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Session 2: Measuring inclusive growth  
and living condition at regional level

# Making inclusive growth happen in Cities and Regions, Interim results

Gonnard Eric

on behalf of: Monica Brezzi, Soo-Jin Kim and Paolo Veneri

OECD Public Governance and Territorial Development Directorate





## Rationale and context

### OECD horizontal initiative on Inclusive Growth

Project on Making IG happen in cities and regions



Data

- Provide a set of internationally comparable indicators to advance in the measurement of well-being (focus on people) and inclusiveness in OECD metropolitan areas.

Evidence

- Assess the patterns of inclusive growth across OECD cities and regions.

Decision making

- Analyse how cities are co-ordinating policies and engaging citizens and private stakeholders to foster inclusive growth.

Final Report October 2016 (UCLG Bogotá) and 21 November (Paris)



# A policy shift towards inclusive growth in cities & regions: Only a goal or an ongoing reality?



|                             | <b>Cohesion-oriented urban &amp; regional policy</b>                 | <b>Growth-oriented urban &amp; regional policy</b>  | <b>Inclusive growth policy in cities &amp; regions</b>   |
|-----------------------------|--|---|--|
| <b>Objectives</b>           | Compensating temporarily for location disadvantages of lagging areas | Tapping underutilised potential in all areas for enhancing urban & regional competitiveness | Fostering both equity & growth in cities & regions   |
| <b>Unit of intervention</b> | Administrative regions/cities & firms                                | Functional economic areas   | Functional urban areas (of all sizes) that reflect the reality of where people live and work               |
| <b>Strategies</b>           | Sectoral approach  | Integrated development projects for economic growth   | Multi-dimensional well-being for all   |
| <b>Tools</b>                | Subsidies & state aids   | Investment in infrastructure to exploit competitive advantages of different places          | Integrated policy packages that address both physical/ environmental capital and human/social capital      |
| <b>Key actors</b>           | Mainly central governments   | Different levels of government & business sector  | Partnerships across levels of government, as well as between public and private spheres, and civil society |

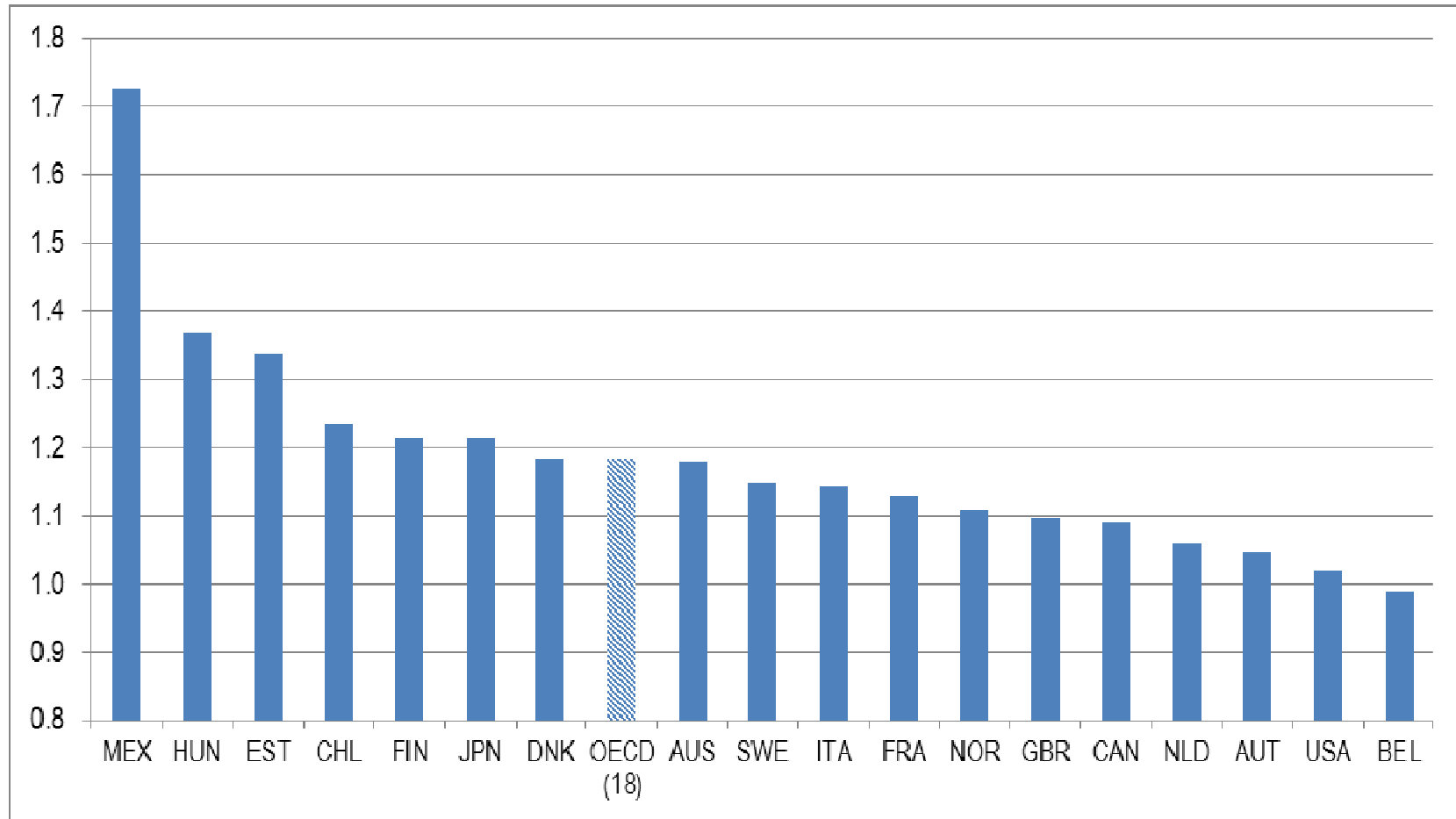


HOW DO CITIES CONTRIBUTE  
TO HIGHER PROSPERITY AND  
PEOPLE'S WELL-BEING?



