



ASSESSING OECD'S REGIONS CONTRIBUTIONS TO NATIONAL COMPETITIVENESS AND WELL-BEING

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The core question

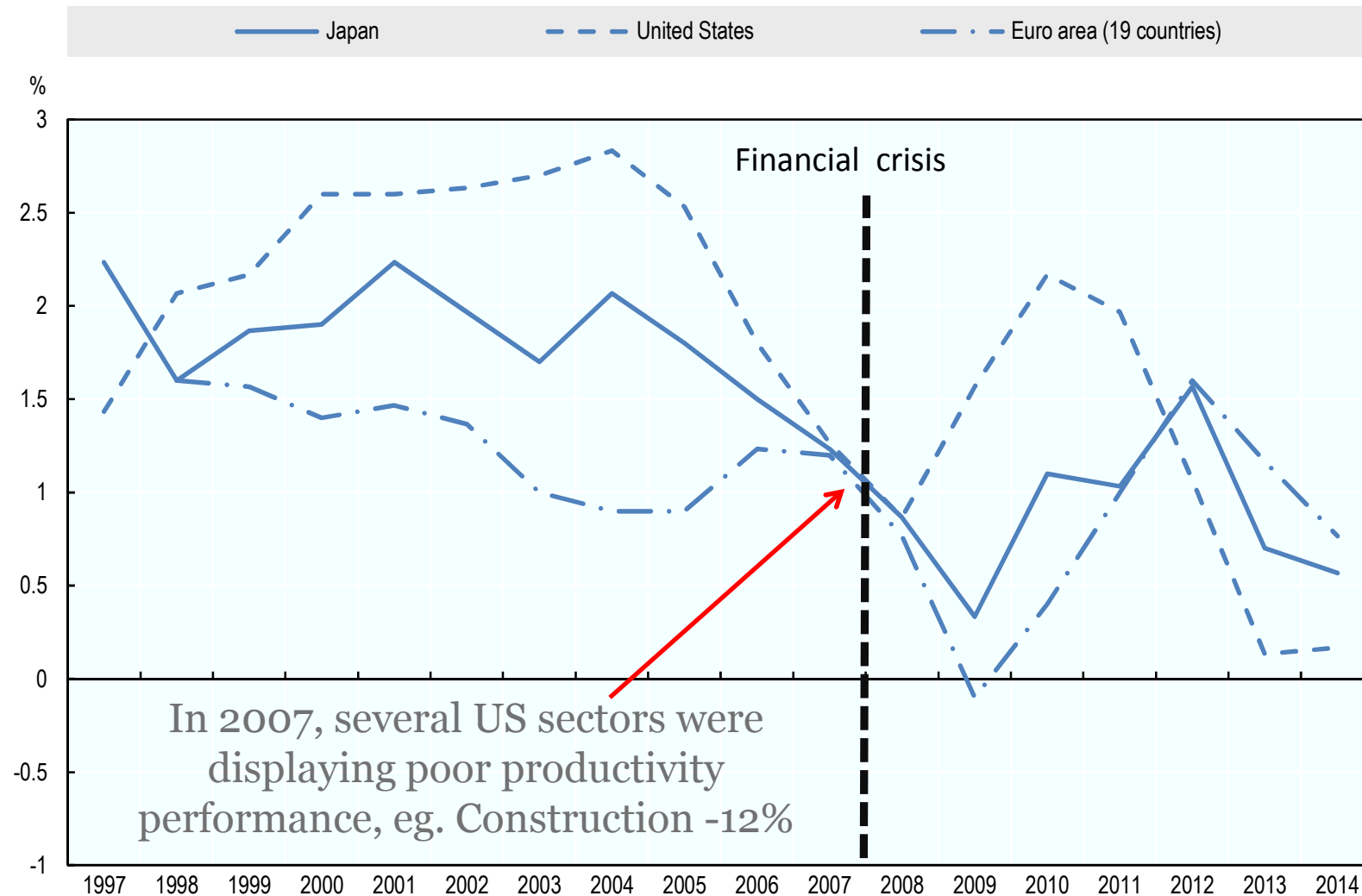
How can regional policy re-ignite catching-up among lesser developed OECD regions?

- Where has catching up been taking place, and where has it not?
- What have policies been doing to promote catching up?





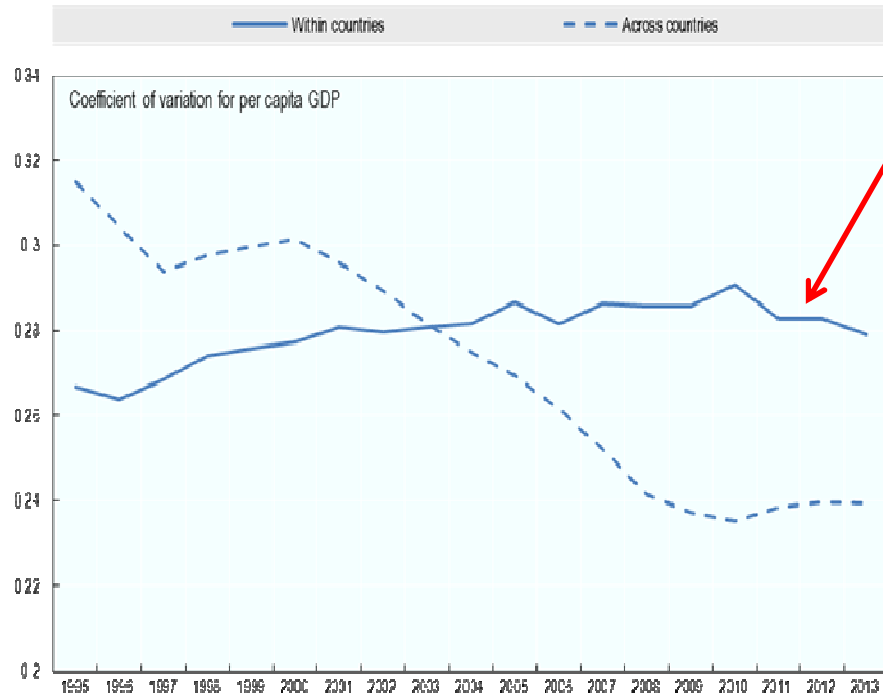
Recent aggregate trends of Labour productivity growth, 2001-2014



Source: OECD Productivity database; moving averages (t, t-1, t-2)

