

5. LABOUR PRODUCTIVITY GROWTH IN REGIONS

Labour productivity growth is considered a key indicator to assess regional competitiveness and an essential driver of change in living standards. Regional living conditions are raised by continued gains in labour productivity, along with an increase in labour utilisation. In fact, only economies that manage to simultaneously sustain employment and productivity growth will increase their competitive edge and maintain it in the long run.

Growth in regional GDP per capita is broken down into the contribution of labour productivity growth (here measured as gross domestic product [GDP] per worker) and changes in labour utilisation (measured as the ratio between employment at place of work and population).

Among the 20 OECD regions with the highest GDP per capita growth rate during 1995-2007, labour productivity growth is a major determinant compared to changes in labour utilisation (Figure 5.1). In 17 of the 20 regions, labour productivity growth accounted for 70% or more of the rise in GDP per capita. In Prague (Czech Republic), Bratislava (Slovak Republic) and Magallanes (Chile), rates of labour utilisation declined (Figure 5.1).

The 20 regions with declining or the smallest GDP per capita growth rate during 1995-2007 were in four countries: the United States, Italy, Japan and Germany (Figure 5.2). Decline in the labour utilisation and an increase in productivity characterize Hokkaido (Japan), Berlin (Germany) and the seven US states. On the other hand, Schleswig-Holstein (Germany) and the ten Italian regions have seen a decrease in their productivity while labour utilisation increased (Figure 5.2).

Differences in labour productivity growth among regions are invariably the result of multiple national and local factors, including labour market policies and institutions as well as innovation and the adoption of new technologies. As such, differences in labour productivity growth among OECD regions are larger than among OECD countries (Figures 5.3 and 5.4).

Source

OECD Regional Database: <http://dotstat/wbos/>.

See Annex B for data, source and country-related metadata.

Definition

GDP is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA). To make comparisons over time and across countries, it is expressed at constant prices (year 2000), using the OECD deflator and then it is converted into USD purchasing power parities (PPPs) to express each country's GDP in a common currency.

Regional labour productivity is here measured as the ratio of constant GDP in 2000 prices, to total employment where the latter is measured at place of work.

Labour utilisation is here measured as the ratio between the total employment at place of work and regional population.

In the decomposition of change in regional GDP per capita, changes in labour utilisation may partially depend on labour mobility if there is commuting on a substantial scale in the region.

Reference years and territorial level

1995-2007; TL2.

Mexico and Turkey are not included for lack of regional data on comparable years.

Regional GDP is not available for Iceland, Israel and Switzerland.

Further information

OECD compendium of productivity indicators
www.oecd.org/statistics/productivity.

Figure notes

5.1: First available year for Canada, Chile, Ireland: 1996; United States: 2000.

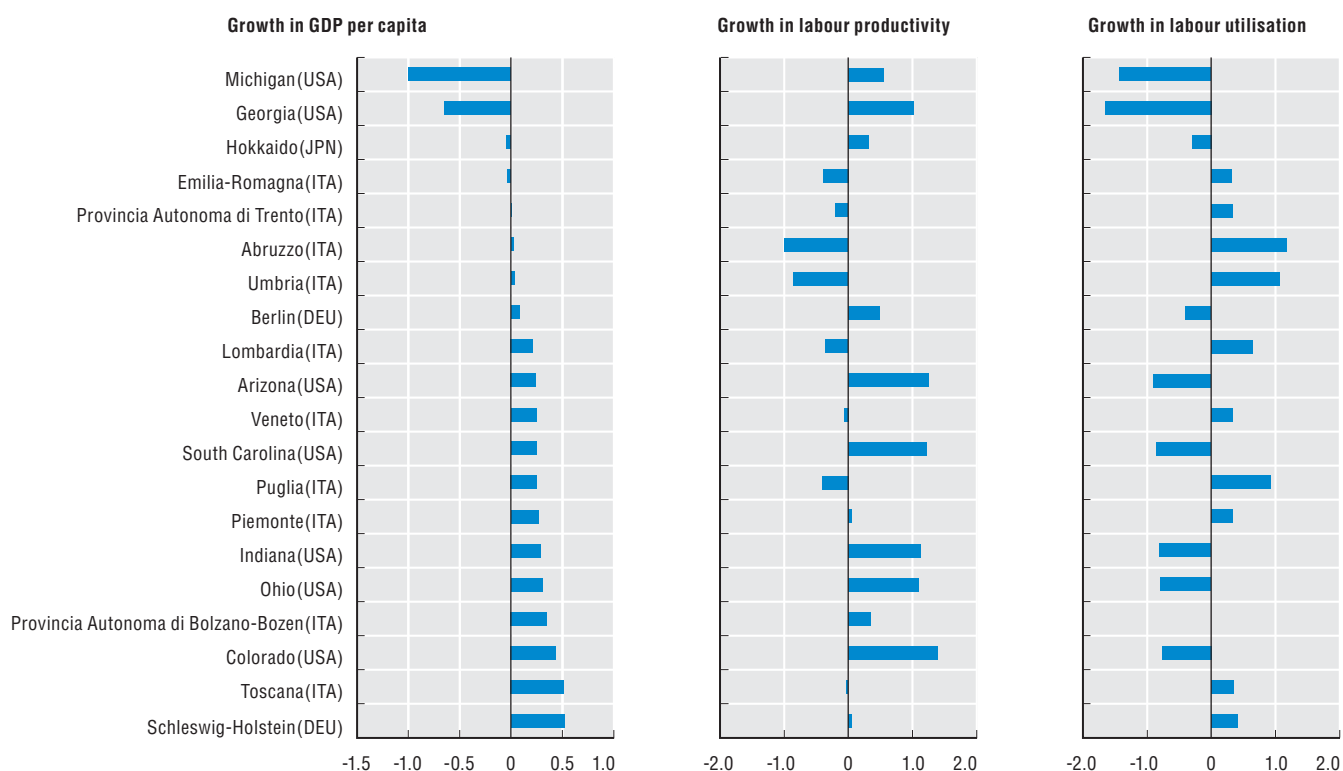
5.2: First available year for Germany: 1996; United States: 2000.

