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Editors

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Cities between Competitiveness and Cohesion

*Discourses, Realities
and Implementation*



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Cities between Competitiveness and Cohesion

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Cities between Competitiveness and Cohesion

Discourses, Realities and Implementation

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Preface

European cities have for decades found themselves in a phase of important changes. Concomitantly multi-level and multi-actor policy processes have unfolded in the EU. Sub-national governments are facing new challenges as their manufacturing industry withers away, still more responsibility for matching the globalisation challenges such as welfare, employment and general social improvements are transferred from national to sub-national levels. This raises specific governance problems for city regions in their attempt to meet the demand from the emerging knowledge-based society. Yet, no city or city region exists in a vacuum; they are all embedded in national settings with specific structures and traditions as well as different perceptions of challenges, needs and solutions. It appears that a general, neoliberal discourse has conquered the political agenda during the last one or two decades: That economic regeneration requires increasing competitiveness achieved by enforced stress on knowledge intensive industries, which itself needs more and better education. However, the implementation of such a strategy has many forms and the realities are often quite a step from the intended outcome.

During the last three years, a group of about forty people has met regularly across Europe to develop the ideas as originally presented in the Memorandum of Understanding, setting the agenda for the analysis of preconditions, strategies and outcomes among different cities in their effort to reconcile welfare and growth. In this span of time, the Cost Action 26 has held meetings and workshops in Amsterdam, Antwerp, Brussels, Copenhagen, Dortmund, Ljubljana, Malta, Manchester, Turko, Vienna and Urbino besides several smaller, but also important meetings. A dozen of young scholars have benefited from the generous program for Short Term Scientific Missions and thus has further added to an exchange of knowledge across Europe and opened up for an understanding of the benefits in comparative analysis in a European context, which is an important aim of the COST programme. The COST secretariat in Brussels has demonstrated patience, understanding and a much needed helpfulness in difficult situations and thus facilitated European cooperation.

This book presents the results of ‘Working Group 2 – Entrepreneurial Cities between Growth and Welfare’ of COST A26. It seems almost ancient history, when Peter Ache agreed to take on the responsibility for WG2 of COST A26 in Brussels three years ago. With our first official working group meeting on Malta in 2004 we started a long discussion of the various aspects related to ‘entrepreneurialism’ of

cities, the framework changes leading to such strategies, and ultimately the question of reconciling growth with welfare, or in other words competitiveness with cohesion. Working over three years with a group of distinguished researchers from thirteen different countries with almost as many different disciplinary backgrounds is quite a challenging task. Over that period, we gained many insights in conceptual terms but also in terms of the applied policies or strategies under way in the various cities which constitute our sample. It is a particular pleasure to present now these experiences and examples, from Istanbul to Salo, from Maribor to London. Suffice to say, that this presents only a fraction of all the work which has been done.

Peter Ache would like to thank his colleagues in WG2 for this working experience. Overall they behaved 'well' – though it was not always easy to keep to schedules, agendas, themes, and agreements. But in an approach of 'controlled laissez-faire' all managed to get along with each other, to even become friends, and to finally present this volume entitled 'Cities between Competitiveness and Cohesion: Discourses, Realities and Implementation'.

We both would also like to thank all the about forty colleagues who over that period worked in our action and provided their insights and knowledge. Our particular thanks however go to David Gronbaek and his colleague Jie Zhu from the COST office that greatly supported the work of our group and the development of this publication.

The editorial group has spent quite some time editing the chapters for this volume; much has been corrected and improved in that process. This process has accelerated during the last half year and has been both a demanding but also a joyful task which has provided the editors with many laughs despite the many hours of work. A warm thanks to the publisher, Springer and Evelien Bakker and Bernadette Deelen for their patience and help.

Copenhagen
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Hans Thor Andersen
Peter Ache

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Part I

Discourses and Conceptualizations

of Competitiveness and Cohesion

Cities Between Competitiveness and Cohesion: Discourses, Realities and Implementation – Introduction

Peter Ache and Hans Thor Andersen

Abstract This chapter provides an overview of the core themes explored in the book. It discusses some of the broader changes to the contexts within which urban and spatial policies are being developed. It outlines contrasting perspectives on contemporary rescaling processes, which force cities and regions to redefine their objectives, their means, their institutions and in the end themselves as socio-political units. Striving for increasing competitiveness has for long been underpinned by a neo-liberal ‘business approach’ to public policy, which, in turn has justified and legitimated substantial reductions in the welfare services provided by the public sector. However, it appears that countries with a minimal welfare service (the liberal welfare regime) have not done better in terms of economic growth, employment or general wealth than those with the most developed welfare model (the social democratic welfare regime). This in turn points to the problematic in the automatic opposition of competitiveness and social cohesion/welfare. During the last few years, the position of the public sector as mainly a question of being costly has changed to a major component of flexible competitiveness of a country, region or city. Thus, we have to reconsider the key terms of competitiveness and cohesion more as complementary concepts, which together can help us to understand and explain the success or failure of territorial policy.

1 Introduction

In a context of globalisation, economic restructuring and establishment of an open, European market, many urban areas are experiencing significant difficulties in maintaining their competitiveness (van den Berg et al., 1997; Buck et al., 2005). Many are losing employment and industry at an alarming rate and this has significant social and environmental implications. At the same time economically thriving urban regions have emerged in which cosmopolitan identities and forms of multi-scalar citizenship

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(Sandercock, 1998; Friedmann, 2002) are being forged at a rapid and potentially disorienting rate. Inter and intra national migration is changing urban labour markets and challenging pre-existing conceptions of social stability within urban communities. In this context and across the European Union the form and character of urban policy is undergoing significant change (University of Valencia et al., 2006).

The title of this publication indicates that a delicate balance between social cohesion and competitiveness has become a major challenge at sub-national level. This represents an interesting shift in responsibility for (at least) two core issues in politics; industrial and welfare policies. During the Keynesian era, national government constituted the national frame for the economy and had a strong influence upon the overall economy and industry in particular, through regulation of demand. Yet, since deindustrialisation took pace in the 1970s, a new state strategy, monetarism or neo-liberalism, emerged as leading principle: Deregulation of the economy became the new medicine in order to regain economic momentum. Globalization was promoted as a target as well as a means to achieve renewed economic growth through an intensified liberalisation of the economy: Less government, more market just as entrepreneurialism was promoted as an ideal strategy for governments. At the same time, the responsibility for welfare, employment and industrial development has been transferred to lower tiers of government. They are now pushed by both central government as well as the market economy to deliver solutions on the challenges produced by the intensified competition and under conditions set by central government. In turn, this has forced governments to improve their capacity to deal with the challenges; capacity building through involvement of NGOs, business communities and citizens is one strategy to increase competitiveness without skipping social cohesion.

The challenges of reconciling competitiveness and social cohesion are the main focus of Cost Action A26.¹ How can sub-national authorities maintain a balance between economic efficiency and social justice? Recent transformations, i.e. growth of knowledge-based services, de-industrialisation of major cities, rise of multi-cultural societies, labour redundancies and subsequent increasing social inequalities, are part of the challenges which have produced a number of tensions and social conflicts (Logan and Molotch, 1987; Harding et al., 1994).

European policy makers have sought to take control of the emerging realities by promoting the twin concepts of competitiveness and cohesion emphasising the European Social Model (Sapir, 2005). Europe's cities, towns, and regions, it is argued in this context, need to make themselves competitive in new global markets (CEC, 2006; OECD, 2006) and use inclusive labour market policies to ensure that the benefits of growth are spread to a broad range of social groups. In this way change can be managed and Europe's post-war economic strength and social solidarity can be maintained and enhanced.

¹ COST is one of the longest-running European cooperation instruments supporting cooperation among scientists and researchers across Europe. The title of the COST Action A26 is 'European city-regions in an age of multi-level governance – reconciling competitiveness and social cohesion.' and the programme has been running between 2004 and 2007.

The subtitle of this publication indicates a nuanced approach to the whole issue; often the relationship between social welfare and economic growth is presented as a trade off: A common sense feeling emphasizing that harder work and less welfare is the only cure against social imbalances such as deindustrialisation, unemployment, budget deficits and new forms of poverty. However, this traditional, conservative view is often claimed to be a threat to social stability, welfare and equality, which represent key values of our societies and a prerequisite for continuous social and economic progress. The former interpretation has managed to form a dominant discourse internationally as well as in most of the individual countries. As such, a new wisdom has flourished across the Western world and triggered new formations of policy constructions and reconstructed welfare state regimes to match the perceived demand of modern capitalism and globalisation.

Clearly, the link between the social and the economic targets in our advanced capitalist societies has become more important than ever. These two fields of policies cannot be treated separately as some degree of social cohesion is a prerequisite for a strong economy and the latter is needed to limit social conflicts and maintain welfare policies. The fact that the countries (e.g. Scandinavia, The Netherlands) with the most developed welfare states, in terms of coverage and generosity, have managed to maintain strong economic positions in terms of profits, wages, living standards, productivity and so on and at the same time keep their welfare states at the same level, indicates that the simplistic 'either-or' discourse is misleading.

The ideological dominance and the ability to construct meanings and common values have not lost importance during the last few decades. However, the different realities still existing even in relatively similar countries – e.g. the Nordic countries, or between Central-European countries like Germany, Austria, or Eastern-European ones like Poland, Hungary and Czech Republic – illustrates the significant differences from country to country, from city to city. Such differences do also show the variation in perception and implementation of similar challenges and the impact of local conditions. Thus, there is no necessary, unitary outcome of before mentioned processes of globalisation or Europeanization.

This book represents one of the first systematic attempts to examine processes of change by drawing on research findings from experts working across Europe. It presents a breadth and depth of material that makes it stand out from other studies that focus on the experiences of a small number of cases or are drawn from a small number of countries. The chapters will show that urban policy processes and practices across Europe are far from linear or uniform. The terms competitiveness and cohesion are conceptualised in very different ways across Europe and policy responses reflect national, regional, and local differences in urban policy priorities, planning frameworks, partnership formation and resource allocations. It is these comparisons and contrasts in policies that form the basis of this book.

This first chapter provides an overview of the core themes explored in the book. It discusses some of the broader changes to the frames of urban and spatial policies. It also outlines contrasting perspectives on contemporary rescaling processes, which force cities and regions to redefine their objectives, their means, their institutions and in the end themselves as socio-political units. We have to reconsider the key terms

of competitiveness and cohesion more as complementary concepts, which together can help us to understand and explain the success or failure of territorial policy. However, as noticed by Ward and Jonas, 2004, it may not simply be a question of a region's productive capacity but rather its ability to guarantee social reproduction, which is decisive for its success. In relation to city-regions, competitiveness becomes a question of organising resources to support many different types of need and demand, i.e. from affordable housing, well functioning services, sustainable environment, education and research to infrastructure and economic policy. What are the practices in different countries and localities regarding those challenges? After this more general reflection and after a first brief concluding remark on the themes presented in the book, the chapter will also signpost the text for readers and briefly outline the book's structure and contents.

2 Globalization – New Social Frameworks

Globalisation has triggered a large number of attempts to initiate strategies to regain the 'golden years' of Fordist growth and welfare. Although the first warnings appeared in the late 1960s with rising inflation, lower productivity rise and increasing unemployment, it was the collapse of the Fordist economy and its related welfare system in the 1970s, which marked the crisis and challenged the hitherto dominating Keynesian politics. Instead, the neo-liberal interpretation of the social challenges and necessary cure became the overall model for national and sub-national policies. The solutions sought were formulated as budget cuts in the welfare sector (from welfare to workfare), lower taxation and a deregulation that allowed private initiatives to unfold their potentials.

Soon, globalisation became the jewel in the neo-liberal crown; a powerful discourse of freedom and equal conditions for competition, which allowed a new division of labour at global scale to appear and at the same time acted as a perfect instrument of disciplining both employees and public sector policies. Moreover, neo-liberalism changed the balance between government and market just as it could transform public debate about politics and economy.

Usually, globalisation is considered to consist of formation of global institutions and agreements (e.g. WTO), global finance markets and transnational corporations that operate across the world. They make up the external part of the processes, which drives globalisation. However, perhaps more important is another set of processes, the internal ones, which exist inside national states and strive for a change of objectives and methods in order to make the state and its institutions competitive (Sassen, 2006b). Here the local interpretation of means and objectives in relation to globalisation becomes important. Priorities and decisions depend on social relations as well as external challenges. Moreover, major parts of the economy are still depending upon local conditions and the impact of globalisation should not be overstated.

However, it is necessary to remember that the changes did not take place only due to external pressure, specified by the Polish plumber in the French debate in 2005 or

fear of outsourcing of jobs in all (West) European countries since the 1990s: A good deal of the pressure for transformations comes from internal sources; general rising wealth and better education have made citizens empowered and improved their capacity to claim new services, but also to afford private solutions when unsatisfied with the public offers (e.g. transport or health).

Along with these changes, the former worry that we witnessed a shrinking middle class and a 'proletariation' of still larger shares of the population now has become replaced by a different concern: That the vast majority is improving their general standard of living, but a considerable number of unskilled or redundant workers are increasingly excluded from this development. Furthermore, it appears that 'social heritage' – the strong relationship between parents' and children's life chances – is quite strong in many European countries. This means that the marginal social groups have low degrees of social mobility. As a good deal of the marginal groups at least in Western Europe has immigrant background, the outcasts and hence social challenges have a distinct ethnic mark as well.

3 Shifting Scales

Globalisation presents a number of changes in cities and city-regions of Europe during the last decades. As a consequence of the enforced development of open markets and removal of barriers for trade, investments and migration of labour, the former dominating system of national economies regulated by national states is forced into change. Globalization has also triggered new geographies of governance, where the competencies and abilities of states are rearranged, in particular in terms of territoriality (MacLeod and Goodwin, 1999). While the contemporary rescaling processes force cities and regions to redefine their positions as socio-political units, scale and territoriality have become major issues in more recent writings on the transformation of nation states (cf. Brenner, 1999, 2004a). Cities and states are being reconfigured and reterritorialised in line with the capitalist globalisation; especially cities have become key territory for current capitalism: They organise the immobile infrastructures, communication as well as the systems of social reproduction as framework for capitalist production (Brenner, 1999). This rescaling of state power has in itself eased the shift in overall political priorities; the movement from a strong, nation state, which ensured equality across regions through mutual support, to a decentralised system of competing regions fighting for the same resources. To optimise their power, most subnational territories have attempted to mobilise local resources through consensus policies and forming of governance networks. One outcome has been a surprisingly broad acceptance of the neo-liberal agenda. In this sense, the city-regions have been an efficient vehicle for the transformation of state objectives from general welfare to competitiveness (Brenner, 2004a).

National governments have not disappeared as the key policy maker, but they have been partly supplemented by a variety of governing bodies; quangos and partnerships. Since the 1980s, regions have received intense attention as a future entity

for implementation of policies for economic competitiveness and social cohesion. The ‘new urban era’ or the ‘rise of the metropolitan regions’ are just new forms of rescaling, not new forms of statehood (Brenner, 2004a). However, the shift of scales produces new differences and fault lines; the construction of scales cannot overcome all socio-spatial problems, but rather replace the older conflicts and dilemmas with new ones.

The tension between institutional structures and local and social issues on the one hand and on the other hand processes related to globalisation can never be solved just by expanding the size of city-regions. Instead, there exists a constant tension in terms of legitimacy and mismatch between responsibility and de facto capability to cope with specific topics as well as between relations of global scale and more local structures.

If one thing has become clear from the previous few decades, it is the fact that there is no privileged or ‘natural’ scale for social relationships. Nor can the transfer of obligations from one level to another be considered as a purely technical issue; it has severe social and economic implications. The rescaling of statehood has created a much more complex structure of legitimacy and responsibility; it has opened up for a broad variety of temporary compromises of scalar arrangements.

4 Competitiveness and Cohesion

The working title of the Cost Action (European city-regions in an age of multi-level governance – reconciling competitiveness and social cohesion) indicates a trade off between competitiveness and social cohesion. This points out that the citizens of Europe have to choose between two contrary social solutions; either a social and sustainable policy which aims at broad social inclusion or a strict focus upon labour costs, efficiency and taxation in order to raise competitiveness. Thus, the link between the social and the economic is in our advanced capitalist societies becoming more important than ever. Our focus is too, the level of cities or city regions, where such strategies find their clearest expression in the social realities, which they help producing (in a positive or negative way).

What exactly is meant by competitiveness and cohesion is far from clear. In fact, despite the rhetoric figure there is no necessary incompatibility between the two elements. Competition or competitiveness refers basically to the economic realm and in particular to market processes (though economists in turn refer to e.g. evolution to explain it as a ‘natural’ phenomenon). Cohesion or cohesiveness refers to social, cultural, or ethical structures and processes. A careful analysis is needed to get an understanding at more than headline level (see Chapter 2 for this discussion).

On a base line, in capitalist societies competition is considered as the main driver of economic development. Recursive rounds of competitive capital investment and associated returns, which are reinvested, propel the system. Actors are at an individual and a company basis involved in this (inescapable) mechanism. This process might also produce ‘cohesion’ or at least equip citizens and entrepreneurs alike

with required resources (when following neoclassical ideas). The process also has destructive lines (e.g. Schumpeter's creative destruction, alluding to the innovative outcome of economic processes), which became particularly evident in the restructuration processes (or de-industrialization processes) in various countries, having an impact on the positioning and repositioning of cities and regions (O'Loughlin and Friedrichs, 1996).

Chapter 4, on regional development in Spain (Steinberg et al.) outlines a link between competition and cohesion. Following plain neoclassic economic theory, market forces automatically create a virtuous circle in which competitiveness and social cohesion reinforce each other and in which convergence occurs over time. The logic works with high levels of social and territorial cohesion (well functioning institutions, political and economic stability, a balanced distribution of income, a favourable business environment), which attract capital offering investors relatively high returns. Through capital accumulation and technological change, productivity will raise, increasing the competitiveness of the region. The economic dynamics increases income in each region and welfare will rise, strengthening social cohesion. Finally, on the level of individuals, income per capita will converge, at least in relative terms. The model world though proves to be imperfect and market mechanisms seem to fail, which is why government intervention is needed.

Competitiveness in European terms is linked to the Information and Communication Society (as the socio-industrial model), as the emblematic Lisbon Strategy (2000, 2005) demands. In terms of place based competition, which is the main concern of this book publication, competitiveness is therefore not simply a question of lowering wages, environmental protection and the like – although it may help in the first instance. In a longer perspective competitiveness is clearly also a question of social organisation and inclusion of the largest possible parts of society to benefit from full scale of resources. In this respect, education, job training, housing policy, environmental and cultural schemes serve together with more traditional 'hard' infrastructures to develop and increase the competitiveness of a locality. The Lisbon strategy of the EU, when taken seriously, makes clear that the first version, sometimes called the 'low' road to competitiveness, is not socially sustainable in the long run. The alternative then is the 'high' road, which includes an intensified focus upon the links between economic competitiveness and social organisation, public investments and the welfare model.

5 Social Cohesion

The meaning of social cohesion has been characterized as 'nebulous' (Kearns and Forrest, 2001), 'tentative' or 'second rank' (Maloutas and Pantelidou-Malouta, 2004). It is a concept allowing to raise questions instead of providing a solid theoretical construction which is used by many disciplines, amongst others the disciplines contributing to this volume like geography, planning, sociology, and political science. Kearns and Forrest (2001) define social cohesion as common values and

a civic culture; social order and social control; social solidarity and reductions in wealth disparities; social networks and social capital; and territorial belonging and identity (Kearns and Forrest, 2001, p. 996). All of which can be subsumed under two headings: relational resources (social networks and ‘social capital’, which is largely dependent upon the existence of social networks) and cultural resources (common value pattern, group identification, see Chapter 2 by Jan Vranken). What needs to be accounted for is – in view of Kearns and Forrest – the difficulty of implementing these dimensions through consistent (or as shown often in-consistent if not contradictory policies) at different spatial levels, including the national-interurban, the city or city-region, and the neighbourhood.

The outset pointed to the specific role of cities and city regions (or metropolitan regions) in global times. Which cohesion challenges can be expected on that level? Gordon (2005a, p. 87) sees the following in part ambivalent features occurring:

- (a) aspects of connectedness or order affecting the willingness of mobile individuals with desirable characteristics (human capital and/or spending power) to live in the area;
- (b) aspects of inequality, disconnectedness and/or disorder affecting the supply of middle range skills (typically recruited within the city-region) via underachievement in the local school system;
- (c) aspects of order, in particular affecting the image of an area in the eyes of prospective inward investors – or tourists – and in extreme cases outward investors too;
- (d) aspects of inequality, connectedness and order affecting competitiveness through levels of crime to which businesses are subjected;
- (e) aspects of connectedness within a business (or business-related) community affecting levels of trust, and thereby willingness to participate in collaborative ventures with uncertain pay-offs, both in relation to innovation and to collective action in support of local economic development;
- (f) aspects of connectedness within a work force, and between work force and employers, affecting levels of productivity and the development of human capital.

Again, and as will be shown in the contributing chapters, space and society become more fragmented or chaotic ‘with divisions both of solidarity and exclusion demarcated by real and symbolic walls’ (Marcuse, 1995 quoted in Kearns and Forrest, 2000, p. 996). The appropriate response cannot therefore be founded upon a homogenous, solidaristic notion of community; rather, there is a need ‘to posit community as more fluid in social, temporal and spatial terms’ (Kearns and Forrest, 2000, p. 996, quoting Watson, 1999).

The OECD (2003a) defines a close link between economic growth and social cohesion, both requiring increasing the competitiveness of regions, especially those with unused potentials, e.g. ‘underutilised’ labour. However, there is a problem: ‘Social cohesion can be ensured only if lagging regions are included in the process of growth. According to standard growth models, increased factor mobility (principally movement of capital and labour) will generate a process of price and income

convergence. However, empirical evidence suggests that convergence occurs slowly, if at all. New economic geography models, by contrast, predict that in many cases the flows of investment and workers between regions reinforce rather than reduce disparities. Acknowledgement that, in some circumstances at least, convergence is not assured through market mechanisms has provided a justification for regional policies based on redistributive subsidies and financial incentives.' (OECD, 2003a, p. 5).

The academic debate about cities and regions now has to cope with a third and derived agenda, that of 'territorial cohesion' (Faludi, 2007). The specific territorial conditions are looked at from a competition agenda, taking the perspective of generating potentials, and the question is raised, what sort of standards do we need in which places to keep the entire system operational and not to decelerate the economic engine?

The territorial dimension of this is very evident, at least when looking at the experiences in East Germany where we see 'perforated cities' as a result of extreme out-migration and the destruction of the economic base (and therefore the almost absolute absence of any economic growth opportunity). On the other hand the rise of metropolitan regions as the new spatial scale of coherent social relationships can be seen. Cities and regions are in fact considered to be the specific territorial scale at which entrepreneurialism and therefore competitiveness is decided. The 'new urban era' and the 'new conventional wisdom' (Buck et al., 2005) of today's scholarly debate point into the direction of cities and regions as the corner stones of an accelerated, globalised, and innovation based society, albeit with critical reservations. Are these cities then less cohesive, i.e. do they show more signs of disjointed development? Following the evidence presented in this book, the answer is yes, the modern capitalist system mark 'Lisbon' seems to result in many more disjointed patterns.

6 Discourses

While the challenges from globalization and other societal challenges have been formulated in relatively similar ways as a general dissociation from the Keynesian welfare state model, the implementation has not been that uniform. The structural problems of the Keynesian demand model were utilised as an opportunity to raise a general attack on the whole social-economic philosophy behind the welfare state model.

The neo-liberal attack on the 'old social democratic welfarism' has been most successful: During the 1950s and 1960s and even through a good deal of the 1970s, the welfarist discourse dominated the political agenda in North-Western Europe. However, the rising difficulties of the Keynesian model, e.g. high inflation, growing unemployment and low or even negative economic growth rates – known as stagflation, created the basis for the monetaristic criticism and hence renewed trust in deregulation, market solutions, privatisation, 'roll back the state' – ideology. The

neo-liberal discourse was implemented even by former core-Keynesian countries, although in different forms compared to Thatcher's or Reagan's policies.

While neo-liberalism in the first period appeared rather idealistic and dominated by right wing extremist claims for abolition of the public sector, the later period has been marked by a successful implementation of neo-liberal principles everywhere in the public sector. Common sense considerations together with a demand for 'better use of trusted means' or 'value for money' have cleared the way for a revolution of government and public sector. The constant pressure for increasing efficiency and focus upon deliveries has managed to squeeze the public sector, but also to make marketization an accepted principle for management of public services.

Discourses are far from neutral and innocent; on the contrary, they emerge as brain spin or pathways of the mind, which we hardly can escape from. Moreover, they are able to make us remain unaware of obvious injustice relations and blame the victims of the industrial and social transformation. Just a few decades ago, unemployment and social exclusion was considered as a major social problem, which were caused by social unfair structures. The unlucky individuals were victims of deindustrialisation, structural economic changes and so on. More recently, the same groups have become responsible for their own situation; it is their own fault that they remain unemployed or homeless. By many considered as a combination of moral deficit and a too generous welfare system. The chapter by Raco et al. (Chapter 12) demonstrates the power of rethinking urban development policies from social improvement schemes to sustainable urban programmes: The focus moves unnoticed towards opportunities and growth.

Similar, cities are restructuring in order to serve the market and benefit from the opportunities in a still more mobile world: Shopping malls, air ports, harbour promenades, office parks, various cultural institutions and events as well as luxury dwellings are constructed to serve the needs not of the inhabitants, but of the unknown investors, visitors and cosmopolitan elite.

Globalization has so far been the trump card in the neo-liberal rhetoric; although a project initiated and promoted by the western countries, the outcome and demands of globalisation have been presented as unavoidable necessities – an outstanding argument for reshaping the national and sub-national political system and changing their objectives. Facing the global challenges, all responsible forces must work together to maintain the local competitiveness and thus avoid struggles between industrialists and labours.

7 Realities

This book brings together practices and realities regarding the reconciliation of competition and cohesion from twelve countries in Europe and beyond. The cases span different spatial scales, from national over regional to neighbourhood perspectives. The housing sector, labour markets, immigrants, or transport systems have been looked at from a competition to cohesion perspective. Quite a diverse range of

evidences will be presented – including a diversity of methodological approaches. Some of the main critical features of these realities shall be looked at in this section (a more comprehensive view follows in Chapter 15).

The description of the competition–cohesion agenda in the trans-national case of Bratislava demonstrates the eagerness of policy makers to perform according to the defined agendas at EU level (cf. Chapter 14). In particular the Lisbon strategy generates an echo with much emphasis on innovation and education, trying to raise the competitive profile of a region, which is clearly under the influence of its counterpart (Vienna) – but where actual politics on either side seem not to come together. The obvious imbalance between one outstanding centre and the rest of the country leaves policy makers in the Slovak Republic with the dilemma either continuing to support the main growth engine Bratislava of a European (if not global) dimension and to hope for ‘spread effects’, or to focus on those areas, where also problem situations concentrate most (as clearly visible with the situation of Roma outside Bratislava and Bratislava region). As will be outlined in the following conceptual chapter, the competitiveness and cohesion agenda can thus not easily be reconciled in spatial terms and produces a variety of geographical and social divides. It seems that the centre and periphery divide is an indispensable reality, at least when the range of available options is small. A similar polarity occurs in the case of Slovenia where the capital city enjoys all advantages whereas the second rank city Maribor falls behind (cf. Chapter 10).

The result of competition oriented policies is far from clear, as is shown in the analysis of German ‘entrepreneurial’ cities (cf. Chapter 5). Since the early 1990s being an entrepreneurial city (and most recently being a creative capitalist city) is a widely shared currency between city administrators and politicians attracting high attention and consequently binding many resources. An entrepreneurial style can result in more jobs and therefore open opportunities for integration through labour markets, as some of the findings show. But it is not guaranteed that everyone can benefit from this. Countervailing effects can result from an accentuation of spatial disparities between those neighbourhoods, cities or regions, which adopt entrepreneurial strategies and those which fail in the process. At a regional or national level this can in fact reduce overall cohesion. State intervention is needed and the case of Spain makes some recommendations as to the how: institutionalise solidarity (a system of transfers); increase endowments of human, physical and technological capital; and compensate unacceptably high disparities with high return projects (cf. Chapter 4).

On an individual level, whereas ethical entrepreneurs might succeed with their innovative attempts to better integrate in the hosting society and even escape patterns of segregation (see the case of Antwerp presented in Chapter 9), less competitive or eager subjects will end up in more problematic ‘new competitiveness-cohesion equilibrium’ often heavily influenced by factors outside the labour market (cf. the case of Athens Chapter 8).

There is no direct transmission from global frameworks to local outputs. The comparison of labour markets between Amsterdam and Rotterdam elaborates on the intricacies of globalisation and internationalisation of industries and services

and their impact on the two cities (cf. Chapter 5) and displays that the local characteristics of the labour markets reflect the characteristics of the competitiveness of a city. The case of Istanbul comes to similar conclusions for the socio-spatial outcomes of such processes and sees potential strategic responses in fields like education attainment, participation of women in labour markets, and – most interestingly from a planning point of view – redistribution mechanisms via urban land and property markets. All of these are identified as central issues in the definition of local competitive characteristics (cf. Chapter 6).

Acting together between levels and institutions is a must for successful policies. This lesson is repeated in the Swiss case looking at transport policies (cf. Chapter 13). This involves planning and thinking in a metropolitan context, creating resourceful institutional structures for policy coordination and strategy formulation, and improving evaluation and monitoring methods. The same is demonstrated with the reform efforts in Finland, where over the decades and following variants of technology and innovation based regional policy models new regions have been defined, trying to bind together a culturally strongly rooted welfare system with a constant process of enhancing competitiveness of industry.

Concerning the balance issue, the case of Paddington in London provides several lessons in terms of environmental sustainability: A clear definition of institutional roles and responsibilities allowing embedding local programmes in a wider set of development practices is necessary (cf. Chapter 12). This includes that the ‘successful’ project does not detach itself from surrounding communities but instead seeks relationships and shares visions. Because of differences between local community imaginations and place ‘association’ and those of functional boundaries the definition of problem places and where boundaries should be drawn is essential to the implementation and effectiveness of development programmes. And last, development visions are critical to form the development practice, i.e. defining exactly where and when a development should take place, what the end product will ‘look’ like and how development policy should be implemented and governed.

8 Implementations

The hegemony of the neo-liberal discourse has manifested itself but – as already mentioned – in quite different ways depending on local settings such as material structures, industrial relationship, social relations, competences of local and central government, citizens’ involvement, welfare state regime, political culture among others. Consequently, it has not been possible to transfer successful institutional structures or policies from one city or country to another; the degree of success depends very much on the context. Taken together, identical policies work differently depending on the circumstances. Moreover, the same concepts and objectives are understood differently in different countries.

This points to another interesting aspect in relation to the EU; while a steadily growing bulk of studies, reports, proposals and projects is being trimmed according

to the EU-jargon – both linguistic and conceptual harmonisation – the understanding of the very same expressions differs substantially from country to country. For instance, the worry of the immigrant segregation in Vienna is, when compared with English urban problems, remarkable considering the number of immigrants, their share of the total population and the relatively low concentration in certain neighbourhoods. There is simply major difference in what is considered as problematic across Europe, just as the perception of the right way to solve the problems differs considerably. This underlines the value of cross-European comparisons provided by Cost Actions: Only by escaping from the local circumstances is it possible to put a broader perspective upon the, experienced or taken for granted, daily relations and structures. This allows us to learn about hidden relationships and contingencies.

Finally, the implementation of the neo-liberal policies has quite different consequences depending on the relationships at the individual locality. In some localities has the introduction of more reforms to develop competitive strategies and partnerships between public and private organisations created severe social tensions, cf. the debate about social polarisation and exclusion, while in other cases, the social inequalities have been expressed through major regional or urban inequalities.

All in all, this emphasises that the outcome of globalisation, economic restructuring and European integration cannot be reduced to dogmatic sentences. Neither is there a trade-off between social welfare and competitiveness; it depends on local circumstances.

9 Conclusions?

The conclusion of this chapter is that the immediate contradiction between competitiveness and social cohesion is a false inconsistency. The rising needs for flexibility and adaptation at the labour market is perhaps nowhere so well developed as in the countries of Scandinavia with their combination of high flexibility at the labour market and well developed welfare state. The contrasts to Germany and France are striking. While the latter countries has suffered from structural problems in terms of industrial restructuring and consequently a low growth of productivity during most of the 1990s, rising unemployment and high levels of labour market conflict as well as institutional inertia, the former countries passed through a series of realignments already about 1990, which have increased flexibility and thus their competitiveness.

Competitiveness includes much more than simple economic parameters such as tax level, wages, custom, currency or interest rates. The qualifications and mobility of the labour force do make a difference and the long term social stability may be a highly valuable asset – also in relation to global competitiveness.

Perhaps a good society is a strong society in the sense that it manages to include the broadest possible number of its citizens in the general processes. This in itself gives a society a strong legitimacy and further support social cohesion. As a strong society, it can mobilise resources and investments in a proactive manner without losing its internal cohesion. The nation states of Europe, in particular Western

Europe, have proved to manage this difficult balance between competitiveness and economic efficiency on one hand and on the other, maintain and improve a social cohesion that allows a growing inclusion of various subgroups. Contrary to the neo-liberal discourse, a highly developed welfare state financed by collective taxes appears not to be a threat to competitiveness or long term economic growth. Rather, it seems that the latter benefits from the former.

Perhaps we cannot conclude that strong social cohesion raises a locality's competitiveness level. However, competitiveness today is not just about cost per working hour, but indeed about ability to adjust and adapt to ever changing circumstances. Here, welfare system supports general acceptance of reorganisations at the labour market and in private and public businesses. Yet, it is the particular combination of a thoroughly organised labour market, which sets price and conditions for labour, the structure and aim of the welfare system and the 'culture' of reorganisation and negotiation which together make countries like the Scandinavians competitive.

It is tempting, but not correctly, to claim that there is no easy solution to this dilemma: No single spatial scale contains the 'golden mix' of economic, social and political capacity to overcome present difficulties. Nor does there an optimal institutional structure exist, which can be applied to any locality with success. Scales and institutions as well as productivity are embedded in social relations constructed over long periods; each social locality – whether village, city or country – have formed own combination of relations and institutions. They can be changed by social action only; depending on historical tracks and social contradictions this sometimes leads to severe social conflicts and in other cases to more peaceful agreements. However, as already mentioned, the crucial factor for a region's competitiveness may simply be its ability to guarantee long term social reproduction.

10 Structure of the Book

This book goes beyond the usually fractioned approach and tries to provide a multi-disciplinary approach for the understanding of the complex interactions between 'competitiveness and cohesion'.

All chapters develop a conceptual understanding of the competition-cohesion link. They look at specific territorial levels or settings under consideration and look at the role this has in a competition-cohesion complex. Can there be 'a priori' cohesion or competition? What are the particular institutions, actors, or problems one has to look at to understand the intricacies of competition and cohesion? Are there already cases (i.e. cities or regions) which apply strategies reconciling 'competitiveness and cohesion'?

The latter aspects are crucial, because when looking only at an abstract level the interrelation between competition and cohesion can not be answered! On the contrary, and this is already one of the main hypotheses of the book, we need to identify the specific territorial level, institutional setting, actor group, and the addressee of either competition or cohesion strategies to fully understand the complexity.

This differentiated view needs of course to be related back again to the conceptual discussion – what do we need to know to provide an answer on the existing mechanisms and relations? What do we do with this? Can there be recommendations like: Improve cohesion at a city level to support competitiveness! And what does the word ‘improve’ imply (set up programmes; control the housing market, de or re-regulate labour markets)?

Besides the above mentioned, authors were also led by the following questions:

- Who is the principal actor, i.e. who takes on the responsibility to reform existing structures and organisations or rules of society (e.g. labour market, housing market, educational system, welfare provision and so on)?
- At what scale is the principal actor to be found (e.g. local, urban versus regional, provincial, national, European)?
- What are the advantages or disadvantages of the ‘dominant’ or ‘active’ scale (regional governments cannot control legislation, but fits well to an integrated labour market and perhaps even to a regional identity)?
- How are these different levels of government playing together?
- How is competitiveness translated into specific policy and by whom?
- To what degree are non-government actors taking part in policy formulation/implementation?

The book is structured in four main sections namely:

- Part 1. Discourses and conceptualizations of competitiveness and cohesion
- Part 2. Analyzing the competitiveness of cities and regions
- Part 3. Detecting social cohesion in cities and regions
- Part 4. Practice of the competitiveness and cohesion discourse in urban and regional development.

Part 1 aims to define the conceptual framework for competitiveness and cohesion. The Chapter by Jan Vranken titled ‘Competitiveness and cohesion: a Janus head? Some conceptual clarifications’ is located in this section. His chapter not only introduces the two concepts and gives an overview on the existing literature, but also introduces the two sides of the coin when it comes to balance economic competitiveness and social cohesion.

Part 2 aims at introducing the economic aspects of the competitiveness policy. The four chapters in this section focus on introducing the diverse approaches, strategies and realities of economic competitiveness and its path-dependent characteristics in the cases of Germany (Chapter 3 by Panebianco), Spain (Chapter 4 by López et al.), The Netherlands (Chapter 5 by Burgers and van der Waal), and Turkey (Chapter 6 by Eraydin).

Part 3 focuses on the concepts and realities of social cohesion from the angle of the immigration and multicultural European society point of view, which has been an important aspect of the social cohesion policy across Europe. In this section we have examples from Greece (Chapter 7 by Kandylis et al.), Austria (Chapter 8 by

Reeger and Borsdorf), Belgium (Chapter 9 by Taşan-Kok and Vranken) and from Slovenian cities (Chapter 10 by Sitar). Each of these chapters approached immigration and its consequences for the social cohesion policy from a different angle namely labour policy, housing policy and ethnic entrepreneurship.

And finally, Part 4 aims to connect the competition and cohesion concepts from the view of urban development practices. The chapters presented here displays diverse consequences of interrelations between the cohesion and competitiveness policy in sustainable regeneration of Paddington Basin in London (Chapter 11 by Raco et al.); the case of the Finish multi-level governance issue (Chapter 12 by Anderson); in the case of transport policy in Switzerland (Chapter 13 by Schenkel and Oetterli), or in the case of cross-border development strategies (Chapter 14 by Brzica). This section ends with conclusions that return to the discussion about the balance between social cohesion and economic competitiveness and re-orient the arguments introduced by individual chapters. This final chapter (Chapter 15 by Maloutas, Raco, and Taşan-Kok) closes the discussion by reflecting on the core themes to emerge from the book. It will provide a critical discussion on how social cohesion policy actually is fragmented across Europe and how this fragmentation (or diverse perceptions) influences the discourses, realities, and implementation processes. It also assesses the prospects for urban policy in the EU and assesses the relationships between the discourses of competitiveness and cohesion and broader trends in urban policy and planning relating to globalisation and urban sustainability.

Competitiveness and Cohesion: A Janus Head? Some Conceptual Clarifications

Jan Vranken

Abstract This chapter addresses the growing conceptual ambivalence linked to the new generation of policy frames that replaced former ones with more open egalitarian terminology and targeting. It situates this growing ambivalence in the EU context where reformist policy frames of social democrat inspiration have increasingly had to face the dominant pressure of neo-liberal discourses and political realities. The authors reflect on the effectiveness of voluntarist contentions that socially contradictory objectives, like economic competitiveness and social cohesion, can be combined and lead to win-win results, and on the impact of conceptual ambivalence in shaping the social content of urban policies.

1 Introduction

To simultaneously promote competitiveness and cohesion – to construct one of the most competitive regions in the world, to foster employment and to eradicate poverty by 2010 – was the objective of the Lisbon and Nice EU-summits in 2000. In the meantime, important changes have occurred. In the Revised Lisbon Strategy (Spring of 2005), governability and active inclusion policies have replaced social cohesion. The three main guidelines are now: more growth (make Europe a more attractive place to work or invest in); creation of more and better jobs (knowledge and innovation on employment), and improved governance (better coordination of micro and macroeconomic policies)¹. Even more than before, a causal chain runs

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¹ In the Commission's Communication on the new Social Agenda (Brussels, 09.02.2005 COM 2005 – 33 Final) the new orientations are explained as follows: 'The revision of the Social Agenda completes and consolidates the revision of the Lisbon Strategy that focused on growth and employment.' The agenda has a fundamental role in the promotion of the social dimension of economic growth. In the period from 2000 to 2004 considerable progress has been made. Now, the application of the measures planned in the Social Agenda should be improved with the help of accredited principles. These principles will allow for: (1) the continued integrated European focus

from increasing competitiveness, via employment growth, to ‘better adapted’ social protections systems. Given the impact of this meta-strategy of the EU, it seems relevant to reflect on the question: can competitiveness and cohesion coexist? The EU strongly believes that they can. As researchers, we will take a somewhat more critical point of view.

Moreover, we are mostly interested in this relation at another level. Whereas at the level of society, competitiveness and cohesion often cohabit at diffusely, it is different at the urban level. It is in cities that trends of social change take more intensive and visible forms, that the tensions of social integration and exclusion are predominantly localized and that new organisational forms originate (Mingione, 2005). Urban social cohesion is changing as a result of the withering away of many features of the traditional city, from rather cultural ones (value patterns, socialising institutions and mechanisms of social control) to more structural ones (neighbourhoods, class structure). At the same time, more than ever cities have become competitors for subsidies, tourists, shoppers, events and even for residents and this increased competition further adds to the aforementioned threats to social cohesion.

How is this contribution structured? It starts with a definition of competitiveness and cohesion (Part 1), followed by a discussion of the relation between both concepts (Part 2). Next comes the impact that competitiveness and cohesion have at the urban level (Part 3). A brief discussion of the role of governance as a tool to come to terms with the complexity of this relationship concludes this chapter (Part 4).

2 Cohesion and Competitiveness

If it is true that, because of their implication in current socio-political power relations and discourses, scientific concepts often are reduced to ‘undenoted stakes’ (Maloutas and Pantelidou-Malouta, 2004) or ‘prénotions’ (Paugam, 1996), it is important to open this discussion with a presentation of our basic concepts. Moreover so, because this chapter tries to provide a sort of guideline for the variety of definitions used throughout the analyses in the following chapters.

2.1 *Competitiveness*

An integrated strategy for competitiveness constitutes, as already mentioned, the core rationale of EU policies (EU, 2003). According to the EU, policies to support competitiveness will not only contribute to arresting the de-industrialization process and to the orderly transition towards a modern industrial economy, but they will also

that guarantees a positive interaction between economic, social and employment policies, (2) the promotion of quality of employment, social policies and work relations, and the simultaneous improvement of the human and social capital, (3) the adaptation of social protection systems to the current expectations of our societies, based on solidarity and the reinforcement of its productive factor, (4) the recognition of ‘the cost of the lack of social policy’.

contribute to annihilate the onerous effects of these adjustments for local economies and the low-skilled. They will do this through increasing the innovation and human capital potential, which in its turn will raise labour productivity and strengthen the comparative advantage of the EU internationally.

That competitiveness is determined by productivity growth constitutes an accepted wisdom in economics (see Kendrick, 1977; OECD, semi-annually); a competitive economy is one that experiences high and sustained productivity growth. But other factors also determine productivity performance; in the dominant model, the full operation of market forces (competitive pressure, the level of competition, an integrated market) is the core variable, closely followed by innovative capacities. Further conditions for economic competitiveness and for growth are to be found in rather institutional factors, such as in the availability of a skilled and educated labour force, in entrepreneurship and R&D activities, and in the availability of various forms of technical, social and institutional infrastructure (Boddy and Parkinson, 2004) and of different types of local networks (Camagni, 2002; Turok, 2004).

Non-economic or non-technological resources and capacities such as education, work practices, consumer protection, are taken into account inasmuch they enhance competition and innovation. Recently, social, ethnic and cultural diversity has entered the equation, as a source of creativity and so for competitiveness. This attention for creativity – more in particular, the presence of creative people in a city – as a source for competitiveness has been stimulated by the writings of Florida (2005a, b) who at the same time brought the city level into focus. Kunzmann (2005) has extended this argument to a wider array of activities than just those of the traditional ‘creative classes’; not only educated people foster creativity.

The interest for competitiveness at the level of cities and regions results from the observation of their different performances. Some regions and cities grow faster than others and they increase their relative shares in the national or world economy at the expense of others (Boschma, 2004); they also try to get higher shares from international investment (Camagni, 2002), talented and high quality manpower (Gordon, 1999; Florida, 2002), more visitors (Malecki, 2004), innovation activity (Martin and Tyler, 2003) and public funds and hallmark events (Porter, 1995, 1996). Therefore, competitiveness has become a way of discussing the relative performance of geographical units in generating income and employment, in attracting new enterprises and in augmenting their shares in the global economy by increasing their productivity, R&D and innovation in the increasingly competitive and deregulated global economy (Turok, 2004).

The concept of competition, however, is not limited to economic thinking. In sociological theories, it usually takes the form of conflicts – such as group conflict. Conflicts have often been seen as a basic mechanism of social change; social change then is the result of a struggle between social classes or of competition between other rival groups, such as firms, universities, or associations. These ideas are basic to what is called a conflict model of society (Mills, 1956; Dahrendorf, 1959). Such conflicts – or competition, to use the more generic term – would then stimulate the introduction and diffusion of innovations, especially when they are likely to increase the power of one of the competing groups.

Competition may also lead to an increase in the size and complexity of the entities involved, such as is the case with the establishment of monopolies when small firms are driven out of the market. A comparable illustration could be found in the development of networks of cities to outmanoeuvre other candidates for world events. Competition also is the crucial factor in theories of individualism, which explains social behaviour as the result of individuals pursuing their self-interest. However, if one accepts that in certain conditions individuals pursuing their self-interest will cooperate with one another, they will widen their social networks. This is the case in N-person games where cooperation is allowed; some players may join forces and act as a single actor. This significantly changes the nature of the game, because then the fate of each player becomes much more dependent upon the decisions of others than in one- and two-person games (Hamburger, 1979).

In general, inserting 'cohesion' into this 'competitiveness' framework suggests that some need exists to compensate for the functions that are not fulfilled by competitiveness. There is, however, more. Diversity and conflicts imply forms of cohesion – because they need a common 'field' (be it a common playground or an arena) within which competition and conflicts can be organised. Both earlier statements, the one about increasing complexity at the macro level and the one about the need for cooperation – even for self-interested individuals – at the micro level, bring us to social cohesion. The pieces of the puzzle must be held together by bridging and binding forces.

2.2 *Cohesion*

According to Maloutas and Pantelidou-Malouta (2004) '(s)ocial cohesion and other notions of this order are not concepts in a strict epistemological sense but tentative concepts, whose implication in current socio-political power relations and discourses invests their meaning with tension and contradictions and consequently posits them as undenoted stakes'. In fact, most of these 'tentative concepts' already led a somewhat sheltered life in sociological literature before having been introduced on the public scene. This is also the case for cohesion; ever since Durkheim defined cohesion as the product of solidarity (1893/1964), it went through a process of redefining and this in several disciplines². It is, however, true that even well elaborated concepts often become the subject of socio-political struggles and consequently lose much of their conceptual clarity and empirical usefulness. As researchers, we have to steer our conceptual ships as safely as possible through these stormy seas.

A cohesive social unit would be an organisation, group or city in which a variety of forces are active that are strong and lasting enough to hold that unit together. It

² See Buckner, 1988; Puddifoot, 1995; Lochner et al., 1999; Ögdül, 2000; Forrest and Kearns, 2001, Uzell et al., 2002; Allen and Cars, 2001; Boddy and Parkinson, 2004 – a mix of social geographers, planners and social psychologists.

renders that social unit into something ‘sustainable’ (for a more detailed discussion, see Vranken et al., 2003). Social cohesion is needed to ensure the social reproduction (‘social sustainability’) of a neighbourhood, a city, or any other (urban) system. Whereas solidarity is perhaps the single most important and certainly the most discussed force leading to social cohesion³, it is not the only factor at stake. Kearns and Forrest (2001) identify five elements of social cohesion (social networks and social capital, common values and a civic culture, place attachment and an intertwining of place and group identity, social order and social control, social solidarity and reductions in wealth disparities), which – focusing on urban realities – we reduce to three dimensions: a relational one (social networks); a cultural one (common values) and a spatial one (place attachment). Social control is a fourth dimension that crosscuts the other three, since it implies at the same time a value pattern to which behaviour has to conform, a network that supports people’s behaviour and a spatial context within which social control is exercised.

The relational component of social cohesion consists of social networks – a structured multiplicity of social links. These define a person’s position in society and they usually consist of a mix of strong and weak ties. Weak ties give access to important ‘social goods’ (labour, income, education), whereas strong ties provide emotional support. For the average citizen, both types of ties are found in his or her personal network; for persons living in society’s margins, however, this is not so. In their networks, strong ties dominate. However, in order to connect with the city’s resources – and so to improve their individual or collective position – they need weak ties. According to Dekker (2006), social capital (see Bourdieu, 1979; Coleman, 1990; Putnam, 1998) should not be included in this dimension, because this complex concept contains itself several other components: social structures and, actions of actors within these structures and common values and a civic culture.

Regarding the cultural component of cohesion, the presence of a set of shared values and norms enables members ‘to identify and support common aims and objectives, and share a common set of moral principles and codes of behaviour through which to conduct their relations with one another’ (Kearns and Forrest, 2001). This ‘value dimension’ of social cohesion should not be reduced to a ‘mutually respected moral code’ or to a common political culture. Elements such as the recognition of one’s societal responsibility, democratic conflict-resolving and tolerant behaviour are equally important but appear to be in decline. Moreover it may be argued that it is the weakening or even disappearance of everyday ‘spontaneous’ routines and reciprocities that invite ‘top-down’ initiatives to intervene in order to strengthen or to complement them.

³ In spite of this common context, cohesion and solidarity are not to be used as synonyms, although both concepts imply reciprocal dependency between individuals, groups and institutions. Where, then, do they differ? We would insist on the fact that cohesion refers to the static dimension (as in chemistry) and solidarity to a process. There is some indication in Durkheim that he viewed it this way: ‘cohesion, which results from this solidarity’ (Durkheim, 1893: 131). Solidarity, then, is a set of processes through which the (urban) social system is integrated and social cohesion is the result of different forms of solidarity.

This leads us to another facet of social cohesion: a feeling of ‘belonging to’. This may be a group or a place or both at the same time. People not only have ties with other people, but also with their immediate living environment (Blokland, 2000). This ‘place attachment’ may lead to a feeling of security, may build positive self-images and self-esteem as well as maintain group identity (Altman and Low, 1992). It implies the merging of a cultural pattern and a social network into a specific ‘social form’. The forces leading to this formation are internal and external. Internal forces are the networks facilitating interaction and communication, and common cultural frameworks providing shared values and facilitating common meanings, interpretations and common norms. Urban residents need to identify with others in ‘their’ city – to see the city as their ‘home’ (Heimat). It is in all of the above senses that cities can, and do, ‘contribute to social cohesion’.

From this discussion, the importance of a common value system and of mechanisms of social control in maintaining social cohesion has become clear. However, is social cohesion only served by the status quo? What with social change? Social cohesion needs some form of conflict to realize its functions, including that of contributing to society’s sustainability. In sociology, group conflict has often been viewed as a basic mechanism of social change. The notion of conflict becomes more relevant to the explanation of social change if it is broadened to include competition; competition between actors such as nations, firms, associations, schools of thought or cities. Competition stimulates the introduction and diffusion of innovations. This relation between competition (competitiveness) and cohesion will be elaborated in the next section.

3 How Competitiveness and Cohesion Relate to Each Other?

The relation between competitiveness and cohesion can be seen as a more specific formulation of the more generic one between economy and society in general⁴ and it contains the same uncertainty as to the direction of this relation. Is cohesion a condition for competitiveness or does competitiveness (if not directly, then through its main result, which is economic growth) constitute the necessary context for social cohesion?

Given the lack of empirical evidence regarding the relation between competitiveness and cohesion (Gordon, 2005b), what remains is to identify some arguments in the debate. Even this is, however, not an easy task. The problematic itself underwent fundamental changes with the development of welfare states – even further complicated by the existence of different welfare regimes – in the second half of the 20th century; as many answers to the tension between ‘the economic’ and ‘the social’ or between the market, social exchange and the state; the state promoting social protection systems through sustained economic growth. Moreover, the diversity of

⁴ Or to the Polanyi relation between market and social exchange (two of his three dimensions, the third being the state; Polanyi, 1944).

indicators being used for cohesion and for competitiveness contributes to the incomparability of the arguments brought forward. Economic growth, job growth and productivity gain are used as indicators for competitiveness, but a mere increase in productivity could contribute to more income disparities and thus to less cohesion. Since productivity gain often leads to increased unemployment or results from job losses – given the tenet of decreasing marginal productivity – it rather has negative effects on social cohesion. Cohesion may support economic growth – but what dimension of cohesion? Is it about social networks, social capital, trust, common values, identification with the in-group, or efficient processes of social exclusion – about one, some or all of these characteristics?

Let us elaborate this argument with the help of investigations on the impact of economic growth on living conditions. Their results are inconclusive since they lead to both a positive and a negative relation. The positive relation is not direct; the intermediary variable most frequently used is the labour market. Economic growth then is supposed to increase the demand for labour and so to reduce unemployment. These changes and the ensuing increase in wages and income will lead to better participation of the population in a wide array of social, political and cultural activities – ranging from higher consumption to participation in elections and in neighbourhood initiatives – and therefore more satisfaction with the way things are; which will be reflected in lower crime rates (Kelly, 2000; Gordon and Buck, 2004). Cohesion will certainly not suffer from these developments.

Fainstein explores the relation between competitiveness and cohesion and, drawing on the global city literature and especially on the polarization processes in the leading urban regions of the world, affirms that ‘growth and equity do not necessarily reinforce each other’ (Fainstein, 2001a). After looking at some recent findings, Maloutas and Pantelidou-Malouta (2004) arrive at the same conclusion: economic development and cohesion go not necessarily hand in hand. Pressure from economic restructuring and globalization, they write, imposes the most effective limits on social cohesion. These limits are rendered even more prominent by dominant conservative and ‘pragmatic’ discourses that treat them as inevitable and inalterable constraints and they are reflected in the widely accepted image of European societies as market societies. Competitiveness then becomes the benchmark for social cohesion, marking a reversal between goals and means: social cohesion is not a goal *per se*, since the lack of cohesion is considered detrimental to economic development, the latter assumed a prerequisite for developing social cohesion (Beauvais and Jenson, 2002: 30).

On the other hand, the contribution of social conditions to economic factors, such as economic growth and competitiveness is generally acknowledged, without being investigated empirically at a large scale. Generally, a lack of cohesion is considered detrimental to economic development. The OECD expects that ‘there are close links between social and economic development, such that policies to support social cohesion may also increase investment attractiveness and business competitiveness’ (OECD, 2001a). Harding (2005) highlights ‘the importance of civic culture and a strong civil society in creating social cohesion and providing the capacity for effective sub-national governance and, thereby, enabling innovative adaptation to economic change’.

If competitiveness and cohesion are fundamentally contradictory and since ‘marketization and commodification are not going to go away’ (Fainstein, 2001a), the core question becomes how large the economic and political margin is for developing a version of social cohesion that does not impede competitiveness. The four aspects that Komter et al. (2000) identify regarding the question of ‘social order’ could help to structure the debate. Firstly, mutual understanding is needed to establish communication and trust; the increasing diversity of lifestyles and ethnic cultures within the city could form an obstacle to this because a common cultural context is missing. Secondly, ‘shared utility’ – self-preservation and sound self-interest – contributes to solidarity and cohesion. Thirdly, solidarity always coexists with (individual and group) conflict and deviance, with rapid and therefore destabilising social change and cultural innovation. And last but not least, different societal levels, such as cities and neighbourhoods, are at stake.

4 The Relation Between Cohesion and Competitiveness at the City Level

Cities today are clusters of public goods, they enhance interaction and local synergy, and their administration is politically accountable; therefore they may be considered competing actors on the global scene (Camagni, 2002). At the same time, however, the ordered city seems to have degenerated into a ‘morass of fragmenting and recombining relations’ (Healey et al., 1995), rather than to constitute the context for a cohesive urban economy; according to Healey et al. we now have a city of ‘bits and pieces’. Are both developments – externally, towards more competition and internally, towards less cohesion – connected? To what extent is their social and spatial fragmentation fostered by initiatives intended to increase the economic attractiveness and the market position of cities?

The impact of competitiveness comes on top of structural developments that affect almost all modern cities. Spatial fragmentation results from the facilitation of access for private transport and the creation of vacant spaces (motorways, parking lots) and of other mono-functional areas (shopping areas); at the same time, it lays the foundations for social fragmentation. Social fragmentation appears in many forms, individual as well as collective ones. The classic example of the former is the individualisation of urban life, such as when ‘consumers’ of goods (shopping malls) and services (cultural events) take precedence over ‘citizens’ as the main users of the city. Not only do consumers compete with citizens for political attention and public space, they also are competitors among themselves. In its collective form, fragmentation appears when communities try to keep their cultural characteristics and social routines intact, and use them to differentiate from other communities and even to counter them. This often results in specific spatial forms of fragmentation, such as in ethnic villages, or in spatial forms of exclusion such as in the concentration of the excluded in particular neighbourhoods and of the rich and powerful in

their gated communities – excluding the rest of the city dwellers from the privileges they are capable of enjoying from their ‘ivory towers’.

As for the role of competition: in a globalising world, writes Camagni, territories (such as cities) and not just firms increasingly are competing with each other. Globalisation definitely raises the competitive climate within which firms are confronting each other; at the same time, cities are eager to attract new firms or to help existing ones to survive general economic transformations (Camagni, 2002). This is very well illustrated by ‘city marketing’ – ‘the advertisement of the mix of competitive localisation advantages any given city can boast’ (Martinotti, 2005). Does this result in a worse ‘social climate’ in terms of social cohesion and social integration? Camagni’s answer is based on his statement that regions and local territories (such as cities) operate within a regime of ‘absolute advantage’ and not of ‘comparative advantage’, as countries do in David Ricardo’s textbook model⁵. This means that a region (or a city) can well be pushed out of business if its efficiency and competitiveness are lower than that of other regions (or cities). Detrimental to competitiveness are inadequacies in production factors, adverse geographical circumstances or poor accessibility, but also immaterial elements linked to culture, taste and creativity and to co-operation and networking. These ‘weakness conditions (...) may well result in mass unemployment and, if public transfers of income are not sufficient, emigration and possible abandonment’ (Camagni, 2002).

More competitiveness may lead to economic success, but the link with better living conditions for every citizen and with more cohesion in the city is not so certain. Pahl indicates that ‘the more economically successful modern cities are, the greater will be the tendency for income and health polarisation to grow’ (Pahl, 2001). Does this mean that social cohesion will also be weakened by economic successes? And what with the reverse impact: that of cohesion on the city’s economic success, *viz.* competitiveness? As will have become clear, this chapter focuses on the latter relation.

If competitiveness is a core determinant of economic development, and given that ‘human, social and relational capital endowments emerge as the sources of the competitiveness of territories, necessary pre-conditions to secure employment stability, necessary pre-conditions to secure employment stability, benefits from external integration and the continuing growth of local well-being and wealth’ Camagni (2002), the six paths through which cohesion might have an impact on the economic development of a city or region as identified by Gordon (2005a) provide us with a good overview of the items to be discussed. Firstly, a lack of ‘connectedness’ or ‘social order’ could affect the willingness of highly qualified and high-income households to live in the area, leading to a shortage of human capital and/or of spending power. We should of course consider that the ‘degree of cohesion’ could as well be too high, so that all newcomers are perceived as intruders; and that willingness is very strongly curbed or promoted by the power of the said households to act. Secondly, ‘inequality’, ‘disconnectedness’ and/or ‘disorder’ lead to underachievement in the

⁵ A point of view that is (wrongly) transferred to the subnational level by Krugman (1998).

local school system, thereby deteriorating the supply of middle range skills. This quasi-causal chain running from inequality/exclusion/lack of cohesion and/or integration over educational underachievement to a low supply of (relevant) skills clearly illustrates the link between cohesion and competitiveness. The same goes for the third link between a high degree of negative features related to (a lack of) cohesion (such as a high level of criminality or filthy public spaces) and the image of a city or region and less tourist inflows or less investments from inward and outward investors.

Fourthly, Gordon states that ‘inequality’, ‘connectedness’ and ‘order’ may decrease competitiveness through criminal activities directed towards businesses. The question here also is whether only a low score on cohesion would have a negative impact and which would be the effect of a very high level of cohesion, leading to a ‘closed’ community. Fifthly, a lack of ‘connectedness’ (‘social capital’ and ‘social networks’) may decrease the willingness to engage in collaborative ventures, both in relation to innovation and to collective action in support of local economic development. Lastly, ‘connectedness’ in the form of ‘identity’, ‘stability’ and ‘social solidarity’ within a workforce and between workforce and employers affects both the overall productivity and the development of human capital. Again, this path running from cohesion (solidarity) within and between ‘social partners’ to productivity and human capital is less univocal, since competitiveness in this respect could improve production whereas cohesion and solidarity could have the opposite effect (‘closed shop’).

Let us discuss some of the themes crosscutting these different ‘paths’. We have selected: (1) that different societal levels are at stake and that the effects of cohesion can contradict each other according to the level at which cohesion is strong; (2) the relation between strong and weak ties (or bridging and binding forms of social cohesion⁶); (3) that the increasing diversity of city life needs new routines and adapted forms of solidarity in order to establish communication and trust, and (4) that ‘shared utility’ – self-preservation and sound self-interest – contributes to solidarity.

5 Different Societal Levels Are at Stake

The whole cohesion debate has very much focussed on the neighbourhood level. In line with Tönnies’ classical statement that ‘Gemeinschaft’ has been replaced by ‘Gesellschaft’ (Tönnies, 1887/1972), many commentators have deplored the loss of the integrative functions of neighbourhoods. Their supposed disappearance would thus constitute a threat to urban cohesion.

It is, however, not that simple. Several questions arise regarding the function of this ‘lowest’ level and its relation with other societal levels. First, does identification

⁶ Parallel with bonding capital and bridging capital (Putnam, 2000) or strong ties and weak ties (Granovetter, 1973).

with the neighbourhood level or of local communities constitute a necessary first step for integration at the city level or is it rather a handicap? Second, how stimulating is identification at the city level ('Proud to be a...') for integration at the lower level? The third question is about the impact of identification with the city (at whatever level) on the relation with the city region: is it seen as a competitor or as a supporting environment? Or, as Maloutas and Pantelidou-Malouta (2004) put it: 'A more cohesive city does not necessarily imply more cohesive communities/neighbourhoods, and a more cohesive neighbourhood does not necessarily affect positively the cohesiveness of other neighbourhoods'.

Any discussion should start with the generally accepted impact of reference groups on people's individual and group behaviour (Merton and Kitt, 1950). It states, essentially, that identification with smaller units often stands in the way of identification with a 'higher' or 'more modern' level of social life (cities instead of neighbourhoods, nation state instead of social classes). The question, then, is whether developments such as increasing individualisation and fragmentation are weakening cohesion or rather take away obstacles that formerly obstructed identification with the city or the nation state. The core argument is that a strong degree of cohesion at the neighbourhood level (or at the level of local communities, which often is identical) might exclude inhabitants from opportunities outside the neighbourhood. They then are unable to respond to new opportunities; Durkheim has showed the way when identifying a form of anomie that results from too much integration.

There is, however, not only the relation between the neighbourhood and the city or between the city and the national state (or the EU). There also is the relation with other cities and the relation between the city and its city-region. We already mentioned that the degree of competition and cohesion differs among cities, depending upon the degree and variation of their economic activities, their income level and income distribution, the type of welfare state, and housing and spatial policies. Nevertheless, there is an inherent and re-emerging spatial dimension in many forms of social exclusion (see, among others, Madanipour et al., 1998; Andersen and van Kempen, 2001).

6 What if Strong Ties Dominate Over Weak Ties?

Through a structured multiplicity of social links, people occupy a position in society. This in turn requires that many different foci (Feld, 1981) exist, where people of different social groups (or subcultures) meet. Cohesion is then measured by the extent to which 'social circles' (Simmel, 1908: 312–13) are crosscutting. In modern social network terms, this would mean a certain degree of heterogeneity of relations within one's network, a mix of strong and weak ties.

Weaker ties tend to provide better access to a greater diversity of resources than do strong and socially more homogeneous ties. Weak ties therefore are particularly important for people living in society's margins, because these weak ties – which for

them are rather indirect (that is, of the ‘via-via’ type) – provide access to important ‘social goods’ (labour, income, education), whereas strong ties do not because they are rather with ‘the same kind of people’ (originally Granovetter, 1973). For them the only way to connect to a city’s resources – and so to improve their individual or collective position – is through the development of their weak ties.

However, as Burns and Taylor (1998) point out, socially excluded groups and persons do not have the dense and overlapping networks of a possible mythical past, nor the sparse overlapping networks required in the present world. Moreover, their situation is being complicated by recent developments within neighbourhoods (the increasing in- and out-flow, leading to more anonymous relations) and by changes in the structure and functions of the family (leading to less stable networks).

Changes in the socio-spatial organisation of the city have increased the isolating effects of these typical ‘strong ties-networks’ and so contributed to the perpetuation of their situation. Whereas before deprived neighbourhoods often possessed an ‘integrative’ function, being a first stop for newcomers on a trajectory into city life (the so-called ‘transition zone’, see Park et al., 1925), they have become dead-end areas (‘cul-de-sac’; Dubet and Lapeyronnie, 1992). Apart from these structural circumstances, the attitude of the population, the media, and urban policies increasingly plays a role in the stigmatisation of population groups, ‘personal characteristics’ and neighbourhoods. They are no longer in a position to profit from the traditional mechanisms of socio-spatial mobility that formerly characterised cities.

This could explain why the relation between social networks within a neighbourhood and feelings of attachment to that neighbourhood are not always mutually reinforcing. Some research results suggest that, whereas people whose networks are largely restricted to their own neighbourhood appear less attached to it (Atkinson and Kintrea, 2001), people who spent a lot of time outside the neighbourhood (for leisure or work) are not always less attached to it than other residents (Van Beckhoven and Van Kempen, 2003).

So, not all of these developments point into the same direction – some also provide opportunities for more cohesive cities at the same time as they threaten cohesion. However, ‘we certainly should not assume that local concentrations of socially excluded groups can be dissolved through initiatives to promote local competitiveness’ (Gordon, 2005a).

7 Does Increasing Diversity Need New Types of Solidarity?

Cities have always exhibited diversity; at present this appears most clearly in the form of ethnic diversity, which usually is seen as one of the important effects of globalisation. Globalisation in the broadest sense refers to the accelerated circulation of people, commodities, capital, identities and images through global space, as well as to the increasing mobility of ideologies, economic principles, policies and lifestyles. Various rounds of immigration undoubtedly have brought with them a number of advantages, in terms of maintaining current levels of employment and of countering the effects of an ageing, stagnant or even declining population. They seem, however, to be overshadowed by problems such as integration, increasing

racist and xenophobic attitudes, polarization, exclusion. More specifically, policy-makers are faced with the challenge of implementing policies to include immigrants (integration; assimilation; acculturation) into different sectors of society, as well as the need to develop a 'general culture' for the continued economic competitiveness and social cohesiveness of cities.

The sociological problem lies in the hypothesised collapse of traditional forms of solidarity and of routines that used to function as mediators between the general value patterns and everyday life and, moreover, fulfilled an important function of social control. It is the weakening or even disappearance of these 'spontaneous' routines and reciprocities that are at the origin of a number of 'top-down' initiatives to strengthen or to complement them.

It seems as if the 'natural' and rather hidden solidarity mechanisms resulting from far-going differentiation in the labour process do no longer suffice to hold society together. New forms of 'mechanic' solidarity are needed to complement the 'organic' solidarity that is rooted in this functional division of labour. They consist of 'top-down' and explicit initiatives and cover an even wider array of initiatives than before, from 'repressive' to 'protective' (social protection, social services) ones. The 'repressive' ones are most visible through the initiatives to 'policy the private and public sphere', the many social and physical control systems that are being introduced in urban environments in order to promote safety. Best documented are the increase in CCTV-controlled areas, private security services, and the call for 'more police/blue in the street'. Less easily identifiable, they are found in the success of mono-cultural discourses and the increase of legal and other mechanisms to prevent or to combat forms of 'deviant behaviour' (including specific cultural behaviour). The integration debate has shifted from 'reciprocal adaptation' of dominant and minority cultures to the slogan 'integrate or leave', and integration is reduced to 'adaptation'. The treatment of beggars and other types of 'street folk' becomes less lenient than it used to be. For young offenders who are considered to be 'incorrigible' special prisons are built, and their prime function no longer is to re-educate the inmates but to protect society from them. Initiatives to promote cohesion – such as the financing of 'spontaneous' neighbourhood festivities – also fit into this picture.

These different forms of solidarity are not only complementary; they often are conflicting and in some cases even mutually exclusive. Being aware of this is of utmost importance when discussing at what level cohesion can best be preserved so that competitiveness is supported or whether the replacing of forms of solidarity should be left to 'market forces' or be organised from above (and whether both approaches are not mutually exclusive).

8 Social Exclusion Contributes to Cohesion

Social cohesion may lead to claims on group members and restrictions on their freedom, to downward expectations and resulting missing of opportunities, and finally to their exclusion (see also Portes, 1998). The degree to which members are willing to participate and identify with a group largely depends upon the degree

of internalisation of values and norms and the sanctioning capacities of the group. If people feel that they are part of a group, they are inclined to follow its rules of interaction. This even leads to their acceptance of deviant behaviour. From a research in several neighbourhoods of Cologne, Friedrichs and Blasius (2003) concluded an inverse relationship between the number of contacts of a person outside the neighbourhood and their acceptance of deviant behaviour.

At the same time, group solidarity is promoted by a common experience of opposition to 'others'. This can mean that members are under pressure not to show too much ambition to leave the group and to integrate into 'larger society'.

The external force promoting identification with the in-group is the perception of an out-group as a 'threat', an important result of which is the generation of stereotypes and stigmatisation. This could even mean that forms of social exclusion⁷ are necessary, as is most visible in ethnically or religiously homogeneous groups or societies.

This 'construction of cohesion' often is strengthened and made more visible by its spatial dimension. If part of the group identity is based on feelings of belonging to a certain space, no-go areas and feelings of insecurity for non-group members entering this space are generated. Dekker (2006) refers to street gangs as an extreme example of what she calls 'such unwanted forms of social cohesion', but such no-go areas also exist at the other end of the spectrum (where they often are even formalised as 'gated communities') and in milder forms (uneasiness for working class people or members of minority groups to enter posh shopping malls).

Consequently, in order to have cohesion at the group level two conditions must be fulfilled: a negative and a positive one. Hence, exclusion and cohesion are not opposite but complementary realities (see also Healey, 1998). Exclusion implies the active existence of cohesion. This suggests that we need to understand both social exclusion and cohesion as group-building and mobilising processes that generate boundaries and create labels of 'we', 'you', and 'they'. Research and policy should therefore try to discriminate between forms of cohesion and exclusion, which are supportive and give strength and identity to people in vulnerable situations ('empowering'), and forms that actively prevent individuals or groups from participating in their social worlds and wider opportunities.

9 First Answers to the Four Questions

Did this discussion of crosscutting themes clarify the complex relation between cohesion and competitiveness? Firstly, the level at which cohesion is promoted is important when discussing its link with competitiveness. If identification with the city is what the city administration is concerned about, then any loss in the city's

⁷ Social exclusion forms part of a quartet of concepts, which is the result of the crossing of two characteristics, i.e. the presence/absence of a hierarchy and the presence/absence of fault lines. Fault lines are, in short, 'sudden discontinuities' in social reality: between persons, groups, situations, processes, or structures (see Vranken et al., 1996 and later).

competitiveness could lead to a reduced cohesion – through the effects of more unemployment and less welfare. If, however, the neighbourhood still is a strong integrator, then a social safety net remains present that could compensate for job and income losses. An analogue effect is probable regarding strong and weak ties (or bridging and binding forms of social cohesion), since ‘the strength of weak ties’ will be much more dependent upon the competitiveness of the city, because its bridging function depends upon the presence of economic goods, whereas binding forms of social cohesion (or strong ties) belong to a different, more personal realm of the life of citizens; although it is known that the weakening of the material basis of life will also have negative effects on these ‘primary relationships’ (Ricoeur). If increasing diversity indeed is not only promoting the city’s cultural and social attractiveness, but also has a positive impact on its creativity and innovative capacities; it will stimulate the city’s position in the field of economic competition. The new routines and adapted forms of solidarity that the city will need to establish communication and trust and so to become a full competitor, will have to steer between the Scylla of public safety and quasi-parental control and the Charibdis of individualisation and egotism. Very much related is the fourth question: under which conditions will ‘shared utility’ – self-preservation and sound self-interest – contribute to solidarity in an environment of increased competitiveness.

