THE TERRITORIAL REVIEW OF COPENHAGEN, DENMARK: ASSESSMENT AND RECOMMENDATIONS

3-4 December 2008
OECD Conference Centre
2, rue André Pascal, 75016 Paris

This document is submitted to Delegates of the Territorial Development Policy Committee for DISCUSSION and APPROVAL at the 20th Session.

This is the Assessment and Recommendations section of the report "The Territorial Review of Copenhagen, Denmark" [on OLIS under cote GOV/TDPC(2008)20].

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ASSESSMENT AND RECOMMENDATIONS

1. Given that the economy of the Copenhagen metropolitan region accounts for nearly half of national output, its competitive position is tightly related to the economic health of Denmark. With 2.4 million inhabitants, the Copenhagen metropolitan region houses 44% of the Danish population in an area that includes the cities of Copenhagen and Frederiksberg as well as five adjacent former counties. Among 78 OECD metropolitan regions with 1.5 million inhabitants or more, the Copenhagen metropolitan region contributes the fourth highest share to national output. The Capital Region, a smaller area created in 2007 that includes 1.6 million inhabitants alone is provided 75% of new jobs in Denmark during the last decade, concentrates 80% of Denmark’s high tech firms, hosts 70% of Danish private R&D, the best universities of the country and over half of all Danes with higher education. Its economic weight, combined with synergies with other areas in Denmark has created a model where economic growth in Copenhagen diffuses throughout the nation. Every 100 jobs created in the Capital Region creates indirectly 20 jobs elsewhere throughout Denmark, whereas for every 100 jobs created in Jutland (mainland Denmark) indirectly 7 jobs are created in the Capital Region.

2. Copenhagen is endowed with a diversified metropolitan economy, a well functioning labour market and impressive social indicators. A robust export-oriented industrial mix bolsters Copenhagen’s strong competitive position. The metropolitan area has become one of the most service-based metropolitan economies in the OECD, with an employment share in the service sectors similar to that of London or Paris. Business services remain the largest employer though the wholesale and retail sector experienced the largest growth in value added over 1995-2005 (25.5%). Copenhagen contains a diverse mix of economic specialisations with a strong competitive advantage in biotechnology, a field where Copenhagen has become a European leader. Contrary to many other OECD metropolitan areas, Copenhagen’s strong economic performance does not offset equity. Unemployment in the Capital Region has remained low at 5% (2007), the participation rate is high and social segregation is limited compared to other OECD metropolitan regions. To a certain extent this is reflected throughout Denmark, which has one of the highest degrees of income equality in the world and some of the lowest unemployment and income disparities between regions.

3. At a larger regional scale, the opening of the Øresund bridge that links the city of Copenhagen to Malmö in Sweden has brought new opportunities to enhance trade and communication and position the metropolitan area as a regional hub in the Baltic Sea. Copenhagen’s size is relatively small as compared to other OECD metropolitan regions and it remains one of the metropolitan areas in Europe that is furthest removed from market potential. Despite a dramatic increase over the last decade, cross-border commuting flows remain limited and the Øresund region is not yet an integrated functional labour market. However, it holds great potential to facilitate synergies in regional labour markets and among firms in knowledge-intensive activities such as medicine, pharmaceuticals, and information and
communication technology industries. These highly innovative industries are responsible for a high number of patents. The Øresund region has also developed significant specialization in food processing, and has developed an environmental cluster with companies that either produce environmental technologies or make products and services more environment-friendly. The organisations – Medicon Valley Academy, Øresund IT Academy, Øresund Food Network, and Øresund Environment – are already playing an important role in promoting networking and integration across the region, and show a great deal of promise for the future. These activities are buttressed by 20 universities and 130 000 students in the Øresund Region. Working in collaboration with researchers, business leaders and policy makers, the Øresund university was created in 1997 and has helped identify driving growth clusters and facilitate the development of networking associations in these areas.

4. On the global scale, Copenhagen is not unchallenged. Though within Denmark, Copenhagen features higher GDP per capita and productivity than the national average, it scores average among OECD metropolitan areas and falls behind all major North European metropolitan areas (Stockholm, Helsinki, Oslo, Randstad-Holland) in terms of GDP per capita and productivity levels. Economic prospects are questioned by a recent modest growth performance: annual GDP growth averaged 1.5% in the 2001-2005 period, which is low compared with several cities with the same average GDP per capita. Stockholm, Houston and Dublin, for example, scored better on this indicator. Except for biotechnology, Copenhagen’s economic base remains characterized by a low specialization in technology intensive industries. Although process innovation and non-technological innovation form part of the strong exporting performance of firms, the relative underrepresentation in high knowledge intensive activities might pose a challenge to Copenhagen’s long term competitiveness, in light of the increasing global competition from other large cities in emerging countries. As with many OECD metropolitan areas, Copenhagen needs to constantly boost innovation and productivity to secure the competitiveness of its firms. Given the impact of the global financial turmoil and tighter credit conditions, exports are projected to be weak during 2009 and leading businesses are expected to cut back investment.

