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Housing allowances and renting in liberal welfare regimes

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Abstract

The paper explores the usefulness and applicability of the concept of a liberal welfare regime to an understanding of housing assistance in Australia, New Zealand, Canada and the United States. In particular, it examines apparent convergence towards demand subsidies for private renters in these four countries, but concludes that there is considerable diversity in terms of policy settings and program management.
Housing allowances and renting in liberal welfare regimes

1. Introduction

Esping-Andersen’s concept of welfare regimes has had a huge influence on comparative welfare research in the last decade, to the extent that one writer suggests that it has achieved paradigm status (Matznetter 2001). There has been a vigorous debate, mainly in Europe, on a number of issues, including an argument for a fourth Mediterranean welfare regime type (Leibfried 1992), a questioning of whether the typology is relevant beyond the income support focus of Esping-Andersen’s original research (Harloe 1995), and broad criticism of Esping-Andersen’s work for downplaying the importance of family and gender (Orloff 1993; Siaroff 1994; Sainsbury 1999).

Whilst acknowledging these debates, this paper has a different and non-European perspective. Five of the 18 countries in Esping-Andersen’s original research were non-European (Australia, New Zealand, Canada, the US and Japan) and the schema was intended to cover advanced industrialised countries more generally. From this perspective, Esping-Andersen’s articulation of a liberal welfare regime type, representative of a cluster of mainly non-European countries, is of considerable importance.

This paper has two objectives:

- To review the concept of a distinct liberal welfare regime, based primarily on non-European countries, in the context of recent theoretical and empirical work on housing;
- To assess whether the concept of a liberal welfare regime is applicable and useful in explaining apparent convergence towards housing allowances for private renters in Australia, New Zealand, Canada and the US as well as differences in policies and programs.

2. The concept of a liberal welfare regime in a non-European context

Esping-Andersen’s (1990, 1996, 1999) work on welfare regimes should be seen in the context of many attempts at classifying ‘welfare states’ to indicate similarities and differences between groups of countries. Appendix 1 shows examples of such typologies over several decades, with the earlier ones assuming that, as countries developed economically, they would converge towards a model in which social guarantees to citizens in areas such as education, health and housing became institutionalised, although the US posed a paradox in this respect. During the 1980s, researchers began to identify a small group of countries that were similar in terms of the role of the state vis-à-vis markets in social welfare, typically Australia, Canada, the US, the UK and New Zealand, and, importantly, qualitatively different from the European countries (Therborn 1987). These studies moved beyond a focus on the ‘welfare state’ and government social expenditures to a broader understanding of the way governments and markets,
and to a lesser extent voluntary organisations and families, interacted in the production
and distribution of welfare.

Esping-Andersen’s (1990) articulation of a liberal welfare regime1 should be seen in this
context. The regime had three core elements: social guarantees are restricted to ‘bad
risks’, there is a narrow conception of what risks should be considered ‘social’, and
encouragement of markets (Esping-Andersen 1999: 74-6). What distinguishes this work
from other typologies of welfare systems was, as Kemeny (1995a: 88-9) reminds us, that
welfare regimes attempted to explain differences in welfare systems in terms of
underlying power structures. Thus liberal welfare regimes have an institutionalised
pattern of dualism in power relations that shapes targeted and means-tested welfare
provision for a minority whilst providing strong state support for private market solutions
for the majority of the population. Further, once power relations became established and
embedded in institutions, this pattern tends to remain (institutional path dependence)

Australia, New Zealand, Canada and the US were said to be the archetypal examples of
the liberal welfare regime, with the later addition of the UK and Ireland (Esping-Andersen
1990: 27, 1999: 77). There has been little debate about whether the US is a liberal
welfare regime. Commentators appear to agree that Canadian social policies were
characteristic of such a regime prior to the late 1960s, diverged for a short period from
then until the mid-1980s, but over the last fifteen years or so have been shaped by an
underlying liberal welfare regime (e.g. Myles 1996, 1998; Myles & Pierson 1997).

There was some debate in the early to mid-1990s about whether Australia and New
Zealand could be regarded as having liberal welfare regimes, with Castles and Mitchell
(1990, 1993) arguing that they had a distinctive approach to welfare provision, relying
not just on state social welfare but also progressive taxation and wage regulation as
forms of social protection. Castles and Mitchell (1990: 16) proposed a ‘fourth world of
welfare capitalism’, termed radical, to include Australia, New Zealand and the UK.

There is historical evidence to support this view, since working-class organisations in
Australia and New Zealand had focused politically on industrial measures to protect
workers, rather than state social welfare, the so-called wage earners’ welfare state
(Castles 1986, 1994, 1996) or, more accurately, the male wage earners’ welfare state
(Bryson 1995). Since the mid-1980s, however, there has been a significant reduction of
social guarantees in Australia through changes to the industrial relations system,
increased selectivity in social welfare programs and a significantly less redistributive
taxation system, as recognised by Castles (1996, 1998) in his later work.

Recent work by Borchert (not available in English and reported in Matznetter 2001) on
the comparative development of welfare regimes, in terms of path dependence and path
change, does not pick up significant changes in path development in Canada in the
between the 1960s and 1980s but does highlight the distinctive ‘labouristic’ model of
Australia and New Zealand from the 1960s, although not in the earlier decades of the
century, and the resurgence of the liberal welfare regime in these two countries by the
1990s (Matznetter 2001: 5).