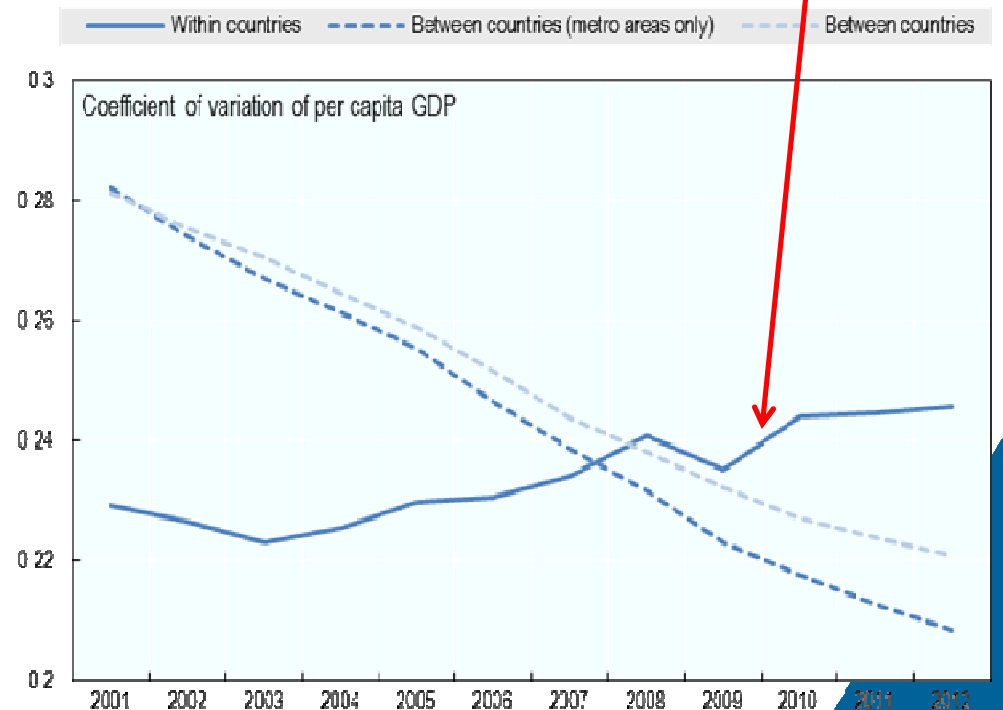


The “great divergence” across regions, metropolitan areas and people



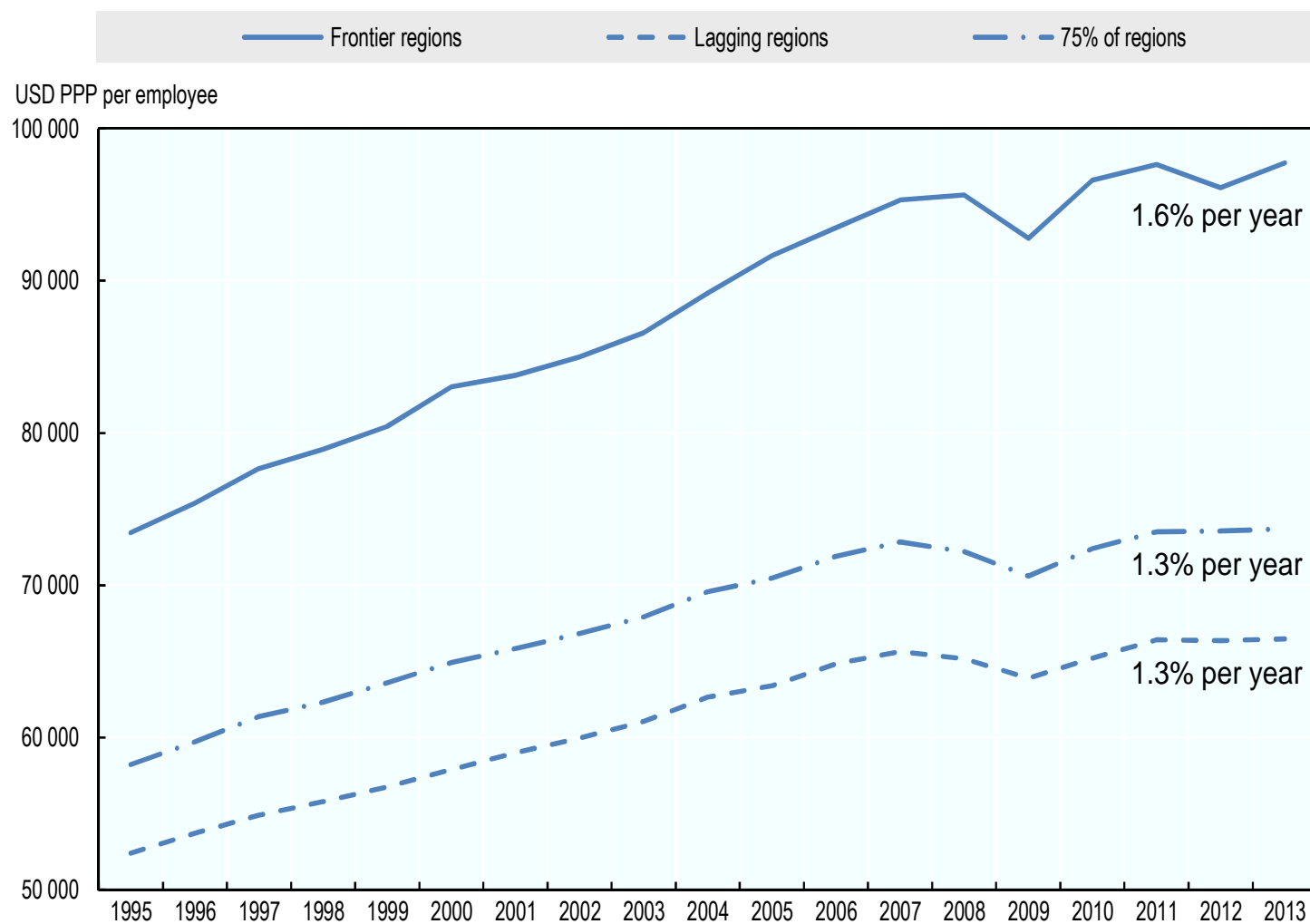
GDP per capita dispersion **across regions** within countries is now greater than across countries

GDP per capita dispersion across **metropolitan areas** within countries is greater than across countries





