

### Productivity 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 the place of work and population).

Among the 40 OECD regions with the highest GDP per capita growth rate during 2000-13, labour productivity growth is a major determinant compared to changes in labour utilisation (Figure 2.32). In 32 of the 40 regions, labour productivity growth accounted for 75% or more of the rise in GDP per capita.

#### 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 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), 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 measured as the ratio of constant GDP in 2010 prices, to total employment, where the latter is measured at place of work. This means that productivity and GDP per capita trends may diverge in regions if there is commuting on a substantial scale.

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 poor performances in labour productivity and in labour utilisation are causes of the regional decline in GDP per capita (Figure 2.33). The 40 regions with the highest decline in GDP per capita rate during 2000-13 were essentially concentrated in 3 countries: Greece, Spain and Italy (Figure 2.33). In the Spanish regions (Melilla, Balearic and Canary Islands) and some of the Greek regions (Central Macedonia and Crete), the growth in labour productivity was offset by the sharp decline in labour utilisation. On the other hand, the 18 Italian regions have seen a decrease in their productivity while labour utilisation stagnated (Figure 2.33).

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 2.34 and 2.35).

#### Source

OECD (2015), *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

2000-13; TL2.

Denmark, Finland, Mexico, Spain, Switzerland 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, Paris, <http://dx.doi.org/10.1787/growth-2013-en>.

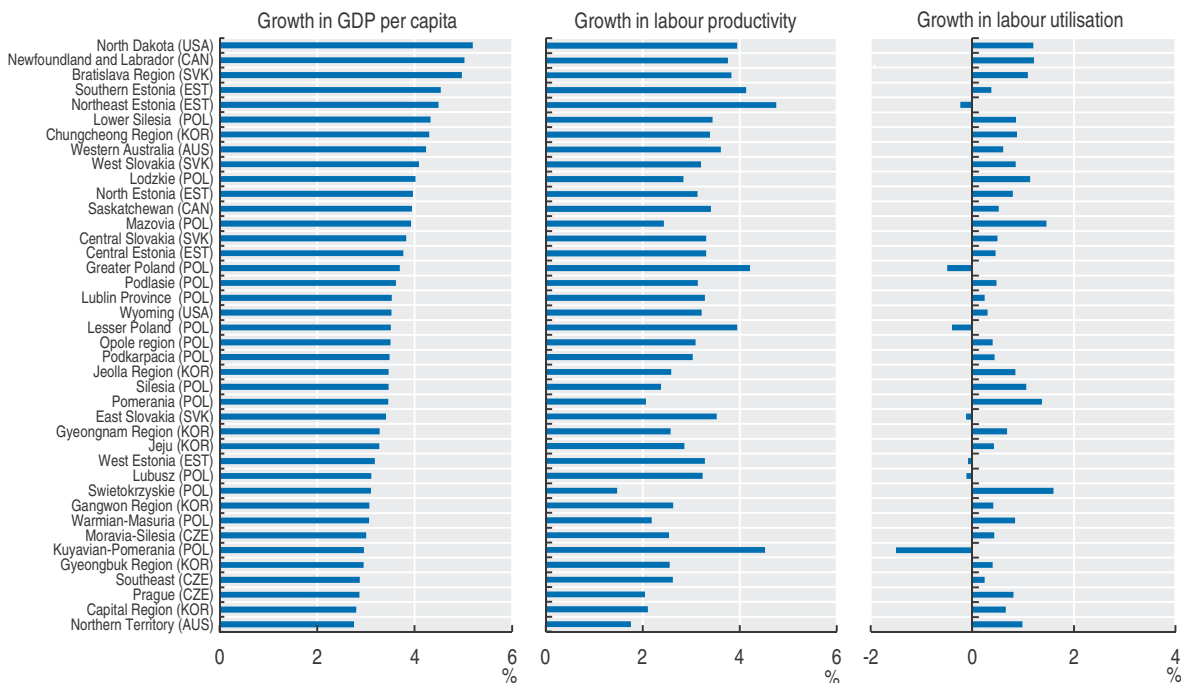
OECD (2015), *Productivity Statistics*, [www.oecd.org/std/productivity-stats/](http://www.oecd.org/std/productivity-stats/).

