

Soft and Hard Conditions for the Urban Economy

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Soft and Hard Conditions for the Urban Economy

Amenities, Agglomeration Economies,
and the role of Size and Scale

Question

To what extent are soft factors, such as the social context, the level of social mix and diversity in general, important for the location decisions of firms – and their employees – in various economic sectors?

Opposite views on what factors are relevant

- Talented people attracted by places (with proper amenities) → firms follow
- Firms attracted by places (where they find agglomeration economies) → talented people follow

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- Talented people attracted by places (with proper amenities) \rightarrow firms follow
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- Mutual relation: talented people \leftrightarrow firms

Talented people \leftrightarrow firms

three hypotheses

1. Soft conditions (especially social, residential) are most important for location decisions of self-employed
2. Soft conditions play a more important role in location decisions of smaller firms than of larger firms
3. Classic conditions and agglomeration economies are more important for location decisions of larger firms than for smaller firms

Urban social assets, and at what scale?

- Florida: city/metropolitan area: openness, diversity, tolerance, social attractiveness
- Scott: cities should not be segregated, polarised, fragmented, unequal
- Gordon and Buck: inequalities in cities undermine social cohesion and social cohesion undermines competitiveness

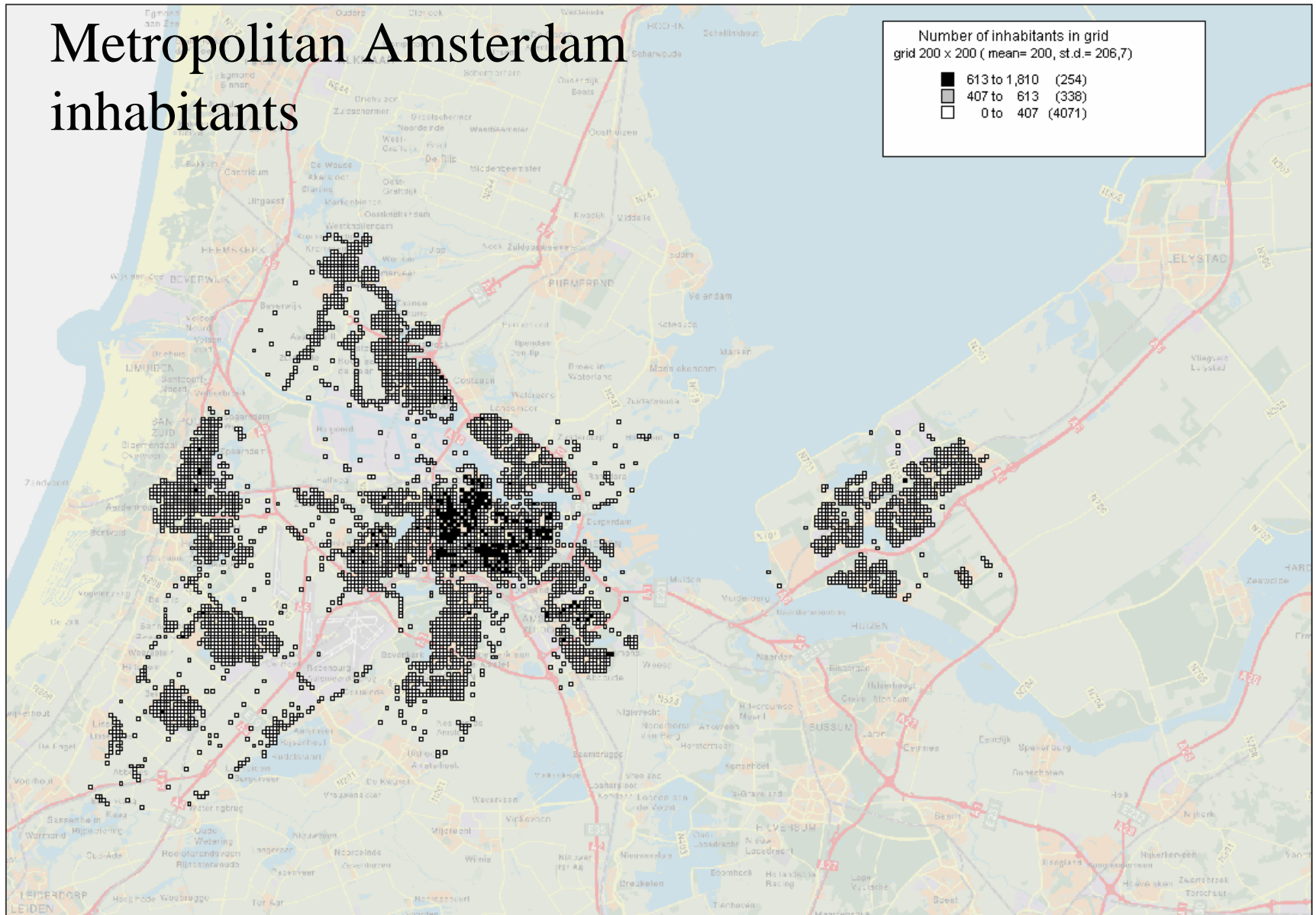
Urban social assets, and at what scale?

