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LOW INCOME RENTERS AND HOUSING SUPPORTS

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ESRI ECONOMIC & SOCIAL RESEARCH INSTITUTE

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ABBREVIATIONS

AHB	Approved housing body
CSO	Central Statistics Office
ECHP	European Community Household Panel
EMTR	Effective marginal tax rate
GDA	Greater Dublin Area
HAP	Housing Assistance Payment
NOAC	National Oversight and Audit Commission
PRSI	Pay-related social insurance
PTR	Participation tax rate
RAS	Rental Accommodation Scheme
RMF	Researcher Microdata File
RTB	Residential Tenancies Board
RTI	Rent-to-income
SHCEP	Social Housing Current Expenditure Programme
SILC	Survey on Income and Living Conditions
SWITCH	Simulating Welfare and Income Tax Changes

EXECUTIVE SUMMARY

KEY FINDINGS

Rental affordability challenges for low-to-moderate income groups have been well documented. Changes to housing supports in recent years, notably the rapid expansion of Housing Assistance Payment (HAP), aim to address affordability challenges for low-income households in the rental sector. Within this context, this report seeks to inform our understanding of the current system of housing supports for low-income renters in Ireland. The report examines tenure patterns and rental affordability. It reviews the range and design of housing supports available to low-income renters and examines how the localised operation of differential rent schemes, which determines supported tenants' contributions, affects the level of and variation in support received. With the increased reliance on the provision of indirect housing supports (through rental subsidies or supplementary income supports), it also examines the availability of accommodation for low-income renters within the private rental sector. Housing supports – by virtue of being means-tested – affect the financial incentives individuals have with regards to being in paid work or working an additional hour. This report uses SWITCH, which is the ESRI's tax and benefit microsimulation model, to analyse the impact of these supports on the effective tax rates faced by low-income renters: a key consideration for any means-tested supports.

The report's main findings are outlined below.

Tenure patterns and rental affordability

- We estimate the share of renters (of any type) has increased from 18 per cent of private households in 2000 to 29 per cent in 2020, reversing what was a long-term decline over the 20th century.
- This revival has been most pronounced in the unsupported private rental sector. However, the size of the supported rental sector – encompassing both social housing provided directly by local authorities or approved housing bodies (AHBs), as well as that provided indirectly through rental subsidies or supplementary income supports (such as Housing Assistance Payment (HAP)) – has also grown significantly.
- Both direct and indirect supports greatly improve affordability for the households receiving them. Despite their lower levels of income, we estimate the median rent-to-income (RTI) ratio – a key metric of housing affordability – is 0.147 for supported renters compared to 0.230 for unsupported renters. The greater affordability of housing for supported renters remains after controlling for dwelling type, location and quality.
- However, RTIs vary substantially for supported renters, even at a given level of income. For example, while about one-quarter of the very lowest

income-supported renters face an RTI ratio of less than 0.15, another one-quarter face a RTI ratio in excess of 0.28.

- A substantial number of high-income households in supported rental accommodation pay similar rent to that of many lower-income households in absolute terms, and so much lower relative to their incomes. Indeed, almost one-fifth – 16.7 per cent – of supported renters are in the top half of the (equivalised household) income distribution.
- Conversely, many lower-income renters receive no support from the State for their housing costs and face high RTI ratios. This raises questions about the targeting of supports to low-income renters.

The design of housing supports for low-income renters

- There has been a shift away from the direct provision of support – through local authority and approved housing body (AHB) owned accommodation – and towards indirect subsidisation of housing costs in the private rental sector. We estimate that, combined, the Housing Assistance Payment (HAP), Rental Accommodation Scheme (RAS), Rent Supplement and Rent Allowance assist around one-third of supported renters (95,535 households) today, compared to just one-fifth (29,594) in the early 1990s.
- This is despite a freeze, since 2011, on the household income limit for qualifying for most social or supported housing schemes. We estimate that the share of households eligible to apply to their local authority for support with housing costs fell from 46.8 per cent in 2011 to 33.9 per cent by 2019.
- Similarly, the limits on rents covered by HAP were last revised in 2017, with the result that – particularly for single renters – they cover a very small share of properties in some areas, notably Dublin. For example, by 2020, fewer than seven per cent of one-bedroom rental tenancies registered in the Dublin City Council region fell below the maximum amount allowed for a non-homeless single applicant to HAP. The proportion was even less in South Dublin, Fingal or Dún Laoghaire-Rathdown County Councils. Indeed, by 2020 low levels of availability were evident in many smaller, more rural rental markets too; for example, Carlow and Kerry.
- The amount of rent contributed by tenants of a local authority or AHB, or by those who are in receipt of HAP or RAS, is determined by a system of differential rents, which is operated independently by each local authority.
- The move away from Rent Supplement towards HAP, alongside the growth in local authority and AHB-provided accommodation, has also increased the importance of the localised system of differential rents. We estimate that 275,641 households were paying differential rents determined by their respective local authority's scheme in 2020, which constitutes 94 per cent of supported or 51 per cent of all renting households.
- There is a huge degree of variation in the design of differential rent schemes across local authorities. This results in substantial geographic disparities in the levels of support provided to otherwise identical households. For example, the contribution of a lone parent with two

children earning €25,000 per year ranges from between €226 and €450 per month, depending on tenant location.

Impact of housing supports on financial work incentives

- Using SWITCH, we find that although accounting for the effect of housing supports on the financial incentive to be in paid work does not alter the conclusion of Callan et al. (2016) that 'very few individuals would be financially better off out of work', their inclusion does increase estimates of replacement rates and participation tax rates considerably.
- Accounting for housing supports also substantially increases variation in effective marginal tax rates (EMTRs), a measure of the strength of the incentive for those in paid work to increase their earnings slightly. This reflects variation in the design of the differential rent schemes across local authorities, with different assessment rates and thresholds for principal and secondary earners applied in almost every county. This means that working claimants of housing supports keep very different amounts of any additional euro earned from work depending on what area of the country they live in, something that is difficult to reconcile with the otherwise highly centralised nature of the Irish State and broader welfare system.

Policy implications

- Given the expected reliance on HAP to meet social housing needs in the short- to- medium term, the anomalies created by a highly localised system of differential rents are likely to affect an increasing number of households over the coming years. Increasing numbers of households will receive varying levels of support for their housing costs, depending on which county they live in. They will also face the at-times complicated interaction between supports for housing costs and the tax system, social welfare payments and childcare supports, which can lead to some extremely high effective marginal tax rates.
- In the short-term, HAP/Rent Supplement rent limits in a local authority area could be linked to the price of new tenancies in that area, in order to ensure that a consistent share of properties remain available within the limits, right across the country. However, while raising these limits and linking them to future growth in rents may help ameliorate affordability pressures in the short run, a large-scale reliance on HAP to meet social housing needs in the longer run brings with it the significant risk of fuelling rental inflation as well as further increasing costs to the Exchequer.
- Addressing these issues will likely require significant – and long-promised – reform to the system of differential rents alongside long-term investment in and expansion of the public housing stock for rent, something that will entail more than just increasing expenditure.

CHAPTER 1

Introduction

Following a sustained decline over the 20th century, the first two decades of the 21st century have seen a revival of the rental – particularly the private rental – sector in Ireland. These patterns are the counterpart of the declines in home ownership across generations identified by Roantree et al. (2021), as well as a slowdown in the construction and acquisition of traditional social housing (Norris, 2016).

Affordability challenges in the rental sector have been well documented. Using data up to 2016, Corrigan et al. (2019) found that while not universal, persistent high housing cost burdens have been experienced by certain groups such as low-to-moderate income households. Since then, the rapid expansion of Housing Assistance Payment (HAP), an indirect support whereby households are accommodated in private sector accommodation, aims to address affordability challenges for low-income households in the rental sector. By 2020, nearly 60,000 households were in receipt of HAP.

Despite these notable changes to supports for low-income renters in recent years, other aspects of the regulatory framework, such as the localised system of differential rents that determines supported tenant contributions (including those in local authority/approved housing body (AHB) housing and those supported via HAP or the Rental Accommodation Scheme (RAS)), date from a time when the rental sector had less prominence. These recent developments have increased the relevance and importance of local differential rent schemes, paid by 275,641 households in 2020. The implementation of a nationalised rent-setting system has long been promised, most recently in the Government's 2021 *Housing for All* plan, which committed to reforming the system of differential rents in order to 'ensure tenants pay an equivalent amount of rent regardless of their location'

Within this context, it is timely to examine the design of the current system of housing supports for low-income renters in Ireland. To provide context, we first analyse tenure patterns and rental affordability for low-income households. We then examine the level of and variation in support provided by the current, highly localised, system of supports. With the increased reliance on the provision of indirect housing supports (through rental subsidies or supplementary income supports), we also analyse the availability of accommodation for low-income renters within the private rental sector. Specifically, we use tenancy registration data from the Residential Tenancies Board (RTB) to examine the share of properties that fall within statutory rent limits and how this has changed in recent years.

Finally, given the fact that housing supports, by virtue of being means tested, affect the financial incentives presenting to individuals in relation to being in paid work or working an additional hour, we assess how accounting for these supports affects estimates of financial work incentives. This is a topic of key concern to policymakers. To do this, we use representative household survey data from the Survey on Income and Living Conditions (SILC) along with SWITCH, the ESRI's tax and benefit microsimulation model.

The remainder of the report is structured as follows. Chapter 2 examines tenure patterns and rental affordability in Ireland to provide context for our discussion of the supports in place for low-income renters. Chapter 3 reviews the housing supports in place for low-income renters, with a particular focus on the impacts of localised differential rent schemes. Chapter 4 uses SWITCH to examine the effect of housing supports on financial work incentives. Chapter 5 concludes with a summary of our key findings and some reflections on their implications for policy.

CHAPTER 2

Tenure patterns and rental affordability

This chapter explores tenure patterns and rental affordability in Ireland, with a focus on low-income renters.

2.1 TENURE PATTERNS

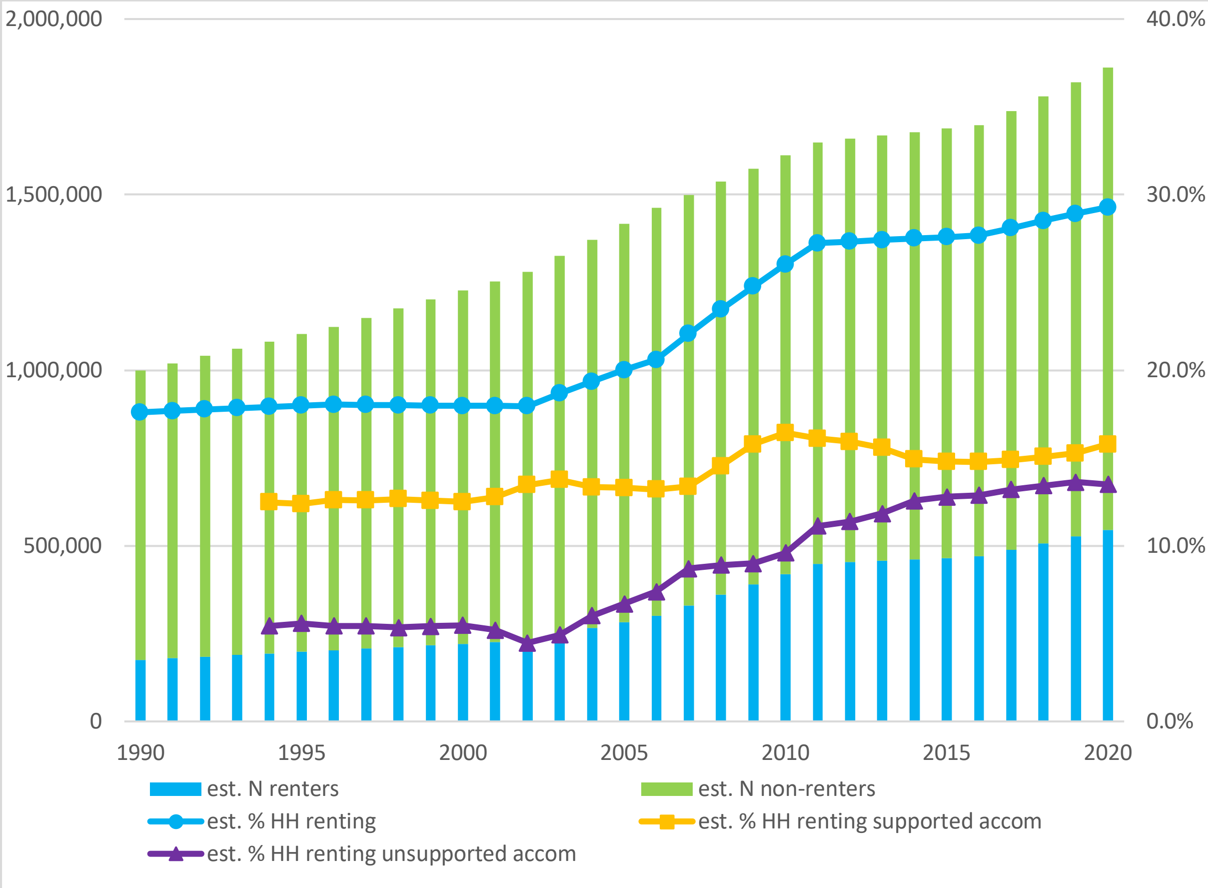
Renting was the dominant form of tenure for Irish households until the early 20th century, with most people renting from private, for-profit landlords. The conditions in both rural and urban areas were poor, leading to industrialist-sponsored housing schemes like that of the Dublin Artisans' Dwellings Company, which targeted artisan workers, government-backed loans for the construction of labourer's cottages and, towards the turn of the century, the building of subsidised housing by local authorities (Rowley, 2017).

The five-yearly Census has collected information on housing tenure intermittently since 1946, when 26.1 per cent of households were renting privately and another circa 17 per cent were renting from a local authority or non-profit approved housing body (AHB). This combined share of 43 per cent had declined to just 18 per cent by 1991, when only eight per cent of the population were renting privately, which was less than the share renting from the 'social' sector. Norris (2014) attributes this decline to a combination of regulation (notably the imposition of crude rent controls), the growth of subsidies for owner-occupied housing (including generous tax subsidies), and the limited availability of finance for landlords (even for institutional landlords).

However, the first two decades of the 21st century have seen a significant revival in renting as a form of tenure. The blue bars in Figure 2.1 show that the number of households in rented accommodation (of any type) more than doubled from an estimated 220,699 in 2000 to 545,006 by 2020. Over this period, the total number of private households rose from 1,227,491 to 1,860,980. This equates to the share of households renting rising from 18 per cent to 29 per cent of all private households in just 20 years, with the bulk of that increase occurring between 2002 and 2011.

The yellow line in Figure 2.1 shows the share of households living in supported rental accommodation, which we define as local authority or AHB units as well as those renting with the assistance of government housing or income supports (see note to Figure 2.1 for a precise definition). This estimate is derived from administrative statistics on the number of claims for these supports, as well as our own calculations for those years where such statistics were not published on a consistent basis (which is the case for local authority and AHB units, see Appendix B).

FIGURE 2.1 HOUSING TENURE, 1990–2020



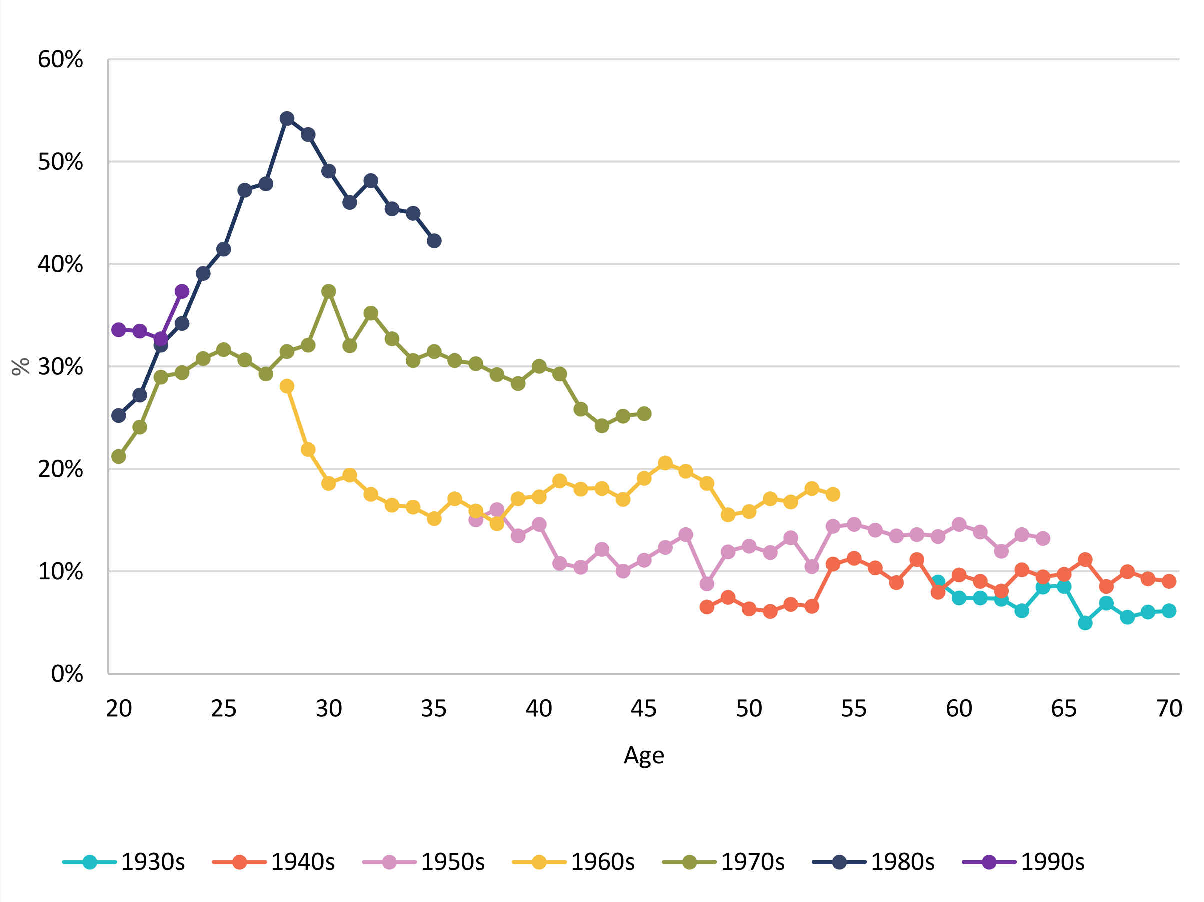
Source: Authors' calculations based on Census of Ireland (1991, 1996, 2002, 2006, 2011, 2016); Norris and Hayden (2016); Department of Social Protection/Social Welfare Annual Statistical Reports (various years); Department of Housing, Local Government and Heritage (DHLGH) published statistics and correspondence with DHLGH.

