

Building Inclusive Cities:  
Agenda for Barcelona and Chicago

# Inclusive Urban Growth: Productivity and Employment. The Role of Metropolitan Policies. The Experience of Barcelona.

Joan Trullén / Universitat Autònoma de Barcelona

Vittorio Galletto / Institut d'Estudis Regionals i Metropolitans de Barcelona

Faculty of Economics and Business  
Universitat de Barcelona  
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- 1. Searching for a new model of inclusive growth.**
  - 2. Inclusive growth: the great metropolitan strategic challenge.**
  - 3. Conclusions.**
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## 1. Searching for a new model of inclusive growth

Acknowledgment and pertinence of the seminar

International context: economic crisis and strategic changes in the globalization process. Inequality Growth

- Protectionism USA/Brexit vs. France/Germany
- Trans-Pacific Strategic Economic Partnership Agreement Vs. EMU
- OECD/World Bank: Inclusive growth

Local context: the role of cities. UN Habitat 2016/Quito

OECD: The New York Proposal for Inclusive Growth in Cities (2016)

## 1. Searching for a new model of inclusive growth

### *Theoretical framework:*

- Piketty (*Capital in the XXI Century*): Globalization entails an increase in the weight of capital in the functional distribution of income, which translates into a tendency towards a deterioration in the personal distribution of income. Economies of scale / Large firms.
- Giacomo Becattini / Neo-Marshallian Analysis: Socioterritorial approach/Marshallian Industrial District Cooperation and competition / increasing returns / external economies. Small firms.

## 1. Searching for a new model of inclusive growth

### *Hypothesis:*

- The cities compete: Roberto Camagni. The role of urban external economies in the growth of competitiveness. Urban policies count.
- The trend towards an imbalance in productivity growth at urban scale. Baumol's disease. Different trends in productivity growth between activities exposed to external competition and local public services (Baumol-Bowen 1966: *Performing arts: the economic dilemma*).  
  
→ *Urban Competitiveness and Social Inclusivity are compatible if an active urban policy is adopted*

## 1. Searching for a new model of inclusive growth

### *The thesis:*

- Combine productivity growth with inclusiveness. No to protectionism. **The role of urban policies in raising productivity is strategic:** territorial factors are crucial to productivity growth. But so is the role of inclusive policies to improve the distribution of income.

*is it possible to combine them?*

- Barcelona 1986-2008: it is possible to grow and at the same time reduce inequality by adopting inclusive urban or metropolitan growth models. The role of urban policy is fundamental. The Great Recession 2009-2014: regression. Recovery from 2015 ...

## **Strategy: brains & infrastructures.**

- Economies external to firms and of a territorial nature: *brains & infrastructures*
- Boosting external economies at both local and national levels
- Promote cooperation between companies: R&D, Innovation, Technology centers.
- Adapt urbanism to the knowledge economy strategy.
- Correct the trend towards increasing inequality

# 1. Searching for a new model of inclusive growth

## Systematic study of the metropolis: Interdisciplinary team work.

2012



2013



2014



2015

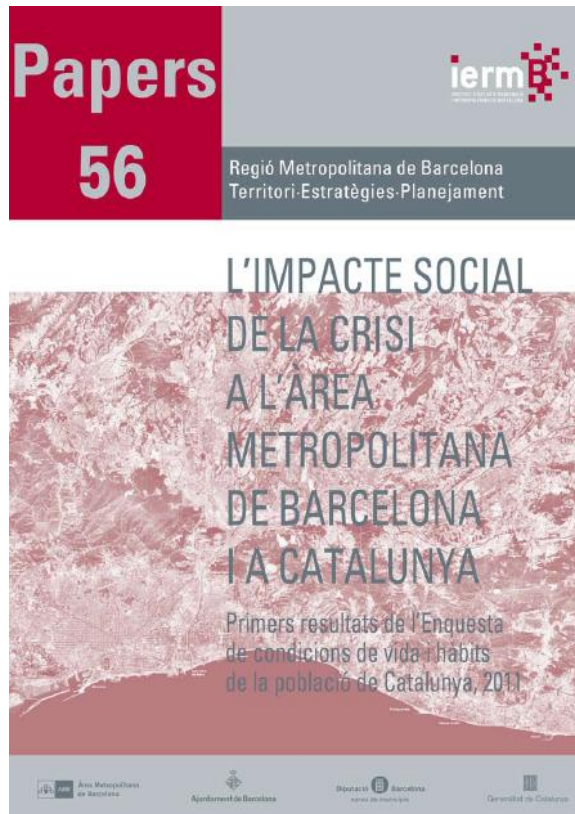




# 1. Searching for a new model of inclusive growth

## Systematic study of the metropolis: Interdisciplinary team work.

Survey on Living Conditions and Habits of the Population of Barcelona, Metropolitan Area of Barcelona 2011

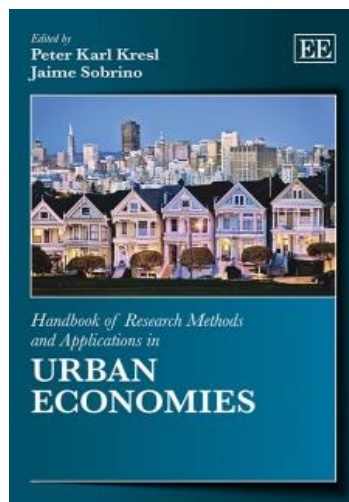


# 1. Searching for a new model of inclusive growth

Joan Trullén, 2011: “The ‘Barcelona, City of Knowledge’ project and the 22@ Barcelona”, en *Revista Econòmica de Catalunya*, núm. 64, 2011, Dossier: “Knowledge Economy and Territory”. [English version July 2014](#).

Joan Trullén: “An insight on the unit of analysis in urban research”, en Peter K. Kresl and Jaime Sobrino (eds.) (2013), [Handbook of Research Methods and Applications in Urban Economics](#), Edward Elgar (joint with Rafael Boix and Vittorio Galletto).

Joan Trullén: “Inclusive growth and urban strategies: the case of Barcelona” en Peter K. Kresl (2015), [Cities and Partnerships for Sustainable Urban Development](#), Edward Elgar.



