

**SECOND TIER CITY REGIONS IN EUROPE:  
WHAT POLICY MESSAGES FROM & FOR EUROPE?**

**Professor Michael Parkinson CBE**  
**Adviser Vice Chancellor University of Liverpool**  
**ESPON Conference**  
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# Second Tier Cities in Europe:

## In An Age of Austerity Why Invest Beyond the Capitals?



- European Institute for Urban Affairs, Liverpool John Moores University
- Metropolitan Research Institute, Budapest
- University of Tampere
- University of Paris Est
- University College London



# Answer 4 questions

1. What did we do about second tier city regions?
2. How did we do it?
3. What messages about urban performance?
4. What messages about urban policy?



# 1. What Did We Do Second Tier Cities?

## Answers to:

- What contribution capital & second tier cities national, EU economic 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 Second Tier Cities?

## 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 national policy for second tiers - greater targeting, increased capacity, more powers & resources, fewer constraints?

# 1. What Did We Do Second Tier Cities?

## 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

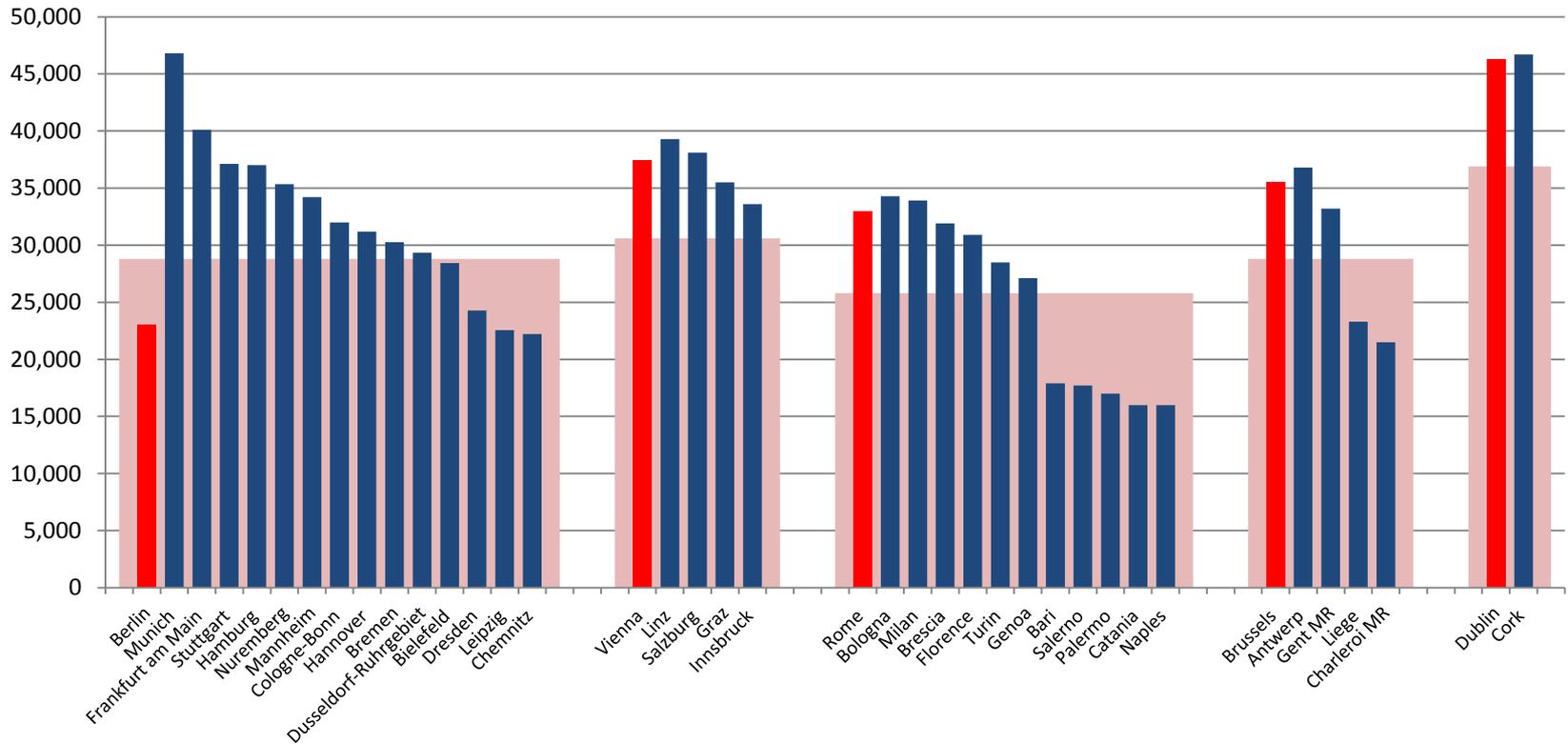
## 3. What Messages Urban Performance?

