

18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES

Unemployment rates vary significantly within countries. In 2006, regional differences in unemployment rates within OECD countries were almost two times higher (19 percentage points) than differences among countries (11 percentage points).

In one-third of OECD countries the difference between the regions with highest and lowest unemployment rate was higher than 10 percentage points. Canada, Germany, the Slovak Republic and Spain had regions with unemployment rates as low as 5% and others with unemployment rate above 20% (Figure 18.2).

The Gini index offers a picture of regional disparities. It looks not only at the regions with the highest and the lowest rate of unemployment but at the difference among all regions in a country. The index varies between zero and one; the higher its value, the larger the regional disparities. According to this index, in 2006, Iceland (data 2002), Italy and Belgium were the countries with the largest regional disparities in unemployment rate. In Sweden, Ireland, New Zealand and Greece unemployment rates reflected a more even regional pattern (Figure 18.3).

Unemployment rates have generally decreased from 1999 to 2006. During the same period, the reduction in the national unemployment rate experienced in Spain and Italy was accompanied by a reduction in regional disparity according to the Gini index. The decrease in the unemployment rate in Greece and New Zealand had no effect on regional disparity, in the Slovak Republic and Korea this resulted in an increase in regional disparities (comparison between Figures 18.1 and 18.3).

In 2006, more than half of the total labour force in OECD countries lived in regions with unemployment rates higher than the median value. Iceland, Switzerland, Korea, the United States, Portugal and Japan had the highest share (60% and more) of workforce living in regions with an unemployment rate above the national median unemployment rate.

There are also significant differences in youth unemployment rates (referring to the unemployed between 15 and 24 years of age) among regions within a country. In 2006, France, Spain and Italy were the countries with the highest regional inequality, according to the Gini index of youth unemployment.

In almost half of the countries considered the regional variation in youth unemployment rate was higher than 15 percentage points in 2006 (Figure 18.4).

Definition

Unemployed persons are defined as those who are without work, that are available for work and that have taken active steps to find work in the last four weeks preceding the labour force survey. The unemployment rate is defined as the ratio between unemployed persons and labour force, where the latter is composed by unemployed and employed persons.

The youth unemployment rate is defined as the ratio between the unemployed persons aged between 15 and 24 and the labour force in the same age class.

The Gini index is a measure of inequality among all regions of a given country (see Annex C for the formula). The index takes on values between 0 and 1, with zero interpreted as no disparity. It assigns equal weight to each region regardless of its size; therefore differences in the values of the index among countries may be partially due to differences in the average size of regions in each country.

Source

OECD Regional Database, <http://dotstat/wbos/>, theme: Regional Statistics.

OECD Annual Labour Force Statistics Database, <http://dotstat/wbos/>, National unemployment rates.

See Annex B for data sources and country related metadata.

Reference years and territorial level

1999-2006; TL3

Mexico and Turkey TL2 regions.

Regions in Australia and Canada are grouped differently than TL3 regions, labelled non official grids – NOG (see Territorial grids).

Data for long-term unemployment and youth unemployment are available only for TL2 regions.

Further information

ILO Guidelines, <http://ilo.org>.

Eurostat definition of unemployment (Commission Regulation No. 1897/00), <http://europa.eu.int/comm/eurostat/>.

OECD Employment Outlook (2006), “Boosting Jobs and Incomes”.

Figure notes

Figure 18.1: Source: OECD Annual Labour Force Statistics Database.

Figures 18.2 to 18.3: Available data: Iceland 1999-2002; Turkey 2004-06.

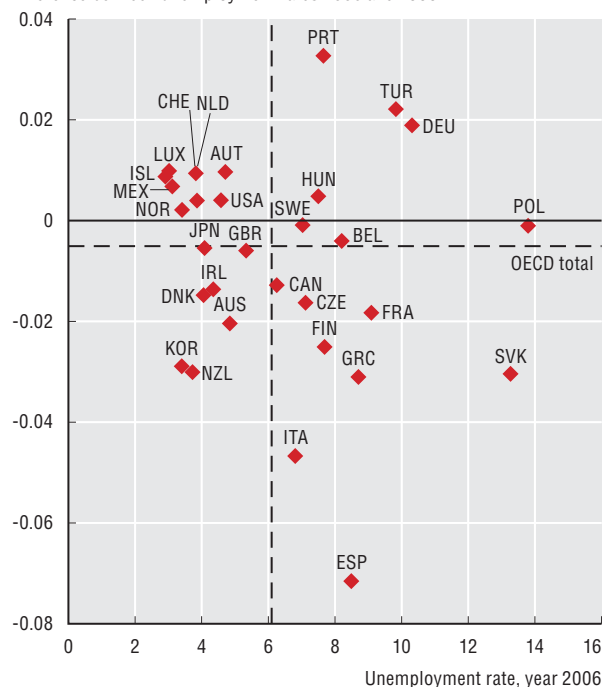
Figure 18.4: Data available only at TL2. No regional data available for Denmark, Iceland, Korea, Mexico, New Zealand, Switzerland and the United States.

