

Annual report on housing poverty in Hungary – 2011

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Habitat for Humanity Hungary

Executive summary

Habitat for Humanity Hungary (HFHH) has compiled an annual report on housing poverty in Hungary for the first time. The publication of the report is the organisation's latest step in its research and advocacy activities, carried out since 2009. HFHH plans to develop and annually publish such housing poverty reports in the future. The main aim of the report is to provide an overview on problems and trends of housing poverty in Hungary on the basis of available data and information, and to analyse the reporting year's policy developments from the point of view of housing poverty.

Housing poverty in Hungary 2011 - overview

The working definition of housing poverty used in the report is based on the concept of adequate housing by the UN Committee of Economic, Social and Cultural Rights, adapted to the Hungarian context. The report examines problems with regards to the access to adequate housing, the quality, security, affordability and location of housing in the Hungarian housing system.

Access to housing

- The public housing stock in Hungary is characterised by quantity, quality, location and management problems. By 2011 the stock further deteriorated. The number of public dwellings has decreased by 2,500, mainly due to still ongoing privatisation. As a result, the number of operating units fell to 120,000, less than 3% of the housing stock. The number of social rental flats is less than half of the estimated need (cca. 300 thousand). The renewal of the stock is close to zero, while most of it does not offer adequate housing conditions, one quarter of the public housing stock consists of semi-comfort flats and flats without amenities.
- Street homelessness affects at least ten thousand people.
- Despite Hungary's international obligations regarding deinstitutionalisation, there are at least 15 thousand people only among people with mental disabilities, autism, severe, multiple disabilities who live in large institutions.
- Meanwhile, 11.5% of the country's housing stock, nearly half a million flats are empty or used for other purposes than housing. Though spatial differences apply, the Hungarian housing stock is not characterised by the lack of units, its main problems lie in other factors.

Legal security of housing

- Though quantitative data are not available, different situations of legal insecurity are present in the Hungarian housing system.
- Such situations include: unclear tenancy status, courtesy flat use as an alternative to homelessness/unacceptable housing conditions, lack of/empty/irregularly completed address card, lack of rental contract with reasonable conditions in case of private tenements; legal

insecurity of housing is enhanced by certain components of the relevant evictions rules, as well as anomalies in implementing those rules.

Housing quality

- Despite improvement in national level data, in 2011 certain segments of the Hungarian housing stock are still unable to offer adequate living conditions to their residents. Cca. 95% of the stock is connected to piped water, but 233.000 flats still lack access to the service. Cca. 660.000 people live in flats not having indoor flushing toilet for the sole use of their household. Cca. 440.000 people live in flats without a bath or shower. Cca. 1.2 million flats lack access to the sewage network.
- Cca. one quarter of Hungarian residents live in dwellings with quality problems deteriorating life circumstances and health, such as leaking roof, damp walls, floors or foundation, or rot in window frames of floor.

Location

- Access to basic services and infrastructure as well as habitability problems are strongly interrelated with location; such problems concentrate in small settlements, especially in those located in disadvantaged areas.
- In the Hungarian context, the spatial concentration of poverty should also be considered as a key location problem. According to recent estimations, cca. 300 thousand people live in urban slums, impoverished rural areas and segregated colonies, and over 150 villages are subject to ghettoisation.

Affordability

- Out of the different housing poverty problems, in 2011, it was affordability problems and indebtedness that affected the largest number households.
- According to the latest Eurostat data (published in 2011) Hungarian households spend 25.2% of their disposable income at housing as an average. According to international literature, housing costs exceeding 30/35% of disposable income indicate affordability problems. In the lowest income quintile every third household pays 40% or more on housing out of its disposable income.
- Rents of local governments' rental dwellings greatly vary; differences cannot be derived from respective local governments' economic situation which might be reflected in eligible households' fiscal capabilities.
- In relation to affordability problems, indebtedness affects masses of households. Public debates related to housing were dominated by the problem of households in mortgage-repayment arrears; though the size of the latter group is on the increase, the largest number of indebted households are those who fail to pay their utility bills. Several thousands of households are in serious arrears with their utility bills, while according to an analysis published by the Central Statistical Office in November 2011, the number of households in problems with housing mortgage was estimated to 93.000, the number of households in problems with other mortgages to 35.000. According to data of TÁRKI referring to 2011, 25% of Hungarian residents lived in households that were unable to pay utility bills due to financial reasons in the preceding 12 months. According to Eurostat data published in 2011, Hungary is in the sixth most unfavourable positions among the EU member states in these terms.

