

EU Cohesion Policy and Europe's Shifting Economic Landscape

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1. Structure of Talk

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- 2. EU Cohesion Policy Reforms
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2. EU Cohesion Policy Reforms

- Key Influential reports: Barca (2009) Report; OECD 2009 *How Regions Grow*; OECD 2009 *Regions Matter*
- New ideas from many sources – economics, international development, science policy, economic geography, political science - Rodrik, Foray, Ostrom etc
- Data on shifting economic landscape – evidence OECD, 5th and 6th Cohesion Reports
- Shock effects of the 2008 global economic crisis
 - EU convergence to divergence

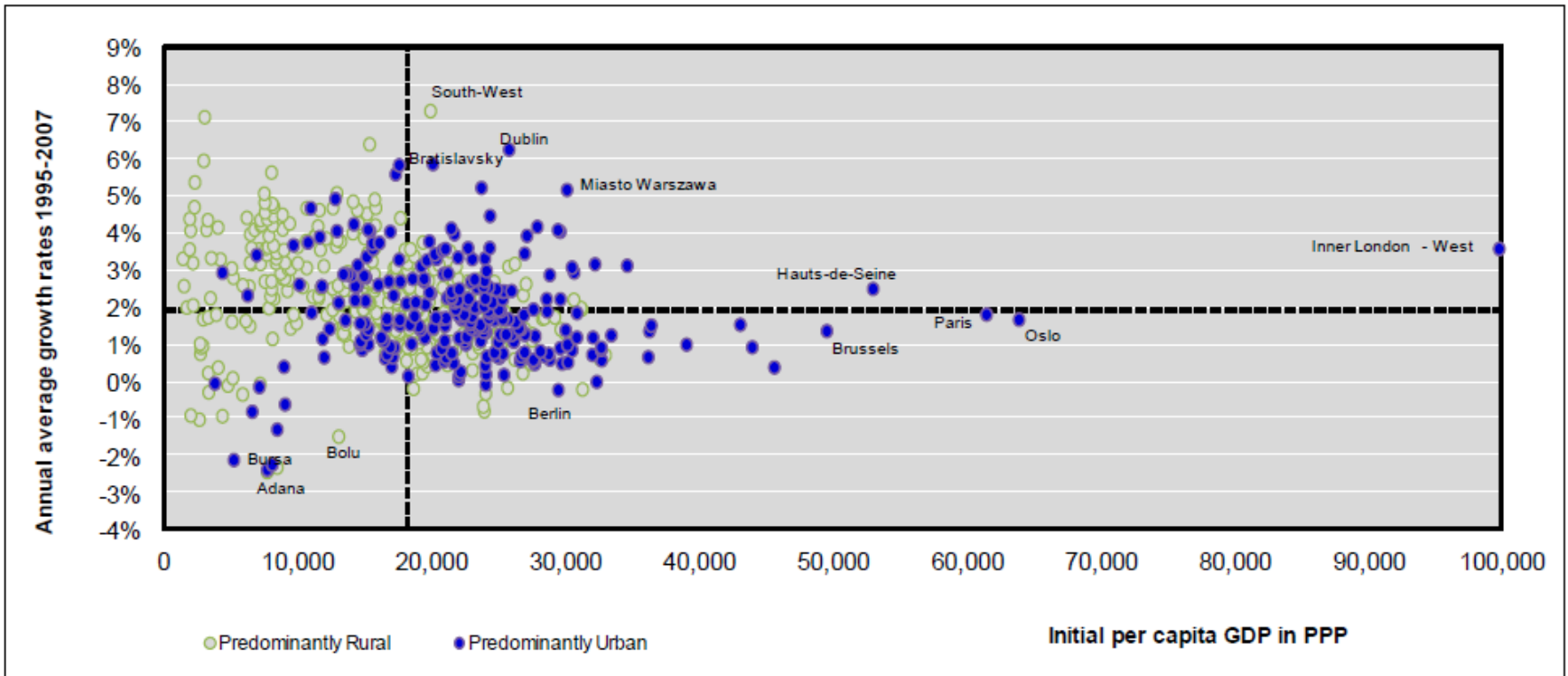
2. EU Cohesion Policy Reforms

- Key EU Cohesion Policy reform elements
- Conditionality
- Results-orientation and the use of results indicators for monitoring, evaluation and learning
- Smart specialisation
- Strengthened partnership principle
- More integrated approach CSF
- ITIs and CLLD approaches
- Enhanced urban agenda

3. Pre-Crisis: OECD Regional Context

- OECD patterns of growth (urban intermediate rural etc) were very heterogeneous across countries
- Similar probabilities of above average growth – but higher dispersion higher for rural regions
- Benefits of urban concentration and agglomeration are neither linear nor infinite-limited in many OECD countries
- OECD (2009a,b, 2011, 2012) evidence that endogenous factors were critical for regional growth

No marked convergence or divergence profiles by type of region
Predominantly urban and rural regions, 1995-2007

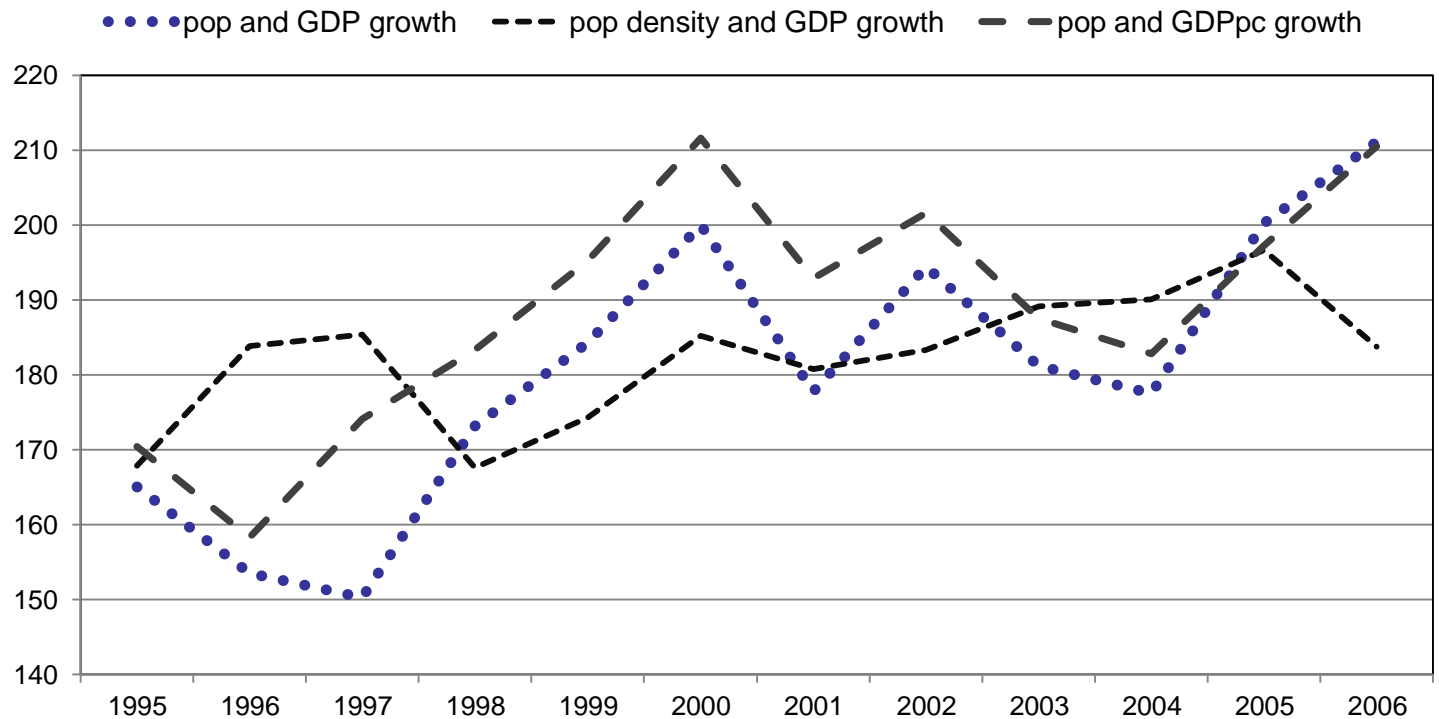


3. Pre-Crisis: OECD Regional Context

- Post-2000 Productivity *levels* were dominated by global cities
- ‘Major Hubs’ accounted for less than one-third of economic growth – and their share was *falling*
- Productivity *growth* was dominated by intermediate areas and many rural areas
- Growth role of non-core regions across OECD was increasing
- Distance-related effect in US (Partridge et al. 2011)
- Not particularly distance-related in Europe prior to 2004

The most dynamic OECD regions over 1995-2007..

average rank
(1== highest)
■ population
■ pop density



3. Pre-Crisis: OECD Regional Context

- Two-thirds of growth was driven by non-core areas → convergence processes
- Regions with less than 75% GDP per capita account for approximately 40-50% of growth
- 45-60% of growth is accounted for by regions with below national average GDP per capita
- Smaller non-core areas were growing faster across the OECD than core and larger regions
- OECD average interregional migration – 0.4% per annum and *falling* for ten years prior to the 2008 Global Financial Crisis
- Long term falls in the rates of entrepreneurship

