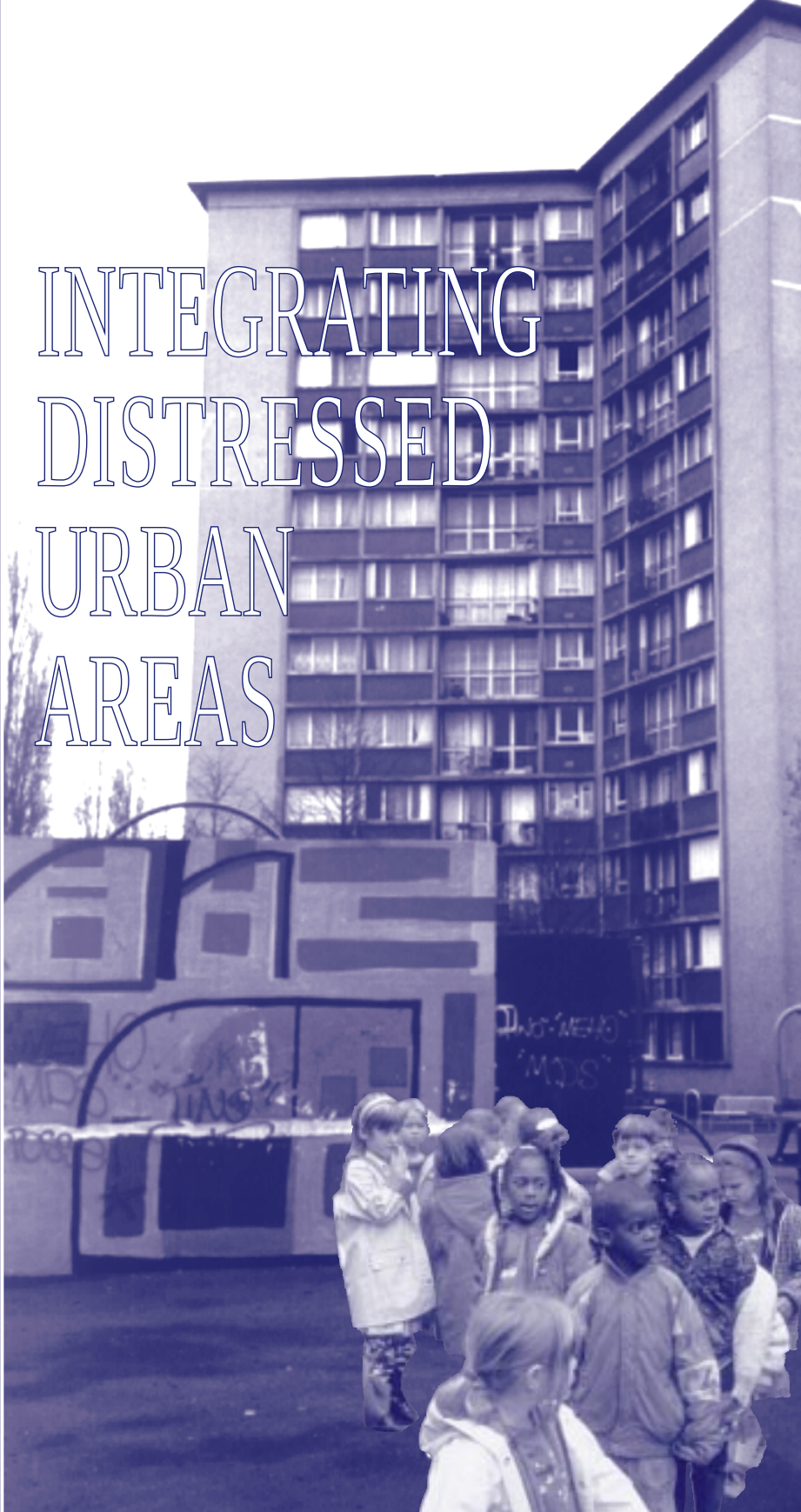
OECD

TERRITORIAL DEVELOPMENT

# INTEGRATING DISTRESSED URBAN AREAS



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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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# FOREWORD

The OECD began to address the problem of distressed urban areas in 1992, first in a conference on urban regeneration focusing on strategies for community and business involvement, and then in a high-level conference on urban social, economic and environmental problems. A programme of work was established by the Urban Affairs Division and the LEED Programme of the OECD Territorial Development Service. A Project Group, chaired first by Peter Edelman (US), and then by Judith Littlewood (UK), guided and evaluated research based on national reports and case studies. Andrew Davies and Patrice Vergriete, of the OECD Secretariat, prepared this report; their work was supervised by Josef Konvitz of the Urban Affairs Division. Michael Storper (OECD Consultant and Professor of Urban Geography, UCLA) contributed to developing some of the main themes included in the report. Philippe Choffel (Mission Villes), Jean-Pierre Le Gléau and Cécile Lefevre (Méthodes Comparées) of INSEE collaborated in the quantitative analysis. City case studies were developed in conjunction with the European Regional Office of the WHO Healthy Cities Programme.

This book is published on the responsibility of the Secretary-General of the OECD.

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# INTRODUCTION

The issue of distressed urban areas is one of the most intractable in the developed countries of the OECD, and if anything it has become more aggravated in the 1980s and 1990s, both in countries with strong employment growth and in those where unemployment remains high. Areas of concentrated deprivation in cities impede economic development, weaken social cohesion and engender high environmental costs. No country is immune from the emergence or spread of distressed urban areas; and none can be confident that such problems can be contained.

The analysis of distressed areas and their populations distils many of the main economic and social challenges facing OECD Member governments today, including:

- the limitations of market-based, automatic adjustment mechanisms in the economy to resolve problems of poverty, unemployment and inequity;
- the need for many cities to develop new economic activities to replace industries that have been rendered technologically obsolete or uncompetitive;
- the effects of urban spatial change on patterns of investment and economic activity within metropolitan areas;
- the decline in the credibility of elected government in sections of the population and the search for complementary governance structures;
- the need for governments at all levels to implement policies more effectively in the context of decentralisation and fiscal constraints;
- the need for active welfare policies that provide protection and encourage equality of opportunity, without creating dependence and alienation;
- the close links between social conditions and economic performance and the search for policies that can reconcile the two;
- the integration of environmental issues and the objectives of sustainable development into urban policies, and

– the value of local initiatives and public-private partnerships to set priorities and to develop innovative strategies.

The problem of distressed urban areas is not poverty as such. Many poor people live outside distressed urban areas; and many people living in these areas are not poor. It is not low income alone that characterises these neighbourhoods, but an interlocking mix of environmental, social and economic circumstances, sometimes exacerbated by public policies, that discourages investment and job creation and encourages alienation and exclusion. The presence of distressed urban areas, whether in the centre or on the periphery of a city, alters the pattern of metropolitan employment and investment, reducing a city's capacity to pursue area-wide goals, most notably competitiveness and sustainability. If nothing is done, the social costs to the public sector in the future could increase dramatically, and the growth of the informal economy and emergence of an underclass may yet threaten the strength of the economic system itself.

The usual way to approach a problem is to identify its causes, so that these – and not merely the symptoms of problems – can be reduced and, over time, eliminated. An understanding of the causes of distressed urban areas is, of course, important, but as this report shows, the causes are multiple, and rarely the same in more than one place. The factors shaping disadvantaged areas are not blind forces about which nothing can be done; rather they concern aspects of social and economic change that can be addressed.

The need for policy action by central government is clear. Programmes and policies for distressed urban areas should be conceived as a part of urban policy because the problems of these areas cannot be treated in isolation from the rest of the city. Concentrated urban deprivation has become the most important urban policy challenge to local and national governments since the end of the Second World War and the Great Depression. The economic and social foundations of these areas can be rebuilt. But, to do so, government intervention must recognise the multifaceted nature of the problem, and it must build on local knowledge and commitment to find appropriate solutions. Area-based strategies constitute the significant recent policy innovation in this field, with the promise of enabling business, communities and government to address the multiple nature of the problems of distressed urban areas, to make long-term commitments and to establish effective partnerships.

# SUMMARY

*Deprived areas, which have grown in number in recent years, limit the opportunities and prospects of people who live in them. Without a vision of their potential, a nation only bears the costs but fails to realise the possibilities inherent in these places and their populations.*

- In the ten countries surveyed (containing around half of the total population of the OECD), the proportion of the population of major urban areas in relative distress ranged from 7 per cent to 25 per cent, representing up to 10 per cent of the national population. Approximately 20 million people in those countries surveyed are living in deprived areas, out of a metropolitan population of 185 million.
- Each country was touched by some degree of concentrated urban deprivation. According to a range of socio-economic variables, these areas exhibit characteristics that suggest significant variation from national and urban norms. Furthermore, over time, the rate of improvement in these characteristics across a range of indicators was slower than in the urban area as a whole.
- There appear to be broad similarities among distressed areas in each country, in terms of their socio-demographic composition and socio-economic conditions. The differences are largely in the severity or the "mix" of each phenomenon. Among the similarities, distressed areas are characterised by: young populations, high rates of single parenthood, very low income levels and high dependence on income transfers, low levels of socio-occupational mixity, high levels of informal economic activity, high crime rates and rates of drug and alcohol abuse, few local commercial enterprises and poor access to retail centres, more households without a car or telephone, and high mortality and disease rates.
- These findings bring into sharp focus the national aggregate statistics for employment, unemployment, education, housing and so on, implying sharp disparities in life experiences, opportunities and prospects across urban areas. The aim of policy should be therefore to create the conditions that will encourage investment and renewal, endogenous economic development and access to opportunity.

*Innovative, flexible area-based policies show promise but are a challenge to implement.*

- Distressed urban areas are not static; they are dynamic places – they continue to evolve after they have emerged. Governments have been too slow to initiate policies to address these problems and also slow to realise that sectoral policies have been generally too rigid to cope effectively with such changeable situations.
- Preventive measures are needed, but are not being undertaken systematically, which often means that problems are only addressed when they reach a certain level of severity or when social tensions become difficult to control.
- Policies are needed that stress education, employment and training, economic development, improvement of housing and the physical environment and community development, and that find ways to reach at-risk groups effectively.
- Area-based, integrated programmes that combine local initiatives with external assistance can invigorate hitherto passive welfare and social policy frameworks.
- Implementation of such strategies, however, requires a significant shift in the working relations among governmental and non-governmental actors, in particular, a clearer definition of roles and responsibilities, with greater emphasis on partnership-based institutions. The private sector should be involved in these institutions and should be encouraged to identify economic opportunities.

*Part I*

# UNDERSTANDING THE CHALLENGE OF DISTRESSED URBAN AREAS

# PATTERNS OF DEPRIVATION: DIVERSITY AND COMMONALITIES

## URBAN DISTRESS IN THE OECD: DEFINITIONS AND TYPOLOGIES

Distressed urban areas are portions of cities or their suburbs, usually at the scale of residential neighbourhoods, in which social, economic and environmental problems are concentrated. These problems affect residents and local enterprises, both directly and indirectly, to differing degrees. The cumulative effect, however, is to limit access to opportunities, resources and services that are considered normal or standard in other parts of the city. The intensity of deprivation appears to have increased in many OECD cities over the past two decades and research suggests that, in many cases, aggravation of problems is systematic: a "spiral of decline".

Traditional perceptions of urban deprivation focused on the notion of the "slum", areas of cramped, low-quality housing with poor hygiene and sanitation, located close to the city centre often in amongst the industrial zones that provided the bulk of the local employment. Today, disadvantaged areas are no longer found in central areas alone, nor are housing conditions and amenities necessarily the main issue.

In some countries, such as the United States, distressed urban areas were evident in the 1960s; in the UK, they emerged only in 1970s, and on the European continent in the 1980s and 1990s. The nature of the policy debate also varies from country to country. In the US, for example, discussion of distressed areas dates from the early 1960s, with concern focusing on increasingly poor inner city areas. In France, the issue is more recent and debate emphasises residential areas on the periphery of major cities. In Spain, deprivation is often a small town problem and conditions strongly reflect disparities in standards of living from one region of the country to another. In countries like Sweden and the Netherlands, where concentrated deprivation is only now becoming a policy issue, it is often connected with concerns about the concentration of immigrants in particular zones.

The clearest distinction that can be made is that between the geographical location and physical features of urban distress from one country to another. The

general models presented below are rooted in the political, economic, social and cultural histories of the individual cities and countries and reflect developments in the physical and spatial environment over a long period.

Three locational models of deprivation can be identified.

*A. City centre deprivation*

In many OECD countries, the typical pattern of urban deprivation – slum housing – endured until the 1950s-60s when residential areas of city centres were systematically cleared and redeveloped. Most major European cities, and many in the USA, Canada and Australia, underwent this phase of large-scale redevelopment and resettlement in the 1960s and 1970s. As a result, many inner cities are composed of modern or modernised housing stock, in some cases increasingly occupied by middle-class residents. However, some European cities, particularly in Southern Europe, still have areas of low-quality housing in and around their historic core, often retaining a traditional "popular" character (though residents are mainly elderly – most families live in larger owner-occupied units away from the centre) and containing commercial and artisanal economic activities. Although some of these areas may be poor, they tend to be "socially" stable, with social heterogeneity assured through rent subsidies designed for the purpose.

In contrast, US cities continue to be strongly polarised between a distressed central core and more affluent suburbs. Located around the central business district, these are mainly traditional working-class areas with relatively old housing stock, usually in private ownership, now characterised by a severely degraded physical environment and an absence of businesses, retail outlets, local employment opportunities and public facilities. Many metropolitan areas have been "hollowed out" with not only residents but also economic activities relocating to suburban areas. In geographical/spatial terms, the American scenario remains somewhat exceptional – though from a socio-economic perspective, the differences with other countries are more in degree than substance.

*B. Peripheral deprivation*

Peripheral distressed areas are mainly large, multi-family social housing units built on greenfield sites on the periphery of the city or in neighbouring municipalities as part of a planned expansion (*cité radieuse* concept) to cope with population growth, whether due to internal or international migration or demographic pressures. These areas were also designed to house low-income families rehoused after inner city redevelopment projects. In a number of countries the pressure to house new residents meant that the construction of housing outstripped the building of infrastructures. As a result, in

many cases these outlying housing estates were poorly served by road links or public transportation and lacked amenities such as day care centres, schools, community, cultural and leisure facilities. In some countries – those where the pressure of urbanisation was strongest – development was more uncontrolled and peripheral residential zones resembled shanty towns.

Although usually constructed to a relatively high standard in terms of facilities (toilets, bath/shower etc.), the exteriors often degraded rapidly because of unsuitable building materials, poor maintenance and vandalism. The housing units were often built with large areas of common green space between buildings, though few individuals have their own garden. This pattern is typical of France, but similar developments can be found in many OECD countries including Belgium, Germany, the Netherlands, the Nordic countries and major cities in Southern Europe. The main differences among countries can be seen in the extent to which these areas were planned as functionalist extensions of the city, receiving areas for particular groups, notably migrant workers, or grew as uncontrolled responses to urbanisation and population expansion. With or without adequate services and infrastructure, similar problems of isolation and alienation seem to be prevalent.

*C. Mixed city centre and peripheral deprivation*

In practice, urban areas in most OECD countries, even including the United States, contain examples of both locational types of distress – that is, a mix of different identifiable types of distressed area. A common example is given by the pattern of deprivation in cities in the UK and Ireland, which includes three major types of area: 1) ''rooming-house'' or ''bedsit'' district, low-cost, private rented accommodation in the city centre, adjacent to 2) large modern social housing estates built in the 1960s as part of slum clearance projects and 3) peripheral housing estates, either multifamily blocks or detached or semi-detached houses with private gardens, which again, despite more liveable environments, do not seem immune from problems of alienation and exclusion.

Dublin demonstrates a common contrast in many OECD cities between deprivation in areas of new housing and deprivation in traditional older neighbourhoods. The newer estates are generally large units and equipped to high minimum standards – in these areas typically only 1 or 2 per cent of dwellings would be without toilet or bath. In older neighbourhoods, the amenities question is more important. Many residences have not been renovated and lack these basic facilities. Both can, nonetheless, share severe problems of unemployment, low income and crime. Looking at areas of Dublin, the similarities and differences of the two types of area are apparent.

Table 1. **Characteristics of inner city and peripheral high unemployment areas of Dublin, 1991**

| | Unemployment rate | Housing stock built before 1945 | Households lacking shower or bath | Number of family members (persons) | 3 or more children | Households with children under 15 |
|---|---|---|---|---|---|---|
| Inner city areas | 34.32% | 55.17% | 13.43% | 2.4 | 10.23% | 16.60% |
| Peripheral areas | 37.88% | 1.21% | 0.80% | 4.2 | 43.69% | 50.27% |

*Source:* OECD Secretariat Neighbourhood-level Data Survey.

In some cases, the mix is a deliberate outcome of government policy. Canadian cities owe their low rate of social polarisation to specific zoning regulations which aim to maintain a degree of social mixity within urban areas by constructing small social housing projects in different neighbourhoods rather than concentrating them on the periphery. Many OECD cities, particularly those in Southern Europe that have experienced significant and rapid expansion, such as Athens and Lisbon, tend to have patterns of deprivation that bear witness to the various development phases of the city itself. As a result there are pockets of deprivation in widening concentric rings around the city that reflect the boundaries of the city at stages in the process of in-migration or of particular government policy approaches.

Each of these broad types of urban deprivation has particular characteristics depending on the historic development of the area, its location, changing socio-demographic and economic profile. Although each OECD country can be associated with one or other general type of urban distress, individual cities may display features of another type, owing, for example, to the age of the city, its industrial base and experience with industrial restructuring, housing policy, scale of inward migration and so on.

## THE CHARACTERISTICS OF URBAN DEPRIVATION IN OECD COUNTRIES: AN OVERVIEW

### Australia

In the low-density, highly spread out pattern of urban development in Australia, the low-income middle and outer suburbs of Australian cities, particularly those containing public housing estates, are seen as the source of future urban tension by policymakers. Areas such as Broadmeadows and Sunshine in Melbourne, Liverpool and Blacktown in Sydney, Inala in Brisbane, and Elizabeth and Enfield in Adelaide, were products of industrialisation and suburbanisation

during the long boom of the 1950s and 1960s. Such areas have been heavily affected by the loss of manufacturing employment, leading to high levels of overall and youth unemployment and low rates of labour force participation. Indigenous Australians and refugee immigrants have become particularly concentrated in public housing, partly through the declining supply of low-income private rental housing in the inner suburbs. Through accumulation of these factors, public housing in the outer suburbs has now become synonymous with *welfare housing*, where access is, in practice, targeted narrowly on households in poverty. And, through an inexorable, self-perpetuating process, aided by a gradual increase in the supply of affordable housing, the older and least appealing public housing estates have acquired a disproportionate share of the households in most need, as residents with a degree of choice move out and as new applicants who can afford to wait hold out for a more desirable vacancy.

The spatial concentrations of disadvantage in some middle and outer suburbs – arguably linked to poor transport communications – are entwined to the more general debate about the economic efficiency, environmental sustainability and social equity of Australia's low density form of urban development.

**Denmark**

Distressed areas are not a new phenomenon in Denmark, but in contrast with the situation in the past, where the problem mainly consisted of temporary dwellings for the homeless built after the Second World War and slum areas from the 19th century, the term distressed areas today refers mainly to zones of social housing erected in the period after 1965. The situation in Denmark is therefore somewhat similar to that in Germany, the Netherlands and the Nordic countries, that is, a gradual relocation of urban deprivation from old city centres to suburban residential zones.

There are, however, some differences stemming from the stronger preference for home ownership in Denmark. Following the economic boom in the 1960s, even middle-income Danish families were able to buy their own home and hence moved out of often cheaply built and poorly maintained social housing estates into which they had moved following inner city redevelopment For the more affluent, therefore, social housing was a temporary situation: a function of demographic pressures and an acute housing shortage. As a result, some social housing associations had increasing numbers of empty apartments and had difficulty finding new tenants. The problem of empty apartments both caused and was aggravated by an increase in the rent level. As opposed to rent-fixing in a free market, the rent in social housing was fixed by a principle of budgetary balance, a cost-price rent, in the sense that the rent must cover the costs in each individual housing estate. Therefore, empty apartments and building renovation "automati-

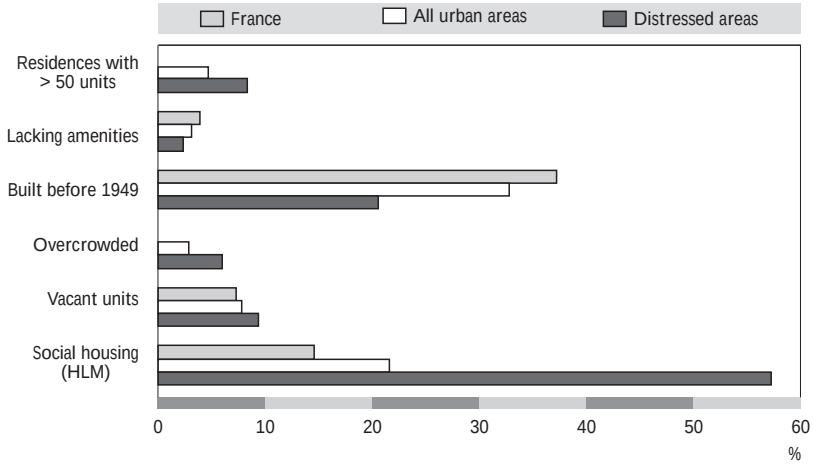
cally'' resulted in higher rents for the remaining tenants. As a result, the resident turnover increased, leading to even higher costs, rent increases, less efficient maintenance and repairs, etc. – the beginning of a downward spiral.

**France**

For the past fifteen years, there have been identifiable areas of transition distress – for example, ''working class'' neighbourhoods severely hit by unemployment caused by plant closures in manufacturing or heavy industrial sectors. These areas, which range in size from neighbourhoods within cities to whole towns and regions (particularly in the North) were a legacy of 19th century urban geography. Despite efforts by the public administration, new business activities are developing only slowly and the unemployment rate can in some cases be as high as 50 per cent.

Some distressed urban areas, although affected by the same problems of persistent unemployment, are of a different nature. They are primarily on the outskirts of major cities – dormitory housing estates constructed in the post-war period. These new residential zones are almost exclusively composed of social housing occupied by the most underprivileged families. They are multi-family,

◆ Figure 1. ***Characteristics of housing in deprived areas, France (1990)***




*Note:* Deprived areas are defined as those participating in the DSQ programme.
*Source:* OECD/INSEE.

system-built developments constructed along architectural lines typical of the modernist movement of the 1960s and 1970s and according to an overall urban development plan known as the "*cité radieuse*". More than in most other countries, these new residential zones were planned developments; partly designed to relieve pressure on the central city and partly designed to receive target populations. The problems that have developed in these areas over the past decade are varied, but largely economic and social in nature. Housing quality is generally high (less than 1 per cent of housing units lack bath or shower) and environmental problems are rare. Nonetheless, there are increasing problems of delinquency and vandalism, social exclusion and so on.

**Germany**

In the *Länder* of the former West Germany, areas of deprivation were traditionally located in densely populated old town ("Altstadt") sections of the inner city, and in post-war "tenement" neighbourhoods. As in many other European countries, an extensive programme of inner city renovation, introduced in 1971, had the unwanted side-effect of displacing the poor from stable community environments to specific areas of low-cost housing, largely in the public sector. Concentration of low-income families on new public housing developments (*Grosswohnsiedlungen*), together with the tenanting practices of public housing offices, led to a large increase in social aggregation over the course of the 1970s and 1980s. These areas are emerging as the main areas of social and economic deprivation in the former West Germany.

In the new *Länder,* by contrast, large public housing estates built in the 1950s and 1960s continued to be considered desirable, mainly because of their modern facilities. As a result, they have always been, and remain, more socially mixed than was the case in the western *Länder*. On the other hand, without major renovation programmes, city centres in the East became extremely run down. For example, it was common for large single-family townhouses to be divided into apartments for a number of families without the necessary adjustments being made to the plumbing system. Several families would, therefore, share a single bathroom. This is, however, rapidly changing.

**The Netherlands**

Before the 1970s, the most disadvantaged urban areas were found in a ring of older sub-standard housing around the city centre. The government started national urban reconstruction programmes and as a result many formerly dilapidated inner city areas have been entirely modernised. At the same time, polarisation in the housing market, which could have been expected to follow, has not taken place to the same extent. Rent subsidies have enabled low-income fami-

lies, both immigrant and indigenous, to remain in renovated inner city neighbourhoods, which has ensured a certain level of "social mixity" and helped to maintain local land values. The spread of immigrants from central areas to residential suburbs has increased the number of neighbourhoods with a strong immigrant presence but has not increased the level of segregation.

The areas causing most concern to policymakers are the newer suburban residential areas built in the period 1945-1970. The characteristics of these areas are similar to those of post-war estates in other northern European countries – high delinquency rates, high unemployment and non-employment, large numbers of single people, poorly maintained physical environment, and so on.

Suspicion that deprivation in the Netherlands is becoming more spatially (and perhaps ethnically) focused has encouraged a national debate. The government is now acting to restructure the tenure of the housing stock in these areas, improving the physical appearance of public spaces, and targeting difficulties related to employment and education.

## Nordic countries

### *Finland*

Distressed areas in Finland are mainly found on the outskirts of large towns. Built in the period after 1960, they mainly consist of high-rise flats built of concrete or prefabricated materials, usually financed through government housing loans.

Until recently, processes of exclusion and polarisation were relatively rare in Finnish cities. Over the course of the 1980s, however, a number of neighbourhoods acquired a bad reputation, thanks in part to their architectural style and urban form, which were increasingly considered to be undesirable. Apart from localised problems relating to specific housing developments, social segregation remained low until the early 1990s, when a number of processes led by the emergence of long-term unemployment began to affect urban areas.

Despite the appearance of long-term unemployment, welfare state mechanisms have so far protected urban areas against growth in income disparities or inequalities in access to services. However, it is also accepted that behind this relatively homogenous picture, there is scope for problems to gain a spatial aspect and for certain areas to decline. Although the problems of these areas are generally limited in extent and intensity, the persistence of high rates of long-term unemployment along with geographical isolation and less developed service infrastructures could produce greater incidence of stigmatisation and neighbourhood polarisation in the future.

### *Norway*

In Norway the most distressed areas are mainly in city centres. The three main ones (Gamle Oslo, Grunerlokka and Helsfyr) are in the central area of Oslo. Housing conditions there are good, thanks in particular to renovation policies of the 1980s. Serious environmental problems (noise, pollution, traffic) nevertheless persist, having a negative impact on the quality of life in these areas. For example, roads, motorways, railway lines, and port and container terminals account for 35 per cent of the total area of Gamle Oslo – a figure four times greater than that for the capital as a whole. Socio-economic conditions in these neighbourhoods are however not dramatic. In the most distressed area of Oslo, only 17 per cent of the population depends on social assistance, and unemployment is no more than 11 per cent.

### *Sweden*

The concentration of offices and commercial activities in the city centre in the post-war period largely eradicated the older cramped buildings, often lacking modern conveniences, which still house the poorer population groups in many major European and North American cities. Poorer residents thus left the central areas of the Swedish cities as a result of the city planning policies adopted during this period.

The fact that three-quarters of Sweden's total housing stock was built since the Second World War gives an idea of the scale on which residential construction has taken place. Most development involved the construction of entire system-built residential areas. Housing policy aimed to modernise the housing stock and to abolish overcrowding, aims which were largely achieved during this phase.

However, despite these accomplishments in terms of physical comfort, there are signs that the social structure is becoming strained and that metropolitan social polarisation has increased in the three major cities. In 1985, there were 36 neighbourhoods classed as ''poor'' and 10 as ''very poor''. Over the period 1985-1993, this number increased to 37 and 13 respectively.

They are characterised primarily by a very high proportion of people receiving welfare assistance, by urban crime and, above all, by a high percentage of immigrants (today mainly non-European or from Southern Europe). In 1993, 37 per cent of those living in the distressed areas of Stockholm were immigrants. Despite government efforts in the mid-1980s to promote diffusion of new arrivals more evenly around the country, segregation appears to be increasing.

The coincidence of the least attractive residential areas and areas with a high proportion of immigrants became much larger in the 1990s than previously. Recent reports have highlighted the problems faced by children of immigrants

who tend to fare poorly in school and end up in technical programmes or leave school without qualifications. As a result they become dependent on the internal immigrant labour market, working for friends or family, thereby slowing further the process of assimilation and integration.

### Southern European countries

Three specific factors link the countries of Southern Europe. First, with the exception of Italy, they experienced a late and very rapid process of urbanisation which has had important consequences for the characteristics of deprived areas. Second, they are each noted for the important social role of the family which still strongly influences the welfare system, along with, to a lesser extent, employment and household formation (despite concerns that family support structure will not be sufficient to confront problems of unemployment and structural adjustment). Finally, generally speaking, they are countries of out-migration rather than in-migration – unlike France and the UK in the 1960s and other European countries over the past fifteen years. Until recently, none of the southern European countries has had to cope with large numbers of immigrants, though the issue is likely to increase in importance.

#### *Greece*

Urbanisation took place in Greece much later than it did in Northern Europe and at a much faster rate. Many of the issues relating to urban deprivation stem from this fact. Thus, "structural" distress in Greek cities refers largely to a process of physical degradation where a lack of investment encourages geographical isolation and exclusion.

The state failed to keep pace with accelerated urban growth and did not adequately manage the process through planning controls and the provision of infrastructure. In almost all large and medium-sized cities, there has been a steady and sufficient supply of low-rent private sector housing, but the public investment necessary to establish adequate roads, transport links, sanitation and so on has been lagging behind. As a result, despite the relative modernity of much of the housing stock in urban areas, there has been a gradual deterioration of the urban environment in many neighbourhoods, particularly in terms of traffic congestion and functional deficiencies.

The process of urbanisation involved the reconstruction of urban centres and the construction of new residential areas on the urban fringe – a process marked by illegal development and subdivision of land. The consequence of the lack of government control and unfettered private development has been an urgent need for both social and technical infrastructure – ranging from parks and green

spaces to transport links. The provision of these services is, however, hampered by severe fiscal constraints.

Athens stands as an example. The response of the government to the process of urbanisation and sprawl was mainly to impose restrictions on new low-cost, and often illegal or unauthorised, construction and discourage their development on the periphery of urban areas. As a result, continuing population growth has resulted not in endless urban sprawl but in an increase in congestion and overcrowding in the inner suburbs. Pressure to relax building codes to cope with these pressures in the early 1970s led to extremely high density tenement blocks in the inner suburbs, poorly maintained and with poor facilities, despite the fact that in general the city centre is relatively affluent.

Finally, the decentralisation of industry to the outskirts of the metropolitan area of Athens has led to the emergence of complex commuting flows where skilled workers from the inner suburbs travel long distances to the urban periphery to work.

### *Italy*

In the 1950s and 1960s, when rapid industrialisation led to population growth in urban centres, the old city cores provided a framework for growth and expanded outwards to create complex conurbations. In the 1970s, decentralised growth on the outskirts of the towns and around small towns remained on a scale comparable to what already existed; the social housing built there was also modest in scale. As a result, peripheral areas in Italy have little in common with the new-town development and large housing projects of some Northern countries.

The second factor that influences the Italian approach to urban deprivation is the overwhelming influence of regional disparities. The disparities in incomes and employment between the north and south of the country have dominated and continue to dominate the debate about inequality and social justice in the country. Naturally, distressed areas are more numerous, more widespread and worse affected in the South than in the North. Poverty, unemployment, lack of social services and poor environmental conditions are more apparent. Moreover, the black economy and organised crime are more developed. The North of Italy is, however, also affected in particular areas of social housing on the outskirts of major cities where a negative social dynamic appears to be taking root.

Finally, the decline of family support structures in certain areas is seen as a sign that traditional social cohesion mechanisms are weakening. Between 1983 and 1990, for example, the number of single parent families increased from 8.7 to 9.9 per cent of the total. Although retaining their importance as a protective and integrating mechanism, it is doubtful that family and voluntary institutions, even

in the North, will have the capacity and resources to prevent urban distress from increasing, given the convergence of a welfare crisis with increased wage income precarity and social vulnerability.

### *Portugal*

In Portugal, 40 per cent of the whole population live in the two metropolitan regions, Lisbon and Porto. This strongly unbalanced urban situation is a result of various factors: depopulation of rural areas, weak population growth in other Portuguese cities and strong migration flows until the mid-1970s.

The process of urbanisation in the two metropolitan areas explains almost all of the current problems there, which differentiate the situation from that in urban cores of peripheral areas. The most important period of expansion began in the 1950s and intensified over the 1960s, becoming uncontrolled and patternless as all available peripheral land was developed, legally or illegally, whether close to lines of communication and infrastructure or not. Many of these settlements housed migrants from rural areas who needed quick, cheap shelter, which they often built themselves on free land.

In the 1980s, many of those "slums" remained around Lisbon, in a kind of "ring". Since then, however, a combination of co-ordinated planning, housing policy and development programmes have managed to stabilise the situation in these areas so that the worst problems are in pockets rather than a continuous ring. Housing remains the key issue in these areas – both poor construction and lack of amenities or local services. In many of the worst areas, recent immigrants, mainly African, have replaced indigenous migrants who have moved into more permanent or better-served areas..

Behind these housing problems, distressed urban areas also concentrate other poverty-related problems, linked with youth unemployment and with very low pensions for retired people. A recent government study revealed that:

- 18.3 per cent of the population live in poverty;
- 4.8 per cent live in extreme poverty;
- the younger poor families exist in "younger" regions and cities, in the north of the country;
- the older poor families live in the inland cities and in the historical centres of the major cities on the west coast;
- 65 per cent of families live in degraded housing;
- 8.5 per cent of families live in "slums".

*Source:* Ministry for Education and Employment (1995), *Characterising Poverty in Portugal.*

Other Portuguese urban centres have much less severe incidences of deprivation than these two metropolitan areas, even in their historic cores, largely because of the unbalanced urban hierarchy in the country where only two other cities have more than 100 000 inhabitants (Braga in the north and Coimbra in the centre).

### *Spain*

Spain, like other Mediterranean countries, experienced accelerated urbanisation some time after the same gradual process had affected other European countries. Growth in urban areas was mainly caused by internal migration, notably from agrarian regions like Andalucia to the industrial areas in the North and Madrid. In addition to migrants from rural areas, there were also large numbers of low-income families resettled to peripheral residential areas as a result of inner city redevelopment. Because housing demand greatly outstripped supply, new arrivals developed their own shanty towns, and were often housed in ''temporary'' public dwellings on the urban periphery where infrastructure was either inadequate or non-existent. At the same time, in the 1960s and 1970s, a great effort was made by central governments to eliminate sub-standard housing.

The social and environmental repercussions of this development phase are now a heavy burden on urban areas in Spain. Before new arrivals to the mayor cities could be fully assimilated into the existing urban context, structural economic adjustment removed many of the employment opportunities that the low-skill migrant workers were seeking. Without the stabilising influence of regular employment, many residents, already dislocated, often from other regions of Spain, have had difficulty integrating fully. Although the situation is currently mainly marked by high unemployment, there are signs that other social problems may be emerging. In a country closely associated with strong family networks, the increase in single parent families in these areas has been noted by researchers as a sign of deterioration in the family structures of the area. Furthermore, it is also felt that intolerance against outsiders is on the increase. Since the 1980s, many poor migrants from Africa and Latin America have settled in the lowest quality residential areas of the inner cities and the historic central cores, and small ''shanty'' towns are appearing in the urban peripheries.

