



Social Housing in Post-Socialist CEE Countries: Major Differences to Western Models

This project is implemented through the CENTRAL EUROPE Programme co-financed by the ERDF

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Social housing in Western Europe – multiple definitions

- ➔ social housing = public rental housing, owned by municipalities or other public bodies;
- ➔ social housing = public rental housing + rental housing owned by non-profit organizations or non-profit coops;
- ➔ social housing = all dwellings built with the use of public funds (funds from state or municipal budget).

- ➔ Definition/practice of the social housing varies significantly among old EU member states; there is no common EU policy (Netherlands – 38% of housing stock X Spain – 2% of housing stock; mostly municipalities BUT Netherlands, France or UK also housing associations, Germany also private landlords).

However, it is possible to detect similarities...



Social housing in Western Europe – common features

- ➔ **Allocation mechanism:** allocation of the social housing is based usually on social criteria (designed for those in need, low-income households) rather than on market mechanisms (demand x supply);
- ➔ Social housing is usually built/operated with **use of public funds**;
- ➔ **Rents in social housing are usually regulated** (cost based rents or income-related rents);
- ➔ Social housing is early post-war project: originally relation to **ideology of welfare state and dissatisfaction with the free market** („battle with the market“);
- ➔ In many countries: **social segregation** in social housing.



CEE: Public housing does not mean social housing...

Before 1990 in socialist states:

- ➔ no special definition of social housing;
- ➔ the right to housing for all citizens was guaranteed by the state;
- ➔ system tried to make housing a pure public good and liquidate private property – expropriations, regulations, mass public housing construction;
- ➔ position of the state (state company, municipality) as landlord is a distortion - *quasi-homeownership*;
- ➔ characterized by unskilled management, bureaucracy, free-riding, low-quality construction, under-maintenance, huge inefficiencies, illegal practices, clientelism, corruption.



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;
- ➔ Why? Governments tried to retain „housing privileges“ and use housing as „shock absorber“ – privatization of public flats into the ownership of the tenants at very low prices or at no cost;
- ➔ 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 (in CR about 70-80% of public housing has been already privatized).



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.
- ➔ 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.



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/unsuccesful (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.



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.



Thank you for your attention!



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