly from FES, although Hills, through construction of a hedonic price index, provides a basis for capital valuation of property from which imputed market rents could

Rent as A Proportion of Household Net Income

England & Wales 1971-1986

Figure 8.1.

% of Rented Households



Rent after benefit as % Household Net Income	0	0-5	5-10	10-15	15-20	20-25	25-30	30-40	40-50	50-100	100+
1971	19.00	15.00	31.00	16.00	6.25	3.00	1.00	1.00	0.50	0.50	0.50
1976	19.0	19.9	32.0	16.5	5.9	2.9	0.9	0.9	0.5	0.5	0.5
1981	23.00	10.20	24.90	20.50	7.70	3.76	0.90	0.90	0.50	0.50	0.50
1986	25.4	10.2	20.2	17.8	9.5	4.9	2.0	2.2	1.0	2.0	1.0

Value 0 = Supplementary Benefit

Source: Author's Own Calculations from F.E.S.

be calculated and hence all subsidies approximated¹⁰. However, the construction of counterfactual pricing will not be used here as the concern is with the experienced outcomes of policy. For this reason net rents will be taken for what they are: rents set by landlords within the subsidy schemes which operate. No attempt will be made to value either their actual or counterfactual worth. FES does however allow us to distinguish between claimant households receiving different housing benefits. Table 8.VIII. shows how these households changed over time

If we compare the proportion of tenant households receiving supplementary benefit over time, the discrepancy between FES data and other sources suggests that FES underestimates supplementary benefit receipt. With these reservations in mind FES still shows that the proportion of tenant households who pay the net

Table 8.VIII.

Households and Housing Benefits England & Wales 1971-1986								
% of Hshlds	1971		1976		1981		1986	
	LA	Pr.	LA	Pr.	LA	Pr.	LA	Pr.
None	73	84	62	78	52	79	42	67
Supp Ben	23	16	21	15	25	14	29	15
Rebates Allows	4	/	18	6	23	7	29	18
<i>Sample</i>	1819	1235	1871	984	2211	583	1579	651

Source: Author's own calculations from FES data.

¹⁰See J. Hills, *Unravelling Housing Finance*, op-cit, Chapter 14, and J. Hills, *Hedonic Price Indices for Housing Derived From 1988 5 per cent Survey of Building Society Mortgages*, Welfare State Programme Research note 22, STICERD, London School of Economics, 1991, London.

rents without help has declined over the period of study. But the changes are different according to whether the tenants are privately rented or not. In the public sector the proportion who paid the full rent in 1986 was 57 per cent of what it was in 1971; a very significant decline which can be attributed both to a relative drop in tenant incomes and an extension in the scope of rent rebates. Similarly, in the private sector, no rent assistance was available in 1971, but the proportion receiving rent allowances in 1986 was almost 20 per cent. In order to provide a consistent time series, the 1986 housing benefit recipients have been split between standard cases and certificated cases. Certificated cases have been taken as supplementary benefit cases and all other rebates as rebates and allowances. First, the changes in rent for those households who received no rebates or supplementary benefit, and hence relied solely on general subsidies through housing finance and rent control.

General Subsidies & Affordability

Table 8.IX.

Households Without Housing Benefits 1971-1986, E & W								
	1971		1976		1981		1986	
	LA	Pr	LA	Pr	LA	Pr	LA	Pr
% of all	73	84	61	78	52	79	41	67
%								
Elderly	19	30	22	28	20	26	43	30
% with children	43	24	34	19	36	15	28	15
<i>Sample</i>	1332	1040	1145	772	1151	462	640	434

Source: author's own calculations from FES.

Note: 1971 figures for private sector reflect the absence of rent allowance scheme

Table 8.VIII. has already shown that there is a falling proportion of tenants who have paid the full rents charged to them without any assistance from rent benefits,

either rent rebate, rent allowance, supplementary benefit or housing benefit. Who were this declining proportion of tenants? Table 8.IX. shows how these households were represented by tenure and household type. Local authority tenants have always had a lower proportion of households receiving no rent benefits than private tenants. This is however partly due to lower take up rate and the later introduction of rent allowance schemes for private tenants. The decline in the proportion of local authority tenants who do not receive benefit help with rents is significant and reinforces the conclusions drawn in Chapter 7 concerning the growing relative decline in incomes for these tenants. However, the households who receive no benefits differed in type between tenures: households with children being over represented as in the public sector, while pensioners were over represented in the private sector in all years except 1986, when they formed a higher proportion. Households with children have declined as a proportion of households who receive no rent benefits in both tenures. The changing trends in households who rely solely on general subsidies reinforces the trends in the representation of household incomes and household types shown in chapter 7.

Table 8.X.

Average Rent, as % of Household Net Income, Households with no Housing Benefits 1971-1986 E & W				
% HTOTNT	1971	1976	1981	1986
LA	8.4	7.5	9.3	10.3
Private	9.2	9.9	10.5	12.9

Source: Author's own calculations from FES data.

But how much was rent for these households? Table 8.X. shows the value of average rent expressed as a percentage of average net household income for these households. Readers are reminded that we calculated the crude averages of net rent valued in this way for all households above, (p.263) 9.7 per

cent in 1971, 9.5 per cent in 1976, 11.5 per cent in 1981 and 14.4 per cent in 1986), and those values were, in every year, except for private tenants in 1976, higher than the averages for tenants who received no benefit help with rents. The comparison of these averages reinforces our concerns about the use of average rent to average income measures to assess affordability, since, with the evidence so far, it would require the conclusion that tenants who received no help with means tested benefits had rents which were more affordable than those who did. Nevertheless, the trend from these crude averages confirms the trend shown in both average rents and the average rent and income comparisons: that rent has become more expensive in each tenure and year except local authority rents in 1976. This single variation is no anomaly but an outcome of the subsidy changes which occurred in the mid 1970s after the election of the Labour government.

Household Type and general subsidies

How did the composition of these tenants influence their rents? Table 8.XI. shows the changing value of rent for different household types. First, pensioner households receiving no rent benefits have all had to meet a higher level of rent. However, for pensioners and others the tenure difference between rents has always made private renting more affordable. We presume this to be a direct reflection of rent control and rent restriction which is far likely to have a stronger effect on older tenancies, and hence much more likely to benefit elderly households. The position for single pensioner households has become severely worsened with a growing value of rent- far and above that experienced by all pensioner households- reaching almost 29 per cent of income for public tenants and 20 per cent of income for private tenants in 1986. Whilst single elderly households have always had the highest rents valued as a proportion of income, the rise in rents combined with the increasing necessity to claim supplementary benefit or rebates and allowances to afford them has left these households paying very large proportions of income as rent by the mid 1980s. This points towards a failure of policy delivery but we cannot establish this without seeing how single elderly have also fared in terms of disposable incomes below. Elderly couple households have also been consistently better off as private tenants whilst facing

Table 8.XI.

Elderly Households & Households with Children Without Housing Benefit: Rent as % of Household Net Income E & W 1971-1986								
% HTOTNT	1971		1976		1981		1986	
	LA	Pr	LA	Pr	LA	Pr	LA	Pr
Elderly								
Alleld	9.4	7.4	8.9	6.8	10.6	8	15.2	13.4
<i>Sample</i>	253	313	249	219	235	122	272	129
Single	16.4	12.7	14.6	10.6	15	11.2	28.8	18.3
<i>Sample</i>	49	104	51	95	62	51	111	66
Couple	10.7	7.7	10.1	6.5	12	7.4	13.6	11.6
<i>Sample</i>	131	141	124	94	112	55	115	53
Households with Children								
All	8.4	9.2	7.1	8.1	9.3	8.6	8.2	10
<i>sample</i>	568	254	386	145	414	69	180	67
OPFs	10.7	11.4	7.5	11	10.2	14.2*	18.8*	10*
<i>sample</i>	41	25	29	16	38	(5)	(8)	(5)
2P2K	9.2	8.9	8.8	7.5	10.2	9.7	7.5	12.9
<i>Sample</i>	115	64	116	44	128	22	56	20

Source: Author's own calculations from FES

Note: * Small sample sizes for OPFs in 1981 and 1986 mean that data is unreliable

growing rent rises as a proportion of income.

The contrast between the position of elderly households and households with children is marked. Households with children who do not receive rent benefits have faced increases in the value of rent but have remained at a lower proportion of household income than those of elderly households. For households with children the public sector has had cheaper rents. The data for single parents must

be treated with caution in later years due to the very small samples involved, but they have experience rents higher than the average for all households with children.

How can these differences be explained? First, the difference in household size and income between elderly households and households with children makes a comparison of rent valued as a proportion of household income much more likely to show lower values for the latter. This will be remedied when we look at our second measure of affordability using equivalent income. A second explanation is the comparative level of incomes of the households involved. Because they do not receive rent benefits we must not presume that they are all similarly close to or distant from possible entitlement on grounds of income. Are households with children who did not receive rent benefits likely to have proportionately higher incomes than those that received rebates or allowances, whilst elderly households are less unequally distributed? To test this supposition we compared the average incomes of all elderly households with those receiving rebates and allowances to the average income for elderly households, and then repeated the exercise for households with children. The opposite was found to be true. For every year the average income of elderly headed households with no rent benefits was a higher proportion of the average elderly income than the comparable figure for households with children.

Rebates, Allowances and Affordability

Rebates and allowances are designed to ensure that rent is still affordable to those on lower incomes. It would, therefore, be likely that households of less rent-paying capacity due to household type will also be over represented amongst recipients of rebates and allowances. The household composition of these households over time and the proportion of all such households within rented tenures is shown in Table 8.XII.

The FES suggests that such rent assistance is mainly directed at pensioner households. In particular, in the private sector over 90 per cent of recipients of rent allowances were pensioner households in 1976 and 1981. However, this figure must be weighed against the high rate of under-claiming in the private

Table 8.XII.

Households Receiving Rebates & Allowances: E & W 1971 - 1986							
	1971	1976		1981		1986	
	LA only	LA	Pr	LA	Pr	LA	Pr
% all households	4	18	6	23	7	29	18
<i>sample</i>	68	330	60	499	39	456	115
By Household Type							
Elderly as %	71%	65%	92%	63%	93%	74%	76%
Households with children as %	18%	21%	*	20%	*	14%	10%
Source: Author's Own Calculations from FES							
Note: No Rent Allowance scheme existed in the Private Sector in 1971							
* sample too small to express as a percentage							

sector, which may lead to under-representation of non pensioner households. But for pensioner households rent rebates and rent assistance outside of the supplementary benefit scheme has grown in importance. In the public sector in 1971 only 11 per cent of pensioner households received rebates. After the introduction of the national scheme this proportion rose to 45 per cent in 1976, 56 per cent in 1981 and 60 per cent by 1986. In the private sector 16 per cent of pensioner households were in receipt of rent allowances in 1976, and this proportion rose to 18 per cent by 1981 and then to 45 per cent in 1986.

The assistance given by rent benefits reduced the amount of rent payable. The outcome of this assistance for affordability of rents can be assessed according to household type. We have already concluded that pensioners were the main beneficiaries of such assistance during the first decade of study. But how did the affordability of such assisted rents alter over time? If we compare net household income to the rent reduced by rent benefits there should be consistent or better

Table 8.XIII.

**Households Receiving Rebates & Allowances,
Rent as % of Household Net Income
E & W 1971-1986**

	1971		1976		1981		1986	
	LA only	LA	Pr	LA	Pr	LA	Pr	
All Such Households	9.5	4.9	7.4	8.2	7.8	8.2	9.7	
<i>Sample</i>	73	330	60	499	39	516	77	
Elderly Households	9.6	5.2	7.6	9.6	7.9	9.8	8.6	
<i>Sample</i>	66	214	55	313	36	375	54	
Households with children	*	4.9	*	7.4	*	5.7	*	
<i>Sample</i>	(5)	69	(3)	102	(2)	79	(7)	

Source: Author's own Calculations from FES

Note: * less than 10 observations

affordability rates for these households as compared to those who received no rent benefits.

Again we must ask whether these pensioner households and households with children actually fared better in terms of disposable income and relationship to minimum incomes and a measure of poverty.

Affordability and Equivalent Household Income

The use of the McClements equivalence scales to perform the adjustment of data for this comparison is described above. The resulting measure of income, equivalent household net income, is a standardised measure of after tax income which allows for differences in household size and constitution. The proportion of this measure of income used to pay rent will therefore represent the relative cost of a fixed household outgoing to a weighted measure of resources.

Equivalent income is also used to rank household according to income so as to enable the cost of rent to be assessed in the distribution of household incomes. The rent used in such a calculation will be rent minus rent benefits, and as before, all tenant households who receive supplementary benefits are assessed as having a zero rent.

The distribution of rent as a proportion of equivalent income is shown in Figure 8.2. The use of equivalent incomes has altered the distribution shown in previously in Figure 8.1.. There is a greater proportion of households paying higher rent. Does this mean that rent has become more or less affordable? The data enables some contradictory conclusions to be drawn. While the same growing proportion of tenants have had their rent made affordable through supplementary benefit, for others, the peak of affordability was in 1976, when the largest proportion of tenant households paid under 10 per cent of equivalent income as rent, at the same time as the lowest proportion of tenant households paid over 20 per cent. The 1980s are peculiar in having growing proportions paying zero rent due to supplementary benefit, but otherwise compare favourably with 1971. Of course this comparison is trite if not compared to the actual policies existing at the different times. For instance, the proportions of households paying high rents is over 10 per cent in both 1986 and 1971, but in 1971 there was no rent assistance scheme to assist private tenants not on supplementary benefits, whilst in 1986 there was. Alternatively, one cannot draw comparisons between these figures without some knowledge of who these household were and in what sector they lived, and how households with differing levels of income experienced rent. In order to discuss and compare such differences within the income distribution the top and bottom quintiles are compared.

Income Distribution & Affordability

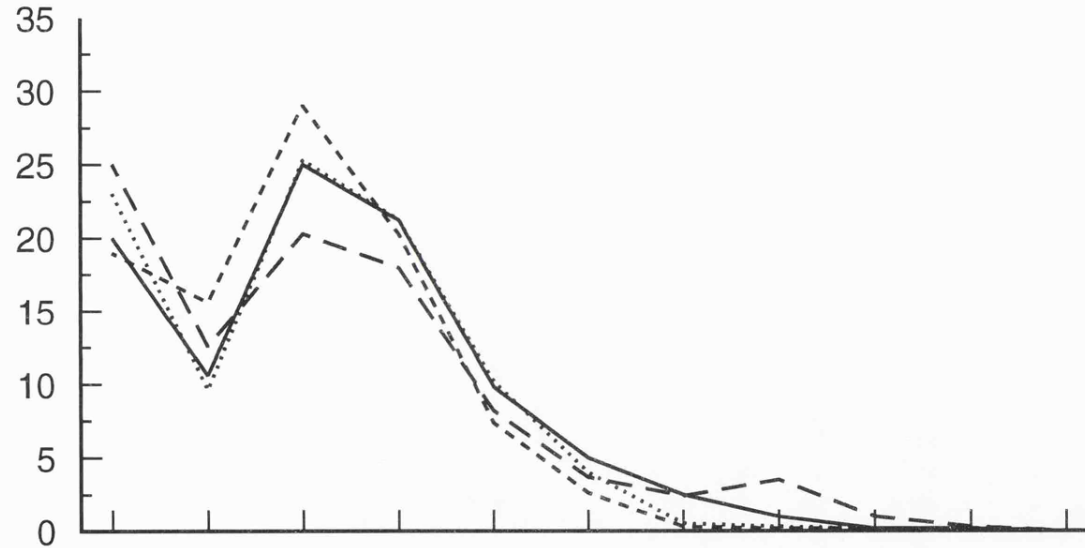
The measure of affordability so far obtained provides data on the proportion of equivalent net household income spent on rent and its changing distribution over time, but there is no way to assess how the onerous or generous proportions of income spent on rent were distributed according to household income. By comparing the rent paying experience of different portions of the equivalent

Rent as % Equivalent Household Net Income

England & Wales 1971-1986

Figure 8.2

% of Rented Households



Rent % of Equivalent Net Household Income	0	0-5	5-10	10-15	15-20	20-25	25-30	30-40	40-50	50-100	100+
1971	20.00	10.60	25.00	21.25	9.80	5.00	2.50	1.00	0.20	0.20	0.00
1976	19.0	15.6	29.0	20.3	7.4	2.6	0.3	0.2	0.2	0.1	0.0
1981	23.00	9.60	25.30	21.26	10.20	4.00	0.50	0.30	0.20	0.10	0.00
1986	25.0	12.6	20.3	18.0	8.2	3.7	2.4	3.5	1.0	0.3	0.0

Value 0 = Supplementary Benefit

Rent minus rebates and allowances used

Source: Author's own Calculations from FES

income distribution better answers can be obtained to questions concerning the changing affordability of rent for the richest and poorest tenants.