#### *Patterns of Urban Deprivation in Spanish Cities*

Research by the Spanish government reveals four distinct types of areas affected by urban distress:

1. ***Historic city centre neighbourhoods:*** Street layout pre-1850. High proportion of buildings built before 1945. Aged population. Small household size. High rate of rental accommodation. Worst housing conditions.

Table 2. **Characteristics of distressed areas in Spain, 1991**

| Type of distressed area | As % of all distressed areas | % of total population | Population under 15 (%) | Population over 65 (%) | Unemployment rate (%) | Youth unemployment rate (%) | Population without formal studies (%) | Rented houses (%) | Households lacking shower/bath (%) |
|---|---|---|---|---|---|---|---|---|---|
| 1. Historic city centre | 17.2 | 2.5 | 17.1 | 18.5 | 27.5 | 47.6 | 21.7 | 44.3 | 14.3 |
| 2. Inner areas | 21.5 | 3.1 | 20.8 | 12.6 | 29.2 | 46.7 | 24.9 | 21.4 | 5.6 |
| 3. Housing estate | 31.3 | 4.5 | 21.6 | 10.8 | 33.6 | 50.3 | 26.3 | 13.1 | 1.2 |
| 4. Peripheral areas | 30.0 | 4.3 | 22.4 | 10.8 | 30.9 | 49.1 | 27.8 | 16.8 | 5.1 |
| All distressed areas | 100.0 | 14.4 | 20.9 | 12.5 | 30.8 | 48.8 | 25.7 | 22.1 | 5.8 |
| Municipalities > 50 000 | | 100.0 | 19.1 | 12.6 | 18.9 | 37.2 | 15.0 | 19.1 | 2.2 |

*Source:* Spanish national overview; census.

2. ***Inner city areas:*** Early 20th century street layout. High rates of unemployment and low levels of educational attainment. Owner-occupied apartments.
3. ***Housing estates:*** Social housing units built after 1950 to re-house people formerly living in unauthorised shanty/temporary dwellings and other areas of sub-standard housing. Owner-occupied apartments. Very high rates of unemployment and precarious employment.
4. ***Peripheral areas:*** Mixed layouts built after 1945 with poor, underdeveloped urban environment. High rates of unemployment and the lowest levels of educational attainment. Mainly owner-occupied apartments.

**United Kingdom**

Disadvantage and decline have traditionally been concentrated in the cores of the major British and across their industrial conurbations (London, Manchester, Birmingham, Sheffield, Leeds, Liverpool, Newcastle). The migration of traditional industries away from the inner cities left behind large expanses of derelict land, interspersed with areas of run-down, ''slum'' residential housing. Two decades of urban policy resulted in marked physical regeneration of some of these former industrial areas. Many major cities have, for example, seen the revitalisation of their waterfronts into mixed housing, commercial and retail developments. At the same time, modern housing developments in the city centre and peripheral areas have replaced the old inner city terraces and reduced population density in the inner core. As a result of these physical improvements, population and economic activity have begun to be attracted back into areas that two decades previously contained little besides derelict warehouses and factories.

Despite physical regeneration, some traditional inner city areas such as Brixton and Lambeth (London), St Paul's (Bristol), Toxteth (Liverpool) and Moss Side (Manchester) continue to cause concern for policymakers. At the same time, new areas, notably on the periphery of major cities, are developing social problems that may prove to be more intractable.

A spiral of decline is evident in the emergence of what can be termed ''distressed social housing estates'' (found both in inner areas and on the urban periphery). The process tends to begin when a particular local authority estate gains a label as 'unpopular' for a wide variety of reasons. The concentration of disadvantaged people in these areas is a critical factor but other factors associated with unpopular estates include poor design factors such as high density, poor sound insulation, anonymous public spaces, drab finishes and overwhelming scale. But these disadvantages are usually compounded by over-stretched management, inadequate maintenance and a lack of communal facilities. The latter is particularly important given the high proportion of families with children and lone

parent families who live on estates. In some instances, very specific factors can also be important. These factors tend to combine so that as the estates acquire a bad name, the better off families move out and their place is increasingly filled by families with various social problems. Thus the estates tend to get caught in a downward spiral which is difficult to break; poor maintenance, vandalism and high tenant turnover all affect the morale and confidence of the residents.

**United States**

Since the Second World War, development of the suburbs has been a recognisable and consistent feature across the United States. In the 1950s, city centres contained 57 per cent of the urban population, but by 1990, this had fallen to 37 per cent. Over this period, out-migration was selective, firstly by income and ethnic origin (white, middle class) and then, in the past twenty years, solely by income (white and minority middle class). The flight of the middle classes to the suburbs took place in two stages. First, much of the American population showed a cultural preference for the suburbs, a trend reinforced by the Federal Government through road building programmes and support for the construction industry. Second, particularly after the urban rioting of the 1960s, fear of crime and insecurity in the city centres became important ''push'' factors.

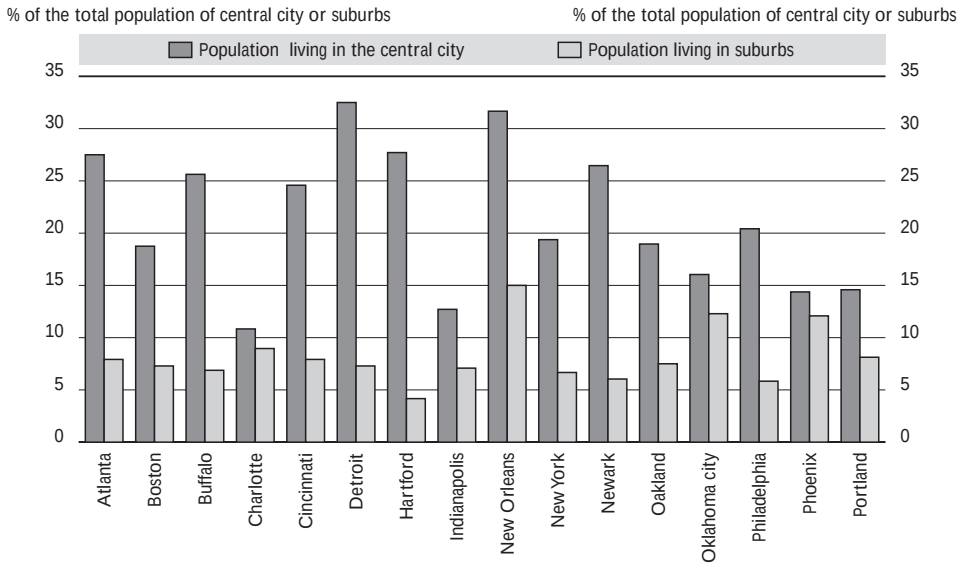
The downward spiral in which the central neighbourhoods of major cities were caught involved many of the parameters discussed in this chapter. Problems are nevertheless more severe than in any other country. Extreme poverty, crime and delinquency, low educational attainment, a high rate of single parent families, long-term exclusion/underclass behaviours and racial tension are typically cited as the main concerns for policymakers.

The demographic structure along with high rates of, particularly male, unemployment lead to skewed neighbourhood employment profiles as shown in the table below. The trend in these areas is towards relatively high overall dependence (increasingly explained by youth dependence), low participation rates, and decreasing numbers of employed people as a proportion of the total population, in 1990 averaging less than two-thirds the employed to population ratios observed in urban areas as a whole.

Finally, US cities are characterised by high levels of racial segregation.

Despite some outward signs that American central cities are becoming more attractive to higher income residents, with examples of redevelopment and processes of ''gentrification'' in many US cities, the pattern of out-migration identified over the past thirty years is still continuing. Recent research shows that poorer inner city areas are still failing to retain middle-income households and

◆ Figure 2. ***Proportion of the population living below the poverty line in 16 US cities, 1991***




*Note:* Poverty line set at 50% of average equivalent income.
*Source:* OECD.

two-parent families. Inner city populations are augmented more by immigrants than by the return of former suburban residents attracted by revitalised central cores.[1]

Metropolitan areas in the United States are highly fragmented governmentally and fiscally. Typically a large central city is surrounded by a large number of independent suburban municipalities. There is no single overarching metropolitan government tying them together. The individual municipalities all have their own revenue raising system, and there is no equalising grant from the federal government nor (in most cases) from state government. Municipal revenue is thus largely dependent on the wealth of the community residents. Suburban communities have strong incentives to discourage low-income residents from moving within their boundaries. They also have the effective means of doing so through local land use controls. Many central cities are thus faced with a service-needy population but have a local tax base insufficient to service those needs. The choice is either to provide a low level of services at reasonable tax rates or a more adequate, though modest, level of service at quite high tax rates. The latter

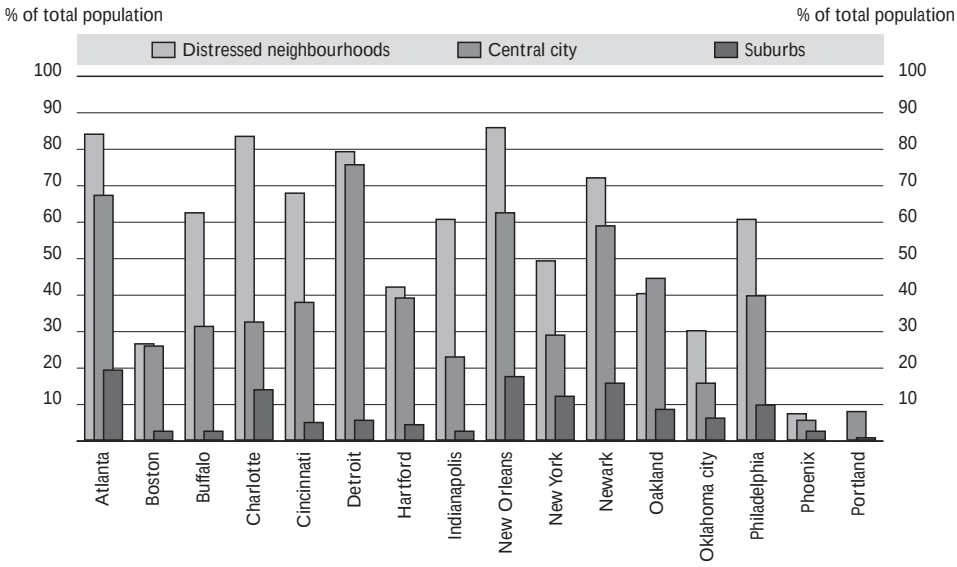
Table 3. **Comparison of dependency/participation rates for the US, 1980 and 1990**

| | Distressed areas, 1980 | Distressed areas, 1990 | All urban US, 1980 | All urban US, 1990 |
|---|---|---|---|---|
| Total dependency ratio | 0.38 | 0.39 | 0.33 | 0.34 |
| Participation rate | 0.72 | 0.71 | 0.75 | 0.77 |
| Employed to total population ratio | 0.38 | 0.32 | 0.52 | 0.53 |

1. Distressed areas defined as those with as average per capita income lower than 50% of the regionally adjusted national average.

*Source:* OECD Secretariat: Neighbourhood-level Data Survey.

◆ Figure 3. ***African American population as a proportion of the total population in deprived areas, central cities and suburbs in 16 US cities***




*Note:* Distressed areas defined as those with as average per capita income lower than 50% of the regionally adjusted national average.

*Source:* OECD Secretariat: Neighbourhood-level Data Survey.

option, the one most frequently chosen, serves to drive wealthier residents and businesses over the city boundaries to suburban jurisdictions that can provide better services at lower tax rates. Strict municipal control of land use has also increased social segregation. By imposing a minimum size of plots for residential construction or prohibiting construction of rented accommodation, some local authorities have in fact excluded poor families from the locality.

### Central and Eastern Europe

Cities in countries in transition in Central and Eastern Europe have undergone dramatic changes in the past few years. Nonetheless, many of the dominant components of urban structure are legacies of the central planning system when urban form was largely determined on the basis of the needs of industrial enterprises and residential zones were characterised by vast areas of undifferentiated housing. One consequence of this was that social polarisation reflected by hierarchies in the housing market was limited. If distressed areas are defined as those neighbourhoods where the opportunities for human development are significantly reduced with respect to the national or urban norms, then the situation in Poland, Hungary and the Czech Republic is not as severe as in some OECD countries. Instead, conditions such as high unemployment, run-down housing and poor facilities tend to affect whole urban regions rather than being localised in particular zones. Unemployment in Poland, for example, is dispersed across the whole national territory, with particular regions where heavy industry once prevailed being particularly hard-hit. It is rarely conceived of as a localised question and unemployment is thought to be spatially neutral across urban areas and regions. Moreover, up to now, there is little sign that key labour market indicators coincide in local areas with other factors such as single parenthood, low educational attainment, low personal mobility, etc. Thus, multiple deprivation within urban areas has not, as yet, been identified.

In the context of wide-ranging economic reforms and the influence of market-driven processes in the housing and labour markets, there is an assumption that intra-urban inequalities will tend to grow in the coming years as the housing market becomes more stratified and social polarisation increases. Without preventive strategies, urban areas in countries in transition may evolve as they have in other OECD countries. Finally, the lack of adequate data at local level in many of these countries prevents a clear picture of patterns of deprivation from emerging.

## CONCLUSION: DIVERSE GEOGRAPHY BUT SHARED PROBLEMS

From the preceding descriptions, it is a fairly straightforward step to list the characteristics that indicate deprivation in terms of resources, access to opportu-

nities, services and so on, and that can suggest social exclusion and alienation. It is important to stress, nevertheless, that these features are aggregates – they indicate increased risk of particular socio-economic characteristics but do not mean that all inhabitants share them. Based on the national reports provided by Member countries and the case studies produced by individual cities, for most OECD countries this list of outcomes would include:

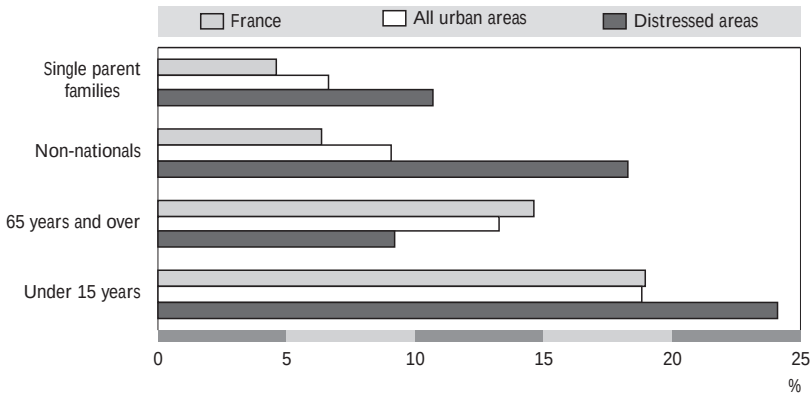
| | Characteristic |
|---|---|
| Population profile | High residential turnover and out-migration, particularly of young people<br>Atypical population profile |
| Education | Low educational attainment<br>High rate of 16-17 year olds not in education |
| Employment | High male, youth and long-term unemployment<br>Inadequate physical access to employment<br>Low economic activity rate |
| Income and needs | Low average income<br>Large population receiving social assistance<br>Poor access to shops and services |
| Community life | High crime rate and sense of insecurity<br>Low local election turnout |
| Communications | High proportion of households with no car<br>High proportion of households without telephone |
| Health | High premature mortality rate<br>High permanent disability/invalidity rate<br>High incidence of tuberculosis and other preventable diseases |

Strong correlations between each of these variables in disadvantaged areas and consistent disparities between disadvantaged areas and the rest of the urban area in terms of each characteristic were evident from the OECD's exploratory survey of demographic, employment, education and housing indicators. The situation in France provides an illustrative example:

The areas of French cities surveyed had an overall unemployment rate 1.9 times that of the urban agglomeration in which they are located. These same areas had a higher number of young people (127 per cent of the urban average), fewer elderly people (81 per cent of the average), high concentrations of single parents (235 per cent of the average), and so on.[2]

Similar calculations for other countries reveal similar disparities that translate into quite significant variations between the study areas and the urban area in

◆ Figure 4. ***Population profile of disadvantaged areas in comparison to the urban areas in which they are found and the country as a whole, France, 1990***




*Note:* Disadvantaged areas are those included in the DSQ programme.
*Source:* OECD Secretariat/Neighbourhood-level Data Survey and INSEE, *Census of the Population*, 1990.

which they are found and the nation as a whole. They also suggest that there is some process of social polarisation or spatial segregation taking place in many countries. The table below gives the ratio between the values for each variable in distressed areas compared with those for all urban areas for a number of OECD countries.

Table 4. **Disparities (expressed as a ratio) between disadvantaged areas and the urban average according to a range of socio-economic variables**

See Annex 1 for a note on the data used

| | Ratio of rates of unemployment | Population under 15 | Over 65 | Lone parent families | Non-national population | Educational attainment | Rental housing |
|---|---|---|---|---|---|---|---|
| Canada | 1.9 | 0.81 | 0.84 | 1.72 | 1.4 | 0.80 | 1.1 |
| Finland | 1.4 | 0.89 | 0.88 | 1.23 | 1.67 | 0.67 | 2.2 |
| France | 1.9 | 1.27 | 0.81 | 2.35 | 2.11 | 0.52 | 3.8[1] |
| Ireland | 2.1 | 1.07 | 1.10 | 1.50 | | 0.51 | 2.0 |
| Spain | 1.6 | 1.05 | 1.00 | | | | 1.2 |
| Sweden | 1.4 | 1.10 | 0.63 | 1.55 | 2.71 | | 1.8 |
| United Kingdom | 2.8 | 1.25 | 0.79 | 2.75 | | 0.76 | |
| United States | 1.6 | 1.13 | 1.14 | 2.44 | 1.57 | 0.44 | 1.3 |

1. France: rental housing includes only HLM (habitation loyer modéré) units.
*Source:* OECD Secretariat: Neighbourhood-level Data Survey.

Box 1. **The non-national population in Sweden's distressed areas**

The coincidence of the least attractive residential areas and areas with a high proportion of immigrants became much larger in the 1990s than previously.

In 1975 there were five areas in Greater Stockholm where the proportion of immigrants exceeded 30 per cent. In 1993 there were nineteen such areas in the same region. In half of them a majority of the population had been born abroad. Ten years ago they were mainly from Finland. The major groups of immigrants in these areas are now south Europeans and non Europeans. The main problem is, however, that there are sometimes up to 80-90 nationalities represented in a single neighbourhood.

During the same period of time, the proportion of high income earners in these areas has decreased considerably. At the same time the proportion of the high income earners in the rich areas has increased. Taken as a whole, this is an indication of the polarisation process in the Greater Stockholm area, and also reflects the situation in Sweden in general.

**Population of the Stockholm area's lowest income areas**

| | 1980 | 1985 | 1990 | 1993 |
|---|---|---|---|---|
| Population | 145 334 | 139 174 | 139 950 | 137 048 |
| Immigrants | 41 352 | 43 203 | 47 927 | 50 574 |
| As proportion of population of all unattractive areas | 28 | 31 | 34 | 37 |

*Source:* Research undertaken by Maria Roselius, Swedish National Board of Health and Welfare, delegate to the OECD Project Group on Distressed Urban Areas.

The decline in the size of the population in the least attractive neighbourhoods happened against a background of a population increase in the whole Stockholm region. In the 1980s a thinning-out took place in the suburbs in the Stockholm region, while population density increased in the inner city areas. It is important to note that the immigrant population has increased in all these unattractive neighbourhoods, both absolutely and relatively. This development is part of a segregation process, and of a descending spiral where households with more resources move out of the unattractive neighbourhoods, "creating vacancies" for new households with poor resources, which were often refugees in the 1980s.[3]

As was noted above, the lack of individualised income data prevents a firmer conclusion being drawn about the link between nationality and poverty. Non-nationals may or may not be the low earners. They may also find lodging more easily in lower-income areas, without necessarily having a low revenue them-

*(continued on next page)*

*(continued)*

selves or being concentrated by structural racial biases. For example, while they are associated with low income areas, the relationship with high unemployment areas is much weaker. The high unemployment areas of Malmö and Gothenburg have much lower foreign populations than do many areas of Stockholm where the rate of unemployment is significantly lower.

Although the data is not entirely comparable across countries, it does show the intensity of disparities within urban areas of a particular country. Two general groupings can be discerned among the participating countries. The first, comprising France, Ireland, the UK and the USA, have stronger geographical concentrations of urban distress, with consistent disparities between these areas and the rest of the country across the whole range of socio-economic indicators. The second group, Canada, Finland, Spain, Sweden, may have areas of high relative unemployment and areas of low relative income but these do not appear to be linked as closely to other signs of multiple deprivation as they are in the first group. (The one exception to this is the non-national population of distressed areas, which in the Nordic countries – Finland, Norway and Sweden – is noticeably higher than the average.)

Despite the difference in degree among the countries surveyed, there appear to be broad similarities among distressed areas in each country, in terms of their socio-demographic composition and socio-economic profiles. Variations are largely in the severity or the "mix" of each phenomenon.

2

# MECHANISMS AND CYCLES OF DECLINE

## ECONOMIC, SOCIAL AND SPATIAL ORIGINS

### Introduction

Cities have always contained pockets of poverty. Until recently, these were usually poor working-class areas where strong family and community support systems maintained a certain level of social stability. Over time, however, areas of more extreme, multiple deprivation have emerged in many OECD cities with features that seem to set them apart. In these neighbourhoods, low educational attainment, high unemployment, poor housing, high crime rates and numerous other socio-economic characteristics interact to produce cycles of decline.

The problem of distressed urban areas is multi-dimensional – the outcome of complex interactions between economic, social and spatial factors, and the unanticipated outcomes of certain public policies. Its causes have to be sought in the relationships among these four elements.

On the *economic* side, most Member countries stress *a)* increasing long-term unemployment or exclusion from the labour market; and *b)* a tendency for wage and income inequality to increase. Furthermore, since the mid-1970s, cyclical upturns no longer appear to eliminate these trends. The main changes that have taken place over the period include: *a)* a weakened demand for labour, particularly unskilled and low-skill, and a concomitant reduction in income levels for certain occupational groups; *b)* a large rise in long-term unemployment or extremely precarious or intermittent employment; and *c)* the weakening of the financial "safety net" provided by the family.

On the *social* side, many countries also appear to be experiencing a decoupling of certain populations from the social mainstream, in terms of their behavioural patterns, level of integration, social networks, skills, and motivations. Over the past two decades, a range of "categories" of socio-economic distress have entered contemporary debate – for example, income concepts like *extreme poverty* or *destitution*, and behaviour concepts such as *marginality* and the *underclass*. In certain countries, dynamics of socio-economic exclusion and segregation have existed for quite some time, while in other Member countries they are relatively

recent. Even in those which have experienced these phenomena over a long period, however, there are disquieting increases in the intensity of social exclusion and marginalisation.

In spatial terms, the deconcentration of cities across metropolitan regions appears to encourage economic and social polarisation of neighbourhoods. Outward growth, for example, has diminished incentives to redevelop inner city areas and has fragmented government jurisdictions, making a concerted cross-sectoral approach more difficult to implement. Indifference, if not outright opposition from "estranged" local populations, impedes efforts to share fiscal resources and to invest in projects to help disadvantaged areas.

Finally, the contribution of public policies – notably welfare, public works and housing policies – to the spatial concentration of groups vulnerable to poverty has to be seen as an important, active contributor. For example, changes in government policy, such as more stringent zoning regulations which restrict the availability and location of affordable housing, and reduction of public services and mass transport infrastructures, can have harmful, although unintentional, consequences by reducing the attractiveness of a local area as a residential location and promote decline.

**Macroeconomic sources of economic inequality and exclusion**

OECD countries have experienced relatively sustained economic growth over the past twenty years. However, economic success has not prevented the emergence of high, persistent unemployment nor the growth of wage inequality. Employment and income inequalities have their origins in profound shifts in the structure and functioning of the economy and labour market over the period. First, there has been a marked fall in demand for unskilled labour, notably in the manufacturing sector. In France, half a million such jobs were lost in the five-years from 1989 to 1994, a decline of over ten per cent.[4] In the United States, the share of employment in manufacturing fell from 26 per cent to 16 per cent between 1970 and 1993.[5] The accompanying increase in skilled employment has served to increase polarisation in the labour market and increase income disparities among socio-professional groups.

A number of macro-economic "causes" have been suggested to explain these trends, though the evidence remains inconclusive. Some themes, nevertheless, seem to emerge:

– First, technological advances, it is argued, have resulted in the skills of the less qualified labour force becoming obsolete. In the industrial sector in particular, workers whose skills were learnt through on-the-job experience have had to learn new occupations and, in practice, have had difficulty

regaining an equivalent skill level in a new field. As a result, they are generally at a disadvantage on the labour market.

– Globalisation is also assumed to be a main source of change in employment structure. For example, competition from countries with low labour costs has led to the relocation of some manufacturing firms to countries that promise production cost savings. Although most economists agree that this is either unsubstantiated or an insufficient explanation for the adjustments that OECD countries are experiencing, it is true that globalisation has led to specialisation by most OECD countries in production of goods and services with high added value, and requiring a highly trained workforce.

– Finally, a simple change in demand patterns by economic agents toward new services and products requiring relatively more skilled labour may be the impetus for adjustment in the labour market.

Whatever the cause or combination of causes, growing inequality in the distribution of income from labour has had major consequences. In countries with a high minimum wage and low labour flexibility, structural unemployment has reached record levels. Long-term unemployment has increased sharply and created a group of people who are effectively excluded from the labour market. The term *non-employment* – as opposed to un-employment (which implies active job-seeking) – has also become more current. In other countries structural adjustment has tended to be absorbed by an increase in wage inequality. In these countries, greater flexibility in the labour market, especially with respect to the least skilled, has resulted in more uncertain and irregular employment and/or downward pressure on wages leading to lower overall household incomes. These developments have contributed to the re-emergence of an old category, the "working poor".

This trend in the distribution of income from labour has inevitably affected poverty rates. Over the past fifteen years the rate of relative poverty before social transfers has increased in nearly all OECD Member countries. In turn, this has impacted either on the relative poverty rate *after* transfers or on the amount of social expenditures, depending on the extent to which social security systems were adjusted to meet increasing demands.

The table above confirms the variation among OECD countries in terms of their welfare "effort" – the degree to which additional need is met by increases either in social expenditures or the efficiency of transfers to those most in need. Several OECD countries have successfully addressed increases in the extent of poverty within the social security system. In Belgium and Sweden, for example, OECD research indicates that over 80 per cent of the poor are lifted out of poverty through transfers and that this proportion has been maintained despite increases

Table 5. **Relative poverty rates in selected OECD countries**

Percentage of persons below a poverty line set at 50 per cent of average equivalent income

| | Years | Before transfers | After transfers |
|---|---|---|---|
| Australia | 1981 | 24.0 | 14.4 |
| | 1989 | 27.0 | 16.1 |
| Belgium | 1985 | 33.6 | 5.8 |
| | 1992 | 34.5 | 5.5 |
| France | 1979 | 35.9 | 13.2 |
| | 1984 | 38.4 | 11.9 |
| Germany | 1978 | 24.5 | 8.2 |
| | 1983 | 26.2 | 8.0 |
| Sweden | 1975 | 30.4 | 5.2 |
| | 1992 | 43.3 | 6.0 |
| United Kingdom | 1974 | 20.1 | 11.4 |
| | 1986 | 37.2 | 13.0 |
| United States | 1974 | 26.2 | 18.8 |
| | 1991 | 31.6 | 22.7 |

*Source:* OECD, 1996*b*.

in levels of absolute poverty. Among the other participating countries, Canada, Australia and the United States all had "lift-out" rates below 50 per cent.

In recent years, the structure of poverty has also altered dramatically, reflecting profound changes in the structure of households and families. The emerging question is whether the existing structure, already weighted towards poverty alleviation among the elderly, has adapted to meet the increasing needs of other groups in society.

### Socio-demographic trends and new family structures

The structure of poverty has changed as a result both of demographic pressures and of changes in the organisation of households in society. In Canada, France, Germany, the United Kingdom and the United States the relative poverty rate among those aged over 65 diminished significantly thanks to more generous social programmes for the elderly, but increased (sometimes sharply) for children, young people, couples with children and single mothers with children. According to recent OECD research, child poverty rates increased for the majority of countries involved in the LIS survey, with particularly striking increases in Ireland, the United Kingdom and the United States.[6]

Table 6. **Child poverty rates in selected OECD countries**

Percentage of persons below a poverty line set at 50 per cent of average equivalent income

| | All persons | Children |
|---|---|---|
| Canada (1987) | 13.8 | 18.1 |
| France (1984) | 11.9 | 13.1 |
| Ireland (1987) | 19.8 | 26.0 |
| Spain (1988) | 15.7 | 16.5 |
| Sweden (1992) | 6.0 | 3.1 |
| United Kingdom (1986) | 13.0 | 17.4 |
| United States (1991) | 22.6 | 30.3 |

*Source:* OECD, 1996.

Single parent families appear particularly prone to poverty, but rates have also increased for young, two-parent families. With the sharp increases in unemployment since 1980, the no-earner family has also emerged as a new at-risk category in many countries. In addition, OECD research confirms the rise in poverty levels specifically for households headed by a person aged 16-24. The increasing numbers of single-person (non-family) households (a relatively affluent group) have also tended to widen disparities in household income according to type of household.

The decline in the traditional family – the increase in divorce, people living alone, lone parenthood, homelessness, and so on – suggest also a reduction in family-based support structures and an increase in the risk of social isolation, which has reinforced the macroeconomic trend towards inequality.

Non-family solidarity appears also to have decreased as notions of individual responsibility for coping with poverty and exclusion have gained support. The present form of the welfare state is, of course, partly responsible for this culture shift. In many OECD countries, except in Southern Europe, national and sectoral redistribution systems, which target individuals, have largely replaced traditional systems of community and family solidarity in the sense that the State has made itself the prime actor in this field.

Recent debates over the emergence of an "underclass" suggest that existing welfare regimes are not adequately providing for all citizens and that without such state-provided assistance, there are few other "safety nets".

In the final analysis, the health of the national economy is a very important factor in dealing with distressed urban areas. A growing economy will not, of itself, solve their problems, but it can reduce their severity. A stagnating or declining economy, on the other hand, will only make solutions more difficult and costly.

Without a strong national economy, therefore, local initiatives will be of limited success.

**Environmental, urban and architectural influences**

Over the last century, OECD cities have been transformed by new approaches to urban planning and the introduction of new architectural styles. Reacting against traditional values, modernist architects worked to re-fashion cities in accordance with the needs of the modern economy, to foster the incorporation of new technologies and to create buildings in harmony with the perceived preferences and aspirations of modern man. However, the reductionist application of utilitarian and rational concepts in urban planning has often produced cities that are congested, polluted and noisy, with housing that is neither attractive nor affordable and with inadequate public services. The psychological and sociological repercussions of this style of urban planning on individuals were neglected, and the capacity of a planned environment to nurture stability and well-being was over-estimated.

Modern approaches to urban planning succeeded in eliminating slum housing, a heritage of 19th century industrial and urban development, from most OECD cities – a considerable achievement which is often forgotten. But the modernists were for the most part insensitive to the geographical, historical and social specificities that define each urban area. In consequence and as part of the redevelopment of older urban centres for commercial and economic ends, they often contributed to the destruction of viable urban communities and created the areas of neo-functional residential housing that are causing most concern to social policymakers in OECD countries.

To keep construction costs down, large-scale rehousing projects in the outlying suburbs were built *en bloc*, with units of the same type and size grouped together. The unanticipated consequence was that both smaller households (usually one-parent families) and larger ones (with several children) – precisely those statistically at risk of poverty – were separated out from the more prosperous and stable median-sized families. The new suburbs were often undersupplied with such essentials of commercial infrastructure as shopping centres. Beyond the inconveniences this caused in daily life, it also resulted in an undersized employment base in the area and made the community more vulnerable than otherwise to economic downturns.[7]

Part of the rationale for this style of development was based on the realities of the real estate market. National and local authorities were major landowners and, in a period of demographic and migration pressure, it made sense to build as many units per tract. At the same time, public land was also used for other purposes, notably transport infrastructures. As a result, many post-war public

housing developments are adjacent to railway lines, motorways, factories of nationalised industries, canals, and so on, which inevitably affected the overall integrity and "liveability" of the neighbourhood.

As the urban population has grown, environmental conditions in the cities have deteriorated sharply. Pollution and noise, generated in particular by increasing demand for personal and mass transport (influenced by zoning practices and urban sprawl as much as by population growth) have become a serious problem in many OECD cities. Differentiation of residential areas on the basis of the quality of the environment provided a further impetus for social segregation.

The result of this process is that, in many cities, different social groups rarely meet. Such residential segregation raises questions about the polarisation of society itself:

> The politics of this social ghettoisation are part of "a subtle undercurrent in which invisibility is a crucial feature of modern inequality." (Elisabeth Wilson) At best the supposedly more inclusive spectacle-based city projects – such as glamorous public works, festivals, exhibitions, "themed" commercial spaces and large reclamation projects tend to provide only a temporary illusion of urban unity and a populist sense of place.[8]

Indeed, the observed loss of "social mixity" in urban neighbourhoods is becoming increasingly central to the debate about urban form and function and has already led to major changes in thinking about the location of public housing and, more broadly, how socio-economic diversity can be maintained in urban areas.

## THE PHENOMENON OF CONCENTRATION

### Introduction

According to the classical economic model, problems of unemployment and poverty are spatially neutral, except when some cyclical event temporarily upsets the equilibrium. A wave of unemployment may hit a city or neighbourhood as a result of the closure of major local factory or because of changes in the global market for a particular product. However, in theory, this situation is a short-term imbalance and "automatic adjustment" mechanisms will gradually act to restore an equilibrium.

These centralising tendencies are the outcome of processes in the labour market which assume that capital and labour are mobile and that enterprises will move to minimise labour costs, while individuals will move to find work. First, unemployed individuals are attracted by the prospect of employment elsewhere and migrate to areas where employment opportunities are better. Second, enterprises will relocate where the supply of labour is high (and, hence, wages are low),

which would tend to be the case in areas of high unemployment. The combination of these two mechanisms – the mobility of enterprises and the mobility of individual job-seekers – thus ensures spatial equilibrium over time.

In fact, of course, problems of unemployment and poverty are not evenly distributed. Major disparities in incomes and rates of unemployment are to be found between regions, between cities and, importantly, between neighbourhoods within cities.

The qualitative and quantitative information gathered in the course of this project strongly suggests that this process of segregation and polarisation on the basis of income and employment is a general one across the OECD. Furthermore, analysis by the Secretariat and reports from Member countries suggest strongly that these inequalities have increased since the beginning of the 1980s.

For example, examination of the changes that have taken place in income distribution across the urban United States gives some indication of the widening income gap between rich areas and poor areas. In relative terms, per capita income is poor areas fell from over half of the urban average down to less than 40 per cent.

These findings tend to suggest that income distribution across urban neighbourhoods in the United States "stretched" in the period 1980 to 1990. At the same time, the number of people living in areas of concentrated poverty (where median income is less than 50 per cent of the urban median) almost doubled. Thus areas that were poor in 1980 became relatively poorer over the decade while a large number of areas became "poor" relative to the average.

In Australia, similar research followed the evolution of neighbourhood income levels over a fifteen-year period from 1976 to 1990.[9] The results of the work confirmed unambiguously the increase in inequality within urban areas and the widening differential between the lowest income areas and the rest. The ratio of mean household income from the lowest to the highest five per cent of census areas, for example, fell from 60.4 per cent in 1976 to 37.9 per cent in 1981.