## Incomes of MA residents are on average 17% higher than the rest of the population, but this difference varies across countries

### Metropolitan vs. non metropolitan household disposable income ratio by country per equivalent household; 2014 or latest available year

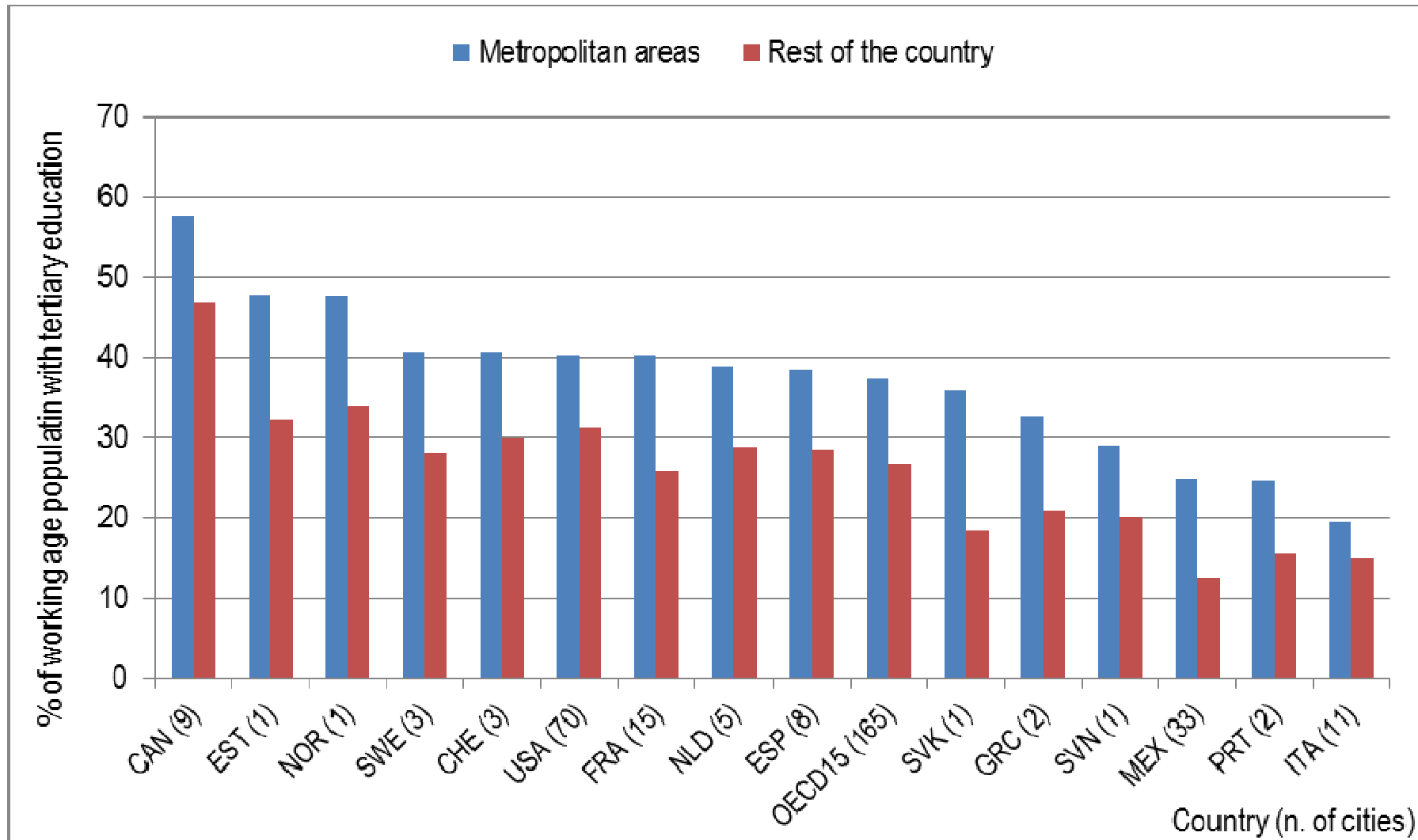


Note: The graph plots the ratio between household disposable income per equivalent household in metropolitan areas over that in the rest of the national territory. Countries are ordered by increasing value of that ratio.



