

Are Housing Benefits an Efficient Way to Redistribute Income ? Evidence From a Natural experiment in France

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6th December 2004

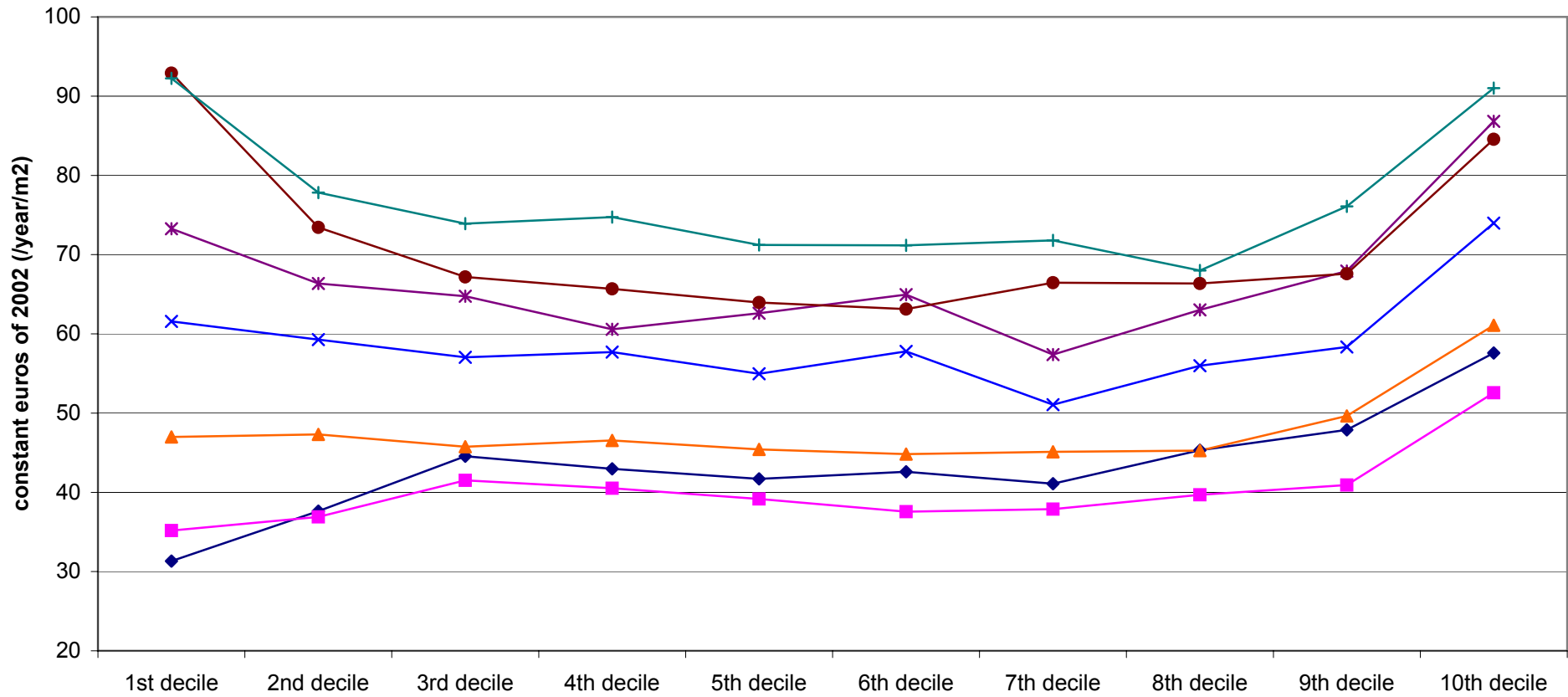
Abstract

In this paper, we show that in-kind benefits such as voucher programs may have a significant impact on the price of the subsidized good. It is thus very important to take this effect into account to assess properly the efficiency of such welfare programs. We use a French housing benefit reform to evaluate the effects of the benefits on rents. We find that one additional euro of housing benefit leads to an increase of 78 cents in rents, leaving only 22 cents for low income households to reduce their net rent and increase their consumption. This large impact of housing benefits on rents seems to be caused by a very low housing supply elasticity. We show that the housing benefits reform has induced additional demand not only from low income households but also from students who have used the benefits to become independent. Unfortunately, housing supply has responded very little in the short and middle term to the increase in demand. The only possible effect of the reform is a small increase in housing quality. These results question the use of such in-kind transfers when the supply of subsidized good is almost inelastic.