Productivity growth of frontier regions outpaces that of most regions

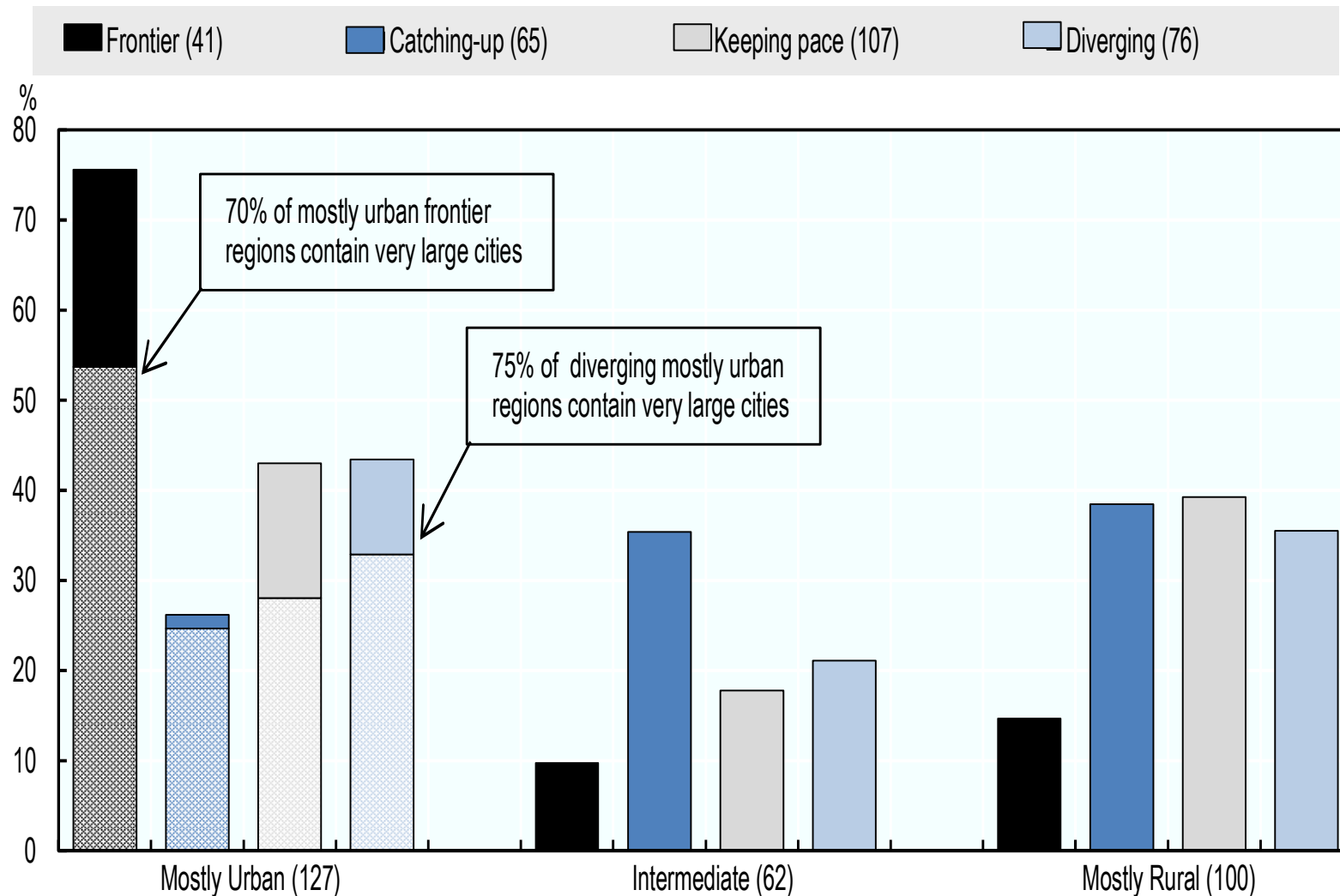


Averages
of top
10%
(frontier),
bottom
75%, and
bottom
10%
(lagging)
regional
GDP per
worker,
TL2
regions

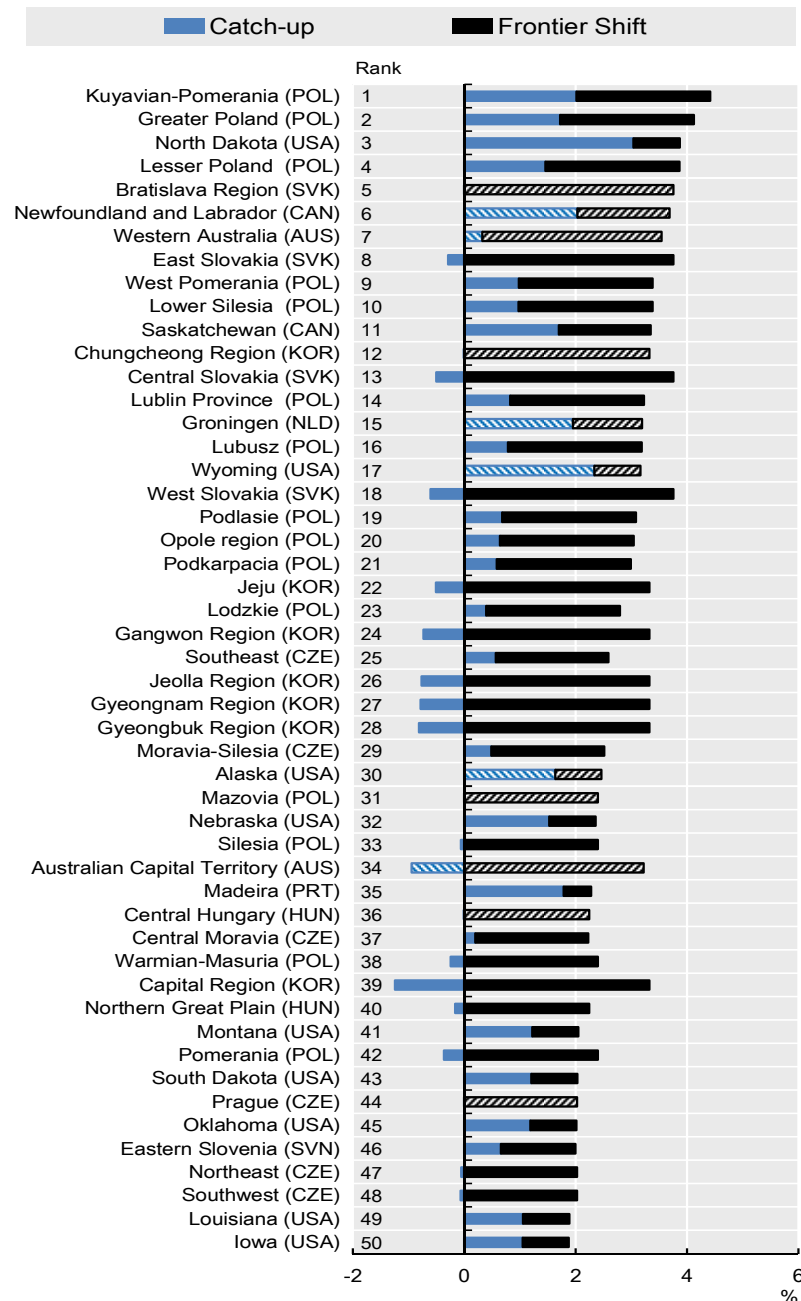
Notes: Average of top 10% and bottom 10% TL2 regions, selected for each year. Top and bottom regions are the aggregation of regions with the highest and lowest GDP per worker and representing 10% of national employment. 19 countries with data included.