#### Figure notes

2.32-2.34: First available year: Korea 2004.

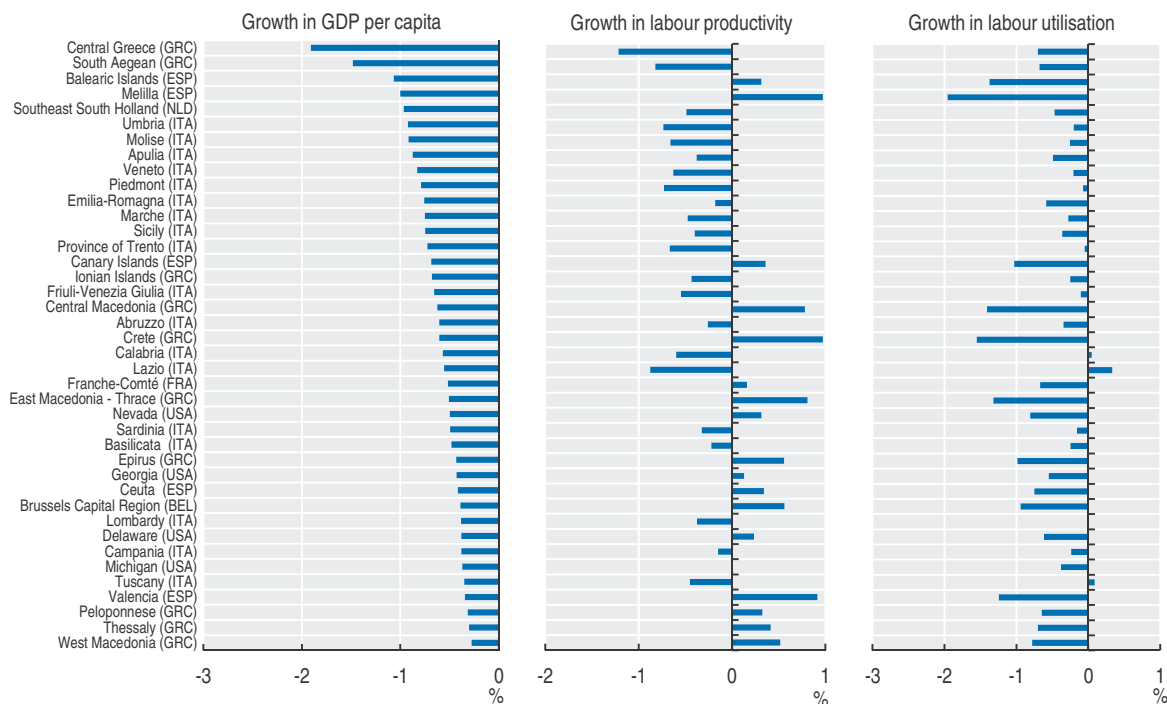
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

**2.32. Contribution of labour productivity and labour utilisation to GDP per capita: Top 40 TL2 regions, ranked by GDP per capita growth rate, 2000-13**



StatLink <http://dx.doi.org/10.1787/888933363314>

**2.33. Contribution of labour productivity and labour utilisation to GDP per capita: Bottom 40 regions, ranked by GDP per capita growth rate, 2000-13**



