

Rethinking Regional Attractiveness Webinar Series

What makes a region attractive in the new global environment? How to measure and monitor

Issues Note

29th November 2021, 16:30 – 18:00 CEST (Paris time)



Background Information

The OECD's Regions in Globalisation project explores the components and drivers of global engagement that can help regions leverage their individual strengths in the international arena and better understand the challenges they may face in the new global environment. Global megatrends, reinforced by the COVID-19 pandemic, are making the sub-national dimension of globalisation ever more relevant. The crisis, for instance, has deepened policy thinking around the reshoring and nearshoring of Global Value Chains (GVCs) in order to secure key supplies and reduce greenhouse gas emissions (OECD, 2021). In order to measure such evolutions, the project considers the way regions engage in global flows associated with **four international connections**:

- Business connections, related to economic flows such as FDI;
- Knowledge connections, concerning innovation and research;
- Human connections, relative to the international flow of visitors and migrants; and
- Infrastructure connections, defined as the physical support for international flows, such as transport links or internet access.

It also develops attractiveness profiles of regions across six core domains (Economic attractiveness; Visitor appeal; Land and housing; Resident well-being; Connectedness; and Natural environment), which regions can develop to position themselves to attract preferred mix of international "target" groups including export markets, investors, talent or visitors. The project helps regions understand how to leverage their position in the new global environment without seeking globalisation as an end, but as a means of promoting inclusive and sustainable development through appropriate international attractiveness strategies. This requires a better understanding of regions' international profiles, whilst maintaining a focus on the benefits to local actors, businesses and residents.

About the OECD Centre for Entrepreneurship, Regions and Cities

The Centre helps local, regional and national governments unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation and implement sound tourism policies.

What makes a region attractive in the new global environment: How to measure and monitor?

The OECD's methodology to measure regional involvement in globalisation

To construct a region's global engagement profile, the OECD has developed an original methodological approach based on qualitative and quantitative pillars. The qualitative pillar is driven by in-depth field studies in select case study regions in participating countries. During the field study, the OECD uses questionnaires and in-depth interviews to gather first-hand information from local actors involved in the development or delivery of regional attractiveness policy. As part of a quantitative pillar, the OECD has developed two indicator dashboards to assess the international and attractiveness profiles of regions.

The OECD's indicator dashboards are an innovative way of measuring a region's position in globalisation, as they consider global engagement beyond purely economic factors, offering a detailed picture of a region's international connections (Business, Knowledge, Human, and Infrastructure). The attractiveness dashboard brings together around 60 indicators, including fourteen reference indicators used to graphically represent attractiveness across six individual domains, at the regional (TL2) level:

- *Economic attractiveness*: e.g. Innovation & Entrepreneurship, and Labour Market
- *Connectedness*: e.g. Transportation, Logistics and Digitalisation
- *Resident well-being*: e.g. Health, Education, and Social cohesion
- *Natural environment*: e.g. Environment and Natural capital
- *Visitor appeal*: e.g. Tourism and Cultural capital
- *Land and housing*: e.g. Usage and Affordability

Identifying available policy levers to more effectively attract specific target groups (e.g. investors, talent, and visitors) in the new global environment requires a closer examination and understanding of subnational drivers of attractiveness. Regional attractiveness profiles are an innovative tool enabling policy makers to capture the unique assets, and the potential gaps, for individual regions.

Constructing an economically attractive profile that supports inclusive and sustainable development will require more creativity than in the past

The impacts of COVID-19, combined with existing megatrends (digitalisation, climate change, demographic evolution, and socio-economic inequalities), have created the conditions for new levers of economic attractiveness for regions that are bound to become increasingly necessary in order to attract foreign direct investment (FDI) in the future. As an example, it is estimated that knowledge-seeking FDI (investments in health, ICT and renewable energy technologies) could prove to be a more worthwhile investment in the long run with unstable energy markets rendering investments in natural resources less attractive (OECD, 2020). As a result, key innovation indicators (e.g. patent creation, international co-publication, presence of innovation clusters) can demonstrate to potential investors that a region is at the cutting edge in key research-related sectors.

