DIVERCITIES
governing urban diversity

Dealing with Urban Diversity
The Case of Budapest

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Governing Urban Diversity:
Creating Social Cohesion, Social Mobility and
Economic Performance in Today's Hyper-diversified Cities

This report has been put together by the authors, and revised on the basis of the valuable comments, suggestions, and contributions of all DIVERCITIES partners.

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In memory of Ronald van Kempen

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PREFACE

This book is one of the outcomes of the DIVERCITIES project. It focuses on the question of how to create social cohesion, social mobility and economic performance in today's hyper-diversified cities. The project's central hypothesis is that urban diversity is an asset; it can inspire creativity, innovation and make cities more liveable and harmonious. To ensure a more intelligent use of diversity's potential, a re-thinking of public policies and governance models is needed.

Headed by Utrecht University in the Netherlands, DIVERCITIES is a collaborative research project comprising 14 European teams. DIVERCITIES is financed by the European Commission under the 7th Framework Programme (Project No. 319970).

There are fourteen books in this series, one for each case study city. The cities are: Antwerp, Athens, Budapest, Copenhagen, Istanbul, Leipzig, London, Milan, Paris, Rotterdam, Tallinn, Toronto, Warsaw and Zurich. This book is concerned with Budapest. This book is based on a number of previously published DIVERCITIES reports.

This book is dedicated to the loving memory of Prof. Dr. Ronald van Kempen, for supporting and coordinating this project until the last days of his life and inspiring us forever…

Szabolcs Fabula, Lajos Boros, Dániel Horváth & Zoltán Kovács

1 DEALING WITH URBAN DIVERSITY: AN INTRODUCTION[1]

1.1 INTRODUCTION

By definition, cities are highly diverse. Many have existed for long periods of time and in the process have developed a large diversity in urban neighbourhoods swayed by government input and markets. These neighbourhoods may display a range of housing and environmental characteristics, leading to all kinds of places: enclaves for the rich; slums and ghettos for the very poor; middle-class suburbs; both thriving and degrading inner city districts; gated communities; areas with shrinking populations; and areas with growing populations due to increasing immigration. Residential neighbourhoods may be inhabited mostly by the rich or mostly by poor people, a majority of immigrant groups, or they may be heavily mixed, with the co-existence of many different population groups. Neighbourhoods can be places of intensive contact between groups, or areas for parallel lives where people pass each other like ships in the night with little in common with each other. Areas may be mixed with respect to 'hard' variables such as income, education, ethnicity, race, household composition, and age structure, but also on the basis of 'softer' characteristics such as lifestyle, attitude and activities. Some people may choose to live in certain areas, while others have little choice. In most urban areas residents live together harmoniously, but in some areas underlying tensions can sometimes erupt into open conflicts between different groups.

Even in neighbourhoods with a homogeneous housing stock (in terms of tenure and type) the resident population may be quite diverse. In areas with expensive housing and a concentration of households with relatively high incomes, large differences may exist in terms of lifestyles: some may be more neighbourhood-oriented than others; some may go out every night; whilst others may always be at home in the evenings, leaving their place of residence only to go to work. Areas with relatively cheap housing will, in general, house people and households with (very) low incomes, but the residential population may at the same time be very diverse with respect to lifestyles, attitudes and behaviour and their wishes to stay in the area or to move on. In these areas, the residents may live together happily and take part in and enjoy common activities; or perhaps live parallel lives with minimal interaction; or they may consciously avoid each other due to perceived behaviour or appearance. For many residents with low incomes the possibility to move to another area in the city is limited.

Households with low incomes are generally concentrated in neighbourhoods with affordable housing. A number of these neighbourhoods may be characterised as dilapidated areas: the quality of the housing and of public spaces may be worse than in other parts of the city;

residents may feel more unsafe in such areas; and unemployment and the number of people on welfare benefits may be relatively high. In many of these areas we see concentrations of immigrants and their descendants, often originating from a range of countries, resulting in increasing ethnic diversity (Vertovec, 2007). There can be negative, intolerant, and discriminatory attitudes towards these areas and the people living in them. As a consequence, these areas can be seen as places where nobody wants to live, which people want to leave as soon as possible, or even as 'no-go' areas.

However, neighbourhoods with an affordable housing stock in our cities are not by definition bad places to live. In many cases, the residents of these areas see all kinds of advantages of living there: housing is relatively cheap; they feel at ease amongst people of their own ethnic group and/or socioeconomic status; they like the diversity; or they might even find jobs in the local, sometimes very diverse, economy.

This book focuses on living with urban diversity. It will make it clear that, despite the existence of negative discourses, people living and working in diverse cities and neighbourhoods often see positive aspects of diversity and may even profit from it. We are also aware of the negative consequences of living in diverse urban areas, but we want to specifically focus on the often neglected positive aspects that residents and entrepreneurs see, feel and experience. Living with diversity may take place in a neighbourhood that – at first sight – is not the most attractive place to live in. It will become clear that those who live (and work) in diverse urban areas do see advantages and positive aspects of living in such areas, for example, in terms of activities, social cohesion and social mobility.

Budapest, the focus of this book, is a diverse city with a population of about 1.7 million inhabitants. It is the largest city in Hungary and also one of the most important economic, political and cultural centres in Central and Eastern Europe. In spite of the 2008-2009 economic crisis, Budapest and its agglomeration still offers better employment and investment opportunities than any other part of the country. However, while the city attracts transnational companies, skilled labour and tourists in large numbers, notable socio-spatial inequalities also exist within its boundaries, mirrored by segregation processes and increasing concentrations of poverty. Furthermore, Budapest is one of the primary destinations for both domestic and international migrants in Central Europe, and the proportion of ethnic minorities within the population is well above the national average – around 7% in 2011. The diversity of the local society has been recognised by several national and city level policies, and certain aspects of its heterogeneity (e.g. cultural values, creative workers) are considered to be the key factors related to its improving economic competitiveness (Fabula *et al.*, 2015).

The research material which this book is based upon was collected in Józsefváros, which is the 8th administrative district of Budapest. This inner city area has about 76,000 inhabitants and is one of the most diverse areas in Budapest in terms of population, building stock, public spaces and entrepreneurial activities. Traditionally, it has always been a lower-class district within the

city but the previous negative image of the area is slowly changing as a result of recent urban renewal programmes and gentrification. It has a diverse housing stock in terms of quality and tenure, with a relatively high concentration of rental (public and private) housing. Due to the relatively low property prices and rents in some of its neighbourhoods, there are also a large number of poor households in the area. Józsefváros is also a popular destination for immigrants from other parts of the country and more recently from abroad. Therefore, the proportion of non-Hungarian ethnic groups here is higher than the Budapest average (11.9% in 2011). To sum up, Józsefváros is a heterogeneous and dynamically changing area within the city, and an ideal site to examine the effects of urban diversity (Fabula *et al.*, 2015).

Brief definitions of the core concepts[2]
Diversity is defined as the presence or coexistence of a number of specific socio-economic, socio-demographic, ethnic and cultural groups within a certain spatial entity, such as a city or a neighbourhood. We want to pinpoint how diversity relates to social cohesion, social mobility and the performance of entrepreneurs. *Social cohesion* can, in a very general way, be defined as the internal bonding of a social system (Schuyt, 1997). *Social mobility* refers to the possibility of individuals or groups to move upwards or downwards in society, for example, with respect to jobs and income (and status and power), while *economic performance* is concerned with the way individuals and groups perform in the city as entrepreneurs. *Governance* is seen as shorthand for a diversity of partnerships on different spatial and policy levels, leading to a certain goal.

1.2   THE PURPOSE OF THE BOOK

Our aim is to discover whether diversity 'works'. Are there advantages for those who are directly confronted with it and who live within it? An important part of the research is focused on the influence of policy instruments and governance arrangements: How are they formulated? How important is diversity in policies aimed at improving cities, neighbourhoods and people's wellbeing (social and economic)? How do residents profit from these policies and arrangements? On the basis of interviews with residents of diverse urban areas, we aim to find out how people deal with living generally, and with diversity in particular. Do they see advantages of diversity in the places where they live or work? Do they encounter negative effects? And if they do, do they care? Interviews with entrepreneurs in our research areas will indicate why they started their enterprise there and if diversity had an effect on their decision. We hope to learn whether they profit from diversity.

The research for this book is based on qualitative fieldwork. We interviewed politicians and policy-makers on both national and local levels, leaders of local initiatives, residents of the neighbourhood, and entrepreneurs who have their businesses in the case-study area.

From super-diversity to hyper-diversity

Coined by Steven Vertovec (2007), *super-diversity* refers specifically to western cities with increasing ethnic diversity, and to the demographic and socioeconomic diversity between and within these ethnic groups. Vertovec (2007, p. 1024) talks about *"… the dynamic interplay of variables among an increased number of new, small and scattered, multiple-origin, transnationally connected, socio-economically differentiated and legally stratified immigrants who have arrived over the last decade"*. As such, Vertovec recognises the enormous diversity within categories of immigrants.

We go one step further and will use the term *hyper-diversity* (Tasan-Kok *et al.*, 2013). With this term we will make it clear that we should not only look at diversity in ethnic, demographic and socioeconomic terms, but also look at the differences that exist with respect to lifestyles, attitudes and activities. We will contend that such differences are important, for example, when explaining social cohesion or social mobility. People belonging to the same social or ethnic group may display quite different attitudes with respect to school, work, parents and towards other groups. They may have very different daily and life routines. Some adolescents and adults may exhibit extensive daily mobility patterns that stretch across the city and even beyond, while others may remain oriented within their own residential neighbourhood. While the sphere of daily interaction of a long-established resident may be restricted to his or her immediate surroundings, their foreign-born immigrant neighbours may be more mobile with respect to social and professional relations and vice versa.

'Hyper-diversity thus refers to an intense diversification of the population in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities' (Tasan-Kok *et al.*, 2013, p. 6). The term makes it clear that we should look at urban diversity in a very open way. Hyper-diversity refers to a significantly more complex situation than super-diversity, because the concept contains more variables which leads to more involved interactions between these variables. The term hyper-diversity takes account of the fact that, for example, a group of poor, young Indian-born men living in a London neighbourhood may at first sight be considered as a very homogeneous group. But at closer range, they may be very heterogeneous: some men in this group like watching sports on television at home, while in the case of another part of the group, their main activity might be maintaining intensive contact with their family in India (by email, Skype, Facebook, Twitter, Instagram, etc.); and a third group may enjoy hanging around on the neighbourhood square, where they mainly interact with native Londoners.

Why should we pay attention to such immense diversification? In our opinion, the implications of the recognition of hyper-diversity forces us to look differently at the possibilities of living together in a city or a neighbourhood. Mixing groups within a neighbourhood – for example, in terms of income or ethnic descent – may lead to the physical proximity of these groups, but since they have different lifestyles, attitudes and activities, these people may actually never

meet. Policies aimed at traditional categories such as 'the poor' or specific ethnic or age groups without taking into account the immense diversity in such groups or categories, are probably doomed to fail. Policies aimed at improving the social cohesion in neighbourhoods will not work when the hyper-diversity of the population is not considered. Traditional policy frames often stick to stable and sharply delineated population categories or to specific neighbourhoods in a city and thus ignore the hyper-diversified social reality.

A *hyper-diversified city* contains increasingly changing forms of diversities. According to the literature, new forms of diversity are resulting from many factors including increasing net migration and diversification of countries of origin (Vertovec, 2007); increased level of population mobility (Sepulveda and Syrett, 2007; Syrett and Sepulveda, 2011); the dynamic nature of global migration, new social formations in the city, and changing conditions and positions of immigrant and ethnic minority groups in the urban society (Vertovec, 2010); transnationally connected, socio-economically differentiated and legally stratified immigrants (Vertovec, 2007); new power and political structures and dynamic identities (Cantle, 2012); and increasing heterogeneity of migration in terms of countries of origin, ethnic and national groups, religions, languages, migratory channels, and legal status (Faist, 2009). Neoliberal deregulation, which has been feeding diversity in particular ways (economic globalisation, increasing income inequality, polarisation, segregation, etc.) for the last 30 years, contributes to the increasing complexities of the urban society.

Diversity and urban governance

Governance can be defined as a process of co-ordinating actors, social groups, and institutions to attain particular goals discussed and defined collectively in fragmented, uncertain environments (Le Galès, 2002). It is expected that the overall success of public policies will be more and more dependent on partnerships between the public and private sector and that individual citizens and communities will have to take greater responsibility for their own welfare. Traditional government will no longer be willing to fulfil the needs of the present population in general, nor for the increasing diversity of groups in society more particularly. Urban governance arrangements have to consolidate efforts in relation to physical condition, social and economic situations, and environmental amelioration to achieve a better quality of urban life.

Apparently, during the 2000s there was a convergence in urban policy and planning agendas in cities across the world with a move towards what Beck (2002) has termed the individualisation of society, or a 'sub-politics' characterised by less direct forms of state intervention and greater individual and community autonomy. The adversarial class politics of the post-WWII period has been replaced, it is argued, by a new 'post-politics' founded on consensus-building, collaboration, and a more powerful role for active individuals and communities. For authors such as Beck (2002), Giddens (2002; 2009) and Held (2010) changes are an inevitable consequence of structural social shifts in which individuals and communities no longer identify themselves through the restrictive prisms of class identities and adversarial left/right politics.

This is particularly relevant in cosmopolitan, hyper-diverse EU cities with their outward-looking populations and economies. Questions of governance have become increasingly complex and governments look for possibilities to tackle the growing divisions between shrinking institutional capacities (partly as a consequence of deliberate austerity measures) and a growing diversity of the needs of an increasing diverse population.

In the aftermath of the 2008 financial crisis and the 2011 Euro crisis, governments across the EU have put in place austerity agendas seeking to reduce the size of the state and to make governance arrangements more flexible and diverse. In the UK, for example, terms such as 'Big Society' have taken centre-stage. Advocates such as David Cameron (2011) represent a 'guiding philosophy' of government, in which a leaner state can act as *"... a leading force for progress in social responsibility (…) breaking [open] state monopolies, allowing charities, social enterprises, and companies to provide public services, devolving power down to neighbourhoods, making government more accountable"* (p. 1). Similar trends are happening in cities and countries across the EU, in which governance is being re-invented as a participatory practice that opens up opportunities for policy-makers and citizens to engage in a process of policy co-production and mutual working (Mulgan, 2009; Oosterlynck and Swyngedouw, 2010).

And yet, little is known about the capacities and motivations of diverse urban communities to take on these new and expanded roles in cities across the EU. The shift to a post-political, communitarian approach to governance raises questions of equality and social justice as it is by no means clear that reducing the role of the state and of government institutions necessarily improves either the efficiency or the accountability of governance processes. Devolution and localism can all too easily open the door to new forms of privatisation that may bring more efficiency but at the cost of reduced democratic accountability and increases in socio-economic inequality (see Boyle, 2011; MacLeod and Jones, 2011; Raco, 2013). Moreover, the extent to which existing institutional structures no longer 'work' and need to be reformed is a claim that authors such as Swyngedouw (2009), Ranciére (2006) and Žižek (2011) have challenged as a political-ideological programme that, in reality, seeks to attack welfare state systems across the EU and marginalise poorer and more diverse communities in cities under the discursive cloak of 'empowerment' and 'devolution' agendas (Mouffe, 2005; Crouch, 2011).

Diversity and social cohesion

In its most general meaning *social cohesion* refers to the glue that holds a society together (Maloutas and Malouta, 2004). The concept of social cohesion is not only applicable to society as a whole, but also to different scale levels (city, neighbourhood, street) or different types of social systems, say a family, an organisation or a university (Schuyt, 1997). Kearns and Forrest (2000) identify five domains of social cohesion: common values and a civic culture; social order and social control; social solidarity and reduction in wealth disparities; place attachment and shared identity; and social networks and social capital (we will return to the concept of social capital in the next section). We will mainly focus on common values, on place attachment and on social networks.

There is fundamental disagreement among social scientists about the association between diversity and social cohesion. The common belief in significant parts of the social sciences is that despite internal differences, mixed communities can live together in harmony. Finding the balance between diversity and solidarity is not easy, but it is not necessarily an impossible nor undesirable mission (Amin, 2002). However, social scientists working in the communitarian tradition, like Putnam (2007), tend to see diversity and heterogeneity as a challenge or even an obstacle for social cohesion, and cultural homogeneity as its fundamental source.

This distinction between optimists and pessimists is also reflected in the literature on social mixing policies (Van Kempen and Bolt, 2009). On the one hand, policy-makers in many European countries see the stimulation of greater mixing across income groups and between ethnic communities as a means to create more social cohesion (e.g. Graham *et al.*, 2009). On the other hand, many academic researchers tend to emphasise that diversity is often negatively related to cohesion. This conclusion is based on two types of empirical research. First, there are studies evaluating social mixing policies (either in a quantitative or a qualitative way), which usually focus on a small number of neighbourhoods, and which conclude that social mixing is more likely to weaken than strengthen social cohesion in a neighbourhood (e.g. Bolt and Van Kempen, 2013; Bond *et al.*, 2011). There are hardly any interactions between social groups (e.g. Bretherton and Pleace, 2011; Joseph *et al.*, 2007). Second, there is a highly quantitative research tradition in which the compositional characteristics of neighbourhoods are related to social cohesion. Kearns and Mason (2007) found that a greater diversity of tenure (as a proxy for social mix) is negatively related to social cohesion.

Although there are many different types of diversity, most attention has been focused on the effects of ethnic diversity since Putnam's publication *E pluribus unum* (2007). There are divergent theories on the association between ethnic concentration and social cohesion (Gijsberts *et al.*, 2011). According to the homogeneity theory, people prefer to associate with others who have similar characteristics. It is therefore expected that people in heterogeneous neighbourhoods tend to have fewer contacts with fellow residents than people in homogeneous neighbourhoods. According to group conflict theory, people feel threatened by the presence of other groups. There is more distrust towards the out-groups when the numerical presence of these groups is stronger.

Putnam's (2007) 'constrict theory' partly overlaps with conflict theory. He found that higher ethnic diversity in the neighbourhood goes hand-in-hand with less trust in local politicians. Ethnic heterogeneity can further negatively affect the number of friends and acquaintances and the willingness to do something for the neighbourhood or to work with voluntary organisations. Diversity does not only lead to less trust in the so-called out-group, but also to distrust in the in-group. Putnam (2007, p. 140) concludes: *"Diversity seems to trigger not in-group/out-group division, but anomie or social isolation. In colloquial language, people living in ethnically diverse settings appear to 'hunker down' – that is, to pull in like a turtle".* This idea relates to the notion of parallel society: people may live close to each other, but this does not necessarily mean that they have any contact with each other or take part in joint activities.

Although some of the academic literature tends to be pessimistic about the level of social cohesion in diverse areas, it should be stressed that there is no reason to assume that there is a mechanistic (negative) association between diversity and cohesion. Contextual differences play a large role in the effects of diversity. Delhay and Newton (2005) have shown that good governance at the regional and national level positively affects social cohesion and eliminates the (alleged) negative effects of diversity. The effects of diversity may also differ from society to society based on difference in 'ethnic boundary making'. In the literature on 'ethnic boundary making', ethnicity is *"… not preconceived as a matter of relations between pre-defined, fixed groups … but rather as a process of constituting and reconfiguring groups by defining boundaries between them"* (Wimmer, 2013, p. 1027). This literature aims to offer a more precise analysis of how and why cultural or ethnic diversity matters in some societies or contexts but not in others, and why it is sometimes associated with inequality and 'thick identities' and in other cases not. This is, among other things, dependent on the specific type of boundary making and the degree of 'social closure' along cultural-ethnic lines (e.g. Cornell and Hartmann, 1998; Wimmer, 2013).

Diversity and social mobility

Social mobility refers to the possibility of individuals or groups to move upwards or downwards in society, for example, with respect to jobs and income (status and power). Social mobility has been defined in many ways, in narrow as well as in broad senses. In almost all the definitions, the notion of the labour market career is mentioned. Individuals are socially mobile when they move from one job to another (better) one, or from a situation of unemployment to a situation of employment.

In the context of social mobility, it is important to pay some attention to the concept of *social capital*. In its simplest sense, social capital refers to the possible profit from social contacts (Kleinhans, 2005). It thus provides a link between social cohesion and social mobility. To Bourdieu, social capital is a resource or a power relation that agents achieve through social networks and connections: *"Social capital is the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition"* (Bourdieu and Wacquant, 1992, p. 119). This definition focuses on the actual network resources that individuals or groups possess that help them to achieve a given goal, for example, finding a job or a better home. Portes and Rumbaut (2001) draw on Bourdieu's definition of social capital when they specifically talk about immigrants.

The question of how individuals can profit from their social contacts is crucial here. With respect to these contacts, we can think of practical knowledge or important information. The literature makes an important distinction between *bonding capital* on the one hand and *bridging capital* on the other hand (Granovetter, 1973; Putnam, 2001). Bonding capital refers to the strong ties within one's social circle (similar others), while bridging capital is about relations outside one's social circle (weak ties). The latter type of connection is much more likely to deliver important information about opportunities, such as jobs (Granovetter, 1973). In this

research project, we see social capital as a *resource* for social mobility. In other words, this resource can be used as a *means* to reach social mobility. Social capital is therefore not seen as an equivalent of social mobility. The concept of social capital does have some overlap with the concept of social cohesion (see above), but while social cohesion can be seen as an outcome of social processes, social capital should be interpreted as a means to reach a goal; for example, having a good social network can help to find premises to start a small business.

In studies of neighbourhood effects, the relationship between neighbourhood characteristics and social mobility is central. In many of these studies, it is the effects of segregation (usually in terms of income or ethnic background) on social mobility rather than the effects of diversity that have been of key importance. Typical questions include (Friedrichs, 1998): Does living in a neighbourhood with a specific type of population limit social mobility? Does living in an ethnic neighbourhood limit integration and assimilation? Do impoverished neighbourhoods have fewer job opportunities for their residents?

Concrete results from research into neighbourhood effects can be given. A study on the effects of income mix in neighbourhoods on adult earnings in Sweden (Galster *et al.*, 2008) showed that neighbourhood effects do exist, but that they are small. Urban (2009) finds only a small effect on the neighbourhoods with children in relation to income and unemployment risks in Stockholm. Brännström and Rojas (2012) also found mixed results with respect to the effect of living in disadvantaged neighbourhoods on education outcomes in areas with a relatively large minority ethnic population. Gordon and Monastiriotis (2006) found small neighbourhood effects on educational outcomes for disadvantaged groups. At the same time, they found more substantial *positive* effects of segregation for middle-class households. The general outcome of such studies is always that personal characteristics are much more important for social mobility than the characteristics of the neighbourhood, at least in European cities.

Why are neighbourhood effects on various aspects of social mobility so small? This can probably be attributed to the fact that the lives of people do not organise completely around the home and the neighbourhood of residence. With increased mobility, better transport and almost unlimited contact possibilities through the internet and mobile devices, people now take part in multiple networks, visiting several places and meeting many people physically and virtually (Van Kempen and Wissink, 2014). People may have contacts all over the city, and (ethnic) groups may form communities all over the world (Zelinsky and Lee, 1998): in the neighbourhood where they are residents; in their home countries where still large parts of their families may live; and possibly in other regions where family members and friends have migrated to (Bolt and Van Kempen, 2013).

Diversity and economic performance

When we consider urban studies, we mainly find literature that links advantages of urban diversity to the economic competitiveness of the *city*. Fainstein (2005, p. 4), for example, argues that *"… the competitive advantage of cities, and thus the most promising approach to*

attaining economic success, lies in enhancing diversity within the society, economic base, and built environment". From this widely-accepted point of view, urban diversity is seen as a vital resource for the prosperity of cities and a potential catalyst for socio-economic development by many others (Bodaar and Rath, 2005; Eraydin *et al.*, 2010; Tasan-Kok and Vranken, 2008). Although some successful entrepreneurs may live in homogenous neighbourhoods, some scholars hold a contrary view, even arguing that diversity and economic performance are not positively connected (Angrist and Kugler, 2003; Alesina and La Ferrara, 2005). The general opinion is that diversity has a positive influence on the economic development of cities. Inspired by similar ideas, urban diversity is seen as a characteristic feature of many policy-makers to realise a so-called '*diversity dividend*', which will increase the competitive advantage of the city (Cully, 2009; Eraydin *et al.*, 2010).

All these perspectives provide a solid understanding of how diverse communities can contribute to the economic performance of cities. What is less clear is the impact of living/working in a hyper-diversified city or neighbourhood where economic performance affects the individuals and groups living in these areas. In our research, we focus on the way individuals and groups perform in the city as entrepreneurs, as we see the economic performance of people as an essential condition for the economic performance of a city. We aim to underline that diverse forms of entrepreneurship positively affect urban economic performance. Furthermore, increasing possibilities of building successful businesses (entrepreneurship) also contributes to the chances of social mobility in the city for diverse groups of people.

However, as Bellini *et al.* (2008) argue, research on the urban level indicates the existence of positive correlations between diversity and economic performance and sees cultural diversity as an economic asset (Nathan, 2011). Some of the positive impacts of diversity can be highlighted here:

- *Increasing productivity*: A study of Ottaviano and Peri (2006) shows that average US-born citizens are more productive (on the basis of wages and rents) in a culturally diversified environment. As Bellini *et al.* (2008) show, diversity is positively correlated with *productivity* as it may increase the variety of goods, services and skills available for consumption, production and innovation (Lazear, 1999; O'Reilly *et al.*, 1998; Ottaviano and Peri, 2006; Berliant and Fujita, 2004). In the same vein, Syrett and Sepulveda (2011) provide an overview of how the urban economy benefits from the diversity of the population.
- *Increasing chances for networking*: Some scholars (Alesina *et al.*, 2004; Demange and Wooders, 2005) point to the emerging literature on club formations, wherein *ethnic networks* grow from within. According to these researchers, a social mix brings about variety in abilities, experiences, and cultures, which may be productive and may lead to innovation and creativity. Saunders' (2011) work on the arrival city concept is of interest. He argues that some city areas with high levels of social mix provide a better (easier) environment for starting small businesses for immigrants, especially for newcomers, due to easy access to information through well-developed networks.

- *Increasing competitive advantage:* Emphasising the rising levels of population diversity, Syrett and Sepulveda (2011) suggest using population diversity as a source of competitive advantage. Other studies highlight diversity as an instrument for increasing the competitive advantage of cities, regions or places (Bellini *et al.*, 2008; Blumenthal *et al*, 2009; Eraydin *et al.*, 2010; Nathan, 2011; Sepulveda *et al.*, 2011; Thomas and Darnton, 2006). The common argument of these studies is that areas that are open to diversity are able to attract a wider range of talent (nationality, race, ethnicity, and sexual orientation) than those that are relatively closed. As a result, they are more likely to have a dynamic economy due to their creative, innovative and entrepreneurial capacities compared to more homogenous cities (see also Scott, 2006).
- *Increasing socio-economic well-being:* A number of studies pinpointed the positive contribution of urban diversity to the socio-economic well-being of mixed neighbourhoods (Kloosterman and van der Leun, 1999; Kloosterman and Rath, 2001). In fact, proximity to mixed neighbourhoods seems to be a locus for networking and for the fostering of social capital (Kloosterman and Rath, 2001). '*Attractive*' and safe living environments, '*good*' and appealing amenities, pleasant dwellings and a '*nice*' population composition can be crucial factors to attract and bind entrepreneurs to a city or neighbourhood (Van Kempen *et al.*, 2006).

1.4   THE OUTLINE OF THIS BOOK

In the second chapter, we will show the diversity of the city of Budapest, with particular focus on the area of Józsefváros. The chapter will provide context for the rest of the book, with information on policies, residents and the entrepreneurs living and working in this area.

Chapter 3 focuses on policy discourses. How do policies deal with urban diversity? We will focus attention on national policies as well as local policies in order to illustrate the development of policy in the past decades. The main focus will be on current local policies: How do Budapest's urban policies deal with diversity? Does Budapest see diversity as something positive or as a threat to urban society, or is diversity not treated as a relevant variable? Does the city of Budapest use diversity as an asset, or does it perceive diversity as a phenomenon that leads to problems? In addition to the top-down policy discourses, we will also pay attention to bottom-up initiatives. How do the leaders of local projects see diversity? How do they profit from diversity?

In Chapter 4, we turn to the residents of the diverse urban area of Józsefváros in Budapest. We aim to find out why they moved to the area and if the diversity of the area was one of their motives. This chapter discusses what the residents think of diversity. How do the residents use the diversified neighbourhood? Do they intensively use the neighbourhood or are their activities and social contacts mainly outside the area? Does living in the area of Józsefváros help or hinder them in terms of social mobility? Our expectation is that the residents of a diverse urban area

may have many activities and social contacts in their residential neighbourhood, but that in an era of high mobility opportunity, they also find a lot of their friends and activities outside the area, making the residential area less important for daily lives and future career possibilities.

In chapter 5, our attention turns to the entrepreneurs in the area. Has the diversity of the area been a motivator to start an enterprise there? How do they profit from diversity? Do they have a diverse clientele? Is the enterprise successful and can it survive? Here, the basic idea is that entrepreneurs in diverse urban areas have deliberately chosen to start their enterprises in such an area because they think they can profit from the diverse clientele there.

We conclude with chapter 6, where we will give a short overview of the content of this book and answer the question of whether urban diversity can be seen as an asset, or should it be seen mainly as a liability. Finally, we will formulate some suggestions for policy-makers, politicians and other stakeholders who deal with diversity and diverse urban areas.

2 BUDAPEST AS A DIVERSE CITY

2.1 LOCATING BUDAPEST

Budapest with about 1.7 million inhabitants is one of the largest cities in post-communist Central and Eastern Europe (Figure 2.1). It is the capital city of Hungary and the symbolic heart of the country in terms of its political, economic, administrative and cultural functions. More than one third of the national GDP is produced in Budapest, and nearly half of the foreign direct investment arriving into the country since 1989 has been realised here. Most global companies have their headquarters and all the main national institutions have their seats in the city.

The economic, political and cultural position of Budapest has always been dominant within Hungary, and it has enjoyed 'primate city' status since its creation in 1873 (Kovács, 1994).

Figure 2.1 The location of Budapest in Europe

The primacy of Budapest was exacerbated by boundary changes after World War I, when Hungary lost 71% of its territory and 66% of its population and the weight of Budapest on the socio-economic pattern of the country became disproportionately large. World War II and the imposition of the communist system cut off Budapest from its traditional economic and cultural connections. Industry and industrialisation were central in the economic policy of the communist regime. The number of industrial employees continuously grew and peaked with 612,000 in 1964. From the second half of the 1960s, the city entered the post-industrial phase of urban development; factory employment started to decline, and at the same time, the growth of services accelerated.

After 1989-90, due to the collapse of communism and the subsequent political and economic changes, the conditions of urban development changed fundamentally. The old branches of the Hungarian economy collapsed, and a new, post-Fordist type of economy evolved with strong ties to the EU and the world economy. This transition was expressed in the explosion of the service sector. Within the service sector, finance and commerce have been developing most intensely. Other growing innovative economic branches in Budapest are ICT, life-sciences (medicine production, bio- and nanotechnology), and creative industries. Due to its multi-layered historical development path, the economy of the city is highly diverse.

Budapest owes a large part of its housing stock and virtually its entire urban structure to the late-19th-century urban boom. The typical form of housing was the 3-4 storey tenement building with an inner-courtyard containing dwellings of very different size (Picture 2.1). This architectural pattern allowed a relatively strong social mix on the level of buildings, streets and neighbourhoods.

After World War II, capitalist forms of housing production and distribution, which were blamed for previous inequalities and segregation, were abolished and replaced by a communist type housing system. The basic premise of communist housing policy was that every family was entitled to its own home at a reasonable cost and each family member to a separate room. The late 1960s and early 1970s were the 'golden age' of housing construction, when 15-20,000

Picture 2.1 Typical tenement building in Budapest from the late 19th century.
Source: Zoltán Kovács
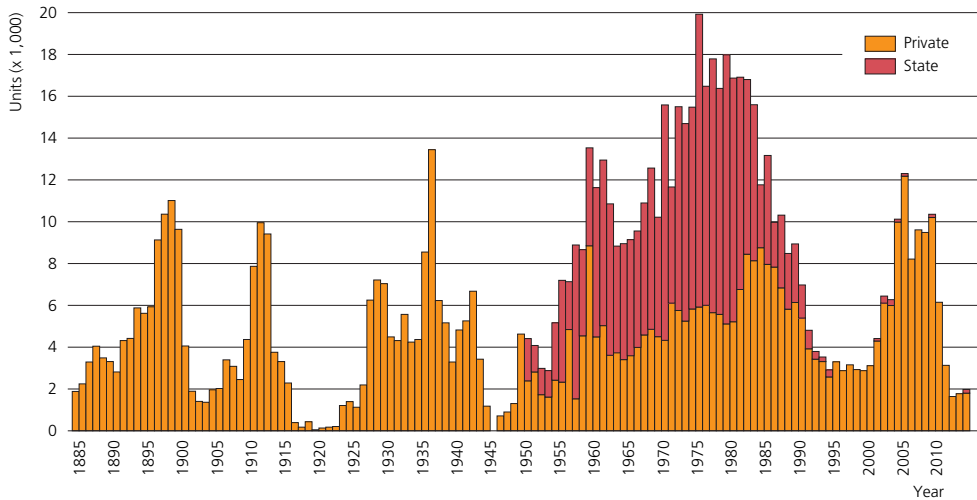
Figure 2.2 Newly built dwellings in Budapest by developer type (1885-2014).
Source: Hungarian Central Statistical Office

dwellings were completed annually in Budapest. Large numbers of the new dwellings were built by the state mostly in the form of large housing estates (Figure 2.2). Due to site constraints, these estates were constructed mainly on 'greenfield' sites at peripheral locations. Most estates were poorly served by transport and other facilities, and the organic link with the city was broken (Kovács and Douglas, 2004).

After 1990, the privatisation of public dwellings played a very important role in the transformation of the housing market. The privatisation of state housing in Budapest meant a pure 'give away' type of privatisation to sitting tenants, at a very low price. The 1993 Housing Law[4] made the privatisation of public housing even compulsory with the introduction of the Right to Buy. As a consequence, the share of public housing in Budapest had decreased from 51% to a mere 6% of the housing stock by 2011, with the sale of close to 350,000 flats to sitting tenants.

Since the beginning of the political transition in 1989-90, the population of Budapest decreased by nearly 300,000 residents, from a little over 2 million in 1990 to 1.7 million in 2011. This sharp population loss is a result of a combination of natural decrease (accounting for about two-thirds of the population decline) and an accelerated migration of urban residents to the suburbs (Kovács and Tosics, 2014). The Budapest Metropolitan Region (BMR) is defined legally as the territory of Budapest and 80 suburban municipalities. The total population of BMR was approximately 2.5 million both in 1990 and in 2011, representing 25% of the population of Hungary. However, while the core city was shrinking during this period, the agglomeration was rapidly expanding crossing the 800,000 threshold by 2011.

2.2   DIVERSE-CITY BUDAPEST

Budapest is the most diverse city of Hungary in terms of its socio-economic, ethnic and cultural patterns. The *ethnic composition* of the city has been permanently changing due to substantial immigration. Nowadays, approximately 74,000 immigrants live within the city boundaries. In addition, 100,000 foreign-born individuals (partly Hungarians) have permanent residence permits. They stay in the city for employment or educational purposes, or take local medical services (Municipality of Budapest, 2013).

As a result of the steady immigration process, the ratio of non-Hungarians in the city is higher than the national average: approximately 135,000 residents (7.8%) have some ethnic minority background[5] (Table 2.1). More than half of these people (77,502) belong to the so-called 'domestic' (historical) ethnic groups[6], among which the German and the Roma/Gypsy are the largest ones (with 28,818 and 20,151 people respectively). In addition, other ethnic groups (e.g. Chinese, Vietnamese or Arabic people) have also established sizeable communities in Budapest recently, mainly as a result of the 'new immigration' processes having taken place since the change of regime in 1990 (Hungarian Central Statistical Office, 2011a).

Throughout the history of Budapest, both internal (e.g. city planning and other regulatory arrangements) and external (e.g. changes of welfare regimes, national-level policies) forces have played an important role in shaping the social pattern of the city. Taking such factors into account, here we focus on four main periods in relation to urban diversity in Budapest: (1) the first peak of urban development (late 19th century); (2) the inter-war period between 1918 and 1945; (3) the decades of state socialism; and (4) the post-socialist/new capitalist era (after 1990).

The first peak of its urban and economic development was in the last three decades of the 19th century, when the extensive industrial growth caused a mass in-migration to the city. The rate of population influx increased significantly – for example, it was 45% in the last ten years of the century – and Budapest, a minor European city in 1873 with 280,000 residents had become a million-inhabitant metropolis by 1910 and its population weight in Hungary had changed from 2.2% to 6% (Kovács and Dövényi, 1998). This trend caused a significant change in the composition of local society as well. For instance, the number of industrial workers grew from 45,000 to 337,000 between 1870 and the dawn of the 20th century. In-migration and population growth also resulted in a change in the ethnic composition: in 1870 the proportion of the Hungarian-speaking population was 46%, which then increased to 80% by 1900. Nevertheless, non-Hungarian ethnic groups (especially the German and Jewish communities) retained their importance in the economic, political and cultural life of Budapest (Kovács *et al.*, 2007).

After the *Versailles Peace Treaty* of 1920 and the dissolution of the Austro-Hungarian Empire, the dominance of Budapest in the Hungarian settlement system further increased. The country

lost 71% of its territory and 64% of its population, and the share of Budapest within the country's population increased to 15.4% (Kovács and Dövényi, 1998). During the inter-war period the population dynamics of the city were shaped by two important processes. First, the development of Budapest slowed down during these decades, and since the natural growth was almost zero, population change was generated by in-migration. Second, as a result of extensive agglomeration processes, the population of the suburban belt around Budapest increased from 130,000 to 540,000 between 1900 and 1949. By 1941 the number of inhabitants had reached the 2 million threshold, but after the population loss during World War II, this figure was reached again only in 1972. The ethnic composition of the city became more homogenous during this period, and the proportion of Hungarians had stabilised at around 99% by 1949 (Kovács *et al.*, 2007). During the war, homogenisation was fostered by deportations and the annihilation of the members of certain ethnic – especially Jewish and Roma/Gypsy – minority groups. As a result, Budapest had lost 50% (approx. 100,000 persons) of its Jewish community by 1945, exacerbated by the emigration of many Jews (Kemény, 2005). To conclude, the events of this period clearly contributed to the decline of socio-cultural diversity in Budapest.

The demographic processes of the city under *state socialism* were uneven in time. In the 1950s, the population of the city started to grow again but the growth tended to be more the outcome of migration than natural increase, which steadily decreased from the early 1960s. As early as the 1980s, natural decrease could not be compensated by in-migration anymore, and the total number of residents dropped from 2,059,000 to 2,016,000 between 1980 and 1990 (Kovács *et al.*, 2007).

Between 1949 and 1990, the socio-economic pattern of Budapest was significantly shaped by direct state interventions and the mechanisms of central planning. First of all, in 1950 the legal creation of Greater Budapest with the annexation of seven towns and 16 villages enlarged its area by 154% (from 207 to 525 km²) and increased its population by 52% (from 1.05 to 1.6 million). Second, after the communist industrialisation of Budapest in the 1950s, industrial development slowed down in the 1960s with the concomitant strengthening of the tertiary sector. This process led to robust occupational restructuring and the shrinkage of the number of industrial workers. Third, existing social inequalities were attacked by the communist regime on a Marxist ideological basis, but uneven socio-economic opportunities prevailed within the society more or less in a latent form (see e.g. Szelényi, 1978; Ferge, 2002). For example, labour market opportunities of women or the Roma/Gypsy showed significant improvement, but since a large part of these people were unskilled, they became the first victims of economic restructuring and soaring unemployment after 1990. Later, such factors led to the pauperisation and social exclusion of the Roma/Gypsy and ghetto-formation in the inner parts of Budapest (Kovács, 1998). Fourth, the equalisation policy of the state had its effects on housing inequalities too. As a result, residential segregation diminished quickly during the 1950s and 1960s: the centrally planned, state-led allocation of dwellings led to the formation of highly diverse neighbourhoods (e.g. in large housing estates) composed by residents with very different demographic and socio-economic backgrounds. Nevertheless, from the early 1980s, the level of
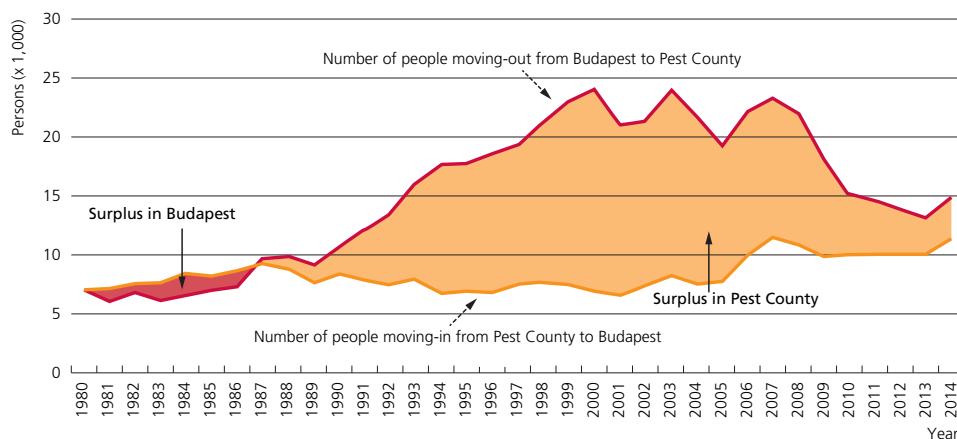
Figure 2.3 Migration between Budapest and Pest County (1980-2014).
Source: designed by the authors

segregation started to grow again as an outcome of liberalisation policies and increasing wage differences (Kovács and Szabó, 2016).

