

Between state and market: housing policy and housing transformation in post-socialist cities

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Introduction: housing policy reforms

The main focus of this special issue is on housing policy reforms in post-socialist Europe and their long lasting impacts on housing inequalities and the position of different socio-economic groups on the housing market. The contributions offer insights into important research issues such as the challenges of affordable housing provision, the spatial manifestation of housing inequalities (gated-ness and segregation of low income residents in social housing), and the changing role of the state and the market in delivering housing opportunities and in shaping neighbourhoods in post-socialist cities.

These issues are particularly important as the housing sector has been rapidly transformed in the early years of the transition to markets with most of the reform efforts emphasizing deregulation of house prices, privatization and private sector provision (Hegedüs and Struyk 2006). The direction of change in all countries has been similar, although significant variations exist. Post-socialist countries are very

different with diverse trajectories of economic, political and social transformation (Boren and Gentile 2007; Hamilton et al. 2005). Notwithstanding these differences, it is widely documented that housing under socialism was a political priority and considerable budget resources, investment and state institutions were deployed to address persistent housing shortages (Andrusz et al. 1996). At the start of the transition, housing lost this privileged status leading to massive withdrawal of the state from housing investment and direct provision of housing services. Under socialism housing was universally affordable, access was based on need and state regulated housing provision for rent or owner-occupation was a hallmark of the socialist system. Such broad brushed description of the East European housing model, admittedly very crude, is a useful starting point for the evaluation of the scale of housing policy transformation in the 1990s (Hegedüs et al. 2013). It is important to note that the socialist legacy may provide a common point of departure, but the policy choices of subsequent governments, as shown in this collection of articles, map out increasing differences in the operation of newly established housing policy regimes and their priorities.

Housing reforms have proceeded with ‘trial and error’ promoting neoliberal policies of deregulation in housing finance, market-based access to housing services, devolution of housing responsibilities to municipalities and experimentation with fiscal programs promoting homeownership (Tsenkova 2009).

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Reform efforts introduced fiscally conservative housing policies, housing subsidies were drastically reduced to <1 % of GDP and housing production left to private institutions with housing output by the private sector reaching 80 %. While such reforms had a long-term impact on the supply side, the privatisation of housing through ‘right to buy’ policies dramatically transformed housing markets with long-term consequences for housing demand. Homeownership rates exceed 90 % across post-socialist Europe with the exception of a few countries such as Russia, Latvia, The Czech Republic and Poland (Tsenkova 2013).

Risking oversimplification, the most significant policy efforts during the second phase of housing reforms, initiated in the early 2000, relate to measures implemented in the following areas: (1) decentralisation and devolution in housing policy; (2) reforms of housing finance; (3) reform of housing institutions, and (4) new housing subsidy programs and rent reforms (Tsenkova 2013). Since the development of housing institutions is determined by path-dependency, it is not surprising that the institutional change has failed to catch up with a more dynamic market driven process. For example, transforming the state role in housing requires more than its withdrawal from directing housing production and finance. It is crucial that the state is supportive of markets by providing a transparent and effective legal system and sound investment climate to improve housing market performance. It is also critical that the state facilitates the operation of a socially efficient housing system that enhances housing quality and affordability to alleviate the social costs of transition. The articles in this collection, however, demonstrate that this is not the case. Frequent changes in governance, particularly during the first phase of transition, have led to different and often conflicting priorities, ‘stop-and-go’ housing programs and little effort to create strong and sustainable housing institutions (Lux and Sunega 2013). At the local level, in the new fiscal reality local authorities are seen as ‘crisis managers’ charged with a lot of responsibilities related to the provision of infrastructure and social housing, but without the corresponding resources to address those problems.

Despite economic hardships, most post-socialist countries have launched new housing subsidy programs. The mix is complicated to evaluate since there is no systematic assessment of different government

programs (central or local) in terms of their efficiency, targeting and effectiveness (Lux and Sunega 2013; Tsenkova 2013). Most of the support aims at homeowners providing a combination of public provision and demand-based assistance (grants, interest subsidies and tax incentives). Romania, Hungary, Poland, Russia, Slovakia and the Czech Republic have the most comprehensive housing programs, while in Bulgaria and Albania housing has disappeared policy agenda in the last 15 years. The ‘trial and error’ approach to different subsidy schemes has been plagued by populist policies and inability to establish sound and transparent fiscal policies (Hegedüs and Struyk 2006). Hungary, Estonia, Lithuania and Poland, for example, have experimented with a variety of demand- and supply-side subsidies to increase housing investment with constant adjustments in the level of subsidy, interest rates and loan amounts (Hegedüs et al. 2013).