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

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

GDP per capita PPS, 2007

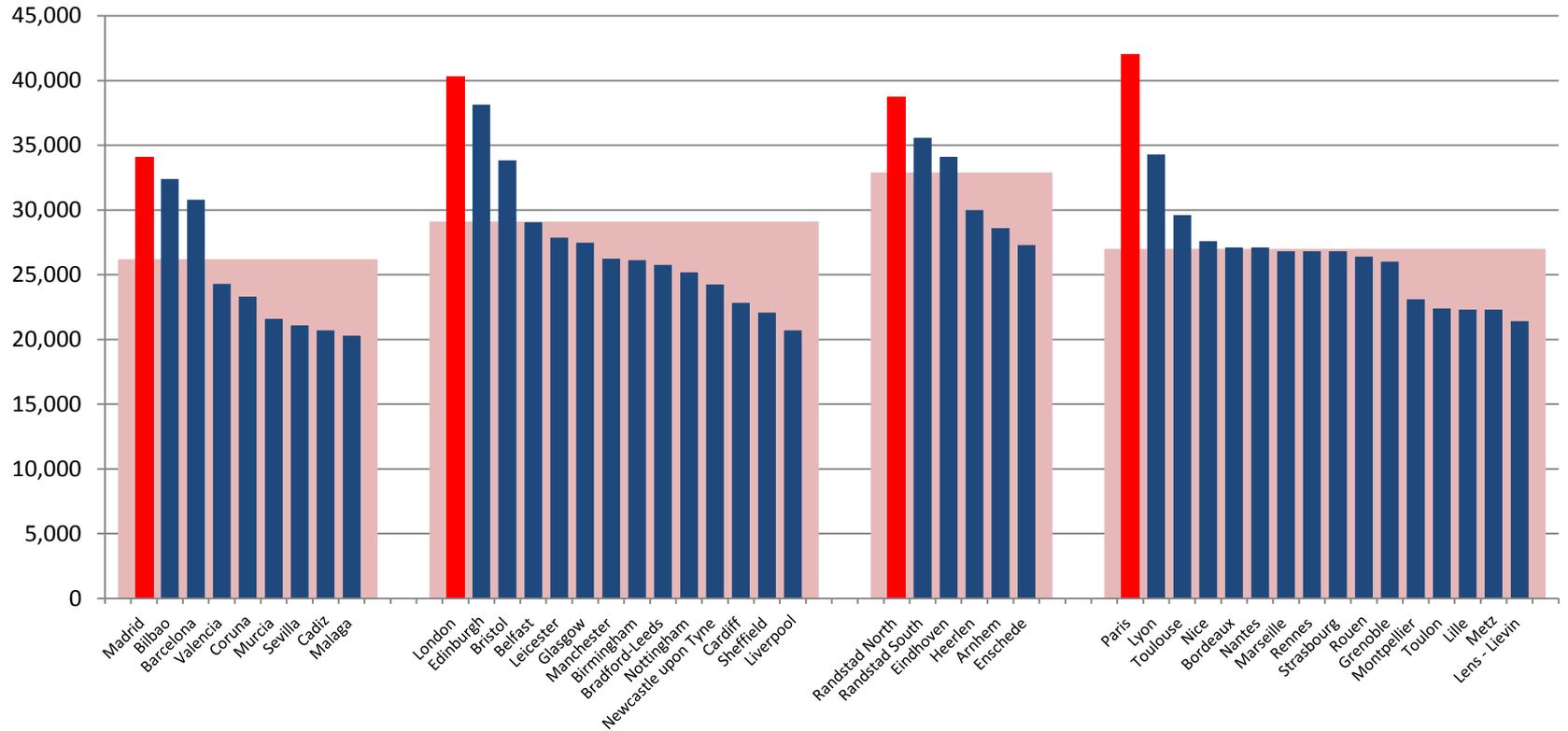
■ National ■ Secondary City



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

GDP per capita PPS, 2007

