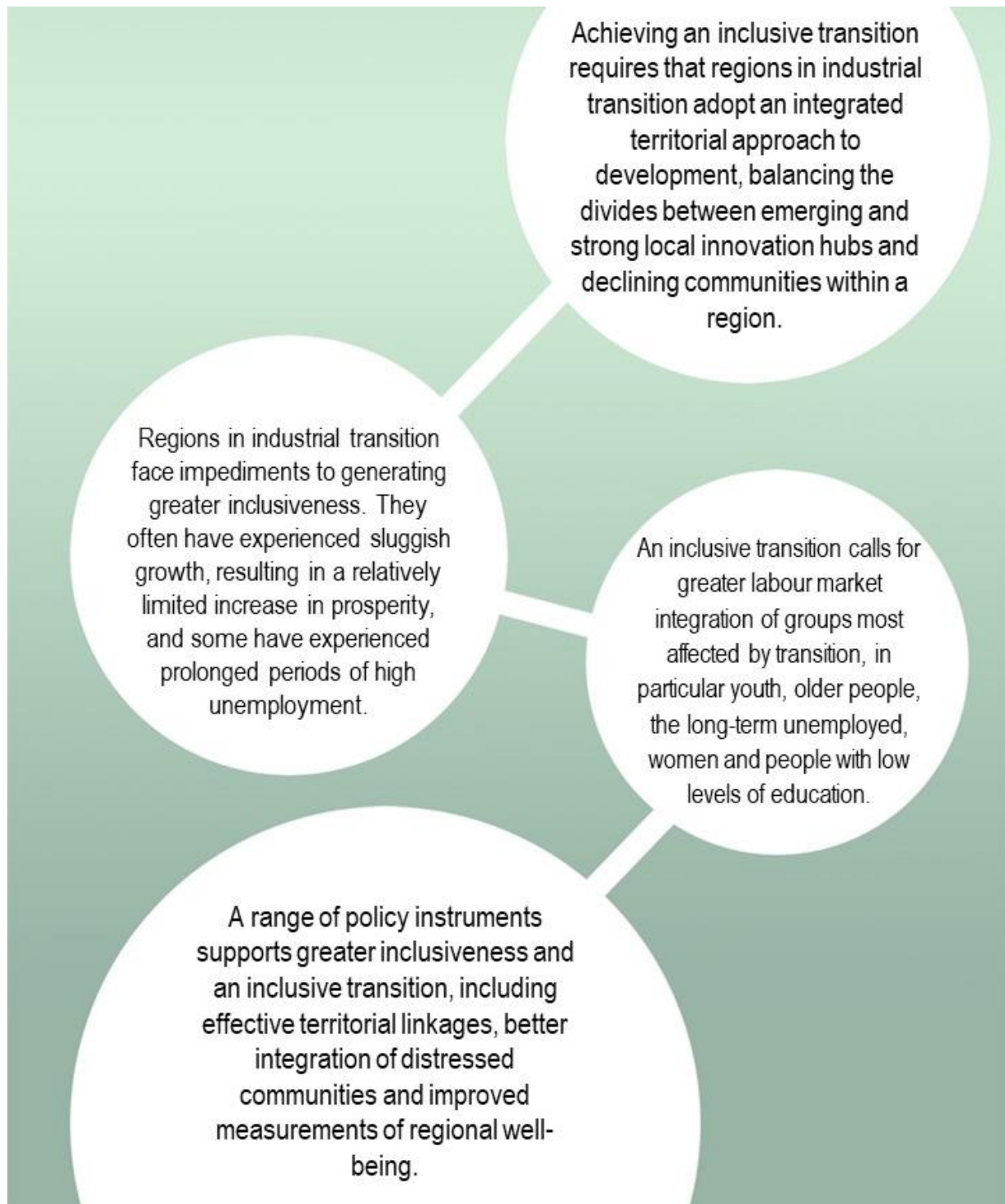


6 Promoting inclusive growth

Promoting and sustaining inclusive growth is a pre-condition for a fair and inclusive industrial transition. This chapter assesses how adopting an integrated territorial approach to economic development and enhancing individual well-being and labour market inclusion can help regions in industrial transition overcome obstacles to inclusive growth. The chapter points out that less advantaged areas – those that might have been prosperous prior to industrial decline – must solidify ties with those that are now growing. It also highlights that vulnerable groups need to better integrate into the labour market. The chapter further explores how improved urban-rural linkages, better (digital) connectivity, dedicated support for vulnerable groups in transition and stronger coherence in promoting inclusive growth policies can support regions in industrial transition mitigate the effects of slow growth and high unemployment.

Infographic 5. Key messages: Promoting inclusive growth



Adopting an integrated territorial approach helps ensure an inclusive transition

Inclusive growth contributes to an individual's quality of life and their capacity to actively contribute to societal progress. The OECD has identified two fundamental dimensions to inclusive growth that are particularly relevant to regions in industrial transition. One is the importance of adopting a territorial approach to development that ensures spill-overs from thriving to left-behind places. The second is to facilitate industrial transition for vulnerable groups and those most affected by industrial change with appropriate labour market and skills policies.

Prosperity is not shared equally across regions or cities, and large economic divides can persist between lagging territories and those that are drivers of growth. For regions in industrial transition, one of the core challenges is to ensure that the places that once drove regional prosperity and then experienced a decline due to a loss of industry or industrial productivity will be able to benefit from new and emerging economic activity within the region. Left unaddressed, this challenge could weaken social cohesion, increase economic vulnerability and limit social mobility and equality of opportunities. Confronted with such territorial inequalities, regions in industrial transition must ensure an inclusive transition, one that helps lagging areas catch up with more dynamic ones, while also improving quality of life in the territory. For all places, economic growth needs to translate into better living conditions for residents.

A policy approach focused on inclusive growth is essential to avoid further labour market polarisation in regions in industrial transition

Labour market polarisation can hinder productivity growth and erode employment stability for workers. Low incomes and high unemployment rates, especially when combined with long-term joblessness, inevitably create economic hardship for affected segments of society. However, the impact goes beyond simple monetary conditions. Unemployment, low income and a lack of opportunities can also generate mental and physical health problems (Strully, 2009; Martikainen and Valkonen, 1996).

The experience of some regions in industrial transition indicates that active labour market policies, such as increased flexibility in employment relationships and the modernisation of employment services, are underway. However, considerable efforts are needed to cope with rising polarisation of regional labour markets. Unemployment, and especially long-term unemployment resulting from a decline in traditional manufacturing, is increasing the risk of social exclusion, poverty and inequality in some regions in industrial transition. It is important to ensure good conditions and opportunities for people living in these regions or thinking of living there, which in turn will enhance a smooth transition and support sustainable and inclusive development.