Table 7. **Ratio of income per capita in poor areas in 1980 compared with that in all urban areas and then the same comparison for the same poor areas in 1990, USA**

| Median per capita income in poor areas as a proportion of the urban average | |
|---|---|
| 1980 | 1990 |
| 52% | 38% |

*Note:* Poor areas defined as those having an average per capita income less than 50 per cent of the average for all urban areas.
*Source:* OECD Secretariat: *Neighbourhood-level Data Survey.*

The failure of automatic adjustment mechanisms, especially with respect to the poorest segments of society, appears to be due both to structural obstacles to the mobility of labour, exogenous factors that influence the location decisions of enterprises, and imperfections in the housing market.

**Limits to automatic adjustment in the labour market**

Place of residence within an urban area is largely a function of income. Households with the highest incomes can choose to live in the most attractive neighbourhoods, while the very poor have no choice but to live in neighbourhoods where housing is cheap or where public policy has sited social housing units. In the past, accommodation for low-skill workers was concentrated around the factories where residents worked. Now, commentators increasingly talk of a spatial mismatch, where jobs for low-skill workers are geographically distant from areas where these people live. The latest US *State of the Cities* report notes that, in the early 1990s, "87 per cent of the new jobs in the lower paying and lower skilled service and retail trade sectors were created in the suburbs," while the low-skill labour force is generally concentrated in the inner cities.[10]

Moreover, in many cities, the spatial mismatch is as much a *skills mismatch*, with business and financial services industries in the central business district demanding skills that local residents do not possess. In the United Kingdom, for example, many people living in distressed urban areas, particularly in inner London, lack the skills demanded by the new economic activities that are located there. As a consequence vibrant centres of employment co-exist with areas of high unemployment.

The structural bias favouring the creation of pockets of unemployment in particular areas has five main components:

- the openness of the local labour market;
- low individual mobility;
- poor attractiveness to enterprises;
- "normal" mechanisms in the housing market;
- "abnormal" housing and labour market processes (discrimination).

Research on London's local labour markets suggests that job creation in local areas open to more than 25 per cent cross-border commuter flows has no impact on local unemployment after one year. There are still firms targeting national and global markets whose competitiveness depends above all on the cost of labour, but these sectors are in decline in most OECD countries. For an increasing number of enterprises, particularly those in high value-added sectors, it is not simply a question of labour supply but of finding adequate skilled labour. As was mentioned above, ease of commuting for those with a car means that even

enterprises located within poorer areas can choose from a catchment area much larger than a local neighbourhood.

Thus a crucial method of adjustment in the labour market to cope with localised disturbances may be, in practice, a shift in commuting patterns. Part of the contradiction of deprived areas is that while the populations of these areas have a lower personal mobility, they live in a labour market which is metropolitan or even regional in scale. Because the general level of personal mobility in modern OECD cities is high, local labour markets tend to be subsumed into larger labour market units. This combination of factors explains why jobs created within deprived areas are often taken by people living outside the area and why vacancies created outside distressed areas might not be taken by people from distressed areas.[11]

The mobility of the most underprivileged can be limited by the cost of both personal and public transport. The most obvious indication of lower personal mobility is the lack of a private car. In France, 30 per cent of those living in priority[12] neighbourhoods do not have access to a car, in comparison to only 22.5 per cent for the population as a whole. Very similar patterns have been observed in Sweden, the UK and the USA. Studies in the United Kingdom are currently assessing the degree to which lack of access to personal transport adds to the risk of unemployment (by reducing mobility) and the extent to which it is a sign simply of limited income caused, often, by unemployment.

On the labour market, distance creates problems of information. People are less likely to know about job opportunities if they live a long way away. Although some employment agencies use computer technology to propose jobs across the regional or national labour market, information is nevertheless incomplete. Even looking for a job in itself implies travel which may be difficult in the absence of appropriate low-priced means of transport. Actual mobility of individuals therefore varies considerably depending on income but also differs from potential mobility.[13]

To one degree or another, OECD countries are all experiencing a process of enterprise restructuring which includes some relocation of activities. In most cases, this is not an impartial process – nations, regions and cities compete with one another to attract inward investment by promoting their respective comparative advantages. Given that many of the assets of distressed urban areas are not immediately apparent, they are at a disadvantage in this process. Problems associated with the urban cores, such as congestion, lack of usable land, decontamination and clean-up costs, higher rents and rates, crime and insecurity, restrictive building codes and zoning, increase the attractiveness of greenfield sites on purpose-built industrial parks. In addition, the skilled labour force that these companies require is also increasingly found in suburban areas rather than in the city centre. The movement of economic activities away from their tradi-

tional areas hurts local government revenues, requiring that corporate tax rates be increased to cover shortfalls and/or that provision of services be reduced, both business and social. Thus, the theoretical ''urban'' comparative advantages (based on proximity, intense interaction, networks, and so on) and savings from locating where labour supply is plentiful and transport links are good are often outweighed by other costs that stem directly from social and spatial conditions, often exacerbated by legal and public policy frameworks, in these areas.

In addition to low mobility and relocation of economic activity, it can also be argued that localised differences in rates of unemployment are simply the result of people with a higher likelihood of being unemployed being compelled by economic circumstances to live in particular areas rather than job opportunities being unequally distributed across the metropolitan area. In many countries, the boom in social housing was sparked by extreme housing shortages in the immediate post-war period. Since that time, however, development of private sector housing has evolved to meet the need of middle to low income families, many of whom although initially in public housing have since moved to purpose-built single family homes. Those remaining in social housing are in many cases, those who are also least able to compete in the modern labour market and, hence, the most likely to be unemployed. Thus, the housing market, driven by the distribution and redistribution of household incomes, is seen as a main determinant of concentration.

Furthermore, it has been argued that homeowners pay a premium for a higher mean income of neighbours, for a particular socio-economic and ethnic composition, for a low crime rate and so on. The gap between the housing available to the poor and to the rest tends to widen, condemning low-income groups, including the unemployed, to stay in particular affordable neighbourhoods.

Finally, ethnic background and race strongly influence mobility. Discrimination in the labour and housing markets means that ethnic and racial minorities are excluded them from certain neighbourhoods regardless of their income. For example, according to a 1995 US Presidential report:

> African American and Hispanic homeseekers who visit real estate or rental agents to ask about housing advertised in the newspaper experience discrimination almost 50 per cent of the time. Recent evidence also indicates that minority jobseekers face discrimination in urban labour markets. Young black men, applying for entry level jobs in Washington DC and Chicago, received less favourable treatment than comparably qualified white applicants about 20 per cent of the time, and Hispanic job applicants in Chicago and San Diego were treated less favourably than comparable whites 31 per cent of the time.[14]

Discrimination in labour markets directly limits the access of minorities to employment, while discrimination in housing markets indirectly limits access to employment by discouraging them from living in suburban communities in closer proximity to available jobs.

### Neighbourhoods in a "crisis of transition" and the transition to "structural crisis"

The limits to the self-regulation of the economy produce a first category of distressed urban area, particularly hard hit by unemployment and poverty. The urban areas considered here have to cope with structural economic adjustment which, for various reasons, is not being quickly resolved by mobility of individuals or firms.

There are two main variants of transition distress which are distinct for policy purposes. The first is one or more specific zones of deprivation within a metropolitan area, caused perhaps by the closure of a particular factory, the second is a more general deprivation that affects a large part of the metropolitan or regional economy, caused by the decline of a whole industry. In the first case, economic transition devalues certain neighbourhoods without affecting the urban economy as a whole, which continues to have dynamic sectors. Where economic transition has affected a regional economy more completely, redevelopment efforts have to be combined with broader policies to rebuild/redirect the metropolitan economy.

In the immediate post-war period, much of South Central Los Angeles was a prosperous, vibrant, high-employment, mixed-race, mixed-income area. Sharp neighbourhood decline began in the 1970s as the manufacturing sector contracted, leading to factory closures and relocations and high unemployment, followed by a movement out of the area, initially of white residents and later of middle-class black residents, which rapidly undermined the economic and social fabric of the area.[15]

This example is typical of the two-stage process of neighbourhood change that has transformed formerly stable working-class areas of OECD cities. The first phase, from stability to transition, is characterised by an increase in unemployment, due, for example, to the closure of a local factory or the decline of the dominant local industry, and a reduction in real incomes, caused partly by unemployment but also by initial out-migration by wealthier residents. While in some cases, the local economy comes out of recession or new economic activities develop, certain areas then decline to what has been called a state of "structural crisis". When this stage is reached, poverty and unemployment are accompanied by falls in educational attainment, reduced rates of family formation, the burgeoning of an informal economy, increased criminal activity. By this stage, the area has usually acquired a bad reputation which serves to reinforce exclusion

and inhibits economic rejuvenation through inward investment. Here, the mechanisms of polarisation are more deep-rooted. The problem takes on a third dimension – it is economic, spatial and social.

## The origin of neighbourhood change

The starting point of this transformation and the causal chain are difficult to clarify, but the main catalysts are clearly economic – a fall in real incomes, reductions in participation rates, increased benefit dependence, and so on. However, other "exogenous" factors also play an important role. For example, changes in government policy, such as more stringent zoning regulations which restrict the availability and location of affordable housing public housing policies, urban renewal programmes and policies that have the effect of reducing public services and mass transport infrastructures, can radically reduce the attractiveness of a local area as a residential location. When local actors – notably home-owners, businessmen, potential entrepreneurs, insurers, bankers, and local civil servants – perceive that such a process is taking place, they react to protect investments and minimise risk, and many choose to relocate.

**Economic factors:**

- Changes in real incomes and the relative cost of housing.
- Changes in the location of business investment and employment opportunities.
- Growth in unemployment, particularly male, youth and long-term.

*plus*

**Exogenous influences:**

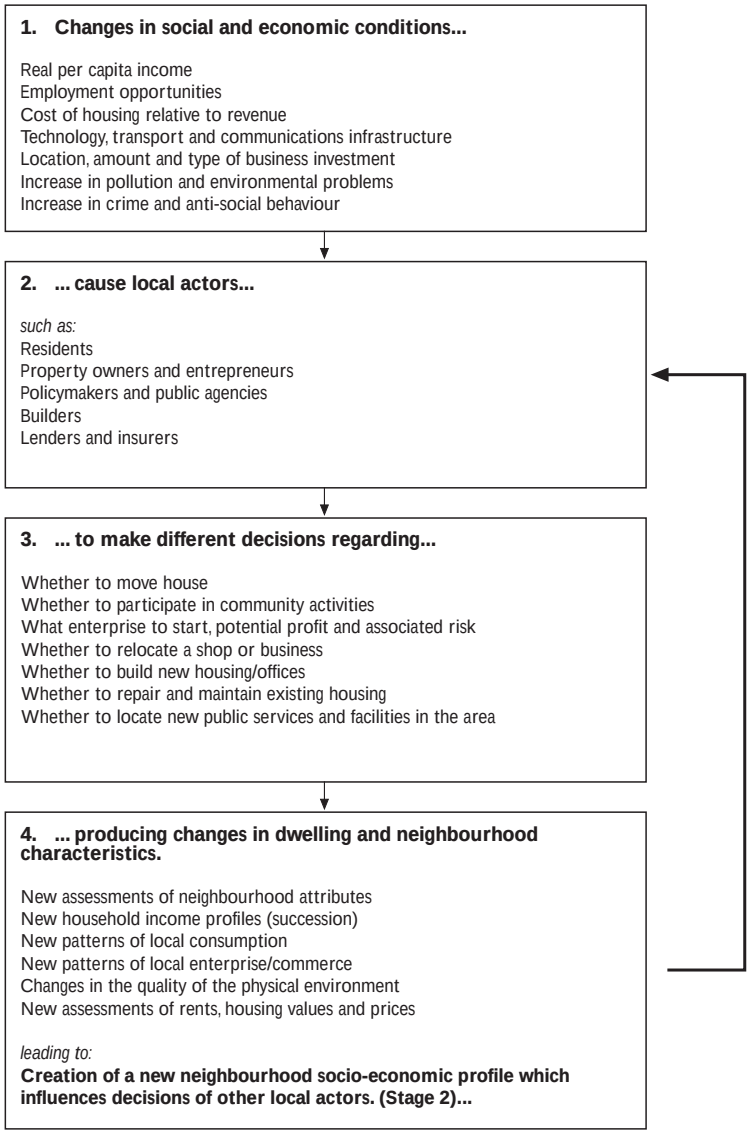
*Government interventions:*

- Changes in land use regulations.
- Changes in the provision of public services and mass transport infrastructures.
- The siting of public housing (and policy towards private-sector construction).

*Community cohesion:*

- Rise in crime rate and level of insecurity.
- Physical deterioration of housing stock and rise in vandalism.
- Decline in community spirit/morale and level of civic participation.

◆ Figure 5. ***The mechanism of neighbourhood change over time***




*Source:* OECD.

*Expectations, perceptions*

– Redlining by insurance companies.

– Perceived decline in the future rate of return on investment.

From this list of catalysts, a simple mechanism can be sketched out to illustrate the general process. It is important to note the central role of *perception* as well as *objective fact* in influencing the decisions made by local residents, local businessmen, government and other public and private sector actors. In this respect, discrimination against racial or ethnic minorities, along with some tendencies toward self-segregation, can play a role, guiding or circumscribing the choices of local actors. The decline of the area may be more assumed than real, but for investors, homeowners, businessmen and civil servants the perception of decline and the need to safeguard investments means that they tend to be sensitive to changes in reputation as much as to changes in actual living conditions or environment.

The basic model above stresses the interaction between individuals who have a choice (about where to live, where to invest, and so on) and those, usually for reasons of income, whose choices are more circumscribed. Every area of a city, like every city and every region, has certain attributes and certain disadvantages. When these attributes lose their value or are outweighed by negative characteristics, then those people who can move will tend to do so. This process becomes cumulative (filtering and succession) with housing being passed successively to residents with lower and lower income and from a more restricted spectrum of the overall population, leading to increasing levels of concentration.

## THE DOWNWARD SPIRAL

The dynamic process of concentration and change in a neighbourhood has a number of important repercussions: 1) Local residents have difficulty obtaining educational or vocational qualifications as a result of poorer educational facilities and fewer role models. 2) Low skill workers tend to be spatially isolated from jobs when enterprises relocate away from the area. 3) The neighbourhood can have negative externalities, such as high crime rates and vandalism, which inhibit the creation of local employment opportunities by, for example, requiring firms to install expensive security equipment or paying inflated insurance premiums. 4) Because of low rents (or high vacancy rates in public housing), these areas tend to house the least well-equipped migrants – from other cities, parts of the city, rural areas, or other countries. 5) The dominance of the informal economy means that much entrepreneurial activity is undeclared. 6) Finally, concentrated deprivation leads to a form of discrimination based on place of residence – often termed "address effects", which means that employers are reluctant to hire people who live in particular areas; potential entrepreneurs are unable to get commercial

loans for start-ups; and young people in the area have problems finding places in higher education.

Interaction among economic, social and spatial factors sets off a pernicious, cumulative, and dynamic process. Spatial concentration of serious socio-economic problems causes a downward spiral, locks the neighbourhood into a "low equilibrium", and sets in train a number of so-called "neighbourhood effects", in other words, the additional disadvantages faced by an individual by virtue of his/her place of residence.

**The influence of the built environment: physical decline**

The type, size, tenure, construction, architectural features and the organisations of dwellings all shape the physical environment and help to create or prevent phenomena that affect the well-being of residents. In many ways, the physical attributes of housing are as important as geographic location. The main differentiations, noted by all Member countries, are between "housing estates" and the rest and between social housing and private sector housing. In many countries, estates and social housing are more or less synonymous, with a large part of social housing built in the period 1955 – 1975 being in the form of large-scale, concrete-slab estates. It seems clear that while such developments are particularly characteristic of certain countries, such as France and the United Kingdom, they are a general phenomenon identifiable in many, particularly European, OECD countries.

Among the most frequently cited characteristics of distressed urban areas are that housing tenure is predominantly rental, and that the majority of the rental accommodation is social housing. A first point to note is that this does not necessarily indicate poor housing conditions. In terms of facilities and size, most social housing units in OECD countries, though perhaps smaller and less equipped than the private housing norm, are still of a relatively high standard. Thus, the type of housing appears to speak to less tangible issues than basic amenity deprivation, ranging from mechanisms that concentrate vulnerable groups in particular social housing areas to questions of architectural suitability, ownership, maintenance, civic pride, and so on.

The serious design flaws in many modern public housing developments became apparent relatively quickly. What was not anticipated and only realised recently is the effect that these architectural mistakes, combined with poor maintenance and impersonal management methods, could have on the viability of the areas as a whole.

At the time, most people were glad to move from cramped, poor quality 19th century housing into new units with far more modern facilities: as a result, the interiors of the apartments were generally popular and a major improvement

on what the new residents had had before. The exteriors, however, were a different matter. First, the maintenance requirements of modern buildings proved to be much higher than was expected. Reinforced concrete blocks, although cheap and flexible, did not prove to be a miracle building material and structural faults began to appear. Moreover, architectural embellishments repeatedly turned out to be poorly adapted to the rigours of North American and northern European winters, with water damage from gutterless flat roofs being a particular problem. Because of the vast scale and unusual style of many of these developments, repairs and maintenance were often difficult and costly. The new, post-war concrete structures, which were initially white or pale grey, were soon marked with unsightly dark grey stains and streaks of rust.

As maintenance bills increased, waiting times for repairs also lengthened. Depending on the ownership structure involved, this either meant that rents increased or that the housing association/landlord went bankrupt. In either case, the effect was to promote a cycle of continuing decline – if rents increased, then wealthier residents would opt to move elsewhere; if the landlord or housing association was in financial straits, then maintenance, repairs and so on became even more irregular.

With such poor management and overstretched maintenance, the sense of neglect transferred to residents and vandalism and graffiti became more widespread, worsening the appearance of the buildings, damaging their reputation in the eyes of the outside world, and increasing still further the repair bills and waiting times.

Moreover, as social tensions increased, other design flaws started to emerge. Among other things, the green spaces which were intended to create a sense of space and openness were often barren expanses that confirmed isolation. The communal walkways that were supposed to recall the intimate inner city communities many of the residents had come from, began to be used for criminal activities of various kinds and the passageways and subways that linked the areas to the rest of the city – across motorways or railways – became too dangerous to use for many residents, thereby confirming their sense of isolation.[16]

**The influence of the social environment: "neighbourhood effects"**

That the social environment can exacerbate socio-economic problems in distressed areas is by now widely accepted. Over the past twenty years, an enormous economic and sociological literature has developed on the subject, particularly in the United States but increasingly also in Europe, Australia and Canada. The main questions that researchers have addressed include: 1) the role of culture (shared values, attitudes and behaviours) in perpetuating dependence and poverty; 2) the influence of family structure, organisation and modes of child-

rearing in developing and reproducing social pathologies; and 3) the influence of ecology or environment on behaviour.[17]

A number of different methods of transmission have been identified that seek to describe how particular behaviours or attitudes pass from one individual to another, from one generation to another, and from one neighbourhood to another; for example:

- **Contagion theories**, which focus on how peers (of whatever age) spread problem behaviour and attitudes;[18]
- **Collective socialisation**, which emphasises adult monitoring and role-model effects;
- **Institutional models**, which emphasise the quality and accessibility of facilities and services (*e.g.*, schools, parks, police).

The causal links between the various problems of distressed areas are therefore complex and have important ramifications: In the case of the contagion model, for example, the implication would be that this negative spiral, like an epidemic, is unleashed when a critical level or intensity is attained – the so-called "tipping-point". The collective socialisation model suggests that the social environment may have a propagatory influence on subsequent generations.

Aside from this debate, various phenomena seem to confirm that distressed areas undergo profound cultural, social and family transformations. For example, the high number of single parent households seems due not only to economic factors – notably the pressure on family life of unemployment –, but also to cultural changes passing from one generation to the next. At first, the increase in single parent families was no doubt due to unemployment and bad economic conditions. But the effect of this on the family behaviour of young people has not been neutral. The changing family situation of parents, in line with social and economic conditions, changed the cultural norm for the following generation. In other words, young women come to see motherhood in a different way than did their mothers – for example, that having children outside a nuclear family structure is perceived as an accident rather than a drama, and so on.

Analysis of opportunity and bias must, therefore, take into account not only the *process* elements noted above, relating to adequacy of employment opportunities and the characteristics of the labour market; it must also take account of what Galster calls *prospects*, *i.e.*, the particular choices made by individuals on the basis of their expected outcomes from the *process* or the outcomes that they see around them.

Research in Washington DC approaches crime from the angle that crime rates are products of choices made by young people based on their assessment of their opportunities. The neighbourhood in which they are raised is characterised by the choices that the adults around them have already made. Thus if their assess-

ment of their opportunities and prospects led adults to criminal activities, then young people brought up in the area can end up making the same choices.[19]

A number of other examples can be cited: The unemployed in distressed neighbourhoods see others fail to get jobs all around them and as a result are more rapidly discouraged in their search for employment.[20] The absence of socio-cultural role models and inadequate information account for why young people from deprived neighbourhoods are unlikely to believe they can set up their own business. Researchers have found similar mutually reinforcing linkages in educational attainment, drug use and teenage pregnancy.

**Stigmatisation of the area: "address effects"**

The spatial dimension of the social structure means that residents often suffer an intangible but pervasive form of discrimination based on their place of residence – often termed "address effects". Although externalities based purely on where a person lives are difficult to prove quantitatively, there is enough circumstantial evidence, confirmed in national reports and case studies submitted to the OECD, to suggest that they are present to some extent in certain OECD cities.

Two somewhat contradictory perspectives on stigmatisation have been suggested: one based on the *invisibility*, the other on the stark *visibility*, of the areas. In the former case, the area is peripheral to the urban centre or for other reasons is not easily accessed. As such, it suffers from a mystification of its problems – its reputation, based on hearsay rather than fact, is blown out of proportion by non-residents, many of whom may never have set foot in the neighbourhood concerned. The latter refers to the architectural scale of some developments and their closed exteriors which give the estates a forbidding appearance – visible but still not accessible. Thus, isolation growing out of stigmatisation can take place even where the area is close to main centres, largely as a result of design factors that built in clear separations between the neighbourhood and other parts of the metropolitan area.

The resulting address effects can take many varied forms:

– employers are reluctant to hire people who live in particular areas;
– potential entrepreneurs are unable to get commercial loans for start-ups;
– police become suspicious of people from the area, particularly young people;

Thus, it can be argued that there are important spillover effects from the simple existence of such areas of structural deprivation. The potential of the populations of distressed urban areas for entrepreneurship, innovation and integration, for example, goes under-exploited because of "mental barriers" among

the rest of the population. In turn, stigmatising areas can lead to a form of paranoia among residents. Young people see their failure as a result of latent persecution and rapidly abandon all efforts to overcome their isolation, leading to a kind of self-segregation.

**The vicious cycle**

A number of mechanisms create the danger of a closed cycle which can only worsen and complicate the socio-economic situation of the area. Not everyone, of course, is trapped. It should be re-emphasised that these phenomena involve only a minority of the local population; many people are, after all, employed, and their impact on the general vitality of the area can be great. Nevertheless, because the problems are pervasive, residents to one degree or another find their opportunities to enjoy an normal standard of living circumscribed by forces they cannot control.

First, as was discussed above, once problems start to accumulate the better off residents begin to leave. The poorest, who have no choice, remain. ''Drug trafficking and prostitution encourage the better off among the poor to leave the city centre much more effectively than would action by government to compel them to leave'' (Herpin, 1993). In the theory of neighbourhood change, processes of succession are inevitable and areas become more or less attractive or unattractive according to their specific assets or disadvantages. However, it is possible for an area to reach a stage termed *locational obsolescence* – where basically everybody would leave if they could.

Second, the worsening situation in the area, particularly as regards security, discourages business even more than before. Local services, which are already less developed than elsewhere owing to the lower incomes of residents, are usually the first victims of this and in some cases have to close. The resources of local government fall still further, while needs remain just as great or increase. The supply of local public services deteriorates owing to lack of funds, making the area even less competitive.

Thirdly, resignation and underachievement tend to take root in the schools. Low educational performance tends to become normal and without the presence of an escape route through education, the spatial ''poverty trap'' then passes from one generation to the next. The temptation for young people is to turn to illegal activity as a way of making money. The police, overwhelmed by the number of offences, will react less effectively than elsewhere. Moreover, since the phenomenon is a collective one, individuals may form gangs, which generally makes prevention and prosecution more difficult. What is more, violence is often the best way of becoming known and respected in the neighbourhood. The resulting insecurity affects the majority population.

A similar series of events is found as regards the informal economy. Moreover, since this is in some cases the only means of subsistence for part of the population and socially less harmful than criminality, the authorities are sometimes extremely tolerant towards those concerned. Maintenance of social stability becomes the primary policy objective. Indeed, the informal economy is one of many "coping strategies" – the ways that different people manage to make a living in generally adverse circumstances. The diversity of distressed areas reflects the different coping strategies that people adopt.

**Factors mitigating against neighbourhood decline**

Change within areas of a city, as was shown by recent research in Chicago, does not necessarily mean decline. The clearest factors mitigating a process of decline are those that alter the real estate or investment value of an area – improvement of housing quality, the building of new transport infrastructure, development of green spaces or recreational amenities, and so on.[21] Moreover, the case studies undertaken in the course of this project attest to the fact – much studied recently – that even when physical or investment-related assets are limited, some areas manage to avoid the cycle of decline thanks to some intangible attribute. In some cases this is the presence of human assets that are valued by local residents but are not easily quantified, such as cultural diversity.

Attention has focused on the level of community "cohesion" – the extent to which residents have shared conception or vision of their neighbourhood. Research again in Chicago found that, while some neighbourhoods regenerate through a process of "gentrification" for the reasons outlined above, other poor areas are stable because they possess a high degree of "collective efficacy", meaning a predisposition to be active in both family life, notably with regard to the raising of children, and also community life.

Each of the case study cities stressed the important role of less tangible, community assets in preventing or reducing the impact of adverse economic conditions and the likelihood of neighbourhood decline. Recent community agency and residents surveys in Toronto seem to confirm the importance of volunteerism and civic participation in creating an atmosphere of solidarity and support within disadvantaged neighbourhoods. In one particular neighbourhood, residents agreed that the network of relations formed through community activities was one of the main reasons that they stayed in the area. For its part, the city of Toronto has become increasingly aware that in order to be successful, policy actions targeted in specific areas need to engage these voluntary groups.

In both Toronto and Dublin, the success of policies targeted on particular neighbourhoods is strongly influenced by the level of community participation and interest. In each, efforts are being made to quantify more precisely the role of

Box 2. **An example in Indianapolis**

In the OECD survey of neighbourhood disparities, seven central Indianapolis neighbourhoods were identified on the basis of low income and high unemployment criteria. These seven neighbourhoods, clustered around the old industrial heart of the city, conform to the pattern of city centre deprivation, and are the subject of municipal and federal investment programmes in the context of a wider plan to redevelop the whole downtown area. To a large extent, the areas all share similar socio-demographic characteristics: for example, in each area around half of all residents had no high-school diploma; crime rates ranged between 1.6 and 3.4 times the county average; births to women under 20 were twice the county rate.

Yet one area with an otherwise similar population profile consistently defies the general pattern of deprivation. Here, even though the rate of people with some post-secondary education is only 13 per cent, the unemployment rate in 1990 was lower than the county average. Mean housing values were more than $10 000 higher than surrounding areas and median family income equalled the county average.

To date, the only satisfactory explanation is the fact that in the 1960s the area was targeted in a "self-help" first-time homeownership programme where families helped to build their own homes and were encouraged to establish community organisations. The programme's combination of assistance to homeowners and promotion of resident participation appear to observers as the mainsprings of the area's lasting relative prosperity and independence.

non-tangible community assets with a view to introducing policies that can develop civicism. These examples indicate the need for fine-grained analysis capable of discriminating between areas that in many respects resemble each other.

## SUMMARY

Urban distress of the sort discussed in Part One of this report is closely linked to issues of economic modernisation, globalisation and structural change. Distressed areas, by definition, adapt to new conditions more slowly and perhaps in unexpected ways, Moreover, as distressed areas also seem to have more limited family and community-based support systems, dependence on government assistance tends to be high. Yet, as in many other spheres, OECD governments are reassessing their ability to meet the current challenges using traditional policies. Most notably, they are reaching the limits of their social welfare

systems, which do not appear to be capable of solving some of the more intractable social problems in cities.

As the most dramatic examples of the disparity between the demands made by the changing economy on individuals and the inability of many individuals to adapt, distressed areas are at the heart of one of the central policy challenges facing OECD governments – how to balance the achievement of economic goals with the maintenance of social equilibrium.

Referring back to the use of the terms "transitional" and "structural" distress, some conclusions can be drawn about the nature of the problem as it is posed today in Member countries and the likely lines of evolution.

First, the relative place of transitional and structural distress in policy has until recently been different between the USA and most other OECD countries. American cities have for many years contained areas of structural distress that are the subject of intense political debate. At present, it is clear that Western European countries, in general, do not have areas of structural distress that equate with those in the USA.[22] If racial segregation and levels of intermarriage are taken as indicators, the segregation indices are much lower in Europe, while rates of marriage among races are higher (at least when compared with rates between African Americans and whites in the USA). The same is true for most other socio-economic indicators except those relating to the labour market. The reasons for this are numerous and complex, but include housing policy, social welfare policy, public education policy, notions of citizenship, and the socio-spatial system.

There are, nevertheless, clearly identifiable areas of structural distress in European cities. Perhaps more crucially, most of the national overviews and case studies used in this report note the increase in socio-spatial segregation or polarisation within urban centres. This may be a by-product of economic liberalisation or an unanticipated product of immigration and housing policies that promote residential stratification. Whatever the underlying reason, most commentators note that this phenomenon is increasing. Thus, although a number of participating countries are able to state that few areas of actual structural distress can be identified in their country, there are areas where structural deprivation could soon appear. These areas are not simply poorer microcosms of the society as a whole but have strongly different profiles. Among the main similarities visible from Census data, the populations of distressed areas in OECD countries tend to:

– be younger than the urban average;

– have higher concentrations of single parents (up to three times the general rate);

– include more unemployed people, including youth and long-term unemployment (up to three times the general rate);

– have lower levels of educational attainment (as low as half the general rate); and

– live in rental accommodation, usually social or subsidised housing.

Qualitative descriptions by Member countries and case studies confirm that other features are also prevalent in these areas, even though they are difficult to quantify in most countries. These are likely to include several of the following: very low income levels and high dependence on income transfers, low levels of socio-occupational mixity, high levels of informal economic activity, high crime rates and rates of drug and alcohol abuse, few local commercial enterprises and poor access to retail centres, more households without a car or telephone, and high standardised mortality rates and rates of preventable diseases.

The argument presented in this report is that disadvantaged areas tend to concentrate combinations of low educational attainment, high unemployment, poor housing, high numbers of lone parent families, and so on. In these neighbourhoods, prevalence produces more prevalence, and prevalence of one characteristic produces prevalence of another. In other words, when social problems are concentrated, they will tend to aggravate.

# RISING ECONOMIC AND SOCIAL COSTS

The phenomenon of distressed urban areas generates waste, inefficiencies and costs. Each of the socio-economic characteristics described above involves at some stage a loss of individual potential, a reduction in personal choice and opportunity, and implies extra expenditure by government.

This interactive relationship between the spatial, economic and social lies at the heart of concerns about costs and helps to explain the cost multiplier, the reason why costs to maintain and improve conditions in distressed areas are so high. These mutually reinforcing relationships are found in many facets of economic and social life.

## HUMAN AND SOCIAL CONSEQUENCES

The first and most crucial type of cost is the loss of human capital among residents of distressed areas. Educational attainment, for example, is seen as an important guide to the overall skill level of the labour force and its capacity to adapt to changing labour market conditions. The evidence of severe educational underachievement in the study areas of participating countries is clear and consistent from one country to another. The table below shows the disparity between the distressed areas and the urban norm for selected countries.

Table 8. **Ratio of levels of educational attainment (ISCED level 3) in distressed areas to the urban average**

| | Ratio (in descending order of magnitude) |
|---|---|
| United States | 0.46 |
| England (excl. London) | 0.46 |
| France | 0.52 |
| Finland | 0.67 |
| England (incl. London) | 0.76 |
| Canada | 0.80 |

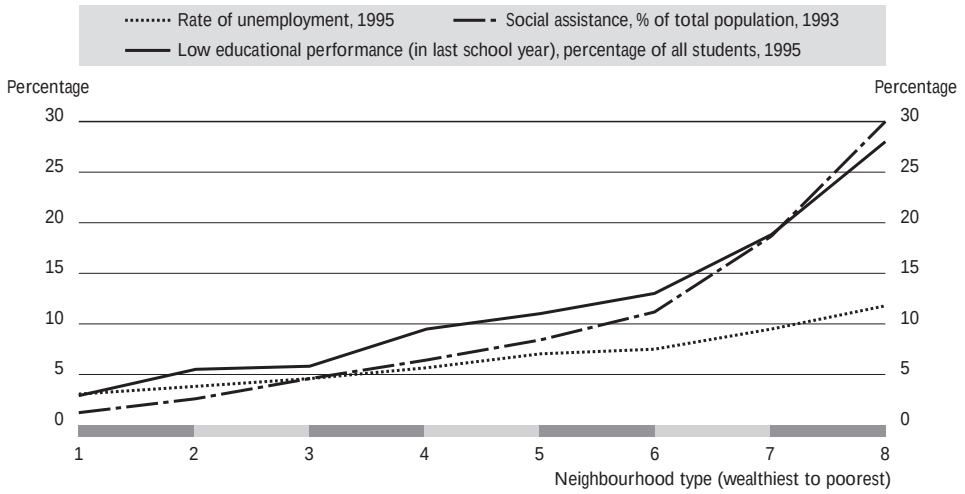
*Source:* OECD Secretariat: Neighbourhood-level Data Survey.

Perhaps as important as these inequalities is the fact that during the period 1980-1990, when most OECD countries experienced significant increases in attainment levels, the improvement in disadvantaged areas either did not occur or took place at a much slower rate.

The figure below suggests that the relationship between education and other forms of disadvantage goes beyond simple "outcomes"; that is, that the educational attainment of an area's population determines its earning capacity which in turn shapes the neighbourhood. It suggests that environment conditions the level of attainment, and is actively conditioning the level of attainment of current students. There have been a number of studies illustrating this point. However, the lack of geographically specific, educational data for current students prevents further analysis. The existence of such disparities in Sweden, where levels of attainment are generally high and social transfers limit the incidence of poverty, would tend to suggest that similar, and perhaps even more severe, patterns would be discernible in other countries.

Education is perhaps the main area where public investment can provide the tools for people in such areas to break out of the "vicious cycles" of unemploy-

◆ Figure 6. ***Extent of low in-school educational performance, and other socio-economic indicators, according to neighbourhood type, Sweden***




*Source:* OECD Neighbourhood-level Data Survey.

ment and dependency. Yet, this brief overview suggests that, in general, distressed areas have a substantially lower level of educational attainment than their urban surroundings and the national as a whole and the disparity appears to be widening. School failure is often, at least partially, attributed to neighbourhood effects. These negative collective processes – including poor family control and contact with delinquency and street violence – explain why young people in these areas lose interest in education en masse.[23]

There are a number of "social" costs, *i.e.*, those that affect the community rather than the individual. Perhaps the most important, in terms of its impact on other aspects of local life, is the decline of civic participation and the sense of community identity and solidarity. Resident surveys conducted by the French National Statistical Office (INSEE) in conjunction with the CNRS suggested that residents of deprived areas tend to be less involved in community associations, have fewer extra-family contacts and socialise overwhelmingly with people from their own immediate neighbourhood. The absence of civic sense and the resulting rejection of institutions has direct consequences. Research has shown that in an emergency, people from disadvantaged areas are less likely to call the police or fire brigade.[24] This lack of a sense of ownership of public services can be seen in a number of different contexts, but the pattern is similar – ranging from wanton destruction to systematic under-use.