## Metropolitan areas concentrate highly skilled people

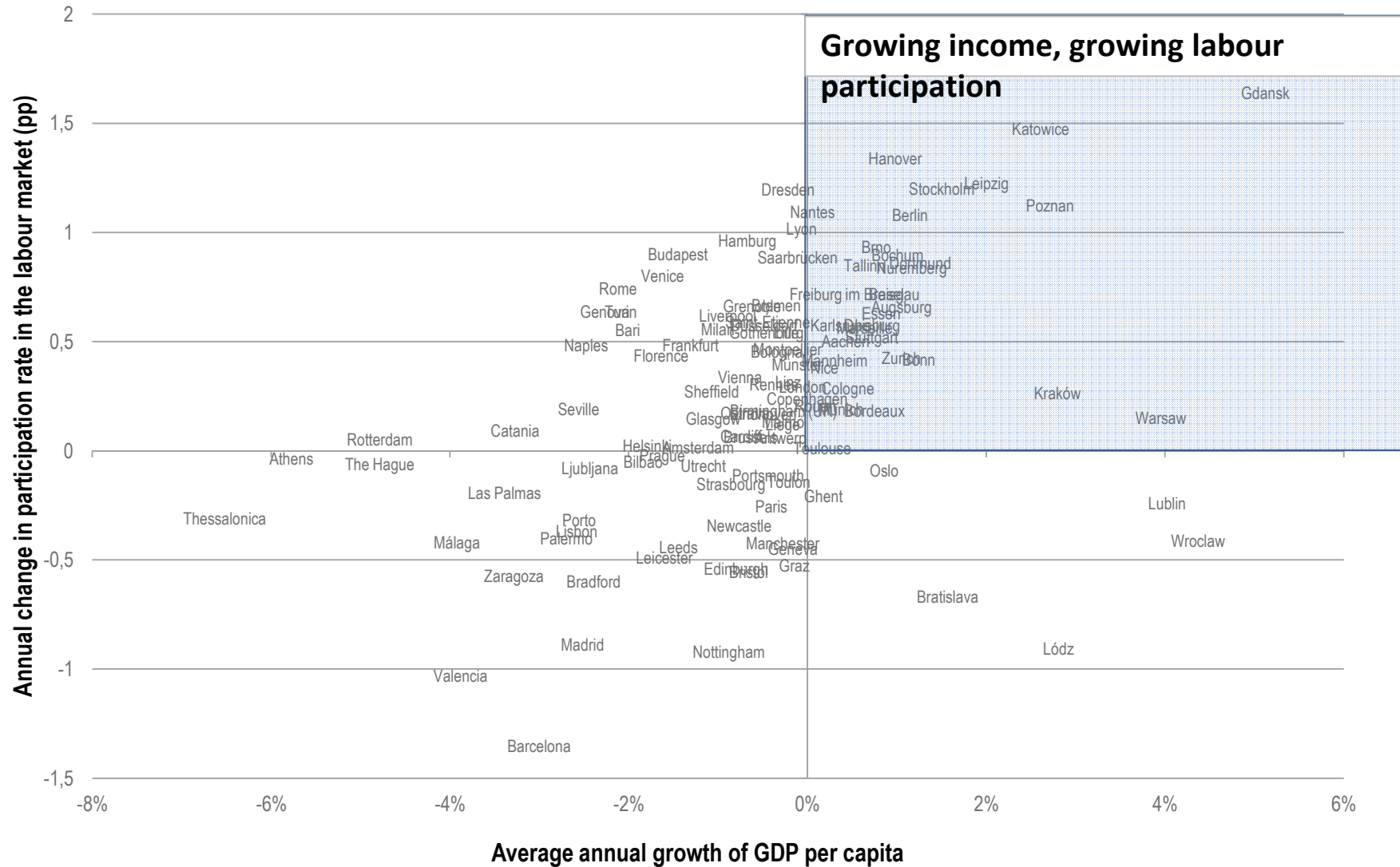
*Share of working-age population with tertiary education, 2012*





## Different patterns of economic growth and inclusion in MAs 2000-14 (Europe)

Change in GDP pc and labour participation rates (Europe)





# Well-being outcomes can be very different across cities in the same country

## Jobs

- 17pp in the unemployment rate of Las Palmas and Bilbao (23pp among OECD countries)
- 36pp in the employment rate between Firenze and Palermo (32pp among OECD countries)



## Income

- 33,500 USD household income between Washington D.C. and McAllen (around 30,000 USD among OECD countries)
- Gini index of household income between Celaya and Mexico City 0.12 (around 0.24 among OECD countries)



Differences between highest and lowest values in metropolitan areas

## Environment

- 23 mg/m<sup>3</sup> in the level of air pollution (PM2.5) between Cuernavaca and Mérida (21 among OECD countries)



## Education

- 21pp in the share of workforce with tertiary education between The Hague and Rotterdam (26pp among OECD countries)