## Index:

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  - 2. Inclusive growth: the great metropolitan strategic challenge.**
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### **Objectives of the research program:**

- Metropolises as a unit of analysis
- The territorial factors, key factors in the new growth model
- The role of urban and metropolitan policies to promote growth and inclusion
- The great strategic challenge: to return to the model of inclusive growth

### **Some stylized facts of the economy of Barcelona until the crisis of 2008**

#### **The metropolis of Barcelona (1985-2007):**

1. The metropolis of Barcelona has been a pioneer in the design of urban strategies that promote economic growth and correct inequality
2. Economic growth between 1985 and 2007 led to the creation of 1.2 million jobs, with a growth of 67% (Barcelona province)
3. Inequality declined between 1985 and 2007

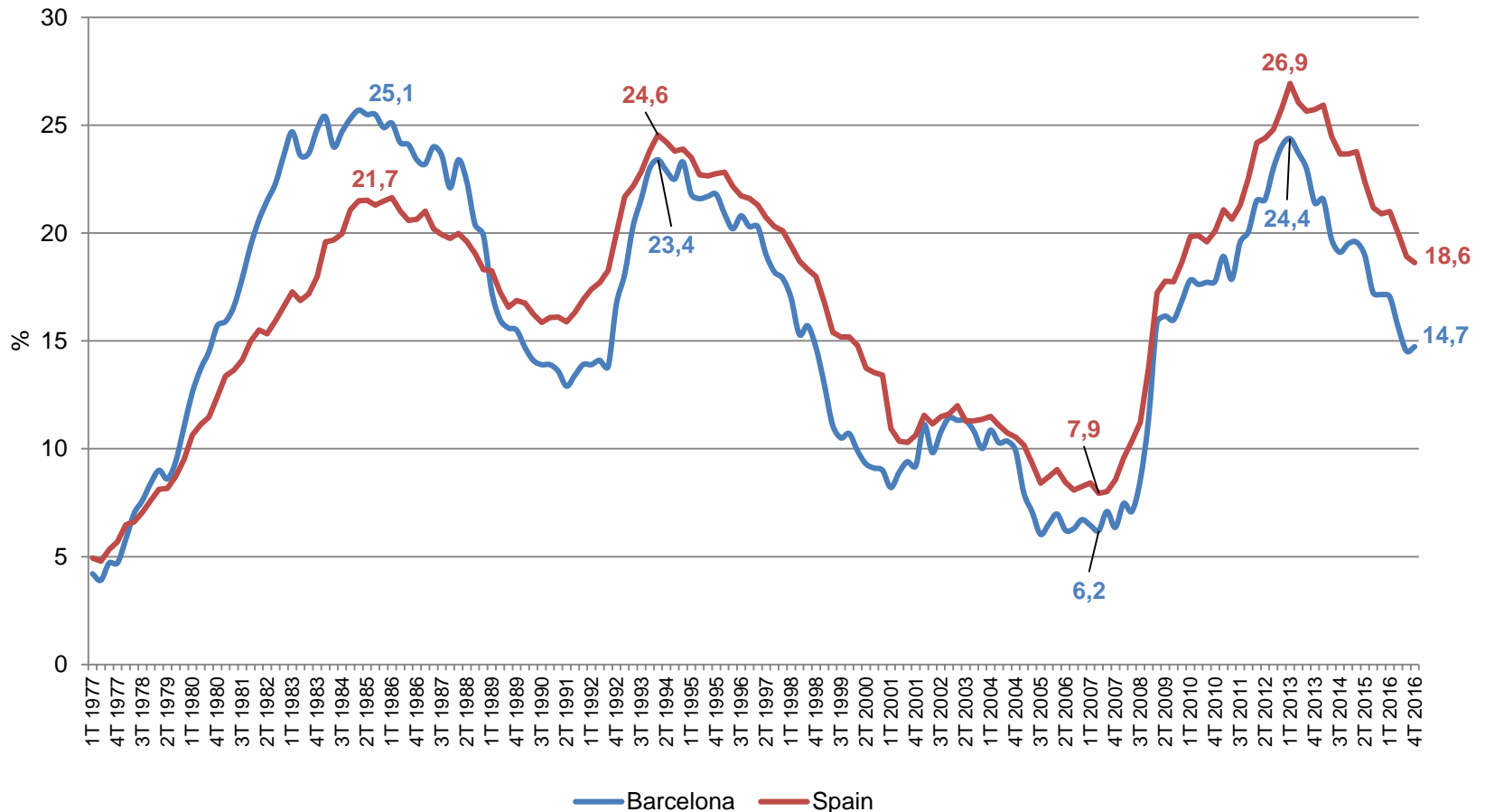
### **How has the crisis affected the metropolis of Barcelona? Large imbalances and the dual labor market**

1. Unemployment rate reaches the highest value in the first quarter of 2013: 24.4%
2. Between 2008 and 2013 the crisis has resulted in the destruction of 0.5 million jobs (province of Barcelona).
3. The distribution of income has worsened to the value of 1995
4. Foreigners and young people: the great protagonists of the adjustment in a dual labor market