It might be clear that in this incomplete summing up, reference is made several times to the position and role of the city administration. This will be the subject of the next section.

10 Urban Governance in-Between or Above Competitiveness and Cohesion?

These trends regarding economic competitiveness, diversity, cohesion and spatial dynamics have increased the challenges faced by urban governments. The post-war model of urban politics in which urban governments dominated decision-making have given way to a new context of governance in which an increasingly heterogeneous conglomerate of actors and agencies, with various backgrounds and competencies, define and deliver services in a way that is independent from the territorial boundaries of the traditional local government structure (see Kooiman, 2003; Imrie and Raco, 1999).

Urban governance refers to the fact that more complex forms of self-organising, inter-organisational networks are replacing traditional urban government. These networks consist of different political, social, cultural, and economic agents from different levels of decision-making. Their aim is to arrive at effective policies at the local urban level, mostly promoting urban economic growth, ecological sustainability, social inclusion, or a combination of these (and often other) goals. Kearns and Paddison (2000) point out that governance is about the capacity to get things done in the face of complexity, conflict and social change: organisations, notably but not

only urban governments, empower themselves by blending their resources, skills and purposes with others.

Urban governance is seen as increasingly achieved through soft forms of cooperation, rather than through hard territorial institutions. It is clear that improving governance in urban regions is not just about reforming institutions and finance; it is also about changing attitudes and a new political culture. One of these changes is the growing emphasis on active citizenship, a new localism, and the mobilisation of communities. It is expected that within the new governance frameworks individual citizens and communities will take more responsibility for their own welfare and the local policy processes that shape their lives and the places in which they live. Old models of representative democracy, associated with the era of powerful local government, are being replaced, albeit gradually, by more participative modes of democratic engagement and accountability.

The relation with cohesion and competitiveness should be clear. The increasing diversity in the city's population, activities and functions is reflected in urban governance, where multiple actors are present. Moreover, the statement that cohesion can only be realized at specific levels (the neighbourhood, the city, the city-region) invites the development of coherent policies through an integrated approach. Here again, governance could present a solution.

Governance is, of course, just an ideal type of which only variations exist in reality. Consequently, urban governance covers a wide range of forms, from ad hoc arrangements for one particular occasion (an 'issue network') to a long-term strategy for a set of agents (a 'policy community'). Sometimes policies in a particular city may even be identified as the product of an enduring urban 'regime'. Some of these 'real existing forms' of urban governance remain fairly close to traditional government; although sector-bound coalitions may be identified, there is no city-encompassing regime (Rhodes, 1986; Stone, 1989; see also Friedrichs and Vranken, 2001). Different models and different scenarios of urban governance should be analysed and tested on their effectiveness and efficiency towards combining the need for (more) competitiveness and (new forms of) cohesion.

11 The Limits of Urban Governance in Overcoming Complexity and Promoting Coherence

Cochrane (1999b) asks 'if urban areas are characterised by difference, tensions and divisions, how is it possible for shared agendas to emerge?' According to Kearns and Paddison (2000), urban governance is not really an attempt to regain control so much as an attempt to manage and regulate differences and to be creative in urban arenas which are themselves experiencing considerable change. Most of the changes that have been described in negative terms, however, may also generate opportunities. Institutional fragmentation may produce innovative processes; economic uncertainties can result in the assertion and utilisation of local culture(s), values, and images.

Urban governance is limited by cultural, institutional, and economic constraints. These mould the political arena, shape the political agenda, and allocate powers and resources unequally. Then, critical elements for ‘the ability to formulate policies and to mobilise powers and resources behind their implementation’ (Keating, 2000) would be factors such as the formal structure and powers of urban governance; the culture and ideological assumptions about the scope of urban governance; the importance of territory in political discourse, the sense of place and the legitimacy of area-based policies in the political culture, the intergovernmental network, and the role of professional bureaucracies, and the economic environment.

Evaluation of the efficacy of urban governance must take account of the different agents, their position and interests, their perspectives. The central questions here are: for whom and for what? Since most productive resources needed for successful urban governance are in private hands and the city is an ‘open economy’, which can have a weak or a strong market position, the impact of public actors or social movements on governing the tension between competitiveness and cohesion will be relatively weak. On the other hand, cities are the locus of a variety of social movements, organised around a series of urban policy issues such as the provision of collective goods and services, cultural identity, community formation and local self-government (at the district or neighbourhood level). In assessing efficacy, we should not avoid normative questions (Keating, 1991: 9), such as: are there better forms of governance when it comes to organise some form of cohabitation between cohesion and competitiveness?

One step into the direction of an answer would be the listing of the main characteristics of governance, as Imrie and Raco (1999). Their scheme of oppositions between style differences implies a transfer from the logic of public administration to that of private enterprise⁸. Rhodes’ (1997: 53) list of characteristics of urban governance refers more to differences in ‘content’. Combined we arrive at Table 1.

Most of these characteristics will have a direct or indirect impact on the way the relation between competitiveness and cohesion is regulated. Does a ‘democratic’ relation with the electorate stimulate cohesion more than the post-democratic type, because of the backing of policies and policy implementations by political responsible bodies (parliaments, elected councils), which have to answer to their electorate? While, in a post-democratic system, decisions that were previously part of the ‘legislative’ branch are more or less permanently delegated to public and private agents? More agents are concerned in policymaking and implementation in a decentralised system, which also is rather bottom-up in that it accepts a proper scope of policymaking for the many agents involved. At the city level, a centralised decision-making process starts from the ‘town hall’ as opposed to the decentralised that is based on ‘district or neighbourhood councils’ – thus promoting social cohesion but hampering competitiveness? Both couples ‘collectivised versus privatised’

⁸ A coherent set of theses on the transformation from government to governance is given by Imrie and Raco (1999): the ‘enabling’ thesis, the ‘closure’ thesis, the ‘changing policy substance’ thesis, and the ‘entrepreneurial’ thesis.

Table 1 Ideal types of ‘government’ and ‘governance’: an integration of style and content

	Local government is rather	Local governance is rather
Central actor	Public	Public, private and NGO
Relations agents	Independent	Interdependence
Resources	‘Monopoly’	Shared
Relation with state	Dependent	Relatively autonomous
Relations domains	Separate domains	‘Inclusive’
Central level	State	Local
Orientation	Process	Result
Administrative culture	Bureaucratic	Flexible and responsive
Relation with electorate	Democratic	Post-democratic
Decision-making	Centralised (top-down)	Decentralised (bottom-up)
Ownership	Collectivised	Privatised
Management	Municipal	Entrepreneurial
Goals	Social/welfare goals	Market goals

Source: Adapted from Imrie and Raco (1999) and Rhodes (1997).

and ‘municipal versus entrepreneurial’ are very much interrelated, certainly so in an era of PPP. What part remains for the public partner, trying to include social and welfare goals into the projects and programmes, as opposed to the power of financially stronger private and entrepreneurial agents, carrying with them market goals? Or is there any truth in the saying ‘Profit for the Private Partner – Problems for the Public Partner’?

12 Some Conclusions . . .

The developments that go with globalisation or that are its results – and the real or felt need for competitiveness is one of them – are at the core of this chapter; they increase social and spatial forms of exclusion, hamper social inclusion, and destroy traditional forms of social cohesion and solidarity without replacing them with new types. In the end and in normative terms, the debate is about the choice between economic competitiveness and social cohesion, where social cohesion often is used as a synonym for related concepts such as social exclusion or social justice or as shorthand for a more complex set of phenomena or objectives. Already the existence of different forms of cohesion – bonding and bridging – illustrates this complexity and the introduction of different levels (the region, the city or the neighbourhood – the only adds to it).

This chapter opened with the question whether it is possible to identify some form of causal chain in the relation between competitiveness and cohesion; because of the state of research the discussion was done in terms of a ‘functional relation’. This probably is not a step back; a functional relation could be closest to reality, because of the interaction between both components. The level at which cohesion is analysed is important, because the impact of and room for competitiveness differs whether it is viewed from the perspective of the city or of the neighbourhood.

'The strength of weak ties' depends much more on the competitiveness of the city, whereas binding forms of social cohesion (or strong ties) belong to a different realm of the life of citizens, more in line with the neighbourhood level. If increasing diversity has a positive impact on the city's creativity and innovative capacities, it will stimulate the city's position in the field of economic competition. The new routines and adapted forms of solidarity that the city will need to become a full competitor should at the same time guarantee public safety and individual freedom. Under which conditions will 'shared utility' contribute to solidarity and cohesion in a context of increased competitiveness?

If viewed from the perspective of competitiveness: must it lead to the disappearance of cities as cohesive units? Must the relation between competitiveness and cohesion be a zero-sum game? Not, if certain conditions are met. The attractiveness of cities may also be enhanced through a higher quality and an improved complementarity of its spatial organisation, through more efficient and accessible public services, through the stimulating of local networks, through integrating economic, social, cultural and spatial objectives, through guaranteeing the effective participation of citizens in the development of 'a view on the city' and the strategies needed to realise it.

New forms of urban governance will be needed to confront these challenges and the structural ones such as promoting cohesion without increasing exclusion, stimulating innovation without marginalising low-skilled labour, organising new forms of socialisation and social control without impeding on individual freedom, and using the city's diversity to develop new forms of solidarity.

Part II

**Analyzing the Competitiveness of Cities
and Regions**

Are Entrepreneurial Cities More Successful? Empirical Evidence from 50 German Cities

Stefano Panebianco

Abstract Since the early 1990s, both the German federal government and several of the state governments at Lander level have carried out competitions to identify “the citizen-friendly city”, “the less bureaucratic region” or “the most business-friendly administration”. However, the model of the “entrepreneurial city” has so far only rarely been questioned. Are entrepreneurial cities more successful in economic terms? Do more “business friendliness” and less bureaucracy pay off? And is there a trade-off between entrepreneurialism and social cohesion? This chapter addresses these issues by investigating the reality of 50 German cities. First, different meanings of the “entrepreneurial city” are presented and related to indicators capturing the entrepreneurialism of city administrations. Subsequently, potential economic and social outcomes of entrepreneurialism are discussed. The empirical section of the chapter looks into statistical data from 50 German cities in order to find out whether entrepreneurial cities are more competitive, and to which extent this success is achieved at the expense of social cohesion.

1 Introduction

“Entrepreneurial city” has become one of the most popular labels local governments strive for. Since the early 1990s, both the German federal government and several of the state governments at Länder-level have carried out competitions to identify “the citizen-friendly city”, “the less bureaucratic region” or “the most business-friendly administration”. In the era of Europeanization and globalisation, local administrations seem to experience a far-reaching transformation from rigid and inefficient public bureaucracies to proactive, entrepreneurial units serving the needs of citizens and businesses. The changes are driven by the insight that flexible public services are needed in order to “survive” against competing cities and regions. However, there are also mere financial constraints at the basis of the ongoing transformations: While the expenditures of municipal administrations have been steadily rising, the tax revenues and state subsidies available to local governments stagnated or even

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decreased over the last 15 years. Consequently, cities need to turn “entrepreneurial” for being able to provide a minimum level of public services.

The model of the “entrepreneurial city” has so far only rarely been questioned. Are entrepreneurial cities more successful in economic terms? Do more “business friendliness” and less bureaucracy pay off? And is there a trade-off between entrepreneurialism and social cohesion? This chapter seeks to address these issues by investigating the situation in 50 German cities. First, different meanings of “entrepreneurial city” are presented and related to indicators capturing the entrepreneurialism of city administrations (Section 2). Subsequently, potential economic and social outcomes of entrepreneurialism are discussed (Section 3). The empirical section of the chapter looks into statistical data from 50 German cities in order to find out whether entrepreneurial cities are more competitive, and to which extent this success is achieved at the expense of social cohesion (Section 4).

2 The “Entrepreneurial” City

What is meant by the term entrepreneurial city? According to Chapin (2002) “what makes a city entrepreneurial and how this orientation differs from what came before remains somewhat murky” (p. 567). Similarly, Jessop and Sum (2000, p. 2287) notice a “widespread interest among policymakers and observers alike in the entrepreneurial city”, but complain that “it is less obvious what exactly being an entrepreneurial city involves” (p. 2287). These uncertainties are not surprising: Despite its broad dissemination, the concept of the entrepreneurial city is still rather new and has rarely been explicitly defined so far. One of the first academics to use the term is Harvey (1989). He observes an increased engagement of local governments in development oriented activities which he classifies as a shift “from managerialism to entrepreneurialism” (p. 3). Subsequently, Frieden and Sagalyn (1989) and Roberts and Schein (1993) employ the term “entrepreneurial city” to describe the pro-active approach of US city-administrations in the area of urban renewal. Since then, the concept of the entrepreneurial city has been used in various – partly opposing – meanings. For Murphy (1999), “in practice the expression seems . . . to refer unambiguously to the resurgence of city marketing” (p. 86). Contrary to this opinion, Jessop and Sum (2000) contend that an entrepreneurial city pursuing permanent innovation “typically requires a degree of (self-)reflexivity that is absent in . . . those [cities] that merely engage in boosterism or city marketing” (p. 2292). Another controversy concerns the question whether the phenomenon of the entrepreneurial city represents a clean break with past developments – or just a slightly modified version of a well-known picture. Eisinger (1997) stresses that “subnational governments have always been highly entrepreneurial in expanding the domain of their activities and persistently inventive in the creation of instruments to pursue their objectives” (p. 312). By contrast, Jessop and Sum (2000) affirm that “this argument views cities as engines of wealth creation regardless of the specific form in which this occurs – and so fails to capture what is novel about the role of

entrepreneurial cities in capital accumulation" (p. 2287). Finally, there are authors which deny that entrepreneurialism plays a substantial role at all. Murphy (1999) is convinced that "the notion . . . that the traditional (managerialist) tasks of urban governance are being displaced by entrepreneurialism is simply wrong", because "the basic managerial concerns for land use planning and infrastructure provision continue" (p. 86). In contrast to this view, Chapin (2002) even identifies clear signs of a "municipal capitalism" and foresees "... a new era . . . in which the role of the public sector has evolved from a facilitator of development to an active capitalist driving development" (p. 566). However, despite the contradictions found in the literature on entrepreneurial cities, there seems to evolve a sort of consensus on some core features distinguishing entrepreneurial cities from non entrepreneurial ones. Some of the characteristics most frequently cited in the literature are enlisted in the following:

Public–Private Partnerships / New financial arrangements and instruments: Entrepreneurial strategies of urban governments are marked, among others, by new finance arrangements in the form of public–private partnerships (Clarke and Gaile, 1998). The public sector routinely enters into public–private partnerships to complete revitalization projects and to achieve redevelopment objectives" (Chapin, 2002, p. 566). Eisinger (1997) mentions leaseback authorities and industrial revenue bonds for financing private manufacturing and commercial development as examples of cities' entrepreneurial approach. In the context of sport facility management, Chapin (2002) enlists "facility naming rights, sin taxes, lottery games, special license plate sales, ticket surcharges, and special assessment districts" (p. 569) as new means to generate funds.

Quasi-governmental agencies: The "entrepreneurial attitude" of cities is not only expressed by new financial instruments, but as well by the emergence of new organisational forms. A shift towards more flexible administrative units can be observed in the field of urban regeneration: "The public sector has . . . generally organized its redevelopment agencies as quasi-governmental entities that often operate outside of the boundaries of typical government agencies" (Chapin, 2002, p. 566). Similar trends occur at urban and regional level where economic development agencies take over the role of sectoral public administrations. Examples are the Regional Development Agencies in UK or the REGIONALEN-agencies in North-Rhine Westphalia. Typically, decision making within these agencies takes place on the basis of "case-by-case negotiation rather than standardized decision making" (Chapin, 2002, p. 567).

Strategies to increase competitiveness / city marketing: A further characteristic of entrepreneurial cities consists in the existence of innovative strategies which explicitly aim at increasing the city's competitiveness, and the ways that these strategies are promoted and communicated. Accordingly, Jessop and Sum (2000) distinguish entrepreneurial cities by three defining features. Firstly, these cities pursue "innovative strategies intended to maintain or enhance its economic competitiveness vis-à-vis other cities and economic spaces"; secondly, these strategies are "not 'as if' strategies, but are more or less explicitly formulated and pursued in an active, entrepreneurial fashion"; and thirdly, the entrepreneurial cities not only act in an

entrepreneurial way, they also “adopt an entrepreneurial discourse . . . and market them as entrepreneurial” (Jessop and Sum, 2000, p. 2289).

Governance Networks: According to Jessop and Sum (2000), “the solidity of such [entrepreneurial] projects will depend on their interpersonal, interorganisational and institutional embedded ness (hence the existence not only of partnerships but networks of partnerships structured both horizontally and vertically)” (p. 2291). In other words: An entrepreneurial city is rather marked by “governance” than by “government” styles of management (Vranken, 2004b). This implies that entrepreneurial cities rely on the cooperation of public, private and third sector actors, a responsive and flexible administration and an approach of “steering via networks”.

Strong Mayoral Leadership: Entrepreneurial cities are characterised by a “strong mayoral leadership”. This empirical observation has been confirmed in different studies. Clarke and Gaile (1998, p. 13) examined the entrepreneurial strategies in US-cities and found out that entrepreneurial city administrations are more likely in cities who are steered by a strong mayor. Similar arguments can be found in studies of Harding (1995), Parkinson and Harding (1995) and Le Galès and Harding (1998) for the European context (see Jessop and Sum, 2000, p. 2291). Also “New Labour’s promotion of city mayors in Britain, beginning in 2000 with London, . . . represents a move in the direction of creating conditions for more effective mobilisation behind urban entrepreneurial projects” (Jessop and Sum, 2000, p. 2291).

Pro-business climate: Entrepreneurial cities do not only adopt the logic of private enterprises – they also put a strong emphasis on favouring the development of the private sector. Chapin (2002) entitles this approach as pro-business climate: “. . . research into entrepreneurial cities indicates that the public sector acts to create and / or to enhance opportunities for private sector profits” (p. 567). A pro-business climate encompasses financial and non-financial incentives towards investment, including infrastructure (e.g. transport and communication), appropriate industrial estates and offices and, in general, a flexible and responsive local government providing tailored services and short response times to businesses. In many cases, a pro-business climate also includes a shift of public expenditures: “. . . over the last several decades urban governments have begun to focus a greater share of resources on efforts that emphasize local development and economic growth while simultaneously becoming less attuned to the needs of poorer citizens . . . (Logan and Molotch, 1987; Lovering, 1995)” (Chapin, 2002, p. 567). Some authors associate the notion of “pro business climate” with the debate on “new public management” (Schuster, 2002).

The list of features characterising entrepreneurial cities is far from being complete. However, in the absence of a commonly agreed definition, the dimensions mentioned above – new financial arrangements, PPPs, quasi-governmental agencies, competitiveness-related strategies, city marketing, “governance” instead of “government”, a strong mayoral leadership and a pro-business climate – seem to capture some of the most important facets typically associated with the entrepreneurial city.

3 Do Entrepreneurial Policies Pay Off?

More and more cities in US, Europe and elsewhere choose to follow the path of the entrepreneurial city as characterised in the previous section: They redistribute resources towards economic policies, invent strategies to foster their competitiveness, market themselves as optimal business location, identify new sources of revenue, engage in public-private partnerships etc. But are these strategies really worth the effort? Is there empirical evidence proving that entrepreneurial cities are – in a way or another – more successful than their counterparts? The answer to this question entirely depends on what might be understood as “success”, which in turn can only be measured against the objectives defined by the city council or other stakeholders involved in setting a city’s political agenda. Following the post-Rio terminology, these objectives can be collated to one or several of the three dimensions constituting sustainable development: economic, social and environmental development. In the following, we concentrate on two corners of the “triangle” – the synergies and conflicts between economic development (or competitiveness as its prerequisite) and social development, namely “social cohesion”. Accordingly, a city shall be classified as “successful” if it manages to maintain or increase its competitiveness and its social cohesion at the same time. Our general assumption is, however, that these two objectives rather exclude than complement each other. Therefore, in this chapter, we address two hypotheses. First: “Entrepreneurial cities are more competitive”. And second: “Entrepreneurial cities are less cohesive”. In the following sections, the two “vague, complex and contested concepts” (Turok, 2003, p. 2) – competitiveness and social cohesion – are briefly explained and related to each other. Subsequently, the potential benefits and drawbacks of an entrepreneurial governance style on both dimensions are discussed.

3.1 Hypothesis 1: Entrepreneurial Cities Are More Competitive

The assertion that entrepreneurial cities are more competitive in economic terms is hardly surprising: As shown in the previous section, “innovative strategies intended to maintain or enhance its economic competitiveness vis-à-vis other cities and economic spaces” (Jessop and Sum, 2000, p. 2289) are a central feature of entrepreneurial cities. The recent spread of entrepreneurialism can be interpreted as a direct reaction on the pressures of globalisation: In order to stand the increasing competition from other cities and regions, local governments devote more attention and resources to economic concerns. Consequently, “urban entrepreneurialism has grown in tandem with the expansion of discourses about competitiveness and potential means of enhancing it” (Jessop and Sum, 2000, p. 2992). Although “not all cities that perform well are entrepreneurial; and not all entrepreneurial cities perform well” (Jessop and Sum, 2000, p. 2289), it is to expect that the degree of

entrepreneurialism of a city's administration and the general economic performance of a city are positively correlated.

The determinants of spatial competitiveness are diverse. They rank from "hard factors", i.e. different types of costs (labour, capital, transport) and the availability of highly qualified workers, to "soft factors" such as social capital, quality of life and city image. The relevance of the single components changes over time. As Jessop and Sum (2000, p. 2311) note, the traditional Ricardian concept of competitiveness, based on the relative cost of production factors, is gradually replaced by the concepts of "structural competitiveness" (Chesnais, 1986) and "systemic competitiveness" (Messner, 1996), which put more emphasis on the social and institutional environments as prerequisites of economic growth (Jessop and Sum, 2000, p. 2311). The entrepreneurial city exerts a multiple influence on both the costrelated and the more subtle, structural components of competitiveness.

Entrepreneurial cities rely on tailored, innovative strategies which aim at increasing competitiveness. These strategies include measures to raise the education level of the workforce, to attract highly qualified workers to the city and to improve the reputation of a city as a "business-friendly" location. Each of the measures is intended to stimulate the city's competitiveness and growth.

The creation of a pro-business climate directly affects the competitiveness of individual firms: Business-oriented services are improved, approval times are shortened, the construction of industrial estates is facilitated. All measures summarized under the heading of pro-business climate directly or indirectly strengthen the competitiveness of businesses.

Through new financial arrangements, namely public–private partnerships, city administrations maintain their ability to actively shape the urban environment in an age of shrinking public revenues. Both "hard" infrastructure – e.g. transport links or business centres – and "soft" factors of city development – e.g. new leisure centres, libraries, sport facilities or cultural events – can hardly be realised without the (financial) assistance of the private sector, although many PPP- and leaseback-models might impose additional costs on the public sector in the long run.

Quasi-governmental agencies typical of entrepreneurial cities allow for a more flexible and responsive style of governance. Consequently, the needs of the business sector are met faster and more precisely, increasing the competitiveness of both individual firms and the city or region as a whole.

Similarly, the shift from government to governance steering models facilitates the inclusion of private actors' interests into the decision making processes of a city or region. The argument here is that informal networks typical of local governance systems lend themselves to the participation of entrepreneurs and business representatives.

Finally, a vigorous marketing of a city's strengths and potentials also benefits the firms located within the city. The better the place of production is known abroad, and the more positive are the associations with this place, the easier it is to sell products and services deriving from the respective city, or to attract "human capital".

Following the logic of the enlisted arguments, an entrepreneurial city will – *ceteris paribus* – undoubtedly be more competitive than it's less entrepreneurial

“rivals”. This hypothesis is confirmed by previous findings: “... research into entrepreneurial cities indicates that the public sector acts to create and / or enhance opportunities for private sector profits” (Chapin, 2002, p. 567). The positive effects of an entrepreneurial governance style might, however, be threatened by drawbacks in the area of social cohesion (see Section 4.7).

3.2 Hypothesis 2: Entrepreneurial Cities Are Less Cohesive

Since the early 1990s, social cohesion has evolved to one of the most frequently used terms for describing the objective of social policies. Among others, the EU’s Lisbon agenda includes the objective to create a society capable of greater social cohesion. Due to its popularity, the notion of social cohesion is defined in very different ways. According to the UNECE Guidelines on Social Housing, “social cohesion is the process of developing a community of shared values, shared challenges and equal opportunities” (UNECE, 2004, p. 2), including the dimensions of “belonging”, “inclusion”, “participation”, “recognition” and “legitimacy”. For Turok (2003, p. 17), social cohesion is expressed by active social networks (“connectedness”), shared objectives and codes of behaviour (“common values”), tolerance and lack of conflict (“social order”), access to opportunities (“inclusion”) and income distribution (“equality”). The opposite – a lack of cohesive powers – might include “a breakdown of residential ‘community’, family fragmentation, and the weakening of workplace-based organisations, including unions” (Gordon and Buck, 2005, p. 18).

Whether or not entrepreneurial cities tend to be more or less cohesive is difficult to foresee. This is partly due to the complexity of the concept at stake: The different facets of social cohesion – equality, connectedness, values, social order etc. – “are conceptually quite independent, and . . . may or may not actually be empirically correlated” (Gordon, 2005a, p. 126). Hence, each of the dimensions may be affected by entrepreneurialism in a different way. Moreover, entrepreneurial strategies vary from city to city – in some cases these strategies may counteract cohesion, in others not. Generally one can assume, however, that entrepreneurial cities are less cohesive than non-entrepreneurial ones. The main argument is that cities concentrating on the improvement of competitiveness and pro-business climate necessarily dedicate less attention and resources to social issues. This may be particularly true if city administrations adopt not only an entrepreneurial, but even a “capitalistic” attitude, as described by Chapin (2002) in the case of San Diego:

... if profitability is a primary criterion in choosing between projects, desirable but unprofitable projects may not receive funding. Libraries, parks, and affordable housing are all worthy public sector projects, but ones that fail as revenue generators. If a municipality has a choice between funding a potentially profitable convention center expansion or a large waterfront park, capitalistic actors would choose the convention center. (p. 579)

Besides, not only the political priorities, but also the financing mechanisms of entrepreneurial cities may counteract social cohesion. Critics suspect PPPs to generate a confusion as to the role of actors (Bradford, 1983) and to be too oriented to the exigencies of private firms (Fainstein, 1991): “Among the outcomes, then, is that the public sector invests in projects that generate profits for private entities but few direct benefits for the public, formerly public spaces become privatized, and accountability emerges as a problem” (Chapin, 2002, p. 579).

4 Empirical Evidence from 50 German Cities

In their book on “The Entrepreneurial City. Geographies of Politics, Regime and Representation” (1998), Hall and Hubbard argue that the current debates of the entrepreneurial city are marked by two fundamental inadequacies: First, the “... failure to acknowledge the important variations which exist in entrepreneurial policies between cities and the factors which underpin these differences, and [second,] a failure to assess the impacts of entrepreneurial governance physically, on urban landscapes, socially, economically and environmentally (p. 103, quoted in Murphy, 1999, p. 85). These “inadequacies” are partly due to the novelty of the phenomenon at stake – the notion of the entrepreneurial city has been introduced into the debates on government and governance only some 15 years ago (see Section 2). Part of the deficiencies might yet also be explained by the research methods used so far: Most of the previous studies on entrepreneurial cities concentrate on selected case studies. As a rule, they use predominantly qualitative tools of analysis, providing an in-depth insight into entrepreneurial governance structures and processes (e.g. Chapin, 2002; Jessop and Sum, 2000). By contrast, the approach chosen for this chapter is limited to a small number of variables reflecting degrees of entrepreneurialism, competitiveness and social cohesion respectively. Although the selected indicators capture only some facets of the three concepts, they have the merit to be available for a relatively large number of spatial units. Hence, it is possible to carry out systematic analyses of interdependencies and to arrive at (cautious) generalisations.

4.1 Sample

The sample used for the empirical work presented in this chapter comprises the 50 largest German cities. It includes the large German agglomerations (Berlin, Hamburg, Munich, Cologne, Frankfurt among others) as well as smaller provincial cities such as Osnabrück (Lower Saxony), Kassel (Hessen) or Rostock (Mecklenburg-Vorpommern). The city size ranks from 155,000 inhabitants (the city of Oldenburg in Lower Saxony) to more than 3,300,000 inhabitants (the capital city Berlin). Some indicators are available only for the largest 25 cities. Hence, a second set of correlations is run for this smaller sub-sample separately.

A good share of the cities included in the sample is located within the state of North Rhine-Westphalia, forming the largest European conurbation Rhine-Ruhr. By contrast, other states such as Bavaria, Mecklenburg-Vorpommern or Brandenburg count only few if any cities above the threshold of 150,000 inhabitants. These population figures refer, however, to administrative units. The respective agglomerations are generally two to three times in size. There are two reasons for choosing administrative cities instead of functional regions for the analyses carried out in this chapter. A pragmatic reason is that most of the indicators usable for investigating the entrepreneurial cityphenomenon are solely available at city level. There is, however, also a reason in terms of content: Entrepreneurialism in Germany is mainly driven by municipal institutions, e.g. city councils or local development agencies. The governance style of these local institutions varies from municipality to municipality. While the core city of an agglomeration might adopt an entrepreneurial governance style, the adjacent, suburban municipalities might favour an opposite “cohesive approach” – and vice versa. Hence, it makes little sense to neglect these intraregional differences by investigating at the level of regions instead of cities. A detailed analysis of variations in the entrepreneurialism of city administrations within functional regions – an interesting research task per se – would require primary data collections and therefore exceeds the scope of this chapter.

4.2 Operationalisation and Database

The operationalisation of the concepts “entrepreneurial city”, “cohesion” and “competitiveness” faces several problems. First, none of the concepts has a commonly agreed definition; second, each of the terms can be classified as multifaceted concept whose specification varies from discipline to discipline and from study to study; and third, in each case qualitative aspects form an important part of the concept. In view of these considerations, an incontestable operationalisation of the three concepts seems hardly attainable. However, at least a minimum set of key aspects needs to be defined in order to allow for a comparative analysis. In the following section, the indicators used in this study are briefly presented.

4.3 Operationalisation of the “Entrepreneurial City”-Concept

So far, there have been few attempts to operationalise “entrepreneurialism”, and there exist only a couple of studies which explicitly name the factors constituting “entrepreneurial cities” (Chapin, 2002; Jessop and Sum, 2000). According to the brief literature review presented in Section 2, entrepreneurial cities are distinguished from others by the use of new financial arrangements and PPPs, by competitiveness-related strategies and by intensive city marketing activities. Further features are the existence of quasi-governmental agencies, a strong mayoral leadership, a pro-business climate and a steering model which can be labelled as “governance instead of government”. For each of these features, some proxy-indicators were chosen to allow for a cross-regional comparison of the “level” of entrepreneurialism.

New financial instruments / PPPs: A comprehensive database enlisting the engagement of German city administrations in PPPs does not exist so far. In order to approximate the degree to which city administrations engage in PPPs, we have recourse on public staff statistics. The underlying assumption is that entrepreneurial cities which promote PPPs tend to outsource formerly public tasks (e.g. energy production, public transport) and to reduce the number of public staff in order to cut spending and to increase the city's room for manoeuvre with regard to investments. Hence, entrepreneurial cities should be marked by a relatively low provision with public staff. In this study, both the number of local public employees per capita and the change in this indicator (1995–2001) are included in the analyses.

Pro-Business Climate: The pro-business climate of a city can be approximated by various “hard” indicators. Among the most frequently used measures are the local trade and property tax rates. In Germany, both types of tax rates are defined by the local city councils. Via its tax rates, a city signals its willingness to hold or to attract businesses at the (short-term) expense of own revenues. It is to expect that an entrepreneurial city is marked by relatively low and hence business-friendly tax rates. In this chapter, we consider both the current tax rates (2001) and their evolution over the last years (1995–2001). Moreover, a series of subjective indicators on the perceived quality of the local public administration are included in the study. They derive from business surveys published in the economic magazines “Wirtschaftswoche” and “Impulse” (2000, 2004 and 2005). These subjective assessments constitute a particular valuable piece of information as “80% of a municipality's business climate is constituted by psychology” (Voigt, 2000, p. 7, our translation). In order to assess the pro-business climate, it is therefore indispensable to include the judgement of the local businesses.

Marketing activities: The marketing activities of cities cover a broad spectrum – from adverts in the mass media and electronic newsletters to specific information offers (leaflets, exhibition stands etc.) targeted at particular groups of potential residents, tourists or investors. In a broader sense, also cultural and sport events can be interpreted as parts of a marketing strategy. In general, it can be assumed that entrepreneurial cities pursue a high-quality marketing of their strengths in order to attract new “customers”. In this study, we concentrate on one particular aspect: The marketing of a city via its official public website. Two recent studies have carried out an extensive, comparative assessment of German city websites. Einemann and Jutzi (2002) analysed the websites of 77 cities, rating them according to five criteria: services for residents, information on the city, opportunities for e-participation, the provision of important links and the general user-friendliness. Similarly, IW Consult (2005) systematically compared the official websites of the 50 largest German cities, looking at more than 70 criteria, among them the availability of information relevant for businesses (e.g. office rents, information for business-start-ups). The overall grades attributed to the cities' websites are included in the dataset of this study.

Mayoral leadership: A strong mayoral leadership favours the adoption of entrepreneurial strategies (e.g. Clarke and Gaile, 1998, see Section 2). To a large extent, the “strength” of city mayor probably depends on his or her personal characteristics, such as intelligence, eloquence, integrity, awareness of power, personal

contacts or even physical attractiveness. These “soft” attributes can hardly be used in intercity comparison. An “objective” measure of leadership is yet constituted by the power relations within the city council: A mayor whose strategies and policies are backed by a large majority of the councillors will – in principle – be able to exert a strong (political) leadership. Therefore, in this chapter the “leadership factor” is operationalised by the share of votes in the city council taken by the largest political party respectively.

Competitiveness related strategies: As a “compendium” of the current development strategies of German cities is unavailable (and will probably never be available, as strategies are changed and reformulated frequently), it is necessary to fall back on proxy variables capturing the capacity to either formulate or implement innovative strategies. In this study, we rely on a simple measure of “room for manoeuvre”: the relation of a city’s revenues and debts. The basic assumption is: The better a city’s relation of revenues and debts, and the higher its financial room for manoeuvre, the more probable it is that the respective city is able to implement (any) active strategy. Of course, this indicator mirrors rather the potential of strategy implementation than the actual implementation itself. Moreover, the indicator does not contain any information on the “innovativeness” of the expenditures undertaken. “Competitiveness related strategies” could therefore be operationalised via the share of the municipal budget devoted to “innovative” measures – in whatever way the degree of innovativeness might be interpreted. As corresponding data are not available, in this study we stick to the mentioned general indicator of “room for manoeuvre”.

Quasi-governmental agencies / “governance instead of government”: If governance is interpreted as “network based modes of collective action including organized regional actors or institutions” (Benz and Fürst, 2002, p. 29), a possible approximation consists in analysing the “organized actors”, i.e. to raise the existence and tasks of regional institutions such as “city networks”, “regional conferences”, “regional development fora” etc. A corresponding database for the German territory was compiled in the late 1990s by Diller (2002). His unique study on informal regional governance networks includes more than 200 examples of regional governance and is considered to gather more than one third of all (informal) regional governance networks existing in Germany at that time (Diller, 2002, p. 25). The database is used for verifying whether the 50 cities included in this study are part of one or several governance networks, to which extent these networks deal with economic development issues, and whether these networks perform well or not. Moreover, the data allow for the identification of “quasi-governmental agencies” operating at regional level.

4.4 Operationalisation of “Competitiveness” and “Cohesion”

The World Economic Forum defines competitiveness as “the ability of a country to achieve sustained high rates of growth in GDP per capita”, while for the OECD the term means “the degree to which a nation can . . . produce goods and services

which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long-term” (see Section 2). Both definitions suggest the use of classic economic “output”-indicators as measures of competitiveness. In this study, we use GDP per capita, the growth in GDP per capita, the growth in employment, the out of area sales and the number of business start-ups as variables which indirectly reflect the degree of competitiveness as a “latent variable” (Gordon, 2005a).

The concept of social cohesion comprises active social networks (“connectedness”), shared objectives and codes of behaviour (“common values”), tolerance and lack of conflict (“social order”), access to opportunities (“inclusion”) and income distribution (“equality”) (see Section 2). In this study, we concentrate on three dimensions of cohesion: the access to the labour market as key component of “inclusion”, expressed via the share of unemployment and its evolution over time; the share of welfare re-cipients as an indicator of the income distribution (“equality”), and the number of crimes per 100,000 inhabitants, illustrating the degree of “social order”.

4.5 Are Entrepreneurial Cities More Successful?

As evidenced in Section 3, the “success” of local policies can only be assessed against their objectives. Here, we look at two key dimensions of “success”: the competitiveness and the social cohesion of cities. Our basic assumption is that entrepreneurial cities manage to raise their competitiveness and to attain higher growth rates at the expense of social cohesion (see Section 3). To test these hypotheses, the various variables of entrepreneurialism (see Table 1) exemplified in the precedent section are correlated against different economic and social outcome-variables. The statistical analyses are carried out for four different samples:

- the total sample of the 50 German cities with more than 100,000 inhabitants,
- a sub-sample of the 42 West-German cities within this group,
- a sub-sample of the 25 cities above the 250,000 inhabitants threshold, and
- a sub-sample of the corresponding 22 West-German cities.

The simultaneous analysis of the different samples allows for verifying the robustness of the results.

4.6 Competitiveness

In order to assess the relations between the degree of entrepreneurialism and the degree of competitiveness, the indicators of both dimensions were entered into bi-variate correlations. The overall picture obtained via this technique seems to confirm the hypothesis that entrepreneurial cities are ahead of others in economic

Table 1 Overview of indicators employed

Issue	Indicators
“Entrepreneurial city”	
Pro-business climate	Local trade tax rates (2001/1995–2001), results from various business surveys rating the “business friendliness” of the local administration (IW Consult, 2005; Allensbach, 2004)
ppp, outsourcing of public tasks	Public staff per capita (1995/1995–2001)
Marketing activities	Quality of official city websites (Einemann and Jutzi, 2002; IW Consult, 2005; 2 indicators)
Mayoral leadership	Share of seats in the city council taken by the largest political party (in %) (BBR, 2002)
Competitiveness related strategies	“Room for manoeuvre” (1999, [debts/(tax revenues + subsidies)] of a municipality in %, BBR, 2002)
Quasi-governmental agencies / “governance instead of government”	No. of regional governance networks which address issues of regional development in which the respective city is directly involved (Diller, 2002; 2 indicators)
“Competitiveness”	
Gross domestic product	GDP per capita (2003/1999–2003) (VGR)
Productivity	Gross Domestic Product per worker (2003/1999–2003) (VGR)
Employment growth	No. of employees (counted at the place of residence), change 1999–2004 (BA)
Business start-ups	No. of business start-ups per 10,000 inhabitants (2003, 1999–2003) (ZEW)
Out of area turnover	Out of area turnover in 1000 Euro (1997/1999) (BBR, 2002)
“Cohesion”	
“Inclusion”	Unemployment rate (2004/1999–2004) (BA)
“Equality”	Share of persons on social welfare and unemployment aid (in %) (2004/1999–2004)
“Social order”	No. of crimes per 100,000 inhabitants (2004/1999–2004) (Bundeskriminalamt)

terms. Out of the nearly 500 correlations taken into consideration, more than 80 are positive and significant in statistical terms. Only for six constellations of variables the relation between entrepreneurialism and competitiveness is negative. In a large share of cases, however, no correlation significant at the 0.05-level can be found (see Table 3). Table 2 shows some examples of the positive correlations found between entrepreneurialism and competitiveness: Cities which decreased the taxes rates between 1995 and 2001 display a higher level of GDP per capita and GDP per worker in 2003. Similarly, cities assessed as business-friendly in the IW-Consult survey (2005) are marked by more business start-ups, a higher GDP per capita / per worker, and higher growth rates in both jobs and population.

In interpreting the results of the empirical analysis, a methodological reservation needs to be considered: the endogeneity problem, i.e. the impossibility to deduce causalities from bi-variate correlations. It is partly resolved by choosing the

Table 2 Correlations between “entrepreneurial city”-variables and competitiveness-variables – the example of the 42 West-German cities > 150,000 inhabitants

	GDP pc 2003	Start-ups 2003	GDP pw 2003	Empl. 99–04	GDP pc 99–03	GDP pw 99–03	Popul. 99–03
Property tax 2001	-0.328(*)	-0.027	-0.052	-0.22	0.017	-0.033	-0.337(*)
Trade tax 2001	-0.015	0.225	0.194	-0.141	-0.122	-0.121	-0.167
Prop. tax 95–01	-0.449(**)	-0.15	-0.291	-0.101	-0.186	-0.061	-0.021
Trade-tax 95–01	-0.394(**)	0.219	-0.330(*)	-0.162	-0.052	0.081	0.021
Public emp. 95–01	-0.126	-0.063	-0.009	-0.01	-0.157	-0.131	0.007
Largest party 2002	-0.116	-0.061	-0.108	-0.102	-0.109	0.042	-0.063
Bus. friendl. 2005	0.489(**)	0.376(*)	0.325(*)	0.553(**)	-0.004	-0.058	0.445(**)
Cost awaren. 2005	0.023	0.212	-0.101	0.228	-0.059	0.02	0.299
Eco. reg. coop. 2000	0.01	0.265	-0.088	0.192	-0.243	-0.208	0.212
Reg. coop. 2000	0.003	0.284	-0.082	0.153	-0.23	-0.191	0.172
r.f. manoeuvre 1999	0.004	-0.019	-0.091	0.149	-0.26	-0.165	0.226
City website 2002	0.477(**)	0.417(**)	0.457(**)	0.284	0.023	-0.063	0.192
City website 2005	0.564(**)	0.327(*)	0.419(**)	0.501(**)	-0.22	-0.12	0.569(**)

(**) Significant correlations at 0.01 level; (*) significant correlations at 0.05 level.

appropriate points in time: It is to expect that the change of tax rates over the years 1999 exerts an impact on the number of business start-ups in the years 2002, 2003 and so on – and not vice versa. There are other cases, however, where the points in time available for the single indicators allow for the opposite interpretation. As shown above, the growth of jobs from 1999 to 2004 is clearly correlated with the assessment of the “business-friendliness” of the public administration in 2005. The positive grades attributed to the local administration can be interpreted as precondition of success – in this case we would assume that the administration’s business-friendliness did not change significantly over the last five years. As the comparison of the survey results reveals, however, the assessment changes clearly between 2000 (Exper Consult survey) and 2005 (IW Consult survey). Hence, in this case it might be more plausible to interpret the level of business-friendliness as outcome rather than precondition of economic success.

4.7 Social Cohesion

The bi-variate correlations seem to disprove the assumed negative effects between entrepreneurship and social cohesion. Not even one out of 10 of the more than 460 correlations looked at is significant at all in statistical terms, and the ones which display only moderate coefficients between 0.3 or 0.4, with a few exceptions. Moreover, out of the 42 significant correlations, 29 indicate a positive impact of entrepreneurial city-governance on social cohesion, while only 14 confirm the expected negative relation (see Table 3). In general, the “old conventional wisdom” quoted by Turok (2003) seems to apply: Those cities which are classified as

Table 3 Bivariate correlations between indicators of “entrepreneurial city”, competitiveness and cohesion

	Correlations between indicators of “entrepreneurial city” and indicators of competitiveness (no. of bi-variate correlations)			Correlations between indicators of “entrepreneurial city” and indicators of cohesion (no. of bi-variate correlations)		
	Positive	Negative	Non-significant	Positive	Negative	Non-significant
Sample I: cities > 150.000 inh. (old a. new Länder, n = 50)	20	4	67	7	4	69
Sample II: cities > 150.000 inh. (old Länder, n = 42)	18	0	73	6	3	71
Sample III: cities > 250.000 inh. (old a. new Länder, n = 25)	24	1	122	8	6	136
Sample IV: cities > 250.000 inh. (old Länder, n = 22)	21	1	125	8	1	142

business-friendly and entrepreneurial attain higher levels of growth, which in term leads to lower levels of unemployment. The latter in turn is linked to decreasing numbers of welfare recipients and reduced crime rates. This general pattern is only disproved by selected pairs of variables: Those cities engaged in economic development networks are marked by relatively higher crime rates; and the cities which lowered their property tax rates in the time span 1995–2001 experienced a growth in welfare recipients in the years 1998–2001. Altogether, the high share of insignificant correlations (see Table 4) and the “mixed picture” revealed by the (relatively) few significant ones call for the search of further indicators of both entrepreneurial city and social cohesion, e.g. on the income inequality within the cities at stake. Even more important, further analyses should try to incorporate longer time series for systematically comparing variations in “input”- and “output”-variables and reducing the endogeneity problem.

Table 4 Correlations between variables of “competitiveness” and “cohesion”

	Positive	Negative	Not significant
Cities > 150,000	13	6	71
Cities > 150,000 (W)	13	3	74
Cities > 250,000	13	6	71
Cities > 250,000 (W)	12	9	69

4.8 Is There a Trade-Off Between Competitiveness and Cohesion?

The empirical analyses presented so far concentrated on the direct links – i.e. bivariate correlations – between variables of “competitiveness” and “cohesion” on the one side, and variables capturing the “entrepreneurial city” on the other side. In a third step, the relations between competitiveness and cohesion are directly tested. Both dimensions are linked in various direct and indirect ways: Competitiveness potentially increases cohesion, as – according to the “old conventional wisdom” – economic growth leads to improved social conditions (Turok, 2003, p. 3). New empirical research yet shows that “it is far from clear that improvements in competitive performance contribute to cohesion, especially when the gains take the form of higher productivity rather than growth” (Gordon, 2005a, p. 128). Social cohesion in its term is expected to provide the capacity for “effective sub-national governance” and, thereby, to enable “innovative adaptation to economic change” (Harding, 2005, p. 110), while a lack of social cohesion is generally supposed to reduce growth: inequality, exclusion and social disorder affect the image of an area, render more difficult the attraction of human capital, hinder collaborative action and affect the overall productivity by deteriorating the “identity” and “social solidarity” within a workforce and between workforce and employers (Gordon, 2005a, p. 133).

In our sample, the relations between the variables of competitiveness and cohesion display relatively high correlations. 75 out of the 350 correlations taken into consideration are significant at the 0.05 level at least, and a couple of coefficients even exceeds the 0.5 threshold. In general, the indicators used in our analysis rather disprove the assumption that there is a trade-off between competitiveness and social cohesion: Two thirds of the significant correlations speak for a positive impact of growth on cohesion, while “only” one third supports the opposite relation (see Table 5). The effect is achieved via the labour markets: the growth in productivity and job opportunities allows for an improved access to the labour market and thereby seems to induce lower unemployment rates, lower numbers of welfare recipients and lower crime rates. Similarly, in those cities which benefit from high out of area sales (2003) and an above average growth in productivity (1999–2003), the number of welfare recipients clearly decreases (1998–2001). Some indicators, however, seem to contradict the generally positive relation between competitiveness and cohesion. The absolute level of crime rates (2003) is highest in the cities with an above-average level of wealth (GDP per capita 2003). Moreover, there are more welfare recipients aged above 65 years (2001) in those cities marked by the best economic performance (GDP per capita 2003, GDP per worker 2003).

These deviations from the overall pattern can be explained in different ways. Generally, GDP per capita is highest in the large agglomerations. At the same time, large cities are marked by higher crime rates, induced by social polarisation, anonymity and lack of social control. Hence, the apparently positive correlation between crime rates and wealth might be attributed to the simple effect of the city size. Alternatively, the negative relation could be linked to income inequalities, as

Table 5 Correlations between variables of “competitiveness” and “cohesion” – the example of the 42 West-German cities > 250,000 inhabitants

	Unempl. 2004	Unempl. 99-04	Crimerate 2003	Crimerate 99-03	Welfare r. 2003	Welfare 2003	Welf. < 18	Welf. > 65	Welfare r. 99-03	Welf. < 18	Welf. > 65
GDP pc 2003	-0.535(**)	-0.001	0.429(**)	-0.309(*)	0.109	-0.132	0.374(**)	-0.266	-0.198	0.095	
Start-ups 2003	-0.207	0.012	0.208	0.117	0.078	-0.069	0.26	-0.163	-0.072	-0.284	
GDP pw 2003	-0.365(*)	0.083	0.267	-0.195	0.096	-0.068	0.343(**)	-0.149	-0.132	0.03	
External sales 97/99	-0.061	0.029	0.096	0.188	-0.023	-0.132	0.153	-0.445(**)	-0.384(**)	0.056	
Empl. 99-04	-0.520(**)	-0.330(*)	0.271	-0.385(*)	0.078	0.195	-0.029	0.03	0.07	0.104	
GDP pc 99-03	0.139	-0.13	-0.036	-0.057	-0.138	-0.096	-0.092	0.212	0.248	-0.147	
Start-ups 99-02	0.174	0.166	-0.221	0.511(**)	0.044	0.163	-0.134	-0.073	-0.07	0.141	
GDP pw 99-03	0.013	0.023	-0.129	-0.085	-0.123	-0.234	-0.022	-0.414(**)	-0.387(**)	0.093	
Popul. 99-03	-0.558(**)	-0.057	0.099	-0.411(**)	-0.108	0.02	0	-0.034	-0.047	0.014	

(**) significant correlations at 0.01 level; (*) significant correlations at 0.05 level.

predicted by Pahl (2001). The exclusion of elderly people from the general wealth of a city might be explained by two different factors. First, the findings confirm the dominant role of the labour market: Those households which are not involved in the labour market – here, the ones aged above 65 – are not (as) able to benefit from a city's growth in productivity and wealth. Second, the relatively high share of elderly social welfare recipients in otherwise wealthy cities might also depend on the delineation of our units of analysis (administrative cities): High-income younger households tend to suburbanise, while elderly people are less mobile and more concentrated in the inner cities.

5 Conclusions

The model of the entrepreneurial city has so far only rarely been questioned. Generally, it is assumed that an entrepreneurial governance style increases a city's productivity and wealth. In this chapter, we tried to test this assumption by investigating the reality of the 50 largest German cities. At the same time, we looked at the feedbacks between economic and social developments and raised the question to which extent entrepreneurship is implemented at the expense of social cohesion. To do so, the key concepts of "entrepreneurial city", "competitiveness" and "cohesion" were operationalised and translated into a series of quantitative indicators capturing some – surely not all – facets of the phenomena at stake. These indicators were entered into bi-variate correlations in order to distil regularities and patterns. The main findings can be summarised as follows:

Operationalisation of the entrepreneurial city-concept: So far, there have been few attempts to translate the concept of the entrepreneurial city into quantitative measures. In this study, we identified 21 indicators for operationalising (parts of) the concept, namely the pro-business climate, the engagement in (economic) governance networks, the "mayoral leadership factor", the use of PPPs, the implementation of innovative strategies and the marketing activities of cities. The data collected for the largest 50 (25) German cities were entered into bi-variate correlations. The results show that the perceived business-friendliness of the local administration is correlated with the local trade and property tax rates – though at a rather modest level. This link between "subjective" and "objective" measures indicates that the chosen indicators roughly illustrate the same phenomenon. Moreover, the data analysis revealed a significant correlation between the outcomes of two recent business surveys (2004, 2005) on the pro-business climate of cities, while the results of an extensive survey in 2000 clearly deviated from the later surveys. The low correlation could underline the assumption that the pro-business climate constitutes a rather fragile factor, easily influenced by local policies such as tax rate changes.

Entrepreneurialism and competitiveness: An entrepreneurial governance style pays off in economic terms – this is one of the results emerging from the statistical analysis of up to 21 variables capturing the entrepreneurial city and 7 variables measuring economic performance of cities. Jurisdictions which decreased property

taxes rates between 1995 and 2001 tend to display a higher level of GDP per capita and GDP per worker in 2003. Similarly, cities assessed as “business-friendly” in the IW-Consult survey (2005) benefit from more business start-ups, a higher GDP per capita / per worker, and higher growth rates in both jobs and population.

Entrepreneurialism and social cohesion: The indicators looked at in this chapter seem to disprove the assumed negative effects between an entrepreneurial governance style and social cohesion. In general, only few of the analysed correlations are significant at all, and out of these a majority rather indicates a positive relation: Entrepreneurial cities grow faster and consequently count less unemployed and less welfare recipients. At the same time, crime rates are lower. There are however also a couple of significant correlations indicating opposite interdependencies: for example, the cities which lowered their property tax rates in the time span 1995–2001 experienced an above-average growth in welfare recipients in the years 1998–2001. Altogether, the high share of insignificant correlations highlights the need to search for further indicators of social cohesion, namely on inequalities in earnings, education and housing, in order to obtain a full picture of the possible causalities.

Competitiveness and social cohesion: The empirical evidence from 50 German cities rather disproves the hypothesis that there is a trade-off between competitiveness and social cohesion: Two out of three significant correlations indicate a positive impact of growth on cohesion. Apparently, the growth in productivity and job opportunities improves the access to the labour market and thereby leads to lower unemployment rates, lower numbers of welfare recipients and lower crime rates. Cities marked by high out of area turnovers and an above average growth in productivity benefit from shrinking numbers of welfare recipients. By contrast, the absolute level of crime rates is highest in the cities with an above-average level of wealth – usually the large agglomerations. Moreover, elderly citizens (> 65 years) are not (as) able to benefit from a city’s growth in productivity and wealth.

The findings of the empirical analyses allow for some cautious generalisations. In terms of policy, the correlations elaborated in this chapter suggest that an “entrepreneurial governance style” of local governments favours economic development, while it is not necessarily detrimental to issues of social cohesion. On the contrary, in an age of increased intercity and interregional competition, the cities adopting an entrepreneurial governance style seem to be more successful in tackling both economic and social challenges. By benefiting from a thriving labour market, these cities are in the position to solve problems of social integration more effectively. There are, however, some important reservations about an overhasty generalisation of the reported findings. In terms of contents, it should be noted that social cohesion has been operationalised as an homogeneous “intracity” phenomenon only. However, the social side effects of entrepreneurial policies can only be comprehensively assessed if also their impacts on inter-neighbourhood and inter-regional disparities are taken into consideration. While, as a rule, entrepreneurial cities might be more competitive and more cohesive, it could well be that the tendency towards entrepreneurialism leads to more accentuated spatial disparities between those neighbourhoods, cities or regions able to adopt innovative strategies, to use new finance instruments or to market their strengths effectively, and those

who – for whatever reason – fail to do so. Besides, one should keep in mind that some of the economic and social effects of altered policies might be perceivable only after a certain time interval. The “real” social costs – e.g. higher crime rates resulting from less resources devoted to disadvantaged individuals and neighbourhoods – might turn visible only years after adopting entrepreneurial policies.

The quantitative approximation to complex societal concepts such as the entrepreneurial city, competitiveness and cohesion has a decisive advantage: It allows for a generalised assessment of possible interdependencies and causalities. The approach adopted in this chapter constitutes nothing but a first step in this direction: All of the concepts need a further, more finegrained operationalisation, the use of time series to reduce endogeneity problems, the parallel consideration of different spatial levels, and the use of multi-variate techniques, i.e. factorial and regression analyses. The correlations presented in this study suggest an rather positive overall assessment of entrepreneurial policies. Both quantitative, comparative analyses and detailed, qualitative case studies are needed to shed further light on the mechanisms explaining the benefits and costs of entrepreneurial governance styles.

Acknowledgments Many thanks to Christian Diller for making available his database on regional cooperations in Germany and to my colleagues at IRPUD for the fruitful discussions and the helpful comments on the topic.

Competitiveness and Cohesion in the Spanish Provinces: A Territorial Approach

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Abstract This chapter draws on economic models to explore the relationships between economic competitiveness and territorial cohesion in the Spanish regions for the period 1981–1998. It appears that redistributive policies in Spain have been effective in promoting territorial cohesion for a large number of provinces. Moreover, the traditional division between dynamic and backward provinces is being overcome and does not reflect any more the economic-territorial map of Spain. However, cohesion policies have not succeeded in increasing productivity, particularly in the relatively impoverished southern regions. The authors review a host of socio-economic variables (employment, urbanization, local and EU subsidies, gross value added, disposable income, ageing, population density, and productivity) related to competitiveness and cohesion and conclude with some broad policy recommendations.

1 Introduction

Both competitiveness and territorial cohesion are public policy goals. An optimal policy mix should not only attract investment and promote the competitiveness of firms within a territory, but also foster some degree of social and territorial cohesion. Therefore, the challenge governments face is to use state intervention in the economy in a way that maximizes the possibilities of achieving these goals simultaneously. However, if public policies are insufficient, excessive or wrongly targeted, they could well reduce the competitiveness and growth prospects of regions and even handicap cohesion in the long run. Therefore, it is important to understand which public policies that aim at promoting social and territorial cohesion have positive effects on competitiveness and which ones fail to do so.

Examples of such potentially beneficial policies include income redistribution through taxes, subsidies, and pensions; public spending in infrastructure, urbanization

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programs, education and training programs; or labour market reforms. A better understanding of the specific impact and externalities of these public policies is necessary to envisage what kind of governance actions are required to promote both competitiveness and territorial and social cohesion. Moreover, the increase in global economic interdependence makes it even more important today to explore these socio-economic interactions.

This chapter proposes a simple model that explores the relationship between economic competitiveness and social cohesion within this framework. It then applies the model to the case of Spanish provinces for the period 1981–1998, which corresponds to the creation of the welfare state and of the decentralized “Estado de las Autonomías” (the territorial division of Spain in 17 Autonomías or regions and 50 provinces). Our quantitative analysis captures the effects of a variety of public policies aimed at redistributing income on the evolution of production, productivity growth, and employment. Moreover, this chapter also explores the evolution of urban concentration, and its effect on the distribution of population and disposable income across regions to investigate the relationship between competitiveness and cohesion.

Redistributive policies in Spain have been effective in promoting territorial cohesion in a large number of provinces. However, cohesion policies have not succeeded in increasing productivity, particularly in the relatively impoverished southern regions. The “catch-up” process of the backward regions, and the general convergence trend (in terms of both per capita disposable income and urbanization) that has characterized Spanish provinces since the 1980s, have been primarily the result of population movements and urbanization. Subsidies to firms and direct transfers have only had a marginal positive impact, and only in some provinces. In fact, we find that some regions have been unable to increase productivity and employment at sustainable levels even though they have received substantial transfers.

The chapter has the following structure: Section 2 proposes a general theoretical framework and reviews the relevant literature, focusing specifically on the empirical works conducted for Spanish regions. Section 3 explains the methodology, defines the key variables and presents the model. Section 4 discusses the main results. Finally, Section 5 highlights the conclusions.

2 General Framework and Literature Review

2.1 *Conceptual Framework: What Role for the State?*

According to neoclassical economics, market forces would automatically create a virtuous circle in which competitiveness and social cohesion reinforce each other, and in which different territories tend to converge over time. The logic is the following: a country with high levels of social and territorial cohesion (which imply well functioning institutions, political and economic stability, a balanced distribution of income, and a favourable business environment) would attract capital because it will offer investors relatively high-expected returns. Through the process

of capital accumulation and technological change, productivity will raise, which in turn will increase the competitiveness of the region. This economic dynamic will increase GDP in each region and, provided that this “larger pie” is distributed to all economic actors, welfare will rise, strengthening social cohesion.¹ Moreover, the process should be reinforced by the tendency of income per capita to converge, at least in relative terms.²

Historical experience, however, shows that this process is not automatic. Markets cannot bring about this virtuous circle because there are several market failures that require government intervention (in fact, several highly competitive regions in the United States – and also in Europe – rank among the least cohesive in terms of economic equality, wage differentials and crime rates). Therefore, the public sector has to perform several functions at the same time. First, it should provide public goods, such as physical and human capital, which are necessary to attract investment and to facilitate the process in which capital accumulation effectively translates into higher total factor productivity. Second, it should provide the balanced redistribution of income in order to maintain some degree of solidarity and cohesion. Third, it should provide social infrastructure, particularly an institutional framework that provides the correct incentives for economic growth (i.e. protection of property rights and contracts, economic security and stability, and means to facilitate dialogue and negotiation among stakeholders)³.

Figure 1 synthesizes the key roles that the public sector has to perform to ensure that market forces deliver both economic growth and an acceptable level of cohesion (black text depicts market forces, while text in *grey italics* represents public sector interventions).

The logic of this general framework is usually supported by scholars aligned with social democratic and institutional approaches. However, it is difficult to empirically test its validity because in the real world it is virtually impossible to isolate the influence of each variable on others, even with sophisticated econometric techniques (Rodrik, 2005). Therefore, most studies take only small parts of this framework and study the interaction of some variables in isolation.

Figure 1, however, allows us to identify two different sets of questions. The first has to do with the effects of public spending on territorial cohesion and income distribution: Are national income disparities reduced over time when the State redistributes income? Is there convergence in territorial or personal disposable income

¹ The origins of this idea can be traced back to Adam Smith (1776). Contemporary liberal scholars, who support minimum intervention of the State in the economy, are the main supporters of this thesis. However, these scholars tend to give relatively more weight to competitiveness than to cohesion.

² This result, which remains controversial, is one of the basic conclusions of neoclassical growth models. For a review of both neoclassical and endogenous growth models, see Barro and Sala-i-Martin (2004).

³ For a detailed technical discussion of the role of the state in performing these functions, see Stiglitz (1999a) and Rosen (2002). On the role of institutions on economic growth and development, see North (1990).

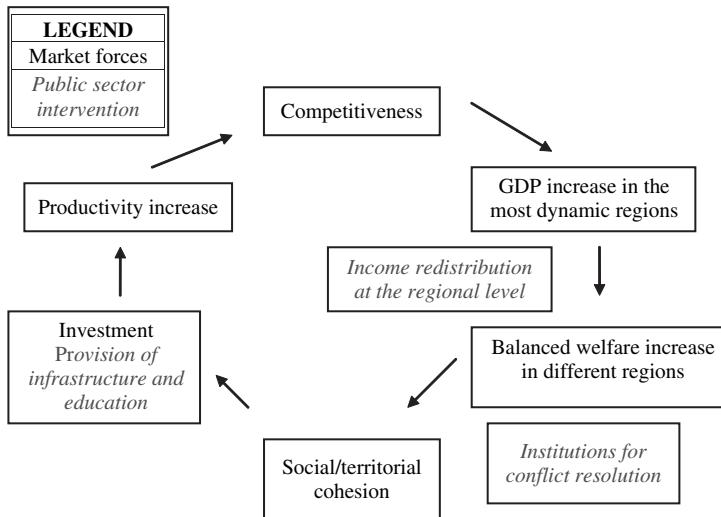


Fig. 1 Market forces and *state intervention*

per capita? The second set of questions, which are more complex, refers to the degree of effectiveness of redistributive policies in increasing productivity: Is income redistribution a useful tool to increase the productivity and competitiveness of the more backward regions? Is the “catch up” process predicted by neoclassical growth models strengthened or undermined by a strong State intervention focused on redistributing income? And finally, are competitiveness and cohesion compatible or incompatible policy goals? In the following pages, we try to respond to these questions in the context of Spanish provinces.

2.2 Literature Overview

There are several empirical studies that focus on the incidence of public spending on income distribution in Spain.⁴ Most of the relevant conclusions can be found in Mella (1998), who explores the different ways in which public policy has

⁴ A discussion of theoretical concepts in the context of the European integration process can be found in Rodríguez Pose (1998). The pioneer theoretical work on the incidence of public spending on income distribution corresponds to Musgrave (1959). His work on public economics triggered both theoretical and empirical work on the role of the state in the economy, including issues of income redistribution. The most important empirical contributions, which had a significant influence in subsequent research, are Gillespie (1965) and Musgrave et al. (1974). Since the 1970s the relevance of the theoretical research has diminished. On the contrary, the number of empirical works has grown exponentially and income redistribution has been addressed at the personal, spatial, sectoral, and functional levels. The pioneer work for Spain can be found in Molina (1983).

contributed to increase per capita income in some backward regions, mainly due to fiscal transfers.

More recent research by Parellada (2005) points out that, within the spectacular economic growth of the Spanish economy since the 1960s, there has been an important degree of convergence in per capita income, but also a significant degree of divergence in the territorial distribution of production. He also emphasizes that the reductions in spatial income inequality, especially for the periods 1955–1979, are explained by the fact that labour force has moved in net terms from the regions with relatively less income to those with relatively more income, which also explains that production has concentrated in specific areas.⁵

Investigating deeper the issue of income distribution, Goerlich and Mas (2004) find that Spain became more equal between 1973 and 1991 (the national Gini coefficient decreased from 0.3398 to 0.3195), but that inequality increased between 1991 and 2001 (the Gini coefficient for 2001 was 0.3249). They also found out that inequality increased mainly because the richest 5 % of the population significantly increased its share in total income during the nineties. However, they also point out that the richest regions tend to be the more egalitarian, which contradicts the findings of Fainstein (2001a) and Pahl (2001) who, in different contexts and more comprehensive studies, argue that inequality tends to be higher in the more affluent, dynamic, and global cities.

On the other hand, Castro (2001) indicates that, for the period 1980–1995, convergence on the regional distribution of gross value added per capita has been limited. He explains this fact by the increasing inequality on employment rates. He also argues that the differences in productivity across regions are explained by the diversity of structural productive systems at the regional level, and recommends labour market reforms to foster a process of convergence in regional per capita income.

In sum, most studies conclude that public sector intervention has had an effect in reducing income disparities across regions, but there are methodological problems to adequately separate the effect of public policies from factors such as population movements, overall economic growth and urbanization, even using sophisticated statistical techniques. The model that follows presents an alternative framework to tackle this question. It uses production to represent the concept of competitiveness, and homogeneity of net household disposable income per capita to express the concept of cohesion. Production and disposable income allow us to link disparities across regions to public sector intervention.

3 Methodology

We analyse the evolution of a set of socio-economic variables over time, allowing us to capture the dynamics and interaction of territorial cohesion and competitiveness. The analysis has been conducted for the period 1981–1998. In 1981, the “Estado

⁵ Specifically, there is a relative decline in Asturias, Cantabria and País Vasco, and, to a lesser extent, Castilla la Mancha, Castilla León, and Extremadura. On the other hand, Madrid, Baleares, the Canary Islands and the Mediterranean regions improve their relative positions.

de las Autonomías” and the Welfare State were established in Spain. 1998 is the last year for which all the variables are available. The data is taken from Fundación BBVA (2003). We start by presenting some basic definitions for the key variables that we will examine:

Competitiveness: the capacity of a province to generate wealth. Wealth is measured in terms of production per capita, productivity, and population dynamism. The importance of the first two variables is straightforward: the higher the value of production for a specific province (measured either per occupied person or per inhabitant), the higher the provincial wealth level. But it is essential to include population dynamism as a competitiveness indicator because a province can also experience increases in production per capita because its population is decreasing. A province whose relative or absolute population is in continuous decline is loosing capacity to generate income and wealth due to a fall in its human capital endowment. Moreover, the younger and relatively more educated population is potentially the most productive, but also the more willing to migrate to regions with better growth prospects. Therefore, in order to understand the evolution of competitiveness, it is important to combine the analysis of production per capita and productivity per employed person with demographic trends.

Territorial cohesion: increase in homogeneity in the inter-provincial distribution of net household disposable income per capita (NHDI pc). Starting from a relatively unequal income distribution, a process of territorial cohesion requires inter-provincial income transfers. We measure these income transfers evaluating the difference between Gross Value Added (GVA) and Net Household Disposable Income (NHDI).

The main hypotheses we will test are that: (1) The territorial competitiveness “map” is changing in Spain. The traditional difference between advanced and backward provinces is slowly disappearing and (2) The decentralized system of the “Estado de las Autonomías” has not been able to globally contribute to the reduction of income disparities.

The variables considered are the following:

- Gross value added at factor cost, which measures production for each province.
- Net household disposable income, which takes into account inter-regional income transfers between regional governments, provinces, and households.
- Urbanization rate, which allows us to measure the weight of cities in the different Spanish provinces (see explanation below).
- The employed population, which is needed to calculate productivity.

Given that there are various ways to refer to these variables, it is necessary to define some of them more specifically.

Net household disposable income: “the value of all income earned by households and non-profit private institutions from salaried labour and returns from capital (including rents for owners that use their own houses as work places), usually referred to as Direct Rents. We add social spending and other transfers to households, and subtract direct taxes and social security contributions paid by households and

business. In sum, it is the net income available by households to consume and save" (BBVA, 2003, pp.16–17).

Urbanization index: percentage rate of the population that lives in urban areas in each province. Urban areas in each province are taken from the definition of the Ministry of Public Works (Ministerio de Fomento, 2000).⁶

The competitiveness can be calculated by taking into account that the nominal value added per capita in each province (Vp) can be expressed as a function of productivity ($Prod$) and the ratio of employed population over total population (Oc) (De la Fuente and Vives, 2003).

$$Vp = \frac{GVA}{P} = \frac{GVA}{O} \times \frac{O}{P} = Prod \times Oc \quad (1)$$

Where GVA represents Gross Value Added, P represents total population, and O represents employed population. In dynamic terms, the equation yields:

$$Vp = prod + oc \quad (2)$$

Small case letters represent changes in the two variables that determine the evolution of production per capita (labour productivity and occupation). Thus, equation (2) implies that improvements in the relative competitiveness of a province can be attained both through increases in labour productivity and in occupation.

We have captured the evolution of cohesion by performing an analysis of the changes in net household disposable income per capita (NHDI per capita) in the Spanish provinces with respect to the national averages and changes in value added. An increase in NHDI on a specific region can be explained by two factors. First, increase in NHDI due to increase in value added per capita in that province. Second, increase in NHDI because the province receives income transfers from other regions

⁶ The Ministerio de Fomento selected a sample of 722 municipalities, and then divided them into small and large urban areas. Big urban areas are population agglomerations of one or several municipalities where more than 50,000 people live. Small urban areas are also divided into two groups: those in which the population ranges between 20,000 and 50,000, and those in which there are between 10,000 and 20,000 people. Municipalities in this second group are only considered urban if their population is concentrated in one single area with more than 10,000 inhabitants, if they show a positive demographic growth, and if they have a rate of active labour force employed in the services sector that is at least equal to the average of the municipalities with 20,000–50,000 inhabitants. Finally, given that some tourist centres with population below 10,000 were excluded, an additional category was included. It was based on the number of secondary housing and labelled "municipalities with potential population attractiveness". The method to decide when one of this tourist centres should be considered urban was to multiply the number of secondary housing by the average index of occupancy in Spain (3.1) and add to it the basic municipal population. This calculation offers an estimate of the tourist potential of a municipality that significantly increases its population seasonally. Municipalities that, according to this calculation, have more than 15,000 people are considered urban.

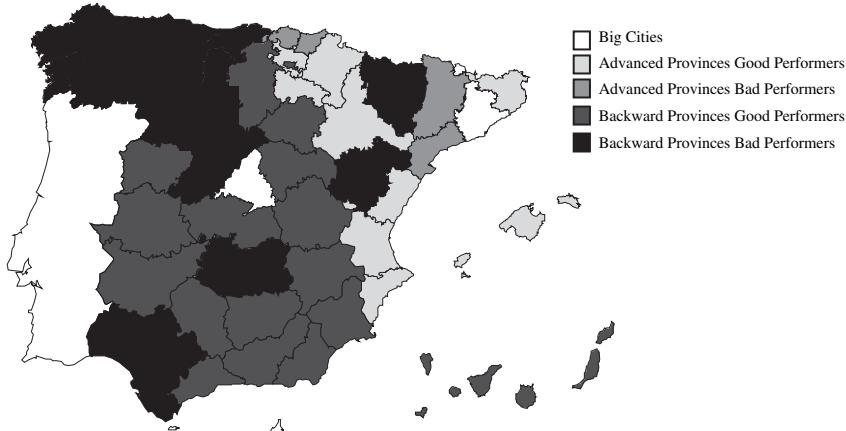


Fig. 2 Provincial grouping: regional breakdown according to big cities, advanced and backward provinces

(pensions, subsidies, and other kinds of transfers). An analysis of the difference between the weight of a region in the national gross value added and its income captures if relatively poor and less productive regions are compensated through state income transfers.