- Swanstrom: many households prefer living in homogeneous, segregated communities in sometimes very unequal cities
- Musterd: there is no relation between segregation and economic performance at city level; highly segregated cities perform similar to less segregated cities

Specified questions

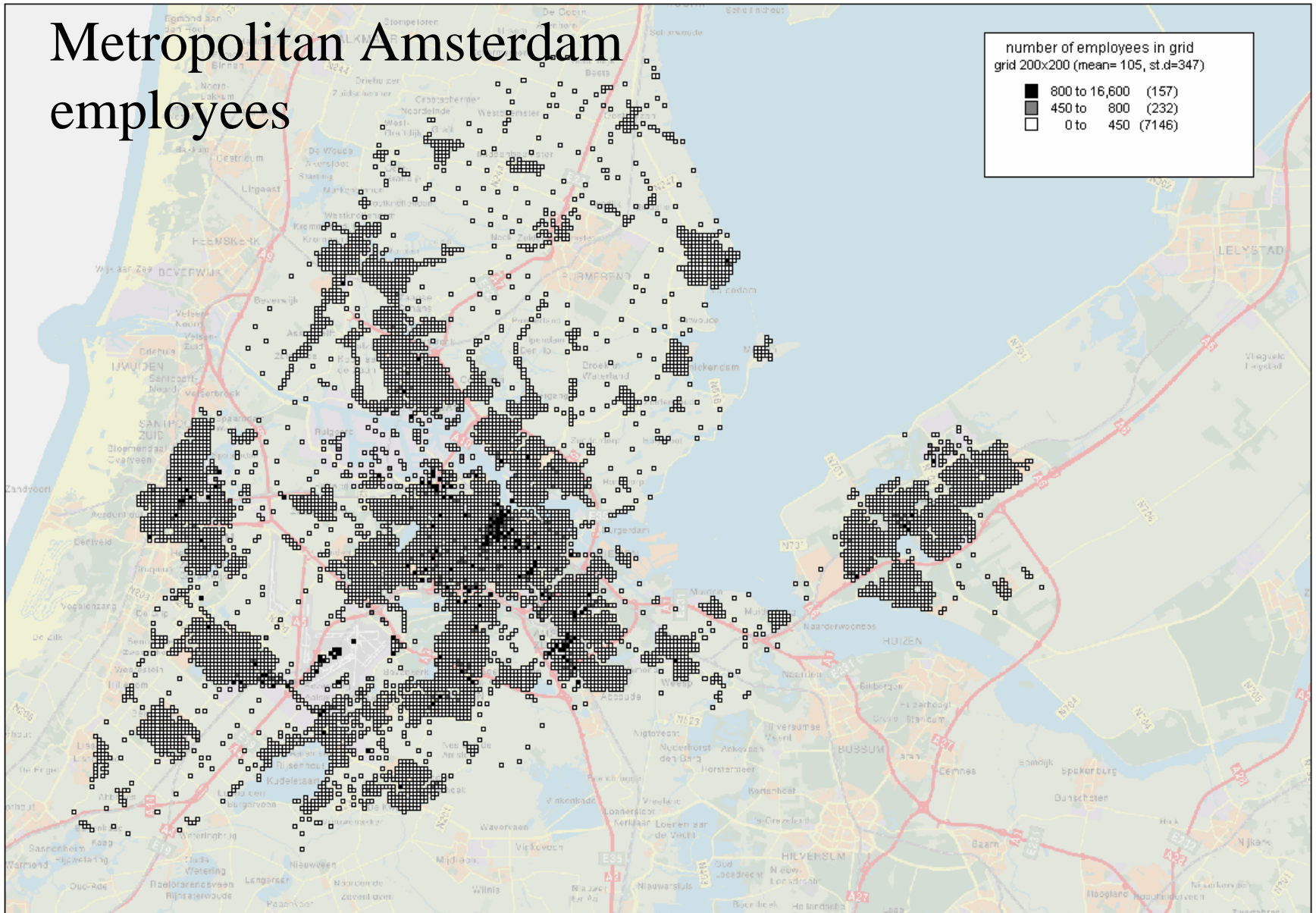
- How spatially differentiated are patterns of employment in small and large firms of the creative and knowledge intensive industries sector?
- How can these patterns be understood and in particular: what is the role of soft conditions?

