Housing benefits and minimum income schemes –
Is Austrian housing still affordable for welfare recipients?¹

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Abstract
Housing costs have increased considerably in and around some main Austrian cities in the last few years. For low income households and vulnerable groups on the housing market, the nine Austrian regions have set up housing benefit schemes to increase housing affordability in the form of income-related monetary transfers. As a subsidiary safety net of last resort, Austrian regions also offer minimum income schemes to destitute households, which cover housing costs up to certain limits. As both housing benefit and minimum income schemes are designed and work together very differently across the regions, it is unclear if low income households are protected sufficiently by both schemes to meet average housing costs. By calculating overall benefits across four different household types and four different income levels in the nine Austrian regions, and comparing these with typical regional housing costs, we can identify market segments and household types where affordability of housing is at risk. Especially in and around the capital city Vienna, in the region and city of Salzburg and in parts of Lower Austria, overall benefits to some welfare recipients are insufficient to cover common housing costs. This study shows that uncovered housing costs in certain cases leave welfare recipients with insufficient funds to meet necessary daily expenses. We also identify other problems and room for improvement in the regional benefit schemes.

Key words: housing affordability, housing benefits, minimum income schemes, housing costs, Austria

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1 Introduction

Even though less so than in many other EU countries the Global Financial Crisis has put stress on the Austrian economy. Negative repercussions were counter-balanced during the first years after the crisis by government interventions, but in 2015 the economy is still growing very slowly and unemployment has increased. Unexpectedly, at the same time, housing costs have not stagnated but are experiencing a strong increase in the last years, mainly due to a reallocation of savings into owner-occupied and investment apartments and, concerning the rental sector, a general disequilibrium between supply and demand in the main urban centres (see Mundt & Springler, forthcoming). Urbanisation and strong immigration reinforce this tendency.

As a result, rental housing costs have increased considerably in and around some main Austrian cities in the last few years while stagnating incomes and a poor economic environment have contributed to deteriorating housing affordability of low and middle income earners (Schoibl & Stöger, 2014). Also households with no or very little own income have strongly gained in number and depend on state support to cover housing costs and daily expenses.

In addition to the very large social rental housing stock in Austria (see Mundt & Amann, 2010), demand-side housing benefits are in existence in the nine Austrian regions in order to keep up housing affordability. As the regional administrations are responsible for housing subsidization and have leeway to introduce tailored programs, the housing benefit (HB) schemes strongly differ in scope and design across the nine regions. It is also the regional governments that are responsible for setting up and financing the second tier in the Austrian social protection framework, i.e. the minimum income (MI) schemes that guarantee at least a subsistence level of income for destitute households. Within these MI schemes, necessary daily-expenses for food and other items as well as housing costs are covered, yet again with strong differences across the regions. Both HB and MI schemes are designed and work together very differently and it is unclear if low income households are protected sufficiently by both schemes to meet average housing costs.

This contribution, which is based on a detailed study financed by the Austrian Ministry of Labour, Social Affairs and Consumer Protection (BMASK) (see Mundt & Amann, 2015), is concerned with the questions, how the regional housing-related benefit schemes are applied in practice and if we can identify market segments and household types where affordability of housing is at risk in spite of such benefits. Our findings can be used by regional governments to reconsider and maybe adapt their housing benefit and/or minimum income schemes to safeguard housing affordability in the future. This research is therefore strongly concerned with contributing to improvements in public service provision. We also connect our findings to international experience and current questions regarding the efficiency of housing benefit schemes (e.g. Haffner & Boelhouwer, 2006; Turner & Elsinga, 2005).

Following this introduction, we give a short overview of housing costs in Austria and then describe the two relevant housing-related benefit programs and their structure in more detail, first the housing benefit (HB) schemes, than housing cost coverage in the MI schemes. The core of this contribution are the household examples of section 4. By calculating overall benefits across four different household types and four different income levels in the nine Austrian regions, and comparing these to typical regional housing costs, we identify problems and room for improvement.

