

International cities: case studies

Hamburg

Introduction

'The Free and Hanseatic City of Hamburg' is a major port city in the north of Germany, connected to the North Sea by the river Elbe. It is Germany's second largest city, with a population of 1.7 million that is growing. Population growth (in a country characterised by a shrinking population) has been central to economic growth: it has fuelled a virtuous cycle of demand and investment, especially in the property and healthcare industries. While German remains the ethnic majority in Hamburg, there are large minority groups from Turkey, Poland and Afghanistan (OECD, 2013) and 21% of the population is foreign born (Gehrke et al, 2013). There are eleven universities in the city, and the city abolished tuition fees in higher education in 2012, earlier than those were abolished in Germany as a whole in 2014.

In 2011 the city was awarded the title 'European Green Capital' by the European Commission, in recognition of its achievements in the area of environmental protection. The city lies only six meters above sea level, and the threat of climate change has motivated an urban development policy which focuses on climate protection and preventive measures.

The Hamburg metropolitan region (home to 5 million people) includes Hamburg and its surrounding areas in Lower Saxony and Schleswig-Holstein. The city and the metropolitan region are developing links to two regions in Denmark and Sweden's Skane Region to develop a north European green growth corridor.

As other industrial cities in western Europe, Hamburg's economy, traditionally based on ship building and trade through the Port started to decline in the early 1970s and the loss of jobs in traditional industries was not compensated by the growth in the service industries. The city's leadership tried to establish new heavy industries, but this policy failed due to the high cost of labour and land. There was high rate of unemployment and 'unrest' among the unemployed workers, including factory occupations and a hunger strike. In 1983 the (social democratic) mayor of the city announced his vision of '*enterprise Hamburg*': he appealed to the enterprising spirit of residents to make the city competitive' and usher in 'growth' (Mayer et al, 2016). The new economic strategy, based on attracting new businesses to the city shifted the focus to high level skills-based industries in the local economy. Economic growth was also fuelled by the rebuilding of the infrastructure, which in turn made the city more attractive to high value added industries: between 1985 and 1990 almost 400 companies were attracted to Hamburg and 16,000 new jobs were created (Norman, 2001). The opening of Eastern Europe markets after 1989 also contributed to the growth of the Hamburg economy and many of the skilled workers now arrive from the east (Kresl, 2007).

The city's economic strategy is based on eight clusters, that is, industrial sectors where the city's workforce is seen to have special skills. While the majority of employees now work in the services sector, Hamburg's leadership is committed to maintaining the city's industrial core: currently the city's main industries are aviation, oil, chemicals, metals and logistics. The city is also famous for its creative sector, including publishing, gaming, film, radio and advertising. However, the Port remains the largest employer not only in Hamburg, but in the Hamburg Metropolitan Region.

Overall, the city's economic output has been strong since 2001 and growing since the end of the global financial crisis, making Hamburg Germany's most affluent city. The number of jobs has been growing since 2003: losses in manufacturing and construction have been compensated by new jobs in financial and business services and real estate. The employment rates are high both for men and women: 77 and 69 per cent (2012) and unemployment rates are around 8 per cent for both sexes (OECD, 2015).

However, since 2000, the low wage sector has also grown and in 19% of employees in Hamburg earned less than 1890 Euros per month in 2010 – this is just below the German and the UK national average at 22% (Gehrke et al, 2013). In addition, reforms of unemployment and welfare benefits (in Germany as a whole) have resulted in a rise of part-time and precarious employment and the rise of income inequalities. Another challenge to social inclusion in Hamburg is the ever increasing demand for housing (with limited land availability), which has led to a rise in rent and an increased segregation of wealthy and poor neighbourhoods (Mayer et al, 2016).

Finally, Hamburg is on the frontline of the challenge to integrate refugees, placing unprecedented pressure on schools and housing. The city is committed to accept 40,000 refugees in 2016, double the number the UK government has said it is willing to take in over five years. Tensions around the housing of refugees are starting to rise in Hamburg: many refugees are housed in temporary accommodation, creating concerns in the city that ghettos might emerge (Wintour, 2016).

Governance

Germany is a federal state with three levels of governance: national state, federal states and municipalities. Hamburg is one of the German city-states: a federal state and a municipality in one, which means that the city has considerable policy making autonomy. As a state, Hamburg has a Parliament (Bürgerschaft) with 121 members who are elected every four years. The members of parliament elect the Mayor, pass state laws and adopt the budget. Hamburg's government is the Senate, headed by the Mayor, who appoints the Senators. The nine Senators each lead a departmental authority (ministry) and the Mayor leads the Mayor's Office.

Following the elections in 2011 and 2015, the dominant party in the Hamburg parliament is the SDP, followed by the Christian Democratic and the Green Party (and a few smaller parties). Traditionally the Conservative Party was seen as more supportive to economic growth than the Social Democratic- Green Party coalition (Kresl 2007), but this no longer seems to be the case. Olaf Scholz, the Social Democratic Mayor appeals to political pragmatists across the political spectrum, representatives of employers as well as to residents (OECD, 2015).

