

2. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

Labour productivity and GDP per capita growth in regions

Labour productivity growth is considered a key indicator to assess regional competitiveness and an essential driver of change in living standards. Regional living conditions are raised by continued gains in labour productivity, along with an increase in labour utilisation. In fact, only economies that manage to simultaneously sustain employment and productivity growth will increase their gross domestic product (GDP) per capita and maintain it in the long run.

Growth in regional GDP per capita is broken down into the contribution of labour productivity growth (here measured as GDP per worker) and changes in labour utilisation (measured as the ratio between employment at place of work and population).

Among the 20 OECD regions with the highest GDP per capita growth rate during 2000-10, labour productivity growth is a major determinant compared to changes in labour utilisation (Figure 2.27). In 17 of the 20 regions, labour productivity growth accounted for 70% or more of the rise in GDP per capita. Only the region of Lodzkie (Poland) has an increase of the rate of labour utilisation higher than the growth in labour productivity (Figure 2.27).

Definition

GDP is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA). To make comparisons over time and across countries, it is expressed at constant prices (year 2005), using the OECD deflator and then it is converted into USD purchasing power parities (PPPs) to express each country's GDP in a common currency.

Regional labour productivity is here measured as the ratio of constant GDP in 2005 prices, to total employment where the latter is measured at place of work.

Labour utilisation is here measured as the ratio between the total employment at place of work and regional population.

In the decomposition of change in regional GDP per capita, changes in labour utilisation may partially depend on labour mobility if there is commuting on a substantial scale in the region.

Both bad performances in labour productivity and in labour utilisation are, instead, the cause of the regional decline in GDP per capita (Figure 2.28). The 20 regions with the highest decline in GDP per capita rate during 2000-10 were essentially concentrated in four countries: Italy, France, Spain and the United States (Figure 2.28). In the Spanish regions (Balearic and Canary Islands) and some of the U.S. states (Georgia, South Carolina and Ohio), the growth in labour productivity was offset by the sharp decline in labour utilisation. On the other hand, the nine Italian regions, the four regions in France and Michigan (United States) have seen a decrease in their productivity while labour utilisation stagnated (Figure 2.28).

Differences in labour productivity growth among regions are invariably the result of multiple national and local factors, including labour market policies and institutions as well as innovation and the adoption of new technologies. As such, differences in labour productivity growth among OECD regions are larger than among OECD countries (Figures 2.29 and 2.30).

Source

OECD (2013), *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

See Annex B for data sources and country-related metadata.

Reference years and territorial level

2000-10; TL2.

Switzerland, Denmark, Finland, Mexico, Spain and Turkey are not included for lack of regional data on comparable years.

Regional GDP is not available for Iceland and Israel.

Further information

OECD (2013), *Economic Policy Reforms 2013: Going for Growth*, OECD Publishing, <http://dx.doi.org/10.1787/growth-2013-en>

OECD Compendium of Productivity Indicators www.oecd.org/statistics/productivity.

