The neo-liberal restructuring of urban housing markets and the housing conditions of low-income households: An international comparison

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Chapter 6: Conclusion and discussion
6. Conclusion and discussion

There is growing recognition how cities and urban development across Western societies have been affected by the rise of neo-liberalism and free market principles in policy-making in the context of a shift from a Fordist to a Post-Fordist regulatory regime since the mid-1970s. This book has set out to specifically contribute to a better understanding of the market-oriented transformation of urban housing markets within the course of wider neo-liberalization trends. Within this broader frame, the specific intention was twofold. Firstly, to move forward the debate about the effects of neo-liberal restructuring on the housing conditions of low-income households. Secondly, to contribute insights into the role of welfare and housing regulation contexts in shaping neo-liberal restructuring and its effects. Chapters 2 and 3 have quantitatively analyzed the effects of neo-liberal restructuring on low-income housing conditions in two cities in distinct welfare and housing system contexts, namely New York and Amsterdam, as examples of cities in a liberal and a social-democratic context. Chapter 4 has taken a comparative perspective. It put together New York and Amsterdam and added Tokyo as an example of a developmentalist, East-Asian welfare context. The paper compared neo-liberal restructuring since 1990 in these three particularly diverse cases. Chapter 5, finally, took on Vienna and examined the effects of neo-liberal restructuring on housing conditions of poor households in a city in a corporatist welfare and housing regulation context. In this final concluding chapter I do two things. First, I go back to the main research questions and draw together the key findings from the different chapters. Second, I lay out questions and suggestions for further research.

To recap, the two main research questions that guided the analysis were:

1) How has neo-liberal restructuring affected the housing conditions of low-income households in New York, Amsterdam and Vienna since 1990?
2) What are the main differences between the three cases in terms of reform pathways and effects?

6.1. The effects of neo-liberal restructuring on the housing conditions of low-income households in New York, Amsterdam and Vienna

Most centrally, this research suggests that there is a relationship between the neo-liberal restructuring of urban housing markets and worsening housing conditions for low-income households. In other words, neo-liberal housing reforms seem to negatively affect low-income households in their housing conditions. The analysis specified this relationship. It revealed that in New York, Amsterdam and Vienna, housing reforms at different scales have pressured the de-commodified housing stock since the beginning of the 1990s. This has translated into rising rents in the rental market and the loss of inexpensive housing units that are easily accessible for households with limited financial resources. This has coincided, in all three cities, with only moderate income developments for low-income households on the demand side, creating problems for these households to find affordable housing.

Chapter 2 analyzed the New York case. As shown, already before the examined reforms, many poor New Yorker households were suffering from quite severe housing problems. In 1993, for instance, 22.5% of all households in the city paid more than 50% of their income on rent, with low-income households particularly affected. However, the analysis suggests that with the reforms since then, problems have become more pressing. New York’s housing market has always been dominated by private market provision, but over the course of the 20th century, a number of public programs, subsidy and rent control schemes were implemented at different governmental scales to curtail market influence. As shown, since the early 1990s, many of these programs have come under pressure from federal, state and local reforms. Supply-side subsidy programs have been reduced, including, most importantly for New York, the funding for project-based Section-8 and Mitchell-Lama rental units.
Additionally, rent regulation has been relaxed, with the introduction of luxury de-control in the 1990s, and low-cost rental units in city ownership have been sold off. This has triggered a profound upward shift of New York’s rental market in terms of rent levels, with inexpensive units being subtracted from the market in large numbers, particularly since the city’s house price boom in the early 2000s. In the context of growing income inequality, and only slowly increasing incomes for the poor, this has, as shown, contributed to a worsening of housing affordability for renters in the city. There is a greater share of households with affordability or severe affordability problems, actual affordability burdens have increased, particularly for the poor, and the shortage of rental units that are affordable for low-income households has increased.

