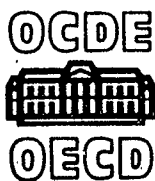


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NEW DEMANDS ON URBAN POLICY

Report on a meeting of Trade Union Experts
under the OECD Labour/Management Programme

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NEW DEMANDS ON URBAN POLICY

Report on a Meeting of Trade Union Experts
held under the Labour/Management Programme

(Paris, 7th and 8th March, 1988)

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SUMMARY

Under the OECD Labour/Management Programme for 1988, a meeting of trade union experts on "new demands on urban policy" was held in Paris on 7th and 8th March, 1988. The meeting was prepared in collaboration with the Trade Union Advisory Committee to the OECD (TUAC).

Urban services have to be adapted to ongoing changes, and in particular to the problems of inner cities and the ageing of OECD's populations, to changes in social values, to economic restructuring and to the introduction of new technologies at home and in the workplace. In this context, new types of urban services might be necessary, existing infrastructures might need to be replaced or modified, the location preferences of people and firms might change. This meeting was, therefore, organised to discuss the need to anticipate the impacts of these changes and to evaluate the necessary policy adjustments.

Below is an overall report of the discussions of the meeting of experts prepared by Professor Robin Murray (Fellow of the Institute of Development Studies, University of Sussex, Brighton, United Kingdom), who was designated as General Rapporteur for this session.

A list of the participants in the meeting is given in the Annex.

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FINAL REPORT ON THE MEETING

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1. Patterns of urban restructuring: the impact of technological, economic and socio-demographic changes on urban development

Over the past 15 years, cities have been the focus for many of the major economic and social changes that have accompanied the long downswing of the OECD economies following the period of growth of the 1950s and 1960s. Among the factors of decline are the following:

- De-industrialisation and the loss of urban manufacturing jobs. Traditional urban manufacturing has suffered from closure, relocation, and labour-saving technical change. New manufacturing has largely taken place in smaller towns and rural areas, and given rise -- in Western Europe at least -- to the term "the ruralisation of industry".
- Population loss. Major cities -- once the demographic growth points of their economies -- have been losing population. London for example lost one and a half million people in thirty years. Even in Japan where the rate of growth and level of urbanisation has been high, Tokyo and Osaka have been losing population since 1970. Part of this exodus has been planned, but it came to be recognised that planned decentralisation was merely directing a more general underlying trend to "suburbanisation" and "ruralisation" both of people and jobs.
- Urban dereliction. The impact of de-industrialisation has been concentrated in particular areas: urban industrial estates, dockland areas, zones around railway termini. The absence of new industries, the change of the centre of economic gravity in a city (from seaports to airports for example), and particular regimes of landholding, all contributed to the continuance of dereliction long after the original closures and run downs. The weakening of the fiscal base, and the consequent difficulty of renewing the social and economic infrastructure in these areas, led to a vicious circle of further closures and population loss.
- Social polarisation. Those who left the city were, by and large, those who could afford to leave. Those who could not afford to move out found themselves caught in a trap of poor housing, declining social services, growing insecurity and an increasingly polarised labour market. On the one hand, there were core jobs requiring academic or technical qualifications; on the other, there were a growing number of semi-skilled or unskilled jobs, particularly in the new service industries.

When education and training were cut back with the onset of recession, many found themselves confined to the lower-paid sector of the labour market. Low pay at the same time further restricted the geographical range of the labour market because of time and transport costs. This was particularly serious for women. With the sharp rise of unemployment in many OECD countries during the 1980s, the dual labour market structures became more pronounced, as did the urban concentration of unemployment with some urban areas recording male unemployment rates of more than 30 per cent. As one commentator put it, the inner cities have become the depressed regions of the 1980s. The pattern is not uniform. Within cities there were areas of prosperity; members of an expanding middle class based on services moved into declining areas -- a process that came to be referred to as "gentrification".

Where this was accompanied by rising property prices -- particularly in capital cities -- such developments only sharpened the social and geographical polarisations within cities, with resulting effects on the urban culture, education, and even architecture (Los Angeles for example).

At the same time, there have been forces of growth:

- The role of cities as centres of a knowledge and information economy has increased, reflected in the growth of business services, of financial and planning functions and of specialised education. Linked to this has been the expansion of a new informatic infrastructure -- fibre optic cable, local area telephone networks, and "intelligent" buildings. In the North American economy, it is estimated that more than half of all jobs are in information-related activities, and these are particularly concentrated in cities.
- The expansion of certain private consumer services, notably retailing, hotels and catering, and of the cultural and leisure industries -- music, broadcasting, theatre arts and publishing.

