

## *Editorial: Local lessons from a global crisis*

**T**he economic crisis has been both deep and wide. More than five years since the implosion of the global financial system, the economic recovery remains fragile and the effects of the crisis continue to be felt across virtually all OECD countries, especially when it comes to employment, and in particular, the increasingly high levels of youth unemployment.

Much has been said about the ripple effects of economic hardship across national borders, and the urgency of a co-ordinated global response. Indeed, comparative macroeconomic analysis and international co-operation in policy making are as vital as ever. But what can we learn by zooming in closer to understand the consequences of the current economic situation at the regional and municipal level? How can we identify successful policy responses already underway and replicate them in other regions, both within the same country, and ultimately around the world?

### **All jobs are local**

*Regions at a Glance 2013*, in its comprehensive analysis of local and regional data, reveals that a disproportionately high percentage of a country's unemployment is typically found in a limited number of regions. In 10 OECD countries, more than 40% of the increase in unemployment over the past five years was concentrated in just one region. In many countries, regional disparities in youth unemployment grew even wider. This is of particular concern in Greece, Italy, Mexico, Poland, Portugal, the Slovak Republic and Spain, where in some regions the youth unemployment rate now exceeds 40%. Addressing the specific labour market conditions of these regions and responding with policies that incorporate local solutions could greatly benefit national recovery.

### **Do more with less, invest smarter**

In a majority of countries, public investment was cut back in order to reduce budget deficits and preserve current expenditure on welfare, health and education. A lasting recovery may happen only with a new infusion of public and private investment; and subnational governments in OECD countries have a role to play since they are responsible for over 60% of public investment. But it is essential that we wisely target the remaining investment expenditures in ways that restore growth and preserve societal well-being. Subnational governments must not pursue these policies alone – the whole public sector should take the same view and have a co-ordinated response.

The crisis has reinforced the need to accompany economy-wide policies with differentiated approaches that better respond to the needs and more fully exploit the potential of individual regions. National governments, which face the challenge of “doing more with less”, can help in this process by mobilising a new range of actors, regions, cities, the private sector and civil society. For such a mobilisation to work, however, it is crucial that objectives, institutional incentives and responses are co-ordinated across national, regional and local governments.

## Urban engines

For the first time, we can now offer a comprehensive analysis of the performance of urban areas in OECD countries, looking at cities of different sizes, as well as the connections between people and jobs. Better understanding how cities function offers a unique opportunity to identify solutions for the problems faced by individual cities, with the benefits of better policies ultimately spread into other territories.

Metropolitan areas are the prime engine of growth. More than 50% of economic growth and job creation in the OECD area occurred in the 275 metropolitan areas (with a population larger than 500 000). Nevertheless, inadequate policies and planning can exacerbate inequalities within and across metropolitan areas. The resilience of cities to economic shocks varies widely within and across OECD countries. And now, in 45% of metropolitan areas the unemployment rate is higher than that of the respective country.

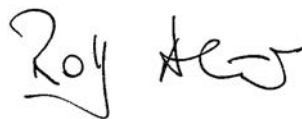
Administrative fragmentation across different levels of governments and agencies in the same metropolitan area can hinder appropriate responses. While metropolitan areas are important units for public policy, their economic and social boundaries don't generally match administrative borders. In most cases, a very large number of local and regional governments have a hand in policy making in the same city, usually with fragmented or overlapping responsibilities. For example, in the Paris metropolitan area there are more than 1 300 local governments, almost 1 000 in Seoul, 540 in Chicago and more than 400 in Prague. Ensuring the efficiency and equity of services delivery, effective policy co-ordination and distribution of wealth in the city can become very challenging when policy making depends on such a large number of government actors.

It is therefore necessary for metropolitan areas around the world to search for the most efficient administrative structure and partnerships that allow them to address these challenges and stay close to their residents. They cannot achieve these objectives without the co-operation of all level of governments, *in primis* the national government.

By zooming in on the subnational level, *Regions at a Glance 2013* offers a unique view of how the global crisis – and hopefully the beginnings of the recovery – has been experienced where citizens live and work. We are confident that this publication can be useful to policy makers not only in individual regions, but indeed those connecting the economic dots globally.

Ultimately, the choice is not between local or national, urban or rural, bottom-up or top-down policies. Instead, policy makers must understand how to find appropriate individual responses and co-ordinate among the different government levels in order to share and intelligently apply best practices.

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