## 2. Inclusive Growth: the great metropolitan challenge

### 1. Unemployment rate reaches 24.4% in 1stQ 2013

Unemployment rate Barcelona and Spain, 1977-2014

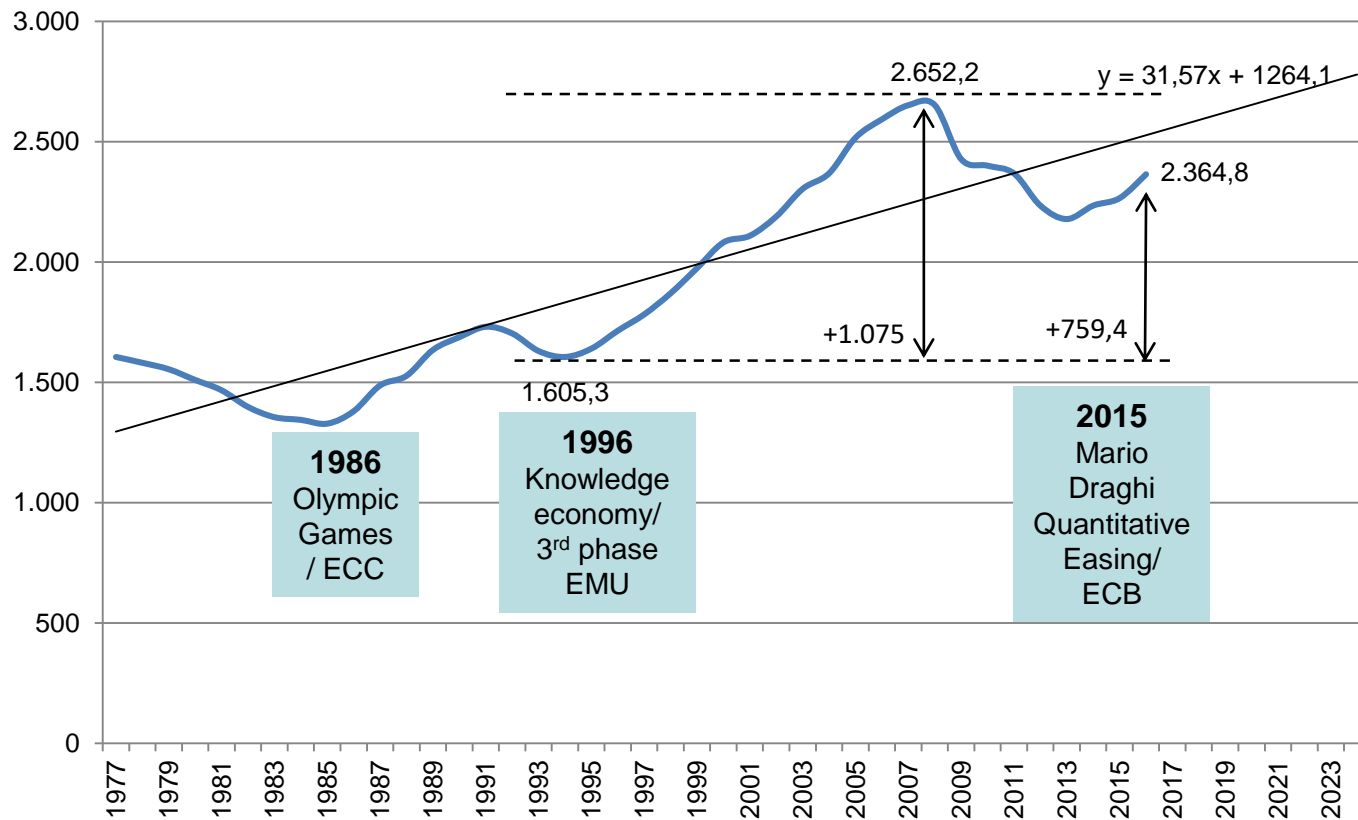


Source: EPA, INE

## 2. Inclusive Growth: the great metropolitan challenge

### 2. Destruction of 0.5 millions of jobs (2008-2013)

Employment in Barcelona 1977 - 2016 and trend to 2024 (thousands)



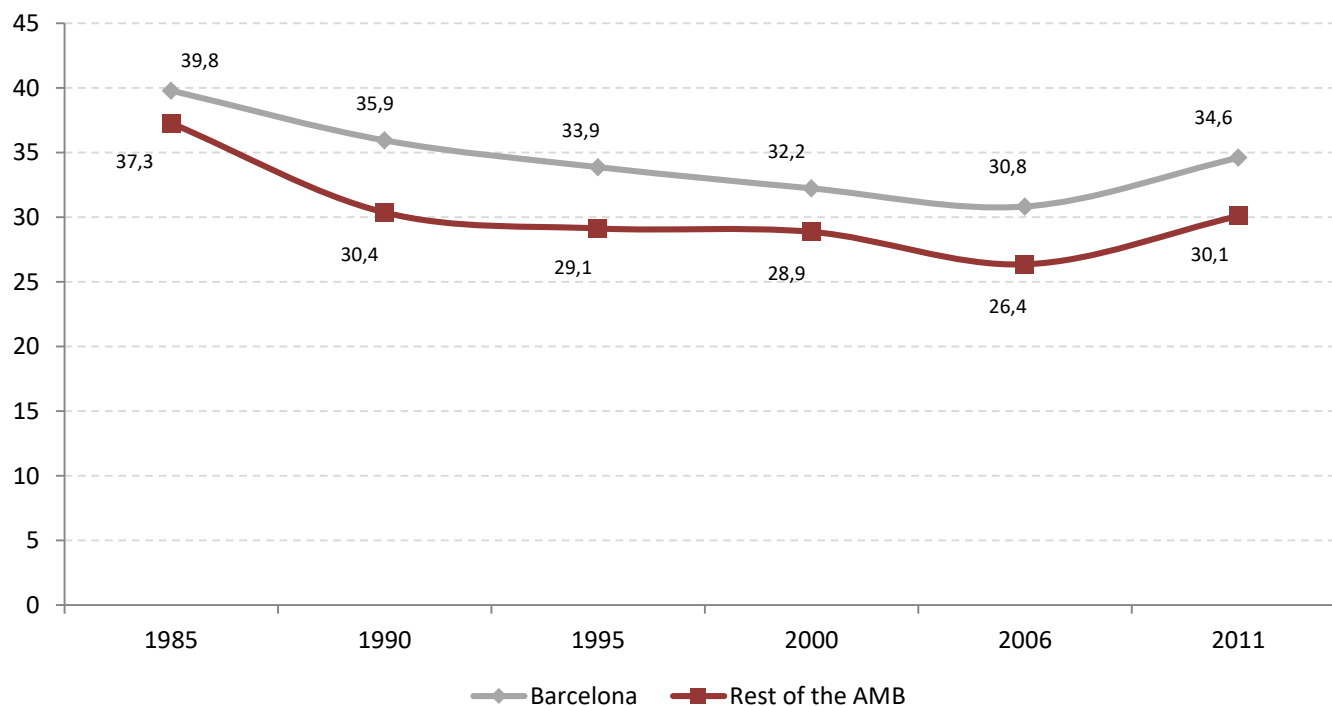
Source: INE



## 2. Inclusive Growth: the great metropolitan challenge

### 3. The income distribution worsens (1/2)

Gini coefficient of disposable income. Barcelona and the rest of the Metropolitan Area (AMB), 1985-2011.



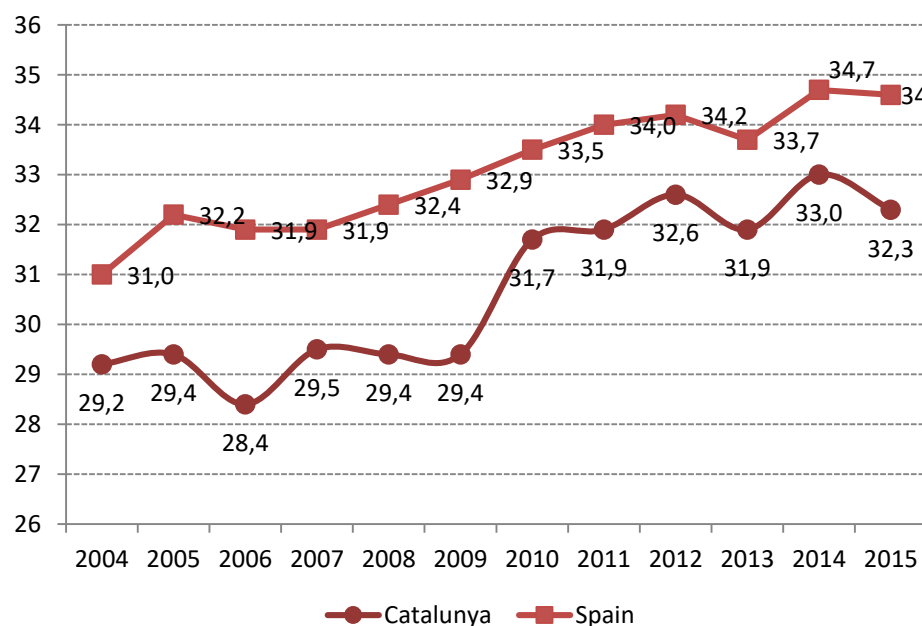
Note: Data for 1985 refer to the 27 municipalities of the former Metropolitan Corporation of Barcelona.

