

# Private Actors in Neighbourhood Management

A resource for integrated urban development

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**The organisation of private involvement in neighbourhood management through the local support groups is a challenge and an important resource. It is also a precondition for a city-wide integrated approach and has to be tackled from a wider governance perspective.**

### **Introduction**

The involvement of private actors in integrated urban policy is necessary, but not in all cities a normal practice. Building local support groups with local actors from the public, but also from the private sphere is one of the activities which help to lay the ground for common activities. Sharing responsibilities and the involvement of a broad range of actors and groups are conditions for an integrated approach in the cities. Integration in these terms also means to integrate different kinds of stakeholders, different interests all over the process, in all parts of the process. It is a continuous learning one from the other – inhabitants and owners, housing companies, entrepreneurs and investors – that they all have something important to contribute to the common aim of improving deprived urban areas.

In which main action fields do public authorities need private support? And in which way? Can they delegate some issues or integrate potential forces in the neighbourhoods? What can private involvement mean for integrated urban

and neighbourhood development? These are some of the questions the RegGov network has been discussing.

The RegGov network is dealing with “Regional Governance of Sustainable Integrated Development of Deprived Urban Areas”<sup>1</sup>. Crucial factors for the success of integrated approaches to the development of deprived urban neighbourhoods are efficient co-operation and a high level of trust between cities and their regional managing authorities. RegGov aims to make these practical experiences accessible to all partners and help them develop and implement new integrated strategies for sustainable development.<sup>2</sup>

This article begins stressing the importance of a strategic active involvement of private actors at neighbourhood level. It takes into account the challenges and potentials of how to stimulate and motivate them to be a part of an integrated strategy

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<sup>1</sup> For a detailed overview on the partners, the common work and the outputs see the RegGov mini-website [http://urbact.eu/reg\\_gov](http://urbact.eu/reg_gov)

<sup>2</sup> The RegGov network involves nine cities from eight European countries supporting the development of new and improved forms of co-operation at local level as well as between the local and the regional level. The partners are working together within four thematic clusters. One of them focuses on the involvement of private sector and community representatives in efficient governance models for the regeneration of deprived urban neighbourhoods.[0]

for the neighbourhood and the city. The case study from Duisburg, DE shows that housing companies can have an active role in neighbourhood development with positive impacts even for their core businesses. In Södertälje, SE an encouraging model of partnership between municipality and private companies shows how local training and employment measures for immigrants or young unemployed can create win-win situations for the disadvantaged groups in the neighbourhoods, for the municipality and for the companies in need of new work force.

The conclusion, also for the European discussion, is that the integrated urban development approach needs new formula of intervention: to connect all stakeholders, public and private, scales and sectors. This is a precondition for long-term and city-wide objectives of balanced living conditions.

### **What does neighbourhood management include?**

In the so-called "deprived urban areas" many social problems can be perceived, e.g. unemployment, low incomes, a difficult access to education and political engagement. The consequences of social disadvantages and insufficient integration of immigrants or minority groups are often bundled here. Social inequalities in neighbourhoods are becoming more pronounced. The neighbourhoods are confronted by challenges. The communities have to take care of the affected social groups, they should promote their integration into society as far as possible, and despite all the efforts they are faced with stigmatisation and framework conditions changing for the worse.

The priority of neighbourhood management teams under these framework conditions is not decision-making at a certain level, but first of all complex moderation, coordination and organisation of development processes. This requires a strong presence with an office and contact persons in the neighbourhood with two main functions:

- Neighbourhood management must be a reliable contact point for the people which helps setting up communication structures, stimulates networking, mediates between different interest groups and can activate the residents.
- The neighbourhood management team communicates all relevant local issues directly with and between the local politicians and administration guaranteeing a good information flow between neighbourhood and city.

### **Who are the private actors in the neighbourhood?**

There are two main groups of non-public actors, with different interests and expectations for neighbourhood development:

- the private companies, entrepreneurs and investors who can improve the economic structure, and may also assist through activities that can be characterised as corporate social responsibility;
- the civic associations, organisations and active citizens involved in social neighbourhood improvement which are variously

described as civic society or the third sector.

In this article the role of the first group will be explored more deeply. There is a connection between urban and neighbourhood development and social responsibility of entrepreneurs which has to be further developed and stimulated. How can you target Corporate Social Responsibility (CSR) to impact on deprived neighbourhoods?

In a study commissioned by the DG Employment, Social Affairs and Inclusion the interaction between Local Employment Development and Corporate Social Responsibility has been analysed. Results were presented at RegGov's third thematic seminar<sup>3</sup> by Susan Bird from DG Employment.<sup>4</sup>

Local Economic Development seeks to combine top-down and bottom-up strategies with multi-stakeholder involvement. This translates into a new form of governance based on power-sharing and division of labour. The development of a set of actions aiming at improving the local economy and the local labour market requires new constellations among public and private stakeholders at different levels working together. It is an ambitious and long-term objective e.g. to decrease unemployment by increasing the attractiveness of the local area as a business location, reduce inequality and

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<sup>3</sup>

[http://urbact.eu/fileadmin/Projects/Reg\\_Gov/documents\\_media/ThemReport\\_3.pdf](http://urbact.eu/fileadmin/Projects/Reg_Gov/documents_media/ThemReport_3.pdf)

<sup>4</sup> The Austrian Institute for SME Research: The Interaction between Local Employment Development and Corporate Social Responsibility. Final Report, January 2009. <http://ec.europa.eu/social/main.jsp?catId=104&langId=en&newsId=468&furtherNews=yes>

foster labour market integration of disadvantaged groups.