Housing transformation in post-socialist cities

The market-based transformation in the housing sector has exacerbated the initial differences in housing conditions across post-socialist countries leading to deterioration of housing infrastructure, growth of substandard housing and slum formation (Buckley and Tsenkova 2001). War-related conflicts have resulted in a housing crisis, massive need for reconstruction and demanding provision for refugees (over 2 million in Europe alone) exceeding the ability of governments to cope with such challenges (Tsenkova and Budic-Nedovic 2006). Beyond growing poverty, informality and exclusion, an important aspect of housing quality in post-socialist countries is related to the lack of improvements in multi-family housing. Over half of the people in major post-socialist cities live in system-built, high-density housing estates, where housing was transferred to tenants through privatisation programs (Stanilov 2007). This is perhaps the most enduring legacy of socialist housing policies that will define these cities for a long time. The lingering socialist legacy is also evident in the planning and development patterns, but also affects the way local governments operate today in terms of land management and infrastructure provision.

Post-socialist cities have experienced suburbanization and market-driven renaissance of attractive inner city neighbourhoods attracting affluent residents to

new localities (Hirt 2012; Tsenkova and Budic-Nedovic 2006). With respect to investment and new construction, housing production capacity has reached historically low levels (<1 dwelling/per 1,000 residents), due to a shortage of construction finance and serviced land with a clear title and planning permit. *In the context of fiscal austerity, it is not surprising that very little new social housing has been provided.* In several countries (Poland, the Czech Republic, Romania and Slovakia) social housing accounts for <10 % of housing completions in the last 5 years, while in most other countries (Albania, Macedonia, Hungary) new small scale social housing programs for marginalised groups have been initiated since 2002. In summary, given the recession in new construction during the last two decades, a large cut back in residential capital has occurred (Tsenkova 2013). The market-based system, despite the recession, is delivering better quality with more variety and choice for consumers, but at a price that excludes most households from access to it (Puzanov 2009; Tsenkova 2009). As a result, the previous shortage of housing has been replaced by a shortage of affordable housing.

In spatial terms, housing market processes are reshaping existing neighbourhoods with new housing targeting the elites, often in gated communities, while the urban poor are left behind in low quality deteriorating housing estates or informal housing (Hirt 2012; Stanilov 2007). Affordability of housing remains the fastest-growing and most pervasive housing challenge (Tsenkova 2012).

Key themes explored

Within this context, the contributions to this special issue address a series of questions related to changing housing systems and their impact on housing affordability and housing inequalities in post-socialist societies. The articles contribute to the literature in the field by bringing in empirical data to illustrate housing policy implementation, by applying ‘new’ theoretical approaches to housing policy analysis or by challenging conventional interpretations of housing transformations in post-socialist countries. The authors explore diverse housing issues in countries such as Poland, The Czech Republic, Romania, Lithuania and Russia. One of the contributions contrasts the role of the state in young adults’ access to housing in Russia

and Sweden, finding surprising similarities. The topics presented range from manifestation of housing inequalities, the demise of social housing, the rise of gated communities, to the market-driven revitalisation of socialist housing estates in post-socialist cities. On the housing policy side, critical issues examined relate to promotion of homeownership through soft mortgage loans, policy regimes creating societies of ‘economically paralyzed’ homeowners, and marketization of housing provision limiting access for young adults. The diversity of topics is deliberate as it aims to illustrate different housing policy trajectories and the range of housing challenges in post-socialist Europe. The articles include a selection of papers presented at a conference in May 2013 at the Centre for Baltic and East European Studies at Soderton University in Stockholm.

Gentile and Marcinczak’s contribution questions the conventional view on increasing socio-spatial polarization after the fall of socialism. The authors argue that the focus of researchers studying post-socialist transformations has been limited to specifics in the development of post-socialist cities, excluding the grey zone of ordinary housing. They also question the view of egalitarian socialist cities, where the distribution of housing was equal, arguing that housing inequalities were prevalent during state socialism and prevailed in the new system. Using census data for Bucharest the authors illustrate that a moderate growth in housing inequalities emerged during the 1990s, based on housing quality attributes, but not in relation to spatial segregation.

New social housing provision in Prague and Warsaw is examined in this special issue by Sasha Tsenkova. The analysis explores the mix of policy instruments in three major policy domains—fiscal, financial and regulatory—and their impact on investment, allocation and institutional arrangements of new public and not-for profit housing in the two cities. The author argues that in the context of decentralization and privatisation, housing policy is inadequate to respond to the growing affordability problems and the needs of the urban poor. Housing privatization continues to reduce the size of public housing and municipalities lack the fiscal resources and expertise to expand the sector. Access to new social housing is limited and the waiting lists are growing. Rent control policies and the lack of effective demand-side support further erode the quality and financial sustainability of

social housing. The experiment with a model of rental housing in mixed income projects managed on a cost-recovery, non-profit basis in Poland was short-lived and its government support eliminated.

