

# Housing policy and employment in the Slovak Republic<sup>1</sup>

## Bytová politika a zamestnanosť v Slovenskej republike

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### Abstrakt

Bytová politika patrí medzi tie dôležitejšie oblasti sociálnej politiky. Je zrkadlom spoločenských nedostatkov a zmien. Hlavným cieľom štátnej bytovej politiky je postupné zvyšovanie celkovej úrovne bývania tak, aby bolo pre obyvateľstvo dostupné, a aby si každá domácnosť mohla zabezpečiť primerané bývanie. V tomto duchu je potrebné vytvárať rámec pre zapojenie všetkých subjektov procesu rozvoja bývania pri riešení čiastkových úloh, vytvárať priestor pre participáciu všetkých úrovní rozhodovania a posilňovať partnerstvo medzi verejným, súkromným a mimovládny sektorom na horizontálnej i vertikálnej úrovni, a to pri rešpektovaní princípov udržateľného rozvoja, energetickej a ekonomickej efektívnosti a sociálnej solidarity. Bývanie je viazané ku konkrétnemu miestu v priestore. V tejto súvislosti sú domácnosti pri rozhodovaní sa o investíciách ovplyvňované viacerými faktormi, dostupnosťou pracovných príležitostí, výškou príjmu domácnosti, postavením na trhu práce, výškou dlhov. Keďže charakter priestorového rozmiestnenia obyvateľstva a pracovných miest je rozdielny, vzniká medzi lokalizáciou týchto miest priestorový nesúlad. Vytvárajú sa tak oblasti s prevahou pracovných miest nad počtom miestnych ekonomicky aktívnych obyvateľov a taktiež oblasti s prevahou ekonomicky aktívnych obyvateľov nad počtom dostupných pracovných miest. Priestorový nesúlad medzi bydliskom a pracoviskom je možné prekonať pomocou dochádzky do zamestnania. V prípade, že sa dochádzka za prácou z hľadiska dopravných nákladov a straty času v kombinácii s výškou príjmu a nákladmi na nové bývanie stáva neúnosnou, obyvatelia často zmenia pracovisko alebo sa presťahujú do nového bydliska, prípadne sa stávajú nezamestnanými.

### Kľúčové slová

Bývanie, bytová politika, nezamestnanosť, trh práce, migrácia

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## **Abstract**

Housing policy is among the most important areas of social policy. It is a mirror of social deficiencies and changes. The main objective of the state housing policy is a gradual increase in the overall level of housing to be accessible to the population, and such each household could get adequate housing. In this way, it is necessary to create a framework for the involvement of all entities to the development of housing in solving partial tasks, create space for the participation of all levels of decision-making and strengthen the partnership between the public, private and non-governmental sector on horizontal and vertical level, while respecting the principles of sustainable development, energy and economic efficiency and social solidarity.

Housing is a bound to a specific location in space. In this context, households when considering whether to invest, is influenced by several factors, the availability of jobs, income of households, labor market status and amount of indebtedness. As the character of spatial distribution of population and jobs are different, there is the localization mismatch of these places surround. This creates areas with a predominance of jobs over the number of local economically active population and also areas with a predominance of the economically active population over the number of available jobs. If there is one area of excess jobs compared to the number of economically active population, it is necessary to attract workers from other regions and vice versa if it is in the area of lack of job opportunities, the working age population have to seek work in distant regions. Spatial mismatch between home and work can be overcome by means of commuting. In case there are commuting in terms of transport costs and loss of time in combination with the level of income and the cost of new housing becomes unbearable, residents often changing workplace or move to a new residence, or become an unemployed.

## **Keywords**

housing, housing policy guidelines unemployment, labor market, migration

## **JEL Classification**

O18, P25, R21, R31, Q42,

## Introduction

Housing policy is among the most important areas of a social policy. According Vagač (1998) it is a mirror of social deficiencies and changes. Housing policy was in 1989 directed against the existence of the market and the creation of private ownership of apartments and land. For several decades the state custody in housing and widespread subsidies of rents and housing services for the people accustomed to cheap housing. The idea of building a "welfare state" support in the general population of the opinion that the state and society will have to take care of the necessities of life. Suggesting that housing policy still faces challenges that need to be addressed and to take measures in housing policy.

