

Housing Policy Regime in Lithuania: towards liberalization and marketization

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Abstract This paper reviews housing policy development in Lithuania in the light of previous literature which reinterprets Esping-Andersen's work on welfare regimes and adopts it to study housing policy. It seeks to highlight the major features of the Lithuanian housing policy. The findings of this paper reveal that the Lithuanian housing regime exhibits many features which are common under the liberal one. Most significant of these are low de-commodification for those who have to buy or rent a home for the market price, increasing stratification based on income and the dominant position of the market in housing production, allocation and price determination. However, a detailed examination of the Lithuanian housing policy reveals that the housing policy system, despite having many features similar to the liberal one, has been operating in different social and economic settings as a result of unique historical experience of the communist housing policy (massive production of low quality apartment blocks during the communist era, which currently need substantial renovation) and consequently drastic changes in the housing field since 1990s (massive privatization of the housing stock and decentralization of the housing management system). The Lithuanian housing policy regime could be characterized as a regime with the higher owner-

occupation compared to other welfare state regimes, but the lower economic power of the owners to take care of their property maintenance, repair and renovation.

Keywords Housing policy · Welfare state · Lithuania · Post-communist regime · Central and Eastern Europe

Introduction

Since the fall of communist regimes, housing policy in Central and Eastern Europe (CEE) has experienced dramatic changes. Numerous studies (Balchin 1996; Lowe and Tsenkova 2003; Tsenkova 2009) have already documented a rapid state's withdrawal from the direct intervention in the housing sector and residualization of public housing and urban policies in many CEE countries. Before the fall of various communist regimes in 1989–1991, former communist countries, despite some variation in the national context, had “highly centralized housing systems and comprehensive state control over the production, allocation and consumption of housing” (Tsenkova 2009: 7; Tosics 2005). The communist housing system has been characterized by a large-scale construction of the state and state-sponsored housing in a high rise, low housing cost, the state's heavily subsidized and

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uniform prices of dwellings and the chronic housing shortage resulting in long waiting lists (Balchin 1996; Tsenkova 2009). Since the fall of the communist regime, the major problem has been liberalization of housing and urban policies allowing market forces to take almost full responsibility for it (Balchin 1996). One of the most important measures that were meant to ensure a rapid return to a market economy and ‘western’ democracy was the implementation of housing privatization. However, the scale of housing privatization, often recommended by such international organizations as the World Bank and the International Monetary Fund, has varied in individual countries. Large-scale privatization took place in such countries as Estonia and Romania. However, in Poland and the Czech Republic the scale and pace of privatization were much more modest. Bulgaria was a special example, since home ownership was already promoted during the communist era. Large-scale privatization was mainly implemented through the application of the existing tenants’ right to buy at a discount. In such countries as Poland and the Czech Republic home ownership was also encouraged through the process of restitution (Balchin 1996; Lux 2003). Lithuania is one of the CEE countries that went to extremes and privatized more than 90 % of its total stock of dwellings—mainly by selling the state housing to the sitting tenants.

Some studies have already documented the negative consequences of privatization and liberalization in the CEE. The adoption of a liberal approach towards housing and urban policy has been accompanied by problems including lack of social housing, increasing housing inequalities, gentrification, inadequate state policies and legislation, policies in favour of the new construction, lack of experience in public–private partnerships, problems in maintenance and repair of the private stock (Balchin 1996; Polanska 2011; Tsenkova 2009). This paper seeks to shed some light on the development of Lithuanian housing policy since it regained its independence in 1990. Of particular interests are the scale of privatization and liberalization of the housing and urban policy and the consequences it has generated. Housing policy development in Lithuania is being reviewed in the light of previous theoretical and empirical literature which reinterprets Esping-Andersen’s (1990) work on

welfare regimes and adopts it to study housing policy. This approach was chosen as it illustrates best the consequences of drastic change in the housing field and allows to place Lithuania into a comparative perspective.

The analysis of this paper is based on a mixture of primary and secondary data sources. The material has included studies by various international and national bodies. The major sources have included Lithuanian Housing Strategy released by the Government of the Republic of Lithuania. One important source of aggregate-level statistics has been the Statistical Yearbook of Lithuania 2012. The Eurostat data are also being utilized for comparative illustrations. In addition, four semi-structured interviews on changes in the housing policy were conducted with the officials of the *Vilnius municipality* and the *Ministry of Environment of Lithuania*, which is responsible for the state housing and urban policy. One interview was carried out with the leader of *Lithuanian Chambers of Housing Management and Maintenance*.

