

# **“(Un)equal cities in Europe? The challenge of post-industrial transition in times of austerity”**

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## Abstract

The so-called European urban model is today under strong pressure due to the impact of the current crisis and of austerity policies adopted in reaction to it. The crisis, in fact, has revealed a long-run trend of *disconnection* between economic growth and social cohesion already at work for many years. Whilst on the one hand the struggle for competitiveness has induced many European cities to invest in their attractiveness and economic performance, on the other, national expenditure cuts and dominant neo-liberal paradigms have led many European cities to retrench public intervention aimed at preserving some levels of social protection and inclusion.

The paper aims to describe these tensions and discuss their implications for urban policy. It is based on research carried out in six large European cities (the second largest cities in their own countries with the exception of Copenhagen) representative of the variety of welfare regimes in Western Europe: Barcelona, Copenhagen, Lyon, Manchester, Milan, and Munich.

Two aspects will be addressed.

A) The increasing **spatial inequalities** consequent on urban renewal, gentrification processes and development strategies in the housing market. Most of the cities have undergone gentrification and changes in the resident population as consequences of these trends. Urban policies have ambiguously supported both real estate developments in order to promote attractiveness and measures to foster housing affordability and prevent the displacement/impoverishment of the weakest social groups.

B) The economic development of cities before the crisis was accompanied by increasing demand for temporary, unstable jobs, and this provoked an **increasing dualization of local labour markets**. Some cities have reacted to these trends, now greatly exacerbated by the current crisis, by promoting strategies of protection/promotion of jobs of “good quality”.

The paper aims to answer some key questions: What are the main challenges that cities are facing to develop competitiveness and preserve social cohesion? What are the main social impacts of the economic and social trends ongoing in local labour markets and housing sectors? What social groups are most affected by these trends, and what are the

impacts on social and spatial inequalities? How have these problems been defined in the public discourse in these cities? To what extent have the issues of social justice and economic competitiveness been combined in local political agendas? As result of this investigation, a typology of possible orientations of local government towards economic development and social integration will be proposed: cities following the neo-liberal rhetoric of economic growth as the driver of social development; cities prioritising interventions for economic development but trying to mitigate its possible negative effects on social and spatial inequalities; cities that have considered social integration as an important asset for the economic growth of the urban context.

### **1. The crisis of the “European city model”**

European cities have been historically characterized by a strong association between social cohesion<sup>1</sup> and economic competitiveness. Levels of social inequality and spatial segregation are generally much lower in European cities than in cities with similar size and same economic potential that are located in other continents (Kazepov, 2005). And in most of such cities equity and spatial integration have come together with relevant economic performances, to demonstrate that social cohesion and economic competitiveness have been handled as interdependent aspects in European urban policies (Bagnasco and Le Gales, 2001; Buck *et al.*, 2005).

Specific factors have contributed to this result. First, welfare state and the activism of local authorities in meeting the population’s social needs have played a very important role (Hamnett 1994; Kazepov 2005). Secondly, in Europe the occupational composition of urban population has seen the dominant role of the middle class and therefore less room for dualization processes (Hamnet, 2003; Preteceille, 2000). Thirdly and finally, while in US and

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<sup>1</sup> The concept of *social cohesion* has been considered to be very broad and complex, in that it includes multiple dimensions such as solidarity, social integration, or social participation. Two perspectives have recently become dominant: on the one hand, social cohesion is considered to be a cultural orientation expressing identification with, and a sense of belonging to, the local community; on the other hand, the same concept is attached to the existence of equal opportunities limiting social inequalities and exclusion. This latter approach has been adopted by the European Commission in order to identify specific targets for the ‘Communitarian social cohesion policy’ (European Commission 2006), and it is also adopted in this paper.

developing countries recent migration flows have strongly exacerbated a high dualism in skills and income conditions, in Europe the composition of migrant population reflects less social disparities (Cassiers and Kesteloot 2012). As a consequence of such factors, the “European city” model (Bagnasco and Le Gales 2000; Le Gales 2002) is considered to be crucially linked to low levels of inequality in income distribution.

This model is today under strong pressure due to the impact of the current crisis and of austerity policies adopted in reaction to this. However, the crisis has just disclosed a long-run trend of *disconnection* between economic growth and social cohesion already at work since many years. In the Fordist age, competition and social cohesion were two elements in strong equilibrium. Cities were simultaneously the principal places of both production and consumption. Economic growth was fuelled by strong demand for consumption to a large extent concentrated in the cities. At the same time, if the production functions were to be efficient and stable, they required the organization of social reproduction through stable industrial relations, housing policies able to make residence in the city affordable, measures to protect the vulnerable and to support consumption. The strong need for stability of economic systems found its pivot in the industrial city, and it was supported by high growth rates and by the generosity of welfare systems. Today, by contrast, social stability is less economically important than flexibility, and this entails that the search for greater competitiveness no longer requires a high level of social integration. Indeed, the latter becomes an obstacle, a social superstructure that hampers the development of the new, post-industrial economy.

In fact, starting from the Nineties, the historical balance between competitiveness and inequalities founded on this particular compromise between economic interests in the city and social responsibility (Le Galès, 2002), has begun to waver. Recent research conducted at the EU level has started to recognise this fact. For example, two research for the European Commission (Rheinisch-Westfälisches Institut für Wirtschaftsforschung 2010; European Commission 2011) report trends towards increasing social dualization. As the last report of the European Commission states: ‘European cities have traditionally been characterized by less segregation and less social and spatial polarization compared to, for instance, US cities. This has been especially true for cities in countries with strong welfare systems. However, there are many signs that polarization and segregation are increasing. The economic crisis has further amplified the effects of globalization and the gradual retreat of the welfare state in most European countries.’ (EC 2011, 22).

This process has been the result of an entanglement of factors, but especially it has been fostered by the globalization and financialisation of the economy, mostly driven by a neo-liberal approach, that has led to a strong rhetoric related to the role of cities as economic actors in the global arena, who are supposed to compete among themselves (Taylor, 2003). In this perspective urban policies have been even more oriented to economic competitiveness, through different “neo-liberal tools of urban government” (Le Gales, 2013), such as the promotion of international events, infrastructures for connectivity, urban renewal and sustainability policies, cultural and housing interventions. These measures, often quite successful in attracting the creative class, talents, foreign investments, new populations in the city, however have fostered new forms of inequalities, especially in terms of labour market structure and in terms of spatial inequalities between social groups able to afford a very expensive housing market and other populations evicted from the city or concentrated in the most deprived areas of the urban context .

At the same time, at national and local level, welfare policies have known a trend towards inertia or retrenchment, especially in the current situation of economic crisis and as result of austerity policies adopted in reaction to this. This process has worsen the social inequalities fostered by the labour and housing market, being the European welfare system less able to correct and contain the trends towards a more unequal society. Although on this aspect European cities still differ largely, since welfare services are still mainly provided at the national level of government, they have witnessed a general trend of decreasing financial support from the national governments in order to provide support for the most disadvantaged groups (Ranci *et al.*, 1014). Also cities more dependent on their own revenue base (Fainstein, 2010) have not been able to afford social and redistributive policies because higher taxation to support welfare would have driven out capital investment. For this reason, also European cities once known as the “city of welfare”, such as Copenhagen, have progressively adopted more neo-liberal policies oriented to economic competitiveness (Andersen, Winther, 2010).

In such framework, this paper aims to describe the tensions between factors related to economic competitiveness and social inequalities in European cities, and to discuss their implications for urban policy, offering a tool to understand the transformations affecting the European social model at urban level. The paper is based on an original research carried out

in six big European cities, by a group of researchers in the field of urban policies analysis<sup>2</sup>, after they had drawn up a common protocol for a mixed method analysis (30 interviews with key informants in cities and collection and analysis of data at local level).

