

---

# Housing Policy in the Slovak Republic

---

Daniela Spirkova

Additional information is available at the end of the chapter

<http://dx.doi.org/10.5772/intechopen.78611>

---

## Abstract

Housing is an important source of employment. Consistency between housing and employment in several developed economies has become an essential part of state public policy and local governments. Low labour mobility in Slovakia is also related to the structure of use of the housing stock, which is significantly dominated by owner-occupied housing. The mobility of housing is closely linked to the desired and undesired labour mobility. The demand-determining factor on the side of the housing market is the demographic development of the population from which the need for housing is objectively derived. The real demand for housing is mainly dependent on the social-economic status of potential applicants for housing and their current and expected financial situation. The chapter discusses the historical context of housing and housing policy in Slovakia, "a massive privatisation of flats" and the housing stock in Slovakia at the beginning of 1990s, the problems and the causal relationship between the housing market, labour mobility and housing finance in Slovakia.

**Keywords:** housing policy, labour mobility, rental housing, economic tools, Slovakia

---

## 1. Introduction

Housing policy is one of the most important areas of social policy. It is a mirror of social deficiencies and changes. Housing is bound to a specific location in space. In this context, when considering whether to invest, households are influenced by several factors: the availability of jobs, the income of households, interest rate of housing credits, the labour market status and the amount of indebtedness.

The Slovak Republic is one of the Central European countries whose economies were centrally planned until 1989. The main characteristic of transition countries is the transition state of their economies—transitive stage—from a centrally controlled system to market economy.

---

Until 1989, housing policy in the Slovak Republic was centralised. Moreover, the state provided housing for all citizens. The state provided building construction centrally, variably subsidised all forms of housing (mainly subsidising the price of services related to housing, as prices of energies and water), ran housing stock, especially state and cooperative flats, and centralised the administrative system of the redistribution of flats. Therefore, political changes in the Slovak Republic after 1989 required several fundamental changes in the field of institutional arrangement of the public administration, as well as legislative changes. Similarly, as in other fields of economics, also in the sphere of housing, transformation from the rationing system of housing to the system based on the respected market economy was initiated.

In 1993 the independent Slovak Republic was established, and therefore other inevitable changes occurred in the field of housing and housing policy. One of the important decisions was the division of tasks in the frame of housing policy to three levels (central, regional and local). The state stayed a valuable player, who, however, stopped being involved in housing construction but took over the task of a creator of frame documents, via which the state tried to define basic principles and rules, in which the housing policy of Slovakia further moved. A significant impact of the development of housing in the years 1992–2006 was done by a process of massive and inappropriate privatisation of the housing stock, which caused a subsequent decrease in rental flats in Slovakia. Overall, between the years 1992 and 2006 according to OECD in Slovakia, approximately 340ths of council flats and 270ths of cooperative flats were privatised.

Decentralisation was another distinct impact, the part of which was also the transfer of competence in the field of housing, territorial planning and local development to the lower management level in the years 2000–2003. It resulted from the assumption that towns and villages will manage to reflect the needs on the local level better. A key player stayed a citizen, who should do his best to provide housing for himself and his family. Quickly this imagination was shown as illusory especially from the view of possibilities and the ability of citizens and especially of specific groups to provide housing exclusively with their own contribution.

According to first conceptions, the role of the state in the field of housing should have been limited just to the creation of conditions for origination of the real estate market. In regard to vigorous withdrawal of the state from financial participation in new housing construction at the beginning of the 1990s (the period of transformation process), the creation of conditions for the implementation of standard tools in the financial market was necessary to help households gain financial sources for the construction or purchase of a house/flat. It is mainly the implementation of the benefit for housing, building society accounts (1992) and mortgages (1999).

## **2. Basic types of housing policy**

Housing policy of the EU countries has a lot in common. A closer view on the housing market and housing policy shows each country having its form, which has been developing for long decades under the influence of local economic, political and geographical conditions, demographic development, process of urbanisation and predominantly under the influence of local traditions and approaches.

The difference between housing policies of particular countries is in many cases specific with the overall distinct acting of a state in the housing market. Such a predominantly “geographic border” dividing different housing systems goes between the north and south of Europe. The Northern EU member states (Denmark, Germany) are characterised by a long tradition of complex, actively intervening housing policy. On the other hand, there are the southern states (Portugal, Greece), whose housing policy from the view of the degree of state intervention into housing is more likely less developed.

A significant criterion, from which other “borders” develop, is the range of state intervention in the housing market, i.e., the complexity of housing policy. In this spirit we can define two basic types of housing policies:

*The first* of them is labelled as additional and is characterised by an intense relying on the market mechanism, while the state effort is oriented mainly on personalised help for low income and other endangered group of inhabitants; the example of such a country following this type of housing policy is mainly Great Britain.

*The second* is labelled as complex and is characterised by quite extensive state interventions in the housing market, which is oriented, more or less, to all layers of the society. Housing policy of this type prevails in the EU member states; mainly the approach of Germany, France, Netherlands and northern states represents it [1].

