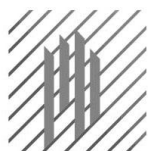


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Metropolitan Research Institute

Housing Needs in Hungary

Commissioned by Habitat for Humanity

Authors:

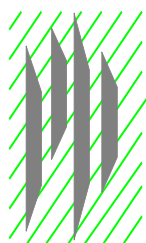
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Executive Summary

1. The nature of social housing problems in Hungary has changed in the last twenty years and converged towards the European definition. Housing policies aim at providing adequate housing in terms of managing *hardship of paying the housing cost for low-income households (affordability)* and abandoning *low quality (substandard) housing*. Before the political transition, Hungarian housing policy discussed housing questions in terms of the „quantitative and qualitative housing shortage” paradigm. Quantitative housing shortage meant the difference between the number of households and the number of housing units, whereas qualitative housing shortage referred to the inadequacy of housing units in terms of size and of quality. Quantitative housing shortage (when the number of households exceeds the number of housing units) dominated in the socialist era, and housing policy strove to maximize the number of newly built housing units. From the second half of the 1980s demographic pressures eased, the rate of urban population growth declined and the aging of the society became a strong demographic factor which influenced housing demand. However, the social and economic changes after transition had contributed to changes of the housing situation: till 2000 households’ income had decreased, state housing subsidies had been drastically cut, housing cost had increased dramatically, and housing investment plummeted.

Providing social housing has become the task of the local governments, but without provision of adequate resources by the central government, thus local governments were interested in getting rid of their social housing stock. Moreover, the 1993 Housing law gave a “right to buy” to the sitting tenant, and as a consequence 85% of the stock was privatized. The share of municipal housing is 4%, while, according to conservative estimates, there will be a need for minimum 300 thousand social housing units (8% of the stock).

2. The **affordability** of housing expenses poses a serious problem for low-income social groups. In 2003 around 500 thousand households were in arrears endangering their security of tenure, but only 150 thousand households received a housing allowance. Today, following modification of the allowance, around 350 thousand households receive it. Due to the price/income ratio, the affordability of adequate housing also poses a serious problem for average families without access to help from parents or family. (Average real estate prices are 5 to 6 times the size of the average income, while this indicator moves between 3-4 in Western Europe.)

The **quality of the housing stock** (energy costs, regional disparity regarding type of housing unit, etc.) is not satisfactory; it does not meet the European standard. 10-12% of the housing stock consists of housing units qualifying as “dwellings without comfort.”¹ Furthermore, over 100 thousand people – perhaps even 300 thousand according to some sources – live on segregated, hardly habitable estates. Panel housing estates have serious structural problems (energy management, lack of individual meters to allow regulation of consumption, etc.).

3. The study using 11 indicators measuring the quality of housing, housing density, the characteristics of the living environment, affordability and satisfaction with housing conditions analysed the housing conditions of social groups according to age, income,

¹ According to Hungarian terminology, dwellings without comfort have a.) a room of min. 12 m² floor space, a cooking premise, and possibility of toilet (latrine) usage outside the dwelling and b.) individual heating c.) potable water. (Yearbook of Housing Statistics, 2007)

household type, education, settlement type, tenure and building type. The main conclusions were:

- a. The groups based on income and education are clearly the most important determinants of poverty housing. That is, the housing conditions of low-income groups with low levels of education are critical in almost every regard.
- b. Generally there is a weak correlation between the various elements of the housing problem and region or type of settlement. Perhaps the situation of Budapest (housing density, environment) and Northern Hungary (affordability) differ from the average.
- c. The analysis of demographic groups shows substantial differences between younger (under 45) and older (over 55) people. That is, different elements of the housing problem are concentrated in the two groups (unlike the income and education variables, where the housing of families in a worse situation grew worse in every dimension). Demographic factors increasing the chances of bad housing conditions are: single-parent families and families with children.
- d. The rental sector is in a critical situation. This includes the situation of people who inhabit housing as a “relative of the owner” as well as the problems of people living in other types of housing.

4. Beyond a macro-level analysis of the housing problem, the study defined four typical situations that increase the probability of poverty housing.

- a. Young families with children, or planning to have children, who have no financial reserves or significant family support, but who do have a stable low or middle income (relatively well-educated, affected by long-term unemployment)
- b. People living in isolated, segregated slum housing (Roma estates, villages situated far from the main transportation system, segregated urban housing), typically unemployed, inhabiting housing in a bad state of repair
- c. Older families typically inhabiting housing that they own (for example, in housing estates), with low income and high utility expenses
- d. Households made up of people leaving various types of institutional care in a variety of circumstances: the homeless, orphans, individuals leaving jail, addicts

In assessing housing policy interventions and predicting the expected effects of housing programs, the basic question is what causes the housing problem. According to economic theory, the cause of the housing problem (in the case of flexible and competitive markets) in the long run is that households living in bad conditions do not have enough income to afford the expenses of adequate housing. The redistribution of income would thus, in the case of flexible supply, automatically solve the housing problem.

There are a number of economic and social factors which lead to serious housing problems: rigid housing market; housing as capital (rather than consumer good); discrimination; extreme differences in income; distorted ownership structure (housing privatization, lack of support policy and neutral tax system); monopolies (banks, providers, etc.); limitations of controlling housing expenses in housing estates and condominiums. However, the individual behavior of households (irrational consumption patterns, irresponsible household finances, tax evasion, maximization of subsidies, unexpected illness, divorce etc.) also plays a role alongside the structural (social) reasons.

5. The study has given an overview of housing subsidy programs and analysed how these programs alleviate the risk of housing poverty. The following programs are the main pillars of the Hungarian housing subsidy system: a, subsidies in support of homeownership; b, programs to promote the increase of the rental stock; c. housing programs and regional interventions in support of renovation and modernization; d. housing allowances and arrears management programs. The study concluded that a large part of the housing policy tools in effect and available in 2009 were ineffectual in dealing with many complex housing and particular living situations.

6. The authors concluded that in order to increase the social effect of the housing policy the efforts of public, private and non-profit institutions committed to social housing should be coordinated to influence the decision makers – a lobby for social housing should set up. Large-scale housing programs are not realistic in the current economic situation, but there are several moves that could improve the social housing policy. First of all, the legal and institutional framework for social housing policy has to be improved. For example, it would be important to have a nationwide definition of social housing, which would make the implementation of a more efficient social housing policy possible after the economic recovery. Social housing should include the regulated private rental sector, and even certain forms of “low-cost housing”. Parallel to the legal changes, the institutional capacity should be improved to prepare the government (central and local) for the operation of the reformed social sector. Cooperation among the social landlords (typically asset management companies of the municipalities) could lead to a strong reform proposal in terms of the allocation of the vacated and new units, rent settings, management of arrears, etc.

Introduction

Habitat for Humanity commissioned a background study on current housing conditions in Hungary, with a focus on the housing problems of disadvantaged social groups. For the purposes of examining the very complicated problem of poverty housing, we conducted secondary analysis of national surveys and databases. However, a macro-sociological approach based on these survey data is not adequate to the task of clarifying the housing issues of important social groups, which are represented by a relatively low sample size. (For example, people who live in segregated settlements, have been released from jail, leave the care of an institution, etc.) We also do not analyze the housing conditions of the Roma population separately, as the Data Protection Act forbids the inclusion of information regarding ethnicity in social surveys. The study also does not deal with the important problem of homelessness, which can only be analyzed by targeted investigation. Our results are thus to be interpreted within these constraints.

The housing statistics data used in this article draws significantly on the 2007 EU Survey on Income and Living Conditions (EU-SILC) housing data. This is currently the most complete database, based on information from 8700 households. To determine the borders of segregated residential areas, we used block data from the 2001 Census regarding settlements of a population above 20 000. We used the 2003 KSH (*Központi Statisztikai Hivatal*, Central Statistical Agency) housing survey to estimate orders of magnitude for the types of housing problems defined in the study.

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1 The Nature of Housing Problems

1.1 *An international approach to housing problems*

A number of international legal documents deal with the issue of housing. As a result, international treaties have come to enforce the right to housing (as a basic social and cultural right – UN) more vigorously. This occurred as enormous slums (inhabited by 30% of the Earth's population) emerged in developing countries, where urban infrastructure investment could not keep pace with the increase in urban population, leading to serious social problems. UN documents on housing were strongly influenced by such social problems in the Third World, which include substandard housing conditions as well as the legal security of the right to housing, as the development of residential areas took place largely illegally, without permits of any kind.

The UN Committee on Economic, Social and Cultural Rights offered a legal opinion² in 1991 (General Comment No. 4) interpreting the *concept of adequate housing*, which should be the starting point of housing policy in all countries. It contained the following elements:

1. legal security of tenure (protection against forced eviction)
2. availability of services, materials, facilities (drinking water, energy, sewage, heating, lighting, etc.);
3. affordability (costs associated with housing should be at such a level that the attainment and satisfaction of other basic needs are not threatened or compromised);
4. habitability (basic qualitative and quantitative elements to guarantee adequate space and protection them from cold, damp, heat, rain, wind or other threats to health);
5. accessibility (with particular attention to disadvantaged groups such as the elderly, children, the physically disabled, the terminally ill, HIV-positive individuals, victims of natural disasters, etc.);
6. location (allowing access to employment options, health-care services, schools, child-care centers and other social facilities);
7. cultural adequacy (the way housing is constructed, the building materials used and the policies supporting these must appropriately enable the expression of cultural identity and diversity of housing).

The European Federation of National Organizations Working with the Homeless (FEANTSA), a European advocacy organization for the large number of people threatened by or living in homelessness, developed a different classification concerning the deficiencies of adequate housing conditions. This typology identifies 13 categories of threatened groups, such as individuals living in extreme overcrowding, in substandard housing, in temporary structures (for example in mobile homes), in insecure accommodation (for example with friends, without legal (sub)tenancy, or occupying land illegally), individuals in the various stages preceding or following homelessness, as well as people receiving services for the homeless. The typology of the FEANTSA practically includes the entire group of people from

² The main relevant international human rights provisions on which it is based can be found at: <http://www2.ohchr.org/english/issues/housing/standards.htm>

those living on the streets to those living (potentially even as the owner) in inadequate housing.

Social housing programs in European countries select a few elements of the above definition of „adequate” housing to define their objectives and toolkits. It is clear that this can cause them to follow very different policies. What the housing policies of developed countries have in common is that they have been discussing housing problems for the last few decades in terms of *hardship paying the housing cost of low-income households (affordability)* and *living in low quality (substandard) housing*. Social housing programs also deal with ever more specific problems such as the housing conditions of people living in poor quality segregated estates or slums (“very social” housing problems), or the problem of key workers (government employees living in major cities, who cannot afford the urban housing costs).

1.2 The housing problem: affordability and acceptable housing conditions

We have also selected two elements to consider from the definition proposed by the UN Committee. The first of these is affordability, the question of whether households are able to afford socially acceptable („adequate”) housing and whether the housing expenses represent a financial burden that endangers the day-to-day subsistence of families. The second is lack of adequate housing, when a household’s living conditions are socially unacceptable (substandard housing).

Specific situations can make other elements of the adequate housing concept relevant. *Legal security* is not a mass problem in the Hungarian housing system, but it is an existing phenomenon. (See: the housing mafia, illegal occupation, etc.) The *cultural factor* can be relevant if the lifestyle of a social group comes into conflict with the physical conditions of their housing and its vicinity. This is, however, a contradictory criterion, difficult for housing policy (and politics) to define.

The basic questions of practical housing policy are

1. What do we consider acceptable (adequate) housing conditions?
2. How do we define an acceptable level of household expenses?

Based on the above, poverty housing can be described using the following indicators:

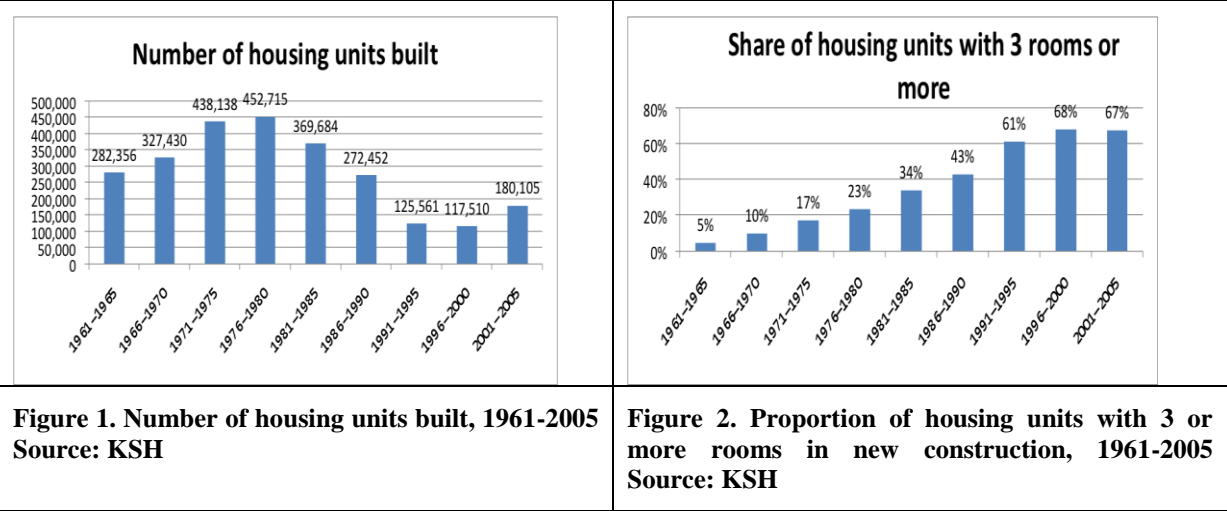
- a. the rate of household expenses to household income to measure affordability;
- b. housing quality, measured in terms of availability of public utilities, crowding, presence of hazards.

1.3 The end of the „quantitative and qualitative housing shortage” paradigm

Before political transition, Hungarian housing policy discussed the housing question in terms of the „quantitative and qualitative housing shortage” paradigm. Quantitative housing shortage meant the difference of the number of households and the number of housing units, whereas qualitative housing shortage referred to the inadequacy of housing units in terms of size and of quality. Quantitative housing shortage dominated in the socialist era, and housing policy strove to maximize the number of newly built housing units. The target of a 15 year housing program started in 1960 was to build 1 million housing units, and the following 5 year plans also emphasized new construction. This trend persisted until the second half of the 1980s, when demographic pressures eased and the rate of urban population growth declined. This enabled political leaders to accept housing policy objectives which emphasizes less on new construction and to see urban rehabilitation as a social problem in major cities. New

construction reflects not only demand, but also, among many other factors (supply of land and building materials, capacity etc.), the possibilities of the economy. The aging of society is a further factor with a strong effect on housing demand, which housing policy cannot neglect.

The statistics illustrate the new trend quite clearly. 900 thousand housing units were built between 1970 and 1979 as compared to 630 thousand in the following decade. However, the proportion of housing units with three rooms or more (a measure of quality) grew from 20% to 38% in the 80s, nearly doubling their share in new construction.



Demographic circumstances and the size and composition of housing investments determine the quantitative indicators of housing conditions. The number of housing units grew from 3.5 million to 4.3 million between 1980 and 2008, while the urban population only increased by 4% (from 65% to 69%). Urbanization thus put only moderate pressure on the urban housing market.