Given that Spain has 50 provinces, the analysis of competitiveness and cohesion is complex, and requires grouping provinces homogeneously. Depending on the number of analyzed variables, some statistical techniques, such as cluster analysis, may be more useful than others. However, this chapter analyzes only three variables for measuring changes in competitiveness and cohesion in Spain: NHDI per capita in 1981, provincial changes in the contribution to national GVA, and provincial population changes with respect to national population changes. Thus, given that the number of variables is relatively small and allows to group provinces easily, it has not been required to perform a cluster analysis. Grouping provinces according to this methodology yields the following groups:

1. Big cities (Madrid and Barcelona) belong to a single group. This captures their relatively high weight in the national population, GVA, and NHDI. They will be analyzed separately.
2. There is another division between advanced and backward provinces, according to the levels of NHDI per capita in 1981. The advanced provinces are those that are above the national average, and the backward provinces are those that are below that level.⁷

⁷ Vizcaya and Huesca have been the only two exceptions. In the case of Vizcaya, the figures for 1981 hide the fact that this province has tended to be above the Spanish average in terms of NHDIpc. In the case of Huesca, even though the 1981 NHDIpc is above the national average, the other indicators (population and urbanization rate) show levels similar to those of the backward provinces.

3. Finally, a third division allows us to differentiate provinces between “good performers” and “bad performers” according to their participation in the national GVA. The good performers” are those that gain participation in the national GVA, and the “bad performers” are those that lose participation over time.

The result of applying the above-mentioned criteria is shown in Fig. 2.

4 Findings

4.1 Competitiveness

Between 1981 and 1998, Madrid and the “good performers” (both within the advanced and backward groups) lead the growth of Spanish GVA. Barcelona loses strength as an engine of growth, and the “bad performers” (both within the advanced and backward groups) contribute negatively to national growth. Another important conclusion is that inter provincial differences in term of GVA per capita do not change significantly between 1981 and 1998, as shown by the fact that standard deviations are virtually the same for both years. Nevertheless, GVA tends to concentrate in the big cities and the advanced provinces to the detriment of the backward provinces (see Table 1).

Moreover, we identify an emerging dynamic territorial pattern, which is shown in the following maps that highlight the territorial distribution of the provinces described as “good performers”, “bad performers,” advanced, and backward. Figure 3 divides provinces in a traditional way, distinguishing between advanced and backward provinces. Figure 4, on the other hand, shows good and bad performers. A comparison of these maps shows that the regions that are improving are expanding towards the southeast and the periphery of Madrid, while those that are lagging

Table 1 Distribution and evolution of the real gross value added (measured in 1986 pesetas^a)

	Distribution of real GVA		GVA per capita		Annual variation (%)
	1981	1998	1981	1998	
Big cities	31.38	31.41	1,010	1,544	2.04
*Barcelona	15.13	14.71	982	1,513	2.07
*Madrid	16.25	16.70	1,037	1,573	2.00
Advanced provinces	27.81	28.46	888	1,360	2.04
“Good performers”	19.45	20.60	880	1,356	2.06
“Bad performers”	8.37	7.85	906	1,371	1.99
Backward provinces	40.81	40.13	644	959	1.93
“Good performers”	18.41	19.98	610	964	2.16
“Bad performers”	22.40	20.15	675	955	1.73
Spain	100	100	795	1,203	2.00

^aThe peseta was the Spanish national currency until the creation of the euro in 1999. 1 euro equals 166.386 pesetas.

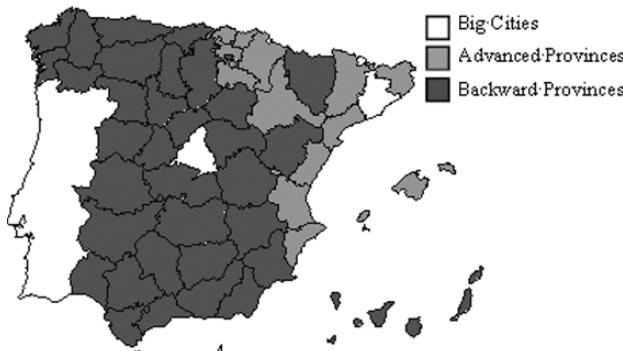


Fig. 3 Traditional economic map of big cities, advanced and backward Spanish provinces

behind tend to concentrate in the north-west, western Andalusia, and some areas of the north-east

As we show in Table 2, in aggregate terms, the increase in population is driven by the accumulation of population in the advanced provinces. A more detailed analysis shows that the provinces that make it possible that the Spanish population increases are the “good performers” (advanced and backward). Population actually decreases in most of the “bad performers”, both within the advanced and backward groups. In the big cities, Madrid shows an intense increase in population while Barcelona does not experience any significant change.

Taking into account the data on population density, it becomes clear that there are important divergences across Spanish regions. Big cities and advanced provinces have increased in population density over time, while backward provinces have seen their population density decrease.

A combined analysis of GVA per capita and population density – in fact GVA per unit of land is just the ratio of these two variables – shows that, in Madrid and Barcelona, the concentration of GVA is due to the first variable, and in the dynamic provinces and the “good performers” within the backward provinces group it is



Fig. 4 Current economic map of big cities, good performers and badly performing Spanish provinces

Table 2 Population: density and variation

	Population density		Population Annual variation (%)
	1981	1998	
<i>Big cities</i>	791.88	784.51	0.28
* Barcelona	799.96	764.12	0.06
* Madrid	784.09	804.16	0.50
Advanced provinces	136.91	138.42	0.41
“Good performers”	128.11	133.38	0.60
“Bad performers”	163.85	153.84	0.04
Backward provinces	64.02	63.97	0.34
“Good performers”	56.95	59.20	0.59
“Bad performers”	72.19	69.47	0.11
Spain	100.00	100.00	0.34

due to both. Therefore, the ability of big cities to attract population has played an important role in their economic dynamism. This finding is consistent with Allen et al. (2004, Chapter 3), who claim that in South European cities urban population growth following rural depletion has been feeding urban economic dynamism.

The evolution of productivity (GVA/employed person) shows a catching up effect: the most significant increases in productivity correspond to the backward provinces, followed by the most advanced and the big cities. However, the productivity increases in the most backward provinces hide the severe unemployment problem of these areas, which tends to worsen over the period considered. In other words, as shown in Table 3, the improvements in productivity are a consequence of the increase in unemployment (i.e. those who are employed are more productive).

The slower growth in the productivity of the big cities (vis-à-vis other regions) is explained by the significant increase in employment, particularly in Madrid. In addition, the increases in population in the “good performers” provinces explain why productivity increases in these regions are slower than in the backward regions.

Table 3 Productivity

	Real GVA per employed person (Thousands of 1986 pesetas)		Real GVA per employed person Annual variation (%)
	1981	1998	
<i>Big cities</i>	3,385	3,876	0.85
* Barcelona	3,176	3,871	1.29
* Madrid	3,606	3,880	0.45
Advanced Provinces	2,826	3,662	1.74
“Good performers”	2,790	3,608	1.72
“Bad performers”	2,915	3,811	1.81
Backward provinces	2,236	2,968	1.93
“Good performers”	2,321	3,032	1.80
“Bad performers”	2,171	2,907	1.99
Spain	2,677	3,401	1.59

Therefore, the increase in productivity of the “bad performers” provinces is not due to stronger economic growth, but to smaller increases in employment. This result demonstrates that these provinces have not been able to break the vicious circle of economic underdevelopment.

Keeping in mind this important general result, the data also shows that there has been a convergence process in productivity, which can be measured by the reduction in the standard deviation in productivity, which in 1998 is almost half of its 1981 value.

As expected, the urbanization rate is well above the average in Madrid and Barcelona, approximately on average in the dynamic provinces, and below the average in the backward provinces (Table 4). However, the reduction on the standard deviation shows that there is a convergence trend because the backward provinces have experienced substantial increases on their urbanization rate that have not been matched by the other provinces. This trend is due to the fact that the backward provinces are still experiencing an urbanization process while the big cities are starting to experience de-urbanization processes (Más and Goerlich, 2006).

In Madrid, the simultaneous increase in population and reduction in the urbanization rate is explained because some citizens are moving to small municipalities to reduce congestion costs. In addition, Madrid is probably witnessing a “spread effect” of its population to neighbouring provinces like Guadalajara and Toledo. In the case of Barcelona, a similar process might be taking place, with population relocating in Tarragona and Gerona (Mella et al., 2005).

In the “bad performers”, the increase of the urbanization rate and, in some cases, the reduction in total population are a consequence of the process by which the smaller municipalities are losing population, while the relatively bigger cities are absorbing population. This process is also taking place in the provinces of Gipúzcoa and Vizcaya (Mella et al., 2005).

A comparison between population growth and urbanization rate shows that the latter is growing at a significantly faster rate. This means that the population is

Table 4 Urbanization index

	Urbanization index (%)		Annual variation (%)
	1981	1998	
<i>Big cities</i>	92.66	94.25	1.72
* <i>Barcelona</i>	88.70	94.91	7.01
* <i>Madrid</i>	96.56	93.64	-3.03
<i>Advanced provinces</i>	69.32	71.60	3.29
“ <i>Good performers</i> ”	70.16	72.18	2.88
“ <i>Bad performers</i> ”	67.28	70.05	4.11
<i>Backward provinces</i>	59.69	64.63	8.29
“ <i>Good performers</i> ”	58.98	64.94	10.10
“ <i>Bad performers</i> ”	60.33	64.33	6.64
<i>Spain</i>	70.23	73.64	4.85
<i>Standard deviation</i>	31.19	28.24	—

increasingly concentrating in cities, which means that the demographic dynamism is clearly an urban phenomenon.

Finally, a combined analysis of the population density and urbanization data, for which the highest values are exhibited by Madrid and Barcelona, and the lower values by the backward provinces, leads to the following conclusion: not only is population more concentrated in cities, but cities also tend to be bigger in the advanced regions (and obviously in big cities) than in backward provinces.

4.2 Cohesion

Changes in the distribution of GVA and NHDI show that the Spanish decentralization process has increased solidarity in some regions, but has reduced it in others (Table 5). Conceptually, the difference between GVA and NHDI shows to what extent relatively less productive and poorer provinces are compensated by the public sector's transfer system. The Spanish solidarity model establishes that backward provinces with relatively lower levels of GVA should be "helped" more intensively than the rest by receiving larger income flows from the state. In other words, the more advanced provinces (including Madrid and Barcelona) transfer a proportion of their income through the public sector to the relatively less advanced. This general framework is slightly modified by the so-called "foral" system ("foral" means right to control regional fiscal resources), which gives some provinces special privileges and allows them to contribute less to inter-territorial cohesion. Thus, the "foral" system reduces overall inter-territorial cohesion, but it does not eliminate it.

In fact, the data shows that the Autonomías with "foral" systems (País Vasco and Navarra) have progressively reduced their territorial solidarity, which goes against the rationale and the coherence of the welfare state. Contrarily, in 1998, the four provinces of Catalonia were transferring a significantly higher proportion of their GVA to the other provinces than in 1981, which reduced its participation in NHDI.

Table 5 Distribution of real gross value added and net household disposable income (differences)

	[Gross value added] – [Net household disposable income]	
	1981	1998
Big cities	2.20	2.17
* Barcelona	0.78	0.97
* Madrid	1.42	1.19
Advanced provinces	0.74	0.77
"Good performers"	0.03	0.53
"Bad performers"	0.71	0.25
Backward provinces	-2.94	-2.94
"Good performers"	-1.68	-1.32
"Bad performers"	-1.26	-1.62
Spain	0.00	0.00

Calculated with original values, not with indexes.

Table 6 Net household disposable income per capita (NHDIpc)

	NHDIpc (thousands of 1986 pesetas)		NHDIpc Annual variation (%)
	1981	1998	
Big cities	730.38	104.36	2.50
* Barcelona	724.37	1,023.77	2.43
* Madrid	736.28	1,057.47	2.57
Advanced provinces	672.18	957.91	2.50
“Good performers”	683.56	956.67	2.35
“Bad performers”	644.96	961.21	2.88
Backward provinces	537.14	745.68	2.28
“Good performers”	517.70	743.94	2.57
“Bad performers”	554.82	747.39	2.04
Spain	618.53	871.52	2.41
Standard deviation	15.16	15.46	—

In the case of Madrid, its contribution to inter-territorial cohesion was (and still is) the highest in Spain, but we observe a decreasing trend.

The recipients of the solidarity of the big cities and of the advanced provinces (especially some of the “good performers” like Alicante, Baleares, Gerona, and Zaragoza) have been the backward provinces, and particularly the “bad performers” within that group.

Table 6 takes the analysis one step further to evaluate how NHDI per capita has evolved over time. Despite efforts to increase cohesion there still are strong differences among provinces. Some provinces in Andalusia (Seville, Granada and Cadiz) and in Extremadura (Badajoz) show the lowest levels in NHDI per capita. In some occasions, these levels are about half of the richest provinces (Gerona, La Rioja, Álava, and Navarra).

Although they receive transfers, the backward provinces have been unable to grow at the same rate as the others, both in terms of NHDI and NHDI per capita. However, we observe some convergence amongst the backward provinces that are “good performers” given that they show growth rates in total per capita income higher than the national average.

Once again, big cities behave differently. Madrid shows a very positive result in terms of NHDI. However, due the strong population growth, the increase in per capita income is only slightly higher than the national average.

Finally, the lack of variation of the NHDI per capita standard deviation shows that the difference in income per capita between regions has persisted.

4.3 Interaction Between Competitiveness and Cohesion

Income transfers, which are the key instrument to increase territorial cohesion, are originated in the big cities and in the advanced provinces, particularly in the “good

performers" (Table 7). The backward provinces, especially the "bad performers" are the main beneficiaries of the territorial solidarity.

Income transfers received by the "bad performers" within the advanced provinces group do not solve the problems of relative backwardness, insufficient production growth and relatively low income. However, in other cases (like the "good performers"), transfers have a better relative impact, both in terms of GVA and income.

Cohesion does not undermine competitiveness, income level or employment growth. In fact, as shown by the evolution of big cities and "good performing" advanced provinces (which are net contributors), productivity has improved and not worsened.

Competitiveness gains allow provinces to increase solidarity. However, "foral" systems are an impediment for the solidarity of some of the "rich" provinces. Moreover, as shown by the case of Navarra, which has a "foral" system, its lower degree of solidarity does not translate into more efficiency in production.

Nevertheless, the "Estado de las Autonomías" has not been able to correct territorial disparities in income levels. This important conclusion is demonstrated by the fact that differences between GVA and NHDI at the provincial level are not substantially modified over the period considered. However, policies of passive assistance by fiscal transfers do not seem to have effects neither in increasing territorial convergence. This is shown by the high volume of income transfers that the backward "bad performing" provinces receive, which do not translate in improvements in production and efficiency.

The economic growth potential of provinces does not seem to depend on the level of transfers received. For example, there are provinces that improve their performance even though their share in the national distribution of transfers declines (advanced provinces), whereas others (backward provinces) do not improve even with larger transfers.

Therefore, there is a strong tension between market forces, which tend to concentrate productive factors due to scale and agglomeration economies, and the behaviour of the public sector, whose policies have to be responsive to the social demands of citizens and to the claims made by regional, provincial and local governments in a decentralized state. The result is eloquent: market forces, led by the search for higher competitiveness and efficiency, are more powerful than state policies, whose interventions aim at redistributing income and fostering cohesion.

Therefore, despite the size of inter-territorial transfers, income disparities between Spanish regions persist. However, our analysis also shows that without these transfers disparities would be even larger (and cohesion lower). This implies that, even though the goal of cohesion is justified, it is necessary to improve the redistributive mechanism so that income transfers are invested more efficiently and contribute to long-run productivity increases in recipient regions.

The trade-off between efficiency and equity has to look for a balance in which equity improvements (or at least reductions in a socially unacceptable regional income distribution) do not lead to large efficiency losses that threaten aggregate productivity and potential economic growth in the long run.

Table 7 Synthesis indicators

Competitiveness						Cohesion			
	Gross value added per capita (GVA)		Productivity		Demographic dynamism		Net household disposable income per capita (NHDI)		Difference between GVA and NHDI
	1998	Variation	1998	Variation	Variation	1998	Variation	1981	
<i>Big cities</i>	M	M	M	m	m	M	M	C	-C
<i>Advanced provinces</i>	M	M	M	M	m	M	M	C	+C
“Good performers”	M	M	M	M	M	M	m	C	+C
“Bad performers”	M	m	M	M	m	M	M	C	-C
<i>Backward provinces</i>	m	m	m	M	M	m	m	R	=R
“Good performers”	m	M	m	M	M	m	M	R	-R
“Bad performers”	M	m	M	M	m	m	m	R	+R

M = above the Spanish average; m = below the Spanish average = like the Spanish average.

C = net contributor; R = net recipient; + = improves its position as C or R; - = worsens its position as C or R.

5 Conclusions

It is complicated to elaborate a comprehensive analysis of economic competitiveness and territorial cohesion. It is difficult to synthesize all the relevant variables in definitions that are both operative and statistically quantifiable. Nevertheless, we have obtained some interesting results regarding our original hypotheses, which have socio-economic policy implications.

On the issue of competitiveness, we have detected a relatively low rate of productivity growth in big cities. This is problematic because these provinces have tended to lead the growth of the Spanish economy. A positive development, however, is that some provinces that have usually shown relatively low levels of economic growth, have recently had significant increases in GVA, productivity, and population.

This means that the traditional division between advanced and backward provinces is being overcome and no longer reflects the economic-territorial map of Spain. In other words, the increased openness of the Spanish economy – together with the structural changes associated with EU integration, particularly the single market – has increased the competitiveness of some previously backward territories. This new situation also poses new challenges for the design and implementation of policies that increase territorial competitiveness. An effort to increase the endowments of human, physical and technological capital is needed to consolidate the competitiveness of these territories.

Figures 3 and 4 clearly show that there has been a “diffusion effect” of competitiveness gains towards the southeast of the Iberian Peninsula and the islands, especially the Canary archipelago.

On the issue of territorial cohesion, the fact that differences in NHDI per capita between the national average and each province have not changed over the period considered shows that the “Estado de las Autonomías” has not been successful in reducing income disparities at the national level. Nevertheless, without this imperfect transfer system it is clear that inter-provincial disparities would have been even larger and territorial cohesion would have been much lower. This means that market forces tend to concentrate production and population due to scale and agglomeration economies, which requires state intervention to compensate or reduce unacceptably large regional disparities that could threaten cohesion. However, it would be important to design incentive structures that ensure that these necessary public interventions are more effective in increasing the growth potential of recipient regions. This requires a more detailed analysis that explores how transfers to backward regions could be invested in high return projects and how to avoid that transfers are used for current consumption.

The Spanish process of political decentralization, which was based on culture and identity demands, and on the necessity to create new instruments for territorial development, presents four important characteristics regarding territorial cohesion. First, the provinces of Navarra, Madrid, and the País Vasco – which have relatively high levels of income – have reduced their relative participation in the inter-provincial transfers system (i.e. they reduced their solidarity). On the other hand, the Catalan provinces, with similar income levels, increased it. Second, the most

important net contributors to inter-territorial solidarity are Madrid (which remains the first contributor), Catalonia, and some of the advanced provinces. The recipients are most of the backward provinces. Third, although the País Vasco has a special status (“foral” system) with more financial autonomy than other regions, it has not been able to increase its competitiveness. Fourth, provinces with a “foral” system contribute the least to territorial cohesion and inter-territorial solidarity.

These conclusions suggest that the Spanish model of regional financing should be revised. The goal of this revision, which has recently started, should be to equalize the solidarity levels of provinces with equal wealth, as well as to reduce the efficiency cost derived from a lower economic growth. This means that the revision should not be bilateral (between the central government and each region) or partial, because the new system has to take into account both the flow of transfers among all the territories and the fact that a reduction on the growth potential of one territory negatively affects the aggregate growth rate of the Spanish economy as a whole.

Globalizing Urban Economies and Social Inequality: An Empirical Assessment. The Case of Amsterdam and Rotterdam

Jack Burgers and Jeroen van der Waal

Abstract One of the key arguments in the grand narratives on globalization is that of time-space compression. Reflecting the discussion on the relations between globalization and inequality, this chapter argues that the most important local effect of the immensely increased mobility has been a process of fragmentation of cities. The chapter will focus on an empirical background on the changing international division of labour, which caused the deindustrialization of the advanced economies and consequently put the Keynesian welfare-state under heavy pressure; the spectacular growth in and use of communications technology, especially the internet; and the rapidly growing international mobility of people, both in the form of long distance migration and of international tourism. The chapter will elaborate the notion of the fragmentation of cities, using illustrations from the city of Rotterdam in the Netherlands.

1 Globalization and Local Consequences: Attracting Capital and Urban Inequality

The presence of internationally operating corporations is one of the main indications of urban competitiveness. By operating in an international, possibly even global arena, those forms of enterprise actually relate individual cities to the international economy at large. In a globalizing economy, nation-states are afraid to lose their competitive edge and strive for prominence in the world economy by attracting, supporting and catering to internationally operating corporations. That is why economically advanced nation-states in their spatial and urban policies currently focus on their strong, vital and prosperous cities and city regions, and make them as 'global' as possible, instead of compensating economically peripheral and relatively backward cities and regions, as was the case for much of the second half of the 20th century (cf. Sassen, 2001).

The international competitiveness of cities is also considered to be important for the improvement of the life chances of their inhabitants. The general idea is

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that a thriving urban economy, indicated by the city's attractiveness to international capital, ultimately will enhance the welfare and well-being of all living there. But the question is whether this neo-liberal perspective holds true and, if so, whether all people will profit from the globalizing economies of cities. Serious doubts have been formulated in this respect, particularly in the debate on 'global' or 'world' cities. 'Global' or 'world' cities are the most successful cities in attracting internationally operating firms and capital. In the most influential conceptions of 'global' or 'world'-cities (Sassen, 1991, 2001; Friedmann and Wolff, 1982), the social structure of those cities is a privileged, if not essential, issue. Because 'global' or 'world' cities¹ arguably have the most internationalized economies, they can be considered paradigmatic from a heuristic point of view. What is manifest and visible in those cities is expected to be the future of cities with a (still) less internationalized local economy (cf. Burgers, 1995, 2006). That would also be true for their emerging social structure: the actual social structure of 'global' or 'world' cities can be seen as the fate of all cities that succeed in becoming more attractive to international capital and internationally operating companies.

Friedmann (1986) explicitly has stated that 'the economic variable' is decisive for understanding the global city: global cities are used by 'global capital' as 'basing points' in the spatial organization and articulation of production and markets. The driving economic force is a limited number of rapidly growing sectors, particularly corporate headquarters, international finance, global transport and communications, and producer services. According to Friedmann (1986), the social structure of global cities is polarized, and because those cities attract many migrants, social polarization coincides to a large extent with ethnic fissures. From a policy perspective, the main problem with global cities is that, again according to Friedmann (1986), they generate more social costs than they raise sufficient taxes to pay for those costs.

Sassen (1991, 2001) stresses that economic globalization is essentially a centralized process of de-centralization, only made possible by information technology and the ascendancy of a number of cities that function as steering places, 'geographical cockpits', of an increasingly international economy. Like Friedmann, Sassen argues that the social structure of global cities is polarized, mainly along ethnic lines because global cities attract large numbers of migrants who find jobs at the lower end of the labour-market or in the informal economy.

Now, if Sassen and Friedmann and Wolff are right, national and local policies aimed at making cities more competitive by attracting global capital and internationally operating companies would create a problem of social justice because of the social polarization brought about by the globalization of the local economy. From an urban policy perspective it is therefore of the utmost importance to assess the social consequences of the globalization of urban economies.

¹ In the remainder of this chapter, we will only use the term 'global' city, referring to both Sassen's 'global city' and Friedmann's and Wolff's 'world city'. The difference between Sassen's and Friedmann's thesis is that Sassen seems to follow a more holistic line of reasoning, in which different aspects of globalization – economy, demography and culture – tend to be interrelated.

Sassen's and Friedmann and Wolff's thesis is not undisputed. Critics of the thesis of the social polarization of global cities (cf. Hamnett, 1994, 1996; Waldinger, 1996) have argued that the job structure of cities in advanced economies is not polarizing, but upgrading. They agree that the number of jobs for which higher educational training is needed has been growing, but they claim that the number of jobs at the bottom of the labour-market has decreased rather than increased.

Another important criticism of the polarization thesis of Sassen and others relates to the influence of different types of welfare-states (cf. Esping-Andersen, 1990, 1993) on the labour market and social inequality. There is strong evidence that, in spite of the globalization of the economy, institutional differences between nation-states still play a substantial role as determinants of social inequality (cf. Burgers and Musterd, 2002). Richard Whitley (2000) goes even one step further and argues that one should not restrict the notion of 'institutional' factors to welfare-states which have to adapt to or mitigate global capitalism. He claims that there are not only divergent welfare-states, but, more important, also divergent 'capitalisms'. He shows that the three economic world regions – North America, Europe and the Far East – have different forms of capitalisms when one takes into account such variables as the role of government in the economy, the ownership of economic enterprises, the role of shareholders and personnel, relations between competing enterprises and between enterprises within the same production chain, *et cetera*. These differences at least suggest that economic globalization will not necessarily lead to the demise of the welfare-state or to increased inequality.

So, when it comes to the effects of the globalization of urban economies on social inequality, the criticism of the global city thesis first of all amounts to challenging the polarization thesis. Furthermore, it is argued that the effect of the globalizing economy is substantially 'filtered' by different types of welfare states and maybe even different types of 'capitalisms'. The latter point strongly suggests that research on social inequality in cities should take the institutional context into account. That is to say, that one should differentiate between different states and maybe even economic regions. That is a relatively easy thing to do. But in order to decide whether or not to accept the polarization thesis, one runs into a more fundamental problem, which is more difficult to solve: the problem of agency and, related to that, the question of the level of analysis.

In a convincing criticism of the major formulations of the global city thesis, Taylor (2004) has argued that most assertions about the nature and social makeup of global cities at closer scrutiny are not empirically substantiated. This is Short et al.'s (1996) 'dirty little secret' of the theory of global cities: most of the data used in the important theoretical statements are, at best, illustrations rather than empirical proof of the global city thesis, because the data used do not really pertain to the concepts used. In most cases, some kind of measure of the global character of a city is used on the one hand, and a measure of social inequality on the other. So when in a global city, say, income inequality is greater than in a less global city, this is used as proof of the thesis that global cities are socially polarized.

Most of the empirical literature criticizing the polarization thesis of global city theory suffers from the same flaw. When the income distribution in a global city

is not polarized, the conclusion is that globalization does not cause polarization. In both cases, though, there is the problem of agency: exactly what makes a city a ‘global’ city? As Taylor (2004) has argued, the city – apart from being an administrative unit, a municipality – should not be reified and seen as an actor in itself. According to Taylor, cities become part of international networks through the agency of the international corporations located in those cities; economic actors thus connect cities to other cities.

We not only firmly agree with Taylor’s line of reasoning, but want to carry his argument even one step further and argue that for the relationship between global city formation and social inequality, one should also look at the very agents that make a city a global city: internationally operating corporations. In other words, in order to answer the question of whether or not the globalization of urban economies leads to social inequality, one should first and foremost study the characteristics of enterprises that contribute to the globalization of urban economies instead of merely studying the characteristics of global cities at large.

This is what we will do in this chapter, focussing on the cities of Amsterdam and Rotterdam. In Section 2, we describe some general features of the economies of Amsterdam and Rotterdam. We show that the two cities have rather different labour market structures. Then, in Section 3, we change our perspective from the cities at large to their firms, corporations and different employers. One of the ways in which globally operating firms contribute to urban inequality is by their specific labour market structure which, allegedly (cf. Sassen, 1991, 2001), is polarized. So instead of looking at the labour market structure of the city at large, we present analyses on wage levels within individual firms and employers. In Section 4, we present our main conclusions in terms of both urban theory and urban policy.

2 Amsterdam and Rotterdam: Labour-Market Opportunities for Different Groups

Are Amsterdam and Rotterdam global cities? Global cities can be seen as ‘binary things’, that is to say ‘real’, essentialist ‘to be, or not to be’ entities. In her work on global cities Sassen (2006a: 315) has suggested that there are ‘about forty’ of those cities worldwide. In other instances though, Sassen has argued² that the concept of the ‘global city’ can be conceived of as a heuristic perspective, simply meaning that one looks at those parts or sectors of local urban economies which are internationally oriented: ‘... (the) global city is not a descriptive term meant to capture the whole city. It is an analytical construct that allows one to detect the global as it is filtered through the specifics of a place ...’ (Sassen, 2006a: x). In this chapter, we will, as a starting point, use the heuristic conception of the global city, which is dominant in empirical research on globalization and its consequences for individual

² For this ambiguity in Sassen’s work on the global city, see: Burgers, 1995; Burgers and Van der Waal, forthcoming.

cities (Burgers, 2006). We will be more specific about how we use the notion of the ‘international orientation’ of the cities under scrutiny later on. For a start, it suffices to say that both Amsterdam and Rotterdam have been part of more extensive studies of urban hierarchies and studies of global networks of international corporations. In Taylor’s (2004) work on the interconnectedness of cities, Amsterdam is part of a set called ‘gamma world cities’, together with, among others, Boston, Melbourne, Prague. In Rotterdam, there is only ‘some evidence’ of global city formation, which is also the case for cities as Abu Dhabi, Oslo, Ho Chi Minh City, and Bogota (*idem*). Of course, those rankings are highly dependent on the data used to map these hierarchies, in this case, data referring to advanced producer services. The picture changes when one looks at the infrastructural gateway function of Rotterdam.

In The Netherlands, Amsterdam and Rotterdam are the main international gateways. Amsterdam is, first of all, an international gateway because of its airport, Schiphol, which, according to the number of passengers, ranked 10th worldwide in 2005 – Atlanta (Hartsfield-Jackson Atlanta International Airport) being the busiest – and 4th in Europe – behind London, Paris and Frankfurt. Rotterdam is one of the biggest port-cities in the world. Worldwide, Rotterdam is 3rd in terms of tonnage of cargo, behind Shanghai and Singapore. Apart from its airport, Amsterdam also is a prominent European financial centre and by far the number one destination of international tourists visiting The Netherlands.³ In 2003, 435,100 foreign visitors spent a night in a hotel in Rotterdam. For Amsterdam that number was almost ten times larger: nearly 4 million (3,985,000) nights spent by people coming from abroad. Amsterdam is clearly much more a service city than Rotterdam, at least when we look at the commercial services. Rotterdam is a manufacturing city. In both cities, about a third of the total employment consists of non-commercial services, mainly education, health and other public services. In the Dutch case – and in many other European continental welfare-states for that matter – the national and local state is heavily involved here, both in terms of financing and regulation. So, at least one third of the jobs are ‘sheltered’ from international competition.

Another way to conceive of local economic performance is to look at unemployment. What are the differences between Amsterdam and Rotterdam in terms of unemployment? Since the position of immigrants (and their descendants) in urban labour markets is an important element in theories on globalization’s consequences for urban social inequality, we will compare unemployment rates for the main ethnic groups.

Table 1 reveals remarkable results. Apart from the indigenous Dutch, in terms of employment all groups do substantially better in Amsterdam than in Rotterdam.

³ Other than Amsterdam and Rotterdam, The Netherlands only can boast of The Hague as a city with global city characteristics: it is not only the seat of government and therefore houses dozens of embassies, but, more important, The Hague hosts the International Court of Justice and therefore can be seen as the ‘the legal capital of the world’. Interestingly enough, empirical research on global cities and international city networks tends to focus on either the headquarters of trans-national corporations or advanced commercial producer services. Supranational institutions and the networks they are part of, tend to be relatively neglected.

Table 1 Unemployment in different ethnic groups in Amsterdam and Rotterdam

December, 2004	Amsterdam	Rotterdam
Gross unemployment rate		
Dutch	7.3	6.7
Antillians	8.1	15.8
Surinamese	7.2	10.8
Moroccans	8.9	14.5
Turks	10.0	15.3

Source: CWI, Centrum voor Werk en Inkomen.

Unemployment rates for the main Dutch minority groups are between 1.5 and 2.0 times higher in Rotterdam than in Amsterdam.

In Table 2, we add the results for people with higher labour-market qualifications in terms of schooling.

Here, differences are basically insignificant. So the conclusion can be drawn that for members of minority groups without much schooling and professional training, Amsterdam offers much better job opportunities than Rotterdam. In theoretical terms, this is an interesting finding. Compared to Rotterdam, Amsterdam fits Sassen's model: a greater share of commercial, partly producer-services, seems to create extra jobs for people, such as many members of minority groups, who have a less than average education. Rotterdam seems to fit the upgrading model. In the recent past, many jobs were lost in traditional manufacturing industries, including the port. The remaining parts of the traditional industries have been upgraded, as can be clearly seen when we look at the automation and containerization of the harbour. Manual labour has diminished rapidly, and the commercial services do not compensate for that loss.

The risk we take in drawing a conclusion like this, based on a very general and rough comparison of Amsterdam and Rotterdam, becomes manifest when we take the national data on unemployment into account, as in Table 3.

When we look at this table, we see that the performance of Amsterdam is not that particular anymore. It seems that it is not so much the good record of Amsterdam,

Table 2 Unemployment within different ethnic groups according to educational level in Amsterdam and Rotterdam

December, 2004	Amsterdam	Rotterdam	Amsterdam	Rotterdam
Gross unemployment rate		Gross unemployment rate, people with academic or professional education		
Dutch	7.3	6.7	Dutch	2.6
Antillians	8.1	15.8	Antillians	0.5
Surinamese	7.2	10.8	Surinamese	0.6
Moroccans	8.9	14.5	Moroccans	0.5
Turks	10.0	15.3	Turks	0.5

Source: CWI, Centrum voor Werk en Inkomen.

Table 3 Unemployment in different ethnic groups in Amsterdam, Rotterdam and The Netherlands

December, 2004	Amsterdam	Rotterdam	Netherlands
Gross unemployment rate			
Dutch	7.3	6.7	3.9
Antillians	8.1	15.8	8.8
Surinamese	7.2	10.8	6.4
Moroccans	8.9	14.5	10.1
Turks	10.0	15.3	10.3

Source: CWI, Centrum voor Werk en Inkomen.

but the poor record of Rotterdam which stands out. Apart from the indigenous Dutch, Rotterdam does worse than both Amsterdam and The Netherlands as a whole. Compared to The Netherlands, Amsterdam does not stand out – it is neither better nor worse. In comparison to the country at large, Amsterdam does not seem to produce more jobs for minority groups, as Sassen's global city theory would have it.

There might be a difference between Amsterdam and The Netherlands at large in terms of where exactly members of minority groups are employed. The share of employment in manufacturing industries in The Netherlands is larger than in Amsterdam. It could very well be that manufacturing industries are more important as employers for poorly educated workers outside the main cities, and commercial services more important in the cities. Rotterdam's poor performance would then be the result of the combination of two factors: it has lost industrial employment for poorly educated workers, and it has not compensated for this loss in term of the growth of jobs requiring only lower-level qualifications in the commercial service industries.

But again, these are more or less educated guesses; the data are on too high a level of aggregation to decide on this specific issue. In order to answer the question of whether the globalization of an urban economy leads to an increase or decrease of inequality, one has to study data at the level of individual firms in terms of their internal labour markets. This we will do in the next section.

3 The Link Between Cities and the Global Arena: Internationally Operating Companies and Their Internal Labour Markets

3.1 Data and Operationalization

Our analyses are based on the Dutch biannual 'OSA-labour demand panel' which started in 1989. The OSA Employers' survey is designed to allow more insight into the nature and size of demand for labour by organizations, as well as more particular factors concerning the demand for labour at the establishment level. The organizations are asked for detailed information concerning their product, production processes, the technologies used, their personnel, personnel policy and

diverse financial and economic indicators.⁴ The panel consists of a random sample survey of employers with more than five employees. Data are gathered both by written questionnaires and interviews, both face-to-face and by telephone. Because many employers drop out with every new round of data collection, in every 'wave' new companies are randomly selected to complete the sample.

We will only use data of employers settled in the agglomerations of Amsterdam and Rotterdam.⁵ In order to have a substantial number of cases within those urban regions, we used five different waves of data collection – 1995, 1997, 1999, 2001 and 2003 – and combined them into one dataset. In doing so, we maximized the number of employers, without including employers more than once.⁶

Independent variables⁷ – in order to rank employers in terms of the degree in which they are part of the international economy, we used two variables. The first is the percentage of returns realized by exports. The second is a dichotomy, indicating whether employers experience foreign competition or not. These two variables are standardized and as such combined in a new variable, internationalization:⁸ a scale indicating the average score on the two constituting variables. In order to be able to compare Amsterdam and Rotterdam, we created a dummy variable city in which Amsterdam is coded as 1 and Rotterdam is coded as 2. The last set of independent variables consists of economic sector dummies: Industry, Commercial services and Non-commercial services.

Dependent variables – the impact of economic internationalization on the wage structure within companies is analyzed using two dependent variables: polarization and percentage of low-income employees. In each volume of the survey, employers were asked for the percentage of employees per income category. Each volume used either seven or eight income categories. The lowest income category is used for the variable percentage of low-income employees. The highest one (for volumes with seven categories) or two (for volumes with eight categories) income categories are considered high-income.⁹

⁴ For more information see: http://www.tilburguniversity.nl/osa/datasets/-labour_demand_panel.html

⁵ More specifically, we use the so-called 'COROP-area', which is an urban area based on a nodal classification principle. Each COROP-area has a central core (city) with a surrounding area measured by relations such as the traffic between place of residence and place of work of urban employees.

⁶ In the COROP-areas of Amsterdam (12,292) and Rotterdam (11,826) there are 24,118 (12,292 + 11,826) companies with five or more employees (point of measurement 01-01-2005) This means it is necessary to have a sample size of at least 378 for a confidence interval of 5% and a confidence level of 95% for analyses. This proves to be no obstacle for the analyses in this chapter. Calculated on: <http://www.surveysystem.com/sscalc.htm> at 25-10-2006.

⁷ All variables in the analyses have been standardized.

⁸ A principal component analysis on these two standardized variables gives a first factor that explains 74% of the variance. The factor loadings of these variables are both 0.864. A reliability analysis gives Cronbach's Alpha of 0.655. This indicates a reasonable scale.

⁹ It needs to be emphasized that the volumes do not always use the same category limits. To overcome possible invalid research findings because of this we will use year as a control variable (see below).

The construction of the variable polarization needs some explanation. The notion of polarization has also been defined as the thesis of ‘the declining middle’: the middle-income stratum gets smaller while the low-income and high-income strata both increase. If they do not both increase, it would either be a case of upgrading – the high-income stratum grows while the low-income stratum does not – or downgrading – the low-income stratum grows while the high-income stratum does not. To measure polarization we used the mean pair distant coefficient.¹⁰ This coefficient is able to measure income inequality in the form of pure polarization, leaving upgrading and downgrading out, which most measures of inequality fail to do.

Control variables – we will use year as a control variable because, as stated above, the data contain volumes of different years, while most often we do not measure the effect of the course of time – for instance in terms of economic up- and downturns.¹¹ We also use company size – the number of employees – as a control variable. The categories ‘5–10’, ‘10–20’, ‘20–50’, ‘50–100’, ‘100–500’ and ‘more than 500 employees’ have been recoded from 1 through 6 respectively. The open character of the last category and the big range of the penultimate category made us decide to ‘reduce’ this variable to a quasi interval level, instead of assuming means for each category.

3.2 Differences in Exposure to the International Economy of Companies in Amsterdam and Rotterdam

In this section we will try to establish whether the difference between the two urban economies has consequences for the international exposure of individual companies.¹²

As we have shown, economically Amsterdam and Rotterdam strongly differ in character. Amsterdam is the ideal type of a post-industrial, service-centred economy – with many advanced producer services like finance – where Rotterdam is the ideal type of an industrial city because of its port and port-related economic activities like transport and logistics (see Fig. 1).

Using multiple regression analyses,¹³ we started with assessing whether Amsterdam and Rotterdam differ in the extent to which their employers are exposed

¹⁰ The polarization index – a mean pair distant coefficient – is calculated as follows: polarization index = $((hwc \cdot lwc \cdot ABS(1-3)) + (hwc \cdot mwc \cdot ABS(1-2)) + (mwc \cdot hwc \cdot ABS(2-1)) + (mwc \cdot lwc \cdot ABS(2-3)) + (hwc \cdot lwc \cdot ABS(3-1)) + (lwc \cdot mwc \cdot ABS(3-2))) / ((hwc + mwc + lwc) \cdot (hwc + mwc + lwc))$.

‘hwc’ indicates ‘high wage category’, ‘mwc’ indicates ‘middle wage category’ and ‘lwc’ indicates ‘low wage category’.

¹¹ Furthermore, some variables – as income – are constructed by variables that differ (slightly) per volume when it comes to category limits, as we stated before.

¹² Since both cities are part of the same Dutch institutional setting where labour regulation and social policies are rather centralized and therefore do not differ substantially between municipalities, such differences in internationalization as there are, cannot be attributed to the institutional context.

¹³ For the details of our analyses, see the appendix.

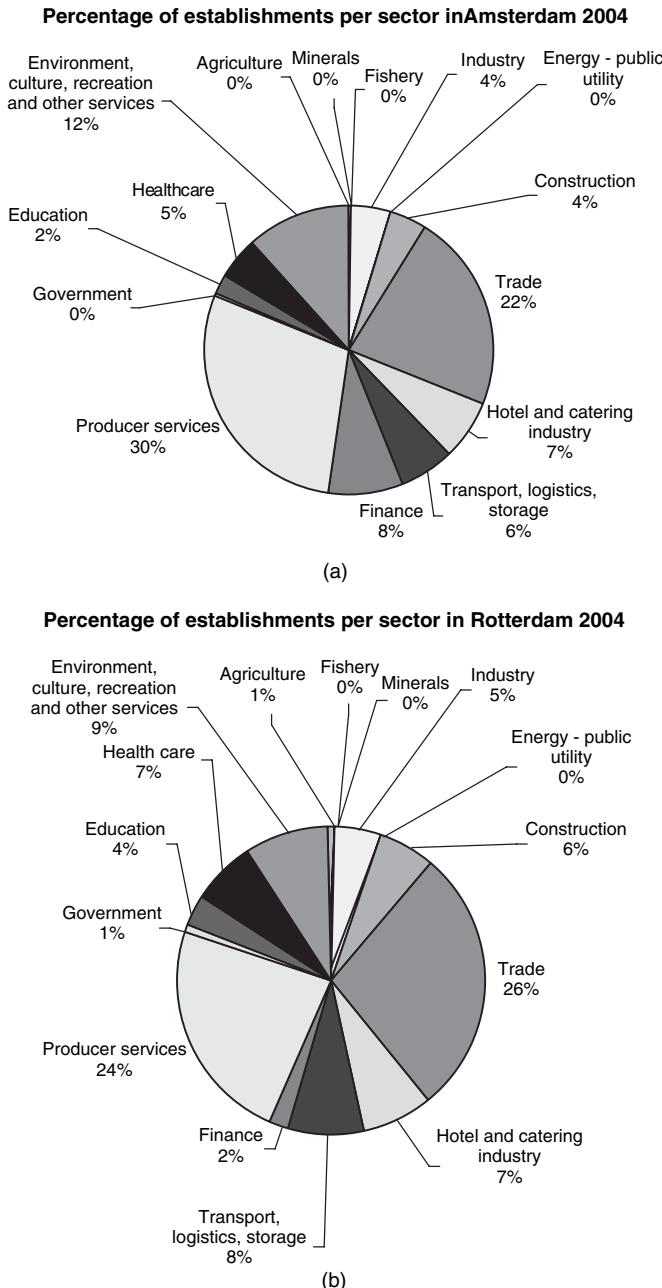
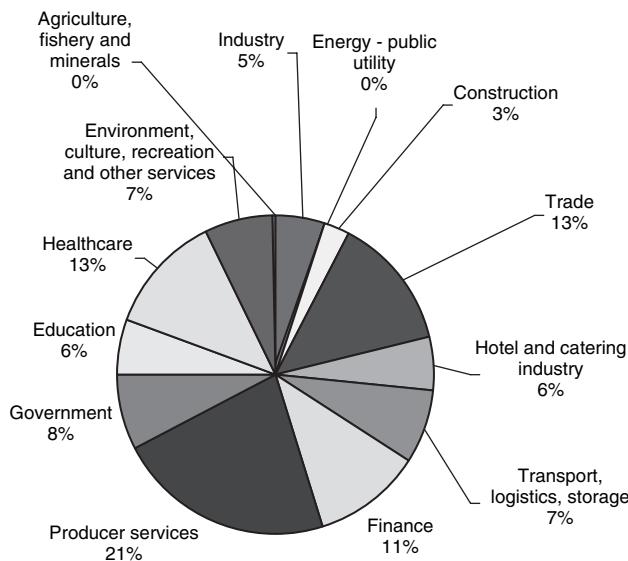
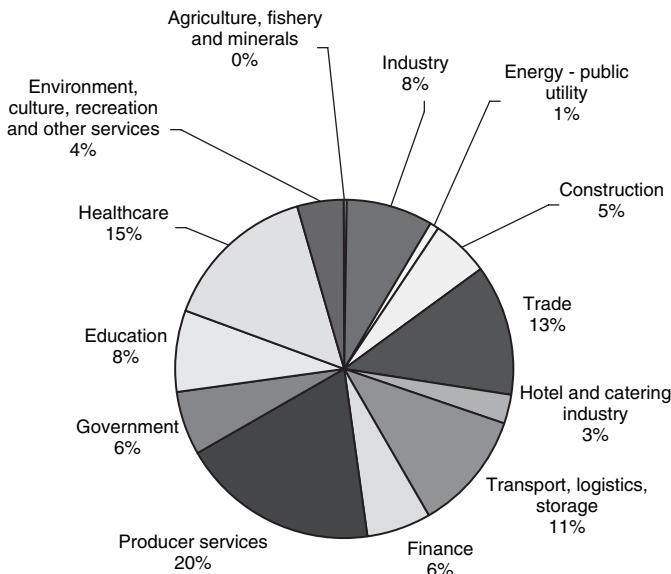


Fig. 1 Sector distribution in Amsterdam and Rotterdam in percentage of establishments and percentage of employees
(Source: Statistics Netherlands)

Percentage of employees per sector in Amsterdam 2004

(c)

Percentage of employees per sector in Rotterdam 2004

(d)

Fig. 1 (continued)

to the international economy. The result of our analysis was that employers in Rotterdam are more exposed to the international economy than those in Amsterdam for at least two reasons. First, manufacturing industries are in general more internationally exposed than service industries. Because Rotterdam's economy is much more a traditional industrial one, it is more exposed than Amsterdam's economy. Secondly, Rotterdam's manufacturing industries turn out to be more internationally exposed than Amsterdam's manufacturing industries. Undoubtedly, Rotterdam's port is the main explanation here. It heavily dominates Rotterdam's economy, and its fate is almost completely dependent on international developments and competition.

This finding corroborates the part of global city theory, formulated by Sassen (1991, 2001), in which it is claimed that global cities are the new centres of control of the global economy. These cities determine the fate of other, less prominent cities (like Rotterdam), but are themselves not prone to international competition, since they are part of an interconnected set of cities with a complementary, collaborative rather than a competitive relationship. Our findings indicate that Amsterdam's and Rotterdam's economies are related to the global economy in different ways and thus the two cities face different forms of globalization of their local economies. Where Amsterdam scores high on the international interconnectedness emphasized by Taylor (2004), Rotterdam experiences much more international competition. This empirical finding has important theoretical and policy implications. As we stated before, empirical research addressing the global city thesis has particularly focused on the issue of polarization and social inequality. In this type of research, the concept of the global city has in many cases been used as a heuristic category, as we have also done at the start of our comparison of Amsterdam and Rotterdam. The problem, though, with using the concept as a heuristic device instead of as an essentialist category restricted to 'about forty' cities worldwide (Sassen, 2006b) is the role of international competition as it pertains to social inequality. In the essentialist version, global cities form a distinct set of basically not competing but, rather, strategically collaborating cities. If that is the case, their social structure may not be paradigmatic for other, internationally competing – i.e. non-global – cities, such as, for instance, Rotterdam.

The issue of international competition is an important one in the economic literature on globalization and wage inequality in which it is suggested that international competition is the key variable. The main argument is that increasing international competition leads to an upgrading of the job and wage structure in advanced economies. An increasingly knowledge-based and technologically innovative production, needed to stay ahead in international competition with low-wage countries, is seen as the cause for this upgrading. The question is what, in terms of wage-structure, the differences are – if any – between cities which (have to) compete internationally, such as Rotterdam, and those which don't – presumably global cities such as Amsterdam. There are two different logics of globalization involved here, possibly with different outcomes in terms of social inequality (cf. Burgers and Van der Waal, forthcoming).

Since we aim at assessing the consequences of globalization of urban economies for social inequality in this chapter, the question then is what are the consequences in terms of social inequality of those two different logics of globalization of local economies.

4 Internationalization and Social Inequality: The Examples of Amsterdam and Rotterdam

As we stated before, the impact of internationalization or globalization on local economies, especially urban labour markets, is a central theme in the field of urban studies. It has been argued that global cities are characterized by a polarized income distribution (Sassen, 1991, 2001). Others (Waldinger, 1996; Hamnett, 1996) have claimed that urban labour markets of global cities have been upgrading instead of polarizing. Apart from this discussion, it is important to ask what the labour market opportunities are in non-global, manufacturing and internationally exposed cities such as Rotterdam. These different forms of globalization may have different outcomes when it comes to social inequality. Using the OSA data and applying multiple regression analyses,¹⁴ we assessed the consequences of economic restructuring and exposure to the international economy for wage inequality in companies in both cities, and, as far as possible, for the total number of workers in these cities.

Commercial services have the most polarized income structure, non-commercial services the least. In other words: the more prominent commercial services are in a local economy, the more polarized the income structure will be. This is in line with the global city-thesis, in which advanced producer services play an important role (cf. Sassen, 2001). Surprisingly enough, this difference between sectors does not explain the more polarized income structure of companies in Amsterdam in comparison to companies in Rotterdam. Overall, companies in Amsterdam have a more polarized income distribution than companies in Rotterdam. Company size is not significant: there is no relationship between the number of people employed in a company and the extent to which the income distribution is polarized. Since the companies in the analysis can be considered to be a random sample of all employers in Amsterdam and Rotterdam, this indicates that labour in Amsterdam has a more polarized wage structure than labour in Rotterdam. In short: economic restructuring leads to polarizing tendencies; increasing exposure to the international economy does not.

As indicated before, empirical research suggests that global cities are characterized by labour-markets and income distributions which are upgrading rather than polarizing. In order to decide on this issue using our data, we assessed the impact of internationalization on the share of low-income employees. We found that the share of low-income workers in the labour-market of Rotterdam is larger than in the

¹⁴ See the appendix.

labour-market of Amsterdam. Overall, employers in commercial services have more low-income workers than manufacturing companies and non-commercial services. Interestingly, although commercial services employ more low-income workers, and Amsterdam has a larger share of commercial services than Rotterdam, the latter city still seems to employ more low-income workers than Amsterdam.

The more a company is internationally exposed, the smaller its share of low-income employees. This makes sense: internationally exposed companies in advanced economies cannot compete on labour costs, but only by substituting machinery for labour or realizing higher product quality by using more expensive, professional labour.

The question remains: what is the impact of economic restructuring and exposure to the international economy for all workers in the cities under scrutiny. Growing employment in the commercial services sector and decreasing employment in the manufacturing industries leads to more low-income jobs in both Amsterdam and Rotterdam, while increasing exposure to the international economy leads to fewer low-income jobs. But, these processes do not explain the higher share of low-income workers in Rotterdam overall. If economic restructuring and increasing international exposure were the causes of the differences between Amsterdam and Rotterdam, the differences should have been just the opposite of our findings: fewer low-income workers in Rotterdam than in Amsterdam. Most likely, the explanation is to be found on the supply-side of the labour market: the Rotterdam labour force is on the average less schooled than the Amsterdam labour force, as Table 4 clearly shows.

Whereas in Amsterdam – and the other main Dutch cities for that matter – highly skilled jobholders outnumber workers with only basic schooling, in Rotterdam the opposite is true.

It is time to summarize the main outcomes of the analyses in this section on the income distribution in different forms of employment in Amsterdam and Rotterdam and for all workers employed in the two cities.

First, in line with the global city thesis, employment in Amsterdam has a more polarized wage structure than employment in Rotterdam. One would expect that the main cause for this difference is the dominance of commercial services, which are characterized by a relatively polarized income distribution, in Amsterdam. But surprisingly enough, this is not the case. Although the income structure of commercial

Table 4 Educational level Amsterdam and Rotterdam labour force

	Basic training	Academic or professional training	Difference	Ratio Basic/Academic or professional
Amsterdam				
1996	99,000	164,000	+65,000	0.60
2002	101,000	202,000	+101,000	0.50
Rotterdam				
1996	119,000	91,000	-28,000	1.31
2002	135,000	115,000	-20,000	1.17

Source: Statistics.

services is more polarized than that of the manufacturing industries, this is not the cause of the more polarized income structure of Amsterdam companies compared to those in Rotterdam.

Second, total employment in Amsterdam counts fewer low-income workers than it does in Rotterdam. This difference cannot be explained by differences in sectorial composition or by international exposure. Exposure to the international economy leads to a smaller share of low-income workers, while economic restructuring leads to a higher share of low-income workers. Since Amsterdam is more post-industrial and its economy is less internationally exposed, one should expect that Amsterdam would have more low-income employees – not fewer.

At the beginning of Section 3.3, we have posed the question of whether differences in the globalization of urban economies have consequences for labour demand and social inequality. In answering these questions, we distinguished between two different aspects of globalization: global city formation (Amsterdam) and increasing international exposure of urban economies (Rotterdam). Our main conclusion is that, when it comes to wages and income distribution, both the differences between employment in Amsterdam and Rotterdam and those between the workers within those cities cannot be explained by these two different forms of globalization or internationalization of the economy. So, although the mechanisms or at least the processes described in global city theory are corroborated by our data, there is also a strong, independent effect related to specific differences between the two cities, and probably more in particular to differences between their labour supplies – a factor neglected by global city theory (cf. Waldinger, 1996).

5 Conclusions

What do our analyses tell us about globalization and social inequality at the local level? Does a successful policy of increasing the competitiveness of cities by making them more attractive to global capital, lead to less or more social inequality?

First, one should be aware of different forms of globalization or economic internationalization. Companies in the industrial sector are more exposed to the international economy than companies in the commercial services. So, paradoxically, the more ‘global’ a city is according to the global city literature – urban economies dominated by advanced producer services – the less its companies are internationally exposed. If one wants to assess the impact of economic internationalization on urban social inequality, one needs to take these different dimensions into account. Internationally exposed companies are characterized by upgrading and relatively few low-wage jobs, whereas advanced producer services are characterized by a more polarized wage structure. In general, global cities provide more jobs for workers with little schooling than do non-global cities. In other words, global cities provide more labour-market opportunities for workers without much schooling than non-global cities in which they will be more frequently faced with unemployment. Our data – Tables 1 to 3 – show this clearly for members of ethnic minority groups who

are doing much worse in Rotterdam than in Amsterdam and in The Netherlands as a whole.

Secondly, one has to differentiate between economic restructuring – decreasing employment in the manufacturing industries and increasing employment in the service industries – on the one hand and international exposure on the other. Economic restructuring seems to cause a more polarized income distribution within cities because companies in the commercial service sector have a more polarized income structure than companies in the industrial sector. This is not a very sensational finding since it is consistent with many other studies on urban social inequality. But, the other dimension of economic internationalization that is under scrutiny here – exposure to the international economy – seems to lead to a more upgraded income structure within cities because a stronger international exposure leads to a smaller share of low income employees. What is important to emphasize here is that economic restructuring and international exposure – two aspects many times implicitly or explicitly considered to be strongly interrelated – have different effects on income structure. These effects even partly cancel each other out.

Thirdly, in the literature on global cities the impact of economic internationalization seems to be seriously overstated. The specific historically grown character of cities seems to have a substantial impact on income distribution. We selected Amsterdam and Rotterdam for our analysis because of their fundamentally different economic characters. They indeed differ in terms of income polarization, the share of low-income and high-income workers in their companies and total labour force, but economic restructuring and exposure to the international economy do not explain these differences.

The problem of overstating the effect of globalization is especially clear when we take into account the apparently contradictory research findings at different levels of aggregation. We found that the more companies are exposed to the international economy, the smaller their share of low-income employees will be. This would then easily lead to the expectation that employers in Rotterdam – a city in which companies are more strongly exposed to the international economy than are companies in Amsterdam – would have a smaller share of low income workers than employers in Amsterdam. But our analyses show that exactly the opposite is true: Rotterdam employers have a larger share of low-income workers. The same kind of reasoning applies to the impact of economic restructuring on urban inequality. Economic restructuring as such leads to a more polarized income structure. Since Amsterdam clearly is more post-industrial, this would lead to the expectation that Amsterdam employers show a more polarized income structure than do businesses in Rotterdam. This expectation is confirmed by our analyses, but sector distribution is not responsible for this. Apparently, economic internationalization has not only different and even partly contrary effects on social inequality, but also its impact on urban social inequality is small compared to the impact of the historically grown character of a city and more specifically its labour supply.

In terms of urban policy, these findings lead to the highly important conclusion that while making a city more competitive in the global economy may be relevant for many reasons, the characteristics and potentials of the local labour supply seem to be more important when it comes to urban social inequality. Improving the capacities

and qualifications of local labour and thus the social composition of cities seems to be more important in redressing urban social inequality than globalizing the urban economy per se.

Fourthly and finally, even in an era of globalization, substantial and maybe even increasing parts of urban economies are still locally oriented. Arguably, globalization leads to an increasing number of jobs that cater to local needs and locally based customers. In terms of trying to find employment for that part of the local population with poor labour market qualifications, this seems to offer positive opportunities because one could assume that locally tied employers – especially non-commercial services – will be more compliant with involvement in employment schemes for the unemployed than employers with no strong local ties and more exit-options.

Appendix

To increase the readability of this chapter, we decided to just summarize our findings from the regression analyses in the main text and to show the detailed tables in this appendix for reasons of controllability. Regression coefficients estimate the linear correlation between the dependent and one or more independent variable. Since all variables in the analyses are standardized, the highest possible scores are 1 – indicating complete linear correlation between the dependent and independent variable: the rise in one unit of the latter leads to a rise in one unit of the former, – or –1 – indicating a complete linear correlation as well, except now a rise in one unit of the latter leads to a decline in one unit of the former. The lowest score is 0 of course, indicating there is no linear correlation whatsoever.

In all tables we followed the same logic. First we checked whether companies in Amsterdam and Rotterdam differ by regressing the city dummy on the independent variable. Second, we regressed sector dummies on exposure to international competition (Table 5), and sector dummies and exposure to international competition on polarization (Table 6), and percentage of low-income workers (Table 7) to estimate their impact and to assess whether these impacts are responsible for the differences between Amsterdam and Rotterdam. For example: in Table 5, model 2 we see that companies in manufacturing are most strongly exposed to international competition, followed by companies in the commercial services, as compared to organisations in the non-commercial services. Since the coefficient of the city dummy declines in strength compared to model 1 – and falls into insignificance – this higher exposure of companies in manufacturing proves responsible for the difference in exposure to international competition between companies in Amsterdam and those in Rotterdam overall.

In Tables 5 and 6 we included a last model (model 4) in the analyses for estimating the impact on all employees in the cities under scrutiny. We regressed interaction effects of variables proven relevant in former models with company size. Since all interaction effects in these models are insignificant, company size proved to be irrelevant, indicating the estimated effects in former models are the same for all companies, no matter their size.

Table 5 Regression analyses. Dependent variable is internationalization (method: ordinary least squares)

	Model 1	Model 2	Model 3
Independent variables			
	β	β	β
City dummy (Rotterdam)	0.067*	0.047	0.049
Manufacturing		0.352***	0.347***
Commercial services		0.316***	0.318***
Non commercial services (ref.)		0	0
Industry \times Rotterdam			0.059*
Commercial services \times Rotterdam			0.034
Control			
Company size	0.158***	0.189***	0.190***
R^2	0.030	0.141	0.142
N	1305	1305	1305

* p < 0.05; ** p < 0.01; *** p < 0.001.

Analyses of the OSA labour demand panels 1995, 1997, 1999, 2001 and 2003 with companies based in the COROP-areas Amsterdam en Rotterdam.

Table 6 Regression analyses. Dependent variable is polarization in income distribution (method: ordinary least squares)^a

	Model 1	Model 2	Model 3	Model 4
Independent variables				
	Companies	Companies	Companies	Urban employees
	β	B	B	β
City dummy (Rotterdam)	-0.068*	-0.066*	-0.065*	-0.071*
Industry (ref.)	0	0	0	0
Commercial services	0.089*	0.084*	0.071	
Non commercial services		-0.104**	-0.121**	-0.124**
Internationalization			-0.045	-0.040
Commercial services \times Company size				-0.063
Non commercial services \times Company size				0.007
Control variables				
Year	-0.069*	-0.056	-0.057	-0.051
Company size	-0.052	-0.038	-0.030	-0.016
R^2	0.006	0.033	0.033	0.034
N	612	612	612	612

* p < 0.1; ** p < 0.05; *** p < 0.01; **** p < 0.001.

^a Since questions on the income distribution in the survey have many missing values, the number of companies that remains for analyses is less than half of the initial analysis on internationalization. Therefore, we consider it justified to use the 10 percent significance level.

Table 7 Regression analyses. Dependent variable is percentage of low-income employees (method: ordinary least squares)

	Model 1	Model 2	Model 3	Model 4
Independent variables				
	Companies β	Companies B	Companies β	Urban employees β
City dummy (Rotterdam)	0.070*	0.073*	0.078**	0.069*
Industry (ref.)	0	0	0	0
Commercial services		0.103**	0.086*	0.074
Non commercial services		-0.079	-0.128**	-0.124**
Internationalization			-0.135***	-0.125***
Commercial services × Company size				-0.056
Non commercial services × Company size				0.075
Internationalization × Company size				0.028
Control variables				
Year	-0.024	-0.014	-0.017	-0.004
Company size	-0.262****	-0.248****	-0.224****	-0.179****
R ²	0.068	0.041	0.105	0.113
N	612	612	612	612

* p < 0.1; ** p < 0.05; *** p < 0.01; **** p < 0.001.

Analyses of the OSA labour demand panels 1995, 1997, 1999, 2001 and 2003 with companies based in the COROP-areas Amsterdam en Rotterdam.

The Conditional Nature of Relations Between Competitiveness, Social Cohesion and Spatial Inequalities: The Evidence from Istanbul

Ayda Eraydin

Abstract How do the attempts for reaching global competitiveness affect the social and spatial changes in city regions? Is it possible to reconcile competitiveness with cohesion, or will it increase the social and spatial disparities? The above two questions have been important to understand the changing structures of city regions and there appear different views on the conceptual relations between competitiveness and social cohesion. Most of the theoretical and empirical studies emphasize the deterioration of social cohesion and spatialisation of inequalities. The common assumption of the debates is that increasing cohesion will result in economic success as well. This chapter claims that the numbers of studies that go beyond these types of overgeneralisation and instead give the details of connections between policies and practice for competitiveness and social change are still limited. The chapter has a number of aims. Firstly, it aims to discuss the consequences of increasing competitiveness (as a result of the endogenous dynamics as well as several policies and projects) on the “socio-spatial cohesion”. Secondly, the chapter contributes to the existing debate findings of the empirical studies on the three main metropolitan regions of Turkey. The findings are the outcome of the detailed analysis on the spatialisation of socio-economic (in)equalities in city regions, with the help of data various sets of data on neighbourhood level.

1 Introduction

Despite the wide literature on the interrelationships between economic competitiveness, social cohesion and spatial inequalities, it is still a domain not much studied (Kearns and Forrest, 2001; Maloutas and Pantelidou-Malouta, 2004; Morrison, 2003). As Turok and Bailey (2004) pointed out the relation between competitiveness and social cohesion is still discussed in general terms and there is less attention on spatial reconfiguration of cities under the new conditions triggered by globalisation.

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Although in recent years there are increasing number of empirical studies on different cities that try to explain relations between competitiveness and social cohesion (Kazepov, 2005; Buck et al., 2002; Boddy and Parkinson, 2004), these studies, do not provide clear-cut conclusions due to the complex nature of relations between these two concepts. The literature on the interrelations between competitiveness and spatial change has similar problems. It mainly concentrates on the changes in the real estate market, which is mainly focused on the role of international capital and the urban development projects on the changing organisation of cities, while another core issue is residential segregation framed parallel to declining social cohesion.

Most of the existing debates indicate that competitiveness supports exclusionary process towards cohesion, which may also increase spatial inequalities (Fainstein, 2001b; Maloutas and Pantelidou-Malouta, 2004; Mingione, 1991, 1996). As Fainstein (2001b) pointed out especially the early literature on competitiveness emphasizes the tendency towards greater segregation, social exclusion and inequality. There are also policy-oriented debates, which indicate positive feedback mechanisms between competitiveness and social and spatial cohesion. They define positive relations between competitiveness and social cohesion by indicating that increasing cohesion will result in economic success and also the stronger the national welfare state, the more the capacity local governance has to implement policies to foster social cohesion (Fainstein, 2001a, b).

These debates, do not provide a deeper insight to understand the complex nature of relations. Obviously, competitiveness, social cohesion and spatial inequalities are interrelated, but their relations are conditional on several issues. Therefore, increasing competitiveness can have diverse effects on social cohesion as described by several case studies (Buck et al., 2002; Boddy and Parkinson, 2004) as well as on the spatial distributions of different social groups, which necessitates examining the issues that link these core concepts and how they cause different outcomes.

How then these relations can be examined? In this Chapter, I argue that four issues constitute the conditions that define the relations between economic competitiveness, social cohesion and spatialised inequalities namely, “the means of integration to the global economy”, “labour market conditions” “policies related to social cohesion” and “regulations on urban land and real estate market”. First, competitiveness can be both attained by different assets and have different outcomes in the economy according to the way of integration to the global markets (Sassen, 2000). While the means of integration to the global economy are connected to the assets of competitiveness, they also identify new employment opportunities and the major impacts of competitiveness on different social groups. This situation indicates that the means of integration to the global economy can bring diverse affects on labour markets and economic growth. Second, as Fainstein (2001a); Gordon (2005b) and Turok (2005) have indicated labour market is the major link between competitiveness and social cohesion and it is only possible to observe the impact of competitiveness on social cohesion through labour markets. Labour market conditions can be an important asset of competitiveness, but at the same time what kind of job opportunities created in the labour market has a direct connection to social inequalities and cohesion. Third, policies on social cohesion that increase

the attainment of different social groups to different social facilities also define the roles of different social groups in the labour market and also their access to different residential areas, which offer different living styles. Although, in post-Keynesian economies social policies are getting less attention, due to the direct connection of education to labour market and competitiveness of cities, governments and international organisations put a great emphasis on educational attainment (World Bank, 2007). In fact various studies has strongly emphasised the importance of education for economic growth and competitiveness, but less the importance of these policies. However, education is a very important issue since it is not only vital for job profiles and income levels, but in different types of social relations, including gender (Buck et al., 2002). Last, regulations on land and real estate market have important roles in the spatial distribution of different social groups within cities. Since the regulations and policies on real estate and land market varies considerably, from free market to strictly controlled systems, the different levels of social cohesion and changes in the labour market conditions can generate completely different outcomes.

The aim of the chapter, therefore, is to discuss how the relationships between economic competitiveness, social cohesion and spatial inequalities change depending upon the conditions defined under these four headings. It defines economic, and socio-spatial changes in Istanbul and points out how the way of integration to the global economy, labour market conditions, policies on social cohesion and the dynamics of urban land and real estate market have shaped the impacts of competitiveness on social cohesion and spatial segregation.

In order to reach this aim this Chapter introduces the empirical evidence on economic and social change as well as the detailed analysis on the spatialisation of socio-economic inequalities in Istanbul Metropolitan Area. The first section of the chapter defines briefly the economic transformation in Istanbul economy and the major changes that have taken place in order to integrate to the global economy. The second section defines the impacts of the newly emerging structure on employment and social cohesion. The third section is focused on the impact of competitiveness on residential segregation, which also defines the role of social policies and land and property markets on residential segregation. The last section, conclusive remarks, discusses the research findings and their meaning in terms of the relationship between competitiveness, social cohesion and residential segregation.

2 Competitiveness, Economic Change, and Employment Opportunities

Istanbul is one of the largest urban agglomerations in Europe with its more than 12 million population and a rapidly growing economy. Istanbul has experienced important economic transformations after the deregulation and liberalisation of the Turkish economy. While national economic policies changed fundamentally after 1980s, Istanbul being the core of the national economy has been deeply affected by this transformation (Keyder, 2005; Baycan-Levent, 2003). The economic

restructuring increased the competitiveness of Istanbul and led to the expansion of employment opportunities and population increase, which meant diverse impacts on different social groups and the spatial redistribution of population.

To be successful as a partner of the global economy necessitated changes in institutional and regulational structure as well as restructuring the economy by giving priority to its competitive assets. Various studies (Eraydin, 2006) show that the major assets of Istanbul can be grouped under five headings, which are the outcomes of both past economic processes in Istanbul and the conditions imposed by the changing needs and conditions of different markets. Firstly, Istanbul is the centre of the national economy, but at the same time an important node within a large hinterland that extends from Eastern Europe to Middle East and from Black Sea region towards Central Asia. Its large economic hinterland and its proximity to the European market have defined Istanbul as a city that can host some global functions. Secondly, the availability of human capital and infrastructure facilities, besides the quality of life, accelerated the inward foreign investment, especially after Turkey became an accession country to the European Union. Thirdly, Istanbul increased its exports with its already built competitive capacity in labour intensive production sectors. In recent years, however, production sectors with relatively higher technology, such as automotive and home electronics, have become other important export sectors. Fourthly, the city attracted migrants from several countries as well as from different parts of Turkey, which pushed the wage levels of unskilled labour to stay relatively lower than the other cities in the same region. The migration of scientific and technical personnel from different regions of Turkey and abroad, on the other hand, made the city attractive for foreign investors. Lastly, Istanbul hosted several international cultural and sports events since the beginning 1980s. These activities and its historical heritage increased its importance as a visiting destination.

These assets have been important on the economic performance of the city. In this study in order to define economic performance and to scrutinise the increasing competitiveness of Istanbul city region we have used three indicators among the most common ones (Turok and Bailey, 2004); the increase in global economic functions, the inflow of foreign capital firms and the ability of local firms to sell their products in competitive external markets.

Firstly, there is an important rise in the global economic activities in Istanbul. Both of the studies that define the economic structure of Istanbul (Türel et al., 2005a) and that try to categorise major cities of the world (Beaverstock et al., 2000; Taylor and Walker, 2001; Taylor, 2003) demonstrate the increasing importance of certain activities, namely producer services, banking and finance, advertisement and legal services, while decreasing relatively less important activities such as accountancy, media and non-governmental services in Istanbul. The above findings are parallel to the figures on the changing composition of workforce and the increasing role of financial services in the Istanbul economy. In the last twenty years or more, although there are not important changes in the sectoral composition of the Istanbul economy, the finance and banking sector, including insurance activities, experienced a sudden rise. The share of finance and banking in the total working population has

increased from 5.3 percent in 1980 up to 8.2 percent in 2000, which means more than 200 thousand additional jobs created in these activities in the last two decades (Table 1).

Secondly, Istanbul has been attractive for foreign capital firms in the last two decades. Although the number of international firms is still not very large compared to top-tier global cities, what is remarkable is the rate of growth of foreign capital inflow. While the total capital inflow to Turkey reached 4561 billion US dollars during the 1980s, 20,987 billion US dollars during 1990s and 9.6 billion US dollars in the first three years of 2000s, more than half of the total investment has taken place in Istanbul. As the figures show clearly, the foreign capital inflow has been accelerated in recent years and the number of firms that looked for market opportunities in Turkey reached up to 5883 in year 2005.

