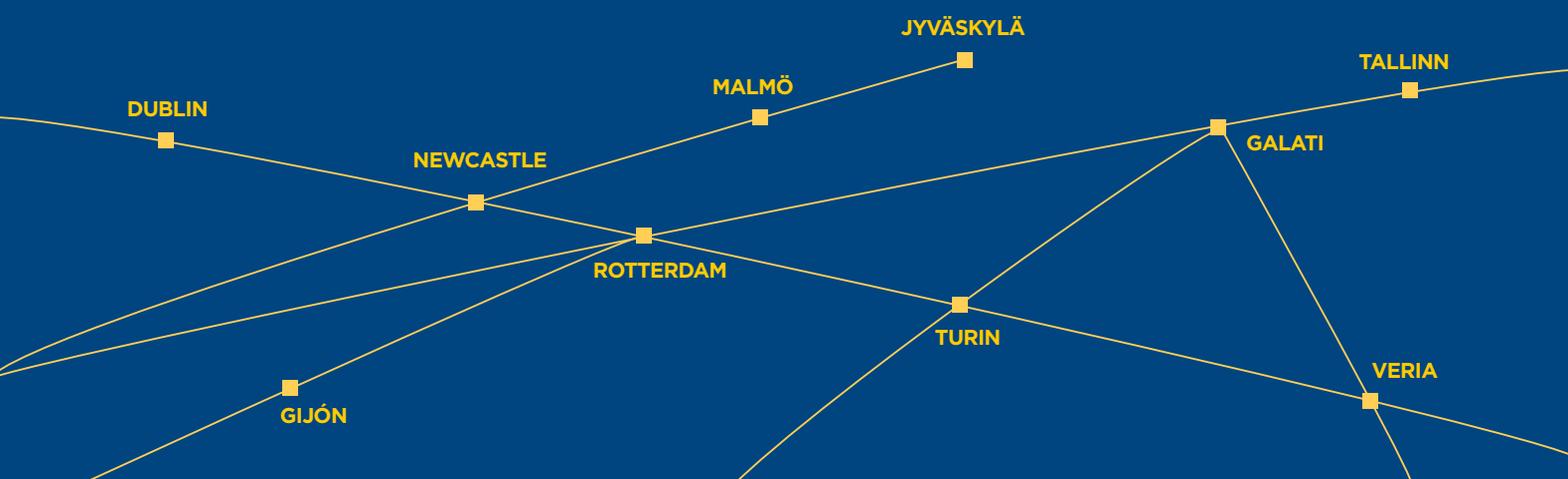


URBACT CITIES FACING THE CRISIS IMPACT AND RESPONSES



EUROPEAN UNION
European Regional
Development Fund

Connecting cities
Building successes



CONTENTS

- 04 INTRODUCTION
-
- 06 CHAPTER I
IMPACT OF THE CRISIS AND RESPONSES
OF CITIES - RESULTS OF THE URBACT SURVEY
-
- 11 CHAPTER II
TEN URBACT CITIES RESPOND TO THE CRISIS:
MAIN MESSAGES FROM THE URBACT CASE STUDIES
-
- 21 CHAPTER III
CASE STUDIES
- 22 **DUBLIN** / IRELAND
SETTING THE AGENDA FOR DUBLIN
- 28 **GIJÓN** / SPAIN
USING NATIONAL RECOVERY PROGRAMMES TO ADD
“SPICE” TO A STRONG LOCAL DEVELOPMENT “DISH”
- 35 **JYVÄSKYLÄ** / FINLAND
SUCCESSFULLY REBUILDING AN ECONOMIC MODEL,
WITH A SEVERE ECONOMIC CRISIS AS THE STARTING POINT
- 40 **MALMÖ** / SWEDEN
AREA-BASED PROGRAMMES FOR COMPLETING
THE RECOVERY FROM THE 1980S CRISIS
- 45 **NEWCASTLE** / UNITED KINGDOM
AN INTEGRATED RECOVERY PACKAGE
FOR ALL PARTS OF THE LOCAL ECONOMY
- 53 **ROTTERDAM** / THE NETHERLANDS
A PREVENTIVE APPROACH TO YOUTH UNEMPLOYMENT
- 59 **TALLINN** / ESTONIA
TALLINN RECESSION PACKAGE: HOW TO DEAL WITH A CRISIS
SITUATION WITH RESTRICTED ROOM FOR MANOEUVRE
- 65 **TURIN** / ITALY
TACKLING A NEW CRISIS: TURIN RESPONDS WITH A PROVEN
PACKAGE OF SOLUTIONS
- 74 **VERIA** / GREECE
COMBINING SOCIAL RELIEF MEASURES AND INVESTMENTS
FOR ECONOMIC GROWTH
-
- 81 USEFUL RESOURCES AND LINKS

All French children remember having learned by heart this verse from the Fable by Jean de la Fontaine "The animals stricken by the plague": *All were attacked, although all did not die*". Within the URBACT community, over 2009 and 2010, all cities have been, in one way or another, hit by the economic and financial crisis that has engulfed Europe since the summer of 2008.

As a reaction, the URBACT Monitoring Committee decided to ask URBACT partner cities about the impact of the crisis and the responses cities developed to face the situation.

Over the past year, the result of this work has been regularly published on the URBACT website, www.urbact.eu. This publication provides a summary of the 2 major packages of the study: the results of the survey which was addressed to all URBACT cities at the end of 2009 and a series of in-depth case studies completed in 2010, highlighting the responses developed by some URBACT cities.

This work shows that the cities are on the front line when it comes to face the consequences of the crisis, especially with regard to employment and social problems. The case studies illustrate the way in which local authorities are led to review their policies and their priorities in order to find innovative solutions. In this respect, it appears that cities confronted with mass industrial restructuring twenty or thirty years ago now have the advantage of past experience.

In response to the crisis, governments and cities have implemented financial austerity measures, which implied making drastic changes to their policies, including social policies. The tensions created by this situation may operate as "creative tensions" as suggested by the municipality of Jyväskylä, that may give rise to a sustainable renewal of local policies. For this to happen, active collaboration between the three levels of governance, the State, the regions and the cities, is now essential. And everyone expects the European Union to support such a dynamic.

Hervé Masurel

Secrétaire Général du Comité Interministériel des Villes
Managing Authority of the URBACT Programme



INTRODUCTION

The speed, severity and impact of the economic crisis have confounded nearly all economists, national governments and institutions. Cities themselves have experienced the crisis in extremely different ways and have often been the last to be consulted about major decisions. But cities are on the front line when it comes to dealing with the real impacts of the crisis on people, business and places. From sheer necessity they also have business started to explore a wide range of responses. It is too early to identify a common approach or set of approaches or to talk of “good practices”. But it is clear that the crisis is starting to make cities question some of the basic principles that have underpinned urban development in the boom years and to tentatively explore some alternatives. The economic crisis has dramatically altered the context in which they are operating.

Helping cities to learn from each other in this kind of situation is URBACT’s core business. This is why the URBACT Monitoring Committee approved, in May 2009, the launch of a study on the impact of the crisis and on responses developed by cities, building on the community of partners involved in the URBACT programme.

The study, which is summarised in this report, is made up of two main parts.

The first part consists of a survey carried out in the 4th quarter of 2009, which looks at the nature of the impact of the crisis in different types of cities and the various responses used. Thanks to the committed response of URBACT partner cities and the hard work of our community of lead partners and lead experts, 131 cities responded - a response rate of just under 70% - making this one of the most comprehensive surveys of the crisis in European cities so far.

Of the 131 cities that replied, over 80% reported severe impacts. The survey found that the effects of the crisis have spread quickly from the business sector to the labour market and in turn to social conditions. Unemployment, particularly among young people, women and immigrants is now one of the greatest concerns for cities, coupled with an alarming increase in social problems. Interestingly certain cities had proved to be more resilient to the crisis and/or had managed to isolate themselves from some of the worst impacts.

Cities are fighting back, however, and despite enforced budget cuts in some cases, more than two-thirds of the cities surveyed were developing a specific response to the crisis. Most of these responses attempt to align short term action with longer term measures that address the future needs and aspirations of the cities concerned.

131 cities responded - a response rate of just under 70% - making this one of the most comprehensive surveys of the crisis in European cities so far.



There is a summary of some of the main findings of the survey in chapter I of this report and the full survey can be consulted on URBACT's page on cities and the crisis (<http://urbact.eu/?id=1529>).

The second part of the study consisted of a series of in-depth case studies of cities, selected to reflect the diversity of impacts and the range of policy responses developed at local level. The aim was to identify lessons and approaches that could be useful for other cities. The case studies were carried out between the spring and summer of 2010 and provide first hand

The synthesis focuses on the challenge of unemployment and the challenge of managing our cities in a period of major cuts in public expenditure.

evidence of how quickly, unpredictably and differently the crisis was evolving in different European cities. In fact, between the survey and the case studies the role of cities had started to change from trying to maximise the gains from national recovery packages to one of minimising the damage from austerity measures. In all cities that were part of the initial sample, local officials and civil servants have been very supportive of the study and should be thanked for their useful contributions. While all nine in-depth case studies are presented in chapter III, key messages and lessons coming out of the case studies are synthesized in chapter II, with a focus on two major

challenges that all major international institutions and experts agree will be with us for the next 3-5 years – the challenge of unemployment and the challenge of managing our cities in a period of major cuts in public expenditure.

The study has benefited from the contribution of an Advisory board, involving representatives of the OECD LEED programme, the European Commission, Eurocities, the Young Foundation, Thematic Pole Managers of the URBACT programme and the URBACT Secretariat. The group acted as a sounding board and contributed to the process with input, contacts and knowledge from various perspectives and ongoing research projects¹.

Finally, as mentioned above, URBACT's purpose is not to become a repository for academic research or to arrive at definitive conclusions in such a complex and rapidly evolving situation. Our aim is to use "the creative tension" generated by the crisis (to use words expressed in Jyväskylä's case study) to speed up exchange and learning in an interactive and ongoing way among urban practitioners and policy makers. In this sense, we hope that **the crisis page on the URBACT website (<http://urbact.eu/?id=1529>)** will grow to be an even more useful tool in the future, and that opportunities for exchange and discussion among these and other organisations and among cities themselves will continue. ■

(1) See last section "Useful resources and links" for references to existing research developed by partner institutions on the impact of the crisis and responses of local authorities.

CHAPTER I

IMPACT OF THE CRISIS AND RESPONSES OF CITIES - RESULTS OF AN URBACT SURVEY



This chapter summarises the results of the survey carried out by the URBACT programme on the impact of the economic crisis on European cities and their responses to it. The full survey can be found on the URBACT web page on the crisis (<http://urbact.eu/?id=1529>).

During the 4th quarter of 2009, URBACT sent a questionnaire to 190 cities from 24 EU countries and Switzerland. No specific criteria were used for the selection of the sample. The informants were simply cities participating in the 28 URBACT projects of the First Call for proposals. 131 cities responded, representing a participation rate of just under 70% and showing the commitment of the URBACT cities in the programme.

The survey is composed of two main parts – firstly, the nature of the impact of the crisis on different kinds of cities and secondly, the nature of their response. The aim of the first part is to produce an overview of the ways in which the crisis is affecting the extremely different cities in Europe today. The second part provides an early picture of the types of response to the crisis that were explored by European cities. Both parts of the survey were used to help select and frame the case studies to be developed in the following phase of the study.

The questionnaires were self-completed by URBACT partners in each city although encouragement and support was provided by URBACT lead experts¹ (which contributed to the high response rate). URBACT partners come from different city departments and in some cases liaised with other relevant parts of the municipality, which allowed them to gather a variety of

viewpoints. The questionnaires were then collected and summarised by the lead experts of each network. This provided information about the impact on and response of cities working on the main themes covered by URBACT (for example, innovation policy, science districts, youth policy, active aging, cultural heritage, metropolitan governance).

The analysis for this report was undertaken using both the answers of the cities to the questionnaires and the analysis and conclusions of the lead experts. Based partially on previous studies by the OECD LEED Programme, the survey examined both the impact and the response of the crisis on cities in four main fields:

- ▶ Business
- ▶ Employment
- ▶ Social conditions
- ▶ City budgets and projects

The statistical data used in the survey was all provided by the cities themselves and is their responsibility. In fact, many of the cities could not provide statistical data because the latest available was pre-recession. In addition the situation was evolving rapidly and some were only starting to think about recovery plans. The numbers of responses from different countries also varies considerably. This makes it impossible to draw rigorous comparisons in statistical terms. Thus, the charts in this report have not been presented in percentage terms but as numbers of cities. Nevertheless, combinations of the statistical data provided by the cities together with their opinions and direct quotes does provide a very interesting flavour of how the crisis was affecting European cities.



Main messages from the survey

Over 80% of cities reported that they had been severely affected by the crisis. At the time of writing the main transmission mechanism appeared to be through the impact on private sector businesses and on the labour market, which in turn fed through to social conditions.

The cities which reported minor impacts on business also tended to be those with the lowest increase in unemployment. Similarly, those with relatively stable levels of employment seemed to escape the general worsening of social conditions. The most common reasons cited by cities for the problems faced by businesses was the drying up of both private credit and private markets - with the sectors most affected being construction and (export led) industry.

cities should provide insights on what makes them more resilient in the short-term and how to strengthen their long-term capacity to cope better with future crises.

Cities have both a need and an opportunity to encourage entrepreneurship

Surprisingly, the number of start-ups increased in some cities, despite the overall downward trend. Such increases were partially a spontaneous response to growing unemployment but also a result of extra support and facilities put in place by some governments for business creation. The current crisis provides an opportunity to create a favourable environment to promote entrepreneurship in localities where the administrative and tax burdens for start-ups are still important inhibiting factors of business creation.

A number of different factors reduced the impact: a local economy based on SMEs operating locally and self-financed rather than dependent on bank credits; an economy based on the service sector; lower connection to international markets and an important internal demand.

Some cities are more resilient

Twenty-three cities, from Germany, Poland, and Sweden, reported that the impact on businesses and employment was relatively minor. While the national context is certainly relevant to explain in part the relative insulation of these cities, local economic characteristics are also the key. These cities referred to a number of different factors that reduced the impact: a local economy based on SMEs operating locally and self-financed rather than dependent on bank credits; an economy based on the service sector; lower connection to international markets and an important internal demand. A further investigation of the reasons for the insulation of these

City labour markets are undergoing radical restructuring

Unemployment increased in 80% of the cities, threatening all jobs. However, some types of jobs and some types of workers are more affected than others. The main transmission mechanism from firms labour markets is complex but seems to be strongly affected by the weight of the main economic sectors hit by the crisis in each city. This influences the skill levels, gender, age and ethnic composition of the people who lose their jobs: for example, large numbers of relatively skilled male workers in financial services and car manufacturing, unskilled men, young people and migrants in construction and



unskilled women and young people in tourism and retailing. However, the initial impact of job losses among one group can have a series of knock-on and displacement effects on recruitment practices and family income with unforeseen consequences on other parts of the labour market. The evidence generally points to low skilled workers being more affected.

Young people are the most affected

Overall, young people were clearly identified as the group most severely affected by the crisis and this is believed to be due both to the lower cost of firing young people and the reluctance of employers to take on unqualified, inexperienced workers. In some cities, high levels of youth unemployment is said to be leading to a “brain drain” of qualified young people to other EU countries, the United States and Canada. Until recently, youth unemployment was kept at bay by the growth in temporary contracts but a high proportion of these have dried up during the crisis. Cities now face a major challenge in finding sustainable local sources, local sources of quality jobs that can retain their young people and prevent the brain drain.

Migrants and women have also been hit

Migrant workers have been particularly vulnerable, as unemployment rates within this group grew faster than for other workers from the start of the crisis. Cities report cases of migrants returning home as well as a reduction in the number of new comers in cities in Southern Europe. At the same time, the return of Eastern European migrants from old member states to their countries of origin is increasing the pressure on the labour market and social protection systems. This group is going to require further support to prevent severe hardship and further breakdown in social cohesion.

Cities are facing an alarming increase in social problems

From the accounts of the cities, the job losses and labour market problems mentioned above are the tip of an iceberg of related social problems that are placing

increasing strain on their services: increased poverty, informal economy, indebtedness, homelessness, health problems, crime and threats to social cohesion. Above all the crisis appears to be worsening problems which were latent in many cities before the crisis.

However, the impact of the crisis on both social conditions varies considerably depending on the response of the cities. The decline in tax receipts and cuts in budgets have led some cities to postpone and downsize projects or simply to halt them. Some cities now report that they are unable to provide neither social protection nor guarantees on continuing the provision of social benefits in the long-term. However, in other cases, cities have been able to use EU money, national recovery programmes or their own resources to do just the opposite and to increase social expenditure and/or bring urban projects forward. In the future this is likely to lead to growing questions about both the sources of city budgets and the kinds of current and capital expenditure that should be prioritised to make them less susceptible to future crises and more sustainable in the long term.

City budgets are being cut, forcing cities to revise priorities

80% of cities report a reduction in their budgets. However, the timing, nature and size of the reduction depend on the make up of city finances. Some cities have been hit by the fall in city revenues from corporate and personal taxation, others from the fall in construction and land values, from currency fluctuations and/or from Central Government cuts. In many cases, this has led to the withdrawal of private partners from regeneration projects. As a result some poorer cities are finding that they cannot access EU funds for lack of cofinancing. On the one hand this is leading to the delay and downsizing of certain regeneration projects. But on the other hand some cities are bringing forward investments which are particularly labour intensive, can contribute towards business recovery and shift activity towards greener, smarter growth.

More than two out of three cities are developing a response to the crisis

One out of four of the cities had a formal recovery plan – a trend that is especially prevalent in UK and Dutch cities. However, these plans require deeper analysis before it can be confidently said that they are more innovative or far reaching than the individual projects and measure put into place elsewhere. The largest group of cities (one out of three of the cities surveyed) referred



to individual measures to combat the crisis. These varied from the application of national recovery plans to fire fighting measures to cut expenditure to more innovative measures which could be very relevant for other cities. Over of the 10% cities referred to the adaptation of existing strategic development plans to respond to the long term effect of the crisis. Finally just 30% of the cities said that they had not yet developed a response or provided no information. These included many that had not been severely affected by the crisis.

Aligning short-term responses to long-term needs

Most of the measures to support business involve trying to find ways to temporarily fill the gaps in credit for firms, provide more business support, reduce the costs of entrepreneurship, open up public procurement and “buy local campaigns”. However, some cities are also actively encouraging a shift towards “smart” emerging sectors in fields like energy production and saving and social fields

Most of the measures to combat unemployment will not necessarily create lasting quality jobs

City responses to unemployment broadly fall into various categories: creating immediate but temporary jobs in municipalities (by bringing forward certain labour intensive investments), more intensive support for those made redundant and the long-term unemployed, extending education, and preparing workers for the upturn by, for example training in the skills required for future growth sectors. There are few initiatives which focus on the demand side of how to create quality sustainable jobs for especially vulnerable groups like young people.

The social response

The immediate response of cities to rising social need has mainly consisted of complementing unemployment and other social benefits, debt advice and mortgage rescue schemes. Some cities have been exploring alternatives like purchasing homes that developers have been unable to sell for social housing, micro credit schemes, and innovations in social care. However, at the time of the survey, some cities were increasing social services in response to social needs while others were already being forced to make cuts.

The crucial role of investment

In addition to bringing certain investments forward and reducing red tape, many cities have been investing in energy saving and efficiency measures in building and transport, buying land and housing at reduced prices and developing business infrastructure. The investments in enterprise innovation and economic diversification, green energies and the care sector are also designed to create jobs, even though it is unclear what type, how many and for whom. While these are important initiatives, in general, only a small number of the measures can be considered long-term interventions which prepare cities for the post-crisis. Few cities for example had been able to come to terms with the stark fact that many job opportunities have dried up for young people and are not likely to return in the near future.

The survey concludes that cities are clearly on the front line when it comes to the impact of the crisis and that they will play a major role in both exploring and implementing many of the solutions which directly affect people’s lives. In the second stage of the study, URBACT followed up these questions in more detail through a series of in depth case studies, which are available in this publication. ■

(1) URBACT lead experts assist the Lead Partner of each network or working group in the development and implementation of a work programme and the production of outputs.

Cities are clearly on the front line when it comes to the impact of the crisis and they will play a major role in both exploring and implementing many of the solutions which directly affect people’s lives.

CHAPTER II

TEN URBACT CITIES RESPOND TO THE CRISIS: MAIN MESSAGES FROM THE URBACT CASE STUDIES

Introduction

At opposite ends of the Baltic Sea, two cities provide a vivid example of how differently European citizens are experiencing the crisis. Tallinn, capital of Estonia, with a population of 410,000, awoke from the boom years of the early part of this century, to find that unemployment had shot up from 1% to nearly 14%. The city is having to focus on the more immediate fallout of the crisis - such as helping with heating, housing and food costs for the alarming numbers of people who now find themselves with no income benefit support at all.

In comparison, Malmö, the second city of Sweden, with a population of 295,000 has been relatively fortunate. Admittedly, unemployment rose by almost half again but it is still an enviable 4.9% and cushioned by relatively comprehensive social benefits. Nevertheless, the crisis has highlighted differences within the city. In certain neighbourhoods unemployment is running at over 45%. So, despite their differences, both cities have to ask fundamental questions about whether existing patterns of urban development are socially and economically sustainable.

It was precisely in order to probe deeper into the way in which cities are dealing with these kinds of questions that URBACT decided to follow up with some of the 131 cities that replied to the survey it conducted at the end of 2009 on the impact and responses of cities to the crisis.

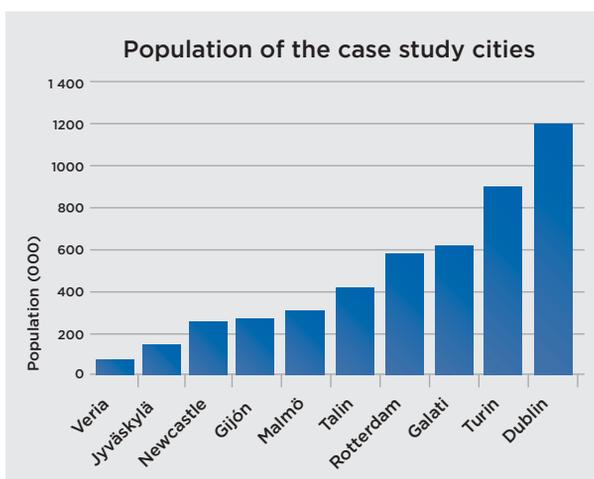
This chapter draws on a series of in depth city case studies carried out between the Spring and Summer of 2010, which are presented in full in the next chapter. Here we simply highlight the main findings. The cases should not necessarily be read as examples of innovations or “good practices” let alone solutions. But they do provide very rich insights about both the very different ways in which the crisis is affecting our cities and how this is making them rethink their future development.

The case studies

The ten cities chosen for the case studies all participate in the URBACT II programme. They were selected to capture the very diverse ways in which cities are being affected by the crisis. They include cities from all four corners of Europe, from competitiveness and convergence regions and from countries that have been very heavily affected, like Greece (Veria), Ireland (Dublin), Estonia (Tallinn), Spain (Gijón) and Romania (Galati), as well as from countries that have suffered far less, like Sweden (Malmö) and the Netherlands (Rotterdam).

Care was also taken to ensure a balance of city sizes. As the graph shows, the cities range from Dublin (1,200,000) and Turin (800,000) to Jyväskylä (130,000) and Veria (45,000). This immediately confirmed that city size on its own is not a major determinant either of the intensity of the impact or of the quality of the response. For example, Jyväskylä, one of the smallest cities studied is adapting a very interesting development strategy based heavily on the lessons learned in previous crises. Further criteria for the selection of the case studies were that, whatever the nature of the response, the city itself should be taking a leading role in it and of course, willing to participate actively in interviews, discussions and the provision of written information.

A poignant example of the way in which the crisis is evolving within cities as we write this report is the fact that the municipal department in Galati that was collaborating with this study was reorganised before the deadline for sending us their information. They were able to send us some data and suggestions for this report but we were unable to complete a full case study. So there are only, **in fact nine in-depth case studies in the following chapter.**



Each of the case studies provides very rich insight on a wide range of issues and it is not possible to do justice to all the points raised in this short summary. So in the next section we will simply highlight three key messages that emerge from the very different impacts that the crisis is having on our cities. After this we turn to the responses and focus on the lessons for two key challenges that cities will face in the next five years: the challenge of unemployment and the challenge of cuts in public finance.

The impacts

Most cities have been through worse – and have learned from it

It is both surprising and encouraging to find out that, despite the severity of the financial crash and the fact that this recession has been described as the worst since the 1930s, most of the cities involved seem to have survived worse crises in the past. This is generally because they have managed to reduce their dependence on particular sectors, firms or markets.

For example, both Newcastle and Gijón are similar sized ports that were heavily dependent on certain extractive and heavy manufacturing industries like coal, steel and shipbuilding. In Newcastle the global restructuring and relocation of all these sectors between the 70's and early 90's led to unemployment rates twice as high as the current 5%. In Gijón, due to the same process, the unemployment rate in the city multiplied eight fold, from 3.000 in 1977 to 25.000 in 1985. Almost the same number of people have been made unemployed in the current crisis but the city economy as a whole is far larger and more diversified.

Malmö also depended heavily on engineering, shipbuilding, textiles and car manufacturing, all of which collapsed in the seventies and eighties. In the mid-eighties local unemployment rose to over 20%, four times higher than the current 4.9%.

Turin was known as the classical model of a one-company town in the 1970s. But between the late sixties and early nineties, FIAT reduced its workforce by two thirds and the city itself lost almost 100,000 manufacturing jobs between 1980 and 1990. Unemployment reached 13% in the early nineties compared to 8.3% at the end of 2009.

In the case of Jyväskylä, the restructuring of basic industries coincided with the collapse of markets in the former Soviet Union, leading to unemployment rates of nearly 24% in the mid-nineties – more than twice the rates recorded in the current crisis. Tallinn also experienced a dramatic restructuring of its economy over a similar period. Veria suffered in the late 90s due to the collapse of its export markets in the Balkans but, as a provincial service centre, local markets provide a bigger cushion against external shocks.

The lessons learned by cities during these past crises form an important part of their intellectual capital, greatly influencing both their capacity to respond and the shape of their response in the current crisis.

The crisis is a rapidly moving target for cities

The crisis has evolved rapidly from a financial crash into a global recession. The second phase was characterised by the collapse of sensitive export and consumption-led sectors, the bursting of the property bubble and the collapse of the construction sector. Consumers reduced their purchases and credit declined. The third and current phase has been a fiscal crisis affecting government revenues and has resulted in cuts in public expenditure. All of these processes are intertwined and overlap with each other while at the same time intensifying longer term trends towards the relocation of production towards emerging economies. Our case studies show that cities are vulnerable to different factors at different times and that this is changing very quickly.

Dublin, which for so long had been considered to be the archetype of the open, global knowledge – based city, was one of the first to feel the full effects of the financial crash. Newcastle was also hit relatively early when Northern Rock, one of the first UK banks to face liquidity problems, required government intervention.

For a considerable time after this, countries like Spain, whose banking sector was less contaminated with the US and other foreign toxic assets, insisted that they were immune from the crisis. Then the burst of their own domestic property bubble, and its knock-on effects, wiped out over 2.5 million jobs, more than one third of total jobs lost in Europe. Gijón, our Spanish case study city, is far less dependent on construction and related sectors than Madrid, Barcelona and the cities on the Mediterranean coast, nevertheless, the ease with which Spanish firms shed workers on temporary contracts has contributed to the fact that unemployment doubled to 16% - the highest of all our cities.

In the autumn 2009, the URBACT survey of the crisis reported that some of the cities the most affected were those with a high proportion of export-led sectors, whereas those that depended more on national and regional markets were more “resilient”. Indeed cities like Rotterdam, Malmö and Turin have been affected by the crisis but, in fact, the down-turn in exports seems to have been less severe than expected. By 2010, export-led sectors in countries like Germany, Sweden and the Netherlands seem to have experienced considerable growth and the cities with high proportions of these sectors are likely to do the same.