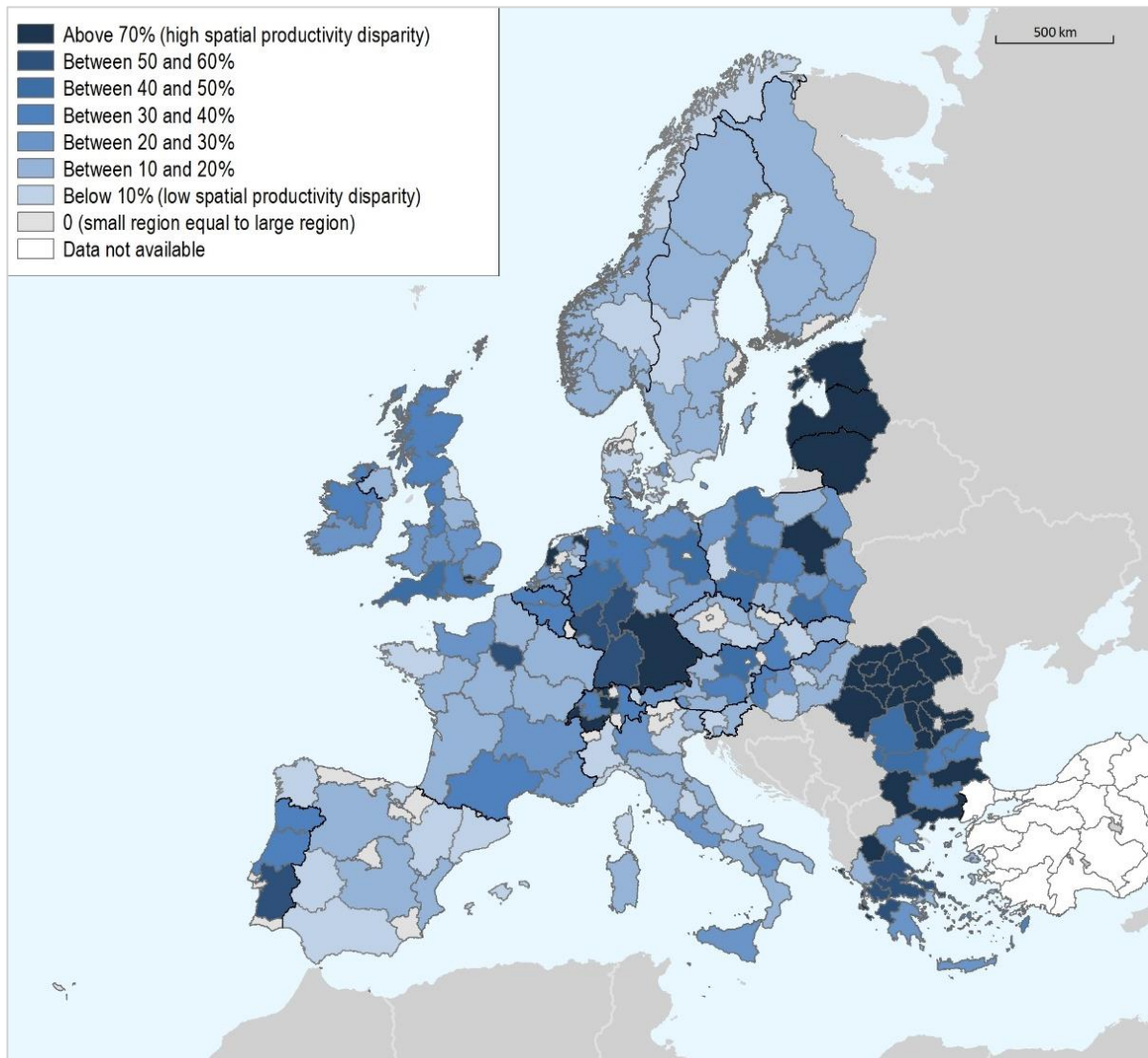
Territorial linkages can reduce polarisation and promote economic growth everywhere

Productivity and economic wealth have a strong spatial dimension. Large spatial disparities in productivity remain within the same large (TL2) region (Figure 6.1). Regions in industrial transition often experience low gross domestic product (GDP) growth and productivity and are characterised by large spatial disparities in productivity and well-being.

Average productivity in cities is higher than in other places. This is because advanced service sectors are more concentrated in urban economies and their workforce consists of a greater proportion of highly educated and skilled individuals who tend to be more productive. Productivity benefits – so-called “agglomeration benefits” – arise in larger or more densely populated cities and stem from learning and knowledge spill-overs, specialisation opportunities and deep labour markets (OECD, 2015a; Ahrend et al., 2017).

Figure 6.1. Large spatial differences in productivity persist within the same large (TL) region

Percentage difference in labour productivity of small regions inside large regions, 2015



Note: The map shows the percentage difference in labour productivity of the 20% highest small (TL3) region with respect to the 20% lowest TL3 region inside the same large (TL2) region. The GDP per worker of the top (bottom) 20% of TL3 regions are defined as those with the highest (lowest) GDP per worker until the equivalent of 20% of national employment is reached.

Source: OECD (2018d), *OECD Regional Statistics (database)*, <http://dx.doi.org/10.1787/region-data-en>.

While rural areas are, on average, significantly less productive than urban ones, connecting rural places to cities can reduce polarisation and promote economic growth. As different places have different assets, there are often complementarities at the basis of urban-rural linkages that can be beneficial for both types of areas. Therefore, ensuring that the potential offered by spatial linkages is fully utilised can enhance productivity and reduce spatial disparities.

What challenges and opportunities do regions in industrial transition face in promoting inclusive growth?

Regions in industrial transition are often confronted with job polarisation and intra-regional divides in access to highly qualified workers, good (digital) infrastructure and high-quality jobs. As a result, these regions can be home to companies with a high share of well-qualified workers, good digital infrastructure and a priority to train employees. At the same time, they often also host companies with a low share of highly qualified workers, poor digital infrastructure and no priority to train employees.

One of the reasons for such polarisation is the increasing gap in education and skills. New technology does not inevitably reduce the overall demand for labour but demand has been shifting to different kinds of work. In this context, employment “polarises” relatively high-skill, high-wage jobs from low-skill, low-wage jobs (see also Chapter 2, Figure 2.2). Coping with increased job polarisation provides an opportunity for inclusive growth. A policy directed towards the inclusion of low-skilled people helps increase the employment rate, lowers relative in-work poverty and contributes to reintegrating laid-off workers back into the labour market.