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5.1. Contribution of labour productivity and labour utilisation to GDP per capita: Top 20 TL2 regions, ranked by GDP per capita growth rate, 1995-2007



5.2. Contribution of labour productivity and labour utilisation to GDP per capita: Bottom 20 TL2 regions, ranked by GDP per capita growth rate, 1995-2007

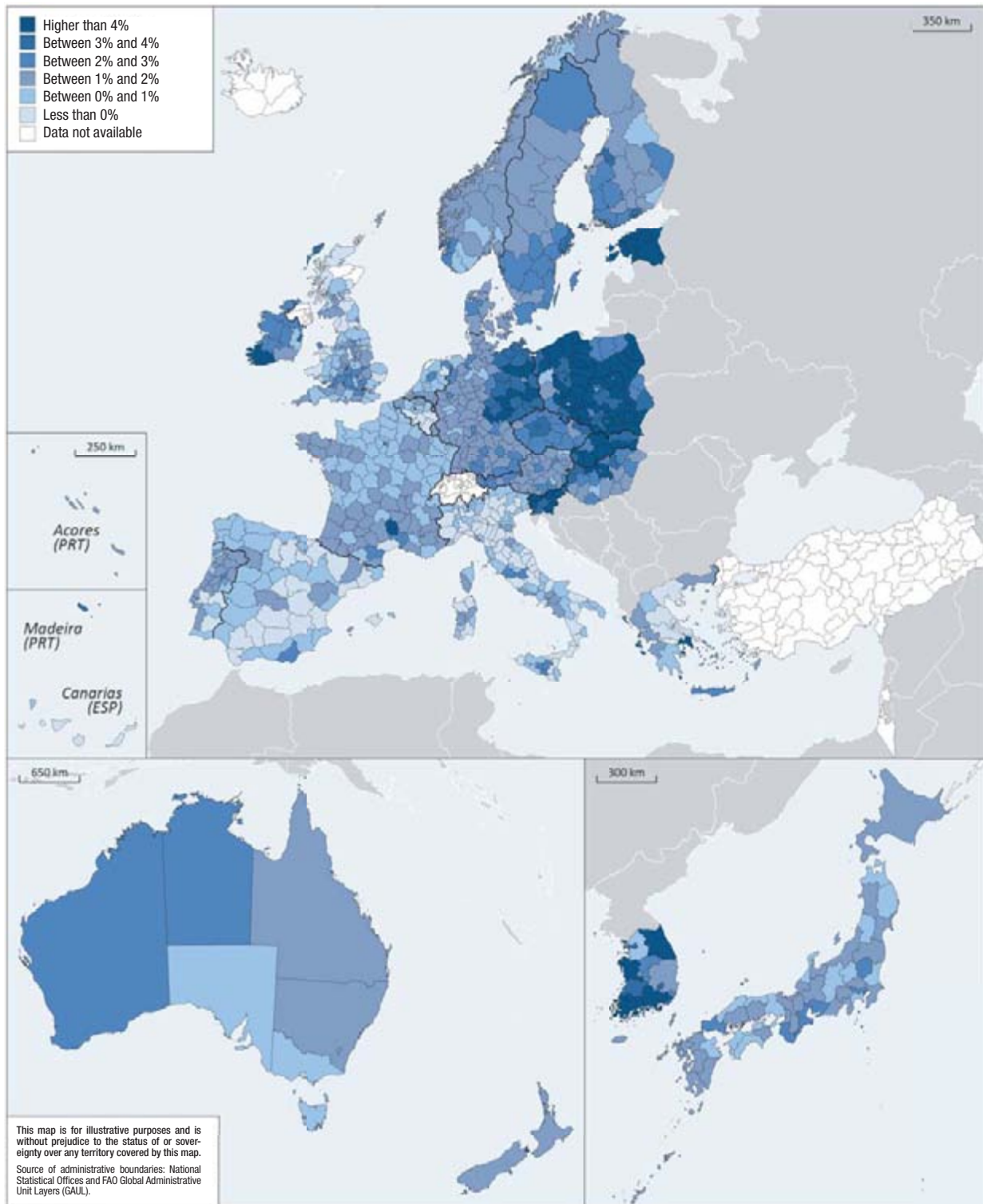


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5. LABOUR PRODUCTIVITY GROWTH IN REGIONS

