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Economic linkages between urban and rural regions

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&

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Understanding rural development

- > Relative labour market and housing market performances
- > Increasingly from the perspective of urban-rural linkages
 - The urban-rural divide as a “fundamental oversimplification”
 - Improved transportation, communication and information flows
 - A deeper understanding of the linkages between rural and urban economies will aid policy-makers in addressing interrelated problems



Has the periphery been neglected?

> NEG and Urban Economics

- Constant returns to scale, agricultural, supplier of workers to core
- Factors of production increasingly mobile

> What about the immobile?

- Social, cultural, environmental capital and diversity in the periphery
- The rural as sites of growth, consumption etc.

> We need a greater understanding of housing costs and commuting



Table 1: Median House Prices : Median Earnings ratios

(2011 data was the latest non-provisional data available from Department for Communities and Local Government, 2014)

District Category	N	Mean of the Median House Price : Median Earnings ratio
Major Urban	70	8.0257
Large Urban	39	6.4023
Other Urban	58	6.0524
Significantly Rural	55	7.1642
Rural 50	48	7.9587
Rural 80	53	8.0566

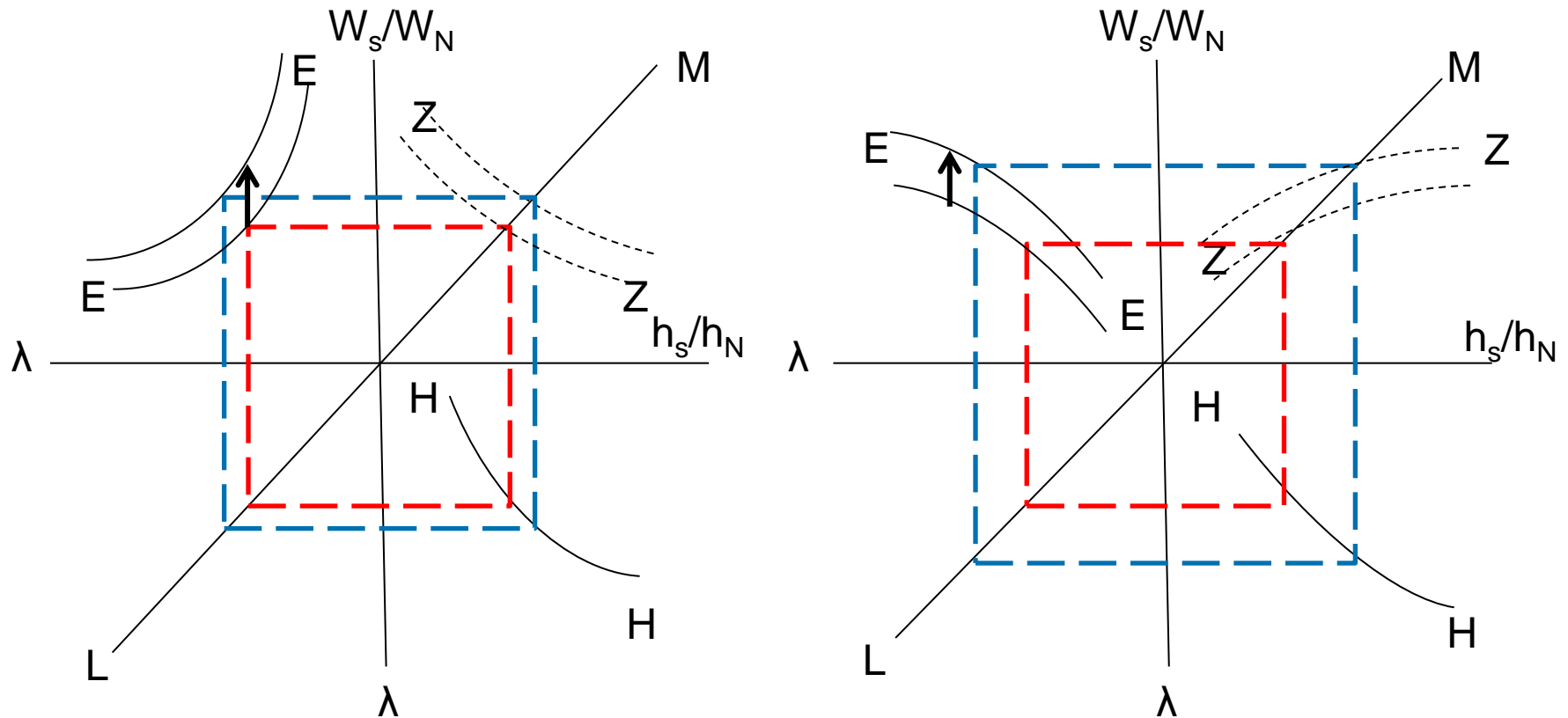


Complementary, Competing or Divergent?

- > Aim: investigate the implications of commuting between rural and urban regions for:
 - Labour markets
 - Housing markets
 - Migration
 - Urban and rural development
- > Workhorse model: Overman et al (2010)



Complementary, Competing or Divergent?



Overman et al, 2010; λ = share of workers in S, W_s/W_n = relative wagelevel in S, h_s/h_n = relative housing cost in S, EE is worker-wage schedule, HH is worker-housingcost schedule, ZZ is derived migration schedule



Towards an explicitly urban-rural setting

- > As we move down towards smaller scales
 - Intra-city relations, given the land supply more important
 - But also: more “foreign” to contend with
 - From migration and trade to commuting
- > Heterogeneity of places
 - Equality of amenity, production, housing market parameters
- > Heterogeneity of workers
 - Population \neq employees



Firm density vs population density



- Only larger secondary centres (> 2000 firms) demonstrate a correlation between firm and population densities
- Indicative of the heterogeneity of secondary centres in the East Midlands in terms of the economic roles they play, their size and connectivity (Price and Atherton 2009)