Which competitive assets make Istanbul attractive for foreign firms? The 2005 questionnaire survey that covered 405 foreign firms out of a total of 5883 (Türel et al., 2005) indicated the positive and negative aspects of Istanbul for foreign investors. In this survey, the international firms have indicated the quality of communication and technological facilities as the most important factors in the competitive power of Istanbul, while they indicated the proximity to potential markets as the second important asset. Besides these two factors, more than half of the respondents declared that the availability of qualified labour, low wages and the quality of life are the major assets of Istanbul. As the findings indicate, the availability of qualified labour has been an important factor in the competitiveness of Istanbul. The people work in the scientific and technical personnel category rose from 128 thousand in 1980 to 237 thousand in 1990 and 395 thousand in 2000 (Table 2). This significant rise is both due to new educational opportunities provided for new generations as well as the migration of skilled labour from different parts of the country and from abroad. This situation made Istanbul attractive for activities that look for technical skills as well as the ones that are looking for high quality labour in service activities.

Table 1 The composition of workforce 1980–2000

	1980		1990		2000	
	Number	%	Number	%	Number	%
Manufacturing industry	526,490	33.7	834,888	32.8	1,097,051	31.6
Construction	111,690	7.1	224,126	8.8	215,925	6.2
Trade	279,699	17.9	486,177	19.1	650,295	18.7
Transport and communication	104,929	6.7	167,467	6.6	221,298	6.4
Finance & banking	82,715	5.3	179,558	7.1	283,404	8.2
Public services	333,587	21.3	456,245	18.0	696,033	20.0
Others*	422,479	27.0	646,531	25.5	994,405	28.6
	1,563,93	100.0	2,539,96	100.0	3,471,40	
Total	9		3		0	100.0

*Agriculture, mining, public infrastructure services and people employed in undefined activities.

Source: Turkish Statistical Institute (1980, 1990, 2000) Population Census.

Table 2 The distribution of economically active population by occupations 1980–2000

	1980		1990		2000	
	Number	%	Number	%	Number	%
Male	88,435	5.7	156,555	6.1	243,873	7.0
Female	40,439	2.3	81,273	3.2	150,705	4.34
Male	41,398	2.7	71,602	2.8	80,030	2.31
Female	2609	0.2	6997	0.3	12,008	0.4
Male	420,034	26.9	673,915	26.5	906,490	26.1
Female	88,672	5.7	163,138	6.4	354,098	10.2
Male	51,205	3.3	70,623	2.8	104,927	3.0
Female	35,537	2.3	62,023	2.4	181,795	5.2
Male	723,484	46.3	110,2170	43.4	1,235,662	35.6
Female	64,608	4.1	149,868	5.9	198,808	5.7
Unknown	7518		1799		3004	0.09
Total	1,563,939	100	2,539,963	100	3,471,400	100.00

Source: Turkish Statistical Institute (1980, 1990, 2000) Population Census.

Thirdly, production for international markets increased substantially. Istanbul's exports rose from 10 billion US in 1994 to 35.9 billion US in 2004, which means more than 3.5 times increase in ten years. Manufactured products constitute more than 90 percent of exports, indicating the importance of the manufacturing industry in the economic base of Istanbul, similar to many European cities (Kazepov, 2005). Manufacturing industry still generates one third of employment opportunities in Istanbul; in 2000 more than one million people were working in manufacturing, i.e. the double of the figure for 1980 (see Table 1).

The exported manufacturing products show a wide diversity, but two different types of industries have been equally important in the export markets since the 1980s. The first group consists of low-technology manufacturing industries, especially textile and ready-made clothing production. In Istanbul, still more than half of the firms and employees are still located in these production sectors. With the help of labour market conditions during the 1980s and 1990s, textile and ready-made clothing became the leading sectors in exports. The second group of industries producing externally traded products include automotive industry and electrical and non-electrical machinery manufacturing sectors. These relatively higher technology production activities generated less job opportunities in the recent past compared to the first group, since they preferred to expand their production via productivity increases instead of employing more labour (Boratav et al., 2000; Türel et al., 2005). This brief evaluation on the performance of different types of sectors in total exports indicates the dualistic structure of the Istanbul manufacturing industry. Labour intensive sectors are still important both generating employment and exports. They are vital to tackle unemployment problems, since to provide new employment opportunities in technology intensive production activities is not easy.

In other words, Istanbul has been trying to be a part of the global economy since 1980s, by taking part in the global value chains, attracting foreign capital and integrating to the global financial system. However, this type of integration process does

not fit many success stories that have been defined in the literature, which strongly emphasise the importance of knowledge based products and services, hi-tech production systems and decision-making functions.

3 The Impact of Economic Change on Employment Opportunities and Social Cohesion

The economic changes and growth in different sectors created new employment opportunities for different groups in the labour market. Firstly, there was an important rise in the total number of employees, especially in the number of wage earners, most of which can find low-wage employment opportunities in the activities that have lower value added per capita. According to social security statistics, more than 30 percent of these jobs were not under any social security schemes in year 2000. Therefore, the low unemployment figures compared to the national average (9.1 percent in Istanbul compared to 15 percent in Turkey in 2000), do not mean high-income per capita and higher quality of life for many workers. The employment data also indicate another striking feature of the labour market namely the huge increase of female labour in the total workforce (see Table 3). While the number of female labour was 14.9 percent of the total in 1980, it reached 25.8 percent in 2000. In other words, more than 660 thousand women have found employment opportunities in Istanbul in the last twenty years. As many studies on female labour indicated they are employed in relatively low value added production sectors or services (Eraydin and Erendil, 1999; Ecevit, 1991), although there are also increasing numbers of women in highly qualified activities.

Secondly, it is possible to observe a high rate of increase of people engaged in scientific and technical work. In 1980, the share of the working population in technical and scientific jobs constituted only 8.2 percent of the total working population, but reached 11.4 percent in 2000. It means that while Istanbul faced inflow of unskilled workers, it also attracted people specialised in scientific and technical fields besides the increasing involvement of the second-generation migrants in these types of jobs. The people with scientific and technical capabilities constitute the human capital that international firms and the firms engaged in global economic activities are looking for. Moreover, the existing firms have been able to use the

Table 3 The share of female labour in total working population

	Male	Female	Total
1980	1,324,556	231,865	1,556,421
	85.1	14.9	100
1990	2,074,865	463,299	2,538,164
	81.7	18.3	100
2000	2,573,547	894,849	3,468,396
	74.2	25.8	100

Source: Turkish Statistical Institute (1980, 1990, 2000) Population Census.

highly qualified labour at relatively lower wages than in the neighbouring countries due to the increasing supply of qualified labour.

The opportunities in the different segments of production activities as well as service jobs were clearly differentiated based on skills, undermining income distribution. Istanbul experienced a growing income inequality indicated clearly by the increasing Gini coefficient (Keyder, 2005; Boratav et al., 2000). According to Keyder (2005) the Gini coefficient rose from 0.43 in 1984 to 0.58 in 1994 and has arguably attained a higher value since. Moreover, the integration to the global markets and the increase in job opportunities did not improve the welfare of the people living in Istanbul compared to the rest of the country (Fig. 1), since the relative income increase per capita stayed below the national average while the cost of living rose more than in the other cities of Turkey (Türel et al., 2005). Unfortunately, it is not possible to find out the impact of the relative low income growth rates on poverty conditions due to controversial data provided by different institutions. However, there are reports indicating that there are increasing numbers of people that depend on irregular income sources and in need of food provided by several public institutions and NGOs (Sönmez, 2005).

3.1 The Way of Integration to the Global Economy Matters: The Importance of Competitive Assets and the Types of Employment Created

The integration to the global market by different means creates employment opportunities in different activities and for different types of labour. The short description

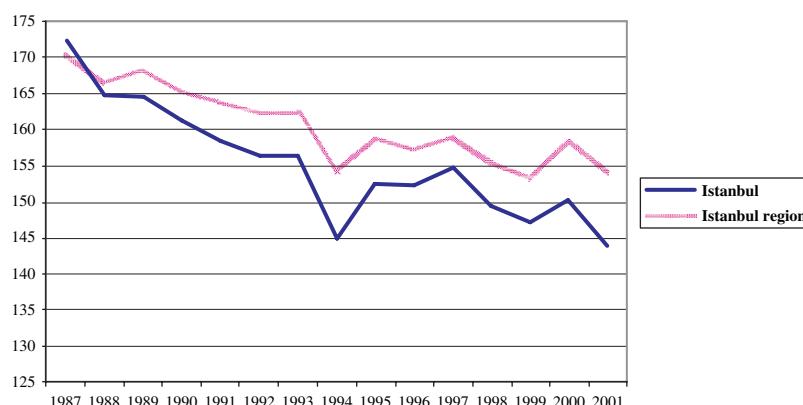


Fig. 1 The relative change in the GDP per capita in Istanbul and Istanbul region (average GDP per capita in Turkey = 100)

Source: State Planning Organisation, *Economic and Social Indicators (1950–2003)*, <http://www.dpt.gov.tr>

of global integration of the Istanbul economy clearly demonstrates the dualistic nature of this process. That is why while certain activities with their advanced technologies and internationally competitive organisations of work can be a part of the global economy, some other activities such as labour intensive manufacturing can only take place in global value chains with the help of low cost labour. This way of integration to the global markets with two entirely different groups of activities means the deepening of the dualistic structure of the economy and increasing income differences among different social groups, since each segment of the economy provides different types of jobs and income opportunities. However, the provision of employment opportunities for less skilled labour, even if they are poorly paid, is quite vital since a very large amount of population struggles for sustaining their living in Istanbul. This situation makes the assessment of the outcomes of competitiveness quite difficult. Knowing that the low-income low-skilled people can only survive in Istanbul with the help of low wage jobs one can positively evaluate the rise in the number of employment opportunities, although most of these new jobs lead to exploitative work relations. Therefore, the increase in the number of new job opportunities does not lead to a more equal distribution of benefits, but may even boost income inequality due to differences in skills and wage levels.

3.2 Labour Market Conditions Matter in the Competitiveness of the Economy as Well as the Impacts of Competitiveness

Rapid population growth has been an opportunity but at the same time an important problem in Istanbul. In fact, Istanbul metropolitan region and its larger hinterland (Istanbul region) are still under the pressure of massive migration from the less developed parts of the country and from different parts of the world, especially from the countries of the former Soviet Union, as well as from the Middle East and from Africa. As discussed earlier the availability of low wage labour helps Istanbul to sustain its competitive advantage in some of the traditional labour intensive activities, although this situation affects negatively the attempts for economic transformation.

In this context, the changing role of women in the labour market, triggered by their increasing levels of education, seems quite important. This change is also reflected in the changes in women's professional profiles, which can be defined as a gradual transition from blue-collar to white-colour occupations between 1990 and 2000 (see Table 2). Both of these trends are consistent with the significant increase in the number of economically active women.

These characteristics of the labour market obviously have been important in the experience of economic restructuring and acted as both opportunities and barriers in the competitive capacity building processes and defined a relatively different model that has been described in the Western literature.

4 The Impact of Competitiveness on Residential Segregation

Interestingly, while there is an increase in income inequality, which is an important component of social cohesion, the indicators of residential segregation do not fully support the negative aspects of increasing income differences in Istanbul. Three parameters namely, the distribution of subcultures, the level of education and occupational differences are used to analyse the changes in the residential segregation in Istanbul between 1990 and 2000 (Güvenç et al., 2005). The data on status-income distribution patterns were not available, but as other studies have shown (Güvenç and Işık, 2002), the pattern of distribution by education level almost coincides with the status-income distribution patterns and occupation is an important indicator on social connectedness and value systems in Istanbul.

4.1 Residential Segregation in Terms of Sub-cultures, the Levels of Education and Occupational Groups

One of the focus of the social cohesion studies is ethnic communities, who are composed of immigrants (Dekker and Bolt, 2005; Kearns and Forrest, 2001; Maloutas and Pantelidou-Malouta, 2004; Morrison, 2003). In İstanbul there are different ethnic communities, but the origin of migrants is even more important since it defines different subcultures.

The analytical studies suggest that most of the city dwellers are not born in İstanbul; either they or their families have migrated from different places in Anatolia or Thrace. There are also families whose parents and grand parents came to İstanbul during the population exchange after First World War. Townsmanship (i.e. fellow citizenship) has always been an important issue in social and spatial cohesion in İstanbul. People migrated from the same city, town or village tended to locate in the same neighborhoods, especially in the first years of massive migration, since the townsmanship has acted as a vital mechanism in job finding, housing provision and security, in other words the way to form new bonds with the urban space. As Waldinger stated the immigrant groups coming to the global city-regions have connections with their predecessor and these connections played important roles in the integration of immigrants to the city (Scott, 2001; Waldinger, 2001).

The people with the different sub-cultures, which are mainly differentiated by the geography of their hometown, preferred to live together. Detailed studies indicated that in 1990 different subcultures tended to concentrate in certain neighbourhoods and not to mix extensively with people having migrated from other parts of the country (Güvenç et al., 2005), which means the existence of spatially segregated subcultures.

In 2000 the profiles of the neighbourhoods have changed extensively. While the residential segregation among the people coming from western parts of the country and the ones from the east has become less important, the difference in the spatial distribution of the people born in İstanbul and the other metropolitan regions and

the ones coming from the rest of the country became more evident. In 2000 the distribution of people with different sub-cultural backgrounds were quite different than in 1990 (Güvenç et al., 2005). There was mainly an increasing share of neighbourhoods with mixed character and less segregation for people that had migrated from East and Southeast Anatolia, leading towards more spatial cohesion among people belonging to different subcultures.

Secondly, the spatial segregation of people with different levels of education has been important in Istanbul. In 1990, there was a clear distinction among the neighbourhoods where people with higher and lower levels of education lived. In general, while the core residential areas around the Central Business District and the neighbourhoods on the coast had the highest education profile, the low education groups were concentrated in the residential areas located in the north of the major road axis (E5) that divides the metropolitan area into two in east–west direction. The studies (Güvenç et al., 2005) showed that most of the people with no or very low level of education (did not complete primary school education) lived on the north of E5. The general picture is not much different in 2000, but they point out the decreasing segregation between the social groups with different levels of education (see Fig. 2).

Similarly, the spatial segregation of occupational groups was evident even before the 1990s. While the people engaged in white-colour jobs preferred to live in the southern part of the city along the seacoast, the people engaged mainly in blue-collar jobs lived in the north, close to the large manufacturing firms in the eastern

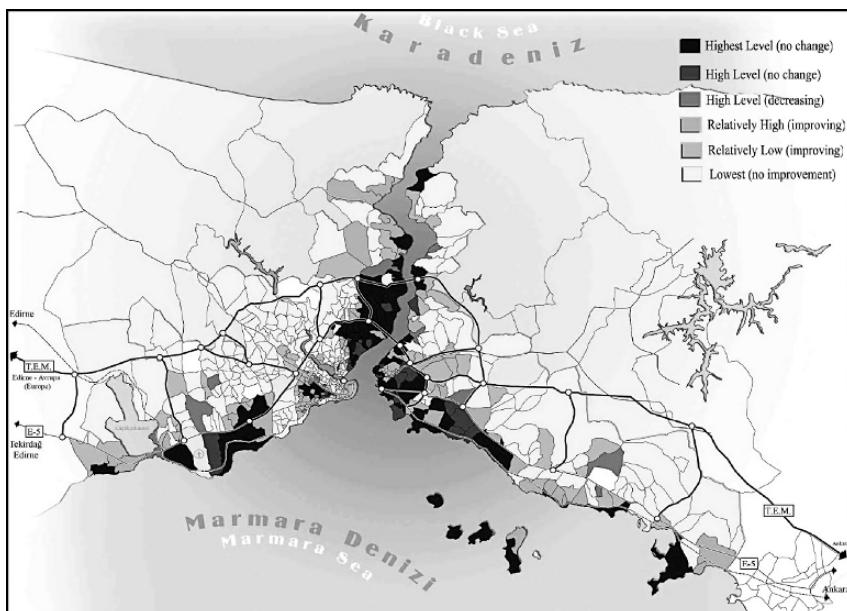


Fig. 2 The change in educational profiles of neighbourhoods, 1990–2000
(Source: Güvenç et al. 2005)

sections of the city and nearby the small enterprise sites in the western periphery. The people that lived far from the core and the Marmara coast mainly worked for small manufacturing units similar to workers in services, construction and other economic activities. These neighbourhoods did not only have differences in their social structures, but also in the physical characteristics and availability of different amenities. Mainly northern neighbourhoods that extend from eastern periphery to the west were illegally developed residential areas or zones of transformation from squatters to apartment housing.

This picture has changed slightly between 1990 and 2000 (see Fig. 3). Firstly, economic transformation attracted an increasing number of migrants with scientific and technical skills. These people, who have stable income and jobs in white-collar activities, preferred to live in the neighbourhoods close to the ones that were already dominated by the white-collar workers. Therefore, in the inner sections of the city the white-collar employees reached higher percentages. Especially the growth of the finance sector in Istanbul, increased the attractivity of the neighbourhoods in close proximity to the Central Business District and enforced the transformation of the social structure of these areas from blue-collar dominated occupation structure to a more mixed pattern.

Obviously, the transformations described above are not strong enough to change the inherited inequalities and segregation of the people with different education and occupation. The analysis on the change of the occupation structure of different

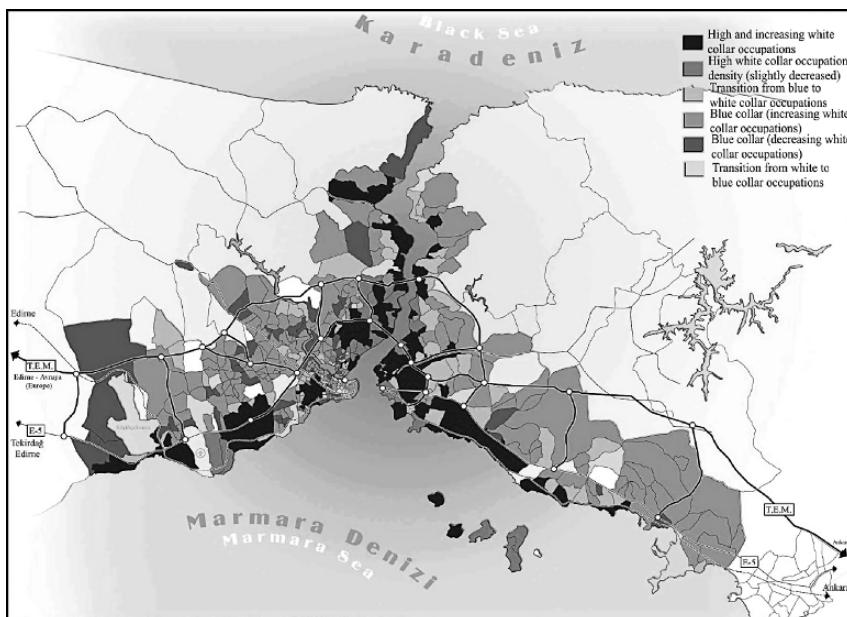


Fig. 3 The transformation in the occupational profiles of neighbourhoods of Istanbul, 1990–2000
(Source: Güvenç et al. 2005)

neighbourhoods between 1990 and 2000 indicates that the living areas of white-collar and blue-collar workers are still quite separated. Occupational differences that reflect income inequalities coincide with spatial segregation through land and housing markets and public service provision schemes, which were completely inefficient to supply the needs of the people working in low-paid jobs.

In the evaluation of the changes in the level of socio-spatial segmentation, the background conditions are important. In many European cities the level of spatial inequalities were low and access to collective consumption goods was quite even and the new liberal economic policies that identified competitiveness as the main objective brought distortion in social cohesion and increased segmentation between different social groups. This regressive process initiated a deep concern and increased the number of different programs in many countries of Europe as well as the European Union. However, one may argue that still the occupation of space by distinct social groups and the non-homogenous distribution by status, ethic origins, etc. are not so bad compared to US cities (Kazepov, 2005). In Istanbul, on the other hand, urban segregation was an important issue since the 1950s and as the Figs. 2 and 3 show this separation still continues.

4.2 The Importance of the Increase in Educational Attainment on Socio-Spatial Cohesion

The brief description of the changes in the spatial redistribution of people in ten years period pointed at less spatial segregation of people with different sub-cultures, education and occupation. There are several reasons related to this outcome.

Firstly, the findings indicated that the policies on education have had vital importance on socio-spatial cohesion. In Istanbul between 1990 and 2000, the education system has changed significantly. The compulsory school education increased from five to 8 years, the education in technical schools has changed, and the universities introduced new graduate and PhD programs. While the share of population with the lowest education has declined considerably, the share of the people in higher education has increased, especially the number of people, which completed graduate schools or PhD programmes. The share of neighbourhoods with lowest education profile in total population has declined from 56.5 percent in 1990 to 36.1 percent in 2000 (Güvenç et al., 2005). Therefore, the changes in educational attainment levels had an important impact on the decreasing level of segregation based on educational differences in Istanbul.

Secondly, it is clear that the education levels and skills of migrants matter. The increasing number of migrants with better education than the earlier ones contributed to the change of the earlier pattern of spatial distribution. While migrants with a low level of education tended to settle in unauthorised residential areas in the periphery of the city during the 1970s and 1980s, the recent migrants that are able to find better job opportunities chose living places in different sections of the city.

Thirdly, the increasing level of educational attainment of the second and third generation migrants played a positive role on socio-spatial cohesion. Although the education facilities that these groups have been able to reach are far less than the high-income high-education groups, still the increasing level of education played an important role in the incorporation of these groups to the socially mixed neighbourhoods.

Fourthly, the socio-economic transformation of Istanbul's neighbourhoods from 1990 to 2000 showed that the level of education of women living in the peripheral neighbourhoods improved relatively more than of men. The increasing levels of education of women and their increasing share in the labour market as well as changes in their work profiles obviously made important contributions to the socio-economic levels of their families and increased their family incomes. Evidently, the rise of income of these families was not enough to change the trend of income divergence among different social groups, but helped to reduce the spatialised inequalities by providing them opportunities to change their earlier living places. In the past, low-income groups, which mostly have the same ethnic backgrounds, formed tight social and work-related mutual support networks and preferred to live close to each other, usually in the same illegally built neighbourhoods. For these people, especially the ones migrated from the less developed regions, social solidarity was essential in order to survive in Istanbul. They were employed as blue-colour workers and/or work in the informal services sector. However, the second and third generations with better education opportunities compared to their parents have been able to find job opportunities in the growing economy and upward mobility has been possible due to the flexibilities in the labour market.

These processes have not been effective to change the living conditions of blue-collar employees extensively, since the wages in the labour intensive types of production were not very high and the informal nature of certain job opportunities made people engaged in low skilled manual and service jobs vulnerable to changes in economic conditions. One of the reasons why the income disparities did not increase substantially during the last two decades is the economic vulnerability of certain activities, which employ highly skilled manpower, in the periods of negative cycles of global economy.

4.3 Land and Housing Markets Matter: Importance of Land and Housing Markets on Social Cohesion and Residential Segregation

In addition to the processes that shape labour markets, the incorporation of the different social groups into the urban fabric through land ownership and housing, which has always been important in Istanbul, played an important role in the spatial redistribution of people that belong to different labour markets. In Istanbul the two processes in the land market have deeply affected a large number of families most of which are the migrants of the 1950s, 1960s and 1970s.

Migration from less developed regions of Turkey had changed drastically the urban landscape since the 1950s. During the period from the 1950s to the late 1960s, the migrants, who belonged to low income families, occupied the empty public land in the immediate periphery of the settled areas, since the potential supply of the inner-city land was too small to respond to the needs of the vast numbers of migrants. While squatter housing areas grew, the increasing population living in these areas tried to get neighbourhood status, which would ensure permanent legal rights for them in the future. During the 1970s, this type of land acquisition became less important, since there was no more empty public land left over in the periphery of the city. The new migrants who lost the chance of getting free land, bought cheap lots which did not have official building permits, and created new unauthorized neighbourhoods outside the planned urban areas.

Beginning from the 1980s a new legislation has been introduced in order to transform the already developed residential areas at the outskirts of the city that did not comply with former planning rules and regulations. The people, who received an ownership certificate of land, have found the opportunity to give their land in return for several units of high-rise apartments with the help of the new legislation and upgrading plans prepared by municipalities. In these areas of transformation from squatter areas to planned residential areas, several hundred thousand flats have been constructed and attracted middle class groups besides the early dwellers of informal housing units, who are now the owners of more than one apartment units. Some of these transformation zones became mixed zones, where people from different origins, occupations and income groups lived together.

On the other hand, the new big projects in the form of organized industrial districts, small industry sites, techno parks, research and development units in the different parts of the city, which demanded high-quality skilled labour, made some peripheral zones of the city attractive for highly skilled people and enhanced the mixed character of neighbourhoods in close proximity to these places.

In Istanbul the changing legislation and the attitude of politicians related to the urban land market enabled wealth transfer through the land market. The people that have appropriated public land or constructed their house on land without any building permission have been rewarded in this process. The populist policies, which have become favourable during election periods, brought favourable conditions for the low-income migrant families and enabled some social groups to survive in this city and even to gain higher positions in income hierarchy. Many households have benefited from this rent transfer mechanism, and the numbers of regularised housing stock must have reached more than half a million families.

5 Concluding Remarks

In many cities the waves of globalisation enforced competitiveness attempts to offer lower costs to prospective investors and to increase integration to the global value chains with reduced costs of production, in order to increase economic prosperity.

In recent years, however, there is increasing concern about the outcomes of such policies. In this chapter, I have tried to trace the impact of competitiveness on social cohesion and spatial segmentation in Istanbul and pointed out four issues that make a difference in the outcomes of these relations. These four issues are “the means of integration to the global economy”, “labour market conditions” “policies on public service delivery, especially education” and “regulations on urban land and real estate market”.

Increasing employment opportunities is the most important contribution of a competitive economy. However, depending on the labour market conditions and given that different sub-labour markets exist, this contribution creates diverse and inconsistent effects. In Istanbul, the global activities in services and exports have created important numbers of new jobs and made possible the integration of some disadvantaged groups, such as women from low-income families, into the labour market. However, most of these jobs were low-paid and with no social security. The new job opportunities helped the survival of families in Istanbul, but did not prevent the increasing income disparities, although the jobs offered for skilled labour provided opportunities for upward mobility. Similarly, the very high number of jobs created between 1980 and 2000 did not increase the relative income per capita of the individuals living in Istanbul compared to the rest of the country.

These findings underline that a vibrant economy, which chooses a low-road development as Istanbul, does not guarantee sustained economic prosperity for individuals and a higher level of social cohesion. The benefits accrue to only some, such as the ones that have well-established links with international firms, local firms that are able to meet rapidly changing demands of the global economy and the rent earners.

The findings of studies on Istanbul indicate that residential segregation is decreasing. As Turok et al. (2004) have argued segregation patterns and processes are subject to a variety of influences, and market mechanism may not be adequate to explain the outcomes. There is need to consider other social processes and policies. In Istanbul, firstly the changes in the education system, the prospects for upward mobility, the growing participation of women to the labour market have increased the opportunities of households to move out of their neighbourhoods, while the new opportunities provided in the urban land market also enabled the emergence of neighbourhoods with mixed character (Güvenç et al., 2005). Both of these processes reduced spatial inequalities, against the increasing number of symbols of residential segregation, such as gated communities and intelligent hi-rise apartments for affluent people (Kurtuluş, 2005). The case of Istanbul clearly shows that by only putting emphasis on the symbols of globalisation it is hard to comment on the actual urban dynamics as many studies do, since the urban rent distribution mechanisms have been equally important.

The findings in this case shows that the over generalization of the relations between competitiveness, social cohesion and residential segregation may be inadequate or even misleading in the understanding the dynamics of change in different cities. Istanbul's economic competitiveness strategies enforced dual economic development: low-skilled employment versus technological/skilled labour. Although

employment has a dualistic pattern, the distortion in income distribution did not increase substantially and residential segregation decreased. The chapter emphasises the importance of three issues on this socio-spatial outcomes; education attainment, increasing participation of women to the labour market and redistribution mechanisms via urban land and property markets. They have been quite important in cohesion, perhaps even more than economic and sectoral development trends. Therefore, this study suggests further attention should be devoted to labour and labour market conditions, education and urban property dynamics, since they have different implications on the transformation of society and space, more than they are highlighted in the literature.

Acknowledgments Some of the data used in this Chapter are from a study on Istanbul prepared for Istanbul Greater Municipality (Türel et al., 2005), which included the evaluation of transformation on socio-economic structure and the analytical studies that defined the spatial transformation of neighbourhoods between 1990 and 2000 (Güvenç et al., 2005). I want to thank all my colleagues that have contributed to this project especially Ali Türel and Murat Güvenç. I also want to thank the editorial committee for their useful comments.

Part III

**Detecting Social Cohesion in Cities
and Regions**

Immigration and the Spatial (Dis)Equilibrium of Competitiveness – Cohesion in Athens

George Kandylis, Vassilis Arapoglou and Thomas Maloutas

Abstract This chapter investigates the ambiguous relationships between contemporary immigration and the competitiveness/cohesion equilibrium in the metropolitan region of the Greek capital. It makes use of the latest available data on immigrants' employment and investigates the emerging implications for competitiveness and cohesion at both metropolitan and sub-metropolitan levels. The analysis establishes links between the dynamics of immigration with wider processes of economic and social change and their spatial and social effects. The authors are led to conclude that immigration introduces new relations in the labour market and creates more complex subjectivities making it impossible for competitiveness and cohesion to be treated *in abstracto*; these ambiguous and context dependent notions have to be interpreted in the respective specific social and spatial context and this is what may constitute their added value in terms of policy orientation.

1 Introduction

The transformation of Greece from a country of emigration to a country of immigration has been developing since the early 1990s. The arrival of new transnational immigrants (for a definition, see Portes et al., 1999) from all over the world but mainly from Eastern Europe and the Balkans is justifiably considered one of the most important social transformations in the last decades. Greek society begins to realize that the migratory phenomenon is going to be permanent and as such calls for certain policy responses. This important change is especially noticeable in Greek cities, since a significant part of the new immigrants is directed to urban areas, either immediately or at a later stage (Lianos, 2001). The largest proportion of immigrants is found in Attica, i.e. the region comprising the dynamic metropolitan area of Greater Athens and some small rural and island communities.

The case of Athens is of particular interest since its post-war impressive growth has integrated the important flows of rural migrants following a regulation mode dominated by clientelism and populism rather than by a classic welfare state regime

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(Allen et al., 2004). This regulation mode has ultimately produced its own limits and receded since the 1980s when internal migration substantially declined. The new immigrants of the 1990s could not take advantage of the traditional paths to integration (Kandylis, 2006) both because the latter had become unsustainable and were addressed to holders of the right to vote – i.e. to Greek citizens – since the whole clientelist operation was based on the exchange of resources for social integration against electoral support. As a result, the new immigrants are facing a much more commodified integration into Athenian society, since welfare state structures and services have not been particularly developed, as in most of southern Europe.

In what follows we are trying to illustrate the spatial implications of immigration in Attica on the socioeconomic and political equilibrium of competitiveness and cohesion. Competitiveness is directly linked to the integration of the European countries into the ‘global knowledge based economy’. According to the Lisbon objectives, this type of integration should safeguard ‘more and better quality jobs’ and also ‘greater social cohesion’. This discourse is an optimistic and, yet, unreflexive argumentation, underestimating and glossing over the inconsistencies and contradictions between (1) the development of open knowledge-based economies, (2) secure employment growth, and (3) social cohesion seeking consensus over labour market and social policy reforms.

The pursuit of consensus and convergence of employment and social policies is illustrated in the priorities of the European employment strategy, which epitomize a neo-corporatist adjustment to the conditions of a ‘globalized knowledge-based economy’ (see for example the recent Council decision on guidelines for employment policies EC/600/2005). Without getting into a detailed examination of textual and political compromises we can summarize the basic priorities of this strategy as follows: (1) increase labour supply by skills management and active policies, (2) reduce labour market segmentation by promoting flexicurity, reducing labour costs and establishing new wage bargaining mechanisms, (3) invest in human capital and adapt education and training systems. Interestingly, regional cohesion and the management of immigration have reached the policy agenda, but the role of European metropolises in addressing both issues is still peripheral to the relevant policy documents and discussions.

Although there are pressures to recognize that immigration and the inclusion of immigrants in European societies require an integrated strategy, the management of flows into the labour markets of the national member states remains the primary focus of European policies (as for example in COM2000/757 final and COM2003/336). This focus is clearly confirmed in the Green Book on the management of economic immigration (COM2004/811) whereby the Commission stresses the ‘consequences of a common strategy for economic immigration for competitiveness and for the achievement of the Lisbon objectives’.

All three priorities of the European employment strategy, as summarised above, are inexorably linked to the dynamics of immigration. Yet, immigration explicitly appears only in relation to the effects of additional labour supply resulting from immigration of third-country nationals (EC/600/2005). Moreover, many of the

specific measures defined in policy documents do not refer to immigrants but imply that they address the member state nationals only. It appears that decentralised systems of bargaining, lifelong training and education concern the least inactive members of European nationals after having considered and attempted to regulate the additional flows of immigrants at national level. This is particularly the case of southern European countries (see Council recommendations for member state employment policies EC/741/2004). The emerging policy direction seems to be a quest for balance between stricter immigration controls and decentralised flexibility for the endogenous labour force.

However, it is questionable whether economic and social processes of change in many European metropolises are consistent with such policy options. In the current flux of change, metropolitan cities seek to upgrade their economic and social policy role. Many city-governments have responded critically to the Green Paper on immigration for failing to address the impact of immigration on cities and for neglecting the role of local administration in the integration of immigrants (as has been the example of the Euro-cities network (Eurocities, 2005). Nonetheless, even in such critical responses, the focus seems to shift on the 'cohesion' side, without clarifying how economic and social changes complement or contradict each other in specific metropolitan contexts. Moreover, the geographical dimension seems in most cases to be addressed on a single level (regional or urban), thus failing to account for disparities within cities and for the complex interplay between forces operating at different levels.

From a theoretical point of view we aim to highlight the importance of spatial imbalances for both sides of the equilibrium. This approach is informed by the theoretical debate (Sassen, 1991; Mollenkopf and Castells, 1991; Hamnett, 1996; Maloutas, 2004a) regarding the capacity of metropolitan cities to upgrade their position in international circuits of capital and labour and to confront the polarizing effects on their employment and spatial structures. First, we consider the ways that immigration interweaves with factors affecting the competitiveness of the metropolitan region of Attica as a whole, as well as among sub-metropolitan areas. Then we consider a set of possible social tensions by focusing on the ways that immigrants gain access to local labour markets, which present different structures and potential for their integration.

We mainly use the employment data that derive from the last population census in 2001, which gave an end to the relatively long period of absence of reliable data about immigration in Greece. First, we draw a general picture regarding the participation of immigrants in the economically active population, their nationalities, gender and age. To reflect how immigrants are integrated into the socio-economic structure of the city we use the European Socio-economic Classification (ESeC), i.e. an occupational classification designed to measure relational as well as distributional inequalities of contemporary European Societies (Harrison and Rose, 2006; Leiuslfeld et al., 2005). This classification combines information on occupation coded to the 3-digit level groups of the International Standard Classification of Occupations 1988, details of employment status (i.e. the distinction between

‘employers’, ‘employees’, ‘self-employed’, and ‘assisting family members’), and number of employees at the workplace. Additionally, we present indicators of immigrants’ participation into key branches of economic activities and maps of their concentration into different city areas to show their contribution to the growing economy and the social fabric of the city. Last, but not least, we discuss how immigration is linked to changes that have taken place during the last decade regarding, on the one hand, the economic and social position of the city in the European Union and, on the other, the performance of specific intra-urban areas. In this case we use Eurostat data sets on innovation, R&D activities, GDP growth, and unemployment, and micro surveys such as the registry of business activities operated by the National Statistical Service of Greece.

2 Immigration to Greece and the Region of Attica

The 2001 census was the first data source to substantiate the relatively recent major shift in the migration history of Greece, that is its transformation from a country of emigration to one of immigration. Immigrants¹ represent 6.3% of the total population and 7.8% of the economically active population.

Table 1 shows that in the region of the capital the immigrant population represents 9% of the total population and 11.2% of the active population. While 37.8% of the total active population is concentrated in Attica, the concentration of active immigrants reaches 54.5%. The uneven spatial distribution of the immigrant population seems to reproduce and even to reinforce the traditional centripetal tendencies of the Greek urban system (see Konsolas et al., 2002, Anagnostou et al., 2003).

At the same time immigrants have an increased participation in the active population, both in the whole country and in Attica (Table 2). A detailed analysis of the data suggests that high rates of activity of immigrants are related to the younger age structure of the immigrant population.

Table 1 Total and immigrant population in Greece and in Attica, 2001

2001	Total population			Economically active population		
	All (000)	Immigrants (000)	Immigrants %	All (000)	Immigrants (000)	Immigrants %
Greece	10,964	675	6.2	4,615	358	7.8
Attica	3,895	349	9.0	1,746	195	11.2
Share of Attica	35.5%	51.2%	—	37.8%	54.5%	—

Source: NCSR-NSSG, 2005.

¹ We refer hereafter to an immigrant population of approximately 675,000 composed by 83 national groups. Citizens from the EU-15, Switzerland, Norway, the US, Canada, Japan and Australia have not been included in the analysis. The same applies to national groups with less than 30 individuals in the whole country.

Table 2 Participation of natives and immigrants in the active population, 2001

	Economically active	
	All %	Immigrants %
Greece	42.1	53.0
Attica	44.8	55.8

Source: NCSR-NSSG, 2005.

Albanian nationals are by far the most important group (Table 3). National groups from the Balkans and Eastern Europe dominate both in Attica and in the country as a whole (cf. Cavounidis, 2002).

Male immigrants are more numerous than females but the recorded gender ratio (53% males and 47% females in Attica) does not support the perception of immigration as a mainly male affair. However, as illustrated in Table 4, female immigrants show lower participation in the active population, regarding both their share in the total immigrant population and the participation of indigenous females. Gender composition varies considerably between different national groups (Cavounidis, 2002), and the relatively low participation rates of women should be attributed to the specific features of the dominant Albanian group.

This short review shows the emergence of a dynamic new population in the region of Attica. Despite the relatively low participation of immigrant women in the active population, most indices support the hypothesis that the immigrant population in general is characterized by the capacity for integration in the labour market.

The diversity of national origins calls for a more detailed examination of the different national groups and their respective demographic and employment characteristics. The importance of informal activities, networking and community relations confirms this necessity for future research (Petronoti, 1998; Hatziprokopiou, 2004). Nevertheless, for the arguments presented in this paper it will be enough to distinguish simply between immigrants and natives.

Table 3 The 10 largest national groups in the total immigrant population, 2001

Greece	%	Attica	%
Albania	66.4	Albania	63.9
Bulgaria	5.3	Poland	3.2
Georgia	3.5	Bulgaria	3.2
Romania	3.3	Pakistan	3.0
Russian Federation	2.7	Romania	2.8
Ukraine	2.1	Ukraine	2.5
Poland	1.9	Russian Federation	2.1
Pakistan	1.7	Turkey	2.0
Turkey	1.2	Egypt	1.9
Armenia	1.2	Iraq	1.9

Source: NCSR-NSSG, 2005.

Table 4 Gender distribution of total and immigrant population, 2001

2001	Males %	Females %
Greece-all	49.3	50.7
Greece-immigrants	54.5	45.5
Attica-all	48.1	51.9
Attica-immigrants	52.8	47.2
Attica-all-active	60.1	39.9
Attica -immigrants-active	66.4	33.6

Source: NCSR-NSSG, 2005.

3 Occupational and Economic Integration of Immigrants

The comparative examination of the employment data concerning the indigenous and immigrant population reveals important differentiations that lead to certain assumptions about the future trends of immigrants' integration in the Attica labour market. Figure 1 shows how Greeks and immigrants contribute to the composition of nine occupational classes, which have been compiled from the 2001 Greek census data following the ESeC class schema (Harrison and Rose, 2006; Leiuslfud et al., 2005; for a discussion of applying the EseC schema in southern Europe, see Maloutas forthcoming).

Following recent experience and research (Lianos et al., 1998; Lazaridis and Psimmenos, 2001; Iosifides, 2001; Naxakis, 2001), immigrants are concentrated in the lower echelons of the occupational hierarchy of the region. Immigrants (as defined in note 1) constitute 27.4% of lower technical occupations and 33.1% of

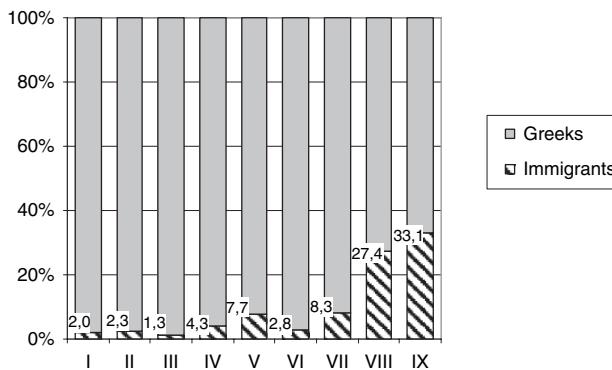


Fig. 1 Composition of occupational classes: greeks and immigrants, Attica 2001

Source: NCSR-NSSG, 2005.

I - Large employers, higher grade professional, administrative & managerial occupations; II - Lower grade professional, administrative and managerial occupations and higher grade technician and supervisory occupations; III - Intermediate occupations; IV - Small employer and self employed occupations (exc agriculture etc); V - Self employed occupations in agriculture etc; VI - Lower supervisory and lower technician occupations; VII - Lower services, sales & clerical occupations; VIII - Lower technical occupations; IX - Routine occupations.

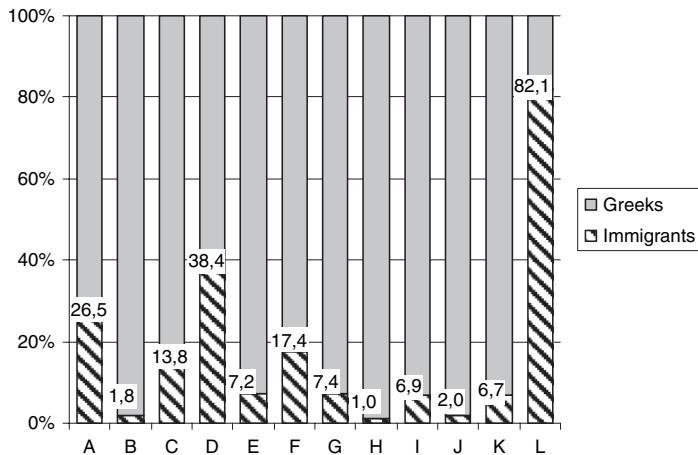


Fig. 2 Composition of employment by sector of economic activity & nationality, Attica 2001

Source: NCSR-NSSG, 2005.

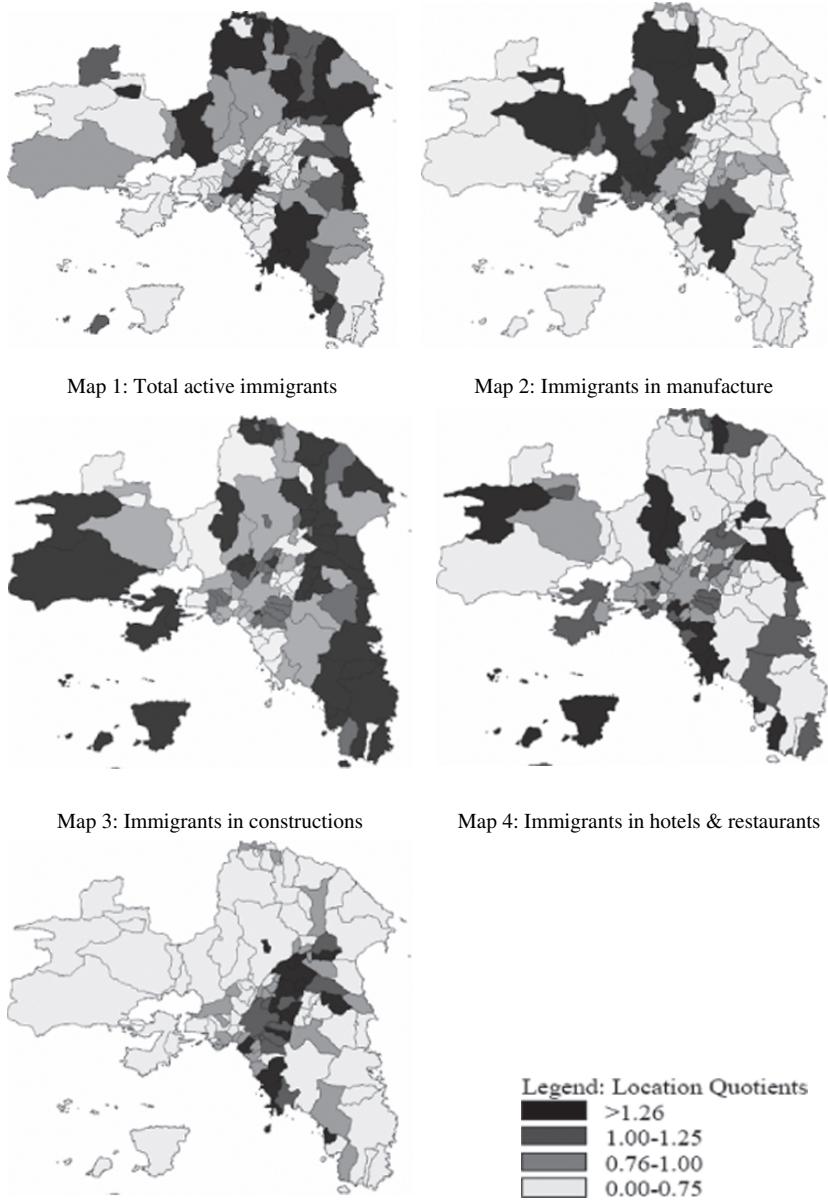
A - Agriculture, fishery, forestry etc.; B - Mining, energy & water supply, recycling & waste disposal; C - Manufacturing; D - Constructions; E - Wholesale & retail trade; F - Hotels and restaurants; G - Transport, storage, communications; H - Finance, investment, real estate services; I - Research, producer & IT services; J - Public administration, education & health; K - Personal, social & cultural services; L - Domestic services.

routine occupations, i.e. the two categories commonly accepted to be the core of the working class. Immigrants also constitute 8.3% of lower supervisory and technical occupations, commonly associated with 'blue collar workers', and 7.7% of self-employed and independent occupations in agriculture, a sign of the variety of atypical employment relationships in this activity. It can be, therefore, argued that immigrant's integration into the labour market is rather fragile in terms of income and employment security.

Similar differentiations appear concerning the distribution of Greeks and immigrants into sectors of economic activity. As shown in Fig. 2, there is a significant concentration of immigrants in construction, manufacturing, hotels and restaurants and, especially, in domestic services where immigrants' numbers are greater than those of Greeks. The converse is true in public administration, education and health, and financial services. Moreover, immigrants are quite concentrated in small productive units, workshops and small service firms. A detailed elaboration of census data reveals that 70% of immigrants are employed in enterprises with less than 10 employees, compared to about 45% for the total active population.

4 The Spatial Distribution of Immigrants

Immigrants' employment shows important spatial variation within Attica. First of all, the total active immigrant population is unevenly distributed between the municipalities of the conurbation (Fig. 3, Map 1). However, the situation is not



Source: NCSR-NSSG, 2005.

Fig. 3 Residential location of the economically active immigrants in municipalities of Attica. Location quotients in respect to total active population 2001
Source: NCSR-NSSG, 2005.

one of intense ethnic segregation as has also been confirmed by recent research (Arapoglou, 2006; Maloutas forthcoming). The concentration of immigrants at the centre of the conurbation is substantially reduced in the wide first ring of densely populated municipalities to increase again in most parts of the outer ring.

Maps 2–5 in Fig. 3, also illustrate the spatial structure of the distribution of immigrants employed in selected sectors of economic activity. Thus they provide some insight into how immigration alters the economic geography of the region. Immigrants employed in manufacturing tend to concentrate in traditional working class areas of West Attica, but they are also attracted into dispersed new industrial districts in East Attica (Map 2). Immigrants employed in construction works concentrate in many municipalities of the outer ring, where important construction activity has been located in recent years due to both the construction of infrastructures for the Olympic Games and residential sprawling, but they are also present at the centre (Map 3). In the case of hotels and restaurants, immigrants concentrate mainly along the sea front and some dispersed municipalities of the peri-urban ring where tourist and recreation activities are concentrated (Map 4). Immigrants working in domestic services locate in the residential areas of the higher and middle class socio-professional strata (Map 5); the distribution pattern of immigrant domestic workers is remarkably similar to the East–West class division of the city.

5 Immigration and Competitiveness in the Metropolitan Region of Attica

The data about the integration of immigrants in the regional labour market helps to sketch out a range of implications of their presence and participation on both economic competitiveness and cohesion. Several arguments can be supported both for and against the improvement of regional competitiveness and/or social cohesion following immigrants' presence.

Whilst in 1995 the per capita GDP in Attica amounted to 76% of the European regions' average, in 2001 it had fallen to 71.2% (Table 5). Despite greater than average growth rates, Attica fails to converge with the regions of the most advanced countries of the European Union and, consequently, concern can be raised regarding the competitiveness of the metropolitan economy.

Table 5 GDP per capita and GDP growth in Attica in comparison to EU15 regions over the period 1995–2001

	EU15 regions (base = 100)	Attica
GDP/capita 2001 (in pps of same year)	100	71.2
GDP/capita 1995 (in pps of same year)	100	76.0
GDP growth 1995–2001 (annual average)	2.5	3.4

Source: EU 2002 and EU 2002.

Indicators concerning R&D expenditures and patent applications, derived from Eurostat regional statistics, also confirm the relatively disadvantaged position of the metropolis in the knowledge-based economy. In 1999 the total R&D expenditures accounted for 0.96% of the regional GDP, which was half the respective percentage of the EU15 countries (1.92%); and, in 2001, 14 patent applications were recorded per million inhabitants in the Attica region, as opposed to 153.6 applications per million inhabitants recorded in the EU15 countries. This rather unfavourable picture reflects the technological characteristics of small and medium enterprises predominating in the Greek economy.

However, data on the employment ratios and the productivity of economic activities reveal that significant changes have taken place during the 1990s. A slow but steady trend of deindustrialisation is reflected in the decline of employment shares in manufacturing, energy and mining activities (Table 6). The share of construction has increased due to the Olympic Games and the associated public works, but several authors question if this is a durable pattern capable of sustaining the development of the metropolitan economy (Labrianidis et al., 2004). Tertiarisat is mainly evident in the increase of financial, real estate, tourist and recreation activities.

Productivity values reported in Table 6 indicate the relative dynamism of financial, communication and recreation services, and constructions as opposed to the weakness of agricultural activities, manufacturing, and traditional trade and retail activities.

Table 7 provides some evidence about the significance of human resources and technological efforts in upgrading the competitiveness of specific activities in the region.

An idiosyncratic picture of dualism, compared to European regions, appears when examining the share of scientists and engineers in the total employment of

Table 6 Employment and productivity in the region of Attica by economic sector

Economic sectors	Employment share 1991 (%)	Employment share 2001 (%)	Productivity Index 2001
Manufacturing	16.2	13.4	67,0
Trade and Retail	16.0	16.5	77,8
Public administration, defense	9.6	8.3	–
Transport, storage, communications	8.6	8.1	105,7
Financial intermediation- real estate	8.4	11.6	168,6
Construction	6.5	7.9	127,9
Education	5.2	5.6	–
Health and social services	4.8	4.9	–
Other services	4.7	6.5	–
Hotels and restaurants	3.4	4.8	143,7
Agriculture	1.1	1.3	48,6
Energy	0.9	0.7	99,4
Mining and extraction	0.2	0.1	162,5

Source: Eurostat statistics. Own estimations (Productivity is estimated as the gross value added per employee in each sector. Base=100 total regional productivity).

Table 7 Human resources in science and technology 2001

Scientists and technicians % of total employment in each activity	EU 15 regions	Attica
Total	42.9	40.9
Manufacturing	28.1	18.2
Services	45.3	40.6
Total knowledge-intensive services:	61.8	67.3
Electricity, gas, water supply and construction	19.6	12.3
Less knowledge-intensive services:	21.4	15.9
Finance, real estate, and business activities	55.2	63.7
Education	79.7	91.2
Health and social work	57.5	64.6
Other social & personal service activities	44.8	35.2

Source: Eurostat, own elaborations.

each economic activity (Table 7). The region of Attica performs poorly in key productive sectors such as manufacturing, energy and in traditional sectors such as agriculture, trade and retail, and low knowledge intensive services. Poor technological effort in these sectors partially explains the low values of R&D indicators mentioned above. On the other hand, the region presents increased numbers of highly skilled workers in financial intermediation, real estate, renting and business activities, education and knowledge intensive services.

Traditional and backward economic sectors remain stagnant exhibiting a minimal effort for technological upgrade and productivity enhancement. The educational system (including the primary, secondary, and tertiary level) is a principal employer of university graduates and scientists. At the same time knowledge intensive sectors grow and increase their productivity, but it appears that the main strategic concern of related firms is to increase their shares in national markets rather than compete in international ones. Orientation of business strategies to national markets also explains the underutilisation of knowledge potentials implied by the contrast in poor R&D output and human resource inputs.

Further exploration is necessary to establish how the utilisation of immigrant labour is linked to this dualism. In the previous section we reported high levels of immigrant participation in agriculture, manufacturing, constructions, hotels, and domestic services. It appears then that the extensive use of unskilled immigrant labour supports both the activities of small farmers and traditional family business in manufacturing exhibiting low levels of productivity as well as the activities of construction companies, hotels and restaurants exhibiting considerable growth. From this point of view, immigrant labour moderates the Schumpeterian process of 'creative destruction' by reanimating the small business that would have otherwise been unable to either survive or expand.

Moreover, the pace of change concerns not only broad economic activities but also the sub-metropolitan areas where they are located. It is a common place in economic geography that the milieu of particular locations affects business performance. The metropolitan area of Athens has been historically characterised by a model of diffuse industrialisation, whereby small firms and artisans traditionally

locate close to or within the urban fabric in the North and South West side of the city (Sayas, 2001).

Table 8 gives a picture of contemporary intra-urban disparities in competitiveness and job creation by reporting values for business densities and rates of change across large sub-metropolitan areas for 2001. The four sub-metropolitan areas correspond to the administrative division of the region in large prefectures. Although estimations in the table refer to changes that have taken place over a single year they reflect changes in the metropolitan economy that began in earlier periods.

The whole region of Attica presents relatively high business densities reflecting the model of diffused industrialisation. Overall business' death densities are higher than business' birth densities reflecting that restructuring in the region is an on going process. Noteworthy, negative changes for services indicate that tertiarisation is a complex process to which small enterprises participate at relatively high risk. A detailed breakdown of the activities reveals that the majority of discontinuing business are small bars and restaurants, small retailers and street vendors that are being replaced by professional services to business, large recreation and retail chains. Most firms newly established in the secondary sector are almost exclusively related to building and construction activities, whilst small garment firms form the majority amongst manufacturing establishments discontinuing their operations.

West Attica and Piraeus seem to be most affected by economic changes, not only presenting high business death densities but also a decline in the number of firms operating in both the secondary and the tertiary sector. The central city of Athens and its neighbouring areas record small densities as large enterprises are located in the main conurbation. Interestingly, this wider area, including the central business district, confirms its dynamism and attractiveness for both manufacturing and services, as evidenced by positive net changes in the number of operating firms. East Attica includes dispersed new industrial districts and service clusters oriented to local markets (Sayas, 2004). Its dynamism is confirmed by the prevalence of high business' birth densities and significant net increases in repairs, constructions and service firms.

Table 8 Business densities and rates of change in sub-metropolitan areas 2001

	Business density*	Business' death density*	Business' birth Density*	% change industrial, construction etc firms (%)	% change in services firms (%)
West Attica	607.9	124.2	51.8	-6.4	-7.6
East Attica	321.5	26.6	28.1	6.8	2.6
Piraeus	269.0	42.4	22.7	-1.4	-2.9
Athens wider area	64.3	8.5	5.2	2.1	0.3
Attica region	135.3	18.8	11.4	0.5	-1.3

Source: NSSG, Business survey waves 2000, 2001. Own estimations.

*Number of establishments (in operation/closing down/newly founded) per thousand of economically active persons.

A tentative, but significant, conclusion is that business and job creation exhibits a two-faced process of centralisation and suburbanisation, which is compatible with the location of immigrants discussed in the previous sections. It appears that the settlement of immigrants is to a large extent directed towards available job opportunities. Settlement of immigrants in South East suburban areas follows the expansion of recreation activities in hotels, bars and restaurants. Foreign construction workers are pulled by the increase in building activities in the North West and North East suburban metropolitan areas. Immigrant manual workers in manufacturing, transport and trade seem to be attracted by the dense networks of traditional industrial areas at the West side of the metropolis. Domestic servants are located in the city centre and in Eastern suburbs, where their employers tend to concentrate. This pattern has profound implications for social cohesion.

6 Immigration and Cohesion in the Metropolitan Region of Attica

Employment and unemployment rates are crude indicators upon which cohesion is most often measured. Table 9 depicts the employment conditions in Attica as compared to European regions. On the one hand, activity rates are lower in Attica than in the regions of the fifteen member states and this is particularly the case for women and for persons aged 15–24. On the other hand, unemployment rates in Attica are higher than in the average EU15 region, with differences being more evident in the incidence of long-term unemployment (i.e. the share of the long-term unemployed in total unemployment) and youth unemployment.

Regional differences between activity and unemployment rates indicate that unemployment persists despite moderate levels of economic growth. The persistence of unemployment during the last decade has been attributed to low capital investment, slow technological progress and segmented labour markets (Christopoulos, 2004). Indeed, this type of argumentation is in line with the data presented in the previous section and implies that technology gaps undermine cohesion. Moreover, this argumentation suggests that sole increases in activity rates are inadequate to

Table 9 Employment and unemployment rates in European regions and in Attica (2004)

Indicators	EU 15 Regions (%)	Attica (%)
Activity rate	56.8	55
Female activity rate	48.7	44.5
Youth activity rate	47.4	36.8
Unemployment rate	8.6	9.1
Long-term unemployment incidence	42.5	51.6
Female unemployment	9.3	13.1
Youth unemployment	16.7	22.2

Source: Eurostat regional statistics, harmonized rates from adjusted LFS data.

boost growth or safeguard cohesion, as is often the case in national adaptations of the Lisbon strategy.

Thus, the assumption that the increased participation of immigrants in the active population could be leading to more cohesion seems to be founded on a dubious economic rationale. But more interestingly, the conditions of integration into the labour market lead to opposite hypotheses about the cohesive outcome brought about by immigration on the Athenian social structure.

The social polarization thesis appeared in the early 1980s, was expanded powerfully in the early 1990s by Sassen (1991), Mollenkopf and Castells (1991), and others; while it was criticized by others (Hamnett, 1996, 2004; Preteceille, 1995) it can be a starting point for the analysis. The central point in Sassen's (1991, 1998) argumentation, is that inequalities result from differentiated profit-making capacities along economic sectors and from dualisms affected in the organisation of service industries. Despite the lack of industrial technological progress, both these processes are present in the case of the metropolitan region of Athens, as we have tried to document in the previous section. It is possible that immigrants' participation in less productive sectors and casual employment relations in services means a more polarized social hierarchy, as more men and women concentrate in the lower occupational echelons. This idea complies with the argument that immigrants replace Greeks in job positions that the latter are no more willing to undertake. Moreover, the emerging pattern of social polarization largely coincides, with a pattern of ethnic polarization, with the exception of some natives that are 'left-behind' in the lower echelons.

Nevertheless, the same data could support a quite different argumentation. The presence of immigrants in small traditional and stagnant enterprises depending only on the relative advantage of inexpensive labour, is a favourable parameter for the reproduction of the indigenous middle social strata, and consequently against the polarization thesis. In this sense, immigration to Athens turns to be an element of social cohesion; but of a rather stagnant and different nature from the idealised assumptions about the mutual reinforcement of competitiveness and cohesion. Moreover, two different possible scenarios appear: either immigrants occupy the lower echelons of an eccentric social structure polarized between lower and middle positions, or the survival of traditional forms of integration may give immigrants the opportunity for subsequent waves of social mobility, which would lead to the exact opposite of polarization.

This analysis can be extended by taking into account intra-urban disparities and local labour market differences. Indeed, the recent North American literature on ethnic segregation enriches the simplifying view of the polarization thesis. Of particular concern is the resurgence of the 'spatial mismatch' hypothesis and the relevant question: 'is it space or race that accounts for segregation'? Those in favour of the 'spatial mismatch' thesis argue that the suburbanization of jobs following de-industrialization increased inequalities in job opportunities between inner city neighbourhoods, where low skilled Afro-Americans were entrapped, and the suburbs, where educated whites predominated (Kasarda, 1989; Wilson, 1997; for the most well known variations of this hypothesis). The argument implies that there is 'job migration' to the suburbs that minorities cannot follow. The counter argument

advanced by Waldinger (1996) is that there are plenty of low paid and unstable inner city jobs which immigrants are likely to obtain due to lower expectations than native blacks. These immigrants could be better characterised as an 'outclass' although they form their own networks of mutual help and wait in queues until their relatives and compatriots form ethnic niches and advance to better jobs in the suburbs. A new argument put forth by Rumbaut and Portes (2001) is that Hispanics form a 'rainbow underclass' in inner cities and follow a pattern of 'segmented assimilation' through schooling and cultural filters according to which only some of their off-springs move to the suburbs.

A similar question can be raised with regard to intra-urban differences in the residential patterns of immigrants in southern European metropolises like Athens: 'is it ethnicity or the localisation of job opportunities that accounts for the location of immigrants'? The dual faceted process of centralization and suburbanization in business and job creation, that we mentioned earlier, may have profound effects for the residential patterns of both Greeks and immigrants. These effects depend on the spatial mobility of both the Greek and the immigrant population. Low levels of mobility in Athens are historically related to small distance between residence and industrial work places, but as long as this spatial tie progressively loosened the city was increasingly diversified in this respect. Today, a pattern of unequal spatial mobility is shaped with immigrants commuting less and to smaller distances within the urban region than Greeks. This pattern coincides with the social differentiation of commuting and begs the question whether it is the immigrant status or the position in the labour market that is really accountable for reduced spatial mobility.

Maloutas (2004b) has argued that suburbanisation during the 1980s, combined to a spatially contained process of inter-generational social mobility, has reinforced segregation. Similarly, strong connections seem to develop between residence and work place for immigrants who remain in contact with different social and occupational groups of the Greek population, and therefore seem able to keep pace with both the spatially mobile and the spatially contained forms of the upwards social mobility of the indigenous population. However, there are also risks of tension and blame of the new 'outclass' especially related to the reduced job opportunities for young people, particularly in traditional industrial working class areas.

7 Conclusion: The 'Spatial' Limits to the Competitiveness-Cohesion Discourse

We have attempted to highlight that a new competitiveness-cohesion equilibrium in Athens depends both on the capacity of the metropolitan area to attract international flows of knowledge and people, and on the capacities of central and suburban locations to make use of them. We have particularly tried to stress that the important recent wave of immigration to the Greek capital is an ambivalent resource in terms of both competitiveness and social cohesion, and that it therefore depends on the content of specific policies if it will eventually work in one way or another.

Furthermore, the divergent processes operating at different scales, the emergence of geographic disparities and hierarchies, raise questions about the concepts of

competitiveness and cohesion themselves. In fact, we began with an interpretation of competitiveness and cohesion excessively relying on the mediation of labour market positions and occupational structures. The treatment of both analytical concepts and their interaction in EU texts focuses on employment, usually meant to be the meeting point of competitiveness and cohesion, which, therefore, becomes the policy focus (cf. Wincott, 2003; Atkinson, 2002). Competitiveness means 'more' knowledge-intensive jobs, while 'more' employment is the response to social exclusion. If we add the perception of migration as a potential solution to the demographic crisis and the prospective labour deficit it entails, then a strong analytical linkage is created between the two, but one that risks turning to a tautology.

There are at least two reasons why the focus-on-work approach can be misleading. First, even if competitiveness could be reduced to a labour market related component, this is not the case for social cohesion. Transformations affecting social cohesion do not necessarily occur or are not straightforwardly projected in the labour market. This is particularly relevant for immigrant groups, with their informal networks, community structures and multiple identities. Second, employment indicators often fail to capture the linkages between different economic activities and interdependencies between the social subjects that undertake them.

Two simple examples from the Athenian case may illuminate these points. Consider a small industry of cheap clothing, located on the west working class side of the city, based on subcontracting and comprising retail in its turnover. Having to cope with the competition of other low-cost firms in other countries, this industry has benefits from the work of immigrant women, while it is also reasonable to assume that it has benefited from the expansion of the local demand for low cost clothing that the presence of immigrants has caused. On the other hand, cheap competitive clothing imports have been facilitated by the existence of immigrant communities and their networks dealing in this type of activities, Chinese being the most relevant example. Consider then a Greek farmer in the city outskirts. He may be complaining both about the presence of large numbers of Albanians and sprawling in the countryside of the new middle class strata; but at the same time he makes use of Albanian hands in order to make profits from farming and is happy to see the rising value of his landed property. His formal position in the employment structure is perhaps less significant than his land holdings, his aspirations for the mobility of his children, or his local pride.

It is in this field of broader social relations that we have to consider tensions related to competitiveness and cohesion. As new processes of interaction occur, new social subjects appear and old ones are transformed. If we treat both competitiveness and cohesion as if they were inscribed in an undifferentiated labour market classification, then we may be unable to identify the economic and social changes that the transformation of subjectivities brings about. On the contrary, both competitiveness and cohesion are ambiguous, context-dependent notions (Maloutas and Pantelidou-Malouta, 2004) and as such, they have to be interpreted and dealt with in the respective specific social and spatial context; their added value being related to their contextually pertinent regulation.

Labour Migration and Social Cohesion – Some Empirical Evidence from Vienna

Ursula Reeger and Axel Borsdorf

Abstract This chapter examines the challenges for maintaining social cohesion in a period of industrial restructuring and strong pressure on labour market. This is specifically done through a study of the development of Vienna's economic competitiveness between 1991 and 2001 and the development of ethnic and social segregation in the city as well as labour and housing market inequalities of low-status migrants residing in Vienna. Both are the most important indicators for the status of integration that are strongly interlinked, as the individual's position on the labour market is one of the main factors defining the chances and possibilities on the housing market and his/her socio-economic position as such. It also determines the chances of the next generation regarding the educational system and a successful integration into the receiving society. The chapter aims at linking the social consequences of immigration and development of a strategy for competitiveness with spatial effects upon the entire city.

1 Introduction

Since the beginning of the new millennium, new or rather more pronounced forms of social problems in European cities can be observed. Almost every week, we hear news about troubles in schools as well as in neighbourhoods dominated by immigrant population and poor households, with unemployment being the crucial factor. The growing competition on urban labour markets, where economically weak natives meet foreign labour, leads to more and more dissatisfaction and tensions. Social cohesion on the level of the city seems to be in danger. Again the debate is about the failure or absence of effective integration policies, with no feasible solution in sight. One reason for this lack of clear concepts for the integration of immigrants lies in the fact that the notion itself is used and defined in many different ways and sometimes seems to be nothing more than a vague idea.

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In the following contribution, we are going to take a look at the development of labour and housing market inequalities concerning low-status labour migrants residing in Vienna as well as ethnic and social segregation against the background of industrial restructuring and the growing pressure on the labour market. Positions in the labour and the housing market are the most important and closely interrelated indicators for the status of integration, as an individual's position on the labour market is one of the main factors defining his or her chances and options on the housing market and his or her socio-economic position as such. It also determines the chances of the next generation vis-à-vis the educational system and the successful integration into the receiving society. The crucial question is, how the inequalities in the positions on the labour and the housing market developed during the 1990s. Were the labour migrants successful in improving their situation or are they still locked in unfavourable positions?

Thus, the notion of social cohesion in the following context relates to the urban sphere, with a cohesive city embracing, integrating and including as many people as possible and giving them equal opportunities in different fields. It is not about homogenising interests and identities but about equal opportunities in a more and more diverse and at the same time uniform world and about the process by which the (urban) social system is integrated, as social cohesion is needed to ensure the reproduction process of the (urban) system (Vranken, 2004a, p. 260). Equal opportunities for immigrants in the labour and housing spheres would also subsequently lead towards a higher degree of identification with the city as a new 'home', a core dimension of social cohesion.

In Austria and Vienna, the influence of the state and the city on societal development is still rather powerful through a highly developed welfare system. There are however strong tendencies towards reorienting urban planning to 'modify the traditional top-down approach, integrating new social actors in the new highly elitist form of governance' (Novy et al., 2001, p. 142). On the level of the city, a strong welfare system results in rather low social as well as spatial disparities as compared to cities with weaker welfare systems (Borsdorf and Salet, 2007, p. 7). More and more, though, cities, and Vienna among them, are confronted with new, global, tendencies, new actors and new challenges. Maintaining a balance between competitiveness and social cohesion is becoming more and more a walk on a tightrope. Concerning the governance situation in Vienna, Novy et al. (2001, p. 131) conclude that 'After decades of corporatist urban governance dominated by social democracy, Vienna is undergoing a process of economic and political restructuring', which is in line with the development in many other European cities like Amsterdam or Frankfurt am Main.

In 2004, a certain 'ideological' shift took place in Vienna in terms of the integration of immigrants and related policies. From 1990 until that year, Vienna had an official publicly financed so-called 'Integration Fund' that was operated from its own office outside the city's administrative business and had manifold tasks concerning immigration and integration. The basic idea then was still traditional integration of labour migrants with a view to them being a rather marginal part of urban society that needs help. In 2004, the Vienna Integration Fund was dissolved and replaced by

a department for integration and diversity policies within the city council. This was due to a policy shift towards diversity in view of the fact that 'Vienna had profited from immigration and that people should see immigrants and their cultural capital as an asset with the potential to drive forward urban development' (Alderman for Integration cited in König and Perchinig, 2005, p. 10). Concrete measures as a result of this change are for example a wider offering of language courses, since a good command of German is seen as a crucial factor for occupational as well as societal advancement. The effect of this reorientation will become clear in the years to come. What is obvious already is the fact that the migrants' disadvantaged situation and the marginalisation they are facing will not simply disappear just because Vienna now declares itself a city of diversity. Sufficient language skills are of course important for all aspects of life, but there are other important measures to avoid further social inequalities and tensions, both on the labour and the housing market.

2 Some Conceptual and Methodological Remarks

Social cohesion as a concept has many dimensions and – although there is no clear and precise understanding of what it really means – it is currently seen as a central goal, particularly at national and supranational level, but it can also be applied to the urban sphere. There have been a lot of attempts to 'map' social cohesion and authors have introduced different ideas about the categories that cover the concept. Berger-Schmitt (2000, p. 3) comes up with two dimensions of societal goals that are incorporated in the concept, namely (1) the reduction of disparities, inequalities and social exclusion and (2) the strengthening of social relations, interaction and ties (the social capital of a society). In the current context it is the first dimension of social cohesion that attention focuses on, with the aim of reducing disparities, inequalities and social exclusion within the society in order to ensure cohesion. The domains concerned are manifold: housing, health, education, political participation, environment, to name but a few. These inequalities may concern women, generations, social strata, disabled or – as in the current case – immigrant groups (Berger-Schmitt, 2000, p. 9).

Social cohesion is widely acknowledged as a key goal for society and the process of integration of immigrants may be regarded as the way there. Integration has four basic dimensions (Bosswick and Heckmann, 2006, 9f.) that have much in common with the core aspects of social cohesion, namely structural integration as the acquisition of rights and access to position and status in the core institutions of the receiving society (economy, labour market, education, housing, health system, political rights), cultural integration, both affecting the newcomers and the receiving society with a change in cognition, behaviour and attitudes, interactive integration with social networks, friendships and partnerships being the indicators, and identificational integration with a feeling of belonging.

In the current context, official thinking is focusing on the structural integration of a rather weak part of society, namely labour migrants ('guest workers').

Anyway, there are certainly strong links between structural integration, i.e. having the same chances and opportunities in the areas of labour and housing, and generating a feeling of truly belonging to a society.

From a normative point of view, we are currently witnessing a lot of ambiguities and confusion about the social integration of migrants, when it comes to political and societal goals in Austria as well as in other European countries. According to Fassmann (2006, p. 236), there are different types of integration depending on the characteristics of social cohesion and equal opportunities as the main goals of integration. First of all, assimilation with both cohesion and equal opportunities creates a society that no longer shows different groups in terms of ethnicity. After this concept had been heavily criticised, the idea of 'multiple integration' offering equal opportunities on the one hand and the recognition of the cultural and linguistic potential of the immigrants on the other, came up as an attractive alternative. In societies where immigrants do not find equal opportunities and are relegated to the fringes of society, social cohesion will hardly occur. They are confronted with restrictions on the labour and housing market and are clearly excluded from political participation. This can also be seen in terms of social cohesion concerning the strengthening of social relations, interaction and ties. Restrictions are a sign for immigrants that they are not fully accepted by the receiving society, which forces them to rely more on their own ethnic group, where they find support and understanding.