1 Esping-Andersen identified three regime types, as has been widely discussed. The social
democratic and conservative welfare regimes did not apply to non-European countries and are
not discussed in this paper.
Other recent work has overlaid the concept of a liberal welfare regime with a gender perspective that focuses on the role of women and families in relation to both states and markets. This is part of a wider critique of Esping-Andersen’s work in which various writers have suggested that, from a gender perspective, countries can be classified as having ‘male breadwinner’ or ‘individual’ models of social provision, depending on whether rights women are given rights as individuals or as part of families (e.g. Lewis, 1992; Sainsbury 1996, 1999). Research from this perspective highlights some interesting differences between the core group of countries said to have liberal welfare regimes. For example, in the US dual welfare system, high rates of female labour force participation in full-time work means that many women (as well as men) benefit from labour market related social security benefits, whilst it is mainly women and children who are reliant on stringently means-tested ‘welfare’. The same applies to Canada where female participation rates are also high (O’Connor, Orloff & Shaver 1999). In contrast, both Australia and New Zealand have significantly lower female participation rates, and much of that employment is in casual and part-time work. Thus women are more likely to be dependent on family and state social welfare than their counterparts in the US and Canada. Mitchell (1997: 4) suggests that Australia and New Zealand are characterised by a third ‘transitional’ model of welfare provision in which ‘policy assumptions based on the “norm” of a male breadwinner family coexist with newer policies which recognise gender inequality and individual social rights’.

In summary, whilst specific research has highlighted historical and institutional differences between Australia, New Zealand, Canada and the US, including differences in the role of states relative to individuals and families, overall there appears to be an emerging consensus that the four countries can be characterised as liberal welfare regimes.

3. The liberal welfare regime and housing

Do welfare regimes constructed with no reference to housing have explanatory value in terms of the interactions between states, markets and families in housing? This question should be seen in the context of an increase in meso-level comparative housing research over the last decade or so that has attempted to explain patterns of similarities and differences between countries, focusing on the historical, political and institutional context for differences in housing markets and housing policies (Kemeny & Lowe 1998: 162).

Only some of this work, however, has acknowledged, used or adapted the welfare regime thesis. For example, Barlow and Duncan (1994: 30) in their study of European housing systems suggested that, in liberal welfare regimes, overt state intervention in housing is ‘limited to a stigmatized provision for a residual population who are unable to adequately participate in markets’. In contrast, there will be substantial covert support for the better-off, usually home owners. Other comparative housing research subsequently informed by, or building on, the concept of welfare regimes included Kemeny (1995b), Kleinman (1996), Balchin (1996) and Doling (1997, 1999). Most of this work is focused on Europe and does not specifically consider liberal welfare regimes and housing, except as exemplified by the UK.
Not all researchers regard the concept of welfare regimes as relevant to housing. Harloe (1995: 534) argued that they had not been constructed with any empirical reference to the history of housing markets and policies, and that comparative empirical research suggests that these change over time, rather than solidifying into fixed welfare regime types. His own comparative research of six countries supported overarching convergence in housing provision between countries, finding that economic and other cross-national factors affecting all countries have been more important in shaping residual social housing programs than variant factors of class relations, politics and institutions (Harloe 1995: 538).²

In contrast, Kemeny (2001: 59) acknowledged that this was more than a descriptive typology of welfare states induced from empirical data, although he did consider the work to be under-developed in terms of analysis of the power structures that underpin different regime types (Kemeny 1995a: 88). Kemeny (1995b: 179) proceeded to integrate his own concept of dualist and unitary rental market structuring with Esping-Andersen’s welfare regimes. Thus societies with both conservative/corporatist and social democratic welfare regimes will structure unitary rental markets including a range of for-profit and non-profit arrangements. Liberal welfare regimes, in contrast, produce dualist rental market structuring in which there is a large for-profit rental sector sheltered from competition by a small and tightly controlled non-profit housing sector (Kemeny 1995b: 9). This approach has been taken up by others (e.g. Balchin 1996; Doling 1997, 1999) and appears to have good potential in terms of comparative housing research.

Finally, Matznetter (2001) has revived two old staples of housing research: the relational concept of ‘housing classes’ (Rex & Moore 1967) to refer to access to housing based on ability to pay (markets), need (state allocation) and informal allocation (informal arrangements); and the Weberian concept of domestic property classes (Saunders 1986). He suggests that these could be used as starting points for comparative housing studies that looked for qualitatively different arrangements between state, market and family in relation to housing: in other words, ‘housing regimes’ (Matznetter 2001: 13).

The next part of this paper examines some of these ideas empirically by drawing on research into demand subsidies for private renters (housing allowances) in Australia, New Zealand, Canada and the US for the Australian Housing and Urban Research Institute. A full account of the research is not possible in the space available,³ the intent here being to use some current housing research to examine whether the concept of a liberal welfare regime is useful and applicable in explaining similarities and differences in the interaction between states, private rental markets and families in terms of rental housing.

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² It is worth noting, however, that the only liberal welfare regime included in Harloe’s (1995) study is the US (the other five countries are European ones), arguably continuing the tradition amongst comparative housing researchers of treating that country as an interesting paradox.
4. Housing allowances and private renters in liberal welfare regimes

4.1. Dual housing systems; dual rental systems?

Housing in Australia, New Zealand, Canada and the US is highly commodified with high rates of home ownership and relatively high rates of private rental, as shown in Table 1. Only a small percentage of households in the four countries (3-6%) live in what could be termed ‘social housing’, in which eligibility, access, rents and other tenancy requirements are determined through administrative processes rather than market mechanisms.

Table 1
Households by tenure Australia, New Zealand, Canada and the US, circa 2000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>19.5m (2001)</td>
<td>3.8m</td>
<td>31.1m (2001)</td>
<td>281.4m</td>
</tr>
<tr>
<td>Households in occupied private dwellings</td>
<td>7.2m</td>
<td>1.4m</td>
<td>11.7m</td>
<td>105.5m</td>
</tr>
<tr>
<td>% of households owning without mortgage</td>
<td>38.8%</td>
<td>32.3%</td>
<td>30.9%</td>
<td>25.1%</td>
</tr>
<tr>
<td>with mortgage</td>
<td>31.2%</td>
<td>35.6%</td>
<td>33.3%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Total owners</td>
<td>70.1%</td>
<td>67.9%</td>
<td>64.2%</td>
<td>66.2%</td>
</tr>
<tr>
<td>% of households renting privately*</td>
<td>24.8%</td>
<td>26.8%</td>
<td>30.0%</td>
<td>30.8%</td>
</tr>
<tr>
<td>social housing**</td>
<td>5.1%</td>
<td>5.3%</td>
<td>5.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total renters</td>
<td>29.9%</td>
<td>32.1%</td>
<td>35.8%</td>
<td>33.8%</td>
</tr>
</tbody>
</table>

