

Czechia: reform of housing benefits under preparation

ESPN Flash Report 2019/49

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JULY 2019

In June 2019, the Czech Ministry of Labour and Social Affairs completed the drafting of a new law, the Housing Allowance Act, which would merge the two current housing benefits from 2021. The aim is to end the so-called "poverty business", to simplify the system and to better target the needy. However, the draft law includes controversial elements that could hinder the next stages of the legislative process.



Description

Since 2007, the state has been providing two housing benefits: the Housing Allowance (which is included in the family benefits package) and a "Supplement for Housing" (which is part of social assistance). Both benefits are income-tested and are designed to assist low-income families to cover their housing-related expenditure. Eligibility for and the level of both benefits are based on a norm fixed each year by the government. "Normative housing costs" are defined for various types of household; they take account of the tenure status, the size of the household and the municipality where the dwelling is located. They serve as a ceiling for households' "justified" housing costs (for more information on housing benefit development, see Sirovátka and Jahoda, 2015).

In 2007, the benefits paid amounted to 0.05% of GDP. In 2008, the economic crisis began and the rental housing sector was deregulated, resulting in a peak of benefit volume at 0.28% of GDP in 2014. The subsequent economic recovery and low unemployment then resulted in a steady decline in spending, with the expectation that benefits will amount to 0.15% of GDP in 2019.

The increase in housing benefit expenditure has also resulted in some abuse of the system. The normative costs imposed by the state do not sufficiently reflect regional and local differences in housing prices. It is not uncommon for a household receiving social benefits (e.g. from a socially excluded community) to pay the maximum "justifiable" rent (according to

the normative costs), even if they live in a low-quality apartment and an area with a lower market rent. This phenomenon is known as "poverty business". The high rents are set by private landlords, as municipalities have privatised most of their housing stock and public housing is scarce (for information on earlier housing benefit reforms, see Sirovátka, Jahoda and Malý, 2019).

In June 2019, in response to these developments, the Ministry of Labour and Social Affairs (MLSA) completed the drafting of a law reforming housing benefits. It consists of the merging of the two existing benefits and a corresponding legislative amendment. The reform is fiscally restrictive (i.e. public expenditure will decrease as a result of the reform) and its main objectives are the following:

- To simplify the benefits system and reduce administrative costs; the two benefits will be merged into a single benefit, and will therefore be assessed on the basis of a single set of eligibility criteria.
- To limit the possibility of system abuse by: better defining the members of the household to be taken into account in the calculation of benefits; setting minimum housing standards for flats (no benefits paid for substandard housing); eliminating benefit entitlements for persons owning another house/apartment; and regularly assessing willingness to

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work as a condition for benefit entitlement.

- To better link benefit eligibility and amount to customary local rent. The draft law foresees that the Ministry for Regional Development will prepare rent maps that account for local specifics better than the current normative housing costs. It is assumed that municipalities will be able to have a say in the preparation of these maps.

The reform is expected to come into effect from January 2021.



Outlook and commentary

In September 2018, the Minister of Labour and Social Affairs, Jana Maláčová, presented 15 measures intended to put an end to the "poverty business" benefitting private landlords and to help people from excluded areas (MLSA/MPSV 2019a). Subsequently, the draft law was prepared, and in June 2019 it completed the internal comment procedure within the MLSA. During summer 2019, the draft law will go through the inter-ministerial consultation procedure and will then be sent to Parliament for discussion.

The draft law has not yet been published by the Government. However, the "leaked version" is already being criticised by non-profit organisations; they claim it is very complex (several sections are being replaced by a separate law) and too restrictive towards housing benefit applicants.

First, the impact on households currently living in dwellings that do not meet the minimum housing standards is not clear. For these households, the draft law states that existing benefits will be maintained for three years after the adoption of the draft law. During this period, these households, with the help of the municipality, will have to find a

dwelling that meets basic quality standards. The draft law implicitly assumes that municipalities, through their social work and assistance, will help to ensure adequate housing and to prevent the emergence of socially excluded areas. That said, in the context of an insufficient municipal housing stock, the ministry itself admits that, if the above assumptions are not met, "a number of people will risk losing their homes"; moreover, the ministry warns that "there may be an increase in the shadow economy and in social unrest among housing supplement beneficiaries" (MLSA/MPSV 2019b: 36). The Platform for Social Housing (2019) criticises the draft law for the same reason.

A second point of discussion is the question of the rent maps. It is not clear when the maps will be created (the draft law assumes that today's normative cost system will apply until the rent maps are published). It is also not clear how the municipalities affected will be able to influence the maps and their subsequent use in the assessment of benefit claims.

Samec and Trlifajová (2019) point out that the legislative change will generate a wide range of risks. They argue that the reform does not address the problem of low-income households, who often live in poor-quality and overpriced housing, and that the draft law will increase bureaucracy in the assessment of benefits (the opposite of the claims made by the ministry).

Further reading

MLSA/MPSV (Ministry of Labour and Social Affairs) 2019a. MPSV připravilo 15 opatření pro boj proti obchodníkům s chudobou. [The Ministry of Labour and Social Affairs has prepared 15 measures to combat poverty

business]. (Only in Czech): <https://bit.ly/2tyE3x8>

MLSA/MPSV (Ministry of Labour and Social Affairs) 2019b. Návrh zákona o přídatku na bydlení. Verze Pro meziresortní připomínkové řízení. [Draft Housing Allowance Law. Version for inter-ministerial comment procedure]. (Not yet published). Unofficial version: <https://bit.ly/2Xscx5S>

Platforma pro sociální bydlení/Platform for social housing 2019. Změny dávek na bydlení uvrhnou do bezdomovectví tisíce lidí. Organizace vyzývají MPSV ke stažení návrhu. [Thousands of people in danger of homelessness as a result of the housing benefit reform. Organisations urge the MLSA to withdraw the proposal]. (Only in Czech): <https://bit.ly/309wMCI>

Samec, T. and Trlifajová L. 2019. Rizika reformy dávek na bydlení předložené v červnu 2019. [The risks of housing benefit reform submitted in June 2019]. (Only in Czech): <https://bit.ly/3093FyX>

Sirovátka, T., Jahoda, R. and Malý I. 2019 (forthcoming). ESPN Thematic Report on National strategies to fight homelessness and housing exclusion – Czech Republic, European Social Policy Network (ESPN), Brussels: European Commission.

Sirovátka, T. and Jahoda, R. 2015. ESPN Thematic Report on minimum income schemes – Czech Republic, European Social Policy Network (ESPN), Brussels: European Commission.

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Quoting this report: Robert Jahoda (2019). Czechia: reform of housing benefits under preparation, ESPN Flash Report 2019/49, European Social Policy Network (ESPN), Brussels: European Commission.