



Public Renting in the Post-Socialist States: Decline and an Open Future

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Goals of presentation

- ➔ **Describe and explain changes in provision of public (social, affordable) rental housing in post-socialist countries**
- ➔ **Stress distinct points in social housing strategies when compared with Western Europe**
- ➔ **Discuss future trends in social housing schemes in post-socialist countries**



Public housing does not mean social housing...

Before 1990 in socialist states:

- ➔ no special definition of social housing (often also no „social policy“);
- ➔ right to housing for all citizens (universal) was guaranteed by the state and housing need was defined technically as the right to occupy a specified amount of housing space;
- ➔ attempt for complete de-commodification of housing: system tried to make housing a pure public good and liquidate housing market – expropriations, regulations, extensive subsidization;
- ➔ position of the state (state company, municipality) as landlord is a distortion - *quasi-homeownership* (low rent, high security of tenants, right of use was superior to the right of ownership; rental housing subject to inheritance = DEED).



Public housing does not mean social housing...

- ➔ housing system differences: Hungary, former Yugoslavia, Bulgaria - homeownership („personal ownership“) dominated housing system + gradually increasing significance of coop housing and homeownership elsewhere;
- ➔ public housing characterized by persistent shortage, long waiting lists, unskilled management, bureaucracy, black market, low-quality construction, under-maintenance, illegal practices, clientelism, corruption;
- ➔ official egalitarianism with ideology of ‘public housing for all’ led to artificial housing scarcity, and this in turn led to a politically based distribution of housing ‘privileges’;
- ➔ social mix but allocation of public dwellings ‘didn’t reduce but, on the contrary, increased inequality’ (Szelényi 1983).



and, therefore, it was soon given away...

- ➔ “The surest and most efficient way to restore housing market equilibrium without creating additional distortions during the transition is to unwind totally the socialist housing legacy by eliminating all housing subsidies and the taxes that finance them and giving away the existing stock...equity concerns are not a legitimate obstacle to rapid market reforms” (Buckley et al. 1995, pp. 74-75).
- ➔ right-to-buy policy was quickly applied - no discussion about the long-term risks from super-homeownership model; no or biased discussion about equity consequences;
- ➔ **in all post-socialist countries only a very small part of the rental housing stock explicitly serves those in need of social assistance recently and public housing has experienced the largest decline in the history of these countries.**



and, therefore, it was soon given away...

- ➔ **Why? Unique intersection of ideological and practical interests of both international consultancy and national governments:**
 1. Governments tried to retain „housing privileges“ and use housing as „shock absorber“ (reconfirm already existing status of tenancy as one being close to homeownership);
 2. Homeownership (free housing market) was ideologically perceived as the best form of housing tenure (World Bank).
- ➔ Few exception (Poland, Czech Republic) BUT preservation of conservative form of rent control and strong tenant security → municipalities unable to introduce effective way of managing the housing stock and saw the sale of public housing as a good way of getting rid of this unwanted gift from the state (recently public housing decreased to only 7% of housing stock in both Poland and the Czech Republic).



Equity consequences

- ➔ The discussion about equity consequences was neglected or biased – the regressive character of the wealth redistribution resulting from give-away housing privatization was found only in recent papers.
- ➔ Those left outside the give-away privatization (often poorer households) were the real 'losers' in these changes; they were often forced to move out from attractive locations.
- ➔ Disappearance of public housing made extremely difficult to find affordable rental housing for new households in need, especially when they face some form of discrimination on the market.
- ➔ During later years the process of social and spatial segregation accelerated, social mix is gradually substituted by social segregation.



Equity consequences

before 1989 : state flats

Family Blue



Family Red



Family Green



rent: **very low** = **very low** = **very low**
 owner: **state** = **state** = **state**

RESTITUTION

free-of-charge transfer to municipal ownership

rent: **regulated** X **regulated** = **regulated**
 owner: **private person** X **municipality** = **municipality**

Family New



PRIVATIZATION

rent: **deregulated** X **NO RENT** X **regulated** X **„market“ rent**
 owner: **private person** X **family Red** X **municipality** X **private person**



New social housing policies...?

- ➔ The governments only occasionally introduced new supply-side subsidies which were often after several years of operation abolished or reduced due to their low efficiency.
- ➔ If defined at all, social housing is in post-socialist countries understood as a low-quality residual public housing for the poorest part of society, often spatially excluded.
- ➔ Although the municipalities emerged as the main social housing landlords they did not receive sufficient public funds to perform this new role effectively.
- ➔ Not-for-profit housing is a new phenomenon; however only two post-socialist countries with visible share on the housing stock: Poland and Slovenia (2% of the housing stock). Slovenia recently turned away towards housing allowances, and Poland has ceased supporting not-for-profit housing development and discusses its privatization.