5. In the future, the competitive position of firms in Copenhagen will be vulnerable to two main factors which compromise its productivity and regional output capacity. These are:

• (i) The scarcity of skilled workers. Labour market shortages already constrain further growth particularly in areas that are key to Copenhagen’s international competitiveness, such as science, but also in hotels, restaurants, graphic design, the welfare sector, health care and education. These shortages are predicted only to worsen in the coming years. Although the labour market is particularly tight in Copenhagen, other regions in Denmark hardly have a more favourable position. Interregional labour mobility, including from Malmö and the Skåne region (South Sweden), could thus bring only limited relief. Unlike most countries, Denmark enters a period of economic slowdown with severe capacity pressures and wages rising much faster than warranted by productivity growth.
• (ii) **Average innovation capacity.** Copenhagen scores only average on several innovation indicators, such as research and development spending, patents per inhabitants and shares of population working in high-tech and medium high tech-sectors. Copenhagen registered around 400 patents per million working population; this was almost the double in Stockholm and the triple number in Munich. In Helsinki and Stockholm between 7 to 8% of university students pursues a PhD-degree; this is 3% in the Capital Region.

**A strategic vision is needed...**

6. Dealing with these issues requires a common strategic vision for the Copenhagen metropolitan region. There are several strategic vision documents for Copenhagen, such as the City Development Strategy, the Business Development Strategy of the Growth Forum of the Capital Region and the Regional Development Plan of the Capital Region. Although these visions do not contradict each other, they hardly provide clear priorities on how to improve Copenhagen’s competitiveness. Processes leading up to these strategic visions have increased the involvement of strategic actors in Copenhagen. The relative lack of focus in these strategic visions is however a missed opportunity to create a sense of urgency that might be needed to mobilize even more actors to strengthen the determinants to Copenhagen’s competitiveness. The national government has a key role in fostering a strategic vision considering its important role in many of the areas crucial for Copenhagen’s competitiveness.

**...that could be based on four main areas for action**

7. A well rounded strategy could be articulated by the three government tiers around four main pillars. The first two pillars would address directly the productivity and output capacity issue, and would consist in 1) increasing the availability of skills and 2) fostering innovation and research. The attractiveness of Copenhagen as a location to live and work in could also be improved by 3) enhancing its attractiveness though infrastructure upgrading, housing supply and a better environment. Finally, there is a need to 4) strengthen governance arrangements for implementing economic development policies.

**The lack of skill is of paramount concern...**

1) **Increasing the availability of skills**

8. The scarcity of available skills in Copenhagen can be explained by four main factors.

    - First, the *level of higher education attainment* of the population is average in Copenhagen as compared to many American and Nordic cities such as Boston, San Francisco, Stockholm and Helsinki. The main reason for this score lies in high drop out rates. Projections show that – without policy changes – around 95% of the pupils in Denmark leaving primary school in 2005 will have started another sort of education, but that only 79% will finish this education; only 48% of them are expected to have attained a tertiary education by 2030, and less than 30% a vocational degree.

    - Second, the *late entry of student in the labour market* is an issue in Copenhagen, Denmark featuring the highest age of population entering in the labour market among OECD countries. The combination of high taxes in Denmark and generous student grants creates adverse incentives to take
extended breaks between secondary and tertiary education and to prolong studies once started. The median age of starting tertiary education in Denmark is around 23 years, one of the highest in the OECD. Around 40% is still enrolled six years after this median entry age. Finishing studies later reduces life time earnings as the person has fewer years to use the acquired skills on the labour market and much of this loss is carried by public finances via foregone tax revenue.

– Third, the existing foreign labour force is under-utilised. Denmark shows unfavourable results in aggregate employment and labour market outcomes of immigrants. Employment rates for native-born Danes were around 78% in 2005, whereas those for foreign-borns were 56%, with those foreign-born from non-OECD countries having a rate of 51%. In few other OECD countries is the difference between employment rates of immigrants and of native-borns as high as in Denmark. Although immigrants in Denmark are less highly educated than the native population, the qualification structure of the immigrant population does not appear to be unfavourable in international comparison. Denmark has high gaps in the employment of immigrants as compared to the native born across all education levels. The gap in employment rates between highly-skilled native-born and foreign-born workers is even higher (19%) than the gap for low (15%) and medium skilled workers (15%). This is particularly challenging for Copenhagen, where most of the immigrants are located and labour market scarcity is highest. Higher educational attainment by immigrants could be increased by intensifying efforts to reduce drop out in secondary education.

– Fourth, Copenhagen underperforms in attracting high-skilled foreigners. It has not attracted many highly skilled immigrants in the past and current immigration flows are relatively limited, as well as flows of foreign students. The share of immigrant population in Copenhagen is below average as compared to other metropolitan areas in the world. Although English-speaking metropolitan areas will have an advantage in this respect, many non-English-speaking metropolitan areas have shown higher shares of foreign population. Most immigrants tend to immigrate to places where they have acquaintances; this makes it easier for established immigrant cities such as Toronto, New York and London to attract highly skilled foreigners. Copenhagen does not have this advantage, so will have to put more effort in to attract foreign labour.

Students enter late in the labour market...

9. Addressing the late entry of students should be a priority to increase the availability of skills in Copenhagen. One of the constraining national framework conditions is the grant system for students, which does not encourage students to become rapidly active on the labour market, nor to make efficient study choices. Higher education is free and grants up to six years to students are provided for their costs of living. As a result, students enter universities at a high age and leave them at an even higher age, in the meantime switching studies regularly. The national government in 2006 introduced measures to reduce study grants for those delaying their studies with more than two years. I The national financing policies of universities and students need to be reconsidered to increase the efficiency of educational choices, reduce drop out and improve the adaptation of students to
labour market needs. This policy could take the form of partly replacing student grants by student loans to be repaid after graduation and the introduction of tuition fees.

