The ‘Third Way’ and Spatial Policy in England: ‘New’ Labour and the National Strategy for Neighbourhood Renewal*

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I. Introduction

This paper provides a commentary on the National Strategy for Neighbourhood Renewal (NSNR), which, it may be argued, represents a paradigm example of the ‘new’ Labour project as applied to space. It is argued here that the strategy greatly overestimates the potential for developing solutions to complex problems in employment and housing at the local level, without reference to broader questions of demand. The paper also questions the ability of local partnerships and communities to address these issues in an integrated fashion without significant government assistance.

There are five sections: the defining characteristics of the ‘third way’ and their implications for spatial policy are identified; a brief outline of the NSNR is given; the key issues of employment and housing are discussed; the challenge of developing local partnerships and involving local communities is considered; and, finally, some conclusions are offered.

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II. 'New' Labour, the 'Third Way' and Spatial Policy

A key characteristic of the Labour government that differentiates it from its Conservative predecessors is a renewed interest in spatial policy. This is manifested in three (separate) government spatial agendas, for regions, cities and neighbourhoods.

These initiatives do not imply that the notion of spatial policy per se is central to the project of the ‘new’ Labour government, commonly referred to as the ‘third way’ (Blair, 1998; Giddens, 1998). Rather, it is argued here that the central tenets of the third way lend themselves to being applied in the form of spatial policy.

A concise conceptualisation of the third way is offered by Reich (1999). He identifies important continuities between centre-left governments (especially those of Blair and Clinton) and their rightist, neo-liberal predecessors: deregulation, privatisation, free trade, flexible labour markets, minimum welfare provision, and fiscal austerity. However, he also notes significant differences, especially a pre-occupation with ‘inclusion’ - in this context, the belief that the economically displaced must be ‘brought along’ (ibid.). This is a functional, rather than moral, imperative, to maintain social cohesion; a task to which unfettered neo-liberalism is ill suited (Blair, 1998). Crucially, third way governments also differ from their traditional leftist predecessors; in the mode of intervention they choose to pursue this objective. Traditional Keynesian demand management and redistributive fiscal policy are considered inappropriate, even damaging, in the context of a hyper-competitive global economy (ibid.) and rejected in favour of integrating deprived individuals and households into the mainstream economy by enabling, or obliging, them to secure paid work. This entails an emphasis on supply-side interventions (training, counselling, work incentives, childcare), all of which are enshrined in Labour’s flagship Welfare to Work programme. The third way is, thus, concerned less with equality of outcomes than with equality of opportunity (ibid.).

Reich’s analysis can be extended and applied to spatial policy. The third way emphasis on inclusion highlights the disparities between and within places. These were less important to the Conservative government. Indeed, the Thatcher administration pursued an explicit ‘two
nation’ strategy (Thornley, 1993). The spatial policy of the Major government was limited to the promotion of inter-urban competition for government resources (see Oatley, 1998) whilst elsewhere (particularly at the regional level) deregulation prevailed. The traditional spatial policy of ‘old’ Labour governments was based on a redistribution of demand through a ‘carrot and stick’ type regional policy (Wannop, 1995). However, the third way rejection of macro-level demand management implies an emphasis on local and regional, rather than national, intervention. This is, perhaps, best illustrated by the government’s seemingly paranoid desire to refute the existence of a North - South divide (Cabinet Office, 1999; DETR, 2000a; HM Treasury, 2000a, etc.) in favour of tackling problems ‘wherever they are found’ (Cabinet Office, 1999, p.14).

The third way also implies a reorientation of the role of the state. Rhodes (2000) argues that ‘new’ Labour presides over an ‘enabling’ state, in contrast to the ‘minimalist’ state of the Conservatives and the ‘bureaucratic’ one of ‘old’ Labour. The state is, thus, guarantor of access to goods and services, rather than direct provider of them.

A key public management priority of the Labour government has been to encourage collaborative working between and within public organisations and their partners; ‘joined-up governance’ (Rhodes, 2000). This has not entailed top-down, national intervention but devolution of responsibilities for integration of policy to sub-central, multi-sector partnerships. The government provides an enabling policy framework but retains tight financial control and emphasises the importance of positive achievements for public investment. Public expenditure has been redefined as ‘money for results and reform’ (Blair, 1998, p.16). The enabling dimension extends to the role of the citizen and community, the responsibilities of which are stressed as strongly as their rights (ibid.).

