

The effect of local labour market, housing context and social services on financial situation among youth in European cities

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Introduction

D2.4 Synthesis Report: socioeconomic inequalities in different urban contexts

- Regional economic and welfare structures play an important role in the reproduction of inequalities.
- How financial situation of the young is affected by characteristics of the urban environment?
- Economic competitiveness of cities: expected positive effects through labor market BUT potential negative effects through housing!
- Effective local policies and high quality local social services (eg. education, health, public transportation) is also expected to lead to higher well-being.

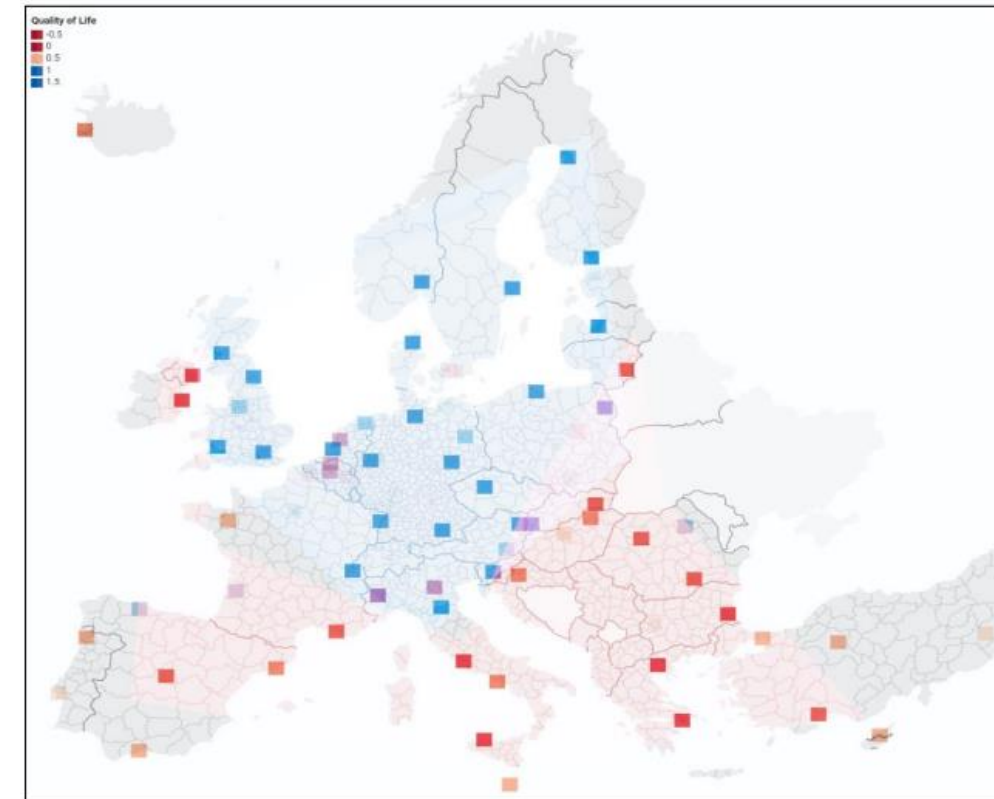
Data used

EC/DG REGIO, Perception Survey on the Quality of Life (QoL) in European Cities:

- waves used 2006, 2009, 2012, 2015, 2019
- representative sample of 700 (formerly 500) people each from 63-67 cities,
- all EU (except HR) but including CH, NO, UK and TR.
- age group 16-35 years

Contextual indicators:

- economic performance indicators from OECD FUA level database: GDP per capita, unemployment rate
- Indicators for housing: aggregated from database
- Indicators of local services: aggregated from database



Gajdos and Hudec 2020:11

Dependent variable

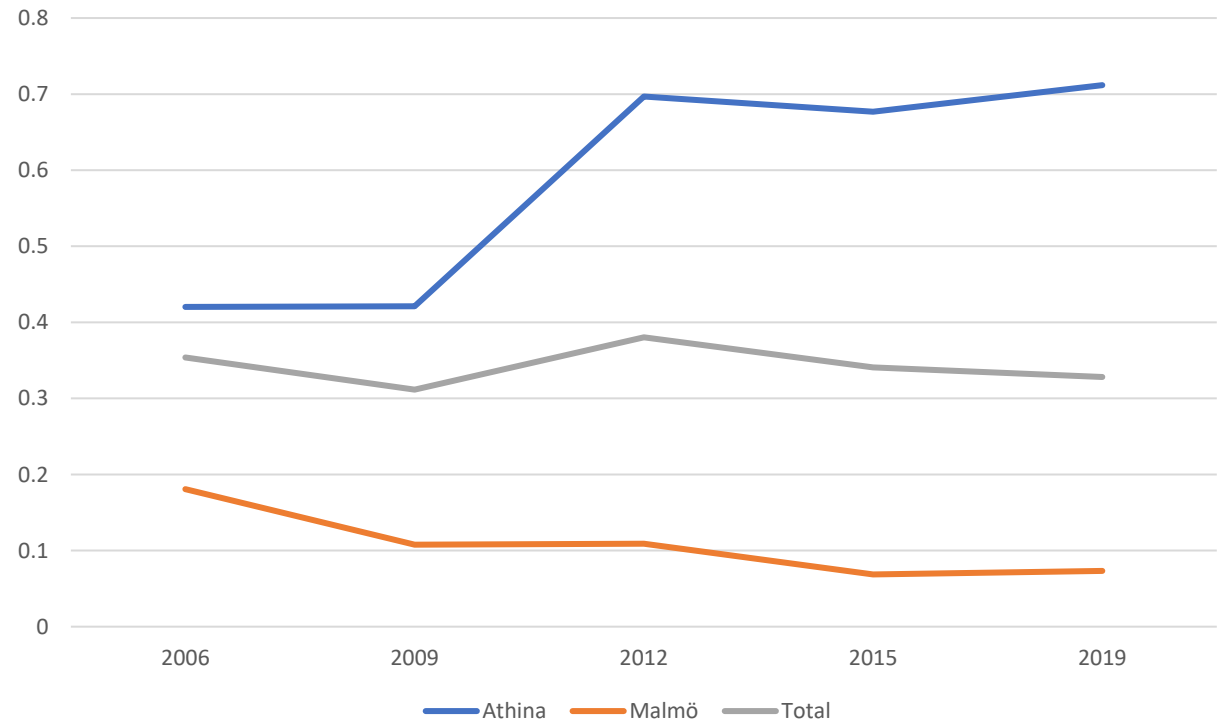
Survey question:

„having difficulties with paying bills in the last 12 months“

1-time to time or most of the times

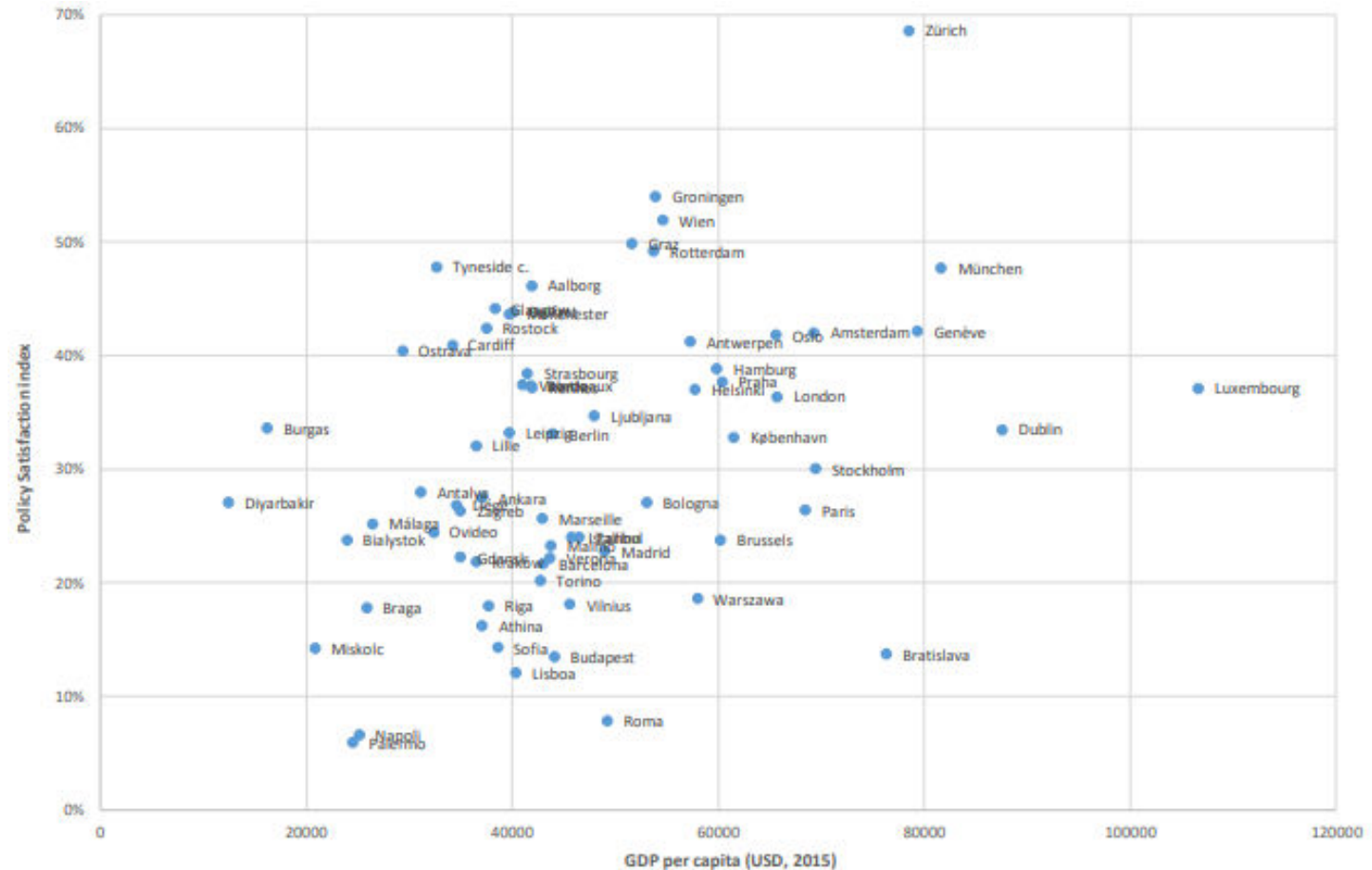
0-never or almost never

Percentage of the young having difficulties in paying bills



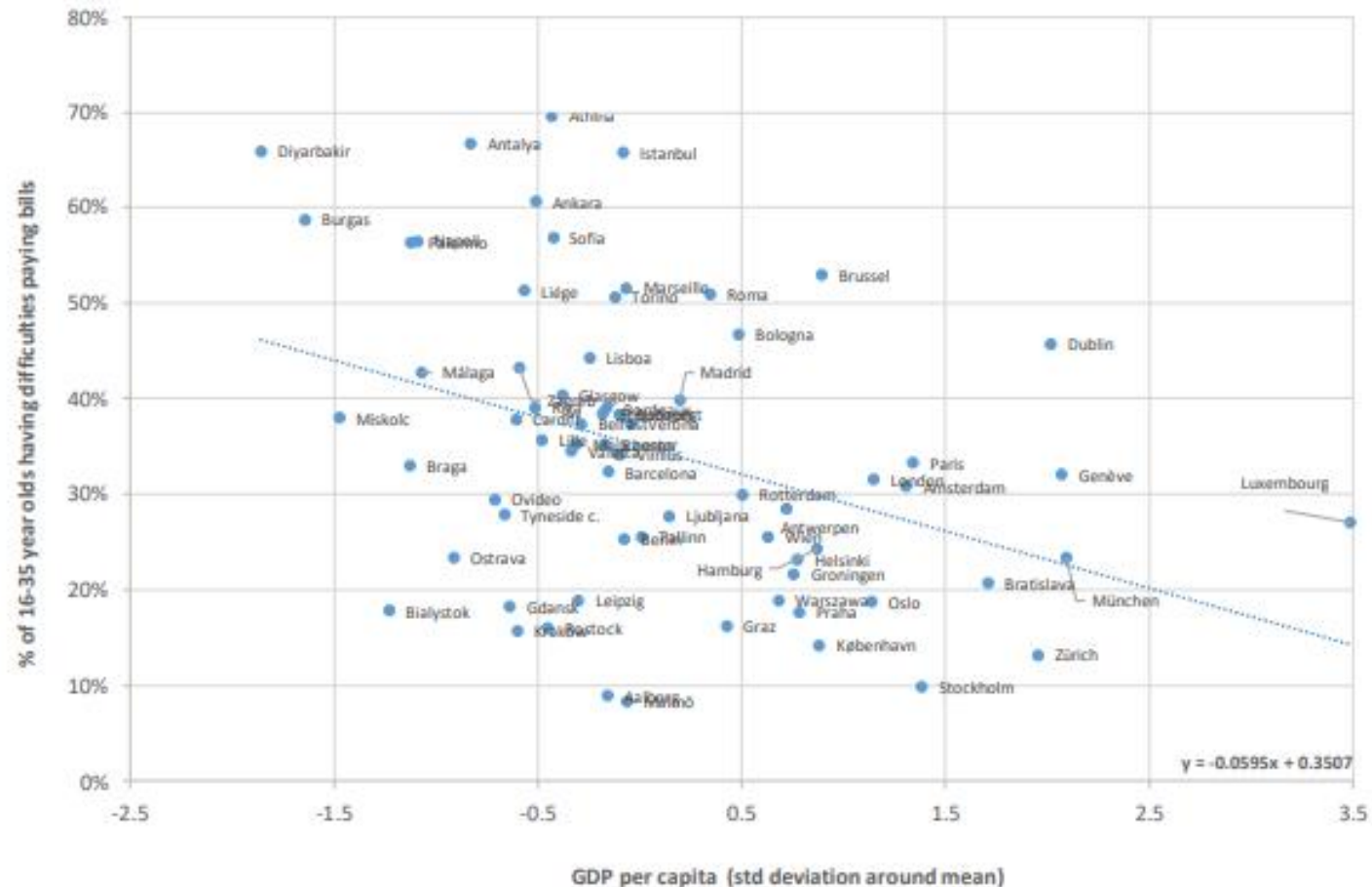