Sources:
Australian data are from ABS, Australian Housing Survey 1999 – Housing Characteristics, Costs and Conditions, Cat. No. 4182.0 except for population data, which are from 2001 Census of Population and Housing
New Zealand data are from 2001 Census of Population and Dwellings, Classification Counts.
Canadian data are from Statistics Canada, CANSIM II, table 051-0001 and Statistics Canada, Income Statistics Division, Selected dwelling characteristics and household equipment, 11 Dec. 2001 except for population data, which are from 2001 Census of Canada.
US data are from United States Census 2000 except for data on mortgages which is from 1999 American Housing Survey
Notes:
* Private rental is taken broadly to include rent free and other arrangements
** Social housing data for Australia are from Australian Housing Survey 1999, and for New Zealand from the 2001 Census of Population and Dwellings, Classification Counts. For Canada and the US, social housing data are administrative data from the Canadian Mortgage and Housing Corporation and the US Department of Housing and Urban Development respectively. The data refer to households living in units regarded as part of the social housing stock in that country, and the definition and configuration of that stock varies between countries.

About two-thirds of households in all four countries own, or are buying, market housing based on their ability to pay. These market transactions occur, however, in the context of substantial state institutional support for home ownership in the case of Canada (Bacher 1993) and the US (Hays 1995), and more moderate support in the case of Australia (Berry 1999) and New Zealand (Ferguson 1994). The history, extent and nature of this support is beyond the scope of this paper. A substantial minority (roughly a third) of
households rent rather than buy, either in relatively large private rental sectors or in small social housing sectors. The four countries appear to be classic examples of the dualist rental systems seen by Kemeny (1995b: 62) to be characteristic of liberal welfare regimes. However, as Oxley (1995: 60) has pointed out in the context of Western Europe, the classification of types of rental housing as ‘private’ or ‘social’ can be problematic and there may be many varieties of state-market-community mix in terms of rental housing provision.

In the case of both Australia and New Zealand (except for New Zealand in the 1990s, as discussed below), there has been historically an almost complete separation between public rental housing owned and managed by government housing agencies on a non-profit basis, and rental housing owned and managed for profit by private individuals or companies. Governments have exercised strict controls over public rental housing in terms of eligibility, access, rent-setting, conditions and duration of tenancy. These controls have been tightened further over the last few years with greater targeting, needs-based allocation systems and in some cases more limited security of tenure. As a result, the social housing sector has become more marginalised. Social housing involving other non-state non-profit providers is extremely minor in both Australia and New Zealand.

Many low income households cannot, or do not wish to, access residual social housing and are reliant on private rental. The private rental sector in both countries is growing but governments have given little attention to this sector. Instead, there is an un-coordinated policy mix: limited regulation of residential tenancies, untargeted taxation incentives for investors in private rental housing (negative gearing in Australia), and de facto housing allowances within income support systems for some low income private renters.

This division between rental housing sectors has inhibited the development of other options involving a mix of state, market and/or community involvement. There has been much talk of partnerships between these sectors. For example, in Australia, the Affordable Housing National Research Consortium is a recently national coalition representative of a broad range of housing interests (industry organisations including the real estate industry, professional associations, peak non-profit agencies in housing and welfare, and the Australian Council of Trade Unions). The Consortium has developed a number of policy options for stimulating private sector investment (particularly institutional investment) in ‘affordable’ rental housing for modest and moderate income earners. Its preferred option is for a direct government subsidy for private (debt) investment in affordable housing; governments would raise finance for affordable rental housing through the issue of a bond with a guaranteed minimum after-tax return to investors (AHNRC 2001). It is difficult, however, to lock in political support for initiatives that cut across traditional politics based on dual rental sectors. The Consortium’s proposal to deliver the private funds raised to social housing agencies to construct affordable housing is an attempt to secure support from this sector. In part this appears to be, as Kemeny (1995b: 66) has suggested, due to the paradox that in political systems with a tradition of liberalism rather than corporatism, and strong support for private property ownership, it is difficult to carve out a political constituency for renting

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4 State/territory housing agencies have introduced greater targeting of public housing as a result of an agreement between federal and state/territory housing ministers in September 1997. A new social allocation system, based on need, was introduced in New Zealand in 2000.
between support for home ownership by conservative parties and support for public rental housing by parties of the left.

In Canada and the US, the division between rental housing sectors has been less rigid, due in part to earlier disenchantment with public rental housing by non-conservative political parties. In Canada, there is a broader mix of social housing providers than in Australia and New Zealand, with roughly one-third public housing and two-thirds non-profit or cooperative housing with differing funding and management models (CMHC 1998: 14). Since the mid-1980s, this housing has been increasingly targeted at very low income households and, in the 1990s, funding was cut and responsibility devolved to the provinces/territories, and sometimes to local government5 (Carter 2001). In addition, from the 1940s onwards, various taxation and other initiatives were in place to encourage private developers/landlords to supply ‘affordable’ rental housing, although most of these had been phased out by the late 1980s (Miron 1995).

There have been attempts in Canada, as in Australia, to build a coalition that cuts across the traditional divisions between home ownership and renting, and between social housing and private renting. The Federation of Canadian Municipalities has become an important player in pulling together these interests. In the run-up to the 2000 federal election, the Federation co-ordinated development of a National Affordability Strategy comprising three elements: federal grants for new social housing; taxation and other measures to increase new private and non-profit investment in rental housing; and measures to extend and improve provincial housing allowances (FCM 2000). As in Australia, this more holistic view of rental housing cuts across traditional politics based on dualist rental systems. Unlike in Australia, however, this work has borne some fruit. The federal government is negotiating a series of bilateral agreements with provinces/territories for short-term assistance to increase the supply of affordable housing by way of a federal contribution of C$25,000 per unit matched by the province/territory or a third party (Canadian Intergovernmental Conference Secretariat 2001). Affordable housing initiatives, in this context, are not restricted to the supply of newly constructed rental housing as in Australia, but include renovation and conversion and rent supplements6 for private landlords.