Notes: Number of households linearly interpolated between Census and forecast after 2016 using growth rates from the Survey on Income and Living Conditions. Market accommodation share estimated as total rental accommodation less supported rental accommodation. Supported accommodation classified as those in local authority or approved housing body units, as well as those in receipt of Rent Supplement, Rent Allowance, the RAS and the HAP. Local authority and AHB units from DHLGH and Norris and Hayden (2016) respectively for 1994–2016, and authors' calculations thereafter (adding DHLGH figures on new builds, acquisitions, regeneration, leasing and voids to 2016 total, subtracting sales: see Appendix B). Non-renters refer to homeowners, either outright or with a mortgage.

This estimate, which broadly aligns with those for subsets of the period produced by Norris and Hayden (2018), Corrigan and Watson (2018) and Malone (2020), shows that the share of households renting supported accommodation rose from around 12 per cent in the 1990s (134,973 households in 1994) to 16 per cent in 2020 (293,673 households). As with the total share of renters, the bulk of this growth occurred over the 2000s. However, this was followed by a short period of decline from 2010, before growth in the share of households renting supported accommodation resumed in 2016.

Finally, the purple series in Figure 2.1 shows that the share of households renting unsupported (market-priced private sector accommodation) has also increased in recent decades, from a low of 4 per cent in 2002 (57,245 households) to 13 per cent (251,333 households) by 2016, with the share stabilising around that level since.

FIGURE 2.2 SHARE OF EACH BIRTH COHORT LIVING IN RENTAL ACCOMODATION, BY AGE



Sources: Authors' calculations using the Living in Ireland Survey and the Survey on Income and Living Conditions (SILC).
Note: Living in market or supported rental accommodation.

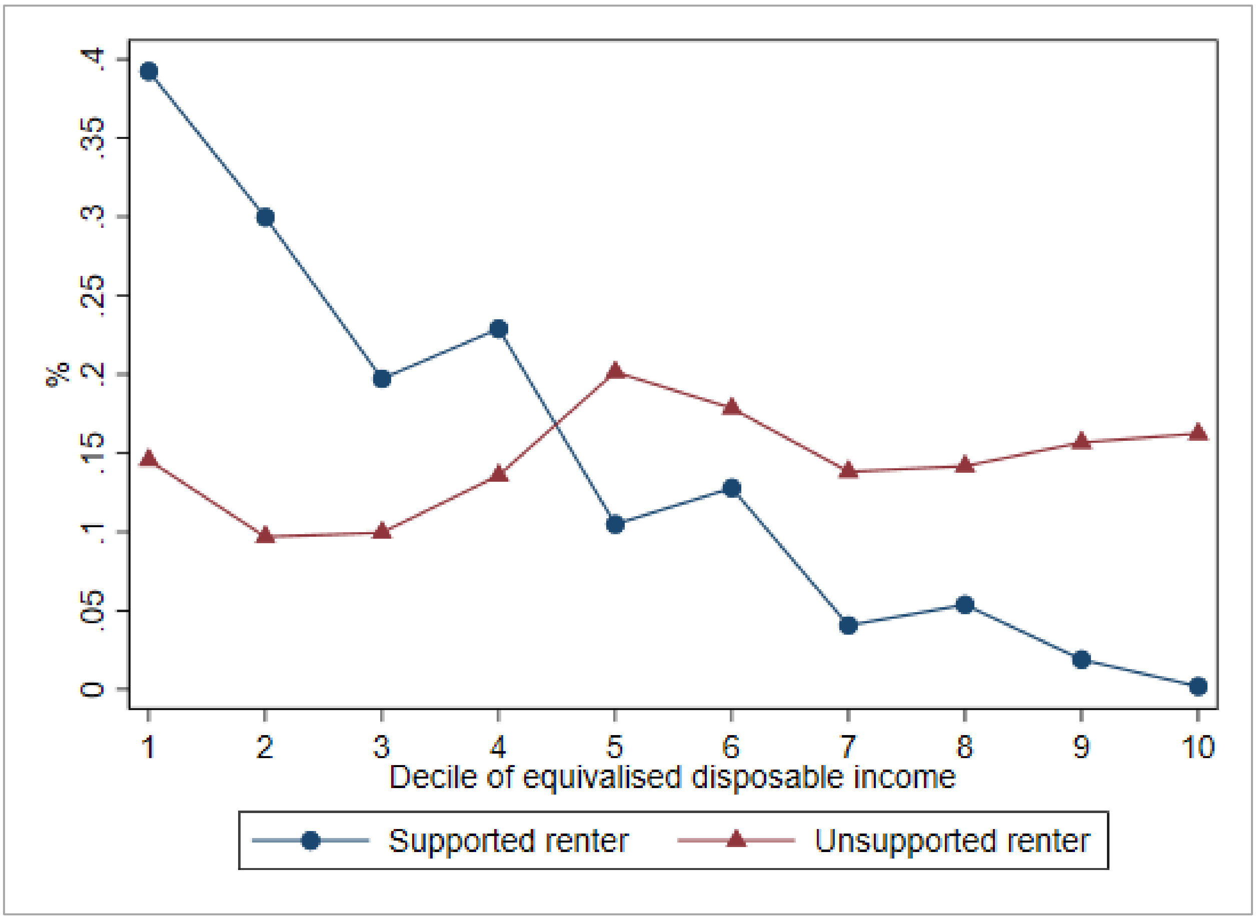
The rise in rental tenure described above has not occurred evenly across generations. Figure 2.2 plots the share of each birth cohort living in (supported or market price) rental accommodation by age, using data from SILC and its predecessor (the Living in Ireland Survey). It shows that while less than 20 per cent of individuals born in the 1950s or 1960s lived in rented accommodation in their mid-thirties, this figure rises to just over 30 per cent for those born in the 1970s and more than 40 per cent for those born in the 1980s. While the shift towards renting has therefore been concentrated among younger adults, renting is also becoming more prevalent at older ages, with each successive generation more likely to live in rental accommodation than the last. Such patterns are the counterpart of the declines in home ownership across generations identified by Roantree et al. (2021), who also highlight the implications of these declines in homeownership for rental affordability, a topic to which we now turn.

2.2 RENTAL AFFORDABILITY

Research on housing in Ireland has long emphasised that affordability issues are most acute in the unsupported private rented sector (see, for example, Blackwell, 1989; Fahey, 2004; Fahey et al., 2004; Corrigan et al., 2019; O'Toole et al., 2020). This is despite the fact that – as Figure 2.3 shows using data from the 2019 SILC

Research Microdata File (RMF), described in further detail in Appendix B.2 – the rental of unsupported market accommodation is more prevalent for middle- and higher-income households than it is for lower-income ones. Indeed, only those in the lowest four income deciles are more likely to be supported than unsupported renters (with home ownership the most prevalent form of housing tenure across each decile).

FIGURE 2.3 RENTAL TENURE, BY TYPE AND HOUSEHOLD INCOME



Sources: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the Rental Accommodation Scheme (RAS), or the Housing Assistance Payment (HAP). Markers show the share of each (equivalised disposable) income decile living in supported or unsupported rental accommodation.

The main reason for the greater incidence of affordability issues in the unsupported rented sector compared to the supported rental sector is because rents are significantly higher there. Table 2.1 shows the mean and selected quantiles of rents in 2019, again using data from SILC. This measure of rent is before any housing allowances are deducted but includes rents paid to local authorities/AHBs as well as payments from local authorities to private landlords made through the Housing Assistance Payment (HAP). However, it may not capture top-up payments paid directly by HAP tenants to private landlords as SILC has not collected information on such payments in recent years.[1] With this caveat in mind, the table shows that, in that year, rents were on average almost twice as high in the unsupported rental sector compared to the supported rental sector, at €1,006 versus €520 per month. Differences were even more pronounced in the bottom half of the distribution of rents, with the 25th percentile of rents for unsupported renters (€600 per month) almost three times as high as that for supported renters (€222 per month), and the median (€600 per month in the unsupported sector versus €374 per month in the supported sector) almost 2.5 times as high.

TABLE 2.1 MONTHLY RENT FOR SUPPORTED AND UNSUPPORTED RENTERS, 2019 (€)

	Unsupported renters	Supported renters	Difference
Mean	€1,006	€520	€486
p25	€600	€222	€378
p50 (median)	€900	€374	€526
p75	€1,300	€750	€550

Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the RAS or the HAP. Rent includes payments from local authority to private landlords through the HAP, but may not capture top-up payments paid directly by HAP tenants to private landlords. The figures p(25), p(50) and p(75) refer to the 25th, median and 75th percentile of monthly rent respectively.

However, as was shown in Figure 2.3, households in the supported rental sector are – on average – significantly poorer than those in the unsupported rental sector, with the respective median disposable incomes at €32,306 versus €53,889. This means that lower rents may not translate into greater affordability with respect to income. In addition, differences exist between supported and unsupported renters in terms of the location, type and quality of their dwellings: all these factors may contribute to the lower rents paid by supported renters.

To try to account for these differences, we run a statistical (median regression) model of monthly rents and rent-to-income (RTI) ratios. Estimates from this analysis, presented in Appendix Table A.1, show that while controlling for these factors[2] reduces the size of the difference, supported renters can still expect to pay an average of around €300 per month less in rent than unsupported renters. Furthermore, the estimates show that these lower rents translate into much greater affordability, with a median adjusted RTI ratio of 0.170 for supported

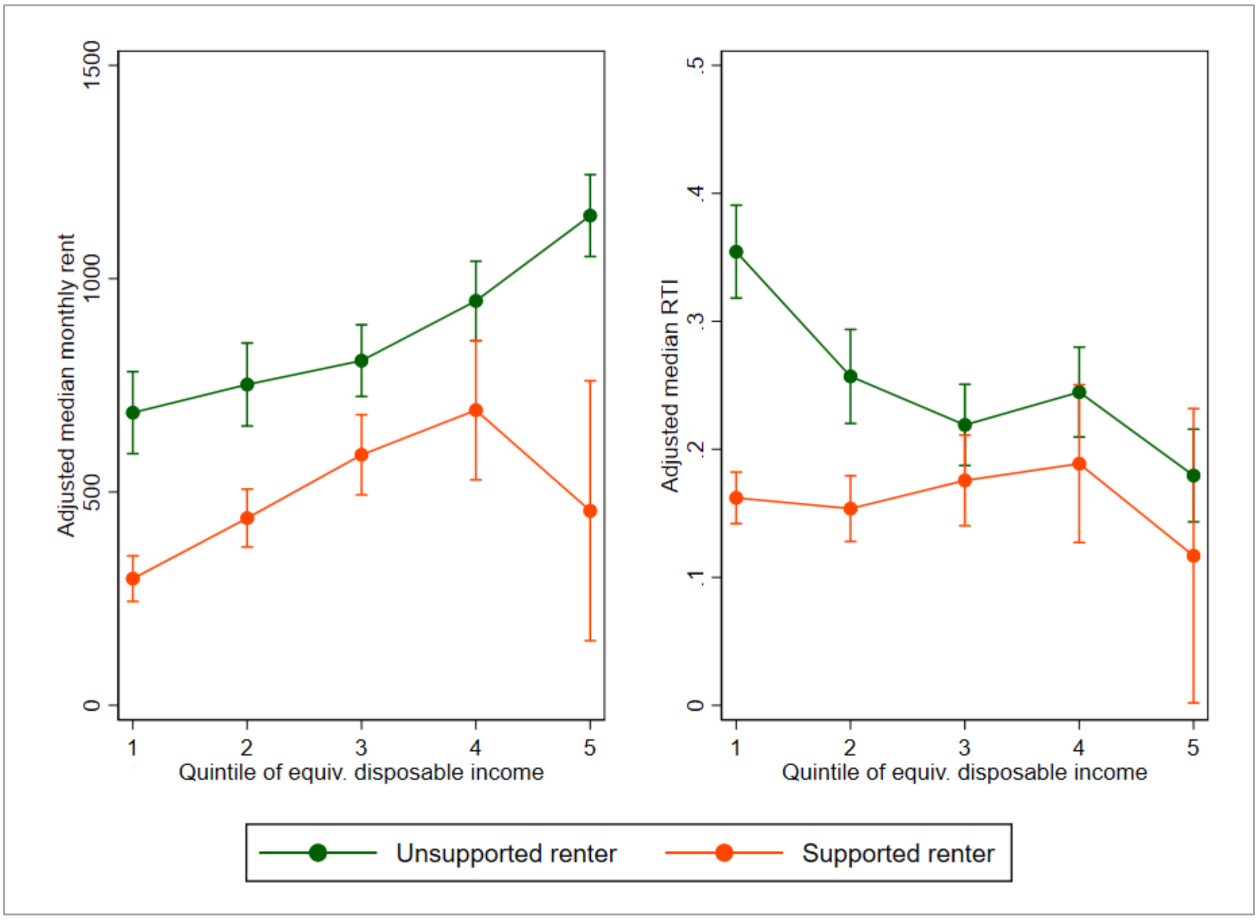
1 Such information was due to be collected by SILC from 2020 onwards. Kilkenny (2019) notes that 28 per cent of HAP recipients were making top-up payments to landlords in 2019. As a result, our measure of rents may be somewhat understated for a small minority (around 6 per cent) of supported renters: just over 20 per cent of supported renters are on HAP, which means around 6 per cent of all supported renters may be paying top-ups.

2 Specifically, we control for county, dwelling type (detached, semi-detached/terraced, apartment <10 in building, apartment ≥10 in building, other) and housing quality (presence of damp, leak, or rot), as well as quintile of equivalised disposable income. There may still be differences in the quality of the local environment and housing that we are unable to capture in the model.

renters compared to 0.264 for unsupported renters: a (statistically significant) difference of 0.094.[3]

These differences in rents and affordability are most pronounced for lower-income renters. This is shown in Figure 2.4, which plots the predicted median rent and RTI ratio for supported and unsupported renters by quintile of equivalised disposable income, controlling for differences in dwelling location, type and quality. While median rents and RTI ratios are lower for supported renters in all quintiles, the (statistically significant) differences are largest in the lowest income quintile where median rents and RTI ratios are less than half as high as for unsupported renters.[4]

FIGURE 2.4 PREDICTED RENT AND RENT-TO-INCOME RATIOS, BY HOUSEHOLD INCOME AND TENURE



Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the RAS or the HAP. Rent includes payments from local authority to private landlords through the HAP, but may not capture top-up payments paid directly by HAP tenants to private landlords. Markers show predicted median monthly rents and RTI ratios at each quintile of equivalised disposable income, based on estimates from a median regression controlling for dwelling location (county), type and quality (presence of leak/damp/rot). Whiskers show 95% confidence interval computed using the Delta method.

3 The raw (unadjusted) median RTI ratio is 0.147 for supported renters compared to 0.230 for unsupported renters: a difference of 0.092.

4 Similar patterns are also evident looking at unadjusted means, with Table A.2 in the appendix showing that rent amounts to an average of €448 per month for supported renters with a household income of less than €40,000 per year, compared to €820 for unsupported renters, corresponding to RTI ratios of 0.239 and 0.437 respectively for these groups on average.

This does not mean that renters receiving supports for housing costs are a well-off group. Corrigan et al. (2019) show that many such renters have little income left after housing costs are deducted, while Social Justice Ireland (2022) point to high at-risk-of-poverty rates among this group after housing costs are deducted. However, this arises because those in the supported rental income have for the most part very low levels of income, reflected in their high at-risk-of-poverty rates even before housing costs are deducted (ibid). In other words, supported renters for the most part face more a challenge of income adequacy than one of high housing costs.[5]

While the primary beneficiaries of housing supports are lower-income households, the analysis above also shows that there is a sizeable group of higher-income households in receipt of housing supports, which significantly reduce their rents and improve their housing affordability. Indeed, almost one-fifth – 16.7 per cent – of supported renters are in the top half of the (equivalised household) income distribution, a group of households that Appendix Table A.3 shows are more likely than other supported renters to contain someone in paid work and less likely to contain children. (The relatively small sample size limits our ability to detect many statistically significant associations with other characteristics.) Furthermore, Figure 2.4 shows that those in the top fifth (highest quintile) of the distribution pay rents of around €500 per month compared to more than €1,000 for their counterparts in the unsupported private rental sector. As Corrigan (2019), among others, has noted, such low rents at higher levels of income raise questions about how effectively rental supports are being targeted at lower-income households.