Independent variables

Policy Satisfaction Index:
Average of % very satisfied with local education, health and public transport services in each city and year among all respondents in the city



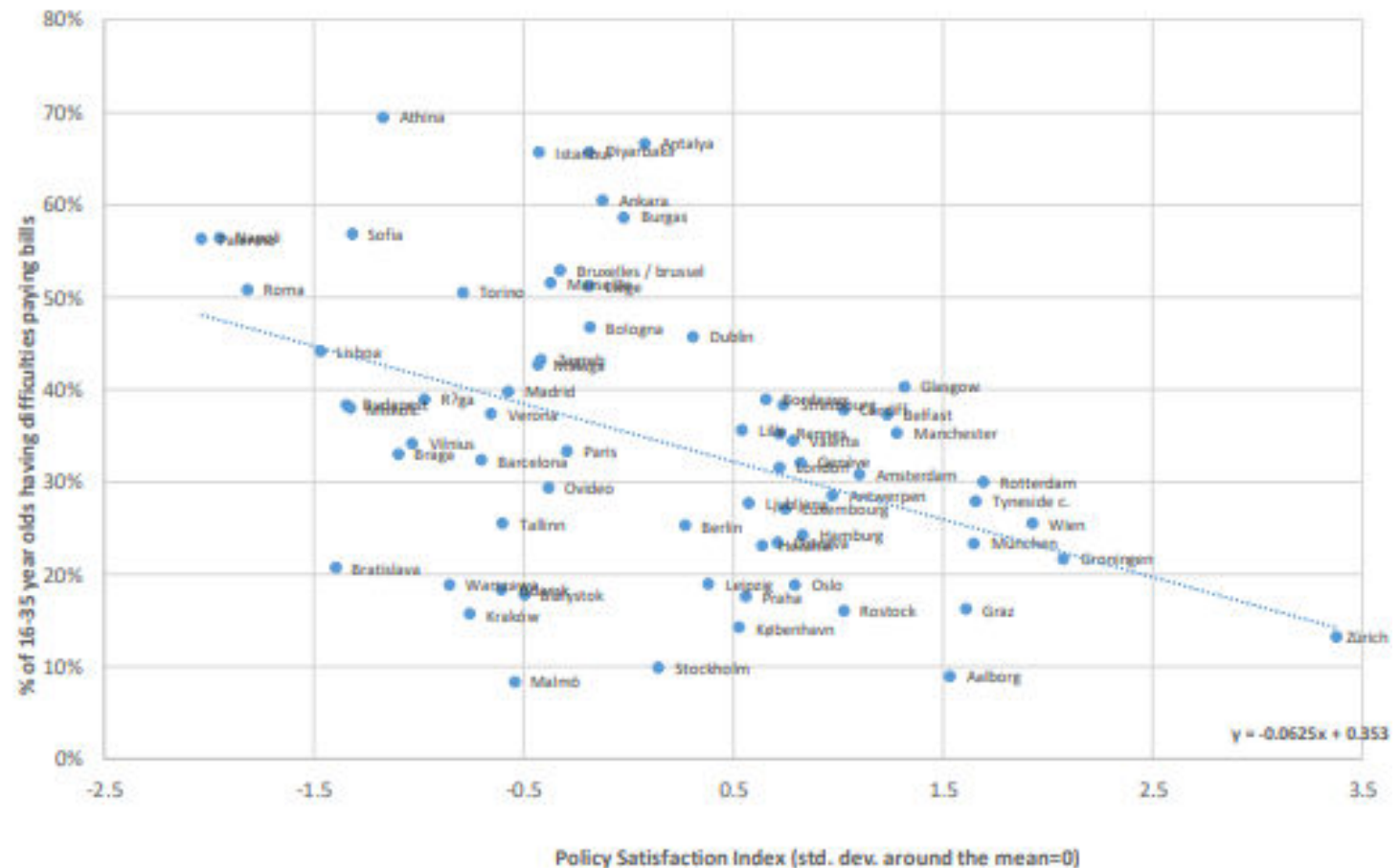
Descriptive results (1)

