Rental Housing for Young Households in the Czech Republic: Perceptions, Priorities, and Possible Solutions

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Abstract

After describing changes on the housing market after the breakdown of Communism in Central Europe, the article concentrates on the analysis of the current functions and perceptions of the private rental housing in the Czech Republic. The article aims to understand why private rental housing is perceived as a sub-optimal housing solution for young adults, whether it affects their family plans and which policy design could change that. The article uses qualitative research techniques to analyse mental frames, opinions and attitudes of both potential tenants and landlords towards rental housing. The authors argue that the main problem of rental housing for young tenants is the short-term lease. Lack of mutual trust between tenants and landlords is a main cause of short-term contracts in private rental segment. The insecurity it produces among young tenants contributes to delayed family formation. A policy tool aiming to overcome that distrust between the tenants and private landlords by involvement of the independent third party as a guarantor of the relationship is discussed.

Keywords: housing policy, rental housing, focus group, young households, family planning, Czech Republic
Introduction

Rental housing status and its accessibility influence not only the housing market as a whole but has an impact on the type and households’ formation timing, on the residential migration and on socio-spatial inequalities. The post-communist countries saw fundamental changes in their housing systems and changes in the status of rental housing were among the most important ones. It went from virtual absence of private rental and dominance of state- or corporate-owned rental housing to a steep decrease of the latter by privatisation and occurrence of the first. The housing policies during the post-communist transition process marked the transformation of the rental housing in the Central and Eastern European (CEE) countries with the externalities that were particularly disadvantageous to certain population segments, namely the newly formed households, often young couples.

For a young person, moving out of the parental home is an important step in the process whereby she becomes an independent and autonomous individual. Today this milestone is no longer necessarily linked with marriage and starting a family as it was in the traditional regime. From the perspective of housing, independence usually begins nowadays with a period spent living together with friends or pre-marital cohabitation with a partner in a leased or subleased flat (Billary et al 2001). In the CEE countries, up until the fall of communist regimes in 1989, the traditional regime largely dominated. After 1989 the nature of the welfare state changed (Vanhuysse 2009, Pop and Vanhuysse 2004, Vanhuysse 2006). So did housing policy. CEE countries cut public support for the construction of public rental housing to a minimum. The newly formed households of young people were de facto excluded from any effective public help in the field of housing as well as from quite generous policies targeted to already sitting tenants such as subsidies following from rent regulation or giveaway housing privatization (Lux 2009).

Young households often found themselves in a market environment characterized by numerous inefficiencies and by very weak tenant protection in rental housing sector. In that situation, homeownership had been considered as the best housing option by majority of the young (Kostelecký 2005, Lux et al. 2008) but not all of them had enough means to acquire it. Consequently, the problem of access to stable housing for young households took on a much deeper dimension than in advanced countries.

The key research questions of our paper are how have changed the status of the rental housing and what were the effects of these changes on young adults, the stability of their housing and on their family formation strategies. A complimentary questions are how is rental housing perceived by young adults themselves and what can be the solutions to prevent the unfavourable conditions in the rental housing market segment for the young adults. We discuss the problem of the rental housing changes in the CEE context and we
focus on the Czech Republic for the concrete policy examples and analysis. We structure the paper as follows: in the first section we introduce the changes in the housing market in the CEE countries and the rental housing market in the Czech Republic with a special focus on the effects on young adults. In this part we describe the role of the actors that were shaping the position of the private rental housing market and policy, namely the role of municipalities and state, the private landlords, the preferences of tenants. In the second section we describe the qualitative methodology that we used for the analysis of mental frames, opinions and attitudes of young adults and landlords – the focus groups and round table debate. In the third section we present the results of the analysis. Finally, we answer the research questions and open a discussion about the consequences of the rental housing dynamics and the risks and challenges it brings to the young households. Reflecting the identified challenges, we discuss a new housing policy measure that could work towards better stability of private rental housing and its better image.

1. Rental housing market transformation and its actors

The position of rental housing among other housing solutions is determined by several factors: housing preferences of the population, housing policy, accessibility of other housing forms especially the owner occupied housing, and many others such as labour market situation and unemployment, legal framework of housing, and generally both the micro-and macro-economic development.

Housing preferences of young adults

Over the course of recent decades there has been a dramatic increase in the number of young people who live in privately owned rental housing (Giorgi et al. 2001, Burke et al. 2002). This form of housing tenure enables mobility and flexibility and quickly accommodates changes in personal preferences (with regard to the location, size of flat or the amount of housing expenditures). On the other hand, it often serves as just a temporary form of housing. The transitory nature of this housing, the absence of adequate protection for tenants, and the lack of privacy can be acceptable for some singles in the early adulthood. But in later stage of their life-course such features of housing can turn into undesirable. It can prevent tenants from having a sense of safe and stable place for themselves and their eventual family.¹ Owner-occupied housing generally tends to be ranked top in the housing careers. However, the fact that some

¹ There are big differences among countries in terms of how much protection tenants in privately owned flats enjoy. In some systems such as those of Germany or Switzerland the protection of tenant in privately owned flats is very strong, so living in this form of housing does not deter people from family formation.
people cannot afford it constitutes one of the main drivers of housing inequalities, social and spatial segregation, and formation of housing classes (Rex and Moore 1967, Kostelecký 2005). Moreover, these inequalities become fixed over time and can be reinforced; for instance, it has been found that it is easier for the children of housing owners to obtain owner-occupied housing than it is for the children of parents living in other forms of housing tenure (Heath 1999, Clark et al. 2003).