18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES

18.1 National unemployment rate in 2006 and difference between 2006 and 1999

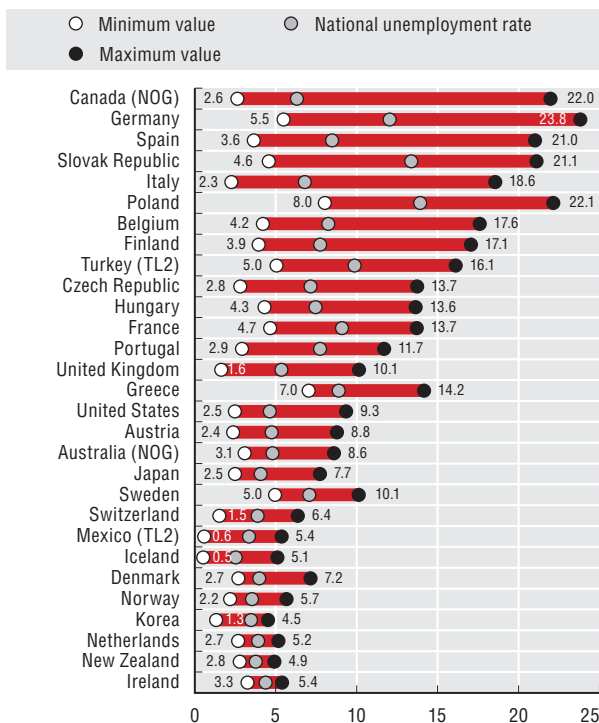
Differences in unemployment rates among OECD countries were as high as 11 percentage points in 2006.

Difference between unemployment rates 2006 and 1999



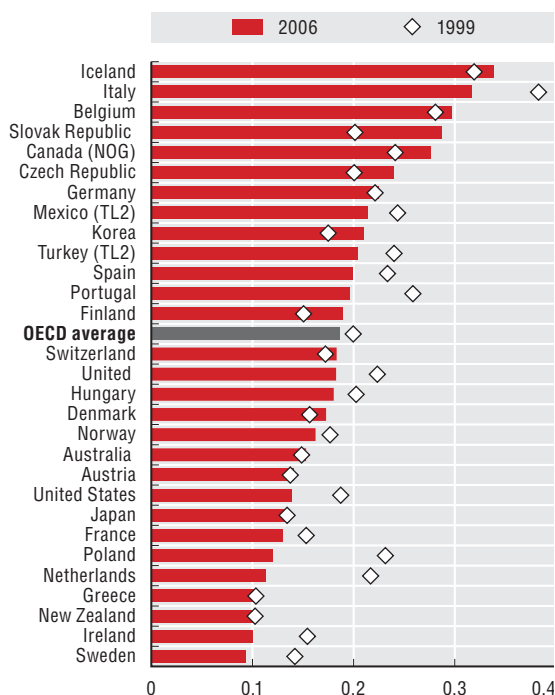
18.2 Range in TL3 regional unemployment rates, 2006

Regional differences in unemployment rates were largest in Canada and smallest in Ireland.



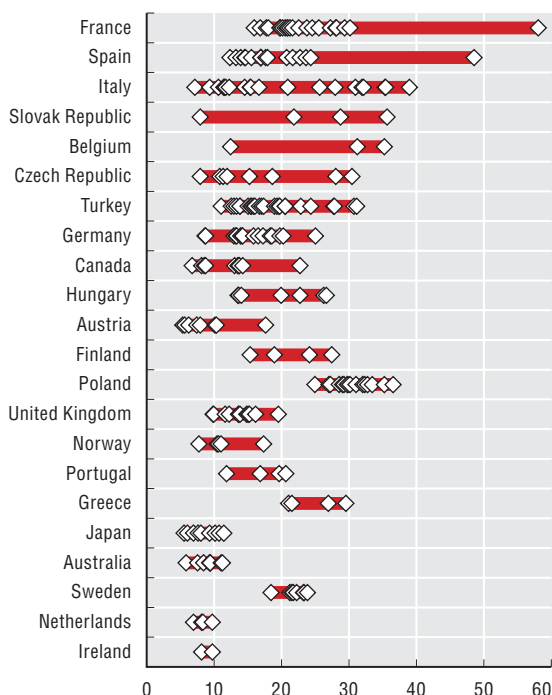
18.3 Gini index of TL3 regional unemployment rates

In 2006, Iceland, Italy and Belgium had the largest regional disparities in unemployment rates.



