Security and Insecurity Aspects of Home Ownership in Hungary - interaction of preconditions and motivations

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Abstract:
The OSIS research has provided a lot of useful quantitative and qualitative data on what aspects have an influence on housing decisions and how these aspects are interrelated. The effects of the institutional changes (transition processes) in Hungary have been complemented by some further aspects that have to be considered in their dynamics: the constantly changing institutional environment results in forming and reformulating households strategies of different nature.
Thus, one of the most important results of the transition in terms of institutional changes in the housing sector, namely privatization and the changes in security provided by the different tenures, have since then gained a lot more meaning than just "push to privatize the rented dwellings" and the change of the social rental sector to a residualized sector; it has more to do with forming and emerging of new strategies that complement the security that got lost with the transition, and finding the ways of a constant adjustment by the households to what is undergoing in the current macro-economic situation in Hungary.
The paper elaborates first the macroeconomic changes and the major reforms in the labour market and social security, and then discusses the households' perceptions of "tenure". Then it reports about strategies that emerge on household level, and delivers a possible prioritization of the driving motives for the strategies. The paper concludes based on the qualitative interviews of the OSIS project that the constantly changing institutional environment enhances the emergence of continually adjusted strategies that are connected with family networks, struggle for wealth optimization, and lessons based on previous bad choices.

Introduction

Hungary, with its population of 10 million 15 years after the transition, became a member state of the European Union in 2004. Approximately two thirds of its population live in urban areas and 1.8 million people reside in the capital, which represents close to 20 % of the total population.

Political changes have brought about major reforms in the structure of the government, economy and society. The two main processes of the transition were privatisation and decentralisation. In 1990, the share of state ownership in the economy was over 85 %; however, after the privatisation that has taken place in the last 15 years, the share of the state sector has shrunk to 20 %. During the decentralization process the local governments were given a wide range of responsibilities in public and social services (water, sewerage, public transportation, urban planning, housing, basic healthcare, etc.). Although the GDP and related living-standard indicators had reached their pre-transition levels by 2000, reforms had not been completed in some of the major sectors, such as energy, health care, public transportation, and education. The autonomy of the local governments, as a result of decentralisation, helped the restructuring process, however, conflicts between the central and local government over the responsibilities and the public resources led to "perverse" behaviour of the public institutions such as "rent-seeking", tax competition, morally hazardous behaviour, and underutilization of the local tax base. More striking changes came about in the social structure. The emergence of visible poverty due to mass-unemployment, low labour market activity (resulting from early retirement, forced postponed education, etc.) as well as increasing income and regional inequality contributed to social and political instability. Social security – though at a "low level" -- guaranteed by the state has disappeared since the transition, and the formation of a new welfare regime (system of safety nets) has left some social groups basically unprotected. Housing, as one of the basic human services, played a prominent role in the process of social change.

After the give-away privatization scheme was implemented in the housing sector, homeownership became a dominant tenure form in Hungary, as was the case in most of the other transition countries; however, even after 15 years of transition, no new housing regime has been formed. The housing sector that exists today developed as a consequence of the economic transition and the trends in the housing system can be interpreted as an "outcome" of the restructuring processes in the political and economic system, such as decentralization, privatization, the emergence of private banking, reform of the social security system, etc. Hungary is one example of a country where "super home ownership" prevails, where the majority of the homeowners have full equity (there is still no substantial mortgage lending prevailing). In restructuring the housing system, both the risk and security aspects of homeownership turned out to be relevant and have to be interpreted in the context of the social problems related to the transition from a centrally planned economy to a democratic market society.

The findings of the current chapter draw on the results of a three-year European Union 6th Framework research project on the Origins of Security and Insecurity of Home Ownership (OSIS), and especially on the findings of the institutional and qualitative research phase of this project that explored the framework of housing policy changes after the transition in addition to households' perception of security and insecurity concerning home ownership.

The chapter discusses the main developments of the labour market and social security system after the beginning of the nineties. It then explores the changes in the housing sector, focusing on the privatization of the public rental sector, which resulted in super-homeownership in Hungary. Subsequently, the households' housing decision strategies are elaborated upon in the context of tenure structure and perceived security and insecurity elements are examined. Lastly, safety net strategies are analyzed and we conclude that there are at least three aspects to be observed while discussing the risk and security elements of home ownership in Hungary, namely the effects of the transition, the importance of the family background, and the short- and long-term consequences of bad decisions in the housing career in other fields of life and *vice versa*.

Main developments in the labour market and social security

The Hungarian economy went through the transitional recession at the beginning of the 90's, and, as a consequence of an austerity program, the economy had slowly recovered by 2000. However, the much needed structural changes in sectors including education, health care and social services had not been carried out. The lack of reforms and the generous income policy of the government from 2000 to 2006 caused a huge fiscal deficit, and forced the government to prepare a second austerity program encompassing the needed structural reforms.

In the 90s, the changes in the labour market, due to the closing down of many previously state-owned companies and to the restructuring of the production sector, the employment rate decreased dramatically – more than 1 million employees left the job market. (See **Fout! Verwijzingsbron niet gevonden.**) The decreasing employment rate has put an extraordinary burden on the public economy, which is a more serious problem than unemployment (which is slightly better, i.e. lower, than in other European countries, though quite high compared to the pre-transition's almost full employment.

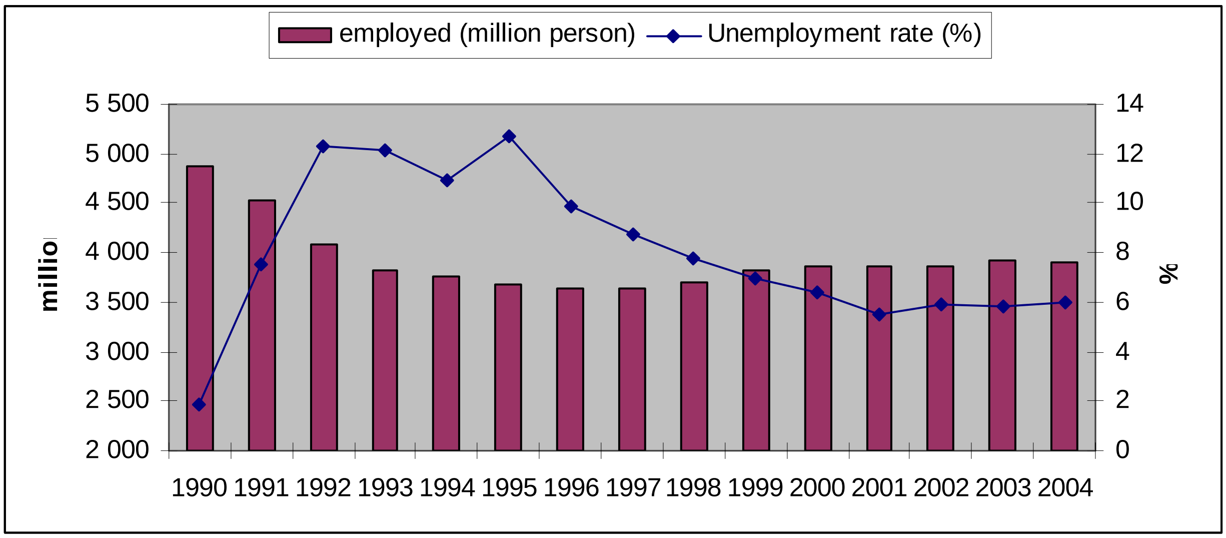

Figure 1 Unemployment rates and the number of employed people in Hungary (%), 1990-2004 (Source: EUROSTAT, Central Statistical Office)

Household incomes decreased at the beginning of the 90s, but reached the pre-transition level in 2001. (See Figure 2) Between 2002 and 2004 there was an increase in income governed by the public sector income policy. As this increase was not justified by economic performance, the rise in living standards increased the government deficit. (Government deficit increased in the election years: 1994 8.4 %; 1998 6.8 %; 2002 9.2 % and in 2006 it will be more than 10 %.)

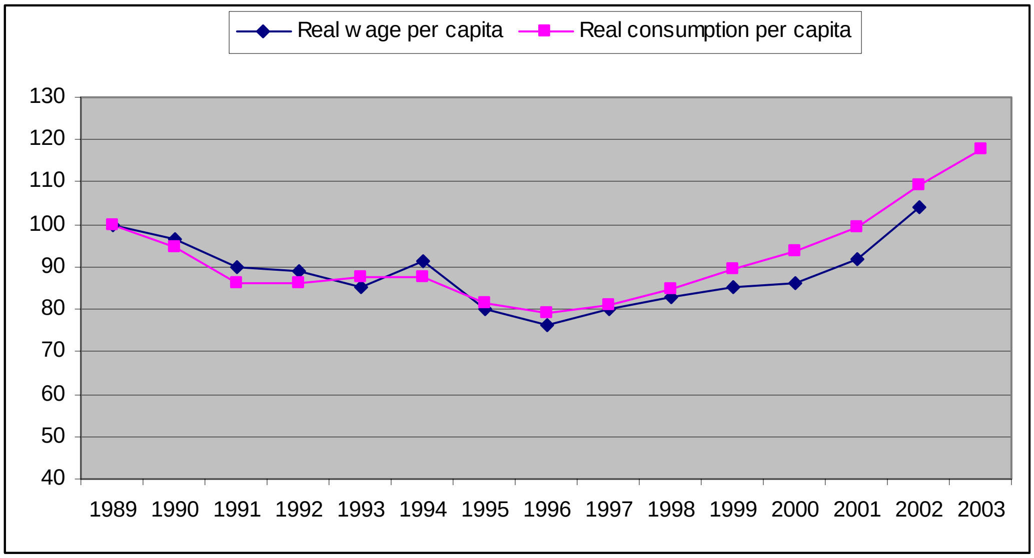

Figure 2 Real wage per earners and real consumption per capita between 1989 and 2003 (Source: Statistical Yearbook, 2004 Central Statistical Office)

During the 90s poverty became one of the most important social issues. While the average income decreased, income inequalities increased dramatically in the first part of the 90s, and remained stable over the last decade. The ratio of average income in the lowest percentile to the average in the highest percentile increased from 4.6 in 1987 to 7.6 in 2004; the decrease between 1995 and 2004 was less significant. (The other two indices support the same conclusion).