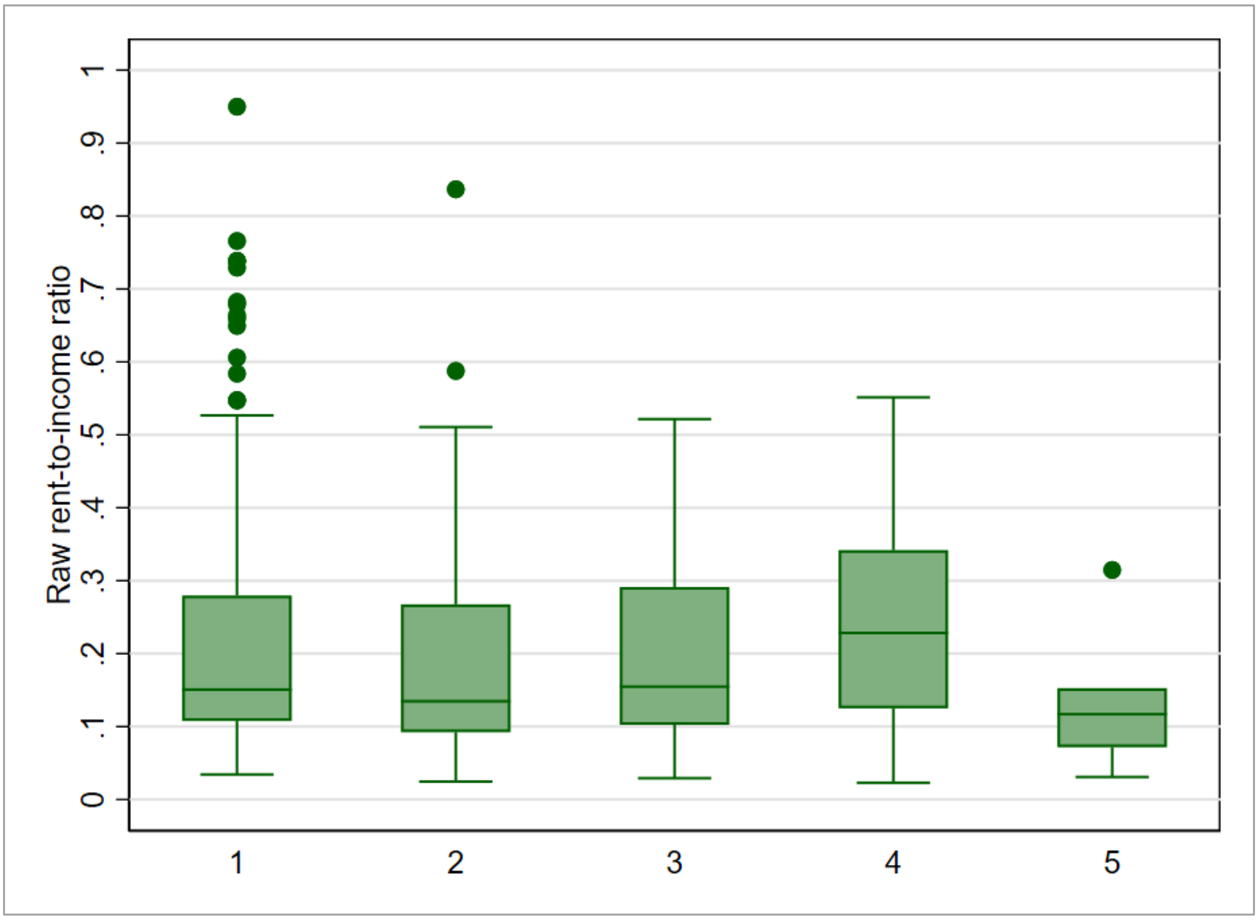
These questions are reinforced by the significant variation in rents and RTI ratios for supported renters, particularly at lower levels of income. Figure 2.5 plots the variation in (raw) RTI ratios for supported renters within each income quintile, with the bars illustrating the interquartile range and the whiskers/capped lines representing the upper and lower adjacent values: the range of data points within 1.5 times the interquartile range of the upper/lower quartile (Tukey, 1977). These show that RTIs vary substantially for supported renters, even at a given level of resources. For example, while about one-quarter of those in the lowest income fifth of supported renters face a RTI ratio of less than 0.11 (and one-half less than the median RTI ratio of 0.15), one-quarter also face a RTI ratio in excess of 0.28. A number of low-income renters in the bottom quintile even face RTI ratios in excess of 50 per cent, as shown by the dots above the whiskers/capped lines in Figure 2.5.

While some of this variation can be explained by differences in household circumstances conditional on income, differences also arise due to the design of

5 However, it is likely that the c. six per cent of this group who receive HAP and make top-up payments to their landlords do indeed face challenges of both income adequacy and high housing costs, though the absence of data on top-up payments limits our ability to explore the extent of this.

these highly localised housing supports. In Chapter 3, we turn to consider the features that give rise to such variation.

FIGURE 2.5 VARIATION IN RENT-TO-INCOME RATIOS FOR SUPPORTED RENTERS, BY QUINTILE OF INCOME



Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).

Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the RAS or the HAP. Rent includes payments from local authority to private landlords through the HAP, but may not capture top-up payments paid directly by HAP tenants to private landlords. Bars illustrate the interquartile range and the whiskers the upper and lower adjacent values: the range of data points within 1.5 times the interquartile range of the upper/lower quartile (Tukey, 1977).

CHAPTER 3

The design of housing supports for low-income renters

The previous chapter highlighted the growing importance of the rental sector in Ireland over recent decades, particularly in households receiving support for housing costs. The focus of this chapter is on examining the design of such supports for low-income renters. We define low-income renters as those eligible to receive some form of social housing supports, for which income forms part of the eligibility criteria.[6] After an overview of the system of supports, we examine the level of and variation in support provided by the current highly localised system of supports. Given the increased reliance on the provision of indirect housing supports, we also analyse the availability of accommodation for low-income renters within the private rental sector.

3.1 OVERVIEW OF HOUSING SUPPORTS

Housing supports for low-income renters are provided through a range of programmes. An overview of these supports is provided in Table 3.1. The largest of these is the direct provision of accommodation by local authorities and approved housing bodies (AHBs) to those assessed as qualifying for social housing. Eligibility requires having an income that is below a certain limit at the point of assessment, in addition to being deemed by a local authority to meet a set of more subjective criteria relating to housing need. These income limits have remained largely unchanged since 2011,[7] though incomes have grown strongly in the same period; by 23.7 per cent at the median by 2019 (CSO, 2021). As a result, we estimate that the share of households eligible to apply to their local authority for social housing has fallen from 46.8 per cent in 2011 to 33.9 per cent in 2019, the latest year for which data are available (see Appendix Table A.4). Accommodation is primarily provided in dwellings owned by local authorities and AHBs, with households paying a contribution – called differential rent – which is determined by the financial circumstances and the composition of the household.

Accommodation is also provided indirectly by local authorities and AHBs through the lease of properties owned by private landlords and subsidised by the State. Such support is funded through the Social Housing Current Expenditure Programme (SHCEP) and Rental Accommodation Scheme (RAS), with tenants again paying a differential rent contribution based on their particular circumstances (Norris and Hayden, 2018).

6 Note that this refers to their income at the time of assessment for social housing supports, not necessarily their current income.

7 These were initially set by the Social Housing Assessment Regulations 2011 [S.I. No. 84/2011] but increased by the Social Housing Assessment (Amendment) Regulations 2011 [S.I. No. 136/2011]. Subsequent amendments have left these limits unchanged for households other than those with more than four children.

TABLE 3.1 OVERVIEW OF HOUSING SUPPORTS FOR LOW INCOME RENTERS

Support	Type of provision	Eligibility	Landlord	Responsibility for sourcing accommodation	Rent
Local authority (LA)	Direct – Accommodation is provided in dwellings owned by LAs.	Income below limit and deemed by LA to have housing need.	LA	LA	Tenant pays differential rent contribution.
Approved housing body (AHB)	Direct - Accommodation is provided in dwellings owned by AHBs.	Income below limit and deemed by LA to have housing need.	AHB	AHB	Tenant pays differential rent contribution.
Social Housing Current Expenditure Programme (SHCEP)	Direct – Accommodation is provided by LAs and AHBs through the lease of properties owned by private landlords and subsidised by the State.	Income below limit and deemed by LA to have housing need.	LA or AHB	LA or AHB	Tenant pays differential rent contribution. LAs pay landlords 92% of market rate rent.
Rental Accommodation Scheme (RAS)	Indirect – Tenants live in private rental sector accommodation but pay a differential rent contribution based on their circumstances.	Income below limit and deemed by LA to have housing need.	Private rental sector landlord	LA	Tenant pays differential rent contribution. LAs pay landlords 92% of market rate rent.
Rent Supplement	Indirect – Means-tested payment for households living in private rental sector accommodation who are unable to provide for the cost of their accommodation.	Significant change in financial circumstances, habitual residence, nobody working > 30 hours per week.	Private rental sector landlord	Tenant	Market price rent.
Housing Assistance Payment (HAP)	Indirect – Tenants live in private rental sector accommodation but pay a differential rent contribution based on their circumstances.	Income below limit and deemed by LA to have housing need.	Private rental sector landlord	Tenant	Tenant pays differential rent contribution and top-up if rent not within rent limits. LAs pay landlords full market rent.

RAS was introduced in 2004, with local authorities responsible for sourcing the accommodation in the private market. Under both this and the SHCEP, local authorities pay landlords a rent equivalent to 92 per cent of the market rate and tenants pay a differential rent contribution based on their circumstances. There were 17,682 recipients of RAS at the end of 2020, with a cost of €133 million.[8]

Estimates of the stock of local authority and AHB housing have not been published by the Department of Housing, Local Government and Heritage (DHLGH) since 2016, while those published by the National Oversight and Audit Commission (NOAC) in their 'Performance Indicator Report' series are inconsistent with the Department's estimates where they overlap. We estimate there were 160,527 local authority and 37,611 AHB tenant households in 2020, including those supported through the SHCEP (see Appendix B for details of our calculations). Figures on the cost of this provision are not available.

Rent Supplement is a means-tested social welfare payment for households living in private rental accommodation who are unable to provide for the cost of their accommodation. While often described as a short-term support for households who have seen a significant change in their circumstances, the majority of those receiving the payment have historically had a claim in excess of 12 months duration.[9] Rent Supplement, which is part of the wider Supplementary Welfare Allowance Scheme, is available to households who: have experienced a significant change in financial circumstances; meet habitual residence conditions; and do not contain anyone working more than 30 hours per week.[10] There were 17,893 claimants of Rent Supplement at the end of 2020, with a cost of €133 million. A related payment called Rent Allowance is available to tenants of some dwellings affected by the de-control of rents in 1982, though the number of recipients at the end of 2020 was just 49, with a cost of €0.3 million.[11]

The Housing Assistance Payment (HAP), introduced as a pilot in 2014 before being rolled out nationally in 2017, is similar in many respects to the RAS and is intended to replace RAS and long-term Rent Supplement over time.[12] Unlike under RAS, HAP tenants are responsible for sourcing their own accommodation in the private rental sector and are therefore required to pay a security deposit[13] and, if the tenancy ends, find themselves new accommodation. A potential benefit of HAP relates to choice, in that the prospective tenant can – at least in principle – have choice concerning location, size and other characteristics of the accommodation. As with

8 See 'RAS current expenditure housing programmes 2011 to 2020', spreadsheet, https://www.gov.ie/en/collection/6060e-overall-social-housing-provision/.

9 For example, 23,411 of the 42,683 claims for Rent Supplement in 2000 were of more than 12 months duration, as were 10,473 of the 17,983 claims in 2020 (see Tables H10 and H9 respectively in the relevant editions of the 'Statistical information on social welfare services' annual reports).

10 With the onset of the Covid-19 pandemic, in March 2020 certain qualifying conditions were relaxed, notably the suspension of the rule preventing Rent Supplement claims if an applicant or their partner worked 30 hours or more per week, provided the applicant had suffered a reduction in income due to the public health measures (O'Toole et al., 2020).

11 See Tables H1 and H6 in https://www.gov.ie/en/publication/802ec-2020-annual-statistics-report/.

12 Since 2014, long-term Rent Supplement recipients have gradually been being transferred onto RAS and the HAP (Corrigan and Watson, 2018).

13 This is unless they are approved for Homeless HAP, in which case the local authority funds the deposit.

RAS, tenants must meet the eligibility conditions for social housing and pay a differential rent contribution based on their circumstances to the local authority who pays the full market rent to the landlord. There were 59,821 recipients at the end of 2020, with expenditure amounting to €465 million.[14]

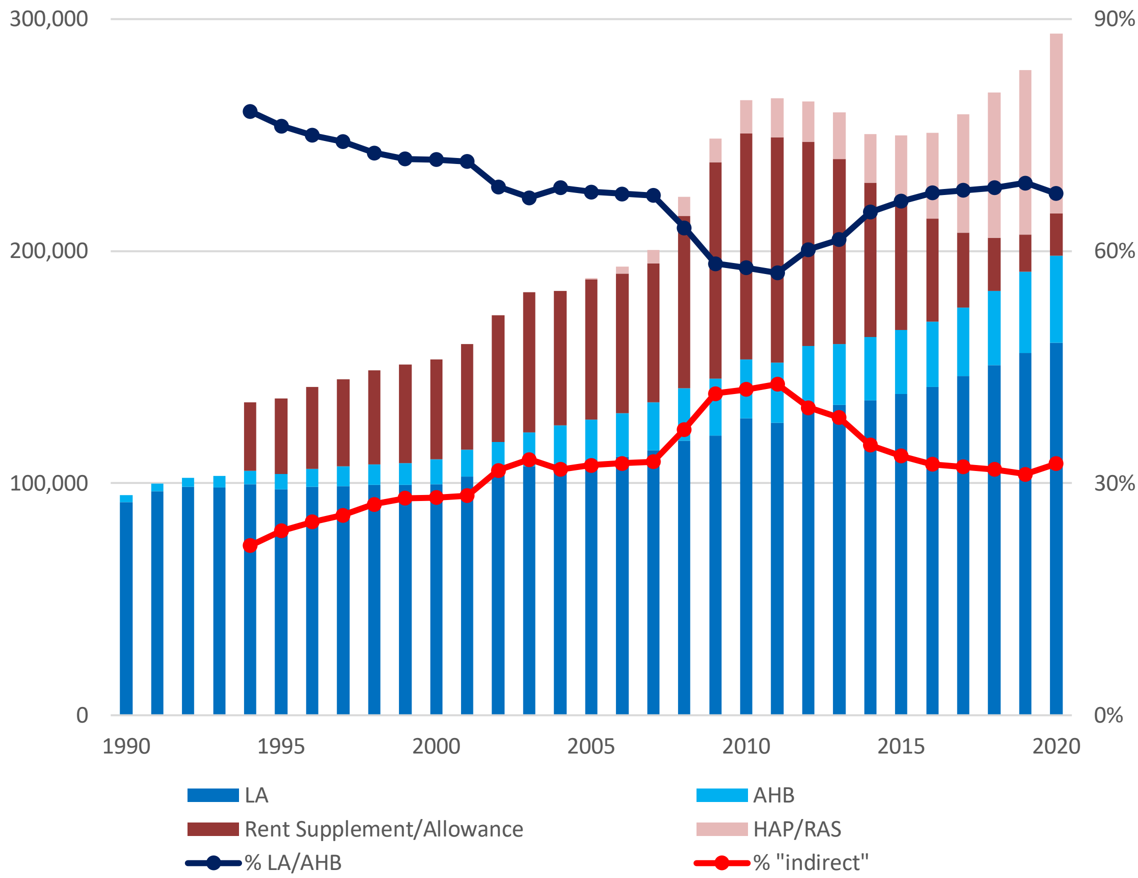
Figure 3.1 presents the evolution of these main income-related housing supports over time, grouping together claims for Rent Supplement and Rent Allowance (in dark red) and claims for HAP and RAS (in lighter red). Overlaid on these bars is the share of supports provided directly (through local authorities and AHBs) and indirectly (through Rent Supplement, Rent Allowance, RAS and HAP). Unfortunately, we cannot provide a comparable figure for expenditure as information is only published on a consistent basis for indirectly provided supports (i.e. HAP, RAS, Rent Supplement and Rent Allowance).

Figure 3.1 shows a clear long-term move away from direct support and towards indirect support over the 1990s and into the early 2000s, with the share supported directly falling from 78 per cent in 1994 to 67 per cent in 2003. Indeed, the number of households in accommodation that was provided directly by local authorities and AHBs was virtually constant throughout the 1990s, with fewer than 1,000 units per year added to the combined stock between 1992 and 2000, almost all through AHBs.

A markedly different picture emerges from 2000 onwards, with the number of households in local-authority-provided housing alone increasing by 60,844 over the first two decades of this century. An expansion in the role of AHBs in providing accommodation for low-income renters is also evident from Figure 3.1: by 2020, we estimate 37,611 households were living in AHB provided housing, a figure that is 3.5 times higher than that for 2000 (10,523). However, this increase has only been sufficient to hold the share receiving direct support at around its 2003 level of 67 percent, with a decline between 2007 and 2011 – arising from the surge in Rent Supplement claims during the Great Recession – reversed between 2011 and 2016 as the economy recovered. This surge in claims, which rose from just under 60,000 in 2007 to a peak of over 97,000 in 2010, and concerns about the effect of financial disincentives to work created by its cliff-edge design contributed to the decision to introduce HAP (Roantree et al., 2019).

14 'HAP Exchequer spend landlord payments 2019–2020', available from https://www.gov.ie/en/collection/6060e-overall-social-housing-provision/#rental-accommodation-scheme-ras.

FIGURE 3.1 RECIPIENTS OF MAIN INCOME-RELATED HOUSING SUPPORT SCHEMES



Source: Authors' calculations based on Norris and Hayden (2016), Department of Social Protection annual statistical reports (various years), DHLGH published statistics and correspondence with DHLGH.

Notes: Local authority and AHB units from DHLGH and Norris and Hayden (2016) respectively for 1994–2016, and authors' calculations thereafter (adding DHLGH figures on new builds, acquisitions, leases, regeneration and voids and subtracting sales: see Appendix B).

Since its introduction in 2014, HAP has become, along with RAS, the primary means of supporting low-income renters in the private rental market. The combined number of claims has risen from 20,173 in 2013 (all RAS) to 77,503 in 2020 (of which just 17,682 were RAS). Over the same time, the number of Rent Supplement (and Rent Allowance) recipients fell from 79,907 to 18,032 as short-term claims ended and longer-term claims were moved over to HAP or RAS. Between 2017 and 2020, while annual expenditure on RAS fell slightly, from €143 million to €133 million, annual expenditure on HAP increased more than threefold, from €152.7 million to €465 million, while claims approximately doubled (Griffin, 2021). This increase in expenditure therefore reflects both the increase in claims and the increase in cost per claim as a result of rising rents.[15] One consequence of this move towards HAP (and RAS) is that 94 per cent of the estimated 293,673 households in supported rental accommodation (275,641 households) now pay, and thereby

15 A report by the Office of the Comptroller and Auditor General finds that between 2018 and 2020 the average monthly HAP payment increased by 9.9 per cent, a similar increase to that seen in the private rental sector more generally. See: https://www.audit.gov.ie/en/find-report/publications/2021/chapter-8-oversight-of-the-housing-assistance-payment-hap-.pdf.

have the level of support they receive determined by, differential rents, the design of which we now turn to examine.

3.2 DIFFERENTIAL RENTS

The rise in the numbers receiving housing supports in recent years, alongside the rapid expansion of HAP, as documented above, has increased the importance of the locally-operated differential rent schemes in Ireland. Pioneered by Cork City Council in the 1930s, this approach of linking tenants' rental contributions to household income and composition instead of the cost of providing the dwelling slowly spread nationwide before being established by the 1966 Housing Act as the way local authorities must set rental contributions (O'Connell, 2007). In the process, however, each local authority adopted their own set of rules, which are intermittently updated, resulting in as many manifestations of the scheme as there are local authorities.[16] Such a highly localised approach stands in stark contrast to the rest of the social welfare system in Ireland, which contains little by way of regional variation in payments or eligibility criteria, reflecting the otherwise highly centralised nature of Irish government (Reidy, 2021; Ladner et al., 2016).

The Government's *Housing for All* plan published in September 2021 committed to reforming the system of differential rents in order to 'ensure tenants pay an equivalent amount of rent regardless of their location'.[17] In this section, we provide an overview of the existing system of differential rents, before going on to illustrate the variation in how these rents and levels of support are calculated across local authorities.