After the *change of regime*, the main driving forces of social dynamics changed again. From a demographic perspective, 2007 is a turning point in the post-socialist development of Budapest. In the 1990s and early 2000s, a sharp population decline could be recorded (Kovács, 2004; Szemző and Tosics, 2005), but after 2007 the population decrease came to a halt. This development can be attributed to a complexity of political, economic and social factors. First of all, the suburbanisation process which had already started under communism accelerated after 1990 (Dövényi and Kovács, 1999; Kok and Kovács, 1999; Kovács and Dövényi, 1998; Timár and Váradi, 2001; Tosics, 2006). As a result, while the city's population dropped between 1990 and 2001, the population of the agglomeration grew by 18% (Figure 2.3).

At the same time, the emergence of a market economy increased the level of income differences, which was also mirrored by the changing residential mobility chances of different social groups. With the liberalisation of the housing market and the disappearance of legal barriers to spatial mobility, many better-off households moved to the suburbs or to neighbourhoods within the city with higher prestige. This process caused a sharpening segregation pattern, especially in the case of better-off people, who concentrated mostly in the hilly western part (Buda) of the city and in the western sectors of the suburban belt (Figure 2.4). At the same time, the 1990s and 2000s also witnessed the formation of an ethnic ghetto in the run-down inner-Pest neighbourhoods, where poor people (with a high proportion of Roma/Gypsy) represent an immobile, trapped segment of the society in the local housing market. In the new millennium, urban regeneration programmes and concomitant gentrification affected many inner city neighbourhoods increasing the social mix of these quarters and resulting in the fragmentation

of the previous socio-economic profile and ethnicity (Kovács, 1998; 2006; Ladányi, 2014; Szemző and Tosics, 2005; Tosics, 2005; 2006).

Long-distance migration contributes to the diversification of the society in Budapest as well. Since its early history, the city has always been the primary target of domestic labour migration, but as a result of changing international relations – e.g. weakening travel restrictions in the 1970s and 1980s, opening borders since 1990, EU-accession in 2004 – the number of foreign born citizens arriving in Budapest has also increased. Although the majority of newcomers come from the neighbouring countries (especially from Romania, Serbia, and Ukraine) and have a Hungarian ethnic background, immigrants from other cultural realms, such as Arabs, Turks, Chinese or Vietnamese people have a more visible impact on the urban landscape of Budapest in the form of ethnic enclaves (Keresztély and Szabó, 2006).

In conclusion, several twists and turns could be identified in the history of Budapest as far as diversification of its population is concerned. Due to historical reasons and its geographical location, the city could not become a classic cultural melting pot like some of its Western European counterparts. Moreover, impediments to social cohesion and prosperity, for example a general mistrust of immigrants as a result of xenophobia and racism, are still widely spread among members of the local society. However, the cohabitation of different ethnic and cultural groups is an important feature of Budapest's urban life, more so than in any other cities in Hungary. Even though fostering diversity is not a top priority of the city administration (Fabula *et al.*, 2014a; see also Chapter 3), according to policy documents, the significance of the topic has been widely recognised by decision-makers (Municipality of Budapest, 2013; 2015).
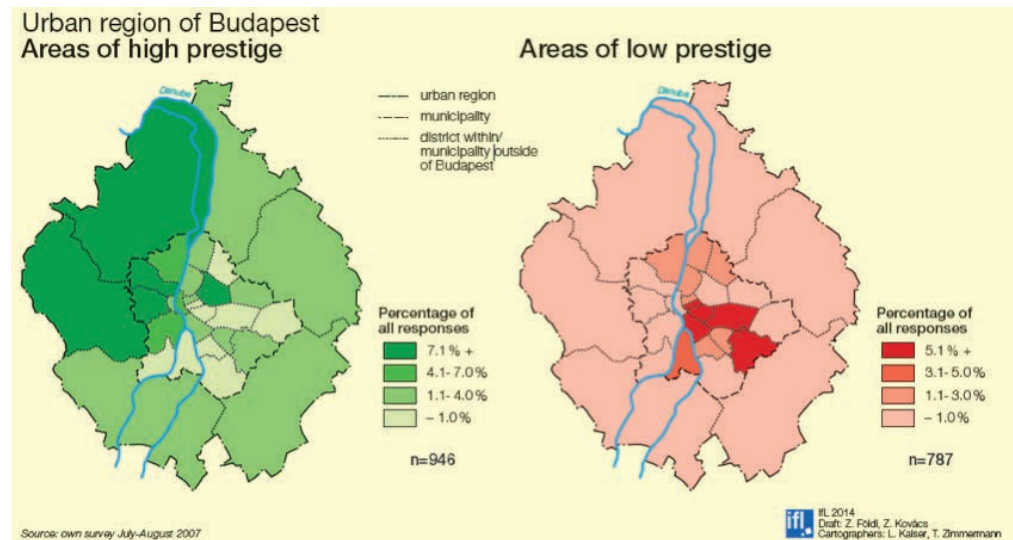
Figure 2.4 Areas of high and low prestige in the Budapest Metropolitan Region (2007).
Source: Földi and Kovács (2014)

2.3   SOCIO-SPATIAL DYNAMICS OF DIVERSITY IN BUDAPEST

In terms of socio-spatial differentiation and segregation Budapest has a distinct geographical pattern. As a recent study pointed out, Budapest is the most segregated among five post-socialist capital cities investigated (Tallinn, Vilnius, Warsaw, Prague and Budapest) with regard to the spatial separation of different occupational groups (Marcińczak *et al.*, 2015). In current patterns of social segregation, historical factors (both socialist and pre-socialist) as well as recent socio-economic restructuring play an equal role (Kovács and Szabó, 2016). The distinctiveness of socio-economic segregation in Budapest is rooted partly in the physical geography of the city, which makes the physical separation of better-off residents easy, and in historical legacies (i.e. planning regulations and zoning) dating back in the 19th century.

In Figure 2.5, higher and lower socio-economic status neighbourhoods are shown. In the analysis, eight out of the 10 ISCO (International Standard Classification of Occupations) categories were considered; the groups of agricultural workers and armed forces were disregarded. High status areas are considered where the weight of the top two occupational categories (managers and professionals) exceeded 50%, whereas lower status areas are those where the proportion of the bottom three occupation groups (industrial workers, machine operators and unskilled workers) made up more than 30% in 2011.

Higher socio-economic status neighbourhoods form a compact zone on the Buda hills, west of the Danube, which is the traditional high-status villa area of the city, developed already during the pre-WWII period, but further expanded during communism. This compact zone of affluence was massively extended towards north and south after 1990 along the river. In the 2000s, some smaller pockets of high-status neighbourhoods even appeared east of the Danube in the inner
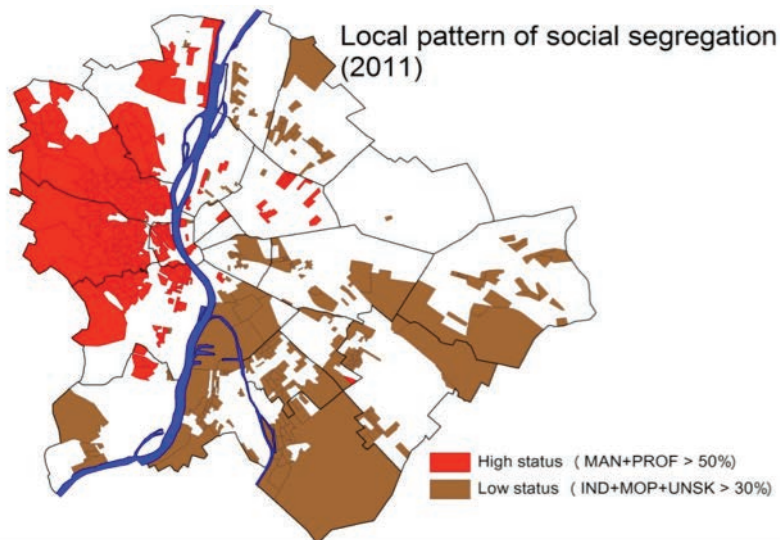
Figure 2.5 The local pattern of segregation in Budapest (2011). Source: Kovács and Szabó (2016)

Picture 2.2 Run-down inner city milieu in Budapest. Source: Zoltán Kovács

city, as a result of both market-led renewal and public-led regeneration programmes (Kovács, 2009), and also outside the compact city due to the mushrooming of new upmarket residential compounds (e.g. row-houses, gated and guarded neighbourhoods) (Kovács and Hegedűs, 2014).

Low-status neighbourhoods are mostly located in the outer part of Pest and consist of three different types: decaying inner city quarters, high-rise housing estates, and low-rise mixed residential-industrial neighbourhoods. Decaying inner city quarters are typically old working-class neighbourhoods with multi-storey tenement buildings in the eastern periphery of the inner city, for example Józsefváros, Ferencváros (Picture 2.2). High-rise housing estates of the state-socialist period, especially the more peripheral ones (e.g. Havanna, Újpalota, Centre of Csepel), are also strongholds of lower-class families. These pre-fab housing estates built in the 1970s and 80s rapidly lost their popularity after 1990 even though radical physical or social downgrading similar to western cities is not to be seen (Kovács and Herfert, 2012). The third group of low-status areas is comprised of low-rise peripheral neighbourhoods, traditional villages (e.g. Soroksár) that were independent before 1950, and some of the mixed residential-industrial neighbourhoods of the periphery. They can be characterised by low densities, poor accessibility and insufficient services.

The diversity index of urban units for 2011 has also been computed (Figure 2.6). The least socially diverse neighbourhoods in the city are located in the Buda Hills, west of the Danube, whereas the most diverse neighbourhoods are in the high-rise housing estates. The latter has also become more diverse since 1990, just like low-status inner city neighbourhoods (e.g. Józsefváros). As easy entry points, these quarters have become popular destinations for migrants arriving from other parts of Hungary as well as from abroad.

Taking the characteristics of social diversification processes within the metropolis into account, an inner city neighbourhood called *Józsefváros*, has been chosen as our case study area (Figure 2.7). Despite its relatively small territory (6.85 km²), Józsefváros, which is the 8th administrative district of the city, is among the most diverse areas in Budapest (Table 2.1). The post-1990
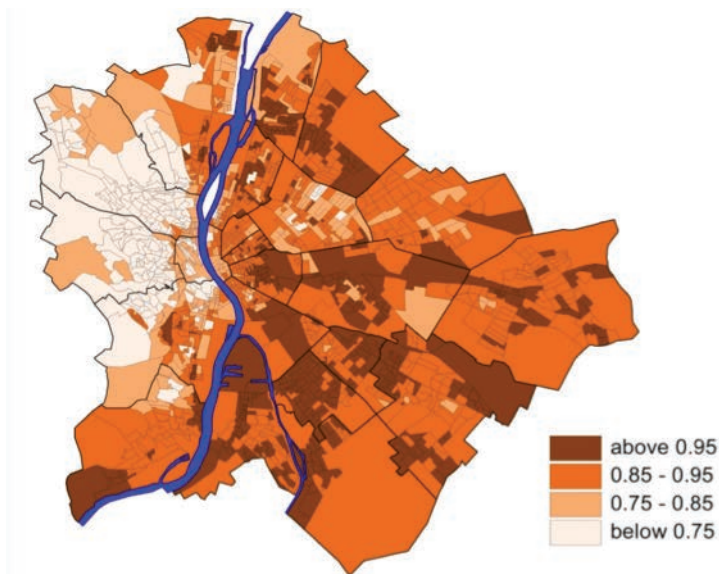
Figure 2.6 Diversity index for urban units (2011). Source: Hungarian Central Statistical Office

development of the district including urban regeneration and concomitant gentrification and studentification, and the arrival of African and Asian immigrants have made the local society of Józsefváros exceptionally mixed. With its 76,250 inhabitants (2011), it ranks only eleventh among the 23 districts of Budapest, but the ratio of people declaring non-Hungarian ethnic identity is 11.9%. Among the ethnic minorities, the Roma/Gypsy community is the largest in Józsefváros with a 4% share of the total population (for the entire city this figure is 1.1%). The other major non-Hungarian ethnic groups in the area are Germans (1.3%), Romanian (0.8%) and Chinese (0.7%) (Hungarian Central Statistical Office, 2011a; Pest-Budapest Konzorcium, 2015).

Józsefváros has a highly diversified *housing stock* due to continuous building activities and large-scale regeneration programmes. According to local registry data, there were 44,678 dwellings in Józsefváros in 2014 (Pest-Budapest Konzorcium, 2015). Between the last two censuses (2001-2011), about 5,000 new (mostly upmarket) dwellings were added to the local housing stock, which meant a 12% growth within a decade. This was one of the highest values among the 23 districts of Budapest during the period.

Due to the extension of the housing market and recent regeneration activities, above average residential mobility was recorded in the case study area. In Budapest, on the eve of the 2011 census, 45% of the residents had moved to their dwelling in the previous ten years, which was 52% in Józsefváros. New construction and regeneration have also resulted in the rapid modernisation of the local housing stock. In 2001, the share of low-comfort dwellings (without

Figure 2.7 The location of the case study area (Józsefváros) within Budapest.
Source: Designed by the authors

Table 2.1 Main demographic and socio-economic indicators of Józsefváros

	Hungary	Budapest	Józsefváros
Area (km^2)	93,036.00	525.14	6.85
Total population[7]	9,937,628	1,729,040	76,250
Youth (0-19)	2,041,193 (20.5%)	292,266 (16.9%)	11,201 (14.6%)
Working age population (20-64)	6,219,315 (62.5%)	1,112,433 (64.3%)	53,334 (69.9%)
Seniors (>65)	1,677,120 (16.8%)	324,341 (18.7%)	11,715 (15.3%)
Non-Hungarian ethnic identity*	6.0%	7.8%	11.9%
Highest level of education attainment[8]			
Primary education; lower secondary education	56.9%	36.2%	37.0%
Middle vocational education; upper secondary education	27.5%	34.8%	35.5%
Higher vocational education; tertiary education	15.5%	28.8%	27.0%
Persons aged 25 or over without a school certificate, diploma or degree	45.1%	30.8%	37.9%**
Average household income (per capita)***[9]	€ 3302.45	€ 4329.02	No data
Income tax (per capita)[10]	No data	€ 809.33	€ 531.84
Unemployment rate****[11]	6.7%	3.8%	6.2%

*   Based on self-identification.
**   This figure refers to the population aged 20 years or over.
***   After tax.
**** The ratio of registered jobseekers within the working age population (15-59 years).

a toilet and/or bathroom inside the flat) was 22.3%, which had decreased to 9.4% by 2011, yet it was still significantly above the Budapest average (3.9%). In terms of tenure, the share of rental dwellings (both public and private) was 20.7% in Józsefváros in 2011, whereas it was only 10.6% in Budapest. The weight of public housing was the highest here in the city with 11.5% in 2011, compared to the average figure of Budapest (5%). Public housing was spatially highly concentrated in the central parts of the district (i.e. Magdolna and Orczy Quarters), where over one-third of the housing stock was publicly owned. To sum up, the quality of the housing stock has significantly improved over the last two decades. New constructions and regeneration activities have triggered a steady influx of higher income households contributing to the socio-economic diversification of the area (Kovács *et al.*, 2013).

2.4   DIVERSITY, ECONOMIC DYNAMICS AND ENTREPRENEURSHIP IN BUDAPEST

In the early 1990s, after a relatively rapid transition from communist type central planning to a market economy, a robust economic restructuring evolved in Hungary and Budapest. As a result of the restructuring process, de-industrialisation and boom in the service sector commenced. Most of the outdated production units were closed, excessive industrial quarters became dysfunctional and derelict (Romaniak *et al.*, 2014). As an outcome of post-industrial restructuring, several branches of the previous economy weakened over the last decades, but at the same time, some 'traditional' sectors managed to survive. For example, our case study area, Józsefváros is characterised by traditional handcrafts and machine manufacturing, the 5th and 9th districts of Budapest have an increasing concentration of tourism and hospitality industries (e.g. bars and restaurants), while a large part of the pharmaceutical industry is still located in the 10th district (Kőbánya).

The 23 districts of Budapest have very different economic dynamics and development paths. The density of enterprises is the highest in the inner city districts (e.g. 5th, 6th, 1st) according to the number of active corporations per capita in 2014. The post-industrial creative branches of the economy are increasingly concentrated in the downtown areas. The proportion of enterprises specialised in financial services, retail, tourism, scientific and cultural activities, as well as real estate and ICT businesses, is extraordinarily high in this part of Budapest (Balás *et al.*, 2015). The transformation period also resulted in a boom of business (e.g. consulting, business analysis, accounting) services. The share of foreign direct investments (FDI) in IT businesses (telecommunication, software) became significant (Kohlbacher and Protasiewicz, 2012). Of the traditional branches of industry, the pharmaceutical industry and food processing are still important.

Hungary has never been an attractive destination for international migration; after World War I it became a small land-locked nation-state in the heart of Europe. During communism, the Iron Curtain and strict border control prevented the free movement of people. The post-socialist period has brought considerable changes in this respect as many migrants have arrived

Picture 2.3 The former Four Tigers Market. Source: Gyula Nyári

in Hungary with the specific aim to start a business here and to make use of the dynamic market opportunities. During the 1990s, there was a considerable immigration wave of Chinese traders. The so-called 'Four Tiger Market' (Picture 2.3) located in our case study area, as well as the Asian Centre, are characteristic features of Budapest's migrant economy. Chinese and Vietnamese entrepreneurs are equally involved in retail and catering businesses. The major income of Chinese entrepreneurs stems from wholesale activities, which provide the basis of a thriving retail market of clothing, consumer goods, furniture and electronics. Arabs come to Budapest to do business as money brokers, or in delicacy shops and restaurants. Turkish and Kurdish people live in the area as tradesmen, businesspersons, or restaurant keepers of gyros fast food bistros (Kohlbacher and Protasiewcz, 2012). Since 1990, the economy of the city has become more vibrant and cosmopolitan due to the arrival of ethnic-based business networks.

The local economy of Józsefváros has always been a diverse one too. Prior to World War I, it was characterised by craftsmen, but the local cafés and restaurants were also widely known throughout Budapest. The lower status Jewish and Roma musician population was also present in Józsefváros at this time. In the interwar period, a massive slum formation took place in the district as the affluent strata gradually moved to other more elegant parts of Budapest, e.g. Buda Hills (Czirfusz *et al.*, 2015; Ladányi, 2008). After the change of regime (1990) the main aim of the local government was to improve the quality of the housing stock and transform the social structure of Józsefváros by attracting young professionals, tourists, students and well-off foreigners (Czirfusz *et al.*, 2015).

This development path has formed a diverse local economy with a mix of traditional economic activities and newly settled or emerged businesses which aim to attract different types of consumers. Furthermore, the relatively large foreign born population has led to a more visible presence of ethnic entrepreneurship.

2.5 CHALLENGES AND OPPORTUNITIES OF BUDAPEST AS A DIVERSE CITY

Homogenisation and fragmentation processes influence urban diversity in Budapest simultaneously. They transform the cultural character and social cohesion in the city, posing serious challenges for diversity. Several studies pointed out the weakening social cohesion in Budapest, which is manifested in the fragile solidarity networks and the emergence of new forms of segregation (e.g. gated communities) (Csizmady and Csanádi, 2009; Kovács and Hegedűs, 2014). The resulting fragmented spatial structure further weakens social cohesion since the interaction and cohabitation of different social groups becomes more and more unlikely and the risk of segregation increases.

The most recent developments of the real estate market also contribute to the above mentioned process: gentrification, studentification, and the mushrooming of tourist-oriented short-term rent (Airbnb in particular) have led to growing rents and real estate prices. These processes can force out those with a lower income or make it almost impossible for them to move into certain areas of the city. Therefore, they have a homogenising effect on the social structure of urban neighbourhoods. Contemporary urban policies tend to assist these processes implementing an entrepreneurial approach in urban planning and development (Akcali and Korkut, 2015; Kovács *et al.*, 2013; Stors and Kagermaier, 2015). The lack of public housing, which is a result of the privatisation and liberalisation of the housing market, also contributes to these changes (Eyal *et al.*, 2000; Kovács, 2009).

Although local and national policies promote diversity in rhetoric, there are as yet no explicit policies aimed at urban diversity. Furthermore, certain policies (e.g. some of the urban regeneration programmes, or restrictive and punitive regulations regarding the use of public space) can be considered destructive regarding the diverse milieu of the city (Udvarhelyi, 2014). The thinking of governmental actors regarding the phenomenon is shaped by a positive-negative dichotomy. On the one hand, they often interpret diversity from a post-political, consensual perspective and equate it with some kind of non-specified 'cultural diversity', something that is inherently positive and that the city can profit from. Since it is perceived as a positive phenomenon, there is a consensus on its importance and fostering – as highlighted by different documents – but in everyday politics, the city's top governmental actors almost completely ignore the topic. On the other hand, the term 'social diversity' is strongly connected with the idea of social inequalities and welfare tensions in the thinking of governmental actors. This dichotomy is mirrored by city-level policies where the greatest emphasis is placed on equity and redistribution, focusing on the most deprived neighbourhoods (Fabula *et al.*, 2014a).

There are also challenges regarding the role of non-governmental actors. Because of the communist heritage and post-socialist neoliberal development path of Hungary, the participation of residents in public affairs is relatively low. As a result, the role of non-governmental organisations is weak in Budapest. In addition, the active civil organisations have very limited funds, which jeopardises their efficient work and makes them vulnerable to political changes. Moreover, in some cases, the cooperation between various actors of urban policy is problematic; there are no thematic consultations between policy-makers and non-governmental organisations. As a consequence, there is a risk that instead of partnership, competition and debates will characterise their relations in the future – hindering the formation of more efficient and explicit diversity policies.

At the same time, civil organisations also offer opportunities related to diversity; the variety and growing number of grassroots movements and initiatives taking place in Budapest shows that civil society has remarkable potentials. Nevertheless, it should be taken into consideration that the resources and instruments of these groups should be improved in the future. One of their most important roles is that they can formulate and promote alternatives to the entrepreneurial trends in urban policy.

The migration crisis in 2015 was also a serious challenge regarding the diversity of Budapest – and other Hungarian cites as well. The crisis brought about two interrelated challenges; the long-term strengthening of prejudices and xenophobia, and the emergence and further intensification of populist, anti-migration political discourses. Public attitudes and political discourses reinforce each other and can have anti-diversity effects. The diversity discourses in the public and in the political sphere are heavily influenced by migration issues: the anti-immigration point of view seems to be the most visible in many countries, including Hungary (European Commission, 2015; MTA, 2015). This harms the general acceptance of diversity and jeopardises the inclusion of immigrants, foreigners and other minority groups (for more details about diversity-related policy-making in Hungary and in Budapest, see Chapter 3).

Finally, it is an important specificity of Budapest that as a capital city, it has a two-tier self-government system (Dövényi and Kovács, 2006; Enyedi and Pálné Kovács, 2008; Tosics, 2005) including the Municipality of Budapest (i.e. City Hall) and the 23 district municipalities with special legal status. Within this framework, the tasks and responsibilities are divided between the district municipalities and the Municipality of Budapest, and the decision-making power of the former is highly independent of the Budapest City Hall. The structure of governance seems to work against diversity in Budapest. First of all, the division of power and competence between the central government and the Municipality of Budapest, secondly the rivalry between Budapest City Hall and the city districts hamper the effective decision making mechanisms regarding diversity. Recent re-centralisation efforts in both relations (central government vs. Budapest, central government vs. districts) also limit the chances of a more efficient and comprehensive city-wide policy-making in connection with diversity.

3 POLICY DISCOURSES ON DIVERSITY

3.1 INTRODUCTION

To approach the issue of increasing diversification of the urban population in socio-economic, social and ethnic terms, but also with respect to lifestyles, attitudes and activities, we first explore the policy discourses on the concept of 'diversity'. What are the main policies dealing with diversity in Hungary? How are policy discourses framed? Do they perceive the augmenting diversification of the population as a positive or negative development? Are there significant differences between the state levels (national, local)? And how are non-governmental actors addressing urban diversity?

The main objective of the present chapter is to explore the conceptions and understandings of diversity while critically deconstructing and assessing the core policy strategies and programmes that are associated with the discourse on diversity at the different state levels. Through the review and the critical analysis of key public policies, the principal discourses on diversity will be uncovered and reflected on. Thereby, it will be explored whether diversity is perceived in a positive or negative way, what aspects of diversity are highlighted or addressed, if there is a significant discrepancy between the different state levels regarding the use and the perception of diversity, and what implications the understanding and the interpretation of diversity have on the outcomes of the investigated policies. To complement the analysis on the prevalent discourses on diversity, a further focus of this chapter is laid on the perspectives of non-governmental actors and smaller initiatives dealing with urban diversity.

The chapter is structured around six sections. Following this brief introduction, the second section presents the research methods. In the third section, the policy approaches towards diversity at the national level are outlined, and the forth section provides an analysis of governmental discourses and policy strategies related to diversity in the city of Budapest. Section five reviews the non-governmental perspectives on integration policy and diversity – distinguishing between larger organisations and smaller bottom-up initiatives dealing with diversity in Budapest. Finally, the conclusions are set out in section six.

3.2 METHODOLOGY

The research is based on a qualitative approach and involves documentary analysis and semi-structured interviews. The documentary analysis drew on relevant legal documents, strategy

papers and results of earlier research on the topic. Interviews were conducted with selected relevant actors from different levels of the public administration responsible for social policy, equal opportunity or other diversity-related matters, as well as with representatives of non-governmental organisations and bottom-up initiatives in the field of diversity and social policy (Appendix 1). The fieldwork was carried out from August to October 2013 and from February to April 2014.

3.3 POLICY APPROACHES TOWARDS DIVERSITY AT NATIONAL LEVEL

The ideology of multiculturalism appeared in Hungarian scientific and political thinking in the second half of the 1990s (Majtényi, 2007a; Berkes, 2010). Although there is currently not a single definition or concept of multiculturalism or social diversity in policy-making, elements of these ideas are reflected in official documents of the post-1990 era (Appendix 2). Compared to other European countries, the Hungarian society is ethnically quite homogeneous. The proportion of *ethnic minorities* is 5.6%, while residents with *foreign citizenship* comprise 1.4% of the total population (Hungarian Central Statistical Office, 2011b). In addition, the majority of the members of these groups is relatively well integrated (except the Roma) into the Hungarian society and their minority identity has been lost, or they have developed a 'dual identity' (minority *and* Hungarian). *Immigrants*[12] represent 2% of the population (Office of Immigration and Nationality, 2012). About two-thirds of all foreign nationals and 90% of those obtaining citizenship arrive from the Hungarian diaspora living in the neighbouring countries (e.g. Romania, Serbia, Ukraine). Therefore, this kind of immigration can be considered as a 'special ethnic migration' (Kováts, 2010). As a result, the phenomena of multiculturalism and diversity are rarely addressed in political discourse, but this situation also has historical causes.

Before 1989-90, the central government basically followed *assimilationist* directives in minority and migration issues. Its approach was determined by *communist (state socialist) ideology*, so the existence of social differences was officially denied, and almost every sphere of social life was controlled directly by the communist party and the central state. As a result, the opportunities of social-cultural minority organisations (e.g. churches or those representing ethnic minority groups) were very limited. Although the ruling Hungarian Socialist Workers' Party (MSZMP) dropped its strict assimilationist stance in 1968, which resulted in the liberalisation of official minority politics, this process only accelerated in the 1980s (Vermeersch, 2003, 2004; Eiler, 2011).

The change of regime in 1990 had considerable effects on minorities. In internal affairs, the assimilationist attitude came to an end and ethnic communities became 'visible' to the public. Social inequalities increased due to rapid economic restructuring (e.g. the marginalisation of the Roma population deepened). Migration trends also changed substantially: Hungary had previously been a sender country but became a destination and transit country after 1990 (Fullerton, 1997; Világosi, 1997; Juhász, 2003), and consequently 'new' minorities (e.g. Chinese)

appeared. In foreign policy, issues of the Hungarian diaspora were no longer taboo. Two groups have received special attention in national politics since the late 1980s: the foreign Hungarians (especially in neighbouring countries) and the Roma (Kováts, 2010; Pastore and Ponzo, 2013).

In the early *transition period* (1989-1993), a new minority policy was introduced with *pluralist* and *integrationist/intercultural* features (see the categories of Syrett and Sepulveda, 2012). The central government started to establish a legal and institutional framework to guarantee wide-ranging rights and opportunities for domestic minorities and to support Hungarians living abroad. Cultural diversity was acknowledged as a value in itself, and ethnic minority groups were declared 'constituent parts of the State'[13]. Moreover, in this period, the legal basis of their institutions (e.g. national and local minority self-governments) was set. These arrangements indicated the emergence of a 'multicultural political community' (Majtényi, 2007a, 2007b) or a 'multicultural turn' (Horváth *et al.*, 2010) as some authors pointed out. Regarding the diaspora-question, foreign Hungarians received considerable moral and financial support (e.g. through foundations), and as immigrants, they were given preference in acquiring citizenship. Simultaneously, they were encouraged to stay at their place of residence in order to prevent the breakup of Hungarian communities living abroad. Their preferred status is exemplified by the so-called 'two-tiered refugee system'. The public administration made efforts to ease the immigration of ethnic Hungarians, while introducing relatively strict arrangements against non-Hungarians, for instance in employment issues (Fullerton, 1997; Juhász, 2003; Hárs *et al.*, 2009; Töttős, 2009).

From 1994, minority politics were strongly influenced by the *preparations for the accession to the European Union*. Thus, the accession process coincided with the formulation of the Union's standard migration policy (Világosi, 1997; Kováts, 2005). Urged by the European Commission, for example, in 2003, the Hungarian government implemented an EU-conform anti-discrimination act[14] (Mészáros, 2004). Furthermore, the immigration act[15] was modified in the same year, which had the primary aim of policing illegal migration and associated organised crime. These new priorities, however, created an opportunity for the government to introduce stricter legislation against foreign, non-Hungarian citizens (Hárs *et al.*, 2009). During this period, it also became clear that ensuring rights is not enough for the integration of the Roma (mainly because of their deprived status). Therefore, the 'Roma question' changed from a symbolic/legal issue to a social/welfare question. The Horn Government (in office between 1994 and 1998), for example, perceived the Roma as a 'socially disadvantaged group' and this approach was adopted – at least in part – by the successors of the Horn Cabinet (Vermeersch, P. 2003, 2004; Kállai, 2006).

Since the *EU accession* (2004), one of the most important tasks has been the continuous harmonisation of the minority and migration legislation with the common standards of the EU. After 2004, the labour market liberalisation and the growing role of international labour migration emerged as relevant topics (Hárs *et al.*, 2009). The then government encouraged the employment of ethnic Hungarians living in neighbouring countries but not their resettlement.

Furthermore, responding to the restrictions on the Hungarian labour migration inside the EU, the national government introduced stricter regulations regarding the employment of third-country workers (Hárs *et al.*, 2009; Móricz, 2013). However, as an effect of the 2008-2009 financial crisis, there was a substantial decrease in labour demand and immigration to Hungary (Móricz, 2013).

The current government still follows *pluralist* and *integrationist/intercultural* principles, but its activities are strongly affected by global economic turbulences and the recent migration crisis. According to its official rhetoric, it opposes assimilationist policies and sees cultural diversity as a source of economic growth[16]. One of the most important arrangements of the current government is the implementation of a national migration strategy for the 2014-2020 period. The document simplifies residency schemes and promotes legal migration, especially of those arriving with 'economic purposes' (e.g. investors, skilled labour). The government's Roma policy seems to be rather contradictory. The Hungarian EU presidency (2011) brought about an improvement in Roma policies as the social integration of this ethnic group moved to the forefront at the European level. Moreover, the Hungarian government interprets the 'Roma question' as a 'national issue' (but the welfare dimension is still significant[17]) and is committed to the integration of the Roma (see e.g. Hungarian National Social Inclusion Strategy [2011]). However, several of its actions (e.g. cut-backs and stricter regulations for welfare support) are criticised because of their negative effects on the Roma (Policy Solutions, 2012).

The *migration/refugee crisis* of 2015-16 have had significant impact both on political discourses and diversity related policies. The measures taken (and planned) are often connected to diversity indirectly: by influencing political and public discourses, or making it more difficult to immigrate to Hungary. It should be taken into account that the Croatian, Serbian, Romanian and Ukrainian sections of Hungarian borders are borders outside the Schengen area. Thus, the country has been exposed to the growing number of refugees from Syria and other Middle Eastern countries since 2015.

The policies implemented had two interconnected dimensions: national and international (i.e. European Union). Furthermore, policies, discourses and campaign messages are strongly interrelated in this issue – therefore, it is hard to separate the discursive and policy/legislative parts of recent processes. As a result, a quite complex and controversial situation has evolved, in which official policy documents and political discourses often contradict each other. For example, while the Migration Strategy of 2013 (which is still in effect to this day) promotes economic migration to address labour market problems, the most recent political statements and policies refuse economic migration claiming that immigrants 'take the jobs of Hungarians'. The earlier pluralist, integrationist and intercultural principles are overshadowed by nationalist, exclusionist ones.

At *national level*, border security and counter-terrorism are the key issues in policy measures taken. To stop illegal migration, the Hungarian government decided to build border barriers at the Serbian (July-August 2015) and later at the Croatian (September-October 2015) borders.

In September 2015, it became a crime (to be punished with a prison sentence) to cross the border barrier illegally (without permission) or to damage the barrier fence[18]. Previously, it had been a misdemeanour with expulsion from Hungary as a consequence. After the terrorist attacks in Paris and Brussels, the national government suggested that there was a connection between migration and terrorism. This led to the proposed amendment (January 2015) of the Fundamental Law which would authorise the government to declare a state of emergency and effectively carry out the act without the need for parliamentary authorisation[19]. The amendment was rejected by opposition parties because of the centralisation efforts of the government.

The citizenship rules have not changed in spite of the migration crisis: dual citizenship is still promoted among ethnic Hungarians in the neighbouring countries with an aim to grant 1 million new citizenships by 2018.

At the *European level*, the Hungarian government strongly opposes the implementation of the European refugee quota system, which proposes the distribution of refugees between the member states of the European Union. The distribution of refugees is perceived as a threat to national independence and culture, and as a source of threat to security. In February 2016, the government decided to hold a referendum on the refugee quota system. According to the plans, the referendum would take place in October 2016. In the European inclusion-exclusion debates, Hungary supports exclusion and strict border control. The Hungarian Prime minister considers European migration policies flawed and wrong-footed, thus proposed a ten-point (Schengen 2.0) action plan[20] which recommends stricter border controls and focuses on sending refugees and migrants back to third countries.

As a result of the migration crisis, Hungarian policies have moved towards an *exclusionist direction*. The diversity policies have a strong immigration-related focus, while the other aspects of diversity have attracted less attention recently. At the same time, it is important to highlight that the situation is quite complex with contradictory policies and initiatives.

3.4 GOVERNMENTAL DISCOURSES AND THE GOVERNANCE OF DIVERSITY IN THE CITY OF BUDAPEST

With its more than 1.7 million inhabitants, Budapest is the largest city in Hungary and also one of the most diverse parts of the country, regarding ethnicity, cultures and lifestyles. According to the latest National Census data, more than 100,000 local residents have some kind of ethnic minority background, among whom 77,000 belong to the so called 'historical' or 'domestic' ethnic groups[21], and 41,000 (e.g. Chinese, Vietnamese or Arabic people) arrived mainly as part of the new immigration processes in the post-socialist period after 1990 (Hungarian Central Statistical Office, 2011a). It is also worth noting that Budapest is the primary target area of immigration in Hungary: the city receives approximately 40% of the newcomers who arrive in the country. The number of legal immigrants (in Hungarian law: legally staying foreigners) in

the city population is 74,000, among whom 53,700 people are from other European countries (39,000 people are ethnic Hungarians, mainly from neighbouring countries), 14,500 people are from Asia and 5,800 are from other regions (Municipality of Budapest, 2013).

Diversity is a traditional characteristic of the Budapest population, however, explicit diversity-related policy goals and measures are quite rare and new in the city. To better understand this phenomenon, some contextual information should be taken into account. Budapest is a major economic centre and a hub of international business and population flows in the East Central European region, and in most phases of its history, it has been a destination for newcomers with different national, ethnic and cultural origins. At the same time, in recent decades, several factors have hindered the formulation of diversity policies. One of them is the legacy of the communist era: as a consequence of the pre-1990 central governments' (the ruling communist party) assimilationist approach and their denial or ignorance of the existence of social differences (see Section 3.3), recognising the importance of diversity-related policies in urban governance can take more time in Hungary (and other post-socialist countries) than in Western Europe. In addition, recent events such as the economic recession after 2008, the widening gap between different income and social status groups or the current migration crisis could also have contributed to a reduction of the level of tolerance and openness in Hungarian society. As an outcome, terms such as diversity or multiculturalism are often associated with negative ideas in everyday (not political) discourse. As one of the interview partners, a senior official from the City Hall noted:

"I think we are now in a bad moment in history in Hungary. Nowadays, people feel very miserable and do not tolerate otherness, do not tolerate difference. On the contrary, they perceive it as an error. And this is a process becoming more and more intense".

As a result of this attitude, political actors rarely formulate explicit objectives regarding diversity, or hardly use this wording in their programmes, and currently, fostering diversity is not a priority of the Budapest government.

Nevertheless, city-wide policies, mid- and long-term strategies and concept documents in Budapest have increasingly focused on multiculturalism, diversity, and issues related to the inclusive society over the last two decades. Nowadays the most important document of city-level development is *Budapest 2030* – Long-term Development Concept of Budapest (2013). According to the vision of the document, the traditional diversity of Budapest is an important, valuable feature of the city:

"Budapest is a leading economic power and a centre for innovation and culture for the East Central European region… Regarding its potential and location, it can play a bridging role between the surrounding countries and civilisations. It can be a meeting place for various cultures, economies and people… Budapest is a diverse[22] capital city with a unique character,

providing a high standard of living and equal opportunities for its inhabitants" (Municipality of Budapest, 2013, p. 53).

According to the strategic goals of the document, Budapest intends to use diversity as an asset for its future development in several ways. First, it is expected that the deeper integration of the European urban network will lead to intensifying *'cooperation among people, cultures and scientific, economic and political factors'* in the area. Second, building a *'harmonious, diverse urban environment'* is also a priority. Third, improving the living standards of the local population and ensuring the harmonious cohabitation of the different social groups also have utmost importance.

In Budapest-wide urban policies, *diversity is addressed explicitly with relation to two main topics*: (1) boosting local economic activity, and (2) making a cohesive, inclusive urban society. The main issues covered by the first topic are cultural economy, creative industries and international tourism. For example, one of the specific goals of the Budapest 2030 document is 'maintaining and fostering cultural diversity', which takes the heterogeneous cultural milieu as a resource for sustainable local economic development. This idea has been massively influenced by the ideologies of multiculturalism and interculturalism. As the document points out, Budapest is a multicultural city, characterised by a traditional diversity rooted in its historical development and a new diversification process as a result of recent global changes (e.g. international migration). According to the document, this multicultural character must be preserved by improving the communication between cultures and promoting multilingualism. Special attention is paid to institutions and events (e.g. festivals) which aim at presenting the cultural heritage of different groups. Such actions can be interpreted as attempts to create places of encounter and also produce spaces of cultural consumption. As it is noted in Budapest 2030:

> *'When creating a diverse, multicultural environment in a modern metropolitan cultural context, not only is the encouragement of multiculturalism and the cohabitation of social and ethnic groups and subcultures important, but the maximum involvement of the various cultures, branches of art and genres, and guaranteeing their accessibility'* (Municipality of Budapest, 2013, p. 221).