Difficulty in obtaining stable housing is often cited as one of the main obstacles to starting a family or having more children (Klasen, Launov 2006; Kulhavý, Bartáková 2007). However, as Kostelecký and Vobecká (2009) have shown, a direct and straightforward link between housing affordability (as an independent variable) and fertility (as a dependent variable) has only been observed in less developed countries or in countries where the housing market is controlled by the state (e.g. in Columbia or the communist countries before 1989, Felson and Solaún (1975)). In advanced democratic countries this relationship is far from direct causality. Nevertheless housing policy can add certain elements of stability and motivation to the unstable, transient, insecure, and delayed professional careers of young people (Lauster 2008, Andersson 2002, Glazer 1967, Mulder 2006) and thus encourage pro-family and reproductive behaviour (nuptiality, family formation, decreasing the age of parents at the time of first birth). Rindfuss and Brauner-Otto (2008) have pointed out that it is a social norm in developed countries that young people first complete education and acquire independent housing and then form a family. Being unable or incapable of obtaining independent housing is regarded as a sign that one is unprepared to start a family. Thus, difficulties obtaining a stable housing can, even if often only indirectly, influence reproductive behaviour. This relationship has been demonstrated in studies in Sweden and the United States (Haurin et al. 1993, Hughes 2003, Lauster 2006, all in Rindfuss a Brauner-Otto 2008).

In the CEE countries during the state socialism the design of the social system (housing policy, social assistance) supported an inverted model of behaviour in which many young people did not first get a job and housing so that they could then start a family, but on the contrary first started a family so that they could obtain rental housing from the state (or a newlywed loan or a job promotion, etc.). This changed after 1989, together with the ideal of a housing that is suitable for family formation. Rental housing lost its original status of permanent housing solution suitable for family. The experiment conducted by Lux and Sunega (2010b) led authors to conclusion that young people in the Czech Republic gave absolute preference to owner-occupied housing, even in such conditions on the housing market that make renting financially far better option than taking mortgage for the purchase of owner-occupied housing. The fall in interest rates that followed the decrease in inflation in the late 1990s led to a boom in mortgage credit financing, which probably reinforced the already existing preferences for owner-occupied housing,
especially among young people (Lux 2009, Vajdová 2000). Unfortunately, there was no systematic survey of changes in housing attitudes of young people during the transformation period. The data analysis made by Lux, Sunega (2010a), using merged datasets from the EU-SILC surveys 2007 and 2008, only clearly demonstrated that private rental tenant is ‘typically’ associated with unemployment, low per capita income, young age, single and small-sized households. Consequently, private renting in the Czech Republic acquired the character of transitional housing than of a stable life-long housing alternative to owner-occupation.

**Rental housing policies**

Rental housing policies may play an important role in securing stable housing environment. They are more flexible in reacting to the changing needs in the housing market as compared to the owner occupied segment. In general, rental housing parameters have changed substantially in last several decades. In the most of European countries the rental housing policies have been undergoing reforms that led to a drift away from traditional supply-side subsidies (support for the construction of social housing) towards demand-side subsidies (support in the form of a housing allowance), since the second half of the 1980s. The main reason cited explicitly for this change was the effort to cut back on public expenditures and dissatisfaction with the results of traditional supply-side support (Boelhouwer, van der Heijden 1992; Donner 2000; Ghekiere 1992). In many countries, decline in the construction of public rental housing has been accompanied by the privatisation of the part of the public rental flats. Thus, the structure of rental housing have changed substantially on the supply side, with the private rental housing gaining more importance than it had in the previous decades (Oxley, Smith 1996; Hughes, Lowe 2007). Demand in the rental housing sector has changed as well. As the proportion of home owners continued to rise in many countries, the rental housing became less desirable housing option for middle classes than traditionally used to be. As a consequence private landlords today are focusing on the lower segment of the market, that is, households that used to live in social rental housing. This is supported by the growing significance of the housing/rent allowance (which in many developed countries has become the primary housing policy instrument) (Kemp 1997).

In the Czech Republic, after 1989 the state subsidized housing construction ceased as did other relatively generous subsidies for young households. Policies focused rather on the protection of sitting tenants than on full liberalisation of the housing market. The extensive and socially untargeted regulation kept rents in the regulated rental sector well
below market value and thus prevented the natural turnover of tenants.\(^2\) As a result there was only a limited supply of rental flats available in the unregulated rental sector and market rents were thus extremely high (Lux 2003, Kostelecký 2005). The rent deregulation was finalized only in January 2012 and since then the main difference between tenants living in flats with formerly regulated rent and those living in flats where market rent had already been charged for a long time is no longer the price level of rent but the length of term of lease. The first group of tenants have open term lease contracts and enjoy effective legal protection because the landlord can terminate a lease only for reasons specified by the Civil Code. The second group of tenants have usually only very short-term contract (usually only for one year); when the term expires the lease is automatically terminated with no need to declare any reason. Understandably, most tenants want to live in municipal flat and to have an open-term lease. Flats with these attributes, however, are on the decline because they are being gradually privatised.

**Municipalities and state in housing policy**

According to the results of 2011 census, rental housing formed 22% of total housing stock: while private renting formed 14% of housing stock, public housing only 8% of the total housing stock in 2011. Recently, due to continuing public housing privatization by several municipalities after the date of census, the stock of public housing probably further diminished; according to our estimate close to 7% of total housing stock. For comparison, in 1990 the public housing represented 39% of housing stock – the scope of marginalization of this housing tenure is therefore substantial. The homeownership rate reached 78% in 2011.\(^3\)

The decreasing number of public housing is reflected in the difficulty to get a municipal flat with an open-term lease as the demand largely exceeds the recent supply. When a municipal flat becomes vacant, the municipality often leases it to the new tenant for a fixed term, and the tenant is selected through a bidding procedure in which the person that offers most gets the flat. A very small number of flats are offered by the municipalities as start-up flats for young households, again mostly only for fixed term. Due to very long judicial procedure in case of justified eviction private landlords offer almost exclusively only short-term contracts.

