1. Urban Productivity

2. Urban Fragmentation

3. Urban Governance

NB Throughout this presentation, the term “City” is used as a short-cut for urban agglomeration.
Administrative boundaries of cities rarely correspond to economic and social realities.

Administrative cities vs. de facto situation

Crucial to consider functionally defined urban areas (FUAs), defined in a coherent and comparable framework (OECD; 2012; Redefining “Urban”)

![Map showing administrative units vs. urban areas in Paris and Rome](image)
Bigger cities are more productive
City productivity premia in the United States
City productivity premia in Germany
City productivity premia in Mexico
City productivity premia in Spain
City productivity premia in the United Kingdom
Bigger cities are more productive

• The productivity increase associated with increasing a city’s population—are in the order of 2-5.0% for a doubling in population size.
  – This implies, e.g., that moving from a city of roughly 50000 inhabitants to the Paris agglomeration – on average - increases productivity by an order of magnitude of 20%.
Cities make nearby cities more productive

- Proximity to nearby populous cities affects positively the productivity of a city, implying that – in a certain sense - cities can utilise the agglomeration of their neighbours.
  - For a given city, if the population (discounted by distance) that lives in other cities within a 300 km radius, is doubled
  => the productivity of the central city increases by 1-2 percent.
Region’s economic growth increases with proximity to large cities

![Yearly Growth Rates in %*](chart)

- Within 45 min. by car: 1.8
- 45 to 90 min. by car: 1.2
- 90 to 180 min. by car: 1.0
- 180 to 300 min. by car: 0.8
- More than 300 min. by car: 0.6
Higher productivity comes with higher prices

Agglomeration benefits and local price levels in Germany

- Overall, gains from agglomeration, but local purchasing power does (on average) not increase with city size
Differences in local purchasing power are partly driven by amenities

• Local purchasing power varies widely around the average, and amenities can explain a significant share of the variation

• Residents are willing to pay for local amenities
  – Proximity to large bodies of water (coast or lake), cultural attractions (theatres/operas/etc.) and UNESCO World heritage sites make cities relatively more expensive

• Disamenities require compensation
  – PM10 air pollution reduces local price level relative to productivity benefits

• More educated individuals appear to be willing to pay more for amenities; also, the share of university educated workers seems to be a local amenity in itself.
1. Urban Productivity

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Urban governance: administrative fragmentation

• Functional Metropolitan Areas often consist of several hundred municipalities
• => possibility of economic inefficiencies
  – high costs of coordination
  – certain policies taken at municipal level are likely to have negative effects on other municipalities (that are not internalised)

• Fragmentation may lead to suboptimal outcomes
• Can specific metropolitan governance bodies help?
Less fragmented urban agglomerations have experienced higher economic growth.
OECD estimates indicate that a twice higher number of municipalities per 100,000 inhabitants is associated with around 6% lower productivity levels.
1. Urban Productivity

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Well-functioning urban governance structures are an essential ingredient for efficient place based policies

- e.g. the impact of local labour market policies will be greatly diminished if inadequate urban governance structures prevent efficient public transport connections to connect the places where people live to where the jobs are

From the point of view of a country, having bad urban governance is like participating in a race with your principal motor in bad shape.
How can the challenge of administrative fragmentation be addressed?

• Case studies suggest that governance bodies can reduce the “cost” of administrative fragmentation

• OECD Metropolitan Governance Survey:
  – Collect data on governance structures for all ~270 metropolitan areas in the OECD
  – Provide representative country overviews
  – Develop categories to classify governance structures and enable quantitative analyses
  – Use the data for quantitative studies on the effect of metropolitan area governance
Data focuses on permanent structures of cooperation:
- Do Governance Bodies exist?
- What are their powers, fields of work, budgets, staff numbers, etc.?
- Who is represented on them?

Governance Bodies can be classified in four categories
- a) Organisations based on informal/soft-coordination
- b) Inter-municipal authorities
  - i. (Single-purpose)
  - ii. Multi-purpose
- c) Supra-municipal authorities
- d) Metropolitan Cities
Governance Bodies

- Following charts based on data collected for around 270 metro areas
- Governance Bodies exist in more than half of them
- Most common are bodies without own competencies

Governance Bodies by Type

- Informal/Soft-coordination: 34%
- Inter-municipal authorities (Type ii): 35%
- Supra-municipal authorities: 5%
- Metropolitan cities: 9%
- No Governance Body: 17%
Governance Bodies

- Larger metropolitan areas are covered by more stringent governance arrangements

**Average Population Size**

- No Governance Body
- Informal/soft-coordination
- Intra-municipal authority
- Supra-municipal authority
- Metropolitan city

**Median per Capita Budget** (PPP USD, excluding Mexico)

- Informal Coordination
- Intra-Municipal Authorities
- Supra-Municipal Authorities
- Metropolitan Cities
3 fields dominate the work of governance bodies:
- Transportation
- Regional (economic) development
- Spatial Planning

Roughly 2/3 of all governance bodies are active in all three of them
Urban sprawl creates negative externalities in Metropolitan areas (MAs).

Cooperation is a way to internalize the externalities when making policy decisions.

Sprawl decreased in MAs with governance body, but increased in those without!

Difference significant at the 99%-level after controlling for log-population levels and country specific trends.
Governance bodies can increase well-being

- Public Transport projects usually cut through many jurisdictions
- Cooperation is required for effective implementation and coordination of services
- Citizens are more satisfied in MAs that have sectoral authorities for public transport

Share of Citizens Satisfied with Public Transport

Based on European Urban Audit perception survey. Difference significant at 95% level.
Within countries, cities with fragmented governance structures have lower levels of productivity.

- For a given population size, a metropolitan area with twice the number of municipalities is associated with around 6% lower productivity.

Effect mitigated by almost half when a governance body at the metropolitan level exists.

Governance bodies positively affect economic productivity
References


Thank you!