



Co-financed by the European Regional Development Fund

Inspire Policy Making with Territorial Evidence

POLICY BRIEF

Addressing labour migration challenges in Europe

An enhanced functional approach

The free movement of labour is one of the “four freedoms” of the European Union and its single market. While many economically dynamic cities and regions have experienced significant in-migration of skilled and semi-skilled workers, other regions, particularly on the European peripheries, are dealing with the opposite problem. These migration patterns are resulting in considerable regional disparities and are at the root cause of many of the socio-political challenges facing Europe today.

This policy brief is guided by the following questions:

- How can European regions and urban centres be classified in relation to migration patterns?
- What territorial and governance conditions lead to significant out-migration of skilled and semi-skilled workers?
- What are the best-practice policies and territorial-administrative governance scales needed to reverse emigration and attract/integrate migrants and human capital?

The policy brief is mostly based on the results and evidence from the following ESPON 2020 projects: “Geography of New Employment Dynamics in Europe” (ESPON EMPLOY); “Inner Peripheries: National territories facing challenges of access to basic services of general interest” (ESPON PROFECY); and “Impacts of Refugee Flows to Territorial Development in Europe” (ESPON MIGRARE). The ESPON 2013 project “Attractiveness of European Regions and Cities for Residents and Visitors” (ESPON ATTREG) has provided valuable insights as well.

KEY POLICY MESSAGES

The current labour migration trends show large differences across regions and countries in Europe. Eastern and southern European regions report a substantially negative net migration rate, while northern and western European regions report a substantially positive rate. However, even within countries receiving large numbers of migrants, new geographies of “inner peripheralisation” are emerging as the European territory becomes increasingly fractured and polarised.

The main drivers of labour migration are the customary labour market conditions. However, as European economic policy becomes ever more focused on the knowledge economy, the presence, or absence, of a highly developed tertiary sector is becoming a dominant factor in explaining migration trends. Such migration is highly age selective, with young, skilled and mobile people moving and leaving behind older and less-educated workers. This is a key factor in explaining growing public discord and anti-EU politics.

Migrants are more likely to be employed in metropolitan regions than in other types of regions. Moreover, highly educated migrants tend to concentrate in the regions where the highly educated local populations concentrate, further exacerbating intra-regional disparities. These concentrated migration patterns present significant chal-

lenges for the “receiving” regions, challenging inclusivity and pushing people ever further into metropolitan hinterlands because of rising housing and other costs and resulting in complex interactions between cities and their functional regions.

There are different policy options to reverse emigration and attract labour force. Regions and national-level policymakers are encouraged to:

- invest in the knowledge economy;
- improve the attractiveness of regions;
- develop diaspora strategies;
- implement functional approaches to urban governance.

A renewed emphasis on a functional approach and a wider territorial perspective can be identified as connecting elements to bridge various policy responses in both “sending” and “receiving” regions, to help address the challenges of labour migration and improve the attractiveness of regions as a means to maintain local labour forces and reverse emigration.

1. Introduction

The free movement of labour has long been regarded as a cornerstone of European Union (EU) competitiveness, facilitating the reduction of territorial imbalances, rigidities and skills mismatches. While many cities and economically dynamic metropolitan regions grapple with the social, political and other impacts of an influx of labour migrants, other regions, chiefly lagging regions in southern and eastern Europe, continue to experience persistent out-migration, resulting in economic and population decline, and the phenomenon of “brain drain”. These trends have increased in the decade since the 2008 global financial crisis, which interrupted the long-run trend towards convergence in European economies (European Commission, 2014).

The uneven territorial consequences of European migration patterns have now become a very significant political issue for the EU, giving rise to considerable territorial fragmentation, geographies of discontent and the emergence of the so-called “places that don’t matter”. As discussed by Rodríguez-Pose (2018), the resulting political upheaval and rise of anti-EU sentiment, associated with a sense of alienation, has strong territorial, rather than social, foundations, and poses very serious risks to the legitimacy of the EU and the project of European integration and cohesion. Anti-establishment, Eurosceptic and populist political parties, for example, are expected to feature heavily in the 2019 European parliamentary elections.

At the same time, however, European regions have never been more interdependent and interconnected, as positive and negative spill-overs and externalities of developments in one place have impacts on other places, demanding a wider geographical perspective of policy decisions and an upscaling of governance to larger geographic levels. Cities are on the front line of migration flows, but are not immune to macro-trends that are pulling ever more investment and jobs into larger cities, creating “winners” and “losers”. The historic urban structure of Europe will, however, continue to be based on a polycen-

tric network of relatively small and medium-sized cities and towns compared with global megapolises. This diversity is recognised as a major potential advantage for achieving balanced regional development and a vital building block to ameliorate regional disparities.

However, this settlement legacy is also a double-edged sword, as, if the average age of the populations of these cities increases as a result of out-migration of the young and well-educated, they will face a vicious cycle of long-term decline and shrinkage, risking an increasing number of citizens being left behind and disenfranchised. To avoid this, a focus only on core cities or lagging regions in isolation will be insufficient. There is a need for a wider territorial perspective to reinforce urban networks of second-tier cities and smaller towns, in order to harness their significant potential to buttress territorial, economic and social cohesion beyond their immediate spatial extents, through greater urban-rural and regional cooperation.

As has been long advocated by ESPON, what is required in response to these trends is a strong and renewed focus on the centrality of a place-based approach to policymaking as a means to support local economic potential and endogenous development opportunities. Good governance and institutional capacity are recognised as fundamental prerequisites for effective policymaking (European Commission, 2017). A place-sensitive approach will therefore require greater recognition that the impacts of development policies frequently extend beyond administrative borders and that the daily patterns of human activities and the dynamics of economic development have expanded geographically over time. To overcome this incongruity, functional area governance can capture the true spatial extent of policy domains and enhance the efficacy of public policy interventions to deal with the long-term trajectories of migration patterns, calling for more coordination across administrative or political boundaries.

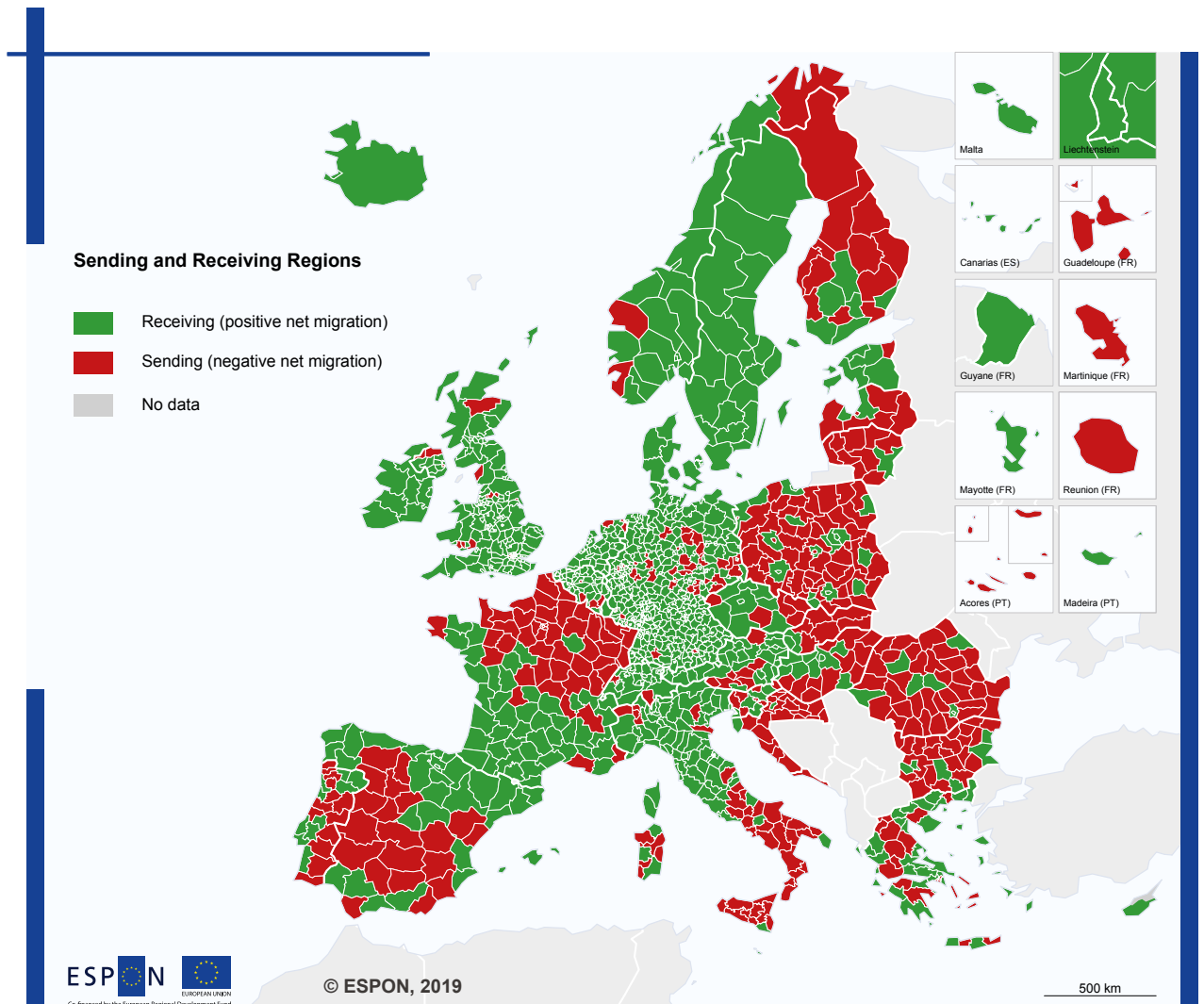
2. Current trends in European labour migration

