

Housing Policy in Czechoslovakia after the Second World War and in the Time of Transition

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1. Housing Situation after the Second World War

After the Second World War the housing situation in Czechoslovakia (or Czech and Slovak Federative Republics – CSFR) was not like in the other East-Central European countries because of two factors. The damage caused by the war was relatively small (especially on the western side of the country), and the German population, who had the highest housing standards, was resettled from the western areas (frontier areas).¹ Parallel to this process there was a mobility of people between Hungary and Slovakia.² These two factors (small war damage and the resettlement of the German population) helped to ease the housing shortage, which manifested in the middle of the country. But it also had negative consequences. The importance of housing was underestimated and it was thought that there were huge reserves in the western areas.³ The economic situation of the country was good, enjoying a rather favorable position among the East-Central European countries, (including the housing situation and the housing reforms), but the country had an industrial tradition which became obsolete and worn out.⁴

2. The Socialist Era

In the year 1948 the communists seized state power. After 1948, housing policy was based on the following principle. A home is an important good in the life of a person, but the government set the rents too low to cover the costs for maintenance and repair.⁵ This resulted in an almost total expropriation of private apartments and to satisfying housing needs, in an attempt to apply an egalitarian approach.⁶ The state took control over almost the entire society, including the housing sector which resulted in large-scale housing construction, uniformity, standardization, bad environmental planning, differentiation of

¹ Jiří Musil: *Lakásszociológia*. Kossuth, Budapest, 1974. 91. p.

² Peter Michalovic: *Housing in Czechoslovakia Past and present problems*. In: *The Reform of Housing in Eastern Europe and the Soviet Union* (eds. Bengt Turner, József Hegedűs and Iván Tosics). Routledge, London and New York, 1992. 39. p.

³ Musil: *Lakásszociológia*. 91. p.

⁴ Ola Siksiö: *Czechoslovakia An introduction*. In: *The Reform of Housing in Eastern Europe and the Soviet Union* (eds. Bengt Turner, József Hegedűs and Iván Tosics.) Routledge, London and New York, 1992. 33. p.

⁵ Martin Lux: *Housing policy and housing finance in the Czech Republic during transition An example of the schism between the still-living past and the need of reform*. IOS Press BV, Amsterdam, 2009. 95. p.

⁶ Lux: op. cit. 95. p.

rents according to year of construction and tenure etc.⁷ The whole post war housing problem was seen as a social problem for which the state had to take responsibility, and with the state in charge the initiative of the population was weakened. (The state tried to solve the problem by eliminating the quantitative housing shortage).⁸

In the socialist political system, there was a so called “social contract” between the state and the citizens. The state had to establish a social security system and in exchange the citizens gave up their civil and political rights.⁹

Households who were so lucky to be assigned a flat usually received something more which can be called a “decree to a flat,” and it can be considered as the socialist analogy of a lease. It meant not only the right to low rent, but also the right for the tenants to use the flat for their entire lives (broad legal protection), to exchange the flat and to pass the flat on to their children (after their own deaths). That is why this decree was often referred to as a “quasi ownership.”¹⁰

To summarize, the communist housing policy was based on the following principles:¹¹

- a sufficient supply of housing for those in need,
- a just distribution of housing among the population,
- relative social equality maintained by state control over housing construction, the non-market allocation of flats etc.),
- housing provision was based on “objective” housing needs,
- everybody (should have) had the right to live in an affordable dwelling.

Peter Michalovic divided the housing problems and housing policies of the socialist period into five stages:¹²

1. 1948–1955
2. 1956–1963
3. 1964–1970
4. 1971–1980
5. 1981–1988

⁷ Siksió: op. cit. 33. p.

⁸ Michalovic: op. cit. 46. p.

⁹ Potucek: *Quo Vadis szociálpolitika Csehszlovákiában*. In: *Esély: Társadalom és szociálpolitikai folyóirat*. 1994/1. sz. 5. p.

¹⁰ Lux: op. cit. 96. p.; in this special lease, housing cooperatives had to maintain a balanced budget since the payments of the tenants had to cover the costs of operation, maintenance, reparation, bank loans etc.

