Organisation for Economic Co-operation and Development

DOCUMENT CODE

For Official Use

English - Or. English

Social Integration: Social Cohesion and Inclusive Growth

An OECD White Paper for the Urban-20 (U20)

Submitted to the Urban-20, Buenos Aires, Argentina, 29-30 October, 2018

Rising and persistent inequality is a national and subnational mega-trend affecting social cohesion and economic growth in a myriad of ways depending on local contexts. The OECD defines inequality using a multidimensional approach; solutions, similarly, will require multidimensional policies that engage multiple sectors (public, private, non-profit) and multiple scales and levels of government.

The OECD's Inclusive Growth framework offers governments at all levels a useful path forward to realizing better social outcomes for people, places, and firms. In particular, at the subnational level, the OECD's "Champion Mayors for Inclusive Growth in Cities" initiative helps lift up "what works" from around 50 mayors fighting for social integration and inclusive growth around the world.

This paper examines the state of play surrounding multidimensional inequality and social cohesion around four key policy dimensions of the OECD's Inclusive Growth framework: inclusive education, inclusive jobs and labour markets, inclusive housing and the urban environment, and inclusive infrastructure and public services. The analysis also includes a special focus on segregation, and on cities' efforts to integrate migrants and refugees.

This paper then proposes preliminary recommendations concerning how subnational governments can work with national governments to meaningfully advance social cohesion. These include: (1) developing policy solutions that engage different sectors, as well as multiple scales and levels of government; (2) focusing squarely on urban perspectives with a dedicated "urban lens" to policy; (3) ensuring policy goals and issues are coordinated across the four-pillar Inclusive Growth framework; (4) considering context-specific local governance and policy needs (local autonomy, not one-size-fits-all). The place-specific multidimensional compounding of inequalities is one of the main reasons why successful policy responses must be specific to local contexts. Analytical and policy work at the subnational level can reveal links between different dimensions of inequalities where they are most visible and best tackled.

Contact points:

Stefan Norgaard: Stefan.norgaard@oecd.org

Marissa Plouin: Marissa.plouin@oecd.org

Sena Segbedzi: Sena.segbedzi@oecd.or

Hyung-Tae Kim: Hyung-Tae.kim@oecd.org

Introduction

Inequality is a national and subnational mega-trend that is affecting social cohesion and economic growth in a myriad of ways depending on local context.

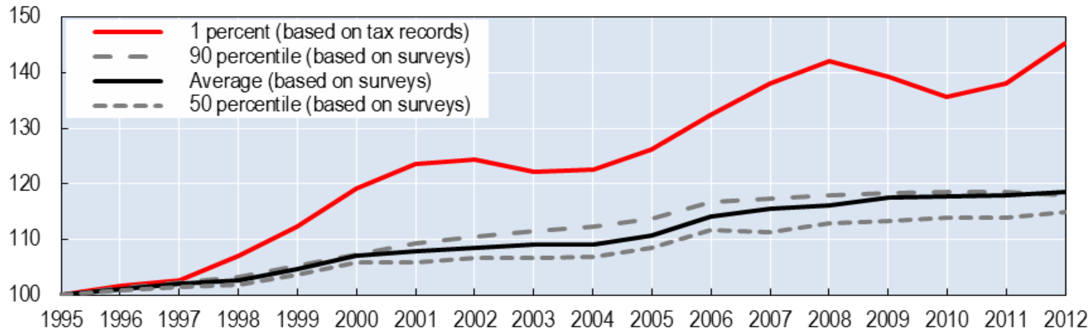
OECD research on inequalities and growth shows that accumulated disadvantage for certain income, racial, gender, and ethnic groups can have detrimental effects on social cohesion, prosperity, and well-being for everyone. Large degrees of inequality weigh on the potential for future economic and productivity growth.

The OECD defines "inequality" in a multidimensional way that goes well beyond measuring just GDP or median household income. OECD metrics include data on countries' relative poverty rates and life expectancy, and also on the female wage gap, childcare enrolment and the resilient student rate, and voter turnout. For a full list of indicators that the OECD uses to measure inequality and inclusive growth, see the 2018 report "Opportunities for All," on pages 26-27.

National-level statistics show global trends of rising and persistent inequality. Labour shares have declined in most OECD countries, while the ratio between median to average wages has decreased in all but two OECD countries. Moreover, labour-share developments have been very uneven across OECD countries, and around two-thirds saw a decline. Most of the decline in labour shares occurred prior to the 2008 financial crisis, while in the immediate aftermath the labour shares picked up (partly reflecting the business cycle). **The increase in wage inequality as measured by the decoupling between median from average wage growth reflects disproportionate wage growth at the very top of the wage distribution**. This is supported by research by Alvaredo et al. (2016) showing that the most striking development over the past two decades has been the divergence of wages of the top 1% of income earners from both the median and the 90th percentile ("Opportunities for All," 55).

Figure 1: Wages of top income earners diverged from the average and median (Source: "Opportunities for All," 55)

Unweighted OECD average of 9 countries, 1995-2011, Index 1995=100



Note: Indices based on unweighted average for nine OECD countries: Australia (1995-2010), Canada (1997-2000), Spain (1995-2012), France (1995-2006), Italy (1995-2009), Japan (1995-2010), Korea (1997-2012), Netherlands (1995-1999) and US (1995-2012), for which data on wages of the top 1% of income earners are available. All series are deflated by the same total economy value added price index.

Source: OECD Earnings Database, Alvaredo et al. (2016), Schwellnus et al. (2017)

At the subnational level, statistics show high productivity, increasingly decoupled from wages, and rising and persistent inequality. Firms and workers in larger cities are generally more productive than in smaller cities or rural regions. A variety of channels create this productivity benefit, including the concentration of highly educated workers. These workers are not only more productive themselves, but create additional "human capital spillovers"; that is, a higher percentage of highly educated workers increases productivity (measured by individual earnings) for all workers (Moretti, 2004) ("Opportunities for All," 63).

At the same time, the geographical concentration of households with a similar income level, known as spatial income segregation, increasingly shapes how people live their lives within cities. Recent research covering both Europe and the United States shows that the extent to which people live separated according to their level of income has increased during the last few decades (Marcińczak et al., 2016; Massey et al., 2009; Pendall and Hedman, 2015). Income segregation is a phenomenon that is linked to urban development. A consequence of segregation is that disadvantages concentrate in space, which can typically be the case for neighbourhoods with low job accessibility or a poor social environment. Such spatial concentration of disadvantages can induce life-long obstacles to opportunities (Chetty and Hendren, 2015). Moreover, recent work shows that high spatial segregation lowers the social cohesion of a city and as such lower the general well-being there (Novara et al., 2017), ("Divided Cities," 20).

The implications of rising and persistent inequality: why subnational leaders must act now

High levels of inequality may increase the risk that narrow, non-representative interest groups influence the policy-making process and "capture" its benefits, especially if not counter-balanced by a well-designed regulation regime of lobbying and campaign finance. By undermining trust in government and institutions, high levels of inequality may reduce the political space for reform and may feed a backlash against globalisation and openness, as observed in some OECD countries over recent years with the rise of populist movements ("Opportunities for All," 14-15).

High levels of inequality also hinder economic competitiveness. High inequality can result in lower economic growth, especially as it undermines the ability of the bottom 40% to invest in education, affecting their opportunities and productivity, as well as those of their children. In the absence of broad-based insurance mechanisms that can help vulnerable segments of the labour market cope with potential unemployment, unequal societies may be less resilient and may suffer higher welfare costs from economic shocks. The rise in inequality during 1985-2005 in 19 OECD countries is estimated to have reduced cumulative growth by 4.7 percentage points between 1990 and 2010; socio-economic background influences the access and use of suitable health services alongside benefit from better quality employment. Factors including, but not limited to these, translate to lower tax revenues and higher social protection expenditures. ("Opportunities for All," 15).

Responding to inequality comprehensively: An Inclusive Growth approach

The OECD's principal framework for *responding* to rising and persistent inequality is one of inclusive growth. The 2014 OECD report, "All On Board: Making Inclusive Growth Happen" defines social inequality comprehensively: "It is important to make clear that when we talk about inequality, we must talk about more than income. Employment prospects, job quality, health outcomes, education, and opportunities to build wealth over time matter for people's well-being and are heavily determined by their socio-economic status" (OECD Secretary General Angel Gurría, "All on Board: Making Inclusive Growth Happen," 1).