This study shows that uncovered housing costs in certain cases leave welfare recipients with insufficient funds to meet necessary daily expenses. Especially in and around the capital city Vienna, in the region and city of Salzburg and in parts of Lower Austria, overall benefits to some welfare recipients, at the moment, are insufficient to cover common housing costs. Discussing our findings, we recommend benefit levels and regulations to be adapted in these cases. At the same time an eye should be kept on other possible in-efficiencies of benefit schemes, such as poor supply responses, induced price dynamics and possible negative labour market incentives. Yet, we find no imminent danger of such in-efficiencies and conclude that deficient benefit levels and unequal treatment of population groups across regions are of higher concern at the moment.
Housing costs in Austria

Austria is divided into nine regions, or “Laender”. The share of rental housing is particularly high in the Austrian capital Vienna, which is itself a region. The high share of subsidized rental housing in the form of municipal and limited-profit, cost-rent apartments has contributed to a comparatively low overall rent level there (€ 6,92) (see figure 1). Much higher are average rents in the western region of the country, especially Salzburg (S), Vorarlberg (V) and Tyrol (T), where housing supply is often limited due to topographical constraints (Mundt, 2012), but also rental markets are much smaller and rely more strongly on the private rental segment.

Figure 1: Average gross rental housing costs (in €/m²) across regions 2013

Source: Statistik Austria, Mikrozensus 2013; own depiction (GeoDa). Included are rents and overhead charges, but no energy expenses. The darker the colouring, the higher the housing cost averages.

During the early 2000s, rent levels in Austria increased quite in line with overall inflation (see figure 2), contrary to many other EU countries that experienced a price boom during that period. Since 2005, however, housing demand clearly outperformed supply. As a consequence, rent levels rose strongly, especially in some regional capitals (see figure 2).

Figure 2: Development of rent levels in Austria 1993-2013 (net rents without taxes and overheads)

Source: WKO (2014); Statistik Austria on HCPI (harmonized consumer price index), own calculation and depiction.
The following points summarize the most important recent findings on housing affordability in Austria (see also Kunnert & Baumgartner, 2012; Beer & Wagner, 2012; Schoibl & Stöger, 2014; Amann & Mundt, 2014):

- In an international comparison, housing costs as percentage of household incomes are still very low in Austria, and housing affordability is comparatively high. Looking at EU-SILC comparisons of housing cost overburden rates across Europe, Austria ranks in the lowest fifth of countries (Pittini, 2012; Eurostat). Relatively low average rents considering the whole stock are the reason for this.

- High income shares for rental expenses are however the norm for households at risk of poverty and, according to national inclusion indicators, housing cost over burden rates have increased slowly but continuously since 2005. While other housing indicators such as overcrowding have improved over the same time, the population share that spends more than 25% of income on housing has increased from 15 to 18% (Mundt & Amann, 2015, p. 29; BMASK, 2014).

- Housing costs do not increase everywhere in Austria, but dynamics are particularly strong in most regional capitals, most notably in Salzburg, Innsbruck, Vienna and Graz. At the same time low income households and MI recipients are strongly concentrated in urban centres and migration to the capital is especially pronounced.

- The insider-outsider problem on the housing market is aggravated because long-term historic rental contracts show much lower rent levels than current market rents. New households, young families, immigrants and special vulnerable groups face much higher housing costs than most households who benefit from historic contracts or limited-profit, cost-rent housing.

- Poorer quality but affordable apartments have disappeared almost completely during the last decades due to wide spread renovations and consolidations of small units. This has lead to welcome quality improvements but reduced viable housing alternatives for lower income households. Also, subsidized housing completions in some regions between 2009 and 2012 were below long-term averages and did not cover demand, especially in Vienna and Lower Austria.

These developments on the housing market have in sum contributed to a higher demand for housing cost related benefits of low income groups.

3 Benefit schemes to cover housing costs

Austria spends around 28-31% of GDP for social protection, which is a high share in an international comparison (BMASK, 2014). Eligibility and assessment criteria for social cash benefits for unemployment, old age and invalidity are primarily linked to an individual’s previous activity and income status, following the logic of a “conservative welfare state” (BMASK, 2014, p. 9; Matznetter, 2002). Only relatively few benefits are means-tested and strictly income-dependent. This general structure of Austrian social protection expenditures is also visible in housing policy: means-tested housing benefits play only a minor role in overall housing policy expenses.