The starting point for neo-liberal reforms in Amsterdam in the early 1990s was quite different, as was discussed in Chapter 3. Embedded in the comprehensive Dutch welfare state, the city had developed a highly de-commodified housing market in the post-war period, with object-side subsidies, social rental housing provision and rent regulation as key policy pillars. In the early 1990s private market principles had a subordinate role in the city’s housing market and the large social rental stock played important parts in housing the city’s low-income households. While the Dutch post-war housing policy model has lasted longer compared to other European countries, since the early 1990s, the overall policy direction has shifted towards re-commodification. Since then, Amsterdam’s housing market has come under market pressure from national, local, and recently also the EU level. The virtual termination of object-side subsidies for the construction of rental housing, the privatization of non-profit associations and the continuation and extension of tax benefits for homeowners have been decisive policy shifts. It has been shown how the reforms have led to a profound restructuring of Amsterdam’s housing stock, with the homeownership sector de-facto tripling in size vis-à-vis a shrinking regulated rental stock. The supply of inexpensive units in the city has dropped and rent levels have soared. Despite only moderately increasing wages for low-income households in the city, this has, however, overall, not led to a decrease in housing affordability. In fact, housing cost burdens for poor households
in Amsterdam have remained fairly stable, mostly because these households concentrate in the remaining social rental housing stock, supported by an extensive housing allowance scheme. However, access to the market for the poor has gotten increasingly difficult. The growing homeownership sector is overly expensive and hence out of reach for most low and even many middle-income households, while in the remaining social rental housing mobility is low, blocking entrance for newcomers. As a consequence, accessibility for poor market newcomers has deteriorated and finding affordable accommodation in the city has become more difficult than in the past.

Chapter 5 started with the observation that Vienna’s housing market was also highly de-commodified in the early 1990s, following from local and national interventions over the course of the 20th century. Overall, the city’s housing policy model has also shown great stability since the 1980s, embedded in a relatively stable national policy context. Nonetheless, as demonstrated, national and local reforms in the social rental stock and the regulated private rental market have put pressure on the de-commodified housing stock in the city since the early 1990s. The termination of the council housing program and the liberalization of the private rental market have been decisive policy shifts. Access to social rental housing has been coupled to the availability of a financial contribution of tenants to the financing, land and construction costs. In the private rental market, rents have markedly increased. As income for low-income households have largely stagnated in the city in recent years, this has led to growing affordability burdens. There are still many low-income households that rely on old rental contracts in both council housing and the regulated private rental market. For low-income newcomers, however, it has become increasingly more difficult to find affordable accommodation in the city. The results of the analysis indicate that with the reforms the time of market entrance has become critical as regards available housing conditions and rights with particularly newcomers facing a growing scarcity of inexpensive housing in Vienna.

The findings from the three cities are, hence, in line with the initial hypothesis of this book that assumed a relationship between neo-liberal reforms of urban housing markets and growing housing problems for
low-income households. The fact that the study found evidence for this relationship in three cities in highly diverse welfare and housing system contexts lends further support to the conclusion. However, clearly, the results also point to important differences in the way how this relationship played out in cities embedded in different institutional contexts. I will discuss them now.

6.2. The main differences between the three cases

6.2.1. The differentiated impact on low-income households

While in New York, Amsterdam and Vienna constrained possibilities for low-income households to find affordable housing as a result from neo-liberal reforms are discernible, the analysis, and the comparison of the results across the three cities, suggests that the degree to which poor households have been negatively affected by the reforms differs importantly between the cases. As shown in Chapter 2, in New York, following from the reform-induced restructuring of the city’s rental market and concomitant rent increases, housing affordability deteriorated markedly. In fact, rocketing rent-income ratios as well as increasing shares of households with affordability burdens above 25 and 50 percent indicate that low-income New Yorkers have to pay a substantially higher share of their income for housing, compared to prior to the analyzed reforms in the early 1990s. Chapter 3 revealed that this was, against expectations, not the case in Amsterdam. In fact, in Amsterdam, similar to New York, the rental market was restructured and rent levels increased markedly. Additionally, also in Amsterdam, income developments for poor household were only moderate since the mid-1990s. However, the affordability analysis suggested that for low-income households in Amsterdam, despite this, rent-income ratios have remained fairly stable and overall, poor households do not have to devote a greater share of their income to housing. This indicates that in Amsterdam, in contrast to New York, once low-income households got access to the housing system, they are still fairly well served.
Such a conclusion seems to lend support to the large body of literature that points to how poor people in European cities are better protected from macro-trends of neo-liberalization and re-commodification compared to their counterparts in US cities (Musterd & Ostendorf, 1998; Burgers & Musterd, 2002; Fainstein, 2010; Aalbers, 2011). This literature suggests that the more comprehensive European welfare state experiences processes of restructuring in a more moderate way and adapts in such a way that low-income households stay comparatively better protected. Indeed, the findings clearly indicate that poor households in Amsterdam have been negatively affected by the reforms and access to inexpensive housing has become more difficult than in the past. However, the analysis also suggests that given the still high protection in terms of affordability, there is an important difference in degree between Amsterdam and New York as concerns negative reform effects. In Chapter 3 on Amsterdam we have interpreted this as the result of institutional layering. Despite clearly discernible reforms in the city’s housing market, there are still a number of programs and structures in place, most importantly the still comprehensive social rental housing sector and the extensive housing allowance system to protect low-income households from greater market influence and rising housing cost burdens.