18.4 Regional variation in the youth unemployment rate, 2006 (TL2)

In 2006, France, Spain and Italy displayed the largest regional variation in youth unemployment.



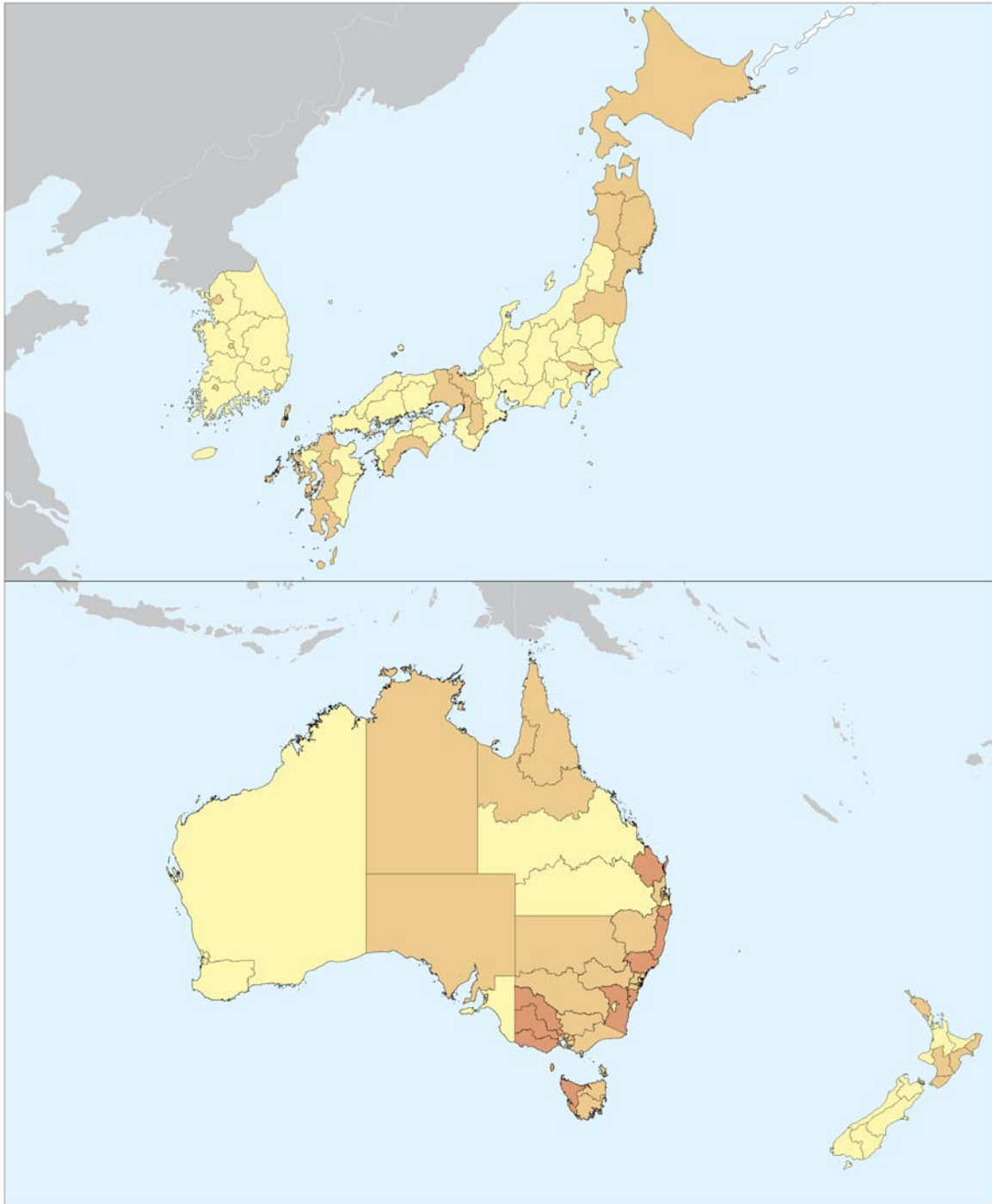
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18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES


18.5 Regional unemployment rates: Asia and Oceania

TL3 regions, 2006

- Higher than 19%
- Between 14% and 19%
- Between 9% and 14%
- Between 6% and 9%
- Between 4% and 6%
- Lower than 4%
- Data not available



Australia Non Official Grids (NOG).