3.2.1 Overview of the differential rent system

The amount of rent contributed by tenants of a local authority or AHB, or by those who are in receipt of HAP or RAS, is determined by a system of differential rents, which, since 1986, has been operated independently by each local authority. The contribution varies according to the financial circumstances and composition of each household and is unrelated to the cost of providing or maintaining the accommodation. Broadly speaking, the differential rent system involves the setting of minimum and, in some cases, maximum rent levels, as well as contribution rates with respect to assessable income and definitions of assessable income, including the treatment of subsidiary income. These parameters are set by each local authority and can therefore differ substantially by area. Table 3.2 presents an overview of the specific parameters used by each local authority. Details were

16 In fact, there are slightly more schemes than local authorities as some town councils also implemented their own differential rent scheme, with that of Bray Town Council in Wicklow retained even after the abolition of town councils in 2014.

17 Such a commitment was also contained in the previous Government's *Rebuilding Ireland* housing strategy.

sourced from public documents on the differential rent system, and its local operation, as provided on local authority websites.

Fourteen local authorities operate a single contribution rate for the principal household earner. There is significant variation in the rate used across these local authorities, ranging from a low of 12 per cent in Fingal up to a high of 22.5 per cent in Longford. The remaining areas apply multiple rates to assessable income, with income above a given threshold assessed at a higher rate than income below the threshold. Across these areas, substantial variation can be found, both in the rates applied and the base and higher income thresholds. For example, in Meath households pay €28 on the first €152 of the principal earner's weekly income, plus 25 per cent of any income in excess of €152. Similarly, in Wexford they pay €30 on the first €171, plus 24 per cent on all in excess of €171. Other areas such as Waterford, however, have multiple income bands with higher rates applied to higher income bands. Nevertheless, even there the rate applied to income above €700 per week remains comparatively low, at only 20 per cent. In Bray, by contrast, the rate applied rises rapidly for higher incomes, with 40 per cent applied to any income earned in excess of €550 per week.

Subsidiary contributions from additional household members are capped in most local authorities, ranging from a weekly amount of €8.88 in Leitrim to a high of €40 in Fingal and Tipperary. Six areas have no maximum subsidiary contribution, while there is also variation (not shown in Table 3.2) in the rate at which subsidiary contributions are calculated.

The minimum total weekly rent ranges from €10.15 in Leitrim to €32 in Galway City. Only two local authorities, Kildare and Monaghan, set no minimum rent. Seventeen areas have no maximum rent cap on the combined principal and subsidiary contributions. Those that do typically impose caps that vary by family type, though in Leitrim and Westmeath they are set at a level determined by the replacement value of the property. These caps are a reason why many high-income-supported renters pay such low rents relative to their incomes. This feature also makes schemes regressive with respect to assessable household income at higher levels of income.

In addition to the parameters highlighted in Table 3.2, definitions of assessable income also vary across local authorities. Assessable income typically includes income from employment, social welfare payments and pensions net of income tax, PRSI and USC where applicable. Additional income from rental properties, savings and investments is also usually included. However, treatment of income from social welfare payments tends to vary. While most local authorities ignore income from Child Benefit and Domiciliary Carer's Allowance, some exclude and others include income from Working Families Payment (a means-tested payment to low-income families with children where someone is in paid work). Similarly, many, though not all, local authorities exclude income from: Carer's Allowance; Fuel Allowance; Living Alone Increase; Exceptional Needs Payments; Over 80 Allowance; boarding out payments; lump sum compensation payments; participation in the Community Employment Programme; participation in the Back to Work Scheme; and assistance from charitable organisations. The treatment of and documentation required as proof of self-employed income is also quite varied, with some local authorities imposing a minimum assumed level of income for certain occupations (e.g. taxi drivers), while others do not. In addition, the treatment of shift allowances and overtime payments frequently differs from one local authority to another.

TABLE 3.2 OVERVIEW OF DIFFERENTIAL RENT SCHEMES BY LOCAL AUTHORITY

Local authority	Max. rent	Min. rent	Principal assessment rate(s) (%, €)	Maximum subsidiary contribution	Multiple rates for principal contributors
Carlow	Yes – €180	Yes – €27	20%	€22	No
Cavan	No	Yes – €30	12.5% (€260) |16% (€260+)	€20	Yes
Clare	Yes – €150	Yes – variable	17%	No	No
Cork City	No	Yes – €24.30	15%	€23.80	No
Cork County	No	Yes – €25	€17 (€140) | 20% (€240+)	€10	Yes
DLR	No	Yes – €22	16%	€18	No
Donegal	Yes – variable	Yes – €17	14.29% (€200) | 16.67% (€200+)	€26	Yes
Dublin City	Yes – variable	Yes – €25.65	15%	€21	No
Fingal	No	Yes – €22	12%	€40	No
Galway City	No	Yes – €32	17%	No	No
Galway County	Yes – €130	Yes – €25	€17 (€100) | 20% (€100+) | €2 for LPT	€16	Yes
Kerry	Yes – variable	Yes – variable	€15.50 (€140) | 20% (€140+)	€15	Yes
Kildare	No	No	€15 (€135) | 20% (€135+)	€10	Yes
Kilkenny	No	Yes – €28	16.67% (€114) | 20% (€114+)	€25	Yes
Laois	Yes - variable	Yes – variable	22%	€16	No
Leitrim	Yes – 5.25% of original all in cost ÷52	Yes – €10.15	20%	€8.88	No
Limerick City and County	Yes – variable	Yes – €30	14.5% (€275) | 19% (€275+)	No	Yes
Longford	Yes – variable	Yes – €25	22.5%	€15	No
Louth	No	Yes – €25	11% (€254) | 13% (€254-€306.99) | 15% (€307 – €381.99) | 16% (€382+)	€19	Yes
Mayo	No	Yes – €30	16%	€20	No
Meath	Yes – €190	Yes – €28	€28 (€152) | 25% (€152+)	€10	Yes
Monaghan	No	No	20%	No	No
Offaly	Yes – 5.25% of rep value ÷ 52	Yes – variable	22%	€25	No

TABLE 3.2 (CONTD.) OVERVIEW OF DIFFERENTIAL RENT SCHEMES BY LOCAL AUTHORITY

Local authority	Max. rent	Min. rent	Principal assessment rate(s) (%, €)	Maximum subsidiary contribution	Multiple rates for principal contributors
Roscommon	No	Yes – variable	10% (€100) | 20% (€100+)	€15	Yes
Sligo	No	Yes – €22	€22 (€179) | for every €5 increase in inc. above €179, rent increases by €1 | 20% (€324+)	€30	Yes
South Dublin	No	Yes – €23	10% of HH assessable inc. + €3 + Further 10% charge on income in excess of relevant income threshold	No	Yes
Tipperary	Yes – variable	Yes – variable	€20 (€200) | 20% (€200+)	€40	Yes
Waterford City and County	No	Yes – €26	(13%) €250 | (14%) €251-€350 | (15%) €351-€425 | (16%) €426-€599 | (18%) €600-€699 | (20%) €700+	No	Yes
Westmeath	Yes – 5.25% of rep value ÷ 52	Yes – variable	22%	€25	No
Wexford	No	Yes – €30	€30 (€171) + 24% (€171+)	€20	Yes
Wicklow	Yes – €200	Yes – €27	20% + €24 + 3% of final rent after allowances and deductions	€27	No
Bray TC	No	Yes – €24	€24 (€220) | €24 + 20% of inc. in band (€220-350) | €50 + 30% of inc. in band (€350-€550) | €110 + 40% of inc. over band (€550+)	€24	Yes

Source: Details are sourced from public documents on local differential rent schemes, available on local authority websites.
Note: Minimum and maximum rents refer to the weekly minimum and maximum payments.
The assessment rates are applied to a principal's assessable income. The exact definition of assessable income is determined by each local authority; however, it typically includes employment and self-employment income net of income tax, PRSI and USC, plus social welfare payments.
Kildare, Louth and Sligo have special maximum rent provisions where the principal tenant is aged 65 or above.
*Technically as follows for Sligo: €22 on first €179 + €1 rent increase for every €5 increase in income between €179-€324 + 20% on all > €324. HH=household.

In sum, substantial variation occurs in the calculation of differential rents across local authorities, both in terms of what constitutes assessable income and in the contribution rates and thresholds applied. This raises questions of horizontal equity – equal treatment of equal households – among tenants, which is the subject of the next section.

3.2.2 Variation in levels of support

In the previous section we documented significant variation in the way differential rents are calculated across local authorities. Given the complexity and degree of variation, the resulting impacts on households are unclear. In this subsection we therefore illustrate the resulting variability in levels of support for identical households, across local authorities, by calculating the differential rents for two family types: i) a lone parent with two children and assessable annual income of €25,000; and ii) a single adult working full-time at the minimum wage. We focus on these family types because both Corrigan (2019) and the Central Statistics Office (CSO, 2020) have showed single adults and lone-parent families to be disproportionately likely to be in local authority and HAP accommodation.[18] Given the complex differences in how the differential rent system operates locally (as shown above), focusing on single earner households also allows us to avoid the complications around treatment of second earners.

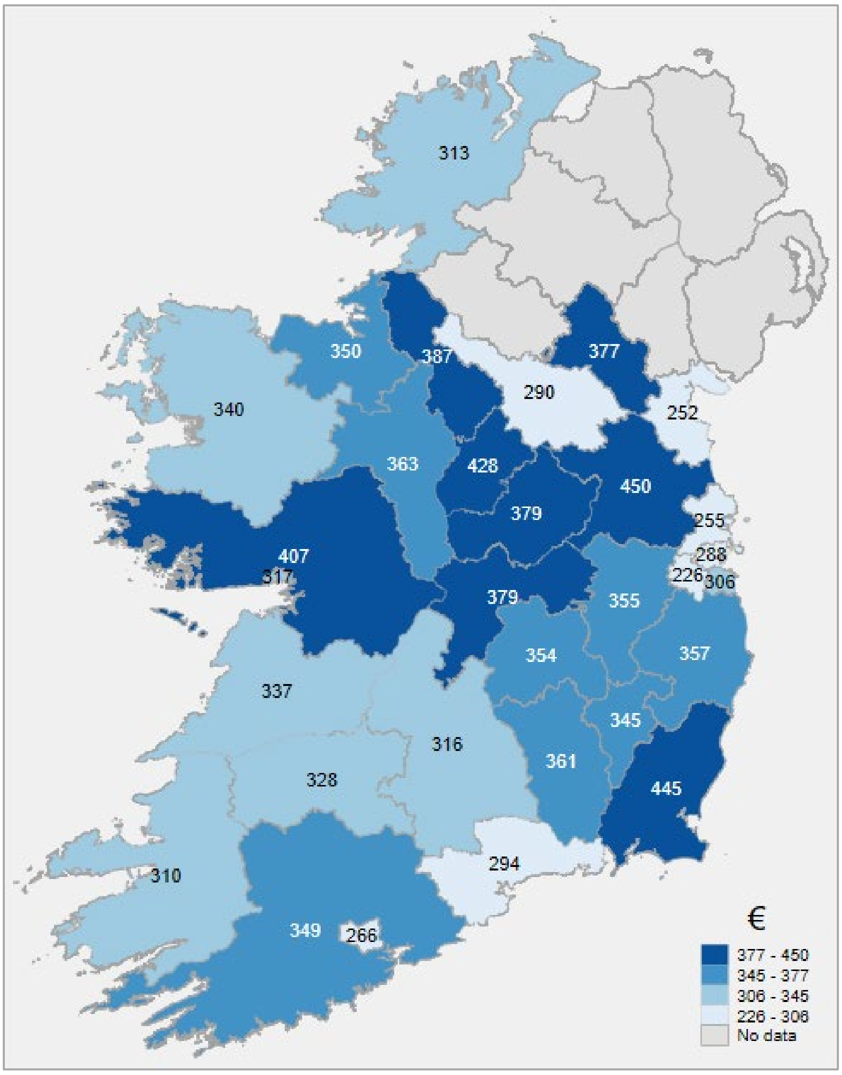
Figure 3.2 shows that the net effect of variation in the local operation of the differential rent system is that support for families in identical circumstances can vary highly, depending on their local authority. The differential rent for the 'lone parent with two children' family ranges from €226 per month in South Dublin County Council to double that, at €450 per month, in Meath. This variation does not appear to be linked to variation in market price rents. Indeed, urban areas, which typically see the highest market rents, have among the lowest differential rent for this family type. Notably, differential rents are lower in Cork City and Galway City than they are in Cork County and Galway County, while three of the five lowest differential rents nationally for this family type are found within Dublin.

There are some similarities across areas; for instance, towards the south-east, the monthly figures for Kilkenny, Carlow, Laois, Kildare and Wicklow all fall within €16 of each other. However, one particularly striking feature of the variation outlined in Figure 3.2 is that there are vast differences between some neighbouring areas. Neighbouring counties Louth and Meath have the second lowest and the highest monthly differential rent respectively for our 'lone parent with two children' family and €25,000 in assessable income. Such a family living in Louth could expect to pay €252 per month, whereas just across the border in Meath this respective figure would be €200 more, at €450 per month. Similarly, the same household would pay €90 more per month in Galway County relative to Galway City, €100 more per

[18] Circa 65 per cent of new HAP recipients in 2019 were single adults or lone parents (Table 1.1, CSO, 2020).

month in Wexford than in neighbouring Carlow and nearly €140 more in Longford than in nearby Cavan. Given Russell et al.'s (2021) finding that lone parents are much more likely to experience poor housing than other household types, it is striking that they may be paying very different rents for this housing.

FIGURE 3.2 MONTHLY DIFFERENTIAL RENT (€): THE LONE PARENT WITH TWO CHILDREN FAMILY

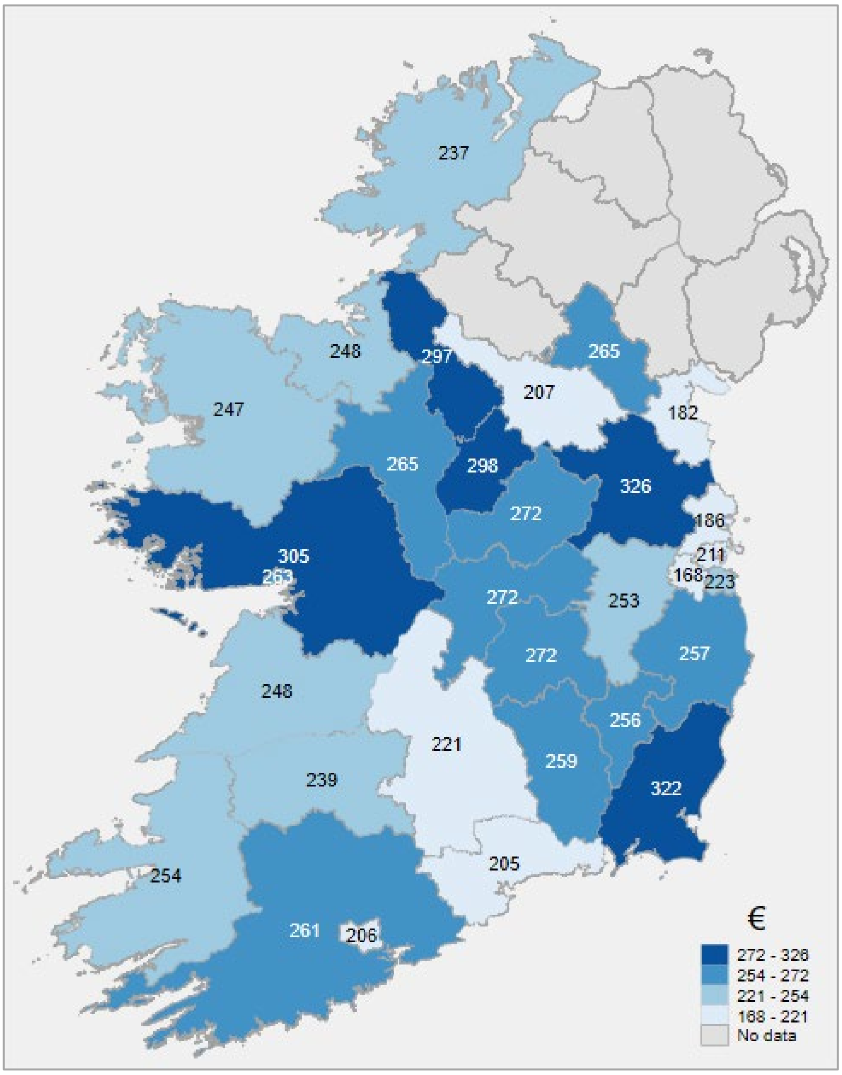


Source: Authors' calculations based on details sourced from public documents on local differential rent schemes, available on local authority websites.
Notes: Lone parent of two children under the age of 14 with assessable income of €25,000 per year.

Figure 3.3 shows a somewhat similar, although not identical, pattern of variation in monthly differential rent amounts for our 'single minimum wage earner' family. This ranges from a low of €168 in South Dublin County Council to almost double that, at €326 per month, in Meath.

These simple examples highlight the substantial geographic disparities in support for otherwise identical households created by the highly localised system of differential rents. In doing so, they raise questions around horizontal equity – the idea that similar households ought to be treated similarly for tax and welfare purposes. As we have seen, using differential rents to determine these contributions means that two otherwise identical households living in different local authorities can receive vastly different levels of support, even when renting properties with the same market value.

FIGURE 3.3 MONTHLY DIFFERENTIAL RENT (€): THE SINGLE MINIMUM WAGE EARNER FAMILY



Source: Authors' calculations based on details sourced from public documents on local differential rent schemes, available on local authority websites.
Notes: Single adult with assessable income of €18,211 per year (net income in 2022 from working 35 hours per week at the minimum wage).

Such disparities are also difficult to justify for tenants of local authority or AHB housing. An appeal to some principle of localism is hard to reconcile with the otherwise highly centralised nature of the Irish State and broader welfare system. Indeed, to the best of our knowledge, the only other welfare payment (broadly defined) whose rate depends on the geographic location of the recipient is the Student Maintenance Grant (which even then depends only on whether the recipient ordinarily lives more or less than 45 kilometres from their place of study).

Neither can these disparities be justified on the basis of a link between the rent charged and the cost of building, acquiring or maintaining local-authority owned property. Table 3.1 shows that, in the words of O'Connell, 'there is no systematic linkage between the housing service provided (i.e. dwelling style, quality, extent of maintenance and refurbishment) and the rent paid by the tenant' (1999, p. 73). This is illustrated by the fact that contributions for the family types considered above are significantly less in the cities of Dublin, Cork and Galway than their surrounding hinterlands, despite new house prices – and thereby the marginal cost of adding to the stock of local-authority owned property – being significantly higher in these areas (CSO Table HPA02,[19] Lyons, 2021). As a result, local authority rental income 'usually falls well below management and maintenance costs and makes no contribution to servicing the capital cost of dwellings' (O'Connell, 1999, p.73).[20] Indeed, Norris (2016) and Corrigan (2019), among others, have argued that this creates a disincentive for local authorities to invest in the direct provision of social housing, given that it requires ongoing expenditure even if the capital cost is fully financed by a grant from Government.