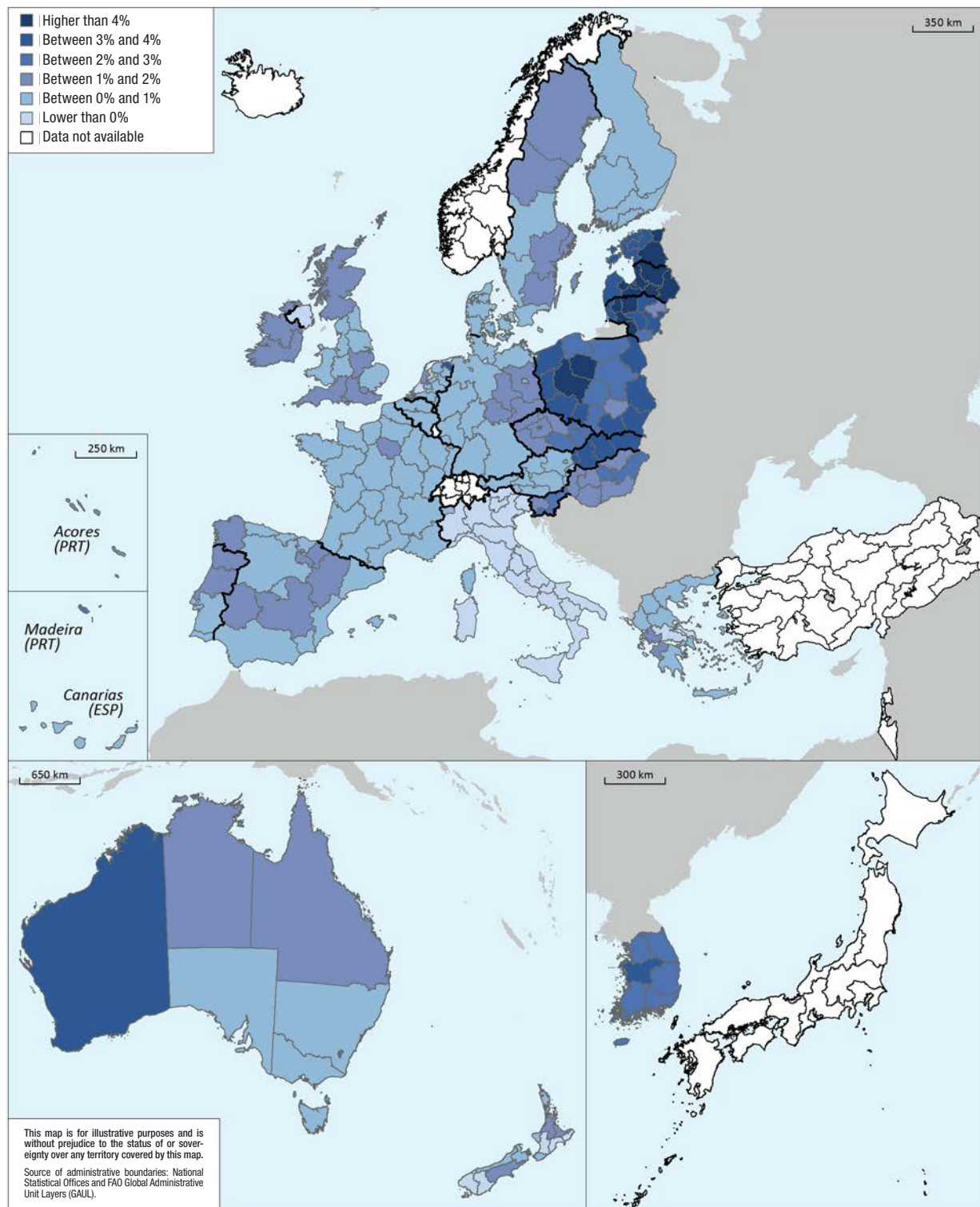
StatLink <http://dx.doi.org/10.1787/888933363323>

## 2. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

### Productivity growth in regions

#### 2.34. Annual growth of regional productivity: Asia, Europe and Oceania, 2000-13

Average annual growth in regional GDP per worker (constant 2010 USD PPP), TL2 regions