The main objective of the state housing policy is a gradual increase in the overall level of housing the way to be accessible to the population, and that each household could get adequate housing. In that way, it is necessary to create a framework for the involvement of all entities to the development of housing in solving partial tasks, create space for the participation of all levels of decision-making and strengthen the partnership between the public, private and non-governmental sector on horizontal and vertical level, while respecting the principles of sustainable development, energy and economic efficiency and social solidarity. Housing is closely linked to the quality of life and the right to life is a fundamental human right. It follows that housing is one of the fundamental rights and the access to that right then determines access to other fundamental rights to live in dignity. This right is reflected not only in the Charter of human rights in the revised European Social Charter of the Council of Europe. Housing is one of the key factors in combating social exclusion and unemployment, thanks to him, our towns, cities, rural areas and regions are more pleasant environment to live and work. Housing promotes consistency between the communities and in the workplace enables the achievement of sustainable development goals.

Sika (2005) notes that housing is a particularly sensitive social and political issue to and mainly it is a prerequisite for political stability and economic development of society.

According to Stanek (2008), housing is characterized as a basic human need that determines the standard of living of people. The right to housing but cannot be seen as a fundamental right to live. Housing, unlike other types of goods, also a cumulative demand for housing services that are related to housing. These housing services resulting from the diversity of the variety of characteristics of housing. Housing is not considered a farm that

brings tangible benefits to your potential or current consumers. It is necessary to identify its basic attributes (number of rooms, quality of environment, availability). The consumer tries on any market to maximize their benefits (Vidová, 2014). Basic forms of housing is home-ownership, private rental housing, social housing. Most programs of public housing subsidies from the state and local government is oriented to promote the home ownership and individual construction, a state understandable in terms of existing legislation, administrative complexity, and perhaps the state of public finances. On the other hand, housing policy promotes rather immobility of the population and labor market rigidities. The housing policy tends to emphasize the promotion and development of employment, in fact, the missing concept of linking housing and the labor market.

### **Interdependence housing and labor mobility in the Slovak Republic**

Achieved positive results in housing construction in the previous period, conditional on a system of economic support tools from the state (subsidies, loans bank guarantees) for the development and thanks to the financial products in the financial market, which act as an incentive for the various income groups. It also shows the growth of real household income and consequently increased purchasing power with the possibility to put more money to procuring housing.