3.3 INTERACTION WITH THE PRIVATE RENTAL SECTOR

The increased provision of indirect social housing supports outlined in Section 3.1 means that developments in the private rental sector have important implications for low-income renters. In this section, we explore interactions between housing supports and the private rental sector. First, we provide an overview of recent developments in prices and activity in the Irish private rental sector. Following this, we focus on availability, using tenancy registration data from the Residential Tenancies Board (RTB) to examine the share of properties that fall within the rent limits for the HAP scheme and how this has changed in recent years.[21] The RTB is a public body tasked with monitoring and implementing regulations in the Irish private rental market. It is a legal requirement for tenancies to be registered with the RTB. The dataset we use contains all new registered tenancies with information on both rental prices and on the characteristics of both the tenancy and the property. Further details are outlined below.

3.3.1 Developments in prices and market activity in private rental sector

Figure 3.4 plots changes in the RTB Rent Index for Dublin, the Greater Dublin Area (GDA) and outside the GDA, between Quarter 3 of 2007 and Quarter 3 of 2021.[22] While rents declined significantly during the global financial crisis and resulting recession, they have since rebounded and far surpassed their pre-crisis peak right across the country. By Quarter 1 2020, rent levels in Dublin stood at 37 per cent above their Quarter 4 2007 level and 87 per cent above their Quarter 1 2011

19 See https://data.cso.ie/table/HPA02.

20 O'Connell (1999) cites statistics from the Department of Environment and Local Government for total rental income of £68 million in 1997 (£693 per dwelling), substantially below the €105 million in management and maintenance expenditure (£1,071 per dwelling). The Department's 2005 Annual Housing Statistics Bulletin (p. 69) show that this remained true through the early 2000s, but such information is unfortunately no longer published.

21 We focus on HAP rent limits in this analysis but also present results for Rent Supplement limits in Appendix Table A.5.

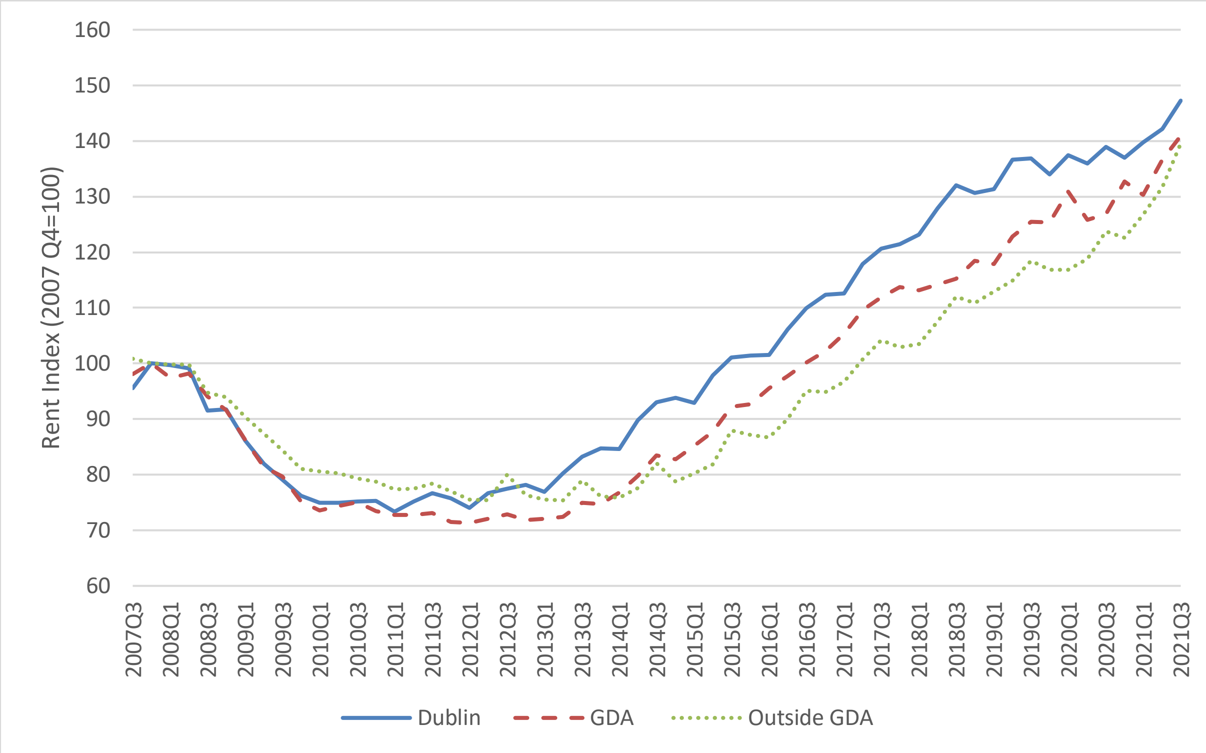
22 It is important to note these measures refer solely to the rental growth of newly registered tenancies each quarter, i.e. those who have found new accommodation in each period; they do not measure rental growth faced by sitting tenants.

trough. With the onset of the Covid-19 pandemic, rental inflation stalled. However, with the easing of public health restrictions and the strong economic recovery, rental inflation picked up in 2021. The growth in rental prices has been especially strong outside of Dublin and the GDA. While rental prices in these areas stood 17 per cent above their Quarter 4 2007 levels just prior to the pandemic in Quarter 1 2020, by Quarter 3 2021 they had increased to around 40 per cent above their Quarter 4 2007 levels.

In addition to the rapid rental growth observed, Figure 3.5 highlights the reduction in market activity over time, measured by the number of registered tenancies used to compute the RTB Rent Index. There are a number of likely reasons behind the fall in tenancies over time, most notably a lack of supply relative to demand, as well as people remaining in the rental sector (and therefore their tenancies) for longer. While the number of registered tenancies has been falling gradually over time, the number of registrations in Quarter 3 2021 marked a significant decline relative to pre-pandemic levels, with an absence of the usual seasonal Quarter 3 spike in registrations. Nationally, the number of registered tenancies fell 31 per cent between Quarter 3 2019 and Quarter 3 2021.

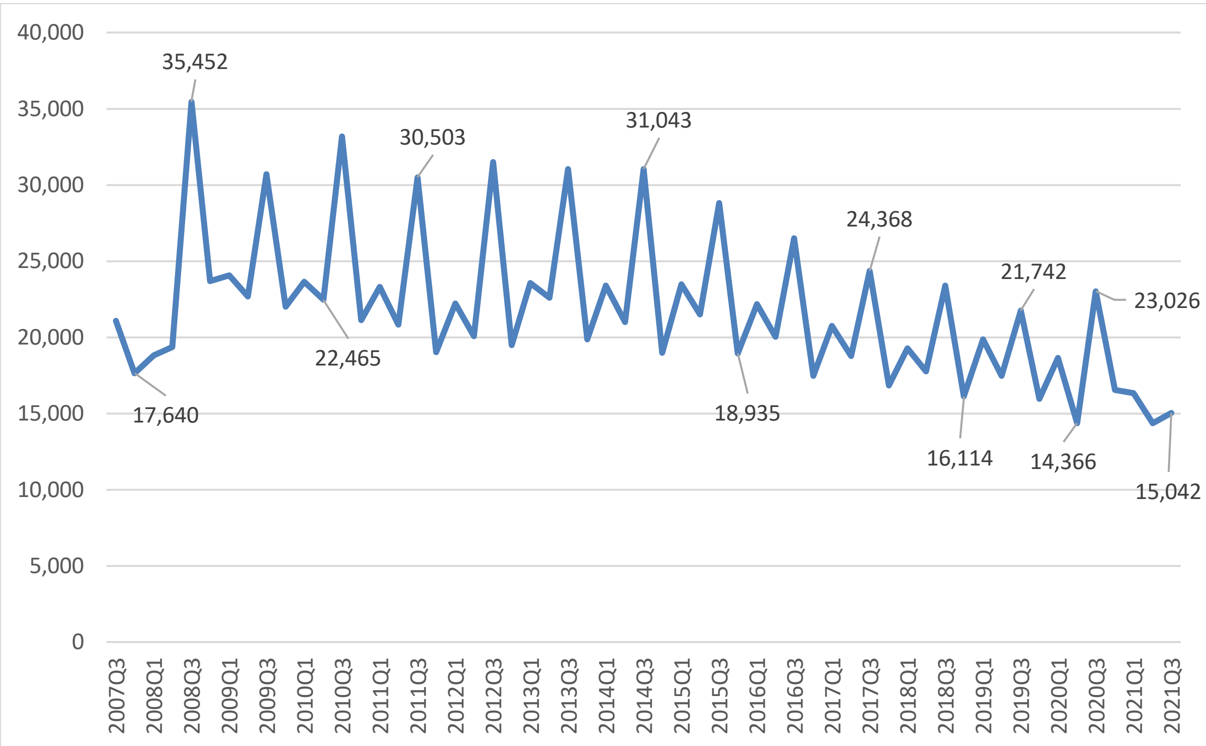
While all counties saw a decline in registrations over this period, Figure 3.6 highlights that this development was more marked in smaller, more rural rental markets. Indeed, the proportional decline was largest in Leitrim (the county with the smallest number of tenancies), at 63.4 per cent, and smallest in Dublin (the county with the greatest number of tenancies), at 14.5 per cent. The implications for low-income renters of the rising rents and declines in market activity observed in recent years will be examined in the next section.

FIGURE 3.4 RTB RENT INDEX, Q3 2007 – Q3 2021



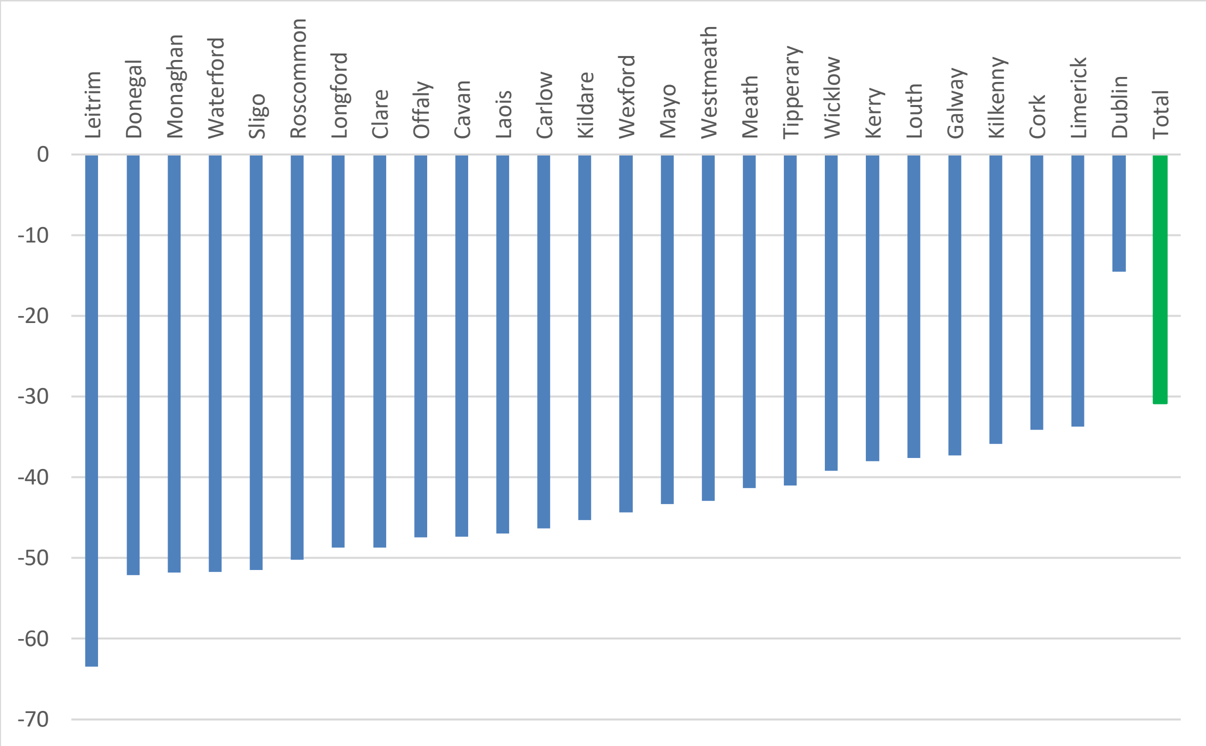
Source: Residential Tenancies Board
Notes: Calculations based on new tenancies registered in each quarter.

FIGURE 3.5 REGISTERED NEW TENANCIES FOR COMPUTATION OF RTB RENT INDEX, Q3 2007 – Q3 2021 (N.)



Source: Residential Tenancies Board
Notes: New rents refers to the number of tenancies in the final estimation sample for computation of the Q3 2021 Rent Index.

FIGURE 3.6 PERCENTAGE CHANGE IN REGISTERED NEW TENANCIES, BY COUNTY (Q3 2019 – Q3 2021)



Source: Residential Tenancies Board
Notes: New rents refers to the number of tenancies in the final estimation sample for computation of the Q3 2021 Rent Index.

3.3.2 Rent limits

A key feature of the provision of social housing supports through the private rental sector is that the full market rent of the property must fall below a local authority and household type specific rent limit set by the Minister for Housing.[23] For instance, while tenants on HAP pay a contribution to their local authority determined by that authority's operation of the differential rent system, the full market rent of the property must fall within the rent limit. The most recent HAP rent limits are set out in Statutory Instrument No. 56/2017 Housing Assistance Payment (Amendment) Regulations 2017, which came into operation on 1 March 2017.[24]

We use tenancy registration data from the RTB to examine the share of properties that fall within the rent limits for the HAP scheme and how this has changed in recent years. It is a legal requirement for tenancies to be registered with the RTB and the dataset we use contains all new registered tenancies with information on

23 We focus on HAP rent limits in this analysis but do present results for Rent Supplement limits (100 per cent of the limits) in Appendix Table A.5. Rent Supplement rent limits are very similar or identical to HAP limits for the majority of local authorities. M4-M1 commuter towns in Kildare, Louth and Meath and M11 commuter towns in Wicklow have different Rent Supplement rates from their broader local authority areas.

24 See https://www.irishstatutebook.ie/eli/2017/si/56/made/en/print. These set out regionally varying limits for: single person in shared accommodation; couple in shared accommodation; single person; couple with no qualified children; couple with one qualified child or one parent with one qualified child; couple with two qualified children or one parent with two qualified children; couple with three qualified children or one parent with three qualified children.

both rental prices and on the characteristics of both the tenancy and the property (examples include frequency of rental payment, dwelling type and the number of bedrooms in the dwelling).[25] We use these data to calculate the percentage of new tenancies registered with the RTB that had an agreed monthly rent equal to or below the HAP rent limits. We conduct this analysis for both 2017, when the current HAP rent limits were introduced, and 2020, the most recent year for which full data are available. As discussed in the previous section, this covers a period of rapid rental price inflation in the private rental sector, with prices increasing 15 per cent nationally between Quarter 4 of 2017 and Quarter 4 of 2020. Rent limits have remained unchanged throughout this period.

The maps presented in Figures 3.6 and 3.7 show the percentage of tenancies with a monthly rent equal to or below 120 per cent HAP rent limits by local authority area in 2017 and 2020. We present results for 120 per cent of the rent limits as local authorities can apply an additional discretionary 20 per cent above rent limits for non-homeless HAP applicants where deemed necessary.[26,27] Analysis by the Department of Public Expenditure and Reform shows that in Quarter 2 of 2019, 40 per cent of active tenancies had rents above 100 per cent of the statutory limits, up from 12.6 per cent in 2016 (Kilkenny, 2019). In our analysis that follows, we focus on two family type/property combinations: i) one-bedroom properties for single individuals (Figure 3.7) and ii) two-bedroom dwellings for a single adult/couple with two children (Figure 3.8).

The first clear finding shown by Figure 3.7 is the significant variation in the proportion of each rental market open to single individuals when the current rent limits were set in 2017, ranging from a low of five per cent in Dún Laoghaire–Rathdown to a high of 66 per cent in Leitrim. The lowest shares of one-bedroom properties within the rent limits were found in cities. Within Dublin, this ranged from only 5 to 6 per cent in Dún Laoghaire–Rathdown, South Dublin and Fingal, to 17 per cent for Dublin City. Elsewhere, the shares were noticeably lower in Cork City than in Cork County (27 versus 73 per cent) and in Galway City than in Galway County (31 versus 91 per cent). This is consistent with the finding of Norris and Hayden (2018) that difficulties in accessing housing in the private rental sector under HAP were concentrated in urban areas with strong rental inflation pressures, with little difficulty experienced in rural-based local authorities. Overall, in 19 out of 31 local authorities, at least two-fifths of one-bedroom tenancies registered in 2017 were below the 120 per cent HAP limits. From the left-hand map in Figure 3.7, however, it is clear that low shares were evident in some more rural areas such as Longford and Monaghan. This likely reflects the size of the rental markets in

25 Note the sample used for these calculations is the same as the sample used for the Quarter 2 of the 2021 RTB Rent Index report. See Appendix 2 of the RTB Rent Index report for more details on the RTB data and on the sample itself.

