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Housing Benefits in Poland. Current Rules and Implementation Process

**Prepared for the project:
Preparation of the strategy for
social benefits monetization reform in Ukraine**



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These notes focus on two points regarding housing benefit in Poland. First, they overview the process of implementation of this benefit. Second, they present the key features of the current scheme. A summary table of the legislative chronology and a table with main statistics concerning benefit payment supplement the text.

Introduction

Housing benefit, alongside with social assistance and family allowance, forms the core of a system of public support for the poor in Poland. The last two schemes have a long record. Reshaped and reformed, they have been applied for over five decades. Housing benefit, on the contrary, is relatively new and its history goes back to the beginning of a transition period. Introduced for the first time in 1990, it was considerably modified in 1994 and in 2001. Clearly, three steps of its implementation can be identified. In general, they have been driven by the marketization of the economy -- at first by the need of removing price subsidies (monetization of benefits), next by housing and energy sectors reforms (privatization and rent reform), then by the restructuring of the government (at the territorial and central levels).

Removal of Subsidies – Ministry of Labor Regulation of 1990

Under communism, there were no explicit housing benefits in form of cash payments to cover rent and utilities. However, a vast, universal system of price subsidies for housing and energy costs existed. There were capital grants for members of housing cooperatives; interest rate subsidies; repairs, maintenance, and operating cost subsidies; and rent subsidies. Also, through subventions, prices of energy (coal, electricity, gas, heating, and hot water) were kept artificially low. At the end of 1980s, these subsidies reached 30 per cent of all consumer subsidies, i.e. 2.5 per cent of the GDP. They were considered the least efficient of all the subventions. With the transformation of the economy, removal or at least a considerable reduction of consumer subsidies – especially those in the housing and communal sectors - was considered urgent.

Housing benefit was introduced as an emergency measure in 1990 by the Minister of Labor regulation. At that time housing benefit was treated as one of the social assistance programs. It was evident that for a number of poorer households it would be impossible to meet rising costs of housing maintenance which resulted from phasing out subsidies and from other outcomes of the ‘shock therapy’ (wage and salary restrictions, restructuring of industries, etc).

As introduced, eligibility to housing benefit required that household per capita income was lower than the previous quarter minimum pension, or – in a case of a single person household -- his/her income was lower than 1.5 of this pension. Social status of a family/household had to be of a specific type (multi-children family, single pensioner, family of unemployed, single parent). Housing benefit could be paid to a family living in one or two room apartment, or -- in the case of multi-room apartment - up to the living space of 35 m² for a single person (plus 5 m² for every additional household member). The benefit was equal to the difference between the actual household spending on housing, i.e. on rent, central heating, hot water, electricity and ‘mortgage’, and the amount equal to 10 percent (15 percent for some family types) of the total household expenditure. Housing benefits were administered by social assistance centers of *gmina* (the lowest level of the territorial government). They were paid from the local budgets, and re-financed by transfers from the central budget.

The Ministry regulation was scheduled for one year (from July 1990 till July 1991). It was prolonged with small modifications two times, for six and twelve months, altogether until the end of 1992. The number of beneficiaries was quite important. The benefit was paid to 0.8 million households in 1990 (out of over 12 million household), 1 million in 1991, and 1.4 million in 1992. In 1991, the total expenditure on housing benefits was higher than the overall spending on permanent social assistance support.

In general, the assessment of housing benefit was positive. Some problems were noticed -- regarding for instance, house ownership status of applicants. However, since the Ministry

regulation was treated as temporary, improvements were postponed. In fact, housing benefit was canceled out (or rather suspended) for one and a half year, from the beginning of 1993 until the middle of 1994.

New Wave of Social Security Reforms – the Law of 1994

In the middle of the nineties, after a lengthy debate about experience gathered and challenges still ahead, several social benefit schemes were considerably modified. This refers to the main poverty alleviation policies, including housing benefits. The debate involved politicians, policy makers and academics. Both the axiology options and expert recommendations were considered, the latter often based on the simulation research with the use of household surveys. New legal framework for housing benefits was set up in the middle 1994, and it became effective in 1995. It was introduced in the context of increasing marketization of housing and communal sectors which involved rent and tenancy reform, and the final removal of price subsidies.

