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## SELECTED PROBLEMS OF HOUSING POLICY OF THE CZECH REPUBLIC IN COMPARISON WITH THE EU SOCIAL POLICY

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### Abstract

*The paper compares and analyses the issues of social policy in selected countries of the European Union, focusing on housing policy. This sub-section of social policy directly depends on the support via family policy and on the opportunities for young families to purchase their own housing. Yet another objective of this paper is mapping the historical development as well as the analysis of current housing policy instruments. Last but not least, we focus on the standard of living and legal aspects involved in this area of social policy in the post-communist state in comparison to the economically richest countries of the European Union countries - Germany and Great Britain.*

**Keywords:** social policy, rental apartments, housing and family policy, legal problems, social disparities, Czech Republic, EU

**JEL Classifications:** I38, R38

### Introduction

Not only in developed but also in developing countries the housing policy is an important part of any social policy of a given state. It has a great influence on the lifestyle and the overall standard of living of the population. In the past as well as at present housing has been considered entirely private goods, which has its economic and social dimensions. Each state of the current European Union enters into this area in order to create conditions for the satisfaction of primary human needs via the housing market that is influenced by many factors e.g. historical, political and geographical ones.

According to Poláková (2006) the right to housing is defined in a number of international documents and in certain countries it is even incorporated into their constitutions. In legal terms, it is simply a right and real power to deal with some things as own property. From the economic point of view one can speak of a certain motivation or intention to use that thing or modify it in some way.

Some sociologists say that housing, along with clothes and food are the main consumer goods, because without them there is no life at a decent level possible. As an object of consumption we can call mainly a dwelling, which creates benefits in the form of furnishings that one needs or wants. One of the reasons that people aspire to own-occupied home is the ability to consume or enjoy many disparate things that together create a „home“.

Helešic (2007) says that in the past a community or a state mostly took care about the houses and apartments, now it's a subject matter to all of us. There are emerging unions or cooperatives of owners of namely flats, through which citizens take care of the maintenance, repair, reconstruction and modernization of the dwellings in which they live.

From the point of view of other sociologists such as Lux, Sunega, Kostelecký, Čermák and Košinár (2004), we understand that housing in all countries, irrespective of political, cultural, social or economic differences among them, is regarded, as already mentioned, as one of the primary human needs, and therefore there exist a certain form of housing policy, whether directly formulated as a policy or implicitly presented in many other policies. Although specific objectives of housing policies may differ greatly from country to country, there is a consensus on what a global goal is - to ensure adequate quality and affordable housing for local residents.

The earliest form of housing is own-occupied dwelling, which is also in the Czech Republic most promoted via the advertising links. This housing option is preferred by most households and constitutes 47% of the current Czech housing stock. Its main source nowadays is a new construction, a conversion of cooperative flats into the ownership and privatization of the municipal housing stock to the ownership of the tenant (owner-occupier). In the current economic climate, for most households to purchase own living, especially newly built, is very expensive. Usually this form of housing is sought by people who can use loans from building society accounts and mortgage loans, and especially by families with middle and higher incomes. The price of such housing is high relative to the average monthly wage, and therefore a family seeks to invest in such a living, which price in the future will at least equal to the sum of all costs associated with the acquisition.

### **Forms of dwelling and housing construction in the Czech Republic**

Housing policy in the Czech Republic has three basic forms, which include homeownership, cooperative and rental housing. Each of these forms of housing is designed for a different, in terms of age and especially economic, class of the population of the state.

Homeownership is the most authentic form of living in our country and even the offer on the estate market to the greatest extent focuses on this possibility. In this form, the owner has a property ownership and user relationship. The continuous growth of this housing option is also supported by the government. Its source is the conversion of older cooperative flats into the homeownership, the construction of new apartments and townhouses and the privatization of the municipal housing stock to the ownership of the tenants. In the current economic situation, families can purchase their own housing, especially new homes, at very high cost and very few families can make it. Most families satisfy their financial needs via taking mortgage loans and building society savings. Even this financial loan from the state is intended only to families with medium and higher incomes.

Cooperative housing is made up of members of the housing association, in which each member has one vote. In the Czech Republic, these houses were owned by building and housing cooperatives were built using panel technology. A person who is a member of a housing association has duties and rights, which earmarks the association in its statutes. The fundamental obligations of a member of a housing association are to actively participate in meetings, vote on the various proposals and innovations.

