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State of European Cities

Executive Report

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In June 2005, the Directorate General "Regional Policy" of the European Commission launched a call for tenders in order to exploit data which have been collected in the context of the *European Urban Audit*. A successful proposal was put together by ECOTEC Research and Consulting Ltd, in cooperation with NordRegio and Eurofutures following this call. It led to one-year work, the result of which includes the *State of the European Cities* report and other deliverables. These were finalised early 2007. This executive report is a summary of the *State of the European Cities* report.

The *European Urban Audit*, on which these executive and full reports are based, was implemented by the Directorate General "Regional Policy" and by the statistical office (Eurostat) of the European Commission, following a pilot project in 1998. It is carried on by national statistic offices under Eurostat coordination. It provides a wealth of data on a series of domains: demography; social aspects; economic conditions; education and training; civic involvement; environment; transport; culture.

The current analysis focuses on some of these data. It is based on the last gathering of data which involved 258 European cities. Other analysis will be carried on in the future, based on the current gathering of urban statistics which involves more than 300 cities in 27 European countries and in Norway and Switzerland.

The *State of the European Cities* report is a first thorough analysis, based on the *European Urban Audit* data set.

The findings and recommendations both in this summary and in the full report are those of the consultant authors and do not represent the views of the European Commission.

Executive Report

Preamble

This State of the European Cities report is based on the Urban Audit, which allows 258 cities in the EU to be compared for the first time. After the completion of the Urban Audit Pilot Project in 1999, the European Commission decided to follow up this initial work, by launching a large scale data collection exercise in 2002¹. The Urban Audit was jointly coordinated by the Regional Policy Directorate General of the European Commission and Eurostat, the European statistical office, with the involvement of national statistical offices and local authorities in all EU Member States and the then Candidate Countries. The Urban Audit collected data for 258 cities in the 27 current Member States of the EU. The resulting data set allows objective comparisons to be made between the cities included from across Europe, in the fields of demography, social conditions, economic aspects, education, civic involvement, environment, transport and culture.

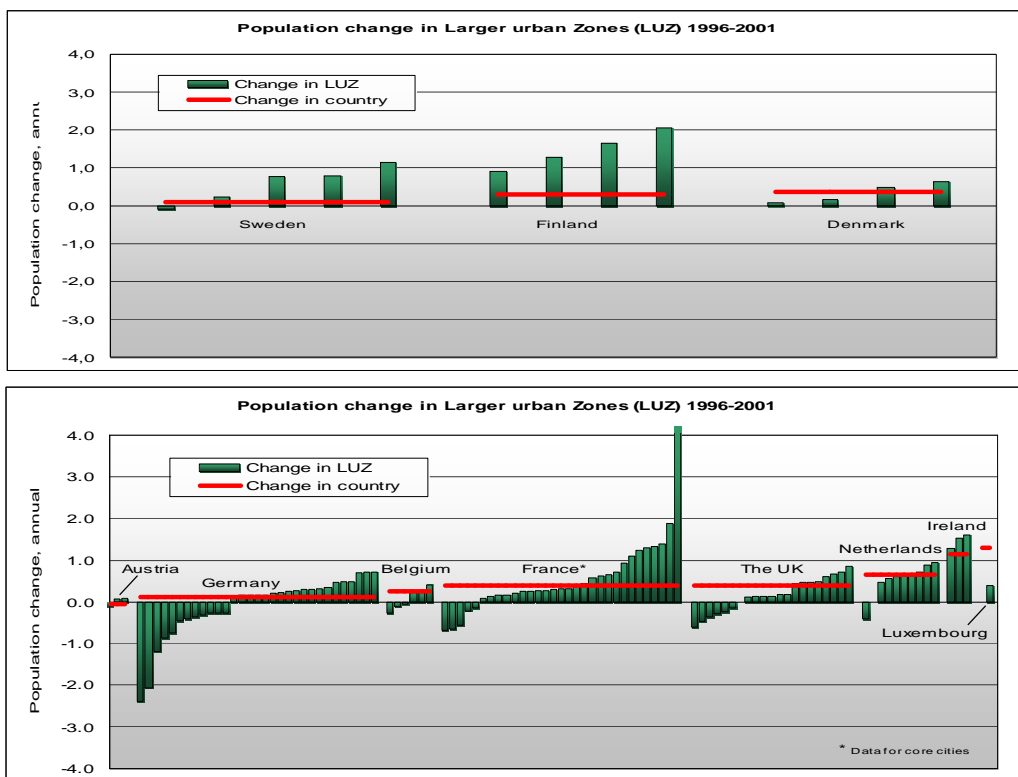
The present report has sought to exploit the wide range of data gathered by the Urban Audit.² It draws on key elements of it in chapters on population change, urban competitiveness, living conditions and the administrative power of cities. Data refer to fixed time periods, namely 1991, 1996 and 2001. The European Commission is currently coordinating an update of the data, for the year 2004-05, which will include additional cities and provide an additional wealth of information on urban development trends in the European Union.