Other types of diversity are also considered relevant to economic development by the Budapest government. For example, besides supporting cultural diversity, the protection of the diverse built environment and improving the quality and accessibility to cultural institutions and facilities are also important. In this respect, the goals of other strategy documents are consistent with the objectives of Budapest 2030. For example, the *Strategy for Economic Recovery and Employment Creation of Budapest 2015-2021* also intends to use diversity:

> *'…economic policy effectively builds on the diversity of Budapest and the surrounding area, coordinates the spatial directions of economic development, building on the potential of the neighbourhoods and districts, helping the districts to develop their own special economic profiles and increasing the number of jobs in the city'* (p. 11).

Regarding other diversity-related topics, the strategy also aims at preserving and enhancing the built and natural assets of the city, spurring low-skilled labour demand and increasing the flexibility of the local labour market (Balás *et al.*, 2015).

Such ideas of the City Hall are in accordance with the goals of the regional- and national-level policy documents which – in an explicit or implicit manner – point to the strengthening of the role of Budapest as an economic hub, in the contexts of Hungarian as well as international relations. For instance, according to *The Urban Development Handbook* (2009), a guide for actors working in urban planning, it is expected that urban renewal programmes produce urban spaces which can attract tourists, entrepreneurs and immigrant labour. The *Spatial Development Concept of Pest County*[23] (2013) emphasises that this county is an extremely diverse area as far as its 'natural, geographical, economic, social and cultural' features are concerned. Diversity is considered by the document to be a basis for fostering economic performance and competitiveness, linking it closely with other concepts such as innovation and creativity. This approach is consistent with the objectives of several national-level documents (National Spatial Development Concept [2005]; National Development 2030 [2014]), which envisage the creation of a competitive Budapest metropolitan area. The *Hungarian Cultural Strategy 2006-2021* also connects the preservation of cultural heritage with the theme of urban and regional development, with special attention to Budapest: *"In Budapest, the culture-oriented urban development can build on local patriotism re-emerging at the level of districts; at the same time, the capital city should compete with other agglomerations of its size and economic weight and with global economic poles, by mobilising its cultural and creative potential"* (p. 18).

These regional- and national-level documents generally perceive cultural heritage and the different social identities as human and economic resources and relevant factors in urban development, having notable implications for Budapest (even if the documents do not have specific goals or recommendations for the city).

The other main area of Budapest-wide policy-making that is connected to diversity is the establishment of a *cohesive, inclusive urban society*. Policies within this category concentrate mainly on welfare issues; on the reduction of social inequalities among different groups within the local society regarding the quality of life as well as on preventing social exclusion and socio-spatial fragmentation.

Regarding the topic of social cohesion and welfare security, one of the explicit goals of the Budapest 2030 strategy is the creation of an 'inclusive, supportive and active society'. The main idea behind this goal is to stop the population decline in Budapest. As was demonstrated in Chapter 2, after 1991, Budapest had notable population losses in favour of the neighbouring municipalities (Tosics, 2005; Dövényi and Kovács, 2006) but that trend changed in 2007, and since then, the city has had a positive balance of migration. Due to ageing and low fertility rates, the city experiences a natural population decline (-4.2% between 2001 and 2011), however, the high number of in-migrants arriving in the city can balance this figure. Within

this migration, both domestic migrants (i.e. those coming from other parts of Hungary) and immigrants (arriving from other countries) have notable weight. As an outcome, ageing and the in-migration of younger generations go hand-in-hand, resulting in a mix of various cultures and lifestyles. To maintain the vitality of the local population, the goal of the Budapest Municipality – set in Budapest 2030 – is to 'strengthen socially positive migration processes', that is, to retain and attract young people, especially skilled labour. Furthermore, the municipality wants to increase the housing and social mobility of local residents and strengthen social cohesion and community cooperation. For this purpose, the city government promotes equal opportunity and anti-discrimination:

> *"Also by its very history, Budapest is a diverse city, inhabited by individuals and groups with various backgrounds regarding nationality, ethnicity, religion, health status and life situation. … An Inclusive society means the inclusion and acceptance of both those already living in the city and the newcomers who stabilise population numbers; and as a result, the positive effect of diversity can prevail at the level of society as a whole. The bases of inclusion are equal treatment and anti-discrimination, which means the promotion of the inclusion of the in-migrant as well as the already established, long-term social minorities"* (Municipality of Budapest, 2013, p. 242).

It is worth noting – and one of the interviewees also talked about this issue – that this focus on fostering cohesion between different age groups, cultures and lifestyles is connected to the general goal of economic development, which is well illustrated by the jargon of Budapest 2030, using notions such as the 'silver economy' and 'studentification' (i.e. the increasing number of old-age pensioners and university students in the city and the influence of their consumption patterns on the economy of Budapest).

The *Urban Equal Opportunity Programme* (2011) is another relevant city-wide strategy in Budapest regarding social heterogeneity. Diversity is considered by the Programme as an absolutely positive phenomenon since diversity within the society is as important as biodiversity in the natural environment: *"we are all different. … The majority is the sum of minorities. When we travel abroad, we are the ones who belong to a minority. Diversity is as important for humankind as for the natural environment. This diversity is what makes us valuable'* (Municipality of Budapest, 2011, p. 3).

According to this document, Budapest is a multicultural city, and social diversity must be protected. In order to become an inclusive global city, tolerance, intercultural communication and social cohesion should be strengthened; therefore, the reduction of exclusionary attitudes and the promotion of equal treatment are important policy goals. The programme sets guidelines for sectoral policies (urban development, education, health-care, employment, social services, etc.), so well-coordinated public services can be provided by the Mayor's Office and its institutions. Since 2010, the Budapest City Hall has been running its equal opportunity programme on a voluntary basis, as the law basically delegates this responsibility to the competence of the districts (each Budapest district has its own municipality, independent of

the Budapest Municipality). Moreover, as it turned out from the interviews, it was actually the aspect of equal treatment that prompted the Budapest officials to start thinking about diversity in the 1990s (see e.g. the Budapest Social Charter [1997]). Nowadays, the city-government also urges the districts to establish structured policy-making around this issue. It can be concluded that the Equal Opportunity Programme establishes a connection between the concepts of diversity and equal opportunity, and it has implications for other programmes and strategies aiming to foster social cohesion, social mobility and economic performance.

Regarding governmental diversity-discourses in Budapest, it should be taken into account that *group and people-based focus* is very strong in Hungarian policy-making, especially in connection with social and welfare issues. Regarding *international migrants*, policies have not been covering this issue until the 2010s. According to the interviews, the marginal focus on immigrant issues is due to the relatively low numbers of immigrants within the total population (at least compared to Western European cities) as well as by the fact that the average social status and income level of immigrants is higher than in the case of mainstream society because many of these people are economic migrants (e.g. South-East Asian entrepreneurs). In addition, most of the immigrant communities are well-organised (regarding education, economy, culture, etc.) with stable family or social networks, and they are relatively well integrated into the local society. Another important characteristic of immigrant communities is the relatively high spatial concentration of their economic activities (especially in the 8th and 10th districts), and the residential fragmentation and dispersion based on social status, which is similar to the socio-spatial segregation within mainstream society. Some of the interviewees also noted that the social stratification of the Chinese community and the spatial distribution of the different income groups are very similar to those of Hungarians. Their most serious problems are the lack of information regarding public services and their limited access to them.

Contrary to several Budapest-level documents, for example Budapest 2030, some interviewees expressed that international migration is not a hot issue in Budapest, unlike in the case of various Western European cities or countries. The head of the Equal Opportunity Office of the Municipality of Budapest gave the following explanation:

"Recommendations of the Union tend to focus on immigrants rather than national ethnic minorities or the Roma because that is a bigger problem there. But during EU programs where we dealt with immigrants, we experienced … that in other countries of the Union, the situation among the immigrants is more or less similar to that of the Roma. In our country, the life circumstances of immigrants are better. At least regarding certain aspects – employment, for example. Or their demographic composition is a bit better than in [other countries of] the EU or that of the Roma in Hungary. Therefore, we are Roma-centric in our policy-making, in contrast to EU recommendations. And also because the religion-based differences and diversity – in part these are immigration-related issues – are perhaps less important questions here than in the Union. As a consequence, this [topic] was also absent [from previous policy documents]".

In recent years, however, the importance of this topic has steadily increased in policy-making at the city level. This is well reflected, for example, by the activity of the Capital City Migration Roundtable. The establishment of this body in 2012 can be perceived as a milestone in the history of the Budapest-level diversity policies because the principal objective of the project was that an organised, official, city-wide discussion on migration issues be started with the participation of the municipal administration. As several respondents noted, this is a significant step on behalf of Budapest, which seems to be committed to greater policy intervention in this field and to active, regular communication with various social organisations. Moreover, the everyday work experience of some of the interviewees showed that some kind of consensus has been reached in Budapest between political actors regarding the importance of this topic in general and the continuation of the work. Due to the well-organised city-wide cooperation, the issues connected to migration are considered in the revision of the Urban Equal Opportunity Programme (according to our informants, the revision was started in 2014 but a new programme has not yet been published).

However, the interviewees also revealed some tensions around this issue. While the government of Budapest aims to attract and retain skilled labour, according to an interviewee from an opposition party (and other, non-governmental participants), its attitude is rather dismissive towards low-skilled groups. Since poverty is a major social problem in Hungary affecting large areas, and Budapest has long been receiving newcomers from all over the country, the municipality leaders believe that policy measures at the national level could provide the only real solution. According to the city administration, Budapest cannot tackle this problem alone.

Although international migration does not have a priority status among Budapest-wide policies, there are other groups to which the city government pays more attention. The Equal Opportunity Programme, for example, addresses six priority social groups to whom 'special support and protection' must be given: (1) people with disabilities; (2) Roma (Gypsy) people; (3) women, men and families; (4) disadvantaged children and youngsters; (5) older people (above 45 years); (6) homeless persons. There are some separate city-wide people-based policy strategies in order to achieve the inclusion of these groups (e.g. Concept on the Service Provision for Homeless People [2011]; Social Concept of Budapest 2012-2020). However, as some interviewees noted, institutional discrimination still exists even in the city's administrative system, and it forms a barrier for disadvantaged groups to get equal access to public services. At the same time, according to respondents from the governmental side, the City Hall is well aware of the problem and initiates actions against it, for example mainstreaming anti-discrimination and cross-cultural elements in its programmes or training its employees.

The situation with *homeless* people is one of the most relevant topics in Budapest. The location and spatial movement of this group does not adhere to administrative (district- or city-) boundaries, therefore, managing the problem of homelessness is the common responsibility of the city-government and district municipalities. Both parties try to solve the problem by removing homeless people from public spaces (more specifically, those who live there on a daily

basis, e.g. sleep on benches or pedestrian subways) and accommodating them in high-capacity facilities or providing them with public housing (even the slogan of the Budapest homeless service provision strategy can be translated as 'decent [living] conditions instead of public space'). In fact, homelessness is a real problem in Budapest, and the homeless need help to be able to live a reasonable life. However, it should be noted that several actions are based on an amendment of the Act on Misdemeanours[24], which gives municipalities the opportunity to introduce statutory provisions against homeless people and beggars.

Regarding *ethnic groups and immigrants*, there is a lack of a city-wide, people-based strategy. The currently existing initiatives are parts of projects supported by the European Union. After evaluating these projects, we can conclude that they have limited coverage (focusing on specific groups) and short lifetimes (1-3 years). However, they often support civic grass-root initiatives and some of their main results are being converted into policies and concepts under preparation, which is a positive outcome. For example, based on the experiences of the URBACT II/Roma-Net 'Integration of Roma population in Budapest' project, the Roundtable of Migration was set up. Another positive example is that the ongoing revision of the Urban Equal Opportunity Programme is strongly influenced by other projects focusing on migration (e.g. Learning Cities).

When the issue of ethnic minorities appears in policy-making, special attention is paid to the situation of *the Roma*. The Roma is the largest ethnic minority in Budapest, and it is the least assimilated into the mainstream society. Their share of the total population is the highest in the dilapidated inner-city neighbourhoods of Pest, although this figure is not extremely high; for example, approximately 4% in the 8th district (Józsefváros), where they are the most populous ethnic community. Nonetheless, social problems attached to the Roma are the most salient in these neighbourhoods.

According to the interviewees and policy documents, the integration[25] of this group is an important aim for Budapest. For example, as the Local Action Plan called 'Integration of the Roma population in Budapest' points out:

"One of the greatest challenges for the Hungarian society is how social groups affected by exclusion and extreme poverty can catch up and be given opportunities. The majority of people and families with Roma identity have very poor living conditions, including in Budapest. The descent of children and young people down this slope to the periphery of society is almost unstoppable. This downward spiral generates more and more, barely manageable, social and economic tensions" (p. 4).

The Action Plan was accepted by the City Council of Budapest and accomplished within the framework of URBACT II programme. It focuses on five priority areas – housing, education, health, employment and culture – and integrates the area- and people-based approaches. In order to achieve people-based, problem-orientated intervention in deprived residential areas, it

established a Local (metropolitan) Support Group. All the interventions focus exclusively on the Roma community. The LSG consists of institutions from the Budapest Municipality, the Budapest Roma Minority Self-Government, and several NGOs working at local (district), city-, and national levels. Despite the existence of the Local Action Plan, a city-wide general strategy for the Roma is still missing.

After the analysis of governmental discourses on diversity in the city of Budapest, some *concluding remarks* can be made. First, Budapest does not have an explicit, consistent diversity policy since considering such issues is a relatively new phenomenon in the East Central European region, mainly due to historical legacies. Nevertheless, governmental actors in Budapest increasingly focus on diversity and other related issues. Their thinking is shaped by a positive – negative dichotomy: according to the first category, diversity (especially cultural diversity) is an asset which can be used to stimulate the local economy, while the second is linked to welfare issues and socio-spatial inequalities, which should be reduced. The interviewees suggested that this latter is the dominant category within Budapest-level, everyday policy-making. In addition, some of the respondents pointed to a discrepancy between the goals of official policy documents and decision-makers' thinking related to diversity. Based on the remarks of some of the respondents and our own experiences during the interviews, it can be concluded that the managing or the strengthening of social diversity is not a priority for the Budapest government.

3.5 NON-GOVERNMENTAL PERSPECTIVES ON THE GOVERNANCE OF DIVERSITY

In Hungary, the approach of non-governmental actors regarding the topic of urban diversity is similar in many respects to that of the governmental side. They do not have a clear concept of diversity but they are basically problem-orientated and focus on the 'negative' aspects of diversity. It should be noted that in general, the civil society sector in Hungary is relatively weak but there is a large number of non-governmental organisations in Budapest, and they are quite heterogeneous. In the following section, the role and views of larger non-governmental organisations dealing with diversity and integration will be presented. Then, smaller bottom-up initiatives and their use and understanding of urban diversity will be introduced.

Larger non-governmental organisations dealing with urban diversity
The activities of diversity-based non-governmental organisations are important in improving the access to public services (e.g. competence development trainings, intercultural communication courses, translation services, trainings for public servants), diversity management (knowledge transfer, developing skills for employers), and youth and educational integration programmes.

The Artemisszió Foundation is a good example of the NGOs that have an impact on urban diversity. The Foundation has been operating since 1998, and their main goals are: to encourage continuous dialogue and interaction between culturally, ethnically and socially diverse groups

and to foster mutual understanding; to support the social integration of socially and culturally disadvantaged groups; to strengthen scientific and cultural relations internationally; and to develop and disseminate intercultural training courses, educational materials and methods.

The Foundation devotes special attention to the creation of equal opportunities for ethnically or socially disadvantaged groups. The activities are aimed at encouraging the social integration of these groups (unemployed young people, the rural population, the Roma). In line with these aims, the Foundation has been using various means to approach and involve in its activities the representatives of these groups as well as the organisations in contact with them. This NGO plays an ad-hoc consultant role regarding city-wide strategies focusing on social policies, and it aims to represent the intercultural aspects.

In 2012, the Edictum Foundation, which represents the interests of the Asian immigrant communities, first of all the Chinese and Vietnamese people, was established. Other relevant NGOs in the field are the African-Hungarian Association, the Asian-Hungarian Society and the Hungarian-Vietnamese Friendship Association.

The Menedék Hungarian Association for Migrants is a nation-wide non-governmental organisation which was established in 1995. They have a broad field of activities and represent the interests and rights of migrants towards the political, administrative, governmental and municipal bodies and in the media, and they also promote their social and cultural integration. Most of their activities are concentrated in Budapest and at major refugee centres in the countryside. The headquarters of these relevant non-governmental organisations are predominantly located in the 8th district of Budapest (Józsefváros).

The growing activity of special civic movements is a relatively new phenomenon in Budapest. These movements implement problem-oriented and people-based programmes in the city. One of the most important among them is 'The City is for All'. Their activists focus on issues such as poverty, housing and homelessness at the overall city level. According to their opinion, socio-spatial fragmentation is even more influenced by socio-economic differences than cultural (language, religious) ones.

Perspectives on integration policy and diversity

Regarding the policy-making activities of the municipality of Budapest on integration policy and diversity, the non-governmental interviewees agreed that, in general, fostering diversity is not a priority. As a policy expert of an NGO said:

"In the operation of a [local] government, there are many other more important problems that all have to be addressed: transport, legislative acts, education, institutions … and in the end, you also want to be re-elected. So, among these factors, diversity and equal opportunity question are at the bottom of the list".

According to its slogans and official rhetoric, the municipality of Budapest supports the idea of multiculturalism. However, as some of the interviewees suggested, this supportive attitude of the local government is quite 'elitist'. The main focus is on the development of tourism and on the propagation of other 'low-risk and trouble-free' – politically safe and preferably, profitable – types of diversity (e.g. the 'ruin bars' in the 6th and 7th districts or the so called 'escape games').

The respondents – besides the representative of the immigrant advocacy organisation – do not regard migration as an extremely important issue. They argue that problems with immigrant communities are not so serious in Budapest and Hungary, as in Western Europe, because of the relatively low numbers of immigrants. There are differences regarding the situations of the different immigrant communities. Some interviewees mentioned that certain groups form quite closed communities (e.g. the Chinese). Moreover, one of the respondents said that some migrants (e.g. some African immigrants) did not even really seek to fully integrate into the Hungarian society; nevertheless, there are other immigrant or ethnic groups that were well integrated into the mainstream society (e.g. ethnic Hungarians coming from the neighbouring countries or the 'historical' minorities mentioned above).

Ethnicity was one of the dimensions of social difference most often mentioned by the interviewees when talking about diversity. In many cases, the ethnic composition of the population was first mentioned as one of the key factors of diversity. However, some stated that the proportion of ethnic minorities is very low in Hungarian society. In fact, there are communities (e.g. Arabs, Chinese) that are culturally quite different from the Hungarian majority, and they increase the diversity of the society of Budapest, but their presence and their interactions with other ethnic groups do not generate remarkable conflicts. The most populous community is the Roma, and this is the reason why the question of ethnic diversity in Budapest is mostly connected to this ethnic group in the thinking of non-governmental actors. For example, they emphasised that the society of the 8th district (Józsefváros) is one of the most diverse in Budapest, mainly because of the high proportion of Roma living in that area (besides this group, they most often mentioned the Arabs, the Chinese and the Vietnamese).

The attitude towards Roma people is highly determined by the fact that several members of this group belong to that part of the Hungarian population that lives in poverty or extreme poverty. Moreover, there are several Roma families among the domestic migrants who move to Budapest due to economic reasons (e.g. unemployment). As one of our interviewees mentioned, it had absolutely not been typical of the Roma to become homeless because of cultural characteristics (e.g. they usually have big families with strong kinship ties, preventing them from social isolation and deprivation). However, Roma people had also appeared among the homeless recently. This situation influences the character of policy initiatives connected to the Roma population. For example, several programmes carried out by the organisations of our interviewees deal with the Roma not because of cultural or ethnic issues (e.g. language problems, racism) but because Roma people are overrepresented in the target group of the charity or welfare programs – on the basis of their standard of living.

The non-governmental actors had quite different experiences regarding the cooperation with local government and participation in municipal policy-making. Each respondent has worked or is currently working for one of the municipal institutions. Some of them mentioned very positive examples, such as the Budapest Migration Roundtable. In fact, the local government of Budapest usually involves a lot of consultants (e.g. experts, organisations) in the preparation of policy documents. However, some respondents felt that the consultation process is quite formal, and they rarely see the results of their feedback in the final, official version of the documents.

According to the interviewees, the communication between the local government and other actors varies in quality in terms of the different topics. Regarding homelessness, for example, one of the participants suggested that the City Hall is not willing to discuss the problems of homeless people with civil organisations that reject the methods of the city leaders. In migrant politics, the foundation of the Budapest Migration Roundtable is perceived as a key body, mainly because the idea came from the municipal government first: it sought partnership with the civil sphere, invited different actors and created a possibility for a city-wide talk about the issues of migration for the first time in the post-socialist history of Budapest. The local self-governments of ethnic minorities could also be important actors in urban policy-making, but as the interviewees suggested, the cooperation with them is sometimes difficult. One of the

Picture 3.1 Leonardo community garden. Source: Csaba Bende

problems the respondents mentioned in connection with these organisations is that many of them in fact represent the interests of a small circle of people. Moreover, a large part of their resources is mobilised in everyday (party) political struggles, and they cannot be easily involved in policy-making.

Bottom-up initiatives dealing with urban diversity

The role and function of diversity-based initiatives
In Budapest, the number of non-governmental organisations addressing social diversity or particular aspects of the phenomenon is relatively high. More than 20% of Budapest-based NGOs deal with cultural, international or social activities or legal aid provision. This subgroup is very diverse according to the profiles. The attitude and role of *non-governmental* actors in urban diversity is similar in many respects to the governmental side (e.g. problem-oriented programmes, similar priority target groups). During the interviews, we gathered information from the representatives of 10 governance arrangements and initiatives (see Fabula *et al.*, 2014b) with Budapest- or nation-wide scope on urban social issues in order to understand their attitudes towards social diversity (and towards the other main concepts of this book: social cohesion, social mobility and economic performance).

Strengthening social cohesion can be seen as the main goal in four of the arrangements: the Budapest Migration Roundtable, the 'For Pupils about Migration' project, the Leonardo community garden (Picture 3.1), and the Teleki Square public space renewal programme (Picture 3.2) with involvement of local citizens. This is partly the result of our sampling strategy: strengthening social cohesion is an important goal of the Budapest Municipality and the district municipalities, thus we intended to pay particular attention to the question. Several initiatives in this category as well as some of those from the other groups affect different elements of social cohesion. For example, the concept of cohesion can include interactions between persons and groups, and their social participation (Chan *et al.*, 2006). These activities are encouraged by projects such as the Roma-Net, the Teleki Square, Leonardo, or even the Chinese gastro-tour.

Integration and inclusion of marginal or excluded groups are of key importance in a couple of initiatives, but they also intend to foster tolerance, multiculturalism and intercultural dialogue. The initiatives influence cohesion in other manners, for example, through the physical layout of urban space (Talen, 2002; Raman, 2010) as in Leonardo or Teleki Square, or with the employment of community planning practices (Mugnano and Palvarini, 2013) as in the case of Teleki Square.

Arrangements targeting *social mobility* include three surveyed initiatives: LÉLEK, the Mentor programme and Roma-Net. In general, social mobility refers to the temporal change in the socio-economic situation of a person or a group, and the concept can contain several factors (Tasan-Kok *et al.*, 2013). In our examples, different aspects of mobility are addressed, such as employment (Roma-Net), education (Mentor programme), or housing and independent life

Picture 3.2 Park at the Teleki Square.
Source: Lajos Boros

(LÉLEK). Some of the arrangements also contribute to the generation of social capital through the establishment of governance networks and the involvement of target groups in these structures. This is an important statement because accumulating social capital can enhance the social mobility of a person or a group (Tasan-Kok *et al.*, 2013; see also Chapter 1).

There are three other initiatives that focus mainly on *economic performance*: Google Ground, MÜSZI and the 'A bit of China' tour. In the DIVERCITIES project, economic performance mainly refers to entrepreneurs whose success contributes to the performance of the city. In this respect, urban diversity can foster economic performance (Tasan-Kok *et al.*, 2013; Chapter 1). Positive effects can be identified in the cases of our selected initiatives, which have remarkable potential. Google Ground and MÜSZI, for example, support start-ups, enterprises, ICT-workers and creative labour. They also facilitate interactions amongst entrepreneurs and between entrepreneurs and other members of the society.

The Chinese gastro-tour generates income in the neighbourhood where it takes places and improves the image of the area. Several unique enterprises operate in this neighbourhood and the tour can contribute to the growing diversity of these firms. What is particularly important is that the initiative enables local entrepreneurs to 'link their activities, behaviours, and lifestyles to their action spaces (work, living or activity areas) to create better opportunities for themselves' (Tasan-Kok *et al.*, 2013, pp. 59-60) since experiencing authentic Chinese culture in situ is the essence of the tour.

Use and understanding of diversity
The initiatives analysed in Budapest show a wide spectrum according to how they address diversity, how they define the concept, and in which of their elements diversity can be recognised. Diversity appears with different emphases within the *objectives and focuses* of initiatives. The first group of governance arrangements are represented by NGOs. They *explicitly address diversity* through their *primary goals* (e.g. MÜSZI, 'For Pupils about Migration'). Diversity is basically considered an asset and a valuable feature of society which can contribute

to the social cohesion, social mobility and economic performance of a particular urban area. These projects organise activities in order to maintain or increase diversity to some extent. Fostering diversity is not a primary objective of the second type of initiatives but one of their *specific goals* which support the achievement of their general aims (e.g. Google Ground, Teleki Square). In the third group of projects, diversity is addressed implicitly (e.g. LÉLEK, Leonardo, Mentor programme).

There are several understandings of diversity across the selected initiatives. It is often defined as *cultural-ethnic* diversity (e.g. Migration Roundtable, Roma-Net, A bit of China). Diversity is considered by other arrangements as a *resource* mainly for economic purposes (e.g. Google Ground, MÜSZI, A bit of China). The third interpretation of diversity is connected to the *socio-economic* composition of the local society (e.g. LÉLEK, Leonardo, Migration Roundtable).

The concept of diversity can be recognised in various forms in the studied initiatives. In most cases, the *audience* of arrangement (actors, participants, stakeholders, target groups) includes people with a wide range of differences in lifestyle, age, gender, health status, cultural and economic background, educational level, and qualification (e.g. Leonardo, Teleki Square, MÜSZI, LÉLEK, A bit of China). Another field where diversity is palpable is the wide spectrum of *activities* of the initiatives (e.g. MÜSZI, Leonardo, LÉLEK). In some cases, the physical output of the initiatives results in different *functions* and facilities in order to support diversity (e.g. MÜSZI, Teleki Square, Leonardo).

Different elements of *hyper-diversity* can also be recognised in the governance arrangements we analysed. In some cases, one core activity (e.g. gardening) connects people with different (e.g. socio-economic status, age, lifestyle) backgrounds. In other cases, the diversity of activities (e.g. MÜSZI) leads to the mixing of different social groups. The bonding power of initiatives among individuals and groups varies; it can be weaker (e.g. A bit of China) or stronger (e.g. Leonardo), yet, all of them contribute to building relationships between very different population sub-groups.

In some initiatives, the attitudes of the participants are a very important factor. Particular projects aim to improve the attitudes of local residents (e.g. Mentor programme, For Pupils about Migration), while others can achieve similar results in an indirect manner (e.g. A bit of China). The Chinese gastro-tour is special from this perspective since the walks are usually attended by those who are interested in the diversity of the neighbourhood, especially in the habits and lifestyles of the local Chinese community. This initiative is a good example of how different elements of hyper-diversity can be employed to foster the economic performance of a particular urban area.

Finally, some of the initiatives address hyper-diversity by providing activities and programmes which focus on the personal skills, abilities and interests of attendees (e.g. LÉLEK, Mentor programme).

3.6 CONCLUSIONS

Policy discourses and practices concerning diversity are characterised by contradictions both at national and city levels. National discourses and policy approaches to migration and diversity are influenced by several factors; among others, the historical context, the relative homogeneity of Hungarian society (low proportion of ethnic minorities and immigrants), the high ratio of ethnic Hungarians among immigrants, and the recent migration crisis of the European Union. Consequently, a clear definition or concept of social diversity or multiculturalism does not yet exist in Hungary. As a result of the political transition of 1989-1993 (change of regime), the former assimilationist approach towards diversity issues came to an end and since the early 1990s pluralist and integrationist/intercultural policies have been dominant. In the official political rhetoric, diversity has been acknowledged as an inherently valuable feature of society and a resource for economic development. Institutional and legal frameworks have been established to support diversity and to provide wide-ranging rights and equal opportunities for minority groups. After the recent migration crisis, however, exclusionist and homogenising tendencies have become stronger in national political discourses and initiatives.

As far as current policy approaches towards diversity and urban governance are concerned, it can be concluded that the political structure and institutional and legal frameworks in Hungary generally promote diversity, but in everyday policy-making practices and resource allocation, anti-diversity factors can also be identified – especially since the migration/refugee crisis. At the national level, general policy-making takes place in the framework of a central legislation (parliament) supplemented by the state administration including eight ministries.

The recent migration crisis has changed the focuses of political discourses and policy actions: an exclusionary approach has emerged in which migration is seen as a threat to national culture, the labour market, and last but not least, national security. Migration and terrorism are perceived as inevitably interconnected issues, thus an anti-migration discourse has emerged and national policies also aim to limit immigration through strict control on Schengen border sections. There are contradictions between the existing policy documents (e.g. Migration Strategy) which promote economic migration and diversity, and recent political statements which are characterised by a strong anti-migration attitude.

Similar to the national level, there is a lack of an explicit diversity policy in Budapest – but this does not mean that the concept of hyper-diversity has no significance for the city. Even though the ethnic composition in Budapest is less diverse compared to other Western European cities, the city is very diverse as far as its urban functions, its built environment, the socio-economic composition of its society, and the lifestyles and attitudes of its residents are concerned. Moreover, city-wide policies, mid- and long-term strategies and concept documents addressing various issues of urban development have increasingly focused on different aspects of diversity. Multiculturalism, for instance, has been an integral part of national policies since the early

1990s, and local strategies and policies in Budapest have especially been strongly built upon it. Inter-cultural dialogue is also the heart of local policy-making (e.g. Migration Roundtable).

Although there are several ways in which diversity is defined by Budapest-level policies, our analysis of the interviews and core documents indicate that the views of governmental actors are shaped by a positive-negative dichotomy. On the one hand, they often interpret diversity from a post-political, consensual perspective and equate it with some kind of non-specific 'cultural diversity', something that is inherently positive and that the city can profit from. Since it is perceived as a positive phenomenon, there is a consensus on its importance and fostering – as highlighted by different documents – but in everyday politics, the city's top governmental actors almost completely ignore the topic. On the other hand, the term 'social diversity' is strongly connected with the idea of social inequalities and welfare tensions in the thinking of governmental actors. This dichotomy is mirrored in the focus of city-level policies. Consequently, their most significant engagements with diversity are manifested in this sphere.

As a consequence, among the various policy categories, those for equity and redistribution (Fincher and Iveson, 2008) are given the greatest emphasis in the case of Budapest. From an area-based perspective, urban renewal and rehabilitation programmes initiated by district municipalities are the most significant policies, concentrating on neighbourhoods that are by and large deprived. Among people-based policies, the greatest emphasis is laid on programmes focusing on disadvantaged groups, especially the homeless and the Roma. Within the category of recognition, the city officially follows a pluralist/multiculturalist approach in accordance with the national-level policies and strongly concentrates on anti-discrimination issues and the protection of the legal rights of different minorities. Regarding the policies for encounter, the Budapest government pays attention to networking and cooperation. However, it seems that criminalisation and the use of legal instruments and police force are also parts of policy-making (e.g. against homeless people).

According to our findings, it can be concluded that – similar to the national level – promoting diversity is not among the top priorities of decision-makers in Budapest. However, the governmental interviewees suggested that they are open to changes in order to put greater emphasis on this topic in future urban policy-making. Non-governmental actors seem to be committed to the enhancement of social diversity in the city and to its more intense utilisation as well. The variety of grassroots movements and initiatives taking place in Budapest also underpins the hypothesis that civil society has remarkable potential.

The analysis of selected initiatives shows the importance of networks and partnerships in resource mobilisation and service provision – which is a common characteristic of the governance structures in contemporary European cities (Rhodes, 1996; Peters and Pierre, 1998; Stoker, 1998; Elander, 2002; Tasan-Kok and Vranken, 2011). In Budapest and Józsefváros, formal and informal connections, partnerships and cooperation play an important role in the everyday operation of different public (e.g. Migration Roundtable, Roma-Net) and private (e.g.

MÜSZI, A bit of China) initiatives. Furthermore, austerity policies have significant impact on governance initiatives and the institutions behind them. As a consequence, both governmental and non-governmental actors often mobilise external resources (e.g. EU funds) and this is one of the main reasons behind short-term, problem-orientated projects. Furthermore, the dependence of non-governmental actors on public finances is growing.

In governance initiatives, there is a significant emphasis on arrangements for the integration of marginalised or excluded social groups. This general objective is often supplemented by the strengthening of local (city-, district- or neighbourhood-level) communities and by the fostering of social participation. This is especially true for bottom-up, grassroots initiatives such as MÜSZI or the Leonardo garden. Such activities can often involve 'new' groups, for example, immigrants in planning and policy-making (see e.g. Garcia, 2006). It can be stated that after the former non-policy approach towards migration, the Budapest Municipality turned its attention to the phenomenon represented by initiatives such as the Migration Roundtable.

4 RESIDENTS DEALING WITH DIVERSITY

The principal aim of this chapter is to explore the experiences of Budapest's residents and how living with hyper-diversity affects their lives. This general purpose can be broken down into more detailed and concrete questions which are central in the sections of this chapter: Why did people move to the diverse area they live in now (Section 4.2)? What do residents think of the area they live in? Do residents see their neighbourhood's diversity as an asset or a liability (Section 4.3)? How do residents make use of the diversified areas they live in? Do they actively engage in diverse relations and activities in their neighbourhood (Section 4.4)? To what extent is the diversity of the residential area important for social cohesion? Which elements foster social cohesion, and which elements hinder the development of social cohesion in the area (Section 4.5)? To what extent is the diversity of the neighbourhood important for social mobility? Which elements foster social mobility, and which elements hinder social mobility (Section 4.6)? How are diversity-related policies perceived by the inhabitants of the area (Section 4.7)?

The chapter is based on 50 interviews with residents of Józsefváros, Budapest. These interviews were held between September 2014 and March 2015 (see also Fabula *et al.*, 2015). In the next section, more information will be given about the methodology that was adopted. This is then followed by six more sections, in which the above questions will be answered. In the conclusions, a summary of the main results and some broader guidance for policy-making will be given.

4.1 METHODOLOGY

In order to reflect the diversity of the population of the case study area (see also Chapter 2), interviewees were recruited through various channels. Before the start of the fieldwork, a list of approximately 25-30 potential respondents was composed by the research team. In each case (after permission was given by the residents), the name, the address of correspondence and further basic personal data were provided to us by RÉV8[26], an organisation that has developed a broad social network in Józsefváros during former renewal projects, and with the active participation of local residents. Many of these residents can be considered as key informants in the case study area (e.g. representatives of homeowners' associations or civil organisations), and they served as entry points. With their help, new contacts were established and the sampling was continued using the snowballing method. Participation in the research was voluntary for everyone. Nevertheless, approaching poor people and some ethnic minority communities (e.g. Roma people) was more difficult, so for these persons a small gift (approx. € 10) was offered.

Our intention was to compose a group of interviewees that represents a more or less balanced image of diversity in Józsefváros (Appendix 3). The sample, however, has certain shortcomings. For example, there is a notable majority of female (62%) and middle-aged (especially those between 31 and 60 years) respondents. The most difficult group to approach were migrants

from East Asia (Chinese, Vietnamese). They are among the most prominent ethnic minority groups in Józsefváros (see also Chapter 2): they have a significant impact on the cultural landscape and on the economic performance of the district. However, they live in quite closed communities, and it proved difficult to involve them in social research. We requested help from civil organisations (e.g. migrant advocacy groups) and other local initiatives we had been in touch with earlier, but our efforts remained rather unsuccessful.

4.2 HOUSING CHOICE AND RESIDENTIAL MOBILITY

Residential mobility is the process by which households match their housing needs with the houses available to them. The choice is a result of their housing needs, external factors and the housing stock available on the market (Clark, 2012). At the neighbourhood level, residential mobility is the core process which keeps neighbourhoods changing. Some neighbourhoods are becoming more diverse, while others are more homogeneous due to residential mobility. Neighbourhoods and their impact on residential mobility are becoming more important in housing research as households evaluate their housing and community satisfaction (Van Ham and Clark, 2008).

Taking such issues into account, in this section, we try to answer the following questions: Why did people move to our case study area? What have been the most important trigger factors for the move, and to what extent has the diversity of the area been a pull-factor? Before we turn to the key questions, some important features of the local housing market should be highlighted.

Józsefváros has a highly diversified housing stock due to continuous building activities and large-scale urban regeneration programmes (see also Chapter 2). The inner part of the district was already built up before World War I, with 3-4 storey tenement buildings. As an outcome of the communist slum clearance programme of the 1970s, pre-fab high rise buildings appeared in the area replacing some part of the old dilapidated housing stock. From the late 1990s, the renovation of rundown buildings as well as the construction of new ones sped up considerably, due to local government-initiated regeneration programmes and investments by private developers. Between the last two censuses (2001-2011) around 5,000 new (mostly upmarket) dwellings were added to the local housing stock of approximately 33,000, resulting in a growth rate of 12% within a decade. This was one of the highest values among the 23 districts of Budapest during the period.

Due to the extension of the housing market and recent regeneration activities, above average residential mobility was recorded in the case study area. In Budapest, on the eve of the 2011 census, 45% of residents had moved to their dwelling in the previous ten years (in the 8th district this figure was 52%). In terms of tenure, the share of rental dwellings (both public and private) was 20.7% in the 8th district in 2011, whereas it was only 10.6% in Budapest. The share of public housing is the highest in the 8th district (11.5% in 2011), compared with the average figure of

5% in Budapest. Public housing is highly concentrated in Middle-Józsefváros, where over one-third of the housing stock is publicly owned. To sum up, the quality of the housing stock has significantly improved over the last two decades. New constructions and regeneration activities have resulted in a slow but steady influx of higher-income households (Kovács *et al.*, 2013).

Why did the residents come and stay here?

Józsefváros can be divided into three distinct parts based on housing conditions, social milieu, and possible motivations of newcomers. The Quarter of Palotanegyed (Picture 4.1) is situated near the city centre and is the part of the district that has the highest prestige as well as social status. The area's atmosphere is described by interviewees as 'family friendly'. At the eastern edge of the district, the Quarter of Tisztviselőtelep is a low-rise residential neighbourhood with a suburban/rural-type character and relatively high status. The area between Tisztviselőtelep and the Grand Boulevard is in transition and has a highly fragmented spatial structure; in some parts, the social status of residents has increased recently due to urban regeneration and upgrading (e.g. Corvin Quarter), while other parts (Orczy and Magdolna Quarters) have remained quite deprived. The social milieu can change from one street or block to another. Given the high share of rental dwellings and the highly diversified housing stock, the district provides good opportunities for those searching for shelter. It is easier to enter the housing market of Budapest in Józsefváros than in other districts of the city.

Picture 4.1 Square in the Quarter of Palotanegyed. Source: Lajos Boros

Several studies (e.g. Myerson, 2001; Nyden *et al.*, 1997; Talen, 2010) have highlighted the role of physical and neighbourhood factors (e.g. good transport connections, diversity of the built environment, mixed use of facilities etc.) which can contribute to the creation of diverse neighbourhoods and can help keep them diverse. Regarding the situation in Józsefváros, many interviewees emphasised that the main advantages of the area were its good location, the value for money, and the accessibility and good transport connections. Also, due to its historically poor reputation, the apartments in the district were significantly cheaper than in other similar districts. Therefore, residents could benefit from better services and job opportunities provided by the city centre while enjoying lower dwelling prices or rents. Many interviewees reported that finding a new dwelling at a reasonable price in Józsefváros was a significant improvement in their housing career.

> *"Maybe the central location is the greatest advantage. Several parts of the city centre are accessible in a few minutes… The renewed centre of the district and the Corvin Plaza shopping mall are also located nearby. Shops, offices, health care facilities are all easily accessible in the neighbourhood. Therefore, it is one of the most favourable locations within Budapest if you do not take into account its social background"* (R5, male, 47 years old, social worker/teacher, Hungarian[27]).

These results are in accordance with the findings of some of the international literature; that the income of households has utmost importance regarding their housing careers (Özüekren and Van Kempen, 2002). Several respondents emphasised the role of location. They said that finding a residence in Józsefváros had notably improved their living conditions since this district was relatively close to the city centre and it had very good transport connections.

