

Lecture 9b. RELOCE 2010

**The renaissance of local economic regeneration
in the UK: Main themes and activities.**

Local economic regeneration: Major themes.

Introduction

The lecture examines the major themes of urban and local economic regeneration. Most of the material is taken from *Urban Regeneration: A Handbook (2001)* by Roberts P, and Sykes H, published by SAGE. The focus in this lecture is on Part 2, Chapters 4 (which provides an introduction) and 5,6 and 7, which examine Physical and Environmental Aspects, Social and Community Issues and Employment, Education and Training respectively. Chapter 8 Housing is not covered but it is worth remembering that housing regeneration often plays a significant part in a local area's regeneration activity.

They begin by addressing how the demand and supply sides of the local economy impact on economic regeneration.

Demand Side

The focus is on retention of local spending and attraction of additional spending from outside. The activity is usually focused around the promotion of an area to attract new sources of expenditure e.g.

- Development of new manufacturing facility,
- Bank moving in it's call centre,
- Attraction of conferences, tourists etc.

Supply Side

Improving the efficiency/competitiveness of the local area. This takes the form of investment in human and physical capital e.g.

- Infrastructure particularly communications,
- Innovation and R&D links, particularly with universities,
- Entrepreneurial activity,
- Education, training and skill acquisition.

The first question is why urban areas have declined? A selection of views from *Urban Regeneration - A Handbook* is set out below:

Structuralist

Structural changes in the global economy give rise to new economies with differing spatial/ locational requirements. In other words economies are constantly in flux with companies looking for new location to either increase output (demand-side) or reduce input costs (supply-side).

Counter-urbanisation

Pull factors of rural areas and the push factors arising in urban areas causing firms and population to move out. This is based on two notions; that land rent pushes people/ business to less expensive rural locations and that quality of life issues pull individuals/ business towards the countryside.

Marxist

Need to maximise exploitive potential of capital by using cheaper, flexible, less militant labour that can only be found in less urbanised areas as workers become more militant and aware.

Sectoral or planning

Unintentional effects caused by spatial planning policies such as development of greenbelt encouraging firms to move well away from urban centres.

External ownership

Increasing external ownership of firms in urban areas by others with little local allegiance who fail to invest in the business awaiting the value of the enterprise to appreciate before cashing in.

Product cycle

Standardisation means that manufacturing can happen almost anywhere so production in lower cost centres elsewhere becomes highly profitable.

Roberts and Sykes suggest 4 phases in the development of urban policy from the mid 1960s onwards

Phase 1. Mid 60s to 1977

View of deprivation based on "culture of poverty" thesis. Poverty limited problem concentrated in small areas (anti-social behaviour) could be identified and eliminated by tackling the "social problem". If you like, the "one nation" Tory philosophy.

Phase 2. 1977 to early 1980s

Emphasis on development of land and premises to bring about urban economic regeneration, major supply constraints limited land unable to expand or attract inward investment, use public sector funding to "kick-start" the process, Enterprise zones, policy becoming increasingly centrally focused, local authorities side-lined, locals feel disengaged from the process.

Phase 3. Early 1980s to 1988

Private sector encouraged to participate through UDCs because local authorities seen to be inefficient and "burdening" business. Large "Flagship" and mixed schemes using "leverage planning", developed concept of partnership (public & private) City Action Teams (CATs) more dynamic and efficient at delivery also the concept of levering in private sector investment.

Phase 4. Post 1988

Recognition that the nature of local problems varied between locations, therefore local strategies needed to be developed and "owned" by local communities, SRB, Government Regional Offices, Regional Development Agencies, ties in with the European Ideal (funding angle).

Generic Initiatives/Programmes

Grant Support

Land Grant supporting a proportion of the cost of bringing derelict land (property) back into "beneficial" use, designed to lower the entry threshold up to a maximum of 100% of the costs.

Urban Development Grants designed to "pump prime" private investment, any type of project but mainly physical regeneration, responsible for housing projects where these might not have happened, criticised because application procedures were complex and lengthy.

Urban Regeneration Grants designed for large sites >20 acres to assist the project's commercial viability, offered through government regional offices (by-pass local authorities).