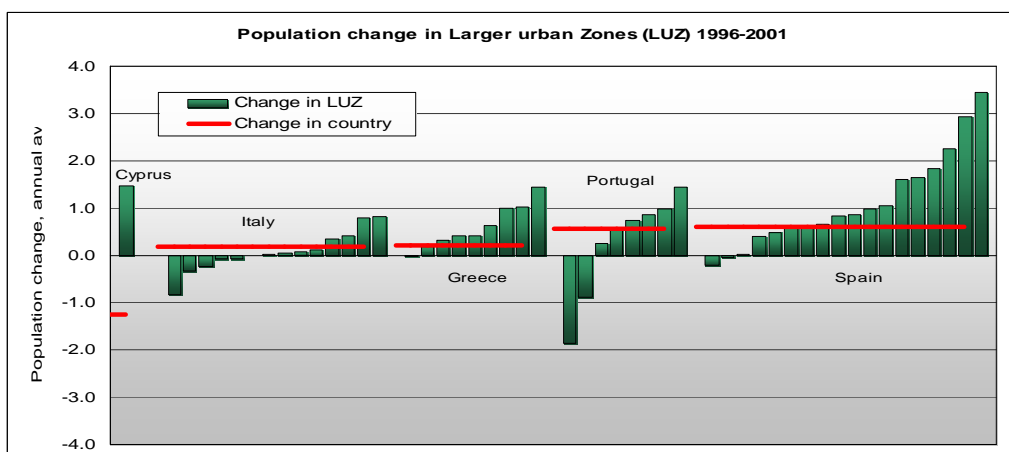
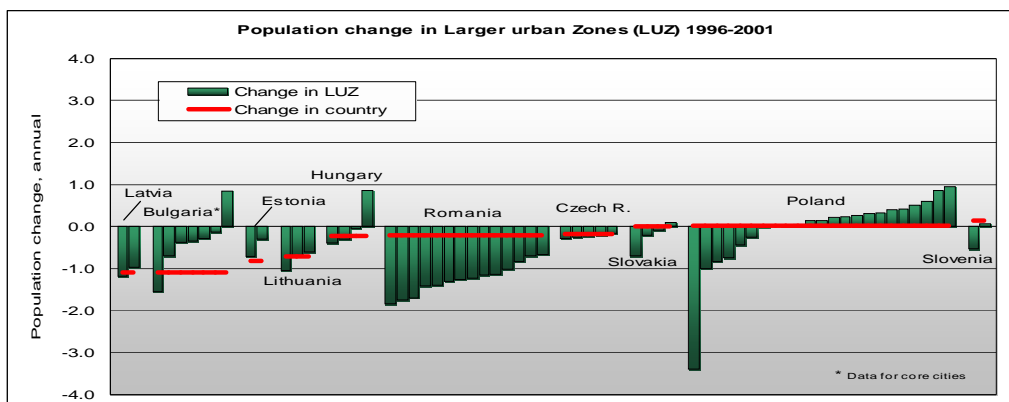
¹ See for data, city profiles and complementary information www.urbanaudit.org

² In doing so, the consortium benefited greatly from exchanges with a Scientific Steering Committee. Members of this Committee were Prof. G. Gorzelak (University of Warsaw, Poland), Prof. J.G Lambooy (Emeritus Professor, University of Utrecht, The Netherlands), Prof. M. Parkinson (John Moores University, Liverpool, UK), and Mr M. Pezzini (OECD, Paris).

A. Population growth or stagnation?

1. In the period 1996-2001, a third of cities grew at a rate in excess of 0.2% per year, a third saw their populations remain stable (rates of population change between -0.2 and 0.2%) and a third experienced a notable decline in population. The strongest population growth rates were recorded in Spain, where some urban areas saw average annual increases of 2% or more. Cities in Ireland, Finland, and Greece also experienced some of the highest population growth rates in the EU. In contrast, many urban areas in Central and Eastern Europe witnessed an overall population decline in the same time frame. In virtually all cities, suburbs grow and if they decline they still tend to decline less than the core city.
2. In general, Urban Audit cities in the *Nordic countries* grew at substantially faster rates than the national populations in the countries in question. The largest disparity could be observed in Finland, where population growth in Urban Audit cities exceeded the national rate of population change by 1 to 2 percentage points each year on average. The strong, service-led growth of the Finnish economy between 1996 and 2001 was an important contributing factor in this trend.





3. Patterns of urban population change in *Western Europe* are complex and varied. In most countries in this part of Europe, population growth, stagnation and decline all coincide within the national urban system. Between 1996 and 2001, population growth was strongest in Urban Audit cities in Ireland and a number of core cities in the United Kingdom also experienced rapid increases in the number of residents, while others saw a halt in a previous trend of population decline. Population developments were also generally positive in Dutch Urban Audit cities, while in Belgium, another highly urbanised country, urban areas witnessed both growth and stagnation. A similarly mixed picture could be observed in France and Germany, with urban centres in the former East Germany in many cases losing a considerable proportion of their population.
4. The changing economic and social context in *Central and Eastern Europe* has had a strong impact on urban demographic developments. Population loss in this region was not confined to smaller cities, but has also affected capitals – despite strong economic growth rates in many cases. This trend was primarily the result of stagnating natural population change. A considerable fall in the proportion of the population of productive age and younger (those below the age of 45) and an increase in the elderly population (65+) was evident in many cities. Residents left the urban core for the suburbs on a comparatively large scale.
5. In the second half of the 1990s, many Urban Audit cities in *Southern Europe* grew strongly. Spanish cities in particular witnessed strong population growth, at rates far

above the average for Spain as a whole. Immigration as well as natural population increase has been driving these population increases. Similarly, Portuguese cities have experienced high levels of foreign immigration, particularly from Portuguese-speaking Africa, Brazil and Eastern Europe. A distinctly different picture emerges for Italy, where population stagnation was the dominant demographic characteristic in Urban Audit cities between 1996 and 2001.