Abundant workplaces, the proximity of universities, and family reasons (new marriage, newly born child etc.) were also important motivations for newcomers in Józsefváros. The case-study area is also very attractive to students, who can benefit from the huge variety of rental dwellings, the affordable rents as well as the accessibility of university buildings. Moreover, due to its location within the city, Józsefváros offers a good compromise between the 'boring' outskirts and the tourist-flooded city centre. Based on the interviews, we can say that Józsefváros has a 'gateway function' for those who are moving to Budapest from the rural areas of Hungary as well as from other countries. They often buy or rent their first apartment here – mainly triggered by the relatively low prices and the high number of available rental apartments.

> *"I love District 8. And a lot of my friends have moved here recently. The [dwelling] prices are so low. It is worth mentioning that I am from Bratislava. My friends from Bratislava come here, and they ask about the price of this apartment, and it is unbelievably cheap … So in Bratislava, I don't know, a basement room cannot be rented for this money"* (R32, male, 34 years, museologist/website designer, Hungarian).

Some interviewees left larger or better equipped dwellings in other parts of the country and moved to the district to find better chances for a reasonable lifestyle. Consequently, their change

(e.g. a smaller dwelling from a larger one) was an improvement not in terms of dwelling features but due to the characteristics of the neighbourhood. Such findings draw attention to the fact that a housing career (Pickles and Davies, 1991) is not necessarily a progressive process because moves do not always result in better housing quality if consecutive stages of the sequence are compared (see e.g. Bolt and Van Kempen, 2002).

Others who rated their relocation as a positive change had moved to their present dwelling from their old family home or from a small rental for childless couples because the new dwellings suited their current life stage better. As former research has already demonstrated that developments in a household's housing career are often closely connected to turning points in other careers or in the family life-cycle (Kley, 2011; Özüekren and Van Kempen, 2002). Other neighbourhood characteristics had much less influence on the housing choices of the respondents. The composition of the local population and social diversity rarely come into play when talking about progress in housing career. The majority of the interviewees consider the diversity of Józsefváros as a positive feature but other aspects (see above) played a much greater role in their housing choice.

Those who were born and raised in Józsefváros emphasised two reasons for remaining in the district. The first was their attachment to the area which had gradually evolved, and the second that they could not afford a flat in other parts of the city – this is particularly typical of those who live in small and low quality, mostly publicly owned apartments. They belong to the trapped, immobile part of the local society (Musterd and Van Kempen, 2007).

> *"Yes, she [the respondent's mother] used to live here, and she wasn't in a financial situation – we never have been – to have a larger apartment. And we had been planning to change this flat for another one of better quality, but after the renovation we stayed here. All in all, we have never been in such a financial situation to move to a bigger apartment"* (R3, male, 23 years, student, Hungarian).

Newcomers who moved to Józsefváros after the turn of the millennium have clearly contributed to its growing social and cultural diversity. For example, a considerable number of ethnic Hungarians (from Romania and Ukraine), Chinese people, Romanians and other foreigners have moved to Józsefváros in the last two decades. Furthermore, due to immigration, the social status of the area is slowly increasing, but this is spatially an uneven process; in some parts of the district, it is more rapid and more visible than in others. The most intense changes took place in Corvin Quarter near the Grand Boulevard, which was transformed after 2000 by local government led urban regeneration replacing dilapidated housing stock with newly built apartments (new-build gentrification).

The social and cultural diversity of the district was often mentioned as an asset in the interviews, but hardly anyone was motivated to move to the area solely for the diversity. It is only after moving in that they appreciate the diversity and vibrant character of the area. It was also noted

by several interviewees that the external image of the district was much worse than their own personal experiences of the neighbourhood. Józsefváros has traditionally been associated with high crime rates and violence, however the experiences of the interviewees show that the situation is much better than they had expected. It can be noted that the in-migration of a younger, better-educated and well-off population and the renovation of the built environment has slowly changed the image of Józsefváros.

Conclusions

We can conclude that the socio-cultural diversity of the neighbourhood is perceived as an asset by several interviewees, but it does not play a significant role in people's decisions to move to the area. Instead, key pull factors are the excellent location and dwellings offering good value for money in Józsefváros. Nevertheless, in the current development phase of the district, its heterogeneous (or fragmented) housing stock – which is a result of the coexistence of urban decay and residualisation on the one hand, and renewals initiated by local government and private developers on the other – clearly contributes to local diversity as it meets the demands of various households with very different demographic and socio-economic backgrounds.

4.3   PERCEPTIONS OF DIVERSITY IN THE NEIGHBOURHOOD

Two main research questions are addressed in this section. First: What do respondents think of the area they live in? Second: Do the residents of Józsefváros see their neighbourhood's diversity as an asset or a liability? The remainder of this section is divided into four sub-sections: in the first section, the perceived (internal and external) boundaries of Józsefváros are presented; the second highlights the interviewees' attitudes towards their neighbours; the third explores the respondents' perceptions of their neighbourhood (both positive and negative aspects); and finally, the section ends with some concluding remarks.

Perceived boundaries of the neighbourhood

Since space is socially constructed (Lefebvre, 1991; Harvey, 1990), the perceived boundaries of a neighbourhood and the attitudes towards diversity influence everyday practices. Several studies (e.g. Culton et al., 2001; Hunter, 1974; Sampson, Morenoff and Gannon-Rowley, 2002; Talen, 2010) have shown that the 'official' boundaries can be quite different from the ones perceived by local residents. Research in this field usually builds on the neighbourhood boundaries defined by authorities, however, social interactions and real estate prices are influenced more by the perceived boundaries (Sampson et al., 2002). The perceived boundaries are based on local practices, shared local culture and symbols, and can be very stable over time. However, residents from the same neighbourhood but with different racial or educational backgrounds, or income levels usually define the same area differently (Coulton et al., 2001; Hunter, 1974). This sub-section deals with the questions about how local residents interpret their neighbourhood and what the perceived boundaries within the case study area. Before turning to the results of the

interviews, we will briefly discuss the general perceptions of neighbourhoods in Budapest at different territorial scales.

Within the city, districts (kerület) have a very strong imprint on the mental maps of people. Altogether, there are 23 districts in Budapest which are discrete administrative units with democratically-elected local governments and a high level of autonomy. Some of the districts have a long history (mostly the inner-districts), coupled with strong local identity. Very often, in peripheral districts, local identity is much more articulated at the sub-district level (i.e. independent communes prior to 1950). Our case study area Józsefváros is a typical inner-city district of Budapest. The boundaries of the district are well-perceived by local people, most of whom have a distinct 'Józsefváros identity'.

Below the district level are quarters (negyed) and the accompanying attitudes and spatial behaviour (i.e. mental map) of residents. Quarters are mainly delimited on a morphological basis (characteristics of the built environment) and serve as basic units for urban planning. However, very often, they also have distinct functional and cultural features which strengthen the local identity (e.g. Jewish Quarter, University Quarter). In Józsefváros, there are 11 quarters with ca. 8-10,000 inhabitants (see Figure 4.1). Only a few of them (e.g. Palotanegyed, Tisztviselőtelep) retain historical traditions and distinct local identities.

The notion of neighbourhood (in Hungarian: környék) most often refers to the so-called activity space of the residents: the area where they live, where they circulate on a daily basis and where they use public space and services regularly. The interpretation of neighbourhood differs from person to person depending on age, qualification, family relations etc. Very often, the neighbourhood (környék) was not understood by the interviewees as a compact territorial unit with distinct boundaries but a mixture of lines, landmarks and dots on the mental map (own building, street and micro-environment). The size of the perceived neighbourhood differed significantly among the interviewees according to their socio-demographic characteristics (e.g. age, sex, marital status, employment, income) and type of residential area (e.g. the inner-part or the outskirts of the district, old tenement blocks or prefabricated housing estates), as well as period of residence.

The external boundaries of the 8th district were clearly perceived by residents living in the middle and outer parts of Józsefváros; they appeared as firm geographical boundaries on their mental maps. However, for residents of the inner part of Józsefváros (Palotanegyed), the district boundaries were more loose due to their inner-city identity.

Regarding the internal boundaries within the district, the Grand Boulevard (Picture 4.2) is the most significant dividing line, separating the Quarter of Palotanegyed and the rest of the district (see Figure 4.1). The name Palotanegyed (Palace Quarter) reflects the unique architectural environment as well as the relatively high prestige of the area. Respondents feel that the Grand Boulevard not only creates a functional and morphological boundary but also a social

demarcation between the better-off and the less affluent parts of the district. Also, residents of Palotanegyed have a strong inner-city orientation in their lifestyle.

"I consider the 8th district (Józsefváros) my neighbourhood, but perhaps areas behind the Grand Boulevard, the so-called Palotanegyed, do not belong to it. That area is a bit posh, different from the rest of the district, and it does not really fit into the picture I associate with Józsefváros" (R34, female, 61 years, stylist/designer, Hungarian-Jewish).

Similar socio-spatial and mental demarcations exist for the residents of the Quarter of Tisztviselőtelep (Officials' Estate) located in the outer part of Józsefváros and the rest of the district. The boundary between Tisztviselőtelep and the neighbouring Orczy Quarter is also striking, both architecturally and socially. The Orczy Quarter, the adjacent area near Diószeghy Street, has the worst reputation. Local residents living nearby try to avoid going there. As one of them said: *"if I say Diószeghy Sámuel Street and Lujza Street, well, these two streets are very repulsive. I do not like going there, especially in the evening"* (R35, female, 53 years, real estate agent, Hungarian).

An interesting location within Józsefváros is the Corvin Quarter. The area has been subject to a large scale regeneration programme since 2004. Práter Street constitutes a sharp boundary within the quarter separating the old, run-down blocks from the newly-built areas. Newly-built sections comprise upmarket housing, offices and a fancy shopping-mall. Residents in this area are young affluent people, typical gentrifiers.

Regarding the mental maps of youngsters and young families, outer boundaries have a much weaker relevance than for other groups. Finally, the perception of boundaries depends also very much on the location of the respondents' homes.

Perceptions of neighbours
Neighbours were usually defined by respondents as people living in the same residential unit (e.g. floor, staircase, block, street). The most important dimensions used to describe neighbours

Picture 4.2 The Grand Boulevard, one of the most significant dividing lines in Józsefváros. Source: Lajos Boros
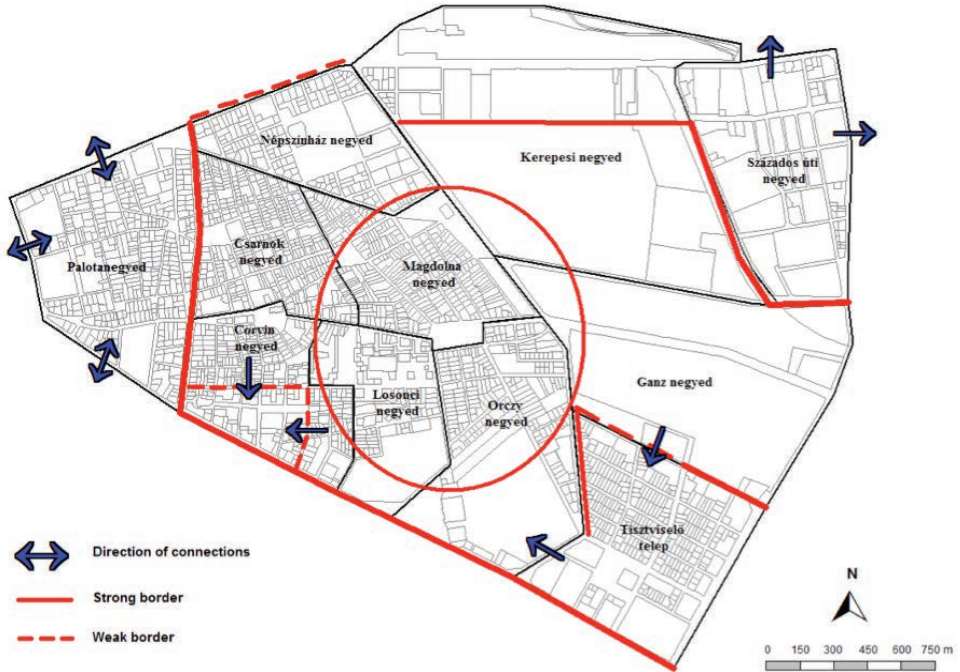
Figure 4.1 The quarters of Józsefváros and the imagined boundaries of the interviewees.
Source: Designed by the authors

were their age, nationality, ethnicity, lifestyle, financial background and employment situation. This is in agreement with other studies which have shown that the most essential forms of diversity identified by residents of mixed population neighbourhoods are usually race/ethnicity or income level, although other factors (such as age, household type etc.) can also be important (Sarkissian, 1976; Talen, 2010). To conclude, Józsefváros is seen as a rapidly changing part of Budapest affected by urban regeneration programmes and new waves of immigration.

According to the answers, four types of groups could be identified among neighbours: (1) those considered as anti-social individuals (e.g. homeless people, drug addicts, illegal residents); (2) newcomers (e.g. foreigners, immigrants, youngsters); (3) poor people; and (4) native inhabitants. The most visible and most often mentioned categories were (1) and (2).

In the first group, Roma people and drug addicts were mentioned most often, but homeless and unemployed people were also frequently recalled. In some cases, crime and other deviant behaviour were identified with Roma people, and the neighbourhoods where they live in larger groups were considered dangerous. Members of the second major group (newcomers) of neighbours were most often described by the residents as 'students', 'rural people', 'Arabs', 'blacks', 'Romanians', 'Western Europeans', or in many cases, simply as 'foreigners'.

The intense fluctuation of tenants was a recurring topic in the interviews – especially when talking about students. Interestingly, Asian immigrants were only rarely mentioned in the interviews although the biggest Chinese market in Hungary is located in Józsefváros. In some cases, immigrants were considered threatening. According to several respondents, newcomers can often be characterised by deviant behaviour: *"… a lot of Romanian workers have moved into the neighbourhood … they are noisy, littering, they distract the peace of our house"* (R21, female, 63 years, old-age pensioner, Hungarian).

On the other hand, immigrants were also perceived positively; once they have a solid financial background, they contribute more to the collective maintenance fees of the given house or condominium. Such findings underline that there is often a 'cultural ambiguity' in diversity-related discourses (Bell and Hartmann 2007). At the same time, narratives and practices can be contradictory: while narratives may report on conflicts between residents, everyday practices can show the positive effects of social mixing (Van Eijk, 2012).

Poor people (3) and native inhabitants (4) were frequently associated with urban renewal and concomitant studentification and gentrification processes taking place in the district. In fact, households belonging to these categories are often displaced because of gentrification in the rapidly upgrading areas. In addition, the concentration of poor people is the highest in the peripheral parts of the district. This is partly the outcome of urban renewal, as gentrification puts a pressure on these people and pushes them out from the central areas of Józsefváros.

> *"When I moved in, at least ten gypsy families lived in the building. Nowadays, there is only one of them. … They rented the flats. Then the owners renovated their apartments and sold them or rented them for a higher price, which the gypsies could not afford"* (R48, female, 28 years, student/trainee lawyer, Hungarian).

Native inhabitants (group 4) are those who live in the area the longest. However, the flats of deceased elderly people are often rented or sold on the market by their heirs, providing space for newcomers. There is a clear gap between the lifestyles and attitudes of native inhabitants and those who are newcomers.

Contrary to super-diverse neighbourhoods where the mixed character of the local population is perceived as 'normal' (Van Leeuwen, 2010; Wessendorf, 2013), the changing character and the growing diversity of the neighbourhood were considered as an important issue by the interviewees. According to local residents, the diversity of the district is strengthening and the prestige of the area (especially in the inner parts) is steadily growing, which will continue to attract new inhabitants with a higher social status. Based on the interviews, the most significant social process is the arrival of young generations and foreigners in the area. Newcomers are, however, not always seen positively; there are also 'bad foreigners' identified among them.

Perceptions of the neighbourhood: positive and negative aspects

Positive aspects of the neighbourhood
First of all, the majority of the interviewees emphasised the excellent transport connections in the district. Józsefváros is in the close proximity of Downtown Budapest, with three connecting underground lines. As a result of good connectivity, workplaces and services are easily accessible for local residents. In spite of its relatively central location, Józsefváros is much quieter and less crowded than the densely built inner areas of Budapest. Therefore, the district can be perceived as a transitional zone between the busy downtown and the green periphery. The second important positive feature is the wide range of available services (e.g. public facilities, retail, food services) within the district.

Relatively inexpensive rents and low property prices were also mentioned by several interviewees as positive features of their neighbourhoods, and at the same time, one of the greatest motives for newcomers to move into Józsefváros[28]. Another topic was the recent improvement of public security in the district. The general image of Józsefváros has been negative because of high crime rates in the past, but the present local government has introduced a new policy with the aim of maintaining 'social order' and fighting 'deviant' forms of behaviour. Some interviewees welcomed new security arrangements. For some respondents, urban rehabilitation programmes resulted in other positive features, for instance, rising house prices or the revitalisation of public spaces.

Although social diversity was rarely perceived by the interviewees as the primary advantage of their neighbourhood, several people mentioned positive features connected to the existing social mix of Józsefváros. First, in the opinion of some respondents, diversity contributed to the vibrant urban life of the district, making the area more attractive, especially for younger residents. Second, since the local population is quite heterogeneous compared to the rest of Hungary – including groups of very different demographic, socio-economic, ethnic and cultural backgrounds – there is a higher level of tolerance towards almost any kind of difference than in other parts of Budapest. One of the interviewees explained why he likes living in his neighbourhood:

> *"Because [there are] a lot of different people, situations, circumstances. But the most important is that people are open, thus personal relationships can be made with many. They are open to a lot of things, they talk, they don't mistrust each other. They are open and diverse. Life is vibrant. I think there is always something happening, something exciting. Of course, there are always bad things, but there are several good things too"* (R3, male, 23 years, student, Hungarian).

For some interviewees with very different characteristics, the diverse social milieu can be considered as an opportunity to interact with people from different cultural backgrounds.

> *"It is very good that we meet African people, Chinese people, and make friendships. We have an Arabic friend from the flower shop. We often go to the Chinese to eat; he knows everything about*

us. So, my daughter is growing up among various ethnic groups, and it is normal for her to live with African people, Arabic people, Chinese people, Roma people. … I think this is good. I mean, I think this is how the world works nowadays, without segregation" (R4, female, 47 years, social worker, Hungarian).

Besides new immigration, the population of Józsefváros is very dynamic due to the recent urban regeneration programmes and the concomitant gentrification, which contributes significantly to the displacement of inhabitants. For some interviewees, one of the positive results of the process is the inflow of people of a higher-status to the area.

Negative aspects of the neighbourhood
According to the interviewees, the most important negative aspect of diversity is the high proportion of deprived households and the visible presence of poverty in public spaces. As some of the respondents mentioned, in some parts of Józsefváros, it is quite common to see homeless people and beggars on the streets, parks or subways. Others emphasised the adverse situation of the Roma community: a lot of Roma people, for whom the integration into the primary labour market has been unsuccessful, now live in poverty. These interviewees also mentioned factors which are closely connected to concentrations of low-status residents. For example, some inhabitants were concerned about the low hygienic standards of their neighbours. Drug use is another challenging problem in the district.

There are also conflicts related to the co-existence of various cultures and lifestyles in the area. For instance, some interviewees stressed that certain groups (e.g. the Roma, some immigrant communities) make much more noise than is acceptable. These findings are in accordance with conflict theory approaches, according to which increased social/cultural/ethnic diversity can be considered a threat to the position of majority groups, which can lead to increased prejudice (Schmid *et al.*, 2014; Valentine, 2013). Moreover, according to Putnam's constrict theory, diversity can cause a general withdrawal from society (not only from other groups but also from their own ethnic or social groups), thus isolating the individuals (Putnam, 2000; 2007). Nevertheless, the interviewees suggested that the above outlined conflicts are only minor tensions and many of them expressed their joy about the liveliness of their neighbourhoods.

A more serious disadvantage of the area is the weakness of social ties among local inhabitants. As some of the interviewees mentioned, although several groups with different cultural backgrounds live in the area, close interactions among them are relatively rare:

"Diversity wouldn't be a problem if the different kinds of people knew each other, respected each other, respected each other's values and could cooperate. If they could identify their common interests and act together to achieve these goals. I think the more diverse a community is, the stronger it can be. However, if distinct, closed communities are formed in a diverse society, each little group lives in its own world and the others are perceived as strange, despised, hated, etc. If they do not mix and have no common goals or common interests and if there is no cooperation,

then diversity is not an asset but chaos…" (R5, male, 47 years, social worker/teacher, Hungarian).

Beside the challenges of diversification, various environmental factors were mentioned during the interviews as negative aspects of the neighbourhood (e.g. scarcity of green areas, air pollution, parking problems).

Conclusions

On the basis of the interviews, we can conclude that the majority of the respondents perceive diversity as a main feature of Józsefváros. This diversity was understood very broadly from functional and architectural characteristics of the district to the social and cultural background of local residents. Considering social diversity, we can point out two major strands of views. By more tolerant and open respondents, diversity was perceived as the primary advantage as well as one of the main assets of the area. Local people also think that the diversity of the district is continuously growing and contributes to a vibrant urban lifestyle, making the area more attractive to younger and better-off people and those with alternative lifestyles. However, there were also residents who formulated negative opinions about the arrival of newcomers or people who are socially and culturally very different to the existing residents in the area.

As we presented earlier, the Roma were more often mentioned by our interviewees than other ethnic minorities (e.g. Chinese or Turkish immigrants). The various groups of minorities are perceived differently because of the differences in their numbers and the stereotypes associated with certain groups. The Roma are often associated with deviant behaviour while the Chinese (or other immigrant communities) were associated with their economic activities (e.g. Chinese market) thus they are not considered 'dangerous'. Furthermore, the Roma have been present in Józsefváros for a longer time, thus locals have had more experiences with them compared to the Chinese. Chinese immigrants form more closed, separated communities with less interaction with out-group individuals.

The dynamic changes are generally positively perceived by locals, regardless of their socio-economic background. The most significant social process being described is the arrival of young people and foreigners to the area, partly linked to the gentrification and studentification processes. These processes have resulted in a growing mix of people with very different demographic, socio-economic, ethnic and cultural backgrounds. Due to increasing heterogeneity in the society, there is a higher level of tolerance in the case study area towards almost any kind of difference compared with other parts of Budapest.

4.4 ACTIVITIES IN AND OUTSIDE THE NEIGHBOURHOOD

In this section, the emphasis is on the diversity of the neighbourhood as far as daily routines and free time activities of local residents are concerned. We seek answers to the following questions:

To what extent is the neighbourhood an important activity location for the residents? How do local residents use the public spaces in the district? To what extent do the characteristics of place (of living, work and leisure) and social relations influence the overall relations between urban diversity and social cohesion/social mobility?

Activities: where and with whom?

According to the life stages, family life-cycles and socio-cultural backgrounds of the respondents, four main groups of residents can be identified with distinct variations in daily routine and free-time activities: (1) young singles (below 35); (2) families with children; (3) middle-aged and older people (over 50); (4) migrants and ethnic minorities. Within the fourth category, three subgroups could be defined: (a) ethnic Hungarians born in the neighbouring countries (i.e. Slovakia, Romania) who moved to Hungary after 1990; (b) Gypsy/Roma people who either became residents of Budapest prior to 1990, or those who moved to the city after the political changes; (c) international migrants who moved to Hungary/Budapest after 1990 (e.g. Arabs and Chinese people).

Daily routine

Among *young singles,* new, flexible forms of work (e.g. freelancing, telework) are typical. Hence the actual place of work is either at home or at shifting locations in Budapest, or even beyond (businessmen, agents etc.). Their daily routines are closely linked with other parts of the city, however, their local activity spaces within Józsefváros are narrow and concentrates only in their building, or surrounding blocks or streets. As an outcome, they very rarely mix with other local people.

The daily activity spaces of *families with children* are determined by the triangle of home, workplace and children's institutions (kindergarten, school, sport-fields, music school etc.). Their daily routines are more related to Józsefváros or closer neighbourhoods than in the previous case. Nevertheless, families living in the Quarter of Palotanegyed often take their children to kindergartens or schools in the neighbouring 5th district, where there are lower numbers of children and no Roma among its population.

Of all groups, the daily routines of *older people* are most attached to Józsefváros and its neighbourhoods. They use services (health, retail etc.) nearly exclusively in Józsefváros, and typically in the close surroundings. There is also some specificity for this group. Many of them have hobby gardens or weekend houses near Budapest or at Lake Balaton, which are part of their weekly routine, especially among pensioners. They have more Church-related activities, spend more time with friends and also visit cultural events more regularly.

The activities of *migrants and ethnic minorities* are also more strongly linked to certain parts of Józsefváros, most typically the area near their place of residence. They are less skilled, more often unemployed (especially the Roma), or employed by the district for temporary public work. Their daily routine or free time activity is also different from the other three groups due to

cultural factors and traditions. For example, in Roma culture, women traditionally do not look for a permanent job; they are expected to look after the children and the husband, therefore, they often stay at home.

> *"How should I put it? It is different in each Roma family. There are traditions and habits. Some husbands let the wife go out with friends, to shop or have a chat. Others say 'no, you must stay at home, you mustn't meet others in town'. There are jealous husbands, unfortunately, you know what I mean?"* (R44, female, 40 years, public worker, Hungarian-Roma).

In most cases, our interviewees spend their free time with people of similar age, at similar life cycle stages, or similar lifestyles or cultural backgrounds. Only a few respondents mentioned some kind of mixing with people of different backgrounds. In other words, people mix within the abovementioned four groups and not between them.

To sum up, the daily routines of individuals are determined most significantly by age, household structure and other socio-economic characteristics (e.g. education, occupation, income). The neighbourhood, its functional (e.g. location of shops, schools) and physical patterns (e.g. green areas), or ethnic characteristics also play a role, though subordinated to the first group of factors.

Free time activities
The four major groups described above also have substantial differences regarding their free time activities. The majority of respondents from the *young singles* group are newcomers in the district. They rarely use the public spaces, cultural or leisure institutions of Józsefváros for leisure activities. The reasons behind this are basically twofold. First, this group generally lacks free time. Second, as they have arrived in Józsefváros more recently, their family, their friends as well as their work relations link them to neighbourhoods outside the district. Their typical free time and leisure activity is visiting cafes and 'ruin bars'[29] in the inner-city and most notably in neighbouring Erzsébetváros (7th district). Regarding leisure opportunities, several respondents mentioned that Józsefváros has changed a lot in the last decade, partly due to the ongoing regeneration activities. There are a lot more attractive places (cafés, bars, clubs etc.) in the district that provide alternatives for young people than in the past. The respondents also noted that such places offer good opportunities to spend free time with friends, relatives and colleagues.

The leisure activities of *families with children* are very much determined by the needs of their children. Parents adjust their leisure schedules to suit the activities of their children, such as sport, entertainment or hobbies. For leisure activities, in addition to local parks and squares, residents often use public spaces outside the district, for example, in neighbouring Ferencváros (Markusovszky Square, Danube bank), in the 5th district (Károly Garden, Fővám Square) or on the other side of the Danube (Gellért Hill in 11th district).

"Well, we go to Rákóczi Square in the district; the park near the new metro station was nicely renovated when the line was opened, and there is a small playground that the girls like very much. They also like the playground at Pápa Square, but I am not very fond of it and I especially dislike the playground at Mátyás Square [i.e. the centre of the Roma quarter]. We prefer to go to the 9th district [Ferencváros] to Fővám Square, or to Gellért Hill. In fact, we rarely use the squares in our district" (R19, female, 37 years, dispatcher, Hungarian).

For families with children, outdoor activities in the Buda Hills (e.g. hiking) or in the countryside are also typical, especially over the weekends.

Having lived in Józsefváros for a long time, *older people* tend to spend their free time in a narrow geographical area, close to their home (e.g. senior club, market, church). They have also built up the widest network of friends in the neighbourhood, and most of them maintain strong relationships with their neighbours at the house/block level. Spending free time with neighbours is the most common within this group (e.g. drinking a coffee together at home, having a conversation). However, these ties have become looser over time, and most of them think back to the 'good old days' with nostalgia.

"There are two other neighbours on the 3rd floor who are long-time residents. We used to have birthday parties and celebrated New Year's Eve together. If I baked a cake, I gave them a bit to taste. But this is more or less over" (R31, female, 58 years, secretary, Hungarian).

There is a growing body of literature suggesting that neighbourhoods should not be the only analytical units when researching social relations (Van Kempen and Wissink, 2014). Other places, such as the workplace, sites of consumption, school and public spaces, can be equally important for establishing contacts due to proximity, similar interests, frequency of encounters etc. (Peters and de Haan, 2011; Van Kempen and Wissink, 2014). Such places can be located both *in and outside the neighbourhood*, shaping the spatial activities of locals. In Józsefváros, most of our respondents seek leisure opportunities outside the district. The reasons are manifold; for example, local public spaces attract people with antisocial behaviour (drug addicts, homeless etc.). In addition, the public spaces and parks available often lack amenities, and they are not very attractive to families with children, or the elderly. Segregation also plays a role here, as public spaces in the centre of the district are used mostly by young Roma people who are noisy and gather in bigger groups. Therefore, non-Roma people living in the neighbourhood tend to go to other public spaces, sometimes outside the district limits.

The use of public space

The importance of public and semi-public spaces for activities and social interactions are well documented in the literature. Social interactions, relations and bonds are significantly influenced by the places (and the flows between them) where residents spend their time: spaces of work, family life and free time. These activities are not fixed in space; instead, they are characterised by mobility within uneven networks (Sheller and Urry, 2006; Urry, 2007).

Moreover, public spaces can create the sense of belonging and comfort through casual encounters with familiar faces and environments (Blokland and Nast, 2014). Participation in these 'third places' (places outside home and work) provide vital elements of social existence through enabling and liberating experiences (Oldenburg and Brissett, 1982). Taking such issues into account, the main question in this section is how the diversity of Józsefváros is manifested in the use of public spaces in the district.

Public spaces were often mentioned in the interviews because of recent local policies aimed at improving the security and quality of these spaces (see Section 4.7 in detail). Public spaces were also often mentioned among the positive (e.g. new developments, improving security) or negative (e.g. homeless people, drug users in public spaces) aspects of the neighbourhood.

> *"It is negative that there are several Roma and non-Roma junkies [drug users] in my residential area. It is irritating that the junkies often wait for the dealers in front of the building when I return home. But I can mention positive things, too. There are Chinese language courses in the afternoon for Chinese as well as non-Chinese pupils in the school located nearby. It is fully accepted by locals. I can acknowledge that this is very positive because it can help the Chinese community become more accepted"* (R7, female, 33 years, bookkeeper, Hungarian).

According to the interviews, the usage patterns of public spaces by local inhabitants show some general characteristics. First, there is no particular (i.e. particularly important) focal point of public spaces in Józsefváros; each neighbourhood has its own central place where people gather and interact. Therefore, these public spaces mostly reflect the diversity of their vicinity, not the whole district. Second, in many cases, public spaces are only used for access to work from home, so it is a site of flows rather than a theatre of intense interactions. If there are interactions in public spaces, it is more likely that they develop between people at similar stages of the life cycle (e.g. parents with children, pensioners) or with similar lifestyles (e.g. joggers, skaters, dog owners). This supports the idea that diverse neighbourhoods do not necessarily mean that there are diverse social networks among local residents (Atkinson and Kintrea, 2000; Blokland and Van Eijk, 2010; Lees, 2008; Van Beckhoven and Van Kempen, 2003; Wissink and Hazelzet, 2012). Third, life-cycle stages or lifestyles have direct influence on the use of public space, the activities that take place, and the level of satisfaction with available public spaces. For example, younger interviewees with children tend to be less satisfied with the quality and quantity of public spaces. As a young father with three children explained: *"The most common problem is the lack of clean spaces and green areas… there aren't enough playgrounds. In Palotanegyed, there is only one – in Gutenberg Square"* (R15, male, 37 years, joint representative of condominiums, Hungarian).

Public spaces that were most often mentioned by respondents can be grouped into the following types: playgrounds, streets, squares, parks, and markets. Based on the interviews, *playgrounds and parks* (Orczy Garden being the most often cited example for the latter) seem to be the most frequently used and most preferred public spaces in Józsefváros. Shopping malls were actually

Picture 4.3 The Corvin Plaza, one of the largest shopping malls in Józsefváros. Source: Lajos Boros

mentioned fewer times than expected – although one of the latest expensive shopping mall developments in Budapest called the Corvin Plaza is located in Józsefváros (Picture 4.3). On the other hand, the traditional market on Teleki Square was more often mentioned as a place with not just shopping opportunities but significant social life, and a place for social contact between different cultures as well.

> *"The market on Teleki Square was nicely renovated very recently. Before that, I did not go there at all. Instead, I went to other markets further from my home because Teleki Square was a complete mess. Now it is a really good place with a fantastic atmosphere. There are shops, coffee houses and sometimes complete bands playing music while people are eating, chatting, shopping"* (R48, female, 28 years, student/trainee lawyer, Hungarian).

The most frequently mentioned activities regarding the use of public spaces are visiting playgrounds with children, walking the dog, jogging, visiting markets, having a drink with friends on the terraces of bars and restaurants. According to the interviews, these spaces are rarely places of social contact between diverse cultures or lifestyles – or if they are, conflicts often emerge between different groups and activities. We can also note that usage of public spaces has increased due to recent renovation activities which have improved the quality, cleanliness and security of these spaces.

"In the last year or two, I've seen a change in the quality of public spaces. Some of them have been renovated in the neighbourhood, new facilities have been established and they have become more modern. The state of these places before the renovation was uninviting" (R10, male, 36 years, journalist, Hungarian).

At the same time, the diverse use of public spaces has generated several *conflicts* in Józsefváros. The conflicts that are mentioned the most are during social contact between different groups – maybe because they are the most noticeable. Three main types of conflicts can be identified according to the interviews: (1) the issue of who is entitled (or expected) to use the public spaces (exclusionary behaviours and policies); (2) conflicts between different users and their activities; and (3) a gap between the needs and the quality and/or 'quantity' of available public spaces.

Conflicts regarding the use of public spaces were most often mentioned in the case of renewed playgrounds, parks and squares. First, such tensions are related to people displaying antisocial behaviour (mainly the homeless, drug addicts and persons committing vandalism). Second, views regarding the recently installed CCTV system are contradictory. On the one hand, some respondents like it because they feel that it strengthens security in the district. On the other hand, some interviewees feel that the use of public space has become too controlled. The second type of conflict relates to dog walking and other uses of public spaces. For instance, there are regulations defining where and when it is possible to walk dogs, but as some dog owners neglect the rules, they disturb other users and cause conflicts. Finally, the gap between the needs of users and the quality of services manifested mostly in the lack of green spaces in the inner part of Józsefváros. Distance plays a significant role in the use of public spaces (locals tend to use public spaces in their close proximity), which highlights the importance of this 'quality gap'.

"Now that Köztársaság Square is renewed, we often sit there in the summer… A lot of youngsters visit this square and there are no public toilets. The renovation cost more than a billion forints and there are no toilets" (R3, male, 23 years, student, Hungarian).

As the interviewees reflected, the most important and most frequently used public spaces are markets, parks and playgrounds. Although the diversity of Józsefváros is manifested in the spatial form and use of public spaces, this diversity can be seen among different places rather than within them. Vicinity has a key role in the use of public spaces: people usually use places that are close to their homes. Furthermore, public spaces in Józsefváros do not function as 'third places' (Oldenburg and Brissett, 1982) for some groups (especially for elderly people); they do not participate in activities outside their home or work. Therefore, the fragmented nature of local society is also reflected in the use of public spaces. In relation to public spaces, diversity and multiculturalism have mostly been mentioned when referring to the unusual (compared to the ethnic Hungarian majority), 'strange' behaviour of people from various social groups (e.g. the Roma, immigrants). Despite these statements, encountering different cultures can contribute to higher levels of tolerance in the district – even though no one mentioned this directly in the interviews.

The importance of associations

There is a wide range of civil and volunteer activities in Józsefváros. Some interviewees mentioned that community-orientated activities, including the participation of local associations, plays an important role in their lives. It can be noted, however, that most of the non-governmental movements are associated with neighbourhood developments (e.g. Palace, Corvin and Magdolna quarters), in several cases directly connected to publicly funded regeneration projects. These civic organisations have several diversity-related activities such as organising the multicultural event called Colourful Józsefváros – Building bridges among cultures in 2015.

We can specify a difference between the 'new' versus 'old' and 'young' versus 'elderly' residents related to their engagement in improvements of their neighbourhood. In general, the 'new' and the 'young' (under 35 years old) inhabitants participate less intensively in non-governmental organisations and associations than the 'long-term' and 'elderly' citizens.

Bottom-up initiatives operating in close relationship with the District Municipality can be identified. Two respondents are members of the Association of Civilians for Palace Quarter, which was established by local entrepreneurs (owners of restaurants and bars). Another two interviewees are the founders of the Association for Teleki Square, which has been engaged in the community planning process of public space developments in the framework of the Magdolna Quarter Programme (Picture 4.4). As interview partners claim, both grassroots NGOs play an important role in the local urban renewal processes and also undertake residential events, cultural and community development activities.

Some residents mentioned examples of community activities accomplished by various churches. There is a long tradition of the Jewish community which started to come active again in this

Picture 4.4 The Teleki Square before the renewal. Source: Gyula Nyári

area after 1990. One of the largest Islamic houses of worship is situated in a former residential block of Jewish traders in Józsefváros (Zsibáruház). Two elderly respondents have been members of the Calvinist congregation of Salétrom Street for a long time and they highlighted the charity activities of their church community. Another young interviewee is the leader of the local Lutheran congregation, which focuses on the inclusion of local marginalised residents, especially the Roma. They organise community building events in-situ as well as education courses in the local Community Centre.

"I chose this district as a place of residence because I think my work is very much needed here. I mean the kinds of services that I can provide are really needed here, because this is a deprived neighbourhood, and we can help. We can help with strengthening the community and we can indeed create a lively community" (R2, female, 30 years, Lutheran priest/pastor, Hungarian).

In addition, several interviewees are involved in social issues (e.g. donation, fundraising, volunteering), sport and other free-time activities (e.g. motorsports, bridge, bottom football) as well as politics. It is also true for associations because members of associations are very often people with similar socio-cultural characteristics.

Conclusions

Due to its historically evolved spatial structure, Józsefváros provides a great variety of public spaces and urban functions for its residents and even people living outside the district. As a result of recent regeneration activities, the spectrum of leisure opportunities has clearly increased in the area. Traditional public spaces (markets, parks, squares etc.) mix with new types of spaces (community gardens, shopping malls, ruin bars etc.) providing opportunities for recreation and entertainment for a wide range of people. However, it can also be concluded that local inhabitants do not stick exclusively to local amenities, but they also use public spaces in the wider surroundings of Józsefváros. The central location and good transport connectivity of the district makes such places (e.g. Danube bank, Gellért Hill) easily accessible. At the same time, the richness of local leisure facilities has clearly increased in the last decade due to regeneration activities, which contributes to greater appreciation of Józsefváros as a place of residence, especially among young people. According to our interviews, leisure activities and the use of public space are organised within groups, based on residence, age, stage of life, lifestyle etc. However, the unplanned encounters between people with various backgrounds (even if they find the others 'strange' or their behaviour disturbing) can raise the overall level of tolerance within local society.

4.5   SOCIAL COHESION

Two main research questions will be addressed in this section: To what extent is the diversity of the residential area important for social cohesion? Which elements foster social cohesion and which elements hinder the development of social cohesion in the area?

Before turning to our results, some general features of post-socialist cities with relation to diversity and social cohesion should be presented. During state-socialism, the centrally planned, state-led allocation of housing led to the formation of highly diverse neighbourhoods (e.g. in large housing estates) in these cities, composed of residents with very different demographic and socio-economic backgrounds. After 1990, the appearance of market forces in the housing market triggered new processes of residential mobility. In inner-city districts (e.g. Józsefváros, our case-study area) with intensifying privatisation, higher-status residents left for peri-urban and suburban areas while several problems concentrated in these neighbourhoods: for example, poverty, homelessness and crime with some elements of slum- or even ghetto-formation (Kovács, 1998). Later on, after the turn of the millennium, increased upgrading coupled with gentrification led to a social mix without social ties to these areas (Szemző and Tosics, 2005; Tosics, 2005; 2006).

Composition of interviewees' personal networks

Social cohesion has become a very popular term in social policy over the last few decades, but both the conceptualisation of the term (Maloutas and Malouta, 2004) and its relation with diversity (Tasan-Kok *et al.*, 2014; Van Kempen and Bolt, 2009) are quite problematic. Nevertheless, an agreement can be observed on the significance of its constituents, such as social contacts and networks, interactions and participation (Chan *et al.*, 2006; Kearns and Forrest, 2000; Tasan-Kok *et al.*, 2014). In our case study area, there is a great variety of egocentric networks belonging to our interviewees, and when analysing them, scale, social status, and contextual factors (e.g. migration patterns, urban rehabilitation programmes, gentrification etc.) should be taken into account.