To summarise, the defining characteristics of spatial policy under ‘new’ Labour are:

- Local intervention (set within a ‘one nation’ framework with national guidelines and targets);
- A supply-side bias (focusing particularly, but not exclusively, on employment);
- A reliance on managerial innovation (‘joined-up governance’) to effect positive out-
comes with limited public finance;

- An emphasis on ‘self help’ (e.g. local partnership, community involvement and development).

These traits are now discussed in the context of the National Strategy for Neighbourhood Renewal.

III. The National Strategy for Neighbourhood Renewal

The NSNR is the product of a consultation process led by the Social Exclusion Unit (SEU) that spanned the first term of the Labour government (SEU 1998, 2000, 2001).

The Prime Minister outlined the objectives of the strategy as follows:

‘Our vision is that, within 10 to 20 years, no-one should lose out because of where they live. We want to see people living in our poorest communities enjoying the same opportunities to build a decent life which the rest of us enjoy’ (DETR, 2001a).

The NSNR is based on the premise that previous area based initiatives (Enterprise Zones, Urban Development Corporations, Estate Action, City Challenge, Single Regeneration Budget, etc.) have failed to address the problem of social exclusion effectively. The reasons cited for this failure are numerous (SEU 1998, 2000):

- Action on employment has been ineffective, with too much investment in ‘bricks and mortar’ and too little in people;
- Attempts to protect and involve local communities have been unsuccessful, ‘social capital’ has been eroded;
- The poorest quality public services are provided to those neighbourhoods that are most
dependent on them. In some instances area based initiatives have simply, temporarily, disguised the inadequacy of core services;

- There has been a lack of effective strategy, with too many initiatives, too many rules and too little co-operation. There has been inadequate emphasis on building links beyond the neighbourhood, ‘joined-up’ working, and the transfer of best practice.

The NSNR seeks to overcome these shortcomings in three ways:

- Effecting positive change in five key domains (employment, housing, education, crime and health) in deprived neighbourhoods through mainstream programmes rather than area based initiatives. This is to be pursued through Public Service Agreements between the Treasury and service departments (and, subsequently, local partnerships) who will, for the first time, be evaluated according to where they perform worst rather than to national norms;
- Rebuilding of ‘social capital’ through community capacity building initiatives, to enable local communities to help themselves;
- Encouraging ‘joined-up’ or ‘cross-cutting’ working between services, between levels of government, between service providers and clients, and between sectors, institutions and consumers.

The NSNR has been subject to a limited degree of academic scrutiny. The strategy has been criticised by some commentators (Oatley, 2000; Chatterton and Bradley, 2000) for overstating the importance of local processes in explaining and tackling patterns of social exclusion. Oatley, for example, argues that deprived neighbourhoods are the victims of a global economic system that fails significant sectors of society more generally (ibid.). This debate is not considered here. The present paper aligns itself with the view that locality effects are important, not least for the compound effects that they produce (Forrest and Kearns, 1999; Lund, 1999). However, this is not to imply that the solutions are exclusively local in origin. On the contrary, it is argued here that the NSNR fails to interpret the problems of
disadvantaged neighbourhoods in their proper context and, thus, overestimates the potential for local (i.e. neighbourhood level) supply-side initiatives to effect positive change.

IV. Employment, Housing and Neighbourhood Renewal

The NSNR Action Plan A New Commitment for Neighbourhood Renewal (SEU, 2001) identifies five key domains for which Public Service Agreement targets have been defined: employment and economies; crime; education and skill; health; and, poor housing and physical environment.

This paper focuses on the domains of employment and housing. It is possible to argue that these are primary drivers of neighbourhood change (Maclellan, 2000). The interaction between the employment and housing markets concentrates disadvantaged households (in this context, those without the resources to make alternative housing choices) in deprived neighbourhoods. A number of contingent problems arise potentially from unemployment and/or poor housing; low educational attainment, poor health, and crime. The pattern of exclusion is, thus, reinforced and perpetuated.

The importance of employment policy to the ‘new’ Labour project generally has already been noted. It is not surprising, therefore, that employment is central to the NSNR ‘Work is by far the best way out of poverty and enterprise—large and small—is at the heart of local prosperity’ (SEU, 2000, p.45).

The key Public Service Agreement for employment envisages ‘…an increase in the employment rates of the 30 local authority districts with the poorest initial labour market position over the three years to 2004 (taking account of the economic cycle) …[and] …a reduction in the difference between employment rates in these areas and the national rate’ (HM Treasury, 2000b).