4. Pre-Crisis: The EU Regional Context

- Role of major cities was significant in UK, France, Spain, Poland, Czech Republic
- Polycentric systems in The Netherlands, Northern Italy, Germany
- Urban-urban migration in rich EU countries
- Rural-urban migration in Mediterranean and CEECs
- Regional convergence
- Overall urban share of EU GDP accounted for by metropolitan regions of >250,000 hardly changed 2000-2006

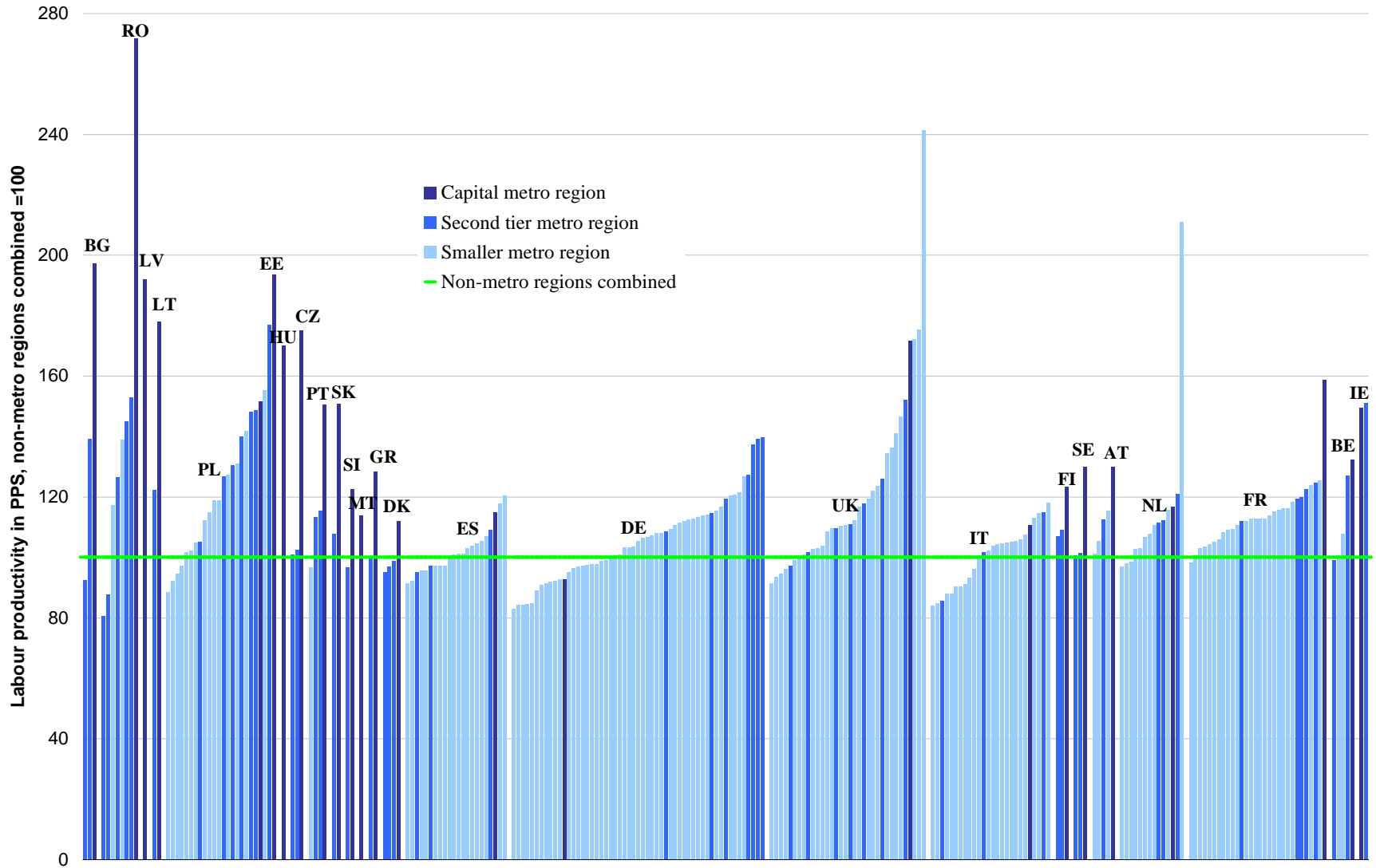
4. Pre-Crisis: The EU Regional Context

- 1990-2002 primacy of urban areas across EU: urban > intermediate > rural
- Post 2002 shift in favour of non-core locations in many EU countries in terms of population growth and productivity growth
- EU-15: intermediate areas and rural areas growing faster than urban areas
- EU-17 urban growth still dominates
- Different patterns in different countries – no simple story
- Dutch reversal Broersma and van Dijk (2008)
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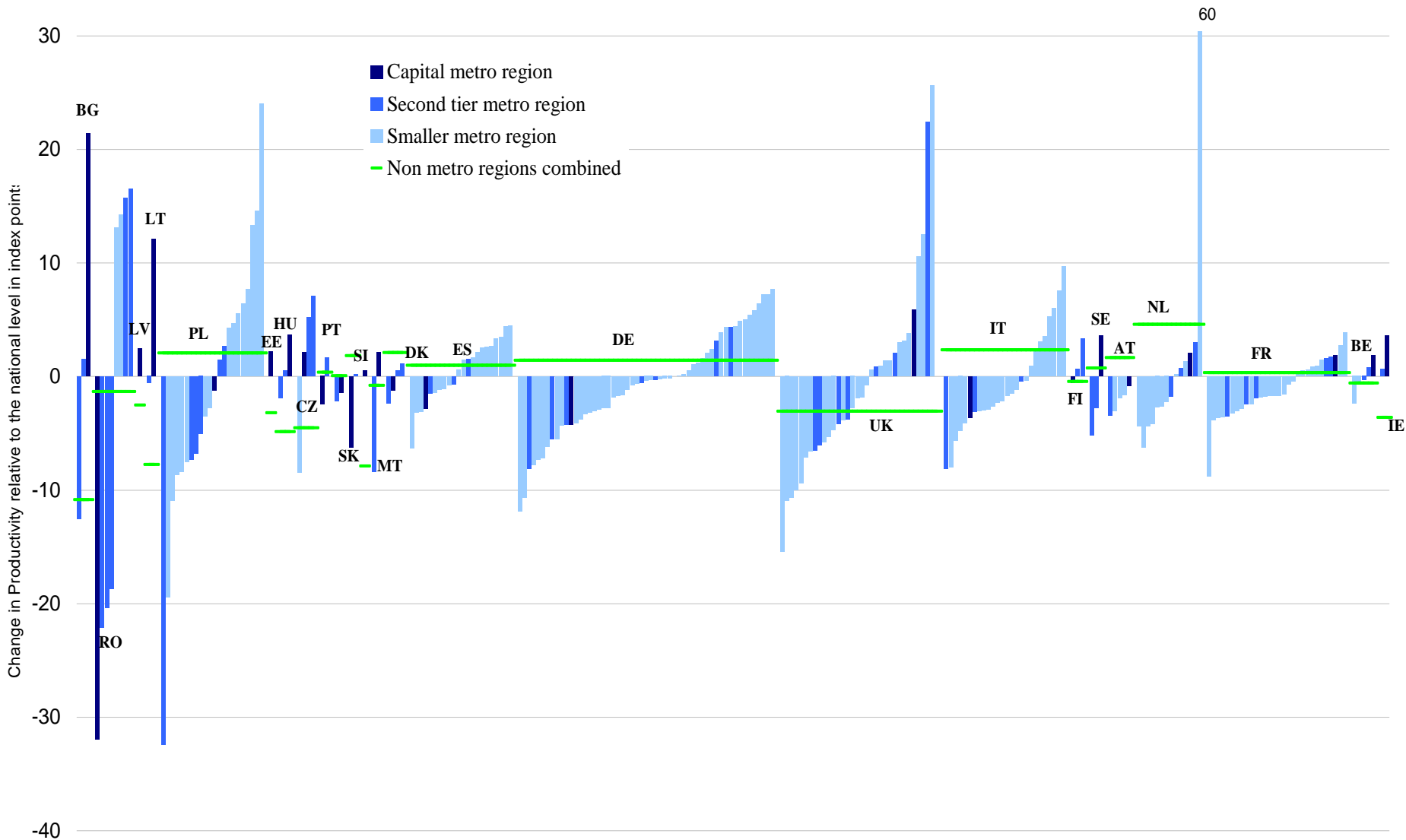
5. Pre-Crisis: The EU Urban Context

- 2000-2008 UK, France, Netherlands, Spain – population of metro regions grows at a lower rate than national population
- GDP share of primarily urban areas in EU15 remained almost constant over the decade.
- Many small and medium sized cities displayed high productivity levels and growth
- Complex polycentric EU-wide network structure *connectivity* appears to be more important than urban scale, national scale, specialisation or diversity (Bel and Fageda 2008; Ni and Kresl 2010; Taylor 2012)

