

POVERTY WATCH REPORT 2021 – CZECH REPUBLIC

EAPN ČR

The European Network against Poverty and Social Exclusion is an independent network of organisations and groups involved in the fight against poverty and social exclusion in Europe. In the Czech Republic, the national network EAPN ČR, z.s. - a member of the European Network against Poverty and Social Exclusion - advocates for the rights of people dependent on social services. The aim of the organisations associated in the EAPN CR is to achieve acceptance of the issue of social exclusion by society and public administration in the Czech Republic and to remove social and political barriers to people at risk of social exclusion.

The tasks of the EAPN CR include:

- To make social inclusion and the fight against poverty a priority for public administration at all levels.
- To promote, develop and implement activities aimed at social inclusion.
- Facilitate access to information technology and education for people at risk of social exclusion.
- Promote the development of quality in social services for people at risk of social exclusion as a basis for respecting their human rights.
- To bring together individuals and organisations working to combat poverty and social exclusion.
- To transfer good working methods and approaches within the European Union countries and to benefit from the experience of other countries and participate in the development of national policies on social inclusion.
- Promote the involvement of social inclusion organisations and their clients in the processes and policies that affect their lives.

POVERTY - WHAT DO WE MEAN BY THAT?

Poverty is defined by the EAPN CR as living on an income below 60% of the median household income; in addition, ownership of material goods such as a TV set, dishwasher or car is also measured. Also, how often the subject or family can afford a foreign holiday.

Other factors include age, gender, household type and employment status, which together give a more detailed view of those most at risk of poverty. In general, people who live below the poverty line for a longer period of time are more at risk than those who live this way for only a short period of time. However, income level is not the only determinant of poverty.

POVERTY AND ITS IMPACTS

It is important to recognise that poverty has a profound impact on the life of the individual and the community. The social deprivation caused by living in poverty has a profound impact on an individual's physical and mental health and their life chances in the broad sense of the word - there is a clear link to limited employment opportunities, access to healthcare and decent housing (there are around 80 000 people in housing need, including 20 000 children). Poverty is socially reproducible, and data show that children from families burdened by foreclosures clearly have worse chances of obtaining higher education (this burden is very significant in the specific case of the Czech Republic, with around 9% of the total population in foreclosure, and up to 16% in certain poorer regions).

Poverty has a particularly strong impact on vulnerable groups such as the elderly, women (typically single mothers) and children, but also migrants, people with various disabilities and the chronically ill. In addition to people in foreclosures, there is also the phenomenon of the 'working poor', where people are in regular employment, but their income - although formally at the poverty line - does not allow them to save, and the need for sudden expenses or longer-term illness is a significant problem for them (it is estimated that around 25% of households cannot afford a sudden expense of around CZK 10 000). This is also linked to shortcomings in the benefit system, which creates a risk that people may lose their housing.

Finally, it should be noted that in reality the number of people surviving on very small sums is higher than official surveys show - this is because the figures do not include individuals burdened by foreclosures, whose income otherwise appears (before the amount owed is deducted) to be average. Another difficulty is that wages have been relatively low in the Czech Republic for a long time, and it is only in the last few years that there has been a significant increase in the minimum wage. However, in view of the current global pandemic and the expected impact on the country's economy, future developments in this area are uncertain.

WHAT MOST OFTEN LEADS TO POVERTY?

- Long-term unemployment or low-paid, unskilled work that is not satisfying and insufficient to build up reserves
- a low level of education and work experience, which limits the ability to get a good job and salary, hindering intellectual growth and participation in society
- over-indebtedness - living in debt and facing distraints (enforcement of a money judgement)
- loss of housing, inadequate housing, living on the streets (a major problem in the Czech Republic concerning the lack of social and affordable housing - this legislation has been repeatedly swept off the table)
- family size and type, where the main risk factors are mainly the large number of children and single parents, lack of social and cultural capital, reproduction of poverty
- gender: women suffer significantly more from poverty than men, whether they are living alone on a salary below that of men in the same position, whether they are raising children alone or have suffered a loss of material goods, prestige and social status as a result of the breakdown of their marriage
- large-scale health insurance or long-term illness limiting access to well-paid employment and increasing the cost of living
- living in an excluded area with less access to public services such as transport, schools, offices, and sources of entertainment such as culture and sport

- belonging to a minority group, such as Roma and undocumented migrants in the Czech Republic, experiencing discrimination and racism, accompanied by limited opportunities for quality employment, poorer housing conditions and reduced access to basic services
- significant increases in energy prices, housing and inflation - all of these aspects have been observed to a greater extent in the last year; they are currently the most risky areas facing Czech society as a whole.