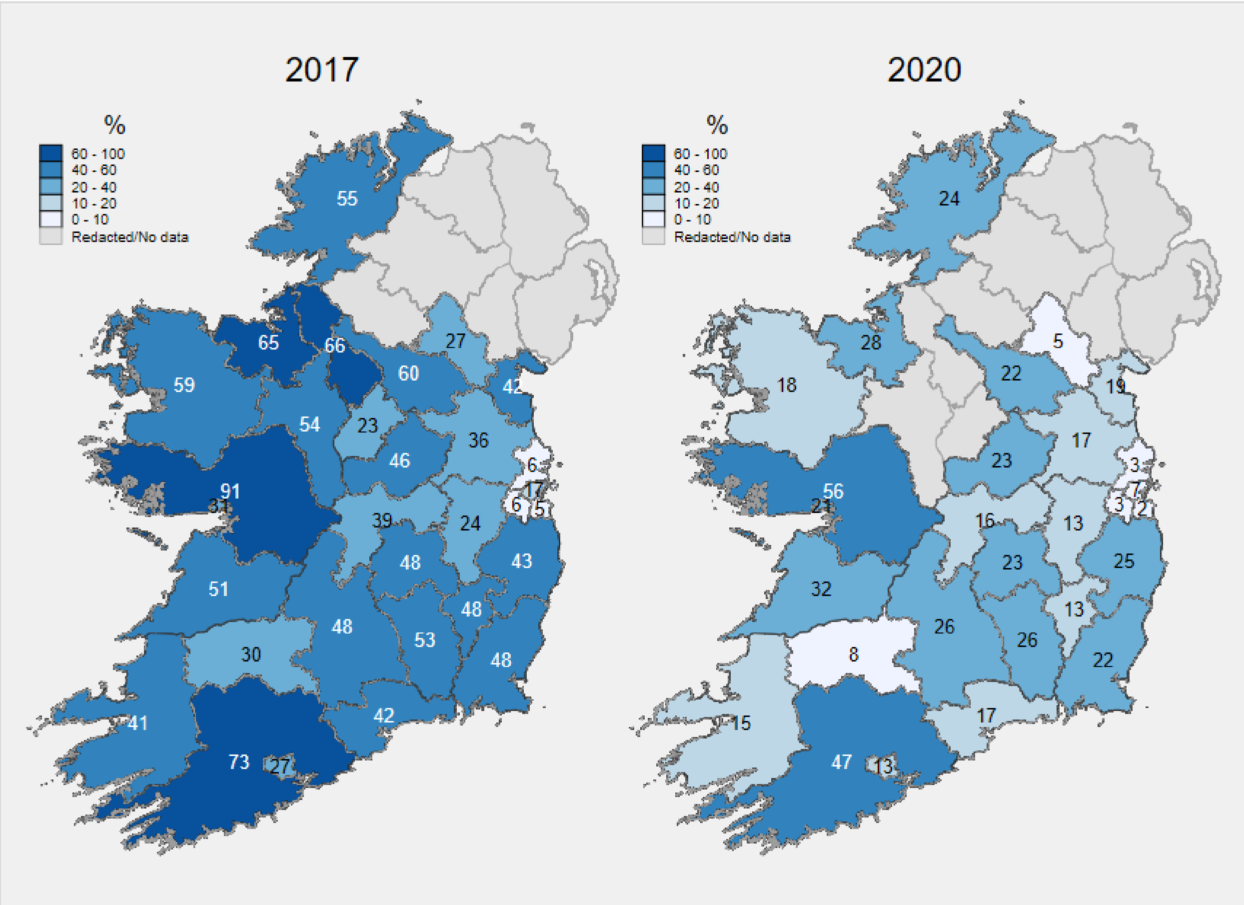
26 See https://www.citizensinformationboard.ie/downloads/social_policy/HAP_Report_CIB_2017.pdf.

27 Results based on 100 per cent of the HAP rent limits are presented for comparison in Appendix Table A.6.

these more rural counties and in particular the lack of one-bedroom properties there.

Figure 3.7 highlights the rapid decline in the share of registered tenancies under the 120 per cent rent limits for single individuals seen right across the country since 2017. Urban areas remain the worst affected; in 2020 only 6 per cent of one-bedroom tenancies registered in Dublin came under the limit, with a low of just under 2 per cent in Dún Laoghaire–Rathdown. Limerick (8 per cent) and Cork City (12 per cent) saw similarly low figures. However, rapid declines are evident throughout the country; by 2020 only 7 out of 31 local authorities had at least one-quarter of one-bedroom tenancies registered below the 120 per cent HAP limits.

FIGURE 3.7 MAP OF PERCENTAGE OF ONE-BEDROOM PROPERTIES FOR SINGLE ADULT WITHIN 120% HAP LIMIT, 2017 AND 2020

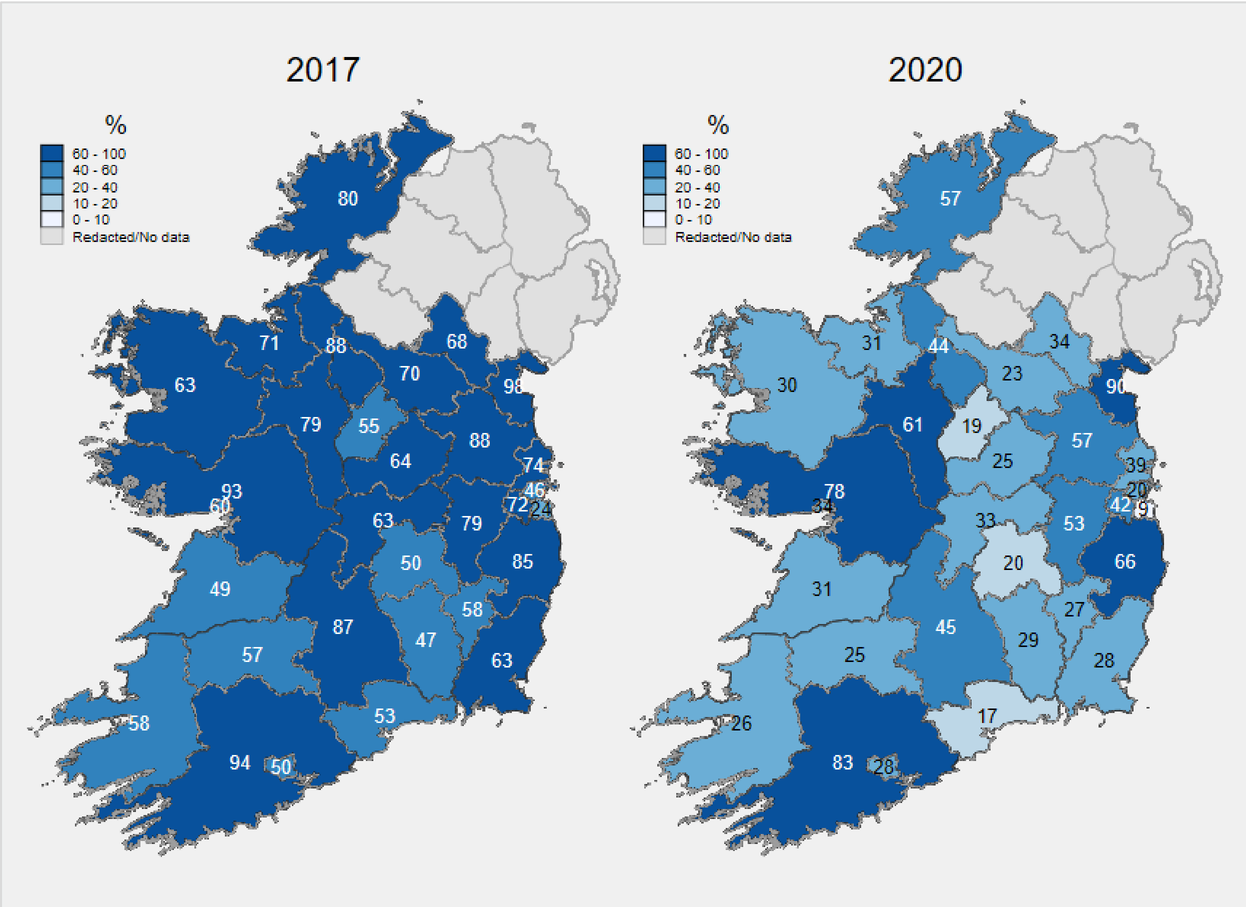


Source: Authors' calculations based on RTB residential tenancies registrations data.
Note: Results are redacted if fewer than 30 observations are made for that property type and/or fewer than 5 observations within the rent limits.

The picture is somewhat different for households with two children. From Figure 3.8, we see that in 2017, in all but four local authorities, at least half of registered tenancies for two-bedroom dwellings fell below 120 per cent of the rent limits for households with two children. For single-adult households, 2017 saw a clear lack of availability of suitable properties in urban areas, particularly in Dublin. This pattern was less evident for households with two children, however. Dún

Laoghaire–Rathdown had by far the lowest rate of tenancies falling below the 120 per cent rent limit, at 24 per cent, but Dublin City had 46 per cent and only 2 other areas, Kilkenny and Clare, had fewer than half of registered two-bedroom tenancies within 120 per cent of the rent limits. In 2017, there was therefore an adequate share of properties within 120 per cent of the rent limits in all areas for two-child families.

FIGURE 3.8 MAP OF PERCENTAGE OF TWO-BEDROOM PROPERTIES FOR SINGLE/COUPLE WITH TWO CHILDREN WITHIN 120% HAP LIMIT, 2017 AND 2020



Source: Authors' calculations based on RTB residential tenancies registrations data.
Note: Results are redacted if there are fewer than 30 observations for that property type and/or fewer than 5 observations within the rent limits.

Between 2017 and 2020, this picture changed dramatically, with 14 of the 31 local authorities seeing a fall of at least 50 per cent in availability. Availability remained robust in the Greater Dublin Area, as well as in both Cork County Council and Galway County Council. However, by 2020 less than 25 per cent of registered two-bedroom tenancies fell within 120 per cent of the rent limits for a household with two children in Dublin City, Dún Laoghaire–Rathdown, Cavan, Longford, Westmeath, Laois, Waterford and Limerick. Again, we see a mix of urban and rural areas most affected. This likely reflects two things: higher demand pressures in more urban areas and the small nature of many rural rental markets.

To summarise, from Figures 3.7 and 3.8 it is clear that rent limits have consistently been tight for single individuals, especially for those in urban areas, but that by 2020 there were very low levels of properties available across the country, even with the additional discretionary 20 per cent added to the stated rent limits. There have also been large falls nationwide in the share of two-bedroom properties available to households with two children and by 2020 there was significant variation in availability across areas.

In Chapter 2 we showed that those in receipt of housing supports face much lower rents than unsupported renters, both in absolute terms and relative to their incomes. Housing supported tenants in the private rental sector has the potential to provide tenants with greater choice of accommodation and location. However, an increased reliance on the private sector to house those eligible for housing supports does present significant challenges. While those housed in local authority or AHB-owned properties are not directly affected by developments in the private rental market, this is not the case for recipients of HAP, RAS or Rent Supplement, either in terms of availability or affordability. A combination of rapid rental inflation, unchanged rent limits and a fall in market activity over time have led to a significant reduction in available properties for low-income renters in the private sector. While these concerns were previously limited to urban areas, they are now widespread across the country. Furthermore, even where properties are available within the relevant rent limits, in such a constrained, competitive private rental sector, it can be difficult for households in receipt of supports to compete with non-supported tenants (Simon Community, 2021).

Where households are unable to source accommodation under these limits, they make additional top-up payments to the landlord.[28] Analysis by the Department of Public Expenditure and Reform shows that in Quarter 2 of 2019, 40 per cent of active tenancies had rents above the statutory limits, up from 12.6 per cent in 2016 (Kilkenny, 2019). It also shows that 28 per cent of HAP recipients in 2019 were making additional top-up payments to landlords. This indicates that, in practice, many of these low-income households are likely to be facing a higher rental cost burden than indicated by the differential rent they pay.

As we have seen, the differential rent paid by low-income households varies significantly across local authorities because of variations in the local design and operation of the differential rent system. We now turn to look at the impact of this variation on the financial work incentives of claimants, a key element of the design of these schemes.

28 See https://www.threshold.ie/advice/seeking-private-rented-accommodation/housing-assistance-payment-hap/.

CHAPTER 4

Housing supports and financial work incentives

We saw in Chapter 3 that there are currently almost 300,000 households in receipt of housing supports, both direct and indirect. As well as contributing to the lower, more affordable rents paid by these households compared to unsupported private renters, these supports – by virtue of being means-tested – also affect the financial incentives individuals face to be in paid work, or to work an additional hour. Despite this, most analyses of financial work incentives to date have not accounted for these supports (see, for example, Callan et al, 2016; Boyle, 2018; Bercholz and Keane, 2019).[29] Given the high number of recipients, alongside the significant geographical variation in the design of the differential rent system (see Chapter 3), this raises a question about the accuracy of previous estimates of financial work incentives. In this section, we assess whether, and if so how, accounting for housing supports affects estimates of financial work incentives faced by those living in supported rental accommodation.[30]

4.1 MEASURING FINANCIAL WORK INCENTIVES

4.1.1 Methodology and data

We use SWITCH, the ESRI's tax and benefit microsimulation model as described comprehensively in Keane et al. (2022), to assess how accounting for housing supports affects estimates of financial work incentives for those living in supported rental accommodation.[31] SWITCH allows us to calculate households' social welfare entitlements, tax liabilities and net incomes given their actual or hypothetical circumstances, notably employment status. We run SWITCH (v4.6) on data from the 2019 Survey on Income and Living Conditions (SILC), uprating monetary variables to 2022 levels using outturn and forecast earnings, output and price growth. The scale, depth and diversity of this survey (see Appendix B.2) enables the provision of an overall picture of the impact of the policy changes on Irish households. The picture that emerges is much more nuanced than that shown by the selected example cases considered earlier, but at the cost of much greater complexity.

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29 An exception is Roantree et al. (2019), in a study that examines the potential impacts of moving long-term Rent Supplement claimants onto HAP on financial work incentives. The scenario set out here involves a national differential rent scheme, as proposed by the Housing Agency. They do not, however, consider the financial work incentives of local authority or AHB tenants, who make up the vast majority of those paying differential rent and receiving housing supports.

30 A distinct and separate analysis, which we do not undertake, would be to estimate the exact impact of reforms to or the introduction of housing supports on the financial work incentives of recipients and potential recipients.

31 This section draws on the discussion in Callan et al. (2016) on how to measure financial work incentives.

Our sample of interest for this analysis comprises individuals of working age who live in a household where someone receives Rent Supplement or pays differential rent to their local authority. We take as our baseline the tax and benefit system in place at the beginning of 2022, ignoring the temporary COVID-19 related measures such as the Pandemic Unemployment Payment and the Temporary Wage Subsidy Scheme. We calculate a range of financial work incentive measures (described below) for this baseline system and compare them to those from a system that also incorporates Rent Supplement entitlement and differential rent contributions, using details collected from the websites of each city and county council.

4.1.2 The financial incentive to be in paid work

There are two main measures of the incentive to be in paid work. The replacement rate gives an individual's out-of-work income as a percentage of their in-work income, and is defined as:

$$RR = \frac{net\ income\ out\ of\ work}{net\ income\ in\ work}$$

For example, an individual whose net weekly income when out of work was €200 and whose net income in work was €450 would have a replacement rate of 44 per cent.

The participation tax rate (PTR) gives the proportion of earnings that are taken away in tax or lower benefit entitlements when an individual starts work; that is:

$$PTR = \left(1 - \frac{net\ income\ in\ work - net\ income\ out\ of\ work}{gross\ earnings}\right)$$

For our example, an individual with weekly gross earnings of €568, this gives a PTR of 56 per cent.

For both the replacement rate and PTR:

- Lower numbers indicate stronger financial incentives to work and higher numbers weaker financial incentives to work.[32]
- Net income means income at the household level after benefits have been added and taxes deducted. We examine the impact of housing supports on financial work incentives by calculating measures with and without Rent Supplement and differential rent contributions for our sample both when working and when not working. In all cases, partner behaviour is held constant when calculating an individual's financial work incentive so as to

32 A PTR of zero per cent would indicate that an individual did not have to pay any tax on their earnings and did not lose any benefit entitlement when they started work, whereas a replacement rate of zero per cent would indicate that an individual would not receive any income if they did not work. A PTR or replacement rate of 100 per cent would indicate that all of an individual's earnings would be taken from them in tax or lower benefit entitlements if they worked, so they would be no better off working than not working.

capture the work incentive for an individual of being in paid work (rather than both members of a couple).

- Both these measures attempt to capture the incentive to work, but they are conceptually different. Broadly speaking, the replacement rate measures the absolute strength of financial incentives to work, whereas the PTR measures the effect of the tax and benefit system on work incentives. To better understand this, consider a) an equal cash gain in each of in-work and out-of-work incomes, and b) an increase in the hourly wage.
- An increase in income of a constant euro amount at all hours (including zero) does not change the PTR but increases the replacement rate. That is, the PTR would suggest no change in incentives, but the replacement rate would suggest that they have become weaker.
- At a given level of hours of work, an increase in the gross hourly wage will strengthen work incentives according to the replacement rate but will have ambiguous effects according to the PTR.

From the above example, it is clear that the replacement rate measure of financial work incentives captures the effect not only of the tax and welfare system but also earnings power. By contrast, the PTR is largely driven by how the tax and benefit system, rather than potential wages, affects the financial incentive to work. In other words, while the replacement rate can conflate the incentives created by taxes, welfare payments and earnings power, the PTR distinguishes – to a greater extent – between whether a reduced reward to work is caused by higher taxes and benefits or lower wages. Both are of interest, and because of this difference in what the two measures are describing, the empirical analysis that follows will use both.

4.1.3 The financial incentive to progress

The incentive for those in work to increase their earnings can be measured by the effective marginal tax rate (EMTR). The EMTR measures what proportion of a small change in employee earnings is lost to tax payments and forgone state benefit entitlements. It tells us about the strength of the incentive for individuals to increase their earnings slightly, whether through working more hours, or through promotion, qualifying for bonus payments or getting a better-paid job. We use the term ‘incentive to earn more’ to describe this set of possibilities.

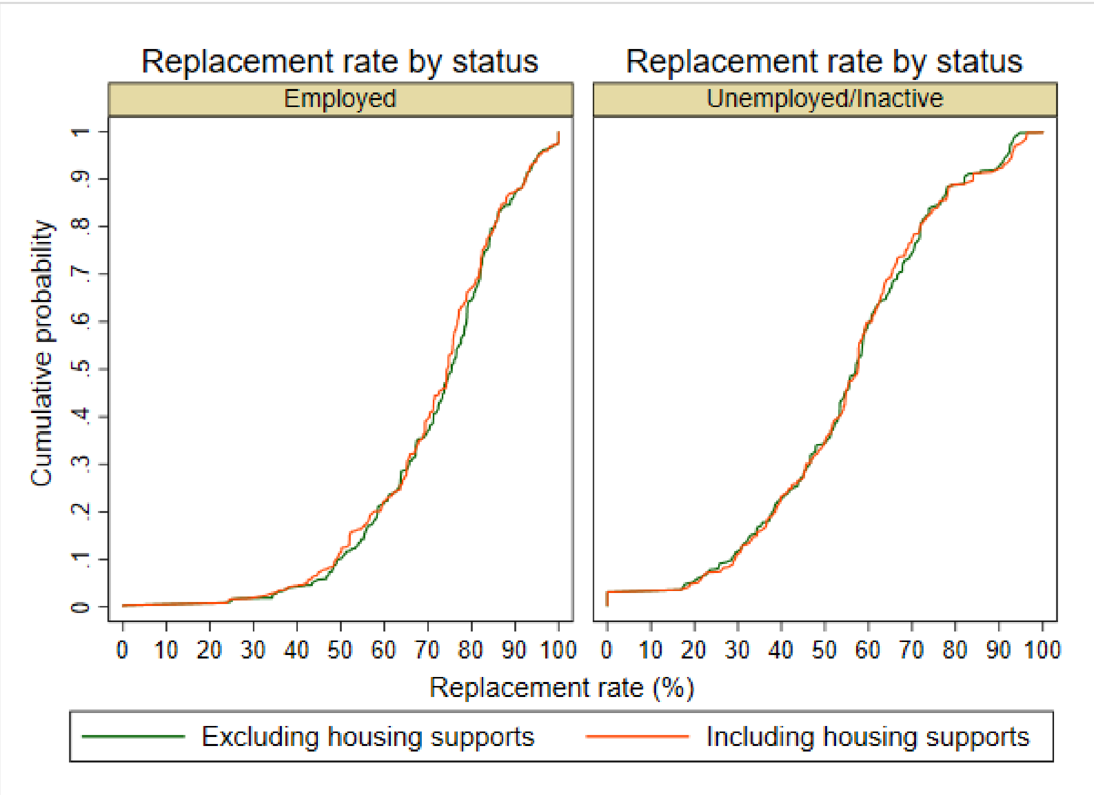
As with the incentive to work at all, low numbers mean stronger financial incentives. An EMTR of zero per cent means that the individual keeps all of any small change in earnings, and a rate of 100 per cent means that the individual keeps none. High EMTR among workers in low-income families is often referred to as the poverty trap (for example, see Dilnot and Stark, 1986).