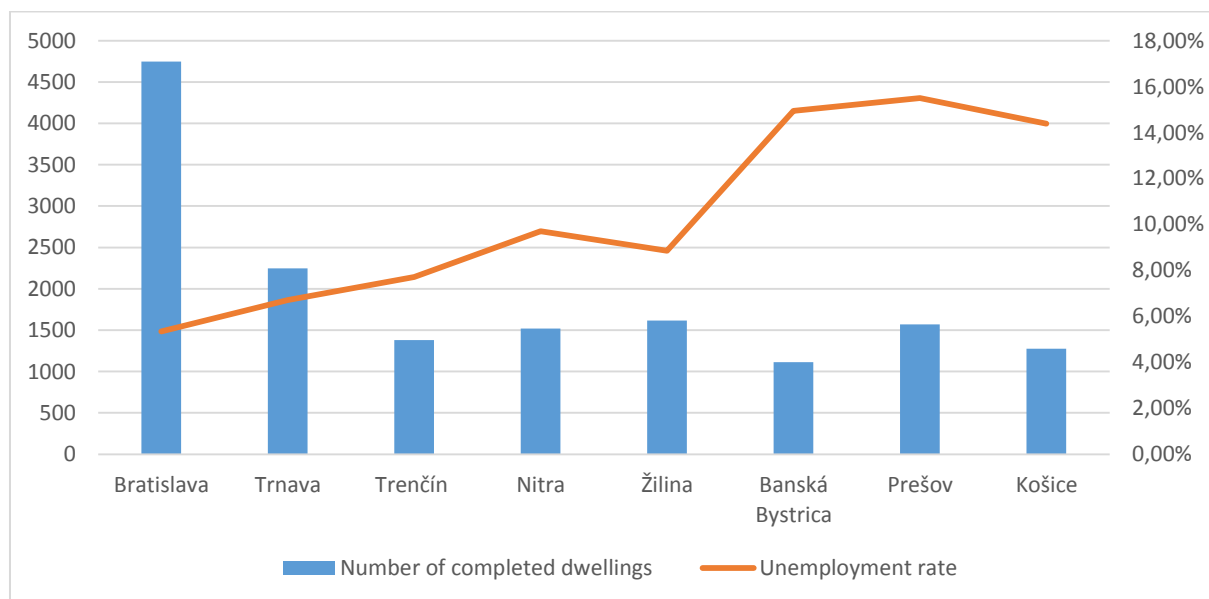
Housing is bound to a specific location in space. In this context, households when considering whether to invest is influenced by several factors, the availability of jobs, households income, labor market status, amount of indebtedness. As the character of spatial distribution of population and jobs are different, there is a mismatch in the localization of these places surround. This creates areas with a predominance of jobs over the number of local economically active population and also areas with a predominance of the economically active population over the number of available jobs. If there is one area of excess jobs compared to the number of economically active population, it is necessary to attract workers from other regions and vice versa if it is in the area of lack of job opportunities, the working age population have to seek work in distant regions. Spatial mismatch between home and work can be overcome by means of commuting. In case you are commuting in terms of transport costs and loss of time in combination with the level of income and the cost of new housing becomes unbearable, residents often changing workplace or move to a new residence, or become unemployed.

Consistency between housing (housing market) and jobs (labor market) in several developed economies has become an important part of the public policy of the state and local governments in the form of so-called Jobs Housing balance policy. Reasons why housing affordability is increasingly linked to the availability of jobs is more: improving the quality of life through better access to the work, education and services, corporate demand for workers living in the vicinity, solving traffic problems (high travel costs, congestion), environmental protection, efficient use of land resources, more time for leisure and recreational activities, etc.

In connection with the investment in housing support tools are adjusted in order to meet applicants from all regions of Slovakia, because currently observing the expression of both revenue and expenditure disparities affecting social inequalities. The new legislation allows SHDF advantageous borrowing for municipalities when the loan will use for social purposes. The law has created conditions for the provision of housing for low-income groups of citizens who cannot obtain housing to private ownership, lending for the acquisition of rental housing. For this purpose, it can be provided to a municipality or self-governing region credit of 80% of the cost, to a maximum of EUR 60 000 for an apartment with a maturity of 40 years and an annual interest rate of 1%. Under the new law can receive support for the development of rental housing persons other than towns and cities. Private legal entities may also apply for support.

Most apartments have been built in the largest region of the Slovak Republic in Bratislava region. Chart 1 shows that housing construction in the Bratislava region is 52.63% higher than in the Trnava region, which is second in the number of completed apartments. This is a considerable difference in the number of completed apartments. We can thus conclude that housing construction is concentrated mainly in the western part of Slovakia. At least completed apartments are in Banská Bystrica. When comparing the number of completed dwellings and the unemployment rate in our region has conflicting data. While in the Bratislava region is the highest number of such dwellings to ultimate unemployment rate is the lowest. This means that in this region there are enough job opportunities, demonstrating the increasing interest in new property. People leave cities with high unemployment to places with more jobs. The unemployment rate is lower this leads to larger housing development, which is related to the development of the region.