The paper will be organized as follows—first, a conceptual framework to study housing policy in different welfare state regimes will be reviewed; second, housing policy changes in Lithuania in the light of the conceptual housing policy regime framework will be discussed, and the features of the housing policy regime of Lithuania will be defined. In the concluding section the assumption will be made that compared to other welfare state regimes, the Lithuanian regime could be characterized as a regime with the highest owner-occupation but the lowest economic power of the owners to take care of their property maintenance, repair and renovation.

Theoretical background: welfare state and housing policy

In this paper, ‘housing policy’ is understood as the government’s intervention in the housing field (through legislation or practice) in order to modify market forces by affecting the choices of households while achieving social objectives (Clapham 2006; Doherty 2004; Lund 2011; Ruoppila 2005). Housing policy is considered to be part of the welfare state. However, over the last hundred years, the state’s role in realization of housing policy has been ambiguous. At present, in all developed

industrialized countries the state intervenes in housing issues in one or another way and shapes housing markets (Doherty 2004). Nevertheless, it has been also agreed that over the last decades the state's withdrawal from direct involvement in housing issues has been visible, thus leaving more and more initiative for the market and agencies of civil society (Arbaci 2007; Doherty 2004: 253; Clapham 2006). Although at the same time the state's withdrawal from the housing policy has been identified in Central and Eastern Europe (as it is noted in the introductory section), it has nothing to do with the western experiences (see Ruoppila 2005). Increasing owner occupation, residualization and retrenchment of social housing in Western Europe has been an outcome of the globalization discourse rather than an outcome of the drastic economic and political change, as it was the case in many CEE countries. The globalization discourse is based on economic liberalism. Therefore, the "housing policy measures, which have been pursued in reaction to it, have also been built around marketization and deregulation" (Clapham 2006: 56). Another explanation of the shift towards housing marketization and deregulation in the 'West' could be found in "the 'embourgeoisment' thesis which suggested that the newly affluent of Western Europe no longer had a need for subsidized basic housing; people now demanded choice in housing as an outlet for their new-found purchasing power—a choice best provided by the market not the state" (Doherty 2004: 254). Whereas in the CEE privatization, residualization and marketization of housing was an outcome of the transition from a planned to a market economy. Nevertheless, the state's withdrawal from the housing policy was not uniform within the CEE countries as well as within the 'old' EU welfare states. Studies (Doherty 2004) show that, in the EU countries, housing policy still differs remarkably, and the evidence of the state's withdrawal is not conclusive.

In order to explain the differences in housing policy systems of various countries, scholars have attempted to reinterpret the Esping-Andersen's (1990) paradigmatic welfare state typology for the field of housing. Let us analyze some of the attempts to apply Esping-Andersen's typology in the field of housing in more detail. This will help us develop a more in depth understanding of the changes in the Lithuanian housing policy.

Hoekstra (2003) has successfully applied the Esping-Andersen's typology in studying the housing

system in the Netherlands (see Table 1). According to Hoekstra, the meaning of 'the housing system' does not only encompass the housing market or housing sector, but also the organization of housing provision, subsidization, rent regulation, general housing policy objectives and the level of state involvement in the housing policy. On the basis of the three criteria borrowed from Esping-Andersen (de-commodification, stratification and the arrangements between state, family and market), Hoekstra has identified three housing welfare regimes, which parallel Esping-Andersen's welfare regimes (social-democratic, conservative-corporatist and liberal). Applying his concept of housing welfare regimes in order to examine changes in the housing system in the Netherlands, Hoekstra has shown that in the 1990s, the housing system in the Netherlands has developed into a distinct so called modern corporatist regime, which occupies intermediate position between the social-democratic (state provision of welfare services) and the liberal welfare state regime (market provision of welfare services). Hoekstra's conceptual framework helps understand the housing systems in different welfare state regimes. It is useful in many ways since it captures the main differences of the housing systems of various countries and explains how these differences operate and produce different outcomes such as availability, accessibility, affordability and quality of the housing stock.

