What is wrong with housing in Eastern Europe today?

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Abstract   The fall of communism in Eastern Europe was one of the most significant and dramatic events in the second half of the 20th century. While it has brought huge improvements in people's lives, it has also led to serious housing shortages, resulting in a severe lack of affordable housing and rapidly rising homelessness. The author discusses the main implications of this and highlights the current situation in two former communist countries. Here he focuses on the approaches taken at a sub-government level, including how communities are working to take control and design and build homes themselves.

Keywords: *housing, communism, homelessness, community-led housing, Bratislava, Slovenia*

INTRODUCTION

If the definition of a good national housing system is one that provides the population with decent housing at an affordable price, many countries in Central and Eastern Europe are failing, with acute affordability pressures and soaring homelessness rates.

In the Slovakian capital, Bratislava, for example, a city with a population of 430,000 people, there are as many street homeless people as in the whole of England (estimated at approximately 5,000 people). Housing in Ljubljana, the capital of Slovenia, has become so expensive that it is thought to be the least affordable city in Europe.

The cause of these seemingly disparate problems stems from events that occurred more than 30 years ago. In fact, it is arguable that they can trace their origins to a soggy picnic in Hungary in the summer of 1989. But more on that later.

What also connects them is that in both cities there is a new generation of people, born since the events of 30 years ago, who are beginning to change things for the better.

HOW DID IT GET LIKE THIS?

The irony is that in the late 20th century in most of Central and Eastern Europe, the housing problems were almost exactly the opposite to what they are today. From the end of the Second World War until the end of the 1980s, most Central and Eastern European countries were under the political hegemony of the Soviet Union. Its doctrine deemed

that new housing development was state-controlled, and the resulting housing retained in state ownership. The philosophy of most communist governments was to have total control of the housing system.

In practice, state resources were not able to totally meet housing demand, and so to a greater or lesser extent in each country, there was an element of alternative forms of provision. This included a small number of housing co-operatives and a small owner-occupied sector. But, overall, the state dominated.

The state-controlled policy had many benefits. It was affordable for people. The Soviet system, for example, set housing rent at 2–4 per cent of income.[1] Housing quality was standardised so that space standards were set for new housing development. Homes were allocated according to family size and as a result, overcrowding was rare. Housing provision was almost complete, and homelessness, if not absent, was at very low levels.

It was not all good, however. Some countries — particularly in the Soviet Union — used housing as a means of state control. For instance, they ensured that people lived where the state needed labour. People were given little, if any, choice about where they lived. Much of the architecture reflected this. Uniform concrete blocks in brutalist style were functional but would probably not have worked in a housing market where tenants had any choice.

In addition to building new housing, many governments brought previously privately owned housing under state control. Although the process was described by the governments as nationalisation, often it occurred without compensation in a form of confiscation.

Housing management was permeated with the state's surveillance systems. Housing was an integral part of state control over people's lives. At the time, the system appeared impregnable and eternal.

It was odd, then, that it all began to fall apart at a rain-soaked picnic in a field in Hungary. On 19th August, 1989, under heavy grey clouds near the Hungarian town of Sopron, a picnic was planned by Hungarian opposition groups to show support for the idea of a Europe free of barriers. East German holidaymakers who were permitted under license to visit Hungary in August were also invited. The location right next to the border fence with Austria was intended to be symbolic. By all accounts the actual picnic was a disaster. Rain extinguished the barbeques, the sausages were left uncooked and the sandwiches went soggy. But something much more important was about to happen. Sensing a lack of interest from the authorities — the police literally turned their backs on the event — the gathering pushed over the border fence. By the end of the day, hundreds of Hungarians and East Germans had crossed the border into Austria and later into West Germany, unimpeded by the authorities. It set in train a sequence of events that toppled communist governments across Central and Eastern Europe.[2]

In reality, the picnic happened at the moment that the whole communist system had begun to crumble. It had been creaking for years. Its principal vulnerability was that the entire system of government was economically unsustainable. Housing shared this weakness. In most countries, state housing was run at a significant loss and was running up debts that were becoming increasingly difficult to manage.