¹¹ Ludek Sykora: *The Czech Republic*. In: *Housing Policy in Europe*. (ed. Paul Balchin). Routledge, London and New York, 1996. 272. p.

¹² Michalovic: op. cit. 39–44. o., in introducing the five stages, I will rely on the classification of Peter Michalovic.

2.1. The First Stage

The number of flats built annually grew from 21.683 to 48.700. At this time only two forms of housing construction existed: the individual and the municipal, and were based on traditional technology. In towns, the allocation of flats was controlled by the municipal authorities.

2.2. The Second Stage

The program of industrialization started at the beginning of the 1950s which brought heavy migration to the cities its attendant demands for housing. This could be only solved with the industrialization of the building industry, and so the Industrialization Program for this part of the economy started in 1955. The dissatisfaction of city dwellers grew since they had to live in buildings which were erected in the last century. Therefore many problems emerged like the lack of maintenance, no investment in housing during the war, orientations towards new construction. The gradual development of prefabricated buildings began parallel to the continuing traditional construction.

Two new or other forms of construction were introduced: cooperative housing by cooperatives and enterprise housing. In the second half of the 1950s, the volume of home building was larger than in the other socialist countries but still could not reach the rate of the western countries.¹³

2.3. The Third Stage

There was a transition to new technologies (cast concrete, panel system), and some changes in the housing system took place. For example, the definition of a habitable room increased from 4m² to 8m². After 1963, a social movement began to create a new view of the housing problem and a housing cooperative boom began in the towns. In 1965 most of the dwellings were built in cooperative form, which started to compete with individual housing. The new dwellings were different from the ones built before. Three-room dwellings became the standard and five-room dwellings began to be built.

In the individual housing construction, Slovakia and Bohemia had a very different development by the end of this period. In Slovakia family house building was around 60% of the total; in Bohemia it was around 15%. The explanation to this phenomenon is that in Slovakia the inhabitants had no significant former-legal barriers to building housing. For Slovaks, owning a house represents a basic status symbol. In this period the development of single family houses was uncontrolled regarding architecture, ecology, aesthetics etc. During this period a large part of the Czechoslovakian towns acquired their present form. The fight against the quantitative housing shortage began to be effective. Politicians predicted that housing problems would be solved by the 1970s and so housing policy became one of the most important parts of the social policy.

¹³ Musil: *Lakásszociológia*. 93. p.

2.4. *The Fourth Stage*

The intensity of housing construction reached its peak during these years. In towns it appeared as large housing estates using panel prefabrication technology. In the period from 1975 till 1989, Slovakia had the leading role in the prefabrication technology among the Eastern European countries where 97% of the multiple apartment buildings were constructed using this technology. This was one of the most expensive technologies, but it was much faster than the other construction methods.¹⁴ State-enterprise construction was the dominant form. This placed a growing burden on the state budget. Roughly half a million dwellings existed which were taken out of the housing stock, (mainly second dwellings). Until the mid 1970s, the main problem was the absolute shortage of dwellings. From 1980 onwards, economic problems of housing construction emerged and became significant.

2.5. *The Fifth Stage*

The housing construction decreased in this period. State-enterprise housing was halted for economic reasons. It was believed that the housing demand would equal the average yearly construction. Introducing economic market mechanisms was the basic goal for the 1990s. With the political changes, this process had to be based on a new, different political basis.

The consequences of the socialist housing policy were the following:

- untenable burden on the state budget,
- substantial deterioration in the quality of housing stock because of the general lack of sufficient financing,
- emergence of inequality in access to housing – mostly in forms of bribery and protectionism because of the suppression of market relations,
- a false “collective memory” that was the state’s job to ensure suitable dwellings for its citizens.¹⁵

Housing was heavily subsidized by the state, which meant that the share of family incomes paid for housing was very low by western standards. For instance in Slovakia, the rents were 26 Slovakian crown /m²/year, which represented about 17% of the actual cost of rents. This system existed from 1964 to 1992 without a change.¹⁶ This led to a national frustration and to inequality. In Western economies, state owned housing is reserved for low income groups. This was not the case in Czechoslovakia and not in the other “brotherhood”

¹⁴ Jaroslava Zapletalova–Magdalena Antalikova–Eva Smatanova: *The Role of Self-government in Housing Development in Slovakia Local Government and Housing in Slovakia*. <http://lgi.osi.hu/publications/2003/223/PPH-Ch6.pdf> (2012.03.01.)