Labour migration is becoming increasingly polarised

For the EU-28 as a whole, over the past two decades, there has been an overall positive net migration balance, with more immigrants entering than emigrants leaving. However, there are large regional and temporal variations. As illustrated in **Map 1**, in 2017 eastern and southern regions of Europe had an overall negative net migration rate. Indeed, between 2005 and 2015, almost two-thirds

of the EU-13 population lived in a region of population decline compared with only 22% in the EU-15 (European Commission, 2017). Metropolitan areas around major cities, however, have typically fared better, with characteristic rural-to-urban population movements as a consequence of an increasingly urbanised concentration in employment growth patterns, particularly of young, skilled and semi-skilled workers.

Map 1
In- and out-migration, 2017



Regional level: NUTS 3 (version 2016)
Source: ESPON EGTC, 2019
Origin of data: Eurostat, 2019
© UMS RIATE for administrative boundaries

Source: ESPON EGTC, based on the ESPON EMPLOY project's methodology

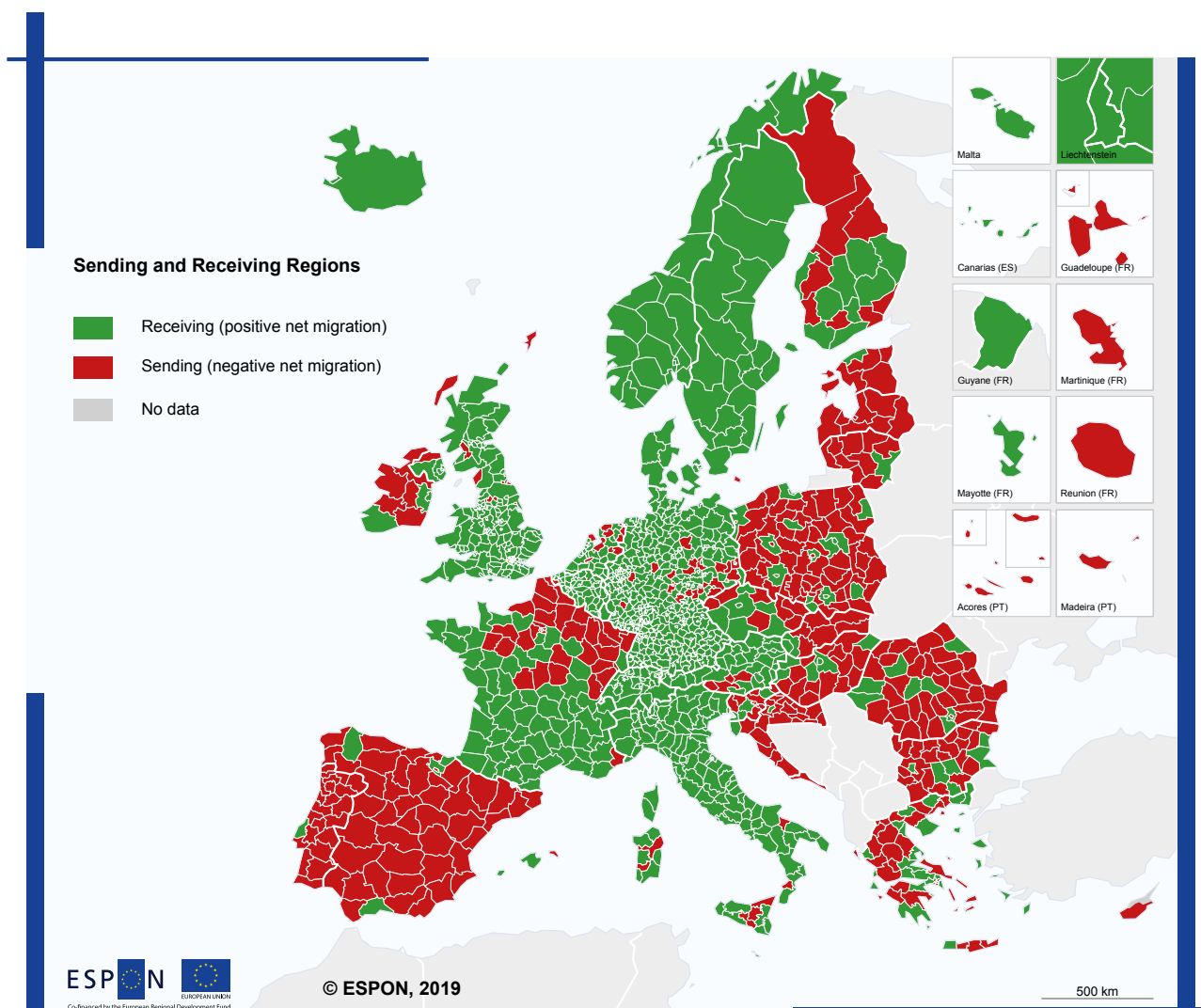
On the other hand, in EU-15 countries, such as Germany, the emergence of a distinctive “inner periphery” phenomenon can be clearly seen, while in northern France the decline of the old industrial heartlands illustrates the still pervasive impacts of national borders on migration trends. Across the EU, the highest regional employment rates for citizens of other EU Member States were recorded in the United Kingdom and the Nordic countries. This latter trend has, however, also been accompanied by rising socio-political opposition to the free movement of labour, most prominently in the context of Brexit. While the benefits of European labour migration are generally widely acknowledged, it is clear that migration can also challenge the degree of inclusiveness of cities, and significant problems can emerge at both ends of the spectrum,

requiring tailored policy responses in different territorial contexts (OECD, 2018).

Macro-trends are becoming locked in

When comparing the changes over time, it can be seen in **Map 2** that regional migration patterns in Europe are typically structurally persistent territorial phenomena. The main regions with a strongly negative demographic balance are in Spain, Italy and EU-13 countries, such as Poland, Romania and Bulgaria, and have poor economic and labour market conditions, with employment below the EU average, low per capita income, high old-age dependency rates and low fertility rates.

Map 2
In- and out-migration, 2012-2016



Regional level: NUTS 3 (version 2013)
Source: ESPON EGTC, 2019
Origin of data: Eurostat, 2019
© UMS RIATE for administrative boundaries

Source: ESPON EGTC, based on the ESPON EMPLOY project’s methodology

Only Ireland, northern Spain and western Portugal, which have all experienced post-crisis economic recovery, have noticeably reversed average net negative emigration in the immediate years following the economic crisis. This is despite the fact that southern and eastern European countries are the primary recipients and beneficiaries of EU cohesion policy funding. This suggests that cohesion policies based on compensatory measures and subsidising lagging regions are not adequately reducing territorial disparities and that more far-reaching territorial development policies that consider the overall uneven dynamics of economic growth will be required if the long-term trajectories of these persistent out-migration mega-trends are to be successfully addressed, which are often beyond the scope and capacity of national and sub-national policymakers to control (Dijkstra et al., 2018).

