

Sweden seeks to improve the effectiveness of housing benefits and maintenance support

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The computation of housing benefits, and support for children with an absent parent who does not pay maintenance, is inaccurate in Sweden and leaves families with debts due to retroactive adjustments. A government-commissioned inquiry proposes to address these problems by fine tuning benefits and liabilities based on monthly, rather than yearly, income.



Description

On 30 August 2018, the Swedish Government commissioned an inquiry on improving the targeting of housing benefits and maintenance support (underhållsstöd), as well as reducing indebtedness in these programmes. The inquiry was published and handed over to the government in December 2021 (SOU 2021:101). It suggested that the assessment of income for the purpose of housing benefits and maintenance support should be based on the monthly income information in the employer declarations at the individual level from the Swedish Tax Agency, instead of yearly income. The date for the parliamentary vote on the new legislation has not yet been disclosed to the public. However, the change in income reference periods is expected to become effective as of 1 January 2024. There will be no phase-in period.

Housing benefits in Sweden are means-tested and available to young people (below 29 years) and families with dependent children. There is a separate housing benefit (bostadstillägg) for older people (65 years and older), which is not affected by the suggested reforms. Housing benefits are paid up front, and based on expected income for the whole year. The final amount of the benefit is determined retroactively, the year after payments have been issued. Any outstanding amount needs to be repaid to the Swedish Social Insurance Agency, which increases the risk of indebtedness.

Each year, around 150,000 households receive housing benefits. Around one third of these households are asked to repay part of the benefit. The yearly housing

benefit of a household with three children can be more than SEK 60,000 (€6,000), temporarily somewhat higher during the COVID-19 pandemic (SOU 2021:101). Even if the prepaid monthly housing benefit is only slightly too high, the accumulated outstanding amount may be substantial for an individual household.

Two thirds of those households who have to repay housing benefits lack the means to offset the outstanding amount, and thus become indebted. Among families with children, the share of indebted households is even higher, slightly above 70%. Each year, the Swedish Social Insurance Agency claims back more than SEK 500 million (around €50 million) in housing benefits (SOU 2021:101).

Maintenance support is paid for a child when the liable parent does not have enough money to pay child support, or where there is little chance of the parents reaching an agreement. The liable parent is supposed to pay an equivalent amount to the Swedish Social Insurance Agency (Försäkringskassan). Financial obligations in maintenance support are established based on information from two-year-old tax statements. However, the income of the parent liable for maintenance may be much lower at the time of payment. Some liable parents therefore cannot pay what they owe the caring parent, and instead build up a debt. The debt is not owed to the caring parent, but to the Social Insurance Agency.

Around 58,000 parents are liable to pay maintenance support. The majority, or nearly 35,000 liable parents, had a debt for maintenance support registered with the Social Insurance Agency. Less than 60% of all maintenance support reclaimed by the Social Insurance Agency is

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paid by the liable parent (SOU 2021:101). Many debts are therefore handed over to the Enforcement Agency.

Besides reducing the number of debts to the Social Insurance Agency, assessments of monthly income for the purpose of housing benefits and maintenance support are expected to improve target efficiency. Today, households with irregular income may be ineligible for housing benefits although they have a very low income during parts of the year. In the new system, housing benefits will only be paid for those months in which the household income is below the threshold. Target efficiency of maintenance support is expected to increase because parents whose income is lower than it previously used to be will have a reduced liability to pay.

Like most means-tested benefits, the Swedish housing benefit is plagued by high non-take-up. The inquiry expects the new system to also reduce this problem, as households will no longer need to avoid applying for benefits due to fear of re-payment.



Outlook and commentary

Increasing the effectiveness of housing benefits and maintenance support is important. Assessing means-tested benefits on the basis of inaccurate income is certainly something that should be avoided, especially if it can increase indebtedness and discourage people from applying for benefits in the first place.

From this perspective, the proposal to move from yearly to monthly income in the assessment of housing benefits and maintenance support is appropriate. The inquiry received broad support among stakeholders, and the political opposition has not raised any serious complaints with the reform proposal.

Although the ambition to reduce indebtedness towards the Social Insurance Agency is welcome, the government-commissioned inquiry may have overstated the effect on non-take-up of housing benefits. Non-take-up is complex and we typically lack good statistics to analyse its distribution. Nor do we know exactly why eligible people do not receive any benefits. There are in reality more complex reasons for benefit non-take-up than just fears of re-payment.

Further reading

SOU 2021:101. Träffsäkert: Införande av månadsuppgifter i bostadsbidraget och underhållsstödet, Volym 1. Stockholm: Statens offentliga utredningar.

Riksrevisionen. 2018. Återkrav av bostadsbidrag – lätt att göra fel (RiR 2018:4). Stockholm: Riksrevisionen.

Försäkringskassan. 2018. Ett moderniserat bostadsbidrag. Skrivelse till regeringen. Stockholm: Försäkringskassan.

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