The qualitative problems with the housing stock are clear from the fact that 40% of housing units in 1980 had no bathroom, and 27% had only one room. Although quantitative growth between 1980 and 1990 was significant, albeit less so than in the previous decade, qualitative changes dominated during the following 20 years. The number of people per room decreased from 1.6 to 1.1 between 1980 and 1990. The process of qualitative improvement slowed in the 1990s, but piped gas availability grew from 40% to 70%, the ratio of housing units connected to the communal sewer system grew from 43.8% to 57.2%, and the proportion of housing units with flush toilets and bathrooms also grew.

Table 1. The composition and characteristics of the housing stock, 1980-2008

	1980	1990	2001	2008
Entire housing stock (in millions, both inhabited and uninhabited)	3,5	3,9	4,1	4,3
in Budapest	21%	21%	20%	20%
in other cities	44%	42%	46%	49%
in villages	36%	38%	34%	31%
Number of rooms				
1	27%	17%	13%	12%
2	49%	44%	41%	40%
3	21%	29%	31%	31%
4 or more	3%	11%	15%	16%
Proportion (%) provided with				
piped gas	25.1	40.2	68.3	69.9
running water	57.1	78.0	88.6	89.4
sewers	66.8	83.8	91.0	91.7
communal sewers	36.6	43.8	55.6	57.2
bathroom or lavatory	59.2	78.3	88.7	89.7
flush toilet	52.5	74.1	85	86.3
Number of persons per room	1.6	1.1	1.0	0.9

Source: KSH

The paradigm of quantitative and qualitative housing shortage can only provide a rough demonstration of the basic underlying pattern, since the housing problem is also closely related to the uneven distribution of the population and the housing stock. Regional issues must be considered in the analysis of quantitative housing shortage, as housing shortages are typical of fast-developing regions, while declining regions present a surplus. Quantitative housing shortage thus still poses a problem in developing regions, whereas underdeveloped regions are „inflicted” with a housing surplus. The spatial distribution of the shortage is apparent in the divergence of housing prices, which renders mobility more difficult.

The number of housing units standing empty, which can be calculated from the Census data every ten years, is an important indicator for housing statistics. 4 million and 70 thousand housing units were registered in the 2001 Census, of which 341 thousand were empty at the time of the survey. This means that the proportion of uninhabited housing units has doubled since 1990, going from 4% to 8% of the total housing stock. For municipal housing, the proportion of empty housing units is around 6%.

1.4 Characteristics of the social rental sector

One of the most important elements of the housing problem is the lack of social rental housing, which is largely the consequence of housing privatization. 721 thousand housing units were in municipal ownership at the beginning of 1990, 85% of which were privatized to sitting tenants. In the following 17 years, municipalities bought or built no more than a total of 36 thousand housing units. Taking housing demolition into account, there were barely 140 thousand housing units in the public rental housing stock at the end of 2007 in Hungary.

Table 2. Changes in housing stock in municipal ownership, 1990

		Municipal housing, thousand apartments	
Housing stock, beginning of 1990		721.3	2001 Census
Sales	1990 - 2007	605.6	KSH regular housing statistics
Housing construction		12.7	
Housing demolition		10.8	
Purchases		23.8	Expert estimate
Housing stock, end of 2007		140.9	KSH municipal real estate asset statistics

Source: KSH

Public rental housing is concentrated in the cities; 69% of the stock is to be found in Budapest and in cities with county rights.³ There is almost no rental housing in villages, with only 1% of their housing stock owned by the municipality. This difference according to type of settlement is striking compared with differences in regional or county distribution.

Table 3. Municipal housing stock according to settlement type, January 1 2009

	All housing units	Municipal apartments	
		number	proportion
1 Budapest	881000	51284	5,8%
2 Cities with county rights	881345	44577	5,1%
3 Cities	1237807	27573	2,2%
4 Villages	1302675	13346	1,0%
Total	4302827	138451	3,2%

Source: KSH

The distribution of municipal housing stock also differs according to region, but, as there is little public rental housing throughout the country, regional differences do not make relevant sociological facts in and of themselves. In regional terms, the share of municipal housing in the housing stock is the lowest in Central Transdanubia (1.9%) and highest in Central Hungary (1.9%). Comparing counties other than Budapest, the share of municipal housing is highest in Győr-Sopron county (4.0%) and lowest in Pest county (0.9%).

³ Cities with a population exceeding 50 thousand and county capitals enjoy a special legal status in Hungary.

Table 4. Regional distribution of municipal housing, 2007

	Number of flats owned by the municipality (2007)	Number of housing units ⁴ (2008)	Share of municipal flats
Budapest	52 434	872 177	6,0%
Pest	3 929	435 455	0,9%
Central Hungary	56 363	1 307 632	4,3%
Fejér	2 413	167 322	1,4%
Komárom-Esztergom	4 265	123 826	3,4%
Veszprém	1 801	147 573	1,2%
Central Transdanubia	8 479	438 721	1,9%
Győr-Moson-Sopron	7 216	179 189	4,0%
Vas	4 231	108 599	3,9%
Zala	2 780	124 390	2,2%
Western Transdanubia	14 227	412 178	3,5%
Baranya	5 658	163 706	3,5%
Somogy	2 881	136 991	2,1%
Tolna	1 407	98 286	1,4%
Southern Transdanubia	9 946	398 983	2,5%
Borsod-Abaúj-Zemplén	9 636	285 521	3,4%
Heves	2 062	133 693	1,5%
Nógrád	2 328	89 742	2,6%
Northern Hungary	14 026	508 956	2,8%
Hajdú-Bihar	5 291	222 488	2,4%
Jász-Nagykun-Szolnok	3 402	171 436	2,0%
Szabolcs-Szatmár-Bereg	3 639	218 010	1,7%
Northern Great Plain	12 332	611 934	2,0%
Bács-Kiskun	3 768	236 875	1,6%
Békés	2 888	167 239	1,7%
Csongrád	7 292	187 979	3,9%
Southern Great Plain	13 948	592 093	2,4%
Total	129 321	4 270 497	3,0%

Source: KSH

In the course of the privatization process which took place after the political transition, there was higher demand for better quality housing. Remaining flats were in a worse state of repair, and tenant households generally had multiple social problems. The remaining social rentals were often concentrated in worse parts of the city, and the allocation system also contributed to the residential segregation of disadvantaged households.

Very few municipal flats could be renovated or modernized. Municipalities barely have the resources to do small-scale maintenance work; such work was done in 50 thousand municipal rental flats in 2007. The following table shows the relevant data, including information concerning building.

⁴ Entire housing stock, including empty apartments.

Table 5. Work done on municipal flats and corresponding expenditure, 2007⁵

	Number of apartments	Expenditure, million HUF
Modernization and renovation of rental flat	798	1806
Modernization without renovation of rental flat	168	178
Maintenance work	50299	5207
Building renovation	1109	6075
Building renovation without modernization	1479	1370

Source: KSH

The municipality (the owner) has the right to set the **rent** under the Housing Law – no rent control exists in Hungary. Most municipalities determine the rent separately for each apartment according to local ordinances, which generally contain a modifying factor taking the apartment’s condition, location within the building, the building’s facilities, etc. into account. Public housing rents are much lower than in the private sector, usually reaching 20-40% of private rents. This ratio varies from settlement to settlement.

The size of the gap between demand for social housing and available social housing stock is growing. A conservative estimate puts demand at 300 thousand apartments (8% of total housing stock), that is, the living situation of this many households would justify accommodation in social housing. Reflecting demand, there is always a multitude of applications when a municipal flat becomes vacant. The non-obligatory waiting lists indicate that an estimated 45 thousand requests have been registered. By contrast, no more than 1-2 thousand municipal flats are allocated nationally per year.

Municipalities employ a variety of methods to allocate social housing, the two main techniques being waiting lists and special bidding systems. There is generally an income criterion, which is offset by assorted other criteria (no private assets owned by the applicant, minimum period of stay in municipality, etc.). In the bidding systems, solvency is the most authoritative criterion, and solvent applicants are generally at an advantage.

1.5 Critical points in the housing system

Housing policy had a low priority right after political transition. Programs which decreased the budget burden (such as housing privatization or increasing the interest on old mortgages) and reforms which required no immediate budgetary expenses (development of housing finance institutions) took priority.

Housing policy from 2000 on sought to develop a mortgage-based housing finance system, to increase the significance of rental housing and particularly social rental housing, and to modernize the existing housing stock. The program had measurable results in starting mortgage-based loans, and thus strengthened the private housing sector, although whether the program had any economic or social benefits relative to its costs is questionable. The public

⁵The table contains data from municipalities where the number of flats owned by the municipality exceeds 10 (in 2001 or 2007): in total 135 thousand apartments in 833 settlements.

rental housing program basically ran out of steam by 2004. In terms of renovation, the panel⁶ program started after 2004 brought significant results.

The **affordability** of housing expenses poses a serious problem for low-income social groups. This is not only because of low income (due to unemployment or to particular disadvantaged situations such as health problems), but also because of the differing costs associated with different types of housing stock (for example, the cost of district heating in housing estates might be 50-80% higher than in an urban tenement house). International experience shows that there is an affordability problem when housing expenses exceed 30% of household income. By contrast, over 20% of Hungarian households spend a greater share of their income on housing. In 2003, around 500 thousand households were in arrears endangering their security of tenure, but only 150 thousand households received a housing allowance. Today, following modification of the allowance, around 350 thousand households receive it.

Due to housing privatization during the 90s and the incentives related to taxation and subsidy structure, the **proportion of public rental housing** had decreased from 22% to 4% by 1999, and has stagnated ever since. Private rentals make up 4% of the housing stock, giving the entire rental sector a total share of 8%. By contrast, the proportion of rentals in old member states of the European Union is typically between 20-40%. As the municipal housing stock that social housing policy has traditionally relied on contracted, no comprehensive social housing system evolved for low-income households. Housing allowances and rent allowances are structurally separate entities on both the central and the local levels, and their significance is marginal for the time being. Their share is around 2% in governmental housing expenses, while this ratio is around 30-50% in Western European countries.

Due to the **price/income ratio**, the affordability of adequate housing also poses a serious problem for average families without access to help from parents or family. (Average real estate prices are 5 to 6 times the size of the average income, while this indicator moves between 3-4 in Western Europe.)

Affordability is influenced by incomes, mortgages and real estate prices. Affordability has improved since 1998 despite the fact that real estate prices rose more rapidly than earnings. According to the housing affordability index, the average household can now afford 50-60% of the median priced home's value with a mortgage loan, assuming a 20% down payment. In 1999 this ratio was only 20-30%, showing the swift pace of improvement. However, it is still far from the 80-90% ratio typical in Western European countries.

Despite the low level of housing construction in the 90s, there is no longer a quantitative housing shortage in Hungary. The problem today is that the quality of the housing stock (energy costs, regional disparity regarding type of housing unit etc.) is not satisfactory; it does not meet the European standard. **10-12% of the housing stock consists of housing units qualifying as "dwellings without comfort."**⁷ Furthermore, over 100 thousand people – perhaps even 300 thousand according to some sources – live on **segregated, hardly habitable estates**. Panel housing estates have serious structural problems (energy management, lack of individual meters to allow regulation of consumption, etc.) Housing estates; decrepit old city districts; villages at a disadvantage in terms of infrastructure, in

⁶ Housing estates built between the beginning of the 1960s and the end of the 1980s using prefabricated technology.

⁷ According to Hungarian terminology, dwellings without comfort have a.) a room of min. 12 m² floor space, a cooking premise, and possibility of toilet (latrine) usage outside the dwelling and b.) individual heating c.) potable water. (Yearbook of Housing Statistics, 2007)

which many homes stand empty because inhabitants move away; and estate-like, barely habitable, isolated settlements all require different solutions.

The **legal and institutional framework for a modern housing market** was created in the early 90s, but in many aspects no longer meets European standards, and requires revision. Legal security of tenure, the complexity of housing subsidy systems, the lack of reliable and accessible information concerning the housing market, the deficiencies in the monitoring of housing programs, the obstacles lying in the way of efficient condominium use, and the lack of regulation in private lending are all critical points. The low housing mobility typical of the country is partly due to these factors.

In conclusion, the so-called “quantitative housing shortage” disappeared from the Hungarian housing system at the beginning of the 1990s. Poverty housing is the main problem today, of which we identify the following components:

- housing unit’s degree of comfort unacceptable (lack of basic comfort features: bathroom and toilet);
- housing unit in bad state of repair (neglected, not renovated, etc.);
- location of housing unit poses problem (accessibility, difficult neighborhood, etc.);
- size of housing unit inadequate (overcrowded, high density housing);
- limited access to housing, lack of affordable rentals;
- housing expenses not affordable.

In our analysis, we first operationalise the dimensions of critical housing conditions, and examine to what degree various socio-demographic groups and households occupying different positions in the country’s settlement- and housing structure are vulnerable to poverty housing. We define groups according to their living situations, which we primarily describe by means of qualitative methods. We then provide an overview of the causes of poverty housing and the types of programs aimed at counteracting it.

2 An empirical analysis of housing conditions

We distinguish three larger analytical sections: socio-demographic position, position occupied in the Hungarian housing- and settlement system (“housing classes”) and housing conditions. We assume that a family’s housing conditions are basically defined by their socio-demographic position and their position within the housing system. We are hoping to define the relationship between the background variables and housing quality, and, more specifically, to define certain “socio-demographic/settlement/housing positions” which lead to poverty housing.

We work with 7 background variables: age, income, household type, education, settlement type, tenure and building type. We describe housing conditions using 11 variables, which measure quality of housing, housing density, the characteristics of the living environment, affordability and satisfaction with housing conditions. We first analyze these dimensions and then examine the relationships between them.

Table 6. The variables used in the analysis

Socio-demographic elements	Apartment- and settlement structure	Housing situation				
		Housing quality	Housing density	Neighbourhood	Affordability	Satisfaction
Age	Settlement-type	1. Bathroom & toilet	3. Density (person/room)	5. Noise and pollution	8. Housing expenses/income	12. Very dissatisfied
Income	Ownership structure	2. Quality	4. Density (m2/room)	6. Vandalism	9. Households in arrears	13. Dissatisfied
Family type	Apartment-type			7. Accessibility	10. Cannot afford heating	
Education					11. Housing expenses burdensome	

2.1 Housing conditions

We analyze housing conditions according to four aspects drawn from the UN definition of adequate housing: quality of housing, neighbourhood characteristics, housing density and affordability. We complement these aspects with one further feature; we include information regarding general satisfaction with housing from the statistical survey.

We define the indicator measuring **housing quality** as:

- the quality of the housing unit: comfort (whether there is a bathroom/toilet in the flat)
- the quality of the building: whether the housing unit is dark, whether the building has structural faults (leaks etc.)

The following figures show the distribution of the background variables and the indicators derived from them.