In a more detailed way, the type of social policy in the broadest sense of the word, i.e., the type of welfare state differentiates the European housing policy [2].

Nowadays, the already classical typology of regimens of the welfare state allows us to derive four basic theoretical types of the European housing policy, the carriers of which, in the practice, are the EU countries [3].

*The first type* of housing policy is derived from the social-democratic welfare state, which does not understand a human being just as a workforce and is based on the utilization of the citizen principle at providing social services. From the view of housing policy, it is a regimen, which supports the same access of all citizens to housing. The state actively intervenes in the housing market and supports mainly rental and cooperative housing. From the economic view, it is the ineffective model and in the long term not sustainable. Representatives of this approach are mainly the northern states.

*The second type* of housing policy is derived from so-called corporatist or work and performance-related model of a social state, whose social policy derives mainly from the work activity of an individual in the labour market and emphasizes on the traditional social differentiation of the society. For housing policy of this type of a welfare state, there is a typical and significant reliance on the market mechanism; the state intervention into the housing market is also quite active and focused on all forms of housing in the housing market. Germany, Austria, France and the Netherlands represent a housing policy of this type. *The mentioned model might be considered as the closest model of housing policy in the Slovak Republic.*

*The third type* of housing policy is derived from the liberal state of public and social services, whose main characteristic feature is the emphasis on the activity of an individual and state

interest to provide the help just for those who need it and cannot solve their difficult situation themselves. In the field of housing, the state help is oriented just to low-income and handicapped groups. Financing of housing is through private sources, and public ones are provided partially. In the EU the examples are mainly England and Ireland.

*The fourth*, the theoretically determined type of housing policy, is derived from the so-called rudimentary welfare state, whose social policy in the broadest sense of the word is not developed, so the state provides for citizens just a rescue social net. This approach is usually also related to the conception of housing policy, which means that any care for housing is left on a citizen and the state is involved minimally. The examples of this approach are more likely agrarian countries, such as Portugal or Greece.

### 3. Housing affordability

The harmony between housing (the real estate market) and working opportunities (the labour market) became an essential part of public policy of the state and self-government. There are several reasons why the availability of housing is still related to the availability of working opportunities:

- the improvement in the quality of life for a better approach to work, education and services,
- request by companies for workers accommodated in close surroundings,
- solution of problems with transport (high travel fares),
- protection of environment,
- more effective utilisation of land resources and so on.

As Cervero [4] presents, the response to this discrepancy might be so-called the job and housing balance policy. He proceeds from a general condition that the ratio between work opportunities and flats leads to a higher efficacy, equality, quality of life and environmental sustainability. However, the measures of housing and work balance policy do not have apparently a housing character but vice versa; they function in cooperation with other policies, especially of social protection, labour market and transport policy.

According to Krcmar and Rychtarik [5], the analysis of housing affordability in Slovakia can be done on the background of economic and financial cycle. Even if the time series for Slovakia is too short, the available data do suggest a positive correlation between the changes in the real GDP and the flow of loans. On this background housing affordability appears to move against the cycle. In the booming times of 2007 until the first half of 2008, when the GDP growth as well as the lending market reached its historical maxima, average housing became unaffordable for average families. This can be explained by soaring property prices that outperformed growing disposable incomes of households. As the growth of income levels could not keep the pace of the one of the housing market, the lending activity accelerated even more

to counterbalance the lack of savings generally needed for house purchases. A different situation is observed after 2010, when a combination of stable development on property market and the modest growth of disposable income, accompanied by falling interest rates, led to constant improvements in the affordability of housing [5].

## 4. Institutions and economic tools to support housing

The present condition of housing in Slovakia is the result of complicated historical development. Before 1989 the whole system of housing construction development unwound from the system of planned management of the national economy, which meant the state share in complex housing construction is almost in the whole range. After the year 1990, the responsibility for the financing of housing moved from the state to citizens in Slovakia.

In the Slovak Republic, the system of tools for the support of housing was realized in the form of direct or indirect support.

### 1. The direct state support:

- subsidy for the procurement of rental flats, technical facilities and removal of systemic defects in blocks of flats in the Act No 443/2010 Coll. on subsidies for the development of housing and the Act No. 134/2013 Coll. (MDaV SR) as amended,
- the contribution for housing (the Ministry of Labour, Social Affairs and Renewal of Housing Stock, hereinafter MPSVaR SR),
- the contribution for insulation of a family house (MDaV SR),
- premium loans for procurement of rental housing and renewal of the housing stock (SFRB),
- subsidies for procurement of alternative rental flats, technical facilities and building plot (the Ministry of Transport and Construction of the Slovak Republic, hereinafter MDaV SR).