An inclusive transition requires more support for the labour market integration of vulnerable groups

In order to successfully manage transition, a region’s workforce needs the appropriate education levels to increase the share of high-skilled workers. Regions in industrial transition tend to face higher-than-average levels of youth unemployment. Across the OECD, disparities in unemployment rates persist and these are generally much higher for youth unemployment than for total unemployment (Figure 6.2). Youth unemployment and long-term unemployment more generally are sources of exclusion from the labour market and society. Unemployment increases the risk of skills degradation, which further reduces employability. Making sure that youth are able to participate in the labour market and earn their own income is an essential component of inclusive growth. Giving young people the skills and tools to find a job is not only good for their own prospects and self-esteem but is also good for economic growth, social cohesion and widespread well-being.

Industrial decline is often spatially concentrated

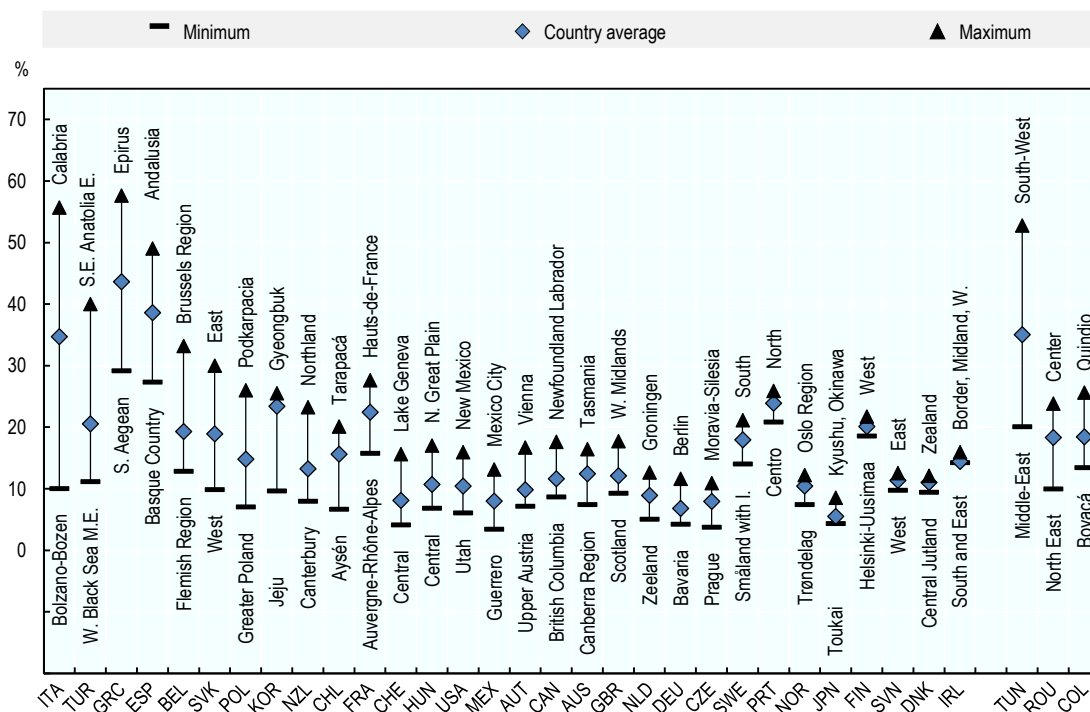
Industrial decline is often geographically concentrated and new jobs are not necessarily located in the same areas as the industries that are declining. Resulting decreases in competitiveness can be compounded if laid-off workers leave to look for employment elsewhere. The connected developments on regional demographics and fiscal capacity can potentially lead to a decline in public services, such as in education, health and social services.

In regions in industrial transition, peri-urban areas with mixed land use and a transitional status between urban and rural have often been affected by a decline in local industrial activity, leaving these places less prosperous than in past moments in time. At the same time, peri-urban areas are often characterised by fast-growing infrastructure facilities, large green areas and lower land prices compared to the city. Future development of these areas requires strengthening their local potential and stimulating new economic activity.

Furthermore, the divide between lagging and prosperous places can be aggravated by an urban-rural divide. The OECD has found that regions closer to cities – and especially to larger cities – have grown faster in terms of GDP per capita than their more remote counterparts. The higher productivity is due to agglomeration benefits, which account for about half of the productivity advantage of cities.

Figure 6.2. Disparities in youth unemployment remain across regions

Regional youth unemployment as a share of national average, 2017



Note: The youth unemployment ratio is defined as people unemployed between 15 and 24 years old over the labour force of the same class of age. Last available year: Australia, Chile, Colombia, Korea, Mexico and New Zealand, 2016; Japan, 2015; Tunisia, 2014.

Source: OECD (2018d), *OECD Regional Statistics (database)*, <http://dx.doi.org/10.1787/region-data-en>.

Co-ordinating inclusive growth objectives and strategies is often a challenge

Successfully managing industrial transition requires strong partnerships, be they among government bodies, with the private sector, civil society, non-governmental organisations (NGOs), communities, etc. Securing these partnerships, however, can prove challenging and an incentive structure is often necessary. Ensuring that priorities are well-aligned is fundamental but potentially difficult, as is ensuring that responsibilities are clearly articulated and accepted by each party. Structures that rely on volunteer participation may confront slow uptake by potential partners. In all of these cases, financial incentives may help encourage collaboration; other approaches are also available.

How can policy (better) support inclusive growth?

Three strategies may be particularly valuable for promoting inclusive growth in regions in industrial transition: i) pursuing a policy approach that includes active support of vulnerable groups in the labour market; ii) adopting an integrated territorial approach and fostering linkages between different places to promote more inclusive development across and within regions; (iii) strengthening coherence in inclusive growth governance.

Reducing labour market polarisation as a factor for inclusiveness

The widespread nature of labour market polarisation in regions in industrial transition suggests that there is a clear need for policy instruments that can smooth the transition process for workers. Integrating vulnerable populations into the labour market through education and skills policies, targeted entrepreneurship programming or other active labour market initiatives can generate inclusive employment opportunities and lower the risk of falling into precarious employment. To enhance quality of life, strengthening labour market inclusion, raising educational attainment and supporting life-long learning as well as skill acquisition can help (Table 6.1).