With the exception of rent regulation on running tenancies, Czech municipalities became free to manage and allocate public housing according to their will from the very

\(^2\) That was done by Czech government in attempt to prevent social disturbances and to maintain popular support for otherwise painful economic transformation. The regulation of rents continued for sitting tenants in both public rental housing and in rental flats that had been privatized or returned to former owners via restitution. Only new rental contracts could have negotiated market rents.

\(^3\) This figure includes coop housing that has, when evaluated from the perspective of disposal rights of housing coop members, de facto status of owner-occupied housing in the Czech Republic.
beginning of economic transition. There was no state regulatory framework on public housing management, no regulations on the scale or form of public housing privatization or public housing allocation. Some municipal flats have been privatized, some were rented out for market rents and some were rented at below-market rent to people in housing need. For the latter case, the municipalities adopted their own social housing policies and introduced various scoring systems to assess housing need. Each municipality incorporates own interests and needs into its strategy. The final barrier limiting the freedom of municipal housing management – rent regulation – fell with the Act on Unilateral Rent Increase that came into power at the beginning of 2007. All Czech municipalities, as well as private landlords, got a right to increase rents to market levels gradually till 2011; later the deadline has been, due to global economic crisis, prolonged in the biggest Czech cities to the end of 2012.

The Czech Republic is an example of a country with extremely fragmented social housing policies with de facto no central coordination or regulation. There is no legal definition of social housing, except for the Act on Value Added Tax No. 235/2004. This law provides a definition of social housing in relation to the lower VAT tax rate applied to new housing construction. There is also no special legislation on not-for-profit housing or housing associations. Thus the municipalities are the only owners of the long-term rental housing provided at below-market rents and without a need to offer special social services to tenants. However, their obligations are only vaguely defined, with no explicit requirement to ensure the provision of housing to poor or vulnerable citizens.4

The state kept only indirect influence on local social housing strategies – through allocation of specific and relatively marginal state housing subsidies. Recently, there are only two largely insignificant central subsidies that could be used for new development of social/public housing: state-backed guarantees on loans to housing developers and preferential loans for rental housing construction. Since 2010, the State Fund for Housing Development (SFHD) has been offering guarantees on loans to housing developers that build rental housing. The aim of the programme is to motivate private capital to invest in rental housing. The SFHD offers to guarantee up to 70% of the loan; the maximum amount is EUR 60,000 per new housing unit. The allocation of dwellings is not means tested. The cost of the guarantee is 0.6% p.a. on the outstanding amount of the loan. So far, neither housing developers nor municipalities have shown almost any interest in this kind of guarantee.

Since 2011 the same state fund has offered low-interest loans for the construction of new rental housing. The subsidy rules (interest rate level) are determined by the type of target group. The first target group includes only the elderly (over the age of 70), people

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4 The Law on Municipalities (No. 128/2000) only declares that municipality cares for establishment of conditions for social care and satisfaction of needs of its citizens, such as needs for housing, health protection, transport, information, education, overall cultural development and protection of public order.
with disabilities, and people whose housing was destroyed by flooding. The second group is open, i.e., no targeting to specific tenants is required. The maximum loan is equal to 70% of the cost of the housing’s construction. The loan maturity is up to 30 years. The flat must be rented for the whole term of amortization of the loan; the minimum term is 10 years. Until recently, only few private projects received this preferential loan financing, especially for building special rental dwellings for elderly charged by market rents. In 2011, the new Housing Strategy till 2020 has been approved by the Czech government. The strategy sets general goals of Czech housing policy for next decade; among them also “complex solution of social housing” (Housing Policy Strategy 2011). However, the work on this specific task started only in late 2012 and no concrete measures were elaborated by responsible ministries (Ministry for Regional Development and Ministry of Labour and Social Affairs) until mid of 2013.

Czech housing system is endangered by imbalance due to unilateral popular preference for the only one housing tenure and further privatisation of municipal rental housing stock. Households that cannot afford to buy their homes, and among them many are young couples, have less and less stable opportunities in the rental housing segment. On the other side, due to large-scale restitution of properties and rent deregulation the supply of private rental housing substantially increased in the Czech Republic after 1990.

**Private landlords**

After the political changes of 1989, the first step in the subsequent transformation process involving housing was the restitution of housing stock that had been expropriated by the socialist regime. The process of property restitution began in April 1991 and it applied to that part of the housing stock that was expropriated between February 1948 and January 1990. According to the legislation, the original owner or his/her heirs were the persons entitled to apply for the return of property. By 1993 most of the property transfers were completed; approximately 6-7% of the housing stock had been affected, though in the centre of Prague, for instance, as much as 70% of the housing stock was restituted. Due to relatively large restitution of expropriated housing property, the whole blocks of flats started to be owned by private mostly physical persons, especially in central locations of bigger cities, and this was an important start-up for an establishment of both professional and institutional private rental investments in the Czech Republic.

Besides the property restitution, privatization of former state enterprise housing stock to the institutional investors made additional impetus to the growth of private renting supply. On the Czech housing market there gradually appeared few private institutional investors during economic transition; two of them became even dominant private landlords in local terms. For example, in the North Moravian region the privatization of
large state coal-mining company included also sale of more than 44,000 enterprise flats that are recently owned, rented and managed by institutional investor RPG. The second largest institutional investor, CPI, owns and rents out more than 12,000 flats in the North Bohemian region.  

There soon also emerged a large number of small-scale accidental investors in the market owning and offering just one or two empty flats. The share of official private rental housing out of the total housing stock thus increased very quickly compared to the pace in advanced countries, going from almost zero in 1990 to 7% in 1993 (as a result of property restitution) and 14% in 2011. Moreover, the overwhelming majority of the census-surveyed private rental tenancies (14% of housing stock) are legal, i.e. based on written and properly signed rental contract between landlord and tenant. There might be several reasons why most of the private rental contracts are based on legal written agreements, the situation of which distinguishes the Czech Republic from most other post-socialist states. The reasons can be, for example: (a) relatively large property restitution in kind creating professional landlords (physical persons) owning all flats in the apartment houses; (b) entry of institutional investors who own from hundreds to several thousands of flats recently; (c) generous tax conditions, allowing discounting house depreciation from rental income for both professional and small investors.  