Relaxation of Regulation

Enterprise Zones designed to remove the "burden on business", exemption from non-domestic rates, 100% write off against tax for capital expenditure on buildings, simplified planning and reduced requirement to provide statistical information. The suggestion is that this caused significant displacement effects with companies crossing the border into the zones to take advantage of the reduction in business cost – few additional jobs created.

Urban Development Agencies

The main vehicle for this was **Urban Development Corporations** these were private sector led quangos and they had the power to acquire, improve and service areas of land and act as their own development controller, selling on the improved premises and sites. The role is now taken on by **English Partnerships** ("roving UDC") still the emphasis on land and property development alongside inward investment but some focus on local communities in the form of training.

Integrated Approaches

Objective to achieve more "holistic" and integrated regeneration, **City Action Teams** brought together government departments (in the regions) Education, DTI and Environment, did not bring any extra resources but sought to achieve better coordination and reduce duplication, did not always work closely with local authorities and some of the projects may have happened anyway (dead-weight). **Task Forces** charged with improving coordination within the public sector and between the public and private sectors, aims to create and safeguard jobs, remove barriers to employment and increase employability (training and education) and enterprise stimulation. These were set up in some of the most deprived areas.

Competitive Bidding and Funding

Picking winners, projects with clear objectives, output measures, potential to attract private investment and value for money were likely to succeed. **City Challenge**, bigger role for local authorities, still links with business but also voluntary sector, the focus beginning to move towards social policy. The idea was to run holistic linked projects i.e. training, employment, housing, reduction of crime etc. The main innovation was that the process involved partnerships in a "competitive bidding" process. A review suggesting overlap and waste of resources led to the formation of the **Single Regeneration Budget** (SRB) which drew together existing programmes into one integrated regeneration strategy. Although it

is still dominated by large-scale projects, partnerships are more cohesive and durable; they got round the problem of administrative boundaries and is thought to provide better value for money.

Future

It is suggested that future urban regeneration will concentrate on "Flagship" projects, which address wider issues than just physical regeneration; these are likely to include wider use of technology and telecommunications, transport, economic and environmental sustainability and promote urban living. Successful bids for funding are likely to:

- Involve a broad range of partners
- Address the needs of local communities
- Reflect sectoral changes in the economy
- Demonstrate innovation
- Show tangible benefits
- Be capable of replication

Issues

Physical and environmental aspects

Urban Regeneration - A Handbook looks first at the components of the physical stock, this includes buildings, land, urban and open spaces and water, utilities and services telecommunications, transport infrastructure and environmental quality. Whilst the need to upgrade buildings is fairly obvious others are as important. For instance, the power supplies may be inadequate, the area may not be "wired" (Integrated Services Digital Network), areas need to be accessible either by road or via mass transit systems and good environmental quality attracts skilled workers and leading edge firms and expresses confidence in an area. Overcoming these shortfalls is expensive. The cost is dependant on the state of dereliction and an assessment of future use of a site.

Socio-economic change and the stock

Socio-economic change is rapid it may also be part of the problem. In regeneration there is a need to fuse the physical appraisal with the anticipated economic and social functioning of the area after regeneration. For instance, public transport seems to be making a resurgence (in cities) changes in demographic structures mean city centre living is now more acceptable whilst work, shopping and leisure patterns are changing. It is suggested that SWOT analysis should be undertaken at an early stage of the regeneration process.

Role of Physical Regeneration in Urban Regeneration

Removing constraints

Derelict or contaminated sites, demand for these sites is often weak whilst the costs of bringing the site up to development standards are high. Land is often held in many small sites (parcels) which are difficult to assemble as a viable site and the costs may be high as vendors hold out for a higher price. Where these are in poor locations it may be difficult to get occupants to move (cost of borrowing and relocation). Poor communications, capacity of roads and connectability are significant issues.

Leading the change

Either through "flagship" projects usually commercial or municipal i.e. Canary Wharf or Birmingham Convention Centre or housing regeneration - the objective is to make a large impact that encourages further investment and/or involve residents in other forms of economic regeneration such as community development (training and work experience).

Building on opportunities

The best-known examples are waterside development or those utilising historical or heritage sites. Examples include local use of ex MOD land at Gunwharf and the dockside areas of Southampton.

Supply-side investments

These range from the traditional serviced site and building provision through to specialist investment such as tourism infrastructure with anchor attraction, museums and hotels. Many of the "flagship" developments such as the Albert Dock in Liverpool are examples of this.

