

National Poverty Watch Report 2018

Czech Republic

1. Introduction

EAPN Czech Republic, representing its member organizations, NGOs whose scope of work contains the issue of poverty and social exclusion etc., people experiencing/threatened by poverty and social services providers. Currently, we focus on following topics:

- Minimum income (we are also involved in the EMIN network)
- Over-indebtedness
- Housing
- Decent and active life of seniors

2. What do we mean by poverty?

Monetary poverty

“The main measure of monetary poverty included in the EU list of indicators is a relative one (net income less than 60% national median), known as the “at-risk-of-poverty” rate. Since the EU Council of Ministers in 1975, poverty in the EU has been conceived of as relative to a particular country at a particular time. There was and is strong justification for this approach rooted in social science understandings. Poverty in the post war period has been understood as a relative concept that went beyond the notions of poverty as a lack of basic physical needs but aspired to social participation standards or human functioning.¹”

Nevertheless, this measurement is limited in reflecting the reality of the country:

- *EU-SILC statistics reaches only households in standard housing (not those who are in different levels of homelessness or housing precariousness – like temporary shelters or socially excluded localities)*
- *The statistic do not reflect the indebtedness (what is the disposable income after repayments) and growth of mandatory expenses (especially for housing)*
- *It is referring to national median – the problem is that this statistic cannot fully reflect the reality if the general income level is low*

According to Eurostat statistics, in 2017, 12.2% of the Czech population was at risk of poverty and social exclusion (compared to 22.5% in the EU28)². After social transfers, the rate decreases

¹ THE MEASUREMENT OF EXTREME POVERTY IN THE EUROPEAN UNION, European Commission Directorate-General for Employment, Social Affairs and Inclusion Manuscript completed in January 2011

²http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_50&plugin=1

to 9.1% (compared to 16.9% in the EU28)³. These figures are the lowest in EU, as well as the unemployment rate – 2.5% in the Czech Republic compared to 6.8% in the EU⁴.

Thus, we need to approach the problem of poverty and social exclusion from a closer perspective and go beyond the official statistics.

In the Czech Republic, one of the most important problems related to poverty and social exclusion are executions on property. 863 thousands people (9.7% of the Czech population) are under these procedures. 493 thousands of them have 3 and more executions on property and can be considered as over-indebted.⁵

According to the data from 2016, 9.5% of the population is overburden by housing costs. Among tenants paying the rent at market price, it is 29.3%⁶. But the costs are rapidly increasing: the prices of real estate increased by 46% from 2010, in Prague, it was by 69%⁷. The prices of rental housing increased by 16% in average comparing the year 2017 and 2018⁸.

4. What are the key challenges and priorities? What do people in poverty think?

- Minimum income – so called “system of help in material need” went through significant changes during 2017 and 2018. The allowance for living is partly paid in vouchers instead of money and the amount is dependent on if the person participates or not in the community service. The second component of minimum income, supplement for housing, is now limited to 80% of standard housing costs for sub-standard forms of housing (which means that many beneficiaries have to pay part of the housing costs from the allowance for living) and the municipalities can define an area “with higher occurrence of negative social phenomena” in which the people in need are not entitled to receive the supplement for housing – this leads to indebtedness and loss of housing.
- Over-indebtedness – the key indicator is previously cited percentage of people under the execution on property procedures. The problem is due to insufficient protection of the consumer (especially in the case of consumer loans), problematic system of enforced debt collection (private bailiffs) and inaccessible debt relief procedures (threshold of repayment of 30% of the debt). High wage deductions in the execution on property are often the obstacle to accessing employment. Indebted persons would rather not work at all or work illegally, which means tax evasion and bypassing of social security. It leads to severe social exclusion and the debt trap.
- Housing – the housing cost are continuously increasing. We are still lacking the legislative framework of social housing and the municipality housing fund is severely insufficient. People who have currently no shelter or live in sub-standard or insecure housing have very little chance to access the standard housing. But nowadays, accessing housing is very problematic even for households with average income due to the high costs, especially in

³ http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_52&language=en

⁴ https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics

⁵ Mapaexekuci.cz

⁶ https://ec.europa.eu/eurostat/statistics-explained/images/8/8a/Housing_cost_overburden_rate_by_tenure_status%2C_2016_%28%25_of_population%29_YB18.png

⁷ https://www.czso.cz/csu/czso/ceny_bytu

⁸ <https://www.denik.cz/ekonomika/ceny-najmu-vystrelily-za-rok-o-sestinu-metr-vyjde-mesicne-na-221-korun-20180510.html>

Prague. The groups that are especially vulnerable in this situation are young people and young families, single parents, seniors and employees with lower income.

THEMATIC FOCUS 2018: WHAT PROGRESS ON IN-WORK POVERTY?

Due to good economic performance of the Czech Republic, the average wage is continuously increasing, it has increased by 8.6% during the last year, to 30 265 CZK.⁹ Also the minimum wage is regularly increased (it is 12 200 CZK for 2018) and the increasing is planned also for the next year. These indicators would suggest improvement of the situation regarding in-work poverty (the Eurostat statistic indicates 3.8% for the Czech Republic in 2016), but there are still many problems remaining. The minimum wage is still one of the lowest in the EU comparison and the prices of housing are growing faster than wages, which causes the inaccessibility of housing described above. The employees under execution on property are receiving still the same amount, if their net wage is above app. 15 000 CZK, regardless the actual wage.

The Gender pay gap in the Czech Republic is 21.8%, one of the highest in the EU¹⁰. The problem is, of course, multidimensional, but a very important cause is lack of sharing of parental responsibilities and difficulties of women re-entering the labor market after the maternity leave – precarious forms of employment are sometimes the only option. The second problem is lack of childcare options – the offer remains insufficient even if there is currently an effort to enlarge it significantly. The average wage as well as minimum wage are increasing, which is helpful, but not for everybody (as described above).

What would help? Key recommendations

- Tackle the over-indebtedness
- Develop a solid system of social and affordable housing
- Guarantee a place for every child older than 2 years in kindergarten, child group or micronursery

9. Key Recommendations

- Put into practice a quality Act on social housing, invest in both social and affordable housing
- Put into practice the legislation adequately protecting the consumers, conceive a functional system of execution on property and debt relief
- Put into practice a quality system of decent minimum income
- Tackle the structural economic disadvantaging of women (see the in-work poverty box)

⁹ <https://www.czso.cz/csu/czso/cr/prumerne-mzdy-1-ctvrtleti-2018>

¹⁰ <https://ec.europa.eu/eurostat/documents/2995521/8718272/3-07032018-BP-EN.pdf/fb402341-e7fd-42b8-a7cc-4e33587d79aa>