Networks of family and relatives

For a large proportion of interviewees, family connections are still among the most important elements of their social networks. Family contributes to the well-being of the respondents in several ways (e.g. sense of belonging, material and non-material support, leisure activities). However, contact between relatives are often weakened or at least transformed by increased socio-spatial mobility, and distance is a very important factor which affects the character of family networks.

> *"Well, basically, it comes down to family and grandparents – the parents of [husband's name] and my parents. Because if there is a problem with the kids – if they are ill, for example – then we usually call [husband's name]'s parents because they only live 60 kilometres away, whereas my parents are 240 kilometres away"* (R19, female, 37 years, dispatcher, Hungarian).

For those who have strong family networks in the vicinity, the benefits of such links are more salient. Only a few respondents indicated that relatives live in the same neighbourhood (mainly poorer and Roma people), and as one of our Roma respondents pointed out, spatial proximity does not necessarily guarantee close family ties.

"There are eight of us siblings. One of my younger sisters live in Törökszentmiklós, all the others here in Budapest, in the neighbourhood. … We rarely see each other … The way I see it, as time passes, brotherhood ties and solidarity are weakening" (R12, male, 55 years, security officer at Hungarian Railways, Roma).

Networks at the city or metropolitan level have greater importance for the interviewees. Similarly, several studies suggest that neighbourhoods play a limited role in creating a cohesive society, particularly in socially mixed communities (e.g. Van Beckhoven and Van Kempen, 2003; Wissink and Hazelzet, 2012). Therefore, neighbourhood-level contacts should always be put into context and analysed with wider (e.g. city-level) social networks (Guest and Wierzbicki, 1999; Kearns and Forrest, 2000). As one of the young newcomers whose parents live in another district explained: *"It is good we live here because my grandma, for example, resides at Deák Square, and if my mom wants to send her something, she can just leave it here, and then I forward it"* (R14, female, 29 years, teacher, Hungarian).

Nevertheless, greater distances do not necessarily mean a reduction in family networks. Even some of the immigrant interviewees who have family members living abroad succeed in maintaining these networks. At the same time, there are also people living close to their relatives but with very weak family ties. What is clear from the interviews is that in the former case, family networks are often used as valuable assets in the lives of the respondents.

Friends and acquaintances
In general, two types of relationships dominate the friendship networks of the interviewees: school and workplace. Regarding the former, several respondents (mainly skilled, middle-class residents) pointed to the importance of former classmates and their relevance to their present life. In-migrants from other cities or abroad have even kept several of their earlier friendships from their home towns. As one of the immigrants emphasised:

"We maintain contact with those we knew in Transylvania… It is interesting because relationships are usually established where you live; you meet people at the playground, kindergarten or school. Since we are from abroad – from Transylvania – this does not work for us. So, those of us from Transylvania, we live in different areas [of the city] and since we could not all move to the same neighbourhood, some relationships have been maintained" (R35, female, 53 years, real estate agent, Hungarian).

Both white- and blue-collar workers talked about friendships with their colleagues. The colleagues of the respondents usually live scattered throughout the city and are not concentrated in one neighbourhood. Some jobs, however, are strongly connected to the neighbourhood (e.g. public workers) and help the establishment of friendships and other links on this scale. According to the interviewees, school-based networks usually foster cohesion between people with very similar demographic and socio-economic backgrounds, but workplace relations are more complex. Some of the respondents pointed to the diversity among their colleagues:

"I would not call it friendship. Rather, I like some of these people's company. They are also very nice… I mean, it's good to be among people and I also like it that they are very diverse…" (R18, female, 36 years, real estate agent, Hungarian).

Organisations, institutions, and other civic and voluntary activities can also broaden the social networks of residents. Some of the respondents (all of them ethnic Hungarians with higher education, from various Christian churches), for instance, achieve this by intensifying their participation in churches and religious activities while for others the voluntary neighbourhood watch is important in this respect.

Relationships with neighbours
Relationships with neighbours seem to be the least important in the egocentric networks of our interviewees. This is underpinned by the fact that many of them reported on very weak links with their neighbours and a low intensity of neighbouring activity. It is worth mentioning, however, that 'weak' and 'strong' are quite subjective terms and they have different meanings for different people. A distinction can be made between long-term residents and newcomers: for the latter group, increased mobility and a lower level of place-attachment is a significant obstacle to more intense social contact:

"Contact with neighbours is less important because we are in a unique situation – recently, we have had to move to a new place almost every year. This was a significant barrier to forming closer relationships with neighbours…" (R10, male, 36 years, journalist, Hungarian).

Children, nevertheless, can act as 'catalysts' for establishing social contact at different scales (e.g. within a block) since they often create relationships between grown-ups by befriending other children and their parents.

"My son is a very open person and when he meets people he talks about his experiences. Therefore, people talk to us; without him they probably wouldn't… If I think about it, almost all my connections in the block are due to my children" (R18, female, 36 years, real estate agent, Hungarian).

It can be concluded that neighbourly contact is less important for most of the respondents due to intense population turnover and mobility. Even so, examples can be found for stronger interpersonal links, especially among older residents in the areas of the district which have been less affected by gentrification.

Living together with neighbours: trust and mutual support
How is trust manifested among the residents of Józsefváros? From whom can local people expect help and support? What kind of support was mentioned by the interviewees? Who can count on the support from the neighbourhood, and who cannot? In other words: how many social bonds are embedded in the neighbourhood?

Trust and social cohesion in the neighbourhood

There was a wide variety of responses regarding trust and support: some respondents said they had nobody to trust or ask for help, while others had numerous stronger or weaker social ties – improving their integration and providing more security (Granovetter, 1973). Experiences of neighbourhood bonding and support were also diverse: some interviewees (mostly newcomers) highlighted the lack of community spirit in their neighbourhood, while others emphasised the cohesion in their residential community.

The first step towards establishing connections between newcomers and long-term inhabitants is greeting each other in passing. Many long-term residents find it a problem that newcomers do not greet them when they run into each other on the street. For long-term residents, this indicates that newcomers do not want to develop any kind of relationship with them. Small talk among residents is the next level in building a relationship and can build trust and be a starting point for supportive relationships. As one of the interviewees explained: *"… this [process] starts when you talk with a lot of people so they know about your problem and can help to solve it"* (R2, female, 30 years, Lutheran priest/pastor, Hungarian).

Elderly people tend to have more and stronger local connections – this observation is consistent with the findings of Guest and Wierzbicki (1999). There is a notable divide between long-term residents and newcomers: the latter usually have few contacts within their neighbourhood, therefore, cannot rely on their neighbours. Since the egocentric networks of newer inhabitants extend outside the boundaries of Józsefváros, they usually give and receive help from outside their neighbourhood. Residential transience hinders the development of connections, particularly in buildings where the ratio of students or other kinds of tenants is high.

Sources of support

In most cases, family ties seem to be the most important sources of help and support regardless of social class, ethnicity or age. The difference is in whether the interviewee could count on other sources of support other than the family: *"My closest friends [would help me]. First, my family, and then I would expand the circle to my closest friends"* (R22, male, 48 years, architect, Hungarian).

Some of the most deprived interviewees live in very fragile circumstances with no supportive networks.

> *"Q: Is there anyone who helps you with food or getting things done?*
> *A: No, absolutely no one. We support ourselves"* (R43, female, 38 years, public worker, Hungarian).

Neighbours usually help each other with minor issues – however, some notable exceptions will be presented in the next section.

Forms of support

There are different forms of mutual support among neighbours, varying from simple things to more time- (or money-) consuming forms of support. The simple forms include e.g. borrowing spices or tools from neighbours who live in the same building. These forms of support are the most common, and they do not demand much trust or a strong relationship. They are mostly based on vicinity and reciprocity – but can provide important steps towards stronger relations. Taking care of children and neighbours' pets or sharing food among neighbours implies a stronger and more established relationship and is not as common as borrowing tools or spices. Giving food, for example, was most often mentioned in the more deprived neighbourhoods (e.g. among Roma people) but in some cases, it was to return a big favour (e.g. help in legal cases).

"There is this Roma family in the apartment next to me. They usually bring us food because they always make so much that they cannot eat it… When we make more food than we can eat, we give them some too. … We do not ask for it; they just bring it" (R3, male, 23 years, student, Hungarian).

The more time-consuming forms of support can be assistance with administrative affairs, for example, reading and/or writing official documents, or providing help with legal issues. These interactions were usually between well-educated and/or higher-status residents and deprived ones.

"I knew a lot of people from the shop, and whoever asked me, I helped them. I helped with administration, legal things, how to rent a place, where to go to get things done. There is my friend from Egypt – he opened a restaurant… The authorities wanted to fine him. I went to a lawyer who helped" (R23, male, 65 years, old-age pensioner, Hungarian).

Several residents mentioned that they knew people in their neighbourhood who cared for those who are considered vulnerable (e.g. elderly people, pregnant women, single mothers with children, people with health problems etc.). Employing someone for money is also a form of support. In these cases, the basis of the relationship is that someone wants to help, but those in need would probably not accept any money without actually doing something. These connections can contribute to the appreciation of cultural diversity when the employed person is from another socio-cultural group:

"One of the neighbours cleans our apartment. It is not so clean, because her eyes are not so good anymore but we will not fire her… It is a kind of social benefaction. When my daughter was younger, we used to hire babysitters. All three babysitters were Roma, and my daughter once said: 'I want to have nice brown skin like yours'. So, this diversity has always been present in her life" (R4, female, 47 years, social worker, Hungarian).

Support can also be manifested in protection against theft, violence or other threats (both from within and outside the neighbourhood), which was again most evident in deprived neighbourhoods:

"… when we moved here, we started to chat, and she asked me: 'Which car is yours?' I showed her and she said: 'OK, then we will watch it'. … Or there was a case when an aggressive salesman tried to swindle me, and when I said no, he wouldn't let me close the door. My neighbour saw it and asked me: 'Is everything fine?' I said: 'No', and the man left" (R48, female, 28 years, student/trainee lawyer, Hungarian).

Immigrants (from other countries) have different personal networks than long-term residents, thus their supportive networks are also different; their networks are not based on residential location or vicinity but on their origin (source country or region). They live in different parts of the city, but when one of them needs help, the others offer them what they need: money, shelter, assistance with administration etc. as the case of a female immigrant from Slovakia shows:

"If there is news about a job or places to rent, or if we are looking for roommates, we inform each other. This is not a day-to-day relationship, but when it is needed, we look out for each other" (R6, female, 36 years, chemical engineer, Hungarian).

We can conclude that although family ties are the most significant personal relationships, similar lifestyles and stages in the life-cycle increase the chances of developing bonds and providing mutual support among residents. This observation highlights the importance of differentiation between social, cultural and age groups when analysing social ties (Forrest and Kearns, 2001), since solidarity and mutual support is more likely to work within groups than between members of different social and cultural groups. The support networks of newcomers and long-term residents mostly exist alongside each other, and not together (parallel lives). On the one hand, trust and support are manifested on the scale of the apartment block. On the other hand, the spatiality of the egocentric networks (i.e. friends and family) has a significant role in developing and maintaining supportive relationships, and these cannot be connected to a particular scale or neighbourhood. Therefore, for most of the interviewees, Józsefváros is not a closed entity, which comes from the fact that they also have connections in other districts of Budapest.

Is the neighbourhood important for social cohesion?
The quality as well as the nature of relationships among people is strongly influenced by the characteristics of the neighbourhood. According to the interviews, there is stronger social cohesion where the 'old' (i.e. long-term) residents are over-represented as well as where traditional urban places (e.g. markets, shops, workshops, cafes and pubs) provide space for social interactions. An elderly lady, who has lived in the same neighbourhood for a long time, expressed that some residential areas in the district have a village-like atmosphere where most of the inhabitants know each other and have daily interactions.

There are good examples in the Magdolna quarter of how neighbourhood-based urban renewal programmes that include community building measures can strengthen the social cohesion in the local community. Interactions between different social groups can be strongly affected by

public initiatives as well as institutes. As an elderly lady mentioned, relations among inhabitants had been strongly damaged in recent decades but the residents of this neighbourhood found new inspiration for building social cohesion following the renovation of the local Market Hall and the neighbouring residential buildings as well as public spaces:

"This neighbourhood has a special attraction. The lifestyle of local families and residents is similar to a village. There is almost daily interaction among people because of the market. We often see each other at the market as well as in local shops. The renovation of Teleki Square was accomplished some months ago, which resulted in new community areas where people can meet and get together in their free time" (R21, female, 63 years, old-age pensioner, Hungarian).

We found weaker social cohesion in neighbourhoods which have been subject to intensive transformations (regeneration) such as the Corvin Quarter and other recently redeveloped residential areas where the population has changed drastically. The coming and going of residents of varying ages and social status generates wider social differences as well as polarisation in local communities. It negatively affects the possibility of creating interactions among neighbours (horizontal connections) and among different social groups (vertical relations) as well:

"There are 14 apartments in our old building, but only nine of them are occupied. Half of the residents are elderly people and the rest are young – they are under 35 and have moved in during the past few years. The middle-aged are missing in the block … I have very limited contact with my neighbours. If I welcome somebody or ask them 'how are you?', it already means a closer relationship." (R11, male, 30 years, private entrepreneur: programmer/website designer, Hungarian).

There are several housing projects in Middle-Józsefváros where new infills were built in old slum areas. There are huge differences between the new housing communities in these real estate developments and the deprived blocks in surrounding areas (Picture 4.5). The Orczy Building, a high-quality residential park close to the Chinese Market, was built between 2000 and 2006. It can be regarded as one of the most favoured residential areas of well-to-do Asian immigrants working in the Market. According to the residents, the relationship between Hungarians and the Vietnamese is neither hostile nor close; they live in the same building but do not communicate with each other, and they do not know each other (Szalai, 2012). We observed similar situations in other parts of the district in newly-built housing blocks close to Népszínház Street. As a middle-aged interviewee confirmed, the closed immigrant communities are highly concentrated in newly-built buildings:

"The residential community where I rent my current apartment with my girlfriend is very diverse. It looks like some of them are Hungarians in the newly-built housing block. There are several neighbours with other nationalities such as Albanians, Africans, Chinese and others. The building has a small global community, with people from all kinds of nations. Despite the wide

Picture 4.5 Dilapidated old buildings and the ongoing urban regeneration. Source: Lajos Boros

range of cultural backgrounds, people are very isolated, so the building looks like a prison" (R13, male, 45 years, mentor, Hungarian-Romanian).

Relationships with family members and relatives are very important for all groups, but in most cases, the interviewees said that most members of their family, relatives and friends live in other districts of Budapest or in the countryside. In this respect, the neighbourhood does not play an important role in social cohesion. The network between family members as well as relatives is more important among the Roma and other ethnic groups. We can note that the establishment of external connections is obstructed by the strong ties and traditions within minority communities.

"Gypsies also have special customs, for example, married women are usually not allowed to build friendships with others because it is forbidden by the husband. Like in the last century, we have to stay at home and do the housework: cooking, washing, cleaning and looking after the children" (R44, female, 40 years, public worker, Hungarian-Roma).

Conclusions

The research showed that in terms of the social networks of residents, relationships based on family ties are the most important. Other connections based on place of residence (neighbours),

ethnicity, lifestyles, profession, or schools are also relevant but somewhat subordinated to family connections. The respondents who live in close proximity to family members or relatives feel more safe and secure. However, the neighbourhood as geographical entity normally does not play a role in family networks (except for the Roma). The neighbourhood as a spatial entity comes to the fore only when investigating the role of wider social networks set up with friends, neighbours and other people from the district. In general, diversity only plays a minor role in the development of social cohesion.

Older people with a lower socio-economic status who are long-term residents tend to have wider and stronger, place-bounded social networks. At the same time, younger residents and newcomers to the district have narrower social networks usually focused on schoolmates, hobbies or lifestyles; connections which are rarely locally rooted, most of them being linked to other parts of Budapest.

The interrelation between neighbourhood diversity and social cohesion is clear. The parts of Józsefváros which have not been affected by regeneration activities are more cohesive. This is the case regardless of socio-economic status. Networks among residents of lower-class deprived neighbourhoods (Magdolna Quarter, Orczy Quarter) are generally stronger than in middle-class neighbourhoods (e.g. Palotanegyed, Tisztviselőtelep). Self-help, social work and church activities play a greater role, but in both cases social networks and personal connections are much more intense than in recently renewed neighbourhoods (Corvin Quarter). Newcomers, typically gentrifiers (or pioneers), have the weakest locally-bonded networks. Therefore, there is a negative connection between diversity and social cohesion, especially in the case of newly diversified, gentrifying areas.

Recently developed functions in the district can have contradictory effects on social cohesion; new high-quality public spaces and leisure opportunities can facilitate interaction among different residents of the neighbourhood. At the same time, the inflow of new residents, which is fostered by urban renewal, can weaken social cohesion in Józsefváros, according to our results. Thus stability fosters social cohesion, while the recent changes in the composition of local population hinder it.

4.6   SOCIAL MOBILITY

In this section, we analyse the role of the neighbourhood and social networks regarding the social mobility of local residents. The emphasis is on the labour market career of respondents, and we try to explore to what extent people benefit from their neighbours when finding a job. Furthermore, we investigate the role of the neighbourhood and its reputation in social mobility with special attention to elements that foster social mobility and those which hinder it.

In the subsequent parts of this section, we first look at the general characteristics of the job-career of our interviewees. Then, we analyse how local residents found their jobs, with special

attention to the role of neighbours and members of their social networks. After that, we will try to answer the question whether the neighbourhood has any positive or negative effects on social mobility. Finally, we will make some general conclusions.

Current and previous jobs

The work trajectories of residents tend to be influenced by several contextual and personal factors. Regarding the wider socio-economic context, post-socialist characteristics play(ed) an important role in the lives of older residents. Regime change and economic restructuring in the early 1990s had a significant impact on their lives. First, after the long years of officially declared full employment during communism, the transition often meant a loss of their jobs, but at the same time, the privatisation process created the possibility of becoming private entrepreneurs. Second, several unskilled respondents and under-paid public employees mentioned that they had more than one job in order to make extra income and a reasonable standard of life for their families.

> *"Then, I completed a social pedagogy course and became an official warden. But this is the social sector, and in order to make ends meet, I have another job, a real estate agent job. It is not possible to live only on one salary in the social sector"* (R35, female, 53 years, real estate agent, Hungarian).

Third, the informal economy has a notable role in post-socialist countries. What is unique about Hungary is that the boom in the informal sector started well before the transition (e.g. after the introduction of the New Economic Mechanism in 1968) and people got accustomed to it. The share of the informal economy is higher than average in big cities like Budapest, and especially in poverty ridden neighbourhoods like Józsefváros (Sik, 2002). Besides contextual issues, personal factors also have an impact on the interviewees' careers. For example, in several cases the birth of a child leads to the temporary or permanent loss of the mother's job, or at least requires the rearrangement of everyday life.

After analysing the interviewees' work trajectories, we identified four major groups. The first and largest group comprises respondents who have *horizontal career histories* with unbroken upward mobility (regardless of the pace of mobility). They have worked in the same job or in very similar jobs during their active years, and sometimes even during old age. Most of these people are long-term (20 or more years) Józsefváros residents, but some newcomers can also be found among this group. The second group consists of those who are in *marginal labour market positions*. They have also worked in similar types of jobs, but they are mostly of low-status. The majority of these residents have lived in Józsefváros for a long time. In general, they have low educational attainment, and they are trapped at the lower levels of the local labour market. The proportion of Roma people among them is quite high. Members of the third group depicted *varied, sometimes hectic career trajectories*, characterised by radical changes and interruptions. Their average length of residence in Józsefváros is substantially lower than in the former groups. The fourth group is comprised of *skilled, young adults* who are still students in higher education

and/or at the beginning of their careers, with good chances in the primary labour market and upward mobility. It is worth noting, however, that there are some overlaps between these groups, and some residents have career routes that are difficult to classify according to these categories.

Using neighbours and others to find a job

Our interviewees mentioned several techniques of making a living for themselves, among which employment – both formal and informal, full- or part-time – has a primary importance. Many of them found their jobs through classic job advertisements and open tendering. Nevertheless, for several residents, their social contacts proved to be of considerable help in acquiring a job. Various types of networks were mentioned: professional, personal or family, neighbours and informal relationships.

The respondents' stories are very heterogeneous regarding the importance of different networks and the results of using personal contacts, however some generalisations can also be made. Professional networks (i.e. education, work), for example, have more relevance for highly skilled and better-educated people. Personal relationships seem to be more important for poorer persons and those with lower educational attainment. Nevertheless, the importance of such contacts was also underscored by several higher status residents, so a straightforward distinction cannot be made between the two groups.

Neighbourly and informal links seem to rarely help the interviewees to find a new job, but such relationships do have some relevance. As a Roma inhabitant referred to the mutual help among local Gypsies: *"Sure, if there is a job here somewhere, we call each other: You have a vacancy, is that right? Then they say that you can come and work here or there. Yes, we help each other in this way"* (R44, female, 40 years, public worker, Hungarian-Roma). Respondents often referred to the opportunities offered by the neighbourhood when talking about their work. Sometimes these contextual factors have greater influence on carrying out an existing job than finding a place to work. For example, informal relationships and place-specific knowledge can function as a valuable asset. For both lower- and higher-status respondents, their social ties in the district can help them perform their jobs. Social sector employees told us several stories about how the good relationships they have with other residents helps them do their job. Another example was provided by a white-collar worker when she was asked about the advantages of her neighbourhood:

"Q: Do you feel that living in this neighbourhood helps or hinders you from taking advantage of important opportunities in life?
A: I think yes, or at least for me, it helps… I work as a translator for magazines and radio stations. I translate for Swedish people and I have also worked with German colleagues. So, I've got a pretty good insight into life in this city. The 8th district is especially interesting in several aspects… and I have my personal contacts here. I know the local people or I just approach them

and ask them for information. They have seen me before so [they know] I'm from here – I'm not a total outsider" (R16, female, 42 years, Consular Officer and Interpreter, Hungarian).

It can be concluded that professional and personal relationships play the largest role within social networks, but neighbourhood and casual contacts (or so called 'weak ties' [Granovetter, 1973]) are also relevant in the respondents' work trajectories. However, these latter types of contacts generally act as a 'last resort' (Elliot, 1999) for poorer residents rather than as a means of leveraging oneself into better jobs, but as the above citations demonstrate, higher-status residents also use place-based weaker social ties in their professional lives.

Neighbourhood reputation as an asset in upward social mobility?

The literature concerning influences on labour market careers in urban environments often emphasises the role of the neighbourhood, especially in ethnically segregated areas (Friedrichs *et al.*, 2003; Musterd *et al.*, 2008). At the same time, the wider context (i.e. factors related to city, region, country) also seems to be important since prosperous cities with intense global connections can offer better career opportunities. Neighbourhood effects can be manifested in the stigmatisation of residents on the labour market, the lack of resources in the neighbourhood, the attitudes and behaviour of people living in the neighbourhood, and negative social ties (Hedberg and Tammaru, 2010).

According to the interviews, there is no significant connection between the reputation of the neighbourhood and the social mobility of people. Most residents do not feel that the image of Józsefváros has an effect on their career chances or social status. Some interviewees even felt confused and perplexed when asked the question about whether living in their neighbourhood helps or hinders them from taking advantage of important opportunities.

The city-wide reputation of Józsefváros is generally negative, but is changing due to the ongoing urban regeneration programmes, the mushrooming of new functions and the area's changing population. However, the image and its changes are spatially differentiated: the image of some quarters (e.g. Corvin Quarter, Teleki Square) have improved significantly, while others remain unchanged and negative (e.g. Népszínház Street, Orczy Quarter). For example, as a long-term resident who has been living in the district for 14 years depicted the situation: *"As far as I can see, it is changing, getting nicer. One street is new, while in the next one someone stabs you"* (R6, female, 36 years, chemical engineer, Hungarian). Therefore, it can be stated that it is not only 'objective' data (e.g. on socio-economic status) that point to the spatial fragmentation of Józsefváros, but residents' perceptions and mental maps as well.

The reputation of the neighbourhood and its role were referred to during several questions in the interviews, e.g. the positive and negative aspects of the neighbourhood, changes in the neighbourhood, motivations for moving to the district, occupation and career path, or government policies. Three types of effects can be distinguished in the interviews: positive,

negative and neutral (or non-existing) ones. The connection between social mobility and the real estate market seems to be the most often mentioned, both in a positive and negative light.

Positive effects
As mentioned above, the image of Józsefváros has changed significantly in the past 10-15 years due to urban renewal programmes and upmarket real estate developments in some quarters. Therefore, several interviewees said that Józsefváros has become more attractive recently – but did not mention that it had any effect on their life chances.

One of the positive effects of the district's reputation is connected to its bad image – because Józsefváros is widely considered as an unsafe, deprived area with lots of problems, the real estate prices are consequently lower than in neighbouring areas. This makes housing more affordable for those moving to Budapest from abroad or from other parts of Hungary – providing them with good opportunities to enter the housing and labour market of the city and helping their chances of social mobility. Therefore, for many long-term residents or newcomers, the primary reason for moving to Budapest and/or Józsefváros is education or work. This 'springboard function' is the most important positive effect of the neighbourhood on local social mobility:

"I wanted to live near my workplace, which is in the 9th district, but the rent is much cheaper here… Both my husband and I come from Sopron [a town on the western border of Hungary], but we moved to Budapest because we both studied here. Then, I stayed here and my husband also found a job here. Jobs fitting his qualifications can only be found in a big city and Budapest is such a place" (R2, female, 30 years, Lutheran priest/pastor, Hungarian).

Although the interviewees were often hesitant about making a direct connection between the neighbourhood and their life chances, it can be said that the characteristics of Józsefváros have several positive effects on social mobility. For example, the low real estate prices caused partly by the bad image of the district made it possible for many to obtain an apartment here, and acquire or retain a position in the Budapest labour and housing markets. Moving to Budapest, therefore, enabled several interviewees to have (better) jobs, as well as to keep certain social relationships or to establish new ones. Furthermore, for those who moved to Józsefváros from other parts of Hungary, the area offers more opportunities, helping intergenerational social mobility. According to one interviewee (R19, female, 37 years, dispatcher, Hungarian), the fact that *"good quality elementary schools are available, and maybe even better secondary schools"* can be found in the area is crucial for the success of her kids. Other, lower-status respondents emphasised the opportunities provided by the informal economy, which are also traditionally important income sources in the most deprived parts of Józsefváros. A Gypsy/Roma resident (R43, female, 38 years, public worker, Hungarian), for instance, talked about how she was selling vegetables during her childhood in the street or in subway passages to make a living for her family. In conclusion, although it seems that social mixing in Józsefváros does not eliminate socio-spatial inequalities, living in the area can improve the social status of the residents in many respects and help them achieve their career goals.

Negative effects

According to our respondents, negative neighbourhood effects on social mobility are not significant. The most often mentioned negative effects of the neighbourhood's reputation are manifested in intergenerational social mobility and real estate prices. Previous research (e.g. Andersson, 2004) suggests that the neighbourhood can have a significant effect on educational attainment, which is also reflected in the interviews. One of the young residents emphasised that living in Józsefváros makes it harder to achieve important things in life because of segregation, the negative reputation of the district and the bad self-image of locals.

"In my opinion, being successful requires more effort here than in the 2ⁿᵈ district, for example. If someone is successful here, then they will be successful in life, for sure. Basically, the chances are slimmer here than in other neighbourhoods… In many cases, our self-image and the public image of Józsefváros is very bad" (R3, male, 23 years, student, Hungarian).

Particularly for the interviewees living in the most deprived areas of Józsefváros, security and the attitudes of neighbours (and the lack of positive role models for their children) are serious issues. They do not want their children to grow up in the neighbourhood – thus, see moving out of the area as an instrument for intragenerational social mobility. As a Roma resident (R37, female, 38 years, kitchen assistant) said: *"I have a son and a daughter; I don't want them to become drug dealers or prostitutes. Because that is what you see here"*.

The reputation of certain neighbourhoods (e.g. certain streets in Magdolna and Orczy Quarters) makes apartments difficult (or impossible) to sell, therefore, locals are often trapped in the housing market.

"Why is it good to live here? I would not say that it is good. I'm talking about this particular neighbourhood, as there are several different quarters in the district. Although this is a nice building, the apartments are unmarketable. There is a 130 m² apartment on the upper floor, and the owners cannot sell it. … Or on the Lujza and Diószegi Streets, people have a look around the neighbourhood and say 'thank you' and go away" (R17, male, 70 years, old-age pensioner, Roma).

The statements regarding education, positive role models and concerns regarding future prospects for children underpin the conclusions of previous research (e.g. Ellen and Turner, 1997), which emphasise that the neighbourhood environment may have more impact on people with fewer social, cultural and economic resources. Since they do not have access to other resources, they must rely on those provided by their neighbourhood.

Finally, many interviewees have experienced neither positive nor negative effects on their career or life chances due to the neighbourhood's reputation Available literature on neighbourhood effects and social cohesion (e.g. Friedrichs *et al.*, 2003; Hedberg and Tammaru, 2010; Pinkster, 2014) often suggests that a neighbourhood can have negative effects on employment through

the stigmatisation of job seekers in the area. Our interviewees, however, have not experienced discrimination on the job market due to their neighbourhood.

Conclusions

Traditional methods of job searching (e.g. advertisements, open tendering) are more typical in the labour market careers of the respondents, however social networks also play an important role – mainly for interviewees with a lower education or social status. Within social networks, professional and interpersonal ties have the greatest significance on labour market careers. Family and friendships are more important for improving job opportunities and social mobility for the most deprived group, the Roma. The neighbourhood itself, neighbours and other casual contacts also have some relevance, although playing a subordinate role in the work trajectories of respondents. Our results show that most residents do not see a link between their social status and the district's reputation. The reason for this is that the egocentric networks and daily activity spaces of the locals are not limited to Józsefváros – they reach beyond the boundaries of the area. In other words, the locals are not 'trapped' in the district, and their social capital is not determined by their residence. Furthermore, earlier surveys (Huszár, 2011; Róbert, 1994; Sági, 1996) show that the most important element of justification for social inequalities in Hungary is the performance of the individual – therefore inequalities are usually interpreted as the result of individual characteristics and efforts while the role of other factors (such as place of residence, religion, ethnicity) is considered to be less influential in this regard.

Our results also showed that personal connections and the availability of resources have a stronger effect impact on social mobility than the reputation of the neighbourhood. The neighbourhood perhaps has the greatest impact on the social mobility of people (Hungarians and foreigners) who have recently settled in Budapest, because Józsefváros provided them with an easy entry to the local housing (cheap dwellings) and labour market (diversity of jobs, informal activities etc.). This 'springboard function' was especially influential among the less-educated and poor with limited social and economic resources. The diversity of the district (housing, jobs, people, functions) helped different types of people to integrate into the urban society.

4.7 PERCEPTIONS OF PUBLIC POLICIES AND INITIATIVES

One of the key issues regarding public policies and initiatives is related to managing the co-existence of various social groups, values and cultures in the neighbourhood (Chaskin *et al.*, 2012; Sandercock, 2000). In diverse neighbourhoods, for example, public initiatives can have significant effects on the strength and character of relations among various groups of people. In this section, we analyse respondents' views on existing policies and local initiatives in Józsefváros. In a cohesive society, people are aware of local policies and initiatives that have an impact on their lives, and they also try to influence such policies.

Perception and evaluation of existing policies and initiatives: what do residents know?
A key issue regarding local policies is whether they are tailored and implemented for the residents or with the residents. Are local people and associations (and their social capital) mobilised through participatory politics or not (Garcia-Zamor, 2012)? The basic assumption of participatory development of communities is that marginalised people know best what their problems are and how to fix them (Castelloe and Watson, 2000; Castelloe *et al.*, 2002). This is particularly important for the management of urban diversity, for example, to avoid the reproduction of prejudices and exclusion. In this regard, the policies aimed at the (re) production of public spaces are crucial arenas of social interactions and significant sources of information on otherness (Sandercock and Kliger, 1998; Wiesemann, 2012). Therefore, knowledge of the development of these spaces and the involvement of locals in decision-making processes influence the cohesion of local society and the appreciation of diversity.

Most interviewees had very limited knowledge about public policies and initiatives in Józsefváros. Based on the responses of residents, it is not easy to deliver any robust statement because many of them have had no experience with policies and initiatives. This is quite surprising because on the one hand, most of the interviewees emphasised that the 8th district of Budapest had been radically transformed during the last ten years and, on the other hand, the local government maintains an intensive urban marketing and communication campaign.

In this respect, however, the differences between long-term residents and newcomers (gentrifiers) are obvious, as are differences between active and passive residents shaping the perceptions of public policies and initiatives. Long-term residents usually have a wider knowledge of local initiatives and participate more intensively in civil as well as political activities than newcomers. Several elderly interviewees belong to various political parties as members or activists, which shows a close relationship with the pre-transition era. Some interviewees are involved in policy performances; most of the local civil movements are led by long-term residents (including some of the interviewees), and a couple of these NGOs aim at diversity-related issues (e.g. violence against women).

Most of the younger and short-term residents said that they had not heard about any initiatives, and they also had very limited information about the local programmes we mentioned. As a 25-year-old male interviewee (R30, private entrepreneur: agent of financial products, Hungarian) responded when asked if he had any information on public initiatives: "*No, not really, and I do not engage in such matters because I do not see the point of these activities*". We must also note that because of the legacy of the communist era and the disappointment with the political and social transition after 1989-1990, the civic activity of residents is relatively weak in Hungary.

Residents are most interested in activities taking place in their own micro-residential environment such as urban renewal activities, interventions that target public safety and the image of their neighbourhood (public spaces, public cleanliness, disturbing services, e.g. casino,

bars). The shaping of perceptions of public policies and initiatives does not depend on the location of residents within Józsefváros.

Issues regarding public safety, especially drug abuse and the interventions against homeless people, were the most relevant topics for our interviewees. Regardless of their political orientation, respondents seemed to unequivocally support the efforts of the district municipality to create 'order' in the district by applying policy measures (e.g. CCTV system controlling public areas, strict local regulations regarding anti-social behaviour in public spaces).

> *"… according to the opinions of other people and based on what I see, I can say that public safety has improved recently. I think that there is a good process that started some years ago, for example, the measures related to drug taking, so I recognise that the situation is better in Józsefváros than it was before …"* (R33, male, 37 years, musician, Hungarian-Roma).

Policy priorities proposed by interviewees: what do residents want?
We can classify the needs and the suggestions of respondents according to the level of governance competences and where the problems should or could be handled. We can distinguish between national, city-wide and district-level priorities. However, in some cases it is difficult to tie recommendations to distinct decision-making levels, since the interviewees did not mention a decision-making authority or level. They only highlighted the perceived problems and their suggestions for their management. Furthermore, the highlighted priorities were often connected to multiple scales (i.e. housing problems were mentioned in relation to both national and city levels; social problems and poverty were mentioned regarding all three decision-making levels).

National recommendations
It should be noted that expectations that it is up to the state to solve social and economic problems is traditionally strong in Hungary. This public attitude is partly due to the legacy of the paternalistic state-socialist regime and the recent re-centralisation actions of the central government, and this had a notable effect on the responses from our interviewees. Thus, residents quite often emphasised the need for the intervention of central government (!) or mentioned problems that not only affect Józsefváros but have nationwide significance.

Most respondents (regardless of age, social status, ethnicity or gender) highlighted problems in connection with housing (empty apartments, shortage of social housing, substandard housing, foreclosures because of loans and unclear regulation). Based on several responses, we can highlight that improving social services are considered particularly important – especially the care of lonely and elderly people. Increasing social inequality and the growing concentration of disadvantaged people were also mentioned by many interviewees. Therefore, suggestions were made by interviewees focusing mainly on better and more effective inclusion of marginalised groups (e.g. deprived people, immigrants, Roma people etc.) as well as decreasing poverty.

In this respect, job creation, wage increases, education and training programmes were often mentioned:

> *"Poverty and unemployment are the most important problems. If there were more jobs, there would not be so many homeless people. More jobs are needed, and I think everyone should earn the minimum wage at least"* (R42, male, 23 years, public worker, Hungarian).

City-level recommendations
The city-level priorities recommended by our interviewees were mainly organised around the topics of widespread social problems, infrastructure, and decision-making. One of the most relevant conflicts within Józsefváros is the concentration of drug users. The majority of respondents suggested that it was important to pay more attention to drug prevention initiatives, and policing programmes.

> *"I think the most serious problem in the neighbourhood is drug abuse. It is quite common to walk down the street and see a drug addict using some substance. That should be handled somehow, but I have no idea how"* (R35, female, 53 years, real estate agent, Hungarian).

Homelessness and the use of public spaces were often mentioned together. Some interviewees suggested that reintegration programmes for homeless people should be initiated. Regarding public spaces, some residents (both newcomers and the elderly) supported measures with a certain anti-diversity nature and could have a homogenising effect on public spaces (e.g. controlling and regulating who, how and when particular public spaces can be used). However, disagreements with these measurements were also present; mostly from highly educated and female interviewees.

The infrastructure-related recommendations were mainly stressed by elderly interviewees, who often mentioned that improving or reorganising the public transport and traffic infrastructure was important: *"… there was a meeting with one of the local politicians, and I recommended reorganising the schedule of trolley buses and buses since there are huge gaps in their current schedule"* (R47, female, 78 years, old-age pensioner, Hungarian).

Most well-educated interviewees emphasised the need to stimulate bottom-up initiatives and reduce the top-down nature of decision-making processes. Furthermore, some well-educated interviewees mentioned that the level of transparency in decision-making should also be increased: *"I see no willingness in the political sphere or among professionals to include civil partners in developments. … Thus, there is no external control over projects and developments"* (R5, male, 47 years, social worker/teacher, Hungarian).

District-level recommendations
District-level suggestions were usually related to housing, the use of everyday spaces, the daily activities of locals, and in some cases, existing social problems and marginal groups as well.

Many problems mentioned earlier (e.g. poverty, housing, decision-making mechanisms) were often connected to the district level as well. The conditions of public spaces, community, sport and leisure facilities were also often mentioned by the interviewees. The cleanliness and safe use of public spaces seems to be particularly important and was mentioned in almost every interview – regardless of the age, gender or social status of interviewees.

The need for more cultural events and programmes (e.g. annual local events, association of artists, cultural partnerships etc.) of higher quality were also often indicated, mainly by well-educated respondents:

> *"There should be programmes which are open and attractive to everyone… When I visited some local events, I did not feel that they were for me, but instead for some distinct group of locals… There should be programmes that help locals get together; become familiar with each other's culture"* (R16, female, 42 years, Consular Officer and Interpreter, Hungarian).

However, there were no particular propositions regarding the ethnic or cultural diversity of the district.

Conclusions

Based on the interviews, we can conclude that local residents usually have little knowledge of local and city-wide initiatives. However, better educated people tend to be more knowledgeable and are also aware of the people affected by such initiatives. The time spent in the district (i.e. the difference between newcomers and old residents) is also noticeable – newcomers have less knowledge about existing policies.

We can also conclude that public policies and initiatives targeted to improve the physical conditions of different neighbourhoods were the best known among residents. According to our results, more attention should be paid to local public policies and initiatives, and to small-scale interventions focusing on social housing, community facilities and public safety.

Based on the responses, we can say that the most important aspect for local residents was the quality of public spaces, especially public safety, as well as the use of public areas. Diversity policies do not play an important role in the daily lives of residents, and most of their suggestions are not concerned with diversity issues. Moreover, in the case of policies on public spaces, residents often suggested measures which could have negative effects on diversity (e.g. regulating and homogenising behaviours and use of public space).

4.8 CONCLUSION

Józsefváros is a diverse and dynamically changing neighbourhood. The key trigger factors that attract newcomers (regardless of their origin, age or occupation) are its excellent location, easy

accessibility and affordable local dwellings. The arrival of newcomers clearly contributes to the growing diversity of the area, improving the image and city-wide reputation of the district. Local residents are aware of the diversity of the area, but they understand it in a very broad sense, ranging from the functional and architectural characteristics of the area to its socio-cultural milieu. The latter was rarely perceived as the area's primary advantage or main asset. Nonetheless, local people believe that the diversity of the district is continuously growing and contributes to a vibrant urban life, making the area more attractive to younger and better-off people and those with alternative lifestyles. The built environment and the housing stock of Józsefváros range from the historic inner city-like Palotanegyed to the more sparsely built Tisztviselőtelep, or from the rapidly gentrifying Corvin Quarter to dilapidated areas under social urban rehabilitation such as Magdolna Quarter. Every quarter has its own character, cultural life, consumption spaces and recreation opportunities.