6. *Cities are affected by broader demographic context.* As a general rule, the population of Urban Audit cities tends to grow faster when the cities in question are located in fast growing regions. As such, it appears to be much harder for smaller cities to increase their population (through immigration or natural increase) in peripheral and declining regions than for similarly-sized cities located in dynamic core regions, where overall levels of attractiveness are low.
7. *Age structure and demographic growth rates in cities are related.* While an ageing population is an overarching trend across Europe, Urban Audit data suggests that, in general, the cities with the fastest population growth are those with the lowest share of elderly people and, correspondingly, the highest the share of children and young people. Examples of fast growing and young cities are London, Dublin and Madrid. However, in Central and Eastern European cities, no direct relation between population growth and age structure appears to exist in Urban Audit cities. Moreover, in cities around the Mediterranean in particular, population growth has gone hand in hand with ageing as a result of an influx of older residents ('sun seekers' in retirement).
8. *Migration plays a key role.* As a general rule, large Urban Audit cities tend to have experienced higher levels of inward migration than smaller cities and a substantial proportion of migrants are in the younger age groups (under 40). Furthermore smaller cities tend to attract new citizens from nearby (the surrounding region), whereas larger cities appear to have greater "pulling power", attracting migrants from further afield. This said, the pattern of inward migration varies considerable across Europe, with cities in Central and Eastern Europe, Italy and smaller cities in the Iberian Peninsula attracting comparatively few new residents from outside in the period covered by the Audit. In contrast, international migrants are highly concentrated in certain cities (notably in Spain, Italy and the Netherlands³). The largest numbers of nationals from other EU countries can be found within UA cities in Western Europe, in Germany, the Nordic countries and Ireland.

³ Immigration data is not available in the Urban Audit for the UK

B. How much do cities contribute to competitiveness, growth and jobs?

9. *Cities are the indisputable engines of economic growth* across Europe. In virtually all European countries, urban areas are the foremost producers of knowledge and innovation – the hubs of a globalising world economy. Bigger cities generally contribute more to the economy, but not all big cities do so. For cities with more than 1 million inhabitants, GDP figures are 25% higher than in the EU as a whole and 40% higher than their national average. The contribution of cities to GDP levels tends to level off with decreasing size. Smaller cities (up to 100 000) tend to lag behind their nations, but display average economic growth rates.

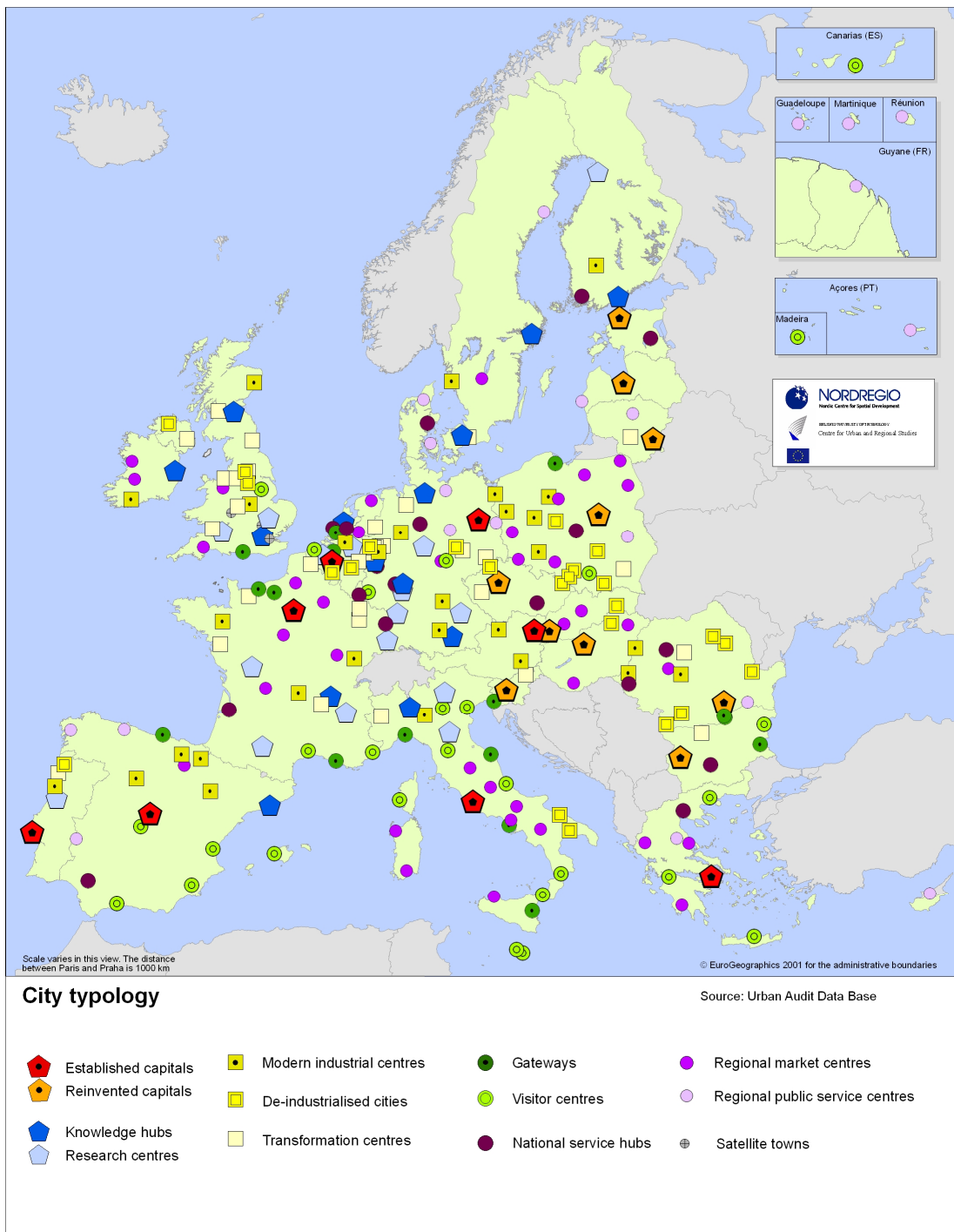
10. *An employment paradox is ubiquitous in European cities.* The concentration of jobs in cities is even stronger than that of residents, many of Europe's main employment centres are within cities and its largest cities are truly economic powerhouses. Yet, as in other parts of the world, the generated wealth does not necessarily translate into corresponding rates of employment among urban citizens. Only 28% of Urban Audit core cities have employment rates higher than the average for the country where they are located (corresponding to 33% of all Urban Audit city residents). Only 10% of Urban Audit cities have an employment rate of 70% - the EU's Lisbon target set for 2010. Employment rates are particularly low (less than 50%) in many Polish, Belgian and southern Italian cities. Particular challenges often stem from concentrations of comparatively disadvantaged groups in particular neighbourhoods and a related mismatch between the supply of skills available and those required by an increasingly knowledge-based economy⁴. Overall employment rates are strongly influenced by female participation. In Urban Audit cities, women's participation in the labour force appears to supplement, rather than replace, the traditionally higher levels of participation among men. Women contribute considerably to the high employment rates in Northern and Central and Eastern Europe, in contrast to the situation in much of Southern Europe.