The average rent as a proportion of equivalent income in both the top and bottom

Table 8.XIV.

Rent as a Proportion of Equivalent Income Paid by Top and Bottom Quintiles: E & W 1971-1986				
% of Qtle	1971	1976	1981	1986
Rent Paid, as a proportion of Equivalent Income				
Bottom Quintile				
On Supp Ben (0)	45	32	28	17
< 10%	14	34	34	56
10 - 20 %	18	18	18	12
> 20%	23	16	20	15
Total	100	100	100	100
Top Quintile				
On Supp Ben (0)	2	2	2	8
< 10%	67	81	65	72
10-20%	26	15	27	16
> 20%	5	2	5	4
Total	100	100	100	100
<i>Samples</i>	610	571	558	446
Source: Author's Own Calculations from FES				

quintiles over time is shown in Table 8.XIV. The proportion of tenant households on supplementary benefit has declined over time in the bottom quintile. A change which runs in apparent contradiction to the increasing proportion of all tenant households receiving supplementary benefit. Why? The most obvious reason may be that the increasing needs of tenant households receiving

supplementary benefit gives rise to their incomes being less represented in the bottom quintiles. In 1971 small pensioner households formed a large proportion of supplementary benefit recipients but by 1986 larger families were more heavily represented. Another explanation may be that the incomes of households who are not receiving supplementary benefit have declined relatively over time, a fact borne out in previous analyses in Chapter 8. Both these explanations would seem to be supported by the increase in proportion of supplementary benefit households in the top quintile, although the 1986 figure of 8 per cent seems unusually high and must remain qualified until further research can validate such a dramatic increase.

For tenant households paying low rent, (under 10 per cent of equivalent net household income), then the top quintile has always had between 65 per cent and 81 per cent of its households paying low rents. The bottom quintile has never matched this, but has had a growing proportion of households paying such rents over the period of study, (from 14 to 56 per cent). There are apparently contradictory reasons for this. Rent setting policies have moved from general subsidies to means tested ones, with a corresponding move towards higher rents and higher assistance with rent for low incomes; while these policies can be seen to have not seriously affected the numbers in the top quintile paying low rents, they have increased the corresponding proportion in the bottom quintile. Using the measure of low rent, rent has apparently become more affordable for the poorest, but, at the same time, remained more affordable for the relatively better off tenants. If, however, we use the measure of high rent, (more than 20 per cent of income), there is an opposing conclusion: that few of the top quintile have had to pay high rents, but a substantial number of the poorest have always had to. The position of the bottom quintile has improved over time, with the proportion of the bottom quintile paying more than 20 per cent of income declining from 23 per cent in 1971 to 15 per cent in 1986.

On the face of evidence presented so far, there is evidence to support a growing affordability - more on low rent- at the same time as a continuing high rate of unaffordability -high rent for low incomes. But, a different comparison may provide a more accurate picture of the rent paying experience of these tenant

households? A separate analysis of the low, and high rent payers in both quintiles can show how they are represented by tenure and household type and this information can be compared to the previous evidence of affordability. The most affordable outcomes, those with low rent in proportion to equivalent net household income are first examined.

Low Rent Payers

Those who pay less than 10 per cent of their equivalent net household income as rent are defined here as 'low rent payers'. How has tenure affected low rent paying according to income? Evidence from Table 8.XV. contradicts our previous conclusions which suggested that the private sector had been the most affordable on average. If the bottom quintile is examined then only in 1971 was it more affordable in the private sector. Over 15 years the situation has reversed with 80 per cent of all of the bottom quintile who pay low rents living in the public sector. For the top quintile, the public sector has always been more affordable, but the difference between private and public has been less marked.

How have pensioner households fared as low rent payers? While they only represented 20 per cent of low rent payers in the top quintile they have always represented between 70 and 80 per cent of the low rent payers in the bottom quintile. Households with children have been less represented as low rent payers than pensioners in both top and bottom quintiles

High Rent Payers

High rent payers are defined as those that pay more than 20 per cent of their equivalent income in rent. Rent is more likely to be unaffordable for those in the bottom quintile who are not receiving supplementary benefits and who pay such a level of rent. Table 8.XVI. shows that in each year of study a greater proportion of households with low incomes paying high rents have always been public tenants.

Table 8.XV.

Tenure and Household Type of Low Rent payers Top and Bottom Quintiles of Equivalent Income: E & W 1971-1986				
% of Quintile	1971	1976	1981	1986
Bottom Quintile				
Tenure				
Private	80	39	21	20
Public	20	61	79	80
Household Type				
Elderly	74	70	73	81
Households with Children	12	14	17	11
<i>Sample</i>	84	195	192	248
Top Quintile				
Tenure				
Private	46	37	32	42
Public	54	63	68	58
Household Type				
Elderly	20	20	18	20
Households with Children	13	11	11	23
<i>Samples</i>	409	460	360	319

Source: Author's Own Calculations from FES

The representation of households who pay high rents, defined as more than 20 per cent of equivalent household net income, has lessened over time in both top and bottom quintiles. For the top quintile, high rent payers have exclusively lived in the private sector. However care must be taken on any analysis of the top quintile because of the very small number in the sample. Pensioner households have represented a third of all households in the bottom quintile who pay high rents, whilst households with children have not been represented as highly.

Table 8.XVI.

Tenure and Household Type of High Rent Payers Top and bottom Quintiles of Equivalent Income E & W 1971-1986				
% of Quintile	1971	1976	1981	1986
Bottom Quintile				
Tenure				
Private	30	28	17	26
LA	70	72	83	74
Household Type				
Elderly	34	18	16	31
With Children	29	40	54	27
<i>Sample</i>	249	89	108	71
Top Quintile*				
Tenure				
Private	97	100	96	100
LA	3	0	4	0
Household Type				
Elderly	0	0	(4)	(16)
With Children	34	0	(11)	(21)
<i>Sample</i>	32	16	27	19
Source: Author's own Calculations from FES				
* The small samples of high rent payers in the top quintile make the expression of percentages liable to considerable variation				

The use of equivalent household income has enabled an evaluation of levels of rent against levels of income which is consistent across households of all sizes and types. The experience of rent can be seen to have become less affordable over the period of study for the considerable proportion of low income tenants who are faced with high rents. Conversely, the benefit of a low rent in comparison with

equivalent income has continued to make rent affordable for those with incomes in the top quintile.

But, while evidence from the equivalent income distribution has helped to dispel false conclusions concerning the proportions of income spent on rent in general, it has still not been able to provide any measure of affordability against a poverty level. To do so the third and last of the measures of affordability will be used.

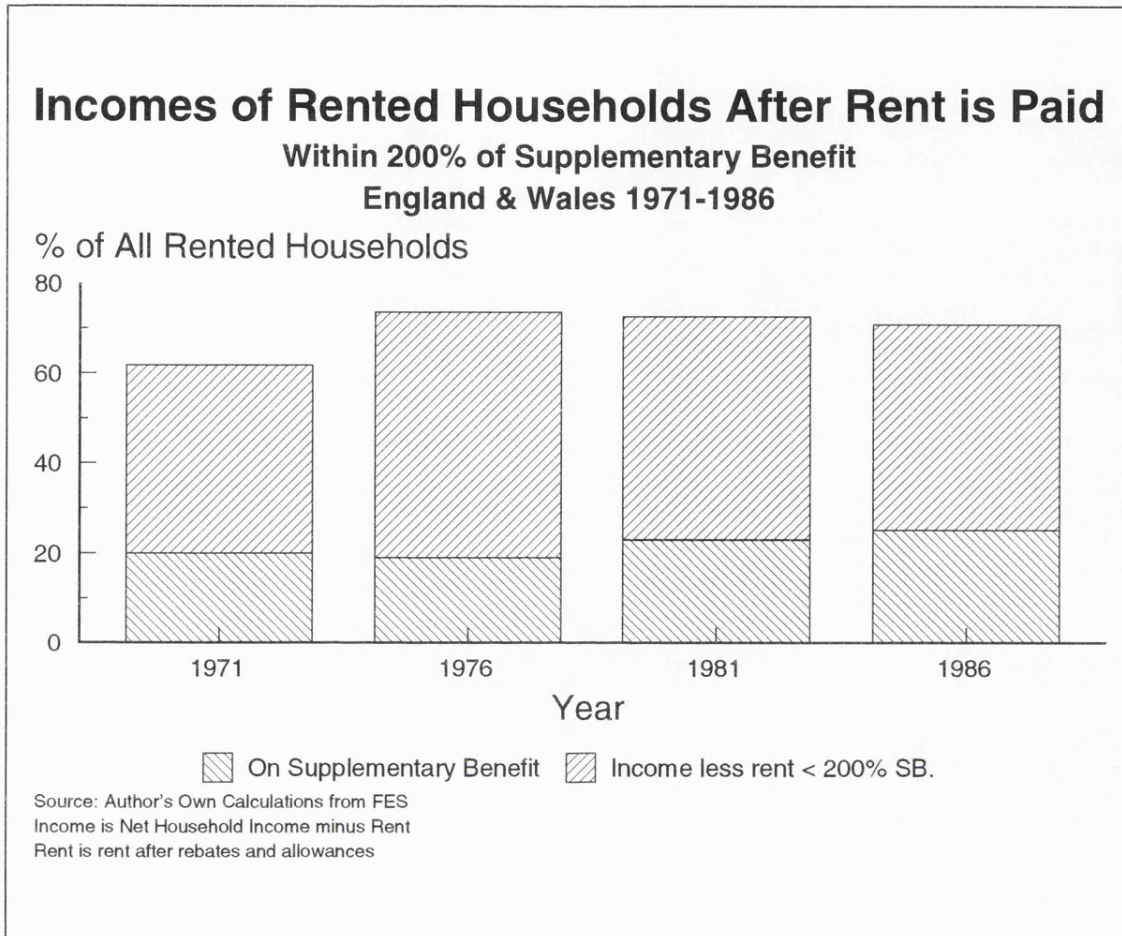
Affordability and Disposable Incomes

The last comparison explores the changes over time in the disposable incomes of households after they have paid the rent with whatever help from subsidies was available. As disposable incomes are measured in relation to calculated supplementary benefit levels for each household¹¹, all existing supplementary benefit households are excluded from discussion; their disposable incomes are already at a level dictated by supplementary benefit entitlement. For other households this analysis will challenge the situation where a rent may appear 'affordable' because it takes only 10 per cent of income, but this payment of an apparently affordable rent leaves their disposable income at the margins of poverty.

The changing proportion of non supplementary benefit households with disposable incomes within 200 per cent of supplementary benefit level, calculated as twice their supplementary benefits normal requirements plus 100 per cent of normal housing costs, is shown in Figure 8.3. The increasing proportion of households receiving supplementary benefits has occurred at the same time as a slow decrease in the proportion of other households who have disposable incomes within 200 per cent of supplementary benefit since the high point of 1976. The changing income profile shown in Chapter 7, the declining value of rent rebates and allowances shown in the same chapter, and the increased proportions of tenant households receiving rent rebates and allowances shown earlier in this chapter have all affected the value of disposable incomes in relation to supplementary benefits. A measure of the 'success' of rebates and allowances

¹¹ Calculated as Supplementary Benefit Requirements x 2 + net rent+ water rates + rates.

Figure 8.3.



can perhaps be taken from the fact that a higher proportion of tenants on low incomes receiving means tested help with their rent has not increased the proportions on the margins of poverty.

But has this relative decline been equally shared by all? Table 8.VII. shows that within elderly households and households with children the distribution of disposable incomes has changed differently. For elderly households the proportion who have incomes greater than twice supplementary benefit levels has halved since 1971: further evidence of the increasingly poorer stature of elderly households who have remained as tenants. However, if we take the poorest of these the situation revealed shows that the proportion with incomes within 140 percent of supplementary benefit has increased from 21 per cent to 58 per cent, an increase of 172 per cent. For households with children the greatest change has been in the increase in the proportion of such households who receive supplementary benefits, whilst the proportions within the closer margins of

Table 8.XVII.

Disposable Incomes of Elderly Households and Households with Children, England & Wales 1971-1986				
	1971	1976	1981	1986
% of Elderly Households				
Receiving Supplementary Benefit				
	42.6	34.1	36.5	18.5
Not Receiving Supplementary Benefit				
< 140 % of SB	21.3	31.4	32.7	58.1
140-200% of SB	15.4	17.4	17.1	13.4
200+% of SB	20.7	17.2	13.8	9.9
<i>Sample</i>	1070	1118	1111	1019
% of Households with Children				
Receiving Supplementary Benefit				
	12.1	14.2	19.7	43.2
Not Receiving Supplementary Benefit				
< 140% of SB	18.2	19.9	24.2	15.5
140-200 of SB	31.7	34	32.1	12.1
200%+ of SB	37.9	31.9	23.9	29.2
<i>Sample</i>	949	703	731	586

Source: Author's Own Calculations from FES

supplementary benefits have declined. The effects of the worsening incentives between supplementary benefit and earning with help from rebates and allowances described in Chapter 7 may hold some answers to this trend if households have found that paid work and rebates gave declining disposable incomes in real terms and supplementary benefits became of greater relative worth. More detailed research on the data to investigate such incentives is required.

The difference between tenures has also changed: private tenant households have always had higher proportions of households with disposable incomes on the margins of supplementary benefit, (under 140 per cent of SB level). But at the same time the private sector has always had higher proportions of households with disposable incomes of more than 200 per cent of SB. In both public and private rented sectors evidence of the huge increase in the proportion of households on the margins of supplementary benefit is noticeable in 1986, and has been shown in chapter 7. As for the remainder of households, those with disposable incomes of between 140 per cent and 200 per cent of supplementary benefit levels, then the proportion in the public sector between 1971 to 1981 remained at between 21 to 23 per cent but then fell to 12 per cent in 1986; while in the private sector there has been a steady decline from 21 per cent in 1971 to 15 per cent in 1986. Such differences between private and public sectors must also be compared to the different experiences of household types.

But what proportion of all tenant households experience low disposable incomes? Table 8.XVIII. shows the proportion of all renting households by tenure who are elderly households or households with children according to their disposable incomes after paying the rent. Omitted from this table are all households who receive their rent from supplementary benefit. This table gives an idea about the level of low disposable incomes in rented tenures as a whole. Pensioner households with incomes of less than 140 per cent of supplementary benefit levels have grown from 6 to 28 percent of all public renting households and from 9 to 22 of all privately rented households between 1971 and 1986; while the proportion of those pensioner households with incomes of more than twice supplementary benefit have declined. In Chapter 8 the declining proportion of households with families in rented tenures was outlined along with the growing proportion of such households who were on low income or who received supplementary benefits. The proportions of all rented households represented by families with disposable incomes greater than supplementary benefit has declined similarly.

Table 8.XVIII.

Disposable Incomes After Rent Tenure & Household Types E & W 1971-1986								
% of House holds	1971		1976		1981		1986	
	LA	Pr	LA	Pr	LA	Pr	LA	Pr
Incomes of Elderly Households Not on Supplementary Benefit								
Income as % of supplementary benefit								
< 140% of SB	6.3	9.2	11.3	14.1	13	12.9	27.7	22.1
140-200 % of SB	3.7	7.9	6.7	6.9	6.8	6.7	6	6.5
200+% of SB	6.6	8.2	6.7	6.8	4.9	7.6	4.5	1.9
Households with Children Not on Supplementary Benefit								
Income as % of supplementary benefit								
< 140% of SB	6.2	4.9	5.5	3.9	7.3	2.6	4.8	2.3
140-200 % of SB	11.9	6.9	10.4	4.6	9.5	6.7	3.2	3.1
200+% of SB	13.8	8.8	8.5	6.6	4.9	7.6	8	6.8
<i>Sample</i>	1819	1235	1871	984	2211	582	1579	651
Source: Author's Own Calculations from FES								

The evidence that these disposable incomes provide for the study of affordability confirms other evidence from previous chapters and of previous definitions of affordability. The levels of disposable incomes for considerable proportions of rented households have left little for many above the poverty line. Within the band of incomes below 200 percent of supplementary benefit larger proportions are moving towards the bottom. At the same time a greater proportion rely on

supplementary benefit itself. The effects of such decline on the income profile and spending behaviour must be set alongside the upsurge of management difficulties in rented housing: higher rent arrears, worsening environment, higher levels of crime which have been appeared, especially local authority estates¹². The individual affordability of rent, obtained increasingly through means tested assistance may leave large levels of deprivation, and concentration of low disposable incomes in some localities.