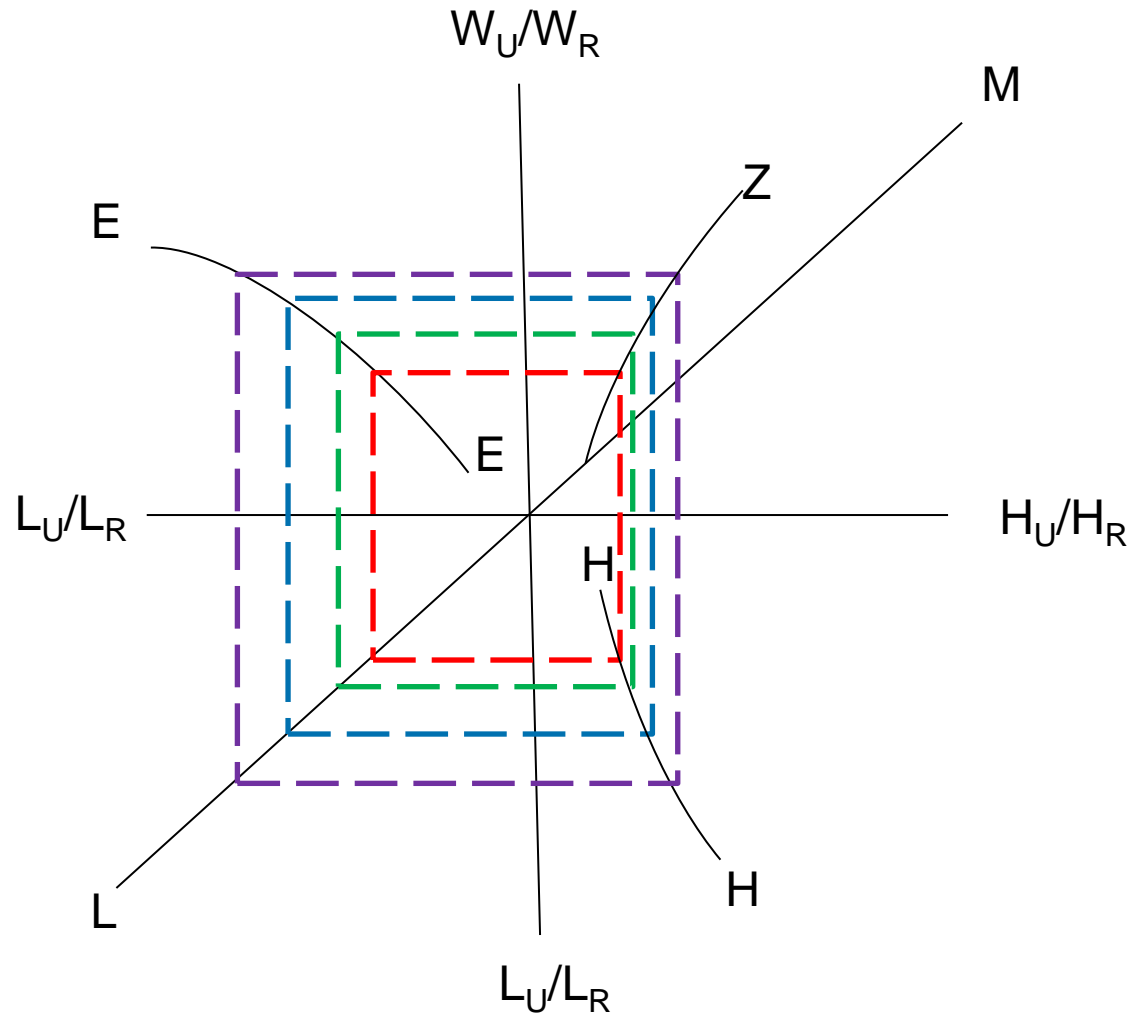


The case for commuting

- > Heterogeneity of workers
 - Population \neq employees
- > Commuting (increasingly) acceptable and / or worthwhile to some
 - Urban employment options
 - Dual income households
 - Separation of work and residence
 - Other amenity and social considerations
 - Population composition changes



