

WHAT IS SOCIAL IN THE ABSENCE OF PUBLIC HOUSING?

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The most comprehensive and best documented discussions about social housing take place in European Union (EU) countries — more precisely, in the north-western countries of the EU, the richest of its three geopolitical sub-entities.² While social housing issues have also been critically examined in southern and eastern European Member States, the statements and conclusions of these studies have been much less publicised in the mainstream housing debate in the EU.

The aim of this chapter is to sketch the background to the case of Eastern Europe (mainly concentrating on Hungary). Understanding the specificities of this model of social housing is important for everyone who deals with housing in Europe and is looking for potential EU-wide solutions.

1. Theory: is housing a market good or a social service?

Housing is a complex issue. On the one hand, it is a market good — but not a usual one. Not only does accommodation constitute by far the largest investment in the life of standard families, it is also an essential element of bringing up the next generation. From this perspective, housing inequalities have serious consequences: children in poor housing have fewer chances to learn well, thus low socio-economic status reproduces itself with a high probability through the housing market. In other words, the housing market maintains and reinforces the unequal distribution of social advantages and disadvantages. To break this ‘vicious circle’ (Szelényi 1983) and ensure better housing conditions for the poor, compared with what they might achieve under free market conditions, the state has to intervene.

State intervention into the housing market may take different forms, either through the supply side (e.g. by building public housing) or through the demand side (e.g. by giving housing allowances to poorer families). Neither of these types of intervention are easy, both have their drawbacks. Moreover, each country has had to invent its own approach to deal with this problem, creating its own mix of different types of state intervention. The path dependency of housing systems, combined with new political priorities, leads to very complex and divergent housing policies.

In Szelényi’s view, direct support up to a minimum level of housing provision has to be given to those in need independently of their socio-economic performance. It is important to understand that this kind of ‘social housing’ is not necessarily identical with ‘public housing’: while the latter is a legally defined tenure form, the former is a kind of social support that can be achieved in many ways, not only through public housing.

All this shows that housing is a complex issue: public intervention is needed, but has to be carefully regulated; it must specify to what extent free market conditions should prevail ‘top down’ and how long social benefits should be given ‘bottom up’, as well as how subsidies should be adjusted according to income level and other indicators of recipient families’ wellbeing.

2. History: the socialist housing model and its transition

In socialist countries, public responsibility for the social aspect of housing was meant to be assumed through state provision. The Eastern European housing model (Hegedüs-Tosics 1996), however, suffered from blatant contradictions. In fact, it was a graphic illustration that state housing does not necessarily serve social functions: new public rental units were mainly allocated through the ‘merit’ principle to those who stood high in the socialist society’s hierarchy.

The analysis of housing regimes by József Hegedüs (Hegedüs 2020) precisely describes the integrating mechanisms and tenure forms of housing systems. It shows that it was not only state integration or the public rental

tenure form that might produce social housing. The outcomes of housing policies may only be understood as a ‘...complex interplay between organizational policies and their implementation and the way that applicants for housing react in the light of their perception and attitude’ (Clapham 2002: 57, quoted in Hegedüs 2020).

The transition from the socialist to the capitalist system in the housing sector may be considered an abrupt change from one extreme model to another. During the socialist period, the share held by public rental housing was between 30–60% in Central and Eastern European (CEE) countries. This changed dramatically in the course of the 1990s.

The table shows that western European countries comprise three markedly different housing systems: in the ‘social democratic’ version (NL, SE, AT), the share held by public housing is large; in the ‘social market’ version (DE, FR, GB), it is substantial; while in the ‘free market’ version (ES, PT, EL), it is negligible. With their large public housing sector until 1990, socialist countries could theoretically have chosen between the three western European versions: keeping, decreasing or eliminating (selling off) their public rental stock. The 2006 data show that most of them quickly moved through mass privatisation towards the free market (southern European) model, resulting in public housing dwindling to an insignificant share. This raised the challenge of safeguarding the social aspects of housing in countries with a high poverty rate where virtually no public housing stock existed anymore.

In the first 10–15 years of the post-socialist period, the problems of the ‘over-privatised’ housing sector (Tosics 2003) became evident. Maintenance of flats caused growing problems for many of the poor people who had bought them, especially in large multi-unit buildings. New national policies, which ended new public housing construction and devoted all new subsidies to private housing (especially favouring the middle and upper strata of society), along with the non-existence of institutions investing into social and affordable housing, very soon led to the escalation of social problems related to housing, illustrated by growing homelessness and increasing tensions regarding affordability.