Traditionally, supply-side housing subsidies to affordable housing construction, carried out mainly by limited-profit housing associations (LPHA), have played a major role in Austrian housing policy. Contrary to many other EU countries, this supply-side orientation has shown high continuity since the reconstruction period after World War II and has only shifted from strongly quantitative objectives to higher quality standards, e.g. concerning energy efficiency of the new subsidized housing stock (see Czerny & Weingärtler, 2007; Mundt & Amann, 2010). Regional housing subsidies, which play the predominant role in overall Austrian housing policy expenses (see Wieser & Mundt, 2014), in 2013 were still strongly supply-oriented with 61% going to new housing supply (mainly cost-rent rental housing construction by LPHA and loans to individual single-family house building). Some 25% were spent on encouraging refurbishments and retrofitting, and some 13% went to demand-side housing subsidies in the form of housing benefits.

As a housing policy instrument, housing benefits belong to the First Safety Net of the Austrian social protection structure (see figure 3). They bolster up low work-related incomes to safeguard a minimum of housing consumption.
The nine MI schemes of the regions constitute the Second Safety Net. They guarantee a minimum income to destitute households, but are residual to all other possible benefits. The MI schemes are thus a subsidiary safety net of last resort. They cover housing costs up to certain limits. Both HB and MI schemes are described in more detail below.

### 3.1 Housing benefit schemes of the nine Austrian regions (HB)

In many European countries housing benefits, also known as housing assistance or housing allowances have taken on greater importance in housing policy concerned with improving housing affordability for low income households (Turner & Elsinga, 2005; Kemp, 2007; Griggs & Kemp, 2012). Likewise, but to a much lower extent, for low income households and vulnerable groups on the housing market, the nine Austrian regions have set up housing benefit schemes to increase housing affordability in the form of income-related monetary transfers.

Housing benefits in Austria historically were reserved for the already subsidized housing stock, i.e. the LPHA cost rent and the municipal rental stock, were housing benefits were introduced already in the 1970s. They only gained importance in the following decades, when high quality standards in the subsidized stock led to higher cost rents. Higher cost rents eventually required an increase in demand-side housing subsidies in the form of housing benefits to increase housing affordability for low income households.
Starting in the 1990s, most regions, which by devolution of responsibility from the federal state had become responsible for housing subsidy schemes, step by step expanded housing benefit schemes to larger housing segments, especially to the private rental sector. These two trends, i.e. the increasing cost rent level in the subsidized stock and the extension of housing benefits to the private housing stock, have contributed to a strong surge in regional housing benefit expenses in the 2000s (figure 4). Across all nine Austrian regions, housing benefit expenses almost doubled between 2003 and 2010 to a level of € 399 mill. As a result, fewer funds were left for traditional supply-side subsidies to new affordable housing construction to which the regions’ administrations reacted by legal adaptations to the HB schemes to curb expenses. By not adapting calculation formulas to past inflation, HB averages decreased. These adaptations led to a decline in housing benefit expenses to € 344 mill. in 2013. While housing costs and rent levels continuously increased during that time, less housing benefits were channelled to low income households. This strongly mirrors international experience when in many countries housing benefit schemes were restricted just during times of rising housing costs to control and curb housing policy expenses, with strong negative repercussions for recipient households (see Turner & Elsinga, 2005; Kemp, 2007; Griggs & Kemp, 2012).

**Figure 4:** Regional housing benefit expenses (mio €) between 2003 and 2013

Source: Regional housing subsidy accounts, IIBW calculation, see IIBW et al., 2014.