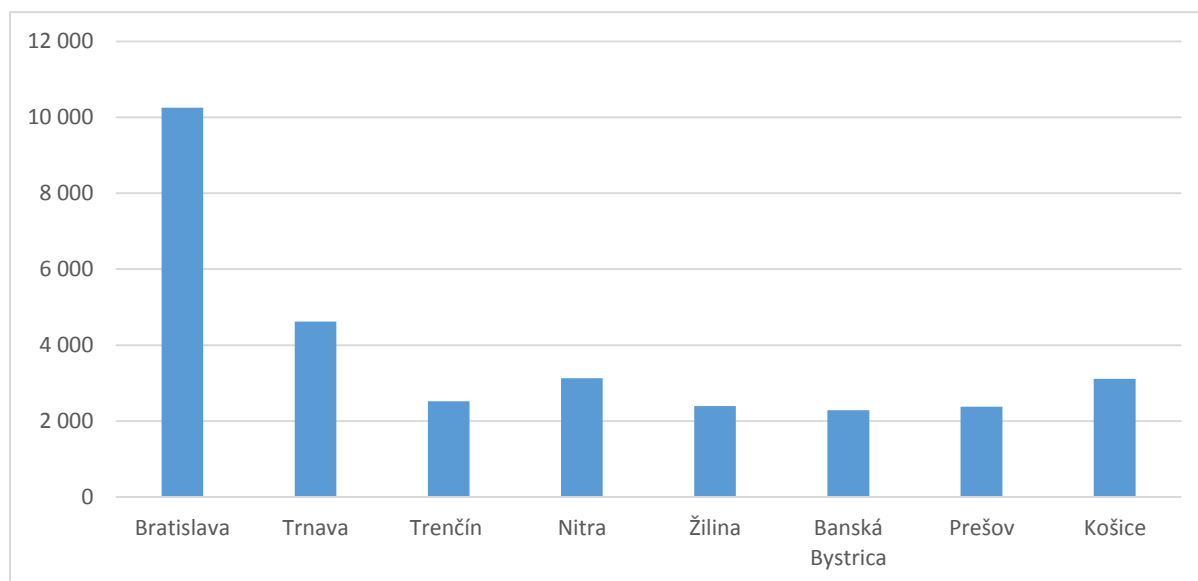
**Chart 1**      **Number of completed dwellings and the unemployment rate by region (2015)**



Source: own graph unemployment rate. Information on housing construction in the Slovak Republic in 2015.

The number of immigrants we visualized in Chart 2 by region. The number of immigrants for permanent residence has primacy Bratislava region and at least Banská Bystrica. The statistics also show that people are directed to the most developed regions, where are enough job opportunities and residential property.

**Chart 2**      **Number of applicants for permanent residence in the Slovak Republic by regions (person / year) 2015**



Source: Population and Housing Census 2011, available at [www7.statistics.sk](http://www7.statistics.sk), own processing

For the regions, which are expected to increase labor mobility, we consider the regions bordering with emerging strong economic centers supported by foreign direct investment, as Trnava and Žilina, as well as the entire Považie region. Support and cheaper public transport, thicker and optimized network supported by the current growth of the economy, can contribute to improve this factor. Investing in the knowledge economy and focus on products with higher added value, which of course must be supported by raising knowledge among employees, lead to higher wage increases and employee activities, which will also bring greater labor mobility. In this field can play a significant role telecommuting, working from home, which is having a sense of the knowledge economy, while eliminating the drawbacks posed by high labor mobility, such as traffic problems, especially for higher environmental burden caused by transport.<sup>2</sup>

Based on the last census in 2011, we can conclude that the housing stock in Slovakia is composed of 1,776,698 occupied dwellings. Housing market is influenced by the demand of people coming into the county for work. The increasing number of migrant people in the region grows the number of completed apartments. Most occupied dwellings is in the Bratislava region, which has also the highest number of immigrant residents. As we mentioned housing is a fundamental human need and these people satisfy the acquisition. Acquisition of property is a subject to the conditions of the housing market. Investment property represents an enormous financial burden on families, depending on the regions where these homes are located. The functioning of the housing market is the mobility of housing, which is closely linked with the desired and undesired labor mobility. Many people have become "prisoners" of their homes, whether rented or own housing due to lack of offers or for economic reasons, or in terms of the conditions for obtaining loans. Currently, the focus on an increased requirement to ensure the mobility of housing, which is a prerequisite for greater labor mobility and thus better opportunities for its application in the labor market.

