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Housing-induced Poverty and Rent Deregulation:
A Case Study of the Czech Republic

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Motivation

- (1) we would like to carry out a closer examination of the relationship of poverty and housing expenditures in the Czech Republic

- (2) there is currently under way a deregulation of large part of rented flats in the Czech Republic → how it influences poverty

Syllabus

1. **Literature overview**

2. Methodology and data

3. Poverty

4. Poverty and rent deregulation

5. Conclusions

1. Literature overview

- Discussion on financial housing affordability (Orshansky, 1965; Whitehead, 1991; Thalmann, 1999; Bramley, 1994; Stone, 2006a)

- Ratio concept → housing allowance; housing cost overburden rate

- Residual approach (Bourassa, 1996) → Kutty (2005) housing-induced poverty (HIP)

- Lux, Sunega (2003); Mikeszová, Lux, Morisseau (2009)

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1. Literature overview

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2a. Methodology and data

- Czech EU-SILC 2008 - 2010

- poverty concepts

    - "at-risk-of-poverty" indicator (threshold of 40 - 60 %)
    - residual income

Residual income (RI)	= disposable income – housing costs		
Poor households (narrower concept – HIP)		$RI \leq$	100% SM
Poor households (a broader concept – near poverty)	100% SM	$< RI \leq$	150% SM
Household is not poor	150% SM	$< RI$	

- MSM → first round effects of policy change

    (assumption of unchanged household behavior)

$$RI_0^i = F(z_0^i,\ y_0^i,\ \alpha_0,\ r_0^i)$$

2b. (De)regulation - policy change

- „new beginning" in 2007 (Act on Deregulation)
- target to reach the desired level (5 % of the price of "similar" flats realized at the market) by 2010 (alternatively 2012 for biggest cities)

$$MRI_t^i = {}^{2011-t+(+2)}\sqrt{\frac{TMR_{t-1}^i}{CRS_{t-1}^i}}$$

- (unilaterally) maximum increase

- the current rent, the "target" rent and the time remaining until regulation ends
- This implies (2007) that rents should be increased by around 100 % (almost 200 % in Prague)

2c. Data: Households with regulated rent

SILC	2005	2006	2007	2008	2009
Total N of households	4351	7483	9675	11294	9911
Of which living … regulated rent	863	1431	1737	1803	1475
Total N of households	100 % (4.012.695)	100 %	100 %	100 %	100 % (4.116.364)
Of which living … regulated rent	20,0 % (802.641)	19,7 %	19,0 %	17,6 %	16,3 % (672.702)

Distribution of Households According to the Rent Share on Disposable Household Incomes
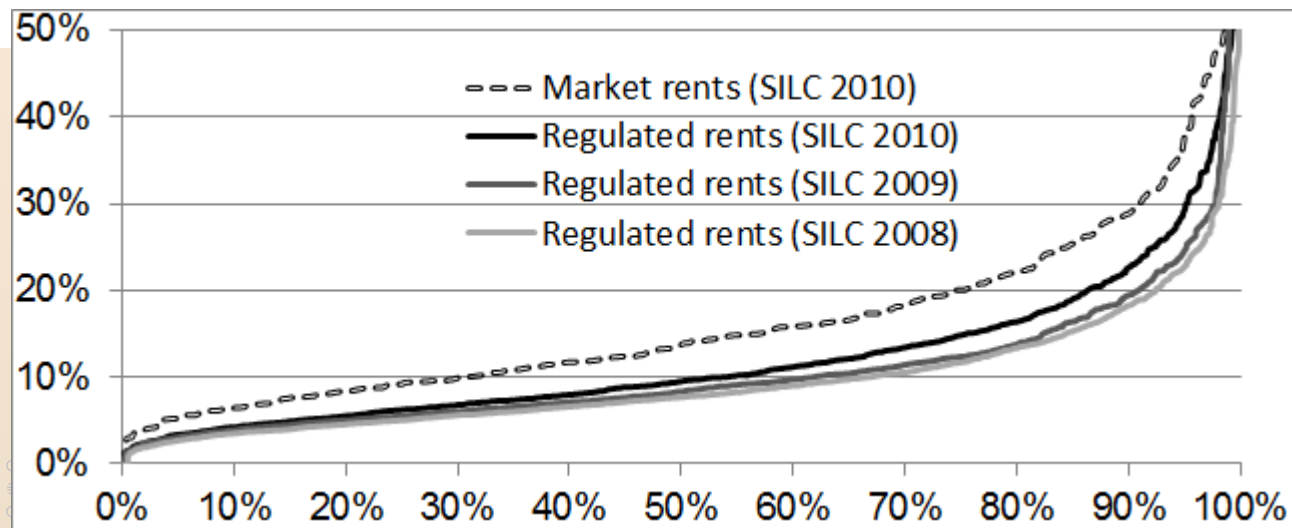
DATA