Demand-side housing subsidies in Austria are still not dominant in comparison to supply-side measures and have never reached the importance they reached in some other, not only “liberal”, but also in “social-democrat” and “conservative” EU welfare states (Esping-Anderson, 1990; Griggs & Kemp, 2012). While e.g. Great Britain spent some 1.4% of GDP on housing benefits in 2011, and France some 0.8%, Austria still only spent 0.2%. In some countries demand-side housing assistance reach a large share of households (e.g. 13.1% in the UK and 24.8% in France, see Griggs & Kemp, 2012, p. 398), but only 5.5% of Austrian households received housing benefits in 2012 (IIBW et al. 2014). The Austrian focus still strongly remains with the provision of cost-rent, affordable rental housing. However, with a social housing stock aiming at lower and middle incomes, housing benefits that are strongly income-related play a strong role in increasing housing affordability for the neediest households. They are more targeted than supply-side housing subsidies (Knittler, 2009).

Housing benefits in Austrian regions are calculated according to a version of the housing gap formula (see Turner & Elsinga, 2005; Haffner & Boelhouwer, 2006, p. 946) widely used in international experience:

\[
\text{Housing benefits (HB)} = \text{applicable housing costs (AHC)} - \text{reasonable housing expenses (RHE)}
\]
Applicable housing costs (AHC) are usually limited with a maximum, depending on household and apartment sizes, sometimes also quality criteria and a maximum sqm price. In case actual housing costs are below these limits, they are used as AHC instead. Usually the AHC cover rents, in some regions also overhead building charges included in gross rents. Energy costs are never covered in the HB schemes.

Reasonable housing expenses (RHE) depend on household composition and household income. They usually are a nonlinear function of overall household income and are calculated for varying household sizes (“RHE curves”). In some regions, households are considered to pay no more than 25% of their income on housing, i.e. the RHE is limited with 25% of household incomes.

These general principles of the calculation of housing benefits are the same across the nine Austrian regions. Yet, many other details differ, e.g. on maximum applicable housing costs, on the taper of RHE curves, i.e. the marginal withdrawal rate as income increases, on the covered housing stock and on other requirements on applicant households (in detail: Mundt & Amann, 2015, p. 30-44). In some regions, there are also maximum limits to HB per household. Average housing benefits per household and month range from ca. € 110 (B) to € 220 (V) (IIBW et al., 2014).

As a first finding of the analysis, by calculating maximum applicable housing costs and analysing the RHE-curves, we calculated income brackets in which households may potentially receive housing benefits (table 1).

Table 1: Income brackets (monthly net income) for claiming HB across the regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Income brackets to qualify for HB: single household</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Burgenland (B)</td>
<td>€ 815 – 1,160</td>
<td>Minimum income requirement, no HB for MI recipients</td>
</tr>
<tr>
<td>Carinthia (K)</td>
<td>€ 0 – 1,460</td>
<td></td>
</tr>
<tr>
<td>Lower Austria (NO)</td>
<td>€ 0 – 1,300</td>
<td>No HB in the private rental market (only for subsidized units)</td>
</tr>
<tr>
<td>Upper Austria (OÖ)</td>
<td>€ 400 – 1,079</td>
<td>Minimum income requirement is fulfilled by MI benefits</td>
</tr>
<tr>
<td>Salzburg (S)</td>
<td>€ 0 – 1,450</td>
<td>Only unlimited rental contracts and high quality apartments</td>
</tr>
<tr>
<td>Styria (ST)</td>
<td>€ 0 – 1,250</td>
<td>Max. HB relatively low</td>
</tr>
<tr>
<td>Tyrol (T)</td>
<td>€ 0 – 1,460</td>
<td></td>
</tr>
<tr>
<td>Vorarlberg (V)</td>
<td>€ full-time – 1,414</td>
<td>Full-time employment is necessary in most cases</td>
</tr>
<tr>
<td>Vienna (W)</td>
<td>€ 815 – 1,200</td>
<td>Minimum income requirement is not fulfilled by MI benefits</td>
</tr>
</tbody>
</table>

Source: Own calculation based on regional housing subsidy laws and information by practitioners, 2013 values.

The peculiarity that some regions apply minimum income requirements for households to qualify for HB benefits is explained by these regions with the intention to separate housing policy related measures (HB) from social subsistence, income support measures (MI). The problematic repercussions of this are discussed in section 4.