¹⁵ Lux: op. cit. 95. p.

¹⁶ Zapletalova–Antalikova–Smatanova: op. cit. 300. p.

countries, since high-income groups also lived in state owned dwellings.¹⁷ The rent was set at a very low level. Until 1991 rents were frozen at the level set in 1964. State owned flats with low rents were usually allocated to the members of the communist nomenclature, top staff in the political and state apparatus and to members of the armed forces who had a relatively high income.¹⁸ Specific personal strategies emerged: 1) orientation towards low-cost housing; 2) single-family housing construction; 3) keeping dwellings for relatives (unnecessary occupation of a dwelling when the user had another flat); 4) long-term stability of housing (lack of opportunities to exchange dwellings); 5) obtaining old dwellings of lower standards and renovating them.¹⁹

*The four main types of tenure were state, cooperative, enterprise and family (private) housing.*²⁰ The state housing consisted of newly constructed flats, apartment houses built prior to the communist take-over and nationalized apartment houses. These were managed by the Housing Services Companies (HSC), and the HSCs were responsible for basic maintenance, collecting the rents, repairs etc. Large parts of the HSC expenditures were covered by state subsidies.²¹

State financed housing construction should have been the main housing form, but since funds were limited, other forms like enterprise, private and cooperating housing were also permitted. *Enterprise housing* was introduced in 1959 as a tool of labor policy to attract labor to preferred regions and industries. Enterprise housing was financed partly from the state budget, partly from the resources of the state enterprises and partly from long term bank loans. It was abolished in 1981. *Cooperative housing* had been organized since 1958 and in the Czech Republic it was the dominant tenure of newly built dwellings in the period between 1965 and 1992. Its costs were covered by state subsidies, contributions from the cooperative's members and low interest bank loans. *Individual housing* primarily involved construction of single family houses and was mostly financed by the individuals. Private family housing construction prevailed in small towns, villages and rural areas; state housing was the dominant form in industrial districts, in cities and in large towns; enterprise housing concentrated with new industrial developments in certain backward frontier areas and cooperative housing was most common in medium and large towns. Public housing increased its share of the total housing stock up to 39% by 1991 and there was an important shift in type of housing. The share of family houses was reduced to 41,2% by 1991 owing to prefabricated technology. The municipal and state rental was the dominant tenure in urban areas and particularly in Prague.²²

¹⁷ G. Thomas Kingsley and Maris Mikelsons: *The Czech and Slovak Republics: Housing as a "second stage" reform*. In: Economic Restructuring of the former Soviet Bloc The case of housing ed. Raymond J. Struyk). The Urban Institute Press, Washington D.C., 1996. 189. p.

¹⁸ Lux: op. cit. 96. p.

¹⁹ Michalovic: op. cit. 46. p.

²⁰ In 1986 Czechoslovakia had 4.9 million permanently inhabited dwellings. 16% were cooperative dwellings, 36% were state-owned rental dwellings, 2% were enterprise-owned rentals and 46% were owner occupied dwellings. The owner-occupied sector was smaller and the cooperative sector was larger compared to other East European countries. Siksiö: op. cit. 34. p.

²¹ Sykora: op. cit. 273. p.

²² Lux: op. cit. 95–96. p. and Sykora: op. cit. 273–278. p.