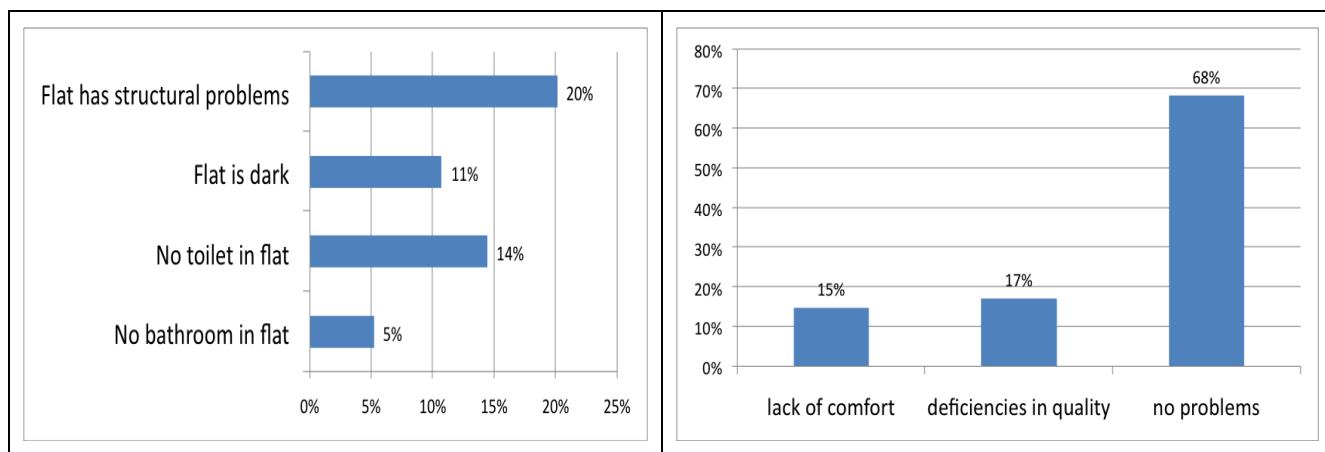


Figure 3. Indicators of housing quality and background variables Hungary, 2006

Source: SILC

5% of housing units have no toilet, and the bathroom is missing in 14% of housing units. Altogether, there is a lack of basic comfort features (i.e. either bathroom or toilet is missing) in 15% of housing units. A further 17% have basic comfort features but are dark or have structural problems.

Housing density is a further important factor for the assessment of housing quality. We measure it using two variables: number of people per room, and useful floor area per person.

Table 7. Indicators of housing density

	Minimum	Maximum	Average	Deviation
Number of people per room	0.1	10.0	1.1	0.6
Useful floor area per person (m ²)	3	200	38	22

Source: SILC Hungary, 2006

On average, 1.1 person lives in a room, and one person has 38m² worth of space. The two variables are generally correlated, although there are also housing units with many very small rooms, as in housing estates.

We use three indexes to describe the **living environment**: state of the environment, vandalism, and accessibility of services in the neighborhood.

The first index is based on information concerning pollution, including noise pollution. 13% of respondents said that their neighborhood was loud, and 14% had problems with litter or pollution. At least one of the problems occurred in 22% of the cases. The second environmental index refers to vandalism and crime in the neighborhood. 13% of respondents noted incidences of vandalism or crime.

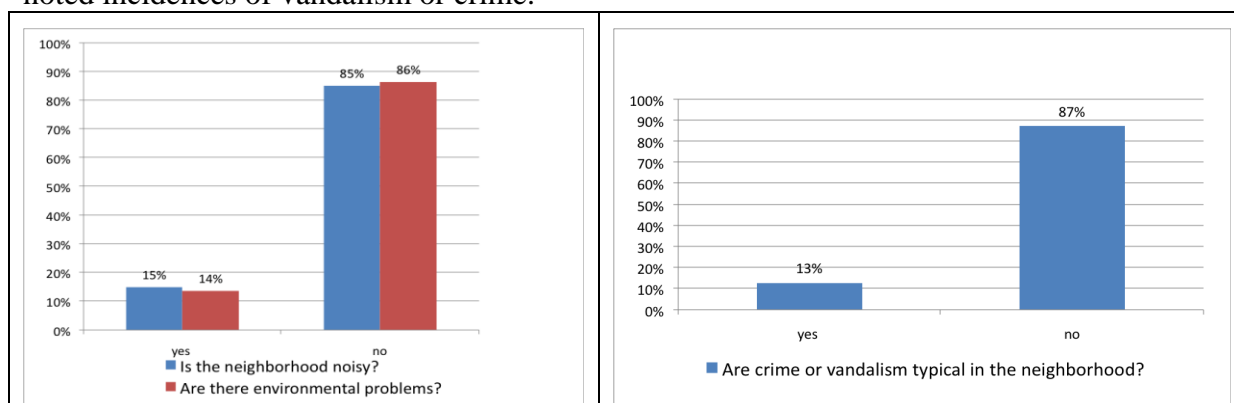


Figure 4. Background variables: living environment I.

Source: SILC Hungary, 2006

The third index measures the accessibility of services in the neighborhood. The index is calculated based on the accessibility of 6 institutions: elementary school, health facility, public transport, post office, bank, and grocery store.

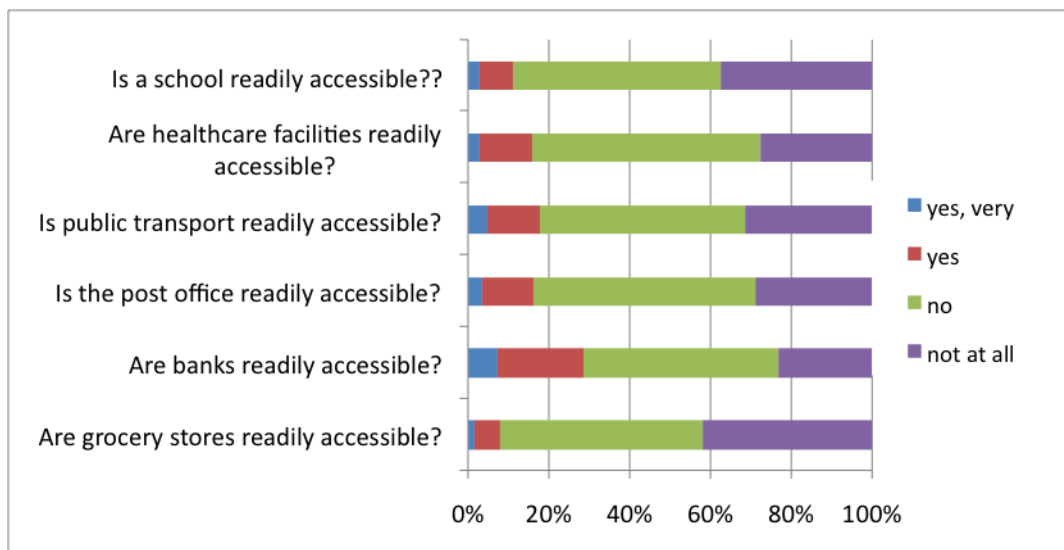


Figure 5. Accessibility of institutions

Source: SILC Hungary, 2006

Each institution is represented with equal weight in calculating the index. The index value was obtained from the average of the point values associated with the answers (yes, very = 1; yes = 2; no = 3; not at all = 4).

	Minimum	Maximum	Average	Deviation
Accessibility index	6,0	24,0	18,1	3,2

We define **affordability** in two different ways. We first measure **objective affordability** with the help of two indicators:

- the housing expenditure/income ratio: total housing expenditure (rent, utility bills, apartment maintenance, mortgage etc.) divided by entire household income
- incidence of arrears: the household was considered to be in arrears if one or more of the following was not paid on time in the previous 12 months due to lack of funds: mortgage, rent, utility bills, instalment for product bought on credit, mortgage instalment.

On average, households spend 28% of their income on housing, and nearly 20% of households spend over 30% of their income on housing – these households can be said to be in a critical position, according to a rule of thumb commonly used in housing policy literature. 16% of households were in arrears in the previous year.

Table 8. Housing expenditure/income quotient: distribution of households and proportion of households in arrears per group

Housing expenditure/income	Distribution of households	Proportion in arrears
Under 10%	11,5%	11%
11-20 %	44,0%	14%
21-30%	24,8%	18%
31-40%	9,9%	19%
Over 41 %	9,8%	23%
Total	100%	16%

Source: SILC Hungary, 2006

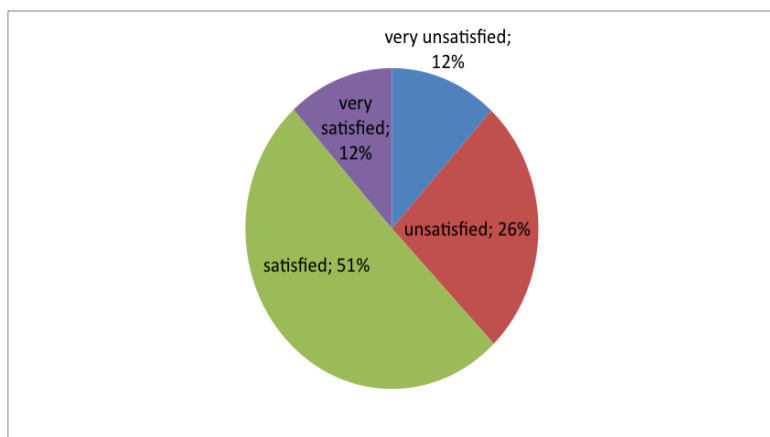
A high housing expenditure/income ratio raises the likelihood that a given household is in arrears, but the relationship is not strictly predictive. The proportion of households in arrears is only 5% higher among families with a housing expenditure/income ratio exceeding 41% than in the case of families whose housing expenses make up 21-30% of their income.

In addition to objective factors such as arrears, we also define “subjective indicators” of affordability:

- Families who said they could not afford heating have affordability problems. 12% of households reported not being able to afford heating.
- Families who consider housing expenses as a particularly heavy burden. A specific question in the survey concerned housing expenses and mortgage instalments. 33.7% of households reported that these expenditures represented a strain on their finances.

The indicator concerning **general satisfaction** with housing had the following distribution:

Figure 6. Satisfaction of households with their housing conditions



Source: SILC Hungary, 2006

The variables describing housing conditions define different kinds of critical situations. However, affordability problems do not necessarily occur concurrently with qualitative problems, or environmental problems with housing density issues, etc. In fact, even indexes describing the same dimension of the housing condition do not necessarily occur together.

2.2 Housing conditions of socio-demographic groups in different regional and housing positions

We examine the above 13 indicators according to certain categories of the other two dimensions, position occupied in the housing system and socio-demographic characteristics. In order to facilitate interpretation and illustrate the interrelations as clearly as possible, we have created a table which shows deviation from average values towards poverty housing as ‘+’ or ‘++’ and towards better-than-average housing as ‘-’ or ‘--.’

Table 9. Indexes of housing condition according to socio-demographic groups

	Housing quality		Housing density		Neighborhood			Objective afford.		Subjective afford.		Satisfaction		(%)
	lack of bath and WC	condition of building	no. of persons per room	m ² per person	Noise, litter	Crime, vandalism	Accessi-bility	Housing cost / income	Share of hh in arrears	Cannot afford heating	Housing costs are hardship	very unsatisfie d	unsatisfie d	
Age														
- 35	12%	17%	1,32	29	23%	11%	18,2	32%	23%	9%	34%	14%	30%	15,0
36-44	13%	17%	1,36	26	21%	12%	18,1	21%	23%	10%	34%	13%	25%	17,6
46-54	14%	17%	1,10	33	20%	11%	18,1	34%	22%	13%	38%	12%	26%	21,4
56-64	14%	17%	0,89	43	21%	14%	18,1	25%	12%	13%	34%	11%	25%	19,9
65-74	17%	16%	0,78	48	24%	15%	18,0	28%	7%	12%	32%	11%	24%	15,1
75 -	22%	19%	0,74	51	24%	14%	17,9	26%	3%	13%	27%	10%	25%	10,9
Total	15%	17%	1,05	37	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Family Type														
single	19%	19%	0,54	63	24%	14%	18,2	41%	10%	16%	35%	11%	27%	24,4
married with children	12%	15%	1,53	22	20%	12%	17,8	30%	24%	10%	34%	13%	27%	27,2
married, no children	12%	15%	0,99	35	20%	12%	18,3	20%	10%	9%	27%	11%	23%	32,8
single-parent family	16%	23%	1,31	25	24%	15%	18,1	25%	31%	15%	51%	13%	30%	6,4
other	18%	22%	1,00	33	24%	13%	18,1	23%	18%	13%	41%	12%	28%	9,2
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Income percentiles														
1	26%	19%	1,52	30	23%	18%	17,3	92%	43%	23%	53%	18%	32%	9,9
2	19%	19%	1,33	30	19%	14%	17,5	28%	27%	18%	46%	12%	29%	10,0
3	17%	18%	1,17	35	21%	15%	17,7	26%	18%	13%	39%	11%	28%	10,0
4	16%	18%	1,07	37	20%	13%	17,7	24%	15%	15%	39%	11%	30%	9,7
5	16%	17%	0,97	39	21%	11%	17,9	23%	12%	10%	36%	11%	24%	9,8
6	13%	15%	0,97	39	21%	13%	18,0	21%	10%	12%	32%	10%	26%	9,9
7	11%	15%	0,94	39	23%	12%	18,2	20%	10%	9%	29%	12%	25%	9,9
8	9%	16%	0,89	40	24%	12%	18,5	20%	8%	7%	27%	11%	23%	10,1
9	10%	16%	0,87	41	23%	10%	18,8	17%	9%	6%	21%	12%	22%	10,3
10	10%	17%	0,79	44	23%	10%	19,2	13%	6%	3%	16%	12%	20%	10,4
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Education														
primary	33%	17%	0,93	47	22%	16%	17,4	27%	13%	18%	40%	11%	28%	7,6
lower secondary	22%	19%	1,10	41	20%	16%	17,4	27%	22%	18%	42%	11%	29%	18,9
upper secondary	12%	17%	1,09	35	22%	12%	18,1	31%	16%	11%	34%	12%	26%	56,1
upper	9%	17%	0,92	39	22%	10%	19,0	21%	10%	5%	21%	13%	22%	17,4
Total	15%	17%	1,05	37	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Region														
Central Hungary	14%	23%	1,05	35	27%	17%	18,4	27%	16%	10%	36%	13%	29%	30,0
Central Transdanubia	13%	13%	1,05	36	17%	10%	18,2	44%	16%	5%	32%	14%	24%	10,6
Western Transdanubia	11%	16%	1,08	37	22%	7%	18,4	29%	8%	4%	26%	12%	23%	9,5
Southern Transdanubia	16%	16%	0,97	38	21%	11%	17,7	26%	14%	9%	31%	9%	25%	9,4
Northern Hungary	17%	17%	1,05	39	24%	15%	17,8	25%	21%	21%	41%	13%	31%	12,2
Northern Great Plain	12%	14%	1,11	38	17%	11%	18,0	24%	17%	13%	32%	9%	20%	14,5
Southern Great Plain	20%	13%	1,01	41	18%	12%	17,8	26%	17%	18%	33%	11%	25%	13,7
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Type of settlements														
Budapest	13%	26%	1,06	34	31%	19%	19,0	28%	16%	10%	34%	13%	30%	19,5
county seats	8%	16%	1,01	35	22%	11%	18,8	22%	12%	13%	33%	12%	24%	20,7
towns	14%	16%	1,07	38	21%	12%	17,7	35%	18%	12%	34%	12%	28%	27,4
villages	20%	13%	1,06	41	17%	11%	17,4	27%	17%	12%	34%	11%	23%	32,5
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Dwelling type														
family house	17%	14%	1,03	41	18%	12%	17,3	26%	16%	13%	34%	12%	23%	57,0
row house	16%	23%	1,13	37	22%	14%	17,3	53%	19%	13%	34%	15%	26%	7,9
multi-family house <10	13%	27%	1,08	33	27%	14%	18,5	33%	15%	11%	30%	14%	23%	4,2
multi-family house >10	9%	20%	1,06	31	28%	14%	19,7	25%	14%	9%	34%	10%	30%	30,3
other	61%	8%	1,60	26	35%	26%	17,1	60%	33%	40%	53%	20%	46%	5