GDP per capita is standardised (divided by the standard deviation) in order to eliminate differences in units of measurement and to make the effect of the variables comparable



Descriptive results (2)

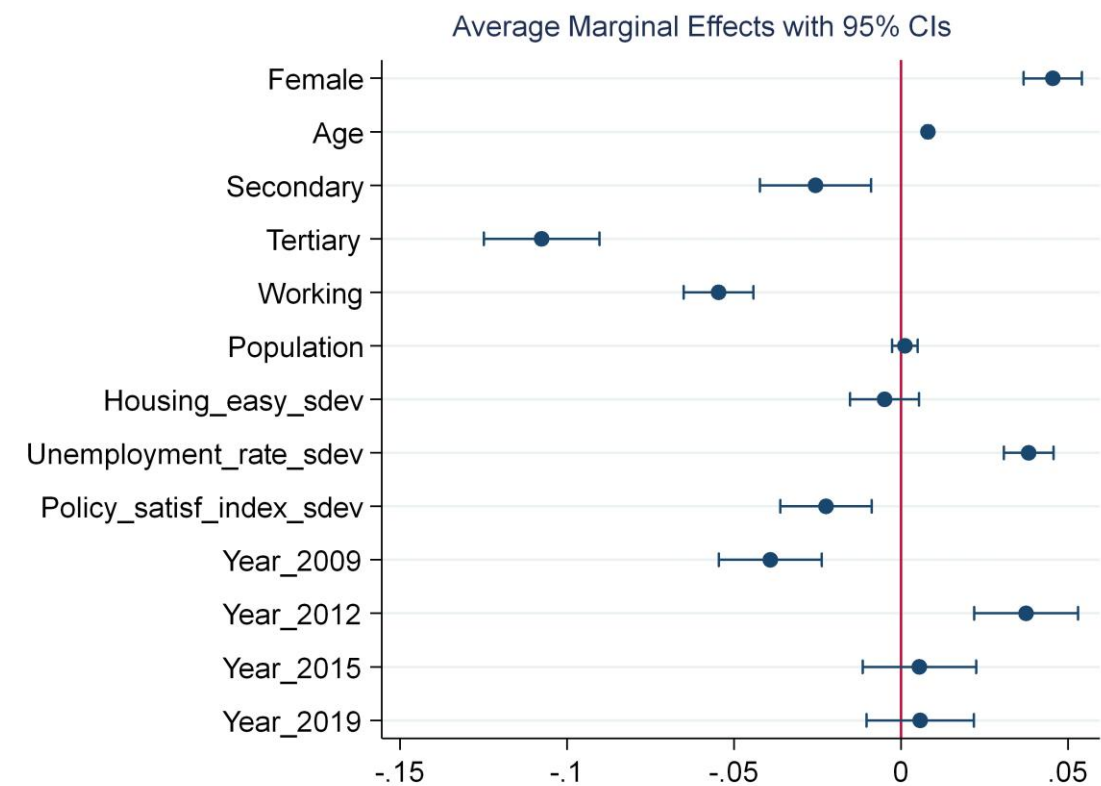
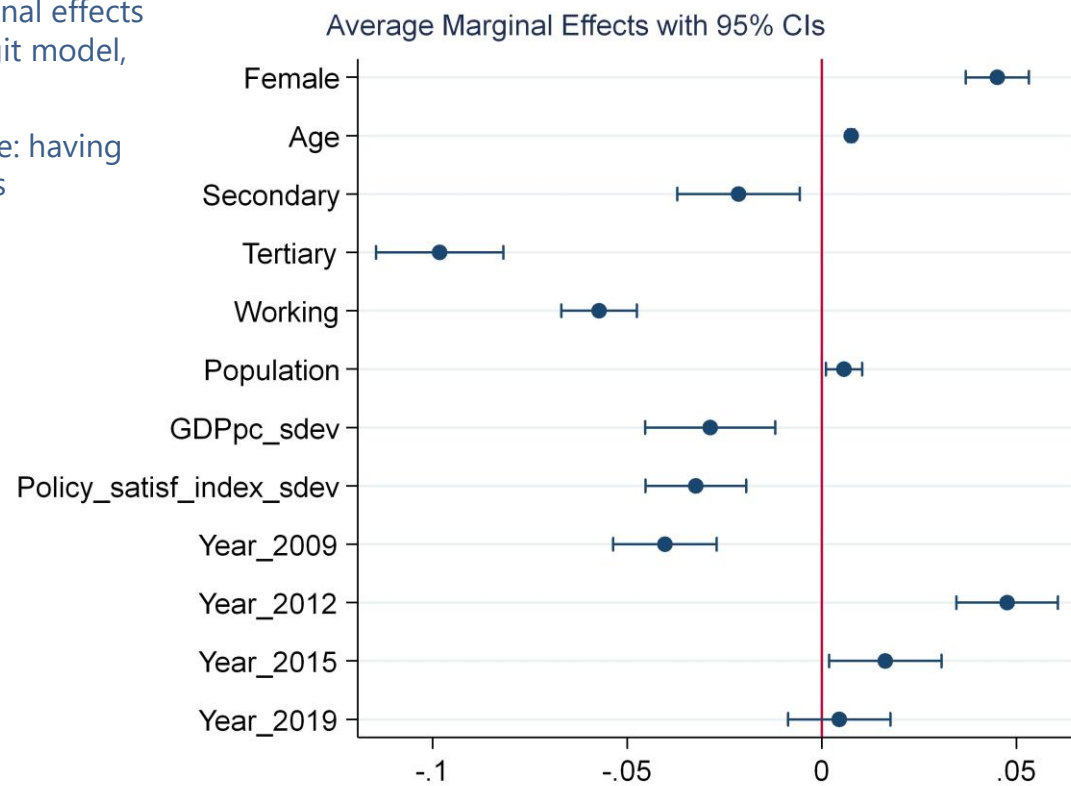
Policy Satisfaction Index:
Average of % very satisfied with local education, health and public transport services in each city and year among all respondents in the city. The index is standardized.



