Inclusive Growth and Social Cohesion in Cities: An OECD Approach

Urban 20 White Paper

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About Urban 20

Urban 20 (U20) is a new city diplomacy initiative developed under the leadership of Horacio Rodríguez Larreta, Mayor of the City of Buenos Aires and Anne Hidalgo, Mayor of Paris and Chair of C40 Cities Climate Leadership Group (C40). Launched on December 12, 2017 at the One Planet Summit in Paris, the initiative is chaired by the cities of Buenos Aires and Paris, and convened by C40, in collaboration with United Cities and Local Governments (UCLG).

What U20 seeks, is to highlight the expertise of cities in a range of global development challenges and to raise the profile of urban issues within the G20. U20 will offer solutions and clear recommendations to national leaders for their consideration ahead of the 2018 G20 Summit. The first year of the U20 initiative will culminate in the inaugural U20 Mayors Summit in Buenos Aires, October 29-30. With this event, U20 will remain a stepping stone toward ensuring an ongoing dialogue between cities and the G20.

In 2018, 26 cities have participated in Urban 20: Barcelona, Beijing, Berlin, City of Buenos Aires, Chicago, Durban, Hamburg, Houston, Jakarta, Johannesburg, London, Los Angeles, Madrid, Mexico City, Milan, Montreal, Moscow, New York, Paris, Rio de Janeiro, Rome, São Paulo, Seoul, Sydney, Tokyo, and Tshwane.

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Urban 20 is proud to present a series of White Papers from our Strategic and Advisory Partners that highlight the most relevant topics on the cities development agenda and the forthcoming urban trends. These papers define the challenges that local governments are currently facing and offer open recommendations supported by relevant, up-to-date research and data. The intention of this work is to broaden the understanding and perspective of decision makers and stakeholders as to enhance their ability to tackle these most pressing issues. The White Papers also represent the hard work and dedication of these agencies and organizations to keep the public well informed about the ongoing efforts to address the present and future challenges we share as humankind.

Image Orbon Alija

Inclusive Growth and Social Cohesion in Cities: An OECD Approach is a White Paper prepared by the Organisation for Economic Cooperation and Development (OECD) as a voluntary contribution to enrich the discussions of the Urban 20 process.

About the Authors

The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. This paper was prepared by the Organisation for Economic Cooperation and Development (OECD) in its capacity as an Advisory Partner of the U20 process, building on longstanding OECD work on inclusive growth and cities.

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Executive summary

Inequality is a persistent policy challenge across many countries, with significant social and political costs. Across the OECD, income inequality is at its highest point in 30 years, whereby the average disposable income of the richest 10% of the population is around ten times that of the poorest 10%. Yet inequality goes beyond income, touching nearly every aspect of our lives, from jobs to education and health outcomes, life expectancy, or even voter turnout. According to OECD research, inequalities are even more acute in cities, and tend to be higher in larger cities.

The multidimensional nature of inequalities calls for a policy response that cuts across policy sectors and levels of government and stakeholder groups – what the OECD calls inclusive growth. The OECD approach to inclusive growth provides governments at all levels with a concrete roadmap towards realising better social and economic outcomes for people, places and firms.

Cities and subnational governments have a key role to play in this cross-cutting policy response. This is because local governments have a hand in many of the policy domains that matter for inclusive growth, including health, education, skills, housing and public services. Since its launch in March 2016, the OECD Champion Mayors for Inclusive Growth 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, drawing on the OECD Framework for Policy Action on Inclusive Growth through the lens of four key policy dimensions that matter for cities: inclusive education, inclusive jobs and labour markets, inclusive housing and the urban environment, and inclusive infrastructure and public services, which are outlined in the New York Proposal for Inclusive Growth in Cities.

Building on this analysis, the paper proposes a set of policy recommendations to support national and subnational governments in advancing inclusive growth and social cohesion in cities. Proposed policy recommendations target different levels of government (national, local or joint national-local efforts), addressing for instance the need to strengthen data collection and methodological approaches to measure inclusive growth in cities, to align policy objectives across sectors and levels of government, to engage a wide range of stakeholders, and to strengthen capacities within local governments, among others.

Glossary

ADB
Asian Development Bank

BRT
Bus rapid transit

ERP
Enterprise Resource Planning

ESCS
Index of economic, social and cultural status

EU
European Union

GDP
Gross Domestic Product

Gini coefficient
The Gini coefficient is a measure of inequality of a distribution. It is defined as a ratio with values between 0 and 1, where 0 corresponds to perfect equality and 1 corresponds to perfect inequality (i.e. all income to one individual only).

Inclusive Growth
Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society

PISA
Programme for International Student Assessment

Pre-K
Pre-kindergarten

PPP
Purchasing power parity

SME
Small and medium-sized enterprise

Spatial Ordinal Entropy Index
The Spatial Ordinal Entropy Index can be computed using grid cells data to create local environments or neighbourhoods that are defined at different scales. For example, spatial entropy at a 1 000 m scale takes each grid cell and defines a 1000-meter area surrounding it as the neighbourhood. The outcome values of the Spatial Ordinal Entropy Index are between 0 and 1, and reflect the ratio between the proportion of the population from each income group in this neighbourhood to that in the city.

TOD
Transport-oriented development

UNDP
United National Development Programme

VET
Vocational education and training

Introduction

Inequalities are a pressing global challenge

Inequality is a persistent challenge in cities and countries across the globe, threatening social cohesion. Across many OECD countries, income inequality is at its highest point in 30 years: today, the average disposable income of the richest 10% of the population is around ten times that of the poorest 10% (OECD, 2018a). This is a challenge, because research suggests that accumulated disadvantage for certain income, racial, gender, and ethnic groups can have detrimental effects on social cohesion, prosperity and well-being.