Summary

- Rent has become less affordable to a growing proportion of renting households between 1971 and 1986. Those paying more than 20 per cent of net household income on rent has doubled over this period, (Figure 8.1). Local authority rent for those households without benefit help has risen from 8.4 per cent to 10.3 per cent, and private rents similarly from 9.2 per cent to 12.9 per cent (Table 8.X). Rises have been less pronounced for household receiving rent rebates and allowances but rent has still become a higher proportion of net income (Table 8.XIII).
- Taking into account household size and composition, rent for the bottom quintile of equivalent household net income has become more affordable with a decline in those paying a rent of more than 20 per cent and a rise in the proportion of this quintile paying rent of 10 per cent or less.(Figure 8.2. and Table 8.XIV) For the top quintile of equivalent income rent has also become more affordable. Those in the bottom quintile paying over 20 per cent of equivalent household net income on rent are more likely to be local authority tenants and approximately one third are elderly and one third have children.(Table 8.XVI.)
- Looking at disposable net household income after rent has been paid, by 1986 70 percent of rented household had incomes within 200 per cent of supplementary benefit rates (Figure 8.3.) Between 1971 and 1986 the proportion of elderly

¹² For instance A. Power, People Before Property, op-cit.

households not on supplementary benefit but having post-rent incomes within 140 per cent had grown from 21 to 58 per cent of elderly households (Table 8.XVII). For families with children, those on supplementary benefit have grown from 12 to 43 per cent between 1971 and 1986 (Table 8.XVII). The proportion of all local authority renting households who are elderly and not on supplementary benefit but have incomes after paying the rent of less than 140 per cent above it has risen from 6 to 22 per cent. In private rented households the same figures have changed from 9 to 28 per cent (Table 8.XVIII).

CHAPTER 9

PUBLIC EXPENDITURE AND RENT SUPPORT POLICY

Introduction

This chapter considers the costs of public expenditure on rent support. The questions addressed are: **How can these particular costs be measured? How much were the resulting costs? What explanations are there for changing costs? How have these costs been distributed?** These questions form the basis of the structure of the chapter which, first, considers the necessary definition of public expenditure; second, assesses the aggregate changes over time of such rent expenditure; and, third, examines how these costs have been distributed between the major policy actors. The examination of outcomes other than costs, together with explanatory commentary are given in each separate section.

I

Measuring Rent Support Expenditure

The measurement of rent support expenditure is approached by first defining a sphere of expenditure and second by a consistent application of such definition through the identification of elements of relevant expenditure

Towards a Definition

"Public discussion of welfare is often confused by the messy state of the data describing it."¹

Public expenditure on policies to help tenants pay rent can be restrictively or broadly defined. Policies for rent support include those putting money in the pockets of tenants which is designated to enable them to pay the rent - supplementary benefit, rent rebates and allowances, and housing benefit. But it is arguable that all money given to tenants helps to pay the rent indirectly. Thus, any state spending which increased tenant incomes would make rent more affordable in the households where it was received and could be labelled as rent

¹ Hills, introduction in J. Hills, (ed), The State of Welfare, op-cit.

support expenditure. But little would be gained by defining, say, national insurance benefits as expenditure on rent support. Indeed, we know from Beveridge that their design avoided such an explicit role. In addition, to include benefits which do not contain an explicit portion as being for rent would lead to double counting, as many tenants required additional help from explicit rent-based allowances. Therefore only expenditure which is designated as rent based can be included. But what of supplementary benefits? These benefits paid tenants an income which included rent in their calculation but are not broken down between rent and other elements in their totals. To be able to measure this expenditure a part of spending on supplementary benefit is apportioned as spending on rent, and this process is described below.

Spending on rent support also consists of general housing subsidies. Housing expenditure on rents requires a distinction between direct and indirect spending on rent. For instance, improvement grants paid to landlords are not included even though they reduce the cost of improved facilities to their tenants and hence are an indirect subsidy making rent more affordable. Fundamental to the definition of rent support expenditure is the distinction between capital and revenue support for housing. While capital subsidy assists the building of property, revenue support meets the costs of occupation, and a consistent measure of data across social security and housing policy must be based on revenue expenditure. While the costs of lending or otherwise funding the capital costs of building has had an important effect on rent setting in the public sector, it is the manner in which the costs of the resultant rents have been met which is the focus for this study. Capital finance will not be included in the definition of rent support expenditure.

The definition of 'Rent Support Expenditure' used here is:

General housing subsidies for revenue purposes; means tested help with rent through rebates and allowances, (latterly housing benefits), and the rent proportion of assistance benefits.

Measuring Rent Support Expenditure

Data corresponding to this definition does not exist under such a convenient heading in official statistics. It is riven by programme and by spending authority responsibilities. To produce statistics according to our definition which are consistent and reliable over time a reanalysis of existing headings and totals of government data is required and has been carried out. The list of separate subsidies and the basis of their interpretation is outlined below.

General Housing Subsidies:

These have been paid to local authorities, new towns and housing associations. They have been funded from both central government programme expenditure, exchequer subsidies, and from local government rate funds, rate fund contributions, (RFCs).

Means tested housing subsidies:

Prior to 1972 these only consisted of rent rebates. The funding of these early rebates was at the discretion of each local authority but involved re-allocation of general subsidies. After 1972 a national scheme of rent rebates for public tenants and rent allowances for private tenants was introduced, and this scheme became incorporated within a unified Housing Benefit scheme in 1982/3. The funding of the benefits given by these schemes has been split between central government subsidy which reimburses part of the costs of benefits given, and a local authority contribution which met the balance of costs. The local authority contribution formed part of the rate fund contribution to housing accounts.

The government's definition of means tested rent assistance has altered since the late 1970s from housing to social security expenditure. The ambit of the means tested rent assistance heading has also expanded since 1982/3 to include all rent benefits paid to supplementary benefit claimants. This change, due to the introduction of the housing benefits scheme, makes it necessary to find a consistent distinction over time. Due to the longevity of separate housing and social security expenditure, the most recent year in this study, 1986, is redefined so that elements of housing benefit which are analogous to previous housing

expenditure are, where necessary, redefined to provide a consistent measure. This redefinition will place certificated rent rebates and allowances as assistance help with rent from supplementary benefits and the remainder, 'standard' rent allowances and rent rebates, as means tested rent assistance. As the change in terminology of these forms of rent benefits over time can lead to confusion the following standard terms will be used throughout. Rent paid as a part of supplementary benefit and for 1986, certificated housing benefit are referred to as Assistance of Supplementary Benefit. Rent rebates and rent allowances refer to rent rebates prior to 1972, rent rebates and rent allowances granted from 1972 to 1983, and standard housing benefits.

Assistance benefits

By 'assistance benefits' is meant that part of supplementary benefit that is assignable as rent support. Hills and Mullings used a method of calculation of assistance rent expenditure which used rent figures based on average local authority rents and average registered rents in the private sector. These figures were multiplied by the number of tenant claimants to obtain an estimate of expenditure.² While this method may provide a good quality of estimate if rents of claimants and non-claimants do not exhibit great differences in value, its use for a longer historical period is questionable. First it assumes that claimants of supplementary benefit pay an average rent. Second, it allows for no reduction in the amount of benefit paid towards rent for those tenants who have an income slightly greater than assistance benefit scale requirements and hence only receive assistance with a proportion of their rent. For instance, if we take private tenants in 1971 the supplementary benefit statistics suggest that only 19.4% would have received full rent payment³

To recognise that only partial assistance with rent is given to some claimants leads to an argument over whether any supplementary benefit expenditure can be

² J. Hills & B. Mullings in J. Hills (ed) The State of Welfare, op-cit.

³ DHSS, Annual Report 1971, Cm 5019, HMSO, London 1972.

apportioned. Firstly, the payment of assistance is calculated by combining all of a claimant's needs including rent. Rent is a separate part of the calculation but is not necessarily an identifiable element of the resulting expenditure. It is arguable that if a tenant receives £2 in assistance it makes as much sense to talk about the £2 being towards food, heating or travel as it does for rent. Indeed, such arguments were reported above as used by Ministers when approached about the amount of assistance paid for rent⁴. But such an approach does not prevent an apportionment of assistance expenditure in order to estimate the amount paid for rent. For instance, if a claimant had no income at all, then all of their needs would be paid in full by assistance, their rent would be paid in full and hence the amount of their rent would be the amount of assistance paid for rent. If this is so, then the cases where assistance supplemented income can also be estimated. Most supplementation was of National Insurance benefits and the numbers and types of claimants who are supplemented together with details of their composition are available from published Social Security Statistics. For instance, for pensioners the amount paid for rent would equal their rents paid when N.I. was less than basic assistance scale rates; when N.I. was greater than scale rates of assistance, then the excess of income over assistance could be taken from the rent to estimate the amount of assistance paid for rent, and the expenditure estimated by aggregating such an average sum over the relevant claimant numbers. Such a method recognises that, for many years, national insurance recipients obtained help from assistance mainly to cover the additional costs of rent.

There are however several problems which make such estimates very difficult. First, the simple calculation of adding scale rates to rent and then subtracting national insurance ignores other needs and other income. Other needs increase assistance by enhancement of scale rates through additional allowances, and other income reduces the amount of assistance. The solution adopted here compares aggregate data for all claimants on additional income and additional needs to

⁴ See discussion of Rent Act above p.118

establish whether there is a significant difference. If one exists, an adjustment is calculated and the aggregate sums of expenditure on rent reduced.

The second problem with producing an estimation of rent paid from social security statistics is that 'net rent' for assistance purposes is never broken down between rent, rates and other housing costs. The amounts covered by assistance need to be apportioned between these different elements to produce rent only estimates. For 1971, 1981 & 1986 this can be done by using data from F.E.S. files which identify supplementary benefit claimants and their housing costs. This sample can then be used to produce a simple estimated percentage for rent which can be applied to all cases. For earlier years, cruder apportionments have to be made using the best available data on rent and rate levels.

It must be stressed that this method does not produce the 'correct' sum but only a more accurate and longer term estimation than Hills & Mullings. Indeed, as the quality of published statistics has changed significantly over time and early data, in particular the 1951 statistics, has to be apportioned by tenure and other factors prior to the adoption of this method, the quality of estimates of assistance spending on rent also must vary over time.

The definition and levels of rent support expenditure are now applied to the questions which began this chapter; the first of which concerns the changes in the aggregate spending on rent support.

How Much Has Rent Support Cost?

This question is split into two. First, the measurement of aggregate amounts as indicators of a general level of spending, and, second, of aggregate amounts as elements of welfare spending.

Expenditure on Rent Support

Table 9.1. shows the spending on all rent support policies as defined above. To allow a comparison over time several measures of aggregate spending are given.

Table 9.I.

Expenditure on Rent Support: England & Wales 1951-1986

£ million	1951	1961	1971	1981	1986
£ cash	91	207	409	3,029	3,945
£ 1986 prices	987	1,548	1,984	3,909	3,945
% of GDP	0.8	1	0.9	1.6	1.1
£ 1986 Per Rented Hshld	£115	£220	£324	£556	£589

Source: Author's own calculations from data listed below.

Key to calculations:

Adjustment to 1986 prices based on U.K. GDP deflator (factor costs): 1951, 13.1; 1961, 19.0; 1971, 29.3; 1981, 110.1; 1986, 142.1. Source: Economic Trends Annual Supplement No 13, 1988 p. 4. HMSO, London.

E&W GDP calculated from U.K. totals at factor costs by subtracting Scottish and Northern Ireland GDPs for 1986, 1981, and 1971. For 1961, the actual Scottish GDP is subtracted but N. Ireland apportioned as 2% of UK. For 1951, E&W apportioned as 89% of U.K. The resultant GDP figures for E&W are: 1951, £11,100m; 1961, £21,245m; 1971, £44,832; 1981, £190,076m; 1986, £383,154m. Sources: Economic Trends Annual Supplement No 13, 1966; Scottish Abstract of Statistics No 3, table 102, The Digest of Northern Ireland Statistical No 42, table 115; Northern Ireland Abstract of Statistics No 5, table 14.1..

Per Household Equivalents calculated on Census data for 1961, 1971 and 1981. Estimated number of rented households were 7.02 million, 8.2 million and 7.03 million respectively. Estimates for 1951 and 1986 based upon 6.69 million, and 7.05 million stock estimates respectively.

1951: £16 million assistance rent spending; £75 million general subsidies and RFCs. Prices adjusted by GDP deflator 100/58.4 -1970 and 102.7/19.1 -1986. Rented households 8.6 million rented households. Sources: UK Annual Abstract of Statistics v 90, tables 43 and 44.

1961: £41 million assistance rent spending; £166 million general subsidies and RFCs. Sources: UK Annual Abstract of Statistics V 100, tables 40 and 42 adjusted by Scottish & N. Ireland Stats from Digest of Scottish Statistics v29 table 55, and Digest of Statistics for Northern Ireland v22 tables 29 and 31.

1971: £177 million assistance rent spending; £232 million general subsidies & RFCs. Sources: U.K. Annual Abstract of Statistics v10 table 37 adjusted by the subtraction of Scottish & Northern Ireland by data from Scottish Abstract of Statistics v3 table 150 and Digest of Northern Ireland Statistics v42 table 38.

1981: £1,027 assistance rent spending; £1531 million general subsidies, RFCs and Housing Association RDG; £471 million rebates and allowances. Sources: Cmnd 9143, tables 2. 7 and 2. 12 adjusted by Welsh Housing Statistics and Scottish Abstract of Statistics data.

1986: £1085 general subsidies & R.F.C. & Housing Association RDG, £2860 housing benefits. Sources: Cm 56; Welsh Housing Statistics data

The first measure, cash totals, is only given to enable readers to establish the actual spending total in each year and allows the figures to be checked against definitions. However, as the comparison of cash figures over time can produce no clear conclusions due to the changing value of money over the same period, the second measure is of the real value of spending in which the cash figures have been adjusted by the GDP deflator to give a constant value at 1986 prices. Using this measure Table 9.1. shows that spending on rent policies has grown in real terms by 300 percent over 35 years. But this measure does not allow a comparison with the growing prosperity of the country. The relative value of spending on rent support to the national economy is shown in Table 9.1. by expressing the cash value as a proportion of Gross Domestic Product for England & Wales. Spending on rent support as a proportion of GDP was highest in 1981 for the years shown, where it represented a proportion twice that of 1951. On the face of it this is a surprising result. In 1951 public expenditure on building and supporting was high. This was the year in which the Conservatives promised to build 300,000 houses and the majority of these were council houses. But the element of revenue support for rent would not be a direct reflection of this commitment; the amount spent on rent support was more influenced on the numbers and status of tenants occupying the existing homes. The majority of tenants were in the private sector in which rent support cost the government little in terms of public expenditure. The rent support expenditure for the public sector was mainly comprised of commitments to historical costs of the building in the pre-war years. After 1951 the commitments to post-war debt grew, as did methods of refinancing them through increased rents, rent pooling and rebate schemes. By 1981 the majority of tenants were in the public sector and hence the vast majority of rent support 'counted' as public expenditure. The policy changes of the 1980s saw a decrease in commitment to some forms of rent support and the 1986 proportion, which dropped to 1.1 per cent of GDP, reflected this.

But if we measure the expenditure on rent support as a 'per capita' figure for all rented households in real terms, Table 9.1. shows that expenditure has risen by 412 per cent over 36 years, even though the size of the rented sector has remained at between 8 and 7 million households, but has declined relatively to the non-

rented sector over the same period, and even though policy has changed from general subsidies towards means tested subsidies. This suggests that public expenditure control has not been successfully achieved through such a policy change. The rise in spending levels contradicts the intention of policy to withdraw subsidies to rents. However, if a growing proportion of this expenditure is means tested rather than general subsidies, it would support the move within policy to make subsidies payable to tenants' pockets rather than bricks and mortar. How much of the spending has been from means tested benefits? While the elements of means tested expenditure will be examined later under each programme heading, some conclusions about their effect on the aggregate spending can be drawn.

Table 9.II.

Means Tested Rent Support and General Subsidies England & Wales 1951-1986					
	1951	1961	1971	1981	1986
Assistance and Rebates as % of Rent Support Spending					
	27%	31%	33%	44%	71%
General Subsidies per Public Tenant at 1986 prices					
	£288	£250	£159	£380	£210

Source: Author's Calculations from Table 9.I., 9.VII and 9.VIII above.

Table 9.II., drawn from the same data shows how the proportion of aggregate rent support spending represented by means tested benefits has grown, and compares this to per capita amounts of general subsidy spending for public tenants. In 1951 means tested benefits represented 27 per cent of such spending, in 1961 it was 31 per cent, in 1971, 33 per cent, in 1981, 44 per cent and in 1986, 71 per cent. But general subsidy spending per capita of tenants who could receive such subsidy is flatter over time, and is not the obverse relationship to the increases in means tested spending that might at first sight be expected. The accelerated move to

means testing housing revenue support during the 1980s concurs with other commentators who have remarked on the change⁵.