### 2. Indirect state support:

- bank guarantee for the renewal of blocks of flats for the loan provided by the state housing development fund (hereinafter SFRB),
- state subsidy for young, the height of which is determined by the state each year in the Act on the state budget—the Ministry of Finance of the Slovak Republic (hereinafter MF SR),
- state premium to building savings, the height of which is determined by MF SR; the process of determination of percentage height of the state premium is automated and unwinds from the formula, which is defined in the Act on Building Savings (**Figure 1**).

It might be said that the state created a particular (some) system of supportive tools for the development of housing differentiated according to the income structure of households.

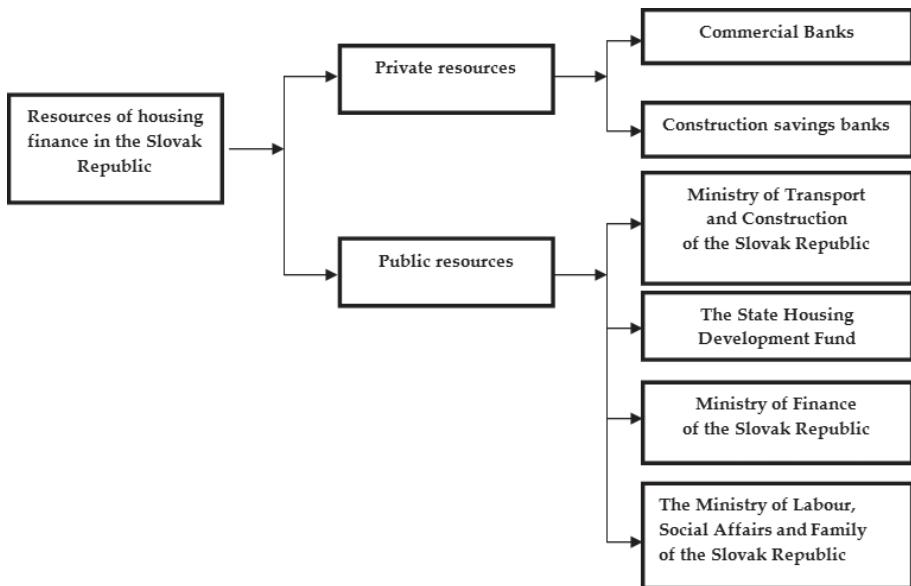


Figure 1. Institutions providing public and private sources of financing in Slovakia.

*The particular category from the view of financing is rental flats determined for social housing, which present flats procured with public sources. They are determined for adequate housing of natural entities, who cannot gain housing by their own efforts. The applicants for such a flat have to fulfil the conditions, which are defined by the Act on Subsidies for the Development of Housing and Social Housing No 443/2010 Coll. as amended.*

Public sources for the support of social housing might be provided mainly as:

- subsidies for procurement of housing,
- advantageous loans for procurement of housing,
- irrecoverable contributions lowering the cost related to housing,
- irrecoverable contributions for operation of a building, in which social housing is provided.

#### 4.1. Credits for housing

Important factors which distinctly contribute to the dynamisation of the real estate market in Slovakia are accessibility of credit sources and low interest rate. The volume of new credits for housing presents the in long term a crucial part of the overall volume of drawn credits by households. But the aim of new credits for housing is not a priority investment to a purchase of new real estate but also renewal and modernization including the insulation of existing residential buildings as well as the refinancing of older and unfavourable credits. The highest

sum for the financing of housing is repaid by the Bratislava people. The average height of provided mortgage to inhabitants in the Bratislava region (in 2017) was 95,874 Euros and the average height of their monthly instalment is 403 Euros [6].

It is necessary to emphasize that the key factor of development of the real estate market from the view of development of new financial tools in the field of legal entities as also in a retail area was the entrance of foreign investors into the Slovak financial market. The priority financing by commercial banks becomes investment credits oriented mainly to flat construction. A new form of financing of housing gradually became also project financing, investment financing of legal entities in combination with mortgages and purpose-tailored building credits. The trend of housing credits in Slovakia is presented in **Figure 2**.

#### 4.2. Taxation policy

Taxes and subsidies are mutually closely related and might induce the demand for housing. The developed countries consider housing and real estate a significant source of income for the state budget (especially the real estate tax), which is also one of the reasons why they support the development of housing. Tax relief plays a vital role in the development of housing construction in the world, which encourages the participation of the private sector in the development of housing construction, and so they replace direct state intervention. The provision of tax relief is easier and simpler to be managed as a subsidy, because their implementation does not require the creation of new institutions, as the tax offices already exist. Besides that, the tax relief is not too frequently re-evaluated and changed. It makes their acting more stable and more long term than the utilization of other tools of housing policy.

