



# PRODUCTIVITY AND JOBS IN A GLOBALISED WORLD: (HOW) CAN ALL REGIONS BENEFIT

**Committee of the Regions**, Brussels, 22 January 2018

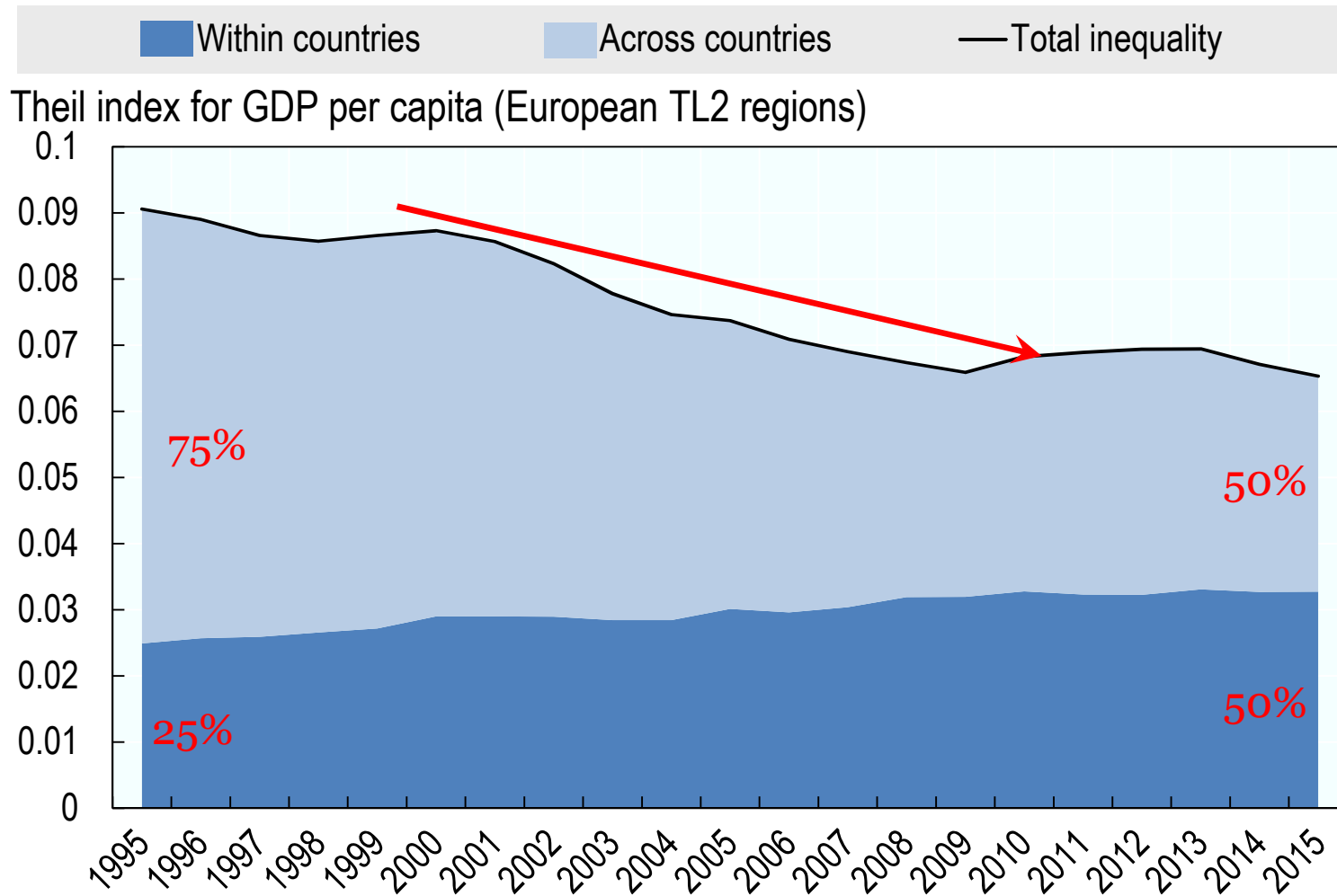
Workshop on International trade and globalisation – Implications for regional growth, employment and industrial renewal

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# Inequality across European regions declined, but not within countries