Table 6.1. Regional well-being: Policy issues, instruments and rationales

Policy issue	Policy response	Potential suite of implementation mechanism	Rationale/additional benefits
Strengthening regional well-being and reducing labour market polarisation	Integrate vulnerable populations into the labour market	<ul style="list-style-type: none"> • Support disadvantaged groups (long-term unemployed, women, youth) through career guidance and retraining schemes 	Generates inclusive employment opportunities
			Increases productivity
	Develop and implement a regional-level well-being framework	<ul style="list-style-type: none"> • Development of regional measures of material well-being and quality of life • Engaging in civil society and academia to define well-being measures 	Greater well-being outcomes

Integrating vulnerable populations into the labour market

Youth employability requires a comprehensive and forward-looking skills strategy. For regions in industrial transition, this means strengthening the role and effectiveness of vocational education and training (VET) and better integrating low-skilled youth into the labour market. In order to improve the employment prospects of its unemployed youth, Slovenia has introduced a target-counselling programme to reduce secondary school drop-out rates (Box 6.1).

Box 6.1. Addressing youth unemployment in Slovenia

Slovenia established an integrated, preventative and individualised counselling programme for students who have dropped out of secondary school or are at risk of doing so. It tailors certain education components to their needs and provides opportunities for students to train and work in areas in which they can excel. This is at once highly motivating while also offering the opportunity to develop marketable skills.

Source: OECD (2018e), "Peer Learning in Regions in industrial transition Workshops: Inclusive Growth", Proceedings Paper for Peer Learning Workshop 5 "Inclusive Growth", OECD, Paris, Unpublished.

Regions in industrial transition, like other regions, are also struggling with a gender gap in employment. Employed women tend to work in lower-quality jobs and in conditions that are more vulnerable. From an economic perspective, reducing gender gaps in labour force participation could substantially boost productivity.

A diverse range of policy measures exists to overcome barriers to gender equality. These include programmes aimed at encouraging girls and young women to pursue studies and careers in science,

technology, engineering and mathematics (STEM). Other programmes support access to early childhood education and care for women. Some policies focus on closing the gender wage gap and promoting gender balance on boards and in senior management (OECD, 2017). Industrial transition can provide a welcome opportunity to support gender equality through new job creation, especially if skills and education systems promote gender balance. Actively integrating gender considerations in regional development strategies, an approach taken in North Middle Sweden, is critical to accomplish this (Box 6.2).

Box 6.2. Building gender inclusiveness in North Middle Sweden

North Middle Sweden is participating in a national campaign to integrate gender into regional development strategies. The initiative is based on four pillars: i) incorporating gender into policy documents; ii) gender mapping to identify gender inequality in the region with respect to development issues, for example the use of regional development funds; iii) female entrepreneurship; and iv) including a gender perspective in programme planning and implementation. North Middle Sweden focuses on the first, second and fourth areas, creating an action plan with specific interventions. For example, a gender equity assessment is included when considering project funding and actively building evidence bases to generate gender statistics that can further support gender-sensitive programming and policy.

Source: North Middle Sweden (2018), "North Middle Sweden", PowerPoint Presentation for the Peer Learning in Regions in Industrial Transition Workshop "Inclusive Growth", 28-29 June 2018, Tällberg, Sweden, Unpublished.

Workers in regions in industrial transition risk long-term unemployment. Apart from the emotional and material stress on workers and their families that is associated with this, high rates of long-term unemployment indicate structural obstacles that need to be overcome. High-quality education and training systems provide life-long learning opportunities. Skills profiling, retraining and counselling help avoid long-term unemployment. Across the OECD, workforce groups at greater risk of labour market disadvantage, such as women and the older population, receive even less training, both formal and informal, than the ones at lower risk, compounding their disadvantage (OECD, 2018a). Regions in industrial transition need to ensure vulnerable groups are supported through well-targeted training measures and comprehensive support provision. Saxony's Tandem programme takes a comprehensive, family-based approach to supporting labour market integration and, in Wallonia, the Self-Employment Support Structures (SAACE) are offering support to individual job seekers who wish to be self-employed (Box 6.3).

Box 6.3. Labour market policies to integrate long-term unemployed and supporting self-employment

Tandem: Taking a family-based approach to labour market integration in Saxony

Saxony's Tandem programme supports labour market integration of long-term unemployed by working with the entire family unit for 12 to 18 months. The programme seeks to ensure: i) employment for at least one parent; ii) assistance for school-age children; iii) increased social competencies and practical life capabilities; iv) solidarity and well-being in the family unit. To accomplish its aims, it offers training and education opportunities for long-term unemployed adults (parents and single parents) to promote better social and professional participation. It also offers practical and educational support the household's children. Interdisciplinary counselling teams composed of specialists (generally social workers and psychologists) help stabilise the family by taking a holistic approach to supporting a return

to employment. The programme connects job centres and youth welfare offices to offer assistance services.

SAACE: Supporting self-employment in Wallonia

Wallonia's Self-Employment Support Structures (SAACE) offers individual support to jobseekers wishing to establish their own business or take over an existing one. The SAACE offer pedagogical, legal and financial support to set up a project, test the project before entering the market, obtain financing and receive legal protection. Twelve structures are currently approved and funded by the Walloon government, offering job seekers free coaching for a maximum of 24 months. Nine of the twelve offer a test of the project prior to launch or the possibility to host the activity in order to validate economic viability. By 2017, 611 companies were created with the help of a SAACE, more than 5 800 people were welcomed, 2 200 people were supported in the trial phase of their initiative and almost 740 people have tested their activity. Interestingly, the structures welcome more women (about 60% of all beneficiaries).

Sources: OECD (2018e), "Peer Learning in Regions in industrial transition Workshops: Inclusive Growth", Proceedings Paper for Peer Learning Workshop 5 "Inclusive Growth", OECD, Paris, Unpublished; Saxony (2018), "Saxony", PowerPoint Presentation for the Peer Learning in Regions in Industrial Transition Workshop "Inclusive Growth", 28-29 June 2018, Tällberg, Sweden, Unpublished; Wallonia (2018), "Peer Learning in Regions in industrial transition Workshops Good Practice Template", Self-employment Support Structures (SAACE), Prepared for the Peer Learning in Regions in Industrial Transition Workshop "Inclusive Growth", 28-29 June 2018, Tällberg, Sweden, Unpublished.

Policy interventions should encompass maintaining low-skilled people in the labour market and supporting a transition from low-wage jobs to middle- or high-wage jobs, in particular through training and education (Breemersch, Damijan and Konings, 2017). Keeping low-skilled workers in the labour market helps mitigate discouragement and labour market inactivity. Long-term employment policies, however, have to go beyond quick placements and provide training to ensure sustainable transition that enhances people's productivity potential and thereby their labour market security. The inclusion of vulnerable groups in the labour market should be accompanied by social inclusion mechanisms such as income maintenance schemes. These schemes can help reduce poverty arising from involuntary unemployment or transitory inactivity because they guarantee basic income security.

