

OECD Regions at a Glance

Summary in English

A Reader's Guide

Why *OECD Regions at a Glance* ?

In recent years, regional development issues have returned to the policy agenda of many OECD countries. Higher integration driven by institutional processes (*e.g.* European Union, World Trade Organisation) and economic trends (*i.e.* globalisation) is eroding national borders and creating competition along regional lines in the world market. At the same time, the persistence of significant regional disparities challenges countries' capacity to promote economic growth while ensuring social cohesion.

The renewed interest in regional issues has generated new demand for statistical indicators at the sub-national level. Policy makers need sound statistical information on the source of regional competitiveness but such information is not always available. Sub-national data are limited and regional indicators difficult to compare among countries.

OECD Regions at a Glance aims to start to fill this gap by analysing and comparing major territorial patterns and regional trends across OECD countries.

Comparing regions

The main issue for economic analysis at the sub-national level is the unit of analysis itself, *i.e.* the region. The word "region" can mean very different things both within and between countries. For instance, the smallest OECD region (Concepcion de Buenos Aires, Mexico) has an area of less than 10 square kilometres whereas the largest (Nunavut, Canada) has over 2.000 square kilometres. Similarly, the population in OECD regions ranges from about 400 inhabitants in Balance ACT (Australia) to more than 47 million in Kanto (Japan).

To address this issue, the OECD has classified regions within each member country (see Sources & Methodologies "OECD Regional Grids"). The classification is based on two territorial levels (TL). The higher level (Territorial Level 2) consists of about 300 macro-regions and the lower level (Territorial Level 3) is composed of more than

2 300 micro-regions.¹ This classification – which, for European countries, is largely consistent with the Eurostat classification – facilitates greater comparability of regions at the same territorial level. Indeed, these two levels, which are officially established and relatively stable in all member countries, are used by many as a framework for implementing regional policies.

A second issue concerns the different “geography” of each region. For instance, in the United Kingdom, one might question the relevance of comparing the highly urbanised area of London to the rural region of the Shetland Islands, despite the fact that both regions belong at the same territorial level. To take account of these differences, the OECD has established a regional typology according to which regions have been classified as predominantly urban, predominantly rural and intermediate. This typology, based on the percentage of regional population living in rural or urban communities, enables meaningful comparisons between regions belonging to the same type (Sources & Methodologies “The OECD Regional Typology”).

The structure of the publication

Following the new policy approach established in OECD countries, “Regions at A Glance” is organised around three major themes:

1. Regions as the actors of national growth.
2. Making the best of local assets.
3. Competing on the basis of regional well-being.

The first theme highlights that the factors of national growth tend to be strongly localised in a small number of regions so that promoting national growth would require improving the use of these factors within regions. The second theme assesses the economic performance of regions and identifies unused resources that can be mobilised to improve regional competitiveness. Finally, the third theme examines different dimensions of well-being in the perspective that well-being is a key factor in improving regional competitiveness.

Regions as the actor of national growth

Concentration is probably the most striking feature of the geography of economic activity. In all OECD countries, production tends to be concentrated around a small number of urban areas, industries are localised in highly specialised poles, and unemployment is often concentrated in a few regions.

Differences in climatic and environmental conditions discourage human settlement in some areas and favour the concentration of population around a few urban centres. More than half of the OECD population (53%) lives in predominantly urban regions (Figure 1.4). And this pattern of concentration is self-reinforced by higher economic opportunities and wider availability of services stemming from the very process of urbanisation. In many OECD countries – Austria, Canada, Finland, Hungary, Japan,

¹. Level 0 indicates the territory of the whole country and Level 1 denotes groups of macro-regions.

Korea, Mexico, Portugal, Spain Sweden and Turkey – no less than 40% of national GDP is produced in just 10% of regions (Figure 2.1).

The pattern is similar for unemployment. About 47% of unemployment in OECD countries is concentrated in urban regions against 31% and 22% in intermediate and rural regions, respectively (Figure 3.3). The distribution of unemployment by regional type, however, tends to vary significantly among countries. In Belgium, Japan, Korea, Netherlands, the United Kingdom and the United States, at least 60% of national unemployment is concentrated in urban regions. However, no less than half of total unemployment in Finland, Ireland, Norway, Poland and Sweden is concentrated in rural regions. Finally, in France, New Zealand, Spain, the Slovak Republic and Turkey, unemployment is mostly concentrated in intermediate regions.