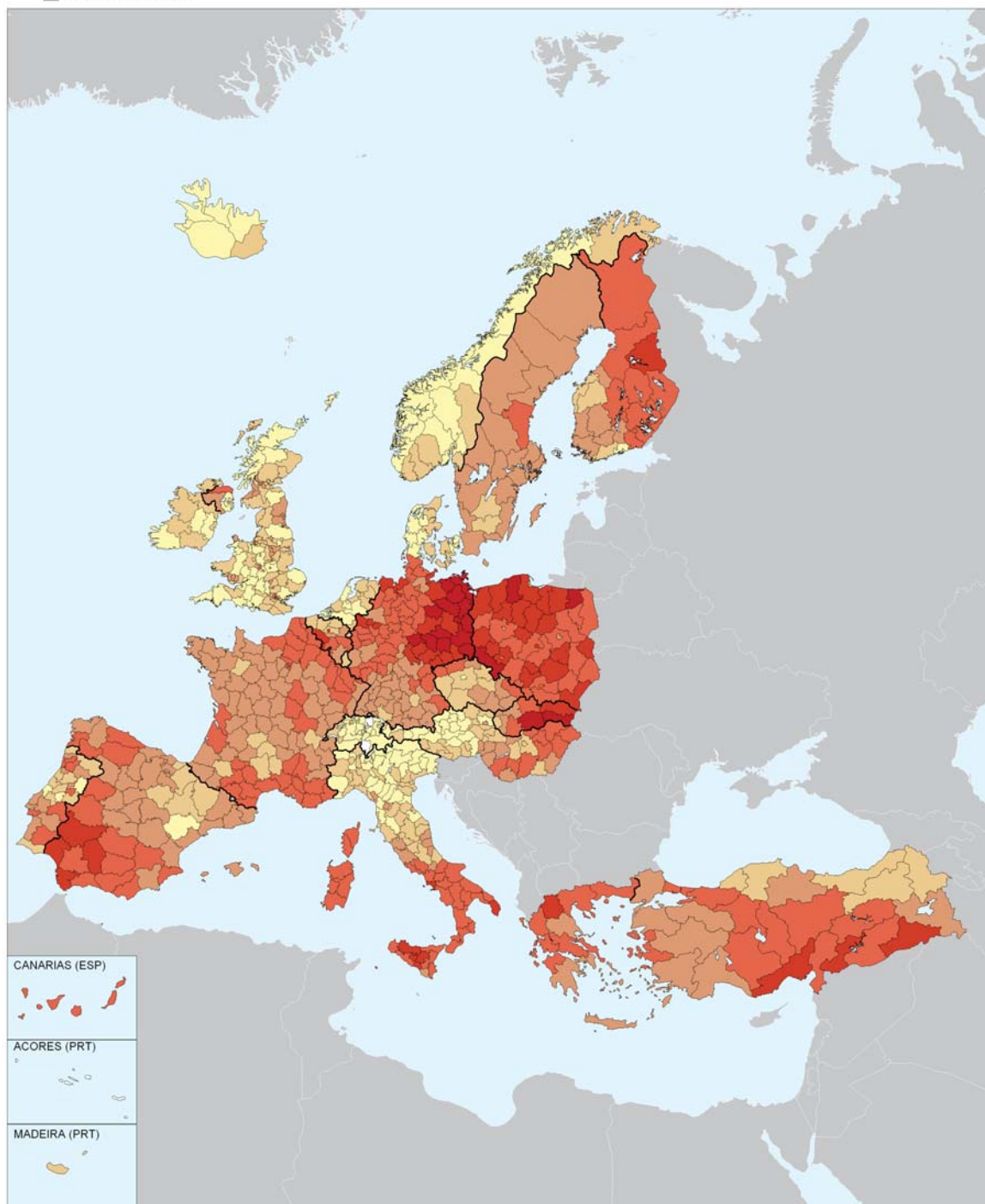
StatLink  <http://dx.doi.org/10.1787/524766743602>

18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES


18.6 Regional unemployment rates: Europe

TL3 regions, 2006

- Higher than 19%
- Between 14% and 19%
- Between 9% and 14%
- Between 6% and 9%
- Between 4% and 6%
- Lower than 4%
- Data not available



Turkey TL2 regions.