Commuting in an u/r framework



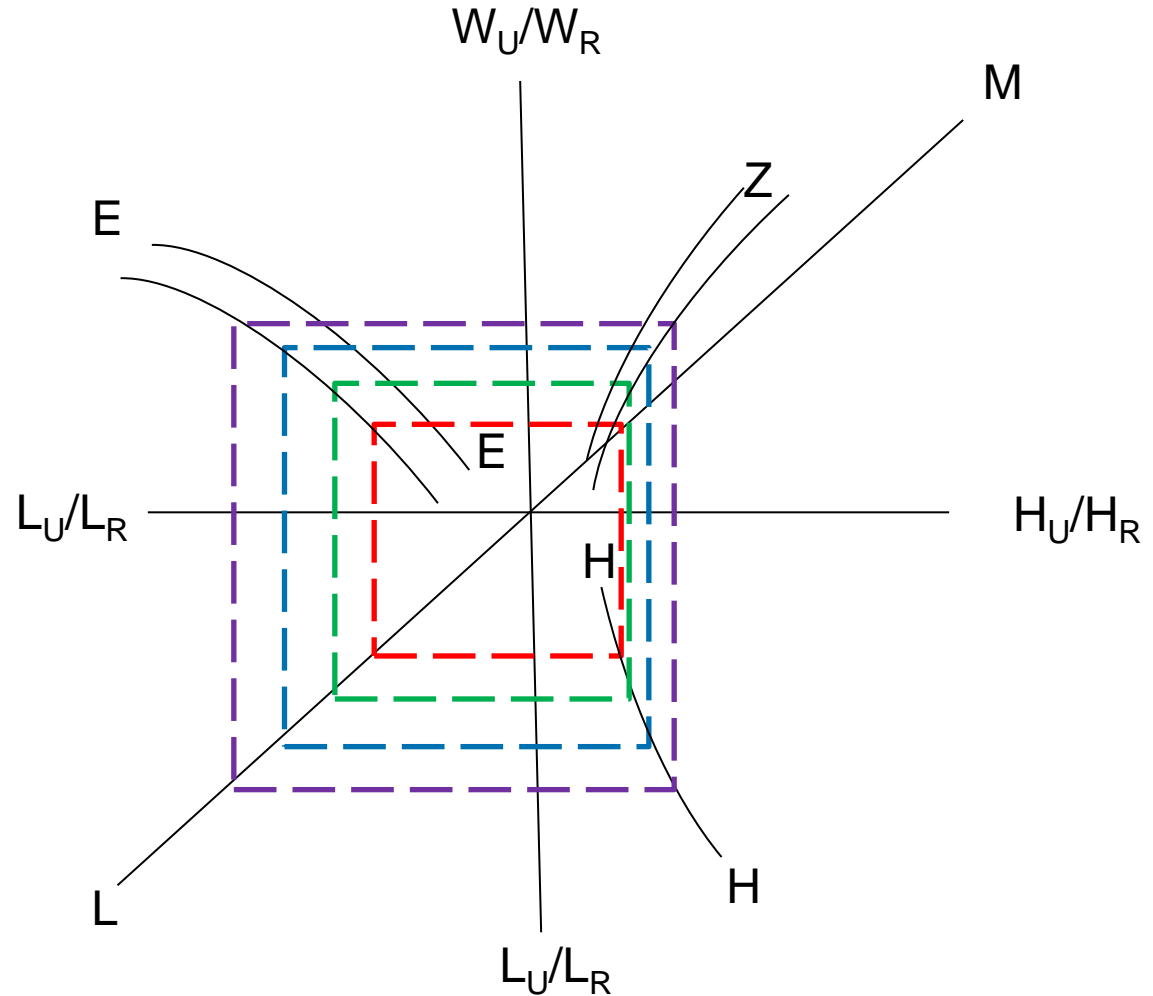


In other words

- › Urban and Rural essentially competing
 - Diversity and increasing returns to scale on the labour market
 - Commuting and the limited correctional force of the housing market
 - Elasticity of wage to labour $>$ elasticity of housing cost to labour
- › Is Overman et al's (2010) "Divergent" scenario the norm?