These cities are representative of the variety of welfare regimes in Western Europe, and characterized by high levels of globalization and a leading economic role in their respective national contexts: Barcelona, Copenhagen, Lyon, Manchester, Milan and Munich. The cities considered in this analysis have a number of characteristics in common: they play a central, if not dominant, economic role in their respective national economies; with the exception of Copenhagen, they are not the capitals of the nation-state in which they are situated; they are of large urban size (being the second or third largest cities in their respective countries); they exhibit a strong tendency to globalization and are embedded in transnational urban networks. Choice of them makes it possible to control for one of the decisive factors of social cohesion identified in previous research (Kazepov 2005; Ranci 2011): the coverage and generosity of welfare programmes. The six cities considered in this paper pertain in fact to different welfare models: the Social-democratic regime (Copenhagen), the Liberal regime (Manchester), the Corporatist regime, including both the Francophone (Lyon) and the German (Munich) variants, and the Mediterranean regime, with its two variants: Spanish (Barcelona) and Italian (Milan). This broad research design allows control to be kept over variations in the levels of social cohesion due both to the presence of different welfare regimes, and to different degrees of wealth in Western Europe.

The investigation aims to answer some key questions: *What are the main challenges that cities are facing to develop competitiveness and preserve social cohesion? What have been the main economic trends in these cities and their impact on social and spatial inequalities? How have these problems been defined in the public discourse in these cities? To what extent have the issues of social justice and economic competitiveness been combined together in local political agendas? What have been the impact of the current crisis and what have been the reactions at the city level?*

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<sup>2</sup> Hans Thor Andersen, Irina Auernhammer, Ana Belén Cano Hila, Rémi Dormois, Deborah Galimberti, Marisol Garcia, Alan Harding, Nicola Headlam Agostino Petrillo Gilles Pinson Marc Pradel Alain Thierstein, Rossana Torri. The results of the investigations are going to be published on “Unequal cities in Europe: the challenge of post-industrial transition in times of austerity”, Edited by Roberta Cucca and Costanzo Ranci, Routledge, Forthcoming

Three crucial aspects related to the interconnection between economic performance and social cohesion will be considered: increasing social inequalities within the cities in relation to the specificity of their local production regime; the trade-offs between local interests protection and capacity to attract global flows of financial and human resources; and new social morphologies emerging in these cities as consequence of their globalization.

All these cities have carried out relevant urban projects and policies aimed at promoting their international functions and attracting foreign investments and high-quality human resources. We will consider to what extent globalised economic functions have been performed independently of the social quality of the urban context, and we will show how these impacts have been different in the cities considered, and they basically depends on the peculiar development pattern of each city. The role played by local policies will be examined in this context, focusing on policy fields where cities still play a crucial role: the contrast to housing affordability problems arising as consequence of the increased land value, and the activation of new employment with characteristic of good quality in terms of salary and stability.

## **2. Disconnected cities**

Over the last decade, the study of an emerging disconnection between competitiveness and social cohesion has been a major issue in urban studies (Ranci, 2010), and in particular with a focus on socio-economic inequalities related to income distribution and the labour market structure; spatial inequalities, in terms of residential segregation and accessibility to a decent home; inequalities among genders and different ethnic groups, in relation to the chances to experience an upwards social mobility. Such investigations have mainly shown, under several points of view, the limits of the neo-liberal rhetoric stating that fostering economic competitiveness has a general benefit for the whole population, and that “the fundamental mission of neo-liberal state is to create a “good business climate” [...] because it will foster growth and innovation and that this is the only way to eradicate poverty and to deliver, in the long run, higher standards to the mass of the population” (Harvey, 2006, 25). As a matter of fact, the effects of this entrepreneurial stile of government have shown different results in terms of socio-economic inequalities and spatial justice (Ache et al., 2008, Buck et al., 2005), that are quite far from the assumption implicit into the neo-liberal approach to urban policies.

As far as socio-economic inequalities are concerned, the pattern of economic growth experienced over the last decade has been considered to foster trajectories of social polarization or increasing inequalities among social groups. According to Castells (1996) and Sassen (1991, 2000), the rise of global financial markets and the introduction of IC technologies have exposed cities to increasing competition with other cities, fostering more social polarisation as a consequence of the parallel growth of a low-paid, low-qualified service industry, attracting masses of immigrant workers as well as high-skilled workers. Authors such as Hamnett (2003) have instead argued that while the economic growth experienced during the last decade has been extremely beneficial to the upper class, it has not been detrimental to lower classes. For this reason European cities, according to Hamnett, may be represented as social contexts more affected by increasing inequality than polarization. More recent researches, finally, have highlighted different patterns of inequalities affecting European cities, that are consistent with social phenomena characterizing national contexts, such as demographic trends and innovation in welfare states, and the different patterns of economic development adopted to foster economic competitiveness at urban level (Buck, 2005; Cucca, 2011). To sum up, European cities exhibit a broad mosaic of possible interrelationships between economic competitiveness and social inequalities that have been categorized only recently (D'Ovidio and Ranci, 2014).

Increasing social inequalities have also spatial impacts. Although European cities in comparison with North American cities are still less divided (Préteceille, 2009; Musterd, 2005), there has been a more general agreement among scholars on the increase in spatial inequalities and residential segregation (Cassiers, Kesteloot, 2012). Since segregation is mainly the projection of a social structure onto space (Haussermann and Siebel, 2001), it reflects the pattern of social polarization or increasing inequalities discussed above, affecting social groups particularly suffering for social exclusion (such as recent immigrants, refugees, and unemployed people), as well as social groups who have mostly benefited from the economic growth during the last decade (people living in gated communities or gentrified areas).

Additionally, spatial segregation is not only a mirror of the social structure, but it may act itself as a driver of social inequalities. In European cities social exclusion is less the result of a presumed *neighbourhood effect* (Mussey and Denton, 1992) than the consequence of the concentration of disadvantaged people or homogeneous ethnic communities in places that are not supported by adequate social and physical infrastructures (Arbaci and Malheiros,



2009; Cattacin, 2006). This situation makes segregated areas definitely disconnected from the places where social resources and opportunities are. Two factors - the recent retrenchment of the public housing sector in many countries and the decline in affordable housing solutions driven by the market - have jointly pushed most of the disadvantaged groups to the social and physical boundaries of the cities. Moreover, large part of the urban middle class has been induced by the same factors to spend a relevant part of their family income in order to afford a decent housing in the city or in suburban areas. Within this framework, the scientific debate around spatial segregation is not so much divided on the analysis of the phenomenon as on the specific solutions to adopt (Musterd, Andersson 2005). Two alternatives are generally discussed: a) area based interventions in the deprived areas in order to develop better infrastructures; b) sectorial policies oriented to contrast social inequalities and to provide more affordable housing solutions. In a context of retrenchment of public funds available for housing policies, area based policies have meet a major success, although many empirical evidences show that these interventions have been quite ineffective to contrast spatial inequalities (Musterd, 2005).

If these investigations have clearly contested the existence of a positive impacts of urban competitiveness on social inequalities, a general understanding of the possible positive effects of a social structure characterized by less inequalities as component of urban competitiveness is still missing. In large part of the literature, low levels of inequalities are usually correlated to more secure and cohesive communities, offering an attractive social environment for post-industrial, non-material economic activities (Begg, 1999; Cheshire, 1999; Buck *et al.*, 2005). However researches carried out in the UK in the 1990s (Buck *et al.*, 2005) found no empirical support for this supposed interdependence. Changes in the level of economic performance of British cities during the 1990s were much better explained by traditional economic factors (level of deindustrialisation, spatial deconcentration) than by positive correlations between economic competitiveness and low levels of inequalities. Furthermore, investigations carried out on German cities (Panebianco, 2008) and Spain (Lopez *et al.*, 2008) found a positive correlation between social cohesion and competitiveness. According to Panebianco, the good impact of increasing competitiveness among cities on their social cohesion was basically exerted via the labour market and it consisted in a significant decrease in the unemployment rate. However, in this analysis further crucial aspects of social cohesion—such as income inequality—were not investigated (Ranci, 2011).