According to the new law, eligibility was limited to legal owners and tenants, and this restricted the number of applicants. As before, their per capita income had to be lower than a minimum pension of the previous quarter (50 per cent more in a case of a single person household), and the law set the upper limit of housing space for which the benefit was paid (35 sq. meters for a single person household, plus 5 sq. meters for each additional member). The benefit was paid to households whose actual housing expenditure (including costs of energy etc.) were higher than 10 to 15 per cent of their total income (depending on the size and structure of the household).

Housing benefits remained financed from the central budget. At the central level, however, they were moved from the social assistance administration (Ministry of Labor) to the newly established Housing Office (Urząd Mieszkalnictwa i Rozwoju Miast). At the local level, they remained administered by social assistance centers of the *gminas*. In 1998, new rules regarding the way of financing (calculating and transferring subvention to local budgets) and eligibility were introduced.

About 630 to 730 thousand of families were beneficiaries of this system and their number tended to rise. In 1995-1997 the share of expenditure on housing benefits in GDP was 0.1 per cent but later it increased up to 0.2 per cent.

Current Rules - the Law of 2001

In 2001, the rules of housing benefit were substantially revised. The new law effective since January 2002 was an answer to the need of cushioning more radical rent reform which was planned by the government. This law is still in force, although it has been modified in 2004. Modifications concerned financing (moved completely to local budgets) and administration (Housing Office was closed down and the Ministry of Infrastructure took over administrative responsibility), and some amendments were also added in 2005 – 2006. Current rules look as follows.

Eligibility

Legal status. Eligible household should prove its legal title to the dwelling, as an owner, tenant, member of a cooperative, waiting for communal (social) apartment etc.

Income test. Per capita household income of the last quarter cannot be higher than 1.5 of the minimum pension level (1.75 if a single). Ministry regulations list all income sources that

must be considered (only some special types of social assistance benefits – for orphans, temporary and alike - are excluded). If per capita income is higher than the threshold by an amount equal to the benefit rate, the benefit may be paid but will be reduced. This test is less restrictive than the one applied for family allowance and social assistance.

Surface. As in the past, the threshold is set at the level of 35 m² for a single person, plus 5 m² for each additional household member. The threshold is increased by 15 m² if one of the household members is a disable. In fact, the total surface may be higher by 30% or even 50% under special conditions regarding the dwelling arrangement. In such a case, however, benefit rate is adapted accordingly.

Benefit rate

The rules of setting benefit level have only slightly been modified. At present, housing benefit covers the difference between the actual expenditure on rent, energy bill, water, garbage, heating etc (adapted to the surface threshold) and from 10 (12)% to 15 (20%) of the household total income. Expenditure items are clearly listed by the Ministry regulation. The percentage applied depends on the number of household members (the higher this number the lower percentage) and on the income level (the higher the income the lower percentage considered). In case of coverage of the cost of fuel (coal, oil) flat benefit rate is used.

Benefit payment and duration

Housing benefit is paid to the owner (tenants do not receive cash) at the beginning of each month. It is paid for six months, then it has to be renewed.

Application procedure

Applicant should fill out several forms, confirming the level of expenditure, proving the level of household income, disability status (if any) etc. Workers of *gmina* may collect additional information regarding the household status. Application should be processed within 30 days. Appeal procedure is available.

Administration and financing

At the local level, administration remains with *gmina*, at the central level – with the Ministry of Infrastructure (since 2004). Financing goes from the local (*gmina*) budgets from their own resources.

Conclusions

Main conclusions regarding implementation process and current rules of housing benefits in Poland may be summarized as follows.

First, the implementation of cash housing benefit may be a long lasting process, especially – as in the Polish case – if it goes along with the restructuring of the economy (marketization of housing, energy and communal sectors).

Second, the most interesting regulatory experience in Poland – the one that might be useful for other countries -- stems from the implementation of the Law of 1994. This step of the implementation process was quite elaborated and it is worth studying.

Third, some rules of housing benefit – such as surface test or setting the level of benefit – have performed quite well, and they have been rather stable. The most questionable rule regards eligibility with respect to the occupancy /tenancy status. Adjustment of this rule to the changing conditions of the housing market has been difficult. In some periods it was to

restrictive (excluding farmer households for instance), in some other inadequate (at the beginning of the nineties).

Fourth, the general design of the income test looks satisfactory. Nevertheless, problems of the proper definition of income may be noticed (it regards income components, treatment of income in kind, especially in rural areas etc).