3.2 Housing-related benefits in the minimum income schemes (MI)

The former social assistance schemes of the nine Austrian regions were harmonized in certain aspects following a federal initiative in 2005 (Dimmel & Pratscher, 2014). For these alignments, put into practice in 2010/2011, the Austrian regions signed a contract with the federal state. The key aspects of the new minimum income schemes were implemented by all regions (see BMASK, 2014). In short they include the following:

- The minimum income schemes are not an unconditional basic income. Claimants are only eligible for MI if they are neither able to raise the resources for basic subsistence through own efforts, nor through entitlements to social insurance or other priority benefits. This is called the principle of subsidiarity.
- Claimants must first rely on their own income, assets and property before claiming minimum income. Savings up to some € 4,000 have to be used before claiming MI.
- Uniform minimum standards for all those who meet the eligibility criteria are set across all regions. However, regions can top up these floor levels, e.g. by providing higher benefits for children.
- The flat-rate minimum benefit level already includes some support for housing, usually 25%. The regions however may grant additional support for housing, if housing costs exceed the 25% share.

As a matter of fact, our analysis showed that it is primarily the treatment of housing costs in the MI schemes that makes benefit levels so different across regions: Some regions just apply the 25% share of MI standards for housing (B, K, NÖ), some regions grant voluntary higher extra levels of housing support, which sometimes have locally adapted maxima (OÖ, S, ST, W) and some regions are willing to cover all housing costs of an applicant as long as these stay in locally reasonable limits (T, V). While most regions only include gross rents (net rents plus overhead costs for the building) in their definition of housing expenses, Tyrol also includes heating and warm water expenses, and Styria includes heating, warm water and electricity. The household examples in section 4 will show how this unequal treatment of housing expenses leads to major differences in benefit levels and residual incomes of MI claimants. Residual incomes are the disposable income that households can spend on non-housing budget items after they have paid for their housing.

Figure 5: Minimum income scheme expenses (mio €) between 2011 and 2013, all regions

Source: Statistik Austria, BMS-Statistiken; IIBW estimate based on regional data on housing related expenses 2012.

Since the introduction in 2010/2011 the number of MI claimants across all nine regions has risen strongly from 193,000 to 238,000 persons in 2013. Expenses increased from € 439 mill to almost € 600 mill. in the same period. The reasons for this development are the deteriorating economic situation, the increase in unemployment, but also the stagnation of real wages: Especially the share of households that receive MIS benefits to top up very low labour-related incomes has incremented strongly. Another reason for the increase in MIS benefits is the improvement of take-up rates since the alignments of 2010 and the fact that benefit levels are now higher than in the previous schemes and reach larger population groups (BMASK, 2014). Ultimately, rising housing costs and the retrenchment of housing benefit schemes in some regions have led to a stronger dependence of needy households on the MIS schemes (especially in Vienna). In 2012, already some 37% of all MIS expenses were housing related.
4 Household examples

4.1 Methodology

The data bases of the regional administrations on details of HB and MI claimants were not adequate for a detailed analysis. Therefore we conducted our own calculations on possible housing cost benefits starting from assumptions on household types, income levels and housing costs. Benefit regulations are complex to a level that approx. 26 interviews with experts and practitioners in the administrations of HB and MI were necessary to confirm the calculation procedures beforehand. Our results were then sent to the administrations to double-check. We also conducted interviews with social-care providers and non-profit organisations in the regions in order to identify vulnerable groups on the housing markets who, for one reason or another, fell through the housing protection safety nets (Mundt & Amann, 2015, for details).

The details to the calculations for two household types can be found in the appendix. The main idea was to see, what residual income a household ends up with if own income components and additional benefits (HB and/or MI benefits) are reduced by common housing costs. As an example, in most regions the legal minimum income for non-housing items for a single person should be € 610.49 (see the last column in the single household calculation tables). In many cases, this minimum, however, is not reached, because excessive housing costs reduce the residual income and leave the household with insufficient funds for non-housing items.

4.2 Findings

Concerning HB we find that in most cases, applicable housing costs are lower than actual housing costs leading to the situation that HB never cover 100% of housing cost, but usually a much lower share. Energy costs are not covered in the HB schemes.

