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How is life in your region? Implications for Turkish regions

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Keynote Plenary Presentation Turkish National Committee of Regional Science Conference,
Istanbul Teknik Universitesi, Istanbul, Turkey, December 18, 2014.

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World Bank: Emerging Turkey - Lessons from an Economy in Transition

Website World Bank December 10, 2014

- > Turkey is a country in transition. The country has experienced solid economic growth for decades, but its recent socio-economic advancement can be dated back to the economic liberalization initiated in the 1980s and the subsequent financial, fiscal and public sector management reforms after the 2001 crisis. At more than \$10,000, per-capita income today is more than doubled since 2000 and Turkey is now emerging as a high-income country and to become the 12th largest economy in the world by 2060.
- > Economic growth has trickled down, thanks to improved public services, but also thanks to the process of urbanization and job creation in industry and services, which has opened up new opportunities for Turkey's traditionally poorer rural population. Poverty has fallen by half since 2002 and the share of the middle class has more than doubled from 18% in 1993 to 41% in 2010. Incomes among the bottom 40% in the country have increased at the same rate as those for the population as a whole – in other words prosperity has been shared. → BUT: regional disparities are still large
- > See: http://cdnapi.kaltura.com/index.php/extwidget/openGraph/wid/1_lj1jr411


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Classis question about regional growth still in debate

Literature: do "jobs-follow-people or people-follow-jobs?" (Borts and Stein 1964; Steinnes and Fisher 1974) or related "chicken-or-egg" (Muth 1971). Later *The Determinants of County Growth* by Carlino and Mills (1987) with lagged adjustment framework. The question relates to questions like:

- > Do people move for economic factors (jobs) or amenities and quality-of-life factors? (e.g. Lowry, 1966; Partridge 2010).
- > Is the residential location decision made before or after the job location decision? (e.g., Deding et al. 2009).
- > Are employment locations of firms really exogenous to residential locations? Or vice-versa (as assumed in the monocentric city model)?


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Duelling theoretical models

- > New Economic Geography (Krugman, 1991): falling transport cost lead to concentration of people and economic activities
- > Amenity migration (Graves, mid1970s): people or moving to nice places, warm climates
- > Agglomeration effects, attractiveness of (big) cities, high level facilities, cultural amenities (Gleaser et al. 2001 etc., Florida, 2003)
- > Storper & Scott (2009): people only move to nice places with suitable employment

→ Partridge (2010): for the US, Graves is the winner!

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Policy relevance

- > The question what determines growth plays a central role in policy discussions: is catering to the wishes of firms by improving the business climate of a place a better strategy than catering to wishes of people and improving the people climate of a place?
- > We see changing location patterns of firms changing migration patterns of people, especially of higher educated and richer people with changing preferences
- > Changing policy focus from only economic goals like GDP, income and (un-)employment to broader goals like well-being and quality of life: e.g. OECD-project 'How is life in your region?'

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Well-being – Quality of life - Happiness

- > The problem of definition
 - short term: emotional feelings of happiness
- > Many terms for more or less the same thing (how well one's life is going)
 - long term: life satisfaction

- Quality of life
- Welfare / Well-being
- Health
- Happiness

People's Well-being: changing preferences

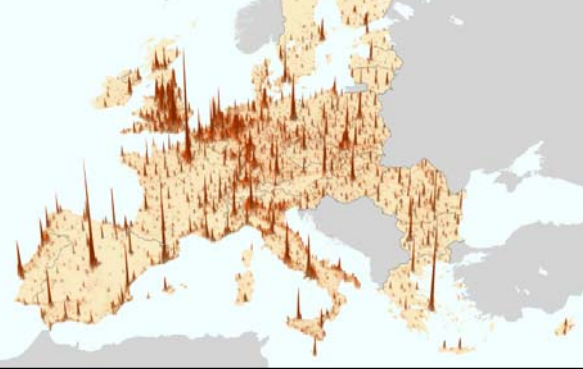
Objective measures

- > Life expectancy
- > Mortality rates
- > Poverty
- > Crime
- > Income
- > Un-/employment
- > Education
- > Gender balance
- > Working hours

Subjective measures

- > Health perception
- > Access to services
- > Material deprivation
- > Safety and trust
- > Life satisfaction
- > Happiness
- > Capabilities
- > Equal opportunities
- > Work life balance

