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**The Impacts Of Attempts To Stimulate Private Sector Involvement And
Investment In The Urban Regeneration Process: The Case Of The City Of
Glasgow**

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ABSTRACT

This thesis investigates the impact of attempts to stimulate private sector involvement and investment in the urban regeneration process, looking at the case of urban regeneration institutions operating, and policies implemented, in disadvantaged areas of the city of Glasgow. Successive governments' analyses of the urban problem and the perceived role of the private sector in these are critically analysed and an alternative advanced. The history of attempts to stimulate private sector participation in the regeneration process in the USA and UK is discussed to introduce the delivery structures and policies pursued in Glasgow in the post war period. A review of the economic history of the city and the characteristics of its disadvantaged areas highlight the weakness of the city economy and the scale of the regeneration problem. The key original fieldwork elements of the thesis investigate the findings of a survey of attitudes in the private sector towards the regeneration process, the impacts of private sector participation in organisational structures and attempts to stimulate investment through the labour and property market. Further, a survey of key players in the business community assesses private sector attitudes to the regeneration process. The research argues that the rationales for stimulating participation advanced by proponents are flawed. Those concerned with organisational aspects confuse concerns over ownership with those of effective management. In investment terms there are major weaknesses in the attempt to adapt market failure policies to fundamentally redistributive issues. Analysis of policy history shows that there has been convergence towards a holistic approach attempting to address both growth and redistributive issues and that the City of Glasgow is a good example of this. Empirical evidence shows that business opinion is relatively well informed about the issues to be addressed but not about the agencies charged with delivering policy. Although the importance of the issues is recognised, attitudes in the private sector are largely negative on the potential for additional intervention from this source to assist in their resolution. The impacts of participation on delivery structures are limited because a public sector culture and funding structure dominates, allowing private sector representatives an input only at the margins. Attempts to stimulate labour market investment have had positive, but limited, results. Awareness in the private sector of these activities is low and attitudes about their utility are sceptical. Property investment through the housing market has been stimulated but this is complicated by questionable financial arrangements which influence analysis of success or failure. The research concludes that there is a need for realism in attempting to stimulate private sector participation. Urban regeneration has to be primarily a concern for government. Private sector contributions have to be additional to this.

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CHAPTER 1:
INTRODUCTION

1 INTRODUCTION

(i) Key Research Questions

This thesis investigates the impact of attempts to stimulate private sector involvement and investment in the urban regeneration process, using developments in the city of Glasgow as a case study. The research analyses a number of inter-related issues:

- the theories underlying the former government's approach to stimulating involvement and investment from the private sector in the regeneration process and the difficulties inherent in applying this to the problems of disadvantaged areas;
- attitudes to private sector involvement and investment in the urban regeneration process in the business community not currently involved in the process in Glasgow;
- the impact of policies intended to increase private sector involvement and investment on the programmes and organisational structures of urban regeneration agencies in Glasgow.
- the mechanics of attempting to stimulate involvement and investment from the private sector in the city.
- the perceptions of the success or failure of policies aimed at increasing involvement and investment from the private sector from the perspective of the key players in the public and private sector in the city.
- the potential for increasing private sector involvement and investment in the urban regeneration of the city in future.

Underlying these questions is the central issue of under what conditions it is possible to stimulate private sector involvement and investment in urban regeneration. These questions are important in the field at the moment, for two reasons. Firstly, it has since the early 1980s been ideologically compatible with the aims of government, first Conservative and now Labour, which decides what to finance. Private sector involvement is increasingly a prerequisite for gaining project funding. Secondly, to date, the approach has had very limited success, especially in the most economically depressed local economies, being confined where it has happened to property development schemes (Turok, 1992a). Thus there is the potential that if this approach becomes the *only* rationale for intervention that the needs of depressed local economies will be further neglected. The issue also sits centrally in the debate over whether state funded economic development finance *should be* focused where it produces the greatest economic return, or whether it should be directed at developing the depressed areas and sectors of the economy. It is very important to note at the outset that the purpose of this thesis is *not* to evaluate the success or failure of agencies at resolving urban problems. The aim is to assess the impacts of attempts to stimulate participation from the private sector in these efforts.

(ii) Structure of Thesis

The thesis is structured as follows. This Chapter introduces the key issues to be addressed before outlining the terminological definitions used in the thesis,

i.e. urban regeneration', 'private sector', 'involvement', 'investment', etc. The methodology is then introduced, covering the philosophical approach taken and the methods used - the case study, semi-structured interviews and questionnaires.

Chapter 2 investigates the market failure approach to urban policy adopted by successive governments and highlights the difficulties intervention based on this perspective presents for the regeneration of the most disadvantaged areas. The final part of the chapter presents an alternative analysis of the causes of persistent geographical concentrations of disadvantage, focusing on the complex interplay of social and economic factors which can act to lock areas into cycles of decline.

Chapter 3 investigates the historical record of attempts to stimulate private sector involvement and investment in the regeneration process. The international context, principally covering the USA where private sector participation in urban regeneration has a long track record, is first discussed, looking at the 'growth coalition' approach in the USA from the 1940s onwards and the role of the private sector in this. This is followed by a brief review of the 1960s 'War on Poverty', 'Model Cities', the Community Development Block Grant and the role of the private sector in these. Urban policy and the private sector from the late 1970s to 1992 is then discussed, focusing on significant federal withdrawal from the cities in the 1980s, the role of the Department of Housing and Urban Development (HUD) and Economic

Development Administration (EDA) and attempts at introducing urban enterprise zone legislation. The analysis is completed by a discussion of current policy debates, including the Economic Empowerment Act and the public - private element in the Clinton administration's approach.

This is followed by a discussion of the UK's and Scotland's urban policy history in relation to the issue. The main areas covered include policy pre-1979, including late 1960s Home Office programmes, comprehensive redevelopment, the gradual shift from social to economic analysis of problem, the 1977 White Paper on the Inner cities and GEAR, focusing on the minimal role for the private sector. This is followed by an analysis of policy after 1979, looking particularly at Urban Development Corporations, Training and Enterprise Councils and City Challenge. Finally, Chapter 3 looks at Glasgow's urban policy history to illustrate how these policy shifts manifested themselves in the institutional structures developed and programmes pursued to the early 1990s.

Chapter 4 completes the contextual research by providing information on the performance of the Glasgow economy compared to that of Scotland and Great Britain. It also looks at the socio-economic structure of the disadvantaged areas of the city and outlines the current delivery structure in the city.

Chapter 5 looks at attitudes in the city's business community towards the regeneration process, based on a survey of key individuals in the city's leading companies. The issues covered include

- levels of knowledge about the activities of regeneration agencies in the city.
- opinions about the nature and effectiveness of current regeneration policy in the city.
- reasons for their current lack of involvement in urban regeneration and the potential for stimulating more involvement.

Chapter 6 looks at the impacts of private sector involvement in the organisational and policy delivery structures of urban regeneration agencies in Glasgow, based on an evaluation of background written material, officer interviews and private sector individuals involved in the structure of the agencies.

Chapter 7 analyses the effect of policies designed to develop employment linkages between disadvantaged areas and the wider labour market. The key issues discussed cover the form programmes take and the reasons companies either participate or do not get involved in programmes. A number of projects are analysed in detail to highlight the key issues.

Chapter 8 analyses the impact of the Scottish Homes GRO Grant system, the major private sector investment mechanism in urban regeneration

programmes in disadvantaged areas of the city. The issues covered include an analysis of the mechanics of the regime, the rationale for private sector developers becoming involved and the performance of the scheme to date, with the aim of illustrating the practicalities of financial partnership. Finally, Chapter 9 draws together the findings of the theoretical, contextual and empirical analysis to provide insights into the key questions the thesis addresses.

2. DEFINITIONS

Much of the terminology employed in this thesis has commonplace applications and thus multiple meanings. This section addresses this issue by presenting a series of more rigid definitions for the key terms used regularly throughout the thesis. Particular emphasis is placed on the meaning of ‘urban regeneration’.

(i) ‘Urban Regeneration’

The dictionary definition of ‘regenerate’, the root of ‘regeneration’ is to “undergo, or cause to undergo moral spiritual or physical renewal or invigoration; to form or be formed again, come or bring into existence once again; to replace by new growth” (Collins 1988). Thus ‘regeneration’ is concerned with changing the characteristics of an area, in this research urban areas, either to replace the existing circumstances with an approximation of what was there previously, or to develop a new situation. It is thus at once a

conservative concept and a radical one depending on the context in which it is applied.

The legislative definition of 'urban regeneration' is vague. Successive UK Acts of Parliament related to urban regeneration have defined it as relating to resolving the social and economic problems of an area (1978 Inner Urban Areas Act). The 1980 Local Government, Planning and Land Act (1980), which is the legislative foundation of Urban Development Corporations, states that "the object of an urban development corporation shall be to secure the regeneration of its area" (136.-(1)) The means to achieving this are "by bringing land and buildings into effective use, encouraging the development of existing and new industry and commerce, creating an attractive environment and ensuring that housing and social facilities are available to encourage people to live and work in the area" (136.-(2)).

These aims have changed little; the 1993 Leasehold Reform, Housing and Urban Development Act states: "activities contributing to the regeneration of an urban area include in particular: (a) securing that land and buildings are brought into effective use; (b) developing, or encouraging the development of, existing and new industry and commerce; (c) creating an attractive and safe environment; (d) providing housing or social and recreational facilities so as to encourage people to live and work in the area; (e) providing employment for people who live in the area; (f) providing training, educational or health facilities for people who live in the area (27 - (2))".

Government bidding guidance for the Single Regeneration Budget (1996) followed similar lines but suggested a slight shift towards more tightly defined economic programmes: “the Challenge Fund supports initiatives which build on good practice and existing initiatives, represent value for money and meet one or more of the following objectives: enhance the employment prospects, education and skills of local people, particularly the young and those at a disadvantage and promote equality of opportunity; encourage sustainable economic growth and wealth creation by improving the competitiveness of the local economy, including support for new and existing businesses; protect and improve the environment and infrastructure and promote good quality design and landscaping; improve housing and housing conditions for local people through physical improvement, better maintenance, improved management and greater choice and diversity; promote initiatives of benefit to ethnic minorities; tackle crime and improve community safety; enhance the quality of life and capacity to contribute to local regeneration of local people, including their health and cultural and sports opportunities” (Department of the Environment, 1996). In a footnote the definition is widened further “regeneration is used as a shorthand term for sustainable regeneration, economic development and industrial competitiveness” (ibid)

In Scotland, the Government definition is consistent with those underpinning English regeneration policy: “a regeneration strategy should set out a comprehensive approach to regeneration of deprived areas, which encompasses

a range of relevant economic social and physical issues” (Scottish Office, 1996). The factors which make up these issues are listed, giving an insight into the policies viewed as central to regeneration: the level and nature of unemployment; household income levels; levels of educational attainment; the health of the population; the need for crime reduction and prevention measures; the scope for providing constructive activities for children and young people; deprivation amongst particular groups of the community; training provision and its take up; business activity including business birth rates; housing conditions; housing endure; retail and leisure provision; the scope for developing sporting and cultural activities; childcare provision, particularly in support of vulnerable or at risk families; accessibility and transport issues (ibid).

For the purposes of this research, urban regeneration will be defined as the programmes pursued by public agencies in areas of Glasgow, exhibiting concentrations of economic stress with the aim of reducing this stress. Here ‘stress’ is defined as the concentration of factors such as high and long term unemployment, low incomes and poor access to employment opportunities within specific areas. In policy terms it will focus more on the economic aspects of the wide-ranging definitions discussed above, firstly since the study is concerned with the potential and actual impacts of private sector activity to alleviate these issues and secondly because a strong argument can be made that economic factors are key to any successful regeneration programme. In terms

of the regeneration organisations investigated it will focus on those which have private sector involvement and are operating in these areas of stress.

(ii) 'Public' and 'Private Sector'

The dictionary definition (Collins 1988) of 'public sector' is defined as "the part of a country's economy which consists of state-owned institutions, including nationalised industries and services provided by local authorities", while the 'private sector' is defined "as the part of a country's economy that consists of privately owned enterprises". For the purposes of this research, this distinction is sufficient, although it should be noted that in the use of the term 'private sector' in the thesis it will be made clear whether it is individuals from a private sector background or companies operating in this sector of the economy who are being referred to. When the term 'private sector representative' is used, for example, this does not mean that the individual is speaking *for* the 'private sector' (which by definition is an disparate body) but is rather a representative in a context where he or she is distinguished by his or her background from other representatives. Thus, a private sector representative is speaking *from* the private sector.

(iii) 'Involvement'

The 'involvement' of the private sector in urban regeneration in this research is defined as direct participation by companies or individuals in the organisational structures of the regeneration organisations under investigation.

(iv) ‘Investment’

‘Investment’ is defined in two ways. Firstly, as the commitment of financial resources by the private sector in property developments in depressed areas of the urban economies under investigation. Secondly, it is defined as investment in the populations of these areas through the mechanisms of employment of local people and participation in training programmes.

3 METHODOLOGY

(i) Philosophical and Theoretical Stance

This research can be broadly characterised as being in the ‘postpositivist’ or ‘critical realist’ philosophical paradigm. Thus, in ontological terms, “reality is assumed to exist but to only be imperfectly apprehendable because of basically flawed human intellectual mechanisms and the fundamentally intractable nature of phenomena” (Guba and Lincoln, 1994)

Arising from this, the epistemological stance is that objectivism is a ‘regulatory ideal’ but one which, in contrast with the belief of positivism, it is not possible to attain. Thus subjectivism should be minimised where possible since it cannot be eliminated. Throughout this section, which focuses principally on empirical method issues due to the fieldwork oriented nature of the study, the problem of potential subjectivism is addressed. The methodology to be adopted in this study can be broadly characterised as a “pluralist evaluation” (Smith and Cantley, 1985). Conventional evaluative research makes three important presumptions: rationality in the policy process, the

experimentalist ideal in social research and the existence of consensus in professional organisations (Smith and Cantley, 1985). This kind of evaluation has its roots in the positivist tradition, assuming that ‘truth’ can be ‘objectively captured’ by research. This approach has limited relevance. The pluralist evaluation approach emphasises the complexity of both the policy making process and institutional complexity both within and between organisations, i.e: “process will have a crucial influence upon outcome” (Means and Smith, 1988). In any policy process, there are a series of ‘stakeholders’ involved: “each of these groups has a different perception of the success or failure of a particular policy initiative” (Lowndes and Stoker, 1992).

This research, following from Smith and Cantley, will take account of the following five principles arising from the above. Firstly, the research must identify the major constituent groups involved in, and affected by, the policy initiative. Secondly, data must be collected on these constituent groups’ perceptions and interpretations of ‘success’ in policy delivery. This must have a central place in the evaluation. Thirdly, the study should not only take account of the plurality of the notions of ‘success’ but also the different groups’ strategies as they strive to implement their own perspectives in their own interests. Fourthly, the research must then assess the extent to which success (or failure) is achieved on each of the criteria described by each of the actors in terms of the different meanings applied to these criteria. Thus success is a pluralistic notion; it is not a unitary measure. Finally, the evaluation must therefore adopt the constant use of as many different kinds of data as possible.

This ensures as far as possible that the research reflects the full range of interests, ideologies, interpretations and achievements related to the policy, to provide an explanation of the processes involved and complex conclusions as to the success or failure of policy from multiple viewpoints (Smith and Cantley, 1985).

Taking such an approach places the findings closer to probable reality than a straightforward positivistic approach could. The operationalisation of these concepts is discussed below.

(ii) The case study approach

For this research, a case study method will be adopted. The case study approach is valid for this study for a number of reasons. Firstly, the most obvious reason for taking a case study approach is the area (i.e. city economy) and organisation/initiative focus of the study. It is concerned with the impact of private sector involvement on the organisation and output of local economic development/regeneration policy on depressed local economies within the city of Glasgow. Therefore, it is clear that the units of study must be these depressed local economies within the urban economy and the regeneration organisations working within them. The separate strands of investigation will be combined to produce a case study of the performance of private sector involvement and investment in depressed areas of the city of Glasgow. The specific methodologies to be used within this broad methodological context,

principally, questionnaires and semi-structured interviewing are discussed later in this paper.

(iii) Assessing the extent of private sector involvement and investment

This section is concerned with an organisational evaluation of the policy delivery structure and the investment outcomes of the projects and programmes under study. In any project or programme there are key phases in the life cycle of a policy:

- strategic development
- project and programme management
- investment.

Strategic design and implementation should be seen as part of a continuum rather than discrete stages. For each phase the level of involvement of the private sector needs to be assessed. It should be noted that the second and third phases above are really part of the implementation phases of policy. They are separated for this study because they represent different kinds of involvement.

Strategy formulation and design is concerned with *how* policy is made. There are a number of important questions within this. Firstly, where does the initial impetus for the strategy come from? Who identifies the problem and sees a need for action? Is it the public sector or the private sector?

Secondly, what is the structure of the strategic development process? Who do the initiators consult and involve? Is strategy developed in a partnership structure? If so, what role do the various partners play? How involved are they? Who is dominant? In order to answer the above, it was necessary to: find out who was involved in strategy development; construct interview schedules to be applied to those involved which attempted to gauge the level of involvement; build on the above by interviewing all of the key players to gain a deeper understanding of the processes at work and the dominant influences in the initial design stages of the strategy.

The second kind of involvement to be considered was programme management. To gauge the level of private sector involvement in the policy delivery structure it was necessary to discover first how the policy was implemented. This was done by asking the following questions: does one agency or organisation run the project alone and inform the other bodies of progress and consult them as to any changes? Is the project delivered through a partnership arrangement where all those involved are heavily involved with day to day management? Is there a management team drawn from the organisations involved which runs the project? If so, which organisations are represented on this team and who are the most influential?

To research these issues, it was necessary to first discover the organisational structure for delivery, and attempt to measure the extent of private sector involvement in the process by a series of initial interviews and build on this

analysis by more detailed interviewing of the key individuals involved in the implementation stage of the project/programme.

The third type of involvement considered was investment. This part of the analysis looked at the relative investment shares the various organisations involved put into a project/programme. This was principally concerned with the share of public and private investment. The direct financial contribution of the various actors involved was assessed by looking at the budgetary structure for the project/programme. The inclusion of an estimate of 'additionality' was necessary to see if the project/programme produced an outcome that would otherwise not have occurred. This is an essential measure of whether or not a project/programme was worthwhile. This was carried out through detailed analysis of the financial aspects of development projects and in-depth interviewing of key players.

(iv) Assessing impacts on the nature of the regeneration process.

The previous section was concerned with how to analyse the actual extent of private sector involvement. This section deals with the more difficult question of how to assess and measure the impacts this has had (if it has occurred) on both the way policies are *developed* and *implemented* i.e. the *nature* of the regeneration process. There were a number of stages in this process. Firstly, it was necessary to select the various projects/programmes, then look at what they aim to achieve and look at their impacts.

The method of the previous section highlighted the projects/programmes where the private sector has had an influence. By focusing on these to see which kinds of policies were adopted it was possible to isolate as far as is possible the impact private sector involvement has had on the policy making process. This allowed assessment, but not measurement. For this it was necessary to construct a structure which allowed more rigorous comparisons of the components of a policy, looking at who is involved, who is funding it and what it aims to do. This is obviously closely linked with the question of the *extent* of the involvement. However, it moved the analysis further forward in that it attempted to look at actual *impacts* on the process.

Finally, by investigating who the policy was aimed and what it aimed to achieve the study attempted to assess if policies which are not targeted directly at the interests of the private sector can generate any kind of significant involvement by them in the regeneration process. Where there was a multiple policy approach, it was necessary to investigate which aspects of this the private sector was involved in organisationally and financially, to find out if involvement and investment was only stimulated in those aspects of the process which benefit it *directly*. A further aspect of this was to assess whether or not the public sector actors geared their policies to this end. Are *they* principally driven by the needs of the local economy or the need to generate private sector investment? Are these mutually exclusive?

4 STRENGTHS AND WEAKNESSES OF RESEARCH METHODS

(i) The case study method

The main justification for using a multiple research tool case study approach was the complexity of the issues under investigation; “the case study allows an investigation to retain the holistic and meaningful characteristics of real life events” (Yin, 1989). In order to gain significant insights into the issue, a wide range of information sources had to be accessed, which required a number of different approaches to be adopted: “any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information, following a corroboratory mode” (Yin, 1989).

For example, if a questionnaire was the only method used, there would be a lack of in depth analysis of the issues. This limitation would be the same of any method used in isolation. Perhaps the strongest argument for using a variety of approaches within the overall case study method is the acknowledged weakness in isolation of all social and economic research methods. Using a combination of methods widens the scope of the research, increases its depth and strengthens the validity of the findings.

An in depth case study is of value on its own, providing insights into the dynamics at work in a particular context. However, it is time and place specific to that context. Generalisations cannot be made. This problem was countered by the application of a common methodology in a number of cases across the city. The same method was applied allowing comparison of

findings. It can again be argued that this only produces generalisations from a larger number of specific cases but total coverage is not a practical option. If strong common trends are found in a number of cases, or if there is great variety in the findings, a common methodology substantiates the validity of the research. The purpose is *illustration* of how theoretical concepts actually work in a real world context rather than *generalisation*.

As with all research methods, the selection of what to study as a case is a subjective act on the part of the researcher. There is no guarantee that those cases selected are necessarily representative of the spread of experience of regeneration. However, selectivity is an inevitable part of the research experience, since it is not possible to study everything. Manageability in terms of scale is critical to the successful research design. To an extent, the case study areas were self selecting, since to have relevance to the questions being posed they had to be in a depressed economic situation and be the subject of regeneration efforts. Within this subset, i.e. of local economies as a whole in the city of Glasgow, the selective, subjective, element is critical, but unavoidable.

The case study method can be criticised for its lack of transparency. The method is heavily reliant on the researcher. This is a question of reliability of findings. This can be addressed by ensuring that the method is, as far as is possible, replicable. That is, the researcher, or any other, should be able to carry out the research and produce a similar outcome; “in principle, other

investigators can review the evidence directly and not be limited by the written reports” (Yin, 1989).

This was done by detailing what was investigated, when and how. In other words, records were kept of all activities carried out. This involved keeping records of interviews, questionnaire returns, sources consulted, documentation used and so on, i.e., the creation of a case study data base. As far as is possible, transparency had to be maximised, otherwise the results were inevitably questionable.

(ii) Organisational Evaluation: Qualitative Interviewing

Evaluation of the impact of the need to generate private sector involvement and investment has had on the organisation and types of policies pursued in urban regeneration was carried out by an extensive series of semi-structured interviews. This section looks at the strengths and weaknesses of this as a technique.

Semi-structured interviewing was used as a complementary tool to partially compensate for the potential over simplification, rigidity and danger of ‘false objectification’ of the questionnaire. This followed the categorisation of Fontana and Frey (1994) - interviews were formal, preset, but in the field and somewhat directive. At its most basic, interviewing can be seen as “the development of precision, focus, reliability and validity in [a] common social act - conversation” (Goode and Hatt, 1952).

The interview method is thus highly reliant on the interactive skills of the interviewer (and interviewee). “the interviewer must perfect a style of ‘interested listening’, that rewards the respondent’s participation but does not evaluate the responses” (Fontana and Frey, 1994).

The researcher must also take account of the issue of the respondent’s behaviour, particularly in situations where the respondent gives a “socially desirable” (Bradburn, 1983) response to please the interviewer or omits relevant information to hide something from the interviewer. Identification of this in a semi-structured interview situation can be addressed by asking supplementary questions, but how to address these problems can really only be learned from experience of the interview situation.

The question of who to interview is also important. In the context of this research, the pool of respondents was determined by the selection of areas worthy of study in the city. Therefore, private sector individuals, representatives of local authorities and regeneration agencies were consulted.

Interviewing gives a more in-depth insight into the issues under investigation. It can cut down the initial bias which is present in the framing of a rigid questionnaire. However, it should not necessarily be seen as a ‘better’ method than the questionnaire in terms of a lack of subjectivity. The interviewer decides which areas to investigate, and interprets the answers. It is of use to

look at the questionnaire as having the major subjective element at different stages in the research act - the questionnaire at the beginning (framing the questions), the interview at the end (response interpretation). There is little that can be done about eliminating subjectivity but it is essential to be aware of it and seek to minimise it, and not overstate the claims made as to the findings.

(iii) Questionnaire Survey

A questionnaire survey formed an integral part of the research. This sought to assess levels of private sector: knowledge about the regeneration process; attitudes to involvement and investment in the urban regeneration process; potential for increased participation and knowledge of current delivery structures for progressing urban regeneration.

The questions aimed at gaining insights into these issues were generated from in depth reviews of the relevant literature, previous research experience, consultations with colleagues and with practitioners working in the field. The pragmatic mechanics of design and delivery will be discussed in chapter 5.

The issues this research addressed are extremely complex and cannot simply be dealt with by the administration of a simple questionnaire. Within the overall method, however, this formed only a component of the whole. It is instructive to outline the strengths and weaknesses of the questionnaire as a research method, as this allows early recognition of the problems with it and shows the need for a complementary but deeper analysis, which was covered

by the use of semi-structured qualitative interviewing which was discussed in the previous section.

The first problem with the questionnaire method is that the complexity of the issues demands extremely accurate questioning which is directly relevant to the issue being investigated: “the formulation of questions is a much more subtle and frustrating task than is generally believed by those who have not attempted it” (Goode and Hatt, 1952). This can be addressed by initially learning as much as is possible about the subject so as to minimise the likelihood of important issues being neglected.

Linked to the above problem, there is inevitably an element of subjectivity in the selection of questions, since it is the researcher who poses the question. This can be reduced by attempting, as far as is possible, to frame neutral questions, or at least questions which use as little value-laden terminology as possible. This was very difficult to do in the context of this research due to the political sensitivity of the issues under investigation.

It should be noted at this point that it is not possible to produce wholly objective findings through the generation of statistical raw data by the use of a questionnaire. The aim was to use these findings in tandem with the outcomes of semi-structured interviews. The aim of the questionnaire is not to produce “statistical data...(to be)...portrayed as asocial products practically untouched by human hands” (Irvine, et al, 1979). The questions in the questionnaire were

inevitably subjective, despite attempts to minimise this. However, the information generated by the questionnaire was of use because it provided a simplified insight into complex questions.

The internal design of the questionnaire must take account of several ‘common sense’ issues. It should not ask difficult or controversial questions at the start which may intimidate or alienate the respondent. It should not be too long or contain questions at the end which require significant thought as the respondent may be tired. Questions should be stated in plain language wherever possible.

All of the above were serious issues which were addressed by proceeding with caution. Perhaps the most important safeguard which was used to resolve these problems was to carry out an initial pilot survey, which helped to highlight specific problems such as loaded or leading questions, irrelevant enquiries and missing issues.

5 SUMMARY

This chapter has introduced the research issue and the philosophical approach this research took. It has illustrated that it was the best approach to take given the nature of the research questions, while acknowledging the unavoidable element of subjectivity present in any research design. The discussion of potential methodological problems focused principally on the need to minimise subjectivity and the need to utilise as many sources and research tools as

possible to overcome the fragility of each research method in isolation and incorporate as many viewpoints as possible into the research. By taking this approach an in-depth investigation was carried out across a series of case studies in Glasgow to build a case study of the issues at the city level. This research provides empirical evidence as to the success or failure, from a variety of perspectives, of policies aimed at stimulating private sector participation in the city. It also provides an indication of the potential for success or failure of present and future attempts to involve the private sector in the regeneration of depressed local economies. The next chapter looks at the thinking underlying successive governments' approaches to resolving urban problems, argues that it is not relevant to the problems of the most disadvantaged areas and advances an alternative perspective on the causes of persistent disadvantage

CHAPTER 2 :
THE RATIONALE FOR STIMULATING PRIVATE SECTOR
PARTICIPATION

1. INTRODUCTION

This chapter investigates the rationale behind the priority given in recent years to involving the private sector in urban regeneration policy. The rationale for intervention successive governments have adopted, namely market failure, and the potential role for the private sector within this is then discussed. The principles of this rationale are then applied to the problems of depressed local economies, highlighting the problems of this as the foundation of a development approach in these areas and the difficulties of involving the private sector in them. It is argued that an alternative approach, drawing on the cumulative causation perspective, is a more convincing explanation of the forces that cause persistence of deprivation among groups and areas. As stated in Chapter One, the purpose of this thesis is not to assess the performance of agencies at tackling urban regeneration issues- the purpose is to identify the success or failure of attempts to stimulate private sector involvement. This chapter serves to set the context for the main body of the thesis by identifying the analysis of the urban problem that successive governments have adopted, indicate weaknesses in this approach and advance an alternative explanation.

2 THE MARKET FAILURE RATIONALE FOR INTERVENTION

(i) Imperfect Markets

The most advanced approach to regeneration policy based on the concept of 'working with the grain of the market' is the 'market failure' rationale for intervention. The approach aims to set a firm economic rationale for

intervention by the state. It accepts that there are constraints other than those imposed by the state on the ability of individuals and companies to advance themselves economically. This section will discuss this approach and then relate it to the nature of the development process discussed in the previous section. Finally, its potential at a theoretical level for regenerating depressed local economies will be assessed.

Market failure deals principally with the problems of the constraints imposed by the individualistic nature of the market system which inhibit potential for economic growth. Individual people and companies tend to assess the economic worth of an action only in terms of benefits to themselves. However, their actions have wider implications for economic growth than this narrow view. Market failure theories seek first to prove that the market cannot be totally efficient on its own for reasons which are intrinsic to the mechanism itself. In other words, more economic growth can be gained if the market is assisted in its operation by taking account of these wider, or 'non - market', benefits (Bartik, 1990). It then attempts to show how these problems can be addressed to produce an efficient economic benefit from the intervention. The compatibility of this rationale for intervention with the approach taken by government to delivery of its services generally since 1979 is clear.

(ii) Public Goods, Externalities and Information Flows

Market failures are caused by impediments to the formation or operation of markets. There are three main impediments according to proponents of this view. Firstly, there is the problem of public goods. These are goods from which everyone benefits, such as national defence. These cannot be provided by private markets, since there can be no control over who consumes the goods, and thus no profit made. The only way it can be done is if everyone pays through the taxation system.

Secondly there are externalities. These are the side effects of production. An example of a negative effect is pollution. This causes inefficiency because it impedes other economic activities. A heavily polluting factory will depress the local land market. The effectiveness of the workforce will be reduced by absence and illness. There is no market mechanism for encouraging environmentally sensitive production, despite these costs. Spin-off effects for other industries through technological developments are an example of a positive externality for which there is no market mechanism to take advantage (Storper, 1996).

Thirdly, there is the problem of imperfect information flows. These cause failure because opportunities that may net benefits will not be taken up because people do not know about them. For local economies, externalities and imperfect information flows are the main market failures of relevance (Bartik,

1990). A series of specific market failures arise from these problems. They are discussed in turn below.

(iii) Specific Market Failures

Firstly there is the problem of unemployment. Intervention is only acceptable if people are not able to find employment for which they are qualified and are willing to work at current wage rates. Intervention to place people in employment is acceptable if they are unemployed according to the criteria above (Bartik, 1990).

Secondly there is the concept of ‘underemployment’. Some industries, for various reasons, pay more than others when the qualifications of the labour force are the same. Thus the economy is not maximising the skills of the workforce. Intervention to address this market failure would attempt to shift the industrial structure of the area into these higher-wage industries (Bartik, 1990).

There are problems with funding for training (failure to invest in ‘human capital’). A ‘human capital’ market failure only occurs if the individual does not invest in their own enhancement. This happens because individuals may not be able to pay for training. It may be difficult to borrow money, because, to an extent, the benefits are intangible: firms may be reluctant to invest because of the difficulty of measuring benefits and the potential for poaching by other firms. Thus, the public sector must provide this service. The key measure of efficiency is what the participants’ earnings would have been if they had not

gone through the training. If the cost is less than the benefit to the employee (however measured) it would be deemed efficient use of public money (Bartik, 1990).

In financial markets, state regulation restricts competition, which in theory excludes risky investments from support. The absence of complete insurance markets restricts the amount of risk that financial institutions are willing to take. Demand for short term returns at high interest rates limits the kind of investment capital markets will support. Benefits may come from these investments, but the structure of capital markets prevents them being taken up. Thus, the public sector should invest where projects are viable, but private sources are unavailable. It should be noted in passing that this analysis runs counter to the concept of the private sector as innovative, entrepreneurial and risk taking. The New Right characterisation of the various sectors of the economy breaks down in the area of regeneration investment. Further, there is a difficulty of assessing potential profitability when determining whether or not to give support; government intervention may not be any better at investment selection than the private sector.

The availability of information is very important in the above specific failures. It is also important as a market failure in its own right. Complete information cannot be provided by private markets. Where it is provided, private consumers may not be able to access it, evaluate it or apply it. There is also the question of bias when information is provided by consultants. Thus, the state must provide

basic information to businesses which could help them to expand, assist people in finding employment and provide information on the available opportunities for training (Scottish Enterprise, 1995).

Research and development is another key area in which market failures occur. Businesses tend only to evaluate the usefulness of a technique or product in terms of the gain to themselves. There are spillover effects, however, which can increase net economic benefits (Storper, 1996). The efficiency of state R & D support is difficult to evaluate, but it does aim to fill the gap caused by the market failure.

Another failure caused by individualistic decision making is that companies making expansion or location decisions do not recognise that their actions may have external effects. This can have benefits for the area in which they expand or locate. These are known as 'agglomeration economies'. There are two types of 'non-market agglomeration benefits'. Firstly, there are 'thick-market externalities'. Specialised industries with high costs benefit most from concentrations of related industries. A larger market for a good makes it easier for buyers and sellers to find each other, so reducing costs (Rothwell, 1989). Closely linked to this is the occurrence of 'human capital externalities'. This is important in innovative industries. Close proximity increases interaction and competition between firms (Mazzonis, 1989).

Addressing the problems of market failures can lead to fiscal benefits for local areas. Intervention (by giving subsidies) can produce benefits for the public sector and residents. The cost of supporting new industries is likely to be less than the tax revenues generated from increased company profits and employment. This would be most efficient when existing economic and social infrastructure is under-utilised and employment went to unemployed local people. Efficiency would be reduced if population growth followed economic development where public services were already stretched. This would particularly be the case if households with children in-migrated; typically they consume more public services than they pay for (Bartik, 1990). This has limited relevance at the local level, particularly in the UK, where local tax-raising powers are limited.

If this rationale was applied to local economies, then the most relevant policies would be to address labour market problems by assisting with the training of the local population and provide information to local people as to the opportunities for training and employment in the local economy. At the same time, policies to provide investment incentives for those locating in the area, provide information as the opportunities in the area for investment and give information to local companies as to the potential for expansion would be implemented.

3 MARKET FAILURE APPLIED TO THE PROBLEMS OF DEPRESSED LOCAL ECONOMIES.

There are important problems in applying this rationale to depressed local economies when the efficient use of public monies and the involvement of the private sector are key parts of policy. Policies based on these concerns have been the principal means by which the private sector has become involved in urban regeneration. Property development approaches have been heavily dominant in this, especially in investment terms (Turok, 1992). The reason for this is, that when successfully applied, the rationale is compatible with the principal motives of the private sector. Investment is in their own interests. This leads to the conclusion that only policies which are in the interest of the private sector will lead them to become involved or invest in development policies. This has important implications for stimulating participation in depressed local economies.

In terms of addressing labour market problems, the state should invest in economically relevant training where the trainee cannot fund it themselves. The implication arising from this is that expenditure should be targeted at those whose training will provide the maximum economic benefit. This investment would not necessarily be targeted at the unemployed. The problem for depressed local economies arising from this is that they are unlikely to have a population which will provide the potential for the most efficient use of training spending. Thus there would be little justification under a market

failure-type intervention rationale for training expenditure within these local economies.

By definition, depressed local economies tend not to have many companies which have potential for expansion. They tend to have very small economic bases, dominated by local services, branch plants of larger companies or employment located outwith the local economy. Thus business development and start up policies are likely to have limited relevance in these areas (Turok and Wannop, 1990). This also links back to the problem of economically relevant training; as the population may not be in a position to qualify for this economically relevant training, neither will the economic base of the local economy or the local population be in a position to benefit from business infrastructure policies.

Perhaps the only policies (if policy was based only on a market failure rationale) which would be justifiable in relation to depressed local economies would be those related to investment incentives for companies to locate in depressed local economies. This would be justifiable under the criteria of the rationale since it would produce fiscal benefit, especially if it utilised under-capacity social infrastructure and local people were employed. However, it is a very partial approach. Further, in the UK's centralised taxation system, it is not a tenable policy option.

As the above shows, the market failure approach to regeneration has limited relevance to the regeneration of depressed local economies. By definition, they are areas where the problems have been created by the interplay of market forces and state economic policy. The logic of the market failure rationale suggests that the most effective form of investment by the state is in individuals, areas and sectors of the economy with high growth potential. Assisting the operation of market forces in this way is likely to encourage the spatial differentiation of economic activity and benefit those individuals with the greatest existing (rather than realisable) potential before policies are implemented. Depressed local economies are unlikely to be areas of high growth potential or to have populations in a position to take advantage of economic growth.

In the light of the above, alternative approaches are thus necessary. Policies must be aimed at ensuring populations in depressed areas can begin to compete with other areas. In other words, policy must be geared at reducing the differentials between areas, in terms of realising the potential abilities of populations in depressed local economies. The aim is to break the cumulative cycle of decline. The principal means for doing this would be through a range of vocational and educational training measures with the aim of providing the potential for community economic empowerment. This would not create growth on its own. However, this is not the aim of the policy; it aims to give people the ability to receive a share of the existing wealth in the economy. There is a danger in such an approach that the 'blame' for socio-economic

problems in depressed local economies will be laid at the door of the resident populations of these areas (Hayton, 1992). It is not the case in the great majority of cases. However, regeneration can only be concerned with practicalities, not with changing the fundamental forces of the economic system. It can only ever have a limited effect. In this sense, good policy is about maximising this effect within these constraints (Blakely, 1994). Perhaps the best way to look at targeted policies such as this in the current policy climate, dominated as it is by market type solutions, is to view them as an earlier stage in the development process of depressed local economies.

Returning to the question of economic growth, it can be argued that redistributive policies would contribute over the long term to further expansion, by raising the skill levels and ability to contribute of significant sections of the population. For this to work, however, significant economic growth would need to occur, possibly using market failure-type policies.

Redistributive policies run counter to the logic and priorities of the market and private sector. As discussed earlier, the great majority of policies which have successfully involved the private sector have been those which addressed *their* priorities, especially in land and property development. As has been shown, this brings little benefit for depressed local economies. Policies such as these require major expenditure. In the current financial climate in the public sector, there are not the resources to adequately fund such policies. Gaining major private sector expenditure would enhance the potential for success. To achieve

this, it needs to be demonstrated that the end result will benefit the economy generally over the long term.

4 AN ALTERNATIVE EXPLANATION - THE CUMULATIVE CAUSATION APPROACH

The above section illustrated the difficulties of applying policies based on a market based analysis to attempt to resolve the problems of disadvantaged areas. The major problem with this is that the market failure approach only takes account of inefficiently operating markets as the explanation for deprivation. However, this is an over-simplistic perspective. A more convincing explanation for persistent concentrations of disadvantage has its roots in the cumulative causation thesis. The cumulative causation approach to explaining regional growth and decline was first advanced by Myrdal (1957) with further refinements by Kaldor (1957, 1970), Dixon and Thirlwall (1975) and McCombie and Thirlwall (1993). McCombie and Thirlwall (1993) argue that “once a region obtains a growth advantage, it will tend to sustain it....making it difficult for other regions to establish those activities which give the favoured region its growth advantage”. In contrast to the equilibrium nature of neo-classical analysis the cumulative causation theory captures a disequilibrium view of the regional growth process. This approach has been adapted to the urban level to explain the dynamics of persistent deprivation, suggesting that a self -reinforcing cycle of *decline* can emerge which locks areas in to poor performance. This process is discussed below.

The rise of long term unemployment caused by structural change in the economy has been one of the main catalysts for the development of concentrations of disadvantage (European Commission, 1993). The collapse of manufacturing employment in Glasgow led to increases in long term unemployment as large numbers of unskilled and semi-skilled manual jobs disappeared. At the same time, the jobs which replaced these were increasingly unskilled, low paid and part time. There was also a gender element to this. Sectors which collapsed largely employed males, while growing sectors employed more females as female wage rates were lower and they were less unionised.

As noted above, in addition to labour market changes, for the working poor, the structure of taxation systems can act to penalise them when they increase their income as, when it reaches a certain level, they may be taxed more heavily, which can lead to them actually being worse off. This is known as the poverty trap. Also, the structure of benefits systems can lock people into unemployment. As these groups tend to be low skilled, they are likely to only be able to access jobs with low pay. This is known as the unemployment trap - possible income in work is likely to be less than that received on benefits (OECD, 1997). Moving into work acts against people's economic self interest.

The growth in the numbers of single parents has also been a major factor in the rise of concentrations of disadvantage. In addition to the poverty and unemployment trap, single parents are further prevented from taking up work

because of the costs of child-care while they are at work (McGregor and McConnachie, 1995). In addition to all the above problems, ethnic groups and disabled people may also have to contend with discrimination in attempting to gain employment.

A major problem which can be faced by households completely reliant on benefits is the effect one member of the household gaining work can have on the benefit entitlement of other members of the family. Benefit systems tend to treat the household as a single earning entity. Therefore household income is taken into account in any benefit calculation, with the result that one person gaining work can reduce the benefit entitlement of other adults in the household. The more adults in the household, the greater the problem.

The above details the dynamics which lead to persistent disadvantage for these groups. The key point from the perspective of this thesis is that concentrations of these groups have been found to emerge. These concentrations develop for a range of reasons - poor people may only be able to afford to live in certain areas or they may be discriminated against on ethnic grounds when they attempt to locate in some areas. Secondly, public housing allocation policies can encourage concentrations of people with similar characteristics and those with the worst problems concentrate in the worst housing (Damer and Madigan, 1974). Thirdly, areas which previously had not been suffering socio-economic problems but were hit by increased unemployment caused by

structural readjustment can develop major problems. For these reasons, those with 'problems' may be disproportionately represented in certain areas.

Once these concentrations are in place, a dynamic of cumulative decline can set in. People have low incomes, therefore local service provision, which is likely to be already low, declines further. The environment of these areas is likely to be poor due to lack of ownership of these areas - lack of facilities for young people in particular can lead to increased vandalism. Local authorities may not have the finances or the management capacity to maintain these estates, therefore the area declines further. Vacant housing provides an environment for criminality such as substance abuse.

These estates gain a reputation for being 'problem' areas. Only those with the lowest incomes move into these areas and social housing policies lead to 'problem' tenants being housed there. Further, residents may be discriminated against in the labour market as they are labelled as residents of a 'problem' area, with the result that labour market exclusion becomes further entrenched. A further result of labelling is that people in these areas become introverted, staying in their own areas, thus becoming further isolated from the world outside (McGregor and McConnachie, 1995).

These problems can cross generations, with young people brought up in these circumstances having no experience of work and being discriminated against because of their place of residence. Large groups of young people coming

from this environment can lead to poor educational attainment as there is no apparent incentive to work at gaining an education. Public resources for dealing with young people with problems may be insufficient to overcome these difficulties.

In summary, a combination of socio-economic forces, such as the growth of long term unemployment, the structure of tax and benefit systems and changes in family structure have caused concentrations of disadvantage amongst groups in society. For a variety of reasons these groups have become concentrated in spatial terms. The factors that encourage these concentrations act to reinforce one another and can act to lock areas into cycles of decline.

5 CONCLUSION

In conclusion, the market failure rationale for intervention to attempt regeneration compatible with successive governments' perspectives is problematic when applied to disadvantaged areas. Investment in these areas is not an efficient use of resources within the theory. A more convincing alternative perspective on persistent deprivation is the cumulative causation approach, which illustrates the complex interplay of social and economic forces which can lock areas into disadvantage. However, market-led perspectives have dominated successive governments' interpretation of the 'urban problem' since the late 1970s. Subsequent chapters look at the development of policy in the USA, where many of the above ideas about private sector participation in the regeneration process originated. The policy

history of the UK is also discussed in detail to illustrate how attempts to apply these concepts impacted on UK urban policy. An examination of how Glasgow's urban policy fits with these ideas and a discussion of the city's economic performance completes the contextual analysis.

CHAPTER 3:
THE INSTITUTIONAL AND POLICY CONTEXT

1. INTRODUCTION

Chapter 2 analysed the theoretical rationale underlying attempts to stimulate private sector involvement and investment in the urban regeneration process. This chapter continues the contextual research element of the thesis by detailing the historical record of attempts to generate private sector participation by looking at the experience of the USA, which is the source of many of these concepts, and the UK. Finally, the urban policy history of Glasgow to the present day is introduced. The purpose of this chapter is to illustrate how, in the USA and UK in the 1990s, there has been a degree of convergence in urban policy directed towards the resolution of the problems of disadvantaged areas. The history of Glasgow is a good example of these shifts in policy, moving from a concern with the physical aspects of the regeneration process, then engaging with the private sector to exploit opportunities available in the city, and in recent years moving towards a balanced approach, while attempting to stimulate private sector participation in the resolution of the problems of disadvantaged areas.

2. THE USA EXPERIENCE

(i) Introduction

The main purpose of this section is to review recent developments in US urban economic development policy aimed at stimulating private sector involvement and investment in depressed local economies. A brief discussion of the urban policy experience since the late 1960s will set the context for the main part of the section. The principal focus of this introductory section is on the finding

that the dominance of pro-growth approaches in American urban economic development policy has had the result that the major private sector input achieved has had limited success both spatially and in terms of those who benefit, due to its reliance on ‘trickle-down’ theories of the development process.

Recent debates on US urban economic development policy are then reviewed to highlight current US thinking, based on the experience of past approaches. The general findings of this debate are that a new focus on education and training, using community based delivery mechanisms, based on communitarian thinking (Avineri and De Shalit, 1989), is necessary to achieve sustainable local economic development, as the dominant incentive-based approach does not tackle structural problems. The actions of the Clinton administration are compared with the recommendations of the above debate to assess their potential for success. The finding is that the new federal approach bears significant similarities to the views of the supporters of communitarianism, but that it also has much in common with past approaches.

(ii) US Post-War Urban Policy Experience

Urban policy in the USA was dominated by pro-growth development policies, based on the assumption that ‘what’s good for business is good for the city’. Since the 1950s, urban programmes originally intended to finance low-income housing provision and other socio-economic development ends were steered by pro-growth coalitions of business interests and city governments. This form of

development was almost exclusively concentrated in central city property, infrastructure and prestige project development. Redistribution to the disadvantaged was left to the process of 'trickle down'. The result was often spectacular development in previously run down areas. There are many examples; Pittsburgh's Golden Triangle (1950s), downtown Chicago (1950s onwards) and Baltimore's Festival Market and Harborplace (1970s and 1980s), to name three over the years. This form of development was conceptualised by Molotch (1976) as the 'growth machine' approach, where business interests manipulate a compliant public sector to further their own interests by externalising their private costs into the public sphere.

Attempts were made under the Johnson administration's 'Great Society' programmes of the 1960s to redress the balance by attempting to produce redistributive as well as pure growth outcomes. The Special Impact Program, which targeted training and social spending at the most depressed urban areas, the Community Development Block Grant (CDBG), which provided federal funding for housing and social programmes and 'Model Cities', an attempt to harness public-private partnerships to achieve balanced growth, were the key urban policy instruments. They met with limited success in either achieving balanced growth or private sector investment. The urban riots of the late 1960s stimulated a brief flurry of private sector initiatives, principally in training and job placement, but this enthusiasm soon waned. However, in the period from the mid 1960s to the late 1970s, relative urban poverty began to decline, suggesting that these programmes had some positive effect. It should also be

noted that throughout this period, pro-growth policies continued in to be important (Barnekov, et al, 1989).

In the late 1970s, the Carter administration launched the Urban Development Action Grant (UDAG). This could be seen as legitimising the concepts of pro-growth, trickle-down development, by providing bridging finance to minimise risk for investors. This was the only urban policy pursued with any enthusiasm by the anti-interventionist Reagan and Bush administrations. Federal training, housing and social spending was successively cut throughout the 1980s and early 1990s. The only other urban policy development of the 1980s apart from the activities of growth coalition developers was the succession of unsuccessful attempts to introduce federal enterprise zone legislation. However, by 1992, 39 states had their own enterprise zone schemes. It is significant that as federal spending was cut back throughout the 1980s and city and state governments were unable or unwilling to fill the gap, urban poverty again began to increase (Boyle, 1993). This experience has informed recent debates, which are discussed below.

(iii) Recent Debates in US Urban Regeneration Policy

As the above section showed, US urban economic development policy attempting to involve the private sector foundered when attempts were made to stimulate investment in inner city neighbourhoods with the aim of creating the link, in terms of local employment and economic activity, between them and the wider city economy. The reasons for this are clear. Private sector interests,

driven principally by the need to generate profits, viewed these areas as a risky investment. In the debate in the USA as to how to address the linked problems of how to improve the access of residents of deprived areas to economic opportunities *and* how to stimulate a local market economy, there are two distinct strands which can be identified. These can be roughly characterised as 'public' and 'private'.

The public solution is to target major spending on education and training into depressed urban neighbourhoods from federal, state and city governments. This involves policies such as increased funding for the 'Head Start' educational programmes for disadvantaged under-5s, concentration on mid-school age children where performance falls off, widening of the existing Jobs Corps programmes targeted at the hard core youth unemployed and the expansion of training programmes currently provided under the Job Training Partnership Act.

At the same time, proponents of this view argue that the highly fragmented taxation and spending structure of US local government should be reformed to incorporate a redistributive element, principally through creating links whereby the downtown is taxed to be spent in the depressed neighbourhoods (Wolman et al, 1992). A linked taxation structure exists in some cities in the USA, most notably the Minneapolis-St Paul conurbation. This is a long term strategy, aimed at equipping areas, and, most importantly, their populations, with the

necessary abilities to compete in the city economy, while using income from a redistributive urban tax structure to initiate physical improvements.

The 'private' solution is the dominant approach currently in use (Burnier, 1992). The concept is to introduce incentive packages to encourage private sector investment in depressed areas, with the aim of reducing, or removing, the risk to profitability by offsetting the potentially higher costs of locating in such an area through subsidies. The principal mechanism which has been used to achieve this in the past has been manipulation of the tax structure. State and municipal Enterprise Zones are the most advanced example of this, although tax exemptions and credits are common throughout the USA (Burnier, 1992). Such approaches have been heavily criticised as a "costly welfare grant to the private sector" (Harrison and Kanter, 1978). Wolman (1988) questioned why such incentives continue to be offered by places when it has been shown they have little effect on development outcomes. UDAG subsidies could be seen as a further case in point. Most state and local EZ schemes, have, like UDAG, been targeted towards property - based development. There is an extensive literature, based on the UK and US experience, that shows while major physical improvements can be achieved for the benefit of the urban economy as a whole, such development does not forge significant linkages into the local economy, *either* at the construction stage *or* when a business becomes operational (Healey, 1992). Another important issue is that such subsidies may produce short term relocation, but not competitiveness and productivity gains, which are necessary for sustained additional economic growth.

The critics have a strong case against such an approach being adopted as a solution to the problems still experienced after decades of attempts using similar methods. Some recommend that the federal government should “legislate dollar for dollar reductions in infrastructure grants to state and local governments for any and all tax concessions granted to businesses and firms” (Wolman et al, 1992).

There are, however, important qualifications to this argument which must be taken note of. In the highly competitive US economy, those areas that are at a disadvantage *do* need incentives of some kind since they are, by definition, at a major competitive disadvantage. This is especially the case when the uncoordinated structure of economic development policy, where virtually every state has incentive programmes for businesses to locate, is taken into account (Burnier, 1992). There is an argument for federal legislation to abolish this competitive system (Wolman et al, 1992), but the federal, anti - centralist nature of US government, especially at present, makes this an unlikely proposition. Evidence for this includes the anti-Washington presidential campaigns of both President Clinton and Perot in 1992, and the Gingrich-led House of Representatives. Therefore in this context, it would appear that incentives remain crucial, despite their limited effect and acknowledged weakness, particularly their short termism and failure to deal with structural causes. This is especially the case when US firms are still highly influenced by the economics of least cost production in terms of inputs and location costs

(Doeringer, Terkla, 1992). In this context, the debate centres around what *kind* of incentives *should be* offered, not whether or not there should be incentives. The final part of this section looks at the approach taken by the Clinton administration to this issue.

(iv) Community Development Corporations and the Economic Empowerment Act

CDCs originated in the in the grass roots community activism of the late 1960s and 1970s. The central concept was that “poor communities could promote local economic self-determination along with political empowerment” (Anglin, Holcomb, 1992). The Great Society programmes of the 1960s under the Johnson administration provided necessary funding and encouragement for these agencies, especially through the Special Impact Program of the Equal Opportunity Act, which was targeted at the most depressed areas. Through the 1970s and 1980s, as federal government disinvested in the cities (Boyle, Barnekov, Rich, 1989), the CDCs declined in importance while remaining the only regeneration agencies specifically targeted at benefiting the residents of depressed areas. What federal funding there was for cities was channelled principally through UDAG, as the Community Development Block Grant and other HUD programmes were cut back.

CDCs again came to the fore as a result of the Clinton administration’s stated commitment to a ‘communitarian’ approach to economic and social policy, based on the concepts of reciprocity or ‘rights and responsibilities’. This has

been developed most clearly in the Department of Housing and Urban Development (HUD). Secretary of State Henry Cisneros (1993) enunciated five principles of commitment which federal government will aim to develop through its urban policy. These are to: community; family; economic lift for those living in depressed areas; balancing individual rights and responsibilities and reducing spatial and racial segregation (Cisneros, summarised in Stanfield, 1993). These principles have remained common to the Clinton administration's urban policy (HUD, 1997).

The central plank of the Clinton administration's approach to urban policy under the was Economic Empowerment Act (1993) was the repackaging of the federal enterprise zone concept which both the Reagan and Bush administrations attempted to enact throughout the 1980s. There are two parts to the Act; ten 'Economic Empowerment Zones', six of which are in the cities, in areas with a population of not more than 200 000 and one hundred 'Enterprise Communities', sixty - five of which are in cities. \$4.1 billion in tax incentives were committed over five years (Congressional Quarterly Handbook of American Government, 1994). Empowerment Zones are where most of the federal funds were concentrated, but "both [zones and communities] look to develop new urban partnerships with the legislation encouraging private sector contributions (through tax credits) to CDCs" (Boyle, 1993). The aim was to promote "employment of, and business opportunities for, low - income individuals who are residents of the operational area" (Boyle, 1993).

The idea was to encourage private sector investment in depressed areas in both property and employment. This was especially the case in the Empowerment Zones. The majority of incentives are targeted at improving the operation of the labour market: the proposed act “ stresses tax credits for education and training” (Congressional Quarterly Handbook of American Government, 1994). These labour incentives for employers are the Employer Wage Credit, which is a “tax credit on employee wages to all employers within an empowerment zone” (Congressional Quarterly Handbook of American Government, 1994). This is a credit of 25% on the first \$20, 000 of wages per employee, and would apply to both new and existing employees who live and work in the zone. In addition to this the Targeted Job Tax Credit was made available to businesses that hire labour from within the zone. The company itself need not be located in the zone. This tax credit amounts to 40% tax relief on the first \$6000 of each employee’s wages, and is available for one year. In total, \$3 billion was committed to this in the ten empowerment zones out of the overall \$4.1 billion proposal (Congressional Quarterly Handbook of American Government, 1994). This meant on average that \$1.8 billion in tax credits were to be directed at improving the operation of six urban local labour markets, \$0.3 billion in each zone.

On the capital investment side, which is the area more commonly associated with enterprise zones in the UK, \$1.1 billion in tax credits were proposed. These were available for investments in tangible property in zones and for low income housing investment. In addition, there were provisions for increased

property expensing write-off against tax and accelerated depreciation for capital investment. To qualify for these, employers must have at least 33% of their workforce living in the zone. The 'empowerment' concept in the above can be interpreted as giving local people more control over their lives by gaining employment. There were further provisions in the Act aimed at local resident empowerment. For example, training credits were made available to residents.

While economic incentives to encourage private sector investment are central to the proposal, a number of federal spending programmes are also included, in recognition of the fact that problems cannot be solved simply by tax breaks. These programmes are administered through 'Enterprise Grants' to the communities. CDCs play a central role in their delivery. The grants cover a number of areas. Firstly, they are aimed at improving the delivery of government services locally. Funding is provided for further assistance for residents seeking employment, in the form of training, job search and placement programmes. Loan funds were set up for small businesses and community businesses. Business support and training programmes such as the above sought to use public funds in ways which will lever private matching support. There were also a series of social programmes proposed under the Act, providing funding for child care, education and training.

The Act sought to approach problems, especially in the Empowerment Zones, by taking a broad based approach which sought to deal with economic and

social issues through a combination of federal tax incentives aimed both at capital investment *and* the improvement of the operation of the labour market, while also focusing public spending on these areas directly, using CDCs as a conduit for this. Despite the small scale of the Act (at the maximum covering 1.2 million people) and its ‘experimental’ status (Congressional Quarterly Handbook of American Government, 1994), it marked a signally more proactive and targeted approach to urban policy by the Clinton administration than was the case in the 1980s. The Act emphasised that to stimulate any significant private sector investment in the targeted communities, it was necessary to provide incentives for them to redirect their investment policies to these areas. In the 1997 ‘State of the Cities’ Report (HUD, 1997) these principles were re-affirmed: “Rather than work against the market ... empowerment says we must use market incentives and norms to create the healthy, mainstream communities all Americans desire” (HUD, 1997). From this statement, it is clear that under the mechanisms of the current legislation, private sector involvement and investment is regarded as a key element of policy targeted at the regeneration of disadvantaged areas of American cities.

(v) Summary

This section has reviewed how US urban policy in recent years has moved towards a focus on disadvantaged neighbourhoods within cities. There has been a recognition that disadvantaged areas benefited little from previous approaches to urban regeneration under the pro growth, private sector dominated agenda. The current federal flagship scheme also recognises that,

for successful regeneration, the development of external linkages to markets is critical. This is being achieved through flexible tax incentive systems to encourage employer involvement. This combination of a focus on neighbourhoods and developing external links following a realisation of the limits of a growth oriented approach has, as Part 4 of this chapter will show, much in common with the recent urban policy history of Glasgow. Part 4 will also illustrate that, currently, the Glasgow approach has many similarities, but some important differences, to the current US model.

3. THE UK EXPERIENCE

(i) Policy Before 1979; The Beginning of a Private Sector Role

UK urban policy originated in the late 1960s, with the inception of the Urban Aid Programme (Darwin, 1990). There was a recognition that post war regional policy did not address inner city problems. Regional policy provided relocation incentives for companies, often to move out of central urban areas. Further, the environment of inner city areas, coping with the decline of traditional industries, made them unattractive investment locations. (Turok, 1987). A series of reports, for example, Plowden (1967) and Cullingworth(1969), fears over racial tensions and the results of the 1966 sample census illustrated that deprivation remained acute in the inner cities. Government reacted to this with education programmes in 1968 and a system of local authority grants.