The rapid growth of private renting stock and, especially, anticipated deregulation of regulated rents after 2007 helped also to stabilise the market rents. While the average flat price between 2000 and 2008 increased by almost 200%, the increase in average market rent was much more gradual – it grew only by 64% (Lux, Sunega 2010). The value of the price-to-rent ratio increased, for example, in Prague, between 2000 and 2008, from 13.7 to 26.0, so it almost doubled. This substantially increased the financial appeal of market rental housing for the end user when compared to its main substitute – owner-occupancy.  

However, the analysis made by Lux, Sunega (2010b) demonstrated that smaller flats with lower technical standards (problems with humidity, insufficient light or external noise) were associated with a greater chance that the flat will belong to the private renting segment. It was also interesting to see that the private renting is not concentrated in Prague – in the least developed North-Bohemia regions (characterised by low salaries, low house prices, and a high unemployment rate) the chance of a flat being part of the private rental sector is much higher than it is in Prague.

2. Views of the tenants and landlords: Focus groups and round table debate methods
A second focus of our paper is on understanding of the actual experiences of young people in the Czech Republic with living in the private rental housing, including the attitudes towards the rental housing as a solution for long-term and/ or family living. Additionally, we are also interested in the opinions of landlords. Specifically, we wanted to confront their opinions about private rental market and about how potentially improve its functionality with the opinions of the young tenants. On a more general level we wanted to learn from both landlords and tenants what in their view is dysfunctional about the current rental housing market and confront their opinions. Our primary aim was to reveal subjective views of the two involved parties. That can be done the best by qualitative research approach. Consequently, we used focus groups for the analysis of opinions and attitudes of young tenants and a “round-table” debate with landlords.

A focus group interview can be defined as ‘a group interview centred on a specific topic (“focus”) and facilitated and co-ordinated by a moderator or facilitator which seeks to generate primarily qualitative data, by capitalising on the interaction that occurs within the group setting’ (Sim and Snell 1996: 189). A focus group is used when we want to understand how people feel and think about an issue, service or idea. There are several advantages in using focus groups compared to a questionnaire or non/standardised interviews. First of all they provide information on the ‘dynamics’ of attitudes and opinions in the context of the interaction that occurs between the participants (Morgan 1988). Secondly, they may encourage a greater degree of spontaneity in the expression of views than alternative methods of data collection (Butler 1996). Thirdly, participants may feel supported and empowered by a sense of group membership and cohesiveness (Goldman 1962; Peters 1993).

To allow for that dynamics the focus groups consist usually of a small group of 8 to 10 people. While interpreting and analysing the data, we have to bear in mind certain limitations and specificities of focus groups’ technique. Opinions expressed in focus groups should not be used as a measure of consensus. A problem of the ‘censoring’ of dissenting views held by less confident participants within the group may always exist. Therefore the absence of diversity in the data does not reliably indicate an underlying consensus (Sim 1998). To capture the range of issues which are relevant to the participants and increase the reliability of the data, it is desirable to conduct more than one focus group. It is also hard to determine the strengths of expressed opinions. There is not a one-to-one relationship between the apparent prominence of an issue within a group and its importance for members of that group (Sim 1998: 349). Generalizing from focus groups may be problematic because we are not working with a representative sample and we get the data from a social interaction occurring in a particular context. We can therefore generalise rather on a theoretical level. This means that we can expect that members of a social group of which the focus group is a (statistically non-representative)
sample may generally share common frameworks of concepts and propositions regarding an issue (Sim 1998). In our research among young tenants we conducted two focus groups to increase the reliability of the results.⁵ We recruited the participants through an advertisement, using the snowball method. Only people between the ages of 18 and 35 living in Prague, working or looking for job (but not students) were included in the focus groups. They also had to be in a permanent relationship with partner or spouse (with or without children) and had to be willing to change their housing situation. We deliberately chose participants in a manner ensuring that the majority had a lower than university level of education as it is the case in the total population of the respective cohort. A total of seventeen participants were recruited for two focus groups and their characteristics are summed up in Table 1.

Table 1: Characteristics of focus groups participants

| Number of participants: | Yes | No |
|-------------------------|-----|----|
| University education    | 4   | 13 |
| Stable relationship     | 17  | 0  |
| Cohabitation with partner| 15  | 2  |
| Living in rented flat   | 8   | 9  |
| Living in sublet room   | 5   | 12 |
| Living with parents     | 3   | 14 |
| Have a child            | 3   | 14 |
| Want a(nother) child    | 17  | 0  |
| Employed                | 13  | 4  |

|                          |     |
|-------------------------|-----|
| Median age              | 28  |
| Minimum age             | 22  |
| Maximum age             | 35  |
| Sex ratio m/f           | 9/8 |

Note: The focus groups took place in Prague, March 14th 2010.

The recruited participants were then randomly divided into two groups of nine and eight participants. The discussion in each focus group was moderated by an external expert, a psychologist by education. Her role in moderating the discussion proved to be very important, because there were very different group dynamics in each of the focus groups: while the opinions of one particular participant dominated the discussion in the first focus group, the second group was more balanced with no dominant opinion leader. The role of the moderator was to allow to all participants to express their opinions and level out the excess expression of the dominant members of the groups. The members of the research team prepared the script for the focus group, but they were not physically present during the course of the discussion. The issues of the focus groups included

⁵ A thematically similar study to ours was conducted in the UK (Young People’s Housing Transitions, 2008, with respondents ages 16-30).
perception of what is satisfactory housing, what is home, what is a satisfactory home for family with child/children, what are housing histories of respondents (key questions used in the focus groups are listed in Annex 1).