Where are the frontier and the catching-up regions? TL2s, 2000-2013



Regions ranked by GDP per worker growth rate, 2000-2013



Decomposition of labour productivity growth on *frontier shift* and *catching-up* effect for the **top-50 productivity regions**



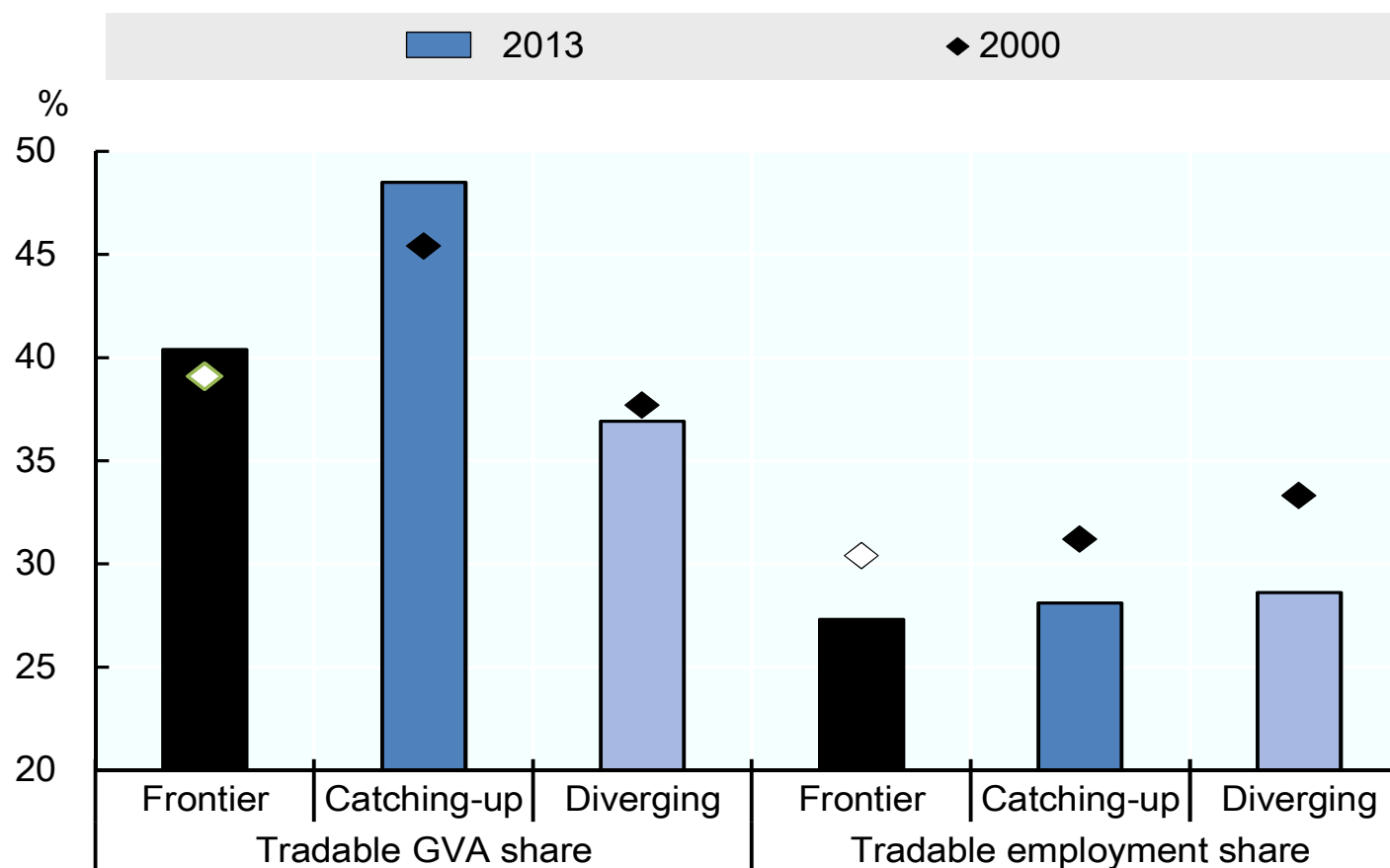
High labour productivity growth can happen in different types of regions and often results both from a dynamic frontier and catching-up

WHAT IS DRIVING CATCHING-UP?



The tradable sector appears to make the difference: due to “unconditional” convergence?