Between 1969 and 1973, the Community Development Projects (CDPs) were set up to research the problems of urban areas. One of these was in Scotland (in Paisley). The Home Office ran the programme because the problems were seen as fundamentally *social*, due to the contemporary popularity of the ‘culture of poverty’ thesis (Lewis, 1966). This meant that the “two biggest problems of the inner city, poor housing and unemployment, failed to qualify for assistance” (Balchin and Bull, 1987). The findings of the CDPs did not concur with this view, representing the first real acknowledgement that economic, not social factors were the prime cause of deprivation.

The CDP reports also placed emphasis on the structural nature of many of the problems. This represented a much deeper analysis of the issue than had been carried out previously. In Scotland, the SDA was set up in 1975, as a result both of this recognition and the recommendation of the West Central Scotland Plan for a regional development agency to address the continued failure of policy to address the area’s problems (Wannop and Smith, 1985).

In 1976 responsibility for urban affairs was transferred to the Department of the Environment at UK level, in recognition of the centrality of economic factors in understanding deprivation. The 1977 White Paper, ‘Policy for the Inner Cities’ was published, giving official recognition that the “decline in the economic fortunes in the inner areas lies at the heart of the problem” (DoE, 1977). It also called for “a new and closer form of collaboration....between government and the private sector” (DoE, 1977). The outcome was the 1978

Inner Urban Areas Act, which stated that “partnership was central to regeneration” (Barnekov et al, 1989). A role for the private sector began to be envisaged, but the Act itself only prescribed public sector, principally local authority-led, solutions.

By 1979, then, the analysis had switched from social to economic problems and the private sector and the market had moved from a position first of not being considered, then to culpability for the problems to that of a *potential* catalyst for improvement. In 1979, the Conservative Party came to power on a radical right wing manifesto. It was dedicated to breaking the post war consensus, blaming corporatism and socialism for the problems of the British economy and recommending free market solutions - the view was that “government has a limited capacity to do good, but a great capacity to do harm, not least by distorting or interfering with the ‘natural’ working of society and the market economy” (Kavanagh, D. 1985).

(ii) Changes After 1979

The Thatcher government approach to economic development policy diverged significantly from its predecessors. The same legislation was used, but with a different interpretation; “the partnership between central and local government was reinterpreted as a partnership between central government and the private sector” (Barnekov et al, 1989). This thread ran through most urban policies in the 1980s, such as the introduction of Urban Development Corporations, Training and Enterprise Councils (TECs) and City Challenge.

Basing their approach on a New Right ideology (Walters, 1986), policy makers attempted to reform the way the public sector delivered services. According to this view, in the past, nationalised industries and the public sector bureaucracy operated on different criteria to those of the private sector. The driving force of efficiency, the profit motive, is not present in the public sector, especially in monopoly services. At its most basic, from this perspective, in the private sector, owners and employees have an incentive to work hard. If they do not they lose their business or their job. The lack of this threat in the public sector leads to industrial and organisational inefficiency and complacency, draining the economy of wealth (Friedman, 1962).

The policy prescription arising from this view is that the scale of the public sector should be reduced, and that the remaining public sector should be inculcated with the 'private sector' incentives of efficiency in delivery and organisation. In most local government services (and increasingly in central government departments) the former government introduced compulsory competitive tendering (CCT). Internal markets were created within local government, with different departments buying services from one another. Local government increasingly acted as a regulator of private sector operators carrying out contracts for them. This concept (with some variation) has also been introduced into the health service (OECD, 1995).

The aim was to promote efficiency in service delivery, chiefly through schemes such as performance related pay, contract employment, part time employment and the realisation of assets, such as land holdings. Often the result has been a confusion between effectiveness (how well does the service work?) and efficiency (can it be delivered at less cost?). Increasingly, efficiency has become dominant in assessments. An example in the local economic development field is the Scottish Enterprise Output Monitoring Framework (Scottish Enterprise, 1996). Whatever the success or failure of the approach, the former government consistently sought to reduce the scale of the public sector's directly delivered services through privatisation and CCT, while attempting to instil a private ethos in the remaining public sector. The efficiency orientated approach has had important impacts on urban regeneration policy, both in the way agencies are organised and the policies that are pursued.

Consultation with the private sector as to what to do and how to deliver policies has become more and more important. The introduction of the concept of 'partnership' between the public and private sectors in organisational terms has been the main mechanism for this (Mackintosh, 1992). A series of consultative bodies have been set up to articulate the interests of the business community at both national and local level. Government has made 'partnership' a legal requirement in some development organisations. Examples would be the introduction of Urban Development Corporations, the insistence that there was a private sector element represented

in the submission of City Challenge bids in England and the TEC training system, for which private sector involvement is mandatory. On other projects it has been on a more voluntaristic basis, for example, in integrated local regeneration partnerships. The dynamics of partnership will be discussed in more detail in later parts of this thesis, since they are central to the organisational impacts which this study is concerned with.

The funding of urban regeneration has also been reformed. Many programmes now have to demonstrate that a private sector element is present in the funding of projects, either while the project is being carried out or will be committed at a set point in the future (Scottish Office, 1996). The introduction of competition between agencies for public funding in the hope of encouraging efficiency and innovation has become more and more common. An emphasis on the efficiency of policy delivery, particularly the introduction of 'value for money' estimates has been a central part of this. Being able to demonstrate the efficiency of an agency has become crucial, since, increasingly, allocations are made on the basis of the previous year's performance. In this sense, efficiency can be seen as the ability to spend the whole budget and to deliver more output for less resource.

The attempted marginalisation of local government in urban regeneration throughout the 1980s and early 1990s has been an important feature of the recent history of urban regeneration policy. This was justified by the former government based on their view that local government is the most inefficient

of all branches of the public sector, principally because it delivers most of the state's services (Paddison, 1987). It could be argued that government in the period 1979-97 viewed local government as an unnecessary extra layer of government which interferes with the efficient operation of the economy, especially through the land use planning system (Thornley, 1990). In recent years, however, there have been significant moves back towards involving local authorities more in economic development; examples include the Single Regeneration Budget system in England (DoE, 1996) discussed in later sections of this chapter.

From the above discussion it can be seen that the former governments' attempts to apply the ideas arising from 'New Right' philosophy to the organisation of the public sector generally and to economic development have had important impacts. The private sector has been physically co-opted into agencies which are publicly funded. Priority has been given to projects with a private sector funding component. There has been an attempt to introduce 'private' incentive systems of competition and efficiency into the public sector. There has been a redefinition of the aims of policy to some degree also, with the meeting of the needs of the private sector increasingly seen as a key aim of policy (Scottish Enterprise, 1995). The effects of this approach on Urban Development Corporations, Training and Enterprise Councils and the City Challenge initiative are discussed below, while the impacts on Glasgow are analysed in the next section.

Urban Development Corporations were set up under the 1980 Local Government, Planning and Land Act. Their responsibilities were to:

- achieve regeneration by bringing land and buildings back into use
- encourage the development of existing and new industry and commerce
- create an attractive environment
- ensure that housing and social facilities are available.

UDCs were managed by private sector dominated boards. Local authorities were largely excluded from the process, with planning powers for UDC areas given to these new bodies. The main aim behind UDCs was that they would act as catalysts providing a framework within which the prime agency for urban regeneration - the private sector - would thrive. UDCs pursued a market oriented approach, concentrating on reclamation and servicing to allow development by the private sector. Between 1989 and 1994 there was a marked shift in funding towards the UDCs at the expense of the rest of the Urban Programme: UDCs' share of the combined Urban Programme/UDC budget rose from 49% to 77% 1989-94 (Department of the Environment, 1994). To March 1994, the 12 English UDCs received around £3 billion in grant-in-aid from Central Government. According to the DoE, this levered in £10.2 billion of private investment. This investment led to the creation of, or relocation to UDC areas of, around 140,000 jobs. 2,400 hectares of land were reclaimed and 27,000 housing units were built. The last UDCs are projected to wind up by 1998. A specific problem is that depending on where they are located and when they were begun some UDCs are much more successful than

others, particularly at leveraging in private sector investment. For example, the London Docklands DC benefited from the property boom in the South East in the mid 1980s, leveraging in a claimed £8bn of private investment 1981-91 (Imrie and Thomas, 1993), while Merseyside DC attracted very little private sector investment because of the depressed local conditions. The property crash at the end of the 1980s badly affected the later UDCs (Imrie and Thomas, 1993)

In many UDC areas, speculative office development was the norm. Local people could not get jobs in them, except at catering and cleaning levels. A further issue is accountability. In early years UDCs did not consult with local authorities and local people: this caused major problems, especially in London.

There are 81 TECs in England and Wales. They are 'private sector led' training companies. They were set up in 1990/91 they were concerned with training and business development (mainly through the Enterprise Allowance Scheme and Local Initiative Fund); 95% of their budget was accounted for by adult and youth national training programmes. This was reduced as TECs moved to a funding system known as 'output-related funding' (ORF). As originally set up, the TEC system had extremely circumscribed autonomy. Questions were asked as to the nature of the private sector involvement. It was supposed to make training more economically relevant; however, many commentators noted that the effect was to give the private sector responsibility, at least at

board level, for the local delivery of national programmes, often renamed to give a local flavour (Meager, 1991). There were also arguments that the hoped-for innovatory nature of the system was at odds with the predominant organisational culture in the TECs. Most employees were DfEE civil servants, with a background in public administration rather than the private sector.

City Challenge was set up in 1991, drawing on a reallocation of resources from other inner city programmes. It was a competitive process involving the 57 Inner City Urban Programme eligible local authorities. Most City Challenge bids were based on an 'arms-length' company set up by local authorities with substantial private sector representation on the board. Local authorities bid for funds based on a five year plan, demonstrating potential private sector leverage and a delivery partnership between local authorities, the private sector and the wider community (de Groot, 1992). City Challenge was in many ways the model for the competitive system central to the Single Regeneration Budget system discussed below. It also pioneered the arms-length company as a delivery mechanism in England.

There are obvious organisational differences for each of the above, but the ideological underpinning and policy prescription was similar; expenditure controlled at local level by private sector-led consortia, tight expenditure constraints by central government, a belief in supply-side (principally property-led) solutions, emasculation of the local authority role and most importantly, “an economic diagnosis of the urban problem” (Barnekov et al, 1989).

Following on from the City Challenge experiment, in 1994, spending on urban regeneration in England was reformed. Previously there were 20 programmes administered by five departments (Environment, Education, Trade and Industry, Employment and Transport). The budgets of regeneration programmes were combined into a Single Regeneration Budget (SRB) of around £1.4bn. Local partnerships bid for funding for area regeneration. These local partnerships involve local authorities, TECs, the private and voluntary sectors and the local communities. The system had the potential for a more strategic, integrated approach to be taken at both regional and local levels. Further, the SRB system seems to have taken a more pragmatic role to the involvement of the private sector, viewing it as only one key player in a partnership.

(iii) Summary

Urban policy in England has gone through a process similar to the USA since the early 1980s of actively working to stimulate private sector participation in the delivery and management of agencies. These agencies largely delivered property based programmes geared to the interests of the private sector based on a belief that benefits would trickle down to the most disadvantaged. TECs led to a partial 'privatisation' of public training finance, with the explicit aim of making the training system more relevant to the needs of the private sector. In the early 1990s policy shifted, with a realisation that a more broad based approach in organisational terms, focusing on disadvantaged neighbourhoods

was critical to addressing the problems of these areas. Part 4 of this chapter will illustrate how Glasgow is a good example of these macro shifts in government policy.

4. GLASGOW'S URBAN REGENERATION POLICY HISTORY

Previous sections of this chapter outlined the major trends in organisational and policy terms in the USA and England towards a greater perceived role for the private sector. This final section looks at the impacts of these 'macro' policy shifts on the city of Glasgow, before concluding with a discussion of the current delivery mechanisms in the city.

(i) 1950-75

In the 1950s, the city authorities began a programme of slum clearance known as the 'Comprehensive Development Area' programme targeted at the worst areas of the city. In tandem with this, the city began a major building programme at four locations on the edge of the city in Drumchapel, Castlemilk, Easterhouse and Pollok.

These schemes were intended to house the people displaced by the clearance programme who were not involved in the overspill programme. While the housing was, initially at least, of a much higher standard than the inner city properties demolished, there was little thought given to providing a transport infrastructure, schools or other services: there was little thought given to developing a community infrastructure (Keating, 1988).

While the peripheral estate construction programme was being driven forward, modern high density housing was being developed in the areas cleared by the CDA programme, again with the aim of retaining the city's population. In 1960 the city's Development Plan expanded the CDA programme to cover 29 areas of the inner city over the period 1960-80 (Wannop, 1987).

In summary, the three strands of policy by 1960 and which dominated the development approach of the city and region until the mid 1970s were deconcentrating population from *Glasgow* through the overspill programme and dispersing the *inner city* population through the CDA and peripheral estates programme. Finally, there was a programme geared at constructing high density housing in the CDAs for the population not covered by the above.

The policy was based on population projections which under-estimated the rate of 'natural' population dispersal from the city. Policy exacerbated the decline of the city's population. Movement under overspill agreements accounted for 25% of the 25, 000 departures from the city each year in the 1950s and 1960s (Keating, 1988). The outcome of this planned and 'spontaneous' population dispersal was that, by the 1970s the city's population was declining extremely rapidly and there was an over supply of poor quality housing (both new and old). Further, there were large areas of derelict land as the clearance part of the CDA programme moved faster than the construction element. Concentrations of social and economic deprivation developed on the periphery of the city as

the inner city poor were moved to the periphery of the city with little done to improve their socio-economic standing.

It is also important to note that in the period 1945 to the 1970s, the emphasis was on physical redevelopment. There was little attention paid to the direct economic development of the city. Where there was a policy, it was largely concerned with removing manufacturing from the city. Little was done on modernising the industrial infrastructure, which was largely built in the Victorian period. The city entered the 1970s with an antiquated industrial infrastructure as a result (Firn, 1985)

The clearance programme had another unforeseen effect on the economic structure of the city: many small enterprises lost their premises and folded as they did not have the capital to relocate. In the peripheral estates there was no provision for businesses as the trend in planning was to separate residential land use from commercial and industrial land use (Pacione, 1995). In this period, no role was given or perceived for the private sector, either in the delivery of policy or in investment terms.

(ii) The 1970s

(a) Changing priorities

In the early 1970s there was a growing realisation that the overspill and clearance programmes were not achieving their aims: it could be argued that they were in fact exacerbating them. The 1974 West Central Scotland Plan

called for a re-evaluation of policy: it called for a new focus on the problems of Glasgow. A number of key policy outcomes for Glasgow arose from this process. The New Towns programme was abandoned in 1976 with the cancellation of the Stonehouse project: resources were to be targeted at the inner city at the expense of areas outwith Glasgow: dispersal policies were in effect reversed. The Comprehensive Development Area programme was halted in 1976 and the SDA, an agency with a specific economic development remit was involved for the first time in trying to address Glasgow's problems. Finally, a regional council was introduced with redistributive taxation powers which could be used to target assistance on the metropolitan core of the region. In this period, regeneration policy in the city, in line with thinking at UK level, still conceptualised the issues as ones which could be addressed through public sector driven, planning and physical redevelopment programmes. There was no role perceived for the private sector.

(b) Addressing the inner city

In 1976, the Glasgow Eastern Area Renewal Project was set up. This was the first major inner city regeneration project in Britain. Although the GEAR project 1976-87 was targeted at only a part of the city, it is instructive to look at the approach taken as it forms a bridge between the policies adopted up to 1976 and the 1980s and 1990s. The objective of the project was to : "bring about, in a co-ordinated way, the comprehensive social, economic and environmental regeneration of the East End" (Wannop, 1990).

The great majority of expenditure went on housing improvements and environmental improvements. Economic development expenditure was geared largely to providing factory space for small to medium sized industry. Less concern was paid to attempting to retain major employers or to providing ‘soft’ services such as business advice for existing companies. Again, private sector participation was minimal in the process.

(iii) The 1980s

(a) The Council’s Strategic Shift

As will be discussed in more detail in Chapter 4, Glasgow entered the 1980s with a series of massive, and worsening problems:

- rapid population decline.
- employment decline as the manufacturing base went into freefall.
- high overall, and high long term, unemployment.
- infrastructure obsolescence.
- poor housing quality despite the major investment committed to it over the preceding decades.

The scale of the problems and the lack of a coherent response to addressing these issues led to a feeling of ‘malaise’ in the city, a sense that the problems seemed insurmountable at times. Coupled with this, there was a lack of understanding as to how to address the issues. However, the city council’s new administration which came to power in 1980 attempted to bring a fresh approach. The key elements of the approach taken by the city authorities at the

time were firstly, that the council should be proactive. The private sector did not have a monopoly on entrepreneurial ideas and dynamism: the council could be innovative and risk taking. Secondly, the local authority adopted the view that public-private partnership was the best way forward for the mutual benefit of the various constituencies of the city. Finally, there was a redefinition of the perceived role of the public sector: it should not only be as a service provider, but also as an 'enabler', creating the conditions or climate for development and an active partner to assist development (Glasgow City Council, 1996).

This pragmatic, opportunistic approach by the council led to the '*Glasgow's Miles Better*' campaign, a marketing drive, initially 50% funded by the city's business community, to boost the image of the city in the eyes of both its residents and equally importantly the wider audience. This represented the first real attempt by public agencies to work co-operatively with the private sector to attempt to progress regeneration (Keating, 1988).

It is important to note the extent of Glasgow's poor image: in the press the city almost always received negative publicity; Glasgow was "*the worst corner of Britain*" in the eyes of the national press (Observer 1978). The city was (for good reason) perceived externally as violent, dirty, depressing and poor.

The '*Miles Better*' campaign can be seen in retrospect as an important first step in the '*reinvention of Glasgow*': while the problems of high unemployment,

poor housing and health were not solved, the city *did* have some positive aspects to it and sought to build on these. The major growth in tourist numbers in the 1980s and 90s, relative to growth in Scotland, serves as a proxy indicator of the impact of the policy in changing perceptions of the city (Figure 3.1).

Figure 3.1: Volume and Value of Overseas Tourism to Glasgow and Scotland: 1984-1995

	Glasgow			Scotland		
Year	Trips	Bednights	Expenditure 1995 Prices	Trips	Bednights	Expenditure 1995 Prices
1984	200,000	1.5m	55m	1,220,000	12.0m	462m
1986	260,000	1.9m	76m	1,260,000	12.8m	546m
1988	320,000	2.3m	92m	1,360,000	13.3m	542m
1990	450,000	3.2m	134m	1,600,000	15.9m	674m
1992	460,000	3.3m	109m	1,800,000	18.4m	666m
1994	490,000	2.7m	151m	1,770,000	17.7m	793m
1995	510,000	3.5m	155m	1,960,000	20.2m	865m
% Change 1984-95	+ 155	+133	+180	+61	+68	+87

Source: Central Statistical Office International Passenger Survey

NB: definitions are as follows:

1. A Tourist Trip is defined as a stay of between 1 and 60 nights away from home for holidays, visits to friends or relatives, business/conference purposes or any other purpose except such activities as boarding education or semi-permanent employment.
2. Tourist Bednights are those spent away from home using any type of accommodation, or in transit, on a tourist trip (as above).
3. Tourist Expenditure is spending incurred whilst away from home on a tourist trip and on advance payments for such items as fares and accommodation.

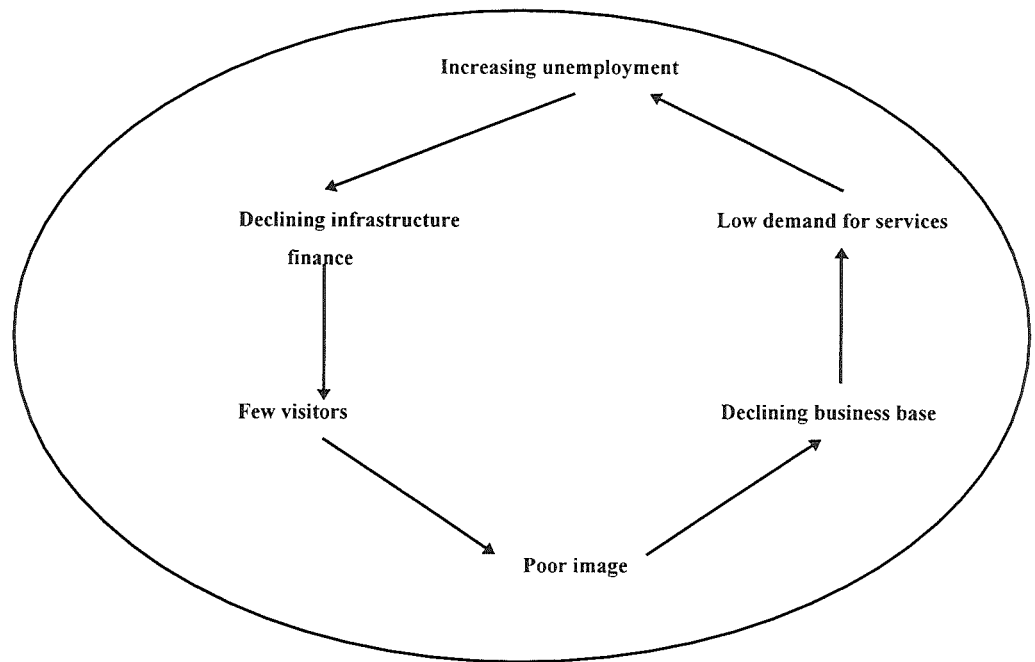
(ii) *Glasgow Action*

The key development in terms of stimulating private sector participation in the city in this period was the creation of Glasgow Action by the SDA in 1985. This organisation was set up as a public-private partnership, largely funded by the SDA but composed of representatives of both public and private sectors, who were intended not as project controllers but as ‘guardians of the vision’ (Glasgow Action, 1991). The key to generating business involvement was to focus on the *people, rather than the business*: Glasgow Action did not ask for financial contributions, but for key businessmen’s time, and found this was successful.

The aim was to give the business community a stake in the activities of Glasgow Action: it was a cumulative process of getting more involvement. Key players became involved early and gave the initiative some legitimacy: it was seen as a way for the agencies to gain access into the business community to broaden the scope of their activities and pool intellectual resources in an attempt to resolve the city centre’s problems (Glasgow Action, 1991).

Glasgow Action’s key priorities were to focus on developing the service economy of the city. Attention was targeted on the city centre. A study carried out by McKinsey for the SDA in 1983/84 identified a potential spiral of decline for the city centre economy (Figure 3.2).

Figure 3.2: Glasgow: the potential spiral of decline identified by McKinsey



Source: Glasgow Action, 1991

The key problems identified as undermining the service economy's performance were low local demand for business and consumer services (McKinsey/SDA, 1985). The agencies involved in the development of the Glasgow Action plan argued that the performance of the city centre was key to the performance of the rest of the city and the region: "by concentrating on the nerve centres of the city, the fire may start to burn.....the centre has to catch the imagination. If not, then nothing matters. It (the city) is just a car without ignition" (McKinsey/SDA, 1985)

To try and achieve this aim of stimulating dynamism in the city centre, Glasgow Action identified four key aims:

- Make Glasgow more attractive as a business base, mainly by developing better communications between the business community and public agencies.
- Make Glasgow more attractive to people by encouraging inward investment, getting people to stay in Glasgow and attracting visitors
- Create an entrepreneurial environment: targeted at services.
- Promoting Glasgow both to residents and key investment decision makers outside the city.

Glasgow Action and the marketing drive succeeded in stimulating private sector participation but it can be argued that this succeeded because policy was targeted at opportunity driven aims and appealed to the business community's self interest. Boyle (1988) argues that Glasgow Action was the closest the UK came to having a US-style growth coalition.

(c) Financial partnership

In addition to the council and SDA shift in attitude in the early 1980s, a further important change in policy in the early 1980s which affected the development approach taken in Glasgow was the relaxation of controls on public sector agencies giving grants directly to private sector companies by the Thatcher government. The most important of these was the grant regime known as LEG-

UP (Local Enterprise Grant for Urban Projects) modelled on the UDAG system introduced under the Carter Administration in the USA in the 1970s.

LEG-UP allowed genuine joint ventures to be undertaken between the public and private sectors. The grant acted as a subsidy to developers to reduce the risk of development, the intention being that the risk was brought down to acceptable market levels. The benefit was mutual: the investing agency saw a project carried out in an area it wanted to see development occur and the developer gained an asset that otherwise would have proved an unacceptable risk.

(d) Addressing Disadvantage

While the high profile marketing and city centre redevelopment programmes were going on, there were also a number of initiatives, led by Strathclyde Regional Council and the city's District Council, which tried to address the continuing problems of poverty and multiple social deprivation in the city. An area-based approach dominated policy in this period.

Until 1986, with the launch of the joint Easterhouse and Drumchapel Initiatives, the two local authorities largely pursued their own area-based strategies. These new integrated initiatives on the peripheral estates had the aims of improving service provision in the estates, creating jobs and regenerating the local economy while involving the local community in attempting to meet their long and short term aspirations.

The strategies were intended to be both social and economic. In fact, the focus was primarily on social aspects. The chief economic development agency, the SDA, was primarily concerned with prestige projects in the city centre in this period. Little investment went into the estates: there was some community business development, but this had only marginal impacts. Further developments such as the Govan Initiative (1986) and the Castlemilk Partnership (1988) tried to take an integrated approach to area regeneration, with some limited success. This period represented the beginning of attempts to stimulate private sector involvement in institutions and policies targeted at redressing disadvantage: private sector directors were co-opted on to the boards first of Govan and then in the Castlemilk Partnership structure.

(e) Summary

The shift in attitude of the city council, the creation of Glasgow Action and the introduction of mechanisms like LEG-UP and environmental improvement grants represented a major shift in the way agencies involved in Glasgow's development approached the economic development and regeneration process. The key changes were, firstly, a shift in focus to opportunities rather than the focus on housing and physical development-led, problem-oriented policies that characterised policy in the period 1945-80. These continued but were given less emphasis. Secondly, there was a realisation by the public sector agencies that the scale of the problem at the city scale was such that they could not, and should not, be tackled by public agencies alone. Thirdly, there was a

determination to pursue a strategy that sold Glasgow positively and attempted to develop a business-friendly culture in the public authorities. The public agencies repositioned themselves as enablers. Finally, there was a focus for the first time on the service sector and the needs of business.

The city centre development strategy, and the culture and tourism strategies pursued in tandem with it, highlighted that a lot could be achieved if resources were targeted on a relatively small area. It also illustrated that if policies were adopted which were targeted at the requirements of the business community then significant progress could be made and involvement and investment stimulated. An argument can be made that the city was lucky in the mid 1980s in that things were so bad that there was a unity in adversity which, matched with the delivery capacity in the city and a determination to address the problems led to advances. The city developed a 'collaborative advantage'.

Until the late 1980s, programmes targeted at attempting to resolve the problems of disadvantaged areas remained focused almost exclusively on the social, housing and environmental aspects of the development process. One critical element, economic development, remained a small part of area programmes. By the end of the 1980s, however, there were the beginnings of a recognition that economics needed as much attention as housing, environmental improvement and social problems. Further, there was a recognition that private sector involvement and investment would be much

harder to stimulate in areas of disadvantage than it had been in city centre development-driven strategy.

(iv) The 1990s.

A number of institutional changes have occurred in the 1990s which have affected both the programmes that have been pursued and how policy is delivered. These were:

- the merger of the SDA and TA to form the Scottish Enterprise Network, giving Glasgow a major new agency;
- the growth in importance of Scottish Homes as a player in regeneration;
- the formation of the Glasgow Regeneration Alliance;
- the development of a network of local initiatives.

(a) Glasgow Development Agency

The merger of the SDA with the Training Agency to form Scottish Enterprise had important impacts on the city. The intention was to merge training and economic development functions. The reform was largely carried out for ideological reasons. The SDA was seen as a remnant of 1970s corporatism by the Thatcher government. Despite its survival following the 1987 review of the Agency (IDS, 1987), which at the time was seen as the beginning of the end of the agency, it was operating in a hostile ideological environment, coming particularly from central government and the CBI in Scotland (Moore, 1989) Thirteen local enterprise companies (LECs) were formed, headed by private sector dominated boards to make its operations more ideologically

compatible with the non-interventionist ideology (if not practice) of the government. At the same time, there was a strong argument advanced that to pursue an integrated approach to development, training and other development budgets should be jointly delivered.

In Glasgow, Glasgow Action private sector members provided most of the board: Glasgow Action itself was merged into the new Glasgow Development Agency. As a LEC, GDA is bound by the seven strategic objectives of the Scottish Enterprise Network Strategy in what it can and cannot do. These are, firstly, direct services to businesses, covering existing and new businesses, inward investment and exports. Secondly, the GDA has to address indirect factor conditions. These are skills and knowledge, the physical business infrastructure and improving access to opportunity for disadvantaged groups.

GDA's current strategy, published in 1995, is entitled 'Making a Great European City'. Its mission statement is: "the GDA is the principal agent of economic development within an alliance seeking to make Glasgow one of the great cities of Europe. We are seeking to achieve this for the benefit of the people and businesses of Glasgow and in that process to become generally recognised as one of the best economic development organisations" (GDA, 1995).

GDA seeks to focus on the development of the city's businesses within the framework of the SE strategic framework, while taking account of the city's distinctive features. Its four strategic priorities are

- improving the output, employment, productivity and performance of the company base and maximising the contribution of the city's distinctive assets;
- extending opportunity to the people of the regeneration areas and bringing derelict land back into use.

The agency has attempted to focus its priorities more on the business base over recent years. This is due, at least in part, to the strategic shift at national level.

(b) City Council

The city council's economic development strategy, which built on the programmes pursued in the 1980s, had six objectives:

- supporting local business and attracting new business
- service sector and infrastructure development
- area development and providing supporting the disadvantaged

(Glasgow City Council, 1990)

The council's objectives have remained fairly consistent over the 1990s. The Economic and Industrial Development Committee of the City Council, in its 1996 Annual Report states the council's 'Economic Action Programmes' as:

- developing the business base the workforce and infrastructure
- promoting equality of opportunity and area regeneration

- promoting the city's metropolitan assets.

There has been some move into more human resource-oriented policies but the broad thrusts of policy are largely similar.

(c) Scottish Homes

Scottish Homes was set up in 1989, following the merger of the Scottish Special Housing Association (SSHA) and the Housing Corporation in Scotland (HCiS). It is an arms length public agency with significant delegated powers. Its main roles are the funding of housing associations and the management of local authority housing transfers either to housing associations or to Scottish Homes direct management. It is also concerned with promoting home ownership in disadvantaged areas through the Grant for Rent and Owner-Occupation (GRO) regime which will be discussed in detail in Chapter 8. The agency operates through a network of district offices accountable to the Edinburgh headquarters, which are in turn accountable to the Scottish Office Environment Department. Scottish Homes' priorities in Glasgow are:

- contributing to improved quality in housing and its management;
- promoting the development of a more diverse rented sector and promoting home ownership;
- making an effective contribution to community regeneration strategies, assisting people with special housing needs and reducing homelessness.

(Scottish Homes, 1994)

(d) Glasgow Regeneration Alliance

The Glasgow Regeneration Alliance was launched in 1993. This is a partnership between the GDA, the now abolished Strathclyde Regional Council, the District Council and Scottish Homes. The Alliance aimed to address the problems of disadvantage that were still in evidence in the city, although parts of it, particularly the city centre, had undergone a transformation. The Alliance's 1993 strategy document argued that the city's remaining immense problems threatened to undermine its recovery. Further, in an echo of the 1946 Clyde Valley Regional Plan, the document stated that: "the city is a key agent in the economic regeneration of Scotland. If Glasgow is successful internationally, the Scottish economy will benefit; if Glasgow declines, the country's economic regeneration will be made more difficult".

In order to try and achieve this, the Alliance partners developed a series of strategic objectives which aimed at improving the city's environment and its social, physical and economic performance, both for the resident population and to improve the city's competitiveness. These cover similar ground to the council and GDA strategic objectives aimed at reducing disadvantage:

- retaining population by improving housing and the general environment;
- bringing disadvantaged areas into the mainstream of city life;
- developing the skills of the population;

- maintaining the momentum of city centre development as the driver of economic development in the city (Glasgow Regeneration Alliance, 1993).

(e) The Development of Integrated Local Initiatives

As noted above, in both the USA and England in the late 1980s and early 1990s, localised, broad based partnership approaches to the regeneration of depressed areas within urban economies began to be adopted in recognition of the fact that the dominant approach to regeneration in the past, focused heavily on the physical aspects of the process, had had partial success at best. These initiatives sought to take a more integrated approach to regeneration, focusing on economic and social issues as well as physical renewal. This approach was pioneered in Glasgow. The first integrated initiative in the UK was launched in the Govan area of Glasgow in 1986 by the SDA and local authorities, with private sector representation on its board. This was followed in 1988 by the launch of the Scottish Office Partnership Initiatives (Scottish Office, 1988) in four peripheral estates: Castlemilk (Glasgow), Ferguslie Park (Paisley), Whitfield (Dundee) and Wester Hailes (Edinburgh). These built on the Govan model by incorporating the Scottish Office, Scottish Business in the Community and Scottish Homes into the structure in an attempt to take a holistic approach to area regeneration. In these, the Scottish Office expected the private sector to play a key role, although it was not clearly defined: “the government look at the private sector to continue to regenerate urban areas ... where necessary in close partnership with the public sector” (Scottish Office,

1988). Glasgow now has a network of local initiatives based on these premises. A network of eight local development organisations, set up following the basic structure of the Govan Initiative, has been set up to deliver social and economic regeneration programmes. In each of these, there is private sector representation on the boards.

5. CONCLUSION

This chapter has analysed the experience of attempt to stimulate private sector involvement in the urban regeneration process in the USA and UK, before moving on to discuss the City of Glasgow's urban policy history. The stimulation of private sector involvement and investment in the urban regeneration process has a long history in the USA, while in the UK, the first real drive to stimulate participation came only after 1979. Secondly, there has been a shift in the USA towards the approach which currently dominates UK urban policy, i.e. *a balance between addressing opportunity and need*, with attempts to stimulate private sector participation across the spectrum of policies.

In the UK in the 1980s an attempt was made to refocus urban policy on opportunity. there was a shift *away* from the social policies of the 1960s and 1970s: The growth of Urban Development Corporations was the most graphic institutional example. This drive was only partially successful. In the 1990s there has been a shift back towards addressing urban *problems*, leading to the

balanced approach now being attempted, i.e. addressing both growth *and* redistributive issues.

There is thus a strong case to support the contention that there is now a degree of *convergence* in UK and US urban policy, focused around public-private partnership, both organisationally and in resource terms. Mechanisms such as Empowerment Zones, SRB initiatives and integrated local initiatives are the institutional manifestation of these attempts to solve the problems of disadvantaged urban areas. The key difference between the UK and the USA is the manipulation of the taxation system in the USA to encourage private sector participation. However, the private sector role is viewed as critical to the success of these initiatives.

Glasgow is a good example of these shifts in urban policy. In the period up to the early 1980s, its urban policy was heavily oriented towards physical redevelopment based on the then current analysis of the issues. In the 1980s, the city moved towards a focus on stimulating what opportunities existed at the time and engaged with the private sector to progress this. In the 1990s, there has been a continued attempt to carry out policies such as this, combined with a renewed focus on issues of disadvantage. The institutional structures put in place to deliver these policies have emphasised partnership with the private sector both in terms of co-opting private representation into institutional structures and attempting to stimulate investment in the process. The next chapter looks in more detail at the context these agencies were operating in and

describes the funding structures for urban policy in the city at the time the research was carried out.

**CHAPTER 4: THE SOCIO-ECONOMIC CONTEXT AND DELIVERY
STRUCTURES FOR REGENERATION POLICY**

1 INTRODUCTION

This chapter concludes the contextual research element of the thesis by introducing the socio-economic conditions at city wide and local area level and the organisational structures in place in Glasgow for the delivery of urban policy in Glasgow at the time of the research. In the first section, a brief economic history of the city in the decade 1981-1991 is presented to illustrate the major structural re-adjustment and declining performance of the city compared to Scotland and Great Britain. Secondly, the socio-economic structure of the city in disadvantaged areas targeted by urban policy in the city is analysed to illustrate the scale and concentration of the problems in the city leading up to the period in which the research was carried out (1993-96). This is followed by a discussion of the complex delivery structures in the city.

It should be noted at the outset of this chapter that, as stated in Chapter 1, the aim of this research is not to assess the success or failure of these agencies at redressing disadvantage, but to evaluate the results of attempting to involve the private sector in the process. Therefore, detailed statistical analysis of social and economic change in these areas would not be appropriate. Such analysis is beyond the scope of this research and would not address the key questions. For these reasons, a 'snapshot' of the social and economic characteristics of these areas is sufficient.

2 GLASGOW- ECONOMIC PERFORMANCE 1981-1991

This section presents a brief review of the main trends in the Glasgow economy between 1981 and 1991. The statistics analysed cover population change, employment change, employment change by sector, self employment trends and economic activity rates. In all cases, Glasgow's performance is compared against that of Scotland and Great Britain to show how the city performed below the average of the regional and GB economies.

(i) Population Change 1981-1991

Population change in a city or region is an indicator of its economic health as it shows how successful or otherwise it is at attracting and retaining people; a city with a strong economy and good quality of life is more likely to have a stable or growing population than one with economic problems. Figure 4.1 shows that over the decade 1981-91 in which the British population grew by 2.5%, Glasgow lost an average of around 9,000 people per year, nearly 12% of its 1981 population, over the decade.

Figure 4.1: Population Change , Glasgow, Scotland, Great Britain 1981-1991

	1981 (000s)	1991 (000s)	1981-91 % change
<i>Glasgow</i>	755.4	666.8	-11.7
<i>Scotland</i>	5,035.0	4,999.0	-0.7
<i>Great Britain</i>	53,556.0	54,889.0	+2.5

Source: Census of Population 1981, 1991,

Note: Glasgow defined as local authority district

(ii) Total employment change 1981-91

Figure 4.2 shows the employment trends in Glasgow, Scotland and Great Britain in the decade 1981-91. Over the period, Glasgow lost 16% of its 1981 total employment, over 62, 000 jobs. At the same time, total employment in Scotland increased by 105, 000 (5.5%), while at the British level, employment increased by 373, 000 (1.8%). Almost all of Glasgow's decline in employment was concentrated in manufacturing. 59, 000 jobs were lost in this sector, 45% of all manufacturing jobs, accounting for 95% of total job loss. At the same time, in Scotland, manufacturing employment was also declining with 166, 000 jobs lost, representing 24.5% of the 1981 total. There was a 30% decline in manufacturing employment in Great Britain as a whole over the period.

In the service sector, Glasgow lost 9, 000 jobs over the period. At the Scottish level, there was significant growth in service sector employment of almost 16% on the 1981 total, representing 191, 000 jobs. In Great Britain as a whole, service employment increased by 15% 1981-1991, adding almost 1.9 million jobs.

The critical message in this table is that, in Glasgow, manufacturing employment declined greatly, but service sector employment did not increase in absolute terms to compensate for this loss as happened in Scotland and Great Britain. At 1991, Glasgow had a weak economy, with a declining manufacturing sector and a stagnant service sector.

Figure 4.2: Sectoral Change, Glasgow, Scotland, Great Britain, 1981-1991.

	Number (000s)	% of 1981 total	Number (000s)	% of 1991 total	% change 1981-1991
Glasgow					
Manuf	131.2	32.9	71.9	21.3	-45.2
Services	262.1	65.7	261.0	77.6	-0.4
Other	5.2	1.3	3.3	0.9	-36.5
<i>Total</i>	<i>398.6</i>	<i>100.0</i>	<i>336.2</i>	<i>100.0</i>	<i>-15.7</i>
Scotland					
Manuf	676.8	35.6	511.0	25.5	-24.5
Services	1214.6	64.0	1405.9	70.2	+15.7
Other	73.2	3.8	86.9	4.3	+18.0
<i>Total</i>	<i>1898.7</i>	<i>100.0</i>	<i>2003.8</i>	<i>100.0</i>	<i>+5.5</i>
Great Britain					
Manuf	7426.0	35.3	5165.7	25.0	-30.4
Services	12956.6	61.5	14885.0	71.9	+14.8
Other	679.4	3.2	668.6	3.2	-15.8
<i>Total</i>	<i>21062.0</i>	<i>100.0</i>	<i>20689.3</i>	<i>100.0</i>	<i>100.0</i>

Note: Glasgow defined as local authority district

Source: Census of Employment

(iii) Self Employment 1981-1991

Self employment is often used as a proxy indicator of the economic health and entrepreneurial capacity of an economy. Almost 4, 000 more people were self

employed in Glasgow in 1991 than in 1981, a 29% increase over the period (Figure 4.3). Glasgow lagged behind the Scottish and GB performance on this indicator: self employment increased by 39% and 43% respectively. It is also important to note the low level of self employment in the city. Less than 5% of the labour force were self employed in Glasgow in 1991, compared with 10.6% in Scotland and 14.9% in Britain at the same time.

Figure 4.3: Self Employment: Glasgow, Scotland, Great Britain 1981-1991

	1981	1991	% change
Glasgow	12.7	16.3	+28.7
Scotland	1536.7	2131.0	+38.7
Great Britain	2147.5	3078.4	+43.3

Note: Glasgow defined as local authority district.

Source: Census of Population, 1981, 1991.

(iv) Economic Activity Rates

Total economic activity rates declined in Glasgow and Scotland 1981-91, while they remained stable at the UK level (Figure 4.4). Within this, male economic activity rates dropped in all cases, by 9.7% in Glasgow, compared to a national drop of 5%. Female economic activity rates also declined in

Glasgow. At the Scottish and Great Britain scale, there were increases of 2.8% and 4.4% respectively.

Figure 4.4: Total Economic Activity Rates 1981 and 1991

	1981	1991
Glasgow	60.5	54.4
Scotland	61.7	60.4
Great Britain	61.0	61.0

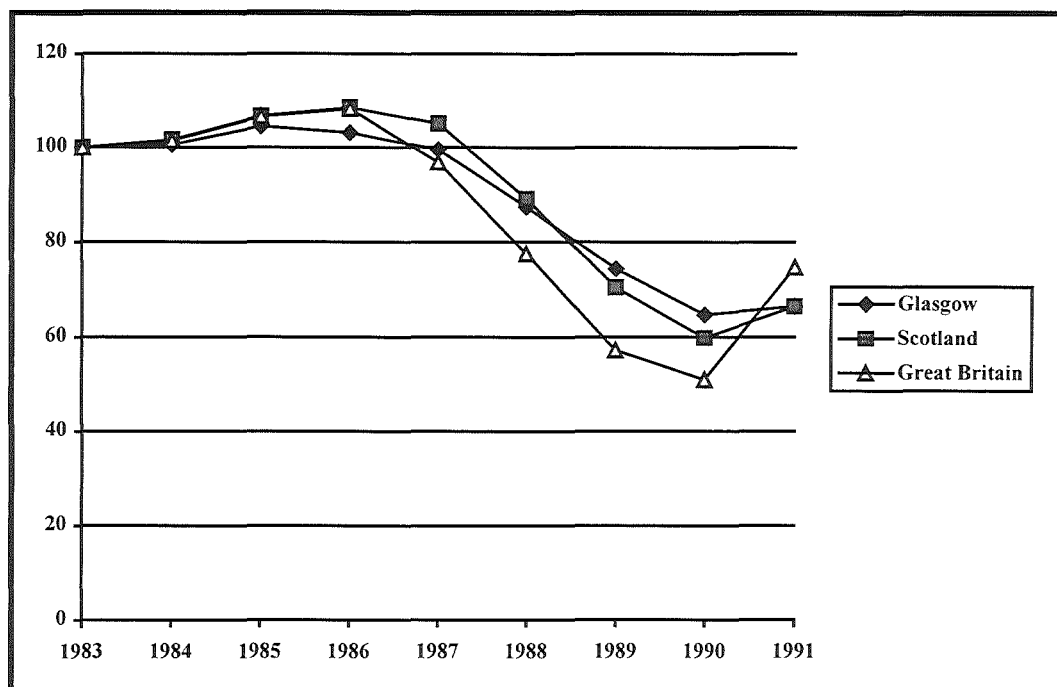
Note: Glasgow defined as local authority district

Source: Census

(v) Registered Unemployment 1983-1991.

Over the period 1983-91, total unemployment in Glasgow fell by 24, 700 (-33.5%). The number of unemployed people in Scotland fell by 109, 000 (-33.5%). For Great Britain, unemployment over the period fell by 727,000 (-26%). These figures show that unemployment in the city actually fell faster in percentage terms than the national average (Figure 4.5).

Figure 4.5: Index of total unemployment, Glasgow, Scotland, Great Britain, 1983-1991, numbers unemployed, 1983=100.



Note: Glasgow defined as local authority district

Source: NOMIS

3 SOCIO-ECONOMIC PROFILE OF REGENERATION AREAS

(i) Introduction

Figure 4.6 presents a detailed picture of the disadvantaged areas covered by the eight regeneration cities. Five indicators are presented. Firstly, the population of the areas covered by the initiatives is given to indicate the scale of the areas. Secondly, economic inactivity rates (the permanently sick, students and retired people) and the percentage of the economically active population who were unemployed at the time of the census are given. Taken together, these give an indication of the size of the non-working population.

The percentage of public sector housing (housing association, local authority and Scottish Homes) in the total stock is given to indicate the single tenure nature of these areas. Finally, the number of households in the target areas headed by a lone parent, an indicator commonly assumed to be an indicator of disadvantage, is given.

(ii) Castlemilk

One of the city's four peripheral estates, located in the south of the city, the area had a population of 17,500 (2.7% of the city total) in 1991, with 95% of the residents living in social housing. Over half the population over the age of 16 were economically inactive (2.8% of the city total) and 33% of those who were economically active were unemployed, almost 4% of the city's unemployed. The area had 6% of the city's lone parent families.

(iii) Drumchapel

This is another peripheral estate in the north west of the city. There were around 12, 000 residents in the area in 1991, 1.8% of the city's total, with over half of these economically inactive (2% of the Glasgow total). The unemployment rate calculated as a percentage of the economically active resident population was over 25%, 1.9% of the city total and the area had over 500 lone parent households, 2.6% of the city total.

(iv) East End

The East End of the city is a much larger area than the above, with over 57, 000 residents, 9% of the city's population. Housing tenure was more diverse than the peripheral estates, with only two thirds of housing rented from public sector agencies. Almost half the population were economically inactive (7% of the city total), and around a quarter of those who were active were unemployed (12% of the city total). The area had 10% of the city's lone parent families.

(e) Glasgow North

The Glasgow North area to the north of the city centre is the largest regeneration area in population terms, with almost 67, 000 residents (10.5% of the city total), just over half of whom were economically inactive, representing 12% of the city total. Over a quarter, 28%, of the economically active population were out of work (14% of the city total). Again the area was dominated by social housing, which accounted for 81% of the total stock. Over 3000 households were headed by one parent, 15% of the city total.

(vi) Greater Easterhouse

This peripheral estate in the east of the city had a 1991 population of around 39, 000 (6% of the city total). Almost half of these were economically inactive, with around one third of the economically active unemployed. Social housing accounted for almost 90% of the total housing stock and there were over 2, 500 single parent households, 13% of the city total.

(vii) Govan

This inner city area in the south of the city had a 1991 population of around 27, 000, 4% of the city total. Economic inactivity rates were not as high as other areas at 45%, 4% of economically inactive in the city. 24% of economically people were unemployed. As with the East End, social housing tenure was lower than in the peripheral estate at around two thirds of the total stock. There were over 1, 000 lone parent families, 5.5% of the city total.

(vii) Gorbals

This is the smallest regeneration area in the city, with a population of just under 9, 000 residents in 1991, 1.4% of the city's population. Almost 55% of residents were economically inactive and of the economically active, almost 40% were out of work, 24% of the city total. Almost all (93%) of the housing stock was social housing for rent, reflecting the area's history of comprehensive redevelopment. There were also 500 lone parent families in the city, 2.3% of the city total.

(ix) Pollok

The fourth of Glasgow's peripheral estates, located in the south west of the city, Pollok had a 19912 population of over 39, 000, almost 9% of the city total. 44% of adults were economically inactive, just above the city average. Of those who were economically active, 23% were unemployed. 73% of the housing stock was public sector-owned and there were almost 1800 lone parent families, 9% of the city total.

Figure 4.7: Socio-Economic Indicators of Regeneration Areas, Glasgow, 1991.

	Population	Economically Inactive (%)	Unemployed (%)	Housing - % Public sector	Lone Parents
<i>Castlemilk</i>	17525 (2.7)	52.3 (2.8)	33.5 (3.8)	95.2	1215 (6.0)
<i>East End</i>	57240 (9.1)	48.0 (6.8)	24.3 (11.7)	66.8	2048 (10.1)
<i>Glasgow North</i>	66695 (10.5)	50.3 (11.7)	28.1 (14.0)	81.4	3051 (15.1)
<i>Greater Easterhouse</i>	38914 (6.2)	46.8 (5.6)	32.9 (9.1)	86.9	2609 (12.9)
<i>Govan</i>	26534 (4.2)	45.3 (4.1)	23.8 (5.1)	66.9	1105 (5.5)
<i>Gorbals</i>	8813 (1.4)	54.7 (1.8)	38.1 (2.4)	93.4	458 (2.3)
<i>Pollok</i>	39207 (6.2)	44.1 (5.6)	23.4 (7.2)	72.9	1782 (8.8)
<i>Drumchapel</i>	11592 (1.8)	52.5 (2.0)	23.4 (1.9)	78.7	526 (2.6)
<i>GLASGOW</i>	630, 766	45.6	19.1	56.6	20215

Note: figures in brackets represent share of Glasgow total

Source: Census of Population, 1991.

(x) Summary

In summary, these figures present a picture of areas cover 42% of the city population which had, at the time of the 1991 Census:

- low levels of economic activity, with 43% of the city total;

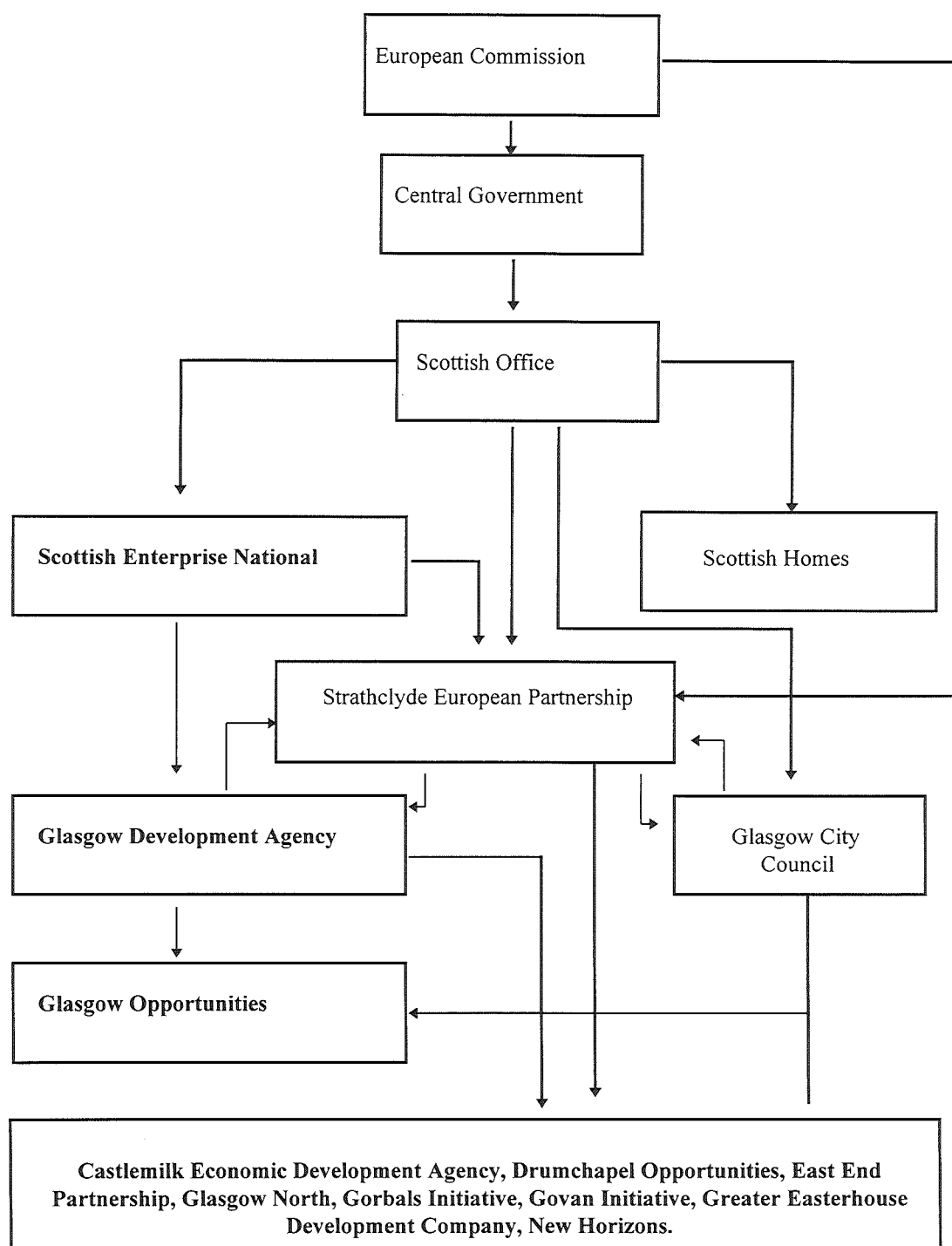
- high unemployment among those who are economically active (56% of the city total);
- high levels of social housing;
- large numbers of single parents, with 63% of the city total.

The next section looks at the regeneration agencies charged with redressing these problems.

4 CURRENT DELIVERY STRUCTURES

The current delivery structure is set out in Figure 4.8 below. The Scottish Office plays a central role, through its approval of funding for the Scottish Enterprise network, Scottish Homes and the local authorities and its membership of the Strathclyde European partnership. The Scottish Office sets the framework within European and national government guidelines. Scottish Enterprise National guides the direction of the local enterprise companies, in this case Glasgow Development Agency (GDA), which in turn influences Glasgow Opportunities, the local enterprise trust, while the local authorities and GDA form the context for the operation of the eight local initiatives in the city. Scottish Homes is included because it is a major player in the physical regeneration of the city housing stock; it is also a member of the Gorbals Initiative.

Figure 4.8: Glasgow Urban Regeneration Funding And Policy Delivery Mechanisms



Note 1: Strathclyde European Partnership is composed of representatives from the European Commission, Scottish Office, Scottish Enterprise, the LECs and local authorities covered by the former jurisdiction of Strathclyde Regional Council. In theory partners have equal influence, but the key committees are chaired by Scottish Office representatives.

Note 2: Glasgow Regeneration Alliance is not included in this diagram because at the time of writing, there was no formal institutional structure in place. The lead partners are GDA, GCC, SRC (before it was abolished) and Scottish Homes.

Note 2: Agencies highlighted in bold text have private sector representation on their board of directors.

Total expenditure within the city on economic development and urban regeneration is difficult to identify. Figure 4.9 illustrates the expenditure of the city wide agencies in Glasgow between 1993 and 1996, the period covered by the research. It is important to note that the figures are for total expenditure in the whole city on economic development as well as regeneration. Glasgow City Council spent £21.4m over the period on economic and industrial development, Glasgow Development Agency £186m, the council spent £15m and Scottish Homes almost £300m.

Figure 4.9: Expenditure on Economic Development and Urban Regeneration Programmes, Glasgow 1993-1996.

	1993/94	1994/95	1995/96
Glasgow City Council	6.3	7.3	7.8
Strathclyde Regional Council	7.8	7.2	7.1
Glasgow Development Agency	61.5	60.0	66.3
Scottish Homes	99.9	98.3	99.8
TOTAL	175.5	172.8	181.0

Source: Agencies

The importance of funding from the local enterprise company network through GDA, other Scottish Office funded programmes via local authorities through the Urban Programme and also European funding is shown by the budget of

one of the local initiatives summarised in Figures 4.10 and 4.11 below. Glasgow Development Agency was the dominant core funding agency, providing 40.6% of the company's core costs, while the local authorities each provided around 29.0% of these. There was also a token contribution from the private sector, which amounted to 0.8% of the company's costs.

Figure 4.10: East End Partnership: percentage share of core management costs by agency

Agency	Core Management (£)	% share
Strathclyde Regional Council	104 000	29.1
Glasgow Development Agency	145 000	40.6
Glasgow City Council	105 000	29.4
Private Sector	3 000	0.8
TOTAL CORE MANAGEMENT INCOME	357 000	100.0

Source: adapted from East End Partnership Limited, Draft Business Plan 1994/5, appendix 3

The former Strathclyde Regional Council was the key funder in terms of the projects the company carries out, providing 51.0% of project income. Glasgow Development Agency provided 26.6% of project income, a significantly smaller share than it provides for core operating costs. Glasgow City Council also provides a significantly smaller share for projects than it does for core costs (29.4% and 22.3% respectively). The private sector did not contribute anything towards the costs of project implementation.

Figure 4.11: East End Partnership: percentage share of project costs by agency

Agency	Projects (£)	% share
Strathclyde Regional Council	171 500	51.0
Glasgow Development Agency	89 500	26.6
Glasgow City Council	75 000	22.3
Private Sector	0	0.0
TOTAL PROJECT INCOME	336 000	100.0

Source: adapted from East End Partnership Limited, Draft Business Plan 1994/5, appendix 3

5 SUMMARY

This chapter has shown how the Glasgow economy performed over the decade prior to the commencement of this research. At the city level, manufacturing collapse supplemented by a stagnant service sector caused a shrinking labour market in the city. Within the city, concentrations of deprivation covering over 40% of the city's population were described, with the key characteristics of these areas being high unemployment, low economic activity, high levels of social housing and large numbers of lone parent families. The institutional structures put in place to address these issues were also outlined, illustrating the complexity of the funding structures and the large number of agencies which have private sector representation within them. As was noted in Chapter 3, within disadvantaged areas, the local initiatives attempt to pursue an

integrated range of social and economic policies and stimulate private sector participation in their delivery. The next chapter introduces the first element of the original research carried out for this study, an in depth survey of attitudes in the city's business community towards the regeneration process.

CHAPTER 5:
ATTITUDES IN THE BUSINESS COMMUNITY
TOWARDS THE REGENERATION PROCESS

1. INTRODUCTION

Most research on private sector participation in the urban regeneration process in the past has focused on public sector attitudes to the stimulation of private sector involvement and investment and existing public sector regimes and institutional structures to encourage participation by the private sector. Where there has been any analysis of private sector attitudes and experiences, it has tended to be confined to those individuals or companies who are *already* involved in the process. This has left a major gap in current research, namely an investigation of the interests, attitudes and perceptions of those in the private sector who are *not* currently involved in the process. This chapter aims to redress this, by looking at the views of the wider, uninvolved private sector in the City of Glasgow.