There have also been longer-term secular changes which may affect cities in particular ways:

- Demographic changes, notably the increased ageing of the population (the number of people over retirement age will rise from 10 to 20 per cent of the population by the year 2000).
- Increases in the proportion of women in the work-force, and a decline in the participation rate of men.
- Changes in the structure of the household, with increases in one parent families, serial monogamy, and declining household size.
- Increasing use of the home as a workplace, by outworkers, professionals, and suppliers of maintenance and office services.

- Changing patterns of consumption, what some have called "life-style effects", with emphasis being placed on education, health, the environment, and the automation of routine household tasks. Time budget studies for household production have shown a significant reduction in time spent on food preparation over the last 20 years, but an increase in time allocated to child care.
- The continuing growth of car ownership and congestion pressure on urban road systems, compounded by the growth of road freight.
- The increased demand for living and working space.
- New patterns of working time. There has been a growth of night-time and other shift-working, in flexible rostering, in part-time and peak-time working, and in flexitime more generally. At the same time there has been a change in the distribution of working time according to age, gender, and seasons of the year. The expansion of unemployment, of education, the trend to longer holidays and early retirement, all contribute to the fragmentation of urban time, and the changes in demand that go with it (for night-time transport for example).

These structural changes, when taken together with the economic, social and spatial features of urban decline and growth, lead to strong pressures on the inherited physical and social infrastructure. In some cases the demands are new -- for adequate cabling systems for example, and "intelligent" buildings. In many instances, however, the demands are old but expanded and, in some instances, raised to a new intensity. Work, housing and cheap transport for example have been the three key dimensions of urban economics and politics for many years, but demands about them take a particular form in the current period. Demands for child-care facilities are not new -- particularly in wartime -- but they have reached a new level at the present time.

All these changes amount to a major restructuring of cities. But while many of the forces are similar, the way in which restructuring takes place varies from country to country and town to town. The old industrial cities have been particularly severely hit; middle-level "heritage" cities on the other hand have often suffered from excessive development pressures (like Florence and Cambridge), while the emerging world cities (such as Tokyo, Paris, London and Los Angeles) have experienced a mix of industrial decline and strong service growth. The differences between cities are in many ways as instructive as the similarities. What is it that marks off the growth patterns of Boston, Birmingham and Bologna from Chicago, Liverpool and Genoa?

2. Alternative policies

While many of the factors affecting urban economies are part of a more global restructuring -- de-industrialisation, international recession, the growth of the information economy, the "big bang" of the international financial sector -- urban policy does have a significant impact, not least because the city's physical and social infrastructure is an interdependent productive system requiring co-ordination.

It was pointed out during the meeting that in OECD economies the urban infrastructure was usually the third or fourth largest economic sector in a country, and a number of experts emphasised that urban policy was important not least because of its contribution to national growth. Congested cities held back growth just as much as ill-planned factories. High-cost housing raised wages. Long journeys to work wasted resources, as too did the investment in new out-of-town settlements, when some existing urban infrastructure was not used to capacity.

The following main approaches to what for many cities is an urban crisis can be distinguished:

- a) Macroeconomic policy which concentrates on national strategies to ensure sectoral competitiveness, adequate funding of the public services, and a sustained level of domestic demand. This view implies that many of the critical urban problems are simply the "mapping" of wider problems (like unemployment, low pay, declining state expenditures, technical change) and that the best way to improve urban life is not to have specific urban programmes, but address these wider problems at the national and international level.
- b) Improving the working of the market. This is one version of the first policy, and implies that the main cause of the wider economic problems, and of the way in which they work in cities, is the imperfect operation of markets. This has been the principle underlying urban policy in Britain during the 1980s. Its main features have been a reduction in land-use planning policies aimed at weakening local government in cities; lower property taxes; encouragement of small business; a cut in public transport subsidies; the weakening of public and private sector trade unions; the encouragement of the sale of public land; expansion of the private housing market through the sale of public housing, and the provision of incentives for the rented sector.
- c) More effective spatial targetting of public sector revenue and capital funds to the worst hit city areas. This includes urban locations for footloose public investment (whether government offices, or electricity power stations), key urban infrastructure programmes (such as sewer renewal, road and rail investment, combined heat and power schemes, new telephone networking, urban housing programmes) and central government revenue support grants for urban services.
- d) Government control of private investment, through land-use¹ planning powers, financial incentive schemes and physical controls of location. This was a leading policy during the post-war boom, but has become less influential with the decline in the quantity of footloose investments. It has been a marked feature of French urban planning.
- e) Property-led regeneration. This has taken the form of publicly-funded industrial estates in declining areas, enterprise zones (with property tax incentives), science parks, area infrastructure programmes and in some cases publicly-managed large-scale rehabilitation schemes.