**Table 1 Dwelling stock by habitation in regions**

Region	Dwellings by habitation			
	inhabited	uninhabited	with an unknown habitation	Together
<i>Bratislava</i>	264 629	14 202	353	279 184
<i>Trnava</i>	184 059	21 263	1 665	206 987
<i>Trenčín</i>	199 546	27 691	1 870	229 107
<i>Nitra</i>	236 923	32 376	1 654	270 953

<sup>2</sup> Labor market mobility. 2016. <http://www.iz.sk/sk/stanoviska/mobilita-pracovneho-trhu>

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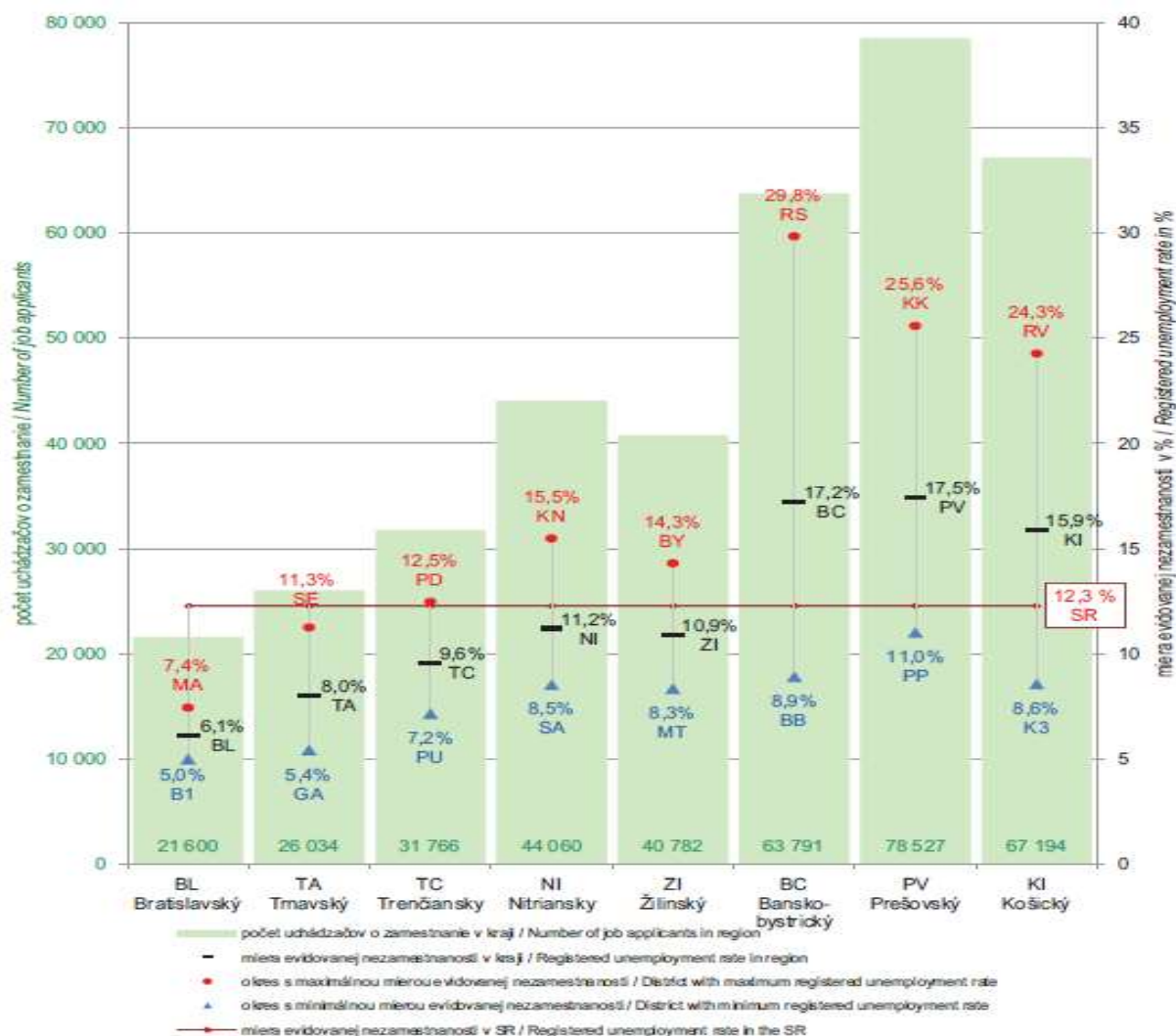
<i>Žilina</i>	214 934	29 497	1 615	246 046
<i>Banská Bystrica</i>	222 606	34 175	1 707	258 488
<i>Prešov</i>	219 651	22 810	1 654	244 155
<i>Košice</i>	234 350	23 715	1 952	260 017
<i>Together</i>	1 776 698	205 729	12 470	1 994 897