On the other hand, cuts in public expenditure produced by the austerity packages are now dampening some of those domestic markets which previously seemed to be more resistant. Dublin and Tallinn have experienced the effects of these measures earlier as their governments were among the first to approve austerity packages in 2009. Paradoxically, Greece was mentioned in an EU report published in the autumn of 2009¹ as being among the countries least affected by the crisis. It was only in the spring 2010 that municipalities were confronted with a 40% cut in revenue. Moreover, most of them will be impacted by the recent decision to abolish two thirds of Greek municipalities (in force from January 2011 on).

Overall, it is becoming increasingly obvious that “resilience” to the crisis for cities is a question of reducing a series of “risk factors”. But even this offers no guarantee of immunity and provides little information of when or where the contagion might spread.

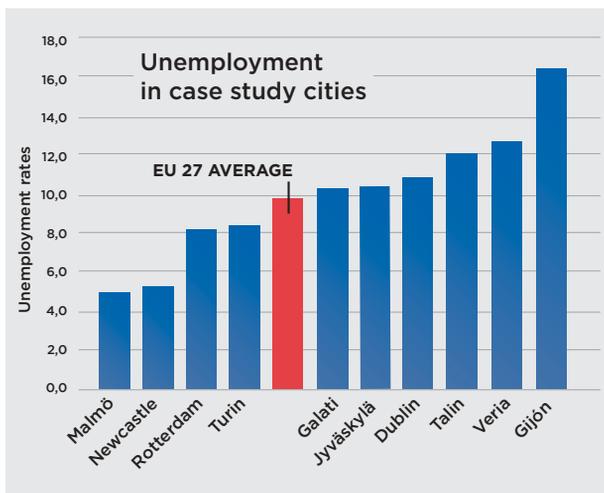
Unemployment: different meanings for different cities

The table opposite shows that unemployment rates in the Romanian city of Galati were slightly lower than that of the Finish city Jyväskylä. Yet these figures have to be interpreted with caution and cannot all be attributed to the crisis. For example, with their comprehensive system of social benefits and services Jyväskylä could still be proud of its reputation as a city “with a high quality of life and a good place to raise children”. In Galati, the other side of the picture presents low employment rates, low pay and major gaps in benefits and social provision.

An official from Tallinn illustrates what this kind of situation means for cities: “about 50% of the registered unemployed people do not get any support from the national unemployment insurance fund... there is quite a substantial amount of people with no income. So while we need to look at the long term, the city also needs to address these more immediate problems”. In many parts of Europe, cities have to step-in to provide

additional emergency social support for people in serious need. The extent to which they have to act depends fundamentally on the strength of national provisions for minimum income, benefits and social services.

It is also influenced by the size and speed of the rise in unemployment. For example, while unemployment rates in Greece and Romania started off relatively high, they have risen proportionately less than in other cities as a result of the crisis. Similarly, the increase in unemployment as a result of the crisis has been relatively low in Rotterdam, Malmö and Jyväskylä. In contrast, unemployment rates in Spain more than doubled and in Estonia rates rose from 1% to a peak of 14%.





Another factor is the difference between city unemployment and the national or regional average. For example, among our case studies Gijón has the highest unemployment rate (16%) but this is less than the rate for Spain as a whole (around 20%). On the other hand, Rotterdam's focus on youth unemployment has to be seen in the context of city levels of unemployment which are nearly double the remarkably low national rates of unemployment in the Netherlands (around 4%).

Finally, another word of caution is required when interpreting city rates of unemployment. Some cities were either unable or unwilling to provide figures at city level (Gijón, Galati) because they argue that at this level the information is highly distorted by commuting and variations in where people who register as unemployed and are economically active. Unemployment rates can also be masked by high numbers of people on sickness and invalidity benefits (UK) or migrants leaving the country (Ireland). Cities like Jyväskylä also insist that their large student population (around one third of the total population) also inflates the figures.

The important message to come from the case studies is that it can be quite inappropriate to apply top-down policies on the basis of aggregate unemployment statistics. It is essential to mobilise the knowledge that cities have of their local reality on the ground in order to implement effective policies to combat the unemployment caused by the crisis.

The response

The powers and degree of autonomy that the ten cities involved have to respond to the crisis vary enormously. For example, in Jyväskylä, the city has competences in training, education, employment and economic development, as well as running a range of schools and educational institutions. Over 80% of revenue comes from local sources. On the other hand, Dutch cities like Rotterdam are also responsible for a wide range of policy sectors like economic development, education, health care, social affairs and the environment - but they have little room for manoeuvre to raise revenue locally.

The UK has one of the most centralised systems of local government in Europe, with over 75% of city revenue coming from the Central Government and few formal powers for cities to intervene in areas like education, training or health. Nevertheless, there is a long tradition of cities like Newcastle taking a very active role in strategic partnerships with other public agencies and with the private sector.

At the other extreme, although nearly 70% of the revenue of Spanish cities comes from local sources - this is only enough to cover the most basic municipal functions. Spanish cities like Gijón are heavily dependent on the capacity of their leaders to negotiate and lever in extraordinary resources on a case-by-case basis. In this context, the different kinds of response developed by cities to the crisis should not be seen as competing alternatives but as complementary approaches designed to extract the maximum benefit for each city from very different institutional set-ups.

We can detect at least 4 non-exclusive types of response among our case studies:

- ▶ The development of integrated city recovery packages. The situation in Newcastle and Rotterdam shows that these take the form of a package of both short term and long term measures. In Tallinn, the intensity and speed of the impact together with the gaps in existing social protection systems has forced the city to focus more on emergency relief measures.
- ▶ The application and adaption of national and regional recovery packages and measures. This approach is particularly evident in Gijón, where prior to the recent austerity measures, the Spanish Central Government launched two ambitious €8 and €5,000 million investment packages to be implemented by local authorities. Rotterdam also used this approach to implement and adapt national/regional packages to deal specifically with youth unemployment. Turin has been extremely successful in applying regional programmes.

While Dublin has been making the case for adapting a range of national and regional schemes in the face of austerity measures.

- ▶ The reinforcement and adaptation of strategies developed during previous crises. Jyväskylä, Malmö, Gijón, Newcastle and Turin base their current strategies very strongly base their on the lessons and models that they successfully applied during the more intense crises experienced in the past.
- ▶ Ad hoc responses. Finally, certain cities like Veria in Greece have developed ad hoc responses, which combine short and long-term measures, responding to their particular local and national situations.

In the remainder of this synthesis, we will try to draw some of the lessons from the case studies for two major challenges which all international institutions agree will affect our cities over the next three to five years.

3.1. The challenge of employment: Where will the future jobs come from?

At the Jobs Summit in Oslo in September 2010², the International Monetary Fund was quoted as saying that America and Europe face the worst jobs crisis since the 1930s and risk “an explosion of social unrest unless they tread carefully”. According to Eurostat³, there were 21.4 million unemployed people unemployed in the EU in the third quarter of 2009, over five million more than before the crisis. Around one out of three of these people have been unemployed for over a year and an average of around eleven unemployed people are now chasing each job vacancy.

Young people under twenty five have been particularly badly hit – with approximately twice the average unemployment rates (around 20%). However, this rises to over 40% in Spain, where talking of “a lost generation” and a return to large scale emigration of skilled people with the associated brain drain has become commonplace. Nearly all experts agree that high levels of personal, private sector and public sector debt will continue to hold back domestic markets, leading to sluggish growth – which will not generate enough jobs to absorb the expected increase in the labour force – let alone wipe out the back log of unemployment. So, cities are likely to face at least 4-5 years of high unemployment. What can cities do in this context? The case studies point to three broad, non-exclusive categories of response – many of which reinforce longer term strategies developed before the crisis.

1. Promoting the Smart, the Green and the Good

Even before the publication of the EU 2020 Strategy most European cities were trying to position themselves

to grow and attract in as many knowledge-intensive and green “emerging” sectors as possible, although in reality many cities are only rhetorical players in these debates. Given the ageing of the EU population and growing expenditure on health care this has also included interest in medical and health care companies. In view of the cost advantages of growing economies like China, India and Brazil, these efforts have to be seen as a necessity for European cities rather than an option.

Eight of the ten case studies make specific reference to these kinds of emerging sectors. Prioritising strategic investments and support for knowledge-based activities appears in two of the three cities which have formal integrated recovery plans. Newcastle bought the headquarters building of the stricken Northern Rock Bank and are renting it to one of the largest companies devoted to domestic energy efficiency in the UK. Jyväskylä responded to the closure of Nokia’s research centre by creating a fund to retain and re-employ 300 scientists whom it saw as vital to retain the strong position it had built up over years in information technology. Rotterdam invested in the second stage of its climate and innovation fund to support new innovative companies in the energy and climate sector. The Deputy Mayor of Turin, Tom De Alessandri, summed up the situation by saying that “strong competition from emerging countries requires immediate responses to introduce strong antidotes to the crisis by supporting innovative projects in various fields such as energy, automotive and electronics”.

Interestingly, some cities have been going beyond traditional cluster support measures by prioritising investments which help to design urban space in a way which is attractive to these kinds of knowledge based activities. For example, Newcastle is promoting an “arc” of knowledge hubs in the centre of the city⁴: “places where the key industries of the future will locate and grow and where teaching research and specialist services and businesses of all kinds can come together”. Key sites include: Science Central (low carbon and sustainable industries); Northern Design Centre (Digital Media); the Campus for Ageing and Vitality (ageing and health); and the International Centre for Life (stem cells and regenerative medicine). Similarly, Gijón used the Central Government’s two “E Plan” to promote investments in its “Knowledge Mile”. Another well known example of these kinds of new urban productive spaces is Dublin’s Digital Hub.

However, URBACT networks⁵ have shown that the scope for these kinds of activities is conditioned both by the size and quality of local knowledge producers (universities, research centres and so on) and by the



However, even if enough jobs can be created in these sectors, this still leaves huge questions about how to build bridges and avoid a growing polarisation between these two parts of the labour market.

“absorptive capacity” of local firms. Most cities can improve their performance in this field but not all can be “champions”. And even for those that can, there are major question marks about the numbers of jobs that these emerging sectors can generate and how well the skill profiles they require match with the skills of the unemployed. The case studies suggest that these kinds of approach are necessary but by no means sufficient for dealing with the challenge of unemployment that is facing our cities.

2. Working on the demand side with diversified “jobs rich” industries

The cities in our case studies have put in place quite a wide range of relatively short term measures to encourage firms to retain labour, support those made redundant, provide additional support for those furthest from the labour market and to subsidise jobs in the public or private sectors. Another response which is widespread in Europe but less visible in our case studies is to insist on improving education and skills training. But all these labour supply, labour matching and temporary job schemes still beg the question of where the sustainable jobs are going to come from in the future.

One fairly common approach which is illustrated by the case studies is to improve the conditions for **business start-ups and entrepreneurship**. Newcastle for example has created a new loan fund for SMEs, increased the funding for business support and opened up its public procurement procedures. Gijón has one of the most integrated city systems in terms of business support and is concentrating on certain jobs rich sectors like commerce and tourism. Nevertheless it is evident that there are limits to start-ups and entrepreneurship when local markets and domestic consumption are weak.

Another and, perhaps, newer trend is for cities to forge closer and **longer term partnerships with major private and public sector employers** to understand current skill (and other) needs, remove recruitment barriers, predict future skill needs and try to encourage more productive and higher quality job design. Gijón has created a series of enterprise platforms bringing together large enterprises with local SMEs. Newcastle has started to work with a cohort of 200 key companies in the city.

Examples of measures to support employment in the case study cities

- ▶ Strengthening of training and insertion itineraries for those furthest from the labour market - Gijón, Newcastle, Rotterdam
- ▶ Resource centres, Self Help Centres for unemployed - Tallinn, Newcastle, Gijón
- ▶ Subsidised public sector jobs (with training and job placement) - Gijón, Newcastle, Turin
- ▶ Subsidies or rebates for firms that hire - Gijón, Turin
- ▶ Advice, credit and access to public procurement for SMEs - Gijón, Newcastle
- ▶ Application of national schemes for short time working - Turin
- ▶ Special rapid response units for large scale redundancies - Newcastle, Turin
- ▶ Keeping young people at school - Rotterdam
- ▶ Expanding apprenticeships and training places - Newcastle, Gijón

A variant of this kind of “employer-led” strategy is for cities to work with **large public sector “anchor institutions”** like hospitals and universities and with important **public sector infrastructure investments** to ensure that they generate as many good quality local jobs as possible. Newcastle, for example, will be creating a “LOAN” (linking opportunity with need) rapid response team which will design and deliver recruitment and training schemes linked to major regeneration schemes.

A very interesting example of working on both the supply and demand side of labour is Rotterdam’s highly integrated and systemic strategy to reduce youth unemployment. This is based on prevention and a very detailed personal understanding of the situation of each young person which is then followed through in step by step fashion with all potential intermediaries as well as employers.

Overall, our case studies suggest that some cities are following a double barrelled strategy which, to paraphrase Newcastle, involves: firstly, the creation of jobs for a new generation of technicians and skilled workers in the knowledge economy, and secondly, the stimulation of “entry level” jobs for less skilled workers in local private and public services (tourism, shops and commerce, caring, health and environmental services). *However, even if enough jobs can be created in these sectors, this still leaves huge questions about how to build bridges and avoid a growing polarisation between these two parts of the labour market.*



How to manage our cities - and what “business models” to apply to sustain them - in the context of major reductions in public finance.

3. Investments to increase the quality of life and long-term attractiveness of the city

The third approach that is visible in our case studies goes beyond labour market policy per se and starts to deal with the social (and also the environmental) conditions required for creating and attracting quality jobs. Investments in these areas are increasingly seen as necessary for attracting talented and creative knowledge workers and companies. They can also generate local jobs directly. However, in some cases cities are also posing fundamental questions about what “growth and jobs” might mean in a post crisis age⁶. The strongest example is probably the way in which Jyväskylä periodically produces “well-being” reports to guide policies for improving the effectiveness of welfare and inclusion policies, citizen’s participation and the quality of basic services. This has included services and investments to improve the environment and general attractiveness of the city for both residents and firms (the regeneration of the lake shore and so on). Jyväskylä is clearly thinking about growth with a more qualitative and social dimension.

A similar concern can be seen in Malmö, which realised that, despite the relatively small general impact of the crisis and considerable successes on the environmental front, the presence of a series of neighbourhoods with extremely high levels of unemployment was jeopardising the social sustainability of the entire city.

In fact, most of the cities in the case studies present a very strong social (and often environmental) dimension to their long-term vision for the future of the city. This has been translated into considerable improvements in education, social care, cultural and sport facilities as well as vastly improving the physical fabric and environment of the city. In their responses to the crisis the cities stress the importance of continuing with these investments. But in nearly all cases the improvements of recent years have been carried out by the public sector. This leads to the second major challenge that the crisis has thrown up for our cities - *how to maintain and even advance with these social and environmental achievements with far less public sector finance.*

3.2. How to manage the development of our cities in the face of major cuts in public finance?

The money paid by tax payers to save the banks in 19 Member States between October 2008 and March 2010 has been estimated at €862,000 million⁷. This is equal to the entire EU budget for 2007-13. As a result of this and the recession itself, public sector deficits have risen massively in EU Member States and the Commission is proposing penalties on those countries which do not meet extremely tough targets for reducing their deficits over the next three years.

In fact, our case studies took place just as the overnight transition from coordinated stimulus packages to general austerity packages was occurring. For example, in Spain cities like Gijón were still managing the second €5,000 million phase of the Governments E Plan to stimulate employment through local public investment. Nevertheless, with different levels of intensity most cities were actively preparing to deal with the approaching storm in public sector finance. For example, Veria in Greece was facing a 40% reduction in revenue from the Central Government. At the time of the case study, Newcastle was predicting a fall of Central Government finance of 25 to 33%. Tallinn was confronted by a fourteen fold increase in unemployment with considerably fewer resources.

We will conclude this brief summary of the case studies by trying to draw out some of the preliminary lessons emerging about *how to manage our cities - and what "business models" to apply to sustain them - in the context of major reductions in public finance*. We have identified four main trends. None of these is really new and they certainly cannot be considered to be "solutions" but they do provide insights into some of the issues that cities are likely to be grappling with in the near future.

1. Focusing on strategic priorities

It can be seen that many cities are trying to concentrate more clearly on the essential investments and actions which contribute to turning the long-term vision they have developed in their strategic plans into reality. The priorities in these strategies often have a high level of ownership among local stakeholders and have been built patiently on the lessons of previous crises. Cities as varied as Turin, Gijón, Jyväskylä and Newcastle have all prioritised investments and expenditure which make a substantial contribution to a shared goal of where they would like the city to go in the future. It is likely that these concerted strategies and the vision for the future that they contain will become more important and more focussed in the face of future cuts. However, the margin for manoeuvre for this kind of

longer term approach depends fundamentally upon the intensity with which the crisis has hit the city and the level of resources it has to deal with it. As mentioned, all cities in the case studies have also put in place social measures to protect their citizens against the worst ravages of the recession. But the need to do this is not as great in Malmö, Rotterdam or Jyväskylä as it is in cities from some parts of Europe. An official from Tallinn summed up by saying that for them "focusing on long-term measures was like teaching a man to fish when there is no fish in the river".

2. Strengthening city partnerships - with other levels of government - and with other local public and private stakeholders

Faced with reductions in their own resources cities are exploring all avenues for levering in and improving the synergy with both regional and national programmes (vertical alignment) and the plans and programmes of major private and public players like large companies, ports, universities and hospitals (horizontal alignment). In 2009, for example, Turin managed to lever in 471 transfers from the State, Region and other agencies, so rationalising and limiting its own expenditure on non strategic areas and ending the year with a surplus of €38.7 million. Rotterdam provides a more structured example of how national and regional programmes and funding streams can be blended and adapted to have maximum impact on youth unemployment at local level. In terms of horizontal linkages, both Jyväskylä and Gijón provide insights as to how the municipality can play a coordinating role with a host of local stakeholders.

As mentioned earlier, the Enterprise Platforms in Gijón, the plans to work with the cohort of 200 key companies and the Innovation Poles in Turin are examples of local authorities trying to develop a longer term strategic dialogue with the private sector rather than one-off deals, typical of many past private public partnerships.

3. Exploring new financial instruments and exploiting low land prices and interest rates

Some cities like Newcastle have been taking the opportunity of low land prices and interest rates to buy strategic sites and buildings (e.g. the Headquarters of Northern Rock). They have also been exploring new financial tools such as Accelerated Development Zones that would enable the municipality to borrow money to purchase sites on the basis of estimated future tax revenues. Several cities are showing a renewed interest in city or regional loan and guarantee funds. Although there is less evidence of these kinds of initiative in our case studies than the other approaches, we feel that this could become an important area for city action as fresh financial resources become scarcer.

4. Involving users and local stakeholders in rethinking fundamental problems and solutions

Whereas the first two approaches mentioned above basically involve prioritising and pooling available expenditure, this last approach is more radical and longer term. Rather than simply cutting the areas that are the easiest and have a bigger or more immediate impact on the overall budget, some cities are trying to take an entirely new look at both the problem and the solutions. An essential part of this is the involvement of users as well as suppliers, providers and intermediaries at every point along the delivery chain of public services and investments.

The examples in our case studies have been mentioned earlier in a different context and include the “innovation forums” which Malmö is establishing in four heavily disadvantaged areas which they consider pose a risk to the “social sustainability” of their city. Also the “wellness” reports and participatory approach taken by Jyväskylä to improving the effectiveness of basic services, welfare and inclusion policies are relevant here. Finally, Rotterdam’s approach to youth unemployment provides an example of the improvements that can be made by taking a preventative and systemic approach which starts with a detailed understanding of the needs of individual young people, on the one hand, and firms on the other, while involving all the main actors that intervene in between.

Conclusion

In terms of **impact**, the URBACT case studies provide evidence of how cities experience the crisis in different ways across Europe:

- ▶ Cities have different experiences of past crises which provide them with a rich fund of lessons for dealing with the present.
- ▶ The risk factors that lead to crisis situations are different and evolving rapidly across our cities.
- ▶ Unemployment has completely different social implications

In fact, there is a risk that the extremely diversified places and people which make up the European mosaic, experience the crisis in such different ways, with varying intensities and speeds, that it fundamentally weakens the fairly fragile glue that makes European citizens feel they have a future together.

The central message for policy makers and practitioners is that this diversity cannot be dealt with solely by top down policies based on aggregate statistics and targets. It is essential for the EU, national and regional governments to mobilise the knowledge that cities have of the reality on the ground in order to implement effective policies to combat the crisis.

In terms of **response**, the URBACT cases provide significant insights into how cities are dealing with two challenges which are likely to dominate policy discussions in the next three to five years: how to create enough quality jobs and how to manage the sustainable development of our cities in a new period of austerity.

On the jobs front, it can be seen that there is need to intervene on both the demand and the supply side of the labour market by forging a longer term dialogue with both private and public sector employers and other actors. This has to go beyond emerging knowledge intensive sectors, and build bridges with employment in jobs rich services sectors. But underlying this discussion, some cities are raising deeper questions about the social and environmental conditions that underpin the kind of “growth and jobs” that we want for our cities after the crisis.

When it comes to finding ways of managing our cities with far fewer public resources there are no magic solutions. But the case studies do point to a number of avenues which it will be important to explore further with cities in the future. How to focus on and strengthen the shared vision contained in strategic city plans? How to build stronger and more strategic partnerships between the city and higher levels of government as well as with other major local stakeholders and anchor institutions? How to be more creative in the use of financial instruments? And finally, the importance of using the “creative tension” (Jyväskylä) generated by the crisis to take a far deeper look at the key social problems and common solutions being thrown up by the crisis.

We hope that the case studies presented below will stimulate discussion among urban practitioners on these and many other important issues. ■

(1) Economic Crisis in Europe: Causes, Consequences and Responses. Economic and Financial Affairs. European Commission 2009. COM (2008) 800 Final

(2) See the Joint ILO-IMF Report - The Challenges of Growth, Employment and Social Cohesion.

(3) Eurostat. Statistics in Focus 13/2010 and 20/2010

(4) Newcastle is also active in the URBACT REDIS network: <http://urbact.eu/en/projects/innovation-creativity/redis/homepage/>

(5) See RUN UP: <http://urbact.eu/en/projects/innovation-creativity/runup/the-role-of-universities-for-economic-development-in-urban-poles/> and REDIS: <http://urbact.eu/en/projects/innovation-creativity/redis/homepage/>

(6) Following the lines of the Report by the Commission on the Measurement of Economic Performance and Social Progress. Joseph Stiglitz, Amartya Sen, Jean-Paul Fitoussi. Report to Nicolas Sarkozy as President of the EU.

(7) El Pais 30 May 2010. The amounts committed (but so far unused) in the form of guarantees and so on are far larger: €4.1 billion or around 32.6% of the GDP of EU.

CHAPTER III

CASE STUDIES

DUBLIN / IRELAND

GIJÓN / SPAIN

JYVÄSKYLÄ / FINLAND

MALMÖ / SWEDEN

NEWCASTLE / UNITED KINGDOM

ROTTERDAM / THE NETHERLANDS

TALLINN / ESTONIA

TURIN / ITALY

VERIA / GREECE



DUBLIN / IRELAND SETTING THE AGENDA FOR DUBLIN



“To ensure that the Members of Dublin City Council play a pivotal role in the development and promotion of economic recovery and job creation in the City”¹ Lord Mayor, Dublin City Council

Summary

Dublin, Ireland’s capital city, is also the country’s main engine of economic activity and employment. With a highly skilled workforce, including over half of the country’s university graduates, the city economy is largely based largely on service industries, including a well developed financial services sector, and a strong and expanding tourism sector. Having successfully positioned itself as an international centre of trade and investment, Dublin is now recognised as a true “global city”.

Ireland, and Dublin specifically, have been particularly badly hit by the crisis. A heavy reliance on construction and financial services meant the city suffered heavy job losses, with unemployment rising sharply to 10.8% at the end of 2009, from a low of 2.6% in 2000. Draconian cuts in public spending and an ongoing decline in revenue will continue to have a serious impact on the city’s budget for some time to come.

With a highly centralised governance structure, Ireland’s response to the crisis has largely been driven at national level, with the role of local authorities being mostly limited to implementation. However, the case of Dublin is somewhat different, as the City Council has also been pursuing its own initiatives. Moreover, the four local authorities in the Dublin region have begun to cooperate in articulating a framework for an economic development strategy at regional level.

At the city level, the Lord Mayor established a special Commission on Employment in September 2009; the Commission carried out a process of consultation, including a public call for ideas. This consultative process generated a wide range of proposals for job creation and economic development, with the final outcomes being presented in a June 2010 report. Many of the recommendations in the report go beyond the competences and resources of city-level government

and can, therefore, be seen as an attempt to strengthen the Council's influence and negotiating position vis-à-vis the national government.

Context

With a population of nearly 1.2 million in the city and over 1.6 million in the metropolitan area, Dublin is the capital city of Ireland and the **powerhouse of the Irish economy**. As a city, Dublin accounts for 21% of all jobs nationally, while the Dublin region accounts for 39% of total economic output and, in 2006, 37% of the country's jobs.²

Likewise, Dublin is the national knowledge hub, with over half of those employed in the city having post-secondary levels of education. Moreover, more than 50% of Ireland's university students and over 63%³ of all PhD students are based there.

Dublin's **economic profile** is characterised by a large service sector and the growing importance of tourism: 86.3% (Q4 2009) of employment in the Dublin region is in the service sector, the top 3 sectors being: wholesale and retail trade (13.8%), human health and social work (12.9%) and financial services and real estate (10%)⁴. Tourism, up to 2008, saw exceptionally strong growth in Dublin, and in Ireland as a whole.

Dublin has worked hard to position itself as a **'global city'** – i.e. one that participates in and is attractive to global flows of capital, investment and knowledge. As such,

Dublin accounts for 21% of all jobs nationally, while the Dublin region accounts for 39% of total economic output and, in 2006, 37% of the country's jobs.

Dublin now regularly appears in various international city benchmarking lists. In terms of its brand strength, the city has been ranked 12th in Europe (in a 2009 report from Saffron consultants). Indicative of its effort to figure among the world's more competitive cities, Dublin has been ranked 7th, just behind New York, for 'ease of doing business' (Cushman and Wakefield European Cities Monitor survey 2008⁵).

Dublin City Council is responsible for service delivery in the following areas: Housing, Planning, Roads, Water Supply and Sewerage, Development Incentives and Controls, Environmental Protection, Recreation Facilities



and Amenities, Education, Health and Welfare⁶. However, policy in these and other areas, such as economic development, are largely decided at national level.

The City Council has a **budget** of €866.663 million for 2010. This covers all current expenditure, including Council services, procurement & supplies, and staff wages. The city's annual income comes from the sale of goods and services (40%), rates on commercial and industrial property (33%), Government grants (16%), and a Local Government Fund (10%). It also has a 3-year capital programme underway (2010 to 2012) valued at €893 million, which includes projects such as road improvements, water and sanitary services and housing construction.

How has the economic crisis affected Dublin?

The effects of the economic crisis have been devastating: Ireland, and Dublin as its economic engine, has quickly gone from an economic boom to a deep recession, from being a place where work was easy to find, to one where unemployment is high, and from a place of net immigration to one of forced emigration.

Between late 2007 and early 2010, Ireland's economy went into steep decline. Insolvencies hit record levels in 2010; 146 Irish companies became insolvent in March 2010 – a historical record. Roughly 40% of these insolvencies were attributed to the Dublin region.

Unemployment in Ireland almost trebled in two years: from 4.5% at the end of 2007, to 12.4% at the end of 2009, significantly above the EU27 average of 9%⁷. In the Dublin region, unemployment went from a low of 2.6% in 2000 to 10.8%⁸ in 2009.



Over the first six months of 2010, levels of unemployment in Ireland and Dublin have continued to rise, albeit at a slower pace. The city and the country as a whole are facing serious labour market problems, with record numbers of people now unemployed, underemployed, or in precarious employment situations. The prospect of high levels of long-term unemployment is a strategic threat to the economic and social fabric of Irish society, as Irish citizens are once again forced to consider the option of emigration.