But the conclusion that spending on rent support policies has increased, based on whatever measure, must be placed into a more robust analytical framework. Such an increase may still represent a reduced proportion of designated welfare spending or of programme spending over time. We assess this increase as part of general welfare spending and as part of the joint programmes within welfare spending in which it arises - housing and social security.

Rent Support & Welfare Spending

Whether rent support has risen as a proportion of welfare spending is examined first by defining general welfare spending as public expenditure on housing, social security, social services, education and health. Totals of welfare spending according to this definition can be consistently found in government statistics and it has been used by Hills et al in their recent analysis of welfare between 1974 and 1988.⁶ Table 9.III. shows that rent support has remained as a fairly constant proportion of welfare spending at between 5 and 5.6 percent. Nevertheless it rose over time as levels of welfare spending rose, but such a rise was not an exact mirror of all welfare spending. If we compare spending figures as a proportion of GDP with those from Figure 9.I., then in the first 30 years, between 1951 and 1981, it rose slightly ahead of all welfare spending showing a 100 per cent increase against a 81 percent increase for all welfare. Between 1981 and 1986 the spending of both rent support and welfare fell by but rent support experienced a larger proportional fall than welfare spending: a 31 per cent as against 21 per cent fall from 1981 levels. Policy development over the time would suggest that greater proportion of housing and social security programmes would be taken up by rent support due to a move towards means testing rent support, higher levels of social security benefits, higher numbers of unemployed since the late 1970s, and a

⁵See previous discussion in Chapter 1, p. 20 and fn 51.

⁶ J. Hills (ed) The State of Welfare, op-cit.

Table 9.III.

Rent Support Expenditure as a Proportion of Total Welfare Spending and Joint Programme Spending: England & Wales 1951-1986.

£ million	1951	1961	1971	1981	1986
A: All Welfare Spending					
£ cash Spending	1,801	3,672	8,972	55,883	79,168
£ 1986 prices	19,536	39,831	43,513	72,125	79,168
% of GDP	16%	17%	20%	29%	23%
Rent Support as % A	5%	5.6%	4.6%	5.4%	5%
B: Joint Housing and Social Security Programme Spending					
£ cash Programme	926	1,808	5,024	29,624	42,751
£ 1986 prices	10,077	13,522	24,366	38,234	42,751
% of GDP	8.4%	8.5%	11.2%	15.5%	12.2%
Rent Support as % B	9.8%	11.4%	8.1%	10.2%	9.2%

Source: Author's Own Calculations from Data listed below

Notes: Total Social Spending is the sum of capital and current expenditure on Education, Social Services, Health, Housing and Social Security spending. No adjustments have been made to changes in programme definitions over the period. 1986 prices & GDP figures: see note to Table 7.I

1951: UK Annual Abstract of Statistics, v90, tables 46 and 42.

1961: UK Annual Abstract of Statistics, v100, tables 39 and 43 adjusted by subtraction of Scottish and Northern Ireland data from Digest of Scottish Statistics, (v29, table 55, and Digest of Statistics for Northern Ireland, v22, tables 28 and 32.

1971: UK Annual Abstract of Statistics, v110, table 32; Scottish Abstract of Statistics, (SAS), v3, table 151; Northern Ireland Digest of Statistics v40, table 121.

1981: UK Annual Abstract of Statistics, v125, table 3.1., Scottish Abstract of Statistics v14, table 15.1., Northern Ireland Abstract of Statistics, v22, table 32.

1986: UK Annual Abstract of Statistics, v 125, table 3.1., Scottish Abstract of Statistics v 17, table 15.1., Northern Ireland Abstract of Statistics, v8, table 15.3..

growing number of elderly people. Table 9.2. also shows the proportion of joint-programme expenditure taken up by rent support. While the value of joint-programme expenditure, measured as a proportion of GDP in Table 9.2., rose between 1951 and 1981, the value of rent support, measured similarly, rose at a greater rate: 100 as against 85 per cent. Within the housing and social security programmes, which together formed between 45 and 55 per cent of all welfare spending, the proportion represented by rent support fluctuated.

The Distribution of Rent Support Spending

To answer the other questions which began this chapter the remainder of this Chapter studies the distribution of costs of rent support and the explanations for changes in its composition, source and destination. First, the programme basis of spending is examined, and second, its central-local basis, and last, the destination of rent spending for the local authority and private sectors.

Programme Expenditure - Housing

The change in policy away from general revenue support towards means tested help with rents through benefits has been accompanied by a change of departmental responsibility. Social security took control of means tested housing assistance in 1982/3 with the introduction of the housing benefits scheme. The definition of means tested housing expenditures outlined above leads us to reconsider such a change to allow constant comparison and so for the purposes of examining the developments within the housing programme we will continue to include expenditure on rebates and allowances.

But the change in housing programme is not just a change from general revenue subsidies to means tested rebates and allowances. The changing level of publicly funded building had a large influence over the role of capital and revenue expenditure. The change from general subsidies to means tested subsidies in housing is linked to both the form and extent of political commitment to rented housing. The history of policy making shows that both tenure sponsorship and public expenditure restraint had consistent influence over the development of

means tested housing subsidies. In the measurement of housing subsidies it is therefore important to remember what is being left out. Tax expenditures, primarily through mortgage interest tax relief, do not count as public expenditure; neither does rent control, an effective subsidy between landlord and tenant arising from legal restriction on rent levels. The local authority sector, therefore, is bound to dominate spending totals. With this in mind the total programme expenditure on Housing in England & Wales is shown in Table 9.IV., where the proportion of this spending taken up by rent support is distinguished between general revenue subsidies and means tested subsidies.

Table 9.IV. shows a far more dramatic story than was available from our previous comparisons of rent support spending over time. The value of housing expenditure has fallen in real terms and as a proportion of GDP. But within housing expenditure the proportion given to revenue support for rents was in the between one fifth and on quarter in 1951 and 1971, confirming the high levels of capital expenditure during those years. Rent support through revenue expenditure was highest during 1961, 1981 and 1986, when capital expenditure on public rented housing was low. But this revenue support for housing has shown a rise from 1.5 per cent of all housing expenditure to 27 per cent of housing expenditure between 1971 and 1986. The building of fewer rented homes and the payment of a greater proportion of all housing subsidies into the pockets of poorer tenants confirms that the policy intentions of housing have been reflected in the distribution of spending.

The growing proportion of rebates and allowances spending within the housing programme is important when we compare the outcomes of such subsidies to tenant households, as shown in chapters 7 and 8. But if rebates and allowances have played a growing role in the finance of housing we need to assess their coverage and value over time.

Rebates & Allowances

How successful has this change been from general revenue subsidy to means testing? To measure success we will look at the take-up and the value of rebates and allowances. The coverage of pre 1972 rebate schemes was limited to the

Table 9.IV.

Housing Programme Expenditure & Rent Support: England & Wales 1951-1986

£ million	1951	1961	1971	1981	1986
Total Housing Programme Expenditure					
Cash	316	357	1,028	3,808	2,897
1986 prices	3,427	2,670	4,986	4,915	2,897
% of GDP	2.8%	1.7%	2.3%	2%	0.8%
Rent Support Expenditure as part of Housing Programme					
General Revenue Subsidy	24%	45%	21%	40%	27%
GRS-cash	(75)	(159)	(212)	(1,531)	(787)
Rebates & Allowances	(-)	2%	1.5%	12%	27%
Rebates & Alls-cash	(-)	(7)	(15)	(471)	(784)

Source: Author's Own Calculations from Data given Below

Notes & sources:

Rebate spending and General Revenue figures for 1951, 1961 and 1971 are best estimates from available data. For 1951 it is impossible to allocate any part of housing expenditure to rebates. For 1961 and 1971 the amount spent on rebates is apportioned from I.M.T.A. statistics and then deducted from the total for R.F.C.s and exchequer subsidies to provide a remainder which represents general subsidies.

1951: UK Annual Abstract of Statistics v90, tables 42 and 46.

1961: UK Annual Abstract of Statistics v100, tables 39 and 43 adjusted by subtracting Scottish and Northern Irish data; Digest of Scottish Statistics v29 table 55; Northern Ireland Digest of Statistics v22 tables 28 and 32; I.M.T.A. Housing Statistics 1961 -62.

1971: UK Annual Abstract of Statistics v110 table 37 adjusted by data from Scottish Abstract of Statistics v3 table 150 and Digest of Northern Ireland Statistics v42 table 38; Housing and Construction Statistics 1969 -1979 tables 119 and 121.

1981: Cmnd 9143 ii, The Government's Expenditure Plans 1984-85 to 1986-87 tables 2.1 and 2.12 adjusted by adding Welsh expenditure from Welsh Housing Statistics; Housing and Construction Statistics 1979 -89 table 11 .2.

1986: Cm 288 ii The Government's Expenditure Plans 1988-89 to 1990-91 adjusted by adding Welsh data from Welsh Housing Statistics; Housing and Construction Statistics 1979-1989 table 11.2.

public sector⁷ and the discretionary nature of rebate schemes meant that their coverage was never comprehensive. However, with central encouragement the extent of rebates grew. Eight per cent of surveyed local authorities had rebate schemes in 1949.⁸ In 1961 this proportion had risen to 37 per cent of authorities represented in IMTA statistics; and by 1971 this had risen to 64 per cent⁹ of such authorities. But relying on the proportion of authorities having rebate schemes is not a reliable way of measuring their coverage. The different levels of housing stock between authorities mean that a clearer idea can be formed of the extent of rebates before 1972 through a comparison of the number of rebates given. Such figures are not available for 1951, but for 1961 6 per cent of tenants, and in 1971, 7 per cent, were receiving rebates.¹⁰ But these figures should be approached with caution. It is not known how many of these rebated tenants were also receiving assistance benefits. For this reason, an effective comparison of the rebates situation before and after 1972 is severely compromised. There is no reliable data to measure the success of pre 1972 schemes in the form of 'take up' results.

After 1972 statistical evidence is available to enable the success of rebates and allowances to be examined. The number of tenants actually receiving a rebate or an allowance is the actual coverage of such schemes. This figure is affected by the number of tenants who take up the opportunity to claim. A failure to claim by tenants who would be entitled to benefits is a problem shared with the delivery of other means tested policies. The success of rebates and allowances can be examined by comparing the proportion of tenants who received benefit, the actual

⁷ There were some larger housing trusts which ran limited rebate schemes during the 1940s and 1950s. See their mention in Society of Housing Managers, Rent Rebates, op-cit.

⁸ Ibid.

⁹ All these percentages are calculations from IMTA Housing Statistics and therefore represent a percentage of responding authorities.

¹⁰ These figure for 1961 is from author's calculation of IMTA authority based data - 283,000 rebates expressed as a percentage of LA stock, adjusted by 75% to compensate stock count of rebates, 1971 data is from p.6 of IMTA 1971/72 statistics.

coverage, with the proportion of tenants who could have received it, the potential coverage. Table 9.V. shows the changes in households who take up, based on caseload, and the potential coverage of rebates and allowances in all rented households between 1973 and 1995 as measured by caseload . Potential coverage is calculated from DSS and DOE estimates of caseload take up and the tenure household projections for the same year.

Table 9.V..

Rebate and Allowance Schemes Take-up & Potential Coverage: 1973-1985.						
	1973		1981		1985	
% of Households and Rebate & Allowance Entitlement						
	% Receiving	% Could Receive	% Receiving	% Could Receive	% Receiving	% Could Receive
All	11%	22%	19%	27%	24%	36%
Private	3%	15%	9%	14%	18%	31%
Public	16%	26%	24%	33%	27%	45%

Sources: Author's own calculations from Housing and Construction Statistics 1969-79 Table 121(b), 1976-86, table 11.3(a) and Social Security Statistics 1990 table H5.04 & DSS Technical Note, Housing Benefit Take-Up 1985, 1989, Unpublished

The changing levels of rebates and allowances awarded is more difficult to measure because the amount of benefit given depends on the level of rent as well as the income and composition of the household. The only method to evaluate the amount of benefits satisfactorily over time is to compare consistent household types over time with consistent rents. Secondly, the haphazard development of rebates and allowance policy before 1972 means that consistent comparisons are not available over all the 35 years between 1951 and 1986 for the same reasons as given in the discussion of coverage above. For the government, the costs of funding such schemes was linked to their output value, but was also directly linked to the level of rents. The relationship between the value of rebates and allowances and the value of rents were both outcomes of government housing

Average Rents, Rent Rebates & Allowances England & Wales 1971-1986

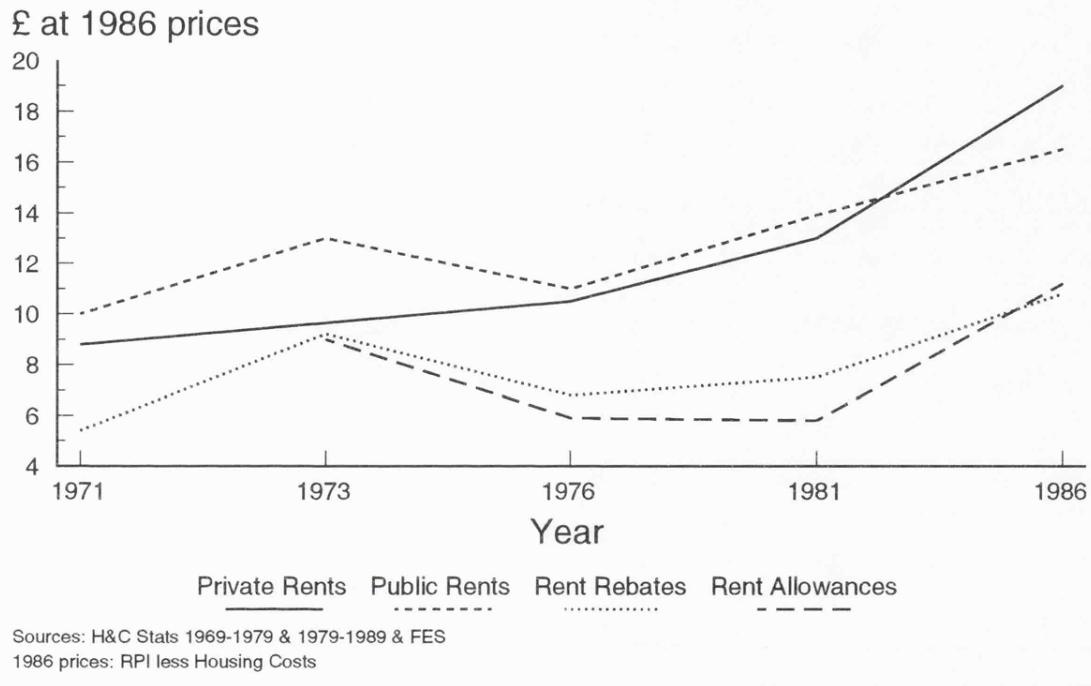


Figure 9.1.

policy, and the value of rent would determine a large portion of the expenditure on means tested support for rent. The levels of average rent and average rebate and allowance awarded is shown in Figure 9.1. This graph, based on levels of rents shown previously in other chapters shows that the rise in real levels of average rent rebates awarded has largely mirrored average rent levels except for the period of 1976 to 1981 where the average rebate rose more slowly than the average rent. In short, extra spending on rebates can clearly be explained by the decision to raise rents.

The value of average rent allowances has had a shorter history from 1973, but the trend of average value of allowances has differed from that of rebates. From 1973 to 1981 there was a decline in the value of average allowances in real terms. This decline was at its steepest between 1973 and 1976, but throughout the 1970s average rent allowances were falling while average private rents rose. The conclusions which can be drawn from this trend are limited. The first possibility, that declining real value of allowances is explained by a change in the real value

of the needs allowances upon which benefit was calculated, is dispelled by Hills & Mullings who calculate that between 1973 and 1986 the needs allowance for a married couple only fell in value, adjusted by RPI less housing costs, during 1981/82.¹¹ Other changes that have been made to the method of computation of rebates and allowances may have had an effect, but these changes - such as an adjustment of tapers which meant that benefit entitlement ended lower down the income scale - came into effect in the 1980s, and hence cannot be the cause of the decline in the relative value of rebates and allowances to rents which occurred between 1973 and 1981 as shown in Figure 9.1. In the private sector, the disparity between rising rent values and lower rent allowances supports previous conclusions on the negligible effect of up marketing. But this conclusion may hide a problem over who has claimed allowances and the type of tenancy involved. It is possible that average private rents were rising due to a substantial proportion of new tenancies being let outside of the Rent Acts, whilst the greater proportion of rent allowances were being given to restricted and controlled tenancies. The take up of benefits in those new lettings could be lower, indeed, before 1980 most licences were excluded from consideration of rent allowances. In short, the coverage of allowances, and their restriction to registered rents in early years appears to explain some of the divergence in rising values of rebates and allowances and rents.