The first section of the chapter introduces the method adopted for the survey, detailing the rationale for the approach taken to gathering the data, the kinds of companies targeted and the analytical approach adopted. The first set of results reported look at the characteristics of the sample, looking at the employment position of respondents, the sector the companies operated in, where the companies were owned and their age. Secondly, awareness amongst the sample of the current delivery structures for urban policy in Glasgow is analysed, followed by a discussion of the results found when respondents were questioned on their knowledge of, and attitudes to, the various policy components of the urban regeneration process, with the aim of developing a

baseline picture of awareness of the approaches being taken to resolving urban problems in the city.

The core part of the chapter investigates the levels of private sector participation in the regeneration process amongst the sample and analyses the results of responses to possible methods of increasing private sector involvement and investment in the regeneration process. The final part of the chapter brings together the findings of the survey and draws some preliminary conclusions. The underlying reasoning for the questions asked, the sources used, a copy of the questionnaire and a detailed discussion of the statistical analysis carried out are discussed in Appendices 4, 5, 6 and 7 at the end of the thesis.

2 METHODOLOGY

In order to meet the aims of this part of the research, a number of key decisions were taken regarding sample selection:

- senior executives and managers were targeted;
- larger companies were selected;
- within this, a random sample was gathered;
- detailed statistical analysis of the results was carried out.

This approach is justified below.

(i) Senior Executives/Managers

The intention behind this selection process was to attempt to ensure that, as far as was possible, a ‘corporate view’ was obtained. Senior management are, by definition, in a position to take an overview of a company’s operations, external relations and strategic direction. Further, they are key influencing elements on these.

Accessing companies further down their internal hierarchies would have increased the likelihood of getting a personal view unrepresentative of the company perspective. In reality, of course, all respondents would be likely to impose their personal views on the issue. However, noting the above, there is a greater likelihood of personal and corporate views corresponding if senior management is the target group.

(ii) Random Sample of Large Companies

There are three aspects to the rationale for taking this approach. Firstly, on a practical level, larger companies are more easy to target. The ‘private sector’ is a disparate entity. There are few easy access routes into it. Targeting the most visible companies (i.e. the largest) in a city’s corporate base simplifies the task. It should be noted that there is a flaw in this methodological approach - only the perspective of larger companies is gained. What is often viewed as

the most dynamic part of the economy, the small and medium enterprise sector, is not extensively covered by this survey. However, the survey is intended to capture a flavour of private sector attitudes rather than provide a comprehensive, definitive, statement of the private sector's stance on regeneration issues.

One other possible way of getting around the access issue which was considered was to use public agencies or the local Chamber of Commerce as an initial route into the private sector. However, it was felt that there was a potential problem in this approach: that a sample gathered in this fashion would be skewed towards those companies already involved in some way in either regeneration or broader urban governance issues.

As a result of this decision, it was decided to target a random sample of the city's major companies to try and gauge the attitudes of a spectrum of opinion amongst influential players in Glasgow's business community. A final important point to note is that, even with a random sample, given the target group and the subject matter, there would be a degree of self selection amongst the sample who responded.

(iv) Statistical analysis

Three forms of statistical analysis were carried out on the data, using the SPSS statistical analysis programme, version 8.0. Firstly, for all of the data, frequencies of response to the various options are reported. Secondly, where

appropriate, chi square tests were run on the data. The chi square test is used to determine whether a set of frequencies is significantly different from those expected under the null hypothesis that there is no relationship (Rose and Sullivan, 1993). In other words, chi square tests the hypothesis that the row and column variables are independent, without indicating strength or direction of the relationship. The chi square test results determine whether or not there is a significant difference between the observed and expected frequencies in the data set. The cut off point for significance was taken as the 95% confidence level. What this means is that any result which is reported below this level, i.e. less than 0.05, highlights a significant difference between the expected and observed frequencies in the row and column independent variables. Any value above 0.05 means that the test cannot reject the null hypothesis, i.e., that there are no significant differences.

The third statistical method adopted took the analysis further by looking at the effect of a 'bundle' of background variables together on the response to specific questions by carrying out logistic regression analyses. Logistic regression is a stronger test of significance than the chi square test because it indicates both the significance of differences in response and shows the direction of the relationship.

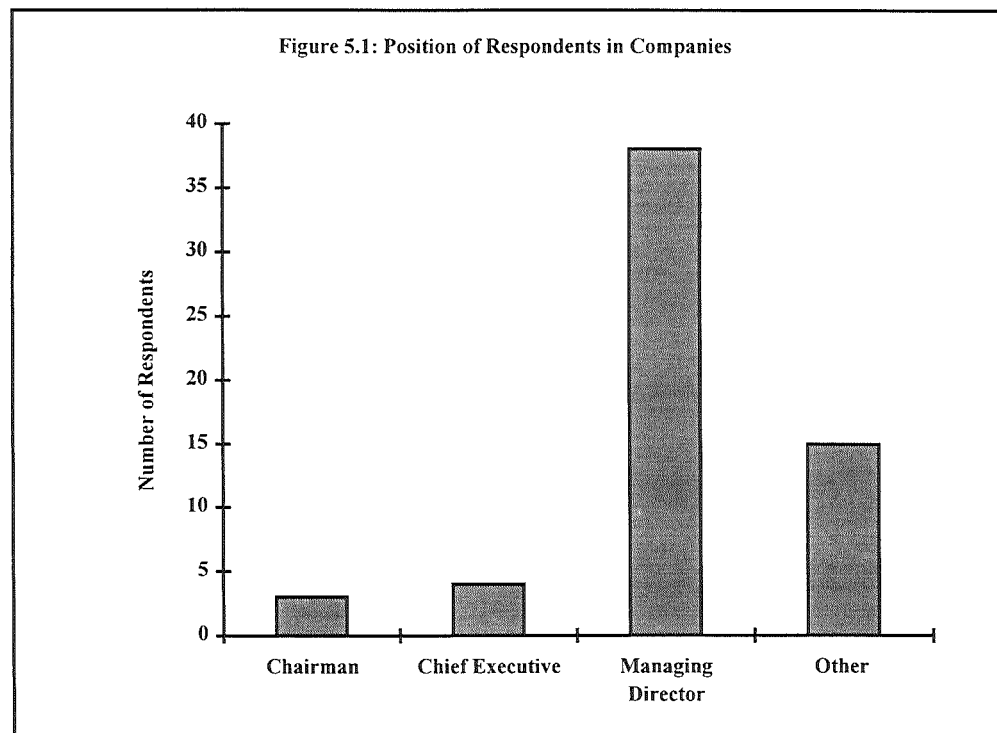
Throughout the chapter, all frequencies are reported. To maintain the flow of the chapter, chi square and regression results are shown in the text only where

a significant result was obtained. The results of all chi square and logistic regression analyses run are presented in Appendix 6.

3 SAMPLE BACKGROUND INFORMATION

(i) Respondents' Employment

As Figure 5.1 shows, the aim of targeting senior management in the private sector was met successfully. All respondents were in positions of authority within their respective companies. Almost two thirds were managing directors, while a further 12% were either chairmen or chief executives of their companies. All the remaining 25% held senior departmental directorships or co-ordinating roles within their organisations.

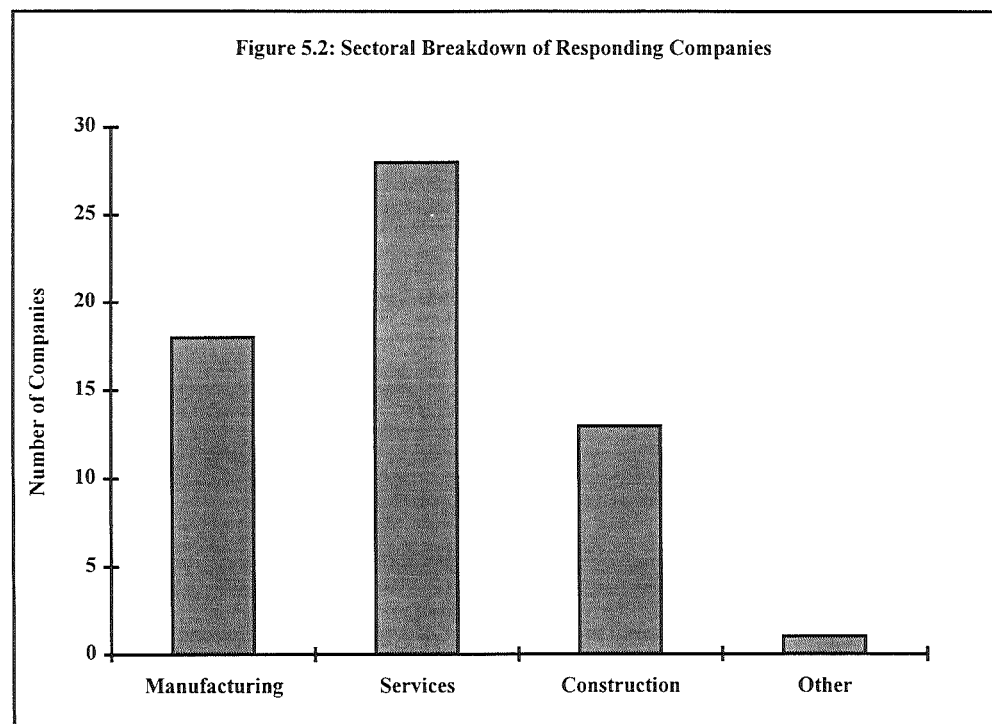


Number of Respondents = 60

Note: 'Other' category covers finance directors, personnel directors, directors of operations and general managers

(ii) Sector

Figure 5.2 shows the broad sectoral breakdown of the sample. In relation to the economic structure of the city, manufacturing and construction are over-represented, while services are under-represented: in employment terms, in the Glasgow travel-to-work area, service employment accounts for 78% of all employment, manufacturing for 14% and construction for 6% (Source: NOMIS, 1995 Census of Employment). However, against this, it can be argued that the sample provides a cross sectoral spread of opinion.



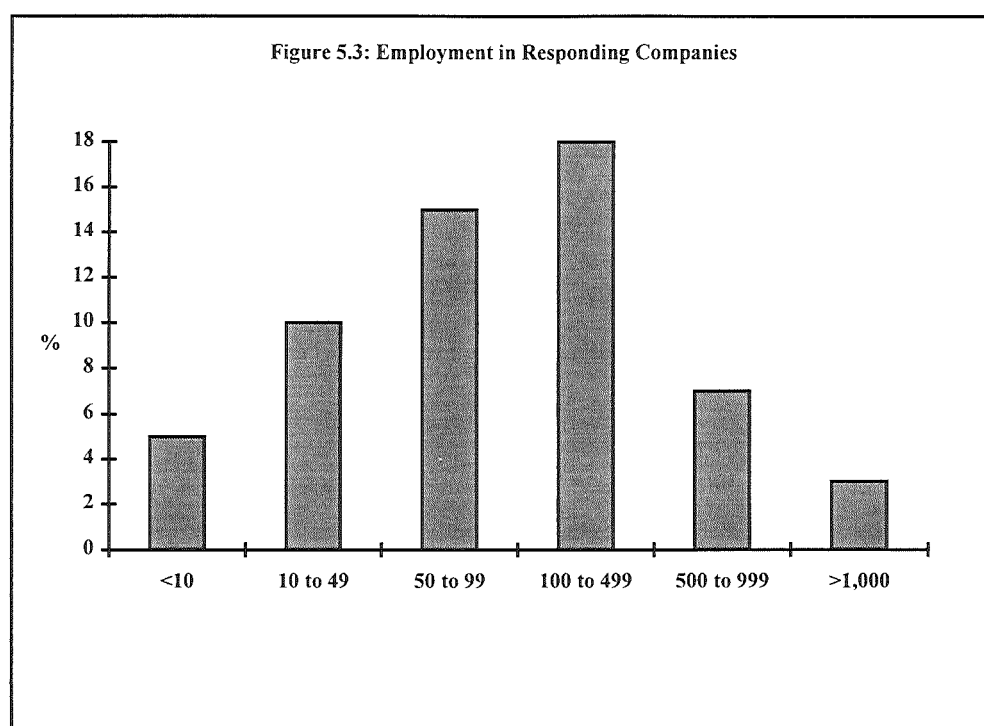
Number of Respondents = 60

Note: 'Other' category is power generator

(iii) Number of Employees

Figure 5.3 tends to confirm the findings of Figure 5.2: that the sample companies are in the medium to large category. 25% of the companies had

less than 50 employees, with only 8.3% of the total employing less than 10 people. 55% of responding companies employed 50-499 people, split fairly evenly between the 50-99 category (25%) and the 100-499 category (30%). It should be noted that the sample is not highly skewed to *very* large companies: only 5% of the sample (3 companies) employed more than 1,000 people. Further, 50% of the sample employed less than 100 people each.

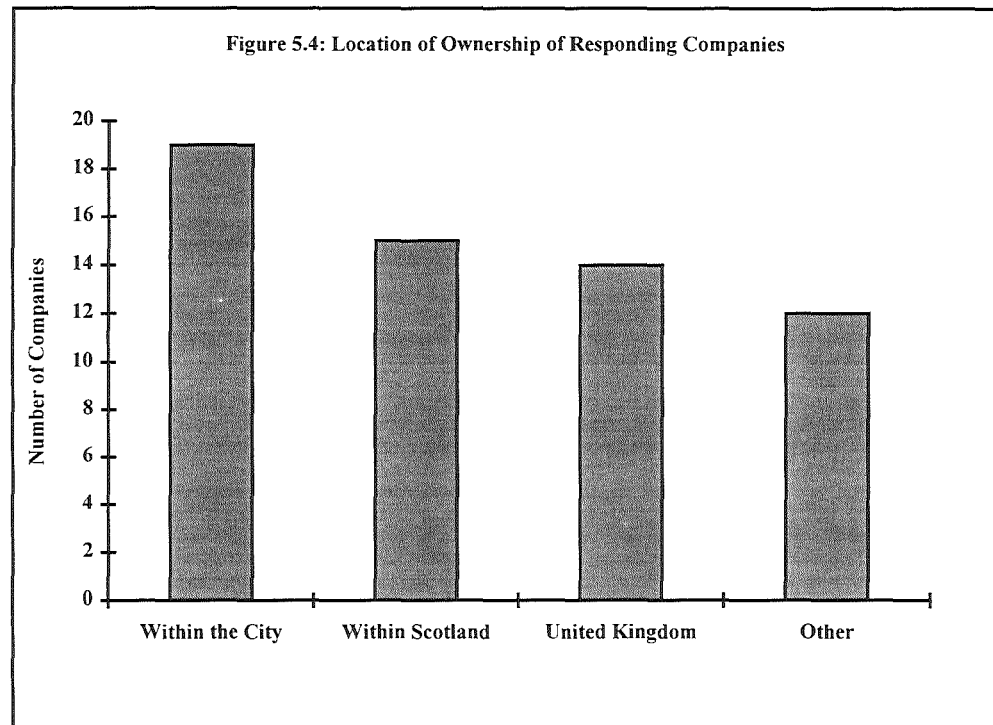


Number of Respondents = 60

(iv) Ownership

The largest category of location of ownership in Figure 5.4 is the City of Glasgow: 19 companies, almost one third of the sample, were owned within the city. The next largest category was Scottish ownership - 25% of the sample. Thus, in total, over half of the companies were Glasgow - or Scottish-owned. Of the remainder, 14 were UK-owned: the other companies were

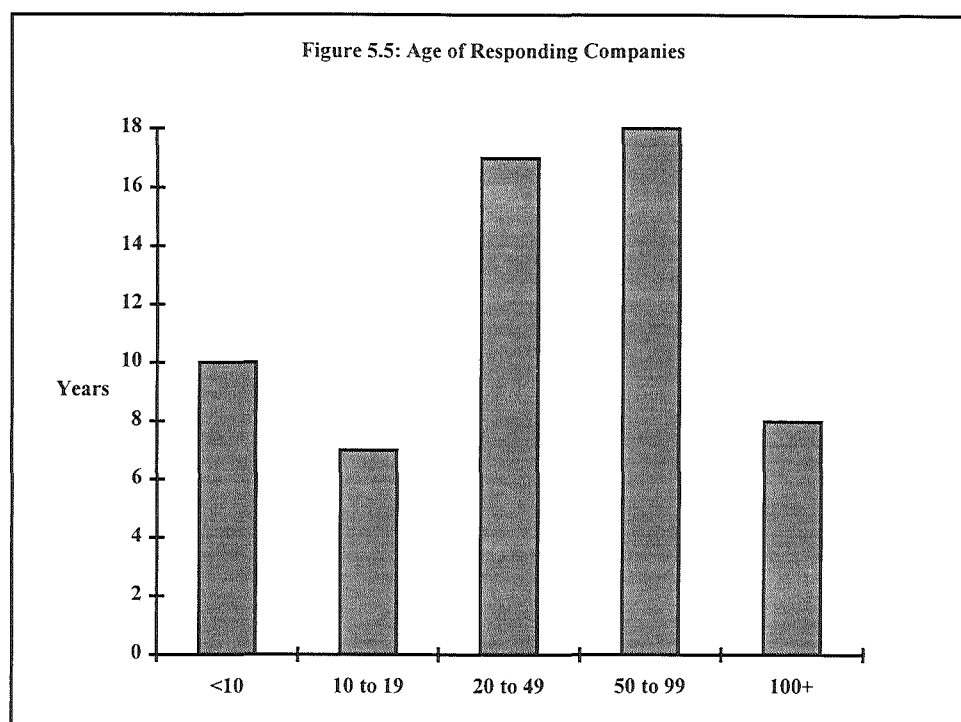
categorised as 'other' forms of ownership mainly because they were plcs listed on the stock market. By definition, their ownership is not tied to a specific geographical area. One company was a mutual assurance society, owned by its members. Four companies were foreign owned; two Japanese, one German and one Finnish.



Number of Respondents = 60

(v) Age of Company

Figure 5.5 reports the age structure of the sample. The great majority, 46 companies, had been in the city for more than 20 years. Only ten companies had been in Glasgow for less than ten years. The age structure gives a similar profile: 43 companies were more than twenty years old, 26 of these being more than 50 years old.



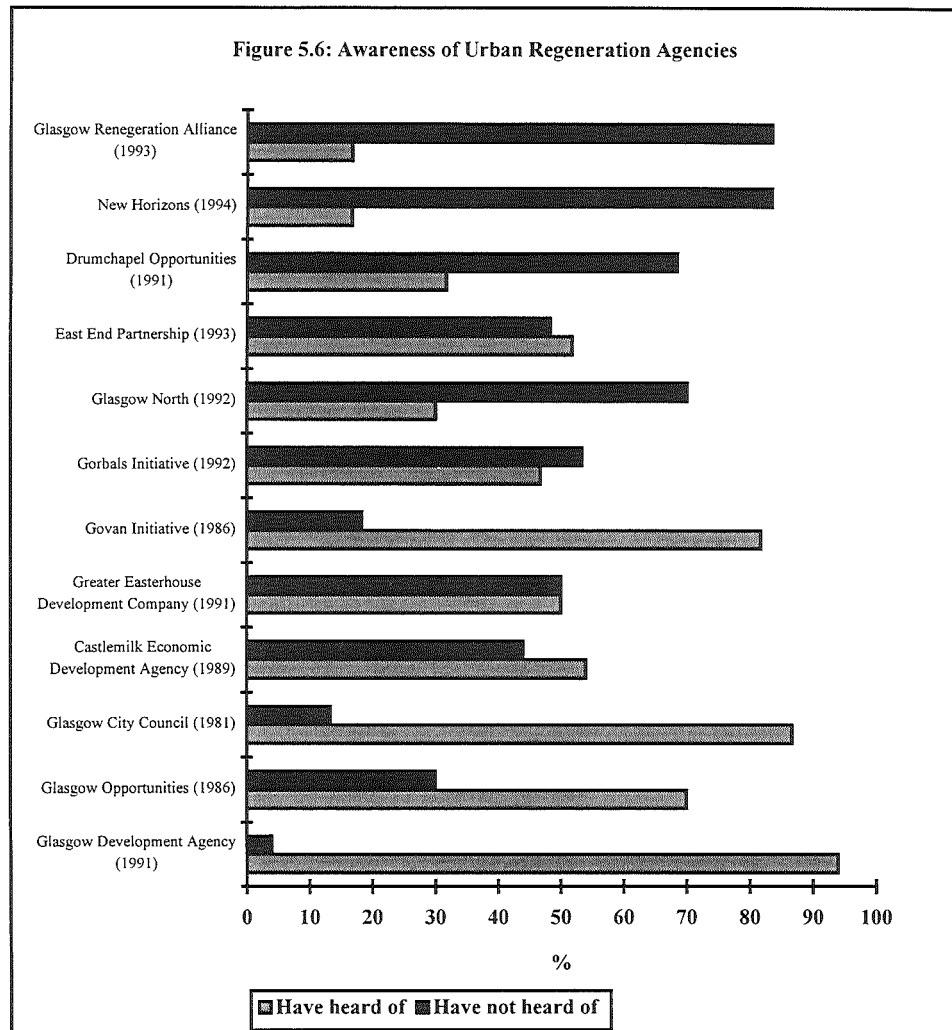
Number of Respondents = 60

4. AWARENESS OF CURRENT DELIVERY STRUCTURES

(i) Awareness of Agencies

Figure 5.6 reports respondents' awareness of the various economic development agencies in the city. An interesting picture emerges. 95% of the sample had heard of Glasgow Development Agency and 87% were aware of the city's Enterprise Trust, Glasgow Opportunities. A smaller proportion, 70%, were aware of the existence of the other city wide agency with an economic development remit, the City Council's Economic Regeneration Unit. A mixed picture emerges from the sample's awareness of the city's eight local initiatives. 82% had heard of the Govan Initiative, perhaps reflecting this agency's longevity. Small majorities were aware of CEDA and East End Partnership (55% and 52% respectively). There was a 50/50 split on awareness of the Greater Easterhouse Development Company. A large

minority, 47%, had heard of the Gorbals Initiative, while 68% and 83% respectively were not aware of the existence of Glasgow North and New Horizons. Only 17% of the sample had heard of the Glasgow Regeneration Alliance.



Chi square tests for significance revealed few statistically significant results, suggesting homogeneity of response in the sample. The significant tests which did emerge showed that employment size impacted on awareness of Castlemilk Economic Development Agency ($p=0.01$), while location of ownership

produced a significant difference in awareness of New Horizons ($p=0.03$) (Figures 4.7 and 4.8).

Figure 5.7: Chi square test results for response to question ‘have you heard of Castlemilk Economic Development Agency?’

	<99 employees	>100 employees	n, p, df
<i>Yes</i>	51.5	52.0	n=58, p=0.01 , df=1
<i>No</i>	48.5	48.0	

n=number of respondents, p=Pearson chi square value, df=degrees of freedom

Figure 5.8: Chi square test results for response to question ‘have you heard of New Horizons?’

	Glasgow Owned	Other	n, p, df
<i>Yes</i>	30.0	32.7	n=59 , p=0.03 , df=1
<i>No</i>	70.0	67.3	

n=number of respondents, p=Pearson chi square value, df=degrees of freedom

Logistic regression analysis revealed five significant predictors of response:

- the ‘sector’ variable on awareness of Glasgow City Council’s activities, with service sector companies more likely to answer positively;
- the ‘age of company’ variable on awareness of Glasgow Opportunities, with younger companies more likely to answer positively;
- the ‘sector’ variable on awareness of East End Partnership Limited, with service companies more likely to be aware of the agency

- the ‘employment size’ variable on awareness of the Glasgow Regeneration Alliance, with larger companies more likely to answer positively
- the ‘age of company’ variable on awareness of the Glasgow Regeneration Alliance, with older companies likely to be more aware (Figure 5.9).

Full results are reported in Appendix 6.

Figure 5.9: Significant Results from Logistic Regression Analysis

<i>Glasgow City Council</i>			
<i>Independent Variable</i>	Beta	Standard Error	Significance
<i>Sector</i>	1.7	0.69	0.01
<i>Employment Size</i>	1.1	0.68	0.09
<i>Location of ownership</i>	0.10	0.18	0.58
<i>Age of Company</i>	0.32	0.65	0.62
<i>Constant</i>	-6.1	2.04	0.03
<i>East End Partnership</i>			
Independent variable	Beta	Standard Error	Significance
<i>Sector</i>	1.13	0.59	0.05
<i>Employment Size</i>	0.14	0.61	0.82
<i>Location of ownership</i>	0.32	0.16	0.04
<i>Age of Company</i>	-0.87	0.62	0.16
<i>Constant</i>	-1.81	1.48	0.22

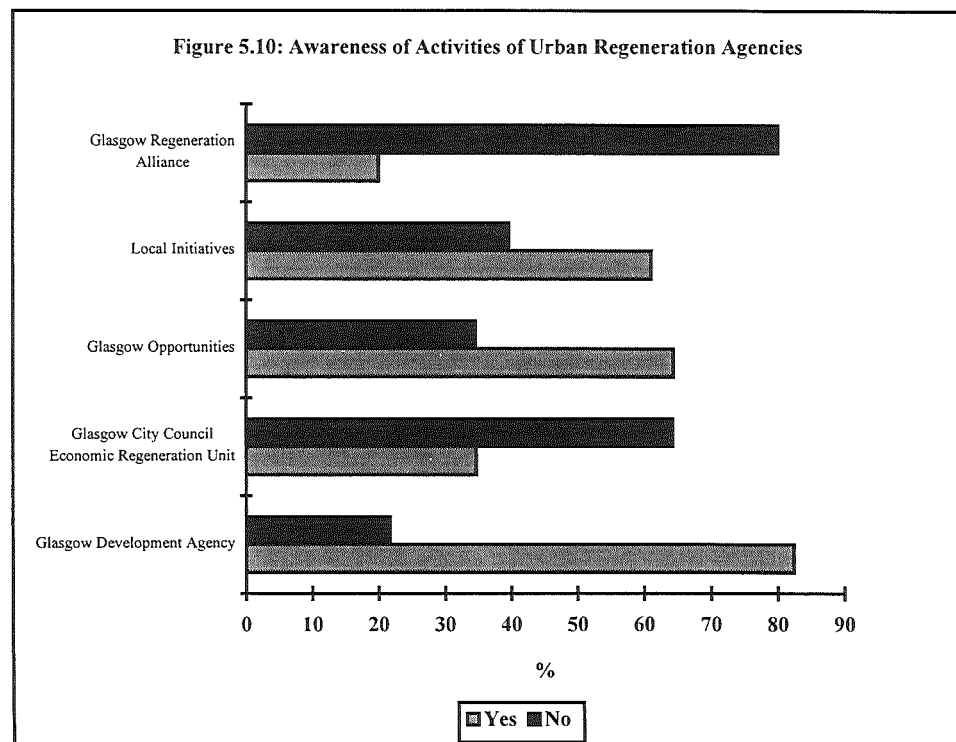
Figure 5.9 (continued)

<i>Glasgow Opportunities</i>			
Independent Variable	Beta	Standard Error	Significance
<i>Sector</i>	0.45	0.86	0.60
<i>Employment Size</i>	0.06	0.88	0.94
<i>Location of ownership</i>	0.35	0.29	0.22
<i>Age of Company</i>	2.4	1.15	0.04
<i>Constant</i>	-8.0	3.06	0.09
<i>Glasgow Regeneration Alliance</i>			
Independent Variable	Beta	Standard Errors	Significance
<i>Sector</i>	-0.20	0.82	0.81
<i>Employment Size</i>	-2.2	0.95	0.02
<i>Location of ownership</i>	-0.23	0.24	0.34
<i>Age of Company</i>	2.06	0.95	0.03
<i>Constant</i>	3.61	2.45	0.14

(ii) Awareness of Activities

Figure 5.10 presents a picture of awareness of the *activities* of Glasgow's various economic development agencies. 82%, 78% of the total, of those who

knew about GDA claimed knowledge of the agency's activities. Of those who were aware of Glasgow Opportunities, 65% (57% of all respondents) knew anything about what it did. 61% (55% of the total survey) of those claiming awareness of the local initiatives' activities had knowledge of their role. A low 36% (25% of all respondents) who knew about Glasgow City Council Economic Regeneration Unit had any awareness of their role. Finally, only two of the ten respondents who had heard of the Glasgow Regeneration Alliance knew anything about its activities - this represents only 3% of all respondents.



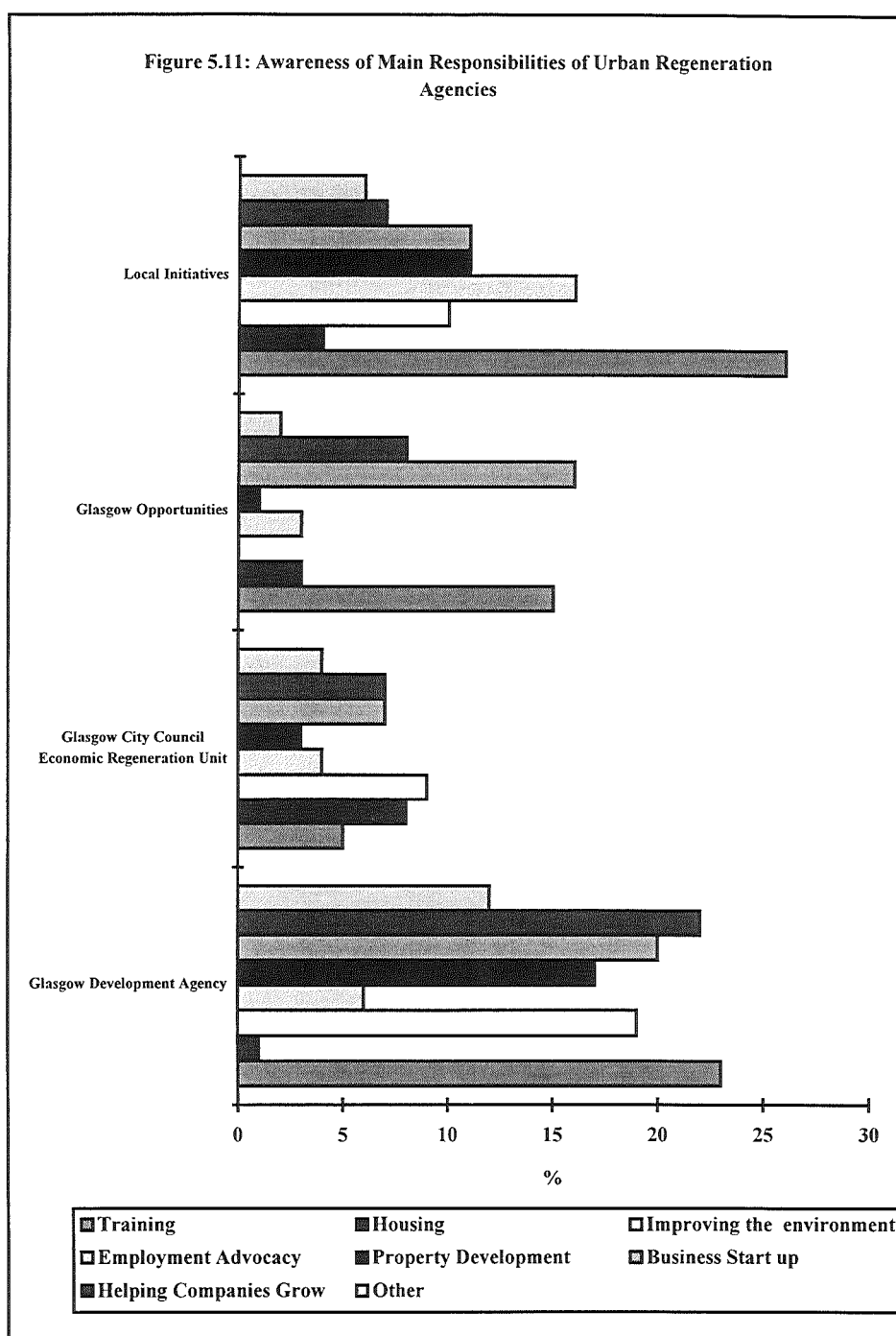
Note: Only those respondents who had *heard of* the agencies were asked these questions.

Note: Local Initiatives are: Castlemilk Economic Development Agency, Greater Easterhouse Development Company, Gorbals Initiative, Govan Initiative, Glasgow North Ltd, East End Partnership, Drumchapel Opportunities, New Horizons.

Figure 5.11 provides an indication of respondents' views on the main responsibilities of the agencies. For GDA, a range of policies were given fairly equal prominence. These were, in order of importance (defined as the number of times they were mentioned by respondents)

- training (23 responses)
- helping companies grow (22)
- business start up (20)
- environmental improvement (19)
- property development (17)

A small number of respondents (6) suggested GDA was concerned with employment advocacy. There were far fewer responses detailing the City Council Economic Regeneration Unit's activities. None of the categories gained a response in double figures. The most common answer was environmental improvement (nine responses) followed by housing (eight), business start up and helping companies grow (seven each). For Glasgow Opportunities, business start up (16 responses) and training (15) dominated the answers given by respondents. finally, in the view of participants, training (26 responses) and employment advocacy (16) were the key roles of the local initiatives, followed by property development and business start up (11 responses each) and environmental improvement (10 responses).



Note: A number of respondents gave more than one answer. Only these respondents who knew of the activities of the agencies were asked these questions.

Figures are given in absolute numbers.

Note: Local Initiatives are: Castlemilk Economic Development Agency, Greater Easterhouse Development Company, Gorbals Initiative, Govan Initiative, Glasgow North Ltd, East End Partnership, Drumchapel Opportunities, New Horizons.

(iii) Summary

This survey of awareness of agencies in the city has shown that city wide agencies are fairly well known in the city business community, with the local

initiatives' profile largely affected by their age, with Govan Initiative well known and the younger smaller agencies less so. Chi square tests for significance revealed few statistically significant results. The significant tests which did emerge showed that employment size impacted on awareness of Castlemilk Economic Development Agency ($p=0.01$), while location of ownership produced a significant difference in awareness of New Horizons ($p=0.03$).

Logistic regression analysis revealed five significant predictors of response: sector on awareness of Glasgow City Council's activities, with service sector companies more likely to answer positively; age of company on awareness of Glasgow Opportunities, with younger companies more likely to answer positively; sector on awareness of East End Partnership Limited, with service companies more likely to be aware of the agency and finally, employment size on awareness of the Glasgow Regeneration Alliance, with larger companies and those in the manufacturing and construction sector more likely to answer positively.

In terms of awareness of activities of the agencies, most of those who knew about GDA claimed knowledge of what the agency did, while two thirds knew of Glasgow Opportunities' activities and 60% knew about what the local initiatives did. Only one third of those who knew about Glasgow City Council Economic Regeneration Unit knew anything about what they did, while only 20% knew anything of the Glasgow Regeneration Alliances' activities. In

terms of what the agencies actually do, there was a fairly close fit between perceptions and reality.

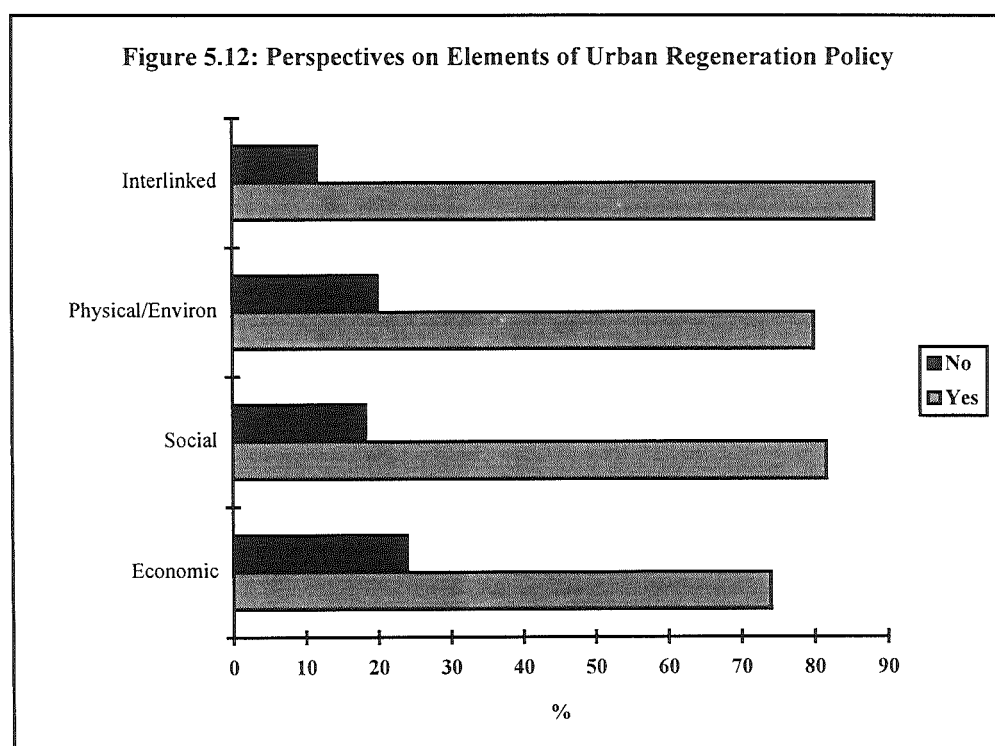
5. KNOWLEDGE OF, AND ATTITUDES TO, THE REGENERATION PROCESS

(i) Components of Policy

Figure 5.12 gives an insight into the opinions of respondents on the components of urban regeneration policy. A fairly consistent pattern emerges; 75-80% of respondents view regeneration policy as currently constituted having economic, social and physical/environmental aspects embedded within it. The results are fairly consistent, although slightly less of the sample felt urban regeneration policy was an economic policy: 25% of the total argued it was not, as opposed to 18% who felt social policy was not an element of current policy and 20% who felt it was not a physical or environmental policy. Most of those who felt that policy contained elements of all three aspects of policy argued that it was a common sense approach to take. Resolving social problems was not possible without addressing economic issues, while physical and environmental policy, if pursued, would have social effects in improving health and welfare. Improving social elements of the issues could lead to fewer physical and environmental problems due, for example, to reduced vandalism. Economic lift would also address physical problems. The lower numbers who viewed policy as having economic elements perhaps reflects a continuing perception that urban regeneration is about resolving social

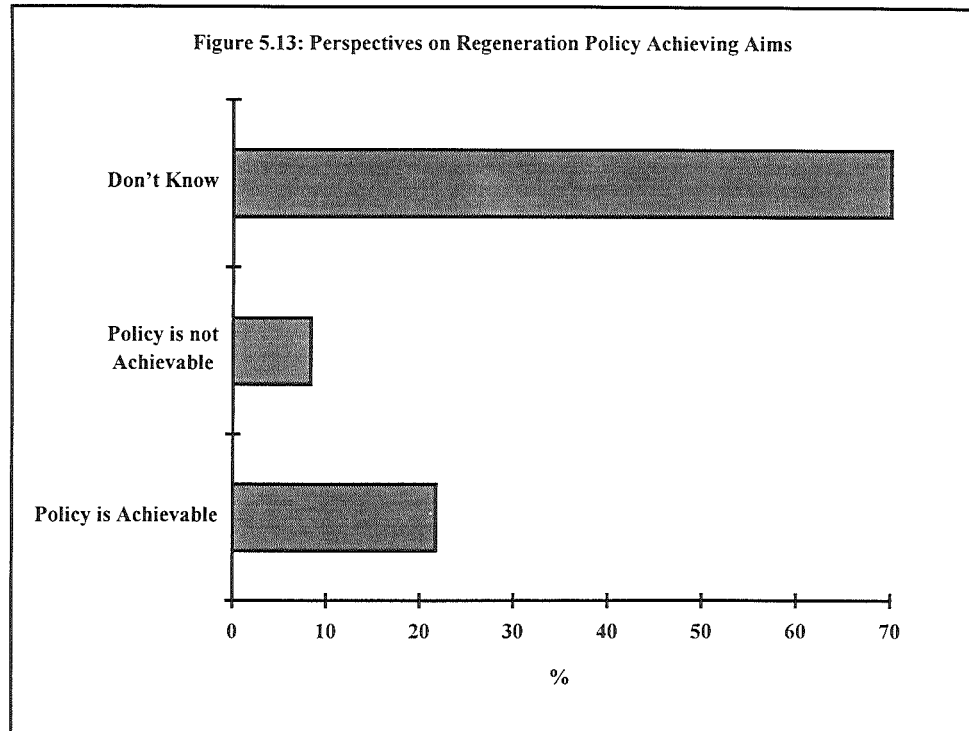
problems through intervention: a view also held until relatively recently in the public sector.

As might be expected, given the consistency of responses regarding the components of policy documented above, a large majority of the sample argued that the components of policy were interlinked. Figure 5.12 shows that 88% of respondents saw linkage between the elements of policy. This suggests that the realisation in the public sector in recent years that the resolution of major urban problems requires a multiple policy, co-ordinated approach has widespread support amongst this sample. This finding suggests that there are the beginnings of a consensus across both public and private sectors that a co-ordinated, holistic approach to urban regeneration is essential for success.



(ii) Are the Goals of Policy Achievable?

The most obvious, and important, finding from Figure 5.13 is that 70% of respondents do not know whether the current goals of regeneration policy are achievable, suggesting that the majority of company representatives know very little about the aims of policy. Of those who did express a definite opinion, 22% of the total sample felt that the current goals of policy were achievable, and 8% felt they were not. This leads to several possible conclusions. Firstly, that there is very low awareness in the business community about what agencies are trying to do. Secondly, agencies may not be clearly articulating their policy goals to the private sector, despite their stated commitment to partnership with the private sector. The complexity of the issues may also cause problems with the articulation of these goals in comprehensible terms to a non-expert audience. A further possible reason underlying these findings is that there is awareness in the business community about the goals of policy, but respondents were unsure as to their prospects for success. However, this was not a commonly expressed view.



Number of Respondents = 60

(iii) Relative Importance of Urban Regeneration Policy

Figure 5.14 presents a complex picture of respondents' perceptions of the relative importance of urban regeneration policies. On the first element, 'training unemployed people', only 5% felt it was unimportant and 15% were neutral on its importance. Of the remaining 80% who thought it was important, 40% of these thought it was a critical aspect of regeneration policy. Opinions on the necessity of improving social housing followed a similar pattern. Only two respondents felt it was unimportant and 17% were neutral on this. Again, 80% of respondents felt improving social housing was an important or very important issue, with 38% of these regarding it as very important. On the policy of assisting unemployed people to find jobs, only one respondent felt this to be important, with 13% neutral. 85% regarded this as important to some degree, with 41% of these arguing it was very important. A

more mixed picture emerges in attitudes to providing housing for owner occupation in disadvantaged areas. 13% of the sample felt it was unimportant for regeneration, while 35% gave a neutral response. Of the 52% who felt it was important, only 35% of these, 13% of the total sample, felt it to be a very important element of policy.

On the issue of developing local services in disadvantaged areas, there was again strong support for the policy. Only 7% of respondents felt it was unimportant, but a significant 25% gave a neutral response. Of the remaining 68% of the sample, 36% of these felt this was a key issue for regeneration policy. Perhaps surprisingly, given that the study is based on perceptions of the business community, 13% of the sample thought start-up and other business support in disadvantaged areas was an *unimportant* element in policy. 12% were neutral on its relevance. 75% of the sample felt it *was* important, with 49% of these, 35% of the total sample, arguing it was very important.

The same proportion as felt start ups were unimportant, 13%, felt that providing premises to encourage relocation to disadvantaged areas was not an important issue. Almost one quarter had a neutral opinion on this. Of the remaining two thirds who thought it *was* an important issue, only one quarter felt it was *very* important for the regeneration of disadvantaged areas. On the issue of improving roads and other transport access to disadvantaged areas, 12% thought it was unimportant and almost one quarter (23%) were neutral.

63% felt it was important or very important, with 39% of this group arguing these access issues were very important.

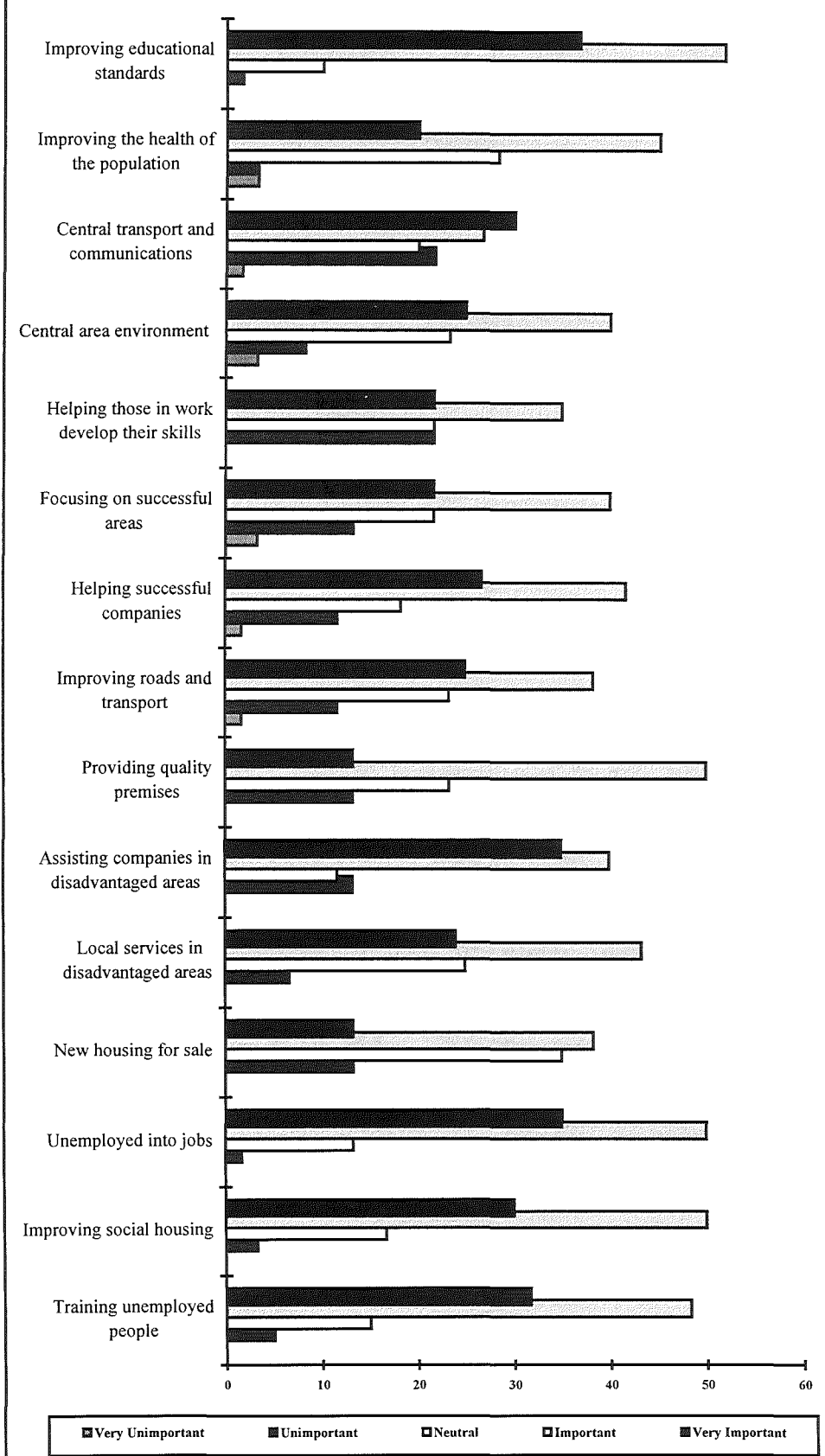
30% of the sample were either neutral or felt support for successful businesses was an important element of policy. 39% of this group felt it to be unimportant. Of the remaining 70% who felt it was important, 39% argued it was a key issue. Views on the need to target investment at already successful areas of the city to maintain momentum were less positive than the case for business support. 13% of the sample felt it was unimportant, with 22% taking a neutral position. 40% and 22% of all respondents respectively took the view that this was an important or very important policy concern, with 35% viewing it as critical.

On the issue of helping employees to develop their skills, 22% of the total sample argued that this was not an appropriate target for regeneration policy, with a further 22% positing a neutral response. Of the remaining 57% who felt it was an important or very important issue, 38% felt it was very important, representing 22% of the total sample. Developing and improving the environment of the central area of the city was felt to be very unimportant by 3% of respondents and unimportant by 8%. 23% were neutral. Of the 65% who felt it to be important, 39% argued it was a very important element of regeneration policy.

22% of the total sample indicated that, in their opinion, working at improving the transport and communications infrastructure of the city centre was not an

important policy priority. 20% were neutral on this issue. Of the 57% who thought it *was* an important policy, 53% indicated it was a very important priority. On the issue of improving health to achieve the ends of regeneration policy, very few of the sample, 7%, thought it was unimportant or very unimportant. 28% were neutral as to health policy's relevance to regeneration, while of those who thought it was important, 31% thought it was a high priority. The final element of policy on which respondents were asked to give a view was 'improving educational standards'. On this, only one respondent felt it was not important and 10% were neutral. Thus, 88% of the sample thought education was an important element of regeneration strategy. 42% of these, 37% of the total sample, felt it was very important.

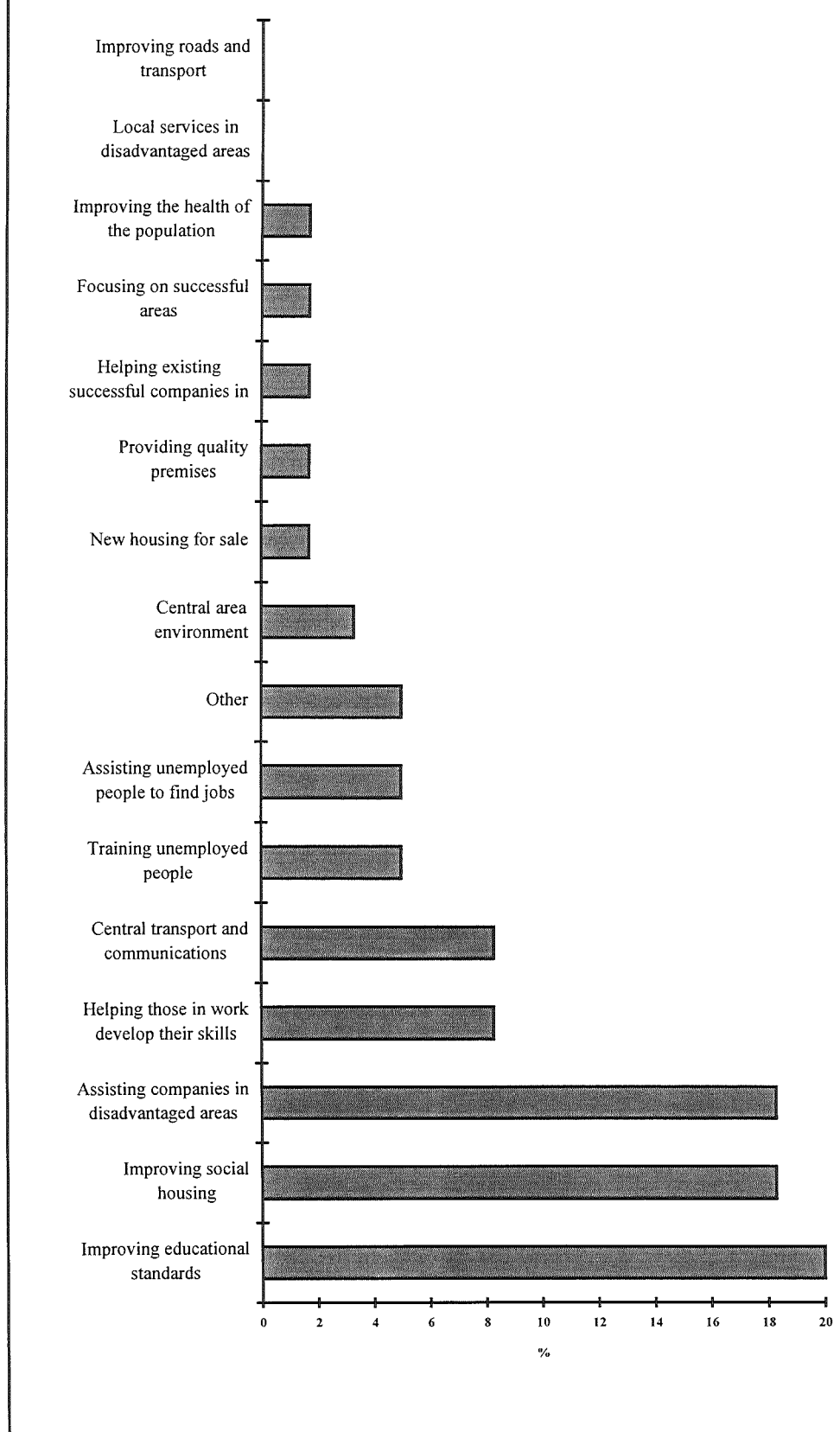
Figure 5.14: Perspectives on the Importance of Policies



(iv) Most Important Element of Policy

As the discussion of Figure 5.14 illustrated, a significant majority felt to greater or lesser degrees that each of the policies advanced as components of the urban regeneration policy matrix were important. Figure 5.15 ranks these policies in order of importance according to respondents' answers to their views on the most important factor to be addressed. Education (20% of respondents) was regarded as the most important policy, closely followed by assisting start ups and other business development in disadvantaged areas, with 18% of respondents viewing this as key to regeneration. The same proportion viewed social housing in the same way. On each of the remaining options, less than five respondents viewed these as the most important element of policy to be tackled. On two options, developing local services in, and improving road and transport access to, disadvantaged areas, no respondents felt these were critical factors to be addressed in policy.

Figure 5.15: Perspectives On The Most Important Aspect of Policy



Number of Respondents = 60

(v) Summary

Most of the respondents argued that urban regeneration policy had social, economic, and physical/environmental aspects and that these were interlinked. This suggests support for the co-ordinated approach currently being taken. However, almost three quarters of the sample did not know if policy was achievable, suggesting a lack of awareness of the goals of policy - agencies may not be getting the message across. In terms of the relative importance of policy, there was broad support across the sample for the options offered, with policies focused on support for disadvantaged areas gaining the strongest positive response. When asked what the most important policies were, respondents focused on education, housing and business support issues.

6 PRIVATE SECTOR PARTICIPATION IN THE REGENERATION PROCESS

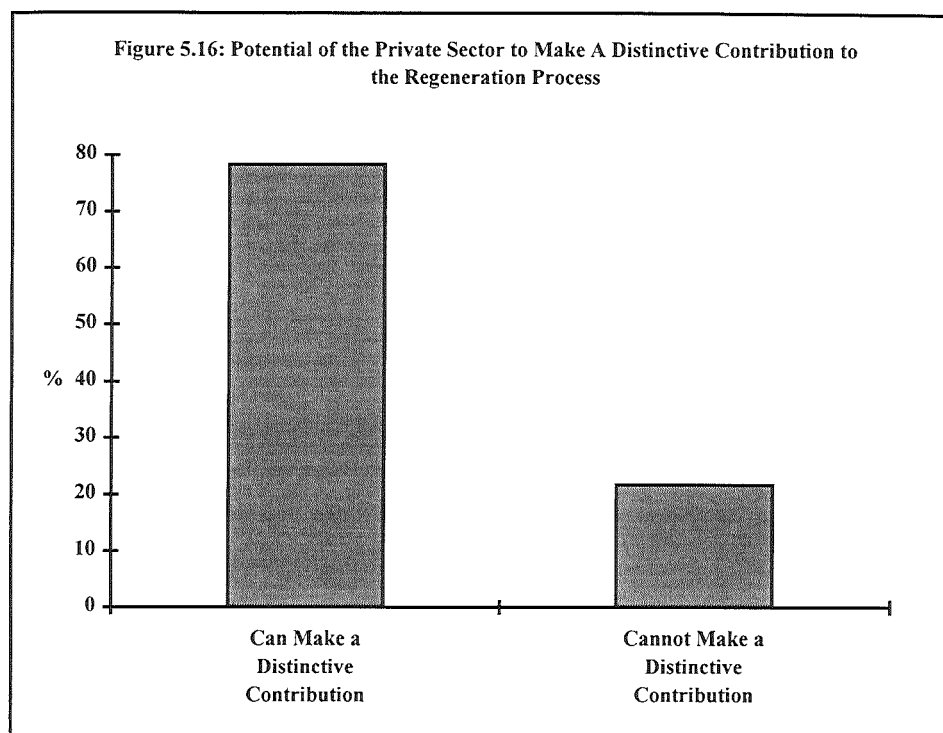
(i) Can the private sector make a positive contribution to the regeneration process?

A significant majority, 78%, of respondents felt that the private sector could make a distinctive contribution to the regeneration process (Figure 5.16). The most common reasons that were given were in the main concerned with the commercial expertise that individuals and/or private companies could bring to the regeneration process. Practical expertise, such as accountancy, financial and project management could be contributed. Several respondents felt that business community involvement would bring realism to the regeneration process in terms of being more attuned to the demands of the labour market.

and wider economy. The public sector has the social policy expertise: the private sector could feed in know-how to the economic aspects of policy.

There was an acknowledgement that there is a need for partnership between the public and private sectors. Most respondents who mentioned this argued that the public sector had to take a lead. Companies had to concentrate on their core business. Anything they could do to assist the regeneration process had to be secondary to this. Another positive input the private sector could make which was mentioned by a number of respondents was the resource issue: financial partnership between the public and private sectors would allow tight resources to be spread further, allowing both a wider range of project to be progressed and the risks to be spread. The other area that was highlighted was the contribution the private sector could make through their core economic activities. It was argued that the private sector is the source of economic growth. Investment and employment would form the basis of sustained regeneration in disadvantaged areas.

The principal reasons given by those respondents who argued that the private sector could not make a distinctive contribution was that it was not their role. There was no discernible short term economic return. Also, there was a feeling that it was the public sector's problem. Linked to this, some respondents argued that the business community did not have the expertise to contribute usefully: their mind set was opportunity, not problem, driven.