Interactive graphs and maps <http://rag.oecd.org>

Figure notes

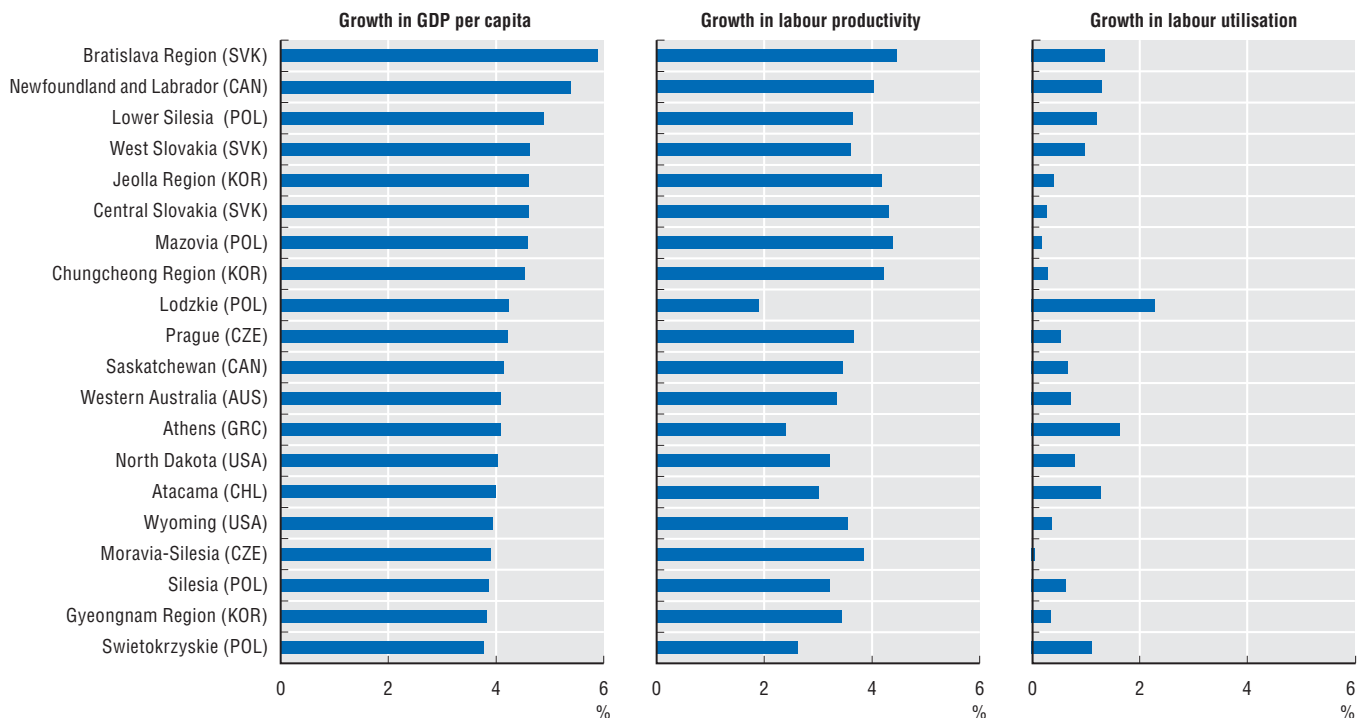
2.27: First available year for Korea: 2004.

2.27-2.29: New Zealand, Norway and Switzerland are excluded for lack of data on comparable years.

2. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

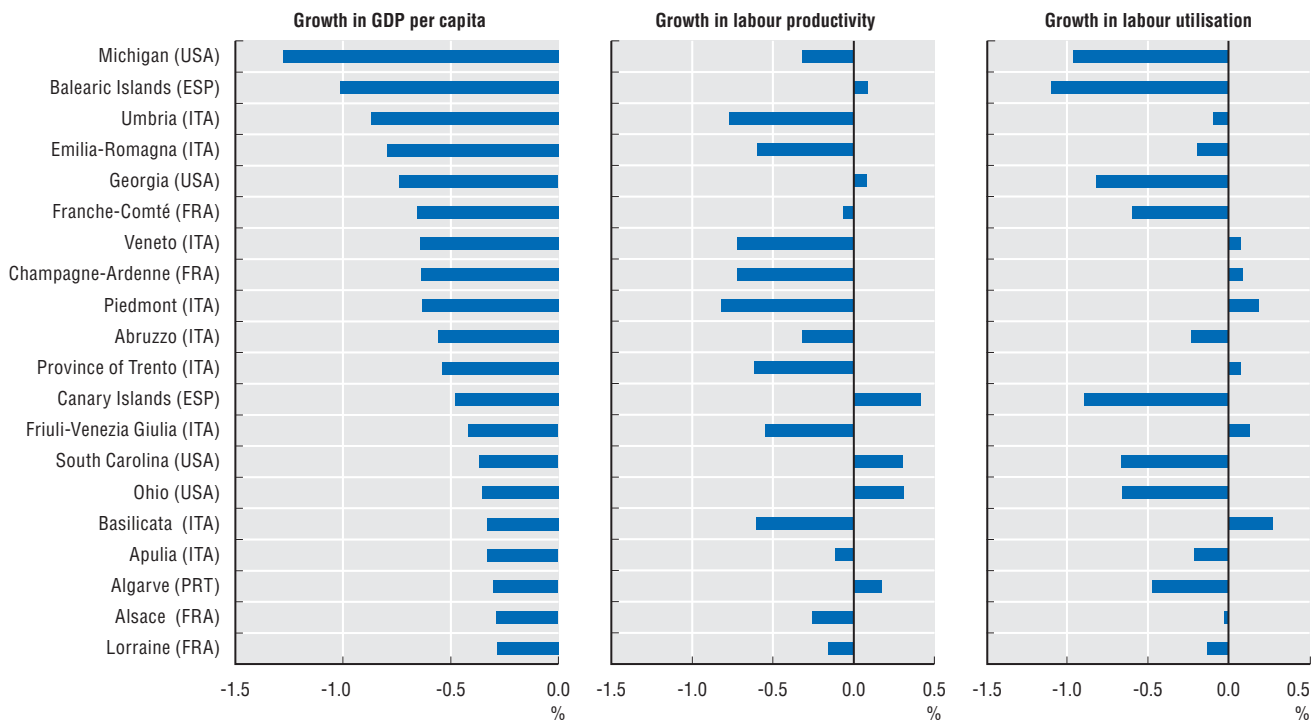
Labour productivity and GDP per capita growth in regions