Social exclusion has the strongest impact on social ties, psyche and self-acceptance, which in turn can significantly affect the success in solving problems in the aforementioned areas. Addressing long-term housing need appears to be key:

- a total of 35,000 - 62,000 thousand households in housing need, where 76,000 - 165,000 people live
- 9,000-25,000 households in housing need in flats (functionally inadequate, overcrowded or insecure housing), but affecting 40,000-120,000 people, as there are on average 5 people per household
- there are approximately 3 200 households in shelters, with approximately 5 700 people living in them
- between 13 000 and 18 000 people in 8 000 and 11 000 households live in hostels on a long-term basis
- there are approximately 5 000 - 7 600 people in selected institutions who are in housing need
- 11 000 - 17 000 people are homeless
- 290 000 - 350 000 households burdened by excessive housing costs
- almost 4 out of 10 households with excessive costs are elderly households

(source: Housing Exclusion Report, 2021)

POVERTY IN THE CZECH REPUBLIC

According to the latest measurements of the Czech Statistical Institute (CSI), the Czech Republic has more than 8.1% of people living in income poverty, which represents 901,200 inhabitants (9.5% in 2019, 10% in total). The decline, according to the statisticians, occurred in 2021 due to the fact that household incomes grew, albeit unevenly, despite the Covid-19 pandemic. According to CSI data, social transfers (social benefits) have helped socially vulnerable groups to some extent.

Overall, the number of seniors over 65 living independently who would be classified as poor according to income poverty measures has fallen by a quarter; however, this is due to the fact that the distribution of pension levels is stably uneven, to the disadvantage of women, whose pensions are on average CZK 3 000 lower.

By contrast, the number of people in income poverty among full families with three or more children has increased by more than a quarter. There has also been a slight increase among single mothers, a group that has long had difficulty making ends meet.

A household is considered to be at the income poverty line if it does not have 60 per cent of the median net income, which is determined by the number of persons occupying it and is based on the previous year's income. For example, last year the poverty line for a single person was CZK 14 055 per month, while for a full family with two young children it was CZK 29 515 - see table below:

Monthly income poverty line for selected household composition in 2021	
Individual	14 055 Kč
Two adults	21 082 Kč
Parent with a child under 13	18 271 Kč
Parent with two children over 13 years old	25 298 Kč
Parents with a child under 13	28 109 Kč
Parents with two children under 13	29 515 Kč

(Source: Living Conditions of the Czech Republic 2021, Czech Statistical Institute)

It should be noted that this indicator does not indicate material need as such, but is solely a measure of household income. The problem is that although people may have incomes that are above the income poverty line on paper, they may be living in poverty due to foreclosures, high rents or other necessary expenses. Furthermore, the high inflation and associated price rises that have plagued the Czech Republic over the past year and a half are not factored into the income poverty line. In December 2021, when the data was published, prices were 6.6 per cent higher year-on-year - but in July 2022, inflation was already 17.5 per cent higher year-on-year.

The rise in question has been noticeable since the beginning of last autumn and is not limited to inflation but also includes significant increases in energy and food prices. This was further exacerbated after the outbreak of war in Ukraine in February 2022.

The number of households with income below the poverty line rose from 9-10% during 2021 to 17% in March 2022. Since then there has been a gradual decline to 14% at the end of July. This was due, among other things, to pension indexation, which put some pensioners back hundreds of crowns above the poverty line. Households with low education (23% of the income poor), those in the South East and North West (18%), single parents (up to 53%) and tenants and lodgers (18%) are currently the worst affected.

Less than CZK 3 000 per person remains after paying for housing and basic food, especially for households with incomes below the poverty line. 55-60% of them have low residual incomes. However, households with children with income below the median (24% with low residual income), single parents (47%), and seniors living alone (27%) are also very vulnerable. On the other hand, the richer half of households with children have very low residual income only rarely.