Table I Indexes of income inequality 1982-2004[1]

	1982	1987	1995	2004
Income ratio of the lowest and highest percentilesP10/P1	3,8	4,6	7,5	7,6
Robin Hood index	14,9	17,0	21,0	21,4
Gini coefficient	n.a.	0,2358	0,2964	0,3121

Source: Keszthelyiné Rédei, M– Szabó, Zs. (2006)

The economic recession associated with transition increased regional inequality in the country: the eastern part of the country was hit much more by the economic decline than were other areas. The percentage of active wage earners in the North-Hungarian and North-East regions (two less-developed regions) is much lower (29.5 % and 32.3%), than in the more developed three regions, where the ratio is above 40 %. The net income per capita is 50 % higher in the most-developed region than in the two less-developed regions. (CSO, 2006)[2]

[1] The Robin Hood index is equal to the portion of the total income that would have to be redistributed for there to be perfect equality; while the Gini coefficient is a measure of inequality of a distribution, defined as the ratio of area between the Lorenz curve of the distribution and the curve of the uniform distribution, to the area under the uniform distribution.

[2] Altogether, there are 7 regions in Hungary.

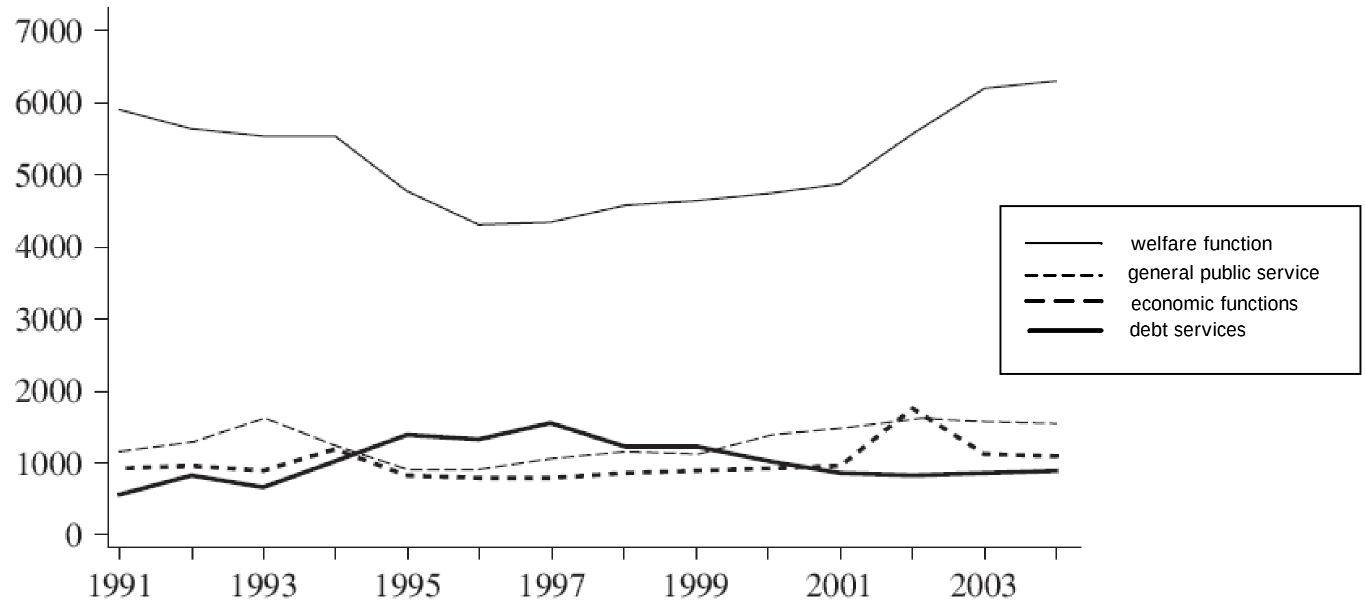

Figure 3 Public sector expenditures in billion HUF (at 2004 prices) services

Source: Benedek at al (2006)

The welfare functions of the state followed a trend: there was a decrease during the earlier half of the 90s and a slow increase after 1998. In 2004, the total welfare expenditures amounted to 32 % of the GDP, including tax allowances (2 %) and the social costs of the enterprise (0.9%). The majority of the social welfare budget was spent on pensions (25.8%), education (18.2%), the health care system (17.1 %), and only 28.4 % of it (1,845 billion HUF) was spent on social welfare functions.

Table II Composition of social welfare expenditures in 2004

	Billion HUF	As a % of total social welfare expenditures	As a % of the GDP
In kind services	297,6	16,2	1,5
Price subsidies	541,5	29,3	2,7
Tax allowances	398,1	21,6	2
Insurance based transfers	158,9	8,6	0,8
Mean-tested benefits	108,7	5,9	0,5
Universal transfers	338,8	18,4	1,7
Total	1843,6	100	9,2

Source: Benedek at al (2006)

The mean-tested social benefits account only for 5.9 % of the total social welfare expenditures, and the targeting-efficiency of these programs can be criticized. According to Benedek et al (2006), some universal programs (e.g. child benefit) reach the poor quite efficiently without mean-testing procedures. However, the social welfare programs, overall, are very poorly targeted, and the neglect of social sector reform has contributed to the fiscal crisis of 2006.

The poor targeting in social welfare programs is related to large-scale tax-evasion and poor income measurement in social programs. The informal economy was estimated to be as large as 25-33 % of GDP between 1990 and 1997 (Laczkó, 2000). The fiscal crisis is related to the welfare policy, which, seeing that it seeks to maintain a broad range of social services at a low level of willingness-to-pay taxes, is not a feasible or sustainable option.

Housing allowance is one of the mean-tested social welfare programs. The Hungarian scheme introduced in 1993 had a very limited role because of a lack of incentives for local governments to provide substantial contributions to housing costs. The context of the scheme consists of what are generally the two lines of operation of welfare programs in Hungary: one line operates through the programs defined by the central government (parliament), and the other through programs managed by local governments (mixed financed). The housing allowance system, introduced in 1993, remained a "low budget" program (100 % financed by the municipalities), and consequently, utility and rent arrears increased during the 90s. According to the household survey, in 1992 11.7 % of the households indicated that they had real difficulty paying the utility cost and rents. By 1997 their share increased to 15.4 %. (HHP, 1998). The housing surveys of 1999 and 2003 indicated that 6-7 % of the households had arrears (CSO, 2004); however other sources have estimated an even larger portion of households with arrears problems. Realizing the significance of the social problems related to arrears, from 1997, the government began launching programs to give incentives to local governments to manage the arrears issue.[3] Nevertheless, no substantial results were forthcoming and in 2003 a new housing allowance scheme was developed and an arrears management program introduced. (Hegedüs-Teller, 2004) In 2004, the governance of the housing allowance program changed, and the funding is now shared (10-90%) between the local and the central government and the eligibility criteria and minimum amount of subsidy is now set centrally. By that time, the share of housing allowances was around 4.8-3.6% (decreasing) of the total social welfare benefit programs 1998 and 2002[4].

As a consequence of postponed reforms, several groups in Hungary faced the insufficient welfare system, among them the pensioners, the unemployed, the ill, families with three or more children and single and single-parent households. Due to the decentralized nature of some social benefits, they may also vary among settlements. Typically, these are the groups that face hardship in paying housing costs because of low incomes or disproportionately high housing expenditures.

There is vast literature on the new welfare regimes in transition countries. The studies conclude that East Central European countries seem to represent a welfare model that has some of the elements of liberal welfare regimes, of social democratic regimes, but also seems to be similar to the regimes of the South European states. (see also Matznetter 2001, Taylor-Gooby, P 2004, Tomka 2005, Ferge 2002 etc.) Nonetheless, the grouping in itself can hardly illustrate the dynamics of the region's social security arrangements and/or their convergence toward any of the models. The paper's discussions refer to a list of dominant elements that have influenced the current social security systems in the region, i.e. also in Hungary: pre-communist (Bismarckian) and communist elements (path dependent elements of the regimes after World War II) with a mixture of neo-liberal elements (as also put up by the advising international organizations) have all had an impact on the current social security setups in the region. Our conclusion is that in these countries the welfare regimes are still being formulated, because the reforms in sectors such as education, health care and pensions have not yet been completed.

The paper focuses on the relation between housing and the welfare regime, as housing has played an important role in transition. Housing, an area which, before the transition was considered mainly a part of the social commitments of the states, was rapidly excluded from state control and financing. The more extensively the states withdrew from housing supply and housing allocation and control, the more the market

[3] Local governments are theoretically interested in arrears management, since normally, at least a part of the utility companies (mostly water and sewage plants) are (co-)owned by the local governments.