Rental housing is dealt within the amendment of the Act of January 2014, which has an impact on the entire sphere of private law. All contracts for rental housing, which gained legitimacy before the amendment of the Act shall continue to be governed by the original legislation. For rental housing it is very important to distinguish between rent and tenancy. Pšenko and Obšasník (2014) say that the main difference between the two is that in a contract for the rent the subject of renting must be owned by the landlord. For tenancy contracts the tenant has already himself rented a flat or house and provides with it another person.

According to the latest census of citizens, houses and apartments in 2011 in the Czech Republic up to 60% of people lived in an apartment or a house in a private ownership, while

there was a reduction of people living in rented flats and even cooperative ones. This reduction in the number of people in cooperative flats has resulted in the privatization process, which started in 1993 and has converted apartments to private ownership, or has sold them directly.

A special part of the housing policy in our country is the creation and support of families under social housing. According to Krebs (2010) the subject matter of social housing has been significantly influenced by a tradition of living and, last but not least, by the economic level of individual states, which are generally reflected in the standard of living of a given society and specifies the level of living of the individual households.

State bodies or municipalities are trying to ensure that socially disadvantaged groups of people who cannot afford their own housing are provided with the possibility of social housing. Rent in this type of housing is lower than a market one. To a large extent the construction of social housing is supported and subsidized by the Ministry for Regional Development, Ministry of Labour and Social Affairs and the State Housing Development Fund.

Ripka (2013), a sociologist, says that social housing does not lead to a situation where the state cares for as many people possible, who will then be not responsible for themselves. To this direction rather heads the support for collective forms of housing, from which it is increasingly difficult to become independent and integrate himself in the life and society. Thus there is a need for a law on social housing as any other regulation of social housing is unable to clearly and long term guarantee the involvement of all relevant actors in dealing with the situations of specific people at risk of inadequate housing. A guarantor of the right to housing should become the state. This right should be realized through municipalities and autonomous units.

Based on funding from the State Housing Development Fund in the years 2003-2013 there were built 8,616 social flats. Based on funding from the Ministry for Regional Development in the years 1998 to 2013 there were built 11,818 flats, which serve for disadvantaged social groups and families in the Czech Republic.

### **Housing policy in terms of its tools and goals**

The main goals of the housing policy of the Czech Republic up to 2020 are the following:

- affordability;
- quality,
- stability.

Especially for medium-economically rich states of the European Union including the Czech Republic, the affordability of housing is a major goal of housing policy. Given the lifestyle of the population, the quality of life and wealth, it is necessary to keep in mind that not all households manage to satisfy their housing situation and needs of the market without the aid from others. Nowadays, most families who acquire new apartments or houses in private ownership must take the mortgage banks and building society savings loans. The priority of the state in housing is to motivate the population to ensure a living on their own.

For this reason, according Polaková (2006), further goals of the housing policy should be set both in the Czech Republic and other countries of a similar economic level, such as:

- increase the intensity of housing construction;
- foster care of the existing housing stock and optimally use it,
- seek to promote ownership and rental housing,
- encourage disadvantaged or low-income households,
- collaborate with non-profit organizations in the sphere of housing,
- promote the construction of social housing,

- efficiently and effectively provide subsidies to the housing sector,
- improve the existing regulatory relations between the different actors in the housing market.

The quality of housing stems out of the standard, which on one hand provides housing stock for most of its citizens, while on the other hand, is derived from the rising of the ambient environment of residential areas. At present, citizens of the Czech Republic do not require only high-quality housing, but also a certain standard of amenities that are be part of a residential complex, or are in close proximity to the new residential property.

The stability of the housing policy is directly related to the economic and political environment of the state. It is determined by laws and institutions for all actors in the housing market.

In practice, the most famous type of state intervention in the market for residential estates is public support with the exact purpose of its use. This support is very extensive and may even be negative, because it can cause an increase in the price level. Also, it is quite demanding in terms of administration and rather expensive. It can be a support on both the supply side as well as the demand one.

In 2015, the Ministry for Regional Development of the Czech Republic opened four calls to support housing:

- support for the construction of technical infrastructure,
- promotion of the repair of lead distribution networks,
- support for the construction of subsidized apartments,
- support for the regeneration of housing estates and blocks of flats.

