



REGIONS BRIDGING THE DIVIDE: THE ROLE OF TRADABLE SECTORS AND WELL FUNCTIONING CITIES

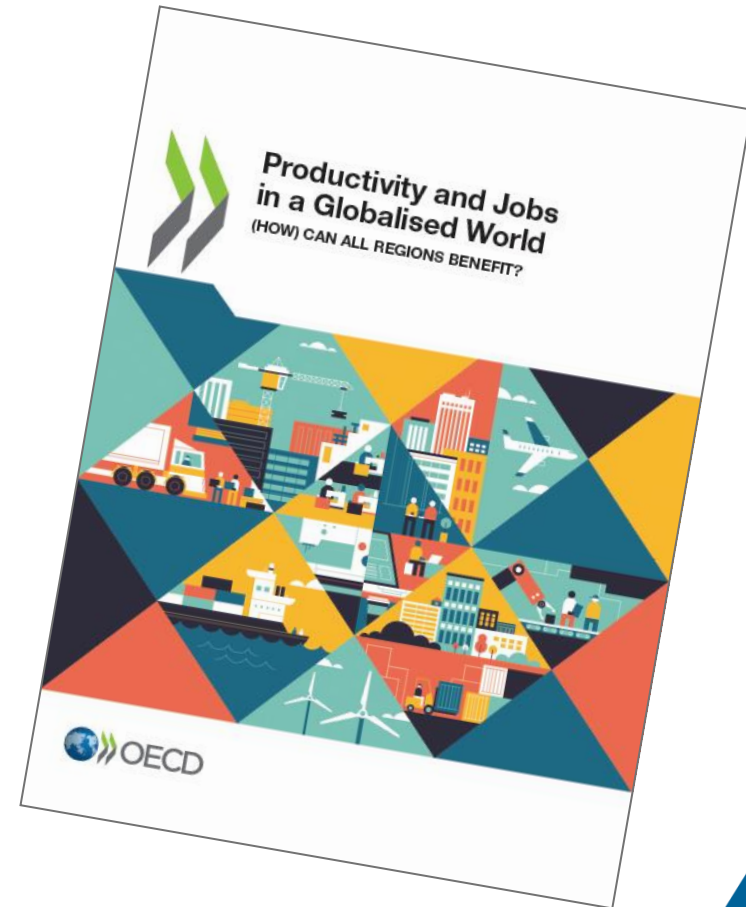
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TERRITORIAL COHESION AND URBAN MATTERS
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Roadmap for the presentation

- Productivity and jobs: the regional diffusion challenge
- What supports “catching up”?
- What can policy do to leverage the potential of all regions?