The present contribution concentrates on former 'guest workers' from the successor states of Yugoslavia and from Turkey. They are still the most important groups in Vienna in terms of numbers and the best example of the immigration of cheap labour, and started to come more than forty years ago. We will refer to this group as 'labour migrants' or 'guest workers'. Naturalised persons are not taken into consideration, as they have already taken an important step towards the receiving society and have – at least legally – the same opportunities in all domains. In Austria, citizenship is still a decisive factor when it comes to drawing the line between 'us' and 'them' and intensifies social exclusion.

Immigration of foreign citizens has always been an important aspect of Vienna's overall development. As in any other city, immigration ensures the growth or at least the reproduction of the urban population. In the 1960s there was an urgent need for additional labour in Vienna – that's when the recruitment of foreign workers from the former Yugoslavia and from Turkey started. Four phases of immigration can be identified: the first one began with the recruitment of guest workers. At first there were only a few hundred of them but tens of thousands at the peak of guest worker immigration. After the collapse of economic growth after the first oil shock in 1973, immigration of guest workers declined sharply. In addition, a moratorium on recruitment was decreed. Attempts were made to get foreign workers to return home by offering them financial incentives. Austria was rather 'successful' in this respect and was thus able to keep unemployment from rising or at least to delay its rise. The third phase began in the mid-1980s. In a favourable growth situation the economy resorted once more to foreign labour markets beyond the borders. Turkish and Yugoslav guest workers came again. In addition, at that time a growing number of people from Eastern and South-Eastern Europe were seeking political asylum.

Many of them could not know whether the political changes would be lasting and irreversible. These asylum seekers were still welcomed as refugees from communism by the countries that received them. This expansive phase, which doubled the number of foreign workers in Vienna, was over by the mid-1990s. Immigration from abroad became markedly more restricted: the asylum procedure was tightened, upper limits were set for the recruitment of new workers and for the number of dependants allowed to join guest workers. Quotas were set for the immigration of foreigners. This resulted in a stabilisation of the high proportion of foreign workers in the population as a whole (Fassmann and Reeger, 2001).

Nowadays, 16 percent of the Viennese population hold a foreign passport and every fourth person residing in Vienna has a migratory background.¹ The development of the Viennese population between 1991 and 2001 shows stable total numbers of 1.5 million inhabitants with the number of Austrian nationals going down slightly (−3.1 percent, see Table 1). The main reason for the stability of the number of Austrian citizens is the high number of naturalisations² of foreigners that took place during the 1990s. Within the development of the foreign population, labour migrants still account for more than 60 percent of the foreign population in Vienna, about every 10th person residing in Vienna holds a Turkish or Ex-Yugoslavian passport. While the number of Turkish citizens clearly diminished throughout the 1990s (due to a high number of naturalisations), the Ex-Yugoslavian group grew as a result of a new wave of immigration in the wake of the Balkan war.

Table 1 Viennese population by citizenship 1991 and 2001 (sending countries/regions with more than 10,000 resident persons in 2001)

	1991			2001			change in %
	Abs.	As % of total pop.	As % of foreigners	Abs.	As % of total pop.	As % of foreigners	
Total population	1,539,848	100.0		1,550,123	100.0		+ 0.7
Austrians	1,343,196	87.8		1,301,859	84.0		− 3.1
Foreign citizens	196,652	12.8	100.0	248,264	16.0	100.0	+ 26.1
Former Yugoslavia	87,358	5.7	44.4	113,458	7.3	45.7	+ 29.9
Turkey	43,876	2.8	22.3	39,119	2.5	15.8	− 10.8
EU-15	16,092	1.0	8.2	24,716	1.6	10.0	+ 48.6
Poland	11,056	0.7	5.6	13,648	0.9	5.5	+ 23.4
Other	38,270	2.5	19.5	57,323	3.7	23.0	+ 49.8

Source: MA66, Statistics Austria, Census 1991 and 2001, own calculations.

¹ Combination of citizenship and place of birth.

² In the period between 1991 and 2001 more than 100,000 persons were naturalized in Vienna. This means that around half the number of foreign citizens residing in the city in 1991 took up Austrian citizenship.

Immigration from the EU grew markedly as a result of the Austrian entry in the mid-1990s, while the size of the Polish group remained rather stable and small (low level of immigration combined with a considerable number of naturalisations). The number of migrants from the 'other' sending regions and countries, most of all from the EU, was the one growing most during the period under consideration. It is the result of a visible diversification of countries of origin in the Vienna migration scene, a trend which is typical for all European immigration countries. Anyway, the group of labour migrants from former Yugoslavia and from Turkey makes up a considerable part of the population of Vienna.

3 Urban Economic Development and Labour Market Inequalities 1991 and 2001

From the early 1990s, the city of Vienna had to face elementary changes in general geo-political conditions (Borsdorf, 2002). Before that, it was a city at the very edge of Europe, backing on to the Iron Curtain. Then it moved – figuratively speaking – to the 'centre of Europe'. In 1995, Austria entered the European Union and ten years later, the neighbouring countries to the east followed. All these steps had a lasting effect on urban development in Vienna and on the city's economy which clearly profited from the fall of the Iron Curtain and the ensuing steps of the whole Central European region towards the EU. In a report on the quality and competitive position of Vienna as a business location, Mayerhofer (2003) compared it with a sample of other major cities in Europe. His main conclusion is, that 'the urban economy of Vienna has been able to accumulate a substantial level of economic activity . . . and to guarantee its regional population comparatively high and rising incomes as well as a high rate of labour market participation' (Mayerhofer, 2003, p. 224).

Compared to other European cities, Vienna's competitive position is generally getting better and better (Enichlmair and Borsdorf, 2007). Productivity as well as the level of economic development have both been growing significantly in the last years, the productivity of labour has been about 25 percent above the average of European cities (Mayerhofer, 2003, p. 225). On the other hand, that does not hold true for employment gains during the last 25 years with the number of jobs only increasing marginally (0.01 percent per year), an area where Vienna clearly lags behind. For our topic, this is a crucial point. Employment gains only came about in phases of a dynamic economic development (*ibid.*, 44ff.).

For the time being, Vienna is still able to take the majority of young people into the labour market (mostly for demographic reasons), but this might be a problem in the future, again most of all for foreign citizens, who find themselves in the weakest position on the labour market. This also means, that even if a city is (economically) highly competitive, the weak(er) parts of society do not automatically benefit from this situation. Or in other words: being very competitive on the city level does not automatically bring along equal opportunities and full social integration of all parts of urban society.

On the overall level, Vienna's economic development reveals many positive aspects, but also the reverse side of the medal with regard to labour migrants: Tertiarisation is proceeding relatively fast with a clear growth in technology-oriented sectors and a loss of workplaces in industry and trade, the most important sectors where guest workers are employed. The labour market is the central instance for the integration of immigrants. As regards the situation in Vienna, full integration of labour migrants has not taken place yet, with clear elements of discrimination being detectable. These are still found mainly in sectors that are economically risky and offer unfavourable working conditions. Just as in the beginning of the guest worker recruitment in the 1960s, many of them still have to work in lowly positions of little prestige in the service sector and the building industry, though some of them already have higher qualifications. Thus, their potential is not used by the local economy. Moreover, access to employment as a public servant is restricted by law for people who do not hold Austrian citizenship. A rigid employment law causes this clear segmentation of the labour market along citizenship lines. Self-employment or finding very special niches seem to be the only way out of this dilemma for some of them.

The occupational status of immigrants in the receiving countries does not only depend on their age, educational status or a good command of the foreign language, but also on structural factors of the receiving labour market. Access to the Austrian labour market for non-EU citizens is directed by the state. The proportion of foreigners from these countries who are allowed to work in Austria is regulated by a quota set out annually (about 8 percent of the total work force and always too low for all foreigners to get access to the official labour market). Unlike other European countries, Austria distinguishes between residence permits and work permits, which means that not everybody who is allowed to stay in Austria also has the right to work there. It is especially women, who want to (re)enter the labour market, who are affected by this regulation. There are some estimates, that the number of immigrants legally present in Vienna but excluded from 'official' jobs is as high as 35.000.

It is a proven fact that the Austrian labour market is segmented along ethnic lines. The limited access to the labour market and the concentration of foreign workers in some sectors has not changed much since the beginning of labour migration to Austria in the 1960s. The majority of labour migrants is still employed in sectors with low social status, high fluctuation, low wages and hardly any career opportunities. There is hardly any professional upward mobility, even among migrants who have been living in Austria for the last two or three decades (Fassmann et al., 1999, 106ff.).

As already mentioned, the total number of gainfully employed persons in Vienna did not change very much during the 1990s from around 774.000 to 790.000. Based on citizenship, more than every tenth employee came from former Yugoslavia or from Turkey, with a slight increase from 10.5 to 11.3 percent in the decade under review. In 1991 as well as in 2001, labour migrants from former Yugoslavia and from Turkey were predominately working in the services sector, making up more than one third of all gainfully employed in those sectors (see Fig. 1). Due to continuous tertiarisation and the subsequent loss of jobs, the proportion in manufacturing dropped

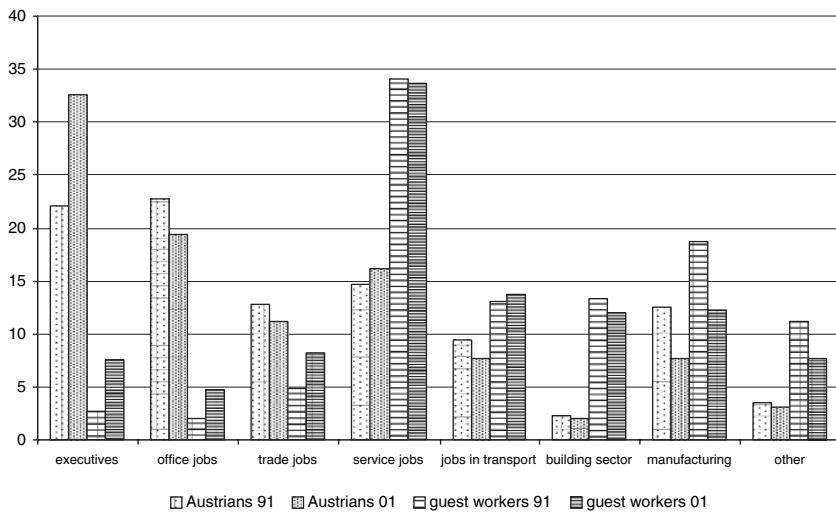


Fig. 1 Gainfully employed* guest workers and Austrians by economic sector, 1991 and 2001 (in %)

(Source: Census 1991 and 2001, Statistics Austria; own calculation)

*Without self-employment

from 18.7 percent to 12.3 percent during the 1990s, while the strong participation in the building sector remained almost the same, just as in transport-related jobs. Higher level jobs as executives (in the area of medicine, as technicians or teachers) are still not really accessible, though there was a slight shift in this direction (2.7 up to 7.6 percent of all labour migrants), even though it was much lower than the proportion of Austrian nationals (22.0 and 32.5 percent). An ongoing trend towards polarisation, with Austrian nationals at the top and labour migrants at the bottom of the system is clearly visible. All in all, it is still the services sector, transport, the building industry and manufacturing, where the majority of labour migrants find their jobs. Indeed some fields, like nursing, would not function without the presence of foreign labour.

The enormous differences between labour migrants and Austrians in the occupational structure are obvious. More than 56 percent of the Austrian labour force are employed in white collar positions or as civil servants. In contrast, the majority of immigrants are still unskilled or semi-skilled labourers. Due to a lack in education and a mixture of stigmatisation and discrimination it is hard for them to reach better positions. As a matter of fact, labour migrants from South-Eastern Europe are still fettered in workers' positions with every third person being in an unskilled position and four out of five gainfully employed being workers. Within the worker group there have been some upward shifts during the 1990s that can be put down to intra-enterprise promotion.

Of course, the occupational level must always be seen in relation to the educational level. In this respect, only little progress can be observed between 1991 and 2001 (see Table 2). At the beginning of the period under review, more than three

Table 2 Gainfully employed population (aged 15+) by occupational level, educational level and citizenship, 1991 and 2001 (in %)

Occupation	Austrians		Labour migrants		Other foreigners	
	1991	2001	1991	2001	1991	2001
Self-employed	11.3	10.6	1.5	2.2	9.4	10.3
White-collar employees, civil servants	50.6	56.2	6.3	18.4	34.9	45.8
With university degree	6.2	9.0	0.9	1.2	12.0	14.8
With secondary education	8.7	10.9	0.8	1.5	8.4	8.5
With vocational training	9.8	10.0	0.6	1.6	4.6	4.4
With completed apprenticeship	18.3	19.4	1.1	4.4	5.0	5.8
With compulsory education	7.6	6.8	2.9	9.6	4.9	12.3
Workers	38.1	33.2	92.2	79.4	55.7	43.9
Skilled workers	15.7	14.8	12.9	15.5	18.4	15.9
Semi-skilled workers	12.5	11.1	21.9	27.2	16.0	16.4
Unskilled workers	9.9	7.4	57.4	36.6	21.3	11.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Education						
University, academies	8.1	12.1	2.0	2.5	20.0	21.4
Secondary modern school	15.0	16.5	4.0	5.7	27.1	19.9
Vocational secondary school	13.4	11.7	3.0	3.4	8.5	5.8
Apprenticeship	32.2	30.9	14.2	19.6	12.6	11.4
Primary school	31.4	28.8	76.7	68.7	31.8	41.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Census 1991 and 2001, Statistics Austria; own calculation.

quarters of the labour migrants only had primary education, in 2001 the respective share was still 69 percent. While the share of people with an apprenticeship diminished in the Austrian as well as in the ‘other foreigners’ group, it grew for labour migrants, the same holds true for vocational secondary schooling, only very slight increases can be observed for higher education.

Unfortunately, the census contains no data on income, thus education and occupational level have to serve as substitutes in our context. But the relationship between occupational level and income is obvious, with white collar positions having a relatively higher level of income and positions as workers a comparatively low one. Anyway, this is not the whole story: Biffl (2003, 69f.) argues, that the lower incomes of migrants in Austria compared to Austrians are not only the result of lower education and qualification, but also of their being younger than Austrian nationals and concentrated in low-wage branches of the economy and in small enterprises.

Since the beginning of the 1990s, unemployment in Vienna has grown considerably. In 1990, the overall unemployment rate³ was ‘only’ 5.8 percent. By 1998 it had gone up to 8.7 percent. After a short phase of recovery around the millennium, it started to grow again and reached a record 9.8 percent in 2004. In absolute terms, the

³ Unemployed total divided by gainfully employed + unemployed persons.

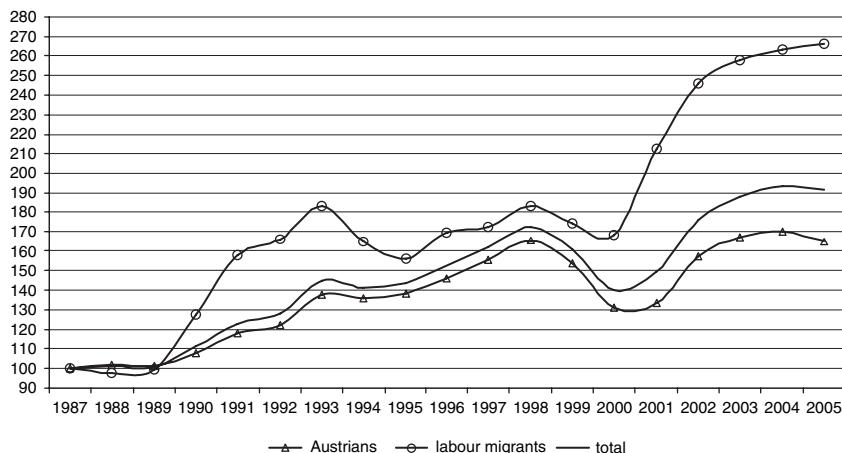


Fig. 2 Development of the number of unemployed persons (1987=100) in Vienna 1987–2005: Austrians and labour migrants
(Source: AMS Vienna, own calculations)

number of unemployed labour migrants from former Yugoslavia and from Turkey rose from 3.686 in 1987 to 6.796 in 2005. Their share of the total unemployed in Vienna went down slightly from 8.7 percent to 8.3 percent (see Fig. 2).

In this respect, too, labour migrants find themselves in a weak position. They are still regarded as a group that can easily be dismissed and thus they are always the first that have to leave a company in case of (economic) trouble. Another special feature of the Austrian labour market for immigrants is the fact that a longer period of unemployment can lead to a loss of the right to stay in Austria. The right to emergency social benefits in addition to unemployment benefit does not, under the existing administrative system, provide the subsistence minimum required to retain the right to residence. Therefore, unemployed foreigners in Vienna are under a lot of pressure to accept a new job, otherwise they might have to return home as they lose the legal basis to stay if they cannot find a new job. This fact also explains why the foreigners' unemployment is rather low compared to other European countries and metropolises, and why some groups tend to get Austrian citizenship as soon as possible in order to avoid these problems.

4 Housing Market Inequalities and Ethnic Segregation 1991 and 2001

Ethnic concentration, segmentation and segregation are the most important socio-spatial phenomena in the context of housing migrants. Especially in larger cities, the actual situation is increasingly perceived as a social problem undermining cohesion. There seems to be a consensus about the fact that the political and administrative

problem-solving strategies are insufficient for handling the manifold tasks in this field. (Ethnic) segregation is seen as the spatial translation of social inequality, decisive factors being the socio-economic status of the migrants, the status of migrants on the housing market, discriminatory mechanisms within society, public housing authority rules, legislative frameworks and ethnic affiliation.

In assessing segregation negative as well as positive effects emerge. Among the negative effects empirical studies have identified delayed or obstructed integration, difficulties in providing municipal services and school facilities, dissatisfaction among non-immigrants in the area and social conflicts, delinquency or a deterioration of the built environment. Positive effects discussed in the evaluation of segregation are intra-ethnic support, sufficiently large groups for a supportive minority network and the emergence of ethnic business and institutions (Kohlbacher and Reeger, 2005, p. 34).

In Vienna, labour migrants are concentrated in an area just outside the inner city. Though the reasons for ethnic segregation and concentration are manifold, the most important factor is the structure of the housing market that channels people according to nationality and income into the different segments which display differing rules of access. As on the labour market there is a clear polarisation: well-funded elite migrants, who come in the wake of globalization and internationalisation, live in expensive dwellings in the attractive parts of Vienna. In contrast to them, low-income labour migrants from other countries have to cope with a discriminatory housing market and unfavourable conditions, in the flat itself or in the neighbourhood.

All in all, the Vienna housing market comprises about 911,000 dwellings, with almost three quarters being rented and every fifth being owner-occupied (flats and single family houses). Private persons own more than half the housing stock, followed by the municipality as the most important individual owner (25 percent) and flats owned by cooperative building associations (13 percent). A comparison of the legal basis for using a flat on the one hand and the ownership on the other reveals the four most important segments.

The largest housing segment in Vienna is that of private rented flats, most of which were built in the second half of the 19th century. About 28 percent of the city's housing stock belongs to this category. Although the use of the flats and the level of rental income are subject to various legal provisions, the choice of tenants is not. The right to rent a private flat depends entirely on the willingness of one's contract partner. There are no legal regulations to structure access or to exclude certain population groups a priori. This segment is thus open to the entire population.

The second most important segment of Vienna's housing market are the flats owned by the city council. Almost every fourth Viennese flat (24.8 percent) belongs to this group. This makes the Vienna housing department the largest individual property owner. Council flats are of average quality and have moderate rents. Until 2006, they were open to socially disadvantaged groups but not to foreign citizens. Thus the very population groups for whom the council flats were built were excluded, namely the lower social strata. But with the appearance of the European Union as a new actor on the housing scene, things are in the process of changing: since the

1st of January 2006, foreign nationals are no longer completely excluded, but are entitled to enter social housing under certain conditions (a minimum length of stay of five years and a regular income). Thus the principal actor (City of Vienna) has been de facto overruled by decisions taken on European Union level. The years to come will show, whether this opening leads to a more even distribution of foreigners in the city and towards an improvement in their overall housing situation.

In the sector of owner-occupied apartments and one-family-houses (20 percent of the total stock) there are basically no entry restrictions, but the majority of the immigrants cannot afford such dwellings because of their weak income situation. The same holds true for dwellings owned by non-profit organisations (stock: about 120,000). It is only since 2001 that foreigners can also apply for housing subsidies in this segment.

The most visible effect of this situation is the spatial concentration of immigrants in districts with a high proportion of housing units built in the late 19th and early 20th centuries and in private ownership (Giffinger and Reeger, 1997, p. 56; see Fig. 3). The characteristics of the housing occupied by foreigners thus largely reflect those of the workers' flats built in the second half of the 19th century. Figure 3 shows a very clear pattern of labour migrants' living quarters, a ring around the inner districts along the so-called 'Gürtel', Vienna's most congested traffic route.



Fig. 3 Share of labour migrants from former Yugoslavia and from Turkey (citizenship) in the total population, 2001

(Sources: own calculation and design based on Census 2001 (Statistics Austria), map: ArcView)

Although the labour migrants' share in the total population is around 10 percent, the vast majority of municipal districts shows only small labour migrant populations. The concentration is also expressed by the fact that in the year 2001, 65 percent of all labour migrants lived in only 24 percent of the municipal districts, a proportion very similar to that of 1991.

With regard to the quality of the flats, the combined results of the Population and Housing Census reveal that more than 35 percent of the Ex-Yugoslavian and more than 40 percent of the Turkish households live in flats of the poorest equipment category 'D' (sub-standard) with no water supply or toilet within the flat, but only on the corridor (often these facilities have to be shared with other tenants), and also no central heating. In this respect, the differences between labour migrants and Austrian nationals are huge. Eighty-eight percent of Austrians live in flats that offer all amenities (see Table 3). Moreover, the average living space per head in the flats occupied by foreigners is considerably lower than for the rest of the population. But foreigners pay more rent per square metre of living space despite the fact that they are living in badly equipped flats outside the more prestigious residential districts.

What are the main characteristics of the neighbourhoods where labour migrants live? The basic assumption is this: progress in the labour migrants' situation between 1991 and 2001 is shown in less pronounced correlation coefficients (see Table 4). With regard to the quality of the flats, the connection between the share of labour migrants and sub-standard housing is obvious and became more marked between 1991 and 2001. About 8 percent of all flats (2001) in Vienna belong to this category often inhabited by immigrants, because this kind of dwelling is rather cheap and available on the free market. On the other hand, well equipped high-standard flats show an increasingly negative correlation with the share of labour migrants (2001: -0.77).

As regards the social characteristics of the neighbourhoods, the correlation between labour migrants and persons with a higher education is negative, whereas it is highly positive with workers (as they are workers themselves). The correlation with persons with primary school education also became stronger.

Table 3 Primary residences in Vienna by equipment categories and citizenship of the household representative 2001

	Housing categories				
	A	B	C	D	Total
Austria	88.0	5.4	1.6	5.0	100.0
former Yugoslavia	52.3	10.4	1.9	35.4	100.0
Turkey	46.1	11.7	1.5	40.8	100.0
Germany	90.5	4.8	0.7	4.0	100.0
Total	85.0	5.9	1.5	7.6	100.0

Housing categories: A = Central heating, bathroom/shower, toilet; B = bathroom, shower, toilet; C = toilet and water within the flat; D = no toilet or water within the flat.

Source: Statistics Austria, Population Census and Census of Housing 2001, own calculations.

Table 4 Correlation between neighbourhood characteristics and relative number of labour migrants in Vienna 1991 and 2001

Neighbourhood characteristics	r 1991	r 2001
Housing		
Proportion of high standard flats	−0.68**	−0.77**
Proportion of sub-standard flats	0.81**	0.89**
Social structure		
Proportion of persons with a high education	−0.25**	−0.31**
Proportion of workers	0.77**	0.79**
Proportion of persons with primary school only	0.56**	0.66**
Demographic structure		
Proportion of persons under 15 years	0.29**	0.25**
Proportion of persons aged 60 and older	−0.36**	−0.42**

Pearson Correlation calculated for around 1,400 spatial units.

**: highly significant (0.01 level).

Source: own calculations based on Census 1991 and 2001.

The comparison of the socio-spatial structure of the city between 1991 and 2001 seems to indicate that the situation of the immigrant population has not improved during that decade but that spatial/social inequality has been and still is growing. One could have expected that over the years the economic situation of labour migrants would have improved and they would have managed to leave the initial housing situation. But often this is not the case. The discussion whether ethnic segregation hinders or promotes urban success is still going on with the truth lying somewhere in between. In an attempt to analyse Vienna's socio-spatial structure and also to compare the years 1991 and 2001, Fassmann and Hatz (2004, p. 84) come to the conclusion that the socio-spatial structure defies change. They found some changes in the housing areas of the urban underclass. Some members of the underclass (Austrians as well as naturalised immigrants) managed to leave the sub-standard milieus dating back to the late 19th century and to move to cheaper housing estates in the outskirts. The flats they left then became free for migrant newcomers which means that the high spatial concentration of the immigrant underclass stays more or less the same in the neighbourhoods described.

If we take a look at the development of segregation between 1991 and 2001 (see Table 5), it turns out that labour migrants from former Yugoslavia and from Turkey clearly 'moved together' spatially, with a diminishing index of dissimilarity from 19 to 14. On the other hand, their distance to Austrians and Germans grew to some extent: growing index of dissimilarity for Ex-Yugoslavs and Germans (39–41) and for Ex-Yugoslavs and Austrians (35–37).

The open question remains, whether naturalisation matters in terms of residential distribution: do labour migrants benefit from acquiring Austrian citizenship and move out of the sub-standard milieu? As for ethnic residential segregation, the answer is a clear yes. The comparison of indices of segregation (IS) for three different groups related to Turkish immigration points in different directions: the highest IS

Table 5 Indices of dissimilarity by citizenship 1991 and 2001

		Turkey	Germany	Other foreigners	Austrians
1991	Former Yugoslavia	18.6	39.4	23.2	35.5
	Turkey	–	49.4	35.0	44.3
	Germany	–	–	22.9	25.0
	Other foreigners	–	–	–	28.5
2001	Former Yugoslavia	13.9	41.1	26.3	36.6
	Turkey	–	47.4	32.7	42.6
	Germany	–	–	21.8	26.5
	Other foreigners	–	–	–	23.6

Sources: Census 1991 and 2001; own calculations.

(0.51) can be detected for the so-called 2nd generation. These are people who were already born in Austria, but still hold Turkish citizenship. The IS is lower (0.47) for Turkish citizens born in Turkey (immigrants themselves) and lowest for naturalised Turks (0.33). Similar patterns could be detected for other immigrant groups. Now what does this mean? Acquiring Austrian citizenship is related to many things. First of all, people get access to social housing, which was not possible for third-country nationals until the beginning of 2006. Furthermore, giving up the old citizenship is not an easy decision and a clear indication of giving up a life in two societies, at least to some extent. The other extreme are people belonging to the 2nd or even 3rd generation still holding a foreign passport. Though born in Austria, they still stick to their parents' ethnic affiliation and live in the most segregated fashion.

5 Conclusion

With regard to the relationship between 'natives' and immigrants, social cohesion is looked upon as a key aim in urban societies. Attaining social cohesion would mean the absence of differences and divisions, i.e. inequalities and inequities based on ethnicity. In the case of labour migrants and their positions on the labour and housing market in Vienna, this is clearly not the case: as foreign citizens they are confronted with manifold migration-specific difficulties.

In this chapter we looked at the integration of labour migrants as the way towards a cohesive society. Integration has four basic dimensions: structural, cultural, interactive and identificational. For our considerations, the focus was on structural integration in the labour and the housing market. From this structural point of view, labour migrants have to face access barriers to employment and to the system of social security. Moreover, from an overall economic perspective, Vienna experienced a very successful economic development since the beginning of the 1990s and was clearly able to improve its competitive position. But this progress went hand in hand with phenomena like tertiarisation, labour market polarisation and a loss of jobs in the sectors where migrant workers usually find their employment. Thus, the increased competitiveness on the city level resulted in a more problematic

situation for socially weak groups, leading to higher levels of unemployment and job insecurity. Thirdly on an individual basis, migrants display a lower educational level which goes hand in hand with a lack of language attainment that keeps them in marginalised positions.

The comparison of the labour migrants' positions in the labour and housing spheres in 1991 and 2001 revealed that this unfavourable situation has not changed very much. Most of them are still employed as workers, though slight shifts to white collar positions are detectable. Unemployment grew due to job losses in the manufacturing sector. The resulting weak economic resources have a huge impact on the opportunities and choices concerning housing. Many labour migrants are trapped in sub-standard milieus with growing segregation. Social inequality along citizenship lines prevailed, with naturalised people moving out of unattractive residential areas and changing for the better to some extent. At the same time newcomers entered the scene, starting at the very bottom on both the labour and the housing market.

For the time being, Vienna is not facing as severe social problems as other Western European cities. But ethnic concentration is there and visible and must not lead towards further polarisation and social exclusion along citizenship lines. Segregation per se is not the problem. But as soon as an economic crisis and the resulting crisis on the labour market worsen the economic opportunities for integration, it might become a problem, as the situation in other European cities clearly indicates. Unemployment and poverty lead to social tensions, then again along ethnic lines.

The city's policies must help create conditions which prevent the exploitation of immigrants on the labour market, which is linked to unacceptable living conditions and the marginalisation of whole groups. Special attention must be paid to the second and third generation with regard to promoting education and vocational training to give them better chances for a successful integration. In the long run, social as well as spatial segregation are obstacles to a stable social development. Inevitably, measures need to be taken in urban development and housing policies to avoid segregation and thus exclusion and poverty. Immigrants can be a part of the cultural and economic wealth of a city and thus contribute to its competitiveness, if urban governance aims to prevent their social exclusion.

From Survival to Competition? The Socio-Spatial Evolution of Turkish Immigrant Entrepreneurs in Antwerp

Tuna Taşan-Kok and Jan Vranken

Abstract In urban studies, the spotlight used to be on the negative side of diversity (i.e. exclusion, racism, discrimination, insecurity). This chapter emphasizes some of the positive aspects of social, cultural, and ethnic diversity, which enrich the quality of urban life and contribute to the competitiveness of the urban economy while multiculturalism is recognised as one of the key characteristics of cities. This chapter initially claims that the dynamism generated by social, ethnic, and cultural diversity positively contributes to the economic competitiveness of cities and that social innovation and creativity of the immigrant entrepreneurs are means of economic competitiveness. Exploring socio-spatial patterns of immigrant entrepreneurs in the case of Antwerp-Belgium, the text emphasises that in immigrant businesses there is not only a tactical change from survival strategies to competition strategies, but also a spatial shift that creates new soci-spatial dynamics in the city. Spatial behaviour of immigrants can be seen as a sign of their social innovation that underlines the positive contribution of immigrant businesses in social cohesion.

1 Introduction

Worldwide, most urban centres in advanced economies have received a significant number of migrants. Their contribution to the local society and the city is still clouded by issues of social integration, exclusion, crime, racism and discrimination. Moreover, conditions for active economic participation are often weak, as a result of low skill levels, language deficiencies, cultural gaps and stigmatization (Nijkamp, 2003, p. 402). However, as Nijkamp claims (2003), through a system of self-employment immigrants might be able to improve their less favoured position. A number of studies also pinpoint the positive contribution of immigrant entrepreneurship to the socio-economic well-being of immigrant-concentrated neighbourhoods (Kloosterman et al., 1998, 1999, 2001). In fact, until recently the literature on

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immigrant businesses pointed out that proximity to ethnic neighbourhoods is a locus for networking and fostering of social capital (Kloosterman and Rath, 2001).

In this chapter, we will demonstrate that even though staying close to each other is still the most popular option, immigrant businesses have become more courageous in their location choices and that they move to other parts of the city when they see better market opportunities. They have become more sensitive to local market dynamics. They contribute to the economic competitiveness of the host city by offering new products and services. They also contribute to its social cohesion by creating (new) public spheres of multicultural interaction. Thus, in addition to the internal community dynamics and networking that allowed immigrants to integrate into the business circles as well as into the host society, immigrant entrepreneurs are also becoming innovative in a business sense by breaking the existing patterns of entrepreneurial behaviour. In this chapter – which is inspired by the general question of ‘how do immigrants contribute to social cohesion in cities?’ – we intend to gain a better insight into this shift.

The socio-spatial evolution, we will argue in this chapter, is connected to the wide range of innovative (functional, spatial and social) ways immigrant entrepreneurs operate in the market. We see socio-spatial shifts as part of the social innovation process that signals the new generation of immigrant urban entrepreneurship. This socio-spatial evolution of immigrant businesses is identified by looking at the shifts in locational and commercial choices of the immigrant entrepreneurs and at the changing motivations and means of the immigrant businesses. Three questions will be explored: What dynamics do immigrant groups create in the city to contribute to economic competitiveness and social cohesion? What motivations and means did they develop to become competitive in the market? Which factors have an impact on their success?

1.1 Antwerp: A Truly Multicultural City

We intend to start answering these questions with the help of a limited research we did with immigrant, and more in particular Turkish, entrepreneurs living in the multicultural city of Antwerp (Belgium). Antwerp is the second largest port in Europe (after Rotterdam). Urban development of the city has been connected to the development of the port since the establishment of the first settlement along the river Scheldt (Schelde). Related to the port activity, trade and industry have always been the most important part of the Antwerp economy. Many people are employed in the distribution and service sectors, and the commercial sector accounts for between 39 and 45 per cent of employment (van Nieuwhuyze and Vranken, 2006). Historically, port activity has had a great influence on the multicultural characteristic of the city. However, the most important impact on the multiculturalisation of the city is the immigration wave that the city has been experiencing since late 1960s.

Entrepreneurship among immigrant groups is relatively high, due to the dominance of port, trade, and tourism activities in the city. Although immigrants profit from the advantages of this multicultural port and trade city, they are at the same

time confronted with challenges of social exclusion and intense competition as well as with limitations due to language and social integration issues. Yet, immigrant businesses seem to grow and bloom. These businesses either cluster together or disperse throughout the city. They bring not only colour to streets and shopping windows and variety in food and non-food products, but they also contribute to social cohesion by increasing the interaction between diverse groups. Quite spontaneously, these businesses contribute to the community and capacity building and increase the human capital in the city.

Apart from obvious reasons (availability of data, good field knowledge) Antwerp was chosen because it is a city with a Janus head. The side best known to the world is that of a city where the racist party Vlaams Blok (renamed Vlaams Belang after its conviction for racism) obtained well over 30% of the votes in recent elections. At the same time, however, it is the most colourful (in terms of ethnic, social, cultural, economic and spatial diversity) and vibrant city of Belgium. Antwerp has 17 different national groups numbering about 55,000, accounting for about 12% of the population. These figures underestimate the presence of 'ethnic minorities', for two very different reasons. The first is that an important number of people of foreign nationality have used the recent and fairly liberal naturalisation procedure to become Belgians; the other one is that Antwerp has a very large population of 'undocumented people'. The immigrant community is very diverse both in terms of their motivation for being in Antwerp (unskilled workers, refugees, etc) and in their religious and cultural background (orthodox Jews, Muslims from North Africa, the Balkans, Turkey and the Middle East, Hindus from India, Christians from former colonies in Africa and from Eastern Europe, etc). This diversity adds to the colourful appearance of the city.

The influence of the various immigrant groups is clearly significant in Antwerp. The groups and their contributions to the local economy vary from the orthodox Jews and the Indians who control the diamond trade to the Polish construction workers who usually work for much lower rates than the formal market prices. However, according to the official figures, the biggest immigrant groups are of Moroccan, Dutch, and Turkish origins. Motivations, social, and cultural characteristics, and spatial preferences of each group differ¹. Moroccan and Turkish immigrants come from less wealthy backgrounds and migrated to improve their economic condition, whereas most of the Dutch immigrants are financially well-off and migrated for fiscal reasons (due to income tax advantages) to Belgium. Thus, their motivation to migrate and contribution to the urban economy are quite different than Turks and Moroccans. The Turkish and Moroccan populations have a more pronounced appearance in the urban space and economy than the Dutch population, as have the orthodox Jews. Turkish immigrants, who are the third biggest immigrant community in the city, constitute 0.88% of the total population and 7.5% of the total immigrant population, meaning more than 4,000 people.

¹ Another community that has a similar behavioural pattern is the Jewish one but reaching sources of information is limited in this community compared to Turkish community.

What entrepreneurial and innovative dynamics do these groups create in the city? How do they contribute to the creativity of the city? And what is their contribution to the urban economy? We will mainly focus on the Turkish immigrants. There are several reasons for this choice: First of all, the Turkish community has a very strong community feeling, which makes it easier to follow their behavioural patterns. They tend to show standard patterns of behaviour or take decisions that concern the community. Although the Moroccan community has a higher share in self-employment, they show rather a more scattered social relations pattern in their daily lives, which is difficult to follow. Secondly, the Turkish community has a very strong social networking behaviour, which helps them not only to establish businesses, but also affects the spatial behaviour of the businesses, as they tend to follow each other. This makes it easier to follow the spatial evolution of the ethnic businesses. Thirdly, the Turkish origin of one of the authors eases the observations and communications with the community.

1.2 Research Methodology and Field Survey

The field survey was conducted in three stages between December 2006 and February 2007. In the first stage, we scanned the KBO (Kruispuntbank van Ondernemingen² – Database of Entrepreneurs) website to track down Turkish business owners' registration in order to establish a database. This database not only displays the year of establishment, type, and location of the Turkish businesses in Antwerp but also their business history. It means that we can track whether the business owner had another business before and whether the type of business has changed over time. The limitation of the database was that it only allowed a search on the basis of name and postcode. To make sure that we did cover a substantial population of entrepreneurs, we also searched the Antwerp Business Guide (Yellow Pages) for Turkish businesses that we could not track down at the KBO database. Altogether our database includes 319 Turkish businesses. For 228 of them, we could access their business history in central Antwerp districts. In the second stage of the fieldwork, we selected businesses from the database on the basis of their Turkish origin and conducted a total of 50 interviews by telephone. In the final stage, we had face-to-face interviews with 14 selected entrepreneurs whose businesses we identified as innovative at the city level, in terms of location and type of function or service.

² http://kbo-bce-ps.mineco.fgov.be/ps/kbo_ps/kbo_search.jsp?Action=SKW. This is a database established as an interdepartmental project with a close cooperation between the FOD (Federale Overheidsdienst – Federal Public Service) Economy, FEDICT, the service for administrative simplification (DAV), the FOD Finance, the FOD Justice, the FOD Social Security and the Ministry of Finance (of the Flemish Government). The database displays the real register of legal persons, the trade register, the VAT, the RSZ and continues to be loved by the competent organizations, which introduce the data there. All these data from the aforementioned files brought economy in the database cross point bank of ventures to the federal public authorities.

This chapter consists of four sections. Section two, following this introduction, aims at placing the study briefly in a conceptual framework of social innovation. The next section is devoted to displaying the results of analysis (of socio-spatial evolution, locational shifts, new products and services, and the changing motivations and means of Turkish entrepreneurs in Antwerp). In the final section, we present our conclusions and discuss the contribution of immigrant entrepreneurs to the social cohesion and economic competitiveness of the city.

2 Entrepreneurship in a Multicultural Society: From Social to Business Innovation

Fainstein (2005, p. 4) argues that ‘... the competitive advantage of cities, and thus the most promising approach to attaining economic success, lies in enhancing diversity within the society, economic base, and built environment’. In the same vein, Zachary states that openness to immigration is a key factor in economic growth (Zachary, 2000; see in Florida (2002), page 91). The same argument is supported by many others like Bodaar and Rath (2005, p. 5), who claim that ‘city boosters increasingly acknowledge that urban diversity is a vital resource for the prosperity of cities and a potential catalyst for socio-economic development’. These arguments highlight diversity as an instrument for increasing the competitive advantage of cities or places. In a way, the tendency in social sciences is to promote (social and ethnic) diversity by emphasising the positive aspects of it for the competitive advantage of cities with the argument that economic competitiveness and social cohesion go hand in hand.

Commentators refer to the fact that human capital, and connected to it, creativity and innovation play a crucial role in the economic growth of cities (Florida, 2002; Landry, 2004; Fainstein, 2005). It is true that social, cultural, ethnic, and spatial diversity attracts multiple forms of human capital, and encourages cultural and artistic creativity, technological and scientific innovation (Fainstein, 2005). However, contrary to the idea that creativity is identical with a certain ‘creative’ class, (see Florida’s 3Ts – technology, talent, tolerance – (Florida, 2005a), we join Kunzmann (2005, p.7) in his argument that creativity is not fostered by educated people only. Diverse people and their activities have a creative input and generate innovative ideas. The point is to recognize that creativity has many faces and plays a direct and indirect role in economic development; therefore, it should be stimulated.

In societies with a highly diverse (social, ethnic, cultural, and spatial) population, the creativity of many individuals and organisations (stretching from NGO’s to business firms) contributes to the creation of a dynamic sphere, which is attractive to live in, work in and visit. Moreover, the accumulation of diverse and innovative ideas attracts dynamic businesses with a potential for generating and regenerating a flow of diverse ideas. All of these factors generate a dynamic, non-standard, attractive and colourful context.

There is not only a growing interest in the migration literature on the positive contribution of immigrant entrepreneurs to social cohesion and economic competitiveness, but also a shift from placing immigrant entrepreneurs in conceptual and theoretical frameworks (Waldinger et al., 1990; Waldinger, 1997; Rath, 2000; Barett et al., 2001; Kloosterman and Rath, 2001; Ratcliffe, 2001) towards more specific (sectoral) contributions about/on immigrant entrepreneurs in post-industrial and service oriented urban societies (Zachary, 2000; Sandercock, 2003; Landry, 2004; Uitermark et al., 2005; Rath, 2001), and towards connecting immigrant entrepreneurship with inclusive processes via social innovation (Gerometta et al., 2005; González and Healey, 2005; Mumford, 2002). The latter topic, however, is not very explicitly connected to immigrant entrepreneurship but claims implicitly that social innovation is an approach that leads to the inclusion of excluded groups.

From a business point of view, immigrants' innovations can be seen as breaking through existing patterns of production and productivity (Nijkamp, 2003). Within the immigrant entrepreneurs' common experience a general tendency can be identified in terms of entrepreneurship and social innovation. This is in two phases: the *survival phase*, which involves the use of *social innovation* in order to find a place in the market, and the *competitiveness phase*, during which innovations are used to become competitive in the market.

2.1 Entrepreneurship Between Survival and Competition

We observe that when immigrant entrepreneurs survive the first phase of the market as a self-employer, they begin to develop market strategies and shift towards more sophisticated businesses as well as to locations in the city where they can be more competitive. The characteristics of the two phases are summarised in Table 1.

At the *survival phase* the immigrant businesses display spatial concentration and homogeneity of goods and services. Initially, immigrant businesses tend to be clustered in and around ethnic neighbourhoods from which they originated and they seem to benefit from being in the close proximity (Waldinger et al., 1990; Rekers and van Kempen, 2000; Kloosterman and van der Leun, 1999). However, as the Antwerp case displays, there is a spatial resolution and locational shift from immigrant-concentrated neighbourhoods to other locations in the competition phase, even though spatial concentration is still a popular tendency among immigrant businesses.

2.2 From Social Innovation to Business Innovation

The second-generation immigrants have many advantages (language, education, better understanding of the society, etc.) compared to the first generation immigrants and the newcomers. Using these advantages, they take more risks and use innovative

Table 1 Comparative characteristics of survival and competition phases

	Survival phase	Competition phase
Goal	<ul style="list-style-type: none"> -Surviving in a new market -Having a job 	<ul style="list-style-type: none"> -Competing within the market as one of the shareholders of the economy -Running businesses distinguished from those of other immigrants
Motivation	<ul style="list-style-type: none"> -Exclusion from the formal job market -Unemployment 	<ul style="list-style-type: none"> -Running successful businesses -Making the community proud -Serving a larger community
Common characteristics	<ul style="list-style-type: none"> -Start business with disadvantaged position compared to other (local) businesses -Failing businesses, high mobility -Horizontal mobility 	<ul style="list-style-type: none"> -Start business with advantage of having an original and innovative product or service -Vertical mobility -Successful businesses become a good-practice example for the Turkish community
Scale	Small scale retail	More variety: small scale retail, large scale retail, wholesaling and chain businesses
Market	Lower end market segments	Middle- and higher market segments
Strategy	<ul style="list-style-type: none"> -Short-term thinking -Standard products and services -Riskaverse 	<ul style="list-style-type: none"> -Long-term thinking -Innovative products and services -Risk taking
Clientele	Own ethnic community	Everybody
Spatial pattern	Homogenous and clustered	Heterogeneous and scattered
Location	Purposefully located near the residential areas of the fellow countrymen	Besides concentrated zones, scattered businesses in the city (either individually or along certain streets)
Product range	<ul style="list-style-type: none"> -Ethnic, homogenous -Following the most successful businesses to select businesses 	<ul style="list-style-type: none"> -Large variety (ethnic and non-ethnic), heterogeneous -Using original ideas to establish businesses
Innovation	Social	Business
Networking	Among the fellow-countrymen to find a place among them	Among the fellow-countrymen, as well as locals, to find a place in the larger market

Source: Own study.

methods to do business. The changing spatial behaviour is also a sign of their increasing innovativeness. Especially in the *survival phase*, immigrant entrepreneurs profit from social innovations (both economically and spatially). Social innovation as Mumford (2002, p. 253) defines it, refers to the 'generation and implementation of new ideas about how people should organise interpersonal activities or social interactions to meet one or more common goals'. Moreover, as Moulaert et al. (2005, p. 1978) suggests, social innovation refers to 'those changes in the agendas, agency and institutions that lead to a better inclusion of excluded groups and individuals in various spheres of society at various spatial scales'. In fact, the increase in the

socio-political capability and access to resources (empowerment as Moulaert et al. (2005) suggests) is indication of social innovation. Social innovations put immigrant entrepreneurs in a different position than their local competitors because the strong network relations provide them with financial, social and practical support. Immigrant entrepreneurs are also very much aware of their ethnic identity, and they behave as being part of a group for which they are proud. Within the group identity, they have developed social practices to cope with the disadvantages they have.

At the *competition phase*, the aim of some immigrant entrepreneurs is no longer to survive in an ‘unfamiliar’ market in unfavourable conditions but to compete in market conditions. Moreover, some entrepreneurs are in the market without using products and services based on their ethnic origin at all, such as in top-end shopping streets or neighbourhoods. Although ‘establishing a business just to have a job’ is still a trend and an escape strategy (as they have limited access to white-collar jobs) among the second generation immigrants, some immigrant entrepreneurs become successful businessmen as well as trend-setters or role models for their community. It is not surprising that immigrant entrepreneurs are progressing, getting more organised and even more competitive. As Schumpeterian economic development theory very simply suggests: without economic progress there is no scope for entrepreneurship. Thus, progressing entrepreneurs use business strategies and innovations to make more profit. Our research in Antwerp clearly shows this shift, although not (yet) at a large scale.

3 Socio-Spatial Evolution of Turkish Immigrant Businesses

The socio-spatial evolution of immigrant entrepreneurship displays two tendencies: (1) change in the product and service range (2) change in the locational choices. Barrett et al. (1996) connects the commercial and locational choices, claiming that sectoral concentration is reinforced by spatial overconcentration in the inner city. In fact, recent years witnessed not only a relaxation in both immigrant and local consumers’ shopping behaviour towards each other’s goods and services, but also a relaxation in the selection criteria for the business locations. Even though some Turkish immigrants have become successful businessmen by running Turkish-like businesses (such as *kilim* galleries), some new generation entrepreneurs have also become successful with businesses that do not reflect their ethnic background. They either display another identity, like pretending to be Italian when running a pizzeria, or hide their original identity in their up-market restaurant or café. In both cases, ethnic identity is purposefully hidden. In these types of situations, the immigrant serves the local population regardless of his/her social and cultural background but uses the social networks to ‘get there’. This demonstrates the appearance of new opportunity structures in a city, with immigrant businesses slowly but surely shifting towards non-ethnic services. The shift from survival to competition in business corresponds with the shift from spatial concentration to decentralization.

Second generation immigrants display less attachment to 'their' neighbourhoods compared to the first generation. They are also spatially more mobile compared to the first generation. Female consumers especially move more freely through the city. Being the largest customer group for the immigrant entrepreneurs, this is of some importance. Our interviews confirmed that immigrant entrepreneurs, especially the ambitious ones, are aware that they have to leave their original neighbourhoods in order to be more successful.

The mobility of immigrants in the labour market follows rather a standard pattern, which is easy to track. Most of them start in the lowest segments of the market. Some may move upwards. The initial intention is to overcome the obstacles to get a position in the labour market. Its accessibility for immigrants is low, and this is certainly so for the 'better' segments. The situation is different in case of self-employment: even though it requires long working hours and low income, many immigrants prefer self-employment because they are not easily excluded. Another reason for this is that self-employment is part of a cultural and commercial tradition. They start in concentrated neighbourhoods, as Kloosterman and van der Leun noted (1999), where immigrant businesses have benefited from spatial concentration both for demand (culinary products or services to serve to the immigrants only like coffee houses as meeting places) and supply sides (physical proximity to use close-knit social networks and low costs) (Kloosterman and van der Leun (1999). Let us now concentrate on locational and functional shifts that we discovered in our study.

3.1 Locational Shifts

I had a small restaurant in the center of Antwerp because I thought I would have lots of clients there but after a couple of years I moved out of the center. [Why?] . . . The quality of the clients was very low in the center: lots of noisy tourists and passers-by. Now we have a proper restaurant here [Deurne], and we work with reservation and mainly serve Belgians. This is much better. (Kumpir Billy)

Kloosterman and van der Leun (1999) point out that immigrant entrepreneurship is a win-win situation for neighbourhoods because of the job opportunities it creates and also because it makes the neighbourhood more attractive. In fact, a number of neighbourhoods in Antwerp have profited from immigrant businesses. Shopping streets like Driekoningenstraat, Statielei, and Brederodestraat have created a very colourful and dynamic atmosphere for the neighbourhoods in the central part of the city where Turkish immigrants are mainly concentrated. Our interviews showed that there has been a high mobility in those streets in terms of changing businesses, closing shops or other failures.

Although our data from the business registers goes back only to the early 1980s, we know that already in the end of the 1960s and the 1970s there were Turkish businesses in the city, though not in such a high proportion³. We learned from an

³ Information could also be unavailable because these businesses have completely disappeared.

interview with a second generation immigrant, Ergün Top, who is a lawyer and a MP, that these first generation businesses were very small-scale and only serving the community's needs as the first wave of immigrants would not go shopping elsewhere due to language limitations. These businesses were scattered along the above-mentioned streets and neighbourhoods until the community became stronger and more involved in the market.

Over time, the locational choices and behaviour of the Turkish entrepreneurs have changed. We noticed that better integrated immigrants turned out to be more sensitive to the market demand. These entrepreneurs, having a couple of decades of experience, noticed that staying in the same neighbourhood and serving the same clientele would not lead to a long-term benefit. Our data does not allow us to identify how the *establishment* of the businesses has changed over time; however, the *share* of Turkish businesses has changed in each neighbourhood.

Moreover, by comparing the residential concentration of Turkish immigrants (Fig. 1) and the spatial distribution of Turkish businesses (Fig. 2) we discover that the immigrant businesses began to move out of the neighbourhoods where Turkish immigrants are concentrated. The field observations also supported that Turkish businesses are still strongly present in the Turkish neighbourhoods, but there is also a decentralisation to areas where they are less present. It can be seen in Fig. 1 that Turkish immigrants are mainly concentrated in four areas: one in the north (in and around District Borgerhout), and three in the south (in and around District Antwerp and District Berchem). Figure 2, on the other hand, displays that when it comes to the businesses, this concentration has been dissolved. Even though some concentrations in the centre of the city (especially in the south and south-west) can be spotted, the businesses dispersed throughout the city, even in the neighbourhoods (like Deurne and Wilrijk) where generally middle- and upper-middle class Belgians settled. Due to the unavailability of the time series on business registers it was not possible to illustrate how the decentralisation of Turkish businesses occurred in time and space. However, interviews with first generation immigrants confirmed that the first businesses mushroomed in the areas where the Turkish people concentrated (mainly in the south along the Brederodestraat, and scattered in Berchem and Borgerhout).

3.2 Motivations to Change Location

Although moving out of the concentrated neighbourhoods is still an important tendency, our telephone interviews (with about 40 Turkish entrepreneurs selected equally from each district) indicated that proximity to home is still the most important reason for choosing a location (Table 2). More than half of the Turkish entrepreneurs told us that they prefer a location close to their home. Moreover, some still prefer the traditional way of having the business downstairs in their home.

Although traditional locational patterns still dominate, 11% of the entrepreneurs answered that they chose their location because they noticed a certain service

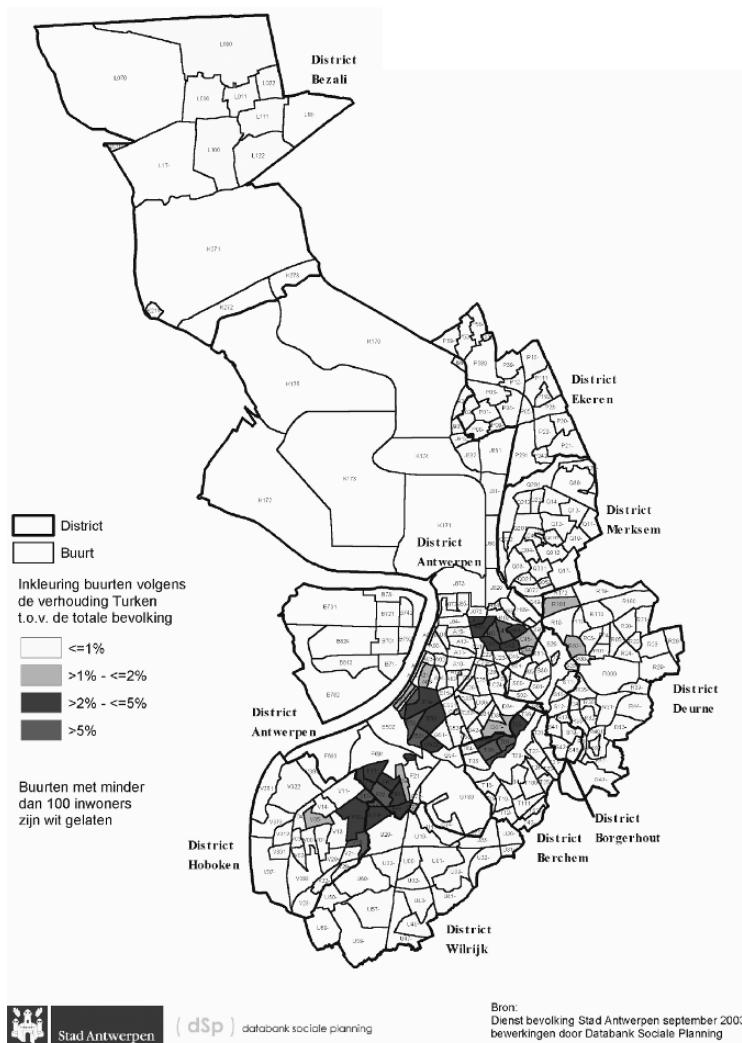


Fig. 1 Share of Turkish immigrants in total population in Antwerp (2003)
Source: City of Antwerp, (dSp) databank sociale planning.

missing in the area and expected that in providing it, they would be successful. Some (25%) had already realised the necessity of being close to the core business areas like the city centre or main shopping streets. During the interviews, we noticed that some respondents are purposefully looking for locations to be more successful. One such interviewee pointed out that he selected the location for his shoe-shop (in Deurne) on purpose, because he noticed that all the rest of the shoe-shops in this area were selling expensive labels. By opening a store with more reasonable prices, he expected to become more popular in the neighbourhood. He has been running

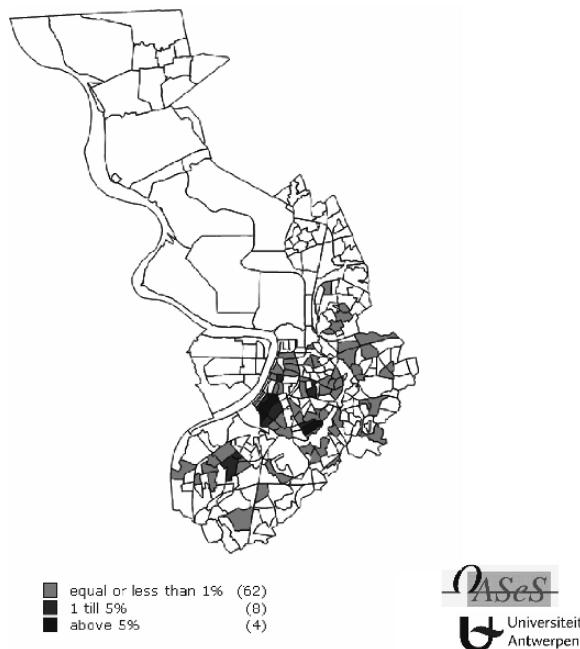


Fig. 2 Percentage of Turkish businesses in total businesses (Antwerp, 2006)
 Data source: http://kbo-bce-ps.mineco.fgov.be/ps/kbo_ps/kbo_search.jsp?Action=SKW; Map: Joeri Laureys.

Table 2 Reasons to locate Turkish businesses

Why this location?	%
Proximity to home	56
Proximity to market	25
Cheap location	6
These services were missing in this area	11
Comfortable location for Turkish identity	3
<u>Total (AC = 40)</u>	<u>100</u>

Source: Field work.

the business for over 4 years now. Another interviewee, who failed in his previous business (a kebab take-away shop) due to fierce competition, moved as a result to an area where he mainly serves 'Belgians' and where there is much less competition.

4 Change in Products and Services: Business Innovations?

I was a lorry driver in Turkey. When I moved to Belgium the first thing came to my mind was to establish a transportation firm because I know all the tricks of this job as a driver. I thought my experience as a driver would make me a successful businessman. I made 5–6 months of research to organise everything. So far it is going very good. (Yagmur Transport)

Table 3 Reasons to select the business

Why this business?	%
Decision without a specific research	14
Awareness of lack of such services in the close proximity	8
Experience in this type of business	44
Trying something interesting for both Turks and Belgians	11
He/she thinks there is a market for this product/service	14
Recommendation of friends and relatives	8
Total (AC=40)	100

Source: Field Work.

Even though a professional shift towards more marketing or market research is sensed, the most popular way of choosing the products or services is on the basis of the experience. A large proportion of immigrants, 44%, selected the business based on their former experience (see Table 3). Most of the interviews confirmed that by selecting a business in which they have experience, immigrant entrepreneurs aim to reduce the risk of failure.

The KBO database provided us with the type of businesses at time of the establishment of the enterprises (Fig. 3). The balance between the retail and services has always been in favour of retail, however, the share of services in total Turkish businesses approaches 40% as of 2006 in Antwerp.

In terms of sectoral choices, services and products show a great variety. While the traditional sectors like wholesaling (14% of the total), daily food retail (convenience stores, 8% of the total), construction and related sectors (up to 7%), textile and restaurant businesses, bakeries etc. (5%–6% each) still dominate the Turkish enterprises' choices, there are some new services and products that we came across in the database such as accountants, security system services, computer and electronic

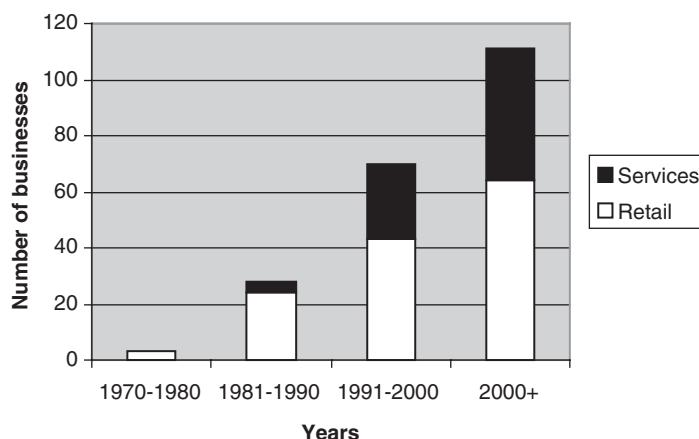


Fig. 3 Share of retail and services in total KBO registered businesses by years (AC = 212)
Source: Data gathered from Kruispuntbank van Ondernemingen – Database of Entrepreneurs.

services, do-it-yourself chains, insurance and consultancy services, organizational and entertainment related services and camping products. Although still very scarce at present, their existence points to a new trend in sectors and products among the ethnic entrepreneurs. Moreover, during selected interviews with these 'special' businesses, we were able to understand their motives and means of developing such businesses. This will be discussed in the following section.

In addition to a sectoral typology, we classified businesses in terms of their clientele group. There are four main categories:

- *Businesses related to ethnic origin and serving the ethnic community.* These businesses are providing ethnic products and services to religious and ethnic groups. Examples are community services, teahouses, Turkish associations, etc.
- *Businesses related to ethnic origin but serving a wider public.* These businesses sell ethnic products and services in combination with non-ethnic products and services. Examples are Turkish restaurants, Turkish food retail shops, Turkish non-food retail shops, bakeries, etc.
- *Businesses not related to the ethnic origin.* These businesses are not selling ethnic products and services and do not specifically aim at a Turkish public. Examples are contractors, hardware/building supply, tailors, and hairdressers.
- *Businesses not related to the ethnic origin but using the advantages of their ethnic origin, such as skills and networks.* Examples are Italian restaurants, cleaning companies, etc.

The proportion of each of these categories in Antwerp is given in Fig. 4 (based on the KBO database). According to these figures, businesses are predominantly either not related to ethnic origin (46%) or related to ethnic origin but serving a wider clientele (44%). This is an interesting outcome, given that it suggests a shift towards success and competition in the market through the selection of non-ethnic businesses and services.

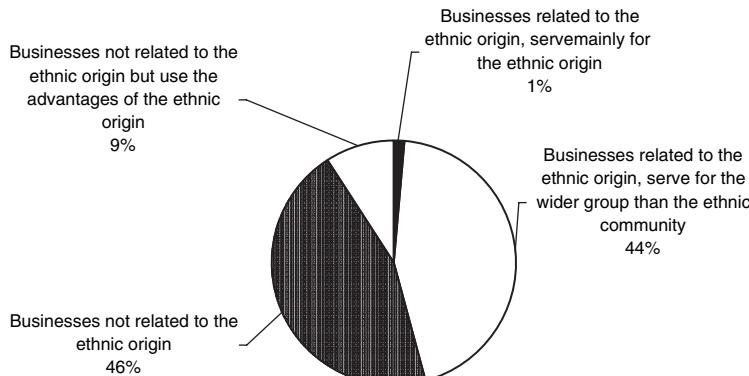


Fig. 4 Proportion of ethnic businesses in Antwerp
Source: Field work.

5 Factors of Success: Changing Motivations and Means of Immigrant Businesses

The means and motivations of immigrant businesses have also changed over time. Factors that have had an impact are networking, increasing ambitions, creativity, independence, the search for new products and services and new locations, and a search for a new identity.

5.1 Networking

Physical proximity can be conducive to close-knit social networks which may in turn help to keep business transaction costs down. By minimizing their transaction costs immigrant businesses boost their competitiveness (Kloosterman and van der Leun, 1999, p. 665)

During our interviews comments like 'I owe everything to my family's support' or 'my business partner and I got all the help we need from the friends we have' or 'thanks to good friends money was not an issue' or 'friends of mine suggested to me to open this business as they noticed a need for it' frequently popped up. Social networking is still one of the strongest 'weapons' for Turkish businesspeople, although some entrepreneurs are proud of their growing independence – as we will demonstrate below. The involvement of family and friends in the decision-making and financing of the businesses is an important indicator of the role of the networks. Our interviews indicate that 50% of the entrepreneurs took their decision (on the product, location, business strategy, etc.) with (a lot or a little) help from friends and family. Moreover, 50% of the entrepreneurs still used family and friend networks for financial support. One of our informants underlined that 'people do not go to the bank to borrow money because they do not know how to organise it, mainly because they do not speak the language. So the easiest way is to turn to the own network to raise funds'. However, half of our informants (the younger generations) used bank credits as well.

5.2 Becoming Ambitious

I have my own targets. I want grow to serve to 10 million people. I want my name to be known in Belgium. I want to establish a home delivery service network for drinking water for instance. Things like that makes you grow. (Gulercan Benelux, food and packing).

Ambition is a very strong drive, especially for the successful Turkish businessman. The ones who have made it to the *competition phase* have clear targets. A business strategy is not necessarily developed to reach these targets, though. One of our respondents owns do-it-yourself stores. He used to run a small convenience store, but then he decided to look for something that could generate 'serious business' in the market. His stores serve both Turkish and Belgian clients. He says that Belgians go

for his products because of the low-price advantage, and Turks prefer his services because they can easily communicate and get help.

5.3 *Being Creative*

Pita and kebab places are everywhere. I wanted to do something else. Something to attract people. Kumpir [stuffed baked potatoes] was something not known here. I thought it would be interesting for everybody. Not only for Turkish people. And it worked. (Patatenland)

Since the market is becoming 'tight', it is difficult to have the same standard businesses everywhere. Immigrant entrepreneurs feel the urge to come up with new ideas to offer something different, new, and attractive for everybody. One of our in-depth interviews indicated that original ideas are seen as an important reason for success, and copied rapidly by the other Turkish entrepreneurs. Not all of them end up successfully, though. Opening travel agencies, running Italian pizzerias or tailor services has resulted in long-term businesses for only a couple of Turkish entrepreneurs.

5.4 *Pretended Identites?*

People go to pizzerias anyway. If it's a Turkish restaurant, it needs a special clientele. Racists wouldn't come for instance. But everybody loves pizza. It's easy to make. And we all look alike..dark hair, dark eyes. What is the difference for the client? For me its easy to throw a couple of Italian words like 'buona sera, grazie, etc'. So they think we're all Italian, and they have no problem coming to my shop [Verona-Answering the question-why do you pretend to be an Italian restaurant?]

Most of the Turkish businesses that changed location or business type have chosen names that would not give away their Turkish identity. They either go for Belgian names such as *Naald en draad*, *Verfboer*, *Patatenland* or for international ones such as *Snackbar N 19*, *Belgium décor*, *Kumpir Billy*, *Relax*, *Shoebidoo*. Purely Turkish names are becoming rare.

Another interesting point in the identity issue can be seen in some restaurants. Especially in streets such as Oude Koornmarkt and Blomstraat, in the centre of Antwerp, most Italian (and some Greek) restaurants and pizzeria's are run or owned by Turkish entrepreneurs. Some of these businesses are serving for the wide tourist market, as it is the core of the old city centre, but some are up-market restaurants. Identity is an important issue in these enterprises as one of the authors experienced; the waitresses prefer not to give away that they speak Turkish in front of the clients.

The general motivation of immigrant entrepreneurs is still very much dependent on how far into the market they have ventured. For someone starting a business, the motivation is still to survive and, anyway, it remains the prime target for a majority of the owners. However, we noticed that some experienced entrepreneurs try to catch

opportunities in the market so as to become more ‘competitive’, and as one of them indicated, also to become ‘indifferent’ in order to blend in.

6 Conclusions: Social Cohesion by Immigrant Entrepreneurs?

A crucial condition for the overcoming of social exclusion is a public sphere, where socially innovative social, economic, cultural and political experiences can develop, interact and find entry into urban governance relations. In the course of this interaction, they form a place of intermediation between the involved actor groups. (Gerometta, et al., 2005, *Urban Studies*, 42-11, p. 2010)

The main aim of this chapter was to display the contribution of immigrant entrepreneurship to social cohesion. Vranken (2004a) argues that social cohesion has a spatial dimension (at the city and neighbourhood levels) and that high social cohesion at the city level is more directly obtained in a context of low cohesion at the lower levels (areas, neighbourhoods). It means that if diverse groups concentrate in certain areas, their internal cohesion certainly will be fostered but at the expense of their integration at a higher level, as it will also increase the risk of exclusion both for individuals from those highly cohesive communities and of these communities from the rest of society. However, if non-conflicting relations between these diverse groups could be structured at lower levels (neighbourhood or area), a high social cohesion is possible in the urban system as a whole (Vranken, 2004a, p. 8). We argue that since immigrant entrepreneurship provides these non-conflicting relationships between diverse groups, a high level of cohesion in urban society as a whole could be achieved if policy-makers concentrated on this aspect.

Our study of the socio-spatial evolution of Turkish businesses in Antwerp indicates that immigrant entrepreneurship mediates between different stakeholders. Interaction and exchange of ideas, experiences, businesses, and goods increases the interrelation between less integrated or isolated groups and the rest of the city by scattering (and thus mixing) them or by creating clusters of interaction in neighbourhoods. This is not only because some areas become more colourful and lively because of small ethnic shops or restaurants, but also because interaction between immigrant and host groups is triggered by these businesses and the social spheres that they are surrounded with. Moreover, the fear of ‘being out of ones own circle’ is reduced in this way. Both Turkish business owners and shoppers are becoming more mobile and begin to explore other parts of the city. They start to live and work in other neighbourhoods than the ones with a high concentration of Turkish people. All these trigger a mixture of diverse groups and of the social cohesion – that is, cohesion of the ‘bridging’ type.

What we concluded from this case of the changing commercial and locational choices and socio-spatial evolution of Turkish immigrant entrepreneurs in Antwerp confirms the argument of González and Healey (2005, *Urban Studies*, 42-11, p. 2055) who claim that ‘inclusion in social relations is characterised by interdependence and formal co-operation within the formal division of labour, and reciprocal obligations,

acceptance, acknowledgement and solidarity in private relations'. Immigrant entrepreneurship is a form of inclusion as it increases interdependence and participation.

In this chapter we have also brought forward the role of social innovation in the integration of immigrant entrepreneurs into the competitive market conditions. Moreover, we have also claimed that shifting from *survival* to *competition phases*, immigrant entrepreneurs use more business innovations now.

Furthermore, we suggested that diversity fosters economic dynamism in the city in general. Here, economic dynamism means that the diversity of businesses increases choice, because it generates a wide variety of ethnic food and non-food retailing, heterogeneous and mixed services, and complementary services to tourism. Moreover, social and ethnic diversity also leads to a substantial spatial dynamism with colourful and charming shopping streets and street markets. Diversity also causes new ideas and opportunities to flourish in the city (Landry, 2004, p. 111). Antwerp displays good examples of this dynamism.

We claimed that cities that are open to diversity are able to attract a wider range of talent by nationality, race, ethnicity, and sexual orientation than those that are relatively closed. As a result, they are more likely to have a dynamic economy due to their creative, innovative and entrepreneurial capacities compared to more homogeneous cities. In this respect our argument differs from Florida's (2002) suggestion that economic growth is closely associated with concentration of highly educated people, which he calls the creative class; and that technology, talent, and tolerance are important to generate social innovation and stimulate economic development. We claim that the association with high education is obvious but that the creative and dynamic contribution of diverse groups should also be taken into account. Immigrants not only create new opportunities for the urban economy but their creativity and social innovations stimulate new ideas and create new opportunities for social cohesion.

The social and spatial shifts concerning the immigrant businesses are interesting to tackle. The obstacles or disadvantages that immigrant entrepreneurs encounter are comparatively more significant than the risks of market failures, economic crises, social and political fluctuations that any entrepreneur faces. Our argument is that these limitations, frustrations, or even the perceived need to be more competitive to exist in the business as an immigrant, forces immigrant entrepreneurs to be more creative and innovative. In this, they are assisted by their more exotic backgrounds, experiences and cultural specificities.

All these conclusions are, of course, very premature due to the size of the data and the city as a whole. However, we believe that they create enough expectations to have a closer look into the new generation of immigrant entrepreneurs.