In most regions, housing benefits are seen as income components when calculating MIS benefits. For that reason housing benefits are granted instead of MI benefits and not additionally. Even in the few regions that grant housing benefits in addition to MI (Upper Austria, Salzburg, partly Vienna), only a low share of households actually receive both benefits. Other then might be expected, the proportion of MI claimants who also receive housing benefits is rather low. The regions where numbers are available estimate the share to be only around 25% (only exception Styria with 80%). The reasons for this vary: Minimum income or labour-market participation requirements (W, B, V), limitation of housing benefits to certain rental market segments (NÖ, OÖ, ST, V), strict requirements on rental contracts (S), absence of housing benefits in the owner-occupied housing stock etc.

HB schemes in the regions are income-related and more targeted than access to social housing, where generous income limits are in place. However, some regions strongly try to differentiate between housing policy measures through HB and subsistence guarantee measures through the MI schemes. This is the reason some regions introduced minimum income levels to access the HB schemes (Burgenland, Vienna, partly Upper Austria) or even require full-time labour market participation of most applicants (V).

Therefore, housing benefits hardly contribute to uncovered housing costs in the MI schemes. In many cases the household examples are thus not that wide-spread: the question of how HB are treated in MI calculations turns out to be subordinate to the problem that relatively few MI claimants actually find access to the HB schemes.

The MIS standardization agreement of 2005 between the federal government and the regions demanded additional housing costs coverage in regions were housing costs exceed the 25% of minimum income standards. The calculations show that, as a tendency, this requirement is fulfilled with the most expensive regions providing extra housing cost coverage (S, V, T, W).
Housing cost coverage in MI schemes is however not enough in some region or parts of regions (e.g. the city of Salzburg or Lower Austria, around Vienna, were housing costs strongly exceed MI maxima).

Similar to the single household, also for the 2 adults 3 children household (see appendix), benefit levels and residual incomes are highest in Tyrol, Vorarlberg and Salzburg. They are however insufficient in many regions (due to low maxima in MI schemes) even if low housing costs are assumed (B, K, NÖ).

Table 6: Main findings of the household examples across regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Finding</th>
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<tbody>
<tr>
<td>Burgenland (B)</td>
<td>HB and MI exclude each other and are typically low. Only because housing costs are still very low, sufficient coverage can be reached in many cases.</td>
</tr>
<tr>
<td>Carinthia (K)</td>
<td>Low MI housing coverage, also low average housing costs.</td>
</tr>
<tr>
<td>Lower Austria (NÖ)</td>
<td>Only in the subsidized housing stock, were HB is granted, is housing cost coverage high. MI housing standards are very low and not locally differentiated. Around Vienna, housing costs are thus unaffordable for MI recipients.</td>
</tr>
<tr>
<td>Upper Austria (OÖ)</td>
<td>HB is granted in addition to MI. For these cases, housing cost coverage is high. If only in receipt of MI, housing costs are often not covered.</td>
</tr>
<tr>
<td>Styria (ST)</td>
<td>Low maximum HB. Relatively generous housing cost coverage in MI with locally varying limits also includes energy costs. Good housing cost coverage in many cases.</td>
</tr>
<tr>
<td>Salzburg (S)</td>
<td>HB is granted in addition to MI (but these are not many cases, because access to HB is strict). Locally differentiated housing cost-coverage in MI is high, but market rents are higher still. Housing cost coverage therefore not guaranteed.</td>
</tr>
<tr>
<td>Tyrol (T)</td>
<td>HB differs by municipalities and can be low for MI recipients. However, MI benefits and residual incomes are very high, because complete housing cost coverage includes heating and warm water.</td>
</tr>
<tr>
<td>Vorarlberg (V)</td>
<td>High HB and complete housing cost coverage in MI scheme.</td>
</tr>
</tbody>
</table>

The most important findings concern Vienna, which is also the most important element in the analysis because 60% of MIS claimants live here, housing cost dynamics are very strong and population growth is expected to remain high. Vienna has by far the most complicated system of calculating HB, with varying maxima according to contract type, housing stock, household composition etc. Housing cost coverage is too low in the MI scheme (i.e. a maximum of € 304 for single and 2 adults households) and will not cover typical rental costs. As a result, in many cases, residual incomes will end up below legally targeted MI standards for non-housing items. The minimum income requirement for access to housing benefits excludes many low income earners and MI recipients, aggravating the problem and contributing to the shift of HB expenses into MI budgets. The municipal administration is planning to combine all cash based benefits of the HB and MI schemes into one more transparent and manageable scheme (“Wohngeld”), but the new system is not implemented yet. A “one-desk” approach and higher benefit levels would be very welcome.