PRODUCTIVITY AND JOBS: THE REGIONAL DIFFUSION CHALLENGE



Productivity gaps have narrowed in the EU and the OECD since 2000

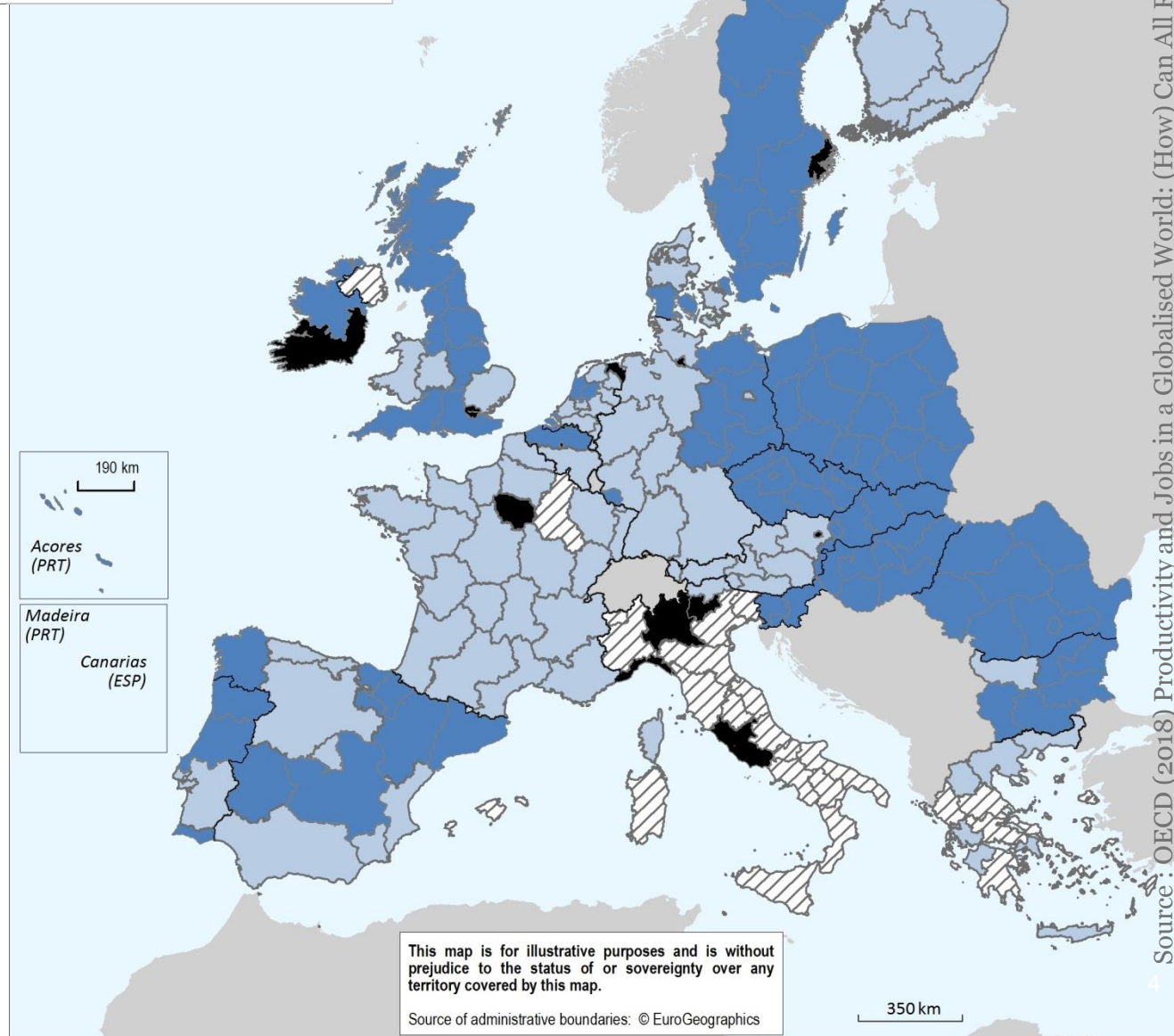
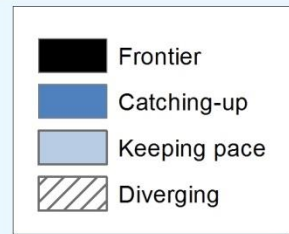
Convergence in per capita GDP and labour productivity in the OECD/EU

Frontier regions

- most productive regions accounting for 10% of total employment

Catching up/Diverging

- Productivity growth is 5% higher/lower than in the frontier over a 13 year period