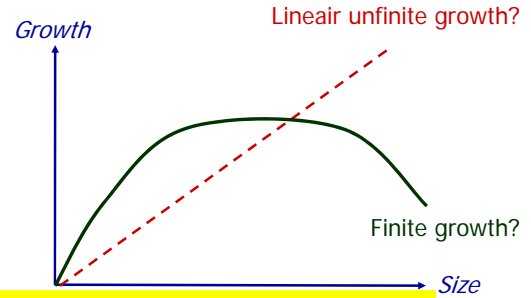
Regional development in European Economic space: the world is spiky



The Role and Value of (Big) Cities from pure economic and broad well-being perspective

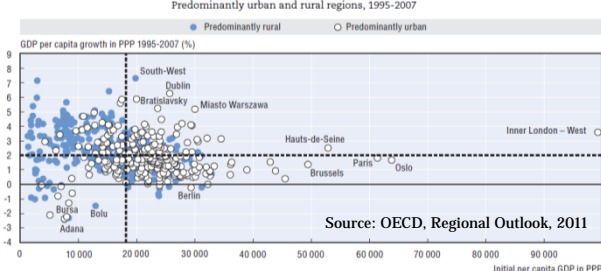
- > **ECONOMIC:** (Big) cities have higher productivity, generate more knowledge outcomes (patents, innovations, copyrights, licenses), have more higher quality human capital – both stocks and inflows
- > **But also:** higher land and housing prices
- > **WELL-BEING:** (Big) cities have high quality services and amenities like universities, musea, concerts
- > **But also:** more traffic jams, more air pollution, more crime, higher risk of being the target of war and terrorist attacks

Agglomeration and growth



Trade off between agglomeration benefits vs congestions cost?

Figure 1.4. A large variation of regional growth profiles, 1995-2007



Big cities have higher initial GDP, but NOT higher growth rates!
 Opportunities for growth are observed in all type of regions!
 (Broersma & Van Dijk, 2008 and OECD, Regional Outlook, 2011)

Figure 1.3. Intensity of dimensions of societal progress and geographic space

	Cities	Rural areas
Efficiency/income	+	-
Environmental quality	-	+
Social dimensions: Public goods (e.g. health, education)	+	-
Social dimensions: Community-produced goods (e.g. trust, security)	-	+

Source: OECD, Regional Outlook, 2011

Do 'jobs follow people' or 'people follow jobs'?

A meta-analysis of Carlino-Mills studies

Gerke Hoogstra, Raymond Florax
en Jouke van Dijk (2014)

Modelling do 'jobs follow people' or 'people follow jobs'?

- > Late 1960s variety of techniques were put forward, but in a small and fragmented group of studies.
- > Late 1980s, the number of research studies has rapidly grown and there has been relatively little disagreement about the choice of methodology due to the publication of *The Determinants of County Growth* by Carlino and Mills (1987), which marked a radical departure from previous causality studies in two respects.
- > To illustrate the importance of the publication: it was the most cited regional science article of 1987. Isserman (2004)
- > → **Meta analysis:** "The application of statistical techniques to collections of empirical findings from previous studies for the purpose of integrating, synthesising, and making sense of them" (Wolf, 1986)

Carlino-Mills model with simultaneous equations:
possible outcomes

$$\tilde{P}_t = a_0 + a_1 P_{t-1} + a_2 (I + \tilde{W}) \tilde{E}_t + \dots + u_t$$

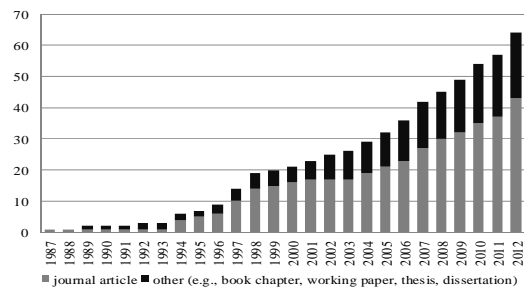
$$\tilde{E}_t = b_0 + b_1 E_{t-1} + b_2 (I + \tilde{W}) \tilde{P}_t + \dots + v_t$$

$a_2 > 0$ (people follow jobs)

