

RELATIONS EMPLOYMENT AND HOUSING. EMPIRICAL STUDIES ON EXAMPLES SLOVAK REPUBLIC

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Abstract

The European Union is founded on the concept of social market economy. Full employment, social progress, social inclusion, social protection, solidarity and social cohesion are priority objectives of economy growth. High level of employment, adequate social protection and fight against social exclusion is employment policy objectives and create conditions for a balance between labour supply and labour demand. The issue that is currently significant, unemployment and particularly of young people unemployment, which is also related to housing policy. In each country, the State faces problems related to housing policy, and it must take measures to ensure housing to socially weaker groups. At present, the Slovak state focuses more on supporting home ownership, which is reducing the flexibility of mobility for residents. It is therefore necessary for the state to create conditions for decent housing through rental housing, which is in Slovakia compared to other countries under-supported and prevents population to migrate for a work. The paper explores the relationship between home ownership, employment and workforce mobility in the Slovak Republic.

Keywords: housing, housing policy guidelines unemployment, labour market, migration

JEL Classification: O18, P25, R21, R31, Q42

Introduction

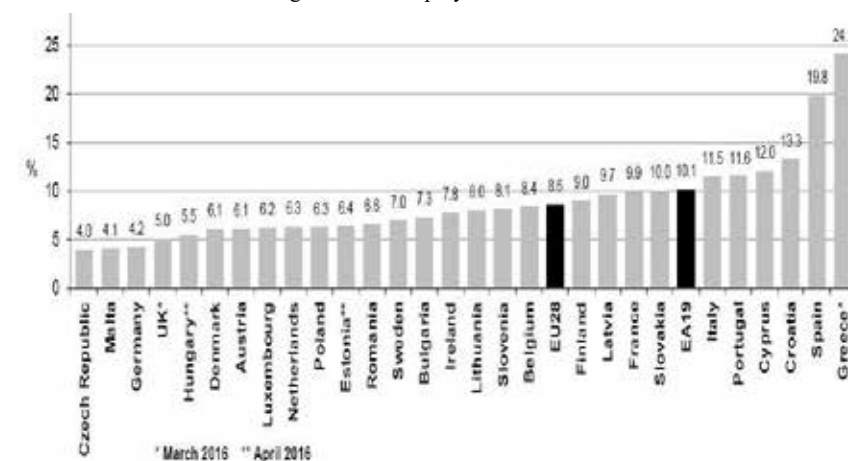
One of the main objectives included in the Europe 2020 Strategy is to achieve, by the end of the decade, work for 75% of the economically active population (aged 20-64 years). To assist in achieving this objective, the EU adopted a number of initiatives to encourage the creation of jobs and restore the dynamics of labour markets. The EU is working in particular to reduce youth unemployment, which is two times higher than the adult unemployment rate. It supports more focused and more integrated approach to the fight against youth unemployment. Being examined in this paper is the hypothesis that in the Slovak Republic has ownership of a property impact on employment and workforce mobility.

1. ECONOMIC REALITIES AND THEORETICAL RESOURCES

Within the European Union (EU), the unemployment rate in May 2016 reached 8.6% jobless total of 21.084 million men and women. Across the EU, the jobless are 4.197 million young people under 25 years of which 2.885 million are in the euro area. In the annual comparison, the number of young unemployed in May 2016 fell across the EU by 503,000 and in the euro area about the 270,000. Unemployment rate in this age group in May 2016 fell to 18.6% from 20.6% in May 2015 and in the euro area to 20.7% from 22.4%. The lowest youth unemployment was in May 2016 in Malta (6.9%), Germany (7.2%) and the Czech Republic (10.1%) and the highest in Greece (50.4% in March 2016), Spain (43.9%), Italy (36.9%) and Croatia (31.4% in the 1st quarter of 2016). The condition is caused by the fact that in countries with higher unemployment is also due to incorrect setting housing policy reduced mobility for work. Unemployment caused the 124.5 million of residents (24.8%) are at risk of poverty or social

exclusion. Moreover, around 10% of Europeans in working age and almost 40% aged 25-35 years, living in crowded households, as they are not able to arrange their own housing. The rate of overcrowding of dwellings expresses the proportion of people living in a crowded dwelling, which is defined based on the number of rooms in the household, household size and the age of its members and their family situation. In Slovakia, more than 50% of the population live in overcrowded homes, while the EU average is 17.6%. (Holková V., et al., 2013, p. 141) The economic crisis has undoubtedly worsened the situation and in the 21st century is clearly unacceptable. Therefore, one of the main objectives of the Europe 2020 Strategy by the end of this decade to get out of poverty, at least 20 million people.