Source: Population and Housing Census 2011, available at [www7.statistics.sk](http://www7.statistics.sk), own processing

Certain factors influence population respectively certain age groups of citizens to the need for housing in different regions of the issue of migration of the population. Especially moving for work due to different jobs in different regions is quite typical especially for the younger years of the economically active population, some of which may not yet be permanently established. This may lead to differences in the population living permanently and temporarily residing in the any region which can have quite a significant impact on the quantification of housing needs. Positive net migration shows in Western Slovakia (Bratislava region in particular) and the highest negative net migration has long been characterized mainly for Prešov. In 2014, Slovakia has moved more than 90,000 people in its district, 4,758 people moved to Bratislava region. The largest decline in population recorded Prešov where there are fewer than eight hundred people, than Prievidza and Martin. On the contrary population is increasing especially in villages near Bratislava and Kosice.



**Picture 1 Number of job applicants and registered unemployment rate (2014)**



Source: Regional statistics SR. 2015

## Support labor mobility in the Slovak Republic

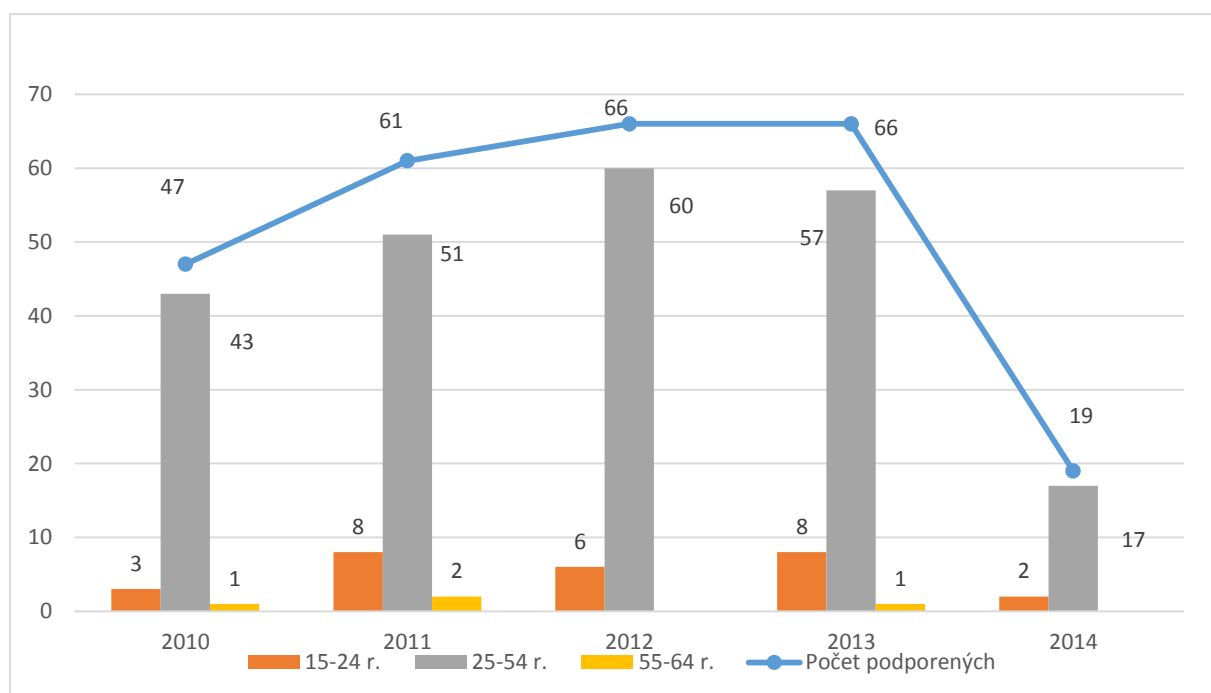
To be able to obtain own housing people needs a money. In order to get them, people need to work, and therefore must have a regular income. Find a job, according to various statistics, is easier in larger regions than in just the smaller ones. In Figure 6 we see a number in which districts is the most immigrated population. In larger districts is a higher number of immigrants in the population than the smaller ones. In larger cities it is steadily more work but it entails traveling or moving to work in these places. Slovaks are very difficult to give up their homes. It would mean for them to leave their backgrounds, families, friends and at the