Strengthening regional well-being

The integration of disadvantaged and under-represented groups into the labour market has to be part of larger efforts to strengthen the well-being of all citizens during periods of industrial modernisation. The OECD Regional Well-being framework (OECD, 2015b) has identified 11 dimensions that are highly relevant for overall quality of life, divided into:

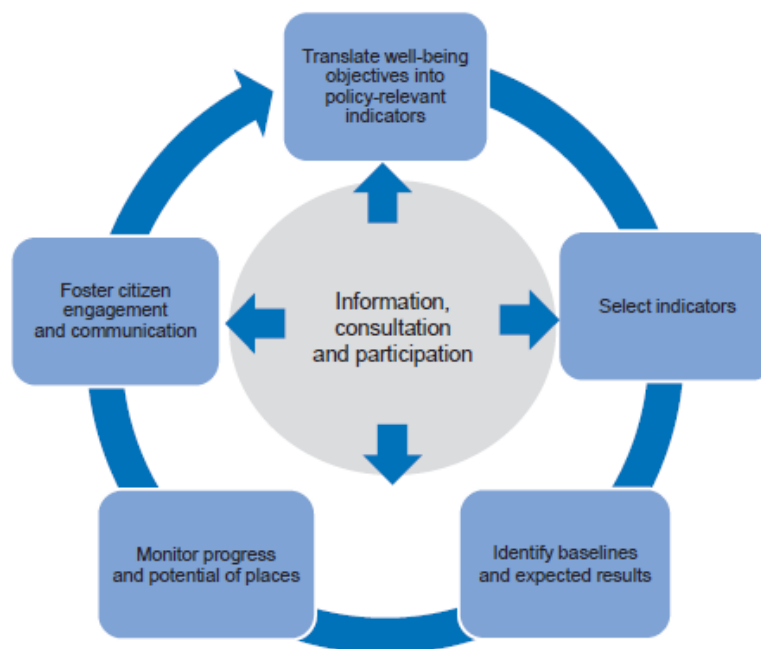
- *Material well-being*: jobs, income, housing.
- *Quality of life*: education, health, civic engagement, safety, access to services, environment, sense of community and life satisfaction.

Most factors that directly affect individual well-being are determined locally, often by decisions of subnational governments, and thus should be assessed at the subnational level. Well-being outcome indicators represent a strategic tool for regions that want to assess and improve policy results. Evaluating whether and to what extent changes in well-being outcomes are directly attributable to a given policy or derive from other factors is challenging. It is even more complex at the regional and local levels, where policies from different levels of government intersect. Well-being indicators can enhance coherence across policies by promoting a better understanding of trade-offs and synergies among the different well-being dimensions. Regions and cities thus need to design and articulate a "well-being strategy" around three building blocks:

1. *Developing a regional well-being metric that captures people's daily experience*: Embracing individual and territorial characteristics, through both material and non-material dimensions of well-being, focusing on outcomes rather than inputs or outputs, taking into consideration the distribution of well-being across territories and across different groups, and assessing regional sustainability and resilience over time.
2. *Exploiting complementarities across different dimensions of well-being*: Clarifying responsibilities across and within different levels of government and different groups of stakeholders, increasing co-ordination among policies and managing possible trade-offs while maximising synergies.
3. *Encouraging citizens to adapt well-being measurement to their needs*: Mobilising citizens in an early and continuous participative process to collectively identify the dimensions that matter most to the community, provide input for prioritising policy interventions and monitor progress towards the anticipated results, thereby increasing the legitimacy and effectiveness of the regional well-being strategy.

The successful design and implementation of regional well-being strategies based on these building blocks depends on a sequential process within a cycle of continuous information exchange, consultation and participation among different stakeholders (Figure 6.3).

Figure 6.3. Regional well-being measurement cycle: A possible sequencing of steps



Source: OECD (2018c), "OECD Experience on Pursuing Inclusive Growth in Regions in industrial transition", *Scoping Paper for Peer Learning Workshop*, Tällberg, 28-29 June, OECD, Paris, Unpublished.

Southern Denmark's experience exemplifies many of the key points highlighted in the OECD's work on regional well-being and illustrates how ensuring citizen well-being can be a driving force in a region's development policy (Box 6.4).

Box 6.4. Making well-being an integral part of a region's development policy in Southern Denmark

The Southern Denmark Regional Council's regional growth and development strategy seeks to create the necessary conditions for a “good life”, with well-being as its guiding principle. The strategy lays out three aspirations for the region – to be active, attractive and productive – and six “paths” to guide regional projects and initiatives: knowledge, people with potential, business development, green opportunities, vibrant urban regions and strong connections. To implement the strategy, partnerships with all levels of government were vital. Three formal agreements were signed in order to facilitate collaboration and support implementation: i) a political agreement on central matters (qualified labour force, good life locally, city/region development and work across borders in city regions); ii) city-region development agreements to support area-specific challenges and opportunities; and iii) a political co-ordination committee to ensure co-ordinated regional and municipal strategies.

Source: Lundström, J. (2018), “Measuring Good Life in Southern Denmark: Using Well-being Indicators for Policy-Making”, PowerPoint Presentation for the Peer Learning in Regions in Industrial Transition Workshop “Inclusive Growth”, 28-29 June 2018, Tällberg, Sweden, Unpublished.

Overcoming regional disparities through territorial linkages

How economic activity spreads within and across neighbouring areas is an important aspect of inclusive growth for regions in industrial transition. Large gaps in economic activity can lead to significant variety in income per capita, productivity and prosperity. Large cities are often at the core of spatial disparities as they are, on average, more productive and prosperous than other types of areas. There are a number of ways to make the most of such linkages, including territorial co-operation and ensuring digital connectivity (Table 6.2).