Source: SILC Hungary, 2006

Table 10. Characteristics of housing condition according to socio-demographic and housing groups

	Housing quality		Housing density		Neighborhood			Objective afford.		Subjective afford.		Satisfaction		(%)
	lack of bath and WC	condition of building	no. of persons per room	m ² per person	Noise, litter	Crime, vandalism	Accessi-bility	Housing cost / income	Share of hh in arrears	Cannot afford heating	Housing costs are hardship	very unsatisfie d	unsatisfie d	
Age														
- 35	12%	17%	1,32	29	23%	11%	18,2	32%	23%	9%	34%	14%	30%	15,0
36-44	13%	17%	1,36	26	21%	12%	18,1	21%	23%	10%	34%	13%	25%	17,6
46-54	14%	17%	1,10	33	20%	11%	18,1	34%	22%	13%	38%	12%	26%	21,4
56-64	14%	17%	0,89	43	21%	14%	18,1	25%	12%	13%	34%	11%	25%	19,9
65-74	17%	16%	0,78	48	24%	15%	18,0	28%	7%	12%	32%	11%	24%	15,1
75 -	22%	19%	0,74	51	24%	14%	17,9	26%	3%	13%	27%	10%	25%	10,9
Total	15%	17%	1,05	37	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Family Type														
single	19%	19%	0,54	63	24%	14%	18,2	41%	10%	16%	35%	11%	27%	24,4
married with children	12%	15%	1,53	22	20%	12%	17,8	30%	24%	10%	34%	13%	27%	27,2
married, no children	12%	15%	0,99	35	20%	12%	18,3	20%	10%	9%	27%	11%	23%	32,8
single-parent family	16%	23%	1,31	25	24%	15%	18,1	25%	31%	15%	51%	13%	30%	6,4
other	18%	22%	1,00	33	24%	13%	18,1	23%	18%	13%	41%	12%	28%	9,2
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Income percentiles														
1	26%	19%	1,52	30	23%	18%	17,3	92%	43%	23%	53%	18%	32%	9,9
2	19%	19%	1,33	30	19%	14%	17,5	28%	27%	18%	46%	12%	29%	10,0
3	17%	18%	1,17	35	21%	15%	17,7	26%	18%	13%	39%	11%	28%	10,0
4	16%	18%	1,07	37	20%	13%	17,7	24%	15%	15%	39%	11%	30%	9,7
5	16%	17%	0,97	39	21%	11%	17,9	23%	12%	10%	36%	11%	24%	9,8
6	13%	15%	0,97	39	21%	13%	18,0	21%	10%	12%	32%	10%	26%	9,9
7	11%	15%	0,94	39	23%	12%	18,2	20%	10%	9%	29%	12%	25%	9,9
8	9%	16%	0,89	40	24%	12%	18,5	20%	8%	7%	27%	11%	23%	10,1
9	10%	16%	0,87	41	23%	10%	18,8	17%	9%	6%	21%	12%	22%	10,3
10	10%	17%	0,79	44	23%	10%	19,2	13%	6%	3%	16%	12%	20%	10,4
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Education														
primary	33%	17%	0,93	47	22%	16%	17,4	27%	13%	18%	40%	11%	28%	7,6
lower secondary	22%	19%	1,10	41	20%	16%	17,4	27%	22%	18%	42%	11%	29%	18,9
upper secondary	12%	17%	1,09	35	22%	12%	18,1	31%	16%	11%	34%	12%	26%	56,1
upper	9%	17%	0,92	39	22%	10%	19,0	21%	10%	5%	21%	13%	22%	17,4
Total	15%	17%	1,05	37	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Region														
Central Hungary	14%	23%	1,05	35	27%	17%	18,4	27%	16%	10%	36%	13%	29%	30,0
Central Transdanubia	13%	13%	1,05	36	17%	10%	18,2	44%	16%	5%	32%	14%	24%	10,6
Western Transdanubia	11%	16%	1,08	37	22%	7%	18,4	29%	8%	4%	26%	12%	23%	9,5
Southern Transdanubia	16%	16%	0,97	38	21%	11%	17,7	26%	14%	9%	31%	9%	25%	9,4
Northern Hungary	17%	17%	1,05	39	24%	15%	17,8	25%	21%	21%	41%	13%	31%	12,2
Northern Great Plain	12%	14%	1,11	38	17%	11%	18,0	24%	17%	13%	32%	9%	20%	14,5
Southern Great Plain	20%	13%	1,01	41	18%	12%	17,8	26%	17%	18%	33%	11%	25%	13,7
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Type of settlements														
Budapest	13%	26%	1,06	34	31%	19%	19,0	28%	16%	10%	34%	13%	30%	19,5
county seats	8%	16%	1,01	35	22%	11%	18,8	22%	12%	13%	33%	12%	24%	20,7
towns	14%	16%	1,07	38	21%	12%	17,7	35%	18%	12%	34%	12%	28%	27,4
villages	20%	13%	1,06	41	17%	11%	17,4	27%	17%	12%	34%	11%	23%	32,5
Total	15%	17%	1,05	38	22%	13%	18,1	28%	16%	12%	34%	12%	26%	100,0
Dwelling type														
family house	17%	14%	1,03	41	18%	12%	17,3	26%	16%	13%	34%	12%	23%	57,0
row house	16%	23%	1,13	37	22%	14%	17,3	53%	19%	13%	34%	15%	26%	7,9
multi-family house <10	13%	27%	1,08	33	27%	14%	18,5	33%	15%	11%	30%	14%	23%	4,2
multi-family house >10	9%	20%	1,06	31	28%	14%	19,7	25%	14%	9%	34%	10%	30%	30,3
other	61%	8%	1,60	26	35%	26%	17,1	60%	33%	40%	53%	20%	46%	,5

Key: +/- illustrate size of deviance from average values; + represents poverty housing.

Source: SILC Hungary, 2006

The housing conditions of young families are characterized by high housing density. Housing expenses represent a significant financial burden for young people, and the proportion of people in arrears is higher among younger age groups. Young people are less satisfied with their housing conditions, although they live in relatively well-located, good quality housing. However, they do not subjectively experience affordability as a burden, probably because their high expenses are due to instalments on mortgages that they themselves have decided to take out.

Older people typically live in worse quality housing, located in worse environments. They are significantly underrepresented when it comes to being in arrears: their income is low, but so are their expenses. Although this group lives in apartments associated with high utility costs such as district heating, as well as alone or in a couple, older people presumably contain other expenses in order to pay their utility bills. Few among them see affordability as a problem.

Examining different family types, we find that people living alone inhabit worse quality housing than married couples. Singles living on their own have surplus room, while families with children have a shortage of space. Singles live in worse environments than married couples, whether living alone or as a single parent. Singles living alone have high housing expenses (not necessarily coupled with low income), but few among them are in arrears. Both married and single parents with children face affordability problems. Singles with and without children report significant affordability problems. While couples with children often have objective problems, (many of them are in arrears) they do not experience affordability as a major problem. Overall, couples without children enjoy the best situation.

An analysis of the link between income deciles and housing conditions corroborates what common sense would suggest: there is a simple inverse relationship between income and bad quality of housing, crowding, neighbourhood vandalism, objective and subjective affordability problems and dissatisfaction. When household income is higher, the indicators of negative housing conditions are lower, and accessibility is higher.

People with lower levels of education generally live in worse quality housing, and vandalism is more likely to occur in the neighbourhood. Their homes are somewhat more crowded, but also more accessible. Objective affordability problems decrease somewhat, if not fully significantly, with higher education levels. Fewer people with higher education levels reported affordability problems.

Examining regional inequalities, we find that housing quality is lower in the Southern Great Plain and Northern Hungary, higher in Western Transdanubia and the Northern Great Plain. Housing is more crowded in the Northern Great Plain, less so in Southern Transdanubia – probably because proportionally more people live alone in the latter region. Central Hungary is more urban, and thus has less floor area per person. By contrast, in the Southern Great Plain fewer people live in relatively bigger houses, for historical reasons. Central Hungary is louder, more polluted and appears to be more dangerous because of its urban character. In terms of services, Northern Hungary is relatively well supplied, while the Southern Great Plain less so. In Central Transdanubia, more people reported objective affordability problems, but there are fewer people in arrears. In Northern Hungary more people are in arrears, and they also experience their difficulties subjectively. In Transdanubia, few complain about affordability. Families are least satisfied with their situation in Northern Hungary. There are also relatively many dissatisfied Central Hungarian families, for although the economic situation is probably the best here, housing conditions are worse. Families live under the most favourable conditions in the Northern Great Plain, even though this is one of the least developed regions. Overall, however, we cannot find a regional concentration of poverty housing.

Looking at settlements by type, we find that housing in villages is of lower quality. Floor area per person grows as degree of urbanization decreases. The capital has environmental and security problems, but accessibility is better, while the better environment of the villages is coupled with worse accessibility.

Of the various types of housing, only family homes are of lower quality than condominiums, which probably reflects the effect of rural versus urban housing stock. There is more room per person in family homes than in condominiums. (Rural) family homes are better located, but accessibility is worse, while (urban) condominiums are to be found in worse neighbourhoods, but services are more accessible. People who live in row houses and smaller condominiums are more likely to have high utility costs relative to their income (for example district heating), objective affordability problems are thus more common in their case. People living in smaller buildings, particularly in family homes, are more satisfied with their housing conditions. It is worth mentioning the “other” category, which is small but indicates extremely bad housing conditions in almost all regards.

Looking at housing conditions from the point of view of tenure, we found that private and municipal rentals were of lower quality than owner-occupied units. Private rentals are more typical of accessible neighbourhoods, while social rentals are in relatively good neighbourhoods. Both private and public tenants face affordability problems. Overall, tenants are in a worse situation than owner-occupants. (It seems worth mentioning that people who live in housing as a “relative of the owner” are in nearly the same situation as people living in private rentals – which suggests that to be a “relative of the owner” stands for a kind of private rental.)

Our conclusions are the following:

1. The groups based on income and education are clearly the most important determinants of poverty housing. That is, **the housing conditions of low-income groups with low levels of education are critical in almost every regard.** The other background variables are sensitive to other segments of the housing problem.
2. Generally there is a weak correlation between the various elements of the housing problem and **region or type of settlement.** Perhaps the situation of Budapest (housing density, environment) and Northern Hungary (affordability) differ from the average.
3. The analysis of demographic groups shows substantial differences between younger (under 45) and older (over 55) people. That is, different elements of the housing problem are concentrated in the two groups (unlike the income and education variables, where the housing of families in a worse situation grew worse in every dimension). **Demographic factors which increase the chances of bad housing conditions are: single-parent families, families with children.**
4. The **rental sector is in a critical situation.** This includes the situation of people who inhabit housing as a “relative of the owner” as well as the problems of people living in other types of housing.

3 Housing condition types of disadvantaged groups

Above and beyond a macro-level analysis of the housing problem, it is important to define the typical circumstances which almost unavoidably lead to poverty housing. Housing programs need to take the particularities of these circumstances into account; it does not suffice to apply the general criteria put forward in the previous section (affordability, housing quality, etc.) The success of a program always depends on the interaction between the institutions and the persons responsible for conducting it and the aspirations and possibilities of households in various circumstances. For example, the cause of abuses relating to housing construction allowance⁸ cannot be reduced to a single factor. These abuses were due to deficiencies in the relevant legislation, the living conditions of families with many children (low income), the interests of the “entrepreneurs” and the lack of accountability on the part of officials (notaries, construction authority, bank officials, etc.)

Housing programs today (municipal rentals, housing allowances, arrears management programs) also help families living in different circumstances, and program managers (municipalities, property managers, social workers) try to adapt as closely as possible to the specific conditions. If it proves possible to provide a typology of recurrent situations and the behaviour of the people concerned, that will offer a chance to refine the housing programs.

International experience shows that housing programs need to take specific circumstances ever more into account. This approach is particularly important when a non-profit organization with a specific mission, such as Habitat for Humanity, is one of the participants in a program.

We shall define *four basic situations*, which derive from social structures and thus raise the probability of poverty housing, but also *include individual factors*. We thus supplement the quantitative analysis of the previous section with qualitative information, which we use to describe the groups and assess the possible measures that could improve their housing conditions.

3.1 *Young families without family support*

Young families with children, or planning to have children, who have no financial reserves or significant family support, but who do have a stable low or middle income (relatively well-educated, effected by long-term unemployment)

Based on the available data, it is nearly impossible to distinguish families who can rely on help from parents or family to acquire a housing from families who receive no parental support whatsoever. Income data cannot reliably supply such information, as high incomes are not typical in the early stages of a career. It often happens that the situation of people who receive family support improves significantly years later. Furthermore, not even a relatively high income can guarantee the acquisition of adequate housing without family support.

We presume that families moving from one settlement to another (from a disadvantaged region to a more developed area, from a village to a city) are more likely not to have

⁸ Called „szocpol” in Hungarian, the term refers to a capital grant for construction purposes. Its size depends on the number of children in the family.

family support. Housing acquisition is particularly difficult in towns with high real estate prices.

The basic question for families in this situation is how rationally they can manage their household finances, whether they are willing to save money, and what the balance between household consumption and income is like – bad household management can render home acquisition impossible for these families.

Renting an apartment can be a longer term solution for families in such circumstances, if housing policy can deal with the disadvantages of rentals with respect to ownership (real estate tax, rent allowance etc.)

As this group is hard to delimit, a general subsidy should not surpass the cost of the socially accepted level of housing, and should be given only in the first stage of life.

3.2 People living in urban or rural segregated housing

People living in isolated, segregated slum housing (Roma estates, villages situated far from the main transportation system, segregated urban housing), typically unemployed, inhabiting housing in a bad state of repair

Initiatives and programs started in the last few years have approached this question cautiously and on a small scale. Observation suggests that the problem, which affects around 100-300 thousand people, differs not only from settlement to settlement, but also from group to group. This means that each case requires its own methodology and intervention. On the whole, however, it is only too clear that such segregated housing areas form one of the worst problems for society today, as they lead to extremely underprivileged situations and contribute to the cycle of poverty. However, there are significant differences between urban and rural segregated housing.

The bad, and worsening, housing conditions are due to the bad position that the inhabitants of these settlements (or neighbourhoods) occupy on the labor market (mass unemployment, distance from jobs, low income).

Improved living conditions unfortunately cannot in and of themselves change the possibilities and activities of these households (maximization of social welfare payments, income strategies combining social subsidies and odd jobs, etc.). There is a real risk that the housing units built or renovated through housing programs will decay. There is also a danger that mass arrears will accumulate, exacerbated by negative behavior patterns which bring only short-term gains.

This is related to the phenomenon of social migration due to the negative difference of household income and living costs. Moving from an area where real estate is more valuable to a less expensive neighbourhood is typical for members of this group. Some examples are the group of people who move from Debrecen to the outer hobby garden⁹ neighbourhoods of Hajdúböszörmény, or the wave of people on the move in the Miskolc region or in Tatabánya, causing the formation of estates and the rapid deterioration of some neighbourhoods.