...and immigrants are not fully integrated

10. More highly-skilled labour can also become available by making better use of the skills of current immigrants. The City of Copenhagen has pursued different strategies to improve educational performance of immigrants and labour market integration of immigrants, for example by its education and integration policies. Models like these should be intensified and further rolled out, in order to reduce the drop out of immigrant children out of the educational system. Active labour market programmes do not always seem to be effective in enhancing labour market integration of immigrants, but limited use has so far been made of enterprise-based job training, whereas this is a promising instrument also to take away employers' hesitations about foreign qualifications and non-Danish labour market experience. The Employment Region Copenhagen and Zealand, as well as the job centres in the area should come up with an action plan together with the business sector, presenting ways to increase enterprise-based job training for immigrants.

Competition to attract talents is challenging

11. Copenhagen needs to more actively attract foreign workers given its moderate global appeal. The city of Copenhagen hardly makes it into the ranking of 50 most globally connected cities with regards to business links in international services and it cannot be considered one of the major airline hubs. Copenhagen has relatively few very large internationally oriented companies, making it difficult for foreign workers (and their partners) to find appropriate career opportunities. In addition to that, universities in Copenhagen appear to have limited international orientation in comparison with universities in several other metropolitan areas. The limited number of international companies might have to do with the relatively modest size of Copenhagen in international perspective, but there are several similar sized metropolitan areas in Europe that appear to be much more global than Copenhagen. Moreover, the global connectedness of the city of Copenhagen appears to have declined relatively to other cities in the OECD with which it competes for global talent.

...and more internationally oriented firms could help

12. Recently Copenhagen has deepened its involvement in attracting foreign firms and international events. Considering the tight labour market conditions in Copenhagen, attraction of foreign businesses is less urgent, at least with regards to employment creation. There might however be a rationale for selectively attracting headquarters or foreign firms that generate knowledge spillovers or employment opportunities for spouses of highly skilled immigrants. With regards to the competition for global events, this might only be relevant for Copenhagen’s competitiveness as long as it contributes to increasing the attractiveness of Copenhagen as a place for highly skilled foreigners to work and life. The city of Copenhagen should reconsider its policies to attract firms, tourists and international events in this light. A serious reflection on how a World Expo in 2020, an option currently being considered the three levels of governments, could help to increase Copenhagen’s attractiveness to foreign highly-skilled people is warranted.
There is a need for a differentiated strategy to recruit foreigners with particular skills and more ambitious programmes.

13. Copenhagen needs to refine its rather undifferentiated foreign labour recruitment strategy. At the one hand, the stakeholders in the Copenhagen metropolitan region have to be complimented for their efforts to reflect on the kind of individuals they wants to attract, as expressed in the so-called Copenhagen Brand Book that contains this strategy. Copenhagen likes to present itself as an environmental capital at the coast with high quality of life and a healthy work/life-balance. However, it is questionable whether this profile is focused enough vis-à-vis other Northern European capitals to attract internationally mobile highly skilled labour, as they expose similar features. The city of Copenhagen should, together with the Capital Region and other local authorities, try to refine the image that it wants to use to attract more highly-skilled foreign people. More ambitious programmes could be established to attract highly skilled people from outside Denmark. Although several national programmes have been put in place, such as a “green card”-scheme and tax arrangements for highly skilled foreigners, these policies hardly form a competitive immigration regime as compared to many other OECD countries. A more active approach at all levels of government, and including universities and businesses, would be required if substantially more highly skilled people will have to be recruited. The city of Copenhagen and local authorities could stress more actively the importance of attracting talent and involve immigrant groups more systematically in policy making. Only in 2009 will an office for expats affairs be set up by the city of Copenhagen (the Welcome Shop); this initiative needs to be expanded and marketed. Celebrating cultural diversity should be more systematically part of Copenhagen’s event strategy. The city of Copenhagen and the Capital Region could develop a strategy aiming at attracting highly skilled foreigners and have it implemented by one of the local and regional stakeholders, such as the foreign investment attraction office, Copenhagen Capacity, or a similar organisation.