Almost 16 000 or 21% of all redundancies in Ireland in 2009 were registered in the Dublin region. However, Dublin city indicators show a slight drop in the number of redundancies between February and May 2010. The first three months of 2010 saw 4 327 redundancies in Dublin. In May 2010 there were 2 000 redundancies in the Dublin region, compared to 5 000 for the country as a whole.

40% of jobs lost in Dublin since the peak of the boom in 2007 have been in the **construction** sector. As for the **tourism** sector, international tourist revenues in the region dropped by 12.5% between 2008 and 2009. Similar to elsewhere in Europe, statistics for the Dublin region from Q3 2009 show the unemployment rate for those with post-secondary qualifications was 7%, versus over 18% for those with lower secondary qualifications⁹.

The city's international standing has also suffered. The 2006 Eurobarometer of 70 European cities¹⁰ put Dublin in the **number one** spot in the EU for 'ease of fin-

ding a job'. However, in the 2009 survey, Dublin had plummeted to the **bottom tier** of cities in terms of the same indicator.

In the context of severe cuts in national government spending, and falling income from rates, develop levies and other sources of income, the City Council budget has also suffered. The 2010 budget was cut by €28.9 million, with all departments affected, including environmental services (7.35m), housing projects (4.94m), roads and transportation (3.9m), water services (3.82m), and Culture (3.86m). Payroll constrictions have also been reduced by cutting overtime (10.4m) and freezing recruitment (3.2m).

How has Dublin responded to the crisis?

At the heart of Dublin's response to the crisis is the Lord Mayor's Commission on Employment (LMCE), established in June 2009 by Dublin's Mayor and situated within a larger national and regional recovery planning context.

A national framework for sustainable economic renewal

In December 2008 the Irish government published a national recovery programme, "Building Ireland's smart economy: a framework for sustainable economic renewal"¹¹. The recovery programme was meant to be an immediate policy response to the crisis and set out a series of measures to restructure the economy over the period 2009-2014 and re-establish economic stability.

Coordinated action at regional level

In July 2009, based on the national recovery programme, the four local authorities in the **Dublin City region** (Dublin City Council, South Dublin County Council,

40% of jobs lost in Dublin since the peak of the boom in 2007 have been in the construction sector.



Fingal County Council and Dun Laoghaire Rathdown Council), collaborated for the first time to formulate a concerted regional strategy – the “Economic Development Action Plan for the Dublin City Region”. Within the city of Dublin, this regional action plan will be delivered through the City Development Plan 2011-2017.

Programme for National Recovery – Dec. 2008,

economic plan for 2009-2014, to build a Smart Economy that exhibits economic security, high quality employment, strong environmental and social performance and secure energy supplies.



Economic Development Action Plan for the Dublin City Region – July 2009, collaborative effort by the 4 municipalities making up the city region, set within the context of the national plan and builds upon a preceding 2008 Dublin City Council report ‘Funding the Dublin City Region’.

The plan runs on 3 axes:

- Strong Leadership
- Creating a Vibrant Place
- Nurturing and Attracting Creative People

As the circumstances evolve the Plan is revised accordingly.



Lord Mayor’s Commission on Employment (LMCE) – est. September 2009, involves consultative approach and draws on Regional Action Plan.

Major output:

LMCE Report with Recommendations June 10th 2010

Delivered through Dublin City Development Plan for 2011- 2017 and the Economic Development Action Plan for the Dublin City Region which both take into account its recommendations.

Dublin City Development Plan for 2011- 2017,

Guides the spatial development of the City over the coming 6 years. Currently in draft form, will draw on the conclusions of the LMCE Report.

A local participatory approach

At the city level, drawing on the “Economic Development Action Plan for the Dublin City Region”, the **Lord Mayor’s Commission on Employment (LMCE)** was established as both a cross-party initiative and as a process of extensive public consultation. The Commission’s remit was to develop an agenda for jobs and economic renewal in Dublin city, which would “ensure that the Members of Dublin City Council play a pivotal role in the development and promotion of economic recovery and job creation in the City”¹².

The Commission profiles itself as non-partisan, with councillors from a range of political parties participating, as well as external advisors and officials from the City Council. The LMCE has proceeded by setting up two working groups, each chaired by an elected city councillor: one focused on Employment/Unemployment, Business, Entrepreneurship and Finance; and the other on Education, Skills and Training, Volunteering and the Social Economy.

What aspects of Dublin’s response could be useful for other cities?

1. A participatory approach to generating ideas for the recovery

The approach adopted by the Lord Mayors Commission placed emphasis on public participation and building ownership; a “Call for Ideas” from the public was announced in September 2009, with 132 submissions received. A preliminary report on these submissions was made in January 2010 and engagement deepened in



the key themes identified with two focused seminars attended by everyone who had participated in the work of the LMCE to date. Final feedback and engagement on the findings and ideas of the LMCE was given at a Conference in April 2010, entitled 'Dublin - A City that Works'. Maire Geoghegan Quinn, EU Commissioner for Research, Innovation and Science, was the keynote speaker.

This participatory process generated proposals for job creation and identified potential economic growth areas. These included:

- ▶ Alternative and creative uses for **vacant retail and industrial spaces**
- ▶ Promoting the **creative and cultural industries**
- ▶ Sustainable **energy** policies
- ▶ **Retail, restaurant** and food strategies
- ▶ Providing access to capital for **businesses**
- ▶ Promoting Dublin as an **International Student City**¹³

The final recommendations of the Commission, which emphasise what Dublin city should do to become a Working city, a Learning city, a Creative City, an Open City, a Global city and a Liveable city, were gathered in a **June 2010 report**¹⁴. This report is multidisciplinary

The approach can be seen as a means of strengthening the Council's influence and negotiating position vis-à-vis other key decision makers - particularly at national level.

in approach, calling for intervention around a range of related concepts, such as:

- ▶ Making Dublin a global city
- ▶ Investing in green energies
- ▶ Creative industries
- ▶ Migration

The interventions proposed generally seek to build on and maximise existing initiatives.

2. Strengthening Dublin's influence and negotiating position

Implementation of the Lord Mayor's Commission report on Employment will largely materialise through the Economic Development Action Plan for the Dublin City Region and the Dublin City Development Plan for 2011-2017¹⁵ (currently in draft form and due to be adopted with all final amendments by the City Council before the end of 2010), which will feed off the Commission recommendations in its design. The degree of input from public participation ultimately finding its way into the final plan will be a significant indicator of the value and effectiveness of the participatory approach used.

Importantly, however, many of the report's recommendations go beyond the competences and resources of regional or city authorities. Thus, in part the approach can be seen as a means of strengthening the Council's influence and negotiating position vis-à-vis other key decision makers - particularly at national level.

Self-avowedly, the Lord Mayor's Commission set out to ensure Dublin's municipal government played a 'pivotal role'¹⁶ in broader decision making processes by consolidating as many key local actors as possible



into a coherent voice. As for those recommendations within the competences of Dublin city, while the current environment of budgetary constraint is obviously challenging, much of what was proposed as municipally actionable builds upon already existing initiatives and opportunities, and so should be feasible.

Key points from Dublin's experience

The interest of this case is largely one of process. Dublin has pursued an approach to building consensus and

involvement around a strategy for long-term development as a competitive 'global city'. Key to the ultimate impact of such a consensus, and adherence by local key players, will be its durability, particularly if maintained into a post-crisis environment.

The process is built upon:

- ▶ Cross-party involvement
- ▶ Bringing in key internal and external institutions and actors
- ▶ Public consultation
- ▶ Building on existing initiatives and programmes

Dublin has used the crisis as an opportunity to:

- ▶ Articulate the strategic direction and priorities of the city
- ▶ Build greater consensus around that city strategy
- ▶ Strengthen the city's negotiating position vis-à-vis other levels of government and key decision makers. ■



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GIJÓN / SPAIN

USING NATIONAL RECOVERY PROGRAMMES TO ADD “SPICE” TO A STRONG LOCAL DEVELOPMENT “DISH”



Summary

Gijón is an attractive port city of just over a quarter of a million inhabitants on the northern Atlantic coast of Spain. After a period of rapid expansion up until the late seventies, its economy was devastated by the restructuring of the steel, shipbuilding and coal industries. In response, the city took a leading role in negotiating a series of ambitious strategic plans and pacts for employment with both local and external actors. The organizations and programmes developed in this period contributed to a new phase of employment growth and urban regeneration in the late nineties and early parts of this century. They also formed the foundation stone for Gijón’s response to the current crisis.

Gijón has basically applied the Spanish government’s two major local recovery programmes (the E Plans) in a way which “adds spice” to its own pioneering “dish” of local economic development. While maintaining all the main measures in its own local employment pacts, it has also increased spending in certain areas to respond to the new needs thrown up by the crisis. One of the key points of interest in this case lies precisely in the way in which sophisticated local development programmes and organizations have been blended with top down initiatives and external actors to achieve a mix that puts the city in a better position to face the future.

It remains to be seen how robust this particular mixture will prove to be in the face of major potential cuts in state expenditure.

Context

With around 275,000 inhabitants, Gijón has always been considered to be the economic powerhouse of the Northern Spanish region of Asturias (with just over 1 million inhabitants). Situated on a remarkably beautiful stretch of the Atlantic coast, with one of the deepest ports in the world, Gijón forms part of a highly industrialized triangular urban system made up of the regional capital Oviedo (211,000), Aviles (84,000) and the old coal mining valleys.

The economic growth of Gijón took off in the second half of the 19th century, based on the development of the port and railway, the export of coal, steel making and shipbuilding. Between 1900 and 1980 the city went through a golden era of employment growth and its population increased fivefold as a result of immigration from the countryside and other Spanish regions.

However, although the economy of Gijón was slightly more diversified than other parts of Asturias, its development was nevertheless based on a small number of vulnerable sectors. At the centre was a group of major

steel mills, mainly state owned, which were located in or near the heart of the city, together with several large shipbuilding enterprises. These fed a host of smaller private metal manufacturing and subcontracting firms. Glass and textiles were also relatively important sectors but as a whole, the city and region focused on basic primary processing rather than on more sophisticated high value production. In the late seventies, a combination of successive oil crises and growing competition from East Asia put massive pressure on all these sectors.

The first to feel the pain were the small private SME's - when the large state-owned steel and shipbuilding enterprises found their order books empty and stopped commissioning work. The highly organized trade unions reacted with a wave of strikes in defense of their jobs, with strong support from the local population - but this did not prevent a string of cut backs and closures. In 1982, 184 companies closed in Asturias and nearly 28,000 workers were made redundant¹. Unemployment in Gijón itself increased more than eightfold from a low of just over 3,000 people in 1977 to over 25,000 in 1985. It remained above 20,000 for more than ten years from 1983 until the mid nineties².

At the start of 1983, the newspaper “el País” reported that “the general strike called last weekend in Gijón by all trade unions with massive support from the local population... opens a new period of reflection among the social forces of Asturias who have started to become seriously concerned about the uncertainty of their future”³. Partly because of the social pressure, many of the people who lost their jobs through the restructuring of steel, shipbuilding and coal received relatively generous redundancy and early retirement packages. Nevertheless, over this period, the region as a whole was transformed from a magnet for migration from other parts of Spain to suffering from the “shrinking city syndrome” that is common in many parts of Eastern Europe. Unemployment did not grow any higher because a high proportion of the most skilled and talented Asturians left for ever.

The city took up this challenge in a way that has provided important lessons and shaped their approach to the current crisis.

Given the strong tradition of trade union and civil society organisation in the city, one of the most distinctive features of the approach taken by Gijón is the way in which it has been based on the participation of and negotiation with local actors. In 1988 the city created the “Council for Local Development” made up of trade unions, the main business associations and other local organisations as the main body for debating and reaching consensus

One of the most distinctive features of the approach taken by Gijón is the way in which it has been based on the participation of and negotiation with local actors.

on the subsequent strategies and main lines of response applied up to the present day. Initially, the lead implementing body for all these measures was the municipal department for training and local development but in 1996 this was transformed into the Local Development Agency.

The Council for Local Economic Development discussed and approved the first of two Strategic Plans for Gijón (1991-99 and 2002-12) and a sequence of “Local Pacts” setting out a wide range of local economic measures which focused successively on employment, then entrepreneurship and finally innovation⁴. The vision⁵ which run through these documents, and particularly the second Strategic Plan (2002-12) and the current Pact for Innovation (Gijón Innova) is crucial for understanding Gijón's response to the current crisis:

- Far from renouncing its industrial past, Gijón aims to build on the opportunities provided by a skilled workforce, a major port and a series of strategic brownfield sites to diversify and innovate its way into becoming a key “centre of economic development on the Cantabrian Coast and the Atlantic Arc”. Although



Economic activity contracted by 3.3% in the region of Asturias in 2009 but employment fell by a massive 9.4%.

the overall aim is to break with a general culture of dependence on large state-owned industry and create a more entrepreneurial city, there is a particular focus on growing high value added SMEs in the knowledge economy.

- ▶ However, there is also a recognition that these sectors do not have the capacity to compensate for all the jobs lost in the previous crises. So the development of the service sector and particularly of tourism and retailing is seen as an important complement (“Gijón City of Tourism and Commerce”) but not a total substitute for a diversified and innovative industrial sector.
- ▶ To create the conditions for both knowledge-based manufacturing and services, the city wants to capitalize on its considerable environmental assets (its magnificent coastline, links to an extremely attractive countryside, etc) and improve mobility and accessibility both internally and externally with major public investments (doubling the size of the port, new metro-line, a new intermodal railway station, improved motorways to the mining valleys and France, improved international flight connections from the nearby Asturias airport and so on.).
- ▶ Finally, the social goal of improving human capital and the quality of life for the entire population runs through many of the actions. This includes specific support for those furthest from the labour market, a network of child centres, lifetime learning, improvements to the university campus, network of municipal centres, the healthy city project, the plan for social care, the removal of physical barriers in the city and so on.

But in order to achieve these ambitious goals the city will have to overcome a number of challenges⁶: the fact that certain objectives go way beyond the financial resources and powers of the local participants; the continued dependence on decisions and budgets beyond municipal control (e.g. decisions on major industries, the port and national infrastructure with all its uncertainties and delays); and the risks associated with a strategy based on encouraging endogenous development through public sector investment with a relatively weak local entrepreneurial base. In the following sections we

examine whether and how these factors have affected the response of Gijón to the current crisis.

How has the current crisis affected Gijón?

From the late nineties until the beginning of the crisis, the Spanish economy grew and generated employment at extraordinary speed. Gijón was no exception and, as a result, it is difficult to separate out the general effects of the boom from the strategies and plans mentioned above. Nevertheless over 20,000 jobs were created in Gijón between 1999 and 2007⁷.

Many of the industrial workers that had lost their jobs in the previous crisis had received relatively generous early retirement packages and were no longer in the labour force. But in any case, a high proportion of the new jobs sprung up in the service sector and many more women entered the labour market than before. The population of Gijón also started to grow gradually in the early part of this century fuelled partly by a modest influx of immigrants. At the same time, the city centre, the port, the beaches and promenades and many key infrastructures had undergone major improvements and regeneration. By 2008, the Gijón Science and Technology Park alone could boast of 42 knowledge-based companies, employing over 1,700 people with a turnover of over €1,000 million⁸.

So when Gijón signed the Pact for Innovation in 2008, just before the crisis, the emphasis was clearly on consolidating the development of these kinds of high tech firms, ensuring that businesses were able to attract and retain enough skilled labour and, at the same time, dealing with the unemployment (and low activity rates) that still existed among young people, women and certain disadvantaged groups. The days of mass unemployment seemed to have disappeared for ever.

The severity of the downturn that took place after the summer of 2008 took everyone by surprise. Economic activity contracted by 3.3% in the region of Asturias in 2009 but employment fell by a massive 9.4%. Nevertheless, according to most opinions⁹, the region has done better on both counts than Spain as a whole. In Asturias, for example, unemployment doubled from 8% just before the outbreak of the crisis to 16% in the first quarter of 2009 while in Spain as a whole unemployment increased from the same level to 20% over the same period¹⁰. The reasons are said to be that Asturias is less dependent on construction than the Mediterranean coast and Madrid and that, as we have seen, manufacturing is still heavily concentrated on primary production which, so far, has felt the crisis less than consumer-orientated sectors. Nevertheless, the regional construction sector lost one third of its jobs while

manufacturing lost a fifth. One in five of the jobs lost were temporary.

In Gijón itself, the recession meant that over 10,000 people became unemployed in the period from August 2008 to the recent peak in March 2010 - taking numbers up to nearly 25,000 - similar in absolute terms to the previous recession¹¹. As in the rest of Asturias the fastest increase in unemployment has taken place in construction (93%) and manufacturing (72%) compared to services (54%). However, because it is now so much larger, the knock-on effects on the service sector account for bigger numbers of unemployed people, in absolute terms.

Unemployment has also impacted men more than women (82% increase more than 44%), young people more than older workers (86% increase for the under 25 compared to 42% increase for the over 45), and people with lower educational qualifications and skills.

no longer depends so heavily on a small number of vulnerable sectors (like steel and coal - or like construction and tourism as in other Spanish regions). It has now far larger service sector kept afloat by a relatively buoyant internal (regional) demand and at the same time, it has a small but growing cluster of knowledge-based firms.

As a result, although the absolute numbers of unemployed are as high as in the previous crisis, the labour force is now much larger and the percentage of unemployment is lower. (Part of the increase in unemployment may also have been caused by more people registering). Since the second quarter of 2010 there have also been some signs of the labour market's capacity to recover. Unemployment fell by nearly 2,800 between March and June 2010¹⁴. In addition to the normal summer growth in temporary jobs there was also a 6% fall in unemployment in construction jobs and non-tourist service jobs.

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Such a large and sudden increase in unemployment has, unsurprisingly, had an impact on social conditions. In the first quarter of 2009, Caritas said that they received 50% more requests for support to pay energy bills and buy food¹². They argue that in the past, most of the requests came from vulnerable groups with specific problems, but now most of the new demand is coming from groups that had never considered themselves to be “poor”.

At the same time, the city's financial margin for manoeuvre is under severe pressure. Around 70% of the city revenue comes from local sources, with the rest coming from transfers from other levels of government. In 2010, Gijón's consolidated income of €314 million was 5% lower than the previous year.¹³ In 2009 and 2010, this was more than compensated by Gijón's share in two major capital expenditure packages launched by the Spanish Government in response to the crisis. However, these programmes will not be repeated, and major cuts are expected in both national and regional capital expenditure and state transfers to local authorities. So a major question mark arises about whether and how the city economy can create jobs for the ten thousand additional people who have become unemployed.

Despite this situation, city representatives argue that there are some grounds for optimism. Firstly, they argue that Gijón is in a far stronger position than it was in previous crises: its economy is far more diversified and

How has Gijón responded?

Gijón has responded in two main ways to the crisis. Firstly, it has tried to use a series of funds within the Spanish government's recovery package (the E Plans) in ways that not only create short-term jobs but also reinforced the underlying competitiveness of the city's economy. Secondly, the city has increased its own investment in certain measures of its latest pact for innovation, economic development and employment (Gijón Innova). In this section we will provide an overview of both initiatives while in the following section we will try to pull out the elements that could be most useful for other European cities.

1. Local implementation of national recovery plans.

Due to the intensity with which the crisis affected the Spanish labour market, the Government launched an ambitious national recovery package, nicknamed E Plan¹⁵ at the beginning of 2009. The overall package included a series of rolling measures to support families, firms, employment, finance and modernise the economy. However, one of the distinctive aspects was the creation of two emergency funds of €8,000 million in 2009 and €5,000 million in 2010¹⁶, funded entirely by the Central Government but directly managed by local authorities, with the aim of creating jobs through public works.

According to the Spanish Government the first fund



generated over 30,000 projects of under €5 million each providing work for more than 14,500 firms and creating 426,000 direct jobs. The projects had to be in a position to start immediately and to be completed in one calendar year. They covered nearly all the infrastructures directly under local authority control but priority was given to projects which took long-term unemployed people off the register.

While smaller, the second fund also tried to encourage projects which produced longer term benefits for the sustainability of local economies. In the economic field there are examples of projects to support new information technologies, renewable energy and the regeneration of brownfield sites; in the environmental field, the projects cover fields, like water efficiency, waste management and clean transport; finally in the social field, the investments included health, education, cultural and social centres. Another innovation in the second fund was that up to one fifth of the expenditure of any local authority could be used to cover current expenditure for education and social care. However, as before, the big constraint was that the projects had to be investment-ready and implementable within a year. The Government's initial estimates indicate that these projects will generate nearly 275,000 jobs in 2010.

Under the slogan "Gijón is not standing still"¹⁷, the city argued that these national funds provided "spice" for an economy that was inherently strong but losing some of its "taste". It received €40.5 million in the first tranche from the Central Government for investing in 40 projects. At the same time, city also invested €73.4 million of its own funds in other projects. It is estimated that these projects have created or maintained¹⁸ 1,500 jobs in the city.

In 2010, the city presented a further 72 projects to the second fund, involving the creation of 863 jobs. This time it received €23.8 million from the Central Government and is investing €34.7 million of its own resources in other projects.

2. Strengthening the local pact for innovation, economic development and employment

The second line of attack taken by Gijón has been to strengthen certain aspects of the current local pact between the city and local actors on innovation, economic development and employment (Gijón Innova). This was necessary because the pact was signed in 2007 just before the crisis started and when the main challenge seemed to be the consolidation of the growth of the city economy while ensuring that certain disadvantaged groups were not left out.

The total investment budgeted for Gijón Innova was €447 million over four years. The private sector was expected to contribute 45% of the total (mainly through private co financing of grants to firms) while the city of Gijón itself finances 40% of remaining public sector contribution (€97.6 million or around €24 million per year).

Just under one-third of the budget for Gijón Innova (27%) is spent on measures to increase employment, training and the information society while the remainder is spent on economic development and innovation, including measures to promote entrepreneurship, consolidate existing companies, encourage innovation and strengthen key sectors like tourism and commerce.

The main response of the city has been to maintain spending on measures to increase entrepreneurship and innovation while at the same time increasing investment in employment and training. Basically, one of the main aims of Innova is to help around 500 people per annum through integrated training and work experience in private firms, the municipality, NGO's and specialized "work insertion companies". As a result of the crisis the city expanded the number of places by around 25% (126 more places), increased its training and opened up the programmes to groups affected by the downturn.

In 2010, the city presented a further 72 projects to the second fund involving the creation of 863 jobs.

What aspects of Gijón’s response could be useful for other cities?

Several features stand out about the way in which Gijón has tried to respond to the crisis, while also maintaining true to its long-term vision.

1. How to use the crisis to both reinforce and adapt the city’s strategic priorities

Within the constraints imposed by having to have investment-ready projects which can be completed in a very short-time scale, Gijón has tried to use the resources made available by the E Plans to reinforce the goals set out in its strategic plan and latest employment pact. For example, several key projects have been used to improve services and physical conditions in Gijón’s high-tech “Knowledge Mile” (a building for providing scientific and technical services to companies and better access roads on the University Campus). A new business centre was also started in some old government buildings and a common business service centre was developed in another of the city’s industrial estates. Gijón also made use of the E Plans to promote the knowledge in the city by investing in nearly 20 projects to digitalise its own administration and by the creation of 23 wifi hotspots. Another project was targeted at both the physical and economic regeneration of certain central shopping streets.

The question now facing Gijón is how it will continue to deal with these priorities when E Plans finish at the end of 2010, when national and regional public investment is reduced, and when the council’s own budget comes under increasing pressure.

2. How to build synergy between local development and key external players

Gijón has tried to build an ambitious, overarching strategy which goes beyond its own immediate competences by pulling in important external “anchor” institutions to work in unison with local actors (the port authorities, the regional government and university, the hospital, and so on). The city has then focused substantial sums of its own resources on the fields where it has powers to act and has used these to create a climate which levers in further public and private investments.

For example, the future of the remaining steel works are usually dealt with in discussions between their current Indian multinational owner, Mittal, and the central and regional government while the plans for expanding the port largely depend on the port authorities. The ability of these big (external) players to generate new business will clearly have a fundamental impact on the entire economy of Gijón. The city tries to provide a favourable

environment through its local development programmes and by ensuring that the necessary transport and logistical infrastructure is in place¹⁹. It has also recently created a small but imaginative initiative to build sector-based enterprise “platforms” spearheaded by at least one large firm and linking to local clusters of SMEs.

Sometime ago, the city created the first municipally owned Science and Technology Park in Spain- opposite the University Campus. This has subsequently become the spearhead for gradually shaping an entire district into the high-tech “Knowledge Mile” which has attracted major external anchor institutions like the university faculties, the hospital, a major exhibition centre (the City of Culture), the botanical garden, the Centre for Industrial Creation and Art.

We have seen that the E Plans have been used by Gijón to booster some of these initiatives. The question now is whether key developments like the port and the “knowledge mile” have achieved sufficient critical mass to be able to survive with less public support in a much more competitive environment.

3. How to build a resilient local economy while at the same time benefiting from high growth knowledge-based sectors?

One of the dilemmas faced by local development practitioners is whether to try to create a favourable environment for the mass of ordinary firms employing ordinary people or whether to concentrate resources on an elite group of “gazelles” or high growth, knowledge-based firms. Perhaps because of the city’s previous dependence on a small number of sectors and firms (and perhaps because they have seen how gazelles tend to run in the opposite direction when they see a lion), Gijón seems to be betting on a combination of both.

Over 70% of the budget of Gijón Innova is spent on an extremely comprehensive and very professional system of business support²⁰, which ranges from entrepreneurship education in schools, consultancy, coaching and mentoring, on-line advice, microcredits, risk capital, the creation of incubators and business centres and support for business “platforms” or clusters linking large and small firms. By far the largest sums of money are spent on the middle range “consolidate and grow” projects, to which must be added the support provided to SMEs in commerce and tourism. However, at the same time there are important programmes to support the growth of the emerging knowledge based firms in the Science and Technology Park and Gijón’s “knowledge mile”.

This double barreled strategy should allow Gijón to develop a strong base of local SMEs which serve more stable domestic and national markets, while at the same time benefiting from the faster but more volatile growth of knowledge-based companies. It remains to be seen how both sectors evolve in the future and whether Gijón will have to make harder choices when resources are squeezed.

4. How to create the social and environmental conditions for economic development?

Since the nineties we have seen that Gijón benefited from a major programme of urban regeneration which has transformed the sea front, port and city centre and vastly improved the use that the city makes of its key natural assets (access to sea and to the countryside). At the same time, a strong social commitment runs through Gijón's strategic plans and pacts for employment, which has been translated into considerable improvements in education, social care, cultural and sports facilities and labour market policies for vulnerable groups.

Gijón has used the two E Plans to reinforce both aspects. On the environmental side, there were projects to improve environmental monitoring and control, open up new cycling paths and improve open spaces and the use of water. On the social and cultural front, the E Plans were used to build infant education facilities, rehabilitate theatres and improve sports facilities. The job creation goals of the latest employment pact (Gijón Innova) were extended to cover those directly affected by the crisis.

All of these improvements have undoubtedly made Gijón a far better place to live, work and visit. The question again is whether these public-led investments are

now sufficient to generate a self-sustained spiral of economic development and how these achievements can be consolidated in a period of far greater austerity.

Key points from Gijón's experience

- ▶ The use of very favourable, top down government recovery plans to reinforce and adapt locally agreed strategies.
- ▶ The diversification and strengthening of an economy previously based upon a small number of large basic industries.
- ▶ A participative approach to planning and programme design based on negotiation with well organized local actors.
- ▶ Concerted action with external stakeholders and "anchor" institutions to lever in resources and support decisions which create the infrastructure and conditions for local plans
- ▶ Extremely systematic employment itineraries and business support cycles to promote local development.
- ▶ An interesting balance between business support for the large majority of local SMEs, coupled with special attention for a growing cluster of innovative knowledge-based firms.
- ▶ The use of public-led investment to improve quality of life and the environment in a series of strategic areas which put the city in a better position to face the future. ■



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(1) El País. 30.01.1983
 (2) Gijón en el declive industrial de Asturias. Ruben Vega Garcia.
 (3) El País. As above.
 (4) 1993 Programa de Acción Prioritaria para Gijón; 2000-3 Gijón Employment Pact; 2004-7 Gijón Pact for Entrepreneurship; 2008-2011 Gijón Agreement for Innovation
 (5) The first strategic plan has seven priority lines of action: innovating and diversifying the industrial base; improving accessibility and environmental quality; modernizing commercial activity; improving tourism; integrating the city with the countryside; improving skills and human resources; and improving the quality of life for all citizens. The second strategic plan continues broadly with these priorities but organizes the actions around four axes: economic development, employment and training; regeneration, infrastructures and the environment; quality of life; and participation and image of the city.
 (6) These and other obstacles have been raised by Ruben Vega Garcia in the article above
 (7) 82,752 employed in 1999 compared to 103,202 employed in 2007. Source: SADEI- Sociedad Asturiana de Estudios Económicos e Industriales
 (8) Parque Científico y Tecnológico de Gijón. Gijón City Council.
 (9) Hispalink estimates GVA fell by 3.3% in 2009 while Funcas estimates that it fell by -4.5% compared to -3.9% at national level.