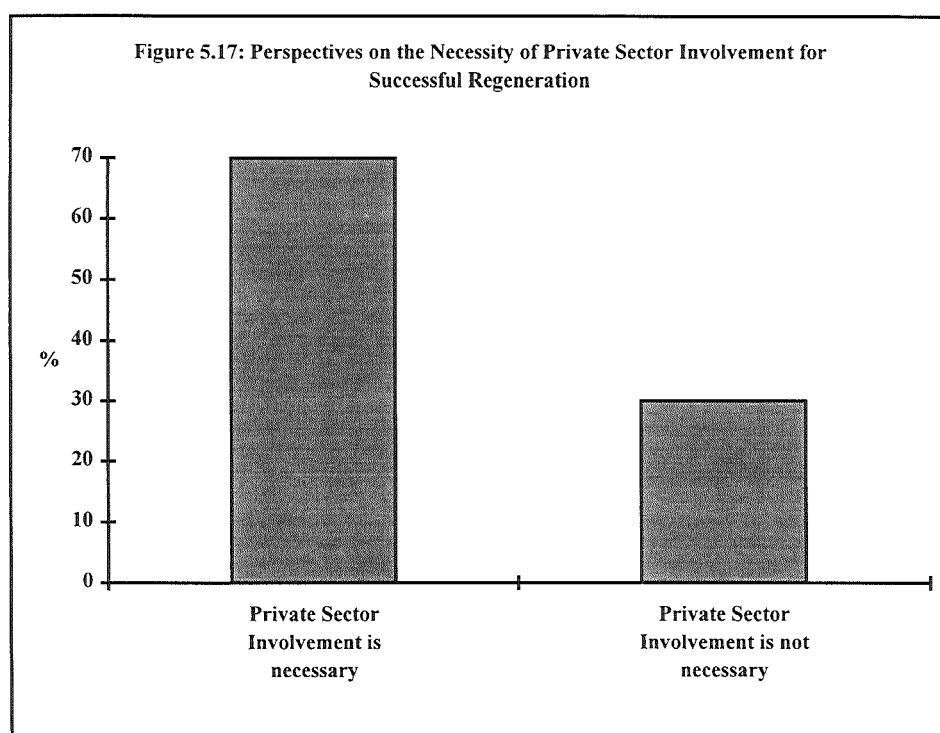
Number of Respondents = 60

A series of chi-square tests were carried out to assess whether a company's size in terms of employee numbers, age, sector, location of ownership and length of residence in the city had any effect on the views of respondents on the potential of the private sector to make a distinctive contribution to the regeneration process. No statistically significant results were obtained, with 'p' values on the chi square tests ranging from 0.3 to 1.5. Logistic regression revealed that none of the background variables were significant predictors of response. Full results of the statistical analysis are reported in Appendix 6.

(ii) Is Private Sector Involvement Necessary for Successful Regeneration?

Figure 5.17 shows that a slightly smaller proportion of respondents, 70%, felt that private sector involvement was a prerequisite of successful regeneration than thought the private sector could make a distinctive contribution. Taking the findings of Figure 5.16 and 5.17 together, 70% of those who thought a

distinctive contribution could be made by the private sector thought it was necessary for success. A similar proportion, 69%, of those who thought a distinctive contribution could *not* be made thought it was necessary for success. Similar reasons to these given in response whether or not the private sector could make a distinctive contribution were advanced by respondents to the issue of the necessity of involvement, namely that: the private sector brings commercial acumen and pragmatism to the process; the private sector is the key to economic growth; public-private partnership is necessary both for policy relevance and to maximise resources committed to the regeneration process.



Number of Respondents = 60

As with the data presented in Figure 5.16, chi-square significance tests were carried out on the data. The findings were, again, that most of the contextual variables seemed to have little effect in terms of producing statistically

significant differences. However, one test, looking at the relationship between location of ownership and response to this question, gave a 'p' value of 0.02, suggesting a significant difference between the responses of those companies owned in Glasgow and those owned outwith the city (Figure 5.18). Logistic regression analysis revealed that none of the independent variables were significant predictors of response. Full results are reported in Appendix 6.

Figure 5.18: Chi square test results for response to question: 'Do you feel that private sector participation is a necessary prerequisite of successful urban regeneration?'

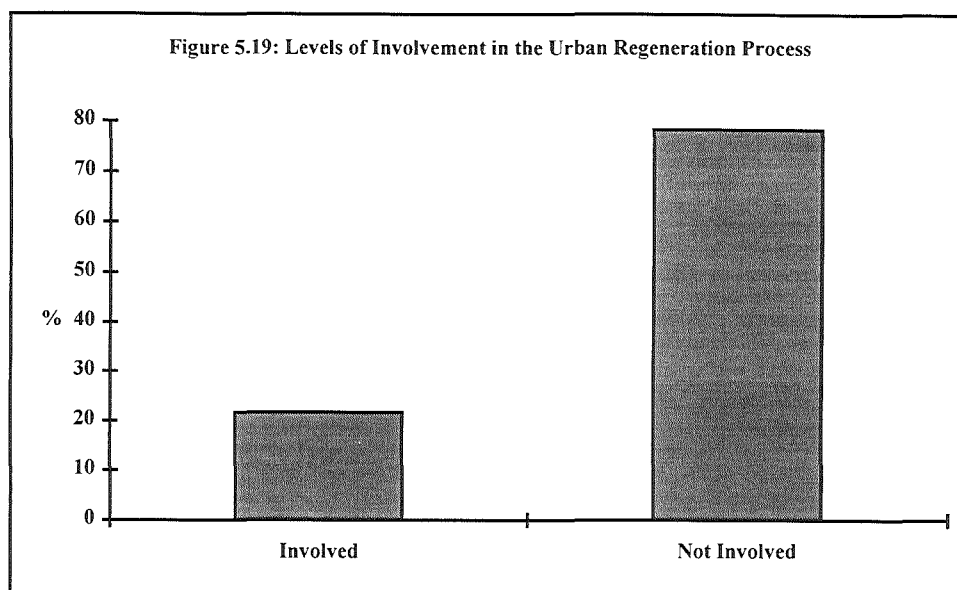
	Glasgow Owned	Other	n, p, df
<i>Necessary (%)</i>	68.4	70.0	n=59, p=0.02, df=1
<i>Not necessary (%)</i>	31.6	30.0	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

(iii) Levels of Involvement in the Regeneration Process

Figure 5.19 shows that the great majority, 78% of respondents, were not involved in the urban regeneration process in any way. Looking at this important finding in conjunction with those reported in Figures 5.12 and 5.15:

- of the 47 that said the private sector *can* bring a distinctive contribution, only 21% were involved in any way.
- of the 13 that said private sector involvement *doesn't* bring a distinctive contribution, only 3 were involved in any way.
- of the 42 that said private sector participation *is* necessary for success, 11 were involved in any way.
- of the 18 that said private sector involvement is *not* necessary for success, only 2 were involved in any way.



Number of Respondents = 60

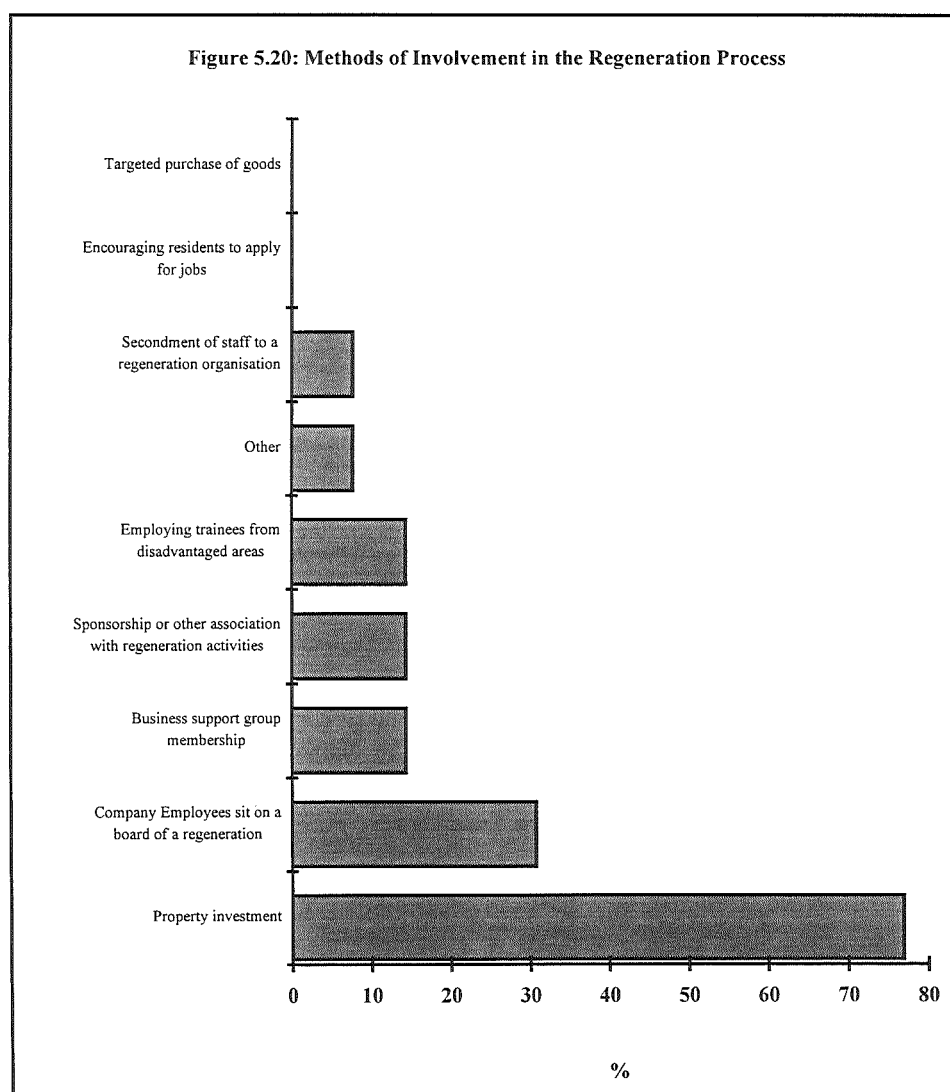
When the contextual variables were assessed for statistical significance in terms of causing variation in response, no significant differences were found, again suggesting a consistency of response across the sample: on the chi-square test 'p' values ranged from 0.28 to 1.18. Logistic regression analysis revealed no significant results. Full results of the statistical analysis are reported in Appendix 6.

Although the intention of the survey was to look at the attitudes and opinions of companies *not* involved in the regeneration process, the random nature of the sample meant it was likely that some companies who were involved in regeneration would be identified (Figure 5.20). Of the small number of respondents that were involved in any way, property investment dominated. The next most important form of involvement was board membership of

regeneration organisations, with 31% participating by this means. Two companies were involved through the mechanisms of either:

- business support group membership
- sponsorship or association with regeneration activities
- employing trainees from disadvantaged areas.

Finally, one respondent noted participation through secondment of staff.

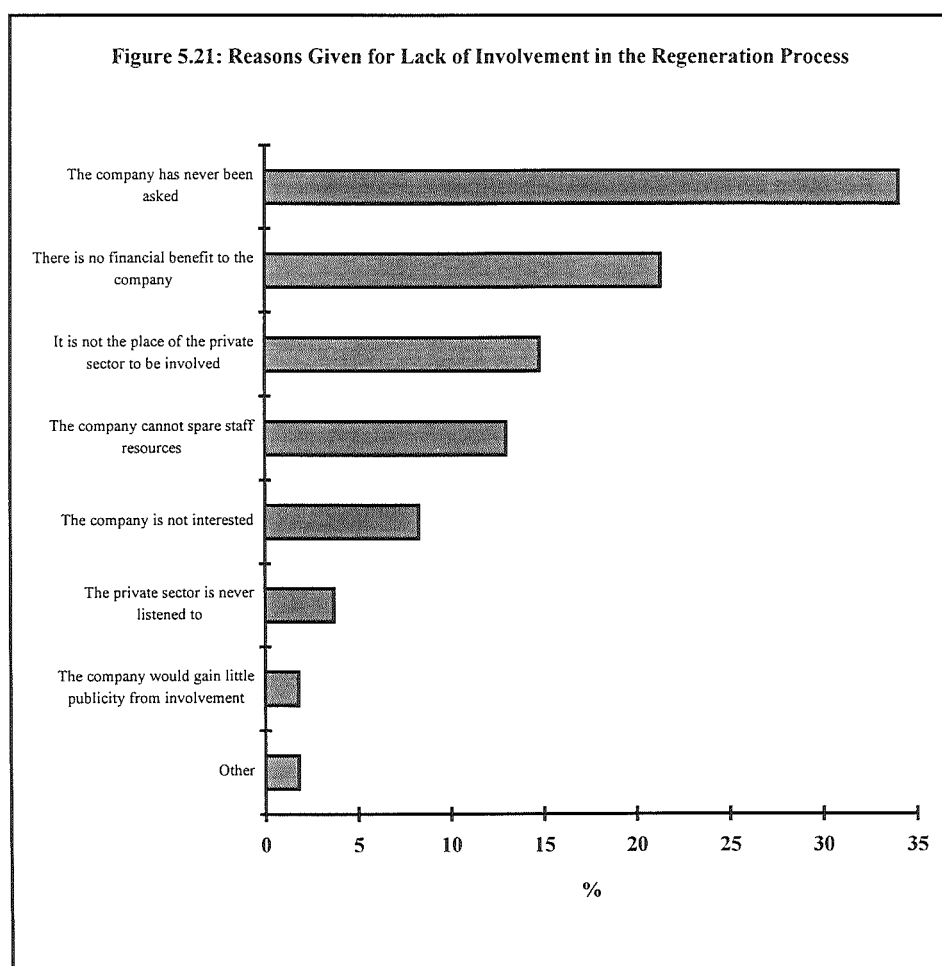


Number of Respondents = 13

Note: Some respondents had more than one form of involvement.

Figure 5.21 lists the reasons given by the 47 respondents who were not involved in any way in the urban regeneration process. It is important to note

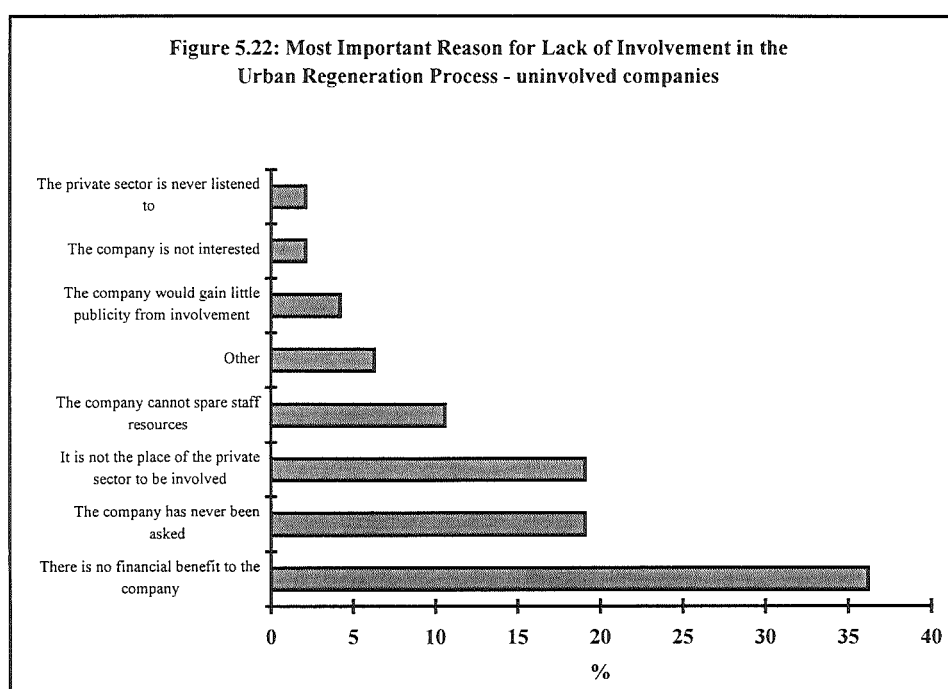
that more than one response was often given, thus there were 108 responses from the 47 companies consulted. By far the largest response given was that company had never been asked to become involved (35 responses). The next biggest reason advanced was that there would be no financial benefit to the company from involvement: 23 people gave this response. 16 respondents argued that it was not the place of the private sector to be involved, while 9 were not interested in the regeneration process. A small number of respondents felt their views would not be taken account of.



Number of Respondents = 47

Note: A number of respondents gave more than one response: 108 in total were received.

A slightly different picture emerged when companies were asked the *most* important reasons for their lack of involvement in the regeneration process (Figure 5.22). 36.2% of respondents felt there would be no financial benefit to the company. This response was given almost twice as often as the next most common reasons given, namely, that the company had never been asked and it was not felt appropriate that the private sector should be involved (19% each).



Number of Respondents = 47

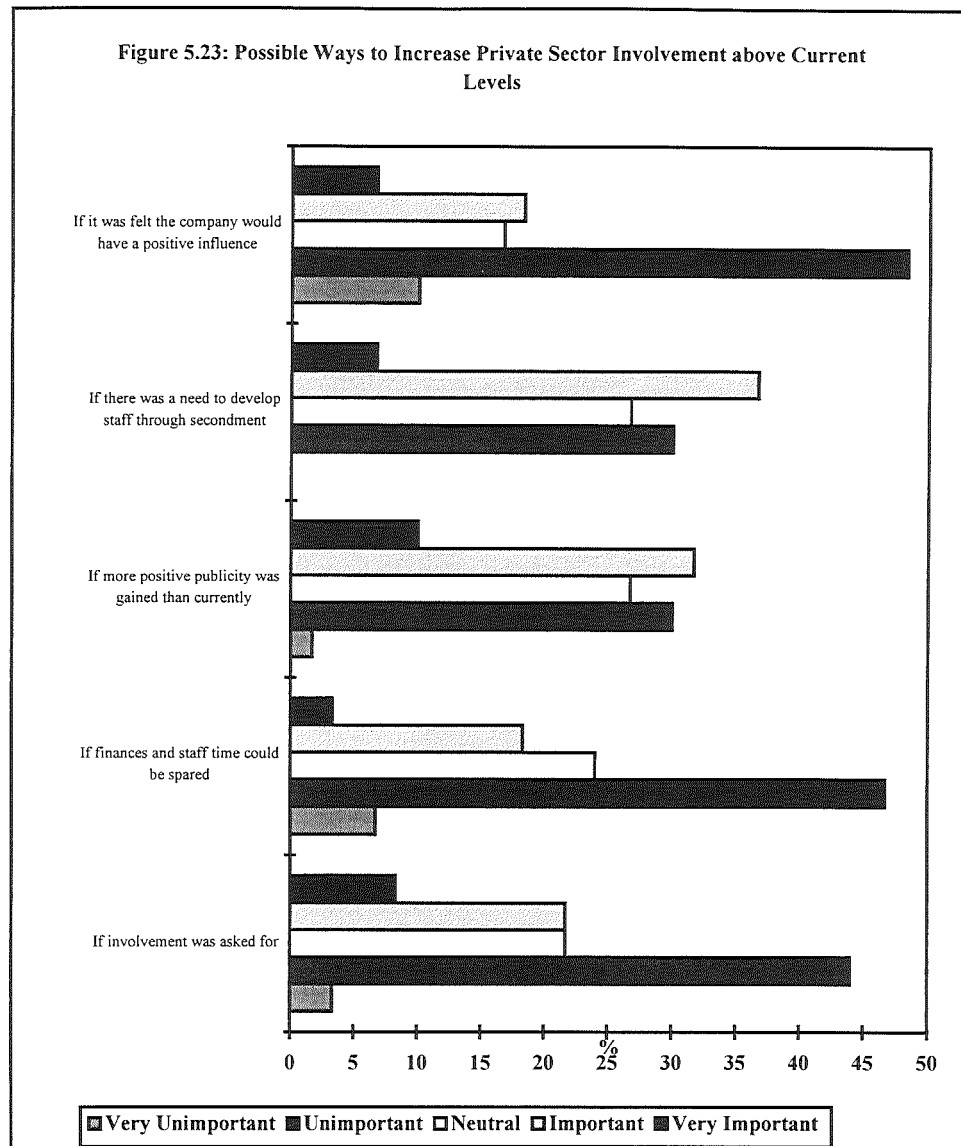
Note: A number of respondents gave more than one response.

(iv) Options for Stimulating Increased Involvement

Figure 5.23 shows that, on the options suggested which could lead to increased involvement, there were significant barriers to raising participation levels in the companies consulted. It is important to note that respondents were asked to give responses they felt reflected the *private sector*, rather than their company. 48% felt that a request for involvement was either unimportant or very unimportant. 22% were neutral; only 31% felt that being asked for

involvement would be important or very important. Of these, 28% rated this as a very important factor in stimulating involvement.

Similar proportions argued that more involvement could be forthcoming if finances and staff time could be spared. 47% felt this was not an important issue; 7% felt it to be very unimportant. 25% viewed this issue as neither important nor unimportant. Of the 21% who felt it was an important issue, only 18% of these rated it as very important. A more positive picture emerged when responding companies were asked if more publicity could stimulate more involvement: 30% thought this was unimportant and 27% were neutral. 42% felt it was either important or very important; 40% of this group viewed it as very important. A largely similar pattern emerged in response to the secondment question, the main difference being that a smaller proportion, 15%, rated a need for secondment as very important. A majority of respondents (58%) felt that the company having a positive influence on the process was not an important issue. Of the 25% who thought it was important, only 27% felt it could be very important in raising levels of private sector involvement.



A series of chi-square tests were carried out to assess the influence of the contextual variables (employment size, sector, location of ownership and length of residence) on the responses to these statements. Recoded variables were used to obtain valid chi square tests as tests on the original breakdown of response were invalidated by the small size of the sample. On all five options, no statistically significant difference was observed. Logistic regression analysis revealed one significant predictor of response on the 20 tests run. The employment size test found a significant result with a value of 0.01, suggesting

that size of company was a significant predictor of response, with larger companies more likely to give a positive response to the question of companies having a positive influence on the regeneration process making them more likely to be involved (Figure 5.24). Full results are reported in Appendix 6.

Figure 5.24: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if it was felt the company would have a positive influence’

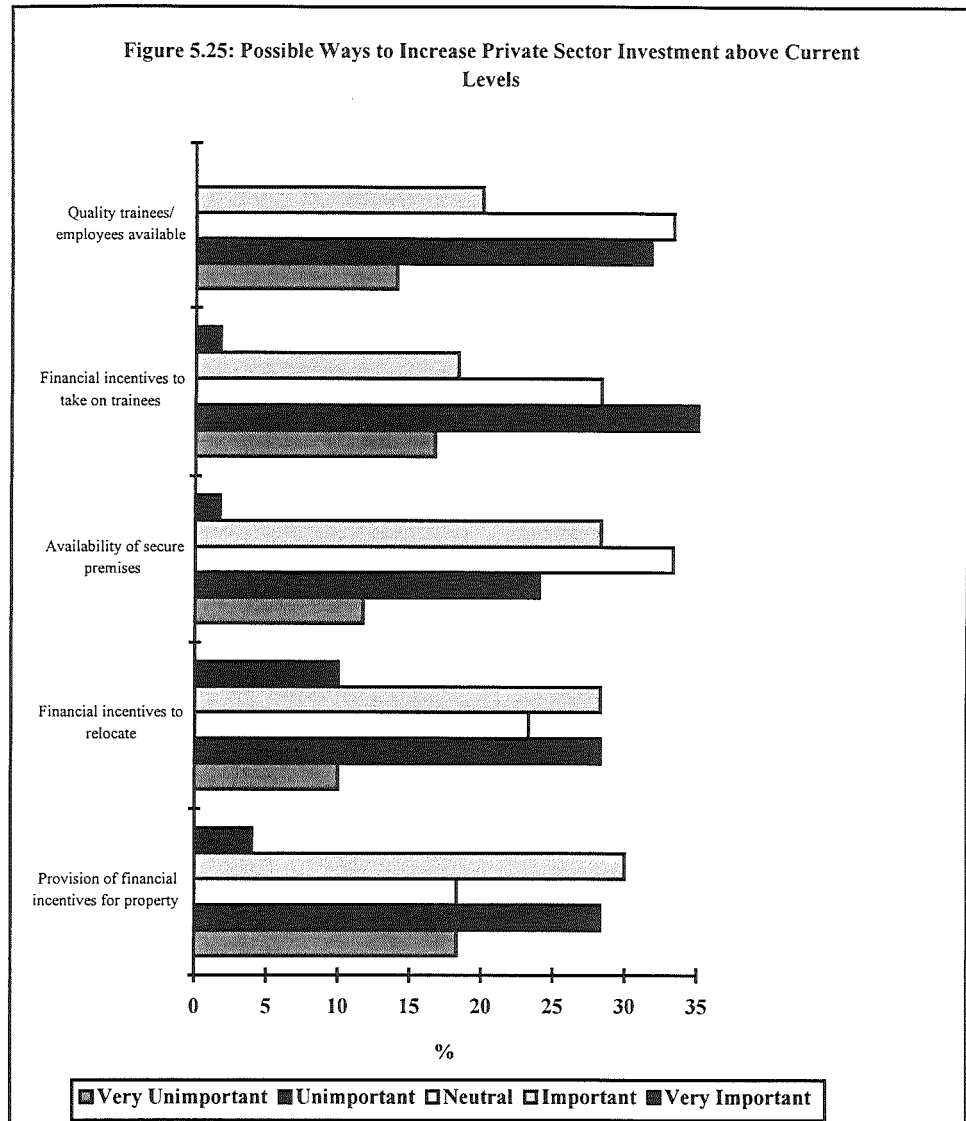
	Beta	Standard Error	Significance
<i>Sector</i>	0.68	0.72	0.35
<i>Employment Size</i>	-2.19	0.87	0.01
<i>Location of ownership</i>	-0.12	0.18	0.54
<i>Age of Company</i>	0.19	0.73	0.80
<i>Constant</i>	0.82	1.68	0.63

(v) Options for Stimulating Increased Investment

As the discussion of the findings on possible ways to increase involvement above current levels showed, there are major barriers in the view of the respondents. A similar pattern emerges on analysis of Figure 5.25, which looks at possible ways to increase private sector *investment*. As with Figure 5.23, respondents were asked to give what they saw as a private sector, rather than a company perspective. While the proportions of those who felt the options were important or unimportant remained broadly similar, the strength

of feeling that they were *very* unimportant was greater. In the first option, provision of financial incentives for property development, 18% of respondents felt this was very unimportant in terms of increasing private sector investment. Overall, 47% felt this was unimportant with 18% neutral. 35% thought it was an important factor which could increase investment, but only 14% felt it to be very important. The response to the proposition that provision of financial relocation incentives could bring more investment was less negative than the above. 38% of respondents felt this was unimportant: within this, 26% felt it was very unimportant. Of the 38% who felt it *was* an important issue in increasing investment, 26% of these felt it was very important.

37% of respondents argued that provision of secure premises with good infrastructure in disadvantaged areas was not an important issue for increasing investment: 32% felt it was very unimportant. Only 30% felt it was an important issue. Of these, only 6% of these thought it was very important. A majority of respondents, 52%, viewed the provision of financial incentives for trainees as unimportant. 32% of these felt it was *very* unimportant. Only 20% argued this could be important in increasing private sector investment through the labour market: within this group, only one respondent felt it was very important. The final option, increased quality of potential trainees and/or employees to recruit produced a similar pattern to the above. 49% felt it was unimportant and 32% of these argued it was a very unimportant factor in potentially increasing private sector investment. Again, 20% felt it was potentially important but no respondents felt it was very important.



Number of Respondents = 60

Chi square analysis revealed no statistically significant results, while logistic regression analysis revealed three significant predictors of response. The ownership variable on the question of provision of premises in disadvantaged areas revealed that Glasgow owned companies were more likely to respond positively. On provision of financial incentives to recruit trainees service companies were more likely respond positively. The sector variable was again a significant predictor on the issue of quality of trainees to recruit, with service

companies again more likely to respond positively (Figures 5.26 to 5.28). Full results are reported in Appendix 6.

Figure 5.26: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there were available, secure premises with back up infrastructure’

	Beta	Standard Error	Significance
<i>Sector</i>	1.2	0.67	0.06
<i>Employment Size</i>	-1.1	0.69	0.09
<i>Location of ownership</i>	0.46	0.21	0.03
<i>Age of Company</i>	0.17	0.69	0.08
<i>Constant</i>	-3.1	1.78	0.08

Figure 5.27: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to take on trainees from regeneration areas’

	Beta	Standard Error	Significance
<i>Sector</i>	1.90	0.88	0.02
<i>Employment Size</i>	0.77	0.79	0.33
<i>Location of ownership</i>	0.54	0.29	0.06
<i>Age of Company</i>	-0.56	0.76	0.94
<i>Constant</i>	7.97	2.77	0.04

Figure 5.28: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if quality trainees were available to recruit in regeneration areas’

	Beta	Standard Error	Significance
<i>Sector</i>	2.8	1.11	0.01
<i>Employment Size</i>	-0.34	0.79	0.67
<i>Location of ownership</i>	0.09	0.21	0.68
<i>Age of Company</i>	1.37	0.80	0.09
<i>Constant</i>	-8.03	2.79	0.04

(vi) Summary

In summary, a large majority of respondents felt the private sector could make a distinctive contribution to the regeneration process, with the main inputs quoted as commercial acumen, assisting the market relevance of policy, financial contributions and contributing to economic growth through core business activities. Given the size of the majority answering positively, it is unsurprising that although some variations within the sample were observed, the chi square and logistic regression analysis produced no statistically significant results.

On the issue of whether private sector involvement was necessary for success, a large majority of the sample agreed, again citing commercial abilities, the role of the private sector as wealth creator and the need for a partnership approach to ensure policy relevance. Statistical analysis revealed one significant chi square result, with companies owned outside Glasgow more likely to respond positively. However, the logistic regression analysis suggested this was not a good predictor of response.

Almost four fifths of the sample were not involved in the regeneration process in any way. Those who were mainly involved through property investment, with board representation a distinct second. Reasons given for lack of involvement revealed that the main reason was that companies had never been

asked to become involved. However, the most important reason given was that there was no financial incentive to participate.

Analysis of the responses to options for increased involvement revealed a fairly consistent pattern of lack of support for these suggestions. Statistical analysis revealed some variations, but none of these were statistically significant on the chi square tests. However, one background variable, employment size, did emerge as a statistically significant predictor of response on the set of logistic regression tests carried out.

Analysis of the options for increasing investment in the process revealed major barriers to increased financial commitment to regeneration aims, with responses revealing greater opposition to investment than the involvement options. Chi square analysis revealed no statistically significant variations in the data, suggesting homogeneity of response. Logistic regression analysis did reveal three significant predictors: location of ownership on the question of provision of premises in disadvantaged areas, with Glasgow owned companies more likely to give a positive response; the sector variable on provision of financial incentives to recruit trainees, with service companies more likely to answer positively; and the sector variable again on the issue of quality of trainees to recruit, with service companies again more likely to respond positively.

The overall picture this analysis presents is that the private sector respondents feel there is a need for business participation to ensure success, but that it is not the role of their company to do this. The options offered for increasing private sector involvement and investment received a largely negative response.

7. CONCLUSIONS

This chapter has analysed the findings of a survey of Glasgow companies on their attitudes to, and knowledge of, the urban regeneration process. The findings are important because they give an indication of the position held on these issues by key decision makers in the city business community, as Glasgow's top 200 companies were targeted for the survey. This concluding section draws together the findings analysed in previous sections.

The first section of the survey provided an interesting picture of awareness levels in the business community of the agencies involved in delivering urban regeneration policy in Glasgow. Virtually all respondents had heard of GDA and GO, but 30% were not aware of the existence of the City Council's Economic Regeneration Unit. A mixed picture emerged in awareness of the local initiatives. Part of this is possibly due to the difference in age of the various initiatives, but may also reflect differing emphasis given to publicising activities and also the scale of activities undertaken by the initiatives. Very few respondents had heard of the city's 'flagship' Regeneration Alliance. This implies problems for the Alliance if it is to achieve its aim of creating a multi-

sectoral partnership to progress regeneration. Statistical analysis showed that significant variations were observed on chi square tests of the influence of employment size on awareness of Castlemilk Economic Development Agency and Govan Initiative and location of ownership on knowledge of New Horizons. Logistic regression analysis showed that the 'sector' variable was a significant predictor of response on awareness of the City Council's Economic Regeneration Unit and East End Partnership Limited, with service sector companies more aware, that younger companies could be expected to be more aware of Glasgow Opportunities and larger companies to be more aware of the Glasgow Regeneration Alliance.

In terms of awareness of what the agencies actually do, as might be expected, a lower proportion of respondents than knew about the agencies knew what they did. Over three quarters of the sample claimed knowledge of GDA activities, while a majority knew what GO does. However, only a quarter of the total sample knew what the City Council's regeneration role was and only two respondents were aware of the role of the Regeneration Alliance. Finally, awareness of the most important role of each of the agencies broadly matched their actual remit, suggesting that the small number who claimed knowledge of agency activities had a fairly clear idea of what they did.

A large majority of the sample felt that urban regeneration policy has social, economic and physical/environmental elements. Further, a very similar number of respondents argued that these elements of policy were interlinked.

This suggests that the concept of the complexity of urban regeneration as expressed through the commitment of public agencies to a holistic approach to the resolution of urban problems has widespread support.

The survey results also indicate that there is a lack of awareness in the business community about the goals of urban regeneration policy. 70% of the sample did not know whether the aims of policy were achievable. The main reason given by respondents was that they did not know what the aims of policy were. One possible reason for this is that the commitment of agencies in recent years to a holistic approach to regeneration may have militated against clear articulation of the goals of policy. Another possible explanation for this finding is a lack of interest in the business community about current attempts to stimulate the regeneration of the city. Other findings in the survey tend to support this line of reasoning.

Detailed analysis of the business community's opinions on the relative importance of policies commonly asserted to be part of a holistic regeneration process at both the small area and city level provides a number of interesting findings. Perhaps the most important is the consistency of results across the range of policies. All of them were regarded by a majority of respondents as important or very important. Only the issues of 'providing housing for owner occupation in disadvantaged areas', 'helping those in work develop their skills' and developing the transport and communications infrastructure of the city

centre' were felt to be important or very important by less than 60% of the sample.

Those policies which have formed the core of attempts to stimulate the regeneration of disadvantaged areas in recent years were felt to be important elements of public policy. There were significant majorities who rated the following important or very important:

- improving educational standards (88% of all respondents).
- improving social housing (85%).
- assisting unemployed people to find jobs (85%).
- training unemployed people (80%).
- delivering start up and other business support in disadvantaged areas (75%).
- improving health (65%).
- improving transport access to disadvantaged areas (63%).
- providing quality premises to encourage relocation (63%).

Ironically, providing housing for owner occupation, the policy which, as Chapter 8 will illustrate, has stimulated the main private sector investment in the city's disadvantaged areas, was rated the least important element of policy on average by respondents. Those policies viewed as most important form the core of current local initiative support for the regeneration of disadvantaged areas of the city. The business community's perspective, on the findings of this sample at least, seem to concur with the public sector view.

Policies which were targeted at more successful areas of the city economy received less widespread support than those geared towards improving the performance of disadvantaged areas. Only policies aimed at assisting successful companies to develop and grow further were rated as either important or very important by more than two thirds of the sample, although more than 50% returns were gained by every other policy. The relative weightings of support for these policies suggest that, for the respondents to this survey at least, that opportunity driven policies receive less support than those directly targeted at problem resolution. Findings on the ratings of the most important policy confirm this view.

Another important finding was that three-quarters of the respondents felt that private sector participation could bring an additional, unique contribution to the regeneration process. Responses focused around the commercial expertise and problem solving skills used in core business activities and also the additional resources that could be generated through financial partnership. The fact that policy could not succeed in a vacuum in a market economy was also highlighted. Those who did not feel involvement would bring unique benefits argued it was not the role of the private sector to become involved and, in any case, they would struggle to bring relevant skills. Detailed statistical analysis illustrated the consistency of response in the sample to these issues, with chi square tests and logistic regression analysis revealing no statistically significant difference in response on the issue of the potential distinctiveness of

the private sector contribution. On the issue of whether private sector involvement was a necessity for success, statistical analysis revealed one significant difference in the chi square tests, but the regression analysis suggested that background variables were not good predictors of response.

Perhaps the key finding of the survey was that 78% of the total sample were not involved in any way in the regeneration process. This is especially interesting when looked at in conjunction with the findings above that significant majorities regarded private sector participation as bringing unique benefits and being key to success. It would appear that it is felt the private sector should ideally be involved, but that, in the main, it was not the role of the companies the respondents represented. Again, contextual variables analysed by chi square and logistic regression analysis did not appear to influence the response.

Looking at the reasons given for lack of involvement in the regeneration process provides further insights into the underlying thinking behind the above responses. A third of respondents had never been asked to participate, suggesting that public agencies' stated commitment to seeking private sector participation could be more vigorously pursued, as the sampled companies were drawn from the key players in the city business community. However, the most important reason given for not being involved was that there would be no financial benefit to the company. Agencies attempting to increase participation thus have a major barrier to overcome.

The difficulties of stimulating further private sector involvement and investment above current levels were highlighted in the lack of enthusiasm for potential policies to increase participation. Looking first at the possible ways to increase involvement, none of the options offered to respondents were supported by a majority, i.e. were likely to lead to increased involvement. Almost half the sample felt that if participation was requested, it would not be forthcoming, while a majority felt that even if time and resources could be spared, involvement would not occur. Positive publicity and staff development through secondment were more strongly supported, but positive responses were still in the minority: these final results suggest that if agencies appeal to companies' self interest, they may have more success. Almost 60% of the sample felt that even if the private sector were to have a positive influence on the regeneration process, this would not act as an inducement to become more involved. Finally, on four of the five options, around a quarter of the sample expressed no opinion. What these responses suggest is that, even if there were positive reasons for companies to become involved, and there were no resource barriers, there would still be resistance to participation. Analysis of possible differences on company background produced only one statistically significant result, with employment size acting as a significant predictor of response on the issue of involvement bringing positive results, with larger companies more likely to become involved in the process if this were the case. Overall, however, the statistical analysis suggested consistency across the sample.

A similar pattern to the above emerged when respondents were questioned about possible ways to stimulate increased investment. None of the options received majority support. The responses were less supportive than of the involvement options, in that very few respondents regarded the options as very important issues in stimulating private sector regeneration investment. These findings suggest that agencies seeking to increase the scale of investment face major barriers. Of particular concern is the lack of support for the options of stimulating investment through active labour market policies. Chi square analysis of responses revealed no statistically significant differences in response. However, regression analysis revealed some statistically significant variations, with Glasgow owned companies likely to be more positive about investing if suitable premises were available in regeneration area, and service companies more likely to be positive about recruiting trainees from disadvantaged areas if financial incentives were available and also about employing people from regeneration areas if they were of suitable quality. .

In conclusion, the key findings of the survey were that, firstly, awareness of the existence and activities of the city's regeneration agencies varies greatly. Respondents supported the concept of holistic regeneration, but there was a lack of understanding as to the achievability of policy. All regeneration policies were viewed as important to varying degrees and policies targeted at disadvantaged areas were viewed as more important than opportunity driven policy. Respondents felt that the private sector can make an important

additional contribution to regeneration and that private sector participation is necessary for success. Most of the sample were not involved in regeneration policy in any way - although participation is key to success, it is someone else's job to deliver on this. There is resistance to policies which could increase both involvement and investment. Above all, what the findings of the survey suggest is that the respondents are fairly aware of the key issues in terms of what needs to be done, but either are not in a position to become involved or do not have the inclination to do so. The following chapters look at three areas of policy which have been the subject of much effort to stimulate private sector participation, namely, involvement on the boards of regeneration companies and attracting investment through the labour and housing markets.

CHAPTER 6:

IMPACTS OF ATTEMPTS TO STIMULATE PRIVATE

SECTOR INVOLVEMENT IN REGENERATION ORGANISATIONS

1 INTRODUCTION

The aim of this chapter is to analyse the impacts of private sector involvement through the mechanism of representation on the boards of Glasgow regeneration agencies. The agencies investigated for this study are shown in Figure 6.1. This chapter is based on a series of twenty background interviews with chief executives and other senior officers of the agencies relating to more general aspects of the issue of private sector involvement in the urban regeneration process. This was followed up by a further twenty-one interviews with private and public sector directors and chief executives focused specifically on the impacts of board representation. In addition, a range of both published material and unpublished business plans of the agencies is drawn on.

Figure 6.1 - Agencies with private sector representation investigated in survey

Coverage	Agency
City wide agencies	Glasgow Development Agency (GDA)
	Glasgow Opportunities Enterprise Trust
Local Initiatives	Glasgow North
	Gorbals Initiative
	Govan Initiative
	Greater Easterhouse Development Company
	Castlemilk Economic Development Agency
	East End Partnership

Note 1: one local initiative, Drumchapel Opportunities, did not wish to take part in this survey.

Note 2: In addition to these agencies, consultations were carried out with Glasgow City Council, Strathclyde Regional Council, Scottish Enterprise National and Scottish Business in the Community

It is important to note at the outset that all of the companies investigated for this survey are registered as private companies. The local initiatives and the enterprise trust also have charitable status. However, they are almost entirely publicly funded. In this study the local enterprise company (GDA) and the local initiatives are dealt with as 'arms - length' private companies, i.e., they are independent in law but heavily influenced by the public sector. The enterprise trust is dealt with as a private company, but one which is dependent on the public sector funders through contractual relationships.

The chapter will first discuss the background, rationales for, and routes to, involvement of non executive private sector directors. This will be followed by a discussion of the decision-making structures of the regeneration companies under investigation and the place of non-executive directors from the private sector within this. The amount of time given by directors and the feasibility and desirability of more meetings within formal structures is then assessed. The core of the chapter will look at theoretical perspectives on strategic development, followed by an analysis of the private sector contribution to strategic issues in the agencies, based on fieldwork evidence. This is then compared with the theoretical perspectives. An investigation into the private sector input into management issues follows this, again based on fieldwork evidence. Other impacts not covered by these broad headings are then discussed before an overall assessment of the input of private sector directors is carried out. It should be noted that due to the need to ensure

confidentiality, respondents are only identified by the organisation they represent.

2 THE BACKGROUND OF, ROUTES TO, AND RATIONALES FOR, INVOLVEMENT OF PRIVATE SECTOR REPRESENTATIVES

(i) Introduction

This section investigates how and why individuals from the private sector became involved on the boards of regeneration companies. The rationale from a government perspective is briefly discussed. The commercial backgrounds of serving directors are then discussed. This is followed by an analysis of the paths by which directors became involved, which leads into an investigation of why they became involved and what they have gained from it from the perspective of both the private sector representatives themselves and chief executives.

(ii) Why involve the private sector?

The underlying rationale for encouraging private sector involvement in the process of urban regeneration was explored in detail in Chapter 2. Principally, it was driven by successive Conservative governments' ideologically based presumption that the business community was well placed to solve urban problems in partnership with the public sector. Government acknowledged that intervention by the public sector was necessary, but only where market failures were identified. A subset of this agenda was to encourage a 'private'

ethos in the public sector, based on commercial methods of programme delivery, with an emphasis on efficiency and demonstrable value for money. Glasgow's local initiatives, Local Enterprise Company and Enterprise Trust have been shaped by this political context. Involvement of non executive directors from the private sector in these organisations is another aspect of this process. In addition to the impact of government direction, there is a near - consensus (partially shaped by this government encouragement) amongst regeneration professionals that successful regeneration must be holistic and participative and that the private sector must play a role in this.

(iii) Backgrounds of private sector representatives

Figure 6.2 shows that private sector representatives on the boards of the companies investigated tended to be male and middle aged. Of the 35 directors identified, only two were women and only one was under 40. On average they had spent more than three years on the boards of the companies; the longest being six years (two directors), the shortest nine months. It is difficult to read anything into this, since most of the companies had, at the time of the survey only been running since 1990/91 or after. Only two, Govan Initiative and Glasgow Opportunities Enterprise Trust, predate 1991.

Figure 6.2 - Private sector representatives - background details

Number of regeneration companies	8
Number of private sector directors	35
Average tenure	3 years 4 months
Average age	52*
Youngest	32*
Oldest	67*
Number of males	33 (94%)
Number of females	2 (6%)

Sources: Fieldwork interviews, Companies House records.

The companies which private sector directors come from are shown in Figure 6.3, along with their core business where possible. Where the information was available, the number of employees is shown to give an indication of their size.

Figure 6.3: Private sector representatives - company backgrounds

Company	Core business	Employees
Whyte and Mackay	Whisky production	811
United Distillers*	Whisky production	404
Gray Dunn and Co.	Biscuit manufacture	480
Matthew Algie and Co.	Tea and coffee merchants	74
Marks and Spencer	Retailing	n/a
Cruden Estates Ltd	Housing Construction	40
Wimpey Homes	Housing Construction	n/a
Crouch Hogg Waterman	Consulting Civil Engineers	143
Thorburn Holdings	Structural/civil engineering	453
Young and Gault	Architects	9
Scotlander Plc	Software development	n/a
IBM UK Ltd	Software consultancy/servicing	90
Scottish Mutual	Insurance/Assurance	504
National Savings(1)	Banking	2680
Trustee Savings Bank	Banking	n/a
Hardie Caldwell	Accountants	33
Neptune Fabrication	Steel Fabrication	13
Walker Precision Engineers	Electronic/electrical engineering	55
Howarth Switchgear	Switchgear manufacture	24
Skylight International	Roof light manufacture	n/a
Barrowfield Leather Co	Specialist industrial leather goods	20
Pilkington Optronics	Defence contractors	708
Husmann Refrigeration Ltd	Display freezer manufacturers	450
Soapworks Ltd	Soap manufacture	124
Pointer Alarms Ltd	Alarm design/installation	85
Borglas Laminated	Double glazing manufacturer	80
Fry's Metals	Metal suppliers	n/a
Daily Record/Sunday Mail	Newspaper publisher	821
Caledonian Publishing	Newspaper publisher	967
Radio Clyde Ltd	Broadcasting	n/a
ScotBiC	Economic Development	n/a
Semple Fraser	n/a	n/a

*United Distillers have two representatives on different boards

(i) National Savings Bank is a public sector organisation but is included because it is not directly involved in urban regeneration issues.

Note: 32 companies are listed. For two of the 35 directors, no company information was listed. See also note on United Distillers.

Sources: Fieldwork evidence, Companies House records, Metropolitan Glasgow 1995,

Of the twenty-three companies for which employment figures (as a proxy indicator of size) were available, the smallest, Young and Gault architects, had nine employees, while the largest, National Savings, had 2680 employees. This gives an average size of 363 employees. The majority of companies are mainly medium to large: three companies had less than twenty employees, three had 20-50 employees, seven had 50 - 250 employees, five had 500-1 000 employees and one had more than 1 000. In terms of the sectors they represent, fifteen are manufacturers, ranging from food and drink to heavy engineering. Five are in construction - related industries. Four are in the financial services sector. Three media companies, two software consultancies, a major retailer and an economic development organisation make up the rest.

(iv) Routes to involvement

There were a number of routes identified to becoming directors on the boards of regeneration companies. Taking up directorships as a result of being involved with the regeneration companies in other activities was mentioned by several private sector directors; “at the time I was involved as the chairman of the Business Support Group. I was seen as the natural candidate to join the company as they wanted private sector representation and I was already involved in the area”(Organisation A): taking on the chairmanship of the regeneration company was seen as a logical step. Another was involved in a major construction project within a local initiative’s jurisdiction: “we were working in the area. I think it was just a natural progression” (Organisation B).

A director of the enterprise trust had got involved initially with the company in sorting out its accounts; “we were involved in producing the management accounts. I was happy to get involved on the board when asked” (Organisation C). One chairman of a local initiative company, whose involvement in the area predated the company being set up, had initially got interested in regeneration through Scottish Business in the Community and had been disillusioned by this organisation’s lack of hands-on involvement. A like minded individual encouraged him to attend a meeting in a peripheral estate; “I went to the meeting, it was a shambles, no-one was controlling the chair, no-one was controlling the meeting. It was a group of people all with very good intent, but we weren’t getting anywhere. You get sucked in. Before you know it you’re sitting in the chair. That was how it started. Nothing magic about a feeling of the heart or anything else” (Organisation D). In the case of this individual there was no conscious decision to become heavily involved; it developed from an initial interest, he was frustrated by the lack of progress once involved so became more heavily involved using his skills as a co-ordinator of meetings. Other directors became involved because they were sought out by chief executives of regeneration companies once they were up and running or invited to participate by the agencies involved in setting the companies up. These examples illustrate the ad hoc nature of directors’ paths to involvement.

(v) **Rationales for Involvement**

(a) *Social responsibility*

The motive of ‘social responsibility’, of ‘putting something back’ was mentioned by a number of respondents; “the bottom line is that we’re one of the biggest employers in the area so we might as well be involved in anything that’s happening in the area in terms of regeneration; it’ll be good for the area and it must be good for the company as well because the employees live in the area” (Organisation E). Other directors stated similar reasons: “as a company we feel we want to be involved and help as much as we can within the local community” (Organisation B); “the company located in the area to show its commitment; membership of the board was an extension of that” (Organisation D). This cannot be viewed solely as an altruistic notion. It helps the image of the companies concerned to be seen as ‘good corporate citizens’. One director of a local initiative stated “there’s the PR side; it lets people see we are committed to getting involved with the community. That is a benefit” (Organisation B). Directors also cited a personal commitment to social responsibility as a motive for becoming involved; in other words, they were not involved simply because their *company* encouraged such involvement but because they *personally* wanted to be. It could be argued that such involvement when encouraged by an employer could assist them in their own advancement within the company, so their motives cannot be read as entirely altruistic. This obviously does not apply to those directors who ran their own companies. Their motives tended to be those of social responsibility.

(b) *Personal development*

Two private sector directors felt that involvement as directors aided their personal development; “I like the chance of having the opportunity to be involved and if it increases any of my personal knowledge, skills and experience, so be it” (Organisation D). Another felt it had broadened his experience and knowledge of the public sector: “it’s been enlightening just to see what funds are available for funding activities in the local community. It’s also been enlightening to see the enthusiasm that prevails from those who are involved” (Organisation B). A director of a local initiative with a heavy involvement in Scottish Business in the Community acknowledged that director involvement should be a two way process in his opinion: “one of the reasons for getting involved on these boards on a voluntary basis is not just to be ‘putting something back’ and all that good stuff, but I also believe that the directors should get something out of it... in terms of personal development, broadening their experience and ability to handle issues” (Organisation D). These factors may have a positive benefit on career development.

(c) *Patronage and financial gain*

A director of the enterprise trust felt that there were three reasons why individuals from the private sector became involved on the boards of these companies; “there are those who genuinely want to do their bit. They’re going to give their time and they’re going to give it for free”. This motive relates to social responsibility. He continued; “you’ll get those who are in it for what they can get out of it, any contacts for their own business, and thirdly you’ll get

those who are in it for what they can get in the way of gongs and their CVs” (Organisation C). This view was mirrored by a senior executive of the local enterprise company talking in general about the reasons people from the private sector become involved; “there is no doubt some of them are in there because of this patronage system we have in Britain; the OBEs, CBEs, knighthoods and there is no doubt some people are in it for that; services rendered and they will be recognised. That’s the cynical view...the other view is that they genuinely want to contribute...they’ve got to a certain level in their own business and they have time to put a little back in and I think whilst people *would say that (i.e. those who are involved)*...there is also enough substance to believe in some cases that it is true. And then there’s the third reason, they’re in it for what they can get out of it. If you’re on the inside of an organisation giving out money, then you can see what’s happening...they may think ‘we may as well be on the inside’, see what’s for personal gain. I’m not speaking about my own board here in relation to this at all” (Organisation F).

A chief executive of a local initiative noted that “some private sector members, by and large are on the board to put it on their CV. There’s two or three despite potential financial exposure and responsibilities under the Companies Act who just don’t turn up” (Organisation G). The same chief executive also noted that “I’m sure they *(all board members, including the private sector representatives)* do have the interests of the company at heart, but I’m inclined to feel that they have their own interests at heart as well” (Organisation G). Such is the sensitive nature of this issue that no concrete examples were

advanced by any respondents so it is not possible to further investigate these aspects of involvement other than state that a number of respondents suggested they were reasons why private sector representatives become involved in regeneration companies.

(vi) Summary

This section has discussed the rationale for involving the private sector in urban regeneration from the perspective of both government and regeneration professionals. It has also shown that in Glasgow, those individuals who do become involved from the private sector tend to be male, middle-aged and come from large companies. In the main part of this section, a number of reasons were advanced by interviewees for becoming involved in the work of the regeneration companies investigated. Some directorships were taken up as an extension of involvement in other areas of the regeneration companies' activities. Other directors simply became involved because they were invited by the companies to do so. There are two inter-related rationales which underpin most of the responses of those consulted to varying degrees. The first of these is the attitude of the employing company to its relationship with the community in which it is located, i.e., 'social responsibility'. The second reason advanced was the personal attitudes of the directors to the work of the regeneration companies, i.e. the level to which they 'bought in' to their employers' corporate responsibility policy. Several respondents felt that directors became involved as a means of personal development. A number of respondents also noted that some may get involved for personal gain, both in

terms of patronage and finance, but due to the nature of the issue there is no hard evidence.

3 ORGANISATIONAL STRUCTURE OF COMPANIES AND THE ROLE OF, AND TIME GIVEN BY, NON-EXECUTIVE DIRECTORS FROM THE PRIVATE SECTOR

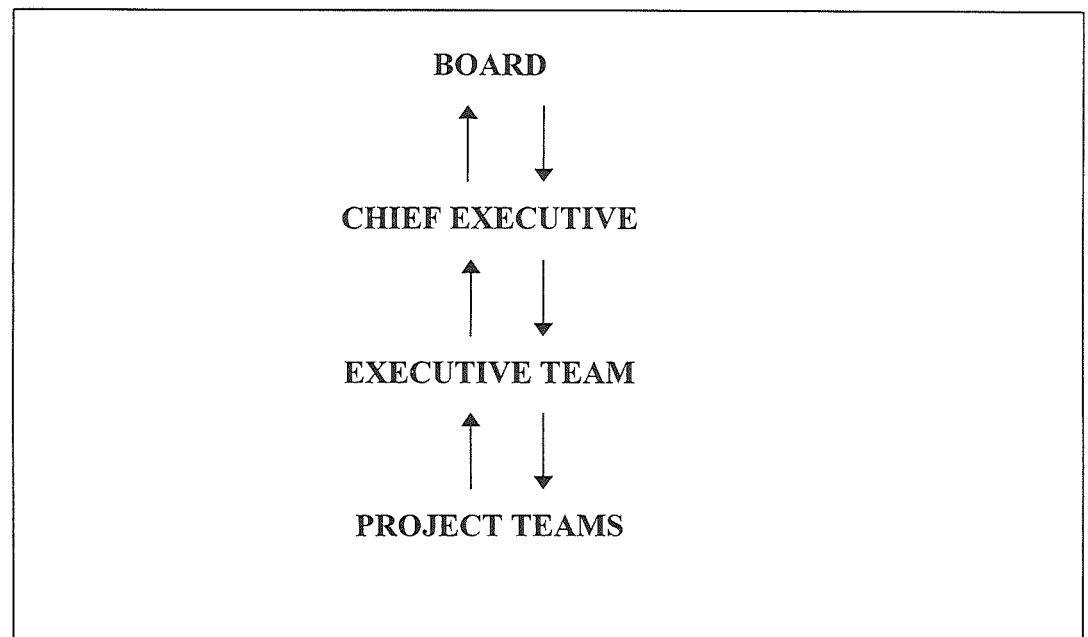
(i) Internal structure

This section firstly describes the internal organisational structures of the companies under investigation and the role of the non-executive director in these structures. It then investigates the amount of time given by the private sector representatives to the work of the regeneration companies investigated in terms both of the number of board and subcommittee meetings held and through informal contact. This is followed by a discussion of whether it would be feasible or of benefit to the companies to have more regular formal involvement.

Internally, the companies' structures generally follow a common pattern. In the local enterprise company, for example, there is a board of non-executive directors, the majority of whom come from the private sector. The role of the non-executive director is discussed in more detail in the following section. The chief executive reports to the board and is responsible for overseeing the operation of the company. Beneath the chief executive is an executive team with responsibility for specific areas such as property development, human resources and so on. In the enterprise trust there is a similar structure. In the

local initiatives, there is some variation depending on the remit they have. Some, such as the East End Partnership, have a social remit as well as one related to urban economic regeneration, while others are more geared to economic aspects of the regeneration process. The basic internal structure of all the companies investigated, however, is that of a non-executive board, an executive team led by the chief executive, with delegated project teams working under the executive. This is shown in Figure 6.4.

Figure 6.4: Basic organisational structure of regeneration companies investigated



(ii) The role of the non-executive director

This section discusses the expected role of a non - executive director within the organisational structure and policy context outlined above. As noted in the introduction and illustrated above, although the companies under investigation

are legally private entities, they occupy the middle ground between the public and private sectors. Thus the role of a non-executive director is slightly different in these companies than it would be in a conventional private company. In essence, it is likely to be more circumscribed, due to the influence of public sector urban regeneration priorities through the funding mechanisms. This discussion is based on Scottish Enterprise's 'Guide for Board Members' (second edition, May 1995). This is useful because it outlines the role within organisations which operate under public sector constraints but are in law independent. Although this is intended to apply only to Local Enterprise Company boards the general principles are equally applicable to the local initiatives and enterprise trust.

Within the company, the role of the non executive director is to act as an external advisor and scrutineer of company activities. The intention is to bring an 'outsider's' viewpoint to the board, while making the management more accountable to its shareholders (Houston and Lewis, 1992). Without independent non executive directors the executives of the company would, in effect, be monitoring their own performance (Jenkins, 1992).

In law the board *is* the company. It has the final approval on decisions. Executive and non executive directors have the same responsibilities. The law does not recognise the distinction between the two (Jenkins, 1992). The board is expected to provide leadership, set the direction of the company, monitor performance, use specialist skills where applicable, bring an independent

viewpoint to the table and act as an ambassador for the company (Scottish Enterprise, 1995). The duties of directors under Common Law are to act in the best interests of the company, not abuse the position of trust (s)he is in and use his/her skills with reasonable care (Houston and Lewis, 1992). Under the Insolvency Act 1986, directors are required to recognise when the company can no longer avoid insolvency and use the appropriate skills (s)he has to take action and protect the interests of creditors. The penalties for not so doing include a possible requirement to contribute to the settlement of outstanding debts and disqualification from directorships for two to fifteen years subject to negligence being proved (Houston, Lewis, 1992). It is thus not a position to be taken lightly.

To successfully fill the expected role, participation in strategic development is important: “the chairman (and board) should have prime responsibility for strategic thinking” (Cadbury, 1992). Within this the non executive director is expected to play a key role. Detachment from day to day management should assist strategic thinking: “it is a prime contribution of a non - executive director to help his executive directors think like directors rather than managers so that the company operates according to a thought out policy” (Jenkins, 1992). To do this, the non executive director should have some knowledge of the subject: “one of the key requirements for effectiveness in the role is for the candidate to understand what he is entering and to have done his homework thoroughly” (Houston, Lewis, 1992).

(iii) Time given by private sector representatives

(a) Average time

The amount of time given by directors to the companies was estimated by those interviewed to vary from half an hour to 28 hours a month on average. The others fell within this range with a mean figure of around 12 and a half hours per month. These should be taken as rough approximations rather than definitive figures, as the amount of time given will vary from month to month depending on the stage of the business planning cycle and whether the companies are involved in areas private sector representatives have expertise in and are asked to contribute. The performance of the regeneration company is also a factor. If it is in trouble there is likely to be more involvement from active private sector board members. This discussion does not take into account the quality of the time given by representatives. This is analysed later in the chapter.