Public policies can advance Inclusive Growth. The OECD defines "inclusive growth" policy approaches as: "the 'win-win' policies that can deliver stronger growth and greater inclusiveness in areas such as macroeconomic policies, labour market policies, education and skills, competition and product market regulation, innovation and entrepreneurship, financial markets, infrastructure and public services, and development and urban policies." ("All on Board: Making Inclusive Growth Happen," 2).

Box 1. Our partners are also working on inequality and Inclusive Growth Responses
Source: "All on Board: Making Inclusive Growth Happen," 80)

The **World Bank** refers to Inclusive Growth to denote both the pace and pattern of economic growth, which are interlinked and assessed together. In the World Bank approach, for growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of most of a country's working-age population. In this perspective, Inclusive Growth focuses on productive employment, rather than on employment per se, or income redistribution.

The **Asian Development Bank (ADB)** framed its corporate strategy (Strategy 2020) aiming to promote inclusive economic growth as one of its main objectives. In this framework, Inclusive Growth is "growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society, particularly for the poor" (Ali and Hwa Son, 2007).

The **UNDP** recently changed the name of its International Poverty Centre in Brasilia to International Policy Centre on Inclusive Growth (IPC-IG), whose work is based on the premise that more equal societies perform better in development. From the UNDP perspective, Inclusive Growth is seen as both an outcome and a process. On the one hand, it ensures that everyone can participate in the growth process, both in terms of decision-making as well as in terms of participating in growth itself. On the other hand, Inclusive Growth is one whose benefits are shared equitably.

The **Europe 2020 Strategy** has the notion of Inclusive Growth at its core. In this Strategy, Inclusive Growth is understood as "empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, with training and social protection systems so as to help people anticipate and manage change and build a cohesive society. It is also essential that the benefits of economic growth spread to all parts of the Union…strengthening territorial cohesion."

The Champion Mayors for Inclusive Growth in Cities.

On March 29, 2016, 47 Mayors from around the world gathered in New York City to sign the "New York Proposal" for Inclusive Growth in Cities. These mayors are Champion Mayors fighting for an Inclusive Growth Agenda in their contexts. The operating framework that came out of the New York Proposal is one that tackles inequality through four pillars:

- An inclusive education system;
- Inclusive jobs and an inclusive labour market;
- An inclusive housing market and urban environment;
- And, inclusive infrastructure and public services ("New York Proposal," 1-2, 2016).

The Champion Mayors for Inclusive Growth in Cities' policy framework represents a useful typology for considering the analytical "state of play" of social cohesion and

inclusive growth in cities, the subject of this white paper. Leaders at the subnational level need to respond to growing inequality with multidimensional, "win-win" policy solutions in these sectors and managed trade-offs. Policy responses, and coordination with other sectors and levels and scales of government, must be similarly multidimensional. This paper considers urban inequalities as these inequalities relate to: education systems; jobs and an inclusive labour market; inclusive housing market and urban environment; and inclusive infrastructure and public services.

Subnational governments have a critical role to play in tackling inequality and advancing social cohesion and inclusive growth

The multidimensionality of inequality is one of the main reasons why successful analysis and policy responses must examine and engage the phenomenon at the subnational scale. Analytical and policy work at the subnational level can reveal links between the different dimensions of inequalities where they are most visible – and perhaps tackled most efficiently – at the local level. In other words, inequality happens at the local level (for example in disadvantaged neighbourhoods); local analysis and policy solutions offer promise for tackling the phenomenon, advancing social cohesion, and inclusive growth.

Analysis

The Role of Cities in Understanding and Measuring Inequalities

Cities have a hand in many of the policy areas that matter for Inclusive Growth. These policy areas include housing, transport, and a number of municipal or intra-regional public services. Recent analysis from the OECD's "Making Cities Work for All" report underscores how cities and urban areas are some of the most appropriate "units" or scales to measure and understand multi-dimensional inequality, as well as inclusive growth responses ("Making Cities Work for All," 18-19). Indeed, multi-dimensional inequality *happens* in cities, at the neighbourhood scale, and cities are best equipped to measure and understand these inequalities.

The State of Play – Challenges and Opportunities for Inclusive Growth in Cities

The *New York Proposal* for inclusive growth in cities challenges cities to consider inequalities as they relate to key governance dimensions: inclusive education systems, inclusive jobs and labour markets, inclusive housing and urban environment, and inclusive infrastructure and public services. Along each of these dimensions, inequalities accrue – and must be measured – at both the national and subnational levels. Policy solutions, too, must consider local context and neighbourhood conditions while drawing on national expertise, policy tools, and governing mandates.

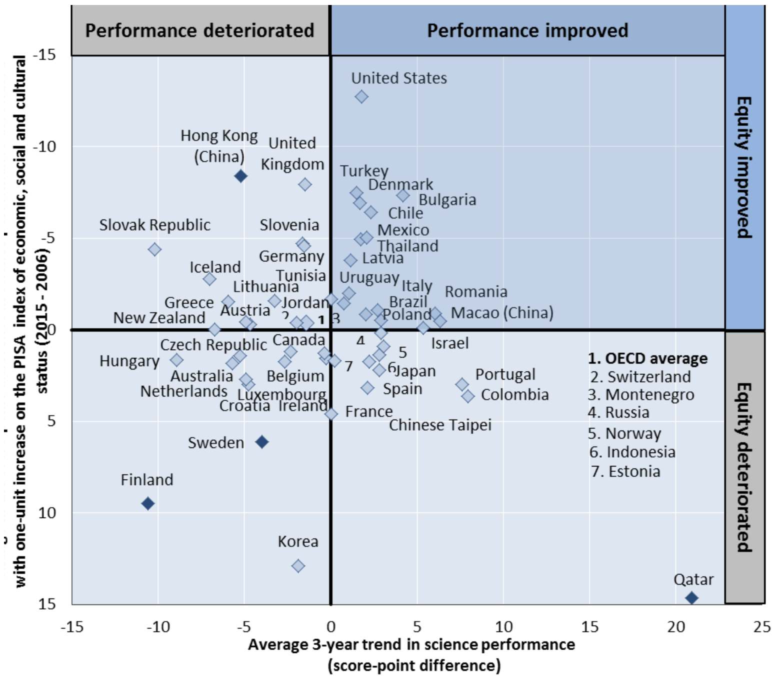
(1) Inclusive Education Systems

At the national level, education systems are profoundly shaped by inequality. According to recent OECD research, **students' home life greatly shapes success in education**; schooling can either reinforce, or worsen, the large influences of home life on education success. In 2006, across OECD countries, 14% of the variation in students' science performance could be explained by students' socioeconomic status. At the national level, a one-unit change in a country's PISA index of economic, social and cultural status (ESCS) – which corresponds to the difference between students with average socio-economic status and disadvantaged students – correlated with a difference in science performance of 39 score points ("Opportunities for All," 134).

In the last decade, students' educational opportunities have increased, but have not increased by very much. By 2015, the degree to which students' socio-economic status predicted performance in science decreased to 13 score points in the OECD's socio-economic gradient, while the difference in performance between students who were one unit apart on the ESCS index decreased to 38 score points. The strength of socio-economic gradient measures the *change in the percentage deviation in science scores explained by the OECD's PISA index* in or across a given time period. Over the 2006-15 time period, however, the strength of the gradient – which measures the links or correlation between education performance and socioeconomic status – decreased by more than 3% points in the eight countries that also managed to maintain their average performance: Brazil, Bulgaria, Chile, Denmark, Germany, Slovenia, Thailand and the United States ("Opportunities for All," 135).

Yet in some countries, improving performance and equity of the school system at the same time is possible. In some OECD countries, educational opportunities have increased without offsetting improvements: between PISA 2006 and PISA 2015, in Chile, Denmark, Mexico, Slovenia, Turkey, the United Kingdom and the United States, the average impact of students' socio-economic status on performance *weakened* by more than 4 score points while mean science achievement did not decline ("Opportunities for All," 135) (Figure 1).