- Podstata českých mikrodat EU-SILC
- Podstata evropských mikrodat EU-SILC
- (obecně) dostupnost ostatních datových souborů: Eurostat (LFS, ECHP, SES, EAS, CIS, EHIS, CSIS, CVTS), ČSÚ (VŠPS, SRÚ)
- Okamžitá dostupnost dat pro projekty výzkumu na ESF a práce s nimi

- EU-LFS and EU-SILC 3rd European User Conference, Mannheim, 21-22.3.2013 (http://www.gesis.org/veranstaltungen/veranstaltungs-archiv/german-microdata-lab/european-user-conference-3/)
- Espelage: Eurostat data
- Van Houten: Eurofound data

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3a. Intersection of absolute/relative definition of poverty (SILC, 2008)

		Share of disposable income to the equalized median income						
		<0;0,4)	<0,4;0,5)	<0,5;0,6)	<0,6;0,7)	<0,7;inf.)	Total	
Recipient of **social assistance**	Yes	19 737	17 908	18 281	6 360	19 507	81 793	**2,0%**
	No	75 705	89 519	200 291	385 217	3 249 328	4 000 059	98,0%
Recipient of **housing allowance**	Yes	29 320	27 332	25 392	13 110	26 056	121 211	**3,0%**
	No	66 122	80 095	193 180	378 467	3 242 778	3 960 642	97,0%
Total		95 442	107 427	218 572	391 577	3 268 834	4 081 852	100,0%
		2,3%	**2,6%**	**5,4%**	9,6%	80,1%	100,0%	

3b. Intersection of HIP and relative poverty (SILC, 2008)

Residual income indicator	Share of equalized disposable income to median income				
	<0;0,5)	<0,5;0,6)	<0,6;inf.)	All households	
HIP	84,3%	11,6%	4,1%	100,0%	**3,5%**
Near poverty	29,1%	44,4%	26,5%	100,0%	**5,0%**
Not poor	0,6%	3,0%	96,4%	100,0%	91,5%
Total	**5,0%**	**5,4%**	89,7%	100,0%	100,0%

3c. Intersection and the Tenure Status (in %)

Housing-induced poverty				
	Share of disposable income to median income			
Category	⟨0; 0.5)	⟨0.5; 0.6)	⟨0.6; inf.)	total in the category
Owned	83.9	11.2	5.0	100.0	2.2
Rent-market rates	75.3	15.5	9.2	100.0	10.5
Rent-regulated	87.0	11.9	1.1	100.0	6.9
Other	100.0	0.0	0.0	100.0	4.0
Near-poverty				
	Share of disposable income to median income			
Category	⟨0; 0.5)	⟨0.5; 0.6)	⟨0.6; inf.)	total in the category
Owned	35.1	44.0	20.8	100.0	3.7
Rent-market rates	12.9	35.9	51.2	100.0	11.5
Rent-regulated	21.5	49.7	28.8	100.0	8.4
Other	63.7	34.7	1.6	100.0	3.9

Source: Own calculations based on the EU-SILC Czech data for the year 2008.