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Maribor – Housing Strategies in a Slovenian City Linking Competitiveness with Social Cohesion

Metka Sitar

Abstract The core focus of this chapter is the analysis of the housing situation and dynamics in Maribor region since transition from a socialist system to a market led system. A contradiction results especially for local authorities or the state, resulting from the local culture of independent housing which is a favourable situation for cohesion (in terms of neighbourhood formation) and the higher cost of infrastructure provision (under the conditions of scarce public resources). The chapter looks at how the local authorities of Maribor and the wider system of governance structures deal with this situation, both in reactive but in particular in pro-active ways. After an introduction to the formal structures and development situation in Slovenia, special focus is placed on changes in the housing sector and housing conditions, such as changes in tenure and ownership. Thereafter, the governance strategies to reconcile the economic pressures with social cohesion aspects are addressed. Lastly, some recommendations for urban development, aimed at reinforcing the competitiveness and cohesion of Slovenian cities and urban regions in national and international context, are included at the end of the chapter.

1 Introduction

The aim of the chapter is to analyse the transition period in Slovenia after 1991 and its impact on the competitiveness and cohesion of Slovenian towns and cities, with special emphasis on housing development. In order to highlight the most important challenges the conditions of housing policies and management are presented, especially in terms of tenure and ownership. Since Slovenia gained independence in 1991, Ljubljana has enjoyed all the benefits of being its capital, while Maribor, the second largest city is still recovering from the economic and social transition. Due to the new governmental and institutional models of housing provision, as well as the activities of local actors, the image of the city is changing. The chapter looks at how the local authorities of Maribor and the wider system of governance structures deal with this situation, both in reactive but in particular in pro-active ways. After an

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introduction to the formal structures and development situation in Slovenia, special focus is placed on changes in the housing sector and housing conditions, such as changes in tenure and ownership. Thereafter, the governance strategies to reconcile the economic pressures with social cohesion aspects are addressed. The chapter concludes with the discussion on the efficiency of the efforts of urban governance, with a special concern for housing policies and practice in the new market oriented conditions.

Slovenia is a small Central European country with a population of 1.964.000 in 2002 and an average population density of 97 inhabitants/sq. km. It is a predominantly mountainous country with varied relief, forming a distinct area between Alpine, Pannonian, Dinaric, and Mediterranean regions. Slovenia borders with Austria, Hungary, Croatia, and Italy, and has access to 43 km of Adriatic coastline. More than half of the territory, 63 per cent, is covered by forest, 30 per cent by farmland, and only 3 per cent by urban areas (Donner, 2006).

Since independence in 1991, the post-socialist transition period was accompanied by specific economic and social changes, its impacts being most evident in the development of housing which caused an enormous impact on the urbanisation process of Slovenian towns and cities.

2 Urban Development and Housing

Despite an overall stagnating growth of population, urban areas of towns and cities are still growing mainly due to better economic conditions. As bearers of economic, social and cultural activities Slovenian towns and cities create an urban network of almost 6,000 settlements, based on a polycentric urban development concept from the early 1960s. In 2002, 49 per cent of housing was located in urban settlements (Hamilton et al., 2005). There are two main cities: Ljubljana with 259,000 inhabitants and Maribor with 114,000 inhabitants, as the second largest city in the north-east. Additionally, there are 12 towns of more than 10,000 inhabitants and 20 towns of more than 5,000 inhabitants. Urban areas provide four fifths of all working places, one third of which being situated in the two main cities, Ljubljana and Maribor (SORS, 1999). Generally, Ljubljana enjoys all the benefits of being the capital city, while Maribor is still striving to change the image from an industrial town to a modern, middle-sized European city.

2.1 Demographic Changes

Urban and housing development was conditioned by political, economic, and social changes reflected also in the demographic development. In the 1960s and 1970s and following main socialist principles of the times, industrialization became the main employment opportunity, causing a huge migration of the predominantly agricultural population to neighbouring urban centres. The uni-directional urbanisation in

favour of more economically developed areas increased also due to the immigration of low-skilled workers mainly from South-Yugoslav republics who were attracted by the promises of economic prosperity. The immigrants preferred to settle in dense ethnic communities, mainly in industrial cities (Donner, 2006).

Also having an impact on the housing demand, the demographic changes are characterised by increased number of households of 8.3 per cent between 1991 and 2001. Parallel to that, the average household size declined from 3.0 to 2.8 members (SORS, 2005). In urban settlements, the average household size is 2.7 persons against 3.1 persons in non-urban settlements – although these differences have been slowly diminishing (Černič-Mali et al., 2003, 2004). Household sized in Maribor reached 2.45 persons in 2002 (Horvat, 2006).

Ninety-two per cent of the country's population has Slovenian nationality (SORS, 2002). Most of the immigrants from former South-Yugoslav republics have obtained Slovenian citizenship, especially in ex-industrial important employment centres, such as Ljubljana and Maribor.

2.2 Economic Changes

Since 1960s, the national economy has been mainly based on industrial manufacturing following socialist principles of the ex-Yugoslavian economy. Continuously growing until the 1980s, economic development has been through some deep crises which culminated in 1991 when the Republic of Slovenia separated from the former federal state of Yugoslavia. The structural changes were characterised by the shift from social to private ownership, from an industrial to service economy, from large to small-sized companies, all of which re-oriented the trade from the Yugoslav to EU markets. These new circumstances have been reflected in several reforms and regulations in all sectors and administrative levels of governance.

The changing of ownership structures is the most important factor, which caused an enormous impact on the urban environment. The process of so-called 'privatization' has taken place in two stages: the first one, in 1991, involved the housing sector and the direct purchase of housing stock by the tenants; then, in 1993, the second stage referred to entrepreneurial activity, and lead to sharing the former societal property to the citizens, implemented by the processes of the denationalization and restitution. Since then, the national economy has been slowly recovering from the recession and is continuously improving its image in the new framework of the European Union. For example, the GDP per-capita increased to 71 per cent of the EU-15 average and to 77 per cent of the EU-25 average, confirming Slovenia as the most developed among Central and Eastern European countries (Maribor, 2006). The recent situation in terms of employment by sector is witnessing the huge transformations caused by structural changes: according to data from 2001, 56 per cent of the active population is employed in the service sector, 40 per cent in industry and manufacturing, and 4 per cent in agriculture (Černič-Mali et al., 2003).

Nevertheless, after 1990 and during the post-socialist transition period, the regional disparities have increased. On the top of the developed regions are those in central and western part of Slovenia, such as Ljubljana region, Central Slovenian region, Coastal region, while the regions in the northern and eastern parts of the country, such as the Podravska region of Maribor, are at the bottom. Generally, the differences refer to everyday living conditions; most prominent is the number of work places and, in consequence, the level of the unemployment rate. The registered average unemployment rate of Slovenia increased from 3 per cent in 1990 to 9 per cent in 1993/94, but then slowly declined to 5.8 per cent in 2005 (Donner, 2006). The loss of working places mostly affected the situation in ex-industrial cities like Maribor, which had the highest unemployment rate: 24.7 per cent in 1998, declining to 15.3 per cent in 2005. It is estimated that in Maribor, approximately 10,000 new working places were created between 1998 and 2005 (Maribor, 2006).

2.3 Housing Conditions

According to the census of 2002, there are 684,847 households living in 777,772 dwellings; 28 per cent of them located in Ljubljana (Dimitrovska-Andrews, 2006). In comparison with the census of 1991, there was an increase of 8.3 per cent in the number of households and 13.9 per cent in the number of dwellings. In the period from 1991 to 2002, the average floor space per housing unit was 74 sq. m, with 2 or 3-room apartments representing over 60 per cent of the housing stock; with an average of 2.8 rooms and 2.8 inhabitants per housing unit, Slovenia was behind the housing -size standards of the EU-15 (Hamilton et al., 2005). Looking at more detailed data from the 2002 Census the conditions seem even worse, since 37 per cent of all housing units in multi-storey housing have the average size of only 56 sq. m (SORS, 2002). However, the quality of housing accommodation was comparable to that of the EU-states. Some of the environmental standards such as noise level and provision of green spaces were even better (Dimitrovska-Andrews, 2006).

Though the census results based on the ratio of households to housing units show a surplus of 12 per cent of the number of housing units, the actual use of existing housing stock reveals some important specificities. There is namely approximately 10 per cent of housing units estimated as not permanently occupied, approx. 5 per cent of housing units are only temporary used and approximately 3 per cent are abandoned (Dimitrovska-Andrews, 2005). From the point of view of competitiveness almost one fifth of existing housing stock is somehow not available on the housing market. This issue is also related to unclear taxation policies and needs a wider discussion in the future.

Generally, there is a growing divergence between housing prices and the purchasing power of the Slovenian population. According to Cirman (2005), the prices on

the national level have increased by 71 per cent between 2000 and 2005; in Ljubljana they increased by 76 per cent, and in Maribor by 92 per cent in the same period.¹

2.4 Single Family Housing

Due to the housing and land policy of the past, the existing housing stock is clearly divided in two distinct forms: rather dense multi-storey construction of non-profit and social housing and, single family housing with low density, characterized by irrational land use, insufficient traffic connections, and services (Sendi et al., 2000). The type of housing units in one- or two-generation family houses represents the prevailing type of housing construction reaching the 63 per cent of the total number (SORS, 2002).

The phenomenon of the extremely high share of privately owned single family housing is the consequence of specific circumstances of housing provision in the past decades. The development of housing stock was regulated by the state and its direct financial support directed mainly in favour of a socially weak population. In spite of permanent shortage of housing it was almost impossible to obtain land for housing the average income population. The construction of single-family house has often been the more realistic option to solve the individual housing problem compared to the purchase or renting of a flat in multi storey residential building. The housing loan policy and a high inflation rate namely enabled a specific way of self provision since the typical Slovenian household included three generations (i.e., grandparents, parents, children) living together in detached houses located on affordable building plots owned by the family. Furthermore, the lack of property and real estate taxes enabled that private houses became ideal cases for a long term safe investments. It is a paradox, that the politically 'negative' approach to the real property was perhaps one of the main reasons why the urban and architectural typology of dense semi-detached, and row houses neighbourhoods has never been treated as an alternative to the multi-family housing estates.

¹ During the socialist era and throughout the early 1990s there had been a housing shortage in Slovenia. It was particularly common in towns, where demand for unoccupied dwellings greatly exceeded supply. As a result, the prices of dwellings and the cost of rents were high, the lists of applicants long, and the associated waiting periods for social and non-profit dwellings for rent lengthy (reference: Slovenian National Report on Habitat Agenda Implementation, Republic of Slovenia, Ministry of the Environment and Spatial Planning, National Office for Physical Planning, January 2001). Coming to the 2000s, despite the increasing provision of new housing, the amount of unsuitable units of housing within the existing stock and the limited provision compared to the increasing demand due to the changing household structure and numbers kept the housing prices very high in the country.

3 Governmental and Administration Organization

The administration organization in Slovenia operates on two levels: national and local.

The political changes after 1991 were reflected in several reforms and regulations. In 1994, the Local Government Reform Act introduced self-government at the municipal level. The number of municipalities increased from 63 before 1991 to 210 in 2006. Slovenia preserved a fragmented administrative organisation, where the state government tries to maintain a dominant authority and decision-making role, performed by central institutions and decision-makers located in the capital. Other cities such as Maribor are striving to develop their specific role and competitive position in the urban network.

The market economy brought new challenges for social affairs as well. A list of reforms of adapting social standards failed because of a strong revolt by the trade unions and non-governmental organisations. In spite of new regulation, the traditional social welfare state with high level of social security remained. However, the situation is extremely vulnerable regarding health services and retirement. The endeavours for the preservation of social rights for all population groups seem to be most important for social cohesion since housing and urban issues have got more attention (National Action Plan against poverty and social exclusion 2004–2006).

3.1 Housing System

In Slovenia, apart from working places and general employment conditions, a sufficient and qualitative housing supply has always been one of the most indicative criteria for welfare policies. As a part of it, the housing provision was one of the strongest central government instruments in the former system of Yugoslavia. However, the housing shortage was also one of the most visible characteristics of the system.

For decades, housing development undoubtedly was characterised by reforms and instruments introduced in accordance to the specifics of economic and social development. In the 1960s, the industrialisation with a permanent need for new housing and strong rural-urban migration caused a belated but intensive urbanisation processes. These processes have been continued during the 1970s and 1980s when intensive so called societal housing development in form of multi-family high-rise residential housing estates peaked. The expansion of housing construction built by public sector supported by national state policy for social and other rented housing were mostly situated in the suburban areas of larger cities. Linked to a favourable loan policy along with an extremely high inflation rate the circumstances were extremely favourable for one-family houses investments in private sector as well. Housing construction started to decline after 1985 because of both, the changes in the system of financing and the organisation of housing provision (Rebernik, 2002).

The revenue from privatising the housing stock which was earmarked for housing development had no special impact on supply and provision of affordable housing in the municipalities. On the contrary, in the 1990s and 2000s housing construction decreased almost by half (see Table 1). The public rental sector decreased from 26 per cent to 19 per cent of the total number of new housing units (Sendi, 2006). Private housing construction declined less, even though privatisation and denationalisation cut down the amount of available building plots and increased the prices.

The year 1991 actually was a turning point for the new role of the state in housing provision adapted to the processes of decentralization of political power. The new financial legislation abolished almost all the traditional financial sources without replacing them with new ones. In 1991, the Housing Act (Ministry of the Environment and Physical Planning, 1991) introduced privatisation and denationalisation of publicly-rented apartments, residential buildings and plots owned by the state and municipalities. Under extremely favourable terms for purchase, 79 per cent of so-called societal housing was sold to the sitting tenants up to 1993. After that, the share of home ownership increased from 63 per cent in 1991, to 88 per cent in 2002 while the rented sector was reduced to 10 per cent (SORS, 2002). The proceeds of privatisation were distributed as follows: 10 per cent to the restitution fund, 20 per cent to the Housing Fund, and 70 per cent to the previous owners of societal housing stock, e.g. enterprises and municipalities (Dimitrovska-Andrews, 2005). The Housing Act introduced the new classification of housing tenure as (i) social housing owned by municipalities, (ii) non-profit housing owned by housing associations, (iii) for-profit housing on the basis of market rents and, (iv) corporate housing for employees (Kreitmayer et al., 2001).

In order to provide the municipal housing funds and to support the development of non-profit organisations for housing production the National Housing Fund of the Republic of Slovenia was established in 1991. In 2000, the National Housing Programme (Ministry of the Environment and Physical Planning, 2000) defined the shortage on the housing market by approximately 7,000 social and 5,000 non-profit housing units for rent, followed by the conclusion that approximately 10,000 housing units have to be built per year in the period of 1995–2000 (Dimitrovska-Andrews, 2006). As preconditions for the realisation, an active housing policy in

Table 1 Number of housing units built in Slovenia

	Total number	Public sector		Private sector	
		Number	% of total number	Number	% of total number
1970–1975	15.893	9.750	61	6.143	30
1975–1980	13.672	6.999	51	6.673	49
1980–1985	11.252	5.114	45	6.138	55
1985–1990	7.759	2.246	29	5.513	71
1990–1995	5.715	661	12	5.054	88
1995–2000	6.460	1.577	24	4.883	76
2000–2004	7.004	2.160	31	4.844	69

Source: Sendi (2006).

terms of appropriate building plots and the necessity of introducing the public private partnership was estimated. According to the recent data app. 6,000 residential units are needed (Cirman, 2005). A look at the lists of the applicants can illustrate the scarcity, demonstrating a considerable shortage of non profit housing in all larger Slovenian cities. For example, according to the daily newspaper, in Maribor approximately 300 persons applied for 100 apartments built by Municipality Housing fund in 2004 (<http://www.jmss-mb.si>) while in Ljubljana and surrounding approximately 3,400 persons applied for 120 housing units built by National Housing Fund in February 2007 (<http://www.stanovanjskisklad-rs.si>).

In urban centres several private developers produced a number of new residential buildings for sale in best locations which could not solve the urgent needs of mostly young people and families. The prices per sq. m are namely considerably higher than those in non profit sector. Furthermore, because of the existing housing shortage the private companies do not need to conform to the real purchasing power of customers looking for their first housing of quite a modest size. As a consequence, particularly some the larger apartments are often difficult to sell.

3.2 Urban and Land Policy

The phenomena of single family housing as a high preference of Slovenian population exerted extreme pressure on building land in the outskirts, as well as in the hinterland of towns and cities. The single family housing represents an enormous pressure for building land, which has heavily challenged the development of urban areas. For example, in towns and cities the individual housing construction need 15-times more building land than the corresponding area of apartments in multi-storey housing (<http://www.sigov.si/>).

Building firms and developers are using the advantages of the very weak planning system and land policy for obtaining suitable land to build financially affordable detached or semi detached houses according to consumer preferences for the locations along the main traffic routes, and in green environments in the outskirts and hinterland of towns and cities. In such a case, the price for building costs, including the building plot, can be even lower than the price of the dwelling in the city area (Pichler-Milanović, 2005). In the last decades, these trends were additionally encouraged by the construction of new motorways and regional roads network, enabling the accessibility by private car. It is estimated that in Ljubljana there are approximately 40 per cent of the working places up to the daily commuting from the settlements in the surroundings and in Maribor the rate is even slightly higher (SORS, 1999).

4 Problems and Perspectives

In terms of competitiveness as well as cohesion the main question concerns obtaining and managing appropriate building plots for non-profit housing schemes in high price land markets. The central housing and land policy authority represented

by the National Housing Fund introduced several instruments on the national and local level such as for example the expropriation in national interest in favour of regulating the urban and land policy. Parallel to that, the government intensively prepares different measures for establishing adequate legal, urban, administrative, and technical conditions which will enable the development of active housing and land market.

4.1 Maintenance and Renewal of Existing Housing Stock

Considering the age of buildings and the level of maintenance, it was estimated that the majority of dwellings, with a focus on those in multi-storey residential buildings, are not of the appropriate quality. Fifteen years after the privatisation enormous problems related to the maintenance, refurbishment, and renewal of the existing housing stock are arising, especially in the estates of previously rented social housing. Over 61 per cent (approximately 140,000 dwellings) of housing stock is more than 30 years old (Sitar, 2006) and only 2.3 per cent of them were renewed (Kilar, 2004). This is somehow also linked with the fact that after privatisation the extremely low residential mobility in old housing estates was realized (Rebernik, 2002). However, the mixture of private and public ownership very often causes enormous management problems especially related to the refurbishment of old buildings. Recently, there are some possibilities to obtain special subsidies, but, unfortunately, only for improvement of energy efficiency.

4.2 Institutional Framework

In 1999, the National Housing Fund introduced the National Housing Savings Scheme in order to provide certain conditions for financing a unit of non-profit housing. Construction activities arranged by the National Housing Fund are predominantly in suburban areas and periphery of the cities, where the price of building plots is much lower than in central positions. Several new measures were introduced by commercial banks to additionally support housing savings, but practice revealed the extremely unrealistic conditions of the bank arrangements (Stanovanjsko varčevanje, 2005). The traditional way of supporting family members is to help purchasing an apartment or building a single family house. House ownership is still essential and one of the highest values for Slovenians.

New economic conditions also increased the problem of providing appropriate housing for disadvantaged social groups, especially young people and families, handicapped, homeless persons, and ethnic groups such as Roma (Development Strategy of Slovenia, 2004). In 2003, the new Housing Act re-introduced the category of temporary or emergency accommodation, which supposes to be commonly provided by municipalities. It also re-defined the system of rent subsidies for low income people by abolishing the traditional division between the categories of social and non-profit housing. Additionally, it provided the legal framework for the establishment of the new owners' and tenants' organization, such

as Homeowners associations or Condominiums to take over the whole management of the multi-apartment buildings including the maintenance and renewal (<http://www2.gov.si/zak/>).

There are numerous endeavours to back up an appropriate legal and institutional framework for the new situation on existing housing market. The main idea is to promote the market-oriented constructions for rented housing in order to diminish the role of the state in real estate market and housing provision. The existing housing saving scheme, systems of credits and loans as well as the organisations of housing associations still have to be systematically examined. Further, new instruments such as the real estate funds to assure the appropriate building land have to be re-established.

The draft versions of several new documents are promising to cover some shortages in housing supply. The draft of the Strategy of the Housing Fund of Slovenia 2004–2008 forecasts to fulfil the most urgent housing problem, such as a generally increased number of housing units for rent, provision of temporary housing units, renewal of dwellings in social housing, encouragement of new organisational forms of public–private partnership, the implementation of active land policy, the guarantee of sufficient financial means for the erasing of the housing quality etc (<http://www.trajekt.org/documents/SSRS-programJN.doc>). Beside, the new National Housing Programme for the period 2005–2015 is in progress by setting a new transparent framework of social, financial and taxation issues on one hand and urban, environmental and technical standards on the other (<http://www.stanovanjskisklad-rs.si/>).

5 Maribor Housing Policies and Practice

The housing development sector in the city of Maribor is perhaps the most significant example of the implementation of housing politics in programmes and actions on local level. The endeavours of local authorities persisting on their own strategies and programs are consequently diminishing the gap in housing production caused by the economic recession in the 1990s. After 1991, responding to governmental inconsistent housing policies, in the city of Maribor a series of innovative instruments and methods in the field of urban planning, the financing and production of housing have been developed in a most pro-active way. Under the conditions of scarce financial resources, some actions directly stimulated the housing market. In collaboration with planning authorities, architects, and local building industry housing became one of the most dynamic sectors, and an increasingly important economic source for the competitiveness of the city and region.

5.1 General Description

Before 1991 Maribor was an important industrial town but after the change of the economic and political system most of the industrial production went bankrupt.

Recently, the city developed features of a modern post-industrial town located in a beautiful natural environment of the surrounding rural areas. The most significant advantage of Maribor is its exceptional transport position. Lying between the Alps and the Pannonian lowlands, and northern and southern Europe, the city has been for centuries the most important transport junction in the north-east of Slovenia reaching back to the railway line Vienna-Trieste in the 19th century. Accessible by road, railroad and air the city is located at the crossroads of transport corridors linking Central Europe with Balkan countries and Mediterranean area with Eastern Europe. The international airport of Maribor located 5 km from the city centre ought to be recovered by the new development project of logistic centre in the neighbouring town Hohe along the motorway to Ljubljana.

With 112,153 inhabitants in 2004 (Vovk Korže and Prah, 2006) and an area of 147.5 sq. km (Kreitmayer et al., 2001), Maribor is the economic, administrative, and cultural centre of the region Podravje (310,743 inhabitants, Urban Audit, 2005), as well as the regional centre for administration, education, health services, media, financial institutions etc. Recently, in spite of the problems of the transition period in the past decade the city of Maribor and its urban region have considerably improved the urban, social, and cultural image. Maribor is also the University City with the second oldest and largest university in Slovenia with approximately 22,000 students.

City municipality of Maribor is administratively organised in 11 city districts and 6 local communities. The main body is the city council directly elected by local citizens supported by the correspondently important role of the mayor, representing the competent authority in the field of city planning, housing policies and, provision of infrastructure and public services.

5.2 Demographic and Urban Development

Generally, the demographic situation of Slovenia is defined by the decrease of inhabitants mainly due to the negative natural growth and aging population. Concerning the average demographic growth Horvat (2006) compared the demographic data in Slovenia for the last 22 years: with one third of the average value Maribor is on the very end of the list. In 1991 the age index was 66.1 but in 2002 the age index increased to 137.3; the share of younger population decreased from 17.4 per cent to 12.4 per cent in the same period (Drozg, 2006). The stagnation of population is also reflecting in the number of households that decreased by 3.6 % and in the city centre even by 12.5 % in the period from 1991 to 2002. In comparison to Slovenian average, the ageing index is more than 50 % higher (Horvat, 2006). Since 1991, the net migration rate decreased as well, partly due to the decrease of immigration of workers from the southern Yugoslav republics (see Table 2).

In the 1990s, the city and its urban region experienced one of the deepest economic recessions in its history characterised by the decline in almost all categories, such as population, work places, new investments etc. (Lorber, 2006). The unemployment rate which comprised almost a quarter of the total active population is

Table 2 Number of births, deaths, immigrants and emigrates in the city of Maribor between 1982 and 2004

Year	Births	Deaths	Immigrants	Emigrants	Natural growth	Net migration	Changes no./inhab.
1982–1990	1061	1076	3513	3387	–15	+126	+111
1991–1996	817	1035	1063	1511	–217	–448	–665
1997–2004	709	1026	821	1672	–317	–851	–1168

Source: after Horvat (2006).

declining to the rate of 15.3 per cent in 2005. Apart from the industrial production, the increasing private activities in service sector offer working places, especially in tourism, finance and, commerce (Drozg, 2006).

The new shopping malls, Cineplex and, entertainment facilities highlight the new trends of suburbanisation in the outskirts and surrounded settlements. These new developments are defining the borders of the functional urban region that, according to Drozg (2006), reaches the population size of approximately 170,000. According to Horvat (2006), the city area of Maribor is illustrated by the decrease of 9.7 per cent of population for the period between 1991 and 2002, while in the outskirts the number of residences increased from 21 to 28 per cent, and the number of households from 19 to 26 per cent for the same period. The outskirts and surrounded municipalities are demonstrating the completely new pattern of urban development for living and working. Concerning housing the prices for the single-family houses outside the city borders are competitive with those for the apartments in the city. From these areas about 25,000 persons commute daily to the city centre (Urban Audit, 2005) for work, education, shopping, and other activities. However, in these areas some new type of social differentiation is appearing since the majority of the new residents are well-educated with quite a high standard of living in the opposite to the rather limited standard of predominantly rural native population.

5.3 Housing Development

Similar to the general situation, the gap between housing demand and housing supply in Maribor is constantly growing. After prosper economic periods of the 1960s and 1970s the housing production decreased extremely after 1991 and reached the lowest number of in the last decade (see Table 3). The demand is related also to steadily growing prices of purchase and of profitable rents for privately built housing.

In the beginning of 1990s, the changes in the national system of housing provision caused an extreme shortage of non-profit housing. On waiting lists for acquiring rental dwellings there are mostly young persons, couples and families, who are not able to obtain a dwelling on private housing market. In the period between 1994 and 2005 the non-profit and social housing production was all together 590 units

Table 3 Number of residential buildings according to the year of construction in Slovenia and Maribor

	Total number of buildings	–1918 1945	1919– 1960	1946– 1970	1961– 1980	1971– 1990	1981– 1995	1991– 2000	1996– 2001+	2001+
Slovenia	463.029	86.240	42.536	51.739	66.684	95.510	73.491	21.776	19.975	5.078
Maribor	16.144	2.345	2.560	1.889	3.317	3.144	1.746	453	535	155

Source: SORS (2002).

for 3876 applicants that means that only 15.2 per cent of all who have solved their housing problem (<http://www.jmss-mb.si>).

However, the city authorities encourage housing development in many aspects. The municipal housing department prepares the housing programmes to be adopted by the municipal council. Planning, construction, maintenance, refurbishment and renewal are managed by the Public Intermunicipal Housing Fund (PIHF) established for the City Municipality of Maribor and five neighbouring municipalities in 2002. Its main task is the provision of rental housing units for different categories of applicants, the concern for the quality of housing of existing rental housing stock on the basis of the long term maintenance plan, the preparation of development programmes for municipal housing economy etc. PIHF is also managing its own housing stock, consisting of the non-profit and for-profit flats and houses, the apartment houses for elderly people, and the dwellings in the denationalisation processes. Its vision is primary oriented in construction of rental apartment houses including the housing for special population groups – elderly people, singles, and single-parent families as well as the temporary residential units for socially unprivileged person. The Housing Programme declares the construction of 456 dwellings on different locations for the period between 2006 and 2010, though the realisation of the programme is relying upon the collaboration with the Housing Fund of Republic of Slovenia as well as other interested partners and co-investors. In 2006, the new housing policy instrument to regulate the public–private partnership of investments was namely introduced as well as the innovative model of shared ownership for the tenants (<http://www.jmss-mb.si>).

The development of housing policies experienced some achievements such as the privatisation of rental housing, but it was less successful in management of privatised housing stock and production of social and non-profit housing for different groups of population. In recent years the increased trend to move out of the old multi storey residential buildings to new apartments or one family houses asks for a variety and flexible typology of housing and residential areas in green environments. For the relatively low purchasing power of the population also some innovative model of ownership is needed, as for example, cooperatives combining rental and private dwellings. Besides, for innovative types of housing including the subsidised rental dwellings and dwellings for persons of special needs that are not possible to be realised in the existing system new organisational and financial instruments have to be introduced.

5.4 Innovative Housing Planning

Since 1991, the local authorities have been searching for innovative methods in urban planning and architectural design in order to assure the appropriate quality of housing for its inhabitants. As the result, several innovative housing schemes of high urban and architectural value designed for different social groups including disabled persons were initiated in collaboration with Municipal Housing Fund. The majority of them is a result of architectural competitions won by young architect groups taking over the conception of the new Urban Development Plan for the City Municipality of Maribor between 1995 and 2001. Starting in 1995, the project was developed in response to the dynamics of economic and social changes in the city. The planned activities focused on the old city core renewal on one side and, on the redevelopment and regeneration of the abandoned areas on the other, with special regard to the protection of the green belt of the city. As a main instrument, some innovative cooperation and participation methods regarding active incorporating of citizens' participation in planning processes were introduced. During the next five years, one of the most important experience were the urban planning workshops in different city districts aimed at the integration and collaboration of experts, students and, the local population in the development of new urban communities planned (Lobnik, 2002). In 2002, the project won a special award from the European Association of Town Planners, for its professional approach in view of integration the experts in urban planning workshops (Maribor, 2006).

6 Conclusions

From a historical perspective and as part of welfare policies, a sufficient and high quality housing provision was one of the strongest central government instruments in Slovenia, although housing shortages have always stayed as an issue in big cities'. Since 1991, Slovenian towns and cities experienced an extremely dynamic urban and housing development, related to the political, economic, social changes after independence. The shortage of dwellings for renting in public and private sectors, the decline of new social and non-profit housing construction, the increased number of persons eligible for social housing, financial constraints for purchasing housing, are the main features which demonstrate the commonly unsatisfying situation in the existing housing system which does not meet the needs of population. According to the analysis presented in this chapter the government has failed to establish a new efficient housing supply system, also when looking towards the practice of other transition countries, which was not reported here (Cirman, 2005).

The transition from a centralised and subsidized housing system to a privately based and market oriented system caused on the one hand a huge prosperity, in particular regarding economic activities and employment. On the other hand, this restructuring also threatened social cohesion of Slovenian towns and cities. The privatisation of housing and enterprises changed ownership structures fundamentally.

Almost 90 per cent of the housing stock today is owner-occupied. This segment of tenants is generally the elderly generation which solved the housing question in more favourable times. In the past the favourable housing loans and the high inflation rate enabled a type of self provision of individual family houses, too. Recently, for the young generation, the chances to obtain a non-profit accommodation are extremely low. Young people use to live with relatives for a long period of time before forming own families, since the private renting market is much more differentiated and rather expensive, with low quality as well as the uncertainty of tenure as further problematic characteristics.

In relation to housing provision, the efficiency and implementation of land, transport, or social policies are strongly depending on the activities of local authorities, in collaboration with private partners and further new actors and institutions of governance at different levels which have been introduced. At the national level, the appropriate legal and institutional framework was primarily established to provide the financial support for rental housing for low-income groups, as well as for the construction of new residential houses for purchase by predominantly young people, families and under-privileged. The municipal authorities and institutions at the local level, such as municipal housing funds, are responsible for housing policies and programmes for the development of new rental non-profit housing schemes as well as for the refurbishment and renewal of the existing rental housing stock. Since the provision of standard quality dwellings for low-income households requires high subsidies and the co-financing by national housing funds is limited, the municipal funds are often insufficient for the output of new housing. Due to the lack of appropriate national funding and in the absence of favourable mortgage finance, buying homes is almost exclusively possible for middle- and high-income groups only, since the sqm-price in urban locations of major cities like Ljubljana and Maribor substantially exceeds the monthly average family income.

One of the most problematic issues of housing production is the shortage of appropriate building land and a complicated planning control system. The land supply may also be limited because of the delayed restitution proceedings and property registration. According to Dekleva (2004), to slow down the steady growth of land prices, various measures for the adaptation of the present system to the new conditions, which will enable the development of building land to be equipped with appropriate infrastructure, is needed.

In the conditions of changing and unstable markets local social cohesion is becoming an increasingly important factor for policy. The success of the regeneration and renewal projects is largely depending on the participation and cooperation of native population. There are various instruments of local activities and programmes which can activate potentials for common actions and enable the development of local communities as a key expression of social cohesion. In central city locations, the dwellings in multi-storey, multi-family residential building are often of relatively poor quality, which caused serious problems for managing and financing the maintenance and renewal of buildings and surrounding areas, particularly in the mixture of private and public ownership of the existing housing stock. Low regulated non-profit rents to assure low housing costs will never cover the operational

and maintenance cost, though the new Housing Act provided the legal framework for the establishment of the Homeowners associations.

The case study of the innovative housing policies, experienced in the City of Maribor, is an example of effective short term policy, upgrading the existing system of urban and housing planning at the local level. Following the structural changes in economic, social and spatial terms, the national strategies were implemented by innovative 'soft' instruments of local governance, aimed at the organizational framework for coordination of all the actors involved. The idea of planning workshop initiated in the process of the new Urban Development Plan, which was realized by active participation and cooperation of the population and elaborated separately at the level of the city district. To raise the architectural quality of the planned residential areas, international urban and architectural design competitions, were organized by inviting predominantly young architects and resulted in modern innovative urban and architectural concepts of residential structures.

Part IV

**Practice of the Competitiveness
and Cohesion Discourse in Urban
and Regional Development**

Sustainable Urban Regeneration in a Global City – The Regeneration of Paddington Basin

Mike Raco, Steven Henderson, and Sophie Bowlby

Abstract This chapter examines the processes and practices of local economic development policy in London. It argues that they are underpinned by tensions between the twin objectives of promoting the city's national and international economic competitiveness on the one hand and increasing its levels of social cohesion on the other. These objectives are not always mutually compatible and in the case of a 'global' city like London they take on a particularly extreme form with development priorities often skewed towards the global scale and the requirements of economic growth. The chapter draws on a two-year, in-depth study of the politics and practices of one of London's premiere urban regeneration projects, the Paddington Basin development in the West End. It explores and examines the links between this 'flagship' regeneration project and broader agendas for economic competitiveness and social cohesion. It is argued that the former has taken priority over the latter and there exists a disconnection between stated policy objectives and outcomes. The chapter draws out the wider lessons for regeneration projects in cities elsewhere in Europe.

1 Introduction

Urban regeneration in cities such as London poses particular challenges for policy-makers. On the one hand, local projects can tap into and 'capture' flows of capital that make their way through the city. New developments can also create new commercial spaces and these in turn may play an important part in supporting the wider city's longer term economic competitiveness. On the other hand, however, developments often create new forms of socio-economic division. Whilst this is true for developments in any city, the scale of development activity in global cities tends to make these divisions even greater. There is a danger that developments become more externally-focused than elsewhere with significant impacts on social cohesion and inclusion.

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At the same time, in the UK and across the EU the discourse of sustainable urban regeneration has underpinned new agendas. Urban regeneration, it is argued, should be concerned with social inclusion, democratic accountability, and environmental sensitivity. There is a new policy orthodoxy that claims that sustainable development must promote both economic competitiveness and social cohesion if it is to be just and effective. However, in divided and internationally-oriented capital cities such as London the ability and willingness of development agencies to deliver such regeneration is an open question. How do you promote sustainable urban regeneration in a capital city with a global focus? Is such development possible and desirable? Who decides what constitutes sustainable urban regeneration and has its introduction into policy discourses had any discernible effect on flagship developments in the city?

This chapter draws on the experiences of development in Paddington Basin West London to address such question. Paddington has undergone significant new investments in the 1990s and 2000s and has been lauded as one of the best examples of urban regeneration in the UK. It provides an excellent case study of the ways in which development agendas are formulated, developed, and implemented in London and the study draws out some of the key lessons that can be learnt from its experiences. The chapter begins by exploring the meaning of sustainable urban development and its core features before turning to a detailed investigation of the case study and its connection to broader (policy) conceptions of urban sustainability, competitiveness, and cohesion.

2 Building for the Future – Visions, Practices and the Delivery of Sustainable Urban Regeneration Sustainability and the Politics of Space-Time

During the late 1990s and 2000s the discourses that have underpinned urban regeneration in the UK have been subject to significant change. Across western Europe governments have extended some of the principles of capacity-building established during the 1990s and focused more explicitly on the concepts of sustainability and its spatial policy manifestation the sustainable community (SC). The wider discourse of sustainability emerged during the 1990s as part of a wider international debate over how economic development could be made more inclusive, democratic and environmentally sustainable (see Henderson et al., 2007; Kenny and Meadowcroft, 1999; Whitehead, 2003). In the UK the Labour government has adopted elements of these wider ways of thinking and increasingly argued that development should be underpinned by new temporal and spatial imaginations of what places should be like now and in the future. In launching its SC strategy in 2003, for example, it defined SCs as 'places where people want to live and work... [and they] meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life' (Office of the Deputy Prime Minister [ODPM], 2003: p.1). The emphasis is on what places can become through the effective implementation of sustainability-oriented planning processes.

SC-building is underpinned by a particular politics of time and of future imaginations as highlighted in Table 1. As Kenny and Meadowcroft (1999: p. 4) note, 'nearly all the definitions [of sustainability] conceded that it involves the re-orientation of the meta objectives of a given society – by raising questions about different possible social trajectories through which the society may move'. However, they go on to argue that this 'does not in any way imply only one kind of social future as the embodiment of 'the' sustainable society'. Within such discourses 'the future', therefore, becomes less of a vague alibi for short-term programmes and instead takes on the features of a definable object that should be integrated into planning frameworks at all stages of their development and design. It becomes something tangible to be controlled, ordered, and worked towards with active citizens expected to consider their own actions in the context of how they might impact on the 'future'.

The process of turning these policy aspirations into practical development agendas is a complex and challenging task. It forces development agencies, planners, communities and other stakeholders to engage with key questions such as:

Table 1 The central features of sustainable and unsustainable communities

Criteria	A sustainable community	An unsustainable community
Economic change and Development	Flourishing economic base; built on long-term commitments; stability; inclusive of a broad range of workers; a steady transition in economic activity away from declining sectors to growth sectors.	Domination by dependent forms of development; lack of employment opportunities; vulnerable; insecure, short-term, and divisive labour markets.
Citizenship and governance	Active citizens and communities; long-term community stewardship; effective political engagement; representative, accountable governance systems; balance of strategic, top down visionary politics and bottom up emphasis on inclusion.	Passive and dependent citizens and communities; lack of community engagement or ownership; low levels of voluntary activity and/or social capital; closed, unaccountable systems of governance; over-reliance on passive, representative forms of democracy;.
Community change and identity	Broad range of skills within workforce; ethnically and socially diverse; mixture of socio-economic types of inhabitants; balanced community; well-populated neighbourhoods; sense of community identity and belonging.	Absence of skills within workforce; ill-balanced communities of place; high levels of (physical) separation between groups; lack of diversity; formal and informal segregation; lack of population, lack of local associational culture and ownership of public space
Environmental dimensions	Re-use of brownfield sites; minimisation of transport journeys; good quality public transport	Expansion into greenfield sites; maximisation of transport journeys; car dependence and the absence of public transport

Source: adapted from Raco (2007: p. 72).

- How do you define a 'problem' place and what would make it a 'better' place?
- Who are the target groups that regeneration is aimed at (e.g. developers, investors, house buyers, local communities etc.)?
- How can infrastructure be created that supports the formation of sustainable communities?
- What types of urban environment should be developed and for whom?
- What role does brownfield regeneration play in the successful implementation of development projects?

The delivery of sustainable regeneration and its impacts on people and places are directly related to the ways in which such questions are addressed and the imaginations and visions that are established before policy is initiated. These visions, in turn, are created through a combination of theoretical, professional and academic knowledge, often gained through an understanding of practice from elsewhere and an assessment of the specific local contexts that exist in a development area. At the same time the institutional, political and economic circumstances within which development programmes are initiated are subject to frequent change and contestation so that answers that seem appropriate in one context at a particular time, can quickly become out-dated or seen (ironically) as a 'problem' at a later date. The remainder of the chapter now turns to our case study to address these issues and questions in greater detail. It begins by discussing the research and some of the key developments that have taken place in the Paddington area before assessing the extent to which it contribute to sustainable urban development in London.

3 Flagship Urban Brownfield Regeneration in the UK: The Redevelopment of Paddington Basin

During 2003–2005 the authors undertook a detailed investigation of the Paddington Basin site. The research adopted a mixed-methods approach in order to provide both historical context to the case studies and to capture some of the on-going and rapidly-changing processes of social and economic change that were taking place. The first stage of the work involved the collection of archival and documentary sources in order to provide some background on the local changes that had taken place and the dominant policy visions and strategies that had shaped the form and character of the regeneration. A second stage then involved the interview of key stakeholders, including planners, developers, investors, community representatives, and business support groups. Forty interviews were conducted. Interviewees were uncovered using a snowballing method, and most interviews lasted approximately one hour. In addition focus groups were held with community representatives. By employing these methods the intention was to obtain a broad range of opinions and perspectives from a variety of groups, many of whom were relatively difficult to track down and were wary of the formal research process (see May, 2003).

3.1 The Paddington Basin Development

For much of its history the site that is now Paddington Basin has been subject to major development projects with a London-wide and/or national focus. It formed an important junction on the national canal network in the early days of industrialisation. The most significant development in the area, however, was the construction in the 1840s of the Great Western Railway and the selection of Paddington as its London terminus. The building of the railway involved massive infrastructure development and generated supporting economic activity, such as warehouses, workers houses, and associated community facilities.

The area's connections to both the rail and the canal networks provided important legacies. In physical terms it became a divided space with land given over to a range of polluting industrial and warehousing functions. As with other British industrial urban areas the existence of heavy rail tracks came to represent an important social as well as physical divide (see Imrie and Thomas, 1999). Areas to the north of Paddington became working class housing, with close-knit communities and a growing infrastructure of churches, public spaces, and civic amenities. South of Paddington increasingly exclusive and expensive developments were constructed in the spaces between the new station and Hyde Park. These areas became some of the most sought after properties in and around the capital. In economic terms the area was dominated by the transport industry and manufacturing trades many of which went into decline during the 1970s and 1980s. In addition, its distance from the West End and the City of London was relatively much greater than those of other London stations. This, allied to its brownfield appearance ironically meant that it became a more peripheral location within London and was seen as an economic backwater that was ripe for development.

It was in this context that in 1988 in response to wider development pressures in Westminster, the local authority created a new development area that it called the Paddington Special Policy Area (PSPA, see Fig. 1). The site was (and is) criss-crossed by transport infrastructure include an urban Motorway (known as the Westway), Paddington railway station and the Great Western Railway, and the Paddington Canal. By the mid-1980s the site was either derelict or occupied by low rental land uses, such as warehousing, car parking or waste disposal. The canal itself was not open to pedestrians, and the buildings that remained turned their backs to the water. Other than providing a site for a small number of canal boat residents, it had little community use, except for the occasional recreational canoeist. From the public's perspective it was an area to be avoided and was 'right up there as one of the infamous blighted sites of London' (Sadek, 2002: p. 233).

However, during the 1980s despite these structural difficulties, the area has been characterised by significant and aesthetically spectacular regeneration. There have been two principal development phases of the PSPA. The first took place during the late 1980s when plans for the wholesale, property-led regeneration of the area were announced. This initial period of interest was subdued in the early 1990s by a national economic recession but a second, more substantial phase of development took place from the mid 1990s onwards. This renewed activity was fostered by a different

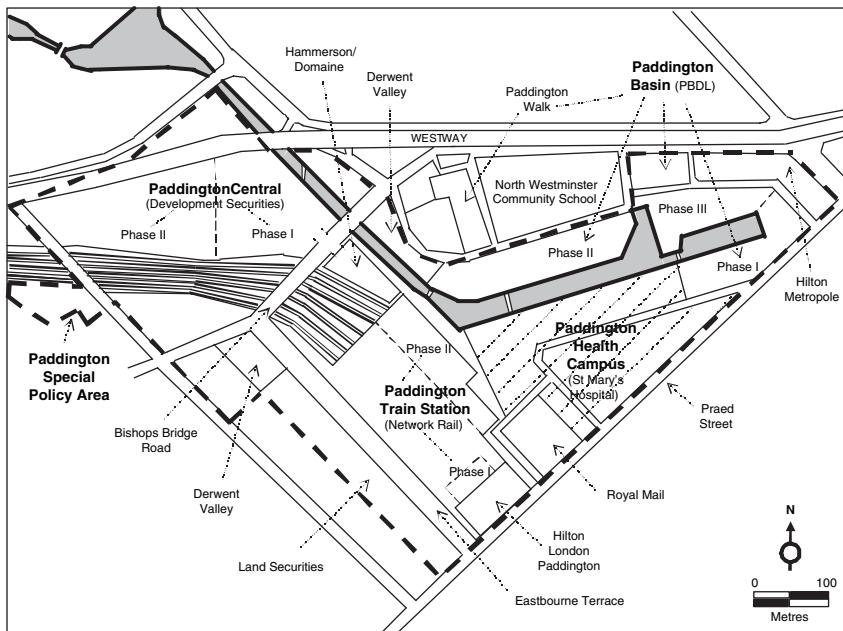


Fig. 1 Landowners and development schemes in the PSPA 2005

Source: Adapted from Paddington Regeneration Partnership (2001: p. 8)

set of developers, encouraged by the announcement and eventual completion of the Heathrow Express rail link in 1998. Since then the Paddington area has been physically transformed with massive changes in its economic structure and use. By the mid 2000s approximately a third of the planned development had been completed including 788,000 square feet of office space, 687 new homes and 160,000 square feet of retail/leisure use (Paddington Waterside Partnership, 2001: p. 1).

The development has been so significant that in February 2004 the Mayor of London labelled Paddington one of nine 'Opportunity Areas' in the capital or spaces in which sustainable forms of brownfield had and continues to take place. For the Mayor the development represents an important part of a wider 'coherent vision for London's future, based on a practical response to the challenges facing London... [that] accommodates growth of population and jobs in sustainable patterns of development' (Livingstone, 2004: p. 4). The London Plan identifies four key principles for development planning in London: (i) that growth can only be accommodated without encroaching on green spaces; (ii) development needs to be integrated with public transport networks and capacities; (iii) that a range of supply side issues need to be addressed, including the supply of commercial floor space and other facilities; and that (iv) clear spatial priorities are devised and established. All of these criteria are ostensibly reflected in PB and indeed, it could be argued, that it is the existence of such projects that had some influence in shaping the London Plan's guidelines.

In this wider sense it is argued that PB represents a different 'type' of flagship regeneration project that is very different from the exclusive and divisive projects of the 1980s and 1990s. It can generate new forms of social cohesion by promoting development in some of the most deprived parts of London. At the same time it will help to foster London's national and international competitiveness by creating new spaces for commercial expansion. Policy-makers in London and at UK level argue that such growth is essential and that areas such as Paddington have an important role to play. The rationale behind the area's development, for example, was that over 75% of the City of Westminster's area is protected by stringent heritage planning regulations and planning for growth in Central London was becoming increasingly difficult. As the Leader of Westminster City Council noted in interview, "planning policies got tighter and as a result commercial landowners were feeling the pinch . . . so the two came neatly together, there was this underdeveloped derelict land out at Paddington, it was blighting the area and there was this demand for a commercial 'safety valve' for activities that would normally go on in the Central Area Zone". In response to development pressures in London, areas like Paddington have gone from being problem places to opportunity spaces.

The remainder of the chapter now draws from our research findings to examine some of the key lessons for contemporary brownfield regeneration and sustainable community-building in the UK and beyond. The discussion is framed around the four core themes analysed in Fig. 1: (i) citizenship and governance; (ii) changing economic landscapes; (iii) environmental change; and (iv) community change and identity.

3.2 Citizenship and Governance

The wider 'success' of any regeneration programme is dependent upon the mobilisation of new modes of active citizenship and new processes of inclusive and engaging local governance. It is often argued by policy makers, academics and others that for any development to be effective it needs to be 'owned' by local communities who are expected to take enhanced responsibility for ensuring that development agendas are inclusive, wide-ranging, and targeted on local problems. Encouraging new, forms of community and citizen engagement in the governance of sustainable communities is seen as one of the core dimensions of urban regeneration.

In PB there was mixed evidence over the openness of local decision-making and the extent to which new forms of active citizenship had or had not been established. For instance, many local residents and businesses in both areas complained that there had been a lack of consultation throughout the development period and that significant decisions over strategy and practices were consistently taken behind closed doors. During the early phases of the regeneration, in particular, engineers, planners, investors, and developers drew on their own skills and knowledge to plan and structure the development. The initial priority was to create new investment spaces that could be re-labelled and marketed as 'Paddington Basin'. Community

and social considerations would, it was argued, be dealt with at a later date – a local version of ‘trickle-down’ development thinking.

This focus on getting the development ‘up and running’ had significant implications for community involvement and sustainable governance. The research showed that for existing, long term residents, the new developments were often perceived as a threat to their communities and to their future residence in the area. There was a general feeling that regeneration projects were ‘out of their control’ and that technical, political and financial considerations dominated decision-making processes and frameworks. As with development projects elsewhere many residents felt that their very presence in the development area was increasingly a ‘problem’ for development agencies who had become focused on a process of urban gentrification in the name of making local communities more ‘sustainable’.

There were also significant issues over the ‘ownership’ of the development site. Developers saw it as an opportunity to engage in lucrative development with a minimum of community involvement and consultation. A number of respondents noted that the site was not ‘owned’ by local communities. In the words of one major developer of PB this was because the site was,

really hidden away, hidden behind the Westway, hemmed in by the railway tracks, by this derelict part of the canal which was previously not open to the public at all and so the public quite frankly had no stake in this land prior to the development, therefore they’re not losing anything if somebody comes along and builds on it, so long as what they build is not too ugly or whatever. So they had no reason to be terribly NIMBYISH about it as they’re getting public space, they’re getting the canal opened up.

Similar sentiments were expressed by a local councillor in interview who noted that, ‘because the site has been locked in by the station and the motorway it has never been seen as part of the community . . . it was always a sort of no-go area’. As we will see below some of the unique challenges of developing mechanisms of community consultation in London are found in an exaggerated form in Paddington. And yet, rather than being seen as a problem to be addressed, community views are ‘spoken for’ by others. In many ways the peripheral character of the site and the perceived lack of community ownership encouraged developers to get involved in the area’s regeneration. Assumptions were made in PB about the nature of community perspectives and the simple narrative that now exists about the early days of the development portrays the planners and developers in an almost heroic, pioneering light.

Others talked about the advantages of urban development in an area where ‘the community doesn’t yet exist’, another described it as a ‘part-time’ community, owing to the relatively high number of commuters who use the space daily. This lack of perceived community enabled a de-politicisation of the development to take place and again this was seen by development agencies as a significant advantage that PB had over other development in London. As a Chief Planner noted in interview,

in the local context we’ve never actually had to argue our case . . . Paddington has never been to a public enquiry, our policies have never been challenged by anyone at the Urban Development Plan [level], we’ve never had an appeal on the major development site so . . . we’ve never been tested.

In addition, local authority officers argued that a number of local initiatives had played an important role in legitimising the development. WCC have been active in setting up a Social and Community Fund from some of the receipts of developers. In the early days of the development developers had been resistant to this but the election of the national Labour government in 1997 and the introduction of the London Mayor in 1999 gave the local authority greater leverage in discussions. The Fund is run by WCC and is used to fund local social and cultural investments and projects. In addition, local developers and investors have worked closely with the local Employment Service to create a scheme known as Paddington First. The project involves a series of initiatives to increase awareness of employment opportunities in the PB area within local communities and has played an important role in the setting up of training schemes to boost local skills.

Alongside these institutional initiatives it is also important to note that there were few, if any, alternative visions put forward for PB in the mid 1980s. The powers and resources of local government to deliver urban regeneration were being eroded. Control over housing, the utilities, transport provision, and other components of regeneration were being privatised or given to quangos to run, manage and implement. For a brownfield site such as PB, there were relatively few options. Changing UK government financing rules meant that public sector bodies were expected to use their land as assets to raise capital for regeneration. The then government's focus on property-led regeneration required local authorities to establish development partnerships and getting developers on board was the only option for WCC.

Generating new forms of sustainable and active citizenship in such a context has proved to be a significant challenge. None of the respondents in PB felt that they had played a 'stewardship' role over the developments thus far. There was little sense that new forms of governance were being introduced that would bring this about. Without this sense of ownership and control there is little prospect of encouraging new types of community-led engagement.

Finally, the research has shown that there is a contested politics of time concerning the development with different groups having very different understandings of exactly how and when the development should deliver on its objectives. One of the difficulties of the wider sustainability policy discourse is that it requires local communities and citizens in particular to develop longer-term perspectives, rather than concentrating on immediate and less sustainable concerns. And yet in Paddington there has been conflict between developers, many local communities, and investors on the one hand who are looking for shorter-term gains and the early construction of high return projects and planners and policy-makers who ostensibly are looking to promote development that will bring benefits in the longer term. In addition, there are longer term liabilities for different agencies and this has also started to generate tensions. Investors have been keen to promote high return developments of national or international significance that they cannot build elsewhere in the crowded central areas of London. This may or may not be optimal for local communities and other stakeholders. Developing new forms of sustainable citizenship will require the resolution of this new development politics.

3.3 Changing Economic Landscapes

The environmental credentials of new economic spaces, such as those in Paddington, is linked to their location on previously-used land as opposed to greenfield business parks, and their accessibility by transport modes other than private transport. In competitiveness terms, urban regeneration helps to broaden and strengthen urban economies, and thus assist in reducing the medium to long-term risk associated with dependence on individual industries. The national and international competitiveness of business occupiers ensures that the longer term economic sustainability of such spaces are maintained, if not expanded, in terms of their employment base and wealth generation. Economic growth also provides opportunities for the support of the wider community through new employment and neighbourhood support projects. From a social sustainability perspective, emerging economic spaces are inclusive of a wide range of workers, including employees varying in age, ethnicity, gender and skill levels. The potential for local residents to find employment on regenerated brownfield sites scores highly in a sustainability sense, as it enables employees to walk or cycle to work.

As a regeneration scheme in an inner-city location, PB is promoted as an important 'alternative' site for office-based businesses seeking large low cost floor spaces in locations proximate to their respective city centres. In particular, there has been an emphasis on facilitating the expansion and inward migration of corporate headquarters both to support local planning priorities, whilst also supporting London's international competitiveness and its position as a 'world city'. At the same time it deflected development pressures away from areas of heritage protection by providing development capital in a brownfield zone where development applications would be treated more favourably. The potential for larger office floor spaces and building sizes in turn provided the opportunity to increase the diversity of office spaces available in the national capital. The development, therefore, has to be understood in relation to the wider context of development in London. Its core objectives, priorities, and rationalities are geared up to a wider vision in which 'local' initiatives have been increasingly linked to broader discourses concerning the wider economic competitiveness of London as an urban centre.

However, despite these visible changes, there was nothing inevitable about the types of economic spaces that have emerged in PB. It has experienced significant difficulty in convincing the development and commercial sectors of their viability as investment and business locations. Positive promotion, upfront investment and a willingness to support catalyst-style investments underpinned initial development activity on both sites. Commercial interest was slow to emerge as Paddington was initially considered too far from the existing commercial and retail core of London. The sensitivity of the development site to prevailing market attitudes was further reinforced in the early 1990s when a national recession halted development progress on both sites. Equally it is reflected in 'trend-based' planning, with the desire to build office-space outstripping other types of development in the late 1980s. From an early stage Westminster City Council had insisted on a mixed

residential-employment based scheme, in reflection of the predominantly residential character of the surrounding area.

Within the broader context of market constraints, interviewees expressed reservations at the approach adopted by the local authorities and key development interests to regenerate the respective development areas. In the discussion that follows two key findings are highlighted which have resonance for brownfield regeneration projects more generally. A first conclusion is that the orientation of brownfield spaces towards high quality amenity, positive promotional images and the desire to attract successful, growth-orientated and high profile businesses, is reflected in various biases that counteracts calls for diversified economic activity and employment markets. The high commercial letting cost and corporate orientation of brownfield redevelopments, which partly reflects what is required for such projects to be financially viable, means that emerging spaces provide few options for small-scale firms or new entrepreneurs. Interviews also highlighted how existing firms can feel excluded from what is going on around them, encouraged by a lack of communication on the part of key decision-makers and the feeling that the objective of attracting new economic activity means that the continuing and long-term contribution of existing businesses is overlooked and undervalued (see also Turok, 1992). To the extent that this discourages existing businesses from investing in growth and technology, it potentially renders them uneconomic in the future. Equally it was felt that emerging brownfield development schemes, including their focus on middle to high-income workers and consumers, and the prospect of commercial and residential gentrification, may undermine existing local establishments catering for low income or minority customers.

A second finding relates to the difficulty of linking local residents to the emerging employment opportunities and thus the potential of sustainable communities based on tight knit forms of living and working. The same industrial legacy that has created the opportunity to redevelop low cost derelict land, is also reflected in the socio-economic conditions in adjacent areas and skill mismatches between low employees and the skill requirements of newly emerging businesses. Where employment connections have been forged, they often occur at a relatively low skill level, including cleaning, labouring and security. Key reasons included the absence of positive measures, including investment in training and education to link local people to emerging employment opportunities.

In large part this reflected a faith in trickle down policies, including the positive role of the physical regeneration in inspiring the local labour force. Yet when the jobs that were advertised to attract local support did not emerge, mental barriers were reinforced including the attitude that whilst spectacular development it is not necessarily for local people. In PB greater attention has been given to the softer human aspects of successful urban regeneration schemes. Paddington First, for example, has been established as an employment agency to link local people to local jobs, and to formalise the word of mouth recruitment strategies that predominated in the local communities in the area. This difference aside the likelihood that business occupiers were relocating from sites elsewhere within the metropolitan area and thus bringing existing employees, limited the range of initial jobs to low skill

activities. Doubts remain over the extent to which training and educational programmes are sufficient to enable local residents to move beyond the lower rungs of employment activity in the emerging economic landscapes. Without significant resources to support sustainable communities, the prospect remains one of spatially segmented workforces, with managers and higher skill workers commuting over significant distances.

3.4 Environmental Dimensions

One of the greatest ironies in the Labour government's sustainable communities plans has been the lack of emphasis on environmental or 'green' policies and practices. In the *Sustainable Communities Plan* (2003) there is no discussion of energy saving building designs, carbon neutral methods of supplying energy or of environmentally friendly waste disposal. The conventional mantra that sustainable development involves 'balancing and integrating the social, economic and environmental components of their community' and 'meeting the needs of existing and future generations' is to be found across a range of policy programmes. However, as outlined in Table 1 above, the economic and social aspects of a sustainable community are discussed at length while environmental components are presented as concerning only the reduction of car travel and access to open space for its residents. Indeed the need for, and justification of, reducing car travel on environmental grounds is not discussed explicitly but is simply implied by the endorsement of good public transport access as a characteristic of a sustainable community.

These two aims are to be achieved first, through provision of good access to public transport and 'the opportunity to live and work within close proximity' (ODPM, 2003: p. 51) and second, by ensuring people have access to open space without irreversible damage to the ecology. For example, in relation to new developments the Thames Gateway area to the East of London, measures to ensure the quality of life for existing and future residents and the sustainability of the communities will include the provision of 'extensive open space and parkland to support recreation, leisure and sport, while conserving and enhancing the ecology of the sites' (ODPM 2003: p. 53).

In PB environmental considerations have been key feature of local development. It is easily accessible by public transport and, consequently, meet one important criterion for an environmentally sustainable community. However, this public transport is often being used to bring employees from far afield to work in the highly-paid, service occupations which are the dominant type of employment on both sites. Thus, good access to public transport has not gone hand in hand with creating a place in which a high proportion of people both live and work. As we have already discussed in relation to the creation of a sustainable economic landscape, PB has offered residents in surrounding areas only limited access to jobs. The desire to attract growth-oriented, and successful businesses militated against the development of a diversified local economy with a high proportion of local employment for local

residents. The opening of the Heathrow Express Rail Link in 1998 exacerbated this 'external' orientation to transport infrastructure. As a British Airport Authority representative noted in interview before the link,

Paddington was seen as a bit of a backwater because it wasn't as close in as some of the other London termini so we were quite keen... to use the railway as a big catalyst... PB demonstrates that if you have good links to a major airport then it is a good economic regenerator.

The attraction of new forms of globally-oriented economic development was the primary reason (and effect) of the new rail connection.

This situation, in which there is a high proportion of fairly long-distance commuters amongst employees on the sites and relatively few workers who live nearby calls into question the term 'sustainable community'. Rather than an inclusive, socially diverse but interactive set of residents and workers we found that the PB area encompassed different communities with little interaction between them. We found little evidence that workers who live some distance away were engaged with one another or with residents as active citizens contributing to debates about the future of their areas. In the Paddington development it is early to draw conclusions about links between residents and workers and their mutual involvement in decisions relating to the area. Thus, for brownfield re-development of this type more thought needs to be given to devising ways of engaging both those who live and those who work in the areas in decision making and interaction.

Access to attractive open space has been a significant element in the design in PB since a high priority was given to creating an aesthetically attractive environment in order to attract development. There was no attempt to officially list ecologically or culturally important sites. It has made much of its waterside location by ensuring that housing and office developments included views of the water and providing pedestrian access to the waterside. The 'Canalside Area' has been made accessible and public art, planting and cobbled surfaces have been used to create an attractive environment.

Although attracting development was a major motive in redeveloping the sites aesthetically, there was also a strong commitment by local authority planners to ensuring that the sites were open to outsiders and provided space for recreation for both site residents and people living nearby. However, it is notable that little provision for informal leisure is evident in Paddington. This has generated conflicts over the use of private resources as for public activities. In the London context the provision of leisure attractions, such as cinemas and local pubs, was not seen as a priority given the high number of similar locations within a 3 km radius. This was a source of tension with some local community respondents who felt that a disconnected site was being created on their doorstep.

The implications of our research for the future development of major brownfield sites is that in order to create sustainable communities more attention needs to be given to: social and economic links between those living on the site with residents outside; developing a means for workers on the site to interact with residents on issues relating to its future development; and ensuring that more employment on

the site is potentially accessible to local and new residents. Finally we suggest that future policy should embrace a richer set of environmental concerns such as impacts and resource use relating to land, water, energy and air. These must be recognised as integral to developing sustainable communities.

3.5 Community Change and Identity

One of the justifications for new rounds of investment has been that derelict, brownfield sites represent eyesores that undermine a sense of community pride and attachment to an area (see Turok, 1992). This may encourage skilled people to leave deprived areas and make them less attractive to potential investors. The extent to which this is the case is however, relatively unproven. Indeed, in some urban communities brownfield sites are, in fact, valued by local residents who see them as open spaces or important parts of an area's history, culture and traditions. Moreover, changing the physical environment is seen as an important mechanism for the creation of new community identities based on aspirations. It is argued that the presence of higher quality infrastructure encourages individuals and communities to take greater responsibility for their own futures so that they can 'improve themselves' and aspire to a 'better' quality of life. In many ways, such programmes indicate the ways in which a form of aspirational economics has replaced trickle-down as the principle mechanism through which the benefits of development are to be enjoyed by a broader range of local people (see Miliband, 2005).

Our research found that despite their often limited feelings of 'ownership' over the contours of development, in many cases respondents felt a sense of pride in the redevelopments that were taking place in their neighbourhoods. There was a general consensus amongst interviewees that the development had made the area 'better' and that despite the lack of thought given to their inclusion, there was little doubt that the area had seen major improvements and that once excluded physical spaces had now been opened up in new and potentially exciting ways. These positive views on the development in large part reflected the relative isolation of the sites from resident communities and their 'cut off' status. Brownfield development is very different in different contexts and takes on a variety of meanings. As discussed above, the perceived and physical disconnection of the existing post-industrial, brownfield sites in PB and their transformation into spaces that could be used for a variety of purposes has undoubtedly contributed to these positive perspectives.

However, despite these positive feelings, respondents also reported that the enormous sums of capital invested on the sites had amplified their perceptions that their own neighbourhoods had been neglected. Their growing problems of unemployment, poor quality housing, crime and disorder, and deteriorating urban environments had become apparent and as had their feelings of exclusion and marginalisation. Rather than encouraging new forms of aspiration-building in local communities, the developments in PB have helped to create new forms of disconnection and the feeling that regeneration efforts are not 'for them'. Indeed, amongst

some of the young people interviewed, the new developments were seen as an expression of exclusion, rather than inclusion. They had created a 'them-and-us' local culture, rather than acting as sites for new forms of positive identification and ownership. The longer term implications of this disconnection may be potentially significant in terms of crime and anti-social behaviour.

In addition, the research also showed that development legacies are important in the trajectories of new rounds of investment. One of the limitations of development visions in PB has been the 'blank slate' approach adopted by development agencies and developers. PB became a 'new place' to be created, moulded and shaped to meet the wider ends of development policy. However, the legacies of earlier rounds of regeneration have had a significant bearing on the politics and practices of 'new' regeneration agendas. There is evidence that the fractured and contested histories of community development has limited the willingness of established community groups to get involved in the latest rounds of development as there is an expectation that they are 'powerless' and unable to influence the course of development. Building new forms of identity and engagement in such contexts has been extremely challenging. At the same time expectations have been raised in both areas about the benefits that brownfield regeneration will bring and in some senses the new developments have become a victim of their own publicity and hype. Powerful promises of the benefits that the area will receive have not been matched in practice thus far.

Finally, one of the interesting dimensions to emerge from the research was the use and deployment of wider concepts of heritage in the brownfield development process. As English Heritage (2004) and others have argued, the sustainable communities agenda, and the wider push towards brownfield-led regeneration has often led to the downgrading of the cultural value of development sites/areas. Once places become labelled as development spaces, their former uses are, by definition, re-classified as out of date and of little economic value. They may, however, be historically or culturally valuable to local communities and others in very different, non-market terms. In PB the relationships between heritage, identity and regeneration were evident. The pre-industrial historical uses of the water-based canal infrastructure has, for example, been given a new prominent status in the marketing and (re)labelling of the areas. Paddington Basin derives its names from a particular vision of its heritage, although the re-naming of the area has been undertaken primarily for commercial marketing purposes. Some of the rhetoric has also been about recreating local communities in a context where motorway development and housing renewal projects in the 1950s and 1960s physically transformed the area and effectively removed community infrastructure. New developments have, therefore, been greeted with suspicion by longer term local residents.

However, the new discourses have been relatively uncontroversial and there has been relatively little protest over the re-branding of the areas as investment sites. Where there has been controversy it has related to the re-commodification of the site and the ways in which Paddington is now being marketed as an exclusive development area, in a context where neighbouring communities are still suffering from acute disadvantage. Whilst such places clearly do not represent 'blank slates' to be developed, the lack of community protest over their re-characterisation is indicative

of very different place-community-site relationships than those found in other development areas such as London Docklands and Cardiff Bay where controversies over the history of development spaces have dominated local politics (see Imrie and Thomas, 1999).

4 Conclusions – Urban Development in a Global City

This chapter has argued that the process of sustainable urban regeneration and the wider building of sustainable communities in Britain's town and cities is a far from straightforward process. New forms of development require a re-assessment of the complex relationships between economic change, the construction and design of new urban environments, the reformation of structures and systems of governance, and the fostering of new forms of place identity. The extent to which these changes can be structured and co-ordinated in a coherent and inclusive manner will vary from context to context given the legacies of earlier rounds of physical, social and economic regeneration. The chapter has highlighted some of the strengths and weaknesses of existing attempts to create sustainable communities in London and some of the threats and opportunities that exist for future rounds of 'sustainability-driven' development.

It has also demonstrated that there are particular dynamics involved in the promotion of development agendas in major cities such as London. Initiatives that start off as area-based 'local' projects, intent on building new places and tackling the socio-economic problems of selected groups can quickly become 'ratcheted-up' in response to broader development objectives, priorities, and opportunities. London's regional, national, and international significance as an economic centre mean that regeneration projects possess multiple, and sometimes conflicting, rationalities. Whilst this is true for development projects in all cities, in London these processes have become exaggerated and the Paddington example demonstrates how and why development projects change their focus to become more internationally oriented. Local investments are legitimated on the basis that they are strategically significant for London and the UK's competitiveness. Economic growth *per se* is presented as both the means and the ends of urban policy and development is justified on the grounds that 'global competition' has become increasingly pervasive and any opportunity to 'capture' investment must be taken, whatever the local socio-economic impacts. In this context the meaning of terms such as sustainability, cohesion, and competitiveness become increasingly flexible and are deployed to address broader policy priorities. Cohesion, in particular, is seen primarily as resulting from enhanced economic growth (and greater competitiveness) as it is argued that the benefits of regeneration will eventually trickle-out to those in greatest need. Without growth, these benefits will not materialise.

The impacts of this new way of characterising urban policy in London for social cohesion will be profound. If development projects are no longer concerned with the improvement of the life-chances and quality of life of groups living in deprived

areas then the longer-term effects of development could lead to increased polarisation. In London such processes are compounded by the complexities of community change and the relationships between people and place. As the chapter has demonstrated, the identification and selection of coherent 'communities' is a challenging and difficult task and development agencies have, at times, promoted areas such as Paddington as 'community-free' zones. New agendas that promote luxury housing for a 'creative class' of workers are increasingly justified on the grounds that existing poorer communities can find work and housing opportunities elsewhere in the city. As an Opportunity Area Paddington's new role is to act as a focus for new forms of inward investment. It is not intended to promote social cohesion in Paddington per se but will help generate wealth and, therefore, indirectly provide a new basis for cohesion across the capital. This is a departure from earlier rounds of urban policy in London (and elsewhere) and represents an extension of a competitiveness agenda as a form of social policy. The longer term implications of such policies are likely to be significant and at odds with the wider discourse of the sustainable community.

Finnish Urban Districts – New Actors in Multi-Level Governance

Harri O. Andersson

Abstract In 1994 The Ministry of Interior created a new tier of *district level governance* between the municipal and regional levels. This involved a re-shaping in the ways in which urban policy programmes across the country were to be governed and controlled. This chapter examines the role of these new district level agencies in the formulation and implementation of urban and regional policy and the impacts that this 're-scaling' of governance has had on the effectiveness of policy programmes. The aspect of effectiveness needs to be related to a wider context, including the search for policy models which can provide both, increased competitiveness in particular for all regions outside the main urbanized areas in southern Finland such as Lapland and following a cohesion agenda which establishes standards of living equal to all parts of a country at the northern periphery of Europe.

1 Introduction

Finland is the most decentralised country in the European Union. Its 416 local authorities (January 2007) have far-reaching powers and a fairly independent economy (with the right to tax the income of their residents). Finland is a large country with an area of approximately 330 000 km² – in fact the sixth largest in Europe – but it is also thinly populated (15.5 persons per square kilometre on average). In addition, most local authorities have few residents: there are 81 with less than 2 000 inhabitants, and 173 with 2 000–6 000 (Rautiainen, 2007: 1).

Because of the considerable differences in development potential between the different parts of the country, regional policy has been a powerful tool for reorganizing regional development since the 1960's. One notion within this, raised in the 1970s, was growth centre policy, which was focused on the urban communities. The aim of this policy was to concentrate economic (and political) power in selected urban centres. Supporters of the ideology believed that concentrated economic and

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financial power could serve better to increase the efficiency of regional development operations and improve the regions' external economies. After a heated political debate, the new legislation never led to any actual growth centre policy, however. In any case, many political reforms since the late 1960's had supported the development of small and middle-sized centres in development areas, and industrial development in some peripheral areas mainly supported the urban regions or sub-regional centres of rural areas (cf. Vartiainen, 1998: 6).

More urban-oriented regional thinking arose once more in the early 1990's, following the structural economic changes that were taking place in individual cities and urban regions. The Finnish economy was overheated at that time, with households and firms heavily in debt, and companies were facing the prospect of decreasing profits as a result of credit losses, the realization of assets, and indebtedness. During the worst recession and economic crisis of the century in Finland, in 1991, the number of jobs decreased over the whole country and unemployment grew by 20%. Paradoxically, unemployment rose most sharply in the former growth regions and around the major cities, i.e. the areas with good production potential scarcely fared any better than the less developed areas (cf. Doling and Koskiaho, 1994: 47, and Virkkala, 1994: 94).

The restructuring that took place in the industrial regions and towns was a starting point for discussions concerning regional change in Finland, and later, towards the end of the decade, the rapid development of the Finnish information society and a new line of political thinking regarding the development of regional centres introduced new elements into Finnish urban and regional development policy. The aim of this chapter is to present three stages in Finnish urban-regional development, connected with the regional change in the 1980's, the new regional dynamics in the late 1990's, and to the more balanced regional development that followed at the beginning of the new millennium. The basic concept is the urban district as a new actor in Finnish multi-level governance. The latest stage, the project aimed at restructuring local government and services, is still in progress, but this will undoubtedly alter the meaning of the urban districts in the near future. The case study of the Salo district at the end of the chapter will give a concrete example of a Finnish urban district as part of the urban-centred development of a Finnish sub-region aiming at a balance between competitiveness and social cohesion.