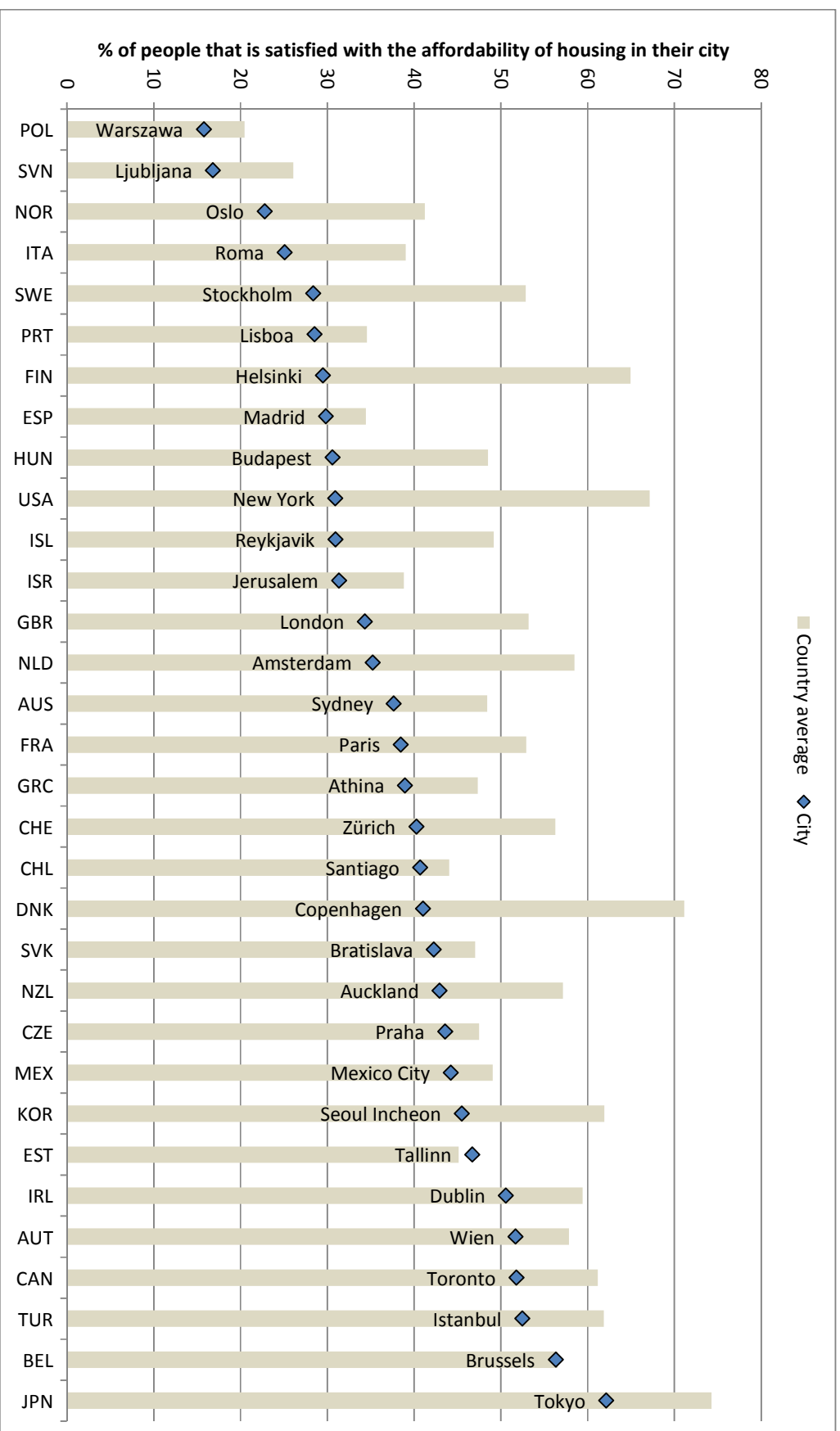






## Satisfaction with affordability of housing is lower in cities than in the rest of the country (13 pp lower on average)

