



Social and affordable housing policies in CEE

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Survey among 12 CEE countries (2011)

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

BUT

- ➔ In the Czech Republic most new public housing output had de facto *quasi-homeownership* status and it is marginal now;
- ➔ Serbian program ended up applying *right-to-buy* policy for tenants;
- ➔ In both Slovenia and Poland, the subsidies were cut and privatization was discussed (not-for-profit housing, in both countries about 2% of the housing stock).

Survey among 12 CEE countries (2011)

- ➔ Although the municipalities emerged as the main social housing landlords they did not perform this new role effectively, i.e. helping those in acute housing need.
- ➔ Targeting those in acute need, with low-incomes, the homeless or otherwise vulnerable households, was either absent in the housing allocation rules or the regulations applied did not accomplish this goal in practice due to a number of factors such as:
 - (a) income caps were set too high;
 - (b) key workers, tenants in restituted housing and young home-seekers regardless of their income were given preferential treatment.

Reasons

Why were social/public housing strategies in post-socialist countries often non-sustainable/ineffective to help really needy?

- ➔ **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;
- ➔ **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);
- ➔ *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;
- ➔ *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.

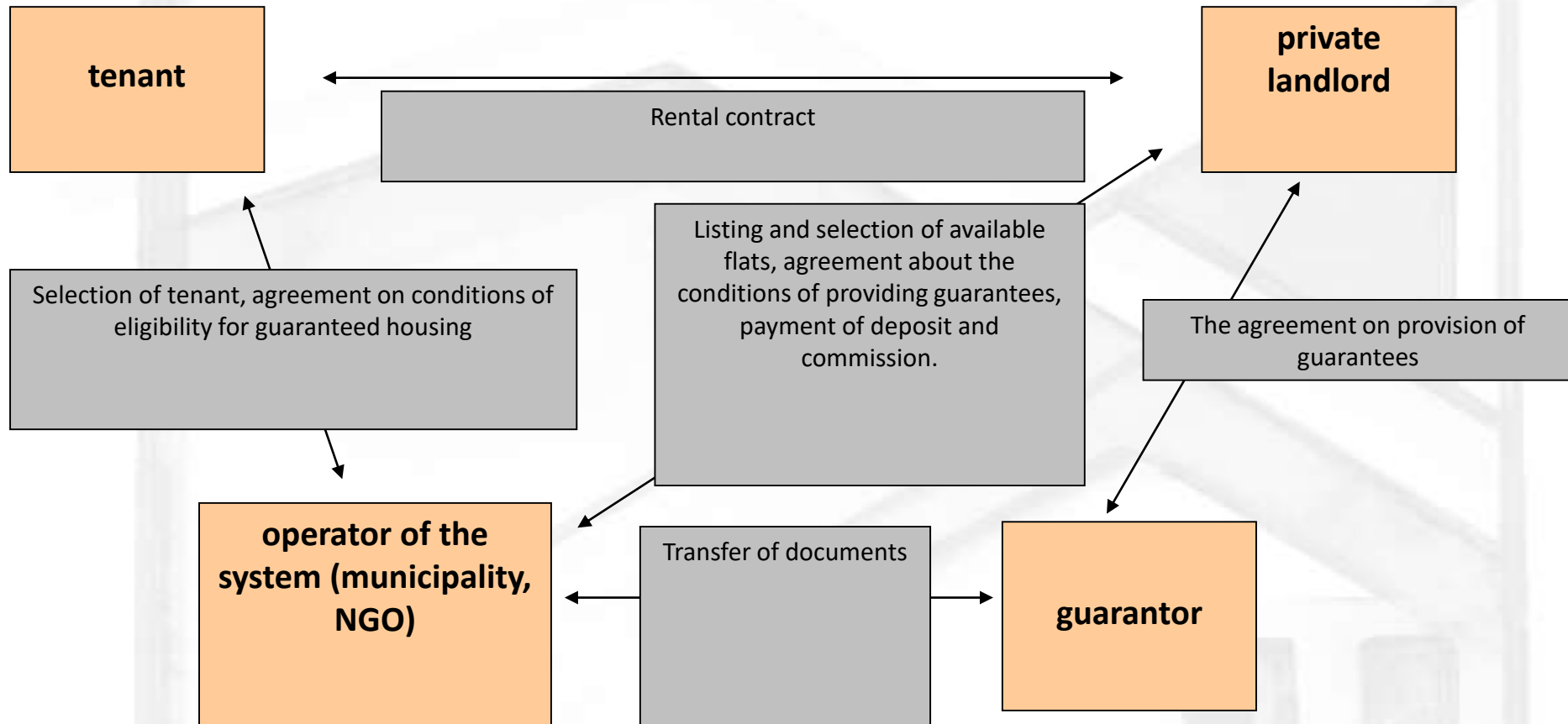
Prospects for social housing in CEE - centralization

- ➔ As small municipalities are unable to solve the problem of homelessness and housing for vulnerable people solely by themselves, the role of the state in this field should probably be strengthened.
- ➔ Funding (full capital costs covering), definition of target group in housing stress and rent setting PLUS duty of municipalities to meet social housing demand – all set centrally (Law).
- ➔ Centralization will make harder for municipalities to allocate social housing to less needy or fully ignore (or export) the problem; and/or shift social housing into owner-occupation.
- ➔ However, **centralization does not mean that municipalities cannot diversify or use other means how to meet their duty to accommodate homeless people.**

Prospects for social housing in CEE - diversification

- ➔ **It is not necessary that municipalities should be the only social landlords – they can shift responsibility to private landlords or NGOs.**
- ➔ **There is an acute need for innovations in CEE:**
 - » market-friendly approaches providing incentives for private developers, and employing different forms of cooperation with private capital – PPP, coops;
 - » NGOs can built and operate social housing stock sometimes more effectively (TBS in Poland, housing associations in Slovenia, increasing number of NGOs in other post-socialist states);
 - » innovative models attempting to use private renting for social purposes – guaranteed housing, social rental agencies.
- ➔ **BUT often contrasted by path-dependent political perception of the issue („build and build“).**

Guaranteed housing



Prospects for affordable housing in CEE

- ➔ Supply-side models (coops, shared ownership, public renting).

BUT

- ➔ Recent housing affordability crisis is especially the problem of housing demand; it may be associated with increasing financialization, international investments and speculations - danger of another house price bubble.
- ➔ Fueling systemic risks and price growth by alternative loan finance does not seem to be wise.
- ➔ Unpopular regulations to cool down demand may be more effective to stop price increase – **macroprudential policies** (caps on LTV, DTI) and **tax policies** (Airbnb, short-term tenancies, empty investment flats).
- ➔ However, need for **increasing tenure security in private renting** and establishment of more balanced housing regime.



Thank you for your attention!

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