This expenditure-defined poverty rate has risen since November 2021 for the most mentioned groups, but due to rising energy and mortgage prices, it is also starting to appear among homeowners from the poorer half of households (14-18% as of May 2022).

We are seeing a more significant increase in housing expenditure among middle and upper income households who live in owner-occupied housing (particularly detached houses). All households are

affected by absolute increases, regardless of how they heat. For households that heat with solid fuels, expenditures oscillated seasonally, with the highest levels in January through April.

Absolute expenditures have also increased significantly since last autumn for very vulnerable households in income poverty (an increase of CZK 1 900), single pensioners (CZK 1 600), single mothers (CZK 1 200), etc. For them, the increase in spending represents the biggest hit to the budget.

Households in Prague are significantly affected by the increase in housing prices - the average household here pays CZK 2 700 more for housing than last autumn. In addition to electricity and gas prices, costs are being driven by rising mortgage prices (at the end of the fixation period) and rising rents. In rural regions, due to the increased use of solid fuels, spending peaks in January 2022. But further problems may come with gas prices rising again.

The average household in the Czech Republic is spending 29% of its income on housing at the end of July 2022. That's a significant increase from 23% in November 2021. The burden rose in the winter but continues to increase slowly - energy prices are rising faster than incomes. The average household now spends 48% of its income on housing and food. Vulnerable household types give less than half of their income for housing, and when essential food is added, they reach 70% of income.

Households with incomes below the poverty line, single parents, the poorer half of tenants and lodgers and single pensioners give on average more than 40% of their income for housing. Together, they spend between 60 and 70% of their income on housing and food. But the entire poorer half of households - with and without children - are burdened. On average, they spend a third of their income on housing and around 55% on housing and food.

We see a higher increase in the burden of mandatory expenditure from November 2021 among the poor and in households that heat with gas and district heating. Due to rising mortgage prices, there is also a significant increase among people who own their own home and have a household income below the median and households in Prague. In all these households, spending on items that cannot be afforded (housing and food) will swallow up on average 5-10% more of income than it did in the autumn.

THE EUROPEAN UNION VIEW

The development of the socio-economic situation in the context of the member states is described annually in a working document called the Country Report. Last year's report noted the need to continue the implementation of the Recovery Plan in line with the milestones set out above and to complete negotiations with the Commission on the Cohesion Policy programming documents quickly. There has also been some progress in improving the quality and inclusiveness of education and training systems, including by promoting technical and digital skills and supporting the teaching profession.

We agree with proposals such as greater labour market inclusiveness, greater access to childcare, the employment of the disadvantaged and the need for greater support for the employment of women, as well as the call for strengthening social and affordable housing.

Conversely, we see the recurrent emphasis on ensuring fiscal stability and sustainability as synonymous with further austerity measures. In the current situation in which the Czech Republic finds itself, we do not see fiscal stability as a workable solution at the moment.

We see social standard-setting activities at EU level as crucial, as we see many of the proposed ones (most recently the common minimum income framework) as laudable and otherwise difficult to enforce from below.

POVERTY AND COVID-19 - Impact on mental health

By 2021, we may already see some societal fatigue from the ongoing pandemic. After the spring of last year, when the pandemic situation escalated with the highest number of infected people so far (almost 10 000 occupied hospital beds, including 2000 ICU beds), a similarly serious situation did not recur in the autumn with the arrival of the omicron variant, despite the high infectivity. It can be said that society's concerns have been focused, since the autumn at the latest, on the rise in inflation and energy prices and the resulting existential fears, with an increase in anxiety and psychological disorders also being observed to a greater extent among younger generations, including children. At the same time, child psychiatry is reportedly facing a shortage of specialists, money and beds.

According to PAQ Research, 12% of respondents report moderate symptoms of depression and anxiety. This is an increase from 10% between July and November 2021. Recent months confirm that mental health problems have risen, particularly among people hit hard by economic inflation. During the lockdown, the number of people with depression and anxiety rose to between 13% and 19%, but other groups (younger people, people with children in distance learning) were also affected.

In the long term, the worst mental health status is reported by people living in households that are in a difficult economic situation. In the last six months, it is among the affected groups that deterioration is observed - symptoms of depression and anxiety have increased among people who subjectively experience economic hardship (from 16% to 26%) or are in income poverty (from 15% to 20%). Among high-income people with high residual incomes, rates of depression and anxiety are stagnant.

