

HC1.3. ABILITY OF HOUSEHOLDS TO KEEP THE DWELLING WARM

Definitions and methodology

In addition to rents and mortgages, owners and tenants face other housing outlays such as utility and repair costs (refer to Indicator HC1.2 for a discussion of different definitions of the housing cost burden). Heating costs can be considerable, so much so that some households cannot afford to keep the dwelling adequately warm. Low building quality exacerbates problems in keeping dwellings warm (Eurofound, 2016). This indicator shows the share of households that cannot afford to keep their dwelling adequately warm, and is based on household survey microdata. Available data concern the period up to and including 2020, and does not account for the effect the hike in energy prices in 2022 may have on the ability of households to keep their dwellings warm.

Key findings

In the Nordic countries, Austria, the Czech Republic, Luxembourg, and Switzerland, fewer than 6% of households in the bottom quintile of the income distribution report difficulties with keeping their home warm (Figure HC1.3.1, see online worksheet HC1.3.A1 for earlier years and data for all quintiles). In many other countries, however, the situation is difficult for a considerable share of low-income households. In 9 countries (particularly in Central, Eastern and Southern Europe), heating affordability problems concern over 20% of households in the bottom quintile. The rates are slightly lower in Belgium, France, Hungary, Ireland, Latvia, Malta, the Slovak Republic and the United Kingdom, where between 10-18% of low-income households report that heating costs are a challenge. In addition, in five, predominantly Southern and Eastern European, countries more than 15% of households in the middle quintile report difficulties in keeping their dwelling adequately warm. However, in most countries, less than 5% of households in the middle quintile struggle to afford keeping their dwelling warm.

Since 2010, in most countries, the share of households in the bottom income quintile that report heating challenges has remained broadly stable. The decline exceeded 10 percentage points in Bulgaria, Hungary, Latvia, Poland and Portugal. However, in Denmark, Luxembourg and Spain, the share increased by at least 3 percentage points over this period (see online worksheet HC1.3.A1). The share of households facing such issues in the third quintile dropped by at least 10 percentage points since 2010 in Bulgaria, Cyprus, Latvia, Poland, Portugal and Romania. Among households in the top income quintile, only Bulgaria and Lithuania does the share of households that struggle to keep their dwelling warm exceed 10%.

Note by the Republic of Türkiye: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

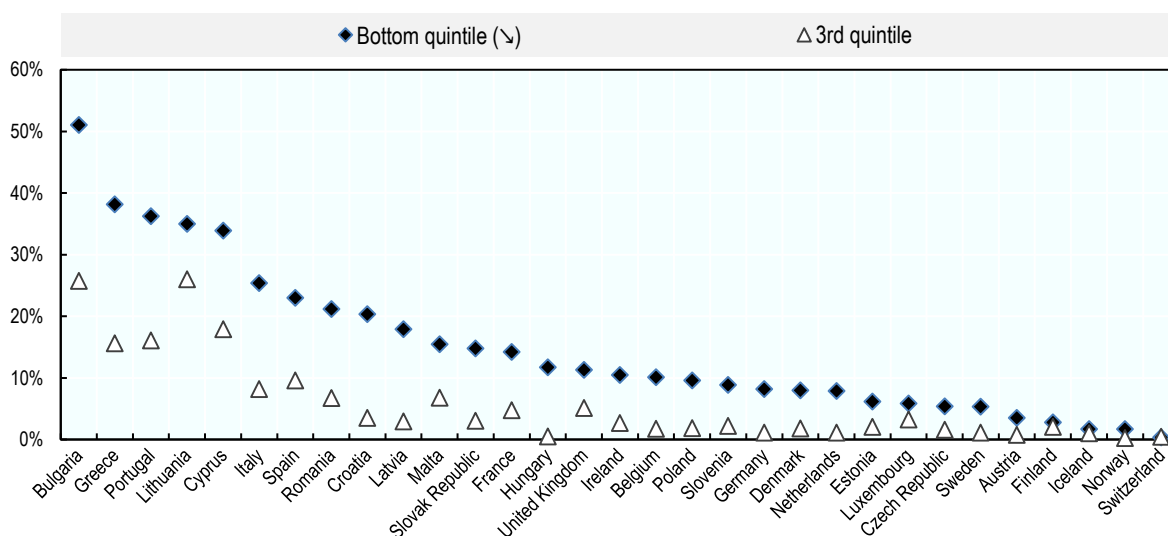
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Greater investment in insulation and general building quality can help to decrease a household's heating costs, as often supported by policy measures (see indicator PH 7.1 for further information regarding measures to finance housing improvements and regeneration in OECD and EU countries). However, a household's disposable income may be affected more or less by the renovation costs, either directly (owners) or indirectly through higher rents (if landlords pass on the costs of improvements to tenants). Heating costs are also affected by, for example, global commodity prices, the structure of the (national) electricity market, and taxes levied on heating fuel and electricity (Ameli and Brandt, 2014; Flues and Thomas, 2015).

In Central and Eastern European countries, low-income households that own their home outright are most likely to report heating affordability problems (Figure HC1.3.2 only shows results for countries where more than 5% of low-income households affected by heating affordability problems; see Indicator HM1.3. for more information on tenure structure across the income distribution). At least 70% of low-income households that report difficulties to keep their dwelling warm are outright homeowners in Bulgaria, Croatia, Hungary, Lithuania, Romania and the Slovak Republic.