3. EU accession: how can the post-socialist housing system be made to fit into EU policies?

In the EU, housing issues were never part of common policies. Indeed, in the old Member States, it came as a surprise that housing became one of the most hotly debated issues when post-socialist countries joined the EU in 2004 (Tosics 2008): the new Member States wanted housing to become eligible for Cohesion Policy funding. Initially, the EU opposed this, arguing that to subsidise the renovation of bad quality housing, of which a large part became owner-occupied owing to privatisation, would

COUNTRY	PUBLIC RENTAL HOUSING	POVERTY RATE
‘Old’ EU countries		
NL, SE, AT	25–35%	10–13%
DE, FR, GB	15–25%	14–18%
ES, PT, EL	1–5%	19–23%
Transition countries		
CZ, PL	10–12%	15–25%
HU, EE	3–4%	20–30%
AL, BG, RO	1–3%	30–40%

Share of public rental housing and poverty rate in European countries around 2006

go against the principle of spending Cohesion Policy funds in a socially targeted way. However, after lively discussions, a compromise was found and funding to a limited extent (up to 2% of the European Regional Development Fund) was allowed for the energy-efficient renovation of multi-unit housing in decaying areas or areas threatened by decay —regardless of the form of ownership. Though at the time this only applied to the new Member States, the agreement constituted a breakthrough: it opened the door to using Cohesion Policy to tackle housing issues for the first time. In 2009, at the peak of the financial crisis, the EU made energy-efficiency investment into housing an eligible expenditure for all Member States.

The renovation of privatised multi-unit buildings on large housing estates may be considered an indirect way to strengthen their social elements. In the second half of the 2000s in Hungary, there were also some attempts in this direction, such as launching social rehabilitation programmes for deprived areas that were based on integrated and participative local regeneration schemes. Another novelty was to make social proofing a compulsory condition for urban renewal; cities that wished to apply for EU regeneration funds had to prepare an integrated Urban Development Plan, including a compulsory element of this plan: an Anti-Segregation Plan showing how the situation of poor people in segregated areas would change as a result of the urban regeneration project. The relevant national ministry contracted trained anti-segregation experts who checked whether the cities’ plans fulfilled the expectations of the Anti-Segregation Guidebook. Without the countersignature of these experts, cities were not entitled to receive the requested EU funding.

4. The present situation in Hungary

As is well known, the social outcomes of policies depend largely on political and financial factors. The 2008 global financial crisis and the 2010 political change in Hungary created a very unfortunate situation in this regard. The election victory of a right-wing, nationalistic government (with a supermajority in Parliament in the past twelve years, and going on to win a further

four years in the 2022 national elections) led to strengthened central government steering all sectors of policymaking, which substantially reduced the freedom and financial options of local government. In line with a right-wing political agenda, not only has the above-mentioned social conditionality been eliminated but, also, state support for housing allowances. The overwhelming majority of state subsidies was re-directed towards building new owner-occupied housing, practically excluding the poorer part of society. Moreover, the government suspended its support for the energy-efficient renovation of multi-unit buildings. All in all, in the last ten years the social aspects of housing policy have been substantially weakened.

	PUBLIC RENTAL HOUSING	OWNER-OCCUPIED HOUSING
STATE/SOCIAL INTEGRATION	<p>CATEGORY A</p> <ul style="list-style-type: none"> · old multi-unit buildings · new construction in cities · new construction in most deprived · rural settlements 	<p>CATEGORY C</p> <p>vision: rental housing agencies</p>
MARKET INTEGRATION	<p>CATEGORY B</p> <ul style="list-style-type: none"> · old multi-unit buildings (not for sale for heritage reasons) 	<p>CATEGORY D</p> <ul style="list-style-type: none"> · large prefabricated housing estates · old multi-unit buildings · new housing built with substantial state subsidies

A simplified model highlighting social issues in the Hungarian housing system

Under the circumstances, what then may be called ‘social’ in Hungarian housing today? This is a crucial question in a country where housing poverty affects 20 to 30% of the population, while the share held by public rental housing has fallen below 3%. This chapter can only provide some snapshot examples. As a starting point, we use a very much simplified version of the housing regime model by Hegedüs (2020).

PUBLIC RENTAL HOUSING

This is a very limited category, less than 3% of the total housing stock, owned by local government. Almost a quarter of these units lacks basic comfort, over half would need full or partial renovation and roughly 10% are vacant.

Local councils where most of this stock can be found are relatively poor. No central state subsidies are available for the improvement of these units (except for a specific central state programme targeted at the 300 poorest settlements of the country, please see <https://fete.hu/>).