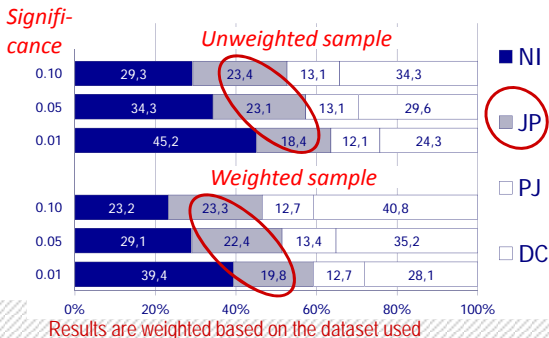
$b_2 > 0$ (jobs follow people)

	$b_2 \leq 0$	$b_2 > 0$
$a_2 \leq 0$	No interaction	jobs follow people only
$a_2 > 0$	people follow jobs only	dual causality

Meta-analysis based on 64 studies with 321 results



Classification of the results:



Do-jobs-follow-people or do people-follow-jobs?

- > Empirical evidence from 64 studies on jfp-pfj still mixed and inconclusive
- > One third each for: no-interaction, jfp+pfj, dual causality
- > Jobs-follow-people > people-follow-jobs (about 2x more)
- > Data matter: results vary by geographic location of the regions, spatial resolution and population and employment characteristics, but not by time period
- > Methodology: results vary by levels vs changes, functional form, specification weightmatrix, standardization by density or shares, number of equations, inclusion of other variables; but not by SAR
- > No difference by publication type

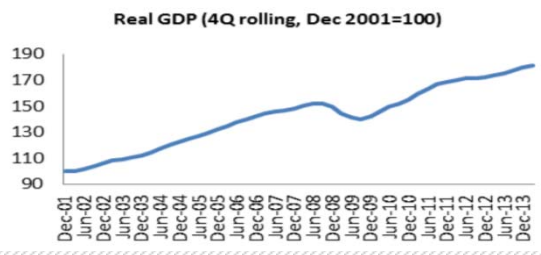
Policy relevance

- › The question: improve the business climate for firms or the living conditions for the people?
 - depends on the characteristics of the region
 - place based policies needed.
- › Most likely improving both is needed
- › What goals to reach: from purely economic or broader well-being perspective? What are the peoples preferences?
- › What are effective and efficient policy measures?

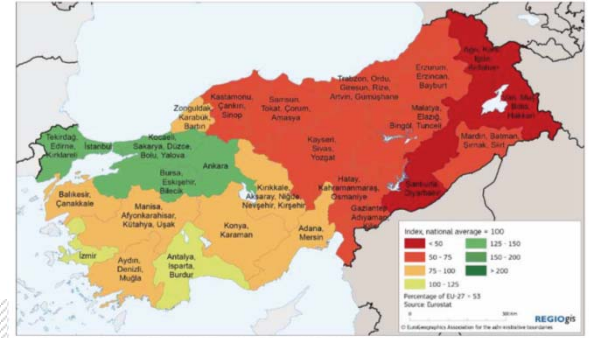
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Figure 2. Turkey has experienced strong growth since 2001



Map 1.4 Turkey: GDP per head (PPS), 2011 → Large regional differences in GDP



Turkey: large regional differences in household income

Figure 2.1. Regional range of household income, 2011
 As a % of income in the country's median region