To sum up, research states that conventional or academic wisdom about the 'natural' complementarity between competitiveness and social cohesion does not have adequate empirical support. If this weak interdependence shows the unrealistic assumptions of conventional liberalistic wisdom (Buck *et al.*, 2005), it should be considered as an important empirical result in itself. It may be hypothesized, indeed, that a lack of necessary interdependence between competitiveness and social cohesion *is* the actual condition under which the economic growth of cities comes about in the global era. Empirical analysis on 50 Western European cities exploring the relationship between inequality and social inclusion on the one hand, and global competitiveness (including measures of productivity, transnational connectivity) on the other, showed that there was no statistical interdependence between these two dimensions: cities performing highly on one dimension did not necessarily perform in the same way on the other dimension (Ranci 2011). Further investigations found out a very low correlation between economic performances and equity in social opportunities in European cities, and high differentiation among cities in this relationship (d'Ovidio and Ranci 2014). More than an European urban model, therefore, a plurality of models seems to emerge as result of differentiated patterns of urban development.

Whether or not, and to what extent, economic growth is combined with social cohesion is therefore not a matter of normative assumption, but merely one possibility among a broad range of options. Urban policies play here a relevant role. Differences among urban contexts are huge, both in terms both of economic development adopted to respond to the challenges of the globalization and in terms of social impacts of such transformations on the most vulnerable and advantaged groups. These differences are not only due to the variety of welfare regimes as well as of capitalistic patterns, but they also highlight the centrality of strategic choices operated by local governments in affecting the economic and social composition of the urban contexts. However, as stated by Hasserman(2005) together with the decline of social housing in most European states and with the financial crisis of municipalities, the influence of public decisions on the socio-spatial organization of the cities has been diminishing dramatically. There is a tendency to the dissolution of the city as a public good, through the privatization of housing, the selling of public land, the selling of public enterprises, the commodification of public and social services .

## ***2. Testing urban policies: providing good quality employment and housing affordability in times of globalisation***

How have European cities actually combined measures towards urban competitiveness and public programs aimed at preserving their internal social cohesion? Urban policies have become crucial testing grounds of the capacity of cities to bring these two aspects together. The lack of standard solutions due to the crisis of Keynesian approaches has paved the way for innovation and differentiation in urban initiatives. The retrenchment of welfare state in many European countries has furthermore exacerbated dilemmas and trade-offs, reducing State financing to local municipalities and increasing correspondingly the need for local cohesion policies.

It is in this multifaceted scenario urban policies have had to deal with social problems exacerbated by the financial crisis and with increased need for support to local competitiveness. The main trade-offs are found in two traditional fields of urban policy, where European cities have traditionally played an important role: *a)* economic strategies aimed at fostering competitiveness with expected positive impacts on local employment, and *b)* urban renewal projects intended to sustain real estate markets combined with measures of housing affordability. In the last two decades both these fields have been characterized by increasing trade-offs and dilemmas among the goal of promoting attractiveness and market mechanisms on the one hand, and the necessity to fight unemployment, poverty and house deprivation on the other. They constitute therefore two great testing grounds of the directions and capabilities of current urban policies in our six big European cities.

### ***2.1 Economic competitiveness and social inequalities: do 'good jobs' matter?***

Understanding the role of cities in fostering economic competitiveness and the effects of these policies on social inequalities is a complex task. As clearly stated by Chris Hamnett (2003), the economic trajectories of the European cities appear extremely heterogeneous, since urban contexts are placed in different Production Regimes and because they seem to have responded differently to the globalization dynamics (Gallie, 2007; Hall and Soskice, 2001). Until now, however, an attempt to understand and categorize the patterns of economic development followed by European cities (Ache and Andersen 2008, Kazepov 2005, Musterd and Murie, 2010, Feinstein, 2010) and their effects in terms of social inequalities has been missing. This investigation attempts to fill this gap, firstly proposing an analysis of the impacts of the patterns of economic specializations of cities on the labour

market structure; and secondly analyzing the urban policies promoted in order to foster economic competitiveness and their effects in terms of “good quality employment”.

Cities have followed different trends in their general transition from a Fordist economic structure to a service-based economy. In this investigation we try to capture the peculiarity of such transition and propose a categorization. Cities have experienced different patterns of urban economic specialization, especially attracting non-local capital through investments infrastructures for connectivity, urban renewal and sustainability policies, cultural and housing interventions oriented to the creative class or tourists. The spatial division of labour within the firms’ production processes (Massey, 1984) has reinforced the diverse occupational structures of cities and this has also fostered dissimilar patterns of inequalities in the labour market structure and income distribution among urban contexts (Cucca, 2011; Pratscheke, Morlicchio, 2012).

The most important convergence experienced in the post-fordist period has been a gradual shift from “urban regimes” (Stone, 1989) differently oriented in responding to needs of different actors and social groups, towards a common conception of cities as *growing machines* (Malotoch, 1976), where the aim of the economic competitiveness through land valorization has become the most important goal for the urban government (Farnstein, 2010). However, the strategies followed by European cities in order to achieve this aim have been different. They have answered and are still answering in a different way to globalization challenges and economic crisis threats, placing a bet on diverse economic sectors as well as urban development strategies. These different development trajectories greatly influence the perspectives of international competitiveness, but, entwining to different welfare regimes, also transform the urban social and occupational structures of cities.

Within this framework, the occupational structure is an important mechanism to understand the relations between the economic and social dimensions of urban development. In the investigation the economic performances of cities have been studied in terms of effects on the labour market, with reference to the level of employment promoted, as well as the “quality of the jobs” created and the impact of the current economic crisis. The notion of job quality is complex but crucial to be investigated. According to the International Labour Organization, job quality takes into account many aspects such as protection and income security, quality of participation in the labour market, and inclusion in society. The European Commission asserts that is both a relative and multidimensional concept: good jobs include equal opportunities, good and flexible work organization permitting better reconciliation of

working and personal life, lifelong learning, health and safety at work, employee involvement and diversity in working life. Taking into account also the economic dimension of job quality, such as wages, fringe benefits, regularity or intermittence, Kalleberg (2011, 9) defines a good job as one that: a) pays relatively high earnings and provides opportunities for increases in earnings over time; b) provides adequate fringe benefits and social protections; c) enables the worker to have opportunities for autonomy and control over work activities; d) gives the worker some flexibility and control over scheduling and terms of employment; e) provides the worker with some control over the termination of the job. Although this is a complex concept to analyse, our investigation has taken into account the quality of the jobs created through urban policies fostering the economic growth of the city, in order to understand if these interventions have been able to promote a labour market affecting positively economic and social inequalities, or conversely promoting processes of polarisation.

A second step of the investigation has been to understand the role of urban policies in this transition, studying both how competitiveness is promoted at urban level today, and the role of municipal governments in preserving social cohesion. Traditionally, social and economic scientists analysing economic competitiveness have mainly paid attention to the national level, basically ignoring the local level of analysis. Furthermore, economic competitiveness is a goal which the public sector can not achieve alone (Stone, 1993; Molotoch, 1976). Therefore our analysis is focused not only on direct public intervention of local municipalities, but also on various forms of negotiation and partnership with private actors (Harding, 2005). Conversely, the role of the local and municipal levels of government in fighting social inequalities has been investigated (Harding, 2005). Our hypothesis here is that in the last decade the capacity of urban policies to affect social inequalities has been greatly weakened by the inertia or retrenchment of the welfare state intervention, but that social innovation at the local level has recently increased to fill the gap between growing need for social intervention at the local level and shortage of financial resources at the central level. We will see how social cohesion policy has entered the public agenda in most of our cities, making social policy one of the most interesting fields of growth of urban policy.

## *2.2 Planning for the competition: the effects on housing affordability*

As already mentioned, the main planning strategies employed by urban and local institutions in order to promote local growth are: a) investments in infrastructure, subsidies and regulatory relief to property developers and firms (such as office-led development, malls, sport facilities, clustering of related companies), often providing expensive housing solutions

for the high-middle class; b) huge urban renewal interventions in deprived neighbourhoods or brownfield redevelopment strategies, able to provide the right urban environment for the creative class “wanted” for a new economic development of the city. However, the consequences of these projects for spatial equity have not been taken into serious consideration very often.