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Figure 1
Annual rent per square meter by decile of income, all tenants, 1973-2002

Sources : author's computation from Enquêtes Logement Insee



Notes: in 1973, the annual mean rent per square meter of the 10% of the poorer tenants (1st decile) is 31 constant euros of 2002

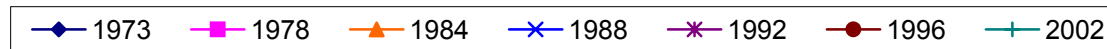
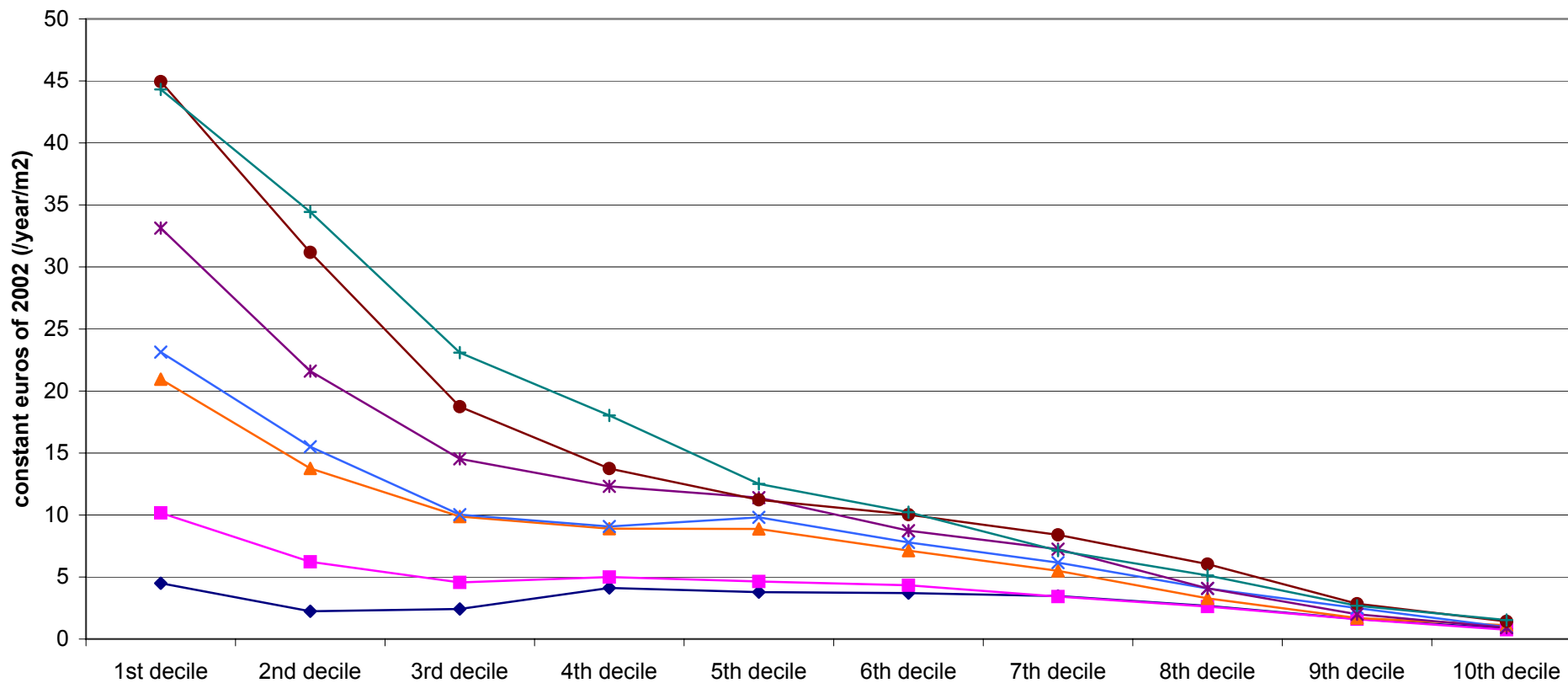