The fact that it was necessary to establish a separate program for segregated urban housing during the creation of the Integrated Urban Development Strategy in order to

⁹ Hobby gardens were developed in the 60s and 70s. These small farms served both an agricultural and a limited residential function.

have access to development grants shows the magnitude of the problem. According to the 2001 Census, 3.2% of the population, that is, around 158 thousand people, live in segregated housing.¹⁰

Table 11. People living in segregated housing according to region

Region	Living in segregated housing	
	number	ratio
Central Hungary	30 263	1.4%
Central Transdanubia	12 518	2.7%
Western Transdanubia	9 226	2.1%
Southern Transdanubia	13 218	3.7%
Northern Hungary	25 034	6.0%
Northern Great Plain	33 605	6.3%
Southern Great Plain	33 654	5.3%
Total	157 518	3.2%
Settlement type		
Budapest	13 023	0.7%
Cities with county rights	67 083	3.2%
Other cities	77 412	7.2%
Total	157 518	3.2%
Personal income taxes category		
Personal income tax base per person between 500 thousand and 1 million HUF	149 452	4.2%
Personal income tax base per person over 1 million	8 066	0.6%
Total	157 518	3.2%

Source: Database drawing on block data from 2001 Census

The housing conditions of those living in segregated housing show that their homes are concentrated areas of so-called Deep Poverty. The proportion of housing units without comfort (i.e. without toilet or bathroom) is 54% (versus the national average of 10%), there are 1.8 people per room (versus 1 nationally) and the proportion of single-room housing units is 33% (the average is 14%).

¹⁰ Planning methodology takes into account any block, in which over 50% of people of economically active age (15-64) have only finished the 8th grade of primary school and have no income from work. Our method was the following: we estimated the number and proportion of people living in segregated housing based on block data from the census regarding cities with a population over 20 thousand. As we could not combine education and income on the individual level, we decided to look at the proportion of people of economically active age who have only had 8 years of schooling according to regions, and considered all blocks with more than 10 inhabitants where this proportion exceeded 50% segregated.

	Slums	All urban districts	
Share of housing without comfort	54%	10%	
Persons per room	1.8	1.0	
Share of one-room housing units	33%	14%	
Table 12. Housing conditions of people living in segregated housing		Figure 7. Ratio of people living in segregated housing according to region	

Source: Database drawing on block data from 2001 Census

3.3 Elderly low-income families

Older families typically inhabiting housing that they own (for example in housing estates), with low income and high utility expenses

This problem is particularly prevalent in the cases of households which have no influence on the energy consumption of the housing unit (i.e. district heating). However, the proportion of people in arrears is relatively low among older families (they feel more vulnerable), because they are more likely to restrain their basic needs in order to pay their bills.

If the balance between income and housing expenses is upset on the long term, even individual problems (illness, divorce, etc.) can render the housing conditions untenable, and can lead to arrears, etc.

The current Hungarian health and social welfare system is not prepared to deal with the problems which can appear in aging households, such as job losses or illness. In many cases, the family's social net cannot counterbalance such problems either, and the only solution that enables the financing of care is the use of the housing equity of people affected.

3.4 Individuals leaving institutional care

Households made up of people leaving various types of institutional care, which can indicate a variety of circumstances: the homeless, orphans, individuals leaving jail, addicts

Social integration represents a serious problem for these groups. The victims of the housing mafia are generally drawn from members of these vulnerable groups.

Families leaving institutional care generally have no choice but to end up in the private rental sector, where they face either affordability or housing quality problems. This is connected to the problem of discrimination – these groups have less access to adequate housing, or even to adequate information concerning the acquisition of housing. It is typical for landlords not to register vulnerable tenants, who are thus ineligible for social services distributed according to fixed place of residence.

The question that the development of local housing policies faces is whether it is possible to integrate these groups into the community. The concentration of families with behaviour problems can lead to the failure of programs without adequate support from social workers, control and other supplements. (An example is the István-akna program in Pécs, where vulnerable young households were given access to rental housing, but the estates grew rapidly delapidated for lack of adequate social care.)

These four groups are difficult to quantify based on the statistical and survey data. However, it is important to have some knowledge concerning the magnitude of the groups. We thus made an attempt to estimate their magnitude, although a reliable estimate would require a study of its own.

Group 1 – Young families without family support

Even though “only” part of the group is in need, the entire age group can be the target of housing programs according to well-defined criteria, as we can see in the analysis of local and central housing policy programs.

This group is made up of those young people starting an independent life who cannot rely on financial support from family or friends. Households were asked in the 2003 KSH survey whether, if they had children over 18 years of age, they would have been able to help their child acquire housing. The proportion of families who claimed that it would be unnecessary (because the children were not moving out, or no help was needed) was 40.4% of the entire sample. 24.2% said they couldn’t help and 35.4 said they could. Dividing the population in two groups by age, a trend emerges: the ratio (could help/couldn’t help) is 40.8:31.3 among older people and 15.0:23.7 among the younger half. This shows that families were less able to help during the 90s.

Table 13. Family help in housing acquisition (2003)

	all households		head of family under 60		head of family over 60	
	%	%	%	%	%	%
no children	33.2		45.7		11.6	
children	66.8		54.3		88.4	
no help needed	26.5	40.4	15.6	28.7	16.3	18.4
not able to help	15.9	24.2	23.7	43.7	31.3	35.4
helped	24.4	35.4	15.0	27.6	40.8	46.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: KSH 2003 Housing survey

Based on the foregoing, 40-60% of young people receive no help from their families in getting an apartment. We will now use information concerning married couples who are unsatisfied with their housing to determine the magnitude of the group.

Table 14. Composition of young people (under 40) unsatisfied with housing (2003)

	N	%
married couple	42105	15%
married with children	150387	52%
single-parent family	24889	9%
single	45990	16%
multiple families	24534	9%
Total	287905	100%

Source: KSH 2003 Housing survey

Leaving single parent families and singles who live alone aside, 50% of 217 thousand families, that is 108 thousand households are affected.

2. People living in urban/rural segregated housing

We only have data for cities with a population over 20 thousand. Based on those proportions, the size of this group is around *300 thousand individuals*.

3. Elderly low-income families

We defined this group based on SILC HUNGARY 2006 as households who are dissatisfied with their housing conditions, are in the lower 40% of the income distribution, and where the head of the household is over 65 years old. 113 thousand families (214 thousand individuals) fit into this category, 75% of which live in villages and small towns.

Table 15. Distribution of elderly low-income families dissatisfied with housing according to settlement

	N	%
Budapest	13737	12.2
cities with county rights	14012	12.4
cities	41052	36.3
villages	44224	39.1
Total	113025	100.0

Source: SILC Hungary, 2006

5. Individuals leaving institutional care

17 145 underage individuals received care in a shelter-providing facility in 2006. 4206 young adults (18-24) received aftercare. 4-5 thousand young people in aftercare are potentially on the housing market, and 850-950 receive special housing support.

Institutions for the homeless were created after 1990. They currently operate with around 7500-8000 individual spaces throughout the country, somewhat over half of which are in the capital. Apart from these shelters, temporary quarters for homeless families and single mothers offer 3280 spaces. There are 319 spaces in shelters for elderly homeless individuals (who can also live in “normal” nursing homes).

According to a study conducted on February 3 2009 with 7121 homeless individuals, 2862 of whom had no shelter¹¹:

- The majority of people without shelter live outside the capital (1360 in Budapest vs. 1502 elsewhere in the country).
- The number of homeless people living in shelters is higher in Budapest (2326) than elsewhere in the country (1933).
- Certain county capitals have a strikingly high number and proportion of homeless people.
- The situation has not changed significantly in the past year in the majority of towns. However, in a number of settlements – Miskolc, Székesfehérvár, Szolnok – the number of persons living in public spaces has increased significantly.

¹¹ Source: (<http://bmszki.hu/file/f3/2009f3/F-3-2009-sajto.ppt>)

10 259 individuals are in prison (2007), which – taking the length of incarceration into account – means that around 5000 persons leave prison yearly. A significant proportion of these individuals require assistance with integration.

There are overall 35-40 thousand persons affected. We estimate that around 10 thousand of them need help finding housing upon leaving an institution yearly.

To what degree the programs can deal with individual circumstances, and to what extent they also address structural causes is questionable. How the real effects of the programs can be felt in the different groups also remains an open question. In the following two parts, we attempt to typify the causes of housing problems in order to assess the efficacy of housing programs for people living in different circumstances.

3.5 The factors leading to critical housing conditions

In assessing housing policy interventions and predicting the expected effects of housing programs, the basic question is, ***what causes the housing problem***. According to economic theory, the cause of the housing problem (in the case of flexible and competitive markets) on the long term is that households living in bad conditions do not have enough income to afford the expenses of adequate housing. The redistribution of income would thus, in the case of flexible supply, automatically solve the housing problem.

However, in reality there are a number of economic and social factors which lead to serious housing problems even in the case of radical redistribution of income. As it is not our goal here to describe the causes of the housing problem in detail, we will just mention these factors briefly:

- rigid housing market;
- housing as capital (rather than consumer good);
- discrimination;
- extreme differences in income;
- distorted ownership structure (housing privatization, lack of support policy and neutral tax system);
- monopolies (banks, providers, etc.);
- limitations of controlling housing expenses in housing estates and condominiums

In the analysis of intervention policies, the causes of the problem must also be handled. It is, however, important to keep in mind that ***the individual behavior of households*** (irrational consumption patterns, irresponsible household finances, tax evasion, maximization of subsidies, unexpected illness, divorce etc.) also plays a role alongside the structural (social) reasons. Local housing policies encounter a number of individual attitudes which decrease market “distortions” and the efficacy of the programs. The abuses around housing construction allowances, non-payment of tenants in social rentals, concealment of income or filing of non-existent income are all examples.

4 An overview of current housing policy programs

We define¹² housing subsidies as a governmental intervention which aims to decrease households' housing expenses (housing prices, maintenance costs, rents, mortgage expenses, etc.) and thus improve housing affordability. To put it generally, a subsidy is a government incentive (through opportunity cost¹³ reduction and increase of potential advantages), which causes a certain group of consumers or producers to act in a way in which they would not otherwise. Subsidies can be on both the supply and the demand side of the housing sector, and in both the private housing sector and the public rental sector.

The following subsidies are the main pillars of the Hungarian housing subsidy system:

- Subsidies in support of homeownership;
- Programs to promote increase of the rental stock;
- Housing programs and regional interventions in support of renovation and modernization;
- Housing allowances and arrears management programs

The abovementioned difficulties of definition mean that it is necessary to investigate the relationship between housing subsidies and other income benefit programs. General welfare subsidies theoretically cover housing expenses at least partially. However, the existence of separate housing subsidies is justified by the fact that housing expenses are not proportional to income: households with relatively high income can also end up in a grave situation if their housing expenses are outstandingly high. Such high expenses are not due to over-consumption dependent on the households' decision, but to the rigidity of the housing market. Housing subsidies thus largely take the form of rent allowances (in Western Europe), heating subsidies (Eastern Europe) or a gas price subsidy (Hungary).

A housing subsidy is thus simultaneously a housing policy tool and a social policy subsidy. The overlap between housing and other welfare subsidies makes it difficult to say what the proportion of housing subsidies is within the welfare system or in terms of GDP.

In any case, it is this complexity – the overlap between subsidies, and the interaction between households and the institutions managing the subsidies, as well as their strategies and goals – which must be thought through to see where changes might be necessary.

4.1 Programs connected to the private housing sector

Mortgage interest subsidies clearly brought results in the housing sector. By 2004, housing construction had surpassed the 40 thousand threshold, and outstanding mortgages grew from 200 billion HUF to over 2000 billion HUF between 2000 and 2005, surpassing 10% of the GDP. In 2006 and 2007, the proportion of mortgages grew further, reaching 13% by the end

¹² This part summarizes our conclusions from a 2008 study, in which we reviewed the effects of the programs in force for the Ministry of Local Government. The study was closed by 2009 spring, and did not take into consideration the recent changes, which suspended most of the housing programs because of the fiscal effects of the economic crises.

¹³ Opportunity cost= yield calculated taking alternative investments and risks into account.

of 2007. Although the rules for taking out mortgages grew stricter in 2004,¹⁴ and the volume of lending significantly decreased (by 1/3), this did not reach the levels certain prognoses had predicted. Lending picked up again in 2005-2006, reaching 600 billion HUF in 2006. With the reduction of the subsidies, an important development took place in lending structure: foreign currency denominated lending became more popular. While 95% of loans taken out in 2003 were subsidized, this ratio had decreased to 28% by 2006, as foreign currency lending had better interest rates. A further important change is that the absolute volume of subsidized lending has also been decreasing since 2004.

Foreign currency denominated lending had not only become more popular among new borrowers by 2008 than state subsidized forint-based loans, but also represented a greater share in the entire amount of outstanding mortgages. Based on data from KSH,¹⁵ the outstanding mortgage stock was 3249 billion HUF on June 30 2008. This corresponds to almost 13% of the GDP, nearly 52% of which was composed of foreign currency denominated lending. Compared with the year before, the entire outstanding mortgage stock grew by 15%, and foreign currency denominated lending by 51% (Sándorfi László, KSH, 2008). Those who took out mortgages in a foreign currency are clearly badly affected by the financial crisis, which is compounded by the fact that some took out loans to finance their consumption using real estate assets as collateral, and now face increased payments and, for many, an affordability problem. This endangers their security of tenure.

One of the most important effects of the interest rate subsidies is that they limit the government's options to restructure housing subsidies on the long term. In 2000, 60% of housing-related government expenses could be spent on programs in that year, while this ratio was only 40% in 2004 and is currently no more than 30-25%. Although only 15% of new contracts rely on the state interest subsidy – which does not play a significant role in lending – the subsidy of the existing stock is a serious burden on the budget.

The governmental “rescue package” developed in response to the financial crisis offers a state guarantee (with a minimal amount of repayment for borrowers) on loans taken out in foreign currencies for persons who have lost their jobs since September 2008. This program has a relatively small budget on the macro level, and whether it will be effective is questionable.

The number of **contracts with contract savings banks** passed 900 thousand contracts in 2005; actual savings made up 113 billion HUF. According to estimates, at least one fourth (but maybe even 50%) of these contracts are not connected to housing, and thus form a savings subsidy. The objective was purchase or construction of housing in under 10% of the cases, renovation and loan restructuring were the most common aims. There were no other competitive loan offers on the lending market. The size of state subsidies of contract savings bank contracts grew in 2007 and reached 18.57 billion HUF; the total for the entire subsidy is expected to be at least 20 billion HUF in 2008, and is to reach 30 billion by 2011 according to the Ministry of Local Government.

¹⁴ The personal income tax allowance connected to mortgages was one of the most important tax allowances connected to housing. It significantly increased the total subsidy of mortgages. Relevant regulations were also made stricter in 2004, whereby the allowance was restricted by income level, its absolute value was reduced (to 120 thousand HUF) and, in the case of used apartments, a lower ratio of repayment instalments was set. Furthermore, a ceiling was set for the possible loan amount, and the allowance was limited to the first five years of repayment. This form of tax allowance was eliminated in 2006, and was no longer available from January 1 2007. The source of the otherwise regressive allowance could thus be used for other programs.

¹⁵ The KSH data includes all the loans taken out for housing purposes. Purposes include construction or purchase of new apartment, purchase of used apartment, renovation/extension, and loan restructuring

Contract savings institutions in the housing sector were particularly important for the “Panel Plus Program,” because contract savings combined with bank loans provided a key way for borrowers to raise their own share of the payment. This financial solution – often further combined with mortgage interest subsidies for the renovation of the common spaces in condominiums – made it possible for a household’s repayment instalment not to surpass the savings resulting from the renovation, thus enabling low-income households to participate in the program. The problem with the program is that members of the middle class predominantly make use of this opportunity, thus it does not do enough to support the housing investments of lower-income groups.