[4] Other income transfers should be taken into consideration, e.g. pension, family benefits, etc.

mechanisms prevailed. The East European Housing Model (Hegedüs-Tosics, 1996) was built in the centrally planned economy that can be characterized as a social-economic system with high job security[5], low – highly subsidized – housing service prices, and small income differentials. In the housing system of this economy, a vast majority of services were provided "in kind" or at below-cost prices and were allocated according to consumers' "merits" (Kornai, 2000). As a consequence of the low, subsidized housing prices, an enormous shortage occurred, leading to the emergence of a dual housing market[6]. In the formal housing market, there was no need for housing assistance (because of the subsidized, low housing services), but on the other hand, the informal market was not officially acknowledged and thus no income support was offered here.

Main developments in the housing sector

In the pre-transition period the main features of the Hungarian public rental sector were the very low rent level, the huge backlog in maintenance, and the "ownership" rights of tenants. The share of the public rental sector was around 20 % of the stock, but close to 40 % in urban settlements. The rental sector operated as a "unitary" system (Kemeny, 1995) in the sense of the social composition of the tenants. Moreover, the critical analysis of the socialist housing system points out that access to public rentals was distributed unevenly among different social and income groups, and the better-off families enjoyed better chances to get into rental housing (Szelényi 1983, Dániel 1985). However, this fact could be explained partly by the allocation policy ("role of the state"), but partly by market allocation. 30-35 % of the tenants in 1992 accessed their units through private transactions i.e., that they bought their units on the 'grey' market. (Hegedüs, Mark and Tosics, 1994).

The collapse of the centrally planned economy brought about radical changes in the housing sector. The new housing regime preferred privatization and liberalization in the housing sector, which increased the significance of homeownership, both as a source of security and as a source of insecurity.

After the political changes at the end of the1980s, three stages of the housing policy can be identified:

- 1989-1994: crisis management (privatization of the state-owned rental unit to the sitting tenants, privatization of the construction and developing companies, consolidating the collapsed loan portfolio of the "old loans")
- 1995-2000: developing new institutions (emerging housing finance institutions: contract saving banks, mortgage banks etc, changes of legislation)
- After 2001: new housing program supporting the middle class through housing finance subsidies, and slow start of social programs

In the first period (1989-1994) the government tried to manage the housing crises related to the economic decline and the "deep subsidy" system of the socialist period. The government "moved out from the housing sector" decreasing the subsidies and diminishing their direct role. Decentralization was part of this process as the local governments were assigned to manage the housing allowance program partly financed from their own resources. The housing policy of this period could be characterized basically as crisis management. The Housing Law (1993) and the Social Law (1993) made it clear that the government does not take responsibility in housing, but leaves it open for a future intervention. The subsidy system was changed in order to decrease

[5] To be unemployed was considered a "crime", which led to a high "inside unemployment" (meaning that many jobs were kept in the firms with low salary and almost "no work").

[6] "Dual housing market" refers to the existence of an informal housing market alongside of the state controlled housing sector: self-help buildings, private transactions in the public rental sector, private real estate market transactions, market for sub-tenancy, and a small private rental sector. (Hegedüs, 1992)

the burden on the budget, but no major changes were realized in the concept of the housing policy. The decisions taken in this period made it clear that politicians did not accept the idea of targeting. Nevertheless, this idea became more and more part of the "white paper" programs. The privatization process speeded up, resulting in "super homeownership" in Hungary.

Table III Change of tenure structure in Hungary, 1970-2001

	1970	1980	1990	2001
public rental	26,2%	26,0%	19,0%	3,7%
other rental	7,1%	2,5%	7,0%	3,6%
owner occupied	66,5%	71,3%	73,6%	91,9%
other	0,3%	0,2%	0,4%	0,7%
Total	100%	100%	100%	100%
(N)	3 034 383	3 416 565	3 687 996	3 723 509

Source: Census, 2001 Central Statistical Office

Until 1994, local governments were free to make any decisions on privatization. The majority of local governments supported privatization based on both short-term political and longer-term financial considerations. The political reason for privatization on the part of local governments was to "favour" their residents, and they were supported by "faith" in privatization in general. (Housing privatization was strongly proposed by international donor agencies as well.) There were several financial reasons for privatization, such as the backlog in maintenance, and the continuous operational losses, as the rents did only cover 30-45 % of the actual cost. A key element in local governments' privatisation decision on the households' side was what future rent levels could be imposed. The local governments expected high political pressure in the case of rent increase. The facts show that privatization speeded up in the first years of 90s, and after the "soft" right to buy Housing Law of 1993 a new impetus was given to privatization.

On the household side, direct financial considerations and increasing security were determining the willingness to buy the units. The main financial motivation was to capitalise the potential 'value-gap' of the rental unit, i.e., to capture the difference in the value of the unit as a rental vs. an owner-occupied unit. The average price a household had to pay was around 10 % of the market price. The absolute sum of the "value gap" increased with the quality and location of the unit, which had a huge regressive allocation effect. The selling prices were set at 15 % of the market price[7] -- 10 % of which had to be paid in cash, and the remaining part in monthly instalments for 15 years with 3 % interest rate. (It was not a loan, but a "delayed" payment.) Beside the "value gap", the security issue was the most important. It is true that public tenants had enjoyed a high security of tenure in the past forty years, and they had enjoyed low rents, with rent increases below inflation. After the regime change, most of the tenants expected rent increases and the shrinking of their "ownership" rights (e.g. the right of tenure swapping or inheritance).

Altogether less than 5 % of the stock remained in the ownership of the municipalities. In the overwhelming rest of the flats that could not be sold, the sitting tenants remained as renters of municipal units. This had a number of motives that are connected to the insecurity aspect of homeownership, namely, that in their case buying the flats would not have been possible due to lack of financial resources or existing arrears. They could not have borne the financial burden of paying the rates of credits or even any expenses related to housing maintenance (e.g. those of repair). As a result, the municipal housing stock residualized, because higher value housing had already been sold by 1993, and after 1996 40 % of the privatized stock belonged to the lowest

[7] The price was set at 30 % of the market value if extensive modernisation had been undertaken within the previous 5 to 15 years, and 40 % if the modernisation had been undertaken within the previous 5 years.

value quintile. According to the survey's results carried out in 1999, the lower the status of the household is, the more of them are present in municipal housing: 44 % of households, where the head of a family is an unskilled worker, live in municipal rental, whereas this ratio is only 8.4 % among the white-collar workers. In 10 years, household income in the public rental sector decreased form 86 % to 74 % expressed as a % of household income in the owner occupied sector by 2003. It is an interesting fact that the most active privatizing households by 1999 were those with old (above 60 years) heads. (CSO 2001)

In the middle of the 90s a number of new laws made the creation of a market based housing finance system possible. As a result of these changes in the legal framework, legal tools for securing real estate loans and assuring expeditious access to collateral in the event of default in a mortgage loan were established.[8]

In the second period (1995-2000) new institutions were established and the legal background improved. Meanwhile, the level of the subsidies gradually decreased as a consequence of the decreasing housing output. Two basic financial institutions were set up: the contract saving banks and the mortgage banks. The law on contract savings banks was very controversial as the subsidies given to the savers made the housing subsidy system more regressive, and there was no direct relation between the subsidies and the increase in housing investments. The changes in the legal background of housing finance were an important element of this period. The attempt to tackle the problem of the inflationary environment and changes in the subsidy system had a temporary effect on the housing sector. The housing policy concept declared the need for a reform in the subsidy system, but changes mainly served the purpose of reducing the budget burden. From 1998 a new rhetoric was presented in the housing policy, namely the need for the support of middle-income citizens, but for two years nothing important had happened.

In the third period (after 2000) the government started an active program backed by the positive macroeconomic changes. The program introduced new subsidies (interest rate subsidy, PIT mortgage rate deduction, and mortgage bond subsidy) primarily in the owner occupied sector, but into the public rental as well. To enhance the effect of the program the subsidies were increased step by step, and the new government of 2002 inherited a very controversial system of primarily of housing loan subsidies and were faced with the problem how to restructure it. The left-wing government elected in 2002 promised in the campaign to keep the subsidies unchanged in the housing sector and even promised increases in some elements of the subsidy system (e.g. an increase in premiums for contract savings and in the upfront down payment subsidy for new construction.) but in the end the unsustainability and low targeting of the subsidy programs caused radical changes in 2003-2004. During these four years of subsidised housing loans the housing loan portfolio grew 8 to 9 times in size; whereas at the beginning of 2000 the loan portfolio was approximately HUF 130 billion only; in September 2003 it was HUF 1130 billion. As a result, the loan ratio within the GDP increased from 1 % in 2000 to 7 % at the end of the year 2003 (around 500 thousand households took loans in this period). This substantial increase was facilitated by the fact that the portfolio was at its lowest point at the millennium (previously subsidised loans had been mostly paid back and there was a minimum of new ones), therefore the development started from almost zero level. The amount and extent of subsidized loans were decreased, more weight was put on upfront down payment subsidies, socially targeted housing allowances and rent subsidies. Subsidized loans diminished with the increasing share of foreign currency based (cheaper) loans already by 2005.

As part of the housing program launched in 2000, a grant program for local governments was introduced, which supported five housing areas: rental sector, energy saving renewal, rehabilitation programs, land development, and housing renovation owned by churches.