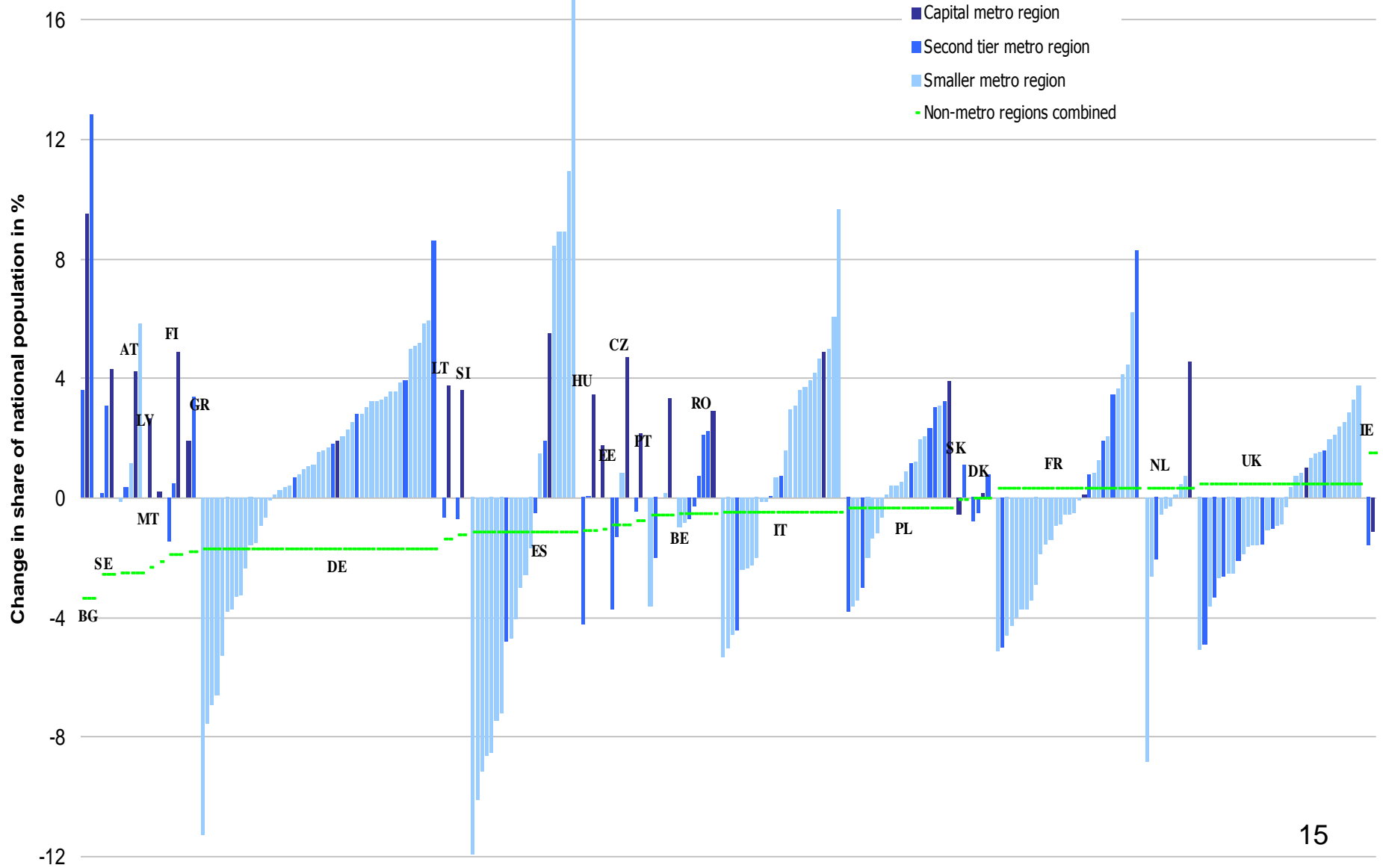
Labour productivity in PPS in metro regions compared to the rest of their country, 2008



Change in labour productivity in pps, 2000-2008



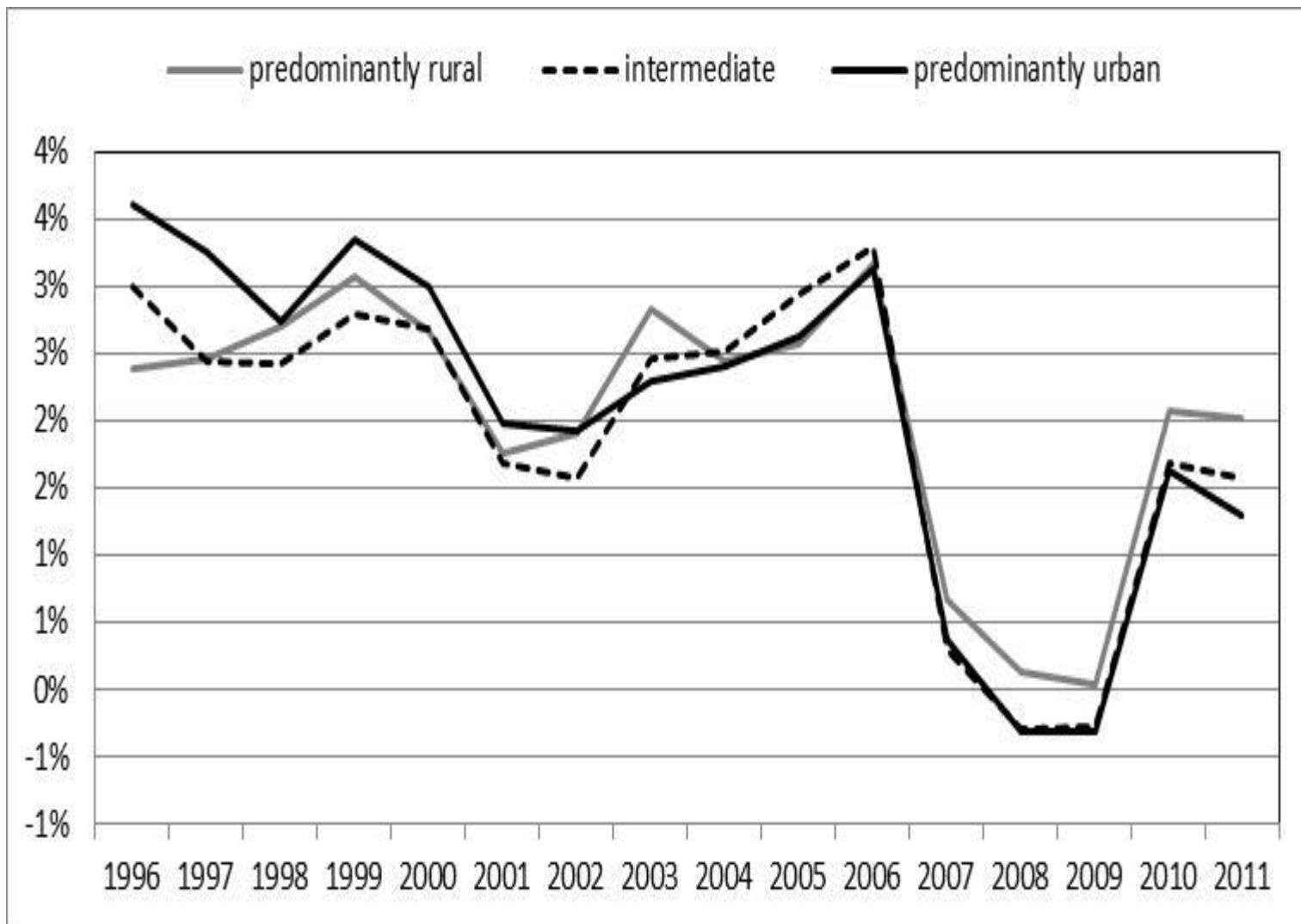
Population change in metro regions, 2000-2008