- f) Municipal industrial policy. This has expanded rapidly in many OECD countries, particularly in the seventies and eighties. In some cases, municipal governments have set up development banks to encourage industrial restructuring. In others, they have concentrated on providing common services to particular industries (sectoral training schemes, part public-funded fashion centres and computer-aided design bureaux in the clothing and footwear trades, research and development from local research institutions directed to industrial growth areas). Notable examples of the above can be found in the United States at municipal and state level (Massachusetts is one of the most developed), the Federal Republic of Germany (particularly in the Baden Wurttemberg region), the "third" Italy, urban Britain, Australia, and more recently Spain.
- g) Regeneration through the cultural industries. Rome has pioneered a new model of urban regeneration centred on the cultural industries. It started through a summer festival and the provision of cheap all-night buses, bright lighting, support for cultural venues, and has since broadened its scope. Similar policies have been followed with considerable success by Glasgow, London and Sheffield in the United Kingdom -- in each case, as in Rome, the impact being through the expansion of employment as well as of use. Publicly-funded distribution systems, recording studios, rock concert venues, expanded library services, local and specialist newspaper production, and expanded public transport policies were all features of this programme. Other towns are now following this policy in conjunction with town centre retailing initiatives in order to combat the threat of out-of-town shopping/leisure developments.
- h) Environmental regeneration. A parallel policy has emphasised improvements in the environmental quality of urban life, both as a benefit in itself, and as a means of providing conditions for a supply of technical labour to encourage growth industries to locate in cities rather than in suburbs and small towns. Just as the cultural policies are in part a response -- in the United Kingdom at least -- to competition from out-of-town shopping and "theme parks", so environmental policies are in part a response to the competition of the rural areas.

* The economic view of the city emphasises its role in production and reproduction, reproduction meaning the rearing, education, housing, health caring and transportation of its workforce. But in recent years there has been a growing recognition that urban policy must address the cultural life of the city, seeing the city in terms of its role as a centre of consumption, of recreation, and collective living. The destruction of urban communities through redevelopment schemes, increased congestion and pollution, even -- as some contributors noted -- the concern for physical safety particularly on the part of women, have all served to reduce the "quality of urban life". This being so, it is argued that any policy for urban regeneration cannot rest on solely economic measures. Equally important are policies on the environment, on green space, on reintegrating shopping, working and residential areas, and on ensuring the availability of a full range of cultural, educational and recreational facilities.

None of these approaches is exclusive. The emphasis on cultural policy has in some instances grown out of industrial policy. Cultural and environmental regeneration have in turn encouraged employment and economic growth. Equally, among the economic approaches there are close links: most municipal industrial policy for example contains a property component.

Broadly, however, we can distinguish those approaches which emphasise the market and discourage public intervention, those which may favour public intervention but at the national rather than urban level, and those which see a major role for municipal government in the provision of infrastructure, services, and physical and strategic planning. The ending of the post-war boom in the early seventies has seen an increasing divide between the pro-market policies which emphasise the limitations of planning, and the interventionary policies which emphasise the limits of the market. The latter in particular has led to a growth in municipal functions into new areas, notably industry and the labour market.

The issue of the market and public intervention was one of the main themes of the meeting. The general view was that -- in urban policy -- reliance on the market was seriously inadequate. Many of the examples of external economies and diseconomies found in economic textbooks relate to urban issues -- traffic congestion, pollution, and labour-force training -- as do large-scale interdependent investments. The working of the land market -- underpinning all urban activity -- is inherently imperfect, with serious implications for distribution, planning, housing and the restructuring of economic activity. Given these deficiencies of the market, the key issues are: a) how to develop appropriate strategies in each of these fields; b) what are the best means of implementing these strategies; and c) how are they to be financed, particularly where the existence of external economies -- as in public transport -- underlines the need for public subsidy.