But inequality goes well beyond income, touching nearly every aspect of people's lives. The OECD assesses inequality from a multidimensional perspective that includes median household income in addition to data on countries' relative poverty rates and life expectancy, the female wage gap, childcare enrolment and voter turnout (see, for instance, the recently launched OECD dashboard in Box 2, for a complete snapshot of Inclusive Growth indicators). Accordingly, the policy approaches for tackling inequality, strengthening social cohesion and promoting more inclusive growth must also cut across a range of policy areas.

OECD research shows that inequality can be even more acute in cities. In 10 out of 11 countries for which data are available, income inequalities are higher in cities relative to their respective national average (OECD, 2016a). By extension, income inequalities tend to be higher in larger cities. This is partly explained because firms and workers in larger cities are generally more productive than in less dense areas, due to the concentration of positive agglomeration spillovers and better matching between employers and employees (OECD, 2015). At the same time, the geographical concentration of households with a similar income level, known as income segregation, increasingly shapes how people live in 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 inequalities are higher in cities relative to their respective national average – and tend to be higher in larger cities (OECD, 2016a)".

High and persistent levels of inequality come with important social and political costs. First, high levels of inequality undermine 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 (OECD, 2018a). Further, by undermining trust in government and institutions, high levels of inequality can also reduce the political space for reform and may feed a backlash against globalisation and openness. This has been observed in some countries over recent years with the rise of populist movements (OECD, 2018a). 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.

> “High and persistent levels of inequality come with important social and political costs”.

A comprehensive response to inequalities: An OECD policy framework for Inclusive Growth

The OECD’s framework for responding to rising and persistent inequality is one of inclusive growth. An inclusive growth policy approach can be defined as the “win-win” policies that 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 (OECD, 2015a). A range of definitions have been put forward by different international organisations, and are summarised in Box 1.

Box 1. Defining Inclusive Growth: Proposals from international organisations

The **OECD** defines Inclusive Growth as “economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.” It is a three-pronged approach based on: i) multidimensionality (which includes economic welfare indicators such as GDP, in addition to other dimensions that matter for well-being, such as jobs, skills and education, health status, environment, and civic participation and social connections); ii) an emphasis on distribution (meaning that all people are part of the growth process and benefit from the outcomes of the process); and iii) policy relevance (a need to be policy-actionable) (OECD, 2015a).

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".

Source: OECD (2015a), All on Board: Making Inclusive Growth Happen, OECD Publishing, Paris, https://doi.org/10.1787/9789264218512-en

The OECD Framework for Policy Action on Inclusive Growth has been developed to help 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 (Box 2). The framework is not prescriptive and does not propose a "one-size-fits-all" approach. The value of specific policy solutions is intended to be context-driven and 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.

The Framework highlights three key dynamics for which policy solutions can spark complementarities (Figure 1) (OECD, 2018):

(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 infrastructure; and iii) optimal natural resource management for sustainable growth.

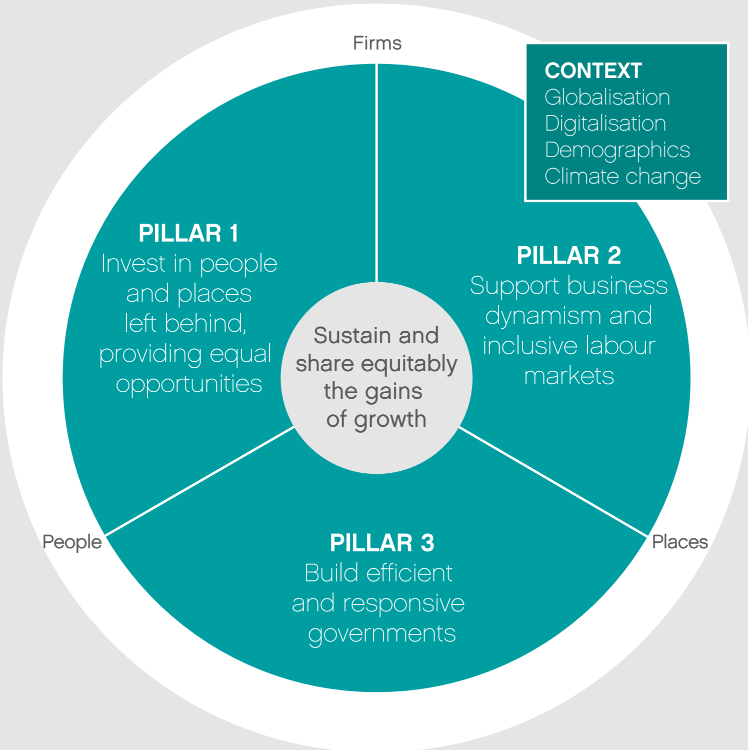
(2) **Support business dynamism and inclusive labour markets** through i) broad-based innovation, fast and deep technology diffusion; ii) strong competition and vibrant entrepreneurship; ii) access to good quality jobs, especially for women and under-represented groups; and iv) resilience and adaptation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

Many of these dimensions will be explored in this paper with respect to their relevance in urban areas.

Figure 1. The OECD Framework for Policy Action on Inclusive Growth

With the aim to achieve growth that benefits all, and that allows for people, regions and business to fulfil their potential, the framework would look like:



Source: OECD (2018a), Opportunities for All: A Framework for Policy Action on Inclusive Growth, OECD Publishing, Paris, https://doi.org/10.1787/9789264301665-en.