Survey among 12 post-socialist countries (2011)

- ➔ There are only three countries, i.e. Czech Republic, Slovakia, and Slovenia, where new social/public housing output built between 1995 and 2010 can be considered substantial, and two countries, i.e. Serbia and Poland, where it was on medium level

BUT

- ➔ In the Czech Republic most new public housing output constructed between 1995 and 2010 had de facto quasi-homeownership status and it is marginal now;
- ➔ In Slovenia, the relatively generous social housing programmes of the 1990s were recently scrapped and replaced by a new housing allowance scheme;
- ➔ Serbian programme ended up applying right-to-buy policy for tenants;
- ➔ In Poland, subsidization of new social housing output recently ceased, and flats built within the programme will be probably privatized in favour of sitting tenants.



Survey among 12 post-socialist states - results

Why were social/public housing strategies in post-socialist countries non-sustainable (with the exception of Slovakia)?

- ➔ *Privatization trap*: when social/public rental housing is built, sooner or later there is a demand for its privatization; or it is transformed into de facto homeownership support;
- ➔ *Paradox of decentralization*: small and politically weak municipalities do not have sufficient fiscal sources to maintain an active social housing policy and refuse to make financially costly and politically unpopular decisions;
- ➔ *The black economy* makes it difficult to accurately estimate social and housing needs, and targeting social housing according to declared income is open to abuse;
- ➔ *Socialist legacy in allocation schemes*: the legacy of universal housing need and waiting lists was substituted by ineffective targeting in new allocation schemes (young perspective households, key workers, tenants in restituted housing);
- ➔ *Not-for-profit schemes* (usually inspired by the French HLM system) have generally failed to gain long-term support and not-for-profit actors remain financially and politically weak;
- ➔ *A general lack of public finance* as a result of war, banking crises, economic transformation, recessions and budget deficits. All social housing programmes have been disrupted after several years and there is a sharp discrepancy between the intentions and outcomes.



Trap of privatization

Once politicians started to privatize public housing originally allocated with no real needs assessment (and, therefore, occupied by many affluent and politically influential people) for give-away prices they would face serious political troubles if they wanted to limit it only to part of the total stock and/or stop at a particular time point

As public housing privatization is politically difficult to stop or limit in scope, an unintended consequence of the original action is the establishment of a social norm stipulating that all public tenants have the right to buy the public dwelling that they occupy for a give-away price

As this norm reflecting the institutional arrangements of the socialist period (quasi-homeownership) acquires legitimacy in the new democratic and market environment, any new social housing programme will be challenged by it, and, consequently, even new social flats often become the subject of a give-away sale to tenants

As the housing system remains predominantly based on homeownership tenure and state interventions are too weak to change it, the further, irreversible residualization of social/public housing takes place

Divergence in early transformation policies concerning the application of right-to-buy and/or new forms of social/public housing support surprisingly ends in the convergence of all post-socialist housing systems due to the 'privatization trap': the residualization of social/public housing (as well as rental housing in general) and growing social/spatial segregation



Global financial crisis – change in trend?

- ➔ **unilateral support for homeownership has unexpected drawbacks:** lesson from GFC - housing markets are implicitly inefficient, unbalanced housing tenure structure in favour of homeownership may increase housing market instability, risk of price bubbles and thus endanger financial sector and economic growth – higher support for rental sector is needed;
- ➔ **changing perception of people (voters):** increasing perception of housing inequalities, increasing sympathy with homeless and spatially segregated;
- ➔ **limits for private renting:** housing benefits to tenants solve problem of financial affordability but not market discrimination (disadvantage); danger of private rent inflation;
- ➔ **GDP growth, higher tax income, possibility to use European structural funds for housing purposes –** improved fiscal situation.



Global financial crisis – change in trend?

- ➔ **All that lead several post-socialist governments to return social housing back to agenda and take it more seriously than in the past**
- ➔ In the Czech Republic – government recently (2015) passed new Governmental Social Housing Strategy and law on social housing is under preparation – strategy targets households with high housing cost burden (paying more than 40% of income on housing) and homeless (based on ETHOS categorization of FEANTSA)



Return back to high-rise pre-fab public housing?



Prospects for social housing in CEE

- ➔ Social housing concepts in post-socialist states should not repeat the mistakes of the Western models - bureaucratic public housing management, inefficiencies in housing construction and housing consumption, political abuse, corruption, long waiting lists, passive behaviour of households, limited offer and spatial/social segregation.
- ➔ Recent discourse on forms of social housing in post-socialist countries is different from the discourse in post-war western democracies. Social housing is no longer perceived as one specific form of subsidy, nor is it perceived as a strictly supply-side subsidy instrument.
- ➔ Instead of massive state interventions into the housing market via long-term capital subsidisation of public housing, social housing takes the form of central and local government programmes aimed at different target groups.
- ➔ Features of social housing such as decentralisation, flexibility, and social integration are stressed.