The recent agreement by Canadian housing ministers on affordable housing recognises a longer-term need to improve the business and tax climate for affordable housing but offers no specific solution (Canadian Intergovernmental Conference Secretariat 2001). As in Australia and New Zealand, it is hard to break the traditional politics of dual rental sectors, as reinforced recently by two Quebec commentators who suggested that ‘we have treated housing as if the only actors who should be involved with it and work in the field are from the public and third sectors, never from the private sector’ (Vaillancourt & Ducharme 2001: 27). There is limited institutional support for private rental other than

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5 The federal government retains a role through the Canadian Centre for Public-Private Partnerships in Housing (within the Canadian Mortgage and Housing Corporation) in providing advice, limited funding for project development and mortgage insurance for government and non-profit organisations seeking to develop affordable rental housing.

6 Rent supplements in both Canada and the US are a form of quasi-housing allowance in which private – and, in the case of Canada, non-profit – landlords agree to lease certain units to low income households. The tenant pays a portion of the rent based on income whilst the landlord receives the difference between this amount and an agreed ‘market’ rent from a government housing agency. In 1997, 7.5% of Canada’s social housing portfolio comprised these rent supplement units (CMHC 1998: 14).
variable regulation of residential tenancies and de facto housing allowances to private renters within provincial/local social assistance programs and specific housing allowance programs in a few provinces, most notably Quebec.

In the US, where the stock of public housing is very limited, a series of supply subsidy programs and incentives for private developers/landlords were in place from the late 1950s to the mid-1980s, when they were scaled down. The rental housing produced by these programs remained in private ownership and management, but rents were effectively controlled and access determined partly through administrative means rather than market forces. This pool of 'assisted housing' was a means of sharing the risks in providing and managing rental housing between the state and markets, and is difficult to categorise in terms of a dual rental market analysis.

Unlike in Canada, developers of rental housing for modest and moderate income earners in the US were successful in pressing for 'special assistance' following the removal of tax incentives for investors in private rental housing in the mid-1980s\(^7\) (Orlebeke 2000: 511). As a result, the Low Income Housing Tax Credit (LIHTC) scheme was introduced in 1986, initially on a small scale and for three years, but has been maintained and expanded (Cummings & DiPasquale 1999). LIHTC is a tax incentive overseen by the federal Internal Revenue Service (not the federal housing agency) and has had some impact in stimulating the supply of 'affordable' rental housing, although the increase is relatively small compared to the overall rental sector. Importantly, however, as non-profit agencies such as community development corporations began to use the scheme, support for LIHTC has broadened beyond the original group of private developers serving the low end of the rental market (Dreier 2000: 357-9). LIHTC provides a means of sharing of the risk between states, markets and community organisations in providing rental housing for modest to moderate income earners that might not otherwise be financially viable, and community development corporations are now the primary developers of affordable housing in many cities (Walker & Weinheimer 1998).

Apart from tax credits, state institutional support for private renting in the US is similar to that in the other two federal systems (Australia and Canada), comprising variable regulation of residential tenancies and provision of housing allowances to lower income households renting privately.

In summary, the four countries are similar in having small social housing sectors that have become further residualised over the past decade or so. Access to social housing is based on increasingly stringent means testing and other criteria, such as need for additional support.\(^8\) In Australia and New Zealand, the sector is clearly separated from private rental in terms of ownership and management but, in Canada and the US, social housing portfolios include privately owned and managed housing in which private landlords and governments have entered into agreements to share some of the risks associated with rental housing. In the US, and to a lesser extent in Canada, less rigid

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\(^{7}\) Congress authorised states under the Tax Reform Act of 1986 to allocate tax credits (against federal tax liability) to investors in approved housing development projects, with the total amount of credits available determined by the state’s population, on a per capita basis. The investors could be corporations, individuals or non-profit organisations.

\(^{8}\) The US provides a partial exception: the stock of public housing is being reduced, but there have been attempts to introduce greater income mix in remaining public housing developments.
delineation of rental sectors, greater involvement of local organisations in housing over the last fifteen years or so, and a tradition of pilot projects and experimentation has created a more favourable environment for the development of partnership arrangements at a local level (assisted by tax credits in the US) than in Australia and New Zealand where there is a tendency to go for ‘across the board’ solutions rather than local diversity.

Despite these differences, the number of units in social housing portfolios of all four countries has declined due to a lack of investment in social rental housing and, in Canada and the US, partly because privately owned and managed units are being removed from the portfolios and returned to the market as original agreements expire.\(^9\) In contrast, despite limited state institutional support, the four countries have large private rental markets. For the most part, governments have assumed that these markets operate efficiently with minimal government support or regulation and have relied on housing allowances to enable lower income households to access and remain in private rental housing.

4.2. Housing allowances, income support and private renting

Housing allowances are direct ongoing subsidies to households (Kemp 1997: 16) to boost their effective purchasing power in housing markets. In this sense, they represent a different approach to housing assistance from the direct and indirect supply subsidies that have been the staples of housing policies in the four countries (Haffner & Oxley 1999: 146-7).

Governments in many developed countries, not just those with liberal welfare regimes, have increasingly emphasised housing allowances (Kemp 2000; Ditch, Lewis & Wilcox 2001). There are many reasons for this: governments see private markets as inherently more efficient, consider that housing allowances improve household choice, and see housing allowances as a more flexible policy instrument that can be more accurately targeted than social housing or other supply measures (Kemp 2000: 46). Housing allowances may be part of a housing program, part of income support programs, or a hybrid between the two (Kemp 1997). In the four countries in this study, housing allowances are found mainly within income support programs, as shown in Table 2, with the notable exception of the US housing voucher program which is considered below.

