



# **Second Tier Cities in Age of Austerity: Why Invest Beyond the Capitals?**

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# 5 Questions

1. What did we do?
2. How did we do it?
3. What urban performance messages EU?
4. What urban policy story Poland?
5. What wider policy messages?

# 1. What Did We Do?

## Answers to:

- What contribution capital & second tier cities national, EU performance?
- Which punch weight nationally & Europe, how and why?
- What territorial impact & implications crisis?
- Who does what better, differently in future?

## What are second tiers?

- Larger non-capital performance affects national economy. Agreed EU OECD metro region boundaries

# 1. What Did We Do?

## Respond EU policy concerns:

- What performance second tiers, what gap capitals, what direction change?
- What policy debate member states?
- How gap seen, competitiveness or cohesion, explicit or implicit, any concern territorial impact?
- What impact national policy for second tiers - greater targeting, increased capacity, more powers & resources, fewer constraints?

# 1. What Did We Do?

## Test key arguments:

- Decentralisation powers & resources, deconcentration investment higher performing economies
- Better second tiers - better national and European economies
- Relationship capital & second tiers win-win, not zero sum
- National policies for second tiers crucial
- Critical success factors – innovation, diversity, human capital, connectivity, place quality, strategic governance capacity
- Territorial governance & place matter more not less global economy

## 2. How Did We Do It?

- Research & policy literature – performance, policies, prospects
- Quantitative data 124 second tiers, 31 capitals
- Interviews - European, national policy makers, private sector
- E-questionnaire
- 9 case studies – Tampere, Cork, Leeds, Lyon, Turin, Munich, Barcelona, Katowice, Timisoara

### 3. What Urban Performance Messages?

- Performance cities crucial to competitiveness
- Economic contribution capital & second tier varies
- Capitals dominate - but size gap varies & some cases falling
- Capitals dominate national economy more in east than west
- Many second tiers growing contribution national prosperity
- Some second tiers outperform capital
- Poland most balanced of east European countries

### **3. What Urban Performance Messages?**

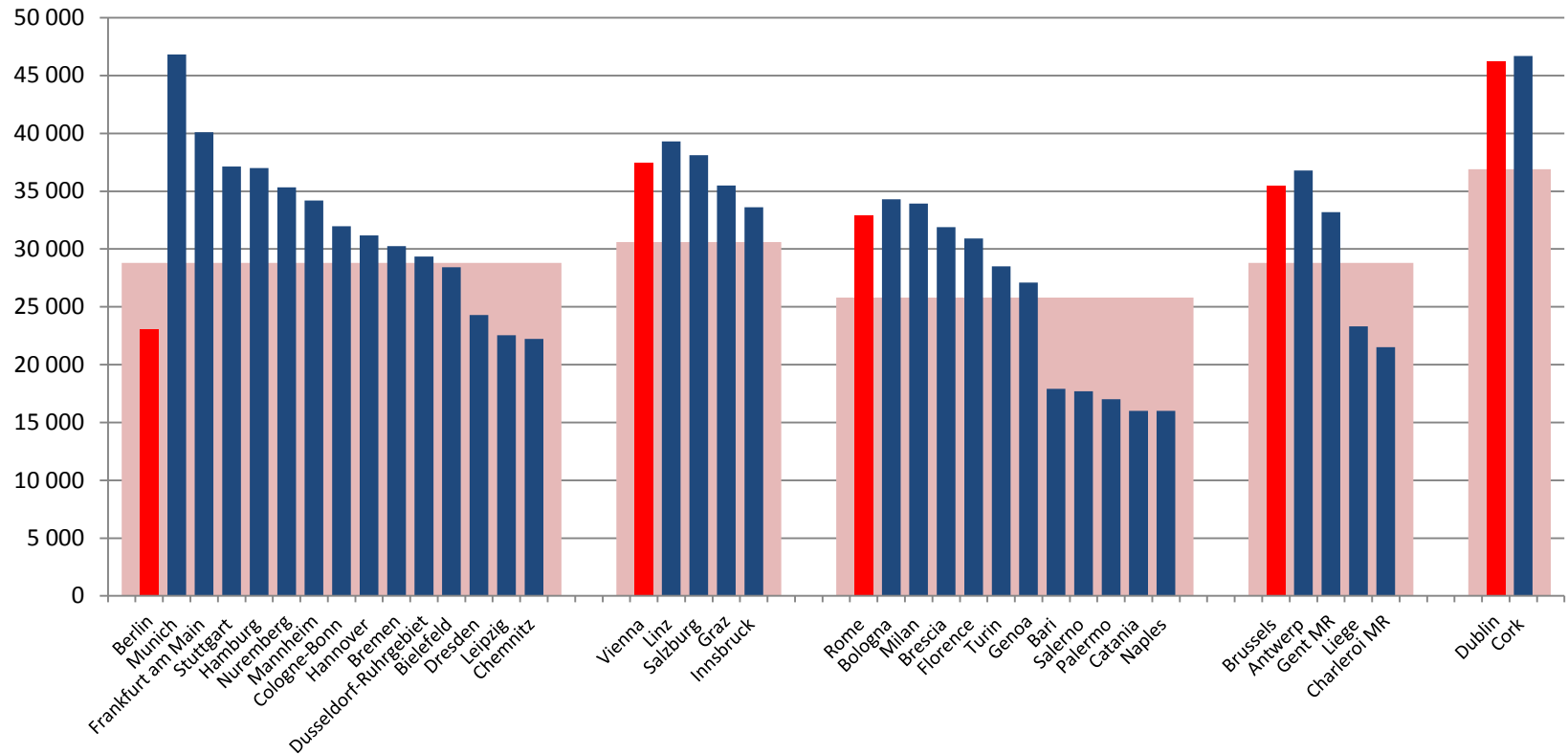
**Baseline:**  
**Gap capitals & second tiers big**