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[8] For example: 1. the 1993 Law on Regulation of Rent and Sale of Housing exempts private landlords from the requirement of providing alternative housing to an evicted tenant; 2. amendments to the Civil Code sections on mortgages and liens adopted in 1996 and a 1994 law on court procedures permit foreclosure and repossession without the lengthy judicial proceedings required under previous law; 3. the Civil Code now permits the lender to sell the property itself without court intervention if the parties so agreed in the loan documents; 4. Civil Code amendments provide that for residential real estate, the parties may agree that the borrower must deliver the property empty of occupants in the event of foreclosure; 5. the 1997 Law on Mortgage Banks and Mortgage Bonds changed the priority for payment to a mortgage lender from the proceeds of a foreclosure sale from last place to fourth place, ahead of taxes, social security, and other public debt.

The most important element of the grant program was the support of the public rental sector. The program gave an investment grant to the local governments up to 75 % of the investment costs for various purposes: social rental, cost based rental[9], young family housing, elderly homes, and pension homes. In the years between 2000-2004 several hundred local governments took part in the program. The total investments amounted to 60 billion HUF and close to 13 thousand units were established.

After the change in the government, there was a shift in the housing policy as well. The mortgage program with the modification prior to the election of 2002 was unsustainable, unjust and inefficient. The changes in the composition and the real increase of the housing subsidy programs clearly show the shift to mortgage subsidies as opposed to other program elements. (see Figure 4) The budget expenditure increased, which, parallel with other popular measures (e.g. large scale increase of public employees' salaries) created a fiscal problem. The first victim of the budget cut was the social rental program, which was stopped after 2004. The "high" cost per unit was the justification for curtailing it. (Though the present value of the mortgage program subsidy was higher, and it had a clear regressive income effect as opposed to the rental program's social effect.)

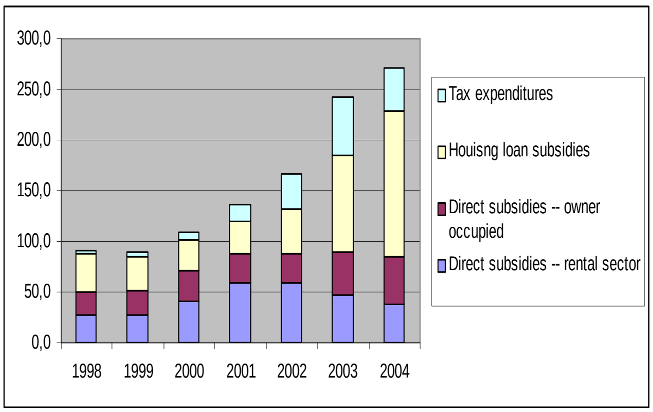

Figure 4 Housing subsidies 1998-2004

Source: MRI (2005)

The government decided to launch a rent allowance program through PPP schemes for rental investment. (Hegedüs-Teller, 2005) The proposal failed because the guaranteed rent level (basically asked by the investors through the proposal) was unacceptably high (twice the existing market rent). However, the importance of the social rental sector was never questioned in the government documents.

In 2005, a new rent allowance program was finally introduced, which aimed to use the private rental sector for social purposes. (MRI, 2006) The local governments could apply for a rent allowance for low-income families with children and who had a private rental contract. The rent allowance paid by the central government could be a maximum of 30 % of the rent or 25-30 EUR/month, and the local government had to contribute a minimum of the same amount as the central government. The local governments could apply for 3 years' worth of rental allowances. The program was a fiasco and only very few local governments put forward a proposal.

The distances between the rents in the different layers of the rental sectors has been prevailing: As the 2003 Survey carried out by the Central Statistical Office states, the renters in the public sector normally pay 7% of their household income on rent, whereas this share in the private sector is nearly fourfold, 27 %. The nominal differences in rents show that even more gravely (see Figure 5), thus, it also becomes visible that even with a large rent allowance (i.e. the unsuccessful rent allowance scheme, see above) for the private sector, households with serious financial hardship will not be able to afford living in private rentals.

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[9] Cost based rental was allocated according to the locally defined procedures (typically by social criteria), and basically forced the local goverments to charge minimum 2 % of the investment cost per year.

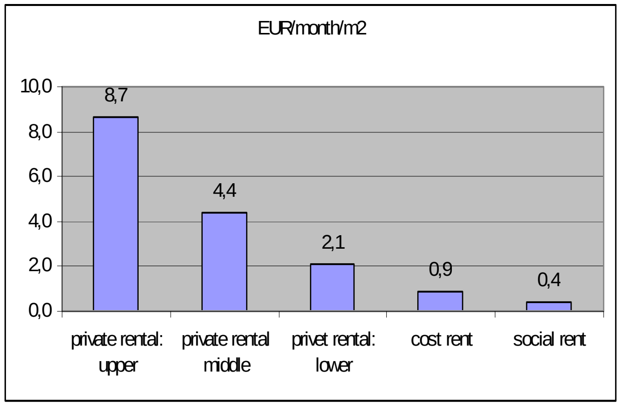

Figure 5 Rents in different submarkets in 2005

Source: Estimates based on CSO (2003), 'Ingatlan és Befektetés' and Statistical Yearbooks of CSO

Housing Decisions and the Meaning of Tenure

The social meaning of tenure under the socialist housing system was developed according to special legal, economic, social and cultural factors influencing the housing system.

In the socialist system the public rental was considered as "safe" tenure in terms of both

- transferability (right to swap from private ownership to public and vice versa, as well as the right to inherit tenure from relatives), and
- predictability of the rent burden (rents were typically around 5-6 % of average income).

Owner occupation and its variations (e.g. ownership of a "cooperative housing" unit) was quite a safe form of tenure, in terms of the predictability of costs and in terms of the rights and obligations attached to it. All other forms of tenure, such as sub-tenancy, private rental, home in hostels (for workers) and status as a family member etc. were considered as a "socialist" version of homelessness. The status of tied accommodations was not so clear and depended on the authority to own/manage them. The tenants in tied accommodation had limited rights, but the actual effects depended on the individual cases.

The transition changed not only the structure of tenure (through privatization, see previous chapter), but the meaning of it as well. Even before the transition, i.e. at the end of the 1980s, there was constant pressure to increase rents in order to provide cost recovery in the sector (which would have required rental rates to be four times their actual level at the time). As our research has proved, the uncertainty created by this pressure was one of the most important among the factors influencing the willingness of residents to become home-owners during the process of privatization. However, the uncertainty accompanying transition intensified the impact of this factor and the public rental became a non-preferred tenure, representing the "residual" solution for households that could not buy their own homes or had no access to owner occupation arrangements. The status (meaning) of private rental has not changed very much since transition, moreover, the private rental sector has become less regulated (no rent setting, lack of contractual relations etc.) and both the landlords and tenants reportedly feel vulnerable to each other.

The meaning of housing for residents in the first instance is that it provides a place to live, relax, feel "at home" and be secure. Nevertheless, further investigation into and reflection upon the situations addressed has delivered a more comprehensive description of the perception of housing. Accordingly, owner-occupation tenure can be described in two ways: as a consumer good and as an investment good. Typically, households think of privately owned units as consumer goods which require a lot of investment. Nevertheless, in times of hardship, privately owned units' roles as investment goods gains importance when the possibilities for solving financial problems are considered and weighed.

The convenient setup of a unit appeared as one of the primary needs of residents in several cases, independent of the particular tenure type. Most interviewees felt emotionally attached to their flats; residents were mostly proud of the design and decoration of their flats, especially if they had invested their own time and skill in renewal or refurbishment.

Housing comes to be seen as an investment most often during periods of financial hardship. Difficulties in paying maintenance costs and management fees related to condominiums were prevalent among low-income households.[10] Despite the trend of treating housing as an investment when hardships and difficulties arise, households' decisions regarding housing are not solely motivated by the states of their financial affairs. Although some households' economic circumstances would suggest that housing wealth ought to be utilized, emotional attachments and the memories of the years spent in given dwellings diminished the investment nature of housing (the value of housing as an investment good). On the other hand, housing is clearly considered as an investment when the housing decisions are explained. When selecting housing, households' and residents' consideration of the lifestyle offered by particular dwellings is accompanied by the aim and expectation of making a good investment. Several respondents pointed out that when choosing their current flats or thinking about the future, it was important to them that they were aware of the position of their dwellings on the housing market. The possibility of losing money because of a poorly made housing decision holds a stable position within most of the respondents' thinking patterns and could be responsible for the note of caution expressed by interviewees regarding this matter. Such caution can be attributed to the learning process connected to transition.[11]

The respondents were asked to deliver a detailed picture about their housing decisions in terms of tenure choice, and they reflected on this issue -among others- when answering vignette 1 about the options of a young couple considering setting up its household in an independent dwelling.

The interviews demonstrated the under-privileged position of the private rental form of tenure, presenting the following features of the private rental sector as reasons for this position:

- Discrimination against families with kids and Roma, resulting in limited options for them in the private rental market, as well as difficulties entering the latter and renting from generally distrustful landlords;
- Financial disadvantages resulting from the fact that renting a flat on the private market drains financial resources and the reduces residents' capability to save for further housing expenditures and investments (rent essentially being thought of as "payments for nothing");
- Limited possibilities for creating personalized environments and the inconvenience of having privacy easily invaded by a landlord;
- Legal insecurity deriving from the lack of contractual relationships or the attitudes of landlords, in addition to uncertainty regarding compensation and support for investment in dwellings.