Tax arrangements for foreign skills need to be reconsidered…

14. At the national level, a major obstacle to attracting foreign skills is the high marginal income tax rate. The tax code in Denmark includes an option for approved researchers and key employees recruited abroad to opt out of the ordinary income tax system in favour of paying a flat rate of 25%; this period used to be three years and has recently been extended to five years. While this is a step towards addressing the problem, the scheme seems to be narrowly conceived and more general approaches might be warranted. It provides little help in retaining skilled Danes who might be tempted to migrate. Beyond that, the target group is restricted to professionals paid more than twice average full-time earnings, although R&D employees, mainly scientists, can also access the scheme at lower incomes. Younger specialists in areas such as finance, management and marketing, as well as entrepreneurs might find it difficult to obtain approval. In addition, the five year limit necessitates more staff turnover than may be desirable and works against long term planning and investment. The best option would be a general overhaul of the income tax system reducing the very high marginal tax rates in Denmark; the Tax Commission that is currently looking at taxation has a mandate to make proposals in this direction. Alternatively, the tax arrangements for foreign workers would need re-consideration: the tax exemption should be allowed for a longer period and for more categories of workers in order to effectively attract and retain highly skilled foreign workers.
15. Universities should be more pro-active in attracting international students. The role of universities is crucial as international students form an important source of future highly skilled labour. Universities in Copenhagen are not particularly adapted to this strategy. Denmark has fewer international students than many other OECD countries. The share of international students in tertiary education was 4.4% in 2005 in Denmark, against 6.7% in the OECD as a whole. Copenhagen scores somewhat higher than the national average; the University of Copenhagen has for example a student population with 6% foreign students, but this is still rather limited compared with many universities elsewhere in the world. A similar pattern can be found with respect to foreigners in research. The share of international students in Denmark has increased with 35% over 2000-2005 in Denmark, but with 49% in the whole of the OECD. Universities could do more to internationalise their student population, in actively competing for international students, so that a larger pool of potential foreign talent becomes available for Copenhagen. Cooperation at the Øresund University needs to become more operational in order to reap concrete benefits like economies of scale (merging faculties or studies); a common internationalisation strategy appears to be one of the important issues on which to cooperate, in order to pro-actively target countries from which to attract students and make this operational.

2) Boosting innovation capacity

16. Copenhagen scores average on research and development-indicators, both with respect to share of GDP invested, number of high tech-staff and number of patents per inhabitant. Although firms in Copenhagen excel in process innovation, user-driven innovation and non-technological innovation, and despite innovation in the welfare sector, there is room for improvement with regards to product innovation, research and commercial use of research in Copenhagen. These forms of innovation have an important impact on the competitiveness of regions. An important research area in Copenhagen is health, as researched by hospitals; it has seen strong growth since 2000 and it benefits from extensive Danish data registers in which health data and social-economic data of the population are combined. Although health science in Copenhagen performs well as compared to elsewhere in Europe, career possibilities for young researchers are limited which makes them leave the field. More flexible employment structures in universities and hospitals, allowing for career enhancement, could solve this challenge. There is potential to further strengthen links with Lund University with its strong life science department.

17. Networks of business and academia should be stimulated, rather than creating intermediary organisations. The focus of policy in innovation has been on commercialisation of research. Main instruments chosen to achieve this have been university patenting and science parks. As a result there is now a large variety of technology transfer offices, incubators and science parks in Copenhagen. However, university patents and science parks have not proved to be effective instruments in numerous foreign assessments. There are similar doubts as to the effectiveness of these instruments in Copenhagen. Domestic academic contributions to Danish dedicated biotechnology firms has declined as an effect of the Danish Law on University Patenting and only a minor part of this decline has reappeared as inventive capability in university-owned patenting or in the formation of university
spin-outs. Assessment of the Symbion science park, specialised in commercialising inventions in IT, telecommunications and biotechnology, found relatively poor links to the higher education institutes in the area and low student awareness. This suggests that the building of institutions such as Symbion has in fact cemented a low interaction between higher education and industry. In order to achieve more commercialisation of research, complementary approaches will be needed to increase university-industry cooperation. This could take the form of networks, rather than new institutions and intermediaries; business, universities and other research institutes are the main responsible actors, but the city of Copenhagen and the Capital Region could stimulate the creation of these networks. Commercialisation of research could be streamlined in the context of the Øresund Science Region, leading to larger operational coordination between universities and cooperation on commercialisation of research among the universities in the region (more common projects for example).

18. The quality of research would be improved by the introduction of more incentives in its funding. Currently Denmark has a two-tier system for resource allocation to research. The first tier is the basic grant allocated by the different ministries directly to the institutions. The second tier comprises resource allocation from the National Research Councils, strategic research programmes, R&D funds from the different ministries, private funds and firms. Although the basic research grants can secure long term planning of universities, they seem to lack incentives for efficiency, relevance and societal impact. As they are mostly based on historical allocations, there are no mechanisms in place to ensure that the institutions producing the highest quality of research are rewarded. Although the second tier provides a multi-faceted perspective on research priorities, it represents a complicated arrangement that can easily become intransparent and bureaucratic. The national government would well reconsider its funding mechanisms of research and introduce more incentives in the first-tier of research funding, to make sure that high quality of research is rewarded. In addition, simplification of the second tier funding is needed.