\(^9\) The number of social housing units in Canada is estimated at 639,200 – a reduction since the early 1990s, mainly due to the expiration of agreements with private landlords to provide affordable housing made in the 1970s (Carter 2001: 7).
Table 2
Housing allowances for private renters in income support and housing programs in Australia, New Zealand, Canada and the US

<table>
<thead>
<tr>
<th>Type of assistance</th>
<th>Australia</th>
<th>New Zealand</th>
<th>Canada</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing allowances within income support programs</td>
<td></td>
<td></td>
<td>Shelter allowances within provincial social assistance programs (provincial or local)</td>
<td>Shelter allowances in state social assistance programs (state or local)</td>
</tr>
<tr>
<td>Housing allowances administered within income support systems but also seen as part of housing policy (hybrids)</td>
<td>Rent assistance (federal)</td>
<td>Accommodation supplement Special benefit (both national)</td>
<td>Limited, specific shelter allowance programs (some provinces, particularly Quebec)</td>
<td>Housing vouchers: Section 8 (federal policy and funding with local management)</td>
</tr>
<tr>
<td>Housing allowances in housing programs</td>
<td>Residual private rental assistance programs (some states)</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Both Australia and New Zealand have one-tier\(^{10}\) national income support systems for people of workforce age and those outside the workforce, funded from taxation, with entitlement subject to means testing. Income support payments in Australia are expected to cover housing costs, but private renters are considered to have greater costs and are paid a specific housing allowance, called ‘rent assistance’, to provide some compensation for these additional costs. Rent assistance has been part of Australian income support policy since the late 1950s and, although it has been extended and refined since, has maintained many features over the decades. These include: entitlement subject to eligibility; emphasis on horizontal equity between types of households rather than equity between renting and owning, working and non-working households, or geographical areas; and payment as an unrestricted cash transfer directly to households. From the early 1990s, rent assistance has become somewhat of a hybrid, administered within the income support system but also seen as a component of housing policy. The development of rent assistance in Australia indicates considerable institutional path dependence in terms of its income support framework (Hulse 2001).

In New Zealand, the situation from the 1950s to the early 1990s was much the same as in Australia with an ‘accommodation benefit’ available to eligible income support recipients who rented privately (Ferguson 1994). In the early 1990s, there were radical changes to remove the barriers between social rental and private rental sectors, between renting and owning, and between income support recipients and those in work. An ‘accommodation supplement’ was introduced based on entitlement (subject to eligibility) for both income support recipients and low wage earners, home purchasers and renters, and those renting state housing as well as private tenants. For state (public) housing tenants, the housing allowance replaced the traditional system of income

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\(^{10}\) Whilst normally categorised as one-tier systems, there are some difference in payment levels according to reason for assistance; for example, age and invalid pensions are set at higher rates than payments to job-seekers or young people.
related rents (Ministry of Housing 1998). The accommodation supplement, although still administered by New Zealand’s income support agency, was promoted as the main plank of government housing policy.

These changes resulted in higher levels of subsidy for private tenants, some home purchasers and new subsidies for low wage earners, but lower levels of subsidy (higher rents) for households in public (state) housing. There was growing criticism centred on the impact of decreased subsidy (increased rents) for state housing tenants, and the flow-on effects of these changes on the private rental market such as overcrowding and inflation in rents (Murphy 1997; Robinson 1998). Subsequently, income-related rents were reintroduced for state housing tenants in December 2000 following a change in government (Lennon & Badcock 2001). The accommodation supplement remains for income support recipients and low wage earners, who are either private tenants or home purchasers, although take-up rates amongst those with no other connection with the income support agency are much lower than anticipated.

The Canadian and US income support systems differ from those of Australia and New Zealand in that they have two tiers: federal systems of social insurance, particularly for the aged; and state/provincial/local systems of social assistance for those of workforce age not covered by insurance, such as lone parents or job-seekers without entitlement to insurance. Upper-tier programs have more generous payment levels that are intended to cover all costs including housing. State/provincial social assistance programs pay at significantly lower levels and include some specific provision for housing costs, called ‘shelter allowances’ (Myles 1998; Newman & Schnare 1994). In Canada and the US, payment rates are usually notionally based on actual housing costs up to a maximum but in both cases, maximum payments in state/provincial schemes have been capped at levels that bear little relation to market rents (Steele 1998).

Expenditure on housing allowances within income support programs in the four countries is substantial and often exceeds expenditure on explicit housing programs. In Australia, expenditure on rent assistance was over A$1.7 billion in 2000-01, exceeding total gross expenditures of A$1.28 billion by all levels of government (federal, state and territory) on social housing programs.11 Expenditure on the accommodation supplement in New Zealand was NZ$0.83 billion in 1998-99 before the return to income-related rents in state housing, exceeding expenditure on housing supply programs.12

In Canada, the shelter allowance component of social assistance programs was estimated at C$5.2 billion in the early 1990s, greater than expenditure by federal and provincial governments on all housing assistance programs (C$4.1 billion), or 35% of total expenditure of provincial social assistance programs (Pomeroy 1995). More recent estimates put the figure as high as 50% of social assistance expenditure (FCM 2000). In the US, figures are difficult to find, but expenditure on shelter allowances within state social assistance programs was estimated at US$6.5 billion in 1997 (Dreier 2000), or about 30% of expenditure on state social assistance programs (Newman & Schnare 1994).

12 Ministry of Social Policy (2000: Table 70).
None of the housing allowances within income support systems in this liberal group of countries includes an affordability benchmark, and payments cover only a portion of rent, although there are different formulae in order to contain costs and encourage individual responsibility for housing choices. It is ironical, then, that the costs of housing allowances within income support programs are particularly difficult to control. The programs offer entitlement subject to eligibility, albeit with an increasing array of conditions, but demand depends on market factors such as the rate of unemployment, and the payment formulae are vulnerable to increases in private market rents. In contrast, most rental housing programs (but not assistance to home owners such as tax concessions) in the four countries involve administrative rationing, which means that government can control budgets and manage costs.