Box 2. The OECD dashboard of core inclusive growth indicators

To support the Framework for Policy Action, the OECD has developed a dashboard of core inclusive growth indicators to measure key dynamics of inclusive growth (outcomes or drivers). The dashboard is intended to be evolutionary and could be complemented by additional indicators. The indicators have been developed in light of their policy relevance and availability at national level across a broad range of countries; some, but not all, are available at subnational scale, although there is considerable variation across countries.
The dashboard is organised into four categories, each with a set of core indicators:

- **Growth and ensuring equitable sharing of benefits from growth:** These indicators help to track whether the economy is growing and living standards are increasing for different groups of population, defined in terms of income, age and region of residence. Indicators include:
- GDP per capita growth (%)
- Median income growth and level (%; USD PPP)

- S80/20 share of income (ratio)
- Bottom 40% wealth share and top 10% wealth share (% of household net wealth)
- Life expectancy (number of years)
- Mortality from outdoor air pollution (deaths per million inhabitants)
- Relative poverty rate (%)

• **Inclusive and well-functioning markets:** This category looks at the structure and functioning of the economy and marketplaces as the main drivers of growth and inclusiveness. This category considers product and labour markets, both from the aspect of efficiency and equity. It provides an understanding of the main economic forces underpinning people's living standards. These indicators gauge the productivity-inclusiveness nexus at a more granular level, e.g. at gender, sectoral and geographical levels. Indicators include:
- Annual labour productivity growth and level (%; USD PPP)
- Employment-to-population ratio (%)
- Earnings dispersion (inter-decile ratio)
- Female wage gap (%)
- Involuntary part-time employment (%)
- Digital access (businesses using cloud computing services) (%)
- Share of SME loans in total business loans (%)

• **Equal opportunities and foundations of future prosperity:** This category looks at the distribution of selected non-economic well-being components, such as health, education, socio-emotional skills, environmental quality of life and childcare. These elements capture people's opportunities to improve well-being and to participate in the economy and society. Indicators include:
- Variation in science performance explained by students' socio-economic status (%)
- Correlation of earnings outcomes across generations (coefficient)
- Childcare enrolment rate (children aged 0-2) (%)
- Young people neither in employment nor in education & training (18-24) (%)
- Share of adults who score below Level 1 in both literacy and numeracy (%)
- Regional life expectancy gap (% difference)
- Resilient students (%)

• **Governance:** This category reflects a whole-of-the-government approach to monitoring efficiency and responsiveness of the government. Indicators include:
- Confidence in government (%)
- Voter turnout (%)
- Female political participation (%)

Source: OECD (2018a), Opportunities for All: A Framework for Policy Action on Inclusive Growth, OECD Publishing, Paris, https://doi.org/10.1787/9789264301665-en

Inclusive growth in cities

This multidimensional framework is also extremely relevant in cities, which often have a hand in many of the policy domains that matter for inclusive growth. Cities and urban areas are some of the most appropriate "units" or scales to measure and assess multi-dimensional inequality, as well as propose effective policy responses (OECD, 2016a). While competencies may vary across countries, cities tend to have some level of responsibility in areas as diverse as economic development, housing and land use, mobility, education and skills, health, and labour markets. Leaders at the subnational level are well-placed to respond to growing inequality with multidimensional, "win-win" policy solutions in these sectors and to manage potential trade-offs. This approach was supported by local leaders from around the world at the launch of the OECD Champion Mayors for Inclusive Growth initiative, through the signature of the New York Proposal for Inclusive Growth in Cities in March 2016. This group of leading Mayors agreed to tackle inequalities through actions along four policy pillars: i) an inclusive education system; ii) an inclusive labour market; iii) an inclusive housing market and urban environment; and iv) inclusive infrastructure and public services (Box 3) (OECD, 2016b).

Box 3. The OECD Champion Mayors for Inclusive Growth initiative

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 Lincoln Institute of Land Policy, 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.

Source: OECD (2016c), Paris Action Plan for Inclusive Growth in Cities, www.oecd-inclusive.com/champion-mayors-doc/paris-action-plan.pdf

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

Inequalities in cities: Challenges and opportunities

This paper takes a multidimensional approach to inclusive growth and social cohesion, both in terms of assessing the challenges and identifying appropriate policy responses. It draws on several critical dimensions of the OECD Policy Framework for Inclusive Growth that are especially relevant in cities and outlined in the New York Proposal: i) inclusive education systems; ii) inclusive labour markets; iii) inclusive housing markets and urban environments; and iv) inclusive infrastructure and public services.

Inclusive education systems

At the national level, education systems are often characterised by inequality. OECD research demonstrates that students' home life greatly shapes success in education; schooling can either reinforce, or worsen, the large influences of home life on education success. On average across OECD countries, a significant share of the variation in students' science performance could be explained by students' socioeconomic status. For science, 12.9% of the variation in student performance within each country is associated with socio-economic status; this can reach more than 20% in some countries, including France, Hungary, Luxemburg and Peru (OECD, 2016d).

Over the last decade, students' educational opportunities have increased, but not by 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 (OECD, 2018a).

