



The Neo-Liberal Restructuring of Urban Housing Markets and the Housing Conditions of Low-Income Households: An International Comparison

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Summary

1. Introduction

Questions about the transformation of cities under conditions of accelerating neo-liberalization have become an important and recurring topic in academic and political discussions about urban development. The contemporary proliferation of free market ideals as a guiding principle of policy making at different scales is considered to be central to understanding the changing social, political, economic and spatial order of cities in the 21st century. As a field of research, studies on the neo-liberal city acknowledge the institutional embeddedness of urban development in wider political-economic structures. The regulatory changes from a Fordist to a Post-Fordist regime since the 1970s and the concomitant dominance of market principles in policy-making are assumed to be a decisive institutional shift in this respect. Within this broader frame, the present study aims to contribute specifically to a better understanding of the market-oriented transformation of urban housing markets. The starting point is the notion that housing markets in many cities, particularly in Western Europe, were shaped in important ways by the Fordist regulatory regime that dominated the period of the 1950s and 60s. Embedded within the shift towards Post-Fordism and the rising dominance of free market principles since the 1970s, however, also urban housing markets have become subject to restructuring.

The book consists of four separate studies that deal with the academic and political debate about the neo-liberal restructuring of urban housing markets. Bringing together literature on the neo-liberal city, comparative housing research and comparative urban studies the specific intention is twofold. First, to move forward the debate about the effects of neo-liberal restructuring on the housing conditions of low-income households. Second, to contribute insights into the role of welfare and housing regulation contexts in shaping neo-liberal restructuring and its effects.

Chapters 2 and 3 quantitatively analyze the effects of neo-liberal restructuring on low-income housing conditions in two cities in distinct welfare and housing system contexts since 1990, namely New York and Amsterdam, as examples of cities in a liberal and a social-democratic context. Chapter 4 takes a comparative perspective. It puts together New York and Amsterdam and adds Tokyo as an example of a developmentalist, East-Asian welfare context to analyze neo-liberal restructuring since 1990. Chapter 5, finally, takes on Vienna and examines the effects of neo-liberal reforms on the housing

conditions of poor households in a city in a corporatist welfare and housing regulation context over the last two decades.

Methodologically, the book combines literature and document analysis and quantitative survey analysis. First, secondary literature and key policy documents are examined in order to identify relevant market-based regulatory changes at different governmental scales that impacted on the analyzed urban housing markets. Second, survey data is used to assess the impact of reforms on market structures and housing conditions. For New York, the study draws on the Housing and Vacancy Survey, a triennial survey that provides micro-data on the individual household level and includes relevant housing and tenant-related variables. For Amsterdam, the Wonen in Amsterdam survey (WiA) is used, a biennial survey that also provides individual micro-level data. The analysis of Vienna draws on a number of sources, including national census and EU-SILC data. Conceptually, for the analysis of housing conditions, the study is based on the concepts of housing affordability and accessibility.

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

The analysis of New York, Amsterdam and Vienna in Chapters 2,3 and 5, most centrally, suggests that there is a relationship between the neo-liberal restructuring of urban housing markets and deteriorating housing conditions for low-income households. It finds that in three cities in highly diverse welfare and housing regulation contexts, housing reforms at different scales have pressured the de-commodified housing stock since the beginning of the 1990s. This has translated into rising rents and the loss of inexpensive units that are easily accessible for households with limited financial resources. Income developments, meanwhile, have only been moderate for low-income households in the three cities, creating problems for these households to find affordable housing.

In New York, as shown in Chapter 2, already before the examined reforms, many poor households were suffering from quite severe housing problems. The analysis suggests, however, that with the reforms the problems have become more pressing. While New York's housing market has always been dominated by private market provision, over the course of the 20th century, a number of programs have been implemented to curtail market influence. Since the 1990s, however, several of these programs have been reduced, relevant subsidies have been cut back and regulations have been relaxed. As shown, this has triggered a profound upward shift of the city's rental market, with inexpensive units being subtracted from the market in large numbers, particularly since the house price boom in the early 2000s. In the context of moderate income developments for the poor, this, as shown, has contributed to a growing shortage of rental units that are affordable for the poor, translating into greater shares of households with severe affordability problems and a rise in actual affordability burdens, particularly for the poor.

The starting point for neo-liberal reforms in Amsterdam in the early 1990s was quite different, as 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 a large social rental stock and a subordinate role for private market provision. As shown, since the 1990s, however, Amsterdam's housing market has come under market pressure from national, local, and recently also the EU level. The reforms have led to a profound restructuring of the housing stock, with the homeownership sector tripling in size vis-à-vis a shrinking regulated rental stock, accompanied by rising house prices and rent levels. Despite only moderately increasing incomes for low-income households, this has not translated into deteriorating affordability, mainly thanks to the remaining social rental stock and an

extensive allowance scheme, on which poor households can draw. However, access to the market for poor households has gotten increasingly difficult, with the growing homeownership sector being overly expensive and hence out of reach for many. Meanwhile, in the social rental stock mobility is low, blocking entrance for newcomers.