3. Regenerating urban economies: sectors, employment and the labour market

Municipal economic policy has followed six distinct, yet often complementary, paths:

- i) Support for sectors characterised by small and medium-scale enterprise, for which municipal funding may be significant, and which cannot by themselves supply certain necessary services (research and development, design, export marketing, market intelligence, bulk purchasing, specialist training, corporate strategy, and other specialist management services). Examples would include clothing, footwear, furniture, machine shops, scientific instruments, some categories of retailing, small-scale software suppliers, food processing, catering, collective domestic services, jobbing printing, branches of the cultural industries.
- ii) Attempts to influence the location and employment policies of large, branch plant firms. Methods used have been advertising and promotion policies (which have tended to be self-cancelling), municipal incentive schemes (subsidised property, tax holidays, one-stop offices for planning and other permissions), advocacy at national level, and support for trade unions nationally and internationally.

- iii) Attempts to influence the location and employment policies of large public sector enterprises and state services. In some cities, the public sector may account for a third or more of all employment; municipalities have sought to develop common human resource programmes with the large public employers, to represent local user and labour interests with respect to their services, and to influence their location and technology decisions. For example, city councils have played an important role in national public sector debates on energy provision (nuclear power versus energy conservation programmes), air transport, health provision (curative versus preventive programmes), underground cabling and telecommunications systems, and port policy.
- iv) Use of municipalities to influence the local labour market through internal training programmes, contract compliance, fair wage clauses, key worker schemes, competitive public services offering improved wages and conditions (direct labour building for example, cleaning, catering, vehicle maintenance, printing and other professional services), funding of independently provided training, labour information services, trade union support centres, women and minority rights employment groups, best practice labour policies within the municipality and its associated concerns.
- v) Provision of land and property for industrial development, notably for small and medium-sized enterprises.
- vi) Generic (as against sectoral) programmes, covering such issues as innovation (technology networks, science shops), small and medium-sized enterprise advice and support, promotion of co-operatives, as well as the labour and property policies already referred to.

The intervention of city and sub-city authorities in local labour markets and industrial property provision is relatively well established. What is novel is the active municipal role in strategic sector planning, in industrial banking, in targetted branch plants, and in the systematic programme to influence national-level public sector enterprise and service departments. There is already a wide variety of experience available in OECD countries on the effectiveness of these different policies. There are a growing number of examples of inter-city co-operation within and between countries on specific sectoral and company issues. Some commentators have argued that municipally-based sectoral policies when aggregated may provide a more effective way of developing a national industrial strategy than such policy developed at the purely national level, certainly as far as the question of targetting national policy at particular urban economies is concerned.

4. Infrastructure and the environment: making cities fit to live in

Many cities have found themselves with an infrastructure which needs renewal and restructuring. In some cases the renewal may be of public investments made in the 19th century: water supplies, sewerage, gas mains,

port facilities. In others, quite recent investments may have become outdated. A number of municipal authorities are now pulling down the modernist tower blocks built in the 1960s and similar plans are now in process to redevelop city centres designed and built in the same period. The pressure on public budgets throughout the OECD over the last decade has led in many countries to a reduction in infrastructural maintenance and investment, with a resulting rise in sewerage collapses, declining housing standards and service breakdowns.

One recent estimate made for London suggested that an investment of 9 billion pounds would be required to bring basic services up to declared minimum standards. The Trades Union Congress estimated a comparable need for 30 billion pounds for Britain as a whole. A similarly detailed study for the United States by a joint labour-management task force in 1983 estimated needs for highways, bridges, urban water supply and waste-water treatment needs at \$38 billion a year over 12 years, a total of \$454 billion (240 billion pounds). The bulk of this investment is required to bring infrastructure to its former standards or to meet legal requirements.

Transport

A central issue for all cities has been the transport infrastructure. While some older cities have inherited urban structures built around seaports, canals and railways, the great majority have been refashioned around the automobile. The growth of private car ownership and road freight have led to a particularly acute crisis of this aspect of urban life. Many cities have followed the North American model of expanding the road network at the expense of residential neighbourhoods, with urban motorways, inner and outer ring roads, and increased space for car parking within the city. But after an initial increase in traffic mobility, road expansion schemes were found to generate new traffic use with a resulting slowdown of traffic to speeds close to those that had obtained before the expansion.