same time it brings the great financial burden. It is the State which has the opportunity to help and to give the population the contribution that could cause them financial assistance.

In Slovakia low flexibility and mobility of labor is the result of subjective barriers. It is mainly the lack of professional and educational skills, low personal responsibility for their working lives. A significant obstacle to increasing labor mobility are economic reasons. Changing jobs generated individual additional costs that are so high that individuals tend to favor the work of lower pay for their place of residence, or for unemployment benefits.

From the Office of Labour, Social Affairs and Family, a citizen can get a financial contribution to support labor mobility in compliance with the conditions. Getting this support is from the 2016 easier, since the amendment came into effect changes. These changes have brought the advantage for the candidates just to report only temporary residence in the place where is employed.

**Chart 3      Number of contributions granted for relocation for work**



Source: Active labor market measures available to <http://www.upsvar.sk/statistiky>

State, as cannot create new jobs, on where unemployment is highest, provides to residents allowance, to support the mobility of citizens to work. Allowance should help to make the labor force moved into a larger number of vacancies. Allowance is of great

importance especially in areas with declining monthly income of the population and rising unemployment. Contribution helps to residents to bridge the gap with increased costs associated linked with the relocation during the first months. In Figure number 7 we see that the contribution was in 2014 provided to fewer inhabitants than previous years. Contribution has a greater use of the group of 25-64 years age and for example 55- 64 years group in 2012 and 2014 has missed this post at all.

## Conclusion

People are willing to adapt to changes brought by the change of work. If we talk about labor mobility, we must remember that the people are willing to travel or to move for work. Daily commuting are willing to accept only up to several kilometers. Traveling farther away from the city of residence is already in the context of maintaining good family relations involving the need for the provision of housing. If this need is not filled by the employer, it is on the employees themselves and the financial difficulty is often the primary problem, why cannot relocate for work. It is therefore necessary to promote rental housing sector, which could help to find the new housing in the place of work. At the same time with increasing intensity of household investment in the home ownership Slovak households fall quickly into higher debt. At the present, in Slovakia is one fourth of indebted households. In terms of property ownership, the proportion of real estate owned increased more quickly in the poorer country. It is not then surprising that most rental housing are in Germany, Austria and least in Romania, Bulgaria, where is in private ownership almost 100% of the apartments. Same time in countries with a higher proportion of rental housing is the lower unemployment rate.

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