Figure 1 – Unemployment rates in EU



Source: Eurostat

The problem, which is also subject of this review, employment, housing and workforce mobility, are not addressed in the Slovak research enough attention. Workforce mobility of labor is one of the factors that positively affect the balance at the labour market, employment and thus on economic growth. Milton Friedman in his speech (1968) at the American Economic Association, communicated that the natural rate of unemployment depends on the degree of labor mobility in the economy.

Relationships of unemployment and mobility dealt Professor Oswald (1996), who observed that the unemployment rate rose most rapidly in countries with the fastest growth in home ownership, which concludes on the basis of five mutual relations. First, there is a direct effect from home ownership. Selling a home and moving is expensive. For this reason, indeed, many home owners who lose their jobs are willing to commute long distances to find work. Hence owner occupiers are less mobile than renters, and therefore more vulnerable to economic downturns in their region. Nevertheless, this probably cannot be the whole story. If we look at countries like Spain and the UK, a key part of the problem is young unemployed people living at home, unable to move out because the rental sector hardly exists. Therefore, second, part of the difficulty is not that unemployed people are themselves the home owners; it is that unemployed men and women cannot move into the right places. High home ownership levels block young people's ability to enter an area to find a job. Those without capital to buy are at a particular disadvantage in a world where ownership is the dominant form of housing tenure.

Third, in an economy in which people are immobile, workers do jobs for which they are not ideally suited. This inefficiency is harmful to everyone: it raises costs of production and lowers real incomes in a country. Prices thus have to be higher, and real wages lower, than in a more mobile society. Jobs get destroyed or more precisely priced out of existence by such inefficiencies. Fourth, areas with high home ownership levels may act to deter entrepreneurs from setting up new operations. Planning laws and restrictions on land development, enforced by the local political power of groups of home owners, may discourage business start-ups. Fifth, we know from survey data that home owners commute much more than renters, and over longer distances, and this may lead to transport congestion that makes getting to work more costly and difficult for everyone. Technically speaking, this acts like higher unemployment benefits, because it reduces the gain from having a job. If getting to work is more expensive, that has the same net effect as raising the attractiveness of not working. (Oswald, 1996, pp. 4).

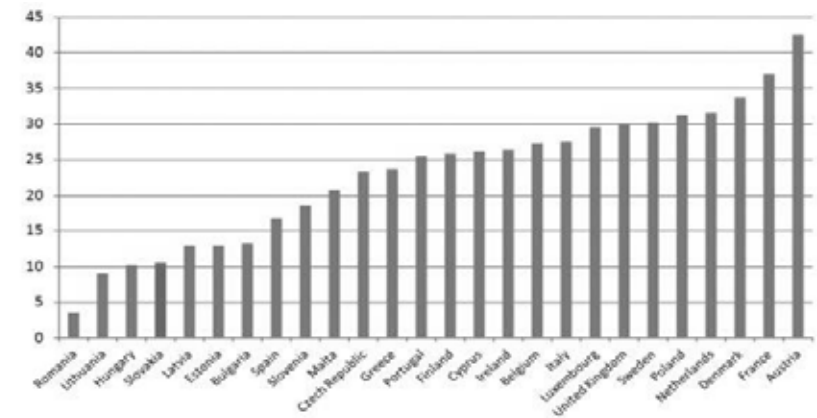
Schiller deals by Investment in housing, considers housing as terrible investment. (Schiller, 2013) For most people, represents the purchase of residential property only and most often a single investment. Residential property is for the individual and for the whole economy unproductive investment. Residential real estate is not without risk and does not bring any extra return. It does not create jobs, absorbs investment capital and in terms of real estate bubble is dangerous. Blanchflower and Oswald in his work confirmed that home ownership distorts the labor market and lower levels of mobility. (Blanchflower, A., Oswald, J. A., 2013, pp. 2).

