

Authors**Oliver Harman**Cities Economist
Cities that Work

Should I stay or should I go? Managing populations with urban to rural migration incentives

Sydney you've got to let me know, should they stay or should they go.

In 2011, Sydney, the largest city in Australia, asked its residents, should they stay or should they go? Despite regularly rated as one of the world's top ten liveable cities, the government was offering residents AUD\$7,000 (£4,500 or ~one month's average wage) to move to the country's rural areas. From the region's perspective the decision was two-fold: Inside the city there was apprehension that the government no longer had the capacity to serve its residents effectively. This was accompanied by the hope that moving residents could boost struggling rural areas, following a decade long drought.

This policy ultimately wanted to see urban citizens bringing their incomes and expertise to regenerate rural lands. Yet many urban service sector employees would likely have the wrong skill set to enhance rural communities.

Cities ought to stay one (or more) steps ahead of their population growth. Yet this attempt to actively control and decrease urban populations is an uncommon policy choice. Therefore, the evidence on such policies is sparse. However, the often realised positive outcomes of successful urbanisation calls into question whether such policies should be advocated for.

If they stay there will be trouble: the struggle for service delivery

A key driver behind Sydney's decision was population pressures. Its current 4.5 million residents are predicted to grow by 40% over the next 30 years. There is no doubt that this increased pressures on existing infrastructure and housing. For example, home values are estimated to be **50% overvalued**, relative to long-run median disposable household income.

Even so, when compared to some of the fastest growing African cities, such as Antananarivo, Madagascar or Ouagadougou, Burkina Faso, where the population **is expected to grow by 40% in 7 and 5 years respectively** it seems that Sydney has

... seems that by the time has some time on its hands – 6 times the amount! This time can be used to make the requisite investments in infrastructure and services to cater to its growing population.

Rapid urban population growth can present challenges if it is not well managed, in particular contagion, crime and congestion. The downsides of density require suitable investments in health provision, policing and transport, amongst other factors. That being said, the benefits of proximity usually outweigh the costs, including workers being better matched with jobs, resulting in higher wages as well as agglomeration effects enhancing the productivity of firms.

Furthermore, from a spatial perspective, having a number of inhabitants in a compact space can result in more effective public transport and lower carbon emissions from private vehicles. For many migrants, the strains they will face on infrastructure and services is offset by the potential opportunities city living provides when compared to relative rural poverty.

What's more, the productivity of cities can be a driver of growth for the whole country. For example, in Uganda, it is estimated that the Greater Kampala Metropolitan Area accounts for over 60% of gross domestic product (GDP) of the country. Therefore, preventing cities populations from growing is both unlikely to work and not in the interest of the country as a whole.

Instead, governments should focus on managing urban growth by ensuring land is effectively used, sufficient revenue is garnered from new residents, and that migrants can be adequately housed, amongst many other policy considerations.

If they go there will be double: the complication of emigration

Often, a decline in a city's population can actually bring with it much larger problems. In Sydney's case, residents deciding reside outside the city while retaining their places of work in the city, leads to longer commutes, higher emissions, increased energy consumption, and if no suitable public transportation alternative is offered, increased congestion.

Furthermore, urban to rural migration is likely to result in only limited new economic prosperity for rural areas: Due to poor skills matching and fewer opportunities, not much economic value is generated. Overall, sprawling cities, with inefficient use of land, poor connectivity, and unsustainable transport systems miss the potential positives of urban density.

Fortunately, in the case of low income cities, even in growth slowdowns, migrants do not return to rural areas in any systematic manner. If this were to occur, then the virtuous circle

between urbanisation and economic development would break down. This could lead to a deeper vicious circle of emigration: Residents leaving for good may lead to the municipal finance base collapsing and housing prices declining.

Furthermore, as the skills base erodes, firms may also decide to leave, resulting in a decline in jobs overall. This was the case in Detroit, which faced a stark outward migratory response first from firms and then people, depriving the city of its previous glory. This resulted in Detroit topping the Forbes' list of **America's Most Miserable Cities** in 2013. Therefore, incentivising citizens to return to rural life instead of living in well governed cities can indeed be worse for both the city and national growth at large.

So, you've got to let me know: managing growth trade offs

With two-thirds of Africa's urban population due to be living in cities by 2050 **having not moved in yet**, the question for urban policymakers is how to cater to the population already established in cities and prepare for the new residents to come. Governments will need to ensure that the cities can effectively capture the range of potential benefits that come with new residents.

Urbanisation and rising incomes have historically been so intrinsically linked that the pursuit of city expansion is one of the **clearest known paths from poverty to prosperity**. Therefore, rather than incentivising urban residents to move to rural areas, greater growth opportunities can be realised through effective urban planning that supports the productive integration of migrants into cities. City policymakers must ensure they stay and don't go.