The picnic demonstrated that the authorities were no longer willing to use force to defend the borders with Western Europe and within days, thousands of people had used their newfound freedoms. The roads into Austria and West Germany were opened to an influx of Trabant, Wartburg and Lada cars and families on foot, laden with suitcases walking over

the frontier, visibly overcome with the emotion of what was happening.

The communist governments of Central and Eastern Europe never regained their authority. Within three months the Berlin Wall had fallen and governments from Czechoslovakia to Poland and Romania fell like dominos to revolutions.[3] Within two years, almost all communist governments in Central and Eastern Europe had been replaced. Late in 1991, a failed coup led to the end of the Soviet Union itself.[4]

1990S PRIVATISATION

The governments that replaced communist regimes had their differences, but they all shared a desire for political realignment with Western Europe and economic liberalism. In a practical sense, they all desperately needed to restructure the debt that they had inherited.

Most Central and Eastern European governments were heavily influenced by the World Bank and International Monetary Fund.[5] In return for economic support they were required to refinance the housing debt and state-sponsored housing loans, which by this point were generating massive losses for central budgets. They also required the establishment of new housing policy institutions — including a privatised housing construction sector and a new market-based housing finance sector. The changes were popularly referred to as 'shock therapy'.[6]

So, whether driven by ideology or the need to balance the books, almost all governments adopted similar policies of rapidly selling assets and offloading debt. The policies were undertaken across 28 countries with a total population of over 400m people — making it, arguably, the biggest change in housing policy the world has ever seen.

Within a few years the policies had radically transformed the home ownership pattern. Most countries, spurred by the need to act quickly, introduced 'giveaway' privatisation schemes, with sitting tenants often paying as little as 15 per cent of the market price of the dwelling they inhabited. Countries introduced different schemes to help tenants finance housing purchases, including issuing vouchers (Estonia, Latvia), compensation shares (Hungary), special loans or advance payment schemes.[7] While most countries imposed a time limit on privatisation, the pace of implementation varied widely. The deadline was extended in a number of countries including Hungary, Romania, Latvia and Slovenia, where extended 'right to buy' legislation is still in force today.

By the mid-1990s the tenure mix in all formerly communist countries in Central and Eastern Europe changed from being predominantly publicly owned to be being predominantly private. To date, some 75–95 per cent of national public housing stocks have been sold to sitting tenants under 'giveaway' financial conditions.[8]

SLOVAKIA

Slovakia became an independent republic in 1993 after it separated from the Czech Republic. The country saw one of the most far-reaching house privatisation policies. Today, 95 per cent of housing in Slovakia is in private ownership, the highest rate in Europe; in 1989, it was 50 per cent. And today, just 3 per cent of Slovakia's housing is social housing, one of the lowest rates in Europe.[9]

According to Housing Europe, Slovakia has an acute housing shortage. There are 370 dwellings per 1,000 inhabitants compared with the EU average of 477.

The tiny rental market means that young people often struggle to move to rented accommodation as an intermediate step towards home ownership. The lack of property for rent inevitably keeps the cost of renting high.

Pavol Sabela is the Chief Executive of STOPA Slovensko, a homelessness charity that operates in Bratislava. He says he has an average income: 'I pay half of my salary for my rent. What is bad [is] that you have a temporary tenancy so you never know for how long you will be there.' He goes on to describe how difficult it is to start a tenancy: 'Worst for every person is [the] first step, it is horrible. You must have a lot of money because you must pay, at once, the full price of first month rent, plus one more month, plus deposit … usually more than €3,000. This is [a] horrible start.'