11. *Urban economies are rapidly becoming service economies.* The service sector is by far the most important source of employment in European cities. In Central and Eastern European cities, the service sector is not yet as dominant, but many cities are catching up with their counterparts elsewhere in the EU. Taken as a group, the growth rate of the services sector in Central and Eastern European cities has been faster than anywhere else – reflecting the fast and deep structural change and economic transition of the last decade. In Western European cities, the service sector is by far the most developed as a source of employment. Of the five largest urban labour markets in the EU 27 (London, Paris, Berlin, Madrid and Rome), service sector employment accounts for between 80% and 90% of all jobs.

⁴ See also European Commission's DG REGIO Working Paper (2004) "Cities and the Lisbon Agenda: Assessing the Performance of Cities, p.16. See <http://www.urbandaudit.org/Cities%20and%20the%20lisbon%20agenda.pdf>

12. When using a broader measurement basis for economic competitiveness, *most of Europe's high performers are located in the north and the centre of the Union.* According to our so-called Lisbon benchmark (constructed on the basis of the Structural Indicators that apply to the city level ⁵), many of Europe's high performers are located in Denmark, Sweden, Finland, the Netherlands and the western parts of Germany. High scores can also be found in large cities in France, southern England and the eastern part of Scotland and the capitals of the Iberian Peninsula. In the New Member States, Estonia ranks highly, while several capitals such as Prague and Budapest also perform well. The weakest cities on the Lisbon benchmark can be found in Poland, Romania, and Bulgaria. Southern parts of Italy, the whole of Greece and large parts of Spain also perform poorly. The performance of a number of English cities is also disappointing, as is the situation in Berlin and the Walloon Region of Belgium. Cities in Italy, the UK and Belgium feature in both the strongest and the weakest categories, highlighting the considerable disparities in urban competitiveness in these countries. A relation with city size no longer exists when using the Lisbon benchmark – both smaller and larger cities can become high performers.
13. This report presents *a typology of cities*, which aims to provide a better insight into urban developments and serve as a basis for city comparisons. The criteria for allocating Urban Audit cities to these typologies were size, economic structure, economic performance and drivers of competitiveness. Despite its advantages, the typology has some limitations. City types are defined using the characteristics of their core rather than by their wider boundaries and cities may recognise themselves in more than one grouping. The typologies should therefore be used as a complimentary tool for a better understanding urban dynamics and to help in addressing the question of which policy mixes are most appropriate for different types of cities.

⁵ Variables used for the Lisbon Benchmark are 1) GDP per total resident population of area; 2) Labour productivity (GDP per person employed); 3) Employed residents in % of total resident population 15-64; 4) Employment rate of older workers: economically active population 55-64 in % of resident population 55-64; 5) Long-term unemployment: persons 55-64 unemployed continuously for more than one year in % of resident population 55-64; 6) Students in upper/further and higher education in % of resident population 15-24; 7) Youth unemployment: persons 15-24 unemployed continuously for more than six months in % of resident population 15-24. Indicators used. Lack of data can cause a bias in the benchmark.