In contrast, the US housing voucher program is an explicit housing program in which there is no entitlement. The availability of vouchers is rationed according to government policy at the time and funds available, and there are a number of administrative and market filtering processes before households can access housing (Maney & Crowley 1999). Housing vouchers have specific housing objectives including an affordability benchmark, basic housing standards and conditions relating to behaviours during tenancy, such as those relating to illicit drug use or criminal activity. Specific vouchers may also have conditions attached in terms of seeking work, moving to areas with lower poverty rates or fewer minority households, or agreement to participate in family support programs. The more that housing allowances are expected to have specific housing and social outcomes, the more they can be expected to include conditions relating to affordability, adequacy and so on in program design (Steele 2001). In other words, US housing vouchers go beyond boosting purchasing power in private rental markets; they are designed to change housing consumption and sometimes other behaviours as well.

The particular form of housing vouchers in the US can be explained largely in terms of institutional path dependence. They are funded by the federal government and were introduced in the 1970s as an alternative to public housing, reflecting long and organised opposition to state provision and management of housing. Payment is made to private landlords, not households, in effect a form of ‘in kind’ subsidy rather than the unrestricted cash transfers of the other housing allowance programs, reflecting a long history of ‘in kind’ assistance for the poorest groups in the US, such as food stamps (Hays 1995). The administration of the program was grafted onto a system of local public housing agencies as a result of local opposition to public housing in 1930s, and the area covered may not correspond to local or regional housing markets (Feins et al. 1997; Katz & Turner 2000). Whilst housing vouchers have always been seen in the US as a way of supplementing private markets and restricting the role of government in housing provision, their specific form effectively increases the role of governments relative to markets in comparison with housing allowances within income support programs.

In brief, all four countries rely heavily on housing allowance programs to assist low income households to access and remain in private rental markets. For the most part, these programs are found within income support systems, and reflect considerable path dependence in the institutional configuration of income support systems in each country. The attempt to introduce radical change in New Zealand looked set to provide an exception in the 1990s, but strong support for state (public) housing and lack of a political constituency for private rental housing led to a partial return to the status quo by 2000.
4.3. Housing allowances – state, markets and informal arrangements

It is hard to get a handle on the extent and impact of housing allowances within income support programs, since data are usually based on category of payment as defined administratively, and there are limited data on housing circumstances. This makes it too difficult to compare the effectiveness of housing allowances relative to various types of housing assistance or to compare across countries. Table 3 provides some data on the extent of housing allowance programs and should be regarded as indicative in view of these difficulties. It suggests that a greater percentage of renters are in receipt of housing allowances in Australia and New Zealand than in Canada or the US.

Table 3
Comparison of the scale of housing allowances relative to direct supply subsidies for rental housing, Australia, New Zealand, Canada and the US, circa 2000

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>All households in occupied private dwellings</td>
<td>7.2m</td>
<td>1.4m</td>
<td>11.6m</td>
<td>105.5m</td>
</tr>
<tr>
<td>Renter households in occupied private dwellings</td>
<td>2.1m</td>
<td>0.5m</td>
<td>4.2m</td>
<td>35.7m</td>
</tr>
<tr>
<td>Independent households in private dwellings in receipt of housing allowances</td>
<td>0.7m</td>
<td>0.2m</td>
<td>1.0m</td>
<td>3.2m</td>
</tr>
<tr>
<td>As a % of all renter households</td>
<td>33.3%</td>
<td>39.1%</td>
<td>23.8%</td>
<td>9.0%</td>
</tr>
<tr>
<td>As a % of all households</td>
<td>9.7%</td>
<td>13.7%</td>
<td>8.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Households renting private dwellings assisted by direct supply subsidies:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public housing</td>
<td>0.35m</td>
<td>0.05m</td>
<td>0.2m</td>
<td>1.1m</td>
</tr>
<tr>
<td>Other types of social housing</td>
<td>0.02m</td>
<td>0.01m</td>
<td>0.46m</td>
<td>1.7m*</td>
</tr>
<tr>
<td>Total</td>
<td>0.37m</td>
<td>0.06m</td>
<td>0.66m</td>
<td>2.8m</td>
</tr>
<tr>
<td>Total households renting private dwellings assisted by direct supply subsidies</td>
<td>0.37m</td>
<td>0.06</td>
<td>0.66m</td>
<td>2.8m</td>
</tr>
<tr>
<td>As a % of all renter households</td>
<td>17.6%</td>
<td>12.2%</td>
<td>17.1%</td>
<td>8.4%</td>
</tr>
<tr>
<td>As a % of all households in private dwellings</td>
<td>5.1%</td>
<td>4.3%</td>
<td>6.2%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Ratio of households in receipt of housing allowances compared to those renting dwellings assisted by direct supply subsidies</td>
<td>2:1</td>
<td>3:1</td>
<td>1.5:1</td>
<td>1:1</td>
</tr>
</tbody>
</table>

Sources:
US: HUD 2000a: Exhibit 4 - Housing Assistance and Affordable Housing Programs.
Note: ‘Other types of social housing’ for the US includes 1.4m project units under Section 8 and 0.3m units subsidised under pre 1974 programs. Dwellings assisted by tax incentives, e.g. 0.7m affordable housing units subsidised under the LIHCT program 1986-99, are not included in the category of social housing.
The research suggests that the percentage of all renter households in receipt of housing allowances is more than a third in New Zealand and about a third in Australia. In Canada it appears that less than a quarter of all renters receive housing allowances, and in the US less than 10%, although these figures must be viewed in the context of a larger overall rental sector (as a percentage of occupied private dwellings) in Canada and the US relative to the other two countries.