New inner peripheries are also emerging

The **ESPON PROFECY** project developed a pan-European methodology to determine which territories can be labelled as inner peripheries (IPs) – territories experiencing connectivity problems and low economic performance

in comparison with other territories. During the project, four types of inner peripheries were identified:

Inner peripheries typology:

- (i) **Inner peripheries type 1:** areas of high travel time to regional centres;
- (ii) **Inner peripheries type 2:** areas of low economic potential;
- (iii) **Inner peripheries type 3:** areas of poor access to services of general interest;
- (iv) **Inner peripheries type 4:** depleting areas with low levels of economic and demographic performance.

In general, IPs with poor accessibility tend to overlap with intermediate, rural and mountain areas. In addition, IPs identified as depleting areas (where the main driver is a poor socio-economic situation) also overlap significantly with urban and metropolitan areas, which implies that processes of peripheralisation could affect “enclaves” in these territories too. Analysis shows that a lot of type 4 inner peripheries are located in metropolitan regions (43%). Urban regions (which are determined based on the population density) show considerably lower numbers of type 4 and other types of inner peripheries.

Table 1
Overlap between inner peripheries and EU regional typologies (%)

	INNER PERIPHERIES			
	TYPE 1 High travel time to regional centres	TYPE 2 Areas of low economic potential	TYPE 3 Areas of poor access to services of general interest	TYPE 4 Depleting areas with low levels of economic and demographic performance
Urban regions	9.60	18.80	10.80	32.20
Intermediate regions	48.60	40.00	44.10	34.10
Rural regions	41.80	41.20	45.20	33.70
Mountain regions	49.50	38.20	53.80	24.40
Island regions	0.00	1.20	1.10	2.60
Metropolitan regions	24.00	23.00	20.40	43.00

Note: Typologies overlap with each other, so percentages do not add up to 100.

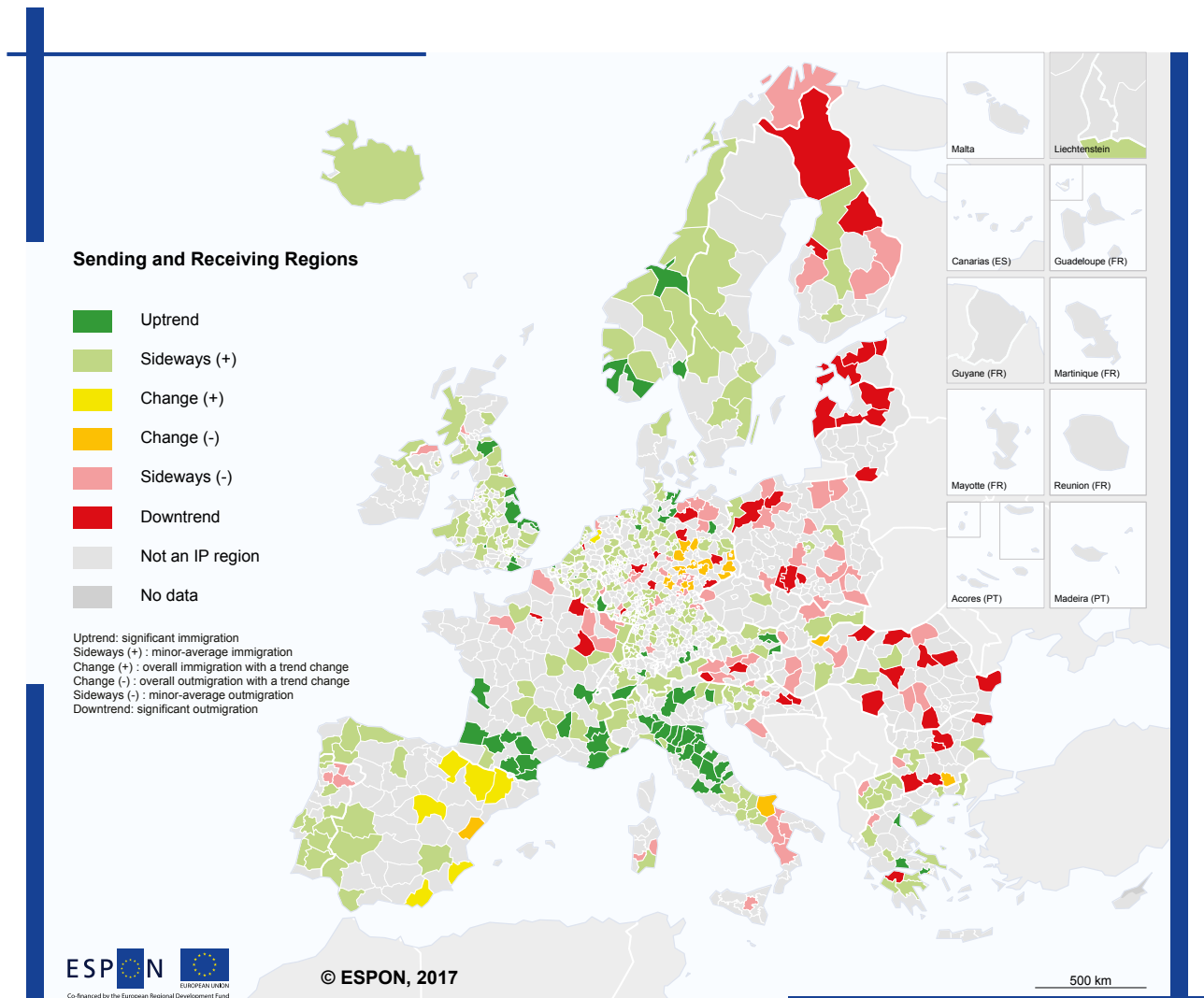
Source: ESPON PROFECY project (2018)

Peripheralisation can be one of the factors that provoke labour migration in “sending regions”. Analysis shows that this relationship does not hold for all inner peripheries. Nevertheless, clear regional trends can be observed.

As can be seen from **Map 3**, inner peripheries with clear uptrend dynamics (positive net migration) are concentrated in only a few parts of Europe. These groups mainly comprise regions in northern Italy and southern France although other territories with similar features are located,

for example, in the United Kingdom, in Norway and in some parts of Germany, Greece, Austria and Switzerland. In addition to some examples from north-eastern France, Germany, Finland, and Carinthia and Styria in Austria, negative migration tendencies mostly affect eastern central European countries: the Baltic states, Poland, Romania, Croatia and Bulgaria, and, to a lesser extent, Hungary. In these “sending” countries there is a high likelihood that peripheralisation contributes to out-migration.