A unique possibility from the view of tax relief in Slovakia is the exemption from the property sale tax after 5 years since the day of acquisition or its elimination from commercial property

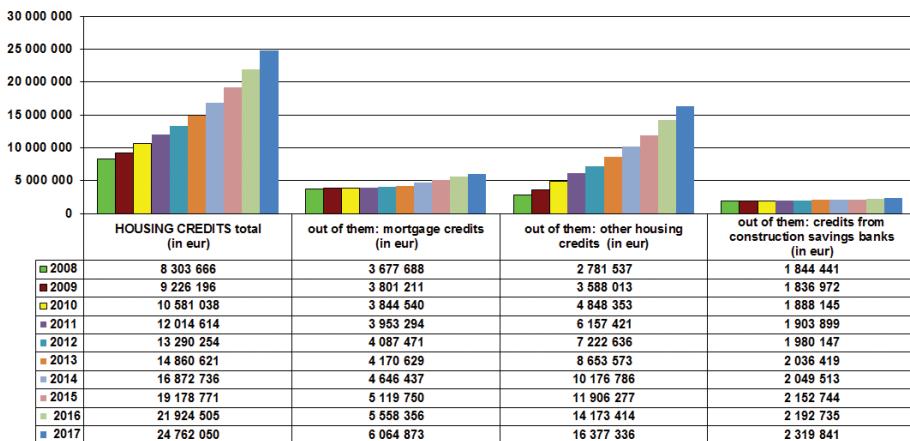


Figure 2. The trend of housing credits in Slovakia. Source: own processing by the National Bank of Slovakia [7].

in the wording of valid legislature (the Act on Income as amended). The relief is related just to the first owner or his close person according to the Civil Code.

The tax reform in Slovakia implemented equal tax since 2005, lowering of tax burden and simplification of the tax system, which also stimulated the entry of foreign investors. This reform prefers provision of subsidies, the effect of which seems to be predictable for reform creators. The reform cancelled almost all types of tax relief and at the same time provided minimum space for their sufficient implementation, because it would mean the lowering of the income side of the state budget. Therefore, it limits also the possibilities of implementation of tax relief as a supportive tool of housing policy.

A controversial point of tax reform in Slovakia was the implementation of the unified VAT rate [8], which besides other important commodities also overprices flats, subsequently leading to the lowered accessibility of housing for lower-income groups of inhabitants. However, the majority of the EU countries have kept lower VAT (see **Table 1**).

*Source:* VAT rates applied in the member states of the European Union, 2016—taxud.c.1, taken from Sutovska [9].

In **Table 1**, we show the overview of rates in the EU member states in two categories, where “ex” means exemption from taxation and “N/A” means not applied lowered rates.

From **Table 1**, we understand that lowered VAT rates for social housing and reconstruction and repair of private flats are applied just in the national legislative of some member states.

| CATEGORY                               | BE        | BG        | CZ        | DK        | DE        | EE        | EL        |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Social housing</b>                  | 12/6      | 20        | 15        | 25        | 19        | 20        | 23/ex     |
| <b>Reconstruction of private flats</b> | 21/6      | 20        | 15        | 25        | 19        | 20        | 23        |
|  | <b>ES</b> | <b>FR</b> | <b>HR</b> | <b>IE</b> | <b>IT</b> | <b>CY</b> | <b>LV</b> |
| <b>Social housing</b>                  | 4/10      | 5.5/20    | 25        | 13.5      | 4/10      | N/A       | 21        |
| <b>Reconstruction of private flats</b> | 10        | 10/20     | 25        | 13.5      | 10        | 5         | 21        |
|  | <b>LT</b> | <b>LU</b> | <b>HU</b> | <b>MT</b> | <b>NL</b> | <b>AT</b> | <b>PL</b> |
| <b>Social housing</b>                  | 21        | N/A       | 27/5      | Ex        | 21        | 20        | 8         |
| <b>Reconstruction of private flats</b> | 21        | N/A       | 27        | 18        | 21/6      | 20        | 8/23      |
|  | <b>PT</b> | <b>RO</b> | <b>SI</b> | <b>SK</b> | <b>FI</b> | <b>SE</b> | <b>UK</b> |
| <b>Social housing</b>                  | ex/6      | 5         | 9.5       | 20        | 24        | 25/ex     | 20/5/0    |
| <b>Reconstruction of private flats</b> | 6         | 20        | 9.5       | 20        | 24        | 25        | 5         |

**Table 1.** Overview of VAT in EU member states for selected categories.

Lowered rates for social housing are applied in Belgium, the Czech Republic, Spain, France, Ireland, Italy, Hungary (since 1 Jan 2016), Poland, Portugal, Romania, Slovenia and Great Britain.

As Sutovska [9] presents, these lowered rates in the member states are applied just in case of fulfilment of other specific conditions determined in the domestic regulations. In Hungary the lowered VAT rate of 5% is valid just for social housing, where the floor area is lower than 150 m<sup>2</sup>. Otherwise the basic VAT rate of 27% is applied.