2. AVAILABILITY OF HOUSING IN THE SLOVAK REPUBLIC IN THE EUROPEAN UNION

Slovakia is among the post-communist EU states one of the most powerful economies. The GDP per capita in Slovakia is ranked third and in labour productivity at the first place. Thus, we are not a poor country such that we could not afford better housing. In terms of the housing structure we have 95 % of people living in their own properties, while in Germany and Austria is 50 %. At first glance it looks as positive, but compared with other countries in Slovakia housing is hardly available. Looking at the situation regarding the ownership and rental market, dominated by owner-occupied housing in Slovakia and to its 95-percent share so the share of rental apartments in Slovakia compared to the state of the European Union is a several times lower (Figure 2).

The difference in the availability of the housing between the Slovak Republic and other countries in the different preferences of people and different housing policy. Preferred form of housing of young people in developed countries is rental housing. For young graduates without children and own savings is own dwelling not appropriate form. Not everyone immediately upon entering the labor market can afford a mortgage and not everyone needs to immediately settle permanently. Moving from one apartment to another is difficult with the mortgage. For example, in countries such as Austria and Germany, the state supports the construction of affordable rental housing. In Slovakia, by contrast, rental housing is very low, and therefore young people has to live with parents. (Figure 3)

Figure 2 – The share of the population living within the rented accommodation in the EU



Source: Eurostat

Population age group 25-39 year will be in the coming years gradually reduced as a result of entering the smaller younger age groups of men and women in this age category. Due to the accumulated deficit in meeting the housing needs will be that problem for several years still actual.

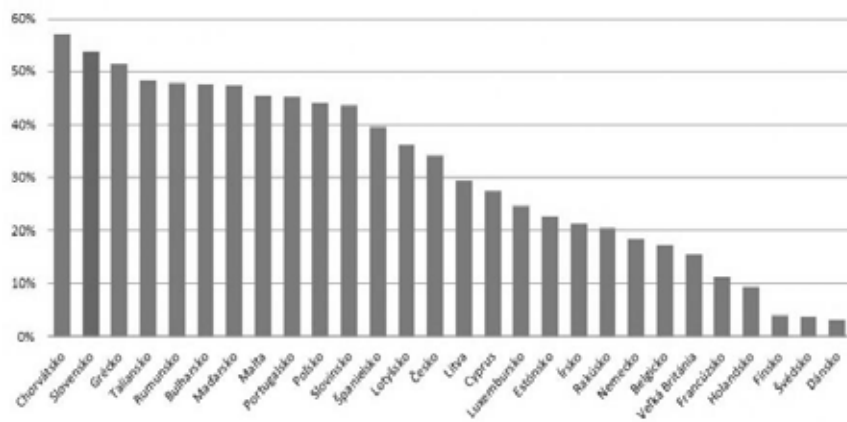
Table 1 – Slovak population forecast in group of 25-39 year

Year	The population		Percentage
	Total	25 – 39 year	
2011	5 397 036	1 326 988	24,6
2012	5 415 634	1 332 257	24,6
2013	5 426 639	1 328 075	24,5
2014	5 437 434	1 316 688	24,2
2015	5 448 310	1 305 569	24,0
2016	5 459 449	1 291 466	23,7
2017	5 470 804	1 273 899	23,3
2018	5 481 917	1 255 225	22,9
2019	5 492 678	1 229 649	22,4
2020	5 503 107	1 204 054	21,9

Source: Sika, P., 2013

Slovakia is a total acute housing shortage. Per 1000 inhabitants in our country accounts for only 339 flats, which ranks the penultimate place in the European Union. The availability of housing and overtake us much poorer countries, such as Romania and Bulgaria. The reason for the bad situation in the housing market is not comfort of the young nor bad economic situation in the country, but the shortcomings of state housing policy and the specifics of Slovak market resulting from unilateral preferences of the population. Our policy of housing support is unfair, inefficient, and in Europe have been blown away. In Slovakia, barely they do not build affordable rental housing.