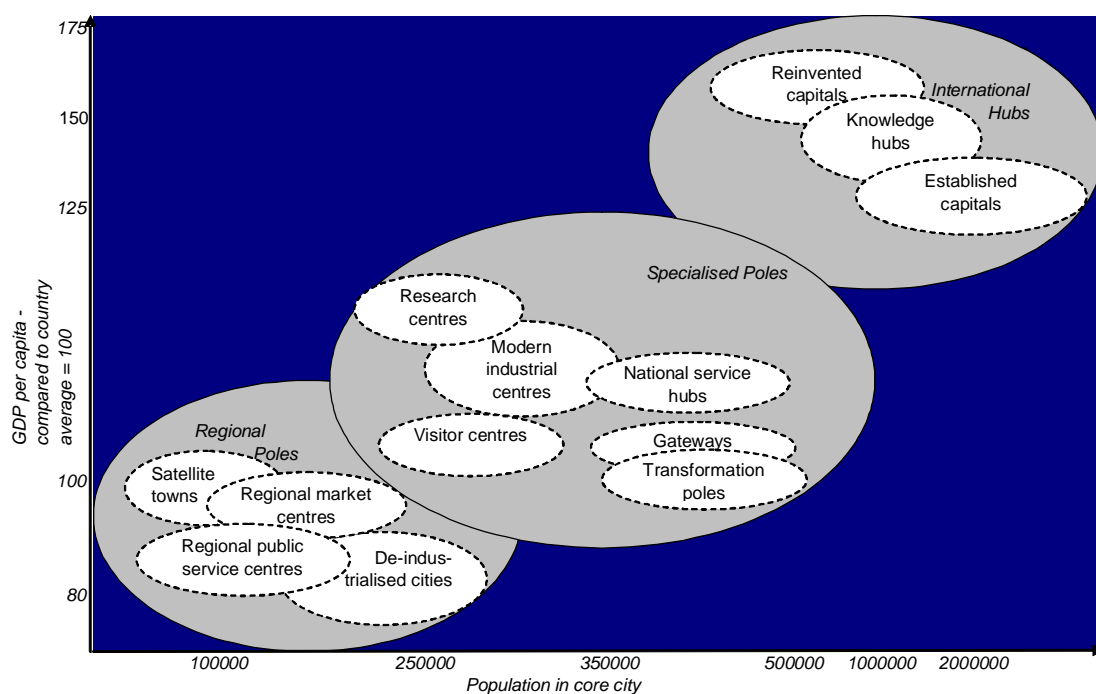
14. Among these city-types, Europe's *International Hubs* - international centres with a pan-European or even global influence – stand out:

- *Knowledge hubs* – key players in the global economy, positioned above the national urban hierarchy and in the forefront of international industry, business and financial services, based on high levels of talent and excellent connections to the rest of the world;
- *Established capitals* – firmly positioned at the top of national urban hierarchies, with a diversified economic base and concentrations of wealth;

- *Re-invented capitals* – champions of transition, engines of economic activity for the New Member States.

15. Secondly, a wide range of *Specialised Poles* can be identified. These play a (potentially) important international role in at least some aspects of the urban economy:

- *National service hubs* play an essential role in the national urban hierarchy - they fulfil key national functions and often some capital functions in the (public) services sector;
- *Transformation poles* – with a strong industrial past, but well on their way to reinventing themselves, managing change and developing new economic activities;
- *Gateways* – larger cities with dedicated (port) infrastructure, handling large flows of international goods and passengers;
- *Modern industrial centres* – the platforms of multinational activities, as well as local companies exporting abroad; high levels of technological innovation;
- *Research centres* – centres of research and higher education, including science and technology related corporate activities; well connected to international networks;
- *Visitor centres* – handling large flows of people of national or international origin, with a service sector geared towards tourism.



16. Thirdly, a large number of *Regional Poles* can be distinguished, in many ways the pillars of today's, yesterday's or tomorrow's European regional economies:

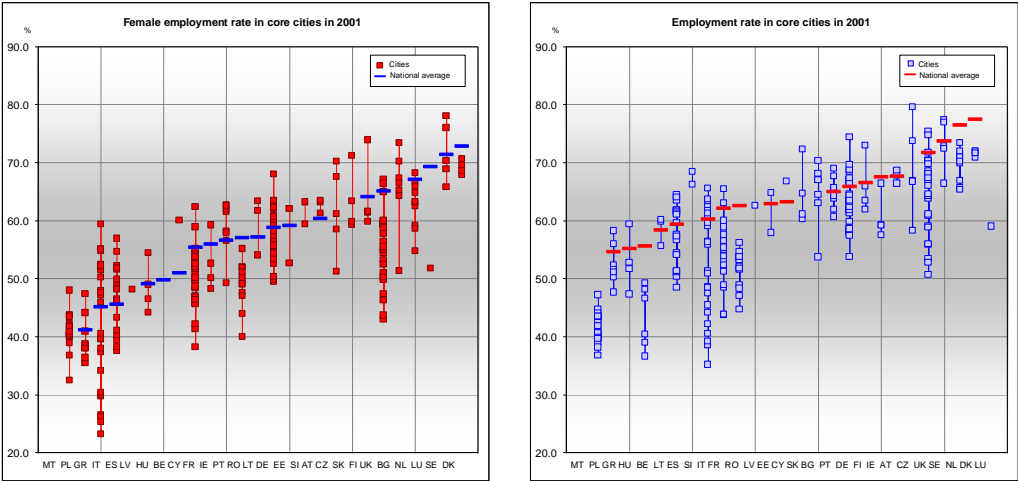
- *De-industrialised cities* – having a strong (heavy) industrial base, which is in decline or recession;
- *Regional market centres* – fulfilling a central role in their region, particularly in terms of personal, business and financial services, including hotels/trade/restaurants;
- *Regional public service centres* – fulfil a central role in their region, particularly in administration, health and education;
- *Satellite towns* – smaller towns that have carved out particular roles in larger agglomerations.

17. *Fundamental differences between the city types exist in the strength of their 'ingredients'- the drivers of competitiveness.* A number of *drivers of urban competitiveness* can be distinguished: innovation, talent (in terms of qualified human resources), entrepreneurship and connectivity being among the most prominent. Research suggests that the precise composition and 'mix' of these drivers differs considerably between cities and regions in Europe⁶. As such their ability to develop recipes for economic development and implement strategies for creating and maintaining growth and jobs varies accordingly. It is the use made of the key ingredients available that to a large extent determines the economic success of cities.