The dynamic changes are particularly well-perceived by locals who have been living in the area for a longer time. The most significant social process described by respondents is the arrival of young people and foreigners to the area, partly linked to the gentrification and studentification process. This process has resulted in a growing mix of people with very different demographic, socio-economic, ethnic and cultural backgrounds. Due to increasing heterogeneity of the local society, there is also a higher level of tolerance in Józsefváros towards almost any kind of difference than in other parts of Budapest.

Residents of Józsefváros can benefit from diversity in many different ways. The most important aspects can be summarised as follows:
- The new residents of Józsefváros help improve the district's reputation; from a poor area characterised by deviant behaviour and social problems to a dynamic neighbourhood with a rich cultural background that is attractive to newcomers. The changing image of the district decreases the chance of neighbourhood-based stigmatisation, moreover, it can positively influence social mobility and integration.
- The diversity has a two-fold connection with real estate markets. On the one hand, the relatively low prices in Józsefváros contribute to the social mobility of individuals by enabling them to buy or rent apartments near better paid jobs – thus, improving their career chances ('springboard function'). On the other hand, real estate prices are going up because of the growing demand in the area. This is related to the changing profile and growing reputation of the district, and the increasing number of new residents. Rising property prices can be beneficial for those residents planning to move out from their current apartment. However, it is worth mentioning that this can be a contradictory process, since increasing real estate prices can foster gentrification (by inspiring local people to take advantage of it by selling their apartment and moving elsewhere), thus further weakening social ties.
- The diversity of lifestyles and cultures creates new forms and spaces of consumption and stimulates the growth of local service sector. The mushrooming of call shops and 'ethnic restaurants' or the appearance of new amenities suggest that diversification contributes positively to the economic performance of Józsefváros.

- The diversity of people can also be beneficial to social cohesion. Several examples demonstrate that interacting with people from different social, cultural, ethnic, lifestyle or age groups can raise residents' social awareness and levels of tolerance. This can be true in the mixing of children in kindergartens and schools in particular.
- Diverse levels of social status including the poor, the better-off, newcomers and long-term residents, youngsters, elderly people, Hungarians and immigrants etc. offers opportunities to develop supportive relationships. For example, local residents can help resolve problems for immigrants and them integrate into mainstream society, or better-off people can offer paid domestic work to poorer people.
- The socio-economic diversity of the area provides a wide range of opportunities for informal economic activities, partly organised through social networks. The share of informal employment in poverty ridden neighbourhoods such as Józsefváros is above average, and poorer people in particular use these opportunities to earn additional income, which increases their economic stability and enhances their social mobility.

5 ENTREPRENEURS DEALING WITH DIVERSITY

5.1 INTRODUCTION

High levels of economic growth and increasing the well-being of citizens (Bodaar and Rath, 2005; Fainstein, 2005) are the main objectives of urban policies and are closely connected to entrepreneurship and the ability of locals to create new enterprises. The literature emphasises that cities open to diversity are able to attract a wider range of entrepreneurs than those that are relatively closed (Eraydin *et al.*, 2010; Fainstein, 2005; Florida, 2002; Taşan-Kok and Vranken, 2008). Empirical research results on how economic competitiveness is connected to urban diversity, however, are rather limited and they provide evidence usually only at the macro level.

In this chapter, we focus on the economic performance of enterprises in Józsefváros and the conditions that support and sustain competitiveness and longer term development. We aim to demonstrate the relationships between urban diversity and the success of entrepreneurs. First, the chapter examines the entrepreneurs in Józsefváros and the factors that define their economic performance. It might be expected that such as ethnic background, age, family background, gender, education and previous experience are important variables in determining the success of their enterprises. Second, the chapter explores the main motivations of entrepreneurs and assesses whether neighbourhood diversity was an important factor in starting their businesses where they are located now. Third, we evaluate the market conditions that are important for the economic performance of entrepreneurs. Fourth, the chapter evaluates the role of policies and measures at different levels and the institutionalisation of such policies.

5.2 METHODOLOGY

This chapter is based on in-depth interviews conducted with 40 entrepreneurs and key actors of local entrepreneurship in Józsefváros, between September 2015 and January 2016. During the fieldwork, it was imperative that the group of interviewees reflect the diversity in entrepreneurship within the case study area. For this purpose, we tried to contact as many types of entrepreneurs as possible (e.g. firms from various sectors, private entrepreneurs, SMEs and large companies, ventures with non-Hungarian ethnic background, etc.). In addition, we conducted interviews with four key actors (e.g. representative of the local economic chamber) who all had extensive knowledge of the business environment in Józsefváros.

Interview partners were recruited through different channels. First, one of the local residents acted as a key person and mediated between the research team and the entrepreneurs; we obtained approximately one-third of our interview sample through this channel (mostly private, micro- and small-sized enterprises). Second, RÉV8 Plc. helped us reach more powerful economic actors since it had developed a broad professional network in Józsefváros. Third, a small proportion of respondents (2 persons) were approached using the 'snowball' method, and some of them – especially ethnic entrepreneurs – were asked for interviews without mediators.

Although our intention was to compose an interview sample which represents a balanced image of diversity in Józsefváros (Appendix 4), the sample has certain shortcomings. First, female entrepreneurs are under-represented as only six out of the 40 respondents are women. Second, there are significant communities of African immigrants in Józsefváros and the neighbouring districts, however no one from this group wished to participate in the research, probably due to lack of time or possible scepticism about such research. Third, the majority of interviewees belong to older age groups: no one is under 30, and only three are younger than 35. Last but not least, Józsefváros is well-known in Budapest as a traditional node of informal and illegal economic activities. We could not find a way into this sphere; however, according to the interviewees, it still exists in the area.

5.3   THE ENTREPRENEURS AND THEIR BUSINESSES

In this chapter, we provide an overview of the main characteristics of local entrepreneurs who are involved in our fieldwork in Józsefváros, and their enterprises. First, we will highlight the general characteristics of entrepreneurs and their previous professional experiences. Are the emerging types (grey, creative, knowledge, ethnic and immigrant) of entrepreneurs present in the study area? In the second part, we aim to define the main characteristics of the businesses and the evolution of the enterprises. Finally, we turn our attention towards the physical condition and the ownership pattern of enterprises in our case study area. The main focus is on the relationships between urban spaces and entrepreneurial activities in the light of the local features of 'diversity'.

The typologies of entrepreneurs can traditionally be based on business orientation, sector, size of business, educational background, demography etc. (Tang *et al.*, 2007). Recent studies have highlighted emerging forms of entrepreneurship, e.g. part-time, parallel, serial entrepreneurs (Jakobsen, 2011) emphasising the importance of various lifestyles, time management and goals of businesspersons. The changing business structure and the growing role of knowledge and creativity has also induced the development of new typologies and categories such as creative enterprises, technopreneurs, knowledge entrepreneurs etc. (Andersson *et al.*, 2010; Fainstein, 2005; Florida, 2002). Furthermore, the ageing population in developed countries has highlighted the role of 'grey entrepreneurs': those over 50, who often started their businesses after retirement (Kautonen, 2008; Weber and Schaper, 2004). Last but not least, immigration

and the growing diversity of cities has led to the growing importance of ethnic and immigrant businesspersons as a separate type of entrepreneur (Eraydin *et al.*, 2010). Because of the socio-ethnic milieu of Józsefváros, we pay attention not only to ethnic but to other social aspects of diversity as well (such as age, social status, education etc.) – in accordance with the concept of hyper-diversity.

Characteristics of the entrepreneurs

The age profile of the 38 entrepreneurs we spoke to represent a fairly even spread with eight aged between 30 and 39, nine aged between 40 and 49, six aged between 50 and 59, 13 aged between 60 and 69 years old, and two aged between 70 and 79 years old. Therefore, 21 interviewed entrepreneurs can be considered as grey entrepreneurs (using the term in a broader sense, and not limiting it to those who started their venture after 50 years of age).

The relatively large share of senior entrepreneurs is partly the result of economic transformation following regime change: the fall of the communist economy and the introduction of market conditions provided opportunities that were not available prior to 1990. Furthermore, some of the elderly interviewees are necessity entrepreneurs because they lost their jobs and were disadvantaged in the labour market due to their age or educational background.

We conducted interviews with 31 male and 7 female entrepreneurs, so there is a skew towards males, which is in accordance with the general trend in Hungary. Males tend to be more often involved in entrepreneurial activities, and they are also over-represented among managers of bigger firms.

The majority of entrepreneurs we spoke to were born in Budapest (25). Two interviewees were born in the suburbs of Budapest; five of them were born in the country. The migrant entrepreneurs are either ethnic Hungarians from neighbouring countries or immigrants from an ethnic background. Among the immigrant entrepreneurs, one interviewee is from Romania, but with Hungarian ethnic origin. Two respondents were born in Turkey, while three were born in Iran, China and Vietnam respectively.

Regarding the ethnic backgrounds of our entrepreneurs, 25 identify themselves as Hungarian, one as Roma, another as Kurdish and Turkish, and others as Persian, Chinese and Vietnamese. Therefore, various types of ethnic entrepreneurship were represented in our research.

For the majority of entrepreneurs (23), secondary school education is their highest educational qualification. The creative and knowledge-based economy is strengthening in Józsefváros, but right now its role is moderate as the area is in the early stages of its (physical, social and economic) transformation. The emergence of knowledge-based enterprises is related to urban rehabilitation and gentrification processes in the Quarter of Palotanegyed and at the Corvin Promenade.

The employment histories and experiences of the entrepreneurs were extremely varied in nature, particularly in terms of prior experience in running a business. On the one hand, only eight of the 38 entrepreneurs had no experience being employed elsewhere other than their current workplace (i.e. their business). On the other hand, only a few entrepreneurs had experience owning and running a business prior to their current enterprise – being their first-ever business.

Finally, with regard to where entrepreneurs lived in relation to where their businesses are located, we found that a slight majority of entrepreneurs (26) lived outside of Józsefváros.

Characteristics of the businesses, their evolutionary path and core fields of activity

The entrepreneurs and managers interviewed come from a range of sectors, from dog beauty salon to tanner, watchmaker to violin-maker and environmental planning office to property and urban development holding. The enterprises can be categorised into five types based on the main activities of businesses.

The first group of enterprises can be specified as 'handicrafts'. Ten entrepreneurs interviewed are involved in these types of businesses: a carpenter, an upholsterer, a tanner, a watchmaker, a hat-maker, a violin-maker, a glazier, a goldsmith, a printing house and a stone mason.

The second group of businesses are 'retailers'. This group again included 10 businesses: a Persian food store, a Turkish supermarket, a Turkish butcher and food shop, a Vietnamese convenience store, a florist, a stationer, a china shop, an organic food shop, a greengrocer and a book store. The above two groups of enterprises covered more than half of all businesses interviewed.

The third group of businesses that were interviewed can be identified as 'tourism and hospitality' trades. This group included nine enterprises: a superior three-star hotel, a luxury apartment hotel, a stylish Jewish restaurant, a low-cost Chinese fast food restaurant, two confectioneries (one of them for people with special needs – e.g. sugar and lactose-free cakes), two multicultural pubs and cafes as well as a ruin bar with a community centre.

The fourth group of enterprises can be characterised as 'consulting and engineering services'. This sector is represented by five enterprises, namely an environmental planning office, a property and urban development holding, two construction companies and an engineering consultancy.

Finally, the fifth group of enterprises can be labelled as 'residential services'. This sector was represented by four businesses including an auto repair shop, a dog beauty salon, a translation agency and a medico booking start-up.

We can say that four types of enterprises could be identified according to the legal status of the enterprises, which are as follows: sole proprietors, limited partnerships, limited liability companies and joint stock companies.

Eleven businesses have legal status as individual, self-employed entrepreneurs focusing on traditional profiles providing residential services (e.g. confectioner, florist, greengrocer, dog beauty salon) or handicrafts (e.g. watchmaker, upholster, carpenter). There is a high concentration of individual entrepreneurs along Baross Street (on the border of Corvin Quarter, Csarnok Quarter, and Losonci Quarter; see Figure 5.1) where the premises of nine of the enterprises interviewed are located.

Five enterprises are limited partnerships with two or three business members. The limited partnerships were established between 1991 and 2001. Owners of this type of enterprises had family relationships with one or two members of the partnership in four cases.

Twenty businesses in our sample are limited liability companies, of which six businesses are owned solely by one director, and six other businesses are jointly owned in equal 50/50 shares by two owners.

The smallest group of businesses we spoke to were joint stock companies. The two such ventures have a wide ownership background including family members and businessmen on the boards of directors.

The strong family relations among owners are important feature in our case study area. According to the start of the business, we can identify four categories among the enterprises. Six entrepreneurs were able to start their ventures in Józsefváros in traditional sectors such as handicrafts and retail before the political transitions in 1990. The vast majority (12) of businesses have been running for 15 to 25 years. They were established between 1990 and 1999. The second largest group of enterprises included 10 businesses which were set up between 2000 and 2009. Finally, the share of newly established enterprises was relatively high in our sample because nine entrepreneurs started their businesses after 2010 in Józsefváros.

In terms of employment, half of the businesses interviewed (19) have no employees besides the owner/director. In addition, 10 businesses have between one to nine employees and only eight businesses have 10 or more. Based on the interviews, however, we can say that in most cases the total number of employees or contractors who are involved in the activities of these businesses is much higher. Due to the unpredictable nature of these businesses, as well as the extremely high cost of wages, most enterprises work with subcontractors or employ casual and freelance workers.

Two factors explain the dynamic presence of new businesses in our sample; on the one hand, many of them are based in the Corvin Quarter, where massive urban transformation has taken place due to urban regeneration, providing an attractive space for new enterprises (Picture 5.1). On the other hand, the H13 student and enterprise centre operates as incubator spaces for start-ups and provides comprehensive services and subsidies for clients to become entrepreneurs

in Józsefváros. We cannot define a typical development path for local businesses; expanding, shrinking and stable (unchanging) business profiles and customer bases were all mentioned during the interviewees. The sector, the ethnic background, and the size and performance of businesses are strongly related to these categories. We can emphasize that the ethnic businesses usually focus on certain sectors; immigrants from the Middle East and North Africa tend to focus on services (money exchange, internet café, restaurant etc.), Turkish entrepreneurs usually sell clothes, while the Chinese focus on electronic equipment nowadays – previously they sold clothes and other textile products. The changing focus by Chinese enterprises was motivated by the growing labour costs in China and the changes in the Chinese economy – this highlights the importance of the connection with the source economies in the case of immigrant businesses.

Changes in profile or customer base were often mentioned by our interviewees. As a motivation, they highlighted the role of economic crises, declining purchasing power, changing customer needs, sharp competition, and in some cases, innovative attitudes of entrepreneurs. In one case, the reason for the change of product range was independent of the performance of the business; because of the change of regulation, a gift and flower shop could not offer alcohol anymore. A stable profile or customer base was often mentioned by small enterprises (owned by the elderly) with niche markets (e.g. hat or instrument making).

The location and site/s of the enterprise

According to the entrepreneurs, half of them are renting their business premises from the Municipality of Józsefváros (6), the State (1), and private owners (11). The properties rented are their business premises except for in one case (the building of the 'ruin bar'). The units which are company-owned are very different; there are building complexes (4), housing units (4) and business premises (12). Nine enterprises have more than one business premise. Half of the additional business premises are located in Józsefváros. Ten enterprises are located in revitalised or redeveloped areas.

We interviewed eight entrepreneurs based in the Quarter of Palotanegyed, seven in the Csarnok Quarter (in English: Market Hall Quarter) and seven in the Corvin Quarter. Four were based

Picture 5.1 New shop in the Corvin Quarter.
Source: Lajos Boros
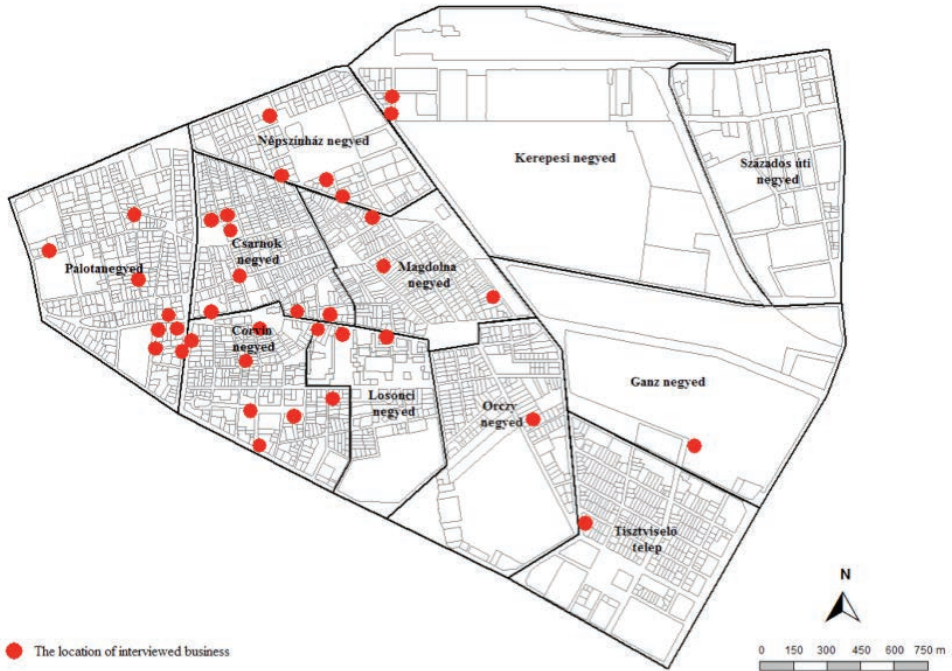
Figure 5.1 Spatial distribution of businesses interviewed in Józsefváros. Source: Designed by the authors

in the Népszínház Quarter, three in the Magdolna Quarter and three in the Losonci Quarter, two in the Kerepesi Quarter, and finally, both Tisztviselőtelep and Ganz Quarter each have one business. The Grand Boulevard, Corvin Promenade and Baross Street are the main hubs in terms of traffic and customer frequency – these can be considered the core areas for services and retail. (These hubs are located in Palotanegyed, Corvin Quarter and Csarnok Quarter.) All businesses are easily accessible by public transport; the vicinity of metro and tram stations make these favourable business locations.

5.4   STARTING AN ENTERPRISE IN A DIVERSE URBAN AREA

In this section, we focus on the motivations of entrepreneurs to start a business. Why did they establish their companies? What were the roles of various push and pull factors? Did the diversity of the neighbourhood influence their decision to start a business, and if so, how? What was the role of social capital, social networks in starting a new business?

Becoming an entrepreneur requires certain abilities (skills, social and financial capital etc.) and a willingness to start a business – in this factor, motivation has a key role (Verheul *et al.*,

2010). According to the literature (Amit and Muller, 1995) on entrepreneurial motivations, we can distinguish between 'push' and 'pull' types of entrepreneurs. Members of the first category are forced to leave their former job and start a business because of external (e.g. economic or political circumstances such as risk of unemployment) or internal motivations (e.g. feeling of discomfort or alienation from current position). Continuing a family business, thus, maintaining or establishing a tradition can also be an important push factor (e.g. when an individual inherits a business). The influence of push factors can be particularly strong in less developed economies due to scarce employment opportunities. Pull factor entrepreneurs are attracted by business opportunities, the possibility of being independent or socially mobile (Amit and Muller, 1995; Gilad and Levine, 1986; Shapero and Sokol, 1982). In the case of female entrepreneurs, the flexibility of entrepreneurship can be an important pull factor because it allows family life and career to fit together more easily (Gere, 1996).

In the case of immigrants, starting a new business is often a strategy to cope with marginalisation and unemployment (Baycan-Levent *et al.*, 2003). Immigrants tend to start firms with small-scale, labour intensive production which aim at ethnic demand (e.g. food, clothes and services) or require low level qualifications and small investment.

In Hungary, a large number of entrepreneurs started their business due to pull factors after the regime change: they started their business because they lost their job after the collapse of the centrally planned economy and their chances to find a new job were very limited. In Hungary, they are usually referred to as 'necessity entrepreneurs'. Due to the lack of entrepreneurial skills and the economic situation, many of them went bankrupt after a few years, but there were also some who survived their first years or even started to flourish.

Motivations for establishing a business
The most important motivations of entrepreneurs to start their businesses were: family-related reasons, labour market position and social status (*push factors*), taking advantage of business opportunities, the pursuit of independence or self-realisation, higher income, and investment purposes (*pull factors*). Obviously, some entrepreneurs had multiple motivations, thus, both push and pull factors could be identified in their cases.

In some cases, entrepreneurs continued their businesses after retiring because they were strongly engaged in their work activity. Mostly older people mentioned this motivation. In other cases, interviewees continued the family business which they were born into and inherited, thus, maintaining the family tradition. In their case, a longer presence in the district was characteristic, as the following example shows: *"This confectionery was owned by my parents for decades. My father was always a confectioner, and I also learned this profession and continued the business when my father retired"* (E25; confectioner; Hungarian/Hungarian).

Several owners of small businesses became entrepreneurs by necessity, for example, they lost their jobs and could not find a new one. Thus, their main motivation when establishing a new

firm was to maintain their social status and labour market position. The only way for them to produce an income was to start their own business: *"There are a lot of necessity entrepreneurs in the district. They lost their previous jobs and had no other opportunities [other than to start a new business]"* (E5; real-estate agent; Hungarian/Hungarian). These small firms were usually established in the early 1990s, after the change of regime; they are family-owned and operated with no or few employees (usually family members). In these cases, previous market experience often encouraged the owners to start their own business.

A slightly different type of necessity entrepreneurship is connected to the change of regime in the early 1990s, when a state-owned company was about to be closed and its employees participated in the firm's privatisation process in order to save their jobs. Small and medium-sized firms or specific sections (e.g. maintenance, marketable services etc.) of larger firms were involved in this process. These types of businesses were motivated by both a push factor (risk of losing their jobs) and a pull factor (the opportunity to be independent or the temptation to run the company better than before). The following short story is a good example of this situation: *"They said that the employees had to lease the workshop, otherwise it would be closed. So this is how it started. Later on, we had the opportunity to become fully independent"* (E34; maintenance and repair of motor vehicles; Hungarian/Hungarian).

The owners of small enterprises also often mentioned the importance of emerging opportunities, for example, someone offered to buy their business or become partners, or a promising location became available to lease or buy. Ethnic and immigrant networks often play a role in these opportunities as ownership changes take place within these networks: the previous owner sells their business to their former employees.

The role of opportunity is especially important when the entrepreneur sees a market gap and takes advantage of it. The diversity of the neighbourhood enhances the opportunities for these businesses since the demand on the market is diverse as well. These entrepreneurs discover market needs, which can be related to ethnic products, as the example of a Persian shopkeeper shows:

> *"We started this shop 14 years ago with my Hungarian partner. We noticed that there were only a few shops in town which offered food and other goods from the Middle East, and we thought that there was a demand for them in the market"* (E35; food store; Persian/Iranian).

The pursuit of independence was also a motivation for young females with children, who wanted a more flexible work schedule. When they became mothers, the work schedule of larger, multinational companies made it hard for them to find the balance between family life and work. For them, starting their own business – using their previous work experience and connections – was a solution.

The pursuit of higher income was not as strong a factor as we had originally expected. However, some interviewees mentioned that they had started their business because they wanted to earn more money. Mainly immigrant entrepreneurs were motivated by investment purposes. They came to Budapest with the necessary knowledge and capital to start a new business. Local networks of immigrants and those who stayed in their native country helped them. As one of the interviewed key actors said:

> *"They [Chinese entrepreneurs] have precise knowledge of market opportunities, the funds needed to start a business, the bureaucratic procedures. The information flows smoothly in their networks"* (E39; teacher and researcher; Hungarian/Hungarian).

Budapest is a hub for Chinese entrepreneurs in Central and Eastern Europe and positive business experiences and accumulated knowledge foster the immigration of entrepreneurs. The influx of Chinese entrepreneurs started after 1988, when visa requirements were abolished between Hungary and China. For interviewees originating from conflict-ridden regions, the tranquillity of Hungary and lower living and investment costs (in comparison with Western European countries) are also motivating factors for starting a business in Budapest. Due to low entry costs, Józsefváros offers entrepreneurs the best opportunity to start an enterprise.

The importance of location and place diversity

Choosing the location for a business is one of the most important decisions for entrepreneurs. The priority among different aspects (e.g. local competition, society, accessibility, infrastructure, labour market, public safety) depends on the type of enterprise (e.g. size, profile). According to the interviews, several factors can play a role in deciding the location of a business.

In this respect, the first group of respondents is comprised by traditional craftsmen as well as tradesmen (e.g. carpenters, upholsterers, greengrocers). In this case, the location of the business was inherited from family members. The same business property that was used by previous generations of the family is occupied by the interviewee (Picture 5.2). The locations for these types of entrepreneurs are over-represented in the historical parts of Józsefváros (e.g. Baross Street, Rákóczi Square, Teleki Square).

> *"My grandfather started working here as an upholsterer in 1953. After finishing secondary school, I began as a trainee in this shop. It was a really good profession for a long time, that is why I decided to keep the shop"* (E18; retail sale of hardware, paints and glass; Hungarian/ Hungarian).

The decision of choosing the place of business is also influenced by where the entrepreneurs live. In some cases, there was a close relationship between the business site and the entrepreneur's place of residence. Several owners decided to set up their businesses in Józsefváros because they were already living in the case study area, and in some cases, even the business site was relocated if the entrepreneur's place of residence changed.

"I didn't establish my enterprise in Józsefváros. When my business was founded, I lived in the 5th district of Budapest. After that I moved to Újpest [a district in the northern sector of Budapest], and the site of my business was also relocated to the 4th district. Finally, when I settled in the Palotanegyed of Józsefváros, the enterprise moved to its present location" (E5; real-estate agent; Hungarian/Hungarian).

According to a few respondents, the location can be seen as a post-socialist heritage. During the period of privatisation, some of the former employees managed to obtain private ownership of publicly-owned firms following the disintegration of the state-led economy. The lower-status employees had access to the low-prestige properties in Budapest (e.g. Józsefváros).

"We did not choose the location of our business. The enterprise was born in this place. The property belonged to the so-called AUTÓSZÖV Cooperative Company prior to 1990. There was an opportunity for the members of the publicly-owned firm to obtain private ownership after the political transition. The managers got the best properties on the Buda-side. As former employees, my father and one of his colleagues established the present firm and managed to buy this place relatively cheap in the worst part of Budapest. I took over the operation of this enterprise from my father" (E34; maintenance and repair of motor vehicles; Hungarian/Hungarian).

Many respondents emphasised that the proximity of customers and suppliers, as well as the costs of premises (including the price of purchase, rent or taxes) are among the key factors entrepreneurs consider when choosing a location for their businesses in Józsefváros. According to them, with its near city-centre location and intersected by busy traffic roads, the area has an excellent geographical position.

Furthermore, in most of the cases the main reason for choosing Józsefváros was the low costs to rent premises or to buy properties. The affordable prices in the area was highlighted by the manager of a Turkish supermarket:

Picture 5.2 Traditional hat-maker shop in Józsefváros. Source: Szabolcs Fabula

"We chose the Népszínház Street as the location of our business because it is a busy street with good accessibility (by car, tram and underground). We are located almost in the downtown of Budapest, but the rent is lower than in the neighbouring districts. It's a large supermarket. I am sure that we could not pay the rental costs if the premises were located in another district" (E36; supermarket; Kurdish/Turkish).

The dynamic transformation of the built environment as well as the local population is a new factor in locational decisions. This aspect is more important for entrepreneurs operating in creative sectors, hospitality and tourism. The vicinity of universities was an important location factor, especially for start-up ventures. According to its owner (E38; web portal services company; Hungarian/Hungarian), the proximity of universities makes it easier for their company to attract young talented people: *"Why this location? It is centrally located, and there are universities nearby. Our trainees are usually from there, and some of them have become members of the permanent staff as well"*.

The special characteristics of the local population and economy can also influence the decision of entrepreneurs to start a business in Józsefváros. The rich tradition of Gypsy musicians as well as the high number of cultural institutes attract many craftsmen (e.g. violin-makers) to this area.

According to our research, the importance of diversity is relatively weak in the decision of entrepreneurs to start their business in Józsefváros. The relatively high concentration of ethnic businesses (compared to other parts of Budapest) is mainly the result of the low prestige of the area and the affordable prices. The close location of very diverse (including ethnic) enterprises as a positive factor was mentioned only by a Turkish store manager. The owner of a Jewish restaurant (E21; Jewish-Hungarian/Hungarian), however, noted that when he opened his restaurant near the Eastern Railway Station, several friends warned him that "*establishing a Jewish restaurant in one of the worst parts of Józsefváros, and what's more next to an Arabic exchange office, is more than stupid …*". Despite the seemingly unfavourable environment, the restaurant proved to be a success because it could attract customers from outside of the district due to the quality food they served.

Selecting the line of business

Many interviewees started their businesses in sectors that matched their qualifications, and as it became clear, that was an 'obvious' choice for them. Nevertheless, we met a female entrepreneur for whom this was – at least partly – a forced decision: after losing her job as a teacher, she learnt new skills (at her own expense) and opened a flower shop. The internal factor is important among both Hungarian and non-Hungarian, as well as older and younger entrepreneurs.

Here, it is also worth noting two space-specific factors which were especially relevant in the case of older entrepreneurs. The first one is the post-socialist heritage. One of the basic principles of

the communist-type state-led economy was industrialisation, and within this model industrial professions and skills (e.g. engineering) had and still have a relatively high prestige. In addition, finding a job in this sector as an engineer or qualifying as a 'master' of a profession was the entrance to a relatively high and stable standard of living. Later, after the liberalisation of the centrally planned economy (1968) or within the privatisation wave of the 1990s, many of these skilled people could start their own ventures.

The other characteristic is more local (Józsefváros, Budapest) and it includes economic traditions. There were interviewees with linear career histories who worked in only one profession during their active years, and as a result, they were very enthusiastic about their profession and their business. Many of them represent the old-fashioned group of craftsmen in Józsefváros. However, it also became clear during the interviews that structural factors (e.g. previous education and economic policies) have also influenced lines of business.

> *"After high school, I came here to work as a trainee and I had a friend who was a stonemason, and perhaps the idea came from there, and I liked this workplace and stayed here eventually. I took the 'apprenticeship exam', then the 'craftsmen's master examination'. Later I worked for seven years as a stonemason making stonework for buildings, and after that, I was promoted to the manager of the tombstone division, then I became foreman, and since 1990, I have been the manager of the company. I have lived here all my life"* (E8; cutting, shaping and finishing stone; Hungarian/Hungarian).

Not all decisions regarding the line of business can be justified by rational causes. For some entrepreneurs, the main motive was their personal interest in and enthusiasm about certain subjects. Non-Hungarian entrepreneurs did not emphasise this factor, but among Hungarians, we could find both older and younger entrepreneurs, and traditional craftsmen, as well as entrepreneurs running more 'trendy' types of businesses. For instance, the owner of a vegan bistro (E3; Hungarian/Hungarian) gave the following explanation for her choice: *"Well, perhaps I started it out of love. I loved this, these products. Actually, I had no rational reason behind it".*

Among the external factors, we should emphasise the importance of market opportunities and the probable profit. Financial motivations were important for many interviewees, who felt that they could reach a higher socio-economic status as entrepreneurs than employees. Some interviewees said that they had spotted gaps in the local markets and had chosen the line of business accordingly. The entrepreneurs within this group offer special types of everyday consumer goods, especially those with non-Hungarian ethnic backgrounds (Picture 5.3): for example, an Iranian shop-owner vending 'Middle-Eastern/Asian' food, or a Vietnamese entrepreneur running a food store. Others not only found a (real or supposed) market gap, but also made rational calculations before establishing their venture. For instance, there was a property developer and investor among the interviewees who followed this strategy with his partners.

Picture 5.3 African grocery shop in Józsefváros.
Source: Szabolcs Fabula

For a significant proportion of interviewees, the main motivation to start a certain type of business was related to their personal relationships. Some mentioned that they collaborated with friends, former colleagues or other acquaintances from their professional life, while others wanted to perpetuate family traditions. The latter respondents started to work in a certain sector because their families had a business or one of their family members was employed in that sector. The manager of a family-run bookstore, for example, mentioned the following about her motives:

"Well, this is quite a long story. I'd say it is mainly family ties. My father started this company, and I came here almost right after my graduation and a slight detour. Since then, I have learnt more and more of the necessary skills for this business" (E9, retail sale of books; Hungarian/ Hungarian).

There is a group within the sample for whom the cultural diversity of Budapest in general and Józsefváros in particular was an important factor in choosing the type of activity. The quotation below from the owner of a bar demonstrates that the interviewee's lifestyle and his membership of a cultural group had a significant role in the selection of the line of business.

"Well, the starting point was that we knew a lot of people from the civil sphere, a lot of activists, and we saw that there was no place where these people could gather and make connections, where common programmes, common stories could develop. And we saw that everyone visited pubs, spending money in those places, and that we should invest that money in making a community space in which such encounters could happen. On the other hand, we could spend enough time doing it and make money" (E7; food and beverage service activities; Hungarian/Hungarian).

It is also worth noting that the majority of non-Hungarian entrepreneurs are involved in food retailing. There are Chinese, Iranian, Turkish and Vietnamese food stores in our sample. Their motives, however, are not so homogenous: the skills-factor (see above) is dominant, but we can also find examples for the market gap strategy (e.g. Iranian food store and bistro).

The availability of advice, start-up support, and finance

Among the various forms of support, most interviewees emphasised the role of informal relationships in the foundation or management of their enterprises. A special case within this category is when the entrepreneur does not request help from others but invests their own capital ('money put aside over the years') to start the business. Some respondents did that alone but there are joint ventures where the members collected the money together.

> "We had a minimal amount of capital to finance the foundation of the enterprise and from the little money that was left we started running it in a way that I ordered only one or two glass plates first. So we started with having maybe only 10 plates of glass. We had money only for this quantity, but we started with that and we bought new ones and always re-invested" (E19; painting and glazing; Hungarian/Hungarian).

According to the interviews, family ties have utmost significance within informal relationships. For example, an Iranian entrepreneur (owner of a food store and bistro) said that the members of his family live in Budapest – his parents live in Józsefváros – and he underlined the importance of the fact that they have a close relationship. They very often help each other financially as well as 'emotionally' while he has never requested assistance from the local municipality. Another example is a Chinese fast food restaurant. The owner of this enterprise revealed that her family members raised the initial capital to start the business. However, this high level of reliance on family support does not seem to be a phenomenon specific to immigrant entrepreneurs in Józsefváros. Many Hungarian-owned companies are also based on the (mutual) support of relatives and family networks.

The main reasons behind this are the missing or inappropriate (e.g. inadequate focus groups, scarcely accessible funds due to bureaucratic burdens, or funding schemes expecting unrealistic business results such as continuous profit increases even in times of crisis etc.) public support measures, the lack of knowledge regarding possible financial support, and in some cases, mistrust towards financial institutions. Furthermore, micro-enterprises were not eligible for credit (or were considered as risky clients by the banks); therefore, they could not acquire funds from loans. Moreover, in several cases family assistance is the only form of help that these enterprises receive. For example, the owner of a bar-restaurant (E4; restaurant and mobile food service activities; Hungarian/Hungarian), who runs the place together with his partners, said: *"We invested bigger money in the business only once. It was not mine; I did not have too much to do with it. We put that money in, but it was borrowed from our families".*

Social networks are without doubt very useful for these enterprises and not only because of financial capital. Friendships and earlier professional collegial relationships are important sources of social capital. One of the interviewees who worked in the construction industry (sold his company last year) said, for example, that they had been involved in several projects just because of their good connections:

"When talking about 'help', I am talking about help received from colleagues with whom we worked together formerly. And they knew some other people and staff who could give us work, so these professional relationships developed in this manner. Through such relationships, jobs can be obtained. Jobs for which you are paid for sure" (E2; site preparation – construction industry; Roma/Hungarian).

The role of official organisations is very limited in the life of these enterprises. It should be taken into account that many entrepreneurs do not even have information about business specific types of support, and many of them do not want to make contact with local authorities. It seems common for smaller enterprises to be mistrustful and resigned, because they do not know any alternative sources of financial help besides their family. This is also true for information: their knowledge of market relations is based mainly on their own experiences, and they very rarely ask organisations or public institutions for help.

In conclusion, it seems that the relationships which are important for starting or managing these businesses are rarely place-bound, and the role of diversity (e.g. ethnic origin) is very limited in this respect. For example, we did not find evidence of cooperation between local retailers or Chinese/Turkish/etc. entrepreneurs. It can be stated that informal forms of support, especially family assistance, has by far the greatest influence on the enterprises in question.

5.5 ECONOMIC PERFORMANCE AND THE ROLE OF URBAN DIVERSITY

Economic performance of the enterprises

In this section we analyse the economic performance of entrepreneurs; how they define success, and how their financial performance has changed recently. Most of the interviewees were reluctant to go into exact numbers when speaking about business performance. Instead, they compared themselves to other entrepreneurs or used adjectives ('it is worse than it was before', 'it is fluctuating' or 'nothing has changed' etc.) to describe their situation.

For most small and necessity entrepreneurs, the survival of business is the most important indicator of success. Therefore, their financial indicators and employee numbers are stagnating or decreasing. The same applies to traditional businesses, which can be victims of the changing population, market trends, customer needs, and the intensifying competition with the appearance of financially stronger firms, and as a result, they can lose their customer base.

"These large shopping malls and discount stores can do what I am not allowed to: they can sell flowers next to the food. And they can buy flowers much cheaper than me. It is horrible; let's see, for example, the Lidl stores. They buy flowers from the Netherlands directly from a wholesaler, while my flowers go through a chain of dealers" (E28; flower shop; Hungarian/Hungarian).

There are particularly crisis-hit sectors in which firms have suffered significant declines in employment and turnover. Similar to national trends, construction was one of these sectors. This can increase the vulnerability of workers as we can conclude from the experiences of an interviewee from the construction sector:

> *"Our turnover was about 100 million Forints in 2007, which had dropped to 20 million by 2009. Right now it is 40 million Forints. … Before 2008, we had 20-22 employees. Right now, we hire subcontractors, and it is only my son and I in the company. The workers are employed temporarily, for projects… Many of these subcontractors were employees of my company for years"* (E12; site preparation – construction industry; Hungarian/Hungarian).

Similar developments were mentioned by craftsmen, car mechanics and shopkeepers as well.

It also became clear from such narratives that several entrepreneurs in Józsefváros live in a 'permanent crisis' (most of them are traditional ventures in the area, e.g. old craftsmen and small-scale residential service providers). According to these people, most of the difficulties in their businesses date back to the mid-2000s, or at least their situation has worsened significantly since then. Behind the effect of crisis and growing competition, in some cases corruption, shadow and informal economy also compromises the performance of firms.

On the other hand, the newer and larger businesses usually perform better in terms of employment and profitability. The large-scale urban development project at the Corvin Promenade has created a favourable environment for growth, as the owner of a restaurant and apartment hotel emphasised:

> *"As the Promenade and the whole neighbourhood are developing, we can grow as well… There is a new building on the promenade every second year, and we follow this by trying to buy new units in the new buildings"* (E13; hotels and similar accommodation services; Hungarian/Hungarian).

According to most of our interviewees, diversity has no direct relationship to their business success. However, in some cases, diversity and ethnic character was mentioned as beneficial for a business's performance. The manager of a Turkish grocery shop said that the multicultural character of their store helps their business performance, since immigrants feel more comfortable with a non-Hungarian shopkeeper:

> *"At first, we had Turkish customers. Then, since we've been opening in the evening, Chinese, Mongolian, Arab customers started to come here… Foreigners always have an inferiority complex, but here they can be relaxed; they see that I am also a foreigner and we start to talk. Where are you from? What do you do? There are customers who cannot speak Hungarian, and they start to gesticulate. In a Hungarian shop… I don't know… maybe they would be hostile towards them"* (E36; supermarket; Kurdish/Turkish).

The interviewees gave several different definitions of success. For smaller firms, the survival of the business was considered as the most important measure of success. It was particularly emphasised in neighbourhoods with a high fluctuation of businesses.

"Success is when your income from work can cover your everyday needs. I do not think about some unreal growth or something. I consider it a success that we have managed to live off this business for years" (E15; technical testing and analyser company; Hungarian/Hungarian).

Several entrepreneurs mentioned trust as a sign and indicator of success – it was particularly highlighted by the owners of small firms. For them, trust is an important resource for survival and growth, since they have face-to-face interaction with their customers and suppliers. Returning customers, and praise for the services or products sold were often mentioned as highly appreciated, positive feedback on their work.

When building a well-functioning team, the integration of people with different ethnic backgrounds was mentioned as a success:

"We used to have mostly Hungarian employees, and the rest were Roma people who learned to work well. Then, those who were always late for work, were not working well, or had a drinking problem were filtered out. They had their chances, but eventually they had to leave. In the end, the team was welded together" (E2; site preparation – construction industry; Roma/ Hungarian).