According to Hoekstra, in the social-democratic regime the level of de-commodification is high. Hoekstra defines de-commodification in the housing field as the extent to which households can afford their own housing independently of the income gained from participation in the labour market. The government can influence de-commodification through the price regulation and via housing subsidization both object and subject. The object subsidies refer to production subsidies affecting the price of housing. The subject subsidies refer to subsidies which affect the household income that can be general income support (pensions, unemployment benefits) and subsidies that are specific to the field of housing. Other authors suggest that availability and the proportion of social housing within the stock can be also a measure of de-commodification (Allen 2006). Thus, under the social-democratic regime the state is the main provider of welfare and its influence in the housing policy is high. Under this regime there is no preferential treatment for traditional

Table 1 Differences between the housing systems of the three welfare state regimes

Criterion	Social-democratic	Corporatist	Liberal
De-commodification	Large	Quite large	Low
Stratification	Relatively low	High, mainly based on social status	High, mainly based on income
Mix of State, market and family	Dominant position of the State	Important position for the Family; Considerable influence for private non-profit organisations	Dominant position of market parties
State regulation	Strong central government influence	Functional decentralisation, incremental, problem-solving policies	Relatively little State regulation (at both central and local levels)
General housing policy objectives	Guaranteed universal high level of housing quality	Preservation of the social stratification in society Preferential treatment of the traditional family Stimulation of households and other private actors to take initiatives on the housing market	Dominant position for the market State only supports marginal groups
Subsidisation	Large-scale production subsidies Subject subsidies for large target groups	Segmented subsidies; specific arrangements for specific groups	Means-tested subject subsidies Few production subsidies
Price setting and price regulation	Strong State influence on price setting and price regulation	Moderate State influence State regulation of prices to correct negative effects of the market	Market determination of house prices
Housing allocation	Allocation on the basis of need	State intervention to correct the market Certain groups may be favoured in the allocation process	Market determination of housing allocation in a large part of the housing stock Regulated allocation in a small part of the housing stock. (reserved for low income groups)
Organisation housing provision	Strict spatial planning State takes initiative for the production of newly built houses	Moderately strict spatial planning Private actors (households, small companies) take the initiative for the production newly built houses	No strict spatial planning Private actors (mainly big companies) take the initiative for the production newly built houses

Source: Hoekstra 2003, Table 1, p. 62

families and welfare is provided on the basis of individual needs and rights. The state takes the initiative for the production of newly built houses and provides large-scale production subsidies as well as subsidies for large target groups. The state's influence on price setting and price regulation is strong and majority is guaranteed a universal high level of housing quality.

In the conservative-corporatist regime de-commodification is quite large, but not as large as in the social-democratic regime. The level of welfare services to which a person is entitled depends on the person's occupation and/or social status. Under this regime, the degree of political corporatism is high. The provision

of welfare services is often explicitly aimed at the preservation of a traditional family. Therefore, regulation tends to favour the breadwinner or give extra benefits for large families. In the conservative-corporatist welfare state regime, families are assumed to provide many welfare services themselves, therefore, the state's position is important but subordinated to the traditional family's needs and preferential treatment. The housing policy of the conservative-corporatist regime seeks to preserve social stratification. Under the conservative regime, depending on which groups have privileged access to certain parts of the housing stock, stratification is high and based on status. This is maintained by different construction firms, which

specialize in producing housing for high, middle and low income households at a small scale. The considerable influence of private non-profit organizations in the production of housing is also remarkable under this regime. However, the state intervenes in price regulation and offers tenure-neutral housing subsidies. Therefore, in the conservative-corporatist regime, home ownership is lower than the EU average and private rental housing takes over (Arbaci 2007; Balchin 1996; Hoekstra 2003).

The liberal welfare state regime is characterized by the dominant position of the market and low de-commodification. Welfare services under liberal regime are provided on the basis of needs and income of an individual. Contrary to the two other regimes in which there are many corporatist structures and processes (Hoekstra 2003), under this regime the degree of political corporatism is low. Housing policy is dominated by the market. The state intervention in the housing policy at both central and local levels is low. Therefore, stratification is high and access to housing is mainly based on income. The state supports only marginal groups and provides social housing or means-tested subject subsidies and offers few production subsidies. Private actors (mainly big companies) take the initiative of the production of newly built houses. Under this regime, home ownership is high and results from the residualization and stigmatization of the social housing and predominance of the private rented housing over the social one (Arbaci 2007; Balchin 1996).