In the public sector, higher rents have been consistently matched by higher rebates. The causal relationship appears most logical that way round since the argument for up-marketing in the public sector is limited in its application due to the political opposition to rent increases held by a large proportion of authorities and the marginal effect of rebate subsidies on incentives to raise rents purely on rebates. However, the rate of increase of rebates and rents has not coincided. Rents rose faster than rebates between 1976 and 1981 while rebates rose faster than rents between 1981 and 1986. But such differences must lie in the composition of tenants, claimants and the effects of economic changes as discussed in Chapter 7.

¹¹ Hills & Mullings, op-cit, Table 5.2, p 148.

The consequences of higher rents and the move to prioritising means tested over general subsidies, together with a relative decline in the economic status of tenants has resulted in higher expenditure from Housing programmes on rent support. The position of social security expenditure can be expected to mirror such trends, and this spending under this programme is next considered.

Social Security Expenditure & Rent Support

The social security programme has always been larger than the housing programme. Having a very small capital element it is also more difficult to control than housing. Much expenditure is already committed from insurance contribution records and much is the result of levels of unemployment, sickness and disability and the numbers of elderly. While governments have differed in their attitude to keeping benefit levels in line with prices or earnings, and some areas of entitlement have been cut back or withdrawn, social security still remains one of the largest elements of all public expenditure, and the largest area of welfare expenditure.

Table 9.VI. shows the changing level of social security expenditure, which has increased by 500 per cent in real terms from 1951 to 1986. The level of assistance as a part of this expenditure can be seen to have grown by 976 per cent in real terms. While social security expenditure has grown, assistance has grown at a faster rate. This differential growth of assistance is shown by the increasing proportion of all programme expenditure taken up by assistance benefits: from 12.7 per cent of spending in 1951 to 22.8 per cent in 1986. The reasons for this growth are now examined to enable conclusions to be drawn concerning assistance spending on rent.

There are two main factors which can be taken as influencing the proportion of assistance within social security: volume, the number of claimants who receive assistance, either in full to supplement other benefits; and value, especially the comparative values of insurance and other benefits. The changing levels of rents will effect the value of cash assistance benefits, and hence spending on rent, in addition to these factors. The number of assistance claimants who were receiving

Table 9.VI.

**Social Security Programme Expenditure,
Rent Support:
England & Wales 1951-1986**

£ million	1951	1961	1971	1981	1986*
A: Total Social Security & Assistance Expenditure					
All Social Security at 1986 prices	6,649	10,852	19,380	33,332	39,854
Assistance at 1986 prices	846	1,144	2,755	7,487	9,100
Assistance as % of Social Security	12.7%	10.5%	14.2%	22.4%	22.8%
B: Spending on Rent Support through Assistance					
at 1986 prices	174	322	858	1,325	1,900
1986 prices per capita	£3	£5.43	£9.08	£12.70	£16.34
as % of all Social Security (A)	2.6%	3%	4.4%	4%	4.8%
as % of Assistance (B)	20%	26%	31%	18%	21%

Source: Author's Own Calculations from Data listed Below

Notes and Sources:

1951: UK annual Abstract of Statistics v 90 table 42. and NAB report

1961: UK Annual Abstract of Statistics v 100 tables 39 and 40, adjusted to exclude Scottish and Northern Irish data from Digest of Scottish Statistics v29 table 55 and Northern Ireland Digest of Statistics v22 tables 28 and 29, and NAB report

1971: UK Annual Abstract of Statistics v 100, tables 32 and 36; adjusted to exclude Scottish and Northern Irish expenditure by data from Scottish Abstract of Statistics v3 tables 150 and 151 and The Digest of Northern Ireland Statistics v41 table 36. DHSS annual report

1981: Cmnd 9143, The Government's Expenditure Plans 1984 -85 to 1986 -87 table 2.12 adjusted to exclude Scottish social security expenditure from Scottish Abstract of Statistics v14 table 15. 1.

1986: Cm 288, The Government's Expenditure Plans 1988 -89 to 1989 -90, adjusted to exclude Scottish social security expenditure from Scottish Abstract of Statistics v17 table 15.1., and from Housing & Construction Statistics 1979 -89 table 11.2. 1986 figures for assistance and assistance spending on rent are those which follow the definitions outlined above. Assistance expenditure includes certificated benefits & Housing Benefit Supplement, (HBS):.

1986 prices calculated by GDP deflator- see note to Table 9.I

supplements to national insurance benefits has declined 1951- 71 per cent, 1961- 65 per cent, 1971-74 per cent, 1981- 53 percent and in 1986-39 per cent¹². The proportion of claimants who were unemployed, and of these the proportion who were long-term unemployed and had exhausted their rights to benefit, had a significant effect on these changing rates of supplementation. Over the same period, a higher proportion of claimants who had no rights to insurance, for instance single parents and the disabled also had an effect.

The changing value of rent therefore altered the assistance needs of a claimant profile which was changing and whose insurance profile was changing. The combined effect of these two processes is best shown through illustration of representative national insurance profiles, and their relative value to assistance with and without rent. Figure 9.2. shows four vignettes: a single pensioner on retirement pension; a couple pensioner on retirement pension; an unemployed two parent, two child family on unemployment benefit; and two parent, two child family on long term sickness benefit, ie. sickness benefit 1951-1961 and invalidity benefit 1971 to 1986. Retirement pensioners, for example, represent a large but declining proportion of all assistance claimants. In 1951 claimants receiving retirement pension represented 58 per cent of all assistance claimants, by 1961 this proportion had grown to 63 per cent, by 1971 it grew to 70 per cent, falling by 1976 to 54 per cent, 1981 to 44 per cent and by 1986, to 33 per cent.¹³ For single pensioner households the value of basic rate retirement pension has fluctuated between 107 per cent of assistance scale rates in 1961 to 97 per cent in 1971, but the effect of rent,¹⁴ has led to a real relative value of between 71 per cent in 1971 to 81 per cent in 1961. Couple pensioners have fared similarly, except that rent has

¹² Authors calculations from NAB reports - Cmnd 1730, Report of National Assistance Board for 1951, HMSO, London, 1952; Cmd 8632, Report of the National Assistance Board for 1961, HMSO, London, 1962; DHSS Annual Report, Cmd , HMSO, London, 1972; and Social Security Statistics, 1982 and 1987 editions, HMSO, London, 1983 and 1988.

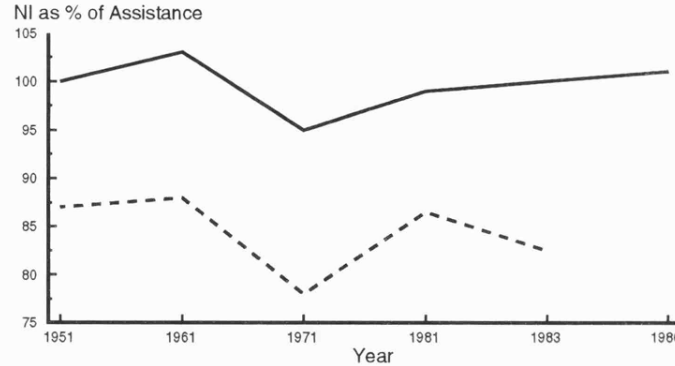
¹³ Figures from Social Security Statistics 1978, 1983 and 1988, and from NAB reports for 1951 and 1961, op-cit, Cmnd 5019, The DHSS Annual Report for 1971.

¹⁴ The term rent in these calculations means net rent and does not have the same meaning as rent in the Social Security Statistics, where it means net housing costs.

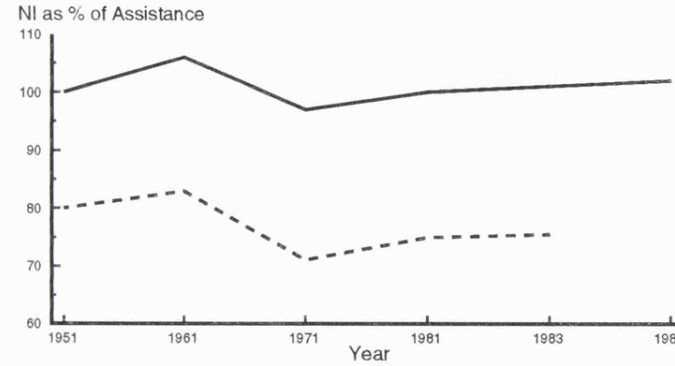
Figure 9.2.

National Insurance, Assistance & Rent 1951-1986

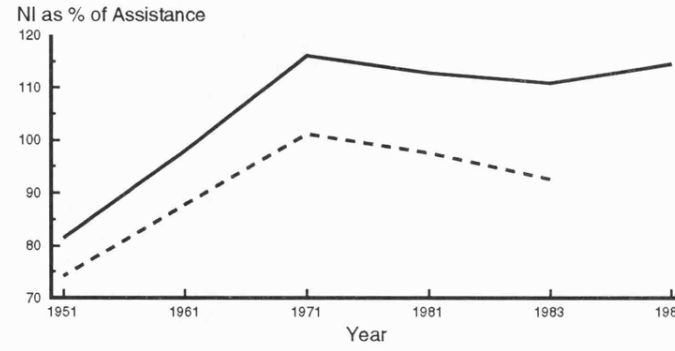
Couple Pensioner - N.I. Retirement Pension



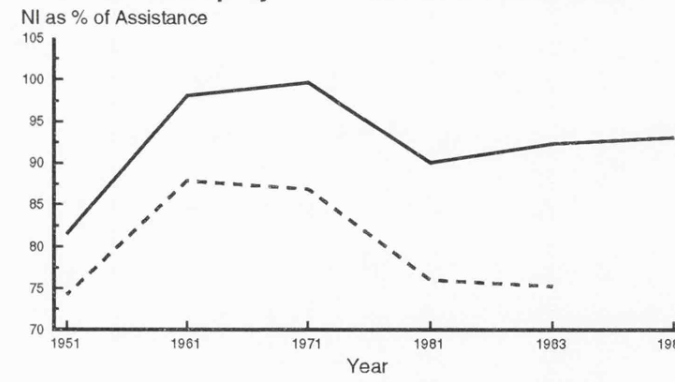
Single Pensioner - N.I. Retirement Pension



2P2K - NI Sick Benefit & Child Benefit (Invalidity Benefit from 1971)



2P2K - Unemployment Benefit & Child Benefit



Scale Rate
 Scale Rate + Average Rent

Source: Author's Own Calculations from Social Security Statistics

Notes: Rent paid by Housing Benefit from 1983; all NI benefits at basic rate.

led to a widening divergence in the relative value of pension against assistance in the 1980s. For households with children, the vignette is based on the ages of children being between 5 and ten years old, and the relative value of insurance to assistance must include child benefit. Without its inclusion a false value of insurance would be obtained in any examination of family circumstances, even for model families such as those in Figure 9.2. For the long term sick, the introduction of Invalidity Benefit in 1971 led to a significant improvement in the relative value of insurance benefits to assistance, but this has not been maintained, with rent widening the growing gap between the value of insurance and assistance between 1971 and 1983. For unemployed families receiving insurance, ie. those who are unemployed for less than a year, the value of insurance against assistance improved until 1971, but since has declined with rent widening the relative gap over time.

To summarise, Figure 9.2. shows that only invalidity benefit in 1971 gave a value of insurance which approached the combined assistance needs of scale rates and rent; while 1971 marked the highest point in the relative values of insurance benefits for the sick and unemployed, it also marked the lowest point for pensions. Given the high proportion of pensioner claimants on assistance in 1971 this would partially explain the high proportions of rent spending within Assistance spending in that year. In subsequent years the supplementation of insurance became less predominated by pensioners and rising rent values were experienced by the majority of assistance claimants. Higher proportion of their assistance equation taken by rent and this part of assistance needs grew in proportion after 1971. For couple pensioners the proportion of assistance taken by rent grew most dramatically in the early 1980s before the introduction of housing benefits. For families with children, the low value of child additions within national insurance, even with the addition of family allowance or child benefit, meant that the relative value of short term national insurance benefits such as unemployment benefit or sickness benefit to assistance was equal to or worse than the position of pensioners. For the long term unemployed, of a year or more, assistance would pick up the whole needs after insurance benefits ran out after

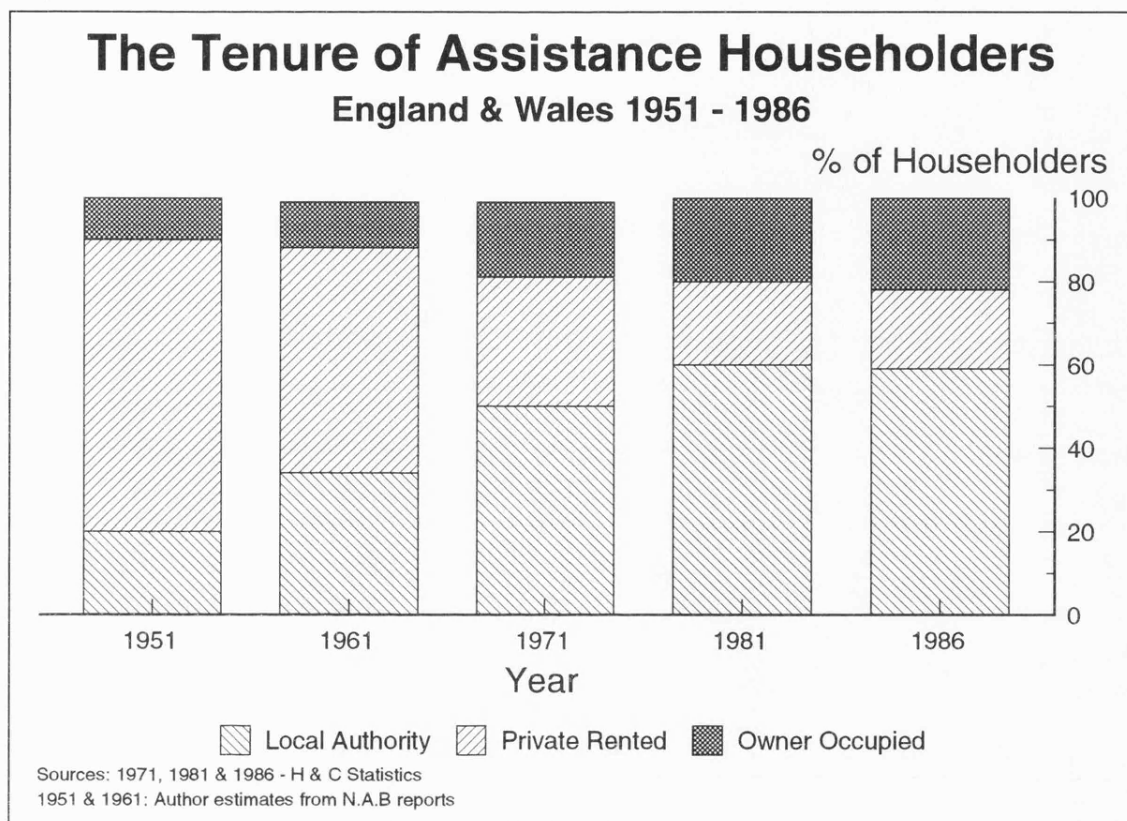
a year. For the long term sick, the introduction of invalidity pension and allowances in 1971 alleviated the position but many were still dependent on assistance benefits.

With these conclusions a more robust conclusion can be drawn from the data in Table 9.VI. and the expenditure on assistance spending on rent. The volume of assistance claimants and the declining proportion of their needs which are covered by insurance benefits contributed to assistance spending on rent per householder rising by 445 per cent in real terms since 1951. This rise in spending is also the result of rising values of rents paid by these householders as they have become less represented by smaller pensioner households, who in the 1950s were private tenants in rent controlled property, and more represented by families with children in local authority rented dwellings in 1986. The changes in Assistance spending on rent therefore reflect changes in demography, tenure and insurance coverage as well as rent levels. But such changes do not mean that an ever greater proportion of assistance expenditure has been taken by rent. On the contrary, rent was highest as a proportion of assistance spending in 1961 and 1971 when it supplemented a high proportion of pensioners. When considered as a proportion of all social security spending, spending on rent, is highest in 1986, as housing benefit, at a time when insurance coverage is low and high levels of rent and unemployment exist. But the increase in rent spending is also affected by changing tenure representation of assistance claimants.

Not all claimants of assistance are householders in their own right, but discussion of assistance expenditure on rent will focus on the rent costs and payments of householders only. The proportion of households claiming assistance in England & Wales has risen from 9 per cent to 10 per cent in 1951 and 1961 to 13 to 14 per cent for 1971 and 1981 respectively. In 1986 16 per cent of household were claiming assistance¹⁵. Figure 9.3. shows how the tenure basis of claimants has changed between 1951 and 1986. Renting households have formed the vast majority of householder claimants, but the proportion of claimants who are owner

¹⁵ For the proportion of households who were assistance households by tenure see Figure 8.6. above and the surrounding discussion.