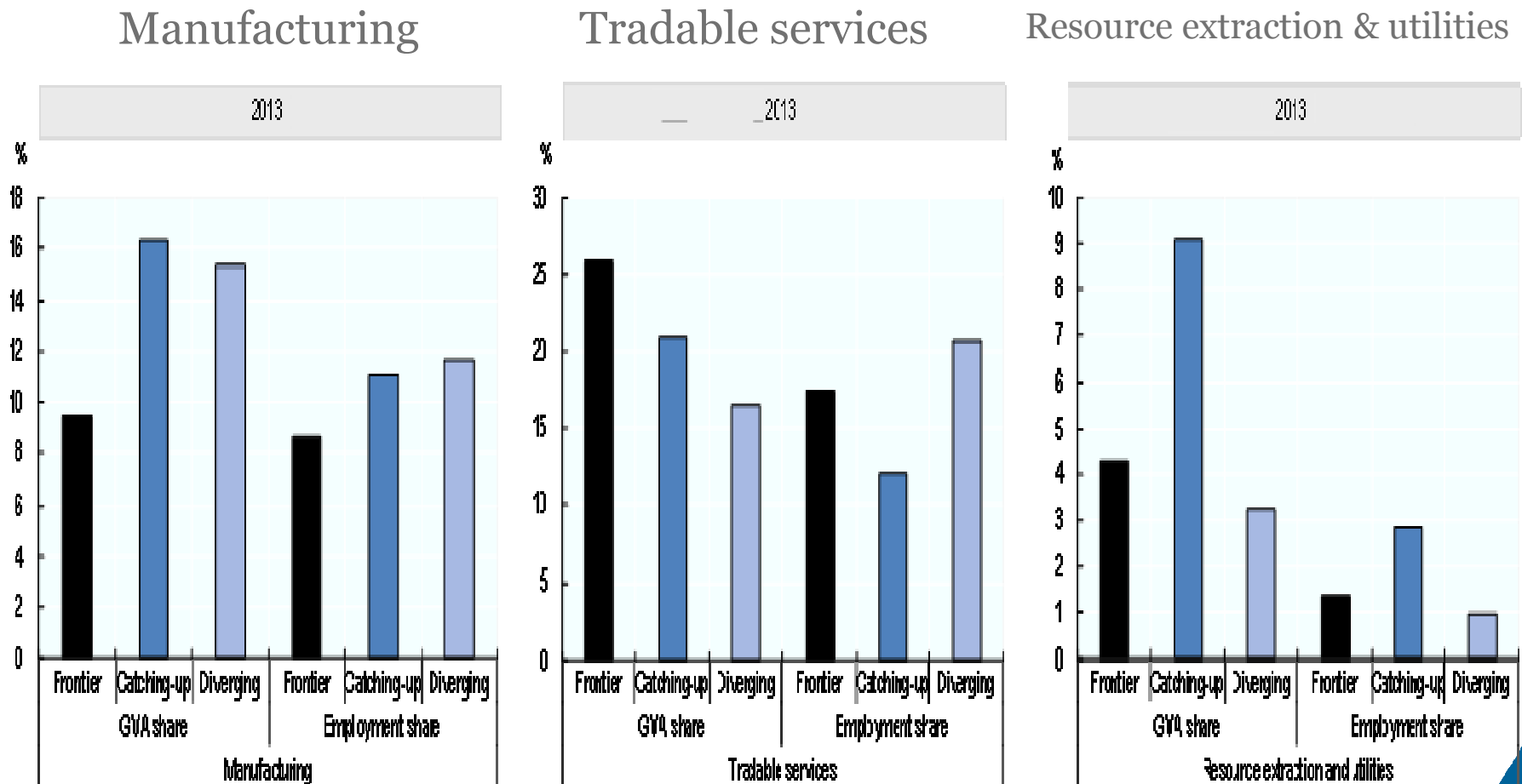
All tradable sectors, TL2 regions



Notes: Tradable sectors are defined by a selection of the 10 industries defined in the SNA 2008. They include: agriculture (A), industry (BCDE), information and communication (J), financial and insurance activities (K), and other services (R to U). Non tradable sectors are composed of construction, distributive trade, repairs, transport, accommodation, food services activities (GHI), real estate activities (L), business services (MN), and public administration (OPQ).



Different segments of the tradable sectors, TL3 regions, 2013

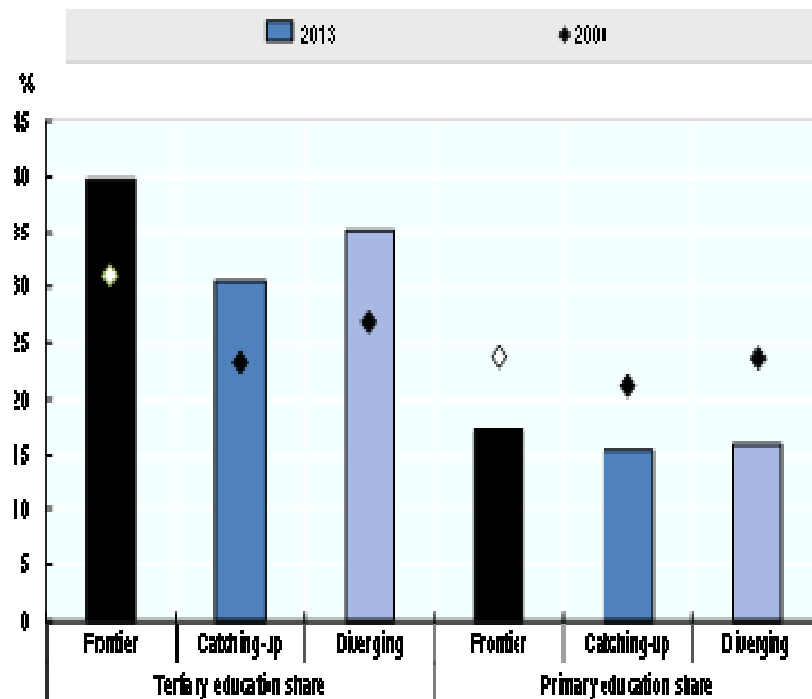


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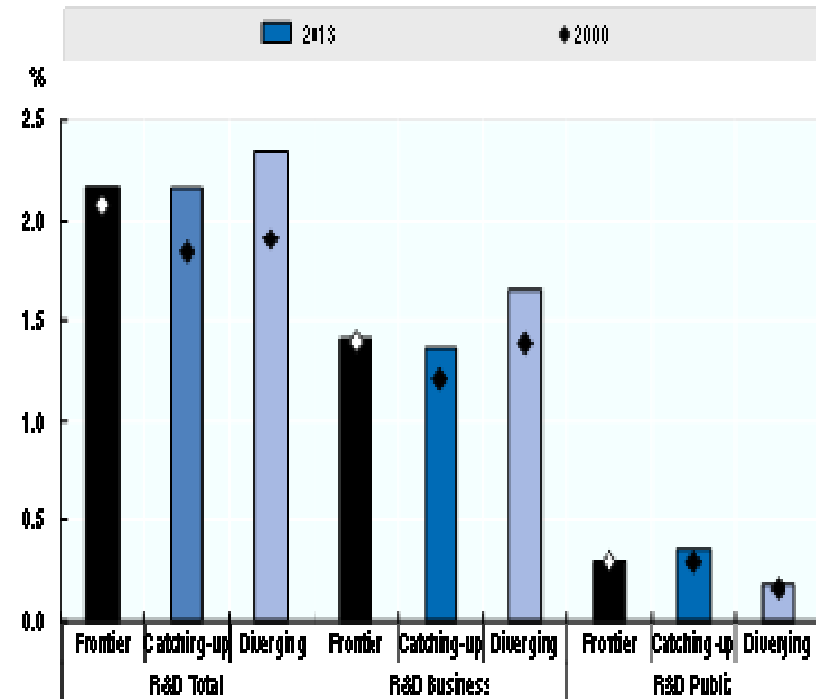