Towards the end of the focus group a hypothetical policy tool proposal for rental housing “Targeted Guarantee” has been presented to participants. We drew inspiration for its formulation from the innovative type of support for rental housing - 'mediation' - used in some Western European countries (such as UK, France or Belgium). This policy tool has also been analysed as a possible housing solutions for homeless people in the Czech Republic (see details in Mikeszová, Lux 2013). Our proposal was presented in a form of points that are in our view relevant and it was followed by a group discussion over them (description of Targeted Guarantee proposal is given in Annex 2). By that procedure we wanted to test whether a policy tool that combines in our view a relative freedom of choice for tenants, guarantees for landlords and longer fixed-term leases would be acceptable for its potential users. Both focus group interviews were recorded and transcribed into written form. The transcripts were then subject to a content analysis (Neuendorf 2002, Wilkinson 2004) in which we tried to identify to what degree the opinions and attitudes of the focus group respondents conform to our view of the problems with housing and what type of housing policy instrument could be attractive and efficient to stabilise young tenants in the private rental housing.

In the round table debate with the landlords we were focussing on their perception of young tenants as reliable clients and the conditions under which would the landlords provide long-term contracts to young tenants and whether a hypothetical policy tool “Targeted Guarantee” could be inspiring and applicable in the Czech context. Participants in that debate included 22 representatives of housing departments of the selected local governments (10 representatives), private landlords (8 representatives, both small and institutional landlords) and governmental agency for social inclusion (4 representatives).

3. The views of young tenants and of landlords on the situation of young people in the Czech housing market – an analysis of a qualitative survey

3.1 Focus group debate with tenants

Most of the participants in the focus group interviews with potential young tenants expressed the view that stable housing equates to owner-occupied housing. For them it conjured the image of a secure investment and conveyed an emotional dimension of stability, i.e. the feeling of a real home and security. No one associated rental housing with stability. The respondents view it as a flexible, temporary form of housing.

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6 That conforms to the findings of previous research (Lux et al. 2008) and Lux and Sunega (2010b).
demanding relatively little investment or maintenance. The view was even expressed that rental housing allows a person to live in an attractive locality for a reasonable price. However, despite that it was unthinkable to respondents to remain in rental housing long term. Respondents shared a deeply rooted view that landlords can evict tenants at any time and will do so gladly and quickly as soon as they find another tenant willing to pay more. There are two reasons why this view does not quite conform to reality. First, from a legal perspective, no landlord can evict a tenant overnight if they have a signed lease. Second, none of the respondents claimed to have personal experience with such conduct of landlords (but some cited the experiences of friends). The respondents’ views on rental housing are thus mainly influenced by an emotionally rooted distrust of private landlords and the prevailing practice of signing leases for no longer than one year. For illustration, typical examples of respondents’ statements are quoted below.

‘For me my housing will be taken care of if I have a deed (to a municipal flat) or I own it.’ (Martin, 34, Focus group 1)

‘Rental housing is a necessity, those are people who either don’t have enough money in most cases to get a mortgage on their own or they have debts so they won’t get a mortgage anyway.’ (Kamil, 29, Focus group 1)

‘The owner has enormous leverage over the tenants and if he makes up his mind he can just toss you out of the flat.’ (Honza, 29, Focus group 2)

Rental housing figured in the individual housing careers of all the respondents. Many of them had lived in municipal rental flats as children with their parents and when they left home most of them lived in private rental housing. Most of the respondents would have to obtain a mortgage in order to fulfil the ideal of owning their own home. But most of them were aware that neither at present nor in the visible future would they be able to get a mortgage. In the respondents’ own words, owner-occupied housing was out of reach mainly owing to the absence of any financial assistance from the wider family, the inability to meet the criteria for obtaining a mortgage, or from an unwillingness to commit oneself to paying a mortgage for so many years.

‘People from my environment are in the same situation as me, but they’ve got some help from their parents or something, so they take out a mortgage just for the remainder and then they’re able to pay that, somehow. Or later they pay back their parents, I don’t know, but at any rate they get help from their family. And when it gets down to it, I don’t
really want to take on a mortgage and I don’t even know if I could.’ (Lukáš, 31, Focus group 2)

The respondents expressed concerns about being unable to pay the mortgage when they were to lose their job. In their view this also distinguishes them from their peers who buy their own housing. They thought that the mortgage lender would have no empathy and understanding for coming up with an alternative solution if they were unable to pay. On the other hand, in a similar situation in private rental housing they can imagine reaching an agreement with a private owner and some even had such an experience. This somewhat contrasts with the distrust of landlords that was described above. However, only a very few of the respondents actually had experience with a situation of insolvency.

‘(I am afraid, if)... my girlfriend will be on maternity leave, I’ll get sick, that means our income will fall by half and at that moment I have to start paying more money than I earn ... there’s nothing left for the rent, you try somehow to work it out, borrow, and I’d be more able to explain it to an owner than to a bank.’ (Honza, 29, Focus group 2)

‘[A private owner] is able to understand a moment of adversity, but the banks are merciless.’ (Lukáš, 31, Focus group 2)

When the respondents were directly asked to imagine the hypothetical situation where the respondent and partner are expecting a(nother) child, all the respondents answered that it is very important in such circumstances to have your housing situation resolved. The lowest common opinion denominator among the respondents was that this means secure housing for several years and of adequate size (so that they don’t have to ‘put the kid in the kitchen’) and with the standard amenities (e.g. a bathroom with hot water, a flushing toilet inside the flat). Most of the respondents unequivocally associated this situation with owner-occupied housing and regarded rental flats as an extreme option ‘when we have no other choice, if we can’t get a mortgage’. However, some respondents also noted that a mortgage means making a commitment to regular instalment payments and being tied to one place for several decades in advance and that struck them as undesirable.