The NSNR is pre-occupied with highly localised supply-side interventions. This involves a Welfare to Work style package of skills training, information brokerage, enhanced job search,
reduction of the ‘benefit trap’. In addition, there are measures to tackle racial discrimination and improve accessibility through public transport. This approach derives, on the one hand, from the ideological rejection by New Labour of old-style Keynesian demand management, as discussed above, and, on the other, from a more pragmatic belief in the existence of abundant and accessible work opportunities (HM Treasury, 2000a).

This thesis has been strongly criticised by a number of commentators, principally for reducing the problem of unemployment to one of individuals and households - a ‘social pathology’ interpretation (Maclellan, 2000; Watt and Jacobs, 2000) - rather than acknowledging a lack of demand for labour in certain (urban) localities. We shall return to this argument shortly.

The process of improving the employability of unemployed clients via supply-side measures still presents a formidable challenge. This process can conceived as a type of ‘continuum’ in which clients experience problems of differing degrees of severity that position them nearer or further from the ultimate goal of attaining employment. At one extreme, clients may possess the requisite skills and aptitude to obtain a job easily. Intervention is, therefore, a simple task of improving access to published job vacancies. At the other, clients may be completely disenfranchised from the labour market due to extreme personal problems (homelessness, drug or alcohol addiction) or discrimination on racial or other grounds. They require rehabilitation or integration into mainstream society before vocationally specific measures are possible.

The problem of unemployment cannot, therefore, be reduced to simple labour market solutions (PAT1, 2000). A proliferation of agencies intervenes at different points in the continuum. This requires successful ‘simultaneous’ integration (PAT17, 2000): establishing a division of labour to undertake a comprehensive labour market analysis that identifies employment opportunities and obstacles, and, thus, to formulate an evidence-based strategy. It also requires successful ‘sequential’ integration (ibid.): establishing a clear division of labour to construct ‘pathways’ to employment for individual unemployed clients. The capacity of local organisations to achieve this degree of integration is doubtful, as discussed below.

A more fundamental problem, however, is that the NSNR, based on supply-side inter-
ventions, fails to consider uneven demand for labour. The long-term out-migration of employment from Britain’s cities is well documented. For example, Turok and Edge (1999) note that between 1981 and 1996, Britain’s 20 largest urban areas lost a net 500,000 jobs compared to a net gain of 1.7 million elsewhere. Welfare to Work has been unable to make significant inroads into employment inequalities in the context of the most advantageous labour market conditions for a generation. In July 2001, with (claimant) unemployment nationally at a 26 year low of 3.2 per cent, unemployment in the wards of Birmingham varied from 2.1 per cent to 20.7 per cent (BEIC, 2001). This does not bode well for NSNR.

Housing regeneration has, traditionally, been associated with ‘bricks and mortar’ type investment. It is now widely acknowledged that physical improvements alone have not led to sustainable regeneration. Consequently, regeneration has been characterised by a shift in investment from physical to human resources (Forrest and Kearns, 1999). It has been argued the importance of housing has been neglected in recent government thinking and, particularly, in the NSNR (Forrest and Kearns, 1999; Lund, 1999; Macleman, 2000; Watt and Jacobs, 2000).

The key Public Service Agreement for housing envisages ‘...that all social housing is of a decent standard by 2010 with the number of families living in non-decent housing falling by one third by 31 March 2004, and with most of the improvement taking place in the most deprived local authority areas as part of a comprehensive regeneration strategy’ (HM Treasury, 2000b).

Some neighbourhoods, particularly, but not exclusively in Northern England, are characterised not merely by poor physical housing conditions but by extreme, localised, adverse housing market effects. Economic, social and demographic changes have created areas of ‘unpopular’ housing (PAT7, 2000). Symptoms include high void levels, high population turnover, difficulties in letting social housing stock, and, negative equity in the private sector. The existing population is typically comprised of transient residents, the elderly, and people who are unable to move elsewhere (e.g. low income households or those trapped by negative equity). An example of a ‘low demand’ area is the Ley Hill estate in Birmingham (by no means an extreme case in a national context) which has a void rate of 12.5 per cent, an an-
nual turnover of 23.3 per cent and a waiting list of little more than one person for every 100 available dwellings (CURS et al., forthcoming). It is estimated that this problem may extend to neighbourhoods comprising some 900,000 dwellings nationally (SEU, 2000).

The NSNR, once again, emphasises very localised supply-side problems. At its most basic, it attributes these problems directly to ‘severe crime and anti-social behaviour—much of it by children’ (SEU, 1998, p.27). It is also strongly influenced by interpretations that identify local housing management (e.g. lettings) as a key problem (e.g. Power and Mumford, 1999).