Integrated socio-economic and physical renewal

The next step from physical renewal is to integrate socio-economic and physical renewal. This began with City Challenge and has continued with the Single Regeneration Budget (Challenge Fund). Typically these schemes are consortia of private, public and community sectors, the idea is for holistic regeneration concentrating on capacity building (the human capital of the inhabitants) alongside physical improvement. Examples include Shirebrook and District Development Trust, and the Rownshaw Estate in the London Borough of Sutton.

Avoiding conflict in development led regeneration

It is necessary to understand the property requirement of firms that an area is trying to attract. This is particularly important because the property market is segmented and there is a mismatch between demand and supply with developers reluctant to invest in brownfield land. EU structural funds insist that "strategic development sites" are included in schemes. Because of this "market failure" (mismatch) it is important to identify the demand and supply characteristics and the public investment required to get over shortages of land of a particular type. Sites that are not viable for employment or require upgrading need to be carefully considered and usually will require some form of public sector input.

Because of the displacement effect of firms moving from other areas of the city to new subsidised sites, it is important to have a city-wide approach to upgrading sites. Focusing policy on small areas can cause distortions in land and property markets in one part of the city to the detriment of others and competition between agencies involved in development of different sites.

Environment and urban regeneration

Environmental improvement is a key feature of urban regeneration. Run-down, derelict and contaminated sites have a detrimental effect on the perception of potential investors, thus it is difficult for an urban area to market its assets. There is also a need to justify environmental improvements in economic terms and show that it has benefits to the community as well as business. Examples include landscaping and planting, land assembly, improved access and urban design. Many of the better examples are in the retailing and high value commercial elements of schemes.

Sustainable development, urban form and regeneration

With the rise of global environmental concerns the notion of the **compact city** is becoming more popular with attention focused on central area revitalisation, mixed-use developments and a reduction in travel. The UK now has a policy that 60% of new build housing should be on previously developed land although it is argued that this target may prove difficult for economic, technical and political reasons:

Economic: there is a geographical demand/supply mismatch - areas with the strongest demand are those with the least brownfield land i.e. the South East. English Partnerships report that in 2003 44% of all hardcore previously developed land (brownfield) was in the North West and Yorkshire and Humberside regions.

Technical: the sites that are easiest and cheapest are currently being developed the more difficult sites will be require larger subsidies before being considered.

Political: authorities may resist higher densities to preserve current residential preferences.

Sustainable transport is a further arm of sustainable development; with a requirement to integrate, public, non-polluting forms of transport and a reduction in dependence on the car. As yet road-pricing has not taken hold in the UK (outside of London) but is very likely to be part of future urban regeneration.

Increasingly attention will turn to more holistic sustainability such as complying with current environmental standards, going beyond it to use the best available technology and minimising environmental knock-on effects of new developments such as, using fewer resources, increasing the use of renewable energy and reducing the need for travel.

Social and Community Issues

Characteristics of communities one working definition is people living and working in a defined area (covered by a regeneration scheme) although this is thought to be too restrictive and the *Local Government Management Board* developed a broader definition which includes other criteria alongside the geographical qualification. This might include one or more of the following:

- Personal attributes (i.e. age, gender, ethnicity, kinship)

- Beliefs (i.e. religious, cultural or political values)
- Economic Position (i.e. occupational or employment status, income or wealth, housing tenure)
- Skills (i.e. educational experience, professional qualifications)
- Relationship to local services (i.e. tenants, patients, carers, providers)
- Place (i.e. attachment to neighbourhood, village, city, nation)

There can be disagreement about the precise definition but it is thought that as long as there is enough commonality there is a basis for partnership and there will be support for economic activities, which benefit local people and engender a feeling of **togetherness**.

Community **needs and provisions** vary but it is generally accepted that urban areas face problems of a shortage of funding, overburdened public services such as health, education and social services and related problems such as unemployment, crime and drugs. Whilst there is a long tradition of community and voluntary effort in the UK urban dwellers here are as keen to improve their quality of life as those in developing countries.

Some groups in urban areas have **special needs** because they are more likely to be excluded from the economic mainstream than others, and their plight may be made worse by discrimination. These include ethnic minorities and socially deprived groups who might be targeted for specific policy actions designed to bring them more into the mainstream economic and social systems.

