

Study 13/2022

Rising Energy Prices and the Increase in Housing Benefits: Did it Help?²

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Summary

- This study analyzes the effects of changes in the housing benefits policy in Czechia. In response to the surge in energy prices, the Czech government increased the maximum contributions for eligible households. Although the number of households drawing the contribution rose, their share among all eligible households dropped.
- Increasing the maximum contribution by itself does not increase the number of eligible households. The rising number of eligible households is caused mainly by the hike in energy prices.
- Increasing the maximum contribution did not compensate for the surge in housing costs. For instance, households whose housing costs as a share of their net income had increased by 15 percentage points were not able to offset even a fifth of the cost increase.
- Although the increased maximum contribution makes the housing benefit more attractive, the amount of the actual contribution is often so small that households do not bother applying for it. Apart from the small contribution, the considerable administrative demands also likely discourage many households from applying. Households are aware of the housing benefit policy, but they are misinformed and often deem themselves ineligible when in fact they are eligible.

² This study represents the authors' own views and not the official position of the Economics Institute of the Czech Academy of Sciences nor of the Charles University Centre for Economic Research and Graduate Education (CERGE). The authors are grateful to Daniel Münich, Daniel Prokop and Michal Šoltés for their valuable comments and advice. Any remaining ambiguities or errors are the responsibility of the authors. The study was produced with support from the Czech Academy of Sciences as part of its AV21 Strategy programme: Society in Motion and Public Policies. The authors acknowledge the close cooperation with PAQ Research in the use of *Život během pandemie* research data, the collection of which was supported, among others, by the CAS as part of its AV21 Strategy programme: Society in Motion and Public Policies.

- The most likely eligible households are those of retirees. Although the share of eligible retirees did not increase in the covered period, the take-up of housing benefits increased the most among them.
- The analysis is based on *Život během pandemie* survey data gathered by PAQ Research. The study analyzes two waves of the survey: November 2021 (before the policy change) and April 2022 (after the policy change). The dataset consists of 1,472 respondents.