- Among state subsidies to improve affordability, it was the central normative housing maintenance subsidy that reached the largest number of households; 290 thousand households received such support according to data published in 2011 referring to 2010. The amount of the referred subsidy has not increased for years. Debt management services provided by local governments under the Social Act did reach only a fragment of indebted households, according to data published in 2011, in 2010 cca. 20 thousand households obtained debt reducing subsidy related to such services. Households in similar situations have very different chances to obtain effective debt management according to their place of residence.
- According to latest Eurostat data, in 2010 10,7% of Hungarian residents, more than 1 million people were living in households unable to properly heat their home during winter for financial reasons. Energiaklub, based on international experiences, came to a similar estimation, according to which 300-380 thousand households are affected by fuel poverty.

The situation of Roma people

- Representative data on the housing situation of Roma people have not been collected in the recent years; available information suggests that even though housing poverty does not only affect Roma people, Roma people are overrepresented among the housing poor. Roma people are in a disadvantaged situation compared to non-Roma in every dimension of housing poverty (legal security of tenure, quality, affordability, location).
- Spatial segregation is a key problem of the housing situation of Roma. Though methodological differences render comparison difficult, cca. 45-55% of Roma live among exclusively or mostly Roma neighbours.

Policy developments in 2011

Similarly to previous years, no comprehensive strategic document has been adopted in the area of housing in Hungary. The Home Creation Programme of the New Széchenyi Plan (which sets the development priorities in the country for the forthcoming years) cannot be considered as such, as it focuses mainly on economic development, while it fails to identify different forms of housing poverty, to formulate and detail policy measures to tackle such problems.

The potential of an effective housing policy is greatly constrained by the fact that housing-related budget expenditures are not transparent, there is no conceptionally and statistically sound information system that could help policy makers in the identification of relevant and effective measures.

As for the rental sector, strategic documents aim to develop the sector primarily via construction, and in some cases, purchase. They do not deal with the regulatory and management problems of the sector, and do not set clear goals with regards to the development of the social rental segment within the sector. Inclusion of the existing housing stock in the social rental sector along with the maintenance of the present ownership structure has not yet been involved in the set of housing policy instruments. No development occurred with regards to the quality and management problems of the sector during 2011. No measures for new rental housing construction have been introduced. Development of the stock via purchase may take place from the beginning of 2012 by means of the National Asset Management Company, established in autumn 2011, however, in a small scale, for a limited scope of needy households, and haphazardly in terms of type, quality and location. The scope of such a development, as well as the experiences of the operation of the newly acquired housing stock may be reported in the 2012 Housing Poverty Report.

The Home Creation Programme of the New Széchenyi Plan does not deal with the state subsidies to promote affordability, which is unfavourable in the light of the fact that out of the different problems of housing poverty it is affordability that affects the largest number of households. The National Social Inclusion Strategy sets the reconsideration of the system of state subsidies related to affordability as a goal, however, the Strategy urges the increase of the proportion of in kind supports which can be considered as problematic from the point of view of the long-term financial sustainability of affected households. The integration of gas and district heating price subsidies into the central normative housing maintenance subsidy can be evaluated as a positive development, as it increased the level of integration in the subsidy system, does not provide perverse incentives for households for overconsumption, and does not discriminate households using other means of heating. In addition to administrative problems due to local governments' increased workload in the new system, the scope of eligible households remains a question (will it compensate needy households for losing their gas/district heating subsidies?) and the low amount of the subsidy remains a problem. As an unfavourable development, the possibility for local governments to provide equity housing maintenance supports for needy households was taken out from the Social Act. No change was made to the regulations regarding local governments' debt management services, therefore they still only reach a fragment of needy households, fail to respond quickly, only provide help for a certain amount and structure of debts; households living in settlements below 40 thousand residents, with a few exceptions, continue to lack access to such services.