(10) Encuesta de Población Activa 2010.
 (11) 14,799 unemployed in August 2008 compared to 24,898 unemployed in March 2010. Source: SEPEPA – Servicio Público de Empleo del Principado de Asturias
 (12) El Comercio 15/04/09
 (13) Presupuestos de 2010. Ayuntamiento de Gijón
 (14) 24,989 in March 2010 and 22,209 in June. Source: SEPEPA – Servicio Público de Empleo del Principado de Asturias
 (15) Plan Español para el Estimulo de la Economía y el Empleo.
 (16) Fondo Estatal de Inversion Local (FEIL) and Fondo Estatal para el Empleo y la Sostenibilidad Local (FEESL)
 (17) "Gijón no se para". El fondo "es la sal de Gijón. Municipal leaflet. Plan E
 (18) Estimate of 8-900 maintained according to sources from the city.
 (19) For example by supporting the creation of a Logistical and Industrial Area (ZALIA – Zona de Actividades Logísticas y Industriales) to help the port break into new markets
 (20) Gijón is a very active partner of the URBACT network Fin Urb Act which is exploring how European cities design business support itineraries and finance to meet the needs of different types of companies in different circumstances.



JYVÄSKYLÄ / FINLAND

SUCCESSFULLY REBUILDING AN ECONOMIC MODEL, WITH A SEVERE ECONOMIC CRISIS AS THE STARTING POINT



“Recovery from the 1990s crisis is the basis of our new economy. That was the time when we reshaped our economy... even if this crisis hit us it is very little compared to when we had unemployment of 25% in the 1990s. In this crisis we did not need to reform everything but just take some measures.” Official, City of Jyväskylä

Summary

All of Finland experienced a deep recession in the 1990s; the city of Jyväskylä was hit particularly hard, resulting in massive unemployment, which reached 24% in December 1994.

Jyväskylä's post-recession development strategy focused on developing skills in ICT, identified as a potential growth sector at that time, while also reorienting the city's strategic thinking, embracing what might be described as a change management approach. In this development strategy, 'hard' investment and infrastructural measures were supported by 'soft' development tools linked to social and cultural policies, aimed at enhancing the attractiveness of the city.

As a result, Jyväskylä became one of the most important ICT growth centres in Finland, transforming its image and winning recognition as a city with a high quality of life and a good place to raise children.

The impact of the current crisis has, however, dealt another blow to Jyväskylä, where business closures, job losses and the numbers of people relying on social security have all increased. The city budget has also been hit by falling revenue from income and corporation tax.

However, the reforms undertaken in the 1990s have strengthened the resilience of Jyväskylä to the crisis and, in general, the impact has been less severe than elsewhere. The city's response, therefore, has focused mainly on continuing and intensifying the implementation of its existing development strategy.

Context

Jyväskylä, located in central Finland, is the country's 7th largest city, with a population of 130,000, including 3,000 people of foreign origin and about 45,000 students¹. The present administration was established in January 2009, resulting from a merger of the city administration and the surrounding region. Prior to the

recent economic crisis, Jyväskylä had been experiencing strong growth in population (over 1,500 annually) and job creation.

In terms of sectors of economic activity, the city has developed a variety of high tech and value added activities; local expertise is strong in the fields of nanotechnology, energy, health technology, ICT, wood processing and paper, metal industries and environmental technologies. The majority of businesses are SMEs and micro-enterprises, which operate on the local or domestic markets. In terms of education, the city boasts two highly rated universities and a well-regarded vocational institute.

Municipal finances have a relatively high degree of autonomy: in 2009, 17.8 % of the city budget was financed from local fees, 56% from income tax revenue, and 17.4% from the Central Government. The city has competences in training, education, employment and economic development. The municipality runs a range of schools and educational institutions, has its own department of Social Services dealing with employment, and is a majority shareholder in the Regional Development Agency, Jykes Ltd, which sets enterprise policy and is very active in economic policy.

Long before the current economic crisis hit, effective future oriented strategies were in place, and continuity with these strategies has proven to be the basis of an effective anti-crisis strategy.

How has the current crisis affected Jyväskylä?

Jyväskylä has seen many business closures during the past 2 years, including the closure of the emblematic Nokia R&D centre, one of the city's biggest international companies, leaving 300 academics unemployed. Unemployment started to grow in the 4th quarter of 2008 and rose by 2,2% in 2 years till May 2011 where it reached 12,4% (although the municipality points out that the unemployment figures are influenced by the high number of students "we have a continuous 'surplus' of about 2% in the unemployment rate because of the large student population. Students are normally registered as job seekers as soon as they graduate"). The increase seems to have stabilised in recent months.

There has also been an increase in the demand for social services (e.g. welfare support). The cost of providing social welfare support rose by 14% in 2009, though this rate doesn't compare badly with other major Finnish cities, with a general average of 15%, and 20% in the Helsinki region.

Income tax receipts, the most important source of revenue for the city, have also declined. The city allocation

in 2009 was €353 million and the forecast for 2011 is only €348 million. As a result of a slowdown in economic activities, Jyväskylä's share of corporate taxation also dropped dramatically in 2009, to just €18.3 million.

How has Jyväskylä responded?

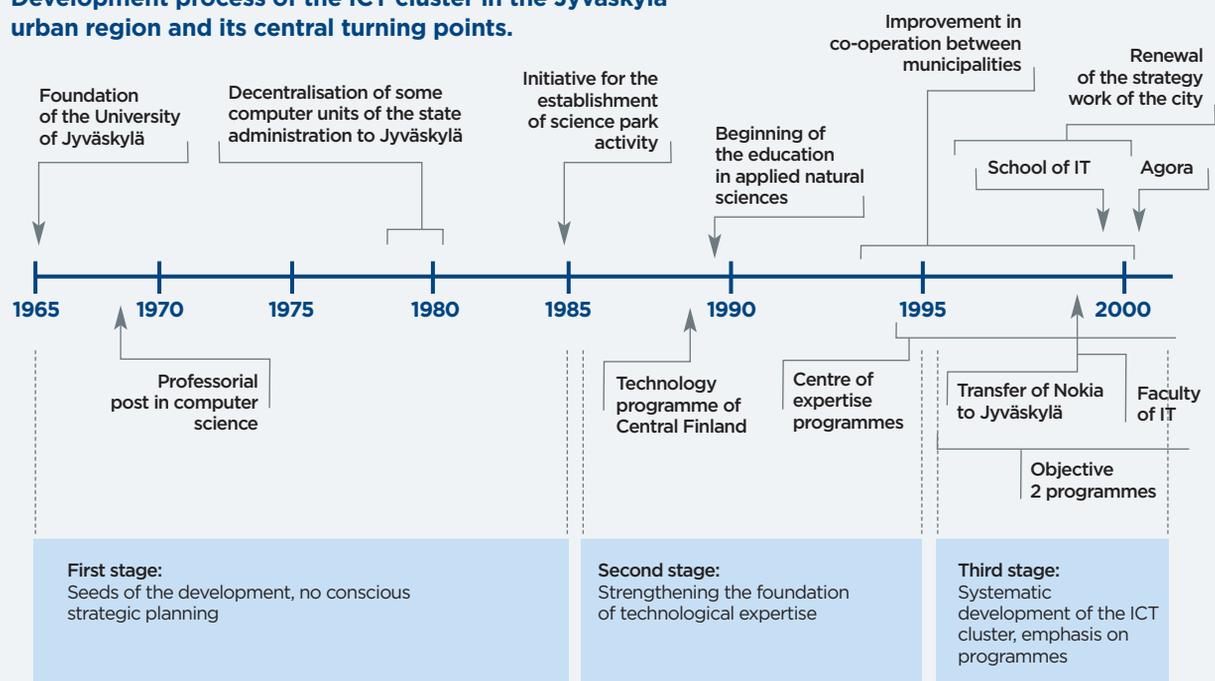
1. Sticking with a winning formula

Interestingly, Jyväskylä's response to the current crisis stems largely from its response to the previous crisis – the economic recession of the early 1990s, which coincided with the collapse of the neighbouring Soviet Union. This previous response involved a fundamental restructuring of traditional industries and the development of an economy based on new technologies. During the previous crisis, many enterprises in the Jyväskylä urban region had gone bankrupt or had downsized their activities. From 1989 to 1994 the Jyväskylä region lost about 10,000 jobs (i.e. about 25% of its jobs) resulting in an unemployment rate in December 1994 of 23.8%. Concurrently, the popular image of Jyväskylä suffered and references to it in the national media were often quite sarcastic. However restructuring took place, aided from 1995 by access to EU Structural Funds. "Here the recession taught a lesson the hard way. It showed us once and for all that you can't get by alone. We're not sufficiently clever, big or rich for that, and we don't have the resources to manage alone. But the recession was so hard on us that we just couldn't give up. We had to do something in order to survive. And why not do and think about it together?"²

Jyväskylä's post-recession development strategy focused mainly on investing in ICT as a **potential growth sector** - ICT in a broad sense, as applied to several industrial sectors. From the mid-1990s on, Jyväskylä saw the systematic development of its ICT cluster. This approach put the emphasis on working through programmes that accumulated know how and developed networks and network management skills. This development process can be summarised in the following key elements, as identified by Linnamaa (2002):

- ▶ The implementation of a **Centre of expertise** programme (1994-8), which served as a starting point for ICT-led development. The programme was launched as part of a new programme-based regional development policy, with the aim of improving the preconditions for the establishment and development of internationally competitive entrepreneurship requiring high levels of expertise.
- ▶ **EU Objective 2** Programme 1996-2006 – at the time, Jyväskylä came under Objective 2 designation for EU

Development process of the ICT cluster in the Jyväskylä urban region and its central turning points.



Source: Reija Linnamaa, 'Development Process of the ICT Cluster in the Jyväskylä Urban Region', 2002.

Structural Funding, which aimed to revitalise areas facing structural difficulties. Within this programme Jyväskylä focused in particular on **reorientation training of IT** (Master's Programme) because ICT was seen as a **key growth sector**.

- ▶ Strengthening **educational institutions** - particularly IT-related education, through the establishment of the Faculty of Information Technology at the University of Jyväskylä in 1998, and the School of Information Technology at the Jyväskylä Polytechnic in 1999.
- ▶ In 1998 the **Nokia Research & Development** unit moved to Jyväskylä. This move was widely interpreted as a validation of the region's competitiveness as a location for quality knowledge-based entrepreneurship.
- ▶ From 1995 on, the city administration embraced a dynamic and vigorous new approach to **Strategic Planning**, emphasising the pursuit of creativity and innovation. This was achieved through a close cooperation between senior officials in land use, economy and strategic planning and through the **Jyväskylä Forum**, which started in 1995 and included people from different fields. The forum led to the creation of the city programme in 1999, which involved the regeneration of the shores of Lake Jyväsjärvi, now home to the University of Jyväskylä, Jyväskylä Science

Park and the premises of many ICT companies. A change in Jyväskylä's strategy also combined investment in business development with the development of services, education, culture and quality of living environment.

- ▶ A **Human-Centred Technology Research Centre**, Agora, was completed in 2000 on the shore of Lake Jyväsjärvi, innovatively fusing psychological expertise, which is strong in Jyväskylä, with technological expertise. This is indicative of the multi-disciplinary approach adopted to ICTs in Jyväskylä.

"Creative tension" generated by the crisis, local leadership, participation, and the use of image, Linnamaa argues, are all factors that played a crucial role in the development process. The crisis generated a need for **intensifying cooperation** between different actors in the city and between municipalities, with the mayor of that time and the vice-rector of the University of Jyväskylä playing a crucial role. Development was made possible through the **participation** of a wide group of heads of organisations, especially from the city of Jyväskylä, Jykes Ltd, Jyväskylä Science Park, the Regional Council, the University of Jyväskylä and the business sector. The promotion of a good **image** of the city supported the development process, through the use of the media, but also through the personal networks of the actors involved. As a result of its regeneration efforts, Jyväskylä now



enjoys a very positive image among Finns—being generally identified as a place with a high quality of life and as a good place to raise children. The massive unemployment rate of 24% in 1994 was also brought down progressively to a more manageable 10.2% in 2008.

Currently, Jyväskylä identifies the main challenges local development faces as:

- ▶ Raising international awareness of the central Finland area – for the purposes of attracting investment and of networking and knowledge exchange with complementary regions.
- ▶ Maintaining and increasing competitiveness.
- ▶ Developing new economic activities with future potential.

One might add to these challenges that of maintaining the type of “creative tension”³ which has allowed for a vigorous ongoing change management approach.

2. Raising the heat – strengthening existing priorities

Since the onset of the crisis, the city’s development and regeneration projects have not been delayed or downsized. On the contrary, the city has offered co-financing to several big projects dealing with innovation and employment, mainly financed through the European Structural Funds. The city has increased the volume of investment by €20 million each year in order to stimulate the economy. In 2009, Jyväskylä invested €75 million and the investment budget for 2010 and 2011 is about €75 to €80 million.

A special “Structural Change Working Group” was established in collaboration with the Ministry of Employment and Economy, with the aim of implementing measures to support the highly skilled workers who lost their

jobs. These measures involve putting experts from different fields who have been made redundant to work, or helping them to set up new businesses. In cooperation with the University of Jyväskylä, these high-skilled unemployed persons were also provided with the option of support for continuing their education, through PhD studies.

The structural change programme is already showing positive results – e.g. the 300 high skilled people made redundant by the closure of Nokia R&D have already been absorbed by other IT companies and SMEs.

What aspects of Jyväskylä’s response could be useful for other cities?

Jyväskylä’s development strategy has evolved in the context of the reorientation of Finnish innovation policy after 2000. This included a heightened focus on networking and sustainable innovation and an awareness of the value of human capital, natural capital (ecosystem etc.) and social and cultural capital. Within this context, municipal development strategies have continued to emphasise the internationalization of local SMEs and public sector co-operation with trade and industry, with the 3rd sector, and with other municipalities for both knowledge transfer and achieving economies of scale. Within Finland, the locality has come to be recognised for its ability to successfully implement this type of co-operative approach to development.

In Jyväskylä, even after the current crisis, local development policy has been consistently proactive in supporting this development path; such efforts have placed a strong emphasis on ‘soft’ development strategies, such as health, culture and citizen participation, aimed at enhancing the city’s attractiveness. In Jyväskylä, this policy mix

was sustained in the new city strategy for 2010-2013, which was adopted by the City Council in March 2010, and includes:

- ▶ Policies of citizen **well-being** and **participation**. The city works with a regular wellness report, describing the state of well-being of Jyväskylä's citizens and which guides policy. Various inclusion and participatory measures were put in place with a 'democracy balance sheet' tool.
- ▶ Improving effectiveness of **welfare** and **inclusion** policies (e.g. effective integration of immigrants).
- ▶ Maintaining and improving the **quality of basic services, education, culture, sport and recreation, as well as transport links and connectivity**.
- ▶ Establishing local **clusters of expertise**, as a strategic goal.
- ▶ **Cooperation** with regional and other municipal governments, as well as private and third sectors, e.g.:
 - A University Alliance cooperation.
 - A regional **Development Corridor**, made up of Jyväskylä, Jämsä and Äänekoski.
 - Jyväskylä **Regional Development Company** (Jykes Ltd), which directs economic development activities and sets policy focus.
- ▶ Quality and responsive **environmental** policy, with a focus on ecologically sustainable business activity.
- ▶ **Landscaping and architecture**: with signature buildings to reinforce the quality of place image. The regeneration of Lake Jyväsjärvi's shoreline, mentioned earlier, is an example of the landscaping efforts.
- ▶ Ongoing **monitoring of the business climate**, including the impact of policy on the business climate and business perceptions of Jyväskylä, as well as holistic coordination with local policy (e.g. liaising between business and urban planning policies, so as to support development) to maintain the attractiveness for business activity and the reputation as a city of entrepreneurs, with a strong entrepreneurial climate, creativity and innovation.
- ▶ Ongoing improvement of **governance**, organisational culture (in particular reshaping municipal structures and cooperation between municipalities) and **financial management** (with a guiding focus on debt avoidance, contention and elimination).

Key points from Jyväskylä's experience

Jyväskylä's anti-crisis actions essentially fit within an already existing developmental strategy, rather than being any kind of rupture or fundamentally new initiative provoked by the crisis. Some of the factors that have allowed this local development model to weather the storm of economic crisis stem from:

- ▶ An appropriate and pre-existing **strategic plan**

- ▶ Cooperation: **universities** cooperating with the private sector, third sector and government – **municipalities** cooperating with other municipalities to network and pool know how, resources and opportunities.
- ▶ Economic **diversification**, with priority given to **value added** activities.
- ▶ Strong **human resources**, education and training, backed by investment in the development of expertise.
- ▶ Complementary **social and cultural policies**, i.e. a focus on improving and maintaining quality of life, social capital and cultural vibrancy – so-called 'soft' factors – which strengthen image and make the city attractive to workers and to investment.
- ▶ **"Creative tension"** arising from a crisis, which involves and motivates people and which allows for established approaches and systems to be questioned, with a view to developing future-oriented innovation and support for change.
- ▶ **Adaptive approaches**, able to seize opportunities, make good use of timing and quickly incorporate new developments and practices – particularly by channelling them into an approach implemented through successive programmes.
- ▶ Capitalisation of **short-term successes** to maintain support for ongoing transformation.
- ▶ A European strategy focused on **networking** that achieves access to experiences of added value activity, innovation and diversification and to useful partnerships – i.e. clear articulated goals and criteria for being involved in European projects.
- ▶ The capacity of a city to find its **way out of a major crisis** by identifying and pursuing a valid and sustainable strategic development plan – subsequent crises being likely to put any such approach to the test, showing whether it was indeed the correct path or not. ■



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- ▶ All statistics are provided by the city of Jyväskylä.

(1) Source: City of Jyväskylä. The figure includes children in basic education.

(2) Linnamaa, R. (2002) Development Process of the ICT Cluster in the Jyväskylä Urban Region, city of Jyväskylä. http://www.jyvaskyla.fi/hallinto/kirjoituksia_kaupunkipolitiikasta/2002/0114.

(3) Linnamaa, R. (2002) Development Process of the ICT Cluster in the Jyväskylä Urban Region, city of Jyväskylä. http://www.jyvaskyla.fi/hallinto/kirjoituksia_kaupunkipolitiikasta/2002/0114.



MALMÖ / SWEDEN

AREA-BASED PROGRAMMES FOR COMPLETING THE RECOVERY FROM THE 1980S CRISIS



“ There is an awareness that the social division in the city is not sustainable. It is going to hamper the entire economic recovery process from the 80s crisis, of the city and the region, if we leave behind large numbers of young people of immigrant backgrounds, that are without jobs, that are failing at school, that don't see any possibilities in their lives.” Official, city of Malmö.

Summary

Malmö is a city that has undergone a major transformation in recent years. From the collapse of its heavy industries in the 1970s and 80s, the city has managed to successfully reinvest itself as a city of knowledge, and at the same time turn population decline into population growth.

However, in the process of moving forward, Malmö has left behind certain groups of residents, mostly from its large immigrant community, which make up around 30% of the city's population. Violent disturbances in the more disenfranchised parts of the city in 2009 once again accentuated the seriousness of the situation.

While the impact of the current crisis has been relatively modest in Malmö, the city is dealing with the recognition that it is already afflicted with some very serious long-term social exclusion issues. The city's response to the crisis has therefore focused on tackling these more systemic problems that are a threat to its future prosperity.

To tackle this lack of social sustainability, the city is pursuing a process of social experimentation, involving the development of four area-based programmes, which set out to put the inhabitants of four disadvantaged areas at the heart of their own social development. These programmes require a great deal of social and political consensus – from below and from above.

Conceptually, they draw on the EU Commission's Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth.

Malmö's strategy aims to link economic and environmental recovery to social recovery. This approach recognises that a breakdown in social cohesion presents a serious threat to a broader recovery, and that economic recovery without a socially sustainable recovery is not viable in the long-term.

Context

Malmö is a city with a **population** of 295,000, of which about 30% are immigrants, representing some 174 different nationalities. This population is growing – by 7,374 in 2009 (with 4,680 arrivals to the city and the rest local births), which reflects the growing prosperity of the city in recent years. However, not all the city's residents are sharing in this prosperity, with certain groups, such as with those with low levels of education, language difficulties, or drug and alcohol problems, being at particular risk of social exclusion.

Malmö's recent history is that of a city making the **transition** from old heavy industry to a new economic model. The city used to rely on engineering, shipping, textiles and car manufacturing – most of which collapsed in the 1970s and 1980s. Malmö hit its lowest point in the 1980s, when many of the city's shipyards closed down. At that point, the population fell by almost 30,000 inhabitants (-15%), and local unemployment rates rose to over 20%.

The following 20 years saw Malmö steadily restructure and redefine itself, and today Malmö describes itself as a '**city of knowledge**'. The strategy has been to replace older industries by investing in new technology and high quality training programmes. Malmö University, which opened in 1998, was a key part of this process of building a city with a knowledge centric profile¹. The university currently has over 20,000 students.

Physically, Malmö also underwent a significant makeover, with massive investment in sustainable urban development and housing. By far the most important and emblematic construction project during this period was the **Öresund Bridge** (1995-1999), which connects Sweden to continental Europe, and Malmö to Copenhagen.

The bridge has had a far-reaching impact on the region and the two cities it connects, creating entirely new urban functionalities, and changing patterns of residential development and real estate value. At present some 20,000 people use the bridge every day to

commute to Copenhagen for work. A large Danish population also now resides in Malmö, taking advantage of Copenhagen's higher wages and Malmö's lower cost of living.

Malmö has become a prime example of a **comeback city**. The economy has been modernised and transformed into a largely service-based economy, focusing on three main sectors: trade and communications (23.4%), finance and consultancy (20.6%) and healthcare (14.5%). Local businesses are mostly SMEs; only 17 of Malmö's companies have more than 500 employees, and business activity is primarily linked to regional and national markets and, to a lesser extent, the Danish (particularly Copenhagen) and German markets.

Along with this economic transformation, Malmö has also adopted an **ecologically sustainable approach** to development, which has won the city numerous prizes for its innovative and ecological initiatives.

However, the recovery process from the 1980s has not been without its flaws. The city's regeneration has not succeeded in addressing some serious **social problems** found in some areas of Malmö. Looking at indicators such as employment levels, the number of inhabitants on income support, educational attainment levels, and residential living conditions, Malmö has performed well below the national averages for some time. The various programmes deployed to tackle these problems have simply failed to produce statistically certified improvements.

Malmö's social problems are particularly linked to certain very specific **areas**, which are affected by entrenched poverty and clear social divisions. Some of the characteristics of these areas include:

- ▶ Up to 95% of the population are of **foreign backgrounds**. In particular, there are large numbers of asylum seekers in Malmö, as the city has become one of their principle ports of entry.
- ▶ **Unemployment** levels range from 45% to 80%, and up to 65% of residents live on **income support**.
- ▶ There are severely **overcrowded** housing conditions.
- ▶ Up to 60% of **children leave 9th grade** without sufficient marks to make them eligible for high school, resulting in high numbers of disaffected youths in these areas.
- ▶ **Life expectancy** is significantly lower than in other parts of the city. In the healthiest parts of the city, life expectancy is 82 to 83 years, versus 76 years in the worst areas – which also have higher rates of chronic diseases.



On the basis of current **demographic** trends, it is expected that large numbers of city residents will retire in the next 10 to 15 years. Of the city's population under the age of 20, 45% has an immigrant background. In theory, the positions left vacant by these retirees will simply be taken up by the younger members of the local population, in a sort of inter-generational relay. However, given that substantial portions of Malmö's young population are effectively excluded from education and work, such an outcome is now seen as problematic. Social exclusion in the city has, among other things, come to be recognised as a **long-term barrier to economic growth**.

The city's council's scope to deal directly with this and other issues is largely limited to its areas of **competences**, which cover: education, some elderly care, culture, museums, libraries, streets, parks and leisure, the environment and city planning. The city also owns several companies, which operate in the areas of waste, water, energy, housing, business incubation, the Malmö-Copenhagen port authority, car parking, and the Malmö Symphonic Orchestra and Opera.

As for the municipal finances, the 2009 budget was 13 billion SEK (~ €1.35 billion) coming mostly from local taxes (59%), services (19%) and from the state (21%).

How has the crisis affected Malmö?

The current economic crisis has had a relatively **modest impact** on Malmö. Damage to businesses from the crisis has been relatively light: In Q4 2008, 88 bankruptcies were registered, only five more than in Q4 2007. These mainly affected commerce and corporate services, but also publishing, transport and property companies, with construction remaining fairly strong. At the same time, 2008 saw a relative slowdown in business creation, with 19% less start-ups than 2007. However, in a survey of 765 companies in Malmö², about half said they were **not affected** by the economic downturn.

The whole approach is not born out of an immediate crisis, it is born out of long-standing permanent crisis". Official, city of Malmö.

Malmö's **unemployment rate**, which had been in decline for the previous 15 years, going from 11.2% in 1996 to 3.3% in 2008 (still higher than the equivalent regional and national rates), has gone up, but again, only modestly, increasing by about 1% in 2009, to 4.9%³.

The city's budget for 2009 and 2010 has been cut, but also by only about 1% for all services, i.e. about €16 million. State finances in Sweden are in fact amongst the most stable in the European Union.

Despite the modest impacts, Malmö is challenged by deep-rooted problems of social exclusion, which have been building up in Malmö for many years. In the spring of 2009, a series of **small-scale riots** broke out in certain areas of the city, with youths attacking the police and the fire department.

How has Malmö responded?

Malmö's response to the crisis has focused on addressing its underlying problems of social exclusion rather than being a temporary reaction to conjunctural issues.

More than using a specific tool or instrument, Malmö is taking on its social problems by adopting a fundamental shift in **policy** direction. In March 2010, the City of Malmö adopted the decision to develop the social sustainability of the city, "with the goal of all residents of Malmö being included and integrated into society and participating in its prosperity"⁴. The response is not so much a response to the direct effects of the current economic crisis, but rather stems from the structural and demographic need



for a social recovery of the city to complement the economic and environmental recovery that followed the 1980s economic crisis.

The city's new policy will be implemented through four area-based programmes for socially sustainable development, wherein all three concepts of sustainability – **environmental, economic and social** sustainability – are mutually reinforcing. The four geographical areas targeted by these programmes are:

1. Seved (district council South Inner city)
2. Holma-Kroksbäck (district council Hyllie)
3. Lindängen (district council Fosie)
4. Herrgården (district council Rosengard).

The city council believes that developing these four disadvantaged areas is the key to strengthening the city's social sustainability.

Area-based programmes implementation is part of the administrations' normal budget, and will thus be integrated into its business plans and the budget. The possibility of co-financing from the EU Structural Funds for the financial period 2010 - 2013 will also be explored.

The area-based programmes will have a duration of at least five years. This decision was based on an exchange of experiences with Copenhagen, Gothenburg and Stockholm. There was a general consensus that an area-based programme needs to continue for at least five years.

While decidedly local in approach, the programmes draw on the **Europe 2020** Strategy for Smart, Sustainable and Inclusive Growth, and also recognise that the nature of the problems being addressed are also common to other EU cities. Malmö therefore sees an opportunity to build its reputation as an EU reference point for socially sustainable urban development.

Information on the area based programmes is available on the website of the city council: www.malmo.se

What aspects of Malmö's experience could be useful for other cities?