Figure HC1.3.1. Share of households with difficulties to keep the dwelling warm at different points of the income distribution

Share of households that cannot afford to keep its dwelling adequately warm, bottom and third quintiles of the disposable income distribution, in percent, 2020 or latest year available



Notes:

1. No data available for Australia, Canada, Chile, Colombia, Costa Rica, Israel, Japan, Korea, Mexico, New Zealand, Türkiye and the United States due to data limitations.

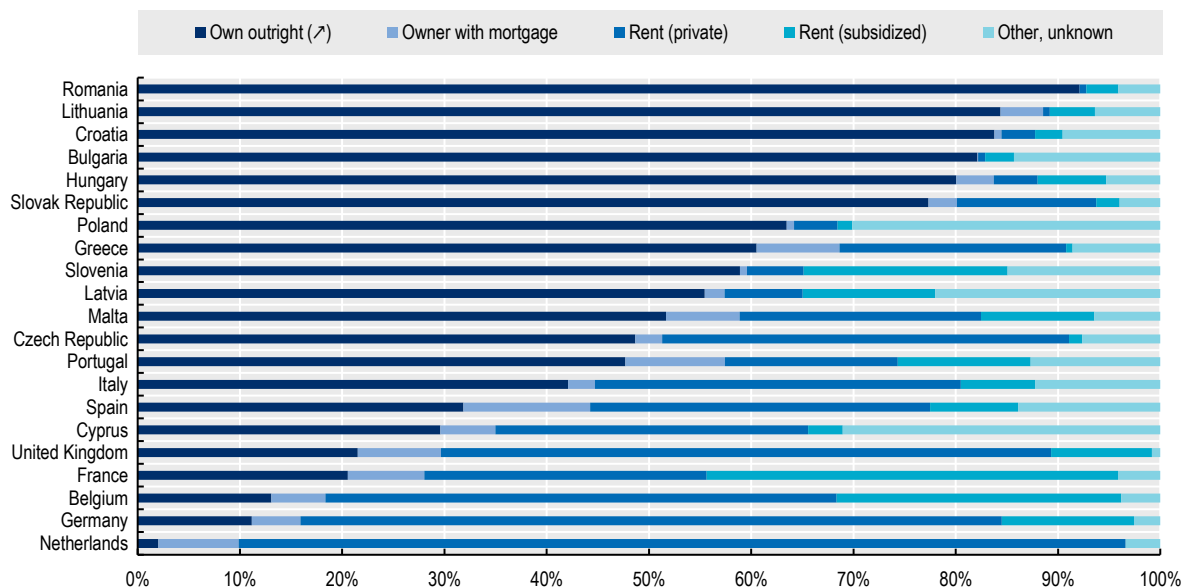
2. Data for Germany and Italy refer to 2019, for Iceland and the United Kingdom to 2018.

Source: OECD calculations based on European Survey on Income and Living Conditions (EU-SILC).

By contrast, in Belgium, France, Germany, the Netherlands and the United Kingdom, over 50% of low-income households that report heating affordability challenges are tenants. In Belgium, Germany and the Netherlands, more than three quarters of the households concerned are tenants, of which some pay subsidized rents. Low-income households with problems keeping dwellings warm are more likely to live in a subsidized rental accommodation than the average low-income household (see Indicator HM1.3 for more details on tenure structure).

Figure HC1.3.2. Tenure structure of low-income households with difficulty to keep dwelling warm

Tenure shares of low-income households with difficulty to keep dwelling warm, in percent, 2020 or latest year available, selected countries



Notes:

1. No data available for Australia, Canada, Chile, Colombia, Costa Rica, Israel, Japan, Korea, Mexico, New Zealand, Türkiye and the United States due to data limitations.
 2. In the Netherlands, all tenants are attributed to private market rent due to data limitations.
 3. Break-down by tenure type only shown for countries where i) more than 5% of low-income households report heating affordability problems and ii) 100 or more households in the survey reported that they are concerned.
 4. Data for Germany and Italy refer to 2019 and for the United Kingdom to 2018.
 5. No data available for the United Kingdom after 2018 due to data limitations.
- Source: OECD calculations based on European Survey on Income and Living Conditions (EU-SILC).

Data and comparability issues

This indicator is calculated based the European Survey on Income and Living Conditions (EU-SILC) for European countries. No comparable information is available in the household surveys of other countries. The variable in EU-SILC refers to whether the household can afford to keep the dwelling adequately warm, regardless of whether the household actually needs to keep it adequately warm. Since 2019, the United Kingdom is not included in EU-SILC.

Sources and further reading

Ameli, N. et N. Brandt (2014): "Determinants of Households' Investment in Energy Efficiency and Renewables: Evidence from the OECD Survey on Household Environmental Behaviour and Attitudes", OECD Economics Department Working Papers, No. 1165, Éditions OCDE, Paris. <http://dx.doi.org/10.1787/5jxwtlchggzn-en>.

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Flues, F. and A. Thomas (2015), "The distributional effects of energy taxes", OECD Taxation Working Papers, No. 23, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5js1qwkqgrbv-en>.

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