⁶ • ambridge Econometrics/ECORYS et al (2003) "Factors of Regional Competitiveness"- study carried out on behalf of EC DG REGIO.

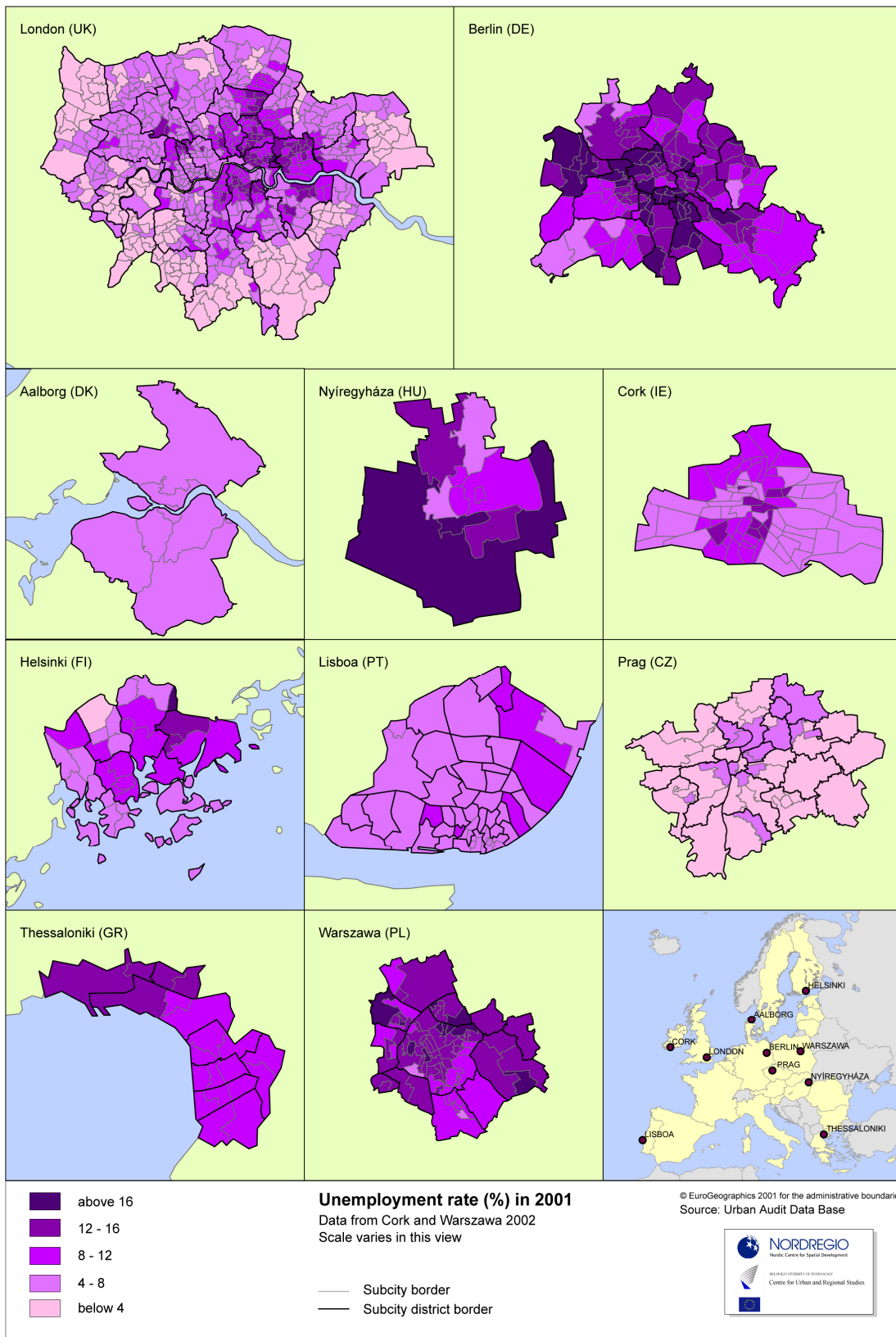
C. What is unique about city life?

18. *‘Going to work’ - but not everywhere for everyone.* In certain southern Italian cities with low overall female employment rates, fewer than 30% of women of working age have a job, compared to more than 70% of women in most Nordic Urban Audit cities. Although the relation between female participation rates and child care facilities is not very straightforward, it is evident that only very few Urban Audit cities with a high female participation rate have a low share of children in day care. Overall, therefore, the potential for increased participation rates is certainly greatest in Southern European cities.



19. *Unemployment rates tend to be higher in cities.* Across Europe, the unemployment rate was higher than the national rate in two out of three Urban Audit cities in 2001. Unemployment rates were highest (over 25%) in Poland, Belgium and Southern Italy notably. The lowest unemployment rates were observed in the Netherlands, individual cities in Germany, and Northern Italy. Unemployment rates also differed between the core cities and the wider urban area, as well as between neighbourhoods, but there is no clear pattern. High unemployment rates can be found both in inner city neighbourhoods and in specific outlying neighbourhoods, depending on the city’s morphology and its broader socio-economic structure.