The support for the construction of technical infrastructure is provided in terms of increasing the supply of investment land for future construction of houses and apartment buildings. Grants are awarded to cities and municipalities, which have to provide for the construction of technical infrastructure (sewers, roads and water supply) on these lands.

The promotion of the repair of housing lead distribution networks aims at the reduction of lead content in drinking water. This reduction of lead in drinking water is realized in exchange of lead water distribution pipes to the healthy ones. This support is intended for all the family and apartment houses, which are permanently inhabited. The exchange of lead networks belongs among the main objectives of European environmental policy environment. The aim to support construction of subsidized housing is to ensure the independence and personal self-sufficiency for people who need it. This group includes starting and nursing homes. Nursing homes are designed for elderly (over 65) and disabled people. Starting flats are determined for people who are already re-granted benefit in material distress, or their net monthly income for the last year did not exceed 0.6 times of the average monthly wage.

The latest promotion, which deals with the regeneration of prefabricated housing, is based on the assumption of improving the original flats, their life extension and overall improvement of the living space to meet the demands of modern living. This grant is provided by the city or municipality if they have at least 150 apartments in panel buildings.

State Housing Development Fund in the Czech Republic also provides a number of preferential soft loans and thereby seeks to secure long-term support for housing. The most important loans that it provides are:

- Panel 2013 programme (a programme for the revitalization of the housing stock)
- Element programme (residential recovery programme from natural disasters)
- Construction programme (programme of soft loans for the construction of apartments)
- programmes for municipalities (programmes for modernization and repairs of municipalities)
- Jessica programme (a programme for the development of disadvantaged urban areas and zones)

- Programme 150 (programme providing loans for young people up to 36 years with the interest of 2%).

Czech Ministry of Finance has been providing housing support for its citizens in the form building society accounts since 1993. This savings is intended for a period of 6 years, and if within this time the participant does not withdraw his savings he will get a state aid. The participant of the savings scheme must, however, for a period of 6 years deposit on his account a minimum amount of 20,000 Czech crowns annually. In recent years, the number of contracts on building society savings has been increasing. The reason for this increase in the number of contracts is a possible division of withdrawing financial benefits from several contracts.

The Ministry of Labour and Social Affairs of the Czech Republic provides the opportunity to support housing through:

- housing benefit,
- housing supplement.

The housing benefit is a benefit under state social support, thorough which, according to the Ombudsman gateway (2015), the state contributes to partially cover the costs of housing for families and individuals who have low incomes. This housing benefit can be obtained if the applicant lives in his own, rental flat or cooperative apartment or a family house and in an apartment owned by her husband, provided the entitlement of housing benefit is not already applied by her husband.

Housing supplement is a benefit in material need assistance and is provided for households which do not have sufficient income, including a housing allowance from the state social support. It is a benefit granted monthly.

### **Housing policy and family support in Germany and Great Britain**

The housing policy of the European Union respects the principle of subsidiarity and pursuit to international obligations of Member States, every citizen has the right to adequate housing. The housing sector has remained since the beginning of European integration primarily a national competence of the individual EU Member States. For this reason and as claimed by Munková (2004) housing policies of Member States diverge significantly, and also with regard to the historical, socio-economic and demographic factors. Due to individual differences in demographics, the political situation and the economy, we will compare the housing policy in Germany and the UK.

In political terms, Germany has a very interesting history, because in 1961, when the Berlin Wall was built, the state was divided into two completely different political and ideological camps (East and West). This fact is directly connected with the social policy in both countries, which were until 1989 completely different.

The current housing policy in Germany is based on the effective business model of the welfare state, which means that social policy is directly derived mainly from the work activity of individuals on the labour market. The goals of the housing policy here are similar to those in the Czech Republic with the first place taken by the goal to ensure sufficient and adequate housing for citizens and the other very important objectives are to support young families in the form of housing allowances and assistance for low-income and economically disadvantaged households. The policy support is ensured through the Bundesministerium für Umwelt, Naturschutz und Bau Reaktorsicherheit, as well as through the Federal Institute for Construction, Urban Development and Territorial Development, which is part of the Federal Office for Building and Regional Planning in the context of scientific policy advice and program and project management. Among other very important forms of support for housing in Germany one may include the Programme for Reconstruction of Cities - West, which

focuses on reducing emissions and energy consumption and to support the restoration and protection of the environment.