Damage to public and private infrastructure by vandalism and lack of proper maintenance represents a considerable capital loss to what are important local assets. In addition, the rise in vacancy rates, which can be as high as 30 per cent of the housing stock, and problems of letting apartments in particular neighbourhoods, represent a significant waste of public resources. In many countries, the ownership structure means that empty units increase the rents that must be paid by remaining tenants, forcing some to leave (particularly those in low-paid employment who are not entitled to housing allowances).

Finally, increases in crime have direct associated costs in terms of extra policing, security systems, but the emergence of a climate of insecurity also has a damaging effect on community social and cultural life, with people less interested in participating in local activities, particularly at night.

Each of these factors contributes to reducing the sense of belonging within the neighbourhood and undermines the social cohesion which is widely regarded as a crucial, shared asset.

## ECONOMIC COSTS

Recent economic theory stresses the influence of "confidence" (of enterprises, households etc.) on growth. The concept of a "feel-good factor" to describe this individual and collective state of mind has become centrally impor-

tant in economic development initiatives. For example, the sense of general economic insecurity engendered by the existence of areas of urban deprivation is thought to encourage precautionary saving and depress consumption across neighbouring areas. In addition to dampening general confidence in prospects for economic growth, distressed urban areas also impose some direct costs on enterprises, on public authorities and on the economy as a whole.

Because property values are low, the first sphere where distressed urban areas hurt the metropolitan and national economy is in terms of the real estate market. Although vacant land and office space are abundant in many deprived inner city areas, much of it is derelict and/or contaminated, entailing expensive reclamation and clean up. Building costs tend to be higher because, for a range of logistical reasons, building time is longer – for example, restrictions on noise pollution may shorten work times, regulations about the moving of heavy machinery through the city cause additional delays and so on. These factors, combined with higher local tax rates and utility charges, reduce the overall profitability of redeveloping unused land. The distortion on the land market caused by up to 20 per cent of land lying idle is compounded by other economic influences, less obvious but no less real, which place additional disincentives on redevelopment.

The crime and vandalism which can take hold, particularly when local government revenues for social services and policing decline, impose direct costs on enterprises. For example, an inner city strip shopping centre in Cleveland, Ohio spends $2 per square foot more than a comparable suburban shopping centre to employ a security guard, run increased security lighting, pay for cleaning up graffiti and repairing vandalised property, which raises overall running costs by 20 per cent. In addition, police devote a disproportionate amount of their time to the security of commercial and industrial sites.[25] The sense of physical insecurity inherent in such areas constitutes a major disincentive for all economic actors. The "cost" of urban violence is felt keenly by the general population because insecurity portrayed by the media can often serve as the point of reference for that area for those in other towns, regions or countries leading to a poor reputation and an unwillingness on the part of outsiders to invest in the area.

One result of the underuse of sound housing stock and office space and the concomitant demand for development of green spaces is an ever-increasing pressure for urban expansion, with all of the accompanying infrastructural expenditures and environmental stresses. Many distressed areas, however, can be found in parts of cities with under-utilised infrastructures, but the attractive areas for new development often involve the building of costly new infrastructures. For example, the city of Pittsburgh, one of the American cities most affected by industrial restructuring, lost 9 per cent of its population between 1970 and 1990, yet the urban land area of the city grew by 30 per cent.[26]

Finally, there is the question of innovation and the loss of entrepreneurial ability. In many cases, business creation is not seen by people in distressed urban areas as the way to succeed, largely because it seems to be such a distant and unattainable goal. Indeed, in some areas, the more entrepreneurial residents will be more attracted by the drug trade than by legal enterprise.[27] The authorities are to some extent responsible since they often encourage voluntary and social activities as economic development rather than promoting the creation of viable businesses.[28] Finally, whatever their business acumen or the soundness of their project, discrimination and redlining on credit markets and by banks often means that projects never get any further than the planning stage.

## ASSESSING URBAN COSTS

Urban costs can be assessed from two different perspectives:

- the additional individual need incurred directly as a result of living in a distressed area with strong negative neighbourhood effects (societal or human cost) and the additional expenditures that would be required to meet these needs;[29] and
- the current expenditures (statutory and extraordinary) by central and local government per resident in these areas, compared to expenditures in an average neighbourhood (the fiscal/economic cost).

To take an example, the state of Texas calculated that the rate of teenage pregnancy in the state is significantly higher in disadvantaged areas and that teenage mothers were twice as likely to have low-birth weight babies and that such babies incurred an additional cost in hospital care averaging double the cost of a normal-weight birth. There is a calculable current additional cost, *i.e.*, the extra hospital care required; but there is also a less measurable, implied cost, the resources and supports that would be required in order to reduce levels down to the state average.

In reality, these are simply two aspects of the same policy problem – once disadvantaged areas have been identified using whatever qualitative or quantitative criteria, how much additional resources need to be invested, how much is actually being invested, and what is the disparity between the two. From this, the reality of effectiveness of the policy approach becomes clearer, *i.e.*, whether the policy is adequately or inadequately resourced to achieve its objectives, which can be either "compensatory" (just enough to provide equal access) or "remedial" (sufficient to promote development).

Distressed areas demand additional resources for two purposes: 1) to meet the immediate welfare requirements of the population, and 2) to counteract local negative externalities and break a cycle of decline. And, indeed, in most OECD

countries, there are programmes and policies, both routine and extraordinary, that inject additional resources into disadvantaged areas. But it is too soon to know whether these areas take enough to become less disadvantaged and thereby, in the long term, less of a burden. Are substantial additional resources required if the problems of distressed urban areas are to be tackled, or is it sufficient to adjust the allocation of existing budgetary resources towards them? In any case, questions of funding raise important questions about the co-operation between different levels of government and across jurisdictions in a metropolitan area.

The costs of concentrated urban deprivation, therefore, have to be assessed with reference to the expenditures or outlay necessary to produce a given outcome, as well as actual expenditures. As stated by Duncombe *et al.* "Cost differentials [between different localities] reflect both the purchase cost of inputs and the harshness of the production environment". Actual expenditures, while usually taking account of cost factors, are also strongly influenced by independent factors, such as the impact of local and national fiscal policies and the level of public spending.

Education provides a good case example of the interaction between need and expenditures, and the relation between the two and the achievement of policy objectives.

### The case of education

The underlying assumption of education policy in OECD countries is that the educational system should provide each child with the environment in which to maximise his/her potential. This can be interpreted as meaning that each child should receive an equal share of the total educational budget, or that because some children need greater resources than other to overcome handicaps resources should be provided so that defined minimum outcomes can be achieved by each student. As a way of breaking intergenerational cycles of educational under-achievement and improving the skill level and, hence, adaptability of poor areas, such additional expenditure is clearly an investment as well as a supplement to offset disadvantage.

In practice, most education systems are a compromise between these two approaches – school funding is on a per student basis, but a range of additional programmes, either routine budget supplements or "education priority zone" type programmes aim to compensate for socio-economic-cultural handicaps. In many cases, these supplementary expenditures are in the form of special education resources or capital grants.

Box 3. **Measuring need: preliminary research on educational policy in France**

Recent indicative research in France quantifying and comparing the outlays for different types of school have shown that although direct expenditures may be similar or even higher in particular areas, the overall resources or "buying power" of the school is, in fact, much lower than that of other schools.

Although no overall comparisons on this scale have been undertaken in France, recent research has compared expenditures in schools in two areas of the same municipality, a suburb just outside Paris, one a poor neighbourhood targeted as a priority education zone (ZEP), the other a statistically average area. The poor area, which was targeted under the latest *politique de la ville*, consists of large public housing estates, and is characterised by the presence of some of the most severe social problems in the region. The other area has a more mixed housing stock and, according to most socio-economic indicators, is slightly above the average for the Ile-de-France region.[30]

The researchers, Tréguer and Davezies, detailed the income of each primary and secondary school in the two neighbourhoods, both direct government support and the total input into the school from the government, parents, enterprises and other sources, along with the breakdown of the expenditures of each school.

The results of the comparison bear out much of the previous research in the United States.

Overall, education expenditures in the poor area were higher than in the average area: However, at the secondary first cycle level, although the poor area is a priority zone, expenditures per student were lower in the poor area, by around 7 per cent. The main components of the disparity appear to be significantly lower salaries (fewer teachers) in poor schools, along with the extra burden of a higher examination and school year re-take rate.

Although research into the actual resources available for essential services in poor areas is at an early stage, the figures from the US and the preliminary research in France illustrate the complexities of analysing the actual resources and projected resource needs of schools in poor areas. Further research would probably reveal similar patterns in the educational systems of other OECD member countries. Moreover, it is quite probable that similar problems of hidden costs and additional burdens hamper a more efficient distribution of resources in the field of health care provision and social services.

The preliminary results above suggest that with the current distribution of resources, the disparities outlined in the previous section dealing with educational attainment are unlikely to be reduced. At the same time, without more effective "accounting" systems, defining what level of funding will provide the desired impulse to improve student performance is extremely difficult. Additional resources through priority targeting measures clearly offset even wider disparities, but more research is needed to clarify at what point extra expenditures inside a school lose their cost-benefit justification without additional expenditures outside the school.

The general equation can be written out as follows:

In each area, government (central and local) produces a series (or vector) of outputs from a series of inputs. The relationship between the two can be largely explained by 1) a *cost function*, which measures the geographical disparities in teaching and administrative costs and estimates the extra cost of students with special needs, *i.e., the purchase cost of inputs*, and 2) an *environment function*, which is the sum of neighbourhood effects and externalities, *i.e., the harshness of the production environment*.[31]

Defined extremely narrowly, the two primary outputs desired by government are: 1) high scores on standardised tests, and 2) low dropout rates. The main problem, however, is the difficulty of estimating the environment function and, hence, the difficulty of determining the level of input appropriate to the level of output.

Evidence from research on the range of policies to equalise educational opportunities suggests that although mechanisms have been introduced to produce "income neutrality", *i.e.* each student receives an equal share whatever the income level of their parents or the school district, this has not been sufficient to offset other disadvantages stemming either from additional need or neighbourhood effects. As a result of the inadequacy of the grant equalisation formulas to cope with the complexities of the cost function and the environment function, inequalities in the quality of education have persisted and disparities in educational outcomes, both test scores and dropout rates, have widened.[32]

## SUMMARY

Unless policy action is effective, the condition of these areas will worsen. Breaking the cycle and arresting decline requires an additional financial effort, but would enable governments to avoid larger expenditures in the future. In order to prevent this "ratchet" effect, governments must be prepared to take specific action in the short-term that will have long-term impacts, and ultimately reduce future expenditures. Failure to stem decline in a neighbourhood leads to tangible and intangible costs for government and society. These costs will tend to increase over time. Thus, the policy issue for governments is to assess need and then appropriately allocate resources according to the desired outcome.

Historical evidence, along with the theoretical analysis, suggests that formation of areas of structural distress is a non-linear process. Existing trends, and even current conditions, are not good predictors of the evolution, both short and long term, of an area. There are thresholds or "tipping points" at which change can take place very rapidly. These thresholds depend as much on perceptions of living conditions and expectations of future changes as they do on actual situa-

tions. In order to prevent such eventualities, the areas at-risk will require concerted and innovative action on the part of government. The following section discusses current policy approaches and identifies some of the main trends in policymaking for urban areas.

*Part II*

# THE POLICY RESPONSE

4

# EMERGING TRENDS IN URBAN POLICY

## INTRODUCTION

Chapters 1 to 3 of this report discussed the strong geographical concentration of socio-economic disadvantage in many OECD cities and the repercussions that this has both in the areas concerned and for society as a whole. Areas of concentrated deprivation appear to be characterised by lack of access to opportunities and by exposure to negative rather than positive influences. People living in distressed urban areas are isolated from the metropolitan opportunity structure provided by *institutions* (schools, welfare systems, the legal system), *markets* (notably the labour market and the housing market), and the *local community* (family and non-family aid and support services). The impacts of this isolation are clearly visible in the disparities that exist between these areas and other parts of the city across a whole range of socio-economic indicators.

In the post-war period, issues of social equity and redistribution were pre-eminent and have largely been addressed through the various instruments that comprise the welfare state. Despite the general success of welfare policies in guaranteeing an increased minimum standard of living, their limitations have become particularly apparent as new problems have emerged in specific urban areas.

Most Member countries have developed specific sectoral interventions in areas such as housing, education, employment, business development, family and income support, and social integration that focus on disadvantaged areas. Policy initiatives to combat problems of urban deprivation and social exclusion introduced in Member countries over the past twenty years have approached the question from a number of different angles, which can be characterised as a series of options: for example,

- the allocation of additional resources to specific areas and their residents (positive discrimination) or additional benefits and entitlements to individuals wherever they reside;
- funding for services and programmes used only by particular groups, such as jobclubs and other employability schemes for the long-term unem-

Box 4. **The limitations of sectoral policy approaches; the example of housing**

In numerous OECD countries housing policy and its results have come to be seen as a symbol of the limits of nationally co-ordinated policies. The sectoral objectives of these policies – to provide affordable housing to an increasing urban population and to improve the quality of housing in terms of amenities and sanitation – were in the main achieved, but at the cost in some cases of increased socio-professional segregation, laying the foundation for exclusion and alienation.

Despite striking successes, housing policy in OECD countries often unintentionally encouraged the geographical concentration of the poorest and economically most vulnerable households on particular housing estates, thus marking them off from the general population. Subsidies to promote home ownership and good-quality public housing led, for example, to a decline in the availability of low-cost rental units in many countries. Income disparities within the overall social-housing population were then translated into geographic separation by the introduction of transfer mechanisms which effectively moved the "good", long-established tenants to the most popular estates – a process analogous to succession in the private housing market. As a result, the lowest quality and least desirable housing became occupied by the more marginalised and worst-off groups.

Thus, as a result of a combination of interventions in the housing market, neighbourhood polarisation has increased. In the process, the contradiction between policies aimed at encouraging higher income families to move out of social renting and at targeting assistance to the most "needy", on the one hand, and the growing concern or impetus for action in the neighbourhoods where the most disadvantaged reside, on the other, has become clear.[33]

*A more detailed discussion of housing policy in the OECD and its impact on issues such as affordability can be found in OECD (1996),* Strategies for Housing and Social Integration in Cities.

ployed and day care centres for single mothers, or general amenities available to all residents, such as libraries or public parks;

– programmes promoting mobility and/or commuting by local residents able to relocate or improvement of employment opportunities and housing conditions in the local area;

– policies to promote inward investment by enterprises from outside the area using subsidies and incentives or concentration on building endogenous economic development capacities through training and entrepreneurship initiatives;

– identification of human resource development, or of physical infrastructure development as the prime catalysts of recovery;

– wholesale area clearance and redevelopment or incremental renovation and modernisation.

Although most urban policies are still strongly compartmentalised, some combine a number of these approaches, most of which are not mutually exclusive. For example, positive discrimination by providing extra subsidies in target areas have been combined with an inward investment approach in enterprise zone initiatives; and endogenous economic development can be combined with physical resource development such as the renovation of a local shopping centre. But the shortcomings of the sectoral approach remained: these programmes were not based on an assessment of what individual areas need to recover, they have not been linked to broader urban strategies, and they have not generated dynamic public-private partnerships or broad participation and support.

For example, policies to move people from areas where opportunities are limited to places where they are better have focused on three main aspects of mobility: labour market mobility (improved commuting links between deprived areas and suburban employment nodes, wider diffusion of job vacancy information, help with travel costs); residential mobility (homeownership programmes, construction of affordable housing in suburban areas); and ''enforced'' mobility caused by the demolition and/or redevelopment of areas, either with the aim of resettling local residents to new areas or to encourage social ''mixity'' through in-migration of people from other income groups. The general criticism of these approaches in the past has been that they have been implemented without a clear area-wide strategy, and have not taken sufficiently into account the ability of people to relocate successfully. As a result, mobility programmes have often benefited the better-off local residents, or have experienced strong opposition from other neighbourhoods within the metropolitan area. Moreover, as a long-term strategy, they do not help to redevelop distressed areas and, in fact, they have the potential to increase the economic isolation of the area by characterising it as an area from which to escape.

The aim of policy should be to restore opportunities and choices to those areas from which they have disappeared, rather than moving the people away. The policy initiatives in Part Two are largely designed in relation to this objective.

Policy responses to rejuvenate these areas comprehensively need to take into account the complex mix of factors involved. For example: low employability is caused by lack of skills, but also by prejudice against people from particular neighbourhoods; degraded physical environment is caused by poor design and construction, but is also influenced by behaviour patterns that undermine concepts of common ownership and local pride; lack of local commercial activities is

caused by low local purchasing power, but also by high costs resulting from the need for additional security equipment and higher insurance premiums.

In the 1990s, policymakers recognised that sectoral approaches were destined to have only limited success. Governments have been slow to take preventive measures, but they have taken action to apply remedial measures. By and large, policy has involved a process of trial and error, in part reflecting the lack of successful models for a spatial as against a sectoral approach, in part reflecting the newness of many of the underlying issues that the policies were designed to address. Systematic monitoring and evaluation, therefore, have been an important part of the policy process. In some countries, the policy responses are experimental pilot programmes operated in a limited number of areas. In others, however, initiatives are now in the mainstream of the overall government strategy to combat concentrated urban deprivation and exclusion. The emergence of multisectoral policy approaches with common features from one country to another reflects what appears to be an emerging consensus on a number of key principles in urban policy-making that has crystallised out of the experiences of Member countries.

## POLICIES IMPLEMENTED IN OECD COUNTRIES: AN OVERVIEW

The following survey of policies implemented in Member countries does not attempt to make an inventory of all government policies operating in deprived areas. Instead, within the overall policy context, it seeks to highlight those policies that are specifically urban or clearly targeted in deprived areas. Special attention is paid to initiatives that are integrated and multisectoral, rather than those that focus on a single policy area.

### Australia

In the past, the federal government has relied in large part on macroeconomic policy and general income support measures to address the needs of disadvantaged Australians. Particularly since the economic recession, there is increasing evidence that in isolation these strategies are not sufficient to meet the needs of the most deprived areas.

In response, the federal government in the early 1990s introduced a limited-scale, integrated territorial policy called Building Better Cities. This programme was designed to create a partnership between the three levels of government, the private sector and the public, including, but not limited to, a number of urban areas identified as being the most severely affected by economic and social problems. In the course of the first phase of the initiative, the quality of housing stock was considerably improved in most areas, but economic and social development tended to be neglected. As a result, renovation programmes and the

subsequent rent increases had the unwanted effect of forcing poorer residents out of the area.

In 1995-96, the central government tried to remedy these initial malfunctions and launched a new phase of Better Cities. In the second phase, greater account was to be taken of social justice issues and the needs and concerns of the local population. In addition, ties with mainstream national employment policy schemes were to be strengthened. On a less positive note, the funds allocated to the programme remained limited and the number of area targeted was small.

Better Cities was innovative in at least three respects. First, the area-specific focus represented a significant departure from other policy instruments used by the federal government over the last 15 years. Second, the programme encouraged federal, state and local governments to work co-operatively. Third, the programme was genuinely cross-sectional in that funding was not tied to one programme area – such as roads, public transport, housing, land use planning, job creation – but was available for the specific needs of the selected areas. Better Cities II was especially significant for developing linkages between mainstream labour market programmes and improvements in the social and physical environments of the areas. However, the impact of these initiatives was destined to be fairly limited as a result of the modest funding allocated to each neighbourhood. The programme was discontinued in 1996 following a change in government.

**Belgium**

Although no urban policies cover the whole of Belgium, each regional government has taken steps to address increasing spatial segregation and neighbourhood decline. However, there is an interministerial conference on urban policy which keeps the three regions in regular contact.

***Brussels-Capital Region***

Against a backdrop of spatial segregation and of increasing disparities, the regional government has introduced a number of policy initiatives grounded in concepts of solidarity, notably with respect to areas of urban deprivation. In this regard, the new *Contrats de Quartier* programme, which focuses on twenty neighbourhoods in the Greater Brussels area, is noteworthy. The programme involves the regional government and that of the commune concerned in a four-year strategic plan of urban regeneration in three main areas – housing/urban development, public spaces/environment, and social cohesion. These plans emphasise, in particular, the establishment of partnerships between the public authorities and the private sector (especially in relation to real estate and property development) and the associative sector (especially in relation to social objectives).

Each *Contrat de Quartier* mobilises an average of US$10 million in public investment (of which two-thirds is provided by the regional government) and US$8 million in private investment. Six programmes were launched in mid-1994 and, after a preparation phase, the initiatives relating to renovation of the housing stock and of the physical environment are close to completion. In addition, diverse activities aimed at combating social exclusion have been introduced in the context of *Régies de Quartier* (neighbourhood action plans) developed in consultation with local residents.

Although the programme is still in its pilot phase, it has already been expanded with another four Contrats signed in mid-1997. In addition, two of the *Contrat de Quartier* areas have also been selected for the URBAN initiative of the European Union, which should further underpin the multisectoral approach inherent in the Contrat programme.

### *Flemish Region*

The regional government of Flanders is committed to what it calls "inclusive" urban policy; that is, ensuring that all the sectors of government action that impact on the urban environment and on the quality of life of residents should contribute to the viability and sustainability of cities. This involves, for example, promotion of inner city shopping centres, development of transport systems, and subsidies for the re-use of brownfield land and establishment of inventories of derelict sites.

The main policy measures introduced by the Flemish regional government include, in particular, the Social Impulse Fund (SIF), which combines money set aside from a number of different government budgets in a similar way to the UK Single Regeneration Budget. With the overall aim of improving the quality of life in targeted areas, resources from the Fund can be used to finance activities in diverse fields including: social welfare, housing, traffic management, physical planning, education, cultural activities, and the assimilation of immigrants.

The identification of recipients is made on the basis of a statistical comparison of local authorities according to ten socio-economic criteria, eight of which describe the local population (the number of immigrants, people earning the minimum wage, children living in one-parent households, etc.) and two which describe housing conditions (substandard housing, number of social housing units). On the basis of these indicators, 30 areas were selected for extra funding (averaging US$7 million), mainly located in and around Antwerp, Ghent, the "language border", and coastal areas. Each of these communities signs a contract with the Flemish government which sets out specific goals and results according to a three-year plan. Emphasis is put on the participation of "civil society" in this

programme – notably social housing companies, private enterprises, welfare organisation, voluntary groups and local retailers.

### *Walloon Region*

In the Walloon region, the main targeted initiative is the *Zones d'Initiative Privilégiées* (ZIP) programme, which is particularly interesting because of its use of a complex data-based decision system to determine which areas should receive aid. Four particular targets of policy action were identified: 1) areas of generalised socio-economic deprivation and exclusion, 2) areas marked by severe housing market pressures and shortages of affordable housing; 3) areas of degraded inner city housing, and 4) areas of estate-style social housing. As such, the programme explicitly recognises the diversity of patterns of urban deprivation.

ZIP areas were selected on the basis of need according to data from 1981. The general methodology comprised a two-stage process: the first determined the eligible zones (the criteria being a sufficiently high and dense population), the second level classified the eligible sectors on the basis of a series of indicators designed to pick out the four types of neighbourhood noted above. After analysing more than 30 possible indicators, 20 were retained, falling into four rough categories: – demographic profile, socio-economic characteristics, educational achievement, and housing conditions. For each indicator, a selection threshold was determined based on the standard deviation from the national mean, and these were then aggregated into a global index score for each neighbourhood, providing the basis for ranking and selecting areas of multiple deprivation.

This statistical method identified 72 areas in 22 municipalities for each of which a ''partnership contract'' was proposed between the town and the region. This contract committed the municipal government to:

1. elaborate a global regeneration strategy for the areas identified, emphasising equally economic, education/training, social, quality of life and cultural factors;
2. include, in conception as well as implementation, the range of local economic actors (such as retailers and associations, chambers of commerce and trade unions), the associative and voluntary sectors and the general population;
3. reserve a part of the municipal budget (in principle double the regional grant) for actions in the target areas; and
4. integrate the local population in the implementation of projects by the use of social clauses in market contracts.

The regional government, for its part, is committed, over the term of the contract, to:

1. cover the full cost over a period of six years of co-ordinating the municipal strategy;
2. provide a 50 per cent subsidy for a multidisciplinary team to assist the municipality in the formulation of its strategic plan;
3. cover the full cost of co-ordinators within the neighbourhood, charged with ensuring the re-integration of at-risk groups, co-ordination of continuing education programmes, dissemination of information to and participation of local residents in policy actions, and monitoring of individual and collective economic initiatives;
4. prioritise (across all government departments) credit requests destined for projects in the target areas; and
5. increase the rate of subsidy for modernisation of housing, creation of green spaces, etc., in these areas.

*Note:* The anticipated budget credit from the Walloon regional government budget for this initiative is $30 million, to which additional funds from EU sources must be added (Structural and Social Funds).

**Denmark**

In response to the emergence of urban deprivation in Denmark, related mainly to social housing in suburban or peripheral estates, the Danish government established the interdisciplinary Urban Committee in 1993. After preliminary work assessing the extent and characteristics of deprivation, during which the Committee identified almost 200 distressed areas, a number of integrated, targeted projects have been established. Notable among these are the Community Upgrading Projects. These aim to "mix" local communities – mainly by redrawing existing boundaries – in order to use complementary resources to the benefit of formerly isolated and under-served deprived areas. These projects are, therefore, targeted on a wider urban area than the deprived neighbourhood, which it is hoped will promote greater economic and social integration. Although Upgrading Projects differ greatly from each other, they have a number of key elements:

– rethinking physical and urban planning in order to create new districts that help reduce isolation and "address effects" and enable resource-sharing;
– promoting sustainable development concepts and Local Agenda 21;
– strengthening all aspects of the life of the new district )economic, employment, social and cultural).

The implementation of local community upgrading assumes the participation of local residents, local political representatives and private as well as public sector promoters in local partnership institutions.

At the moment, community upgrading projects are still at the experimental stage: six projects have been selected by the Urban Committee to serve as models over a five-year period.

**France**

In France, the new approach to urban policy began in the early 1980s, in the wake of the *Dubedout* report,, with the introduction of *Développement Social des Quartiers* (DSQ) agreements. These initiatives tackled the problems of distressed urban areas from a multisectoral and partnership-based perspective. For each DSQ agreement, a Development Board composed of the various governmental and local non-governmental actors agreed on a five-year action plan, along with a timetable of funding requirements. Among the innovative aspects of the programme, it promoted interministerial co-ordination, gave greater responsibility to local actors, and established a funding stream for projects over a relatively long period. At the same time, however, property development and renovation was given too high a priority and economic considerations too low a priority, local (community) participation was inadequate, and development plans were too tightly confined to the neighbourhood concerned which hampered the implementation of policies to re-establish the economic links between distressed areas and the wider urban agglomeration.

Targeted initiatives in the 1990s have been complemented by institutional reforms. On 21 December 1990, a Minister of State for Cities was appointed in order to facilitate interministerial co-ordination, followed two years later by the creation of the *Délégation Interministérielle à la Ville (DIV),* which had similar objectives.

The *Contrats de Ville,* which replaced the DSQ agreements, went some way to resolving the latter problem by refocusing from individual neighbourhoods to entire metropolitan areas. However, because local officials proposed many projects that had little to do with disadvantaged areas, and given the difficulty of inter-communal co-operation, the government soon narrowed the focus of the *Contrats de Ville* to include only those projects that can be demonstrated to foster the development of distressed urban areas. On an economic level, a number of additional measures were enacted in the early 1990s. In 1992, for example, protocols were signed between cities and businesses with the aim of developing public-private partnerships, but these have not become widespread and – for historical and cultural reasons – the private sector has not yet become a fully fledged partner in the negotiations of the *Contrats de Ville.*

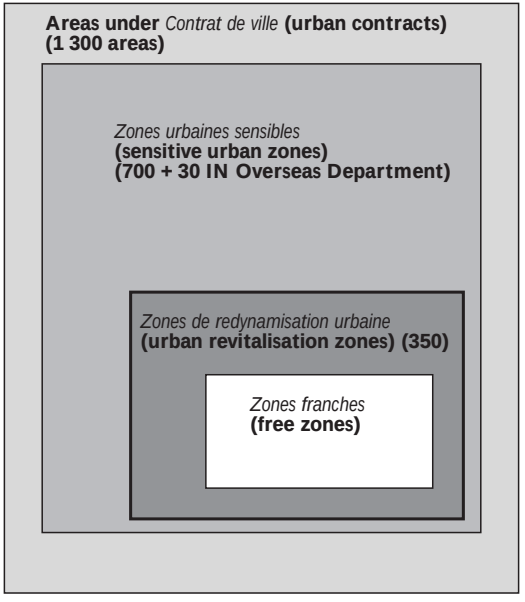
◆ Figure 7. ***Geographical application of urban policy in France***

All areas coming under *contrat de ville* are eligible:
- on a priority basis under the PALULOS scheme for the renovation of subsidised housing,
- for appropriations from the urban intervention fund,
- for appropriations from the national fund for regional development,
- for appropriations for the improvement of local services,
- for appropriations from the various Ministries.

**Measures in force in 1995**

Urban areas benefiting from optional exemption from the business tax, not offset by payments from central to local government, and from various social measures:
- exemption from employer's welfare costs for the 2nd and 3rd employees up to 31.12.95,
- access to consolidated employment contracts for young people with training lower than Level V ,
- specific public service measures,
- financial participation in consolidated employment contracts.

Urban areas automatically eligible for exemption from the business tax (creation and extention of firms) and for the following tax and social benefits:
- exemption from corporate tax (new firms),
- accelerated depreciation,
- transfer duties reduced to 0 per cent,
- exemption for 12 months from employer's welfare costs from the 4th to the 5th employee.




**Measures under the** *Pacte de relance pour la ville* **(urban Renewal Pact – PRV)**

- an initiative and consultation committee
- a Board for harmonising the rules on the allocation of subsidised housing,
- exemption from the additional rental,
- municipal jobs for those aged 18-25,
- a programme for the relocation and security of shops,
- caretakers for subsidised housing.

In addition to the measures in force:
- exemption from the business tax for existing firms (up to FF 0.5 million);

- exemption from corporate tax (5 years) for new and existing firms,
- automatic exemption form the business tax for existing firms and for the extension and creation of firms (up to FF 3 million),
- reduction of transfer duties to 0 per cent,
- exemption for the real estate tax for 60 month for building used for an activity liable to the business tax,
- exemption from employer's welfare costs for 60 months for the first 50 employees.

*Source :* OECD.

In 1995, the government began underwriting economic activity and employment in certain distressed urban areas through tax concessions to businesses that located there, and by subsidising public employment. This policy of "positive discrimination" gave rise to the *Zones Urbaines Sensibles* (ZUS) and the *Zones de Redynamisation Urbaine* (ZRU). Then, in 1997, the *Pacte de Relance pour la Ville* (Urban Renewal Pact) introduced the *Zones Franches Urbaines* (ZFU). At that time, the fiscal exemptions became far more substantial. Approximately FF 2 billion (US$350 million) in tax exemptions are expected to be granted to businesses in distressed urban areas in 1997, with a further FF 1 billion (US$170 million) to finance urban jobs for young people aged 18-25. In addition to these provisions, the *Pacte de Relance pour la Ville* brought in a number of urban policy instruments that local partners will be able to use.

**Germany**

In Germany, as a Federal state, although social policy is co-ordinated within a national framework, its implementation is highly decentralised and interventions by the national government at local level are rare. Because the local government has the main responsibility for poverty-related issues, it is difficult to get a clear picture of either the scale or the spatial distribution of socio-economic deprivation on a national basis, particularly in terms of its concentration in sub-municipal areas.

For a long time, depressed urban areas were treated as simply a problem of housing and physical environment. While building renovation in the late 1960s and early 1970s improved housing quality and living conditions, renovation also contributed to a sharp increase in rents and the wholesale displacement of low-income populations living in *Altstadt* neighbourhoods. Since the 1980s, urban renewal efforts have been carried out in a less disruptive manner. The objective of renovating neighbourhoods while retaining local affordable housing for low-income families is achieved in two ways, by co-ordinating urban renewal with mainstream social programmes, and by local ordinances.

The economic aspect has also been taken more fully into account recently. For the first time the Federal Government has used funds earmarked for urban development to attract private investment into target areas. Redevelopment of brownfield sites and industrial site conversion is an issue of particular significance at the moment. Despite administrative obstacles, local authorities, in particular, are trying to co-ordinate sectoral and national policies more efficiently. Whilst the *Länder* have some targeted policies for areas of deprivation, the Federal government has no such programmes yet. Integrated approaches have been adopted, in contrast, by a number of municipal governments in major cities.

**Ireland**

In Ireland, community development initiatives have a long tradition. *Muintir na Tíre* has been making the case for community-based self-help strategies, primarily in response to rural deprivation, since the 1930s. The past decade, however, has seen two new developments: firstly, a growing awareness about the uneven development in Ireland's urban environs and, secondly, the "official" recognition of community by the State in the form of support for community groups by a variety of state agencies and a policy environment in which "partnership" and "participation" have become key concepts.

The Area-Based Response to Long-Term Unemployment provides a good example of a formal, targeted partnership programme.[34] Legally the partnerships are independent corporations under Irish company law. Their boards group representatives of local community interests, including the unemployed, representatives of the national social partner organisations of labour and business, and local or regional representatives of the national social welfare, training, or economic-development administrations. Through this structure, the partnerships often have *de facto* authority over a share of the local activities and expenditures of core agencies of the national government. While the remit of the partnerships – to tackle local long-term unemployment – is relatively narrow, in practice the partnership structure has resulted in initiatives in a wide range of issues relating to access and opportunity in a broad sense.

Ireland is the first country of the European Union which has formally adopted a *National Anti-Poverty Strategy* (NAPS). This strategy has implications for the treatment of distressed urban areas, even though it is not an urban policy per se. The NAPS is a major policy initiative by the Government "designed to place the needs of the poor and the socially excluded at the top of the national agenda" (DSW, 1997). The top priority of the NAPS is to reduce by half the population identified as consistently poor by the year 2007. This is to be achieved through co-ordinated strategies to address educational disadvantage, unemployment and income inadequacy, with particular reference to urban and rural areas of extreme deprivation.

Within the NAPS, there is a new emphasis on monitoring and evaluation. Pioneered through the designation of areas for inclusion in the Operational Programme for Local Urban and Rural Development, targeting initiatives to combat poverty based on objective measures of deprivation, principally derived from analysis of the Census of Population and the Living in Ireland Survey. Work is currently being undertaken to develop detailed indicators to measure the outcomes of both the area-based initiatives and the NAPS and the results are likely to be closely scrutinised in future discussions on national agreements between the "social partners" and the State.

**The Netherlands**

Central government in the Netherlands has a long history of sectoral interventions targeted on vulnerable groups and specific policies for disadvantaged areas. As is the case for several countries discussed here, the first experience with urban policy was in the form of urban development and renovation programmes in the 1970s. Policies aimed at addressing the problems of distressed urban neighbourhoods came to the fore in the Netherlands in the early 1980s. They were initially addressed in the form of a four-year pilot initiative which was targeted at areas of cumulative disadvantage. Following a detailed study of the problem areas, the Interior Ministry selected 30 neighbourhoods in 16 communes to participate in the initial phase. The local authorities were requested to develop area action plans providing a clear analysis of each neighbourhood's particular accumulation of problems as well as an outline of the projects through which these were to be addressed. The programme was financed through an integrated fund, largely coming from the Departments of Labour and Social Welfare and the Interior Ministry. Central to the programme was not just the provision of significant additional funds, but an integrated funding mechanism to support innovative projects.