A qualitative and quantitative housing shortage was a permanent phenomenon in almost every socialist country. Czechoslovakia was not an exception. One method to solve this problem was the attempt to limit migration to larger towns. A dense, state subsidized public transport network allowed rural residents to commute from their existing homes to work every day. Other solutions were urban residential development plans and pre-fab technology.²³ In the Czech Republic, there were many secondary homes, like summer houses and cottages. It gradually gained in prestige and became fashionable. The ownership of secondary homes played an important role in people's lives. After the occupation of Czechoslovakia by the Warsaw Treaty countries in 1968, a lot of people were forced to change their employment and these people sought an escape into their own private houses, secondary homes.²⁴

3. Time of Transition

With the political changes, the housing policy needed new starting points.²⁵ There was a special situation as the countries of East-Central Europe turned away from socialism since it was not possible to return to the old form and it was not possible to adopt models which had been developed in West Europe.²⁶ Parallel with the economic reforms, starting in January, 1991, a housing reform was not launched since the government believed that introducing the market economy would establish the market system in other areas, like housing. This meant that at the beginning changes in housing policy were caused by general reforms.²⁷

As Jiri Musil pointed out: "Czechoslovakia started to change its state socialist housing system later than other East-Central European countries."²⁸ A committee for housing reform was established and started to work in January, 1990. Previously Czech and Slovak housing experts started a discussion on the need to change the existing housing system. Charter 77²⁹ also produced a critical document on Czechoslovak housing. Some participants respected re-

²³ Lux: op. cit. 97. p.

²⁴ Lux: op. cit. 97. p.

²⁵ Michalovic: op. cit. 47. p.

²⁶ Michalovic: op. cit. 37. p.

²⁷ Sykora: op. cit. 284. p.

²⁸ Jiri Musil: *Recent changes in the housing system and policy in Czechoslovakia An institutional approach*. In: *The Reform of Housing in Eastern Europe and the Soviet Union* (eds. Bengt Turner, József Hegedűs and Iván Tosics.) Routledge, London and New York, 1992. 50. p.

²⁹ "On 13.10.1976, there were published in the Codex of Laws of the ČSSR /no .120 an „International Pact on Civil and Political Rights” and an “International Pact on Economic, Social and Cultural Rights”, which had been signed on behalf of Czechoslovakia in 1968, confirmed at Helsinki in 1975 and which came into force in our country on 23.3.1976. Since that time our citizens have had the right and our state the duty to be guided by them. ... Other civil rights, including the express banning of “arbitrary interference in private life, the family, home and correspondence” /art.17 of the first pact/, are hazardously violated by the fact, too, that the Ministry of Interior by various means controls the life of citizens, for example by the “bugging” of telephones and flats, control of posts, a watch on persons, the searching of homes, the creation of a network of informers from ranks of the population /often recruited by impermissible threats or, on the contrary, promises/ etc. ...”, http://libpro.cts.cuni.cz/charta/docs/declaration_of_charter_77.pdf (2012.03.01.)

formist arguments heard before in the late 1960s, but others started to propose more radical solutions influenced by the Polish and Hungarian housing reforms. From the beginning of 1985 the crisis was evident; no one supported the existing housing system anymore.³⁰

After 1989 there were changes in the housing sector as in other sectors of the economy. The role of the state became limited. It became responsible for establishing the conditions in which the housing sector could function.³¹

The first step was to set up basic goals: changing over to market regulation by gradually introducing a housing market, orientation towards higher quality housing, and a new social balance. Furthermore, key problems³² needed to be solved, like: 1) granting equal rights to all forms of ownership, 2) introducing tenancy in social housing, 3) renewing the original function of the system of construction, 4) social and economic compensation (depending on personal and household income) and 5) stimulating the participation of people in solving the housing problems.³³

The Czech Republic and Slovakia³⁴ were not aggressive about restructuring the housing market since the issue was not urgent because housing conditions had improved during the 1980s, and postponing housing reforms became a matter of policy.³⁵

In 1991 both parliaments approved a new housing policy which phased out further government construction of apartments, the old Comprehensive Housing Construction³⁶ program (CHC). The institutes responsible for the CHC program were quickly eliminated but in Slovakia these institutes lived on longer but with no significance.³⁷

The coincidence of several factors caused an enormous decrease in housing construction. Ludek Sykora described these factors³⁸ as: 1. the termination of state housing construction, 2. the withdrawal of state subsidies to private and cooperative house building, 3. the policy of wage regulation to keep inflation low, 4. the rapid liberalization of prices, and 5) the sharp increase in constructions costs.³⁹

³⁰ Musil: *Recent changes...* 50. p.