Although, the CEE countries have varied in scale and speed of housing reforms, as noted in the introductory section, it is possible to observe a common pattern for all countries. Studies (Balchin 1996; Hegedüs and Teller 2005; Tsenkova 2009) indicate that housing systems in CEE have moved closer towards the liberal welfare regime, which means that “the significance of the state (public housing) is decreasing, the safety net puts more and more burden on families and the state provides help only to the neediest families (very low-income households and in critical situations) (Hegedüs and Teller 2005: 205). In his examination of housing systems in Hungary, the Czech Republic and Poland, Balchin has stated that as far as housing is concerned, it is evident that in these countries the liberal welfare state regime is emerging and there is little evidence of an integrated rental system being developed. The evidence of the liberal regime is found in the substantial reductions in

state-funded housing investment with an increased reliance on private finance to expand owner-occupation, with rents rising to market levels, with housing management being transferred from central government organizations to private agencies, and with massive programs of privatization depleting the public-rental stock. Tsenkova (2009) has explored housing reforms and housing systems’ performance in nine countries of South East Europe (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Former Yugoslavia Republic of Macedonia, Romania, Republic of Moldova, Serbia and Montenegro with a reference to Kosovo/UNMIK). Her study shows that housing conditions were different in the beginning of the transition and some countries have implemented more comprehensive reforms in major housing areas, which have increased the differences. However, in all countries the role of the state in production, allocation and operation of housing has been reduced. Specifically, the shift in the form of the state intervention in housing has been the elimination of price controls, restructuring the housing subsidy system and privatization of the housing stock. Housing privatization has been applied across the region and this brought a significant increase in the assets of private ownership. It boosted private investments in the housing markets. However, due to lack of effective organizational, financial and legal measures for its management, it resulted in deterioration of the multi-apartment housing in urban areas. This problem has also been observed in other post-communist countries (see e.g. Ruoppila’s 2005 study on Estonia). Deterioration of the old multi-apartment blocks which need a substantial renovation has been a significant problem in Lithuania (see Leonavičius and Žilys 2009; Petkevicius 2005).

The following part of this paper will explore the extent to which housing policy in Lithuania resembles the ideal-typical features of the various housing policy regimes.

The development of housing policy in Lithuania

The Lithuanian case displays all issues of the post-communist housing policy and urban development. One of the most important changes in Lithuania was a massive privatization of the housing stock. At present, as noted, 97.2 % of the dwellings in Lithuania are occupied by their owners and only 2.8 % accounted for public and municipal property (Lithuanian

Statistics 2012; Lietuvos Respublikos Vyriausybė 2004). The majority of Lithuanian residents (66 %) live in apartment blocks built in 1961–1990. The publicly owned rental housing stock was quickly privatized. However, the legal and institutional system of taking care of maintenance and repair of private apartment blocks was not created sufficiently. At present, the Lithuanian housing policy suffers from a shortage of affordable housing for low-income families, low quality of housing estates (especially those that were built before 1989) and lack of the sustainable housing management system and housing policy institutions (Lietuvos Respublikos Vyriausybė 2004). Nevertheless, a significant physical problem of all major cities is related to energy: inefficient apartment blocks and old unrenovated public buildings. In many cases, the heating cost of such public buildings during the winter season is at least twice as high as in Western Europe. As a result, one of the key priorities in the Lithuania Single Programming Document for the EU structural funds is the provision of funds for the renovation of public buildings in order to improve their heating efficiency (Petkevicius 2005: 191).

In order to understand changes in the housing system of Lithuania, we need to explore Soviet legacies. After the Second World War, Lithuania was incorporated into the Soviet Union and was a subject to the same socialist housing and urban planning regulations as the whole USSR. One of the most important features of socialist housing and urban policies was rapid urbanization. During Soviet times, Lithuanian society has become urbanized: in 1970s urban population accounted for 50 % (Leonavičius and Žilys 2009), while before Lithuania was incorporated into the Soviet Union, it was mainly an agrarian society with its 76 % of the population living in a countryside (Aidukaite et al. 2012). Urbanization was particularly intense during the period of 1960–1980, which was accompanied by rapid industrialization and labour force movement from rural to urban areas (Jasaitis 2012: 60). At present, 66 % of the population live in urban and 33.1 % in rural areas (Statistics Lithuania 2011: 37).

During Soviet times, one of the top housing policy priorities in Eastern Europe was to ensure that class differences or rather income and status differences were not reflected in housing allocation (Pichler-Milanovich 1997). Although social polarization and residential segregation were not completely abolished, since the elite's districts were also built during Soviet

times, this policy reflected in the increased equality as regard to the housing and various strata of society lived close to each other. Apartment blocks built with the panel technology were a clear expression of Soviet ideology seeking to erase social and class differences: an ordinary labourer lived in the same type of apartment as a professor (Gerdvilis 2007). Some other features were also observable such as evenly and well-established infrastructure in separate neighborhoods of the city as well as well-developed public transportation. However, housing shortage was a common feature of Soviet economy and this resulted in fast, but poor quality housing construction, which sought to meet increasing housing demands (Leonavičius and Žilys 2009).