4.2 RESULTS

Figure 4.1 plots the cumulative distribution of replacement rates for our sample of interest: individuals of working age who are living in a household that either receives Rent Supplement or pays differential rent to their local authority. We split this sample into two groups: 'employed' and 'unemployed/inactive'. The employed group comprises employed and self-employed individuals. The unemployed/inactive group is made up of individuals who are unemployed, inactive or who classify their economic status as 'other'. It does not include students, pensioners or those unable to work due to illness or disability.

For employed individuals, we generate an out-of-work disposable income by setting employment earnings to zero and using SWITCH to evaluate benefit entitlements in accordance with their reduced means. To generate an in-work disposable income for unemployed individuals, we use the predicted hourly wage rates estimated by Doorley and McTague (2021) following the harmonised procedure described by Collado (2018). These account for age, education and work experience, and are predicted separately for men and women. We calculate earnings assuming a full-time working week of 40 hours, with SWITCH used to simulate disposable income given this increased level of private means.

FIGURE 4.1 DISTRIBUTION OF REPLACEMENT RATES

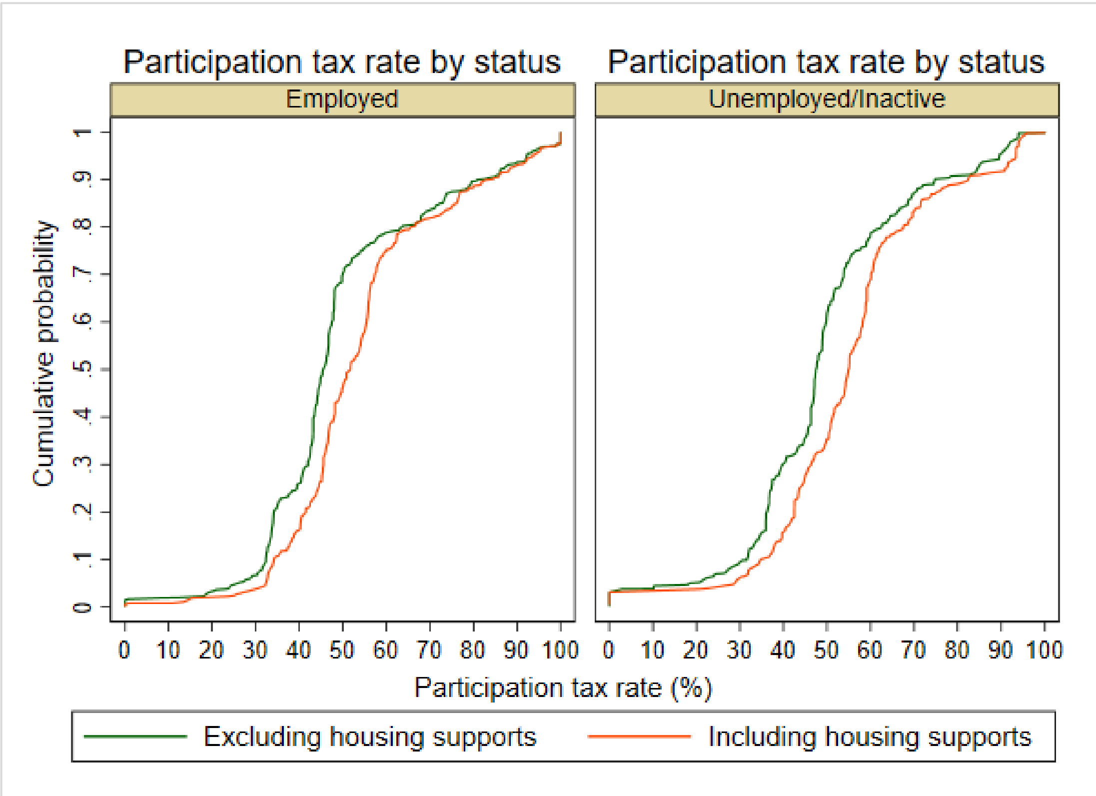


Source: Authors' calculations using SWITCH v4.6 run on data from the 2019 Survey on Income and Living Conditions.
Notes: Calculations for individuals of working age in a household receiving Rent Supplement or paying differential rent to their local authority (i.e. receiving HAP or RAS or renting directly from an AHB or local authority).

The majority of both subgroups face a replacement rate of between 40 and 90 per cent, including or excluding housing supports. In both scenarios, the employed have a median replacement rate of close to 75 per cent. This rate is lower for the unemployed group, at around 58 per cent (see Appendix Table A.7). This suggests that the absolute financial incentive to be in paid work is relatively weak for those receiving housing supports, whether or not one accounts for the effect of means testing.

Figure 4.2 illustrates the importance of considering replacement rates and PTRs jointly. It plots the cumulative distribution of PTRs, which, compared to replacement rates, distinguishes to a greater extent whether a reduced reward to work is caused by higher taxes and benefits or by lower wages. This shows that the vast majority (circa 90 per cent) of housing support recipients face a PTR below 70 per cent. The median PTR increases from 46 per cent to 52 per cent when housing supports are included for the employed group, while the median increases from 47 per cent to 55 per cent for the unemployed group.

FIGURE 4.2 DISTRIBUTION OF PARTICIPATION TAX RATES



Source: Authors' calculations using SWITCH v4.6 run on data from the 2019 Survey on Income and Living Conditions.
Note: Calculations for individuals of working age living in a household receiving Rent Supplement or paying differential rent to their local authority (i.e. receiving HAP or RAS or renting directly from an AHB or local authority).

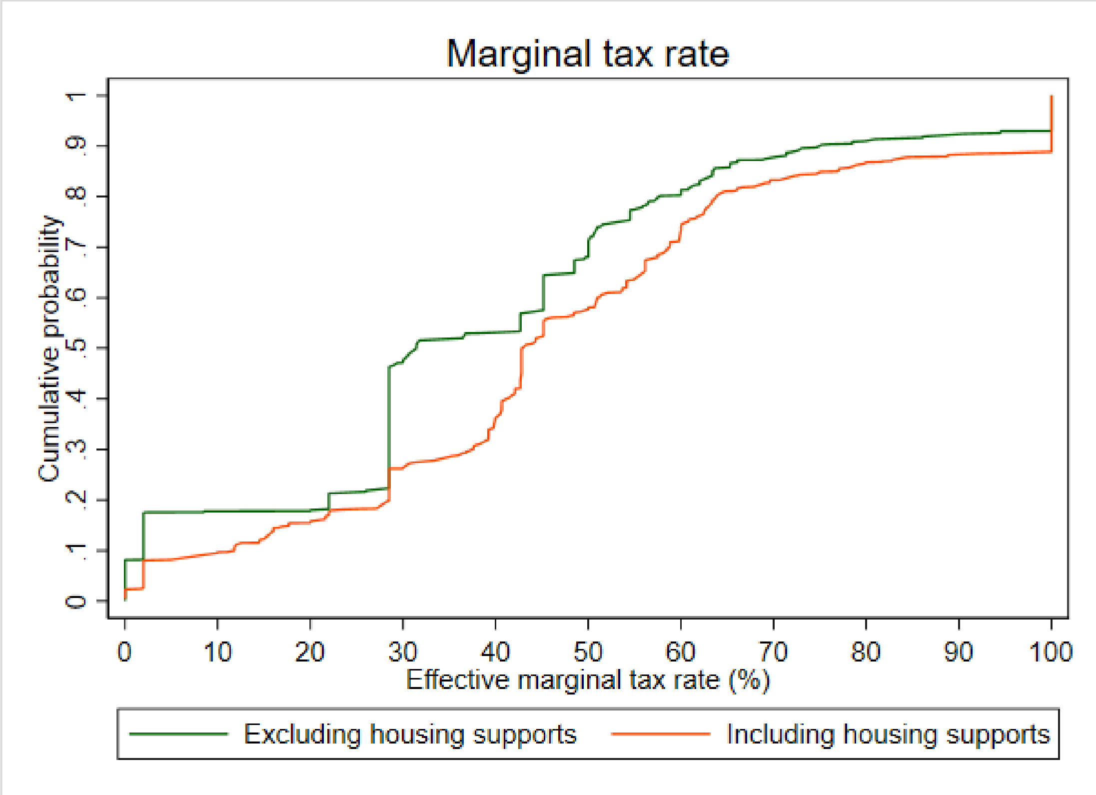
This suggests that the weak absolute financial incentive for housing support recipients to be in paid work indicated by the replacement rates shown in Figure 4.1 arises primarily from low levels of earnings rather than taxes and benefit withdrawal. However, Figure 4.2 also shows that – unlike replacement rates – accounting for housing supports does affect the distribution of PTRs, with the median PTR increasing by six percentage points for the employed group and by eight percentage points for the unemployed group.

The incentive to work is primarily weakened in the middle of the distribution of PTRs, with accounting for housing supports having less effect on higher PTRs. This is reflected by the smaller gap between the series at the top of the distribution of PTRs in Figure 4.2. While there is an increase in the small share of the unemployed group who face PTRs in excess of 90 per cent, no increase in such high PTRs is evident for the employed group. For individuals in the middle of the distribution, however, we now observe that their incentive to work is weaker than previously thought. This is important as Figure 4.1 already shows this group faces a relatively weak absolute financial incentive to be in paid work, although the conclusion of Callan et al. (2016) that 'very few individuals would be financially better off out of work' remains true.

Figure 4.3 plots the cumulative distribution of EMTRs. As noted above, the sample of interest changes for this metric to those in paid work who are living in a household that receives housing supports. As with PTRs, the inclusion of housing supports increases EMTRs (suggesting a weaker incentive to progress) primarily in the middle of the distribution, raising the median EMTR from 31 to 43 per cent. This shows that working recipients of housing supports face weaker incentives to increase their earnings than previously estimated. This is as one would expect, given the details of the differential rent schemes described in Chapter 3.

About one-fifth of those in paid work face an EMTR, including housing supports, in excess of 70 per cent; in other words, they keep less than 30 cents from each additional euro of earnings. This share is about five percentage points higher when housing supports are included in the calculations, reflecting the high marginal tax rates that can arise when individuals are claiming multiple means-tested benefits. One such example would be a household claiming the Working Families Payment, withdrawn at a rate of 60 per cent, in addition to paying differential rents.

FIGURE 4.3 DISTRIBUTION OF EFFECTIVE MARGINAL TAX RATES



Source: Authors' calculations using SWITCH v4.6 run on data from the 2019 Survey on Income and Living Conditions.
Notes: Calculations for individuals of working age in paid work living in a household receiving Rent Supplement or paying differential rent to their local authority (i.e. receiving HAP or RAS or renting directly from an AHB or local authority).

Also evident from Figure 4.3 is the degree of variation in EMTRs once housing supports are included. Whereas the distribution of EMTRs excluding housing supports exhibits bunching at a few points – at 2 per cent, for example, which is the standard rate of USC, and at 28.5 per cent, which represents the combined effect of the 20 per cent income tax rate, 4 per cent PRSI rate and 4.5 per cent USC rate – the distribution of EMTRs including housing supports is much more continuously distributed. This reflects the huge degree of variation in contribution rates across local authority differential rent schemes (as outlined in Table 3.1), which act to smooth out the distribution of EMTRs facing working recipients of housing supports. In other words, very few working recipients of housing supports keep the same amount from each additional euro of earnings because of variation in the design of differential rent schemes.

An implication of this – which we return to in our conclusions below – is that the expected reliance on HAP to meet social housing needs in the short- to medium-term risks complicating as well as weakening the financial incentives of future housing support recipients to earn more in quite anomalous ways across local authorities. This is because more individuals will become subject to the specific differential rent scheme of their local authority, with those already in receipt of other means-tested payments potentially facing high EMTRs.

CHAPTER 5

Conclusions and policy implications

5.1 SUMMARY OF MAIN FINDINGS

This report has examined the current system of housing supports for low-income renters in Ireland. In doing so, it shows that there has been a revival in renting as a form of housing tenure in recent decades, reversing what was a secular decline over the 20th century. We estimate that the number of renters overall has risen from 220,699 in 2000 to 545,006 in 2020 (an increase from 18 per cent to 29 per cent of private households). While this revival has been most pronounced in the unsupported private rental sector, which we estimate has risen from 57,245 (4 per cent) of households in 2002 to 251,333 (13 per cent) of households in 2020, the size of the supported rental sector has also grown significantly: from 153,361 in 2000 to 293,673 in 2020 (a rise from 12 per cent to 16 per cent of private households over that period).

We also saw that there has been a shift away from the direct provision of support – through local authority and approved housing body (AHB) owned accommodation – and towards indirect subsidisation of housing costs in the private rental sector. We estimate that, combined, the Housing Assistance Payment (HAP), Rental Accommodation Scheme (RAS), Rent Supplement and Rent Allowance assist around one-third of supported renters today, compared to just one-fifth in the early 1990s. This shift from direct to indirect support took place over the late 1990s and the 2000s, a time when the construction and acquisition of traditional social housing stalled while sales of dwellings through the tenant purchase scheme continued apace (Norris, 2016).

Both direct and indirect supports do a huge amount to improve affordability for the households receiving them. We estimate that the median rents in 2019 were more than €500 per month lower for supported than unsupported renters, and still €300 per month lower controlling for differences in the location, type and quality of dwellings. Despite lower levels of income, these rents translate into more affordable housing for supported renters, with a median raw (adjusted) rent-to-income ratio of 0.147 (0.170) for supported renters compared to 0.230 (0.264) for unsupported renters.

One caveat to these affordability estimates is that they use data from the Survey on Income and Living Conditions (SILC), which at present do not capture top-up payments made to landlords by HAP tenants. While such households constitute only around six per cent of those in supported rental accommodation, which makes this issue unlikely to significantly affect our estimates, this represents just one of several data shortcomings that we encountered in writing this report. While many such issues affecting SILC are set to be addressed in future editions of that survey,[33] the Department of Housing, Local Government and Heritage (DHLGH) no longer publish official estimates of the cost of maintaining and managing local authority housing or the number of accommodation units provided by local authorities.[34] The latter – statistics on the *stock* of local authority units – have been replaced with statistics on the *flow* of social housing provision,[35] which do not account for local authority sales or demolitions, and are difficult to reconcile with other statistics published by the National Oversight and Audit Commission (NOAC). This contributes to a situation where there is no reliable and consistent official published estimate of the number of units of local authority provided accommodation nationwide. Neither is there any reliable and consistent official published estimate of the nationwide stock of AHB-provided accommodation, despite the balance sheets of such organisations now constituting part of general government debt.[36]

Our analysis also raises questions regarding the targeting of supports to low-income renters. As previously highlighted by Corrigan (2019), we find that a significant number of high-income households in supported rental accommodation pay rent no higher than that of many lower-income households in absolute terms, and much lower relative to their incomes. Conversely, many low-income renters receive no support from the State for their housing costs and face high rent-to-income ratios, contributing to the chronic affordability challenges identified by Blackwell (1989), Fahey (2004) and Corrigan et al. (2019), among others.

One reason that some lower-income renters facing a high rent-to-income (RTI) ratio may not be able to avail of supports is the long-standing freeze to limits on household income and rents required to qualify for these schemes. Income limits have remained largely unchanged since 2011, with the result that the share of households eligible to apply to their local authority for social housing has fallen from 46.8 per cent in 2011 to 33.9 per cent by 2019. Similarly, the limits on rents covered by the Housing Assistance Payment (HAP) were last revised in 2017 when – particularly for single renters – rent limits covered a very small share of properties in some areas. Since then, the pace of rental inflation has further eroded the share of properties covered by these limits, with the result that fewer than seven per cent of rental properties in Dublin City Council – even less in South Dublin, Fingal and Dún Laoghaire-Rathdown County Councils – fell below the

33 This includes issues with the definition of tenure types given the rise of rent pressure zones, differences in treatment of supports as income between HAP and RS recipients, and the exclusion of top-up payments from housing costs for HAP/RAS tenants: see Coffey (2021) for further details. While we are able to correct for the first two of these issues using the SILC RMF, information on top-up payments paid to landlords are not collected by SILC so we are unable to correct for this. The CSO intend to address these issues in future editions of SILC.

34 These statistics were published in the Annual Housing Statistics Bulletin and on the website of the DHLGH and Heritage, up to 2005 and 2016 respectively.

35 See https://www.gov.ie/en/publication/6d316-local-authority-housing-scheme-statistics/.

36 See https://www.oireachtas.ie/en/debates/question/2021-06-23/93/speech/373/.

maximum amount allowed for a non-homeless single applicant to HAP.[37] The freeze to rent limits has also likely contributed to the growing prevalence of top-up payments by tenants receiving HAP (Kilkenny, 2019), something likely to mitigate the effectiveness of this support in improving the affordability of housing for low-income renters.

The move away from Rent Supplement and towards HAP has also, alongside the growth in local authority and AHB-provided accommodation, increased the importance of the localised system of differential rents. We estimate that in 2020, 275,641 households paid a rental contribution determined by the differential rent scheme of their local authority, a figure likely to grow in the coming years. Our analysis reveals a huge degree of variation in the design of these schemes, and, by extension, in the levels of support provided to otherwise identical families. For example, we showed that a lone parent with two children earning €25,000 per year would pay a contribution of just €226 per month in South Dublin County Council, €313 per month in Donegal but €450 per month in Meath. Such differences give rise to questions of horizontal equity: the similar treatment of similar households. Indeed, it is difficult to find a coherent justification or rationale for the pattern of differences that we document, with levels of rent and support varying significantly across local authorities in anomalous ways.