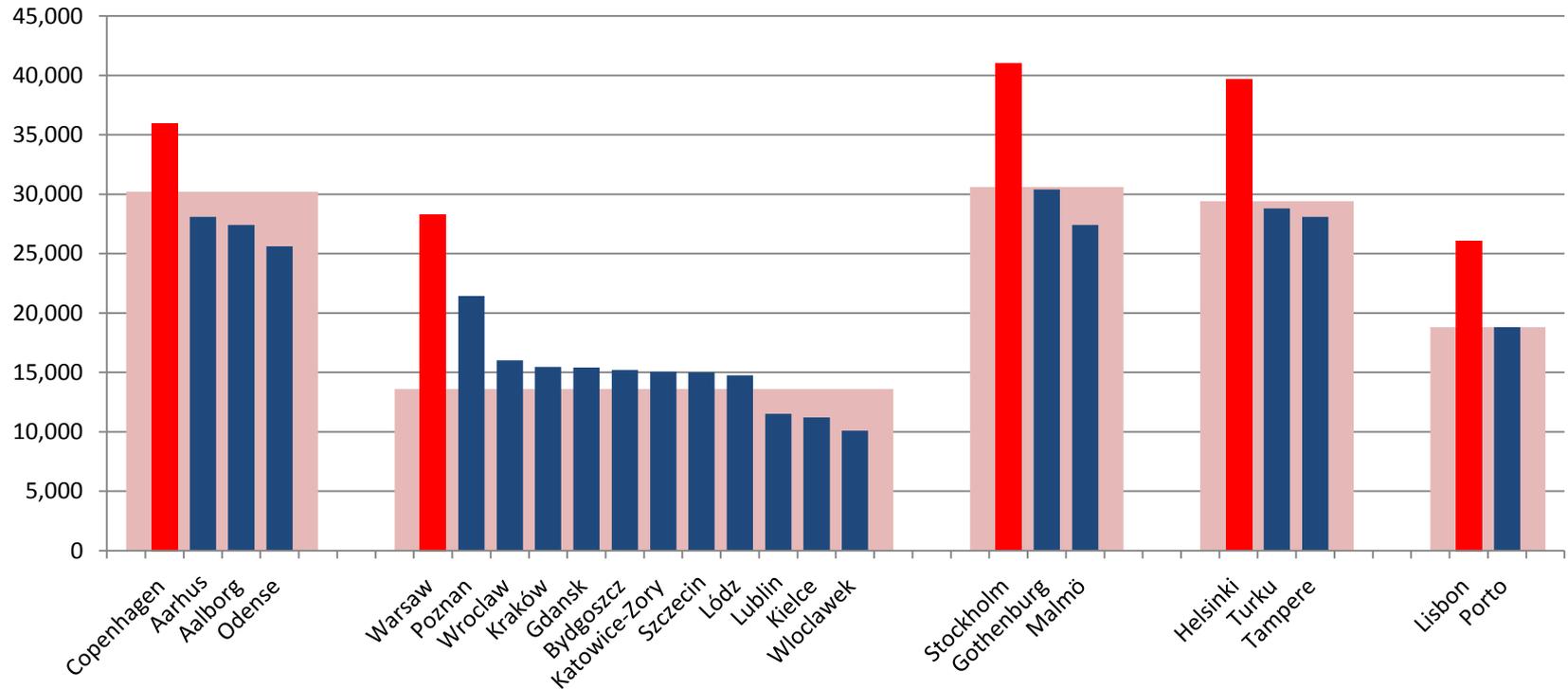
■ National ■ Secondary City



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

GDP per capita PPS, 2007

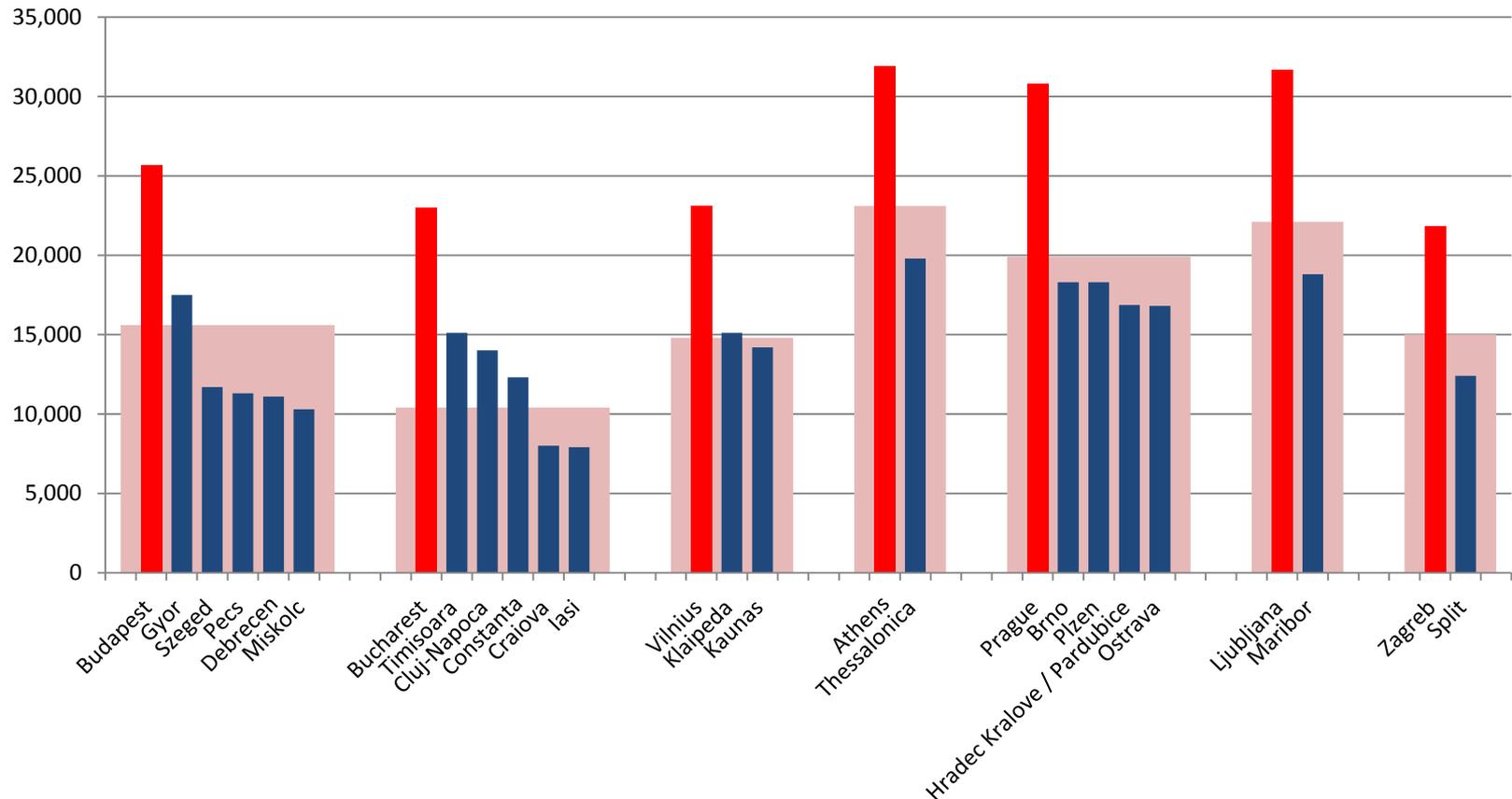
■ National ■ Secondary City



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

GDP per capita PPS, 2007