Source: IERMB Survey of Living Conditions and Habits of the Population, 1985-2000; Idescat and IERMB Survey of Living Conditions and Habits of the Population, 2006-2011

## 2. Inclusive Growth: the great metropolitan challenge

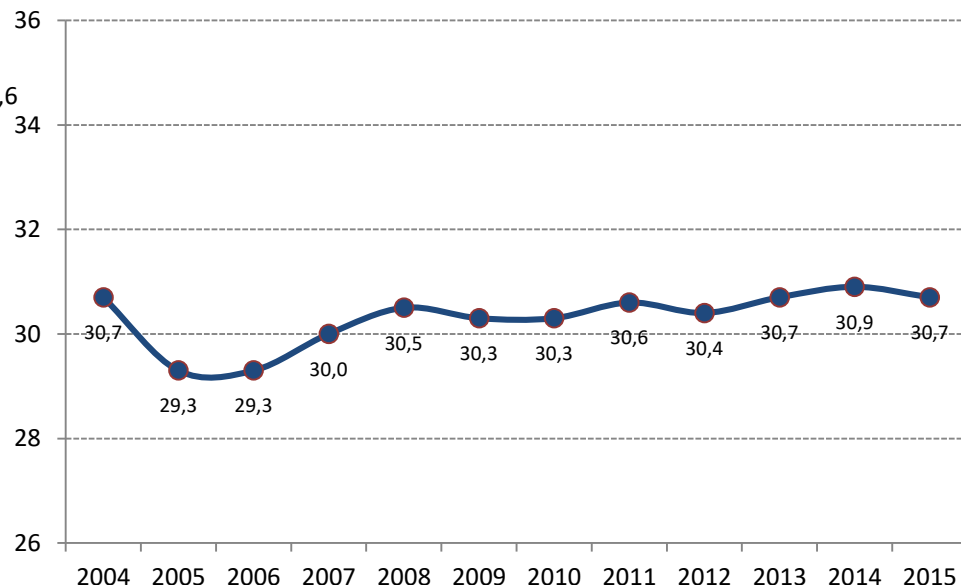
### 3. The income distribution worsens (2/2)

Gini coefficient of disposable income.  
Catalunya and Spain, 2004-2015



Source: Idescat and INE, from INE Survey of Living Conditions.

Gini coefficient of disposable income.  
Euro Area (18 countries), 2004-2015

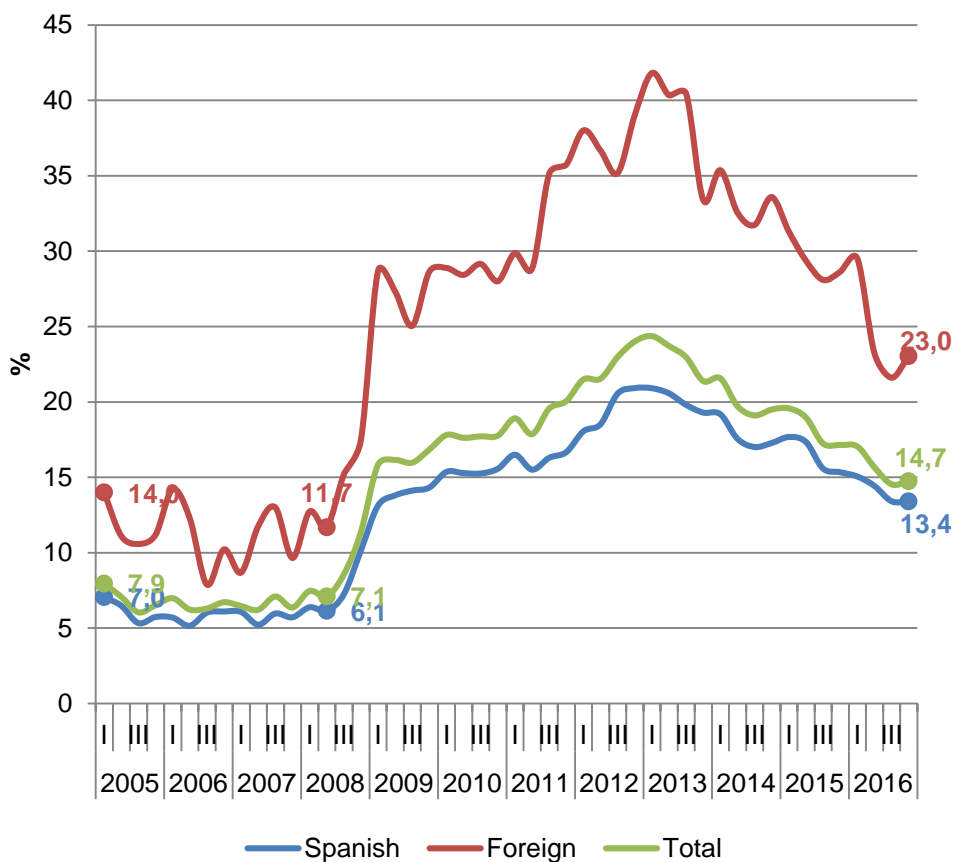


Source: Eurostat, from EU-SILC.