One factor of considerable importance in explaining differences in rental market coverage of housing allowances is changes to income support policy where the allowances have been embedded in income support programs. Governments in the four countries have, from the early 1990s, tried to redefine income support. No longer is this seen as state provision of an assured level of income for those not in the workforce for various reasons (de-commodification), but as transitional payments for those of workforce age pending a move into paid work. The imperative has been to redesign income support programs to maximise incentives to work. For example, basic rates in New Zealand were reduced in 1991, many by 10% and some by as much as 25%, in an attempt to reduce government outlays and remove perceived disincentives to work (Kelsey 1995: 277). Similar reductions were also made in some Canadian provinces in the early 1990s (Prince 1998).

Changes in the concept of income support have had the most significant impact in Canada and the US where there have been fundamental changes to eligibility, particularly affecting single people and sole parents of workforce age, decreases in payment rates, including the shelter allowance component, and various compliance measures to make income support conditional on an attempt to move into work (Battle 2001). These measures, together with an increase in employment levels, have resulted in significant decreases in the number of households in receipt of social assistance in the US (56% decrease) and Canada (31% decrease) in the period 1994-2000. These decreases have spill-over effects in terms of the housing allowances within these programs.

Whilst governments in Australia and New Zealand have introduced a mixture of incentives and compliance requirements to encourage people of workforce age to move from income support and into paid work (e.g. Reference Group on Welfare Reform 2000), these measures have not produced the sharp decline in households in receipt of housing allowances within income support seen in Canada and the US. In Australia, the number of recipients of rent assistance in June 2001 had risen slightly after stabilising in the mid-1990s.

Policy reliance on housing allowances within income support programs in the four countries means a key driver of housing outcomes is the way in which income support systems configure, manage and distribute social risks between states, labour markets and households. Reconceptualisation of income support as temporary assistance to facilitate a move to paid employment, in association with job growth in all four countries from the mid-1990s, has meant that the number of households in receipt of housing allowances within income support programs in Canada and the US has decreased sharply. These changes have applied particularly to single people and sole parents of workforce age, including many women. In Australia and New Zealand, the number of people in receipt of housing allowances within income support programs has been reasonably stable since the mid-1990s, despite falling unemployment. It is not clear why this is the case, but explanations could include housing allowances embedded in single-
tier income support systems which include older people who are seen as ‘deserving’ by politicians and the wider community and whose political influence is increasing in an ageing population. There are other possibilities, too: voting in Australia is compulsory with turnouts in the high 90%s, in comparison with Canada, and particularly the US, where voter turnout rates are much lower.

Finally, the research into housing allowances in the four countries indicates that conventional analysis based on the interaction between states and markets disregards significant numbers of housing allowance recipients who access housing through informal arrangements via family, friends and managers of non-private housing, rather than more formal rental arrangements with private landlords/real estate agents.

A national survey of rent assistance recipients in Australia in 1998 indicated that, whilst three-quarters paid rent to a private landlord/real estate agent or community housing provider, a quarter paid rent to non-resident relatives, resident landlords (70% of whom were relatives) or managers of non-private accommodation such as boarding houses or hostels (Wulff 2000: Table 2.1). Those who accessed housing using these informal arrangements were unlikely to have formal lease agreements, for example, only 14% of those renting from a non-relative had signed a formal lease with the landlord (Wulff 2000: Table 2.3). Lone persons and sole parents had the most diverse range of living arrangements, with almost one in five sole parents reporting that they lived with another household. There is no evidence on whether rent assistance recipients share with others for reasons of social support or affordability. Similarly, in New Zealand, about one in five (22%) of accommodation recipients are boarders and lodgers (Ministry of Social Policy 2000: Table 72).

In Canada, housing allowances within social assistance can be used for a variety of housing arrangements. Just over two-thirds (68%) of all recipients are private renters, with a further 14% either owning their home or renting subsidised rental housing. Almost one in five social assistance recipients in 1998 lived in ‘room and board’ arrangements, with relatives or in other arrangements (NCW 1998: Graph O). There is no comparable information on housing allowances within social assistance programs in the US. In terms of the US housing voucher program, since the landlord has to agree to the subsidy arrangement and approve of the tenancy, including household composition, there would seem formally at least to be little opportunity for sharing or renting from relatives and friends.

These findings suggest the importance of access to housing through informal networks, reminiscent of Rex and Moore’s third ‘housing class’ discussed earlier where allocation of housing is based on informal rules. In terms of housing allowances, the response of governments to informal housing arrangements has been one of suspicion of collusion between family members and friends to commit fraud. For example, partly as a result of survey findings about the extent of such arrangements, the Australian federal government introduced a requirement that those without a formal lease produce a six monthly rent certificate verifying their rent level. In practice, little is known about these types of arrangements. For example, to what extent do sharing and boarding represent a

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lifestyle choice or the impossibility of renting independently on low incomes? What are
the housing and other outcomes of this mix of state assistance and informal access?

In summary, research into housing allowance in the four countries indicates
convergence around the notion that almost all households are responsible for finding,
and paying for, their own housing in private markets. For a minority, housing allowances
are provided, usually within income support programs, as temporary assistance until
households enter paid work and can pay for their own market housing. There are,
however, significant differences between the four countries in terms of the scale and
coverage of housing allowance programs, with a third or more of renter households in
Australia and New Zealand estimated to be in receipt of housing allowances, higher than
in the other two countries. Inclusion of housing allowances within national income
support systems based on entitlement in those countries has resulted in less
residualisation than that associated with social housing. In the case of Canada and the
US, where housing allowances have been included in lower-tier social assistance
programs, there has been increased residualisation due to changes to eligibility for
social assistance and the attachment of conditions related to moving into work.

Research into housing allowances has also highlighted a very neglected area: the
importance of informal housing arrangements which fall outside the conventional
discourse of state-market interactions in housing.

5. Conclusion

The concept of welfare regimes provides an exciting opportunity for housing researchers
to reintegrate what has often been a narrow and specialist field into the wider debates
about the way in which social risks are configured, managed and distributed between
states, markets and families. In effect, this involves a move away from dualism in
housing research (with one group examining the role of the state, particularly in social
housing, and another housing markets) towards a more interactive conceptualisation of
housing as part of the way in which ‘welfare production’ is allocated between state,
market and households. In taking up this challenge, old concepts may be dusted off and
new ones developed.