Similarly, the digital connectivity of a region – measured by broadband speed, internet access, and frequency of use – sends a strong signal to investors that a region can offer the digital infrastructure for investment in new high value added projects, such as “5.0” digitally-connected factories. In the same way, new momentum for nearshoring GVCs creates a strategic opportunity for border regions to export to neighbouring international

markets seeking suppliers closer to home. Indicators can help to reveal the quality and type of physical infrastructure available in nearby (foreign) regions as firms explore how to engage with markets wanting to shorten supply chains.

A new 'sales pitch' is needed to domestic and foreign talent

Bringing in talent requires a more diverse basket of offerings than the promise of a job and a big city. The quality of the local environment, of local government and public services, and the overall quality of life are all signals to potential residents that a region is an attractive proposition. The appeal of a region will likely cut deeper. Is there a local student community (measured by the presence of universities and foreign students/researchers)? How much time, on average, is the commute? How satisfied are local residents with public transport and healthcare services?

Existing indices on talent attractiveness typically measure business and employment outcomes, and do little to capture emerging factors that may animate prospective talent – for a growing number this could include, for example, the existence of climate objectives. Moreover, much of the work by multi-national organisations and academics on talent attractiveness focuses on highly skilled talent (master's/doctoral degrees and entrepreneurs) at the expense of those in the trades and other industries that fill equally important needs in local labour markets, and can bring skills that are a better fit for the needs of certain regions. National statistical offices, together with regions, need to do more to identify a more comprehensive selection of indicators that effectively capture talent attractiveness, ensuring they are sufficiently comparable, but also considerate of the local conditions of attractiveness that less conventional sources can illustrate. Databases from platforms like LinkedIn, TripAdvisor, Google Mobility, among others, can help to fill this measurement void.

Attracting visitors at a slower, greener pace

Tourism continues to be one of the sectors hardest hit by the coronavirus pandemic and the outlook remains highly uncertain. Inbound tourism in most countries remains significantly affected, while domestic tourism is helping to mitigate the impact on jobs and businesses in some destinations.

Despite the significant negative impacts, the crisis is providing an opportunity to rethink tourism for the future. Achieving a greener and more sustainable tourism recovery, will however, require a greater policy focus on the environmental and socio-cultural pillars of sustainability. Supporting the development of new and emerging destinations can reduce negative impacts on existing destinations and local communities under pressure, and promote economic development opportunities in regions and rural areas, with positive impacts on local supply chains and agriculture and rural sectors more broadly. Diversifying the regional tourism offer can help to increase the length of visitor stays and potentially extend the visitor season, delivering more positive impacts for local economies, communities, and the environment.

Measuring this type of visitation requires a regional outlook on touristic capacity, length of stay, and the proportion of foreign visitors – all indicators that help to paint a picture of the availability and propensity of a region to host longer, more impactful visits, from both an economic and sustainability perspective, by reducing resource consumption per night. At the same time, it requires an analysis of the types of nature-based and cultural assets available to tourists (ecotourism opportunities, UNESCO sites, national parks) and the perceptions of visitors on the overall touristic experience (i.e. visitor satisfaction).

Proposing a diagnostic tool for regional attractiveness in France

The OECD is putting these indicators into action. A study on the attractiveness of French regions yielded attractiveness profiles for all French regions (OECD, forthcoming). Below (Figure 1), an example from the Grand Est region shows strengths and challenges vis-à-vis international targets along the fourteen reference indicators and six domains of regional attractiveness. The blue line represents Grand Est's position compared to the average across all French regions, while the orange line offers a comparison with the average of EU regions. If either line is situated above or below 100 (black line), this reflects its comparative position above or below the French or EU average.

Grand Est, for instance, benefits from a quality of government score that is well above the French and EU average. Its performance in terms of tourism capacity, however, is relatively weak compared to the other averages. Paired with the wider dashboard of indicators and the results of the field study, it is possible to assemble an attractiveness profile of Grand Est. The region, for example, is able to capture foreign markets through its industrial export base, an advantage in the context of the global increase in reshoring activity. Its favourable geographic position along four international borders, and a strong multi-modal infrastructure network, including key airport, rail and highway infrastructure connecting Grand Est to EU trade corridors, strengthen this dimension.

At the same time, knowledge connections reveal both strengths and challenges, as the region benefits from a network of internationally ranked universities, but trails French regions in terms of the share of employment in R&D.