A new trend in urban transport policy can now be observed that includes:

- renewed emphasis on cheap and efficient public transport, particularly mass transit systems. Of a survey of public transport in 16 OECD cities for 1984/85, 14 had more than 60 per cent of their public transport costs met by subsidy (the highest was Turin at 87 per cent, Paris has 54 per cent, and London 30 per cent). Three urban areas in the United States now have free public transport;
- road priority schemes (through the designation of bus and lorry lanes), effectively narrowing roads for private car users;
- control of lorry freight, particularly large trunking lorries in urban centres;
- encouragement of cyclists, through cycle lanes, and bicycle parking spaces;
- public transport interchange schemes, easing changes between rail and bus for passengers, and rail and road for freight, as well as providing for road freight interchange at the edge of towns for break up of trunk loads on to smaller city lorries.

The environment

Public transport policy and policies to reduce road vehicle pollution form part of a wider set of measures to improve the living environment of the city. Among other policies are schemes for:

- tree planting and the expansion of public parks. At the moment, there is a wide variation among OECD capital cities, from Wellington with 151 square metres of urban parks per capita, to Stockholm (80), Washington (46), London (33), Paris (10) and Tokyo (2). The Japanese are now attempting to increase the area of parks to 20 square metres per head by the year 2000;
- the development of urban rivers and canal systems for transport and residential purposes;
- expanding sports facilities, including sports centres, tennis courts, swimming pools and playing fields;
- strict building controls and conservation policies;
- investment in energy conservation (for example the double glazing and combined heat and power programmes undertaken in the Federal Republic of Germany);
- measures to improve sewage disposal and prevent water pollution;
- noise control;
- the removal from towns of polluting industries.

These policies form part of a strategy which has been referred to as "greening the city".

Infrastructure, the economy and co-ordinated policy

The need for co-ordinated policies for the improvement of infrastructure and the environment of cities was one of the major themes of the meeting. It did not conflict with economic growth policies, but was a necessary part of them -- not only directly through the improvement of urban productivity (faster transport, lower energy costs, more effective telecommunications, a reduction in stress and health care costs) but indirectly through increases in employment! Investment can be targetted at areas of high unemployment and social need as in the case of combined heat and power and insulation programmes which provide local construction employment to a much greater extent than investment in conventional out-of-town power stations. In times of recession, new investment and spending on repairs and maintenance are among the first items to be cut -- participants pointed to the reduction in the share of GNP going to infrastructure. But it was argued that such cuts were short-sighted and handicapped the broader process of economic restructuring.

It was also suggested that the environment should be taken out of international competition and that standards should be imposed, with a supporting regulatory structure. The United States, for example, spent 2 per cent of GNP on the environment, as against 0.9 per cent in the Federal Republic of Germany. Standards should be raised to the levels of best practice rather than cut through competition to the levels of the worst.

In order to further this programme of infrastructural and environmental improvement, a number of steps were needed:

- a co-ordinated lead from international agencies concerned with the field (the OECD, the EEC and the United Nations Environment Programme, for example, needed to co-ordinate their programmes within and between themselves);
- improved urban indicators to provide regular information on the standards of urban infrastructure and the environment;
- improvement plans which took on board the new needs and new technologies and which were drawn up with local involvement rather than being imposed by central or municipal planners;
- innovative financial packages tailored to the particular project or service.

Finally, the point was made that improving the infrastructure and the environment of cities should be aimed at improving the quality of life of those currently living in cities. If improvement programmes were seen only in terms of improving cities as a place, what had often happened was that better-off newcomers attracted by the improvements would drive out traditional inhabitants who could not compete on the housing or labour markets. This implied that the provision of subsidised housing and cheap public transport should be important components of any general improvement programme.

5. Urban planning and the land market

The restructuring of urban economies has brought with it changing patterns of demand for land use: for offices and warehousing relative to factories; for increases in the floor-space per worker; for different types of lay-out structure and quality of buildings. New technology factories require air conditioning, a finish more comparable to an office and a flexibility which allows for changes of use from laboratory, to light manufacture, to office and back again.

For most OECD cities, these changes have been brought about through a private land market, a private property industry, and a system of public planning controls. Planning has been introduced because of the many inter-dependencies which are not reflected in private market decisions. Among the problems to have emerged with this general regime are the following:

- i) The differing private returns from alternative uses of particular plots or buildings lead to strong political pressure against urban planning controls at the micro and macro level.