5 Conclusions

Housing cost related cash benefits have developed into main housing policy measures in many European countries while supply-side subsidization of affordable rental housing construction has lost importance. With all justifications for this development, it should be born in mind that the Austrian system with mainly supply-side subsidies, backed up by housing benefits, in an international comparison, has achieved high efficiency concerning housing market outcomes and overall housing costs (Mundt & Amann, 2010; Pittini, 2012). A far reaching shift of subsidies from the supply to the demand side is therefore not intended. However, some fine-tuning in the housing benefit schemes and more importantly the minimum income schemes is necessary.

Austria shows a high degree of regionalization concerning the design of HB and MI schemes. Calculating benefit levels for defined example households is thus burdensome and requires the
knowledge of all involved 18 benefit schemes. It is, however, a very useful way to identify cross-regional differences and arbitrary unequal treatment of population groups. This methodology, in combination with in-depth interviews with practitioners, helps to identify market segments and household types where affordability of housing is at risk. Especially in and around the capital city Vienna, in the region and city of Salzburg and in parts of Lower Austria, overall benefits to some welfare recipients are insufficient to cover common housing costs. The inconsistent treatment of housing benefits in MI calculations leads to unequal treatment of needy households. The exclusion of MI claimants from HB schemes through minimum income requirements counteracts a targeted allocation of resources.

The HB schemes of the regions have developed over almost half a century and have changed their design to cater to specific regional housing needs. In many aspects they were tailored to the needs of the regional populations. At the same time, cross-regional comparisons were strongly impeded. For the sake of transparency and equal treatment of population groups, the complexity of HB schemes should be reduced again and adapted accordingly. Minimum standards (treatment of foreigners and refugees; included housing stock and rental contract; limits to reasonable housing expenditures; income components etc.) across regions, much like the harmonization of MI schemes, could be a first step.

As regards the MI schemes, minimum standards across all regions have brought security and transparency to the system. However, the very unequal treatment of housing costs has counterbalanced this trend. This differing treatment is the main reason why equally needy households end up with very unequal residual incomes when considering the sum of benefits and deducting housing costs. In order to prevent poverty and keep up housing affordability of welfare recipients it would be necessary to base MI benefits for housing on actual housing cost, and not on notional maximum limits, undifferentiated across markets. Such is already now the norm in some regions (Tyrol, Vorarlberg, partly Salzburg). To safeguard housing affordability of destitute households, this approach should be adopted by more regions.

Such a change could be very costly to regional budgets and could lead to other efficiency losses, for example negative work incentives if benefit levels reach or overreach median work-related incomes.

Theoretically, high benefit levels might induce households not to work or to work less than they would in absence of the benefits. Such negative labor market effects have been investigated in many countries (e.g. Ong, 2006; Nordvik & Åhrén, 2005; Chen, 2006, 2008). A more detailed analysis of these effects in Austria would require a better quality of the claimants’ data base and access to it, which is restricted. However, there are no immediate signs of negative labour market effects: A high proportion of MI claimants cannot return to work (old age, single parents with small children, disabled, mentally ill etc.) and the average spell of MI claims is only eight months (BMASK, 2014). Savings have to be used before claiming MI and controls are very strict.