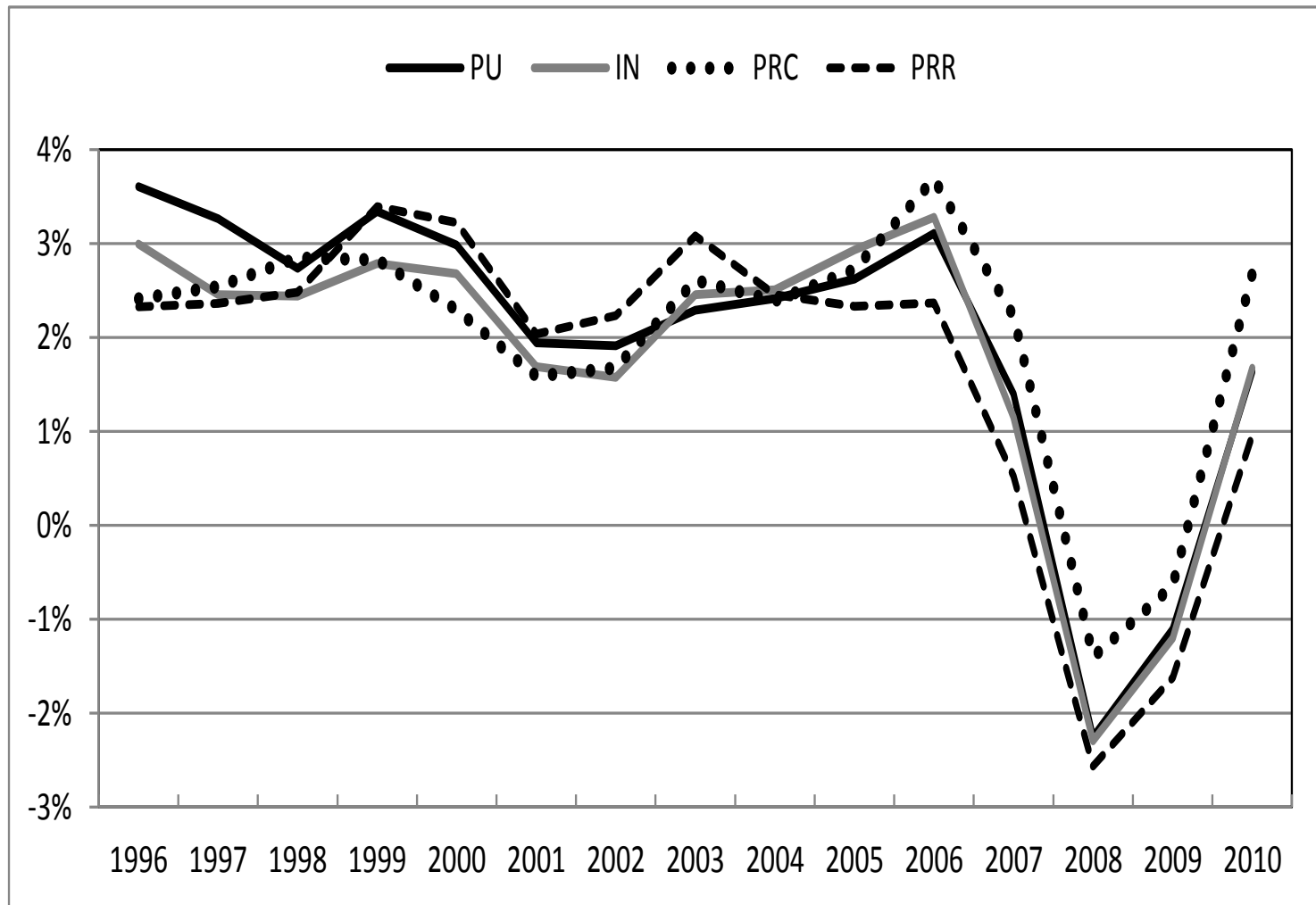
6. Post-Crisis: The EU Regional and Urban Context

- Primarily urban areas and remote rural areas are the weakest regions in Europe in the aftermath of the crisis
- Rural areas close to the cities and intermediate areas are the most robust types of European regions
- Large cities are vulnerable
- Different story to North America and much of the international literature

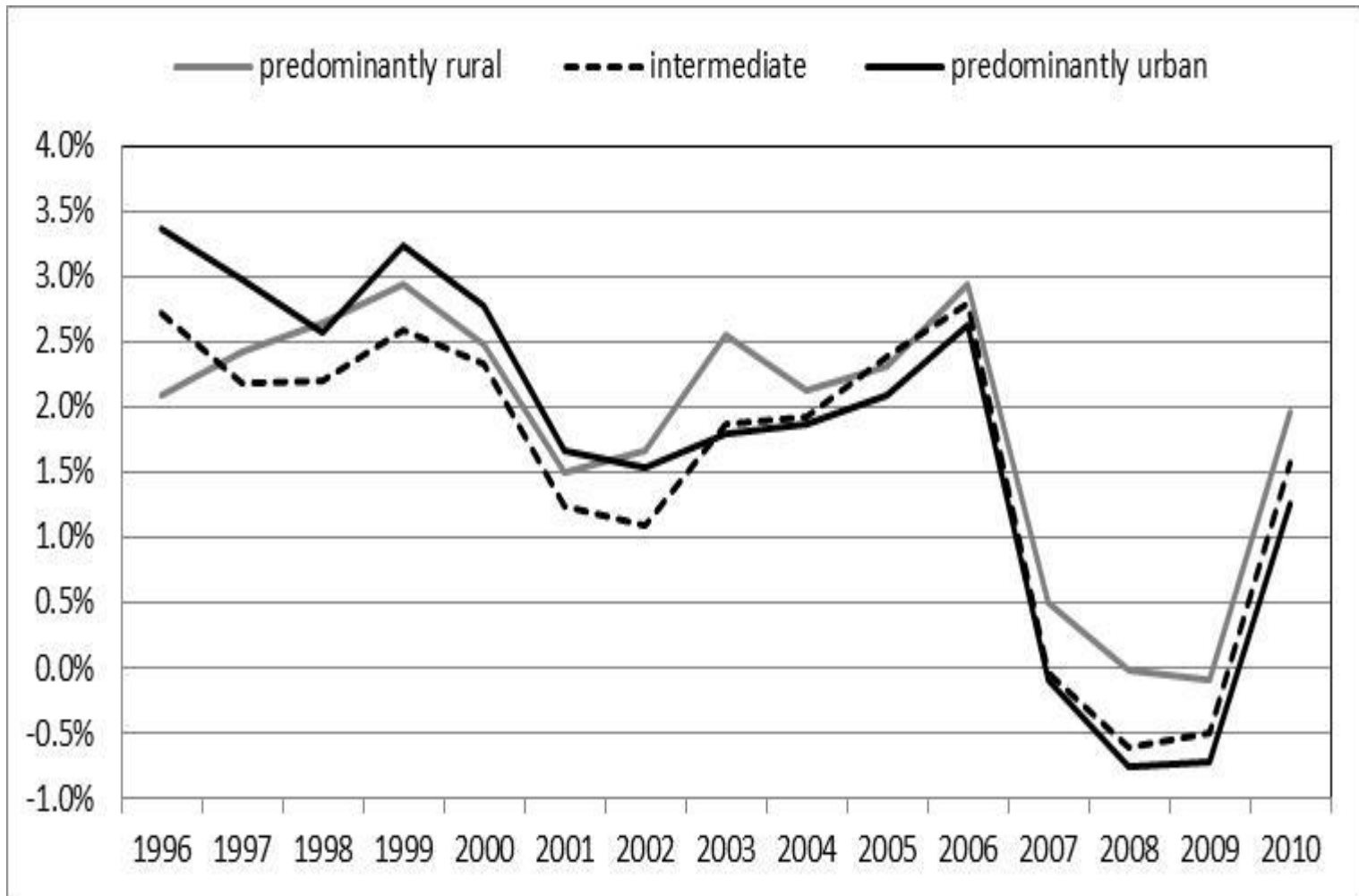
OECD Regional Typology of European Regions: Two Year Moving Average Growth Rates in GDP among TL3 regions, 1995-2011



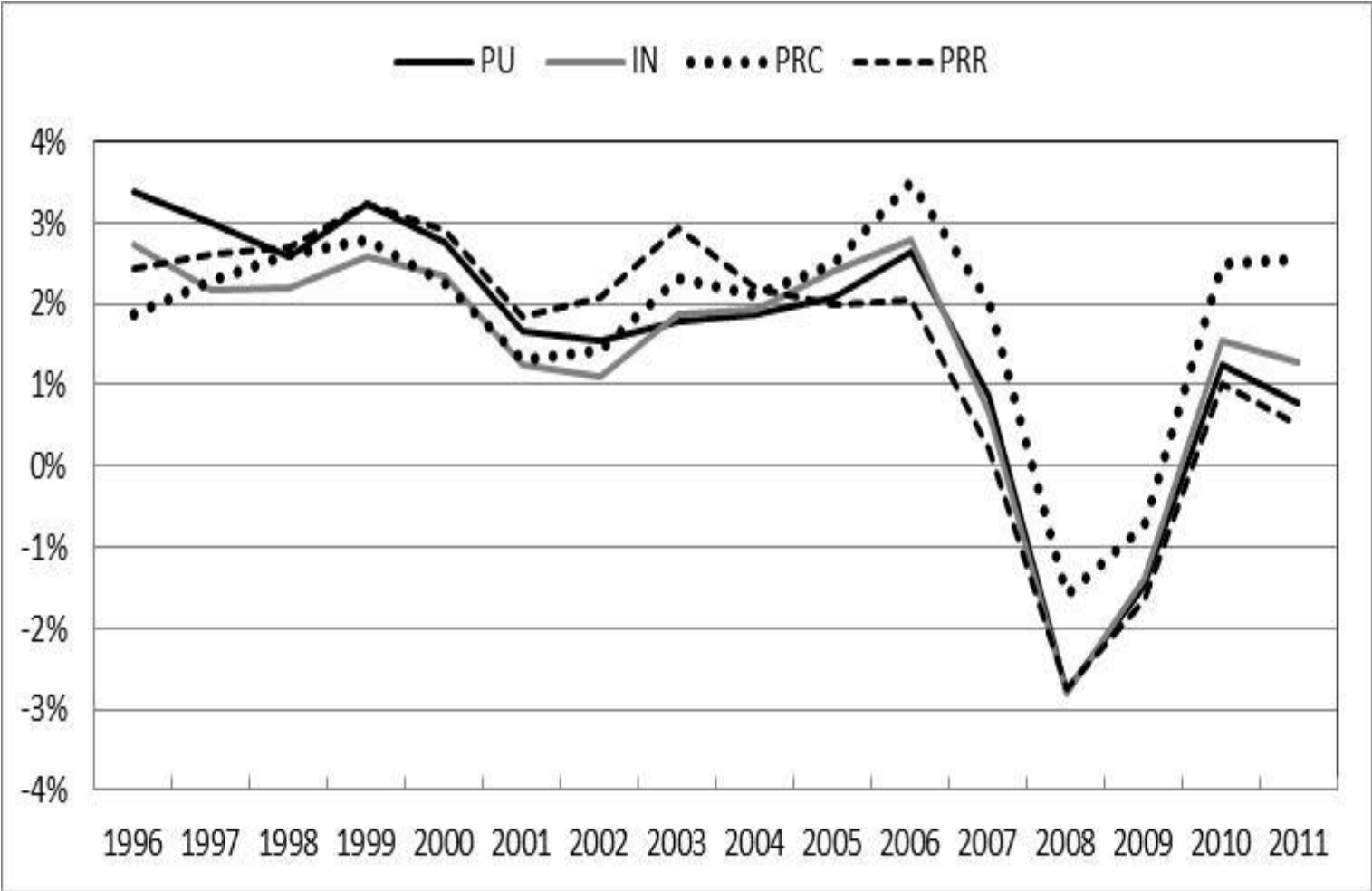
OECD Extended Regional Typology of European Regions: Two Year Moving Average Growth Rates in GDP among TL3 regions, 1995-2011