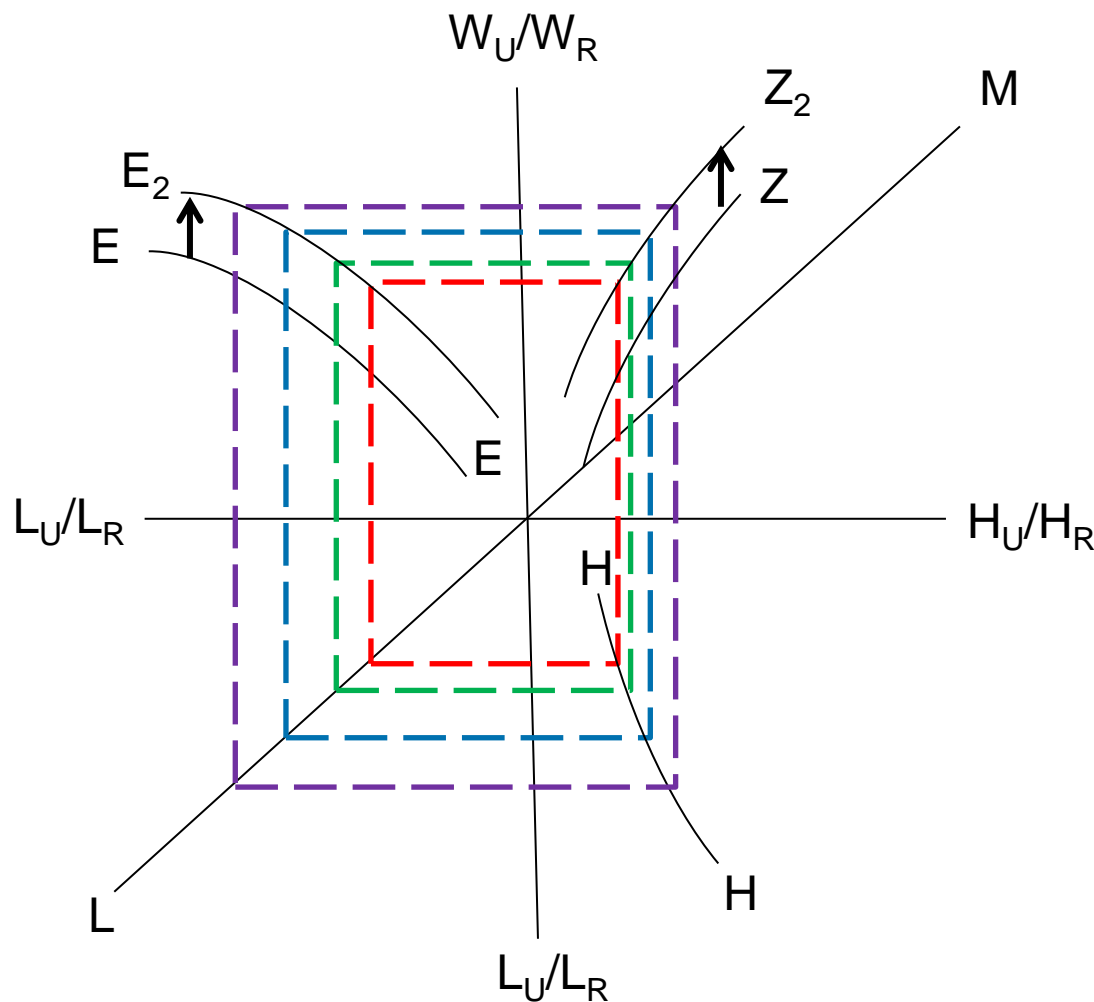


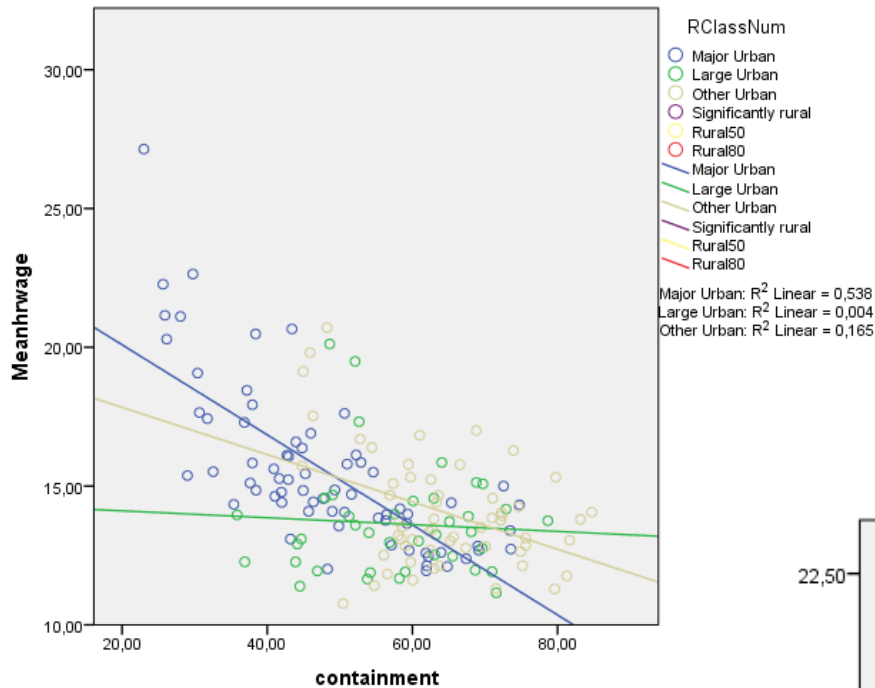
Productivity gain in the rural, moving EE to EE2 pushes ZZ to the right and closer to the MM line where stable equilibria can occur in Overmans model but still an urban advantage.





Productivity gain in the urban, moving EE to EE2 pushes ZZ to the left, furthering an urban-rural divergence.