19. National entrepreneurship policies would benefit from improved coordination and alignment with regional and local initiatives in Copenhagen. The national government in Denmark recently prioritised entrepreneurship, particularly businesses that can generate high growth in personnel, value added and exports. In order to stimulate high growth entrepreneurship, Regional Centres of Growth were established to provide services to these entrepreneurs. One such Regional Centre of Growth is active in the Capital Region, in addition to the business centres of various municipalities in the Copenhagen metropolitan region. The city of Copenhagen conducts its proper business policy in which creative entrepreneurship and ethnic entrepreneurship play an important role. As part of these policies, creative zones were created by the city of Copenhagen with favourable conditions for creative entrepreneurs. National policies sometimes seem to run counter regional and local goals. There is for example a tension between stimulating entrepreneurs to grow personnel numbers and an already very tight labour market in Copenhagen, as implementation of this policy would add to growing recruitment challenges; moreover, creative entrepreneurs do not often tend to consider increasing staff numbers a priority. National policies might be better aligned with regional circumstances by leaving more room for regionally differentiated targets in its contracts with the Regional Centres for Growth. Coordination between
Regional Centres for Growth and municipalities might be strengthened with a second generation of letters of agreement between Regional Centres of Growth and municipalities. There are serious concerns about the devolvement of funding of regional centres of growth to municipalities after 2010; this aim should be reconsidered. More focus in Copenhagen’s entrepreneurship policies could bring more results, which are currently mixed. There are no clear indications of positive effects of the creative zones, and although they may occur in the future it appears that a more focused approach would be warranted. More emphasis could be put on stimulating creative industries that have proved to be relevant for attracting highly skilled foreign labour. In addition, the synergies of creative industries for other economic sectors could be more systematically explored; for example with life science and environmental sectors. The city of Copenhagen could play a role in stimulating the creation of inter-sectoral networks aimed at creating these synergies.

3) Enhancing attractiveness

Attractiveness is an asset…

20. Copenhagen’s reputation for livability could be further enhanced. Copenhagen scores well on several rankings for quality of life and its quality of public services has to be acknowledged. However, several policies could boost Copenhagen’s attractiveness further, particularly (i) upgrading infrastructure, well integrated with (ii) a regional housing policy and (ii) fine-tuning liveability and environmental policies.

(i) Upgrading infrastructure

21. Strengthened infrastructure policies can ensure that proximity and relative lack of congestion continue to be an asset for the region. The development of smart transport infrastructure is important for urban competitiveness, not only to capitalize on the transit needs, provide proximity and agglomeration effects, and bring about economic growth, but also to mitigate the burden of transit on the environment. Reflecting this, the 2008 regional development plan of the Capital Region is centred on transportation as one of the three pillars. To accommodate further growth of the metropolitan area, Copenhagen will need to build further upon its strengths in internal and external accessibility. Even though internal accessibility in the Copenhagen metropolitan region is currently smooth when compared to other European capitals, demand management through land use planning or congestion charging appear to be necessary to remain competitive.

Congestion charge could be considered

22. A congestion charge could help to limit traffic jams in the region following successful experiences in other OECD metropolitan areas like Stockholm, London, Milan and Oslo. Congestion in the Capital Region rose by 10% in 2007 and the costs were estimated at EUR 1.2 billion. Congestion charges have been discussed intensively in the Copenhagen metropolitan region over the last decade. According to a recent modelling by 16 municipalities in the Capital Region, introduction of congestion charges in 2010 would decrease congestion by 23% within the toll ring in the city and by 4% in the entire Capital Region, with net benefits amounting to EUR 200 million per year. A political consensus among the different levels of government is a key condition for the success of the introduction of a congestion charge and its modalities. According to Danish law, road charges
are considered a general tax and have therefore to be decided by the national Parliament. In order to avoid adding a new tax, a congestion charge could be introduced in parallel with a reduction of fixed car taxes, so as to tax congestion rather than car ownership.

External accessibility could be improved

23. External accessibility can be improved by making better use of the Øresund link, integrating the upcoming Fehrmarn Belt link (between Denmark and Germany) in the European-wide transportation network and continue to improve the connectivity of Copenhagen airport. There are indications that the Øresund link is underexploited as a source for creating a functionally integrated area. This could be considered to the detriment of both areas. Considering the clear price elasticity that exists for the bridge tariffs, reconsidering the constraints to set tariffs might favour the functional integration of Øresund region. The construction of the Fehrmarn Belt Link provides an opportunity for Copenhagen to become connected to the European high-speed rail network. However, the railway connection between Ringsted and Copenhagen is still in the stage of consideration. If the sufficient link between Copenhagen and Fehrmarn Link is not established, the link will not actualize the potential to connect Europe continent and Nordic countries. Further cooperation between both countries is desirable on the connection of the Fehmarn Link into the Danish and German infrastructure.

The cost of housing has become prohibitive for many families...

24. It has become more difficult for families to acquire moderately priced housing in the Copenhagen metropolitan region, where housing prices have outpaced increases in income. Housing prices have increased considerably from 1995 to 2006, especially in the northern and central municipalities, due to such factors as population growth, migration and low interest rates on loans. Denmark was one of the countries in the EU with the highest share of housing consumption (as percentage of total household consumption): 28.6% in 2003; only Spain and Sweden spent more of their income on housing. Consequently, residents generally perceive the city of Copenhagen as a place where it is difficult to find good housing, especially rental units, at a reasonable price. Housing in the suburbs of Copenhagen (and in the Øresund Region as a whole) has become more attractive and precipitated growth in the suburban periphery while the housing stock in Copenhagen proper has remained relatively unchanged for the past twenty years. An average family with children with an annual income of around EUR 80,000,- will reportedly have to look for housing 50 km away from the city centre in order to find housing that they can afford. Although such suburban outmigration takes place in many OECD metropolitan areas, there are arguments for compact urban development, such as reduction of congestion and proximity of labour to service jobs. The current labour market in Copenhagen is very tight, even more so in the city of Copenhagen where jobs such as municipal health visitor receive on average 1.25 applications per post. Labour market matching in the Copenhagen metropolitan area would suggest housing and transport policies that promote accessibility of jobs to a large labour pool. While housing costs have decreased from their peak in 2006, developers are still constrained to construct moderately priced units, which has aggravated given the impact of the global financial turmoil that is projected to lead to sharp contraction of housing construction..
densification and housing construction in central Copenhagen plays a role...

but must be complemented with a regional approach.

