Productivity trends in regions

Only one-third of countries have experienced an increase in productivity in all regions since 2008.

Labour productivity growth is a crucial driver to enhance living standards. Measured in terms of gross value added (GVA) per worker, labour productivity differs substantially both between and within countries (Figure 2.11). In 21 out of 36 countries, the capital region generates the highest regional labour productivity. Overall, labour productivity tends to be higher in regions with a large service sector and in regions that benefit from access to natural resources (e.g. Antofagasta in Chile, Campeche in Mexico or Nunavut in Canada).

Overall, labour productivity in the most productive region is 1.8 times the productivity of the least productive region. In two-thirds of the countries, the most productive region is twice as productive as the least productive ones. Even in countries with high general labour productivity such as France or Germany, some regions clearly lag (Figure 2.11). Similarly, several countries with productivity levels below the OECD average have highly productive regions. For example, in Chile, the Czech Republic, Mexico, Poland, the Slovak Republic or Turkey, where average regional productivity is relatively low, the leading regions report higher labour productivity than the OECD average.

In a majority of OECD countries, the gap between the most and the least productive regions narrowed between 2008 and 2018. Such convergence, measured by changes in the ratio of labour productivity in the top 20% and the bottom 20% regions in the country, occurred in 15 out of 33 countries. However, in 8 countries, a fall in productivity of the most productive regions actually drove the regional convergence. This happened in Austria, Canada, Chile, Finland, Greece, Hungary, Mexico and Portugal. Only one-third of countries have experienced an increase in productivity in all regions since 2008. On the other hand, Greece was the only country where all regions declined in productivity during the same period. Overall, Chile and Mexico recorded the largest regional disparities in terms of productivity growth, with a difference of more than 10 percentage points between the highest and the lowest regional productivity growth. For these countries, as well for some other countries, the lowest growth occurred in the regions where the economy strongly relies on the extraction of natural resources (Atacama in Chile, Campeche in Mexico, Groningen in the Netherlands, Northwest Territories in Canada, Taranaki in New Zealand, Wyoming in the United States).

Differences in labour productivity persist across different types of regions in terms of population size and density but they have recently fallen. Predominantly rural regions still lag behind predominantly urban regions but they have slightly reduced the productivity gap (Figure 2.12) by 1.2 percentage point since 2008. Rural regions close to cities have successfully narrowed the difference in their labour productivity levels compared to urban regions, especially since 2010, and now their labour productivity levels are equivalent to 82% of urban regions' productivity. Contrary to this trend, remote rural regions, i.e. those that are far away from a city, were not able to reduce the productivity gap between 2000 and 2018 (Figure 2.12).

Overall, somewhat above 60% of the employed people live in regions with productivity levels below the national average (Figure 2.13). This share is slightly larger in 2018 than in 2008, following an increase of about one percentage point. Regions with productivity below the national average are spread evenly across types of regions. However, regions far from a metropolitan area often fall in this group in European countries, such as Estonia, Finland, France, Greece, Latvia, Lithuania and the Slovak Republic. On the other hand, various metropolitan regions in Denmark, Germany, Japan, Korea, Spain, the United Kingdom, and the United States also fall below the national average productivity (Figure 2.13).

Source

OECD (2020), *OECD Regional Statistics (database)*, OECD, Paris, *http://dx.doi.org/10.1787/region-data-en*.

Fadic, M. et al. (2019), "Classifying small (TL3) regions based on metropolitan population, low density and remoteness", *OECD Regional Development Working Papers*, No. 2019/06, OECD Publishing, Paris, *https://doi.org/10.1787/b902cc00-en*.

Reference years and territorial level

Figure 2.11 and Figure 2.12: TL2 regions except for EST, LVA and LTU: TL3. 2018 or latest available year, AUS, CAN, COL, LVA, LTU and NOR: 2017; JPN, NZL, CHE: 2016; TUR: 2015.