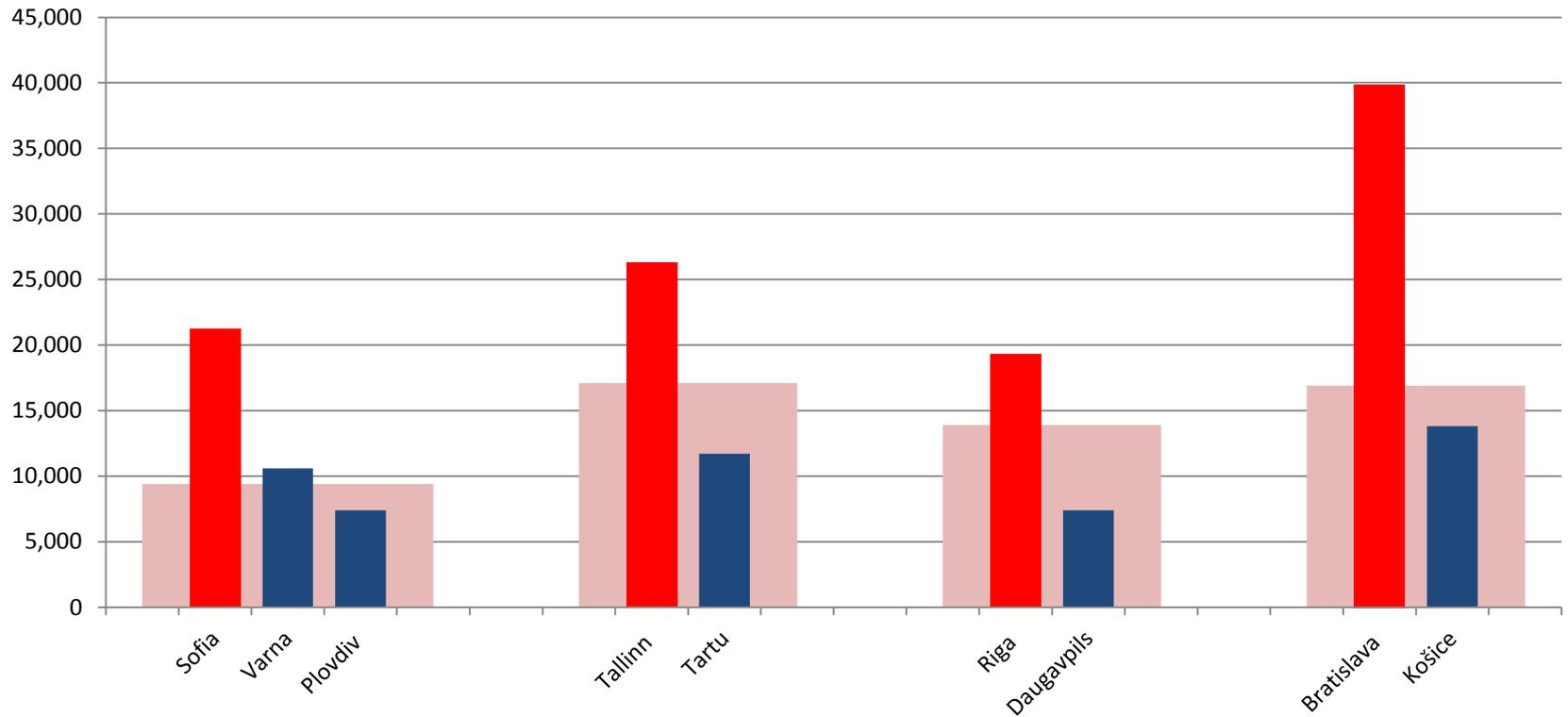
National Secondary City



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

GDP per capita PPS, 2007

■ National ■ Secondary City

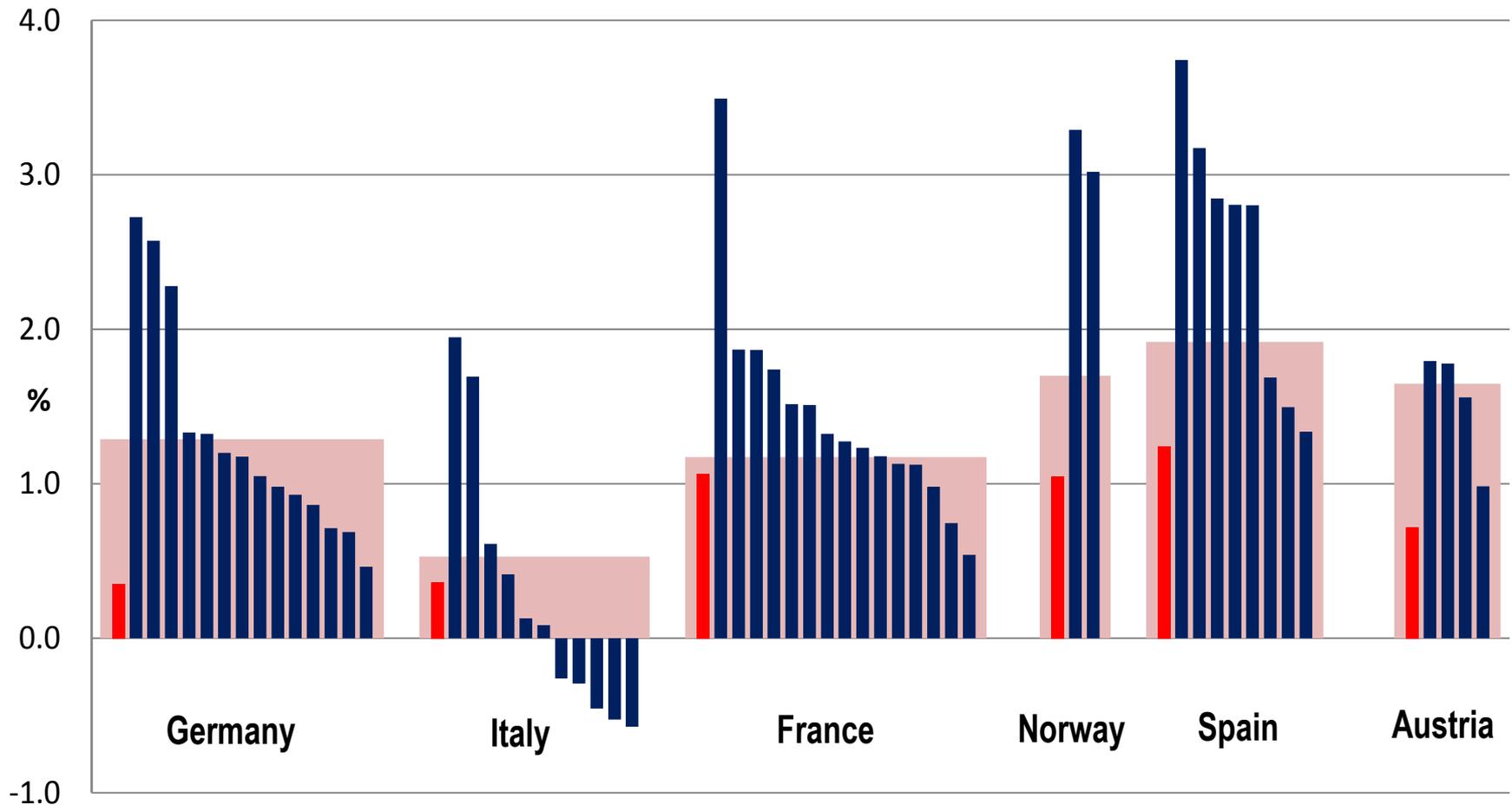


### **3. What Messages Urban Performance?**

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