Anxiety and depression are more likely to affect young adults aged 18 to 34 and stay-at-home mothers with children, whose mental health problems increased significantly during the epidemic closures. But we are now seeing a significant increase in symptoms of anxiety and depression among single pensioners who are being affected by energy prices - up from 5-10% in the autumn to 13-18%.

In terms of population vaccination coverage, as of the last update (September 2022), 6,887,756 people (64.68.0% over 5 years) have been fully vaccinated and 6,973,069 people (65.2%, 68.8% over 5 years) have received at least one dose. A total of 17 940 120 doses were administered. In other words, half of adult respondents have at least 3 doses of covid-19 vaccine. However, the number of people who have or are willing to have at least one booster has been declining over the long term. If the people who are now interested in any booster dose are added together, this is 38% of the adult population. Among people aged 55 and over, roughly one in two are interested in getting a booster vaccination. However, older people from lower social groups have significantly lower vaccination uptake and willingness to receive a booster.

VULNERABLE GROUPS - Main difficulties and challenges

- low-income individuals and families - on the poverty line for a long time
- Indebted individuals and families - increased likelihood of defaulting on debts or bankruptcy payments

- Women - generally significant impact of the pandemic in terms of increased risk of conflict and threat of domestic violence (inability to 'escape' from an abusive partner in quarantine), also more likely to bear the costs of care and worry for the family due to school and nursery closures
- single parents - during the last year often substituted the role of a teacher / educator, possible increased household costs; children did not have subsidized lunches at school (parents were forced to cook for their children at home), difficult access to basic needs, especially for growing children (shoes, clothes)
- children from socially excluded localities - problem of access to online education (education and digital divide), especially for poor and socially excluded population groups, unavailability of low threshold centres for young people
- foreigners - lack of information in uncertain times (lack of language, limited services, loss of employment and accommodation)
- homeless people - deterioration of their health, lack of access to necessary care
- the elderly and chronically ill - generally an at-risk group, they also face the risk of infection due to the lack of protective equipment in social services; also great isolation and loss of contact with loved ones (impact on mental health)

Unfortunately, we have to say that the situation has not improved for these vulnerable groups this year either; on the contrary, with rising inflation and rising energy prices, there has been an increasing slide into poverty even among previously relatively well-off groups (generally the middle class).

GOVERNMENT MEASURES

- In response to the energy crisis and skyrocketing inflation, the government has come up with a set of several measures called the Umbrella against Expensiveness:

- The CZK 5 000 per child allowance, which, however, is relatively broad and, in our view, covers too wide a range of the population - families with total earnings of up to CZK 1 000 000 per year can benefit from the allowance. The allowance was set at an upper limit of 18 years, which, however, did not take into account the actual maintenance position of parents in relation to children who are studying in secondary school and grammar schools. There was thus discrimination against children who had reached the age of 18 - there were situations where not all students in the same class were eligible to benefit. The government argued that it was administratively easier to do it this way.

- For a long time, the Energy Saving Tariff was only in the realm of possible proposals - the latest information is that it would be written into energy bills and the ratepayer would not have to do anything further; however, the incentive aspect, which was originally intended to encourage ratepayers to save more, has completely disappeared from the proposal

- The parameters of the savings tariff are as follows:

- In the maximum variant, it is supposed to save households up to CZK 18 000. Among other things, thanks to the remission of the renewable energy fee.

- The minimum discount will be CZK 11,000 and the maximum CZK 18,000 per heating season. It depends on the consumption of each household. The average savings are expected to be between CZK 15,000.
- Everyone is entitled to this benefit, regardless of whether they use gas, electricity or heat, for example, through central heating or a domestic boiler.
- The tariff does not apply to holiday homes, electric vehicle charging and businesses. These have a different form of allowance available.
- The housing benefit has been simplified in the current regulation (one application is enough), which should also make it much faster. It can also be applied for at any local branch of the Labour Office. It can also be applied for up to three months in arrears, and the average amount is currently CZK 4 100 per month. However, it will also be necessary to update the so-called normatives, as these determine whether a person is entitled to the allowance (it is a percentage ratio of the housing and energy costs incurred to the household's net income).
- In order to mitigate the socio-economic impact of the pandemic and to promote the sustainability of European economies and societies, the National Recovery Plan and the Recovery and Resilience Facility created by the European Union may be an important opportunity for the Czech Republic to address its social needs.