(b) Frequency and length of board meetings

There were some variations in the frequency and length of board meetings in the organisations consulted. The Local Enterprise Company full board meets monthly and meetings range in length from two and a half to four hours, depending on the issues to be discussed. The enterprise trust meets quarterly and meetings last between forty-five minutes and one and a half hours. In one local initiative board meetings are every six weeks. Another four meet quarterly, while one meets every two months. Meetings last in the range of one and a half to three hours. Again, as with the overall time given by private

sector directors, the length of the meetings will vary according to the issues being discussed. Also, the length of the meetings does not illustrate the quality of the board meetings or the level of input of the private sector representatives. These are dependent upon the ability of the executive team to prepare board papers in advance, the willingness of the representatives to read and understand them and the ability of whoever is chairing the meeting to control it effectively. It is also dependent upon the ability of the executive team to agree as much of the agenda as is possible with the various parties so that motions can be agreed at the meeting with little need for the decisions to be approved requiring detailed discussion when the full board meets, although this may occasionally be necessary.

(c) Are more regular meetings necessary?

Virtually all the respondents felt there was no need to have more regular board meetings than there were at the time of the study. Private sector representatives felt that the companies were running well and had confidence in the chief executives: “the reason you can feel relaxed is because you have a competent chief executive in charge. Its as simple as that” (Organisation B). Another director stated “the chief executive gives me confidence because he is a highly experienced and competent manager who can manage people and that is so often missing in these initiatives” (Organisation D). The only reason that more regular meetings would be necessary or bring benefits was if the company was in financial trouble or if the board lost confidence in the ability of the chief executive to run the company effectively within the constraints of

his/her delegated authority. Otherwise it would simply be meeting for the sake of meeting which would in themselves cause operational problems. One director noted that “with more meetings you get more bureaucracy” (Organisation D). This view was backed up by a local initiative chief executive: “what you don’t want to do is fall into the local authority trap of feeding committees...if we could justify more regular meetings we would (*but*) there’s normally something like fifteen to twenty items on our agenda and that takes a bit of feeding, getting papers ready for that kind of agenda” (Organisation H). More meetings would lead to more paperwork. Another chief executive agreed; “we’d spend our time writing papers for the board...rather than doing the job” (Organisation A).

Also, the nature of the development process is by nature long term, so there is little value in reporting weekly, for example, on the progress of training programmes, business start up loans or construction projects as they will take time to produce significant results. Thus according to a local initiative chief executive the “issue is of meaningful reporting of information. Quarterly is adequate” (Organisation D). Another chief executive agreed; “a lot of what we do are year long projects, two years or more. I don’t see there would be any great benefit in reporting more frequently” (Organisation A).

(d) Are more regular meetings feasible?

Closely linked to the above, there was a mixed response to the issue of whether more meetings of the full board would be feasible. This question was

motivated by the fact that private sector representatives serve as directors of these companies on a part time, voluntary basis; “non executive directors have full time jobs, so full board meetings are difficult to convene” (Organisation G). Inevitably, their duties to the regeneration companies take second place to the demands of their employer or company. Most chief executives felt that it would be possible to get enough directors together to form a quorum (i.e. the legally required number) to take decisions if necessary, but that more regular full board meetings would cause attendance problems. It presented a problem to private sector representatives: “I just couldn’t afford any more time” (Organisation G); “I don’t think I would have the time. The initiative don’t pay my wages” (Organisation B), while another stated: “its about all I can afford in terms of time...my mortgage is paid by my employer and we’ve got a lot of work here” (Organisation D). This suggests that while it may be possible to get enough directors present to hold a full board meeting more regularly that it would lead to a diminished input from the private sector representatives if the requirements of board representation placed heavier demands on their time.

4 STRATEGY

(i) Introduction

Non executive directors, in theory, are expected to have an input to the strategies of the organisations which they serve. This section discusses the actual impact of private sector directors on the strategies of the regeneration companies under investigation. ‘Strategy’ is first defined and differentiated from day to day management. Various perspectives on how strategies develop

are advanced. It should be noted that it is important to take a detailed look at theoretical perspectives on strategic development for two reasons. Firstly, this is intended to be a key contribution of the non-executive director. Secondly, a theoretical grounding allows a deeper analysis of the decision-making dynamics of the companies under investigation. The level of private sector input is assessed and the relevance of the different perspectives is considered in the concluding part of this section.

(ii) Defining 'strategy'

To discuss 'strategy' meaningfully it is first necessary to define the term. It is perhaps best to view it as a part of "planning the long term future...strategic planning is the second part of corporate planning" (Argenti, J., 1980). Strategy is "concerned with the long term direction and scope of an organisation" (Faulkner, D., Johnson, G., 1992). A strategy is the framework an organisation devises to attempt to reach a set goal; "the policies and plans which a management chooses to realise the objectives it has set (or has been given) for its organisation" (Child, 1980). According to Steele (1992), a strategic decision is "rare...non-routine...comparatively novel...it is likely to set precedents for future decisions...it commits substantial resources...it sets off 'waves' of lesser decisions and so is comparatively organisation-wide in its consequences" (Steele, 1992). Therefore a strategy is a central aspect of any company's activities. It seeks to set the direction in which a company will move and outline the broad measures needed to achieve these targets. The strategy of an organisation forms the *context* in which day to day management

decisions take place within the company. Strategy's key difference from "day to day management is that it is concerned with issues affecting the fundamentals of the business" (Faulkner and Johnson, 1992). *How* a company is to be managed will form part of the strategy, but this is very different from every decision related to the operation of the company being viewed as a part of the strategy.

(iii) Perspectives on strategy development

Having defined *what* strategy is, it is necessary to consider *how* it is made at a conceptual level before how strategy is *actually* developed in the regeneration companies is considered in detail. Strategy development is an extremely complex process. There is a wide-ranging literature focusing on the impacts of specific factors such as the impacts of the external environment on an organisation, the level of external control, the balance of power within an organisation, the decision being made, the 'product' involved and so on. The literature can be broadly divided into, firstly, 'formal' approaches which view the strategic planning process as an objective tool which allows rational selection of the best strategy (for example, see Argenti, 1980). This contrasts with the 'informal' or subjectivist view (for example, Mintzberg, 1994) which places emphasis on the social, cultural and political aspects of the decision making process. It is beyond the scope of this study to investigate such a varied field of literature in detail. Therefore this section follows a review of explanations of strategy formulation carried out by Bailey and Johnson (1992) in which 'six perspectives on the process have been defined' (Bailey and

Johnson, 1992), based on their own fieldwork research and a review of the literature.

(a) *Strategic planning*

The first perspective identified is the ‘traditional’ strategic planning perspective. This argues that the development of strategy is a “distinctly intentional process involving a logical, rational, planned approach...through the application of appropriate analytical techniques, the ‘right’ decision can be taken” (Bailey and Johnson, 1992). A leading advocate of such an approach is Argenti (1980) who summarises the process as follows “decisions are taken by examining the company’s strategic situation in its totality...it is tackled...systematically through a checklist of factors affecting the company strategically and at the end of this long difficult process a set of strategic questions comes out. These are then subjected to a number of tests and evaluations, and if they pass they are adopted and put into action - and carefully monitored” (Argenti, 1980). This provides a useful linear method of conceptualising the process of strategic development, by indicating a series of steps to be taken. However, it does not take account of “the less ‘objective’ aspects of the organisation and their critical influence” (Bailey and Johnson, 1992).

(b) *Logical incrementalism*

A second explanation is based on the work of Lindblom (1959), known as strategy-building through “successive limited comparisons” (Bailey and

Johnson, 1992) or 'logical incrementalism'. This view argues that logical rational planning as described above was unrealistic as it assumed the strategist was in a position to know all options and accurately forecast the future. In addition the 'rational' view takes no note of conflicting views and values in an organisation. In the view of Lindblom and others who advance this approach "strategic choice takes place by comparing options against each other and considering which would give the best outcome and be possible to implement" (Bailey and Johnson, 1992). This more fluid view of the process "does not see strategic management in terms of a neat, sequential model; rather the system is seen to be cyclical. It encompasses feedback loops to previous phases where the problem or solution may be redefined or reformulated" (Bailey and Johnson, 1992). This pragmatic approach ensures that the strategy is continually refined and updated as circumstances change, rather than laid down as 'tablets of stone' at the beginning of the process. It is perhaps best characterised as an 'adaptive' method of strategy formulation.

(c) *Cultural perspectives*

A third perspective on strategy is the cultural perspective (Bailey and Johnson, 1992). This investigates the role that organisational culture plays in strategy formulation. It is necessary to step back from the organisation first and look at the cultural context in which the organisation operates; the national culture and attitudes within an industry as well as the organisation's culture. Managers will be influenced by these frames of reference in their choice of strategies. An alternative way to look at this 'cultural' input into strategic development is to

look at it as an 'ideology' of management, where the culture of an organisation is affected by "the deeper level of basic assumptions and beliefs that are shared by organisations, that operate unconsciously and define in a basic 'taken for granted' fashion the organisation's view of itself and its environment" (Schein, 1985). This is known as the 'organisational paradigm' ; this is likely to contain within it "the beliefs which managers talk about in their day to day lives...it is also likely it will contain assumptions which are rarely talked about, are not considered problematic and about which managers are unlikely to be consciously explicit" (Bailey and Johnson, 1992). Basically, an organisational paradigm arises from a set of beliefs, based on managers' (and the organisations') history as to what is good practice. The strategy of the organisation will reflect the interplay of its culture and the belief system of management.

(d) Visionary perspectives

A fourth perspective is the 'visionary' perspective. This is a more individualistic explanation of strategy formulation in that it develops from a vision which is "initially and primarily associated with an individual" (Bailey and Johnson, 1992). This vision may originate from the intuitive problem solving capacity of an individual or group. It may also originate from the ability of an individual to forecast the future shape of an organisation. Managers may have 'gut feelings' about the future which translate into strategy based on their knowledge and experience. This 'visionary' quality may arise "because a new executive applies his or her existing frame of reference from

another context to the new organisation to which they have been appointed” (Bailey and Johnson, 1992). in terms of the ‘cultural’ explanation outlined above, the new executive applies their ‘organisational paradigm’ to the organisation which may operate on very different principles and this represents a radical departure; “what was normal and obvious to them was often seen as new and visionary to the organisation they moved into” (Bailey and Johnson, 1992). It is important to note that vision alone will not lead to a strategy being adopted - it requires the support of the organisation to which it is applied if it is to have success.

(e) Political perspectives

A fifth view on how strategy is formulated is the ‘political’ perspective. Organisations have important political forces operating within them which influence the direction an organisation may take. Different viewpoints and varying levels of power within organisations lead to disagreements which are “likely to be resolved through processes of bargaining, negotiation and perhaps edict; with the result that goals and objectives, strategic issues and even strategies are derived from this political process and not from an analytical neutral assessment and choice” (Bailey and Johnson, 1992).

These influences are both internal and external. The level of influence of ‘stakeholders’: “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (Freeman, 1984) in many cases is “conditional upon the organisation’s dependency upon these groups for a

resource and the potential difficulty of replacing the present stakeholder as source of that resource” (Bailey and Johnson, 1992). A key factor in this analysis is control over information. Information when controlled by one group may lead to “strategic decisions...taken based on information distorted by the preferences of the information providers rather than on information which is politically neutral” (Bailey and Johnson, 1992). It is important to note in this context that “general management, and specifically the chief executive, have more influence on average than any single source...they...mostly keep the balance of power internally tilted in their favour” (Hickson et al, 1986). The basic point of this view is that the strategic process operates in a political environment which shapes the key issues identified and the methods of addressing them; “strategy will finally be adopted because it is acceptable to both those interest groups influencing the decision-making process and those who must implement the strategy and not solely because it fulfils any objective criteria” (Bailey and Johnson, 1992)

(f) *The natural selection perspective*

The ‘natural selection’ perspective on strategic development argues that strategies are largely determined by the outside environment; “factors in the environment impinge on the organisation in such a way as to select and encourage the adoption of organisational structures and activities which best fit that environment...external constraints operate to prescribe strategies and sharply limit the role organisational members play in their selection” (Aldrich, 1979). Strategic selection is a ‘best fit’ with the external environment. This

does not mean there is no strategic change within organisations unless the environment changes; different methods of adapting to this environment may be adopted and successful ones retained as strategy.

(g) *The influence of the 'decision-type'*

An alternative explanation is advanced by Hickson et al (1986) who focus on the decision process itself. They emphasise the 'complexity and politicality' of the factors surrounding decision-making. Three types of decision process are identified. They emphasise that "by no means does every case of decision-making fall into one or other of these modes, but they are the only pronounced pattern found" (Hickson et al, 1986). This underlines the complexity of the interplay of factors associated with strategic decision making. The Hickson et al typology divides decision processes into three types depending on the complexity and politicality of the issue. The first is 'vortex-sporadic' which are 'both sufficiently complex in problems and political in interests to generate a vortex into which all are swept'. These are "high risk situations (that) bring out the latent conflicts between interest groups" (Hickson et al, 1986). These are fundamental problems. The second mode concerns decisions which are less complex and political; "though they are unusual and strategic, and not routine, are comparatively tractable...they can be handled in more fluid fashion" (Hickson et al, 1986). This type of strategic decision is referred to as 'tractable-fluid'; they are strategic issues of a lower order and controversy than the dealt with in a vortex-sporadic process. The final type of decision process identified is the 'familiar-constricted' mode. They are the least complex and

political and can be handled in a routine, non-controversial manner. Hickson et al also emphasise that there 'is no such thing as vortex-sporadic, tractable-fluid or familiar-constricted organisations'. The key point is that decision processes vary according to the type of decision to be made; "it is the nature of what is under discussion that creates greater or lesser complexity or politicality" (Hickson et al, 1986).

(h) Summary

This section has outlined a series of explanations of the key factors in strategic development. These are not intended to be models. Rather they place emphasis on elements which are likely to be present in most organisations but are of more or less importance in different types of organisations at different times and in different contexts. The following section analyses the input of private sector representatives to strategic issues in the regeneration companies investigated for this study. This is followed by an examination of the relevance of the perspectives identified in this section to the strategic aspects of these agencies' operation.

(iii) Fieldwork evidence

(a) Introduction

This section takes the following structure. Firstly, private sector representatives' input into major strategic decisions is analysed, followed by a discussion of their input within the strategic framework. This leads into analysis of the knowledge levels of private sector representatives about

strategic issues. The issue of whether or not there is a private sector perspective on urban regeneration strategy which differs from that of other constituent groups is then investigated before the empirical findings are analysed with reference to theoretical perspectives on strategic development.

(b) Input into major strategic decisions

Major strategic decisions are heavily influenced by the priorities of the funding agencies. This view, that strategy is tied to the funding framework, was subscribed to by most chief executives. “I generally find that the private sector, when faced with some local authority edict will go with it. They’ll agree that after all, these people are elected by the community and the council has made certain decisions, so who are we to say we don’t agree with it?” (Organisation D). Another chief executive stated that, in relation to strategic issues “at the end of the day its what the funders want. *(The board)* really have to take a lead from that. Its recognised that who pays the piper calls the tune. *(At incorporation)* it was made clear that the members of the company would be the funders. The community and business representatives would not be members, they would be co-opted, so at the end of the day they *(the funders)* can do what they want. That was non-negotiable...you could argue that that’s hardly partnership, but I think its just an accurate reflection of what the position is” (Organisation B). Another felt that “at the end of the day the views of the funders are paramount and the priorities they develop inevitably shape the sort of things we can and cannot do” (Organisation G). This pragmatic view was echoed by another local initiative chief executive; “the

private sector can't get you influence in local authority terms. Only the elected members can, so you have to keep close to them...it is very, very, important because we're publicly funded. We get nil income from the private sector" (Organisation H). This recognition that the local initiatives are tied to the priorities of the funding agencies at higher levels means that the officers of these initiatives must work closely with the representatives of these agencies on their boards, whether they be councillors or officers, either on the board or more informally through regular contact. From the perspective of most of the chief executives consulted, the impact of private sector representatives through the board membership mechanism on major strategic decisions is very limited.

One chief executive felt that his private sector representatives did have some input into strategic direction; "The private sector as board members do sit down and contribute importantly to strategic development" (Organisation E). The reason for this difference in viewpoint may be that the overall strategic framework is viewed by this respondent as a given part of the operating environment and any influence *any* board member or executive officer could have would have to be within this. This view can be justified by reference to the fact that the operating environment is the same for all the local initiatives, i.e. none of them operate completely independently of the funding agencies higher in the hierarchy. Some local initiatives have *begun* to move towards self generation of income to reduce this dependence through property development. However, this aspect of the local initiatives' development is still in its early stages and they remain heavily tied at present to the funding

agencies. The views of private sector representatives themselves on this issue, discussed below, confirms the view that they do not have a major influence over strategic direction. The influence of private board members on strategy *within* this framework is discussed later in this section.

Board members with a private sector background agreed that they had little influence over the major strategic direction of the local initiatives. “We are kidding ourselves if we think that we can really be involved because the strategy is made much higher up. The strategy comes from Brussels and the Scottish Office” (Organisation B). According to a former private sector board member “we never had much influence over strategy. It is made higher up. The public sector funders drive it” (Organisation E). Another board member stated “in essence, yes, it is driven by the funders. If there are no funds, legitimately you can’t do it” (Organisation B). A local initiative chairman stated that “the strategy is dictated by budget restrictions. I have as much influence within that as I could expect” (Organisation A). Most private sector representatives accepted this situation since the local agencies are publicly funded and must therefore follow the priorities of the public sector agencies higher in the hierarchy. However, one chairman of a local initiative with a private sector background felt that this lack of input into strategy was one reason why there was in his opinion little interest from the business community in getting involved with the agency - “because of the enforced agenda dictated by the public authorities, it is extremely difficult to get any private sector interest” (Organisation H).

(c) *Influence within the strategic framework*

Where private sector representatives are potentially able to make an input to strategy, i.e. within the constraints of the strategic framework these agencies operate in at both city wide and local level, the process is driven by the executive officers of the companies and the funding agencies rather than the private representatives on the board. In most cases, the executive team work up a draft business plan which is presented to the board for discussion and comment. These comments are noted and where possible, within the constraints of the funding framework, taken into account; “if a recommendation put forward by the industry representatives is such that it fits with the funding requirements, then it is listened to. If it can’t be funded, then the answer is no” (Organisation B). The impact of the private sector members within this depends on the attitude of the chief executive and the funding agencies - “It (*the business plan*) is put up as a draft. The actual fabric of the stuff isn’t changed that much, but it’s tweaked...I’ll never allow them to influence it. It tends to be me that does it and it tends to be public sector driven, I’ve got to be honest” (Organisation H).

The views of the chairman of this initiative confirmed that this was the case; “the public authorities still look upon it as a power thing: we pay the money therefore we have the power. We’re not giving money to you to develop anything, we’ll always have the last word” (Organisation H). Other local initiatives take a broader approach, “the way in which we develop our

strategy is inclusive. We have an independent facilitator who works with small groups of eight at a time...we have not only the board, but stakeholders such as the GDA, the councils, the management team (*involved*)...groups of staff would get involved in that as well” (Organisation E). The other local initiatives tend to fall between these two extremes; “ we (*the executive team*) do a lot of the initial work, then the draft goes to the board...this year they (*the board*) delegated three directors to work with me to finalise it as they were happy with the general direction” (Organisation A). The private sector chairman of another local initiative summarised the process well from a board perspective; ‘the strategy was well debated and discussed when it was first put down. Now the chief executive and his team have the responsibility to think about what is right for the area and the updating of the strategy” (Organisation D).

In the city’s enterprise trust, the board had little or no input to strategy. According to one director, “the board, by and large, and I include myself, just sit there like a bunch of dummies and that’s it” (Organisation C) while the senior officer admitted “there have been various strategic decisions where I have just reported back (*to the board*) afterwards; such as ‘should we go to Europe for funding?’ I really don’t think that would matter to the board” (Organisation C). In the local enterprise company, the executive team drives the strategy within the confines of the Scottish Enterprise framework while consulting with the board as to the general direction. According to a senior

officer “our board as a whole would not get involved in the detail of strategic development” (Organisation F).

(d) Knowledge levels of private sector representatives

A further reason for the marginal contribution of directors from the private sector to strategic issues is for most of them, their limited knowledge of the way that the public sector generally, and regeneration agencies in particular, operate. This was acknowledged by most of the private sector directors and the chief executives consulted. A Local Enterprise Company senior officer stated that “the private sector, as a generalisation because there are exceptions, have problems with strategy for an economic development organisation. It is complex, it is multiproduct, it is not driven by bottom line...by its nature its longer term than within a normal commercial company” (Organisation F). A local initiative chief executive felt that the private sector had problems with political realities; “the private sector have a lot of difficulty understanding, because they tend to look at problems in a cold commercial, light, which in an ideal world I’d like to do as well, but its not an ideal world; there’s a lot of political crap flying about that you have to take into account in an organisation like this” (Organisation A).

From a private sector perspective, one director admitted that, in discussions on strategy, “I’m lost in there to be honest. Every other person on the board is involved locally in the area, whereas I’m not. In strategy terms, people from the GDA, the city council, the regional council know, they’re drawing the

picture” (Organisation B). A director from the same initiative felt that “we’re not steeped in the day to day activity of the running of the initiative as the councillors may be, the GDA or representatives from local government” (Organisation B). Another director stated that “ I don’t know whether I would have the expertise to give them enough direction, to be honest” (Organisation E). It should be noted that the key point here is not that the private sector representatives are prevented (in most cases) from having a say in discussions on strategic issues, but that they are not able, due to their different background, to contribute greatly because the agencies are driven by the spending priorities of the public sector. Apart from one, all chief executives were in favour of increased private sector input to strategy, but the key issue is the quality and relevance of that input - “where our job involves responding to the needs among others ...of the private sector, then it seems to me only sensible that the private sector should have a say in how that energy should be deployed” (Organisation E). Some respondents identified a lack of willingness from the private sector to get too heavily involved in strategic discussions “what I’m looking for them (*the board*) to be *more* involved in is to give me the strategic direction we as a company should be going in” (Organisation D). A board member of the same initiative from the private sector admitted this was the case “we’re certainly not excluded from having a say. I think in common with many of these initiatives we actually don’t drive it enough. There’s a reserve from the private sector. They feel somewhat out of their comfort zone when looking at strategic direction” (Organisation D). This suggests that there is not enough strategic involvement from the private sector from the point of view of

these individuals in this initiative at least. Other respondents also identified this reticence; one chief executive stated that in preparing the company's first five year strategy "I *want* to have board involvement. It remains to be seen how much they want to have and whether they take up the opportunity" (Organisation A). This seems to stem from a lack of time to get involved which is a problem across all the (potential) inputs of the private sector board members. Other reasons include the lack of understanding from which reluctance flows and also satisfaction with the direction of the companies concerned - "what they are pursuing at the moment I'm quite at ease with. I think the activity they are involved in is what industry would be looking for" (Organisation B). A chairman of a local initiative felt that "what we ended up with was a sensible and realistic strategy for the company" (Organisation D).

(e) *A 'private sector perspective'?*

One final aspect of this issue which requires discussion is whether or not private sector representatives bring a different perspective to strategy formulation, i.e. is there a 'private sector view' which differs from that of other parties in strategic discussions? From the evidence of this study, it appears that there are significant variations. It would be an oversimplification to say that there is a definitive 'private sector view'. The individual characteristics of private sector representatives prevent that, but there is a broad difference in perspective which can be identified. Concerns with financial implications of projects and a more short term perspective were mentioned by both chief executives and private sector representatives - "they're much more into short

term, tangible projects that produce fairly immediate results, rather than longer term visionary projects” (Organisation H).

The chairman of the same initiative felt that long term strategy formulation was of little value; “the strategy remains the same strategy it was twenty years ago. From the private sector side, I’ve tried to say I want to measure the worth of the company. Do *something*; give us a project that’s shorter term that you can be measured on” (Organisation H). Another local initiative chairman from the private sector was also more oriented to the short term, based on his commercial background; “I have a time limit on most of my work. I have to get something delivered within a timescale and within a cost. That is the private sector. The public sector possibly have a cost which is more fudged than the private sector...they tend to have a slightly longer aspect” (Organisation D). This concern with finance was mentioned by most respondents. The following quotes further illustrate this “they tend to be less technical in terms of economic development...they would tend to use their particular expertise and that tends to be about stuff like ‘is this going to pay’. They’re just very practical about it” (Organisation E). This view is mirrored by a private sector director, illustrating that the background of directors shapes their contribution; “its a different cultural bringing...I am involved in budgets, overheads, watching the money” (Organisation D). From the evidence presented above, it can be seen that the perspective of the private sector representative does differ.

(f) *Analysis*

Private sector representatives have a marginal effect on the strategies pursued by the city's urban regeneration agencies in which they are involved. The chief reason for this is that the major strategic priorities for agencies involved in working at the local level, or in the case of Glasgow Development Agency and Glasgow Opportunities at the city wide scale, must be adopted within the framework laid down by the Scottish Office through the route of either Scottish Enterprise National or the local authorities. Strategy at the local or city wide scale must fit with these frameworks or they will not receive funding. This limits the original or innovative input that not only board representatives from the private sector and other backgrounds can have, but also the input of executive officers to strategy. This is not to say that strategy at all levels is *determined* by Scottish Office priorities, but it is the key formative influence to the urban regeneration strategies adopted in the city. There *is* local input to strategy, but it is chiefly a matter of emphasis on the different components of the framework which leads to variations. Any input they do have must fit with the funding framework. This, together with their lack of detailed knowledge, time and willingness to get involved constrains the level of their contribution.

Looking at these findings in the context of the strategic models advanced earlier in this chapter, firstly it is clear that, according to the prescriptions of the rational planning model advanced by Argenti (1985), strategy would be developed in the process discussed above following a realisation of the restrictions placed upon the company through the funding system. The key

strategic question would be how to best bid for funds to maximise the impacts on the problems specific to the area and then how to progress funded programmes once this is in place. In theory there is nothing to stop a local initiative from developing a strategy which is a radical departure from the priorities of funding agencies. However, there would be little value in doing this because without funding it would not be realisable.

The above is an over-rigid characterisation of the process. The public funding system is more flexible than the above suggests. Funding agencies have a responsibility to spend their budgets. If they do not then their allocation in the next financial year is likely to be cut as they have been unable to spend their full allocation. In Scotland, unlike the TEC system in England and Wales, surpluses generated through underspending are still taken into account in spending assessments for public agencies. The implication of this is that if there is an underspend projected halfway through the year then budgets for companies funded by these agencies may be increased. Conversely, if there is an overspend, monies may disappear.

The priorities for regeneration companies are likely to change over time as they progress their strategy and meet targets. Further, the key issues to be addressed in the local economy may change swiftly as it is by definition a fluid system and thus difficult to forecast. In other words, an 'adaptive' method of strategy formulation is necessary. Feedbacks need to be incorporated into the strategic planning systems of these companies. It is an interesting question as to when

‘strategy’ as defined in this chapter becomes meaningless due to this rapidly changing system. Further, given the dominance of public sector spending cycles and strategic guidelines in local strategy, it is open to question what role the private sector director can usefully play in this system of strategic development.

The cultural perspective on strategy development as applied to the regeneration companies under investigation provides an interesting insight. The predominant culture which influences strategy is, because of the hierarchical strategic framework, still largely informed by a public sector mindset. This is most evident in the monitoring and accountability mechanisms that are in place to ensure that expenditure is committed according to the rules and regulations related to acceptable practice. These are critical because they are the only mechanism to ensure propriety as they are not directly accountable locally through any electoral system. The attitudes of the chief executives are critical in this. There was little evidence from this study and related research that they act as stereotypical public sector managers. They could be characterised as more innovative and commercially oriented than this. Other related research discussed later in this chapter provides evidence that non executive private sector directors have aided chief executives to think more ‘privately’ where the chief executive has been willing to utilise their expertise. Other than this indirect influence on the attitude of executive officers, the private sector director has little influence over strategy. The culture of the organisation is

largely formed by the agencies that set them up in line with government policy. As with strategy this is likely to be the key influencing factor.

Further, these are private companies. The aim of setting them up was to produce a more innovative, locally based approach to urban regeneration. Looking at the companies from this perspective gives an insight into the tensions inherent in the structures for regeneration when the stated aim is to produce local solutions but control funding through strategic guidelines. There is a further cross cutting tension in that these companies have to conform to public sector regulations but are also expected to act like a private company and conform to company law. At present, they are much closer to the public than the private sectors.

As a result of the limited role for innovation in strategy that the funding structure imposes, the visionary perspective is the least relevant of the perspectives on strategic development discussed in this paper. One aspect of it which is of interest is the idea of an individual importing experience from another organisation and being viewed as an original thinker. There is little evidence that this has happened to any great degree in terms of strategy. The private sector non executive director might be expected to have a 'visionary perspective' in strategic thinking due to their different organisational background. There is some evidence that this different perspective exists, principally in a concern for costs and short term outputs, but it can be argued from the findings in this paper that they are 'visionaries without influence', due

to the dominance of external factors and their lack of knowledge of both how the public sector works and how the regeneration process is carried out.

The 'political' perspective is highly relevant to the strategic development process as a whole in the regeneration companies. The strategic framework is shaped by the political environment. Government ideology is a key influence on the methods adopted to pursue the goal of regeneration and, crucially, on the resources committed to it. Further, if the companies under investigation are viewed as part of the public sector regeneration structure, ranging from the European/national level to the local level, then their influence in the bargaining structure which leads to the development of the overall strategic framework in which they operate is limited. They are on the bottom rung of the power hierarchy. This is why they have so little potential for innovation in strategy.

Within the strategic framework at local level there are also varying levels of power. The chief executives, their teams, and the representatives from the funding agencies on the boards have control over the information that is passed to the board and thus in the decisions that are made. Representatives from the funding agencies have additional power in that they are often the individuals who have a major say in funding allocations decided by their employing agency. In this internal hierarchy, chairpersons with a private sector background are likely to be well informed but information will be largely channelled through the chief executive. Other private sector directors are likely to be even more dependent on the chief executive.

Further, all private sector directors are disadvantaged as stakeholders because they bring no resources to the company other than their expertise. Thus all directors who are not employed by the funding agencies (this includes voluntary sector and community representatives as well as those with a private sector background) unless they are exceptionally aware of the issues involved or politically powerful through their networks are likely to be the least influential stakeholders in any of the organisations and thus those whose views carry least weight. The evidence presented in this chapter suggests that this is the case.

Looking at the above processes in terms of the ‘natural selection perspective’, in the case of the LEC, outside influences in the form of Scotland-wide, UK and European policy priorities set the strategic framework. For the local initiatives and the enterprise trust, the LEC and local authorities add a further layer in the hierarchy of strategic development. The strategy adopted at the local or city wide scale will be a ‘best fit’ with the external environment. Viewed from this perspective, because of the greater knowledge of public sector officials and directors, directors with a private sector origin should have (and do have) little substantive input because it is not their area of expertise.

In terms of Hickson et al’s (1986) ‘decision type’ analysis of the strategic process, it is clear that from the evidence presented in this section that the ‘vortex-sporadic’ decision type is rare in the regeneration companies. Vortex-

sporadic decisions are only likely to come about in the case of incompetence in management leading to a breakdown in communication with the board and a failure to deliver programmes according to the agreed strategy. In this situation everything, not just strategy, would be under review. In Glasgow to date (1996), this has happened in three out of the eight local companies and in each case the funding agencies have taken a dominant lead role. The most common decision type in the companies is the least complex and political of the Hickson typology; the 'familiar - constricted' decision. This is because the strategy is largely determined by factors outwith the control of the company and they are unlikely to be changed by pressure from the local level.

The various perspectives on strategic development all give insights into the strategic development process in the regeneration companies. There are multiple influences on the process. The most important conceptual tools are the natural selection perspective and the political perspectives. Strategy is largely influenced by outside factors and decisions tend to be made by those with the most influence through the funding structure. As strategy is so heavily affected by external factors, decisions at the local level tend to be routine and non-controversial. Private sector non executive directors have little power to influence these decisions.

5 COMPANY MANAGEMENT - PRIVATE SECTOR INPUT

(i) Introduction

Company management is a second key area the board has influence on through approval of business plans of agencies. This section investigates the impact board members from the private sector have on this. There are a number of avenues through which private sector representatives have an input to the day to day running of the companies. These are both formally structured and informal. The first and most obvious is the role of the board in approving the business plan of the agencies concerned. Within this overall framework, directors with a private sector background sit on subcommittees of the board which deal with specific aspects of the companies' operation, such as financial management and personnel issues. The third route by which private sector directors have a say is in support for key staff. Finally, private sector directors have an input through informal contacts with officers of the company where their expertise is sought in relation to specific issues they may have a competence in. Each of these is analysed below to assess the level of influence private sector directors have over the day to day running of companies.

(ii) Business plan approval

The approval process for the management policy aspects of the business plan follows a similar pattern to that identified in the discussion of the input of the private sector directors in the previous section. Directors from the private sector have an input, but the level of that input is constrained by the priorities of the public sector agencies who set the companies up. Private sector, and

other, directors must operate within the guidelines laid down by the funding agencies in order to ensure financial propriety. This means, in effect, that the directors have an input at the margins, i.e., they contribute to setting up a system which complies with these demands. The enterprise trust is slightly different in that it was not originally set up by the public sector. However, the programmes it delivers are overwhelmingly funded through public sector mechanisms, principally the local enterprise company, so there is also a need for it to follow these guidelines. The terms of reference and operating guidelines for the local enterprise company were laid down at the inception of the Scottish Enterprise network. Therefore, as with input to strategy, the potential input of directors from a private sector background to management issues is necessarily limited by the operating environment.

Once the operational management aspects of the business plan are approved by the board, responsibility for the effective running of the company rests with the chief executive, the views of two local initiative chief executives confirm this: “run of the mill management and administration is dealt with by myself and members of staff” (Organisation H); “my job is to make it happen. They (*the board*) agree the resources. It is up to me and my team to go and secure those necessary resources” (Organisation E).

The boards of these companies are unlikely to have a major hands on role if the company is running well. If problems arise, however, they can have a major impact. In one local initiative which hit financial trouble, a private sector

director played a major role in resolving the problems; “when the company hit problems last year, he of all board members was able to bring the breadth of knowledge necessary to carry the company through. When the occasion demanded, he really did pull the stops out” (Organisation G).

(iii) Subcommittees and other means of support for key staff

Once the business plan, incorporating strategic and operational management issues is approved, board members, including those with a private sector background, play an overseeing role to ensure, in conjunction with the chief executive, that the company is being effectively run within the constraints of approved delegated authority. The main structured way this happens other than formal board meetings is through subcommittees of the full board which convene to deal with issues such as financial and personnel management. Of the agencies consulted, five of the six local initiatives have some form of board subcommittee on which private sector and board members may serve according to their ability to make a contribution. The Local Enterprise Company has an audit subcommittee with private sector representation. The enterprise trust has no subcommittees, reflecting the lack of direct board involvement by formal structured means in this organisation.

In the view of the chief executives consulted, subcommittees are a valuable means of involving private sector directors; “ they (*the subcommittees*) will do the detailed scrutiny...which takes the pressure off full board meetings”

(Organisation A). The key reason for this was that it involved directors in the preparation of the agenda for full board meetings. The board acts in the main as a reporting body for the chief executive. However, board representatives also contribute to this agenda setting, making an input to this reporting mechanism. The more informal atmosphere of these subcommittees encouraged a greater input from private sector representatives; they act as a forum “that gives all the board members an opportunity to find out more on a far more informal basis about what the company is doing” (Organisation B).

By definition, these subcommittees are involved in detailed issues concerned with the running of the companies rather than regeneration issues as such. In most cases this is the area of expertise of the private sector. These agencies are ‘arms-length’ private companies; they have to comply with company law as well as the demands of the public sector funders. Chief executives felt that this aspect of the operation of the companies was where private sector representatives could bring their skills to bear for the benefit of the organisation and also assist them, as most of them come from public sector backgrounds and have little experience of commercial law. One chief executive said of the chairman: “ we use his skills in that he’s a chartered accountant to trade and therefore he’s very important in the finance subcommittee and at the board in terms of being the director who understands the accounts probably better than anyone else” (Organisation A).

Another area in which private sector representatives have an input into the way these companies are run is in the appointment of in some cases, and continuing support for in all cases, key staff in the organisation, particularly the chief executive both through personnel and finance subcommittees and, if necessary, the full board. This input is again constrained by the priorities of the funding agencies. In the end, their views carry the most weight. This is not to say private sector directors have no say, however. In the case of the local initiatives, the level of involvement that directors from the private sector have in this process depends to an extent on how long they have been actively involved in regeneration issues in the areas of the city in which these companies now operate. Those whose involvement either predated this form of regeneration company or were involved in the setting up of the companies had an input to initial appointments in the local initiatives. A private sector chairman noted “a committee of four of us, SDA, the council, the region and myself conceived the various elements of the company...we went through a whole interview process (*to select the chief executive*). Once this was done I sat down with him and agreed the management structure” (Organisation D).

Private sector directors also give guidance to the chief executive on staffing issues once the companies were up and running through involvement on personnel and management committees: “we’re always looking at internal management structures” (Organisation E). This director felt that his input was different from that of the public sector people involved in this. He felt they were trying to design a system to manage the weaknesses of certain individuals

in the organisation while he tended to look at it from the opposite viewpoint, i.e. to decide the management structure and then find the people to fill it. Another private sector chairman also identified this tendency to accommodate the weaknesses of staff. He was not willing to accept this and successfully pushed for their removal - “ a lot of the full time business advisor jobs were people who’d been made redundant looking for a cushy number. I’ve made it quite plain that as long as that situation exists there will be no progress whatsoever. You need younger, more committed people to go in there. We managed to get a couple of them bumped out a few weeks ago” (Organisation H). One major example of private sector influence over personnel and management issues in a local initiative was a management review instituted at the instruction of the board. This led to the removal of the management team. They were replaced by staff who the board, including the private sector chairman, had a major say in the appointment of; in the opinion of a director from the public sector “that was a clear demonstration that the board was aware of the shortcomings in the company and wished to do something about it” (Organisation A).

This potential power is also present in the local enterprise company through the audit committee. A senior officer of the agency noted that “it is chaired by the deputy chairman and has two other board members on it. They can call on any information” (Organisation F). The same senior officer viewed this as the most important contribution of the private sector representatives; “if you were to press me against a wall, I think that is the best role. I think if you didn’t

have at the back of your mind that they (*the audit committee*) will have a chance to see everything then I think you might allow yourself some latitude that you're not really entitled to. So that kind of control is quite important" (Organisation F). If the audit committee of the company is dissatisfied with the way senior management is running the company through inspection of its finances and management systems it can recommend their removal to the full board, and if approved, to Scottish Enterprise National.

These examples show the centrality of the relationship between the chief executive and directors. If it breaks down the directors have powerful sanctions at their disposal should they wish to use them. In this the views of public sector representatives are more important than those of private sector representatives at local initiative level. At LEC level, the potential powers of private sector directors are considerable. This check on the chief executive is a very important dimension to the issue of how much influence private sector directors have. Their opinions on other staffing issues can also, in certain circumstances and given the support of public sector representatives, carry significant influence.

(iv) Informal contacts

Another way private sector directors have an input to the operational management aspects of the companies under investigation is through informal contact with the chief executives. This varies from company to company. The main reason for this is the willingness and need for the chief executive to

consult the expertise of private sector representatives. It is also dependent on the private sector representatives having the relevant expertise. As with subcommittees, the main area of company affairs in which consultation is sought is in relation to legal and accounting practices. Personnel issues were another common area of regular informal consultation. A senior officer of the local enterprise company stated that he would not hesitate to consult with his chairman: "if I was genuinely having a problem with a member of staff...we'd talk and I've learnt a lot about how to handle situations" (Organisation F). A director of a local initiative indicated his expertise was often sought; "the chief executive will phone me up purely and simply because of the job that I do, personnel matters and so on (*and*) ask for advice" (Organisation B). The rationale behind this process is well summarised by the following quote from a chief executive of a local initiative "this organisation is an employer in the same way that they (*private companies*) are and the issues they have about employing staff here are exactly the same (*here*) as they have" (Organisation A). This informal aspect of private sector input outwith the formal subcommittee structure was mentioned by several chief executives as having had a positive effect in assisting the operating culture of the companies. They have been encouraged, within the constraints of public accountability, to operate in a more streamlined, 'entrepreneurial' manner compared to traditional public sector methods of operation. Chief executives have been chosen for these posts because of their potential to act in this way, but having a private sector resource to consult on a one to one basis when necessary was viewed as important by them as they learned how to operate in this fashion.

One chief executive stated “one of my deficiencies is that I don’t come from a private sector background and I’ve got to sometimes get out of the local authority mindset. He (*the chairman*) has been helpful in that” (Organisation H). A director of another local initiative illustrates this is common: “he (*the chief executive*) is not slow in coming forward to seek advice from myself and others from industry” (Organisation B).

(v) **Summary**

The level of input to the operational aspects of the company, as with the private sector contribution to strategy, is dependent on the individual qualities of private sector representatives, their time and willingness to get involved, as well as the willingness of the chief executive to try and generate significant involvement and his or her ability to run the company to the satisfaction of the board within the constraints of the operating guidelines laid down by the funding agencies. This section has shown that the main input of private sector representatives to the management of the companies under investigation comes outside the full board, formally through subcommittees, in support for key staff and through informal contact. This input can be important.

It should be noted that increased levels of formal and informal consultation with private sector and other directors may not necessarily be a positive indicator of the health of the company. Directors may have a major input into a company’s affairs when there are major problems, while director satisfaction with the way a company is run may lead to a minimal input in this area, as

illustrated by the following quotes from private senior directors: “I’m involved as much as is necessary and as much as much as the guy that runs it needs it” (Organisation B); “If you’re good at your job as chairman, you get the right man in place and the right structure in place. They would tend to use you less because they’re competent in the job you’ve given them. You are going to be used when there’s a problem, when advice is required” (Organisation D).

It is the quality of advice, rather than the quantity or regularity of consultation which is of value. The key point is that the resource is available if necessary and if the chief executive wants, or needs, to make use of it. If there was no private sector representation on the boards of these companies, external advice would have to be sought. It is impossible to pin down the exact value of this aspect of private sector input, but it is definitely perceived as an additional resource by those involved.

6 OTHER PRIVATE SECTOR INPUTS

(i) Networks

Most respondents mentioned that having private sector board representation within the companies can be useful in that directors can act as an access point into the business network by using their contacts to advance the case of the regeneration companies. For example, one local initiative chairman contacted a company who the initiative was trying to get to take on trainees from their client base. The chairman contacted the company first and smoothed the path for the initiative officer, telling his contact they would be in touch to discuss

the issue. Other interviewees related similar instances of advances being made on behalf of local initiatives. One director whose initiative was involved in assisting with recruitment for a major retail chain had business links with the company his initiative was targeting: “they are one of my company’s biggest customers. There is an element that they like my involvement with the initiative and I know the chairman well. You get a knock on effect from that, *not* commercially, but its useful” (Organisation E).

A chief executive of another local initiative stated that “what you really need is the ability to access certain individuals or organisations. He (*the chairman*) can readily pick up the phone and talk to them at the highest level” (Organisation D). The same chief executive noted that another of his private sector board members had access into the public sector network: “he has tremendous ability to meet and discuss problems at the highest level, certainly in the Scottish Office and his chairman is on the board of Scottish Enterprise” (Organisation D). This aspect of the contribution of private sector directors represents an additional route into the business world, which is increasingly important given the increased policy emphasis on working closely with companies to achieve regeneration. This is not to say that without private sector representation on their boards these companies would not be *able* to access the private sector and put their case, but it can open doors at higher levels in organisations that might otherwise be barred or take much longer to access. The ability to contribute this function is dependent on the characteristics and background of individual directors. Those who were

mentioned by chief executives or themselves stated that they utilised their networks for the benefit of the regeneration companies were from larger, well established businesses and tended to be older.

In essence this contribution is a part of the regeneration companies gaining credibility with the wider private sector. Several private sector directors noted that the companies are still viewed as public agencies with all the attendant private sector suspicion of their activities. Having direct private sector involvement through board membership is one way in which credibility can be built up over time through the use of business networks, in addition to the kudos gained by having them involved at all. This aspect of board representation is clearly additional. It is impossible to assess its impact beyond this because it is, by its nature, intangible. What is clear is that a number of interviewees felt it was important at times. If there was no private sector representation then this resource would not be available.

(ii) Contribution to independence

A final impact that several respondents noted private sector directors had is one of the most important, especially for the local initiatives. This relates to the level of independence of these companies. As has already been stated in this chapter, the local initiatives are heavily constrained by the priorities of the funding agencies. However, they are not completely dictated to. The level of autonomy varies between the local initiatives, depending largely on the competence of the chief executives and their teams combined with the length

of time they have had to build up a track record. Private sector board representatives play a lesser, though still important role in this. The reason for this is that the private sector directors are not employed by any of the funding agencies. They serve on a voluntary basis and can act more independently; “they don’t have to be there, so they’re not safeguarding anything” (Organisation B). They are not beholden to the priorities of the funding agencies in the way that directors from the local authority and the LEC may be when they serve on local initiatives. Although they serve as individuals it is difficult for them to put the interests of the local initiative before those of their employing organisation if there is a clash. A local initiative chief executive noted that: “quite often there is a perception amongst public sector nominees... (*that*) they come here to represent their organisation as opposed to becoming director with responsibility for making decisions in the best interests of the company..*(they should be)* making decisions on the company’s behalf as opposed to wearing the hat of their employing organisation. That’s always very difficult to grasp in this sort of structure” (Organisation A).

Private sector directors do not have these split loyalties and a number of chief executives viewed this as an important aspect of the support role of private sector directors. A related aspect of this area of input from the private sector representatives who have an active involvement, which links back to their influence on the operating culture of the companies discussed earlier, is their understanding of the responsibilities of non executive directors of a company: “the public sector representatives have no experience of the requirements of

personal liability expected as non-executive directors of a limited company...I take time to explain to them that they are there as individuals, not as representatives” (Organisation A). This was viewed by the chief executive of this local initiative as an important contribution. The view that private sector participation assists autonomy was also expressed by a senior officer of the enterprise trust: “a lot of what we do with the private sector is ensure our independence...if I felt we were being unfairly manipulated or dealt with by the LEC I would activate the private sector board and sponsors in Glasgow and reason with the LEC as to how they are treating us. I think the fact that the weight of the private sector is there helps us to maintain our distance” (Organisation C).

A number of respondents noted that if there were only representatives from the public sector on the boards of these companies, a public sector culture would dominate more than it does: “they (*private sector directors*) are very good in terms of not wanting us to be an offshoot of the local authorities. They’re very good at complaining, nit-picking. Its things like that that are really important” (Organisation B). Another chief executive stated: “I do take the view that if it was only elected members, I would imagine that the company would be much less entrepreneurial...it would be much more about consultation...it would be a quite different animal than is the case with the private sector involved” (Organisation E). There *is* a cultural difference between these organisations and other publicly-funded programmes. The main reason for this is the government drive to instil these attitudes in regeneration agencies combined

with the qualities of the chief executives, but private sector board representation has had an influence by virtue of their lack of accountability to the funding agencies. This independence, where board members are active, acts to assist these companies in keeping the funding agencies at arms length to an extent, i.e., working within the constraints but not being dictated to.

7 CONCLUSIONS

There are a large number of factors which affect the impact that private sector representation has had. These have been looked at in detail in relation to the private sector input to strategy, operational management, the culture of the companies, the contribution of business networking and the effect on organisations' level of independence.

The method of selection of private sector representatives to sit as directors is an important factor in the potential input they can make. At the beginning of the drive to involve the private sector, there was a tendency to target large companies, principally to generate credibility in the business community; "the people we had (*in the past*) brought credibility. You were talking about musclemen and the politicians would take the view that if you're getting chief executives from major companies (*to sit on the board*) then that was a credible organisation" (Organisation E). This is still a factor, but there is now more of an attitude, especially in the local initiatives consulted for this study, that they will only seek to involve people who can make a positive contribution. A chief executive stated: "we have a space on the board for a private sector member.

We're looking to try and recruit a locally based company but we haven't found one that's appropriate at this stage" (Organisation A). Previously, little thought seems to have been to why the companies were seeking to involve the private sector. If there was no clear idea of what the companies were seeking then this is likely to have affected the contribution private representatives could make, as they were only involved on a part time basis. Now there is evidence that chief executives are more carefully choosing who sits on their boards and are also making clear that they expect a contribution to be made; "I want them to bring something to the table. Otherwise, all they're doing is providing more lines on the statutory accounts" (Organisation G). This approach, rather than a vague notion 'that it would be good to get the private sector involved' is likely to produce a more positive input by targeting interested individuals who are willing to give time to make a contribution which matches the requirements of the company. From the perspective of the private sector representatives consulted for this study, this approach seems to have worked, as they do make a contribution within heavy constraints and would not sit on the boards if they felt they had little input.

In theory a key part of the role of a non executive director is to have a major influence over a company's strategic direction. This chapter has illustrated that private sector non-executive directors are not fulfilling this role for a number of reasons.

Firstly and most importantly, the strategic framework at local level is shaped by the funding priorities of actors higher in the hierarchical structure of urban regeneration policy. Secondly, private sector directors are disadvantaged as stakeholders because their opinions are not backed up by financial powers. Further, they lack the knowledge necessary to understand the regeneration process fully and to manipulate the funding system to maximise local benefits. Strategic development at the local level is a 'best fit' with an external environment dominated by a public sector culture, a culture with which private sector directors are unfamiliar. Thus, the contribution to this aspect of the expected role is tokenistic.

If the intention is to genuinely involve private sector non-executives in strategic development current structures must be reformed. Firstly, private sector individuals must familiarise themselves with the fundamentals of the regeneration process to make a worthwhile contribution. More local level input is necessary to give private sector directors a say. This would require more autonomy being granted by agencies higher in the hierarchy. However, a balance needs to be struck between autonomy and accountability. The bureaucratic system currently in place is the only real accountability mechanism. Another approach to gain autonomy would be self generation of income by local companies. Some have begun to do this through property development. However, this is a long term option and it is unlikely that the companies will become fully independent because of the nature of their business. This issue raises major questions as to how to genuinely involve the

private sector in the current policy climate. It illustrates the contradiction in current government approaches. As it stands currently, one government policy, the drive to involve the private sector in the development of regeneration strategy, is being undermined by another, stringent controls over local spending through hierarchical and bureaucratic strategic, funding and monitoring systems. The outcome in strategic terms is that, tokenism predominates over practical contribution.

The input private sector representatives can have is dependent upon the personalities involved within the structures laid down for the operation of these companies. The attitude of the chief executives is a key factor. They are involved in the day to day operation of the company and are in a position to identify areas within the company where a private sector director could make a positive impact. Directors from the private sector are necessarily distant from the company because they serve on a part-time, voluntary basis. They do not have the time and knowledge, as discussed earlier in this chapter, to easily identify areas where they can make a contribution. Evidence from this survey shows that where this has been done, directors are usually willing to co-operate. If chief executives are not willing or able to utilise board members as a resource, then involvement is likely to be minimal, as this statement from a chief executive about his predecessors illustrates: “people that were involved in senior management came from the public sector and therefore were not happy in their own minds how to handle private sector members and what to draw from them” (Organisation G).

For private sector directors to make a positive contribution, there has to be a constructive relationship between them and directors from other backgrounds, particularly elected representatives. Building a relationship of mutual trust and a willingness to compromise between the various parties is vital. Those directors from the private sector who had been involved for many years in regeneration issues indicated that this trust was paramount and took a long time to achieve: “when you go into it for the first time, nobody trusts each other. This is the problem in the early days. Nobody trusted the private sector. ‘Why was I there, what was I getting out of it? There was tremendous distrust on both sides. You had to break that down’” (Organisation D). Public sector representatives no longer viewed them with suspicion as to their motives for becoming involved. In one local initiative, which at the time of this study had only been running for eighteen months, this trust was absent: “really what they (*the councillors*) want is just a token private involvement...none of the councillors have the slightest interest in economic issues...the people who vote for them are interested in local service provision” (Organisation H). The private sector chairman felt he had little input despite the view expressed by the chief executive that he had used him as a resource; the chairman felt he had little input of value: “I spend maybe two to three days a month, sometimes a bit more. I would feel that was enough if it was quality time (*but*) two and a half of the days are wasted on rubbish” (Organisation H). Support for this view is backed up by the chief executive’s admission that he had to work closely with the public sector representatives; their attitude towards the

chairman effectively meant that he was further excluded from making a contribution in addition to the constraints laid down by the funding agencies.

For this mutual relationship to be built there is also a need for the private sector directors to accept that the companies are driven by public sector priorities and that any contribution they make is within this constraint. The evidence from this survey suggests that where this has happened they can make useful inputs. On the whole, directors from the private sector are not interested in taking a greater role: private sector directors “really have to take a lead from them (*the public sector representatives on the board*)...if they had more input I think they would need to be satisfied that they weren’t being seen to take the thing over” (Organisation B). This reduces the potential for conflicts arising.

This building of trust and co-operation between individuals assists input from the private sector by generating for them a sense of ownership and involvement in the company, rather than them being involved on the boards as ideologically correct tokens. Its effectiveness is dependent on the ability and willingness of the individuals to work within the given structures to make a useful input, making it work in a co-operative way to achieve a balance of opinions from various perspectives which contribute to the running of the company. From the evidence presented in this chapter, this has been achieved with varied and limited degrees of success in Glasgow.

CHAPTER 7:
IMPACTS OF ATTEMPTS TO STIMULATE
PRIVATE SECTOR INVESTMENT THROUGH
THE LABOUR MARKET

1. INTRODUCTION

In recent years there has been an increased focus on assisting residents of disadvantaged areas to more successfully access the labour market. There are a wide range of programmes: this chapter will discuss those initiatives which seek to *directly* involve the private sector. It will not look at the performance of mainstream programmes such as Training for Work or Skillseekers. There are three reasons for this. In practical terms it would be beyond the scope of the study. Secondly, the research is concerned with more specialised initiatives to stimulate increased recruitment from disadvantaged areas by employers. Finally, mainstream programmes are available nationally. They are not targeted specifically at disadvantaged areas, although they will be more common in these areas due to high local unemployment.

The chapter will take the following structure:

- the rationale for these initiatives will be investigated.
- the structure and process of the various initiatives will be discussed with an emphasis on flexible recruitment programmes.
- general employer attitudes in Glasgow to employment advocacy, focusing on awareness of the agencies and programmes available, the role of training and the importance of quality will be investigated, based on survey evidence.
- three cases of Glasgow local initiatives working with individual companies will be analysed to highlight the issues discussed in the previous sections in practical examples.

The chapter draws on information from a number of sources:

- face to face interviews with senior officers in local initiatives
- face to face interviews with employers
- a telephone survey of employers
- secondary evaluations.

The overall aim of this chapter is to provide insights into what has been done to attempt to overcome labour market disadvantage in the city by engaging with employers to encourage recruitment.

2 THE RATIONALE FOR TARGETED EMPLOYMENT PROGRAMMES

Targeted employment programmes to encourage employers to recruit employees from disadvantaged areas are a key aspect of the activities of Glasgow's local initiatives. These programmes are best viewed as an element of a continuum of support to assist residents of these areas to access the labour market.

The underlying rationale for pursuing programmes to assist clients into employment is based on the premise that without extra support these people will not be able to access the city's labour market. A key reason for this is that employers' recruitment procedures may mitigate against employing residents of these areas due to discriminatory 'labelling'. Secondly, residents may not

have the necessary jobsearch skills to allow them to gain employment. Thirdly, disadvantaged areas are by their nature places where there are concentrations of unemployment. This can isolate people from the 'word of mouth' networks that are often important in gaining employment, particularly at the lower end of the skills spectrum (McArthur, 1993). Fourthly, personal confidence and morale may be low and skills outdated following prolonged periods of unemployment.

The above issues are all part of what is now commonly termed 'social exclusion' (European Commission, 1993). An alternative way of looking at this issue is to view disadvantaged areas as exhibiting 'labour market insularity'. People may not want to work outside the estate in which they live due to a strong sense of community. There may also be a feeling of unity in adversity, i.e. the development of a 'ghetto mentality'. Active labour market policies seek to break this down.

Assisting people from disadvantaged areas to gain access to the labour market has pragmatic advantages for local initiatives. By definition, the city labour market has many more jobs and vacancies than the local labour market could ever have. Assisting people to access this greatly enlarges the pool of potential employment opportunities. Further, although some commentators have argued (Webster, 1996) that labour market exclusion could be overcome by attracting employers to locate close to disadvantaged areas, the assumption that

proximity will maximise local employment gains is over-simplistic (McGregor and McConnachie, 1995).

Another pragmatic rationale is that by integrating residents into the wider labour market, employment amongst residents is diversified. The local economy thus becomes less dependent upon ‘shocks’ such as a large employer closing in the locality. There are thus valid reasons underlying the approach taken by local initiatives in the city to assist clients to access the labour market more effectively. The place of targeted employment programmes within the range of training and employment schemes provided by local initiatives is discussed below.

3 THE STRUCTURE AND PROCESS OF TARGETED EMPLOYMENT PROGRAMMES

The discussion above highlighted the underlying concepts informing the development of targeted employment initiatives. The programmes of the city’s local initiatives geared aimed at improving residents’ access to the labour market are best understood as a ‘step-wise’ process, with each step bringing clients closer to labour market entry. The final stage, which this chapter is concerned with, is actually getting a job. The process of preparation for labour market entry has four broad elements:

- stage 1: pre labour market entry
- stage 2: preparation for training
- stage 3: vocational training

- stage 4:labour market access assistance.

All four stages are about enhancing the employability of the initiatives' clients, a process which is deemed necessary for the reasons discussed above. Stage 1 programmes seek to overcome problems caused early in people's lives. Unemployment across several generations can lead to a lack of working adults in the family and locality. This can reinforce the problems caused by social exclusion discussed above and lead to truancy and under-achievement in the pre-16 education system. Initiatives have worked to develop positive attitudes to the world of work.

Stage 2 involves working to develop people's self confidence and morale through confidence building courses, counselling sessions and mentoring. Programmes such as these aim to increase clients' self worth to encourage them that they have the potential to participate in training course and move into employment (Turok, 1992b).

Providing appropriate vocational training programmes is the next key step for agencies. Resourcing for these comes through mainstream programmes such as Training for Work, Skillseekers and the European Social Fund. The latter gives initiatives some flexibility in the design and delivery of programmes. McGregor et al's (1997) review of training programmes identified five key elements of good practice in training schemes geared at enhancing employability:

- relevance to perceived employer demands
- qualification oriented training
- take account of the personal development needs of trainees
- provide job search assistance post qualification
- develop labour market links through work experience programmes

The above elements of the employment access assistance system delivered by local initiatives are intended to get people to a position of job readiness. The next section discusses employer's attitudes to these issues.

4 EMPLOYER ATTITUDES TO EMPLOYMENT ADVOCACY

This section draws on an original survey of 60 key companies in Glasgow on their attitudes to the urban regeneration process. The results of the survey were reported more fully in chapter 5 of the thesis. However, it is instructive in the context of this chapter to look at the responses given by the sample to questions about:

- awareness in the business community of agencies delivering employment advocacy programmes in the city.
- the importance of training and employment search assistance.
- the role of training in recruitment programmes and employers' attitudes to this.
- the importance of quality potential employees being available to recruit in disadvantaged areas.