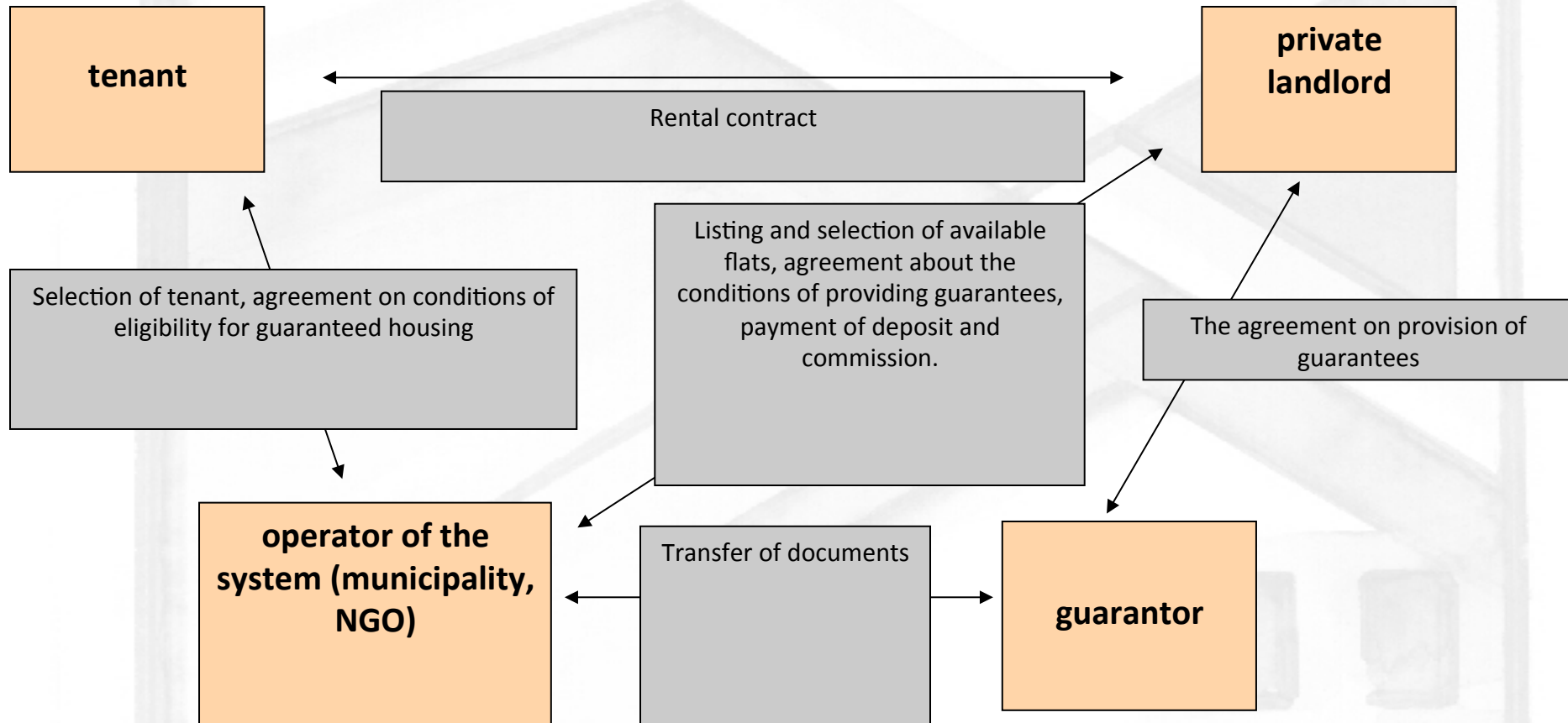


Prospects for social housing in CEE

- ➔ **It is not very probable that there will be an importation of western social housing ideas and practices that emerged during the post-war era.**
- ➔ **Neither can we expect any large-scale and fiscally expensive programmes that would create a substantial stock of social/public housing.**
- ➔ **Instead, there is likely to be:**
 - » a range of different state programmes targeting different types of households;
 - » variation currently evident in municipal authorities' approaches to social housing strategies is likely to increase;
 - » providing incentives for private developers, and employing different forms of cooperation with private capital;
 - » innovative models attempting to use private renting for social purposes (social rental agencies, guaranteed housing).



System of guaranteed housing



Literature



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Thank you for your attention!



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