The analysis of the Vienna case seems to further support the thesis that reforms proceeded in a more moderate way in the European context. Indeed, we found that in Vienna, there are still a number of highly protective de-commodifying programs in place. They play important parts in shielding insiders to the system from greater market influence and rising rents. Crucial in this respect are the city’s council housing stock and the still considerable number of regulated private rental dwellings with old rental contracts. In both segments, market forces play a limited role and rents are regulated at a comparatively low level. For households in these segments, the reforms had little ramifications and they remained, overall, largely unaffected in terms of housing costs.

The analysis reveals, however, also an interesting difference to the Amsterdam case. The affordability developments in Amsterdam indicate that once low-income households have gotten access to the system they are still fairly well protected and do not have to devote a higher share of
their income on housing than in the past. In Vienna, on the contrary, the time of market entrance seems to be more crucial. Newcomers to the system seem to be not as well served as older insiders. De-commodified housing is still newly provided, but newer contracts are decisively more expensive than older contracts. Accordingly, also, in Vienna, affordability ratios and the number of households with high affordability burdens has markedly increased over the course of the reforms.

If we were to rank the three cities, hence, according to how low-income market *insiders* are faring compared to prior the reforms, in New York, they have been most negatively affected, with affordability ratios rocketing. In Vienna, several protective programs are still in place and many low-income households benefit from relatively low housing costs, but market newcomers face growing difficulties to find inexpensive housing, compared to the past. In Amsterdam, finally, once poor households have gotten access, they are still fairly well protected from rising prices. Market outsiders, however, have increasing difficulties to enter this system.

Within the general trend that neo-liberal reforms negatively affect low-income households in their housing conditions, I have thus also found evidence of differentiated reform impacts. Most importantly, the results suggest more moderated impacts within the European context and differences in degree compared to the US city, in line with comparative literature on European cities. Moreover, the Vienna case also provides indicative results of further differentiation within Europe.

6.2.2. Different reform pathways

Next to differentiated reform impacts on low-income households I also found evidence for differentiated pathways of neo-liberal restructuring and 'variegation’ in the concrete progression of market-based reforms. Specifically, Chapter 4 set out to compare New York, Amsterdam and Tokyo and highlighted the role of welfare state and housing system contexts in shaping reform pathways.
One striking difference that the contrasting of these three cases reveals is how key market-promoting policy changes strongly follow patterns of path-dependency. In New York, for instance, the focus of the reforms centered on the de-regulation of the private rental market. Historically, private rental housing has not only been the largest sector in the city, but also the sector, where, through various subsidy schemes and regulations, de-commodification was primarily achieved, next to the provision of a marginal social rental sector. Key policy shifts in New York have been the dismantling of federal and state subsidy programs for private rental housing, next to a weakening of rent regulation for the segment. In Amsterdam, by contrast, almost two-thirds of housing belonged to the social rental sector in the early 1990s. Since then, re-commodification strategies, above all, revolved around the reduction of this sector, next to profound efforts to promote the growth of homeownership. The reconstitution of social housing as a safety net and the termination of direct state funding for the provision of the sector have been central to neoliberalization. They have been combined with roll-out programs for tenure conversion and extended tax incentives for homeowners. Private rental housing, until very recently, has not been part of marketization strategies in Amsterdam. Extending the comparison further to Vienna, based on the findings from Chapter 5, suggests further differences. Here, homeownership promotion has played a limited role and policies have retained a focus on rental housing provision. In Vienna, market-based restructuring has affected social rental and private rental sectors alike, with the termination of municipal housing construction and the de-regulation of the private rental market constituting key policy shifts.

Related to variegated policy shifts, Chapter 4 also revealed differentiated market and tenure transformations in New York and Amsterdam. In New York, overall, the tenure structure has remained largely stable, but pronounced losses have occurred to the regulated private rental stock, particularly in the context of the city’s house price boom since the early 2000s. Amsterdam, by contrast, has experienced large scale tenure shifts in the course of reforms, with the social rental housing sector declining from 58.5 % in 1995 to less than 48 % in 2009. This has been accompanied by a sheer explosion of the homeownership sector, which
almost tripled, from 11.4 to 28.8 % over the same period. As the analysis of Vienna revealed, here, the tenure structure has, overall, remained stable, but the regulated private rental market as well as the social rental stock have experienced upgrading processes since the early 1990s, with housing in these two segments becoming rapidly more expensive.