Figure 3 – The share of people residing with their parents in Slovakia (25 to 39 year)



Source: Eurostat

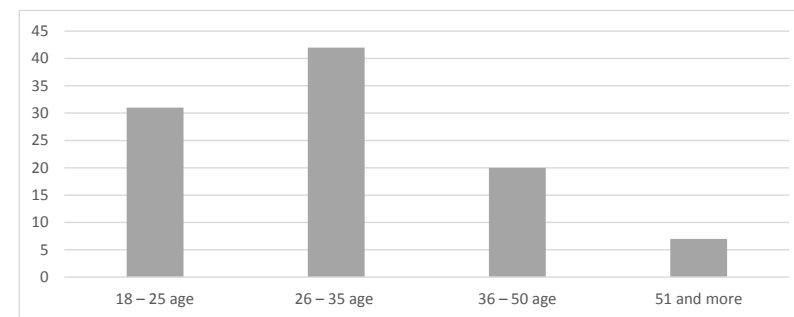
3. EMPIRICAL SURVEY AND ANALYSIS

In order to achieve the objectives of the research, we asked ourselves two basic research questions. Research question 1: They give respondents prefer to rent or own housing? Research question 2: What reasons prevent the respondent to move for work, respectively what it would convince them to relocate? Questionnaire survey was attended by 350 respondents from the whole territory of the Slovak Republic, of which 62% women and 38% men. Respondents ranged in age from 18 years to 51 years or more. In the age range at 18 to 25 years was only 7% of respondents in the age range of 26-35 years was 43% of respondents in the age range 36-50 years, 42% of the total number of respondents in the age range of 51 years and more was 8% respondents.

Most respondents attained tertiary education and 64% secondary education had 36% of respondents. Free, 50% of respondents, 41% of respondents were married / married, divorced respondents were 8% and 1% were widow / widower.

Of the respondents were employed on a permanent basis is 91.5% and 4.3% of respondents were unemployed. All unemployed in the survey responded that they would be willing to move for work in the event of getting a job. Being unemployed is causing serious financial problems that respondents are willing to solve by moving for work. It is more advantageous to move and thus get regular financial income as to stay in their homes, but have no job. If people are out of work they are getting into difficult situations. 83% of respondents living in an apartment respectively house owned and only 17% of respondents is not live in their own homes, respectively house. Invest in their own housing is convenient for respondents in terms of favourable market with low interest rates. Amount of rent and monthly payment mortgage financing is in many cases financially balanced, and therefore the respondents prefer to make decisions for their own property rather to pay rent.

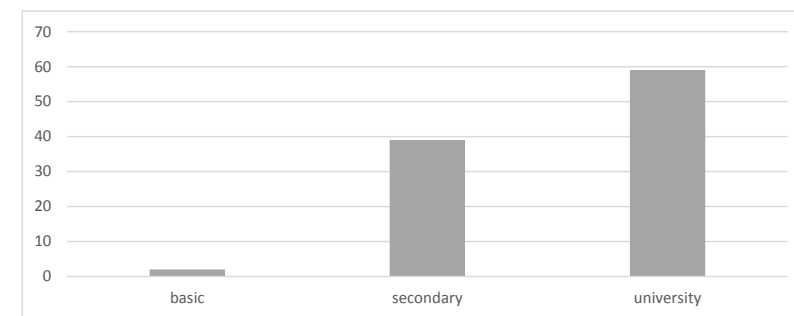
Figure 4 - The number of respondents willing to move for work by age



Source: custom processing - the results of empirical research

As part of the research we examined whether respondents are willing to relocate for work. Empirical research shows that 48% of respondents surveyed would be willing to relocate for work, 25% not willing and 27% not decided. Willing to move for work are more men than women. Up to 83.33% of the respondents with secondary education will not move for new job. Respondents with higher education are more mobile compared to respondents with lower educational attainment and are willing to move away from their permanent residence. 38% of the respondents in the age range of 26-35 years is willing to move for a job in another city. People in the age range of 36-50 years are not willing to move. The reason to stay is a family and the high cost of additional housing. Up to 36.58% of married respondents replied that they would not be willing to move to work.