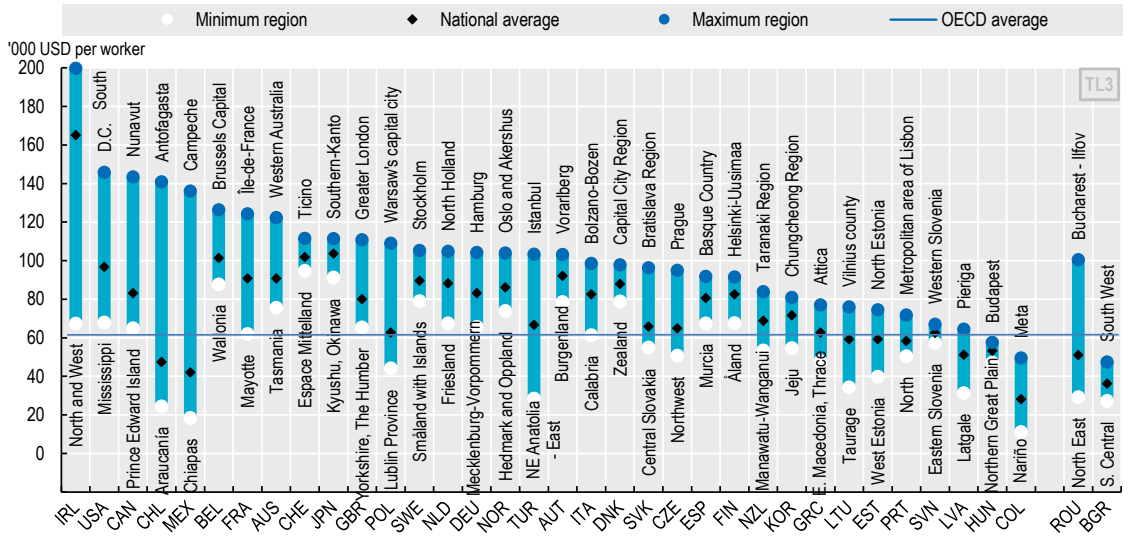
Figure 2.12: Two-year averages. FRA and POL are excluded due to lack of data over the period.

Figure notes

Figure 2.12 and Figure 2.13: Labour productivity based on GVA per worker at place of work expressed in 2015 constant prices, using OECD deflators and converted into constant USD purchasing power parities (PPPs), 2015 reference year. NOR: national average excludes GVA produced on the continental shelf.

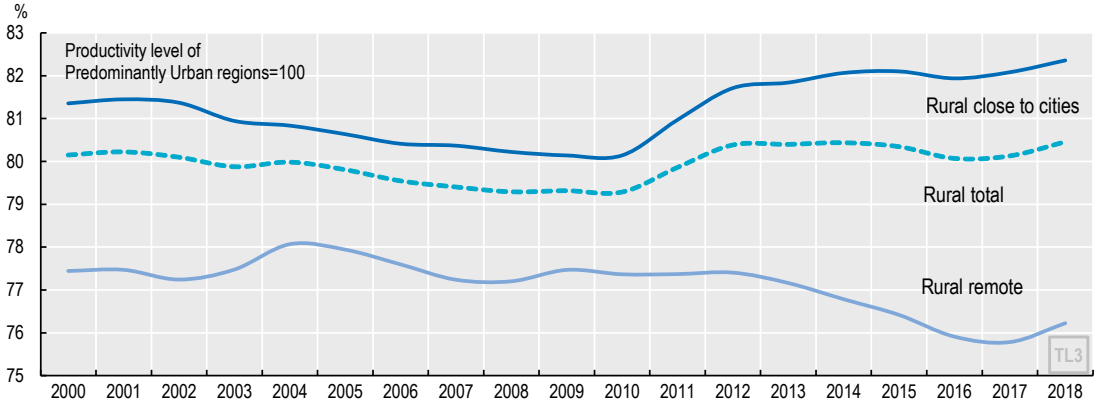
2.11. Labour productivity regional disparities, large regions (TL2), 2018

GVA per person employed



StatLink https://doi.org/10.1787/888934189773

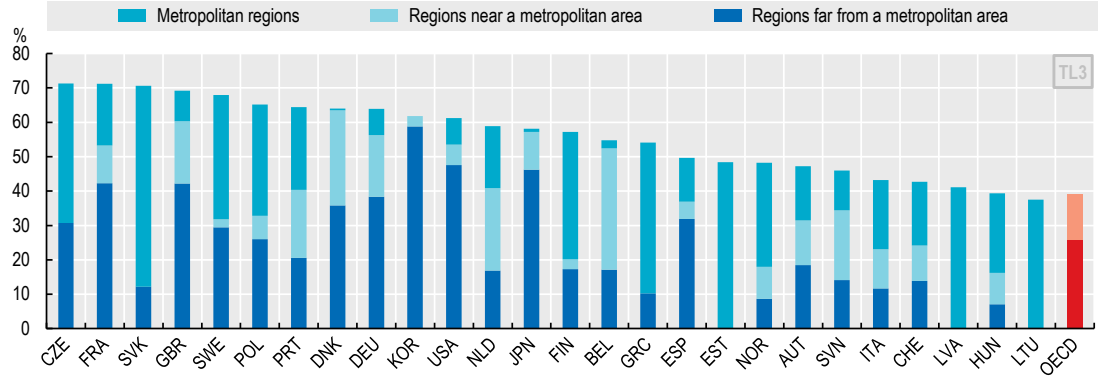
2.12. Labour productivity growth in rural regions (TL3), 2000-18



StatLink https://doi.org/10.1787/888934189792

2.13. Share of employment in regions with productivity levels below the national average, 2018

Share by type of small regions (TL3)



StatLink https://doi.org/10.1787/888934189811