Map 3
Net migration in inner peripheries of Europe, 2000-2015



Source: ESPON PROFECY project 2017

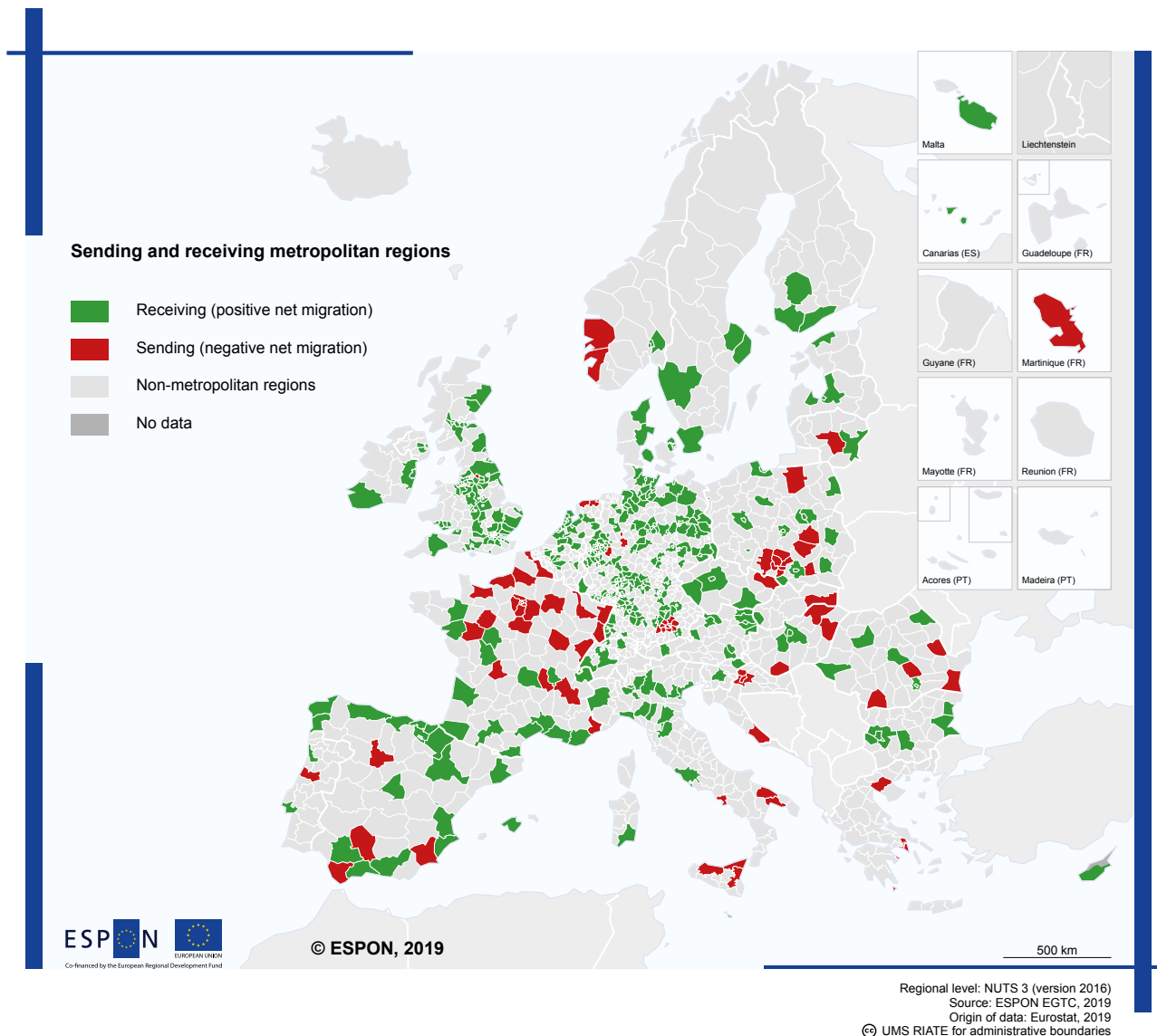
Regional level: NUTS 3 (version 2013)
 Source: ESPON PROFECY, 2017
 Origin of data: Eurostat, 2017
 © UMS RIATE for administrative boundaries

Labour migration is becoming a metropolitan phenomenon

The Organisation for Economic Co-operation and Development (OECD) analysis of the receiving regions indicates that migrants are more likely to be employed in metropolitan regions than in other types of regions, but their gap in employment rates relative to the native-born population is higher in such regions. Moreover, highly educated migrants tend to concentrate in the regions where the highly educated natives concentrate. At the same time non-EU migrants tend to concentrate mostly in capital cities (Diaz Ramirez, et al., 2018).

Map 4 illustrates that metropolitan regions (approximations of functional urban areas and consisting of one or more NUTS 3 regions) in most cases overlap with “sending” and “receiving” regions displayed in Map 1. According to Eurostat, during the period 2009-14, the fastest outward flows of migrants tended to be recorded in some of the metropolitan regions that were most affected by the financial and economic crisis. Net migration was generally the main driver of change among the 15 metropolitan regions with the highest rates of overall population change (European Commission, 2016).

Map 4
In- and out-migration in metropolitan regions, 2017



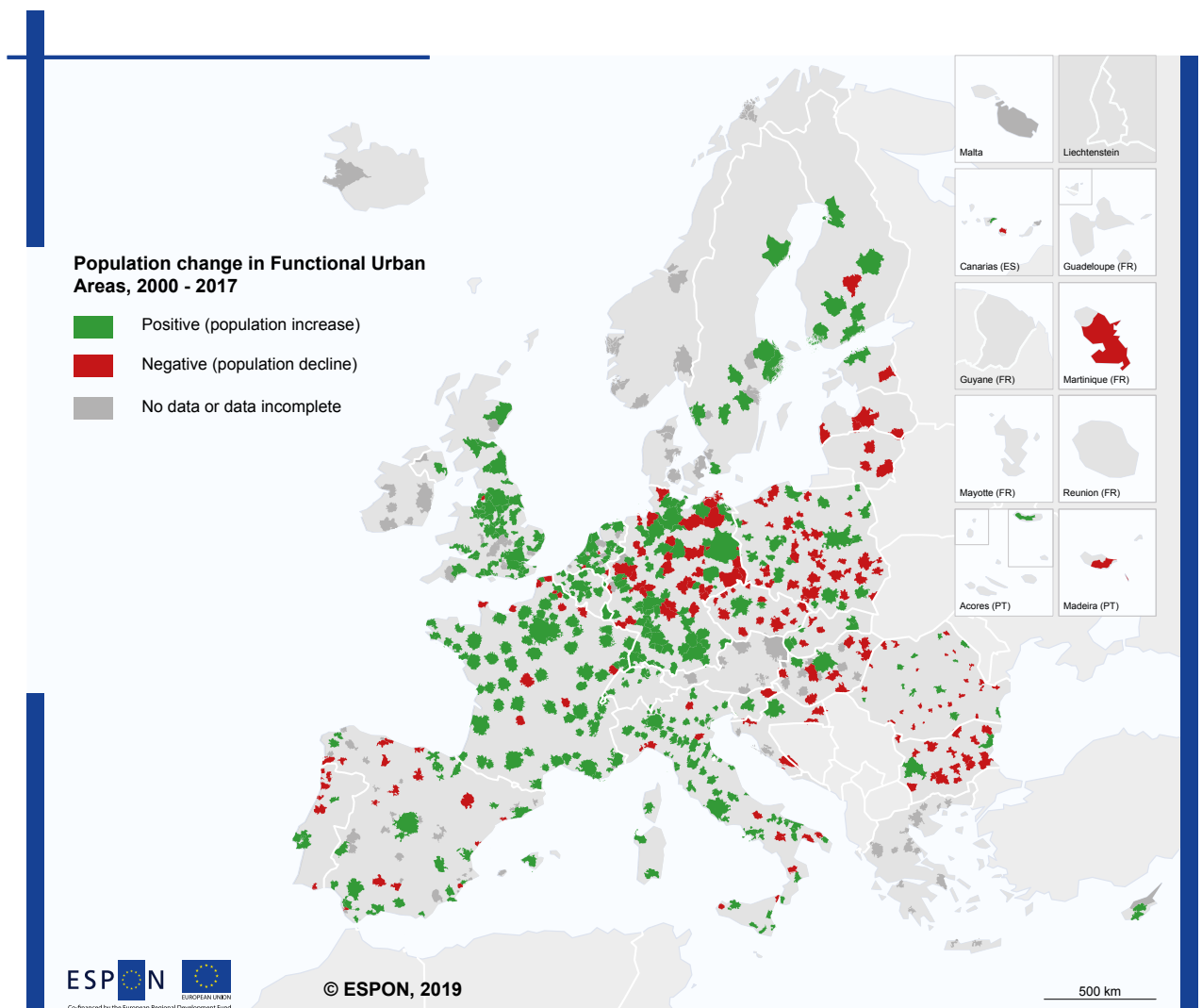
Source: ESPON EGTC, based on EUROSTAT data

Shrinking cities and labour migration

In recent years, the concept of “shrinking cities” has gained a lot of attention in academic literature. Despite socio-economic decline being more commonly associated with lagging and isolated rural regions, a study by Wolff and Wiechmann (2018) found that urban shrinkage is not a rare occurrence. One out of every five cities in Europe has faced population losses since 1990. Suburbanisation within their sphere of influence and the shifting spatial morphology of cities are significant drivers of shrinkage. **Map 5** illustrates population change in cities (on functional urban area scale), showing that shrinking cities are especially pronounced in the EU-13 Member States of eastern Europe which is partly due to labour migration.

Urban shrinkage, however, is a non-linear, varied process of continuous, episodic or temporary shrinking, depending on the territorial context. These categories point to the fact that, for some cities, population loss can be a structurally persistent problem, while some cities may be more vulnerable to shrinking at different points in time, for instance during economic recession. However, for many cities, shrinkage may not coincide with an overall economic decline, as people moving to the suburbs often keep their jobs in the city. This points to the important role of hinterlands in cities’ trajectories, which has been a significant feature for some considerable time but is not captured by municipal borders set in the 19th or 20th century.