Strategic documents do refer to the problem of the spatial concentration of poverty, though with no clear definition of concepts, the set of goals and instruments. It can be considered as a positive development that the National Social Inclusion Strategy lists among the initiatives which are worth of developing further the identification of the segregated neighbourhoods in Hungary, the development of maps, databases and related analysis concerning such areas. However, it does not build upon the planning documents elaborated in the framework of recent years' equal opportunities funding policy, such as anti-segregation plans, even though it plans to use the indicator sets used by such documents. No new policy measure to decrease segregation was introduced in the year 2011 (the social consultation of the new "complex colony programme" ended in early 2012).

The relevant policies in 2011 were dominated by measures targeted at households in arrears with their mortgage credit repayment. Even though this target group is very heterogeneous, we can state that most households living in housing poverty are out of the scope of such measures: those that did not take upon a mortgage credit as they had no relevant consumption, those that did not dare to apply for a credit due to their potential inability of repayment, and those who, even if applying for such a credit, proved to be ineligible. Therefore government measures targeted at mortgage debtor households, and related public expenditures, are mostly irrelevant from the point of view of combating housing poverty. Considering the limited public resources available, expenditures related to mortgage debtors may distract public sources from other measures more relevant from the point of view of housing poverty.

Out of the measures targeted at mortgage debtors, only the end payment option became really effective, a measure reaching systematically the upper status segment of debtors. Measures reaching lower status debtors, or targeted specifically at them were either not launched (interest subsidy for indebted households moving to a dwelling with a smaller crediting need) or have been so far very poorly effective (National Asset Management Company, social family house-construction programme), by the end of the year they had no measurable impact on affected households.

The other topic appearing strongly in the housing-related policy discourse was street homelessness. The programmes to tackle street homelessness combining social work, employment and housing, including own housing upon certain circumstances – which were launched parallel to the sanctions introduced to stop street homelessness receiving criticism by experts, inland and international NGOs,

citizens and the ombudsman – reach only a fragment of the target group, no systematic information on their effects can be obtained so far.

During the year 2011 further relevant policy measures have been introduced in the field of housing, in part in the framework of the „Home creation programme” launched in October. The programme (interest rate subsidies and non-refundable subsidies for new housing) again allocates public funding to help property acquisition (preferring the construction/purchase of new property), even though in the recent decades private property-oriented housing policies have failed to solve certain housing market situations, including many housing poverty problems. Interest rate subsidies will not solve the housing poverty problem of most affected households (ineligibility for credits, fear of credit uptake, lack of relevant consumption), in case of the non-refundable subsidy (a highly criticised instrument as such) the relevant regulation itself excludes lower status households.

In sum, no coherent, strategy-based policy-making was formulated in the year 2011. The measures outlined in strategic documents have been only partly or not appearing in specific policies, while several policy instruments were introduced – and in certain cases, had significant effect in the housing sphere – which had no reference to, and/or were not necessarily in line with the strategic documents (e.g. end payment, social family house-construction programme, rearrangement of the central normative housing subsidy). Besides, strategic and policy documents are not necessarily coherent with each other. From the point of view of the present report it is especially of concern, that the approach of the New Széchenyi Plan’s Home Creation Programme and the policy measures introduced in 2011 paradigmatically differ from the approach of the National Social Inclusion Policy (in terms of conceptual framework, problem definition, goals, measures suggested). The housing-related policies in Hungary in 2011 do not provide, or do not provide effective responses to various problems of housing poverty.