# Exceptions - Top Secondary Outperforms Capital: Germany, Austria, Italy, Belgium, Ireland

GDP per capita PPS, 2007

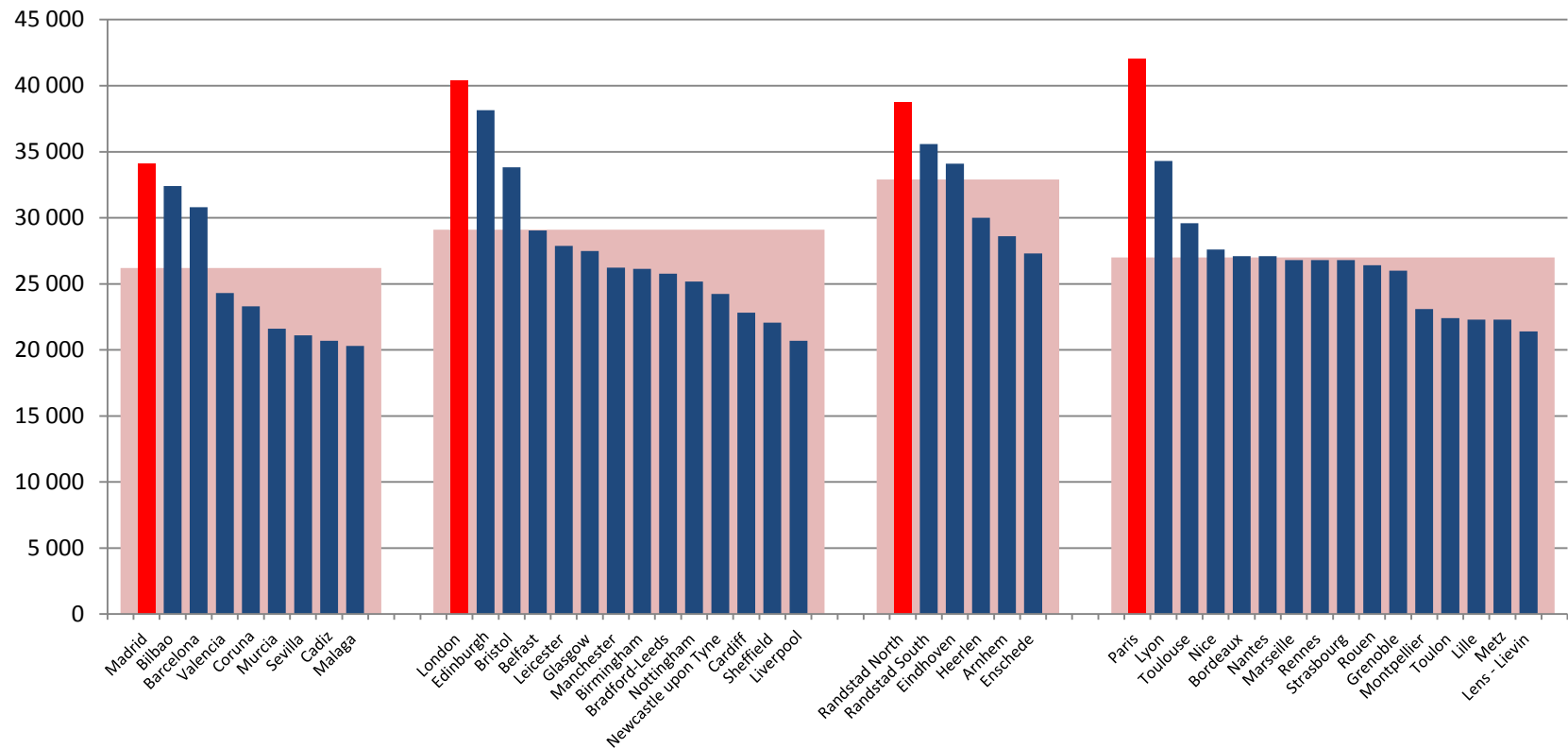
■ National ■ Secondary City



# Top Secondary Lags Capital by 5-20%: Spain, UK, Netherlands, France

GDP per capita PPS, 2007

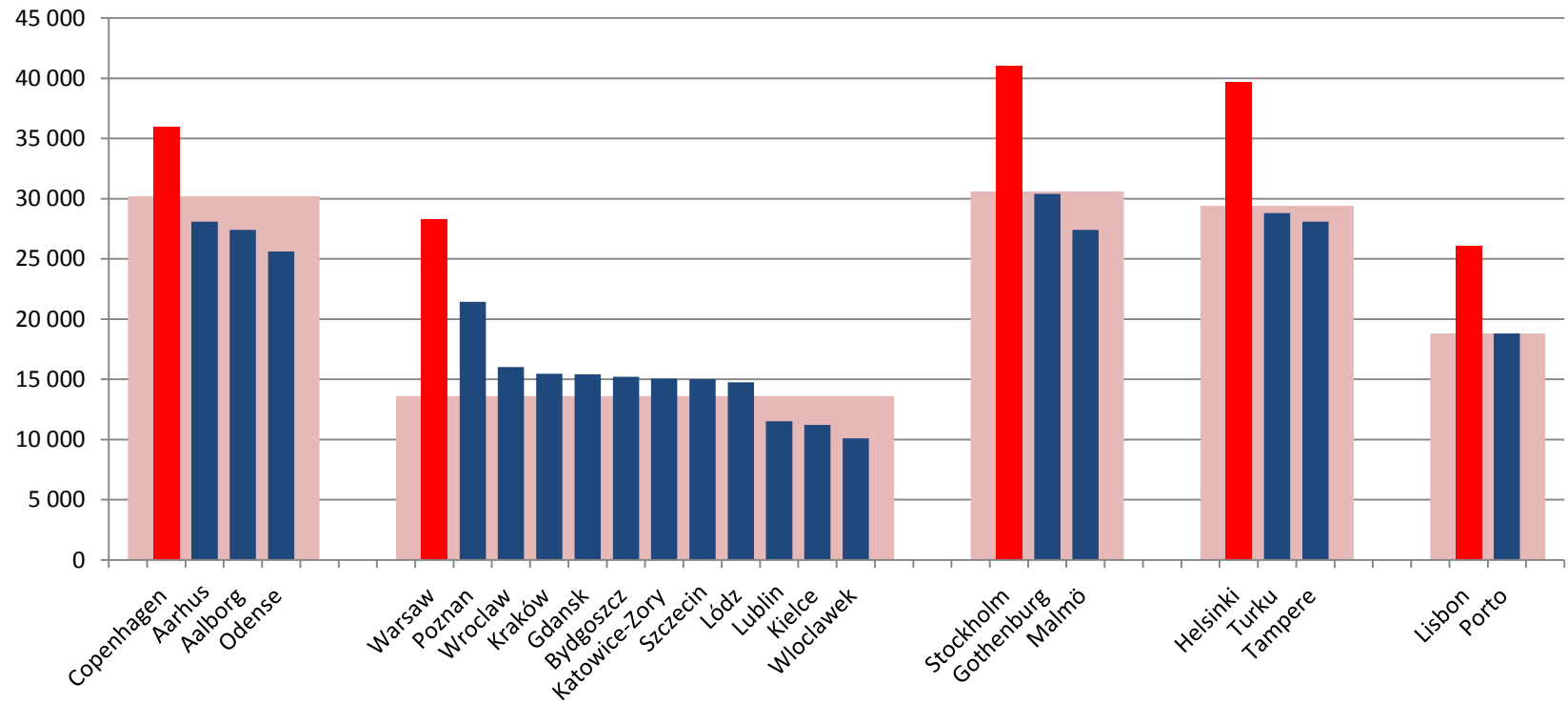
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## Top Secondary Lags Capital by 20-30%: Denmark, Poland, Sweden, Finland, Portugal