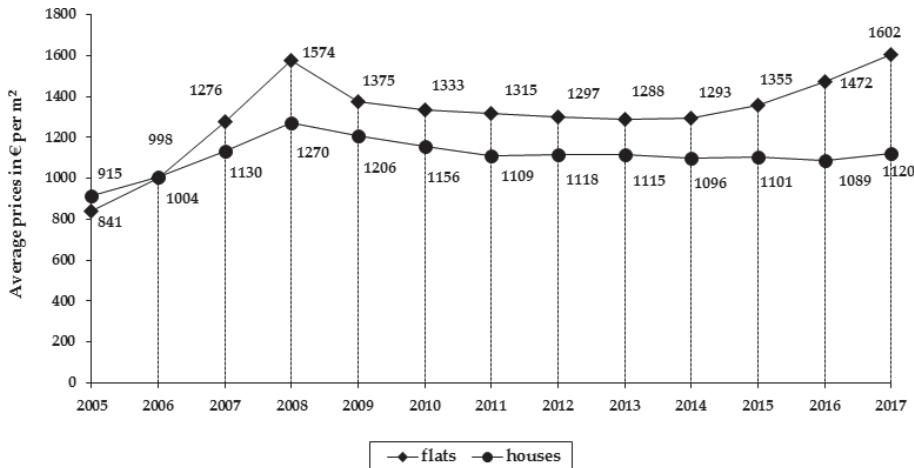
Even the European Union requires from the member states the implementation of housing policy to the higher VAT rate; some countries rank housing construction for socially weak layers into a lower VAT rate. These countries realise that based on the lower or zero VAT rate for the construction of small-area flats of common standard, the availability of housing might be increased. The stated possibility is not allowed by the present legislative in the Slovak Republic.

## 5. Housing prices in Slovakia

Much more attention is paid to the development of real estate prices, namely due to the need to investigate their influence on price stability in the Eurozone. Recently as a distinctly differentiated development, there might be considered the development of prices of particular types of real estate determined for living not only in Slovakia, but also in the particular EU member states. The development of real estate prices determined for living from the view of currency stability has a substantial impact on the economic activity and changes of prices as a whole. The growth of flat prices contributes to the increase of economic activity not only via the growth of investments into housing but also by increase in household consumption through effects of ownership related to assessing real estate determined for housing. But the intensity of these effects differs distinctly in various countries and depends on the extent of private ownership of houses and flats. On the other hand a possible decline of prices of real estate prices determined for living presents a risk for the stability of the bank system with serious macroeconomic impacts as from the view of financial stability, the immovable asset is one of the main forms of collaterals of credit resources.

Demand for housing is significantly higher in those areas of Slovakia which provide more job opportunities, which can be based on economic and social parameters, considered as more advanced. For example, due to the currently implemented mega-investment Jaguar Land Rover in Slovakia, the pressure on prices of flats in the region of Nitra has increased. The arrival of the new investor makes the surrounding of Nitra a lucrative locality which greatly contributed to an increase of apartment prices to about 10–15%, in some cases up to 20% in comparison, towards the end of 2015.

Average prices of real estate for housing in the Slovak Republic are in the long term determined mainly by flat prices, as in the market with housing just the offer of flats represents two-thirds from the overall offer of real estate for housing. More than 80% from all realised



**Figure 3.** The trend of housing prices in Slovakia: residential property prices by the types of flats and houses. *Source:* own processing by the National Bank of Slovakia [7].

transactions in the residential market are flats. The average price of a square meter of a flat is kept during the last years minimally 10% over the reported overall price of real estate for housing in the Slovak Republic. **Figure 3** presents residential property prices by the types of flats and houses.

## 6. Public rental housing

Availability of tenement, contrary to home ownership, is limited in Slovakia. The reason, besides its lack, is also high rent. Thus, this fact might be considered as one of the important reasons as to why the share of rental housing in Slovakia is significantly lower than in several countries of the European Union. On the other hand, we might assume that those who finance housing through mortgages are not to be able to repay them and they will lose their existing housing. In a horizon of several years a new group of people will originate, who will have problems with the availability of housing not only due to difficulties to get mortgage but also due to quite high rents in bigger towns (e.g., Bratislava, Košice, Banská Bystrica and Žilina, where the prices of rents remain high for a long time, at present at the level of repayments). Rental flats in Slovakia are possible to be divided into two groups:

- Flats built before 2000 which were initially state rental flats and in the 1990s they moved to the ownership of towns and villages.
- Flats whose construction since 2000 has been covered by villages and towns and they are financed from the Programme for Housing Development. These flats have to keep the rental character for at least 30 years and their tenants can be households with income to “a certain fixed height” (to the general conditions there belongs the income of an applicant

which cannot exceed triple of life subsistence by 31 Dec of the previous calendar year, and at the same time the applicant cannot be an owner of any real estate).

A severe argument for the lack of rental flats is:

- Contrary to western countries, in Slovakia, at the beginning of 1990s, “a massive privatisation of flats” took place. Consequently within a few years, originally state flats or cooperative flats turned into flats under private ownership (as their original “tenants” bought them for residual value).
- This situation did not happen in western countries, and the real estate market went its natural way; this is also the reason why the share of rental housing in Slovakia is significantly lower than in several countries of the European Union.