Map 5
Population change in functional urban areas, 2010 – 2017



Source: ESPON EGTC, based on Eurostat data

3.

Policy options to reverse emigration and attract labour force

Building knowledge economy

It is self-evident that there is a strong correlation between gross domestic product per capita, employment opportunities and regional migration patterns. Analysis of unemployment rates in Europe shows a very strong relationship with “sending” regions for migrants, and the inverse is also true for high-employment locations.

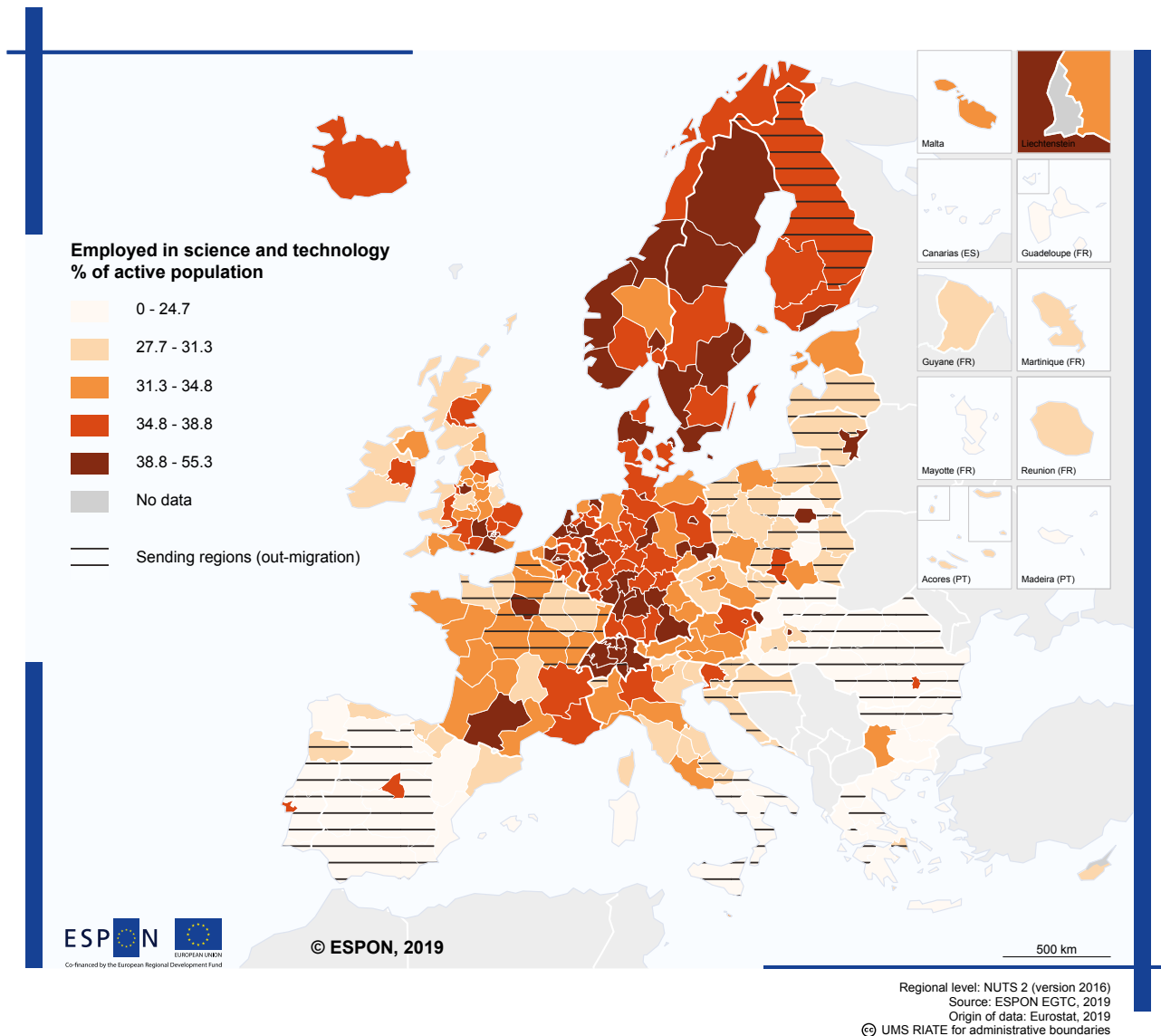
However, the knowledge economy has been typically identified in the literature as a key factor for the migration patterns and the new employment dynamics in Europe. The analysis in the ESPON EMPLOY project showed that, in the period after the global economic crisis in 2008, the presence of the knowledge economy had a high explanatory power in understanding current regional migration patterns in Europe. The presence of the knowledge economy is typically measured by the following indicators:

- (i) population with tertiary educational attainment level;
- (ii) research and development (R&D) expenditure and personnel working in R&D sectors;
- (iii) human resources in science and technology;
- (iv) patenting activity.

Map 6 shows that there is a relationship between the presence of the knowledge economy (using the proxy measure of the employment in science and technology) and migration patterns. Negative net migration can be observed in regions with lower levels of employment in science and technology, which means that skilled people are migrating to regions with a developed knowledge economy, as their human capital could be offered more satisfactory returns in terms of salary, etc.