But gaps within some countries are widening

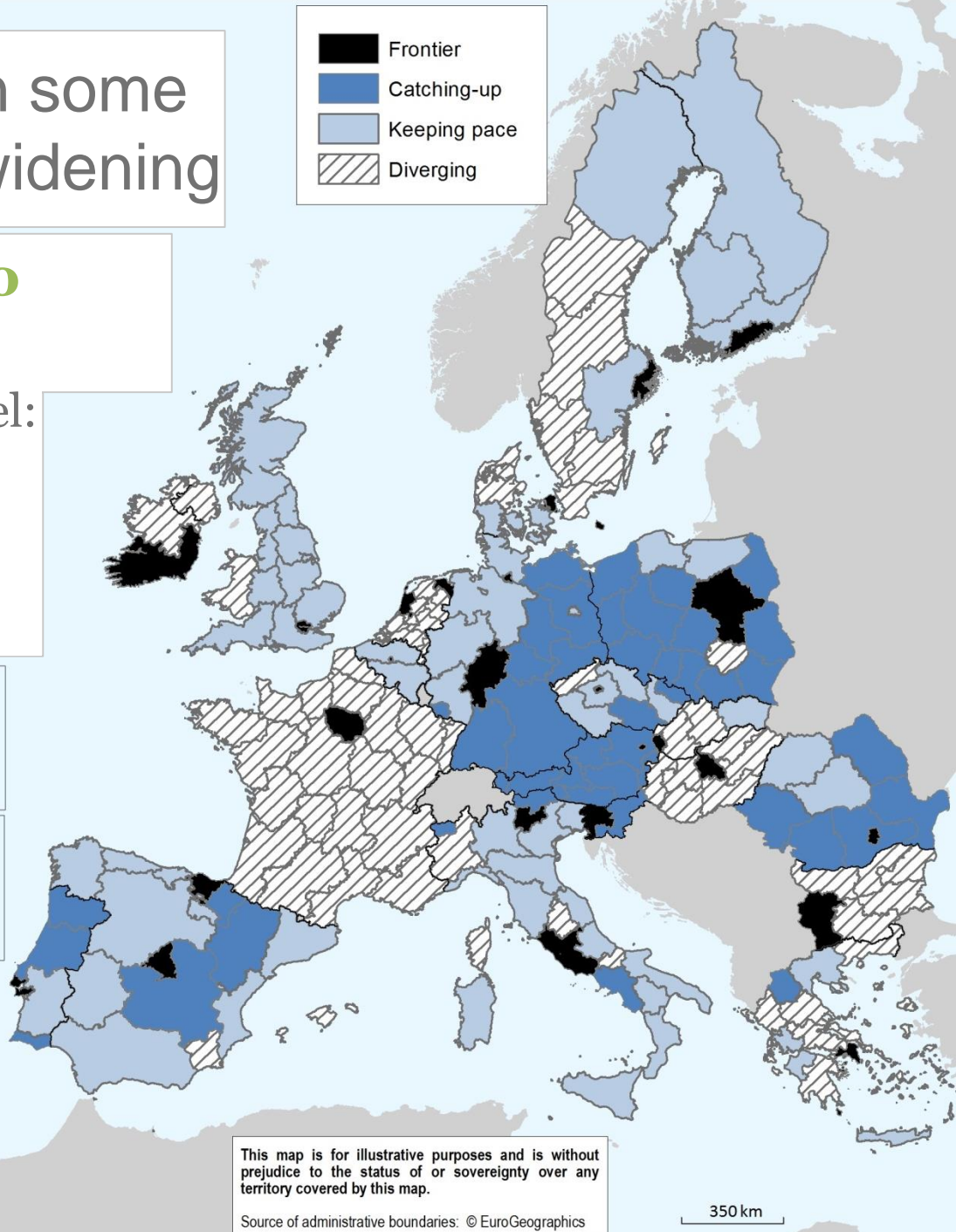
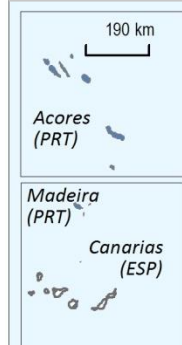
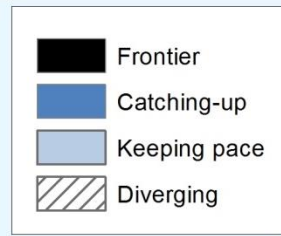
Countries follow two growth models

Distributed growth model:
Catching up supports productivity growth

- AUT, CZE, DEU, ESP, ITA, POL, PRT, ROU

Concentrated growth model:
The “**frontier**” dominates growth

- BGR, DNK, FIN, FRA, GBR, GRC, HUN, NLD, SVK, SWE



This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Source of administrative boundaries: © EuroGeographics



WHAT SUPPORTS
“CATCHING UP”?