The disintegration of the Soviet Union and subsequently the privatization of the economy have brought new problems into the ordinary people's lives. According to Pichler-Milanovich (1997), the transition from planned to market economy has involved great practical difficulties and enormous hardship for many people. Currently Lithuania is among the EU countries, which spend least on social protection, have the highest poverty and unemployment rates (Aidukaite 2011), and highest outward labor migration (Aidukaite and Genelyte 2012; Ainsaar and Stankuniene 2011). According to the latest Eurostat data (2012), at risk of poverty rate (cut-off point: 60 % of median equivalised income after social transfers) amounts to 18.6 % in Lithuania, while the EU-27 average is 16.9 %. Unemployment has been usually high in Lithuania if compared to the EU-27, the EU-25 and the EU-15 averages (see Fig. 1). However, unemployment went down in 2004 due to the economy's flourishing period of 2004–2008, but went up again in 2009 and displays high rates up to now. According to the latest available Eurostat data of 2012, the unemployment rate in Lithuania (13.3 %) is still higher than the EU average (10.5 %). The high unemployment rate could be one reason for the high outward labour migration in Lithuania. The latest Census data from 2011 have revealed that within the decade Lithuania has lost around 13 % of its population (Aidukaite and Genelyte 2012). Yet ageing of the population is also a remarkable problem in Lithuania. The negative social and demographic developments reflect on housing and urban policies. After the collapse of the Soviet Union, rapid depopulation and deindustrialization of Lithuanian society has created a situation where in the city

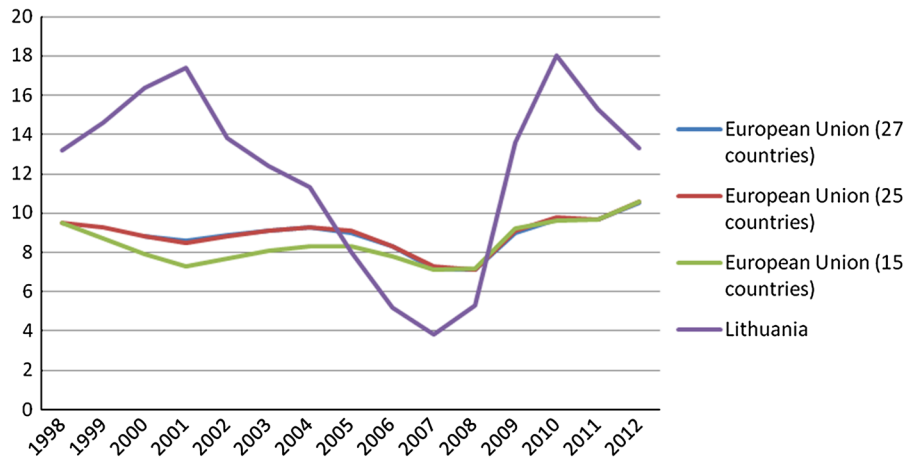


Fig. 1 Total unemployment rate (annual average, %). *Source:* Eurostat data

statistically each year residents have more and more useful floor area (Leonavičius and Žilys 2009). The average useful floor area per capita in 2010 amounted to 26.1 m², in urban areas—24.8 m², in rural areas—28.9 m². The useful floor area per capita in Vilnius city amounted to 25.5 m² (Statistics Lithuania 2011: 199). Although, the average floor area is increasing, this is still relatively low compared with other EU countries. For instance, in Sweden in 2009 useful floor area per capita was 45.2 m², in Germany—42.9 m², in Estonia—29.7 m², in the United Kingdom—44 m² (Dol and Haffner 2010: 51; also see Eurostat data). The observers (Leonavičius and Žilys 2009: 324), however, predict that while maintaining such social and demographic trends (increasing emigration and depopulation due to rapid ageing and low fertility rates) there will not be a ‘mass production’ of housing in Lithuania in the future. Instead, the Lithuanian state’s and business’s interests will be concerned with the maintenance of the existing housing stocks ensuring their quality and meeting the housing needs of different social groups. Meeting the needs of young families which have better opportunities to take a mortgage for the longest period of time will be at the centre of housing policy in the years to come.