The difference between Slovakia and countries, where rental housing is presented with a high percentage, is that:

- In the Slovak Republic, it is prevailingly assessed as “social housing” for socially weaker layers of inhabitants.
- In countries, where housing is presented with a high percentage, rental housing is determined for all layers of the society and not only for that one with a lower social standard.
- A majority of inhabitants solve the question of housing mainly with the purchase of a flat into private ownership, while it is a life-long investment with mortgage burden for many years.

Housing in rental flats is under the conditions of the Slovak Republic, contrary to foreign countries, where it is still understood as “the assessment of a social status” of a dweller and is prevailingly also assessed as “social housing” for the socially weaker class of inhabitants. On the other hand, in the countries where rental housing is represented by high-volume flats, they are available for all social classes [10].

## 6.1. Sources of funding for municipal rental housing in Slovakia

Currently there is only one type of rental housing supported by the state for the socially disadvantaged. Subsidies for rental housing, subsidies for the construction of technical infrastructure and loans from the State Housing Development Fund are public sources of funding which are currently the most utilised and also the most preferred. Other funding opportunities are own resources of towns, villages and commercial loans. Their availability for municipal entities is limited in terms of higher interest rates and limiting factors for spending commercial loans in terms of the Financial Regulation, which municipal entities must comply with. It should be noted (based on the Law of the Financial Regulation of towns and villages) that the loans from the State Housing Fund are not added to loan indebtedness of the given municipal subject (unlike commercial loans, which are added to debt).

## 6.2. Donation and loan policy in the rental housing

Public funding sources, which are currently provided for the development of the construction of rental apartments, have two forms—subsidies and “cheap” loans from the State Housing Development Fund. It should be noted that in terms of economic theory, direct subsidies are considered as one of the least efficient housing policy instruments and should therefore be used only where the market is unable to provide the needs of certain groups in the construction or reconstruction of housing fund, which is a source of serious problems.

*Subsidy (donation):* they are subsidies for rental flats and the construction of technical infrastructure. According to the legislation, applicants can be only municipalities, respectively boroughs. This means that applicants for grants cannot be housing organisations that would be interested in rental housing for low-income groups.

*Government loans:* they are provided by the State Housing Development Fund and are considered as “cheap loans” because their interest rate is at 1.0%, with a repayment within 40 years, and the maximum loan amount per dwelling is 60,000 EUR [11].

However, the reality is that for the loan from the State Housing Development Fund as well as different types of subsidies for the development of housing services provided by the Ministry of Transport and Construction of the Slovak Republic, there is no legal entitlement and its provision and purposive fullness is set by strict conditions in the relevant law.

*Donations for housing* are one of the claims in the provision of assistance in the material need to cover housing costs. The height of the contribution for housing is [12]:

- 55.80 € monthly, if it is a citizen in material poverty and
- 89.20 € monthly, if it is a citizen in material poverty and natural entities, who are assessed together with the citizen in material poverty.

## 7. The relationship between the housing and labour mobility

Consistency between housing (housing market) and jobs (labour market) has become an important part of the public policy of the state and local governments. The working places are increasingly dependent on the availability of housing (or rental housing). There are many reasons for this—for example, a higher quality of life, such as the demand for businesses for employees living in the neighbourhood or the solution of traffic situation (saving money on transport or saving time in traffic jams). Housing is therefore an important source of employment. The functioning of the housing market is connected with the mobility of housing, which is closely linked with the desired and undesired labour mobility. Many people have become “prisoners” of their homes, whether rented or own housing, due to lack of offers or for economic reasons. Requirement of ensuring increased mobility of housing is a prerequisite for greater labour mobility and thus better opportunities and success in the labour market. In order to ensure the competitiveness of regions and foster job mobility, it is necessary to

diversify the supply of housing—not only at the level of different types of ownership and usage but also diversity in the supply cost to provide housing. The reason is particularly the availability of quality housing, which will proportionally correspond with the financial resources of households. Also, instant availability of housing for employees is an essential condition for the development of a dynamic labour market—the development of employment is blocked by the lack of housing.

In Slovakia, the real estate market is characterised by a high proportion of owner-occupied real estates and almost non-existent rental housing. Moving for work is therefore complicated because of the lack of availability of rental housing. The current structure of the housing market is largely due to historical development—both in the development before 1989 and in the lack of adaptation of the housing sector to the new conditions in recent decades. After the change of the political system in 1990, the transformation process began, which also included the privatisation process. Part of the privatisation process in 1992 was the introduction of the right to redeem the property for tenants in state apartments at very reasonable prices (apartments were redeemed into private property at prices that correspond to 5% of their market value), resulting in a change in the ownership structure. A large proportion of public rental housing was subsequently purchased by tenants into the private sector. For example, in Bratislava, the share of private housing increased from 12% in 1992 to 70% in 1998. The high occupation of flats, the rise of prices and rents, geographic differentiation of wages and so on lead to the reduced labour mobility [13]. While the historical development has helped to shape the current structure of housing, housing support policy helps to preserve this structure and thus contributes to the slower development of rental housing. At present, most public expenditure spent on housing support is used for the subsidy of owner-occupied housing. Cheaper financing of owner-occupied housing has a direct impact on the entire housing market. Subsidised owner-occupied housing is financially more attractive and more accessible than rental housing. This promotes the demand for owner-occupied housing at the expense of rental housing. The market reacts to a lower demand for rental housing with lower investments for the creation of new rental housing, which leads to a slower development of this segment of market.