1. Sparking off a process of social innovation.

Rather than simply throwing further money at its problems, Malmö' is trying to rethink both the problems and the solutions, following a social innovation approach. This is a multi-disciplinary approach and relies on participatory methods.

To implement the area programmes, "**Innovation Forums**" will probably be established in each of the four disadvantaged areas. These are platforms with a physical meeting place, which bring together a range of expertise to propose and debate new ideas for tackling social problems, specifically within 5 key themes:

- ▶ **Employment:** how to use the change process in the four areas to generate new jobs and new businesses;
- ▶ **Housing:** how to develop and rehabilitate residential areas;
- ▶ **Learning:** creating new concepts of learning that link schools with students, their families and networks, and the surrounding community;
- ▶ **Safety:** how to combine physical and social measures to increase safety;
- ▶ **Participation:** finding ways of developing and implementing change 'with' the citizens and stakeholders concerned, rather than 'to' them or 'for' them.

2. An experimental process of trial and error

The area programmes are an **experimental process of trial and error** and are specifically designed to start on a small scale and develop quickly. They aim to generate:

- ▶ Prototypes of new solutions, or a
- ▶ Combination of new and old solutions, or a
- ▶ Revival of old solutions that have been forgotten or not developed.

In some cases, the programmes build on **past experiences** that have delivered in unexpected ways. For instance, Malmö has experience of environmental projects – water treatment, waste management, urban gardening etc. – which turned out to also produce collateral benefits in terms of social cohesion, by improving the status of those areas, reducing the turnover of inhabitants (i.e. because people were less motivated to leave) and increasing employment levels.

“In a way it is about failing faster. It is much better to fail after just a few months and then redo it and find something that works, than putting something big in place and realize after 3 years that it was a failure”. Official, city of Malmö.

Thus the area-based programmes try to build on such good examples, while nonetheless maintaining a sharp awareness of the fact that much of what has previously been tried has been unsuccessful.

In addition to having an experimental nature, the programmes rely on a **participatory** approach. In terms of background, Malmö has experience in creating tools for a participatory process in projects concerning environmental sustainability, and now hopes to transfer these skills into the social field. The supposition behind adopting a participatory approach is that, to be sustainable, the area-based programmes have to work with and respond to the real needs and concerns of the people and the private companies' concerned – in particular housing companies, third sector organizations and public authorities.

Hence the rationale for not focusing on the entire city. By dealing with **smaller areas**, the programmes are better able to put into practice a real bottom-up and participatory process. If a very local solution is then found to be a sustainable one, the programme starts looking at how it could be made to work somewhere else.

3. Integrating hard and soft investments

Area-based programmes link both **“hard”** and **“soft”** investments, whereby a “skeleton” of investment in the physical environment and infrastructure creates a stable

and visible framework for changes in each area. These, in some cases of high profile investments, are supported and enhanced by investment in human skills and capabilities⁵. Mechanisms for generating and debating new ideas – Innovation Forums – are set up to provide the area programmes with proposals.

Key points from Malmö's experience

Malmö offers an example of:

- ▶ A city understanding the danger posed to its economic and environmental models by an unsustainable social model.
- ▶ The potential for a city to learn from past failures and to usefully acknowledge them.
- ▶ The process of transferring successful approaches and tools from one policy area to another, e.g. the transfer of participatory tools from environmental programmes to social ones.
- ▶ A city with the courage to take risks with a new and experimental approach (in part justified by a recognition of the failure of past efforts).
- ▶ A participatory approach – with those targeted by the programmes, as well as the key stakeholders, being involved in designing the programmes.
- ▶ An international perspective, whereby an administration takes advantage of its social policy as an opportunity for place promotion and branding itself as a socially innovative city. ■

Area-based programmes link both “hard” and “soft” investments

“Hard” investments include:

- ▶ New housing or renovation of housing
- ▶ New computer train station in Rosengård
- ▶ A new public bath that might be designed as a hamam
- ▶ Lighting
- ▶ Parks
- ▶ New tramway systems that connects the western and the eastern parts of town is being studied

The “soft” elements seek to connect the visible physical infrastructure to the social fabric in the neighbourhood, through building:

- ▶ Capacities
- ▶ Knowledge
- ▶ Networking and interaction, through enhanced cooperation between the technical administrations and district administrations and by involving residents in the affected areas as well as property owners, entrepreneurs and others in the change process.



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- ▶ All statistics are provided by the city of Malmö, unless otherwise indicated.

(1) City of Malmö: <http://www.Malmo.se/english>

(2) Malmö Snapshot, status report April 2009. City of Malmö

(3) Employment service, city of Malmö

(4) *Områdesprogram för ett socialt hållbart Herrgården*, August 2010. City of Malmö (Area-based programme for a socially sustainable Herrgården)

(5) *Områdesprogram för ett socialt hållbart Herrgården*, August 2010. City of Malmö (Area-based programme for a socially sustainable Herrgården).

NEWCASTLE / UNITED KINGDOM

AN INTEGRATED RECOVERY PACKAGE FOR ALL PARTS OF THE LOCAL ECONOMY



Summary

A little over one hundred years ago, Newcastle was considered to be one of the innovation powerhouses of the industrial age. Since then it has suffered successive waves of economic restructuring, which decimated its manufacturing base and scarred entire generations and neighborhoods with unemployment. However, in the 1990s Newcastle, along with some other traditional UK industrial cities, experienced what has been called an “urban renaissance” and has reinvented itself as a “service city”, which is increasingly looking towards science and the knowledge economy.

In this context, its ten-point response to the crisis combines a series of emergency measures to protect businesses and residents from the worst ravages of the recession while at the same time positioning itself for building both the activities and jobs that it predicts will have emerged by 2030. Of particular interest is the way Newcastle has linked economic, employment and “place-making” measures to shift the city towards a low carbon economy based on science, health, and creativity.

Context

Newcastle is the administrative capital of the North East region of England (2.5 million inhabitants), located next to the Scottish Border. Newcastle itself has a population of around 200,000 and, together with its direct

neighbour, Gateshead (around 200,000 inhabitants), it forms the economic heart of the Newcastle City Region¹. This city-region is made up of five municipalities around the Tyne and Wear Valley, with a population of approximately 1.65 million people. Since 1981, the population of Newcastle and Gateshead has declined by 7.3%, although it started to make a modest recovery after the year 2000, mainly as a result of the growing student population and an influx of migrants².

The economy of the city-region was originally built on the inter-related industries of port activities, shipbuilding, coal mining and exporting, heavy engineering and chemicals. All these sectors underwent a massive restructuring in the second half of the twentieth century, with approximately 100 coalmines closing in the North East between 1950 and 1970³. The long term decline of these interrelated industries put the region in a very weak position during the recessions of the early 1980s and 1990s, when unemployment rates rose to double figures for many years – far higher than during the present recession.

One of the responses over this period was to try to encourage foreign direct investment, but many of the firms that arrived were the branch plants of large multinationals attracted primarily by government grants and relatively cheap labour. Many abandoned the area in the search of more subsidies and even cheaper

Newcastle has made huge advances over the last 20 years and now finds itself in a considerably stronger position for facing the current crisis than it might have been in the past.

labour in the 1990s. Over the entire period, Newcastle lost a high proportion of its traditional skill base and the city still faces the challenge of restoring its stock of talented human capital and re-growing its indigenous base of innovative local firms. Just before the current recession, the Newcastle region still scored unfavorably compared to the UK average on a number of key indicators, such as productivity, employment growth, the percentage of higher educated workers, R+D expenditure and business, startups⁴.

Yet despite these continuing weaknesses, Newcastle has made huge advances over the last 20 years and now finds itself in a considerably stronger position for facing the current crisis than it might have been in the past. These achievements and “assets” were identified in the OECD Territorial Review of 2006 and form the basis both of the NewcastleGatesheads longer term strategy for 2030 and many of the measures in the response to the current crisis. They are:

► **The development of a competitive knowledge base.**

There are four universities within the Newcastle city-region, two of which (Newcastle and Durham) are ranked very highly in terms of research and teaching. Public-led investment has led to research strengths in fields like ageing and health at Newcastle University's Institute for Ageing and Health; in stem cell and regenerative medicine at the International Centre for Life; and in energy and the environment, which will be the scientific focus of the Science Central site, a 24-acre development in the heart of Newcastle city centre (the main focus of the URBACT project REDIS).

► **Rich natural and cultural amenities and a high quality of life.**

According to an interview carried out for the Work Foundation, Newcastle has “all the assets and attractions of a significant urban area but all the advantages of easy access to astonishing natural assets, national parks, coastlines, world heritage sights”⁵. The OECD argues that these assets can provide a base for a variety of tourism, retail and other activities which can provide “entry level” jobs for less skilled people who cannot access opportunities in higher technology sectors.

► **Relatively good levels of both internal and external connectivity.**

The OECD also finds that that “transport connections (air, rail, road and sea) and the good availability of broadband telecommunications mean that these factors are not impediments to growth”. The challenge is to ensure that Newcastle evolves into a more sustainable “compact” city, with an economically and socially vibrant centre, that is well integrated with future national and international networks.

How has the crisis affected Newcastle?

The recession really hit the headlines in the city when Northern Rock became the first UK Bank to face liquidity problems and require assistance from the Government, potentially putting all 1,500 jobs in its Newcastle headquarters at risk. In practice, the bank has continued to operate and, although the workforce was reduced, most ex-employees found alternative employment. Since then, a series of other service firms (Newcastle Building Society, Sage) and major manufacturing companies (Nissan, Findus) have also cut jobs, hours or wages. The main sectors affected have been manufacturing and construction as well as financial services.

In the two years up to April 2010, unemployment in the city rose by more than 50%, from 3.3% to 5.2%, leading to an extra 3512 people claiming benefits. Low skilled workers and people on part-time and fixed-term contracts have suffered most, with these kinds of job losses being heavily concentrated in the most deprived areas. However, there have also been significant job losses among professional workers. In contrast to other cities, older workers have been more affected than the young. These numbers are not expected to fall significantly in the short term.

Reflecting the pressure on household finances, the Council's Welfare Rights Service saw a 29% increase in its case load in the first part of 2009. Property prices, planning applications and house completions all fell significantly in 2009. The Council estimates that income from capital receipts will be reduced by around £20 million over the next 3 years.

Despite these figures, the City's update on the response to the economic downturn (April 2010) is cautiously optimistic. In line with the rest of the UK economy, the Chamber of Commerce's business barometer showed that sales improved markedly for local firms in the last quarter of 2009 and that orders were far stronger for the first part of 2010. Moreover, the increase in unemployment has been similar to that in the UK as a whole but less than in any other “core” UK city. It is now lower than that in many other major UK cities (Birmingham, Liverpool, Nottingham or Manchester) and considerably less than in many other European cities (Spain, Portugal, Ireland, Greece, etc).

However, at the time of writing this case study another cloud was darkening on the horizon. The UK is one of the most centralized countries in Europe and around 75% of local authority finance comes from central government. We have seen that economic development and regeneration in Newcastle have been driven by the public sector, which represents around 38% of jobs in the city. After the budget presented by the new Government in June 2010, central government finance for local government is predicted to fall by between 25% and 33%⁶. So it remains to be seen how this rapidly evolving situation will affect the strategies below.



How has Newcastle responded?

In June 2009, Newcastle City Council produced a ten-point “response to the economic downturn”. It says that “despite the economic downturn, the Council remains committed to a strategy that will see further growth and prosperity in the city” and with this aim, Newcastle’s response contains a mixture of short-term and long-term actions “to improve the economy, reduce the social consequences of the economic downturn and to boost housing and regeneration”⁷.

In April 2010, Newcastle produced an update on the response, reviewing progress on all ten measures. This work was recognized by the UK Audit Commission, with Newcastle as one of the only two areas to be awarded a “green flag” for its work on the recession⁸.

To complete the picture, in January 2010, between the first draft of the response and the last update, the newly formed joint city development company, 1NG, published the NewcastleGateshead 1 Plan⁹- the first joint economic and spatial blue print of what the two cities could become in the next twenty years in the context of the broader city region. This document, which spells out 4 key priorities (big moves) and 10 key steps, provides

the rationale and further detail on how some of the more long-term measures in the recovery package could be implemented in the future.

Several points stand out in Newcastle’s recovery plan: **Firstly**, the plan involves an increase in expenditure¹⁰ despite a very difficult financial situation. As has been mentioned, the Council expects a reduced income from capital receipts of around £20 million over the next three years. On top of this, it is keeping council tax rises below the rate of inflation (1.5% in 2010/11) and the increase in central government grants was the second lowest in the UK (1.75% in 2009/10)¹¹. As a result, the margin for manoeuvre for extra spending has come from increased borrowing to cover most of the actions to support the economy (Action1), maintain capital expenditure (A.2) and keep the momentum of regeneration schemes (A.10).

In addition, the city is undertaking a major corporate transformation programme designed to deliver net savings of €150 million over the next five years. This is allowing certain services to be maintained. The question now is how long this can continue in the face of future cuts.



Secondly, in quantitative terms, the largest items of new expenditure are on capital investment on the three measures mentioned above (A1, A2 and A10). All three measures have both long-term and short-term effects on local businesses and employment. We will see in the next section, that Newcastle is exploring very interesting methods of reconciling short-term pressures with long-term needs with these actions.

Thirdly, actions 3 and 4 (Help to small businesses and improved access to procurement) are aimed primarily at easing the immediate shortfall faced by local business in terms of credit and markets, as well as providing advice. Although smaller there are also some aspects of these actions which could be interesting to other cities.

NEWCASTLE'S TEN- POINT RECOVERY PLAN

(see appendix for more detail)

1. Maintaining confidence in the economy, and planning for future growth.
2. Large, and increased, capital expenditure programme.
3. Help to small businesses, including rapid payment of invoices.
4. Improved access to procurement contracts.
5. Targeted support to those made redundant, and minimising the social consequences of the downturn.
6. Increased access to employment opportunities at Newcastle City Council.
7. Increased provision of debt and housing advice.
8. Benefits-awareness campaigns for both individuals and companies.
9. Maintaining low council tax.
10. Keeping momentum in regeneration schemes.

Fourthly, actions 5 and 6 are primarily aimed at the labour market, where the Newcastle Gateshead 1 Plan also has some interesting long-term approaches.

Finally, action 8 (Increased provision of debt and housing advice) tries to soften some of the worst social impacts of the crisis by promoting the take up of certain rights and providing more resources for integrated advice services. We will not deal with these measures as they do not involve the same level of structural change as the previous ones.

What aspects of Newcastle's response could be useful for other cities?

1. How to maintain "confidence in the economy and plan for future growth" (via capital expenditure and regeneration)

One of the most interesting aspects of the long-term strategic vision contained in NewcastleGateshead 1 Plan is the way in which it combines spatial planning and regeneration with the promotion of a more sustainable urban economy. The OECD Territorial Review recommended that the city region should "reinvent its specialization" based on a "greater utilization of the regions assets: its universities and its natural and cultural assets". This is taken up in the regional plan in the form of a series of measures to promote clusters of high productivity sectors based around the regions existing strengths.

However, rather than just following a standard list of cluster support measures, with no regards to their spatial consequences, the plan's economic measures form an integral part of a spatial vision for creating a more sustainable compact city-region with a vibrant centre. This is done through the promotion of a network (an arc) of knowledge hubs in the centre of the city: "places where the key industries of the future will co-locate and grow, and where teaching, research, specialist services and businesses of all sizes will come together". Key sites include: Science central (low carbon and sustainable industries); Northern Design Centre (Digital Media); the Campus for Ageing and Vitality (ageing and health); the International Centre for Life (stem cells and regenerative medicine).

In this context, action 1 of the Recovery Plan (planning for future growth), action 2 (Capital expenditure) and action 10 (Keeping momentum in regeneration) have a number of features of interest for other cities.

► Firstly, there is a clear commitment in the Recovery Plan to prioritize those regeneration projects which will have a strategic influence on the city-region's

long-term future. This includes £5 million for the first phase of the Science City (brewery) site and the securing of £14.1 million of Single Programme funding for economic regeneration projects, such as the creation of a cluster of environmental technology industries along the North Bank of the Tyne.

► Secondly, and in parallel, the Council is exploring a range of investment and financial engineering tools which will increase its ability to maintain its £260 million investment programme (2009/10) in the face of severe funding restrictions. For example, as one of the major stakeholders in the “Science City partnership”, the Council is bidding for the site to become part of an Accelerated Development Zone pilot for tax incremental funding. This financial tool, which is new in the UK, would allow municipalities to borrow money to purchase sites on the basis of estimated future tax revenues.

A double barreled approach, which combines “specialisation on certain high productivity knowledge-based firms, balanced by support for a more diversified group of jobs rich industries”.

An investment fund of £25 million has also been agreed in principle for the Council for the purchase of further strategic sites.

The Council is also continuing to discuss with lenders opportunities to expand affordable mortgage finance to residents and is exploring options for “rent now buy later” homes that would allow houses to be built immediately and rented out until the housing market picks up and the occupier can afford a mortgage.

► Thirdly, the Council is taking advantage of lower interest rates and lower property prices to invest in strategic opportunities. The main example is the purchase of the Northern Rock Tower with a £21 million loan. The building is now fully let. One of the major occupiers is EAGA, the UK’s leading provider of residential energy efficiency solutions. The project as a whole is expected to retain 2,000 jobs in Newcastle including 500 new jobs in EAGAs expansion activities. The Council has also agreed in principle to create a new company with EAGA that would bid for work from other public sector organisations.

In general, the Council invests in site remediation, preparation and infrastructure so that sites are ready when the upturn comes. It is also negotiating with developers on a case by case basis and exploring ways of maintaining the level of investment by, for example, accepting lower levels of cash receipts in the early years, reviewing the tenure balance of specific sites to front load schemes with an accepted level of social rented housing which can draw down further grants and so on.

2. How to ensure that businesses emerge in a “winning¹²” position after the crisis?

There seems to be a general consensus that one of the main blockages faced by the Newcastle city region lies not so much in the supply of high quality (mainly publicly funded) research but in the “absorptive capacity” of its local firms (this is the main issue dealt with by the RUN UP URBACT network). The NewcastleGateshead 1 Plan recommends dealing with this problem head-on by focusing attention on a cohort of up to 200 key private sector firms, identified on the basis of export orientation, growth potential and ownership (mostly the larger firms but also micro businesses and SMEs).

The aim is to ensure that the different agencies and departments concerned with economic development work in partnership with this group of firms to design programmes for “workforce skills, productivity, innovation, design, the low carbon economy and internationalization”¹³. This closer partnership with key local businesses could, therefore, become the basis for business support as well as a more proactive approach to training and skills.

The Plan proposes a double barreled approach, which combines “specialisation on certain high productivity knowledge-based firms, balanced by support for a more diversified group of jobs rich industries”. They argue that “specialisation drives wealth creation and builds sustainable competitive advantage; diversity makes cities more resilient and less vulnerable to economic shocks.”¹⁴ One lesson from the previous boom seems to be that - simply waiting for growth to “trickle down” from high growth sectors to the rest of the economy - is not enough.

In this context, Newcastle’s recovery package contains an interesting range of measures to alleviate the worst impacts of the recession on businesses.

Action 3 on Help to Business in the Recovery Plan contains three main measures:

► The launching of a £3.6 million enterprise, support package to supplement the work of the existing business support provider, Business link. From the second half of 2009 until the end of 2010, the new

programme will raise the awareness of entrepreneurship, increase business start-ups and generally provide help to normal and social economy businesses.

- ▶ Newcastle Council has also commissioned Business and Enterprise NorthEast to run a loan fund to provide access to finance for viable businesses which have not been able to obtain credit from banks.
- ▶ Finally, the Council is trying to reduce the liquidity problems of SMEs by reducing the delay in paying invoices to 10 days.

Action 4 on Improved Access to Public Sector Contracts also contains a range of measures to ensure that local SMEs can compete on an equal basis for public sector work as other companies. These include wider publicity (Internet portal), the production of a guide, requiring

“It is not just enough to invest in the supply of skills. Employers also need to address the organisation of their workplaces so that they better harness the skills of their workers and create more sustainable employment opportunities in the future.”

at least one local tender, more streamlined procedures and documentation, breaking down the size of contracts and regional procurement events.

These measures can help local firms to access new markets and find alternative sources of credit but it would also help if these emergency measures were better integrated with the longer term goals of working with firms to put them in a more robust position in the future.

3. How to move from a low skilled to a high skilled equilibrium?

In a recent report, the OECD argued that, before the recession, “while strong job growth helped economies to prosper, this disguised an inherent problem in the large-scale creation of weakly productive jobs... providing relatively low salaries which created a section of society which could be classed as the working poor.” During the recovery, they recommend that “it is not just enough to invest in the supply of skills. Employers also need to address the organisation of their workplaces so that they better harness the skills of their workers and create more sustainable employment opportunities in the future”¹⁵

As before, the NewcastleGateshead 1 Plan addresses this challenge directly by posing the question of whether the city finds itself in a “low skilled equilibrium” where

the majority of employers compete on the basis of lower cost, less skilled workers and where there is little point in upgrading skills because there is not sufficient demand for them. Their answer is that there is indeed an above average proportion of routine and elementary occupations, adding that, “Tyneside as a whole has some of the most acute income disparities of any UK city and the recession is having a disproportionate impact on unskilled and manual workers”. As we have seen 3,500 more people have become employed in Newcastle city since the start of the recession.

However, they add that just before the onset of the crisis there was unfilled demand for labour in managerial, professional, sales and customer services and health care occupations. The local labour market and education system were not able to supply, attract or retain these skills in sufficient numbers.

The NewcastleGateshead 1 Plan proposes a series of long-term measures to deal with both ends of the labour market. They argue that “the growth of the knowledge economy will create jobs for a new generation of technicians and skilled workers, and by attracting visitors and boosting the income base we will stimulate tourism and other sectors which will provide valuable entry level jobs.” Of course, one of the central challenges facing cities in future years will be whether “entry” means for life, or whether, in reality, there is some progression between the two types of job. URBACT’s REDIS network is exploring how the knowledge economy can be socially as well as physically integrated into the city.

Two complementary actions stand out in the strategic plan:

Firstly, they propose to treat workforce development as an integral part of each of the “top 200” company’s plans for innovation and internationalization, and on this basis, they will encourage better links between firms, schools and colleges. Secondly, they will form a “LOAN” (linking opportunity and need) response team which will design and deliver recruitment and training schemes linked to major regeneration projects. On the supply side of labour, they propose an intense package of work with schools to reduce the numbers leaving with no qualifications, comprehensive “wrap-around” employability support to ease the transition from school to work, and actions with universities and colleges to both attract and retain high quality students.

Turning to Newcastle’s recovery package itself, action 3 provides “targeted support to those made redundant” with the aim of “minimizing the social consequences of the downturn”.

There are four main actions on the supply side:

- ▶ The creation of three new Resource Centres that work with the Employment Service (Job Centre Plus)



and other key agencies such as the Primary Care Trust, Universities and Newcastle College to provide additional support to residents made redundant in the downturn. Support includes job search techniques, skills assessment, debt advice, access to other services and mental health advices. In the first three quarters of operations these centres saw 510 clients of which over a fifth found work and a further 18% entered training or volunteering.

- ▶ City participation in public sector “Response Groups” to coordinate public sector support where there are major redundancies.
- ▶ Continued intensive support for those furthest from the labour market by Newcastle Futures.

There are also several actions to provide a temporary boost to the demand for labour:

- ▶ In partnership with other public sector agencies, the “Future Jobs Programme” makes 6 month subsidized jobs available for young people and those excluded from the labour market by the recession. Newcastle Council itself will create 450 placements by March 2011.
- ▶ The Council has signed a Local Employment Partnership with Job Centre Plus for improving access to its own 17,000 jobs (pre-interview upskilling + a guaranteed

job interview + feed back if unsuccessful and post recruitment training and support if successful). The Council has also increased the size of its own apprenticeship programme. (These last measures fall under action 6 for increasing access to employment opportunities at Newcastle City Council).

Key points from Newcastle’s experience.

- ▶ The prioritization of long-term investments which combine strategic economic development goals with forward looking “place making”
- ▶ The use of innovative financial tools and procedures for increasing the margin for manoeuvre for dealing with the recession
- ▶ Taking advantage of low property prices and interest rates to position the city for a more sustainable recovery
- ▶ Close cooperation between the municipality and key local firms to ensure that innovation, business and labour market policies are based on real business needs and potential
- ▶ A multifaceted strategy towards the labour market with actions directed at both supply and demand and both high tech and “entry level” jobs.
- ▶ The use of resource centres and “response teams” for coordinating public responses to crises and linking problems to opportunities. ■

(1) The OECD carried out a Territorial Review in 2006 which defined the Newcastle City Region as comprising the municipalities Newcastle itself, Gateshead, North Tyneside, South Tyneside and Sunderland. The governance complexity of such an intertwined built up area often makes it difficult to compare data and plans as they often refer to different or overlapping spatial scales. In this case study we will refer to Newcastle City’s recovery plan - which takes place within the framework of the strategic plan for both Newcastle and Gateshead - which itself is based on the OECD’s Territorial Review for the entire city-region.

(2) NewcastleGateshead 1 Plan. January 2010. The proportion of ethnic minorities in Newcastle is around average and is not mentioned as a significant factor in any of the official documents.

(3) See Ideopolis: Knowledge City Region. Newcastle Case Study and <http://dev2.theworkfoundation.com/research/publications/publicationdetail.aspx?ItemId=159&parentPageID=102&PubType=>

(4) OECD Territorial Review. Newcastle in the North East United Kingdom. 2006.

(5) Interview quoted from Ideapolis Knowledge City Region. Newcastle Case Study. Work Foundation

(6) Institute of Fiscal Studies. 23rd June 2010.

(7) Newcastle’s Response to the Economic Downturn. June 2009

(8) Update on the Economic Downturn Response. Newcastle. April 2010

(9) NewcastleGateshead 1 Plan. January 2010

(10) Before the budget presented by the new Government, Newcastle’s estimated net revenue budget for 2010 was of just over £270 million - up 1.5% on 2009/10 while estimate capital expenditure was expected to be £265 million - down from nearly £300 million (11% less) according to the Report of the Chief Executive. It has not been possible to obtain an overall estimate of the net increase in expenditure and investment due to the recovery package.

(11) Recession and Recovery. UK City Case Studies. Impacts and Responses. Katy Morris. Work Foundation. July 2009. See also “Recession and recovery. How cities can respond and drive the recovery. Neil Lee, Katy Morris and Alexandra Jones. Work Foundation.

(12) “Business Winning” is one of the ten key steps in NewcastleGateshead 1 Plan.

(13) The “Top 200” form a central component of key steps 2, 3 5 and 6 of the NewcastleGateshead 1 Plan.

(14) NewcastleGateshead 1 Plan. P26.

(15) Putting in place Jobs which last. OECD 2009

Appendix: Key Actions in Newcastle's response to the crisis

Measure	Main elements
1. Maintaining confidence in the economy, and planning for future growth	<p>Purchase of Northern Rock Tower (ex HQ) Let to EAGA Residential Energy Solutions Joint venture with EAGA 2,000 jobs retained 25m fund for purchase of more strategic sites £14.1 million Single Programme Funding for regeneration projects including cluster of environmental technology projects on N Bank of Tyne £28 million (SPF) invested in 1st phase Science City Adult service work on transforming social care mainly for the elderly Pool of energy efficient cars</p>
2. Large, and increased, capital expenditure programme	<p>Maintain £260 million capital programme 2009-10 Extra £21m spending next 3 years from borrowing Provision for financing further £8.3 million in 2010/11 + 250 jobs expected</p>
3. Help to small businesses, including rapid payment of invoices	<p>Reduction of time for paying invoices to SMEs to 10 days £3.6 million enterprise support package Business and Enterprise North East to provide loan fund for small businesses rejected by banks</p>
4. Improved access to procurement contracts	<p>Portal, breaking down contracts, local quotes, guide</p>
5. Targeted support to those made redundant, and minimising the social consequences of the downturn	<p>3 new resource centres for people made redundant Newcastle's Futures Partnerships to provide support for 5,000 LT unemployed over 2 yrs. About half back to work Adult Learning Centre Courses Use Future Jobs Programme to create 450 placements by March 2011 Newcastle futures supports 1163 people furthest from LM Public sector response groups in case of redundancies.</p>
6. Increased access to employment opportunities at Newcastle City Council	<p>Partnership with Jobs Centre Plus for better access to council jobs Increase in apprenticeships from 57 to 123 Supported Employment Strategy for ill or disabled.</p>
7. Increased provision of debt and housing advice	<p>All clients at risk of homelessness to see expert debt management advisor within 3 days Protocol and training to find alternatives to evictions</p>
8. Benefits-awareness campaigns for both individuals and companies	<p>Campaigns to increase take up by businesses, residents, children's services, etc</p>
9. Maintaining low council tax	<p>Council tax rises kept to 2.8% through efficiency savings Project for creating Accelerated Development Zones allowing council borrowing on basis of future rates.</p>
10. Keeping momentum in regeneration schemes	<p>Front loading schemes with social housing to draw down grant Deferring capital receipts from developers Working with lenders to increase affordable mortgages Specialist housing for homeless Rent now buy later options Investing in site preparation ready for upturn</p>

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ROTTERDAM / THE NETHERLANDS

A PREVENTIVE APPROACH TO YOUTH UNEMPLOYMENT



“If we do not invest in youth right now, we will have problems in the future.” Official, City of Rotterdam.

