

OECD Territorial Reviews: Randstad Holland, Netherlands

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internationally?**

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Introduction

The Randstad is the poly-centric urban area in western Netherlands, comprising Amsterdam, Rotterdam, The Hague, Utrecht, and several smaller cities. It is one of the most densely populated areas in the OECD, which has developed into an advanced urban economy with many leading sectors, such as logistics, horticulture and financial services. The Randstad has one of the lowest unemployment rates in all OECD countries and is one of the most attractive metropolitan areas for foreign direct investment.

However, if the Randstad had high economic growth rates over the 1990s, it performed less well in the beginning of the new decade. The Randstad has witnessed relatively low labour productivity growth over the last decade – much lower than cities like Munich or Stockholm for instance.

The Randstad does not seem to exploit well the proximity among the four large cities, and does not represent an integrated functional urban system. Key recommendations are to improve internal accessibility within the area, facilitate knowledge transfers to the private sector, increase flexibility in housing and labour markets and strengthen coordination of economic specialities of cities. Changing the governance framework is a key condition of success: individual city-regions within the Randstad should be strengthened, and a Randstad agenda should be formulated, prioritising improvement and more coherence in regional public transport.

The Territorial Review of the Randstad is integrated into a series of thematic reviews on metropolitan regions undertaken by the OECD Territorial Development Policy Committee. The overall aim of these case studies is to draw and disseminate horizontal policy recommendations for national governments.

This *Policy Brief* looks at some of these challenges and the possible solutions put forward in a new *OECD Territorial Review of Randstad Holland*. ■

What is the Randstad?

The Randstad consists of a green area in its centre (known as the Green Heart) surrounded by a semicircle of urban conurbations, including the four largest Dutch cities (Amsterdam, Rotterdam, The Hague and Utrecht). It is a polycentric area: unlike many metropolitan areas in the OECD, it does not have one single dominant core. Instead, its functions are spread over its entire area. Although Amsterdam is the largest city in the Randstad, the national government is located in The Hague and the biggest port in Rotterdam.

In the academic literature, the Randstad is frequently considered to be a metropolitan area, as it forms one closely connected urban area. In practice however, the Randstad cannot be considered to be a daily urban system: most people commute, move house, pursue leisure activities and shop within the more restricted areas of their city-region. Official boundaries for the Randstad do not exist and it does not fit into one of the three government tiers in the Netherlands. It remains an almost abstract concept as no government policies are implemented using it as the geographical basis for intervention.

Nevertheless, the area is of considerable economic and social significance to the whole country. Although it only covers 20% of the Netherlands' land area, 42% of the population lives there, and about half of the national income is earned within its boundaries. Its economic development has a huge impact on the economic development of the Netherlands as a whole. ■

How does the Randstad perform internationally?

The Randstad economy scores well on many indicators. It has a relatively high regional income per capita, unemployment is one of the lowest in OECD metropolitan regions and labour productivity per hour is high. Economic growth, though sluggish in the early 2000s, was good in the 1990s and has been picking up in 2006.

The main challenge is the low productivity growth exhibited over recent years, with the Netherlands having one of the lowest such growth rates in the OECD over the last decade. The Randstad region had a lower productivity growth rate (1.7% over 1995-2005) than several other regions in the Netherlands, and well below that of many other European cities like Dublin (4.3%) and Stockholm (3.7%). ■

Why a change in economic strategy is needed?

Much of the economic strategy for the Randstad has been based on generating high volumes, mainly through Rotterdam harbour and Schiphol airport. At the same time, such activities face constraints regarding land availability in the densely populated Randstad. The extension of the harbour of Rotterdam is being constructed on artificial land built into the sea whilst in the area around Schiphol houses cannot be built because of the noise levels.

Over recent years, considerable efforts have been made to develop more value-added activities, for example in horticulture. Several challenges, however, remain. Principally these are enabling the Randstad i) to take better advantage of the economic benefits which could be generated by the proximity of its city-regions, ii) to exploit its high knowledge potential and its knowledge infrastructure, and iii) to utilise its labour market more efficiently. ■

How to take better advantage of poly-centricity of the Randstad?