As argued by Fainstein (2010), the first important possible effect of such policies in terms of social equity has been the use of public funds in favour of private investments, contributing to market processes rather than to collective goals. This shift in urban planning has been an important reason for the decreasing investment in municipal and social housing interventions, with negative effects in terms of social redistribution. Although these strategies may be mainly dependent on the national level of government, disparities in the level of affordable housing among cities within the same country show that urban patterns of local development have certain degree of autonomy. Furthermore, starting from the Seventies, such kind of policies have been accused to foster gentrification (Smith, 1979), by increasing the value of the properties and attracting the presence of middle class groups to central areas. As final result, these processes have lead not only to the displacement of the most disadvantaged social groups, but also to a general lack of affordable housing solutions for the remaining part of the lower and lower-middle class population.

The urban policies oriented to deal with these “unexpected consequences” have been quite rare and with uncertain results. In some cities private developers of large housing estates have been asked to include a proportion of units for low income residents, in order to increase the availability of affordable housing. This has sound also as a smart way to create more “mixed and balanced communities” (Bridge et Al. 2011); however some scholars (Arbaci, Rae 2010) have argued that this has lead to a huge process of urbanization with a low production of affordable housing. In addition, this fact has lead to more severe stigmatization and segregation for low-income social groups concentrated in small communities (Arbaci, Rae 2010).

Other public interventions have been oriented to support social housing associations, instead of the direct (and more expensive) involvement of public authorities in housing provision; public subsidies to non-profit organizations or to private developers now provide the principal means by which new affordable housing is provided (Van Kempen et al., 2005). However, usually private homeowners have greater freedom to discriminate against more

problematic tenants, such as former criminal or mentally disable people, as well as to define “quotas” for recent immigrants (Agustoni et al., 2012).

Moreover, strategies for rent control and rent support have been introduced to avoid strong processes of displacement of the population from gentrified neighbourhoods (soft gentrification). However, these strategies have often produced limited effects due to a shortage of public funds available for these programs (Franz, 2015). The support to home ownership as well, in this period of financial crisis and housing market crisis, has lead to huge economic problems for people who are not able to afford the mortgages and other property expenditures.

Even though policies addressing this issue have not reversed the dominant trends towards gentrification and displacement of the poorest population from city centres, in some cities public institutions have decided to re-start to support the municipal housing provision or have introduced new mechanisms to make some interventions already mentioned more effective. Within this area of analysis, the aim of the research is to understand how local or regional governments have dealt with this challenge and what have been the most important effects.

### **3. Big cities under examination**

The focus of this investigation on six big non-capital (with only one exception) European cities is aimed at detach the influence of State administration and direct State intervention on economic and social policies carried out at the city level. At the same time, these cities play a crucial role as second-cities in their own national context. If they have not developed intensive State administrative functions and national symbolism is less relevant, these cities are open to international links not necessarily intermediated by nation-state political roles. They represent therefore the perfect context where international competitiveness could develop in the last 10 years .

It is not a case that all six cities have seen a relevant economic growth until the crisis, with positive real GDP growth rates. Additionally, with some exceptions, even demographic trends have been positive until 2007, showing a strong attractiveness of these cities.

City	Economic and demographic growth	Social cohesion	Impact of the crisis
Barcelona	Very good growth until 2007 both in gdp and size, the highest value among the six cities.	Unemployment historically very high but decreasing until 2007. Housing rent sector very weak, rising share of ownership, rising prices.	The crisis has stopped the financial bubble but has increased unemployment, unpaid loans, and evictions due to unaffordability problems.
Copenhagen	Increasing GDP growth rate and stability in size. Good availability of high skilled /well paid positions in advanced tertiary services	Increase in housing value increasing exit of middle class from the city and segregation of immigrants/refugees. This is counterbalanced by a good presence of good low-medium jobs in public employment .	Rise in unemployment (8% in 2011 from 2%). Decrease in housing prices but spread in loan insolvency.
Lyon	Huge growth in GDP and population in the 1990s.	Unemployment very high in the 1990s and decreasing until 2007. Rising prices of housing.	Rise of unemployment but resilience of the local labour market due to its variegated structure.
Munich	Munich represents a centre of excellence, with high, stable increase of GDP and population.	High demand for high quality housing, followed by continuously rising costs for rent and property prices, which increase the demand for social housing and risk of segregation in specific districts. Sharpening of income disparities..	High resilience of the city due to the diverse economic base of the city (Munich Mix). Very slight increase of unemployment.
Milan	Rise of GDP in the 1990s, and more recent drop due to crisis in competitiveness and attractiveness.	Huge increase in housing prices (2000-07: +60-70%), and high expansion of public-private residential interventions, which do not match the demand for low/middle cost housing. Unemployment shrinking until 2007.	Increase in unemployment rate up, to 6% in 2010, especially for the youth. The crisis of the loan system makes affordability even harder.



The research is based on case studies investigating the economic and social contexts in our six cities as well as urban policies promoted in order to foster economic development and to preserve social cohesion in two fields (housing and employment), with a special attention paid to local actions contrasting the effects of the current crisis.

Among the cities selected for this research, Barcelona has been the most successful city in terms of economic growth before 2007, as well as the urban context more affected by the crisis. On the side of social cohesion, unemployment has known a very fluctuating trend, while housing conditions have been characterised by affordability problems especially for middle class families and more recently by increasing evictions. However, Barcelona in terms of urban policies, before the crisis used to have a balanced orientation towards development: although the priority has always been the economic growth of the city, the local governments have at the same time fostered programs with the explicit aim of promoting jobs of good quality and housing policies oriented to enlarge the affordable stock.

Also *Copenhagen* has gone through a period of economic development over the decade before the crisis. Unemployment was very low in the period 1999-2007 due to the high demand for highly skilled jobs in business services, media, info tech, consultancy and finance. Social cohesion was also preserved by the still very high level of public employment. In this city, the crisis has increased the unemployment rate and the labour market segregation of migrants/refugees. However, at the same time it has also sharply decreased housing prices and made it possible for middle class workers to purchase decent housing in central Copenhagen. Nevertheless, a large number of households have become insolvent as prices generally dropped by a third; their purchase of housing before the crisis have given them a huge debt: they will remain trapped in their present property for years. This situation has been also the results of local policies strongly oriented to economic competitiveness after the risk of Municipal bankrupt in the '90, that have promoted especially an increase in the spatial inequalities and residential segregation.

Lyon experimented a huge economic growth in the 1990s, which was followed by a stop and go process. This came with a huge increase in population and decreasing unemployment between 1990-2007. In France, the current crisis has mainly an impact on industrial jobs located in former industrial regions. The Lyon city region, with a still important industrial sector, have been hit quite strongly by the crisis with the closure of several plants. But, as other French large city regions, the Grand Lyon area, with its variegated and tertiarized economic structure, has resisted better than other territories. The case study analyses the

complex system of governance ruling institutional interventions for urban competitiveness and housing affordability, showing also in this case the strong orientation of the urban government towards neo-liberal tools to foster attractivity, an orientation sometimes also stronger than the national.

Manchester is a city that has dramatically shifted from being a manufacturing city to representing the second financial capital of UK. However this pattern of development has promoted a huge dualization of the labour market in an urban context already characterized by huge social and spatial divisions. The authors argue that, more than the economic crisis, austerity programs are the key issues in order to understand how the local government are facing the economic and social challenges. Austerity localism and the cuts to public sector funding have resulted in a very limited range of policies available to counter structural issues within housing and labour markets.