At the subnational level, education systems are inextricably linked to other social cohesion factors. For instance, socio-economic segregation in schools is linked with residential segregation in cities (OECD, 2018b). Educational outcomes are strong predictors of future incomes, as well as health and job outcomes, while equitable access to education is an essential way to improve people's life outcomes and also create more just and inclusive cities. On average, students in urban schools are faring better than those in rural areas: 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:

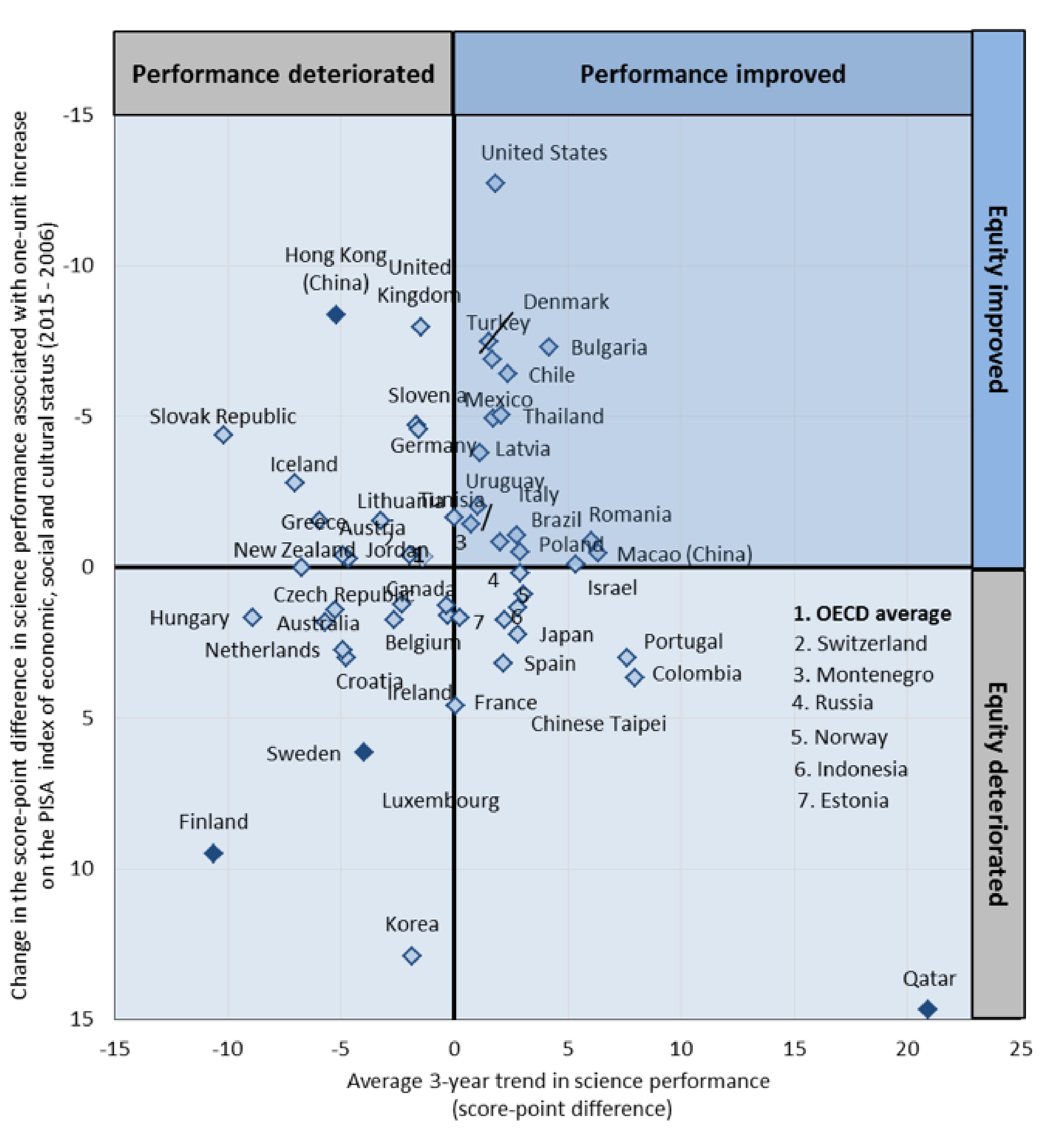
- In the Chicago Tri-state metropolitan area, school district high school graduation rates range from 57% in the city of Chicago to over 95% in suburban areas (OECD, 2012a).
- In Aix-Marseille, the working-age population without a diploma ranges from 39% in northern Marseille neighbourhoods to 14% in Aix-en-Provence (OECD, 2013a).
- 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, 2013b).

Such inequalities in education both reflect and reinforce socio-economic inequalities in cities, with long-lasting consequences on the life prospects of urban residents (OECD, 2016a).

> "At the subnational level, education systems are inextricably linked to other social cohesion factors. While on average students in urban schools outperform those in rural areas, stark inequalities remain within cities in terms of access to quality education".

Some countries have been effective in improving performance and equity of the school system at the same time. 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 (OECD, 2018a) (Figure 2). School choice programmes have also been implemented as a means to address segregation (Box 4).

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



Note: 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. 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: OECD, PISA 2015 Database, Table I.6.17.

Box 4. 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 enrol 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: Supporting Disadvantaged Students and Schools, OECD Publishing, Paris, https://doi.org/10.1787/9789264130852-en ; Schleicher, A. (2014), Equity, Excellence and Inclusiveness in Education: Policy Lessons from Around the World, International Summit on the Teaching Profession, OECD Publishing, Paris, https://doi.org/10.1787/9789264214033-en; Musset, P. (2012), "School Choice and Equity: Current Policies in OECD Countries and a Literature Review", OECD Education Working Papers, No. 66, OECD Publishing, Paris, https://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.

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 (OECD, 2016a).

Supporting education for low-income youth can strongly benefit from 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 numerous 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, the strong national average 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 Regent Park, about 80% of residents were visible minorities.