WELL-FUNCTIONING CITIES



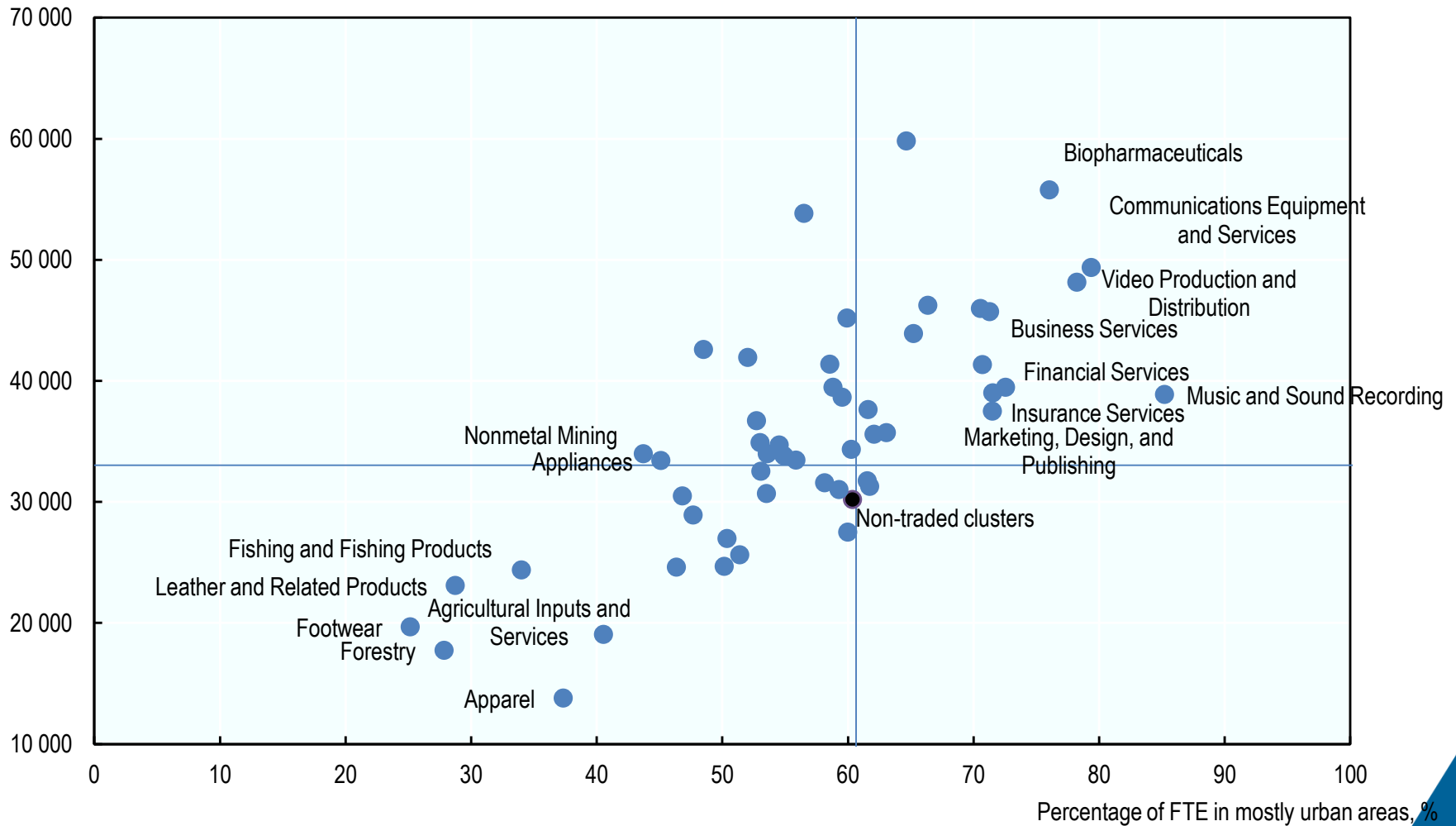
What supports catching up?

- **Well-functioning cities**
 - Home to **knowledge-intensive** (traded) sectors
 - Larger markets can support **economic diversity and dynamism**
 - **Agglomeration economies** (beyond borders) through urban-rural linkages