There are four main levers of action to take better advantage of the proximity among the four city-regions:

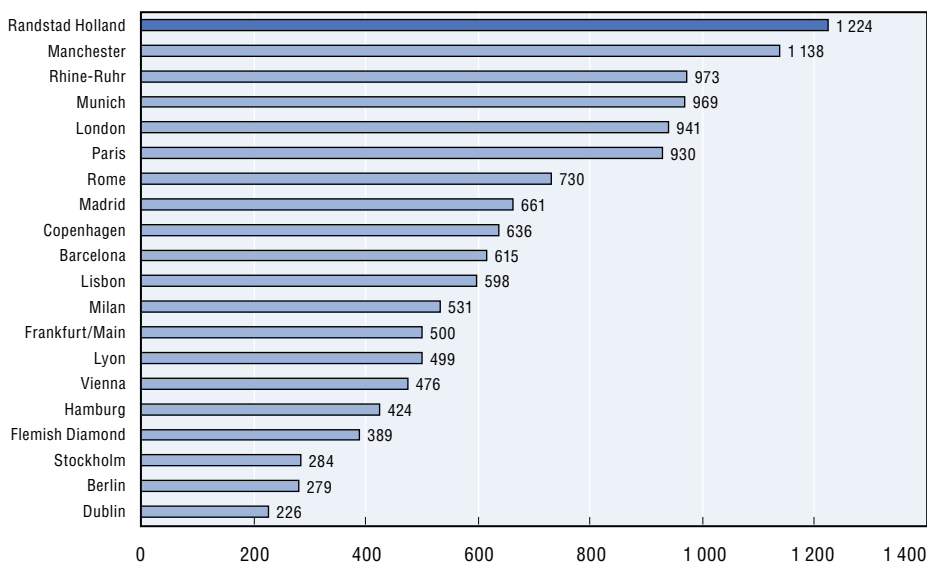
a) *Solving congestion problems.* The road network in the Randstad is heavily congested, with journey time for more than one in five journeys being unreliable during the rush hour. Most of the traffic jams in the Netherlands (81% in 2005) are concentrated in the Randstad. The traffic congestion there appears worse than that experienced in other polycentric areas, such as the Flemish Diamond in Belgium and the Rhine Ruhr Area in Germany. Several policy measures have been introduced over the last few years to tackle congestion. In particular, after years of debate, it has been decided to introduce in 2012 users charges for cars for each kilometre driven, with higher charges for more polluting cars and lower fees for driving outside the rush hour and on less used roads. This system will operate throughout the Netherlands in relation to all road networks.

As a congestion charge focused at specific bottlenecks is the most effective policy to deal with congestion, it would make sense to introduce this charge in the Randstad or at the level of the respective city-regions, rather than throughout the whole of the country. It needs to be introduced much earlier than 2012. Improvements can also be made by involving the corporate world in solving congestion problems. Regional governments should invite private enterprises operating in their area and their business associations to discuss creative solutions for increasing accessibility within the region.

The construction of new roads should also be speeded up and particular priority should be given to roads connecting Almere, the Randstad’s fifth largest city, with the rest of the region.

b) Besides, there is an urgent need for a *more coherence in regional and local public transport* within the Randstad area. A unified and coherent public transport system serving the Randstad does not exist. For example, train

Figure 1.
POPULATION DENSITY IN SELECTED METROPOLITAN REGIONS IN 2002 (PEOPLE/KM²)



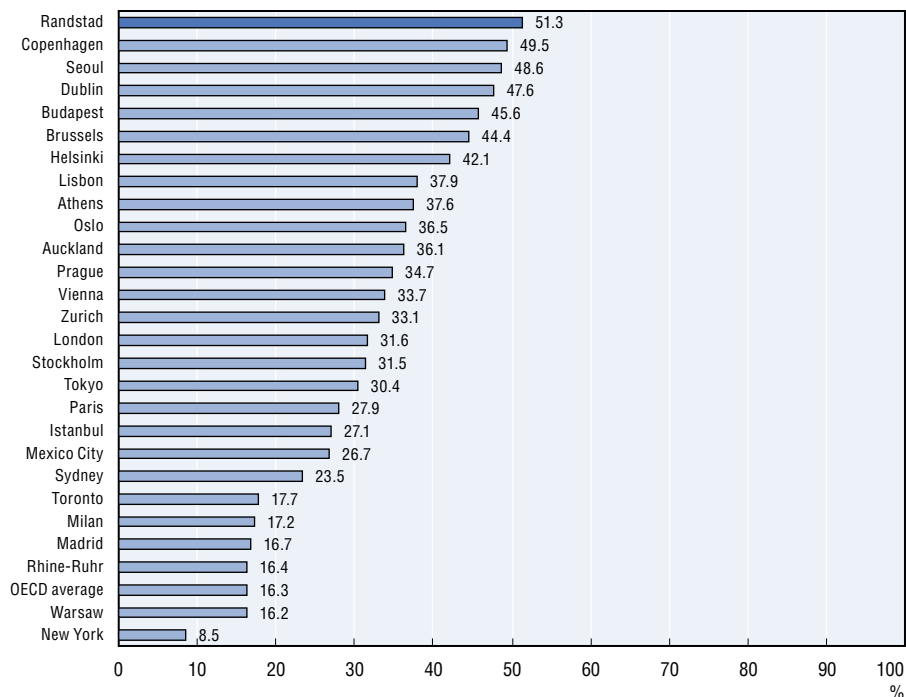
Source: TNO, 2006.

connections are usually between city centres, whereas many firms are located next to highways. Although improvements have been made in The Hague and Rotterdam, metro and tram networks do not usually reach out into surrounding municipalities, making travelling within a city-region by public transport difficult. The connections between different modes of public transport could also be improved. In addition, the railway capacity in the Randstad is one of the most underdeveloped of all the metropolitan areas in Western Europe. Together, these problems contribute to relatively high car usage, which, in turn, creates congestion and air pollution.