To be successful economic regeneration initiatives need to develop **a vision that is shared** by the local community. This is not always easy. It is suggested that projects are more likely to be successful if communities can unite around aims and objectives and identify with them.

It is also necessary to achieve a degree of **representation**, either directly or using trusted voluntary organisations to champion community interests. Again this is not easy but is essential if an initiative is to have community ownership.

Empowerment is the extension of ownership to provide local communities with opportunities for taking decisions and influencing local projects. Another form is the setting up of community enterprises where people gain from the experience of "working" in the enterprise and acquiring skills for the future. Empowerment is also about allowing people to make informed choices, examples might include giving those in public housing to chance to own their own home, giving patients the opportunity to choose the care package they receive.

Effective partnerships are those that harness the talents and resources of the community for urban regeneration. There are usually three main groups in effective partnerships; Public organisations, For profit private sector organisations and not for profit private sector organisations.

According to the national Council for Voluntary Organisations, there are three key ingredients that need to be present to make partnerships work.

- **Co-ordination** of the different group's interests, which it admits is sometimes difficult to achieve.
- **Effective management structures** for implementation of the agreed policy goals in other words once the goals have been set an organisational and management structure that can deliver without interference.
- The ability to **link into different (funding) programmes** and knit these together into a coherent plan i.e. not conflicting or duplicating. This they argue can establish "a wider sense of community" or more pertinently extend the life of the project and build on previous actions.

The UK model of urban regeneration is essentially "led" top down rather than the US inspired broad based organisation which is grassroots led and implies day-to-day activism to apply political pressure. This suggests that capacity building is further advanced in the US than it is in the UK.

Capacity building

Capacity building is the process whereby the people who live in disadvantaged communities acquire the capabilities to directly influence the economic development, taking place within their community. This will include the skills needed to influence the strategic direction and management of a programme. The DETR suggest that capacity building should focus on:

- The **skills** of project planning, budgeting and fundraising, management, organisation, development, brokerage and networking.
- **Acquiring knowledge** of the programmes and institutions of regeneration, particularly their systems, priorities and key personnel.
- The **availability of resources** particularly people.
- The **ability to be able to influence** plans, priorities and actions of local and national agencies.

The idea is that communities will be more able to do things for themselves. They are able to create and maintain the structures that enable them to take charge of their futures. In other words, to break the cycle of dependency that has blighted many run-down communities.

Armstrong and Taylor (2000) suggest that there is a two-stage process in capacity building:

Programme bending - involves the local community developing sufficient capacity to take control of the full array of policies on offer (i.e. training, education, transport & business development) as well as community economic development (CED) and alter them to their own needs. Examples of programme bending include operating credit unions so that local people are drawn into their design, management and operation of the credit union rather than just operating it in the most efficient manner (i.e. widening its scope rather than reducing its risk exposure). Similarly using financial subsidy, advisory services and managed workspace in the first place to build capacity (training and skills) before going on to create a community business capable of trading outside the community.

Community linking - members of the community become re-connected with the mainstream economy and society. The crucial point is when capacity building has to switch into community linking. Whereas capacity building is concerned with creation of social capital i.e. the inputs, the linking of communities is concerned with turning the inputs into output. Some argue that capacity building on its own is sufficient to improve quality of life in disadvantaged communities but this alone suggests a continuation of dependency.

Advocates of CED split into two groups those who advocate non-isolation of socially excluded communities (**mainstream**) and those who are called **localist**. The latter suggests self-containment of local communities, preventing local leakages and increasing local ownership. This is often termed **social entrepreneurship** or the **third sector economy**, which lies between the public and private sectors. Some of the charity based organisations are large others are small operating in very small defined areas. Mainstream schemes usually incorporate some form of exit strategy; localist schemes have to rely on new forms of public or quasi-public funding.

Economists suggest that CED initiatives are extremely difficult to analyse in the traditional sense i.e. detecting inefficiencies in the form of deadweight and displacement. First CED objectives are wider than just economic and Armstrong and Taylor suggest that there will be a trade off between the economic, social, environmental and political objectives. They argue that there may be very high opportunity costs particularly in inner city projects. Secondly, CED policies are long-term and there is no clear indication where *capacity building* switches into *linking* and the flow of economic benefits starts.