## 2. Inclusive Growth: the great metropolitan challenge

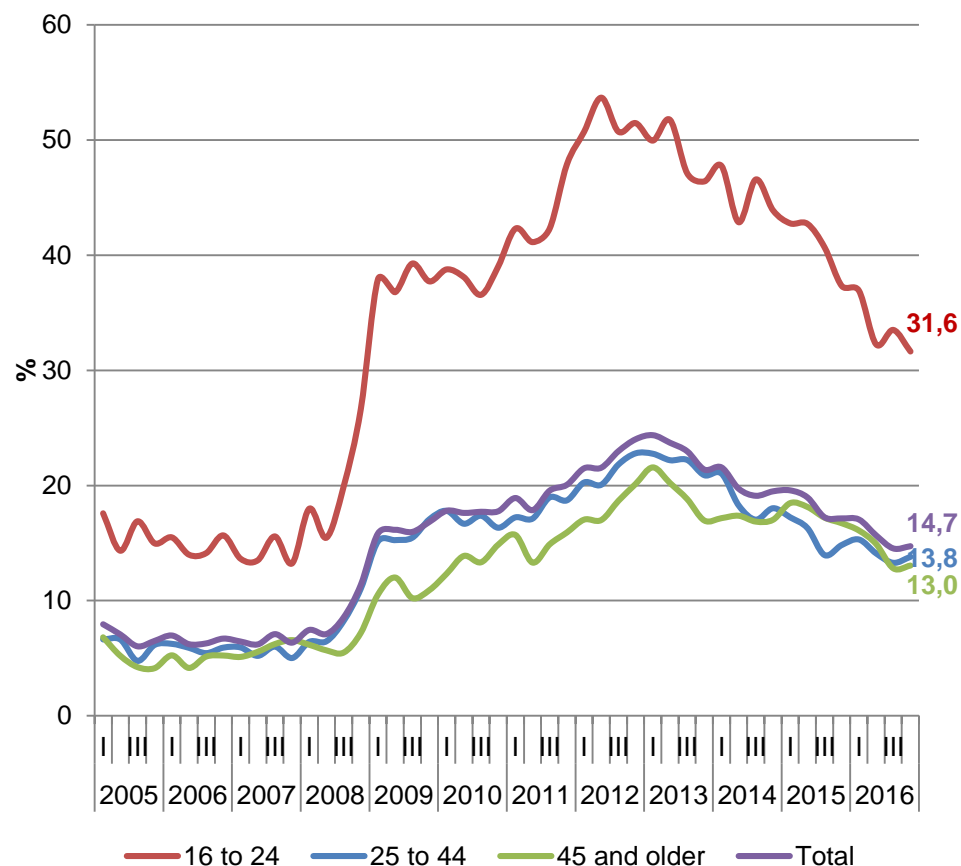
### 4. Foreigners and young people: the great protagonists of the adjustment in a dual labor market (1/2)

Unemployment rate by nationality, Barcelona;  
2005-2016



Source: IERMB from EPA microdata, INE

Unemployment rate by age, Barcelona;  
2005-2016



Source: IERMB from EPA microdata, INE

## 2. Inclusive Growth: the great metropolitan challenge

### 4. Foreigners and young people: the great protagonists of the adjustment in a dual labor market (2/2)

Rate of poverty risk by geographic origin.  
Population aged 16 and over, 2011.

ORIGIN	Barcelona	Metropolitan Area	Catalunya
TOTAL			
Rate of poverty risk	18,6	20,5	21,4
Rate of poverty risk (with imputed rent)	16,4	17,2	18,2
Catalunya			
Rate of poverty risk	17,6	17,5	17,8
Rate of poverty risk (with imputed rent)	12,9	13,4	13,6
Rest of Spain			
Rate of poverty risk	20,7	20,0	19,9
Rate of poverty risk (with imputed rent)	10,9	11,0	12,1
Rest of world			
Rate of poverty risk	19,0	29,6	34,0
Rate of poverty risk (with imputed rent)	29,6	35,5	38,3

Source: Departament d'Estadística. Ajuntament de Barcelona from Survey on Living Conditions and Habits of the Population 2011. Idescat i IERMB.

### **Fundamental strategic objective: productivity growth**

1. The passive route to productivity growth: internal devaluation. Competition on labor costs. Current labor reforms.
2. The active route to productivity growth: back to the industrial model, strengthening the knowledge economy, promotion of advanced services, strengthening metropolitan infrastructure. The new metropolitan strategy.

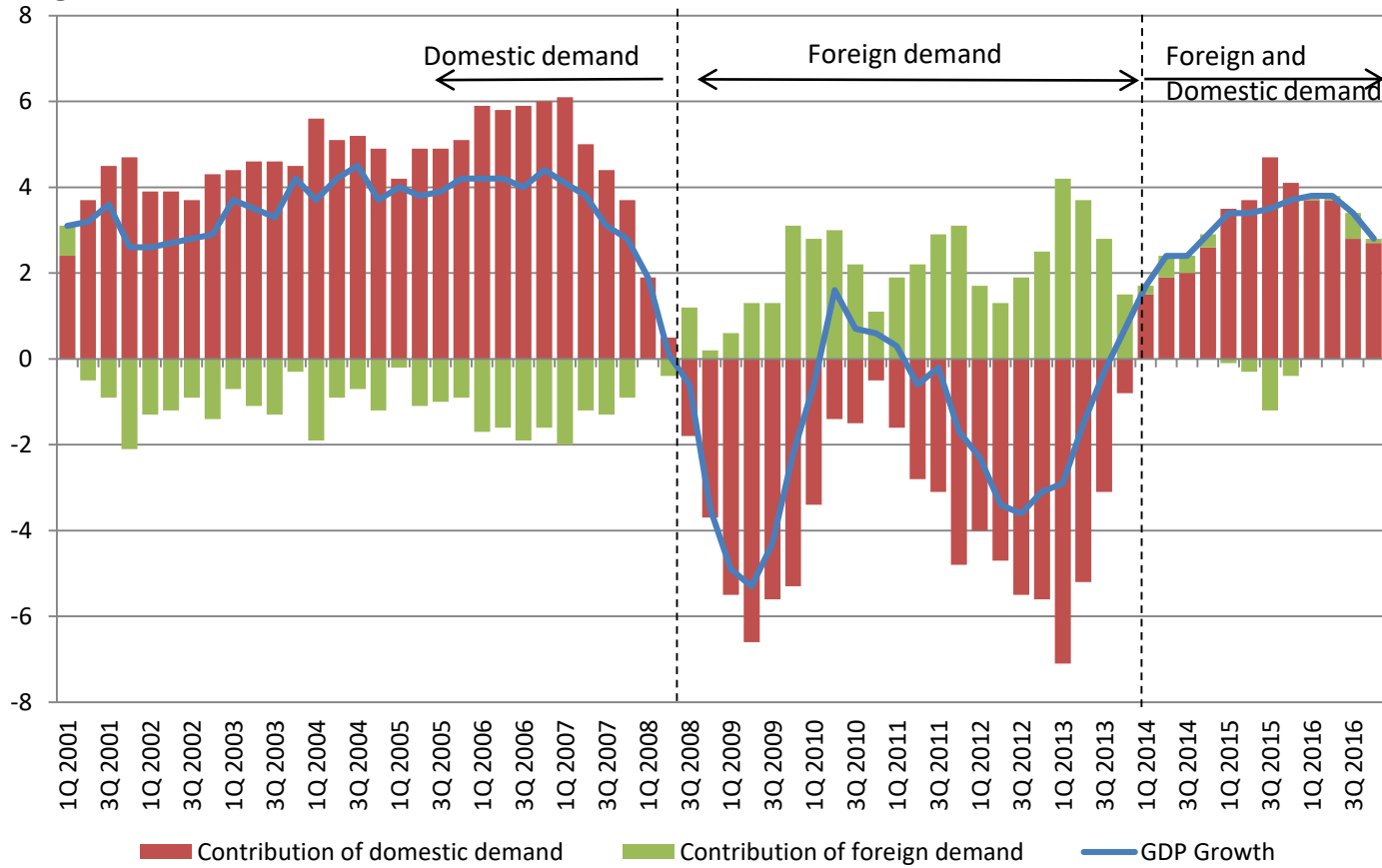
### **A narrow but passable road to employment recovery:**