Each of these issues is discussed below.

i) Awareness in the business community of agencies delivering employment advocacy programmes

The key agencies delivering job search and recruitment assistance programmes in the city are the network of local initiatives. The first stage for these agencies in gaining the co-operation of employers is to develop an awareness in the business community of their existence. Figure 7.1 reports the response of employers when asked if they knew the various local initiatives were operating. A broad spread of results was obtained, ranging from 82% of respondents being aware of the existence of the Govan Initiative to 17% knowing about New Horizons. It is important to note that the length of time agencies have been in operation is likely to be an important issue in this. Govan Initiative has been running since 1986, while New Horizons only began operation in 1994. However, this is not the only reason for variations in awareness: the other initiatives had been in operation for five to seven years at the time of the survey. Finally it is important to note that only one initiative, Govan, had been heard of by more than 60% of the sample. Four of the eight initiatives were unknown to more than half the respondents.

Figure 7.1: Employers' Awareness of Local Initiatives

Agency	Percentage of Respondents Aware of Agency
Govan Initiative (1986)	81.7
Castlemilk Economic Development Agency (1989)	55.0
East End Partnership (1993)	51.7
Greater Easterhouse Development Company (1991)	50.0
Gorbals Initiative (1992)	46.7
Drumchapel Opportunities (1991)	31.7
Glasgow North (1992)	30.0
New Horizons (1994)	16.7

Figure 7.2 moves the analysis of awareness further forward by looking at knowledge of activities of the local initiatives. 61% of those who knew about the local initiatives knew *something* about what they did. Only those who knew about one or more of the local initiatives were asked this question: 12% of the sample did not know of the existence of any of the initiatives. This means that of the total sample, 47% did not know *anything* about the activities of the local initiatives. The findings of this survey suggest initiatives have a major task in raising basic awareness of their activities in the business community.

Figure 7.2: Awareness Of Activities of Glasgow Local Initiatives

Aware of Activities	Response
Yes:	
Number	32
Percentage	61
No:	
Number	21
Percentage	39

Those respondents who knew about the activities of the agencies were asked what they thought the main responsibilities of the local initiatives were. Figure 7.3 shows that a spread of policies were mentioned. Those most often mentioned, training (27% of all mentioned) and employment advocacy (17%) match the core activities of these agencies. However, they are low figures. Less than half the total sample were aware that training was a core activity while just over a quarter knew employment advocacy was a key concern of the local initiatives.

Figure 7.3: Perceptions of Main Responsibilities of Glasgow Local

Initiatives

	Number	Percentage of total
Training	26	27.3
Housing	4	4.2
Environmental Improvement	10	10.5
Employment Advocacy	16	16.8
Property development	11	11.6
Business Start Up	11	11.6
Helping Companies Grow	7	7.4
Other	6	6.3
Total	95	100.0

ii) The importance of training and employment search assistance

As part of the survey, respondents were asked to rate the importance of a range of urban regeneration policies. Two of these were

- training unemployed people

- assisting unemployed people to find jobs.

Figure 7.4 and 7.5 report the results of this, highlighting the fact that employers rate these issues as very important. 80% felt training was important or very important, while 85% felt jobsearch assistance and employment advocacy to be very important.

Figure 7.4: Attitudes of Employers to Training Unemployed People

Response category	Percentage rating
Very important	32
Important	48
Neither important nor unimportant	15
Unimportant	5
Very unimportant	0

Figure 7.5: Attitudes of Employers to Assisting Unemployed People to Find Jobs

Response category	Percentage rating
Very important	35
Important	50
Neither important nor unimportant	12
Unimportant	2
Very unimportant	0

iii) Employers' attitudes to the role of financial incentives for training and recruitment

Employers were asked as part of the survey if the provision of financial incentives to recruit trainees from disadvantaged areas could increase the level of private sector investment in the labour market aspects of the regeneration process. Figure 7.6 suggests that this was not rated as important by

respondents. Only 20% saw it as either important or very important. Participants mainly argued that the quality of trainees was the key element in any recruitment decision.

Figure 7.6: Attitudes Towards the Role of Financial Incentives for Training To Encourage More Private Sector Investment in the Regeneration Process

Response category	Percentage rating
Very important	2
Important	18
Neither important nor unimportant	25
Unimportant	35
Very unimportant	17

On the issue of whether improvements in the quality of the available labour force through training and other job readiness preparation would encourage employers to recruit more people from disadvantaged areas, the response was again unsupportive (Figure 7.7). The key reason given was that it did not matter where the person lived as long as they could do the job. This implies respondents felt that either residents of these areas already have these skills, or if equipped with them will be able to compete effectively in the labour market. However, the results also cast doubt on the level of support in the business community for these initiatives. Large numbers of respondents rated their activities as unimportant.

Figure 7.7: Attitudes Towards Improving the Quality of the Labour Force in Disadvantaged Areas to Encourage More Private Sector investment in the Regeneration Process

Response category	Percentage rating
Very important	0
Important	20
Neither important nor unimportant	33
Unimportant	32
Very unimportant	15

iv) Summary

This section has provided insights into private sector attitudes about employment advocacy policies. It has shown that awareness of local initiatives is not high in the business community and that understanding of their role is low. The core policies of tackling unemployment through training and employment search assistance were felt to be very important by respondents. However, there is something of a contradiction in responses in that when asked if proactive policies would increase private sector commitment to the regeneration process, it was felt that they were unlikely to achieve this. This suggests that the companies consulted do not feel that redressing the labour market problems of disadvantaged areas is part of their role. On the findings of this survey, local initiatives, and the policy community generally, have a major task in convincing the business community to participate.

5. EXAMPLES OF RECRUITMENT PROGRAMMES

Local initiatives in Glasgow are increasingly involved in trying to encourage employers to recruit from their case-load. This section will look at three examples in the city which illustrate the strengths and weaknesses of current practice. The cases were chosen because they firstly emerged as examples worthy of further investigation from the original qualitative research on the general aspects of private sector involvement and investment. Secondly, they were in three sectors: construction, retail, nursing care assistance, which residents of disadvantaged areas were, in realistic terms, likely to have a chance of gaining jobs. This section will take the following structure: Firstly, the examples of construction, retailing and nursing care assistance will be looked at in detail. This is followed by a discussion which will draw together the key issues raised in each example.

(i) Employment in Construction

Housing investment, both for sale and social renting accounts for a large proportion of the resources committed to regenerating the city's depressed areas, as Chapter 8 discusses in detail. In the past, a wide range of initiatives have attempted to maximise local job gains from this investment, with limited success: a survey by McGregor et al (1995) of 15 projects found that: relatively small numbers of local people were employed in projects relative to the level of resources committed to housing development or improvement.

Further, the rapid pace of change in the industry makes it difficult for unemployed people to train to keep their skills relevant.

This section looks at an example of an attempt by a local initiative to use major housing investment in its area to stimulate local employment gains.

The project was set up in 1992 as a pilot project to try and maximise employment in a major construction project being carried out in the locality.

The aims were to:

- get local people into jobs on the project.
- equip local people with the skills to compete for construction jobs.
- assist local people into employment in the construction industry generally.

From the beginning, the project took a pragmatic approach, trying to get people into jobs at the lower end of the skills spectrum as there are major barriers to skilled construction employment. The project was based in a Jobcentre in the area. A construction industry specialist, with a background in civil engineering, site agency, small works management and construction training management was appointed to co-ordinate the project. The industry knowledge of the project co-ordinator was a key element in the operation of the project. The benefits accrued from this were that: the co-ordinator had a detailed knowledge of the requirements of contractors: this increased the speed at which enquiries could be turned round. Further, he could communicate in

the language of the industry: this built credibility with contractors and the clients looking for a job.

The projects' basic structure was simple: a database of local residents with construction related basic labouring or semi-skilled abilities was developed. When construction vacancies came into the Jobcentre, the database was searched to try and match clients' skills against the vacancy.

An interesting part of the project was the approach taken to working with employers. According to the project co-ordinator: "we haven't demanded ten apprenticeships, we've said, what would you like us to do? If we demand things, the first ten through the door get the jobs - they may not be the right people. If we look at what the contractor's looking for and try and match (with the client base). We put the right person in, they (the contractors) come back for more, they insist on their subbies coming through and its a really nice, friendly working relationship. Everybody gets what they want".

Consultations with employers (and the fact that they made regular use of the service) suggested that they were much happier with this flexible approach. The project manager usually short-listed a number of potential candidates who fitted the job description and sent them to the contractor to assess. On occasion, however, when the situation required, the project sent along who they thought was the right person. In effect, it acted as a recruitment agency in some cases.

The key points to note from this are that firstly, there was a commitment to a co-operative, rather than a confrontational approach. Secondly, the project attempted to find the *best* person for the job; there was an emphasis on quality rather than simple throughput. Finally, there was an understanding that to build credibility with employers, the project has to deliver on commitments

The above required a highly flexible approach. Flexibility was to be a key element where the project has been successful. This carries through into the second element of the initiative: training. Again, a personalised approach, this time to the unemployed client as opposed to the contractor was favoured. It was felt that this made the training more relevant and encouraged more commitment from the trainee. The following example given by the project co-ordinator illustrates why this approach was favoured wherever possible: “We pay for the course. He has to pay something. The object is to get him into jobs where he should be. We pay £500, £600 for the course. He’s earning that much money in a week. (It) gets him off the social security and its profitable, it makes sense.” This flexible approach did not always match with the way funding mechanisms were structured. This caused some problems.

The initiative also carried out more conventional training courses in conjunction with a local college and construction companies. Trainees spent six weeks at college and six weeks on site. At the time of the research (July 1995), 40% of trainees completing the course had entered employment.

A final important point to note from this example is that the project did not seek to be local area (or contract) specific. This short-termism has been an important criticism of construction employment initiatives in the past (McGregor et al, 1995). The project sought as much as possible to get contractors to retain their clients when they move on to another contract. The key to this was to provide contractors with employees of the quality they require.

In summary, the key points to take from this example to attempting to develop employer participation in recruitment from disadvantaged areas are:

- understanding of employer needs can increase recruitment.
- a project co-ordinator with specialist knowledge assists co-operative working with employers and can build credibility and trust.
- customisation and flexibility on the part of the public agency are key to getting employers to participate.

This project shows that some gains can be made if public agencies have the institutional capacity to act in this way.

(ii) Employment in Retail

This example looks at the experience of a local initiative working closely to assist a major discount retail warehouse chain developing a store in their area to recruit their workforce. The Initiative's original contact with the company involved an approach to offer them Training for Work places which they were

entitled to as inward investors. At this meeting it became clear that the company had not got the service they wanted from the Employment Service when setting up their recruitment programme. The Initiative discussed what they could offer: the company agreed to let them assist in recruitment.

At this stage, a problem arose which caused difficulties later in the recruitment process. The jobs had already been advertised and 3,500 people applied. According to the Initiative, the advertisement was not worded to attract the calibre of staff the company wanted. This caused difficulties because the shortlisting was done from paper applications. Many people over-sold themselves on paper, so a lot of interviewing time was wasted by the company's senior management. The Initiative's involvement with this aspect of the process was limited to administrative support and free provision of office space.

The company interviewed 1200 people in a two week period in the Initiative's offices. This provision of space represented a major cost saving for the company. The manager of the company estimated that the provision of this resource saved them at least a week's interviewing time.

The second important role the Initiative played in the process was as a 'gatekeeper' or recruitment filter. As noted above, this was a service that the Employment Service had declined to offer the company. Although the company interviewed in the 'conventional' way *without* screening, they also

agreed to interview people put forward for interview by the Initiative. Of the 250 recommended, 78 got jobs in the warehouse. It is not possible to say how many would have got jobs without the intervention of the Initiative and the development of a good working relationship between the two organisations, but a senior company manager felt that “on average the Initiative’s recruits were better than those who came from the newspaper adverts”.

The company found the fact that the Initiative only offered them 250 prospective candidates from their database suggested to them that there had been a genuine process of selection going on- it was not a token gesture. The manager involved in recruitment found that the people put forward by the Initiative were job ready and had the right skills. Further, some had been on work placements and all showed a willingness to work, an attitude which the company felt was critical. The company’s satisfaction with the Initiative’s performance was illustrated by the fact that it had asked it to assist it in recruiting for its Liverpool store by advising a local initiative there.

The Initiative found this project to be successful for two main reasons. Firstly, a major employment development was occurring in their area. This sounds an obvious statement, but it is important: it provided them with the opportunity to assist people into employment who they had worked to get ready for the labour market. Programmes to develop job readiness within a client based are very important, but of limited end value if there is not demand in the labour market. The second key element in success was the attitude of the employer: the

company was very clear about the staff they wanted and the service they desired from the Initiative. According to the Initiative's project manager, this case may be the exception rather than the rule: "most of the trouble comes from the employer not knowing exactly what they want. They're often very loose and non-specific. We need them to know what it is they want.....you need them to play their part".

A final important point to note from this example is that agencies need to continually work to keep their profile high in the business community. When the company arrived in the area they had no knowledge of the services the Initiative could offer - they only found out by chance. This is a critical first step in employment advocacy: the agency cannot act as a bridge between the employer and the unemployed client if there is no awareness of their existence. Part of this is due to a reluctance in the business community to use the services or acknowledge their existence: according to the project manager: "despite all the advertising, there's a lot of people in the business community who don't know what we do or care about it".

This inertia is a major barrier for agencies involved in this kind of work. The Initiative had benefited from this project in terms of publicity, since the company were so pleased with the service they were advocating its use in the business community.

In summary, what this example shows is that:

- the background work that local initiatives do in bringing people up to the level of being ready for employment plays a critical role when there is potential employment available.
- the flexibility and pace at which the Initiative responded to the company's needs made an important difference to the process - the Initiative delivered what it said it would at the right timescale.
- the employer had very detailed job specifications which assisted the Initiative to match these requirements to their client base.
- agencies need to continually work at keeping their profile high to encourage employers to make use of their services.

(iii) Nursing Care Assistance

A Glasgow local initiative was initially approached by a nursing home company requesting assistance to find a suitable property in the area. The initiative offered its recruitment services. The company was keen to involve the Employment Service, but was also initially keen to use the Initiative's services, specifically its screening service.

In response to this, the initiative carried out a mailshot of 1,000 clients on its database it considered potentially suitable. 250 people attended initial screening meetings. They were given a Job Centre application form and Initiative assistance in completing it. The forms were then passed on to the employer, stamped by the Initiative to indicate they had been screened.

However, in parallel with this, the vacancies were advertised by the company. The managing director of the company decided to interview *everyone* individually who applied for the job, including those screened by the Initiative. The job was advertised in the Jobcentre and re-advertised several times when the manager was not satisfied with the applicants. In all, over 2,000 people were interviewed over 3 and a half months for the 115 jobs available.

This approach caused major problems. The Initiative had to be constantly updated by the Employment Service to find out whether the jobs were available. Clients were given the impression that the jobs were available. Sometimes they were not: as a result, the Initiative looked incompetent. Further, the Employment Service were unhappy with the company's 'abuse of hospitality'. Free interview facilities were used for three and a half months. It had been expected that they would only be taken up for a few days. Also, the time invested by the Initiative in pre-selecting and screening clients was not worthwhile: there was no indication that the company took note of their recommendations.

In tandem with the recruitment programme, the Initiative also set up a course at a local college for a group of 15 clients. Following consultations with the employer, two NVQ Level 2 modules formed the core of a 39 day course, focusing on providing a grounding in the care ethos, personal development and developing interview skills. 12 people completed the course. No

interview guarantee was given by the employer. In the event, four people got jobs with the employer.

The Initiative spent £12,000 on the screening programme and vocational training course, with a single figure outcome in employment for its clients. According to the Initiative manager “normally, we’d be looking at 30-40 jobs for that outlay”. This case illustrates well the possible pitfalls of this approach.

The key points to take from this example are:

- communication is central to a successful relationship between the employer and public agencies. On the limited evidence presented here, there was no clear understanding from any of the parties what each expected of the other.
- a screening process by a public agency can only ever be a ‘guesstimate’ of what the employers want. Recruitment depends on a large number of unquantifiable factors. One way to increase the chances of success would be to research the company more effectively.
- developing targeted training courses is not enough: it cannot be assumed that it will lead to employment gains even if the employer has an input into its development.

This example illustrates the difficulties public agencies can experience when they either misread the employer’s requirements or the employer’s demands change: it is not an equal relationship between the public agency and the

employer - agencies are dependent on employers making clear what they want and committing themselves to the process.

6 CONCLUSIONS

This chapter has looked in detail at the programmes pursued by local initiatives to attempt to engage with employers to overcome labour market disadvantage. It has drawn on the findings of both quantitative and qualitative original research to provide important insights into the difficult process of assisting people into employment.

Analysis of awareness levels of the local initiatives from the survey of companies found they are low, with an understanding of what they actually do even lower. Those respondents who claimed they did know what the local initiatives did correctly targeted training and employment advocacy issues as the key area of local initiative responsibility, but not in any great numbers. These issues were also rated as highly important components of urban regeneration policy by respondents. However, there was some scepticism expressed as to whether the development of proactive policies such as these would increase levels of private sector participation in regeneration through the labour market.

The case studies provided a series of findings about the practicalities of working in partnership to pursue such policies. The construction project illustrated that specialist knowledge, an understanding of employers' needs and

flexibility are key to developing credibility and trust, which is essential to effective partnership working. The retailing example highlighted the need for agencies to keep a high profile in the business community, work flexibly at high speed and deliver on time. It also showed that preparation for job readiness is a key element of the work of local initiatives. Finally it demonstrated how clarity of demand from the employer can assist local initiatives to support employers' recruitment processes. The nursing care example highlighted the key role of communication between employer and initiative, the fact that candidate screening is essentially a speculative process and that even customised training does not automatically lead to employment gains for clients. The key elements of success, from these examples, seem to be:

- communication and clarity of goals and objectives on both sides.
- flexibility on the part of the public agency.
- consistent delivery by the agency on commitments.

In conclusion, it is clear that developing linkages with employers to encourage client recruitment presents major challenges to urban regeneration agencies. These activities are rated as very important by the business community, yet there is scepticism as to their potential for redressing disadvantage in the labour market. The review of examples illustrated that agencies need to work hard, firstly to convince employers to participate and , secondly, deliver satisfactorily within tight timescales. Overall, there are some positive lessons

to be drawn from the research analysed here, but there are also major barriers preventing private sector investment.

CHAPTER 8:
IMPACTS OF ATTEMPTS TO STIMULATE INVESTMENT
THROUGH THE HOUSING MARKET

1 INTRODUCTION

The aim of this chapter is to examine the main attempt to generate investment from the private sector in depressed areas of Glasgow. The example in question is the Scottish Homes 'Grant for Rent or Owner Occupation', or GRO Grant. The aim of this grant mechanism is to stimulate investment in housing for sale or rent by private sector developers in social housing dominated estates through the provision of deficit financing. It is thus an important example of a 'market failure' approach to urban regeneration, the rationale for which was discussed in detail in Chapter 2. The chapter takes the following structure. Firstly the role of Scottish Homes will be outlined. This leads into a discussion of the agency's strategy to illustrate the place of GRO Grant in this. A key part of this is a discussion of the underlying rationale for GRO Grant. The mechanism and the appraisal and monitoring procedures will then be described and the performance of the scheme between 1990 and 1993 in Glasgow, the latest date for which comprehensive published information is available, summarised. It should be noted that to ensure confidentiality, quoted respondents are identified only in terms of the organisations they represent.

The remainder of the chapter deals with the attitudes of senior Scottish Homes staff and private sector developers towards GRO Grant and its impacts, relating these back to the issues outlined in previous sections. This chapter is based on a series of eleven interviews carried out between June and August 1995. It also draws on, where relevant, the findings of twenty interviews with chief

executives and other senior officers of urban regeneration organisations in Glasgow related to the more general issues surrounding the generation of private sector investment in depressed areas of the city.

2 SCOTTISH HOMES' ROLE AND THE STRATEGIC CONTEXT OF GRO GRANT

This section outlines the role of Scottish Homes and discusses the strategic priorities of the agency with the aim of illustrating where the GRO Grant mechanism fits into this as a means of stimulating housing development investment from the private sector in depressed areas of the city.

Scottish Homes was set up in 1989, when the Scottish Special Housing Association and the Housing Corporation in Scotland were merged to form the new body. It is an arms length public agency with significant delegated powers. Its primary functions are the funding of housing associations and the management of local authority housing transfers either to housing associations or to Scottish Homes direct management. Scottish Homes operates through a network of district offices accountable to the Edinburgh headquarters, which are in turn accountable to the Scottish Office Environment Department. GRO powers were first awarded in 1990. It accounts for around 10 - 15% of the total budget; over 80% of the total is accounted for by Housing Association Grant (HAG).

In their 1994 District Plan, which details agency strategy in the city 1994 - 1997, Scottish Homes (Glasgow City) (SH (GC)), identify how they intend to address the agency's six key national housing priorities. These are listed below in Figure 8.1, followed by SH (GC)'s response to this in the Glasgow context.

Figure 8.1 - Scottish Homes: National Strategic Housing Priorities.

(i)	contributing to improved quality in housing and its management
(ii)	promoting the development of a more diverse rented sector
(iii)	promoting home ownership
(iv)	making an effective contribution to community regeneration strategies
(v)	assisting those with particular housing needs
(vi)	making an effective contribution to the reduction of homelessness

Source: Scottish Homes, Glasgow City District Plan 1994 - 1997, p. 5 (1994)

SH (GC) chooses to focus on (iv) 'making an effective contribution to community regeneration strategies' as its overall aim for its investment. Housing investment is to be co - ordinated with the spending of other agencies under the umbrella of the Glasgow Regeneration Alliance (GRA). The rationale for this, as stated in the District Plan, is that Glasgow has areas of concentrated multiple deprivation, of which poor housing is a major aspect; "there is a strong correlation between socio - economic indicators and housing conditions...the most disadvantaged people live in the worst housing conditions" (SH (GC) District Plan, 1994). Nowhere in the document is the term 'community regeneration' explicitly defined, but its meaning can be

inferred from the agency's commitment to "a multi - agency, comprehensive approach in selected areas" (ibid) and the agency's commitment to the GRA, the key principles of which are that "all action will be integrated and involve many functions. It will tackle social, economic and physical problems and involve the public and private sectors" (Glasgow Regeneration Alliance, 1993). Within its overall priority of assisting 'community regeneration', SH (GC) lists a series of 'local objectives' or priorities within this. These are shown in Figure 8.2 below.

Figure 8.2 - Scottish Homes (Glasgow City) Local Objectives

Overall aim - PROMOTE COMMUNITY REGENERATION	
Local objectives	
(i)	improve housing quality and condition
(ii)	creating greater variety of house size and type
(iii)	promoting tenure choice
(iv)	meeting shortfalls in special needs provision
(v)	contributing to reductions in homelessness
(vi)	contributing to improvements in environmental/employment/social opportunities
<i>Source: Scottish Homes, Glasgow City District Plan 1994 - 1997, p. 5 (1994)</i>	

It is worth noting that the 'local objectives' are virtually identical to the national objectives outlined above in Figure 8.2 with the addition of (vi) 'contributing to improvements in environmental/employment/social opportunities'. This means that, in addition to its core housing activities, SH (GC) will seek to integrate these activities with those of other agencies.

Looking more closely at SH (GC) strategy and where GRO Grant fits into this picture, Figure 8.3 contains the excerpts from the SH (GC) strategy where GRO is mentioned. It is clear that the key strategic contribution GRO is expected to make is in enabling home ownership and housing for market rent (note: market rent development has not occurred on any scale), thus contributing to the strategic aims of promoting tenure change, while also improving housing quality. Both of these impacts thus contribute to the overall aim of community regeneration.

Figure 8.3: GRO in the context of Scottish Homes (Glasgow City) strategy

National Objectives	Glasgow Objectives	Location	Action/Strategy
Enabling home ownership	Promoting tenure change -creating new markets - middle market home ownership	Peripheral estates Selected locations in city and at later stages of regeneration in outer estate (subsidy not necessarily required)	GRO to developers
Diversifying the rented sector	Promoting tenure change - market rent	-selected neighbourhoods within priority estates -own houses areas - selected inner city areas	GRO- for market rent (limited and market testing) in emerging neighbourhoods or adjacent established ones in Inner City
Community regeneration	Glasgow's overall aim	-All priority areas - especially in eight Regeneration Alliance areas	GRO for owner occupation influencing and contributing to local strategies
Improving housing quality and management	- creating greater variety of house and type - improved quality and conditions	In eight Regeneration Alliance areas and other priority areas - but more especially in peripheral estates	GRO for owner occupation to respond to local demand for a variety of sizes and prices and to ensure consistent high quality

Source: Scottish Homes, Glasgow City District Plan 1994 - 1997, p. 25 -26 (1994)

At this stage it is necessary to explore *why* the stimulation of owner - occupation is seen by government to be a contribution to community regeneration. To do this, it is necessary to take account of the wider political context discussed in detail earlier in this thesis. Since 1979, government housing policy has been aimed at increasing levels of owner occupation. The principal reason for this was an ideologically - based government desire to increase individual choice in the housing market. This combined with an antipathy to social housing which, according to this view, restricted this choice and distorted, or eliminated completely, local housing markets. The principal means by which this policy was pursued was through strict controls on local authority housing expenditure through successive reductions in grant, combined with 'right to buy' legislation which allowed local authority tenants to purchase their homes while preventing local authorities from re - investing the receipts in housing. In addition, incentives to encourage home - ownership, such as increased mortgage tax relief and the loosening of restrictions on mortgage lending, were introduced. GRO grants are part of this policy; it is a "low cost home ownership scheme which subsidises the production of additional new housing for owner occupation" (Scottish Homes, 1994). In 1994, Scottish Homes stated that "the Government has indicated that the promotion of home ownership remains the main priority of its housing policy" (ibid). This aspect of the policy is stated in one of the two aims of GRO grant policy, which are:

- to widen the choice of housing available to individuals wishing to become owner occupiers

- to contribute to the regeneration of run down areas.

Returning to the question of how stimulating home ownership contributes to regeneration, Scottish Homes state that the “extending choice scenario will frequently be central to the aim of promoting regeneration...the lack of tenure and other housing choices is commonly regarded as a defining feature of areas requiring large scale regeneration investment” (ibid). Within this, Scottish Homes list five objectives of GRO which in their view contribute to regeneration. These are listed in Figure 8.4 below.

Figure 8.4 - Project objectives of GRO Grant

-
- (i) providing housing for sale as part of a strategy which involves a range of agencies and types of regeneration activity.
 - (ii) improvement and/or replacement of existing poor quality housing stock
 - (iii) attracting future private sector investment in owner occupied housing, either with or without public subsidy, which would not occur without the of GRO grants as a pump - priming mechanism
 - (iv) bringing derelict land into use
 - (v) retaining or attracting higher earning households to areas which are characterised by low levels of economic activity and/or low wages

Source: Scottish Homes (1994) GRO grants for the provision of owner occupied housing, p.9

The relative importance of these in the view, of Scottish Homes staff in relation to urban GRO projects is shown in Figure 8.5. It is clear that the stimulation of home ownership through the GRO mechanism is viewed as a

key part of the Scottish Homes contribution to area regeneration by extending tenure choice

Figure 8.5 - GRO Grant - Project Objective (Urban Projects)

Objective	% of units (urban projects)
Contribute to multi - agency/activity area regeneration	72
Introduce owner-occupation housing to an area of mono tenure	63
Increase supply in priority area with low owner-occupier base	56
Attract higher earners to the area	48
Generate private sector activity in addition to the project	40
Increase supply of owner-occupied housing at market value	35
Improvement of poor quality housing	32
Bring derelict land into use	27

Source: Scottish Homes (1994) GRO grants for the provision of owner occupied housing - monitoring review report, p.21

through subsidising the creation of, or support for existing, local housing markets. This contributes to area regeneration by improving the quality and range of the housing stock and environment in the hope of attracting higher income households into the area, thus stimulating local demand for services through increased local disposable income which will in time lead to further private sector investment in local services in response to this demand.

The logic of the rationale suggests that it is seen as one key component of the 'virtuous cycle' of regeneration, in that it attracts people with higher incomes to the area or retains households with higher incomes in the area. Thus the logic is that an area will only become regenerated if it has a significant proportion of home ownership because this is taken as indicative of the availability of higher disposable incomes. The potential of people living in

rented accommodation to have higher incomes is apparently discounted if viewed in this way. Thus, an argument can be made that a fundamental premise of regeneration policy in connection with GRO is that homeowners are preferable to people living in social rented accommodation in an area if the purpose is to regenerate that local economy. This negative view of the utility of social housing fits well with the former government's underlying government ideology, if not with actual policy, which is exemplified by the agency's principal role as a provider and enabler of social housing. This section has shown that the GRO mechanism is both ideologically compatible with government policy at the wider levels of encouraging increased consumer choice while its underlying rationale is grounded in antipathy towards social housing.

3 GRO TERMS AND CONDITIONS

This section investigates the procedures of the GRO regime, focusing particularly on the issues of eligibility, grant levels and the monitoring by SH of developer expenditure.

(i) Eligibility

In terms of eligibility, projects must first demonstrate that the applicant is eligible to receive grant from Scottish Homes. It is open only to private sector development companies, building societies and housing trusts for moderate or

low cost housing. Housing associations and local authorities are ineligible. Further, any companies associated with local authorities are not encouraged to apply (Scottish Homes, 1995). The project must “contribute to the achievement of our (Scottish Homes) strategic national/local investment objectives” (ibid). It must meet the “detailed project appraisal criteria” (ibid). These are discussed in detail later in this section. GRO applications are encouraged in SH ‘approved areas for investment’ (AAIs). These are the four Scottish Urban Partnership areas, in which grants of up to 40% of project costs can be claimed, Smaller Urban Regeneration Initiatives (SURIs), Housing Action Areas (HAAs) and “additional urban and rural priority areas agreed with the Scottish Office” in each of which grant of up to 30% of eligible project costs is available (ibid). Glasgow’s priority areas for housing investment, i.e. those in which GRO applications are encouraged, are shown in Figure 8.6 overleaf. Although location within an AAI is encouraged, according to Scottish Homes “it does not in itself guarantee that we will support a particular project” (ibid). Applications outwith AAIs will be considered, but they require detailed case by case consideration and approval from the Scottish Office. Finally on this aspect of GRO eligibility, the ‘market failure’ aspects of the regime are again emphasised: “AAI designation will be withdrawn when Scottish Homes considers that markets have been established which are self sustaining or do not otherwise require continuing support in the form of GRO Grant subsidy” (ibid).

Figure 8.6 - Glasgow: Priority Areas For Housing Investment

- a) Older Urban Neighbourhoods
- Dumbarton Road Corridor
 - Maryhill Corridor
 - Springburn/Possilpark*
 - East End*
 - Govan*
 - Gorbals*
 - South Side
- b) Priority Estates
- Drumchapel*
 - Roystonhill
 - Greater Easterhouse*
 - Castlemilk*†
 - Pollok/Priesthill/Nitshill/Darnley (Greater Pollok)*

*GRA Priority Areas

†Scottish Office Partnership Area

Note: Projected total expenditure by Scottish Homes in the eight GRA priority areas 1994-97 is over £200m.

Source - SH Glasgow City District Plan 1994-97, p. 34

(ii) Assessment of GRO applications

(a) Competitive selection

As with any policy underpinned by a market failure rationale, GRO expenditure is expected to attempt to achieve ‘value for money’ (VFM), i.e., the maximum impact at least cost. Scottish Homes’ preferred approach to demonstrating VFM is a two stage open competition between developers where possible: “Scottish Homes will promote a two stage selection process where such an approach is feasible and appropriate” (ibid). This process

involves an invitation by Scottish Homes to developers to make an initial declaration of interest. From this pool a number of developers are invited to produce detailed costed proposals, working to a development brief provided by Scottish Homes. These are then subjected to detailed appraisal.

For this approach to be pursued, the owner of the site must agree the site is to be used for housing development and be willing to sell to the selected developer. In the case of Glasgow, competitions have virtually all taken place of local authority owned sites (source: interview with Scottish Homes official). It is likely that this approach is only feasible on publicly owned sites, as it is difficult to imagine a development company opening up a site it owned to competitive selection. Thus Scottish Homes or other public agencies need to acquire the site first. Scottish Homes acknowledge this; “to maximise opportunities for competitive selection, Scottish Homes will use compulsory purchase powers to acquire land” (ibid). Where there is an application for GRO from a developer who already owns the site, then Scottish Homes will still consider the application - it may be subjected to more detailed scrutiny at the application appraisal stage. The opinions of key actors on the competitive aspects of the GRO regime are discussed in detail later in the chapter. Scottish Homes’ appraisal methods are discussed below.

(b) *Appraisal*

The key part of the developer selection process, and those where there is a single developer, is the appraisal of submissions. There are four components to the appraisal:

- the company and market assessment
- the actual building proposals
- grant requirement and financial appraisal

The criteria for each are summarised in Figure 8.7. For the purposes of this study, the key aspects are market assessment, grant requirement and financial appraisal. Building proposals are discussed only where they impact on these. The ‘company’ criterion is an assessment of the applicant’s eligibility to receive GRO and ability to successfully deliver the project. The market assessment criterion is firstly concerned that the proposal fits with Scottish Homes’ national and local strategic priorities, i.e., will provide low cost housing for sale to assist community regeneration through tenure diversification. Second, this aspect of the appraisal involves an evaluation of whether there is latent demand in the area for housing of the type and cost which is to be supplied by the successful applicant. The ability of the development to sell once completed is a further key test of VFM. Further, additionality must be taken into account. If the development is likely to displace the construction of housing which is not grant aided or affect the success of other grant aided housing developments in the local market, the development will not be grant aided by Scottish Homes, provided they have read the market correctly.

Figure 8.7: Scottish Homes: Appraisal Criteria, GRO Grant Applications**THE COMPANY**

- financial standing
- access to non GRO finance
- development track record

MARKET ASSESSMENT

- relevance of objectives to Scottish Homes strategy
- relationship of house type to local market, socio-economic conditions, housing strategy
- scale of demand and profile of client target group
- relationship of proposed selling prices to local sales prices and comparable areas
- marketing proposals
- potential displacement effects

BUILDING PROPOSALS

- capital costs value for money
- subcontracting follows Scottish Homes competition policy
- quality housing of proven design
- local authority and other statutory requirements fulfilled
- NHBC accreditation of development
- meets terms of competition development brief
- high standards of architecture, external and internal
- provision compatible with market assessment
- construction programme feasible
- any additional criteria satisfied

GRANT REQUIREMENTS AND FINANCIAL APPRAISAL

- project cash flow feasible
- net present value of project
- amount of grant sought
- internal rate of return

Source: GRO Grant Guidance Note, Scottish Homes, 1995, p. 20-24

Market assessment also requires the building proposals to be investigated on grounds of type and quality to enable assessment of their market position. This discussion again illustrates, as shown in previous sections, the concern of Scottish Homes to assist in the creation of, or improve the operation of, the market rather than undermine it through the GRO mechanism. Further evidence of this is the final aspect of the appraisal, financial appraisal, which is discussed in detail below.

Financial appraisal is important because it determines the level of grant that is paid out by Scottish Homes to enable a development to proceed. The discounted cash flow (DCF) method is used by SH. It is a more sophisticated development appraisal tool than the ‘traditional’ evaluation method, residual valuation, which treats costs as evenly spread across a project’s lifetime. DCF allows for “an irregular pattern of cost, giving a more explicit presentation of the flow of expenditure and a more accurate assessment of the cost of interest” (Cadman and Austin Crowe, 1994). It is thus a more realistic approach given that costs in a development project are not spread evenly and can be heavily affected by when payment is made and income generated; it “highlights the need to delay payment as much as possible and bring forward receipts where possible and advantageous” (ibid).

The basic methodology of DCF is to assess “the present values of a project’s income and expenditure over its lifetime, taking account of the amounts and

timing of income and expenditure....all project costs and sales income are profiled in present day values without allowance for inflation” (Scottish Homes, 1995). These values are arrived at by applying a rate of return (i.e., profit) needed by the developer to make the scheme work, to the cost and income projections. The aim is to match costs with sales income while allowing for a built in profit in the calculation. This thus gives a project a ‘net present value’. The net present value in a feasible project should be zero, i.e., costs plus profit match income. To be eligible for grant, costs plus acceptable profit must exceed this income figure. In such a case the net present value would be negative and “grant required should then be added to achieve a net present value of zero’ (ibid). For example, if costs plus profit exceeded income by £500, 000, then a grant of £500, 000 would be given to achieve a net present value of zero.

For GRO applications to be successful, the internal rate of return (i.e. the profit made by the developer) should be in the range of 8-12%. This figure is set for Scottish Homes by the Treasury via the Scottish Office (ibid). Applicants must justify their required IRR in relation to the risk attached to the project. Further, any GRO approval has a clawback arrangement which will be activated if surplus income is generated by the developer; this is defined as “income accruing to the project from sales in excess of the level of sales receipts assumed at grant approval stage” (ibid). If sales income is less than that assumed at approval of the grant then these losses must be carried by the developer. There are a number of minor exceptions to these general principles,

but the key point is that Scottish Homes do not seek to remove risk from the development. These issues are discussed further later in this chapter as they are an important aspect of the operation of the GRO regime.

(e) Approval

There are three levels of delegated authority for approving GRO Grant payment to developers. Grants of less than £500 000 can be approved by Scottish Homes District Offices. Those applications which are outwith AAI's and under £100 000 can also be approved locally, unless they are 'novel or contentious', in which case they must be referred to the Scottish Office Environment Department (SOED). This clause applies to any grant which may be deemed 'novel or contentious'. Grants between £500 000 and £2m can be approved by the SOED. Anything over this needs Treasury approval. Some grants in AAI's of under £500 000 may be referred to the Scottish Office if "project costs met by public subsidy exceed the target leverage rate for the area concerned" (ibid), i.e., they are over 40% in Partnership Areas or 30% in AAI's or other areas.

(d) Post-approval monitoring

This key aspect of evaluating whether the work is actually done as specified in the application relies largely on self-monitoring by the developer through the submission of progress reports, which are combined with requests for grant payments. These should be submitted "no more frequently than monthly and no less frequently than quarterly" (ibid). In addition to this self monitoring,

where there is subcontracting “any works or services not provided direct by the grant applicant *may* require to be substantiated with the appropriate works certificate, fee invoices etc.” (ibid, emphasis added). Further, if it is the applicant who is doing the work direct, then “Scottish Homes *may* wish to appoint independent consultants to verify that the works and costs certified are reasonable” (ibid, emphasis added). Also “Scottish Homes ... *may* wish to inspect progress on site...subject to reasonable notice being given”(ibid, emphasis added). The emphasis is added to illustrate that Scottish Homes rely largely on developer self monitoring during the project’s duration. The vagueness of these statements is in marked contrast to the rest of the document’s rigid definition of terms and conditions.

After the project is complete, a post completion assessment is carried out. Again the information is largely collected by a process of self evaluation by the developer. This assessment involves looking at the size, type and quality of the house type to confirm it fits with what was agreed. Construction and marketing periods will also be assessed, as the timings of income and interest affect the cashflow of the project, which Scottish Homes also look at directly: “ we will assess, *for monitoring purposes only*, the actual cashflow for the project “ (ibid, Scottish Homes emphasis). What this in effect means is that the system is potentially open to abuse, because in the assessment of grant clawback, no account is taken of reduction in costs, only increases (ibid). The *actual* cashflow is not taken into account in the calculation. Clawback is defined by Scottish Homes as being activated by ‘surplus income’ which is

defined as “income accruing to the project from sales in excess of the level of sales receipts assumed at grant approval stage” (ibid). It only takes account of sales income, *not* construction costs. Thus clawback does not really take account of *genuine* potential profitability, as it does not look at the real costs of the project. This issue is discussed in detail later in this chapter, as it is extremely important in any assessment of its effectiveness as a mechanism to stimulate private sector investment in regeneration projects.

4 GRO GRANT PERFORMANCE, 1990-1993, GLASGOW.

This section summarises the performance of GRO Grant in Glasgow between 1990 and 1993, the latest year for which comprehensive information is available for the scheme. Figure 8.8 gives the outline figures. Fifteen projects were approved 1990-93, 11 of which were new build projects, while there were two rehabilitation schemes and two mixed developments (a combination of rehabilitation and new build. New build accounted for 369 units approved or completed by 1994, 56% of the total, mixed development for 125 units, 19% of the total and rehabilitation for 152 units, 25% of the total. The total approved grant was £8.3m, contributing towards a total construction cost of £30.42m.

Figure 8.8: GRO Grant - performance 1990-93, Glasgow

	New build	Mixed schemes	Rehabilitation	All developments
Approvals	11	2	2	15
Average size (units)	34	63	90	44
Largest (units)	68	91	147	147
Smallest (units)	10	34	32	32
Total units	369	125	162	656
Total cost (£m)	16.65	6.21	7.56	30.42
Average cost*	£1.66	£3.11	3.78	2.03
Total grant	3.90	2.06	2.39	8.35
Average grant† (£m)	0.35	1.03	1.20	0.56
Average grant (%)	23.60	33.10	31.80	27.45

*Average cost per project

†average grant per project

Source: adapted from raw figures, *Scottish Homes (1994), GRO Grants for the provision of housing for owner occupation, monitoring review, Appendix C*

As to their progress by November 1994 (the date the report was published) 6 of the 15 projects were completed, accounting for 267 units, 41% of the total approvals by this date. Four of the projects, with a total of 203 units, 30.9% of the Glasgow unit total, were located in Castlemilk, Glasgow's Scottish Office Partnership area. This accounts for £3.23m of grant, 38.6% of total GRO expenditure in the city 1990-93. A further six projects, accounting for 346 units, 52.7% of the city total were located in the other peripheral estates, at a total cost of £14.84m. Average grant levels were 20.9%. The remaining five projects approved were in the inner city priority areas. These were much smaller, comprising 105 units in total, 16.3% of the GRO-assisted approvals. Cost and grant levels were £5.22m and 22.8% respectively. Thus, it can be seen that the outer estates, particularly Castlemilk, were the main focus of GRO expenditure. 83.6% of the approved units were located in these areas.

This accounted for 85.5% of the approved grant, around £7.14m. The average grant per unit was £12,729, in percentage terms 27.45%. The highest grant average by development type was mixed development (33.1%), while straight rehabilitation projects attracted grant rates of 31.8%. New build had a much lower figure of 23.6%, reflecting its lower costs in comparison with rehabilitation. By project, the highest grant figure attracted was 40.4% for a mixed development in Castlemilk, the lowest 12.9% for a mixed development in Pollok. GRO has led to a significant growth in the construction of housing for owner occupation in AAIs, leveraging in around £22.1m of actual or planned private sector expenditure to these areas.

5 SURVEY ANALYSIS

The first part of this section outlines how the survey was carried out and who was consulted. This is followed by a discussion of the reasons why developers get involved with GRO Grant funded development. Developer and Scottish Homes staff views about the GRO regime are then analysed, starting with a discussion of the competitive selection system. Given their centrality, the financial aspects of the grant regime are then given particular attention. A closely linked issue, the way the grant is monitored, is then discussed. In the concluding section these are drawn together with other issues.

(i) Survey justification

Four key developers were consulted for this study along with seven public sector officials. Where relevant, the findings of a series of background

interviews carried out amongst key players were also drawn on. The developers account for a significant proportion of GRO - aided development activity, both at the Scotland - wide (Figure 8.9) and the Glasgow scales. Of the 15 schemes approved 1990-93 in Glasgow, the developers consulted accounted for 5 of these. They were responsible for constructing 43% of units and accounted for £4.1m of grant, 48.7% of the total approved. Total investment in these projects was £14.1m.

Figure 8.9: GRO Grant funded activities carried out by development companies consulted, 4/90 - 9/93

Developer	SH Ranking	Projects	Units	GRO (£m)
1	1	9	819	9.058
2	2	10	721	7.784
3	5	9	258	2.355
4	8	3	224	1.608
Total	----	31	2022	20.805

Note: Ranking is by cash amounts of GRO received 1990-1993

Source: (Scottish Homes (1994) GRO Grants For The Provision of Housing for Owner Occupation, Monitoring Review Report p. 39)

In relation to other developers, at the Scottish level, according to Scottish Homes, they came first, second, fourth and eighth in terms of the amount of GRO they received 1990-93 (Scottish Homes, 1994). Those companies consulted are four of the nine who received more than £1m GRO assistance 1990-93 (ibid). They accounted for 29.2% of all GRO funded projects and 49.5% of units constructed under GRO, suggesting that they carried out the larger scale GRO funded projects. The four companies received 48.4% of all

GRO expenditures 1990-93. Thus a reasonable case can be made that the respondents, all whom held very senior positions in the companies consulted, were in a position to speak authoritatively from a developer's viewpoint about the performance of GRO. Further, if significant benefit is to be derived from the GRO regime, major developers will play a key role. The public sector interviewees all held senior positions either in Scottish Homes' Glasgow office or other regeneration agencies and projects in the city.

(ii) Reasons for becoming involved in GRO aided projects

A number of reasons were advanced for becoming involved in GRO funded projects. All the developers had specific divisions within their companies which dealt specifically with grant aided projects due to the specialised skills required and the longer timescales of projects, an issue which will be discussed later in this chapter. Three of the four development companies had been involved with grant aided projects before GRO came into existence in 1990. Based on this experience, they continued their involvement. GRO was basically an expansion of schemes that had been carried out on an ad hoc basis previously. For the developers, this represented a business opportunity since previous schemes had met with success: "there was a perceived strong push towards encouraging home ownership on a scale that was increasing and in areas that hadn't previously been targeted. It seemed to the board that the skills we had could assist in what Scottish Homes was trying to achieve. So from a business point of view it was a good match" (Organisation A). Another

interviewee stated that “the city council pilot project was successful for the company and the board decided there was a future there” (Organisation B).

For all the developers, GRO represented an expansion of development opportunity; “GRO Grant has allowed opportunities to take place where they wouldn’t have happened before had the developer tried to do it on an open market scenario” (Organisation C). The company for which this respondent worked for had “not really been involved in Glasgow in any shape or form” (Organisation D). GRO - aided funding has come to represent an important part of development activities; “currently we are looking at doing 400 houses in Glasgow, 200 of them grant aided” (Organisation B); “about 25-30% of our business is grant-aided” (Organisation D). To an extent these companies are now tied in to working with Scottish Homes. One developer took a broader view of the importance of GRO - aided projects to the company, viewing it as an important method of expanding the customer base for the group’s housing: “in urban renewal about 75 - 80% of our purchasers are first time buyers. If we don’t have any first time buyers, we don’t have any second time purchasers for folk that trade up later on. So from that point of view its very important to us” (Organisation D).

A further reason for becoming involved was that urban renewal housing sells faster than normal private housing development, principally on price grounds, thus reducing ‘locked-in’ capital; “ we’ll sell two to four a week in urban renewal because of prices, whereas in private development you sell three-

quarters to one and a half a week...it keeps your capital down” (Organisation D). Capital lock up is further reduced by the fact that the site is provided free of charge by Scottish Homes. It can thus be seen that from the developers’ perspective GRO represents a profitable opportunity for development and as a result of this, they have become involved in it.

From the perspective of Scottish Homes officials, GRO and other Scottish Homes spending generated interest from developers because of the decline in mainstream housing development in the recession: “the developers have said to us that investment by Scottish Homes has kept them in business....in the past, 20-30% of the house completions in Glasgow have been grant funded. last year that figure went up to around 50%. That’s because numbers overall have come down” (Organisation E). One implication that could be drawn from this according to this official is “that once the market picks up, they’ll be off” (Organisation E). A developer agreed this was possible: “Its helped developers....but my own view on that is that its only the way the market has been over the past few years...I think if the market picks up, a lot of developers will pull out of GRO Grant. The only ones that will stay in will be those that have made their name in it” (Organisation D). Another Scottish Homes official admitted it was likely some developers would pull out if the market improved, but not the major developers: “those companies that have a specific division are in this as a long term business. They make profit out of it. They are not going to walk away from that” (Organisation E).

(iii) **Attitudes to competitions**

As discussed earlier in the chapter, Scottish Homes favours the competitive selection of developers in a two stage process. Representatives of development companies interviewed for this study had severe reservations about the way the system operates. The first problem highlighted by developers was the cost of making detailed applications at the second stage of the competition: “we’re talking about between £10, 000 and £15,000 a time. You lose four on the trot that’s £60, 000. You’ve got to get that back off the next job.... Scottish Homes don’t recognise that, which infuriates us” (Organisation D). Another developer stated that “you can’t really go into a competition and arrive at a figure without a lot of information going into it. Every developer has to do that. That’s costly” (Organisation B). This problem is acknowledged by Scottish Homes. It was the main reason that the two stage competitive selection process was introduced, to reduce the number of developers incurring costs; “they (developers) have said to us that they don’t mind being involved in the cost if the odds of them actually winning the competition are higher. So if we have a shortlist of three, they’ll put energy and money into trying to win it. But if they’re on a shortlist of six, then they’re less enthusiastic about getting involved in projects” (Organisation E). Scottish Homes have to demonstrate VFM and view some element of competition as necessary: “we’ve got to strike a balance here between ensuring VFM and competitiveness and also trying to reduce the amount of fees...we think its a fair balance” (Organisation E). Another senior public official agreed with this principle in relation to giving grants for industrial and commercial

development. When discussing an alternative approach to development, the use of a preferred developer rather than competition, he admitted that the site might get developed quicker, “but once you get into it, the precepts of how we have to behave, which is even handed, competitive, demonstrate value for money to the taxpayer, militate against”(Organisation F). Most of the developers agreed with this; for example: “I accept there has to be an element of competition when you’re looking for public money” (Organisation A): “knowing the strictures they work under its difficult to see how they can be improved” (Organisation B). However, it is more the *way* in which VFM is established rather than the principle that developers have a problem with as they are incurring costs that may not be recoverable if they fail to win the contract. One developer cast doubt on the value of having a two stage system: “in my opinion the first stage is a waste of time, because all they’re asking is to confirm your interest in submitting” (Organisation D).

A further issue for developers is the way in which competitions are assessed. The main groups of criteria are cost (including levels of grant), the selling price (if they are targeted at low income groups), the quality of materials and architectural standards. Developers were unhappy about how these criteria were applied: “I think its been devalued in that there are some notable examples of competitions where after the event the criteria have been changed; for example the tempering of VFM criteria for quality criteria... the adjustment of criteria to fit political considerations....its a free for all, it’s very difficult to assess criteria.”(Organisation A). Another developer stated “what I’ve been

told in Glasgow is that its not necessarily the cheapest GRO that wins” (Organisation B). There is confusion among developers about what they require to succeed in competitions. This is exacerbated by a lack of accurate post competition reporting by Scottish Homes, and the local authority, where they are involved. According to one developer “they tend to tell you what they think you want to hear, you know ‘you were pretty close there’ ...that’s no help to us...you’ve got to know where you got it right or wrong, otherwise, every job you’re starting from scratch” (Organisation D). According to Scottish Homes staff, the criteria vary between the stages of the competition: “its more a design led issue at the beginning, at the second stage it’ll be cost led” (Organisation E). This indicates a communication problem between Scottish Homes and development partners. The issue is further confused by the grant level on offer when the agency seeks high quality housing. A developer stated that “the competitions are not really effective now, because all we’re doing is we’re taking benefit out of the product to get the costs down to a level that the competitions have forced on us...it doesn’t matter who builds them, they’re all much of a muchness” (Organisation C).

From the above discussion it is clear that there are significant problems with the competitive selection process. Scottish Homes have to demonstrate value for money. In effect the costs of this are passed on to the developer. Further, the assessment criteria are vague from a developer perspective and the levels of grant on offer sit uneasily with the stated commitment to quality. The quality issue is discussed in more detail later in the chapter. The contradictory

statements discussed above indicate the confusion there was among the key players.

(iv) Views on approval systems

The GRO approval system was outlined in detail earlier in the chapter. Guidance was published in an attempt to clear up confusion over what was required of developers by Scottish Homes and vice versa. A number of issues were raised by respondents concerning this system.

A key part of the negotiation process which has proved problematic are the legal aspects of development agreements between the public and private sectors. These have slowed down the development process. Two public sector officials highlighted this as a problem: “a lot of the negotiation we have with the private sector is not over the cost or design of schemes, but what the legal documentation is....it is not unknown for us to spend something like six months with legal documents flying between our legal section and lawyers in the private sector” (Organisation E). Another official managing a project involving a number of private sector developers, Scottish Homes and the LEC felt legal problems were a major obstruction to faster development: “we were trying to look at a tripartite agreement between the partners to see if we could simplify the process. It was so complicated that we’ve abandoned it and gone back to separate documents” (Organisation G).

The legal issue is central to the problem of standardising the application process. A linked issue raised was the amount of, and required format for, information required by Scottish Homes before it would begin an assessment of eligibility. Developers had difficulty in complying with these due to Scottish Homes requiring information in a standard fashion: “they’re trying to standardise how people approach development. We approach it in a completely different way from our competitors” (Organisation D). This can cause delays, due to the reluctance of developers to work the way Scottish Homes want them to. A Scottish Homes official stated, “we’ve tried to get some kind of standard documentation. Within three months we were discussing variations with individual developers”(Organisation E). However, one developer argued that Scottish Homes are not as rigid as the above suggests: “It depends on how their spend is at the end of the year. It depends on how desperately they want a particular site. If you’ve got a site they want to work, they will suddenly find a method which you have never heard of; that’s a worry for developers. They say (*Scottish Homes*) ‘that’s it, we won’t deviate’. But where it suits them they can certainly bend the rules” (Organisation D). The development community is close knit in the city: “they (*Scottish Homes*) don’t realise that developers talk to each other” (Organisation B). Knowledge in this network that this has happened in the past may undermine Scottish Homes’ negotiating stance when trying to impose a standard system, as they themselves have bypassed it when it suits. This may be one reason why developers continue to seek legal and procedural

negotiations with Scottish Homes and why it has been so difficult to operate a standard system.

One developer admitted that the process had exposed shortcomings in his own company: “inevitably you’ll get the approval within the timescale Scottish Homes have set. If you take it from when we first lodged, we’ll say ‘you’re taking three or four months longer than you should have done’”. It then becomes a moot point as to who is to blame. The fact that we’ve had to change things suggests we haven’t been as competent as we should have been” (Organisation A). Another developer agreed: “to be fair to Scottish Homes, we’ve changed our procedures because of them and its improved us” (Organisation D). This respondent raised another important issue, that of coordinating the operation of two bureaucracies to attempt to get them to work in tandem. The internal bureaucracy of a large private company imposes demands on its employees as does the public sector bureaucracy of Scottish Homes: “we’re very much a bureaucratic operation. So when the two meet there are problems” (Organisation D). In effect, company bureaucracy had to come into line with that of Scottish Homes for it to begin to access GRO funds.

Questions were raised by developers concerning the competence of Scottish Homes staff and the resources allocated to carry out development appraisal at the pace demanded by them. One highlighted that a key problem was in financial appraisal: “the district offices are not geared to deal with the application at the speed which a commercial outlook requires....they have a

shortage of staff in the accounting side; only these people can deal with the DCF scenario required by the Scottish Office. The time taken is getting beyond a joke. Invariably it goes through the technical appraisal reasonably well, but gets stuck when it gets to the financial appraisal” (Organisation C). At the time of the interview this developer had three developments pending awaiting the outcome of the financial appraisal.

Lack of development experience in Scottish Homes was mentioned as a source of some problems; “they’ve got to have a more realistic approach as to how developers work. Half the problem is that the development staff don’t have development experience” (Organisation D). This respondent had worked previously in the public sector before moving into property development: “I didn’t have the development experience when I came here and its a long learning curve” (Organisation D). Another developer agreed this lack of experience was an issue: “they have set themselves up without developers....that’s what they’re lacking” (Organisation B). This highlights the issue, discussed in Chapter 6 of this thesis, that the private sector may have more confidence in public sector agencies if they employed more staff with a private sector background.

Another issue related to approval timescales is the level of delegated authority to approve grants. One developer suggested why the levels of delegated authority in the approval system were at the current levels: “I don’t think they trust us, certainly in the Scottish Office. To speed things up, the £500, 000

bottom line for district level approval should go to £750, 000 or a million. They've been doing it for six years. Surely now Scottish Homes could do it" (Organisation D). Another developer felt this was not a major problem: "by the time it reaches the Scottish Office, its gone through the local development support unit and we are pretty confident that if it passes that bit its going to go through the Scottish Office. It normally does so within a six to eight week period unless there is a specific principle of variance" (Organisation C). For this respondent the key problem was the slowness of approvals at local level. A Scottish Homes official noted that the levels of authority were there because GRO is a relatively new regime and that, as with HAG, which had a twenty year track record having been formerly administered by the SSHA and HCS, more delegation would come with time: "because its a new grant mechanism, it will take time to build up the confidence of everyone involved in that process; our expectation is that we will get increased delegated authority" (Organisation E).

The issues discussed in this section and the preceding section on competitive selection are good examples of the realities of partnership working with a disparate entity like the private sector. Public agencies and private companies seek to protect their interests and protracted negotiation results before a workable resolution is reached. As this section has illustrated, it does not stop once a workable arrangement is reached; there is continual discussion from interest groups to have the system reformed in their interest. Scottish Homes need a standard system to deal with the volume of applications at the required

speed while ensuring transparency, while the developers are interested in maximising their influence in their own interests.

(v) Perspectives on the financial aspects of GRO and current monitoring systems

The key issue in the assessment of the effectiveness of the GRO regime at stimulating private investment in depressed or non-existent local housing markets is the cost to the public purse of generating that investment. This involves assessing the level of grant offered within the IRR allowed, i.e. up to 30% or 40% in AAIs at an IRR of 8-12%. As discussed in detail earlier in the chapter, deficit finance is paid to a level which in theory allows a profit of 8-12%. However, the monitoring of costs is expressed in terms of *potential* powers rather than a definitive statement of actions that *will* be taken. This section looks at the opinions of key actors in the process as to how this actually works, beginning with a discussion on the necessity for subsidy. Cost assessment, clawback and grant levels are dealt with together as far as is possible because they are closely interlinked.

There was unanimity amongst respondents that the GRO system was necessary to stimulate private sector investment in housing in depressed local economies. For example, one developer stated that GRO was necessary “because the market wouldn’t sustain the level of development; you would never recover your development costs through the values of the local market. There has to be some way to get around that” (Organisation C). Another developer agreed:

“you’ll need GRO Grant if you’re building in these areas”(Organisation B). For another respondent, the scale of the subsidy that was paid made it self evident that deficit financing was necessary: “the average public subsidy is probably around 20%. That figure in itself, its 20% of development costs, just shows you that we’re miles away from looking at that as a possibility on the open market....(without grant)....it doesn’t even reach the risk scenario” (Organisation B). From a Scottish Homes perspective, an official strongly defended the need for subsidy: “we’ve got specific examples of marketing land and the private sector didn’t bite. Quite clearly they do need the subsidy. The possibility that we’re giving subsidy to people that don’t actually need it is not on, especially as we’ve got three or four developments around the city which are having difficulty selling even after subsidy....that suggests to me we’ve got it about right” (Organisation E). Thus it can be seen that amongst key actors consulted there is consensus that subsidy is essential. However, as the discussion below illustrates, there is disagreement about the levels of subsidy offered within allowable rates of return.