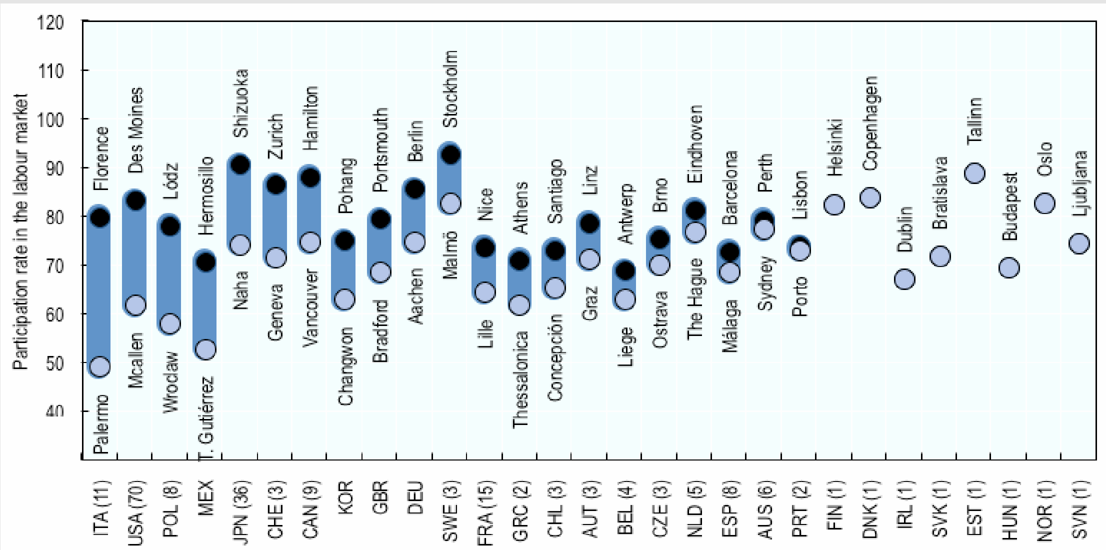
Moreover, 58% of Regent Park residents were born outside of the country and spoke little or no English (OECD, 2016a).

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 (OECD, 2016a).

Jobs and labour markets

Improving participation in the urban labour market is crucial for inclusive growth. 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). In addition, metropolitan areas in the OECD have different levels of labour participation rates, with differences within the same country ranging from 0.7 percentage points (Portugal) to almost 30 percentage points (Italy) in 2014 (Figure 3). 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 (OECD, 2016a).

Figure 3. Differences in labour participation rates in metropolitan areas by country, 2014



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: OECD (2016a), Making Cities Work for All, based on data from OECD Metropolitan Database.

Jobs, productivity, and labour markets are being profoundly shaped by digitalisation and trade, at rapid speed. Digitalisation can improve production processes; however, new technologies and know-how require time to be adopted and adapted for businesses, and thus are only able to 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 (OECD, 2018a).

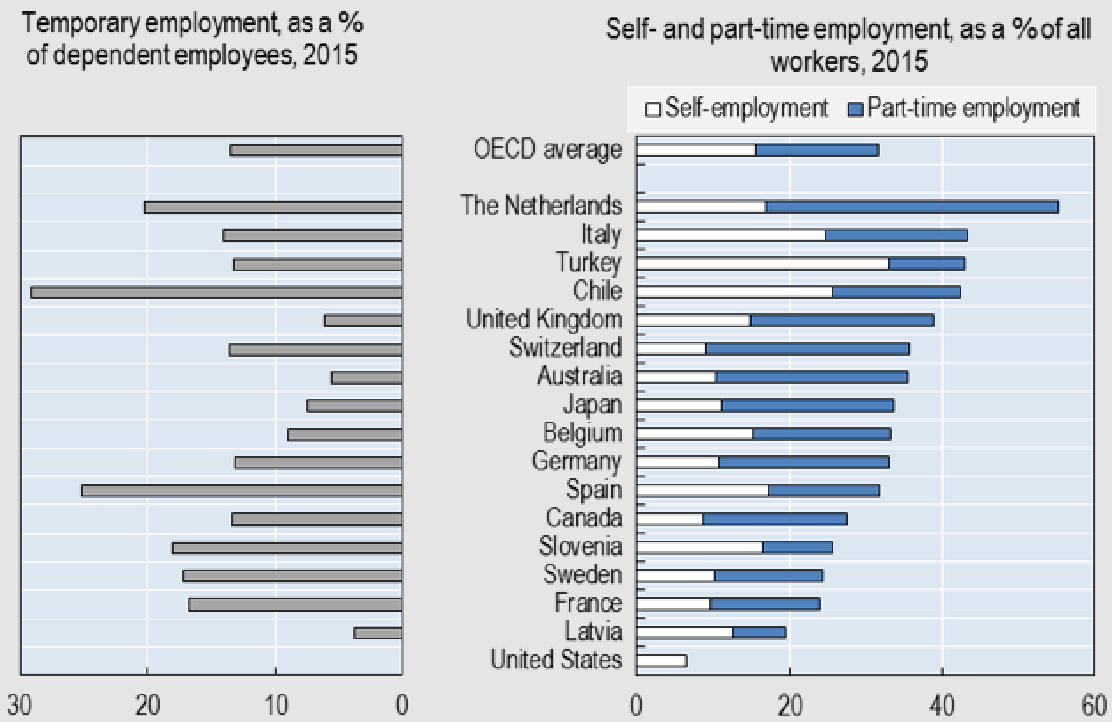
> "Jobs, productivity, and labour markets are being profoundly shaped by digitalisation and trade, at rapid speed".