GDP per capita PPS, 2007

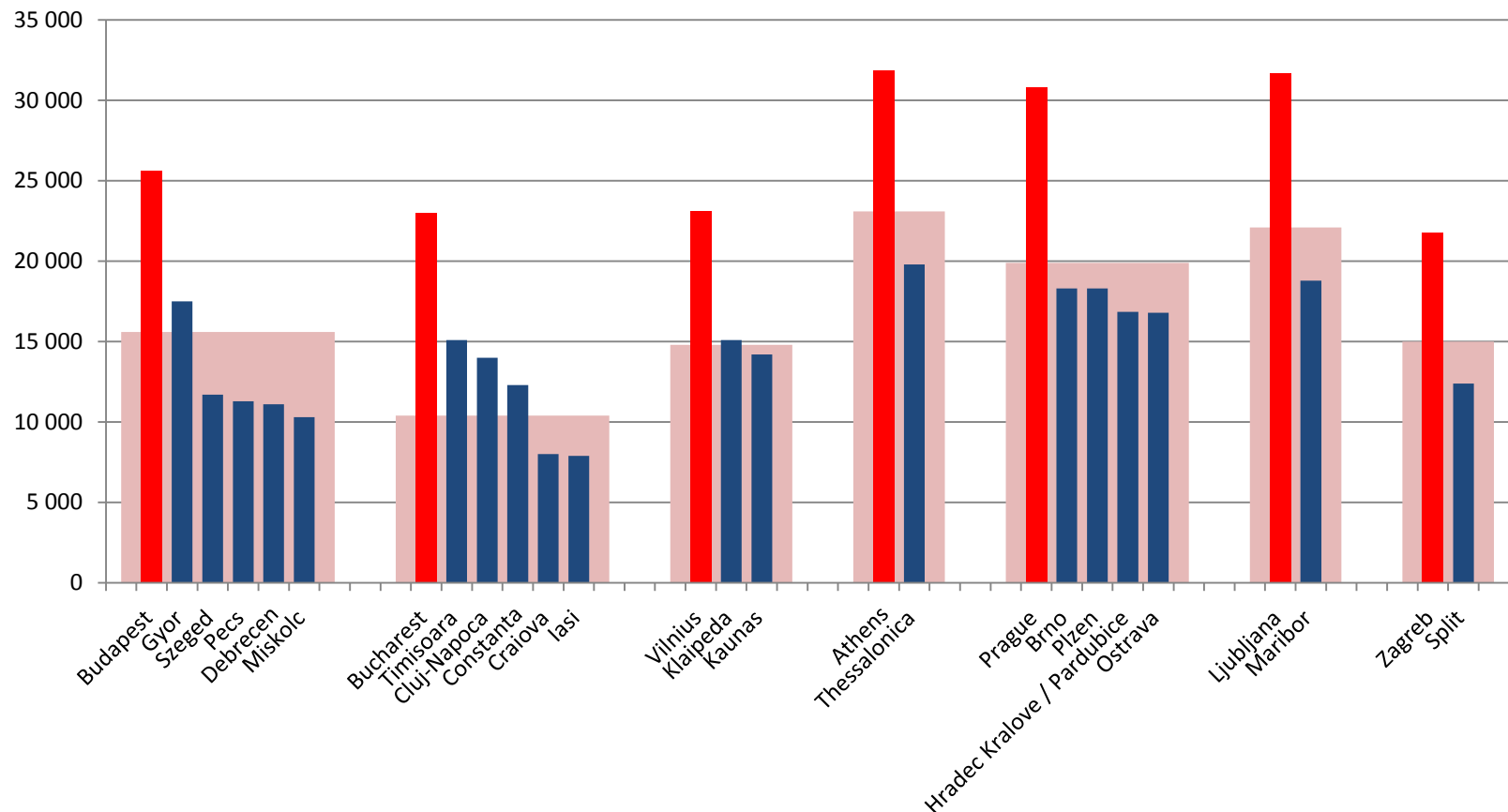
■ National ■ Secondary City



## Top Secondary Lags Capital by 30-45%: Hungary, Romania, Lithuania, Greece, Czech Republic, Slovenia, Croatia

GDP per capita PPS, 2007

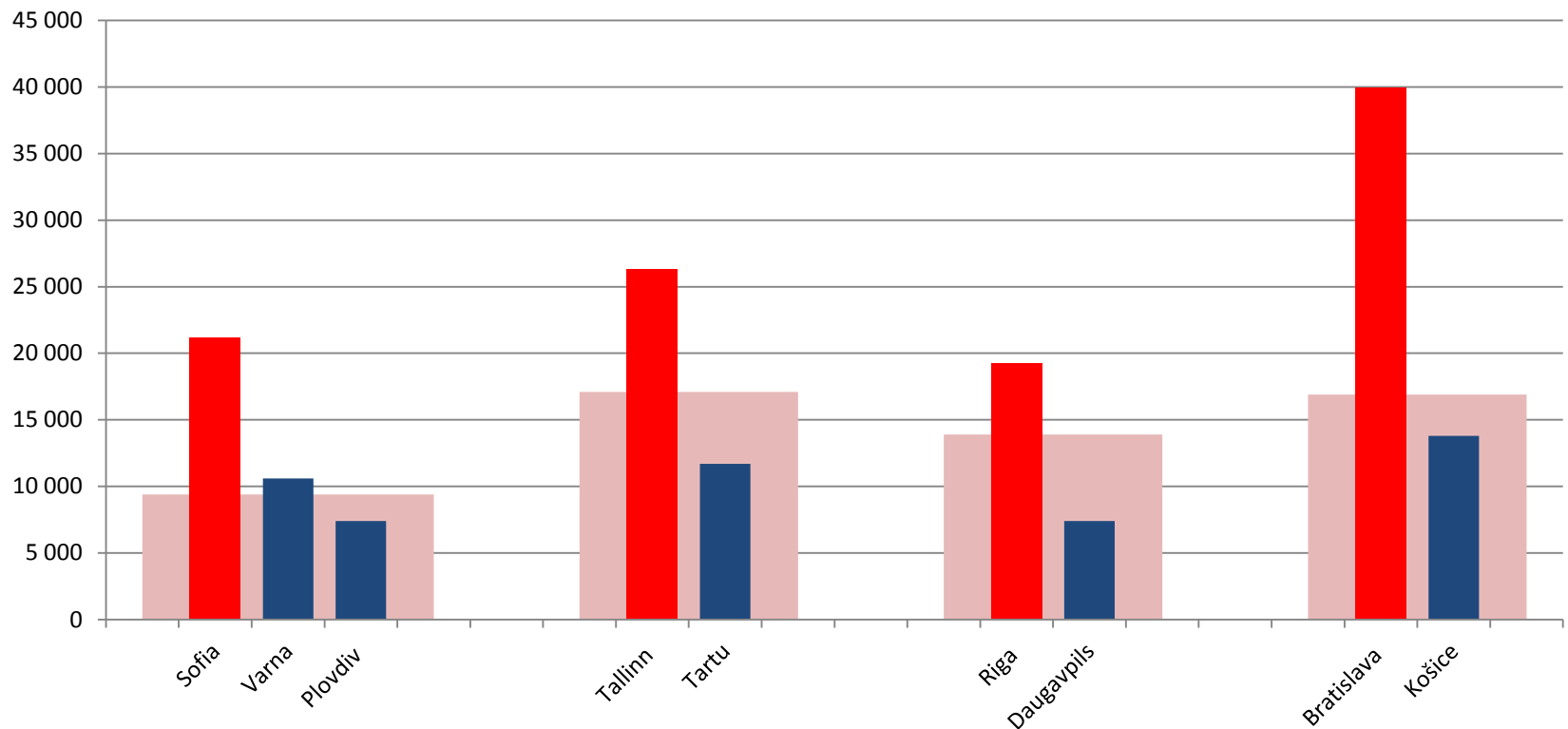
■ National ■ Secondary City