Within Budapest, the second largest public landlord is the District 8 local authority, in one of the poorest areas of the city. Out of 4300 housing units, 860 (20%) are vacant. Almost all of the buildings would require large investments in order to make them habitable. Since the October 2019 local elections, the district is led by political opposition figures, as a consequence of which central government has withdrawn a large part of its planned support. It is very telling that this poor district authority has to deal all by itself with mounting housing problems: the Budapest municipality, also in the hands of the opposition, is also financially crippled and unable to help, while central government is unwilling.

Construction of new public rental housing is a rare event in Hungary. The exception is the District 13 local authority, which has built almost 700 new public rental units in the past decade. With a stable, leftist leadership and the same mayor for almost three decades, the district aims to achieve

a multiplier social effect with costly-to-build new units (creating chains of movements between tenants in the form of a managed filtration process, see e.g. Hegedüs-Tosics 1991). Another principle is to use new units as affordable housing for people who are able to pay rents that at least cover costs (but remain below market level).

Within the tiny public rental sector, there is a segment that may be viewed as ‘market integrated’ (Category B). These are valuable dwellings that have not been privatised owing to the heritage value of the building. Very recently, the right-wing national government attempted to introduce the ‘Right to Buy’ for tenants of the remaining local government-owned housing stock — its hidden aim being to favour those, usually not poor, families who wished to, but were not allowed to buy their flats. However, the compulsory selling off of the remaining public rental stock was prevented by a broad coalition of local councils and NGOs dealing with social housing issues.

OWNER-OCCUPIED HOUSING

This is the dominant category in Hungarian housing, and most central government subsidies are devoted to its further expansion. Even though it belongs to the market integration logic (Category D), a substantial part of this stock may be viewed as ‘forced ownership’: many poor people bought their flats cheaply but are now unable to finance building maintenance by themselves. In the 2000s, the situation of low-income owners was handled by giving subsidies to the energy-efficient renovation of multi-unit buildings (especially on large prefabricated housing estates). These programmes, however, were terminated in the 2010s by the right-wing national government and local municipalities have had very few financial options to launch such programmes on their own.

Given the lack of public support to stabilise the situation of the privatised multi-unit stock, decisions about renovation are taken at the building level.

Condominiums in the better-off parts of cities may take majority decisions for renovation initiatives; these are largely financed through bank loans that have to be repaid by increasing the monthly service fee charged to flat owners. Many of the poorer families, who cannot afford these increased costs, sell their flats and move into lower status areas. This leads to further spatial polarisation: gentrification, on the one hand, and a concentration of poor families in run-down buildings and areas, on the other hand.

Taken the financially limited options at the disposal of local councils to strengthen social aspects within the public rental housing stock, progressive thinkers have suggested introducing the state integration mechanism within the owner-occupied sector (Category C) on a voluntary basis. This would mean that the Social Rental Agency model (Somogyi et al 2014) would make it possible for owners of vacant owner-occupied units to add these to public SRAs, which would pay almost the market rent to owners while renting out the flats at a below-market level to families in need. This model has been introduced on a small scale by some local councils and the municipality of Budapest is also in the process of establishing its own SRA. In order to achieve substantial social results in that way, however, central government support would be needed, given that local authorities cannot finance the public subsidies needed to run this model on a larger scale from their limited budgets.

THE POLITICAL OPPOSITION'S PROGRAMME FOR STRENGTHENING SOCIAL ASPECTS IN HOUSING

This overview of the present situation in Hungary pointed to the strong determination of the ruling right-wing government to direct all subsidies to owner-occupied new housing while withdrawing any form of social support for tenants. Democratic local opposition politicians have been trying to fight against this shift by reintroducing social aspects at the local level,

despite their tight local budgets and the total neglect of social aspects in national housing policy.

Before the April 2022 national elections, the opposition parties joined forces. Besides fielding joint candidates at all levels, they also adopted a joint political programme with the following housing-related elements: building several thousand new public housing units every year (Category A); subsidising the energy-efficient renovation of tens of thousands of units in multi-family buildings every year (Category D); and supporting Social Rental Agencies, by enabling these to offer good opportunities to owners of vacant owner-occupied units to join SRAs (Category C).

These goals indicate the main directions of a potential socially oriented change in housing policy. The disappointing results of the April 2022 elections, however, diminished the likelihood of such a change.

5. The current EU debate about social housing

It is not an exaggeration to say that in the past few years, housing has become a hot topic in EU policy discussions. Most early EU principles, such as dealing with housing as one of many goods in a competitive market, have been questioned. For example, the dilemma of viewing housing as a *market good* versus a *social service* was the focus of discussions in the Urban Agenda for the EU Partnership on Housing. The Housing Partnership Action Plan (European Commission 2018) argued that the Service of General Economic Interest (SGEI) Directive would have to be modified to enable social housing needs to be met without being constrained by regulations concerning State Aid. Social housing should be defined in a much broader way than in the legislation on economic competition: it should not be limited to a housing form for 'disadvantaged citizens or socially less advantaged groups'. A wider understanding of social housing should make it possible to preserve universalist models of social housing and minimise the risk of social exclusion.