One developer freely admitted that cashflows were manipulated to show higher levels of cost than were actually incurred: “what you’ve got to do is try and find other ways of hiding the money. That’s the bottom line. Every developer if they’re honest will tell you that. We would rather be up front. Unfortunately it doesn’t work that way” (Organisation D). A Scottish Homes official agreed this occurred: “we’re aware of the fact that developers overstate their costs, but if they do it’s not by much” (Organisation E). Cost assessment

was done by comparing costs with other developers and contractors: “provided there’s no major variation, we’re happy to take the costs given to us by developers. We do test them against other costs” (Organisation E). However, this does not allow for cost reductions after an application is accepted and the grant level agreed, or the possibility that all costs submitted are overstated. The official admitted that cost reductions were possible: “its only perhaps through economies or getting deals with subcontractors or suppliers that developers will reduce their costs more than they have said to us” (Organisation E). This would seem to be common commercial practice; i.e. to exert constant downward pressure on costs rather than work at a set level agreed in a projected cashflow.

A further issue in this is that many of the development companies involved in GRO are large companies within which internal contracts are placed. A Scottish Homes official was also aware of this: “there’s also a profit element; a lot of the developers use contracting arms; so there’s an element of profit in the contracting arms, an element of profit for the developer built in there somewhere”(Organisation E). Again, he admitted that costs were largely taken at face value: “provided the costs per specification item can stand comparison with other contractors we’re OK with that” (Organisation E). The following statements give a further insight into this: “our view is that once we’ve approved a project, costs are fixed and it’s up to the developer to manage that process...the developer’s got to retain some of the risk....it gives the developer an incentive to keep costs under control....its for the developer to

manage the development process and reduce the level of risk” (Organisation E). This statement implies an acknowledgement, as stated earlier in this section, that it is in the developers’ interest to ensure that costs are reduced to minimise risk through efficient project management. Another developer felt that the monitoring system was adequate: “Scottish Homes are monitoring costs. We have to produce monthly evaluation statements for them. They in turn have third parties to validate that. At the end of the project they have a rationalisation of costs against what they said it would cost” (Organisation A). However, the developer above who admitted *concealing costs* agreed with this statement, “every three months we put in an evaluation to them of the appointed QS and we get paid the grant accordingly” (Organisation D). There *is* monitoring of the costs of projects, but it does not seem to be robust enough to prevent overstatement of costs. It is also not effective in terms of clawback, because as discussed earlier in this chapter, the clawback calculation is made on the basis of *increases in sales income, not cost reduction*.

This issue of the weakness of cost assessment procedures is given further weight by the following statement by a regeneration project manager concerning a housing led development which had both Scottish Homes and Scottish Enterprise Network funding: “Scottish Homes do not audit costs. SE and the LECs do audit costs. They both report to the Scottish Office. We don’t understand how Scottish Homes get away without auditing costs and the LECs have to....its astounding that they get away with it” (Organisation G). This gave problems for the project since they had to demonstrate auditing of

the LEC funded component: “in comes the LEC and they say ‘we audit costs’. There’s had to be a very delicate mechanism put in place that allows this development to happen within internal rates of return set down by the Treasury. Which means that we will audit costs, but our clawback, which is effectively why you audit them, is limited to a ceiling which reflects the amount of money we’ve put into the project. If they save money, then we reduce the amount of VIBRO Grant that we give them and that is the compromise” (Organisation G). In other words the amount of GRO Grant is not affected, while the LEC component, VIBRO (an environmental improvement grant) is more rigorously assessed and thus for the project as a whole, costs are in line with a justifiable amount of grant.

The implication from this is that where there is purely GRO involved, that would not happen and clawback would bear less relation to actual profitability, because there is no rigorous assessment of costs and thus rates of return. Further evidence that this is the case is provided by the following quote from the same project director: “when we actually employ a real clerk of works to stand over their shoulder to watch what they’re doing and he reports to us that he doesn’t like the way they’re putting in a damp course or whatever, we get onto them and say you’ll have to rebuild it: they’re shocked because nobody’s done that to them before....when we started to complain they didn’t know how to deal with it and we had to go up to managing director level. These companies have reputations and if you start questioning the quality of their reputation it affects them not just locally, it affects them nationally”

(Organisation G). From this it can be inferred that cutting costs and thus increasing the rate of return is common or it would not have been such an issue for the project. A developer who had worked on the project agreed that it was the tightest regime his company had ever worked under: “the brief was very, very tight. It was so tight they actually told us what the radius of the kerb blocks should be. We’ve never had that before” (Organisation D). This further suggests that GRO monitoring does not involve a detailed assessment of costs.

Further evidence of the delicacy of the situation regarding *actual* rates of return is provided by the following statement from a developer: “our concern as a Federation of House Builders was that they were actually going to go back and revisit the sales profile and then work out the *actual* rate of return and adjust the grant accordingly. The minute they do that, everyone will close the doors to them” (Organisation D). According to this respondent, the development companies would not work on GRO projects for the returns demanded on paper by Scottish Homes. Further, he stated “they (Scottish Homes) are trying to impose an 8 and 12% IRR. That is totally unrealistic. If we went to our board and showed an 8-12%, even an 18% return, we would not be allowed to invest in that. The risk is far too great. Our rate of return is a lot more than that...if there were full open book accounting, we would not be here. The returns are just not in it for us” (Organisation D). Another developer stated: “if we cannot meet the level of return that we need to stay in business there’s no point in going in for these projects. We’re very, very close to that limit if

not over it at the present time” (Organisation C). Another was more pragmatic: “there is an element of the procedure of GRO Grant which determines the rate of return which our shareholders have never been happy with, but to me that’s water under the bridge” (Organisation A). This respondent implied that his company had to work within the rules. The others either broke the rules or were on the verge of doing so or withdrawing altogether.

‘Real’ levels of subsidy have a major impact on assessment of the effectiveness of GRO. Taking the perspective identified in this section that developers understate their costs to gain a higher rate of return on their investment than is ‘officially’ stated (ie 8-12%), reduction in costs will inevitably affect the level of the public contribution as a percentage of the total costs of the project. The hypothetical example below illustrates the effect when a developer cuts costs by 10% on the initially agreed value and the grant level remains constant.

Stated key figures

Total Cost of Project	£1million
Developer’s stated contribution at time of signing contract	£800, 000
GRO contribution	£200, 000
Level of GRO Grant subsidy	20%
Leverage ratio	1:4

‘Real’ Key Figures following 10% cut in developer’s costs

‘Real’ total cost of project	£920, 000
‘Real’ developer contribution	£720, 000
GRO Contribution	£200, 000
‘Real’ level of GRO Grant subsidy	22%
‘Real’ Leverage Ratio	1:2.7

Assuming the measurement of value for money is based on the leverage ratio, then the project presents less value for money than is claimed if this happens. A further issue is the effect that this would have on the developer’s profits, as is outlined below.

Impact on profitability of 10% saving on costs

Stated total cost plus profit	£1.08-£1.2m.
Level of profit (IRR of 8-12%) on stated project cost	£80-120, 00
‘Real’ level of profit based on ‘actual’ costs	£160-240,000
‘Real’ rate of return to developer based on ‘actual’ costs	17-35%

On these figures, if the value for money assessment was made in terms of the profitability of the project to the developer, then it would not meet the terms of Treasury regulations. These hypothetical calculations illustrate the problem with the way GRO is assessed. Any estimate of the success or failure of policy must take into account true costs. Further, these figures suggest that, as higher subsidies seem to be necessary, that the housing markets in these areas are weaker than the published figures suggest.

An argument could be made that variations in costs, grant levels and profitability do not actually matter that much, given that a set amount of housing for sale is constructed within a disadvantaged area at a percentage of the cost to the public purse than would be the case if all costs were borne by Scottish Homes. However, this is really only tenable if the aim of policy is simply to get the houses built. Scottish Homes' long term aim is to create sustainable local housing markets. If subsidy continues to be essential at higher levels than the already high 'official' level, then this will not be achieved.

A further concern identified is the amount of grant offered for the quality expected by Scottish Homes. Scottish Homes has a stated commitment to the quality of design and materials used in schemes funded by them. However, there is some evidence to suggest that this is not happening. One developer stated that "I think they've probably changed their tune now about high quality...they're coming into the real world" (Organisation B). Another developer agreed that there was less funding available and that quality suffered: "certainly they have to lift the level of funding they give to get back to something worthwhile. Its cheap and cheerful at the moment" (Organisation C). The reason for this situation is that Scottish Homes are pushing for an average grant level of 20% of development costs for GRO funded projects. Grant paid at these lower amounts increases the level of risk for the developer. In this situation, quality is likely to become less of a

consideration, especially when selling prices have to be kept compressed to meet the requirements for low cost homes and the untested nature of the markets in which these houses are selling are taken into consideration. The competitive selection of schemes has also had an impact on quality as discussed earlier in this chapter, as developers have to take account of the possibility that Scottish Homes may take the least cost option. Against this is must be noted that as the section on competitions showed, it is not clear what criteria Scottish Homes give precedence to.

Finally on this issue, how the level of grant was arrived at was of concern to one developer: “ I think its just a question of ‘we’ll set it at that’ and by doing so we will achieve value for money. But they are very much in danger of not achieving value for money. The product is perhaps being skimped on” (Organisation C). Another felt that Scottish Homes, under pressure from the Scottish Office and Treasury and, in accordance with its exit strategy, having, in its opinion, begun to resolve the identified market failure, were assuming that, because some projects in regeneration areas had been successful at higher grant levels, less subsidy was now required to provide the same level of quality: “they’re trying to control the market and the market won’t be controlled” (Organisation D). It appears that what has happened is that as grant levels have fallen, quality has fallen. A possible reason for this is that developers have less confidence than Scottish Homes that in some regeneration areas, higher quality and thus high cost housing (assuming diminishing grant levels) will ever be viable. One major developer stated: “you will not sell

housing in Castlemilk for £75 000. The private sector have stated this to Scottish Homes” (Organisation B). Another developer agreed “if you want things to happen quickly within existing settlements....then there must be public subsidy” (Organisation A). This appears to be a major problem for the policy in its current form. The aim is to gradually decrease funding as the market begins to operate. However, at this stage, reductions in grant levels, according to respondents in this survey, appear to be leading to quality reductions. It may be that Scottish Homes and its funders are over optimistic about the impact of the scheme to date.

6 CONCLUSIONS

All respondents agreed that the GRO Grant regime had successfully stimulated housing investment in areas where it had previously been absent. Around £22m of private sector investment was generated 1990-93. Thus it is contributing to urban regeneration based on the analysis that policy in the city is currently following, i.e. that it is one component of creating a ‘virtuous cycle’ of regeneration. It has begun to address the major market failure it seeks to resolve. Development companies have become involved in the programme because it has opened up new markets that were previously either non existent or too high a risk to consider.

There are issues such as the way in which developers are selected which developers are not happy with. There does not seem to be a way round this other than a major overhaul of VFM policy. Two respondents suggested a

competitive tendering system much like any other public sector contract. Another suggestion was to reform the HAG system (under which developers currently build under contract for housing associations) and combine it with GRO to allow housing associations to buy from the development company, while a tranche of identical housing was sold on the open market. For the moment however, according to Scottish Homes staff interviewed, current procedures are satisfactory from their perspective in terms of the regime meeting their responsibilities.

Returning to the financial aspects of the policy, which are key in any discussion of its success, there are issues which this chapter has raised which question how successful this grant regime actually is in terms of the scale of necessary public investment to make it happen. Together with demonstrating VFM, the level of public subsidy is central to assessing the success or failure of policy. According to some respondents, whose views have been extensively documented in this chapter, it is not possible to come to any meaningful conclusions as to the level of subsidy required. This is because there is insufficient monitoring of the cost aspect of GRO Grant - funded projects to be able to state that developers do not under report their profits. According to the findings of this study, this lack of monitoring has led to developers making more than they say officially or producing a reduced quality of work to meet the IRR restrictions. This suggests two possible conclusions. First, that the developers could develop in these areas without, or with less, subsidy being paid, at a lower profit margin than they are currently achieving. This is

unlikely because it did not happen when GRO was not available. Against this it could be argued that there was no development in these areas because of the reluctance of the local authority to release land to the private sector. However, the key issue is that developers *still* feel that there is still a high degree of risk in GRO aided projects, particularly within the stated level of allowable return of 8-12%. For developments to happen without GRO there would have to be a high profit ratio, since the risk would be so high. This implies that selling prices would be very high. This tends to discount that argument. This suggestion is further undermined by the scale of the subsidy officially offered by Scottish Homes, i.e. up to 40%. This alone suggests that non-grant aided housing development is not feasible without significant public sector investment. Further evidence for this is that quality has begun to decline as grant levels decline, because developers are not willing to take risks in these new markets.

A more plausible conclusion is that under the current regime the levels of GRO available and the IRR are simply not realistic given the level of risk to the developer. Thus the developer is forced to conceal costs and under report profits to make the return demanded by the company. This was stated explicitly by one developer, implied by others and backed up by the statements of public sector officials. The implication of this is that *more* subsidy is necessary to further reduce risk or that a *higher* level of profitability should be allowed to balance risk with return. Increased profitability can be achieved either by legitimately reducing costs or increasing selling prices.

Only cost reduction would be feasible since the aim is to produce low cost home ownership. Further, the markets are untested for high cost housing and developers would be unlikely to commit themselves to such a level of risk. Thus low cost housing at lower grant levels would be of lower quality. According to what some respondents stated this is what is happening at the moment. This discussion suggests that the local housing markets in these areas are much weaker than proponents suggests and that the policy is overstating its success in generating private sector investment at the leverage ratios claimed. Further, progressive cuts in GRO levels are likely to undermine the success the policy has achieved to date as poorer quality housing will limit the growth of the market and thus undermine the regime's contribution to regeneration strategies. The current system also lays itself open to question as to why monitoring procedures are so lax. More seriously, it is open to allegations of fraudulence as currently constituted.

The above are major problems. It is not clear how the above can be overcome other than by increased investment by Scottish Homes and the Scottish Office to pursue their aim of promoting home ownership. A further problem which must be addressed is the scale of the developments which GRO is applicable to. Two respondents suggested that GRO was set up to address the problem of gap sites in local authority/housing association dominated areas, but was not able to cope with a larger, more strategic approach involving estate development with its requirement for associated infrastructural investment

such as roads, electricity, gas, sewerage etc. This is because it is geared to site specific costs only. This problem, because it increases risk for the developers if no other sources of finance are forthcoming from the public sector, has delayed progress on existing developments in the city on peripheral estates, where access is a problem. The system as stands is suited, with all its major problems, to small sites, but is problematic at larger scales. Thus it is always likely to be limited in the contribution it can make to urban regeneration strategies.

Finally, this chapter has illustrated the difficulties of the reality of financial partnership between the public and private sectors. At each stage of the process, both sides indicated the problematic nature of the system. At its most basic, the issue is one of resolving differing objectives by engaging in a process of continual negotiation and conflict resolution to attempt to come to a mutually satisfactory outcome. Based on this research, it appears that this process is one in which, because of the regulatory system, the public face presented and the internal reality are at variance.

CHAPTER 9: CONCLUSIONS

1. INTRODUCTION

This thesis has investigated the impact of attempts to stimulate private sector involvement and investment in the regeneration of disadvantaged areas in the city of Glasgow. Firstly, the causes of persistent deprivation were discussed and the former government's approach to resolving these issues based on developing a 'private' ethos in the public sector and the application of a market failure rationale for intervention analysed .

This was followed by a review of historical developments which have attempted to generate private involvement and investment in the regeneration process in the USA and UK, with particular reference to the Scottish and Glaswegian experience. The aim of this chapter was to place the analyses of the original fieldwork findings in their context. A review of the performance of the Glasgow economy, the characteristics of disadvantaged areas in the city in the period leading up to the time frame of the study and the delivery structures for urban policy completed the contextual element of the research.

The key chapters of the thesis (chapters 5 to 8) analysed the main policy oriented questions the research addressed. This was done through detailed investigation of the main aspects of involvement and investment which have occurred in the city in recent years.

Firstly, a survey of key companies assessed the awareness of, and attitudes to, the regeneration process in the city's business community. Secondly, the

impacts of policies intended to increase private sector involvement on the programmes and organisational structures of regeneration agencies in Glasgow were assessed. Detailed analysis of the effect private sector representation through the mechanism of board membership of regeneration companies has had on the way companies are organised and run was carried out.

Thirdly, attempts to stimulate private sector investment through the mechanisms of the labour market by working to develop private sector participation in employment advocacy programmes were analysed. Finally, the performance of the only major scheme taken up by the private sector aimed at investment in property development in disadvantaged areas, development of housing for owner occupation through the GRO regime, was assessed in detail. This concluding chapter draws together the key findings of the research.

2. THE RATIONALE FOR PRIVATE SECTOR PARTICIPATION

Chapter 2 considered the relevance of the dominant market failure rationale to the regeneration of depressed areas within the urban economy. It represents an attempt to bring the theoretical perspective closer to the reality of the development process. The theory argues that the market does not work perfectly. There are failures intrinsic to the mechanism which impede the efficient operation of the market. Chapter 2 discussed these various issues in detail. What is important is to emphasise that the approach only recommends public sector intervention when there is an identifiable market failure with the aim of improving the efficient operation of the economy. This causes

problems when the policy is applied to the issue of regenerating depressed areas of the urban economy. As discussed in detail in Chapter 2 of the thesis, these areas are ones in which many of the problems have been largely caused by the inefficient operation of markets. In their current position the populations of these areas are unlikely to be well placed to benefit.

The final part of Chapter 2 presented an alternative approach to understanding the causes of persistent concentrations of deprivation. Social and economic forces, such as the growth of long term unemployment caused by structural change in the economy, the structure of tax and benefit systems and changes in family structure have caused concentrations of disadvantage amongst groups in society. For a variety of reasons these groups have become concentrated in spatial terms. The factors that encourage these concentrations act to reinforce one another and can act to lock areas into cycles of decline.

In the terminology of cumulative causation, the aim has to be to break the cycle of decline in these areas. Fundamentally, regeneration policy based on an acceptance of this must be redistributive. The market oriented approach pursued by successive governments cannot resolve these issues. The following sections of this concluding discussion assess whether, in the recent experience of the city of Glasgow, stimulating private sector involvement and investment in a policy matrix constructed on redistributive premises is a tenable proposition.

3 THE HISTORICAL RECORD

The analysis in chapter 3 of the policy record provided a number of conclusions. Firstly, the stimulation of private sector involvement and investment in the urban regeneration process has a long history in the USA, while in the UK, the first real drive to stimulate participation came only after 1979. Secondly, in the UK in the 1980s, there was a shift *away* from the social policies of the 1960s and 1970s as an attempt was made to refocus urban policy on economic opportunity. This drive was only partially successful. Since the late 1980s there has been a shift back towards addressing urban problems, leading to the balanced approach now being attempted, i.e. addressing both growth and redistributive issues.

Thirdly, there is a strong case to support the contention that there is now a degree of convergence in UK and US urban policy, focused around public-private partnership, both organisationally and in resource terms. Mechanisms such as Empowerment Zones, SRB initiatives and integrated local initiatives are the institutional manifestation of these attempts to solve the problems of disadvantaged urban areas. The private sector role is viewed as critical to the success of these initiatives. The city of Glasgow offers a policy history which is effectively an amalgam of these approaches, with an early concern with physical regeneration followed by engagement with the private sector to exploit opportunities in the city, and moving into a more balanced approach in the 1990s, attempting to work to continue to develop opportunities while

working to stimulate private participation in the regeneration of more disadvantaged areas.

4 THE SOCIO-ECONOMIC AND POLICY ENVIRONMENT

Chapter Four presented a detailed picture of the performance of the Glasgow economy which illustrated its weakness in the decade leading up to the period in which this research was carried out. Manufacturing collapse, a stagnant service sector and low levels of entrepreneurship led to low levels of economic activity across the city. These problems were concentrated in disadvantaged areas. Local initiatives were set up to address these issues. It was in the context of the problems of these areas that this research assessed the experience of agencies attempting to stimulating private sector participation in the regeneration process. The following discussion of the findings of the core chapters of the thesis analyses these impacts.

5 THE BUSINESS COMMUNITY'S PERSPECTIVE ON THE URBAN REGENERATION PROCESS.

Chapter 5 analysed the findings of a wide ranging survey carried out for this research of the attitudes and awareness of the regeneration process amongst key players in the city's business community. Respondents were questioned on their awareness of the agencies charged with delivering regeneration policy in the city, knowledge of their activities about the nature of the regeneration process and their attitudes to it. Attitudes towards the role of the private

sector, levels of participation and the potential for increased participation were also investigated.

Awareness of the existence and activities of the agencies in the city charged with delivering regeneration policy was low overall, suggesting that agencies need to make themselves more visible as a first step to developing greater private sector knowledge of their activities. The main findings of the survey were that, firstly, in the main, respondents were supportive of the concept of holistic regeneration. However, there was a lack of understanding as whether or not the goals of policy could be achieved, due to lack of awareness, lack of interest or clear understanding of the actual goals of policy as agencies had failed to articulate the goals clearly.

Closely linked to the above was the finding that all the components of regeneration policy were viewed as important to greater or lesser degrees in the opinion of the sample. Interestingly, policies which were geared towards resolving the problems of disadvantage were rated as more important than those which were opportunity driven. Respondents also felt in the main that the private sector could make a unique contribution to the delivery of regeneration policy, principally by application of their commercial and business experience to bring an alternative perspective to the issues. Further, the majority of respondents argued that private sector participation was crucial for successful regeneration, due to the extra financial and expertise resource that could be generated and the fact that regeneration policy cannot succeed in

a vacuum without engaging with market institutions and mechanisms at some point.

However, despite the acknowledgement that the issues are very important and that the private sector could play an important role, the great majority of respondents were not involved in any way in the regeneration process. This is a key point: the problems are acknowledged as crucial, but it was not felt to be the role of the companies the respondents represented to do anything about it. This antipathy towards involvement was further illustrated by the largely negative response to potential methods of stimulating increased private sector involvement and investment in the regeneration process.

A further important point to note is that detailed statistical analysis carried out to try and identify any differences in response caused by the different backgrounds of the companies, such as their size, sector, location of ownership and age revealed few statistically significant differences. This suggests that, despite the fact that respondents came from different backgrounds, there does appear to be a 'private sector view' given the homogeneity of opinion.

In summary, what this survey illustrates well is the problems public agencies face if they are to attempt to stimulate greater private sector involvement and investment in the regeneration process. Respondents have an awareness of the issues and their importance, but are either unwilling or unable to become involved to try and resolve the problems policy is attempting to address.

6 INVOLVEMENT: IMPACTS ON STRATEGY, PROCESS AND STRUCTURE

Chapter 6 assessed the actual impacts that private sector involvement through the mechanism of non executive directorships had on the strategy, process and structure of eight urban regeneration organisations in the city of Glasgow. The findings were that private sector directors' reasons for becoming involved were varied, including a feeling of social responsibility, opportunities for personal development and the potential to access patronage and make financial gains. Others became involved by chance. The average amount of time committed was around two days per month: board members and chief executives felt this was sufficient and that to have more involvement, particularly through board meetings would lead to the organisations becoming more bureaucratic. Further, directors from a private sector background could not afford to commit more time.

The core of chapter 6 discussed the strategic input of private sector directors. The key finding was that any input private sector directors could have was heavily circumscribed by the political and environmental context. As stakeholders they had very little bargaining power as the only resource they were committing was their own time. Further, the strategic hierarchy is still largely informed by a public sector cultural mindset, despite the 'entrepreneurial' attitude of many of the senior officers involved in these

organisations. Private sector directors were unfamiliar with this operating environment. The potential for private sector directors to be 'visionaries' in strategic terms was constrained by lack of knowledge of the complexity of policy issues and the operational structures of the public sector as well as the constraints on autonomous decision making the organisations have to operate under. There was some evidence of the existence of a private sector perspective on strategic issues, in terms of a focus on the cost and deliverability of programmes, but the overall outcome was one where, for the above reasons, tokenism dominated over practical contribution.

Private sector directors' impact on the process of delivering programmes within the structures of the organisations was also limited. Again the political and environmental strictures under which the companies operated necessarily limited the contribution that could be made, as did the problems of lack of understanding of the issues, time to commit to the organisation and the predominance of a public sector culture in the companies. However, within this, private sector directors did have some positive inputs, particularly their ability to think commercially and transmit this to other directors of the organisation. They also assisted senior officers to develop a more commercial orientation, particularly on financial and personnel issues.

One of the most important contributions private sector directors made was to give the organisations a measure of independence from the funding agencies as they were not accountable to them in the same way public sector officers or

elected officials were. Finally, private sector representation gave the regeneration organisations routes into private sector business networks that they would not have had without involvement and also a measure of credibility with the private sector - an essential element of co-operative working.

In summary, the impact of attempts to develop private sector involvement in the regeneration process, defined as participation through in the actual organisations charged with delivery, has had limited but, from the perspective of directors and senior officers, positive effects on the strategy, process and structure of the organisations.

7 INVESTMENT THROUGH THE LABOUR MARKET

Chapter 7 analysed the effect of policies aimed at developing labour market linkages between disadvantaged areas and employers through employment advocacy programmes. These attempt, firstly, to develop people's abilities through personal development and vocational training until they reach a situation where they are in a position to compete effectively in the labour market. Secondly, these programmes aim to assist people to access the job market by working closely with employers to encourage recruitment from their client base.

The findings of the chapter were mixed. There was a lack of awareness amongst the companies consulted about both the existence and available

programmes of those agencies charged with implementing policy. Although policies were rated as highly important by the business community, there was a lack of support for the suggestion that training and employment advocacy policies would encourage greater private sector investment in the regeneration process through the labour market.

Discussion of cases in which partnership working was developed provided important illustrations of the reality of attempting to deliver policies such as these. The main findings from this section were that there was a need to develop trust in the competence of both partners. This was built up through communication. To assist this, there was a need for a clear articulation of the goals and objectives of both sides in terms of what each expected from the other and the hoped-for results. The public agency had to be prepared to work flexibly and at pace to meet the demands of the employer and consistently deliver on commitments to the employer.

In summary, on the evidence presented here, employment advocacy programmes have had limited impacts in stimulating private sector investment in the regeneration process through labour market intervention. Much of the explanation for this can be accounted for by the lack of awareness of agencies and programmes in the public sector. However, the survey suggested a reluctance to get involved on the part of the private sector, which suggests such policies may only ever have an effect at the margins. What such policies have done in the public sector, however, is cause change in the way some training,

jobsearch and recruitment assistance programmes have been organised, with an emphasis on customisation, pace of delivery and flexibility.

8 INVESTMENT THROUGH THE HOUSING MARKET

Chapter 8 provided a detailed insight into the only major mechanism which has stimulated private sector property investment in the regeneration of disadvantaged areas of Glasgow: the GRO Grant deficit finance regime administered by Scottish Homes. The research found that the regime has begun to redress a major market failure, namely the absence of local housing markets in economically depressed, social housing dominated areas of the city. In the early years of its operation, 1990-93, the scheme stimulated around £22m of private sector investment in depressed areas of the city. The low cost housing constructed was in most cases successfully sold on the open market, principally to first time buyers. At this level of analysis the scheme appears to have been successful and has contributed to the holistic regeneration approach adopted by agencies in the city under the auspices of the GRA.

However, there are a number of issues which cast doubt on whether the scheme has been as successful in directly economic terms as claimed by proponents. The key issue here is the level of deficit finance paid to developers. Evidence assembled in Chapter 8 casts doubt on the actual, rather than official, level of support the companies involved in investing in GRO projects receive. This is an extremely complex issue, but one which demands attention. This research argued that it appears that developers may be being paid significantly more in

subsidy as a percentage of total costs than it seems at first sight, because Scottish Homes' monitoring systems depend largely on self accounting. The viability of the developments in value for money terms and the claims made about successfully stimulating housing markets in these areas must be called into question. Major subsidies are being paid, but such is the scale of the market failure and the tightness of the 'official' GRO regime that to make what they consider an adequate return, according to this research, developers appear to have concealed costs and thus under-reported profits to Scottish Homes. This means that any assessment of value for money has little meaning. Further, if developers are in reality being paid over 30-40% of their construction costs to reduce risk to acceptable market levels, then the long term viability of these local housing markets is at best questionable.

In addition to the major questions raised by the above findings, Chapter 8 also illustrated the problems that arise when attempting to develop financial partnerships between the public and private sectors, when the policy is intended to address multiple objectives: profitability for the developer and construction of private housing for sale in a disadvantaged area for the agency. The process is characterised by a constant dialogue of negotiation as both sides attempt to manipulate the system in their own interests. The financial aspects discussed above are, in effect, the major manifestation of this process. The research also identified conflicts over procedures, pace of delivery of decisions and the competence of staff on both sides to deliver.

In summary, what this aspect of the research found was that property investment could be stimulated in the regeneration process to a degree, but only at the expense of a lack of clarity of the actual costs to the public purse of developments and a protracted, often hostile, negotiation process between the partners. From the developers' perspective the key problems revolved around competence, procedures and resource levels, while from the public agency the key problem was the development of trust between the partners.

8. CONCLUSIONS

The foundations of the drive through the 1980s and the 1990s to stimulate private sector involvement and investment in the regeneration process provided only a partial view of the realities of urban problems. Both the analysis of the problem and the solutions proposed to resolve it were coherent but partial and impractical in real world terms. This research has focused on the impacts in Glasgow of one of the elements of this proposed solution to urban problems and has found major difficulties. As has been shown, there are many very strong arguments which explain the relatively low levels of private sector participation in the urban regeneration process. This concluding section will attempt to point to possible ways forward for a policy approach based on public - private sector joint co-operation which might allow both for an increase in the **level** of private sector participation and in the **quality** of the contribution. There are a series of practical steps which could be taken to

avoid the pitfalls reported in this research and build on the positive aspects where they are present.

In the past, due to the heavily ideological approach taken by successive Conservative governments, policy pronouncements as to the possible role the private sector could play were over-optimistic. The idea that the private sector could solve the problems of disadvantaged urban areas was unrealistic as this research has shown. The essential point to be understood here is **realism**. The private sector contribution should be to provide advice where appropriate and act as an investment partner where it is financially viable. In this sense the private sector has to have a foot in both camps, acting as a provider of advice and a recipient of service.

The first challenge for policy makers attempting to generate private sector participation is to **raise awareness** of their activities in the private sector. The business survey and other elements of the research reported in this thesis highlighted the lack of awareness in the business community of what agencies do. Raising awareness could have the twin impacts of potentially increasing the size of the pool of candidates and expertise in the local business community that the agency could tap in to, while also possibly increasing take up of services offered by the agency to businesses. Through developing better awareness agencies could begin to run their organisations more effectively with a greater business input, while working towards achieving their development aims by assisting local business growth. However, the survey

also showed that even with raised awareness in the business community, take up of services was affected greatly by economic conditions in the city.

Perhaps the greatest barrier to effective private sector participation in the agencies analysed for this research is the **structure** of the urban regeneration system in Glasgow. Strategic priorities are largely formed in a top down fashion. This is clearly shown by the structure of the funding and monitoring systems put in place which ensure that effective autonomy at lower levels is highly circumscribed. What this has meant for the local agencies in terms of strategy formulation is that strategy has to fit with that of the agency higher up the system to ensure funding. Private sector representatives' power is very limited over this area of policy, even more so than those representing public agencies because there is very little private contribution in financial terms in these agencies. Given the way the system is structured, this is correct as the strategic hierarchy is the only real accountability mechanism. However, it limits the local role. If the aim of policy is to constructively engage the private sector it may be that more local autonomy is necessary. How this would be achieved is unclear, but a more effective grounding in local communities with genuine partnership between public authorities, the private sector and the local population may assist this. If it is felt that **genuine** private sector involvement would bring major gains then the **structure** would have to be reformed to enable this **process**. As currently structured, it is a major barrier to private sector engagement in the process.

The research has also highlighted important issues in the **management** of private sector representatives that if addressed, could have positive effects on the contribution made. In other words, the process within the current structures could be improved to increase the value of the private sector contribution. Urban regeneration agencies need to be clear about what they expect from people recruited into the organisation from the private sector. A key part of this is realism. Private sector representatives' contributions are likely to be highly time limited. A clear articulation by the agency as to what they are looking for in terms of a contribution would greatly increase the likelihood of a worthwhile additional input from the private sector representative. Given the inevitably constrained nature of the **level** of contribution that can realistically be expected, the emphasis must be on maximising the **quality** of that contribution when it is available. Further, there must be a realistic appreciation by the agency that, in the main, the contribution given by private sector representatives should be **additional** to core management rather than essential to the effective running of the organisation. In other words, the organisation should aim to already be running effectively without private sector input - this input should assist it to run more effectively. This research has shown that when agencies are clear about what their needs are, private sector representatives can make a positive contribution.

While agencies have to be clear about what it is they expect from private sector representatives that become involved in their organisations in terms of clearly defining a role for them, the participants themselves need to be clear about why

they have become involved, that they are capable of meeting the demands on them and that they are willing to commit the time and energy required to meet their allotted role. Essentially this recommendation argues that the principle of voluntarism on which private sector participation in agencies is founded has to be **clearly articulated into a functional role** by both parties. Otherwise, there is a no-win situation for all participants. If agencies and private sector representatives are not clear about what they want from participation, then it is unlikely that there will be any significant contribution. This research has shown this to be the case in several of the organisations analysed in this research, while those in which there has been a clearer definition of roles and a greater commitment to maximising the contribution have generated some benefits from private sector participation.

In terms of stimulating private sector investment in the process through the labour market, agencies face major barriers. Although the importance of the work they do in this area is recognised, the take up of their services and the clients they serve has been limited. At a wider level, the influence labour market policies can have on the recruitment practices of employers is limited, because labour market conditions are beyond the control of local and city wide agencies. Where, as has been the case in Glasgow in recent years, employers can draw on a large pool of unemployed people or people in low paid jobs, the role of public agencies is limited. However, within this given situation, there are actions which can be taken to improve the effectiveness of their policies. Programmes have to be **tailored** to the needs of the client, there must be clear

channels of **communication** and an understanding of the responsibilities of both partners and an element of **flexibility** on the part of the agency. Most importantly, agencies have to **deliver** on their commitments. In other words, there is a need for excellence in delivery.

As with the issue of attempting to generate support through labour market policy, an effective housing investment policy has to be transparent, flexible and deliver. GRO as constituted in the period of this research was neither flexible or transparent, while it did deliver. The issue of stimulating further investment in regeneration through the housing market is, as this research has highlighted, highly problematic. There is a clear need for increased transparency of the process of approval of GRO Grants - the research revealed important flaws in the process. These could be addressed by either more rigorous assessment of what developers actually spend or a commitment to provide what is effectively the actual level of subsidy up front to allow developers to make the necessary profits. The latter would be a more honest approach and would also show up the real effectiveness of policy. If higher subsidies are effectively necessary, then policy has to be seen as less successful than claimed. Housing markets in the areas in which deficit finance was available are at a very early stage of development. In this sense it is not possible to say whether the eventual policy goal of creating self sustaining housing markets in these areas is likely to occur. Given the level of subsidy needed to finance development carried out to date, fully functioning local

housing markets are unlikely. The housing may act as an additional entry level resource at a city wide scale.

Finally, what this research shows above all is that the effective resolution of the problems of disadvantaged areas is a very difficult goal to achieve. The involvement of the private sector in delivery structures and as an investment partner could on this evidence be more effectively achieved than it has to date in the City of Glasgow. However, it has to be remembered that policy to redress the problems of disadvantaged areas is fundamentally a redistributive policy. Private participation can assist more effective policy, but fundamentally, government must provide the finance to resolve these issues. The final aim of policy has to be to place the residents and areas in a position to compete equally. In many ways, this is untenable as the dynamics of the market and society will always create winners and losers. However, the aim of successful regeneration policy should be to try and ensure that the same people and areas do not lose out all the time. The major role of the private sector in this process is to act as an employer and an investor in projects which will eventually be self sustaining. This has to be the true goal of urban policy.

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APPENDIX 2: INDIVIDUALS AND ORGANISATIONS CONSULTED

Note: Job titles and positions held were current at time of interview

Individuals involved in the urban regeneration process

Agnes Samuel, chief executive, Glasgow Opportunities (2 interviews)

Alan Lees, director, Gorbals Initiative

Alan Lees, director, Govan Initiative

Alex Robertson, Area Manager, Glasgow District, Scottish Homes (2 interviews)

Anne Brookes, chief executive, CEDA (2 interviews)

Bill Hughes, chief executive, GEDC (2 interviews)

Brian McAleenan, chief executive, East End Partnership (2 interviews)

Brian Morgan, Director, Castlemilk Partnership (3 interviews)

Charlie Shepherd, project manager, Gorbals Initiative Construction
Employment Initiative

Charlie Williamson, director, Gorbals Initiative

Clare Lynn, training manager, Govan Initiative

Clive Aranson, member, Castlemilk Business Support Group, representing
McDonalds

David Nichol, Chief Information Officer, Development Funding Unit,
(Glasgow), Scottish Homes

David Peutherer, Assistant Chief Executive, Strathclyde Regional Council

David Usher, Strategy Team, Scottish Enterprise

Douglas Russell, Managing Director, Morrison Homes

Fiona Ellis, Deputy Chief Executive, Castlemilk Economic Development
Agency

George Hall, Scottish Business in the Community

Gordon Kennedy, Director, Corporate Development, Glasgow Development
Agency

Harry O'Donnell, Managing Director, Miller Partnerships

Iain Walker, Chairman, East End Partnership

Jackie Forbes, member, Castlemilk Business Support group, representing
Miller Partnerships

Jan Zadruzynski, director, Greater Easterhouse Development Company

Janice Roache, Area Regeneration Directorate, Glasgow Development Agency

Jim Coleman, Urban Regeneration Divisional Director, Wimpey (2
interviews)

Jim Tannock, Manager, Drumchapel Business Support Group

John Campbell, chief executive, Glasgow North

John Gallagher, chairman, CEDA (2 interviews)

John Gilmore, director, Glasgow Opportunities

John Jenkins, District Manager, Scottish Homes

John Kennedy, member, Castlemilk Business Support group, representing
Scottish Nuclear

John McDonagh, director Govan Initiative

John Moorhouse, director, GEDC (3 interviews)

John Thorburn, chairman, GEDC

John Watson, chief executive, Gorbals Initiative (2 interviews)

Linda Anderson, District Manager, Scottish Homes

Martin Davidson, Director, Property and Environment, Glasgow Development Agency

Mike Carey, Assistant Managing Director, Cruden Estates Ltd

Mike Galloway, director, Crown Street Regeneration Project

Nan Campbell, training manager, Glasgow North Limited

Peter Stott, Director, Partnerships Office, Strathclyde Regional Council

Ron Cully, chief executive, Govan Initiative (2 interviews)

Steve Inch, Director, Glasgow City Council Economic Regeneration Unit (2 interviews)

Steve McDonald, manager, Costco Ltd

Stuart Gulliver, chief executive, Glasgow Development Agency (3 interviews)

Sue Lindsay, board member, Govan Initiative

Tom Harkins, Castlemilk Business Support Group manager

Willie Docherty, Project Development Manager, Glasgow North Limited

Companies consulted for business survey

Anderson Plant Ltd

Ashbourne Holdings

Babcock

Barclay and Mathieson (Stockbrokers)

Barr and Stroud

Bodyshop International

Bonnypack Ltd

Bowie Castlebank
Britannia Life Ltd
CA Industrial
CA Industrial Finance
Central Building Contractors (Glasgow) Ltd
City Site Estates
Clyde Blowers plc
Clydeport Ltd
Cruden Estates Ltd
Cunningham and Shearer
Cunninghame and Shearer (Holdings) Ltd
Douglas Laing
EFT Finance Ltd
Ellis and MacDougall Lifts
Forthwright Holdings
George Leslie and Co. Ltd
George Leslie Ltd
Grampian Holdings
Gray Dunn and Co.
Henry Boot
Henry Brothers
Howden
Hunter and Clark Ltd
Hussman Refrigeration

Jarvis Potter

John Dickie

JW Filshill

KB Refrigeration

Kent Foods

Levy McCallum

MacGas

Marblehead

Matthew Algie and Co.

McGhees Ltd

McTaggart (Western Heritable) Holdings

Morris and Spottiswood Ltd

Morris Furniture

Morrison Bowmore Distillers

Norit (UK)

Office Cleaning Services

Peacock Salt Ltd

Pegler and Loudon Ltd

Reliable Vehicles Ltd

Sanmex

Scott Stern Associates

Scottish Opera

Scottish Power

Scottish Pride

SECC Ltd

Skylight International Ltd

The Campbell Group

Thorburn Holdings

Walker Engineering Ltd

**APPENDIX 3: CHAPTER 5: SOURCES AND METHOD FOR
QUESTIONNAIRE SURVEY**

The source used to target the sample was '*Metropolitan Glasgow - Glasgow's Top 200 Companies*' published jointly in 1995 by Glasgow Development Agency and Glasgow City Council. This guide lists the city's top 200 companies ranked by number of employees, turnover and profitability. Each company was initially contacted by letter informing the Chairman, Chief Executive, Managing Director or other senior individual that they would be contacted by telephone to request their participation in the study. In the event, 60 of the 200 companies agreed to participate, giving a response rate of 30% of the initial target group. The 60 telephone interviews were conducted between June and August 1996. At first sight, a response rate of 30% appears low. However, two key mitigating factors must be taken into account in any rounded analysis of the validity of the survey. Firstly, and most importantly, the seniority of the target group made it almost inevitable that it would be difficult to gain consent for participation. By definition, people operating at a senior level within companies tend to have hectic schedules - to get almost one third to give up some of their time (interviews lasted 30 minutes on average) could be seen as a good result when this is taken into account.

A second linked point to note is that, when making first contact in carrying out the survey, a less senior person was often offered by the Managing Director, Chief Executive or Chairman. This was refused on the grounds discussed above - the views of less senior staff were less likely to coincide with the 'company view'. Only those who were in a position to take an overview of

company policy were deemed eligible. To have accepted less senior individuals as respondents would have sacrificed quality of response for quantity. This stringent selection necessarily limited the response rate: if all those offered for interview by targeted companies had been accepted, the response rate would have been 45%: 30 companies passed on the request to less senior staff who were not in a position to usefully contribute and were thus not included in the survey analysis.

APPENDIX 4: CHAPTER 5: QUESTIONNAIRE STRUCTURE

The questionnaire can be divided into sections:

- background information about the responding company.
- levels of knowledge of the current delivery structures for progressing urban regeneration in the city and the key activities being pursued by these agencies.
- levels of knowledge about the nature of the urban regeneration process.
- attitudes to, and levels of involvement in, the urban regeneration process.
- the potential for increasing participation by the private sector in the urban regeneration process.

The rationale for question selection is discussed below. A copy of the full questionnaire used can be found in Appendix 5 of the thesis.

(a) Background Information

Respondents were asked their position in the company, the location of the company's main premises in the city, and its core business. Next the turnover of the company in the most recent year (1995-96) and the number of people employed in the city by the company were requested. This was followed by an enquiry about the nature of the company's premises in the city, i.e., branch plant, single site or headquarters and where the company was owned, i.e. in Glasgow, Scotland the UK or other forms of ownership such as a stock market listing which has no geographical ties. The final question asked when the company was founded and how long it had been in the city. The purpose of

this section of the questionnaire was to gain an insight into the nature, structure and scale of the companies' operations.

(b) Levels of Knowledge of Current Delivery Structures

The first section of the questionnaire began the enquiry by investigating the awareness of respondents about the range of agencies currently involved in delivering regeneration policy in the city. The intention of this was to assess the profile of the various agencies in the business community. Respondents were first asked if they had heard of the agencies concerned. They were then asked if they were aware of the activities of the various organisations. Finally participants were questioned as to whether they knew about the main policies these agencies were charged with delivering. Each stage of questioning thus provided an estimate of the depth of awareness in the business community of the respective agencies.

(c) Knowledge about the Nature of the Urban Regeneration Process

In this section of the questionnaire, respondents were asked three questions. Firstly they were asked if they felt regeneration policy as currently constituted in the city has social, economic and physical/environmental aspects embedded within it. The aim of this question was to assess awareness of the components of policy: in otherwords to assess basic knowledge of the nature of the regeneration process. This assessment was moved further forward into more detail by asking if respondents saw a connection between these components of policy. The intention was to gain an insight into whether the currently popular

concept of holistic regeneration had much support amongst the sample. In this introductory section, a final enquiry was made asking respondents if they felt the current goals of policy in the city were achievable, to assess if, firstly, they knew what the goals of policy were and secondly if they felt that these goals were realisable. Taken together, these three questions provided insights into awareness of the components and goals of policy. They also provided an initial indication of the credibility of policy in the view of the sample.

Once these initial awareness questions were asked, respondents were asked to give their views on the relative importance of fifteen policies, ranging from 'problem-oriented' issues such as 'training unemployed people' and 'encouraging residents of disadvantaged areas to start and run their own companies' to 'opportunity-driven' policies such as 'improving and developing the environment of the central area of the city' and 'helping successful companies to develop and grow further'. Respondents were asked to give their views on the importance on policy of a scale of 1 (very unimportant) to 5 (very important). The purpose of this line of questioning was to assess the relative weightings given by the business community to the policies which, taken together, make up a cross section of the broad spread of actions commonly asserted to be components of a holistic regeneration policy at both city wide and local area level. The key aim was to assess whether the respondents thought regeneration policy should be redistribution or growth-oriented. This analysis was further developed by asking respondents what they thought was the most important element of policy which should be targeted

(d) *Attitudes to the Regeneration Process*

This section of the questionnaire had four aims. The first of these was to assess whether respondents felt private sector participation could make a distinctive contribution to the regeneration process. This is a commonly asserted rationale advanced for attempting to stimulate involvement by advocates as an aid to delivering successful regeneration. Asking the business community themselves if they felt this to be true provided important insights into their feelings on this. A supplementary question probed further, seeking to elicit the reasoning behind their answer.

The above was followed up by asking a linked question: namely whether or not they felt that private sector participation was key to success in delivering regeneration policy. Again, the background to this is that advocates of stimulating private sector involvement argue this is a critical element in achieving regeneration. The survey sought to assess if this was supported by the sample. The reasons given for their answers were also investigated through a supplementary question.

Following questioning as to the necessity and nature of private sector participation in the regeneration process, respondents were asked whether their companies were in any way involved in the process, the purpose being to assess the levels of involvement. Where the respondent stated the company was involved in the process, they were asked about the nature of their

involvement. Where no participation was reported, respondents were asked why they were not involved, to assess possible barriers to stimulating increased involvement and investment.

In summary, this important section of the questionnaire had four main aims: to assess opinions on the nature and necessity of private sector participation; to measure levels of involvement amongst the sample; to understand reasons for non-participation and finally to analyse the form participation took amongst those companies who were involved in the regeneration process.

(e) The Potential for Increased Participation

Following on from the above section, respondents were presented with a range of policies which could potentially increase participation in the regeneration process, either by stimulating more involvement in the delivery of policy through organisational participation or attracting private sector investment into regeneration programmes. Respondents were asked to rate possible options on a scale of 1 (very unimportant) to 5 (very important). Participants were asked if the following could stimulate more involvement:

- a request by public agencies for companies to become involved.
- the availability of financial and staff resources.
- the gaining of more positive publicity for companies.
- if there was an internal need in the company to develop staff through secondment.
- the company would feel it was making a worthwhile contribution.

On possible ways to stimulate increased investment, respondents were asked if the following options could lever in additional resources to the process from the private sector:

- providing financial incentives or property development in disadvantaged areas.
- providing financial incentives for companies to relocate to areas targeted for regeneration.
- provision of secure premises with adequate local infrastructure.
- provision of financial resources to take on trainees from regeneration areas.
- improvement of the quality of the local labour force to make them more attractive to employers.

The rationale behind this section of the questionnaire was to develop a series of insights into policies that have traditionally been viewed as the key routes to stimulating additional private sector involvement and investment. The aim was to see if, in the opinion of the sample, they represented tenable policy options to enhance involvement and investment levels.

(f) Summary

This appendix has outlined the structure of, and rationale for, the contents of the questionnaire used to provide insights into the attitudes in the business

community towards the regeneration process. The questionnaire covered respondents’:

- background information
- levels of knowledge of current delivery structures in the city
- knowledge about the nature of the regeneration process
- attitudes to the regeneration process
- opinions on the potential for increased participation.

APPENDIX 5 : BUSINESS SURVEY QUESTIONNAIRE

A Background information

1 What is your position in the company?

2 Where is the main factory/office located in the city?

City Centre	1
Regeneration Alliance Priority Area	2
Other	3

3 What is the company's main line of business?

4 What is the company's turnover?

5 How many people does the company employ in the city?

<10	1
10 - 49	2
50 - 99	3
100 - 499	4
500 - 999	5
>1000	6

6 Is the company a

single site operation?	1
------------------------	---

a branch of a larger company?	2
-------------------------------	---

a headquarters of a larger company	3
------------------------------------	---

7 Is the company

owned within the city?	1
------------------------	---

Scottish owned?	2
-----------------	---

UK owned	3
----------	---

Other	4
-------	---

8 When was the company founded?

9 How long has the company been in Glasgow?

10 Would you say urban regeneration is

	Yes	Don't Know	No
an economic policy	1	2	3
a social policy	1	2	3
a physical/environmental policy	1	2	3

11 Is there a connection between the social, economic and environmental aspects of the process?

Yes	Don't Know	No
1	2	3

b) Could you expand on this?

12 Do you feel the current goals of policy are achievable?

Yes	Donut Know	No
1	2	3

b) Could you expand on this?

13 Which of the following are important in the urban regeneration process, in your opinion?

(i) training unemployed people?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(ii) assisting unemployed people to find jobs?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(iii) improving social housing?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(iv) building new housing for owner occupation in areas of disadvantage?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(v) developing local services in areas of disadvantage?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(vi) assisting start up businesses and existing companies in areas of disadvantage?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(vii) providing quality premises in areas of disadvantage to encourage companies to relocate to them?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(viii) improving roads and other transport services within and to areas of disadvantage?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(ix) helping existing successful companies in the city to develop and grow further?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(x) focusing on successful areas in the city and working to sustain their success?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(xi) helping those in work develop their skills?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(xii) developing and improving the environment of the central area of the city?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(xiii) developing the transport and communications infrastructure of the city centre business district?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(xiv) improving the health of the population?

Very Unimportant		Neutral		Very important
1	2	3	4	5

(xv) improving educational standards?

Very Unimportant		Neutral		Very important
1	2	3	4	5

14 Of the above, what is the most important factor that the urban regeneration policy makers should address?

15 Do you feel that private sector representatives and companies can make a distinctive contribution to the regeneration process?

Yes	Don't Know	No
1	2	3

b) Could you expand on this?

16 Do you feel that private sector participation is a necessary prerequisite of successful urban regeneration?

Yes	Don't Know	No
1	2	3

b) Could you expand on this?

17 Is your companies directly involved in urban regeneration activities? In this context, by 'urban regeneration', I mean attempts to resolve the problems of depressed areas within Glasgow and their populations.

Yes	No
1	2

18 What form does/did this involvement take?

		Most important
Company employees sit on the board	1	1
Secondment of staff to regeneration agencies	1	2
BSG membership	1	3
Sponsorship/association with regeneration	1	4
Property investment	1	5
Employing trainees from disadvantaged areas	1	6

Encouraging residents to apply for jobs	1	7
Purchase of goods from disadvantaged areas	1	8
Other _____	1	9

19 Why is your company not directly involved in regeneration activities?

		Most important
Have never been asked	1	1
Not interested	1	2
Not the place of the private sector to be involved	1	3
Cannot spare staff resources	1	4
No financial benefit to the company	1	5
Would gain little publicity from involvement	1	6
Private sector is never listened to	1	7
Other _____	1	8

20 How might companies become involved/more involved in the regeneration process?

a) Involvement

i) if the company was asked

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

ii) if the company could spare financial resources and staff time

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

iii) if more positive PR was gained than is currently the case

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

iv) if there was a need to develop staff through secondment

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

v) if it was felt the company would have a positive influence

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

b) Investment

i) if there was provision of financial incentives for property development in a regeneration area

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

ii) if there were financial incentives to relocate to a regeneration area

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

iii) if there were available, secure premises with back up infrastructure

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

iv) if there were financial incentives to take on trainees from regeneration areas

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

v) if quality trainees/employees were available to recruit in regeneration areas

Strongly agree		Neutral		Strongly Disagree
1	2	3	4	5

21 Have you heard of:	Yes	No
Glasgow Development Agency	1	2
Glasgow City Council Economic Regeneration Unit	1	2
Glasgow Opportunities	1	2
Castlemilk Economic Development Agency	1	2
Greater Easterhouse Development Company	1	2
Govan Initiative	1	2
Gorbals Initiative	1	2
Glasgow North Limited	1	2

East End Partnership	1	2
Drumchapel Opportunities	1	2
New Horizons (Pollok)	1	2
Glasgow Regeneration Alliance	1	2

13 Do you know anything about the activities of the following agencies?

(a) Glasgow Development Agency

Yes	No
1	2

Are they mainly concerned with

	Most important	
training	1	1
housing	1	2
environmental improvement	1	3
employment access	1	4
property development	1	5
business start up	1	6
helping companies grow	1	7
Other _____	1	8

(b) Glasgow City Council Economic Regeneration Unit?

Yes	No
1	2

Are they mainly concerned with

	Most important	
training	1	1
housing	1	2
environmental improvement	1	3
employment access	1	4
property development	1	5
business start up	1	6
helping companies grow	1	7
Other _____	1	8

(c) Glasgow Opportunities?

Yes	No
1	2

Are they mainly concerned with

		Most important
training	1	1
housing	1	2
environmental improvement	1	3
employment access	1	4
property development	1	5
business start up	1	6
helping companies grow	1	7
Other _____	1	8

(e) Glasgow has eight local initiatives (i.e. Govan Initiative, Castlemilk Economic Development Agency, Glasgow North etc). Do you know anything about the activities of these agencies?

Yes	No
1	2

Are they mainly concerned with

		Most important
training	1	1
housing	1	2
environmental improvement	1	3
employment access	1	4
property development	1	5
business start up	1	6
helping companies grow	1	7
Other _____	1	8

(f) Glasgow Regeneration Alliance?**Yes No****1 2****(i) Do you know who the partners are in the Alliance?****Yes No****1 2****(ii) Who are they?****Glasgow Development Agency 1****Glasgow City Council 2****Strathclyde Regional Council 3****Scottish Homes 4****(iii) Do you know what the aims of the Alliance are?****Yes No****1 2****END**

APPENDIX 6 : DETAILED RESULTS OF STATISTICAL ANALYSIS
IN CHAPTER 5 AND SHORT COMMENTARY

(i) Introduction

This Appendix presents detailed analysis of the chi square and logistic regression analysis carried out on the data set. The headings in bold identify the chapter section in which the analysis is referred to. The numbers for the figures follow the classification in the text.

(ii) Chapter 5 (3) - Awareness of Current Delivery Structures

Chi square tests for significance of the background variables of age of company, number of employees, sector and location of ownership were carried out to assess if the background variables had any apparent effect on the responses to the above awareness questions. The results are presented below. As with previous chi square tests, recoded background variables were used as the size of sample invalidated tests carried out on the original data. As Figure A6.1 shows, no significant differences emerged from the chi square analysis of responses to the question of awareness of Glasgow Development Agency, with p values ranging from 0.23 to 3.9. There were some differences which emerged, however, with companies less than 49 years old and those in the manufacturing and construction sectors reporting higher awareness as did those owned outwith Glasgow and companies with more than 100 employees.

Figure A6.1: Chi square test results for response to question ‘have you heard of Glasgow Development Agency?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	47.4	33.3	n=60 , p=0.27 , df=1
<i>No</i>	52.6	66.7	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	58.2	100	n=58 , p=3.9 , df=1
<i>No</i>	41.8	0	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	33.9	100	n=59 , p=2.6 , df=1
<i>No</i>	66.1	0	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	54.5	100	n=58 , p=3.9 , df=1
<i>No</i>	45.5	0	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Figure A6.2 reports the results for the chi square tests carried out to test for significant differences in response to the question of awareness of the City Council’s Economic Regeneration Unit. Again, no significant differences emerged, with p values in the range 0.23 to 3.5. Differences which were apparent were that companies with less than 49 employees, service sector companies, those owned in Glasgow and those with less than 99 employees were more aware of the agency.

Figure A6.2: Chi square test results for response to question ‘have you heard of Glasgow City Council Economic Regeneration Unit?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	58.2	44.4	n=58, p=1.2 , df=1
<i>No</i>	41.8	55.6	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	57.1	22.2	n=60, p=1.7 , df=1
<i>No</i>	42.9	77.8	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	34.1	27.8	n=59 , p=0.23 , df=1
<i>No</i>	65.9	72.2	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	60	33.3	n=58, p=3.5 , df=1
<i>No</i>	40	66.7	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Chi square tests on the responses to awareness of Strathclyde Business Development identified no significant differences (Figure A6.3). However, companies less than 49 years old, service sector companies, those owned in Glasgow and those with more than 100 employees were more aware of SBD.

Figure A6.3: Chi square test results for response to question ‘have you heard of Strathclyde Business Development?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	60	44.6	n=58 , p=1.2 , df=1
<i>No</i>	40	55.4	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	51.2	36.8	n=60, p=1.08 , df=1
<i>No</i>	48.8	63.2	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	36.6	22.2	n=59, p=1.18 , df=1
<i>No</i>	63.4	77.8	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	50	55.6	n=58, p=0.15 , df=1
<i>No</i>	50	44.4	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

As Figure A6.4 shows, tests on awareness of Glasgow Opportunities showed no significant differences in the responses when the background variables were tested, with p values ranging from 0.31 to 6.8. Companies aged less than 49 years and those in the service sector were more aware of Glasgow Opportunities, as were Glasgow owned companies and those with less than 99 employees.

Figure A6.4: Chi square test results for response to question ‘have you heard of Glasgow Opportunities?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	62	12.5	n=58 , p=6.8 , df=1
<i>No</i>	38	87.5	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	48.1	37.5	n=60 , p=0.31 , df=1
<i>No</i>	51.9	62.5	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	35.3	12.5	n=59 , p=1.6 , df=1
<i>No</i>	64.7	87.5	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	54	37.5	n=58, p=0.75 , df=1
<i>No</i>	46	62.5	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Figure A6.5 reports the results for chi square tests for significant differences based on the background variables on responses to awareness of Castlemilk Economic Development Agency. Age, sector and location of ownership produced no significant differences. On the employment background variable, a significant difference was noted ($p=0.01$), with larger companies more aware of the agency than those with less than 99 employees.

