Executive summary

Regions are at the forefront of governments' efforts to boost growth, improve well-being and tackle inequalities, but the economic crisis has increased the gap in GDP per capita between leading and lagging regions in half of the OECD countries. The largest increase in the gap between the best 10% performing regions and the bottom 10% of regions, more than 8 percentage points, occurred in Denmark, Ireland and Slovak Republic. Where regional disparities were reduced, this was due to the decline of the richest regions rather than a catching up of the poorest regions, except for China and India. In three-quarters of the countries studied, the GDP per capita in the best 10% performing regions decreased between 2008 and 2010, with the highest decrease (12%) observed in Canada and Estonia.

Regional, local and other subnational governments (SNG) accounted for 40% of public spending in the OECD area in 2012, although figures for different countries vary widely depending on the degree of federalism, regional decentralisation and financial autonomy. SNG are responsible for 72% of direct public investment in the OECD area, and often more in federal countries (Belgium, Canada, Germany, Switzerland and United States) where the total combines investments by the federated states and from local government.

Cities of all sizes, in particular large cities, are key contributors to national performance. The 275 metropolitan areas in OECD countries contributed to more than half of the GDP of the OECD area in the period 2000-10. However, the economic crisis has had a large impact on the labour market also in metropolitan areas. As a result, the unemployment rate in 45% of the OECD metropolitan areas was higher than the national average in 2012.

While metropolitan areas are important units for public policy, their economic and social boundaries do not generally match administrative borders. In most cases, a very large number of local and regional governments have a hand in policy making in the same city, calling for a good alignment of objectives across the different institutions.

Although economic growth and other measures of success vary widely among regions, and even within a single country, OECD research shows that underperforming regions can become competitive given the right mix of policies and if efforts are co-ordinated across all levels of government.

Key findings

Regions contribute to growth and well-being

- On average, 39% of overall employment growth and 42% of GDP growth in OECD countries in the last decade were accounted for by just 10% of regions.
- Due to the economic crisis, most regions have experienced a decline in GDP per capita since 2008. On average, rural regions have experienced a lower decrease than urban regions, although the former seem to have more difficulty in creating jobs during an economic downturn.

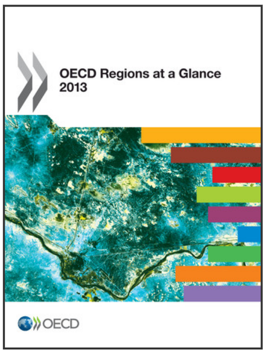
- OECD regions characterised by high employment rates also show a higher share of part-time employment, and rates of part-time work have grown over the past few years. Who works part time is influenced not only by regional demographics, but also by regulations and by access to certain family services such as child-care facilities.
- In around 26% of OECD regions, less than 50% of women were employed in 2011. Regional disadvantages in female employment are the highest in Israel, Italy, the Slovak Republic, Spain, Turkey and the United States.
- Youth unemployment is of particular concern in Greece, Italy, Mexico, Poland, Portugal, the Slovak Republic and Spain where some regions display a youth unemployment rate over 40%. Addressing the specific labour market conditions of these regions and responding with policies tailored to the local situation could greatly help national recovery.
- While life expectancy has increased and infant mortality has decreased in all OECD countries over the past 30 years, significant differences for both are still found among regions in Spain, Australia, Mexico, United States and Portugal, while Canada and the Slovak Republic still show differences in infant mortality rates across regions.
- Between 2005 and 2008, CO_2 emissions per capita dropped in most OECD countries, particularly in Canada and, for non-OECD countries, in Brazil.

A need to work together and to do more with less

- Spending by OECD subnational governments accounted for 17% of GDP, 40% of all public expenditure and 72% of direct public investment in 2012.
- Tax revenues provide, on average, 45% of subnational government revenues in the OECD area, while transfers from central and supranational governments provide about 38% of revenues.
- At end-2012, the general government gross debt in the OECD area (30 countries) was 113% of GDP, while subnational government debt was 22% of GDP.
- Between 2007 and 2012, subnational government direct investment per capita contracted sharply in the OECD area (about -7%), reflecting cuts made to reduce budget deficits and to preserve expenditure on welfare, health or education. During the same period, subnational gross debt per capita grew by 14%, corresponding to an increase of around 1 000 USD per capita.
- When it comes to budgeting and expenditure decisions, all levels of government must work together, co-ordinating objectives and policy responses across national, regional and local governments.

Metropolitan areas as engines for growth, sustainable development and social inclusion

- Seventy per cent of the OECD population live in cities of different sizes, and the metropolitan areas alone account for 50% of OECD population.
- In 16 OECD countries, 65% of all patents were granted in metropolitan areas in 2008.
- The crisis has had an impact on metropolitan areas: the unemployment rate in the metropolitan areas rose more in the last four years than in the previous decade in 26 out of the 28 OECD countries considered.
- Urban sprawl is increasing faster than population growth in many metropolitan areas.
- Metropolitan areas are large consumers of energy and producers of CO_2. However, in half of the OECD countries, CO_2 emissions per capita in the metropolitan areas are lower than in less densely populated regions.



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