Metropolitan Amsterdam inhabitants



- 1.6 M inhabitants
- 7535 cells of 200 x 200 meter (with ≥ 1 employee)

Metropolitan Amsterdam employees



- These cells cover 800,000 workplaces
- Detailed spatial and sector information

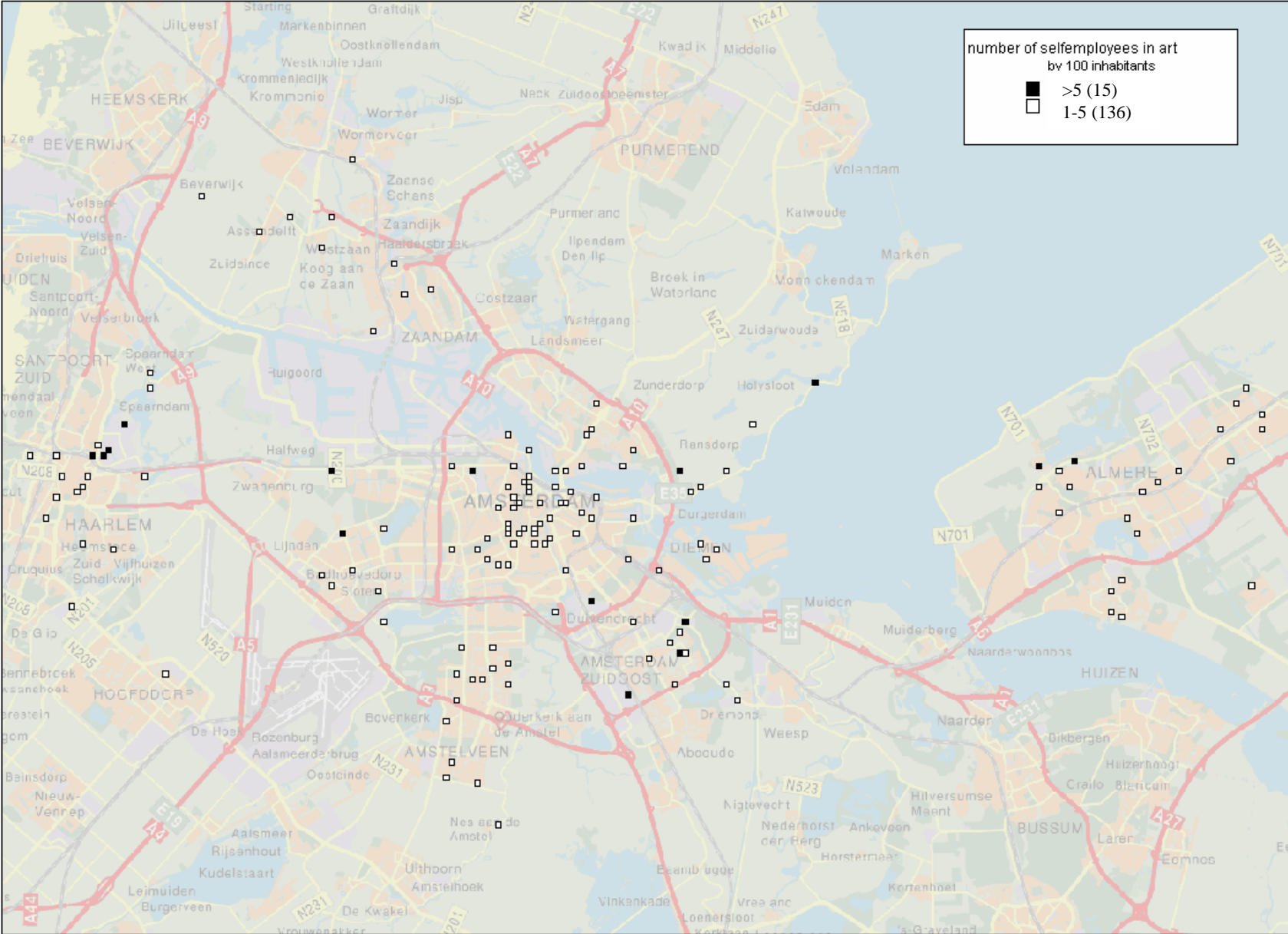
Soft and other factors

- social structure: demographic (age, household type), 'ethnic', socio-economic (share on social benefits, unemployment, income)
- social mix: age mix, ethnic mix and income mix
- physical structure: real estate values, tenure, age
- physical mix: real estate values, tenure and age
- functional mix: variety of functions per grid; creative industries per grid
- centrality