Conversely *Munich* is a city that has managed issues related to social cohesion as assets for the urban competitiveness. It is the only city not affected by the crisis with a high growth in real GDP in the 1990s, and still positive in the 2000s, as well as an enlargement in the size of resident population. Within the favourable context of Germany, Munich represents a centre of excellence. One of the main reasons why Munich has remained resilient during the financial crisis, is the diverse economic base of the Region of Munich, referred to as the 'Munich Mix'. This means that Munich has several poles of economic development with strong positive effects on the diversity and flexibility of the local labour market. A wide range of sectors, including SMEs and global players, define the composition of the 'Munich Mix'. Medium-sized business has a strong and stable impact on the local labour market development. The high employment level also of women has pushed increasing demand for childcare services outside the family, for financial support of single parents and appropriate housing solutions. The high level of rents on the privately financed housing market has also intensified the demand for social housing. However, socio-spatial segregation seems to get intensified due to varied price trends in the several districts and housing quarters of the city. The economic success of the city has nevertheless created new social problems. Due to the attractiveness of Munich and many demographic changes, the demand for appropriate housing remains at a high level, followed by continuously rising costs for rent and property prices. The high attractiveness of Munich is leading to sharpening income disparities. Rise in renting prices increases the demand for social housing and the risk of social and spatial

segregation in specific districts. This challenge today represents for Munich one of the main key issues of the local strategy for urban development.

Finally the case of *Milan*; in the Italian city the economic growth rate was high in the 1990s, but already negative or close to zero in the 2000s, showing the recent reduction in competitiveness and attractiveness of the city. Demographic trends were negative in the 1990s and positive but quite low in the last decade. Unemployment rate was diminishing to 5% until 2007, but housing prices hugely increased in the 2000s. The crisis has partially changed this scenario, with the unemployment rate increasing and the reduction in prices in the housing market contrasted by the deep crisis of the loan system, which makes housing affordability even harder. The chapter describes a local government prioritising economics and economic interest groups, while social problems are individualised and relegated to the self-organisation of groups.

#### **4. Urban policies in comparison**

The second part of the paper is based on city-based case studies investigating urban policies promoted both to foster economic development and to preserve social cohesion in two fields (housing and employment), with a special attention paid to local actions contrasting the effects of the current crisis.

The situations described above are the results of global trends, national orientations but also of the different attention that urban governments have showed in trying to combine economic growth with social integration. The main aim of this investigation has been to understand if, as stated by Hasserman (2005) the ‚Americanization‘ of the European City is under way, fostering the convergence to the market-led organization of the cities, or it is still pertinent to refer to European Cities as different and relevant actors (Bagnasco, Le Gales, 2000). In order to understand the role of European cities in fostering competition but also preserving cohesion, it is first of all necessary to frame the contexts in terms of diverse institutional setting, that in different countries make cities marginal or central actors in governing specific areas of policy.

Urban policies addressing the social cohesion problems have been significantly affected by the inter-scalar institutional setting, linking together different scales, different territories, and institutions. The room for local action is indeed quite different in our cities, and depends on two main aspects: a) the degree of federalism in the inter-scalar institutional setting, giving

local authorities more or less fiscal, financial and substantive autonomy; b) the level of institutional stickiness, or inter-institutional coordination and integration, both vertically (along the axis running among state-region-municipalities) and horizontally (at the scale of metropolitan governance).

The position of our cities is different along these two criteria. *Barcelona* is characterised by high level of autonomy as a consequence of the decentralised structure of the State in Spain, and by a corporatist urban governance system, with high integration of social and political forces, and local institutions. The high level of institutional stickiness has made it possible the development of an intensive strategic planning activity, involving market and civil society actors. Many plans have been implemented through a frequent use of public-private partnership. The strong economic crisis and the recent break in political continuity has partially weakened the so called “Barcelona model”, opening the way to a more liberal approach.

*Munich* is also characterised by a co-operative federalism, a strong state-region-municipality coordination in economic policy. Social and housing policies are integrated and led at the local level, while the planning and economic investment activity is led at the metropolitan scale. A clear example of such approach is “Perspective Munich”, a strategic masterplan established in 1997 as a flexible framework of orientation and very often updated and used as platform for public discussion and specific actions. The crisis has not seriously questioned this setting.

*Copenhagen* is historically characterised by a liberal approach, with local public intervention focused on economical development and aimed at fostering and supporting private initiatives. Social cohesion policies are still under the responsibility of the State, which retains strong duties and influence in welfare, housing and large infrastructural plans. Even though strategic regional or local plans have been put in place through a dialogue between public authorities and other stakeholders (for example, between the region and the municipalities, businesses, organizations and associations), municipal actions addressing the needs of the most deprived population (local planning and housing initiatives) have been often blocked by State constraints.

*Lyon* is historically characterised by a high level of centralisation of responsibilities at the State level. However, recent decentralisation processes have shifted some of public responsibilities in planning, housing and economic development from State to local authorities. Moreover, a relevant aggregation of Local Authorities in a inter-communal body,

the Grand Lyon, has been developed to deal with large scale tasks. This has opened the way for the creation of master plans at large scale, and of a local housing program (Programme local de l'habitat) at an inter-municipal scale (2011).

The UK is a comparatively centralized nation, politically as well as economically. The national policy context frames the resourcing available for local government (more than 70% of funding, overall, comes from central government) with local councils funded by a combination of central government grants. Despite this political and fiscal centralism Manchester has garnered significant national/international attention for the way in which it has sought to work across the administrative boundaries of the conurbation and to build partnerships for tackling key economic and social challenges with construct horizontal and vertical alliances with other public and private bodies and higher levels of government.

Finally, *Milan* is characterised by a low level of institutional inter-scalar coordination. The State has exclusive functions in economic policy, land regulation, housing standard, ecc.. Regional responsibility is held for planning, social policy and housing, but there is still room for municipal intervention. However, neither vertical nor horizontal inter-institutional co-operation has been developed so far.

Within these institutional frameworks cities have fostered different policies and programs for housing affordability and good jobs, as well as urban competitiveness. Although the conditions for local action are converging more and more by the internationalization of economic relations, and by the enormous power, international players have achieved over the last two decades, we can observe remarkable differences in local responses to these tendencies, also in the current time of crisis.

#### **4.1. Housing policy: main political strategy and trends**

Housing affordability problems have been emerging in the last years in all cities. Increasing difficulties to pay house prices have interested not only the poorest groups of the population, but also relevant part of the middle class, including families with children, pensioners, and youth in transition toward adulthood. The most important factor must be seen in the housing market dynamics, fostered not only by financialisation of the housing sector, but also by the good economic growth of our cities in the last decade until 2007. The rise of housing prices and the huge increase in the share of housing ownership have exacerbated affordability problems. Public policies fostering urban requalification and real estate investments in the

attempt to support economic competitiveness of the city have indirectly contributed to the contraction of the rent sector. A more direct contribution to affordability problems came from the reduction in the public housing stock occurred in most of our cities.

In the last years most of the cities have tried to address these problems, reversing their previous urban policy direction. The most traditional intervention was the requalification of peripheral neighbourhoods via participative local actions. More recently the central aim in this policy re-orientation has become the growth of the renting sector, strongly hit in the previous years by rising prices and huge increase in the share of ownership.

*Barcelona* has seen a huge increase in housing price in 1995-2006 (+ 500%). In the same period there has been a significant decrease in the public housing stock for rent and a low public expenditure on housing (only 0,5 State GDP devoted to housing policy). State housing regulation was indeed directed to foster ownership, with low development of social housing and other forms of tenure. These trends were contrasted through a large share of policy intervention aimed at re-qualifying peripheral neighbourhoods and lately at supporting the rental sector. The most important interventions has been a big public investment (€ 1,2 billions) in selected neighbourhoods in order to change the dynamics of the housing market, and to generate urban and social improvement. A State Plan for Housing and Rehabilitation (2009-2012) was launched in order to reorient housing policies to the rental sector. Other minor programs were introduced to foster a new renting market: a grant of 210€ per month to young people with a rent contract; public subsidies to private investors. Finally, a new urban renewal policies based on the activation of citizens started in 2004 (Neighbourhood Act), which was focused on affordability, but mainly relying on private initiatives because of the lack of public money. Notwithstanding the adoption of the traditional multi-level governance approach, which allowed the involvement of many actors in these plans, recent intervention suffer of limited public money. Actually the promotion of an effective housing policy is left to future private sector proposals.