Figure 2. Change between 2006 and 2015 in the slope of the socio-economic gradient



Notes: Only countries and economies with available data are shown.
Changes in both equity and performance between 2006 and 2015 that are statistically significant are indicated in a darker tone (see Annex A3).
Source: OECD, PISA 2015 Database, Table I.6.17.
The average three-year trend is the average rate of change, per three-year period, between the earliest available measurement in PISA and PISA 2015. For countries and economies with more than one available measurement, the average three-year trend is calculated with a linear regression model. This model takes into account that Costa Rica, Georgia, Malta and Moldova conducted the PISA 2009 assessment in 2010 as part of PISA 2009+. Source: "Opportunities for All,"136. StatLink 2http://dx.doi.org/10.1787/888933725335.

At the subnational level, education systems are inextricably linked with other social cohesion factors.

Socio-economic segregation in schools is linked with residential segregation in cities. Equitable access to education is an essential way to improve people's life outcomes and also create more just and inclusive cities. Educational outcomes are strong *predictors* of future incomes, as well as health and job outcomes. And cities are largely delivering on quality education: in the OECD area, 15-year-old students in urban schools outperform those in rural areas on the Programme for International Student Assessment (PISA) test by 20+ points on average, the equivalent of about one year of education. However, stark inequalities remain within cities in terms of access to quality education. Three examples demonstrate the extent of these inequalities:

- In the Chicago Tri-state metropolitan area, school district high school graduation rates range from 57% in the city of Chicago to over 95% in suburban areas
- In Aix-Marseille, the working-age population without a diploma ranges from 39% in northern Marseille neighbourhoods to 14% in Aix-en-Provence
- In Puebla-Tlaxcala, Mexico's fourth-largest metropolitan region, peripheral areas exhibit lower education levels than the metropolitan core; in some peripheral census tracts, more than 65% of the population has not completed a secondary education. By contrast, incompletion rates stand at less than 20% in the metropolitan core (OECD, 2013d).

Such inequalities in education both reflect and reinforce socio-economic inequalities in cities, with long-lasting consequences on the life prospects of urban residents. (“Making Cities Work for All,” 116).

Supporting education in low-income youth requires community partnerships. One such example in, Toronto, Ontario, is the *Pathways to Education* programme created by community members in the city’s Regent Park neighbourhood. It is now present in ten other Canadian cities. It aims to tackle the roots of poverty and supports academic achievement among the community’s youth by providing academic, financial and social supports. Although Canada already has one of the highest post-secondary attendance rates globally, that national averages masks the fact that one in five teens between the ages of 15 and 19 is no longer pursuing an education. Society pays a high price for low educational achievement: an estimated 85% of income assistance goes to the 34% of Canadians who have not completed secondary school. In 2001, about 56% of Regent Park youth dropped out of secondary school (compared to 29% for Toronto overall). In Regent Park, about 80% of residents were visible minorities. Moreover, 58% of Regent Park residents were born outside of the country and spoke little or no English (“Making Cities Work for All,” 117-118).

Investment in early childhood education can pay off in cities. Educational *spending* per person is typically highly concentrated at the secondary and tertiary levels, whereas spending on both early childhood education and lifelong learning is much lower, even though this is where important inclusive growth-oriented outcomes can be achieved. In New York and several other cities and states in the United States, for example, policies for free universal pre-kindergarten (“Pre-K”) are providing opportunities for earlier access to education for under-serviced communities (“Making Cities Work for All,” 120).

Vocational education and training need to be tailored to local needs. Collaboration between the private sector, training and education institutions, and varying levels of government from local to national, is all fundamental to develop vocational education and training (VET) programmes. The goal of VET programs is to provide the practical skills in rapidly changing urban economies. Designing job-oriented VET programmes requires a strong grasp of local economies and cutting-edge industries. In Australia, the VET system is well-developed and flexible, allowing for local and to adapt learning to local circumstances in new ways (Hoeckel et al., 2008). Another example is Vienna, where apprenticeship schemes offer practice-oriented training in companies (“on-the-job” training, which takes up 80% of course time) and in vocational schools (“Making Cities Work for All,” 120).

Box 2. Introducing controlled school choice schemes in cities to overcome segregation

Most OECD countries combine student allocation to schools by geographical assignment and give some flexibility for parents to choose among different public schools. Yet school choice schemes that do not consider equity risk exacerbating segregation by ability, income and ethnic background (Musset, 2012). Better-off parents tend to avoid schools with a significant number of disadvantaged students; they are also more likely to enroll their children in high-quality schools because they have more information and resources. In contrast, disadvantaged parents tend to exercise choice less and to more often send their children to the local neighbourhood school. Less-educated families may not access the information required to make school-choice decisions, or may have different preferences when it comes to school characteristics (Hastings, Kane and Staiger, 2005). Elements such as these contribute to socio-economic segregation between schools.

Controlled choice programmes, or flexible-enrolment plans, introduce mechanisms that ensure that children are allocated to schools more equitably (e.g. in terms of parental socio-economic status or child's ethnic origin). In the event of oversubscription to some schools, this type of scheme prevents disadvantaged students from getting crowded out. For example, Rotterdam offers a system of double waiting lists, which allow oversubscribed schools to give preference to children who would enrich their ethnic and socio-economic diversity.

Sources: Drawing from OECD (2012b), Equity and Quality in Education; OECD (2014c), http://dx.doi.org/10.1787/9789264130852-en; Equity, Excellence and Inclusiveness in Education, http://dx.doi.org/10.1787/9789264214033-en; Musset, P. (2012), "School choice and equity: Current policies in OECD countries and a literature review", http://dx.doi.org/10.1787/5k9fq23507vc-en; Hastings, J., T. Kane and D. Staiger (2005), "Parental preferences and school competition: Evidence from a public school choice program", http://dx.doi.org/10.3386/w11805.

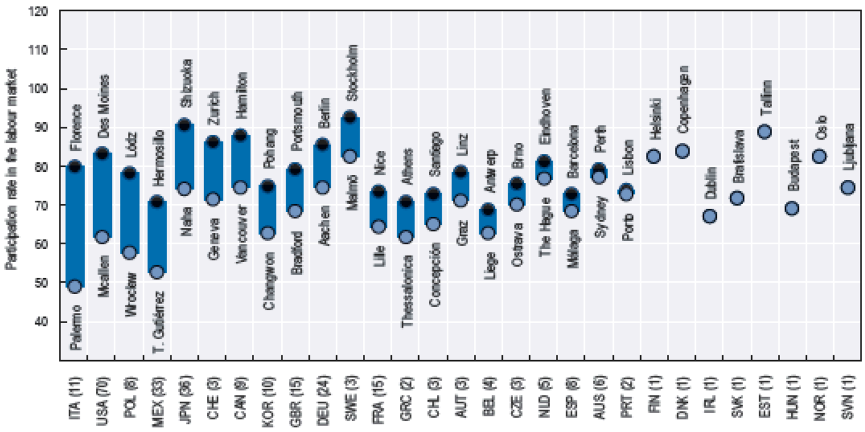
(2) Jobs and Labour Markets

Improving *participation* in the urban labour market is crucial for inclusive growth. OECD research indicates that large cities, on average, have higher Gini coefficients (representing higher rates of inequality) than small cities. Higher Gini coefficients for metropolitan areas *positively* correlate with metropolitan population, even when controlling for the initial level of income and the country of each metropolitan area. The presence of highly skilled and low-skilled workers in cities drives inequality at the local level: skill inequalities explained around 33% of inequality in US metro areas in 2000 (Glaeser, Resseger and Tobio, 2009). Cities and neighbourhoods with lower incomes also typically have worse-performing schools; local amenities often suffer from poorer access to services such as transport and health. At the metropolitan level, it is thus important to promote investment in individuals' skills and to complement measuring inequality with measuring the key drivers of that inequality, such as the levels and the quality of education of urban residents or the level of segregation of households, which are other components of the Inclusive Growth agenda ("Making Cities Work for All," 36).

Jobs, productivity, and labour markets are being shaped profoundly by digitalization and trade, at rapid speed.

***Innovation* is key to driving long-term productivity and income growth.** Digitalisation can improve production processes; however, new technologies and knowhow require time to be adopted and adapted for businesses, and so only strengthen productivity growth after they are adopted and adapted. OECD research on the *productivity-inclusiveness nexus* has shown that the gap between high-productivity firms and those falling behind has increased, even within the same countries and cities, and within narrowly defined industries. This slowdown in productivity growth divergence and increasing inequality are interrelated (Berlingieri et al., 2017). This relationship illustrates the importance of policy responses that tackle the increasing productivity divergence and inequality at once. They could also produce a "double dividend" in terms of both greater productivity growth and reduced income inequality ("Opportunities for All," 82).