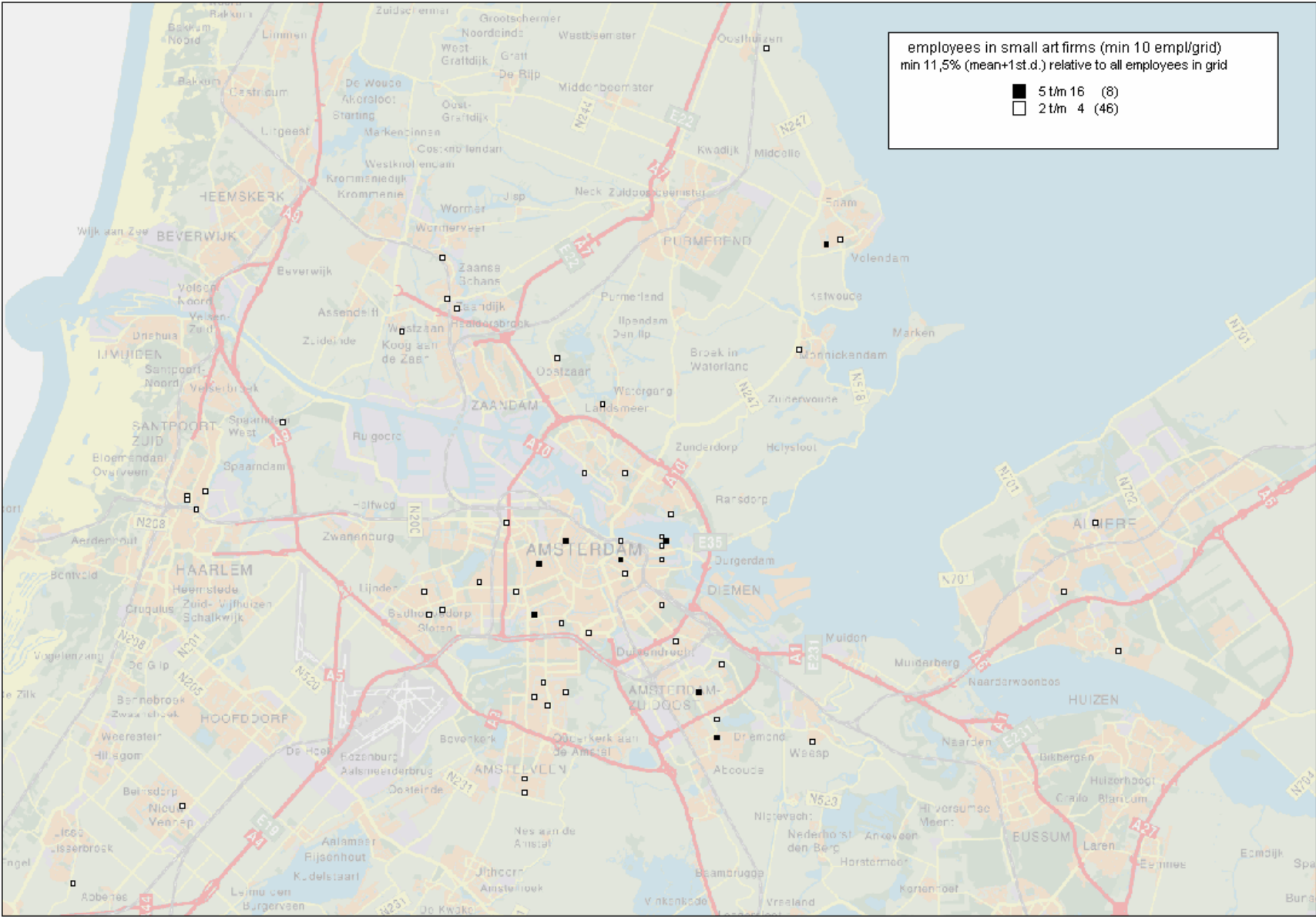
Spatial orientations of employees in creative and knowledge intensive industries, by size and scale: some hypotheses