Map 6

Relationship between knowledge economy and out-migration, 2017

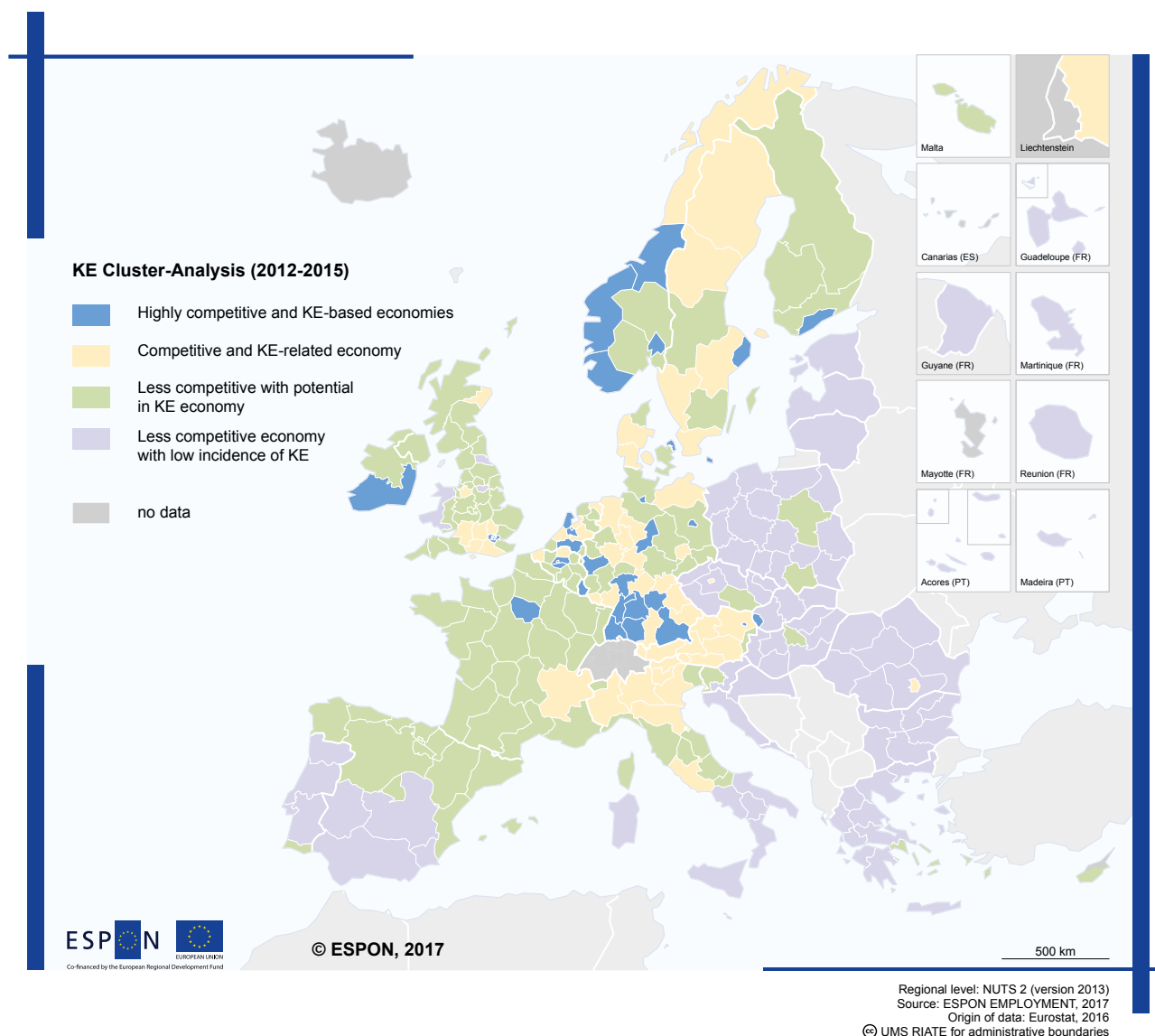


Source: ESPON EGTC, based on the ESPON EMPLOY project's methodology

The knowledge economy is one of the most dynamic sectors of the European economy. Different policies and strategies, such as regional smart specialisation strategies, aim to enhance the knowledge economy in European regions. Some of the key aspects for stimulating the development of a competitive knowledge economy (see **Map 7** for different types in Europe) are as follows:

- The knowledge economy covers a sector of the labour market where developments come with particular territorial implications. The knowledge economy demands specialised and highly skilled labour, for example in ICT and engineering. The knowledge economy stands out from other sectors with its capacity to create (and necessitate) highly skilled high-wage jobs, and to produce spill-over effects for the creation of jobs in related sectors, fostering a demand for worker “upskilling”.
- A competitive knowledge economy relies on technological developments as well as on knowledge flows. Knowledge flows can be “codified knowledge” that is freely accessible to all, e.g. through academic publications. Knowledge flows can also be “tacit”, i.e. knowledge that is embedded in routines, experience and other less accessible sources.
- A knowledge economy relies on sufficient social and human capital and interactions to flourish. Knowledge economies are thus partly defined by their capacity to cooperate territorially. Cooperation rather than competition may also help to identify new technologies and emerging markets and so find a unique selling point or smart specialisation relevant to the region.

Map 7 Types of competitive knowledge economies



Note: KE, knowledge economy.
Source: ESPON EMPLOY project (2017)

Improving attractiveness of regions

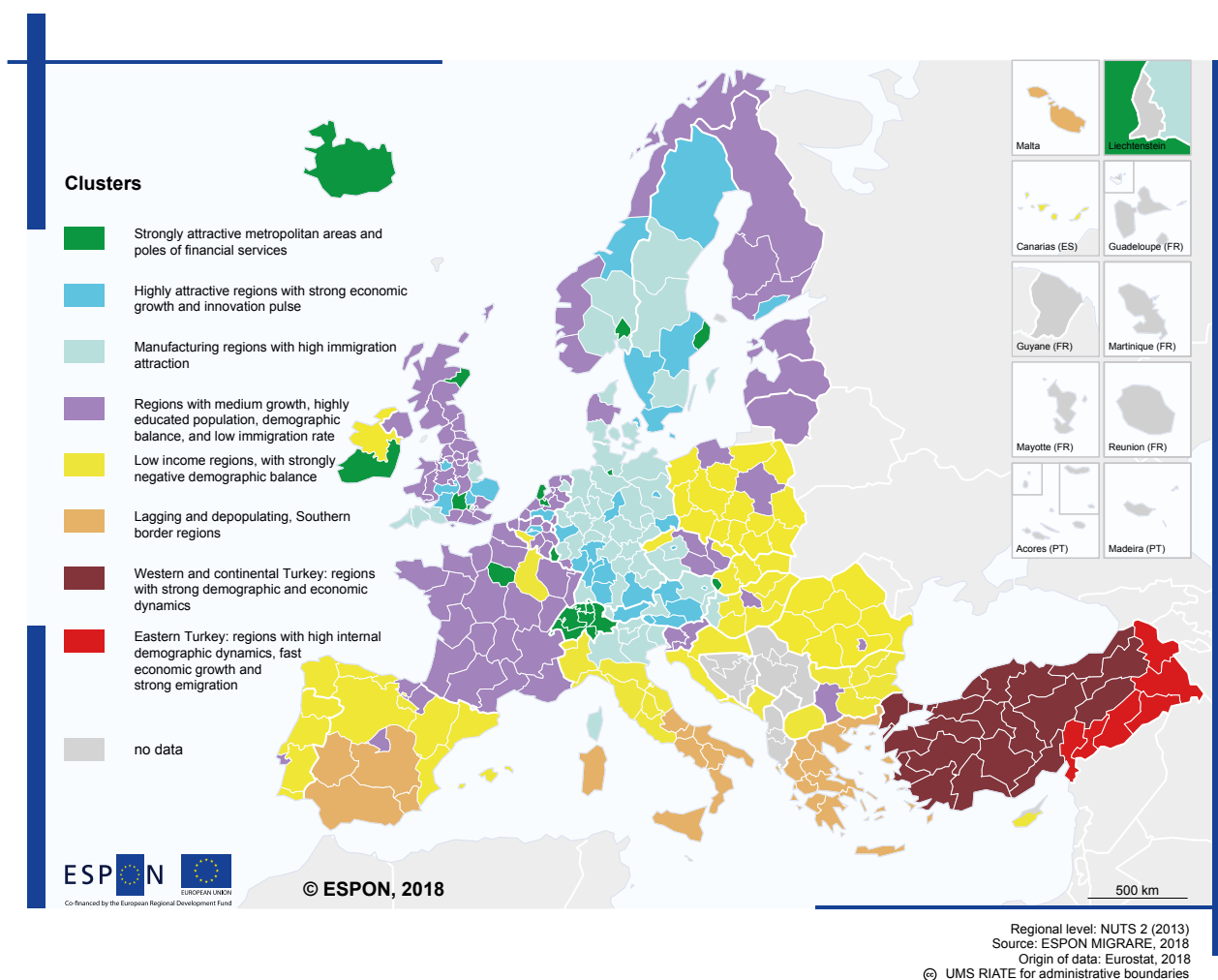
The **ESPON EMPLOY** project examined various best practices in and approaches to reversing labour force migration and attracting new skilled migrants. This issue was also analysed during the Lithuanian Presidency (European Urban Knowledge Network, 2013). Such strategies typically include:

- internationalisation of education, for example the development of study programmes in foreign languages and of joint study programmes in cooperation with foreign universities;
- measures for attracting highly skilled workers from surrounding areas, other regions or other countries;

- measures for the recognition of foreign qualifications and employment services to simplify access to the labour market for new arrivals.

The **ESPON MIGRARE** project developed several regional typologies with the aim of describing the main characteristics of regions and cities in terms of being able to attract immigrants. Attractiveness is influenced by economic, demographic and social conditions, including quality of government, public services, inclusion policies and the local political and social climate. **Map 8** shows that eastern and southern Europe still lags significantly behind in attractiveness for immigration, highlighting the need for increased effort in rolling out and embedding territorial policies to reverse emigration and attract/integrate migrants and human capital.

Map 8 Attractiveness of regions in the context of migration



Source: ESPON MIGRARE project (2018)

The **ESPON ATTREG** project (ESPON 2013 programme) looked into migration patterns and different forms of territorial capital as potential determinants of attractiveness, providing different policy options. It concluded that strategies dedicated to the reinforcement of quality of life can have long-term benefits, in particular by encouraging returning processes whereby those who have left for a more “attractive” region eventually migrate back and contribute to development with skills, knowledge and resources acquired elsewhere. The key issue is to establish cooperative relationships between origin and destination regions to better manage migration and ensure the achievement of “win-win” situations. There is a need for the recognition of the significance of territorial capital associated with the development of an explicit “mobilisation strategy”. This requires cities and regions to assess their position in terms of endowments, identifying positive and negative factors, and then develop policies to bring about change.