As Munková describes (2004) the construction of housing stocks in the 1950s and 1960s in Germany amounted to a whopping 500,000 flats a year. Despite the small stagnation of housing construction in the 1970s the number of new flats grew steadily and in 1986 there were in an average 3 residents for one flat.

A very important factor in the housing stock is to determine the nature of ownership. In Germany the largest share make up rental apartments, a smaller group consists of flats in private ownership and the smallest number make social flats, which are built with public funds. According to the Eurostat (2014), almost two-fifths of the population in 2012 lived mainly in the rented property with market-set rents. For the entire European Union, Germany is one of the countries where the least people live in their own property.

Since 2011, the development of housing construction has greatly increased by an average of 8% annually. Regarding the standard of living, it is considered to be of generally good quality, although there are significant differences throughout the country. These differences are due to the former division of the contemporary Germany into two separate states. In the former East Germany the housing stock is older, because most of the apartments were built in 1944, with the territorial West Germany the situation is reversed, as 70% of flats emerged after 1945.

The fourth most populous state in the European Union is United Kingdom and in terms of natural population growth it has had a growing tendency in recent years, but to a high degree the increase consists of migrants. For this reason the state belongs to the liberal type of housing policy. In this system, the emphasis is on the activity of the individual, where the state provides assistance only to those who are on their own unable to cope with their situation and resolve it. Also, a form of home ownership gets the maximum support.

The promotion of housing policy is in large volume focused mainly on young families with children lies in the pursuit for increasing the availability of rental housing. Since 2006 there has been a program called National Youth Homelessness Scheme, which supports the construction of low cost housing for young families and mothers with children. It takes the form of one-room apartments with an access to a common room. We can define it as a form of hostels or dormitories. This program follows a support for the provision of halfway houses for young homeless and young people from socially disadvantaged backgrounds.

Lux (2010) describes another very positive and effective promotional program based on providing housing benefit. If a salary of a UK household living in rental housing gets below a certain minimum level, the cost of the rent are fully covered by that program.

Great Britain belongs to a system where social housing is supported by a public authority and is determined only for disadvantaged or excluded persons. Rents for social housing are subsidized up to 96% from the social assistance system and hence the allocation of such housing is realized on the basis of very strict standards.

The development of housing construction and housing policy since 1950 has been mixed. In the 1950s great emphasis was put on public housing and its development, and this trend was implemented until the end of the 1970s. In 1980s, the legalization of the right to buy council flats came in force. This law was meant to promote housing policies on the grounds that the purchase was under very favourable conditions. Owing to the fact that council flats were bought by people from economically weaker classes, there gradually emerged tremendous social and economic differences between council apartments and condominiums of individual owners.

According to the latest data currently most families and the population of the state lives in detached houses. They make up to 60%, followed by houses and apartments. These properties, in terms of forms of ownership, are mainly homeownerships, where a loan or

mortgage has not been repaid yet. Another smaller group consists of population living in their own house or apartment in private ownership without the burden of a loan or mortgage. The rest are citizens who use the free housing or housing with reduced renting, or people who live in rented flats with market-set rent.

## Conclusions

Housing policy is one of the fundamental parts of social policy and the European Union places a great emphasis on it. Although the goals of housing policy in individual states union vary in response to the economic and social resources of the state, each country of the European Union sets as one of the fundamental goals, ensuring its inhabitant with adequate and quality housing, because adequate housing is one of the basic needs of each human being.

In the current economic and demographic situation social housing is a very topical issue for all European countries. This form of housing is not defined by a common mandatory legal provision for the whole Union yet. To a large degree this term is perceived a public sector of rental housing, which is determined for the socially and economically disadvantaged groups of citizens who on their own forces are not able to ensure an adequate and decent housing.

We can say that in all three selected European Union countries, housing is of good quality, although in every country there are certain specifics and deficiencies arising from the economic situation of the country as well as its social problems.

The right to ensure adequate housing is defined in the Declaration of Human Rights of the United Nations and the European Social Charter. The European Union takes a principle of subsidiarity in this policy, which means that the area of housing belongs to the exclusive competence of the Member States. The impact of European Union is evident in promoting itself through legislation on construction products and the various laws and rules in the area of public procurement.

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