Another concern could be induced rent rises. If housing costs and their increases are covered up to 100% by benefit schemes, the absence of “shopping incentives”, i.e. the need to look for cheaper accommodation, could lead to housing cost increases for larger market shares and counteract the benefit purpose (Haffner &Boelhouwer, 2006). The efficiency of demand-side cash benefits to housing consumption in the long run depend on supply responses to create a new equilibrium on the housing market. If supply responses are nonetheless restricted, benefits will be absorbed by rising prices in certain price-inelastic submarkets, leading thus to harmful price dynamics and uncontrollable benefit expenses (Susin, 2002; Fack, 2006). Nevertheless the interviews with policy practitioners have not shown wide-spread concern about these possible negative consequences of housing related benefits. Too few households are still covered by the schemes. Only in two small submarkets, i.e. the already very expensive cities of Innsbruck (Tyrol) and Salzburg, which are highly land restrained, rent levels in the submarket of one-room dwellings reportedly rose to the level of maximum MI benefits.

In sum, however, these considerations should be treated subordinately to the main concerns here investigated: With the current schemes in place, benefit levels to cover housing costs in some regions cannot safeguard residual incomes that meet the required legal standards and prevent poverty.
6 Appendix

6.1 Explanations to the household calculation tables

The tables for calculating the sum of benefits for different household types combine information on nine regions, four different starting income levels (before claiming benefits) and three levels of assumed housing costs. For each case, first HB and then MI benefits were calculated. There are four calculation tables, each corresponding to a household type. Two calculation tables (for the single household and the 2 adults 3 children household) are included here, the remaining two (for 2 adults, and 2 adults 1 child) can be obtained from the authors upon request. The following main assumptions had to be made for the calculations:

- The four starting levels of income (when applying for benefits) are: household has no own income; household has a very low income, e.g. out of unemployment insurance; household has a labour-related income which is just above the minimum MI standard (housing cost additions can be claimed in some regions) and finally the risk-of-poverty income limit according to EU-SILC 2012 (i.e. a low income household).

- Apartment sizes where assumed in such a way that maximum housing benefits could be claimed in most regions, i.e. 50m² for the single household, 100m² for the 2 adults 3 children household.

- The assumed housing costs are € 200, € 300, € 400 for the single household, € 500, € 700, € 900 for the 2 adults 3 children household. These cases were calculated for all regions. The empirically relevant housing cost (averages across stock), however, depend on the housing cost level of the respective region (see section 2 on housing costs). The relevant housing costs columns are indicated in the housing costs row by the regions abbreviations. That way it is possible to analyse affordability according to stock averages or higher market rent averages or even regional capital rent averages. In the last two cases housing cost columns more on the right should be considered in all regions.

- Whenever HB are calculated, a private rental apartment is assumed, except for Lower Austria, where housing benefits are reserved for the subsidized stock.

- Where necessary, housing costs were separated into 75% rental costs and 25% overhead costs. Likewise energy costs were assumed to be 30% of housing costs (20% heating, 10% electricity). Both assumptions are based on EU-SILC 2012 findings on housing costs of households at risk of poverty.

As an example of a single household let us turn to the 1 person calculation table: The first column defines the region. The second column shows the 4 starting levels of income. Depending on these income levels, reasonable housing expenses for the calculation of HB can be obtained from the RHE-curves. These are the housing costs the household is expected to pay out of pocket.

The AHC column depends on the assumed housing costs, dwelling characteristics and the maxima defined in the regional subsidy laws. With this information HB levels can be calculated. In consequence the applicant household can turn to the MI administrations to calculate the MI level to which it has a legal right. Both HB and MIS are summed in column Σ: This is the sum of benefits a household can receive.

The crucial values are the residual incomes (RI), i.e. own income plus sum of benefits minus assumed housing costs. These funds have to be used by the household to pay for everyday non-housing items and energy. In theory they should be equal or above the legal minimum income standard (excluding housing) (last column). If this is not the case, uncovered housing costs leave welfare recipients with insufficient funds to meet necessary daily expenses.
## 6.2 1 person household calculation table

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<td><strong>Income (disposable)</strong></td>
<td><strong>expenditure (expenditure)</strong></td>
<td><strong>Residual household income</strong></td>
<td><strong>Income (disposable)</strong></td>
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## 2 adults 3 children household

### Calculation table for a 100m² apartment

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7 References


Pittini, A. (2012): Housing Affordability in the EU. Current situation and recent trends. CECODHAS Housing Europe’s Observatory Research Briifing, Year 5 (1), Brussels: CECODHAS.