1. External competitiveness
2. Promoting the active route: R&D, training and education, regional factors
3. The export manufacturing activities and export services activities (tourism and advanced services)

## 2. Inclusive Growth: the great metropolitan challenge

### Foreign sector

Contribution of domestic and foreign demand to GDP growth in Catalonia, in percentage points, 2001 - 2014

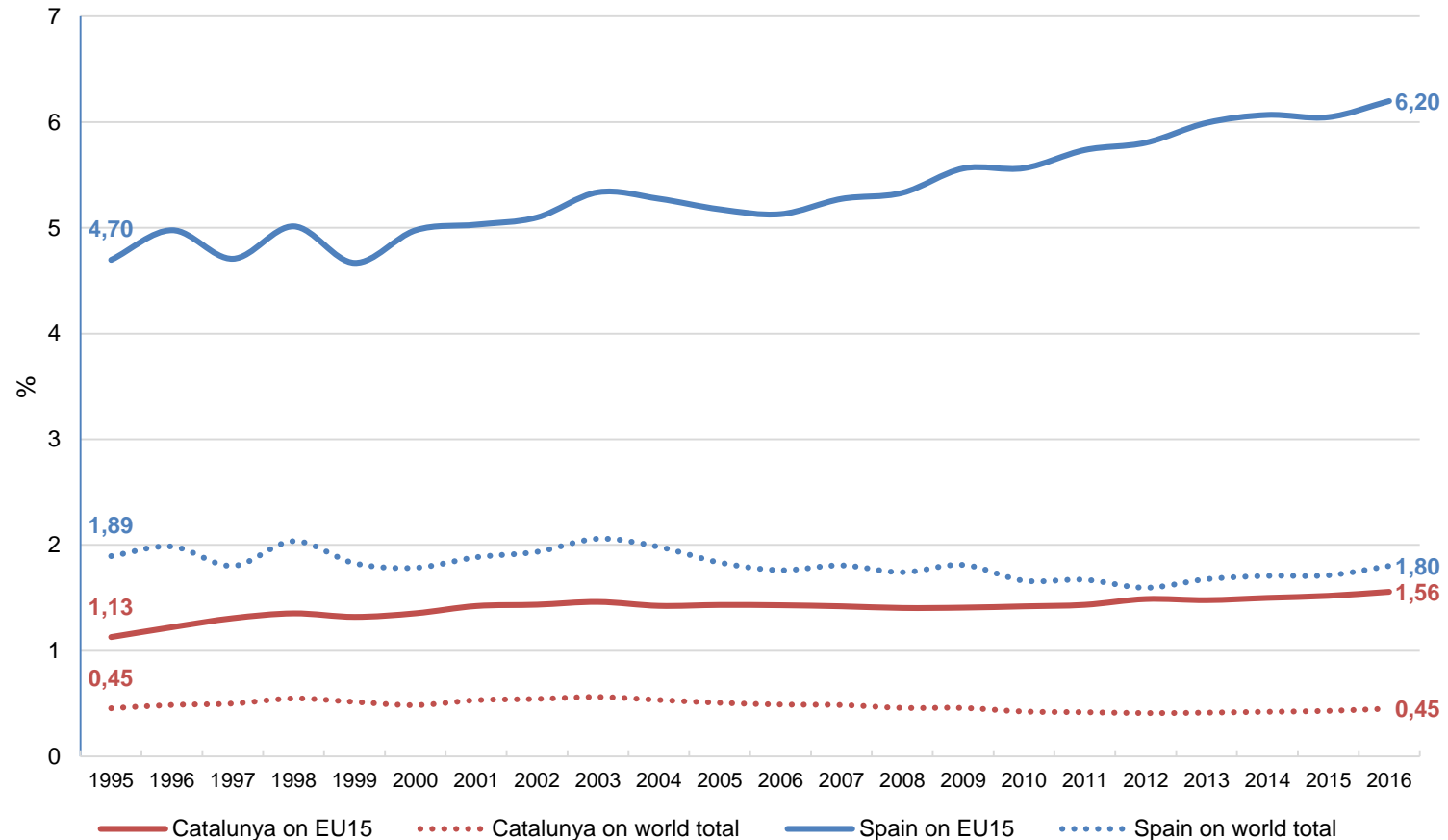


Source: Idescat

## 2. Inclusive Growth: the great metropolitan challenge

### Foreign sector

Weight of Catalan and Spanish exports on the UE15 total and world total, 1995-2016



Note: 2016 data provisional  
Source: Own elaboration from WTO Statistics database, DATACOMEX (AEAT) and Eurostat.



### ***Against the crisis: the metropolis of Barcelona***

Barcelona is the “engine” of Spanish exports (20% of total Spanish exports)

- Barcelona has to lead the Spanish recovery from the crisis
- It is therefore necessary to improve productivity and competitiveness