Liveability in Copenhagen could be improved...

...and further collaboration within the Øresund region can increase its supply of cultural amenities

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25. Additional land use tools could be utilised to increase Copenhagen’s housing stock through densification given that its population density is twice as low as Vienna, Munich and Berlin and more than four times lower than Paris. The creation of more favourable rental housing construction economies could facilitate a growth in the housing stock and respond to the needs of residents who earn too much to qualify for social housing and too little to rent expensive flats. Heightened collaboration with developers of moderate cost housing could help reduce up front costs of appraisals, such as the design fees, environmental site studies, and legal work. To help make these projects more economically viable, the central government could empower municipalities with more flexibility to negotiate planning agreements with private developers such as is the case in the United Kingdom and the Netherlands.

26. Given the population growth in Copenhagen’s suburbs, land scarcity in the city centre, and the paucity of larger sized family housing, additional regional policies are needed to coordinate metropolitan growth. A new generation of land use tools could better align housing and transit policies in outlying suburbs. Though Copenhagen has a long tradition of excellence in regional planning, the dissolution of the national Ministry of Housing in 2001 and the creation of a Capital Region without a mandate in the area of housing have reduced the capacity of inter-municipal co-ordination over housing policy. If rigid land use restrictions are kept in place and Copenhagenerators continue to locate in peripheral areas, additional regional policies are necessary, particularly with housing, zoning, land use, and public transit. These combined strategies for mobility and housing will prove to be necessary to accommodate an emerging polycentric urban form.

(iii) Liveability and environment

27. Copenhagen is a liveable city, but this liveability is being challenged. Part of Copenhagen’s appeal is its size. This might be an asset because it could limit certain urban disamenities usually connected with large metropolitan areas, such as congestion, crime rates and negative environmental effects. Evidence on this appears mixed in the case of Copenhagen. Congestion in Copenhagen is less bothersome than in other metropolitan areas in the OECD, Copenhagen is close to natural amenities which provide for outdoor activities and in 2006 around 36% of people in the city of Copenhagen bicycled to work. Crime rates, housing prices and air pollution are however higher than in several similar-sized metropolitan areas in the OECD. The car theft rate over 2003-2006 was for example 9 per 1000 inhabitants, the second highest rate among European capitals. This suggests that there is a potential to reduce certain urban disamenities further.

28. Copenhagen does not have the critical mass that might be needed to sustain the amenities that can be found in larger metropolitan areas. The city of Copenhagen has a collection of fine cultural institutions, but lacks certain adequate facilities, for example a live performance auditorium. Limited tourist flows to the city of Copenhagen could indicate a low international appreciation of Copenhagen’s urban amenities or at least limited global awareness of it. Whereas cities elsewhere in the OECD can potentially use other cities to engage in collaboration to create more of this critical mass, Copenhagen is not close to the other large Danish cities. It is however close to Malmö and Lund, which could
potentially provide Copenhagen with synergies that could add to its attractiveness. This requires more coordination of policies in the Øresund area with regards to cultural amenities, housing, international events, marketing and tourism. The city of Copenhagen should systematically identify where gaps in urban amenities weaken Copenhagen’s position vis-à-vis other metropolitan areas in the OECD, and where amenities available in the whole Øresund Region could complement the supply that Copenhagen can offer.

Copenhagen could become one of the most environmental friendly European cities

29. Fine-tuning environmental policies could help the city of Copenhagen realize its ambition to become the greenest capital of Europe. A wide range of environmental initiatives is in place: the city of Copenhagen has agreed on a strategy to reduce CO2-emissions by 20% in 2015 and sees the UN Climate Change Conference that it will organise in December 2009 as a welcome opportunity to put climate change at the top of the agenda. However, more could be done to bolster the city of Copenhagen’s sustainability, including reduction of air pollution. Though the city of Copenhagen has admittedly one of the lowest sulfur-concentrations, many large cities in the OECD have lower concentrations of NO₂ and particulate matter. In the case of particulate matter, large cities such as Paris, London and Frankfurt have managed to achieve lower concentrations. In 2005 the limit for daily average value for PM10 (50 µg/m³) was exceeded 64 times in the city of Copenhagen, 29 more days than EU’s admitted days of exceedance. Moreover, low-cost sustainable transit solutions might be considered to reduce single occupant vehicles and carbon emissions from automobile use. Improved energy conservation techniques would be useful to reduce the city of Copenhagen’s ecological footprint. Improved cross-border environmental cooperation would be required given the permeation of pollution in the Øresund region.

4) Strengthening governance arrangements

A common agenda for Copenhagen is needed...