REQUIREMENTS AND RECOMMENDATIONS TO THE GOVERNMENT

- There is a clear need to strengthen funding for social services and the social sector as a whole (low-income groups will not pay the price of the crisis and social services will not be cut from income and will return to pre-pandemic levels); the NPO originally reflected a number of areas (especially the aforementioned infrastructure), but only a disproportionately smaller part was devoted to the social sector
- Overall, the government should improve and simplify its communication to the wider population
- Related to this is the lack of awareness of the benefits system - for example, according to the data, about 15-20% of households are entitled to housing benefit, but only 4-5% use it
- We support the proposal to waive nursery fees, nursery lunches, fees at the DDM for the poorest third of parents
- Tax reform is needed to improve the indexation of pensions for low-income pensioners (the current arrangement adds the most to high-income pensioners)
- It is necessary to complete the legislative amendment of the execution law - i.e. the introduction of the principle of territoriality and the system of 1 debtor - 1 bailiff, local jurisdiction of bailiffs and random assignment of bailiffs by the court
- We support the adoption of the proposals of the National Economic Council of the Government (NECG): updating of housing standards, a more targeted energy tariff, increased use of support (in the social sense), a one-off valorisation of child benefit, taxes and support for low-income workers, valorisation of low pensions (their basic component) and a temporary relaxation of payments for educational services for a wider group of low-income
- stopping long-term unenforceable foreclosures (10 years or more)

- legislation to allow people to remain in insolvency even if they cannot currently work due to coronary crisis (temporary lockdown)
- It is imperative that the government coalition pass the proposed Social and Affordable Housing Act, as affordable housing is in itself the basis for moving out of poverty
- There is also a need to provide more support for innovative and proven housing support programmes (both investment and soft) and to ensure higher take-up of housing benefit (destigmatise benefit receipt and raise awareness of the benefit and encourage take-up)
- support capacity within schools and school guidance centres
- maintaining full-time education should be a clear priority
- the government should take up the views of experts on ESF+ in the social field and reopen the issue of setting the conditions for the use of EU funds; the impact of COVID-19, inflation and the energy crisis on the social field should be addressed and support should be given to people who have lost their trades, jobs or had to close their businesses
- as regards the minimum income, the benefit system needs to be continuously revised so that it is both responsive to people's unfavourable situation and motivating for their future labour market participation; benefits should be significantly lower over time compared to the minimum wage and the incomes of working people
- Clarify the financing of psychiatric care reform, more systemic changes and an emphasis on making the field more attractive

PEP MEETING IN 2021

In November, the People Experiencing Poverty (PEP) meeting, which was originally scheduled to take place in 2020 but was eventually postponed until last year due to the pandemic, took place at Marianeum Hotel. The meeting was held remotely (individual member organisations connected via a mass conference call on the Zoom platform) and focused on the topics of access to housing, adequate minimum income and health services; and digitisation was included as a fourth topic.

The PEP meeting was preceded by meetings with homeless people and included valuable input from several individuals. Individual people's stories were then, along with relevant recommendations, published in an internal text.

Topics covered at the November PEP meeting included:

- Housing affordability
- a decent minimum income
- access to health care

OUR RECOMMENDATIONS FROM PRACTICE AND THE PEP MEETING:

Housing:

Housing, work and debt form a kind of link across the individual accounts of people at risk of poverty.

There is a need to focus on the availability of decent housing - so that not only the middle class (which is currently no longer able to afford mortgages and rents on its own, which make up a significant part of an individual's budget), but also people affected by or at risk of poverty (there are about a million people on the poverty line in the Czech Republic, but a large number of people are also just above the poverty line).

Another aspect that was voiced in relation to housing was the expressed desire to 'own' in the sense of having one's own (greater) privacy.

There is a need to provide some form of decent housing for people who are currently unemployed or at immediate risk of losing their jobs - these people are often at risk of falling into poverty and subsequently homelessness.

The inadequacy of pensions and their ongoing increases must be taken into account.

The focus should be on the timely payment of social benefits and their adequacy; at the same time, the system of benefit payments should be simplified and an ethical and person-centred approach should be emphasised.