‘My sister had a husband, everything, and they waited until they accumulated enough savings, bought a flat, and then had a kid, they didn’t want to before that, that there’s no point.’ (Kamil, 29, Focus group 1)

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7 Interestingly, many respondents associated taking mortgage for the purchase of owner occupied flat with necessity to stay in the same flat for the whole period of mortgage repayments, usually twenty to thirty years, which is surely not necessary in practice.
‘The same experience as that. I got pregnant when I was twenty and was living first with partner’s parents and then mine and we still live there now. We’re only moving now, when our daughter is seven, we can’t have another child.’ (Eva, 27, Focus group 1)

‘[A mortgage is] a really huge decision for twenty years. I can’t imagine saying at age twenty that I’m going to live there for another twenty years.’ (Tereza, 22, Focus group 1)

Many expressed the view that they would plan to have a child after they had resolved their housing situation. Because just a minority of respondents believed that they would get a mortgage and would be able to pay it off some of the respondents expect to continue living in the rental housing sector. Others would move in with their parents, others would move out of Prague (in such a case they would leave their job in Prague). Some form of tenant stabilisation policy scheme could thus clearly play a role in securing housing at least for a temporary period.

When respondents were asked about the acceptability of municipal or private rental housing if they were in the hypothetical situation of expecting the birth of a(nother) child the response was not at all straightforward. The participants in the two focus groups were very much at odds over this subject. The differences could be characterised by saying that in the first group a distorted view of both segments of rental housing held sway while in the second group both segments were assessed somewhat more realistically. What united the opinions expressed in both groups was a vague sense that municipal housing is safer, that a municipality would behave more reliably and appropriately than a private landlord. In the first group, the predominant preferences were for municipal market rental housing. Besides the ever-present distrust of owners and concerns about the threat of eviction, there is a fixed idea among respondents that municipal flats are cheaper and could be accompanied by an opportunity to buy the flat on advantageous terms as part of the privatisation process.

‘At most, if that municipal flat for market rent could possibly be offered for sale cheap, that might be one factor [for favouring a municipal flat over a private landlord]...otherwise there...[I don’t see any difference].’ (Josef, 29, Focus group 2)

‘I see a difference there, but I also agree that it depends on the owner. I feel a difference in that a municipal flat would give me greater security, because ... a lease with a private landlord for just a year, everyone says so, and the various deposits for the floors, the walls, that you never get back because the owner always finds a scratch somewhere, so a really bad experience with flat owners in Prague.’ (Lukáš, 31, Focus group 2)
A rather crucial point was raised by respondents in both focus groups that they had never heard of municipal flats being offered for rent and they expressed the belief that such flats are never offered in Prague. This is not far from the truth; the selection procedure for allocating municipal flats is a random event organised by individual city districts without uniform rules and with no systematic targeting or wider propagation. That basically disqualifies this option from consideration.

The research revealed that respondents had very little experience with existing housing policy instruments. Some had never been interested in them or did not know where they could obtain information about them. Most had at least heard of some instruments, but had never taken advantage of them. Some respondents had been consulting municipal authorities on their housing problems (students expecting a child, person who lost housing owing to divorce), but they had been told that they were not entitled to any support. From the discussion it came out that there is not enough information provided about benefits and what is provided is unclear. On the internet, where most young people look for information, the only information is fragmented and incomplete. Respondents had most often learned from friends about the opportunities offered by municipality.

'I know for instance that there was a chance, when we were expecting a child and both of us were studying [the respondent and his wife] to apply for a social flat and there [at the municipal authorities] they told me that I don’t qualify, for reasons that I didn’t understand…’ (Hynek, 34, Focus group 2)

In the final part of focus groups a hypothetical instrument of housing policy “Targeted Guarantee” (explained in detail in Annex 2) was presented to the respondents and its concept and parameters were discussed in the debate afterwards. What the respondents valued most about the proposal was the chance of obtaining a lease for several years and a level of rent guaranteed in writing. Most of them did not regard the discount on rent (the proposed 10 %) as a strong motivating factor for applying for the programme. Some respondents said that if they were offered a nice flat (the right size in the right location and in a good technical condition) they would be willing to pay market rent for such a flat. In the respondents’ view, the programme could only be effective if it was well publicised. Application and information on the programme ought to be available on-line. The instrument should not contain any complicated administrative procedures or excessive ways of checking up on tenants.

The second most important point was that the supply of flats proposed by the programme should be sufficiently wide in terms of number the size and quality of the
housing (in Prague it would have to be tens or hundreds of flats). Some respondents were convinced that only flats that are hard to lease in the open market would end up in the programme and that any worthwhile flats would be quickly picked up by friends of staff working for the municipal authorities or would only be offered to selected applicants on the basis of favouritism. Respondents strongly favoured the instrument being open also to unmarried couples, and the condition of pregnancy struck them as somewhat extreme. There was a lack of agreement on the age limits for applying to the programme. The strictest opinion was that at least one of the partners be age 35 or under.