2.27. Contribution of labour productivity and labour utilisation to GDP per capita: Top 20 TL2 regions, ranked by GDP per capita growth rate, 2000-10



StatLink <http://dx.doi.org/10.1787/888932913589>

2.28. Contribution of labour productivity and labour utilisation to GDP per capita: Bottom 20 regions, ranked by GDP per capita growth rate, 2000-10



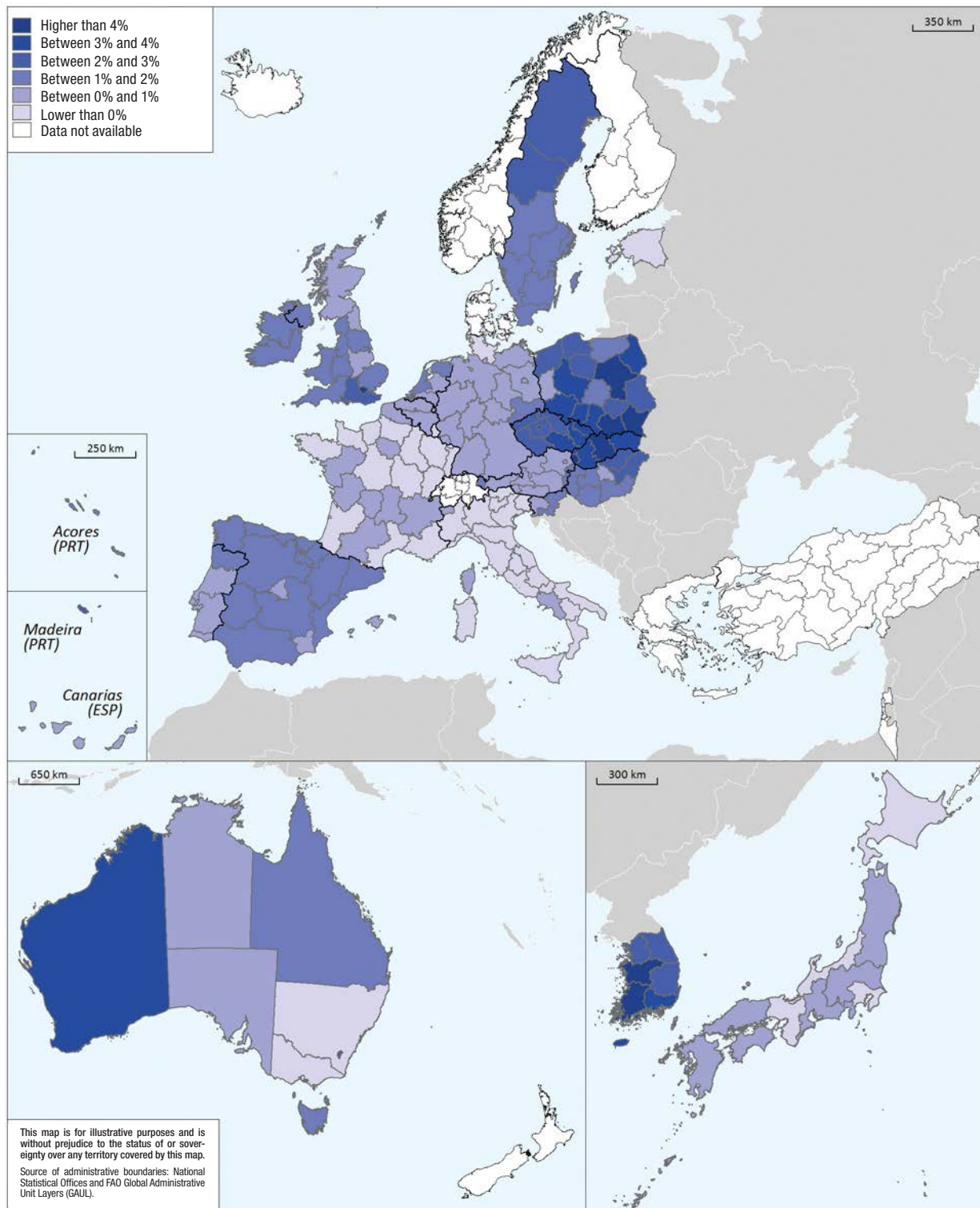
StatLink <http://dx.doi.org/10.1787/888932913608>

2. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

Labour productivity and GDP per capita growth in regions

2.29. Annual growth of regional productivity: Asia, Europe and Oceania, 2000-10

Growth in regional GDP per worker in constant 2005 USD (PPP), TL2 regions



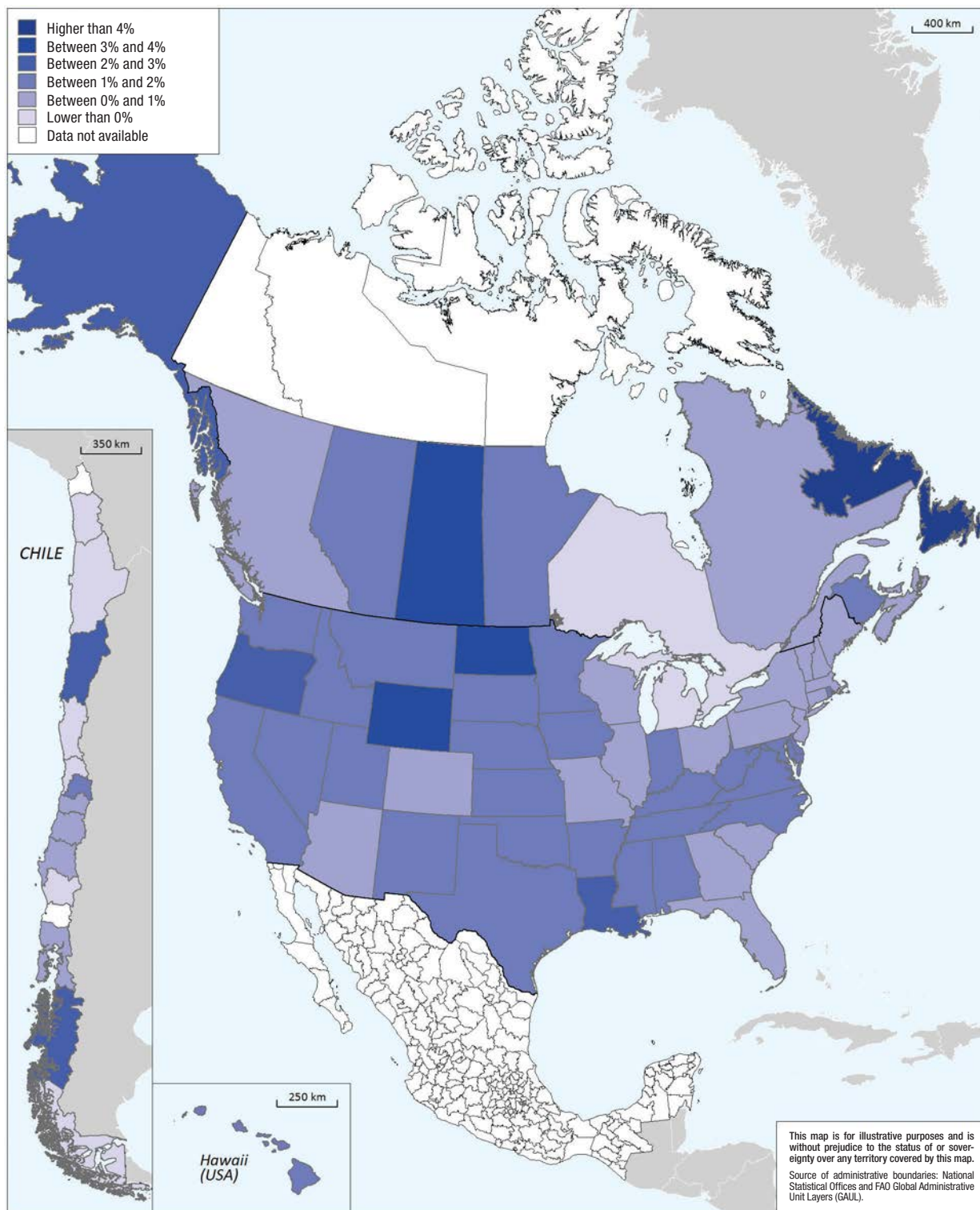
StatLink <http://dx.doi.org/10.1787/888932915432>


2. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

Labour productivity and GDP per capita growth in regions

2.30. Annual growth of regional productivity: Americas, 2000-10

Growth in regional GDP per worker in constant 2005 USD (PPP), TL2 regions



StatLink  <http://dx.doi.org/10.1787/888932915451>



From:
OECD Regions at a Glance 2013

Access the complete publication at:
https://doi.org/10.1787/reg_glance-2013-en

Please cite this chapter as:

OECD (2013), "Labour productivity and GDP per capita growth in regions", in *OECD Regions at a Glance 2013*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/reg_glance-2013-19-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.