Figure 2
Annual Housing Benefit per square meter by decile of income, all tenants, 1973-2002

Sources : author's computation from Enquêtes Logement Insee



Notes : In 1973, the mean annual housing benefit per square meter for the 1st decile of tenants is 4,5 constant euros of 2002

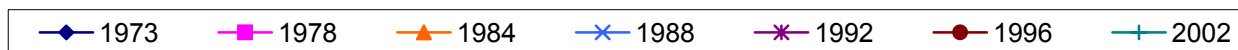


Figure 3
Percentage of tenants receiving housing benefits by quartile, before and after the reform
(private sector only)

Sources : author's computation from Enquêtes Logement Insee

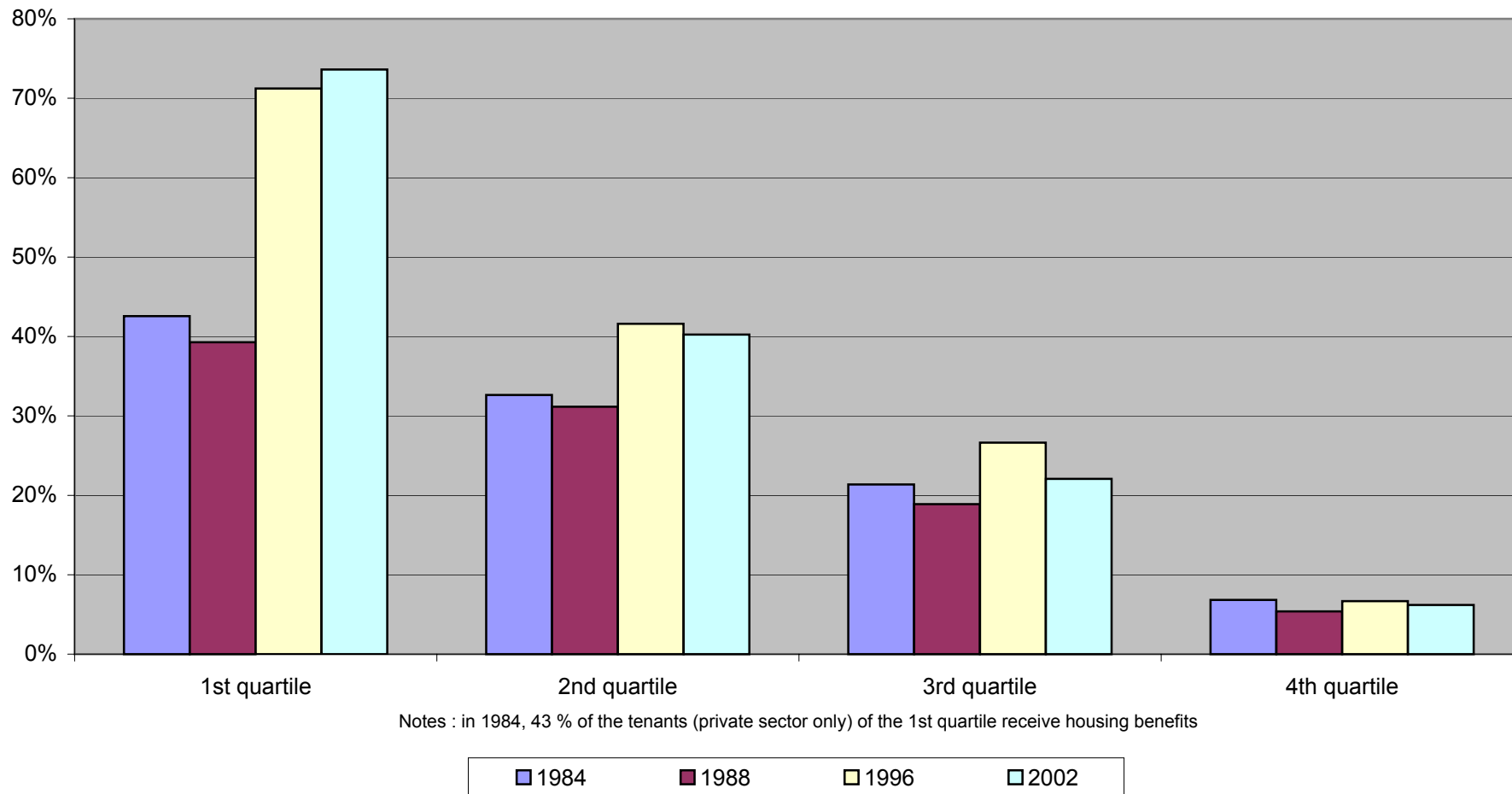
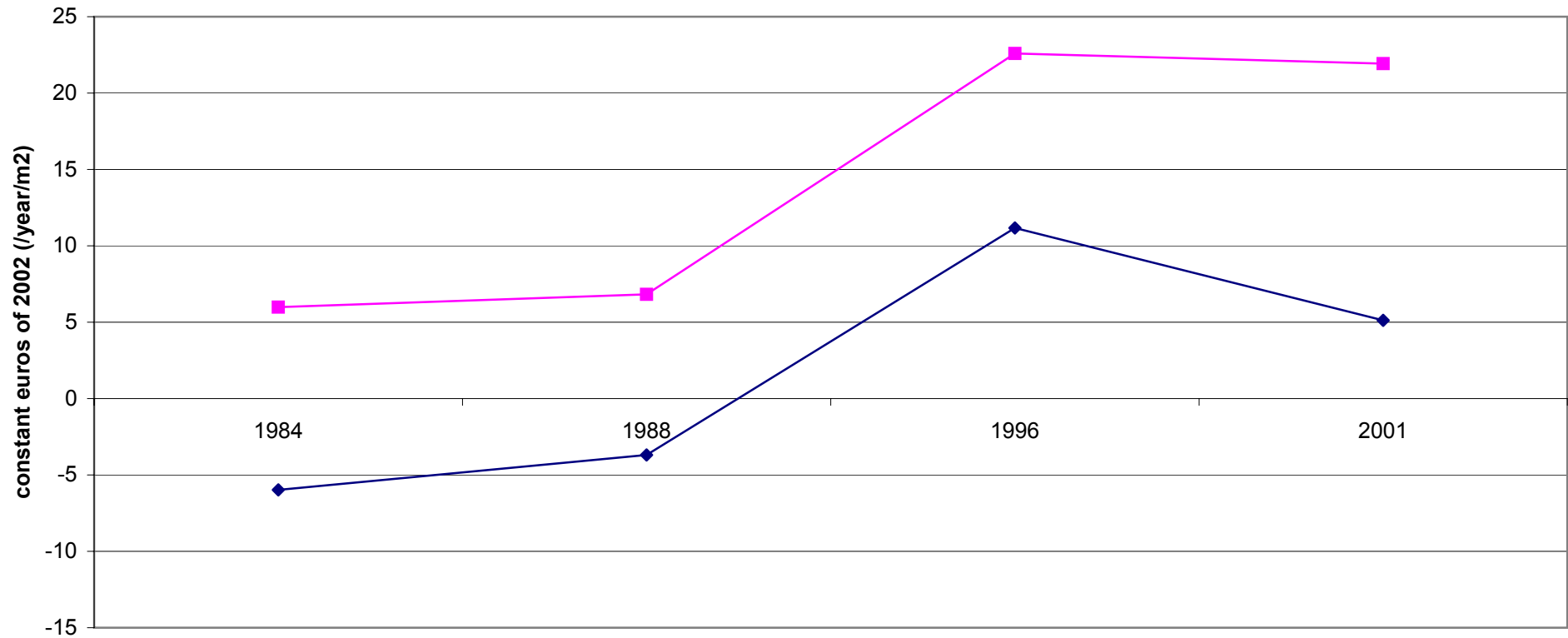