Lessons of good practice

Roberts and Sykes conclude that there is no single blueprint for success because local conditions are not the same to begin with. Community regeneration strategies have tended to be pragmatic, sometime intuitive. They may borrow ideas from other schemes (that work) but adapt them to local conditions selecting the most appropriate elements. They conclude from case studies that the most important factors are: to listen to local people, being flexible and not hidebound by demarcation, having a shared vision and engendering community pride.

Employment, education and Training

Employment has always been a major priority for urban regeneration. Whilst local residents want jobs business wants a competitive location and a major element in the attractiveness of an area is its human capital. As important as the vocational skills available is the attitude and motivation of the workforce, thus education and training are vital issues to the health of the local economy.

Urban employment problems

Many of the jobs associated with the provision of goods and services have been lost to cities because of mass production and ease of transport away from the urban core. Other examples include technological change i.e. plastics for metals.

Factors seen as destroying jobs include:

- Congestion leading to operational inefficiency
- High land values and polluted land rendering re(building) expensive
- Under investment and unreliability of public transport
- High security costs, perceived street crime and insecurity
- Few skilled people and poorer basic education

This means that the pool of potential jobs is smaller and high unemployment may be difficult to reduce because:

- There are higher proportions of the “unemployable”
- The impersonal nature of urban areas makes job matching more difficult
- Accommodation for disadvantaged groups is concentrated in Urban areas
- Perceived language problems amongst ethnic minorities

This all helps to create a negative synergy.

However, public authorities may put a high premium on jobs created in the urban area. Strategies may include dispersal but are more likely to contain elements of renewal. This could be in the form of attracting new jobs into urban centres and equipping local people to compete for them through education, training and motivation.

The problem of urban labour markets is thus linked to economic restructuring. Urban centres have been losing population for the last 50 years or more, due to decentralisation and counter-urbanisation in other words increased commuting. Industrial process and the more affluent sectors of the labour market have moved out and urban areas have become polarised as the poorly paid and those in marginalized employment remain within the urban core. This has, at times, been backed up by public programmes to disperse populations away from the major cities whilst at the same time immigration has tended to draw in disadvantaged groups who have been constrained in their choice of employment and housing.

Many cities traditionally were heavily dependant on manufacturing employment and as the manufacturing sector has declined nationally, the impact on urban centres has thus been disproportionately greater. This is further reinforced by the fact that city locations are increasingly seen as uncompetitive locations. Hutton refers to the type of segmentation of the labour market in the urban areas as the 30:30:40 society, 30% under or unemployed, 30% those in marginalized employment and those in tenured permanent employment.

Labour Market Policy

The Thatcher government (and subsequent conservative administrations) saw urban policy as “social” and designed to deal with supply-side weaknesses caused by labour market rigidities and lack of enterprise. Policy was targeted at increasing competitiveness through stimulating choice, opportunity and individual initiative. The main vehicle to achieve this was Training and Enterprise Councils (TECs). These were private sector led and had a strong private sector ethos of targets, outputs and value for money wrapped up in a partnership framework with strong governmental managerial control. TEC’s have now been superseded; their main training activities have been passed to Learning and Skills Councils and the enterprise lobbying activities by economic partnerships.

The Labour administration of the later 1990s has continued the theme of competition but concentrated more on social inclusion there are three main elements:

- Welfare to work (New Deal), concentrating on groups such as 18-24, long-term unemployed, lone parents etc.
- National minimum wage and overhaul of tax and benefits designed to “make work pay”
- Investment in education and skills development, in order to up-skill the UK’s labourforce.

Job creation refers to the net new jobs added over a period of time.

The demand side of the labour market can be enhanced by:

- Attracting inward investment

- Growing existing businesses especially in the 10-100 employee range
- Creating micro businesses
- Temporary jobs creation via publicly funded schemes
- Expanding the public sector
- Reducing labour costs

The first 3 are the most popular.

The supply-side can be improved by:

- Providing information to assist the labour, training and education markets
- Improve basic education
- Develop vocational skills
- Enhance motivation and job search skills
- Change benefits to increase incentives to work

DDS – Deadweight, Displacement and Substitution

In urban labour market initiatives there is always the danger of waste if measures are ineffectively targeted, this is brought on by deadweight, displacement and substitution.