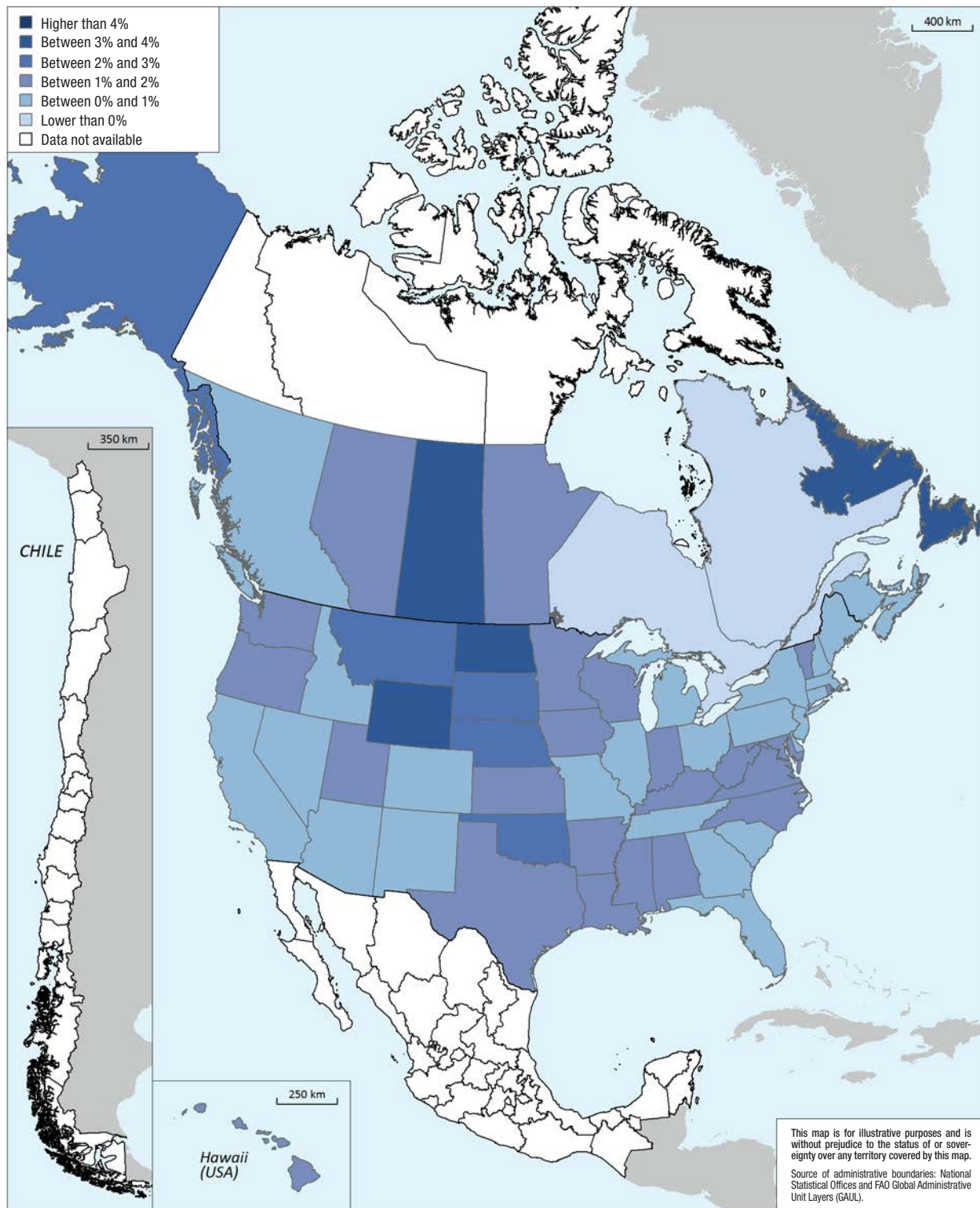


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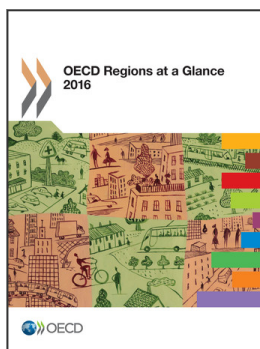


2.35. Annual growth of regional productivity: Americas, 2000-13

Average annual growth in regional GDP per worker (constant 2010 USD PPP), TL2 regions



StatLink <http://dx.doi.org/10.1787/888933364228>



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