Debtors need to be helped out of the burdens of foreclosures and insolvencies - this is significantly facilitated by (time-limited) events such as the Summer of Grace, aimed at writing off the attachments of public debts such as tickets or waste fines; on the other hand, it also requires further revision of the foreclosure system, where one of the key good practices is the introduction of a system of regional jurisdiction of bailiffs and random assignment of bailiffs by independent courts.

Minimum income:

It would be very helpful if statistics on people in foreclosure and insolvency (at national and European level) started to be collected. This is important to map the situation and to be able to respond effectively.

It is important that the benefits system covers the current expenses of its recipients and enables them and their families to live in dignity. Benefits must be paid in a targeted manner and without delay.

We see the harmonisation of minimum wages across the EU as a suitable solution (e.g. the same percentage of the average wage) - wages need to be not only decent but also motivating.

Social and health area:

Introduction of systemic measures to create an integrated system of comprehensive care, based on the principle of subsidiarity, including changes in the competences and roles of the entities involved (e.g. municipalities) and the creation of new positions (e.g. social health care coordinator)

Ensuring quality long-term care in the EU, accompanied by strengthening the prestige, qualifications and competences of staff and their adequate financial remuneration.

Ensuring the necessary capacity of community-based long-term care services. It is necessary to increase the capacity of community-oriented, mainly field-based services, which allow, to the greatest possible extent, to preserve the autonomy, independence and dignified life of a person in his or her own environment in a situation where he or she has reduced self-sufficiency due to age or health. These services must be locally, temporally and affordably accessible to all people in need of long-term care.

The availability of outpatient services as well as long-term inpatient care and residential care should also be promoted. Residential care facilities must be transformed into community-based, family-type facilities to ensure quality care and a dignified life.

It is necessary to ensure good working conditions for long-term care workers and to guarantee the quality of such care.

SELECTED PEP STORIES

Below are some of the stories that were used for illustration and that complement the data given in the text:

Mr. Jozef

He came to the capital city of Prague from a neighbouring state for work, but with the arrival of the pandemic this opportunity disappeared. The gentleman lived for several months on a bench near the main railway station and gradually oriented himself in the situation (here he mentions the help of "friends from the street"), and managed to secure temporary accommodation in a hostel. He was robbed several times and lost his mobile phone(s), and without a mobile phone he was unable to effectively look for work or contact potential employers. He now works two part-time jobs and is trying to find full-time work, something more stable. He lacks normal housing and privacy, and mentions debt problems.

Mr. George

He came to Prague with the hope of finding a better job, but it didn't work out - the company didn't pay him. Eventually, he got a job at a hostel where he wanted to take a course as a social worker, but with the pandemic coming, all plans collapsed. Now he is trying to pick up and move on, hoping that by the end of the year he will have a more stable job. He has a big problem with distraints (enforcement of a money judgement), where after paying rent and utilities (about 11-12 thousand crowns) he is left with only 2-3 thousand a month. He claims that the problem is that even if one earns some money, a large part of it is confiscated by the judicial officer (this is partly solved by the introduction of a protected account, which allows one to keep a non-forfeitable minimum in the account), which prevents one from working full-time. The benefit system does not allow him to survive in the long term in a dignified manner (he also mentions a situation where he saved for a whole month and ate only dried "chinese soups", which eventually could not be sustained and he suffered from digestive problems for a while afterwards). Housing is also important because "on the

street you only deal with that one day and mentally you go downhill fast", you have "no security, no perspective".

Mr. Emil

He did not address the financial situation, he had a disability pension and was used to "money coming in every month", now he is moving to a retirement pension. Previously he had also lived for a time in a squat and shared flat (during the pandemic), when things started to loosen up he spent two weeks on the streets. Here his friends helped him and thanks to them he found a solid place to live - even though it is a commercial hostel type accommodation, Mr. Emil pays 6 thousand a month, moreover he got a permanent contract from the landlord and he is currently very happy. However, he is still thinking about moving into his own accommodation. Here, too, distrains are a big problem, as after paying for the accommodation Mr Emil is left with only about CZK 3,000 per month. The distrains are the main reason why he still stays in atypical housing. He also states that "the psyche suffers a lot on the street".