Private rental is conceived as temporary accommodation, and a form of housing most appropriate for transitional periods of one's life. Such periods include those prior family/household formation, those

[10] Our sample is biased because we have a clear overrepresentation of households in arrears.

[11] Besides the financial difficulties, households are also aware of some extent of legal insecurity. As a result of the learning process dating back to the first years transition, the possibility of being cheated by the housing mafia in any housing transaction has raised households' consciousness of potential threats to their security.

following divorce or family separation, and periods of study/university attendance, tool for household migration to larger cities with better job chances..

The public rental sector typically shares some of the disadvantages of the private sector, particularly the financial elements such as residents' lack of control over rents and maintenance costs. However, the public rental sector offers a higher degree of security than the private rental sector. As pointed out by some respondents, regular rental payments and fulfilment of the contractual conditions present under public rental schemes provide for secure renting, meaning that a municipality (landlord) will not cancel a contract, and is likely to offer contract extension, provided that residents have adhered to its lifestyle specifications. We must point out that those respondents who remained in the public rental sector (e.g. were not able to privatize the dwellings they had lived in prior to the privatization process) are typically worse off households today, with financial difficulties or family problems, mostly relating to unstable relationships. Nevertheless, the public rental has also provided upwards mobility for formerly homeless families, who would not have been able to enter the private rental sector, let alone the ownership sector. Another group utilizing the upward mobility possibilities offered by the public rental sector are better-off renters who cannot afford to leave the public rental market, but due to higher monthly incomes, can afford pay higher rents and utility costs for better quality public rentals.

Owner occupation is perceived as the commensurate tenure type in which to live, as this is the tenure that allows for the most freedom of choice and independence combining all of the benefits of the consumer and investment-good dimensions of tenure, in contrast to the other forms of tenure that are perceived solely as consumer goods. Especially when compared to occupation of private rentals, owner occupation is distinct from rental forms of tenure and owner occupation is significant in that it means accumulating one's own wealth. While before the transition, public rentals could be "purchased" on the market, this option no longer exists and the now marginalized and closed nature of public tenure has led to it's devaluation in the eyes of most home-owners.

Quite the opposite of public tenure, owner occupation's prestige has grown rapidly and owning a flat is both conceived as the result of a successful life career, and as a necessary stable, starting point for youth (the other tenure types require more efforts or are inaccessible to young people). The change in tenure preferences is also a result of the transition learning process. Thus, the small "distance" between these two tenures before the transition has grown to a great extent in the past one and a half decade.

> (private renter, 47) When she saw that her public rental would be given back to the municipality after the transition process and that her children would not have the chance to "inherit" renters' rights, she immediately began looking for ways to acquire privately owned dwellings for her children. Today all of her children have their own flats (either through purchase or life annuity schemes) with which to start up their independent lives.

Our hypothesis, based on the qualitative interviews, is that housing decisions, at least at the stage of family formation, are not individual but family decisions, where both material and non-material resources of the greater family are necessary for having a "successful" start to a housing career. In addition to providing some material resource base, family networks are important for transferring household management skills, which can be important in times of hardship. Of course, family background is most influential for those in the first stage of their housing careers (first-time buyers), but it also has an influential role when inheritance issues or economic hardships arise. The primary role of the family in establishing a household's current housing conditions has been identified in many cases, as the provider of a profound basis for financial resources and for developing patterns of successful housing careers:

> (private renter, 32) She moved to Budapest to a private rental some 14 years ago. Since then, she has moved several times, to her brothers' and sisters' homes and to other locations (all of her siblings live either in private or public rentals). Each of her brothers and sisters would offer his/her home when anyone was in need of temporary solutions for his or her housing situation. The siblings also provide each other with financial help if needed, and cooperate in taking care of each other's children. This

> cooperative attitude is considered a pattern of primary importance in the way in which they have managed difficulties in their lives.

Beginning a housing (and life) career without family support often guarantees difficulties with these careers, especially if one's embarkment is troubled by burdens such as "early" children or unplanned parenthood, divorce, unemployment, alcohol problems, etc. Not only is it that financial support is apt to be lacking, but also that the ability to manage a household economy can be a problem, largely emanating from missing patterns.

Family cooperation mostly manifests itself in parental help to independently living children. Sometimes, however, the reverse case can be observed, in which independently living children provide support to their parents. In these cases, it is most often the poor and insufficient pension system and/or parents' over-consumption of housing which forces the setup of a network for parental support. Strong family networks enable households to use their common assets in the most sufficient way. The lack of such a strong, supportive network can lead to disadvantageous housing careers.

> (public renter, 32, in arrears) At the beginning of her housing career, her family networks were still in tact – all of her siblings were cooperating in order to share their resources. With the onset of transition, however, some of them were offered the chance to privatize their flats, while others were not. This happened during the first stage of transition when inequalities started to grow. In the end, one of the siblings did not share her financial gains from selling off her privatized flat and this resulted in a conflict with the other family members. Since then, our interviewee has been moving from one run-down public rental unit to another, with few opportunities for improving the quality of her residence. Meanwhile, her better-off sister would not offer any support to her family.

Aside from the family network's strategy, individuals' personal capabilities also play a great role in housing decisions. However, the roles these factors play depend on the financial opportunities of individuals' families, namely the existence of savings, stable and reasonable income, further assets under the control of the family, as well as on demographic pressure, e.g. establishing a first home, changing household structure due to a divorce, having children etc. The interviews have shown that families or households are only able to weigh different options against each other and optimize the outcomes of their decisions if they are not under demographic pressure (household formation, children, and divorce, becoming independent), or do not have to deal with great financial difficulties. Financial factors such as low income and difficulties in paying utility costs may cause downward mobility for households. In these cases housing is a tool with which to resolve financial incapacities through accessing wealth stored in housing. Nevertheless, housing decisions resulting in downward mobility can generally decrease the stability of households' status (e.g. because of misperceived problems or money management).

> (owner, 38 in arrears) The interviewee is currently selling her dwelling and intends to move to a cheaper flat and pay back her debts from the difference. In all likelihood, her largest debts and the mortgage on her flat will only enable her to move to a cheaper suburb of Budapest or a lower-status agglomeration area, with fewer job opportunities. Having no education, she intends to start up a small business (shop or a pub) in the village where they will probably live.

Financial factors can also derive from the institutional circumstances, namely an advantageous mortgage subsidy system, such as the one currently present in Hungary, which has pushed some households that might not otherwise enter the housing market, to do so. The fear of missing a profitable opportunity was clearly the motive of some of the interviewees for making their housing transactions.

In summary, if there are no prevailing demographic or financial pushing factors, the issues of individual decisions come into play. These latter can be grouped according to the basic choices households have to make. As pointed out above, the less the households are under demographic or under financial pressure, the larger the weight such factors carry.

1. Housing estates versus non housing estates

Housing estates represent a lower value and high utility costs type of housing, whereas the infrastructure offered on housing estates is most convenient. The fact the dwellings demand a particular lifestyle and represent a lower prestige pushes some households towards choosing not to live there or feel uncomfortable; or vice versa, since acquiring a dwelling on housing estates costs typically less, this is one of the options to enter the housing market for average to worse-off families.

2. Multi-unit building versus family unit (suburban)

The question of different lifestyles and housing quality is also the basis for the choice between condos and single-family housing. Taking family histories and patterns into account, considering lifestyle differences can be greatly influential on housing decisions.

3. Location choices: close to relatives

A further choice element pointed out by the interviewees and also visible from their housing histories was the preference of physical closeness to other relatives. We found that households tend to make localized housing decisions, i.e. not moving far from relatives is a key element. The desire to stay close to family members is true even if all family members live in Budapest, where public transportation makes all parts of the city easily accessible. It seems that in the case of family formation, this is one of the core aspects when it comes to choosing the location for new housing.

4. Health issues

Health problem is one among the issues that might force families to make a housing decision, moving house or staying in their dwellings so that they have easy access to medical assistance.

5. Trade-offs

One of the key points made by the interviewees is that housing decisions are predominantly characterized by trade-offs of parameters. Preferences in housing quality vs. cost of housing, prestige of location vs. quality of the dwelling, cheap housing and low-cost maintenance vs. few job opportunities are typical considerations connected to housing decisions. Referring back to the pushing factors such as demographic pressure and financial difficulties, the trade-offs can be specified as interplay of these two reasons and the above mentioned individual factors.

To conclude, there is a variety of impacts on housing decisions made by households. The factors can be grouped in three major sets: (1) influence of the family network both on access to housing and finding optimal solutions, (2) demographic and financial factors, and (3) individual factors which are in close interplay with the above mentioned aspects.

In the interviews it was rather difficult to find any decision-making situations that would have showed the impact of housing on other decisions. In most cases, income problems were relevant for a high share of housing expenditure vs. other expenditure in the households' budgets. Thus, cutting back in spending for holidays, food, clothes, or staying longer on the job market etc. in order to finance housing (mortgage payment or utility costs etc.) largely seems to derive from low or instable income, and the direct link between homeownership or renting and other areas of households' lives can be largely interpreted this way.

Conversely, the positive impact of housing or housing resources on other areas of life can be observed in some cases. Despite the fact that housing is rarely or not at all used as a resource for other expenditure, if there is a windfall gain (e.g. inheritance), the received dwelling (or equity) may partially be converted into other spending, usually travelling or refurbishing, etc.

