

Implementation of a new means-tested rent subsidy in Greece

ESPN Flash Report 2019/29

DIMITRIS ZIOMAS, ANTOINETTA CAPELLA AND DANAI KONSTANTINIDOU – EUROPEAN SOCIAL POLICY NETWORK

As of January 2019, a new means-tested rent subsidy has been in force in Greece, targeted at households who live in rented primary residences. It is set at €70 per month for a single-person household, increased by €35 for each additional household member. This policy measure can help low-income households to meet their housing costs. Yet, its effectiveness may be hindered by the fact that it is not part of a National Strategy to address housing problems.



Description

In May 2017, under the “Supplemental Memorandum of Understanding” for Greece, a new means-tested housing benefit was pre-legislated (Law 4472/2017), to be implemented as of January 2019. Initially, this benefit was planned to cover 600,000 households who live in rented (primary) residences or are paying mortgage loans for their primary residence. In this context, a Joint Ministerial Decision was issued on 15 June 2018, specifying the eligibility criteria and certain conditionality rules, the actual amount and the duration of the benefit, as well as the specific delivery arrangements and procedures.

However, this Joint Ministerial Decision was never enacted, but was replaced by a new Joint Ministerial Decision issued on 6 March 2019 with retroactive effect from January 2019. Under this new decision, the housing benefit takes the form of a “rent subsidy” and is available only to households who live in rented primary residences and not to those who are paying mortgage loans for their primary residence, as was initially planned. For the latter group, a separate legal framework, introducing a loan instalments subsidy scheme, has been adopted, and has been in force since the end of April 2019. An estimated budget of €300 million per year has been allocated for rent subsidies, to be drawn from the state budget.

The rent subsidy is set at €70 per month for a single-person household, while for

each additional household member (adult or child) this amount is increased by €35 per month. The total amount of the rent subsidy cannot exceed €210 per month, irrespective of the composition of the household. It should be pointed out, however, that if the actual amount of the rent paid by the household is lower than the amount of the rent subsidy for which the household is eligible, the total amount of the subsidy paid is equal to the actual rent.

As for the eligibility criteria for the rent subsidy, the relevant Joint Ministerial Decision of 2019 states that beneficiaries must have been legal and permanent residents of the country during the last five years preceding the submission of the application, and must fulfil, cumulatively, certain criteria on income and assets. In particular, to be eligible for the rent subsidy the total annual income of a single-person household cannot exceed €7,000, while for each additional household member (adult or child) this amount is increased by €3,500. Irrespective of the composition of the household, the total eligible annual income cannot exceed €21,000. Moreover, the total taxable value of the single-person household’s property cannot be over €120,000, increased by €15,000 for each additional member of the household (adult or child), while the maximum total taxable value of the property cannot exceed €180,000. In addition to the above, the total amount of bank deposits or/and the current value of shares, bonds, etc. of the single-person household cannot

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exceed €7,000, increased by €3,500 for each additional household member (adult or child) and up to a maximum of €21,000.

Official data reveal that, until 20 May 2019, 248,496 applications (households) to receive the rent subsidy were approved, concerning 659,424 persons who live in rented primary residences. Out of the total number of approved applications, 75,519 (30.4%) were for single-person households, 61,079 (24.6%) for four-member households, and 51,078 (20.6%) for three-member households. Two-member households were among the least represented: only 40,999 (16.5%) applications. Finally, the remaining 19,821 applications (8%) were for households with more than four members.

Outlook and commentary

The introduction of a new means-tested rent subsidy is a positive development, long-awaited in Greece. It is considered a policy measure which can help low-income households to meet their housing costs and, thus, can prevent them from falling into situations of homelessness and housing exclusion.

The fact that many households in Greece had great difficulties to meet their housing costs, especially their rent, can be confirmed by EU-SILC

data. These data reveal that, in 2017, the share of the population living in a household where housing costs represented more than 40% of the total household disposable income was 39.6%, which is far higher than the EU-28 average (10.4%). Worse still, the data show that the vast majority of households at risk of poverty (EU definition, i.e. their total disposable income is below 60% of the national median total household disposable income), 91.9% in 2017, spent more than 40% of their disposable income on housing (39.1% for the EU-28).

It may, thus, be argued that the rent subsidy - a streamlined social benefit - together with the "Social Solidarity Income" (a type of minimum income scheme) and the recently reformed family benefits, may act as a social safety net against (extreme) poverty and social exclusion.

However, the effectiveness of the rent subsidy alone in combating homelessness and housing exclusion may be reduced by the fact that it is not part of a National Strategy to address housing problems. Such a strategy is still under development in Greece. Moreover, the persistent lack of social housing schemes makes current public housing policy responses rather inadequate in effectively tackling homelessness and housing exclusion in the country.

Further reading

Ziomas D., Konstantinidou D., Capella A. and Vezyrgianni K. (2019), "ESPN Thematic Report on National strategies to fight homelessness and housing exclusion - Greece", European Social Policy Network (ESPN), Brussels: European Commission (forthcoming).

Ziomas D., Theodoroulakis M., Capella A. and Konstantinidou D. (2018), "ESPN Flash Report 2018/59 - Reforming the social welfare system in Greece", European Social Policy Network (ESPN), Brussels: European Commission, available at: <http://ec.europa.eu/social/BlobServlet?docId=19997&langId=en>

Ziomas D., Capella A. and Konstantinidou D. (2017), "ESPN Flash Report 2017/68 - The national roll-out of the 'Social Solidarity Income' scheme in Greece", European Social Policy Network (ESPN), Brussels: European Commission, available at: <http://ec.europa.eu/social/BlobServlet?docId=18246&langId=en>

Author

[Dimitris Ziomas](#), Antoinetta Capella and Danai Konstantinidou (National Centre for Social Research - EKKE, Greece)

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