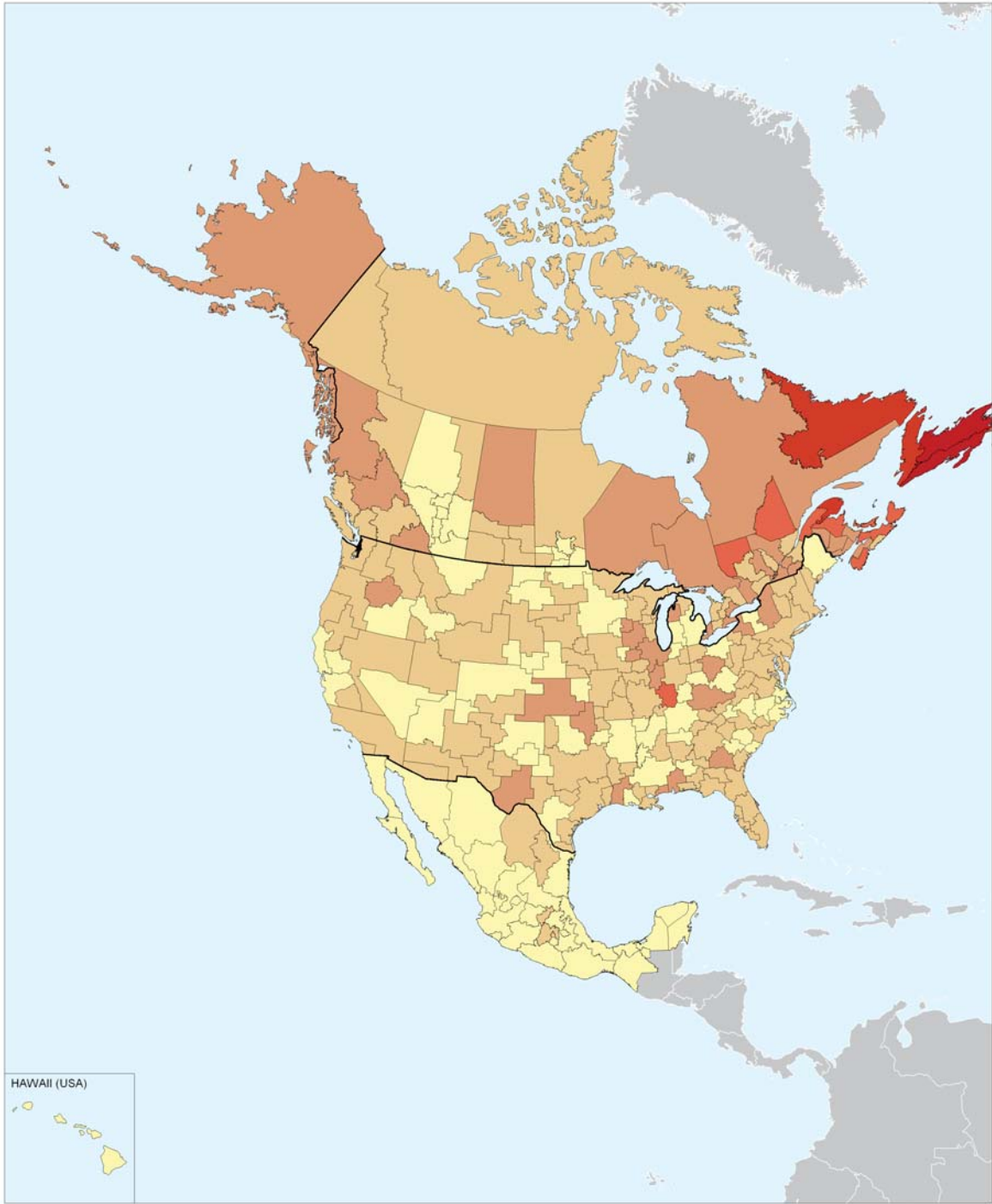
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18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES


18.7 Regional unemployment rates: North America

TL3 regions, 2006

- Higher than 19%
- Between 14% and 19%
- Between 9% and 14%
- Between 6% and 9%
- Between 4% and 6%
- Lower than 4%
- Data not available



Canada Non Official Grids (NOG) and Mexico TL2 regions.