Besides describing the experienced short-term effects of housing decisions on the households' lives, most interviewees delivered a long-term evaluation of their housing career. All of them were aware of the fact that in their housing career there are opportunities for good and bad decisions, which are not easy to evaluate objectively. Moreover, it is almost impossible to predict the decision's "effectiveness" at the time of the decision. It must be stressed that the respondents tended to legitimize their decisions at the time of the interview irrespectively of the objective effects. While discussing the impact of financial aspects on their housing decisions, a common attribute was that most respondents highlighted the importance of knowing how to use the opportunity housing regimes offer, including housing privatization and mortgage subsidy programs.

> (owner 35 and 28, with mortgage) and I-9 (owner, 36 and 32) Both interviewees were involved in housing transactions at those times when housing prices were low (1996-1999) and mortgage subsidies high. They were aware of this at that time and tried to maximize the subsidy, thus they could accumulate wealth, and were able to move up in the market with its help later. Both of them found it very important to be aware of the housing prices so that they could timely sell off their dwellings and minimize possible losses.

Financial possibilities offered through current mortgage subsidy programs are mostly known to the respondents, also because of the prevalence of heavy advertising. Due to recent changes at the end of 2003 in the state subsidies, the unstable nature of such subsidies has become a common experience. Letting pass such options or not having the possibility to use such options is a key element of making timely and optimal decisions. There were some further decisions evaluated as "bad" or "risky", which actually have had a long-lasting effect on the housing career and indirectly on life chances of the respondents:

> (owner, 47 and 45) The interviewee presented a very complicated housing career, in which, according to his judgement, several mistakes were made. His parents divorced, and they lived in cohabitation for a long time, from where they moved to a much less valuable flat than they should have had, if the administrators had not cheated them. This way they made a great loss during the privatization, and due to the lack of cooperation in the family, he ended up having a life annuity contract for more than 15 years now, and shares the house with an old lady. Moreover, the contract was not carefully drawn up, and he has practically no legal security either against his son (they have serious conflicts) or the old lady (she sued him already several times). He works as a second-hand bookshop keeper, which does not provide him with security, and his pension will be most probably low. Until the legal situation has not been cleared up he has no aspects in his life to refer to as a possible resort.

Housing and housing decisions have some ways of impacting households' lives. Mostly, it is the financial burden caused by low or instable income which results in impacting other consumption items such as holidays, but in marginalized positions also food consumption. The relationship between housing and other areas becomes obvious when the households have to share their scarce resources between housing consumption and other consumer goods.

Housing and employment are theoretically multiply interrelated. Nevertheless, the features of some further sectors (e.g. social net and pension system) also have to be included when explaining the relation of employment and housing decisions. Due to our urban sample, however, there were just a few examples that have explicitly covered this issue, except for two major circumstances: when it comes to the risk elements that might have an impact on housing and in some cases when the first moving to Budapest is explained.

> (private renter, 42) He lost his job five years ago, and after two years of unemployment he had the possibility to find a job in a Budapest factory. Then he moved to the capital to a workers' hostel, and when he could change employer, he went to his first private rental. With his profession he can hardly find a job close to his hometown, therefore he will definitely stay in Budapest and sooner or later purchase a flat here.

Staying longer on the job market as opposed to becoming a pensioner in a rather disadvantageous pension system, has to do with income problems. Those families who are in private rentals seem to be more pushed to stay longer on the job market and have a more flexible approach to job offers than those in the public sector or without mortgages, since the burden caused by the constant large housing expenditure and the threat of losing the home due to income difficulties force them to stay active as long as possible.

Security and insecurity

With the transition, overall security weakened in Hungary, which had several types of impact on people's lives. Growing unemployment, consumer price rises and the lowering of the real value of wages have resulted in the emergence of new strategies and a keen perception of risk elements.

In the households' strategy housing security and job security are closely related. Financial security in the first place is ensured by a reasonable and stable job market position. On the other hand, households who are insecure on the job market are also insecure on the housing market. Homeownership contributes to the financial security of the households proportionally to the value of the dwelling, but only as a second option.

Resulting from the transformation of the meaning of tenure, interviewees highlighted that since the private rentals are hardly affordable, those living in that kind of tenure have less financial security since they cannot save any money. Beside the lack of ability to put aside some financial resources for harder times, a further element lessens the financial security of renters, namely the possible arbitrary raise of the rent. A similar risk element exists in the public rental sector as well, but since most public landlords operate a social housing portfolio, the raises will most probably be moderate. Subsequently, households in the rental sector generally feel much less secure than households in the owner occupied sector.

Apparently, financial security comes from a stable job position and firm income. When exploring financial security in the owner occupied sector, some additional elements gain importance, which have a direct impact on the asset or equity stored in housing. Of course, the larger and more predictably growing the value of the given housing is, the more secure the households feel. Then again, reinforcing financial security in the owner occupied sector which derives from the value of the given dwelling depends also on the strategy of assuring share in the ownership, or, on the contrary, excluding partners from ownership in the given flat. The perception of financial security is also connected to previous experiences when housing was affected by losing one's job, or partnership break up and the associated change in household income.

> (public renter, 33) The interviewee solely owns the renter's right, which means that her partner does not have any influence on the housing decisions. If once the interviewee may privatize the dwelling, she will buy it without offering any co-ownership to her partner. She has suffered several times from oppression and she was several times elbowed out of dwellings by her partners, so she would not want to take the risk once again.

As a special feature of increasing financial security, we observed that life annuity schemes are typical examples for accumulating wealth and gaining additional financial resources for housing (or inheritance), while on the other hand, launching of a life annuity scheme means using the dwelling as a financial security (in our sample we only had the "paying", inheriting party). While some thought this is a good or successful way of accumulating wealth and increasing financial security, others pointed out the controversial character (the morale of waiting for somebody's death) of such a solution.

There is a variety of levels of resources held by households. The marginal interviewees who have constant financial difficulties would rarely have any other resources than the property they live in. According to our observations, those who are most vulnerable to health problems or unemployment possess the fewest tools, e.g. insurances or savings, since any form of putting money aside would cause even more hardship on a monthly basis. If there is the possibility to save some money, or a windfall gain is saved, the households would put it in Bausparkasse savings or very secure financial investment tools. Additional housing wealth is held only by a few respondents, mainly by representatives of the older generation, which has to do with the former housing regime, when accumulating wealth in cottage houses was allowed. Second residential homes or share in a second home are possessed only by some respondents. Securing some financial resources in all but one case had to do with assuring a better starting position for the children and increasing the value of the intergenerational transfer, hence, it had only little relation with raising their own security.

According to our interpretation, the households' perception of their financial security is related to the efforts they make to save some money. The ability to set some money aside each month provides most of them with the feeling of security, although it is obvious that in case of unexpected health problems or unemployment, these scarce resources could not cover longer periods. On the other hand, the dwellings play a role in the households' financial security to the extent that the households consider the dwelling as part of their wealth portfolio. This is, however, seldom the practical approach and is mentioned as a theoretical option, and in times of hardship and accessing the wealth stored in housing, downward mobility has disadvantages and the families would most probably live up the "gained" financial resource very quickly.

A special case, which was often discussed during our interviews, is the case of life annuity schemes. Those entering as contractors use their housing as a life-long financial resource, and the other party, which (by accident) was also represented in our sample, has the motivation of launching such a relation to accumulate wealth. This means conversely that during the scheme, which might last even for decades, the later beneficiary provides for the financial security of the testator. Nevertheless, until the scheme is over, this form of increasing housing wealth as a later resource of financial security discloses the perspective beneficiary from any possibilities to access his or her "investment" anytime.

When discussing the meaning of housing, we pointed out that housing is viewed both as an investment and as a consumer good. It was easy to observe that households typically have an ambivalent attitude towards the use of housing resources, which derives from the nature of housing as an investment. The interviewees are aware of the value of their home in the case of owner occupied units; nevertheless, sometimes they "overvalue" their homes. But, on the other hand, they tend to be very reluctant to mobilise their homes for consumption purposes, which is also related to the current institutional setup, as, for the moment, there are high transaction costs involved in accessing the money stored in housing (see Hegedüs-Teller, 2005). The housing histories shed light on the way how households would use the financial resources from housing: mostly there is housing resource used in housing transactions, meaning that money from former housing is put in the purchase and refurbishment of the next housing. This strategy originates from both institutional elements (e.g. taxing of real estate transactions), but also from the fact that housing investments are considered to be safer and less risky investments.[12]

There were also some examples of using housing resource for business formation, which is overall considered as a risky form of using up housing resources. The reason behind this argument is largely connected to the structural setup of the current economic structure: if there is no other way to draw on equity, housing might provide a basis for starting up private economic activities. The transition process had taught a costly lesson: the risk of disinvestment in converting housing resource into business capital seems to be still high. An interviewee, whose father has experienced such a "lesson", pointed out, that in that case the parent did not consider business and housing as separate forms, he referred to both of them as investment. The nature of housing as investment manifests more obviously in those cases when households possess second homes. The attitude towards holding additional properties is clearly an investment approach.

Interviewees mostly considered it optimal to use housing equity for housing purposes in the future. Other forms of consuming equity are only possible if it comes to downward mobility or windfall gains from housing (e.g. heritance) make it possible. The reasons listed for downward mobility were unemployment or overall hardship of paying the monthly utility bills or cover basic consumption. Nevertheless, the option of "moving down" is a realistic scenario to pay the debt off (and even to cash some for increasing consumption). Nevertheless, households in arrears usually underestimate the dangers of moving into a less expensive home. Typically, they are not aware of the fact that their lacking access to the job market and proper safety net service might hit them even more.