Figure 3. Differences in labour participation rates in metropolitan areas by country, 2014 (Source: "Making Cities Work for All," 36)



Note: All values refer to 2014 except for Austria, the Czech Republic and Switzerland (2013); and Slovenia (2011). The number of metropolitan areas in each country is shown in brackets.
Source: Authors' elaborations based on OECD (2015a), "Metropolitan areas", OECD Regional Statistics (database), http://dx.doi.org/10.1787/data-00531-en.

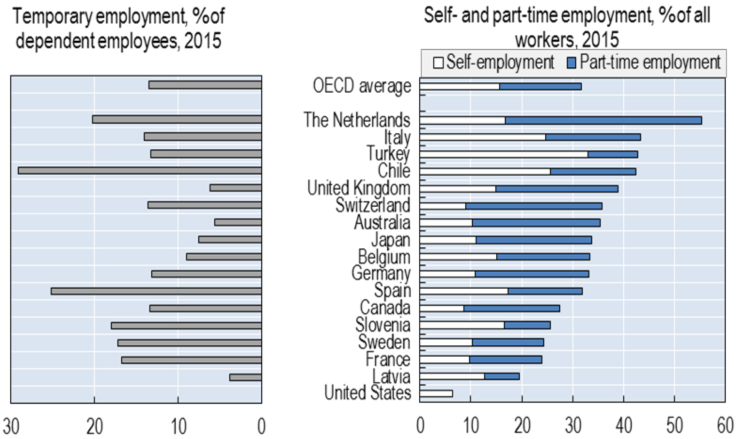
Digital technologies present both opportunities and challenges for SMEs. The intangible nature and low replication costs for digital technologies reduces the need for large upfront investments. For example, cloud computing and other digital technologies have given SMEs better possibilities for online commerce and advertising without high transportation, communications and marketing costs. While the costs of adopting basic digital technologies have fallen dramatically, small firms with 10-49 employees are only half as likely as large firms to have business websites, and only one third as likely as large firms to use Enterprise *Resource Planning (ERP)* platforms that integrate core business processes in real-time ("Opportunities for All," 86).

A more general concern expressed by workers is that globalisation and digital transformation are contributing to poorer working conditions and lower quality jobs. New forms of employment are emerging that *have the potential to* promote greater labour market inclusiveness, but only if concerns about job quality are addressed. Both a more digitalised and globalised world have given rise to the "platform economy", in which workers carry out "gigs" either in person (for example, delivering food or providing rides) or online (such as transcription and product categorisation). Workers that can carry out individual tasks required by consumers over online platforms often perform these tasks as independent contractors. There is an increasing number of non-standard workers who may only work occasionally and have multiple jobs and income sources, with frequent transitions between dependent employment, self-employment and work-free periods, especially in large metropolitan areas. These new forms of employment can offer much flexibility – both regarding where and when the work is carried out – and therefore provide opportunities for people who have been excluded from the labour market due to caring responsibilities or because they live in remote areas. Yet some of these jobs raise concerns about job quality, for example, or about employment protection and social security coverage (“Opportunities for All,” 93).

Job quality and security also differ by particular groups in the labour market (and in particular social groups like the elderly, women, migrants, and youth)

Youth and low-skilled workers are more affected by economic shocks than prime-age workers as well as high-skilled workers; and perform lower-quality jobs. Looking at job quality outcomes across socio-economic groups reveals that over the past decade, the deep and prolonged economic crisis led to a worsening of labour market security that particularly hit the youth and low-skilled workers. These two groups tend to be disadvantaged – not only do they have the poorest outcomes in terms of unemployment rates, but they have poor job-quality outcomes (lower earnings quality, considerably higher labour market insecurity, higher job strain). By contrast, high-skilled workers perform well on all three dimensions. For women, the picture is mixed: their employment rates are still substantially lower than those of men, and women suffer a large gap in earnings quality. The employment challenge is pressing in developing countries with demographic pressures and scarce wage employment opportunities for youth. Between 2015 and 2020, 60 million jobs would have to be generated to provide jobs for the projected number of youth entering the labour market in South Asia; 42 million in sub-Saharan Africa and 30 million in the Middle East and North Africa to provide jobs for the projected number of youth entering the labour market (World Bank, 2015; WIR, 2018); (“Opportunities for All,” 95).

Figure 4. The share of non-standard workers is high in some countries (Source: “Opportunities for All,” 95)



Note: Note: Data on self-employment in France refer to 2011; data on temporary and part-time workers is not available for the US.
Source: OECD Employment and Labour Market Statistics Database and OECD (2017a).

Rapid population ageing will increase substantially the number of older people, who will need help to remain in work or find new work. Ageing can also imply job reallocation. Many countries are undergoing significant demographic change, with the cross-OECD average share of the population aged 65 estimated to rise from less than 1/6 of the population in 2015 to more than ¼ of the population by 2050. China is also on the cusp of experiencing pronounced population ageing. Fewer young people will be entering the workforce; shortages of qualified labour could arise as larger cohorts of older workers retire. Longer working lives might mean more numerous job changes. Population ageing is also likely to lead to labour reallocations across sectors and occupations as the overall consumption patterns change: demand will continue to shift from durable goods, like cars, towards services, like health care ("Opportunities for All," 97).

Box 3. Illustrative example: Group labour market difference in Seoul, Korea

Particular groups in the labour market face unique challenges: (elderly, women, migrants, youth). These data come from a recent OECD study titled *Inclusive Growth in Seoul, Korea*. As labour market dualism in Korea and Seoul is highly stratified along the lines of education, skills, and gender, policies are needed that mitigate against the rising divide between regular and non-regular employment, and secure high-quality employment opportunities for disadvantaged and under-represented parts of the population.

Expanding employment opportunities for women, youth, and seniors is key to combatting demographic trends and strengthening inclusive entrepreneurship and SME development in Seoul. The employment rate of women in Korea was the ninth lowest in the OECD in 2017. It was also 19.3 percentage points below that of men (OECD, 2016b). A high share of women exit the workforce following marriage and childbirth and return to the labour market at a later age, facing lower career and earning opportunities. Self-employment and business creation can be an alternative to the labour market if women have equal opportunity to start and run businesses. This includes improving maternity and parental leave systems and availability of high-quality childcare, and to facilitate re-entry into the workforce after long absences.

Source: "Inclusive Growth in Seoul, Korea," pp. 96-97.

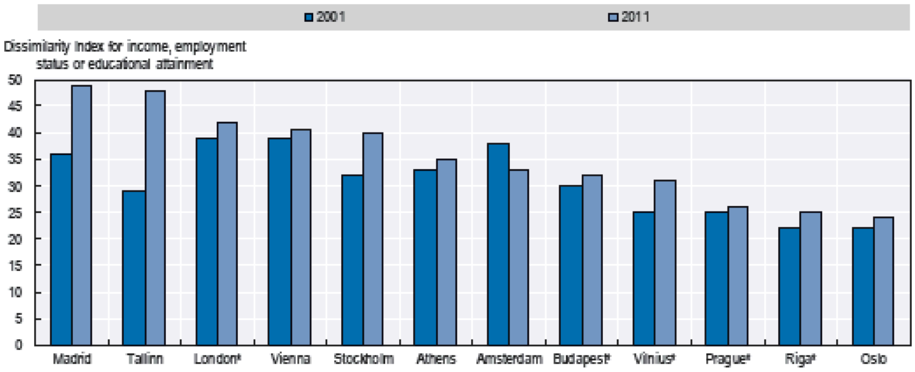
(3) Housing and the urban environment

Inequality has a clear spatial dimension.

Income segregation has been rising in the last decades. Across the developed world, rates of spatial segregation by both income and socio-economic status in metropolitan areas have been increasing. In the United States, there is a well-developed literature documenting a rapid increase in spatial segregation since the 1970s (Massey, Rothwell, and Domina, 2009; Rothwell and Massey, 2010; Fry and Taylor, 2012; Pendall and Hedman, 2015). The share of the population living in the poorest, and in the most affluent neighbourhoods, respectively, has more than doubled since 1970. The number of people living in middle-income areas of the city has dropped significantly (Reardon and Bischoff, 2011). The increase of *income segregation* comes together with a general decrease in *racial segregation* in the United States (Glaeser and Vigdor, 2012; Logan and Stults, 2011), ("Making Cities Work for All," 75).