However, other commentators stress the importance of structural change. That is, the obsolescence and/or physical condition of housing stock, out-migration from the neighbourhood, economic decline, increased housing choice, and demographic change (Cole et al., 1999; Murie et al., 1998). A structural interpretation of ‘low demand’ implies that housing intervention needs to incorporate an understanding of the operation of the local housing market that places the neighbourhood in its wider local or sub-regional context and acknowledges the relationship between housing and labour markets. This includes an acknowledgement of potential ‘displacement’ effects that may intensify local problems or simply move the problem to another neighbourhood. For example, an employment-focused NSNR has the potential to increase the population turnover of neighbourhoods already in crisis. Beneficiaries of employment programmes may chose to utilise their increased disposable income by vacating the renewal area for more ‘popular’ housing areas elsewhere. This will simply increase the relative exclusion of those who remain and increase the costs of agencies responsible for their welfare. The NSNR, with its focus on employment and localised housing management initiatives underestimates the importance of broader demand-side issues.

V. Integration, Partnership, Involvement

The principal vehicles for implementing the NSNR locally are Local Strategic Partnerships (LSP). These are non-statutory executive organisations that will rationalise the plethora of ex-
isting multi-sector local partnerships (DETR, 2001b).

LSPs have been charged, by government, with the task of identifying the complex pattern of linkages within and between the domains of neighbourhood renewal and ‘joining up’ the strategies, policies and services of the different agencies accordingly. Neighbourhood renewal is a complex territorial issue that presents a formidable challenge for policy makers. Indeed, Healey (1998a) notes that public policy has been formulated in Britain as if space were irrelevant. The public sector has been organised on a functional basis or, as Healey (1998b) puts it, one of ‘hierarchical sectoralism’. Self-contained and hierarchical policy communities have developed, over time, in different domains - education, health, housing, social services, land-use planning, and so on. None of these possesses the entire requisite expertise and resources to address comprehensively the challenge of neighbourhood renewal. Furthermore, each policy community is, itself, comprised of a variety of organisations at different spatial levels.

Local multi-sector partnerships have proliferated in England since the early 1990s. However, many of these were formed opportunistically in response to resource procurement opportunities (e.g. SRB). This implies an ephemeral, partial form of integration. The competitive culture, engendered by challenge funding, seems to be deeply ingrained (PAT 17, 2000). The NSNR requires a change of culture on the part of local authorities and their partners that acknowledges that LSPs are not a vehicle designed to acquire and spend additional funds but to effect long term change in deprived neighbourhoods through the optimum deployment of existing resources.

The challenge of integration has been made more difficult by the cumulative interventions of successive government. For example, Hall and Mawson, (1999) cite the so-called 'new public management' of the 1980s and 1990s. This saw the decentralisation of certain Civil Service functions to Next Steps agencies (e.g. the Employment Service) and the transfer of responsibilities and powers from elected local authorities to single purpose, executive agencies such as Non Departmental Public Bodies (quangos). Rhodes (2000) notes that the Conservative legacy included 5,521 special bodies spending 39 billion per annum and involving 70,000 appointments based on patronage. The Labour government has added to the prob-
lem by the proliferation of area-based initiatives introduced since the election in 1997. The original ‘patchwork quilt’ of initiatives managed by the Conservative government in the late 1980s that was so famously criticised by the Audit Commission (1989) incorporated 14 regeneration or related programmes. A decade later, the DETR web-site listed no fewer than 43.

Stewart et al (1999) argue that this fragmented public domain has created an ‘implementation gap’. It has become increasingly difficult to impose a clear line of management from the centre or at a local level. Central government, whilst retaining strong financial control, is dependent on local organisations to deliver its commitments. Local authorities have been hamstrung by the financial and legislative constraints of the past two decades (ibid.).

The Labour government has acknowledged the difficult context in which local partnerships operate (PIU, 2000). It has established a Neighbourhood Renewal Unit (NRU) within the Department of Transport, Local Government and the Regions, and strengthened the position of the Government Offices for the Regions to facilitate integrated working on the NSNR. However, the government’s other spatial policy agendas (regional competitiveness, urban renaissance) have produced their own (separate) ‘joined-up’ apparatus (a Regional Co-ordination Unit in the Cabinet Office and an Urban Policy Unit in the Department for Transport, Local Government and the Regions). The government’s attempts to enable integration at a local level have, thus, been characterised by a strong sense of post-hoc rationalisation. To date, ‘new’ Labour epitomises the language, if not the reality of joined-up government (Macleman, 2000).