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[12] There had been no downs, just ups or stagnation in the housing price development by the time of the interviews.

One of the findings of the institutional analysis was that the reverse mortgage schemes applied in Hungary would solve problems of typically cash poor – asset rich households. Theoretically, interviewees stressed, using housing equity as pension supplement (see vignette 2) was a good idea. When referring back to their own lives, they mostly emphasised that bequeathing property to their children would be the first to do, and only if the successors were fine and well off enough, would they ever consider lessening the inheritance by accessing the money stored in their housing. Another typical case is when elderly people move into smaller, less expensive units for their retired age, which they can finance from low pensions. Since we did not have interviewees who had exercised this solution, only their relatives, we had the possibility to explore the perception of such strategies from the next generation's point of view.

The above findings strongly support the assumption that one of the crucial elements of the current housing regime is the importance of intergenerational transfers in the housing career and its role in the housing decisions. Potential financial resources deriving from housing are always weighed against prospective bequeathing of the asset to children or grandchildren. A further wide-spread element connected to intergenerational transfers is that if the parents provide for a substantial contribution to the children's housing wealth, they partially also control the housing decision, be it the choice of the location, choice of dwelling, or having an ownership share in the dwelling. This means that both the "giving" party (parents) feels obliged to pass on the wealth accumulated and the "receiving" party (children) counts on receiving the inheritance, which would enable them to use this tool for vertical housing mobility. Most respondents did try to avoid stating the latter explicitly, particularly if their (grand)parents were still alive, nevertheless, it was obvious that previous inheritance enabled them to enter or move up in the housing market, or make any costly housing investments. This means that the moral component has a double influence: on the one hand, the attitude to bestow housing wealth is seen as morally necessary, and on the other hand, it is binding to use the inherited wealth well, i.e. for upward mobility.

The lack of intergenerational transfers, then again, weakens the households' position on the housing market. It seems that if the family network is too weak in terms of capacity to provide for intergenerational transfer to start a housing career, the households will have to struggle to exit the private (or public) rental sector and develop sufficient own resources for taking an affordable loan.

As pointed out while discussing the changes in the meaning of tenures, the risk awareness of the households is very high as a result of the learning process that is connected to the main features of the transition. The nature of risk perception is strongly related to the lack of sufficient safety net arrangements. Generally, there are four types of risks families have to be faced with:

1. job insecurity
2. family risks (divorce, etc.)
3. health risks (accident, etc.)
4. housing cost risks (rent increase, housing cost increase, etc.)

Typically these risks are connected and can reinforce each other leading to an unmanageable situation.

Job insecurity is largely perceived even in those cases where well-educated people "predict" their position in the future. There is a contradictory phenomenon of overvaluing the risk by higher status households, whereas rather marginal status households tend to underestimate their risk and would rather count on "positive scripts" for their future.

> (private renter, 33 and 33) Both parents think that they do not have to face the possibility of losing their jobs. Although the husband had to quit his last secure job in a hospital due to serious health problems, and works now as a baker, they are very optimistic: *"I can find another job in a couple of days if I lose this one"*.

(owner, 35 and 28, with mortgage) The wife stated that it was impossible to predict the future, nevertheless she added that her husband *"works for a capitalist, and he can lose his job anytime, but I am working in the public sector with high job security"*

Family risk was conceived as an unpopular topic: it was rather those respondents who have already experienced troubles in their relationship who talked about the relevance of such risks, and all of them pointed out that it was very difficult to predict family risks. Very few respondents have ever made any arrangements (preparation) for a possible future "family risk". Divorces or relationship breakdowns can directly influence one's housing position, either by having to move, or by the loss of an earning in the household's budget falling into arrears or having to move down as a further stage.

According to the interviewees, the Hungarian social security system is obviously not prepared to combat the health risk of the households. In the case of a serious health problem, the security system cannot help, and practically, it there is no strong family network, the households can easily be threatened even by losing their homes. Interestingly, the loan market has developed a particular response to this risk, namely that new loans are issued with a special life insurance to manage this issue.

The fourth type of risk households perceive is the housing cost risk. Utility costs have been rising throughout the last fifteen years, and especially affect those who cannot control their housing consumption (e.g. living in houses with district heating). In this respect, some types of tenure are more exposed to this risk than others, since both the public and private landlords can increase the rents, which is a further housing expenditure item without any control of the renter. Mortgage payment raises can also influence the households' burdens.

Risks to housing generally affect all types of tenure. As pointed out above, the perceptions of households can be grouped into four types of risks, which quite equally impact all household's strategies, and expose those living in the rental sector to even higher risks. Nevertheless, those homeowners who live on the margin of society, and are practically "abandoned" in terms of missing or weak family network and very low support level by the social security system, feel considerably more at risk (e.g. divorced, ill and unemployed persons or mothers with children – or similar combinations). In addition, those households who have already experienced job insecurity, family, health or housing costs risks, have higher risk awareness. As a result of the learning process, some strategies are developed which try to function as supplements to the poor safety net or lack of family cooperation, etc. (see next chapter).

Objective measures of insecurity can be defined by several aspects: no knowledge about possible transaction costs related to housing, low job security, bad health conditions, instable relationship, high housing cost/income ratio, and the lack of savings or security tools. Most interviewed households face one or the other insecurity feature; nevertheless, crisis scenarios are seldom the case to be at hand. The level of perceived risks is mostly lower than it would objectively be appropriate.

Safety net strategies

Perceived housing risks are connected with other types of risks, such as job market risks, family risks, health risks etc. It is very rare that households encounter housing risks separately. Thus, households' strategies to manage these risks are combined. Nevertheless, counteraction to risks has some basic patterns. Relying on the family network in the first instance is one of the major tools. If the family and close relatives do not possess sufficient tools to assist each other, or the family network has only limited role in the households' lives (because it is absent), the second option is to rely on individual strategies. A third level of counteraction is using the tools offered by the safety net.

In our sample, in most of the cases, the "family safety net" is the most important element. The family network plays a special role both in the stage of the family formation and in times of hardship. The advantages of the collective strategy are that it maximizes the potential use of the subsidies and optimizes the gains and losses of housing transactions and consumption.

Nevertheless, the power of the family safety net might be limited, partly because the family's capacity in terms of financial means and housing assets is not enough to help families in big trouble, and partly because social values constrain financially viable solutions. The family safety net serves as a last resort, and seemingly there are families which are more open for such solutions and also some that are reluctant to make use of this option.

> (private renter, 33 and 33) The parents of the interviewees, who are relatively young, do not want to move down, hence the family will have to stay in the costly private rental sector for some more years. This is definitely financially disadvantageous for them. They cannot force the parents to look for a solution which would be feasible for all of them. The family network does not function for them.

Beside the family network solutions in counteracting risks, individual solutions seem to be the second level of tools the respondents would use. Individual solutions mainly comprise savings, insurance schemes, and some respondents pointed out this side-effect of wealth accumulation in housing as well. We observed that the significance of the individual safety net solutions is increasing, which has also to do with the transition's learning processes, but typically families with lower income neglect this option, since this would cause an additional burden in their monthly survival strategy.

> (public renter, 58) The interviewee has a life insurance. At the time he made the contract for the insurance he had enough income to cover the monthly payments of it and considers the scheme as a savings scheme. The contract will expire in four years. The amount he will get will be sufficient to pay back his car loan. As his doctor told him, he has to take care that he works less, and the timing of the life insurance's expiry will adequately support this advice. One "monthly burden" will be solved with the help of the insurance and he can do fewer extra hours at his workplace.

The third level of counteracting housing risks is to count on the safety net services. The interviewees, although some of them have considerable difficulties in their everyday lives, did try to avoid this solution, and in some cases were unable to get the necessary information they would have needed to maximize the obtainable social assistance. Applying for social assistance is considered by most of them as wearing a stigma, and they think that relying on social assistance should only be used in situations that could only happen to very helpless people.

> (owner, 38, with arrears) The interviewee has always had difficulties to cover her monthly bills, and when it came to accumulating a more than 500 thousand HUF arrears, her friend convinced her to go to the arrears management department of the municipality. For the first time they went there, they did not dare to enter the office, because there were so many poor and unfriendly people waiting outside. They simply passed by the doorway. It took her a week to revise her opinion, and they went back. After several discussions with her administrator, she does not feel as stigmatized as before.

To sum up, there are three layers of strategies to counteract risks. Besides the family network, which seems to be the most reliable basis for providing for security, individual solutions are applied in numerous cases. Nevertheless, these solutions are costly, and may put a large financial burden on the households. The groups most exposed to risks therefore cannot take advantage of the numerous insurance and savings programs that would in the long run provide them with more security. The third level of counteracting risks is open to the poorest and those having the weakest networks and tools: social service provision focuses on the most vulnerable households. The attitude towards social services, especially which are tied to debts or extremely low income level (and not to normative thresholds, s/a number of children, illness, etc.) are then again perceived as highly stigmatizing.

The abovementioned three planning strategies seem to interrelate to the extent that those who cannot count on family network assistance are more likely to set up individual strategies or turn to the safety net services in case they are in trouble. Then again, those, who do not have the tools to use individual solutions, are forced to turn to the safety net service for assistance. The choice among the tools for counteracting risk comes from a variety of sources. It is notable to stress that the pattern households tend to follow derive from previous experiences, structural factors, but also from models they observed throughout socialization.