Digital technologies also present both opportunities and challenges for small firms in particular. The intangible nature and low replication costs for digital technologies reduce 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 (OECD, 2018a).

Cities are major enablers of inclusive digital transformations. Cities spur the development of vibrant local innovation and entrepreneurship ecosystems by bringing together local resources and mobilising the participation of a broad range of stakeholders. On average, in 2015, 51% of new firms were created in predominantly urban regions (OECD, 2018g). Urban regions also show the largest levels of business dynamics, both in terms of business creation and destruction rates, which is particularly pronounced for mostly urban regions at the frontier of national productivity (OECD, 2017e). Growing and nurturing entrepreneurial communities in cities is key to support new and established businesses to take full advantage of advanced technologies or innovative business models. This includes taking a holistic view on the enabling factors of entrepreneurship and innovation in cities and ensuring that entrepreneurs in different sectors and from different backgrounds have equal opportunities to access knowledge networks, innovation supports… and skills training.

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 (Figure 4), 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 (OECD, 2018a).

Figure 4. The share of non-standard workers is high in some countries



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 (2018a), Opportunities for All, based on data from OECD Employment and Labour Market Statistics Database and OECD (2017a).

By extension, there are significant concerns among workers and policy makers about the risk of jobs being lost to automation, given the rapid pace of technological change. Previous OECD analysis has estimated that around 14% of jobs across the OECD area as a whole are at risk of automation, while another 32% are likely to see significant changes. New work by the OECD (OECD, 2018c) shows that the risk of job automation varies considerably across regions within countries: the share of jobs at high risk of automation nears 40% in some regions (e.g. West Slovakia) and is as low as 4% in others (e.g. the region around the Norwegian capital Oslo). In addition, there are striking differences in access to quality employment across different regions in OECD countries. Regional disparities have increased in terms of the number and quality of new jobs created, unemployment and educational attainment. More than half of all regions saw their working age population decline from 2010 to 2016. Cities and towns continue to attract young educated workers at the expense of rural areas. Encouragingly, 60% of regions in the 21 countries studied have created more jobs at a low risk of automation since 2011 than the number of jobs they have lost in high automation-risk sectors. Regions with a lower share of jobs at risk of automation tend to be highly urbanised with higher educated workers and a strong tradeable services sector (OECD, 2018c).

Moreover, digitalisation is also changing labour markets in metropolitan areas, particularly with respect to non-standard forms of work that have gained ground in part through digitalisation. Non-standard work – defined as temporary, part-time, and self-employment – has been on the rise across OECD countries over the past 10 years, accounting for net employment growth in the U.S. between 2005 and 2015 (Kamal-Chaoui and Pearson, n.d.). The growth of non-standard work – some of which can be characterised as part of the "gig" economy – offers job opportunities for many individuals thanks to the greater flexibility: they can help better match workers to jobs, integrate those who are most marginalised in the labour market or offer new opportunities for work-life balance. However, these forms of employment often come with reduced access to social protection and health benefits. Moreover, they don't give an incentive to invest in skills upgrading in the same way as for a standard employee. And, evidence shows this type of employment may simply be a last resort opportunity and not a worker's choice (OECD, 2018c). New OECD work on the labour market impacts of the "gig" economy in the United States suggest that the challenge is especially present in metropolitan areas, although metropolitan areas display very different patterns of non-standard work. Cities are essential for the functioning of the online platform economy, which is able to tap into the benefits of agglomeration (Kamal-Chaoui and Pearson, n.d.).

"The risk of job automation varies considerably across regions within countries: the share of jobs at high risk of automation nears 40% in some regions and is as low as 4% in others (OECD, 2018c)".

Some social groups – such as women, youth and the low-skilled – face particular challenges relating to job quality and security. For instance, women's employment rates are still substantially lower than those of men, and women suffer a large gap in earnings quality. By extension, 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. The case of Seoul, Korea, is illustrative of challenges facing specific groups (Box 5).

Rapid population ageing will increase substantially the number of older people, who will need support 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 (OECD, 2018a).

The employment challenge is also 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; OECD, 2018a).

“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”.

Box 5. Labour market challenges for specific social groups in Seoul, Korea

In Seoul, Korea, particular groups in the labour market face unique challenges, notably elderly, women, migrants, youth. 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, 2016e). 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: OECD (2018e), Inclusive Growth in Seoul, Korea, OECD Publishing, Paris, https://doi.org/10.1787/9789264290198-en.

