Where do productivity gains occur?

In more than two-thirds of OECD countries, labour productivity converged between the least and most 10% productive regions, with rural regions located close to cities catching up.

In a majority of countries, the gap between the most and least productive regions narrowed between 2010 and 2016, i.e. they experienced convergence (Figure 1.10). Regional convergence in labour productivity occurred in 23 countries, with nine countries experiencing divergence. The largest catching-up by the least productive regions was recorded in Latvia, Chile, Lithuania, Turkey and Hungary. In contrast, Ireland and Estonia saw the largest increase in the gap between the most and least productive regions.

Predominantly rural regions still lag behind predominantly urban regions but they have narrowed the productivity gap (Figure 1.11). Rural regions close to cities have successfully narrowed the difference in their labour productivity levels versus urban regions by more than 3 percentage points, and now their labour productivity levels are equivalent to 82% of urban regions' productivity. Contrary to rural regions on average, those rural regions that are remote, i.e. far away from a big city, were not able to close the productivity gap between 2000 and 2015.

A stronger focus on the tradable sector allowed regions to experience higher productivity growth (Figure 1.12). Regions that generate a higher share of economic value (measured by GVA) from tradable sectors than their respective country grew annually by 1.1% between 2005 and 2015 while regions that specialised in non-tradable sectors grew by 0.8% per year. On average, productivity gains in the tradable sector were generated by firms becoming more productive while gains in the non-tradable sector occurred through a reallocation of employment from less to more productive activities (OECD 2018a).

Definition

Tradable sectors include ISIC Rev.4 sectors A (agriculture), B to E (industry), J (information and communication), K (financial and insurance activities), and R to U (other services). Regions are considered as concentrated on tradable sectors if the share of their GVA produced in tradable sectors is larger than the respective national share of GVA that is produced in tradable sectors.

The productivity of the top (bottom) 10% regions are defined as those with the highest (lowest) productivity until the equivalent of 10% of national employment is reached.

Source

OECD (2018a), Productivity *and Jobs in a Globalised World: (How) Can All Regions Benefit?*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264293137-en*.

OECD (2018b), OECD Regional Statistics (database), *http://dx.doi.org/10.1787/region-data-en*.

Reference years and territorial level

TL2 regions in 1.10 and 1.12; TL3 regions in 1.11

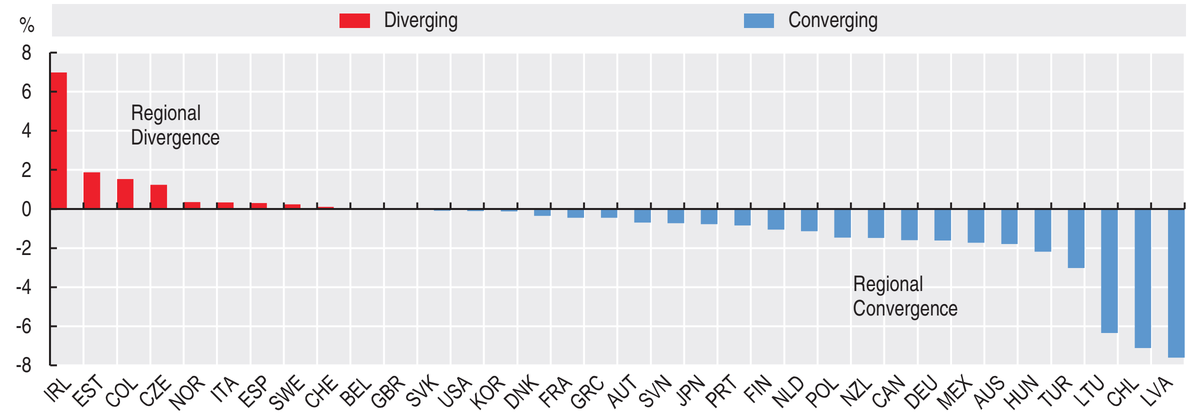
2016 or latest available year: Australia, Korea, Norway and Untied States, 2015; New Zealand and Turkey, 2014; Switzerland, 2013; Japan, 2012.

Figure notes

1.11: Computed for 23 EU countries with predominantly rural (388 regions, in which 155 are remote) and predominantly urban regions (368 regions).