³¹ Lux: op. cit. 98. p.

³² Martin Lux mentions the following key events during the transformation: the restitution of part of the housing stock, the free-of-charge transfer of the unrestituted portion of the housing stock to municipal ownership, the privatization of municipal housing, the introduction of new housing instruments, in particular the housing allowance, interest subsidies for mortgage loans and tax relief. Lux: op. cit. 98. p.

³³ Michalovic: op. cit. 47. p.

³⁴ These two countries split apart in January 1993.

³⁵ Kingsley–Mikelsons: op. cit. 175. p.

³⁶ Zapletalova–Antalikova–Smatanova: op. cit. 289. p.

³⁷ Kingsley–Mikelsons: op. cit. 191. p.

³⁸ Martin Lux mentions two factors: the prices of construction materials increased quickly, and the capital subsidies for new state rental housing construction and the revenue subsidies for existing state rental dwellings practically disappeared. Lux: op. cit. 98. p.

³⁹ Sykora: op. cit. 279. p.

In the communist era, the maintenance, repair and housing construction were in the hands of the state, but after the change of regime it was expected that the households should pay for every housing service at market prices.⁴⁰

The private housing sector in Slovakia had a tradition called “do-it-yourself” house building, but the prices for building construction material increased after 1991 with the appearance of market conditions. Another problem was the absence of a credit system and the lack of mortgages. These two factors reduced the importance of this kind of housing.⁴¹

As part of the decentralization, the housing stock was transferred from state to municipal ownership which affected 1.44 million flats, (approximately 39% of the housing stock in the Czech Republic). The municipalities had to bear the costs and to develop a local housing policy; it was a hard job for them, since they did not get any subsidies from the state.⁴²

Two basic forms of privatization of municipal and state housing were restitution (re-privatization) and privatization, (the sale of municipal housing).⁴³

Restitution began in April, 1991.⁴⁴ This meant the housing which became the property of the state, or were expropriated between February, 1948 and January, 1990 under circumstances that were disadvantageous to the original owners. The properties were returned to the original owners or to their heirs or immediate relatives if they were citizens of the Czechoslovak Federal Republic and possessed permanent resident status in the country. It was around 6–7% of the national housing stock and was a hard intervention into the structure of the ownership. In the city centre of Prague, 70–75% of the buildings were returned to their original owners.⁴⁵

The housing stock which was not re-privatized could be privatized. Since there was no central regulation for privatization there were different privatization policies, because every municipal authority had its own policy.⁴⁶ It was the municipalities’ right to rent or sell public housing but no Czech law determined the price-calculation method for which the flats should be sold. This meant that the prices and the choice of which parts of the housing stock should be sold or privatized was determined only by the municipal councils which saved many rental flats from privatization. Dwellings were usually privatized by offering them to sitting tenants.⁴⁷

Until 1994, the rules of housing privatization limited sales of whole buildings to housing cooperatives. These were formed by tenants of a building for the purpose of privatization. After 1994 it was possible to divide the buildings into common areas and separate housing units, and the separate housing units could be sold directly to the tenants. The creation of a condominium form of privatized apartment houses was allowed by the Act on Ownership of Apart-

⁴⁰ www.unece.org/fileadmin/DAM/hlm/prgm/cph/countries/slovakia/cp3-conc.pdf (2012.03.01.)

⁴¹ www.unece.org/fileadmin/DAM/hlm/prgm/cph/countries/slovakia/cp3-conc.pdf (2012.03.01.)

⁴² Lux: op. cit. 104. p.

⁴³ Sykora:op. cit. 285. p.

⁴⁴ The largest part of the restitution was completed by January, 1993, and had a clear pattern. It “appeared” in the central parts of towns. Sykora:op. cit. 285. p.

⁴⁵ Lux: op. cit. 102. p.

⁴⁶ Sykora: op. cit. 285. p.