By the end of 2005, 7658 families had taken advantage of state-guaranteed loans through the **Fészekrakó (“Nesting”) program**,¹⁶ which spent 38.1 billion HUF (8% of yearly housing loans). The number of participants grew to 14 813 families in 2006, they took out loans worth 82.0 billion HUF (14% of yearly housing loans). By the end of 2007, state guarantees had helped 24 062 families take out loans worth 130.4 billion HUF. The goal of state guarantees is to increase the proportion of loans to housing value, which is currently very low (around 50-60%) compared to international standards. Many young people have the income to pay their instalments on mortgages, but not to raise their own share of the sum. Increasing the weight of the state guarantee for certain target groups could greatly help develop a more effective mortgage loan system.

This is connected to an older program offering **state guarantees for mortgages taken out by civil servants and public employees**. This was particularly significant at a time when subsidized loans were flowing out in great proportions. With the decrease in subsidized loans in 2004, the connected guarantees also decreased. The various guarantee programs are an acceptable form of loan subsidy, and truly facilitate borrowing for those working in the public sphere. As the guarantees for civil servants and public employees are only valid for interest rate subsidized loans, they are losing in significance together with the old loan types.

The **housing construction allowance** was created in 1995 as the successor of the social policy allowance (“szocpol”). The allowance was reworked, and its total was raised in order to truly help those who were entering the market for new apartments, which signalled an acknowledgement that the allowance did not target socially disadvantaged groups. The size of the allowance was raised several times, and the group of recipients was broadened. Usage of the housing construction allowance significantly surpassed the planned sum already in 1995. The reason for this was that the allowance contributed to the housing acquisition of lower income families, particularly larger (often Roma) families in this period, even though it was not meant to promote housing construction on a social basis. It was particularly significant in less-developed regions, as the allowance/housing price ratio (housing construction cost) was the lowest there. This effect was particularly strong, as a special program was created to enable families with several children to build a home using the allowance without an initial financial contribution. The program had several negative effects. Many of the homes built in this manner were of bad quality. Furthermore, much of the construction took place in less developed regions with higher unemployment. (According to some estimates, 10 thousand homes were built using the allowance between 1995 and 1997.)

16 The Fészekrakó program was introduced in February 2005 in order to promote housing acquisition more effectively for certain target groups. The program built on both already existing and new subsidies, raised housing construction allowance (helps families with children acquire housing), raised „half szocpol” (enables families with children to enlarge their homes), an allowance for young persons to create a home (enables young families with children to buy a used apartment), rent allowance (for low-income families with children).

Because of these negative effects, the value of the allowance was allowed to decrease with inflation in the second half of the 90s. There was a new period of significant growth starting in 2003. New construction increased with the appearance of favourable mortgage loans, and the value of the housing construction allowance was also gradually increased. Due to these factors, the sum spent by the government on the allowance reached 30 billion HUF again, and grew to 43 billion HUF by 2006, when 24 600 individuals took advantage of it. The growth in 2006 is all the more significant as it no longer includes the allowance for young people to create a home (“half szocpol”). The effects of the raised allowance and the allowance for young people are unfortunately in many ways similar to the previous problems, as, willingly or not, they cause the bad housing market situation of the poorest (often Roma households with many children) to congeal, and segregation to grow. From this point of view, even though the allowance is quasi-targeted (relatively more goes to low-income families with more children), its effect is contradictory.

The lack of changes in the framework of the duty allowance meant that the duty bracket initially aimed at more expensive housing now applies to most homes on the housing market (except for underdeveloped regions). Thus state income grows as real estate prices rise. The housing affordability indicators of people who are acquiring housing for the first time show that the **duty allowance** does not counterbalance the difficulty of acquiring a first home efficiently. (Homes worth a maximum of 8 million HUF are eligible, which can satisfy the needs of a young couple on the urban housing market only in a limited fashion.) Furthermore, the disproportionately large subsidy for new homes is not justified, since it remains true that higher income individuals are better able to purchase a new home, and this type of subsidy thus has a socially regressive effect.

The purpose of the **housing support for those leaving institutional care** is to help young adults who have left temporary or long-term institutional care acquire housing, or provide a long-term housing solution. However, this subsidy is often ineffectual. This is partly due to the small size of the subsidy – it was 1 710 000 HUF in 2008 – and partly due to the fact that the sum can be spent without appropriate control. As a result, after reaching the age limit, the share of rootless young people who end up on the street is fairly high among the homeless.

4.2 Programs connected to the social rental sector

The municipal housing stock has decreased from 22% to 4% as a result of housing privatization. This has led to tension in the housing system, as the chances of disadvantaged low-income families to acquire housing became minimal. Demand for rentals (private as well as social) was not met by the 100-150 thousand apartments in the private housing sector. Housing policy after 2000 hoped to promote **the growth of the municipal rental sector** through new construction and the acquisition of apartments. The program was stopped at the end of 2003 for lack of funds. Mortgage subsidies and escalating associated expenses were one of the main reasons why there was no funding for the rental program. The number of subsidized rentals was around 12 800 in the course of the four years. This was the most efficiently targeted program, supporting truly disadvantaged, low-income or lower-middle class households. One of the weak points of the program was that the state had no centrally defined conditions or principles for the operation of the apartments (such as criteria for the allocation of apartments). It also overburdened the budget. Although more modern apartments appeared in the social rental sector as a result of the program, the size of the sector kept decreasing as privatization continued.

Central rent allowances were introduced at the beginning of 2005 as an element of the Fészekrakó program. Its aim was to support the most disadvantaged families who are not homeowners and cannot afford private housing sector rents, and to increase their security of

tenure through a more transparent contractual relationship. The program attempted to relieve the tensions caused by the narrow social rental sector by including private rentals and thus broadening the social sector. The program had no effect whatsoever; the central subsidy connected to the program was merely 6 million HUF, corresponding to the participation of about 70 families. The reason for this failure was tax evasion. Landlords generally do not report their rental income, and the subsidy would not have compensated for the 25% personal income tax that they would have been required to pay. Making this rental income tax free did not change the results; homeowners probably do not like to renounce the right to use their property for several years. The attempt to bring the private housing sector out of the black market thus remained unsuccessful. The other cause of the program's failure was the strictness of the conditions under which one could participate. Families with such low income have only limited opportunities to enter the private housing market, as they are not able to afford the rents even with the subsidy.

The cost of maintaining the municipal rental stock is not supported either in part or in whole by normative central grants. The maintenance of social housing is thus "costly" for the municipalities, as rents do not cover their expenses. This does not in itself have to be a problem if municipalities acknowledge the demand for social rental housing. However, many municipalities would like to get rid of their social rentals and the social problems posed by the tenants (this would mean a continuation of privatization). Some municipalities are more open to dealing with social problems, and attempt to treat the social rental housing question rationally. One method of doing so is to introduce **specific local rental subsidy systems**, which increases the targeting of support systems. (Szombathely, Nyíregyháza, Debrecen, etc.) Demand for social rental housing is, according to conservative estimates, around 300 thousand apartments (8% of the housing stock), that is, the living situation of this many households would justify living in social rentals. The current social housing stock is half of this, and neither municipal nor national housing policy is moving towards expansion, although many people face a multiplicity of problems with high social costs (being in arrears and debt, lack of mobility, segregation), which could be countered by a modern rental sector. A communal social rental sector has to be built on the cooperation of municipalities, tenants, housing companies and proprietors in such a way that all have an equal stake in the operation, maintenance and development of the sector, while sharing in the costs and risks.

Despite the lack of homeless care policy, there are **national programs for the reintegration of homeless people**. The Accepting Village (Befogadó Falu) program which started in 2004 in Tarnabod, Heves county aims to develop and enact a complex plan encompassing socio-political, housing, educational, employment and community development issues with the dual aim to counteract the problems of settlements on the decline and of homeless people living on the fringes of society. Government funding of 300 million HUF was another important step in starting a housing program for independent living (not in an institution), which provided a monthly housing allowance of 20 thousand HUF to 1000 homeless persons, and enabled 60 thousand HUF worth of related social work yearly. Although support systems for the homeless have been set up in the past 18 years, there is still no solution to bring people out of homelessness and help reintegrate them into the housing system. The Foundation for the Homeless (Hajléktalanokért Közalapítvány) regularly invites applications to run independent living programs, and a number of foundations and organizations – such as the Hungarian Maltese Charity Service or the Hungarian Red Cross – operate apartments for independent living. However, the number of such apartments is small, and the nationally financed support programs are only meant to provide short-term aid. Furthermore, persons who have been homeless for long are often mentally unprepared for independent living. It seems based on program reports that many homeless do not have the motivation to keep on in the housing market when the subsidy expires without appropriate preparation. In addition, people who

have just left homelessness behind can easily fall back out of the system due to the lack of social housing, as it is very hard for them to stay on the housing market without support.

4.3 Housing programs for housing renovation and regional programs

A significant part of the Hungarian **housing stock** is in need of rehabilitation because of both material and social challenges. The degree, focus and quality of the necessary rehabilitation differ from region to region. A constant expansion of the panel program has taken place in the last few years (it had a budget of 10 billion HUF in 2008), and its beneficiaries are not only the housing estates, but every tenant community occupying a building constructed with pre-fabricated technologies. 25% of this stock (190 thousand housing units) have been renovated to some degree, generating on average investments of 700 thousand HUF. The efficiency of the interventions with respect to energy consumption is difficult to estimate, as the stock is relatively heterogeneous, and a plan to coordinate technical interventions only arose as the program was already changing and evolving. Different cities had different levels of activity. While some municipalities made it a priority to obtain such funding and actively encouraged condominiums to apply, and also offered mortgages, other towns decided to participate only with a considerable delay. This program enabled many people in difficult financial circumstances to at least partially renovate their homes. However, the program does not help the housing estates in truly bad circumstances – where even the down payment poses a problem. Only the social urban rehabilitation program within the ROPs (regional operative programs) can help such communities.

The urban rehabilitation, so-called **block rehabilitation programs** started in 2001, and they did not work. Only 1-2 applications were sent in to block rehabilitation programs, and this form of support was later discontinued. The lack of success had a number of reasons: the municipalities did not undertake to organize condominiums into blocks, also the initially required minimum $\frac{1}{4}$ rate of participation also posed a problem (because of the lack of cooperation between municipalities and condominiums). The state placing a lien on the property and the necessity of repaying the subsidy if the owner sells the apartment within 10 years were also restraining factors. The insignificance of the program is clear from the fact that the budget support spent on it was only 460 million HUF between 2001 and 2006.

Concerning **urban rehabilitation programs**, access to the Structural Fund (Strukturális Alap) has enabled the implementation of regionally oriented urban rehabilitation in greater volumes for the first time since 1990. The program was in constant change, and today social urban rehabilitation also creates the opportunity to renovate condominiums, but the weight of the social programs – in contrast with the programs above – increased significantly. Social rehabilitation distinguished traditionally built urban areas and housing estates. This proved necessary because dilapidated housing estates had significantly better indicators than traditionally built run-down urban settlements. There is one program currently running in Hungary, but a number of other projects will start soon. This period can be understood as a sort of experimental phase, which will make it clear, what goals and tools are necessary to carry out urban rehabilitation in Hungary. The current division, which separates economic stimulus and social rehabilitation, seems justified. The efficacy of the program – concerning the success of the economic stimulus and the sustainability of social rehabilitation – will be evident in the next few years.

Approximately 100 thousand people live on near 500 segregated areas or in ghetto-like housing environments in Hungary, a large number of which are to be found either in small settlements or outside their administrative borders.¹⁷ As territorial segregation is on the rise, without effective intervention this number can only grow. People living in such areas have to face lack of basic infrastructure, low levels of education, long-term unemployment and exclusion due to discrimination in a number of areas of life. The government started a model program in 2005 for the **social and housing integration of those living on Roma ghettos**. The program has been in place ever since, although with changing financial support. The Ministry of Social Affairs and Labour has introduced it in 31 settlements so far. It contains elements of housing, social, educational and employment policy. As a result of the housing programs, which involved the renovation of existing houses, the construction of a few new houses, the acquisition of apartments and the development of the infrastructure, the housing conditions of the concerned population improved. It was not always possible to reduce ethnic segregation, as the Roma population formed the majority in some settlements. The employment element generally involved public works, reparations in the village, and renovation of the houses. The program funding was not sufficient for the planned educational programs, but was in most cases made up for by support from the Roma Educational Fund. One of the main problems was that continuation of the program components concerned with integration (such as essential social work) was not secured past the expiry of the 1-1.5 year program, which places the sustainability of the results in question, although it was undoubtedly high time to start a “model program”.

Condominiums and housing co-operatives¹⁸ can apply for an interest rate subsidy to renovate their common spaces if they have had a renovation fund for at least four years. The support is 70% in the first five years, and 35% in the second five years. Condominiums cannot receive this subsidy if they take out a particularly favourable loan on their real estate savings. Housing communities have only taken limited advantage of this opportunity, and the size of the interest rate subsidies connected to the renovation of municipal apartments is also small. Loans with interest rate subsidies were significant in the development of water utilities. All this suggests that a new form of support is necessary for the renovation of residential buildings. Effective forms of loan subsidy should be found, which housing communities could actually use (favourable loans, solution to the problem of guarantees).

Physically disabled persons and their relatives can request support for the construction of new **accessible** homes and to convert their existing housing. The size of the subsidy is 250 thousand HUF for new construction and 150 thousand HUF for alterations if the person requesting the subsidy is him/herself disabled, and 100 thousand HUF if it is a close relative. The size of the sum has not been modified since 2001, its budget moves between 2.3-3 billion HUF. It would be worthwhile to re-examine the subsidy in the case of needy households to see how accessible their homes become, and to increase its size if necessary.

4.4 Housing allowances

The 3200 local governments spent less than 20 billion HUF yearly on housing allowances in the year 2006-2007. This sum was 18.4 billion in 2006 and 18.9 in 2007. The total foreseen for 2008 was 16.7 billion, but actual spending surpassed the foreseen total in both of the past two years. The main part of the total, 65%, was spent on normative housing allowances.

¹⁷ Forrás <http://szmm.gov.hu/main.php?folderID=1052&articleID=4822&ctag=articlelist&iid=1&accessible=0>

¹⁸ Municipal governments can also take out loans with interest rate subsidies to renovate and modernize their apartments. The interest rate subsidy is 70%, but the proportion of credit to investment cannot surpass 50%.

Housing allowances financed through the municipalities' own resources made up 16% of the whole subsidy, 3.1 billion HUF. Municipalities spent 2.7 billion HUF in 2007 as part of the arrears management service, which made up 14% of housing allowances.