These differences in key policy shifts and market transformations highlight how neo-liberalization trends, while discernible in all three cities are highly variegated. In that, next to the above-discussed differences in degree as regards reform impacts, the analysis also suggests important differences in kind between New York, Amsterdam and Vienna. The comparison of the cases points to the complexity and diversity of housing market reforms. Quite clearly, what constitutes neo-liberal restructuring and market-based reforms differs with the embeddedness in inherited institutional structures and policy regimes, reflecting patterns of path-dependency and institutional legacies. While dysfunctional effects of greater market influence on housing provision are, hence, discernible in the three cases, the findings also highlight how the underlying mechanisms differ strongly with welfare and housing systems and the embeddedness of cities within these institutional contexts.

6.3. Overall conclusion

Combining literature on the neo-liberal city, comparative housing research and comparative urban studies, this study has contributed to knowledge on the effects of neo-liberal restructuring of urban housing markets on the housing conditions of low-income households. Taking on three cases in three diverse welfare and housing system contexts, it has shown, how, in the context of a shift from a Fordist to a Post-Fordist regulatory regime and the concomitant rise in neo-liberal principles in housing policies at different scales, urban housing markets have been restructured since 1990. On this basis it provided evidence how policy shifts and market transformation had detrimental effects on housing conditions for poor households in terms of affordability and accessibility.
Indeed, the analysis suggests that the gradual dismantling of de-commodified housing sectors has been a key driver of growing housing problems for the poor in New York, Amsterdam and Vienna since 1990. In all three cases, low-income housing conditions have worsened alongside the progression of neo-liberal reforms and related market transformations. The study has also highlighted, however, context-specific differences in the three cities. Specifically, first, it pointed to differences in degree and more moderate reform impacts on poor households in the European context. Second, it highlighted differences in kind as regards reform pathways, particularly as regards key policy shifts and market transformations, following from a differentiated embeddedness of cities in welfare and housing system contexts.

These findings have a number of analytical implications. First, they underline the importance of neo-liberalism and the proliferation of free market ideologies to understand the transformation of Western cities in the contemporary period. Indeed, the conclusion that we are currently witnessing in three highly diverse cities a restructuring of housing markets along the line of market principles that induces processes of housing cost problems and exclusion among poor households can be considered to support arguments about processes of convergence in current Western urban development. Within this broader argument, however, the analysis can also be considered as evidence for strong elements of divergence within broader neo-liberal urbanism and a claim that politics indeed matter (Musterd & Ostendorf, 1998; Fainstein, 2010). The reform experiences of New York, Amsterdam and Vienna clearly suggest that housing neo-liberalization is not an a-contextual process that plays out similarly across different cities (cf. Brenner et al. 2009). This may not come as a big surprise to many, but it seems to be an important correction to universal development assumptions that still play a dominant role in the literature on neo-liberal urbanism. Indeed, a central finding of this study is that disentangling the complexity of neo-liberal urbanism in concrete contexts requires careful empirical research. Welfare and housing system contexts, as the analysis suggests, should be a central focal point to understand processes of differentiation and divergence across cities.
Without a doubt, by moving from policy changes to market transformations and housing outcomes in three different cities in a comparative manner this study has attempted an ambitious research task. I would argue, nonetheless, that the most useful contribution of the research lies exactly within its relatively broad scope and the fact that, from it, we have been able to draw conclusions about the relationship of policy changes and housing conditions and to offer comparative insight into three different regulatory contexts. Clearly, given this, there are several ways in which the analysis, in its current form, could be refined and extended. I discuss the most important ones now below.