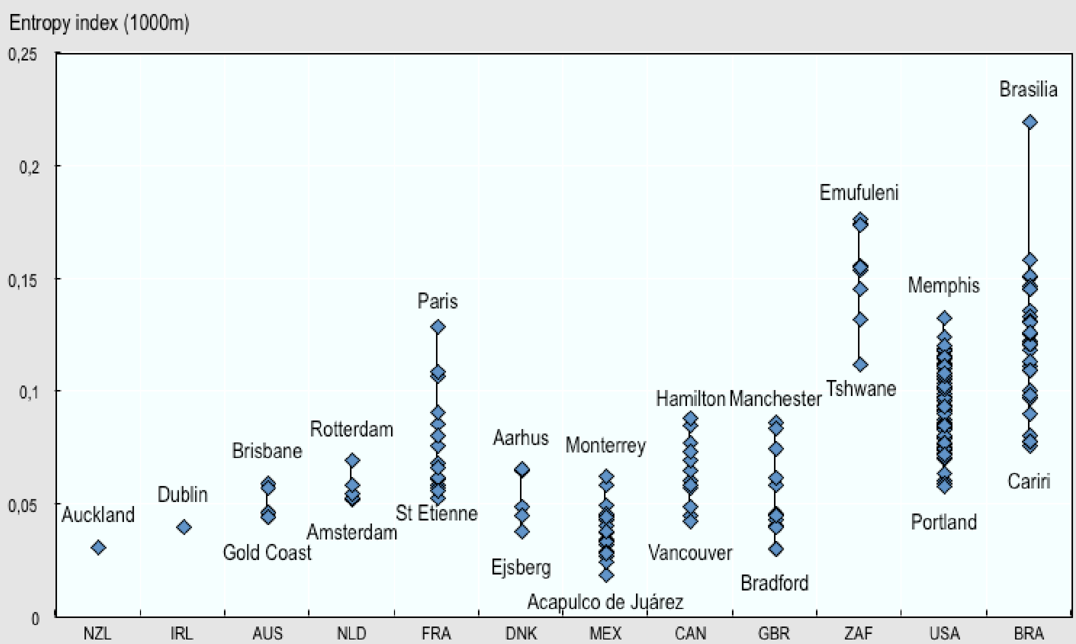
Housing and the urban environment

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, et al, 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; OECD, 2016a).

Spatial segregation looks different in different places, and even across cities within the same country (Figure 5). For instance, the most segregated cities in the Netherlands are at levels comparable to the least segregated cities in the United States (OECD, 2016a; OECD, 2018b). The level of segregation by income in Danish and Dutch cities is much lower than that in American and Canadian cities, which confirms findings from the literature (OECD, 2018b; 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 (OECD, 2016a; OECD, 2018b).

"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. Yet spatial segregation looks different in different places, and even across cities within the same country. For instance, the most segregated cities in the Netherlands are at levels comparable to the least segregated cities in the United States".

Figure 5. Neighbourhood segregation by income in metropolitan areas



Note: Data refer to 2014 for the United States; 2013 for Denmark and New Zealand; 2011 for Brazil, Canada, France, Ireland, United Kingdom and South Africa; 2010 for Australia; 2008 for the Netherlands; 2000 for Mexico.
Source: OECD (2018b), Divided Cities: Understanding Intra-urban Inequalities, OECD Publishing, Paris, https://doi.org/10.1787/9789264300385-en.

The concentration of specific groups in certain neighbourhoods is not "bad" per se, as it can bring benefits such as wider social networks and stronger community support. However, segregation is a problem if it implies that disadvantages are spatially concentrated, which can be the case for neighbourhoods with low job accessibility or a poor social environment (OECD, 2018b). Such spatial concentration of disadvantages can induce life-long obstacles to opportunities (Chetty et al., 2015). Moreover, recent work shows that high spatial segregation lowers the social cohesion of a city and as such lowers the overall well-being of residents (Novara et al., 2017; OECD, 2018b).

Contrary to widely held narratives, segregation is often driven by the most affluent households in urban areas, but there is some variation across countries. 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). Income segregation is driven by the most affluent households in Canadian, French and US cities (OECD, 2018b). The rise in inequality during the last decade, including during the economic crisis that started in 2008, might have affected current levels of segregation (OECD, 2016a).

In some places, the affluent may be concentrated "vertically" – this is the case, for instance, in some large Brazilian cities. Recent OECD research shows that the affluent tend to concentrate in vertical neighbourhoods, that is, neighbourhoods with a high density of apartment towers. Vertical neighbourhoods are more common in larger Brazilian cities. For instance in some waterfront 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 host 16 times more high-income than low-income households. Neighbourhoods in smaller Brazilian cities, like Fortaleza and Vitória, are more mixed in terms of dwelling types, but still those with a high proportion of apartment dwellers contain a larger percentage of higher-income heads of household (OECD, 2018b).

Spatial segregation can also be a critical challenge for migrant populations in cities. This has been documented, for instance, in the case of many cities in the European Union. 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). 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 record the highest population shares of migrants in the majority of OECD countries (OECD, 2018b). A concentration of migrants in certain neighbourhoods impedes integration (OECD, 2018b).

Housing is also a key policy area in which subnational governments – and especially cities – have an important role to play to address inequalities. On average in the OECD, subnational governments account for a larger share of total public spending on housing than national governments (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 (OECD, 2016a).

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 (OECD, 2016a).

As OECD (2017b) outlines, a wide range of social outcomes are influenced by land use. Not only is the availability of land one of the major determinants of housing costs; land and the property built on it constitute by far the largest part of all global wealth. As a consequence, land-use policies have enormous implications for the wealth distribution of a society (OECD, 2017b). Land use policies also play a major role in spatial segregation discussed. Land-use planning can prevent segregation, for example by designing neighbourhoods with housing for households in all income categories. Furthermore, planning policies can alleviate conditions of low income communities in areas that are poorly linked to services and jobs by improving accessibility through better infrastructure.

Infrastructure and public services

Connecting social groups to opportunity and public services through effective transport networks is a powerful policy tool for fostering inclusive growth. Disadvantaged communities are often home to poorly 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, 2013a, OECD, 2016a).

Expanding and improving public transport accessibility can help 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 (OECD, 2016a). The cases of Bogota (Colombia) and Seoul (Korea) are good examples of how cities have reformed public bus transport to boost access and develop effective public-private partnerships (Box 6).

Box 6. Reforms in public bus transportation: Examples in Bogota (Colombia) and Seoul (Korea)

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, and potentially faster and more efficiently than a one-side approach from either sector.

Source: OECD (2016), Making Cities Work for all, 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-contentuploads/2013/06/GRHS.2013.Case.Study.Seoul.Korea.pdf.

Improved public service delivery can also 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 (OECD, 2018a).