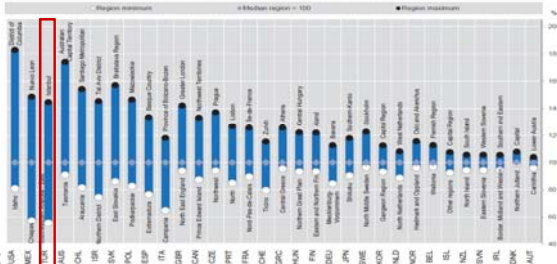
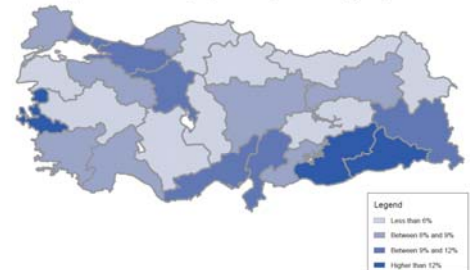
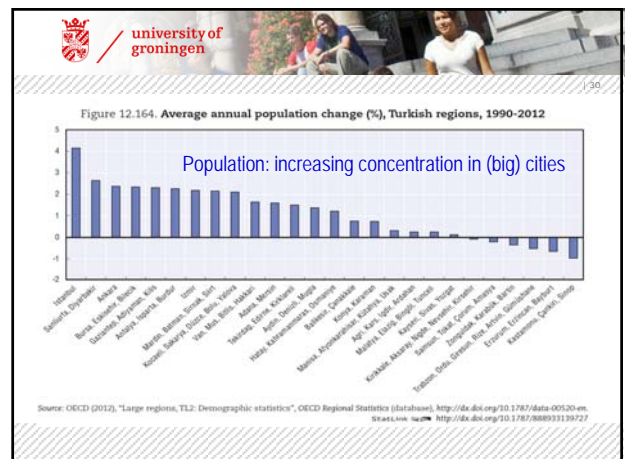
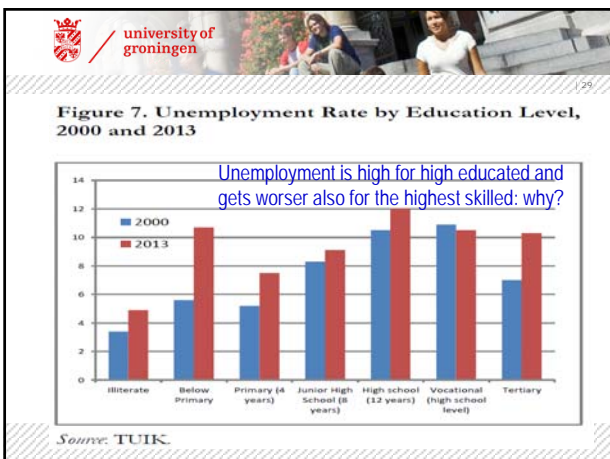
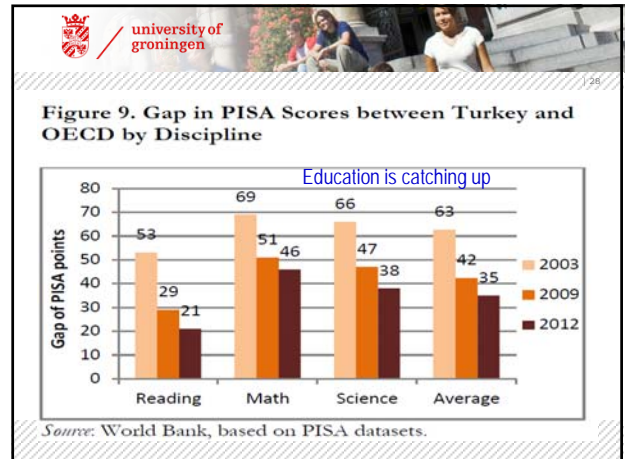
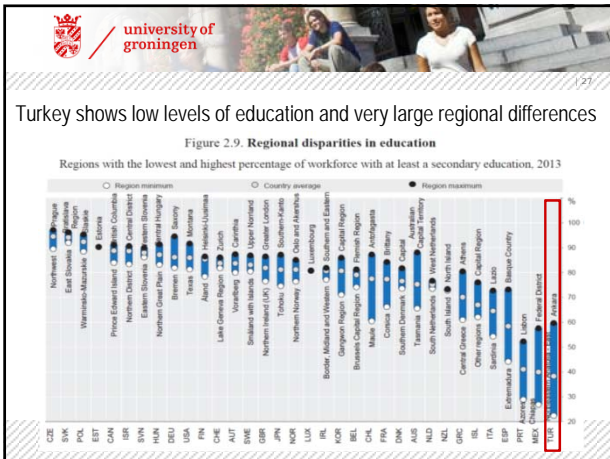