Following a change of government in 1989, this programme was replaced by a general policy of social renewal. The concept of social renewal was adopted at the national level and introduced in the majority of Dutch municipalities via agreements for social renewal. These aimed to improve the position of people considered to be socially disadvantaged or in danger of becoming so. Since the early 1990s, some 200 municipalities have participated in the social renewal programme.

A more integrated, multi-sectoral and large-scale policy approach was introduced in late 1994 with the Large Cities Policy, which was based on a series of agreements signed between the central government and local authorities in the cities concerned. Instead of being founded on general assumptions identified at national level, this policy starts from the assumption that each area has its own social and economic strengths and weaknesses which should be at the heart of any policy response. In practice this meant agreement with each local authority on the neighbourhoods to be targeted, the range of policy programmes to be included and the goals to be achieved.

The policies selected were related to health, safety, education, local economic development and "liveability" (housing and community services). The new approach has been in operation since June 1995 and will be evaluated at the end of 1997-beginning of 1998. The government recently announced the continuation of the overall urban renewal programme until 2010. In addition to housing, the

programme now targets public spaces and parks, infrastructure, business area development, and public safety.

### The Nordic countries

Despite increasing strains brought on by the persistence of high unemployment, the instruments of the welfare state remain the predominant mechanism for guaranteeing living standards in the Nordic countries. Nevertheless, there is growing concern that benefit systems, while generally comprehensive, are not able to prevent the emergence of inequalities in some urban areas. Moreover, the institutional system in the Nordic countries is highly decentralised and central government intervention at local level for a long time remained limited. Recently, however, a few programmes have been launched by central governments to develop an integrated approach and, in particular, to promote co-ordination between the various public bodies and the local population. Up to now, these have largely concentrated on housing-related problems, but this focus is broadening.

#### *Finland*

The welfare state system has protected Finland from the emergence of large income inequalities and limited disparities in terms of educational attainment, health outcomes, and so on. While benefit programmes focusing on the individual remain the core of the Finnish response to unemployment and its associated effects, the Finnish government also recognises that comprehensive urban policies integrated into their overall policy approach can serve as a counterweight to tendencies to decline in areas most affected by long-term unemployment. As in other Nordic countries, the government has focused mainly on physical improvements. However, the direct targeting of housing programmes [notably the Building Renovation Programme (1992-1996)] on particular suburban areas has clear social objectives. Both the Suburbs and Building renovation programmes have brought regional issues and housing issues together and encouraged the participation of a range of local organisations.

#### *Norway*

Norway also relies mainly on its welfare system to address imbalances within the economy and the system of government is, in some areas, very decentralised. As a result, no nationally applied urban policy has been developed. The integrated, multi-sectoral approach is still in its infancy, though there are signs that the central government is increasingly opting to establish partnerships with other levels of government and non-governmental organisations.

The Ministry of the Environment has launched the Environmental Cities programme, which is based on close co-operation between central government, municipalities and community organisations and residents groups. The programme does not directly target distressed urban areas *per se*, but concerns seven cities and within Oslo particularly the area known Gamle Oslo (the old city). A comprehensive and integrated strategy is also envisaged in the new 10-year, joint action programme for the inner eastern districts of the city of Oslo, which will focus on housing and urban renewal, youth projects, integration of ethnic minorities. Planning and use of funds will be co-ordinated by the central and local government working together. The Norwegian approach to urban policy is decentralised, with much of the responsibility for development residing with the local authority. This is true for sectoral policies, as well as for targeted urban initiatives. Thus, although the central government has reserved some options for direct stimulation of local economies, *e.g.*, funding through the State Housing Bank, policy for distressed urban areas depends on implementation at the municipal level.

### *Sweden*

In Sweden, funding for urban renewal programmes has increased greatly since the 1970s. Municipalities have had access to four national programmes which, together, provide funds for urban renewal: *i)* the Housing Improvement programme (1983-86); *ii)* the Social Renewal programme (1986-89); *iii)* the Co-ordinated Services Programme (1985-90); and *iv)* Housing Rehabilitation Loans, which account for some 60 per cent of total funding. Unlike some other OECD countries, Swedish programmes directed at deprived urban areas have remained comparatively conventional in the sense that 90 per cent of total investment under the above programmes was dedicated to physical improvements. Expenditures for improvements of the wider social environment, for better management practices and for increased public services remained low.

Despite the numerous initiatives that have been introduced over a number of years, there is reason to be critical. One project has followed another without any clear trend reversal. Many of the programmes have focused on the symptoms and not on the causes. For example, the subsidy system for physical renovation of housing has tended to be unrelated to other projects even in the same area. It has been increasingly realised that the problems in distressed neighbourhoods can only be tackled by a combination of mobilisation of residents and further structural adjustments, such as changes in the system of grants and subsidies, labour market policies, principles for placing refugees, and intervention in the physical environment.

Against this back ground, two new policy measures have been introduced recently by the Swedish government:

– The Government Commission on Metropolitan Areas; and
– Special budgetary allocations for distressed areas with large immigrant populations.

The Commission on Metropolitan Areas is a cross-sectoral body charged with reviewing the whole range of economic and social policy issues that affect urban areas, such as the development of a regional policy for metropolitan areas, adjustment of welfare state instruments to improve coverage among young people and immigrants in deprived areas, and the definition of a more active role for the central government in resolving urban problems. With this in mind, the Commission has recommended the establishment of an inter-ministerial agency similar to the DIV in France, which would bring together the Ministries of Health and Social Affairs, the Interior, Labour and Education, along with the local authorities concerned.

Under an initiative of the Ministry of the Interior, extraordinary funds totalling SK250 million are being set aside in the period 1996-1998 for projects in distressed areas with high immigrant populations, with a further SK500 million for the period 1998-2000. Pilot projects are being established in 8 municipalities emphasising, in particular, education and employment creation.

### The Southern European countries

National urban policy is generally less common is southern European countries and the spatial concept of distressed urban areas is less current as well. In consequence, there are fewer policies initiated by the central government to tackle problems of localised deprivation. The traditional point of departure for spatial issues has been regional inequalities, addressed by means of sectoral policies (mainly employment and infrastructure policies).

#### *Greece*

One of the main obstacles to national urban policies in Greece is the highly fragmented nature of sub-national government. Athens, for example, is composed of 57 different municipalities and communes which answer directly to the central government, *i.e.*, there is no metropolitan government. In Athens, and in other major urban centres, co-ordinating a metropolitan or regional strategy is difficult. Low residential mobility and strong identification of residents with particular neighbourhoods tend to encourage the communal authorities to take a very local perspective on development issues. Finally, while the central government have relatively wide-ranging responsibilities, these are largely exercised sectorally.

As a result, few policies take a strategic view of urban development or identify specific areas for targeting. On the other hand, because of the administrative structure, there are a large number of small-scale interventions by local authorities at neighbourhood level.

The system of local government is being radically reorganised. Locally elected district councils for Athens and Piraeus were recently instituted, which are intended to lead to the establishment of proper metropolitan authorities. In addition, a policy of merging municipalities and communes to form coherent entities is currently being pursued. EU funding programmes have had an important role in developing policy frameworks in certain sectors, particularly transportation and continuing education. In the field of urban deprivation the four Poverty 3 initiatives, the Urban initiative and Urban Pilot Projects in Greece have had some success in promoting the concept of integrated approaches, particularly in relation to social exclusion. Beyond these few EU initiatives, there are few public-private or partnership-based programmes.

### *Italy*

Italy has no integrated policy for distressed urban areas but a series of different measures relevant to deprived areas in fields such as employment and enterprise, the renovation of housing, the restructuring of areas in industrial decline, social problems, particularly in the case of young people, and the environment. In some of these, an integrated policy has been proposed. For instance, Law No. 179 of 1992 on housing rehabilitation brought in a new concept for public intervention, since it became possible under it to use programme funds for purposes other than housing. In addition, the Law suggested that the funds could be used to create conditions that would attract private investment into the area. Although this legislation promised a radical change in approach, administration of the programme remained highly centralised and, in reality, its focus was limited to construction projects. The absence of strategic urban planning, social policy and economic development measures or the involvement of the local population considerably reduced the effectiveness of the policy in distressed areas.

Recently, however, a new ''experimental programme'' has been introduced (*Contratti di quartiere*) which seems oriented to a more integrated approach and is explicitly addressed to urban neighbourhood in crisis, where physical decay is matched by lack of services, housing hardship, and problems of social cohesion.

Other fields where integrated approaches are being introduced include youth entrepreneurship and redevelopment of old industrial areas. Although these initiatives are still somewhat marginal, they suggest that in the future a more concerted, strategic approach may be forthcoming from the central government. At the local level, there are still few integrated policies. The initiative for

those projects that do exist – often relating to employment or poverty – is usually taken by municipalities voluntary associations, sometimes within the context of EU funding programmes.

### *Portugal*

The main problems affecting Portuguese urban areas are related to housing, specifically:

– inadequate matching of housing for sale or rent with local needs;

– a large number of "slum" dwellings (around 80 000), degraded (300 000) and vacant units (300 000) in the two metropolitan areas;

– a large number of overcrowded dwellings

In response, the main housing policy programmes in this area include: promotion of new rental and freehold housing, with pre-fixed costs and strict quality controls in collaboration with partners including municipalities, social solidarity institutions or private enterprises; provision of social housing for people living in "slums" (in Lisbon and Porto alone, this programme will involve offers of new accommodation for 48 000 families); and a range of programmes to renovate types of housing where because of the ownership or rent structure, there is little capacity for maintenance and repair.

In terms of integrated urban policies combining housing policy with social and economic development activities, most recent initiatives have come through EU programmes, co-funded by the national government and the Commission. The two main programmes are: 1) Urban Renovation-Urban Rehabilitation, both of which focus on deprived "slum" areas: the first co-ordinates diverse social projects with housing renovation projects, while the second focuses on improvements in old inner city neighbourhoods (in co-ordination with the EU URBAN Initiative.); and 2) the URBAN Initiative for Lisbon and Porto, both of which address problems of poor housing and facilities in inner city areas.

### *Spain*

In Spain, it is particularly difficult to assess action by the central authorities in overall terms, in that their powers differ from region to region, since more prerogatives have been transferred to some regions than to others under the organic decentralisation laws. For example, Catalonia controls its own education system, while Andalucia does not. In general, however, the institutional system is becoming increasingly decentralised. For example, in December 1996, all regions were given responsibility for extensive aspects of employment policy.

As a result, central government plays an extremely limited role at local level and does not have a real territorial policy nor does it act as a facilitator in the

definition of integrated local strategies. Partnerships between central and local government in this field are largely related to development of state-owned brownfield sites (railways, ports and military installations) and to major investments in transport infrastructures. There are some sectoral national policies for distressed areas (Integrated Action against Social Exclusion, Escuelas Taller (workshop-schools), and housing renovation), but greater integration of these programmes is needed within a general policy for deprived areas.

The Habitat National Committee, created for the Istanbul Summit, is now working on specific issues for the development of the Urban Agenda in Spain, including that of deprivation. As a way of opening the debate and as a first step to a more concerted policy to address the problems of urban deprivation, the central government is continuing the studies undertaken for the Spanish National Report to the OECD Project Group on Distressed Urban Areas and is preparing a report on vulnerable areas, analysing them from a physical, environmental and socio-economic perspective. This study will be used to focus the debate within the various agencies of government and other partners involved in the Habitat Committee as the basis for the elaboration of a more active policy.

**The United Kingdom**

Urban policy in the UK has evolved over the last thirty years and has been influenced not only by changing political priorities but also by a systematic programme of monitoring and evaluation. The cycles of urban policy can be briefly summarised. In the 1960s, with the appearance of social tensions in the inner cities, and the spectre of "rivers of blood" evoked by Enoch Powell, the Urban Programme, which applied to England, was launched (Scotland, Wales and Northern Ireland have their own urban policies). This was a relatively small-scale grant-based initiative that concentrated on funding projects to integrate and re-skill target groups. The main innovation of the Urban Programme, which ran until the mid-1980s, was its emphasis on bringing central government, local authorities and community groups together in partnership.

After the election of the Conservative government in 1979, the priorities of the Urban Programme changed in line with the more general policy orientations introduced by that government. Essentially, these involved turning the focus of urban policy away from social objectives, reducing the role of the local authorities in policy formulation and delivery, and emphasising private sector investment to reach economic objectives. The "jewel in the crown" of the new approach were the Urban Development Corporations (UDCs). Financed and directly responsible to central government, the Urban Development Corporations were intended to attract private-sector investment into declining areas which had experienced significant economic decline, often de-industrialisation. Among the controversial

features of the project, the UDCs were given development control and land use powers – taken away from the local authority – to ensure a market-sensitive property development process. Drawing their mandate directly from the central government, the UDCs could operate in relative autonomy from the local authority. The UDCs were presented as the new, ''entrepreneurial'' face of public policymaking.

In 1991 a new policy, City Challenge, was launched. This was very different from the earlier economically driven policies and can be identified as the first stage in addressing the problems of deprived areas is an integrated way. Five year strategies for the social and economic regeneration of deprived neighbourhoods were developed by local government in partnership with key actors from the local community and the private sector. Funding was provided by central government with additional resources coming from the private sector and European programmes. City Challenge was also the first programme to use competition to allocate regeneration resources. In total, 57 urban priority areas were eligible to bid for City Challenge status, and of these 31 were selected on the basis of an assessment of the quality, innovativeness and achievability of their strategy through partnership working.

In 1994, another new policy, the Single Regeneration Budget was introduced. This brought together regeneration resources form four Government Departments-Environment, Transport, Education and Employment and Trade and Industry into a single flexible budget that was administered at the regional level by the new Government Offices for the Regions. A portion of the SRB was set aside for a competitive regeneration programme known as the Single Regeneration Budget Challenge Fund which built upon the principles of City Challenge but provided more flexibility in the use of funds. For example, unlike City Challenge, all areas in the country were eligible to bid for resources and partnerships could be led by any organisation rather than limited to the local authority. In practice, most partnerships are led by local authorities, although there are some good examples of partnerships led by community groups and the private sector.

In addition to the central government led policies highlighted above, an increasing number of local authorities have implemented their own programmes for tackling poverty and disadvantage in their areas. The main focus of these policies is on alleviating the effects of poverty by ensuring that local authorities' main programme resources are targeted on the most deprived people.

Since the election of the new Labour Government in May 1997, greater emphasis has been placed on addressing the problems of social exclusion and distressed urban areas. Problems such as long-term unemployment are being addressed by the introduction of a new ''Welfare to Work'' scheme. Poor education and poor health are being addressed by targeting additional resources on ''zones'' which contain very high numbers of people affected by these problems.

Effective partnership working that includes local communities in the design and implementation of policies and increased targeting on areas in most need have been stressed as critical in tackling the problems of distressed areas. To help ensure that there is a co-ordinated response to tackling the problems of poverty and exclusion a new inter-ministerial unit headed by the Prime Minister and known as ''The Social Exclusion Unit'' has been established.

In the last few years, two other initiatives, both linked to the Single Regeneration Budget have been introduced that deal specifically with the redevelopment of or renovation of poor quality public housing: the Estate Renewal Challenge Fund and Housing Action Trusts. These aim to overcome the problem of financing housing improvement by transferring ownership away from financially constrained local authorities and into the hands of independent bodies with fundraising capacity.

In addition, similar integrated regeneration programmes have been introduced in Scotland and Wales. In November 1996, 12 Priority Partnership Areas (PPAs) were created in Scotland. There areas, designated for up to ten years, were introduced in the context of a new urban regeneration policy framework ''Programme for Partnership''. With £60 million allocated from the Scottish Urban Programme for the first 3 years, the aim is to build on the successes of past urban partnerships in revitalising key urban communities. The funds are paid as a block grant, to enable the local partnerships to pursue their comprehensive regeneration strategies. The PPAs are led by the local governments, with the involvement of Scottish Homes, the Local Enterprise Company (LEC), other relevant public sector agencies and representatives of the private, voluntary and community sectors

The Strategic Development Scheme in Wales was established in 1993 with the amalgamation of three existing programmes. The combined scheme supports projects and local-area strategies to achieve economic, social or environmental objectives in deprived areas. Since its inception, increasing responsibilities for decision-making and disbursing funds have been delegated to local governments, giving them more flexibility in their choice of projects and overall targets. Another initiative in Wales is the Welsh Capital Challenge, a competition-based fund used to finance successful capital project proposed by the local authorities that they themselves would not easily be able to afford. The programme is specifically targeted on disadvantaged urban and rural areas.

**The United States**

The United States has also been particularly innovative in the field of urban policy. With its Model Cities programme, the United States introduced in 1966 a strategic territorial policy that was multisectoral and based on a partnership between the authorities and the general public. The programme was aimed at

revitalising certain urban areas by achieving various objectives relating to employment, social assistance, housing, education, health, crime, culture and transport. A five-year urban development plan was to be defined by local government and the public and then approved at federal level by the Department of Housing and Urban Development (HUD). The idea of co-operation between the authorities and the public was thus recognised.

In practice however, the involvement of the federal government and the public remained very limited. As a consequence, in 1974, Model Cities and six other programmes were combined into a single block grant. The block grant structure allowed states, counties and municipalities to use Federal funds to solve pressing local developments problems that fell within broad Federal guidelines. The Federal government remains a partner in resolving urban development problems and providing general guidance but relying on local governments for specific programme direction.

The cornerstone of current urban policy in the United States is the so-called Empowerment Agenda, a broad initiative which, through a range of policy programmes, explicitly recognises that each city has its own distinct urban agenda. The role for government is to facilitate responses led by those closer to the problems being addressed.

The principal policy areas of this Agenda include:

1. Widening homeownership in the inner city and improving housing quality (Homeownership Vouchers, Targeted Urban Lending Initiative, Moving to Opportunity, HOPE VI).
2. Increasing the number of Empowerment Zones (see below).
3. Improving the Welfare to Work initiatives (*e.g.*, Earned Income Tax Credit, Welfare to Work Job Challenge Fund, Work Opportunity Tax Credit, HUD Bridges to Work pilot programme).
4. Increasing security and fighting crime (*e.g.*, Community Policing, Safe Neighbourhood Action Plan (SNAP), HUD ''One Strike and You're Out'' policy).
5. Cleaning the urban environment (*e.g.*, EPA Brownfields Initiative).
6. Ensuring educational opportunity (*e.g.*, Head Start, America Reads. child care); and
7. Providing access to financial and technical assistance resources for small businesses in urban areas (SBA one-stop shop programme, CDFI).

At present, many of the programmes noted above are preferentially available to residents of one of the 72 cities across the US that have been designated as either Empowerment Zones or Enterprise Communities. (In addition, there are also 33 rural areas targeted in the same way.) As part of this programme, federal

agencies provide additional assistance to the designated sites on a variety of topics, based in part on priorities outlined in the sites' strategic plans. Federal assistance usually takes the form of a smaller number of targeted grants, preferences in competition for other grants and a variety of types of technical assistance.

The six urban Empowerment Zones (EZs) receive $100 million each in flexible block grant funding that can be applied to a broad range of activities, including social services and physical improvements. To encourage hiring, businesses located in these zones receive a tax credit of up to $3 000 annually per employee to offset the potentially higher costs of training for residents from deprived backgrounds. Zone businesses also receive "expensing" tax credits for investments in approved properties and access to tax exempt bond financing. The 95 areas designated as urban Enterprise Communities (ECs) have been awarded $2.95 million in flexible block grant funds and access to federal tax-exempt private facility bond financing. In addition to these resources, all of the EZs and ECs receive priority consideration for existing federal programs and special assistance from the President's Community Empowerment Board in removing bureaucratic red tape and regulatory barriers that prevent innovative uses of existing federal funds.

The EZ/EC initiative differs fundamentally from previous proposals for "enterprise zones", which relied almost exclusively on geographically targeted tax incentives to create jobs and business opportunities in distressed communities. The EZ/EC programme combines federal tax incentives with direct funding for physical improvements and social services, and requires unprecedented levels of private sector investment as well as participation by community organisations and residents. In addition, some EZ/EC sites have been declared "enterprise zones" by the state authority, usually in conformity with their own state enterprise zone programme, so that businesses locating in these areas can now benefit from both state and federal tax incentives. States are also an integral part of the EZ/EC initiative, and most federal funds flow through the States to the communities and zones concerned.

**The European Union**

In 1989, the European Commission launched the "Urban Pilot Projects", which were meant to contribute to innovative urban regeneration schemes and planning activities in all fields of urban development. The initial success of these pilots led to the creation of the Urban Community Initiative in 1994, which promotes integrated policy approaches in deprived neighbourhoods, combining local economic and social development measures, environmental improvement, actions related to crime, and the restructuring of public space within a single

programme. Although, it is a relatively small programme – a budget of 885 MECU (1994-1999) and approximately 110 participating cities – it should serve as a catalyst for change, especially in terms of creating new governance mechanisms and multisectoral approaches.

Innovative policy schemes for combating urban deprivation within the context of a wider regional development strategy have also emerged within the context of mainstream EU regional policy, with programmes earmarking specific funds for deprived urban areas.

EU Structural Funds, however, have some limitations as a vehicle for tackling problems of concentrated urban distress. For example, social development policies are often separated from economic development actions at European and at national level, which does not always facilitate a co-ordinated approach at the level of individual municipalities. Moreover, the procedural aspects of the implementation of the programmes can discourage community groups from participating, even though such bottom-up mobilisation is nominally a key element in the programmes' terms of reference.

## PAST EXPERIENCES AND NEW INNOVATIONS: EMERGING POLICY TRENDS

### General factors promoting a new approach

It is clear from this survey of recent policy initiatives in OECD countries that governments have been developing new approaches to combating problems of exclusion and urban deprivation. The search for more effective responses from the central government has been affected by three linked but discernible push factors:

1. The influence of globalisation on national economies and labour markets, leading to both accentuation of social and economic inequalities, particularly in distressed urban areas disproportionately, but also, paradoxically, increasing the relevance of local initiatives in public policy planning at national level.
2. The concept of sustainable development.
3. Rationalisation and decentralisation of the public administration.
4. Public concern about the scale and intractable nature of the problem and calls for more active and effective policy responses on the part of government to cope with the situation.

#### *The influence of globalisation and structural adjustment*

As more countries become involved in the global economy, all economic agents, including governments, have had to adapt and meet the challenges of a

globalised economy. Both private firms and public authorities have been reviewing their strategies. The former have started to identify or highlight their competitive advantages and differences. "Enterprise culture" has thus reappeared, and major enterprises have refocused their basic activities, in order to create a comparative advantage. More recently, public administrations in Member countries have been taking a similar approach. One strand of reform has stressed the new role of local and regional economies as the building blocks of a sound national economy. This is leading governments to assess policy approaches through a territorial optic. Integrated area-based responses to urban problems are one example of a general trend that puts new emphasis on the local and regional levels as appropriate units of intervention for national government.

### *Sustainable development*

The emergence of sustainable development as an explicit public policy goal has had a great impact on the perception of distressed urban areas and on efforts to find solutions. Distressed areas and sustainable development issues are closely linked in a number of ways. Equity issues, clearly, are relevant to both: a sustainable city is one which offers opportunity to all its residents, including access to housing, employment, education and basic services. Environmental aspects also link both sustainability and distressed urban areas. A sustainable city is one which makes good use of its resources. Distressed urban areas, however, foster land-use patterns which are inconsistent with sustainability: by promoting disinvestment from already built-up areas and by inhibiting the regeneration of parts of cities, the presence of distressed urban areas encourages greenfield investment in peripheral districts. Finally, there is an economic aspect to be considered – the resources of distressed urban areas often include assets that are undervalued but important in urban economies. The integration of distressed urban areas into the rest of the metropolitan area, in economic and institutional as well as in social terms, is part of the process by which progress toward more sustainable cities can be made.

### *Rationalisation and decentralisation of the public administration*

Partly as a result of these profound structural economic changes and partly because of fiscal problems, OECD governments are under strong pressure to adapt, and many have taken steps to rationalise both governance structures and policy programming. A recent OECD ministerial symposium identified seven particular areas of public service reform:

– decentralisation of authority within governmental units and devolution of responsibilities to lower levels of government;

- re-examination of what government should both do and pay for, what it should pay for but not do, and what it should neither do nor pay for;
- downsizing the public service and the privatisation or corporatisation of activities;
- consideration of more cost-effective ways of delivering services, such as contracting out, market mechanisms, and user charges;
- customer orientation, including explicit quality standards for public services;
- benchmarking and measuring performance; and
- reforms designed to simplify regulation and reduce its costs.[35]

Two of these elements stand out in the context of policies for distressed urban areas: replacement of highly centralised hierarchical structures with decentralised management environments, and a greater focus on results in terms of efficiency, effectiveness, and quality of service. The main outcome of these trends has been an increasing role for local and municipal authorities in urban policy and greater imagination and flexibility in programme design and delivery. This has inspired, in some cases, a rethinking of the problems of deprivation and social exclusion in the context of regional and metropolitan strategies. Adjustments in the central government bureaucracy have often been made in tandem to promote close co-ordination between empowered local authorities and the central administration, and to put in place structures to ensure accountability and monitoring.

Despite these trends, the underlying institutional structure, whether centralised, federal, or decentralised, and the administrative-legal framework in each country continue to help shape the overall policy approach adopted and to differentiate it from other OECD Member countries.

### *Public concern about the scale and intractable nature of the problem*

It is apparent from national reports submitted by participating countries that questions of social exclusion and urban deprivation are rapidly becoming central political concerns and are providing the momentum for policy action.[36] It is common in the media in most European countries to read debates on the emergence or perceived emergence of urban ghettos in European cities. In each country, debate on urban problems is animated by issues that have particular resonance for the population or for policymakers in that country, such as the homeless (UK, France), assimilation of minorities (Australia, Netherlands, Sweden), degraded housing (Norway, Belgium, Germany), long-term unemployment (Ireland, Finland, Spain), drugs (Italy) and child labour (Portugal). Whatever

the particular issue(s) leading discussion, urban problems will occupy an increasingly central place in domestic and international political discourse.

Traditional social and economic policies of governments have, however, been criticised for being too distant, abstract and ineffective. Because many of the problems affecting distressed urban areas are very tangible – young people hanging around on the street, vacant business sites and derelict land, high levels of crime and vandalism, drug and alcohol abuse and so on – it is crucial that the government address, and be seen to address, the problems actively. In the past, this has not usually been the case. Success for public policy depends to a significant extent on public support, but, unless the policy approach has a clear direction, this support will be fickle.

As William Julius Wilson stated ''the real challenge is to devise programmes that not only address meaningfully the problems of the underclass but also that draw broad support. Clearly, area-based policies need to be justified not only within the community concerned but also to the wider urban and national community''.[37]

## The emergence of integrated urban policies

As described above, over the past two decades, a range of different policy approaches have been introduced by Member governments to combat different aspects of concentrated socio-economic deprivation. The prevalence of partnership approaches, the emphasis on developing community resources and involving the private sector more directly, and the incorporation of local initiatives into mainstream programming, all of these have arrived on the national policy stage to give economic and social development a new direction. Most of the innovations aim to produce added value in public policy from non-governmental or local assets and resources.

Policy initiatives increasingly stress one or more of the following five elements.

1. improving public policy by means of a more flexible, co-ordinated use of mainstream policies;
2. targeting initiatives to address urban problems at the local level;
3. involvement of non-governmental actors from the community and associative sectors;
4. involvement of the private sector;
5. formulation and implementation of policy through institutions based on partnership; and

6. clearer processes of policy learning, monitoring and evaluation, including incorporation of local strategies as sources of innovation and ideas to inform national policy.

### *Improving public policy by means of a more flexible, co-ordinated application of mainstream policies*

Distressed urban areas symbolise the limitations and, sometimes unintended consequences, of central government policies in the recent past. Nationally applied policies in crucial social and economic arenas to promote growth could, in the absence of safeguards, operate at the expense of significant groups within the society.

It has taken time to recognise that the answer does not depend solely on the level of social investment made by the central government in a particular area or on the adjustment of welfare regimes to target particular groups over others. The need for public policy to address both social and economic objectives in an integrated way is forcing administrations to re-evaluate not only specific programmes but the way policy instruments, originating from different branches of the government, interact with one another.

Such integrated approaches require much closer co-ordination between different branches of public policy than has been usual, notably between social welfare, employment, enterprise development, industrial relations and training and education policies. Traditionally, there has been a tendency for urban policy at the national level to fall between a number of stools, with several different ministries intervening in the same geographical areas. Without a vision of what the city is and what it can become, urban policy tends to be the aggregate of more or less unconnected, and often inconsistent, housing, social welfare, transport, and environment policies. There are, however, examples of institutional initiatives that address the lack of co-ordination and improve efficiency.

These institutional reforms range from the establishment of new departments charged with integrating urban policy actions and the augmentation of the role of an existing department to include overall responsibility for urban policy initiatives. In Belgium, the Ministry of the Interior co-ordinates an ''inclusive'' urban policy whereby sectoral policies are assessed according to their impact on urban sustainability. In Denmark, an interministerial Urban Committee was established to develop and co-ordinate the government's urban policy. The Délégation Interministérielle de la Ville (DIV) in France, for example, was created specifically to co-ordinate the government's *Politique de la Ville*. The Swedish Government Commission on Metropolitan Areas has proposed the creation of a permanent inter-departmental agency closely resembling the DIV. In Ireland, by contrast, the Area-Based Response to Long-Term Unemployment (described below) is admin-

istered by the Department of the Taoiseach (Office of the Prime Minister), which is increasingly taking on the administration of interdisciplinary policy fields.

In recognition of the need for high-level commitment to the concept of a multidisciplinary Empowerment Agenda in the US, a Community Empowerment Board has been established comprising the Vice President and the heads of each major domestic federal agency. The Board focuses on improving co-ordination of policies for deprived areas. One of the main innovations of the Board is to encourage approval by federal agencies of requests for programme and regulatory flexibility needed to implement economic development initiatives in Empowerment Zones or Enterprise Communities. By June 1997, over 250 such requests had been approved. The secondary function of the Board is to ensure that commitments made by particular agencies are followed up.

Furthermore, there is an accompanying shift in Member countries toward deconcentration of government services, again with the aim of improving co-ordination and accessibility. In 1994, the UK government established regional agencies called Government Offices for the Regions which were charged with administering a number of targeted urban policy initiatives. These deconcentrated government bureaux consolidate the budgets and personnel of several formerly distinct government departments: Education, Employment, Commerce, Environment and Transport with the aim of providing a more integrated form of funding for regeneration projects that, almost by definition, touch on each of these policy areas.

### *Targeting initiatives to address urban problems at the local level and recognition of the importance of endogenous local initiatives*

In distressed urban areas, the perceived failures of sectoral policies to deal with the phenomena of spatial concentration are most evident: high levels of benefit dependence and non-employment, over-concentration of the poorest households in social housing, large numbers of unemployed that are long-term unemployed and without educational qualifications. In these areas, changing the rules on entitlements and restricting benefits alone may not have the desired result. And the normal level of ''accompaniment'' from welfare to work may prove to be insufficient.

The participation of local or specialised agencies and actors in the delivery process offers the possibility that national policies with general goals will benefit from additional forms of information, delivery networks, and feedbacks, that would otherwise be untapped. Success in revitalising traditional policy approaches may depend on the extent to which local specificities can be understood and incorporated.

The survey of policies implemented in Member countries confirms this trend: the Large Cities Programme in the Netherlands, the ZIP and SIF initiatives in Belgium, the US Empowerment Zones and Enterprise Communities, the range of measures contained in the French *Politique de la Ville*, and the Irish Anti-Poverty Strategy and numerous initiatives in the framework of the Operational Programme for Local, Urban and Rural Development, are all grounded on the principle of spatial targeting and local differentiation of policy.

An important source of localist pressure is the high-profile success of many locally conceived and driven initiatives in a range of fields including job creation, promotion of entrepreneurship, renovation of housing stock, neighbourhood watch and commuting policing initiatives, and so on. The main criticism of local initiatives was that they were too small-scale and were unable to address the underlying economic problems in the areas concerned. Although most local initiatives began with a focus on social questions, and were often single-issue associations set up to achieve particular goals, many have broadened the scope of their activities and have adopted an integrated approach to a wide range of local problems.

The largest and most established such bottom-up community initiatives are found in the United States. For example, the New Community Corporation (NCC) in Newark, New Jersey, is often identified as one of the most successful Community Development Corporations in America today. NCC was founded in 1968 by residents in the primarily black Central Ward. NCC has been successful at putting several of the Clinton administration's urban policy principles to work – leveraging private investment, helping people to keep their jobs by providing child care, and so on. In 1990, the Community Building in Partnership (CBP) initiative was begun in the Sandtown-Winchester neighbourhood of Baltimore. The accomplishments of this comprehensive approach include: the development of more than 1000 housing units and a new multipurpose community centre, a pre- and after-school program for students in grades 1-12, health clinics in three elementary schools, counselling to connect residents to family planning and child development services, the planting of more than 30 community gardens.

In most cases, success has brought with it patronage from a range of international, national and municipal government sources. In many cases, the professed commitment of central government to supporting local initiatives and the perceived need for area-based approaches are resulting in the emergence of new methods by which public authorities can channel funding to NGOs and community organisations. Efforts to decentralise or deconcentrate decision-making, while making mainstream policies more integrated and flexible, have also entailed a re-examination of the role of government and the options for working in tandem with other non-governmental actors with common interest. This, in turn, has led to an

assessment of alternative institutional arrangements that would permit branches of the central government to act in concert with other bodies.

Finally, the trend towards localism has been tempered recently by concerns that targeting too narrowly could work against the interests of the target areas, for example, by encouraging stigmatisation and economic isolation. As a result, the place of regeneration in overall development strategies is being increasingly stressed. The concept of regionalism, as well as promoting a more coherent territorial approach to solving urban problems, also encourages a sense that the problems of distressed areas are problems for the metropolitan region as a whole, a feeling that is not necessarily cultivated by programmes targeted by the central government on small neighbourhood zones.

### *Involvement of non-governmental actors from the community and associative sector*

One of the main criticisms of past approaches to urban and social policy has been that they were distant and poorly adapted to the real needs of the constituency they aimed to help. In response, there have been increasing calls for public policies to be informed directly by representatives of the local community and by specialised non-governmental organisations and social partner agencies.

In theory, the main advantage of involving community organisations in policy planning and implementation is that everyone becomes mobilised. Thus far, the practical reality has often been that small voluntary associations lack the human and financial resources, the management skills and the scale to provoke change in a local area. Without a clear, realistic objective in terms of economic development, the projects launched by community organisations have tended to be social in nature and funded through time-limited national or local government funding programmes. In effect, they play the role of service deliverers.

The problems of distressed urban areas are severe enough that the solutions are beyond the capacity of most community groups working alone or with piecemeal funding. The move to involve community organisations more closely suggests that they will be placed more purposefully within a wider development institutional framework, enabling, for example, their job-creation efforts to reach beyond the local area and connect local people with jobs elsewhere, their economic development efforts to take on a regional economic focus, and so on. Many community-based organisations are already expanding and becoming both more professional and more ambitious. In some countries, such associations are increasingly seen as partners, mainly by local government but they are also interesting to national governments in their search for new ideas.

However, while evaluations of past government initiatives to encourage community participation in policy formulation and delivery have been generally positive about the intentions, they have been less convinced about the outcomes.