Chapter 5 demonstrates how also in Vienna, neo-liberal reforms have led to deteriorating housing conditions for poor households. While Vienna has also developed a highly de-commodified housing market over the course of the 20th century and the city's policy model has in fact shown great stability since the 1980s, changes in the provision of social rental housing and the deregulation of the private rental market have put up pressure on the de-commodified housing stock in the city. In this context, access to social rental housing is increasingly coupled to the availability of a financial contribution of tenants, while in the regulated private rental market rents have soared, making access more difficult than in the past. Quite importantly, as the analysis shows, there are still many low-income households that possess an old rental contracts in the de-commodified stock and have hardly been affected by the implemented reforms. For low-income newcomers, however, finding affordable housing has become increasingly difficult. The analysis suggests 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 the city.

3. The main differences between the three cases

3.1. 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 in Chapters 2,3 and 5, suggests that the degree to which poor households have been negatively affected by the reforms differs importantly between the cases. In New York, following from the reform-induced restructuring of the city's rental market and concomitant rent increases, housing affordability deteriorated markedly, with rocketing rent-income ratios as well as increasing shares of households with affordability burdens above 25 and 50 percent. Chapter 3 revealed that this was, against expectations, not the case in Amsterdam. In fact, here, 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 suggests that, 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.

In line with comparative literature on European and US cities, this finding suggests that in the European context processes of restructuring proceed more moderately and in such a way that low-income households stay comparatively better protected (Musterd & Ostendorf, 1998; Burgers & Musterd, 2002). Indeed, also in Amsterdam, poor households have been negatively affected and access to inexpensive housing has become more difficult. However, 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.

The analysis of Vienna seems to support the thesis that reforms proceeded in a more moderate way in the European context. Indeed, as shown, there are still a number of highly protective de-commodifying programs in place, which play important parts in shielding insiders to the system from

greater market influence and rising rents. The analysis, however, also reveals an interesting difference to Amsterdam. In Vienna, the time of market entrance seems to be more crucial as regards available housing conditions and rights for market insiders. While many older entrants can still rely on contracts with comparably low rents, newcomers have to face decisively higher costs.

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, the study hence also finds evidence of differentiated reform impacts, suggesting 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.

3.2. Different reform pathways

Next to differentiated reform impacts on low-income households, the analysis also provides evidence for differentiated pathways of neo-liberal restructuring and ‘variegation’ in the concrete progression of market-based reforms. Specifically, Chapter 4 compares New York, Amsterdam and Tokyo and highlights the role of welfare and housing system contexts in shaping reform pathways.

One striking result of this analysis is how key market-promoting policy changes strongly follow patterns of path-dependency. In New York, for instance, reforms since 1990 above all centered on the de-regulation of the private rental market, which had not only been the largest sector prior to the reforms, but also the sector where de-commodification programs had primarily been implemented in the past. In Amsterdam, by contrast, the social rental sector, which accounted for almost two-thirds of all units in the early 1990s, historically fulfilled the primary de-commodifying role. Re-commodification strategies have also revolved around the reduction of this sector, next to profound efforts to promote the growth of homeownership. Private rental housing, until very recently, has not been part of marketization strategies. 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 5 also reveals differentiated market and tenure transformations in New York and Amsterdam. While in New York, the tenure structure has remained largely stable, with, however, pronounced losses of regulated units within the private rental stock, Amsterdam has experienced large scale tenure shifts, with the social rental housing sector declining from 58.5 percent in 1995 to less than 48 percent in 2009 and the homeownership sector de-facto tripling in size. In Vienna, the tenure structure has overall remained stable, but private rental as well as

the social rental stock have experienced upgrading processes since the early 1990s, with housing in these sectors becoming rapidly more expensive.

While neo-liberalization trends are hence discernible in all the analyzed cases, the study also highlights variegated pathways and differences in key policy shifts and market transformations. Next to *differences in degree* as regards reform impacts, the analysis also suggests important *differences in kind* between New York, Amsterdam and Vienna. The comparison points to the complexity and diversity of reforms. Quite clearly, what constitutes neo-liberal restructuring 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.

4. 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 deteriorated 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.

5. Open questions and suggestions for further research

Essentially, I suggest four fruitful routes for further research. First, there are conceptual and methodological aspects in which the analysis of reform effects in terms of housing conditions could be refined. On one side, 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*. As research on state-led gentrification suggests, neo-liberal restructuring may also induce processes of spatial exclusion through displacement (van Gent, 2013; Uitermark & Boskers, 2014). The dismissal of the spatial dimension in the analysis may, hence, have led to the underestimation of the degree of problems that neo-liberal restructuring has created for poor households in the three cities. Consideration of this dimension could be a useful conceptual refinement. On the other side, methodologically, it is clear that a qualitative perspective on housing conditions could enrich the analysis. 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. This is a second way how the analysis of reform effects could be refined.

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 re-commodification 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 (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. 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 need 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). 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.

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