# Top Secondary Lags Capital by 50-65%: Bulgaria, Estonia, Latvia, Slovakia

GDP per capita PPS, 2007

National Secondary City

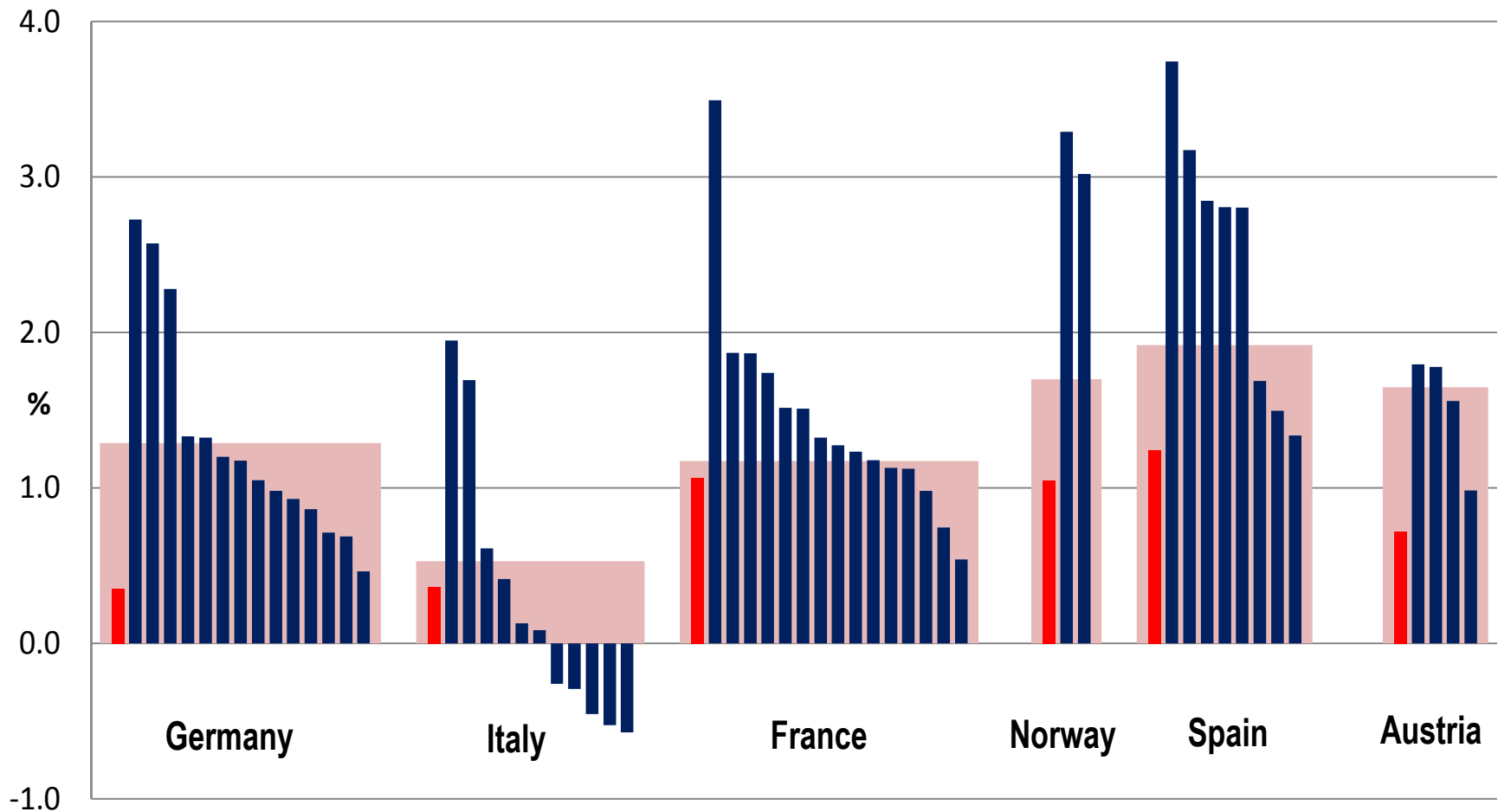


### **3. What Urban Performance Messages?**

**Trend:**  
**In boom some second tiers  
outperformed capitals**

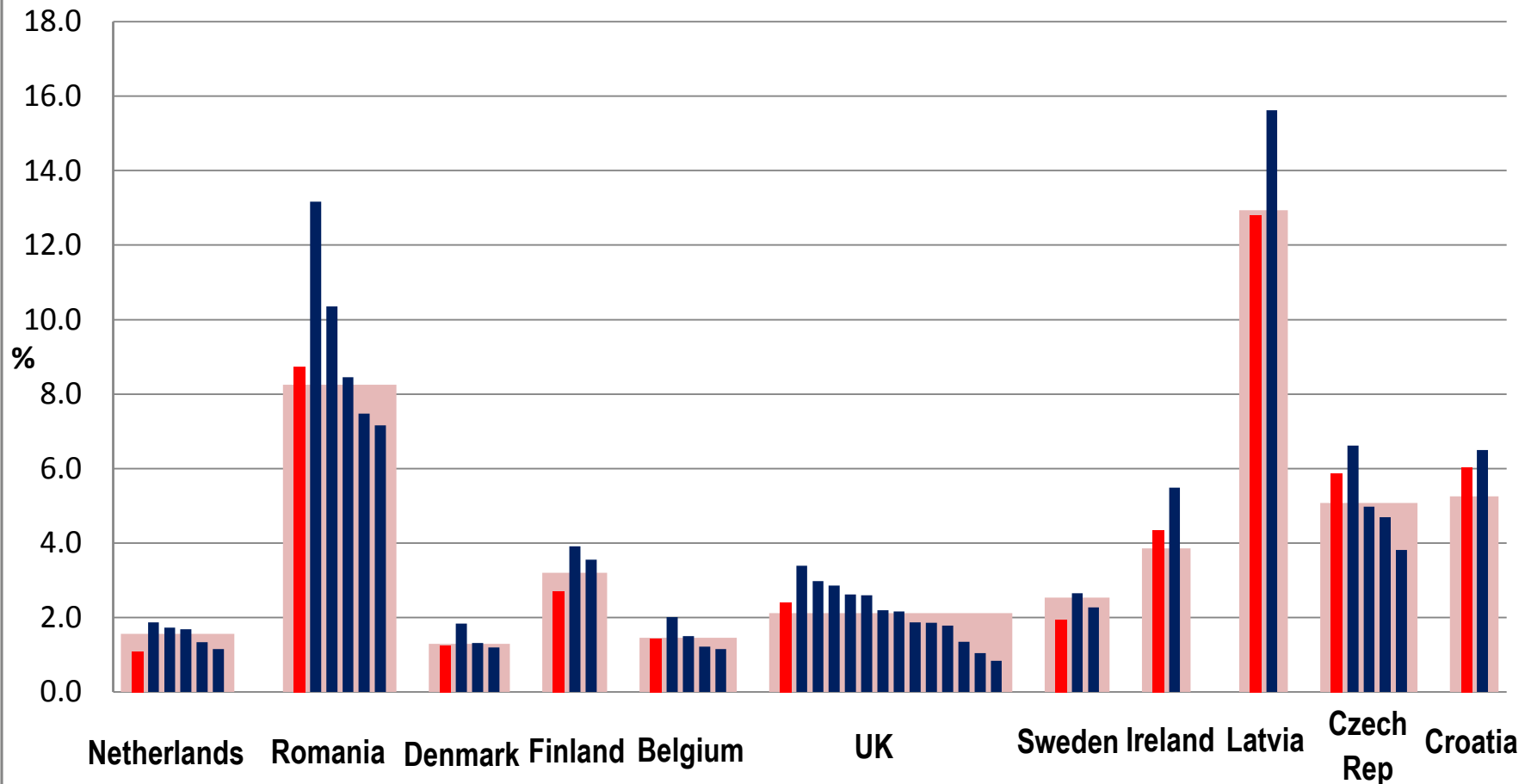
## GDP per capita – average annual % change, 2000-7