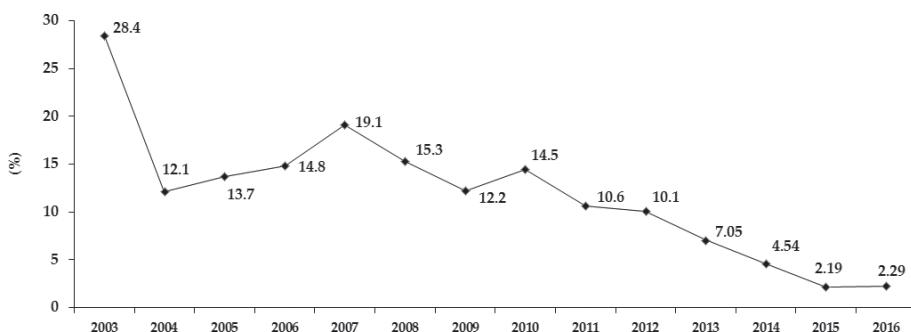
Flexible labour market enables workers in the better choice of employment and the efficient allocation of labour among companies. In Slovakia, one of the obstacles of labour mobility in the labour market is low regional mobility. Comparing internationally, Slovaks move for work much less than people in neighbouring EU countries. One of the factors that may negatively influence this condition of the labour market is the housing market. Low mobility on the labour market has a negative impact on economic growth. Regional unemployment is rising while jobs remain unoccupied. The low labour mobility also reflects regional differences in unemployment rates. It leads to inefficient use and allocation of human resources. People are forced to refuse job opportunities in other regions, where they could generate more economic value and thus earn more money. Higher unemployment and limiting productivity growth are associated with lower GDP and lower living standards. Labour mobility involves changes in the physical location of workers (geographical mobility) or their movement across jobs and sectors (occupational mobility). Two main types of internal labour mobility are in the centre of attention—internal migration and commuting. Migration is usually associated

with a change in the residence of a worker (in economic literature, a migrant is considered a person who stays in the destination region for more than 1 year). Commuting occurs as a rule without a change in the worker's residence (i.e., a worker's place of work and place of residence are located in two different regions) [14].

From **Figure 4** we can see the negative trend in the development of rental flats in Slovakia.

Important is also the fact that social rental housing depends on income. This means that in case of the entitlement of rented apartments, the motivation to earn more money is lower. The reason is the fear that the tenant loses his entitlement to a rented flat. The result of such a situation is reduced incentives to work and thereby a decrease in the mobility of labour. On the other side, the second extreme in Slovakia is a high proportion of persons who have apartments in their ownership [16]. Purchase, respectively, rental of residential property is generally not just a matter of rational economic calculation, but to some extent it is also a reflection of national usage. Within the internationally comparable survey on income and living conditions (Statistics of Income and Living Conditions—SILC) in European countries, it is proven that not only in Slovakia but also in most countries the ownership of the house or apartment is preferred more than rent. In the EU, 28.70% of the population subscribes to the ownership of residential property. However, between countries there are obvious differences. Slovakia clearly belongs to the category of countries where the term ownership of real estate considerably resonates (up nearly 90%). On the other hand, the most significant relationship to rental housing in Europe is shown by the people of Germany and Austria.

Available cross-country comparisons show that mobility flows in Slovakia are low in international terms. This applies in particular to internal migration, which means to flows connected with a change in the place of residence. The internal migration rate for Slovakia, measured as gross regional outflow as a percentage of working age population is significantly lower than in most EU countries and other advanced economies as well as neighbouring Visegrad countries (see e.g. [17]). According to national statistics, 1.6% of the productive age population



**Figure 4.** The evolution of the share of rental apartments in Slovakia among the total number of completed apartments (in percentage). *Source:* own processing according to data from the Ministry of Transport and Construction of the Slovak Republic [15].

(15–64 years) changed their place of residence in 2011, of which 46% moved between municipalities within districts (i.e., short-distance migration), 29% between districts within a region and 25% between regions. These figures are remarkably stable over time (there are only minor variations in data between 2000 and 2013), implying that the overall internal migration capacity and main flows are relatively unresponsive to external factors such as international migration or policy interventions. No more than 3–4% of residential migrants (3.3% in 2011) indicate employment-related motives as the reason for relocation. “Housing reasons” and “following a family member” account for almost two-thirds of officially declared migration reasons. The share of labour migration increases with the spatial distance of relocation and is the highest in migrations between regions (8.5% of all inter-regional migrations in 2011; in comparison, employment reasons were stated in merely 1.1% of relocations between municipalities). Jurcova and Vano [18] points out that this observation is consistent with data on the educational structure of migrants and the general assumption that the propensity to move for work increases along with educational attainment.

