

Executive summary

The maturing economic recovery from the global financial crisis has coincided with signs of a more widespread decrease in economic disparities within countries. Between 2000 and 2007, regional disparities within countries had increased. At the same time, low-income countries were catching up economically. This resulted in a situation – at the beginning of the global financial crisis – where disparities within countries surpassed those between countries. This trend has reversed since 2011, with disparities within countries falling significantly, especially in the last few years. The reversal occurred first in non-European countries, spreading only more recently to Europe where economic recovery had been delayed. In spite of these welcome improvements, regional disparities remain high in several respects.

During these different phases, capitals and metropolitan areas – the latter being urban agglomerations of at least 500 000 inhabitants – have continued to be highly attractive places for business and people alike. Metropolitan areas have increased their population by 0.75% per year since 2000 and now account for about 60% of national GDP. They also tend to have higher proportions of migrants and higher rates of innovation and firm creation.

Although we have recently seen a narrowing in differences between regions, many places that were already lagging behind in 2000 are still struggling to catch up with the more prosperous areas in their country. For example, the most productive region within a given OECD country is on average twice as productive as the least productive one and differences in job opportunities also remain substantial. Another problem is that, with subnational governments investing less than in the past, the capacity to maintain good infrastructure and public services is likely to be increasingly challenging in numerous regions.

This report provides a comprehensive assessment of how regions and cities fare in their efforts to build stronger economies, higher quality of life for their citizens, and foster more inclusive societies. It offers a comparative picture of trends in spatial productivity, economic growth, entrepreneurship, and well-being across regions and cities in the OECD and in selected non-member countries. It puts special emphasis on spatial inequalities, such as differences in income and opportunities, the integration of migrants in OECD regions, as well as on gender gaps in several well-being dimensions at the regional level.

Key findings

Regional economic disparities within OECD countries have finally started to come down, but remain at elevated levels

Economic disparities between the regions within a country have finally started to recede. They remain, however, at relatively high levels, with different countries experiencing different trends. Since 2000, economic gaps between regions have been stable or decreasing in half of

the OECD countries, but have been further increasing in the other half. For example, Chile, Mexico and New Zealand significantly narrowed regional economic disparities. In contrast, disparities for countries that were hit the hardest by the global financial crisis (e.g. countries in Southern Europe or Ireland) increased, albeit with some signs of a reversal in recent years.

Recent OECD work has identified drivers behind contrasting trends in spatial productivity within countries. On average, regions with a higher specialisation in the tradable sector – implying a higher exposure to international competition – or located in proximity to a city experienced faster catch-up to the most prosperous regions in their country. Rural regions close to a city, for example, have narrowed the productivity gap with urban regions by 3 percentage points since 2010.

In addition, capital regions have further increased their economic importance over the past two decades. As centres of entrepreneurship and innovation, enterprise creation and employment creation by new firms are more than 60% higher in capitals.

Many aspects of quality of life have improved nearly everywhere, but income and job opportunities remain concentrated in large cities and certain regions

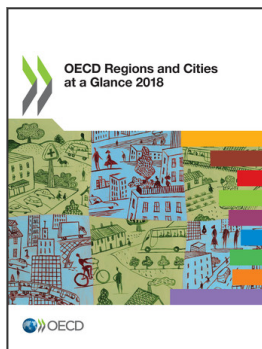
In the vast majority of regions, several well-being dimensions have improved since 2000, contributing to narrowing regional gaps. This is particularly true for educational attainment, life expectancy, and safety. However, material aspects such as jobs and income have not improved everywhere. Finding a job remains considerably more difficult in certain regions. Young adults are especially affected, with youth unemployment rates still above 50% in some regions such as Epirus, Greece, and Calabria, Italy.

Challenges in the labour market directly affect income opportunities. For people living in metropolitan areas, income levels are 21% higher than for people living elsewhere; although price levels, in particular housing prices, also tend to be higher in larger agglomerations. For example, while households spend on average around 20% of their income on housing, housing expenditure can reach almost 40%, as in Oslo, Norway.

Inclusive growth requires dealing with inequalities across all spatial scales

Inequalities are found not only between, but also within all regions and cities. High inequalities can exclude people from job opportunities and thereby from the benefits of economic growth, which, as a consequence, can undermine long-term socio-economic sustainability. In metropolitan areas, inequalities can be particularly stark at the neighbourhood level, with the most affluent households living in a more isolated manner in specific neighbourhoods than other income groups. For more inclusive growth, it is fundamental that all people have access to opportunities, jobs and services. Access to services, for example, changes drastically even within the same metropolitan area. Some 87% of residents in central and densely populated neighbourhoods have access to hospitals within a 30-minute drive, compared to only 57% of residents in urban locations that are less central.

Promoting participation of all people in the generation of economic growth is important to fostering progress in all places. While gender gaps in employment rates have slightly decreased since 2000, in certain regions in Mexico, Turkey, Chile, Italy and Greece, female employment rates remain 20 percentage points below those of men. Among migrants in OECD regions, the employment rate of women is 15 percentage points lower than the rate for men. Given that a large part of inequality arises locally and with the bulk of their spending responsibilities typically in education, health and other social services, subnational governments have an important role in promoting inclusive growth.



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