The introduction of the normative housing allowance was meant to ensure that it would reach the lowest-income groups, thus broadening the group of recipients. Around 8% of households received support in 2005 as compared to 4% in 2003. Even so, support reaches only a narrow group of eligible people, especially considering that 13% of households (around 500 thousand) were in arrears with housing costs (estimate based on a 2003 survey¹⁹). It is estimated that around 10% of households are not able to pay their housing costs, and a further 10% cannot enter the housing market. The design of the subsidy system cannot guarantee that low-income households can pay their housing costs after providing for their basic needs. Analyses have shown two basic deficiencies in the system. Firstly, due to the low income limit, groups with an income 1.5 times the minimum pension are in a worse position than the recipients with a lower income after they receive support (the proportion of individuals whose housing expenses exceed 25% of their income is higher among the former). If we look at groups based on equivalent incomes (taking household composition into consideration), the difference is even greater.²⁰ The second deficiency is that the normative housing allowance does not take differences in specific costs due to actual living situation into account. The monthly cost of the housing allowance (housing unit size defined in terms of number of inhabitants multiplied by cost per square meter) differs significantly from the actual housing costs of households in different housing conditions. Specific expenses differ because of the following three factors: (a) useful floor area (b) type of housing unit and (c) type of heating. Expenses per square meter in a housing unit under 40 m² are over the double of expenses in housing units over 70 m². The second factor, which also explains differences between settlement types, is the housing unit type. We distinguish housing unit buildings (with under 10 housing units, and 10 or over), family houses and row houses. Concerning heating, the expenses associated with district heating are nearly the double (506 HUF/m²/month) of expenses in a traditional semi-detached house or row house.

Subsidies only cover a small proportion of housing costs, which poses a further problem. Despite positive changes, the housing allowance system is not efficient enough yet either with regard to the range of recipients, or with regard to the degree of support. A support system should be developed which reaches at least 15% of households (the double of current scope) and the support covers on average 30% of housing costs so that it is distributed in a differentiated manner according to income to those eligible.

The accumulation of housing-related debts since the beginning of the 90s has meant a serious problem for a significant part of the households. Debts concern utility costs and mortgages (particularly mortgages from before 1989 and from between 1989-1993). Concerning utility costs, 500 thousand households (13%) have over 3 months worth of debt, 300 thousand households owe 1-2 months' utility costs. The second group is called the "utility poor." They do not accumulate bigger debts, but they constantly encounter continuous difficulties in paying and lag 1-2 months behind with their payments. In order to deal with debts

¹⁹In December 2003, the Social Ministry conducted a survey on arrears exceeding 3 months for electricity, gas and district heating bills, as well as outstanding debts on mortgages taken out from OTP before 1993.

²⁰Based on 2006 HKF data, 11% of households had housing expenses (not including rent) which exceeded 25% of household income. As a result of the housing allowance, in a second group of households making up 7.6% of the total (where income per person is 1-1.5 times the minimum pension) the proportion of households with high housing costs is reduced from 37% to 14%. In the third group of families (where income per person is 1.5-2 times the minimum pension) 16% spend over 25% of household income on housing expenses.

systematically, debt management services were included in the welfare system in 2003. The system which has been in force since 2003 tried to address previous programs' problems, such as down payments being paid in instalments, households receiving extra support through housing allowances etc. 5-7 thousand households participate yearly in the central debt management service. Accordingly, a careful estimate indicates that 15-20 thousand families participated in the program between 2003-2005, which involved only a small share of households in arrears, and only helped with smaller debts. For those with very low income, new debts accumulate constantly. This fact also shows that the debt management system can only have a real effect in conjunction with the housing allowance system.

The household **energy consumption subsidy** has existed in its current form since January 1 2007. It cost 110 billion HUF in 2007, which made up around 83% of all housing support. The reduced support foreseen for 2008 – 85 billion HUF – also represents around 80% of housing support. A further reduction in the energy consumption subsidy is to be expected in 2009. The planned amount is 63 billion HUF, and the size of grant decreases as the income increases.

The legislative package accepted in November 2008, known as the Robin Hood law, changed the system of **district heating support**. The aim of the laws is to increase the general competitive advantage of district heating against other, less environmentally friendly heating methods, and to help the financial situation of tenants living in housing units with district heating. They are hoped to create long-term conditions which will ensure that district heating does not disappear in Hungary. There is no information concerning their effects.

However, the difference in support between people living in housing units with district heating and gas heating is growing. This presents a problem, as many marginalized households attempt to find an alternative solution for heating. The support system thus automatically excludes the most needy.

The **water utility support system** has been in place since 1992. It includes investment grants to promote the expansion of the water utility and price subsidies. It is necessary to support the expansion of the water and sewage utility, because its cost cannot be covered simply by water charges or contributions from future consumers.

The role of housing subsidies decreased in the 90s. Subsidies gained importance again after 2000 both within the housing finance system and in terms of their macro-economic role (in terms of GDP and budget expenses). In Hungary, housing subsidies' share of the GDP doubled between 1998 and 2004, but fell back to 1% by 2007.

4.5 Magnitude of housing subsidies

The budget effects of excessive interest rate subsidies between 2001-2003 limited the possibilities of the housing support system for a longer time (over 75% of current support is connected to housing acquisition in earlier years). In general, current subsidies are still aimed at the private housing sector. They promote homeownership and are not socially targeted enough. The most disadvantaged groups – who cannot afford privately owned housing – are excluded from the support system. Simultaneously, the public rental sector has further narrowed, reducing low-income groups' chances to acquire housing.

Table 16. Governmental housing subsidies, 1998-2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Housing construction support	20.4	19.9	24.0	19.5	18.9	30.1	35.9	41.7	62.8	53.1
Rental and panel program	0.0	0.0	0.5	2.0	12.4	18.2	18.0	20.7	7.6	6.5
Tax rebate support	0.2	1.9	5.0	5.9	6.4	9.0	9.7	6.0	1.9	0.5
Complementary interest rate subsidy	0.0	0.0	1.3	4.8	15.0	23.5	37.3	45.5	34.1	38.8
Mortgage interest rate subsidy	0.0	0.0	0.6	0.8	6.7	56.3	97.3	105.7	98.1	88.3
Contract savings support	3.0	4.5	5.1	6.5	5.7	5.9	8.3	10.7	14.1	18.6
Support in debt repayment	8.0	7.2	6.0	5.4	4.1	1.1	0.7	0.5	0.2	0.1
Old loans	26.0	20.3	15.9	14.2	13.0	9.6	9.8	5.8	0.3	0.2
Personal income tax support	1.2	1.6	2.2	5.6	17.0	31.1	24.7	19.5	14.0	10.0
Duty allowance	1.0	2.6	5.4	11.4	17.6	26.6	20.0	20.0	20.0	20.0
Total	59.9	58.1	66.1	75.9	116.7	211.3	261.6	276.2	253.1	236.1
GDP (billion HUF)	10087	11 394	13 533	15 275	17 204	18 936	20 712	22 027	23562	24386
GDP in %	0.6%	0.5%	0.5%	0.5%	0.7%	1.1%	1.3%	1.3%	1.1%	1.0%

Source: Ministry of Local Government and MRI calculations

In addition to the various forms of financial support distributed within the social service system (4.5% of the GDP in 2004), the affordability of housing expenses is influenced by other elements of the welfare system (4.7% of the GDP in 2004) such as tax reductions and consumption price subsidies. These forms of support do reduce poverty, but a significant part of the resources do not reach the people who would desperately need them, and what they do receive does not enable the families to break out of poverty.

The social welfare system contains a number of services, which have preservation of housing and avoidance of homelessness as their goal. There are services which are meant to help disadvantaged families with payment difficulties who are not yet in arrears, and others which are meant to help manage the accumulated arrears. The aim is thus preservation of solvency, and its reestablishment to avoid foreclosure of the home.

4.6 Living situations and programs

At least one housing policy measure or program targets each of the four situations described above (we assess current programs in the appendix). Here we will briefly review which programs are relevant for which group, and whether deficiencies are due to individual circumstances/exigencies or to the design of the program itself. Our aim is to create a “diagnosis” which could be addressed by the redefinition of institutional roles or the transformation of the programs.

We distinguish four basic forms of support:

- Programs promoting homeownership
- Programs promoting the growth of the rental stock
- Programs enabling housing renovation and modernization, and regional interventions
- Housing allowances and arrears management programs

We created a matrix, in which we evaluate the response the four kinds of programs offer for people in different situations. We show the relevance of a program with '+' and '-' and list the critical points following the table.

	Programs promoting homeownership	Programs promoting the growth of the rental stock	Renovations and regional interventions	Housing allowance and arrears management
Young families without family support	+	++	--	-
Groups living in segregation	-	++	++	+
Elderly people facing affordability problems	--	-	+	++
People leaving special institutions	-	++	-	+

Housing policy currently offers *young families without family support* subsidies through the guarantee programs (Fészekrakó – state guarantees), which – although it aims to do more – is effective for those with a stable income, who do not find themselves overextended in repaying their mortgages (or other loan practices – this is particularly relevant in the context of the credit crisis).

The housing construction allowances and “half-szocpol” (capital grant for young families to buy existing housing, where the size of the grant depends on the number of children) are only effective with people who have savings, and can otherwise easily buy worse apartments in a cheaper segment of the real estate market. These persons risk ending up in a remote area far from the labour market. The cessation of the housing construction allowance will thus have an effect on this group too – and on a societal level, on the long term, the effect will not necessarily be negative. A radical change in banks’ lending practices will affect this group the most strongly. The members of this group can thus end up in a bad situation as a result of a bad housing decision much more easily, than people who can rely on family support, whose family networks can rearrange their financial resources. People without family support can only receive short-term help on the market or through welfare, and it is often very expensive. Municipalities typically help this group acquire local housing subsidies.

This group could be the typical target group of rental programs, as they represent purchasing power, and in combination with rent allowances, they would have the possibility to save and later enter the private housing sector. The operation of transitional homes for young families (“swallow houses”) was based on the same logic.

As this is one of the most active groups in terms of labour market mobility, they represent a demand group in the private rental sector as well. Private rentals are often unreliable, and a household without family support can grow rapidly vulnerable, as their landlord always give notice or raise their rents at any time. Thus any programs aimed at the private housing sector must target its controlled, legal segment.

It remains uncertain, to what degree the family support available to a given household (or the lack thereof) is quantifiable, and which people require more attention for this reason. A

related question is how precise the picture provided by wealth and income studies is concerning the households and their backgrounds.

The group of people living in segregated areas is very heterogeneous. Urban segregated areas – which often develop due to the spatial concentration of municipal rentals – are different from segregated rural environments, but segregation in villages is for exactly this reason one of the most complex problems.

Current housing support programs often have a questionable effect in segregated areas. As the current system clearly promotes acquisition of real estate, it brings about the conservation of the situation and directs certain families toward housing which represents a lower level of the market – and this is furthermore also its only tool to promote upward mobility from the estates. The eligibility criteria for a housing allowance, that is, housing unit size and income status, often exclude estate inhabitants. It is a question, how the poorest could be provided with support in a way which precludes their reselling non-financial support and causes their housing consumption to really grow. Operating housing allowance through traditional providers is impossible in villages because of the lack of infrastructure.

The difficulties with subsidies in support of homeownership are clear from the case of the former housing construction allowance (abolished in the Summer of 2009): there is no national database concerning notarized construction permits, corrupt technical inspectors issue usage certificates for properties, which are dismantled a few days later and the building materials are reused for a similar purpose elsewhere, the housing construction allowance is sold to usurers, and the houses are often built on plots in the areas that the municipalities have designated as the worst. In such cases it is truly questionable, whether “mobility” in the lowest segment of the housing market needs extra support. In the current situation, the number of transactions will decrease in exactly these areas, and the real effect of the decrease in state support is not yet clear.

However, in many places there are not enough rentals, and it would not be reasonable to expect the smallest municipalities to “manage properties.” In the case of urban segregation, this is the only realistic solution, if the most disadvantaged are to be kept close to the service system. However, municipalities are generally glad to be rid of such expense-generating groups, and support measures which facilitate and speed up their migration. However, on the long term, for small settlements small regional interventions make the most sense, as that is the only way to decrease social costs.

The question is how the problem of segregated areas can be addressed in a way that leads to gradual solutions through long-term regional programs. This requires a different approach for cities and smaller settlements. Such programs need additional resources from the social and housing sector, and need to be connected to elements of education, employment and integration. Unfortunately, one of the first austerity measures in response to the economic crisis in 2008 was to cut funding for integration programs for people living on Roma estates.

The problems of the *elderly* are clearly not helped by either housing acquisition or rental programs. Concerning the latter, the “nursing home” segment incorporating social and health services was a target area of national support programs as a part of the local (or religious) rental sector. Certain local annuity initiatives show that municipalities can have an interest in taking over the homes of the elderly, but as the case of the annuity programs which went bankrupt in the economic crisis shows, this is a very risky undertaking.

Support for development of the service system is contradictory. An elderly homeowner, if self-sufficient and with an intact network of relationships, is a “cheaper” client in his/her own environment. It is also true that those among them are most affected by lack of resources, who receive no family support, and have nobody to supplement their pensions in return for an

expected inheritance. In case of a serious illness, affordability problems are unavoidable, and this cannot be counteracted by a change in consumption practices.

Renovation, energy saving programs, and housing allowance programs can help this group. However, this group is also often left out of housing allowances because of the size of housing consumption and income. The case of elderly homeowners who “over-consume” their homes is also special: subsidies often practically increase or stabilize the value of the inheritance, in case there are inheritors. How the leakage of subsidies can be controlled in this situation without harming the dignity of the elderly in discussing intergenerational transfers is questionable. This dilemma is similar to that of young people without family support – how is it possible to understand and influence family strategies and ensure that, on the one hand, support does not leak away, and on the other hand, that a revoking of support (such as a reduction of the gas price subsidy) does not bring the elderly into an impossible situation, causing them to appear as a client in a different area of welfare.

The fourth group – *people leaving special institutions* – is also heterogeneous, including people leaving homeless shelters, prisons, orphanages, or people suffering from addiction. They generally have such a problematic network of relationships, background, self-image and limited set of tools, that even average risk taking requires a disproportionate material and psychological sacrifice from them. Aftercare either does not happen, or only exists at the administrative level. Traditional housing policy tools are thus often ineffective in their case without supplementary help and support (such as several types of social work, mental hygiene care etc.). Support of entry into the private housing market presupposes for example basic household economy skills, non-minimal financial skills, and the ability to make rational decisions on the housing market. Experience shows that these skills are often missing, which makes these people vulnerable to abuse and swindles, as well as the housing mafia. A larger sum for housing acquisition can cause more harm than good in these cases, unless help is also provided in spending it, as the first two examples showed.

The significance of the safe and subsidized rental sector (complemented with social work) cannot be overemphasized. Happily, non-governmental initiatives and many municipalities take the experiences of the last decades seriously (there are always extreme cases, such as the Pécs scandal). In general, housing allowances can successfully help avoid getting into arrears, strengthen the foundations of independent living and thus forestall backsliding and the need for more expensive social services.

The question is how to guarantee the efficacy of programs and to make sure that they last for long enough to provide stability, all in the context of the current adverse economic processes. How can a municipality participate in the housing sector so as to effectively provide complementary services, and so that it is “worth” supplying it with apartments, subsidies, etc.? How is it possible to regulate housing distribution to assure positive discrimination in such cases, and still play a part, or even strengthen, the financing of the sector?

In conclusion, a large part of the housing policy tools in effect and available today are ineffectual in dealing with many complex housing and particular living situations. It often happens that a subsidy ends up “in the wrong place” – and everyone is satisfied in the short run only. The municipal tenant who has been bought out, and starts to slip downward in the housing system despite all the housing acquisition/construction subsidies loses out in this system just like the person leaving institutional care, receiving aftercare only on paper, or the property manager who cannot handle the bad payment morale, segregation and decaying housing stock. The social service system cannot make up for the family support net even temporarily; it is not prepared to do so either in terms of organization, financial resources or programs. The narrow subsidized public rental sector with its institutional logic (property management and minimizing of social problems) is often inaccessible to the people for whom

private property is not an option, and the vulnerability and financial burden of private rentals is an insurmountable problem. Debt management cannot deal with usury, and the number of known clients is also very low as compared with the number of households in arrears. Although the programs which aim to reduce living costs provide significant support to the lower middle class, they remain inaccessible to the most underprivileged, who are not or are hardly ever eligible for official housing programs, and the programs' settlement development effect hardly ever trickles down to these groups.