Housing Policy Regime in Lithuania

Having described some major trends in the housing policy in Lithuania, in the following discussion, its development according to the criteria delineated to

study housing systems in different welfare state regimes will be reviewed. Particular attention will be devoted to three major criteria: de-commodification, stratification and the state, family and market mix. A number of previous studies (Aidukaite 2006; Bernotas and Guogis 2001) have already pointed out that the Lithuanian social protection system is highly commodified. The replacement rate of the old-age pension is maintained at low levels and accounts for only 30–40 % of the gross average wage in Lithuania (Muller 2002). This is low by Western European standards. The situation is similar with other benefits, such as unemployment and social assistance (Aidukaite 2006). In the housing field, as noted, de-commodification can be measured by the generosity of income support schemes (pensions, unemployment benefits, social assistance)—especially those that involve the field of housing—and by the proportion of social housing. The Lithuanian government provides some housing allowances on a means-tested basis. These are compensations for heating and hot and cold water expenses as partial reimbursement for dwelling maintenance. The numbers of those who claim these benefits have been increasing each year (Lithuanian Statistics 2012; Mikniūtė 2013). This is due to the constant price increase for heating and other dwelling maintenance expenses. However, in Lithuania, the qualifying conditions to receive social assistance benefits are strict. To qualify for means-tested benefits the claimant has to pass not only the income but also property and assets tests. To stimulate home ownership, the state provides small subsidies (10–20 %) to

repay part of the housing loan, which is granted to young families raising one or more children (adopted children), to families where one of the parents died, to orphans who have reached the age of majority but are younger than 35, families raising three or more children (adopted children), persons recognized as incapable or partly capable to work and families with a disabled member (Lithuanian Statistics 2012: 200). However, there were only 23 persons (families) who received these kinds of subsidies in 2010; in 2012 there were 80 persons (families) (Lithuanian Statistics 2012, Table 9.4, p. 202). These figures are very low given high poverty rate in Lithuania and relatively low minimum wage compared to the other EU countries (for further details on minimum wage see Aidukaite 2011).

One of the priorities of the Lithuanian housing strategy is to increase social housing, which, according to European standards, is very modest. However, so far, the demand for social housing is exceeding the supply and the waiting list to receive it is increasing each year (Mikniūtė 2013). Social housing is directed to the poor households only and distributed on a means-test basis in Lithuania. Young families, orphans and children without parental custody, disabled persons and families raising three or more children are on the waiting list (Lithuanian Statistics 2012). There were only 946 families who have rented social housing provided by the municipalities in 2011 (Lithuanian Statistics 2012, Table 9.3, p. 202). These are very low figures for the whole Lithuania. Studies (Jurevičienė 2007; Tsenkova and Turner 2004) have already shown that the social housing has decreased in many CEE countries. However, some countries, such as Russia, the Czech Republic and Poland have retained a significant part of the social housing.

Hence, one might assume that de-commodification of housing is low in Lithuania if we measure it by the generosity of social benefits and the share of social housing. However, as noted, in Lithuania home ownership is very high, many benefited from privatization and bought their dwellings at a very low price using vouchers. This might break a link between income and housing consumption. Study (Bložienė 2013) shows that the majority (85 %) of Lithuanian residents do not intend to buy or sell their real estate; while those who plan to purchase a flat or house make up only 13 %. Yet, 65 % of

them (those who plan to buy a dwelling) intend to purchase homes with their own resources, not with long-term mortgage loans. As a result, the housing market remains largely unindebted and rarely traded in Lithuania unlike in the liberal housing regime. Thus, it is possible to state that de-commodification is relatively high for those who acquired their homes during massive privatization. However, it is low for those who have to buy or rent a home for the market price.

The privatization has produced inequalities among generations. In Lithuania, young people leaving their parents home have to buy a dwelling for the market price while their parents received it at a very low price. This situation is very unfavorable for young people. An affordable municipal housing market in Lithuania has not been developed and to buy and own private housing is a very big investment for the young people. This could be one reason which encourages emigration from Lithuania. Studies show that about 40 % of young people are financially supported by their parents (Delfi 2013). Many of them rely on their parents' help in obtaining (renting or buying) their first home. This also shows that stratification has been increasing in Lithuania between those who are able to buy a new home and those who cannot get a loan from the bank. The Eurostat data show that in 2011 only 6.7 % of households in Lithuania have owned their housing with the mortgage loan, while for Sweden this figure is 65.9 %; for the UK—41.9 %. For a comparative purpose it may also be noted that in such post-communist countries as Estonia and the Czech Republic, there are more households owning their housing with the mortgage loan. The figures for the Czech Republic are 18.1 %, for the Estonia—16.7 % (Eurostat data 2011).