Summary

This is a case study specifically on the preventive approach the city of Rotterdam is taking against youth unemployment. In 2009, as a response to the economic crisis, the city of Rotterdam developed a highly integrated local recovery package.

This package aims to address short-term problems, particularly through bringing forward investment in projects that help to sustain or boost employment, but also to reorient Rotterdam’s economy and labour market towards sectors with the greatest potential for future growth.

With a very young population, a key concern for Rotterdam is to avoid high levels of youth unemployment, leading to a possible “lost generation”.

With a very young population, a key concern for Rotterdam is to avoid high levels of youth unemployment, leading to a possible “lost generation”. A priority of the recovery package is, therefore, to raise education levels and employment prospects among young people by keeping them in school for longer and by supporting them in the transition to employment. Rotterdam’s actions in this area are being developed within the framework of regional and national action plans on preventing youth unemployment.

The city’s approach is to build on existing policies and programmes, taking existing successful projects further and improving cooperation between employers, educational institutions, employment services, social services and the youths themselves. Likewise, the approach has involved building up cooperation with other municipalities and with the Rijnmond region.

Youth unemployment is a fundamental concern in most European cities, given that this group has been the hardest hit by the economic crisis throughout Europe, and Rotterdam’s Plan addresses precisely this problem.

Context

Rotterdam, which is part of the so-called Randstad area, the economic centre of the Netherlands, is the second largest city in the Netherlands, with over 580,000 inhabitants¹, and a globally important hub for international trade. The city is home to the largest port in Europe (third largest in the world), known as Europoort (gateway to Europe), which is the key economic driver of Rotterdam's economy. More than 400 million tonnes of goods from all over the world enter the port every year, before they are further processed and transported throughout European. The city's economy is, therefore, based largely on business services and trade. While the city itself is a major economic motor, nonetheless segments of the local population have, in comparison with national Dutch averages, low levels of education and high levels of unemployment.

Rotterdam's **labour market** is characterised by:

- ▶ A labour force with large numbers of people with low levels of education;
- ▶ Lower levels of education within the immigrant labour force than among the native working population;
- ▶ A lower proportion of highly educated persons than found in other major Dutch cities;
- ▶ An unemployment rate above the national average;
- ▶ High levels of youth unemployment.

Rotterdam's economic policy for promoting employment and economic development² focuses on **three clusters**:

- ▶ A port-industrial complex (around 65,000 jobs)
- ▶ The medical and care sectors (around 32,000 jobs)
- ▶ The creative sector (around 12,500 jobs)

Dutch municipalities such as Rotterdam are responsible for a wide range of policy sectors, notably economic development, local planning, education, social affairs, health care, the environment, housing, public transport and roads.

The central government establishes the general framework, rules and norms that local authorities must follow, monitors most policy implementation and controls the funding for most policy areas.

Municipalities have little room for manoeuvre to collect local taxes. The central government collects the bulk of taxes (income tax, taxes on property, taxes on goods and services, etc.) and redistributes tax revenues to local government (OECD, 2007: 159-60)³.

How has the crisis affected Rotterdam?

The economic crisis had a significant impact on the Dutch economy, which shrank 4% between the 4th quarter of 2008 and the 1st quarter of 2009. The 2008 budget surplus of nearly 1% of GDP turned into a deficit of 4.8%

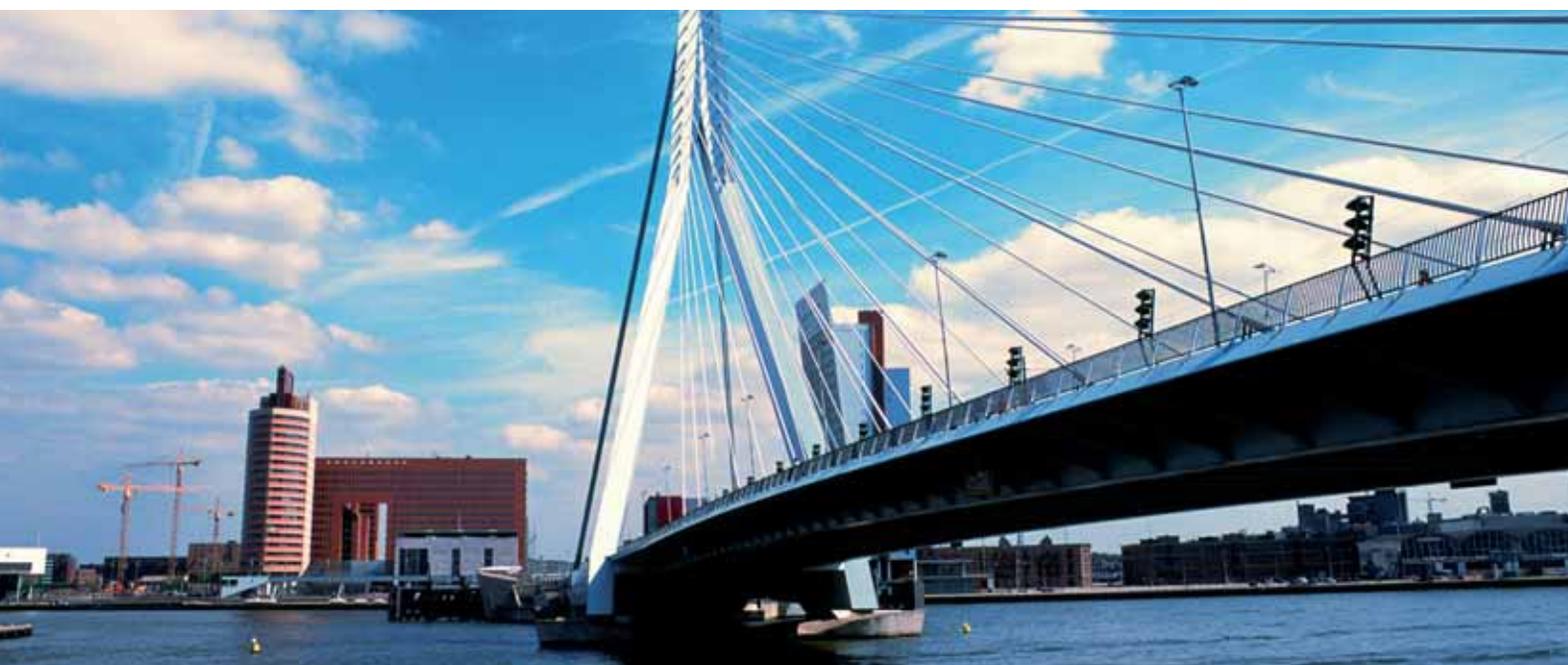


Youth unemployment in the Netherlands has been rising disproportionately since the onset of the crisis.

of GDP in 2009 and was projected to exceed 6% of GDP in 2010. However, the situation in general in the Netherlands has been less bleak than elsewhere. The economy had performed well in the preceding years and the public finances were relatively strong. In addition, the mortgage market was not as vulnerable as in the US or some other EU countries.

In terms of unemployment, the Netherlands compares favourably to its European partners, standing at 3.9% in the 4th quarter of 2009, well below the EU27 average, which already stood at 8.9% in the 2nd quarter of 2009. Of particular note, youth unemployment in the Netherlands is the lowest in Europe, at 7.8% by the end of 2009 (Eurostat). In comparison, the average rate for the EU27 was 18.4 % in the 1st quarter of 2009, with the highest rate registered in Spain (33.6%)⁴.

However, as in the rest of Europe, youth unemployment in the Netherlands has been rising disproportionately since the onset of the crisis, jumping by 48% in 2009. A growing concern is that young people will be unemployed for a longer period and that a 'lost generation' will surface, with lasting social and economic consequences⁵.



This is a particular concern in Rotterdam, with its very high proportion of young people. Youth unemployment in the city is high, having increased by 18% between March 2009 and March 2010, compared to general unemployment rates, which increased by 3.1% in the same period. Lower skilled youths were particularly hard hit⁶, as were those on flexible contracts. Indeed, the greater Rijnmond region has a high proportion of poorly educated young people, lacking basic qualifications, who are particularly vulnerable in terms of access to the labour market.

In terms of moving forward, Rotterdam has identified its major employment challenge: to ensure a better match between labour supply and demand. The city hopes to achieve by increasing basic levels of qualifications and through retraining for emerging sectors.

How has Rotterdam responded?

Nationally, the government has been spending nearly €6 billion on revitalising the economy throughout 2010, with local authorities providing a further €1.5 billion

through their own stimulus plans. The goal is essentially to both mitigate the crisis impacts and to enable the country to exit the crisis competitively, with a focus on sustainable and ‘smart’ economic activity. In 2011, however, the focus will shift from stimulus to restraint, with the government expected to cut spending by €1.8 billion⁸.

Rotterdam is one of a number of European cities to develop its own local recovery package, “**Rotterdam Offers Perspective**”⁹. This plan includes a range of different measures (see Table 1) and is designed to be implemented in partnership with other public and private sector organisations to ensure an integrated development approach. Overall, it seeks to mobilise a budget of around €323 million, mostly through the reallocation of funds, rather than additional borrowing.

The immediate priority of the plan is to stabilise the employment situation by bringing forward public investment, particularly in infrastructure and construction, but also in other innovative and “green economy” projects that contribute to sustaining or creating jobs.

Looking to the longer term, the plan also seeks to position Rotterdam to benefit from the upturn, by targeting sectors with real growth potential and exploiting specific local assets and resources. One such resource is Rotterdam’s very young population. A key objective of the plan is, therefore, to avert major youth unemployment that could threaten future economic prospects. Specific actions are aimed at encouraging young people to stay in education as long as possible and providing a support framework that facilitates their transition to suitable employment.

Table 1. The six measures of the “Rotterdam Offers Perspective” recovery plan

1. Active intervention for work, to quickly get people back into employment in other companies or in other sectors;
2. A future-oriented training and education programme;
3. Boosting Rotterdam’s economy;
4. Support for the construction sector;
5. Acceleration of investment in infrastructure and municipal property;
6. Prevention of poverty and debt problems.



Rotterdam's response to youth unemployment is particularly relevant to other EU cities facing similar problems and is, therefore, the main focus of the following sections.

What aspects of Rotterdam's response could be useful for other cities?

1. National-regional-city cooperation to tackle youth unemployment.

Rotterdam's response to the crisis, and more specifically to youth unemployment, is particularly interesting in terms of the way it uses and adapts both national and regional plans to the local context.

In 2009, in response to the economic crisis, the Dutch government launched a Youth Unemployment Action Plan, with the aim of addressing long-term social and economic problems that can result from extended unemployment among young people. This provides a framework for translating long-term goals established nationally into concrete actions at regional level. As for municipalities, to access the funds made available by the national government, they must be able to present their own local youth action plans, taking account of the national and regional plans.

A budget of €250 million from national government has been earmarked for the implementation of the national action plan in the years 2009, 2010 and 2011.

The plan consists of **5 programme lines**:

- ▶ **Matching labour supply and demand:** better matching labour market demands to labour supply by developing skills and qualifications and better using data on employment trends;

Rotterdam is currently developing a Youth Action Plan, 'Just Keep Going!' (2011-2012) specifically aimed to prevent youth (between 18 and 27) unemployment in the city.

- ▶ **Job traineeships:** more jobs with an educational/training component in order to develop young people's qualifications;
- ▶ **Preventing early school leaving** and encouraging lifelong learning;
- ▶ **Providing opportunities for vulnerable youngsters:** developing support services that link youth care, education and the labour market;
- ▶ **Regional covenants** (agreements):
 - 30 different labour market regions including all municipalities signed the covenant.
 - Each region developed a regional action plan within the framework of the national action plan.
 - Regional action plans were developed in collaboration with the different municipalities, provincial authority, schools, trade unions, youth care services, employers, the regional Centres of Expertise on vocational education, training and the labour market and local centres for Work and Income.

The benefits of this approach are felt to be that all relevant parties are on board, while a **regional network structure** is also developed and strengthened.

At **regional level**, Rijnmond has produced a regional youth action plan, with a budget of €6.5 million from the funds made available by the Central Government. This is by far the **biggest budget** of any of the Dutch regions. The focus is particularly on young people that are the furthest from the labour market and the most at risk of long-term exclusion and its consequences. The plan was developed against a background of growing youth unemployment in the region, and an emerging expectation that the country is headed towards years of higher unemployment.

As well as attempting to find and create opportunities for the rapidly growing numbers of unemployed youth, the plan for 2010 is also aimed at strengthening **regional cooperation** between municipalities and their partners. The plan was built on inputs from the municipalities and their services, as well as a labour market analysis. It puts an important emphasis on the **qualitative**, such as iden-

tifying gaps in the current provision of services, strengthening cooperation, and improving existing services to better **match** young people with jobs, to better diagnose individual needs, and to provide better **guidance** on training and job opportunities with a view to directing people into the more promising job sectors – with ongoing monitoring of results feeding into a continual revision of actions.

2. Comprehensive and concerted action at city level

Rotterdam is currently developing a Youth Action Plan, **'Just Keep Going!'** (2011-2012) specifically aimed to prevent youth (between 18 and 27) unemployment in the city. The authorities are designing the Plan on the basis that youth unemployment responds faster to changes in the economy – young people being first to suffer during an economic downturn, but also being the first back into work during an upturn.

Similar to elsewhere in Europe, young people in Rotterdam were heavily employed on temporary contracts, which made them particularly vulnerable to layoffs. Those currently graduating are caught in the middle of the crisis, thus finding themselves entering a very restricted jobs market. Moreover, over **two-thirds** of young people registered with social services in Rotterdam do not have any basic qualifications and are thus exposed to even greater risk.

Rotterdam's approach to developing the Youth Action Plan is interesting in that it seeks to build on existing programmes, initiatives or experiences where possible. These include:

- ▶ The experiences of the regional youth action plan in 2009;
- ▶ The youth at risk programme 2007-10;
- ▶ The city's experience in combating early school leaving (figures for 2008-2009 show a decrease in

the number of new early school leavers by 19.8% in the Rijnmond region, compared to 2005-2006);

- ▶ The experience of the Youth Desk.

The plan seeks to mitigate the effects of the recession while structurally reinforcing the local labour market in the long-term. In practice, this means getting young people into (or back into) education and employment in sectors with both current and future growth potential.

The approach is to work within existing policies and programmes, improving cooperation between different organizations and taking existing successful projects further. Additionally, the municipality tries to work closely with all concerned partners in the city, building on a range of shared interests linked to employment and education.

This includes:

- ▶ **Employers**, as providers of jobs, internships and apprenticeships;
- ▶ **Rotterdam Youth Council and the EDBR's** (Economic Development Board Rotterdam) youth section, which represent the city's youth;
- ▶ **Educational institutions**, which provide teaching, training and validate experience certificates;
- ▶ **The Dutch Employment Service (UWV) and Social Affairs and Employment Service**, responsible for returning unemployed young people to training and work;
- ▶ **DAAD**, which mediates between the unemployed and employers in order to find suitable positions for the lower skilled and/or more excluded¹⁰;
- ▶ **Colo**, a knowledge centre association, which develops vocational education for over 40 sectors and designs internships.

3. A systemic approach to the major transitions faced by young people.

Rotterdam is developing its youth action plan according to a series of clear guiding principles, which could also be relevant for other European cities:

- ▶ Funds are used with a focus on continuity with existing programmes and services and continuation after 2011; actions that are shown to work will be extended;
- ▶ The emphasis is on developing a personalised approach, taking account of individual needs and circumstances of young people, as well as the needs of employers, which ensures participants get appropriate support and guidance throughout the transition to employment;
- ▶ Actions of the different programmes are usually carried out with a defined idea of what the following step(s) for the client will be, with service providers seeing their role as a relay between previous and subsequent steps (i.e. they are not isolated palliative actions followed by 'now what?');

The Rotterdam Youth Action Plan 'Just Keep Going!' for 2011-2012 will focus on three principle axes:

1. Support for youths to stay in school, return to school and guidance in selecting among educational options, as well as developing and facilitating access to valuable internships and apprenticeship programmes.
2. Increasing job opportunities through better matching of jobseekers to employer's needs and targeting in particular the more difficult to get into work population segments with specially focused actions and services.
3. Developing actions combining work, learning and care services and/or very tightly focused actions targeting vulnerable youths with multiple or very specific issues (debt, street life, teen parenthood, drugs, etc.).

- ▶ Programmes are usually structured with a sustained follow-up after the client goes through a given programme, with a sort of tapered relationship with support staff to help ensure against a relapse into old behaviour patterns if difficulty is encountered;
- ▶ Many of the different programmes include mentoring or coaching-type approaches – particularly with more developed one-to-one approaches for difficult cases;
- ▶ The programmes focus heavily on the bottom tier of youth that are already farthest from the labour market – two thirds of the young unemployed in Rotterdam have in fact no qualifications;
- ▶ Segmenting of programmes: different actions for youths in different types of situations;
- ▶ More and more schools and educational services are being made available with flexible intake dates, meaning youths trying to get back to their studies are not forced to lose more time waiting until inscription times come around again;
- ▶ Rotterdam has been relatively successful in getting meaningful involvement of the private sector in its programmes. Indeed, the recovery approach with business goes beyond mitigation, to encouraging and helping local businesses to put themselves into a position of competitive advantage for the post-recessionary business environment.

Key points from Rotterdam's experience

Consideration of the Rotterdam experience reveals a response with the following key characteristics:

- ▶ A focus on prevention: the approach is proactive in addressing foreseeable problems – e.g. a 'lost generation', with long-term social and economic problems stemming from extended youth unemployment;
- ▶ Building policy around an applied view of the long-term: Rotterdam's anti-crisis strategy is structured around thinking now about the post-crisis scenario, and preparing for it now;
- ▶ Prioritisation of youth employment, based on an understanding of how in Europe youths have proven to be the group the most acutely vulnerable to the crisis – particularly those with low qualifications and skills levels, and those already at risk of exclusion before the crisis – and of the long-term risks of a 'lost generation', repeating the experiences of past economic crises;
- ▶ Valuing education: in addition to building understanding of the implications for educational policy in terms of meeting the skills needs of a modern competitive economy, Rotterdam's approach to helping young people arises from a belief in the benefit to young people themselves of being in school, and thus prioritises keeping them there, or finding ways to get them back into education;
- ▶ Using the crisis to give an impetus to put youth unemployment, an already existing problem that needed to be addressed, high on the national and local political agenda.

- ▶ A dynamic of policy continuity, wherein initiatives consistently build on what already exists (programmes, approaches) and works; and where the combination of actions are complementary and ensure that young people receive the support they need throughout their transition to employment;
- ▶ A switch to an increasingly qualitative focus, which pursues continual improvement of quality, conceptualisation and effectiveness of delivery, coordination and execution of existing services;
- ▶ A plan that consciously serves to reinforce effective cooperation between different municipalities and their local partners, as well as between the local, regional and national levels.

The Youth Action Plan 'Just Keep Going!' is expected to be available by the end of 2010 on the website of the City of Rotterdam www.rotterdam.nl. ■



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TALLINN / ESTONIA

TALLINN RECESSION PACKAGE: HOW TO DEAL WITH A CRISIS SITUATION WITH RESTRICTED ROOM FOR MANOEUVRE



“It (the recession package)... is totally an initiative of the city. In the city there are about 50% of registered unemployed who do not get a cent from the National Unemployment Insurance fund. They were either not eligible or they (their benefits) have ended. There is quite a substantial amount of people with no income. So we need to look at longer term but at the same time the government does not really spend any funding on short-term and this is where the city kicked in...”

Official, City of Tallinn.

Summary

Tallinn, the capital and largest city of Estonia, has been at the forefront of the country's rapid economic progress since its independence from the USSR in 1991. In January 2007, the city's unemployment rate was measured at an enviable 1.0%.

However, by January 2010, the unemployment rate had risen to 13.7% and, with Central Government attention focused on Euro-zone entry in 2011 and all the consequent constraints on spending and budget, the city was left to deal with the more immediate problems of the crisis without much outside support.

Tallinn responded with the “Tallinn City Economic Recession Package for Residents and Entrepreneurs”, which was approved on the 13th of April 2009 and is now under evaluation for the preparation of a second recession package. The package included a wide

range of measures, covering support for the unemployed and businesses, and at a more basic level, ensuring access to food, shelter and utilities in order to shield the more vulnerable in the city from falling prey to mass poverty.

Dealing with the crisis has been a learning process for the city, and the experience provides some useful lessons on how a city so severely hit, and with limited room for manoeuvre in many policy fields, has been able to learn from others in order to provide support for its citizens and businesses, avoid mass poverty, and limit the spiral of growing unemployment.

This case study describes the process and lessons of developing a predominantly short-term palliative recession package by the city of Tallinn against the dramatic local impact of the economic crisis.



Context

Tallinn, with 410 050¹ residents out of a national population of some 1.3 million, is the capital and the largest city of Estonia, as well as the country’s major port city and industrial and commercial centre. After a dramatic restructuring of the economy in the wake of the collapse of the USSR, and the country’s regained status as an independent nation, Estonia entered into a period of vibrant economic modernisation and capital flows² – in January 2007, the city’s unemployment rate was just 1.0%. However, by April 2010, unemployment had shot up to a staggering 13.7%.

As the Estonian domestic market is quite small, and consumer confidence has not yet shown signs of recovery, a turnaround in the economy is essentially linked to growth in exports. The bulk of Estonian exports go to Northern Europe, so national recovery is tied explicitly to recovery in this greater macro-region – over which, of course, Estonia’s policymakers have little control.

Estonia has a very centralised system of governance. There is no regional governance structure, with government consisting of only national and municipal levels. Municipal revenue comes mostly (50-60%) from a portion (11.4% – in 2009 the percentage was lowered by Parliament from 11.93% to 11.4% due to the recession) of city residents’ income taxes, which is transferred to the city government, with the rest coming from a range of other sources (asset revenues and sundry local taxes, fines and fees).

The impact of the crisis in Tallinn largely reflects the situation in the country.

Housing issues are regulated locally (residential construction, rent issues, subsidies for apartment associations, Public-Private Partnership projects, identification of specific needs, social housing services for targeted groups etc.). Land issues and energy policies are regulated by the state³.

Since 2008, the City Enterprise Board has been associated with Tallinn’s employment/unemployment policies. The Head of the Board now coordinates the Recession Package (see below).

How has the crisis affected Tallinn?

The impact of the crisis in Tallinn largely reflects the situation in the country as a whole, with a sharp rise in bankruptcies and rapidly rising unemployment.

The number of firms going out of business has risen sharply, with 2009 being a record year for bankruptcies in Estonia (1,055 businesses). The sectors most affected were those that acquired high degrees of exposure during the 2004-2007 credit boom – most typically, real estate, construction, construction materials and car sales. A second tier of companies were affected by the global financial crisis – e.g. subcontractors to Scandinavian car manufacturers.

There is no clear pattern, however, as the most determinate factors seem to have less to do with particular sectors and more with the strategies that specific companies adopted, or didn’t, during the growth years. Firms that exposed themselves to high levels of risk have been hardest hit. While Estonia’s bankruptcy rates are not the worst in Europe (the country is in 8th place out of



25 European countries), the number of bankruptcies has risen quickest in Estonia over the past year (2009) – increase by 150%⁴.

By April 2010, unemployment rates had increased from 1% before the crisis to 13.7%, before dropping back to 12.0% in June 2010⁵. While the number of job offers has begun to increase slightly, the gap between job offers and job seekers is still significant: some 400-500 job offers are available weekly (July 2010), compared to about 25,000 unemployed job seekers registered in Tallinn⁶. Local authorities expect unemployment to remain at roughly these levels for the next two years.

Given the practical impossibility of finding employment for the bulk of jobseekers in the current circumstances, the municipality is focusing on short-term palliative measures (one local official contacted argued that talking about long-term measures in the current situation was like *“teaching a man to fish when there is no fish in the river”*).

The city's room for manoeuvre is limited, as Estonia's national priority is focused on the challenges of preparing for entry to the Eurozone (Estonia adopts the Euro on the 1st of January 2011), with all the subsequent constraints on spending and budget. As such, local administrations cannot, at present, expect much assistance from central government in support of any anti-crisis actions they might wish to undertake.

In terms of employment, the national government is focusing strongly on mid and long-term measures (e.g. training and re-training programmes), whereas at the city-level, the administration finds itself forced to focus on the more immediate fallout of the crisis, such as the

alarming numbers of people who now find themselves with no income or benefit support at all – this group has been made the number one priority.

How has Tallinn responded to the crisis?

In November 2008, due to the rising numbers of people being laid off, the City Enterprise Board started providing free counselling on labour law, as it was discovered that many people simply did not know what their rights were in such a situation. Thus, the process of responding to the crisis began with concrete actions, without there yet being the broader framework of an overall anti-recession plan.

Towards the beginning of 2009, the city decided, entirely of its own initiative, to put together a package to address the ramifications of the crisis. Notably, this would be the first time in Estonia that such an initiative was carried out at the municipal level. Consequently, a process of dialogue was begun, and the different city boards

– particularly City Property, Healthcare and Social Affairs – offered their suggestions as to what should be done. The head of the City Enterprise Board was charged with liaising between all the different participants and putting together a coherent package, all within a rather compact time span of about one and a half months.

On the 3rd of April 2009, a recession plan called “Tallinn City Economic Recession Package for Residents and Entrepreneurs” was presented to the city, and subsequently approved on April 16th by Tallinn City Council. With a budget over 300 million kroon (approximately €19,173,494, or about 2.5-3% of the overall municipal budget per annum) over two years, the package contains 42 measures in six main fields of intervention. While the main priority is to provide immediate support to citizens and businesses, there are also medium to long-term actions targeted at promoting business creation and economic development.

The six priorities of the plan are (see details in Annex):

1. Relieving unemployment through the creation of public works or social jobs in municipal companies or subsidised jobs in private companies, as well as the establishment of employment training centres for the long-term unemployed, and support clubs for the unemployed over 50 years old;
2. Provision of social benefits and assistance;
3. Counselling services for people experiencing difficulties;
4. Reduction of housing expenses: heating, water and sanitation costs;
5. Support for the business sector, in particular the

The city administration believes that the process has been a valuable learning opportunity, particularly given the newness of such an approach in the Estonian context.

construction of a new industrial park, the opening of a new business incubator in autumn 2009, and support for stimulating youth entrepreneurship;

6. Consumer protection, mainly through the opening of publicly owned markets, the first one opening on the 15th of May 2009. The objective is to create affordable shopping opportunities.

What aspects of Tallinn's experience could be useful for other cities?

1. Learning from the process

The city administration believes that the process has been a valuable learning opportunity, particularly given the newness of such an approach in the Estonian context. As part of the effort to deal with the crisis, in April 2009 Tallinn organised an international round table, inviting representatives from some twelve different European cities to discuss social employment programmes and share experiences in coping with the impact of the crisis. London and Helsinki were in particular taken as benchmarks. This active search for learning from other peer cities was taking place at the same time as the Tallinn plan was being drawn up and voted on, making for a highly intensive process over a two-month period.