Growth rate in leading second tier city over 2.5 times capital



## GDP per capita – average annual % change, 2000-7

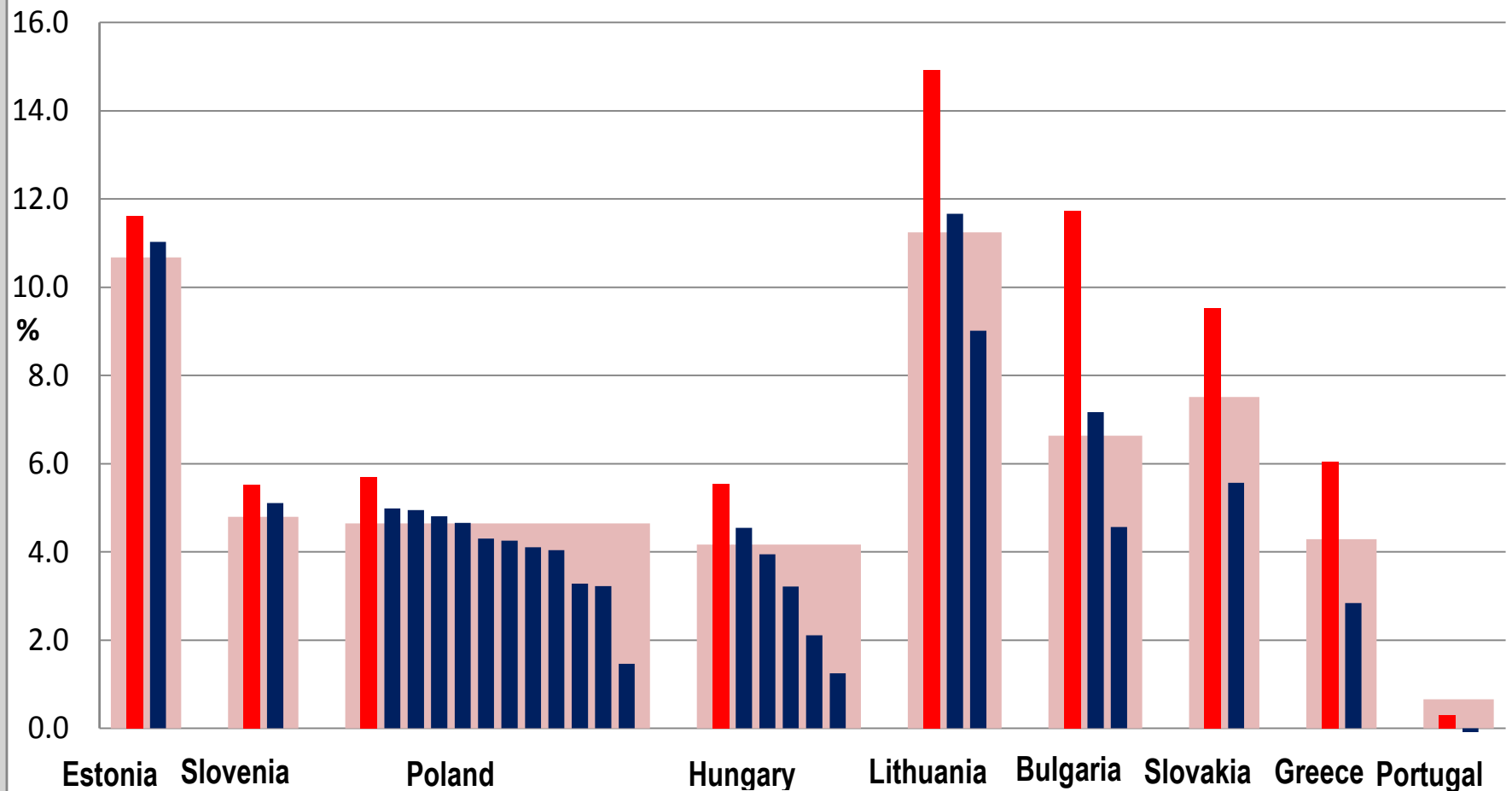
Growth rate in leading second tier city 1 to 2 times capital