Multivariate analysis (1)

Fig. Average marginal effects from multilevel logit model,

Dependent variable: having financial difficulties

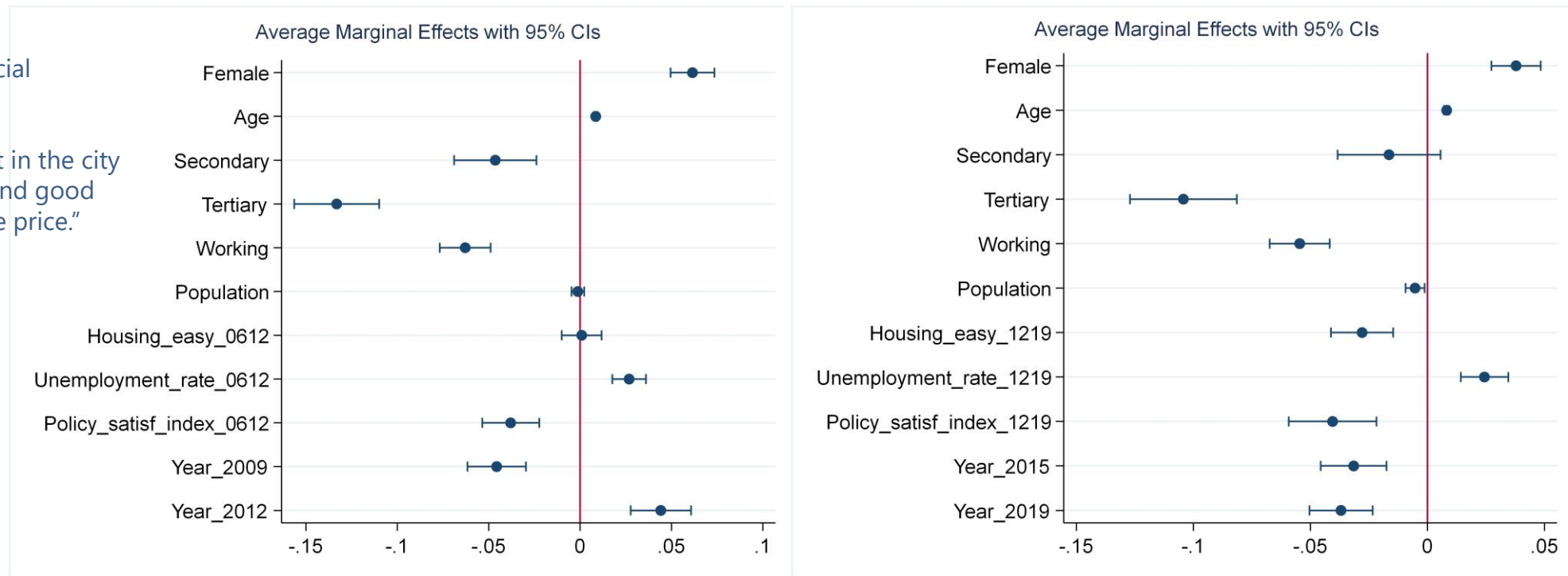


Multivariate analysis (2)

Fig. Average marginal effects from multilevel logit model,

Dependent variable: having financial difficulties

Housing easy: average agreement in the city with the statement „It is easy to find good housing in my city at a reasonable price.“



Conclusion

- To analyse deprivation among the young we also need to understand the local context in which youth live.
- Both economic competitiveness and local policies matter!
- Economic competitiveness can also have negative effect on youth well-being in cities through rising housing prices.

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Illustrative analysis

Dependent variable: difficulties in paying bills in the last 12 months

(„On the whole, are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with your personal job situation“.)

First-stage (within city) regression models:

$$Y_{ic} = \alpha_c + \beta_{1c} \text{YEAR} + \beta_{2c} \text{GENDER}_{ic} + \beta_{3c} \text{AGE}_{ic} + \beta_{4c} \text{EDUC}_{ic} + \varepsilon \quad (\text{for } i \text{ individual in } c \text{ city})$$

Second-stage: we explain **the disadvantage of the low educated** with city-level variables

-economic situation: GDP per capita (PPP) or GDP growth

-policy: quality of the education system: average satisfaction with educational services

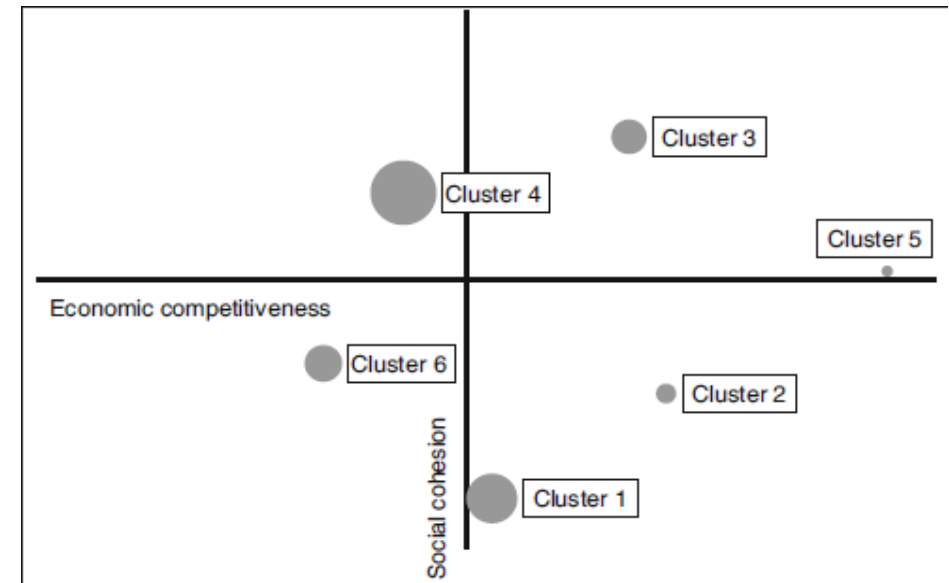
(„Please tell me if you are very satisfied, rather satisfied, rather unsatisfied or not at all satisfied with schools and other educational facilities in your city or area.“)