As a city state, Hamburg has a wide range of responsibilities in ensuring the welfare of its citizens and maintaining and developing of the city. While health, long-term (social) care and unemployment insurance is organised at the national level in Germany, municipalities pay health- and social care insurance contributions on behalf of those who receive social welfare beneficiaries. In Germany various policy instruments exist to provide affordable housing, including housing benefits to low income and unemployed households, and subsidies to housing providers who offer apartments at a low price. Social housing constitutes an important part of the welfare system, with access determined by income ceilings and priority criteria (Gehrke et al., 2013).

Wages and working conditions in Germany are negotiated through collective bargaining between trade unions and employers' organisations at industry level. Collective bargaining takes place at regional rather than national level, which causes variation in pay levels among regions.

The city is divided into seven administrative districts, each of which is led by a district authority with 41 members. The members are directly elected every four years at the same time as the Hamburg parliament and the leader of the Council is elected by council members (City of Hamburg, 2010). District authorities have their own planning powers, framed in terms of 'socio-spatial development' (Gehrke et al, 2013: 16).

Strategy, Vision and Leadership

The key concept related to inclusive economic growth in Hamburg is '*sustainability*', which includes environmental and social sustainability. The most recent integrated urban strategy is entitled '*Green, inclusive, growing city by the water: Perspectives on urban development in Hamburg*' (2014). It outlines plans for urban development until 2030 along four themes: 'more city in the city'; 'inclusive city'; 'green and environmentally friendly city' and 'urban development in the industrial city'. A fifth theme, '*Hamburg opens up to new perspectives*', looks at the possibilities of further population growth and the increasing demand of housing.

The key areas within the theme of the inclusive city are: affordable homes, strengthening neighbourhoods through investing in education; and improving the quality of life through improved public places (City of Hamburg, 2014).

The integrated city strategy has been initiated and shaped by a variety of drivers:

At the national level, the '*Social City – Investing in the Neighbourhoods*' (*Soziale Stadt – Investitionen im Quartier*) programme aims to improve living conditions and break the 'spiral' of negative social, economic, urban, infrastructure and ecological change in deprived neighbourhoods through an integrated approach. The implementation of the programme is based on integrated development plans (Federal Ministry of Transport, Building and Urban Development, 2012).

The city's leadership has had a strong influence on the current integrated strategy, especially its focus on social housing. The strategy also had to take into account a significant budget deficit and debt challenges in the wake of the financial and economic crisis in 2008-2010 (OECD, 2015): the city pursued an anti-austerity programme throughout the crisis and provided significant support to small and medium-sized enterprises to protect employment.

Bottom-up initiatives have also played an important role in driving the inclusive growth strategy. The urban strategy '*Metropolis Hamburg – Growing City*', which was adopted in 2002 by the Senate attracted criticism from the group 'Future Council' (Zukunftsrat), which focuses on sustainability in a broad sense of ecological, social and economic sustainability. The group is a large network of organisations, including residents' groups, the Chamber of Commerce and Industry in Hamburg and environmental groups. They called for 'sustainability' to be the guiding principle of urban development.

Issues directly related to the labour market, including vocational education, are covered by Hamburg's innovation and technology strategy (co-ordinated by the Ministry of Economics, Transport and Innovation). This strategy is organised around the eight cluster initiatives, mentioned above.

Design, Implementation, Monitoring and Impact

The integrated city strategy was designed in a top-down fashion, however, with strong pressure and input from civil society organisations. Importantly, the Future Council was initiated and funded by the City to provide external control on the work of urban developers (Pettibone, 2016).

The integrated strategy does not have any dedicated resources of its own, its policies are linked to already running programmes such as housing, urban regeneration and education. Resources include federal funds; city funds and private investment through public-private partnerships (interview 3). The city-state also has its own EU regional development operational funded (ERDF) and European Social Funded programmes under the themes of education; social inclusion and long term, quality employment.

The implementation of the policies which are linked to the integrated city strategy are closely monitored. Since 2003 the Future Council group produces an annual 'shadow' report, independently of the city administration, based on over 30 traffic lights indicators which include those measuring environmental (e. g. water and energy consumption and CO2 emission); social (percentage of high school dropouts) and economic sustainability (Pettibone, 2016). The result of the group's work is that in 2009 a new strategy was published: "Vision Hamburg – Responsible Growth", which focused on balancing economic growth and environmental sustainability.

While it is too early to evaluate the outcomes of the integrated strategy (adopted in 2014), the outcomes of the policies implemented by the Senate after 2011 are already visible – and these ideas are reflected in the strategy:

The number of housing units constructed each year has increased from 3,600 to well over 6,000, a remarkable shift that has over achieved on original targets, while the city has also

exceeded its target for 2,000 subsidised rental housing buildings per year every year since 2011. The 'Alliance for Homes' between the Senate, associations of the housing industry and the municipal housing company (SAGA GWG) has set the specific objectives for an inclusive housing market. Districts support the objectives by ensuring a faster planning and approval process and the provision of affordable urban land. The housing programme has also taken advantage of federal government legislation to cap rent increases (OECD, 2015).