## GDP per capita – average annual % change, 2000-7

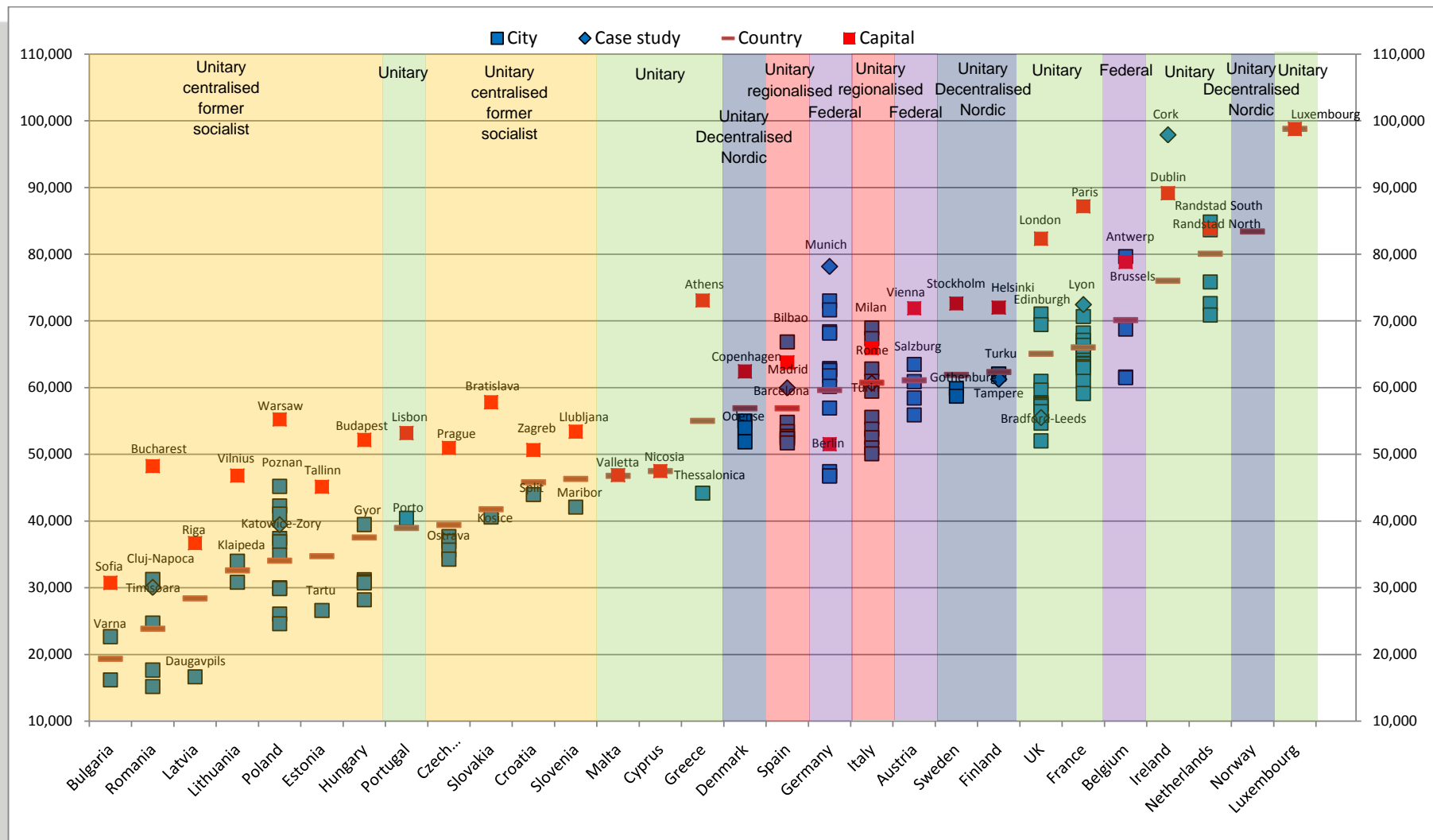
Growth rate in capital higher than in second tier cities