Figure 9.3.



occupiers has increased from 10 to 23 per cent since 1951, an indication of the growth of that tenure even amongst the poorest of households. But the tenure of assistance is firmly that of rented households. The change in the composition of these rented assistance householders can be summarised as progressive change from private to public sectors over the 36 years from 1951 to 1986.

The rise in Assistance expenditure on rent is therefore a reflection of national insurance coverage, the relative values of assistance benefits to other benefits, the increase in rents, the changing composition of households claiming assistance and their changing tenure. Controlling expenditure on rent, even as a separate housing benefit, will continue to be difficult while these changes continue to occur as a result of other policy and spending priorities. Meeting 100 percent of the rent costs for households with an income at assistance levels has provided a guarantee that assistance scale rates are available for needs other than rent.

Conclusions about the success of Assistance as a method of making rent affordable must be conditional on two factors. First, take up; and second, the

proportion of assistance householders who fail to pay rent adequately and have their housing costs paid direct. The case load take up of assistance benefits is difficult to measure. It is usually expressed as the number receiving benefit as a proportion of the total of those receiving it and the number of those who are not receiving it but would be entitled. However, estimates of take up are difficult to establish due to the nature of assistance rules on needs, capital and aggregation: claimants could obtain additional help due to individual circumstances; capital affects benefit entitlement but there are rules concerning its disregard and valuation; and the benefit assessment unit is based on assumptions about household relationships which are difficult to establish. These difficulties in assessment are compounded by the limitations of the primary data source used to calculate assistance take up, the FES. Under representation of poor households, insufficiencies in data and sampling error inherent in FES make any estimations of case load take up subject to caution. DHSS estimates show that case load take up has risen from 71 in 1973 to 76 per cent in 1981.¹⁶ The failure of between 29 and 24 percent of eligible to claim does not mean that rent help has been missed in every case. Some of those failing to claim may have claimed rent rebates instead. It does, however, lead to a higher potential difficulties in paying the rent for a considerable number of tenants.

Difficulties in paying the rent continue for a growing number of householder claimants who, as a result, have to have arrangements made for direct payment of rent and, or payment of a part of their weekly benefit direct to their landlord for arrears of rent. Before housing benefit was introduced in 1982, the numbers of householders having rent direct payments increased significantly from 1977. Housing benefit for council tenants meant that rent direct became the norm, leaving only the direct payment of housing benefit to private landlords in instances of arrears, and the continued practice of reducing assistance benefits to pay a portion of weekly benefit to the landlord as arrears. The data on direct payment does not distinguish between the tenure of the householder and

¹⁶ These figures are for all persons eligible in Great Britain and not householders in England & Wales. Statistics taken from Table 7.6. in Barr & Coulter, *Social Security: Solution or Problem?*, in Hills (ed) *The State of Welfare*, op-cit.

therefore include rates and, less commonly, mortgage interest payments to. No separate data is available for England & Wales. Nevertheless, given the high representation of assistance claimants in the rented tenures the figures for rent direct cases given a strong indication of the growing problem of households on assistance paying their rent. In 1977, the first year in which figures are available, 87,000 households had rent paid direct. By 1981 this had almost doubled to 154,000, a rise from 3.6 per cent to 5.4 per cent of all householders. Even after the introduction of housing benefits the number of households with housing costs paid direct was 124,000 or 3.4 per cent of households.

Despite the increasing level of rent indebtedness for supplementary benefit claimants and the problem of take-up, paying the rent through Assistance can be seen as a successful form of ensuring that rent is affordable for the poorest. But the price of this form of rent support has been high. Increasing demand-led assistance expenditure has resulted through low replacement values of insurance and increasing demands of claimants who are old, unemployed, incapacitated or have family responsibilities.

The two policy programmes, housing and social security, have marked the central demarcation of responsibility for rent support policy. But the responsibility has also been split between central and local government. The organisational and political conflicts between these state agencies was a focus for the historical study of policy making. Central government were accused of transferring the costs of central income maintenance onto local government by way of changing the rules on how benefits for rent were accounted for, and, more recently, by altering responsibility for all payments of benefit towards rent. Has such a transfer of costs occurred?

Central Local Relations - who has paid for rent support policy?

The attribution of costs between central and local must remember that 'local' expenditure has increasingly become centrally funded. The spending of local authorities is now more often an agency arrangement where central exchequer grants are administered by councils. Rent support expenditure has largely escaped

being incorporated within block assessments of local authority needs. Housing subsidies have been separately accounted for and subsidies towards the costs of paying rebates and allowances and housing benefit, paid to local authorities to operate the rent benefits schemes were incorporated into that method of funding. However, a small element of central support for local authorities did take into account housing revenue and made allowances for RFCs to the HRA. These will not be considered in the discussion that follows. The discussion of this issue in Chapters 3, 4 and 5 confirms that it was the responsibilities over assistance benefit for rent and rebates and allowances which formed the major bone of contention between central and local government.

Separate grants have covered payments of rent rebates, rent allowances and housing benefits but the rate of subsidy reimbursement of benefits paid has never been 100 per cent in all cases. Local authorities have always had to meet part of the expense of such affordable rent policies themselves and have contributed to general subsidies through RFCs. Several attempts have been made by central government to redistribute the benefit costs of affordable rent policies between central and local government. Table 9.VII. shows why. The policy shift away from general subsidies towards means tested subsidies, together with the increased role of assistance based help for rented households has resulted in higher proportions of expenditure being centrally funded assistance based benefits. While the Housing Act 1981 settled local contributions to rebates and allowance costs as 10 per cent of benefit given, this has not altered the huge proportion of central expenditure through supplementary benefits and certificated housing benefit for the period up to 1986. For subsidies to public housing, local rate fund contributions became lower in their assistance to general subsidies but higher in the proportion of help to housing benefit payments.

Table 9.VII shows that the costs of all rent support show a consistent story of central costs representing 80 to 90 per cent. Local authorities have successfully defended the principles of central responsibility for finance of income maintenance schemes despite a parallel development of decreased central assistance in revenue

Table 9.VII.

**Central & Local Proportions of All Rent Support
Expenditure:
England & Wales 1951-1986**

£ million	1951	1961	1971	1981	1986
Total Expenditure cash	59	166	404	3,029	3,945
General Housing Subsidies					
% Central	54	52	43	36	16
% Local	19	18	9	14	10
Means Tested Subsidies					
% Central	27	29	47	48	71
% Local	/	1	1	2	3

Source: Author's Own Calculations from Data Below and Tables 9.IV and 9.VI.

Notes:

1951: rent paid by assistance is taken as only means tested subsidy, therefore split between central & local contributions to general Subsidies as given in MHLG report.

1961: Estimates from IMTA statistics. Central-local apportionment of rent rebate costs based on proportions of exchequer subsidies to RFCs from the same sample at 25% of Housing subsidies

1971: Apportionment of £227 million general subsidies between RFCs and Exchequer Subsidies used to apportion Rebate expenditure of £15 from IMTA.

1981: Apportionment of rebate costs 90% central 10% local therefore central = £373 and local = £41 (H&C 10.26), apportionment of allowance costs based on average allowance x claimants (from H&C stats 11.3(a)) - £50m central & £6m local. General subs from RFC = £435m (£476m-£41m). Remainder is centrally funded general subsidies.

1986: Apportionment of rebate and allowance costs as for 1981 - Rebates - central £659m and local £73m; allowances - central £234m, local £26m (H&C 10.26 and 11.2) General subs from RFCs = £386m (£459m - £73m). Centrally funded Cert HB - rebates subs £1,406+£659+allowance-£515+£234. Remainder = centrally funded general subsidies.

support for housing. While the conflict over control and distribution of subsidies to central and local constituencies has been a constant theme of rent support policy, the costs to landlords and the resulting costs to tenants has also been important. The distribution of all such rent support expenditure to landlords is now discussed.

Distribution to Landlords

The finance of the rented tenures has been dominated by local government housing finance and rent control. These two areas of policy produced a range of subsidies which have altered the price of rents and affected the relationship between the costs borne by government, landlords and tenants. To examine how these costs have changed over time, each type of landlord is discussed in turn. The discussion of public landlords will be limited to local authorities, the discussion of private landlords will not include housing associations. The rent growth in the role of housing associations in social housing is missed through this distinction, but there is insufficient historical data to enable their inclusion for any part of the study apart from the past ten years. Their contribution to recent rent support policy should be the subject of a separate study through new research.

Housing Finance & Public Housing

From 1951 to 1986 the centre of local authority housing finance rested with the position of the housing revenue account, (HRA), in each local authority. The balance of costs reflected by each of HRA was a mixture of historical building legacy, changing commitment to sponsorship of renting by central and local politicians, and a variety of accounting conventions. However, while the balance of costs and their appearance with HRAs would differ greatly between authorities, there is still enough common ground to enable a national housing revenue account for England & Wales to be constructed for the purposes of historical comparison. The most common form of commentary on the national HRA has been one based on the presented costs outlined in IMTA, CIPFA and government statistics. The approach of this section is an original re-evaluation of both social security and housing subsidies and their contribution to HRA finance. Using the estimates of rent rebate and assistance benefits towards rent from previous discussions and totals for general subsidies, the share of costs between tenants, the landlord and government subsidy can be shown. General subsidies decided the level of rents, means tested subsidy helped pay those rents, and tenants had rent to pay from their own pockets.

Table 9.VIII.

National Local Authority Rent Account Subsidies, Rebates and Tenant Payments: England & Wales 1951-1986					
%	1951	1961	1971	1981	1986
General Subsidies					
Central subsidy	27	18	18	18	6
RFC	9	7	9	9	7
Means Tested Subsidies					
Rebates	/	2	2	5	}
Rent paid by Assistance	5	6	13	17	}37
Net Rent					
Tenants	55	59	51	40	40
Other	4	8	7	11	10
Total	100	100	100	100	100

Sources: Author's Own Calculations from Tables 9.I, 9.IV, 9.VI and sources listed below.

1951: MHLG Annual Report Cmnd 9559, Appendix XI;
 1961: IMTA Housing Statistics 1960-61;
 1971: Housing & Construction Statistics 1969-79;
 1981: Housing & Construction Statistics 1979-89;
 1986: Housing & Construction Statistics 1979-89

Table 9.VIII. shows the commitment of rent, general subsidy and means tested subsidy has changed dramatically over the 35 years from 1951. The shift of burden of paying for rent has moved from general to means tested subsidies, but has also moved from tenants to means tested subsidies. While general subsidies and tenant payments met 95 per cent of costs in 1951, the same sources now only meet 53 per cent. Help through means tested rent support has become dominant in the revenue of public housing.

The finance of public rented housing enables analysis based on the amount of subsidy involved and its effect on the rent. With the private sector, however, the value of rent control is not calculable in the same fashion. We have to measure the impact of affordable rent policies in a different way for the private sector.

Table 9.IX.

Private Rented Sector Rent Roll & Subsidy Income: England & Wales 1951-1986.					
£ million	1951	1961	1971	1981	1986
Rent Roll	180	176	405	1,070	1,871
Subsidy Income					
% Rebates	/	/	/	5	14
% Rent paid by Assistance	8	14	13	17	28
Total % paid by means tested benefit	8	14	13	22	42
% Paid by Tenants	92	86	87	78	58

Source: Author's Own Calculations: see notes below

Notes:

Assistance expenditure from Table 9.IV;

1951: Average net rent from Lydall's Study - £.48 x estimate of private rented dwellings (60% x 12m)

1961: Average net rent - adjusted weighted average from 1962 FES Table 8. (1961 FES has no tables for private rents) adjusted by rates (x 70% by Allen committee) - £.95 x Census count of private rented dwellings 3.56 million.

1971: Average net rent - original calculation from FES - £2.32. No of occupied rented dwellings - 3.36m.

1981: Average net rent - original calculation from FES - £10.67 x Census count of private occupied dwellings 1.93m. Rent Allowances from H&C statistics 1979-89 table 11. 1.

1986: Average net rent - original calculation from FES - £19.14 x Estimated stock of dwellings (adjusted to exclude job & business tenancies by 84% from Census) from Housing & Construction Statistics table 9.3. (2,240,000 x.84 = 1.88m). Expenditure on rent allowances from Housing & Construction Statistics 1979-1989 table 11.2.

Private Landlords

The only elements of public expenditure which alter the rent setting behaviour of private landlords in the same way as local authorities are the revenue deficit grants to housing associations. As these represent only a small proportion of private rented property their value as a subsidy is minimal to the sector as a whole. The main influence on rent, and hence its affordability, has been rent control and rent restriction. This form of subsidy places an effective burden on landlords at the gain of tenants. No calculation of a value for this subsidy is made as it is not public expenditure on rent support. The only amounts of rent support expenditure are the rent allowances and assistance payments towards the rent which is paid to tenants of private landlords. These amounts can be estimated from previous calculations of expenditure and then compared to an estimated rent-roll of the private sector, calculated from stock counts and average rents. The resultant analysis will be the amount of public expenditure involved in the private sector rent roll and is shown in Table 9.IX.

The low controlled rents on the 1950s, together with low levels of unemployment, rent allowances being mainly paid to pensioners in this sector, led to only 8 per cent of landlords' rental income being rent support expenditure. However, despite the real terms decline of the sector, which was in despite of higher values of rent, the proportion of income met by rent support expenditure has increased to 42 per cent in 1986. A part of this increase is due to the increased role for housing associations in this sector, but the private sector displays significant similarities with the public sector. The subsidy which most affected rent prices, rent control, has declined both in extent and so has the proportion of rent paid solely by tenants, (without help from benefits). At the same time the increase in means tested rent support expenditure has countered these trends.

Summary

- The cost of all rent support has continued to grow in real terms between 1951 and 1986, and means tested spending has grown by 338 per cent as a proportion of it, (Table 9.I. and 9.II) The growth in rent support spending has been behind

general growth in welfare spending but has remained a constant proportion of it at around 5 per cent, (Table 9.III).

- Rebates have grown from 0 to 27 per cent of all housing expenditure, (Table 9.IV), Average rebates and allowances have grown as rents have risen, (Figure 9.1.), and the proportion of tenants receiving rebates and allowances has grown from 11 per cent in 1973 to 24 per cent in 1985. The potential coverage of rebates, on full take up, rose from 22 per cent to 36 per cent between 1973 and 1985, (Table 9.V.). Rent as a proportion of assistance spending has remained between 20 to 30 per cent. Rent paid by assistance has doubled as a proportion of all social security spending, (Table 9.6.).

- The increased spending on means tested rent support has remained over 95 per cent funded from central government, but the small proportion funded locally has grown since 1971, (Table 9.VII). Means tested subsidies have grown as a proportion of LA housing revenue from 5 to 37 per cent, (Table 9.VIII); and from 8 to 42 per cent of private landlord's rent roll between 1951 and 1986, (Table 9.IX).

CHAPTER 10

CONCLUSIONS

The conclusions drawn from the thesis and research results are discussed in two parts. The first discusses the approach and methodology of the research and the advantages and disadvantages experienced. The second draws from the research results and brings forward elements from Parts I and II of the thesis for discussion against the hypotheses outlined in Chapters 1, 2 and 6.

Approach & Methodology

The approach of this thesis has been to bring together several areas and themes of policy which have previously been kept separate. The attempted synthesis has sought to bring together differing methods of research - historical policy analysis and secondary analysis of data - and to bring together different fields of research - housing and social security policy. What advantages and disadvantages have been experienced in the process?

The approach echoes that of the research undertaken for the analysis of British Welfare between 1974 and 1988 undertaken by Hills et al¹. However, the historical period studied is far longer, the depth of analysis into policy formation far greater, and their stricter boundaries between housing and social security have been crossed. On the other hand the subject is far narrower than their conspectus of welfare. The disadvantages of the approach begin with the problem of scope. Containment of the amount of material to be covered and of the narrative to the direct questions of rent policy has been difficult. Elements of the process which are important to other commentators have had to be given very low prominence. For instance, the underlying economic narrative - of rates of interest, of wider issues of Government economic policy, and of the other constituent parts of housing finance - have been side-lined. While this has had a detrimental effect on the understanding of economic restraints and incentives in policy making and policy outputs, the themes covered in this thesis exist as an accompanying

¹J. Hills (ed), The State of Welfare, op-cit

narrative to the existing literature on these areas. Similarly, in discussion of political issues, either at the central government or the local government level, the underlying questions of motivation, of political sociology, and of psephology, and, at the same time the underlying story of local government organisation, reorganisation and changing programmes and methods of local finance have also been omitted. Whereas these elements could have been included in greater depth in a narrower period of study, to cover the 40 years between World War Two until 1986, together with the necessary historical context required that they be left to others. On general matters this means that, again, the research of this thesis is an accompaniment to existing literature, and has distinct disadvantages over one based on political science or economic paradigms.