Traded clusters: Contrast between urban and rural regions

Average wage in 2010 EUR

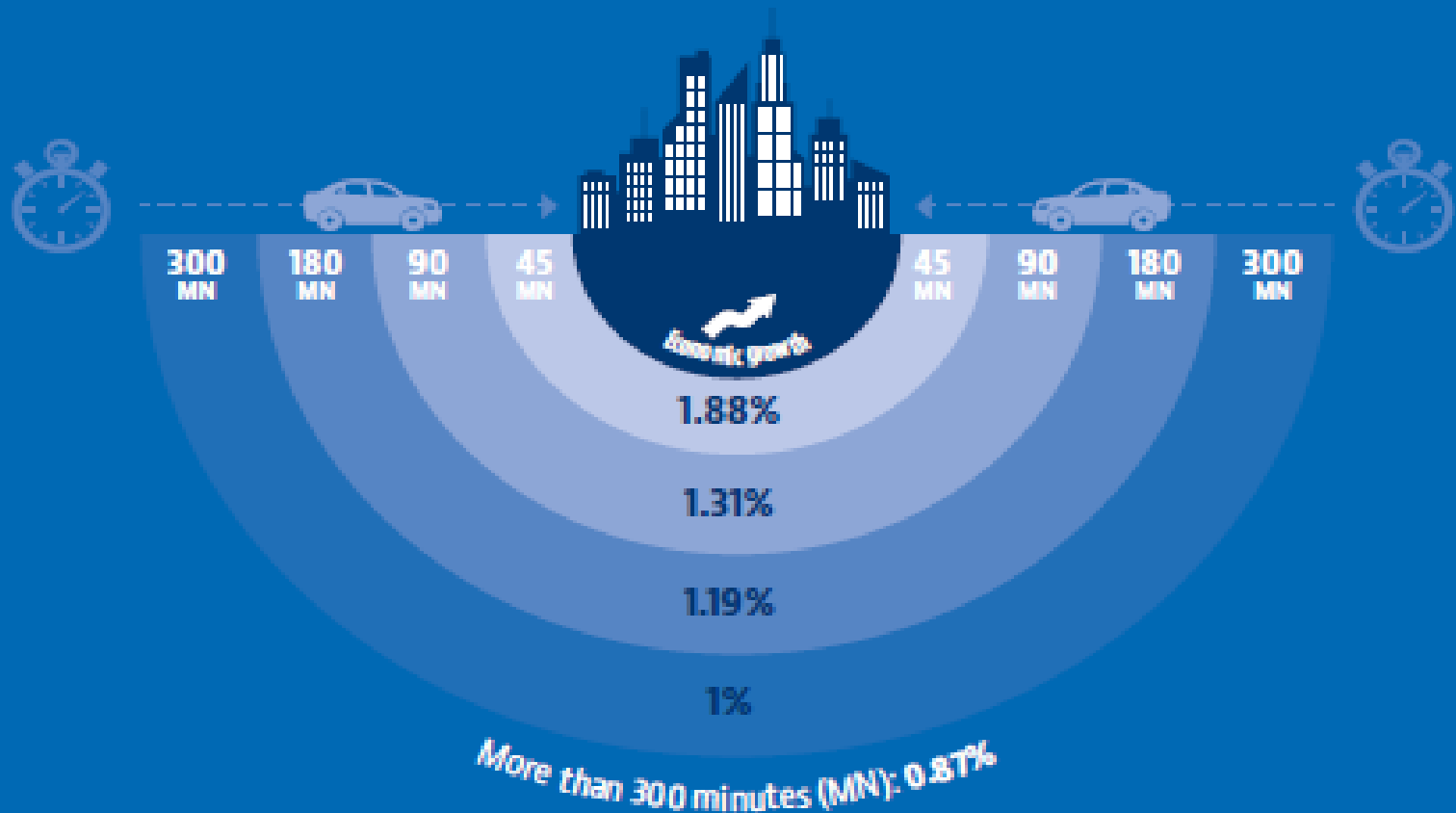




Space matters: proximity to cities benefits surrounding rural & intermediate regions

Economic growth increases with nearness to large cities

Yearly growth rates of GDP per head (1995-2010) and driving time to the closest large metropolitan area of 2 million or more inhabitants in OECD countries





WHAT SUPPORTS
CATCHING UP?