Table 6.2. Territorial linkages: Policy issues, instruments and rationales

Policy issue	Policy response	Potential suite of implementation mechanism	Rationale/additional benefits
Spatial discrepancies and territorial linkages	Encourage territorial co-operation through rural-urban partnerships	<ul style="list-style-type: none"> Infrastructure (road networks, trains) Supply chains (e.g. agro-industry), links between small- and medium-sized enterprises (SMEs) and universities and/or research centres 	Utilises urban/rural complementarities and supports regional development
			Extends the benefits of agglomeration economies/increases GDP
	Ensure digital connectivity and digital services in remote regions	<ul style="list-style-type: none"> Information and communication technology (ICT) investments, virtual delivery of public services in rural areas 	Stimulates investments in digital technologies

Linking areas to capitalise on agglomeration economies

Supporting co-operation between different types of areas within a region can help support the development of its lagging areas. For example, rural areas have a series of resources that are also essential for urban areas, including natural resources (agricultural products, water or sources of renewable energies), greenfield spaces (to establish new economic activities and accommodate pressure from urbanisation), ecosystem services (e.g. air quality, waste disposal, preservation of biodiversity, etc.) and rural amenities

for residential and recreational purposes. Furthermore, low-density areas – well connected to urban ones – can be an appropriate environment for locating manufacturing (Glaeser and Kohlhase, 2004).

Public infrastructure linking more distant areas to cities is one tool that can help areas further away from an urban centre “borrow” a city’s agglomeration economy and the impact can be significant. In Germany, medium-sized towns that received new stops on the high-speed rail route between Cologne and Frankfurt significantly benefitted from access to those two large cities (Ahlfeldt and Feddersen, 2018). The improved accessibility led to an increase in GDP of approximately 8.5% and raised labour productivity by 3.8% within 6 years in counties where an intermediate stop on the rail connection was opened. In addition, smaller cities can also “borrow” agglomeration from neighbouring cities: for a doubling of the population living at a given distance in urban agglomerations within a 300-kilometre radius around a city, the productivity of the city in the centre increases by 1%-1.5% (Ahrend et al., 2017).

Enhancing rural-urban linkages

As engines of economic development, urban areas concentrate resources relevant for the liveability and the prosperity of rural and remote areas such as universities, most jobs in advanced services and capital flows, as well as financial institutions. Furthermore, urban areas offer large markets, benefit from agglomeration economies and concentrate political and administrative capacity (OECD, 2015a). Appropriate partnerships between urban and rural areas help rural and remote areas access urban benefits (Table 6.3). They can also help regions in industrial transition boost competitiveness in remote areas while also addressing policy challenges such as depopulation and declining access to basic services.

Table 6.3. Policy challenges addressed by rural-urban partnerships by type of urban-rural interaction

Type of urban-rural linkage	Subtype	Possible purposes of urban-rural partnership	Challenges	Observed examples
Economic transactions and innovation activity	Productive relations	Fostering supply chains (e.g. agro-industry)	Boosting activities with a high territorial multiplier	Forlì-Cesena (Italy)
	Knowledge diffusion and innovation links	Fostering links between SMEs and universities and research centres	Boosting competitiveness in remote areas	Forlì-Cesena (Italy) Nuremberg (Germany)
Public service delivery	Public service (education, health, waste, etc.)	Developing information and communication technology (ICT) infrastructure for service provision	Ensuring access to basic services and combating depopulation in remote areas	Central Finland (Finland)
	Public transport	Co-ordinating investments in transport within functional areas	Ensuring access to both urban and rural resources	Nuremberg (Germany) Rennes (France)
Other “governance” interactions	Joint planning	Setting a common development plan	Improving the efficiency of public policy	Geelong (Australia) Rennes (France)
	Co-ordination among local authorities	Building a common voice in dealing with higher government	Increasing political relevance and access to funds	Geelong (Australia) Brabant (Netherlands)

Source: Adapted from OECD (2018c), “OECD Experience on Pursuing Inclusive Growth in Regions in industrial transition”, *Scoping Paper for Peer Learning Workshop*, Tällberg, 28-29 June, OECD, Paris, Unpublished.

Supporting digital connectivity and rural and remote businesses

Fully utilising the potential arising from the complementarity of urban and rural areas is mutually beneficial – exploiting untapped economic potential and raising productivity. For regions in industrial transition, ensuring digital connectivity and digital services in order to reduce the cost of services linked to distance or remoteness and to connect rural businesses is important for two reasons. First, it can better ensure equitable access to public service in rural or remote areas. For example, digitising health and welfare provision can help overcome connectivity challenges by “virtual” delivery of healthcare. This makes healthcare more accessible and improves citizen health and wellness outcomes. Second, digitalisation also supports rural and remote businesses. In rural and remote areas, entrepreneurship often suffers from low connectivity to clients and the financial support provided in cities. Better digital connectivity combined with dedicated support to local entrepreneurship supports business creation and growth, thereby reducing inequalities in productivity and well-being.

Strengthening coherence in inclusive growth governance

Tackling regional problems that inhibit inclusive growth and affect well-being requires comprehensive approaches. This is particularly important given the complexity associated with inclusion, exclusion and well-being. In many cases, challenges transcend sectors and require input from a variety of actors with diverse competencies, including different levels of government, the private sector, community organisations and social service providers. For regions in industrial transition, an inclusive approach to development is important to make sure that everyone gains from the creation of new industries and new ways of working. Taking a strategic approach to inclusive growth means integrating inclusiveness into broader development strategies, co-ordinating diverse sectors and actors and building engagement among all relevant stakeholders (Table 6.4).

Table 6.4. Inclusive growth governance: Policy issues, instruments and rationales

Policy issue	Policy response	Potential suite of implementation mechanism	Rationale/additional benefits
Improving inclusive growth governance	Build strategic partnerships and stakeholder engagement	<ul style="list-style-type: none"> Multi-level partnerships, political co-ordination committees, local working groups, collaborative open networks, platforms and agencies 	Fosters stakeholder engagement
	Make inclusive growth an explicit goal across levels of government		Increases efficiency
		<ul style="list-style-type: none"> Formal and non-formal co-operation mechanisms, working groups, guidelines 	Stimulates investments in green technologies

Taking a strategic approach to inclusive growth

There is no “one” or “best” way to build inclusiveness. Inclusive growth can be generated through labour market integration programmes, addressing gender bias, building social innovation, sponsoring programmes to help families in underprivileged areas, and promoting digitisation in remote and rural areas. Supporting inclusive growth requires parallel action across a diverse set of policy areas (e.g. labour market, education, skills and infrastructure). In addition, inclusive growth requires an integrated, comprehensive and strategic approach, one that ensures coherence in the implementation of policies and programming across relevant sectors. One way to accomplish this is by introducing or designating an entity responsible for ensuring a joined-up approach to building inclusiveness. For example, in Greater Manchester, the University of Manchester, and the Joseph Rowntree Foundation created an Inclusive Growth Analysis Unit within the University to act as a source of data and analysis to support City policy, as well as to suggest

synergies and further enable coherence among the multiple policy areas that promote greater well-being and inclusiveness (Box 6.5).