Other usual factors seem much less discriminant for regional catching-up

Educational attainment in the labour force



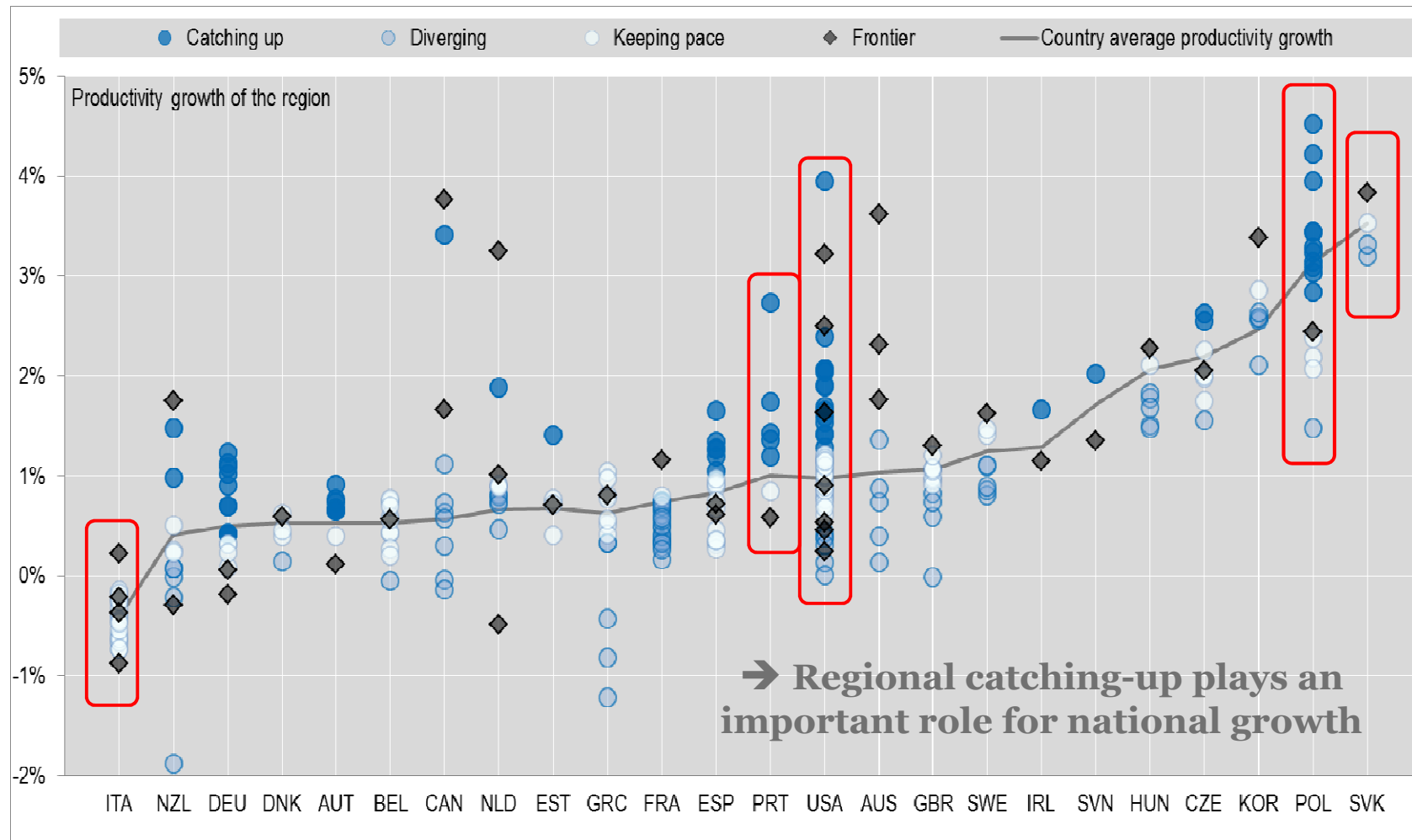
R&D expenses as a share of GDP by sector



Perhaps the complementarity between these factors and the exposure to tradable sectors is also important



How regional catching-up compounds into national labour productivity growth?



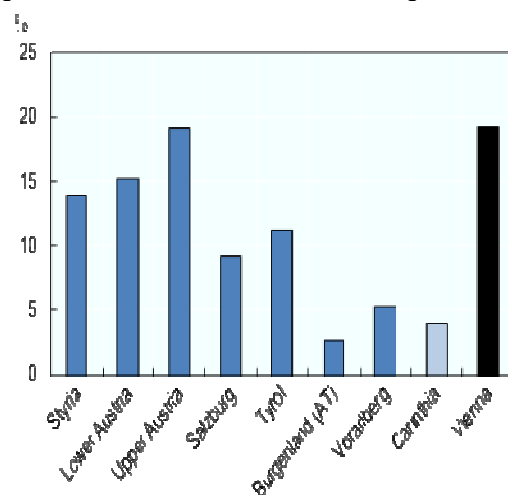
Annual average growth in real per worker GDP between 2000-2013 (or closest year available).



Region's contributions to national growth vs. labour productivity growth: Austria

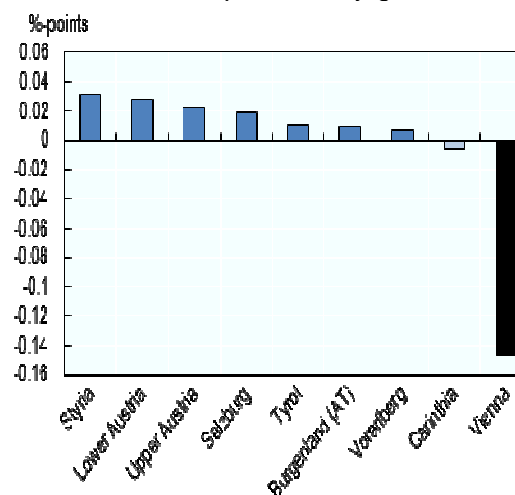
■ Frontier ■ Catching up ■ Keeping pace ■ Diverging

Percentage contribution to national GDP growth, 2000-13



Notes: Percentage contribution shows the share of total GDP growth that was due to growth in the indicated region. Total contribution sums to 100%.

Contribution to labour productivity growth, 2000-13



Notes: The contribution of a region is defined as the difference between the national annual average labour productivity growth rate and the same rate excluding the indicated region.

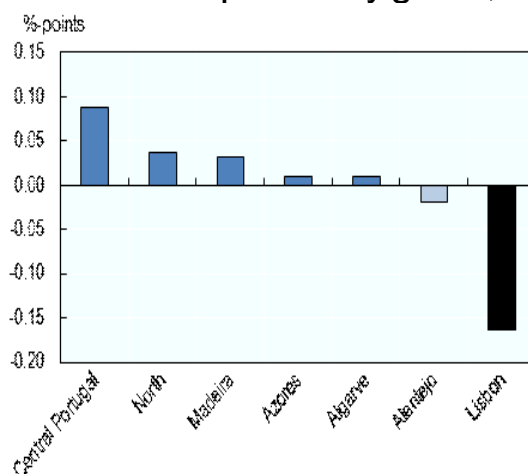




Region's contributions to national growth vs. labour productivity growth: Portugal

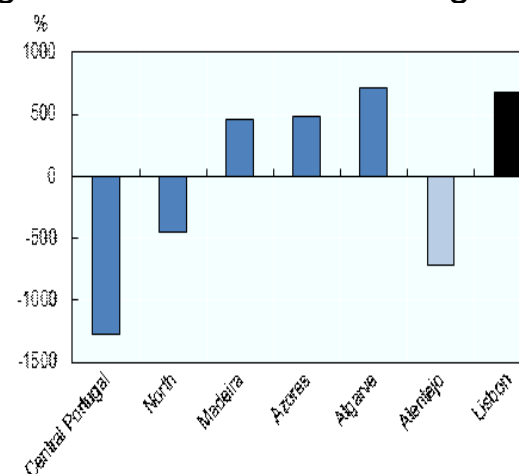
■ Frontier ■ Catching up ■ Keeping pace ■ Diverging