Causal relations between the economic potential of urban areas and their level of social inequalities

On-line seminar, 22 November 2022

Research questions and hypothesis

- Classical theories (60s) economic growth contribute to lowering inequalities, while higher cohesion contribute to higher economic performance
- Inter-city inequalities are growing: globalisation tendencies, emergence of city agglomerations, higher specification, deindustrialisation
- Within city inequalities growing: globalisation, industrial revolutions: higher demand for skills, polarisation of incomes, more precariat working conditions, housing as a driver of inequalities
- New paradigm (mainly US): the more competitive the city is, the larger the inequalities – distances - are
- Challenged by Ranci et al,



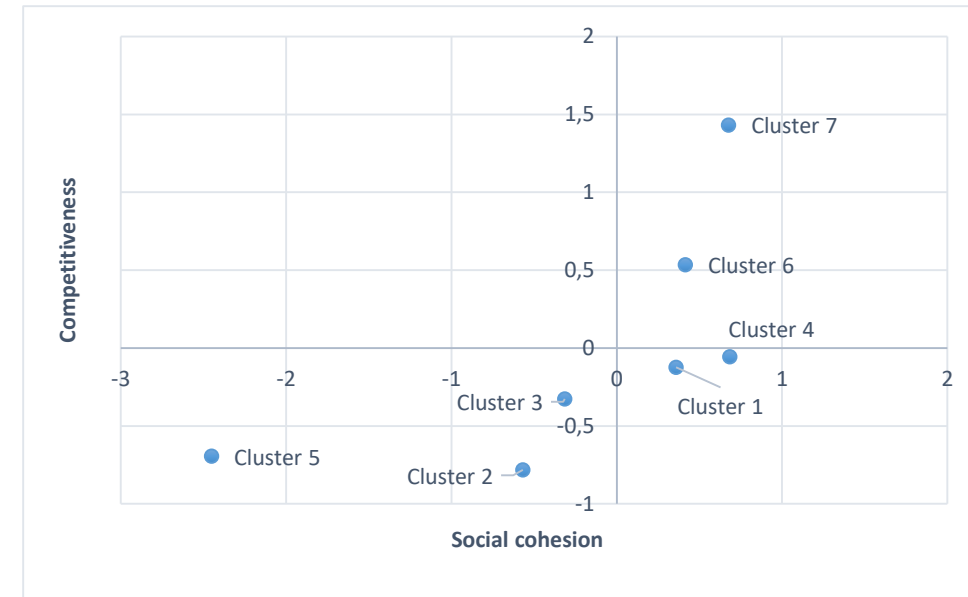
Source: Social Vulnerability in European Cities, edited by Constanzo Ranci, Taco Brandsen and Stefania Sabatinelli, p.55