Developing diaspora strategies

There are many different ways in which expatriate populations can contribute to their country of origin, for example through providing economic support either through remittances or direct investments or diaspora tourism. Emigrant populations can also contribute to the creation of knowledge networks and providing support for human capital investments through sharing skills; social investments in charitable organisations or public goods that can support local populations; and advocacy and diplomacy. The recognition of this potential contribution has led many countries with significant out-migration trends to develop specific multinational diaspora strategies aimed at facilitating the contribution of high skilled expatriates to their country/region of origin, without necessarily resulting in return immigration. Table 2 provides a summary overview on sending country policies for diaspora strategies.

Table 2
Main dimensions of diaspora strategies

CATEGORY	DIMENSIONS
Economic domain	Facilitating transfer of remittances through discounts on bank transfers
	Investment policies, e.g. special government bonds for diaspora investors
	Tax exemptions and fiscal advantages to attract expat investment
	National, regional and local government programmes to match funding provided by emigrants for development-oriented projects in their home towns
	Property rights allowing emigrants and expatriates to buy land that is otherwise not available to non-residents. Easing of taxation on property for non-resident citizens
	Encouraging business and scientific networks
Political domain: extending political rights	Dual citizenship policies
	External voting rights
	Setting up platforms for consultative dialogue, such as councils of emigrants
Political domain: influencing political activities abroad	Encouraging lobbying for country of origin interests in country of residence
Social domain	Welfare provisions, extending social security (pension, access to healthcare during holidays) to emigrants
	Bilateral agreements on social rights with countries of residence
Religious and cultural domain	Sponsoring religious institutions or personnel abroad
	Funding cultural centres abroad
	Government-sponsored schools abroad
	Broadcasting of national media abroad
Other policies of recognition	Including diaspora in national calendar of celebrations
	Diaspora conferences
	Honouring expats with awards

Source: Østergaard-Nielsen (2016)



CASE STUDY

Italy – the “brain gain” fiscal provision

This initiative has been promoted by the Ministry of Economy and Finance, with the publication of a law that established a special regime for the return of workers abroad. The “brain gain” fiscal provision establishes a favourable tax regime for workers with executive functions or with high-level professionalism or specialisation skills; for EU citizens with a university degree who have worked abroad for 2 years or more; or for EU citizens which have studied abroad achieving a university degree or a postgraduate degree.

At a complementary regional scale, Abruzzo has implemented the national programme “Garanzia Giovani” (Youth Guarantee) aimed at addressing the severe level of youth unemployment and of young people not in employment, education or training (NEETs) in the region. The programme includes actions for education, training and counselling services; it also entails employment bonuses for inter-regional and transnational mobility. Since 2014, 39 973 people have been involved in the programme at regional level, of whom 10 523 were NEETs. Of 4 415 NEETs who have received traineeships/internships, 43.6% subsequently secured employment. In addition to this, a programme provides incentives to companies for hiring high-skilled workers (the European Regional Development Fund 2014-20 including measures for recruiting PhDs) in a region characterised by high levels of both tertiary education and youth unemployment.

Source: ESPON EMPLOY project (2017)



CASE STUDY:

Romania – diaspora start-up programme

The investment potential of the Romanian diaspora has recently entered the public policy agenda of Romanian authorities. Within the 2014-2020 human resources programme, a specific measure was dedicated to attracting investments from emigrant Romanian entrepreneurs: the diaspora start-up programme. Launched in 2016 and managed by the Romanian Ministry of External Affairs, the programme aims to incentivise Romanian entrepreneurs abroad to invest in Romania. The programme targets all Romanian regions, except for Bucharest-Ilfov, and receives EUR 30 million from the 2014-2020 European Structural Funds programme. It finances the creation of innovative and non-agricultural enterprises in urban areas of Romania and specifically targets Romanian people who emigrated abroad for at least 1 year in the last 3 years and have previous entrepreneurship experience abroad, specific work experience and professional training in the area of investment.

Thirty-two projects amounting to over RON 76 million (c. EUR 16 million) have been approved within the diaspora start-up programme. Most of the selected projects target Romanian emigrants in Italy, Greece and Spain, and the feedback received suggests that there is a high demand among Romanian emigrants for support to open businesses in Romania.

Source: ESPON EMPLOY project (2017)

Promoting a functional approach in planning and governance

With more than two thirds of Europeans living in cities, metropolitan areas will continue to be key drivers that shape their surrounding regions. There is a growing consensus that various challenges, including migration, cannot be adequately addressed by a single territory (municipality, county, province, region or country) but instead must be tackled through enhanced cooperative governance and alliances between places, sectors and societal groups at a city-regional scale. As discussed by the OECD: “city productivity increases with city size, but cities with fragmented governance structures tend to have lower levels of productivity. This effect is mitigated by the existence of a metropolitan governance body” (Ahrend et al., 2017).

Currently, administrative jurisdictions across Europe do not neatly correspond to functional geographies, leading to a splintering of public policies and a mismatch between political geographies and the geographies of the networks of interrelations between people and businesses, from local to global scales. A functional approach to urban governance avoids this distortion and implies a greater emphasis on political institutions attached to territories with “soft” borders, or no borders, delineated according to a given policy field, and overlapping with other functional areas and at different scales. For example, policies such as environmental protection, economic development or promoting social cohesion are better implemented jointly by several municipalities at larger scales to allow them to internalise the costs and benefits and to take advantage of economies of scale (European Commission and UN-Habitat, 2017).

To obtain a better understanding of the functional geography dimension, various approaches have been developed to identifying functional regions. Although there is no unanimously accepted definition of the concept of functional areas, the most advanced current understanding in terms of methodology, analysis and a pan-European application concerns functional urban areas (cities plus their commuting zones) and “metropolitan regions”, which are approximations of functional urban areas at the NUTS 3 regional scale. The **ESPON FUORE project** is developing a web tool for illustrating and benchmarking functional urban areas and other functional regions that have been identified at the European level.

ESPON has always been a strong advocate of functional approach in planning. This approach allows development processes to be captured and steered at geographical scales that are not bound by administrative borders but reflect the realities of increasing interconnections among places based on mobility of people, goods and services. The functional approach requires a stronger cooperation among places and, in turn, stimulates their development perspectives at least in two ways:

- allowing them to increase the resource base that is needed to serve people’s well-being needs;
- ensuring the efficiency of investment through their coordinated use and avoiding wasteful/overlapping investment.

Therefore, the functional approach in planning, governance and investment policies helps to promote the development potential of places, including coping with and adapting to the outward labour mobility and brain drain, through more efficient, multi-level governance that responds to development challenges in a more holistic and inclusive way. Most recently (March 2019) this principle was once again emphasised by the OECD in the *OECD Principles on Urban Policy*.

4. An enhanced functional approach to governance and cooperation: policy recommendations

The policy brief has identified several policy options to reverse emigration and attract labour force. Functional approaches can be identified as a connecting element to bridge them when it comes to policy recommendations. The following are the policy recommendations for each option.

Building knowledge economy

According to ESPON research, there are five potential strategies that could be deployed to stimulate knowledge economy drivers based on territorial assets:

- Provision of monetary or non-monetary incentives, such as fiscal deductions, grants, services or other incentives, to attract (high-skilled) workers, companies or research centres. Incentives often support the promotion of clusters of universities and companies. The regular and close interaction promoted under the clustering scheme is expected to improve cooperation among actors that were not cooperating before.
- Developing an “oasis strategy” strategy, which focuses only on the most successful, vibrant and growing sector of the region. The sector’s stakeholders are incentivised to work together to achieve the common goals of fostering innovation and promoting economic development.
- Development strategies that can be oriented towards “building a magnet”, i.e. attracting highly skilled workers by exploiting some unique resources of the territory.
- Building knowledge economy opportunities through urban development by providing a physical environment that facilitates cooperation between science and industry and the perception of opportunities for young professionals to work in innovative businesses in regenerated and/or newly developed areas.
- Regional branding through use of slogans and hash-tags.

Overall knowledge economy strategies will benefit from fostering vertical and horizontal cooperation among stakeholders (especially universities and small and medium-sized enterprises), as well as territories, through financial incentives, technical assistance, networking or the creation of formal structures (such as the “innovation poles” in Abruzzo region, Italy) supporting interactions among different actors.