TRADABLE SECTORS

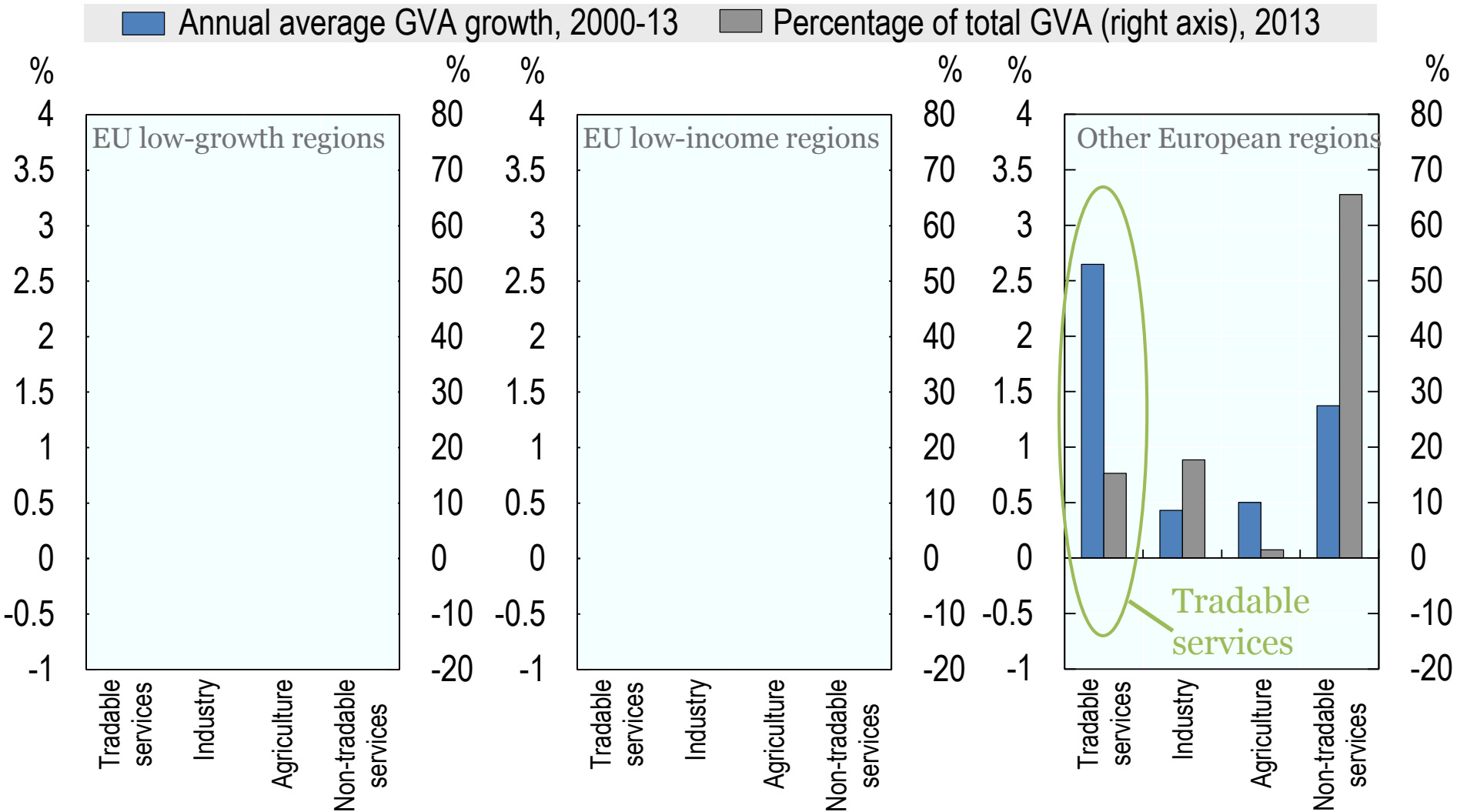


What supports catching up?

- **Tradable sectors** (that could be traded)
 - Face **competition** even if they are not traded
 - Might **overcome** market size and institutional constraints
 - **Avoid economic imbalances** from excessive expansion of non-tradables