‘[Targeted Guarantee] would offer a fixed rent level for a period of five years, at least, those are two strong arguments, and all the rest is just question marks. It could work, and we can debate that, but there are lots of question marks and I think that there won’t be any nice flats because the nice flats will get rented all on their own, for a price above market level. That the flats that will be left will be those with a window on to the tram lines, windows filled with dust, on the ground floor. Those are hard to let.’ (Lukáš, 31, Focus group 2)

‘The thing is that the entire project [Targeted Guarantee] will be overseen by people so that it will still become corrupted, so I doubt it...’ (Tereza, 22, Focus group 1)

3.2 Round table debate with landlords
The round table with landlords was used as a methodological complement to focus groups with potential young tenants. The debate showed that among landlords a strong mistrust was rooted against tenants which made the long-term leases undesirable. The mistrust is fed by a fact that eviction of an insolvent tenant today may take two years to be executed because of a slow acting of the courts. The bad experience with insolvent tenants cited during the debate concerned however exclusively the tenants with state regulated rents and open-term leases sustained from before 1989.
When we presented to landlords the design of Targeted Guarantee, it appealed to representatives of both large and small municipalities as well as private landlords. Many private landlords claimed that if they were provided with guarantee they would not be opposed to signing a long-term lease. One landlord expressed the view that in Prague it might not be too attractive to some landlords in areas where there is no difficulty finding someone to rent a flat. The representatives of municipalities were sceptical about the proposal to insure the flats against risks of rent default and flat damage. They estimated that the insurance companies would probably not want to insure such flats. The fear was also expressed that many tenants might even abuse the system by deliberately
defaulting on rent. None of the landlords, however, had experience with tenants deliberately avoiding paying rent under the current conditions of negotiating leases for a period of one year. The round table participants agreed that a policy tool targeted on stabilisation of young families in the rental market is needed. However, while confronted with the concrete proposal of Targeted Guarantee they were sceptical about many aspects of it but at the same time did not have any idea how to improve it. Most of the concerns derived from a fear that even a theoretically effective instrument of support for housing for young families can in the Czech environment run aground on a poorly functioning legal system and on the difficulty of evicting rent defaults.

**Conclusions**

The aim of our paper was to track the changing position of the rental housing in the CEE region and in the Czech Republic in particular with a special attention to the impact on the stability of housing for the young adults. We studied not only the evolution of the rental housing structure and policies but also the attitudes towards the current rental housing among young tenants and landlords. Many CEE countries had a large public housing stock two decades ago that in the course of the last two decades shrunk considerably as it was sold in privatisation or restituted. It was also the case in the Czech Republic. The disbalance between private and public housing represents currently about 93 % of private (rental or own occupied housing) to 7 % of public housing stock. The remaining 7 % of the public housing stock is not necessarily a result of any state or municipal social housing strategy. Social housing policy of the state is virtually absent in the Czech Republic and the municipal policies are fragmented. Thus the remaining public housing stock is generally not serving the purpose of social housing or other priority group housing but is mostly still occupied by long-term sitting tenants or rented for market price to anybody who bid the highest price. The absence of the social housing strategy represents a serious threat for the balance of the social welfare instruments for the people in need. For young households who do not have means to acquire owner occupied housing it means that they cannot count with any public help with their housing and that they have to rely fully on the private rental housing market.

In the empirical part of our paper we analysed the attitudes of the tenants to different housing segments as well as their experience and perception of the rental housing. The findings point out some serious deficiencies of the private rental housing that make that segment a suboptimal housing solution in the eyes of young tenants and that do not allow them to see the private rental as a stable housing solution. The results of our
qualitative research confirmed that owner-occupied housing is considered as the preferred housing option for the young Czechs. Even those who do not have sufficiently stable or high income for the purchase of owner-occupied housing under existing market conditions and must satisfy their housing needs through rental housing would like to become homeowners and consider being tenants as an undesirable situation. Nowadays, the main problem of the young with rental housing is no longer unaffordable high market rents but the existence of short-term leases and low level of tenant protection. The short-term and unstable nature of rental contracts that dominate in the private rental sector is seen as a big problem among young tenants and deeply affects their plans to form family. Our qualitative research confirms that a lack of stable housing solution contributes to delays in family formation. Young adults who cannot afford to buy their own house or flat feel trapped in the unstable rental housing. They consider their living arrangements as temporary. In case of a birth of a child many of young tenants would rather prefer to move back to their parents homes or to quit their jobs and move to a region where they can afford to be homeowners than to continue living in the rental flat with the short term lease. The strongest need of young tenants turned up to be definitely the availability of long-term rental contracts.

The main reason of the mal-functioning of the private rental housing market in the Czech Republic is however rooted deeper. Our qualitative analysis among tenants and private and public landlords shows that it is the mutual lack of trust that leads to less than optimal housing solutions (a shortage of flats for young families offered by municipalities, short-term leases, and failure to use existing housing allowances). Among the young tenants is present a deeply rooted mistrust in private landlords. Most of our respondents were convinced that landlords can deliberately evict a tenant from the flat whenever they want and that many are ready to do it. This belief is however based on myths and disinformation than on tenants’ own experience. The landlords are worried on the other hand that in case of tenant’s failure to pay a rent or other misconduct, the process of eviction would be even more complicated when the lease duration is longer. The views of municipal representatives, private landlords and tenants are thus to a certain degree tainted by prejudices, emotions, disinformation, and a certain amount of ignorance.

As a solution, the policy measures that help to build trust between the actors on the rental housing market would be highly desirable, although they hardly could become exclusive. We designed and discussed one possible policy measure ‘Targeted Guarantee’ that can overcome the problem of mutual distrust. In this measure the relations between tenants and private landlords would be mediated by independent third party, in our proposal municipality. It could fill a gap in existing housing policies in the Czech Republic and could help to return private rental housing among stable housing options for young families or other population groups in housing need. It is particularly in need when the
public housing stock is small and continues shrinking. This policy tool could be cheaper and more flexible than building new public rental flats. Our research showed that all involved parties are in agreement that such a programme is interesting and would be needed. The possibility of obtaining long-term lease relationship with the help of Targeted Guarantee appeals most to young tenants. Landlords like the idea of guaranteed rent payment in case of tenant’s insolvency. Municipalities like the possibility of relatively stable rental housing for their young citizens without necessity of massive investment into their own housing stock. Of course, the policy success is always largely dependent on particular context of housing system and housing market; in case of this particular policy the condition is especially the existence of a large and competitive supply of private rental flats (with supply exceeding the effective demand) where landlords are under certain conditions (guarantees) prepared to offer standard rental flats for long-term contracts to vulnerable households. The situation in the Czech Republic seems to meet this important contextual condition.