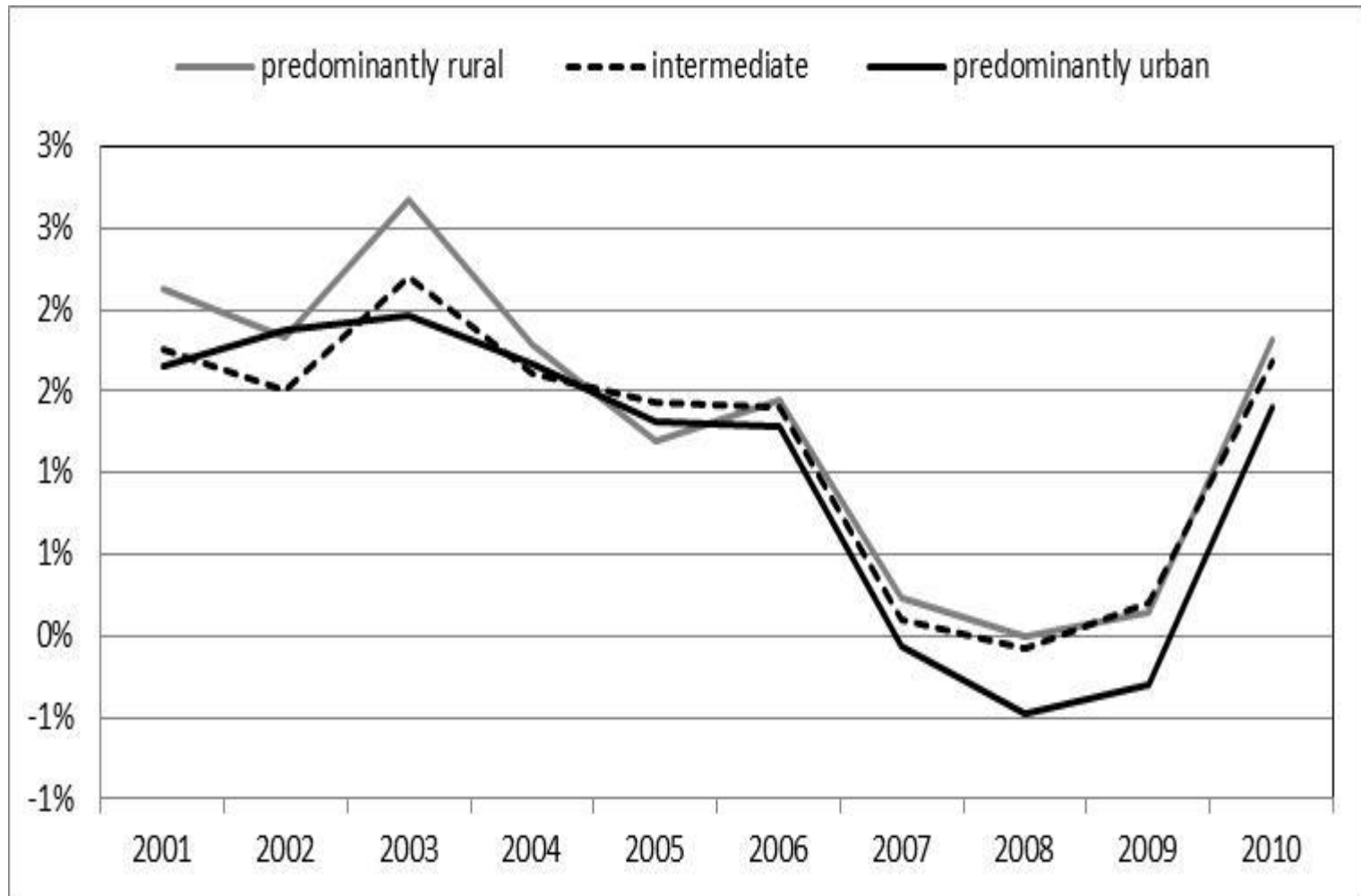
OECD Regional Typology of European Regions: Two Year Moving Average Growth Rates in GDP per Capita Among OECD TL3 regions, 1995-2011