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3. Poverty

4. **Poverty and rent deregulation**

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4a. Poverty after deregulation (simple MSM)

Extent of Poverty of Households in Apartments with Regulated Tenancies Prior to Deregulation (based on recorded SILC 2008 data) (in %)

		Share of disposable income to the equalized median income				
		⟨0; 0.5)	⟨0.5; 0.6)	⟨0.6; inf.)	total	
Residual income concept	HIP	87.0	11.9	1.1	100.0	6.9
	Near poverty	21.5	49.7	28.8	100.0	8.4
	Not poor	0.7	3.1	96.2	100.0	84.6
	Total	8.5	7.6	83.9	100.0	100.0

Scope of Household Poverty in Apartments with Regulated Tenancy after Deregulation (based on MSM using SILC 2008 data) (in %)

		Share of disposable income to the equalized median income				
		⟨0; 0.5)	⟨0.5; 0.6)	⟨0.6; inf.)	total	
Residual income concept	HIP	50.4	19.0	30.6	100.0	14.3
	Near poverty	7.1	29.0	63.8	100.0	13.2
	Not poor	0.4	1.5	98.1	100.0	72.5
	Total	8.5	7.6	83.9	100.0	100.0

4b. Poverty after deregulation (simple MSM)

Household Poverty in Apartments with Regulated Tenancy during the Process of Deregulation (in %)

		SILC 2008 data		SILC 2009 data		SILC 2010 data	
		recorded	MSM	recorded	MSM	recorded	MSM
Residual income concept	HIP	6.9	14.3	6.9	13.1	8.0	13.6
	Near poverty	8.4	13.2	8.5	11.0	9.0	9.8
	Not poor	84.6	72.5	84.5	75.9	83.0	76.6
	Total	100.0	100.0	100.0	100.0	100.0	100.0

4c. Poverty after deregulation (complex MSM)

Main Factors of Household Poverty in Apartments with Regulated Tenancy (in %)

|		2010	MSM for 2012				
		recorded values	impact of partial changes				all changes
			Δ DI	Δ rent	Δ SM	Δ cost	
Residual income concept	HIP	8.0	6.6	8.3	9.4	8.6	8.8
	Near poverty	9.0	7.5	9.2	10.0	8.9	9.0
	Not poor	83.0	85.9	82.5	80.7	82.5	82.2
	Total	100.0	100.0	100.0	100.0	100.0	100.0

4d. Poverty after deregulation (complex MSM)

The Impact of the Social System on Household Poverty in Apartments with Regulated Tenancy in 2009 (in %)

		Recorded SILC 2009 values	MSM for 2012	
			without a change in the social system	with a change in the social system
Residual income concept	HIP	6.9	13.1	11.0
	Near poverty	8.5	11.0	11.9
	Not poor	84.5	75.9	77.1
	Total	100.0	100.0	100.0

The Impact of Change in Apartment's Size on Household Poverty in Apartments with Regulated Tenancy (in %)

		Recorded SILC 2010 values	MSM for 2012	
			without a change in apartment's size	with a change in apartment's size
Residual income concept	HIP	8.0	13.6	12.0
	Near poverty	9.0	9.8	9.3
	Not poor	83.0	76.6	78.6
	Total	100.0	100.0	100.0
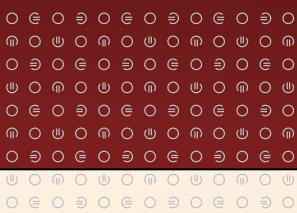
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5. **Conclusions**

5a. Conclusions

- Present indicators in the CR don't involve "housing induce poverty" concept

- There is a chance, that the number of household which find themselves in HIP will be doubled in 2012 (in the segment of rent flats)

- → one would expect, that government will have to tackle this problem, but …

5b. Conclusions (future research?)

- the number of household in HIP will be doubled, but from 3 % to 6 % in total population; doubled or growing?

- Our MSM is rather simple:

  - Will all home-owner increase rents?

  - What will be the reaction of tenants: their income (income effect) or their patterns of living (substitution effect)

- what will be the impact of economic crisis → lower prices of houses? → lower rents?

Thank you for your attention