*% of people satisfied with the affordability of housing in their city*



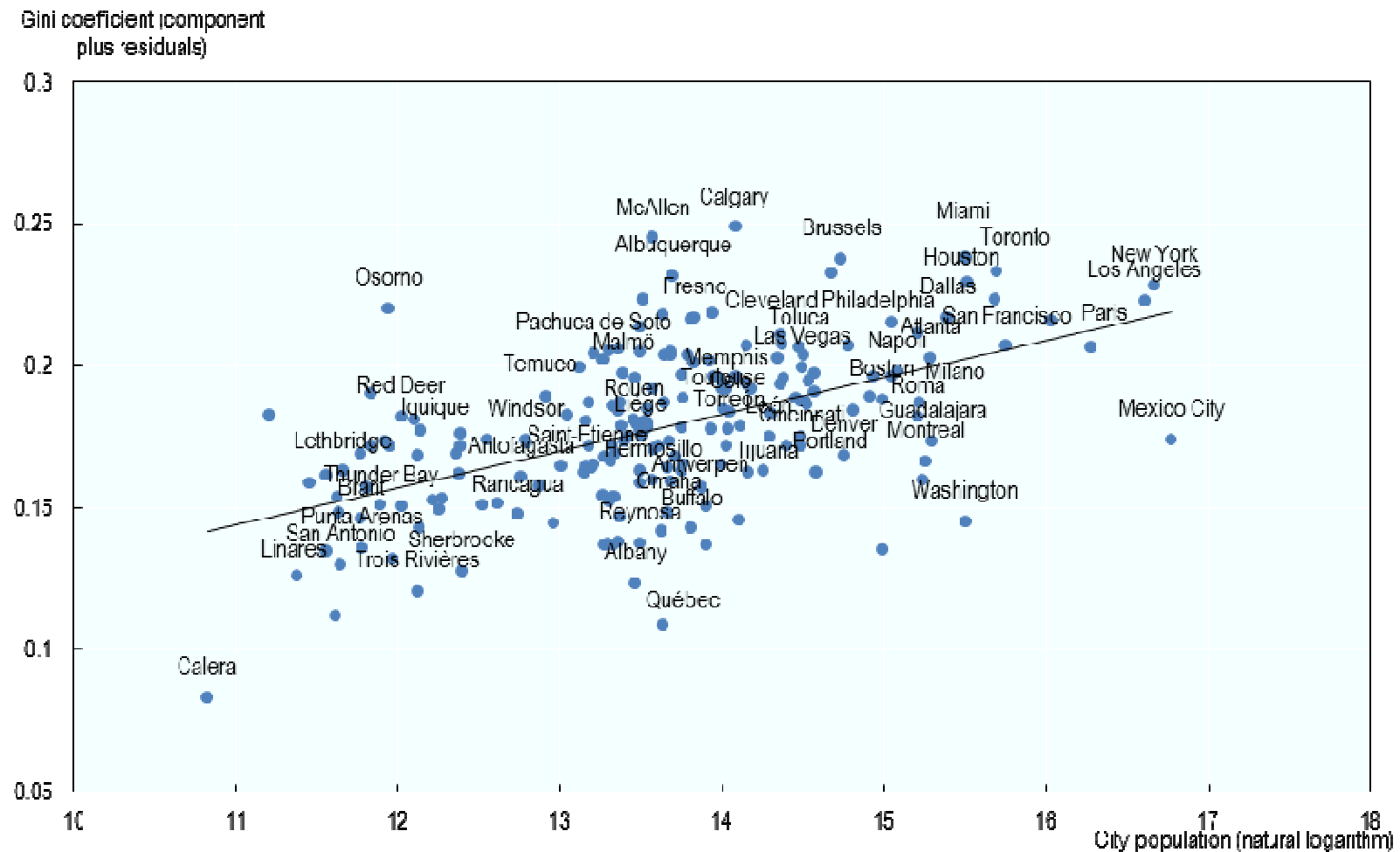


# HOW DO INEQUALITIES PLAY OUT WITHIN CITIES?



## Income inequalities are large *within* metropolitan areas and bigger cities are on average more unequal

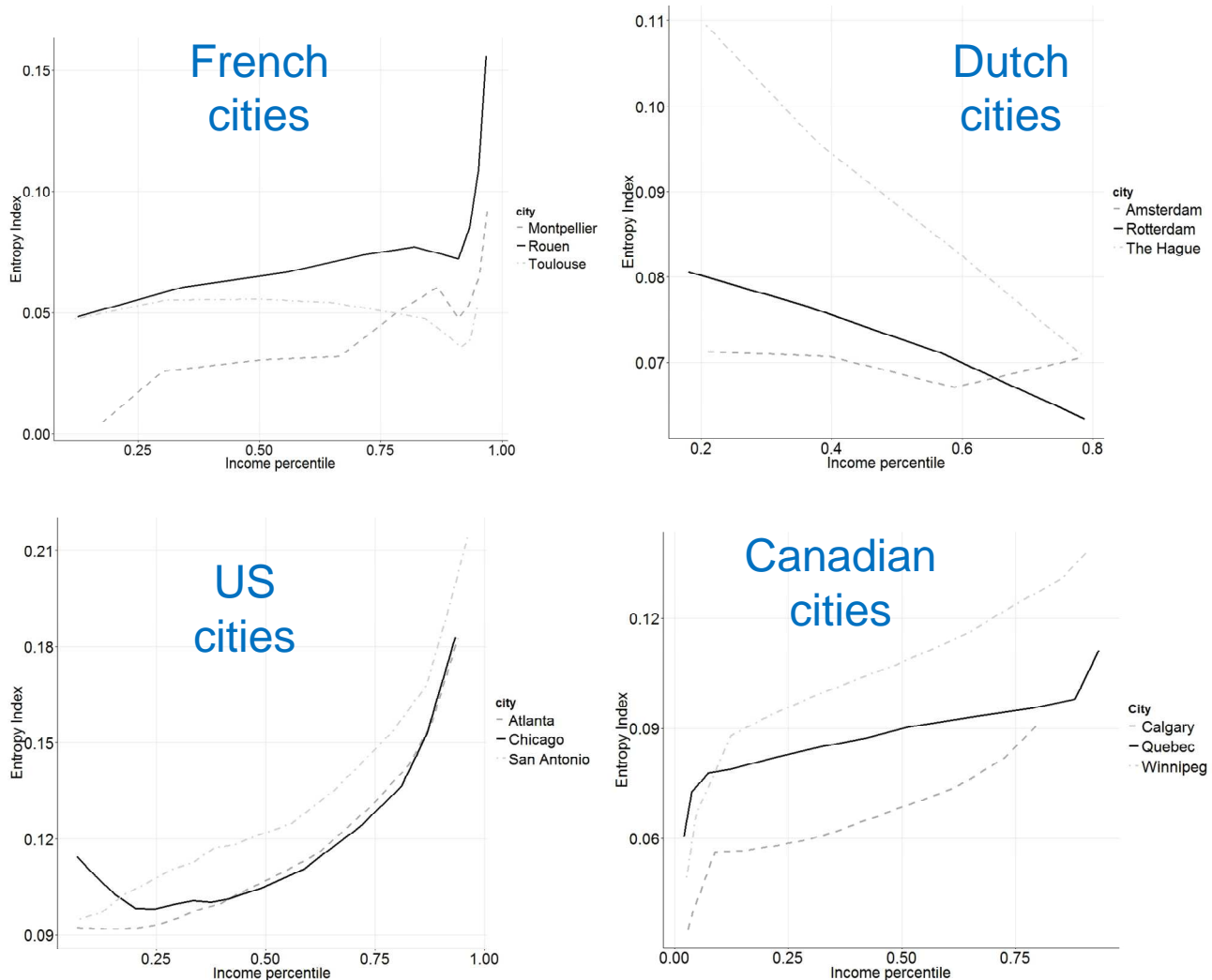
*Metropolitan population and income inequality, circa 2014  
(controlled for income levels and country effect)*