Several regional public transport networks within the Randstad at a more local level have been initiated recently or will be launched within the near future (such as Randstad Rail, the “Stedenbaan” and the North/South metro line). There could be more coherence in all these initiatives. In the short run, better co-ordination between systems should be created, for example when it comes to waiting time, travelers’ information, tariffs and marketing. For the longer run, plans could be developed to make more connections between the actual systems. There should also be more frequent fast trains between the large cities in the Randstad.

c) *The lack of high quality housing is a risk for the international attractiveness of the Randstad.* There is a huge mismatch on the housing market in the large cities. In Amsterdam for instance, around 60% of the housing is suitable for those on lower incomes, whereas only 35% of the city population belongs to this group. At the same time, only 40% of the low income group manages to

Figure 2.
RANKING OF
METROPOLITAN REGIONS
BY CONTRIBUTION
TO THEIR NATIONAL
ECONOMIES



Source: OECD Territorial Database, 2006. Definition of the Randstad in this database: North-Holland, South Holland, Utrecht and Flevoland.

get appropriate housing. This is caused by stringent regulation and limited influence of market forces. Housing markets should be liberalised. Clearly, the housing stock in Amsterdam and Rotterdam designed for middle and higher income groups should be increased. Besides, the rural area located in the middle of the Randstad – the so-called “Green Heart” should be used more imaginatively to provide for recreation and attractive high-quality green housing.

d) There should be more co-operation among the four large cities on key issues such as tourism and higher education for instance. Increased specialisation by universities and better co-ordination between them could avoid unnecessary duplication. It could increase knowledge clusters and the quality of each university. With respect to tourism, cities in the Randstad seem to consider each other more as competitors than as partners. This does not promote longer stays by tourists in the Randstad as a whole, even though transit between its cities is comparatively easy for sightseers, and the area could be marketed in a unified way. ■

How to make better use of knowledge and labour?

i) Make better use of knowledge

The proportion of the Randstad workforce with a tertiary education is reasonably high, but it lags behind areas such as the Flemish Diamond in Belgium, London and Paris. This is despite the fact that the Randstad has 7 universities and 18 higher education colleges. Universities currently have few opportunities to select their students, offer shorter courses or increase the tuition fee. From 2005 onwards, pilots have been launched that permit universities to take all these initiatives. Such policies should be implemented as structural reforms.

It is also crucial to be able to attract more highly skilled workers and students. In 2004, new regulations were introduced to facilitate the entry of migrant knowledge workers. Although these policies are sound, important limitations to the current strategy remain. Better use should be made of existing knowledge migrants, such as foreign students and highly qualified refugees. The new points system for immigrants, announced by the central government in 2006, should be introduced more speedily so as to make it easier for knowledge workers, who are not employees, to obtain work in the Netherlands.

Similarly, the Randstad does not do well when it comes to attracting innovative foreign firms. Although the Randstad is highly successful in attracting foreign direct investment, only a marginal share of it consists of R&D centres. Since 2006, however, policy mechanisms have been revised to place an emphasis on attracting foreign companies that can add value to the Dutch economy. This policy approach is a step in the right direction, although it has to be refined and implemented.

If the public innovation infrastructure in the Randstad scores high on many indicators, there is room for improvement for private sector innovation. Only 35% of the total private Dutch R&D expenditure is spent in the Randstad, which is well below the proportion of GDP generated there. Although there are several initiatives at the local level to increase knowledge transfer, the pay structure for researchers at universities (and the funding of research at universities) remains dependent on their scientific publications, not on