- ii) The shortages characteristic of the land and property market and the resulting importance of rent have led to the speculative holding of empty property and increased the problem of dereliction.
- iii) Difficulties of site assembly for expansion encourage industry to restructure buildings on green field sites outside the city.
- iv) Attempts to restrict particular land-uses (rather than guide them to specific places) increase rents and the pressures to reduce the controls.

These problems have been particularly severe in the emerging world cities. Here the pressure on space by financial and business services has raised the general level of land prices, compounded by speculation and the expanding flows of investment finance. In the centre of Tokyo, for example, these factors accounted for average land price rises of 39 per cent per annum between 1984 and 1987, and 28 per cent over the whole Tokyo metropolis. Such rises have intensified pressure on industrial sites, living space, and the surrounding rural areas, accentuating social differences and, at the same time, tending to displace low income families as downtown areas are redeveloped. In cities like London, the inner city problem is now also an outer city one, as former inner city residents are moved to older outlying estates.

These pressures have also affected the middle order expanding towns (particularly those in the regions surrounding world cities), as well as parts of the industrial cities. Overall, the OECD evidence suggests a growing difference of land prices within towns and between them, particularly for commercial and residential land. In property markets averages are misleading.

Governments have addressed these problems by:

- systems of taxing ground rent or "betterment" (as in Sweden);
- measures to increase the supply of land -- through the taxing of unused land and buildings, by time limits on development permissions, by pressures on public bodies to release land for development, and by direct development via public agencies;
- improved land market information (Japan publishes prices for 17 000 standard spots in city planning areas; Spain and the United Kingdom maintain public land registers);
- linking public loan finances to controlled land prices (again as in Sweden);
- public land banking, notably in areas with prospective public infrastructural developments;
- strong inter public authority co-ordination to impose building controls and planning directives (as in France).

The discussion emphasised the role of land as a key resource for urban planning and the consequent need for strong land-use planning and a managed property market (particularly to ensure the availability of cheap land for housing). There was a need for public intervention, not merely through taxation and regulation, but through the public holding of land and public development. Care needed to be taken, however, to ensure a) that public agencies did not operate in the market as if they were private firms, particularly with respect to the hoarding of land, and b) that local authority land policy and management were not unduly influenced by local private developers.

6. Finance and fiscality

The main sources of finance for urban services are the following:

a) Local taxes. Issues here include:

- The appropriate form of local tax, notably property versus incomes or sales taxes. It was pointed out that, in the long run, property taxes were a levy on land rent and, in this sense, were progressive; that they encouraged the intensive use of urban space; and that they were difficult to avoid -- an important point since local authorities do not have the resources to counter evasion. However, they do require regular revaluations.
- The problem of revenue raising in cities with a declining commercial and residential tax base.
- The dangers of competitive bidding for new employment by cities through the cutting of commercial tax rates; property taxes which move inversely with the property prices offer fewer incentives for municipal authorities in this respect than income taxes.
- The extent to which local taxes can be redistributive; the larger the authority, the greater would be the potential scope for redistribution. Thus, countries like France which have decentralised services have, at the same time, increased local boundaries; similarly, the abolition of the city-wide authority in London in 1986 has been found to have had substantial regressive fiscal effects.
- Finding means to ensure that those who do not live in cities but who benefit from urban services should also pay for them; the use of town cards offering local residents discounts on local services was one means cited for this purpose.

b) Central government contributions. The general pressure on central state budgets has led to a reduction of central contributions to local government (from 63 per cent to 46 per cent in the United Kingdom during the 1980s) and, in some countries, to restrictions on local borrowing capacity for capital projects. It was pointed out that sustained levels of central government contributions are important for the following reasons:

- Many local services are carried out by local government for central government, as if on an agency basis, with standards, operating procedures and rules of access laid down centrally. It is therefore appropriate for central government to pay for these services.
 - Central funds are needed to counteract the fiscal problems of cities with declining tax bases and high financing needs.
 - Central funds can redistribute income between regions and cities through general equalisation grants.
- c) User charges (see 'Managing and financing urban services, OECD, Paris 1987, Chapter 5).
- d) Private and quasi-public capital schemes (including use of public pension funds and leasing finance on public assets).

Over the past decade, the tendency within OECD countries has been for the contribution of taxes to urban finance to fall relative to non-tax sources. In considering the appropriate mix, contributors suggested that the following should be taken into account:

- the value of diversification of income sources; about half the European countries in OECD have a single type of local tax for example, while others -- notably Germany and France -- have diversified systems;
- the need to ensure local accountability required a significant contribution from local taxation;
- considerations of equity: local user charges and sales taxes were regressive in contrast to local income taxes, for example;
- the impact of means of financing on local employment; in particular, local employment taxes should not be encouraged.