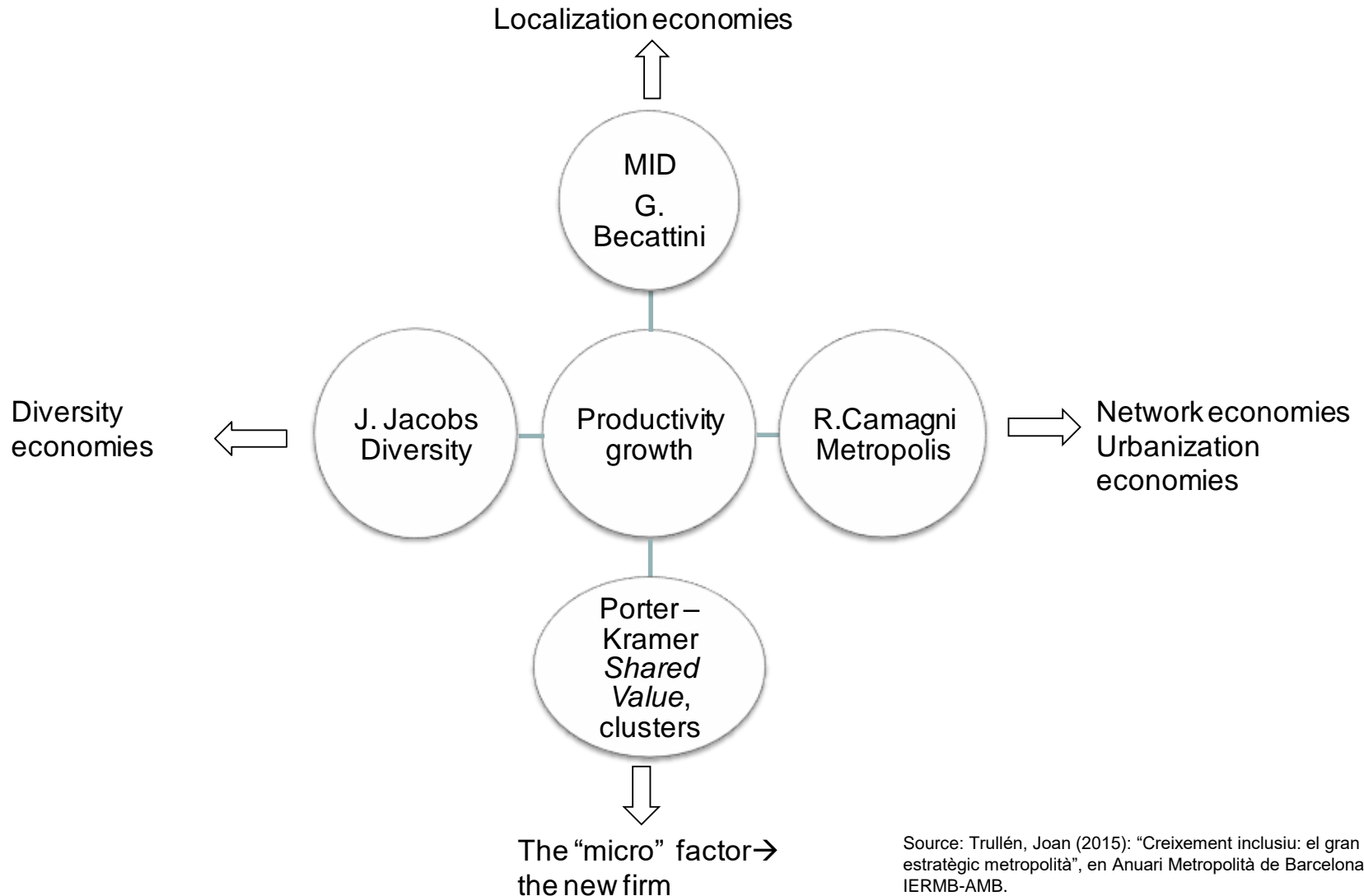
Territorial factors to increase productivity:

- Interaction between economy and urbanism
- Metropolitan infrastructures: strategic role of the airport, the Port and the intermodal station of *La Sagrera*

➤ ***The metropolitan strategy plays a key role in a new model of long-term growth***

## 2. Inclusive Growth: the great metropolitan challenge

### Territorial factors to increase productivity



Source: Trullén, Joan (2015): "Creixement inclusiu: el gran repte estratègic metropolità", en Anuari Metropolità de Barcelona 2014, IERMB-AMB.

### ***Urban policies based on 22@Barcelona***

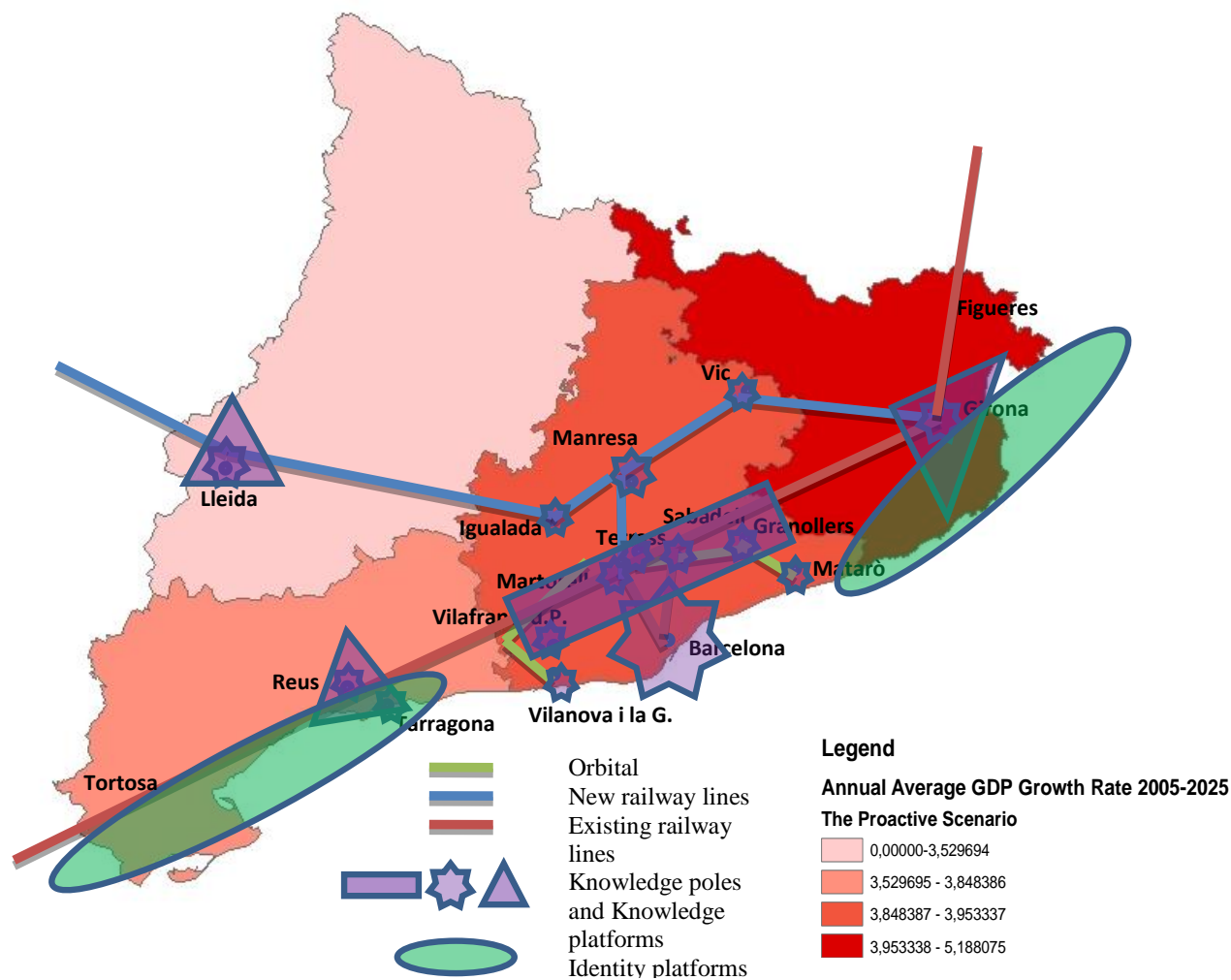
- Reuse of the old industrial land: from 22a to 22@
- Marshallian industrial district / Becattini: cooperation and competition
- Localization Economies - Clusters / *Innovative Business Groups* / Industrial policy for SMEs
- Knowledge-intensive activities
- Job density
- Intensive use of Information and Communication Technologies