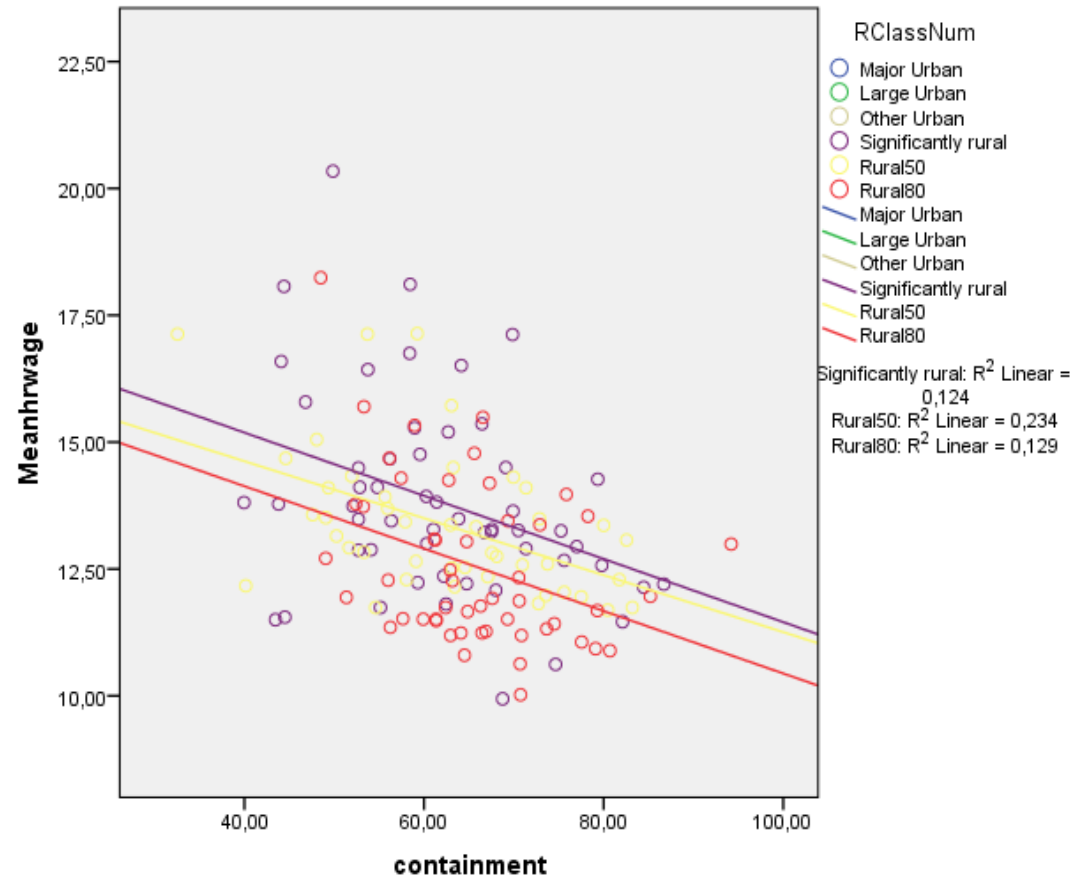




Containment is:

Average of (% workers also living in a given area) and (% residents working in a given area)

Higher containment associated with lower wages





Some implications

- > The effect of productivity shocks in
 - Rural: may serve to return to equilibrium path
 - Urban: further divergence
 - No trickle down effect in terms of classic worker migration
 - But disregards consumption effects of (selective) urban to rural migration
- > The position of highly contained regions
- > The displacement of low income rural households