## 8. Conclusion

In this chapter, we tried to discuss the development of housing policy in Slovakia after 1990, some selected issues related to the development of housing in Slovakia and the availability of housing and labour mobility. An indispensable factor in housing development is a well-developed institutional environment regarding efficient economic instruments (particularly credit and tax policy) as well as the establishment of the organisations in the housing market.

Finally, we can say that focusing on supporting housing housed by owners with existing tools causes a particular disruption to the real estate market. There are possibilities to help adjust the current situation and avoid future complications. One of them is the redirection of the state aid for housing housed by the owner for financial contributions to housing (housing allowance). This housing policy tool would allow the recipient to choose between a rental and a housed owner. It means that financial contributions could be more tied to income and other social criteria and thus to achieve the more significant resurgence of resources. The strengthening of this instrument in Slovakia is also recommended by the OECD.

The high occupation of flats, the rise of prices and rents and geographic differentiation of wages lead to reduced labour mobility. In Slovakia, one of the obstacles of labour mobility in the labour market is low regional mobility. Comparing internationally, Slovaks move for work much less than people in the neighbouring EU countries. One of the factors that have negatively influenced this condition of the labour market is the low share in the offer of rent housing for various income groups of inhabitants.

In the future there is a need to focus on the simplification of administration schemes of supportive state financing in the field of rental housing, to prepare new financial mechanisms to improve the development of the rental sector in the Slovak Republic.

## Author details

Daniela Spirkova

Address all correspondence to: daniela.spirkova@stuba.sk

Institute of Management, Slovak University of Technology in Bratislava, Bratislava,  
Slovak Republic

## References

- [1] Heidenheimer AJ, Hecllo H, Adams CT. Comparative Public Policy of Social Choice in American, Europe and Japan. New York: St. Martin's Press; 1990
- [2] Balchin P, editor. Housing Policy in Europe. London and New York: Routledge; 1996
- [3] Donner C. Housing Policies in the European Union—Theory and Practice. Vienna: Christian Donner; 2000
- [4] Cervero R. Jobs-housing balancing and regional mobility. Journal of the American Planning Association. 1989;55(2):136-150
- [5] Krcmar M, Rychtarik S. Dynamics of housing affordability in Slovakia and its regions on the background of macroeconomic development. Biatec. 2013;21(9):18-21
- [6] CSOB. Financovanie bývania (Housing finance). Available from: <https://touchit.sk/priemerna-vyska-hypoteky-sa-zvysila-o-15-najviac-v-bratislavskom-a-kosickom-kraji/> [Accessed 20 April 2018]
- [7] National Bank of Slovakia. Review of Housing Loans. 2018. Available from: <https://www.nbs.sk/en/financial-market-supervision-practical-info/publications-data/selected-data/review-of-housing-loans> [Accessed: 15 April 2018]
- [8] VAT Rates Applied in the Member States of the European Union, 2016—taxud.c.1; 2016
- [9] Sutovska A. Impact of value added tax at the corporate economy in the construction sector [Dissertation thesis]. Bratislava: Slovak University of Technology; 2016
- [10] Spirkova D, Babelova J. Financing of rental housing in Slovakia. In: Proceedings of 28th International-Business-Information-Management-Association Sevilla, Spain. Innovaton Management and Sustainable Economic Competitive Advantage: From Regional Devel opemnt to global Growth. Vols. I-VI. 2016
- [11] Act No. 607/2003 on State Housing Development Fund, Collection of Laws, Slovak Republic
- [12] Act no. 601/2003 Coll. on Subsistence Minimum and on the Amendment and Supplements to Certain Acts, as amended. The Ministry of Labour, Social Affairs and Family of the Slovak Republic

- [13] Vagac L. Housing Construction, Mobility, Employment. Bratislava, Slovakia: Centre for Economic Development; 2003
- [14] Vagac L. Internal Labour Mobility in Slovakia. European Employment Observatory; 2013
- [15] Information on housing construction in the Slovak Republic 2003-2017. Ministry of transport and constructions of the Slovak Republic
- [16] Spirkova D, Fulopova C. The causal relationship between the housing and labor mobility. In: Proceedings of 27th International-Business-Information-Management-Association Conference; Milan, Italy. Vols. I-VI. 2016
- [17] Palacin J, Shelburne R. The Private Housing Market in Eastern Europe and CIS. Geneva, Switzerland: United Nations Economic Commission for Europe; 2005
- [18] Jurcova D, Vano B. PopulačnývývojnaSlovensku v kontextepopulačnéhovývoja v EÚ. In: DemografickáperspektívaEÚ a Európy pre 21. Storočie a národnostnéietnickémenšiny v krajináchEÚ. Bratislava: SSZPaÚradvlády SR; 2011