# Top income households tend to segregate the most in neighbourhoods, in Canada, France and US; while bottom income households in the Netherlands

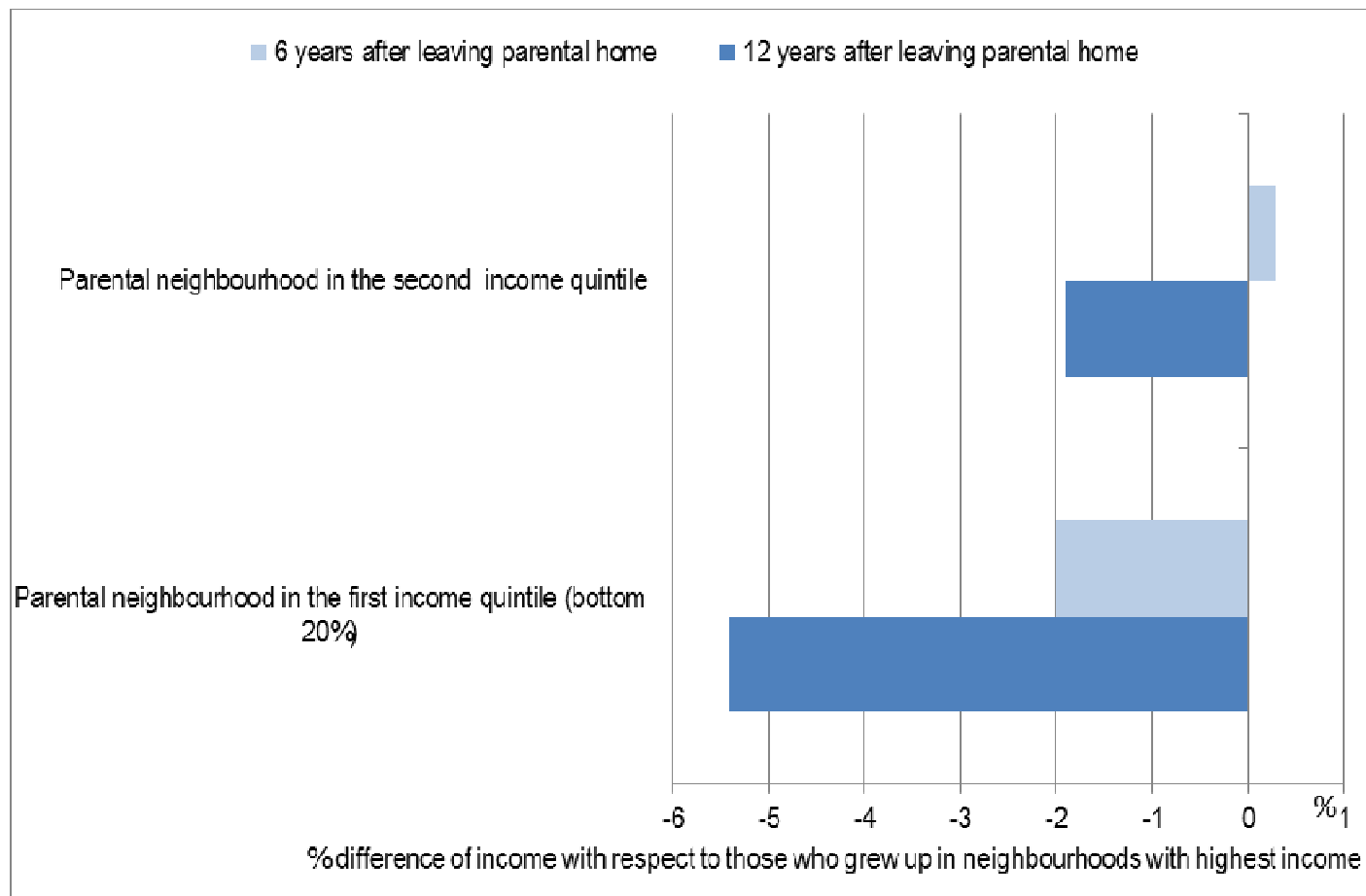
Spatial segregation by income, neighbourhood scale (entropy index)





## Inequality can be reproduced across generations: children growing up in the poorest neighbourhood have as adults 5.5% lower income in the Netherlands

Intergenerational income transmission in the Netherlands, 6 and 12 years after leaving the parental home (controlling for individual characteristics)