In *Copenhagen* more stress was put on the renewal of deprived neighbourhoods than on promoting housing affordability. For many years the City government promoted home ownership in an attempt to capture high income groups and solve the financial crisis of the local public budget. Public intervention aimed at renewing deprived neighbourhoods (es. Vesterbro) and at fostering private investments in new development areas (Oresund) worked out as drivers of gentrification and increasing costs of housing. Moreover, during the 1990s massive sale of municipal housing was accepted in order to cover the city's public dept.

Additionally, in many renewal projects nonprofit co-operatives were prevented to build low cost apartments in order to avoid providing housing for the less affluent. This policy has successfully attracted new high income and highly skilled workers to Copenhagen, but has also increased dualization in the housing market. In the last years local authorities have elaborated a new Social housing Masterplan, aimed at providing 5.000 new dwellings at a price of 5.000 DKR pr month (about 700 €). The houses should have been located on publicly owned land in order to reduce the total costs. However, sale under market price of publicly owned properties has been decided illegal by the government and consequently the plan could not start so far. Finally, recent measures were proved to be unable to contrast the residential segregation of immigrants and refugees in the social housing stock.

*Lyon* is also characterised by a double policy orientation. On the one hand, urban planning has mainly supported the gentrification of central areas through restoration of historic neighbourhoods, improvement in the quality of public spaces and concentration of prestigious equipment in central neighbourhoods. Moreover, demolition and rebuilding of buildings in the most distressed areas have diminished the available resources for social housing budget, and the upgrading of the public stock contributed to an increase in renting prices. On the other hand, a large range of housing affordability policies were introduced, which allowed approximately 50% coverage of demand for low-cost housing. Among these measures there are: introduction of large public land banks, used to develop social housing both by non-profit and private actors; the introduction of the "*servitude de mixité sociale*" in the areas with shortage of low-cost housing, a rule imposing a minimal share of social housings for each future real estate development (20 or 25% of social housing); contracting out with non-profit organization to develop housing for the poorest households in existing private dwellings. Furthermore, the Grand Lyon has benefited from the national program of urban renovation with 12 neighbourhoods integrated projects.

In *Munich* affordable housing has been represented as an important issue. The main task of housing policies has been to provide adequate and affordable housing, according to the continuous urban growth of Munich, and maintaining the quality of life in the urban districts. These measures have been interestingly linked with the process of customizing social infrastructures for childcare, the care of the elderly and for other social services. Accordingly many programs started up to address housing affordability. A primary objective of the 'Living in Munich I-IV' plan (1990-2010) was to promote the construction of new housing units. Since the programme's launch in 1990, the construction of 125.000 housing units has officially been

permitted, 115.000 housing units have been realized and 22.000 of them have been financially supported. This program provided also many social interventions. Other programs (like the “Munich Model for Rental Housing”) were launched to address mainly families with children belonging to the lower middle-income sector. A special socially equitable land use scheme was introduced in order to fund new social housing programs. Finally, a municipal plan (‘Initiative for housing’) aimed at granting new building permits for 3.500 housing units a year, whereof 1.800 housing units per year will be subsidized (900 rental units for households with low income).

In Manchester Housing crisis is acute. There simply are not sufficient decent and affordable homes to meet the demands of the population. The first point to make is that despite the current round of institution building undertaken, the city regional actors do not have the requisite powers at their disposal to make significant interventions in the key policy areas of housing and skills. In addition, despite relatively higher proportions of residents of the city-region living in social housing, this provision is no longer the direct responsibility of the local authorities themselves as the most of the homes they used to own have been assets of social housing have been largely ‘stock-transferred’ to independent out of local authority control and are managed by a network of Registered Social Landlords (RSLs) - RSLs / Housing Associations, which are generally considered as private entities in that they are not owned or directly controlled by the state . Under the last government there have been many housing interventions within the Greater Manchester City Region (GMCR) mostly through public-private partnerships and private finance initiative (PFI). The most significant initiative in the area of housing was the Housing Market Renewal Programme’s Manchester / Salford Pathfinder (MSP). MSP’s aim – which is being maintained by the two City Councils - was to support the economic growth potential of the Manchester City region by renewing these neighbourhoods so that they provide a mixeture of privately-owned and rented homes housing offer with higher quality and a more diverse range of housing types , values and tenures that will meet the aspirations of both new and existing residents who might otherwise move elsewhere. Despite this favourable evaluation the MSP was cancelled in a wave of cuts to regeneration schemes by the incoming coalition government.

Finally, in the last decades *Milan* mainly invested in big real estate development, with the aim to attract financial investors in the city. Affordability problems have been mainly addressed through public/private partnerships aimed at increasing the supply of low renting houses, with very poor impact. The dominant orientation was giving more incentives to private



investments in high value and very profitable private housing than in creating an affordable housing sector. Consequently affordable housing was achieved through public-private partnership, promotion of controlled rents in real estate developments, and public-private partnerships aimed to provide low rents through the refurbishment of the empty public housing. In the last year the new administration seems to have started up a new agenda for housing policies in Milan, founded on public investments in social housing. Nevertheless the lack of public money has allowed only programs still based on private intervention, such as the provision of stock of public land properties to be made available for new projects of public housing, or the creation of a small public fund for the increase of low rent social housing (new and refurbished) (25 million in 2012).

Considering the whole range of affordable housing programs developed in our cities, we can identify three different approaches:

- a) Public production of social housing with low cost renting (Copenhagen, Munich)
- b) neighbourhoods programs, mainly funded through State or European Union financial support, aimed to urban regeneration of the most distressed areas (Lyon, Munich, Manchester)
- c) public-private partnership programs aimed to sustain private production of low-cost rented housing, or to give incentives to a low-cost rent market (Milan, Copenhagen, recently Barcelona).

To sum up, in the last decade housing policies have been mainly focused on urban competitiveness and attractiveness in our six cities, supporting real estate developments and requalification projects mainly driven by private interests. In Copenhagen and Milan this orientation has been very clear and explicitly aimed to favour the access of the new affluent social classes to highly priced housing supply. In Copenhagen this option has been considered a priority in order to re-balance the city' public budget. In Milan, this approach was seen as a way to re-qualify parts of the city and get extra financial resources to be used for new public investments. In other cities, like Barcelona and Lyon, the strong support given to private investments addressing the housing needs of the affluent classes was balanced with attention paid to the spatial redistributive effects on the poorest urban areas. Neighbourhood programs were launched in many distressed areas as complementary to private-driven investments with the aim to improve these territories and to preserve a social mix. Only in one city – Munich – an explicit relevant attention was paid to affordability problems in the public agenda. A generous social housing and a large renting sector were conceived in

Munich as important ingredients of urban competitiveness and accordingly financial resources were allocated to affordability housing programs.

	<i>Housing and territorial policy focused primarily on private real estate investments</i>	<i>Housing policy focused also on affordable housing</i>
<i>Residual affordable housing policy, sustaining private initiatives</i>	<i>MI - BA (today)</i>	
<i>Public neighbourhood requalification programs and incentives to private provision of affordable housing</i>	<i>LY</i>	<i>BA, MA (until 2011)</i>
<i>New public social housing programs</i>	<i>CPH</i>	<i>MU</i>

#### **4.3.Policies towards “good employment“**

Measures addressing the issue of providing the population with “good employment” have been promoted in our cities within the broader context of policies of local economic development. In most of the countries here considered policies aimed to protect employment or activate the unemployed are funded and regulated at the national level, with a minor role, limited to management, played by local administrations.