There have been, over the past two decades, numerous policy initiatives designed to promote empowerment, associative democracy, stakeholder democracy, and so on. The overwhelming conclusion from the large body of evaluative research on these programmes is that the institutional framework has rarely delivered the kind of balanced, participative and inclusive governance that they promised.

Two prominent early initiatives, for example, the US Model Cities programme and UK Inner City Partnerships programmes, were designed to bring central and local government and the local community together; with local actors preparing strategic urban regeneration plans for comment and approval by the federal authorities. Although innovative and initially successful, the two programmes were unable to reconcile the three main actors and to adequately engage local people in both strategic planning and implementation.

Nevertheless, it is clear that there is a strong trend in most OECD countries towards policies that stress the role of the community in policy formulation and delivery. These initiatives range from 1) formal contracts between the central and the local government where local involvement is a requirement but the community is not an official "partner" (as in France, Belgium and the Netherlands); 2) formal, contractual partnerships of statutory bodies and local groups where community organisations have a defined role on the partnership board (as in Ireland, UK, USA); 3) informal partnership between the local government and community organisations (as in the Nordic countries), and 4) EU initiatives that require local participation (which are particularly important vehicles for local organisations in southern European countries). In most cases, community involvement remains limited because non-governmental organisations are outside the formal institutional structure. At the same time, some initiatives have quite complex institutional arrangements for ensuring some degree of participation by local actors.

The US Empowerment Agenda, for example, is firmly based in the community development experiences of past urban policies, notably the Model Cities programme. Fundamentally, community participation in planning and implementation is required, not just encouraged. First assessments seems to agree that community participation in developing the strategic plans of both Empowerment Zones and Enterprise Communities was significantly higher than had been the case in other federal programmes, in particular with regard to the extensive range of community organisations involved. In most cases, community representatives tend to be experienced local advocates, as opposed to unaffiliated local residents. In Oakland, however, a survey of 800 residents was organised, con-

ducted by local people themselves, with the aim of identifying the real needs of people in the area and the solutions they propose. The general commitment to citizen participation seems to have continued beyond the planning/consultation phase, with local citizens having a majority of seats on a number of the partnership boards.

The OECD, the European Foundation and other research bodies studying the issue agree that the majority of initiatives have not overcome the practical difficulties of achieving community participation.

The OECD assessment of City Challenge and SRB in the United Kingdom,[38] two of the more developed such programmes, emphasised this point. Competition for resources between the various "communities of interest" and "communities of place" that exist in each area could be regarded as a positive engagement in which community organisations become better organised and more efficient. The risk, of course, is that within the spectrum of local associations, those who shout the loudest will be heard, and financed.

From the study tour of City Challenge schemes in Manchester and Teesside it was apparent that there was an absence of young people from active involvement in the community organisations participating in the projects even though many of the problems being addressed concern younger residents-youth unemployment, drug and alcohol abuse, crime and vandalism. Although youth fora have been established in some City Challenge schemes, most involvement of young people is through projects that involve local schools. This raises the question of how representative many community organisations are of the local community as a whole. The Government, recognising the need to include as many members of the community as possible in regeneration schemes, and to encourage greater involvement have published official guidelines[39] on how to involve young people, ethnic minorities and faith communities in regeneration. (The need to integrate the young is also underlined in OECD (1996), *Strategies for Housing and Social Integration in Cities*, pp. 113-117.)

Locating the "community" is not a simple question of geography. The community can be defined from at least three different angles: community of place, community of interest, and administrative community. These three would normally overlap. Interest groups are rarely limited to particular geographical areas, political/administrative units often differ from local perception of the sense of place identity, and so on. For this reason, there are numerous efforts underway in Member countries to define neighbourhoods more holistically and to map "the community". For example, the Los Angeles Children's Planning Council undertook a major study to identify the various communities (in terms of geographical location, interest/ties/culture, and administrative demarcations) that make up Los Angeles County. The purpose of the study was to provide policy makers with a sound basis for the further development of community-based initiatives by

developing a more nuanced description of both the geographical and non-geographical communities that comprise the metropolitan area, showing how they intersect and how they are represented institutionally.[40]

Thus, in recent years, there have been some efforts to move beyond the rhetoric until now inherent in terms such as participative democracy or empowerment.

### *Involvement of the private sector*

Most early urban regeneration policies tended to be social in nature, based on meeting individual needs through welfare assistance programmes. The economic development aspect revolved mainly around attempts to jump-start the local economy through major construction or redevelopment programmes and/or SME promotion. The shortcomings of these policies were identified by Michael Porter.

> "Lacking an overall strategy, such programmes have treated the inner city as an island isolated from the surrounding economy and subject to its own unique laws of competition. They have encouraged and supported small, sub-scale businesses designed to serve the local community but ill-equipped to attract the community's own spending power, much less export outside it. In short, the social model has inadvertently undermined the creation of economically viable companies. Without such companies and the jobs they create, the social problems will only worsen."[41]

> "A sustainable economic base can be created in the inner city, but only as it has been created elsewhere, through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage – not through artificial inducements, charity or government mandates."[42]

Initially, economic development programmes were based on the assumption that endogenous growth was unlikely, that new investment had to be attracted into areas in decline and that this could only be achieved through financial inducements. The numerous types of enterprise zones established in different OECD countries – often in areas of industrial decline – aimed to stimulate the local property market whilst encouraging enterprise development or relocation and environmental improvement by offering tax incentives. Although relatively successful in creating employment and settling new enterprises in formerly unattractive sites, they were not generally integrated with other urban projects and their success was limited in the most disadvantaged areas.

The limitations of the enterprise zone approach were traced back to the inability of government to anchor firms in the local community. Locational advantages were largely tied to subsidies, which did not require that enterprises hire locally or integrate into the local community in any way. The relative failure of the

approach led to a re-think of how to make the role of private sector more stable, independent of subsidies and not based on philanthropy.

One conclusion of this reflection was that the private sector would have to participate more directly in the policy planning phase of regeneration efforts, in the same way that the communities' social needs were to be identified through closer consultation and participation by local residents. The absence of private sector involvement, for example, has been seen as a serious weakness in French urban policy, with little business input in either the *Contrats de Ville* or the *Pacte de Relance*, other than through the *Zones Franches* programme, whose geographical scale is limited.

One of the first large-scale urban programmes that took up the economic development challenge while attempting to integrate an enterprise zone concept into the larger urban context was the Urban Development Corporations in the UK. Among other things, the UDCs were the first initiatives to envisage a working partnership between the public authorities and private sector interests in urban development questions and attempt to provide more concerted government support for enterprise development in target areas through infrastructural development and other supports.

Overall, the programme was quite successful in the sense that the private sector-public sector investment ratio was often very high. However, the socio-economic impact of private capital was not clear, particularly as the land given over to the UDCs was often sparsely populated, former industrial site land. For example, in some cases, the redevelopment of private housing has tended simply to increase rent levels and force the original tenants into alternative accommodation thereby moving the problem elsewhere. Similarly, no consideration was given to the provision of vocational training for local residents with the result that local skills did not match the skills demanded by the jobs that had been created. In sum, the exclusively economic approach was not effective in treating the problems of areas undergoing structural crisis. However, City Challenge and SRB partnerships have been able to build upon the experiences of UDCs in attracting private sector involvement by designing policies that try to ensure that the benefits of private sector investment go to local residents.

Over the past few years, a number of programmes have targeted the private sector as a key partner in regeneration and explicitly tied the achievement of social objectives to progress in economic development.

The American EZ/EC programme takes the enterprise zone idea, which was originally developed as a way of regenerating economic activity in declining industrial sites in the UK and adapts it to fit the specific context of areas of inner city deprivation. Although tax incentives, the usual method of attracting inward investment, are sufficient to persuade enterprises to locate in some areas, the

situation of the American inner city neighbourhoods is different. Important contributors to the overall business climate, including security and personal safety, good infrastructure and a well-adapted labour force, are patently weak in many inner city neighbourhoods. In consequence, the scheme requires a more strategic, multifaceted approach to the seemingly intractable problem of inner city economic development than was the case in previous initiatives.

A particularly fruitful area of private sector involvement in deprived areas is the redevelopment of "brownfield" sites. In many disadvantaged areas, particularly those found in or near city cores, there is a common paradox: large areas of derelict land, and vacant housing and high land prices. In part, the high land values are caused by the limited availability of suitable land for development. Construction or renovation, however, are impeded by the extremely high costs of site reclamation and, in some cases, decontamination. Increasingly, local and central governments are working in conjunction with the private sector to create a sustainable re-use of these sites. The growing number of examples of successful redevelopment are found not only in countries with more of a tradition of public-private partnership but also in places where the relationship between the two has been limited. Many examples can be cited: Emscher Park (Ruhr), Oberschoneweide and Johannistal-Adlershof (both Berlin) and Forum Vauban (Freiburg) in Germany, Westergasfabriek (Amsterdam) in the Netherlands and Trafford Park (Manchester) and Albert Dock (Liverpool) in the UK.

The evolution of enterprise zones and emergence of brownfield redevelopment suggest that the roles of the private sector and the government respectively may not be as complex and intertwined as notions of partnership might imply. The government facilitates the smooth functioning of the local economy through the provision of infrastructure and by supporting a business climate conducive to trade. Each of these are poorly developed in distressed urban areas. If these were put right, then private sector interests might be able to recreate a real local economy. At the same time, in order to do that, they need to be involved in the regeneration process, need to communicate their needs to government and need to adjust their attitude to the potential of poor areas.

In the words of Kasarda *et al.*, "both business leaders and policymakers must embrace the view that inequality is bad for business and that taking proactive steps to eliminate geographical and socio-economic disparities in cities is a form of enlightened self-interest". There are signs of a growing consensus among private sector actors about the need for integrated action. A recent report by the Committee for Economic Development – a US-based forum for business leaders – entitled *Rebuilding Inner City Communities: A New Approach to the Nations Urban Crisis* calls for business leaders to actively consider inner city areas as potential business locations and their populations as commercial markets; to join local or national systems of support for community development; to guide corporate

charitable or social programmes toward support for integrated, community-based responses to the problems of the inner city.[43] Similar pronouncements have also been made by European networks of business interests. Finally, it is important for business to mobilise support for an effective overall urban policy, one which incorporates the basic needs that government must meet in such fields as education, health, environment and infrastructure.

According to Porter,[44] a community strategy overcoming the disadvantages of doing business, as well as building on its inherent advantages, based on the commitment and involvement of business, government and the non-profit sector, would revitalise inner cities economies. Among the essential steps to be undertaken, the following are stressed: identification of competitive advantages, identification of and linkages with existing clusters; business site upgrading plans and creation of incentives and new approaches to encourage entrepreneurship.

### *Formulation and implementation of policy through institutions based on models of multi-actor partnership*

The recent interest in partnership comes from a number of evolving realisations, which include 1) that central government cannot solve all of society's problems alone and is fiscally constrained; 2) that social problems are multidimensional and that a number of different actors are involved in confronting them; and 3) that there are concentrations of deprivation where local specificities oblige government to consult with actors closer to the ground, such as community groups or the private sector.

In the context of both decentralisation and territorial policymaking, partnership has become the institutional model of choice. Over the past twenty years, these partnership initiatives have included: formal co-operative agreements between the central government and other levels of the public administration, partnerships among local governments, informal arrangements by which particular services are delivered by non-governmental organisations, formal institutions bringing together government agencies and interest groups and associations where decision-making and policy formulation authority is shared, and so on.

The term partnership has covered such a wide range of collaborations that it no longer describes a precise institutional form; often it translates into little more than a wish or preference on the part of participants. However, it increasingly refers to tripartite arrangements in which the government (central and local), the private and tertiary sectors and community groups collaborate.

Recent research by the European Foundation concludes that the appearance of effective partnership institutions depends to a large extent on whether the public authorities have put in place structures or initiatives that explicitly require a partnership approach or that fund activities run by local partnerships. These

national frameworks can be of a number of different types: targeted urban programmes, such as the *Contrats de Ville* in France or the Urban Renewal Programme in the Netherlands; programmes supporting social development or local community development in general, such as the National Anti-Poverty Strategy and Community Development Programme in Ireland and the Social Development Programme in Denmark; and programme promoting specific local economic development and labour market initiatives, such as the Austrian labour foundations. Clearly, one of the main inspirations behind the growth of the partnership approach, at least in Europe, has been the European Commission in whose various programmes, such as Poverty III, HORIZON, FORUM, NOW, EUROFORM, etc., the concept of partnership has a central role.

Such partnerships have a number of obvious benefits:

- they act as conduits for local participation and input in formulating strategies, channelling resources and implementing policies;
- they provide a mechanism by which central government policy can be directly informed by the experiences of local actors;
- partnerships can exemplify hitherto abstract concepts such as participative democracy, area-based programming and even subsidiarity.

Whatever the theoretical advantages, in practice, partnership building has proven difficult. A number of initiatives involving the central government in partnerships with local government, the tertiary sector and the community have struggled to balance the roles and responsibilities of the different partners. In many cases, early partnerships failed to create a new distribution of power and in institutional terms it was ''business as usual'' with the partnership being run by one or other dominant partner, usually the central or local government, and missing out on the synergies that give a partnership approach its added value.

Key to the success of the partnership approach is the capacity of central and local government to cede responsibility for programme design and implementation to other bodies, notably the community/associative sector and the private sector.

The research of the European Foundation highlights a number of additional factors that assist in the building and sustainability of partnerships:

- clear identification of the benefits to be gained (by each partner);
- strong leadership;
- a strong local identity;
- active involvement of local actors in the shaping and implementation of strategy;
- devising new solutions to problems;

– co-operating to obtain new resources;

A number of factors that inhibit the creation of local partnerships are also identified:

– local political turbulence;

– the absence of a strong local associative tradition; and

– lack of a collaborative tradition in the public sector.

Generally speaking, the more complete the partnership, the more complex are the issues that it raises. For example, in some cases, the partnership is an association formed to receive a grant from the national government or from the EU to carry out a particular action, programme or function. Such a situation prompts few questions of legitimacy or accountability. On the other hand, examples of partnerships that are more autonomous in their activities, and use of (public) funds, can arouse concern among local and national elected representatives and civil servants, even where this flexibility appears to be the mainspring of success.

It is clear that in many OECD countries, the three impediments to the development of partnership remain. However, the imperative need for regeneration policies to involve both the community sector and the private sector means that the development institutional structures that can create the conditions within which these two groups can communicate their interests to government increases the relevance of understanding the keys to building successful multiactor partnership institutions.

### *Policy learning: national and local strategies as sources of policy innovation*

It is important to note that, just as traditional sectoral approaches bore resemblance to one another, so do changes taking place in policy approach. In part this is a result of the impact of common challenges and pressures – notably the challenges of globalisation and industrial restructuring and the pressures of fiscal retrenchment in the public sector. At the same time, analysis of the evolution of policies to combat urban deprivation shows that within a number of countries a very clear pattern of policy evolution can be discerned and across countries signs of international policy exchange are evident. It is clear that the Empowerment Zones/Enterprise Communities policy in the USA (described above) has built on the successes and failures of the 37 state-level enterprise zone initiatives, and from the community empowerment elements of both the Model Cities and Community Action Grants. Most notably, it involved the adaptation of a widely-used staple of economic development – the enterprise zone – to a context where economic development is more difficult and requires more direct and forceful jump-starting from government, the inner city distressed area.

Among certain countries, there has been significant international exchange of ideas and incorporation of policy ideas. For example, the DSQ policy in France appears to have been the inspiration for the ZIP programme in Belgium, both of which focus on interventions at neighbourhood level in areas targeted according to need. Similarly the concept of contractual agreements or territorial pacts between central and other actors which underpins the *Contrats de Ville* programme in France have been studied in depth in a number of European countries. As another example, the Urban Development Grants introduced in the wake of riots in British cities in the early 1980s were modelled closely on the American Urban Development Action grants (UDAGs) enacted four years previously in the US. Similarly, the UK enterprise zones policy, announced in 1980, was taken up two years later by President Reagan and, although no national policy was approved, numerous states established enterprise zones along the lines of those in the UK[45].

As important to the development of more innovative approaches to urban policy on the part of national government has been the increasing influence of local initiatives on national strategies. The Empowerment Agenda is the most recent example of a federal policy programme that drew its inspiration from successful examples of community initiatives where major economic revitalisation initiatives had been established by broad partnerships of community groups.

For example, in the 1970s, when Chicago's South Shore neighbourhood was in decline, the South Shore Corporation was founded to specialise in loans to local residents, such as for renovating local housing and loans to minority entrepreneurs. The bank's lending practices are somewhat unconventional, relying on character and knowledge of the community as much as on collateral or borrowing history. Currently five of the six Enterprise Zones are establishing some form of community development bank, along the lines of the South Shore Bank, to provide capital to entrepreneurs from the area. The Atlanta EZ has set up an investment corporation which allows local residents to won shares in investments made within the area.

Building on the experience of experimental and pilot programmes launched in a number of Member countries over the past two decades, the 1990s have seen the emergence of some more developed and balanced territorial policy approaches.

Finally, organisations working in the field of social development and urban regeneration in the UK and France have established systems of information exchange with similar bodies working in the field in developing countries, a source of innovation that is not sufficiently explored by either government or non-governmental actors in OECD countries.

**SUMMARY**

The existence of areas of concentrated deprivation calls into question the effectiveness of a range of sectoral policy approaches that have been in place for several decades. Impetus for this re-evaluation has three additional sources: 1) globalisation and structural adjustment; 2) decentralisation of the public administration and the search for new governance models; and 3) growing concern about the overwhelming scale of social problems in some countries. These three factors are encouraging the emergence of alternative or complementary policy approaches, characterised by intervention at the local level and the participation of local actors; a stronger role for the private sector; improved co-ordination of policy among public sector departments; and the use of government-non-government partnership as the main institutional instrument.

Several programmes in OECD countries provide a basis for further development. Nevertheless, in many countries policies for distressed urban areas are either non-existent or are under-developed and the few examples of positive, innovative area-based approaches have not been in place long enough to demonstrate their long-term value.

This process is at a relatively advanced stage in some countries and at the planning stage in others. In those with a longer history of national urban policy, a clearly observable process of policy learning and incremental improvement can be seen. Current policies are the product of conscious adaptation of previous policy measures, with a good deal of international exchange taking place among the countries concerned. As a result, several countries have established sophisticated policy programmes to address problems in disadvantaged areas, involving close co-operation among government departments and tie-ins with mainstream policy programmes. Nevertheless, in all cases, a number of key policy questions remain, for example:

– given that problems are interlinked and multidimensional, what is the correct mix between environmental, economic and social interventions within an integrated approach?

– should social need or economic opportunity determine the targets of funding?

– what is the appropriate balance of power and balance of responsibilities between central government, local government, community groups and the private sector?

– how can the participation of different actors, and co-operation among them, be maximised?

– what is the most effective level of government funding?

The recommendations that follow are designed to highlight the issues that policymakers still need to address and present the main elements of integrated urban policy, both as a short-cut for those countries considering the establishment of such a policy and to help the ongoing process of refining existing policies.

5

# CONCLUSIONS AND NEW POLICY DIRECTIONS

## INTRODUCTION

Urban policy is more than just a policy for problem areas. To succeed, urban policy should take a comprehensive approach to cities, so that preventive measures can reduce the incidence of distressed areas in the future, and so that remedial measures can integrate the distressed areas which already exist into the social, economic and physical fabric of the city. All parts of cities and metropolitan regions are interdependent and interrelated. The problems of distressed areas cannot be solved by policies that focus on these areas alone; the full array of metropolitan resources should be brought to bear.

The comprehensive character of urban policy is therefore well-suited to the multi-dimensional nature of change in distressed areas. It provides a way for the interrelationship between different aspects of life in cities, and between different areas in cities, to shape constructive interventions by the public, private and civic sectors. The overall aims of this approach would be to provide residents of distressed areas with the same access to services as enjoyed elsewhere in terms of employment, health, political representation, etc., and to reduce barriers to investment and mobility, particularly in terms of housing and labour markets.

The specific policy programmes undertaken will no doubt include many of the following actions:

- Education – for example, improving levels of educational attainment, providing educational role models, ensuring equal access to educational resources and equivalent standards of teaching, providing compensatory support, both within and outside schools, to offset cultural disadvantages.
- Employment and training – for example, special training programmes for long-term unemployed or early school leavers, ensuring access to employment opportunities through commuting policies, promoting transfer from the informal to the formal economy, encouragement of self employment and local entrepreneurs, promoting the move from welfare to work and facilitating links with the external labour market.

– Economic development – for example, encouragement of local business start-ups, maintenance of suitable infrastructures for existing businesses, participation in finance and credit schemes, encouragement of social enterprises.
– Improvement of housing and the physical environment – for example, campaigns to stop vandalism, renovation of housing stock, and efforts to alleviate pollution and to integrate natural landscapes into the community.
– Community development – for example, encouragement of social mixity in residential areas, emphasis on maintaining local commercial, retail and leisure centres, support for local organisations and residents groups.

Regardless of the specific activities initiated in deprived areas, they must succeed in reaching a number of particularly vulnerable groups within the local community, notably:

– Young people – for example, increasing levels of employability, encouraging participation in further education, combating drug and alcohol abuse.
– Lone parent families – for example, providing child care options, increasing part-time and work options within the framework of social assistance.
– Ethnic or racial minorities – for example, programmes to improve literacy, efforts to combat racial discrimination.

From this perspective, an urban policy for distressed areas is not very different from the rest of urban policy. It is not so much a matter of exceptional measures as it is a matter of taking the normal activities, roles and responsibilities of government in cities – education, infrastructure, health, policing, welfare, etc. – and applying them more effectively, taking better account of the factors that generate and perpetuate distressed urban areas. There is a role for central government because some of the responsibilities of the public sector in cities are its alone, because the problems of distressed urban areas have consequences for national economic, social and environmental outcomes, and because national policies and programmes can help local governments and actors develop and implement more effective solutions. The solutions may often be mundane, but they may be, nonetheless, difficult, costly and time-consuming to implement. In this respect, the key to policy action is the establishment of new relationships between different levels of government and between government as a whole and local populations. The critical task is implementation, and this requires leadership based on the conviction that the issues are compelling, and that government can make a difference in thousands of districts and communities where millions live.

## GUIDING POLICY PRINCIPLES

1. Make urban regeneration policies more comprehensible to the range of local actors and to the population;

2. reinforce horizontal and vertical co-ordination;
3. adapt the strategy to the diversity and complexity of the local context;
4. avoid stigmatising particular areas;
5. act early enough and take preventive measures;
6. develop a transparent system for identifying areas of need;
7. actively monitor and evaluate policies.

### Make urban regeneration policies more comprehensible to the range of local actors and to the population

In order to be more comprehensible to the local population, urban regeneration policies need to be more clearly grounded in locally defined strategies. In several countries, this has been recognised, but the term "strategy" has sometimes been interpreted very narrowly. In the City Challenge and EZ/EC programmes, for example, the applications submitted by certain municipalities were essentially catalogues of prospective projects alongside lists of very broad objectives. However, independent evaluations of the City Challenge programme show that the policy has been successful in many cases, in encouraging a coherent strategy across participating areas and agencies and also in influencing and adding value to mainstream activities. Strategy is a concept predicated on an overall vision that is shared by all of the actors involved – one that binds the proposed measures solidly together. It gives purpose to action by placing it in a wider context that is known and understood by all local actors.

In this regard, the shaping of strategy takes on special significance. Because the process creates an interface among the actors involved and places each of them in learning situations, it forms the core of a partnership-based approach. The definition of strategy is a key element in the final outcome. This collective process alone will determine each actor's commitment to achieve agreed goals. Each actor must prepare by elaborating his own point of view, relevant to his role and responsibility. The local community, among others, must therefore be a party to this initial dialogue.

In order to achieve this objective, financial input by the central government needs to be conditional on the successful implementation of projects that are understood, sanctioned and debated by the local population. Because long-term goals will involve short-term steps, incremental benchmarks should be set.

### Reinforce horizontal and vertical co-ordination

A primary objective of an integrated, partnership-based approach is, of course, to prevent problems of co-ordination and maximise synergies. Cycles of decline touch upon many different aspects of the life of an area and, as a result, a

range of different actors have a stake in regeneration. A territorial approach, especially one based on principles of partnership, far from restraining these institutions and organisations, helps them to work together in close co-operation.

Vertical partnership, *i.e.* between the central government and lower tiers, permits the reconciliation of principles of subsidiarity with intervention by central government at local level, at a time when these two concepts are seen as important policy aims. The subsidiarity principle, adopted in Europe under the Maastricht Treaty, is generally recognised as being a key element in the efficient organisation of government. At the same time, central government involvement at local level is increasingly seen as legitimate given the severity and external effects of local problems. Moreover, central government is still responsible for guaranteeing a balanced system of social justice and regulating wasteful competition between local authorities, such as the excessive use of government subsidies to attract inward investment, and the use of housing, planning and environmental rules to exclude certain social categories.

Nevertheless, co-operation between different actors can be difficult. This is particularly the case between different central government ministries. First, their regional/local representatives often intervene at differing geographical scales. The Ministry of Public Health for example, generally operates within a different jurisdiction than the Ministry of Education. Second, for civil servants accustomed to managing problems on a sectoral basis, interministerial co-operation is a new and complex exercise. It is therefore often necessary to create specific institutions to ensure interministerial co-operation, of which the French *Délégation Interministérielle à la Ville* is an example. When implementing a horizontal policy action, interministerial co-operation should undoubtedly be placed outside the central government's administrative pyramid in order to remain apart from a logic of sectoral management.

Partnership also implies co-operation between local authorities. For too long, cities, like businesses, have framed their development policies from the perspective of competition, disregarding possibilities for partnership with adjacent municipalities. Today, this limited vision needs to be transformed. Through intercommunal partnership, local development policies can become more fully integrated and, hence, more effective. The government should play a leading role in this area. The current debate on governance structures for metropolitan regions could help promote greater co-operation among local authorities and reinforce the notion that the problems of distressed areas are the responsibility of all.

Finally, a partnership-based approach must enlist the participation of non-governmental organisations, notably the private sector and groups representing the local population. Here too, however, the objective is often elusive. For example, the representation of residents in formal bodies (such as boards of administration, neighbourhood councils, etc.) is sometimes too partial. In practice, the

commitment of residents to programmes is often temporary and related to two main themes: housing and children (*e.g.* crime and security, child care, schools, etc.). A participatory development strategy could therefore be built (initially) around topics that garner wide active support and participation, in order to convince residents of the utility of their voluntary participation in publicly funded projects.

### Adapt the strategy to the local context

While it is the State's responsibility to set nation-wide urban policy guidelines, there are two major justifications for territorialising urban development policies: 1) the diversity and complexity of local circumstances, and 2) the need for greater proximity to the target population. Both of these considerations argue in favour of a high degree of local differentiation, rooted in two distinct approaches:

- *Horizontal flexibility*. All of the resources deployed by the central government for urban regeneration are divided among the various areas of intervention by locally based representatives of the central administration. Instead of applying nation-wide programmes to all distressed urban areas, the central government decides locally which instruments would be most effective by means of contractual discussions with partners. This flexibility does not necessarily have to be immediate. It would be sufficient that the financial commitments of the central government lead to a gradual redeployment of resources over the course of several years.
- *Vertical flexibility*. The total amount of resources deployed for local urban development are to some extent negotiated during the discussions between partners. A certain leeway is left to the local representative of the central government, favouring a logic of differentiation of resources. Where problems have taken on a spatial aspect (requiring renovation), financial resources could be higher, though this does not mean that policy action in the social domain, should be limited in budgetary terms

One of the problems in territorial policymaking is to define the perimeter of intervention, which can be a neighbourhood, commune or metropolitan area – none of these geographical areas being optimal everywhere and in all circumstances. In the case of the City Challenge programme, for example, operations on a relatively rigid territorial scale proved unsuitable in some instances, particularly in some residential areas where the housing market was already saturated. International experience would suggest that target areas need to be defined more flexibly. Perimeters of intervention should be set on a case-by-case basis through negotiations with the various local partners, creating "variable geography" in urban policy.

### Avoid stigmatising particular areas

All disadvantaged areas in OECD countries can be characterised by the fact that they enjoy a bad reputation among local residents. Whether such a reputation is merited or not, stigmatisation immediately lowers the attractiveness of the area from the perspective of people in the wider urban area and sets in train a phenomenon of socio-spatial segregation.

Policies to redevelop particular urban areas must, therefore, be especially careful not to reinforce the stigmatisation of the area. Centrally formulated mechanisms that target overly restricted geographical areas can have the unwanted effect of spotlighting certain areas and labelling them as ''abnormal'', and for this reason, should be avoided. The definition of target areas should, in all cases, emphasise the re-integration of distressed areas into the wider urban economy.

In practice, the notion of positive discrimination should be presented not as the granting of extra rights and entitlements, but more as the allocation of additional resources to certain groups of disadvantaged people on the basis of socio-economic and spatial criteria to assure equal access to basic opportunities and services enjoyed by all, such as education and health care.

### Act early enough and take preventive measures

Integrated territorial policies must deal with problems in a dynamic manner. When conditions in an area are deteriorating or threaten to become more difficult, a system should be put in place to allow an appropriate preventive strategy to be implemented as soon as possible. Unlike centralised, sectoral policies which generally address problems once they are already manifest, integrated territorial policies should aim to prevent instances of exclusion from emerging. Clearly, this requires a financial commitment by national and sub-national authorities when problems begin to worsen, and not only when deterioration is already apparent. Commitment to prevention is potentially a more effective, and lower cost, policy response, but, at the moment, such strategies are rare. Governments should act sooner. In the future, greater emphasis must be placed on strategies to recognise the signs of area decline and prevent the process from taking hold. Prevention is cost effective.

Anticipatory action assumes that negative dynamics can be detected in time. To this end, a series of quantitative, but also qualitative, area indicators would be useful. These should cover, *inter alia*, employment, income, family structures, levels of education, local business activity, the number and quality of housing units, crime, the nationality mix, public health, the environment, citizen participation and transport infrastructure. This kind of statistical study needs to be developed further in most Member countries.

Finally, governments should develop projections concerning trends and changes that could favour the formation of distressed areas in cities in the future.

**Develop a transparent system for identifying areas of need**

A well-constructed indicator of multiple deprivation can help to build consensus about the targets of policy and the relative extent and intensity of deprivation in each area. In this respect, the UK Index of Local Conditions and the Belgian ZIP criteria methodology are examples of centrally designed, spatial decision-making systems for multiple disadvantage.

Given that detailed, up-to-date, multi-source statistics of this kind are unlikely to be available from national statistical offices at the spatial scale required, the burden of defining indicators and monitoring them would fall largely on the local authorities, increasing the need for greater co-ordination among levels of government in this field.

Some countries, and many local governments, are starting to use technology (Geographical Information Systems (GIS) and mapping software) as an aid to data collection and analysis. Yet, it seems that many central governments still underutilise the data that they already collect (at great expense). Thus there is room for improvement on two fronts: incorporating new techniques in data collection, storage, analysis and presentation; and improving the exploitation of those data that are already routinely gathered.

No system of indicators can substitute for political leadership. If the will to discuss distressed urban areas is lacking, nothing much will be done whatever the data reveal. Moreover, indicators are a passive means of analysis. The residents of an area have information of a qualitative nature that is very important, and their participation in partnership with the public authorities is an essential part of the process by which problems are given attention on the policy agenda.

**Actively evaluate and monitor policies**

Analysis of the evolution of policies to combat urban deprivation shows that within a number of countries a very clear pattern of policy evolution can be discerned and across countries signs of international policy exchange are evident. Both among localities participating in a particular programme and between the central government and local organisations undertaking their own initiatives, it is imperative that systems of learning from experience be established.

Theoretical analysis of decision-making processes and recent experience have shown the importance of an evaluation phase and, more precisely, of feedback from evaluation to diagnosis, thus instituting an iterative decision-making process. "The stream of strategic phases, with its succession of diagnosis, objec-

tives, implementation and evaluation, enables strategy to emerge in gradual increments, as if by trial and error'' (Zagamé, 1994). The evaluation phase is therefore indispensable, as the only way in which strategy and/or its implementation can be improved. Based partly on an assessment of quantitative and qualitative indicators, such evaluation can be carried out by an independent body, with the point of view of the decision-makers and also of the population taken into account.

## KEY STEPS IN FORMULATING POLICY

Before embarking on a regeneration policy it is important to assess quantitatively and qualitatively the real situation of the targeted area. The primary aim of the diagnosis is to make a dynamic, analysis of local circumstances; a description of current socio-economic and property conditions should be complemented by an analysis of historical and ongoing trends. Infrastructural assets and any special characteristics of the local labour force should be included. Finally, the local business and economic fabric should be assessed, including, in particular, the level of entrepreneurial activity and the extent and characteristics of the informal economy. The area should also be examined against its surrounding environment - especially the city and its region. Such a diagnosis can provide both a snapshot profile of the area in its metropolitan context, but also a more dynamic Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis. At the conclusion of the analysis, the profile of the area is known and there is a basis for assessing progress and outcomes from policy action.

### Strategic objectives

Given the diversity of national and local circumstances and the multiplicity of possible responses, there is naturally no standard strategy. If there were, it would in fact run counter to the concept of decision-making by national and local actors in partnership. Nevertheless, a number of general principles should be mentioned:

- As indicated above, strategy has to be comprehensive. In a heavily built-up area, it would be incoherent to base a policy on encouraging businesses to locate there without extensively altering the urban landscape. Similarly, it would be incoherent to attract businesses having special recruiting profiles without taking the skills of the local labour force into consideration.
- Strategy has to be active and rooted in the area's social and economic strengths and potential. Socio-economic development cannot be transplanted artificially and probably entails enterprise creation by residents as well. It is important to use and promote the dynamism of local residents,

particularly young people. But, to do this, it is also important to monitor the social and financial returns on this investment. In this respect, it would also be useful to look at ways of formalising informal economic activity and capitalising on the capacities of "infant entrepreneurs".

- Strategy must also be open to the outside. To rejuvenate a distressed urban area in a purely endogenous manner would only reinforce the ghetto orientation and would inevitably be ineffective. Along these same lines, there should be no attempts to restrict the mobility of residents who wish to leave the area. As Daniel Béhar has suggested, a good strategy should make people want to stay but allow them to leave. Moreover, the formulation of strategy should be able to draw upon the experience of other cities.
- Strategy should also be constructive for the entire community. It must not create negative externalities for the rest of the city, the region or the country. Particular care must be taken not to shift problems to other territories or other people. It is important to promote coherent city-wide strategies that place distressed areas in a broader context, encourage concepts of regional solidarity and integration.
- Lastly, a distressed urban area's development strategy should focus on the long term (10 or even 15 years). Education and vocational training, social cohesion, the prevention of delinquency, improving an area's image, and business development all take time and a certain temporal sequence. Public policies should reflect this need for continuity. Precise commitments, on the part of different partners should, however, be defined on the basis of shorter periods (3 years, for example).

**Instruments: building on local assets, capacities and comparative advantages**

The implementation of strategy can employ the entire array of classic public policy instruments. As far as urban policy is concerned, this means that much depends on the appropriate selection of individual instruments and on attention to their inter-relationships.

Two important categories of policy instrument can be mentioned: those that positively discriminate in favour of an area, and those that provide alternative role models for individuals.