7. Running the city: new trends in urban government and administration

In response to new needs, user dissatisfaction with some urban services (house maintenance on public estates for example), increased competition from private services and financial pressure, new administrative systems have been tried out in the delivery of local services. There has been a move away from the traditional Weberian model of public administration, emphasising strong vertical hierarchies, weak horizontal links, non duplication, rule-governed behaviour and standardised services, towards more open systems. These include:

- decentralisation of service delivery and, in some cases, of political control. In many cases it was suggested this needed to go below the municipal to the neighbourhood level;
- increasing use of voluntary and other non-profit-making organisations through grant-aided schemes. This has proved fruitful, particularly for new initiatives and as a source for innovation;

- measures to increase user control in public services and the responsiveness of public services to users. Some urban authorities have funded user groups, co-opted user and trade union representatives on to council committees or governing bodies, and introduced means of more accurately monitoring usage against policy goals;
- development of task and problem-oriented groups in place of strict departmental structures and, more generally, strengthening horizontal links within the public bodies and flattening the hierarchies;
- systems for measuring performance by output and not merely by cost;
- setting up public corporations, separate from the core municipal organisations, to carry out particular functions, for example, public development banks, innovation centres, training organisations and transport undertakings.

Participants saw the attempt to develop new models of public provision as important, notably their attempts to involve local communities and workforces in the planning and running of services, in their recognition of the diversity of need and of the importance of innovation.

There were serious reservations about a parallel development, namely the contracting out of services to private companies and the subjection of public services to competitive tendering. Such moves had weakened accountability, lowered quality, wages and conditions of work.

In some countries (notably in Britain), the sharp political conflict over the quantity and quality of local services has led the central government to try to reduce the scope for elected local government through:

- financial controls and penalties;
- privatisation and sub-contracting;
- abolition of elected metropolitan authorities;
- introduction of non-elected urban development corporations;
- centralisation of functions in central government.

Thus the forms and scope of urban government have been changing both for administrative reasons and as a result of acute political conflict. This has raised issues of democracy, distribution, industrial relations structures, as well as administrative effectiveness and, in some countries, has placed the issue of urban government at the centre of national political debate during the 1980s.

8. Conclusions and further work

There were no formal conclusions or recommendations arising from the meeting, but the following points were made.

- Urban policy was of central concern to trade unions, affecting as it does employment prospects, the journey to work, the cost of living and the structure of the labour market.
- The significance of urban policy for the macro economy has been underestimated.
- Cuts in public sector budgets have led to a crisis in urban infrastructure; there was an urgent need to expand infrastructural investment for productive, social and employment purposes.
- Of particular concern to trade unions was the increasingly pronounced dual urban labour market, with a well-paid, qualified core labour force -- many living in suburban and rural areas and travelling to the city for work and discretionary consumption -- and a poorly-paid, low-skilled, secondary labour force, living in segregated poor housing areas within the city and carrying the main burdens of unemployment, seasonality and urban blight. Any urban policy should have the improvement of the welfare of this secondary labour force and their households as one of its central objectives.
- Urban regeneration required a coherent overall strategy, commanding broad agreement, covering social and economic infrastructure, employment, the needs of those outside the paid labour force, the environment and civic culture.
- Measures and new institutions were needed to co-ordinate more closely the work of the various public bodies with powers of implementation.
- Municipal governments should be ready to undertake an entrepreneurial role and should develop an appropriate recruitment and training programme to that end.
- Means should be found to ensure that national policies took account of urban needs in their planning and implementation.
- It was important that other OECD Directorates considered the implications of their work for urban problems, as well as taking the proposals of the Group on Urban Affairs into account when framing their policies.

Many of the issues discussed are already subject to extensive programmes of work within the OECD, notably the infrastructure, the environment, urban finance and administration, local employment generation, and property policy. Among areas for further work, a number of topics were suggested:

- the development of more comprehensive urban information systems designed to monitor developments in the fields discussed in this report;
- the examination of mechanisms used in OECD countries to regionalise the expenditure of central government and associated public bodies, in order to more effectively integrate national, urban and regional policy;
- the use of cultural and educational policies as instruments of urban regeneration;
- a survey of experience in the involvement of users and producers in the strategy and operation of urban services.

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