Improving attractiveness of regions

In terms of more general attractiveness of regions, there is a need for development of an explicit “mobilisation strategy”. This requires cities and regions to assess their position in terms of endowments, identifying positive and negative factors, and then develop policies to bring about change. Two main recommendations can be highlighted:

- Strengthen the role of public authorities and their capacity to strategically instigate and direct the mobilisation processes. This requires a governance system that can identify the existing strengths and weakness of an area’s territorial capital and develop an appropriate strategy to enhance/develop the different forms of territorial capital through a mobilisation strategy. This also requires the involvement of relevant stakeholders/actors to coordinate the actions of different levels of governance.
- Develop capacities of stakeholders to mobilise assets in a multi-level governance framework. It is unlikely that regions and cities will possess all the resources/powers necessary to realise a mobilisation strategy, so they will require the capacity to access and connect resources available at the national and EU levels.

Developing diaspora strategies

In the context of globalisation, as regions become more interconnected, a functional approach can also be applied for territories that are not spatially contiguous but are linked at a pan-European scale. The following recommendations can be highlighted:

- Adopt explicit “diaspora strategies” to develop mutually beneficial strategic partnerships between countries which encourage return migration and incentivising non-returning migrants to invest in the development of the region in their country of origin through economic support (e.g. with remittances, direct investments, diaspora tourism), supporting the creation of knowledge networks and human capital investments, as well as supporting social investments.
- Strategies dedicated to the reinforcement of quality of life can have long-term benefits, in particular by encouraging returning processes whereby those who have left for a more “attractive” region eventually migrate back and contribute to development with skills, knowledge and resources acquired elsewhere. The key

issue is to establish cooperative relationships between origin and destination regions to better manage migration and ensure the achievement of “win-win” situations.

Implementing a functional approach in urban governance

There is no one-size-fits-all functional approach to urban governance. It involves a process of dialogue that involves actors from different territories, levels and sectors. However, there are many political, institutional, cultural barriers and obstacles to cooperative territorial governance, which will require sustained action at different political levels to overcome in the short and longer terms. The ESPON policy brief *Governance, Planning and Financial Tools in Support of Polycentric Development* provides a number of concrete recommendations showcasing the ways to realise a functional approach and cooperation in practice among different administrative levels and time-scales, as follows:

Through policy and legislation

- Intensify policy coordination at the EU level on the issues related to functional cooperation areas at different scales and different interpretative geographies (e.g. transnational macro-regions, metropolitan areas, cross-border areas, transnational areas, city networks, rural-urban linkages) and how these can be addressed by the EU programmes. Such cooperation could be incentivised in the short to medium term through greater Cohesion Policy incentives.

- At national level, establish an overarching policy framework and guidance to enhance the involvement of regional and local authorities in long-term cooperative governance and planning initiatives at various functional scales.

Through funding

- At EU level, improve the vertical coordination of different funding sources in the governance of post-2020 Cohesion Policy and programmes to guarantee more coherence of the agendas at different governance and planning levels in the short to medium term.
- At national level, allocate financial incentives to support networking, cooperation and linkages among municipalities to promote longer-term cooperation.

Through capacity building, territorial evidence and knowledge sharing

- At EU level, address more robustly the under-researched phenomenon of territorial networking and cooperation and spatial planning; in particular, the impact of sectoral EU legislation and funding instruments in shaping territorial governance and spatial planning at regional, metropolitan and local levels.
- At national level, help the dissemination of good practices and knowledge sharing on the use and benefits of collaborative governance and planning tools to support polycentric development.

References

- Ahrend, R., Emily Farchy, Ioannis Kaplanis and Alexander Lembcke. 2017. "What Makes Cities More Productive? Agglomeration economies and the role of urban governance: Evidence from 5 OECD Countries." OECD Productivity Working Papers, No. 6. Paris: OECD Publishing. <https://doi.org/10.1787/2ce4b893-en>.
- Rodríguez-Pose, Andrés, 2018. "The Revenge of the Places that Don't Matter (and What to Do about It)." *Cambridge Journal of Regions, Economy and Society*, 11(1): 189-209. <https://doi.org/10.1093/cjres/rsx024>.
- Diaz Ramirez, M., Thomas Liebig, Cécile Thoreau and Paolo Veneri. 2018. "The Integration of Migrants in OECD Regions: A First Assessment." OECD Regional Development Working Papers, No. 2018/01. Paris: OECD Publishing. <https://doi.org/10.1787/fb089d9a-en>.
- Dijkstra, L., Hugo Poelman and Andrés Rodríguez-Pose. 2018. *The Geography of EU Discontent*. DG REGIO Working Paper No. 12/2018. https://ec.europa.eu/regional_policy/en/information/publications/working-papers/2018/the-geography-of-eu-discontent.
- ESPN. 2018. *Governance, Planning and Financial Tools in Support of Polycentric Development*. <https://www.espon.eu/polycentric>.
- ESPN ATTREG. 2012. *Attractiveness of European Regions and Cities for Residents and Visitors*. <https://www.espon.eu/programme/projects/espon-2013/applied-research/attreg-attractiveness-european-regions-and-cities>.
- ESPN EMPLOY. 2017. *Geography of New Employment Dynamics in Europe*. <https://www.espon.eu/employment>.
- ESPN FUORE. 2019. *Functional Urban Areas and Regions in Europe*. <https://www.espon.eu/functional-urban-areas-tool>.
- ESPN PROFECY. 2017. *Inner Peripheries: National Territories Facing Challenges of Access to Basic Services of General Interest*. <https://www.espon.eu/inner-peripheries>.
- ESPN MIGRARE. 2018. *Impacts of Refugee Flows to Territorial Development in Europe*. <https://www.espon.eu/refugee>.
- European Commission. 2014. *Investment for Jobs and Growth: Promoting Development and Good Governance in EU Regions and Cities. Sixth Report on Economic, Social and Territorial Cohesion*. Luxembourg: Publications Office of the European Union. <https://doi.org/10.2776/81072>.
- European Commission. 2016. *Urban Europe: Statistics on Cities, Towns and Suburbs*. Luxembourg: Publications Office of the European Union. <https://doi.org/10.2785/91120>.
- European Commission. 2017. *My Region, My Europe, Our Future: Seventh Report on Economic, Social and Territorial Cohesion*. Luxembourg: Publications Office of the European Union. <https://doi.org/10.2776/176864>.
- European Commission and UN-Habitat. 2017. *The State of European Cities 2016: Cities Leading the Way to a Better Future*. Luxembourg: Publications Office of the European Union. <https://doi.org/10.2776/532542>.
- European Urban Knowledge Network. 2013. *Internal Mobility in the EU and Its Impact on Urban Regions in Sending and Receiving Countries*. <https://www.eukn.eu/publications/internal-mobility-in-the-eu-and-its-impact-on-urban-regions/>.
- Eurostat. 2019. *Methodological Manual on Territorial Typologies*. <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-18-008>.
- OECD. 2018. *Divided Cities: Understanding Intra-urban Inequalities*. Paris: OECD Publishing. <https://doi.org/10.1787/9789264300385-en>.
- OECD. 2019. *OECD Principles on Urban Policy*. <https://www.oecd.org/cfe/urban-principles.htm>.
- Østergaard-Nielsen, E. 2016. "Sending Country Policies." In B. Garcés-Masareñas and R. Penninx (Eds.), *Integration Processes and Policies in Europe: Contexts, Levels and Actors*, pp. 147-165. https://doi.org/10.1007/978-3-319-21674-4_9.
- Wolff, M., and T. Wiechmann. 2018. "Urban Growth and Decline: Europe's Shrinking Cities in a Comparative Perspective 1990-2010." *European Urban and Regional Studies*, 25(2) 122-139. <https://doi.org/10.1177/0969776417694680>.



ESPON 2020

ESPON EGTC
4 rue Erasme, L-1468 Luxembourg
Grand Duchy of Luxembourg
Phone: +352 20 600 280
Email: info@espon.eu
www.espon.eu

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

Disclaimer:

The content of this publication does not necessarily reflect the opinion of the ESPON 2020 Monitoring Committee.

ISBN: 978-99959-55-79-3

Policy Brief

Addressing labour migration challenges in Europe

© ESPON 2019

Reproduction is authorised provided that the source is acknowledged and a copy is sent to the ESPON EGTC

Editorial team:

Zintis Hermansons, Gavin Daly, Martin Gauk
and Ilona Raugze, ESPON EGTC

Published in June 2019