- Dead-weight means that the person would have found a job anyway,
- Displacement, they got the job but stopped someone else from getting it or someone else lost their job and
- Substitution (crowding out) means although one enterprise in receipt of subsidy might survive the risk is that this would drive another competitor who did not into bankruptcy.

The problem therefore is that after DDS is taken into consideration the net increase in jobs may not be particularly large. However in social terms the benefits may be substantial because the socially excluded are given a better chance of getting a job.

DDS can be minimised by:

- Creating jobs that provide goods and services sold outside the area (including tourism)
- Aim at supporting sectors with long-term growth prospects, leisure, education, health, high-tech
- Train for skills in demand (i.e. hard to fill vacancies)

Many of the urban initiatives result in part-time and temporary jobs although less desirable than full-time permanent employment they offer a stepping stone for the “excluded” to get back into work. Most urban areas are home to relatively large informal (or cash) economies the role of development agencies is to convert informal activity into self-employment and perhaps recognise that the informal economy may be significant to survival for many poorer communities.

Education and training

Recognising that skill and education levels in urban areas are often lower than other areas, business partnerships have been set up in an attempt to redress the balance. The business community contribute via:

- Helping to improve the management of schools through analysis and strategy formulation.
- Developing modern examples of curriculum and providing modern equipment and learning opportunities for teachers
- Work experience and compact
- Mentoring to support at-risk students.

Post 16 training and education are also important. Urban areas have ready access to colleges, further education and universities, which can provide enhanced training the challenge is to use these facilities more intensively and encourage the least skilled to use them. Their other roll is to assist technology transfer to local firms.

Key actors

The two main actors in urban regeneration were Training and Enterprise Councils (TECs) and Local Authorities, the former with extensive private sector input in terms of ideas and expertise and the latter as major landowners, planning authorities and stakeholders in education. Since 1999 Regional

Development Agencies have taken a more central role and the TECs have been wound down. The principle actors now are:

- Local authorities (in a co-ordinating capacity)
- Learning and skills councils (driving up skill levels and franchising training)
- Employment service (jobs brokerage)
- Business Link (business advisory service aimed at SMEs)
- Voluntary sector (housing associations, charities, health groups and other add hoc groupings)

Funding

The availability of funding should not drive strategy but invariably it does (or at least timetables). Funding tends to be competitive, output driven and conditional on viable partnerships, this is true for both SRB Challenge and EU funding. Typically single funding streams attract 50% or less of the necessary funding.

Future

Roberts and Sykes suggest that urban labour markets will follow national trends towards more jobs in professional, managerial and technical occupations and less in craft and unskilled occupations. There will also be more flexibility in the labour market and this may require social back-up facilities such as crèche and nursery provision. Employment is most likely to be in SMEs in high tech knowledge intensive sectors that offer high value added jobs. They also suggest that as education, training and skills improve more unemployed are likely to enter self-employment. They suggest that urban labour markets will become stronger in:

- Provision of higher and further education, including technology transfer, science parks etc.
- Health care taking advantage of concentration around transport hubs
- Culture, entertainment and sport (transport hubs, agglomeration)
- Heritage, theme retailing and tourism (24 hour city)

Reading:

There are a number of articles as well as Roberts and Sykes, these include the following, but also have a look at the Journals Urban Economics and Local Economy, both are available on-line via the library link.

- 📖 Southern A, & Townsend A, (2005) *Information and Communication Technologies and their role in Urban Regeneration*, Local Economy, Vol. 20 No. 3 pp266-279 [Available on the L Drive](#)
- 📖 Parkinson et al, (January 2005) *State of the Cities: A Progress Report to the Delivering Sustainable Communities Summit*, ODPM, [Very up-to-date available on the L Drive](#)
- 📖 McWilliams C, (2004) *Including the Community in Local Regeneration? The Case of Greater Pollok Social Inclusion Partnership*, Local Economy, Vol. 19 No. 3 pp264-275 [Available on the L Drive](#)
- 📖 Loftman P, & Nevin B, (1996) *Going for Growth: Prestige Projects in Three British Cities*, Urban Studies, Vol. 33, No. 6, pp991-1019. [Available on the L Drive](#)
- 📖 Potter J, & Moore B, (2000) *UK Enterprise Zones and the Attraction of Inward Investment*, Urban Studies, Vol. 37, No. 8, pp1279–1312. [Available on the L Drive](#)