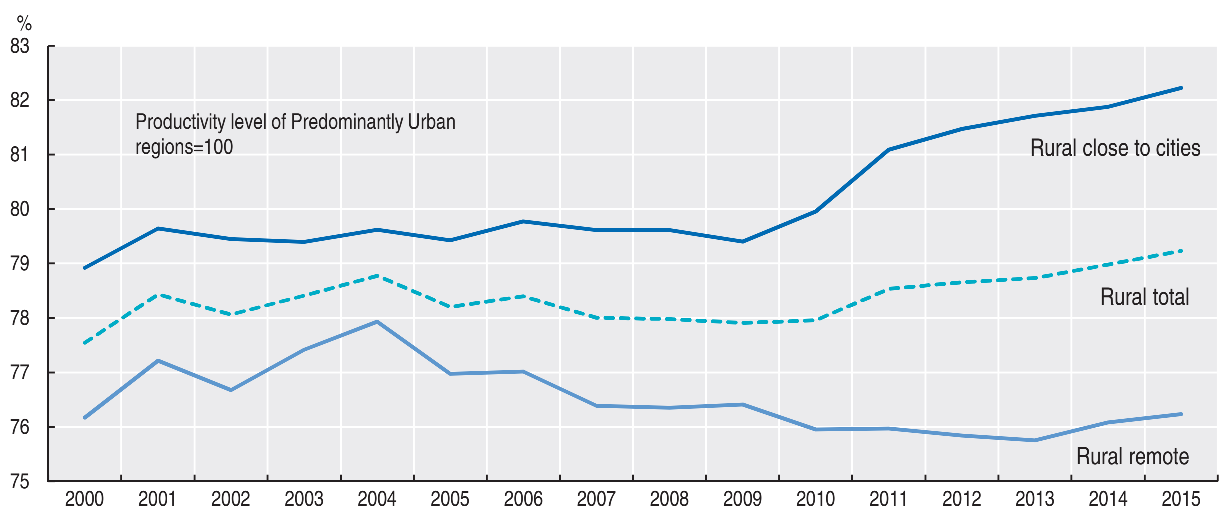
1.10. Productivity convergence, 2010-16 (TL2)

Difference in average annual productivity growth between top 10% and bottom 10% regions



StatLink http://dx.doi.org/10.1787/888933816535

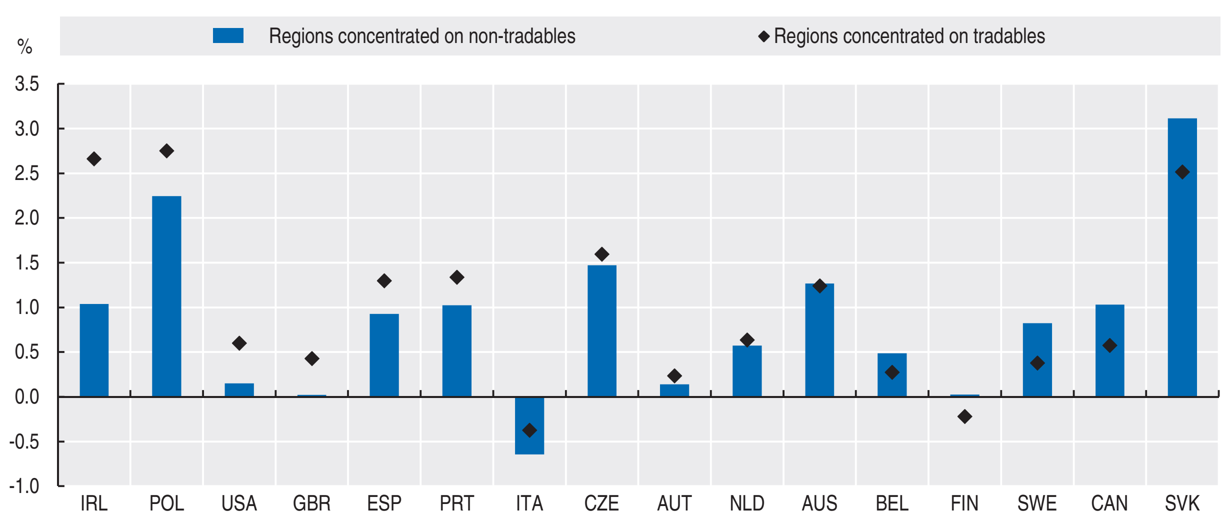
1.11. Productivity growth in rural regions, 2000-15 (TL3)



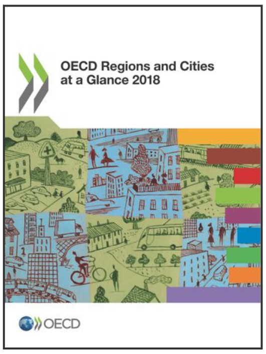
StatLink http://dx.doi.org/10.1787/888933816554

1.12. Annual productivity growth in tradable and non-tradable sectors, 2010-15 (TL2)

Productivity growth in regions that are more or less concentrated on tradable sectors than the national average



StatLink http://dx.doi.org/10.1787/888933816573



From:
OECD Regions and Cities at a Glance 2018

Access the complete publication at:
https://doi.org/10.1787/reg_cit_glance-2018-en

Please cite this chapter as:

OECD (2018), “Where do productivity gains occur?”, in *OECD Regions and Cities at a Glance 2018*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/reg_cit_glance-2018-8-en