30. A common agenda for Copenhagen is needed to increase the availability of highly skilled labour, to boost the innovation capacity and to enhance the attractiveness of the region. The Capital Region has made commendable efforts to define strategies for the region. The Growth Forum of the Capital Region, in which business, academia, regional and local governments are represented, has developed a business development strategy in 2007. In addition, the Capital Region has presented the Regional Development Strategy in 2008, in which citizens, governments and civil society have been involved. These are all laudable initiatives, with thorough assessments and wide involvement of stakeholders. At the same time, these strategies seem to add up rather than to provide focus. The underlying assumption is what has been expressed in city and regional documents as “you can have it both ways”: the possibility to combine seemingly contradictory goals. However, in reality there are policy tradeoffs where policy choices are warranted, especially on where to invest scarce resources and on what areas to focus policies on. Unresolved policy tradeoffs in Copenhagen include the following: the attraction of foreign businesses vs. highly skilled foreign labour; being the environmental capital of Europe vs. a regional airline hub; remaining a high tax city (and country) vs. a more entrepreneurial city. A lack of focus on the most important challenges could hamper the region’s competitiveness.
...supported by the main stakeholders...

31. Main stakeholders will have to be involved in the agenda for Copenhagen, so that resources and instruments are aimed at the same goals. The Capital Region will need the cooperation of the municipalities in the area, as well as the national government, to further increase Copenhagen’s global attractiveness for highly skilled people. The national government took many initiatives by recognizing the importance of Copenhagen to compete against other European cities during the 1990s; this formulation has been effective due to the central government’s recognition of the value of Copenhagen, its cooperation with regional actors, and in spite of the absence of a regional planning agency. Governance mechanisms are important for this, as they impact on the effectiveness and efficiency with which the common agenda can be formulated and implemented, and as such whether policies, public goods and services are delivered.

...with room for governments in the area to implement this agenda.

32. Considering the important role of Copenhagen for the national economy as a whole, all the actors concerned, including the central government, have a stake in ensuring that governance frameworks and policies will be more conducive to the competitiveness of the Copenhagen metropolitan region. Many of the challenges for Copenhagen’s future competitiveness are directly or indirectly related to national policy: (i) national immigration and tax policy have affected Copenhagen’s attractiveness to high-skilled foreign labour, (ii) housing legislation has made it difficult to solve housing affordability problems, (iii) Danish-Swedish differences in national legislation hinder further functional integration of the Øresund region, and (iv) national parliament maintains control over the introduction of local congestion charges. Although these national frameworks are commonplace in unitary countries like Denmark, flexibility is essential given the unique nature of Copenhagen’s challenges compared to the rest of Denmark. Copenhagen is better connected to the global economy, has more immigrants, higher housing prices, more air pollution and more congestion. National policies will have to take account of Copenhagen’s competitiveness. From a financial perspective, sub-national autonomy has been limited drastically over the last few years. National government has now put constraints on local taxation, expenditures, deficits, borrowing and use of alternative financial instruments. Although this might be understandable from the perspective of fiscal discipline, it gives little flexibility for investments in municipalities that seek to improve their competitive position such as the city of Copenhagen and the other municipalities in the region. These constraints are even larger for the Capital Region given its complete lack of taxation powers.

The structural reform compromised metropolitan governance ...

33. The 2007 structural reform has not fostered governance within the Copenhagen metropolitan region. This national reform created a regional authority—in the case of Copenhagen, the “Capital Region”—which has few planning powers. In addition to replacing 16 counties with 5 regions, the reform reduced the number of municipalities in Denmark from 271 to 98. Although the reform was remarkable in an international comparative perspective, its ability to promote metropolitan governance in the Copenhagen metropolitan region is minimal. With the structural reform, the city of Copenhagen has lost its special position and some of its former responsibilities, in contrast with the practices in some OECD countries with their capital cities (e.g. Madrid, Paris) or with their major metropolitan areas (e.g. Korea, Portugal, Japan). The regional government level has been weakened; it is now almost exclusively involved in health care and its taxing powers have been taken away. The former (often considered to be
fallible) vehicle for metropolitan coordination, the Greater Copenhagen Council, was abolished. The structural reform transferred the responsibility for spatial planning from the former counties and the Greater Copenhagen Council to municipalities and the national government. Whereas municipalities in most other regions in Denmark merged massively, the number of municipalities has remained more or less similar in the Copenhagen metropolitan region. Currently the Capital Region encompasses 29 relatively powerful municipalities, including a core city that is relatively small in relation to the wider metropolitan area. Around 21% of the inhabitants of the Copenhagen metropolitan region live in the city of Copenhagen. Like in almost every metropolitan area in the OECD, administrative boundaries are different from functional areas; the Copenhagen metropolitan region as defined by commuting flows is however considerably larger than the Capital Region (2.4 vs. 1.6 million inhabitants). Moreover, the structural reform has complicated metropolitan coordination: whereas the municipalities in the Greater Copenhagen Council formed part of five more or less equivalent counties, the same area now in the jurisdiction of one region (Capital Region) and part of another region (Sjaelland). The Capital Region nor the municipalities do have many instruments for cross-municipal coordination within the region.