Housing-related issues have emerged in many ongoing discussions — both at the EU and national levels. For example, controversy surrounding

the regulation of Airbnb has a clear housing angle: the ruling of the European Court of Justice affirms the right of cities to regulate Airbnb if they can prove that the large number of units involved leads to a substantial increase in the city's rent level. During discussions about the Recovery and Resilience Facility, many local authorities objected to the principle of national plans, arguing that centralised decision-making did not allow cities to raise their problems, such as housing needs. A third example is the 'Fit for 55' programme, in which EU directives will compel countries to speed up building renovations while no comparably strong EU legislation ensures the social protection of affected residents — which, in some countries, might lead to 'renoviction' (eviction for renovation purposes).

Recently there have been some promising signs at European level of a growing awareness of housing issues: the European Parliament adopted a resolution on affordable housing, and *Housing2030* (a collaboration between UN Habitat, UNECE and Housing Europe) may also be viewed as a step forward. It remains to be seen, however, what concrete results these will bring.

During the pandemic years of 2020–2021, socially oriented developments that in many countries were previously unthinkable were introduced in housing, such as: putting homeless people into hostels, introducing moratoria on rent increases, stopping evictions, or supporting mortgage repayments by poor people. Most of these measures, however, proved short-lived, fading away as the COVID-19 crisis receded.

For those who believe in the need for a social turn in housing policies, the last two years delivered the message that such a turn is possible if the political will exists. Nevertheless, differences in national reactions to the COVID-19 crisis in the field of housing have shown that there is a need for a stronger EU framework to steer national policies concerning the social elements of housing.

The EU should strive for more control over the social housing outcomes of EU-funded recovery and cohesion initiatives. This is not easy, however, because no direct EU interventions into national housing policies are possible — the Renovation Wave makes renovation compulsory for Member

States whereas social protection is merely an EU recommendation. The way forward could involve the introduction of a controlling system over the social use of EU funds through NGOs and local authorities. New models are needed, whereby these actors might become part of monitoring committees and play a strong role in controlling central government policies and programmes. Currently, the EU requires Member States to prepare complex national strategies, for example as regards building renovation or the goal to end homelessness by 2030. A further EU requirement should compel national governments to prepare these strategies jointly with NGOs and local councils. Without new EU enforcement tools (similar to the *Integrity Pacts*), local authorities and NGOs will not be able to influence their national governments.

6. What future for housing systems without social housing?

Conclusions and outlook

This overview showed that Hungary, similarly to other Central and Eastern European countries, became a country dominated almost exclusively by home ownership — within a short time. This model is an outlier from the perspective of north-western European housing systems. Having neither any substantial public housing nor any proper social housing institutional structure, it is no wonder that Hungary is not represented within the main social housing lobby organisations (such as Housing Europe) at EU level.

Besides being an isolated home ownership champion that is underrepresented in EU lobbies, a further problem facing Hungary is the complete lack of any national social housing policy. EU funding arriving in the country is deprived of its social goals by the gatekeeping national government, while subordinate, legally and financially crippled local authorities are unable to achieve any changes in this regard.

The case of Hungary and, more generally, of peripheral eastern EU countries, where a significant publicly owned housing stock no longer exists, necessitates thinking outside the box, namely, achieving social outcomes in

housing by means other than direct state provision. Such models, however, also need strong state regulation and intervention, as local authorities and NGOs cannot run reliable, long-term social protection systems on a mass scale all alone.

The EU carries a responsibility to address the social aspects of housing in those countries where national politics disregard their importance. Housing, similarly to universal health care or pension systems, should be considered a social right: a basic minimum level of housing should be guaranteed for everyone — but without specifying at EU level the form that this should take in the housing systems of Member States. Rather than the form of social provision, the form of influence/control (by NGOs and local councils) over the national authorities that take decisions about these issues should be determined by the EU.

1 The analysis of the Hungarian situation is based on the results of many years' work at the Metropolitan Research Institute conducted by József Hegedüs, Eszter Somogyi, Nóra Teller, Éva Geróházi, and Hanna Szemző. A few of their publications are listed at the end of the reference list.

2 A very useful classification of EU countries can be found in Hegedüs et al 2016. The vast differences between the three country groups (Core: western & northern Europe; Periphery I: southern Europe; Periphery II: new Member States) are illustrated by statistical figures.

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