While housing and transport policies are closely interrelated, careful co-ordination of investment across these two policy domains needs to take place at the metropolitan scale. 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. 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 (OECD, 2016a). Santiago de

Chile is another case in successful regeneration through a comprehensive approach (Box 7).

Box 7. A comprehensive approach to urban rehabilitation in Santiago de Chile

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

- 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.

- 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).

- 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.

Source: Adapted from OECD (2016a), Making Cities Work for All, and OECD (2015b), 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, Santiago, 5 July available at: www.cchc.cl/comunicaciones/noticias/56642-presentaciones-iiencuentro-inmobiliario-chile-peru; Rojas, E. (2004), "Volver al centro. La recuperación de áreas urbanas centrales", Inter-American Development Bank, Washington, DC.

Policies for inclusive growth in cities, and especially policies to construct and maintain public services and public infrastructure, benefit from effective strategic partnerships across levels of government and 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

Building on the analysis in the previous section, this section proposes a set of policy recommendations to support national and subnational governments in advancing inclusive growth and social cohesion in cities. This guidance should be seen as a complement to sector-specific policy recommendations relating, for instance, to education, jobs, housing or transport. Proposed policy recommendations target different levels of government (national, local and joint national-local efforts).

Working together, national and local governments can:

- Strengthen data collection and methodological approaches to measure and monitor inequalities and inclusive growth at subnational level, with special attention to the multidimensional aspect of the challenge. The OECD dashboard (Box 2) can provide a useful framework for thinking about important dimensions to be included.

- Align policy objectives for inclusive growth across levels of government for a shared vision of what needs to be done in cities. This is important, given that national and city governments often work on the same core policy levers for inclusive growth, but not necessarily together. Cities, regions, territories and national governments often overlap on policy field mandates and would do well to align their objectives and identify synergies across programmes and policies (OECD, 2016a).

- Engage a wide range of stakeholders, including citizens and the business sector, as inclusive growth cannot be achieved by governments alone. Businesses must play a central role, for instance by ensuring more diversity and inclusiveness in their board and workforce; by adjusting their corporate governance models throughout the supply chain; and by strengthening their efforts around responsible business conduct (such as by raising compliance with laws on respect for human rights, environmental protection, labour relations and financial accountability). The OECD is launching the Business for Inclusive Growth Initiative to make the business case for inclusive growth and support governments and firms in advancing public policies and business actions that promote inclusive growth in tandem (OECD, 2018a).

National governments can:

- Apply an urban lens to policy challenges and responses for inclusive growth, as part of a broader national urban policy. Although a wide range of national policies can have a profound effect on urban development and inclusive growth, national governments do not always review this impact systematically. This is changing, however, and a growing number of governments have expanded their vision of urban policy to improve the co-ordination of different strands of policy that have significant urban impacts (OECD, 2014). OECD work on national urban policies has defined such strategies as a coherent set of decisions from a government led process of co-ordinating various actors for a common vision that will promote more productive, inclusive and resilient urban development (OECD, 2017d). Such efforts at national level can have profound impacts on inclusive growth outcomes in cities.

- Strengthen fiscal, strategic and institutional capacities within local governments to address inclusive growth priorities, as part of a long-term agenda. This is important in the current context, where many subnational governments do not have the sufficient fiscal capacity to carry out their responsibilities (known as under- or unfunded mandates). Many subnational government budgets are already constrained by the day to day public needs and urban management expenditures, leading them to focus on their core tasks and short term obligations, at the expense of broader policy objectives like inclusive growth. Beyond the fiscal dimension, subnational governments can also face important capacity gaps in terms of human resources and strategic policy making.

- Provide local governments with the leeway to adopt policies that respond to local needs and circumstances. In the realm of housing, for instance, local governments can integrate housing policy objectives within urban planning responsibilities to support more inclusive, sustainable urban development. Backed by the strategic direction and incentives of higher levels of government, 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 (OECD, 2018a).

- Foster effective horizontal cooperation, in particular in metropolitan areas and between urban and rural areas. Carrying out many policy responsibilities relevant for inclusive growth requires cities to collaborate at the metropolitan scale. Moreover, urban and rural areas enjoy different, often complementary assets, and better integration between these areas is important for socio-economic performance, including linkages relating to demographic, labour, public services, and environmental dimensions. Effective rural-urban partnerships can help attain economic development objectives for both zones. Governments can encourage the integration of urban and rural policies by working towards a common national agenda (OECD, 2018f).

- Engage and elevate the voices 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, including initiatives like the OECD Champion Mayors for Inclusive Growth initiative (Box 3).

Finally, there are several recommendations for local governments:

- Assess the potential synergies and trade-offs for inclusive growth among different policy objectives, outcomes and priorities. For instance, as explored in OECD (2018d), cities' climate policies to reduce greenhouse gas emissions can have h a range of economic consequences, intended and unintended, and these interventions can result in trade-offs between policy objectives. Some communities will be particularly hard hit by the transition to a low-carbon economy, and measures will need to be taken to address these losses and help these communities transition towards more sustainable activities. Cities would do well to diagnose the policy misalignments across sectors and levels of government that may exist to address competing objectives, for example both climate change and inclusive growth objectives (OECD, 2017c).

- Coordinate policy objectives and priorities across sectors and with neighbouring jurisdictions. The policy challenges relating to inequalities and inclusive growth cross numerous policy sectors and often stretch beyond administrative boundaries. This calls for effective coordination across local jurisdictions within a broader metropolitan area, as well as greater policy 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. Such co-ordination can help promote the contributions from and benefits to all people, places and firms (OECD, 2017c).

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