5.3. Annual growth of regional productivity: Asia, Europe and Oceania, 1995-2007

Growth in regional GDP per worker in constant 2000 USD (PPP), TL3 regions

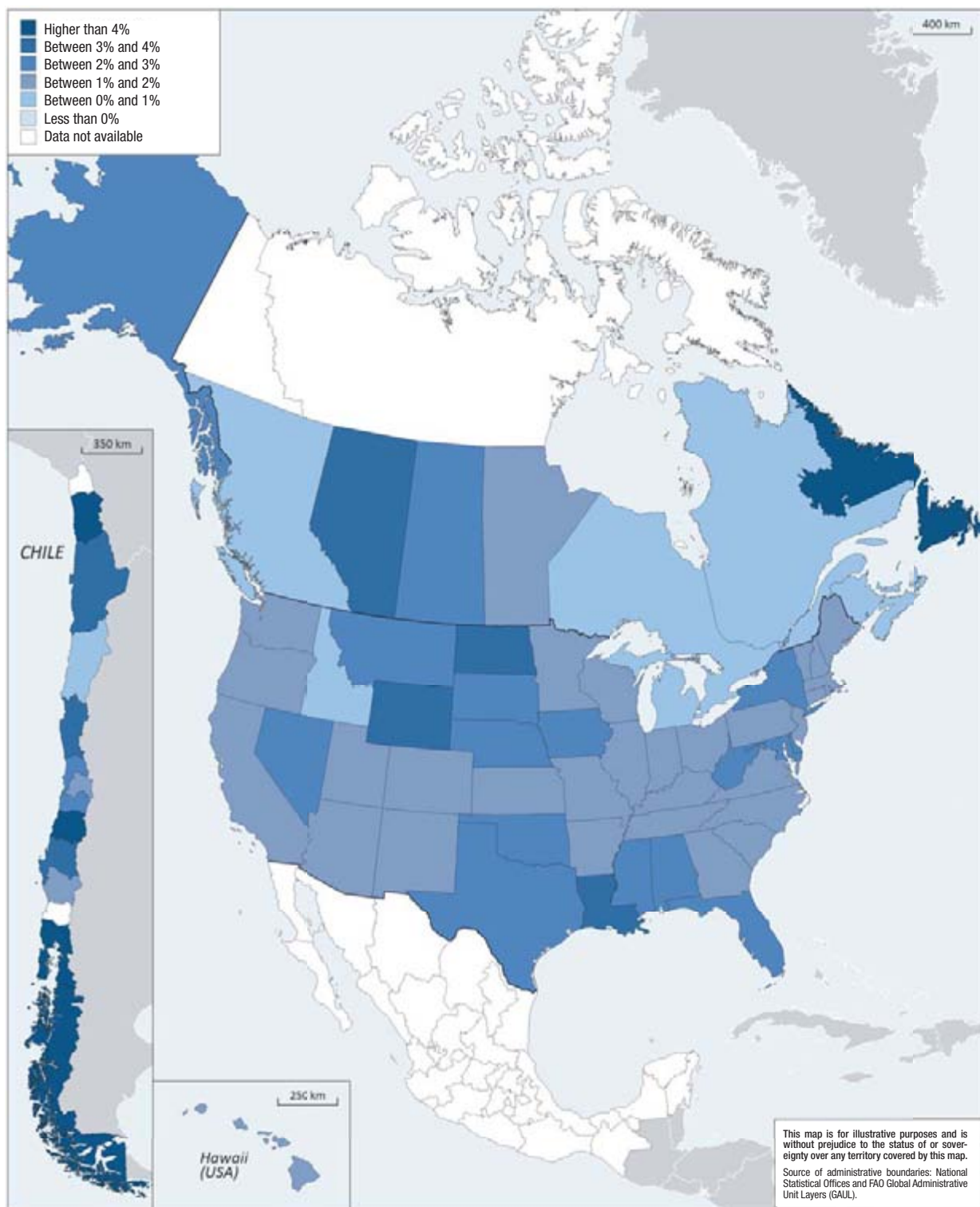


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5.4. Annual growth of regional productivity: Americas, 1995-2007

Growth in regional GDP per worker in constant 2000 USD (PPP), TL2 regions



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