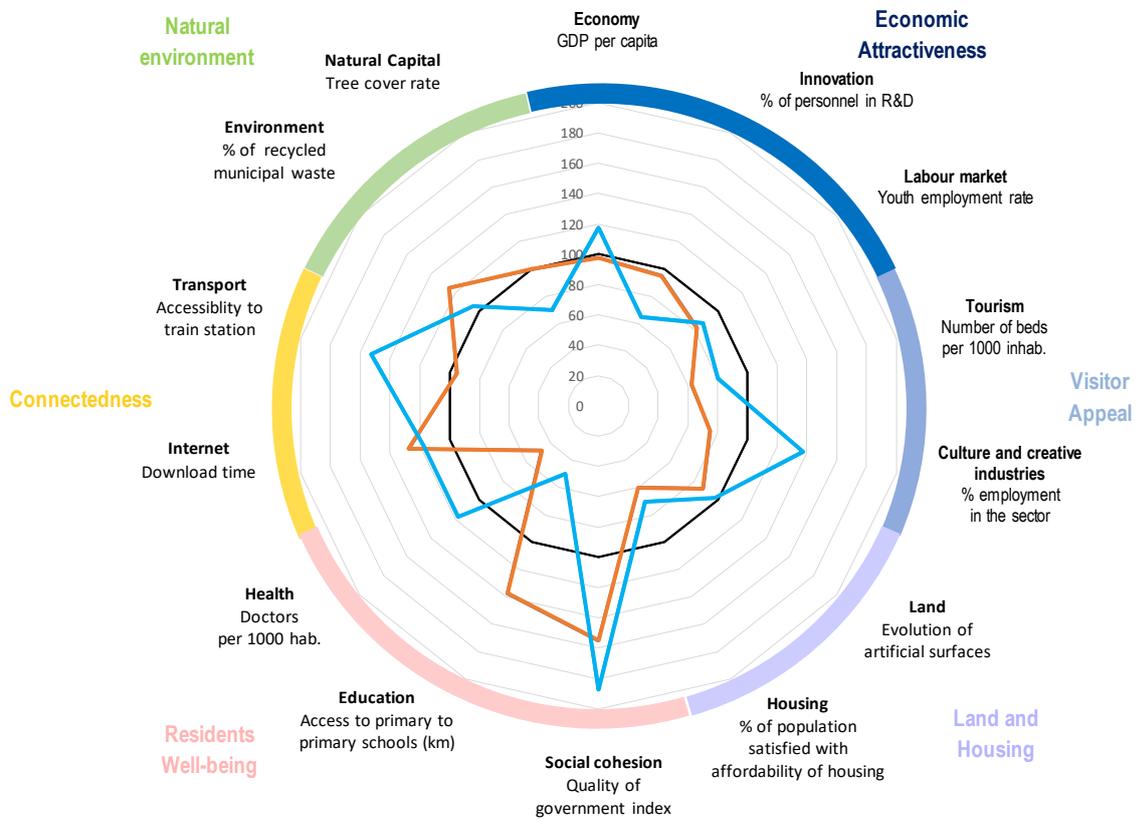
The challenges to monitoring and measuring attractiveness

The development of regional attractiveness and internationalisation profiles involves challenges including accurate and timely measurement. A major challenge involves the choice of indicators as they present trade-offs and synergies in terms of timeliness, availability, and comparability. In addition, an extensive indicator dashboard may be perceived to over-complicate the profile of a region. However when taken as a diagnostic tool comprised of the diverse elements of attractiveness regions are concerned with, it allows decision-makers to tailor strategies to their specific development priorities and to avoid getting caught up in ranking exercises (Musson, 2010/2). Finally, indicators, especially when selected based on international comparability, may not be regularly updated or available at the same time for each region, causing possible latencies.

Topics for discussion

- What are some examples of ways regions are being creative in measuring and monitoring the attractiveness of their regions to the world?
- How do megatrends – such as digitalisation, demographic change, rising inequalities and climate change – reshape the levers of attractiveness that regions have to work with? How can these new pull factors be measured?
- What non-conventional data sources can be leveraged to help regions to better articulate their international connections and attractiveness profiles?
- How can the experience (as captured in both subjective and objective data) of local residents – in terms of their economic and social well-being – inform regional attractiveness policies?

Figure.1. The International Attractiveness Profile of Grand Est, France



Source: (OECD draft proposition)