*Barcelona* have been facing a progressive dualization of the labour market in the last decade. The current crisis has hugely increased unemployment, which shifted from 6.5% to 17.5%. The city has put much emphasis on employment through local pacts focused on “quality of employment”. These pacts include measures to attract creative and innovative talent, to include drop outs and people affected by the reconversion of sectors in difficulties, to start up new active policies including training programmes and itineraries of personalised insertion. For example, *Barcelona Activa* is a broad local program aimed at: a) improving skills of unemployed and employed workers; b) fostering entrepreneurship; c) fostering equal

opportunities through special measures for women. With the crisis, however, the budget of employment policies has been drastically reduced (in 2012 cuts by 57%). A new approach seems to be emerging in the new government of the city, focused on developing urgent employment policies through new "employment plans", delivering financial resources that city councils, universities and nonprofit organisations can use to hire unemployed qualified workers for a short-term period (6 months). Moreover, the program includes also public subsidizing of 70% of the costs of hiring young people by private companies.

In *Copenhagen* unemployment has increased in the last years by 2% yearly, especially hitting youngsters and old workers. The capacity of the city to influence employment and economic development is relatively limited as major responsibilities in this field are held by the national government. In such context good employment for lowly skilled workers is substantially guaranteed by the still very large share of employment in State and public activity, covering one third approximately of total employment in the city. The only relevant pro-active policy at the city level was the Municipal Plan in 2005, which promoted the institution of eight "creative zones" as an attempt to promote good conditions for the creative industries. In this plan attention was paid to increase employment in emerging "creative" sectors. No *ad hoc* policies addressing the problems of low skilled workers and migrants have been adopted at the local level so far.

The same approach to invest in programs oriented to innovative sectors and culture/creativity was found in *Lyon*. Even in this city no employment policies were introduced at the local level. Urban policies at the city scale were therefore anticipating or accompanying the rise of a dual economy, characterised by increase in high skilled workers employed in advanced tertiary activities. *Ad hoc* policies indeed were supporting innovative sectors (such as biotech and clean-tech), through the institution of *pôles de compétitivité*, public support to collaboration between Universities and private companies, restructuring of communitarian services targeting companies belonging to the poles' industries. Furthermore, measures aimed to foster innovation and entrepreneurship was developed through the extension of networks of agencies and institutions (LVE) providing services and support to new start ups. Employment stabilization, which depends mainly by regional competence, has been pursued through professional training initiatives, without special investments on the part of the city.

In *Munich* the same approach to foster innovative economic sectors was found, but with a strong attention paid to avoid an increasing polarisation in the labour market. The main local

strategy has been to promote the “Munich Mix”, the capacity of the city to foster several poles of economic development with strong positive effects on the diversity and flexibility of the local labour market. The main peculiarities of such policy are the orientation to diversify the entrepreneurial structure and the commitment to preserve middle class through public support to handcraft and local shops. Many other programs were addressing the same issue. For example, a program through which the municipality tried to reinforce its self-image as ‘Munich – City of Knowledge’, was strategically aimed at the enlargement of such brand to other suburban areas. This was obtained, according to this plan, through support given to SMEs working in creative economy, sustain of the skills of workers involved in these SMEs, the support given to start-ups in this same sector. A special emphasis was also given to the support to handcraft and technology for SMEs. Core task of local economic development is the promotion of the middle-class working in SME networks. In order to push and to maintain the ‘Munich Mix’, the city aims to attract and to hold promising handcraft companies on long-term perspective. The aim is to maintain the immediate proximity between citizens and manufacturers and handcraft and to offer a wide and varied supply of goods and services. Complementary programs are addressing the lowly qualified workers. The “Munich employment and qualification programme”, for example, is dedicated to employment promotion programmes, structural transition, and special programmes for young people. Reduction of long-term unemployment, equal opportunities after childcare, apprenticeship for young unemployed, support to ethnic businesses are the most relevant goals in this program.

In *Milan* there have been no specific local policies addressing employment problems in the last decades. The dominant approach was to foster the spontaneous growth of innovative and globally-integrated sectors such as design, fashion, bio-technologies, high-quality medical services and research, providing them with public support and money incentives. Moreover, interventions for the economic development of deprived areas were launched thanks to State funding, with the aim to create "incubators" located in specific urban contexts marked by social deprivation, physical and economic deterioration, and aimed at the revitalization of the local economy. The very limited role played by the municipality in the current crisis has provoked a new activism in traditional social institutions (the Church, trade unions, ecc.), which started up new programs aimed to provide the unemployed and the poorest population with economic help. These programs have been substituting the political intervention of the local administration for many years since the current crisis began. Only

recently a partial re-orientation of the city's policy is found, based on the new goal to connect private interventions and provide incentives to innovative start ups and spin-offs.

Finally, the efforts to regenerate Manchester have been about attracting mobile capital and labour into the knowledge-intensive and high value service sector. There have been those, however, who argue that this focus on highly skilled in-migration has been wrong and that city-regional policy should focus on the existing resident profile of skills, whilst city leaders are most keen to boost and bolster the image of the city and not to emphasise the skills shortages and gaps within the resident population. Skills are the subject of the 'city deal' for Manchester. The City Deal is an agreement signed by the GMCA with the national government department of Business Innovation and Skills (BIS). Levers for change within the skills market are highly complex and can include pre-school, school and post-school (further and higher education), the levers of control for which are distributed over different governmental scales and across a plethora of institutions. The intervention of the Manchester Apprenticeship Guarantee is innovative in that it addresses the issue of NEETs young people not in employment education of training and links them into real jobs. However the very small numbers of young people involved make it only a proof of concept for an approach. Correct scale and scope of intervention in skills are critical if public agencies are able to affect the macro and structural issues facing the labour market and as the city-regional skills agenda remains a focus on high-skilled jobs there is a risk that those at the bottom are unable to share in the successes of the city-region.

To sum up, urban policies aimed at supporting "good employment" have not been promoted very often in our cities. Most of the responsibility for employment protection and promotion was held by State or regional governments, while the cities retained more responsibility for economic development. In this perspective public policies have been very pro-active, supporting the capacity of the city to attract the most innovative, specialised and globalised activities. This goal was achieved by adopting two different strategies. In some cities, like Lyon and Munich (and Copenhagen in some extents), policies supporting economic attractiveness have channelled public and private investments to specific areas of the city, linking economic development with territorial planning in the attempt to concentrate economic innovation in many different strategic areas, avoiding their concentration in the central areas., and using economic development as a driver for the requalification of de-industrialised areas. Both Lyon and Munich, for example, developed specific programs aimed at supporting the economic development of specific suburban areas, giving incentives to

private companies localising their business and promoting infrastructural and *ad hoc* training in such areas. Even Copenhagen invested relevant resources in such programs. In other cities, however, the dominant approach was providing incentives to specific sectorial, very competitive, economic activities without any steering capacity.

Policies specifically addressing the issue of “good employment” must be understood under this broader scenario. Generally speaking, cities had no specific responsibilities in employment policies and labour market regulation. In some cities, however, policies aimed to support the employability of the weakest labour force, to re-qualify low skilled workers, or to foster new entrepreneurship initiatives, were developed with different results. This is the case of Barcelona, Munich and Lyon though to a lesser extent. In other cities employment policies were simply not activated because of lack of institutional competencies and resources (as in the cases of Copenhagen), or because the dominant neo-liberal orientation of the political elite was not considering this as a priority(as in the case of Milan).

	<i>Local Employment Policy: activation, vocational training, incentives to start-ups, new entrepreneurship initiatives</i>	<i>Local employment policy: no political, public financial investment</i>
<i>Policies fostering attractiveness: liberal approach fostering specific highly competitive sectors</i>	<i>BA, LY</i>	<i>MI, CPH</i>
<i>Policies fostering attractiveness: integrated approach linking support to competitive sectors with territorial planning</i>	<i>MU, MA (LY)</i>	<i>(CPH)</i>

## 5. A tentative typology

The final part of the paper offers final considerations on the impacts of the economic crisis and national austerity programs on local policies. In particular, the reflection is on the relevance of a policy agenda addressing competitiveness and social integration in a neo-liberal policy framework.