Growth as the indicator of success was characteristic for larger and newer firms. This is partly related to the life cycle of businesses; for new firms, the growth of turnover is often crucial to paying back their loans which were invested to start the firm. For start-ups, success is defined both as rapid growth in turnover and survival: *"Seven or eight out of ten start-up companies go bankrupt rapidly. To survive, we have to double our turnover every year"* (E38; web portal services company; Hungarian/Hungarian).

Markets, customers and suppliers

The firms in the sample are quite heterogeneous by economic sector, size, ownership type and ethnic background. Consequently, their markets and supplier connections are significantly different from each other.

In general, it can be stated that none of the enterprises within the sample serves only local customers (i.e. Józsefváros inhabitants), but they have a number of connections from outside the district too. Even so, some types of businesses can be distinguished from each other. First of all, the share of local customers is the highest for enterprises which are involved in small-scale retail and services (especially catering). In addition, these are relatively small ventures, focusing on survival instead of expansion, and social and personal ties and face-to-face interaction are

more important for such types of businesses (Trettin and Welter, 2007). As a consequence, the enterprises within this group are usually more embedded in local social networks.

Small-scale enterprises, however, do not comprise a homogenous group. According to our experiences, the type of business activity or the characteristics of their products is an important factor. Shops which offer ordinary everyday goods have a higher proportion of local customers, while those providing specialities (e.g. Asian food, vegan or paleo diet food products) are visited more often by consumers living outside the district. In general, the non-Hungarian ethnic entrepreneurs belong to this group as most of them are involved in retail and food services. As they informed us, they could not distinguish a certain group or social cohort as their typical customers. Ethnic origin is not an important factor in this respect either: non-Hungarian entrepreneurs are very popular within their own ethnic group, but these shops serve many ethnic Hungarian customers as well.

It can be observed within the sample that larger companies with greater specialisation (in terms of products) organise their sales and marketing activities at larger scales. They have customers from other districts of Budapest, from the agglomeration, and in some cases, from other regions of Hungary or from abroad. As the owner of a printing company said:

> "We work in both districts, in the 7th and in the 8th as well. Actually, we do almost any kind of small odd jobs. We work for the municipality of the 5th district; we print the honorary freeman certificates and various other documents for them. Some people come to us from outside Budapest. For the community centre of Törökbálint [a town in the agglomeration area], we produce invitation cards. So, [the group of customers is] a real mix" (E17; pre-press services; Hungarian/Romanian).

Talking about poor *and* rich customers is especially relevant in Józsefváros since a significant proportion of the local population still live at lower standards. Poorer neighbourhoods and social groups are characterised by lower spending power and local entrepreneurs have to adapt to such circumstances. Some interviewees also mentioned that in the context of local diversity they mainly perceived poverty through customer relations. For example, the manager of a company (which repairs suitcases, shoes, lockers among other things) explained:

> "Q: What do you think? Is the diversity in the district a relevant factor in the performance of your business?
> A: No. The location of our shop doesn't really matter. The only thing that can be perceived is that this is not a well-off neighbourhood. I mean turnover figures illustrate this very well. If we ran this business somewhere in Széll Kálmán Square, on Rózsadomb or at Rózsakert Shopping Mall [these are prestigious places in Buda – Western – side of the city], we could probably generate more income. I mean, prices here are extremely low and a lot of people – let's say the 10-15% of our clients – do not even order a spare key because they do not have enough money to pay for it" (E31; repair of footwear and leather goods; Hungarian/Hungarian).

Nevertheless, the district and its population is changing dramatically, which is another important factor. Due to urban rehabilitation programmes taking place in the district and concomitant processes (e.g. gentrification, studentification, tourism), new social groups and new functions are arriving in the area. This phenomenon has a significant effect on local enterprises. For instance, the appearance of new consumer groups generates demand for new services. There are shops in our sample that strongly target the neighbourhood's rising status and the interests of better-off newcomers. As the owner of a small gift shop and vegan bistro said:

"So, we try to attract a stratum of consumers which we can always count on, I mean a core who can afford to buy here. And if you look at it, you can see that we do not offer ordinary products but rather the premium category. But this is not a premium category that cannot be paid by the middle class, if such a class exists" (E3; vegan bistro and gift shop; Hungarian/Hungarian).

Some of the entrepreneur interviewees mentioned that they take direct advantage of social and cultural diversity since they have a special focus on certain consumer groups. For example, a hat-maker emphasised that among his consumers, Jewish and Roma/Gypsy people have a dominant position because these groups have long traditions of hat wearing:

"…fortunately, within some ethnic groups hat wearing is compulsory, and these groups are satisfied with our products so they send us more customers. Israeli youngsters come to us for hats because information about our shop travels by word of mouth… As for Gypsies, it is simple because they like one type of hat and the traditional models" (E24; Hungarian/Hungarian).

Some of these firms – such as the hat-maker quoted above – belong to the traditional craft industry of Józsefváros and build on decade-old customer networks. Others are recently founded enterprises, and in their case new social, cultural and consumer groups play a much more important role (e.g. underground bar, vegan bistro).

Regarding the relations between entrepreneurs and their *suppliers*, none of the companies in the sample have intra-district connections only. On the contrary, they buy from a broad range of partners who are located in other districts of Budapest, in the agglomeration or other regions of the country, or some of them abroad. When the owner of a D.I.Y. shop was asked about his suppliers, he answered: *"No, no one from the district. Well, okay, one or two are from here. But most of our partners are from [other parts of] Budapest, from the countryside, therefore it is quite a complex issue"* (E18; retail sale of hardware, paints and glass; Hungarian/Hungarian).

International relationships are especially prevalent among entrepreneurs with non-Hungarian ethnic backgrounds. Most of these people are engaged in food services, providing products from other food cultures. Therefore, they get most of their 'special' ingredients and comestibles via international networks (e.g. the owner of an Iranian bistro and food store said that their suppliers were big companies located abroad, in other EU countries such as Germany or the Netherlands).

Relations amongst entrepreneurs: evidence of competition or co-operation?

According to our findings, the interview partners pay relatively little attention to cooperation with other local firms. Collaborations between entrepreneurs within the neighbourhood are quite rare, and the existing ones are, in general, not strong. For example, as the owner of a restaurant and bar put it:

"…there is no such thing here as cooperation within the catering and food service sector; there hasn't been and there isn't now. I think there won't be at all. The neighbourhood is doing well, there are more and more pubs and other services have started, but there aren't many connections between them" (E4; restaurant and mobile food service activities; Hungarian/Hungarian).

This low level of *cooperation* has several possible causes. First, post-socialist legacy, namely the weak political and civic participation within Hungarian society, very likely plays a significant role in this respect. For example, there is a general mistrust towards official business organisations and several entrepreneurs believe that such initiatives have no tangible effects on their companies. In addition, many of the enterprises in our sample struggle for their survival and find it difficult to organise cooperation after 12-14 work hours per day. It is also important that key interviewees talked about a 'petty bourgeois' mentality among local entrepreneurs (Hungarian and non-Hungarian): everyone minds their own business and do not care about others and do not cooperate with each other. One of the representatives of this notion is an entrepreneur as well as a prominent member of the local economic chamber:

"…first of all, we only know a few of the micro-scale enterprises because we do not have contact with too many of them. We especially have weak relationships with private entrepreneurs because everyone lives in their own world" (E5; real-estate agent; Hungarian/Hungarian).

There are additional factors which influence the character of inter-firm relationships in Józsefváros. For example, the location of a shop or production site can facilitate or hinder day-to-day encounters between entrepreneurs (i.e. whether there are other shops in the vicinity or not). The type of business is also important. For example, in retail services or the craft industry, where the owners themselves are often on site during the day and there is a high number of shops within a relatively short distance (e.g. in a street), there is a possibility of face-to-face encounters and the development of ties between them. On the contrary, companies which are located in 'outlying' neighbourhoods of Józsefváros (e.g. Tisztviselőtelep) and/or do not focus on local demands have significantly less contacts.

Although according to the interviews the overall level of cooperation among local entrepreneurs is relatively low, there are significant differences in this respect. Some interviewees only have minimal contact with other entrepreneurs in their neighbourhood. For example, the owner of a porcelain shop was asked about his relationships with other shops:

"None. We work [all day], so we don't have time to hang out. If someone comes in, we have to serve that customer. If they order something, we have to get that item to the shop. So, we have to be here constantly and buy supplies and take care of orders. In many cases, I even deliver to the customers. I mean they order it, then we pack it and deliver it to their address. This all take time" (E20; china shop; Hungarian/Hungarian).

Some business owners more or less know other entrepreneurs in their neighbourhood (very often in the same street) and have a good relationship with them but do not participate in common initiatives. These entrepreneurs often help each other with minor issues, on an ad hoc basis. For instance, the company of the following interviewee makes windows and shutters, while one of the neighbouring shops repairs household machines: *"Well, if my coffeemaker stops working, I take it to them, and if they need glass they just let me know"* (E19; painting and glazing; Hungarian/Hungarian).

Nevertheless, we found examples of more complex forms of assistance. Some interviewees mentioned sector-specific collaboration from which their business can profit, but these cannot be confined to Józsefváros.

According to the interviews, *competition* between local enterprises also exists in Józsefváros. Perhaps it is not so relevant for companies operating in regional or international markets but in other economic sectors competition between firms can be fierce. A typical example is in the case of retail and catering, and entertainment services. One possible indicator of the competition in our case study area is the notable fluctuation in the composition of local enterprises. Some respondents reported that the average survival time of shops is quite short in the area. A couple of them suggested that in some neighbourhoods (especially in inner- and middle-Józsefváros) the density of restaurants and food service enterprises generates too much competition. Others complained about non-Hungarian entrepreneurs (especially the Chinese). They thought that many of the non-Hungarian companies used illegal techniques (e.g. tax avoidance, creative accounting) in their businesses and put unbearable pressure on local consumer prices. The owner of a D.I.Y. shop was asked about his competitors:

"Well, for example, the Chinese stuff. You can go to the market and check. I have recently gone there just out of curiosity. What I purchase from large-scale tradesmen can be picked up 60% cheaper there, I dare say. And those who are smart enough go and buy there, instead of coming to my shop" (E18; retail sale of hardware, paints and glass; Hungarian/Hungarian).

Long-term plans and expectations of entrepreneurs
As we have shown in the previous sections, the location and scope of a business affects its performance – thus, it influences its future plans as well. Many interviewees complained about uncertainty, which makes planning difficult or impossible. Most respondents were neutral or pessimistic about the future of their businesses – the owners of small enterprises in particular

expressed these attitudes. The entrepreneurs planning to end or relocate their businesses were experiencing the toughest business situation.

The poverty of some areas forces some entrepreneurs to relocate their businesses elsewhere, to find more stable and profitable markets. A confectioner (E16; confectionery; Hungarian/Hungarian) was planning to relocate their business to another part of Budapest because of the low turnover: *"… my customers are not from the district. That's it. Right now I am looking for a new location. I want to move from here… Move to a district with wealthier residents. To Buda, for example".*

Several entrepreneurs said that they had no long-term plans: they were aiming at survival only. Usually, family businesses and small enterprises represented this attitude. As a car mechanic said: *"We don't have any concrete plans. Survival itself is a huge task"* (E34; maintenance and repair of motor vehicles; Hungarian/Hungarian).

Some of the traditional, usually retired craftsmen who have been operating their enterprises for decades, do it for the joy of the activity itself. They have no particular plans; they just want to continue their work. For them, entrepreneurship provides occupation and additional income to their pension: *"Yes, I am retired, but I will continue. I can have some additional income and I also like to do it. This is the most important factor: we are in a homely environment."* (E24; hat-maker; Hungarian/Hungarian).

Among ethnic entrepreneurs, the line and size of the business seems to influence future plans: smaller shops and restaurants do not plan any particular development, while the owner of a Turkish food store is thinking about expanding the size of the shop.

There are larger, established companies who do not plan any particular expansion, but they want to sustain their business performance because they think that they have reached the limits of their possibilities. The manager of a book supplier said:

> *"Honestly, we do not want to open new bookstores – or close existing ones either. We have reached a level where a healthy operation of business is possible. If an excellent opportunity pops up, we will take it. But right now, expansion is only possible at someone else's expense"* (E9, retail sale of books; Hungarian/Hungarian).

The more prosperous and dynamic firms usually plan a step-by-step development. These entrepreneurs are in the most favourable situation among the interview partners, and they are the most optimistic as well. However, due to external (e.g. general economic and political processes) factors, they can be quite cautious, too.

> *"Unfortunately, we are exposed to too many external factors. If the reputation of Hungary does not change, or does not become worse than it is now, we would like to remain the market leaders*

in Hungary. And we are capable of doing that" (E6; property development; Hungarian/ Hungarian).

The importance of location is manifested in the positive expectations as well. The continuing large-scale urban rehabilitation project on Corvin Promenade creates a favourable environment for pubs and restaurants, as one of the managers said:

"There is a chance that we will grow out of this place… I am definitely optimistic. I think that this office building which is being constructed next to us, and the sidewalks, roads… the whole thing… This will be a huge step in quality and attract a lot of people. If we stay here, customers will come flooding, so it was a very fortunate thing to move here" (E7; food and beverage service activities; Hungarian/Hungarian).

5.6   INSTITUTIONAL SUPPORT AND GOVERNMENT POLICIES

This chapter aims to explore the relationship between the local entrepreneurs of Józsefváros (Budapest) and various institutions, the local and national government and non-governmental organisations.

The impact of diversity on economic performance can vary significantly by context, for example, as far as the networks of local businesses and institutions are concerned. It is widely accepted that successful implementation of entrepreneurial programmes, trust, and the smooth flow of information between entrepreneurs and decision-makers are key factors, but at the same time companies can have different needs depending on their size, sector and embeddedness. According to the theory of mixed embeddedness (Kloosterman *et al.*, 1999), the performance of businesses is shaped simultaneously by their own social network and the wider business environment. This effect has particular relevance to ethnic and immigrant entrepreneurs; however, there is a risk of social closure to restrict access to resources (Portes and Senberger, 1993; Schutjens and Wölker, 2010; Waldinger, 1997). At the same time, inappropriate policies can have negative effects on the growth of the economy in diverse areas (Syrett and Sepulveda, 2011). As a result, the development of businesses can vary among various countries and regions depending on the local and national business climate and the institutional setting (Collins, 2003; Syrett and Sepulveda, 2011).

As previous research (Balás *et al.*, 2010; Sik, 2012; Stark, 1996) demonstrated, the general levels of trust in governmental institutions is quite low due to the uncertainty and unpredictability (e.g. constantly changing regulations) experienced by Hungarian entrepreneurs. This attitude seems to prevail across all types of businesses from micro-enterprises to international corporations. Thus, personal relations, positive experiences, common values and the reputation of an entrepreneur all have a stronger impact on the performance of a business than governmental or other formal institutions. The results of the Global Competiveness Report

(World Economic Forum, 2015) support these statements; according to the report, ineffective bureaucracy, policy instability and the overly complex tax regulations hinder the economic performance of companies in Hungary.

According to policy documents, the Hungarian Government, the Budapest City Hall and Józsefváros Municipality pay significant attention to entrepreneurs. In accordance with the EU 2020 thematic goals, the Hungarian Partnership Agreement for the 2014-2020 period considers the fostering of economic competitiveness as a priority. At the Budapest level, the Integrated Urban Development Strategy (IUDS) aims at creating an 'entrepreneur- and investment-friendly' environment. In addition, the Local Economic Development Strategy of Budapest for the 2015-2021 period addresses several specific medium-term goals in order to promote entrepreneurship: for example, the reduction of administrative burdens on businesses, or active SME policy.

The IUDS of Józsefváros emphasises the importance of entrepreneurs in local economic development, and their traditional role in the history of the area. Among its policy goals, the document mentions the 'support of entrepreneurship development programmes' and the 'fostering of entrepreneurs' competitiveness'. Besides policy measures, there are several organisations and initiatives that can help local entrepreneurs. For example, the Budapest Enterprise Agency – run by the city government – have provided assistance for local ventures for 20 years. Regarding Józsefváros, the district municipality has various similar programmes; for instance, it initiated the Interest Subsidy Programme for Micro Enterprises and decreased the rents of its own properties for local businesses.

Views on the effectiveness of business support provided by local and central governments

Most interviewees emphasised that, in general, the business environment does not support establishing or running an enterprise in Hungary. For them, the biggest obstacles in this respect are the continuously changing regulations (e.g. taxation, banking, subsidies), which result in unpredictable market conditions on the one hand, and the inconsistent arrangements of the central government, which cause additional expenditures for entrepreneurs (e.g. online cash register, obligatory contribution fee for Chambers, controls) on the other:

> *"There was an obligation to buy a new online cash register which connects to the national tax authority's system. I had to buy it three times at my own expense, but it makes no sense. Whoever wants to avoid paying taxes can also do so with the new online cash register"* (E32; repair of watches, clocks and jewellery; Hungarian/Hungarian).

Several interviewees mentioned that they would like to see more independence in running their businesses, as well as less bureaucracy, corruption and taxes. According to some respondents, the main challenges for entrepreneurs are, on the one hand, the extremely high rate of Value Added Tax (which is 27% in Hungary for most products, the highest rate in the world), and on the other hand, the high rate of employment-related contributions. One of them said: *"The 27%*

value added tax is irrationally high. It increases the prices of services and products; that is why most entrepreneurs are tempted to cheat" (E34; maintenance and repair of motor vehicles; Hungarian/ Hungarian).

Although the activities of the Municipality of Józsefváros were perceived positively by some respondents, in general, the district authorities are considered as relatively weak actors with very limited competences.

"I know an entrepreneur in Baross Street who changed her municipally-owned retail outlet to a private one because the rent was less expensive. I think the municipality has fewer subsidies from the State, that is why they need to raise income from their own sources (e.g. parking fees, rental fees, local taxes). But several arrangements introduced by the municipality destroy entrepreneurship" (E19; painting and glazing; Hungarian/Hungarian).

Other interviewees suggested that the municipality was a good partner as far as business issues are concerned. Most of their examples were individual cases, and they were typically the entrepreneurs who were able to grow. As the owner and manager of a restaurant said:

"We are having a good time here in the district. We are not bothered, and we are trying to meet expectations too. So, we can operate peacefully, in harmony and with mutual understanding. And at the same time, no one will mess with us, you know, we won't fall into the bottomless pit of bureaucracy" (E21; restaurant and mobile food service activities; Jewish-Hungarian/ Hungarian).

Nevertheless, according to the majority of respondents, institutionalised support and government-led business-specific initiatives are quite limited in the area. The only type of involvement that almost all of them mentioned is membership of the Budapest Chamber of Commerce and Industry. Most of these firms have no other business specific membership. In addition, opinions regarding the role of the Chamber are quite contradictory. Some interviewees did not mention their membership during the interviews until they were asked directly about it – as if the organisation was non-existent – and these entrepreneurs believe the Chamber did not have a noticeable impact on their business journey. They usually do not ask for help from the Chamber and they hardly get involved in its programmes. Others mentioned their membership voluntarily, but they had a negative opinion about the Chamber, saying that they paid the annual fees, but the membership rarely had a positive effect on their business.

"Nowadays, in countries like Germany, Austria or Italy, it is impossible, and no one thinks of proposing or introducing any kind of act or regulation without [the active involvement of] economic chamber organisations. Here in Hungary, we have to literally fight so that politicians will listen to the opinions of local chambers. Because the chambers here are weak. The membership is voluntary and only about 10% of the entrepreneurs are involved" (E5; real-estate agent; Hungarian/Hungarian).

There are also entrepreneurs who think that their firms definitely profit from membership of their professional association:

> "…its main advantage is that we are immediately informed about topics related to the hotels' association or political or economic issues, and they ask for our opinion. We can help the current government's work with our proposals, so it is a well-managed collaboration and each year there are a couple of days when the elite of this sector assemble for a meeting, where we talk about possible changes in order to improve our services" (E10; hotels and similar accommodation services; Hungarian/Hungarian).

Wider awareness of organisations, programmes, and initiatives to support entrepreneurs

As the previous section suggested, there are some city-wide public organisations which aim to support entrepreneurs, but most interviewees were unaware of any local or city-wide organisations or initiatives that would support their activities. First and foremost, the Budapest Chamber of Commerce and Industry can be mentioned as a relevant actor. Its basic activities include the general development of the business environment, the management of vocational training and education, the establishment of business partnerships, consulting services on taxation, legal advice and other business management issues.

The local organisations – including the Józsefváros Chamber – are responsible for the collective representation of private entrepreneurs, micro-, small- and medium-sized enterprises in their own areas, for looking after the interests of these firms and for the strengthening of their competitiveness.

Some interview partners mentioned the Chambers, but most of them complained about their efficiency (see above). In Hungary, all registered companies have had to pay a fee (contribution) to the Chambers since 1 January 2012, irrespective of their status (i.e. whether they are members or not). Several respondents considered the obligatory payment contribution very negatively and criticised this practice. Moreover, the Chambers are in a marginal position in decision making processes. One of the interviewees, who is also a representative of the Budapest Chamber of Commerce and Industry, explained the organisation's weaknesses and its difficult situation in this way:

> "…the chambers are weak. The membership is voluntary and only about 10% of the entrepreneurs are involved. This situation is the main problem. It is strange that most of the members are large companies. The reason is simple: you are considered to be an insignificant company at the international level if you do not participate in a Chamber" (E5; real-estate agent; Hungarian/ Hungarian).

Some interviewees mentioned various nation-wide advocacy organisations (e.g. the Hotel Association of Hungary, Hungarian Publishers' and Booksellers' Association) which aim at fostering the performance of its member enterprises. We can say that the representatives

of larger enterprises as well as highly-educated entrepreneurs have a stronger awareness of specific local/city-wide organisations and initiatives. They are more active in professional and business fields and have more advocacy skills, which can be interpreted based on the following statement:

"… as members of the Hotel Association of Hungary, we are informed about relevant topics of the economy, and different policies. Additionally, we are asked about current issues by the Association. We are able to support the decision-making process of the government with our advice. It is a really well-maintained cooperation. There are a few days in each year when we get together and the main challenges of our sector are discussed …" (E10; hotels and similar accommodation services; Hungarian/Hungarian).

We did not find any difference between ethnic/non-ethnic entrepreneurs regarding the awareness of initiatives, or advocacy skills. The majority of ethnic entrepreneurs in our sample originate from the Far or Middle East. According to one of the key respondents, we can highlight that there are special chambers (e.g. Hungarian-Chinese Chamber of Economy), as well as trade centres (e.g. China Trade and Information Centre) established by the home country of ethnic enterprises (e.g. People's Republic of China), but these organisations focus mostly on large enterprises and function at national and global levels. According to one of the expert interviewees, there are special offices which provide comprehensive services for ethnic entrepreneurs:

"There are service centres here on the premises of the Ganz Machinery Works which provide comprehensive services including assistance in establishing a new enterprise, preparing contracts, arranging settlement and work permits, translation, and legal and tax advice for foreigners. Most ethnic entrepreneurs do not have personal relationships with local authorities as they just have contact through these offices".

The Budapest Enterprise Agency can also be considered as one of the key public actors aiming at facilitating entrepreneurship in the city.

Based on the interviews, we can note that the majority of the development programmes and subsidies are available only to a small group of companies (e.g. young entrepreneurs, start-ups, large enterprises, multinational companies). As one of the respondents said: *"Most of the subsidies apply to foreign multinational companies, therefore, most of the money goes back home"* (E5; real-estate agent; Hungarian/Hungarian).

The H13 Student and Business Development Centre, a public institution established by the Municipality of Józsefváros in 2012, was mentioned by some of the interviewees as a good example of supporting young professionals (e.g. students) in becoming entrepreneurs in the district. H13 provides incubating programmes including training, coaching as well as mentoring for young entrepreneurs. H13 also functions as a co-working space with workshops and conference rooms, where more than 40 entrepreneurs can work at the same time.

"When I started my business, I visited the H13 Centre several times. I can say that the manager of that institute tried to help me somehow. Nowadays, I participate in training, for example, for female entrepreneurs" (E3; vegan bistro and gift shop; Hungarian/Hungarian).

As a consequence, there is a significant number of closed shops and property vacancies in Józsefváros, which is a traditional district for handicrafts and retail. According to some of the interviewees, neither the local nor the city government pay attention to this issue. Respondents did not get any information on initiatives (e.g. Rögtön Jövök) which aim to reuse the vacant retail outlets in Budapest.

5.7 CONCLUSION

Our fieldwork with entrepreneurs resulted in many insights into the economic development of the area, the relationship between urban spaces and entrepreneurial activities, and the changing business milieu of the neighbourhood. *Diversity in the local business milieu* can be detected basically in three main forms: (1) the growing diversity of enterprises due to the influx of new (partly ethnic) businesses; (2) the diversity of motivations of entrepreneurs to start a business in the area; and (3) the growing diversity of entrepreneurs according to age, skills, ethnicity. These findings are in line with the relevant international literature, which points to the growing diversity within the business sphere in large urban centres.

According to our research findings, even though the role of urban diversity is relatively low in the *motivation of entrepreneurs to start a new business* here, it has been growing steadily. The neighbourhood provides a lot of opportunities for different types of entrepreneurs with its good location, relatively low property prices, and diversified markets due to its mixed population. With the ongoing gentrification and studentification processes, which are the outcomes of large-scale regeneration programmes, new population groups are arriving in the area, creating new demands and attracting new types of businesses (e.g. vegan bistro, creative firms, high-quality services, tourism etc.). Through the wide social and professional networks, and with the presence of university faculties, the district offers good opportunities for young entrepreneurs and start-ups as well. The growing concentration of non-Hungarian (Roma, Chinese, Arab, Turkish, Vietnamese etc.) people in the area (compared to other parts of Budapest) also positively contributes to the economic profile of Józsefváros. Ethnic-based business enterprises contribute positively to a vibrant urban life, making the area more attractive to younger and better-off people and those with alternative lifestyles. Therefore, our results support the argument of those studies which emphasise the role of diverse populations in generating markets for greater variety of goods and services, and providing motives for professionals to start their own businesses (Nathan, 2006; Rodríguez-Pose and Storper, 2006; Saxenian, 1999).

The entrepreneurs interviewed often mentioned the limited role of institutionalised support in their activities. This is connected to the low level of trust towards governmental institutions

(Balás *et al.*, 2010; Bodor and Grünhut, 2015; Sik, 2012; Stark, 1996) and the uncertainty because of the ever changing nature of governmental policies (World Economic Forum, 2015). Furthermore, our research showed that the owners of small scale ventures sometimes feel that the policy actions often tend to focus on larger firms and macro-scale interventions because they offer more visible, recognisable impact – which is easier to present to the public as the proof of effective decision making and development policy.

It is also worth noting that there are significant differences between enterprises according to their size. Smaller firms are better embedded in local social networks, and as a consequence, they have deeper knowledge on neighbourhood issues. At the same time, big companies are actors on the national and international markets, so they think and plan accordingly, and their local relationships are relatively weak. We have found a low level of trust and civic engagement of the enterprises. Ethnic enterprises form a special group in this respect: even small-scale enterprises have very weak local ties, and they build mostly on ethnic networks and family ties.

Based on the interviews, we can conclude that local, city-wide and national government policies in the Hungarian context do not seem to pay enough attention to using diversity as an asset or fostering the diversity of entrepreneurs. Based on our results, the following recommendations can be formulated for policy-makers:

- In national and local economic development policies, the aspects of diversity and its possible positive effects should be taken more into account.
- The diversity of local economic activities, jobs and services seems to be an important asset in the competition of urban neighbourhoods, therefore, local government should prioritise the mixing of different activities and firms in local development policies.
- Even though local politics actively supports the creation of new enterprises (start-up businesses, real estate companies, firms in creative industries etc.) traditional businesses serving the needs of local, less affluent people should also be paid more attention to – especially traditional craftsmanship, which is losing ground in Józsefváros. The ageing of craftsmen and the lack of a new generation can cause the disappearance of some traditional activities from the area. Local government could help the survival of these enterprises with financial aid and marketing – in cooperation with banks, financial institutions and governmental organisations. The local government should provide the frame and act as a mediator between the various actors. Both national and EU funds could be used for this aim.
- The local government could support local businesses in several ways, for example, through marketing campaigns, promoting them in the local media or in other information channels. Moreover, the local government could start a 'buy and consume locally' campaign as well. The tax and administrative burdens of locally embedded new enterprises (e.g. younger than five years) should be also lowered.
- The access to information is a crucial factor of success, thus the local government could also create a shared platform for entrepreneurs through which they could collect information and could establish new cooperation. Information flows about support schemes and other (e.g. EU) funding opportunities among entrepreneurs should be improved.

- The activities of the Chamber of Commerce and Industry should focus more on diversity, including the support of ethnic businesses, campaigns or training programmes among owners of newly established SMEs and start-ups.
- The incubation of new businesses should be taken more seriously (given the positive example of H13 and the great number of university students (potential entrepreneurs) in the area).

6 CONCLUSIONS: DEALING WITH URBAN DIVERSITY

6.1 BRIEF SUMMARY OF THE BOOK

This book deals with the effects and challenges of urban diversity through the example of Hungary's capital city, Budapest. Generally, we can say that Budapest is a diverse city in many respects. Due to its multi-layered historical development, the city-space including the built environment, society and economy, shows a very heterogeneous picture. Although it is traditionally a diverse, cosmopolitan city, World War II and the subsequent communist era had negative effects on diversity. Since 1990, however, new processes of diversification (e.g. infiltration of transnational capital, increasing international migration, gentrification and growing presence of tourism and leisure functions) have been observed in the city. Therefore, Budapest has to recognise and reconceptualise its own diversity, and learn how to profit from the existing diversity and how to create new opportunities for those actors who want to use diversity as an asset. We would like to support such efforts with the main findings of this book.

The principal aim of our research, which resulted in this book, was to discover how diversity works in urban settings. We examined several dimensions of diversity, collected and analysed many different data and viewpoints, reflecting the attitude of different stakeholders. The basic idea behind the research was to demonstrate the potential positive aspects of diversity, and how urban inhabitants can profit from it. At the same time, we also paid attention to negative phenomena and conflicts related to diversity. For a better understanding of the local context, we first presented a short overview of the history of Budapest and those factors which contributed to local diversity (Chapter 2). Then, we examined the most important diversity-related policies, governance arrangements and initiatives existing at various territorial levels, concentrating mainly on national and Budapest-wide discourses (Chapter 3). This was followed by the experiences and opinions of local residents about urban diversity (Chapter 4). Finally, we tried to show how local entrepreneurs view diversity and how diversity influences their businesses (Chapter 5).

The research took place in Józsefváros, the 8th administrative district of Budapest, which is one of the most socially and ethnically diverse and dynamically changing areas of the city. The research was based on a qualitative approach, including documentary analysis and semi-structured interviews, and the data collection was divided into four modules: policies, local initiatives, the opinion of residents and the opinion of entrepreneurs. Between August 2013 and December 2015 a total sum of 119 interviews were conducted with policy-makers, representatives of NGOs and civil initiatives, local inhabitants and businesspeople.

Furthermore, stakeholders and experts were involved in the validation of the research results in the framework of a roundtable discussion.

In Chapter 2, on the basis of statistical data and the relevant literature, it was pointed out that due to historical reasons, Budapest is not characterised by such an ethnic heterogeneity as some Western European cities; nevertheless, it is undoubtedly one of the most diverse cities of Eastern and Central Europe. The data also underpin that the city and its agglomeration is a major destination of (international) migration, and the share of non-Hungarian ethnic people within the population is higher than the national average, or in other major cities of the post-communist countries. Within the city, our case study area, Józsefváros, is a particularly diverse district. It has traditionally been the target area of those arriving to Budapest from abroad or from other parts of the country. Thus, Józsefváros is inhabited by significant concentrations of people with non-Hungarian ethnic background or lower socio-economic status. Moreover, as an outcome of recent urban renewal programmes, there is a massive influx of younger, better-off residents to the area contributing to growing social mix.

In the history of Budapest, both periods of diversification and homogenisation can be identified, which are the results of the interplay of various internal and external factors (e.g. late 19th century capitalist modernisation and post-1990 internationalisation vs. inter-war stagnation and communist central planning). Consequently, Budapest could not become a cultural melting pot in Europe such as, for example London, Paris or Milan. Nowadays, the coexistence of various socio-economic groups is an important feature of urban life in Budapest, but several anti-diversity factors (e.g. segregation, increasing property prices and concomitant housing-market exclusion) are also present, to which local politicians should pay attention.

In Chapter 3, the analysis of governmental and non-governmental policy discourses shed light on the increasing relevance of the concept of diversity. Although in Hungary a universally accepted, coherent definition of diversity does not exist, various elements of the concept have become parts of the political agenda and policy-making. At the same time, there are several contradictions in diversity-related discourses and practices of political actors at the national as well as at the local level. At both national and city levels, in legislation and policy-making diversity is supported and in many cases treated as an asset (see section 6.2.). However, according to the interviews, there is also a negative perception of diversity in the everyday thinking of policy-makers, which is connected to the integration of the so-called disadvantaged and deviant social groups. Furthermore, as an outcome of the 2008-2009 financial crisis and the recent challenges caused by international migration waves, pluralist, integrationist and intercultural principles (which generally characterised the post-1990 policy-making) are often overshadowed by nationalist, populist and exclusionary overtones.

Based on the interviews, it can be concluded that the attitudes of non-governmental actors towards diversity is similar to that of government officials in several respects. Non-governmental actors do not have a clear definition of diversity either, and problem-orientation

(i.e. supporting disadvantaged groups) is quite strong among their priorities. Nevertheless, during the interviews, they also formulated critiques of government policies, which they found exclusionary in several cases. It is also worth mentioning that in Budapest there are several organisations and programmes focusing on diversity-related issues. In Chapter 3, we also examined ten governance arrangements and initiatives from our case study area which dealt with (some dimensions of) diversity, and focused on social cohesion, social mobility or economic performance. Although group-orientation was quite strong among the initiatives, many of their activities cut across 'traditional' social categorisation and tied together people with very different lifestyles, identities and socio-economic backgrounds. In these governance arrangements, several elements of hyper-diversity can be found, therefore, the concept does have certain relevance in the case of Budapest.

In Chapter 4, the interviews in Józsefváros suggested that the importance of neighbourhood diversity for local residents has been increasing. Although the respondents rarely mentioned diversity among the most important factors which would influence their everyday lives and decisions, some of its dimensions popped up in almost every topic. Regarding housing choice and residential mobility diversity was not a primary pull-factor for the interviewees, but it was perceived as an important part of local life. Most of the interviewees had a positive opinion about the diversity of Józsefváros and of the inner-city areas of Budapest in general, mainly because of the vibrant urban life, the heterogeneous housing market and the richness of services and facilities. Not surprisingly, their understanding on diversity had a very broad spectrum (socio-cultural, land use, built environment, shops, etc.), but they considered heterogeneity as an essential characteristic of the district. It seems that for them the most important (or at least the most salient) dimensions of diversity are: race, ethnicity and socio-economic status. At the same time, connecting to the concept of hyper-diversity, several respondents referred to other aspects of diversity (e.g. the rich gypsy musicians and deprived gypsies within the group of Roma people).

Regarding the activities of residents, due to the historical evolution of the district and recent urban renewal programmes, Józsefváros offers a great variety of spaces of consumption, leisure and free-time. However, activities of the residents are not bounded exclusively to this area: there were several respondents who have arrived in Józsefváros in the last few years and whose family, workplace and friendship ties connect them to other parts of Budapest or to other regions of Hungary. Moreover, many of them are happy to use the facilities of the Budapest inner-city or the urban green belt, especially on the western side of the city. Residents who were interviewed were quite diverse both in terms of occupation and free-time activities. Therefore, the concept of hyper-diversity also has relevance in our case. However, the internal (district-bound) social relationships of the interviewees showed relatively low diversity. In general, long-term residents had wider local social networks and stronger relationships, while new residents had fewer and weaker neighbourhood-based relationships. The latter group is more connected to other districts or other communities outside Budapest. As an outcome, the respondents profit relatively little from local social ties. Although several respondents gave examples of getting

minor support from neighbours, local relationships and 'weak ties' had some influence only on long-term, poorer residents' work careers, if any.

In Chapter 5, the perceptions of local entrepreneurs on diversity were examined. The businesses in our sample showed a great variety in terms of sector, motivation and the background of entrepreneurs (e.g. age, ethnicity, skills). Entrepreneurs illustrate the functional richness of Józsefváros, its economic development and the changing local business milieu. According to the interviews, the social diversity of the district does not play a significant role in the selection of location or in the business performance, but other dimensions of the neighbourhood are important (see section 6.2). Furthermore, social regeneration in the area contributes positively to the transformation of the local entrepreneurial sphere. There are distinct differences between older, smaller, traditional enterprises and newer companies serving mainly new demands appearing with urban transformation, and the influx of younger and better-off strata. Although the opportunities of these two groups are quite different, their coexistence in the area is definitely an advantage for local inhabitants (see section 6.2).

6.2   URBAN DIVERSITY AS AN ASSET OR LIABILITY?

As demonstrated above, the actors interviewed in Budapest highlighted various positive and negative aspects of diversity. To re-evaluate these aspects, we will use the categories explained in the Introduction (Chapter 1) of this book: social cohesion, social mobility and economic performance.

Social cohesion

In this respect, there are differences among local residents, and the governmental and non-governmental actors. Historically, the acceptance of immigrants from other countries played an important role in Hungary. The same applies to Budapest, where diversity has been one of the traditional values. The decades of communism broke these traditions to some extent, but after 1990 the diversity of the population started to grow again. In Hungarian legislation, diversity has been seen as an asset since 1990 and, the protection of the rights of various ethnic, cultural and religious groups has been a fundamental right (see Chapter 4). Yet, it should be taken into account that Hungary is a landlocked country without former colonies, therefore the public perception of diversity is considerably different from that of Western European societies, and often racist and xenophobic opinions are on the agenda. Furthermore, in Hungary there is not a long tradition of diversity-related policy-making as in Western Europe, and discourses on difference (social, ethnic, sex etc.) are often subjects of populist political forces. Nowadays, due to the recent refugee crisis, the national government perceives the growing diversity as a threat. The views that the main strength of Hungary is its (ethnic) homogeneity and the large number of immigrants with different cultural background poses a threat to the country have gained significant support in public and political discourses. According to these views, right now diversity is widely considered as a threat to social cohesion in Hungary.

For political actors working at the city level, diversity has a slightly different content and implications regarding social cohesion. According to city-wide strategies and policy documents, Budapest has to provide an inclusive, cohesive environment. Thus, city administrators try to create social cohesion between various groups of newcomers and long-term residents. Furthermore, the help given to deprived social groups is also important, in order to prevent growing social inequalities. In both respects, diversity is a factor which has to be considered to ensure social cohesion. In the case of non-governmental actors the situation is similar, since many of them consider that the integration of deprived people is their principal task. At the same time, perceiving diversity as a positive phenomenon is more common among non-governmental actors, and they also pay attention to community building (e.g. Leonardo Community Garden through community gardening).

For the residents in our case study area, the effects of diversity on social cohesion are controversial. On the one hand, the district is a traditionally inclusive area, where poverty has always been present, and cohesion was always stronger among deprived people and long-term residents. On the other hand, recent diversification processes in relation to gentrification and studentification have weakened social cohesion since they lead to robust population changes, thus, breaking or loosening previous social relations. Regarding the views of local residents, they recognised the diversity of Józsefváros well, but most of them did not think that this diversity lead to more cohesion. Many of them expressed tolerance and positive opinions towards diversity – their point of view was probably similar to that of the city municipality regarding the future role of Budapest as the meeting place of cultures. However, there were others who emphasised the negative aspects of diversity (e.g. poverty, criminality). Furthermore, although there is a massive social mixing in the area as an outcome of in-migration, a large part of the newcomers are middle class: most of their social relationships connect them to other parts of Budapest and they are not dependent on neighbourhood-based weak ties. Their local social links might be broader and stronger in the future. For those, however, who consider the district as a 'springboard' (temporary place of residence), time in itself is not enough, but policy actions are needed to foster cohesion. To sum up, diversity is seen by local residents as both an asset and a liability at the same time, as far as the social cohesion of local society is concerned.

In conclusion, in the case of Józsefváros, it cannot be unequivocally stated that diversity is an advantage or a disadvantage regarding social cohesion. Therefore, similar to recent findings in this field (see Chapter 1), it is quite difficult to take a firm position on this question. Our results support those studies according to which the heterogeneity of a neighbourhood rather weakens cohesion (Bolt and Van Kempen, 2013; Bond *et al.*, 2011). Nevertheless, based on our positive experiences, we can also conclude that the social cohesion of Józsefváros can be improved, but concerted policy actions are needed (see Delhay and Newton [2005] about 'good governance' and cohesion), for example, interactions between social groups should be strengthened (see also Section 6.3.).