## **3. What Urban Performance Messages?**

**Governance matters**

## Governance & Productivity Capitals and Second Tiers 2007

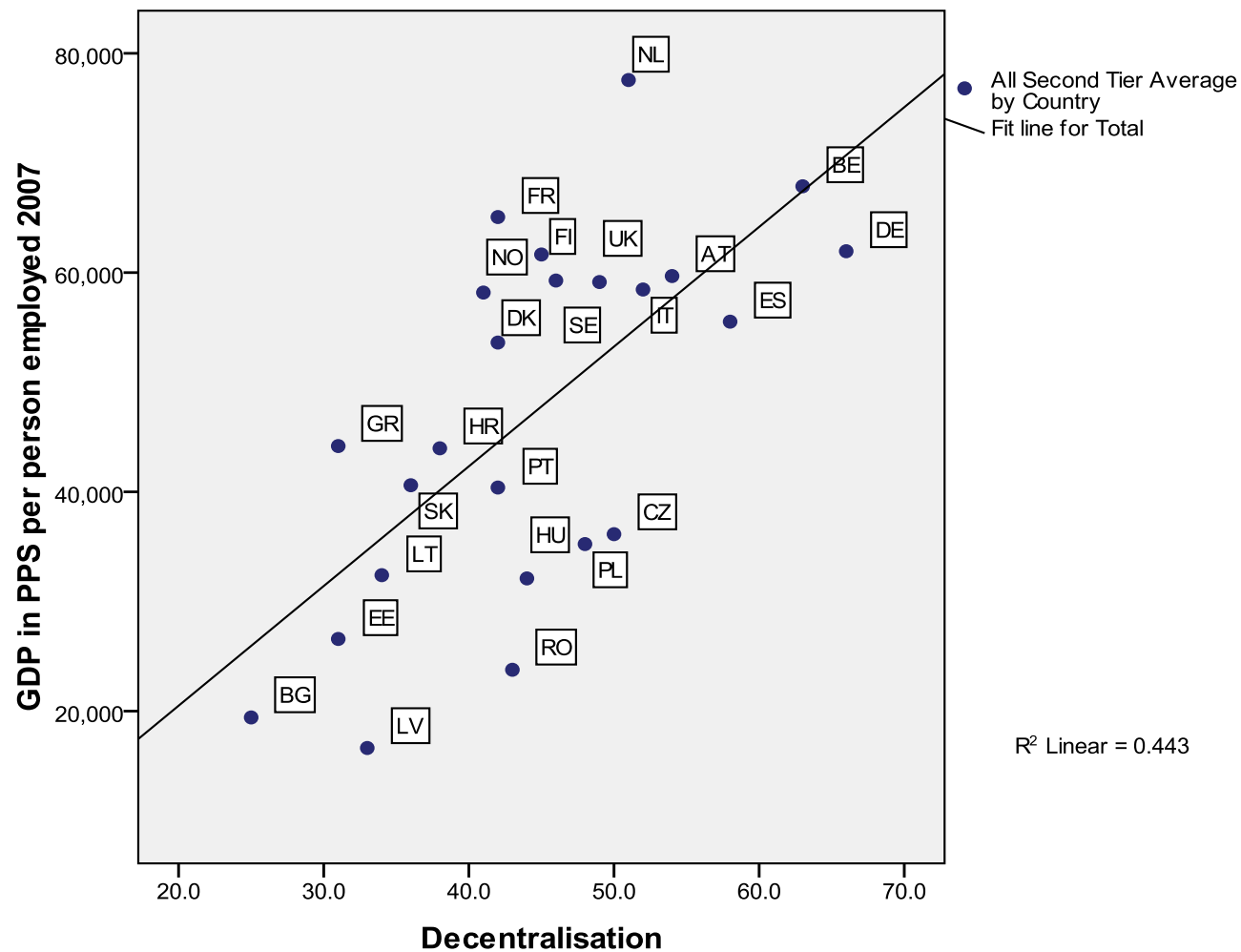


### **3. What Urban Performance Messages?**

**Greater decentralisation**

**Greater productivity second tiers**

## Decentralisation and Second Tier Cities' Average Productivity 2007

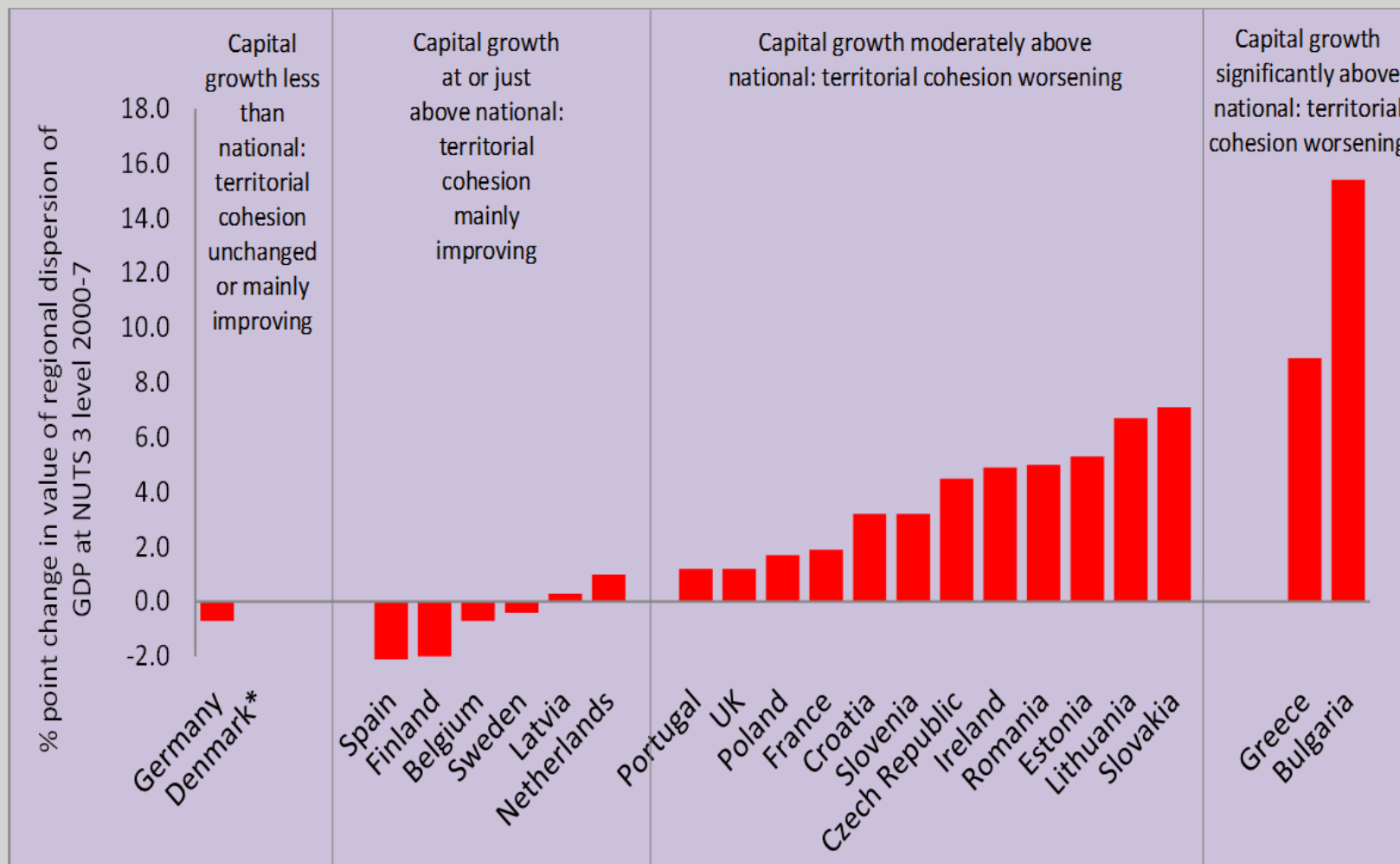


### **3. What Urban Performance Messages?**

**Capitals grow, regional inequality grows**

**Second tiers grow, regional inequality falls**

## Capital grows more than nation: Regional inequality grows



### 3. What Urban Performance Messages?

#### Significant Risk:

- Crisis undermine achievements second tiers
- Competition public & private investment widen gaps *within* second tiers
- Competition widen gap *between* second tiers & capitals

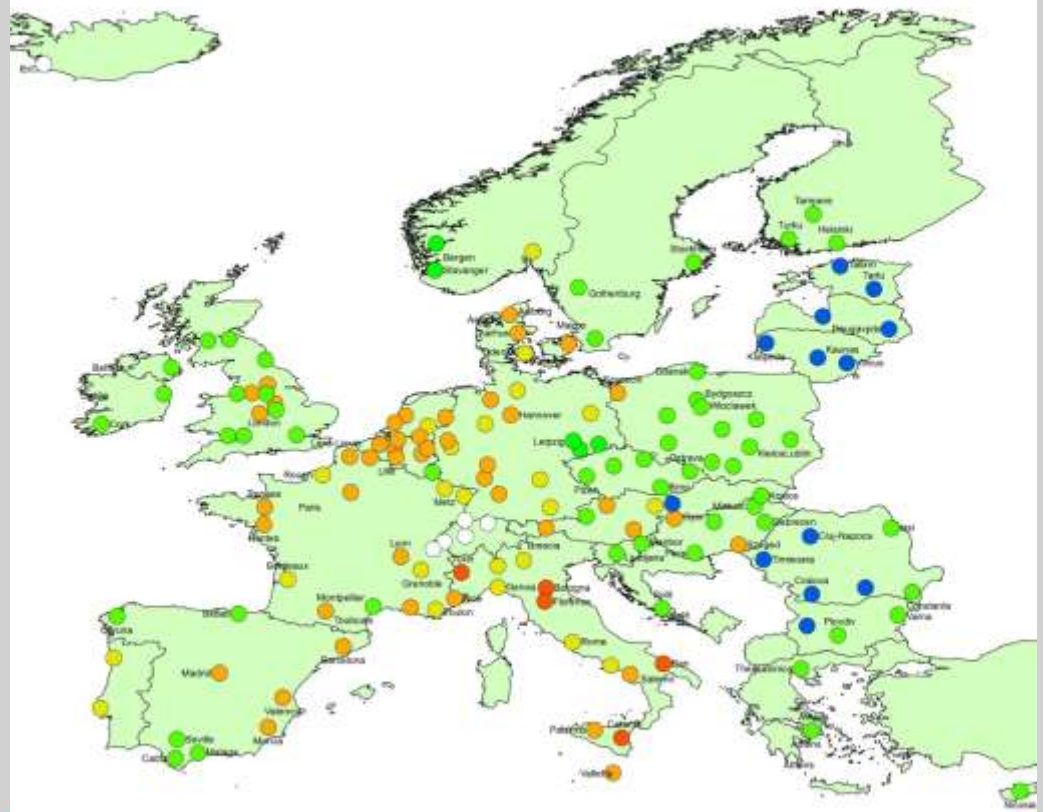


# Impact Boom European City Regions

## Growth Years

- Growth across Europe, range of performance
- Strong growth Baltics, Central & South East Europe
- Steady growth in Western Europe
- Southern Europe: some falling back (Italy)
- UK: relatively strong performance