As stated above, big European cities here considered have been going through a huge economic and social change in the last decade. All these cities proved to be extremely successful in obtaining a dominant position not only in their national contexts, but also on a European scale. They experimented a high economic growth until 2007, together with good progression in size and employment. The capacity of such cities to attract new investments have been grounded not only on their economic solidity, but also on urban policies that were able to support the most attractive and innovative specialised sectors. Local policies played an important role in this respect, providing financial support, infrastructures, and investment opportunities to both local entrepreneurs and global players.

This successful economic growth has come together with rising inequalities. Social and economic disparities have increased as consequence of two main trends: the rise of prices for housing, and the increase in the share of highly skilled workers attracted in the most innovative economic sectors. Urban policies have actually contributed to this trend, to the extent they supported both these trends. In Copenhagen, this policy orientation was quite explicit as the local government wanted to attract new functions and new population to the city in order to contrast the previous trend towards impoverishment of the city. In other cities, innovation and international attractiveness was the most relevant keywords and strategic goals, to which a huge amount of public financial resources have been directed.

Inequalities were therefore the result not only of economic and social trends, but also of urban policies directed to inter-city competitiveness and attractiveness. In particular, cities have had different approaches towards this issue independently from the national welfare regimes and from the political orientation of the urban governments, but as result of a complex entanglements of different factors such as the general system of governance and the specific distribution of power among institutions on specific areas of policies (local development, labour market, urban planning and housing policies)

In particular, it is possible to distinguish cities that 1) have applied an urban agenda mainly based on a neo-liberal approach towards competitiveness-social integration balance; 2) have

promoted social cohesion as an important asset for the urban development; 3) have attempted to foster programs, policies and tools to promote the economic development without exacerbating social and spatial inequalities, or have shown an ambiguous agenda, mixing different orientations.

- 1) Some cities, such as Milan and Copenhagen, did not develop an agenda for social cohesion. The political agenda of the Municipality of Milan was strongly oriented to economic growth through major investments in regeneration and redevelopment of urban areas, by running major international events (Expo 2015), promoting the city as a “global hub”, and involving private operators on this issue. In Copenhagen national and local programs addressed the issue of economic growth through housing renewal projects and new infrastructure projects. The aim was improving the long term balance of the City’s economy through privatisation of the public housing stock and requalification programs aimed at attracting high income groups. In these two cities social cohesion was left to others’ responsibilities: to private, charitable initiatives in the case of Milan; to the strong welfare state intervention in the case of Copenhagen. These two options obviously generated very different outcomes for the poorest groups of the population.
- 2) In other cities the search for economic competitiveness was combined with social cohesion goals. In Munich the huge stress on economic growth came with great attention paid to the risk of social polarization, especially in terms of spatial segregation. The ability to attract and welcome high skilled workers was seen as a key factor for economic success, but this was obtained through policies aimed at improving the service infrastructure for the whole population, and using local policy in order to involve new investors in spatial requalification programs. “Perspective Munich” especially focused on urban development as flexible and process-related way in order to stay attentive towards socioeconomic and demographic changes. In Barcelona, global competitiveness objectives (promotion of culture, tourism, arts, real estate investments) were associated to social cohesion programs, aimed at improving the conditions of the most deprived areas and to give employment opportunities to lower skilled workers. In both these cities the capacity to develop an integrated network of public and private actors seems to have played a relevant role. A strong inclusive governance approach was associated to a cultural orientation



linking economic growth and social cohesion together in order to limit the risks of social polarisation.

- 3) The case of Lyon, represents an intermediate situation. In this city, indeed, though the urban agenda was supposed to balance economic attractiveness and social cohesion, the paradigm of interurban competition and policies aiming to enhance the attractiveness of the city-region have been the dominant one. But specific urban programs were able to address emerging social problems in the attempt to preserve a diversified local production system and to guarantee a socially mixed urban environment. Finally Manchester has pursued an urban policy agenda strongly oriented to the economic resilience, through urban planning and branding as city of finance and ICT . However little attention has been paid in supporting the local residents to gain the skills for accessing jobs of good quality. At the same time, in the housing sector, beside a large privatization of the municipal housing stock, very little experimental programs (although interesting in terms of social innovation) have been pursued, while huge programs of housing renewal have been blocked by the Austerity localism and the cuts to public sector funding.

In fact, these different local approaches towards a balance between social cohesion and economic development have been changing after the crisis. In Milan, for example, the new municipal government has tried, at least in terms of rhetoric, to foster policies more oriented to social justice and social innovation; however, the difficult financial situation of the municipality as legacy of the past as well as the austerity measures fostered by the national level of government have reduced the ambitions of the current government, that has been following a pattern of local development based on a concurrence for public investment in economic or social initiatives. In Barcelona, conversely, the new Municipal Government has been following a pattern of development less keen in promoting social cohesion policy and more oriented to a neo-liberal agenda for urban policies.

City	Economic competitiveness / jobs of good quality	Attractiveness / Affordability	Approach
Milan	-Support to creative sectors such as fashion, design -No attention paid to the quality of the jobs	-Housing policy focused mainly on private real estate investments in order to foster city's attractiveness	<b>Neoliberal Rhetoric and Agenda before the crisis</b> <b>Rethoric of interdependance</b> <b>but semi-neoliberal agenda</b>

		-Little attention paid to measures for housing affordability. Rhetoric of the social mix to avoid investments in municipal housing	<b>after the crisis</b>
Copenhagen	-Support to creative sectors -Quality of the jobs left to public employment	-Housing policy focused mainly on private real estate investments in order to foster city's attractiveness  -Rhetoric of the social mix in promoting programs for urban renewal financed by the public	<b>Neoliberal Rhetoric and Agenda</b>
Barcelona	Support to creative economy and tourism, but also to local initiatives promoting jobs of good quality (local Agency Barcelona Activa)	Renewal projects oriented to attractiveness and social mix, but also to provide affordability	<b>Synergic Interdependence before the crisis</b> <b>Neoliberal Rhetoric and Agenda after the crisis</b>
Munich	Support to a mixed pattern of economic development (including manufacturing, ICT, handicraft, creative industries) - Munchen Mix Strategy	Urban planning and renewal projects aiming to attractiveness, but also to provide affordability	<b>Synergic Interdependence</b>
<b>Lyon</b>	No local attention paid in supporting jobs of good quality (eg. Supporting local manufacturing)  Urban branding as creative city	Demolition/Rebuilding programs aiming to social mix  Urban planning and renewal projects aiming to attractiveness and affordability	<b>Rethoric of interdependence but neoliberal agenda</b>
Manchester	No local attention paid in supporting jobs of good quality  Urban branding as city of finance and ICT	Municipal housing to NGO sector  Manchester Mortgage scheme to promote access to mortgage finance	<b>Rethoric of interdependence but neoliberal agenda</b>

In this period of economic and social crisis, these trends represent an additional challenge for the European urban model. As reported recently by Stone (2013) on the American context, conditions today do not hold much promise of replicating the degree of power convergence found around growth through land valorization (Molotch, 1986) in an earlier era. From various indications, today's alternative appears to be a piecemeal agenda, fragmented both by function and geography. This also can be applied to the European context, where opportunistic economic-development projects remains as an area of city activity, but one that is far short of the nationally funded redevelopment agenda. Although the conditions for local action are converging more and more by the internationalization of economic relations, and by the enormous power, international players have achieved over the last two decades, we can observe remarkable differences in local responses to these tendencies, also in the current time of crisis.

Governing the post-industrial city in Europe is no mere extension of the past, and the analysis of this transformation seems to be growing in importance especially in this time of crisis. The reason is that even if it is true that urban policies have contributed to sharpening social inequalities in these cities during the post-fordist era in Europe, therefore, at the same time they proved to be crucial in order to preserve social cohesion. It is in this paradoxical and contradictory aspects that urban policies still play a role in these increasingly globalised and competitive cities.

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