Figure A6.5 : Chi square test results for response to question ‘have you heard of Castlemilk Economic Development Agency?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	50	61.5	n=58 p=0.77 , df=1
<i>No</i>	50	38.5	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	58.1	34.5	n=60 p=0.34 , df=1
<i>No</i>	41.9	65.5	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	36.4	26.9	n=59 p=0.59 , df=1
<i>No</i>	63.6	73.1	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	51.5	52	n=58, p=0.01 , df=1
<i>No</i>	48.5	48	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Chi square tests for significant differences to the response to the issue of awareness of Greater Easterhouse Development Company found that the background variables had no significant differences, with p values ranging from 0.4 to 4.4. However, older companies, those in the service sector, those owned in Glasgow and companies with more than 100 employees reported higher awareness levels (FigureA6.6).

Figure A6.6: Chi square test results for response to question ‘have you heard of Greater Easterhouse Development Company?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	41.4	69	n=58, p=4.4 , df=1
<i>No</i>	58.6	31	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	52.6	43.9	n=60, p=0.40 , df=1
<i>No</i>	47.4	56.1	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	40	24.1	n=59 , p=1.7 , df=1
<i>No</i>	60	75.9	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	26.3	35.0	n=58, p=0.45 , df=1
<i>No</i>	73.7	65.0	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Figure A6.7 reports the results of chi square tests for significant differences in responses to the question ‘have you heard of East End Partnership Ltd?’. Again, no significant differences emerged, with p values of 0.4 to 4.6. Older companies, those in the service sector, those owned in Glasgow and with more than 100 employees had higher awareness.

Figure A6.7: Chi square test results for response to question ‘have you heard of East End Partnership Ltd?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	48.3	62.1	n=58 , p=1.1 , df=1
<i>No</i>	51.7	37.9	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	52.6	43.9	n=60, p=0.40 , df=1
<i>No</i>	47.4	56.1	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	43.3	20.7	n=59 , p=3.4 , df=1
<i>No</i>	56.7	79.3	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	22.2	61.2	n=58, p=4.6 , df=1
<i>No</i>	77.8	38.8	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

On the issue of awareness of Govan Initiative, on the background age, sector and ownership variables, no significant differences emerged from the chi square tests, but older companies, those in manufacturing and construction and those owned outside Glasgow were more aware of the agency. However, on the employment size background variable, a significant difference was observed, with a p value of 0.04. Companies with more than 100 employees were more aware of Govan Initiative than those with less than 99 employees (Figure A6.8).

Figure A6.8: Chi square test results for response to question ‘have you heard of Govan Initiative Ltd?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	53.2	63.6	n=58, p=0.39 , df=1
<i>No</i>	46.8	36.4	
	Services	Manuf/Constructio n	n, p, df
<i>Yes</i>	42.9	63.6	n=60, p=1.56 , df=1
<i>No</i>	57.1	36.4	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	31.3	36.4	n=59, p=0.11 , df=1
<i>No</i>	68.8	63.6	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	51.1	54.5	n=58, p= 0.04, df=1
<i>No</i>	48.9	45.5	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Figure A6.9 reports the results of chi square tests for significant differences in response to the question ‘have you heard of the Gorbals Initiative?’. No statistically significant results emerged, with p values ranging from 0.30 to 0.77. Differences which did emerge were that younger companies and manufacturing and construction companies reported more awareness as did Glasgow owned companies and larger employers.

Figure A6.9: Chi square test results for response to question ‘have you heard of Gorbals Initiative?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	61.5	50.0	n=58, p=0.77 , df=1
<i>No</i>	38.5	50.0	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	42.9	50.0	n=60, p=0.30 , df=1
<i>No</i>	57.1	50.0	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	37.0	28.1	n=59, p=0.53 , df=1
<i>No</i>	63.0	71.9	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	46.2	56.3	n=58, p=0.59 , df=1
<i>No</i>	53.8	43.8	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Chi square tests for significant differences in the background variables in response to the question of awareness of Glasgow North Ltd revealed no statistically significant differences. However, older companies, and those in the service sector were more aware as were Glasgow owned companies and larger employers (Figure A6.10).

Figure A6.10: Chi square test results for response to question ‘have you heard of Glasgow North Ltd?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	47.1	58.5	n=58 , p=0.64 , df=1
<i>No</i>	52.9	41.5	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	58.1	34.5	n=60 , p=3.35 , df=1
<i>No</i>	41.9	65.5	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	38.9	29.3	n=59 , p=0.53 , df=1
<i>No</i>	61.1	70.7	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	38.9	57.5	n=58, p=1.7 , df=1
<i>No</i>	61.1	42.5	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

On the issue of awareness of Drumchapel Opportunities, chi square tests on the background variables produced no statistically significant results (Figure A6.11) with p values ranging from 0.09 to 1.34. Companies established for more than 50 years, those in manufacturing and construction, those owned in Glasgow and those with less than 99 employees were more aware of the agency.

Figure A6.11: Chi square test results for response to question ‘have you heard of Drumchapel Opportunities Ltd?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	66.7	50.0	n=58 , p=1.4 , df=1
<i>No</i>	33.3	50.0	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	30.0	50.0	n=60, p=1.34 , df=1
<i>No</i>	70.0	50.0	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	26.3	35.0	n=59, p=0.45 , df=1
<i>No</i>	73.7	65.0	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	52.6	51.3	n=58, p=0.09, df=1
<i>No</i>	47.4	48.7	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Figure A6.12 reports the results for chi square tests for significance of the background variables for variations in awareness of New Horizons. The age, sector and employment size variables produced no statistically significant results. However, the ownership variable ($p=0.03$) showed that companies owned outwith the city were statistically more likely to be aware of the agency than those owned in Glasgow

Figure A6.12: Chi square test results for response to question ‘have you heard of New Horizons?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	22.2	61.2	n=58 , p=4.7 , df=1
<i>No</i>	77.8	38.8	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	40.0	48.0	n=60 , p=0.21, df=1
<i>No</i>	60.0	52.0	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	30.0	32.7	n=59 , p=0.03 , df=1
<i>No</i>	70.0	67.3	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	40.0	54.2	n=58, p=0.67 , df=1
<i>No</i>	60.0	45.8	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

The final chi square tests on the impact of the background variables on awareness of agencies tested for significant differences in response to the question of awareness of Glasgow Regeneration Alliance. No statistically significant differences emerged, with p values ranging from 0.22 to 2.28. However, there was some variation, with younger companies, manufacturing and construction companies, those owned outside Glasgow and larger companies more likely to be aware of the Alliance (Figure A6.13).

Figure A6.13: Chi square test results for response to question ‘have you heard of the Glasgow Regeneration Alliance?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	77.8	51.0	n=58 , p=1.3 , df=1
<i>No</i>	22.2	49.0	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	35.0	60.0	n=60, p=0.22 , df=1
<i>No</i>	65.0	40.0	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	20.0	34.7	n=59, p=0.83 , df=1
<i>No</i>	80.0	65.3	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	30.0	56.3	n=58, p=2.28 , df=1
<i>No</i>	70.0	43.8	

Notes: n=number of responses, p=Pearson chi square value, df=degrees of freedom

Following the methodology of the analysis of the impact of the background of respondents on their responses to the question of potential ways in which greater private sector involvement and investment could be stimulated in the urban regeneration process, a series of logistic regression analyses were run on the responses to the ‘awareness’ questions reported in this section, looking at the four background variables together rather than separately as was done in the previous chi square analysis. Four significant results were found from significance tests in the thirteen logistic regression analyses run.

Figure A6.14 shows that the analysis on the influence of the contextual variables revealed no significant results on the issue of awareness of Glasgow Development Agency.

Figure A6.14: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Glasgow Development Agency?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.92	1.1	0.51
<i>Employment Size</i>	10.3	111.7	0.93
<i>Location of ownership</i>	2.62	34.6	0.93
<i>Age of Company</i>	10.21	108.7	0.93
<i>Constant</i>	-56.69	356.4	0.87

Figure A6.15 shows that the sector variable was a significant predictor of awareness of Glasgow City Council Economic Regeneration Unit., with manufacturing and construction companies more aware of the agency.

Figure A6.15: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Glasgow City Council Economic Regeneration Unit?’

	Beta	Standard Error	Significance
<i>Sector</i>	1.7	0.69	0.01
<i>Employment Size</i>	1.1	0.68	0.09
<i>Location of ownership</i>	0.10	0.18	0.58
<i>Age of Company</i>	0.32	0.65	0.62
<i>Constant</i>	-6.1	2.04	0.03

Logistic regression analysis on awareness of Strathclyde Business Development found that the background variables were not good predictors of response, with no significant results obtained (Figure A6.16).

Figure A6.16: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Strathclyde Business Development?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.45	0.60	0.45
<i>Employment Size</i>	-0.53	0.63	0.40
<i>Location of ownership</i>	0.19	0.17	0.27
<i>Age of Company</i>	0.73	0.63	0.24
<i>Constant</i>	2.49	1.57	0.11

Age of company was revealed as a significant predictor of response to awareness of Glasgow Opportunities, with younger companies more likely to be aware of the agency. None of the other three background variables were useful predictors of response (Figure A6.17).

Figure A6.17: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Glasgow Opportunities?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.45	0.86	0.60
<i>Employment Size</i>	0.06	0.88	0.94
<i>Location of ownership</i>	0.35	0.29	0.22
<i>Age of Company</i>	2.4	1.15	0.04
<i>Constant</i>	-8.0	3.06	0.09

Logistic regression analysis of the influence of the background variables on response to the question of awareness of Castlemilk Economic Development Agency found no significant results (Figure A6.18).

Figure A6.18: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Castlemilk Economic Development Agency?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.07	0.54	0.90
<i>Employment Size</i>	0.04	0.56	0.94
<i>Location of ownership</i>	0.12	0.15	0.42
<i>Age of Company</i>	-0.44	0.57	0.44
<i>Constant</i>	0.01	1.36	0.99

On the issue of awareness of Greater Easterhouse Development Company, the background variables were revealed as poor predictors of response, with no significant results obtained (Figure A6.19).

Figure A6.19: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Greater Easterhouse Development Company?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.05	0.56	0.93
<i>Employment Size</i>	-0.22	0.58	0.70
<i>Location of ownership</i>	0.22	0.15	0.15
<i>Age of Company</i>	-1.1	0.59	0.06
<i>Constant</i>	1.03	1.4	0.46

Figure A6.20 shows that on the issue of awareness of Govan Initiative, tests of the predictive power of the contextual variables found no significant results (Figure 5.64).

Figure A6.20: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Govan Initiative Ltd?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.81	0.70	0.24
<i>Employment Size</i>	-0.03	0.72	0.96
<i>Location of ownership</i>	-0.02	0.18	0.91
<i>Age of Company</i>	-0.45	0.73	0.54
<i>Constant</i>	0.51	1.67	0.76

As with the previous three logistic regression analyses, Figure A6.21 shows that no significant results were obtained, with none of the background variables acting as a significant predictor of response to the issue of awareness of the Gorbals Initiative.

Figure A6.21: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Gorbals Initiative Ltd?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.29	0.55	0.60
<i>Employment Size</i>	-0.70	0.59	0.23
<i>Location of ownership</i>	0.14	0.14	0.33
<i>Age of Company</i>	0.62	0.59	0.29
<i>Constant</i>	0.34	1.37	0.81

The background variables also did not act as a good predictor of response to awareness of Glasgow North, with no significant results found (Figure A6.22).

Figure A6.22: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Glasgow North Ltd?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.02	0.60	0.98
<i>Employment Size</i>	-0.87	0.63	0.17
<i>Location of ownership</i>	0.14	0.15	0.37
<i>Age of Company</i>	-0.92	0.62	0.74
<i>Constant</i>	2.04	1.5	0.18

The sector background variable was a significant predictor of response as was the location of ownership of the company, with service sector and Glasgow owned companies more likely to be aware of the East End Partnership (Figure A6.23).

Figure A6.23: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of East End Partnership Ltd?’

	Beta	Standard Error	Significance
<i>Sector</i>	1.13	0.59	0.05
<i>Employment Size</i>	0.14	0.61	0.82
<i>Location of ownership</i>	0.32	0.16	0.04
<i>Age of Company</i>	-0.87	0.62	0.16
<i>Constant</i>	-1.81	1.48	0.22

Figure A6.24 below shows that none of the background variables produced significant results for awareness of Drumchapel Opportunities.

Figure A6.24: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of Drumchapel Opportunities Ltd?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.58	0.59	0.38
<i>Employment Size</i>	-0.31	0.62	0.62
<i>Location of ownership</i>	-0.12	0.16	0.46
<i>Age of Company</i>	0.87	0.64	0.17
<i>Constant</i>	-0.34	1.47	0.81

As with the previous analyses, none of the contextual variables acted as significant predictors of response to the issue of awareness of New Horizons (Figure A6.25).

Figure A6.25: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of New Horizons’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.72	0.80	0.36
<i>Employment Size</i>	-0.46	0.82	0.56
<i>Location of ownership</i>	0.03	0.20	0.88
<i>Age of Company</i>	-1.6	0.88	0.07
<i>Constant</i>	5.9	2.38	0.01

The final set of logistic regression results found two significant results, with employment size and age of company, emerging as significant predictors, with older companies and manufacturing and construction companies more likely to be aware of the Alliance (Figure A6.26).

Figure A6.26: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘have you heard of the Glasgow Regeneration Alliance?’

	Beta	Standard Errors	Significance
<i>Sector</i>	-0.20	0.82	0.81
<i>Employment Size</i>	-2.2	0.95	0.02
<i>Location of ownership</i>	-0.23	0.24	0.34
<i>Age of Company</i>	2.06	0.95	0.03
<i>Constant</i>	3.61	2.45	0.14

(iii) Chapter 5 (5i) Can the private sector make a positive contribution to the regeneration process?

Chi square tests produced no statistically significant results, with ‘p’ values on the tests ranging from 0.3 to 1.5. There was some variation between the background variables in terms of their response to the queries, but this was not sufficiently great to produce statistically significant values. However, some variation did emerge; older companies had a higher positive response to the statement, as did manufacturing and construction companies, those owned outside Glasgow and those with more than 100 employees (Figure A6.27).

Figure A6.27: Chi square test results for response to question: ‘do you feel private sector representatives and companies can make a distinctive contribution to the urban regeneration process?’

	0-49 years	50 years+	n, p, df
Can make a distinctive contribution (%)	75	80.8	n=58, p=0.275, df=1
Cannot make a distinctive contribution (%)	25	19.2	
	Services	Manuf/Con	n, p, df
Can make a distinctive contribution (%)	71.4	84.4	n=60, p=1.50, df=1
Cannot make a distinctive contribution (%)	28.6	15.6	
	Glasgow Owned	Other	n, p, df
Can make a distinctive contribution (%)	73.7	80.0	n=59, p=0.30, df=1
Cannot make a distinctive contribution (%)	26.3	20.0	
	<99 employees	>100 employees	n, p, df
Can make a distinctive contribution (%)	73.3	85.7	n=58, p=1.35, df=1
Cannot make a distinctive contribution (%)	26.7	14.3	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

Logistic regression analysis revealed that none of the background variables were effective as a significant predictor, as none of the ‘significance’ values fell below 0.05, i.e. within the 95% confidence level (Figure A6.28).

Figure A6.28 Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘do you feel private sector representatives and companies can make a distinctive contribution to the urban regeneration process?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.51	0.67	0.44
<i>Employment Size</i>	-0.83	0.72	0.25
<i>Location of ownership</i>	-0.09	0.17	0.57
<i>Age of Company</i>	0.71	0.70	0.72
<i>Constant</i>	0.88	1.6	0.57

(iv) Chapter 5 (5iii) Is private sector involvement necessary for successful regeneration?

Chi square test results revealed that the location of ownership background variable revealed a statistically significant difference. None of the other variables produced a significant result (Figure A6.29).

Figure A6.29: Chi square test results for response to question: ‘Do you feel that private sector participation is a necessary prerequisite of successful urban regeneration?’

	0-49 years	50 years+	n, p, df
<i>Necessary (%)</i>	75.0	61.5	n=58, p=1.2, df=1
<i>Not necessary (%)</i>	0	38.5	
	Services	Manuf/Con	n, p, df
<i>Necessary (%)</i>	75.0	65.6	n=60, p=0.63, df=1
<i>Not necessary (%)</i>	25.0	34.4	
	Glasgow Owned	Other	n, p, df
<i>Necessary (%)</i>	68.4	70.0	n=59, p=0.02, df=1
<i>Not necessary (%)</i>	31.6	30.0	
	<99 employees	>100 employees	n, p, df
<i>Necessary (%)</i>	70.0	67.9	n=60, p=0.63, df=1
<i>Not necessary (%)</i>	30.0	32.1	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

As previously, logistic regression analysis was carried out. Again, none of the independent variables produced a significant value (Figure A6.30), meaning that these variables do not act as good predictors of response to the question of whether or not the private sector can make a distinctive contribution to the regeneration process.

Figure A6.30: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘do you feel private sector representatives and companies can make a distinctive contribution to the urban regeneration process?’

	Beta	Standard Error	Significance
<i>Sector</i>	0.51	0.59	0.39
<i>Employment Size</i>	0.14	0.61	0.81
<i>Location of ownership</i>	0.02	0.15	0.91
<i>Age of Company</i>	0.63	0.61	0.30
<i>Constant</i>	-2.2	1.5	1.14

(v) Chapter 5 (5iii) Levels of involvement in the regeneration process

Although no statistically significant results were obtained on the chi square tests, the cross tabulation produced some variation: companies established less than 50 years were more likely to be involved as were manufacturing and construction companies, companies owned outside the city and those with more than 100 employees (Figure A6.31).

Figure A6.31: Chi square test results for response to question: ‘is your company directly involved in urban regeneration activities?’

	0-49 years	50 years+	n, p, df
<i>Yes</i>	25.0	19.2	n=58, p=0.28 , df=1
<i>No</i>	75.0	80.8	
	Services	Manuf/Con	n, p, df
<i>Yes</i>	17.9	25	n=60, p=0.45 , df=1
<i>No</i>	82.1	75	
	Glasgow Owned	Other	n, p, df
<i>Yes</i>	15.8	25.0	n=59, p=0.64 , df=1
<i>No</i>	84.2	75.0	
	<99 employees	>100 employees	n, p, df
<i>Yes</i>	16.7	28.6	n=58, p=0.118, df=1
<i>No</i>	83.3	71.4	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

Logistic regression analysis was carried out to assess the strength of the background variables as predictors of the response to the question of whether or not the respondents were involved in the urban regeneration process. The analysis did not produce any significant results as shown in Figure A6.32.

Figure A6.32: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘is your company directly involved in urban regeneration activities?’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.48	0.66	0.47
<i>Employment Size</i>	-0.88	0.70	0.21
<i>Location of ownership</i>	-0.17	0.19	0.36
<i>Age of Company</i>	0.70	0.70	0.32
<i>Constant</i>	3.98	1.82	0.10

(v) Chapter 5 (Siv) Options for Stimulating Increased Involvement

On all five options, no statistically significant difference was observed. Although no statistically significant results were obtained in response to the statement: ‘How might companies become involved/more involved in the urban regeneration process? - if the company was asked’ , with p values ranging from 0.94 to 3.1, there were differences in response (Figure A6.33). Older companies were more positive as were manufacturing and construction companies. Companies owned outside Glasgow and those with less than 100 employees were also more positive.

Figure A6.33: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if the company was asked’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	43.8	53.8	n=58 , p=0.94 , df=2
<i>Neutral</i>	21.9	23.1	
<i>Disagree</i>	34.4	23.1	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	46.4	50.0	n=60 , p=1.6 , df=2
<i>Neutral</i>	28.6	15.6	
<i>Disagree</i>	25.0	34.4	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	36.8	55.0	n=59 , p=2.1 , df=2
<i>Neutral</i>	31.6	17.5	
<i>Disagree</i>	31.6	27.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	53.3	46.4	n=58 , p=3.17 , df=2
<i>Neutral</i>	13.3	32.1	
<i>Disagree</i>	33.3	21.4	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

Again, in response to the statement: ‘How might companies become involved/more involved in the urban regeneration process? - if the company could spare the financial resources and staff time’, despite the lack of statistical significance (p values ranged from 0.38 to 4.1) the cross tabulation identified some differences in response, with older companies reporting a higher positive

figure as did manufacturing and construction companies, those owned outside Glasgow and those with more than 100 employees (Figure A6.34).

Figure A6.34: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if the company could spare the financial resources and staff time’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	43.8	69.2	n=58 , p=4.1 , df=2
<i>Neutral</i>	28.1	19.2	
<i>Disagree</i>	28.1	11.5	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	50.0	56.3	n=59 , p=0.38 , df=2
<i>Neutral</i>	25.0	25.0	
<i>Disagree</i>	25.0	18.8	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	42.1	60.0	n=59 , p=1.67 , df=2
<i>Neutral</i>	31.6	22.5	
<i>Disagree</i>	26.3	17.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	46.7	64.3	n=58 , p=1.85 , df=2
<i>Neutral</i>	30.0	21.4	
<i>Disagree</i>	23.3	14.3	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

On the option ‘how might companies become involved/more involved in the urban regeneration process? - if more positive PR was gained than is currently

the case', no statistically significant p values were recorded (Figure A6.35). However, some variations were apparent. Younger companies answered positively at a higher rate than older, as did manufacturing and construction companies, those with ownership external to Glasgow and larger employers.

Figure A6.35: Chi square test results for response to statement: 'How might companies become involved/more involved in the urban regeneration process? - if more positive PR was gained than is currently the case'

	0-49 years	50 years+	n, p, df
<i>Agree</i>	34.4	30.8	n=58, p=1.97, df=2
<i>Neutral</i>	18.8	34.6	
<i>Disagree</i>	46.9	34.6	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	26.3	35.0	n=,60 p=0.82, df=2
<i>Neutral</i>	21.1	30.0	
<i>Disagree</i>	52.6	35.0	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	28.6	34.4	n=59, p=1.67, df=2
<i>Neutral</i>	32.1	21.9	
<i>Disagree</i>	39.3	43.8	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	26.7	39.3	n=58, p=1.49, df=2
<i>Neutral</i>	26.7	28.6	
<i>Disagree</i>	46.7	32.1	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

As Figure A6.36 shows, chi square tests on the response to the question of a need for secondment possibly stimulating more involvement in the regeneration process again found no statistically significant differences. Some differences in response did emerge, however, with older companies having a higher response rate than younger companies, manufacturing more positive than services, externally owned companies more positive than Glasgow owned companies and companies with more than 100 employees more positive than those with less than 100.

Figure A6.36: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if there was a need to develop staff through secondment’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	18.8	46.2	n=59, p=0.57, df=2
<i>Neutral</i>	37.5	11.5	
<i>Disagree</i>	43.8	42.3	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	28.6	31.3	n=60, p=4.7, df=2
<i>Neutral</i>	39.3	15.6	
<i>Disagree</i>	32.1	53.1	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	52.6	62.5	n=59, p=0.57, df=2
<i>Neutral</i>	21.1	15.0	
<i>Disagree</i>	26.3	22.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	30	32.1	n=58, p=4.7, df=2
<i>Neutral</i>	20	32.1	
<i>Disagree</i>	50	35.7	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

As Figure A6.37 shows, chi square tests on responses to the statement: 'How might companies become involved/more involved in the urban regeneration process? - if it was felt the company would have a positive influence' revealed no statistically significant results with p values of 0.57 to 2.7 recorded. As with the previous responses there were some variations, with a higher positive response from older companies, those on the manufacturing and construction sector, those owned out with Glasgow and those with more than 100 employees.

Figure A6.37: Chi square test results for response to statement: 'How might companies become involved/more involved in the urban regeneration process? - if it was felt the company would have a positive influence'

	0-49 years	50 years+	n, p, df
<i>Agree</i>	53.1	69.2	n=58, p=1.57, df=2
<i>Neutral</i>	18.8	11.5	
<i>Disagree</i>	28.1	19.2	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	53.6	62.5	n=60, p=2.7, df=2
<i>Neutral</i>	25.0	9.4	
<i>Disagree</i>	21.4	28.1	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	47.4	62.5	n=59, p=0.57, df=2
<i>Neutral</i>	21.1	15.0	
<i>Disagree</i>	26.3	22.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	36.7	85.7	n=58, p=1.49, df=2
<i>Neutral</i>	16.7	7.1	
<i>Disagree</i>	46.7	7.1	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

To further test the impact of the background of respondents on their responses to these important questions, a series of logistic regression analyses were run looking at the four background variables together rather than separately as was done in the chi square analysis above. In the main, no significant results were obtained, with only one significant result found from 20 significance tests in the five regression analyses run. Figure A6.38 shows that the response to the question ‘how might companies become involved/more involved in the urban regeneration process? - if the company was asked’ showed no significant results.

Figure A6.38: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if the company was asked’

	Beta	Standard Error	Significance
<i>Sector</i>	0.63	0.62	0.31
<i>Employment Size</i>	0.60	0.63	0.35
<i>Location of ownership</i>	0.08	0.16	0.63
<i>Age of Company</i>	0.30	0.64	0.64
<i>Constant</i>	0.34	1.30	0.82

As with the analysis on the previous question, logistic regression produced no significant results on response to the question ‘How might companies become involved/more involved in the urban regeneration process? - if the company could spare the financial resources and staff time’ (Figure A6.39).

Figure A6.39: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if the company could spare the financial resources and staff time’

	Beta	Standard Error	Significance
<i>Sector</i>	-0.28	0.70	0.68
<i>Employment Size</i>	-0.40	0.73	0.59
<i>Location of ownership</i>	-0.15	0.18	0.40
<i>Age of Company</i>	-0.85	0.77	0.27
<i>Constant</i>	1.25	1.70	0.46

Figure A6.40 shows that on the issue of more positive PR stimulating more involvement, logistic regression analysis showed that the background variables did not act as a significant predictor of response.

Figure A6.40: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if more positive PR was gained than is currently the case’

	Beta	Standard Error	Significance
<i>Sector</i>	0.36	0.57	0.52
<i>Employment Size</i>	-0.63	0.59	0.28
<i>Location of ownership</i>	-0.20	0.15	0.18
<i>Age of Company</i>	-0.25	0.59	0.67
<i>Constant</i>	1.04	1.4	0.46

Logistic regression analysis to test the relevance of the background variables as predictors of response to the question of a need for secondment encouraging more involvement found no significant results (Figure A6.41).

Figure A6.41: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there was a need to develop staff through secondment’

	Beta	Standard Error	Significance
<i>Sector</i>	0.89	0.56	0.11
<i>Employment Size</i>	-0.73	0.59	0.21
<i>Location of ownership</i>	-0.07	0.15	0.61
<i>Age of Company</i>	-0.90	0.59	0.88
<i>Constant</i>	-0.40	1.37	0.77

Figure A6.42 shows that on three of the four significance tests on the regression analysis, no significant results were found on three of the four tests. However, the employment size test found a significant result with a value of 0.01, suggesting that size of company was a significant predictor of response, with larger companies more likely to give a positive response to the question of companies having a positive influence on the regeneration process making them more likely to be involved.

Figure A6.42: Results of Logistic Regression Analysis of Background Variables on Response to Question: 'How might companies become involved/more involved in the urban regeneration process? - if it was felt the company would have a positive influence'

	Beta	Standard Error	Significance
<i>Sector</i>	0.68	0.72	0.35
<i>Employment Size</i>	-2.19	0.87	0.01
<i>Location of ownership</i>	-0.12	0.18	0.54
<i>Age of Company</i>	0.19	0.73	0.80
<i>Constant</i>	0.82	1.68	0.63

(vi) Chapter 5 (5v) Options for Stimulating Increased Investment

Chi square analysis of the responses revealed no statistically significant results. As with previous chi square tests, recoded variables were used to obtain valid chi square tests. On the option 'how might companies become involved/more involved in the urban regeneration process? - if there was provision of financial incentives for property development in a regeneration area', p values ranged from 0.4 to 8.6 for the background variables. However, there were some variations, with older companies, those in the service sector, companies owned outside Glasgow and those with more than 100 employees more likely to answer positively (Figure A6.43).

Figure A6.43: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if there was provision of financial incentives for property development in a regeneration area’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	37.5	57.7	n=58, p=2.5, df=2
<i>Neutral</i>	21.9	11.5	
<i>Disagree</i>	40.6	30.8	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	53.6	40.6	n=60, p=2.3, df=2
<i>Neutral</i>	21.4	15.6	
<i>Disagree</i>	25.0	43.8	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	47.4	62.5	n=59, p=0.4, df=2
<i>Neutral</i>	21.1	15.0	
<i>Disagree</i>	26.3	22.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	43.3	53.7	n=58, p=8.6, df=2
<i>Neutral</i>	6.7	28.6	
<i>Disagree</i>	50.0	17.9	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

Chi square tests found no statistically significant differences in responses to the statement ‘how might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to relocate to a regeneration area’ (Figure A6.44). Some variations were observed, with older

companies, service sector companies, Glasgow owned companies and those with less than 100 employees showing higher positive response rates.

Figure A6.44: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to relocate to a regeneration area’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	28.1	46.2	n=58, p=3.4, df=2
<i>Neutral</i>	21.9	26.9	
<i>Disagree</i>	50.0	26.9	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	39.3	37.5	n=60, p=1.15, df=2
<i>Neutral</i>	28.6	18.8	
<i>Disagree</i>	32.1	43.8	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	47.4	30.0	n=59, p=5.3, df=2
<i>Neutral</i>	42.1	30.0	
<i>Disagree</i>	10.5	40.0	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>			n=58, p=8.7, df=2
<i>Neutral</i>			
<i>Disagree</i>			

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

Figure A6.45 shows that high p values, ranging from 4.9 to 8.4, were obtained from the chi square tests carried out on the responses to the statement: ‘How

might companies become involved/more involved in the urban regeneration process? - if there were available, secure premises with back up infrastructure’.

Variations which the cross-tabulations did show up were that older companies, manufacturing and construction companies, those owned in Glasgow and those with more than 100 employees responded to the statement more positively.

Figure A6.45: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if there were available, secure premises with back up infrastructure’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	21.9	53.8	n=58, p=8.4, df=2
<i>Neutral</i>	46.9	15.4	
<i>Disagree</i>	31.3	30.8	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	35.7	37.5	n=60, p=5.4, df=2
<i>Neutral</i>	46.4	21.9	
<i>Disagree</i>	17.9	40.6	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	52.6	50.0	n=59, p=4.9, df=2
<i>Neutral</i>	42.1	22.5	
<i>Disagree</i>	5.3	27.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	20.0	53.6	n=58, p=7.11, df=2
<i>Neutral</i>	40.0	25.0	
<i>Disagree</i>	40.0	21.4	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

On the response to the statement; 'How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to take on trainees from regeneration areas' chi square tests yielded no statistically significant results, with p values ranging from 0.16 to 5.4 (Figure A6.46). Observable variations within the data showed that companies which were less than 49 years old, service sector companies, Glasgow owned companies and those with more than 100 employees providing a higher positive response.

Figure A6.46: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to take on trainees from regeneration areas’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	53.1	50.0	n=58, p=0.16, df=2
<i>Neutral</i>	28.1	26.9	
<i>Disagree</i>	18.8	23.1	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	60.7	43.8	n=60, p=5.4, df=2
<i>Neutral</i>	32.1	25.0	
<i>Disagree</i>	7.1	31.3	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	52.6	50.0	n=59, p=4.8, df=2
<i>Neutral</i>	42.1	22.5	
<i>Disagree</i>	5.3	27.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	50.0	53.6	n=58, p=1.26, df=2
<i>Neutral</i>	33.3	21.4	
<i>Disagree</i>	16.7	25.0	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom.

The final set of chi square tests looking at the possible significance of the four background variables on the response to the statement: ‘How might companies become involved/more involved in the urban regeneration process? - if quality trainees were available to recruit in regeneration areas’ again produced no statistically significant results with p values of 1.6 to 8.8 recorded (Figure

A6.47). On company age there was very little response difference, while service companies produced a higher positive response as did companies owned outwith Glasgow and those with more than 100 employees.

Figure A6.47: Chi square test results for response to statement: ‘How might companies become involved/more involved in the urban regeneration process? - if quality trainees were available to recruit in regeneration areas’

	0-49 years	50 years+	n, p, df
<i>Agree</i>	46.9	46.2	n=58, p=3.6, df=2
<i>Neutral</i>	40.6	23.1	
<i>Disagree</i>	12.5	30.8	
	Services	Manuf/Con	n, p, df
<i>Agree</i>	57.1	37.5	n=60, p=8.8, df=2
<i>Neutral</i>	39.3	28.1	
<i>Disagree</i>	3.6	34.4	
	Glasgow Owned	Other	n, p, df
<i>Agree</i>	36.8	50.0	n=59, p=2.2, df=2
<i>Neutral</i>	47.4	27.5	
<i>Disagree</i>	15.8	22.5	
	<99 employees	>100 employees	n, p, df
<i>Agree</i>	40	53.6	n=58, p=1.58, df=2
<i>Neutral</i>	40	25.0	
<i>Disagree</i>	20	21.4	

Notes: n= number of respondents, p= Pearson chi square value, df= degrees of freedom

As with the responses given on the ‘involvement’ options, the impact of the background of respondents on their responses to the question of potential ways in which greater private sector investment could be stimulated in the urban regeneration process, a series of logistic regression analyses were run, looking at the four background variables together rather than separately as was done in the previous chi square analysis. Three significant results were found from 20 significance tests in the five logistic regression analyses run. Figure A6.48 shows that on the question of financial incentives for property development possibly stimulating more involvement, none of the background variables acted as a significant predictor of response.

Figure A6.48 : Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there was provision of financial incentives for property development in a regeneration area’

	Beta	Standard Error	Significance
<i>Sector</i>	1.32	0.66	0.44
<i>Employment Size</i>	-1.79	0.69	0.09
<i>Location of ownership</i>	0.30	0.16	0.86
<i>Age of Company</i>	0.88	0.66	0.89
<i>Constant</i>	-0.36	1.48	0.81

Logistic regression analysis of response to the question of financial incentives to relocate to regeneration areas found no significant results (Figure A6.49).

Figure A6.49: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to relocate to a regeneration area’

	Beta	Standard Error	Significance
<i>Sector</i>	0.79	0.59	0.18
<i>Employment Size</i>	-0.68	0.59	0.25
<i>Location of ownership</i>	0.12	0.16	0.44
<i>Age of Company</i>	-0.84	0.61	0.17
<i>Constant</i>	0.65	1.42	0.96

Figure A6.50 shows that the logistic regression analysis of the influence of the background variables on response found that location of ownership was a significant predictor of response to the question ‘how might companies become involved/more involved in the urban regeneration process? - if there were available, secure premises with back up infrastructure’, with Glasgow owned companies more likely to respond positively.

Figure A6.50: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there were available, secure premises with back up infrastructure’

	Beta	Standard Error	Significance
<i>Sector</i>	1.2	0.67	0.06
<i>Employment Size</i>	-1.1	0.69	0.09
<i>Location of ownership</i>	0.46	0.21	0.03
<i>Age of Company</i>	0.17	0.69	0.08
<i>Constant</i>	-3.1	1.78	0.08

Figure A6.51 shows that the logistic regression analysis found that on three of the four tests on whether financial incentives would encourage more uptake of trainees, no significant results emerged. However, the sector background variable did produce a significant result, with service sector companies more likely to respond positively.

Figure A6.51: Results of Logistic Regression Analysis of Background Variables on Response to Question: ‘How might companies become involved/more involved in the urban regeneration process? - if there were financial incentives to take on trainees from regeneration areas’

	Beta	Standard Error	Significance
<i>Sector</i>	1.90	0.88	0.02
<i>Employment Size</i>	0.77	0.79	0.33
<i>Location of ownership</i>	0.54	0.29	0.06
<i>Age of Company</i>	-0.56	0.76	0.94
<i>Constant</i>	7.97	2.77	0.04

In the logistic regression analysis of response to the question of availability of quality trainees/employees as an incentive to stimulate more investment in the regeneration process, the sector variable produced a significant result with service companies more likely to respond positively (Figure A6.52).

Figure A6.52: Results of Logistic Regression Analysis of Background Variables on
Response to Question: ‘How might companies become involved/more involved in the
urban regeneration process? - if quality trainees were available to recruit in regeneration
areas’

	Beta	Standard Error	Significance
<i>Sector</i>	2.8	1.11	0.01
<i>Employment Size</i>	-0.34	0.79	0.67
<i>Location of ownership</i>	0.09	0.21	0.68
<i>Age of Company</i>	1.37	0.80	0.09
<i>Constant</i>	-8.03	2.79	0.04

APPENDIX 7: EXAMPLE OF INTERVIEW TRANSCRIPT

Interview: Senior Officer, Glasgow Development Agency

Date: 7/2/95

Interview length 60 minutes

Note: Names have been removed to ensure confidentiality. Interviewer's contributions are in bold.

Do you think the need to generate and retain private sector involvement both in organisational terms and investment terms has affected the sorts of things agencies do? Do you see it as radically different now to the sorts of projects you were involved in your SDA days?

No, I don't see it as radically different. Off the top of my head, I think that the private sector played a role in the urban regeneration process in two ways. One; as an investor in projects and secondly as a volunteer in the process. They have either sat on boards or been advisers to groups or in some cases have chaired and led groups. This is part of enlightened self interest if you like, or at worst, and at best, genuine concern and there is no doubt as far as some of the private sector involvement is concerned that they have made a good contribution. Some have made less of a contribution, some have been rather transparent. But I think broadly though those were the kinds of involvement that were involved before and those are still the kinds of involvement now. I would say that when we talk about private investment,

overwhelmingly it is physical development, and then again overwhelmingly housing.

Would you say that over the past ten, fifteen years we have seen more of a shift in the rhetorical emphasis of policy rather than a major actual shift?

Well, I've already said I don't think there has been much change. Unless you can give me a steer that might take me off in a different direction, I haven't noticed the difference. I mean, if you go way back to the early 80s, we were trying to get the private sector involved as investors, looking for the preconditions that were required to get them involved, and also getting them involved in the process as well, rather than just at arms length in the belief that they would encourage other investors into the area. I don't think it has changed. Have I missed something?

No, that's been the general attitude people have come up with.

I mean, I think there have been great exhortations. The famous one was where Heseltine took up all these guys from financial institutions and really tried to say, look, you're businessmen, you get involved in the cities and the cities' problems. He identified people and they went round. We had them here. I was involved with a subgroup, but nothing happened.

Do you feel that's because they'll only become involved in investment terms when there's a return?

Well, it's ideologically driven, you know, what lies behind that is that the public sector are hopeless, they don't understand how these things work, they're bureaucrats, that's one strand in the thing. A sort of denigration of the public sector. Secondly, and this is not just in this country, I've heard it in the States as well, guys stand up at conferences and extolling the virtues of why don't we run Philadelphia like Disney? The guy got howled down, which was very interesting. But he gave this great exposition of what a wonderful concept Disneyland is and how clean it is and how lovely it is and why don't those same principles apply and why don't we get Disney to run Philadelphia, basically. It was as superficial as that at that extreme. So that's what underpinned this pressure. Also a feeling that businessmen would understand. It's a false premise. I think urban regeneration and you can argue about what that means and I have views about what that is, as I would say and I've probably said to you before, it's a public good and the private sector don't really know. They are very good at identifying their interests, they are very good in terms of project management. They will run a good project. They are capable of running a good project. But responding to the needs and requirements of the city; that's not what they're good at.

When you get private sector interests involved in a project, from your experience in Glasgow is it an equal relationship between the public and

private sectors? Are you chasing the private sector or are the private sector chasing you?

I think for example, if you mean by urban regeneration you mean hard pressed areas of the city where the market is not necessarily forthcoming. I mean if for example you take the prime area of Glasgow on the whole it tends to look after itself. Space becomes available, or they take out an office block and redevelop it or demolish it and build another one or whatever, there's a good two hundred year record of values and what's happening in there. The market on the whole is quite well informed, it's not exactly a perfect market, but people know about yields, and they know that these things tend to follow cyclical form and if they can start it now they might hit the peak in three years time and hit yields. Now over the last ten to fifteen years I think projects in secondary and tertiary markets - there's no such thing as secondary and tertiary markets, I've just invented it - but I like the idea of there being prime markets, prime property markets, which there are and there's a lot of research about that, but if you go further down there should be things like secondary and tertiary markets. At the bottom end there's the tertiary market - we'd be talking about commercial development in Castlemilk, for example, and I'm not quite sure what would be a secondary market, but where the market is not proven and there's not enough to go at, for example secondary market might well be low cost housing on brown field sites which is reasonably close into the city centre. Now, generally that market's been proven, if you do the product right, if you don't overbuild, there is a market. Now that's been established as a marketplace. Therefore,

you are getting the private sector prepared to come in and do that because it's been demonstrated that if you get the product right and so on then it will sell. Now that doesn't mean to say that there aren't risks associated with it and some of those risks you probably have to share with the public sector. Like it's a crappy site and you need to clear it or sort out some underground conditions or some bad ground conditions and so on. Well on the whole, by and large the housing market in the secondary areas is proven. The housing market in tertiary areas like Castlemilk and Drumchapel say, are a little more difficult. There is no tradition of, it's not a mixed area, it's 99% council flats and therefore establishing value which is tradeable in these areas is a little more risky, but it's happening, slower. You begin to see that and therefore increasingly we will, the public sector, not necessarily this organisation, will share some of that risk, but at a particular part of the market which is low cost, first owners or whatever, but low cost owner occupation. If you broaden that out to industrial and commercial, even more difficult. In secondary markets, industrial, yes, you could probably do that - small workshop kind of developments, again dependent on the product, but there is proven demand. Again, if you move into tertiary markets, it is extremely difficult. Why should people want to set up in Easterhouse or Drumchapel?

So basically would you say the more difficult the project, the more the public sector has to invest?.

Yes. I think that an interesting one by the way - it's something I was talking about ten years ago, this notion of prime markets and secondary markets and tertiary markets. I don't think anyone has tried to identify what they are. They are not necessarily geographical. Prime is geographical. There's no getting away from it and it is defined. Lines run along streets. This is where Jones Lang Wootton and Richard Ellis trade information about. They know what rentals are passing in these places. There are high levels of information. When you move to secondary, you get a different kind of investor. The kind of investors in this place (the city centre) are Hong Kong land, distant people who invest in this as part of a portfolio. That's what they're in - it's prime. Whereas different players, different kinds of products, as you move into secondary and tertiary.

I think what you're saying is that you don't need to do much about the prime area, the city centre, but its the secondary and tertiary things that you're working in.

Yes. It would inevitably have to be. You do things in the public realm, pedestrianisation, lighting, security or whatever, but really that's the setting for private investment.

Do you think there is a commitment in the city business community (if you can talk of such a thing) towards the aims of urban regeneration?

I don't think you would get any businessman in the city who would not be quite strong civically. They want to see a prosperous Glasgow. But there is a nice cleavage between, and obviously the general prosperity of Glasgow is going to be good for business anyway, so there is that....enlightened self interest, but I wouldn't want to be cynical about that motive. I think that 300 people turned up on January 10 when we actually launched 'Corporate Metropolitan Glasgow', which is the top 200 firms. The aim was to give an uplifting message for 95, and people genuinely wanted to hear something. Yes, I think there is a lot of goodwill, but don't mistake it for a project. That's the unit of account in the private sector, whether you're doing 30, 000 square feet of small workshops or whatever, the analysis is the same, you do the cash flow, this is going to cost £x million to build, we're going to build them in blocks of 1000, rentals passing and so on, we'd look at a void level for 18 months, we'll get them marketed....we have to borrow money at this level because the Royal Bank's not going to do this, we have to part with equity in order to do it, they'll only give us 50% in loans....we've got a shortage and our gap funding is something like £400 000, they come to us and say we'd like to do this scheme, you have a look at the figures, we need to make 18% on this....because we've got to pay the bank, we're taking the risk, we need £400 000 out of this £5million project to make it work and we say well, if I say well, playing on the first set of motives, you know you think well of the city but I mean it's not going to do well for the city if you're going to do it at a loss, profit drives the system, and that's the system we live in.

Do you feel that that's where a lot of the misconceptions about what the private sector can do in government have come from - that division between goodwill on the one hand and investment in actual projects on the other - there's a tendency to group them together...that is involvement = investment....in the attitudes of government, in their policy statements at least, there is a view that the private sector will come forward and solve the problem?

We live in a time and we have done for the last 15 years....when I was at University which was 30 years ago, I had a professor....he used to teach philosophy....he used to talk about democracy and freedom and all these kind of things....he used to talk about the boo hurrah words as he used to call them....freedom is a hurrah word...people actually don't like freedom....you say do what you like and they finish up doing nothing....there are a lot of studies where people actually feel rather comfortable living in a rather rigid regime...democracy, wonderful, wonderful, private sector - hurrah, that's it, it doesn't matter, public sector, boo. There's not a lot of thought given to it. In America they went through this in the 1970s (Robin Boyle) with I think a very strong Economic Development Administration, which was set up by Carter which got wiped away, the guy that was from the Ford Motor Company, they brought this guy in, to 'spearhead the cities and turn the cities round'. Boyle had some wonderful quotations, he said 'we don't know anything about this', it's been one of the big eye openers in my life, was to see that the Ford Motor Company had nothing to offer. He actually says it like this. It's amazing

because that whole thing hadn't really happened here, it was published in about 1979-80. This whole thing hadn't happened in Britain. I think though generally, I don't want to be too cynical, but you have to address these things from public and private sector. It's got to be a public sector lead...you've got to recognise the strengths in any partnership, where those strengths lie, because we need their money. We can't go around building houses, we can't go around building factories, if I can get these guys to do £5m worth, and it costs me £400 000, that's a good deal. Because in the past, I would have had to build the whole lot. And I don't have to manage it, put people on to collecting rents. That's the way it should be. My money goes further, I get more product, and that's got to be right. And on the whole that 's become a bit easier over the piece. It's not because the private sector have suddenly been won over by city building as a new mission, but because they recognise market opportunities. I don't get Hong Kong Land coming in to me and saying they've got a £400 000 shortfall, it's a different operator in these areas. They tend to be smaller developers, certainly Scottish, almost overwhelmingly West of Scotland and they come in together.

Do developers come to you with proposals or do you go out and look for developers for sites? What's the balance?

Both. It's difficult to know. In places like Castlemilk and Drumchapel, yes, you've got to go round. I'm not saying they're going to play hard to get, but in the tertiary markets, you have to go and woo them a bit and you have to talk

about market prospects, you made it happen over the road why can't it happen here? You'll talk about a scheme, a project and so on. The closer you get to prime the less wooing you have to do. So its a mixture. Development X, for example, we put two packages together and asked for interest to be expressed and were bowled over. I think there were about twenty companies and then we spoke to each of them individually and gave them the briefing material and got 11 submissions for the first site of 130 houses. Then we rattled it down to four and ran a straight competition. So that was overwhelming at a bad time in the market, so I can't totally explain that, but the critical thing about development X will be phase two, how that goes. Phase 1 yes but Phase 2 will be the tester.

I'm quite interested in that project. It is seen as a difficult area, close to the city centre and obviously a lot of housing expenditure. Also the amount of private investment that they've managed to get very quickly is impressive. What's your perspective on it?

Well, we could have got the area developed a lot faster. We could have just acquired the land, for someone to make the bold move of going in there and take out the 8 pubs, the land was all levelled there and what causes the problem in Glasgow, particularly in the inner city, 8 or 9 pubs all stuck at the end of plots, and these very rich booze companies, going back to your earlier position, why don't they say we understand what you're trying to do here so you just knock it down. Like hell. They either want direct compensation, and/or they'll be looking for an alternative site, either within the new development or

elsewhere in the city for extinguishment. They have companies to run. Capitalism doesn't necessarily work, and when did it ever? That's an ideological opinion and you and I don't need to debate it. There are still other people out there who feel if that's it then that must be right. So we went in heroically, cleared the site and tried to assemble plots. For better or for worse we involved the public. We haven't tried to set up a surrogate urban development corporation, I could have cleared the sites, and then said OK, make me an offer for the site. Wimpey, Barratt, come in, best offer, bang, get them up. These guys wouldn't blink at making an offer for the site. And then they build. We could have walloped them up in no time. Must faster than we've done here. we tried to say something about the overall design of the development and we had a competition for that, we involved the residents in there and so on, we tried to say something about the quality of individual developments, in terms of finish and in terms of mix, and one or two other bits and pieces that relate to involving the local people in the process and so on. That's more time consuming. Democracy's great, but it slows you up.

Do you think that as a result of the process you've gone through that the development will be better?

Well it bloody better be. We keep calling it 'careful urban renewal', it's sort of a glossy brochure type phrase, but we've taken more care there than we have done with others. I'm a development agent, I'm judged on what we do, unlike the local authorities, who have regulatory powers and all that kind of stuff, and

also I'm smaller, my whole organisation is half the size of Glasgow District Planning Department alone. So let's get these things right you know. If I don't do things and make things happen that would not have happened were I not here, then I lose, and therefore this militates against the process to a degree. Process and democracy are about local authorities, getting things done are about development agencies. You can't have the two polar opposites, but from mid point we've got to lean towards action which causes conflict.

Do you think that it possible to involve the private sector in the sorts of projects that don't just involve property? Is it possible to get them to do the things, training, counselling, business development etc, that you as a development agency do?

In any regeneration process there is physical development, people development and business development. Those are the three things. I think....in terms of people development, again you're talking about the private sector taking on people from hard-pressed areas, that kind of stuff, and yes some are better than others, we've done specific projects with companies to target local people for jobs. You can't actually say....again if you were a manufacturing company then their existence depends on how they perform and their profitability. If there were a bunch of duffers all around the factory gates, then you can't enter into a deal like that because they'll say well, the public sector recruited these people for us and now we're going down the tubes. It's just a farce. It would never happen like that. Some companies will work with you, so we get

someone involved in stirring up the local labour market, we'll say what kind of people are you looking for, what kind of skills, let's try and find them locally, let's have a shot at that, you interview them, you decide. It can be no more than that. Or we can say for certain things that if you can identify a skills gap we will try and run a programme to get these people up to speed. But it's us bending over backwards to try and do that. Anything else is just a bonus. Companies are in business to do well, and they're not there to solve social problems. That's why I'm there. Whenever we're building societies set up to solve the housing problem? They weren't. Why do we expect the guy in the Halifax and the Abbey National to solve Britain's housing problems? It's ridiculous.

So you're very much dependent on the employer in these situations?

Yes. Sainsbury's have been very positive....Safeway have been positive and have worked with us. We've had a good response from them. They tend to be bigger employers. Smaller firms are much more specialised. Construction - they'll vary. Some are good at it, some are good at the lip service. The track record is not high. It depends very much on the individual and the time they are prepared to spend.

How do you actually assess, returning to your £5million project, value for money? Is it always a judgement on the part of your agency? Is everything you do in the grey area, for example a sound project in the city

centre is not going to need money, if it 's something that's never going to happen then you're not going to give money to it anyway, so basically it's always going to be in that grey area between the two. Would you say when you give grants that that's how you operate or would you say you can make more concrete assessments?

I understand what you mean. What you're implying is that there is a nice piece of calculus you can do in the private sector that would tell you ,no bother, whether or not you're going to make a decent return on your money as a private investor. That is not the case. (example of Alhambra House. They're going to knock that down. A developer has acquired the site ands that's going to happen. They're going to build a £12m development there. Now we're not involved in that at all. The developer has talked to the banks, done the arithmetic, talked about making estimates of what rentals are passing. You use your judgement - this guy's track record in spotting them, quality of the figures, quality of the understanding, quality of the location and so on. So there's grey areas in that - that is not a precise science). When we get involved in something we are not, and we try to structure our negotiations and our views according to commercial precept and according to commercial principle, but not according to commercial return. So that what we would look for in a project has to do with mainly the economic impact on an area, the number of jobs in the project, quality of those jobs, these kinds of factors. But if we were to put £400 000 into a £5m project, which represented a reasonable return on the project, let me say it was 18%, and we thought that was reasonable for a 30

000 square foot workshop development in the East End of Glasgow - the risk varies, the lower the risk the lower the take-out - if we said well that's a sort of high risk, 18-20% looks OK. We can always fall out over that. Anything above 18%, we would take a portion so we do share in the uplift. We would have clawback provisions within the deal which would allow us to share in any overage.

Does that happen very often in your experience?

Yes. It's got to be there. In the case of sale, we'll put one set of...in the event of sale in a five year period...we will get x% of the value above a certain level. If it's a continuous thing or a rental thing, we will take overage on that. All our deals are done on that basis, so that in the event of a sale or in the event of a higher performance, we share.

Some people might say that, when you get a situation where you have a profit sharing arrangement or whatever, shows that you didn't need the money in the first place.

No, no, I don't think these people can have their cake and eat it. It was our judgement and the developer's judgement that he'd only make 18%, which was sufficient. In the event they made 25%. He wins, we win. But at least we get a share of it. It's not as if all of it goes into his arse pocket and if he sells it, as a going, as a fully let, proposition we share in that as well. So that is not a very

strong argument. Guys go out of business, developers go out of business as you well know, taking risks. They put it up and they can't let it. He's spent £4.6m, I've spent £400 000. It is there, somebody will buy that, not at five million, they'll buy at three million because they'll push the rentals down. As far as I'm concerned, I've got an asset in the East End. It doesn't matter to me.

So for you, the assessment is not just the actual building, but what it does for the area that surrounds it.

Well, the way I would see it, if I put £400 000 into that, I would say, this is going to create 70 jobs, 40 of which would not have happened otherwise. Now that's a difficult calculation, but there are ways of satisfying ourselves that that is the win. So what I am saying is my £400 000 gets me 30 net jobs of a certain quality, so much a head that's not bad value. That's the way we would do it.

Finally, what are the key steps to increasing private sector involvement and investment in a city like Glasgow? What can you do as a development agency?

Well, without breaking any of the rules, you know instead of giving him £400 000 you give him £800 000, you'd have people falling over themselves, but if you're not breaking any of the precepts of how one operates. How do we get the private sector to be more involved - well I mean I think you take some of

the risk out, you try and spot opportunities, I mean the private sector on the whole are pretty good at spotting opportunities because that's what they spend all their life on. There may well be opportunities that they don't readily look at that we can identify and we can promote. We'll say, have you thought of this? We can do some market research, saying that well you could have a raft of ten projects of opportunities which fit my agenda and may not fit his agenda, the private sector's agenda or her agenda, and you could present those to the market and say we'd be interested if you want to work these up. You know, we think that the rentals here will be so and so or the values here will be so and so, we think there is a market here, this could be established, this is the background. So there is an informational thing here, which relates to opportunities, market research, identifying. Secondly, I think there is, and I'm talking explicitly here of physical works, cutting out some of the uncertainties as far as sites are concerned. In the city for example you can get a block like this might be in four or five different ownerships. That's a big pain in the neck. The guy's got to acquire this interest, and he's negotiating like that guy in the ransom strip that just owns the corner, you know he's got a little kiosk there and he wants £200 000 for it - it's worth ten bob, but he knows that the guy needs it to assemble - so there's ransom strips in there. So the costs of holding land are high. Because while you're doing that negotiating, trying to move all the ones on so you can go wallop, it's Wednesday afternoon, here's your money, here's your money, now piss off. It's a very difficult process, what actually happens is that you get two thirds of the site, and you can't negotiate for the other one third. So acquisition of land in multiple ownership,

which is a city problem, is something we could do. And land treatment, we could do. So there are informational and supply side kinds of...front end investment, it's front end investment, and that takes a big pain out of the...pain and time, but also holding costs. The costs of holding land and buildings before you can get on to developing are quite high for building projects in a city. If you're in East Kilbride, you don't have to worry about it because its a farmer - he's got a whole damn field there, if you do the deal with him then you've got it. But I mean, all this pepper-potted around. From the demand side, I suppose we could come up with potential people as distinct from saying we estimate the demand to be 80 000 sq ft and we're only asking you to do 30 000 - if you find tenants for them. Finally we could actually build the bloody thing for them. I think the process is about O-level economics. Its about information, people don't have information in secondary and tertiary markets. Jones Lang don't know about these things, they specialise in these (city centre). You go along to your friendly agent and they don't have records that go back. They don't know who the players are in this area, as well as they know about prime. So there's a lack of information on the returns you can make in secondary and tertiary areas. there's more risk to it. So there's an informational and opportunity pointing up, which we have done and secondly there is getting the land together in a complicated ownership pattern. Some people, there was a guy from Coopers/Lybrand came in here and said why don't you involve the private sector earlier. Your (SG) posture seems to be there's a problem site, we will acquire it, clear it and it's ready for development. Why don't you go to as developer, and say, that's a site we'd

like to see some commercial development on, go away and come to us with a proposition, which includes clearing all the land, and acquiring it and the holding costs and so on.

Is that something that you think you should do?

Well, in order to do that, there's arguments on both sides, if someone was prepared to come in and do that, we'd speak to them. Our understanding is that they like life easy. If somebody wants me the developer and is prepared to lay out the red carpet, then I'm going to be that much more interested. That's what we've always worked on, particularly in those more difficult areas. What I get if I own the land, I've got it in a unified ownership, I've got it in and I've cleared all the shit out and then I say there it is then I can get six competing bids for that development which I can judge either in terms of price or quality or whatever. What I would need to do is just do a deal with you as a developer on the site because I haven't got my time to waste here. Why should I go in competition - I've got about two million quids worth of clearance work here, we've been nine months negotiating getting hold of this site, and I don't know you guys are backing me. So in a sense I'm signing a blank cheque, because if I go in and start negotiating and the figures are getting telephone book numbers, forget it. It's going to cost two million to get that site and I thought a million. I've got one guy - why him? I suppose I could hold a competition earlier and say, look, I'm interested in you four guys doing that development on the site, are you interested in competing? I'm not sure that they'd be

terribly excited about that. I think there is a feeling that if you want it to happen, you get in and acquire and put it together. I think, but I haven't got a closed mind on that.

Does that approach not also open you up to more risk?

Well, I've got to be even - handed. If I've got a pal in the building industry, how come he's getting five contracts? This notion in capitalism and in the private sector that they like competition and thrive on it. Do they hell - they spend all their lives...as soon as you get a bunch of guys together they want to operate in restraint of competition...who wants to compete...no one wants to compete if you can have a decent well paid life...why should they? Now if I put four guys on to a difficult site I don't think they would go for it....there's other things...nobody's desperate to want to do that. Involving the private sector earlier would mean that you're actually giving someone pole position. Now they'd like that, but then that opens me up to....how do I choose that....how do I know I'm getting the best value....because you've got me over a barrel now (the developer). Look well you told me, I think I can do this site; acquire it for £1.25m, development costs is another £2m, which is £3.5m say to put together, even though I've got that the site's only worth £1m, so you owe me £2.5m. That arithmetic's OK, but how do I know that that's the best deal? And I don't. And then I can't say, oh that's a crap deal, I can't go with that, I'm going to give it to him. Wait a minute, I'm way down on the negotiation on this - I'm not letting some other guy come in and take over from my figures as I've been

negotiating with these other guys. it sounds a nice principle, but once you get into it, to obey the other precepts of how we have to behave, which is even handed, competitive, value for money for the taxpayer, militate against....which the private sector would love of course....they're not bothered about that, but the public sector has to be.

END