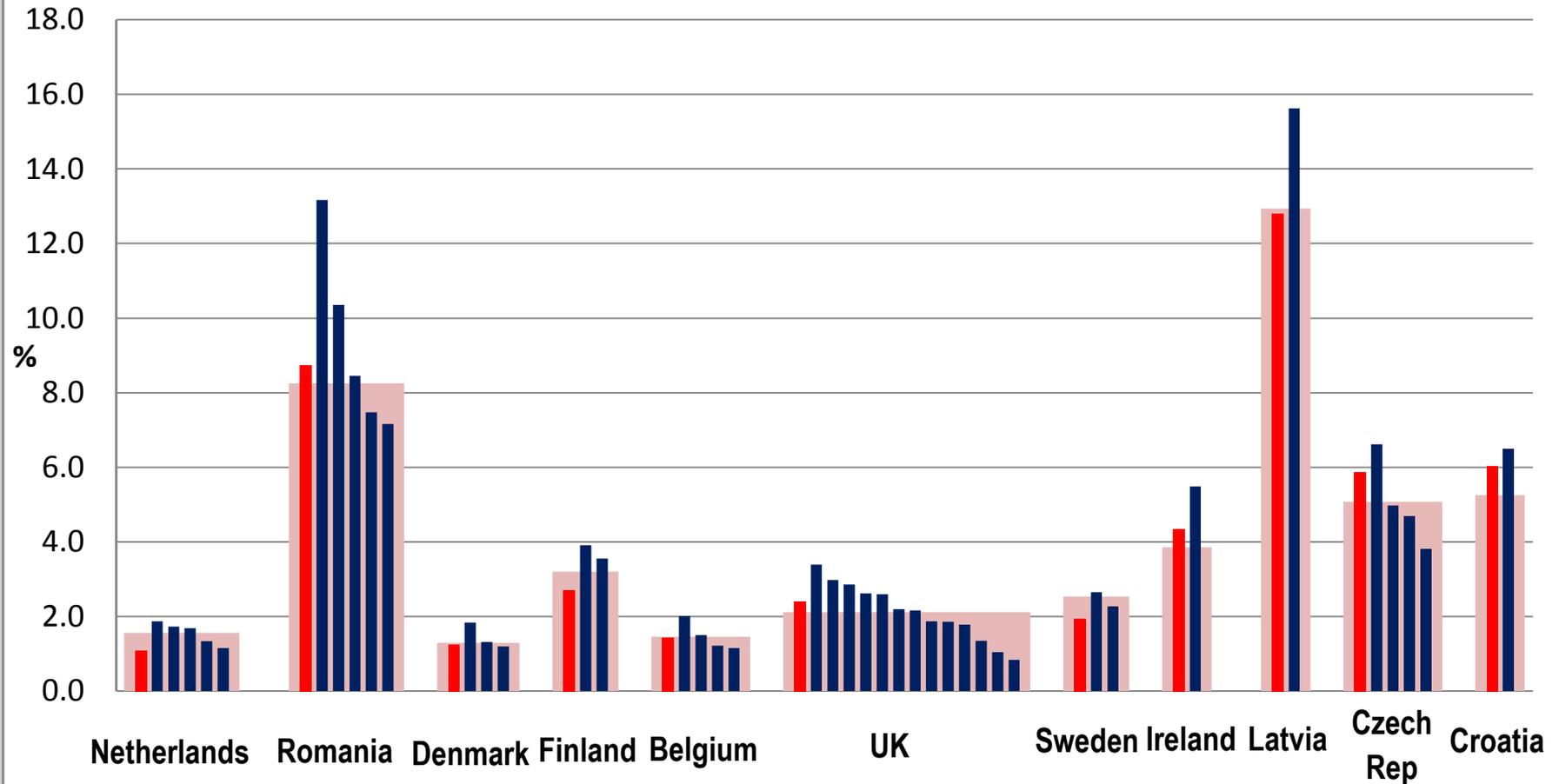
## GDP per capita – average annual % change, 2000-7

Growth rate in leading second tier city over 2.5 times capital



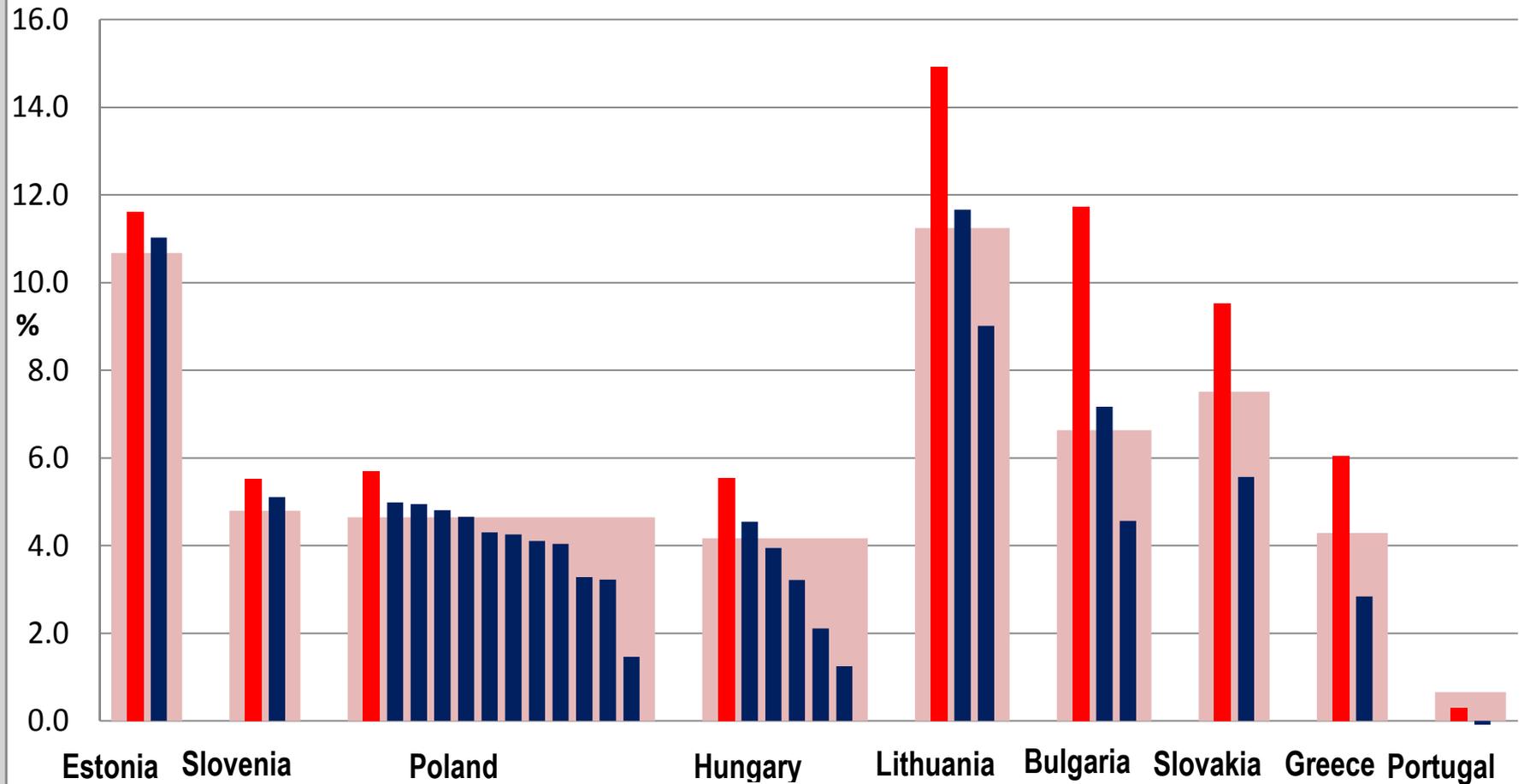
## GDP per capita – average annual % change, 2000-7