Fifth, given the Polish experience it is hard to say which way of the benefit administration is preferable. The impact of various administrative arrangements seems negligible.

Table 1. Legislative Chronology of Housing Benefit *

Effective	Legislation	Implemented	Comments
Since: 1990/07 Until: 1992/12	1. Regulation № 74 by the Minister of Labor and Social Policy, of July 25, 1990, on Housing Benefit <i>[Wytyczne nr 74 Ministra Pracy i Polityki Socjalnej z dnia 25 lipca 1990 r. w sprawie dodatków mieszkaniowych]</i> 1a. Regulation № 39 by the Minister of Labor and Social Policy, of June 27, 1991, on Special Arrangement of Granting, by Social Assistance Centers, Financial Support in Covering Housing Expenditure between July 1, and December 1991.] <i>[Wytyczne nr 39 Ministra Pracy i Polityki Socjalnej z dnia 27 czerwca 1991 r. w sprawie szczególnych zasad i trybu udzielania, przez ośrodki pomocy społecznej, pomocy finansowej na wydatki mieszkaniowe w okresie 1 lipca do 31 grudnia 1991 r.]</i> 1b. The above regulation was prolonged until the end of 1992.	1990: July	NEW BENEFIT. Implemented in order to compensate for rent and energy price increases. Targeted at poor families (income threshold higher than pure SA threshold) living in "small" apartments, and spending more than a fixed amount on rent and energy. Benefit rate calculated as the difference between the actual and normative amounts.
		1991: July	Changes: Adjusted text of the former Regulation. Small changes of rate and eligibility. Untouched were the very idea and general rules of benefit granting. Later prolonged, and effective until the end of 1992. In 1993 and mid–1994 the housing benefit was not paid.
Since: 1994/07 Until: 2001/12	Act, of July 2, 1994, on the Apartment Rental and Housing Benefit <i>[Ustawa z dnia 2 lipca 1994 r. o najmie lokali mieszkalnych i dodatkach mieszkaniowych]</i>	1994: July	NEW LAW. Eligibility and rates similar to the previous ones. Major changes: Administration (benefit removed from the Ministry of Labor, and placed in a newly established government institution) and its legislative level (upgraded).
Since: 2002/01	Act, of June 21, 2001, on Housing Benefit <i>[Ustawa z dnia 21 czerwca 2001 r. o dodatkach mieszkaniowych]</i>	2002: January	NEW LAW Enlarged eligibility (coverage extended to subletting individuals). Higher income threshold and higher level of co-payment.
		2004: January	Changes: Administration (moved to the Ministry of Infrastructure).
		2006:	Changes: income components (regarding threshold), housing expenditure components (rules of setting)

*Before 1990, targeted housing benefit was not applied; however, households benefited from universal housing and energy price subsidies.

Table 2. Housing Benefit: Expenditures and Beneficiaries

Expenditures / Beneficiaries	1991	1992	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Decree of 1990		New Law (11/1994)			Changes of rules				New Law		Changes of rules		
Number of beneficiaries, i.e., households (thousand, est.)	1011.9	1372.8	554.4	631.4	647.2	720.0	729.0	757.3	803.6	831.8	861.8	821.6	764.6	706.1
Average benefit (PLN, per month)	na	36.2	61.8	67.7	83.3	106.1	120.2	137.0	155.0	141.0	140.1	139.7	135.1	137.9
<i>as % of the average wage</i>	na	12.3	8.8	7.8	7.8	8.6	7.0	7.1	7.5	6.6	6.4	6.1	5.7	5.6
Total expenditure (PLN, million)	78.7	198.7	411.9	512.6	646.6	916.7	1045.4	1248.4	1498.0	1409.7	1449.3	1377.6	1239.5	1168.1
<i>as % of GDP</i>	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	na

Source:

1991-1992: MoLSP data (mimeo); 1995 - 1998 and 2003: GUS (1996, 1997, 1998, 1999, 2004), *Gospodarka mieszkaniowa w 1996 (1997, 1998, 2003) r.*; 1999: UMIRM [Housing Office] - personal communications; 2000 - 2002: www.umirm.gov.pl, March 2004; 2004 - 2006 BDR (Regional Data Bank) CSO website www.stat.gov.pl, June 2008.