Box 6.5. Research meets policy and practice in Greater Manchester

The Joseph Rowntree Foundation (JRF) has been working on the relationship between economic growth and poverty for some time. The Inclusive Growth Analysis Unit was initially set up within the Manchester Urban Institute, and co-funded by the Faculty of Humanities, University of Manchester and JRF in 2016 to promote and further develop work on inclusive growth. The aim was to apply academic and research analysis to support place-practice; and to support stakeholders to achieve their goals, and learn from each other.

A core part of the initial work was an Inclusive Growth Monitor which enables comparisons across different parts of the UK. JRF chose Greater Manchester because of the scale of the challenges, devolution of powers from central government, which enables new ways of doing things, as well as local capabilities. Despite recent high growth rates, there remain relatively low wages and low productivity across the region, as well as within particular sectors; high levels of in-work poverty as insecure jobs. For the University of Manchester, it very much fitted with its desire to do work which benefitted the city-region, and particularly linked with one of its themes of inequalities.

The IGau has had successes in helping ensure inclusive growth is at the heart of Greater Manchester's economic strategies, bringing stakeholders together across the region as a trusted broker, and supporting the development of the Greater Manchester Good Employment Charter, as well as Local Industrial Strategy. It convenes stakeholders; influences and supports key policy and practice actors; monitors, spotlights people and places in poverty; as well as researching policy and practice to fill local evidence gaps.

Source: OECD (2018f), PowerPoint Presentations for the Peer Learning in Regions in industrial transition Workshops: Inclusive Growth, 22-23 October, Joensuu, Finland, Unpublished.

Social innovation as a catalyst for inclusive growth

Social innovation seeks to address pressing social challenges and meet social needs in an innovative way while serving the general interest and common good of the community. Social innovation plays an important role in addressing social, economic and environmental challenges while fostering inclusive growth, shared prosperity and social inclusion. Moreover, social innovation contributes to job creation, democratic participation and improved welfare service delivery. Regions in industrial transition have a strong interest in supporting social innovation as a means to successfully manage transition. However, many entrepreneurs interested in social innovation lack the business knowledge needed to succeed. Investing in business support helps potential social entrepreneurs in the early phases of business development, as seen in France's regions of Centre-Val de Loire and Grand Est (Box 6.6).

Box 6.6. Social Innovation in Centre-Val de Loire and Grand Est

A regional incubator for social innovation in Centre-Val de Loire – Alter'Incub

Benefitting from EUR 500 000 per year, the Alter'Incub initiative seeks to align economic development with social and territorial impact. Its objective is to strengthen the social economy ecosystem and social innovation within the region. By applying the same level of requirements as technology incubators,

Alter'Incub seeks to ensure that the businesses created are economically viable. A two-phased approach is used with jury selection at the end of phase one:

- Phase 1: 3-month “pre-incubation”, evaluation phase of the project feasibility, individual support/ 360° evaluation (external study)/collective meetings programme.
- Phase 2: 12-month incubation – customised support for projects with a favourable opinion from the jury, individual support/support to external expert assessment/collective meetings programme.

The individual support programme offers monthly appointments to monitor the project development as well as technical and methodological support, expert input on social innovation, legal issues and market feasibility, demonstration and proof of concept, finance and networking. Projects with the potential of creating at least two new jobs from the outset are supported at the end of Phase 2.

The social economy in Grand Est as a pillar of regional development

Grand Est is home to 15 000 socially innovative businesses (associations, co-operatives, social enterprises), employing 200 000 workers and providing EUR 4.1 billion in yearly salaries. Regional funding in 2018 amounted to just over EUR 1 million to support 405 social economy organisations. Focus is placed on social and labour market integration by targeting long-term unemployed people at risk of social exclusion. Organisations promote social insertion through economic activity, offering training and support.

By aligning strategies for the environment, training, skills and economic development, the Région Grand Est creates territorial alliances to develop the competitiveness and economic attractiveness of the region. An important instrument to implement the regional strategy for economic development, innovation and internationalisation (SRDEII) are the Offensive Growth and Employment Pacts (in French “POCE”). They facilitate a strong partnership for dialogue and action between the region and voluntary groups of municipalities. This territorial approach includes new innovative projects in the fields of social economy and social inclusiveness. Examples of local initiatives include recycling under the slogan “your waste becomes my product”, new links between rural and urban zones by the means of a public school restoration project or the concept of an “inclusive city”.

Source: OECD (2018f), PowerPoint Presentations for the Peer Learning in Regions in industrial transition Workshops: Inclusive Growth, 22-23 October, Joensuu, Finland, Unpublished.

Vertical and horizontal co-ordination

Many inclusive growth initiatives require a co-ordinated approach to their design, financing and implementation. The challenge is to ensure that priorities align among the different actors – especially levels of government – and that responsibilities are clearly assigned and understood. The exact approach will differ for each region as local labour markets exhibit considerable diversity in terms of industrial structure and employment opportunities. An inclusive growth strategy is likely best designed with a place-based approach wherein structural policies aimed at social inclusion, such as housing and transport, are integrated with policies that can positively affect the region’s productivity and growth, such as education, skills and connectivity.

Success depends not only on ensuring coherence and on building co-ordination; it also depends on actively engaging with a variety of stakeholders – from the private sector to the third sector – in order to identify needs and priorities, and ideally, co-design, co-produce and co-deliver services. While challenging, this is not impossible, and both Piemonte and Saxony offer examples of a co-ordinated strategy to support inclusive growth (Box 6.7).

Box 6.7. A co-ordinated approach to greater inclusiveness in Piemonte and Saxony

A strategy for inner areas in Piemonte

Piemonte's "Strategy for Inner Areas" – embedded in Italy's National Strategy for Inner Areas – aims to address the economic and demographic decline of peripheral area by taking a co-ordinated approach to the provision of key public services, such as healthcare, education, transport/accessibility, and by basing development on local resources. The strategy is supported by two pillars: i) improving public services which will be funded by national resources; ii) targeted local development, that will be funded through different European Structural Investment Funds (specifically ERDF, EARDF and ESF). The initiative brings together the national, regional and local governments, as well as private actors for a bottom-up consultation process that assesses programmes and guides further development. Among the challenges are multi-level governance, co-ordination of actors and priorities, and leadership at the local level (i.e. the capacity of local communities to guide the local development process and build ownership of a common development vision among local stakeholders). An additional challenge is ensuring continuity in policy and funding. The strategy is just getting underway and given its complexity, results will require implementation past the current EU programming period (to 2020).