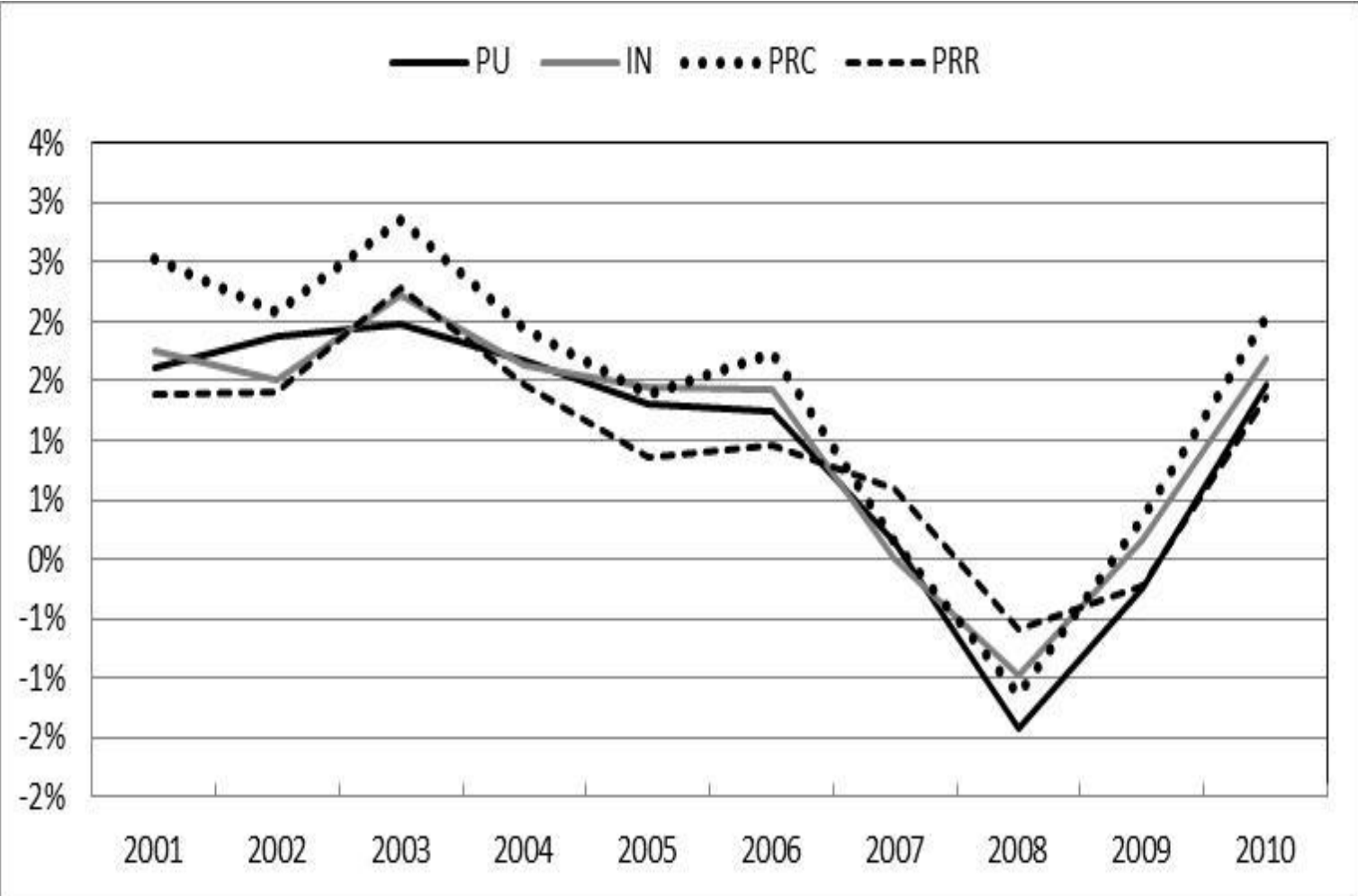
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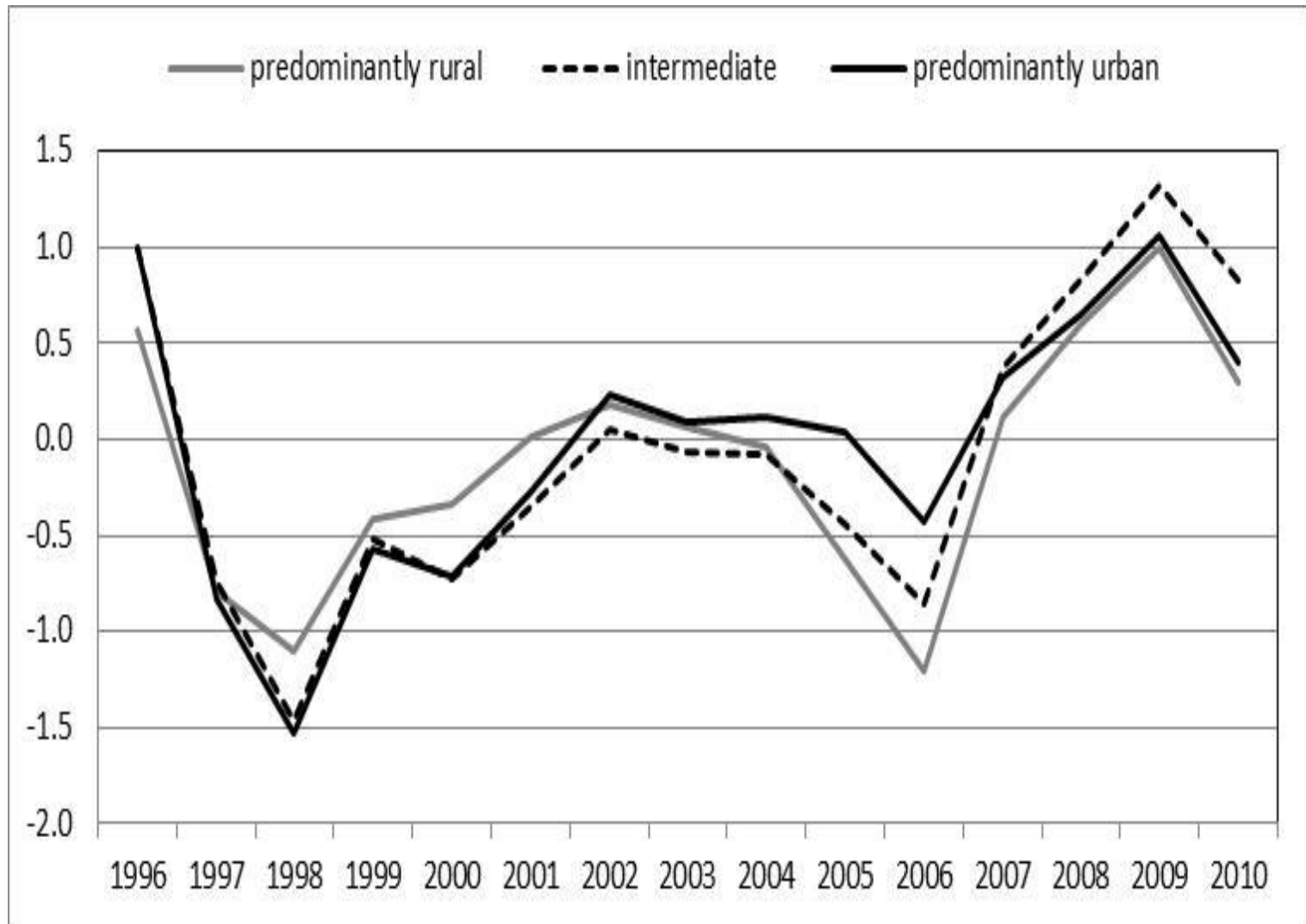
OECD Regional Typology of European Regions: Two Year Moving Average Growth Rates in GVA per Worker Among OECD TL3 regions, 2000-2010



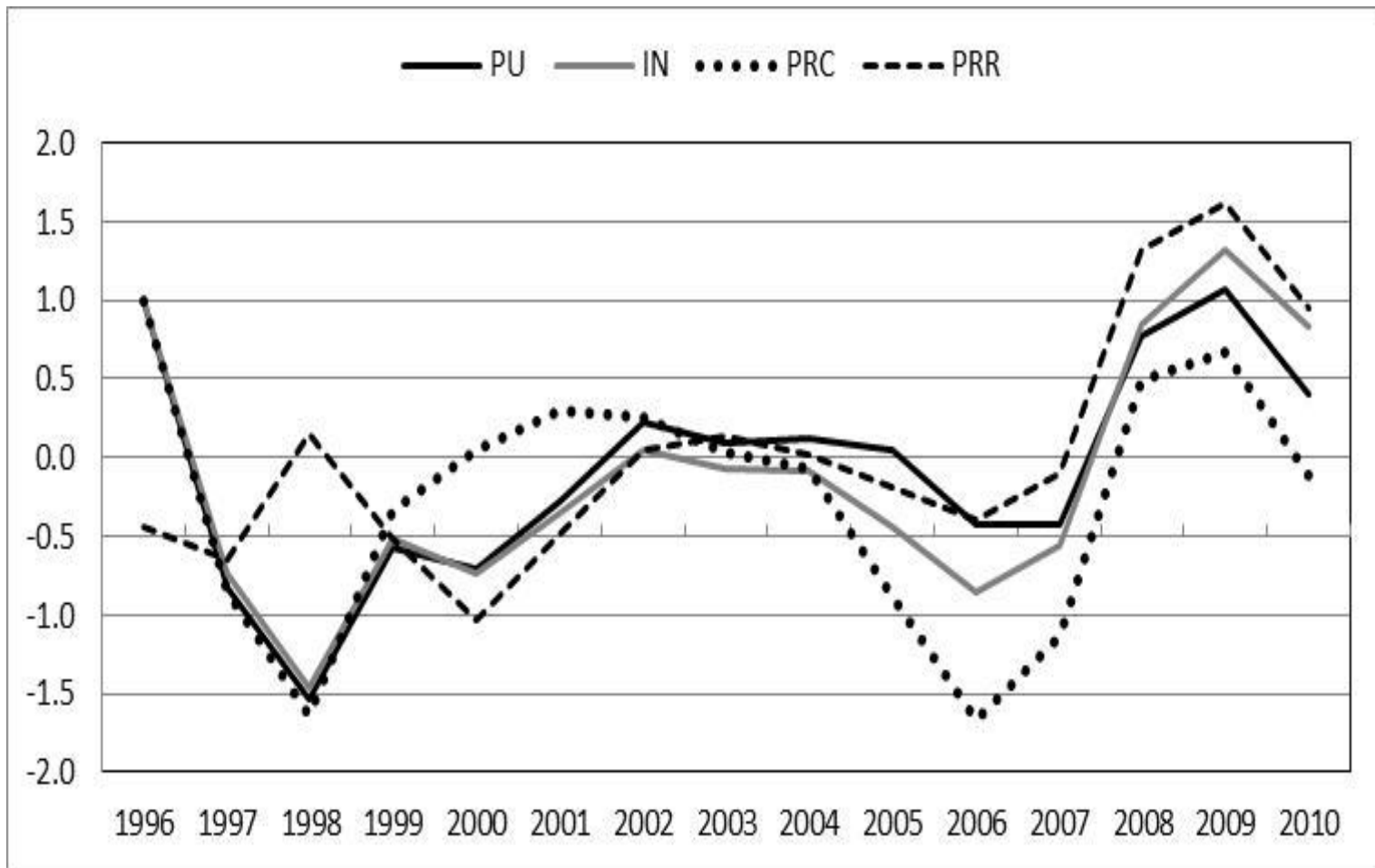
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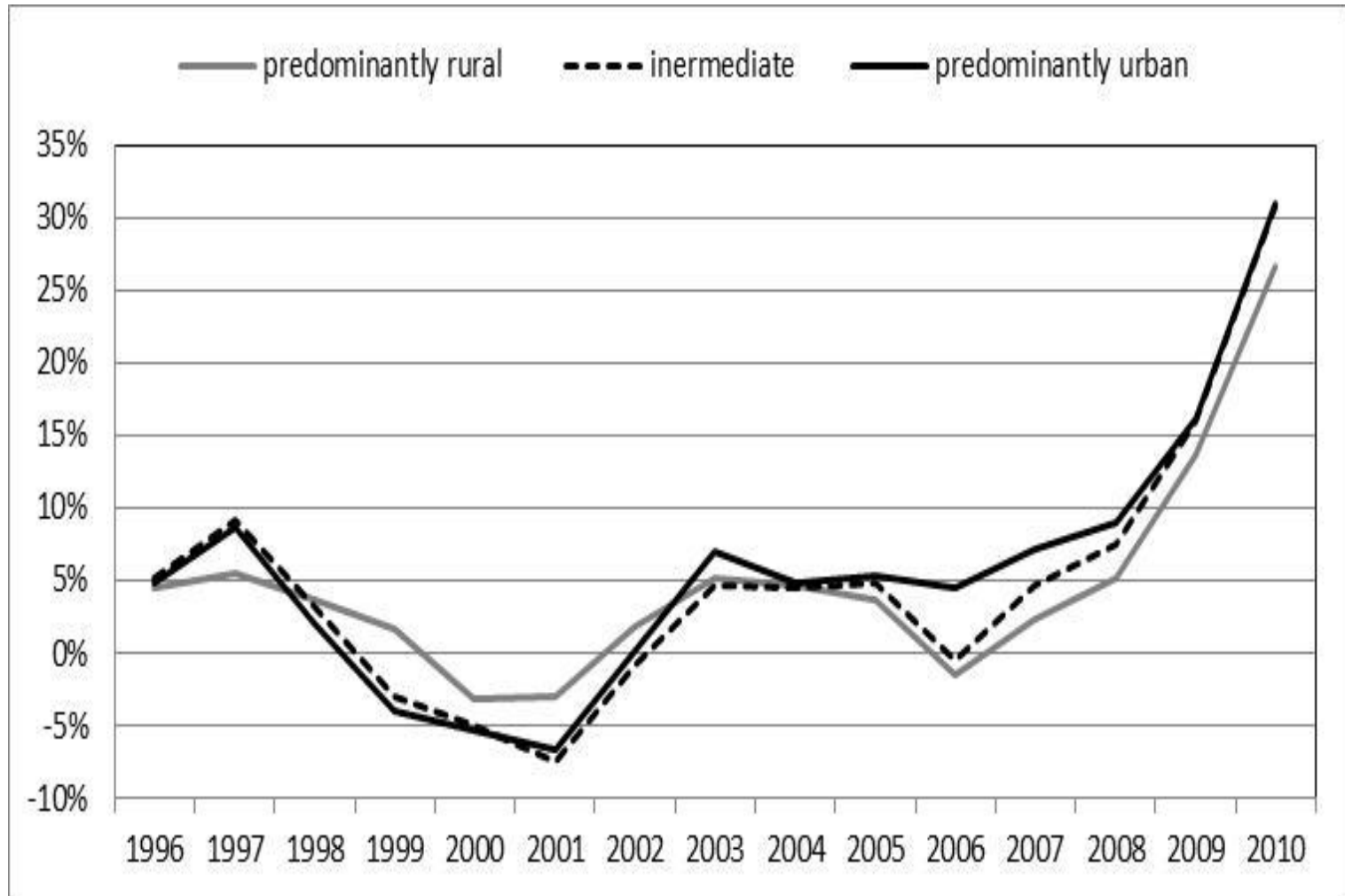
OECD Regional Typology of European Regions: Two Year Moving Average Percentage Point Change in Unemployment Rate Among OECD TL3 regions, 2000-2010