6.4. Open questions and suggestions for further research

One way how the research could be refined concerns conceptual and methodological aspects of the analysis of reform effects in terms of housing conditions. First, as concerns conceptual aspects, the dimension of space could be given explicit consideration. The present analysis has been based on the concepts of affordability and access. It could be argued, however, that it does not only matter if and at what costs low-income households find housing in a city, but also where. Edward Soja (2010) has recently claimed for the adoption of the spatial dimension in questions of injustice, and a great deal of research on spatial segregation has for long been based on this claim of course. Research on state-led gentrification also suggests that neo-liberal restructuring of urban housing markets plays a key role in processes of spatial exclusion by inducing processes of displacement (van Gent, 2013; Uitermark & Boskers, 2014). From the perspective of an individual household it is clear that under conditions of rising rent levels, a household can decide to accept higher rent-income burdens, but can equally decide to trade in higher costs for a less attractive location. This suggests that the dismissal of the spatial dimension in the analysis of reform effects may in fact have led to

32 This does of course not always erase the higher costs. They may re-appear at other points, e.g. through higher commuting costs.
underestimation of the degree of problems that neo-liberal restructuring has created for low-income households in the three cities. The analysis of Vienna in Chapter 5 suggests, clearly, that processes of spatial exclusion play a key role. Here, the de-regulation of the rental market has led to a scarcity of inexpensive units particularly in the most attractive locations in the city, potentially pushing out poor households to less attractive parts of the city. Considerations of the spatial dimension in the evaluation of reform effects could hence be one conceptual refinement.

Along similar lines, one could also argue that housing quality could be another conceptual way to refine the results under the premise that it also matters under what conditions a household lives in a city. Indeed, quality is another aspect how growing housing costs can be compensated for, when a household trades in living space or quality for rising costs.

Methodologically, a further refinement of the analysis of reform effects could include a qualitative perspective on housing conditions and choices. Clearly, the quantitative assessment based on survey data yields insightful results, but also has limitations specifically as concerns a deeper understanding of the experiences and strategies of households with limited financial resources to deal with a scarcity of inexpensive housing in a city. Especially under conceptual consideration of a broader set of choices of households, including housing costs, location and quality, qualitative research could be a useful further research route.

A second possible way to refine and extend the current analysis concerns the focus on low-income households. A strong case can be made that low-income households are in fact a highly differentiated group, including households at different stages in their life cycle, with varying structural choices and diverse preference structures at hand. Indeed, one can argue, as I have done here, that effectively, regardless of this diversity, the lack of financial resources makes all low-income households a group that is possibly affected by housing recommodification processes, making it useful to look at them. Nonetheless, recent literature suggests that further differentiation may be illuminating in two ways. First, there has recently been growing attention specifically to young households in the context of housing neo-
liberalization research, particularly in the UK context, but also beyond (cf. Forrest & Hirayama, 2009). This is based on the notion of a growing inter-generational gap that makes the housing question pertinent specifically for poor young households. In Amsterdam, research has recently begun to explore this issue also in the Dutch context (Boterman, et al. 2013). Second, there is growing attention to the rising share of poor migrant populations in globalizing Western cities like New York, Amsterdam and Vienna in recent years. In contrast to native households, many migrants have problems in accessing the formal housing sector, because they lack knowledge of the system, waiting time (often needed to get high on waiting lists), proper language skills or official documents, or become subject to discrimination. In this respect, a focus on how poor migrant households fare on the housing market under conditions of accelerating neo-liberalization pressures could be another useful route for further research.

A third possibility for refinement regards the element of housing policies. Indeed, in this study, from the very start, policies and policy changes have been taken as a given and the analysis has been limited to describing relevant policy shifts at different scalar levels in the three cases. What remains open in such an approach is the question how policies actually come into being, turning from housing policies to housing politics. Indeed, such a critique of descriptiveness applies to a lot of policy research in the housing studies field. There have, however, been attempts recently in the literature to pay greater attention to policy formulation processes, also with the help of more qualitative methodologies (see Bengtsson, 2012). For the present study, such an analysis would dig into, and try to understand the power struggles that enabled the implementation of policies to give market forces greater purchase in housing provision in the three housing markets. Also this could yield interesting new insights.

Finally, a fourth research route concerns the sole focus on policy as a driving force to understand the transformation of urban housing markets in the context of a shift from Fordism to Post-Fordism. Indeed, one can argue that next to the analyzed political changes also economic changes have occurred since the 1970s that have been of relevance. Specifically,
there has been growing attention recently to how housing markets are increasingly interrelated with financial markets and also how, in this process, urban housing markets are increasingly integrated into international market circuits (Aalbers, 2008; see also the ERC REFCOM project). A focus on how the financialization of (urban) housing markets is impacting on the provision and type of housing that is available in cities could be a useful extension of the analytical framework, beyond neo-liberalization processes, in order to further the understanding why, and how, urban housing markets are currently changing.

References