2 Regional Change: The Restructuring Thesis

Economic reorganization, with a decline in the industrial sector and an increase in the now dominant information and communications sector, spatial alterations in the division of labour and reform of social relations, represents a complex of factors which have contributed to the changes that have been taking place in urban and regional structures in most advanced capitalist societies since the early 1970's. Within the field of social and regional research, this social transition and its structural connections have

given rise to the 'restructuring thesis', which is employed in certain theoretical and methodological explanatory frameworks to seek invariances that describe the general trend of development, starting out from realistic deduction on the basis of particular cases. Such invariances may include national or international economic trends, for instance, and the particular cases individual localities or regions.

Restructuring is in effect not so much a thesis as an explanatory framework which contains a relatively accurate and critical definition of a set of processes describing an economic system characterized by aggregation and crisis, a segregated social sphere, political environments and associated changes in cultural and geographical structure. Philip Cooke (1987: 70–71) speaks of a methodological change which has come about in the explanation of spatial processes, and refers to restructuring as an orientational tool or framework for use in the conceptualization of spatial development, a kind of metalanguage which can shape and direct research programmes and provide information on research strategy. In its most general sense, restructuring is meant to convey a break in secular trends and a shift towards a significantly different order and configuration of social, economic and political life. It thus evokes a sequence of breaking down and building up again, deconstruction and attempted reconstruction, arising from certain incapacities or weaknesses in the established order which preclude conventional adaptations and demand significant structural change instead (Soja, 1987: 178).

Two decades ago, the British ESRC research programme 'The Changing Urban and Regional System in the United Kingdom' (CURS) gave rise to critical debates concerning the concepts of locality and economic restructuring. The fundamental purpose of the CURS programme was to determine the effects of changes in the national economy at the macro-level on economic, social and political circumstances (cf. Cooke, 1986: 244). One of its first major aims was to analyse the types of local labour market, the particular forms that economic restructuring takes in all of these and the effects of economic change on various aspects of social life.

The CURS programme was an important framework for the Finnish urban and regional research programme 'Prospects for Finnish Localities' which started in 1989 and was completed in 1992. The starting point of the programme was an understanding that certain periods of urban change can be distinguished which have outstanding features and problems of their own. The post-industrial society of the service-based economy has brought the urban regions to a new stage in their development, in the background to which the crisis in the industrial society, the rapid advances being made in certain branches of technology and the changes taking place in social and economic organizations are now beginning to cast doubts on the rational foundations for urban development which prevailed at the height of industrialism. The rationalization of certain branches of industry and the restructuring of economic activity was emerging as a force for change in terms of urban and regional structure in the late 1980's and early 1990's, and was inevitably reflected in a polarization of the country's urban areas and in social and environmental pathologies attributable to social problems and alterations in the urban space. The branches of technology that are of importance from the point of view of urban structure, information, energy and communications technology, were influential elements in the transition to

a new service and knowledge society. Their effects were to be seen in new forms of economic pressures and a new constitution for the urban space, against a backcloth of an international technoculture.

As a consequence of the economic, political and social restructuring which was going on in society, a new trend towards differentiation was to be detected in Finnish cities. New developments in Finnish society, with all their crises and problems, have directed themselves, or are in the process of directing themselves, towards the cities, giving rise to new types of urban area and new partial structures in these urban areas.

The theoretical and methodological framework for the research programme lay in the concept of the economic, technological, social and political restructuring processes prevailing in society, which in the local context were reflected in various types of cities or city-regions and their future development (cf. Andersson, 1991: 12–14).

3 New Regional Dynamics: The Pragmatics of Restructuring

In the process of integration and globalisation, the regions and the urban entities formed by them are finding themselves engaged in open interaction and competition on international markets. The rapid development of telecommunications, the relocation of transnational corporations, the dynamics of European integration and increased inter-national migration are almost certainly at the root of the current transformations visible in our regions and urban systems. As these regions and urban systems become more international and their business environments change, so do the national urban system and its development dynamics. Meanwhile the national and supranational competition between cities is acquiring new manifestations, bringing with them the tensions that exist between global and local forces. Competition may be regarded as a force compelling regions to change. It affects not only individual cities or regions but urban and regional networks as well. Engaged in competition with regions both in their own nation-state and across the globe, regions are inclined to invest in buildings (e.g. science parks), infrastructure (e.g. transport corridors), and events (e.g. cultural activities and image campaigns) that will enable them to compare favourably with their competitors.

The new economy has become a powerful tool for regional restructuring, and it will also need a new kind of regional policy and regional thinking. Geographical switches of capital can have substantial implications for the uneven development of city-regions. Ray Hudson speaks about four of the strands of the new economy and associated institutional and policy changes (Hudson, 2000: 70–88). These strands are: (1) inward foreign direct investment in manufacturing industry and a new role for the region in the international division of labour (cf. regional versions of global strategies), (2) enhancing the region's technological capacity (cf. learning regions), (3) creating an enterprise culture: small and medium-sized enterprises and new forms of local economic development strategies (cf. partnership policy), and (4) the emergence of private sector services (cf. tourism).

In this new regional development the most competitive and dynamic knowledge-based economy is that which is closely connected with clusters. Clusters are important, because they allow companies to be more productive and innovative than they could be in isolation. Clusters also reduce the barriers to entry in the creation of new businesses relative to other locations. According to Ketels (2004: 54), clusters share four critical characteristics: (1) *proximity*; they need to be spatially sufficiently close to allow positive spill-overs and the sharing of common resources to occur, (2) *linkages*; their activities need to share a common goal, e.g. a final market demand, for them to be able to profit from proximity and interaction, (3) *interactions*; being close and working on related issues is not enough—some level of active interaction has to be present for positive cluster effects to occur, and (4) *critical mass*; there need to be sufficient number of participants present for the interactions to have a meaningful impact on the companies' performance.

Understanding the importance of these four dimensions is much more relevant than defining specific benchmarks on them that a group of firms and institutions have to meet in order to be called a cluster. There are many regional cluster initiatives in Finland, but the national strategy has been to focus resources on a few national clusters. The Finnish centres of expertise have an important role in strengthening the knowledge base of enterprises working in clusters.

4 Centres of Expertise – A New Knowledge Base for Regions?

The Centres of Expertise (CoE) Programme was created in accordance with the Regional Development Act (no. 1135 of 1993), seeking to pool local, regional and national resources to develop selected internationally competitive fields of expertise. The initial implementation of the programme over the period 1994–1998 was based on eleven centres, and in response to the outstanding results of this work, the Council of State then extended the programme by nominating new fields of expertise and new centres to implement a second national programme over the years 1999–2006, involving 14 regional centres and two nationally networked centres. For the latest period (2007–2013), the Ministry of Trade and Industry decided to recognise 21 centres of expertise and 13 clusters and allocate some of the clusters coordination responsibilities with respect to other clusters of the same type. By strengthening cooperation between city-regions, this kind of coordination has also regional effects through urban networks (see Centres of Expertise Programme).

With continuing globalisation and technological development, the competitiveness of regions has become increasingly dependent on specialisation and the ability for innovation. The centres of expertise seek success through exploiting local excellence and growth potential. The strengths of the Finnish national innovation system, combined with effective local research and cooperation within industries, have also made the regions more attractive places for foreign research and development investment.

The idea of the Centres of Expertise Programme in Finland is to utilise top level knowledge and expertise as a resource for business operations, job creation and

regional development. The programme seeks to identify regional strengths and create economic growth, to increase the number of competitive products, services, enterprises and jobs based on the highest standards of expertise, to attract international investment and leading experts, and to continually reinforce and regenerate regional expertise. To achieve its objectives, the programme creates conditions for innovation and commercialisation, makes the latest knowledge and expertise readily available, increases cooperation between the various parties involved in developing research and know-how-intensive business operations, utilises human resources through intensified use of training and education, and improves coordination between local, regional and national development measures. Most of the centres of expertise are oriented towards new technology (newcomers include nano and micro- systems and adaptive materials). But there are also centres and clusters which are socially oriented, such as the health cluster, well-being cluster and living cluster (see Centres of Expertise Programme).

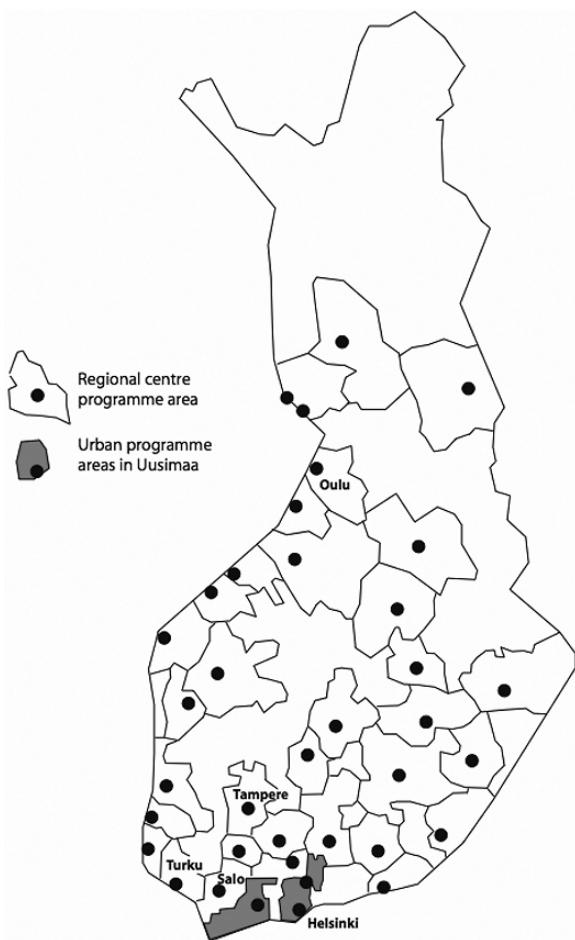
The regional pattern for the location of the centres of expertise follows the location of the university cities, as the role of the universities is to produce the latest knowledge and competence for the centres expertise and for regional development in general. The universities also have close connections with local science parks and with their regional administration, and together these institutions can create specialized and specializing regions within the country. The universities are important in the process of learning within the regions, because they should provide stable, high-level, well-equipped and future-oriented educational programmes which will allow effective, long-term learning processes to take place in their regions. The universities can also coordinate learning processes of various kinds, and be partners for enterprises in their research and development activities (see Andersson, 2003: 54–55).

Universities can play a significant role in building the network of regional centres, and a new demand has arisen in the context of regional restructuring for the universities to act as ‘region builders’ as well. This role is not seen as a substitute for national engagement, but as an additional requirement. Significantly, because there are typically one or two universities within each region in Finland, the focus being more on the responses of individual institutions than on those of the universities as a group. Institutions are increasingly being expected to work in partnership with other public and private stakeholders, mobilizing their considerable resources to map out strategies for future development, assuming in effect a leadership role in the region (Goddard et al., 2000: 28).

5 The Regional Centre Programme – Balanced Regional Development?

The regional centre is the latest concept in Finnish regional policy. The first regional centres were chosen in 2001, and 35 such centres have been designated for the programme period 2007–2010 (Fig. 1). The Regional Centre Programme (RCP) is a special government programme as allowed for under the Regional Development

Fig. 1 Finnish regional centres in the programme period 2007–2010



Act. Its objective is the establishment of a network of regional centres covering every region/province for the development of the strengths of the urban regions and patterns of specialization and cooperation. The programme implements national strategy, in the sense that 'the government is developing a multi-centre regional structure based on a competitive metropolitan region and regional centre network which will maintain the vitality of all regions and facilitate more balanced economic growth throughout the country. Each province must have at least one urban region which offers a competitive location for various types of business and a diversified local job market. In addition the provinces must have successful smaller urban regions, strong municipal centres and rural regions, whose businesses are efficiently networked both within the province and outside' (Finnish Government 15.1.2004).

The programme is strongly focused on the growth centres, which are typically cities, and sees urban centres as prime movers for expertise-led economic growth. High-level expertise, a creative and safe working environment and smoothly

functioning services are the basis for Finland's competitiveness, and a large proportion of the nation's businesses, higher education and research institutions are situated in the urban regions. These urban regions are nevertheless small by European standards, with greater distances separating them, although they all possess the prerequisites for success, and through the special expertise of their businesses they are genuine operators in global networks. According to this urban policy, the country needs diverse urban regions. Through the urban network everyone's expertise and strengths are efficiently brought into play (see Ministry of the Interior, 2007).

The regional centres have organized themselves into a network for the assembling, exchange and comparison of knowledge and experience, as it is through shared networks that regional centres can develop and disseminate modes of operation that produce added value for the regional and national implementation of RCP objectives. The developmental themes for regional centre networks are innovative action, welfare, education and culture. Large urban regions, industrial centres and rural regional centres in their reciprocal networks concentrate on specific development needs and the possibilities that are open to urban regions of different types. Networks also bring about interplay between actors, not only in regional centres but in central government and the regional administrations, the provinces, the business sector and education and research organisations. Regional centres with certain tasks assigned to them are responsible for the national coordination of networks, the selection criteria for which emphasize features such as 'regionality', networking, partnership, 'engagement', participation and socially sustainable development. The regional centre should be a strong urban area which is functional and has a uniform identity. Regional centres are important tools for the new regional and urban policy, the core of which is provided by a strong, vital network of urban regions (cf. Ministry of the Interior, 2007).

It is obvious that the RCP is trying to obtain a more balanced form of regional development (in terms of north vs. south, or larger urban regions vs. smaller ones). The results for programme period I (2001–2006) show that the gap in the rate of development between urban regions has narrowed and job opportunities have increased in the regional centres, especially in the largest ones, faster than in other parts of the country. Along with the large urban regions, the adjacent small regional centres and medium-sized provincial centres have grown. The Ministry of the Interior (2007) also estimates, that as a result of the programme, urban area actors are more conscious than before of their responsibility for generating vitality in their region. Municipalities taking part in the programme have increased their goal-oriented cooperation, intensified their strategic cooperation, especially in business policy and the development of services, strengthened their regional cooperation base through reciprocal agreements and organised and renewed their cooperation structures.

One aim has been that the RCP should have close links to the centres of expertise programme, which means that growth has often been connected with the high-technology sector. Some studies of growth factors in the information society nevertheless show that not all industries may be considered propulsive. In fact, much of what is called high-tech activity involves relatively routine production tasks rather than innovative ones. Many of the aspects of high-tech activity which act as the

bearers of innovation are to be found in industries such as telecommunications, computing services and the independent research and development sector (see Allen et al., 1998: 22). It is also possible that the clusters of information-intensive industries may operate more internationally, so that their regional influences are less significant than might have been expected.

6 The Dynamics of Finnish Urban Regions

The urban region (urban district) is a new element in regional development which is now becoming one of the basic levels in the Finnish urban and regional system (this administrative division of the country into regions was adopted by the Ministry of the Interior in 1994). The urban region is a smaller unit than the traditional province, and comprises a commuting area, an area of municipal cooperation, an area with identifiable expertise in terms of both traditional and new skills, a concentration of social interaction, an initiator and developer of a networked society and a space for planning and power. There are many types of urban regions in Finland, so that Antikainen and Vartiainen (1999: 403–406) divide them into 11 categories. The first category is a multinodal, two-tier international centre, and is represented in practise only by the main centre, the Helsinki conurbation and the sub-centres within its travel-to-work-area. The Helsinki urban region is currently the most prosperous area in Finland. It is similarly in a class of its own in terms of functional significance, primarily on account of its traditional position as the centre of national decision-making and power. It has a well-developed information economy basis, high-quality living conditions and functional specialization in private-sector services. It is the only urban region that genuinely plays a role in international urban networks. Its prosperity is also reflected in the development of the sub-centres nearby (cf. the assumed advantages of smaller regional centres close to larger urban areas).

The second type consists of the large university regions: Tampere, Turku and Oulu. The Tampere and Turku urban regions are less dynamic in terms of functional significance than the Helsinki urban region, but still considerably stronger than the other diversified urban regions. These traditional ‘second cities’ of Finland have now been challenged by the Oulu urban region, however, which has a functional basis that has prepared it to respond to the challenges of the information economy. The development of these regions is an excellent example of responses to the requirements of the global economy and the associated ever-increasing demands for better living conditions. The urban regions in the third category (fairly large or medium-sized university regions: Jyväskylä, Kuopio, Vaasa and Joensuu) did not differ in their development from the large university regions, but have been developing less intensively in the post-recession period. They did not possess as competitive preconditions for development, providing evidence to support the assumption that preconditions are significant in terms of actual development.

The other categories of Finnish urban regions include (4) fairly large or medium-sized industrial urban regions, which are slightly less diversified and more manufacturing-oriented urban regions than the third type, (5) administrative centres,

(6) medium-sized regional centres, (7) coastal manufacturing or diversified regions, (8) the electronics manufacturing centre Salo, (9) the seafaring centre Mariehamn, (10) the tourist centre Savonlinna, and (11) small industrial urban regions. Since the smallest of these urban regions have less than 25 000 inhabitants, there is only a fine borderline between these urban regions and the industrialized regions not classified here as urban.

In their article of 1999, Antikainen and Vartiainen look forward to a different urban and regional system in which cooperation and networking between cities is promoted instead of a competitive, hierarchical urban system. In their conclusion they assess the importance of networking for the urban system in the future: 'In general, Finland has, territorially, a relatively evenly constructed urban network, which is, in terms of functional significance, still rather powerfully vertically-oriented due to the traditional hierarchical urban system. In the next decade, the functional basis and the urban region's capacity for informational economy and ability to mobilize it will determine what position such a region will gain. In other words, the era of differentiation is not monotonously an era of polarization, but it is a period when urban regions are finding their place in the national and international urban networks' (Antikainen and Vartiainen, 1999: 406). This same idea is incorporated in the centres of expertise and regional centre programmes.

Later Antikainen and Vartiainen (2002) analysed Finnish regional development and differentiation using the concept of district to refer to an agglomeration of municipalities that are grouped together according to their functional orientation in order to reflect the actual daily conditions under which people, enterprises and community organizations function. In an urban context the concept of district refers to a functional urban region (FUR). Within the statistical regions of Europe, districts belong to LAU level 1 (Local Administrative Unit, formerly NUTS level 4), which is below that of the province. There were 77 districts in Finland at the beginning of 2007.

The district is also a useful concept for analysing regional development from a functional viewpoint, since its use as a level of analysis makes it possible to distinguish internal development dynamics more explicitly from the features of external development. Internal dynamics refers to development conditions and features within the functional urban region, while external development relates to the inter-regional, national and international levels. The most important quality of the concept of district is thus its capacity to extend beyond administrative boundaries. As a result, the needs of economic activity and service production can be mapped more efficiently. This leads to more coherent strategic planning, visioning and the rationalization of the provision of public services, for example (Antikainen and Vartiainen, 2002: 183).

The most powerful districts are city regions, which have a competitive advantage concerning information society (cf. *centres of expertise* and *regional centres*). Following a 'Finnish vision for the knowledge economy' developed in the late 1980's by the Science and Technology Policy Council (consisting of representatives of science, private companies and government), such tripartite partnerships (government, science and business) became increasingly important on the urban level as well in

the 1990s. The urban level consequences of high-tech growth are very important factors for the Finnish city regions on account of the tension between competitiveness and social cohesion, as city regions where the central city is a centre of expertise have seen rapid population growth, leading to spatial effects spreading into the neighbouring municipalities (which in turn has called for more inter-municipal coordination and coordination between different levels of governance).

The districts have developed in an uneven manner, mainly because of differences in their economic history and location. According to Antikainen and Vartiainen (2002: 188–189), the number of winners among the Finnish districts is decreasing and the number of losers is growing. The winners are large university districts and centres of the electronics industry, whilst the losers are those districts where the economic structure is derived from primary production, basic industries and public services. The definition of success, however, is often dependent on the variables, indicators and databases chosen, so that the dichotomy between ‘winners’ and ‘losers’ should not be exaggerated or over-dramatized. A significant number of districts in Finland are performing adequately: they are not booming nor are they in a state of crisis. Furthermore, the most interesting up-swingers, Oulu and Salo, rely on relatively narrow elements of growth and the actual overall demographic and economic changes in these currently prospering districts are relatively minor. Regional differences also exist within the districts, as some residential areas of Helsinki are characterized by highly negative developmental trends, while prospering villages can be found in the peripheral parts of eastern Finland. The former case reflects the growth of urban problems that are now a part of the landscape of structural change across society, while the latter case reflects the growing role of locality-based factors in spatial development.

The Finnish districts are sub-regions without any statutory decision-making bodies, so that all decisions concerning districts must be made at the municipal level. There are many municipalities, however, that have transferred some of their powers of decision to district-level bodies such as district health care authorities, joint municipal boards etc. There are three organizational types of district administration, mainly depending on the district’s position and power in regional development (e.g. small rural districts vs. large urban regions). The simplest model of sub-regional cooperation among local authorities has traditionally involved economic development policy and lobbying, but in the future local authorities will be able to organise basic services for their residents on a sub-regional basis and agree jointly on land use planning, land policy, the development of municipal engineering, communication networks and environmental management. Access to local health care services and social, education and cultural services can be organized through sub-regional cooperation (The Association of Finnish Local and Regional Authorities).

Even though the Ministry of the Interior and the Association of Finnish Local and Regional Authorities have promoted this cooperation and supported projects initiated by sub-regions, there have been problems in strengthening the cooperation. It seems to be that some economic projects have proved to be a successful way of achieving common goals in the districts, but the supplying of public services has been a problem. This has led to the latest step in Finnish regional policy, a

'Project to restructure municipalities and services'. The objective of this project is to create a sound structural and financial basis for the services that the municipalities are currently responsible for, in order to ensure the organization and provision of such services in the future with due regard to the required standards of quality, effectiveness, availability, efficiency and technology. Lying behind the project, which will consider both the organization and production of services, are the major demographic and economic changes in the operating environment for local authorities which Finnish society will be facing in the coming decades, which will pose challenges for their ability to provide services for their citizens. The project will probably lead to larger municipal units and a diminishing number of them. The new independent municipalities will typically represent the former districts in which cooperation in the provision of services already existed.

The second organizational type of district administration is a regional federation of municipalities. These have many kinds of duties, such as the regional control of interests (concerning mainly accessibility issues), industrial policy, land use planning (e.g. joint master planning for groups of municipalities), and coordination of municipal cooperation. The key actors in the case of the regional federations are the regional development centres, which are owned by the municipalities making up the district and are usually responsible for promoting regional development and cooperation, acting as advisors to businesses, producing services for their member municipalities and acting as regional lobbyists.

The third form of district organisation is a corporation model. This system typical of larger urban areas and is closely related to the possession of high-tech clusters or science parks. One example is Pori Regional Development Agency Ltd, which started up in February 2003 as a regional development centre in Pori region. The company's goals are to create better operating conditions for companies and other organizations in the Pori region and to promote cooperation between the business community and the local authorities. Within this same area the Satakunta Centre of Expertise utilizes the expertise of the University Consortium of Pori, polytechnics and large international companies in the area to launch new businesses. The aim is to take advantage of the strong industrial tradition of the region to produce a good platform for the utilization and creation of new technologies.

7 Conclusion – The Salo Region, Creating a Balance Between Competitiveness and Social Cohesion

The Salo region in South-Western Finland, located between Turku and Helsinki, is a relatively small urban region of about 64 000 inhabitants (the town of Salo itself has 25 500 inhabitants). The region has gone through several stages of regional change in progressing from an agrarian centre to a technologically advanced urban area. The latest stage involves the above-mentioned project to restructure municipalities and services, which means the merging of ten municipalities in the region into one larger city.

Before the 1990's Salo had for a long time been a centre of rural commerce, but with some units representing the electronics industry as well (most notably a radio and television factory). In the classification of Finnish urban communities based on the connections between demographic changes (age structure) and changes in economic structure ('locality types'), Salo was classified as an industrial community with an average population structure dominated by the older age groups (Fig. 2, see Reijo and Valkonen 1992: 51). The development of urban communities of this kind has been regarded as problematic because the general demographic trends to be expected in the future are a cessation in the increase in population, a shift in the age structure towards the older age-groups and a reduction in the mean family size. The structural change in industrial cities which began in Finland around 1975 and has involved the partial closing down and partial restructuring of traditional industries has affected the old industrial cities particularly badly because their whole life has in many cases been built up around traditional industries.

In the case of Salo the deindustrialization has not been so dramatic as in many other urban communities and regions of the same size. One reason has been the tradition of the electronics industry, which led the way to a new status as the home base for the manufacturing of mobile phones by Nokia, the leading international telecommunications firm and the main engine of the Finnish knowledge-based economy in the late 1990s. The electronics industry had existed in Salo for decades and the innovativeness of local firms guaranteed continued employment and the creation of new jobs in the region. Thus the growth of the mobile phones industry in Salo led to many associated electronics firms setting up in business there, on a par with the boom in the economy of other IT-oriented districts, especially those where Nokia

LOCALITY TYPES	AGE STRUCTURE			
	young	middle young	middle old	old
service communities	Oulu (145)	Helsinki (905)	Tampere–Nokia (267)	
	Kuopio (99)	Jyväskylä (105)	Turku (248)	
	Joensuu (65)		Lappeenranta (63)	
	Rovaniemi (54)		Hämeenlinna (55)	
	Seinäjoki (49)		Mikkeli (45)	
	Kajaani (36)		Savonlinna (35)	
mixed communities	Tornio (23)	Vaasa (82)	Lahti (128)	Kotka (62)
		Porvoo (46)	Pori (100)	Imatra (40)
		Kokkola (39)	Kouvola–Kuusk. (73)	Hamina (23)
		Kemi (39)	Rauma (51)	Loviisa (12)
		Lohja (33)	Forssa (31)	
		Iisalmi (24)	Riihimäki (25)	
			Maarianhamina (22)	
industrial communities	Raahe (29)	Pietarsaari (33)	Pieksämäki (21)	
	Uusikaupunki (18)			
			Salo (37)	Valkeakoski (22)
			Varkaus (33)	
			Heinola (22)	
			Mänttä (8)	

Fig. 2 Classification of finnish urban regions in 1990 according to age structure and locality types (populations of the urban regions in thousands)

was located. In addition to Salo, this trend was particularly clear with regard to the Helsinki and Oulu districts, where local booms related to the knowledge-based economy have been most visible.

Research and development (R&D) is heavily concentrated inside the regions in which it occurs, most notably in their principal urban centres. The metropolitan district of Helsinki, for instance, accounted for 99 percent of R&D expenditure in the Uusimaa region in 1999, and Oulu and its surroundings were responsible for 96 percent of that in Northern Ostrobothnia and the Tampere district for 94 percent of that in Pirkanmaa. Likewise the Jyväskylä district recorded 80 percent of the R&D expenditure in Central Finland, and the districts of Turku and Salo, 62 and 32 percent, respectively, in South-Western Finland. The success of the relatively small Salo district naturally stems from the notable presence of the Nokia Corporation. The combined R&D expenditure of the above-mentioned six districts (out of the total of 77 districts in all) was EUR 3.14 billion, or 81 percent of the country's total R&D expenditure in 1999. From the viewpoint of regional development, it is significant that the same six districts were the only ones to record a clear net in-migration during the latter years of the 1990s (see Husso and Raento, 2002: 270).

The Salo urban region really is 'a chapter of its own' in Finnish urban development, as it can be found at the top of the list no matter how the dynamics are measured (cf. Fig. 3). It is a rather small region that had already specialized in electronics manufacturing and was fortunate in becoming the home base for one of highly competitive fields of information and communications technology and the

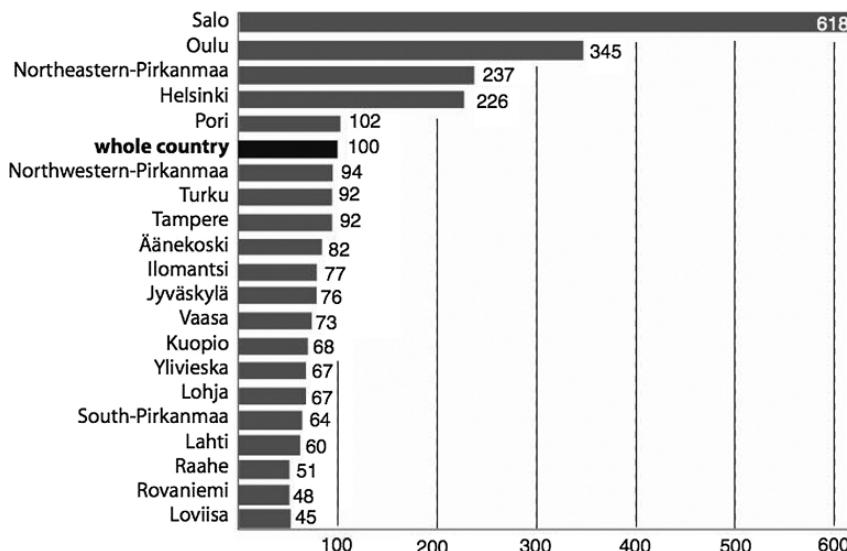


Fig. 3 Value added in high-tech and related services per inhabitant in 1996 (20 highest urban districts; whole country = 100). High-tech: space and aviation, computers, electronics, information and communication technology, medicines

(Source: Regional accounts)

related sector of the economy. This can be seen in the massive changes that have taken place in the district's GDP per capita. Similarly, the trend in employment has been more positive in Salo than in any other urban region in Finland, so that it was the first Finnish urban region to regain the jobs lost in the recession (total change in the number of jobs in 1990–1997 was minus 0.5 per cent), and showed net in-migration rate throughout the 1990s (Antikainen and Vartiainen 1999: 406).

The trends in value added and the formation of gross fixed capital in the Salo district between 1975 and 2004 (Fig. 4) show rapid, parallel patterns. Value added (gross) refers to the value generated by the units engaged in a production activity, and in the Salo district this production activity is closely connected with the electronics industry, which has ensured the well-being of the whole region. In particular, Nokia Mobile Phones has created thousands of jobs in Salo area. Gross fixed capital

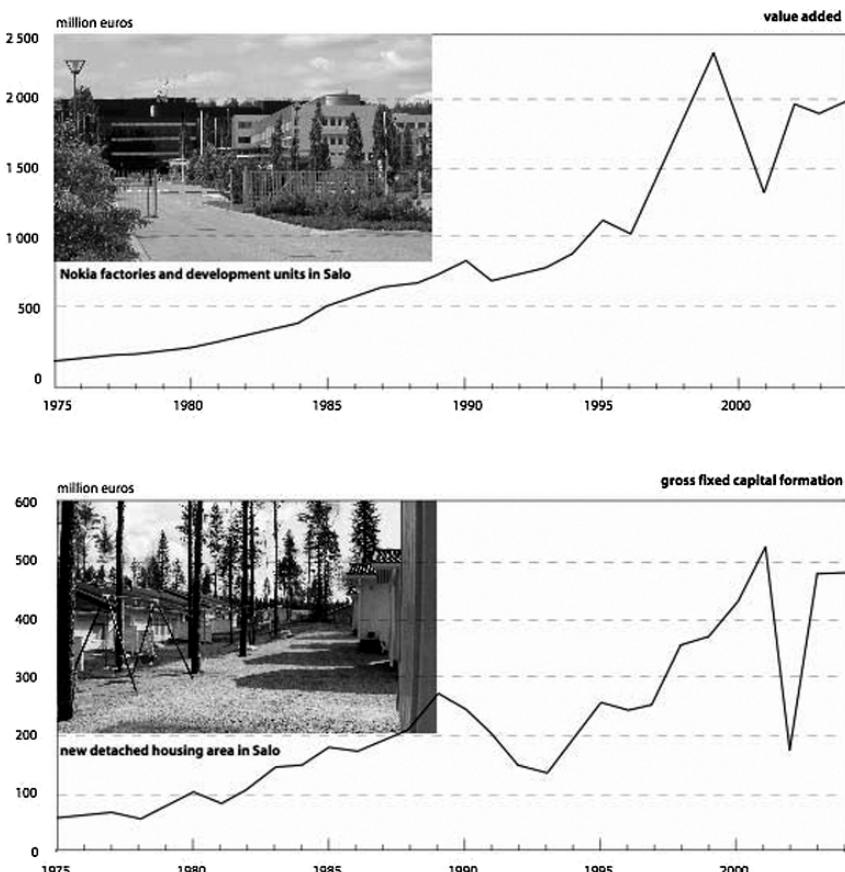


Fig. 4 Gross fixed capital formation (in current prices) and trends in value added in the Salo district in 1975–2004

(Source: Regional accounts)

formation or investment consists of fixed assets that are used in production for more than one year and that have 'significant' value. It is not only a question of production investments, as the tangible fixed assets also cover buildings (including dwellings), machinery and equipment. Furthermore, gross fixed capital formation is defined as including additions to the value of land and other non-produced assets. In the case of an individual urban community or urban region, gross fixed capital formation normally follows the trend in value added, as a rise in gross national product (was 25% in Salo during the 1990's) will often increase the fixed assets existing in the form of community-based construction projects of many kinds (new housing areas, cultural institutions, city centre redevelopment projects etc.). In Salo district the rise (and fall) in value added and gross fixed capital formation was dramatic at the turn of the millennium, mainly following trends in the electronics industry (see Fig. 4).

The Development Centre for the Salo Region is a specialist organization owned by a consortium of eleven municipalities that has divided its activities into two units: a business interest unit and a regional development unit. The business interest unit organizes services for new and existing companies, provides incubator services and develops tourism in the Salo region, while the regional development unit is responsible for the implementation of the national regional centre programme and has similar tasks to the other development centres in Finland: it starts projects which are aimed at increasing local development and co-operation and unites all active parties in the region to ensure a high quality of services and a favourable trend in employment in the area. As a part of the national regional centre programme and of national regional policy as a whole, the regional development unit is responsible for strengthening the development and attraction of the areas on the borders of the region. The focus in this work is on promoting business, marketing real estate and other means of attracting new inhabitants to the border areas. Among other things, the projects are used to develop the rural areas in general.

As mentioned earlier, co-operation between the municipalities within districts has not been strong enough to produce public services or make their distribution more effective, and it is this that led to the project aimed at restructuring local government and services in Finland. The Finnish welfare state is mainly based on municipally produced services. Local authorities take care of primary and specialized health care, social services such as day care for children, and education services. The Salo district is one of several cases where the new municipal division would mean the redrawing of boundaries and the setting up of municipal partnership areas. The merger of ten municipalities in the Salo district would mean a more effective urban unit to provide high-quality education, social services, health care and other public services on an economical basis, and to function as a more competitive urban region between those of Helsinki and Turku (the decision concerning such as merger will be taken in June 2007). In terms of regional restructuring the Salo case belongs to the district model, in that districts corresponding to the present ones would provide the social and health services. The regional model is more radical, implying that Finland would have only 20–25 regional municipalities in the future with direct taxation powers – similar to those that the local authorities now have – and directly elected councils, unlike the current regional councils. These regional municipalities would

assume the current duties of the regional councils. The Finnish Constitution would pose problems for such a solution, however, as at present it gives local authorities the right to levy taxes and to receive state subsidies. This system would therefore require an amendment to the constitution (see Rautiainen, 2007: 2).

The future development of the Salo district will encounter challenges concerning co-operation with the Turku urban region, especially in promoting the ICT cluster initiative in both regions. The transformation from an agrarian trading town to a powerful centre for information and communications technology has changed the town's image as far as many aspects of the welfare state's 'social environment' are concerned. The Salo Welfare Report 2000–2004 mentions some negative trends in the social sector connected with this technologically advanced 'green valley': long-term unemployment rates and the number of persons receiving subsistence support are higher than average and are growing, especially in the 50–64-year age group, the number of children taken into custody is growing (and this now concerns immigrant families as well), the proportion of one-parent families (22%) is higher than the national average, divorce rates are growing (24.8/1000 inhabitants in 2003 as compared with 14.7 for the whole province), the amount of poor housing is greater than average, violent crimes have increased (7.1/1000 inhabitants in 2001 as compared with 5.8 for the province), and there are now more drug peddlers and users than in 1990's (Salo is conveniently located on the route St. Petersburg–Helsinki–Turku–Scandinavia). Even though the Salo district is growing and will probably become a single independent urban unit in the near future, one target of the local urban policy has been to maintain a 'small town image', avoiding alienation and managing the growing number of outcomers. The Salo district is certainly a sub-region in the Finnish regional system which has to deal with the issues of competitiveness and social cohesion.

Reconciling Competitiveness and Social Cohesion in Urban Regions – The Role of Transport Policy

Walter Schenkel and Dominik Oetterli

Abstract Questions of mobility and transport have become increasingly important in debates over place competitiveness and cohesion. The chapter is a thorough evaluation of transport policy adoption and implementation in terms of governance arrangements and practices in the Zurich metropolitan area. The evaluation is meant to address the impact of transport policy in terms of both competitiveness and cohesion for the region, transport being a pilot area of public/urban policy to be conceived and evaluated through a multi-level governance lens and, eventually, to lead to a win-win situation by initiating new forms of regional urban governance.

1 Introduction

The benefits of mobility in general and transport infrastructure in particular represent an important issue in the political debate in many European countries. It is presented as an argument in a context of infrastructure extension, pricing of transport, environmental policy, and regional competitiveness. Within many research projects, however, it was stated that it is essential to distinguish benefits of transport infrastructure from benefits deriving from transport as such. So far, overall benefits of transport have hardly been analysed in Swiss urban regions, although there is clearly a wide range of external socio-economic benefits (besides the internal benefits for operators and users).

From the mid-1990s onward, Swiss urban policy has shifted from relatively rigid procedural norms to new types of governance. But what is governance in this context? And to what extent have these initiatives resulted in programmes and measures to improve social and technical infrastructure in cities as well as to use them increasingly in formulating new policies? It is assumed that transport policy has a pilot function: success (or failure) of this new urban policy will be evaluated in social, economic, and political terms.

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The aim of this chapter is to show the current impact (including economic, social, and political effects) of the Zurich mobility and agglomeration strategy, using a generally applicable approach of formulating and verifying reliable hypotheses for the success of current and future transport planning projects in urban regions at all political levels – from local to national.

This chapter will offer answers to the following policy- and planning-related questions: How can urban governance in transport policy best pursue economic competitiveness while reconciling it with the goal of social cohesion? How can spatial impacts of particular mobility measures and transport infrastructure programs be guided toward economic competitiveness and social inclusion at the local and regional level, along transport corridors, and in individual areas?

2 Dimensions of Urban Transport Policy

2.1 *Economic Dimension: Costs and Benefits*

The increased worldwide mobility of goods and persons, labour and capital has contributed to a fundamental transition – namely from an industrial economy to a service-oriented one. This change means that cities are on the move. They are faced with increased interurban and international competition. In part, the efficiency of urban governance is a decisive factor in this competitive climate. The level of infrastructural equipment is of relevance too. Governments are well aware that only cities with a substantial number of taxpayers can develop their infrastructures in a competitive way. Providing for them or bringing them back has become a key task of urban government (Dijst et al., 2002). There are significant potential social gains from a better knowledge of what affects implementation of transport policies in urban regions. The main research question – i.e., socio-economic costs and benefits caused by mobility/transport policy and relevant for economic (competitiveness) and social (cohesion) performance in urban regions – is specified in Fig. 1 (see also ARE, 2003; Synergo, 2004; Rietveld, 1994; Transecon, 2004; Banister and Berechman, 2000). The concept of accessibility is central to the functioning of individuals and their households, facilities, firms, and urban spaces (see transport policy/-accessibility as independent factor in Fig. 1) (see also Whitelegg, 1993). A basic aim of this chapter is to find out whether there are indirect effects of transport policy on the balance between social and economic targets in Swiss urban areas.

A successful strategy, e.g. investment in infrastructures, can have direct and indirect effects (see costs and benefits as dependent factor in Fig. 1) (Maggi et al., 2000; Persson and Goodwin, 2000).

Direct effects relate to transport users, operators, and neighbours directly affected by transport investments and policy. Direct social effects are: improved access to mobility for elderly and/or handicapped riders, better accessibility to basic services, greater safety in traffic and security in public spaces, and reduced traffic congestion in urban or suburban areas and thus improved health conditions.

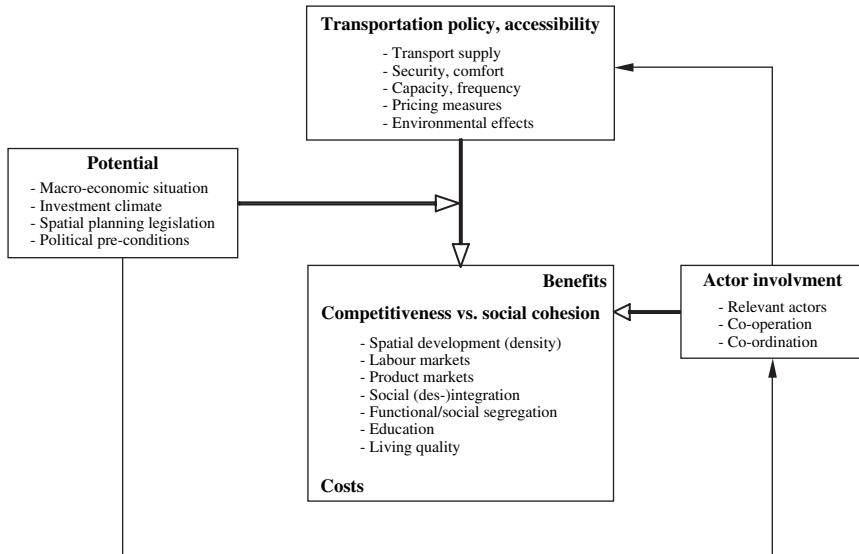


Fig. 1 Transport policy model – direct and indirect effects

Indirect effects refer to mid- or long-term impacts within markets other than the transport system. They are caused by changes in accessibility and lead to changes in labour and product markets, urban regeneration, and socio-economic developments. Indirect social effects can be social segregation or integration, due to urban regeneration effects and changes in land use (increase in business, but at the same time a decrease in growth rate per capita due to an urban flight to suburbs and commuting).

The range of potential factors influencing city competitiveness and social cohesion is very wide, with transport assumingly playing a role though yet undefined in providing for a proper business environment and accessibility. Some theories claim that infrastructure investment leads to high rates of return, measured in terms of economic growth and productivity improvements. Others are more cautious, stating that effects occur on a much smaller scale than claimed. They insist that any contribution to the sustainable rate of economic growth in a more mature economy with well-developed transport systems is likely modest. Moreover, they point to two other system elements often neglected when measuring socio-economic effects (Llewelyn-Davies et al., 2004; Banister and Berechman, 2000; Sager, 2002; see potentials and actors as intervening factors in Fig. 1).

The local and regional socio-economic and political potential: What is the inherent attractiveness of the location? Who is already there? What is the possible function of the area in relation to the entire city? How favourable is the general investment climate? How flexible are spatial planning and political structures, when facing new potential for development?

The role of local actor involvement and pertinent political and institutional determinants: Policy makers can have a positive impact on the performance of public

transport projects when supporting tramway or feeder bus systems. Yet they can reduce the benefits and economic returns of the public transport investment if the road network and parking supply are improved at the same time. The political process should also achieve acceptance of needed measures and be sensitive to social implications.

2.2 Social Dimension: Lack of Causality

In designing policies that meet the needs of various user groups and are efficient and fair in their delivery, transportation policy researchers must learn to combine policy recommendations with strategies of adaptation. They must also work more closely with targeted stakeholders. There is now growing pressure on the European transport planning profession to make the links between the objectives of local transport plans and local social targets more transparent and accountable (Donaghy et al., 2005: 1–13). We can identify three key factors in causing social exclusion in which transport policy has a clear influence: (a) Excluded groups face significantly poorer access to both public- and private-sector facilities; (b) Excluded people feel little hope for the future – especially if barriers such as disability or health problems, lack of transport, low skills, discrimination, or few local jobs limit the opportunities they have to work or participate in society; (c) Poor and unemployed people are less likely to live in a community where others can put them in touch with a job. Long-term mobility disadvantages in remote suburban or rural areas increase the feeling of being trapped. However, empirical results on the causality between societal trends, mobility behaviour, and spatial impacts are mainly lacking (Synergo, 2004; overview in Llewelyn-Davies et al., 2004). Taking into account the increase in both individual car traffic and road-bound goods transport, cities and urban regions are confronted with air pollution and noise, enormous consumption of space for cars, and traffic congestions. Consequences are a deterioration in the urban environment and, thus, of living conditions, a migration flight of more affluent residents to the outskirts, a migration of businesses, and an increasing social segregation in these areas (see also Black, 1998, using the term of environmental justice).

Focusing on the needs of particular user groups, there is a clear need to establish a consistent definition of social exclusion and its relationship with mobility needs as accommodated by transport systems. Transport infrastructure investments that change the structure of the area in terms of accessibility and therefore greatly affect traffic demand can cause a perceptible change in terms of spatial, economic, and social development. Infrastructure projects connecting a town centre with its surrounding areas improve accessibility in the surrounding regions and cause a migration away from the town (driving forces: rural surroundings, environmental conditions, cheaper housing). Provided that they noticeably improve accessibility, inner city public transport lines will significantly influence the land use pattern; for instance, service installations accumulate in catchment areas with stops located near the town centre and oust the residential population. As a result, marginalised areas are generally characterised by high population fluctuations, high and increasing proportions

of foreign inhabitants, high level of social welfare recipients, and excessive numbers of families and employed persons moving away. On the other hand, investments in the bicycle infrastructure close to the city centre have a desired effect of keeping the residential population in the area. Thus they can preserve the structure of the area (see Transecon, 2004; Synergo, 2004; Buck, 2005: 47).

3 Urban Transport Policy in Switzerland – From Government to Governance

There is no single ideal model of metropolitan governance, but improving governance in metropolitan areas is about more than reforming institutions and finance; it is also about changing attitudes and the culture of governance. New forms of participation and more transparent decision-making processes should be encouraged (Kaufmann, 2003; Schenkel and Serdült, 2004: 393). The shift in Switzerland from government to governance is seen as a supporting factor for substantial political reform. Diverse strategies can be distinguished in this reform: scholars of classical or “pure” federalism support reforms toward radical decentralisation. This might be an illusion, due to strong social, economic, political, and cultural integration. Territorial reforms are also no alternative for short- and mid-term solutions. More realistic approach seems to be a systematic examination of cooperative strategies to attain joint definitions of identity, problems, and targets. Long-term processes can also be launched without questioning fundamentally existing legal and political structures (Kübler et al., 2003). Therefore, good urban governance (i.e., the skill to successfully moderate between economic growth processes and social changes) is understood as a political task to re-direct traditional values into knowledge-based actor networks that can give social needs the attention they deserve and to assess different reform strategies for urban areas (from radical decentralisation covering territorial reforms and cooperative strategies). The goal is to optimise strategic and operative cooperation and to create identification and acceptance to change attitudes and the culture of governance (Schenkel and Kübler, 2005).

Vertical as well as horizontal forms of cooperation in Switzerland have been based on relatively rigid procedural norms. Cooperation within the system of federalist implementation was hierarchical and top-down – and sometimes failed to exist in urban policy. Moreover, it can be observed that not all possibilities for cooperation were used: there was often a lack of direct vertical communication between the different governing levels. The subsidiarity principle is at best relevant for the relationship between the Confederation and the cantons. Overall, however, the lower state levels have only a very limited say in the affairs of the higher-level bodies. Turning to the horizontal dimension, there seems to be a “false” sense of autonomy and competition. One important shortcoming in this context is that efficient bodies of horizontal cooperation, vested with certain decision-making powers, have remained an exception (Schenkel and Serdült, 2004). However, from the mid-1990s onward, the federal level started to focus on a national policy for urban areas and initiated

new forms of collaboration. In a report about Swiss area planning (*Bundesamt für Raumplanung*, 1996) and also in its so-called City Report (*Bundesamt für Raumplanung*, 1999), the Federal Council recognized that urban areas in Switzerland have to bear substantial costs. The reports laid out the foundations for (1) a better consideration of urban areas in the process of national policy-making, (2) a more intense collaboration between the three state levels, and (3) a better integration of Swiss cities into the network of European cities. Later, based on a new constitutional article, the Swiss government announced its financial participation in urban transportation systems as a core element of its urban policy.

The launching of a series of federal and cantonal programmes points towards a search for new understanding of urban policy-making that entails improvement in intergovernmental collaboration. This concerns both the horizontal and vertical dimensions of policy integration. Indeed, the programmes consist of financial and knowledge-based support of so-called innovative model projects in urban agglomerations. Inter-communal co-operation and urban network building (public authorities, city planners, private landowners, and investors) are prerequisites for support by the Confederation. In this process of moving towards change, the various actors seem to be motivated essentially by three incentives. First, physical infrastructure crisis must still be resolved (e.g., transportation, environment, spatial planning). Second, higher levels of government feel increasing pressure to intervene and take necessary action (e.g., social policy). Third, the construction and affirmation of political leadership at the metropolitan level has emerged as a critical resource for influencing paths of development in specific urban areas (e.g., economic development).

It is clear in any case that – compared to the diagnosis of major urban policy problems formulated 10 years ago – some central issues are now starting to be tackled. The system of intergovernmental relations in Switzerland is moving away from a hierarchical pattern of co-operative federalism and towards patterns of multi-level governance. Various initiatives taken during the 1990s in the field of agglomeration policy show that this *de facto* interdependence seems to have become an organising principle. In this context, the added value of the term multi-level governance (in comparison to the concept of co-operative federalism) probably resides in shifting the focus of analysis to the supplementary complexity and co-ordination needs resulting from a growing criss-cross of horizontal and vertical intergovernmental co-operation.

However, these strategies, concrete programmes, and goals still depend on authority exercised at each state level, and lack of coordination and cooperation can be observed. Grand strategies are good in terms of securing transportation policy as such, but they largely ignore issues raised by increasing social segregation and social marginalisation. Therefore, the “Spatial impact of transport infrastructure” project initiated by the Federal Office of Spatial Development is intended to close the knowledge gap described above. In the sense of learning lessons from the past, its aim is to draw conclusions about the impact of selected infrastructure projects implemented in the past. The methodological tripod developed is used to show a wide range of determining factors within a particular region or local environment that has influenced, promoted, or hampered development in that area (see: Fig. 2, based on ARE, 2003).

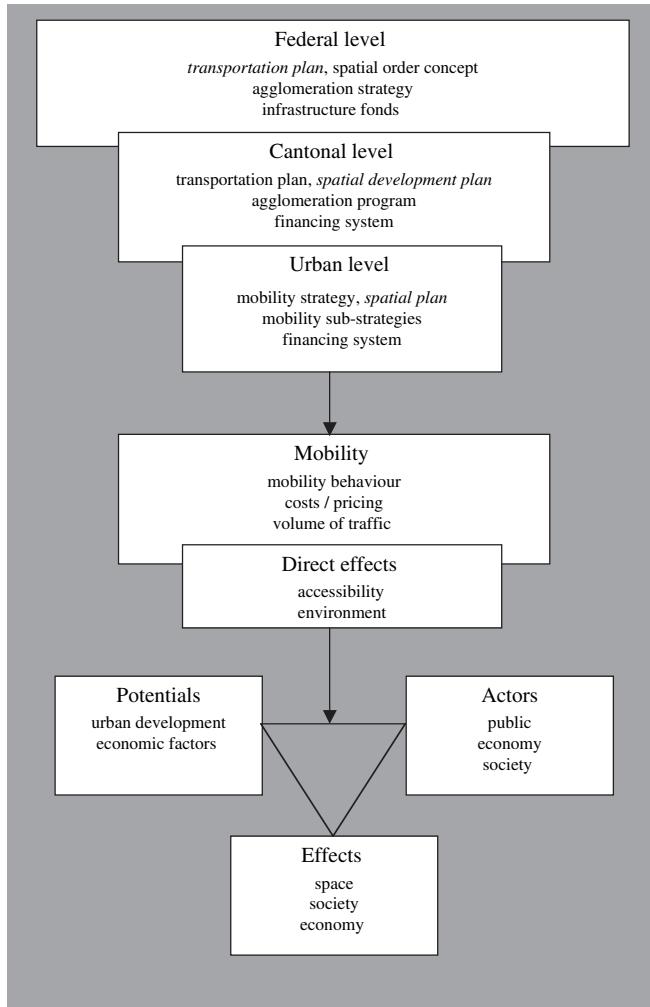


Fig. 2 The methodological tripod

4 Zurich Metropolitan Area – Structures, Functions, Policies

4.1 Territorial and Functional Space Analysis

The metropolitan region of Zurich consists of the following territorial perimeters: the agglomeration of Zurich at the heart, in the second urban belt some more middle- and small-scale agglomerations of the Canton of Zurich, and, last but not least, those agglomerations belonging to other cantons (Aargau, Schwyz, Zug, Schaffhausen, Thurgau, and St. Gallen). In addition, we find economically growing regions without explicit centres, such as Zurich North between the city and the airport (Glattal) or

Zurich West between the city and the cantonal border (Limmattal). The population of the metropolitan region of Zurich is 1.6 million, living in seven cantons plus territories in Germany, in 12 agglomerations, in two large cities and in 222 municipalities. The city of Zurich itself has a population of 360,000 inhabitants. Singles, the elderly, and unemployed people as well as well-educated people live in the centres, families at the periphery. Some 22% of land use occurs in built-up areas (CH: 7%). Within the Swiss context, the canton of Zurich is a booming region: inhabitants will increase from 1.25 million (2003) to 1.36 million (2025), concentrated in Winterthur, the Glattal region, and non-urban areas (1970–2000: +17%). Employees will increase from 747,000 (2001) to 840,000 (2025), concentrated in the city of Zurich and the Glattal Region (Synergo, 2004). These developments underscore a need for action in transport policy: better coordination between intercity and regional trains, new infrastructures (rail, stations) in the Limmatal/Zurich/Winterthur corridor, closing of the ring-road system, integral traffic management programmes to speed up slow traffic in cities etc.

In the Zurich region, urban sprawl combined with failed attempts of local government reform have resulted in a growing divergence between functional and institutional urban spaces. Cities and communities no longer exist in the sense of territorially integrated socio-economic entities. They became part of a multi-centred metropolitan region that developed mainly along functional networks, cutting across institutionally defined territorial boundaries. This fragmented government situation leads to difficulties in solving public problems (transportation, environmental pollution, social problems). On the other hand, Zurich has strengthened its role as the economic locomotive for Switzerland. Caused by spill-over effects, neighbouring regions in other cantons also profit from these developments. In the future functional relations between metropolitan regions seems to intensify (Da Cunha and Both, 2004; Frick et al., 2004).

4.2 Social Space Analysis¹

As was the case of other European states, spatial population movements within the Zurich metropolitan area between 1950 and 2000 were characterised by two essential developments: suburbanisation and re-urbanisation. The suburbanisation process continued its course and is associated in part with a drastic fall in the number of residents in core cities. The recognised consequences were cities characterised by a disproportionately high level of senior citizens, foreigners, unemployed people, and trainees, as well as marginalisation of peripheral, former working-class areas

¹ With traditional social area analysis (Shevky and Bell, etc.) subsequent phenomena of post-industrial societies like the present-day pluralism of lifestyles cannot be measured. Therefore, the analysis for the wider region of Zurich was broadened with new factors such as social status and lifestyles (see Heye and Leuthold, 2004). The social space analysis for the city of Zurich is based on three factors: family structure (e.g., single households), land-use structure (e.g., share of housing), and structure of concern (e.g., immigrants) (see Schenkel, 2003).

located on the outskirts of cities. Since the mid-1990s, a re-urbanisation process has displaced suburbanisation. This return to the cities is connected with upgrading of former working-class and industrial areas (gentrification) located within the inner cities. Whereas the overlap in sub- and re-urbanisation changed the social structure of space, the strong growth in commuter mobility of the last decades led to spacial segregation and a disparity that was both vertical (income, capital, education, etc.) and horizontal (nationality, lifestyle, biographical situation, etc.). Today the working and living zones within the agglomeration are widely decoupled as a result of better traffic access and shorter travel times (Heineberg, 2000). Segregation within the metropolitan area of Zurich follows two main dimensions (Heye and Leuthold, 2004): status and lifestyle. Low-status living areas are clearly segregated from high-status residential areas located mainly along Lake Zurich. The regional distribution of immigrants mirrors this pattern almost perfectly, i.e., high- and low-status immigrants typically share the neighbourhood with their Swiss counterparts. Lifestyle and standards of living create another important division between different groups of people: Figure 3 places the districts and communities of the Zurich agglomeration in a social space defined by status and lifestyle and a time marker indicates the change between 1990 and 2000.

As the illustration shows, the core city and suburban environs essentially differ in terms of their level of individualisation. City areas appear on the right-hand side of the SI diagram, while the agglomeration communities are positioned on the left. In the majority of core city areas – including those with a high status value – individualised lifestyles dominate, whereas a traditional middle-class lifestyle remains much more common in the agglomeration. Differences between the core city and the agglomeration belt are not primarily socio-economic per se; disparities in social status are less apparent between than within the two settlement types (Heye and Odermatt, 2006).

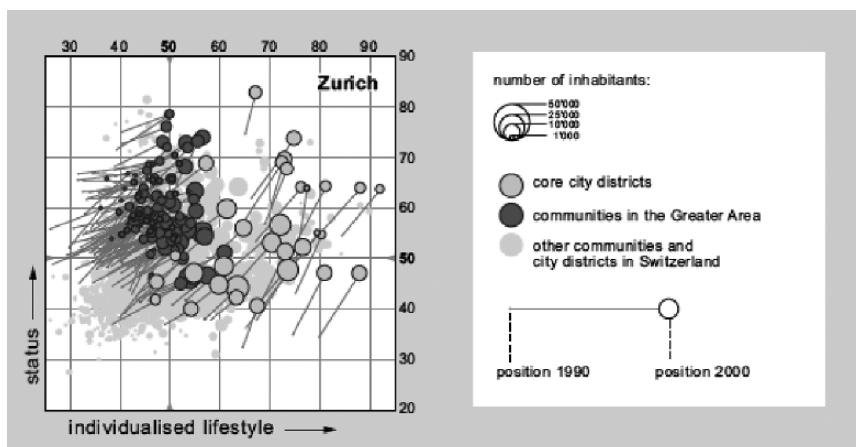


Fig. 3 Status-individualised lifestyle diagram for the Zurich agglomeration (Heye and Odermatt, 2006)

The socio-spatial structure of the metropolitan area changed considerably between 1990 and 2000. Above all, the status of core city districts increased distinctly compared with the suburban areas. We cannot confirm the idea of cities being viewed as socially degenerated, due to the drifting away of the middle-classes, which is still partially espoused today. Higher social status is no longer coupled with a middle-class lifestyle. Broad social strata of well-educated and professionally well-placed people are living within urban core zones with individualised lifestyles, be they individuals in single households or dual-earning couples (without children or who have not yet had children) (Heye and Leuthold, 2004).

A relative social upgrading of core-city areas in comparison to suburban communities has taken place in Zurich. These shifts in the socio-spatial structure reflect the process of re-urbanisation experienced in the 1990s; that is the rediscovery of inner-city heartlands as attractive residential areas. The most significant upgrading process in Zurich occurred in the central urban development area of Zurich West. However, other centrally located residential areas that raise negative connotations on account of drug dealing and red-light areas, also register a clear advance on the status index. Thus they too can be designated as gentrified areas. On the other hand, suburban districts were already slipping on the status index by 1990 and lost further ground in terms of status between 1990 and 2000. After many years of housing shortage, the city of Zurich started to pursue a policy strategy called “10,000 dwellings in 10 years”. This policy turned out to be a success, with positive impacts on status and lifestyle factors in formerly marginalised areas. New housing estates for middle-class families were realised – all of them with good public transport accessibility or even close to city railway stations.

4.3 Transport Policy Analysis

4.3.1 The Regional Railway and Metro Project

A delegation of the Zurich cantonal administration launched in the mid-1970s the regional railway and metro project of Zurich region (S-Bahn), which was approved in 1981 and went into service in 1990. The S-Bahn covers the entire canton of Zurich and some neighbouring municipalities. The main part of the project extended the old Zurich central station (structural dead end) by building a through station and a mountain tunnel. The project also included the creation of new connections and diametrical lines, a basic interval timetable, a tariff agreement, and incorporation of individual transport operators within the Zurich Transport Authority. The entire network comprises 262 lines with a total of 2,300 km (S-Bahn, trams, buses, lake cruise lines services, cableways, etc.). Investments amounted to about SFr. 2 billion. The new suburban rail network increased public transport use by 22% in the first year after completion of the S-Bahn and by 40% over the first 10 years. The response to private motorised traffic jams was not answered by increasing the existing road area but by redistributing it in favour of local public transport, pedestrians, and residential areas. The result is greater urbanity, better environmental conditions,

increased economic strength, and stabilised private transport. This policy was strongly supported by the electorate (since large public construction projects must be voted on in the context of the Swiss referendum system).

4.3.2 Mobility Strategy of the City of Zurich

The future of urban transport lies not in expansion and urban sprawl effects but in intelligent use of existing traffic areas. A more coherent, better coordinated, and more efficient policy was needed: The canton and city of Zurich recently finalised their strategy – a transportation concept blanketing the entire canton through a so-called agglomeration programme (to get financial support from the federal government) and a comprehensive mobility strategy focusing on the city of Zurich. Within this context, the city of Zurich is living proof of the fact that a transport policy that promotes public transport at the expense of private motorised transport results in considerable economic development of the region. In social terms, regular basic services were provided for all inhabitants along with better accessibility for underprivileged and handicapped users and new services for areas with poor connections. Service stops should be provided within less than 300 m of housing (or at most five minutes by foot). Public transport services should operate from 5 am until midnight, and night buses and rail services should run at weekends. Zurich transport policy has proved highly successful: Personal mobility is guaranteed, and most people use environmentally friendly transport modes. Traffic conditions for motor vehicles are less congested than in most other comparable European cities. This approach – along with a spatial planning policy favouring housing projects – explains why the city has gained inhabitants during the last five years.

The focus now – in 2007 – is on consolidation and sustainability, so that Zurich can retain its attractiveness (quality of life; a healthy economy; environmental protection; spatial efficiency; concentration of services, cultural activities, and housing partly aims at the location of business and the upper middle class, contributing thus to a stronger tax base and financial healing process). Core parts of the city – usually former industrial areas – have become more and more visitor-intensive, commercial, and expensive. However, the existing road network lacks sufficient capacity to accommodate new traffic, and there is no room for new roads. The City Council of Zurich in May of 2001 adopted a new mobility policy designed to maintain the successful transport policy of the last decades while working towards sustainability and complemented at an operating level with 18 sub-strategies (one of them a cooperative sub-strategy). Overall guidelines are: (1) to optimise and combine the transport system (mobility management); (2) to develop and support new innovations (multi-modal transport systems); (3) to complete infrastructure, but only when it preserves the transport network's capacity as a whole or overcomes unacceptable impacts on citizens, such as noise and pollution (also accompanied by additional supporting measures to avoid negative effects); (4) to follow the “true cost” principle (cost transparency); (5) to expand public and private-sector sensitivity to a new urban mobility (social contract). Sub-strategies cover different perimeters (corridor, local, urban area, or metropolitan area). This means they must also address different

levels and cooperating partners. Instrumental strategies (mobility consulting, traffic management, combined mobility, financing instruments, political cooperation) are expected to impact on the entire metropolitan area, while spatial strategies (city highways, urban roads, spatial design, development areas) focus more on corridors or specific area perimeters.

Table 1 shows our ex ante evaluation of the mobility strategy, which we proposed on the basis of all actively planned, ongoing, or realised projects of the various sub-strategies. Each of these projects must fulfil different criteria concerning sustainability. The criteria were assessed by a checklist, which is structured as “economic”, “social”, or “ecological”.

Our evaluation showed that most of the expected indirect effects from the sub-strategies are thoroughly positive. The effects can be summarized as follows: higher residence and living quality in the urban area, increased traffic safety and security in the public area, better accessibility to the various transport modes for disadvantaged persons, increase in attractiveness of the whole metropolitan area. On the basis of actively planned, ongoing, or realised projects of the sub-strategies, two main statements could be made about the effect of reconciliation between competitiveness and social cohesion: (1) a positive or neutral effect on reconciliation occurs if the implemented measures have strong positive impacts on the social dimension; (2) if the implemented measures have strong positive economic effects, a conflict of goals

Table 1 Sub-strategies and their effect on reconciliation

Sub-strategy	Indirect effects to be expected			Effect of reconciliation	Need for intervention
	Economic	Social	Ecological		
1. City highways	+	–	–	–	Urgent
2. Main roads	+	+	–	+	Urgent
3. Local streets	+	+	+	+	Less
4. Public transport	+	+	+	+	Urgent
5. Bicycle traffic	0	+	+	+	Less
6. Pedestrian mobility	+	+	+	+	Less
7. Disabled, elder, young persons	0	+	0	0	Less
8. Shopping/leisure traffic	+	–	–	–	Urgent
9. Business/ goods transport	+	–	–	–	Less
10. Spatial design	+	+	0	+	Urgent
11. Central areas	+	+	0	+	Urgent
12. Development areas	+	–	–	–	Urgent
13. Mobility consulting	+	+	+	+	Urgent
14. Combined mobility	+	+	+	+	Less
15. Traffic management	+	0	–	0	Urgent
16. Parking policy	+	–	–	–	Less
17. Financing instruments	+	0	0	0	Urgent
18. Political cooperation	See Chapter 5				

(–) = negative, (0) = neutral, (+) = positive.

arises, and the effect on reconciliation between competitiveness and social cohesion is negative. If needed, the city should involve governmental and non-governmental actors for collaboration. There are no indications about the actors' role and influence. Thus it is not clear if they are incorporated in the whole process or simply informed of measures to be implemented.

4.4 Social Space and Transport Policy – A Trade-off?

It is not easy to draw clear conclusions on the correlation between spatial impacts of transport infrastructure programs, particular mobility measures, and reconciling competitiveness and social cohesion. There are a multiplicity of determinants (e.g., economic structure, taxes, landscape characteristics, vicinity to the airport or highways) which might carry more weight on spatial impacts. Furthermore, the correlation between transport and spatial development are not simple one-way relations but interactions related to time. Transport infrastructures, for instance, stimulate growth, such as redevelopment of railway station areas and the linkage of service locations, workplaces, and residential neighbourhoods. Each of these effects may have its own particular timeframe. Some of them become evident even before the transport infrastructure is built. Others arise at the start of operations and still more effects appear at later stages. Based on the analyses in the previous sections, we can conclude that several trade-off relations occurred during the last decade between social space development and the sustainable transport policy pursued in the Zurich metropolitan area. The evaluation of the regional railway and metro (*S-Bahn*) project of Zurich and the mobility strategy formulated and partially implemented by the City Council of Zurich show to what degree the sustainable transport policy adopted achieves economic competitiveness and social inclusion.

4.4.1 The Regional Railway and Metro Project

The Zurich *S-Bahn* improved public transport accessibility for both the high-status residential areas along the Lake of Zurich and the low-status regions (areas around the airport, *Glattal*). It also combined with an attractive and dense timetable (*Taktfahrplan*) to reduce travel times and enable better connections and services to the city and other job centres. However, economic development in these regions differed notably: only the airport and the *Glattal* region have profited in terms of an increasing number of high valued workplaces. In any case, the hypothesis that the *S-Bahn* gave impulse for strong job-creating developments cannot be verified. In contrast to the highway construction policy in the 1960s and 1970s, the opening of the *S-Bahn* took place during a phase of economic recession. This explains why – on one hand – undesirable spatial effects (especially those of decentralisation) were not as strong as similar highway effects. On the other hand, seen from a spatial policy viewpoint, it is interesting to note that the *S-Bahn* supported reconversion of large industrial areas in the cities into modern and innovative multi-use areas. These areas are traditionally located along railway tracks. As a result, new service centres and

residential neighbourhoods were very well connected with public transport services. This was exactly in line with the federal goal of supporting spatial development within the built environment (Synergo, 2004). However, since the *S-Bahn* started operation, low-status regions in the city of Zurich and along the respective corridors of its closer agglomerations have shifted to more accessible middle-class living areas. In terms of social cohesion, these effects must be interpreted as positive: the social mix has improved, while exclusion of lower status households has been marginal. It is much more difficult to get a clear picture of the cause-and-effect relationship between rail infrastructure and economic and spatial impacts. These effects have been overestimated in some cases, partly the potential has remained unused due to political shortcomings in terms of strategic steering and collaboration.

4.4.2 The Mobility Strategy of the City of Zurich

We already made two major statements concerning effects of reconciliation between competitiveness and social cohesion. These were based on an *ex ante* evaluation of actively planned, ongoing, or realised projects within the framework of Zurich's mobility strategy. In addition, it is of interest for a trade-off analysis between social space and transport policy to know the impact of the sub-strategies and their planned or realised project on various city districts. In their social space analysis for the city of Zurich, Heye and Leuthold (2004) defined four types of districts: (I) valorised, (II) marginalised, (III) low-status, and (IV) "urban".² In Table 2 we assess the impact of the relevant sub-strategy and its projects on the four types of district for the economic, social, and spatial dimensions. The indicator checklist for measuring sustainability effects of the city administration's mobility strategy serves as this qualitative analysis' base of argument.

First of all, it is very difficult to isolate the clear impact on the various types of district, because each sub-strategy covers a different perimeter (corridor, local, urban, or metropolitan area). Some main conclusions could still be drawn about the trade-off between social space and the city of Zurich's mobility strategy: (1) The more instrumental strategies like mobility consulting, traffic management, combined mobility, financing instruments, or political cooperation have an impact in the entire metropolitan area. Their effects on the three dimensions (economic, social, and ecological) are thoroughly positive for each type of districts. The so-called spatial or infrastructure strategies like city highways, main and local roads, central or development areas focus more on the corridor, local level, and urban area. Their implications on the different types of district are difficult to isolate. (2) The impact of the "city highways" and "main roads" sub-strategies tend to result in positive social and spatial effects for low-status city districts (types II and III). Effects for

² (I) Valorised districts shifted during 1990–2000 from low-status to revaluation. (II) Marginalised and (III) low-status districts lost status between 1990 and 2000 in comparison with the other districts. (IV) Urban districts became increasingly dominated by individualistic lifestyles between 1990 and 2000.

Table 2 Impacts of selected sub-strategies on the four types of city district

District-type		City highways	Main roads	Local streets	Central areas	Development areas	Parking policy
I. Valorised districts	<i>Economic</i>	0	0	0	+	++	+
	<i>Social</i>	+	+	+	+	-	0
	<i>Ecological</i>	+	0	+	+	+	-
II. Marginalised districts	<i>Economic</i>	0	0	0	0	0	+
	<i>Social</i>	+	+	+	0	0	0
	<i>Ecological</i>	+	0	+	0	0	-
III. Low-status districts	<i>Economic</i>	0	0	0	+	+	+
	<i>Social</i>	+	+	+	+	-	0
	<i>Ecological</i>	+	0	+	+	+	-
IV. Urban districts	<i>Economic</i>	0	0	0	+	0	0
	<i>Social</i>	0	+	+	+	0	0
	<i>Ecological</i>	0	0	+	0	0	0

Same *ex ante* evaluation concept for actively planned, ongoing, or realised projects as in Table 1: (-) = negative, (0) = neutral, (+) = positive.

the other districts are neutral or cannot be isolated. The strategies' influence on the economic dimension cannot be worked out clearly by our evaluation. (3) Measures planned in the “central areas” and “development areas” strategies seem to result in positive economic growth in the relevant districts. This could lead to increased segregation in the valorised and low-status districts because of higher lifestyle costs and rents. (4) Though Koll-Schretzenmayr et al. (2005) concluded that intense building activity in districts with high rates of immigrants indeed led to a decrease of their numbers, we could not observe higher concentration of low-status immigrants in the other districts. This may be due to desegregation of low-status immigrants in marginalised and constant low-status districts.