34. Metropolitan coordination will need to be strengthened. Although a large number of decentralised government units can provide a diversity of goods and services and be able to adapt to local circumstances, there are areas where regional coordination is needed, such as in transport, land use planning, local economic development etc. This is particularly the case in Copenhagen where commuting increasingly takes place across administrative boundaries. Some of the regional coordination in Denmark takes place at the national level, for example with regards to land use planning via the Finger Plan. Most of this national coordination is sectoral, not necessarily resulting in policy coherence at the regional level. Cross sectoral issues are difficultly addressed, which is sometimes a result of silo thinking within the central government, i.e. a lack of coordination between the line ministries. There are few coordination mechanisms between Copenhagen and the central government. The Capital Region has just been created and will have to acquire legitimacy to speak for the whole region. The city of Copenhagen and the city of Frederiksberg (embedded within the city of Copenhagen) used to talk separately to the central government, but this has ended since the structural reform of 2007 when they lost their special position as municipalities that were also counties. Coherence of national policies for regions, such as the Capital Region, could be increased for example by strengthening the role of the Ministerial Policy for Regional Policy. Coordination between the central government and Copenhagen could be increased by a clear national government programme for that area. Examples include for instance one ministerial portfolio responsible for the coordination of the programme towards this metropolitan area, as has recently been introduced for Randstad-Holland in the Netherlands or Paris in France.

35. The Capital Region will have to continue and strengthen its coordination for the metropolitan area. It is the current vehicle for metropolitan coordination, as it has provided business development strategies and regional development strategies via processes that included many stakeholders in the region. Although it has limited responsibilities with most of the areas relevant to coordination in Copenhagen, it is in effect the only metropolitan coordination mechanism after the abolishment of the Greater Copenhagen Council. This is a delicate task considering
the cooperation of municipalities that will be required that have sometimes conflicting interests and the limited amount of policy instruments at the disposal of the region. The creation of a common Copenhagen agenda to which all government actors feel committed could help to come to a coordinated policy approach for Copenhagen. Areas covered in this agenda should include policies to increase the availability of human skills and to increase the attractiveness of the area. A special effort should be made to reach out to those municipalities in Sjaelland which are not part of the Capital Region, but can be considered part of Copenhagen metropolitan region; they will need to be involved in metropolitan coordination. The experience of municipal amalgamations in other parts of Denmark could also be considered within the Capital Region. Integrated transportation planning is increasingly necessary at the level of the metropolitan area, as development of each mode affects and is contingent upon other modes. Although a regional coordination mechanism for bus transport has been recently created in the form of Movia, coordination could be further improved by collapsing all transportation coordination for the Copenhagen metropolitan region in one organisation. Transportation planning should evidently be coordinated with the land use plan such as the Finger Plan.

...and the internal local government model needs to be improved

36. Finally, the city of Copenhagen would benefit from strengthening its internal local government model so that it can play a stronger role within the metropolitan area. In the current model, all political parties are part of the city government, which consists of one Lord Mayor and six other mayors which cannot be instructed by the Lord Mayor. Due to this construction, mayors can be responsible for executing policies that they voted against in the city council; it has in some cases also led to overspending. The city of Copenhagen will need a majority government system in which executive and control tasks are separated and a model able to support the connection between the political strategy and the task solving across the administration of the policy areas. However, the national legislation does not provide room to choose such a government model. Current reflections in the city on alternatives therefore cannot be endorsed and implemented unless the national legislation is extended, in such a way that it provides room for the city government to adopt such an alternative, which might be modelled after Oslo’s government model, which has a similar national institutional tradition of coalition and minority government. In this model the city council appoints an executive council leader who appoints a city cabinet and city council committees play no role in policy implementation.

Cooperation with other regions will benefit all...

37. Finally, closer co-operation between the Copenhagen metropolitan region and Denmark’s major regional cities could produce greater economic benefits by exploiting economic linkages. Such co-operation could clarify vaguely defined concurrent mandates and highlight the interdependence of major cities in Denmark. A similar mechanism developed between London and its network of outlying cities was shown to be effective. Although it might be the primary responsibility of the authorities of the different cities in Denmark to engage in a similar dialogue, the national government could also play a facilitating role. A more explicit support of the national government for the urban network throughout Denmark could help foster economic synergy between cities.
38. Fostering the integration of Øresund region (Copenhagen/Malmö) through further concerted government actions would help make the Copenhagen labour market thicker. Cross border commuting in the Øresund Region has increased dramatically over the last decade, but still remains rather modest. The nearly 15,000 commuters from Southern Sweden (Skåne Region) to the Capital Region represents a sevenfold increase from 1997 to 2007. A comparison of European data shows that several cross-border regions in Europe were witnessing more cross-border commuting in 1999 than Øresund in 2007. Concerted government action could increase these cross-border commuting flows, by providing more harmonisation in regulation, taxation, social security and tariffs for the Øresund Link to promote labour market integration in the area. Several steps have already been taken. In 2007 the institutional structure of the Øresund Committee was strengthened, in parallel with increased focus on policy formulation. This has resulted in a strategic vision for the Øresund in 2008 that will lead up to a common development strategy in 2010. In 2007, the Danish and Swedish ministers of labour signed an agreement to solve barriers for a common labour market. Several cross-border initiatives have been taken, including a special unit of the Danish Tax Authority set up to deal with tax issues for employees working in Denmark, but living in Sweden. More of these initiatives would be welcome: national governments in Denmark and Sweden should be strongly engaged to increase further cooperation in the Øresund Region. The city of Copenhagen and the Capital Region, as well as stakeholders such as the tourist promotion office Wonderful Copenhagen and the foreign investment attraction office Copenhagen Capacity, could also take more account of the Øresund Region, for example in its strategies to attract international events, tourists and foreign firms.