At the same time our research showed that the potential success of a new policy tool such as Targeted Guarantee does not just depend on the specific parameters of the policy instruments, but also on how it is presented to potential users and managed in practice. Here comes into play again the problem of mutual distrust. Tenants do not believe that good quality flats would became transparently offered under Targeted Guarantee programme because they have a fixed idea that municipal officials and representatives are corrupt and engage in clientelistic practices. The private landlords are afraid that potential tenants, beneficiaries of the Targeted Guarantee would tend to misuse the programme and would intentionally avoid payment of the rent. The municipalities doubt that any insurance company would be willing to insure the municipality for a case of the insolvency of tenants and are worried of more problems than benefits because of that.

It seems that the lack of trust among involved parties is what is missing the most in private rental market in the Czech Republic nowadays. This distrust is deeply rooted and to a great deal stems from the poor enforceability of rights in the Czech Republic. As such, it is a direct consequence of a systemic malfunction of the state and it cannot be solved by changes in housing policy. Taking into account that trust is something which is difficult to be built (Fukuyama 1996), it seems for the moment that young people in the Czech Republic have to continue to drift on the insecure waves of short-term leases. Finding the right balance of trust, openness, and reliability without excessive administrative procedures and obstacles would be a novelty for housing policy in the Czech Republic that seem to be so far difficult to reach.
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Annex 1: Key questions used in the focus groups:

- What conditions do the respondents themselves consider to be more or less important for starting a family and the decision to have children (e.g. money, partner, satisfactory housing situation, stable job, certain age...);
- What does housing mean to them and what do they associate this term with;
- What in their view are the positive and negative aspects of different forms of housing;
- What does home mean to them and what do they associate this term with;
- What are their past housing careers like and what kind of personal experiences do they have with different forms of housing;
- What is their idea of the ideal form of housing for a family with a small child or children;
- What in their view are the positive and negative aspects of different forms of housing for families with small children;
- To what extent do they view the problems with housing as an obstacle to their plans to start a family and have a child;
- What do they know about existing policy instruments aimed at supporting housing for young families;
- After respondents were presented with the basic parameters of the hypothetical housing policy instrument for young people – Targeted Guarantee – they were asked about how much the idea of Targeted Guarantee appealed to them, where the appeal and risks of the instrument lay, and what parameters of the programme they might change or add.
Annex 2: Description of the policy tool proposal 'Targeted Guarantee'

Our point of departure was that the new housing policy instrument must make rental housing more attractive, yet has be designed as a tool that does not require too much public expenditure. It must not restrict young people’s choices to rent of municipal flats only (due to quickly decreasing share of municipal housing by giveaway privatization of public housing to tenants), must not lead to the spatial or social exclusion of low-income families in a particular housing stock or location. It must involve a pro-market solution and at the same time strengthen the almost non-existent legislative protections for tenants in the market rental sector. It had to reflect also specific housing system features in the Czech Republic: liberalized rents, decreasing stability in rental housing but, at the same time, increasing supply of private renting, including housing provided by large institutional investors (private renting stock probably exceeded the public housing stock recently). Having set these constrains, we drew inspiration from the innovative type of support for rental housing - 'mediation' - used in some Western European countries (such as social rental agencies in France, Belgium or UK). We formulated a hypothetical proposal of housing policy instrument to support young couples and families – 'Targeted Guarantee'. This proposal has been presented to representatives of Union of Towns and Municipalities of the Czech Republic (umbrella organization lobbying for the interest of towns and municipalities) in 2010 and it was openly supported by Housing Council and Council for Social Exclusion of the Union later the same year. The main reason for supporting the proposal was a fact that many municipalities owned only few or none own flats that could be used for their social housing policy. Later, the Agency for Social Inclusion of the Office of Government incorporated this tool into the new strategy against social exclusion that has been approved by the Czech Government in 2011 (the target group has been however extended to other priority groups, such as homeless, ethnic minorities, immigrants, seniors, large families etc.). We then confronted its parameters with the opinions and priorities of both young tenants and landlords. Our proposal of Targeted Guarantee included following criteria:

- The core principle is the guarantee through which the municipalities mediate a contractual relation between private landlords and the tenants.

- The private landlord offers the municipality a rental flat that can be leased to tenants who meet the programme’s criteria. If the flat is accepted into the programme, the landlord can count on a guaranteed stable income (municipality pay rent in case of tenant failure to pay rent); in exchange the landlord must be willing to lease the flat for a rent at least 10% below the usual market price for a comparable flat in a similar location and for a duration of five years with fixed rent (or rent increase limited to the rate of inflation).

- The municipality inspects the quality of the flat and decides about its inclusion into the programme. The municipality could insure itself against the risks and possible expenses of providing guarantee with an insurance company.

- Applicants, future tenants, choose from a list of flats accepted into the programme, sign a lease with the owner, and sign a guarantee agreement with the municipality. This brings them some advantages, for example, they can choose the flat that suits them best from the list, they get the security of a long-term rental contract for at least five years, they have a clear idea of the amount of rent they will have to pay in the future. In exchange they have to disclose information about their income and property to the municipality for review and they have to register their permanent address with the municipality. If they fail to pay their rent they will be evicted and the municipality will seek to recover the debt from them.

- The target household would be made up of young couples, whose income and property do not exceed certain maximum limits. Childless couples would be eligible for the programme only if they were married; cohabiting couples only if they were expecting a child (the female partner was pregnant) or that already had a child (children). The minimum age of applicants would be 18 and neither of the
partners could be older than 35. An important condition of eligibility for the programme would be that neither of the partners owns any other housing.

- The eligible households should have work histories and at the moment of application at least one of the partners should be permanently employed or self-employed with a history of demonstrable earnings.