1. employees in small businesses and in creative industries will associate with:
 - centrality
 - socially, physically and functionally mixed – i.e. non-segregated – areas, and
 - areas with affordable accommodation
2. employees in larger firms and in ICT related activities will associate with:
 - less centrality
 - more homogeneity and less mix, and
 - more expensive areas

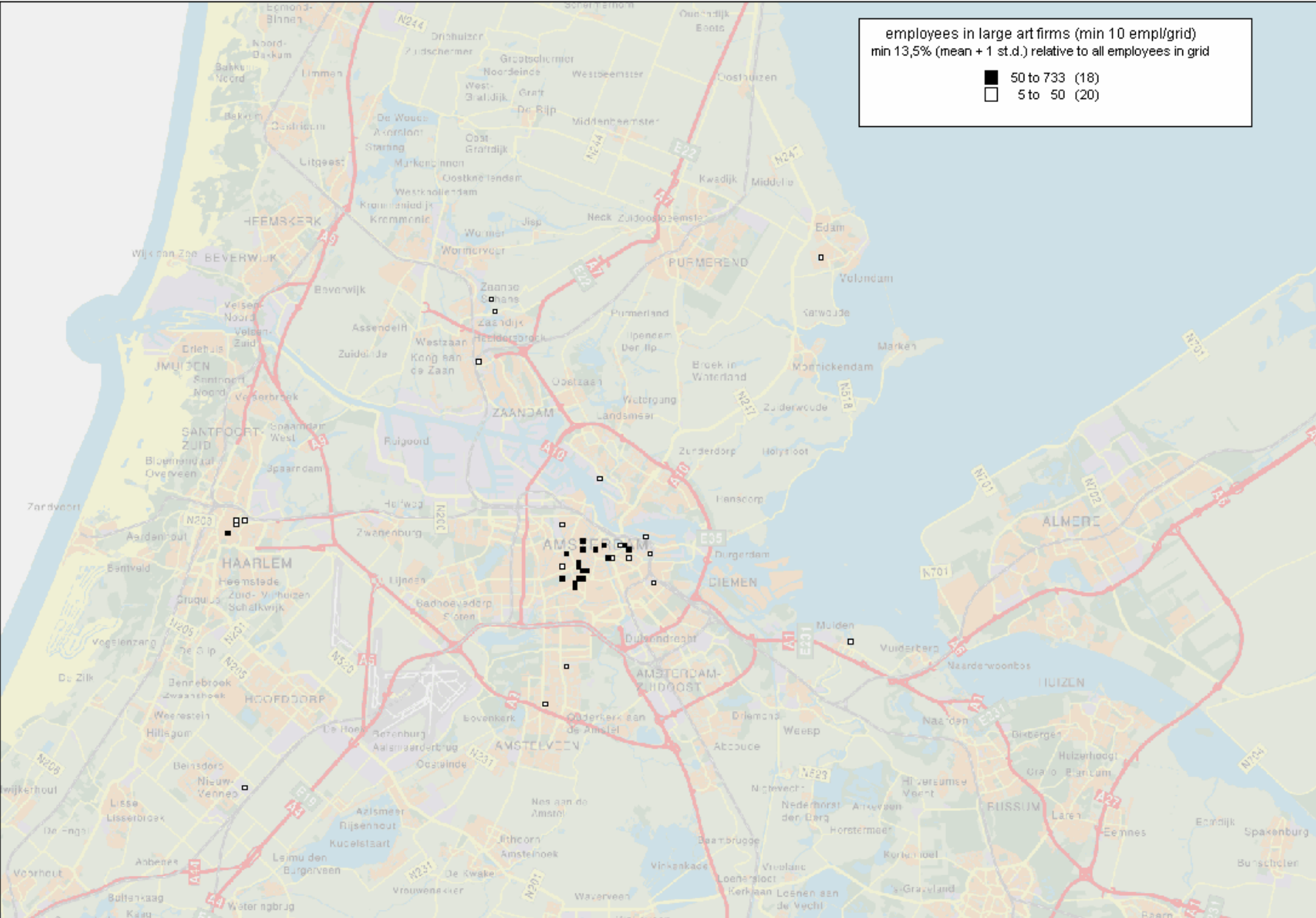
Self-employed in the Arts sector



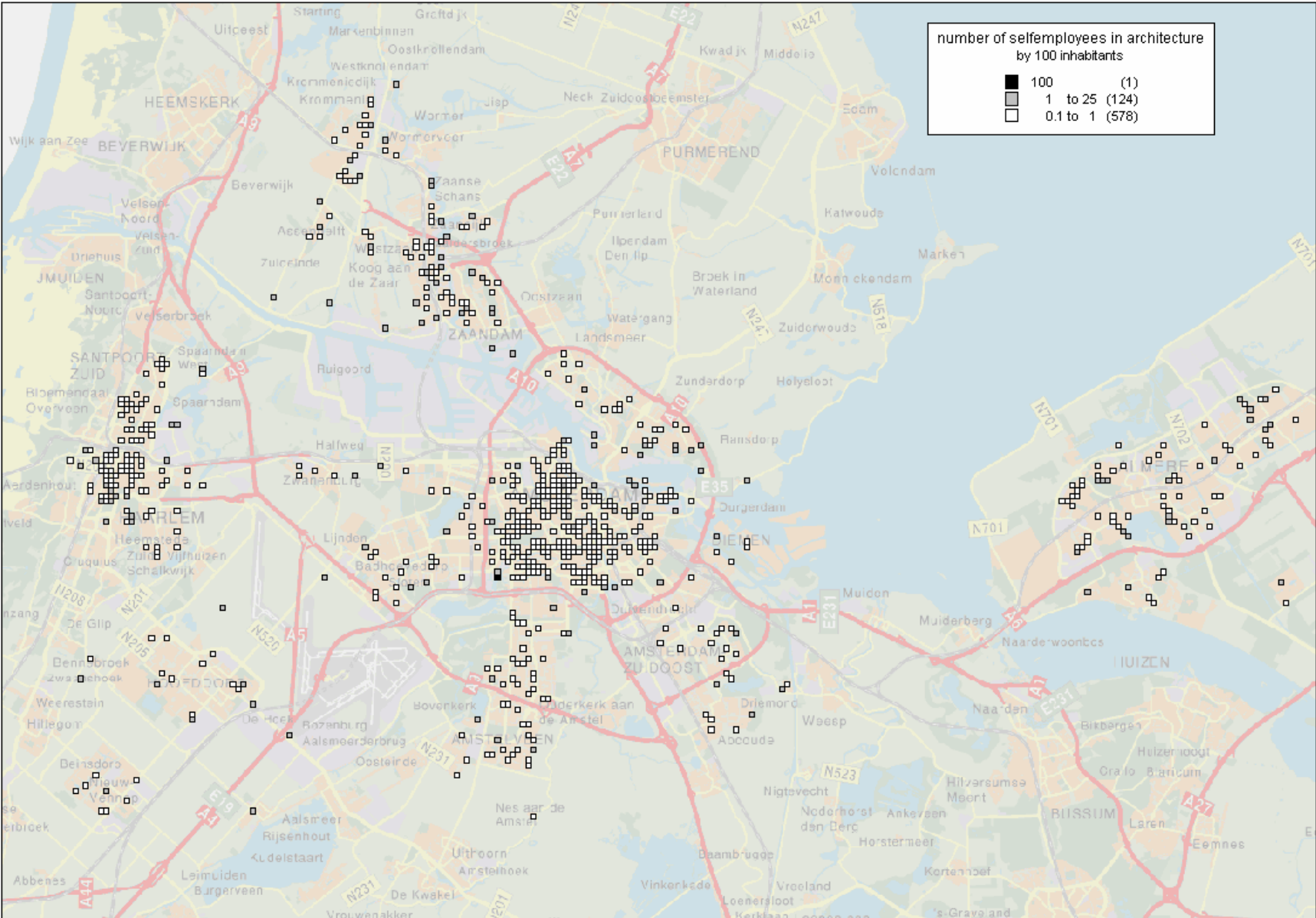
Employees small firms Arts



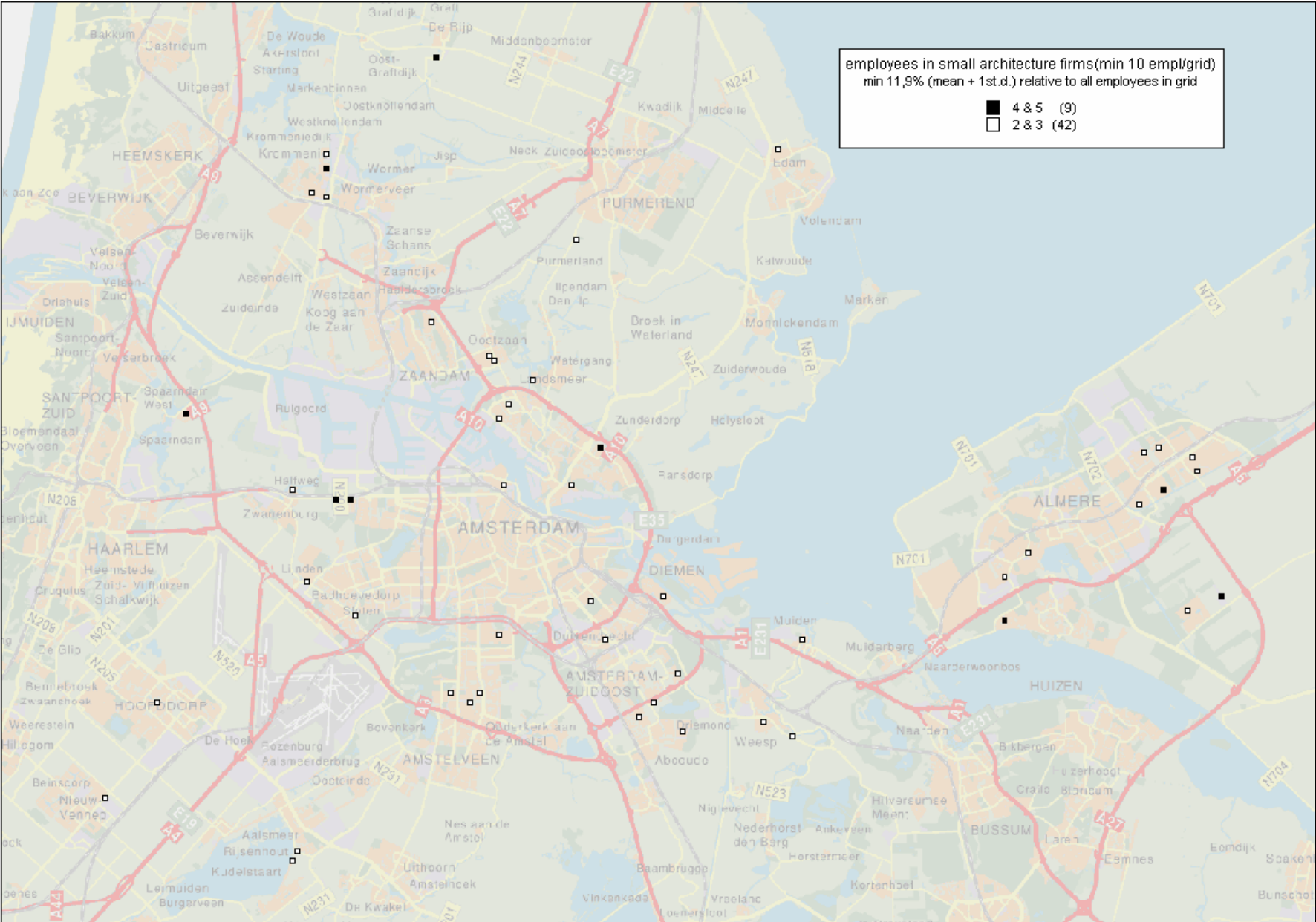
Employees large firms Arts



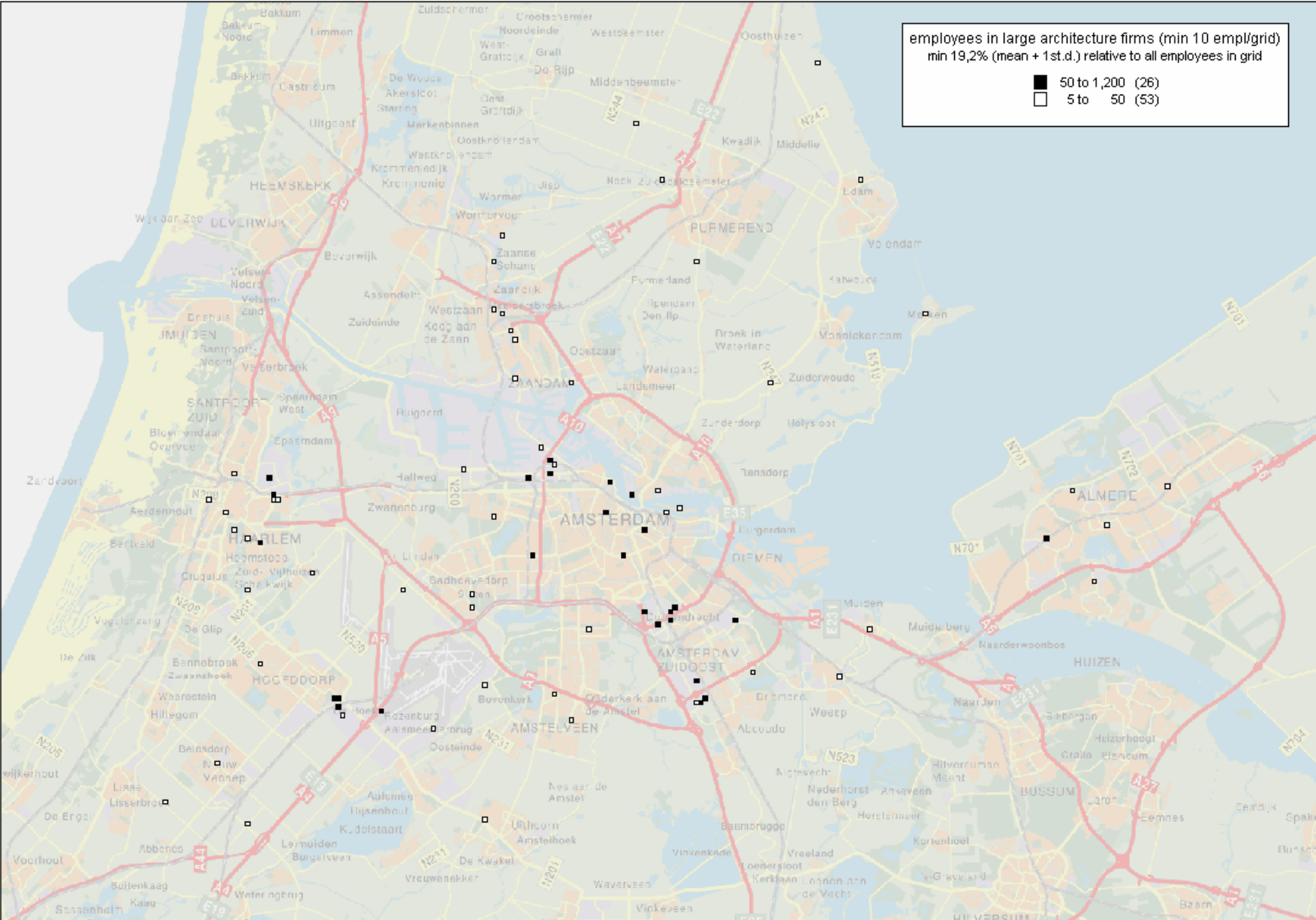
Self-employed Architects



Employees small firms Architects



Employees large firms Architects



Spatial orientation of firms by sector and size