Since 1993, the construction sector is dominated by private builders. Currently, housing construction companies try to attract customers even before the construction begins. The enterprises of the gas sector and heat supply have been also privatized. New dwellings are built by large private construction companies employing more than 250 workers. Smaller construction companies carry out repairs and reconstruction of the existing dwellings (Zavadskas et al. 2002). The state's role in the housing policy field is minimal. The Ministry of Environment is responsible for the state's housing policy development and its implementation. The Ministry

instructs on housing construction, reconstruction and renovation. Some specific housing issues (subsidization, social housing and housing benefits) are dealt with by the Ministry of Finance, the Ministry of Internal Affairs and the Ministry of Social Security and Labour. Municipalities (local governments) manage the housing needs of individuals, distribute the social assistance benefits and decide on the award of social housing. Local municipalities also manage land rental and sales issues and the issues of housing construction permits (Lipnevič 2012; Zavadskas et al. 2002). However, interviews have revealed significant problems in state authorities' involvement in the housing field.

“What kind of housing policy can be implemented and by whom? The state and local governments are practically withdrawn from this sector. Housing has been left as a problem of private developers or the population. This means that cities and municipalities only carry the function of planning and private investors build houses. Renovation is carried out at the expenses of the house owners. Can we call it housing policy? Is there any policy? There is no policy” (State official, involved in city planning, architecture).

The interview above reveals a real situation of the public housing policy in Lithuania. With 97 % of housing stock being privatized, it can be difficult to carry any function of the public policy in the housing field. Although there is the Lithuanian housing policy strategy developed in 2004 with very good intentions such as increasing a share of social housing, reducing housing deprivation and encouraging renovation—all this does not work in practice and the major reason for this is the absence of legal, bureaucratic and financial means of implementation of these goals. A recent study (Aidukaite et al. 2014) has examined how much the goals stated in the Lithuanian housing policy strategy reflect in the programs of the major political parties, which were in power from 2004 till 2012. The study shows that housing policy is given low priority in political parties' programs. There are very few measures mentioned in the parties' programs, which mainly emphasize the need for renovation; and any of the ambitious goals of the Lithuanian housing strategy were implemented. In this sense the Lithuanian housing policy strategy is more a declaration rather than a feasible document.

“It is difficult to say how the Lithuanian housing policy strategy was developed. The strategy is about the increase of the housing supply for population, about renovation etc. It is too optimistic. The Lithuanian Housing Strategy is not feasible. What does it mean to increase housing supply? We have apartments which are still unsold and empty. We have to solve an increasing need for the social housing. Yesterday we spoke with the administrators. Apparently, about 30 percent of the apartments in the multistorey houses are rented by tenants. It is not clear where the owners are—they may have moved to the countryside house, to the village or went abroad. Let's legitimize these tenants' contracts and let people who are on a waiting list get the social housing, to rent these empty apartments from the private owners paying them compensation” (State official working in the housing sector).

The quote above has pointed to another important problem in the housing field in Lithuania. The dualist rental system, which promotes home ownership, has created the situation when the private rental sector contributes to the growing shadow economy. In most cases, the landlords make profit without paying any income taxes from the rental business. Another problem is increasing residential segregation. It has been aggravated by the increasing income inequalities but also by increasing age inequality in housing. The richer parts of the population (these are mainly younger citizens) move towards a better quality of housing and leave an old apartment block built during Soviet times (based on the interviews). At the same time, the older generation has no other choice but to stay in decaying houses which need substantial renovation. Another interesting phenomenon which is observed in Lithuania and was revealed during the interviews is that young people escape the city and build individual houses in the suburbs, often reconstructing old garden houses (so called “dachas”) which their parents built during Soviet times. This phenomenon reminds of the practices of the Southern European familialistic regime where extended family helps young families obtain their first housing.¹

¹ See Allen (2006) and Arbaci (2007) for more on housing policy and welfare state regime of Southern European/Latin rim countries.