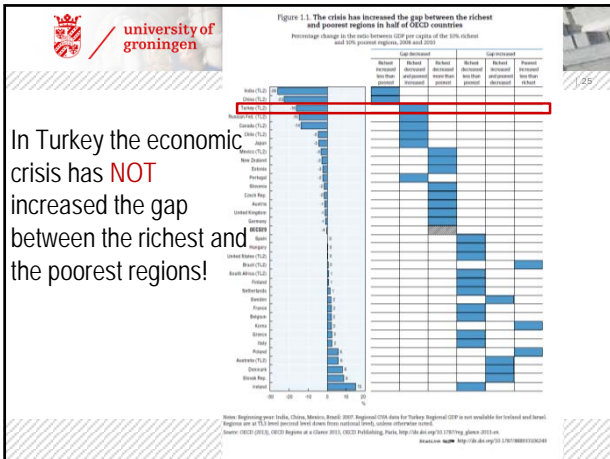
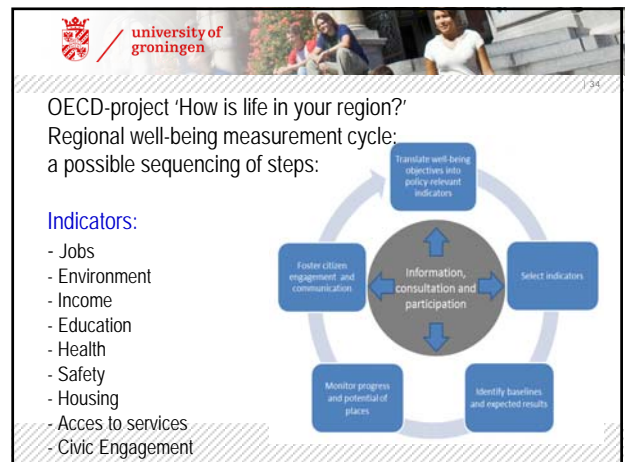
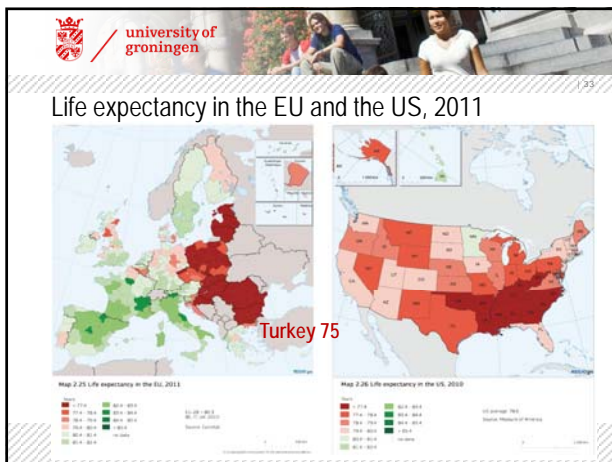
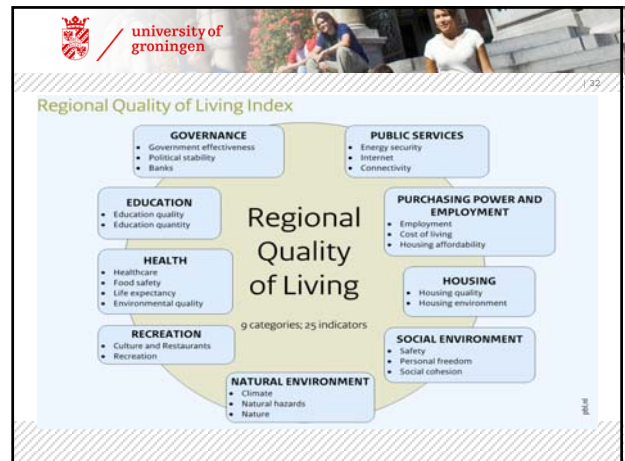
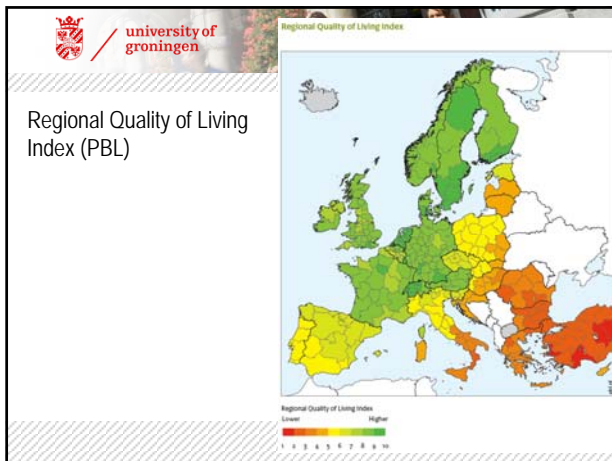


