

## Territorial Inclusiveness

Innovation policies for territorial inclusiveness **target lagging and less innovative regions with the aim of narrowing the performance gap with leading innovation regions**. They foster the innovation capacity of individuals and firms located in peripheral regions, as well as in disadvantaged neighbourhoods within large urban areas.

Click below to find innovation policies that address territorial inclusiveness challenges at the following territorial levels:



Regional policies



Local or community-oriented policies

[1] Read on below to find **detailed information** and [2] **country-specific statistics** related to territorial inclusiveness.

### Did you know...?

**Benefits from agglomeration** explain why industries (and particularly, highly innovative industries) tend to concentrate spatially: geographical proximity facilitates knowledge spill-overs and interactive learning; stimulates the creation of a larger pool of labour, leading to better matching between worker skills and jobs; and facilitates access to specialised suppliers and services (Marshall, 1890; Krugman, 1991). As a result, regions holding the greatest concentrations of innovative sectors tend to outperform other regions in terms of employment and overall economic growth.

Lagging regions (i.e. regions with per capita GDP below the national average GDP per capita) often perform poorly in terms of innovation, due to several factors. **Connectivity constraints** and (more frequently) the **weak absorptive capacities** of individuals and firms located in these regions hamper adoption of new technologies and innovations produced elsewhere. Even when firms with innovation capacities locate in those regions, they often face **higher barriers to innovation**, including difficulties in accessing skilled labour, finance and knowledge networks. For instance, firms located in northern regions of Sweden have been found to have more limited access to finance compared to those in the south of the country (Inlandsinnovation AB, 2014).

These barriers may have also contributed to the **rising gap in productivity performance between regions** at the productivity frontier (generally urban areas) and lagging regions (more rural, peripheral regions). At the European level, for instance, innovation capacities are particularly high in Denmark, Finland, Germany and Sweden, and relatively low in eastern and southern European countries – and that gap does not seem to be narrowing (Veugelers, 2016). Similar dynamics are apparent at the national scale: in the United Kingdom, spatial economic imbalance has widened over time, with London and the South East region concentrating most of the country's economic activity (Martin et al., 2015).

The capacity of lagging regions to **catch up with innovation leaders** might also erode with time, as innovative environments tend to attract talent and investments and enhance entrepreneurship,

thus reinforcing the concentration of resources and innovation capacities in those areas (Florida, 2002; Glaeser, 1999). Metropolitan areas such as London, New York, San Francisco and Tokyo, for instance, attract highly productive activities and highly skilled individuals, not only nationwide but even on the global scale. As more skilled individuals move to cities, absorptive capacities in peripheral/lagging areas decrease. As a result, opportunities for people living in such regions are reduced.

**Spatial segregation within metropolitan areas** constitutes an additional challenge for social inclusion. The concentration of various dimensions of disadvantage (e.g. lower incomes, lower skill levels, etc.) frequently combines with stigmatisation of place of residence, making it more difficult for disadvantaged groups to access good quality jobs and move up the labour market ladder. Those individuals, even those living close to innovation hubs, can be locked in low-productivity and low-income traps, unable to reap the benefits of innovation and growth produced in their vicinity.

### What are the rationales for implementing innovation policies for territorial inclusiveness?

Many territorial inclusiveness policies respond to the rationales that relate to [social inclusiveness](#) [3] and [industrial inclusiveness](#) [4]. Rationales specifically for territorial inclusiveness policies include:

- Fostering the development of **more productive and innovation-intensive activities** in lagging regions, by supporting entrepreneurship and the development of these activities.
- Strengthening the **innovation capacities** of lagging regions (i.e. the absorptive capacity of individuals and firms located there) also increases the chances of other initiatives, such as investment in R&D and transport infrastructure, to have their intended effects on innovation performance and economic development.
- Increasing the innovation capacities of peripheral, less developed regions is also expected to strengthen their **economic resilience** and reduce their dependence on transfers from the central government.

### Indicators on Territorial Inclusiveness

The following indicators may help you identify whether regional disparities are challenges for territorial inclusiveness in a given country.

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### References

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Veugelers, R. (2016) The European Union's Growing Innovation Divide, Bruegel Policy Contribution, Issue 2016/08, April 2016, [http://bruegel.org/wp-content/uploads/2016/04/pc\\_2016\\_08.pdf](http://bruegel.org/wp-content/uploads/2016/04/pc_2016_08.pdf) [7].

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### Links

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