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



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

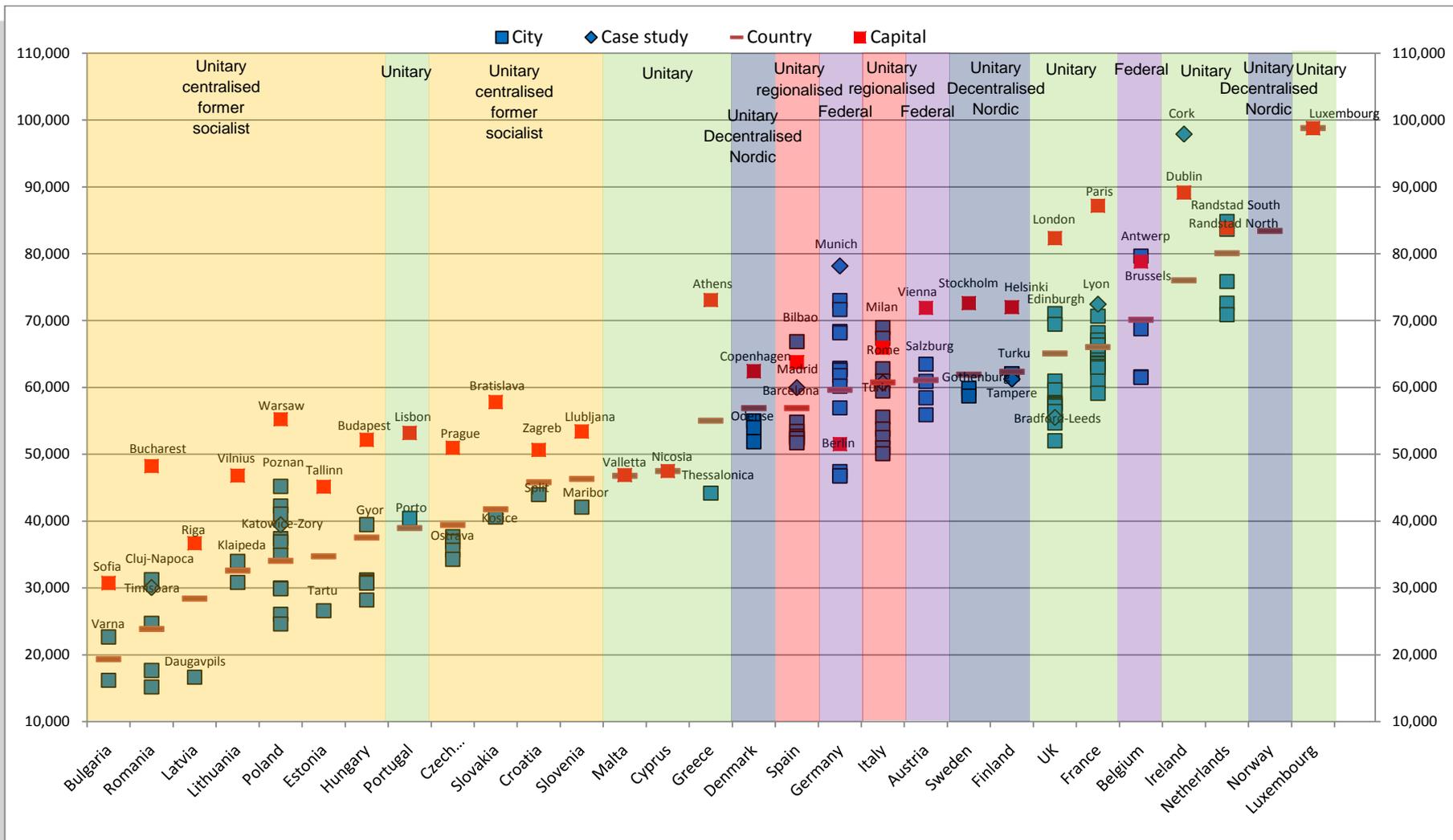
Growth rate in capital higher than in second tier cities