The rise of gated housing in Poland and its relation to urban policies developed in the country since 1989 stands in the centre of attention in Polanska's contribution. The popularity of gated communities in Poland is explained by the evolution of regulatory instruments affecting housing and spatial planning. The *laissez-faire* policy changes and economic rationalism, coupled with reduced state intervention in housing, have set the stage for new housing provision in the form of gated communities—a natural response of private developers to the growing demand for by high income residents in Polish cities. An unintended outcome of these policies is the acute need for renovation of large parts of the urban housing stock that is still affordable to low-income households, but tends to be less attractive to the private investor.

Trumbull's article on the revitalization of 'krushchevki'—older housing estates in St. Petersburg—focuses on a new reconstruction program developed by local authorities and private investors with the limited involvement of the residents of these Soviet-built large-scale neighborhoods. The program involves demolition of existing housing and the development of new high quality housing, bringing new people with a different social status to the old neighbourhood. There seems to be a commitment to rehouse the old residents (tenants and homeowners) in this process, although the rules are not necessarily transparent. The author argues that the local authorities apply a commercial approach to the revitalization program, allowing private investors to capitalize on the value of the land and increased density, but with limited public investment and streamlined planning process the opportunities for krushchevki residents to participate are fairly limited.

The other three contributions to the special issue have a more explicit housing policy focus. The classical work of Esping-Andersen on welfare state regimes gets new interpretation in relation to housing policies in the post-socialist context. Aidukaite's article examines the transformation of Lithuania's housing policy by analyzing the levels of de-commodification, stratification and the role of the market, state and family in policy implementation. The critical overview of policy implementation highlights the

discrepancy in housing policy strategies and the actual practice. The author suggests that the Lithuanian policy regime is a liberal one, but with some of the highest levels of homeownership coupled with the highest incidence of low income owners unable to maintain their property and sustain their status.

A rapidly growing mortgage lending is one of the success stories in post-socialist housing policies. Radzimski analyses the impact of housing policies in Poland, and in particular fiscal instruments to promote homeownership by reducing the cost of mortgage interest. The author investigates the impact on housing construction, prices, and affordability in spatial terms. The main conclusion of the paper is that the policies were not necessarily efficient due to complex factors affecting implementation, but more importantly such policies were not equitable. The beneficiaries of governmental support were the wealthier groups of the Polish society. An argument is put forward that a well-developed rental sector would benefit the society as a whole more than the promotion of homeownership.

Kravchenko's contribution explores policy discourses on the role of the state in young adults' access to housing in Russia and Sweden. The type of welfare state affects housing policies and the normative conceptualization of welfare provision for youth. The author views commodification of housing as an outcome of housing policies favoring private ownership and market power. The balance between state and market is shifting in the housing provision systems in both countries. The role of the state as provider of public goods is declining and the role of the young citizens as consumers relying on market mechanisms is increasing. It is argued that the major difference between Russia and Sweden in this respect is the fact that Russia applies selective market measures, while Sweden retains universalistic principles in relation to young adults' access to housing.

Concluding comments

The fall of the socialist system in Central and Eastern Europe involved major changes in the economic system and the introduction of markets, accompanied by significant reshaping of the welfare state. This profound transformation is related to three aspects of the transition process that are particularly important

for post-socialist cities—the transition to markets (systemic economic change), to democracy (systemic political change), and to decentralised systems of local democratic governance. Such changes impacted urban development and housing promoting developer-led restructuring of cities, commodification of housing provision and market driven spatial segregation manifested in the urban space. Suburbanization on one hand, and overcrowding and substandardness in older housing estates and inner city neighbourhood on the other, are new phenomena characterizing post-socialist urban development. The market-based system is not necessarily delivering better quality adequate housing to people that cannot afford it, so housing shortages, overcrowding, and substandard conditions define the housing experiences of the poor and disadvantaged in these cities. Policies introduced with the intention of strengthening of the position of these groups on the housing market fell short, as they approached the problem selectively (see Kravchenko, Radzimski, Polanska), or were not sustainable in fiscal and financial terms (see Tsenkova, Aidukaite). Even if housing inequalities in the first decade of the transition might have been modest (see Gentile and Marcinczak), given the lack of systematic state intervention in housing policy and prevalent neoliberal ideology, the market is likely going to increase housing inequalities and social segregation in post-socialist cities.

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