Within RegGov, we have identified some core action fields that characterise the expectations and functions of private entrepreneurs in neighbourhood management. These fields are connected to different sectors, e.g. housing and regeneration of deprived areas or local economy, services, skills training and employment.

The objectives from the perspective of the local administration are:

- the common creation of strategies and consensus,
- the promotion of personal involvement and identity and
- the improvement of the chances for private investment in the neighbourhood.

These objectives require different forms or levels of involvement which can be part of a development process depending also on the capacities and political will of the public administration:

- informal involvement of private enterprises in LSG,
- voluntary cooperation,
- binding contracts and agreements.

Below we discuss the case studies of Duisburg and Sodertalje.

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## Case 1: Duisburg, DE: The involvement of housing companies in the neighbourhood

An example from the Lead Partner City of Duisburg, Germany shows that embedding the local action plan into a development strategy for the whole city is an important way of anchoring neighbourhood activities. In Germany housing companies are usually cooperatives, public or private for profit companies that manage social housing. Large scale privatisations of 'packages' of housing have taken place over the past 20 years. The City of Duisburg worked with all interested housing companies to put together a housing development plan for the whole city. This means deciding on a city-wide basis where to plan housing areas and facilities like shopping areas or play grounds and parks.

It was a complex process. Most of the housing companies were more or less engaged from the outset. However, gathering them upon a common city-wide plan was a way to motivate them and to make them participate also in detailed planning of individual neighbourhoods. Participative activities [e.g. the improvement of common spaces or image campaigns coordinated by the neighbourhood management] in the neighbourhood which involve inhabitants are a good way to root these activities in the neighbourhood. In North Rhine-Westphalia this has been done through neighbourhood management with the financial support of the regional ministry (Ministry for Economic Affairs, Energy, Building, Housing and Transport of the State of North Rhine-Westphalia).

The housing companies from a private sector perspective noticed the added value for the neighbourhood of developing activities with the inhabitants. In their statistics they could prove that people move away less from their settlements and that these settlements become more attractive and have a better reputation for new tenants. These new tenants are in a 'buyers' market and receive many offers, so attracting them can be important in reducing vacancy rates.

When funding of the neighbourhood management from the Ministry stopped, the housing companies have taken over the funding immediately because of the many positive effects for their housing stock and therefore for their businesses. Because the engaged companies had participated in the city-wide group, they were able to spread the experiences of positive effects of neighbourhood management to other housing companies.

This has two important aspects:

- Experiences at neighbourhood level which usually are not communicated externally can be shared on a broader platform as good practice examples in order to convince others to start concrete activities to gain win-win situations.
- The function of a working city-wide network can be to be easily activated at local level in the neighbourhoods when necessary.

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It is a challenge for the companies to make investments work, when an environment is deprived and not attractive for different reasons. Fostering good relationships with the local authorities and face-to-face

discussion about what the issues are creates win-win situations for all involved actors.

For a part of the private companies, being in a more flexible world where companies come in making investments it is important to see that companies as actors are in a good position to make a difference. If such projects are going to be successful, they are win-win for the economy, but in the best hypothesis also for society and local communities.

### **Case 2: Södertälje, SE: Public-private company building – the Telge Group**

In the Swedish partner city of Södertälje an innovative and integrated form of company has been created between public and private sectors that illustrates a new approach to corporate social responsibility.

Södertälje is a small city of 85,000 people, forty minutes South of Stockholm but still within the Stockholm agglomeration. The city has problems of high unemployment among its newly arrived migrant communities and of long term unemployment more generally. The overall unemployment rate in the city is about 8%, in the deprived urban areas it is double at 15-16%. Usually in Sweden unemployment is the competence of the national level, not the Municipality. However, the actions of national authorities were not sufficient to address the problems that Södertälje was facing. This is where the analysis at local level led the city to start involving big companies.

A new arms length company to deliver public services was founded in 2004

called Telge AB Group<sup>5</sup> by the city of Södertälje. The group gathers existing municipal services and is entirely owned by the municipality<sup>6</sup>. The chair of the board is also the chairman of the municipal executive board (corresponding to the Mayor) of Södertälje, Anders Lago. The Executive Vice President of Telge Group, Alarik van Hofsten, explained the strategy of the company at the RegGov meeting. The objectives of Telge Group are:

- to provide services that are of great importance to the people and companies in Södertälje,
- to be profitable and pay a dividend to the owner (the city),
- to make Södertälje more attractive, and
- to challenge existing industry structures.