### ***Urban policies based on 22&Barcelona***

- Utilization of free or underutilized industrial land
- Shared Value 22 & / Porter-Kramer / Cooperation + Competition
- Large firms / Local-metropolitan economic policies
- Knowledge-intensive activities
- Diversity of uses: integration of Manufacturing and Services for firms and people
- Job density
- Intensive use of Information and Communication Technologies

## 2. Inclusive Growth: the great metropolitan challenge

### Policy strategies for the Barcelona Province

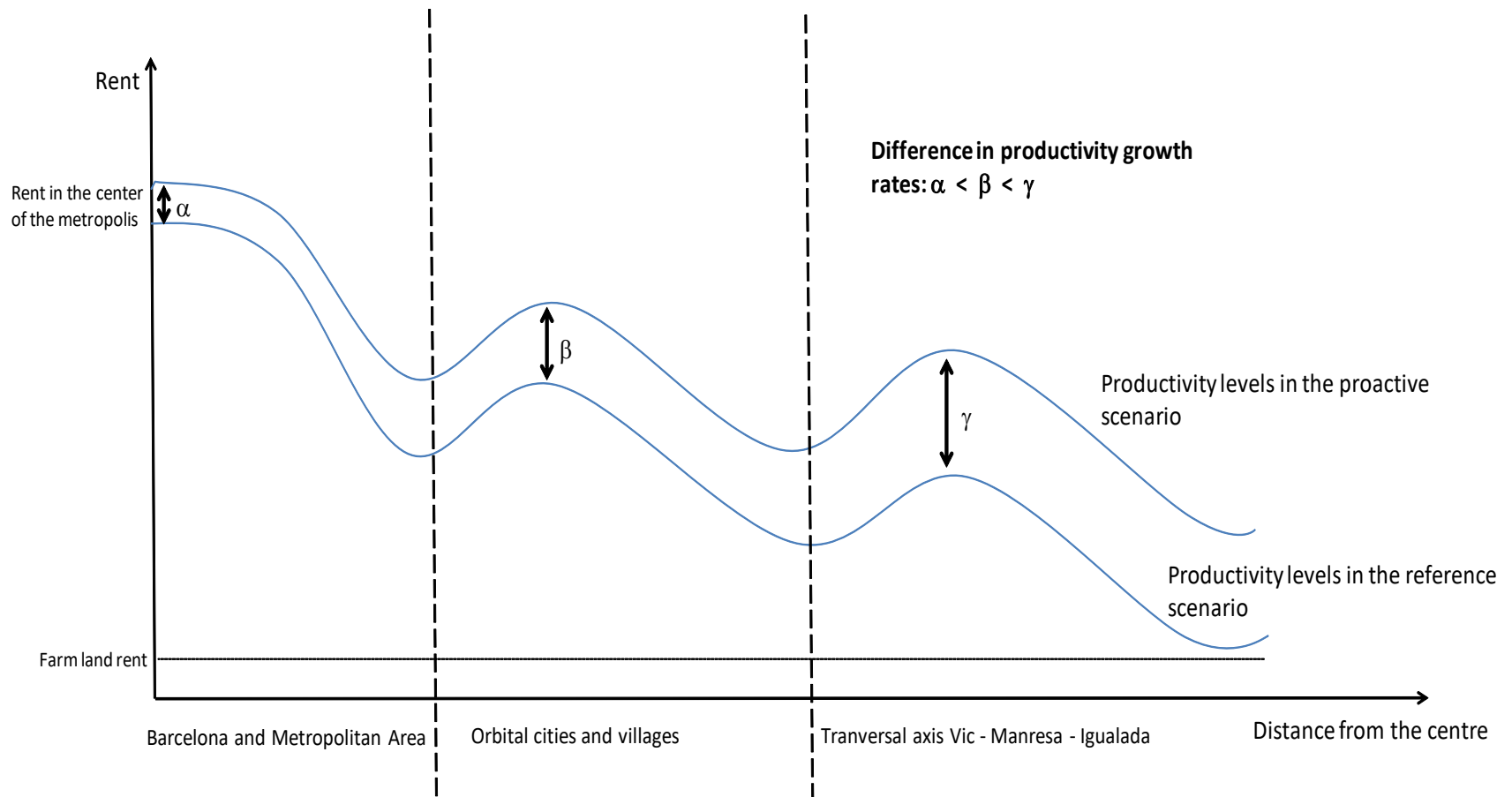


Source: Trullén 2011, Camagni 2011 ESPON Project

## 2. Inclusive Growth: the great metropolitan challenge

### Strategy for the metropolitan region of Barcelona: metropolitan area, orbital cities and transversal axis

Model based on productivity growth  $\alpha < \beta < \gamma$



Source: Trullén 2011

### ***Expanded metropolitan strategy***

In the 21<sup>st</sup> Century: the real labor market exceeds the Metropolitan Region of Barcelona

Metropolitan Area of Barcelona (36 municipalities) is the *true* Barcelona: maximum productivity / externalities in the metropolis

Metropolitan Area of Barcelona (36 municipalities) + POLICENTRISM: network of metropolitan cities / second ring

Strategic role of the metropolitan cities in the second ring: Mataró, Granollers, Sabadell, Terrassa, Martorell, Vilafranca del Penedès and Vilanova i La Geltrú. Polycentrism and productivity growth.

The Transversal Axis, new metropolitan dynamics. Integration in the metropolitan labor market. Higher productivity growth.

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## **The metropolis of Barcelona should focus its strategy towards an inclusive growth model**

- The model must be oriented towards external demand, with a growing weight of the export manufacturing activities and advanced services activities
- This export-led growth has NOT to be based on wage reductions but on the territorial factors of productivity, which will lead to a relevant improvement of competitiveness

## **The metropolis of Barcelona should focus its strategy towards an inclusive growth model**

- The growth in the weight of manufacturing and of advanced services must translate into a growth in the weight of wages in Gross Value Added, given their higher wages
- Therefore, the aim is to make economic growth compatible with improving income distribution and so to return to a model of inclusive growth

*Thank you for your attention*

Joan Trullén / Vittorio Galletto

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Marc Fíguls, Sandra Aguilera, Miquel Correa

Contact:

Tel. +34 93 581 16 80    +34 93 586 88 80

E-mail: [joan.trullen@uab.cat](mailto:joan.trullen@uab.cat)    [vittorio.galletto@uab.cat](mailto:vittorio.galletto@uab.cat)

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