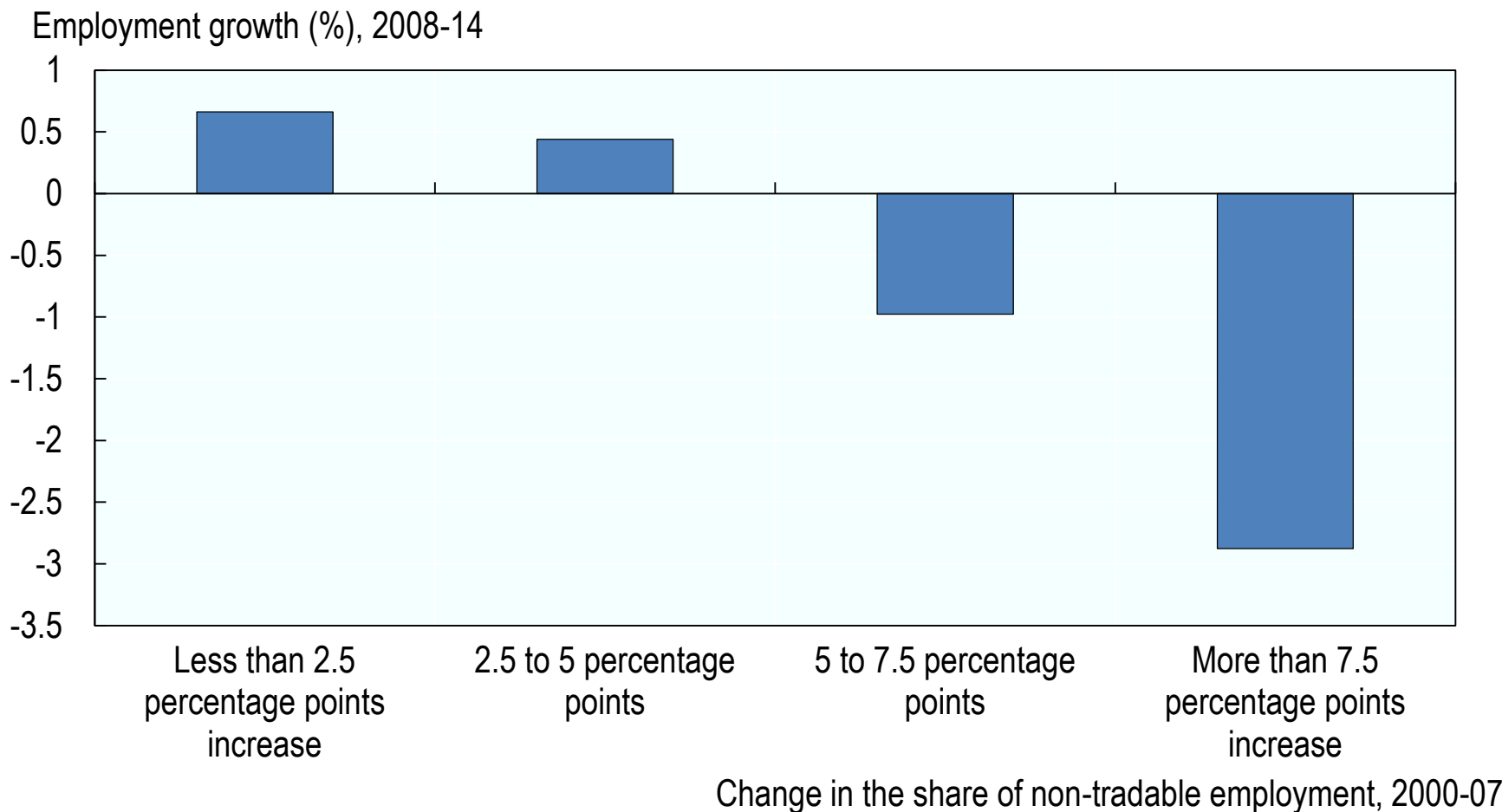
The nature of tradable sectors is changing ... but not in all parts of Europe



Low-income: <50% of EU-average per capita GDP; low-growth: <90% per capita GDP and below average growth
Source : OECD (2018) Productivity and Jobs in a Globalised World: (How) Can All Regions Benefit?



Regions with strong pre-crisis increases in non-tradable sectors lost more jobs



Calculations based on 208 OECD TL2 regions. Those regions with the largest shifts towards non-tradable sectors suffered higher employment losses, on average, following the 2007-08 crisis.