Contribution to labour productivity growth, 2000-13



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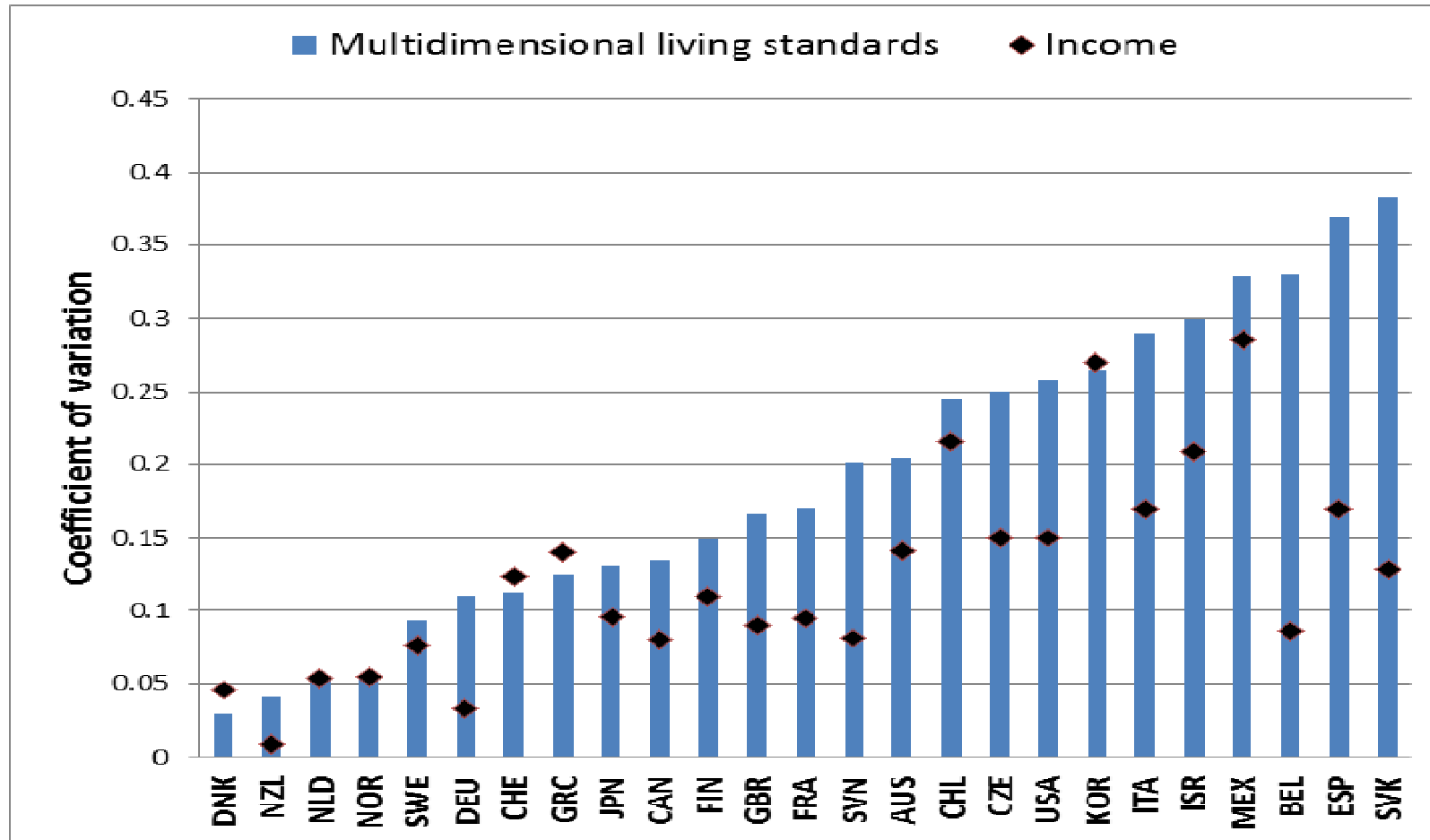
Percentage contribution to national GDP growth, 2000-13



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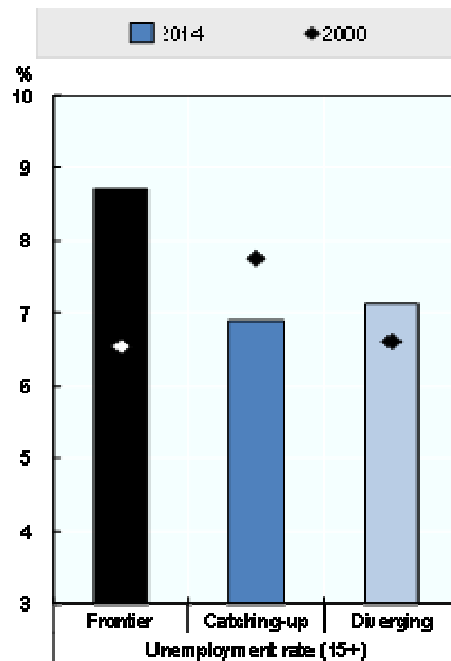
Regional disparities in multi-dimensional living standards higher than for income alone



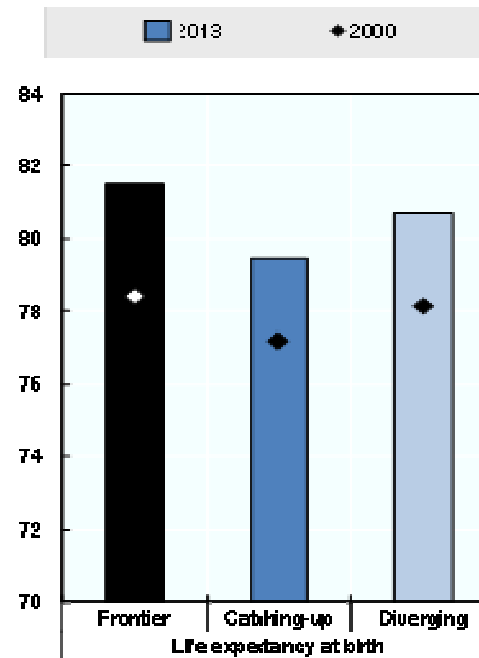


But catching-up does not seem to be incompatible with improvement in well-being dimensions