Multi-level, multi-agency initiative to support youth employment in Saxony

Saxony's "We Need All Talents" initiative aims to improve the school-education-occupation transition, prevent drop-out and youth unemployment, and help youth overcome personal crises. The initiative does not call for a new authority or agency, but rather focuses on an improved co-operation structure among existing relevant authorities and their assistance systems, in order to offer co-ordinated consultation and joint case management as one-stop-agencies. The Youth Employment Agency would combine: youth services associated with the Youth Welfare Office; employment support (for long-term unemployed) and case management associated with job centres; career guidance, training placement measures and employment agency services (for short-term unemployed); schools providing professional orientation and school social work. This is a good example of taking a well-being, systemic approach to addressing youth unemployment as a means to build greater inclusiveness in the region. Based on a 2018 agreement between the Free State of Saxony, the Association of Saxon Cities, the Saxon County Association and the Federal Employment Agency, it also highlights the importance of multi-stakeholder co-operation to support inclusiveness and promote well-being.

Sources: Piemonte (2018), "Peer Learning in Regions in industrial transition Workshops Prospective Initiative Template, Strategy for 'Inner Areas'", Prepared for the Peer Learning in Regions in Industrial Transition Workshop "Inclusive Growth", 28-29 June, 2018, Tällberg, Sweden, Unpublished; Saxony (2018), "Saxony", PowerPoint Presentation for the Peer Learning in Regions in Industrial Transition Workshop "Inclusive Growth", 28-29 June 2018, Tällberg, Sweden, Unpublished.

Policy outcomes, however, take time to see and require commitment and effort from all stakeholders. Ensuring sufficient time for consultation and, ideally, collaboration in programme design and delivery is critical. Strong and effective partnerships can take time to build but are also fundamental to policy acceptance and continuity, as well as weathering the changes and shifting priorities that can come with election cycles.

Key considerations and conclusions

Industrial transition is only successful when everyone benefits from sustained growth

A focus on productivity growth is necessary by regions in industrial transition but may not be sufficient for achieving a fully successful transition. Unintended social consequences arising from transition, for example through job losses in old industries, need to be taken into account by policymakers. A range of policy measures is available to regions in industrial transition so they can ensure that those who may lose out from economic change are able to adapt to new economic conditions and begin breaking a cycle of disadvantage.

Trade-offs between growth and inclusion will inevitably arise and need mitigation

Further efforts are needed to deal with trade-offs when implementing policies for inclusive growth in regions in industrial transition. Some policies cannot be strictly classified as pro-inclusive growth. This is true of initiatives aimed at stimulating innovation and technological progress, for example. Such policies are fundamental to spur productivity growth but may put pressure on the relative demand for skilled workers through skill-biased technological change, thereby leaving the low-skilled workers behind. Policymakers in regions in industrial transition need to ensure that innovation and labour market policies are well co-ordinated in order to avoid widening skills and income gaps.

Inclusive labour markets can yield widespread benefits when policies are appropriately designed

Regions in industrial transition can face large differences in employment rates across socio-economic groups, with particularly low rates among youth, women, older people and low-skilled individuals. Policies that facilitate access to quality jobs simultaneously promote growth and reduce inequality. As a part of a policy programme for increasing job quality, measures to improve employment prospects include effective counselling, job-search assistance and temporary hiring subsidies for the low skilled. However, such active labour market policies represent a potential burden on regional government budgets and their effectiveness varies widely across programmes. This suggests that programme design is critical and that regions in industrial transition can learn a great deal from the experience of other regions that have gone through a similar experience.

Successful transition means investing in places left behind

Economic and social inequalities have a spatial dimension. Inequalities within regions result mainly from differences in growth rates and the policy response is to search for ways to unlock growth potential. Designing policies that target spatial inequalities requires that policymakers consider complementarities in their different objectives and the channels to fulfil these. Addressing income inequalities includes going beyond traditional transfers to households – targeting people – and should incorporate mechanisms aimed at ensuring equity in the provision of public goods and services – targeting places.

Managing an inclusive transition requires embedding inclusiveness in policymaking

Building more inclusive growth in regions in industrial transition rests on the potential to change or adjust how policies are designed and implemented. Concerns over the undue influence of vested interests, which may be associated with influential and traditionally dominant industries, need to be overcome through transparent policymaking, the inclusion of all relevant stakeholders and accountability. Engaging stakeholders through information sharing, consultation and participation, as well as active and clear communication, are fundamental to successful regional inclusive growth strategies.

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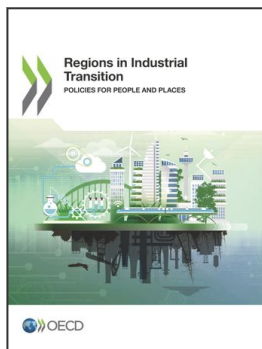
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Annex 6.A. Overview of policy issues and responses in promoting inclusive growth

Annex Table 6.A.1. Policy Issues, implementation mechanisms and rationales in promoting inclusive growth in regions in industrial transition

Policy issue	Policy response	Potential suite of implementation mechanism	Rationale/additional benefits
Strengthening regional well-being	Integrate vulnerable populations into the labour market	<ul style="list-style-type: none"> • Support disadvantaged groups (long-term unemployed, women, youth) through career guidance and re-training schemes 	Generates inclusive employment opportunities Increases productivity
	Develop and implement a regional-level well-being framework	<ul style="list-style-type: none"> • Development of regional measures of material well-being and quality of life • Engaging in civil society and academia to define well-being measures 	Greater well-being outcomes
Addressing spatial discrepancies and territorial linkages	Encourage territorial co-operation through rural-urban partnerships	<ul style="list-style-type: none"> • Infrastructure (road networks, trains) • Supply chains (e.g. agro-industry), links between SMEs and universities and/or research centres 	Utilises urban/rural complementarities and supports regional development Extends the benefits of agglomeration economies/increases GDP
	Ensure digital connectivity and digital services in remote regions	<ul style="list-style-type: none"> • ICT investments, virtual delivery of public services in rural areas 	Stimulates investments in digital technologies
Improving inclusive growth governance	Build strategic partnerships and stakeholder engagement	<ul style="list-style-type: none"> • Multi-level partnerships, political co-ordination committees, local working groups, collaborative open networks, platforms and agencies 	Fosters stakeholder engagement Increases efficiency
	Make inclusive growth an explicit goal across levels of government	<ul style="list-style-type: none"> • Formal and non-formal co-operation mechanisms, working groups, guidelines 	Stimulates investments in green technologies



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