Since 1992 the Lithuanian housing policy supported the privatization of the housing stock (encouraging people to buy property at a low price) and the decentralization of the housing policy. From 1995 and onwards, the state has been encouraging the formation of the home owners' self-management organizations (housing partnerships), which assume the responsibility for the management of their housing maintenance and repair. Since 2001, the Civil Code has identified three common forms of property management: the establishment of home owners' self-management organizations, the signed joint venture agreement between home owners' self-management organization and municipality, or appointment of an administrator by the municipality. Until then, either the municipalities or home owners' self-management organizations were responsible for the housing management and maintenance. Since 2003, the state has been encouraging the renovation of apartment buildings (Lipnevič 2012; also based on interviews). At present the priority of the state's housing policy strategy is the encouragement and support of the renovation of the existing housing stock, the quality of which is no longer meeting the requirements. However, the renovation has not been going as fast as it was expected. From 1998 until 2012 there have been renovated only 369 houses (Lipnevič 2012, Table 9, p. 844). The renovation is not happening on a massive scale. This could be explained by the financial difficulties of people living in the apartment blocks which require substantial renovation and by unfavourable conditions for renovation. In Lithuania, the renovation has been carried out at the expenses of the apartment owners. The owners have to cover 75 % of the expenses of the renovation while the rest is covered by the municipality through the provision of the European Structural Funds. As noted, the younger and wealthier part of the population has been escaping the dwellings which need renovation and buying newly built houses in the suburbs or city centre while the older generation, which has less financial power, has been entitled to meet the renovation demands. In order to facilitate the renovation, in April 12 2012, the Lithuanian Parliament adopted amendments to the law on the common property management, which means that the municipality's appointed administrator can also initiate the renovation of the apartment block. Before that, only home owners' self-management organizations could initiate the renovation of their common property.

At present, only about 16 % of the apartment buildings in Lithuania are managed by the home owners' self-management organizations (Lipnevič 2013).

The encouragement of the formation of the home owners' organizations is the state's strategy to transfer all responsibilities for housing maintenance and repair to the home owners. Although, formally, after massive privatization, the maintenance of the houses was the responsibility of municipalities', in practice, it was being left to the house owners. Since 2005, all municipalities' services were privatized and currently there are about 32 companies that provide housing maintenance services for homeowners in Vilnius (based on the interviews).

To sum up, the Lithuanian housing system has resembled many ideal typical features of the liberal housing regime (Lipnevič 2012; Keparutyte 2013). In Lithuania the market dominates as the housing provider and the guarantor. The social housing sector is small and only available for most marginalized groups. The prices of real estate are regulated by the market mainly. The construction of the new housing is promoted by large private companies. However, a detailed examination made in this study shows that situation in Lithuania is remarkably different from the liberal regime. In Lithuania so far, the family remains relevant. Low wages and social benefits have created the situation where young families or individuals leaving their parents home often rely on family support. This feature is common for the Southern European welfare regime (see Allen 2006; Arbaci 2007). Yet, the level of de-commodification can be difficult to measure in case of high home-ownership and low purchasing power of the majority of the population. It has to be also mentioned that the lack of strict spatial planning, that has been absent during the last twenty years in Lithuania, has created important spatial gaps in the infrastructure development: some new neighborhoods lack adequate infrastructure and, in the near future, may become the places of social and spatial segregation in the cities (based on interviews). However, at present, the spatial segregation in the city (for instance in Vilnius, the capital city of Lithuania) is not as high as in Western countries. The historical legacy of the communist period, which sought to reduce class differences in the housing sector as well as small immigration rates, does not yet allow the formation of pockets of exclusion in the cities with the same scope as in Western countries (Aidukaite 2008; Leonavičius and Žilys 2009; Ruoppila 2005).

The exception could be some Roma districts that existed during the communist period. During the past twenty years, due to the absence of adequate social policies directed towards Roma population, their situation has deteriorated rapidly.

Conclusion

This paper has examined the housing policy development in Lithuania in the light of previous literature which reinterprets Esping-Andersen's work on welfare regimes and adopts it to study housing policy. It has sought to highlight the major features of the Lithuanian housing policy regime. The findings of this paper have revealed that the Lithuanian housing regime exhibits many features which are common under the liberal one. Most significant of these is the dominant position of the market in housing production, allocation and price determination. However, a detailed examination of the Lithuanian housing policy carried in this study has revealed that the housing policy system, although similar to the liberal one, has been operating in different social and economic settings as a result of unique historical experiences of the communist housing policies (massive production of low quality apartment blocks during Soviet era, which need substantial renovation and highly decentralized Soviet housing management system) and consequently drastic changes in the housing field since 1990s (massive privatization of the housing stock and decentralization of the housing management system). These conditions created the situation wherein in Lithuania housing ownership is higher and de-commodification for those who have to buy or rent a home for the market price (due to the marginalized position of the social housing) might be even lower than in the liberal welfare regime. However, de-commodification can be relatively high for those who purchased their homes at a very low price during massive privatization using vouchers. The Lithuanian case also demonstrates that, so far, in the provision of housing, the family remains relevant. Low wages and social benefits have created the situation where young families or individuals leaving their parents home often rely on family support.

The Lithuanian housing policy regime, compared to the other welfare state regimes, could be characterized as a regime with the higher owner-occupation but

the lower economic power of the owners to take care of their property maintenance, repair and renovation.

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