The *most* segregated cities in the Netherlands and France are at levels comparable to the *least* segregated cities in the United States. Results show that the level of segregation by income in Danish, French and Dutch cities is much lower than that in American and Canadian cities, which confirms findings from the literature (Musterd and de Winter, 1998). These five countries show significant differences in their average level of income segregation. Furthermore, the *variance* in segregation across the European countries considered is small compared to North American cities; standard deviations are less than half as large as in Europe ("Making Cities Work for All," 76-77).

Figure 5. Change in spatial segregation of major European cities, 2001-11
(Source: "Making Cities Work for All," 76)
Index of Dissimilarity: The higher the index the higher spatial segregation



Notes: The Index of Dissimilarity was computed in terms of occupation (managers vs. elementary occupations) for Madrid, Tallinn, London, Budapest, Vilnius, Athens, Prague and Riga; in terms of income (highest vs. lowest income quintile) for Amsterdam, Oslo and Stockholm; in terms of educational attainment (university degree vs. compulsory education) for Vienna.
* Municipality instead of metropolitan region.
Source: Adapted from Marci czak, S. et al. (2016), "Inequality and rising levels of socio-economic segregation: Lessons from a pan-European comparative study"

Contrary to widely held narratives, segregation is often driven by the most affluent households in urban areas (but there is some variation across countries).

Income segregation is driven by the most affluent households in Canadian, French and US cities. Overall, spatial segregation has a positive associational relationship with household income, population and income inequality (correlation coefficients of 0.55, 0.29 and 0.47, respectively). While this type of data does not test for causal mechanisms, such associations are in line with previous findings and arguments advanced in the literature (Lens and Monkkonen, 2016). Gordon and Monastiriotis (2006), studying U.K. cities, also found positive associations of spatial segregation with population size and income inequality. They found that more inequality in more segregated areas is mainly driven by the segregation of the *most affluent* groups, rather than the most disadvantaged. Several studies demonstrate that inequality tends to bring segregation, and in particular among the affluent, since households at the top of the income distribution tend to separate themselves geographically as they become more affluent (Reardon and Bischoff, 2011; Watson, 2009). The rise in inequality during the last decade, including during the economic crisis that started in 2008, might have affected current levels of segregation ("Making Cities Work for All," 79).

Affluent, vertical neighbourhoods and income segregation: explaining the evidence. What can explain such high levels of segregation of affluence? Because rank-order information theory – an index that measures levels of income segregation – captures clustering in space, high levels of segregation mean that the neighbourhoods where the affluent reside are the most "coherent" of all neighbourhoods in the city (Louf and Barthelemy, 2016). In other words, the affluent are not scattered but most clustered in a small number of areas. Many of these "clusters" can be characterised as "vertical neighbourhoods", because they contain a relatively high share of apartment buildings, as opposed to other types of housing units. The hypothesis is that an over-representation of the affluent in vertical neighbourhoods partly explains their high levels of spatial concentration, because relatively small areas contain a high count of "stacked" affluent residents ("Divided Cities," 58).

Box 4. Illustrative example: Vertical neighbourhoods and concentrated affluence in Brazilian cities

Recent OECD research shows that vertical neighbourhoods become more coherent as cities grow in size: in some areas of Rio de Janeiro, Brazil, residents are virtually surrounded by apartment buildings, as 97% of more of households live in apartments. Interestingly, these areas concentrate 28% of the high-income households in Rio de Janeiro (i.e. 135 399 households), and only 2% of the low-income households (i.e. 8 445 households). In the case of Rio, vertical neighbourhoods host 16 times more high-income than low-income heads of household. Vertical neighbourhoods in smaller Brazilian cities, like Fortaleza and Vitória, become less coherent (i.e. apartments and other dwellings become more mixed), but still those with a high proportion of apartment dwellers still contain a larger percentage of higher-income heads of household.

The following table highlights the share of low-income and high-income heads of household residing in vertical neighbourhoods in Brazilian cities:

Urban Agglomeration	Vertical Neighbourhood (%)	Percentage high-income	Percentage low-income
Rio de Janeiro	97.28	28.14	2.11
Fortaleza	53.02	45.82	2.37
Vitória da Conquista	8.8	41.45	2.27

Note: Vertical neighbourhood (%) is the 90th percentile of the share of households in apartments.
Source: Elaborations based on IBGE Censo Demográfico 2000, “Dados do universo”, ftp://ftp.ibge.gov.br/Censos/Censo_Demografico_2000/.

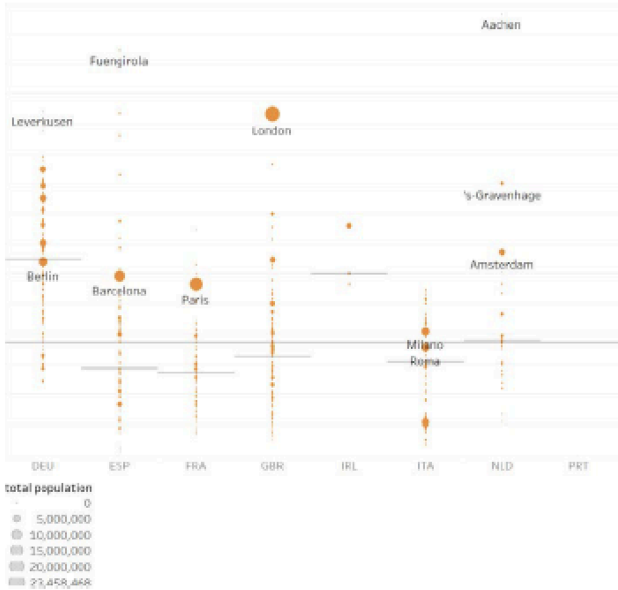
Source: “Divided Cities,” 62.

Spatial segregation and migrants in European Union cities.

The local dimension of integration is critically important. According to the data of the United Nations Population Division (United Nations, 2017), in 2017 globally there were around 3.4% of people who were migrants considered “foreign born.” In EU Member States, the ratio of migrants to the overall population varied between 1.66% in Poland and 45.19% in Luxembourg, and between 0.54% in the Slovak Republic and 13.82% in Latvia when considering only immigrants from non-EU countries. However, aggregated figures at the *national* level mask the high diversity in the *distribution* of migrants across cities and regions within countries. There is a wide-ranging literature on migration studies noting that migrants tend to concentrate in cities (Sanderson et al., 2015; International Organization for Migration, 2015; Wright, Ellis, and Reibel 2008; OECD 2016a). In this light, it becomes essential to gather information on the geographical distribution of migrants at the local level, particularly when assessing the impact of migration on EU societies and when assessing outcomes of migrants’ integration into cities’ social fabric (“Divided Cities,” 77).

The concentration of migrants across EU cities. A simple measure of migrant concentration divides the migrant population by a city’s total population. This ratio at the local level is a more refined measure than data collected at the levels of provinces, regions and nations. In 2011, the distribution of migrant concentration shows an extremely varied picture (Figure 6). In the case of urban areas with a population of more than 1000 inhabitants, the median concentration of migrants, considering both intra-EU and third countries origins, is of 7%, and the upper quartile of 23%. Concentrations above the median are recorded in France, Germany, Ireland and Spain. Some examples of LAUs with the highest concentrations are San Fulgencio, Spain (70%), Wembley, UK (68%), Dublin, North, Ireland (65%), Büsingen am Hochrhein, Germany (48%) and Aubervilliers, France (37%) ("Divided Cities," 85).

Figure 6. Concentration of migrants by FUA, 2011
(Source: "Divided Cities," 89)



Note: Size of circles shows total population, horizontal bars show median values.
Source: Elaborations based on data sources detailed in section "Data processing and measurement".