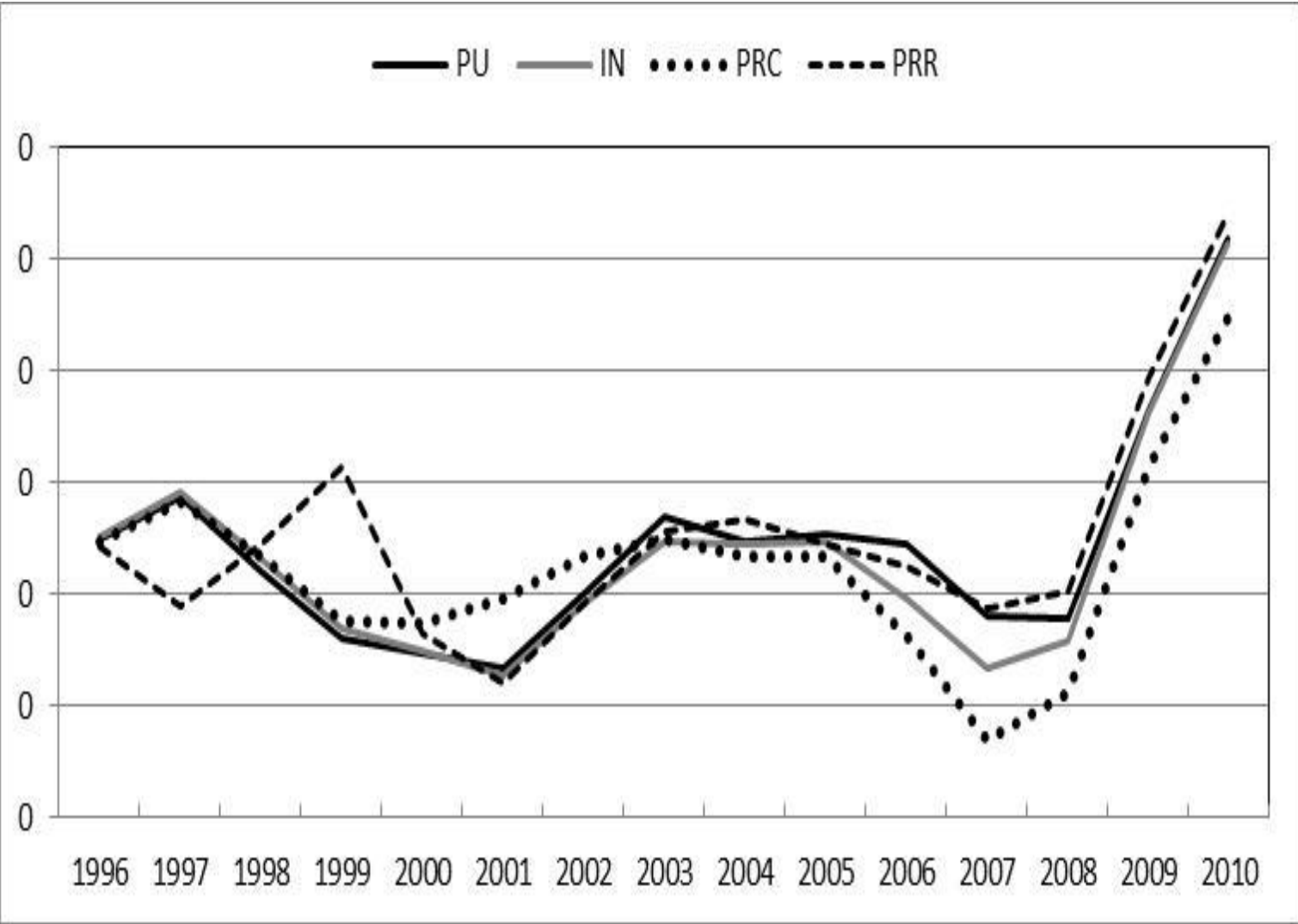
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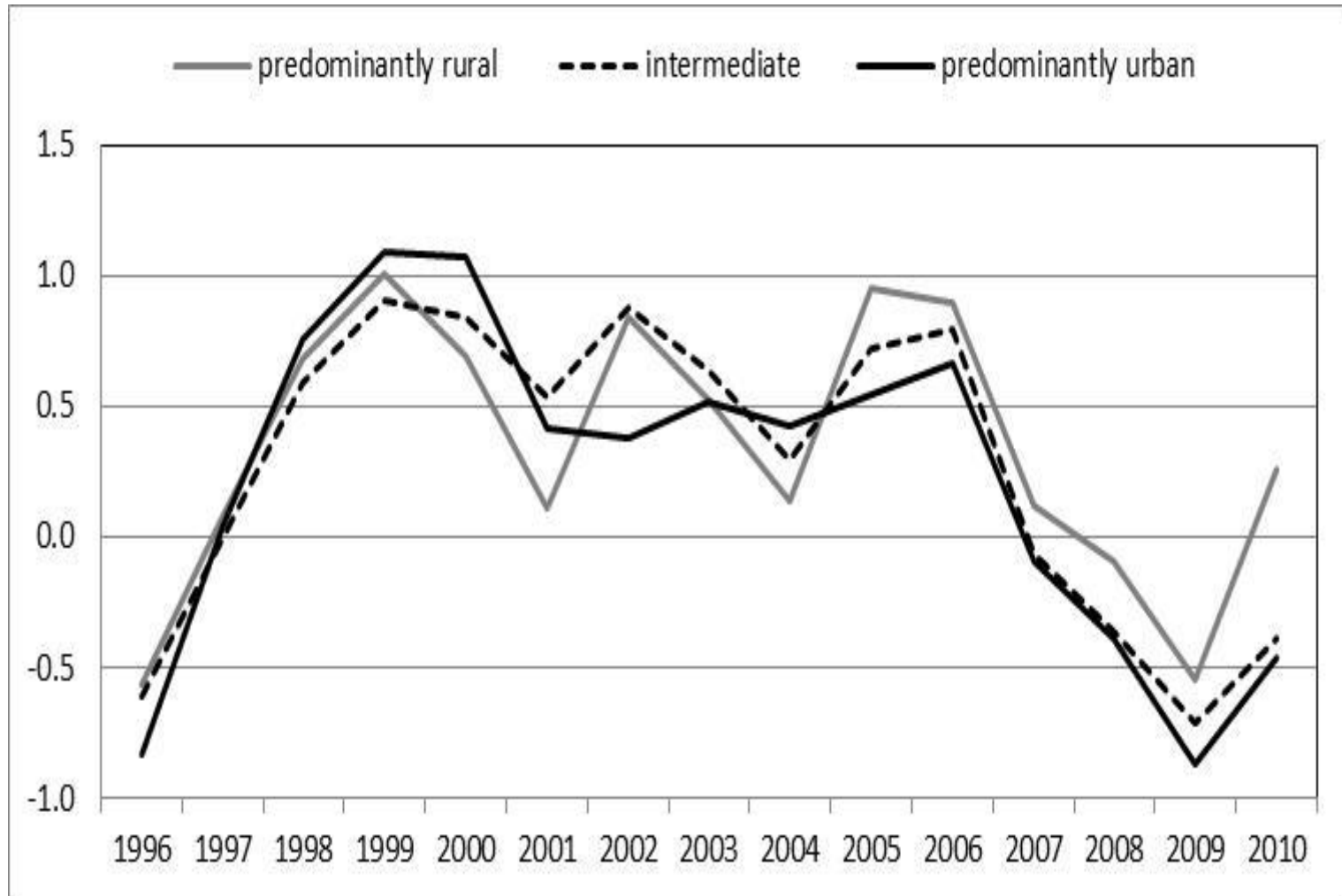
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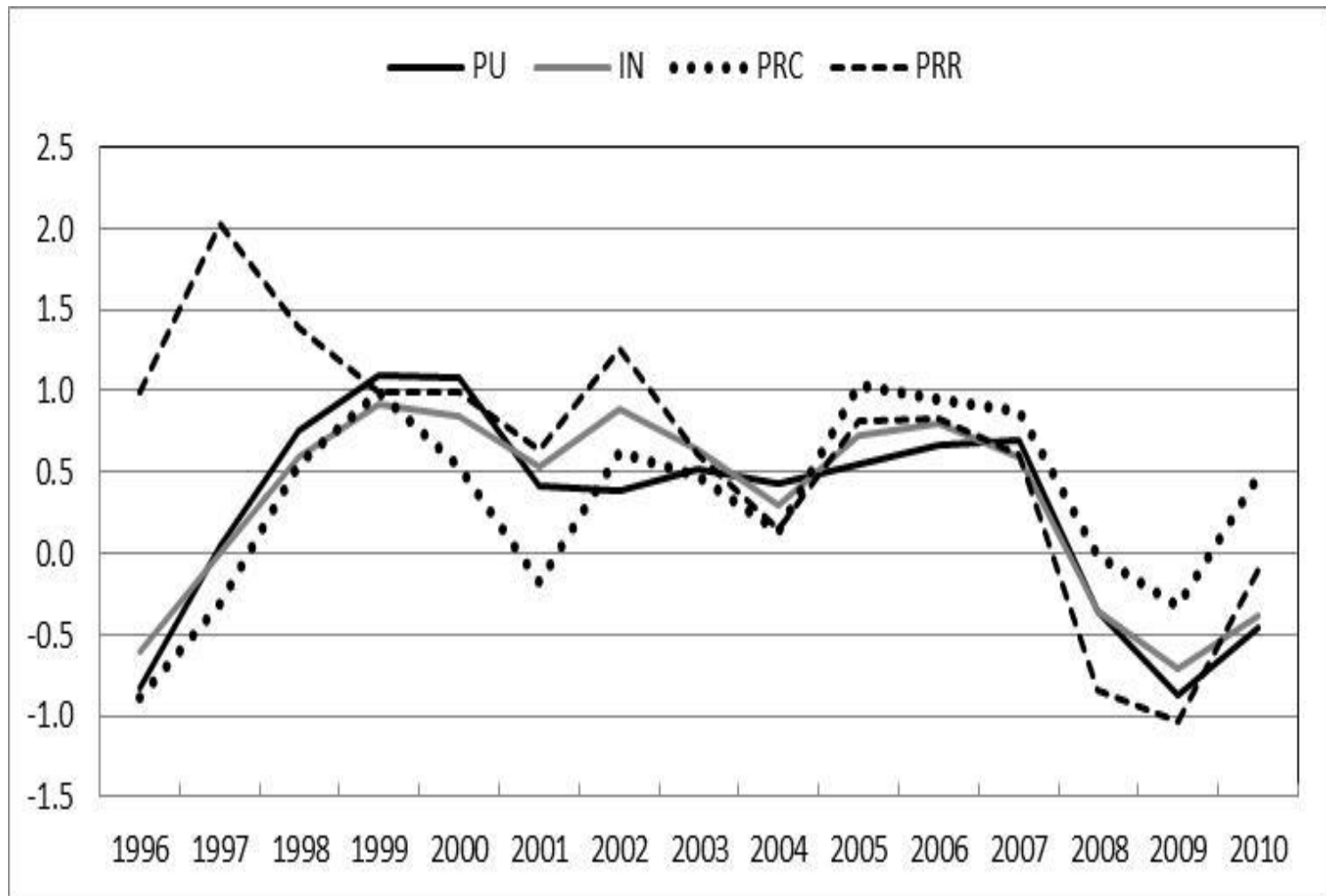
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OECD Regional Typology of European Regions: Two Year Moving Average Percentage Point Change in Employment Rate among OECD TL3 regions, 2000-2010