A further omission is that of an overt theoretical basis in the thesis. The development of rent policy is a part of the development of the larger welfare state, and the development of policies and studies of outcomes can be placed within very large literatures which provide conceptual frameworks for budgeting, rationing, institutional conflict, and other areas. However, this omission is one which is made to allow a deeper study of the applied issues. Given the breadth and longevity of the period studied, an examination of theory and its application to the hypotheses put forward, together with the methodological and other explanations of research tasks, would have meant that the contextual portion of the thesis far outweighed the applied research. However, placing the findings of this research in a structured theoretical background, especially one drawn from economic and political theories of welfare development, is a task for future research.

Even without underlying economic and political context the research task undertaken was considerable in scope. The dual task of research, of historical documentation and data analysis required that additional sources of research material had also to be forgone. In Part I, interviews with policy makers to embellish and substantiate documentary research, and in Part II, the use of earlier data sets from the FES, together with additional machine readable data sources

to further compare and validate samples and data trends would have added methodological robustness. Such research is left to the future.

The other disadvantage inherent in the approach is the variation in the quantity and quality of original sources of data and documentation over time. Put simply, the less recent historical period is most well documented in terms of policy making, while the most recent period has the most detailed and usable data. The effects of this has been twofold. First, the depth of detail in historical narrative had to alter, and data analysis had to accommodate huge variations in definitions between sources and over time leading to a concentration on key trends for set sample years coinciding with census years in the main. Second, the task of dealing with definitions, methodology and sources was greater than for either a single method study of the same period or a double method study of a shorter period.

The advantages of such an approach are most recognised when related to the subject matter of research. The historical research task, to outline and provide explanations for the move from general housing subsidies to social security subsidies for rent, straddles the separate development of housing and social security policy, and, the thesis has established that there is a common parallel and overlapping narrative. The new research results which stem from this are discussed below. Similarly, the relationships within policy fields which have, in the main, been kept separate, for instance the development of private and public rent policy and assistance and insurance benefits, have been brought to prominence by the approach.

However, research into the policy making process, no matter how sophisticated or wide-ranging, can not adequately assess the outcomes, and the quantitative analysis of data to assess tenants' and government's changing experience of policy has both drawn from the insights gained by the detailed historical narrative and has been able to embellish it. The aims of policy having been appreciated in the historical context of different policy fields and for differing policy actors have been echoed in the research into outcomes by an assessment of changes that probed beneath the aggregate story of rent levels and spending levels. As a result

the shifting burden of costs, between tenants, local authorities, and government has been examined. The sectional interests thus provide a distinct element for comparison as well as being incorporated in the aggregate analysis.

Suggestions for Future Research

The examination of advantages and disadvantages in the approach of the thesis also allows several areas of further research to be identified. First, several suggestions have already been made concerning possibilities of research on the same subject but from different academic standpoints: the political study of the policy process and of the psephological reasons and consequences of policy, the economic examination of a wider range of factors and costs in the development of rent policy, and the comparison of research results within a theoretical discussion of welfare development.

Second, this research has raised questions for further research on the areas already covered. In the historical study, interviews with policy makers have already been suggested, together with more detailed enquiries about several issues where key questions remain unclear and where documentation is available or will soon be so - on Labour's 1965 unfinished review of housing policy, on the proposals of the 1964 Working Party on Local Authority Housing Finance, and on several areas of private rent policy, the 1957 and 1965 Rent Acts in particular. The study of outcomes based itself on data spaced five or ten years apart, further research on intervening years could qualify the longer term trend results, and show a more details of short term policy changes, for instance the immediate periods after the 1957 Rent Act or 1972 Housing Finance Act.

Third, several aspects of this research could be expanded. The position in Scotland could be separately studied, using similar sources. The last year studied in this thesis is now 5 years ago, and the sources and data series used in this thesis can be again used to bring the research results up to date. Alternatively, several suggestions concerning the extension of the study of outcomes have already been made earlier - earlier FES studies, alternative household samples

from GHS, the use of study data in further examination of the 'residualisation thesis', the study of tenants' wider 'housing costs' rather than merely rent, an examination of changing income incentives which have accompanied different rent policies, and the comparative study of affordability between tenants and non-tenants.

Research Results

This thesis has approached two broad questions about British rent policy and affordability set down in Chapter 1; they were: **How has policy changed & Why?** and, **How have costs changed and to whom?** These broad themes of research aimed to analyze the intentions of policy and its outcomes. The results of these two areas of research will be separately discussed below and then brought together in a concluding discussion.

The Development of Housing Policy

For any new observer of British rent policy the most obvious change in policy intention over the past 40 years would be the move from general assistance through building subsidies, revenue assistance to public housing and rent control, to a far greater reliance on means-tested subsidies paid to tenants. Put simply and in broad terms, the historical research outlined in chapters 3,4 and 5 provide confirmation of this trend in policy. But, the first point to emphasise in such a broad overview is that the main aims of housing policy have shifted over time from building to overcome severe post-war shortage in the first decade, to building and improvement of the quality of stock, and most recently to aims primarily based on altering the price and basis of its occupation. Such changes are based on the urgency and nature of the larger 'housing problem' and its perception by government. The appreciation of the problem of affordability of rent is necessarily different in the immediate post-war years than in 1986. To expect a consistent approach and consistent emphasis in policy between such periods would be to ignore underlying historical economic, demographic, and political changes, and changes in the attitudes towards housing held by citizens.

But even so, the change in rent policy has been one of an evolving emphasis rather than a series of complete paradigmatic breaks with the past. Indeed, the nature of housing, the length of time homes last and the costs and longevity of their finance militate against sudden dramatic changes in policy. When change occurs which disadvantages a politically potent sector of the population then there have been U-turns or a suspension in policy. That is not to say that housing policy has not suffered from a continual stream of changes, of political uncertainty resulting in stop-start patterns to building, especially public-sector building; it most obviously has. But, this thesis suggests that below the rhetorical differences between Governments and political parties over time which are obvious in the attitudes to public sector renting or rent control, there is more in common than has previously been appreciated. Hills has suggested that analyzing housing policy was like waiting for a bus on Oxford Street: it didn't matter if you caught one bus, because a different one was close behind². Research undertaken in Chapters 2 to 5 suggest that while this is the case, the majority have been heading for a similar destination: Selfridges, perhaps, to expand Hill's metaphor. But, before considering the evidence which substantiates such a conclusion, it is emphasised that the argument is not one of evolutionary pre-determination, merely that the choices, constraints, and outcomes of policy have joined to alter the policy environment itself. Neither does this conclusion mean that no importance should be given to the changing emphasis of Labour and Conservative housing policies over time - a question which will be reconsidered below.

What evidence supports this conclusion? Perhaps the greatest discontinuity in housing policy ideology can be seen between Nye Bevan's dream of mixed income public housing as a universal social service and main plank of policy, and Macmillan's Grand Design: majority owner-occupation, public renting for poor and elderly with market-based rents and rebates to help pay the rent. Yet, behind such differences, Bevan had increasingly encouraged rebates to be used in the

²J. Hills, 21st Century Housing Subsidies: Durable Rent Fixing and Subsidy Arrangements for Social Housing, Welfare State Programme Discussion Paper 33, STICERD, London School of Economics, London, 1988.

absence of power to alter the way his preferred providers of housing, local authorities, spread the costs of building between tenants of differently aged stock. Similarly, Macmillan could partially overcome Treasury opposition to increased subsidies and ensure a greater short term supply of affordable rented housing by promising the opposite in the long term. Both were unable to command sufficient subsidy resources to build at the rate required to provide sufficient homes at affordable prices: affordability for both was not an open-ended commitment unrestrained by Treasury influence. Both saw increased use of pooling of rents and rebates as desirable, but employed a different emphasis.

However, the legacy of Macmillan's plan was greater. Housing policy changed its preferred tenure from public to private ownership, and this over-riding political commitment tailored rent policy to suit its objectives. Owner-occupation, as Dalton had previously pointed out to Bevan, was the most efficient long term strategy to ensure that Government was not saddled with an economic burden of debt and of subsidies to lessen the costs of such debts to renters. Rents, therefore had to be raised accordingly to make the choice of costs more favourable to owner occupation for the consumer. Tenure preference and financial control of public expenditure became mutually reinforcing elements in housing policy. The results were booms in owner occupation and in subsidised council building and a decline in private renting, even after the decontrol of rents in 1957.

By the 1960s, a resurgence of subsidies for building in the public rented sector could exist alongside the continued commitment to owner-occupation, a position which, given the huge shortages after the War, was not readily open to Labour in the late 1940s. However, this reversal of Conservative policy was not accompanied by a reversal of the policy to encourage rent rebates. The reverse is true, with direct threats of central control over rent policy being given, and then implemented as part of Prices and Incomes Policy. What differed between Labour and Conservative policy was the introduction of Fair Rents in the private sector, and the emphasis given to income based rebates over general subsidies in council housing.

The 1970s began with a supposed paradigmatic change in the council sector, the Housing Finance Act, which introduced the private sector Fair Rents principle into public housing and a national system of rent rebates and rent allowances for all tenants. While the first element of this policy was not shared by Labour, the second was. Their repeal of the Act and reintroduction of building subsidies was a short term measure prior to a comprehensive review of housing policy, their second in a decade, which could match the Conservative policy legacy of Macmillan's Grand Design. However, the economic crisis of the mid to late 1970s made large changes impossible. No restructuring of subsidies between tenures was economically or politically possible. Instead, public sector subsidies would move towards a revenue deficit basis, a principle first agreed some 15 years previously.

Again, a rhetorical policy paradigm is alleged to have been broken in the 1980s. Perhaps, with the introduction of the Right To Buy for council tenants, it was. But in rent policy, Labour's policy fitted well with the continued drive to increase rents in real terms, and hence encourage sales to owner occupation, and to move emphasis more towards means tested subsidies for public rented housing. In the private sector rent registration was marginally reduced but not withdrawn.

There is, therefore, evidence, and more can be drawn from the details of Chapters 3, 4 and 5, for a greater continuity over time and between policy makers than has previously been suggested, a point which reinforces that made most recently by Malpass.³ However, this thesis also suggests that Malpass's concentration on the public sector alone underplays the related role of private rent policy in the development of affordability, and that he inadequately assesses the role of social security and wider social policy issues. These will now be addressed, as the conclusion drawn so far is still too general to explain the development of rent policies adequately. In particular, what role did social security policy, and central-local relations have in the process?

³P. Malpass, Reshaping Housing Policy: Subsidies, Rents and Residualisation, op-cit.

Social Security: The Problem of Rent & Universal & Selective Strategies

The immediate post war period was dominated by Beveridge's agenda, and the problem of paying for rent through insurance or assistance benefits remained unresolved as part of his legacy. The ideal of a post-war social security system based upon a national minimum through insurance benefits was inherently flawed through the inability of insurance rates to reflect rent needs adequately. Instead, the 'true' national minimum, National Assistance gained ascendancy as it based its benefit on a calculations of claimants' needs which included the rent. Beveridge saw the answer to this problem through a future rationalisation of housing policy which would harmonise rent pricing across tenures and between tenants. It never came, and social security policy did not resolve the problem until the 1980s.

In Chapter 2, research questions were based upon a model of policy development which saw the development of selective and universal policy in the light of rent levels and their influence over a changing assessment of claimants' needs. Put simply, high rents were posited as reinforcing selective strategies, while low rents matched the requirements and assumptions of universal policies more closely.⁴ This model fits Beveridge's dilemma well. For those with low rents, flat rate universal benefits would be adequate to pay the rent. For those with high rents, then means tested assistance would help them pay the rent on top of the inadequate insurance benefit. But the effects of this were not to remain merely one of small scale supplementation. The cost of uprating insurance benefits involved was far greater than that of uprating assistance benefits as the latter only went to those after a means test. Higher rents, as an outcome of selective rent policy, therefore significantly altered the difference in the comparative costs of universal and selective social security policy.

During the 1950s the problem was largely due to pensioners only having basic state pensions, and could still be viewed by policy makers as a transitional

⁴For a diagrammatic representation of this model see Figure 2.2. above, p.39.

problem for national insurance which would lessen as more full contributors gained rights to future higher pensions. The role of rent, therefore, should not be overstated. The lifting of pensioners from poverty and reliance on Assistance was viewed, in the main, as one based on increasing the coverage and value of future benefits, either through increased use of private pensions - Conservative policy's main thrust, or through the introduction of earnings related insurance and better standards of universal benefits in Labour's case. No evidence was found from research into primary documentary sources of insurance policy ever re-approaching the question of rent in particular; only related issues such as costs, prices and matters of actuarial coverage in general were considered. Rent, after 1946, was, therefore, clearly Assistance's baby.

The development of National Assistance and Supplementary Benefits is not merely the outcome of supplementation of increasing rents of those on too low insurance benefits. While this remained largely true in the 1950s, two factors raised the profile of other policy aims. First, the change in claimant profile of Assistance claimants, as pensioners, while remaining the largest group for many years, were joined by those whose insurance coverage was minimal or nil - long-term unemployed, single mothers, the disabled. Second, the re-prioritisation of Assistance from 1959 as a cost-of-living based benefit either linked to prices or earnings - the 'relativisation' of Assistance. This increased the basic value of scale rates which underlay the payment of the full rent on top. In this way, the simplistic issue of rent levels determining the relative values of Assistance and insurance benefits became further complicated by a renewed determination to keep a minimum plimsoll line income at a line relative to improved living standards. In 1966, when Labour substituted a revamped Assistance for its planned Income Guarantee, it had accepted that large scale means testing was inevitable in the short term, and only long-term improvements in insurance finance would return Assistance to a small scale supplementary safety-net function.

The late 1970s and 1980s have seen a deliberate move away from universal policy towards large scale permanent selective strategies which place means testing at the core. Insurance benefits for the unemployed and sick have been reduced in value and coverage, while the emphasis on Assistance has increased in both anticipation of and response to higher levels of economic and demographically determined need for benefits. However, such a change has come about during a time when the problem of rent in benefits was effectively solved. Freed from the role of supplementation, freed from Beveridge's dilemma, universal insurance could have re-assessed its role. But calls for a new Beveridge, have come at a time when increased spending on demand-led Assistance has placed greater emphasis on its containment and control.

The major conclusion from an assessment of the role of rent in selective and universal choices for social security is that its relevance increased during the period in which the move to higher rents coincided with attempts to reform the short term problem of Assistance and Insurance coverage. Once a large role for Assistance was accepted then the importance of rent as an issue in social security became more focused on the interaction between rent policy and assistance policy in paying the rent. These problems are now discussed in relation to the development of specific rent benefits.

Paying the Rent: Rebates, Assistance and Housing Benefits

The development of rent specific benefits has been beset with two major problems. The first was how to ensure the proper relationship between different mechanisms which set out either to set rents or to help tenants pay them. The second was the problem of control and allocation of the costs of such policies. The first problem is one of policy design and, following the research outlined in Chapters 3, 4 and 5, the following conclusions can be drawn.

The immediate post-war period was a time in which social security policy had adopted a policy, outlined above, which created a dilemma over the payment of rent. The ascendent paradigm behind both housing and social security policy was

to avoid the means test. Thus, the suggestions made to Beveridge of rent-specific benefits or an adjustment of insurance benefits to meet rent were both rejected due to his preoccupation with flat-ratism, and his appreciation of the popular mood being against detailed enquiries into their circumstances. In housing policy, the precedence of the building task made the problems of efficient allocation and occupation of property secondary in the public sector. Rent rebates were encouraged to provide the few who could not afford subsidised rents the opportunity of access to newly built homes. To those at the local level who had swung with the policy pendulum against means testing, the suggestion was anathema, for most it was merely impractical. Rebates during this period were a mechanism to ensure affordability which firstly did not have much call upon them, as council tenants were largely made up of employed earners and their families. Secondly, they were suggested as a supplement to general subsidies - a way of targeting a part of such monies in marginal cases -and not as the basis of rent policy. In this way the relationship between general subsidies and rebates was open to diverse interpretation at both central and local level. A rent rebate policy could mean anything in scope, design and application.

With the introduction of the second part of Conservative housing policy in the 1950s, general subsidies were first reduced and then withdrawn. This had two effects. First, increasing amounts of housing was directed towards the poor - mainly slum dwellers and the elderly. Secondly, the encouragement of rebates became a fundamental part of central policy to control spending and to raise rents as part of wider aims of sponsoring owner-occupation, outlined above. The opportunity to expand rebates at the local level became the subject of rhetorical enthusiasm at both extremes. Some local authorities sought to means test all tenants and set their rents accordingly and to eliminate local rate fund subsidy, others refused point blank to consider rebates. Most, however, fell in between. Even when the Labour Government sponsored rebates as part of a package of increased general subsidies there were those who would have no truck with it.