⁴⁷ Lux: op. cit. 106. p., An example: Prague was divided into 57 municipalities, which meant many different privatization policies within the capital (and the Czech Republic was divided that time into more than 6.000 independent municipalities). Lux: op. cit. 106. p.

ments and Non-residential Premises. This act was often amended since originally it did not include any obligation to establish a separate legal person after the privatization of the individual housing units. The management form was left to the will of the new owners and there were no rules on how to make common decisions.⁴⁸

Cooperative members got the right to sell their flats on the free market (Transformation Act 42/1992) and to the free-of-charge transfer of a cooperative flat into their full ownership.⁴⁹

In privatized buildings and dwellings, the rents for running tenancies remained. The state decided to maintain the old regulations inherited from the socialist system with rents below market prices and below cost. It meant that the owners could not increase the rents to at least cover the maintenance costs and got no subsidies from the state. In the Czech Republic, market rent was only possible if the tenant was not a citizen of the Czech Republic and the flat had been vacant before renting.⁵⁰

Later the rent was deregulated step-by-step for privately owned apartment houses and municipal houses.⁵¹ The rent increases were the following:

- in January, 1991: the ceilings on utility prices (mainly heating) were increased by 245%,
- in July, 1992: space rents went up by 100% and the ceilings on service and utility prices were also raised,
- in January, 1993: it affected only utility prices,
- in January, 1994: utility prices and space rent increased only in the Czech Republic.⁵²

In the Czech Republic, Decree 176 of 1993 started to remove rent control. It totally deregulated rents in new, privately built houses; it permitted substantial increases above the normal maximum for private rentals of existing family houses; it permitted municipalities some flexibility in varying rents by location within their boundaries. In Slovakia these measures were considered too, but these actions did not take place as soon as in the Czech Republic.⁵³

Certain types of demand-side⁵⁴, supply-side subsidies⁵⁵ and subsidies to promote home ownership like the housing savings scheme, mortgage loans, interest subsidies were introduced to help to overcome the difficulties which came with the change of regime.⁵⁶

⁴⁸ Lux: op. cit. 107. p.

⁴⁹ Lux: op. cit. 109. p.

⁵⁰ Lux: op. cit. 103. p.

⁵¹ Sykora: op. cit. 282. p.

⁵² Kingsley–Mikelsons: op. cit. 195. p.

⁵³ Kingsley–Mikelsons: op. cit. 197. p.

⁵⁴ At the beginning of the economic transition, households were given an aggregate social benefit, designed to offset the increases in the costs of living. After 1993 in the Czech Republic, a new social benefit was introduced, a rent subsidy for tenants of rented flats and partially for the tenants of cooperative flats. It was granted if the household income was less than a certain percent of the subsistence minimum level. Lux: op. cit. 110. o.

⁵⁵ The government started to support new municipal rental housing construction in 1995 through subsidies. Lux: op. cit. 110. p.

⁵⁶ Lux: op. cit. 110–114. p. and Zapletalova–Antalikova–Smatanova: op. cit. 306–308. p.

4. Conclusion

Before 1989 the housing sector was controlled by the state and the housing policy oriented towards the construction of new buildings. In the early 1960s, all the decisions were made by the Communist Party and these decisions defined the housing policy as well.⁵⁷

Both qualitative and quantitative housing shortages were a permanent phenomenon in Czechoslovakia, as in the other socialist countries.

The following conclusions can be reached regarding the housing policy during socialism. From the end of the Second World War until 1955, housing construction remained on the level of the depression in the mid 1930s. Only in 1970 were more dwellings built than in 1928. Until the mid 1970s, the housing problem was solved by demolishing inadequate dwellings. New construction proved to be more effective than the modernization and reconstruction of old buildings. This resulted in the extinction of businesses able to perform modernization and reconstruction effectively. Large construction companies emerged and began to dictate their own architectural and technical ideas. Modernization and building repair became unresolved problems; the new owners of nationalized houses and dwellings were not able to ensure maintenance, not to mention renovation. The monthly rent of a dwelling depended on the category of the dwelling.⁵⁸

⁵⁷ Zapletalova–Antalíkova–Smatanova: op. cit. 289. p.

⁵⁸ Michalovic: op. cit. 44–45. p.