## 3. What Messages Urban Performance ?

**Governance matters**

# Governance & Productivity Capitals and Second Tiers 2007

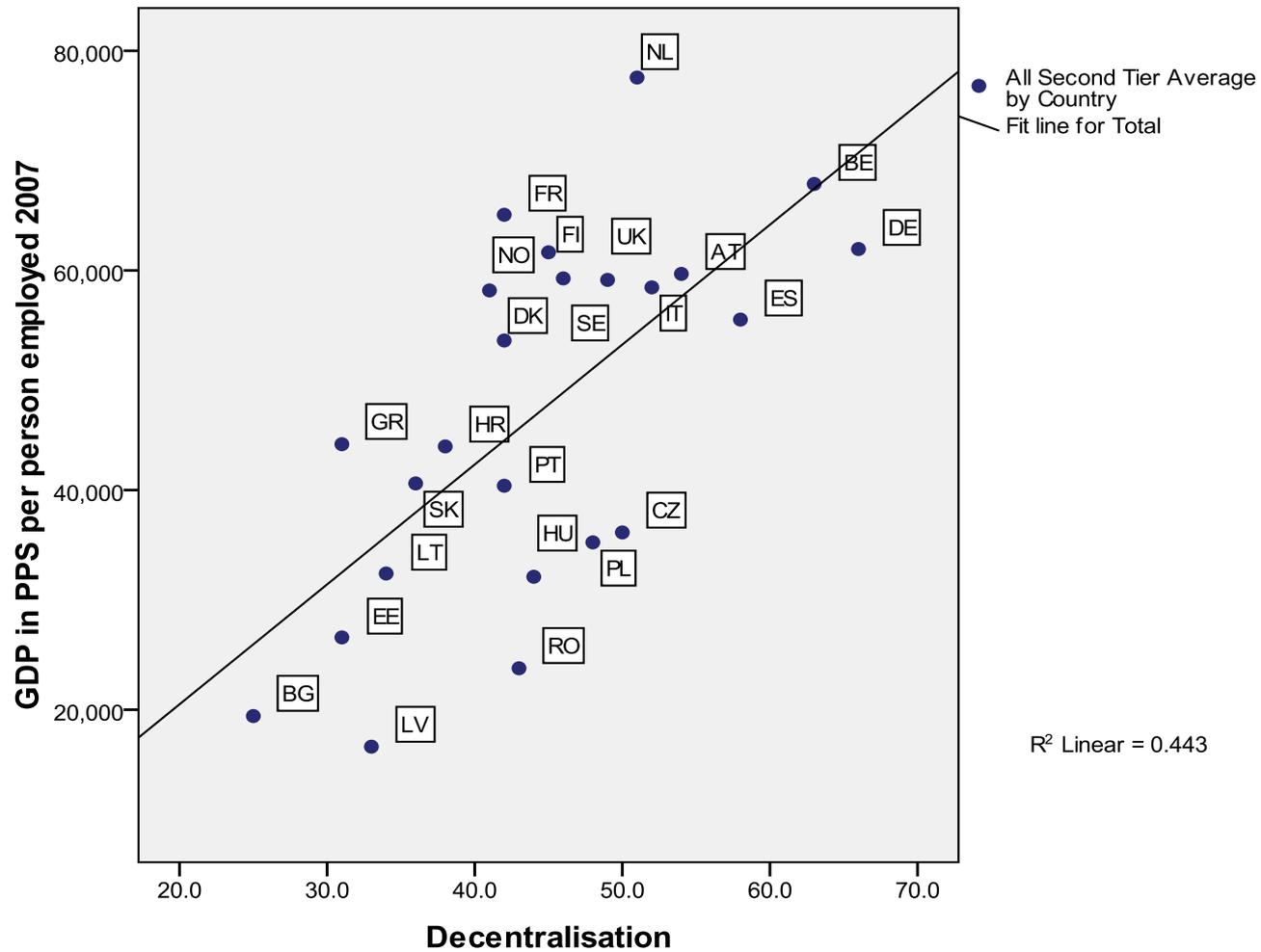


## **3. What Urban Performance Messages?**

**Greater decentralisation**

**Greater productivity second tiers**

# Decentralisation and Second Tier Cities' Average Productivity 2007

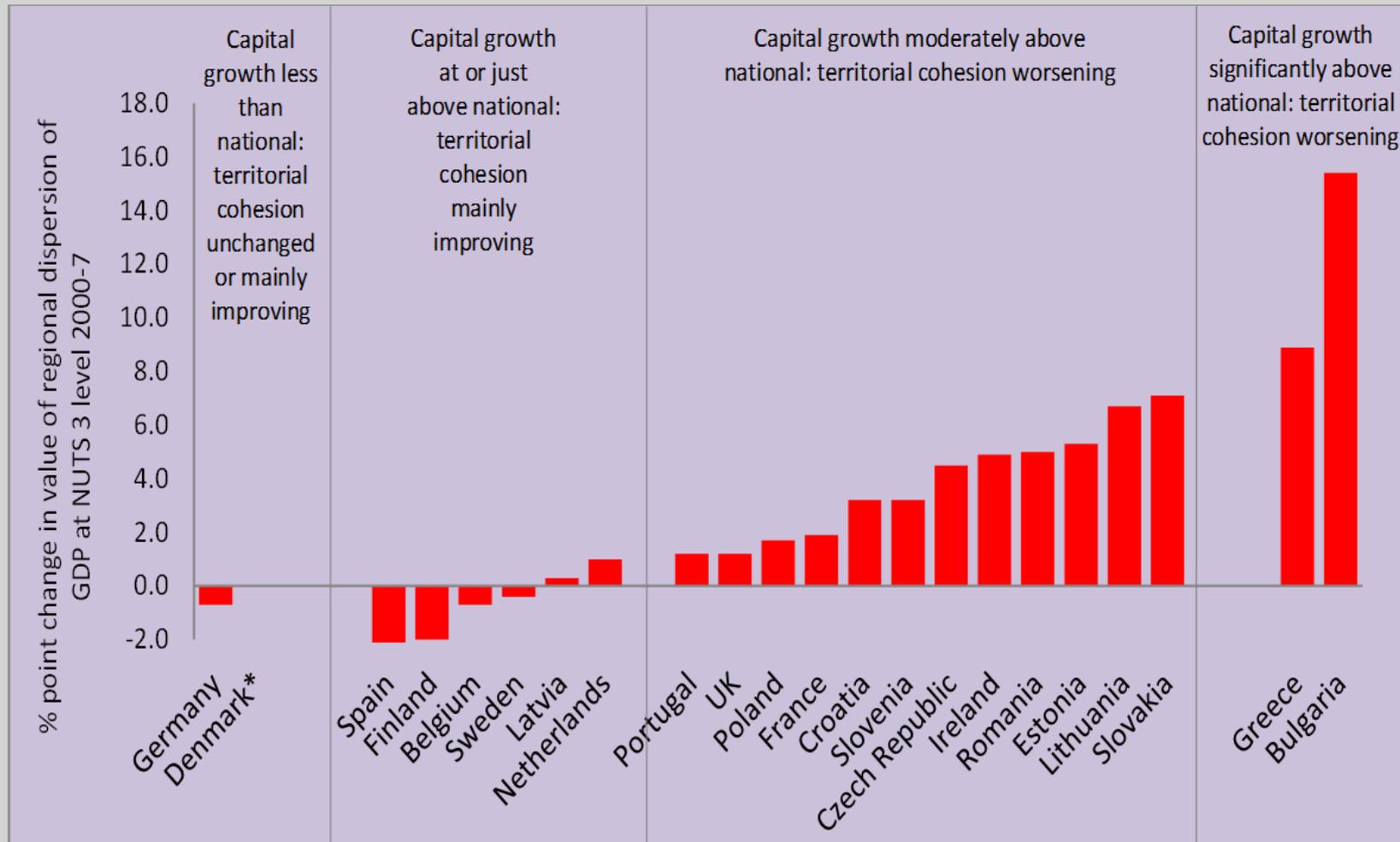


### **3. What Urban Performance Messages?**

**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:

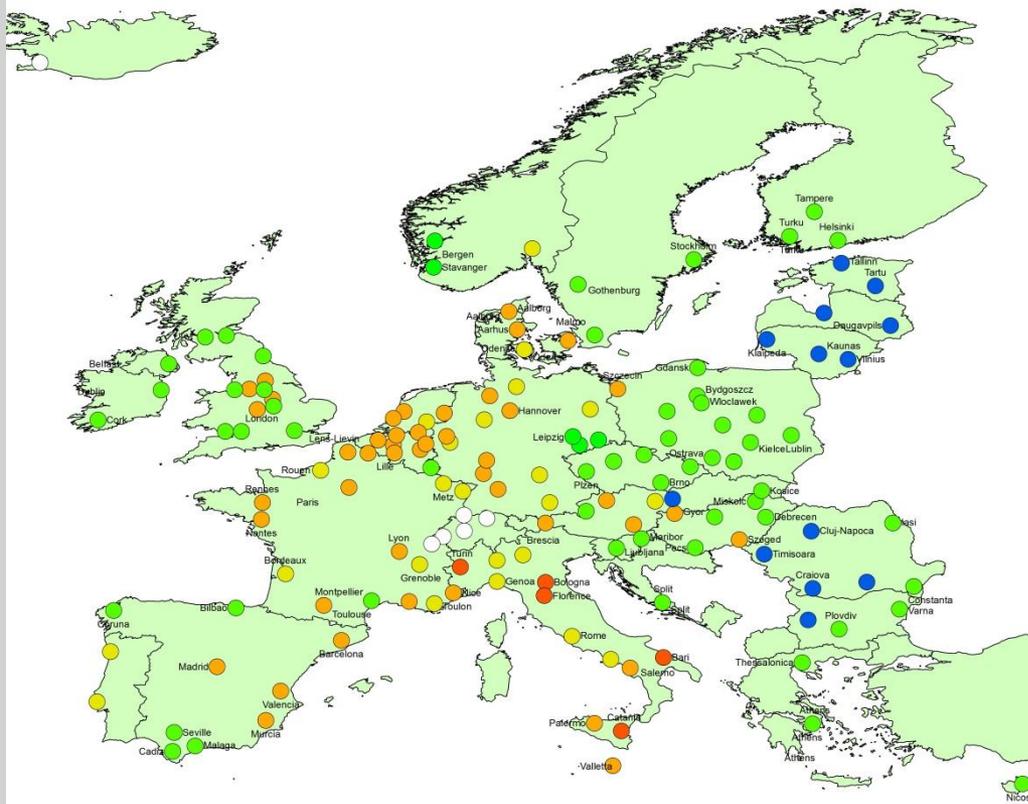
- Crisis undermine achievements second tiers
- Competition public & private investment widen gaps *within* second tiers
- Competition widen gap *between* second tiers & capitals

# 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

Figures are def





## 4. What Emerging Story?

### Policy impact:

- Countries typically concentrate attention, resources capitals at expense second tiers
- Little explicit policy debate relationship. Most focus cohesion
- But some beginning focus economic performance secondary
- Some have national policies promote urban competitiveness - innovation, diversity, skills, connectivity, place quality, governance.
- Some policies made difference & helped second tiers grow
- Cities do better countries less administrative centralisation & economic concentration, & cities greater powers, resources & responsibilities.
- Some cities helped their national economy perform better

## 4. What Policy Messages?

- **Number second tiers country sustain depends size, level development**
- **Smaller countries and currently East less scope develop second tier cities complement capital**
- **But policy aim should still be more high performing second tiers**
- **Economic governance at scale crucial**
- **Government territorial investment decisions - leading or lagging, bigger or smaller, capital or secondary - must be more explicit**
- **Deconcentration, decentralisation, policy focus second tiers can help**
- **EU greater focus territory - economic place making**

## 4. 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
- Little demand artificially limit capitals
- Increase national economic pie - encourage second tiers not kill golden goose

## 4. What Wider Policy Messages?

### Successful investment in age austerity

- Decentralise responsibilities & resources, deconcentrate investment
- Territorial economic governance at scale
- More systematic national policies second tier cities
- Greater transparency territorial investment
- 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