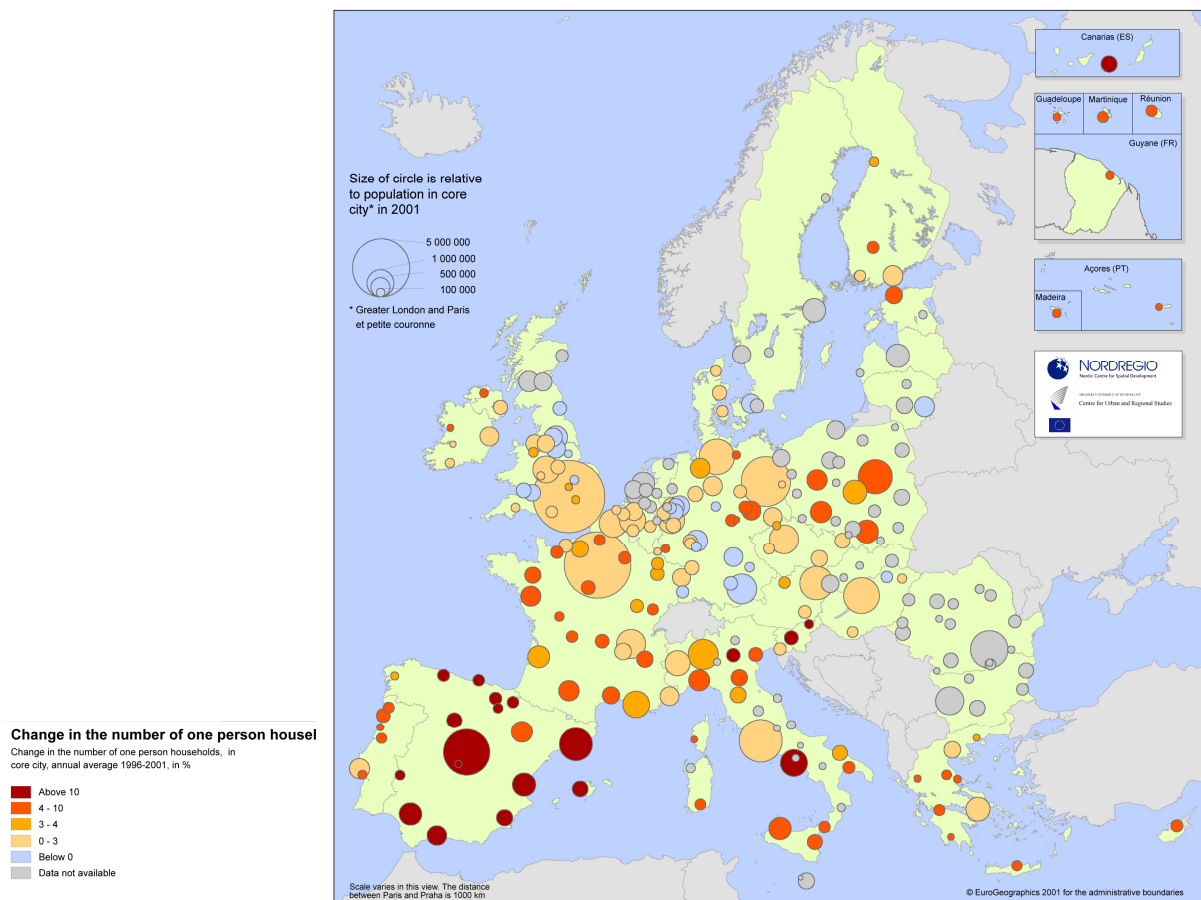
20. *Within cities, very large differences in unemployment rates can be observed between neighbourhoods.* Neighbourhood disparities in unemployment were particularly large in France, Belgium and Southern Italy, but are also significant in the cities of Eastern Germany, larger Spanish cities and the North of England.



21. Differences in *living space per resident* are striking across Europe. The average living space per inhabitant in some cities is almost three times higher than in others. There

are over 30 cities where the average area of living space per inhabitant is more than 40 m², and these are all situated in the western part of the EU. City dwellers in the New Member States are much less well off. Urban dwellers in Bulgaria, Latvia, Romania, Slovakia, the Czech Republic, Lithuania and Poland have on average 15-20 m² living space per inhabitant. The living space per inhabitant is an indicator where the east-west divide is still most visible today.

22. Most of Europe's city dwellers live in *flats or apartments*, which account on average for 77% of all urban dwellings in the EU. About 50% of dwellings in European cities are owned by their occupants, although the pattern varies considerably between Member States. Following privatisation initiatives, home ownership is now amongst the highest in Hungary, Slovakia, Lithuania, Bulgaria and Romania, while remaining very high in Spain and Portugal. The share of households owning their own dwelling is significantly larger in the outer agglomeration than in core cities – in many city regions more than twice as high.
23. *One person households* tend to gravitate towards each other, commonly towards the centre of the city. Clearly, city centres have high service levels and are well-placed to respond to the needs of single people and other individuals living alone. Younger citizens are likely to be attracted by the leisure facilities, while elderly citizens find comfort in the proximity to shops, public transport and health care facilities. At the same time, families with children are overwhelmingly pushed towards the outskirts of cities, where homes are larger and often more affordable.