From a non-European perspective, the concept of a distinct liberal welfare regime rather
than an assumption of US ‘exceptionalism’ is an important development. Whilst there
has been some general debate in the non-European countries about the characterisation
of these countries as liberal welfare regimes, specific attempts to apply this type of
analysis to explain the way in which states, markets and households interact in housing
are hard to find.

This paper explored the concept of a liberal welfare regime in terms of housing generally
and, more specifically, examined whether this was an applicable and useful concept in
explaining apparent convergence towards housing allowances for private renters, using
the results of some current research into housing allowances in Australia, New Zealand,
Canada and the US. Overall, the paper suggested that there is some convergence
towards housing allowances for private renters in these four countries which can be
explained by a political commitment to minimise the role of the state, transfer of some of
the risks associated with housing to individual households trying to secure housing in
private rental markets, and above all the promotion of market solutions to housing. The
research affirms that there has been considerable path dependence in income support
programs and the structuring of rental housing that provide the institutional framework for housing allowances.

The research also indicates considerable diversity in terms of policy settings and program management around housing allowances. The scale and coverage of housing allowance programs, the impact of changes to income support programs and the role of housing allowances in rental sectors differ between the four countries. Finally, the paper highlighted the importance of informal access to housing, supported in part by housing allowances, suggesting a fruitful area for future research.

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### Appendix 1: Development of welfare state typologies: key examples

<table>
<thead>
<tr>
<th>Author</th>
<th>Typology of welfare states</th>
<th>Explanation of types</th>
<th>Comments/methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilensky &amp; Lebeaux (1958)</td>
<td>Residual, Institutional</td>
<td><em>Residual</em> - state acts only in cases of market or family failure. <em>Institutional</em> - state acts to provide adequate standards on a regular and organised basis.</td>
<td>Bi-polar ‘ideal types’ derived from empirical analysis of expenditure patterns of a large number of countries. Implicit convergence thesis towards institutional model.</td>
</tr>
<tr>
<td>Titmuss (1974)</td>
<td>Residual, Industrial-achievement, Institutional-redistributive</td>
<td><em>Residual</em> - state acts only in cases of market or family failure. <em>Industrial-achievement</em> - welfare state as adjunct to the economy and benefits based on work status and productivity. <em>Institutional-redistributive</em> - social welfare an integrated social institution and benefits based on need.</td>
<td>Ideal types on one dimension. Assumes convergence towards the institutional-redistributive ideal type. Based in UK social administration/social policy.</td>
</tr>
<tr>
<td>Mishra (1977)</td>
<td>Residual (capitalist), Institutional (capitalist), Structural (socialist)</td>
<td><em>Residual (capitalist)</em> - minimal state responsibility in meeting need. <em>Institutional (capitalist)</em> - state responsibility in meeting needs is pragmatic and piecemeal. <em>Structural (socialist)</em> - total state responsibility in meeting needs.</td>
<td>Based on one dimension of statutory welfare provision, in particular, state responsibility for meeting needs. Typology seen as a continuum with the institutional (mixed) model in the middle. Early work in sociology of welfare.</td>
</tr>
<tr>
<td>Therborn (1987)</td>
<td>Strong interventionist, Soft, compensatory, Full employment-oriented, small welfare states, Market oriented small welfare states</td>
<td><em>Strong interventionist</em> - high on both full employment and social entitlements, e.g. Nordic countries. <em>Soft, compensatory</em> - low on employment, high on social entitlements, e.g. Belgium, Netherlands. <em>Full employment, small</em> - high on employment, low on social entitlements, e.g. Japan, Switzerland. <em>Market, small</em> - low commitment to full employment and social entitlements, e.g. Australia, Canada, US, UK, NZ.</td>
<td>Based on two dimensions: low or high state commitment to full employment, and low or high state commitment to social entitlements. Enables classification of countries in four quadrants. European political economy approach.</td>
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</tbody>
</table>
### Appendix 1 (continued): Development of welfare state typologies: key examples

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Typology</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esping-Andersen (1990)</td>
<td>Liberal, Conservative/corporatist, Social democratic</td>
<td>Three ideal types of social stratification and solidarity that closely parallel regime types and which can be identified in terms of decommodification of welfare. Based on empirical research on various pensions/benefit types. Derives from the ‘power resources’ school of politics and charts the influence of politics, particularly parties of the left. Emphasises the institutional legacy of the past.</td>
</tr>
<tr>
<td>Castles &amp; Mitchell (1990)</td>
<td>Adds the ‘radical’ regime type to Esping-Andersen's classification</td>
<td>Modification of Esping-Andersen’s work based on two dimensions: non-right incumbency and trade union density. Enables classification of countries into four quadrants. Widens the debate beyond income security expenditure to include taxation impacts on redistribution.</td>
</tr>
<tr>
<td>Ferrera (1993)</td>
<td>Pure occupational, Mixed occupational, Pure universalist, Mixed universalist</td>
<td>Refines traditional European distinction between Beveridge (universal) and Bismarckian (occupational) welfare states. Focuses on social protection coverage rather than expenditure. Identifies four welfare state types but uses one dimension.</td>
</tr>
<tr>
<td>Sainsbury (1996)</td>
<td>Breadwinner model, Individual model</td>
<td>Gender perspective on traditional welfare state models. Ideal types which take into account the nature of entitlement, taxation, wages and employment policies and ideology of family analysed by gender.</td>
</tr>
<tr>
<td>Bonoli (1997)</td>
<td>Beveridgean/high spender, Beveridgean/low spender, Bismarckian/high spender, Bismarckian/low spender</td>
<td>Based on two dimensions: classic European distinction between Beveridgean (universal coverage) and Bismarckian (differentiated coverage) and high or low spending systems. Enables classification of countries in four quadrants. Posits a fourth welfare state type comprising several southern European countries</td>
</tr>
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