## European City-Regions GDP Per Capita - Real % Change 2000-2007



### GDP Per Capita Annual Average Real % Change 2000-7

EU27 - Annual Average  
% change in GDP Per  
Capita 2000-7 = 2.0%

- 8.1% to 16%
- 2.1% to 8.0%
- 1.1% to 2.0%
- 0% to 1.0%
- -0.1% - -0.6%
- No data currently available

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Level: Me

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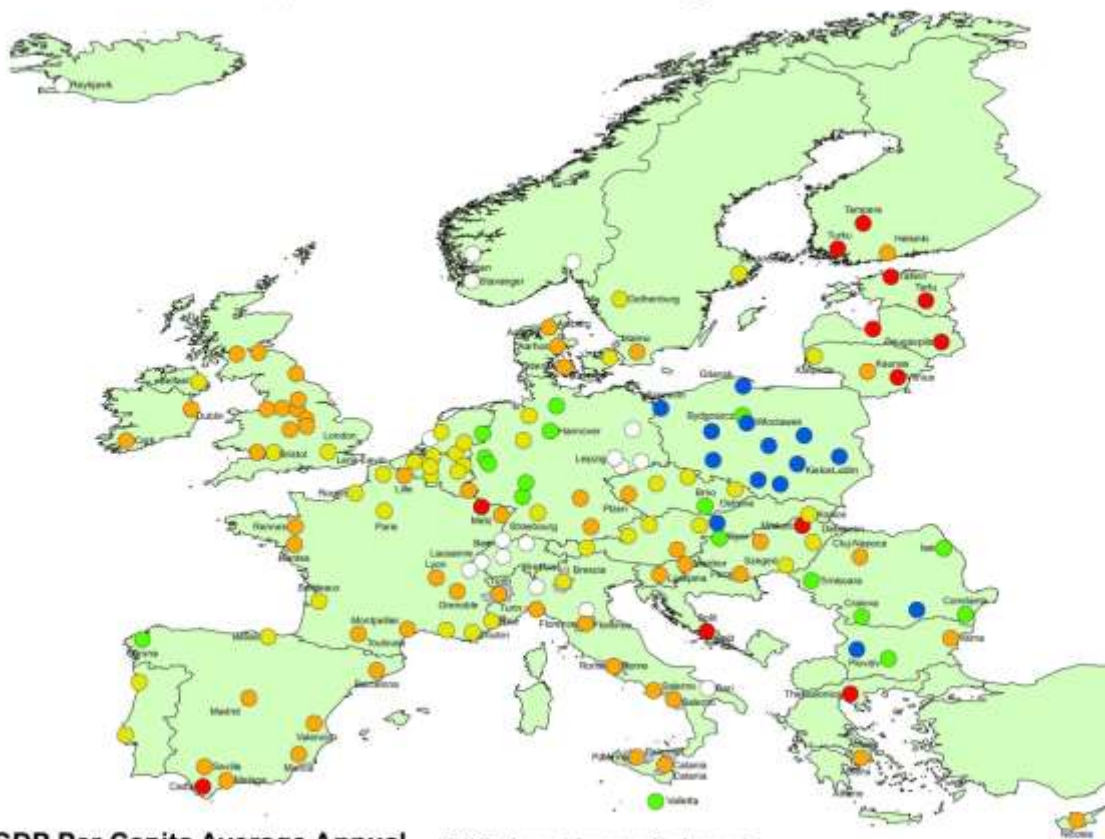


# Impact Crisis European City Regions

## Recession

- Falls across Europe
- Reversal in Baltics
- Continuing strong performance in Poland & South East
- Western Europe – declines except Germany
- Southern Europe – decline
- UK: Falls nationwide, London, Bristol, Belfast, slightly better

## European City-Regions GDP Per Capita - Real % Change 2007-2010



GDP Per Capita Average Annual  
Real % Change 2007-10

EU27 - Annual Average % change in  
GDP Per Capita 2007-10 was -1.0%

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Source: Eurostat; Level: Metropolitan

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Data for Italian cities are based o

## 4. What Poland Story?

### Real strengths & opportunities:

- Responded well to democratisation and marketisation
- Since 2004, GDP per capita increased 44% to 48% of the pre-2004 enlargement EU average
- One best economic performer OECD in crisis
- Transformation return self-government restructuring housing
- Polycentric system

## 4. What Urban Position Poland?

### But cities growing challenges :

- Uneven economic and population growth
- Significant unemployment outside the larger cities
- Growing inequalities
- Ageing and shrinking labour forces
- Educational under-attainment
- Lack basic urban infrastructure
- Fragmented governance
- Housing – shortages, quality and affordability problems
- Suburban sprawl and environmental degradation

## 4. What Policy Position Poland?

### Challenging

- Responsibility urban policies national level scattered
- Horizontal co-ordination national government difficult
- Many strategies, plans, co-ordination - but limited impact
- Move centralised governance to decentralised with inconsistencies & limited financial resources
- Decision-making transportation, housing, urban regeneration, economic development highly fragmented
- Competition governments in same functional economic area
- Lack mechanisms coordinate different layers governments
- Need territorial governance at scale

## 4. What Policy Messages Poland?

- Cities matter – support them
- Competitiveness, cohesion, liveability
- Start big city regions
- Place making
- Local leadership
- City regions
- New financial instruments
- More contractual working
- More government departments value cities
- More departmental collaboration

## 5. What Wider Policy Messages?

### Policy assessment:

- Little explicit policy debate on relationship
- Countries concentrate attention, resources capitals cost second tiers
- Most focus cohesion but some focus economic performance
- Some national policies promoted urban competitiveness - innovation, diversity, skills, connectivity, place quality, governance
- Cities better countries less political centralisation & economic concentration & cities more powers, resources, responsibilities
- Some cities helped national economy perform better



## 5. What Wider Policy Messages?

### Successful investment in age austerity

- Relationship capital second tiers not zero-sum, but win-win
- Diseconomies scale - governments encourage development second tier cities complement capital
- Overspill second tiers could absorb growth capital when costs outweigh benefits
- Relatively little demand artificially limit capitals
- Increase national economic pie - encourage second tiers not kill golden goose



## 5. What Wider Policy Messages?

### Successful investment in age austerity

- Number second tiers country sustain depends size, level development
- Smaller countries & East less scope develop second tier cities
- But policy aim should be more high performing second tiers
- More systematic national policies second tier cities
- Maximise territorial impact national policies competitiveness

## 5. What Wider Policy Messages?

### Successful investment in age austerity

- Decentralise responsibilities & resources, deconcentrate investment
- Territorial economic governance at scale
- Encourage financial innovation
- Greater transparency territorial investment strategies
- Mainstream money & policies matter most not urban initiatives
- Invest second tiers when (i) gap capital big, growing; (ii) weak business infrastructure because underinvestment (iii) negative externalities capital