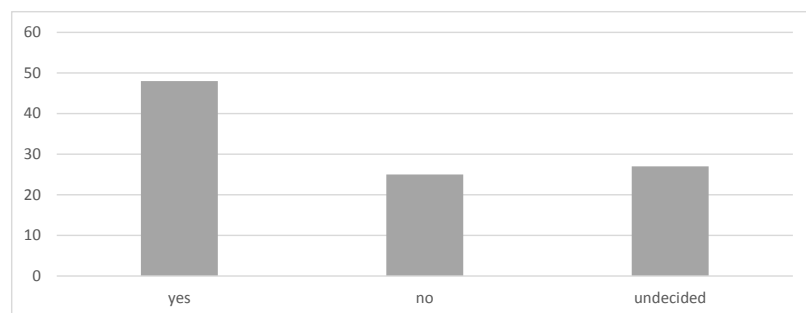
Figure 5 - The number of respondents willing to move for work by education



Source: custom processing - the results of empirical research

Respondents who have moved in our research to work in another city, make up 39.76% of respondents lives in an apartment or house owned. It follows that the respondents obtained housing after moving, but at the same time 60% of these respondents said that they will never move again to have work. Real estate ownership plays important role because it is tied to the place where their property is located. Housing is in this case the burden that limits respondents to seek job opportunities only in the area, where they have their own housing. Moving is the problem, because they have dilemma what to do with their housing. They should sell a real estate in current location and the look for new housing.

Figure 5 - Respondents' willingness to move for work



Source: custom processing - the results of empirical research

Furthermore, we investigated what reasons would persuade the respondents to move for work. Respondents could choose more than one answer at a time, which showed us that their decision making is influenced by several factors. Top preferential a better salary 64%, the possibility of working 54%, 15% better community and cultural opportunities. 68% of respondents prevents to move high cost of the new housing. 40% of respondents were dissatisfied with their current housing and almost 50% of respondents would be in the future, preferring rental housing. The reason is the increasing Endurance limit. It confirmed the second research question.

The problem of housing is not easy. As we found out, it's a problem that affects all ages, with different levels of education and economic activity. The empirical analysis confirmed the research question 1 that the people would welcome the opportunity to live in rented accommodation. Not everyone is interested to live in their own homes and be long term debt.

Conclusion

On this research, we confirmed the hypothesis that the ownership of the property has a large impact on employment and is the particular burdens which hinder the mobility of the population to work. The housing market contributes significantly to the gross domestic product. Acquisition of residential property has an effect on the amount of household expenditures. In Slovakia, expenditure on housing are the largest item, reflecting the orientation of housing policy for owner-occupied housing.

After twenty years of support mainly home ownership is greatly indebted Slovak households. While there is support for such investments through a substantial and multi-support systems, but rising real estate prices since 2004 have increased property prices in Bratislava from € 900 / m² to € 1,750 / m² in 2016. Interest rates in 2004 were on average of 5% while in 2016 is at 1.99%. However, starting to increase, as well as house prices. At present, the volume of housing loans is more than 20 billion € round 25 % of GDP. Another problem is the indebtedness of the retirees who gets possession of the property, but they are unable to pay the costs of its use and therefore use different loans and often become victims of foreclosures. Therefore, as residents in the age group 25-39 years, as well as the age group older than 60 years need to help solve the housing problem. Rental apartments could be a solution of the problem for young people who cannot afford their own housing, and so in adulthood more and more of them staying with their parents. Up to a one third of people in the Slovak Republic aged 31 to 35 years lives with their parents. This trend fraught with falling birth rates. For comparison: in 1950 in Slovakia,

one woman gave birth to an average of 3.5 child. After 1989, this proportion dropped to the current average of 1.4 infant. In a few years in the domestic economy will not be enough workers paying contributions to the pensions of today's pensioners. Therefore, it needs to think more on the correlation between the investment - savings - consumption and implement changes into economic policies that do not distort the housing market and will promote of domestic consumption. Currently in Slovakia there is a real risk of real estate bubbles, but it is not taken seriously yet.

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