To sum up, transport policy is designed as a cluster of programs and measures aiming at better short-term accessibility and mid-term benefits for business and the environment. Long-term impact on social integration and cohesion is often seen as desirable or undesirable side effects that are neither planned nor steered politically. The Zurich case now shows that many direct and indirect effects of mobility programs and transport infrastructures have strong and interlaced impact on the economic performance of urban regions (competitiveness in a European context: change of land use and distribution of activity locations) and society in general (social cohesion in a regional context: e.g., to impair development of residential zones). Recent activities to re-formulate transport policy in the Zurich region have resulted in cantonal strategies focused on direct effects (i.e., solving transport problems, increasing the market share of public transport, improving infrastructural pre-conditions for a competitive economic development) and communal strategies focused on indirect effects (i.e., environmental improvements, better access to transport services for everybody, a balance between societal needs for mobility and for good living conditions). However, decision-makers realise that there is a missing link: metropolitan governance.

5 Metropolitan Governance – Transport Policy Put to a Test

As long as these strategies remained at a strategic level, they did not counteract each other. But concrete implementation might result in conflicts between economic and social ambitions. It was therefore a core task of political players in the Zurich region to re-formulate transport policy targets as well as existing or lacking forms of collaboration. The first step was to develop a new understanding of cooperation between political and administrative authorities: they agreed to compile issue- and project-oriented guidelines on strategic goals, decision-making, and implementation (principles on how to organise an efficient cooperative process). The second step was to examine various models of territorial and/or institutional reform: the canton, cities, and municipalities initiated an institutionalised agglomeration platform to improve information exchange and to intensify collaboration at a very early stage. Both steps included scientific research, interactive workshops with stakeholders, and political hearings. This resulted in a governmental strategy memorandum (Schenkel and Kübler, 2005).

The *ex ante* evaluation of the models (merging municipalities, new regions as a fourth state level, new regional conference, *laissez-faire* with some standardisation and incentives) not only covered transport and spatial policy but also cultural, social, economic, and health policies. Seven problematic dimensions of cooperation were identified: lack of commitment, financial bottlenecks, “wrong” perimeters, inefficiency, the Swiss myth of communal autonomy, lack of democratic participation, and lack of transparency. Two workshops, both with 100 participants (cantonal and communal executives and administrations, interest groups, neighbouring cantons, etc.) concluded in an agreement that the so-called regional conference model seems best positioned to overcome the assessed shortcomings (Fig. 4 shows the two versions implemented in the field of transport/spatial planning as a test case later supplemented with other policy fields).

Regional conferences are in line with the advantages of Swiss federalism and traditional democratic requirements; they are flexible enough to include new territorial perimeters (including neighbouring regions), political actors, and policy fields. They can also be combined with the direct democratic institutions (which is important for an overall assessment of the possibilities for integrating the sustainability principle into further development of a built environment in urban areas). Other assessed models such as new state levels and merged municipalities are not the best solution for cross-border urban problems. They tend to increase the complexity of federalism and do not comply with the needed flexibility derived from multi-level governance requirements.

6 Conclusion

This chapter, in line with the fundamental questions raised by the COST A26, has shown: (i) that competitiveness and social cohesion can be guided – at least in part – by a sustainable transportation policy; and (ii) that actor groups under scrutiny

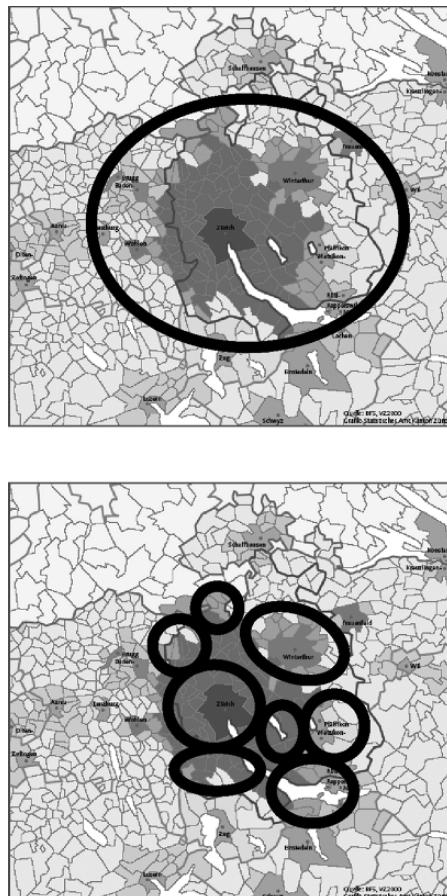


Fig. 4 Zurich regional conference

Metropolitan conference

Evolution: from an inter-cantonal voluntary platform to an institutionalised and powerful conference of cantonal and regional delegates

Policy fields: transport and spatial development, national and international location marketing, equalisation of financial burdens, etc.

Main purpose: to attend common interests towards national and international level; identity building; to adopt common principles to act; common statements on national and international challenges; broad coordination and impact steering related to transportation, metropolitan competitiveness, financial solidarity, etc.

Inter-communal conferences

Evolution: from pilot regions to new institutionalised and powerful conferences of communal governing mayors, combined with direct-democratic instruments and a clear division into strategic decision-making and operative levels of products and public services

Policy fields: transport and development areas, supply and disposal, equalisation of social burdens, etc.

Main purpose: joint strategic decisions; regional democratic participation; regional programme implementation; revival of local autonomy within a regional context; coordination between transport, spatial planning, and regional cohesion policy

(i.e., city, municipal, cantonal, and federal authorities, all occupied with questions in fields of spatial planning and transport policy) must assume responsibility and promote new forms of collaboration in order to find a balance between social and economic needs.

Substantial and effective coordination between transport, social cohesion, and economic policy will only succeed when political and administrative players: first, practice a new understanding of cooperation, i.e., planning and thinking within a regional and metropolitan context; second, empower new institutions for policy co-ordination and strategic decision-making; and third, have improved methodologies and *ex post* evaluation results concerning direct and indirect effects on social space factors at their disposal.

The irony of metropolitan life is that its dynamic nature constantly draws desired solutions to problems of urban form and urban institutions beyond the grasp of government, just as it seems to come within reach of them. And, notwithstanding infrastructure problems, solutions associated with economic competitiveness make them attractive in an international and global context, as all major metropolitan areas seek to provide a wide range of facilities. If these issues were not enough, distributive issues associated with widening social segregation within metropolitan areas remain on the agenda, even though current solutions are unlikely to follow the general nature of present reforms.

Voluntary cooperation efforts in metropolitan areas focus on economic development, strategic planning, transportation, and land use. Such cooperation may be good in terms of securing grand projects such as new tram systems, conference centres, and other infrastructural facilities. However, they largely ignore issues raised by increasing social segregation and social marginalization. In this sense, governance must go beyond technocratic and administrative efficiency and develop a new civil society spirit.

This is exactly what Swiss urban policy wants to solve: to initiate new forms of governance, to apply transport policy as a pilot policy field, and to integrate other policy fields such as social and economic policies. It is this combination of national initiatives and cantonal as well as local commitments that can provide the basis for urban regions to enjoy both economic growth and sustainable well-being of their people.

At the same time, this improvement of governance in Swiss metropolitan areas should not be considered the end of the debate on urban policy issues. Naturally, it can help Swiss metropolitan areas to take part in international competition. However, this competition on a global scale leads to domestic and social disparities between the poles and within society. Some succeed in this contest, and others do not. The dilemma as to whether intra- and interregional solidarity or international competitiveness of certain city regions should be given priority will probably remain a crucial question for Swiss urban policy to answer during the years to come. International integration – despite or especially because of good regional and national accessibility – is a location factor that has been neglected so far. In addition to known measures such as traffic management and pricing, qualitative measures (e.g., comfort, safety, reliability) that take

demographic trends into account could have a relatively substantial effect on future travel behaviour. Strategic control (settlement trends adapted to transport capacity) must be optimised, and the federal target systems should be aligned with each other.

Positioning Bratislava in an Emerging Cross-Border Metropolitan Area

Daneš Brzica

Abstract Since the revolution in 1989, Slovakia, formerly part of the Czechoslovak federation, has entered a new economic and political era. Political independence in 1993 and prospects of EU membership have stimulated complex changes, including stronger and closer relations with neighbouring Austria. This chapter critically appraises these changes, by focusing on urban developments in Bratislava and potential impacts for the Bratislava–Vienna metropolitan cooperation. It will examine the social costs of embedding the Lisbon Agenda in the Slovakian context and the competitive position of Bratislava vis-à-vis Vienna is clearly defined in this context. The chapter analyses the complex interactions between competitiveness and cohesion within this new cross-border metropolitan area.

1 Introduction

Since the political turn in 1989 and political independence in 1993 a new period of economic and political cooperation between the Slovak Republic and neighboring Austria has started, further reinforced by EU accession in 2005. Decades of isolation were substituted by reform effort, not only at the national, but also at the regional level. The emerging new multi-center cross-border metropolitan area formed around the capitals of Bratislava and Vienna (referred to hereafter as the Vienna–Bratislava Metropolitan Area) is both, symbolic for this development but also a core element with an important role not only in a European but also in a global context. The latter however, threatens both countries and the emergent region making it even more necessary to intensify steps of cooperation.

This chapter discusses competition-cohesion issues, governance processes and economic development in the Vienna–Bratislava Metropolitan Area. It provides a review of the interactions between the two dimensions of competitiveness and cohesion, focusing on the Slovak part of the emergent cross-border metropolitan

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region, which unlike its counterpart, the Vienna region, has evidenced rapid progress in development during the past decade. The chapter analyses key aspects of the ongoing process of changes in governance and business systems to improve the trans-regional competitiveness in a situation, where the erosion of social cohesion could possibly occur. This is caused by global competitive pressures between regions leading to the relocation of firms among other things and fostering the erosion of traditional values and labor market standards and arrangements. Policies and strategies implemented in the Slovak Republic are based on modern approaches to regional development and innovation, which try to balance competition and cohesion. Aspects of cohesion are in particular addressed as contributing to the formation of social capital, ultimately interpreted from an economic perspective.

Part I of the chapter refers to Bratislava and its strategic positioning within a cross border metropolitan area. In Part II, the competitiveness of the Bratislava Metropolitan Area is discussed, while various aspects related to social cohesion are presented in Part III. Two dimensions are analyzed in particular: (1) employment and the labor market, and (2) social exclusion and equal opportunities. The competition-cohesion framework for the Vienna–Bratislava Metropolitan Area and its existing weaknesses is presented in Part IV. The conclusion briefly summarizes our results.

2 Bratislava–Strategic Positioning Within a Cross Border Metropolitan Area

Bratislava is the most dynamic sub-region in the Slovak Republic accounting for most of its economic success. Together with the neighboring Austrian regions and the capital city of Vienna, they represent a gradually evolving competitive transnational region, the Vienna–Bratislava Metropolitan Area (VBMA, see Fig. 1 and Table 1)¹.

Since 1993, the institutional framework of the Slovak Republic has been dynamically developing. The new territorial reform started only in January 2002 and, compared to Austria, the transfer of responsibilities and financial power from the state to local and regional governments still continues. According to the Act No. 221/1996 Coll., the new territorial structure, i.e. the new administrative units of the Slovak Republic, is formed today by eight regions that are further divided into districts. Municipalities and regions are the local government units in the Slovak Republic. Regarding territorial governance, the decentralization process leads to the empowerment of these units that are now autonomous from central government and have their own competences and responsibilities. The transfer of responsibilities

¹ The Vienna–Bratislava Metropolitan Area represents an area of 30,000 km² with 4.5 million inhabitants. It consists of the three Austrian states of Vienna, Lower Austria and Burgenland (forming the Vienna Metropolitan Area) and two Slovak regions of Bratislava and Trnava (referred to as the Bratislava Metropolitan Area). The Slovak part represents approximately one-quarter of the area and inhabitants.

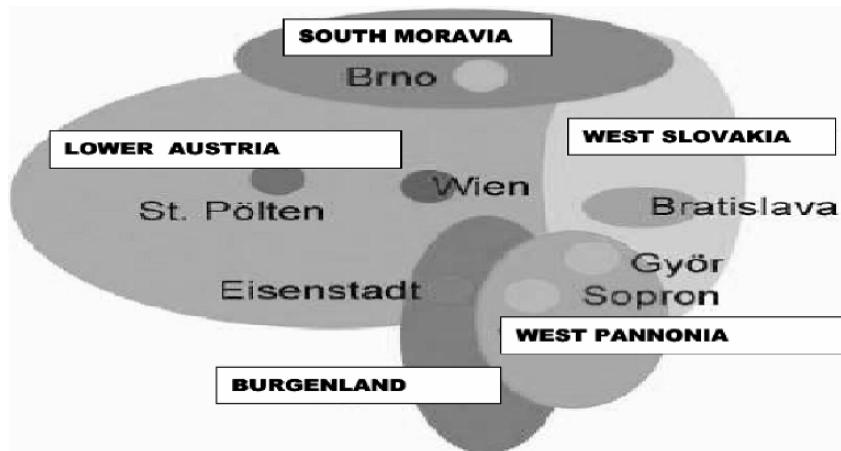


Fig. 1 Scheme of Centrale Europe regions showing the impact zone of Vienna-Bratislava metropolitan area

Table 1 Comparison of VMA and BMA

Distance	Vienna	Bratislava
	60 km	
Inhabitants/city	1 550 000	429,000
Inhabitants/region	3 374 000 ¹	1 150 000 ²
GDP/capita (PPS) ³	36,603	25,351

Source: Compiled by the author, based on CENTROPE data, IPE, Eurostat 2002.

¹ Vienna, Lower Austria, Burgenland.

² Bratislava region/Trnava region.

³ Purchasing Power Standards (PPS).

covers diverse policy areas, such as education, health care, social welfare, territorial planning or transport.

According to a new law, the capital city of Bratislava shall also become a region. With this new status, Bratislava will be on the same level with Vienna and Prague (see BN, 2006), making thus governance structures more similar and facilitating trans-border cooperation.

In economic terms, the Slovak reforms focused especially in the areas of the pension system, healthcare and taxation. A newly introduced flat tax rate (19%) applies to all taxation, including value added tax and income tax, while the taxation of dividends has been abolished. As a consequence, the taxation differential with Austria is enormous. According to data for 2005, the total tax burden in Austria is 43.75%, compared to only 19% in the Slovak Republic, making the latter immediately more attractive for business. However, the benefits from this situation seem to concentrate in particular in Bratislava, which compared with the rest of the country has less problems with low productivity, high unemployment and social exclusion.

Bratislava² and Vienna are clearly the two nodal points in the cross-border region, offering the best opportunities for a successful cooperation. Despite still existing differences, disparities in income and employment across the Vienna–Bratislava Metropolitan Area have been reduced over the past years.

In strategic terms, the development of the Bratislava Metropolitan Area is outlined in several national and regional documents, which follow the key objectives of the Lisbon strategy. A hierarchical set of tasks and strategies to achieve the goals of this strategy can be found in several documents – the basic strategic documents from the European Union (e.g. Proposal of Financial perspective 2007–2013 etc.) complemented by a comprehensive set of national documents³. The Operational Program Bratislava County (OP BC), frequently mentioned in this chapter, is the programming document of the Slovak Republic for using EU's structural funds assistance for the period 2007–2013. It is actually quite difficult to provide a brief overview of the whole structure of these documents and their mutual relations. In addition, different and even overlapping program periods, similar goals but different forms of funding often lead to problems in their actual implementation.

3 Competitiveness in the Bratislava Metropolitan Area

The competitiveness of a region depends on the use of its economic potential, which depends in its turn on several factors like the actual demand, the economic parameters of production facilities located in the area and the quality and availability of labor force. The level of this potential and the degree of its use is reflected in the economic performance indicators of the region. A low performance may not only be due to the low degree of its economic potential, but can also be due to the inefficient use of existing resources and possibilities.

Bratislava County is the region with the highest economic potential within the country and the only one where the level of gross domestic product (GDP) exceeds the average value of the European Union's GDP. Bratislava County's share of the Slovak GDP is 23.6%, while its GDP per capita represents 229.3% (2003, preliminary data) of the Slovak average (OP BC, 2006). The volume of investment

² A SWOT analysis of individual counties and their comparison shows that the Bratislava region has some comparative strengths and opportunities vis-à-vis other Slovak regions (for a comparative table see Brzica and Kačírková, 2005).

³ The relevant Slovak documents are numerous: National plan of regional development – NPPR (2002), Concept of territorial development of Slovakia – KURS (2001), Strategy of competitiveness development of Slovakia until 2010 – SRKS (2005), SRKS – Action plans (2005), National strategic reference framework 2007–2013 – NSRR (2006), National strategy of sustainable development – NSTUR (2001), Action plan of NS TUR for 2005–2010 (2005), Strategy of development of Bratislava County (2003), Single Programming document NUTS II Bratislava Objective 2 for the period 2004–2006 (JPD NUTS II), Territorial plan of Bratislava County, Action plan of employment of Bratislava County for 2005–2006, Regional innovation strategy of Bratislava County (2005).

property per capita of Bratislava County was 3.2 million SKK in 2005 (est. 90,000 EUR) (OP BC, 2006) exceeding the Slovak average by several times. However, this economic performance is volatile and depends on the successful transition to a knowledge-based economy. Another danger lurks in the over accumulation of obsolete production capacities generating goods for declining markets and eventually unemployment. However, the Bratislava County and its hinterland is still a potentially advantageous region. The Vienna–Bratislava Metropolitan Area is a very good location for investment at the border between central and eastern European regions, but there is no efficient system of cooperation between the two capitals and their regions. This clearly limits the opportunities for dynamic production and innovation.

A comparison of Bratislava with neighboring cities inside and outside the Slovak Republic allows a first evaluation of its competitiveness. This comparison shows that Bratislava has a very favorable location within the Slovak Republic and holds certain advantages vis-à-vis Györ, the next important Hungarian centre, but many disadvantages compared to Budapest (Hungary) and Prague (Czech Republic). In addition, Vienna has a better position in many other respects, but Bratislava does not compete with Vienna in the same market segments and their production structures are markedly different.

With regard to the restructuring of the industrial base of the Bratislava region, innovation, technology, applied R&D and innovation transfer to small and medium-sized enterprises is of utmost importance. The “Innovation strategy 2007–2013” supports electronics, engineering and chemical sectors (OP BC, 2006). In all sectors, special attention is given to information technologies. The strategic interest is further to develop information and communication technologies as well as nanotechnologies.

About 100 R&D organizations can be found in Bratislava county, representing nearly half of all R&D organizations and researchers in the Slovak Republic (OP BC, 2006). The development of the region is focused on stimulation of innovative capacities to reach learning region status, which will lead to the development of knowledge-based firms, in particular small and medium-sized firms. New technology based on small and medium-sized enterprises is expected to create qualified jobs and help to maintain human resources in the region.

However, compared with the most advanced regions in the European Union, the innovation infrastructure in Bratislava Metropolitan Area is still underdeveloped. In particular, there is need for more incubator facilities, technology centers and technology parks. The development of such infrastructures is a key measure directly supporting emerging innovative firms. Technology parks are also important for the location of foreign technology firms in the region (as witnessed in the case of VW and logicsites firms). The industry and technology park Euro-Valley in the western part of Bratislava County can be a step to attract high-tech or medium-tech firms. A technology park in Bratislava and an incubator facility at the Slovak technical university are similar initiatives, currently in the making. Both projects contribute to the development of Bratislava Metropolitan Area’s regional innovation system. In the future, the development of Bratislava County as a high-tech region requires

the revaluation of regulating⁴, planning and investment activities. In accordance, the government budget provides already specific measures to adjust university education and emphasize university based R&D.

The provision of flexible, accessible and efficient public services to citizens in Bratislava (and county) cannot be considered as sufficient. The infrastructure of public administration at all levels does not meet modern standards. Public services are still very fragmented, not integrated and neither managed efficiently in the SR. The modernization of public and municipal administration, using information and communication technologies, will probably improve the situation in this respect. Bratislava County initiated in 2003 a geographical information system (Geo-portal of the Bratislava County), which focuses on storage and analyses of data about the territory, to provide efficient services linked to its new perspective for regional development and regional planning.⁵ However, the modernization of public administration is implemented gradually and relatively slowly.

4 Aspects Relating to Social Cohesion in the Bratislava Metropolitan Area

4.1 Employment and the Labor Market

The share of Bratislava County in the overall employment in the Slovak Republic was 18.5% in 2004. The service sector accounts for 76.4% (mainly in trade, real estate, rental activities, education and healthcare) and industry for 16.3% of total regional employment. The rate of industrial employment is the same as the average in the enlarged European Union. Unemployment is considerably lower in Bratislava County (3.2%) than in the rest of the Slovak Republic (13.1%), but women's relative unemployment rate is higher compared with men's unemployment rate (54.4% of total unemployment in Bratislava against 49.6% in the country as a whole). Finally, unemployment for persons with reduced work ability is rather low (2.9% compared with the national average of 4.6%).⁶

⁴ Such regulation refers to the protection of intellectual property and industrial rights, to patent certification, consulting, to the financing of patent protection and innovation activities, to the management of incubators and spin off processes and technologic transfer (OP BC, 2006).

⁵ The Geo-portal shall serve the wider public, informing about new plans and projects, calling for the submission of proposals and comments and, generally, inviting for participation. For potential investors, the Geo-portal will provide information that assist location decisions. The Office of Bratislava County will be the administrator and operator of the Geo-portal that is financed by the state, Bratislava County and by the program JPD2 (OP BC, 2006).

⁶ The unemployment for school graduates is relatively high (9.1% in Bratislava against 6.4% in the Slovak Republic). The age groups affected more seriously by long-term unemployment are the under 19 (8.5%), the 20–24 (14.5%) and the 50–54 years old (16.7%).

Whereas the labor market in Bratislava region has an absorption capacity above the national average, districts outside Bratislava are quite problematic. Though they still have a comparatively low level of unemployment, the rate of unemployment for the young (under 24) is very high. The localization of new firms in districts outside Bratislava does not contribute to an improvement of the situation or to balance the gap between labor demand and supply. Moreover, the spatial structure of the labor market affects the daily commuting patterns with Bratislava. About 150,000 commuters travel daily for work or education purposes to Bratislava from the hinterland and from remote regions of the Slovak Republic, while more than 15,000 commute daily outside Bratislava for work purposes. Over the years, commuting to work abroad has substantially increased, mostly to Austria and the Czech Republic,⁷ usually related to lower paid jobs like nursing or housekeeping.

The stability of the labor market will certainly be affected by the performance of the economy and in particular by its ability to create jobs and balance labor supply and demand. The new balance will depend, beyond demographic trends, on the qualification structure and on other characteristics of labor force. The Slovak labor market will also be influenced by the European Union's decisions that affect labor market regulations. According to right-wing political parties, that are generally in favor of pro-market solutions, the problem in the Slovak Republic is labor flexibility, while left-wing parties prefer a reinforced state intervention. However, with the current shift from a traditional industrial economy towards a modern knowledge-based economy, it seems evident that less ideologically divided approaches have to be adopted in order to achieve higher competitiveness. The main reason is that for the most competitive high-tech firms the employees play a key role in business success. In addition, intangible assets represent ever higher shares of firm's total capital. Firms are forced to invest more in their employees. On the other hand, networking as the expanding organizational mode requires flexibility and this requires more flexible state legislative frameworks.

4.2 Social Exclusion and Equal Opportunities in the Bratislava Metropolitan Area

Poverty is a multidimensional phenomenon involving low income and other elements, such as access to employment, education, housing, healthcare or cultural goods. According to official data, the rate of poverty risk reached 13.3% for the Slovak Republic in 2004, measured as the part of the population with disposable income lower than 60% of the median value of national disposable income. The groups with relatively high rate of poverty risk in 2004 were children 0–15 (18.4%) and

⁷ The respective figures for these flows are approximately 8,500 persons per week, of which 2,000 persons from Bratislava. About 1,500 persons commute to the Czech Republic on a weekly basis (OECD, 2003b).

young people 16–25 (16.8%), the unemployed (39.2%), single parent households (31.7%),⁸ large households with three or more children (24%) and households with individuals in the age beyond 65 years (23%) (NSRR, 2006). There are further groups facing social exclusion: long-term unemployed (especially the young); handicapped persons; women on maternal leave; Roma minority living in marginalized communities; immigrants, refugees, homeless and more (NSRR, 2006). The risk of social exclusion is increasing for these groups. The main reason being their low chances in the labor market because of lacking skills, insufficient flexibility to changing working conditions, insufficient qualification and education, long-term absence from work etc. Variables with a high positive correlation with poverty are unemployment, education, skill profile and place of residence (NSRR, 2006). A further crucial issue concerning poverty structures is that it tends to be transmitted to the following generations. For certain groups, the dependence on social support is combined with a voluntary exclusion from the labor market. A child's life is often affected by the conditions its parents live in, e.g. by their education level, their revenue or their professional position. Inhabitants in certain settlements in Bratislava and the broader region are facing extreme poverty risk, which is transferred on to their descendants. PISA (Programme for International Student Assessment of the OECD) data for 2003 show that in the Slovak Republic there is a highly significant correlation between a child's school performance and the socio-economic background from which the child originates.

A specific problem of social inclusion refers to the education, employment and integration of marginalized Roma communities in SR. The Roma are a minority group and their number in the Slovak Republic is estimated about 380,000 (approximately 7% of the overall population)⁹ with a very youthful profile (those below 14 years of age represent 43.6% of the group according to 2003 official data). Unemployment rate of the Roma population is very high (men 72%, women 51.5%) and characterized by long-term unemployment (58% are unemployed for more than two years). The marginalized position of the Roma population in the labor market is affected by insufficient skills and education. Their educational profile is characterized by a high degree of incomplete primary education and primary education (OP ZaSI, 2006). A high share of Roma children with only primary education level lives in the counties outside Bratislava region (Banská Bystrica, Košice and Prešov counties) (Konceptia MS, 2003; Vyhodnotenie, 2002). According to a UNDP survey made in 2002 for the SR, 11% of Roma have not completed primary education, 36.8% have only completed primary education and only 0.6% have a higher degree than secondary education. Access to education is complicated by poverty and by premature marriage, by the isolation of Roma communities etc. (UNDP, 2003). According to the 2001 Census, the average rate of unemployment of the Roma population reached

⁸ Roma is considered as national minority, there are also other national minorities living in Slovakia, e.g., Hungarian minority or Czech minority.

⁹ Some estimates see their number around 10% of the Slovak population or 500,000 people.

72.6%.¹⁰ The main barrier of employability for the Roma is their insufficient degree of skills and education, which translates into higher training costs for an employer (UNDP, 2005; OP Vzdelávanie, 2006).

Marginalized Roma communities are also characterized by territorial separation in villages or urban settlements that are often isolated. The lack of social housing complicates further the position of Roma. Other important problems that build-up Roma social exclusion include the very low degree of their political and civic participation, the insufficient infrastructures they have access to including the absence of drinking water sources, their inadequate housing conditions, the insufficient health-care provided to their group and their general lack of information regarding social services (OP Zamestnanost', 2006).¹¹ In order to prevent poverty and social exclusion the Roma need better access to social services and measures of social-legal protection. The Social Development Fund (SDF) is a state organisation partially funded by the state budget. It was established by the Ministry of Labour, Social Affairs and Family of the Slovak Republic. Its activities are funded by the European Social Fund. The project was created in 2003 to direct financial and other resources¹² to the most excluded groups in Slovak society, particularly Roma communities. Currently the situation regarding this matter is characterized by deficiencies in the service network, i.e. involving both the general availability of many services but also their lack of diversity and their unequal regional distribution. The Social Development Fund supports communitarian development directly at the locality level, supports activities leading to direct engagement of excluded groups and encourages their participation in decision-making processes. Today, the Social Development Fund supports the most deprived localities of the Slovak Republic. It has its priority focus on creating and developing partnerships for social inclusion, which are able to prepare and run programs supporting inclusive labor market and social inclusion in specific areas, thus improving employment possibilities of affected groups and their complex integration into society.

Among national minorities, the most threatened group are clearly the Roma. However, official data are limited and present a relatively small significance in terms of the overall population. In respect to other parts of the country, the position of Roma communities is not as acute in Bratislava County. However, the situation should be improved even in Bratislava and this requires to increase the education level, to improve living standards and to upgrade social status. All of these aspects

¹⁰ Since 1999, the National Labor Office has not registered ethnical status of unemployed and precise data on unemployment for the Roma are difficult to obtain. According to the National Labor Office, Roma represent approximately 20% of all unemployed and 52.3% of those unemployed longer than 48 months (Jurášková, 2004).

¹¹ Marginalized Roma communities report for instance various infectious and chronic diseases, related with malnutrition and low personal hygiene.

¹² 2.665 billion EUR of European Structural Funds has been committed to Slovakia between 2004 and 2006. Some of this will be allocated to the SDF Project to tackle deep-seated problems in Roma communities, which have great infrastructure needs and often lack even the most basic social services.

are aims of Operational Program (OP) Education and OP Employment and social inclusion (OP Vzdelávanie, 2006; OP Zamestnanosť, 2006). Both the OP Education and the OP employment and social inclusion pay particular attention to the Roma group; the first, for instance, addresses the need to increase the educational level of marginalized Roma communities by facilitating access to formal education within the priority axis 3 – Support of education of persons with specific educational needs.

It should be noted, that the support to competitiveness and the creation of new jobs in various modern or high-tech industries may further exacerbate the social exclusion of marginalized Roma communities. The creation of new jobs should, therefore, be linked to general anti-discrimination principles, not only for Roma community but covering all marginalized groups. Securing social status, increase of qualification levels and working skills are a necessary condition to create equal opportunities or, at least some opportunities for the groups that appear increasingly distant from the sophistication and the new exigencies of the labor market. The strategy to attain this objective is included in the OP employment and social inclusion.

The problem of combating social exclusion reveals the negative aspect of the centralization of public administration. The municipalities are often under-equipped to meet their new responsibility of developing social inclusion strategies. Smaller villages in deprived areas are not able to operate without substantial external support. The rate of social integration depends on maintaining equal provisions of services, living standards and life chances. The structure of the population, the economic structure as well as the state and nature of the labor market in Bratislava County reduce the risk of a further enlargement of the population in conditions of social exclusion. The poverty rate represents one key indicator for the evaluation of social exclusion. In Bratislava County, 4,506 persons received contributions to their livelihood, in total 127.8 ml SKK in 2004 (about 3.8 m EUR OP BC, 2006). This was 22% of the net monthly income per capita in Bratislava County in 2004 (about 320 EUR).

The long-term unemployed are another threatened group in Bratislava County. They represent 21.2% of job seekers, exceeding the EU average and characterized by substantial regional disparities. In Bratislava-V district, it is especially the young and school graduates, which potentially face social exclusion among the long-term unemployed.

In Bratislava County, the horizontal or vertical employment segregation between men and women is another important aspect. The domain of female employment is the tertiary sector (approximately 70%); in education, healthcare and social services the share is even higher. The unemployment rate is similar for both genders, partly because wages in industries with female employment dominance are lower than is the Slovak Republic average. The goal of equal opportunities, one of the priorities of the European Union, acts against all forms of discrimination – based on gender, race, ethnic origin etc. For an efficient enforcement of equal opportunities, an institutional awareness and the application at all state levels is needed. The OP BC creates pre-conditions for equal opportunities to run business and provide new employment for groups potentially affected by market failures. The application of the principle of equal opportunities is devoted to projects supporting the creation of new jobs. In

the case of knowledge-based society, information and communication technologies offer many opportunities to overcome barriers for groups threatened by poverty and social exclusion. Available technologies to meet their specific needs allow them to participate equally on societal life. The challenge for the program period 2007–2013 is to overcome gaps between technologies and this group of users (OP BC, 2006).

5 Competition-Cohesion Framework for the Vienna–Bratislava Metropolitan Area and its Existing Weaknesses

As stressed from the outset, the “competitiveness and cohesion” situation of Bratislava is in part depending on the competitiveness of the Bratislava and Vienna Metropolitan Area. There are some effective risks which might threaten the Vienna–Bratislava Metropolitan Area, like changes in global demand. A particular example is the automobile industry, which is very sensitive to changes in global demand. Overdependence on this sector can translate into higher structural unemployment and erosion of social cohesion even in areas that have enjoyed long-term prosperity. The relocation of firms to Asia can further deteriorate the situation as witnessed in Western European countries. However, being close geographically and historically to the other EU countries, the Slovak Republic seems to have a number of advantages in the overall development process. Benefiting from the “institutional anchor” of the EU membership the country can be effectively assisted in building trust and social capital in the region.

A major element of regional and government policy in Slovak Republic is to ensure that firms increase their competitiveness. Increasing competitiveness is an ambivalent strategy, as on the one hand it is the basic factor for employment growth and increased living standards, but on the other hand increasing competition reduces the income levels of numerous people, and puts them at risk of relative poverty or deprivation. The competition-cohesion relationship is thus important for policy makers in many respects. The Slovak Republic tries to establish a win–win-situation by particularly focusing on innovation and research and development based policies.

The generation of competition enhancing factors includes: (a) a critical mass of institutional density (as an additional factor to the OLI factors¹³); (b) a critical mass of institutional flexibility; (c) a critical mass of technical infrastructure; and finally (d) a critical mass of educated workforce. In this way a “some win-some lose” situation might be avoided and general cohesion-increasing factors within society might be developed.

At the regional level, there are two important groups of factors: (1) factors related to firms and the way they operate, and (2) factors related to the environment in

¹³ OLI factors refer to Dunning paradigm (see Dunning and Dilyard, 1999). Dunning’s theory states that participation of a firm in international production depends on the presence of three factors – (O)wnership-specific advantages, (L)ocation-specific advantages, and (I)nternalisation incentive advantages.

which they operate (Davies, 2004). The latter addresses the important role of social capital¹⁴. Social capital represents a network of social relations characterized by norms of trust and reciprocity. The core of this network is the quality of social relations (see Bullen, 1999) and the degree of social cohesion, which exists in communities (De Rossi, 2004). Social capital has the properties of both public and private goods benefiting to both individuals and groups.

The social capital of the Bratislava region has quite substantially developed over the past decades. This is due to several reasons. Traditionally, there had been for decades an open environment for communication within the multi-lingual community (Slovak, Austrian, Hungarian and Jewish). After a period of isolation from foreign impact between 1948 and 1989, since 1989 this positive feature reappears especially in Bratislava. However, the first decade of the transition period had eroded trust among citizens due to processes as privatization, restitution of property or political divides. Today, as a center of many universities, corporate headquarters and the Slovak government, Bratislava has gradually become a catalyst for innovation, production and international operations. The existence of social norms promoting collective action and the degree of trust in public institutions is visible. It is this kind of capital, which helps developed market economies to increase their competitiveness. Especially it is trust and social cohesion, which make it possible to create an environment characterized by intensive interactions among various actors, to generate innovative ideas and to share common values, knowledge and networks. Social capital is embedded in a locality and represents the sources, which emerge because of maintaining a permanent network of institutionalized relations of mutual familiarity and respect. However, it is difficult to define a direct link between the improvement of cohesion on a city level and the increase of competitiveness, in a way that can form the basis for a consistent policy approach.

Building social capital and social cohesion is a difficult and complex problem. There is large scope in an economy for the coordination of economic exchanges through informal institutions Raiser (1997) and networks. These come in many forms, including the operations of informal economy. Informal social capital has its relevance in the transition process, but often in post-transitional countries the use of such informal networks can imply high costs to the citizens (e.g. entry of potential competitors may be discouraged).

The principal actor, which reforms existing organizations or institutions (e.g. educational system, labor market or housing market) is the state. The current institutional set-up shows disadvantages, as neither regional governments nor city administrations can decide about the most relevant issues, like e.g. budget expenditure or privatization. Because Bratislava Metropolitan Area belongs to the most advanced areas of the country and it is at the same time the seat of the government which makes important decisions about the entire country, the opposition against pro Bratislava decisions in structural policy is always firm. Such support goes usually

¹⁴ For some characteristics of social capital see also, for example, the work of Knack and Keefer (1997), Dasgupta and Serageldin (1999) or Stiglitz (1999b).

to the regions with the highest unemployment or other problems of social cohesion. For them, the investment incentives and special programs have been created and applied. Nevertheless, in order to increase national prosperity and competitiveness within the whole country, adequate efforts have also to be made to enhance dynamics within the most dynamic regions. Local formal and informal institutions thus can help to counterbalance the predominantly social focus of the government by giving voice to competitiveness enhancing demands coming from various local and regional business actors and other stakeholders.

Promotion of networking and cooperation is crucial for higher regional competitiveness. Competition itself no longer remains the only principle in regional and corporate strategies. Therefore, building co-competition (cooperation through competition) and promotion of higher cohesion is not only socially, but also economically highly desirable. Creative ideas are certainly mushrooming more in socially stimulating environments. Highly educated people feeling secure have more incentives to stay in a locality and contribute to its progress. High technological absorption capacity of a region means higher attractiveness of a region for investors. The links among social cohesion – social capital – competitiveness – competition exist but the related processes are not easily predictable and they are rather non-linear than straightforward.

6 Conclusion

The actual prospects for a more intensive integration of the Vienna–Bratislava Metropolitan Area depend clearly on interactions of international, national and local factors. The possible convergence process may produce positive results, but may also impose costs to its members. On crucial element here are the still considerable economic differences between the two sub-areas. Nevertheless, one important parameter is that the region is at the border between new and old EU members and that the practical cooperation patterns resulting from this situation might be shaped for the benefit of both parts. The region allows a closer relationship between Austria and the Slovak Republic. Austria has traditionally been among the most active EU members in building political relations and fostering economic linkages with the former candidate countries. Now, policymakers on both sides have to decide what objectives should be set for these regions, what institutional structure and what the appropriate level of integration is. However, different social structures and various local-specific problems and disparities exist within the Vienna–Bratislava Metropolitan Area and produce different cohesion respectively competition perspectives. The Slovak policymakers must cope with these issues as the differences in the Slovak Republic are much stronger and the future development of Bratislava is central for the whole country. Policymakers face the risk of over-concentration in a single economic centre. They can only do so, expecting that the rest of the country will benefit from dynamic development of Bratislava, too. As such, growth in the Bratislava region is linked to the national regional development strategy, which in

turn focuses on the Vienna–Bratislava Metropolitan Area as a policy issue. In many cases, cross-border coordination will become essential. The governments in both states address these issues and confront practical obstacles to integration, in part in very practical ways.¹⁵ However, building the Vienna–Bratislava Metropolitan Area implies an active and long-term planning process. The question remains: How can the region manage the integration process in such a way as to maximize competitiveness gains leading to real growth effects while reducing social destabilization at the same time?

Both local governments have to solve these issues to gain positive effects. Conflicts may occur in the future and new governance frameworks need to cope with conflicting situations. Both sub-regions might want to improve integration, but for different reasons and in different ways. To achieve its ambitious goals, Vienna–Bratislava Metropolitan Area needs to develop further an effective and efficient institutional and governance framework to support competitiveness and cohesion.

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¹⁵ Such as the language barrier, the disparity in funding of regional governments, difficulties in finding direct counterparts having similar jurisdiction, interests or powers with whom to negotiate.

Part V

**Reconciling Competitiveness and
Cohesion – Conclusions**

Conclusions – Competitiveness and Cohesion: One Discourse, Multiple Realities and New Challenges for Policy and Research

Thomas Maloutas, Mike Raco, and Tuna Taşan-Kok

Abstract The concluding chapter brings together some of the core findings from the contributions of twenty specialists from around Europe, and identifies avenues for future research. The contributions have reflected on the conceptual and empirical relationships between economic competitiveness and social cohesion at the urban and regional level throughout Europe. In the concluding chapter, the outcomes and interpretations of these diversified reflections were discussed and the tensions within the new ‘competitiveness’ and ‘cohesion’ frameworks of policy-makers and planners were elaborated. The conclusions address questions related to the diversity of policy frameworks and discourses before turning specifically to core areas where further research work is needed.

1 Introduction

The contributions in this edited collection of twenty specialists from around Europe have reflected on the conceptual and empirical relationships between economic competitiveness and social cohesion at the urban and regional level. It has been a diversified reflection, with authors drawing on different case studies and intellectual perspectives, angles, and concerns. This concluding chapter brings together some of the core findings from the contributions and identifies avenues for future research. It begins by discussing and reflecting on the tensions within the new ‘competitiveness’ and ‘cohesion’ frameworks of policy-makers and planners. It then addresses questions surrounding the diversity within policy frameworks and discourses before turning specifically to core areas where further research work is needed.

1.1 *The Competitiveness-Cohesion Binary*

The ‘competitiveness and cohesion’ binary is usually regarded by policy-makers as a self-explanatory trade-off between the two elements of a zero-sum relationship. Competitiveness should ensure durable economic development – especially under

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the pressures of globalisation – which then permits states to invest in policies that contribute to social cohesion. At the same time some degree of social cohesion is considered necessary for sustaining competitiveness. This trade-off epitomizes the socio-political understanding which characterizes the EU model of social regulation and differentiates it from those more primarily on unbridled market forces and their supposedly built-in self-regulating mechanisms (Faludi, 2006; Lisbon European Council, 2000). Both models understand ‘competitiveness and cohesion’ as a zero-sum relationship; the EU model is simply less unconditional in the primacy given to the competitiveness component. This EU reading and discourse on the ‘competitiveness and cohesion’ binary operates and de-contextualises both notions and their interrelationships and, as a result, glosses over the realities of contexts of places that do not corroborate its basic assumptions in a number of ways.

First, the new agendas underplay the historical origins of the binary and the ways in which it represents a de-socialized and de-politicised way of expressing the capital–labour tension imposed by the supposedly overbearing and uncontrollable forces of globalisation that render the previous conditions for national level arrangements more or less obsolete (see Bourdieu, 2001). ‘Competitiveness and cohesion’ is a de-socialized binary since it loses the direct reference to a social relationship (as in capital–labour) and assumes that its adequate handling could be beneficial throughout the social spectre (a win–win situation) while an inadequate handling would lead to detrimental results in equally socially indiscriminate ways. It is also a de-politicised binary, since it leaves no room for politics and policies outside its own rationale, i.e. outside policies that aim to make it work successfully. Its de-politicised nature appears also under the form of the lack of alternatives before the overbearing power of globalisation that all subjected entities have to acknowledge and comply in order to survive.

Second, the new approach glosses over its own history and its emergence through the compromise between the receding social democrat hegemony in the EU since the Delors period, and the growth of market forces and principles operated by both conservative and socialist/labour parties in most EU countries. This period coincides with the progressive and generalised turn of attention of large political parties from working class to middle class audiences, a turn that also marks the shift from working class clienteles and citizenship legitimisation based on participation in processes of production to middle class clienteles and citizenship models relying on consumption rights and personal security. Industrial societies based on the primacy of production processes and rights emanating from participation in those processes wither away as they de-industrialise under the pressure of much more flexible capital investment (in terms of economic sector, type of activity, investor identity, and location) and acquire a different politico-moral constitution as their growing middle class electorates become dominant. This shift from ‘producer’ to ‘consumer’ based modes of political legitimisation, within a changing geometry of capital–labour relations, permits the dismantling of specific forms of instantiation of labour in the formerly advanced industrial economies following capital’s pressure to restructure its operations on a broader spatial scale, while the increasing dominance of the middle class consumer type of citizenship is used as political leverage for the democratic

implementation of economic restructuring and its impact on nation-state level socio-political arrangements.

Thirdly, the consequence of this rephrasing of the ‘capital–labour’ relation is that competitiveness and cohesion discourses come to represent a considerable regression and downsizing of equity policies and discourses, in spite of its assumed tendency to equilibrate its two components. Cohesion discourses and policies are no longer about social equity but about protection of the most vulnerable from significant marginalisation. This regression runs parallel to a slip from policies and discourses aiming at providing equal conditions of life and social mobility to the liberally inspired objective of equal opportunities. In this sense, the rephrasing of the ‘capital–labour’ social relation to ‘competitiveness and cohesion’ glosses over the fact that successful competitiveness strategies and accomplishments assume and require unsuccessful competitors – win–win situations are feasible only for the successful ones – who can reasonably be expected to have serious difficulties dealing with their own problems of cohesion and can only hope to future success through their improved competitiveness. However, nothing guarantees that there will be some kind of alteration between winners and losers in the competitiveness game; on the contrary, cities, regions, firms, universities and other institutions/agents that are successfully implicated in the game of commodified competition are usually expected to increase their distance from losers, rather than alternate in the competitiveness hierarchy.

These regressions in equity objectives run parallel to the change of the spatial referent, i.e. from the nation-state in the case of the ‘capital–labour’ relation to sub or supra national entities in the case of the ‘competitiveness and cohesion’ conceptual framings. This spatial referent change is a move away from contexts where historically built socio-political compromises are heavily underlining social policy issues in terms of state obligation, to other spatial/administrative levels where such compromises are weaker, if not non-existent (Brenner, 1999). As a result, policies in the ‘competitiveness and cohesion’ frame tend to focus more on the competitiveness part of the equation, the cohesion part figuring more as a corollary, justified in fact by its alleged beneficial impact on competitiveness. This spatial shift is usually assumed as an indication of the end of the nation-state under the pressure of globalisation, and incidentally much of academic work on the Left unintendedly contributes to this mystification. However, nation-states are far from powerless but choose to exercise their power in matters of competitiveness rather than in cohesion.

Summing-up the above points, the ‘competitiveness and cohesion’ discourse and policy frame is a de-politicized and de-socialized transformation of the ‘capital–labour’ relation to a technical-administrative issue and a transposition from the nation-state to a multitude of sub and supra-national entities where historically legitimated expectations regarding state obligations are obliterated and replaced by isolated and downsized social objectives in the context of new governance schemes. Moreover, this dominant discourse is imposed on a multitude of urban and regional realities as a de-contextualised universal analysis and policy direction, enabling the adoption of neoliberal measures and minimising the importance of dealing with contextual specificity in order to face local challenges.

This concluding chapter aims to highlight this diversity. However, multiple realities and diverse situations presented in the book should not be interpreted as diverse performances on the ‘competitiveness/cohesion’ game, but as an indication of the possibility to respond in a number of different ways to these challenges. Acknowledging this situation, a number of certainties related to the ‘competitiveness and cohesion’ binary become questions. Does increased competitiveness effectively lead to more social cohesion? Does more social cohesion lead to increased competitiveness? Does this alleged possibility of win-win situations in terms of both competitiveness and cohesion affect broader socio-spatial systems or only the winners within them?

2 Diverse Responses to Global Challenges

Pressure from globalisation is real and political action becomes possible within specific contexts of path dependent and already constituted systems of welfare arrangements that enable/constrain political action in diversified ways. The use of regulationist frameworks and their emphasis on the global imperatives undermines the importance of internal dynamics, conflicts, and resolutions in the urban societies, which are very important in governance systems and practices. Because of these contingencies, the societies give diverse reactions to global challenges such as institutional organisation of market economy, neoliberalism, re-scaling of the state, multi-level governance, global immigration, sustainability, social justice, and so forth. This book highlights some of these diverse reflections to display how ideological discourses become realities in different ways with cases from different European countries. Our analysis reveals that there are a number of issues to be highlighted to display this diversity, two in particular – neo-liberal urban policy and re-scaling and multi-level governance – stand out and it is to these that the section now turns.

2.1 Neo-liberal Urban (Territorial) Policy in Diverse Political Economic Contexts

Neoliberal urban policy (or political-economic philosophy as Peck and Tickell (2002) put it) and the triumph of market ideology reveals a shift from social to entrepreneurial (market-led) forms of governance, where multi-actor governance networks are established (and re-established) at different layers and scales on the basis of market-led principles, with the expectation to perform better in competitive market conditions. In this system, urban governments are expected to develop innovative strategies, which explicitly aim at increasing place competitiveness, and the ways that these strategies are promoted and communicated.

The shift from Keynesian to post-Keynesian forms of governance increased the gap between social and entrepreneurial forms of governances. With the intended

market-led reforms ‘public debate and dialogue over key policy issues have been replaced by an instrumental-strategic form of governance emphasizing economic efficiency, individual responsibility, low taxes and user fees’ (Miller, 2007). This has been coupled with the pressure on the individual (EU) countries to perform better as clearly indicated in the Lisbon strategy to ‘make Europe, by 2010, the most competitive and the most dynamic knowledge-based economy in the world’. Competitiveness, as the motto of each stakeholder of the urban economy from the individuals and firms to the state organizations, created the expectation of being more entrepreneurial and more competitive to take part in the global economic networks. The conditions of this competition are not very clearly described (i.e. who competes, with which instruments, and for what?) nor of the entrepreneurialism, though ‘competitiveness’ keeps dominating the strategies of urban policy documents.

In some parts of the EU attitudes towards globalisation and economic growth are very different to those of others. Our chapters on the Eastern European cases of Slovenia and Slovakia, for example, indicated that there is a widespread discredit of previous arrangements and ideological optimism over the ability of market regulation to boost competitiveness and enable the former Communist economies to engage in advantageous EU and global economic networks. The Eastern European urban regions have been undertaking a series of reforms in the direction of neo-liberal restructuring in their own diverse ways. This involves the shoe-horning of new, neo-liberal restructuring/transition programmes onto existing socio-economic and institutional structures. This generates a particular set of tensions and social problems as inequalities grow. Their competitiveness, in this respect, displays a different dimension than the ones of the more advanced capitalist countries of the Western Europe. As the Bratislava (Chapter 6 by Brzica) and Maribor (Chapter 13 by Sitar) cases illustrate the struggle is not only to become competitive in a larger market, but also to complete the institutional transformations that would provide sustainable approaches to the economy to further develop. The Bratislava case clearly shows that the struggle of the policy makers is not only to find the right strategy to increase their competitive advantage in the surrounding region but also to define the priorities and means of reaching the objectives of this strategy. As Brzica claims, the social capital potential of the region with skilled, multi-lingual, and educated labour stays idle due to the missing strategies. On the other hand, putting too much emphasis on the skilled labour may increase the social inequalities and thus, may have a negative effect on the social cohesion. Thus, balanced policy solutions are challenging to find especially for those countries that need to make a greater economic development effort compared to the advanced others.

In Southern Europe our chapters found that although the presence of broader welfare arrangements were perceived to be an impediment to market forces, they were still necessary to wider maintenance of socio-political stability and consensus. As the Spanish case shows (see Chapter 4 by López et al.) cohesion policies have not succeeded in increasing productivity, particularly in the relatively undeveloped regions in the south during the period of 1981–1998, during the era of creation of welfare state functions. Moreover, some regions in Spain have not been able to

increase productivity and employment at sustainable levels even though they have received substantial public sector transfers. However, their findings illustrated that social cohesion policy did not undermine competitiveness, income levels, or employment growth. In fact, the richest Spanish regions tend to be the more egalitarian, although the inequality is expected to be higher in the more affluent, dynamic, and global cities (Fainstein, 2001a; Pahl, 2001). Another important issue in the South European context is that the absence of a consolidated social policy frame does not necessarily lead to increased competitiveness when a new resource (like immigrant labour) becomes available at low cost due to its scant social protection, but rather to new equilibriums within the existing web of local socio-economic structures and *rapports des forces*, as evidenced by the chapter on Athens (see Chapter 7, Kandylis et al.).

In Northern Europe, successful flexibilisation and increased competitiveness are partly contained within strong welfare cultures that are obviously not immune to commodification. This can, to a certain extent, ensure that the gains of competitiveness are used to sustain a great degree of social equality and cohesion. The Finish case outlined in Chapter 10 used the example of the Salo region where the increasing economic competitiveness (due to the development of Nokia and related incubation services) has helped the region to come over the problems associated with an aging population and has ensured that welfare functions are gradually, rather than radically restructured. The Finish case also shows that balancing social and economic targets is difficult when competitiveness is the main driver of development.

2.2 Re-scaling, Multi-Level Governance and Fragmentation

Re-scaling appears as one of the dominant characters of the transforming processes of governance in neoliberalisation era (Brenner, 1999; Jessop, 2002). In this context, re-scaling is not only attributed to the changes in dominant form of urban-regional regulation (Brenner, 2006), but also of the re-scaling (though, not diminishing) of formal state powers by uploading key national regulatory functions to democratically unaccountable regulatory agencies (Miller, 2007). This transformation produced new power relations, with local governments taking on a variety of new responsibilities (Miller, 2007; Swyngedouw, 1997). Brenner and Theodore (2002) assert that these transformations turned the cities into 'institutional laboratories for a variety of neoliberal policy experiments'.

Re-scaling has resulted in a swift (but most of the time implicit) reorganization of local and central state functions, where decentralisation of the responsibilities of local and national organizational bodies takes place to redistribute the welfare functions. This process does not really mirror the diminishing state power but the decentralising of it through some new functions (and actors) created within the system. Although, most of the times this decentralisation resulted in fragmentation and vague organisation of the public functions along with the market-lines, new governance dynamics were created in cities and urban regions of Europe to cope with

long-standing issues. However, each policy context approached the re-scaling in a different way. In the case of Finland, the role of the urban districts as new actors in Finnish multi-level governance illustrates the impact of re-scaling on the balanced regional development (Chapter 10 by Andersson). In Finland, urban districts also played a significant role in balancing the economic competitiveness and social cohesion agendas. In Switzerland the mid-1990s onward, the federal government started to focus on a national policy for urban areas and initiated new forms of intergovernmental collaboration to create horizontal and vertical integration. With a series of federal and cantonal programmes, a new understanding of urban policy-making, which improved intergovernmental collaboration, was created (see Chapter 14 by Schenkel and Oetterli). In Spain, the re-scaling occurred throughout 1990s for the creation and balanced distribution of the welfare state functions through decentralized regions and provinces (see Chapter 4, by López et al.).

3 Identifying Causality: Does Increased Competitiveness Lead to More Social Cohesion or More Social Cohesion Lead to Increased Competitiveness?

Economic competitiveness seems to be a prerequisite for developing social cohesion and the lack of cohesion is considered detrimental to economic development (Chapter 2, by Vranken). However, it is difficult to provide empirical evidence on the extent which social cohesion increases economic competitiveness or the visa versa. However, keeping the diverse reflections presented in this book in mind, we argue that increasing economic competitiveness does not always translate into enhanced forms of social cohesion unless certain conditions are met, such as creation of new forms of urban governance to confront the challenges; the creation and implementation of structural changes such as promoting competitiveness without increasing exclusion; the stimulation of innovation without marginalising low-skilled labour; the organization of new forms of socialisation and social control without impeding on individual freedom; and using urban and regional diversity to develop new forms of solidarity (see Chapter 2 by Vranken).

In line with increasing competitiveness it is expected that entrepreneurial cities will become more attractive as they will have higher quality public services, better organisation of space, and the availability of more aesthetically attractive public spaces, on the one hand, and strong local networks that guarantee economic, social, cultural and spatial improvements through effective participation of citizens in the development of the city on the other. Chapter 5 (by Panebianco) drew on the case of Germany to argue that entrepreneurial urban policies favor economic development, while they are not necessarily unfavorable for social cohesion. Moreover, with increasing inter-city and inter-regional competition the cities adopting an entrepreneurial governance-style seem to be more successful in tackling both economic and social challenges. The chapter argues that by benefiting from a thriving labour market, these cities are in the position to solve problems of social integration

more effectively. Moreover, with large-scale infrastructure investments, which are brought about by competitiveness policies, a chance to close the gap between the advantaged and disadvantaged areas of the cities (or urban regions) is created. A good example to this is the shift of the low-status regions in the city of Zurich to more accessible middle-class living areas with the development of the S-Bahn railway connections (Chapter 14 by Schenkel and Oetterli). In terms of social cohesion, these effects are positive in terms of improving the social mix while exclusion of lower status households has been marginal in Zurich.

The cases of Istanbul and Rotterdam (Chapter 3 and Chapter 11), however, demonstrate different approaches to the same issue. In Istanbul the global activities in services and exports have created important numbers of new jobs especially for disadvantaged groups like women from low-income families. However, most of these jobs were low-paid and without social security. While the income gap between lower and higher segments of the society remains high, residential segregation is getting lower due to changes in the education system, new prospects for upward mobility, and the increasing participation of women to the labour market. With the increasing opportunities households move out of their neighbourhoods, while the new opportunities provided in the urban land market also enforced the emergence of neighbourhoods with mixed character. It means that increasing economic competitiveness has created a new socio-spatial balance where elements of social cohesion have clearly developed (See Chapter 11, Eraydin). The analysis of Burgers and van der Waal (Chapter 3) displays another dimension of competitiveness cohesion binary. Their analysis supports the idea of overstated expectations from economic globalisation as they clearly show that Rotterdam employers have a larger share of low-income workers even though the city has a larger international economy compared to Amsterdam.

However, we should also emphasise that being very competitive on the city level does not automatically bring along equal opportunities and full social integration of all parts of urban society. This is true, especially concerning the disadvantaged parts of the society. The case of Vienna (Chapter 8 by Reeger and Borsdorf) reveals that increasing inclusion of young and qualified labour force people into the labour market might be a problem in the future for foreign citizens, who find themselves in the weakest position on the labour market. In other words, increasing competitiveness on the city level may result in a more problematic situation for socially weak groups, leading to higher levels of unemployment and job insecurity. It means that even if a city increases its competitive advantage, the weak(er) parts of society do not automatically benefit from this situation.

In fact, too much competitiveness-oriented policy may end up increasing polarisation in the society. The case of London (Chapter 13 by Raco et al.) illustrates that if development projects are not concerned with the improvement of the quality of life of groups living in deprived areas, the longer-term effects of development may lead to increased polarisation. The large-scale brownfield regeneration programmes that aim at the redevelopment of areas in an opportunity-led, market-oriented manner promote not only the creation of new upmarket functions and job opportunities (to increase the competitiveness of the urban area) but also at the creation of

sub-services like luxury housing for ‘creative class’ workers. The newly created working and living places are not necessarily serving for the existing poorer communities, who are in a way pushed to find work and housing opportunities elsewhere in the city. The long-term implications of such policies are likely to be significant in terms of social polarization (see Chapter 13).

However, if we look at the competitiveness in a lower scale of the society, the increasing competitiveness of the immigrant entrepreneurs contributed to their social cohesion at the urban level. The case of Antwerp, in this respect, illustrated that the residential concentrations of diverse immigrant groups dissolves and fragments into the city when it comes to the location of immigrant businesses (Chapter 9 by Taşan-Kok and Vranken). Immigrant entrepreneurs, when they become more successful and expand, began to move to different lines of businesses that are located in other neighbourhoods where the native Belgian businesses are located. This, we can conclude, is a positive sign of the impact of increased competitiveness on social cohesion.

Finally, the situation in Athens appears more mitigated. The analysis by Kandylis, Arapoglou and Maloutas (Chapter 7) indicates the ambivalent impact of a new low cost resource – immigrant labour – on both competitiveness and cohesion in the Greek capital, where immigrants have massively found a place in the labour market, but this has not led to the increased competitiveness of the local economy within the EU. In terms of cohesion, immigrants have polarised the occupational structure (their presence led to the important growth of the lower echelons while the local population was increasingly moving to the higher ones); at the same time, however, they have reduced overall residential segregation and contributed to the de-polarisation of the indigenous social structure by enabling the survival of intermediate occupational positions and small businesses.

3.1 What Do These Mean for the Alleged Possibility of Win–Win Situations Between Competitiveness and Cohesion?

We claimed at the beginning of this chapter that the capital–labour relation is transformed into a technical-administrative issue where state responsibilities are replaced by isolated and downsized social objectives in the context of neo-liberal governance schemes. In other words, the reorganization of local and central state functions (re-scaling) brought about by the neo-liberal political-economic principles were interpreted and implemented in diversified ways within the common EU competitiveness-cohesion policy framework, resulting in diverse practices as we displayed above. The diversified studies of the book underline the importance of internal dynamics, conflicts and resolutions in the urban societies, the diversified reactions to the global challenges, and the diversified interpretations of common EU policies, on the basis of which we can seek answers to the question of whether there are win–win situations at the first place, and secondly, whether these win–win situations affect broader socio-spatial systems or only the winners within them?

We learned from the diversified studies that more competitive cities have more capacity to develop instruments for social cohesion and for tackling social problems. Does it mean that the win-win situations are more likely to occur in entrepreneurial cities? Perhaps, economically more competitive cities have a higher chance of win-win situations in this respect. However, this is not only because better (and more) policy solutions are likely to be developed in these cities but also because the social dynamics in these cities are directly affected by the economic development. Especially in less advanced (or competitive) urban regions of Europe, the effects of the increasing competitiveness on the social cohesion signal more win-win situations compared to advanced urban regions, although in the long run the situation may change if the balanced policy solutions are not maintained. This point brings us to the discussion on whether the increasing emphasis on balancing competitiveness and cohesion policies affect broader socio-spatial systems or only the winners within them. Obviously, the success of broader socio-spatial systems is affected by the success of the winners of the competitiveness-cohesion binary and visa versa. The increasing innovativeness and entrepreneurship among the individuals not only triggers the economic competitiveness of an urban region but also create stronger interactions and stronger ties among the individuals. However, translating economic success of individual winners into enhanced forms of social cohesion, as we displayed in this book, is not possible unless certain conditions are created by structural changes that concern the broader socio-spatial systems. Further research is needed to tackle the nature of these structural changes and to find clues for creating conditions for win-win situations for the increasingly competitive urban regions of Europe.

3.2 Further Research Directions

In this final section we draw on the research chapters to outline some further directions for cross-national research. The book has shown that across the EU spatial and urban policy continues to be a key site of policy intervention and experimentation. The extent of diversity and difference found in the EU makes it a particularly illuminating area of study. Different national welfare systems, political cultures, and socio-economic conditions combine and recombine to address changing policy problems and opportunities. The discussion is divided into five parts that examine, in turn, state restructuring and new policy imaginations; competitive hierarchies and spatial policy agendas; processes of migration; policy convergence/divergence; and the impacts of sustainability agendas on contemporary thinking. Collectively, we argue that the policy initiatives examined in this book *reflect and reproduce* these broader changes and shifting ways of thinking about the appropriate relationships between citizens, businesses, and the state.

3.3 State Restructuring and New Policy Imaginations

There are clear areas of policy commonality across the case studies. For instance, there has been a focus on the maximisation of growth and use of development

policies to encourage new forms of competitiveness. As discussed earlier in the chapter, within such discourses social cohesion is conceptualised, primarily, as a consequence, rather than a cause of competitiveness. To different degrees different national governments have embedded this principle into policy practices and frameworks with significant effects for people and places.

This shift towards new forms of competitiveness involves a number of inter-related dimensions. First, there is a broad trend, albeit different in different circumstances, towards *the devolution of responsibilities* and some limited powers and resources from central governments to regional, local, and urban levels of the state. Direct forms of managerialist state intervention and regulation appear to have disappeared from national policy agendas, even if governments tend to overemphasise the extent of this 'liberalisation'. The policy focus has instead shifted towards the new forms of decentred autonomy in which regions and/or cities are required to draw on their own resources to create new development strategies and agendas. Those that are successful in this new context become more successful. Those localities that are unable to compete can no longer expect a significant re-allocation of resources from the state. It is their responsibility to develop 'inventive' and 'effective policy solutions to their own problems. It is not up to a strong, redistributive welfare state to resource new measures.

In many places this changing philosophy of welfare support has gone hand in hand with a *rediscovery of community*. Communities have become the subjects and objects of regeneration policies across Europe and, to a greater or lesser extent, policy makers in all of our cases studies have sought to promote some form of community-based policy to tackle problems as diverse as urban crime, low levels of economic growth, neighbourhood cohesion, and low levels of entrepreneurship. The research has identified some of the obstacles, barriers, and possibilities inherent in such approaches and pointed to the variety of communities that exist in any one place. It has also demonstrated that the needs and expectations of some communities are more important (in policy terms) than others. In some cases, for example, policy-makers openly discuss the needs of 'host' and 'guest' communities. In others, local communities have been defined, and re-defined, as policy agendas and priorities have changed.

One important direction for further research, therefore, is the changing form and character of state intervention and the extent to which responsibilities, powers, and resources have been re-scaled both upwards from national to supra-national state agencies and downwards to local actors and communities. What is the extent of these shifts? What are implications for spatial policy programmes at different scales? If powers and responsibilities are up-scaled/devolved to local actors then what will be the implications for broader competitiveness and cohesion agendas? Perhaps more significantly do such agendas have the capacity to be effective or does the principle of up-scaling/devolution require a major rethink?

3.4 Competitive Hierarchies and Spatial Policy Agendas

The re-scaling of governance has had other influences on policy processes and practices. One of the most significant has been the rise of new forms of *place*

competition in which cities and regions compete not only for a range of public and private sector investments but also increasingly for particular types of skilled workers and entrepreneurs (see section below on migration). In our case studies we have seen evidence of such trends, primarily through the re-characterisation of the concept of competitiveness and its attachment to places and cities.

One of the most significant effects of these new agendas is the impact that they have had on the governmentality of policy-makers across the EU. In many instances there has been a growing concern with the relative position of cities/regions/places in new imagined hierarchies and networks. This has spawned a new focus on international investment and prestigious, flagship projects, often at the expense of locally-grounded, bottom-up initiatives. In cities as diverse as London, Vienna, and Bratislava local projects have been increasingly concerned with the creation of spaces that will suit new forms of 'global investment'. There has been less focus on directly meeting the needs and priorities of local communities. Instead, it is argued, that populations will benefit indirectly from the enhanced growth that results from new forms of economic growth.

And yet this new focus has to be understood in relation to the broader questions over the ways in which competitiveness and cohesion can actually be measured and compared. Many of the competitiveness league tables that policy-makers use draw on quantitative, uni-dimensional and simplified calculations of competitiveness. Cities, for example, are keen to emphasise the number of sporting and cultural venues that they possess and the extent of their international transport connections. However, such definitions also draw on qualitative and highly politicised criteria. There are dominant imaginations concerning what a city of a certain status *should* possess in terms of facilities and assets and these, in turn, help to shape policy agendas. It is particularly interesting to consider the policy agendas being rolled out in the new Member States and the ways in which engaging in place-competition is seen as being a significant symbol of inclusion in European and global capitalism.

Such issues raise a number of questions for further research. What structure, for example, will future forms of competition take and how will imagined hierarchies change? If place competition has become a key driver of spatial and urban policy then can it be modified to become a more progressive force? If very different competitive criteria were used then the form and character of place competition itself could be changed. In future cities and regions may, for example, try to out-compete each other to become (and to be seen to become) more progressive and/or sustainable.

3.5 Processes of Migration

One of the recurring policy themes to emerge across the case studies presented here is that of *migration*. The Single Market and the accession of new Member States has brought these issues to the fore and in different national, regional, and local contexts the effects of this migration on social cohesion and economic competitiveness (broadly defined) is particularly striking. No issue better exemplifies the

tensions, possibilities, and challenges of the EU's competitiveness-cohesion agendas. The migration of workers has the potential to promote new forms of economic growth, particularly in relatively tight labour markets, in countries such as Denmark and the UK, where skills shortages have been limiting the prospects for enhanced forms of growth. Mass emigration from poorer regions, conversely, has the potential to undermine innovation and growth in donor regions – something that has been a recurring problem in the post-war decades in areas such as the south of Italy and Spain (see Sassen, 1999). However, encouraging migration also has implications for social cohesion. A range of studies have shown that the skills of in-migrants tend to be undervalued; they often live in the worst quality housing; they face a range of socio-economic and labour market barriers; and they are often spatially concentrated in the poorest parts of many cities. The co-presence of migrants can also generate a politics of division and stoke extremist responses in particular places.

All of this poses significant problems and opportunities for EU governments. Some have responded by seeking to take control of the migration process for a perceived social and economic good. In the UK, for example, government policy has become increasingly concerned with what it terms 'managed migration' in which borders are made partially permeable in order to allow the inflow of migrants who will make a defined 'contribution' to broader processes of economic competitiveness and growth. In other contexts national governments have been much more restrictive in their approaches, although much of the evidence shows that migration is an extremely difficult policy field to regulate effectively and there are few certainties over its longer terms social and economic impacts.

As our work has shown this is not just an issue for national governments. Regional and city-wide agencies are wrestling with the policy challenges that new waves of migration bring. Migration not only raises questions over the availability of employment but also draws attention to the provision of housing and other social infrastructure. The theme of migration is therefore certain to become more important and relevant to policy debates over coming decades. There has been a growing focus on the need to attract and encourage the migration of skilled workers and entrepreneurs, much of it driven by the new school of Richard Florida-inspired intellectuals and policy-makers who have become obsessed by the need to attract a 'creative class' of workers (see Peck, 2005). As *The Economist* (2006) notes such workers will become increasingly scarce in the future as states, regions, and cities from a broader range of countries work harder to attract them. At the other end of the labour market the attraction of lower skilled workers may also, paradoxically, become important to the economic success of places. What will be the effects of these migration trends and policies in the coming years? Moreover, what are the implications for social cohesion and the politics of welfare in different nation states and places?

3.6 Policy Convergence or Policy Divergence?

The book raises important questions about the utility or otherwise of the broad-brush typologies and characterisations of welfare systems that have underpinned academic

and policy discussion since the late 1960s. Does it still, for example, make sense to think in terms of 'Anglo-Saxon' or 'Scandinavian' models of state organisation when the policies being pursued in many cities and regions across the EU bear such close resemblance? Are the policies themselves alike or the accompanying discourses that enable a broader political turn? As the work presented in earlier chapters has shown, in some parts of the EU spatial and urban policies have been more typically 'Anglo-Saxon' in form than those found in the UK.

In addition, despite the range of case studies presented in this research there is a clear absence of significant *alternative agendas* beyond those of place competition, knowledge-economies, and cluster-based growth strategies. There were few instances of genuinely radical or different approaches uncovered in the various studies. For authors such as Furedi (2006), this lack of political imagination reflects and reproduces a new (post-modern) politics of fear and impotence. What he terms a 'declining subjectivity' is characterised by 'the loss of belief that people can shape or alter their circumstances through political action' (p. 71). The consequence, Furedi notes, is that 'politics matters less to people for the very simple reason that what people can do does not appear to matter' (p. 71). The case studies presented in this book indicate a lack of creative thinking in relation to policy responses. There were few recorded attempts to genuinely challenge the dominant discourses surrounding competitiveness and cohesion strategies.

There is an urgent need, we would argue, for researchers to develop new ways of thinking about spatial development policy, with perhaps a greater emphasis on the identification of multiple needs and perspectives beyond those driven by economic considerations. For example, in many instances, particular 'solutions' that involve more radical forms of intervention, such as tackling car ownership or increasing tax yields from global businesses and entrepreneurs, are no longer considered as viable possibilities, let alone serious policy alternatives. There may be more value in thinking about spatial policy trajectories in more relational forms (cf. Massey, 2005) as a coming together of influences, imaginations, and policy practices in specific contexts and moving away from uni-dimensional, top-down policy models.

This in turn raises a series of questions concerning the circulation of dominant development discourses and ideas. The EU has been keen to push a Europe-wide set of development frameworks, many of which have been embraced by national governments, regions and cities. However, as our chapters have shown, these are not always appropriate to different circumstances and conditions. In many instances policies are being forced on to localities with little in the way of modification or change. As we have also shown, however, the translation of these agendas and terms are still subject to diversity. Concepts such as 'competitiveness', 'cohesion', 'sustainability', and 'community' carry many different meanings and understandings in different settings. A number of urgent research questions, therefore, emerge. Who, for example, is pushing these cross-national agendas and why? What are the mechanisms in and through which ideas about regeneration and spatial policy are being extended and developed? In what ways do processes of translation shape the implementation of these agendas? Does it even make sense to talk about 'global' agendas without reference to their local implementation?

3.7 The Impacts of Sustainability Discourses

In many ways the discourses of urban and regional development have been transformed since the publication of the EU *Agenda 2000* programme. Across the EU the discourse of sustainability has become all pervasive in policy statements and objectives. Sustainability appears to offer new ways of thinking about how economic development can be used to support social and environmental objectives. It challenges policy-makers to think about the broader meanings associated with economic 'development' and some of the relationships between economic growth and the wider contexts in which it takes place. As Krueger and Savage (2007) note, there has been a growing recognition that the sustainability of economic growth is dependent upon the provision of high quality social infrastructure and environmental resources. Housing and transport, for example, are critical for further development.

In our chapters, a number of authors have highlighted the impact that sustainability planning is now having on development discourses. We saw how in Zurich, Switzerland planning for the construction of sustainable transport infrastructure has been directly linked to the competitiveness and cohesion of the city and its region. Similarly in Bratislava and Slovenia, questions over housing provision have been critical to development policy. These increasingly recognised relationships are now creating fruitful grounds for further inquiry into what it is that brings about economic growth and how broader agendas can be re-shaped to support future rounds of development (see Jessop, 2002; While et al., 2004).

Despite its almost utopian appeal as a discourse, there remain many unanswered questions about the definitions of sustainability that exist across the EU and the ways in which it has been interpreted and deployed as a policy discourse. Further research needs to examine the processes of definition currently going on in different contexts and the impacts of these 'new' rounds of thinking on policy development and implementation.

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