StatLink  <http://dx.doi.org/10.1787/524766743602>

18. REGIONAL DISPARITIES IN UNEMPLOYMENT RATES

Regional long-term unemployment

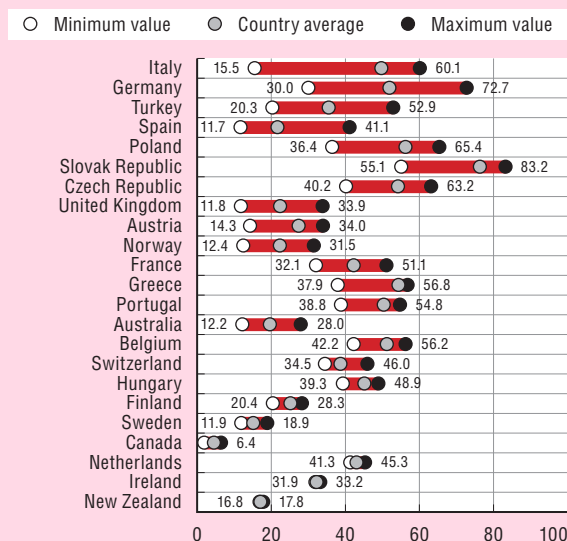
In many countries regional disparities in unemployment rates have persisted over time (more than one-third of countries did not experience any significant reduction in the Gini index of inequalities of regional unemployment between 1999 and 2006), suggesting that inter regional migration of workers is not sufficient to play a self-equilibrating role market. In addition, a reduction in unemployment does not seem to be associated with a reduction in the regional employment differences. Discouraging effects may reduce an individual's willingness to (re) enter the job market. Even if these effects depend upon a certain number of causes, different studies agree that discouraging effects have a strong impact on those areas where either substantial unemployment benefits are in place or where the informal sector plays an important role in regulating the supply and demand of work.

Among the unemployed, the long-term unemployed (i.e. those who have been unemployed for 12 months or more) are of particular concern to policy makers both for their impact on social cohesion and because these individuals become increasingly unattractive to employers so that even when labour becomes scarce unemployment may stay high. The regional long-term unemployment is, therefore, an indicator of both labour market rigidity, and highlights areas with individuals whose inadequate skills prevent them from getting a job.

In OECD countries long-term unemployment represented 40% of total unemployment in 2006 and in eight countries the ratio was as high as 50% or more (Figure 18.8). The long term unemployment rate – defined as the ratio of those unemployed for 12 months or more out of the total labour force – showed large regional variations not only in dual economies such as Italy or Germany, but also in the Slovak Republic, Belgium and Spain (Figure 18.9).

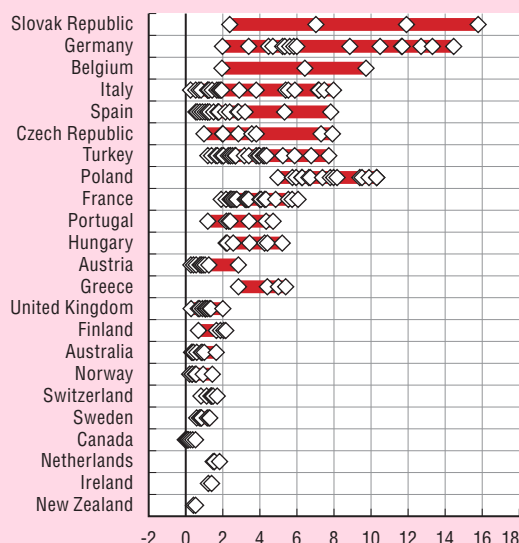
18.8 Range in TL2 regional long-term unemployment (as a % of total unemployment), 2006¹

Across OECD regions, the rate of long-term unemployment ranged from 4 to 83%.



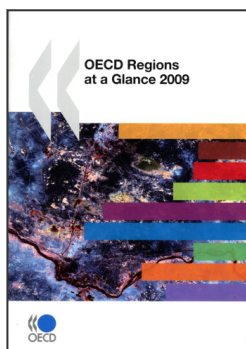
18.9 TL2 regional variation in long-term unemployment rates, 2006¹

In 2006, regional variations in long-term unemployment rates were largest in the Slovak Republic and Germany.



1. No regional data available for Denmark, Iceland, Japan, Korea, Mexico and the United States.

StatLink <http://dx.doi.org/10.1787/524060265637>



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