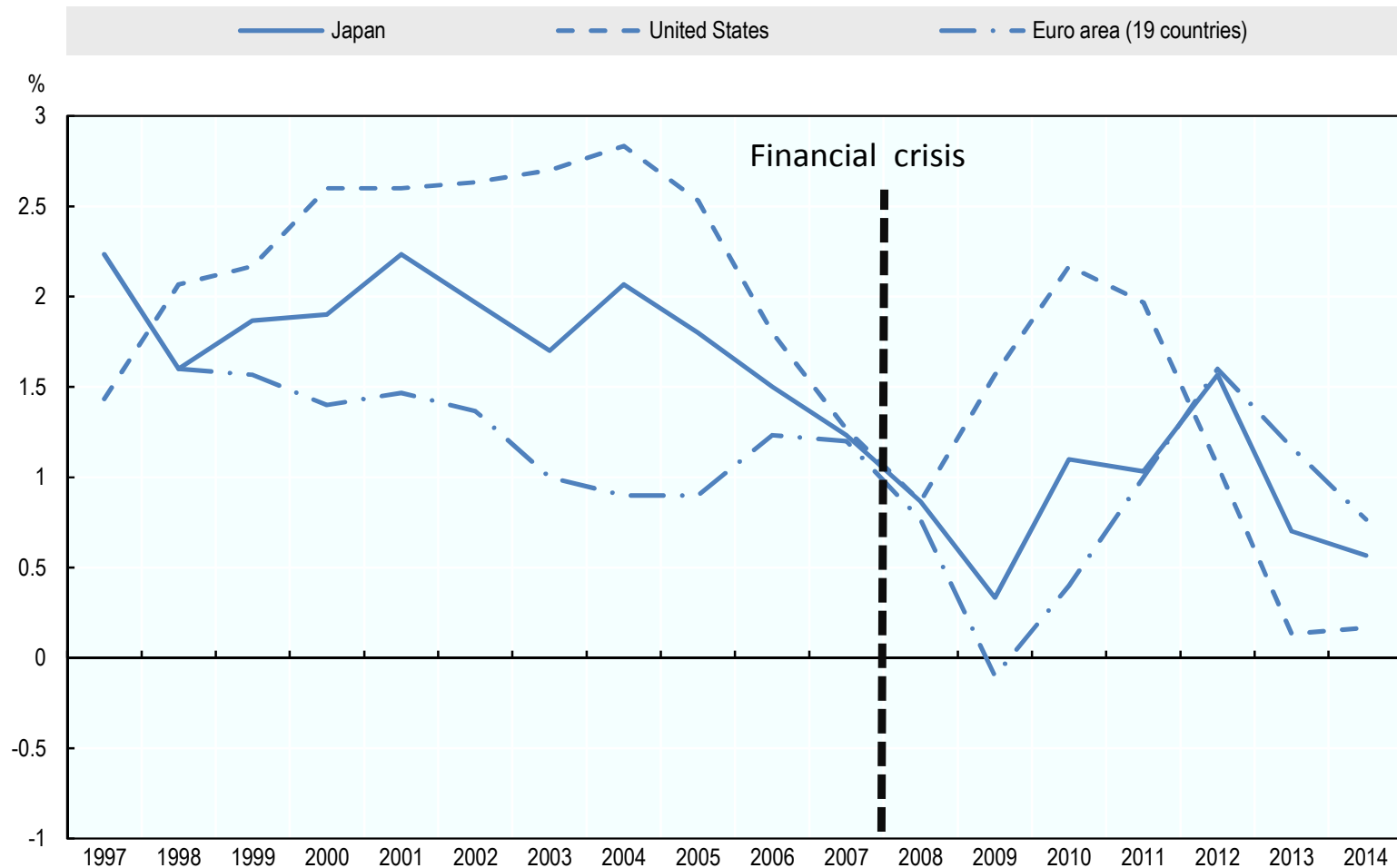


Source for all slides in this presentation (unless otherwise specified) is:  
OECD (forthcoming) Productivity and Jobs in a Globalised World: (How) Can All Regions Benefit?