Migrants' concentration in certain neighbourhoods is visible and rising in many of the cities of the research sample. Migrants' concentration, (which can also be known as "spatial segregation" by income and socio-economic status) characterizes metropolitan areas across the developed world and has been increasing in recent decades (OECD, 2016, "Working Together for Local Integration of Migrants and Refugees," 122). **Yet there are large regional differences in migrant population concentration.** Almost two-thirds of migrants settle in metropolitan, densely populated regions, while only 58% of "native-born" people live in such regions. Capital city regions play a vital role in the integration process of migrants; they record the highest population shares of migrants in the majority of OECD countries. In Europe, non-EU migrants are more concentrated in certain areas than are EU migrants, who face fewer difficulties in obtaining work permits or getting their qualifications and education recognised. While migrants tend to concentrate in urban areas, asylum seekers are more spread across urban-rural areas than are the resident population, mainly due to dispersal ("Working Together for Local Integration of Migrants and Refugees," 28).

A concentration of migrants in certain neighbourhoods impedes integration. In some cities of the sample, housing discomfort and social distress in some specific neighbourhoods overlaps with the migrant concentration. This combination raises segregation risks and related delays in migrant integration. Small and medium urban areas in particular, which represent the majority of cities in the research, perceive spatial segregation as *limited*. This is possibly due to the limited number of migrants hosted in these cities - a median of 14 000 migrants, or 11% of the population, on average, across the cities of the sample. Only one-fourth of the respondents saw "spatial segregation and migrants' concentration in impoverished neighbourhoods" as a high, or very high, unfavourable factor to greater integration. By contrast, spatial segregation is one of the main concerns for the metropolitan cities analysed in the case studies, where migrant presence represents 23% of the population, on average. Three out of the nine large European cities analysed (Athens, Glasgow and Gothenburg) considered segregation as a very high, or highly unfavourable factor to integration. ("Working Together for Local Integration of Migrants and Refugees," 162).

The importance of affordable, and inclusive, housing

The subnational role. On average in the OECD, subnational governments account for a larger share of total public spending than national governments in **housing** (72%). This value rises above 90% in Belgium, Estonia, Norway, Spain and Switzerland. In Belgium, for example, social housing was completely decentralised to the regions in 1980, and involves providers such as municipalities, public companies, foundations, co-operatives and non-profits. The social housing sector has been going through widespread privatisation processes that have reduced subnational government involvement, especially in Central and Eastern Europe ("Making Cities Work for All," 103).

Housing policy alignment across sectors is critical. National and local government policies too often work at cross-purposes, eroding their respective impacts on housing outcomes. National housing strategies often aim to stimulate the housing supply, via direct spending to support new construction or facilitate access to homeownership, regulatory tools (e.g. to require municipalities to build social housing, as in France) or tax incentives (e.g. the United States' Mortgage Interest Deduction). However, local government housing policies tend to impose demand-side constraints on housing supply, for example through restrictive land-use regulations, development controls, or zoning requirements. The combination of those two contradictory approaches results in a sub-optimal use of public resources and rarely leads to positive outcomes. Effective alignment of objectives and tools *across levels of government* is essential to creating a more inclusive, affordable housing market ("Making Cities Work for All," 122).

(4) Inclusive infrastructure and public services

Cities must offer accessible, affordable, and sustainable public transportation

Understanding the combined impact of housing and transport policies is essential to shaping more inclusive cities. Desegregating and connecting social groups to opportunity and public services through effective transport networks is a powerful policy tool for fostering inclusive growth. Disadvantaged communities often have less well-maintained infrastructure – notably roads, lesser access to reliable public transport services, and private cars. For example, in the metropolitan area of Aix-Marseille, France, transport networks have not met increasing travel demand between cities – about 77% of the population living in peri-urban areas (outside of Marseille) has no access to public transport, 14% has limited access, and only 2% has high access (Poelman and Dijkstra, 2014). In the context of Aix-Marseille, the institutional fragmentation of ten different regional transport authorities in the metropolitan area has reinforced inequalities in access to employment (OECD, 2013c, "Making Cities Work for All," 127).

Careful co-ordination of investment needs to take place at the *metropolitan* scale. While housing and transport policies are closely interrelated, simply tackling housing and transport together them does not immediately lead to more inclusive urban outcomes. For example, poorer populations too often find themselves excluded by newer, sustainable, transit-oriented developments (TODs) or development proposals in walkable neighbourhoods, particularly in centrally located areas. Development actors ought to prioritize the metropolitan scale when delivering housing and transport investment to ensure a co-ordinated response to the need for efficiency, affordability and access to opportunity for everyone. While regulatory barriers may drive up the cost of affordable housing development in the core, low access to transport in the periphery could drive up the total “true cost” of housing + transport for poorer households, who get priced out of the core. Strategic and practical civic groups offer a remedy to these challenges: an example is the metropolitan-scale New York and Connecticut Sustainable Communities Consortium, which offers a coordinating platform for housing and transport policy (“Making Cities Work for All,” 129).

Box 5. Illustrative example: A comprehensive approach to urban rehabilitation in Santiago de Chile (Source: “Making Cities Work for All,” 128).

Central Santiago de Chile’s successful regeneration can be attributed to a combination of factors:

1. Santiago de Chile pursued a comprehensive urban regeneration agenda combining investment in housing, mobility, basic services, public spaces, public safety and green areas. The metropolitan region made a strong effort to coordinate housing and mobility investments, prioritising proximity to public transport to guide urban and housing investments. Investment in transport in the central area included the extension of several metro lines and the development of new metro stations. These, from the perspective of developers, were a strong selling point to draw young and middle-class households to the area.
2. The central city of Santiago de Chile relied on a special subsidy for the construction of affordable housing. Chile’s Ministry of Housing and Urban Development (Ministerio de Vivienda y Urbanismo) also provided a grant for first-time homeowners, which was applied to specific urban areas defined as “renewal areas” (Rojas, 2004).
3. There was strong leadership of a multi-stakeholder public-private entity, which even included representatives from different levels of government. The municipality undertook several important urban projects to improve the central area, and also negotiated with private firms to build supermarkets and local public and private services.

Sources: Adapted from OECD (2015h), OECD Territorial Reviews: Valle de México, Mexico, http://dx.doi.org/10.1787/9789264245174-en; Contreras, Y. (2011), “La recuperación urbana y residencial del centro de Santiago: Nuevos habitantes, cambios socioespaciales significativos”, www.scielo.cl/pdf/eure/v37n112/art05.pdf; Paquette, C. (2005). “La reconquête du centre de Santiago du Chili: Un nouveau modèle pour la récupération des centres historiques d’Amérique latine?”; Cámara Chilena de la Construcción (2014), Renovación Urbana en Chile. Éxitos, Desafíos y Oportunidades. Segundo Encuentro Inmobiliario Chile, www.cchc.cl/comunicaciones/noticias/56642 presentacionesiiencuentro-inmobiliario-chile-peru; Rojas, E. (2004), “Volver al centro. La recuperac

Expanding and improving public transport accessibility helps connect all urban residents to better opportunities

Overcoming financial and political constraints is key to building more inclusive urban transportation. While national and local authorities have increasingly incorporated equity goals in their mobility agendas, unintended consequences remain. For one, the availability of funding determines the feasibility of inclusive solutions for urban transport. New York and Toronto, for instance, are working on policies to improve discount fares for economically challenged households. Paris has established a single-price public transport fare by “de-zoning” the annual and monthly Navigo pass across the entire metropolitan area. However, most of the instruments used –from direct discount fares to transportation cost-relief tax credits – bear built-in collateral consequences. Transport cost-relief tax credits, for example, can sometimes increase low-income households’ exposure to financial risks (“Making Cities Work for All,” 130).

Box 6. Illustrative example: Reforms in public bus transportation: Examples in Bogota and Seoul (Source: “Making Cities Work for All,” 132)

Both Bogota (Colombia) and Seoul (Korea) conducted large-scale public transport reforms in the early 2000s. In both cases, ridership was over capacity, lack of regulation prompted a commercially complex environment of multiple service providers, and the maintenance and safety of buses was not always guaranteed. As a consequence, both capital cities took extensive reforms to deeply restructure their services.

- In Colombia, Bogota introduced the TransMilenio system in 2000. The city government built dedicated twin Bus Rapid Transit (BRT) lanes for buses on the side of roads for decongestion purposes. The buses are owned and run by private companies under the jurisdiction of a concession contract.
- In Korea, the Seoul metropolitan government introduced reforms starting in 2004, including BRT corridors, synchronised road and rail public transport, and the natural gas-fuelled buses. Fare and ticketing were integrated throughout the whole public-transport system. In this case, the Seoul metropolitan government also collaborated with private partners under a public-private partnership (Pucher et al., 2005; Allen, 2013).