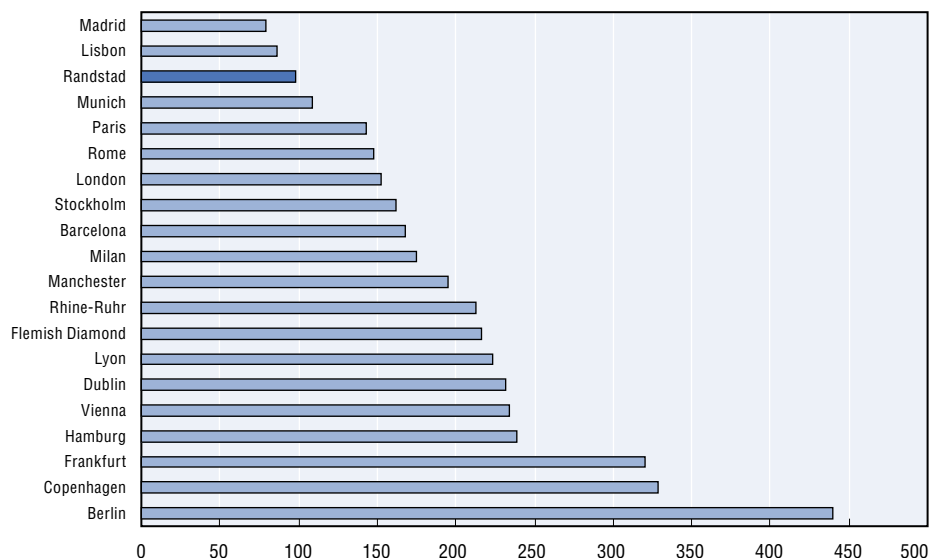
interaction with the private sector. Universities' pay and funding systems could be adjusted to create incentives for academic staff to be proactive in creating such transfers. The problem remains, however, that not all firms are capable of absorbing the knowledge which already exists in a particular domain. This is especially true for SMEs although several government programmes are designed to solve this problem. However, as these programmes subsidise firms without demanding an additional R&D effort, their value-added outcomes have been limited. It has also been shown that market forces in the Netherlands are less likely to promote R&D activities in SMEs than in large firms. Government programmes should, therefore, focus their subsidies on new R&D activities and SMEs.

ii) The labour market potential should also be better used.

In 2003, only three OECD countries provided greater employment protection for permanent employees than the Netherlands. As the Randstad economy is more internationally oriented than the rest of the Netherlands, the strictness of employment protection legislation has a more profound impact on its economy than the Dutch economy as a whole. Although the central government introduced legislation to reduce the administrative burdens connected with employment protection in 2006, such protection still remains a heavy burden on firms. It is recommended that the costs associated with the administrative complexity of dismissals be further reduced.

In addition, the inactivity of ethnic minorities is high viewed from an international perspective. Non-western ethnic minorities are concentrated in the four large cities in the Randstad, making up more than 35% of the population in both Amsterdam and Rotterdam, and they have much higher rates of unemployment than the rest of the population. The activity rate of ethnic minorities should be increased, through improved educational and vocational qualifications of ethnic minorities. Certain schools with many pupils

Figure 3.
RAILWAY CAPACITY
IN SELECTED OECD
METROPOLITAN
AREAS (METRES PER
1 000 INHABITANTS
IN 2003)



Source: TNO, 2006.

from ethnic minorities have, however, more difficulties in finding teachers than other schools, thus affecting the quality of the education that they provide. It would be advisable to allow the payment of higher wages to teachers in deprived neighbourhoods in the large cities in the Randstad so as to attract good teachers to the schools there. Together with business, vocational education institutions should create more flexible programmes allowing students to acquire competencies via work experience, in order to reduce drop out rates. ■

Why governance can help solving these problems?

Efforts to reform the government system in the past have not been successful, but many informal co-operative arrangements have been reached between the main governance actors to improve region-wide government. Administrative crowdedness is often mentioned as one of the main governance problems, together with the slowness in decision-making and the lack of political leadership. At the same time, many co-operative arrangements have been instrumental in finding appropriate scales for public service delivery. Nevertheless, several improvements could be made:

- *As the level of the city-region is appropriate for solving many problems, this level should be strengthened institutionally.* The “city-region” level currently functions as the daily urban system in the Randstad. At this level, pragmatic institutional arrangements, such as the so-called *WGR plus-region*, have proved to be useful, but do not function flawlessly. This level could be strengthened by up-scaling municipalities in the city-region, by merging cities with their surrounding municipalities and more municipalities with each other. Provinces in the Randstad, especially North and South Holland, could then concentrate their activities on the areas not covered by the city-regions.
- *Municipal districts in Amsterdam and Rotterdam could be abolished.* Municipalities’ decentralisation of many of their responsibilities to municipal districts seems to have gone too far as there are now considerable differences between municipal districts in what should be standard levels of service provision and standardised bureaucratic procedures. Although decentralised provision of services in large cities needs to be retained, an elected municipal district council may not be needed to deliver these.
- *A Randstad agenda is needed to solve problems at the Randstad-scale; a central government minister should be held accountable for this.* One of these issues is the coherence of local and regional public transport initiatives. Other issues where coordination might be needed are tourism, the location of top-end offices and housing. For this, a project management organisation could be created. There should be one central government minister that is responsible for the implementation of this Randstad agenda. In the longer run, when it would turn out that more issues require a Randstad-wide focus, merging the four provinces in the Randstad into one Randstad-province could be considered. ■

For more information

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For further reading

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