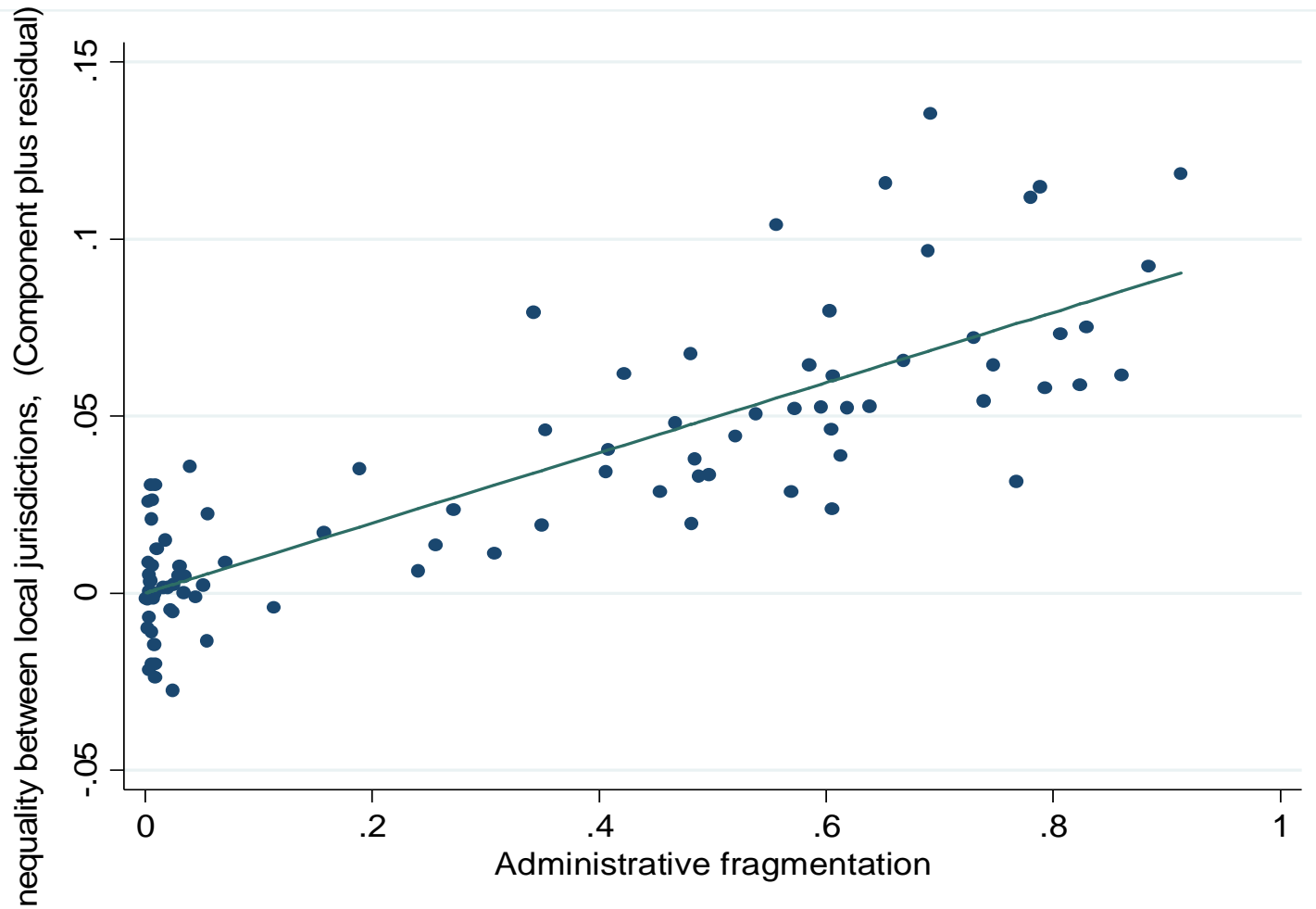


Source: Elaborations on longitudinal register data from Statistics Netherlands



## Higher administrative fragmentation is associated with higher segregation of people in different municipalities

*Hypothesis:* Fragmented metropolitan governance can facilitate segregation at the level of local units.



Controlling for country fixed effects and other city characteristics (i.e. income, population, spatial structure), higher administrative fragmentation is associated to higher spatial segregation by income in different municipalities