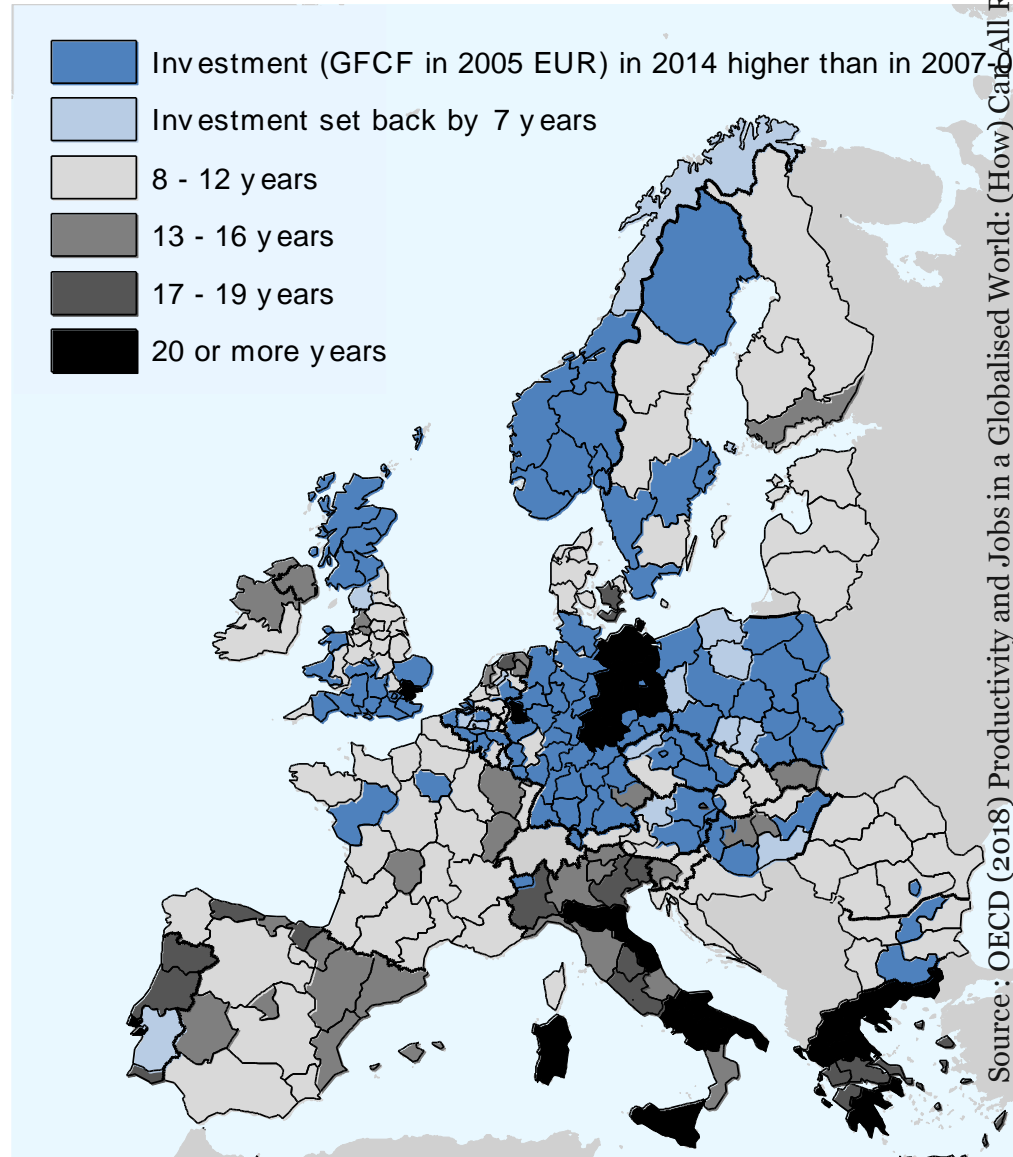


WHAT CAN POLICY DO TO LEVERAGE THE POTENTIAL OF ALL REGIONS?



Broad policy responses

- Reigniting (public) **investment**
- **Structural reforms** (accompanied by complementary policies at the local level)
- **Multi-level governance** and territorial reforms





Strategies to promote catching up and employment growth

- **Strategically diversifying** regional economies
 - Specialised regions more productive, diversified ones grow faster
 - Manufacturing important, but tradable services are gaining
- Identifying and building on **local strengths**
 - Linking investment in skills, FDI, and knowledge from the supply chain
 - Taking advantage of opportunities for territorial branding
- **Integration across** actors and policies
 - Skills development for place-based needs is a shared responsibility
 - But skills policies might not be enough: trade shocks vs automation



Thank you

OECD (2018)

Productivity and Jobs in a Globalised World:
(How) Can All Regions Benefit

<http://www.oecd.org/publications/productivity-and-jobs-in-a-globalised-world-9789264293137-en.htm>

OECD (2016)

OECD Regional Outlook 2016:
Productive Regions for Inclusive Societies

<http://www.oecd.org/regional/oecd-regional-outlook-2016-9789264260245-en.htm>





Classification of tradable sectors: exposure to international competition

- The distinguishing feature of “tradable” sectors is that they are exposed to international competition
- Delineating tradable and non-tradable sectors is not straightforward in practice
- As sectors are highly aggregated in regional data the aim is to find a classification that captures mostly tradable/non-tradable activities

The OECD Regional Outlook 2016 classifies sectors as:

Tradable sectors	Non-tradable sectors
A: agriculture, forestry and fishing	F: construction
B-E: industry (manufacturing, mining and quarrying, supply of utilities: electricity, gas water, etc.) excluding construction	G-I: wholesale and retail trade, transport, accommodation and food service activities
J: information and communication	L: real estate activities*
K: financial and insurance activities	M-N: professional, scientific and technical activities, administrative and support service activities
R-U: arts, entertainment and recreation, other service activities, activities of household and extra-territorial organisations and bodies	O-Q: public administration, defence, education, human health and social work activities

* excluded in parts of the analysis