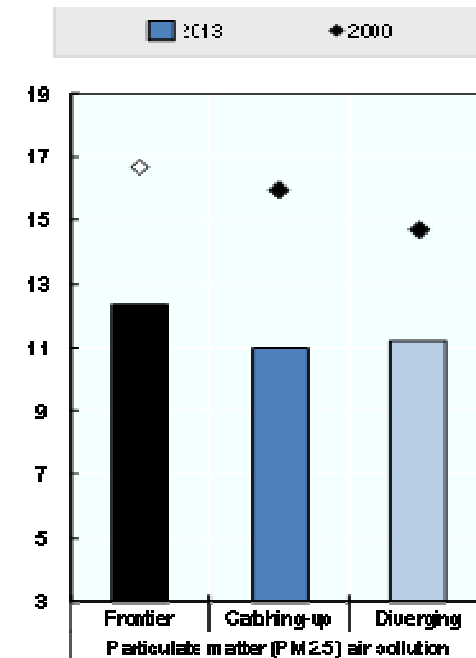
Unemployment rate



Life expectancy



Air pollution



MAIN POLICY LINES TO PROMOTE REGIONAL CATCHING-UP & WELL- BEING

Policy responses I

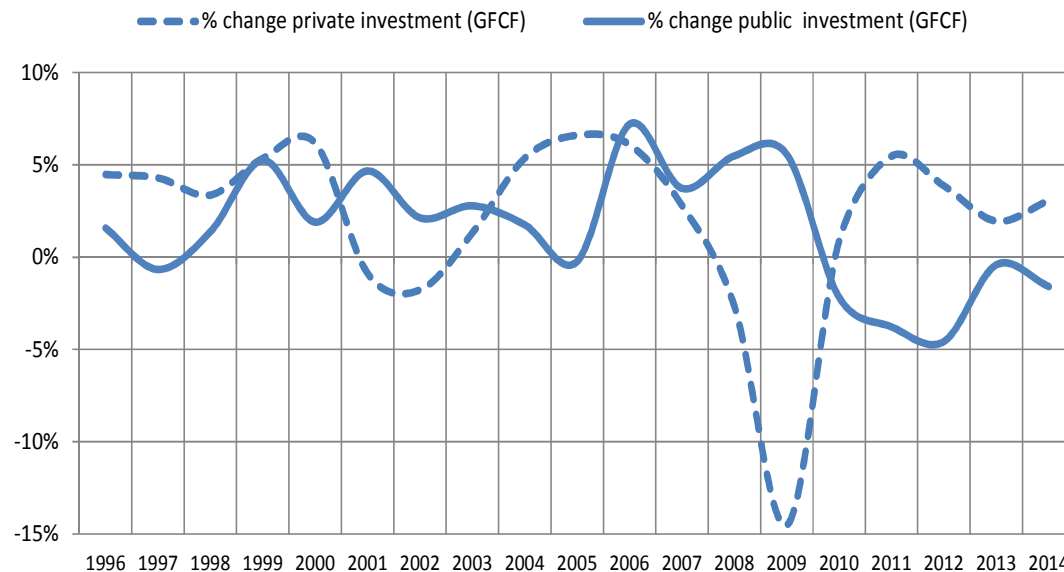
- Economy-wide structural reforms help regional catching-up, more so if complemented by regional development policies
 - Product Market Restrictions (PMR): state control
 - Product Market Restrictions (PMR): barriers to entrepreneurship
 - Product Market Restrictions (PMR): barriers to trade & investment
 - Employment Protection Legislation (EPL): regular contracts
 - Employment Protection Legislation (EPL): temporary contracts
 - Active Labour Market Policies (ALMP): public expenditure in ALMP, in % GDP
 - Complementarity among these macro-structural policies
- Other macro factors (openness, inflation, budget deficit, debt)



Policy responses II

- Well-designed and well-implemented public investments may support regional catching-up: use of OECD Public Investment Toolkit

Figure 1. Trends of weakened public and private investment may undermine productivity goals



Notes: OECD total excludes the following countries due to lack of data over the period: Chile, Mexico and Turkey.

Source: Calculations based on OECD National Accounts.





Policy responses III

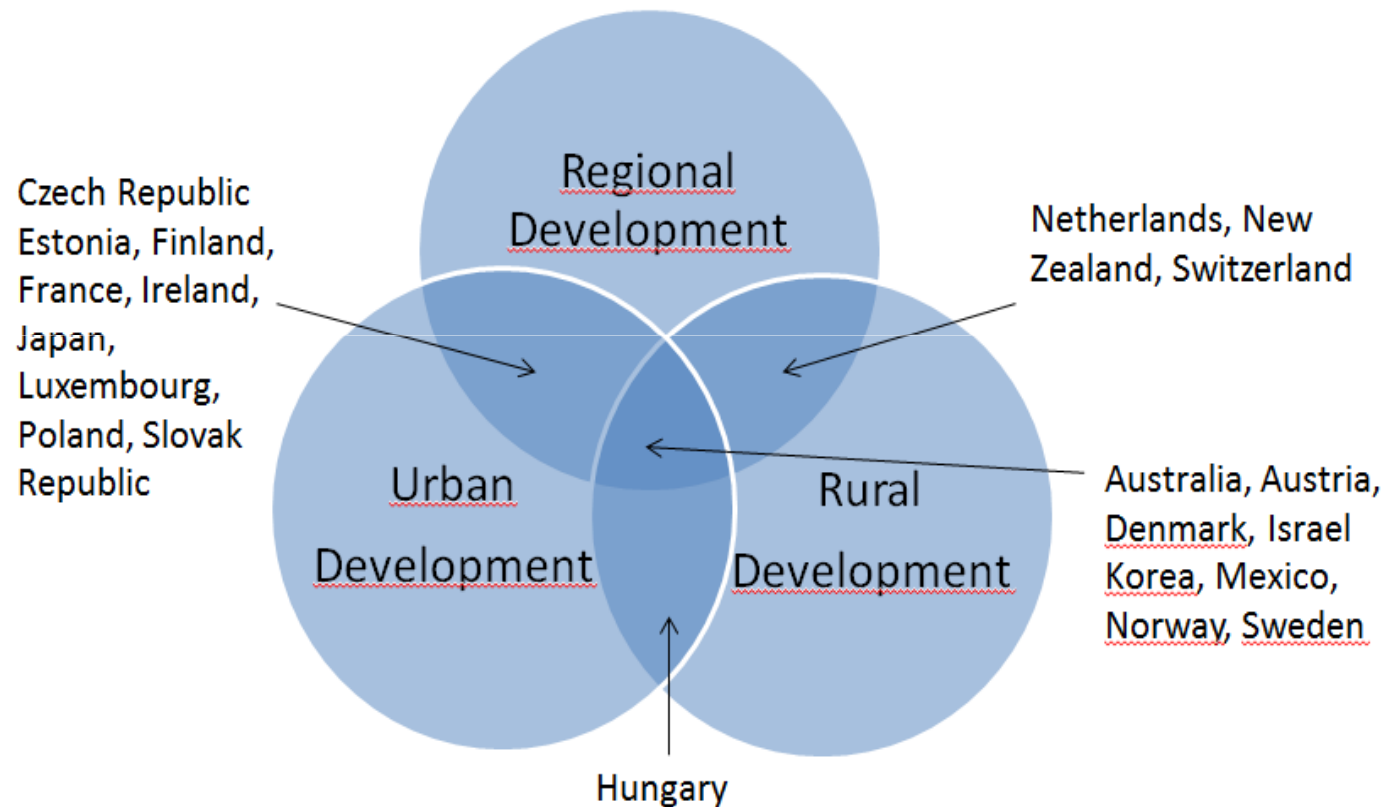
- Multi-level governance and territorial reforms can unlock productivity potential and support inclusion
 - *Regional development policy most focused on growth and productivity*
 - *Address urban policy split between transport, spatial planning, housing and social inclusion*
 - *Rural policies often remain sectoral (e.g. agriculture), but efforts to broaden the scope*





Governance of regional/urban/rural policy

Reported lead ministries or entities across three policy fields



A different lead ministry or other entity reported for each of the three areas of policy, or competencies not at the national level: Belgium, Canada, Chile, Germany, Greece, Iceland, Italy, Portugal, Slovenia, Spain, Turkey, United Kingdom, United States





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THANK YOU!