# Long-term decline in productivity growth rates: not just the crisis

Recent aggregate trends of labour productivity growth, 1997-2014



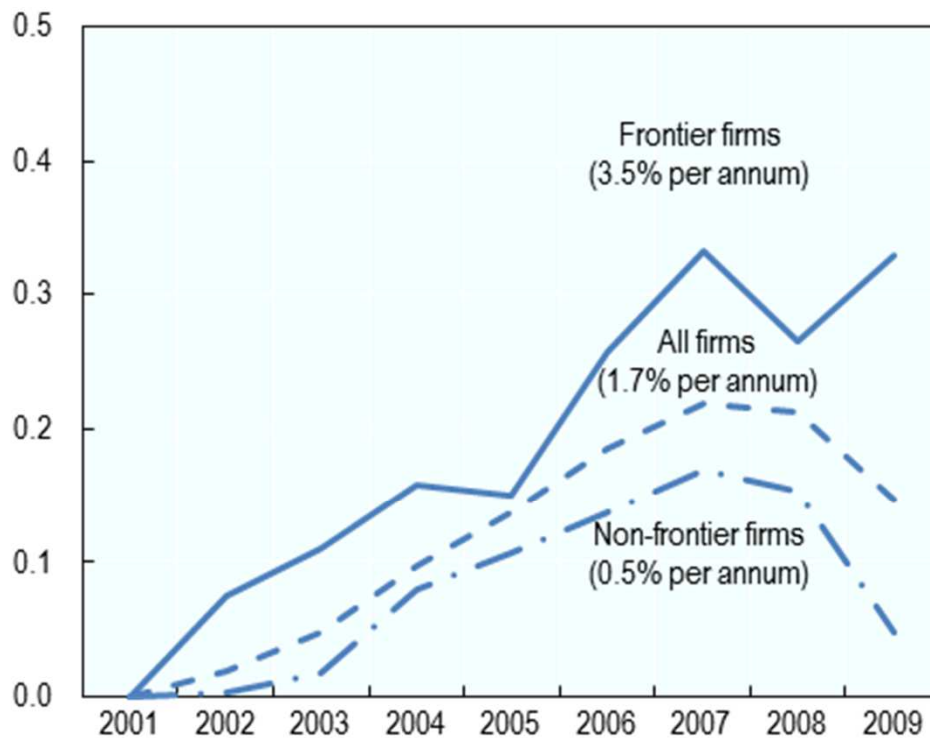
Source: OECD Productivity database; moving averages (t, t-1, t-2)



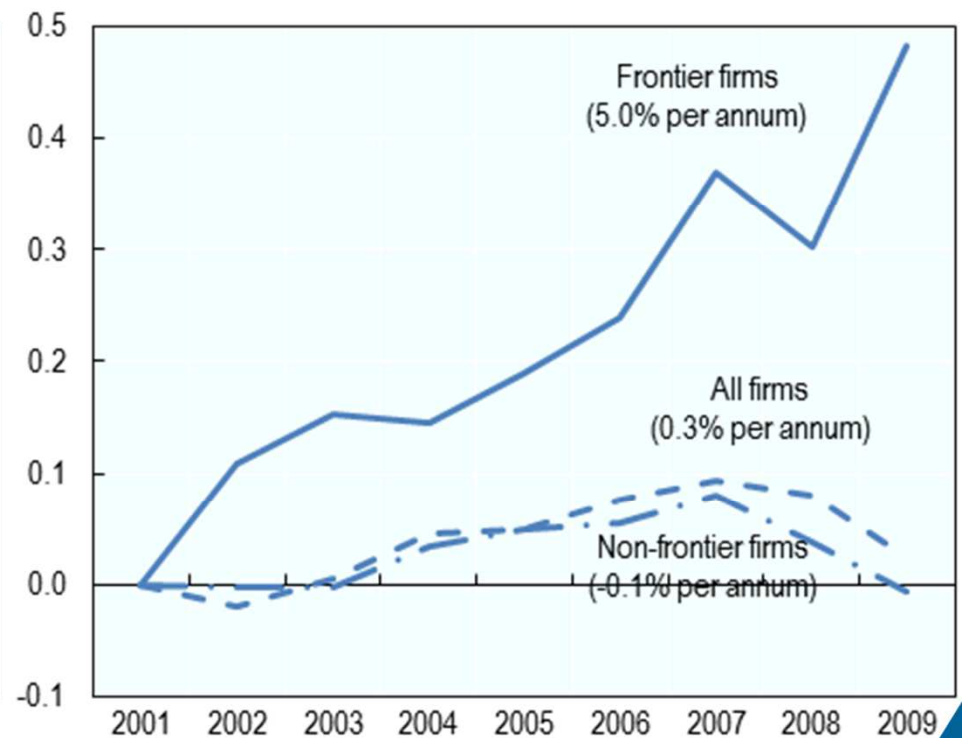
# Productivity gaps between frontier firms and other firms are widening

