

## *Defining and Describing Regions*

### **Territorial grids**

In any analytical study conducted at sub-national levels, the choice of the territorial unit is of prime importance. To address this issue, the OECD has classified two levels of geographic units within each member country (Table A.1 in Annex A). The higher level (Territorial level 2 [TL2]) consists of 362 larger regions while the lower level (Territorial level 3 [TL3]) is composed of 1 794 smaller regions. All the territorial units are defined within national borders and in most of the cases correspond to administrative regions. Regions at the lower level (TL3) are contained within the higher level (TL2).\*

This classification – which, for European countries, is largely consistent with the Eurostat classification – facilitates greater comparability of geographic units at the same territorial level. Indeed these two levels, which are officially established and relatively stable in all member countries, are used as a framework for implementing regional policies in most countries.

Due to limited data availability, labour-market indicators in Canada are presented for groups of TL3 regions. Since these groups are not part of the OECD official territorial grids, for the sake of simplicity they are labelled as non-official grids (NOGs) in this publication and compared with TL3 for the other countries (Table A.1 in Annex A).

The OECD has recently started to extend the regional classification to new member countries and emerging economies. More precisely TL2 regions have been identified and statistics collected in Chile, Estonia, Israel and Slovenia (new OECD members); Brazil, the Russian Federation, India, China and South Africa (the BRICS countries). The TL3 classification is now available only for Chile, Estonia and Slovenia (Table A.2 in Annex A).

### **Regional typology**

A second important issue for the analysis of sub-national economies concerns the different “geography” of each geographic unit. For instance, in the United Kingdom one could 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 TL3 regions have been classified as predominantly urban (PU), predominantly rural (PR) and intermediate (IN). This typology, based on settlement patterns calculated on the percentage of population living in rural communities, enables meaningful comparisons between regions belonging to the same type and level (Table A.3 and Figures A.1 to A.4 in Annex A). The OECD regional typology is based on three criteria. The first criterion identifies rural communities according to population density. A community is defined as rural if its population density is below 150 inhabitants per square

\* With the exception of United States.

kilometre (500 inhabitants for Japan and Korea to account for the fact that the national population density exceeds 300 inhabitants per square kilometer). The second criterion classifies regions according to the percentage of population living in rural communities. Thus, a TL3 region is classified as:

- Predominantly rural (rural or PR), if more than 50% of its population lives in rural communities.
- Predominantly urban (urban or PU), if less than 15% of the population lives in rural communities.
- Intermediate (IN), if the share of population living in rural communities is between 15% and 50%.

The third criterion is based on the size of the urban centres. Accordingly:

- A region that would be classified as rural on the basis of the general rule is classified as intermediate if it has a urban centre of more than 200 000 inhabitants (500 000 for Japan) representing no less than 25% of the regional population.
- A region that would be classified as intermediate on the basis of the general rule is classified as predominantly urban if it has an urban centre of more than 500 000 inhabitants (1 million for Japan) representing no less than 25% of the regional population.

The typology is calculated only for the lower territorial level (TL3). The dimension of TL2 regions is too large to allow for a categorisation into predominantly urban, intermediate or predominantly rural. For analytical purposes the percentage of population living in PU, IN, and PR is calculated for TL2 regions summing the population of TL3 regions by regional typology. For example the TL2 regions of Rhone-Alpes in France has 23% of its population living in TL3 regions classified as PU, 68% of its population living in TL3 regions classified as IN and 9% of its population living in TL3 regions classified as PR.

### Extended regional typology

An extended regional typology has been adopted by the OECD and applied so far to Europe and North America. The new typology extends the methodology by distinguishing between rural regions that are located close to larger urban centres and those that are not. The result is a four-fold classification of TL3 regions into: predominantly urban (PU), intermediate regions (IN), predominantly rural regions close to a city (PRC) and predominantly rural remote regions (PRR). The distance from urban centres is measured by the driving time necessary to a certain share of the regional population to reach a large urban centre (with a population of at least 50 000 people). The classification of TL3 regions in Europe and North America according to the extended typology is presented in Figure A.1 and A.2 of Annex A.

Due to lack of information on the road network and service areas, the extended typology has not been yet applied to Australia, Japan and Korea or to emerging economies.



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