	Self-employed	Small firms	Large firms
Arts	Sectors mainly reflect the spatial distribution of households; few special patterns	Central	Central
Architects		Peripheral	Central and in business parks
Media & entertainment		Central	Central and peripheral
Creative business		Peripheral	Central and peripheral
Computer firms		Peripheral	Peripheral

Findings (1)

The spatial orientations of firms differ ...

- ...also within the creative industries sector
- ...by size category within specified sub sectors of creative industries

Findings (2)

- Soft conditions play a major role in the explanation of patterns of self-employed, but a smaller role for employment concentrations in small and large firms
- Different soft conditions are important in different sectors, even within creative industries and within size categories

Findings (3)

Employment concentrations in small firms...

- ...in architecture and in creative business services are less centrally oriented than expected
- ...in arts and media and entertainment are more centrally oriented, as was expected

Findings (4)

- Size is just as important for creative industries as for other economic activities. Larger firms in media and entertainment, creative business services and computer firms tend to settle more in the periphery.
- Large firms in the arts sector and partly also in architecture, show a central urban orientation.

Conclusions (1)

The New Conventional Wisdom (soft factors play a key role in the attraction of firms and employees) passes by the differentiation between sectors and between size categories of firms and is limited to a few examples.

Conclusions (2)

- It is hard to say in general that soft factors are driving economic success; Florida's basic proposition is couched in too simple and generalised terms
- Soft conditions have to be unpacked into different dimensions
- Soft conditions have varying effects – and sometimes no effect – on varying activities, also within the creative industries sector

Policy implications

The promotion of policies that are aimed at social mix, diversity and anti-segregation may be good for its own sake and for moral and political reasons, but not generally for economic reasons.

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