The institutional system of housing and social policy has a great responsibility to the people in the described situations. The programs and their institutional framework could be developed in many ways by building on local, individual, innovative solutions.

5 Conclusions and recommendations

The Metropolitan Research Institute has produced several policy papers in recent years (background material for the 2000 housing reform, preparatory materials for the 2003 National Housing Program, and reform proposals in 2008), which offer suggestions for the modernization of the housing system in addition to an analysis of current housing policy questions. However, housing policy is formed primarily not by researchers, but by institutions and politicians in the position to influence decisions. The first conclusion and recommendation is that a *“political lobby” should be set up* to fight for changes in housing policy. The efforts of public, private and non-profit institutions should be coordinated to influence the decision makers much more efficiently than in the past.

Large-scale housing programs are not realistic in the current economic situation. It would be an illusion to believe that the state will launch mass social rental programs, or so called “complex programs” (including employment, healthcare, education elements beyond housing) in order to eliminate segregated estates with deep poverty.

In our opinion, there are *two ways to move* on in housing policy. On the one hand, a long-term vision must define the framework of the housing system (social housing policy, rental system, housing allowances, etc.), concerning which the Metropolitan Research Institute has developed its views in a number of studies and proposals. There are several areas where, through legal changes, the legal and institutional framework for social housing policy could be improved. This would make the implementation of a more efficient social housing policy possible after the economic recovery.

One area of changes in legal framework is a new definition of social housing at national level. Social housing is regulated under the Law on Residential and Commercial Leases (No. LXXVIII. of 1993) – the so called Housing Law, which was several times amended. The Housing Law does not give a general definition of social housing, but only refers to social housing as a rental unit owned by municipal governments and allocated by social criteria (that is, based on the social situation of the would-be tenants). It would be important to have a nationwide definition of social housing which should include not only the municipal housing allocated on social basis, but the regulated private rental sector, and even certain forms of “low-cost housing”.

The Government Decree 12/2001 defines a group of tenants (and rental units) eligible for central government rent allowance (introduced in 2005. II. 1.) It can be considered as an indirect definition of social housing. The decree defines the following criteria: 1. Maximum size of the apartment (as a function of the size of the family), 2. Household income ceiling (according to the Social Law of No. III. of 1993), 3. Assets (or wealth) limit (according to the Law on Child Protection No. XXXI. of 1997) – the rental unit may be owned by the municipality (built or bought after 2004) or *may be owned by private persons* (that is, private rental)²¹. The regulated private rental sector (with a proper monitoring) should be part of social housing.

Certain part of the owner occupied sector can be considered as social housing as well. Upgraded segregated housing estates supported by state and municipal grants should be

²¹ The program has been a failure because of the strict eligibility criteria which included obligation to report the details of the lease to the Tax Authority; consequently very few private owners were willing to join the program. (There were less than 250 cases.)

considered as social housing even if these are mainly owner occupied housing units. As an “exchange of the grants” the state can constrain the property rights of the owners in order to guarantee the long-term sustainability of the state investments. The quality standards should be set at an affordable level provided that the upgraded home guarantees for a healthy home.

Parallel to the legal changes, the institutional capacity should be improved to prepare the government (central and local) for the operation of the reformed social sector. Cooperation among the social landlords (typically asset management companies of the municipalities) could lead to a strong reform proposal in terms of the allocation of the vacated and new units, rent settings, management of arrears, etc.

6 Appendix

6.1 *The situation of the Roma population in Hungary*²²

Improvement of the Roma minority's living situation has been an important priority for governments since the creation of the 1993 law LXXVII, also supported by government resolutions 1093/1997 and 1047/1999. Resolution 1047/1999. (V.5.) directed ministers to initiate measures to reduce environmental risk factors for people living on estates and in estate-like living environments. Resolution 1021/2004 (III/18.) on revision, and proposed the elimination of estates and estate-like living environments in the framework of a complex program, and their rehabilitation in order to promote social integration.

A basic precondition of government measures aimed at improving the Roma population's living conditions and situation in society is to have precise and detailed data concerning the homes (estates), on which the most disadvantaged groups live, who are also the most endangered from the point of view of environmental health. Several published surveys and one in press²³ provide such data.

According to 2001 Census data, those who identify themselves as Roma live in greatest numbers in Borsod-Abaúj-Zemplén, Szabolcs-Szatmár, Heves, Jász-Nagykun-Szolnok, Pest and Hajdú-Bihar counties. The difference in economic development between the regions is only partly reflected in the regional differences in income. According to a 2003 survey, (Kemény, 2003²⁴) no household member has an income in 73% of households in the Eastern counties (Szabolcs, Hajdú, Békés), while this proportion is 56% in Transdanubia.

According to the data from a 1993 KSH survey, 394 000 Roma individuals live in Hungary, while the Sociological Institute of the Hungarian Academy of Sciences speaks of a population of 482 000. In a 1993 study, Kemény István estimated the number of Roma at 468 000; his estimate was 540 800–650 000 in 2003. The opinion of Roma organizations, sociologists and researchers is even more divided, according to their estimates, the number of Roma citizens might reach 500 000–700 000. The distribution of the Roma is uneven in Hungary; over 50% live in the North-eastern counties of the country. The Roma population is lower, but significant in Southern Transdanubia and Budapest. Over 60% of the Roma lived in villages and small villages in 1993; around 14% (around 70 thousand people) lived on estates, mostly in extremely adverse circumstances. The official data from the 2001 Census concerning the regional distribution of the Roma claim that 54% live in the northeastern part of the country.²⁵ According to the 2003 Kemény survey, 82% of Roma households are in the lowest third of the income distribution, while 56% are in the lowest decile, and are thus literally poor, not even being able to afford food.

²² This point is based on the background analysis of material of Lakhatási és szociális integrációs program 2005 Megvalósíthatósági tanulmány, Esélyegyenlőségi Kormányhivatal Magyarország.

²³ The National Public Health and Medical Officer Service (Állami Népegészségügyi és Tisztiorvosi Szolgálat, ÁNTSZ) conducted a survey on the situation of the Roma in 2003; regionally responsible nurses had people living on estates in their regions fill in a questionnaire concerning the environmental and health characteristics of the estate, and the health of the inhabitants. The information is not yet officially available.

²⁴ Kemény István-Janky Béla: A cigányok foglalkoztatottságáról és jövedelmi viszonyairól, a 2003. évi országos cigánykutató alapján, <http://www.szochalo.hu/upload/esely2003.6.2324.rtf>

²⁵ In Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Nógrád and Heves counties

According to a 2001²⁶ survey conducted in Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg and Hajdú-Bihar counties, there were a total of 126 estates in the three counties with a population of 35 thousand. Concerning the location, utility availability and number of inhabitants, the newest study claims that, of the 557 estates, the highest number are to be found in Bács-Kiskun, Borsod-Abaúj-Zemplén and Tolna counties.

Table 17. Number of estates in examined counties

COUNTY	NO. OF ESTATES
Bács-Kiskun	94
Borsod-Abaúj-Zemplén	90
Tolna	90
Zala	79
Jász-Nagykun-Szolnok	48
Heves	45
Somogy	32
Baranya	23
Nógrád	18
Pest	17
Békés	12
Csongrád	9
Total	557

Concerning the aggregation of unfavourable features, the study found that the majority of houses in ghettos had no proper walls; there is a landfill, the area is waterlogged, there is no piped gas, running water or electricity; the number of inhabitants exceeds 50 people; the nearest paved road is over half an hour away. Based on these criteria, an estate could have a maximum of 10 points; the estate of the village Vasboldogasszony in Zala county got the highest number of points (8). According to the study, there are two estates with 7 points and four with 6 in Bács-Kiskun county and one each with 6 points in Jász-Nagykun-Szolnok, Pest and Somogy counties. The proportion of unfavourably situated estates was the highest in Bács-Kiskun county.

Based on the number of people living on estates, Borsod-Abaúj-Zemplén county is in the worst situation, as it is home to 30% of the people living on estates in the 12 counties participating in the study. According to the data, 4% of all inhabitants in Heves county live on estates, while this proportion is 3.5% in Borsod-Abaúj-Zemplén county, and over 3% in Jász-Nagykun-Szolnok county.

57% of estates have a population of over 200 in Heves county, 45% in Borsod-Abaúj-Zemplén county, 29% in Jász-Nagykun-Szolnok county. Based on information concerning ethnic identity collected in the course of field surveys, the majority of inhabitants are Roma on all estates with a population exceeding 200.

The concentration of estates which have a multitude of unfavourable features and over 50 inhabitants is highest in Bács-Kiskun, Jász-Nagykun-Szolnok and Heves counties.

²⁶ The research was conducted by the University of Debrecen Public Health School for the Ministry of Environment and Water, February-July 2001.

In the ranking of settlements with estates, the proportion of settlements which were socio-economically underdeveloped on the long-term was the highest in Nógrád (56%), Heves and Tolna (42-42%) counties.

6.2 A thematic overview of housing policy literature

A very broad approach is typical of housing policy literature because of the area's interdisciplinary approach. This means that important materials only touch briefly on housing policy. It is particularly characteristic of Hungarian housing policy literature that different approaches do not mix, and even within a single approach, perspectives rarely come into conflict. It is much more typical to have overlapping studies which do not confront one another. Research results often remain unpublished; we could not include such unpublished studies in the overview. Furthermore there are non-scientific articles published in the daily and monthly media, which often include very valuable (but not entirely developed and proved) thoughts. These were also not included. (For example: *Építési Piac*, *Építésügyi Szemle*, *Cégvezetés*, stb.)

We have grouped the Hungarian literature thematically according to the following areas:

6.2.1 Income distribution, affordability of housing expenses

Literature concerning income and redistribution of income is closely related to housing policy. Low income (poverty) necessarily hinders households from paying the cost of their housing, and arrears are likely to appear. The legal security of housing can come into question. Distribution of income and its effects on poverty have been thoroughly researched: Benedek and Lelkes (2005), Havasi (2005), Tóth (2005).

König Éva (2004) analyzes social subsidies provided by local governments. She examines whether local governments spend more or less on social tasks than what normative grants provide. Several analysts criticize local governments' aid policies: Ladányi (2000), Monostori (1999, 2000), Szívós – Bíró – Karajannisz (2002).

The development of arrears is an area of its own. Its literature is relatively small, as it requires special surveys and the cooperation of municipalities and utility companies. Györi (1995) analyses the problems of people in arrears, König (2006) assesses the efficacy of arrears management programs. Vass Péter (1998) summarizes experiences from Szombathely. Vitál Attila's study gives a picture of methods of arrears management, although it offers more normative criticism than facts and analytic details concerning the programs.

6.2.2 Housing privatization and the rental problem

This is perhaps the best researched area. Important texts: Farkas (1993), Farkas – Szabó (1994a, 1994b, 1995), Hegedüs – Mark – Struyk – Tosics (1993), which analyze the dilemma of housing privatization and its anticipated consequences. Dániel Zsuzsa (1996) provides an economic interpretation of housing privatization, including macro calculations. Székely Gáborné (Székely, 2001) wrote the most comprehensive study based on an interpretation of the 1999 housing survey.

6.2.3 Housing subsidies and the housing market (economic, financial approach)

Boday – Hüttl (1995) provide a broad discussion of the definition of housing subsidies. Employees of KSH analyze the Budapest real estate market at the beginning of the 90s (Farkas – Vajda – Vita, 1995, 1997). Hegedüs (2001) describes the processes of housing

mobility based on the 1999 KSH survey, and Dóra (2001) analyzes the relationship between the family life cycle and housing mobility. Hegedüs – Somogyi (2004) analyzes the relationship between mortgages, housing subsidies and affordability.

6.2.4 Mortgages, financial processes

The housing sector and the real estate market play an important role in macroeconomic analyses, especially from the point of view of financial processes. National Bank researchers have written the most important publications since the middle of the 90s. Zsoldos (1997a, 1997b) Hegedüs-Várhegyi (1999) describes the housing finance system of the 90s. The mortgage boom after 2000 directed the MNB researchers' attention to the housing sector; they were concerned about a price bubble (Valkovszky, 2000), but this never came to pass. They note the danger of mortgage interest subsidies from 2003 on, and MNB reports regularly contain information on this topic. Studies such as the abovementioned Hegedüs – Várhegyi (1999) call attention to the housing finance crisis of the 90s. Analyses of the real estate market from a macroeconomic point of view interpret household decisions as portfolio decisions. Kiss (2002), Kis – Vadas (2005); Vadas (2003), Stachó (2006).

6.2.5 Housing policy

Housing policy studies after political transition are generally concerned with the effects of the crisis which followed on housing policy. Farkas – Vajda (1992), Dániel (2004), Hegedüs (1998). Hegedüs – Tosics (1994, 1998) provide a more comprehensive analysis. Lakner (2003) criticizes the housing policy of the Orbán government, which provoked a discussion (Mádi, (2008); Hegedüs (2006) Péter (2005).

6.2.6 Housing estates and urban renewal (geographic, sociological approach)

A very influential study on the acceleration of the processes of segregation and their sociological consequences from Ladányi – Szelényi (1997). Virág (2006) discusses ghettoization on the regional level. Sociologists and representatives of geography analyze the problems of suburbanization, housing estates and urban renewal in numerous studies. For example: Egedy-Kovács-Székely-Szemző (2002).

6.2.7 Cheap housing construction programs, elimination of Roma estates

The analysis of the living conditions of those on the fringes of society can provide the background for housing policy programs. Here Zsolnay's analyses of housing construction allowance programs are worth emphasizing, as well as Oraveczné's (1998, 2005) concrete case studies. Győri Péter discusses the questions of homelessness (Győri 2001, 2003, 2004), as do Dávid – Gálig – Vályi (2004), Dávid – Oross – Vecsei (1997).

6.2.8 Statistical analyses

KSH associates regularly publish analyses regarding the housing situation, housing trends and regional interactions. Farkas (1995, 1996, 2000). Farkas – Székely (2001), Székely (2002,2004) write about the significance of housing construction and modernization.

6.2.9 Housing policy concepts and reform proposals - MRI

Proposal for the Hungarian government's housing strategy 2002–2012 (2002), Commissioned by the Ministry for Economy. Authors: Balázs Ágnes, Farkas János, Hegedüs

József; Contributors: Teller Nóra, Dancza Ildikó, Gerőházi Éva, Somogyi Eszter, Ifj. Erdősi Sándor

An overview of housing policy's medium-term tasks (2003), Research Director: Hegedüs József, Authors: ifj. Erdősi Sándor, Gerőházi Éva, Hegedüs József, Somogyi Eszter, Tosics Iván, External experts: Farkas János (KSH) és Kovács Róbert (Oso-Polar Kkt.) Commissioned by the National Housing Policy Advisory Board

Proposals for the modernization of housing policy and the gradual development of the elements of a social housing system (2008), Authors: Hegedüs József, Somogyi Eszter, Teller Nóra, Contributors: Eszenyi Orsolya, Leiner Vera

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