One effect of this is Slovakia has the highest share of young people (aged 25–34) still living with their parents — 57 per cent compared to the EU average of 28 per cent.[10] Pavol explains that this is exacerbated by poverty. Many older people need the rental income from their children in order to survive financially. He says that older people without children are often priced out and forced to sell. 'They have flats … but they have not enough money for food or medicines. This is very sad. A lot of old people [have to] sell their flats.'

For some people, however, there are no housing choices. Slovakia's capital Bratislava has an estimated 5,000 people who are street homeless — proportionally one of the highest rates in Europe.

Pavol explains that Bratislava's current housing problems arose when it became the capital city of the newly independent country:

> 'Bratislava start[ed] rapidly growing. Capital, money comes in, people migrate to city. This is in radical contrast with central and eastern part of the country where you can find "ghost villages" — all young people have left and gone mainly to Bratislava or abroad.'

In Slovakia, along with many other Central and Eastern European countries, there is a particular problem with young people leaving orphanages. Government-run orphanages were widespread in many former communist countries in the region and many still operate in Slovakia. They were provided to house children whose parents could not look after them. Often the reasons for children being placed in orphanages were parents having to (often forced to) move away to find work. There is government financial support, but often it is ineffective. Pavol explains:

> 'Young people leave the orphanage (when) they are around eighteen years old … The government give you €1,000. It is first time when you have that much money and that much freedom. You are young, you have money, you don't have clear plan, you don't have experiences about financial responsibility. You want to try everything. You rent flat but you have money just for one month. It is not enough time for you, but you don't understand it, nobody tells you before. After one month you are lost, you are in bad situation, but it is too late. Streets are waiting.'

He goes on to explain how homelessness is not legally defined in Slovakia so government policy can be unhelpful. For example, social benefits require a permanent address which people who live on the streets do not have.

Housing provision for homeless people in Slovakia is based on the state provision of vast but oversubscribed warehouse dormitory night shelters. These provide a roof over people's heads, but little else. The thinking behind them is to keep people alive, but there is no state effort to help people out of homelessness. Since the beginning of the pandemic, even the shelters have been closed, leaving people with no other option but to sleep on the street.

STOPA Slovensko is one of a new generation of charities that are working

to help homeless people overcome the reasons behind their homelessness, including helping people with complex issues around substance use and alcohol. It is one of the first organisations in the city to offer a complete housing support programme. It provides housing and financial advice to help people into permanent sustainable housing. For the first time, earlier this year two previously homeless people were helped into new low-cost housing.

STOPA Slovensko has pushed for a greater public recognition of homelessness and is campaigning for the government to introduce laws to help homeless people get access to benefits.

SLOVENIA

Slovenia became independent from Yugoslavia in 1991. In the years after independence there was a programme of heavily discounted housing sales. The state sold apartments and houses to occupiers at below market rate. Dwellings that had been confiscated, nationalised, or in other ways expropriated after the Second World War were sold in order to pay compensation for the benefit of the former owners or their heirs. The result of this process was a rapid increase in home ownership. The owner occupation rate rose from 66 per cent to 88 per cent in the ten years after independence. According to Housing Europe, it is now over 90 per cent.

Maša Hawlina is a member of Zadrugator, one of a new generation of housing co-operatives in the Slovakian capital, Ljubljana. It was set up to help young people create their own low-cost housing. She explains how privatisation benefited one generation at the expense of others.

'The privatisation, which gave people the opportunity to buy the flats they were occupying on extremely favourable terms and significantly below value, solved the housing question of only one generation, of course a small percentage of the population was left out. It created a very unfavourable environment for all future generations.

'The current generation who needs housing is faced with two impossible decisions: buying a flat, which is inaccessible to most due to quickly rising housing prices and stagnating wages, and renting on the extremely small, badly regulated and supervised market – which means that there is no security, the quality of housing is often below standard, and the rents and housing costs take up way too much of your income.'