The implementation of these measures started immediately upon approval by the City Council in April 2009. The plan was reviewed in June 2010 and, in addition to the 2009 measures, new measures were also introduced.

There were some significant contextual factors, both current and stemming from recent history, which blocked or limited the policy options available to the city administration. The 1990s economic model applied in Estonia was quite liberal. This was largely successful in establishing a Western-style economy in the wake of a dismantled Soviet economic and territorial system, and in attracting Foreign Direct Investment (FDI). This same period generated a socio-political environment in which any support for the role of the public sector as provider of direct social assistance had been considerably weakened. Consequently, when the economic crisis would later force the public sector into assuming a more active role as provider of palliative social support services, Tallinn's authorities found it difficult to explain and justify this apparent reversal of policy.

Similarly, public services, such as street cleaning, had been outsourced in the early 2000s, making moving back towards direct public employment of people a difficult proposition to advance in the Estonian context. For its part, the national parliament has blocked the municipality from taking on new public works projects to create jobs – presumably, the pressure to meet the criteria for euro-entry plays a role in this reluctance to move into deficit spending.

2. Systematic city appraisal of the recession package's impact

All city district units were required to provide inputs into how the second package should be structured, and there was a considerable range in the quality and quantity of the ideas received. As of July 2010, the second package was still under preparation and had not been finalised.

The city administration points out that it is somewhat difficult to judge impact scientifically, as in many cases there was no previous benchmark. However, local officials consulted were able to identify the main characteristics of the impact the package has had: the administration thinks what has essentially been achieved is the avoidance of mass poverty and its worst consequences, such as people starving or freezing to death.

Specifically:

- ▶ Income was provided to about 2,000 people, through social jobs being created or grants to the private sector for employing people. Another 830 people were given income through participation in public works programmes. New housing shelters and soup kitchens were also opened;
- ▶ Reducing heating costs had a particularly significant impact, due to the very severe winter;
- ▶ Reducing the cost of public transport had a practical impact;
- ▶ The city found it had to increase certain state social benefits where these were too limited – particularly with housing cost support;
- ▶ Debt counselling and psychological counselling capacities were increased;
- ▶ Also, the creation of new outdoor markets was found to be a successful policy.

Creating training centres for the long-term unemployed proved to be harder to achieve, as support from the Central Government was lacking and ESF funding did not come through. A city official contacted commented that: “the applications of Tallinn to fund rehabilitation centres (work practice centres) from various ESF funded calls have been turned down, and my speculation is that the decision makers at national level think that Tallinn would fund it in the end anyhow”.

“Look at what type of unemployment you are facing. What is really the problem of the unemployed? Is it lack of short-term income? Is it the possibility that they lose competitiveness by being idle over a long period of time? Is there something wrong with the economic structure? Analyse the types of problems you are really facing, because there are completely different situations and completely different measures for different situations”. Tallinn city official

However, a policy of creating unemployment clubs for people over 50 proved to be successful, with 11 such clubs being set up, each with some 30-50 members who get to improve their job hunting skills, self-confidence, etc. The approach has garnered highly favourable feedback, with people actually finding jobs, despite the difficulties in the labour market.

In terms of business support and more long-term economic development, Tallinn opened in 2009 a new incubator for creative industries. The volume of advisory support services for business start-ups has been increased and some limited, though key, infrastructural development has also taken place.

Moving forward, Tallinn City Council has plans to establish a new industry park, using public funds to compensate for a market failure, as local real estate developers are more interested in urban commercial space than industrial property development outside the city. Plans for this are currently being drawn up. Interestingly, policy promoting youth entrepreneurship is reportedly hampered by a negative perception among many youths of entrepreneurs as ‘crooks’ or borderline criminals. However, financing of youth job and entrepreneurship fairs and seminars has been increased.

Key points from Tallinn’s experience

- ▶ An example of how to deal with a crisis situation where a city has restricted room for manoeuvre, in terms of both policy and funding.
- ▶ The value of having willingness to learn from active and ongoing benchmarking with other cities and, in general, of having the drive to stay up to date on current practice.
- ▶ A systematic city appraisal of what works and what does not work in the recession package in order to constantly adapt and improve implementation.
- ▶ The need to focus on the needs and gaps of a city’s specific situation, building policy around the type of unemployed and the types of needs – e.g. heating in the Estonian winter or a lack of existing safety net mechanisms.

“Look at what type of unemployment you are facing. What is really the problem of the unemployed? Is it lack of short-term income? Is it the possibility that they lose competitiveness by being idle over a long period of time? Is there something wrong with the economic structure? Analyse the types of problems you are really facing, because there are completely different situations and completely different measures for different situations” – Tallinn city official

- ▶ The legitimacy of focusing predominately on short-term hardships when the situation requires it, without renouncing longer-term visions and strategies.
- ▶ The need for the public sector to remain capable of stepping in to provide direct social assistance, when circumstances call for it. ■



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(3) Baseline study of the URBACT II SUITE project
http://urbact.eu/fileadmin/Projects/Suite/outputs_media/4SUITE_baseline_study.pdf

(4) 04-06-2010 Press release: Decade’s biggest number of bankruptcies in 2009
<http://www.krediidiinfo.ee/index.php?m=74&ny=2010&news=295&lang=1>

(5) Tallinn Statistics Department, City of Tallinn

(6) More than 3000 people left the unemployment register in Tallinn per month during the spring-summer period 2010; 50% of these had found a job, however more than 2000 new unemployed registered each month during this same period.

Tallinn Economic Recession Assistance Package for Residents and Entrepreneurs, 2009-2010

Actions	Budget 2009 (€)	Budget 2010 (€)
RELIEVING UNEMPLOYMENT		
1. Creation of social jobs in municipal companies.	1,821,477.33	3,547,087.43
2. Provision of grants to the private sector for the purposes of creating social jobs.	639,114.85	958,672.28
3. Fostering the creation of new jobs.	95,867.23	191,734.46
4. Reduction of rent rates for non-residential premises for businesses creating new jobs.	63,911.49	127,822.97
5. Reduction of certain public fees for businesses creating new jobs.		
6. Establishment of a municipal waste handling and street cleaning company or agency		
7. Providing public work to the unemployed (emergency work).	102,258.38	102,258.38
8. Increasing the maximum amount of time the unemployed are permitted to do public work.		
9. Establishment of Employment Training Centres.	575.203	
10. Support for clubs for the unemployed.	12,782.30	255.646
11. Payment of healthcare benefits by the state to disabled people as of the 4th day of sick leave.		
BENEFITS AND SOCIAL ASSISTANCE		
1. Proposal by the city to the Government to increase the national subsistence level from the current 1,000 EEK to 1,200 EEK.		
2. Allocation of additional funds to soup kitchens providing free meals to people in need.	74,776.44	76,693.78
3. Increase in the number of beds for people with no health care insurance	74,137.32	69,024.40
4. Assistance provided to the homeless and low-income residents by city officials in the framework of the "Caring Official" programme.		
5. Increasing the number of places in homeless shelters	469,749.42	469,749.42
6. Opening of new social accommodation units.	2,102,687.86	428,206.95
7. Lowering the price of public transportation tickets.	70,302.63	
8. Increasing the cost-of-living allowance paid to retired citizens of Tallinn.		1,175,971.33
9. Request submitted by the City of Tallinn to the Government to allocate sufficient funds for the payment of subsistence benefits.		
PROVISION OF COUNSELLING SERVICES TO PEOPLE EXPERIENCING DIFFICULTIES		
1. Provision of a wider range of debt counselling services.	76,693.78	76,693.78
2. Psychological counselling services for families.	97,465.01	97,465.01
3. Crisis counselling for people in distress.	129,101.20	129,101.20
4. Legal counselling on labour law issues and assistance in drafting relevant legal documents.	57,520.34	57,520.34
5. Tallinn employment and entrepreneurship fair "Tallinn töötab" (Working Tallinn).	3,195.57	3,195.57
REDUCTION OF HOUSING EXPENSES		
1. Compensation to underprivileged residents for the increase in heating costs.		639,114.85
2. Application for the right of the local authorities and State Competition Board to modify heating costs.		
3. Reduction of the VAT rate on heating costs for residents, from 18% to 15%.		
4. Compensation to low-income groups for the increase in water and sanitation costs.	70,302.63	70,302.63
5. Reinstatement of the state subsidy for the renovation of apartment buildings.		
6. "Fassaadid korda" (Restore the Façades) project launch.		
7. Stabilisation fund for housing associations experiencing loan repayment problems.		
8. Establishment of a Tallinn Energy Agency.		255,645.94
SUPPORT FOR THE BUSINESS SECTOR		
1. Information briefings on municipal support measures for new and small enterprises.	89,476.08	115,040.67
2. Financial support measures for entrepreneurs.	575,203.37	766,937.82
3. New industrial park to be established at Suur-Sõjamäe St. in the Lasnamäe district.	35,151.32	1,278,229.70
4. Business incubators and the launch of an incubator for creative industries.	668,194.58	543,247.62
5. Stimulating Youth Entrepreneurship.	19,173.45	31,955.74
6. Continued support for major investments - jobs secured.		
CONSUMER PROTECTION		
1. Creating affordable shopping opportunities at the newly renovated Nõmme food market.	1,364,510.21	
2. Information briefings and seminars for consumers	9,586.72	12,782.30
3. Provision of counselling services to consumers.		

TURIN / ITALY

TACKLING A NEW CRISIS: TURIN RESPONDS WITH A PROVEN PACKAGE OF SOLUTIONS



“Today, investing resources and human capital in Torino, in its metropolitan area, in Piemonte, means betting on a territory that has always known how to take advantage of difficult moments and periods of crisis, and that each time has improved its position on the world’s map and redefined its role.”¹

Paolo Verri, Director of the Steering Committee of Italia 150.

Summary

The City of Turin represents one of modern Europe’s most impressive stories of urban transformation. Following the 1980s and early 1990s collapse of the industrial base that had for decades given the city its identity as Italy’s industrial powerhouse, Turin plunged into crisis. Since then, strong mayoral leadership during the 1990s, the launch of its first Strategic Plan in 2000 and the hosting of the Winter Olympic Games in 2006 have transformed Turin into a thriving modern metropolis built around science, culture, creativity and design and technology. It is from this position that Turin has confronted the 2008 global economic crisis. Despite delivering a package of creative and practical responses to the acute negative impacts of the downturn during late 2008 and throughout 2009, Turin’s future remains uncertain. Amongst other factors, the city’s dialogue with higher-tiers of government to facilitate the delivery

of much needed infrastructural improvements to support the implementation of the city’s new economic development strategy will be critical.

Context

Situated in the Piedmont region in the north-west of the country, Turin is Italy’s fourth largest city.² The municipality of Turin has a population of 908,825 and the “Province of Torino”, which comprises of 315 separate municipalities, has a population of 2 290,990.³

The history of Turin’s recent economic development is inextricably linked to the automotive sector, and in particular the Fiat corporation. By 1911, the sector employed about a third of the city’s total manufacturing workforce⁴. By the late 1960s, Fiat produced 95% of all Italian cars and between 1951 and 1971, it “more than doubled its industrial workforce in its Torino plants from

The 2006 Winter Olympic Games was the pinnacle of the transformation of Turin from a failed “one-company town” to a thriving, modern knowledge city

47,700 to 115,000, took on an additional 30,000 white-collar workers, and contracted a vast array of smaller firms to provide it with services and supplies.”⁵ By the mid-1970s, Fiat had become such a dominant force in the city that Turin was the model of a “one-company” manufacturing city.

Throughout the 1970s, social and economic forces began to build pressure on the Turin automobile sector. A combination of the 1973 global oil shock, overseas competition, inflation, out-dated modes of production and Turin’s highly unionised workforce caused the automobile sector to collapse, and with it the rest of the city economy. In 1980, Fiat cut 23,000 jobs from its plants across Turin. This kick-started a decade of manufacturing job losses across the Province. Between 1980 and 1990, around 100 000 industrial jobs were lost, the majority of which were located within the city of Turin itself⁶. From a peak of 158,000 employees in 1968-1969, by 1996, the number of Fiat employees had declined to 47,000⁷.

By the early 1990s, Turin was in crisis. As well as high unemployment, which had risen to nearly 13%, the city was also suffering from social and political upheaval, as well as an acute image crisis. As a result, Turin was forced into a “process of deliberation about its identity, new directions of growth, and a vision for the future.”⁸ The inauguration of the city’s first directly elected Mayor in 1993 gave the city the necessary political stability to think strategically and to plan for the long-term. The new Mayor quickly set to work, fostering new relationships which would make financial innovation possible. He also took advantage of changes in national legislation, which allowed him to privatise a number of core municipal services such as electricity. Perhaps most important, however, were three critical strategic projects which were to transform Turin into the vibrant, modern metropolis that it is today:

1. The 1995 Urban Plan: “A vision for the physical re-configuration of the fragmented industrial city which had developed around the Fiat factories.”⁹

2. The 2000 Strategic Plan: “An integrated economic development document, which sets collaboratively-

determined objectives relating to the future of a city’s economy... to be implemented by 2011.”¹⁰

3. The 2006 Winter Olympic Games: An event that not only showcased Turin to the world, but which also saw \$ 1.02 billion investment into the city’s infrastructure platform.¹¹

The impact of both the Urban Plan and the Strategic Plan was undeniable. The Urban Plan galvanised the regeneration of 2.1 million sq m² of brownfield land across four sites as well as leveraging €2.45 billion of public and private investment.¹² The Strategic Plan provided a long-term “road-map” for Turin’s future. Because it was developed in a highly collaborative way, the Strategic Plan achieved buy-in at every level from key stakeholders across the city. Winkler suggests that the Plan was “possibly the city’s most important recovery tool” from the crisis of the 1980s.¹³ If the Strategic Plan set the framework for recovery, the 2006 Winter Olympic Games was the pinnacle of the transformation of Turin from a failed “one-company town” to a thriving, modern knowledge city. As well as showcasing to the world how far Turin had come since the crisis of the 1980s, critically, the Games restored to the people of Turin a sense of pride in their city.

Under the guidance of a “2nd Strategic Plan For A Knowledge Society”, work on which began in January 2005, the economy of Turin has been diversifying.¹⁴ Across Piedmont in 2006, high-tech industries’ share of regional employment stood at 11.8%, well above the national average of 7.4%. An Excelsior study showed that of all recruitment in 2007 in Turin, 20% was for high skilled positions, a figure similar to the levels in neighbouring provinces.¹⁵ A key question for Turin’s future is to what extent the emerging innovation and knowledge-based sector can absorb those made redundant from the shrinking industrial sector? Local leaders in Turin argue that although future job losses in the industrial sector are inevitable, this sector will remain an important employer in the city and will not disappear. They also suggest that while the growth in knowledge-based industries may not absorb all manufacturing job-losses, it is likely that businesses linked to new, knowledge intensive firms will provide substantial employment opportunities. Another important consideration for Turin is the inevitability of the success of its new knowledge-based sector. But with its very diverse knowledge economy model strongly linked to the specific characteristics of the area such as history, art, culture, the automotive sector, music and design, the evidence suggested that by the time the crisis hit in October 2008, Turin was heading in a positive direction.

How has the current crisis affected Turin?

There can be no doubt that Turin has felt the impact of the economic crisis. Despite a recent phase of economic diversification in the city, Turin maintains a significant manufacturing presence in its industrial sector. Because of this, the city economy is somewhat reliant on exports and is therefore particularly vulnerable to shocks in the global economic system. The year 2009 was consequently painful for Turin. According to figures from



Prometeia, the GDP of the Province of Turin fell by 5.4% in 2009.¹⁶ This was accompanied by bankruptcies, a decline in industrial production, municipal budget constraints, employment loss and the marginalisation of many, particularly the young, the old and the newly redundant. In 2010, the signs became more positive. The projection for annual GDP growth increased to 2.0% as the global economic backdrop improved and orders from overseas rebounded.¹⁷ Work also continued on the city's second strategic plan, the "2nd Strategic Plan For A Knowledge Society", suggesting that although the crisis slowed down the delivery of strategic priorities, it had not destabilised Turin's long-term development goals. The rest of this section examines the specific impacts across five categories.

1. Decline in the performance of the industrial sector

The industrial sector remains the backbone of the Turin economy. Fluctuations in its output have a significant influence on the city's GDP as well as its people, because of the number of jobs it provides. As a result, the performance of Turin's industrial sector has been closely monitored throughout the course of the recession. After two years of positive growth of 3.8% in 2006 and 3.2% in 2007, the crisis triggered a significant decrease in productivity.¹⁸ As early as November 2008, fears of lay-offs at a series of key firms in Turin such as Fiat, Motorola,



Michelin and the Bertone Group caused the city's principal newspaper, *Torino la Repubblica*, to report that Turin was at the "epicenter of the crisis."¹⁹ According to a Turin Chamber of Commerce survey of 282 industrial enterprises, which employ a total of 56,432 in the Province, the industrial sector continued to suffer during 2009. Compared to the corresponding periods in 2008, industrial production declined by 25.7% in Q1 2009, by 23.0% in Q2 2009 and 17.7% in Q3 2009.²⁰ Within the sector, the metal industry, firms making transport equipment and electronics companies were the worst affected. Compared to the equivalent period in 2008, over the first three quarters of 2009 their output declined by 30.2%, 25.2% and 19.3% respectively.²¹ The food industry and textile companies were less severely impacted. Their production levels fell by 4.1% and 16.1% respectively.²² Evidence also suggests that Turin's industrial sector has suffered disproportionately compared to the rest of the Piedmont Region. In 2009, the Province of Turin experienced a 24.4% decline in exports compared to a regional decline of 21.9%.²³ Though the effects of the crisis persist within Turin's industrial sector, 2010 showed signs of a slow recovery.

Between January and March 2010, the manufacturing sector experienced a 10.3% rise in output compared to the same period of 2009.²⁴ This was followed up by a strong increase of 11.7% in industrial production during the second quarter in 2010.

2. Increase in bankruptcies and closures

Between January 2009 and September 2009 a total of 278 company bankruptcies were recorded in the Province of Turin.²⁶ This represents an increase of 46.3% compared to the equivalent period in 2008. A sector by sector analysis by the Turin Chamber of Commerce reveals that manufacturing companies accounted for almost 30% of bankruptcies, construction firms 24.8% and service sector companies 24.4%.²⁷ Once more, of the manufacturing sector, metal-working firms suffered the most heavily accounting for a total of 36.6% of all failures.

Despite an increase in company closures, the evidence also indicates a number of positive trends. At the end of 2009, 236,942 enterprises were registered in the Province of Turin. This figure represents a 0.60% growth in the number of registered firms in Turin and a higher rate of increase than the regional average which for the same period was 0.14%. This trend has continued into 2010. During the second quarter of the year, Turin recorded a 1.03% growth in company registrations, against a regional average of 0.90%.²⁸

The year 2009 was painful for Turin. According to figures from Prometeia, the GDP of the Province of Turin fell by 5.4%.

3. Decline in employment levels

Given the fact that the industrial sector employed so much in Turin, the significant decline in its productivity had important implications. One of the most tangible effects was a loss of employment across the city. According to a July 2009 publication by the OECD LEED programme, the last quarter of 2008 saw employment in the industrial sector decline by 2.1%.²⁹ The hardest hit included textile and metal working companies as well as large firms, which experienced a 4% decline in employment as they adjusted to the pressures of the crisis.³⁰ Another immediate impact of the crisis was the increase in temporary lay-offs, which grew by 110% compared to Q4 2007 levels.³¹ Between 2008 and 2009, the number of job-seekers in the Province of Turin



increased from 58,000 to 86,000, an annual growth of 48.1%.³² This had a marked impact on the unemployment rate which rose from 5.6% in 2008 to 8.3% in 2009 and the employment rate of those aged between 15 and 65 years old which fell from 64.7% to 62.6% during the same period.³³

4. Marginalisation of the most vulnerable

Because of increasing unemployment rates, particularly amongst lower skilled workers made redundant from the manufacturing sector, many of the more vulnerable citizens across Turin have become increasingly marginalised. Evidence from the Territorial Housing Agency for the Province of Turin (“Agenzia Territoriale per la Casa della Provincia di Torino”) shows that the economic crisis is putting those living in social housing under severe financial pressure. The Agency reported that in 2009, rental arrears from social housing tenants across the Province had grown to €19.27 million, an increase of €1.5 million compared to 2008.³⁴ Approximately half of this total figure can be attributed to arrears as a result of illness or job losses.³⁵ The Agency also reported that as the economic crisis intensified during 2009, many social housing tenants – which comprise of some of the most vulnerable in the city – were “having to choose between paying the rent or paying utility bills” and urged greater commitment from local leaders to address their problems.³⁶ The economic crisis has also pushed many of the immigrants formerly employed in Turin’s manufacturing sector towards the informal economy. Many now work as market traders for 10 to 12 hours a day for six days a week. These immigrant workers earn as little as €25 per day.³⁷

5. Increasing provincial budget pressure

The impact of the crisis on local government budgets is often not immediate, often taking months to intensify following the onset of recession conditions. The situation



in Turin is no different. Evidence from the Province of Turin showed that in 2009 revenue decreased by 15% compared to 2008 levels.³⁸ Local budgeting has also been heavily affected by national financial restrictions as well as a scarcity of private sector funding. Because of this mounting fiscal pressure, authorities have been forced to rationalise expenditure, keep costs down and strictly limit all non-strategic investments.³⁹

How has Turin responded?

Turin has developed a broad package of solutions to respond to the economic crisis. They can be divided into two approaches. The first is a set of short-term, extraordinary responses to mitigate the immediate effects of the downturn. The second is a set of more strategic initiatives designed to deliver longer-term recovery and re-investment in Turin.

Short-term, mitigating responses

1. Extraordinary labour market interventions

To respond to the rapid loss of employment in the fourth quarter of 2008 and throughout 2009, Turin implemented a variety of labour market interventions. Within six months of the onset of the crisis, the Province of Turin launched two special programmes to facilitate access to employment opportunities. The first programme was delivered by Turin's City's Workforce and Training

Division, which committed €1 million to help relocate employees from industries into new jobs.⁴⁰ The second programme saw €1 million assigned to businesses that hired people made redundant during the current crisis. The Municipality responded through its "Job Centre" and using "Employability Development Plans" to retrain the most vulnerable made redundant as a result of the crisis.⁴¹

The principal labour market intervention, however, was the "Extraordinary Plan to Sustain Employment in Piedmont" ("Piano Straordinario Per L'Occupazione in Piemonte"). Launched in June 2009, the Plan was specifically designed to be rapidly activated in order to "contain the effects of the crisis (...) in the short-term."⁴² Its purpose was to create more jobs, stimulate competition, provide more credit and streamline bureaucracy. The Plan was led by the Piedmont Region but had a significant impact in Turin as its capital and the focus of much of its employment. In total, the Plan had a budget of € 390 million, which comprised in part of European funds as well as a surplus from existing projects.⁴³ To accelerate the delivery of the initiative and minimise bureaucracy, regional authorities also created a special task force. At the same time as addressing short-term imperatives, the Plan also recognises the requirement to design and deliver industrial policy for the medium-term and focuses on "structural change based upon product diversification, the growth of medium-sized enterprises, support for new entrepreneurship and innovation."⁴⁴

Turin has also benefited from a special public fund, the "Wages Guarantee Fund" ("Cassa Integrazione Guadagni"), which is financed by companies and the national government.⁴⁵ The fund "makes up the pay of employees affected by lay-offs or short-time working, [by] up to 80% of the lost pay."⁴⁶ This approach is being increasingly deployed across Turin.

2. Softer, people-orientated interventions

To complement many of the business and employment-oriented schemes being delivered in the city, Turin has also designed interventions which demonstrate its commitment to its citizens. The Director of the Steering Committee of Italia 150, Paolo Verri, suggests that the pressure generated by the crisis on many households creates an "emotional requirement" of the city to deliver people-orientated projects.⁴⁷ Some of these projects make a tangible and practical difference. Others are "softer" and make an intangible contribution to citizens suffering as a result of the recession. In July 2009, the OECD reported that throughout 2009 Turin would

To respond to the rapid loss of employment in the fourth quarter of 2008 and throughout 2009, Turin implemented a variety of labour market interventions.

Through an intensive programme of event hosting Turin has continued to position itself in spite of the economic crisis.

support those on low incomes and large families (four or more children) by making a contribution to their expenses.⁴⁸ In addition, Gianguido Passoni, Minister for the Turin Municipal budget, announced in April 2010 that because of efficiencies delivered during 2009, the 2010 budget would raise the tax exemption threshold to €10,750. Passoni explained that it would greatly benefit families at this “particularly difficult time.”⁴⁹

country’s former capital city, in 2011, Turin celebrates the 150th anniversary of the Italian Unification.⁵¹ Despite this period of budgetary austerity, it is clear that international positioning is viewed as an important recovery device for Turin, particularly as competing cities falter as a result of the crisis.

4. Provincial budget streamlining and targeted spending

Since the onset of the crisis, the Provincial budget has experienced significant pressure. Despite these constraints, which were also felt by the City of Turin itself, Gianguido Passoni, Minister for the Municipal budget, announced that for the 2010 budget “the framework of



Responses for longer term recovery and re-investment

3. Branding and international positioning

The 2006 Winter Olympics Games created a once-in-a-generation opportunity for Turin to showcase to the world how much it had progressed since the economic crisis of the 1980s. Since 2006, Turin has remained committed to positioning and branding activities, focusing on the promotion of the city as a modern and attractive destination for knowledge-based businesses and their employees. Although other activities are important, it is largely through an intensive programme of event hosting that Turin has continued to position itself in spite of the economic crisis. Between 2008 and 2010, the city will have hosted the XXIII World Congress of Architecture, the Turin Film Festival, the Euroscience Open Forum, the European Book Fair, the international arts fair “Artissima”, as well as the slow food fair “Terra Madre.”⁵⁰ During this time, Turin was also named the “World Design Capital” and opened a series of museums and art galleries to expand its cultural offer. As the

municipal taxes remains unchanged compared to 2009” and that “strict spending will continue to produce even redistributive effects.”⁵² More remarkably, during 2009, the year when the impacts of the crisis were at their most intense in Turin, the Provincial budget closed with a surplus of €38.71 million.⁵³ This was achieved by rationalising expenditure, imposing a strict limit on all non-strategic expenditure, and leveraging finance from higher tiers of government. In fact, in 2009, the Province received a total of 471 transfers from the State, Region and other agencies.⁵⁴ Despite this success, the framework has now changed dramatically with central government imposing restrictions that will significantly impact local public budgets.

5. Building the future economy and maintaining strategic focus

Despite the potentially destabilising effect of the downturn, Turin has maintained focus on its vision of long-term, sustainable growth. The crisis has slowed the delivery of strategic objectives but it has not altered the core characteristics of the city’s development strategy.

Indeed, with its emphasis on education and training, creativity, industrial transformation, urban transformation, cultural resources, promotion and tourism, mobility, logistics, healthcare and immigration, Turin's "2nd Strategic Plan For A Knowledge Society" already focuses on many of the ingredients which appear critical to Turin's future recovery and success.⁵⁵ In this way, the crisis has not weakened but has instead hardened the city's resolve to deliver on its long-term strategic priorities.

The theme of innovation has been a noticeable strategic focus for Turin during the downturn. As well as two major regional initiatives, the city is investigating how to enhance its own "innovation system" in preparation



for the future urban economy. At the regional level, the "Innovation Clusters" ("Poli di Innovazione") programme has created a number of poles which aim to develop "synergistic co-ordination between different actors in the innovation process" and "make available facilities and services with high added value" to those enterprises and research organisations that require them.⁵⁶ This €60 million programme runs from 2007 to 2013.⁵⁷ A vision for the future economy of Turin has been clearly articulated by Deputy Mayor Tom Dealessandi. He explains that "strong competition from emerging countries requires immediate responses to introduce strong antidotes to the dynamics of the crisis by supporting innovative projects in various fields such as energy, automotive, and electronics." He also warns that Turin requires the support of "a national plan to take forward the ongoing infrastructure projects... to ensure that essential public works support the economy in the recession phase, and simultaneously, to advance the modernisation of an old and inefficient infrastructural system."⁵⁸

What aspects of Turin's response could be useful for other cities?

Several features stand out about the way in which Turin has tried respond to the crisis while remaining true to its long-term vision.