The key assets of economic growth tend to be localised in a small number of regions. In 2001, 54% of the total patents recorded in OECD member countries came from only 10% of regions (Figure 5.1), and over 64% of the highly educated population live in urban regions (Figure 6.3).

Concentration of economic assets implies that national performances are driven by the dynamism of a small number of regions. On average, 10% of regions accounted for 56% of overall employment creation in OECD countries between 1996 and 2001 (Figure 9.3) while about 70% of job losses were concentrated in another 10% (Figure 9.4). Regional factors, therefore, tend to play a role at least as important as national ones in promoting total growth in OECD countries.

Making the best of local assets

Economic performance varies significantly among OECD countries but international disparities are often smaller than the differences observed among regions of the same country. In 2001, GDP per capita in Luxembourg was more than eight times greater than in Turkey. Within Turkey, however, GDP per capita in the region of Kocaeli was almost 13 times higher than in the region of Hakkari. Similarly, GDP per capita in Inner London – West in the United Kingdom was more than nine times higher than in the Isle of Anglesey (Figure 11.2).

In the same year, international differences in unemployment rates were as large as 17 percentage points (Figure 13.1). However, regional differences in unemployment rates were above 20 percentage points in Canada, Italy, Poland and Spain (Figure 13.2).

Economic performances vary significantly among OECD regions. But why are some regions more competitive than others? Regional benchmarking (Table 15.1) makes it possible to identify the main factors explaining high GDP per capita in certain regions (comparative advantage) and low GDP per capita in others (comparative disadvantage).

Productivity appears to be the main comparative advantage in a majority of regions with high GDP per capita (43%). It is also the most frequent comparative disadvantage in an even larger majority of regions with low GDP per capita (62%).

High participation in the labour market appears the second most frequent comparative advantage in regions with high GDP per capita (20%), while labour force participation is

the main explanation of low competitiveness in only 8% of regions with a level of GDP per capita below the national average.

Commuting, specialisation and employment rates seem to be equally important in regions with both low and high GDP per capita. These are about 15% for commuting, 7% for specialisation and 6% for employment rates (7% in regions with low GDP per capita).

Finally, skills appear more often to be a comparative advantage than an explanation of poor performance. They are the main comparative advantage in 6% of regions with high GDP per capita against only 1% of regions with low GDP per capita.

Competing on the basis of regional well-being

Economic assets are crucial for regional competitiveness but other more intangible factors – often referred to as well-being – help to explain a region's capacity to attract high-value business and skilled workers.

Well-being crucially depends on the ability to access resources and services that are often available only in large economic centres. On average, the distance (in time) that an OECD citizen has to travel to reach the closest centre is 39 minutes in an urban region, 1.55 hours in an intermediate region, and 3.29 hours in a rural region (Figure 23.2).

Access to higher education varies significantly among regions. Turkey and the Slovak Republic have the largest regional variation in tertiary education enrolments while the United States, the Netherlands and Norway show very small variations in regional enrolment rates (Figure 25.1).

Access to health services is another important aspect of well-being. In almost all countries the number of medical practitioners per capita is highest in urban regions and lowest in rural regions (Figure 27.2). In the Slovak Republic the number of doctors per capita in urban regions is almost twice the country average, while in Austria, Greece, Hungary and Korea, this ratio is no less than 50% higher than the average.

Differences in health status have a similar impact on well-being. In 2001, the largest regional differences were recorded in United States, Australia and Mexico whereas Japan, Netherlands and Portugal showed the smallest differences (Figure 26.2).

Safety is an additional factor of regional attractiveness. It contributes to the decision of citizens to live in a certain region and helps to create a positive business environment for firms. Spain, the Slovak Republic, Austria and Turkey appear to have the largest regional disparities in crimes against property. New Zealand, Greece and Denmark showed much smaller differences among regions (Figure 28.1).

Canada, the United States, Australia, Austria, Finland, Korea and Spain also show the largest regional differences in the rate of reported offences against persons, while in Ireland and Denmark reported crime against persons seems to be more evenly distributed among regions (Figure 29.1).

Regional differences in the rate of fatal traffic accidents were largest in Portugal and the United States and smallest in New Zealand, Netherlands and the Slovak Republic (Figure 30.2). Urban regions recorded the higher number of private vehicles per capita in almost all OECD countries. Only in the United States, Sweden, Austria and Canada was the density of private vehicles higher in rural or intermediate regions (Figure 31.2).

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