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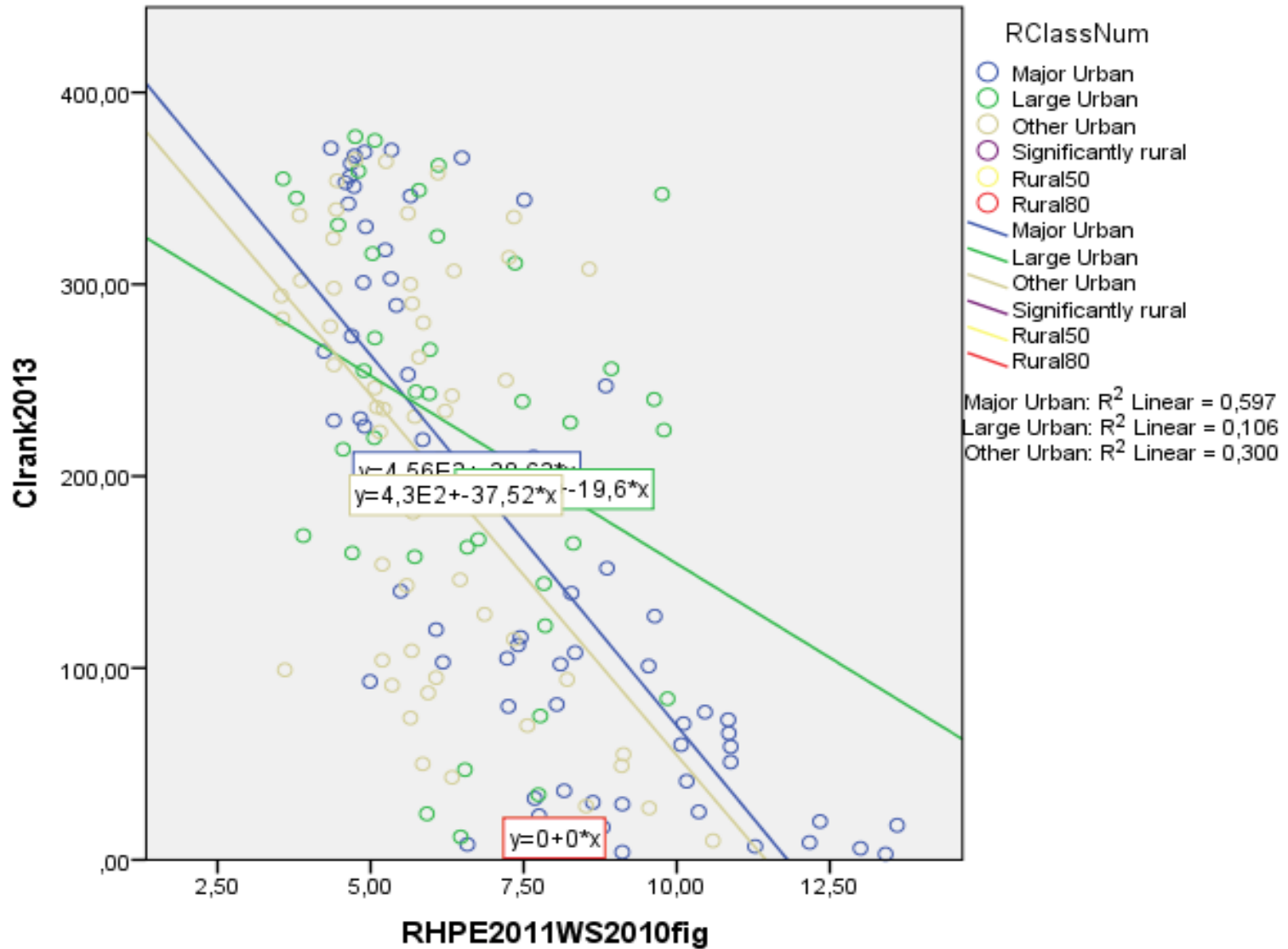
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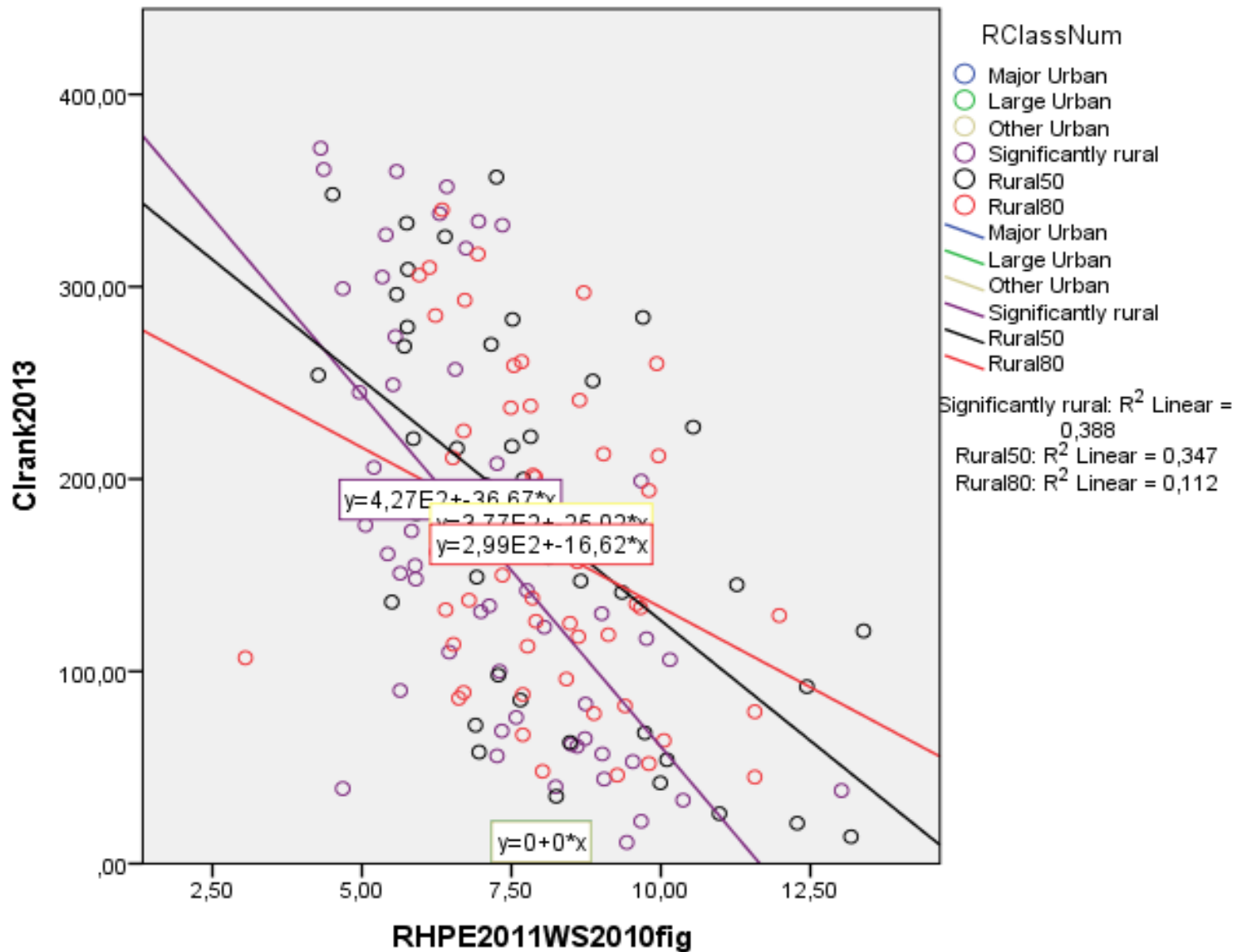
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Thank you for your attention

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For lecture

- > The **wage curve** is the negative relationship between the levels of unemployment and wages that arises when these variables are expressed in local terms. According to David Blanchflower and Andrew Oswald (1994, p. 5), the wage curve summarizes the fact that "A worker who is employed in an area of high unemployment earns less than an identical individual who works in a region with low joblessness."



For lecture

- > Gaps in the labour market – hard to fill jobs in the periphery – increasingly taken up by EU migration. The periphery in the UK is still a more attractive destination than the core of Poland. Changing scale of labour market inequalities as a result of EU policies. (Stenning and Dawley, 2009)