1. Working with higher-tiers of government, the private sector and anchor institutions to lever in and adapt resources that are becoming increasingly significant or scarce

During the crisis, Turin has a track record of effective collaboration with higher-tiers of government to leverage resources. Examples of funding which has supported the recovery in Turin include a regional "Guarantee Fund" to facilitate enterprises access to credit and the "Wages Guarantee Fund" ("Cassa Integrazione Guadagni"), which is financed by companies and the Italian National Government.⁵⁹ By the autumn 2010, however, the situation had altered. Despite the requirement for financial support to modernise the city's infrastructure, national government resources had become scarce. For example, the national fund for revitalising deprived areas (FONDI FAS 2007-2013), which amounts to approximately €900 million for the Piedmont Region, is not yet available. This situation has made effective collaboration with new and existing partners even more critical in Turin. In fact, Paolo Verri, Director of the Steering Committee of Italia 150 describes partnership building as the "highest priority in this phase, with a particular requirement for a national co-ordination."⁶⁰

The pooling and sharing of intellectual resources represents another way in which Turin has built partnerships to support its response to the recession. For instance, Turin has increasingly embraced Piedmont's "Innovation Clusters" programme, which has been an important pillar in the city's strategy to build a new and competitive urban economy.⁶¹ At the same time, Turin has actively participated in two OECD LEED publications in July 2009 and October 2010. The purpose of these publications has been to rapidly collect and disseminate evidence of good practice in relation to how cities have been responding to the economic crisis since October 2008.⁶²

2. Balancing strategic priorities with immediate imperatives

Turin has developed a balanced approach to the challenges and opportunities of the economic crisis. First and foremost, Turin has "stayed close to its people" by developing a package of initiatives which give practical, as well as psychological support to its citizens. Perhaps the most important people-oriented response in Turin

was its decision to raise the tax exemption threshold to €10,750 for the 2010 budget.⁶³

Responding to the immediate imperatives of the crisis was an obvious first concern for Turin. Nonetheless, throughout the crisis, Turin has remained committed to its strategic priorities. Recognising the opportunities of the downturn, Turin has even focused on certain strategies with more vigour and precision. For instance, the city's roadmap towards a new economy based on innovation, a high quality of life, and attracting business and talent is becoming more and more defined and distinctive.

3. Maintaining confidence in the overarching economic development approach

The existence of a clear and well articulated development strategy is one reason why Turin has maintained its focus during the crisis. Work began on Turin's "2nd Strategic Plan For A Knowledge Society" in 2005. The fact that the strategy is in place and has already achieved considerable buy-in from key stakeholders has created a solid base and clear framework from and within which local leaders in Turin can make decisions with confidence.

However, despite the focus that the "2nd Strategic Plan For A Knowledge Society" provides, Turin has not avoided making slight adjustments. For instance, in partnership with the Rosselli Foundation, the Turin Chamber of Commerce has completed more detailed work around the future of Turin's "innovation system." This

shows that a strategic plan can give a city a solid foundation from which to react to the crisis, but also offers the opportunity to use the crisis to refine, re-articulate and add definition to the long-term vision.

4. Cities using the experience of past crises

Though icons of success in the past may not always be a reference for the future, Turin has learnt a great deal from its past crises. While different in its character, the crisis of the 1980s, and its recovery, has a number of lessons for Turin which are transferable to the crisis of today. These include proactive and purposeful local leadership, reinforcing civic identity and international positioning, innovative financing, and building a common agenda through a robust long-term strategy. Despite being applied in different ways, these have been key ingredients of the response to and recovery from the current downturn.

Key points from Turin's experience:

- ▶ Turin is a post-industrial city with a rich history of crisis and recovery, lessons from which can be leveraged to support the response to other crises.
- ▶ The current economic crisis struck Turin towards the end of a period of recovery and re-positioning, but Turin's long-term development trajectory has not been destabilised.
- ▶ The crisis has struck the city's industrial sector and its employees with particular force and has accelerated the restructuring of the Turin economy.
- ▶ Underpinned by a new (2005) long-term economic development strategy, the broad approach to the crisis has been a balance between immediate interventions to support vulnerable firms and people; and strategic, longer term objectives.
- ▶ Leveraging expertise and resources from higher-tiers of government and institutions is critical to reinforce, validate and re-invigorate the efforts of local leaders.
- ▶ Concentrated work during the budgeting process can liberate resources to support longer-term recovery and deliver practical interventions for citizens.
- ▶ The crisis represents an opportunity to reposition the city and add greater precision to local development strategies and visions. ■



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VERIA / GREECE

COMBINING SOCIAL RELIEF MEASURES AND INVESTMENTS FOR ECONOMIC GROWTH



“Our goal in these times of crisis is to create solidarity in every aspect of our society.” Veria’s City Mayor, 25 May 2010.

Summary

The following case study on the City of Veria takes place during a period of great restructuring in Greece. With the crisis peak in 2010, Greece’s national austerity measures (reforms and budget cuts) to exit the crisis aim to stabilise the public finance by 2013 and are expected to have an impact on every aspect of public life.

Within this national context, Greek cities are facing challenges at both the financial and administrative levels. And while most of the central budget cuts to affect local communities are not yet agreed, administrative changes are foreseen in January 2011 when the implementation of the “Kallikratis” plan begins. This includes a rationalisation of sub-national governance and the assimilation of smaller municipalities into larger entities.

Veria’s response to the economic crisis is mostly build around its Strategic Plan for 2008-2010, which was developed before the full extent of the crisis was really known. From 2009, the City also started to introduce short-term social relief measures for inhabitants, while continuing to pursue long-term measures to encourage economic development, as laid out in the strategic plan.

In the context of rapidly changing circumstances (including municipal elections in November 2010, and the “Kallikratis” plan) Veria will need to review its strategic priorities for the years to come.

Context

The City of Veria, with a population of about 45,000, is the administrative capital of the prefecture of Imathia. It is one of the ancient cities of the region of Central Macedonia in Northern Greece and is known for its cultural heritage and natural resources.

Up until the end of the 20th Century, Veria’s economy was mainly based on the export of local agricultural products to the Balkans and Central Europe. However, the war in the former republic of Yugoslavia caused serious damage to the local economy, with the prefecture falling from the 2nd and 3rd positions amongst Greece’s 52 prefectures in terms of GDP per person, to the very bottom of the ranking. By 2004-2006 it had managed to improve its position.

A second blow came with the entrance to the market of Chinese composted fruits, which created intensive

competition, not only for local producers (primary sector) but also to the secondary sector mainly based on the packaging of agricultural products. This situation reinforced the need to promote other sectors of the economy with strong potential in the area.

Veria's economy is traditionally characterised by a weak productive base, little external trade, and a predominance of small and medium size enterprises. Similar to other Greek cities, the tertiary sector is expanding while the secondary and primary sectors are in decline.¹ This trend is particular to Greece; in other European countries it is only the bigger cities that are specialised in the tertiary sector, with medium sized cities more reliant on the secondary sector. This lack of specialisation in the secondary sector shows how introspect Greek industry has become, with an industrial model built mainly around the local economy, with only limited activity in national or international market.

Unemployment rates in the prefecture of Imathia have been high for some time, with about 15.34% of the active population unemployed (2004-2006).² In comparison to the prefecture, the City of Veria has high unemployment in the tertiary sector (65.15% versus 45.60%), which is attributed to the fact that most of the tertiary sector's activities (services, commerce, administration) are concentrated in the city. Unemployment in the secondary sector is similar to the prefecture (21.88% versus 22.35%), whereas the levels in the primary sector are, as expected, comparatively lower in the city (10.51% versus 29%).

Entrepreneurial activities of the city of Veria (municipal hotels and leisure centres, municipal enterprise for fabrication of marble, construction enterprises and some municipal social services) have not been successful in the past and could not reverse this trend. Therefore, following the directives of the national law for Municipalities and Communities (in force since 2007), the city restructured or reorientated the municipal business activities. A Municipal Development Company SA was also created in order to promote activities at local and European level for the development of the area.

The global economic crisis of 2008 presents a new threat to the City's economy, which is already facing a number of challenges:

- ▶ market competition with the opening of the EU borders;
- ▶ delocalisation of productive units in neighbouring countries or prefectures with a lower cost base;
- ▶ unfavourable demographic trends and retirement problems;
- ▶ illegal economic immigrants who may also experience exclusion problems;

- ▶ unsustainable business practices and activities;
- ▶ intense international competition with other tourist areas;
- ▶ high-skilled emigration (future risk).

How has the crisis affected Veria?

The origin of the national crisis

The 2008 global crisis exposed certain vulnerabilities in the Greek economy, including:

- ▶ Excessive consumption, driven by an excessive reliance on credit;
- ▶ Unsustainable fiscal policies, partly hidden by unreliable statistics and temporarily high revenues;
- ▶ Rigid labour and product markets;
- ▶ Loss of competitiveness and rising external debt;
- ▶ A vulnerable banking sector, which although not at the origin of the crisis, was affected by the economic and confidence crisis.

Greece's economic downturn intensified in late 2009 (November) when the government budget revealed an estimate deficit of 12.7% of GDP for 2009, more than twice the previously announced figure, and four times the initial (December 2008) estimate. In fact, Greece ran up a 13.6% national deficit in 2009, with a projected 8.7% deficit in 2010³.

In the meantime, a sharp increase of government debt, from 97.8% of GDP in 2006 to 122.9% in 2010, put Greece in the first places in terms of the indebtedness of European countries. This can be attributed to three factors, which are expected to continue to weigh on Greece for some time (i) lower economic growth, (ii) higher real interest rates, and (iii) an elevated fiscal deficit.⁴

Concerns about the sustainability of Greece's fiscal policy and a general increase in global risk aversion caused market sentiment vis-à-vis Greece to deteriorate sharply in early 2010.⁵ In the real economy, Greece also witnessed falls by 26.8% in industry profit, 8.6% in tourist arrivals and 14.7% in tourist profit, and 28.4% in sea navigation.

Unemployment rates followed the same downward trend. In the second trimester of 2010 the unemployment rate reached 11.8%, an increase of 34% compared to the 2009 figure (8.9%). Unemployment affects women (15.3%) more than men (9.4%) and is also worse among those without a formal education (19.7%).

The crisis peak in 2010 pushed the Greek government into loan negotiations with the European Commission, the European Central Bank and the International Monetary Fund. Greece secured a total loan of €110 billion



and agreed to implement severe fiscal and structural reforms. The so-called Emergency Financing Mechanism includes, among others, the following austerity measures announced by the central government:

- ▶ The suppression of the 13th and 14th month salary in the public and private sectors
- ▶ Salary cuts;
- ▶ Increases in VAT to 23%, 11% and 5.5%;
- ▶ A 10% rise in taxes on luxurious goods, alcohol, cigarettes, and fuel;
- ▶ A cut in the minimum wage (currently €700 gross salary), following the recommendations of the IMF;
- ▶ Increased redundancies over the actual limit of 4%⁶;
- ▶ Privatisation of state owned enterprises, following the recommendations of the IMF;
- ▶ A reduction in indemnities in case of redundancies.

Furthermore, the Greek government is planning **reforms in the public administration system**. The “Kallikratis” plan, which will come into force on the 1st of January 2011, will cut the number of municipalities from 1035 to 325 and the number of municipal businesses from 6000 to 2000⁷. Redundancies from the public sector are expected to be around 35,000, mostly for people working on fixed-term contracts⁸. One of the main objectives of “Kallikratis” is to reduce public expenses by €1.5 billion between 2011 to 2013, including €500 million in 2011.

From the national to local level

The situation at national level is also reflected at the city level. Day by day, Veria’s elected officials witness the closure of commercial stores, the falling purchasing

power in the city and the growing anxiety of residents who are searching for job opportunities. Unemployment in the region of Central Macedonia (where Veria is situated) increased by 3.4% between 2009 and 2010, from 9.3% to 12.7%, putting it in 3rd place in the list of regions most affected by unemployment.

In Veria, the numbers of unemployed went from 2,628 in 2008 (798 of which were between 26-35 years old), to 3,790 in 2009 (1203 of which were between 26-35 years old) and 3,224 (1,219 of which were between 26-35 years old) in August 2010⁹. Unemployment among women is much higher than for men and unemployment among young people has been most severe in comparison to other age groups. Following this trend, the overall unemployment rate is expected to rise again by the end of 2010.

The impact of the crisis on the construction sector has been significant, with the number of building permits issued in the city falling from 241 in 2005 to 63 in 2010¹⁰.

A downward trend in business creation also saw a record low in 2010, approaching the low levels of 1998 (about 320)¹¹. This reflects the reluctance of entrepreneurs to

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set up new businesses in a period of crisis. However, it is worth mentioning that at the very peak of the Greek national crisis (2010), the number of closing businesses in Veria was lower than in the previous years.

The city's expenditure and restructuring

According to the balance sheet for 2009, 74.37% of Veria's annual budget comes from the central government and 25.63% from local taxes. With no extra incomes since 2005, Veria will also have to absorb a cut of 40% to the budget for the year 2010.

The City of Veria is called to comply with the plan "Kallikratis", by integrating smaller local municipalities and expanding its competences to a larger territory. From



January 2011, the prefecture of Imathia (as follows) will be limited to 3 bigger local communities: the Municipality of Veria (in yellow, regrouping 5 smaller local municipalities), the Municipality of Naoussa (in green, bringing together 3 local municipalities) and the Municipality of Alexandria (in blue, amalgamating 4 local municipalities)¹². In fact, the Municipality of Veria is strengthened by the "Kallikratis" plan and the integration of important archaeological sites (like Vergina) and natural resources.

How has Veria responded?

Veria's response is based on long-term actions outlined in the Master Plan of the city for 2008-2010, medium-term actions to face economic problems and short-term relief measures to support social and cultural services.

Short-term social relief measures

The City of Veria along with other local stakeholders, like the Labour Center and the Chamber of Imathia, proposed the following social relief measures:

1. Not being in the list of indebted cities, the Municipal Council voted for a freeze of municipal taxes for the years 2009 and 2010. Moreover, it decided to:

1.1 Reinforce cultural activities in the city by introducing a 12% reduction in the fees for all classes of the Municipal Artistic Space, Conservatory, Dance school, and Artistic Laboratories; reduce the cost to private actors for using municipal centres or infrastructure; and provide free lessons in the philharmonic band and in the esquire¹³.

1.2. Reduce municipal taxes on lighting and property by 25% for families with serious health problems and an income less than €15,000 per year, or for one-parent families and to families with more than three children.

2. In November 2009, the city created the Municipal Nursery for vulnerable population groups and persons without health insurance. Most of the material is offered by sponsors and doctors are working as volunteers. Up to August 2010, 205 persons were examined, 50% of which were immigrants and 50% from other vulnerable groups.

3. In 2008, the Municipal service for Quality of Life created the Office for Job Opportunities, which receives resumes from unemployed residents, provides information about job opportunities, contacts businesses and proposes candidates, and takes charge of administrative issues for people with low incomes. At the beginning,



the service was receiving 5-10 people per day. In 2010, that number increased to 20-30. During July-August 2010, 70 people found employment through this office.

4) The “Social Solidarity” service was created with the objective of supporting poor and vulnerable groups. It collects food, clothes from stores, second hand clothes offered by fellow citizens, toys, etc., which are then distributed to people on low income. Around 240 families with an income below €3,500 receive food supplies, while 400 families with an income of less than €10,500 receive clothes.

5) The creation of a youth space by the Youth Local Council. Dedicated to young people, this provides free Internet, low budget beverages, a music hall and other entertainment activities.

6) The creation of the “social adoption” programme for individuals or families facing economic problems. “Foster families” are families, organizations, local actors, associations, schools, etc.. willing to help poor families or persons overcome their difficulties.

7) Low budget cultural activities offered free to the people on low income.

8) An ongoing study for the programme, “open gardens”: vegetable gardens for cultivation and exploitation by inhabitants.

9) Cooperation with factories producing stewed fruits in order to offer fruit and other products for charitable purposes.

Measures for saving public money

In parallel, the city decided to reduce its own expenses by cutting expenses for seminars or conferences (except from those concerning the “Kallikratis” plan and events of international scope), the suspension of travel

to twin cities, zero recruitments in the City Hall for 8 months, the suspension of civil servant transfers, selective public lighting only in certain places of the city, mobilisation of sponsors and donators for certain activities (University Master courses, construction works, etc.).

Medium-term actions for economic growth

The Municipality of Veria is undertaking the following actions using ERDF funds:

1. The city along with the Aristotle University of Thessaloniki and local architects conceived an urban regeneration project which was approved for funding by the Region of Central Macedonia (€10,243 million). The implementation of the project is scheduled for the end of 2010 and is expected to strengthen the construction sector. Moreover, it aims at improving the image and function of the city in the region.

2. A development plan with schemes already included in its 2008-2010 Master Plan (estimated budget €50 million) was submitted to the European Investment Bank for funding. This plan includes projects to improve the infrastructures of the city (public spaces, road safety, cultural heritage, buildings and flood prevention). In March 2010 the Bank proceeded to the initial approval of the loan¹⁴. In the long-term, the projects aims to attract and encourage different forms of tourism (cultural, natural, religious tourism and sports), thus to encourage the creation of SMEs in the area.

3. A project for the creation of a cultural route in the historic centre of Veria with the use of new technologies and innovative means is almost finished and will be submitted for funding within the framework of the Operational Programme 2007-2013 (with a budget of €2.4 million).



Long-term actions for economic growth

The 2008-2010 Master Plan prioritises investment in electronic and web services in Veria, as well as services for facilitating commerce (transport networks, logistics, etc), cultural and educational facilities and tourism. At the same time, the Master Plan proposes a reorientation of the economic activities of the city in order to further develop the tertiary sector, especially trade (imports and exports) and tourism.

This reorientation of economic activity takes account of the fact that, from 2003-2006, Imathia's trade sector experienced strong growth (8.6%), due to an increase in exports (10.52%) and imports (6%). Imathia retains 11th place among 52 prefectures in terms of its contribution to trade, with a score of 1.4% of total national exports.

What aspects of Veria's experience could be useful for other cities?

As part of Veria's Master Plan for 2008-2010, the following measures taken by the City and local actors are considered to be particularly important in terms of providing the means for the City's future economic development. The general approach, including the focus on new technologies, education and culture, and urban regeneration projects as means of promoting entrepreneurship and tourism may also be of interest to other cities with a similar profile.

Investment in technology

Measures in this area include:

1. The connection of all municipal buildings and services with fibre optics, allowing networking between users and private actors;
2. The creation of web services¹⁵ for social care, education, local tourism and electronic democracy. This would contribute to inhabitants' quality of life and the development of local entrepreneurship in the city;

A development plan with schemes already included in its 2008-2010 Master Plan (estimated budget €50 million) was submitted to the European Investment Bank for funding.

3. The creation of info-kiosks and info-tubes in the centre of the city, to provide information on businesses, municipal services and news.

Development through training and education

In 2009, a Masters course on "Internet Science" was launched by the Aristotle University of Thessaloniki in Veria, with the ambition of being classed among fellow institutes (MIT, Beijing, Southampton).

There are ongoing efforts for the creation of a School of Greek Studies, University courses on Applicable Mathematics and Statistics, a Municipal Centre of Professional Training, and for the establishment of a European Police Training Centre.

Developing partnerships and networking

1. Participation in the EU URBACT programme for integrated sustainable development, within the thematic network LINKS¹⁶, which concerns the creation of a Local Action Plan to improve the quality of life in the old city centre combining sustainable development and eco-restoration.
2. Participation in the Leonardo da Vinci (Life Long Learning) Programme. The City of Veria has obtained funding for training tourism professionals in foreign countries, in an effort to improve tourism services and create better job opportunities.
3. Participation in European programmes like Youth in Action, Sports, Progress, etc.

Initiatives by local and regional actors supported by the City

The Chamber of Imathia is participating in the **AGRO-POLIS programme**, which aims to develop and promote innovation in agriculture. A key objective of AGROPOLIS is to strengthen endogenous technological capacity in the agriculture sector through the use of new products and services, that will help the local agricultural sector to be more competitive.



The mid-term strategic objectives are to: explore opportunities in the neighbouring Balkan countries, the Black Sea countries, Arabic and Middle Eastern countries, promote sustainable rural development, protect the natural environment, and restructure the rural economy and develop sustainable resource management.

The Chamber of Imathia has also created an **Ombudsman Office for Entrepreneurs**¹⁷ in the prefecture. The purpose of this service is to use technology systems and facilitate “exchange” between businesses and public services. The service provides information about setting-up, functioning, installation, insurance, tax, and working issues and looks after, at no cost, all services that concern business-members of Imathia’s Chamber of Commerce.

Key points from Veria’s experience

As stated above, Veria’s direct measures against the crisis are mostly seen in social policies and not much in entrepreneurship ones. However, some positive examples that stand out from the case of Veria, poten-

tially useful to other cities would be:

- ▶ Active and multiple involvement in European or international exchange and learning programmes
- ▶ Reorientating the local economy and reinforcing productive sectors when necessary
- ▶ Building partnerships with local private stakeholders
- ▶ Building solidarity in all domains and in various ways (promoting volunteerism, collecting and redistributing food, clothes and money)
- ▶ Creating the links between the needs of businesses and the intellectual or technical potential of the local workforce. ■



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→ URBACT II PROJECTS

PROJECTS	ISSUES ADDRESSED	LEAD PARTNERS
CITIES, ENGINES OF ECONOMIC DEVELOPMENT & JOB CREATION		
Creative Clusters	Creative clusters in low density urban areas (diversifying local economic base; using cultural activities as catalysts for development; setting up physical, social, educational environment to attract and retain talented people in "the creative city"; etc.)	Obidos - PT
ESIMEC	Economic strategies and innovation in medium-sized cities (workforce development and demand-led skills initiatives to ensure a sustainable economic recovery, growth and resilience in medium-sized cities)	Basingstoke and Deane - UK
FIN-URB-ACT	SMEs and local economic development (support systems for SMEs and innovative/high-tech projects; pathways to partnerships between cities and Managing Authorities; communication on support schemes, etc.)	Aachen - DE
OPENCities*	Opening cities to build-up, attract and retain human capital (identifying factors of "openness" and their impact on city attractiveness; increasing and promoting city openness to attract international migrants, etc.)	Belfast - UK
REDIS	Science districts and urban development (integrated policies for the development of science/knowledge districts; multi-level governance issues; etc.)	Magdeburg - DE
RUnUp	Strengthening endogenous potential of urban poles (improving local governance of innovation; promoting triple helix partnerships for local economic development; setting conditions for the stimulation of knowledge-based activities, etc.)	Gateshead - UK
UNIC*	Traditional industries and innovation (strengthening local industries and promoting innovation in the ceramics sector; promoting ceramics traditions as a driver for urban renewal; promoting cultural and industrial heritage, etc.)	Limoges - FR
Urban N.O.S.E.	Urban incubators for social enterprises (fostering inclusive development policies; consolidating inter-institutional partnerships; connecting local authorities and the Service sector, etc.)	Gela - IT
WEED	Women at work (improving working conditions, promoting/supporting entrepreneurship, fostering employment in IT and scientific/knowledge-based sectors, etc.)	Celje - SI
CITIES, ACTIVE INCLUSION & GOVERNANCE		
Active A.G.E.	Strategies for cities with an ageing population (supporting employment; improving long-term and home-based care services; fighting social exclusion and insecurity; fostering inter-generational solidarity as a driver for elderly-sensitive urban development policies; assessing the impact of ageing in urban planning; etc.)	Roma - IT
Building Healthy Communities*	Urban factors influencing health (indicators and criteria for a healthy sustainable urban development; healthy sustainable lifestyles; use of structural funds in addressing health issues)	Torino - IT
CityRegion.Net	Urban sprawl and development of hinterlands (planning tools and financial schemes for a sustainable city-hinterland development; cooperation at regional level)	Graz - AT
EGTC	Sustainable development of cross-border agglomerations (local and multi-level governance systems)	Mission Opérationnelle Transfrontalière - FR
HOPUS	Design coding for sustainable housing (governance for the implementation of design coding; quality standards for urban and architectural design, etc.)	University La Sapienza, Roma - IT
Joining Forces	Strategy and governance at city-region scale (spatial planning; mobility and transports; environmental issues; development of knowledge-based economies; attractiveness and competitiveness; social inclusion, participation, empowerment; governance mechanisms, etc.)	Lille Métropole - FR
LUMASEC	Sustainable land use management (managing urban sprawl; fostering attractiveness; strategies for local decision-makers, etc.)	University of Karlsruhe - DE
My Generation	Promoting the positive potential of young people in cities (transforming passivity and alienation into positive personal and professional aspirations; fostering active transitions from education to work; holistic coordination of youth related initiatives, etc.)	Rotterdam - NL
NeT-TOPIC	City model for intermediate/peripheral metropolitan cities (managing urban identity; governance issues; fighting urban fragmentation; regeneration of brownfields, military sites, etc.; transforming a mono-functional city into a multifunctional city)	L'Hospitalet de Llobregat - ES
Nodus	Spatial planning and urban regeneration (improving coordination of area-based regeneration and regional/metropolitan planning; integrated policies, etc.)	Generalitat de Catalunya - ES
OP-ACT	Strategic positioning of small and medium-sized cities (sustainable, efficient financial and economic structures to face demographic change, advanced de-industrialization and the effects of the crisis)	Leoben - AT
Roma-Net*	Integration of the Roma population in European cities (access to key services, active inclusion into the labour market through education, and development of self-help initiatives)	Budapest - HU
Suite	Sustainable housing provision (economic viability and social mix; environmental quality standards, etc.)	Santiago de Compostela - ES
TOGETHER	Developing co-responsibility for social inclusion and well-being of residents in European cities (Integrated strategies to foster cooperation between public authorities, citizens and private stakeholders, and indicators for the management of such strategies)	Mulhouse - FR
CITIES & INTEGRATED SUSTAINABLE DEVELOPMENT		
ACTIVE TRAVEL	Tackling transport problems by promoting walking and cycling in small and medium-sized cities (Integrated strategies for cities to promote environment-friendly means of urban transport and improve energy efficiency)	Weiz - AT
CASH*	Cities' Action for Sustainable Housing (Solutions for sustainable renovation of social housing and the provision of affordable housing units in urban cities)	Echirolles - FR
C.T.U.R.	Cruise Traffic and Urban Regeneration (physical and environmental regeneration of port-areas; cruise traffic and port-heritage as drivers for economic and social development; planning and management of cruise development, etc.)	Napoli - IT
CoNet	Approaches to strengthening social cohesion in neighbourhoods (area-based and integrated approaches to neighbourhood development; new governance structures for the integration of socio-cultural, educational and economic dimensions, etc.)	Berlin - DE
EVUE	Electric Vehicles in Urban Europe (Integrated, sustainable strategies and leadership techniques for cities to promote the use of electric vehicles and to improve their attractiveness)	Westminster - UK
HerO*	Cultural heritage and urban development (revitalization policies; protection of visual integrity; integrated systems for the management of cultural heritage)	Regensburg - DE
JESSICA 4 Cities	JESSICA and Urban Development Funds (design and implementation of funding schemes; territorial evaluation and diagnoses; city projects and Operational Programmes, etc.)	Regione Toscana - IT
LC-Facil	Implementing integrated sustainable urban development according to the Leipzig Charter (tools for the definition, implementation, monitoring of integrated policies for urban development; testing the "Sustainable cities Reference Framework" developed by the Group of Member States and Institutions)	Leipzig - DE
LINKS	Old European cities as a key for sustainability (Integrated strategies to improve the attractiveness and quality of life in old historical centres, foster sustainable housing, while preserving architectural identity and cultural heritage)	Bayonne - FR
RegGov*	Governance in integrated urban development (long-term integrated policies and financial planning for sustainable regeneration of deprived areas; monitoring progress and achievements; sustainable partnerships; city-region governance; neighbourhoods at risk, etc.)	Duisburg - DE
REPAIR	Regeneration of abandoned military sites (socio-economic regeneration of abandoned military heritage sites as a driver for sustainable urban development)	Medway - UK
SURE	Socio-economic methods for urban rehabilitation in deprived urban areas (enhancing sustainable growth through diversification of local economies in deprived areas of medium-size cities)	Eger - HU

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