Social mobility

Based on the interviews, it would be hard to say that diversity clearly has a positive effect on the social mobility of the residents in Józsefváros. The social heterogeneity of the area was usually not considered as an important element of social mobility by the respondents. Most of our interviewees do not rely primarily on their personal relations when searching for jobs, and even if they do so, they usually use their personal connections (e.g. relatives, friends, co-workers from the past) instead of weak neighbourhood-based ties. These connections often link them outside the district. The intra-district relations were more important in social mobility in the case of deprived interview partners.

The diverse housing stock and city functions provide other important aspects of diversity. The share of dilapidated buildings is relatively high in the district, but due to ongoing regeneration programmes several new or renewed flats are also available on the local housing market. Furthermore, the ratio of public housing is also high compared to other Hungarian cities, or other districts of Budapest, and the rents and real estate prices are relatively low. Because of these factors, lots of immigrants choose Józsefváros as an entry point to Budapest, where they can rent or buy their first home. The district also offers several educational and labour market opportunities to new arrivals. The high concentration of higher educational institutions and the cheap rents generates an influx of students into the area. Besides this, the district has a 'springboard' function for career starters and all kinds of immigrants (e.g. from other parts of Hungary, ethnic Hungarians from the neighbouring countries or foreigners). Thus, the diversity of housing stock and city functions contributes positively to mobility – especially residential mobility.

Our conclusion here is similar to that of social cohesion: the link between social mobility and diversity in Józsefváros is not straightforward. Our research findings are in line with those studies (e.g. Brännström and Rojas, 2012; Galster *et al.*, 2008; Gordon and Monastiriotis, 2006; Urban, 2009) according to which the relevance of personal characteristics outweighs the importance of neighbourhood characteristics (see also Chapter 1). It should be taken into account that as with other European cities, the average mobility level of the Budapest population has increased substantially in the last three decades. This is especially true for Józsefváros because it is an area undergoing gentrification, with a high level of population turnover and relatively weak local social networks. Supporting neighbourhood-based initiatives and the participation of local inhabitants can serve as a solution, augmenting residents' local ties, which could even be transformed into strong ties in the future (for more recommendations see section 6.3.).

Economic performance

For the governmental actors at the national and city levels, diversity not only poses challenges and threats, but it is also considered as a possible source of economic growth. Based on policy documents, the cultural and creative economy and international tourism are considered to be the economic activities most strongly connected to diversity. The national and local policy

documents highlight the importance of the influx of skilled labour and the attractiveness of cultural events of various ethnic, religious or lifestyle groups. Nevertheless, it seems that in everyday policy-making, the Budapest- and Józsefváros-level politicians should focus more on the relationship between diversity and entrepreneurship. According to our findings on policies and governance arrangements (Chapter 3), NGOs and private companies are more successful in this respect, and some of the interviewees said that decision-makers had not paid enough attention to the topic.

Based on the interviews with local entrepreneurs it can be stated that in general, the diversity of the district has no direct impact on their businesses. However, the neighbourhood provides a lot of opportunities for entrepreneurs with its close to city-centre location, relatively low property prices, and diversified demand due to its mixed population, although in most of the cases, other factors (e.g. availability of business premises, family or business traditions, skills, labour supply) outweigh the role of diversity. From the point of view of customers and business performance, diversity has multiple roles. On the demand side, the rapid population change creates markets for new products and services. On the supply side the presence of both traditional, small-scale enterprises and large, globally embedded companies could be figured out. This is a positive feature regarding the adequate supply of local needs and the existence of external (international, global) economic relations. Nevertheless, for most of the entrepreneurs interviewed, the meaning of success is survival itself – only a couple of the interview partners reported rapid growth and expansion. Thus, the majority of local enterprises is quite vulnerable and could use some kind of help or support from the local or national government.

To conclude, it can be said that in Józsefváros diversification goes hand-in-hand with economic rejuvenation and has several positive effects both on the supply and demand sides (see also the potential links between diversity and productivity explained in Chapter 1). Nevertheless, according to the interviews, among the enterprises mainly the 'fashionable' new businesses profit from these changes, while most of the traditional small businesses fight for survival. In addition, from the interviews it also became clear that the level of cooperation among local entrepreneurs is relatively low. Consequently, even in the case of flourishing enterprises, good performance cannot be attributed to district-based networks. However, because of some neighbourhood features (e.g. relatively low rents, high level of ethnic entrepreneurship), the area can be an entry point for Hungarian and non-Hungarian entrepreneurs in the future. Policy-makers should pay attention to such factors.

6.3   SUGGESTIONS FOR POLICY: HOW TO USE THE RESULTS?

Although policy documents emphasise the importance of cultural diversity in Józsefváros, decision-makers should focus even more on the diversity of local society in order to improve the socio-economic development of the district. As our results showed, there are some aspects that are completely missing or not emphasised in diversity-related policies. Although Budapest

(and Józsefváros in particular) is a diverse area, diversity is not among the top priorities of the national, city-wide or district policies. Józsefváros is a diverse district not only with different types of social groups and cultures, but with different types of neighbourhoods, architectural styles, land use types, etc. The results can be useful for decision-makers on different territorial scales ranging from local to national level. As was presented in this book, the post-socialist legacy and the specific historical pathway of Józsefváros equally influence the necessary policy actions. As Chapter 1 demonstrated, the success of public policies is more and more dependent on partnerships between various public and private actors – no single authority or non-governmental actor is able to tackle the problems of the increasingly diverse cities. Governance becomes an increasingly complex process because of the tensions between the decreasing institutional capacities and the growing diversity of needs and preferences. Thus, decision-makers should explore and utilise the possibilities of cooperation with various actors (e.g. entrepreneurs, non-governmental organisations, local communities).

The local government has a distinguished role in these processes; it should co-ordinate the activities of stakeholders from different sectors and spatial levels and it should take responsibility for the democratic accountability in the complex decision-making processes. Local government has the most comprehensive knowledge on local needs and it is responsible for the elaboration of local development plans. In this final section, we make several proposals to this policy-making level, partly in order to break with the traditional Hungarian belief that it is always the central government that should be in the vanguard of social and political reforms. Nevertheless, because of the centralised nature of the Hungarian political system, the role of the national government is also important, especially in legislation, and the finance of certain developments, initiatives and formation of national discourses. In some cases, funds from the European Union could be also used.

Maybe the most important challenges for policy-makers are posed by the ongoing gentrification process in Józsefváros. The changing residential milieu, social relations, local services and architecture all have significant effects on local cohesion. Our results show that these processes strengthen the isolation of certain groups and enhance the emergence of parallel societies. Furthermore, the local government should also pay attention to the changing economic atmosphere (new services, transforming markets etc.) in Józsefváros. The decision-makers should also focus on keeping the cultural diversity of the area. In a sense, the local government has to be a counterweight to the market processes which transforms the area, in order to keep/strengthen social cohesion and traditional values but prevent isolation. The most important tools for possible policy actions are the management of spatial processes (e.g. urban rehabilitation, public spaces etc.), adequate regulations, improving the co-operation between actors, funding schemes and influencing communication, public and policy discourses – in most of the cases multiple tools and actions are needed.

Social urban rehabilitation programmes should be continued in the area with special emphasis on the most deprived parts of the district – the role of EU and national funds is crucial here.

Decision-makers, especially the local government, should pay special attention to the most vulnerable social groups since they can become the losers of the transformation taking place in Józsefváros. Inadequate housing, sparse and weak social relations, vulnerability on the labour market are the most visible problems in the area to be solved by the local government. Currently, the co-operation between the local government and the real estate developers is smooth, but the involvement of local communities in the urban rehabilitation processes is not satisfactory. For example, co-operation is needed between investors, the local government and local communities to keep (and develop) those places which are important for the local community life (e.g. meeting places, community gardens, parks, markets, playgrounds etc.). The existing social housing programs (e.g. Magdolna Quarter) should be continued and extended – with the involvement of the local community, the co-ordination of local government and funding from the national government and the European Union. Since the neighbourhood itself has the strongest influence on the life of the most deprived social groups, it is important to provide opportunities for them regarding the labour market and education, as well as enhance the quality of the built environment. In the field of education, new initiatives should be elaborated to present the complex processes of international migration and the refugee crisis instead of the current framing of processes, which oversimplify the problems. These initiatives should be implemented through the co-operation between the Ministry of Human Resources, non-governmental organisations (e.g. Migszol – Migrant Solidarity Group, founded in 2012) and local schools. Education programs should be started to strengthen local identity and place attachment in the district. This would lead to increasing local civic activity in Józsefváros and, thus, it would strengthen the democratic character of the decision making.

The emergence of parallel societies is one of the most significant problems in Józsefváros. Decision-makers should help the interaction between people with different social, cultural or economic background by creating appropriate places and occasions. Therefore, policy-makers should focus on creating more inclusive public spaces and other places for social interaction. Again, the role of local government is crucial here: in the phase of planning, they could mix various functions in the new or renewed public spaces – like in the case of Teleki Square – where there is a market, a park with a playground, there are many opportunities for organising various kinds of events in one place. These could help to integrate different social groups, which is particularly important in the case of the most isolated groups such as elderly people, foreign immigrants, deprived people etc. The spaces of interaction should not target homogenisation and exclusion of certain social groups or ideologies. These spaces should be safe and inclusive at the same time. By local development regulations, investors of large-scale urban rehabilitation interventions could be mobilised towards this aim. Currently, residents often use public spaces in their proximity, which creates the segregation of leisure activities. By organising common cultural and sports events for people from various parts of Józsefváros in certain squares, parks or other public spaces would enhance the mixing of various social and lifestyle groups. By encouraging the mixing of different age-groups, cultures and lifestyles the ghettoisation of certain neighbourhoods, the isolation and stigmatisation of their residents could be prevented. According to our interviews, the number of occasions to experience different cultures is quite

low. The involvement of local and national cultural associations, non-governmental organisations is a key element of such initiatives. The local government should promote the possibilities to organise different types of events, through providing financial or technical (e.g. lighting, sound systems, stages etc.) support. The interaction between cultures, values and lifestyles would raise the overall level of tolerance and social cohesion among people in Józsefváros.

Integration is also important in the case of newcomers. As we presented in this book, Józsefváros serves as a gateway for many to the labour and housing markets of Budapest. Thus, the population of the district is permanently changing, creating challenges for social integration. Dealing with these challenges should be in the focus of both the district and city level policies. New institutions or departments should be established at both levels to help the integration of newcomers, among other things, with translation or information on administrative obligations – there are no such institutions currently. Among our initiatives the RomaNet or the Migration Roundtable contained such elements, thus, their experiences should be taken into account in the future.

Our results showed that over-taxation and administrative burdens pose significant challenges to local businesses, especially for smaller enterprises. The development of local economy could be supported by temporary tax reliefs to help their survival in the first years of their activities. This could help the self-employment of those who have limited resources but want to start a new business. The complexity of problems implies that multiple measures should be taken with the involvement of national, city level and district level policy-makers. At national level, the administrative and tax burdens of small enterprises should be eased, thus the enterprise policy (i.e. Ministry of National Economy) should be more sensitive to the problems and needs of small and medium size enterprises (SMEs). Furthermore, local government should pay special attention to keeping traditional craftsmanship in the district as it is an important part of the local economy and culture. Decreasing rents and local taxes could help. The changing needs and economic conditions, the ageing of craftsmen might lead to the disappearance of certain activities from the district such as hat making, musical instrument making and repair workshops etc. Other local initiatives (e.g. help in marketing, funding schemes, tax relief etc.), should support these businesses. Although national or EU funds could be used to achieve these objectives, the key actor should be the local government, which owns a lot of business premises rented by traditional craftsmen, and has the most adequate information to support them.

So far, the local economic policy has paid relatively little attention to diversity – this aspect could be strengthened in the future. As parts of this, the local and national government should encourage entrepreneurship among youngsters, elderly people, immigrants, subcultures etc. to help their integration. Interventions in the fields of economic and social policies are needed; special funding schemes, training programmes could be developed to achieve this aim. The Chamber of Commerce and Industry should play a pivotal role in this process as it can reach all entrepreneurs due to their compulsory membership, while the funding should be provided by the national government.

Although the role of start-up companies is relatively weak in the district, the location of universities in the area provides good opportunities for start-up businesses; to utilise them flexible support schemes and regulations are needed. Offices, business premises could be leased for a reduced price in the initial phase of the start-up businesses or initiatives (like MÜSZI) by the local government. Furthermore, co-operation between the local government and the universities can be beneficial to help information flows on available funding, premises for rent or administrative issues. Thus, information offices should be set up at the universities in co-operation with the local government and the possible financial involvement of the Ministry of National Development or the Ministry of National Economy, which could provide information on local business opportunities and enhance the entrepreneurial skills among university staff and students.

The efficiency of future policy interventions might be jeopardised by the mistrust among local residents and entrepreneurs towards politics. Therefore, the role of non-governmental organisations is crucial in the implementation of future policy measures. The grassroots movements can mobilise local resources through the greater level of trust towards them. Their involvement could also reduce the top-down nature of local decision-making. To achieve these aims, the financial stability of the initiatives is crucial; as our results show, civil movements often rely on specific projects or governmental funding which makes them vulnerable and their activities (and in some cases, their existence) can become temporary.

Local initiatives should be encouraged to utilise vacant plots, unused premises to satisfy the needs of local residents. This could provide spaces for interaction and help the mobilisation of local resources. This requires certain amount of funds from the local or national government, but the role of local regulations is also important. For example, there is no clear regulation regarding community gardens since they are relatively new phenomena in Hungary. The national government should solve the legal status of these initiatives. The local government could help gardeners with tools and seeds or organise trainings to facilitate their work which can contribute to the strengthening of social cohesion.

The recent influx of refugees into the European Union has resulted in a changing migration discourse and politics. Policy-makers should seek to prevent the strengthening of exclusionary, xenophobic and anti-diversity attitudes. Although actors from different government levels can play a role, the policy of the national government seems to be the most important in this field. To challenge the anti-diversity narratives, the complexity of the processes should be presented to the public and success stories of integration, entrepreneurial success could also be promoted in the media. Non-governmental organisations (e.g. refugee assistance initiatives, cultural organisations etc.) could play an important role in such initiatives. The former Migration Roundtable should be restarted by the national government and the municipality of Budapest since the Roundtable functioned only until the end of the project lifetime. Thus, permanent governmental funding is needed to support this initiative.

Our results showed that diversity is often considered by local residents and entrepreneurs as the diversity of opportunities or urban landscape. Policy-makers should also take into account more the diversity of cultures in Józsefváros to raise the awareness of the public. The framing of diversity is a crucial aspect of successful diversity politics. Local cultural events, newspaper articles, local campaigns as means could be used. These initiatives should be organised on the micro-scale (specific quarters, streets or blocks) with the involvement of local residents.

Moreover, decision-makers should also use a broader understanding of diversity, taking into account the diversity of lifestyles, subcultures, identities, age and income groups. Thus, it would be important to move beyond the positive-negative dichotomy in which diversity is a consensual, inherently positive concept on the one hand, while it is strongly related to social inequalities on the other. This broadened conceptual base could be useful particularly in the case of economic policy. Diversity-centred forums and trainings should be organised for public officers and administrators by the local government and the Ministry of Human Resources.

The insufficient information flows among various actors of the local social and economic life seems to be a problem which hinders the involvement of people in initiatives and the accessibility to different kinds of opportunities (e.g. access to funding, inclusion in the decision making process, new business opportunities etc.). Furthermore, according to the results, there are certain mismatches between what local residents and entrepreneurs want and what decision-makers do. The same can be said for the relation of governmental and non-governmental actors. Thus, the above mentioned complex forms of governance cannot evolve, hindering the effective use of resources and fulfilment of the diverse needs. The more efficient information flows through public meetings, information platforms, new or already existing contact points could solve this problem. A more inclusive decision-making process would also be necessary; various forms of consultations and surveys are needed. The economic chambers could be crucial actors in these initiatives because of the broad membership.

The above-mentioned possible actions could help to preserve the multicultural character of Józsefváros through using diversity as an asset for social cohesion and local economic development. To achieve these, co-operation among a broad spectrum of decision-makers from different spatial scales and between governmental and non-governmental actors is needed. The co-operation within the two-tier government system of Budapest could be smoother – the clarification and a rational division of tasks and competences seem to be important steps towards this direction. The mobilisation of local society can be a crucial element of success, too. Since the problems to be handled are complex in their nature, the approaches to be used by decision-makers should be integrated and open. Last but not least, it is important to find a right balance between keeping the traditional features of the area on the one hand, and maintaining its openness and changing nature. According to our results, the conditions are favourable for these kinds of approaches since the level of tolerance in Józsefváros is higher than the national or city-wide levels, and the governmental actors seem to be open to co-operation while the non-

governmental actors are committed to mobilising diversity as an asset for urban development and social cohesion.

To conclude, policy-makers should focus on the 'social content' of urban rehabilitation programmes; the involvement of various actors in planning and decision making; fostering the information flows between different actors; encouraging bottom-up initiatives; and last but not least a different framing of diversity in public and political discourses.

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APPENDICES

APPENDIX 1. LIST OF THE INTERVIEWED GOVERNMENTAL AND NON-GOVERNMENTAL ACTORS

Central Government
- Deputy State Secretary – Ministry of Interior
- Deputy head of department – State Secretariat for Social Inclusion, Ministry of Human Resources
- Chief Planner – Office for National Economic Planning

City Government
- Deputy chair – Urban Development and Environmental Protection *Committee*, Municipality of Budapest
- Senior official (responsible for equal opportunity affairs) – Budapest Mayor Office
- Managing director – REG-INFO Ltd. (consultant of the Municipal Government)
- Architect, chief advisor – Budapest District 8 (Józsefváros) Mayor Office
- Head of office – Equal Opportunity Office of the Municipality of Budapest

Non-governmental organisations
- Head of department – Department of Social Statistics, Hungarian Central Statistical Office
- Project assistant – Hungarian Maltese Charity Service
- Managing director, architect – Hungarian Society for Urban Planning/Hungarian Urban Knowledge Centre
- Consultant (intercultural education, urban anthropology), activist – Artemisszió Foundation, 'The City is for All' group
- Policy expert – Habitat for Humanity International Hungary Nonprofit Ltd.
- Director – Hungarian Red Cross Budapest
- Head designer – Újirány Group (Office for Architecture, Landscape architecture, Form, Media)
- Humanitarian specialist – African-Hungarian Association
- Director – Vietnamese-Hungarian Friendship Society
- Director – Menedék Hungarian Association for Migrants
- Economist, sociologist – Metropolitan Research Institute

APPENDIX 2. KEY SHIFTS IN NATIONAL POLICIES REGARDING MIGRATION, CITIZENSHIP AND DIVERSITY ISSUES IN HUNGARY

| Period	Political and economic context	Migration policy	Citizenship policy	Diversity policy
Pre-transformation (pre-1989)	• State socialism • Powerful central government; direct state control over almost every sphere of social life • Gradual liberalisation from 1968; became more substantial during the 1980s	• Restrictions in cross-border migration, but liberalisation at the end of this era • Occasionally providing asylum for refugees (e.g. during Greek civil war) • Hungary is a sender country: relatively high number of out-migrants	• 1948. Act LX on Hungarian Citizenship • 1957- Act V on Citizenship • The possibility of losing citizenship (e.g. denaturalisation as penalty or on request of the citizen)	• Assimilationist and non-policy approaches • Diversity is not applied in policy documents because of official ideology • Limited rights and functions of churches and minority organisations
Early transformation (1989-1993)	• Collapse of the USSR and the Warsaw Pact • Strengthening role of Euro-Atlantic relationships • Retained national sovereignty • Economic transformation and restructuring, resulting in high unemployment rates • Large-scale privatisation programmes • Decentralisation of state power from central to local governments i.e. municipalities (but central state remained powerful)	• Altered migration trends: Hungary became a destination and transit country • Immigrants: diverse group but relatively low proportion within the total population and regionally concentrated (mostly to Budapest) • Most of the migrants are ethnic Hungarians from the neighbouring countries ('special ethnic migration') • Introduction of a 'two-tiered refugee system' making sharp distinction between ethnic Hungarians and non-Hungarians • Immigration of Hungarians is favoured by the central government but the basic goal is to maintain their communities in the neighbouring countries • Non-Hungarians perceived as a threat to Hungarian labour market; in response relatively strict regulations against them	• Political dialogue began between the Central and Eastern European countries about the status of ethnic minorities • Strong support of ethnic Hungarian communities living in the neighbouring countries, main priority in foreign affairs • Set up the legal framework to support Hungarian minority communities • *1989. Act* XXIX on Out- and Immigration • 1993. Act LV on Hungarian Citizenship • 1993. Act LXXXVI on the entry of foreigners into, their stay in, and their immigration into Hungary	• Minorities became 'visible' • Appearance of 'new' ethnic minorities (e.g. Chinese) • Socially and economically integrated 'native' minorities with the exception of the Roma population • Due to the development of a multicultural social/political environment diversity is encouraged • *1993. Act* LXXVII on the Rights of National and *Ethnic Minorities* • Wide-range of collective rights are guaranteed for ethnic minority groups (e.g. self-governance, cultural interests) • Minorities remained still unrepresented in the Parliament

Period	Political and economic context	Migration policy	Citizenship policy	Diversity policy
Pre EU accession (1994-2003)	• Preparations for EU-accession; synchronisation of legal frameworks • Economic recovery; foreign investments; privatisation • Introduction of PHARE programs	• Continuation of the 'two-tiered refugee system' • Accelerating decrease of Hungarian population; immigration of skilled Hungarian labour from neighbouring countries is welcomed	• 2001. Act LXII on Hungarians living in neighbouring countries: new relationship between the Hungarian state and ethnic Hungarians living abroad; cultural and social/welfare benefits for ethnic Hungarians (e.g. employment, education, insurance, travelling)	• Diversity is encouraged • Development of minority institutions (e.g. establishment of their national and local self-governments) • 2003. introduction of Act CXXV on Equal Treatment and Promotion of Equal Opportunities • The 'Romany question' became a welfare issue
Post EU accession (2004-2014)	• 2004. accession to EU • Liberalisation of labour market • 2008. global economic crisis • 2011. Hungarian EU presidency • Hungarian government before 2010: socialist-liberal, after 2010: right-wing, conservative government with a two-third majority in Parliament	• New priority: policing illegal migration and connected organised crime • 2007. Schengen Treaty came into effect • 2007. Act LXXX on Asylum • 2007. Act II on the Entry and Stay of Third-Country Nationals • Effect of crisis: decreased labour demand and immigration • 2013. migration strategy: promoting legal migration, especially 'economic' migration	• 2010. introduction of dual citizenship scheme for ethnic Hungarians living abroad • Obtaining permanent residence permit: possible after three years of living and working in Hungary with a residence permit • Obtaining citizenship: possible after eight years of residence • Naturalisation on preferential terms is possible (e.g. if an ascendant was a Hungarian citizen)	• Diversity is encouraged and regarded as a 'source of economic growth' • Impact of austerity politics (especially on deprived Roma population) • 2005. Decade of Roma Inclusion Strategic Program

Period	Political and economic context	Migration policy	Citizenship policy	Diversity policy
Migration crisis (2015-2016)	• Growing numbers of refugees from Middle East • Migration pressure on the Schengen borders • Debates on the Dublin Protocol of the European Union • Terrorist attacks in several Western European cities	• Policing illegal migration, fences at the Hungarian-Serbian border • Defending Schengen borders • Anti-migration campaigns; foreigners are perceived as threat to labour market • Migration and terrorism are presented/perceived as interconnected issues	• Dual citizenship scheme for ethnic Hungarians in neighbouring countries. Aim: 1 million new citizens • Keep ethnic Hungarians in the neighbouring countries to maintain Hungarian presence	• No new migration or diversity policy documents • Shifting focus towards homogeneity in political discourses • Ten-point Action Plan to handle migration crisis • Referendum on EU refugee quota system • Proposal for an amendment of Fundamental Law: incorporation of counter terrorist measures

Among the 50 respondents, 31 of them are female and 19 are male. The largest group of interviewees (more than one-third) belong to the 31-45 age group (19), while nine interviewees belong to the 18-30 age group, 13 to the 46-60 age group, and nine interviewees to the over 60 age group (of which two are aged over 75). Data on ethnic background are based on the self-identification of the respondents. According to these figures the sample is predominantly comprised of ethnic Hungarians. In addition, approximately one-fourth of the interviewees (13) reported at least one ethnicity other than Hungarian. Regarding their country of origin, eight are foreign born; they are mainly from the neighbouring countries, namely Slovakia and Romania.

Among the interviewees, 28 are married, 16 are single, five are divorced and one person is widowed. As for their length of residence in Józsefváros, 26 persons have been living in the case study area for 20 or more years, while nine people moved there less than five years ago (newcomers – i.e. people moving to the area – have an important role among the interviewees because of the ongoing gentrification process taking place in Józsefváros). The length of residence of the other interviewees: 5-9 years (7 persons), 10-14 years (5), 15-19 years (3). Regarding the spatial distribution of the interviewees, they all come from one of the official 11 Quarters (called 'Negyed' in Hungarian language) of Józsefváros. However, most of them live in Inner- and Middle-Józsefváros (see the figure below).
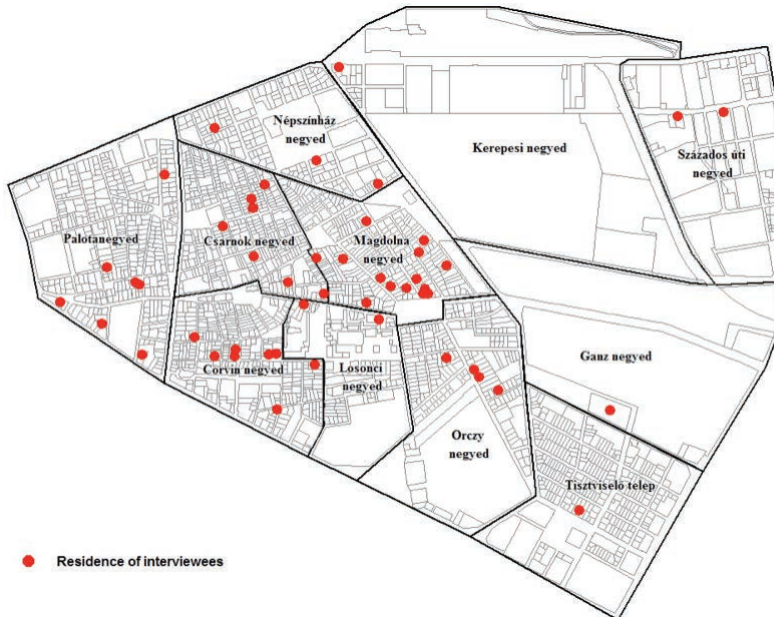
The spatial distribution of the interviewees' homes

Res-pondent	Age	Gender	Position in household	Occupation	Ethnic Group*/ Country of origin
1	63	F	Wife in a two-person household	Old-age pensioner	Hungarian/Hungary
2	30	F	Wife and mother of one child	Lutheran priest/pastor	Hungarian/Hungary
3	23	M	Single	Student	Hungarian/Bissau-Guinea
4	47	F	Wife and mother of one child	Social worker	Hungarian/Hungary
5	47	M	Husband and father of three children	Social worker, teacher	Hungarian/Hungary
6	36	F	Single	Chemical engineer	Hungarian/Slovakia
7	33	F	Single	Bookkeeper	Hungarian/Hungary
8	66	F	Single mother in a single parent household of one child	Old-age pensioner	Hungarian/Hungary
9	66	F	Wife in a two-person household	Old-age pensioner	Hungarian/Hungary
10	36	M	Single	Journalist	Hungarian/Hungary
11	30	M	Single	Private entrepreneur (programmer, website designer)	Hungarian/Hungary
12	55	M	Husband	Security officer (Hungarian Railways)	Roma/Hungary
13	45	M	Husband	Mentor	Hungarian-Romanian/ Hungary
14	29	F	Wife in a two-person household	Teacher	Hungarian/Hungary
15	37	M	Husband and father of three children	Joint representative of condominiums	Hungarian/Hungary
16	42	F	Single	Consular Officer and Interpreter	Hungarian/Hungary
17	70	M	Husband and father of two adult children	Old-age pensioner	Roma/Hungary
18	36	F	Wife and mother of two children	Real estate agent	Hungarian/Hungary
19	37	F	Wife and mother of two children	Dispatcher	Hungarian/Hungary
20	40	M	Husband	Physiotherapist	Hungarian/Hungary
21	63	F	Single mother of three adult children	Old-age pensioner	Hungarian/Hungary
22	48	M	Husband and father of two children	Architect	Hungarian/Hungary
23	65	M	Husband and father of one child	Old-age pensioner	Hungarian/Hungary
24	81	M	Husband and father of four adult children	Old-age pensioner	Hungarian/Hungary
25	50	M	Husband and father of one child	Chef	Egyptian/Egypt

Res-pondent	Age	Gender	Position in household	Occupation	Ethnic Group*/ Country of origin
26	45	F	Single	Joint representative of a condominium	Hungarian/Hungary
27	59	M	Single	Street cleaner, public worker	Hungarian/Hungary
28	37	F	Wife and mother of one child	Community organiser at an NGO	Hungarian-Jewish-Polish/Hungary
29	58	F	Wife in a two-person household	Painter	Roma/Hungary
30	25	M	Single living with mother	Private entrepreneur (agent of financial products)	Hungarian/Hungary
31	58	F	Wife in a two-person household	Secretary	Hungarian/Hungary
32	34	M	Single living with partner	Museologist, website designer	Hungarian/Slovakia
33	37	M	Husband and father of 2 children	Musician	Hungarian-Roma/Hungary
34	61	F	Single mother of one adult child	Stylist, designer	Hungarian-Jewish/Hungary
35	53	F	Single mother of one child	Real estate agent	Hungarian/Romania
36	23	F	Single	Student	Hungarian/Romania
37	38	F	Wife and mother of two children	Kitchen assistant	Roma/Romania
38	58	M	Husband and father of two children	Public worker	Hungarian/Hungary
39	26	F	Single living with partner	Graphic designer	Hungarian/Hungary
40	30	F	Single mother of one child	Street cleaner, public worker	Hungarian/Hungary
41	55	F	Single	Cleaner	Hungarian-Roma/Hungary
42	23	M	Single	Public worker	Hungarian/Hungary
43	38	F	Single mother of one child	Public worker	Hungarian/Hungary
44	40	F	Wife and mother of two children	Public worker	Hungarian-Roma/Hungary
45	32	F	Wife and mother of two children	Real estate agent, developer	Hungarian/Romania
46	60	F	Wife and mother of two adult children	Old-age pensioner	Hungarian-Slovakian/Hungary
47	78	F	Wife in a two-person household	Old-age pensioner	Hungarian/Hungary
48	28	F	Single living with partner	Student, trainee lawyer	Hungarian/Hungary
49	51	F	Wife in a two-person household	Executive official at an NGO	Hungarian-German-Slovakian/Hungary
50	35	F	Single	Researcher	Hungarian/Hungary

* Based on self-identification.

APPENDIX 4. LIST OF THE INTERVIEWED ENTREPRENEURS

Inter-viewee	Age	Gender	Type of enterprise* (size*; main activities**)	Type of entrepreneur (ethnicity***/nationality; educational attainment)
1	63	M	Micro-sized; education (language school and translation services)	Hungarian/Hungarian; Master's degree
2	64	M	Micro-sized; site preparation (construction industry)	Roma/Hungarian; High-school degree
3	37	F	Micro-sized; retail sale in non-specialised store with food, beverages or tobacco (vegan bistro, organic food and gift shop)	Hungarian/Hungarian; Master's degree
4	35	M	Small-sized; restaurant and mobile food service activities	Hungarian/Hungarian; High-school degree (secondary vocational school)
5	62	M	Micro-sized, real estate agency – KEY INFORMANT	Hungarian/Hungarian; Master's degree
6	38	M	Medium-sized; property development – KEY INFORMANT	Hungarian/Hungarian; Master's degree
7	34	M	Micro-sized; food and beverage service activities (bar and restaurant)	Hungarian/Hungarian; Master's degree
8	68	M	Micro-sized; cutting, shaping and finishing stone (stonemasonry)	Hungarian/Hungarian; High-school degree
9	41	F	Large-sized; retail sale of books in specialised stores	Hungarian/Hungarian; Master's degree
10	40	M	Small-sized; hotels and similar accommodation services	Hungarian/Hungarian; Bachelor's degree
11	74	M	Micro-sized; craftsman (musical instrument – violin – maker)	Hungarian/Hungarian; Master's degree
12	65	M	Micro-sized; site preparation (construction industry)	Hungarian/Hungarian; High-school degree (certificate of higher education)
13	64	M	Small-sized; hotels and similar accommodation services	Hungarian/Hungarian; Bachelor's degree
14	45	M	Micro-sized; restaurant and mobile food service activities	Hungarian/Hungarian; Master's degree
15	33	M	Small-sized; technical testing and analysis (environmental services)	Hungarian/Hungarian; Master's degree
16	51	M	Micro-sized; retail sale of bread, cakes, flour confectionery and sugar confectionery	Hungarian/Hungarian; High-school degree (vocational school)
17	44	M	Micro-sized; pre-press services	Hungarian/Romanian; High-school degree
18	65	M	Micro-sized; retail sale of hardware, paints and glass (and upholster)	Hungarian/Hungarian; High-school degree
19	53	M	Micro-sized; painting and glazing	Hungarian/Hungarian; High-school degree (vocational school)
20	56	M	Micro-sized; retail sale of furniture, lighting equipment and other household articles (china shop)	Hungarian/Hungarian; High-school degree
21	72	M	Small-sized; restaurant and mobile food service activities	Hungarian-Jewish/Hungarian; High-school degree
22	62	M	Micro-sized; repair of furniture and home furnishings (cabinetmaker/carpenter)	Hungarian/Hungarian; High-school degree

Inter-viewee	Age	Gender	Type of enterprise* (size*; main activities**)	Type of entrepreneur (ethnicity***/nationality; educational attainment)
23	43	M	Micro-sized; veterinary activities (dog cosmetics)	Hungarian/Hungarian; Master's degree
24	65	M	Micro-sized; retail sale of clothing (hat-maker/hat-repair)	Hungarian/Hungarian; High-school degree
25	37	M	Micro-sized; retail sale of bread, cakes, flour confectionery and sugar confectionery	Hungarian/Hungarian; High-school degree
26	47	F	Micro-sized; retail sale of fruit and vegetables	Hungarian/Hungarian; High-school degree
27	50	M	Micro-sized; retail sale of food	Vietnamese/Vietnamese; Master's degree
28	63	F	Micro-sized; retail sale of plants and seeds (flower shop)	Hungarian/Hungarian; Bachelor's degree
29	47	M	Micro-sized; metalworking	Hungarian/Hungarian; High-school degree
30	46	F	Micro-sized; retail sale of paper and stationery	Hungarian/Hungarian; High-school degree
31	51	M	Micro-sized; repair of footwear and leather goods (tanner)	Hungarian/Hungarian; High-school degree (vocational school)
32	65	M	Micro-sized; repair of watches, clocks and jewellery	Hungarian/Hungarian; High-school degree (vocational school)
33	30	M	Micro-sized; wholesale of meat and meat products (Turkish butcher and food shop)	Turkish/Turkish; High-school degree
34	53	M	Micro-sized; maintenance and repair of motor vehicles	Hungarian/Hungarian; High-school degree (vocational school)
35	62	M	Micro-sized; retail sale of food, beverages and tobacco	Persian/Iranian; Master's degree
36	62	M	Small-sized; wholesale of textiles (supermarket)	Kurdish/Turkish; High-school degree
37	40	F	Micro-sized; restaurant and mobile food service activities (fast-food restaurant)	Chinese/Chinese; High-school degree
38	38	F	Micro-sized; web portal services (medico booking start up)	Hungarian/Hungarian; Master's degree
39		F	Teacher and researcher (sociology and social anthropology) – KEY INFORMANT	Hungarian/Hungarian; PhD candidate
40		F	Independent researcher (social anthropology) – KEY INFORMANT	Hungarian/Hungarian; PhD candidate

* Enterprises have been categorised by the number of their employees, according to the Act XXXIV of 2004 (on Small and Medium-Sized Enterprises and the Support Provided to Such Enterprises ["SMEA"]): micro-sized (less than 10 employees); small-sized (10-49 employees); medium-sized (50-249 employees); large-sized (250 or more employees).

** Enterprises have been categorised by type on the basis of the Hungarian TEÁOR'08 system which is equivalent to the Statistical Classification of Economic Activities in the European Community called 'NACE Rev.2' (Regulation [EC] No 1893/2006 of the European Parliament and of the Council), according to the enterprise database of the National Tax and Customs Administration of Hungary.

*** Based on self-identification.

NOTES

1   This chapter is in a large part based on Tasan-Kok, T., R. van Kempen, M. Raco and G. Bolt (2013), *Towards Hyper-Diversified European Cities: A Critical Literature Review*. Utrecht: Utrecht University.

2   Later in this chapter, we will elaborate on these concepts. Here we only give some very general definitions.

3   Large parts of this text have been published earlier by Tasan-Kok *et al.* (2013).

4   Act LXXVIII of 1993 on Certain Rules of the Lease and Alienation of Residential and Non-Residential Premises.

5   In the framework of the Hungarian National Census, ethnicity is based on self-categorisation and declaring a multiple-identity is allowed. In addition, answering the ethnicity question is not compulsory. As a consequence, the number of those with a latent ethnic identity or those who did not answer can be sizeable (e.g. in 2011, 11.0% of the total population of Józsefváros rejected self-categorisation).

6   In Hungary, the following 13 national/ethnic minority groups are defined as domestic (historical): the Bulgarian, the Gypsy/Roma, the Greek, the Croatian, the Polish, the German, the Armenian, the Romanian, the Rusyn, the Serbian, the Slovakian, the Slovenian and the Ukrainian (Act LXXVII of 1993; Act CLXXIX of 2011).

7   Hungarian Central Statistical Office (2011), http://www.ksh.hu/nepszamlalas/tablak_teruleti_00; http://www.ksh.hu/nepszamlalas/tablak_teruleti_01

8   Hungarian Central Statistical Office (2011), http://www.ksh.hu/nepszamlalas/tablak_teruleti_00; http://www.ksh.hu/nepszamlalas/tablak_teruleti_01

9   Hungarian Central Statistical Office (2014). A háztartások életszínvonala [The standard of living of households]. Accessed at http://www.ksh.hu/docs/hun/xftp/idoszaki/hazteletszinv/hazteletszinv.pdf (2015.10.30).

10 Income Tax Data. Spatial Information System (TEIR)/National Tax and Customs Administration of Hungary (2011).

11 National Employment Service (2013). Summary Report November 2013.

12 Persons with a residence permit for at least three months.

13 Act XL of 1990 Amending the Constitution of the Republic of Hungary.

14 Act CXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities.

15 Act LXXXVI of 1993 on the entry of foreigners into, their stay in, and their immigration to Hungary.

16 The Fundamental Law of Hungary (2011) and the Act CLXXIX of 2011 on the Rights of Minorities.

17 According to one of our national-level interviewees.

18 Act CXL of 2015 on the Amendments to Acts Related to Mass Immigration

19 http://www.kormany.hu/en/cabinet-office-of-the-prime-minister/news/aim-of-the-proposed-amendment-to-the-fundamental-law-is-to-enable-the-government-to-protect-the-country

20 http://www.kormany.hu/en/the-prime-minister/news/prime-minister-viktor-orban-proposes-ten-point-action-plan

21 The 13 'historical' national/ethnic minority groups are: Bulgarian, Gypsy/Roma, Greek, Croatian, Polish, German, Armenian, Romanian, Rusyn, Serbian, Slovakian, Slovenian and Ukrainian (*Act* LXXVII of *1993*; Act CLXXIX of 2011).

22 In the original Hungarian language, the term 'sokszínű' is used, which means 'colourful'.

23 The Budapest agglomeration is located in Pest County.

24 Act II of 2012, amended on 30th September 2013.

25 The Local Action Plan for the integration of the Roma population and the Hungarian National Social Inclusion Strategy emphasise that labour market integration plays a key role in the social integration of the Roma population. Moreover, in both of the documents, the viewpoint of the EU was adopted: the labour market integration of the Roma can bring significant economic benefits for the society, and as a consequence, it contributes to the elimination of discrimination on the grounds of racial or ethnic origin, enhancing social cohesion.

26 RÉV8 is a company founded by the local government of Józsefváros. Its primary aim is to manage local urban renewal programmes.

27 Ethnicity is based on self-identification. For further information, see Appendix 3.

28 Nevertheless, it is worth noting that in several old buildings, high collective maintenance fees can counterbalance cheap rents.

29 'Ruin bars' are Budapest night-life hotspots which have recently become popular attractions for international tourists (Lugosi *et al.*, 2010). These facilities are located in old, dilapidated buildings which have been (partly) renovated for hospitality and entertainment purposes (this is why they are called a 'ruin bar' or 'ruin pub').

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