Figure 12.161. Unemployment rate, Turkish regions, 2013



Source: OECD (2011), "Large regions, TL2: Regional labour market", OECD Regional Statistics (database), <http://dx.doi.org/10.1787/data-00523-en>.
 StatLink <http://dx.doi.org/10.1787/88893139670>





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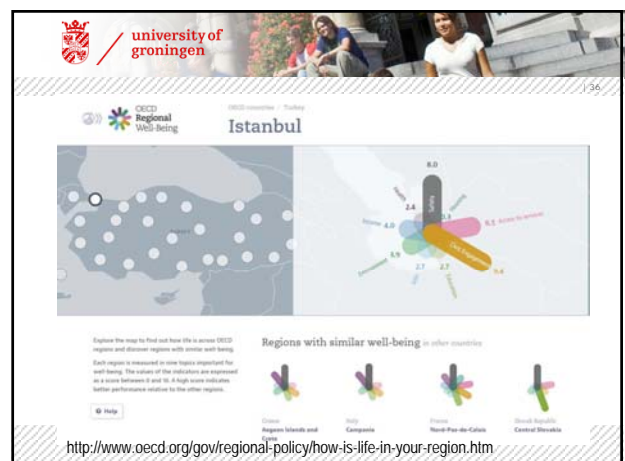
How do the top and bottom regions in Turkey fare on the well-being indicators?

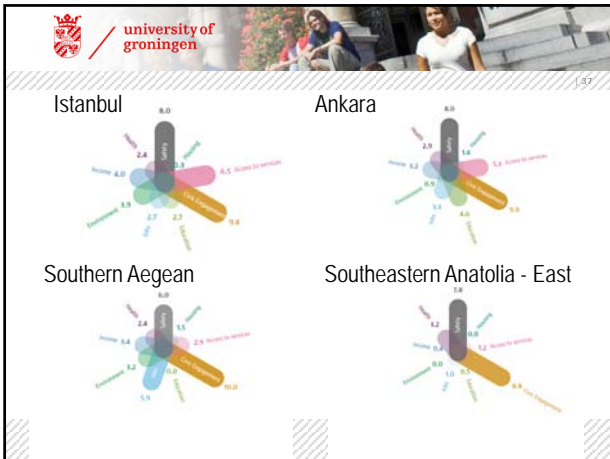
Indicator	Turkish regions		Country average	OECD average
	Top 20%	Bottom 20%		
Jobs				
Employment rate (%), 2013	59.6	39.6	49.3	66.7
Unemployment rate (%), 2013	4.9	11.5	8.8	9.0
Environment				
Level of air pollution (PM ₁₀) experienced by regional population (µg/m ³), 2012	14.3	23.4	18.3	12.3
Access to services				
Households with broadband access (%), 2013	50.8	23.9	45.0	67.2
Income				
Household disposable income per capita (in USD), 2011	14 445	6 423	11 517	18 907
Housing				
Rooms per person, 2012	1.1	0.6	1	1.8
Civic engagement				
Voters in last national election (%), 2013	90.0	62.5	87.6	67.7
Health				
Life expectancy at birth (years), 2012	75.4	72.8	74.5	79.5
Age adjusted mortality rate (per 1 000 people), 2012	9.3	11.0	10.1	8.1
Safety				
Homicide rate (per 100 000 people), 2012	1.8	3.3	2.4	4.2
Education				
Labour force with at least a secondary degree (%), 2013	45.3	25.3	38.3	74.6

StatLink <http://dx.doi.org/10.1787/889011289000>

Note: Data in the first two columns refer to average values in regions at the top and the bottom 20% of national ranking. The OECD average is computed for 34 countries except for housing (32 countries) and life expectancy at birth (33 countries).

Source: OECD Regional Well-Being Database. <http://dx.doi.org/10.1787/region-data-en>, www.oecdregionalwellbeing.org





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- ### Conclusions and discussion
- > Turkey shows a strong economic performance and has a lot of potential
 - > However large regional (urban-rural) differences in GDP, income, unemployment, education, environmental quality and quality of life
 - > The question: improve the business climate for firms or the living conditions for the people? → Future growth may benefit from a balance between policies aiming at purely economic and well-being goals?
 - > What are effective and efficient policy measures?
 - > - depends on the characteristics of the region
 - > - place based policies needed.
 - > Are Education and Governance the key-factors to improve both the regional economy and well-being and to lower inequalities?