The variation in the design of the differential rent schemes across local authorities also gives rise to significant variation in financial work incentives, which are explored in Chapter 4. Although accounting for the effect of housing supports on the financial incentive to be in paid work does not alter Callan et al.'s (2016) conclusion that 'very few individuals would be financially better off out of work', their inclusion does increase estimates of replacement and participation tax rates considerably. This suggests that the financial incentive to be in paid work faced by recipients of housing supports are weaker than previously thought.

Accounting for housing supports also weakens and substantially increases variation in effective marginal tax rates, a measure of the strength of the incentive for those in paid work to increase their earnings slightly. This reflects variation in the design of differential rent schemes across local authorities, with different assessment rates and thresholds for principal and secondary earners occurring in almost every county. As a result, working claimants of housing supports keep very different amounts of any additional euro earned from work depending on what area of the country they live in, something that is difficult to reconcile with the otherwise highly centralised nature of the Irish State and broader welfare system.

[37] This incorporates the 20 per cent uplift that can be applied to rent limits on a case-by-case basis.

5.2 POLICY IMPLICATIONS

Given the expected reliance on HAP to meet social housing needs in the short- to-medium-run, the anomalies created by a highly localised system of differential rents are likely to affect an increasing number of households over the coming years. As a result, increasing numbers of households will receive different levels of support for their housing costs depending on their county of residence. They will also face the at times complicated interaction between supports for housing costs, the tax system, social welfare payments and childcare supports. This interaction can result in claimants of multiple benefits facing extremely high marginal tax rates.

Addressing these issues will require significant reform to the system of differential rents. Indeed, a unified national differential rent scheme has long been promised, most recently in the Government's *Housing for All* strategy published in September 2021. Such reform has the potential to address the weak incentives, highlighted by O'Connell (1999), Norris (2016) and Corrigan (2019) among others, for local authorities to invest in the direct provision of social housing, given that the ongoing expenditure commitment represents an environment where rental income falls well below management and maintenance costs. Our finding that a significant number of high-income households in supported rental accommodation are paying rents no higher than that of many lower-income households suggests that there is particular scope to reform differential rents, by, for example, setting maximum rents relative to the cost of replacement,[38] as well as by removing supplementary caps on the contribution of subsidiary earners. This could enable local authorities to raise additional rental income from their higher-income tenants while capping rents at the cost of provision.

Reform could also provide an opportunity to ensure that eligibility and levels of support provided are cognisant of the wider policy framework, in particular the embryonic tenure of cost rental. It is currently intended that rents for this tenure will, as the name suggests, be directly linked to the cost of provision and unrelated to income.[39] Integrating this new tenure into the rental landscape, alongside a reformed system of differential rents, offers the potential to reduce the degree of segmentation in the rental sector and to limit the risk of an emerging category of renters whose income is too high for them to be eligible for social housing support but too low for them to be eligible for or to afford even cost-rental housing.

Any such reform would inevitably create losers as well as winners. While these losers are likely to primarily be higher-income households who currently pay low rents relative to their incomes, the prospect of a large sudden increase in rent for

38 This would not be dissimilar to the practice in Westmeath and Offaly County Councils, where differential rents are capped at an annual amount equivalent to 5.25 per cent of the replacement value of a property.

39 See https://www.irishstatutebook.ie/eli/2021/act/25/enacted/en/html.

these tenants could act as a barrier to reform. Policy might also have other goals, such as the retention of a diverse socio-economic mix within an area (Norris et al., 2022). These challenges could be at least partly addressed by providing a form of transitional protection to any tenants adversely affected by the reform; for example, by capping rent increases at some maximum rise each year from their current level until they reach their new (higher) level determined by the unified national system of differential rent. The specific design and parameters of any such scheme would require careful consideration and is beyond the scope of this work.

Although we find that indirect supports like HAP can be an effective way of limiting housing costs for low-income renters, they are also expensive. As noted earlier, annual expenditure on HAP increased more than threefold between 2017 and 2020, while claims approximately doubled, reflecting both an increase in claims and in the cost per claim driven by rapidly rising rents. This is despite the freeze to income and rent limits in recent years, which have significantly reduced the share of households and properties eligible for support. In the short-term, rent limits in a local authority could be linked to the price of new tenancies in that area, so that a consistent share of properties be available within the limits right across the country. However, while raising these limits and linking them to future growth in incomes/rents may help ameliorate affordability pressures in the short run, a large-scale reliance on HAP to meet social housing needs in the longer run brings with it the risk of fuelling rental inflation as well as further increasing costs to the Exchequer.[40] Rather, sheltering low-income households from the effects of a chronic undersupply of affordable rental accommodation is likely to need long-term investment in and expansion of the public housing stock for rent, as suggested by McQuinn (2021) among others. Achieving such an expansion will undoubtedly be challenging and entails more than just increasing expenditure; for example, advancing reforms that increase the supply of housing, such as the taxation of vacant or underdeveloped land (Morgenroth, 2016; Morley et al., 2015), as well as measures to address delivery costs and barriers to the management of public housing (Norris, 2020). However, addressing these challenges is key if the chronic, long-running issues of affordability in the Irish housing market are to be overcome.

40 The extent of this risk is unclear as there is no evidence regarding the impact of indirect housing supports on rents in Ireland, while internationally the evidence is mixed. For example, while Brewer et al. (2019) found that 90 per cent of the burden of cuts to the UK's main income-related support for rental costs in 2011/2012 fell on tenants, Gibbons and Manning (2006) found it was closer to one-third for an earlier cut to this benefit. Brewer et al. (2019) reconciled these results by suggesting the magnitude of the pass through to landlords may be determined by the extent to which housing subsidies are more or less generous relative to housing needs.

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APPENDIX A

TABLE A.1 ESTIMATES FROM MEDIAN REGRESSIONS

	Margin	Std. err.	z	P>z	[95% conf. interval]	
Adjusted monthly rent (€)						
Unsupported renter	775.11	23.81	32.55	0.000	728.44	821.78
Supported renter	469.01	23.59	19.88	0.000	422.77	515.25
Adjusted RTI ratio						
Unsupported renter	0.264	0.001	29.43	0.000	0.247	0.282
Supported renter	0.170	0.001	19.12	0.000	0.153	0.188

Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the RAS, or the HAP. Rent includes payments from local authority to private landlords through the HAP, but may not capture top-up payments paid directly by HAP tenants to private landlords. Estimates show margins computed median of monthly rent and RTI ratio for each group, controlling for housing type *(detached, semi-detached/terraced, apartment <10 in building, apartment ≥10 in building, other)*, location (county), quality (presence of damp, leak or rot) as well as quintile of equivalised disposable income.

TABLE A.2 MONTHLY RENT AND RENT-TO-INCOME RATIOS BY RENTER TYPE, 2019

Income range	Supported renters		Unsupported renters	
	Mean	*SD*	*Mean*	*SD*
Monthly rent (€)	519.60	406.47	519.60	634.24
All	447.68	367.58	820.41	631.98
<€40,000	752.63	456.26	930.04	495.26
€40,000 - €60,000	657.82	409.09	1,345.75	660.67
>€60,000				
Rent-to-income ratio	0.220	0.213	0.296	0.411
All	0.239	0.236	0.437	0.635
<€40,000	0.195	0.120	0.224	0.114
€40,000 - €60,000	0.112	0.081	0.196	0.088
>€60,000	519.60	406.47	519.60	634.24

Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Supported accommodation classified as those in local authority or AHB units, as well as those receiving payments through Rent Supplement, the RAS, or the HAP. Rent includes payments from local authority to private landlords through the HAP, but may not capture top-up payments paid directly by HAP tenants to private landlords.

TABLE A.3 ESTIMATES FROM PROBIT OF BEING HIGH-INCOME-SUPPORTED RENTER

	Coef.	Std. err.	z	P>z	[95% conf. interval]	
Lives in Dublin	0.156	0.157	1.000	0.320	-0.152	0.464
Household ref. age: (ref. 65 plus)						
18-34	-0.051	0.302	-0.170	0.865	-0.644	0.541
35-64	-0.255	0.209	-1.220	0.222	-0.664	0.154
Child(ren) in household	-0.436	0.170	-2.570	0.010	-0.768	-0.103
Paid worker in household	1.157	0.170	6.800	0.000	0.824	1.491
Irish national	0.340	0.205	1.660	0.097	-0.061	0.741
Long-term tenant	-0.237	0.186	-1.270	0.203	-0.602	0.128
Constant	-1.790	0.308	-5.820	0.000	-2.393	-1.187

Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: High-income-supported renter defined as those in the top-half of the (equivalised) disposable income distribution living in local authority or approved housing body units, as well as those receiving payments through Rent Supplement, the RAS, or the HAP. Long-term tenant defined as having a tenancy length of at least 10 years. Reference group for age is 65 plus.

TABLE A.4 SHARE OF HOUSEHOLDS WITH INCOME BELOW SOCIAL HOUSING INCOME LIMITS

	Income limit			
	Band A	*Band B*	*Band C*	*Nationally*
2011	43.9%	50.9%	47.2%	46.8%
2019	34.4%	35.2%	31.9%	33.9%

Source: Authors' calculations using the 2019 Survey on Income and Living Conditions (SILC) Researcher Microdata File (RMF).
Note: Band A applies to those in Cork, Dublin, and Galway City Councils, as well as Dún Laoghaire-Rathdown, Fingal, Kildare, Meath, South Dublin and Wicklow County Councils. Band B includes Cork, Kerry, Kilkenny, Limerick, Louth and Wexford County Councils, as well as Waterford City Council. Band C includes all other local authorities.

TABLE A.5 PROPERTIES WITHIN RENT SUPPLEMENT LIMITS, BY FAMILY TYPE AND YEAR (%)

	Single person		Single/Couple with 2 children	
	2017	2020	2017	2020
Carlow	27	*	22	16
Cavan	22	*	30	11
Clare	27	11	27	14
Cork County	48	23	78	55
Cork City	13	5	18	10
Donegal	25	6	41	23
Galway County	64	35	77	50
Galway City	14	7	22	10
Kerry	14	7	27	10
Kildare (excl. M4-M1 Commuter Belt Area)	11	3	24	8
Kilkenny	30	18	26	14
Laois	22	13	21	6
Leitrim	18	*	46	14
Limerick City and County	14	3	32	14
Longford	14	*	23	5
Louth (excl. M4-M1 CBA)	20	*	20	4
Mayo	37	4	34	12
Meath (excl. M4-M1 CBA)	9	*	15	5
Monaghan	9	*	35	14
Offaly	6	5	42	13
Roscommon	31	*	62	31
Sligo	26	13	31	16
Tipperary	20	6	52	20
Waterford City and County	24	8	23	9
Westmeath	26	10	24	9
Wexford	14	8	27	10
Wicklow (excl. M11 Commuter Towns)	6	*	25	6
Fingal	2	*	21	8
Dún Laoghaire-Rathdown	2	*	6	2
South Dublin	3	*	30	13
Dublin City	9	3	22	7
M4-M1 CBA+	6	5	38	19
Wicklow M11++	15	9	23	13

Source: Authors' calculations based on RTB residential tenancies registrations data.
Note: We present the percentage of one-bedroom properties available within the rent limits for single individuals and the percentage of two-bedroom dwellings for a single adult/couple with two children. *Results are redacted if fewer than 30 observations for that property type and/or fewer than *5* observations within the rent limits. +M4-M1 Commuter Belt Area (CBA) includes the Meath towns of Ashbourne, Dunboyne, Dunshaughlin, Ratoath, Stamullen, Julianstown and Laytown, Drogheda in Louth, and Kilcock, Maynooth, Leixlip and Celbridge in Kildare. ++Wicklow M11 area includes towns of Bray, Delgany, Greystones and Wicklow only. All remaining areas within these counties.

TABLE A.6 PROPERTIES WITHIN HAP LIMITS, BY FAMILY TYPE AND YEAR (%)

	Single person				Single/Couple with 2 children			
	100% of limits		120% of limits		100% of limits		120% of limits	
	2017	2020	2017	2020	2017	2020	2017	2020
Carlow	27	*	48	13	22	16	58	27
Cavan	22	*	60	22	30	11	70	23
Clare	27	11	51	32	27	14	49	31
Cork County	48	23	73	47	78	55	94	83
Cork City	13	5	27	13	18	10	50	28
Donegal	25	6	55	24	41	23	80	57
Galway County	64	35	91	56	77	50	93	78
Galway City	14	7	31	21	22	10	60	34
Kerry	14	7	41	15	27	10	58	26
Kildare	14	6	24	13	46	27	79	53
Kilkenny	30	18	53	26	26	14	47	29
Laois	22	13	48	23	21	6	50	20
Leitrim	18	*	66	*	46	14	88	44
Limerick City and County	14	3	30	8	32	14	57	25
Longford	14	*	23	*	23	5	55	19
Louth	24	6	42	19	84	59	98	90
Mayo	37	4	59	18	34	12	63	30
Meath	15	7	36	17	61	29	88	57
Monaghan	9	*	27	*	35	14	68	34
Offaly	6	5	39	16	42	13	63	33
Roscommon	31	*	54	*	62	31	79	61
Sligo	26	13	65	28	31	16	71	31
Tipperary	20	6	48	26	52	20	87	45
Waterford City and County	24	8	42	17	23	9	53	17
Westmeath	26	10	46	23	24	9	64	25
Wexford	14	8	48	22	27	10	63	28
Wicklow	29	13	43	25	56	46	85	66
Fingal	2	*	6	3	34	14	74	39
Dún Laoghaire-Rathdown	2	*	5	2	6	2	24	9

Source: Authors' calculations based on RTB residential tenancies registrations data.
Note: We present the percentage of one-bedroom properties available within the rent limits for single individuals and the percentage of two-bedroom dwellings for a single adult/couple with two children. *Results are redacted if fewer than 30 observations for that property type and/or fewer than 5 observations within the rent limits.

TABLE A.7 SUMMARY STATISTICS OF FINANCIAL WORK INCENTIVE MEASURES

Income range	MTR		Replacement rate		PTR	
Housing supports	*Excluding*	*Including*	*Excluding*	*Including*	*Excluding*	*Including*
Mean	40.05	47.66	72.46	71.78	46.26	50.78
Median	31.43	42.8	75.43	74.32	44.86	51.02
P10	0	10	49.23	49.19	7.88	15.49
P25	28.5	28.5	60.91	61.69	35.12	40.37
P75	54.5	60.86	83.42	83.02	54.41	60.11
P90	90.44	100	93.37	92.95	79.6	83.52
Incl. unemployed						
Mean	N/A		66.77	66.36	47.21	52.19
Median			70.49	69.41	46.31	53.12
P10			38.54	39.08	20.8	30.07
P25			54.18	52.76	36.02	41.77
P75			80.35	79.94	55.29	61.32
P90			92.03	92.35	79.56	82.82
Whole population *	Employed		Employed	Other	Employed	Other
Mean	41.85		65.92	48.13	44.65	37.07
Median	48.5		68.43	54.18	45.83	39.45
P10	0		34.81	0	11.29	0
P25	28.5		54.48	36.36	38.36	29.1
P75	55.62		81.17	66.5	52.57	49.06
P90	61.52		91.78	78.08	68.15	60.47

Source: Authors' calculations using SWITCH v4.6 run on data from the 2019 Survey on Income and Living Conditions.
Notes: Calculations for those in paid work living in a household receiving Rent Supplement or paying differential rent to their local authority (i.e. receiving HAP or RAS or renting directly from an AHB or local authority).
** Including housing supports where applicable.*

Appendix B

B.1 Details of how local authority and AHB tenant estimates are constructed

Our estimate of the stock of local authority housing shown in Figure 3.1 is taken from Norris and Hayden (2016) for the period 1990–1994 and the Department of Housing, Local Government and Heritage (DHLGH) for 1994–2016.[41] Subsequent estimates have not been published by the Department, while those published by the National Oversight and Audit Commission (NOAC) in their 'Performance Indicator Report' series are inconsistent with the Department's estimates where they overlap. This appears to be in part because of the exclusion from the NOAC figures of demountables, halting bays, Traveller-specific accommodation, family accommodation hubs, stock managed and maintained by approved housing bodies (AHBs), leased units, dwellings used for non-housing purposes including, community use, crèche, estate management, administration, etc.[42] As a result, we take the Department's published estimates for the additional local authority units net of sales for years 2017–2020 and add these to the 2016 figure.[43] Note that there are also inconsistencies between these figures and NOAC's estimates of the additional units provided, especially sales.

We undertake a similar approach to derive estimates of the stock of AHB units, taking Norris and Hayden (2016) as our source for 1990–2016, adding the net number of additional units published by the DHLGH to this estimate for the years 2017–2020.

B.2 Description of household survey data used

The Living in Ireland Survey was carried out by the Survey Unit of the ESRI beginning in 1994 with the support of the European Commission. Each adult in a household completed an individual questionnaire through a face-to-face interview. However, in keeping with the European Community Household Panel (ECHP) of which it was part, the survey adopted a longitudinal design, with household members followed up in subsequent waves of the survey. By Wave 7 (2000), attrition was deemed to be a cause of concern and the original sample of individuals still in scope of the survey (i.e. who had not died, moved to an institution or outside of the EU) were supplemented with a booster sample selected using a procedure similar to that used for the first wave of the survey. Weights were derived to correct for attrition and biases in the distribution of observed characteristics compared to the

41 See 'Local authority rented stock by year' spreadsheet, https://www.gov.ie/en/collection/35601-local-authority-rented-sector-activity/.

42 Authors' correspondence with the secretariat of the National Oversight and Audit Commission Secretariat.

43 These are sourced from the spreadsheets published at https://www.gov.ie/en/collection/6060e-overall-social-housing-provision/.

population of interest. Analysis is carried out on the anonymised survey microdata files held by the ESRI on its secure server.

The Survey of Income and Living Conditions (SILC) is an annual survey of households carried out by the Central Statistics Office (CSO) since 2003. It was initiated with the aim of collecting harmonised information on households for all countries in the European Union. For the most part, we use the anonymised Research Microdata File data made available by the CSO to researchers through a secure virtual desktop infrastructure. Chapter 2 also makes use of the Eurostat user database version of the data, which contains a more limited set of variables, but which we could pool with Living in Ireland Survey data to plot the evolution of housing tenure for decade of birth cohorts over time.

Whitaker Patrons and Corporate Members

The ESRI plays a leading role in producing independent research which allows policymakers in Ireland to better understand the economic and social landscape which shapes Ireland. One goal of the ESRI is to ensure that the Institute has a strong revenue stream to fund valuable, independent social and economic research initiatives that will have a long-term impact on Irish society. In 2021, we launched a compelling new membership programme with two categories of membership:

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