Exemplar themes and initiatives

Daycare: reducing inequalities among children and supporting mothers' labour force participation

Mothers' employment rate was traditionally low in Germany, but federal policies on parental leaves and early years education were introduced in 2014. Offering more to parents than the national minimum, the City of Hamburg abolished fees in a range of day care services, providing five hours of free care and free lunch in nurseries and kindergartens and at childminders to all children older than one year old. For additional hours, parents have to pay a contribution, calculated individually, depending on income, family size and the type of care. Parents have to apply for a daycare voucher at their local District Office. The voucher can be used in any child daycare centre which participates in the voucher scheme and daycare centres invoice the City of Hamburg directly. In addition, two-thirds of children in school years 0-4 stay at school until 4 pm. These measures support mothers' paid work and reduce educational inequalities among children (OECD, 2015).

Developing new urban districts:

IBA (International Building Exhibition), Hamburg in the Wilhelmsburg area of the city is a good example for the integrated development of an area within the framework of a 'project', pulling together the themes of urban development, environmental sustainability, social inclusion and citizen participation.

After a storm surge in 1962 claimed the lives of hundreds of people in Wilhelmsburg, situated on an island of the Elbe, many residents left the devastated area. In subsequent years Wilhelmsburg became a 'problem area' which prompted local residents to call the 'Future Conference' (2001). Although this conference was also a form of mobilisation against planned industrial developments in the area, the conference was funded by the City. More than a hundred citizens worked with the authorities to create the future vision for Wilhelmsburg, outlined in a White Paper / Book, which called for better schools and opportunities for children and young people, improved residential buildings, the relocation of industrial sites and improved transport connections. In response, the City outlined its plan entitled 'Leap across the Elbe' (2004), and the Memorandum for the International Building Exhibition (IBA) was drafted. IBA is a planning methodology that has been implemented in Germany over the course of the 20th century and into the 21st century: it promotes exemplary housing initiatives, which would then become permanent, and lived in.

IBA Hamburg started in 2006 and was completed in 2013 – during this period the Elbe Islands were developed in order to boost the growth of the city. A city-owned enterprise (IBA Hamburg Ltd) was set up outside the city administration to oversee the activities in the Wilhelmsburg district and to coordinate stakeholder involvement.

Stakeholders from the local community, such as residents and local businesses and institutions were invited to be involved in the IBA process: they networked with one another in technical working groups and quarterly breakfast meetings to design and run the IBA Hamburg project. The IBA project (which continues on a smaller scale) is considered a major success by the city's leadership and residents alike, however, residents feel that not all of their concerns were listened to and not all their demands were met, for example, there is still too much traffic and industrial activity in the area (Urbact II, 2015).

Another area of city has been developed from scratch: HafenCity (Harbour City) in the former docks area, very close to the city centre. The land is owned by the City of Hamburg and the city has a strong role in determining the rules of the development and the parameters within which the private investment takes place. HafenCity is designed as a mixed-use area, with 12,000 people living and

another 4,000 working there, and the concepts of social mix and 'urban encounter' are kept in the forefront of the planning and implementation. To fund the development,

The most interesting aspect of this project for UK cities is that the City of Hamburg took a long-term approach to investment which has allowed the development agency (HafenCity Hamburg GmbH) to build long-term value rather than sell sites at the highest current price. The proceeds of sales were used to finance infrastructure development and business relocation. In effect the city government accepted the early development risk of infrastructure provision in return for higher profits on future land sales. This model enabled the City to combine public interests and private capacity and to depoliticise many of the important development decisions (OECD, 2015).

The development agency has kept complete control over the terms of contracts with developers and the planning and building process, ensuring that the city development plans were fulfilled. The developers were pre-selected and include housing co-operatives, private investors and joint building ventures; and as one bidder was allowed to buy only one plot of land in the first phase of development (starting in 2003), there have been several developers: 20 different developers completed 640 housing units (Bruns-Berentelg, 2012). The ongoing development is closely monitored through surveys on the use of public space, qualitative interviews with residents and ethnographic research on the use of public spaces as encounter spaces as well an ongoing study on how young people who moved to HafenCity as children with their parents.

Synthesis and Conclusion

Hamburg is a prosperous, growing city which is in a rather unique position due to its status as a city-state, its highly successful Port, the strategic position at the crossroads of east and western Europe and the economic growth and generous welfare state arrangements of Germany.

Hamburg's leadership has been successfully managing the de- and partial re-industrialisation process since the 1980s, focusing especially on the economic aspect of growth and gradually integrating the environmental and 'social' aspects of development into its strategic thinking. The integrated city development strategy focuses on especially the spatial aspects of urban development, while the plans for the local labour market are outlined in the economic strategy that is built around clusters. Although the strategy's design is top-down, strong independent civil society and other institutional actors such as the local chamber of commerce and industry have a strong influence in shaping the strategy and monitoring its implementation. Much of the 'integrated' development focuses on selected areas of the city: the IBA Hamburg project is a great example of turning a 'problem area' into a development area with the close involvement of its residents.

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