OECD Extended Regional Typology of European Regions: Two Year Moving Average Percentage Point Change in Employment Rate among OECD TL3 regions, 2000-2010



Effects of the crisis in OECD TL3 European Regions (Extended OECD Regional Typology) by Period

	vulnerability to crisis			
	highest		lowest	
GDP	PRR (-0.91%)	PU (-0.38%)	IN (-0.38%)	PRC (0.56%)
GDP pc	PRR (-0.98%)	PU (-0.85%)	IN (-0.71%)	PRC (0.36%)
GDP pw	PU (-0.52%)	IN (-0.21%)	PRC (-0.21%)	PRR (-0.07%)
employment	PRR (-2.20%)	PU (-1.41%)	IN (-1.05%)	PRC (-0.92%)
ER	PRR (-1.4 pp)	PU (-1.2 pp)	IN (-0.8 pp)	PRC (-0.7 pp)
unemployment	PRR (27.3%)	PU (27.2%)	IN (26.9%)	PRC (19%)
UR	PRR (1.8 pp)	IN (1.58 pp)	PU (1.57 pp)	PRC (1.1 pp)

GDP per head growth in EU metro regions 2000-2008 and 2008-2011

	2000-2008			2008-2011		
Average annual real change in %	GDP per head growth =	Productivity growth +	Employment per head growth	GDP per head growth =	Productivity growth +	Employment per head growth
EU-15						
Capital metro	1.44	0.88	0.56	-0.79	0.34	-1.13
Second-tier metro	1.29	0.70	0.59	-0.76	0.15	-0.91
Smaller metro	1.20	0.67	0.53	-0.59	0.24	-0.83
Non-metro	1.15	0.75	0.40	-0.77	0.20	-0.98
Total	1.27	0.76	0.51	-0.70	0.24	-0.94
EU-13						
Capital metro	5.49	3.64	1.85	-0.26	1.04	-1.30
Second-tier metro	4.85	4.08	0.78	1.43	1.30	0.14
Smaller metro	3.66	3.56	0.09	1.38	1.17	0.21
Non-metro	4.47	4.45	0.02	0.57	1.70	-1.13
Total	4.88	4.31	0.56	0.66	1.44	-0.78

Source: Eurostat and authors' calculations

6. Post-Crisis: The EU Regional and Urban Context

- Cities exacerbate national post-crisis trends → growing countries are driven by growing cities and declining countries are weighed down by declining cities
- Urban advantages relating to employment and productivity post-crisis are oriented towards EU13 economies while EU15 face severe urban disadvantages
- Convergence → divergence. Greater emphasis on the challenges facing lagging regions

7. Emerging Challenges and Opportunities

- Effects of the real estate-related debt on the real economy are more pronounced in cities
- Real estate shock effects are dominated by cities → induced effects in the real economy
- Population ageing and population decline
- More than one third of Europe's cities are declining in population prior to the crisis and this has been exacerbated by the crisis
- Fiscal positions of sub-national government
- Long term financial basis of public investments in urban development

7. Emerging Challenges and Opportunities

- Across Europe cities are not driving an economic recovery → it depends on the country but there is a West-East distinction
- Europe is very different to North America
- Need for a new *European* urban and regional economics agenda?
- Roles for regional scientists? Ideas, Analysis, Data-building, Monitoring, Reconnaissance, Discussing and Interpreting