Clustering: Marianna d'Ovidio and Constanzo Ranci

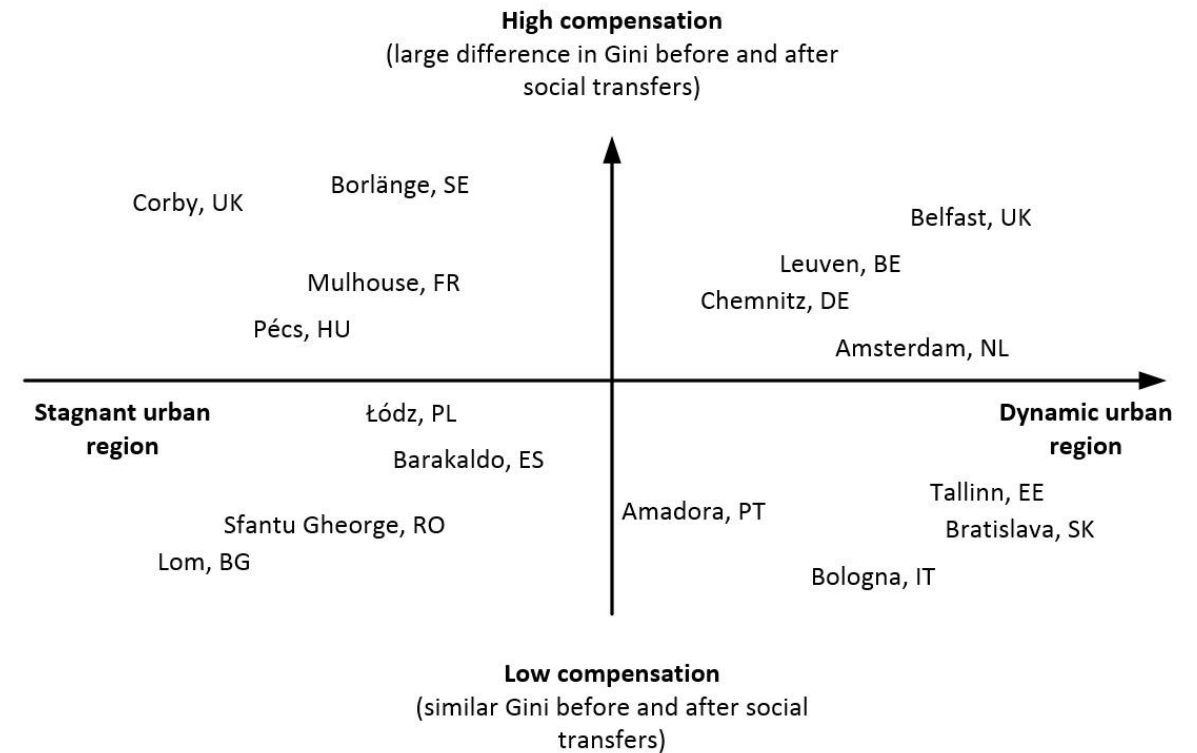
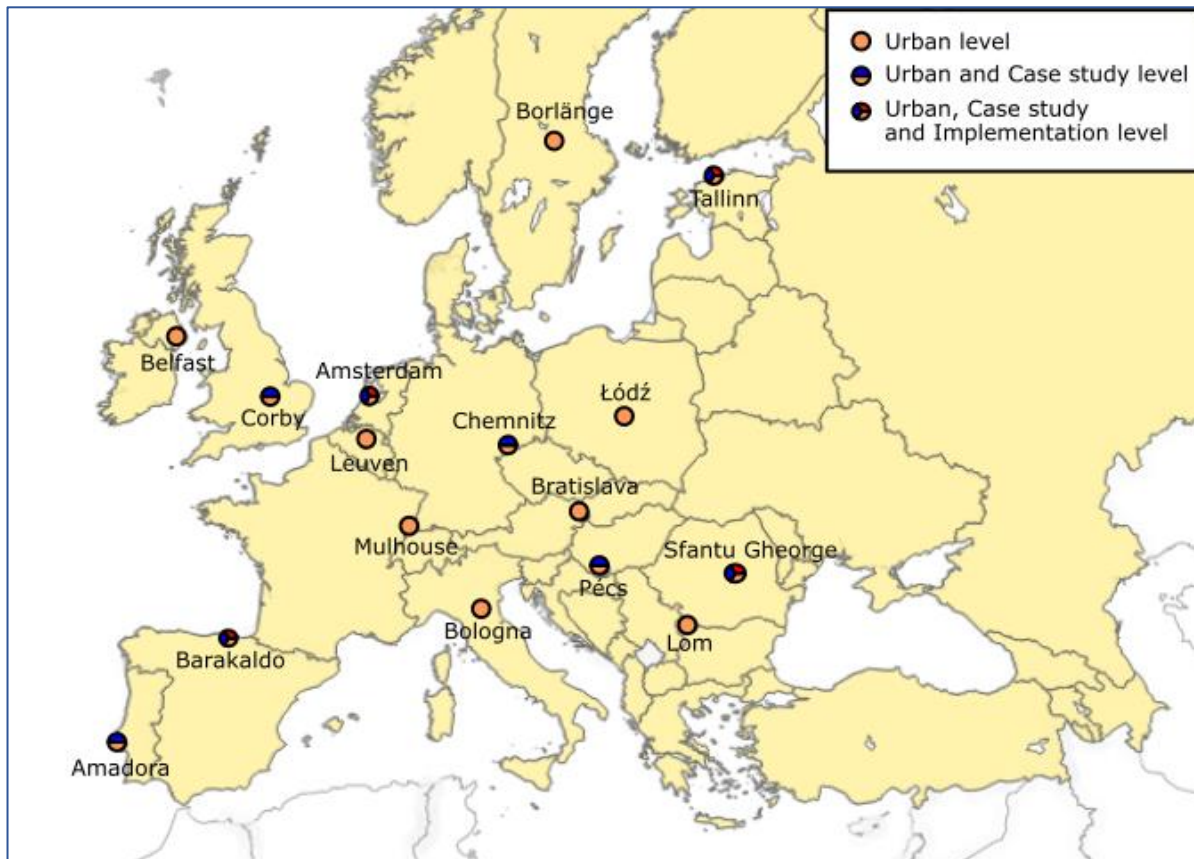
These two aspects are today detached from each other: social cohesion does not foster economic growth any more, and economic success does not necessarily reduce inequality and social exclusion in European cities.

Research Methods

- First plan: let's update Ranci's team's data analysis: not all the data were available → a new modelling was completed with a limited dataset. Findings: competitiveness of the cities seems to have connections to lower inequalities in the labour market (but no other cohesion dimensions to prove)
- Other difficulty: statistics highlight the phenomena, but not necessarily the mechanisms behind
- UPLIFT approach:
 - Quantitative: as 16 urban areas of UPLIFT do not have comparative indicators, and the number is low, thus for a statistical exercise, we used a different database: European Quality of Life survey on 65 cities of Europe. New indicators had to be defined.
 - Qualitative: we analysed the 16 urban cases in order to find the mechanisms behind the potential causal linkages



16 urban areas of UPLIFT



Creating economic clusters

Factor of clustering: characteristics of the labour market: diversity of jobs: availability of highly skilled jobs as a prerequisite for economic strengths (inequality in the job market is embedded into the model)

Strong market

Amsterdam, Belfast,
Bologna, Bratislava,
Tallinn

Weak market

Borlänge, Chemnitz,
Lom, Lodz, Mulhouse,
Pécs, Sfântu Gheorghe

Linked

Amadora, Barakaldo,
Corby, Leuven

Evaluation of mechanisms in three steps

1. Impact of the economic strengths on the structure of the labour and housing markets and demand for education
2. Links between the economic potential and the performance of the welfare system in housing, education and employment
3. Analysing the combined mechanisms: structures or welfare are ruling the game?

Structural linkages

- **Labour market** is fundamental: higher inequalities in stronger cities (by definition), but lower level of poverty in general. In weak cities the opposite. (No sense to speak about linked cities)
- **Housing market:** strong demand pressure in strong market cities. Still relevant pressure in linked cities (commuters) → wide gap between salary and housing. In weak cities: main problem is the quality of the housing stock (for a narrower segment affordability might be a crucial issue)
- **Spatial segregation** turned to have a loose link: not the current economic situation but the former one which is decisive (both in case of migrants and Roma population)
- **In education:** less of a structural, more a welfare issue. Still aspiration levels might be different.