The participation of local residents in the decision-making and service delivery making process is one of the defining features of the NSNR. This is consistent with the third way emphasis on individual and collective ‘self help’ noted earlier. As the (then) Minister for Local Government and the Regions, Hilary Armstrong, put it ‘The government believes in backing communities as they work to improve themselves’ (DETR, 2000b).

Local involvement has been a central objective of regeneration schemes since the early 1990s. The experience of the past decade can best be described as a learning process. It has proved easy to establish partnerships in name. Indeed, as noted above, local partnerships
have proliferated. However, it has proved more challenging to make these partnerships function effectively and equitably. The, mere creation of partnership structures is, perhaps, less problematic than the processes that make them work. The plethora of barriers to community involvement include the bureaucratic nature of the regeneration process, the lack of resources of community and voluntary sector organisations, the ‘top down’ nature of many local partnerships, and the lack of involvement of marginalised groups (e.g. women and ethnic minorities). An essential component of a neighbourhood renewal strategy is, therefore, local community capacity building. This includes training opportunities, consultancy support, funding for development workers, providing equipment or premises, help to broaden the community base, the development of networks and structures and strategies to influence attitudes to the community in the other sectors. The importance of capacity building has been acknowledged by the NSNR, which makes available (modest) resources for this purpose through the Community Empowerment Fund. However, it is equally important to acknowledge the need for capacity building within key local organisations, not least local authorities (Burgess et al, 2001). To date, this issue has not been comprehensively addressed.

The notion of community involvement has become hegemonic. Its advocates claim that community involvement enhances the effectiveness of regeneration programmes by: encouraging better decision making; fostering more effective programme delivery; helping to ensure that the benefits of regeneration are sustained over the long term (e.g. DETR, 1999). It is not the objective of the present paper to dispute the rationale for community involvement. The democratic imperative justifies this activity on its own. However, the purported benefits of community involvement are the product of immutable logic rather than empirical proof. However, there are significant limits to the expertise that local people bring to the renewal process. They may, indeed, possess detailed local knowledge that eludes middle class policy makers who live elsewhere but local resident are likely to be less cognisant of broader structural forces impacting on the neighbourhoods in which they live (e.g. changing demand for labour and housing). Indeed, in the context of a neighbourhood that is experiencing a 25 per cent (or greater) annual population turnover, the ‘community’ is likely to change beyond recognition in a modest period of time. Community involvement is not a panacea for neighbour-
hood renewal. The NSNR does not acknowledge the limits to community competence.

VI. Conclusion

Political projects are often vaguely articulated and attempts to interpret them may confer upon them a greater coherence than they merit. The third way is such a project. It has often been conceptualised, not least by its advocates, in terms that differentiate itself from projects of the past. The project is, thus, defined by reference to what it is not rather than what it is. This paper has sought to provide a basic framework for analysis of the third way by highlighting continuities and discontinuities with the past. In some respects (e.g. macro economic policy), the third way represents a continuation of the neo-liberal agenda of the past two decades. However, this is qualified by its ‘one nation’ emphasis. It is an inclusive project that seeks to maintain social cohesion through targeted supply-side measures aimed at individuals, households and communities. Hence, many of the central tenets of “new” Labour thought lend themselves to a spatial application.

The NSNR represents a paradigm example of third way thought as applied to space. The shortcomings of the strategy discussed in this paper are, therefore, informative about the new Labour project as a whole. These include an assumption that problems and solutions are co-terminus and, hence, a misplaced belief in the potential for developing local solutions to complex labour and housing market issues without a broader assessment of demand; an over-reliance on local partnerships and communities to realise “joined-up” governance without significant supporting central government intervention. The NSNR, thus, represents less an element of a national spatial strategy than an element of a strategy for the nation comprising discrete spatial interventions (including those at the regional and urban level).

The NSNR has been conceived in the context of highly advantageous economic circumstances that have, no doubt, facilitated the implementation of some of its pre-cursors (e.g. Welfare to Work). However, significant employment inequalities remain. This prompts the
question of what happens in the context of a labour market downturn that, at the time of writing, seems a likely scenario. The principles upon which the NSNR is founded have not been tested in circumstances in which they would most be required to produce positive results.

This observation can be applied to the new labour project as a whole. It is interesting to note that Reich (1999), a key Clinton aide, is pessimistic about the long term prospects for the third way. He argues that it has no natural constituency. Its twin poles are economic growth (a project associated with the traditional right) and social cohesion (a project associated with the traditional left). It is assumed that beneficiaries of the former will be willing and / or able to pay to maintain the latter the latter. Reich argues that this assumption is misplaced, as it is impossible to reconcile the two. In reality, in the British context, it has yet to be tested.

References

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