***Positive discrimination in favour of a specific geographical area***

Positive discrimination in favour of activities located in these areas and/or in favour of local residents can be used in a number of fields. For example:

- positive discrimination can be employed in education and vocational training; for example, additional financing can be appropriated for schools in

distressed urban areas to help them fight more effectively against the neighbourhood's shortcomings, and residents can have access to a greater number of vocational training programmes;

- positive discrimination can also be used in tax policy, for example, tax incentives such as those for businesses or associations that locate in distressed urban areas and/or hire residents from the local area;
- in some countries, positive discrimination can involve the development of public-sector employment.

Although targeted initiatives have had some success, they can sometimes engender unwanted side-effects. The experience of free enterprise zones *(Zones Franches)* in France illustrates some of these potential dangers:

- a relatively small number of new businesses have been created;
- the enterprises attracted to the area by fiscal incentives do not always have a profile of activities that favours balanced urban development. In some poor areas, available commercial real estate has been occupied by industrial enterprises that make the area even less attractive as a residential location;
- jobs created in the areas are often transferred in and can go either to non-residents or to residents already working elsewhere (Lehman, 1994);
- some substitution and displacement has been reported, with viable businesses being attracted away from adjacent districts and enterprises from the target zone competing unfairly with those from outside;
- bestowing the ''enterprise zone'' label has heightened the stigma of neighbourhoods and sometimes made business people even more reluctant to locate there.

Policies to promote particular areas must, therefore, be carefully targeted and calibrated to meet the particular needs of the area. Moreover, in order to comprehensively affect conditions in an area, they need to affect several socio-economic factors at the same time.

As has already been said, defined as a method of differentiating in favour of equal rights, positive discrimination is legitimate and effective, but it is no doubt preferable that such a policy emphasise a geographical zone which is not too restrictive.

### *Promoting other models for individuals in distressed urban areas*

A second category of territorial policy instruments aims to break models of success that are based on informal or illegal activities and, as much as possible, to avoid the passive behaviour patterns of exclusion. The goal here is to counter

local effects with a policy of social and economic support and positive reinforcement.

For example, a number of municipalities have hired local unemployed 20-25-year-olds to supervise teenagers in a variety of sporting and cultural activities, with the dual objective of helping at-risk adolescents understand the consequences of destructive behaviour while at the same time conferring responsibility on the young "neighbourhood monitors". Such experiments create alternative "social mediators", who provide support where the normal social services have lost contact with the population.

Another example of a mechanism advocating similar action is support for entrepreneurship in distressed urban areas. Here the goal is to convince local residents that they are capable of creating a business – and thus their own jobs – if they have an idea or some special skill. Recent efforts in the UK and France have focused particularly on creating regular employment out of hitherto informal services such as child care, other care services, maintenance and handywork, etc.

Social economic enterprises are an important element in this type of approach. They generally involve the creation of community-type institutions intended to reconcile market imperatives with social welfare for people who are socially or economically excluded. *Entreprises d'insertion* in France and Spain and "social co-operatives" in Italy are examples of such bodies, whose aim is to get people back into work by helping them to gain practical experience in an environment similar to those found in a normal private sector firm. Re-acquainting young people to working practices and routine is seen as an important way to mobilise young people and integrate them back into active society.

Support for local entrepreneurship and the establishment of social enterprises have similar objectives – *i.e.*, to convince local residents that they are capable of acting to create or re-create their local environment and personal circumstances. In so doing, their overall employability in improved and with it, their chances of finding stable employment in the wider metropolitan labour market are improved.

All of these policies are positive in so much as they aim to reintegrate a neighbourhood and its residents back into a market economic logic by identifying new needs and improving and promoting the skills of local people.

## POLICY IMPLEMENTATION: ROLES AND RESPONSIBILITIES

### Clarify the role of the central government

One of the main roles for central government is to guarantee the full range of services and functions in disadvantaged areas that are provided elsewhere. In some cases this involves "levelling the playing field," *i.e.*, providing extra

resources to compensate for the additional costs, often incurred by the local authority, of providing certain basic infrastructures in disadvantaged areas. In addition, government needs to recognise that in some areas private markets do not provide equal access for residents of distressed areas – or example, to venture capital or financing. Finally, on the basis of an overall development plan, governments can relax land use regulations, reallocate infrastructure spending and so on, in order to guide growth to particular areas. In addition, government has a crucial role to play in limiting the pernicious effects of racial prejudice in the labour and housing markets, and working to reduce social segregation.

### *The central government at the local level: partner or arbiter?*

The role of the central government at local level is largely circumscribed by the governance system of the country concerned, and in particular by the balance of power and responsibilities between the central, regional and local authorities. Nevertheless, a survey of international experience reveals two main types of relationship between the central government and local partners in the field of urban policy.

First, in some countries the central government acts as an arbiter among local bodies. Local partners establish a strategy and a development programme for their local area, and then, after compiling submissions, the government selects projects for funding and these receive the major part of the money available. In the UK, this is organised as a formal competition, in others the applications are made as and when needed and decisions are made on the basis of the availability of discretionary funds. Among the advantages of such a system, it encourages the applicants to develop substantive proposals, build working partnerships from the outset and favours bottom-up approaches. In practice, however, there can be potential drawbacks.

- since projects are selected at the centre, local partners can be tempted to tailor their programmes more to the supposed preferences of central government than to the needs of the local area;
- similarly, decisions may be taken at the centre without sufficient knowledge of local circumstances, which tends to create an undue bias.

A second institutional arrangement, that of formal contracts signed between the central government and local actors, has been instituted by certain Member countries. In this scenario, the central government begins by informing the municipalities concerned by urban deprivation that it is ready to undertake a local development policy in partnership with other partners. Through local representatives (in France, for example, these are the *prefets*), the central government takes part in substantive discussions, including, in particular, goal-setting and formulation of strategic plans. This institutional framework has a number of advantages.

Above all, it reconciles local management with central government participation in each element of overall territorial development whose effects go beyond local or regional borders. Moreover, the action of the central government is completely transparent, and by participating in the definition of the strategy, the central government can assure respect for the rights of local minority groups. However, the effectiveness of the institutional framework hinges on the abilities of the State's representatives. Partnership-based negotiations are more delicate than traditional sectoral management undertaken by a single actor and therefore, the training of the local officials involved must be adequate to the circumstances. Moreover, the career prospects of these officials should not depend on their relations with local leaders.

Today, these two major types of relationship between the central government and local authorities mainly reflect national specificities – notably the particular institutional and legal structure – and appear, therefore, as alternative models. Despite their apparent opposition, these two approaches can be complementary. Depending on the severity of local problems, the intervention of the central government can take two distinct forms: either the validation of local authority actions without participation, or direct participation with greater commitment of resources. In parallel to differentiation in the resources allocated to each policy intervention, this would also imply differentiation in the type of intervention undertaken.

**Define an institutional framework for partnership**

When the central government is a partner in local urban regeneration, it is important to define an institutional and legal framework that can be both transparent and effective. To do this, three distinct levels of partnership can be identified:

- the strategic-political level at which overall strategic aims are agreed and decisions taken;
- the technical level, where analysis is undertaken and the range of policy options assessed;
- the operational level.

It is preferable for the partnership to concern itself only with the first two levels above. On the basis of a shared strategic plan, each partner would conserve responsibility for implementation within its own field of competence. Subsidies would therefore be defined at the strategic level and the legal structure of the partnership could remain relatively supple, like a directing committee.

In some cases, however, a sharing of financial risk between the different partners becomes necessary. This is particularly the case where large-scale urban

redevelopment is envisaged or partnership with private-sector investors is involved. In this situation, partnership is also necessary at the operational level, even if it does not necessarily involve the central government directly. A legal framework needs to be created permitting the establishment of a collective legal responsibility for decisions taken jointly by the partners in the execution of the development strategy.

## FINAL NOTE: INTERNATIONAL CO-OPERATION

One important conclusion from this report is the great similarity that exists among OECD countries in terms of the nature of the urban problems they are confronting (though the scale and local contexts remain very different). As such, co-operation in a number of fields would help to promote a more coherent international response, for example:

- development of common quantitative methodologies for assessing relative need and identifying the spatial distribution of distressed areas;
- examination of the potential for developing indicators that anticipate decline either at national or local level and the implementation of preventive strategies;
- development of more universal methods of evaluating the outcomes of policy action so that success and failure can be assessed more objectively, and the exchange of information on successful examples of regeneration;
- exchange of information on implementation of innovative strategies, particularly where governments have as yet limited experience, such as in working with the private sector, promotion of civic society and the development of institutionalised partnerships.

Finally, OECD Member governments should encourage exchanges of information with organisations and governments involved in social policy, urban development, the urban environment and economic development in countries in transition and developing countries. Links already established between NGOs in OECD and developing countries suggest that there is a great deal of experience and innovation that could be usefully transferred concerning exclusion and integration as dynamic aspects of urban change.

## CONCLUSION

Policy innovations in several Member countries in the 1990s demonstrate a growing consensus about the need for area-based, multi-sectoral policies to address urban deprivation. Such policies are uniquely adapted to confront the phenomenon of spatial concentration which characterises the combination of social distress, environmental degradation and economic decline in particular

areas of cities. Given the significant costs associated with distressed urban areas, both for those who live and work in them, and for the rest of the city, and given the fact that normative, self-correcting processes of urban revitalisation are not functioning in these districts, a co-ordinated role for all levels of government, in partnership with local residents, the civic sector and the private sector is necessary.

This need is urgent. The problem of distressed urban areas is already on a scale that cannot be ignored. Preventive measures are needed to inhibit the formation of distressed urban areas in the future. And remedial efforts are imperative if those areas that exist are to be re-integrated into the rest of the city.

Pessimism about how effective solutions to urban problems will be reflects a lack of vision about the cities of the future, and doubts that any such vision can be acted upon. The emergence of distressed urban areas cannot be dismissed with the argument that they are the inevitable accompaniment of growth and change. The formation of distressed urban areas often gives rise to the feeling that cities are the victims of forces they cannot control. There is however nothing inevitable about distressed urban areas. They reflect, rather, problems in the way in which economic, social and environmental change affects many cities. This process of change is amenable to the influence of public policy and civic action.

The formation and implementation of integrative, multisectoral urban policies that can be effective in distressed urban areas call for urban policies that take better account of change across metropolitan regions. Policies for distressed urban areas, from this perspective, are an essential dimension of a comprehensive approach to sustainable urban development. Like other policies for sustainable development, these will take time to prepare, and time will be needed before they can show results. Such policies must be inherently flexible because the situation itself will evolve, and because lessons from best practice will come to light.

Nothing will happen, however, if there is no understanding of the importance of cities in national economies, in matters of social cohesion, in respect of environmental conditions, and in effective governance. This understanding, and with it a vision of how cities in the future can enhance the quality of life of all people in OECD countries, is something that governments share with the private and civic sectors. But the unique role and responsibility of government cannot be ignored, especially insofar as national initiatives provide much of the framework within which efforts at the local level proceed. The OECD economies are highly urbanised, with an average 70 per cent of their populations living in urban areas. If nothing is done about the problems of distressed urban areas, there are risks of an economic and social nature that may grow in the future. If such problems can be addressed, cities can continue to grow, adjusting better to technological inno-

vation and economic change, and performing their essential functions in the economic system.

Preventive and remedial policies for distressed urban areas will make cities better places in which to work and live, and will enable more people to contribute to the economy through employment and entrepreneurship. Is this not an investment for the future worth making?

*Annex 1*

# DEFINING HIGH RISK AREAS AND MEASURING THEIR EXTENT

The fundamental point of departure in any analysis of urban deprivation is how deprivation should be defined. Is it something that happens to individuals and that should, therefore, be assessed on the basis of indicators such as unemployment, children in poverty, and so on? Or is it equally a question of physical environment, meaning that housing quality, derelict land and other environmental measures must be taken into account? The approach taken in this study was an explicit compromise between an individual and a territorial, a human and a physical approach to deprivation. In all but the very worst ghettos, not all of the population are deprived. In general, however, one can say that individuals can be "deprived" of something, a job, labour market access, basic amenities, physical comforts and so on. And that if there are enough people who are deprived in a particular geographical area, then the area is or becomes "deprived", by a process similar to those described in the introduction and in the qualitative report.

To identify areas that are potentially deprived, this study used a basic "filter" composed of the two most important indicators of "individual" well-being and/or deprivation – income and unemployment. This "filter" identified areas where the disparity between the local mean revenue and/or rate of unemployment was high enough to suggest that a large proportion of the population of the area were suffering from levels of (financial and labour market) deprivation not experienced by the residents of the average urban neighbourhood in that city and in that country. In many cases, because data for both indicators were not available (usually income), only the available criteria was assessed and a relationship between area unemployment and area disposable income had to be assumed.

The table presents the areas included in this study. As can be seen, over 50 000 urban neighbourhoods were included in the overall survey, with around ten per cent being examined in more detail. Clearly, as the data used is sometimes not directly comparable, this table should be seen as a guide to the scale of deprivation rather than as an international comparison of absolute levels of deprivation.

Table 9. **Urban distressed areas in OECD countries: the study areas used in this report**

| | Year | Total number of neighbourhoods surveyed | Main criteria used: CI = Composite Indicator, HU = High Unemployment, LI = Low Income | No. of distressed areas | Average population of each area | Total population in these areas | As % of national population | As % of urban population |
|---|---|---|---|---|---|---|---|---|
| Canada | 1990 | 3 812 | LI/HU | 610 | 4 491 | 2 500 000 | 8.9 | 14.7 |
| Denmark | 1993 | | CI[1] | 186 (25)[2] | | 250 000 | 5 | |
| Finland | 1995 | 293 | HU | 38 | 4 621 | 188 320 | 3.7 | 5.6 |
| France | 1990 | 2 342 | CI[3] | 532 | 5 582 | 2 970 000 | 5.2 | |
| Ireland | 1991 | 322 (Dublin) | HU | 83 | 3 177 | 263 715 | 7.5 | 25.7 |
| Norway | 1993 | 51 (Bergen and Oslo) | HU | 6 | 14 150 | 84 900 | 2.0 | 12.5 |
| Spain | 1991 | 14 733 | CI[4] | 374 | 7 689 | 2 875 000 | 7.0 | 14.0 |
| Sweden | 1994 | 433 | LI/HU | 46 | 6 107 | 295 325 | 3.6 | 11.1 |
| UK | 1991 | 8 260 | CI[5] | 413 | 6 000 | 2 478 000 | 5.0 | 16 |
| USA | 1990 | 35 000 | LI | 4 597 | 3 863 | 12 155 000 | 4.8 | 8.1 |

1. Composite indicator: Urban Committee areas.
2. 25 of the 186 classed as being in "severe distress".
3. Composite indicator: DSQ/QC (Développement sociale des quartiers/Quartiers en convention).
4. Composite indicator: high unemployment, low educational attainment, poor housing.
5. Composite indicator: Index of Local Conditions.

*Source:* OECD.

*Annex 2*

# THE ROLE OF DATA IN POLICIES FOR DISTRESSED AREAS

*(Sections dealing with the use of data in decision-making contributed by Trutz Haase*)

## INTRODUCTION

Analyses of socio-economic distress tend to emphasise either *a)* the role of economic and social structures of opportunity (*i.e.* the ''demand'' side); or *b)* the characteristics of individuals (*i.e.* the ''supply'' side), as main causal forces. In the first, socio-economic distress is caused by inadequate job generation, unequal wage structures, ''spatial mismatches'' between people and jobs, and socio-occupational segregation (gender, race, skills, etc.), and can only be dealt with by getting the economy to work again and to be less discriminatory and more accessible. In the second, some people are in distress because their characteristics (education, skills, behaviours) are not adapted to the needs of the society, and therefore they should be helped to acquire such characteristics. An important additional aspect of ''distress'', introduced in the qualitative report, is that it is not only *individual* or *institutional/structural* in nature but also has a strong *spatial* component. The underlying argument of this report is that in distressed areas demand-side and supply-side impediments are found together and interact to produce persistent disadvantage that is difficult for traditional sectoral policy to address.

The task of assessing the patterns of deprivation created by the processes described in this report, and of designing appropriate policy responses, depends heavily on finding indicators that can represent or approximate the intricate, complex relationships among different socio-economic and physical characteristics that describe distressed urban areas.

Over the past fifteen years, a number of efforts have been made by Member governments to quantify and compare local conditions. Because governments have defined urban problems very differently – often according to the objectives of the research – the kinds of indicators that they have also varied greatly. For

Box 5. **Regional characteristics of deprivation in Spain**

A recent report assessed deprivation in Spain according to the following three basic indicators:

- a rate of unemployment more than 50 per cent above the national average (*i.e.* > 28 per cent);
- a rate of residents without formal education (a common income proxy) more than 50 per cent above the national average,
- households lacking basic amenities (more than double the national average in one of the following cases – no running water, no WC, no bath/ shower).

As would be expected from our definition of "distress" as the presence of multiple disadvantage, a large number of the areas that met one criteria also met others, for example, they have high unemployment and poor facilities. The breakdown among the 19 regions, however, shows some interesting variations:

| Region | Criteria | Percentage of disadvantaed areas meeting each criteria |
|---|---|---|
| Andalucia | Unemployment | 96 |
| | Education | 17 |
| | Amenities | 28 |
| Aragon | Unemployment | 31 |
| | Education | 0 |
| | Amenities | 100 |
| Asturias | Unemployment | 74 |
| | Education | 0 |
| | Amenities | 46 |
| Murcia | Unemployment | 36 |
| | Education | 76 |
| | Amenities | 49 |
| Navarra | Unemployment | 0 |
| | Education | 0 |
| | Amenities | 100 |

The data suggests, for example, that in Aragon and Navarra, housing quality is generally poor, but the unemployment situation and levels of educational attainment are relatively high. By contrast, unemployment is the main source of disadvantage in Andalucia and Asturias. Disadvantaged areas of Murcia are characterised by problems of low educational attainment. Regional development inequalities are therefore a major determinant of the nature of urban distress. Nation-wide, however, unemployment and educational disadvantage are the prominent features of urban distress.

example, a programme whose underlying premise is that housing stock is deteriorating in poor areas defines disadvantage in terms of the age of dwellings and level of sanitation environmental clean-up programmes define disadvantage in terms of green spaces, poor air quality and so on.

Political considerations have also entered into the process of defining distress. Precise definitions of urban deprivation have often been developed as a result of a resource allocation model or similar mechanism for means testing areas to decide which should receive top-up funding (such as the ZIP programme in the Walloon Region or the Area-Based Response to Long-Term Unemployment in Ireland). In these cases, the definition of "distressed areas" developed as a function of the need to mark out the parameters of a particular policy instrument. As a result, the number of distressed areas derives, to a large extent, from the imperatives of the policy programme and the amount of money that comes with it. Most analyses of urban distress have, therefore, been undertaken by one or another central or local government department, often in isolation from other competent authorities.

As most areas combine numerous aspects of disadvantage but not necessarily all, the approach taken by a policy programme, and the indicators used to direct it, can change the target area considerably, from one neighbourhood of a city to another, from one city to another and from one region to another.

## THE AVAILABILITY OF DATA

Numerous attempts have been made to assess "quality of life", but these have largely been at international, national or regional level, occasionally comparing indicators at city level. However, disadvantaged areas are, by definition, subsets of cities and the deprivation they suffer is the lack of something considered normal by that particular society. Thus, comparisons of quality of life between Greater Manchester and North Rhine-Westphalia tell us little about the quality of life of residents in Hulme. And, at least from a social perspective, the relative quality of life of residents within cities is the crucial factor – residents in Hulme measure their own level of deprivation against other residents in Manchester, not against that of people in Southern Italy. The fact that the rate of youth unemployment in Spain is higher than that in France or that the extent of racial segregation is greater in the United States is of little comfort to a twenty-year old living in the Paris *banlieue.* Thus, although comparisons among countries at national and regional level are vital to our understanding of changes affecting OECD economies as a whole and for international "cohesion", the problems of social cohesion/exclusion must also demand a finer grained analysis.

There is a serious lack of systematic data collection at sub-national and, in particular, sub-municipal level. The first finding of this data project was that most

OECD countries either have no data at a small-area level, have only quite limited data, or have data but do not exploit it territorially.

| Countries that use neighbourhood-level urban data to analyse urban disadvantage | Countries that have but do not routinely use neighbourhood-level urban data | Countries that do not have neighbourhood-level urban data |
|---|---|---|
| Australia | Canada | Austria |
| Belgium | Denmark | Germany |
| Finland | Finland | Greece |
| France | Italy | Poland |
| Ireland | Mexico | Portugal |
| Sweden | The Netherlands | |
| United Kingdom | Norway | |
| Unites States | Spain | |

OECD countries can be split into three basic categories: 1) those that have detailed administrative records or a census and use them to undertake thorough analyses of local conditions; 2) those that have population censuses but do not use them to analyse trends at local level or that have no census; and, finally, 3) federal states where data collection is the responsibility of individual states and there is little or no co-ordination of methodologies or collation of data by central government.

Thus, almost half of participating OECD countries have few statistical resources for identifying inequalities and resource needs within urban areas. As a result, while qualitative descriptions can be produced for these countries, there is little scope for quantitative analysis at neighbourhood level of the kind envisaged in this report. Although there is always great variation in the use made of census and other data by OECD governments in all fields, the lack of municipal level and sub-municipal level, socio-economic data collection and analysis among such a large number of OECD countries is striking.

The majority of census-based data falls within one of six main categories – *i.e.*, there is a great deal of similarity in the range of indicators collected within these countries.

- Demographic structure.
- Family structure.
- Nationality and ethnic background.
- Employment-unemployment.

- Education.
- Housing type and quality.

Although the precise definition of the variables may vary from one country to another, the phenomena that they are designed to describe and/or explain are similar. The important point to bear in mind here is that although data might not be measured identically, in each category the statistics seek to describe the same patterns. For example, the choice of substandard housing indicators varies from country to country and from one research study to another within countries; however, if housing in an area has half as many toilets, half as many showers or twice as many occupants per room as the neighbourhoods that surround it one can say, in any country, that in relative terms this neighbourhood has low quality housing (or is deprived of the level of housing assumed as normal elsewhere).

**Data not available through national sources**

At the same time, both census and register information is limited in the sense that: *i)* its value declines over time between census years; *ii)* it responds with a time lag in describing characteristics that have already appeared, *i.e.*, it is rarely *predictive*, and *iii)* it covers only information that the average respondent is likely to be willing to divulge or able to assess. Thus, although census data sources are rich in information and relatively robust, they cannot describe all of the varied processes that have an impact on distressed areas. In addition, the nature of the subject itself could arguably undermine the quality of the data, in the sense that under-reporting may disproportionately affect distressed areas and particular groups within urban areas notably young males and immigrants.

Moreover, census data is rarely supplemented or linked with data from other sources. The education data available from the census is rarely integrated with other educational data held by education boards, nor is the socio-economic data contained in the census linked to health information gathered by local areas health authorities or hospitals. This greatly impedes the identification of the social trends that affect educational and health outcomes.

Although some OECD countries have relatively consistent data in the six categories noted above, there are three other important categories where little or no information is available at neighbourhood level in any country:

- **Income –** for example, per capita income, disposable income, families below the poverty line, transfers as a proportion of total income.
- **Health** – for example, mortality rates, low birth weight, vaccination rates, doctors per capita, rates of smoking.

- **Crime and criminality** – for example, property crimes, victimisation rates, number of emergency call-out per unit population, police units per capita, along with fear of crime and perceptions of security.

Other information that is considered to be important in identifying describing distress but which was considered to be impossible to obtain other than from individual local data bases, included:

– **Economic activity** – for example, enterprise start-up rates, in/out-migration of enterprises, local commercial activity and *services de proximité*.

– **Civic participation** – for example, electoral registration levels, voter turnout at local and national elections, or the patterns of social relations.[46]

To take the examples of health statistics and crime statistics.

In the area of *health and health policy*, there appears to be a large gulf between the collection of health data by health professionals and the collection of socio-economic data through the census or by other government departments. The traditional approach to identifying determinants of poor health was epidemiological or hygiene-sanitation based – that is, poor health came from poor water supplies, cramped housing conditions, poor sanitation and so on. Given that mortality rates appear to be excessive in areas where housing conditions are now adequate, most commentators agree that other social factors play a key role. For example: in the USA, people with less than a high school education have a standardised mortality rate almost twice that of people with college-level education. In 1993, levels of mammography were more than 30 per cent higher among the college-educated as compared to those with less than high school education. In the same year, vaccination rates were significantly lower among poor children than among non-poor children. A strong correlation has been noted, for example, between disadvantaged districts in the United Kingdom and high mortality rates.[47] A similar correlation has been observed by researchers in France between long-term unemployment and high death rates. It is reasonable to assume that such disparities also exist in other countries.

Yet, there is almost no robust data available at a national level on health disparities within cities that would help policymakers identify linkages. The case study element of the work of the Project Group took up this question from a municipal perspective (See Annex 3).[48] However, attempts to draw firm conclusions on a national or international basis founder on the lack of data.

The other aspect of urban distress that receives much attention but which is equally difficult to analyse on a national basis is *crime and criminality*.

Largely because of their political sensitivity and potential media impact, disparities in crime rates across cities are rarely publicised. A main, and justifia-

ble, concern is whether a high-crime neighbourhood is adversely affected by being labelled as such.

Crime statistics exist in most countries for comparing criminality across municipalities *and* over time – as used, for example, in the much-publicised "league tables" that rank the most crime-ridden major American cities. Although such data is interesting as far as it goes, it does not permit more detailed assessment of variation across metropolitan areas, nor identification of the characteristics of high crime areas, the correlation between crime and other socio-economic characteristics and the possible policy responses.

Crime and criminality are not evenly distributed – they vary dramatically from one area of a city to another. The range in experience of crime among the neighbourhoods of Washington DC, shown below, is extraordinarily wide, as evidenced by the large standard deviation and maximum/minimum range. Such a pattern is not unique. It can be recognised in most if not all OECD countries. These variations represent one of the most often quoted reasons why one neighbourhood is considered to be distressed in comparison to another.

A strong correlation between deprivation and crime has been identified in the United Kingdom.[49] However, conclusions of the research were that although deprivation – measured largely on the basis of income, unemployment and housing quality – is an important factor, the variations among neighbourhoods need to be understood in terms of lifestyles of residents and functions of the areas. For example,

- Areas with high numbers of young, mobile single people had higher crime rates than "family" areas with lower incomes.

Table 10. **Variations in crime in Washington DC neighbourhoods**

Per 100 population

| Condition | Mean of all neighbourhoods | Standard deviation | Lowest neighbourhood rate | Highest neighbourhood rate |
|---|---|---|---|---|
| Number arrested testing positive for drugs | 2.08 | 1.74 | 0.01 | 9.0 |
| Drug sale and possession arrests | 2.29 | 10.26 | 0.0 | 120.28 |
| Property crimes | 19.87 | 57.66 | 2.64 | 462.76 |
| Violent crimes | 3.95 | 7.39 | 0.10 | 66.75 |

*Source:* George Galster and Maris Mikelsons. "The Geography of Metropolitan Opportunity: A Case Study of Neighbourhood Conditions Confronting Youth in Washington DC", *Housing Policy Debate,* Vol. 6 No. 1, Washington DC: Fannie Mae.

- Areas in the most deprived decile show far fewer calls to the police than recorded crimes, while in more affluent areas the opposite is true.[50]

Attempts to assess the links between disadvantage and crime along these lines on a national or international scale, however, are difficult. Most research activity in this field is therefore conducted using a case study approach.

Health and crime are probably the two most obvious and commonly cited features of urban distress where data is lacking. There are, however, a whole host of other pieces of data that would help to provide a more explanatory aspect to central government analysis of urban situations and thereby help refine policymaking.

## THE USE OF DATA

A cursory comparison of OECD countries reveals great differences in the use of statistically-based decision-making systems by public authorities, both cross-nationally and within individual countries. Unsurprisingly, the main use by public agencies of data systems has been in resource allocation. The private sector, in contrast, has led the development and application of GIS-related decision-making systems in the context of competitive pressures, using it, for example, to decide where to locate new manufacturing plants or retail outlets.

There has nevertheless been an increase in the use of statistics in the design of urban regeneration policies, due first and foremost to economic necessity. As more and more cities show signs of increasing social polarisation and the concentration of social and economic problems in particular neighbourhoods, there is a growing demand on relatively limited resources for area-based initiatives. To the extent that these initiatives are entering the mainstream in many OECD countries, objective resource allocation models become a necessity, as governments have to concentrate funds on the areas that are most affected. Resource allocation models, based on objective assessments of relative need, enable governments to achieve the necessary consensus between competing interests and thereby enhance the legitimacy of the decision-making process.

The second development which has facilitated the greater use of statistics in the design of policies for disadvantaged urban areas is the need for monitoring and evaluation to maximise the positive effects of urban expenditures over time, and increase accountability in the use of central government funds by decentralised agencies.

The most developed examples of comprehensive monitoring of the social and economic impact of government policy in OECD countries can be found in the *Social Justice Strategy* of the South Australian Government (Carroll, 1992), the *Policy Appraisal and Fair Treatment* (PAFT) and *Targeting Social Need* (TSN) initiatives in

Northern Ireland (SACHR, 1996) and the recently launched *National Anti-Poverty Strategy* (NAPS) in Ireland (DSW, 1997). What is common to all of these strategies is that they represent a commitment by the relevant government to a comprehensive monitoring framework which traces the differential impact of policy on particularly vulnerable population groups and disadvantaged areas. In all of the above cases, this includes the overall effect of *all* government policies, as well as the impact of those policies which are specifically designed to address social and economic disadvantage.

Though comprehensive anti-poverty strategies and the careful monitoring of their outcomes are still the exception, clearly there has been a general shift towards a culture of monitoring and evaluation over the past decade. The European Union has played an important role in this process. As the effectiveness of early European initiatives has been called into question, the commitment to internal and external evaluation, monitoring and tighter accountability has become a key requirement in all funding programmes. The European Commission has recently published its First Cohesion Report (CEC, 1996) which provides a detailed statistical analysis of the effects of the distribution of Structural Funds to date. As many of the area-based initiatives targeted at deprived neighbourhoods in European cities are co-financed by the EU, the question of outcomes testing, and the development of an appropriate statistical framework for evaluation, has become a major issue.

The definition and application of some statistical system or framework, usually in the form of a "deprivation index" is widely accepted as a necessary element in the development of a co-ordinated, area-based response to disadvantage that takes into account the broadest possible range of issues, such as preventative action to counter early school-leaving, improvements in housing conditions, the fight against crime, and so on.

Thus, although currently under-developed, use of indicators to identify areas of relative need look likely to increase as resource pressures make targeting decisions more important and computer technologies improve the speed, simplicity and efficiency of data processing systems. There are few examples where such systems have been put to use in the context of multifaceted urban regeneration projects, at national level. The following examples illustrate the range of experiences across the OECD.

### The United Kingdom

#### *The Index of Local Conditions*

The 1991 Index of Local Conditions (referring to England and Wales only) produced by the Department of the Environment (DoE) is the most recent and widely-used of a long line of similar indices in the UK (such as the Carstairs,

Townsend and Jarman indices), each of which aimed to rank areas according to their level of deprivation, defined by a range of census variables. *(The preparation and structure of this index is presented in Department of the Environment (1995), 1991 Deprivation Index: A Review of Approaches and a Matrix of Results. London: HMSO.)*

For the purposes of developing a general index, the nature of deprivation must be conceptualised in broad terms, so as to include not only income poverty (which was in any case difficult to measure), but also social and environmental problems. The 1991 Index of Local Conditions therefore covers seven areas in its anatomy of deprivation: the social environment, housing, education, employment, income and needs, communications and health.

A second major decision in constructing the index related to whether the analysis should focus on actual outcomes or on vulnerable groups. People may belong to a vulnerable group such as the elderly, ethnic minorities or lone parents, without necessarily being deprived, which complicates the relevance of data measuring the presence of particular groups in deprivation indices. The authors of the ILC decided that the index was to be exclusively a measure of outcomes and, furthermore, that these were to be measured in an objective way; that is, independently of whether or not the people concerned perceived themselves to be deprived.

The authors laid down a number of criteria which each variable should satisfy. These are listed below in order of importance:

*robustness* – each measure had to be statistically sound and not unnecessarily complex;

*relevance* – each indicator had to provide a recognisable portrayal of one or more deprivation issues;

*flexibility* – every measure had to be distinct so that its contribution could be assessed separately;

*hierarchy* – each measure had to be available at both the neighbourhood and the local authority level;

*dynamic* – any measures chosen also had to be available from the 1981 Census and be able to be reviewed in 1996.

In practice, the last requirement turned out to be too restrictive, as it would have ruled out a substantial number of feasible indicators.

The Index of Local Conditions defines deprived areas relative to other areas in England. It is based upon a range of social, economic, housing and economic variables derived from both 1991 Census and non-Census sources. The thirteen variables included in the ILC were unemployment, children in low earning households, overcrowded housing, housing lacking basic amenities, households with no car, children living in unsuitable accommodation, 17 year olds not in full time education, long term unemployment, income support recipients, low educational

(GCSE) attainment, standardised mortality rates, derelict land and house contents insurance premium. These indicators are combined into a single score for each area. The results show whether an area has more or less deprivation than the national norm and enables districts to be ranked on three different scales. The results show whether an area has more or less deprivation than the national norm and enables areas to be ranked. There are 99 local authority areas in England with levels of deprivation above the national norm. These areas contain 42 per cent of England's population. The Index is available at three spatial levels; the local authority district, the electoral ward and the enumeration district (ED).

As a general deprivation index, the ILC is particularly advanced, despite the complexities involved in constructing a single index that can satisfy all of the possible demands. An index which is constructed around multiple dimensions is better able to take account of the longer-term aspects of differential access to education, labour market, housing, health and general life chances. A recent study by Gordon confirmed that the UK 1991 Deprivation Index can explain much of the variance between neighbourhoods in relation to standardised illness and mortality ratios.[51]

## Spain

### *Towards a Spanish Index of Deprivation*

Following the quantitative studies undertaken for the Spanish National Report on Distressed Urban Areas, the Spanish working group tested the UK Department of the Environment methodology for the Index of Local Conditions with 1991 Spanish census data.

The index was built at the census enumeration district level (14 733 in municipalities having in excess of 50 000 inhabitants) with three simple yet strongly differentiated indicators: rate of unemployment, rate of residents without formal education, and rate of households lacking basic amenities (running water, WC or bath/shower). The index combines these indicators into a single deprivation score for each area, using a Chi-square standardisation method.

The results show, for example, that 13.8 per cent of the population live in areas whose deprivation index score is more than one standard deviation larger than the their regional average (a high deprivation score and variation above the mean indicating relative deprivation). The largest municipalities have high percentages of areas with most deprived index (M + > 2SD). The better off municipalities are those of 500 000 to 1 million inhabitants and the worst off those under 100 000 inhabitants.

Table 11. **Deprivation Index (with regional standardisation) applied to municipalities classed by rank-size of population (per cent of population in rank-size class of mean value (M) and standard deviation (SD))**

| Settlement size | Mean – 2 SD to mean – SD | Mean – 1 SD to mean | Mean to mean + 1 SD | Mean + 1 SD to mean + 2 SD | Mean + 2 SD to mean + 3 SD | Mean + 3 SD to mean + 4 SD | |
|---|---|---|---|---|---|---|---|
| > 1 000 000 | 23.3 | 39.5 | 23.5 | 10.0 | 3.0 | 0.7 | 100 |
| 500 000-1 000 000 | 20.8 | 49.9 | 22.2 | 5.8 | 1.0 | 0.3 | 100 |
| 100 000-500 000 | 14.9 | 43.1 | 28.6 | 10.5 | 2.4 | 0.5 | 100 |
| 50.000-100 000 | 11.7 | 43.3 | 29.3 | 11.6 | 3.5 | 0.6 | 100 |
| 20 000-50 000 | 9.8 | 40.7 | 32.6 | 12.7 | 3.5 | 0.7 | 100 |
| Total | 15.5 | 42.7 | 28.0 | 10.5 | 2.7 | 0.6 | 100 |

*Source:* Spanish National Overview.