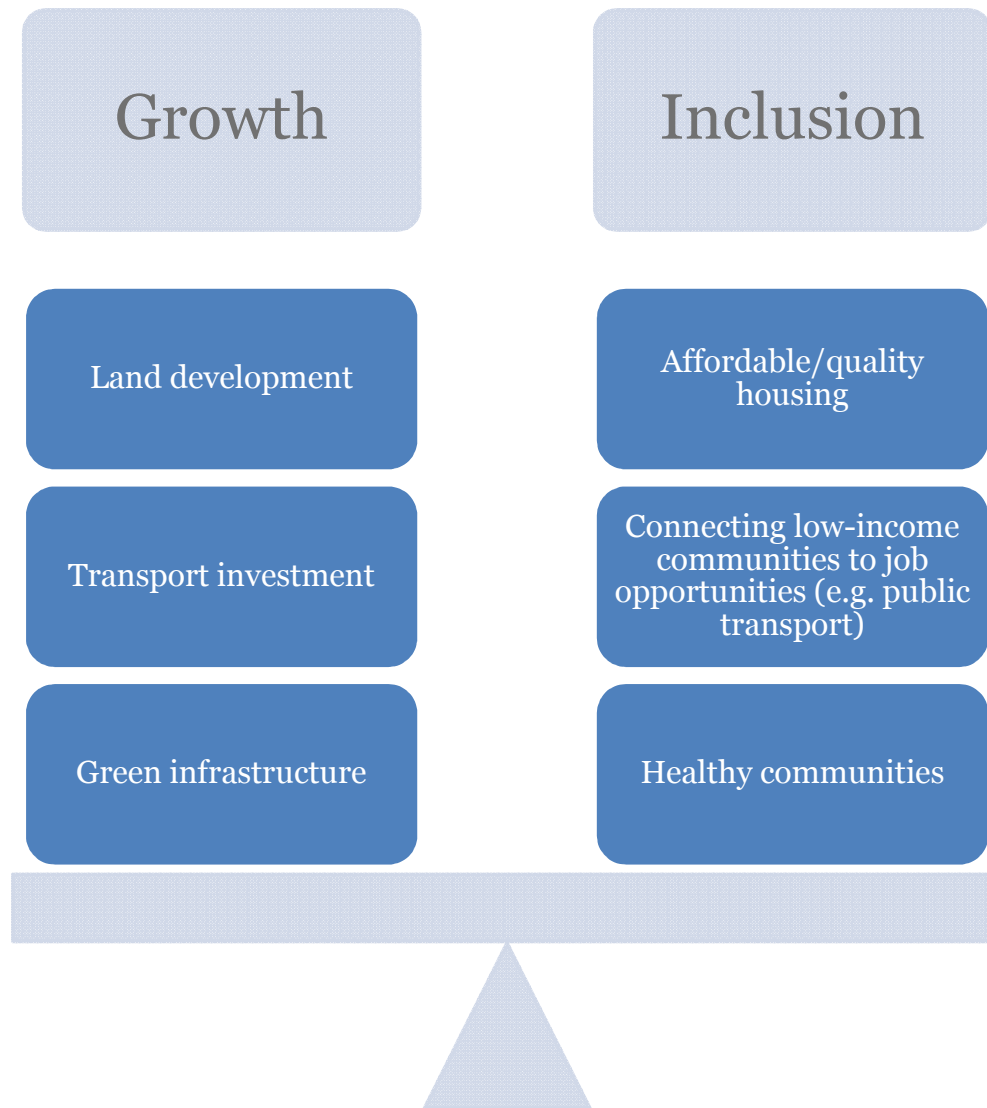


# POLICY APPROACHES FOR PROSPEROUS AND INCLUSIVE CITIES



# Exploiting physical & environmental capital in cities & regions

Achieve balance across policy decisions that help expand people's life choices & opportunities







# Valorising human & social capital in cities & regions

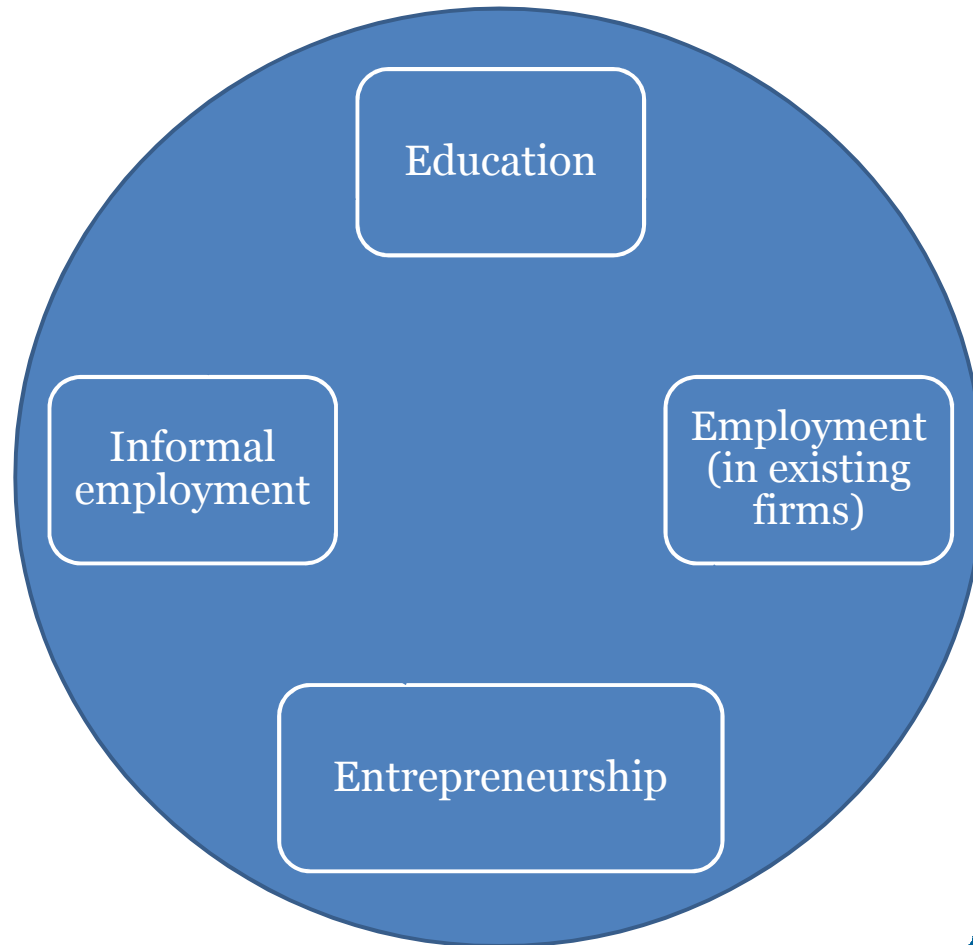
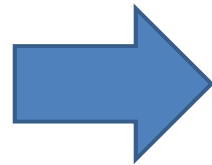
Bring all segments of the  
skills spectrum...

... into different entry points to  
urban & regional labour markets

High-skilled

Medium-  
skilled

Low-skilled





## Key steps for promoting inclusive growth in cities & regions

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- Gather a solid **evidence base** of outcome indicators on the different aspects of people's lives
- Build **partnerships** among stakeholders around common strategic projects
- Target policy interventions on the right geographical **scale** (which can range from neighbourhood scale to the metropolitan scale)
- Combine **short-term & long-term** interventions
- Support **participatory** decision making and peer learning
- Tap innovative sources of **financing**
- Establish policy **monitoring** mechanisms