Figure 4
Differences in mean housing benefits and rents per square meter between the the first and the second quartiles before and after the reform, private sector tenants

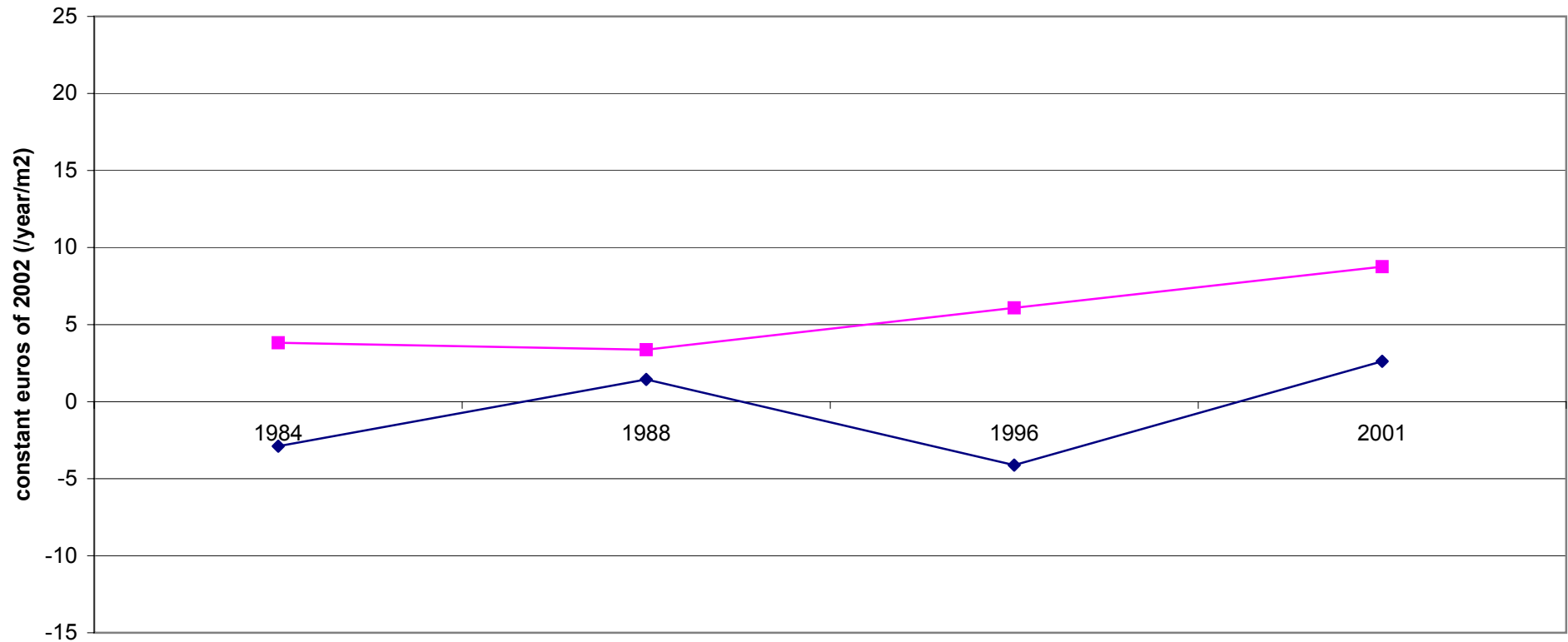
Sources : author's computation from Enquêtes Logement Insee



Notes : In 1996, there is a difference of 11 euros in housing benefit received by the first quartile compared with the 2nd quartile of tenants and a difference of 23 euros in the rent paid.

—◆— Difference in rent per square meter —■— Difference in benefit per square meter

Figure 5
Differences in mean housing benefits and rents per square meter between the second and the third
quartiles before and after the reform, private sector tenants
 Sources : author's computation from Enquêtes Logement Insee



Notes : In 1996, there is a difference of 6 euros in housing benefit received by the 2nd quartile compared with the 3rd quartile of tenants and a difference of -4 euros in the rent paid.

—◆— Difference in rent per square meter —■— Difference in benefit per square meter