## Belgium

### *Defining priority zones*

The *Zones d'Initiative Privilégiées* (ZIP) programme in the Walloon region of Belgium is another example of the use of a statistical system to define deprivation and classify areas according to their level of need. ZIPs are defined within a political framework of rehabilitation and renewal and of the restructuring of the built environment.

ZIP areas were selected on an objective basis using sectoral statistics (*le secteur statistique*) from the 1981 Census of Population, the smallest territorial unit for which data exists. The general methodology comprised a two-tiered framework: the first determined the eligible zones, the second level classified the eligible sectors on the basis of a series of relevant indicators.

After analysing more than 30 possible indicators, 20 were retained, falling into four general categories:

- demographic profile;
- socio-economic characteristics;
- educational achievement;
- housing conditions.

For each indicator, or criterion, a selection threshold was determined, based on +0.7 of one standard deviation from the national mean. These were then aggregated into a global index, which provided the basis for a ranking of all

statistical sectors. Only sectors with a global index greater than or equal to 6 were retained, resulting in the selection of 72 out of 432 sectors. Three-quarters of the selected sectors are concentrated in four communities, and some adjustments were undertaken to reflect local administrative boundaries in the final selection.

The original designation of ZIP areas was undertaken on the basis of the 1981 Census. Now, most of the 1991 Census data has become available. However, trends are difficult to determine, since significant adjustments have been made to sector boundaries. Changes have also been made in the criteria of eligibility: the population threshold of 800 persons was dropped to allow smaller sectors to be included, and the density criterion had to be reviewed to take into account uneven population distributions within sectors: a sector's average population density may be uncharacteristic for a particular neighbourhood within it. This latter consideration may now take effect where less than one quarter of a sector's area lies within residential zones.

On the basis of the new definitions of eligibility, approximately one million people or nearly one third of the Walloon population are covered by the first eligibility criterion. These people reside in 115 different local authority areas and roughly half of all ''communes'' have at least one eligible sector. In relation to the criteria used in the first study (1981), the number of sectors in the 1991 study has more than doubled and the population covered increased by 30 per cent.

**CONCLUSION**

The aim of this section was to investigate the extent to which statistics are used in OECD countries in the design of policies for disadvantaged urban areas. The evidence available suggests that the systematic use of census-based deprivation indices to identify the areas in greatest need is still the exception rather than the rule. Data analysis by the OECD Sewcretariat confirmed the limited exploitation of census data in many countries and the lack of consistency in the data over time.

Nevertheless, there is increasing support for the use of statistical decision support systems, particularly so in the context of shrinking central government budgets and the need to prioritise according to transparent and equitable base criteria. The systematic use of data has been successfully implemented and shown to be feasible in a number of countries, notably Belgium (the Walloon region), France, Germany, Ireland, the United Kingdom and the United States. Whilst the methods used from country to country still vary considerably, there is little doubt that the use of statistics in designing policies for disadvantaged areas will grow considerably in the near future.

Future developments in the identification of deprivation are likely to be driven by the ever-increasing flexibility and simplicity of computer data handling

and processing technologies. In the short-term, however, the emphasis in the debate about deprivation indices should be less on how exactly they are constructed – many indices result in very similar deprivation patterns in any case – and more on the role which area-based interventions have within the policy spectrum and on how such indices may be used in an applied policy context.

In relation to the use of deprivation indices, it is also important to be clear about their role in the broader policy field:

- How can the concepts underlying data-systems be better understood by policy-makers the policy decision makers and the wider public, thereby ensuring the necessary acceptance of their findings and support for application in decision-making?
- How can explicit resource-allocation models be constructed which result in fair allocations of scarce resources to those areas in greatest need?
- How can the effects of area-based interventions be measured and satisfactory monitoring and evaluation procedures be developed that allow the identification of models of best practice and the incorporation of innovative approaches into mainstream policies?

*Annex 3*

# SUMMARY OF CASE STUDY ANALYSIS OF DISPARITIES IN SELECTED URBAN AREAS

## INTRODUCTION

The analysis of urban disadvantage by means of data from national sources has, at least at the present time, a number of important limitations. The range of indicators that can be brought into the analysis is limited, and these indicators are not flexible enough to reflect all the configurations of distress in a local setting or to trace their evolution. As a result, national level analyses alone furnish an incomplete description and explanation of conditions in disadvantaged areas.

Case studies can complement and enhance the national data analysis approach. In conjunction with the Healthy Cities project of the World Health Organisation, several cities[52] that participate in that network provided information commenting on the results of the OECD's analysis, enriching it with detailed quantitative and qualitative information about their city.

These case studies were intended to highlight the dynamic processes that shape the specific pattern of area disadvantage in each city. They illustrate, for instance, the differences between those areas that are poor but stable – because the population is mainly composed of elderly persons or strong community organisations are present – and those areas where multiple forms of disadvantage coincide and social problems are more worrying, as revealed through such indicators as health outcomes. Such distinctions, often missed in statistical surveys, are crucial to the apportionment of resources and effort by national and municipal governments.

The health sector was used as the focus of the case studies for two reasons. First, health outcomes are seen as one of the main areas where deprivation entails additional, "unnecessary" expenditures. Second, OECD analysis suggests that this is an area where there are few data resources for identifying intra-urban disparities and where socio-economic determinants are poorly integrated into models of health outcomes by public agencies.

This synthesis brings together some of the key issues raised in the case studies, which have been incorporated into the main report.

## THE CASE STUDY CITIES AND SELECTED NEIGHBOURHOODS

### Paris agglomeration – municipality of Aubervilliers

Unlike the other cities included in this study which are regional capitals, Aubervilliers forms part of the Paris agglomeration. Although partially a satellite settlement, the city also has significant local industry and only one-third of the workforce commuting into Paris to work. As with many of the municipalities that surround Paris, Aubervilliers has experienced strong population growth over the past thirty years and has received significant numbers of immigrants, notably from Arabic countries and sub-Saharan Africa. As a result, the city is a mix of pre-war housing and modern apartment-style blocks.

Of the four neighbourhoods identified, two are multi-family estates one close to the city centre and the other bordering Paris; the other two are areas of degraded housing, one located in the city's industrial area and the other close to the old city centre. The first two adjacent neighbourhoods were built in the late 1960s/early 1970s.

### Glasgow

The city of Glasgow is the core of a major conurbation which also includes six adjacent local authorities that cover the suburban/commuter zone. The most noticeable change in the area over the past decades has been a shift of middle-class households to the outlying suburbs, creating new urban areas with a separate identity, along with thinning out and redevelopment of inner city slums and relocation of residents to peripheral estates.

The eight areas identified in the report fall into one of two categories: 1) large peripheral estates located on the edge of the city, built in the immediate post-war period. These areas are largely residential and despite a recent move to create local employment, the lack of such opportunities contributed to their isolation; 2) central city neighbourhoods comprising tenement housing form the inter-war period, post-war redevelopment and system-built multi-storey blocks. These areas are close to the city centre and include some industrial sites and a variety of land uses

### Indianapolis

Like many American cities, Indianapolis experienced inner city decline in the 1960s, encouraged in part by the construction of the Interstate highway which

not only encouraged suburban development but also physically cut through central-city neighbourhoods undermining the integrity of many communities. Over the same period, a process of factory closures and relocation reduced the level of manufacturing in the city and, consequently, local employment opportunities for low-skill workers.

All seven neighbourhoods examined in the case study are clustered around the old city centre in traditional working class areas where de-industrialisation and relocation has resulted in them becoming increasingly residential and increasingly distant from the main areas of blue-collar employment growth.

**Toronto**

Thanks to a rich and diverse history and a tradition of community activism, Toronto is seen as a ''city of neighbourhoods''. Toronto has for many years had a land use/housing policy that favoured the maintenance of mixed-income neighbourhoods. As a result, there are no areas that are solely social housing or low income. This means that disparities are often difficult to identify statistically with only a small number of areas clearly recognisable.

The four areas identified in the case study are all in the inner city but each has a somewhat different character: one contains a large, high density social housing estate, another is composed of old mansions converted into one-person flats when the formerly prosperous neighbourhood declined following the building of an expressway.

**IDENTIFICATION OF STUDY AREAS**

On the basis of data provided by national governments, the OECD identified areas within each of the study cities that exhibited characteristics of income and employment deprivation. Each study city then reviewed these areas on the basis of their own assessment of the distribution of disadvantage within the city.[53]

A preliminary conclusion from the review of OECD data by participating cities is the importance of ''holistic'' neighbourhood entities as the basis for conceptualising deprivation, rather than statistical units used derived from the census of population. The OECD analysis identified specific statistical units where levels of income and unemployment exceeded particular thresholds. In each city, however, these blackspots are considered, politically and administratively, in the context of a distinct geographical and cultural neighbourhood entity of which the statistical units form a part. A more sophisticated definition of urban neighbourhoods is considered to be a pre-requisite to successful local policy intervention.

In each city, there has been a noticeable shift in recent years away from a centralised system of analysis and intervention towards more flexible locally-

oriented policymaking. Statistical identification of areas is also becoming more sophisticated, with units of intervention no longer following census or administrative demarcation, but involving a more nuanced definition. Neighbourhood areas in Toronto, for example, were defined in consultation with local groups and agencies to combine adjacent census tracts with shared social and cultural characteristics, taking into account: the location of major housing projects and historical neighbourhood boundaries; physical boundaries, such as main streets, rivers and railway tracks; the service areas of local community organisations and schools; and commercial and retail strips.

On the basis of these neighbourhood divisions, each city had also identified "target" or priority" areas, either incorporating a nationally applied system of indicators or according to their own political/ statistical definitions. In practice, each of the methods for identifying deprived neighbourhoods used by cities involved the concept of multiple deprivation – in other words, neither low income nor high unemployment were considered to be sufficient signs of deprivation.

The basic motivation for prioritising neighbourhoods varied greatly. In Glasgow, applications by the local authority for one of the national government and EU area-based regeneration programmes prompted the delimitation of specific zones. In Indianapolis, the definition of priority areas grew out of a redevelopment effort led by the local government itself.

The number of neighbourhoods and their size also varied greatly from one city to another, ranging from 4 neighbourhoods with a total population of around 30 000 in Aubervilliers and 4 neighbourhoods with a population of 65 000 in Toronto up to 8 larger priority areas in Glasgow with a population of almost 200 000. Such figures are not very revealing because, as was mentioned above, the motives for defining deprivation varied greatly and definition of the number of neighbourhoods and their base population was influenced by these subjective factors.

In each case, however, the division of the city into neighbourhoods is viewed as an important step towards making local government more accountable, accessible and effective, and an important means of engaging non-governmental organisations and associations in policy initiatives.

## GEOGRAPHICAL LOCATION AND PHYSICAL ENVIRONMENT

Although sharing many similar features, the areas identified in the case study cities are diverse geographically and physically from one another.

Each city stressed the difficulties of targeting policies for disadvantaged areas when their physical and socio-economic features vary so greatly and where a poor physical environment does not accord geographically with poor socio-economic conditions. In two particular cases, Aubervilliers and Toronto, the focus

of the case study was explicitly on the temptation to target the more "visible" areas of disadvantage compared with the belief within the administration that other areas were equally in need of policy attention.

In Glasgow, although the nature of deprivation has not changed dramatically, its geographical location has. Many of the worst inner city areas have been the subject of intensive redevelopment and renovation efforts, entailing a large-scale resettlement of residents from the city centre to new peripheral estates. The population of the traditionally poor neighbourhoods is now both smaller and older than it was, with peripheral areas increasingly characterised by very young populations and concentrations of at-risk groups. Thus, public policy is re-orienting towards these emerging problem areas.

Indianapolis, by contrast, has experienced typical out-migration of wealthier residents, leading to strong concentrations of families below the poverty line in traditionally poor areas and relatively young population profiles. As a result, there has not been a geographical relocation of disadvantage over the past decades, but rather a reinforcement of it in traditional areas. The concern of the local government is to prevent continuing stagnation of these central areas within an overall economy which is expanding, leading to a situation where the economy of the city, based on a central business district and extensive mixed land use commercial and residential suburbs, evolves without them.

Despite the somewhat different circumstances, commentators in both Indianapolis and Glasgow pointed to a clear process of neighbourhood polarisation, a phenomenon which was also stressed in national reports on urban distress submitted to the OECD. In both cities, health outcomes in the priority areas already set them apart from the rest of the city.

Toronto, by virtue of particular housing and fiscal policies has managed to maintain relatively high degrees of social mixing within the city, with polarisation being visible, on a much smaller scale, with processes of gentrification affecting some inner city areas. In addition, there is evidence of suburbanisation but most city neighbourhoods have retained their values over the past two decades. Nevertheless, health disparities are striking. As each of the four neighbourhoods includes areas of older housing, physical/environmental factors are considered to explain some of the inequality. Areas of Victorian-era housing subdivided into individual "bed-sit" units are closely associated with poor health outcomes. However, from the point of view of the city government it is as much the socio-environmental features of these "bed-sits" as the influence of the housing and amenities itself that act as the major determinant.

Finally, Aubervilliers presents an interesting example of the stark contrasts that can exist within the same urban area and the challenge that this poses for policymakers. The four neighbourhoods identified for this study each have char-

acteristics of socio-economic distress and poor health outcomes. Two neighbourhoods consist mainly of degraded older housing found close to the town's industrial zone. In the 1960s the areas were settled by immigrants because of low rents and the population density increased sharply. As the industrial zone itself declined, the areas became less desirable as residential locations and little renovation or maintenance took place. In recent years, many properties have become multi-family "squats" or are occupied without lease or contract. As such, residents are sometimes not well-integrated into the public welfare system and problems of public health and sanitation are increasing. In addition, in areas where rents are so low, the capacity/willingness of landlords to invest in repairs and maintenance is limited. Most residents do not have the means to carry out maintenance themselves, and so the quality of housing and facilities tends to decline over time. Moreover, the frequent irregularity or illegality of leases prevents tenants from having recourse to legal action in the case of disputes with landlords

The other two neighbourhoods are close to the city centre and were redeveloped in the late 1960s/early 1970s. Now almost exclusively residential, housing is in large, multi-family, social housing estates. Although constructed quite recently, these two neighbourhoods have acquired a bad image in the town, partly as a result of a high perceived crime rate (no statistics exist) and widespread vandalism but also partly because one is located in a higher profile area of the town than the first two areas. In recent years, these latter areas have been the focus of intensive policy efforts, including participation in national government regeneration programmes, while the other two have received comparatively less attention.

Table 12 shows how, within a city, policymakers have to cope with serious social and economic problems in two very distinct types of neighbourhood, one which is in the centre of the city, has a high profile and tends as a result to be the focus of policy action, the other whose difficulties stem from inadequate physical amenities but whose geographical location makes it less visible to policymakers and the public alike.

Thus, while the role of physical factors – poor housing, lack of amenities, proximity to polluting industries – can be pointed to in areas A and B as influences on other socio-economic outcomes, the level of physical comfort in areas C and D is relatively high.

## SOCIO-ECONOMIC CHARACTERISTICS AND HEALTH OUTCOMES

Despite the important variations in location and physical characteristics, socio-demographic profiles and socio-economic conditions in the areas, along

Table 12. **Local conditions in four neighbourhoods of Aubervilliers**

| | | Older areas of degraded housing | | Central city, modern social housing | |
|---|---|---|---|---|---|
| | | Area A | Area B | Area C | Area D |
| **Social conditions** | | | | | |
| Demographic structure | Males aged 15-24 (%) | 10.1 | 9.3 | 16 | 17.1 |
| | Non-nationals (%) | 53.5 | 51.5 | 25.5 | 22.8 |
| Education | Children re-taking first year in school (%) | 31 | 14 | 6 | 7 |
| Employment | Youth unemployment rate (%) | 26.5 | 21.3 | 22.2 | 23.7 |
| Income and needs | Children having school meals (%) | 59.2 | 51 | 70.5 | 57.4 |
| Health | Teenage birth rate (births to women 15-19/1 000) | 36.3 | 14.7 | 7.3 | 4.7 |
| **Physical Environment** | | | | | |
| Environmental quality | Environment-sensitive enterprises (no.) | 43 | 21 | 2 | 4 |
| | *of which:* | | | | |
| | Motor repairs/metalwork/welding | 13 | 6 | 1 | 1 |
| | Scrap metal yards | – | 1 | | |
| Housing | Housing units without bath, shower or WC (%) | 27.4 | 18.6 | 0.8 | 2.6 |
| | Housing with all basic amenities (%) | 44.6 | 47.5 | 96.3 | 93.7 |

*Source:* Department of Public Health, Municipality of Aubervilliers.

with many of the problems, appear to be similar in each of the cities. Each city reported clear patterns in deprived areas.

| | Characteristics stressed by city | Over-represented groups identified by city |
|---|---|---|
| Glasgow | Very low educational attainment<br>High rate of unemployment<br>High accident rate<br>Health inequalities<br>No car Households | Unemployed<br>People with long-term illness<br>Lone parent families<br>Children in low-income families |
| Indianapolis | Very low educational attainment<br>High crime rate<br>High levels of absolute poverty<br>Health inequalities | Unemployed<br>Lone parent families<br>Households below the poverty line<br>African American and other minority groups |
| Toronto | High rate of benefit and disability support<br>Health inequalities | |
| Aubervilliers | High rate of social assistance to children<br>Health inequalities<br>No car households | Unemployed<br>Immigrants |

In terms of socio-economic conditions, the two North American cities stressed income issues, whereas the European cities tended to stress employment issues. One main element noted by each city was the concentration of groups vulnerable to poverty: recent immigrants, lone parent families, families with no earner, people with long-term disabilities. In general, however, despite quite different geographical and physical characteristics and the influence of different political/administrative systems, the socio-economic problems picked out by each city resemble each other quite strongly.

In each city, significant health disparities are observed between the study areas and the city average regardless of the geographical or physical characteristics of the areas.

Although there has been an important shift away from purely epidemiological approaches to health assessment (see, for example, the WHO Ottawa Charter), there is no doubt that the physical environment still plays a role in determining outcomes. Each of the case study cities includes some areas of (more or less) "slum" housing and each of these areas was strongly associated with poor health outcomes. The important point to note is that, in each case, health outcomes in

many of the newer residential areas, whether found in the city centre or in peripheral estate, are often no better.

The policy question for governments is, therefore, to what extent are housing and hygiene issues still important in producing particular health outcomes and what other socio-economic factors, such as access to services, access to employment, need to be taken into account.

The main areas of concern for municipalities appear to be 1) birth-related impacts, and 2) mortality/morbidity.

Among the common birth characteristics, births to teenage mothers and underweight births were stressed by all cities. Disparities of a similar scale were found in the study neighbourhoods in each of the other cities. In the study areas of Indianapolis, for example, births to women below the age of 20 ranged from 174 per cent to 210 per cent of the county average; the incidence of low birthweight averaged almost double the county average; and infant mortality rates went from 123 to 174 per cent of the county average; Among the four study areas of Aubervilliers, one neighbourhood alone has a teenage pregnancy rate almost four times that of the other study areas, which are already above the urban average. In the study areas of Glasgow, significantly more children are born underweight, fewer children are breastfed (as low as one-third the average), more children are born to mothers under 20 (often twice the average) and fewer to women over 35. Finally, both parents are between 30 per cent and 40 per cent more likely to be smokers than the rate for the city as a whole.

Each of the cities is committed to reducing what are seen as preventable expenditures. Toronto reported some progress in reducing the rate of underweight births in certain neighbourhoods, but the results have been uneven and suggest that in some areas, change will come about slowly and only through concerted action by health care providers and local authorities.

In terms of mortality, the all-cause SMR was far higher in each of the study areas in each of the cities. Morbidity related to poor diet or lifestyle factors notably smoking and alcoholism – such as heart disease and lung cancer – are generally higher in the study areas than elsewhere in the city. Particular cities noted important increases in deaths due to particular causes. For example, Glasgow noted particularly high deaths due to respiratory diseases, strokes and lung cancer (each of which were almost double the national rate). Toronto noted high levels of heart disease, suicide, neoplasms and respiratory diseases. Indianapolis stressed the elevated rate of heart disease in disadvantaged areas.

In addition, however, the cities provided evidence of strong correlations between some very particular health outcomes and geographic location. One of the most notable is the incidence of tuberculosis, which although relatively rare in most OECD cities has been on the increase and tends to be found in certain

Box 6. **Socio-economic characteristics and health outcomes in a Toronto neighbourhood**

The neighbourhood includes the largest public housing project in Canada (built at mid-century), bordered by mixed residential and industrial areas. It is a neighbourhood of families with children, where according to the last census, incomes are less than half the city median and unemployment is twice the city rate. In 1995, half of the elementary school children in the area spoke a language other than English or French at home (*e.g.* Vietnamese 15%; Chinese 10%, Tamil 3%; Somali 3%). Despite a long history of community activism, the area has recently become stigmatised because of perceived drug and crime problems.

| | Study area | Typical mixed income area | City of Toronto |
|---|---|---|---|
| **Socio-economic-cultural indicators** | | | |
| Population receiving social assistance (%) | 51.8 | 26 | 15.8 |
| Low income families (%) | 63.4 | 25.2 | 19.2 |
| Unemployment rate | 22.7 | 13.4 | 9.7 |
| Persons in managerial positions (%) | 7.9 | 12.4 | 17.4 |
| Males in part-time employment (%) | 52.7 | 42.9 | 40.3 |
| Population without high school diploma | 25.6 | 19.4 | 14.7 |
| Recent immigrants (< 3 ans) | 8.7 | 9.4 | 6.9 |
| **Health status indicators**[1] | | | |
| Teenage birth rate (births to women 15-19/1 000 women) | 53.6 | 43.3 | 25.6 |
| Age standardised low birthweight births | 7.6 | 5.0 | 5.2 |
| Infant mortality rate (SMR) | 12.1 | 7.3 | 7.0 |
| Tuberculosis (DSR, 1990-1994) | 96.1 | 34.6 | 25.9 |
| Sexually transmitted diseases (Males, DSR, 1992-1994) | 420.3 | 257.3 | 167.3 |
| All-cause mortality (SMR) | 1.47[2] | 1.20[2] | |
| Deaths from heart disease | 1.58[2] | 1.19[2] | |
| Deaths from external causes (SMR) | 2.51[2] | 1.21 | |

1. SMR and DSR are age-standardised.
2. 95 per cent probability of statistically-significant difference from city average.

Toronto data suggests a close link between socio-economic characteristics and variance in mortality rates, and other indicators. Low income neighbourhoods with 10% of the total city population account for about 25% of teen births, low birth weight babies, tuberculosis cases, gonorrhoea cases, and people on social assistance. This is a result of at least two factors. First, poverty limits individual access to the determinants of health and well being – in terms of housing and sanitation, diet, education and services. Second, health outcomes are connected to social

*(continued on next page)*

*(continued)*

conditions in the community such as family and community support structures and the power to influence change locally, but also including fear of crime and sense of security. Culture as a mediating factor also needs further research.

specific locations. Both Aubervilliers and Toronto noted the concentration of tuberculosis outbreaks in the study areas and the virtual absence of the disease elsewhere.

The shared conclusion of the participating cities is that health outcomes are determined by an extraordinarily complex mix of locational, environmental, cultural and socio-economic factors. However, the ways in which behaviours, attitudes, lifestyles etc. are transmitted from one individual to another and from one generation to another play an important role in perpetuating particular health outcomes. Given that most determinants of health lie outside the health service sector, this is an area where *neighbourhood effects* have a clear impact on individual health outcomes and by extension on public policy and expenditures.

**DATA AVAILABILITY**

Despite the general agreement between the national reports submitted to the OECD, socio-economic outcomes measured by Member countries and the OECD Secretariat and the information provided by particular cities, there are some notable areas where data is not easily obtainable or lacks robustness even for municipal authorities. For example, the cities stressed that census information inadequately represents some key population groups in urban communities, such as street youth, people who are homeless or staying with others in temporary or crowded housing, refugees and newcomers without legal status, and so on. In general, the 15-24 age group is considered to be strongly under-reported by the census and Glasgow, Toronto and Aubervilliers each have programmes in place that are designed to measure more accurately the size and needs of young people.

Some of the more intractable problems of policy targeting relate to the following three topics:

*Crime, drug use and safety statistics*

- Under-reporting of certain crimes by certain population groups, notably sexual assault and hate/racially motivated assaults.

- Violent crimes including homicide may decrease while domestic violence reports increase, but this may directly relate to changes in police or judicial policy.

I*nformation about access/obstacles*

- Although transportation may be physically accessible, it may be prohibitively expensive; the same is true for many other state-provided services.
- Although these areas are usually underserved by large grocery stores where staple items are cheapest and can be obtained by bulk, it is difficult to measure their lack of access other than by means of ''basket of goods''-type surveys.

*The homeless population*

- This is a population that is not easy to track. Attempts have been made to collect the numbers of people who use hostels but duplicate counting as people move between residences cannot be assessed, the number of people who actually live on the streets, abandoned buildings, stay short stays with friends are never tabulated and therefore cannot be analysed.
- Anecdotal information, numbers of people using hostels and an increase in the visible numbers of street people suggest an increase in homeless and severely underhoused people but more robust data is difficult to obtain.

## NOTES

**1.** See John D. Kasarda, Stephen Appold, Stuart Sweeney, and Elaine Sieff, "Central-City and Suburban Migration Patterns: Is a Turnaround on the Horizon?", *Housing Policy Debate* Vol. 8 (1997), pp. 307-58.

**2.** This would mean, for a distressed neighbourhood of 6 000 inhabitants, 300 more children under 15 than a typical area, 250 fewer elderly people, almost 150 more single parent families, and 500 more non-nationals than other urban areas.

**3.** Adapted from the National Overview submitted by Sweden:

**4.** At the end of 1989, there were approximately 4.6 million people employed in manufacturing industries excluding construction. *Source:* INSEE.

**5.** Taken from the US national overview submitted to the OECD; *data source:* US Department of Labor.

**6.** OECD (1996), Beyond 2000"; for more on the rise of poverty among children in the USA, see Annie E. Casey Foundation, *Kids Count Data Book* and *City Kids Count,* published periodically.

**7.** Taken from OECD (1995), *Local Partnerships and Social Innovation: Ireland.* Paris: OECD.

**8.** A. AMIN and S. GRAHAM (1997), "The Ordinary City*", Transactions of the Institute of British Geographers*, p. 11.

**9.** Gregory and Hunter (Australian National University) examined longitudinally the situation of neighbourhoods classified on the basis of socio-economic status between 1976 and 1991. GREGORY B. and B. HUNTER (1996), "The Macro-Economy and the Growth of Income and Employment Inequality in Australian Cities", Unpublished report presented at the second session of the Project Group on Distressed Urban Areas, OECD, Paris, January 1996.

**10.** Quoted in B. KATZ (1997), "Give Community Institutions a Fighting Chance", The Brookings Review, Vol. 15, No. 4 (Fall). In the United States, the concept of "spatial disequilibrium" or "mismatch" between demand for and supply of jobs has already been widely explored in the economic literature by such researchers as Harry Holzer, Keith Ihlandfeldt, Christopher Jencks, John Kasarda, Michael Katz, William Julius Wilson and Hal Wolman, among others.

**11.** For a discussion of the relationship between local and metropolitan/regional labour markets, see P. CHESHIRE (1979), ''Inner Areas as Spatial Labour Markets: A Critique of the Inner Areas Studies'', *Urban Studies* Vol. 16 (1979), pp. 29-43.

**12.** DSQ is the abbreviation used to indicate neighbourhoods targeted by the *Développement Social des Quartiers* programme.

**13.** There are also, of course, cultural obstacles to individual mobility. Attachment to a particular city or area can play an important role in decisions to migrate or to work further afield In Portugal, numerous labour market studies have concluded that young workers are more reluctant to migrate internally to find work than in other countries, both for family reasons and because the housing market does not provide sufficient low-rent private sector accommodation.

**14.** US Department of Housing and Urban Development (HUD) (1995), *President Clinton's National Urban Policy Report*, Washington DC: Office of Policy Development and Research, pp. 12-13.

**15.** M. STORPER (1996), ''Policies for Distressed Urban Areas, Their Systemic Causes and Territorial Fixation'', Unpublished paper presented at the Second session of the Project Group on Distressed Urban Areas, OECD, Paris, January 1996, pp. 3-4.

**16.** For a rich comparative description of the combination of social and physical characteristics found in many large social housing estates in Europe, see A. POWER, *Estates on the Edge,* London: Macmillan.

**17.** For collected essays by the leading researchers involved in ''the underclass debate'', see C. JENCKS and P. PETERSEN (1991) eds., *The Urban Underclass.* Washington DC: The Brookings Institution; and M KATZ (1993), ed., *The ''Underclass'' Debate: Views from History*. New Haven: Princeton University Press.

**18.** See, for example, J. CRANE, ''The Epidemic Theory of Ghettos and Neighbourhood Effects on Dropping Out and Teenage Childbearing'', *American Journal of Sociology*, Vol. 96, No. 3 (March 1991), pp. 1226-1259.

**19.** See G. GALSTER and M. MIKELSONS (1995), ''The Geography of Metropolitan Opportunity: A Case Study of Neighbourhood Conditions Confronting Youth in Washington DC,'' *Housing Policy Debate,* Vol. 6, No. 1, pp. 73-102.

**20.** See, D. DELL'ERA *et al.* (1996), ''Le défi de l'emploi à Metz et à Nancy'', *Économie et Statistique*, Special.

**21.** See J. MORENOFF and M. TIENDA, ''Understanding Neighbourhoods in Temporal and Ecological Perspective'', *Annals*, 551 (May 1997).

**22.** For a comparison of the American and European experience see, in particular, L. WACQUART (1993), ''Urban Outcasts: Stigma and Division in the Black American Ghetto and the French Urban Periphery'', *International Journal of Urban and Regional Research*, Vol. 17, No. 3 (September), pp. 366-383.

**23.** See, J. CRANE, ''The Epidemic Theory of Ghettos''.

**24.** See, A. HIRSCHFIELD *et al.,* ''Crime and the spatial concentration of disadvantage: an analysis for Merseyside'', ESRC Research Project, ''Crime and Social Order'' Programme.

**25.** M. PORTER (1995), ''The Competitive Advantage of the Inner City'', *Harvard Business Review*, p. 64.

**26.** B. KATZ (1997), ''Give Community Institutions a Fighting Chance'', The Brookings Review, Vol. 15, No. 4 (Fall).

**27.** See, A. DOWNS (1991), ''Obstacles in the Future of US Cities'', Journal of the American Institute of Planners, Vol. 57:1, pp. 13-15.

**28.** M. PORTER (1995), ''The Competitive Advantage of the Inner City''.

**29.** Assessing the additional financial and service needs of residents in deprived areas is one of the main issues in the academic exploration of neighbourhood effects.

**30.** C. TREGUER and L. DAVEZIES (1996), ''Les Politiques publiques favorisent-elles les quartiers pauvres ? Le cas d'éducation nationale'' Unpublished report for the Délégation Interministérielle de la Ville.

**31.** See W. DUNCOMBE, J. RUGGIERO and J. YINGER (1996), ''Alternative Approaches to Measuring the Cost of Education'', in H. LADD, ed., *Holding Schools Accountable*. Washington DC: The Brookings Institution.

**32.** See, for example, H. LADD and J. YINGER (1994), ''The Case for Equalising Aid'', *National Tax Journal*, Vol. 47, No. 1 (March), and A. RESCHOVSKY (1994), ''Fiscal Equalisation and School Finance'', *National Tax Journal,* same issue.

**33.** See OECD (1995), *Strategies for Housing and Social Integration in Cities.* Paris: OECD.

**34.** Adapted from OECD (1995), *Local Partnership and Social Innovation: Ireland.* Paris: OECD.

**35.** See, OECD (1997*) Report on Ministerial Symposium on the Future of Public Services*. Paris: OECD.

**36.** For a discussion of fears of the emergence of an underclass in European cities see, for example, ''Europe and the Underclass: the slippery slope'', *The Economist*, 30 July 1994, pp. 17-19.

**37.** W.-J. WILSON, ''Public Policy Research and *The Truly Disadvantaged*'', in C. JENCKS and P. PETERSON, eds., *The Urban Underclass*. p. 478.

**38.** Under the auspices of the OECD, a study group comprising researchers and policymakers from both the UK and abroad undertook a one-week tour of two areas that have been included in both the City Challenge and SRB Challenge Fund programmes – Manchester and Teesside. These two industrial regions in the north of England provide contrasting urban environments – one a regional capital with a diverse economic base, the other a heavy industrial area that experienced a rapid decline – and hence different contexts for the implementation of government policy.

**39.** Department for the Environment, Transport and the Regions (1997), ''Involving communities in urban and rural regeneration: a guide for practitioners''. London: DETR.

**40.** See *Planning for a New Los Angeles*, a series of reports published by the Los Angeles County Children's Planning Council.

**41.** See M. PORTER (1995), ''The Competitive Advantage of the Inner City, p. 55.

**42.** *Ibid.*

**43.** See Committee for Economic Development (1995), *Rebuilding Inner City Communities: A New Approach to the Nation's Urban Crisis.*

**44.** PORTER, ''The Competitive Advantage of the Inner City'', p. 55.

**45.** For a fuller discussion of the process of policy exchange between the UK and the USA, see R. HAMBLETON (1995), ''The Clinton Policy for Cities: A Transatlantic Assessment'', *Planning Practice and Research*, Vol. 10:3/4.

**46.** For example, non participation in local government elections in Stockholm increases steadily as the income level of the area decreased. In the areas studied in this report (those defined as ''poor'' or ''very poor'') the rate of non-participation was almost three times higher than in wealthy areas.

**47.** See, for example, F. Drever and M. Whitehead, ''Mortality in regions and local authority districts: an exploratory analysis'', *Population Trends,* No. 82 (Winter, 1995).

**48.** In conjunction with the World Health Organisation's Healthy Cities programme, the OECD launched a series of case studies that supplemented country reports with detailed information on the evolution of urban disadvantage in a number of cities in OECD Member countries.

**49.** The table below shows the relationship between neighbourhood deprivation and crime figures for the Merseyside Region.

| Neighbourhood deprivation decile (least deprived = 1) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Assault/wounding (/10 000 pop.) | 15.5 | 21.3 | 30.7 | 35.3 | 44.8 | 68.9 | 66.6 | 73.4 | 88.8 | 107.8 |
| Robbery/theft | 5.8 | 8.9 | 11.9 | 14.7 | 21.6 | 32.8 | 29.8 | 30.1 | 44.3 | 71.1 |

**50.** See Alexander Hirschfield *et al.* ''Crime and the spatial concentration of disadvantage: an analysis for Merseyside'', ESRC Research Project, ''Crime and Social Order'' Programme.

**51.** See Gordon, D. (1995) ''Census based deprivation indices: their weighting and validation'' *Journal of Epidemiology and Community Health*, Vol. 49 (Suppl.), S39-S44.

**52.** The participating cities were: Aubervilliers (Paris agglomeration), France, Dublin, Ireland (policy information) Glasgow, UK, Indianapolis, USA, Toronto, Canada, Rotterdam, the Netherlands (policy information)

**53.** Data for Glasgow based on the worst 10 per cent of Wards assessed on the basis of the deprivation index used by the Scottish Office which is similar in most respects to that used by the Department of the Environment in England and Wales.

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