> (owner, 35 and 28, with mortgage) The interviewees pointed out that they are sure that the family network would help them in case of emergency, but they will strongly try to avoid asking for help if possible. All family members are very proud to cope with difficulties on their own, and they are accustomed to such a strategy and find it appropriate.

The main findings we can draw from the interviews are biased in this respect, since marginal households were recruited through social care centres, hence we have some families who are already in the focus of the social safety net. Nevertheless, as pointed out above, once the two first levels of safety net are not existent in a household's strategy, it is the public social service that would lend them a hand to maintain at least a low level of living conditions. Some of the interviewees have strongly criticized the social net, and from others' statements we also gained the impression that relying solely on state welfare is a very insufficient strategy.

> (owner, 51, in arrears) The interviewee pointed out that the problems she has to face comes from the state welfare system: she is reluctant to accept that the state lets people lose their dwellings if they become unemployed or ill.

> (owner, 54 and 47, in arrears) The interviewee pointed out that becoming a beneficiary of the arrears management program has badly affected their lives. Now they have to pay all bills timely, and cannot postpone paying any of them even with a month, otherwise they would have to pay back 100 % of the aid they have received so far. They feel that this is a very strict control and an intervention into their privacy.

The Hungarian welfare system has been positively developed throughout the past years; by broadening the targets and measures it has moved towards a more generous system. On the other hand, it is evident that the social benefits are very low, and dysfunctional in a lot of cases. The amounts received as sick leave, unemployment benefit, fully-employed motherhood salary can only provide for basic consumption goods and the housing allowance scheme can only cover up to 20 % of the total housing costs on average. For families in need, these services are important but at the same time they give no opportunity to stabilize one's circumstances, and impoverishment is very likely to happen.

Conclusions

The effects of the institutional changes in Hungary have been widely stated by the interviews' results. Moreover, some aspects that were less strong findings, gained even more weight: the importance of family networks, the households' strategies to optimize wealth, the counteraction of risks and provision for more security based on previous experiences of bad choices, and the effects of the transition. In addition, with the help of the interviews analyzed some structural factors came to light that could show the relations among different layers of strategies.

To sum up, some key points can be identified in terms of elements impacting security and insecurity of homeownership and renting, the nature of the differences between the impacts of the same elements on the different tenure sectors. The key findings related to the effects of the transition, the role of the family background, and consequences of bad decisions are explained in detail below.

Effects of the transition

Transition in Hungary has affected the housing system and the welfare system to a large extent. In addition, economic instability, restructuring of the job market, and the emerging of new housing institutions have had an influence on today's household strategies. With the shift to market economy and the change of the tenure structure, risk elements so far unknown have emerged, and only a fragile institutional setup of security elements was elaborated by the state and households.

The risk elements emerging in the housing sector from the transition years resulted in a variety of responses from the side of social, institutional actors and on the household level. It seems that the housing and welfare systems in which the state (public housing) plays less and less role, the safety net puts more and more burden on the families, and it provides help only to the neediest families (very low income households and in crisis situation).

Reshaping the tenancy structure in Hungary has been marked by the manifestation of latent differences among tenure types, which went along with adaptation forms on all the actors' levels. The households recognized insecurity elements and tried to avoid them by strengthening their position in more secure tenure, the market economy's new actors put the cost burdens, until then hidden, on the consumers increasing the risk factors of housing, which has been inducing responses from the social and political actors. As shown, the most important new elements of the forming housing regimes in the transition countries can be interpreted as an outcome of the adjustment strategies of the different actors in which "risks" played an important role. Housing privatization and affordability problems (arrears and access to housing) can be reinterpreted in this analytical framework.

Role of the family background on risk and security elements

Qualitative research delivered evidence that family background has a key role in the individual housing career both from the security and risk aspects. This finding is especially precious, since quantitative research typically does not provide a deep insight into the nature of this problem, nor is an institutional overview capable of highlighting the importance of the family network for housing.

At the time of family formation, namely in the period of first time access to home ownership or a rental home, the support from the family is a crucial one. Almost everybody who has a stable housing situation ("not marginal") had substantial family support at least in the early stage, and almost everybody who is in a marginal housing situation failed to receive family support. In the later stage, the family support becomes less important, but the housing position is very much influenced by the starting position. This fact has an important consequence on policy conclusions: the safety net and housing programs should primarily focus on households without family background.

It is not only the potential resources of a family (that is, the amount of assets they have) that are important, but the norms, behavioural rules, and the capacity to cooperate as well. The efficient use of family resources depends, for example, on the cooperation of the family members, i.e. how efficiently they can use the assets they control and how efficiently they can coordinate their job market strategy. The capacity of the families (especially after relationship break ups) to handle different types of hardship depends to a large extent on this factor.

Consequences of "bad decisions" on the life chances and housing career

Housing career and life chances have numerous background conditions. Marginalized households are typically set out to all risk elements, but furthermore, bad decisions in terms of housing transactions can be dominantly influential. Bad decisions as such are defined by the structural and institutional circumstances of a housing system, and in Hungary, these structural factors are related to the features of the transition and the forming housing finance system and welfare state.

As pointed out while discussing factors that influence housing decisions, the awareness of housing as investment, especially during the housing privatization period, provided for the possibility to increase wealth and financial security. Households that let pass the privatization option (not those who were incapable to purchase their dwellings at those times) are in a considerably worse situation today. Ignorance about growing transaction costs in a turbulent housing market results in similar consequences.

Besides, not making use of the feature of housing privatization, also disinvestment in housing can be regarded as a bad decision. Such phenomena include wrong positioning of housing on the market and not reacting in a timely fashion to structural changes. For example, moving to dwellings which were less affected by the considerable price increase at the end of the nineties has prevented households from accumulating gains from housing wealth. Moreover, postponing housing decisions in recent years produces a similar outcome: since the advantageous housing system was restricted at the end of 2003, households who postponed the housing transactions after this deadline have missed a profitable opportunity to maximize the available housing subsidy.

Nevertheless, we must point out that bad decisions and life chances are also related reciprocally: households lacking adequate information (on housing market, financial products, subsidy schemes etc.) due to their marginal position, are more likely to reach decisions that would further worsen their life chances.

We can conclude that the rising risk awareness that is strongly related to the learning process experienced from the beginning of the nineties has pushed the households towards home-ownership, a tenure that incorporates higher security as compared to both private and public rental. Home ownership, furthermore, is considered as an investment, especially since the housing market experienced a "boom" between 2000 and 2005, but most importantly it is an asset that can be inherited and bequeathed, and thus plays a crucial role in the intergenerational transfers. Attached to the dwelling, however, are sources of insecurity: raises in consumer and energy prices have often resulted in threatening arrears for the marginalized population groups, and the loss of one's position on the labour market or in the case of an unexpected health problem, there is a severe lack of additional tools that would prevent from downsizing the housing asset. It seems that with the dynamic processes of the past 10-15 years, i.e. the emerging housing finance system, the dominance of the home ownership sector has been strengthened, whereas there has been a slow improvement of the public rental sector in terms of struggling towards making this residual sector sustainable, and developing social services and housing allowance schemes and that have a larger coverage and better targeting than the nascent schemes in the beginning of the nineties.

Methodological annex

The report is based on the result of 30 interviews conducted in Hungary during the summer and early autumn 2005. The interviews were aiming at clarifying the role of home ownership with regards to the behaviour and attitudes of the interviewed households in other areas of social life (labour market, education, savings strategies, family life etc.).

The interviews were carried out in various locations of Budapest and one respondent was chosen from a nearby agglomeration area. We covered well- and worse located multi-unit buildings, single-family houses, large housing estates and suburban areas as well, thus various layers of the housing market and most social strata have become included in our sample.

The recruitment had two methods: we approached most interviewees through gatekeepers, but we also used the snowballing method for some cases. The rationale behind using both methods was that family care centres were able to provide us with responding families in hardship, but the original aim to rely on housing managers for recruiting households with mortgages (high status households) proved to be somewhat unreliable and insufficient. Therefore, in the case of the latter group, we predominantly relied on interviewees to give us further contacts.

This way, notwithstanding the benefits of the methods and the result of matching the defined quotas for the interviews, we were only able to compile a non-representative, biased sample, which, on the one hand, overemphasizes the presentation of interviewees from the rental sector and those living in hardship, and, on the other hand, gives only little information on some of the issues raised on our research agenda, namely the use of housing resources e.g. for starting business, or typical measures undertaken by elderly. While analysing the housing careers, another weakness of the sample became apparent: due to the urban accent during recruitment, there are only few cases that would have reported own experiences of the relationship of housing decisions and access to the job market. It seems that employment is considered as an issue only in the first stage of the housing career, because staying in the urban environment of the capital city provides for the proximity of job opportunities, hence, a comparably good labour market position.

Table IV Sample quota for the interviews

	Renters (10) (12)	Owners (20) (18)	Total
Couples (with and without children)	7 (8)	13 (10)	18
Single (with and without children)	3 (4)	7 (8)	12
Employed households (all adults either employed and/or looking after family)	7 (7)	13 (13)	20
Unemployed households (one or more adults unemployed and/or unable to work due to accident, sickness or disability)	3 (5)	7 (5)	10
Aged up to 45 (up to 40)	5 (10)	10 (10)	20
Aged 45 or over (up to 40)	5 (2)	10 (8)	10

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