Cutting across this complicated pattern of implementation and award of rent rebates was the issue of Assistance benefits, which also paid the rent of their claimants. While in the private sector they were seen by the Government as rightly payable on the higher rents of tenancies decontrolled by the Rent Act, in the public sector the co-ordination with rebates and new rent policies was problematic. First, there was the problem that Assistance was often asked to pay a full and not a rebated rent and hence help subsidise the rent account. Second, the effect of two uncoordinated systems of means tested rent help meant that not all tenants who needed help were covered, and those that were faced huge problems of incentives. As rents rose these problems became more acute. Third, for authorities who had large proportions of tenants receiving assistance, the control of these payments became highly significant.

These problems were partially solved by the introduction of a national rebates scheme, but as the proportion of tenants who received Assistance rose during the 1970s, and the numbers receiving rebates also increased, the old problems of control over assistance payments and co-ordination between rebates and assistance, grew. The unification of these schemes solved neither problem. While local authorities began to gain benefits from control of all social security funded rent revenue in the long term, in the short term, it was a disaster. Tenants had no benefits for long periods, administrative costs were not reduced as expected but rose, administration broke down. In the meantime the huge increases in rents of the early 1980s were transformed into higher rebates for more tenants, and the response was for Central government to cut back on spending making marginal problems of affordability between assistance and other rebates cases worse.

The solution was to alter the basis of housing benefits to a unified basis of assessment. At the same time, the basis of Assistance was changed and the principle of a Rowntree-based minimum plimsoll-line benefit abandoned. Even those who had all of their rent paid would no longer be assured that they had sufficient, even in theory, to pay local taxes and to buy essential items for their

homes. The affordability of rent through social security after the 1986 Social Security Act became a problem of greatly reduced entitlement for those with incomes over Assistance level, and a dubious commitment to a minimum standard of living for those on it.

To draw conclusions from these developments requires that the previous conclusions drawn from housing and social security policy also be drawn in. In Chapter 2, a hypothetical model relationship between the aims of policy was put forward in which 'affordability' was juxtaposed to the aims of expenditure control and tenure preference in housing policy.⁵ What role did expenditure control have in the development of rebates in preference to general subsidies? The simplistic argument of Merrett- that rebates were a method of reducing housing expenditure-⁶ is both partially vindicated and refuted. There is a great amount of evidence, especially from documentary sources in the 1950s that rebates were seen as a way of decreasing subsidy commitments. This central policy was also taken up at local level. But there is also evidence which qualifies this argument. First, that, at times, rebates have been put forward as additional mechanisms to ensure affordability, since no single assumption about incomes and rents when subsidies are designed can ensure that all tenants will be able to afford the rent. Thus, any accusation of increased use of rebates as a mechanism to reduce public expenditure on rent must lay alongside the argument that they were also introduced and developed to ensure greater fairness to the poorer tenants. Second, an exception to such centrally inspired policy must also be drawn in the mid 1960s when a Labour government stepped in to obstruct such policies at a local level - authorities were not allowed to introduce rebates to reduce rate fund contributions. Thirdly, both policy and the make up of tenant households have moved on since Merrett's observation was made. It is ironic that the move to increased reliance on means tested subsidies in the 1980s actually resulted in increased spending on rebates beyond an acceptable level to Government, (a

⁵See Figure 2.1. for a diagrammatic representation of this model relationship, p.37.

⁶S. Merrett, State Housing in Britain, op-cit.

matter that will be pursued below in greater detail), and that the declining relative lower incomes of public tenants now make the marginal savings of means-tested subsidies over general subsidies much more questionable, a point made also by Malpass and Berthoud.⁷ Fourth, there is also evidence that expenditure on rebates is open to being squeezed in most recent times by considerations outside housing policy- through the decision in 1987 to raise the tapers on housing benefit in order, in part, to make community charge rebates more generous.

What conclusions can be drawn from the role of means tested assistance in the development of tenure sponsorship - the second theme identified as a potential influence in the hypothesis given in Chapter 2? The increased use of rebates was undoubtedly part of Conservative policy during the 1950s to increase rents and hence make public renting less attractive. This, combined with decreased levels of building, and a move away from general needs provision, and a boom in the owner occupied sector, deliberately made the choice for better-off households one that increasingly favoured buying their own home. The first conclusion above drew from Labour's post-war policy that they too would have sought increasing provision through owner-occupation, the difference between housing policy being that Labour were far more committed to providing greater levels of public renting as an alternative. In this light, arguments surrounding the central role of rebates in tenure sponsorship become less clear between the parties' policies. Whereas it appears that Conservative policy became more anti public housing and saw the move to means testing as part of such policy, for Labour the use of rebates was part of housing policy which attempted to balance tenure sponsorship more fairly between the two main sectors.

Discussion of tenure sponsorship cannot avoid dealing with the private sector. In the 1950s rents were decontrolled as part of a wider policy to re-invigorate private renting, make rents rise to assist in raising council rents and take its part in the push for owner-occupation. But no specific means tested allowances were

⁷ Malpass, Reshaping Housing Policy, and Berthoud, in Berthoud, Hills and Kemp, -both op-cit.

introduced, instead Assistance was expected and encouraged to pay the higher rents of the poorest. This failure, combined with the absence of other subsidies for private renting, made the decline of the sector even faster. The sole subsidy of Assistance could not be termed as favouring tenure sponsorship. Perhaps it is best described as having marginal effects on the decline where long held tenancies were held by elderly tenants. The principle of Fair Rents was underpinned by rent allowances from 1973, but such sponsorship did not match the growing practice of letting outside of the Acts until 1980, when benefit was allowed on all types of tenancy.

The role of means tested subsidies since the late 1970s requires separate and careful consideration. Renewed emphasis on fiscal retrenchment favoured the growth of targeted subsidies which were seen as more efficient. The introduction of the Right to Buy provided a huge boost to the sponsorship of owner-occupation; rent levels had a direct effect on the choices open to tenants who could afford to take up the offer of discounted prices of their council home. The role of rebates, and the move to replace general housing subsidies with means tested ones must therefore be reassessed. The previous conclusion, that higher rents and reliance on rebates altered the choice between public renting and owner occupation, no longer fitted the truth about access to housing. Increasingly, access to public housing became rationed and targeted towards deprived, high need families and those accepted as homeless. Higher rents and reliance on rebates now more seriously affected the choice of whether tenants should leave the public sector taking their home with them. How far did policies of means testing housing support change to assist this aim of tenure sponsorship? Without access to government documents, any conclusion must be provisional. Though it can be seen that several areas of policy are mutually supporting, the accusation that the use of rebates, the adoption of less affordable rents, and the cut backs on rebates on incomes above Assistance level have all been part of policy which intends to increasingly push better tenants out of council renting must be left to others to substantiate in future research.

Central-Local Relationships and Rent Policies

How has the development of rent policy and the growth of means tested housing subsidies supported the simple model of central-local relations put forward in Chapter 2.⁸ From previous discussion in this chapter several conclusions can already be drawn. First, that the historical development of centrally imposed requirements for reduced subsidy and higher rents and local opposition to these policies has not been consistent. Second, in addition there are periods and instances in which the roles have been reversed - higher subsidies have been given to keep rents down despite local intentions to do the opposite. Third, that the motivation of tenure sponsorship has also differed over time; the objective to sponsor tenant choice towards owner occupation has not been consistently held by the centre. Many local authorities have also preferred owner occupation to large scale involvement as landlords. In short, the suggested relationships put forward by the model were based on a stereotype gained from conflicts between ardent local supporters of large scale public housing funded through general subsidies - metropolitan authorities in the main, and a central government of the directly opposing persuasion. Local sovereignty over rent became more and more illusory as, first, fair rents, accepted by much of the local lobby, were introduced in 1972, and then on their demise, through the acceptance of deficit subsidies which assumed specified rents at the local level. This research shows that at the officer level, especially the professional organisations of local government workers, were often more pro- central policy changes than local politicians, a point especially true in both the introduction of deficit subsidies and fair rents.

A further complication is that even where the hypothetical set of relationships largely held, open conflict was mainly avoided through both central and local mechanisms to alter the effects of policy change. These, in recent times have originated more at the local level in what Malpass describes as 'Limbo Dancing' - where local initiatives succeed in getting under the penalty bar at each lowering.⁹

⁸See the diagrammatic representation of this model in Figure 2.3. on p.41.

⁹See Malpass, *Reshaping Housing Policy*, p.189.

In this way, the research in this thesis supports the sophisticated view of central-local relationships which challenges the views of increased agency or declining local autonomy. Local authorities have sought to optimise their position, financially and politically in a variety of ways.

But these conclusions so far only emphasise the story which specifically relates to general housing subsidies. If the issue of social security - of rebates and Assistance - is included then a whole different, new, set of factors can be introduced. First, the post-war settlement of social policy responsibilities included a central promise to fund and implement income maintenance, and a local responsibility to build and let housing. The latter gave sovereign rights to local authorities to set their own rents, a principle which became a rhetorical cornerstone of local autonomy. However, as the development of means tested rebates progressed, the division between income maintenance and housing subsidy became blurred, and with it the principle of responsibility for paying for the rents of the poorest. Research in chapters 3, 4 and 5, shows how clearly the local side opposed any transfer of such responsibilities, and would originally have no truck with any challenge, even on the rents charged to those claiming assistance. But as the economic circumstances of their tenants declined over time, so local authorities began to realise that having direct access to the rent component of the benefit income of the poorest was in their own interest.

Second, and emphasising a point made earlier in more general discussion about the development of policy, the 1982 housing benefit changes were not a centrally enforced development, opposed by local government. By the late 1970s it was the local side that was demanding vouchers for rent, and central government who were opposing this in terms of the interest of tenants. The introduction of housing benefits met the local demand for control of social security subsidy, and promised that, as this had previously been a central responsibility, no costs would fall on local government for taking it over. But as the proportion of housing benefit in all housing subsidies grew, and the levels of spending on housing benefits grew with it, this promise was withdrawn.

A drawing together of these conclusions will be left until later in the Chapter, after a discussion of the finding of Part II of the thesis, based on research into the outcomes of policy changes.

Outcomes: What Price an Affordable Rent?

The conclusions concerned with policy making are rather sterile without being joined to those drawn from assessment of tenants' circumstances and the rent they have paid. In discussion of rent policy we have already mentioned that the economic and demographic circumstances of tenants had changed over time, and that policy had sought to raise rents, and, more recently, to withdraw means tested subsidies to help pay the rent from those not receiving Assistance. The research in Chapter 7, examined these points more closely.

Tenure and demographic and economic changes since the war had led to an increasing disparity between incomes of renters and non-renters. By 1986, the difference between the incomes of private renters and public renters, once favouring the latter had reversed. This change in economic resources is matched by changes in household type which show decreased proportions of households with children in rented households, and increasing proportion of elderly tenant households in rented sector over time. The source of income also varied remarkably between renters and non-renters, with far higher proportions of income in the rented sector coming from state benefits. The conclusion drawn from these changes is that there has been a historical change in the relative position of rented households; whilst consistently relatively poorer than non-renters this relative poverty has grown over time.

However, the rents charged to these households has, on average, risen in real terms, and when compared to average incomes have risen in both private and public sectors. While the policy intention has been to increase rent levels over time, the commitment to affordability through rebates was posited as an alternative, especially for low income households. However, Chapter 7 also tested this proposition by modelling poor earning households and retired pensioner

households and showed that the value of rebates had declined. Disposable incomes after paying rebated rent grew at a lesser rate than gross income and also grew closer to comparable Assistance income. The conclusions therefore bear out the overall trend suggested by policy making - that rents became less affordable in real terms over time, and this change accelerated during the period of 1971 to 1986. This growing problem of affordability occurred despite the increased use of rebates.

But such a conclusion was based on average rents and incomes. Chapter 8, therefore, used primary FES data to test the changing experience of paying rent in tenant households. Using three measures of income, and treating Assistance claimants separately, the results showed that a higher proportion of tenants were paying higher proportions of income as rent allowing both for rebates and household composition, and that a growing proportion of tenant households were either in receipt of Assistance or were close to Assistance income levels after they had paid the rent.

Drawing together the conclusions of Chapter 7 and 8, it can be concluded that the design of policy has been to make rent less affordable for all except those on Assistance, and that the result of this has led to higher proportions of tenants paying rents which represent larger proportions of incomes - incomes which have themselves shrunk when compared to the relative position of owner-occupiers.

The last question considered by Part II of the thesis was whether these changes, in both policy design and policy experience, had led to lower public spending on rent support. The results from Chapter 9 suggest that this is not the case; spending on rent support, despite a declining relative size of rented sector over time, has increased. However, rent support has remained at a more or less constant 5 per cent of all welfare spending throughout the period. Rent support, as with all welfare spending reached its highest proportion of GDP in 1981 and then declined by 1986. The reasons for these changes and the institutional basis for them within Government programmes was examined and a major effect of

increased rents is shown to be increased spending on rebates, allowances and Assistance on rent, (certificated housing benefit in 1986). In addition, it was also shown that increasingly both public and private landlords have relied on increasing amounts of means tested benefit for rent to pay for the rents they charge. The conclusions from this examination of expenditure data are that the move to less affordable rents and greater reliance on means testing has been to spend more, and to make increasing demands on landlords and tenants to rely on Assistance based payments for rent.

Making Rent Affordable?

Making rent affordable has been constant theme of housing and social security policy, but the aim itself has altered so fundamentally over time that little is gained by a historic appeal to consistency. It is easy to look back at past White Papers on Housing and collect together the statements which each contains about making good quality of housing affordable for all. However, reliance on such statements is not the basis for robust social policy analysis. The research undertaken in this thesis has subjected these statements to particular scrutiny in regard to tenants. There has been a consistent theme found of an increasing reliance on owner-occupied housing as an alternative to renting, and instances where this change has been sought, in part, by making rent less affordable. Does this add together to form a policy for rented housing which could be labelled as one of 'less affordability'. The components of such a policy exist: the overt and covert sponsorship of ownership of property; the increasing determination to fund all public rented revenue subsidy through means tested housing benefits; the unwillingness to meet the increased cost of means tested support which has resulted from increased rents.

However, it provides little way forward to substitute a vague policy aim - making rent affordable - with a sophisticated academic label. Both have more value as rhetorical than analytical concepts. But perhaps, one major element of the debate over 'affordability' in housing has been that it has relied on rhetorical inexactitude. Whatever each Minister has put forward as a guideline for

affordable rents, for example 10 per cent. of male earnings in Bevan's case, could be labelled as 'affordable' even though it had unaffordable outcomes for some tenants. The continued use of average rent and income figures to substantiate calculations of subsidy into the 1980s could also hide behind a label of 'affordability' by ignoring the fact that tenants were no longer as near the average as they used to be. Such vagueness obscures the essential questions for future social policy. They are, how affordable should rent be - taking into account the actual incomes of renters? and on what basis should such affordability be ensured?

The justification for the changes in policy which have made rent less affordable has been the expansion of means tested help towards rents. But this form of help has lessened in generosity as a result of its own success in meeting the costs of higher rents. The result is less affordability at the margins of Assistance incomes and growing problems of incentives for renting families. If the development of rebates was part of the policy of tenure sponsorship to encourage owner occupation its effects are both to trap those on low incomes, only to encourage others to exercise their right to buy in the public sector. In the private sector the trap is worse: no right to buy and rents which aim to move towards market rents. The costs of renting are being made more comparable with the costs of the early years of mortgage payment, but unlike their purchasing counterparts, the rents will not fall in real terms over time, unless there is a radical change in government policy. The choice is increasingly between unaffordable rent and unaffordable mortgage for low income households. If the aim of encouraging increasingly relatively poor households to purchase their homes continues then future social policy will push unaffordable rents further.

The bottom line of affordable rent policy used to be the reliance on the safety net benefit of Assistance and its promise to pay the full rent of those who relied upon it. We have now seen the redesign of assistance to deny its basis as a poverty line below which none should fall. The rent may be paid, but the concept of all other needs being met as well has gone.

This thesis ends its study in 1986. Since then the housing debate has moved on, but is still dogged, more so, by the problem of affordability, and of affordable rents. This thesis suggests that any aim of maintaining affordable rents is open to compromise by expenditure restraint, by political objectives of sponsorship of tenure, and by an increasing reluctance to set a minimum level of affordability. If this is so then it would appear contradictory to expect new landlords to step forward to provide rented housing without an assurance that the tenants could afford it, or that the State would help them if they had a low income. But that is what is expected as private renting is once more encouraged. This thesis demonstrates that additional resources cannot be assured for increased provision for tenants who are more likely to be poor.

Policy which ensures that rent is affordable seems to be increasingly being boxed into a corner. The corner is less affordable. While it is possible to trace past patterns of policy making and draw a line of consistency through them, it is difficult to see where that line leads to in the future.

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