An unexpected side effect of privatisation has been a soaring vacancy rate which, of course, further restricts housing supply. Maša says the housing vacancy rate is officially 20 per cent, but the data is unreliable, it could be higher. Part of the reason is old buildings falling into disrepair because the owners who bought them when they were privatised had no prior experience of the responsibilities of property ownership, and often do not have the income to be able to afford to maintain them. She adds: 'It does not cost anything to own real estate in Slovenia. We do not have a proper real estate tax.' This creates an opportunity for international property speculation. 'People with means sometimes buy luxury apartments but not move into them – they only use it as a repository or sometimes hope for a significant return after selling in some years.'

Maša despairs at the lack of action to resolve the problems:

'The situation is not improving. The state has not had any real housing policies or strategy since the 1990s. The logic behind it was that with the privatisation everyone becomes an owner and therefore housing policies are no longer needed. Which has,

especially in these past few years with the fast–rising housing prices, been proven to be a very stupid political decision.'

Housing Europe agrees. In its State of Housing 2019 report,[11] it notes that Slovenia has one of the lowest housing development rates in Europe. This, alongside the vacancy rate, limits the supply of accessible housing so significantly that it is virtually impossible for anybody, except those on the highest incomes, to be able to afford to buy a home. The rented housing market is one of the smallest in Europe. Demand outstrips supply to such an extent that rental prices, in relation to incomes, in Ljubljana are the least affordable in Europe.[12]

Maša, however, is not a bystander to events. She is a founding member of Zadrugator, a new housing co–operative that aims to right the wrongs. She says:

> 'We want to address the lack and inaccessibility of decent housing and have always advocated for not–for–profit public housing provision. But as this requires, above all, significant political will, we have started looking for other, more community–based, grassroot alternatives. Going through countless examples of housing mechanisms from around the world, we came to realise that not–for–profit rental housing co–operatives are our best bet.'

Zadrugator based its model on the successful 'More than Housing' co–operative in Switzerland, a World Habitat Award Winner in 2016. 'They inspired us because of their accessibility to different social groups, high standards of living, and a high level of resident and local community participation.'

The Zadrugator model is a co–operative model, based on a joint investment by the co–operative members, the provision of the land by the municipality, a loan from the national housing fund and resources from external lenders or investors. The future residents are all co–operative members, owning shares and having full voting rights. They do not own their apartments but will rent them from the co–operative for a not–for–profit rent. Zadrugator estimates that these will be 20–30 per cent lower than the market rent but will be fixed and not rise with the market.

Zadrugator has made significant progress developing its first co–operative housing. It has reached agreement with Ljubljana's local authority for use of land and has advanced funding plans. It is also lobbying the Slovenian government to recognise housing co–operatives in law to make the process easier for subsequent developments. It is working across the wider region with other emerging housing co–operatives in Croatia, Serbia, Hungary and Czechia. Together they have formed MOBA Housing SCE, as a regional network of new co–operatives in Central and Eastern Europe. MOBA's aim is to build the capacity and expertise to launch new developments and be an emerging movement for affordable housing.

Through all the huge changes in housing markets in central and Eastern Europe, one characteristic has always been missing: tenure diversity. In the 1990s one form of mono–tenure was exchanged for another. For all its faults, the great advantage of state–controlled housing systems was that more or less everyone was adequately housed. That is no longer the case — from people priced out of their own city to people forced to live on the streets. Privatisation provided an answer to the needs of one generation but at the expense of the generations that have come after. The vacuum in housing policy has been filled by global capital. International speculators have bought up homes, often leaving them empty, pushing up prices and reducing supply. The challenge for Central and Eastern European governments

is to develop policies that push in the opposite direction, diversifying tenure and ownership.

What is clear is that there are lots of people and emerging organisations ready to help if given the opportunity. From Bratislava to Ljubljana, the generation that the 1990s mass housing privatisation policies have most affected is taking matters into its own hands. For the first time in 40 years there are the beginnings of a new social housing sector in Central and Eastern Europe. It is still very early days, but this could be the start of the biggest change in housing for a generation and hopefully herald as significant a transformation as the soggy picnic in Hungary in 1989.

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