Welfare linkages

Location	Economic potential	Education	Employment	Housing
Amadora	Weak (linked)	+	-	-
Amsterdam	Strong	-	+	+
Barakaldo	Weak (linked)	+	+	-
Belfast	Strong	+	+	+
Bologna	Strong	-	-	+
Borlänge	Weak	+	+	+
Bratislava	Strong	-	-	-
Chemnitz	Weak	-	+	+
Corby	Weak (linked)	+	-	+
Leuven	Strong (linked)	-	+	-
Lom	Weak	-	-	-
Łódź	Weak	+	+	-
Mulhouse	Weak	+	+	+
Pécs	Weak	-	-	-
Sfântu Gheorghe	Weak	-	-	-
Tallinn	Strong	+	+	-

In statistics: slight positive correlation between GDP and policy satisfaction index. In our sample it is not visible.

Diverting factors:

1. Welfare domains might be different
2. Competencies (national welfare systems matter a lot)
3. Intergovernmental fiscal relations: money for financing competencies. Strong economy does not necessary mean high public resources

Combined housing

Housing	Efficient housing system	Inefficient housing system	
Strong market cities	<p>Most severe housing problem originates from the relation of income to increasing housing prices and rents. The social/affordable housing stock and the local housing allowance system serve well those in most housing needs – but many in needs is not served.</p> <p>FUAs: Amsterdam, Bologna, Belfast</p>	<p>The severe affordability problems with a lacking and inefficient social rental sector and housing allowance system contributes to widening inequalities between different socioeconomic groups based on their housing market position. The role of intergenerational transfer of housing position plays a major role in reproducing inequalities.</p> <p>FUAs: Bratislava, Leuven, Tallinn</p>	
Weak market cities	<p>The fall in demand for housing increases the vacancy rate in the social sector, causing a negative financial impact and the acceleration of the residualization of social housing and intra-sectoral segregation.</p> <p>FUAs: Chemnitz, Borlänge, Mulhouse</p> <p>Linked city: Corby, which faces strong pressure on the housing market.</p>	<p>The lower average wages and the insufficient public housing system (including the low share of social municipal stock) generates multiple disadvantages for vulnerable families, which provides further push for outmigration.</p> <p>FUAs: Sfântu Gheorghe Lom, Łódź, Pécs</p>	<p>Linked cities: In spite of the unfavourable local economic conditions the closeness to a larger city result in a greater influx to the city, which increases the demand for affordable housing and thus puts pressure on housing prices, which the city is unable to handle. FUAs: Amadora, Barakaldo</p>

Combined education

Education	Efficient education system		Inefficient education system
Strong market cities	<p>In parallel with the high diversity of the labour market in strong market cities, the accessible amount and quality of educational possibilities are also more diverse. The decisive factor is the accessibility to the diversity of educational choices: in case there are efficient transfer mechanisms, education can be an essential factor of social mobility.</p> <p>FUAs: Tallinn, Belfast</p>		<p>Strong market cities are usually characterised by a more polarised job market, which already indicates significant inequalities among students with different socio-economic backgrounds. Inefficient welfare systems (strengthened by teachers leaving the sector for competitive wages) cannot contribute to mobilising the more vulnerable groups (e.g. people with migration background), thus the educational system rather works as a driver of reproducing inequalities.</p> <p>FUAs: Bologna, Bratislava, Amsterdam</p> <p>Linked city: Leuven, where inequalities are further strengthened by in and out commuting</p>
Weak market cities	<p>In weak market cities the educational opportunities are rather limited and ‘overskilling’ young people often results in a significant outflow of high-skilled workers as the locally available less diverse job market does not provide with valuable and adequate opportunities instead of contributing to the attraction of bigger employers thus to economic development.</p> <p>FUAs: Łódź, Borlänge, Mulhouse</p>	<p>Linked cities: there is a higher risk that people acquiring higher educational level would leave to the close larger city or commute there and utilise their skills in there, while using the weak market linked city as a sleeping town.</p> <p>Linked FUAs: Barakaldo, Corby, Amadora</p>	<p>This setting definitely creates a vicious circle of the reproduction of inequalities and presumably even so the will of the local elite for keeping their position, thus creating mobilising but rather self-selective pathways for reproducing their position which further deepens the gap between different socio-economic groups.</p> <p>FUAs: Sfântu Gheorghe, Chemnitz, Pécs</p>

Combined employment

Employment	Efficient employment programmes	Inefficient employment programmes
Strong market cities	<p>Thanks to the great diversity of locally available job opportunities both in terms of sectorial and high/low-income possibilities, active labour policy measures can effectively integrate vulnerable individuals to the local job market.</p> <p>FUAs: Amsterdam, Belfast, Tallinn</p> <p>Linked city: Leuven, where the strong local and metropolitan economy creates high rate of commuting</p>	<p>As active labour measures are underfinanced/missing, individuals are left alone with the responsibility to find their way in/back to the local labour market. This mechanism can possibly lead to increased significance of choices guided by e.g. family/neighbourhood patterns, which can cut certain mobility paths and contribute to the reproduction of inequalities.</p> <p>FUAs: Bratislava, Bologna</p>
Weak market cities	<p>The scarcity of job opportunities limits the maximum possible influence of strong active labour policy measures with regard to their time scale impact.</p> <p>FUAs: Łódź, Borlänge, Chemnitz, Mulhouse</p>	<p>In linked cities it is coupled with the tendency of people leaving to the closed metropolitan area's job market however there are policies that are aiming for reintegration of out-migrated workers.</p> <p>FUAs: Barakaldo</p>
		<p>In an environment characterised by the scarcity of job opportunities and underfinanced/completely missing active labour policy measures, pathways of social mobility are rather limited, reproducing and further deepening the leeway of the location compared to other better performing locations (inter-urban inequality).</p> <p>FUAs: Pécs, Sfântu Gheorghe, Lom</p>
		<p>In linked cities it is coupled with the tendency of people leaving to the closed metropolitan area's job market. Thus, employment policies have a more challenging task to compete with this opportunity.</p> <p>FUAs: Amadora, Corby</p>

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