Both Bogota and Seoul represent successful cases of infrastructure and operational restructuring that contributed to increasing access to public transport, presented as an alternative to private transport, and with the benefits of reduced congestion and more competitive and reliable service. Moreover, both cases are a prime example of how collaboration between private actors and public governments can result in significant achievements, arguably faster and more efficiently than in a one-side approach from either sector.

Sources: Author’s own elaboration based on World Bank (2004), “Transmilenio busway-based mass transit: Bogotá, Colombia”, http://siteresources.worldbank.org/INTURBANTRANSPORT/Resources/Factsheet-TransMilenio.pdf; Clapp, C. et al. (2010), “Cities and carbon market finance: Taking stock of cities’ experience with clean development mechanism (CDM) and joint implementation (JI)”, http://dx.doi.org/10.1787/5km4hv5p1vr7-en; Pucher, J. et al. (2005), “Public transport reforms in Seoul: Innovations motivated by funding crisis”, http://nctr.usf.edu/jpt/pdf/JPT%208-5%20Pucher.pdf; Allen, H. (2013), “Bus reform in Seoul, Republic of Korea”, http://unhabitat.org/wp-content/uploads/2013/06/GRHS.2013.Case.Study.Seoul.Korea.pdf.

Restoring trust through better delivery of public services

Better governance can help to enhance trust and improve citizens’ perceptions of institutional and representative performance. High-quality public services are essential to people’s lives, and as a result closely related to trust. On average, more than two-thirds of country citizens across the OECD are “generally satisfied” with service provision in their local area, for services ranging from healthcare to public transportation and the police. Interestingly, however, people that have used a specific service over the past year report *higher* levels of satisfaction. However, differences in service satisfaction between countries are large. And satisfaction with certain types of civic institutions can be markedly lower overall (e.g. only 49% across OECD countries trust the judicial system). Improving service quality and simplifying access could hence be a channel to improve trust ("Opportunities for All," 176).

Administrative fragmentation reduces the quality of public services in cities

Fragmented metropolitan governance may also contribute to the spatial concentration (and segregation) of places. The Tiebout model links individual location choices with the provision of services by various hyper-local authorities (Tiebout, 1956). Under Tiebout's hypothesis, an administratively fragmented metropolitan area unintentionally *helps* people sort in local jurisdictions that provide the set of services that best fit with residents' preferences and budget constraints. However, different municipalities might not be able to deliver public services of comparable quality, generating disadvantages to people living in the least wealthy ones. In this respect, Jimenez (2014a) analysed the budgetary policy of municipal governments in the United States. He found that in *more fragmented* metropolitan areas there is a suboptimal provision of public services, especially to lower-income people. This relationship may be explained by limited political influence by citizens of the most disadvantaged places and class-based population sorting within metropolitan areas.

Build strategic partnerships across levels of government and across society. Policies for inclusive growth in cities, and especially policies to construct and maintain public services and public infrastructure, must build strategic partnerships across levels of government and across society. Kick-starting collaborative initiatives around tangible projects on key public services can help rally forces at the initial stage and progressively lead to setting a "bigger picture", as success breeds further success and trust. Flagship projects and events can also serve as catalysts for social change and greater civic or neighbourhood engagement. For example, the Marseille, France's "Capital of Culture experience" brought residents and leaders from different government agencies and sectors together in an unprecedented way. In a context of extremely high institutional fragmentation, this project laid a major foundation for the construction of a new metropolitan authority, which became operational in January 2016.

Recommendations

Develop policy solutions that engage different sectors, as well as multiple scales and levels of government

A key message of this paper is that cities have a hand in many of the policy areas that matter for social cohesion and Inclusive Growth, even as many inequalities and challenges take place in urban areas. The paper's analysis section illustrates how inequalities in education, job and labour markets, housing and the built environment, and infrastructure and public services lead to multifaceted and mutually reinforcing inequalities that compound. Policy responses must therefore be similarly multifaceted, engaging not just multiple policy issues but multiple sectors, scales, and levels of government.

Build on the OECD's "Framework for Policy Action on Inclusive Growth":

The OECD's "Framework for Policy Action on Inclusive Growth" helps governments maintain and share the benefits from equitable economic growth. Supported by a dashboard of indicators to monitor trends, the Framework identifies possible policy responses that can improve social equity and inclusion outcomes. The framework is not prescriptive and does not propose a "one-size-fits-all" approach. The value of specific policy solutions will be context-driven; indeed, it may change with countries' circumstances and priorities. The framework is meant to help countries assess their policy choices against their ability to promote equality of opportunities, social cohesion, and inclusion. It can help governments consider ex-ante equity issues as they design policies. Policies for growth and inclusion need to be constructed through an appropriate governance system that considers the level of complementarity between policy instruments at a granular level, as opposed to an aggregate level that may mask those complementarities.

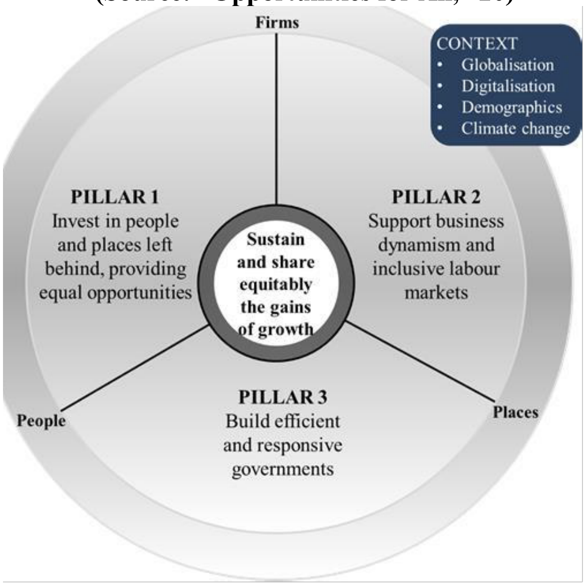
The Framework highlights three key dynamics for which policy solutions can spark complementarities ("Opportunities for All," 19):

(1) ***Invest in people and places that have been left behind*** through (i) targeted quality childcare, early education and life-long acquisition of skills; (ii) effective access to quality healthcare services, education, justice, housing and infrastructures; and (iii) optimal natural resource management for sustainable growth.

(2) ***Support business dynamism and inclusive labour markets*** through (i) broad-based innovation, fast and deep technology diffusion; (ii) strong competition and vibrant entrepreneurship; (ii) access to good quality jobs, especially for women and under-represented groups; and (iv) resilience and adaptation to the future of work.

(3) ***Build efficient and responsive governments*** through (i) aligned policy packages across the whole of government; (ii) integration of equity aspects upfront in the design of policy; and (iii) inclusive policy-making, integrity, accountability and international coordination.

Figure 7. The Framework for Policy Action on Inclusive Growth (Source: "Opportunities for All," 20)



Source: OECD Secretariat

National governments need to focus squarely on urban perspectives with a dedicated "urban lens" to policy

National and city governments should identify and explore synergies between policy approaches and actions that can be carried out at the national level – within a "National Urban Policy" framework. In previous OECD research and analysis, such a framework has been built along five main pillars (money, place, people, connections, institutions); actions that can be carried out at the city level – including those outlined in the four domains put forward by *the New York Proposal for Inclusive Growth in Cities*. Above all, national and city administrations must align their objectives towards a shared vision of what needs to be done in cities ("Making Cities Work for All," 101).

The key to pursuing more inclusive growth in cities is often at the metropolitan scale. Many large cities in OECD countries work together by setting up metropolitan governance structures that focus on joint strategic planning and policy development, for example in land use, transport, housing and economic development. Such metropolitan authorities are either directly elected (Greater London Authority, Portland Metro, Verband Region Stuttgart, Métropole Aix-Marseille-Provence) or not elected (Àrea Metropolitana de Barcelona, the Communauté Métropolitaine de Montréal, Metro Vancouver, Metropolitan Region Rotterdam-The Hague). While they differ in terms of legal status, financing, responsibilities, and staff size, metropolitan governance authorities play a key role in advancing both growth and inclusion, providing a dedicated and consolidated "urban policy voice" for metro regions ("Making Cities Work for All," 104).