Telge Group is the mother company with a diversified range of companies with activities involving the supply of municipal services in neighbourhoods (e.g. ground maintenance, refuse collection, estate management, public housing, electricity sales and brokerage for corporations). According to the so-called "Telge model" three of the 13 business units are involved in a new kind of partnership with large private companies to tackle main structural employment problems in deprived neighbourhoods. Three start up joint ventures illustrate how Telge Group is taking this forward: Telge Manpower

<sup>5</sup>

[http://www.sodertalje.se/mainupload/dokument/Kommun%20o%20demokrati/Finansiell\\_information/Annual%20report%202009.pdf](http://www.sodertalje.se/mainupload/dokument/Kommun%20o%20demokrati/Finansiell_information/Annual%20report%202009.pdf)

<sup>6</sup> The report of the third cluster meeting taken place on 9/10 December 2010 in Södertälje, SE is available in the Outputs section of the RegGov mini-website.

Jobbstart, Telge Peab and Telge Tillväxt. Besides the "classical" activities of municipal services supply Telge Group has developed these pilot subsidiaries which co-operate with the private sector to find business-led solutions to social problems.

**"Telge Manpower Jobbstart AB"** is an employment agency co-owned with the international company Manpower.

The target groups are especially newly arrived immigrants and long-term unemployed. The objective is to "cut unemployment time from 7 years to 6 months".

Every month 60 unemployed persons from the target group are enrolled into the programme of this company. The programme includes that they are coached and trained individually and that there is one specific contact person finding the right job for him. The objective is to get them into regular work.

**House building & construction "Telge PEAB"** is a Construction company co-owned with Peab AB, a construction company operating in the Nordic countries.

Telge Peab is a co-operation between the municipality's own company and the construction company Peab where the municipality holds 49% of the shares.

Employees: Either long term unemployed construction workers or immigrants with craftsman experience from their home country

It is a local business. They are building apartments only in Södertälje, but for competition reasons not for the municipality.

**Temporary Staffing "Telge Tillväxt AB"** (*tillväxt = growth*): Co-owners are Swedbank, Scania, COOP, Folksam, Manpower, Peab and Mekonomen.

Temporary staffing services target: 50% cut in youth unemployment, i.e. unemployed in the 18-24 years range.

This was a new activity starting in 2011 which wants to focus on the young people as a target group. Young people are both very expensive in terms of public subsidies, and if permanently unemployed are most at risk for any kind of criminal activities and black market etc.

150 unemployed and unskilled young people will be hired in 2011, about 10% of the target group, without any pre-selection. During the first three months they will be occupied cleaning up the city, then they will be "rented" to other companies (by hours or days as needed). For a smaller company the bureaucratic procedure is complicated if they have the needs and want to hire someone in a flexible way. This is how the business plan should work.

In the time of 12 months these youngsters should leave the company being trained and having some work experience in their curricula. Funding is from

the companies hiring the youngsters and from the national agency, but this is money anybody can receive.

The Romanian partner city of Satu Mare has worked on the idea to install a neighbourhood management office in each of the eight city districts, with its own budget. This is a direct result of the RegGov project which led to the creation of the Local Support Group in the first target area. Now the city wants to form a city-wide network of all of the local support groups. This should build up a task force, which can communicate neighbourhood activities on city level taking into account in detail the individual neighbourhood perspectives. It will not be an easy task, especially because of the financial resources that are necessary. But in Satu Mare it is clear that the logic and added value of the integrated approach has been internalized<sup>7</sup>.

Sustainable and integrated development processes in deprived neighbourhoods need a broad consensus among all the stakeholders. Without the participation of the residents and local actors integrated activities are impossible. Opportunities for real participation and coproduction are still lacking in deprived neighbourhoods. It is a challenge besides the one described above for the private entrepreneurs and it needs a basic willingness to “encourage”, empower and delegate power from the administration.

<sup>7</sup> See also Common Conclusions in the report on the cluster 2 meeting in Satu Mare, April 2010, in the Outputs section of the RegGov mini-website

## The European learning process

The EU 2020 strategy foresees a coordinated strategic approach. It will be important to identify the parts related to cohesion policy that can be tackled at local level. This is critical not just for deprived neighbourhoods but for all aspects of city development. This needs a stronger role for cities in implementing cohesion policy. But this cannot be done by the cities on their own.

From a governance perspective, the additional value of a broad platform of stakeholders, public and private, involved at all relevant levels and bundling findings and experiences is too often underestimated, but crucial – not only at the city level, but also for programmatic enhancements at all levels.

It is a question of initiating good practice and often a challenge to:

- discuss openly expectations from the beginning identifying and tolerating different positions and interests,
- identify and offer incentives for a partnership with a clear “profit” for entrepreneurs,
- guarantee continuity and trust in the partnership.

The learning process within the RegGov network is about the importance of establishing local support groups. These groups need to be built with a clear link between neighbourhood and city-wide strategies. Integrated urban development approaches need to be area-based with a continuous link between all stakeholders and between scales of intervention and have to rely on cross-sector strategic approaches.

URBACT II

**URBACT** is a European exchange and learning programme promoting sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 255 cities, 29 countries, and 5,000 active participants.

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