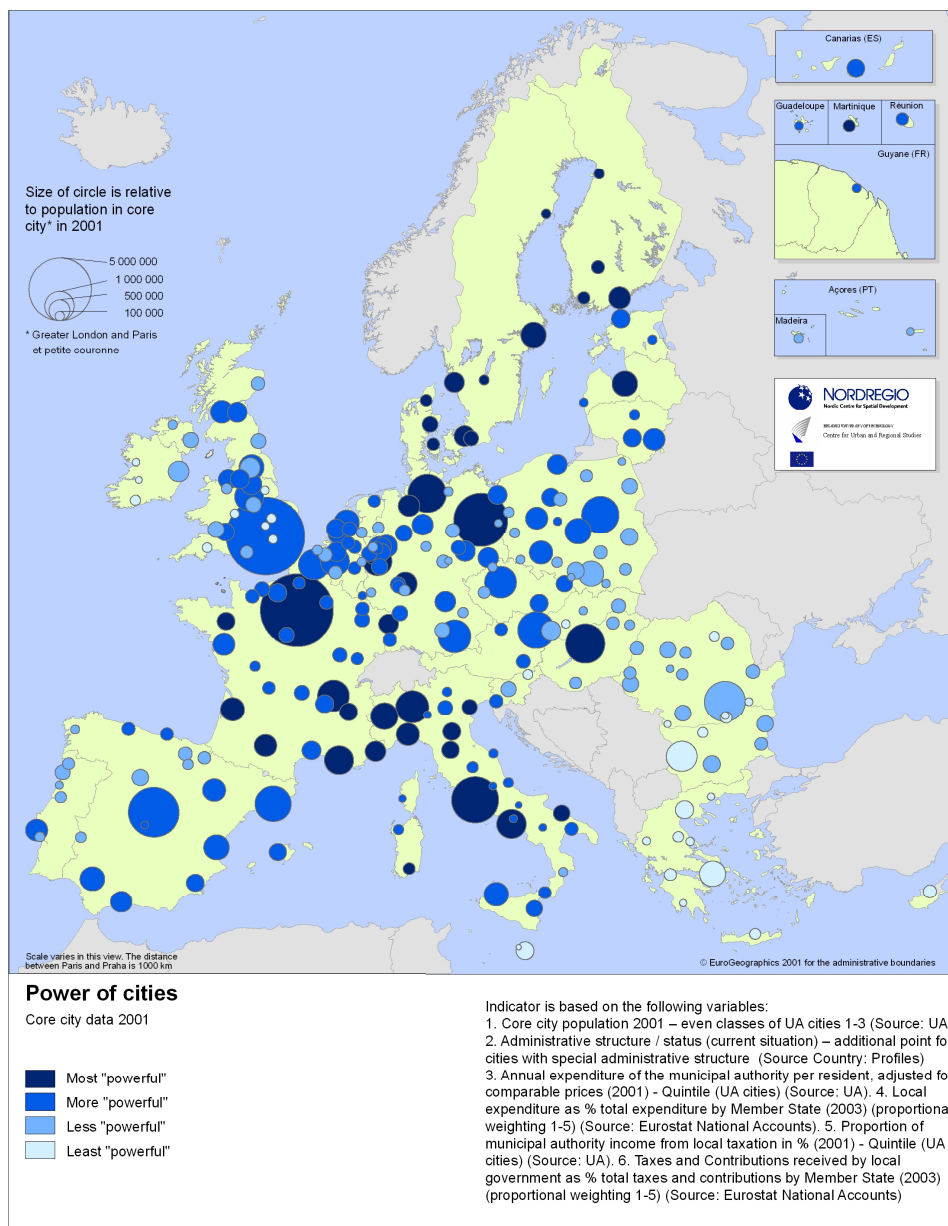
24. City dwellers are much better *educated* than other European citizens. Higher education qualifications are much more frequently held by inhabitants of cities than elsewhere in Europe. These concentrations of highly educated people play a crucial role in the development of a knowledge society and in exploiting the economic potential associated with this. Almost all cities have a better score than their national averages; many of them have a significantly better score, especially in the centre of these cities.

25. In contrast, cities are *not always the healthiest places* to live. The average life expectancy for those born in 2001 is 79 years for women and 73 years for men living in Urban Audit cities. This is approximately two years less than the average for the EU 25 overall. Cities with the longest life expectancy can be frequently found in Spain and Italy, where women can expect to live until 83 or 84 on average. The top 30 cities in terms of the longevity of their inhabitants, with life expectancy over 81 years for women and 75 years for men, are located in Germany, Italy, Spain, Belgium, the UK, Austria and Luxembourg. Central and Eastern European cities dominate the bottom of the list. Within countries, seemingly large variations are often results not so much of present wealth and prosperity, but above all of previous ways of living. A combination of lifestyle, economic standards and healthcare – now and in the past - are probably the most important factors determining people’s health.

26. Living in cities increasingly means that time is spent in *urban transport*. Especially in larger cities, travelling to work has become a major challenge in everyday life. The major dividing line in terms of transport mode in European cities rests between the Old and New Member States, with public transport playing a much more important role in the New Member States. In cities such as Bratislava and Budapest more than two out of three journeys to and from work are made either by underground, tram or bus. The opposite situation prevails in certain other Member States, especially in the UK. In most British cities, more than 80% of journeys to and from work are made by car.
27. Returning to the question what is so characteristic about living in cities, the Urban Audit paints a picture of urban dwellers, increasingly living in one-person households, surrounded by an increasing diversity of neighbours and with very different capacities to participate the developing urban societies around them. The well educated are best placed to exploit the economic opportunities available, while the poorly educated are at most risk of exclusion. Addressing this duality lies at the heart of the social cohesion challenge of cities.

D. How much power do cities have?

28. The full report provides an exploratory overview of the relative power of city-level governments in the EU. Whether dealing with economic, social or other challenges, the findings of the report illustrate that individual cities can swim against the current, formulate and implement strategies and oversee investments that make a difference. However, the extent to which particular city authorities can shape the future of their cities depends on their power. Taking into account size and administrative structure and drawing on data from the Urban Audit on city authority expenditure and local tax income, as well as national level data on local government income and expenditure, we used available quantitative data to develop an index of the relative “power” of city governments in the EU.



More information can be found in the full report at:

http://ec.europa.eu/regional_policy/themes/urban/audit/index_en.htm