National and subnational governments must ensure their objectives are aligned

Governments at different levels must share, financially, responsibility for policy areas. The fact that there is a *de facto* coexistence of policy mandates at national and city level is reflected in the distribution of spending responsibilities across levels of government in policy fields ("transport," "spatial planning," "water provision") that are central to social cohesion and inclusive growth. Cities, regions, territories, and national governments often overlap on policy field mandates and must *work together* to ensure financial synergy with programs and policies ("Making Cities Work for All," 102).

Governments at national and metropolitan levels must understand, compare, priorities for urban policy. Recent OECD research from the OECD Regional Outlook Survey and the OECD Metropolitan Governance Survey (2016) rank government entities' *top policy priorities* for 25 countries reporting on the importance of each priority in their urban development policy efforts on a scale of 1 (not important) to 5 (extremely important). *National* governments rank urban transport (84%), economic development (72%), and "systems of cities" (68%) as top priorities. Metropolitan governments rank regional development (81%), transport (77%), and spatial planning (68%) as top priorities. Governing entities ought to *know each other's* top policy priorities, financial, strategic, and otherwise, and strategize accordingly ("Making Cities Work for All," 102).

Governments must consider an "integrated territorial development" approach that advances rural-urban linkages. Urban and rural areas enjoy different, often complementary assets, and better integration between these areas is important for socio-economic performance. Potential linkages include demographic, labour, public services, and environmental connections. Local governments alone cannot manage these interactions, in both urban and rural populations. Urban and rural territories are interconnected through varying linkages that cross traditional administrative boundaries. Effective rural-urban partnerships can help attain economic development objectives for both zones. Governments ought to encourage integration of urban and rural policies, by working towards a common national agenda. National government should encourage more integration across policy sectors, such as agricultural and regional development policy ("OECD, Rural-Urban Linkages," 2018, http://www.oecd.org/cfe/regional-policy/rural-urban-linkages.htm).

Support, engage, and elevate the voice of Mayors and local government leaders in the global Inclusive Growth agenda. Mayors, particularly in challenging contexts, are leading by making bold policy choices around social cohesion and inclusive growth. Stakeholders across sectors from around the world can support and engage these mayors and follow their lead. The OECD, through its Champion Mayors for Inclusive Growth initiative, and institutional partners including the Ford Foundation, the Brookings Institution, Cities Alliance, C40 Cities Climate Leadership Group, ICLEI, the National League of Cities, UCLG, and United Way Worldwide, are working together to highlight the efforts and commitment of Champion Mayors and institutional partners. This initiative:

- Facilitates the exchange of best practices among city governments, as well as other stakeholders from the non-profit, private, civil society, and philanthropic sectors to tackle inequalities across a range of dimensions. Exchanges occur through regular meetings of Champion Mayors, thematic policy dialogues, technical-level webinars, and a knowledge-sharing web platform.
- Continues to develop the evidence base about social cohesion and inclusive growth, including mixed methods survey research about cities' innovation capacity and synergies between cities' climate change financing strategies and inclusive growth outcomes. Evidence includes both data and indicators to measure the multidimensional nature of urban inequalities, as well as the most effective policy solutions in a number of policy domains to advance good social cohesion and Inclusive Growth.
- Provides targeted support to cities so that they can implement, monitor and evaluate their own Inclusive Growth policies, programmes and agendas ("Paris Action Plan for Inclusive Growth in Cities," 5).

Cities must ensure policy goals and issues are coordinated across the four-pillar Inclusive Growth framework

Cities' bold policy interventions—for example cities' climate change policies that aim to reduce greenhouse gas emissions—have a range of economic consequences, intended and unintended, and these interventions can result in trade-offs between policy objectives. These policies require the reallocation of resources between economic activities. Taking climate change action as an example, some communities will be particularly affected by a low-carbon society, and policies need to be implemented to address these losses and help these communities transition towards more sustainable activities. Effectively implementing policies to address the multidimensional challenges of climate change, social cohesion, inclusive growth, and others will require concrete actions to align policy objectives at all levels of government. Implementation will also require alignment across different sectors, such as transport, housing, water and energy, and across different policy areas such as land-use planning, innovation, labour market and skills, entrepreneurship, social inclusion, taxes, infrastructure and investment. Strong co-ordination will be needed to promote the contributions from and benefits to all people, places and firms ("Seoul Implementation Agenda," 3). Cities ought to diagnose the policy misalignments across sectors and levels of governments that may exist to address competing objectives, for example both climate change and inclusive growth objectives ("Seoul Implementation Agenda," 5).

Box 7. Illustrative example: Implementing an inclusive growth agenda will require intra- and cross-city coordination and agile, multidimensional policymaking (Source: "Seoul Implementation Agenda," 4)

Smart commitments across the policy areas to implement the inclusive growth framework will enable city coordination and successful policy responses. Such commitments include:

- **People-centred policymaking.** Cities will cement their commitment to social cohesion and Inclusive Growth by putting people at the centre of policy planning, design and implementation. This means incorporating residents and other stakeholders in policymaking processes and working with residents to build the skills and knowledge needed to make informed decisions.
- **Mutually reinforcing actions.** Champion Mayors will work to promote policies to address inequalities that are mutually reinforcing. This means, for instance, ensuring that they ought to seize the opportunities created by the climate challenge to adopt a more sustainable and more inclusive growth model, advance adaptation strategies to protect people – and especially the most vulnerable – from climate impacts.
- **A level playing field**. We will work to ensure that firms of all sizes are equipped to contribute to more inclusive and sustainable economic growth. This means doing our part to support the development of conducive local ecosystems, which ease access of small businesses to strategic resources, including skills, services, markets, infrastructure and knowledge networks.

In public policies, national governments must consider context-specific local needs (local autonomy, not one-size-fits-all)

National policies, for example in policy areas like housing, must be flexible; cities need to be given more freedom and resources to respond to their particular circumstances. Regions, cities, towns, and villages have particular policy needs and contexts that require a flexible, localised response. In the realm of housing, for instance, local governments can integrate housing policy objectives within urban planning responsibilities to support sustainable urban development. Local governments influence public and private housing markets through development control decisions, have strong connections to the community, and are well positioned to facilitate a "whole-of-government" approach to housing outcomes. Local authorities can formulate 'local housing strategies' incorporating an analysis of local housing supply, expected demand, expected social and demographic trends, market conditions, and recommendations for planning processes, land use plans, and development regulations ("Opportunities for All," 148-149).

Decentralisation reforms can be beneficial, for example to productivity growth and social cohesion, but their ultimate effect depends on the broader policy environment. Decentralisation reforms have been implemented in nations, territories, regions, and cities for many reasons, including to improve the efficiency and quality of public services, and to enhance productivity and growth. OECD evidence suggests indeed that decentralisation and growth are positively correlated. For example, a 10 percentage point increase in the subnational tax revenue share is associated with about a 2% higher GDP per capita in the long run, all else equal. At the same time, decentralisation is associated with somewhat higher inequality (OECD, "Decentralisation and Inclusive Growth," 2018). Overall, the effect of decentralisation on growth depends on the broader policy environment, the quality of the decentralisation institutional framework within which subnational governments operate, and other elements of the context. The OECD has developed a list of guidelines that help make decentralisation work, based on practical experience from countries OECD Decentralisation and Inclusive Growth, 2018 ("Opportunities for All," 195).

Do not blindly pursue fiscal equalisation. While fiscal equalisation schemes at the national and metropolitan levels provide a powerful tool to help cities spread the fruits of growth outward and inward (for example, from frontier urban areas towards the rest of the country, and even within less advantages areas of cities themselves), structural policies must effectively supplement fiscal policy to expand urban residents' life opportunities. In other words, redistributing money spatially and among different social groups may alleviate inequality, but fails to transform the engines of growth itself. Of course, no single policy or actor can achieve alone the transformations required to make growth more inclusive and social cohesion more fundamental, improving people's lives in cities. Co-ordination across levels of government in structural policies, and notably in terms of public investment, is crucial for ensuring effective outcomes. Such investments ought to be targeted across the four pillars of the inclusive growth framework, as outlined in this paper's analysis section: education, jobs and labour markets, housing and the urban environment, and infrastructure and public services ("Making Cities Work for All," 100).