Labour productivity (2001 = 0.0), 2001-09

Manufacturing sector



Services sector



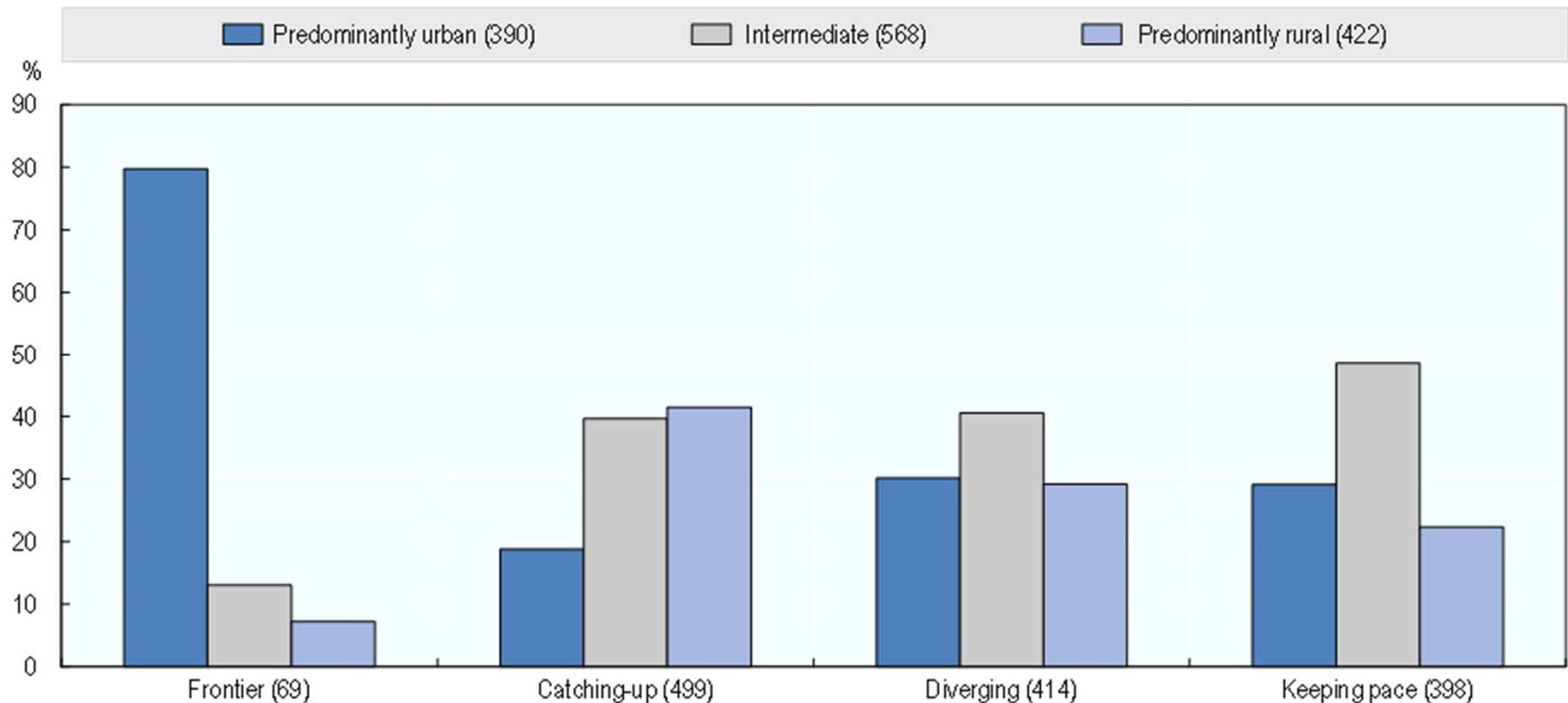
Average labour productivity in the 100 globally most productive “frontier” firms in a sector and all other firms.

Source: Andrews, Criscuolo and Gal (2015).



# European frontier regions tend to be urban, catching-up regions rural or intermediate

TL3 regions, 2000-2014

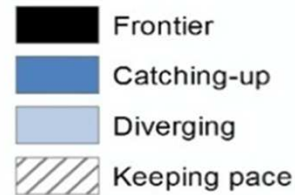


**Frontier** regions are those with the highest labour productivity (per worker GDP) accounting for at least 10% of total employment.

**Catching-up/diverging regions** grew 5% more/less over a 15-year period than their country's frontier



## Not all regions are diverging



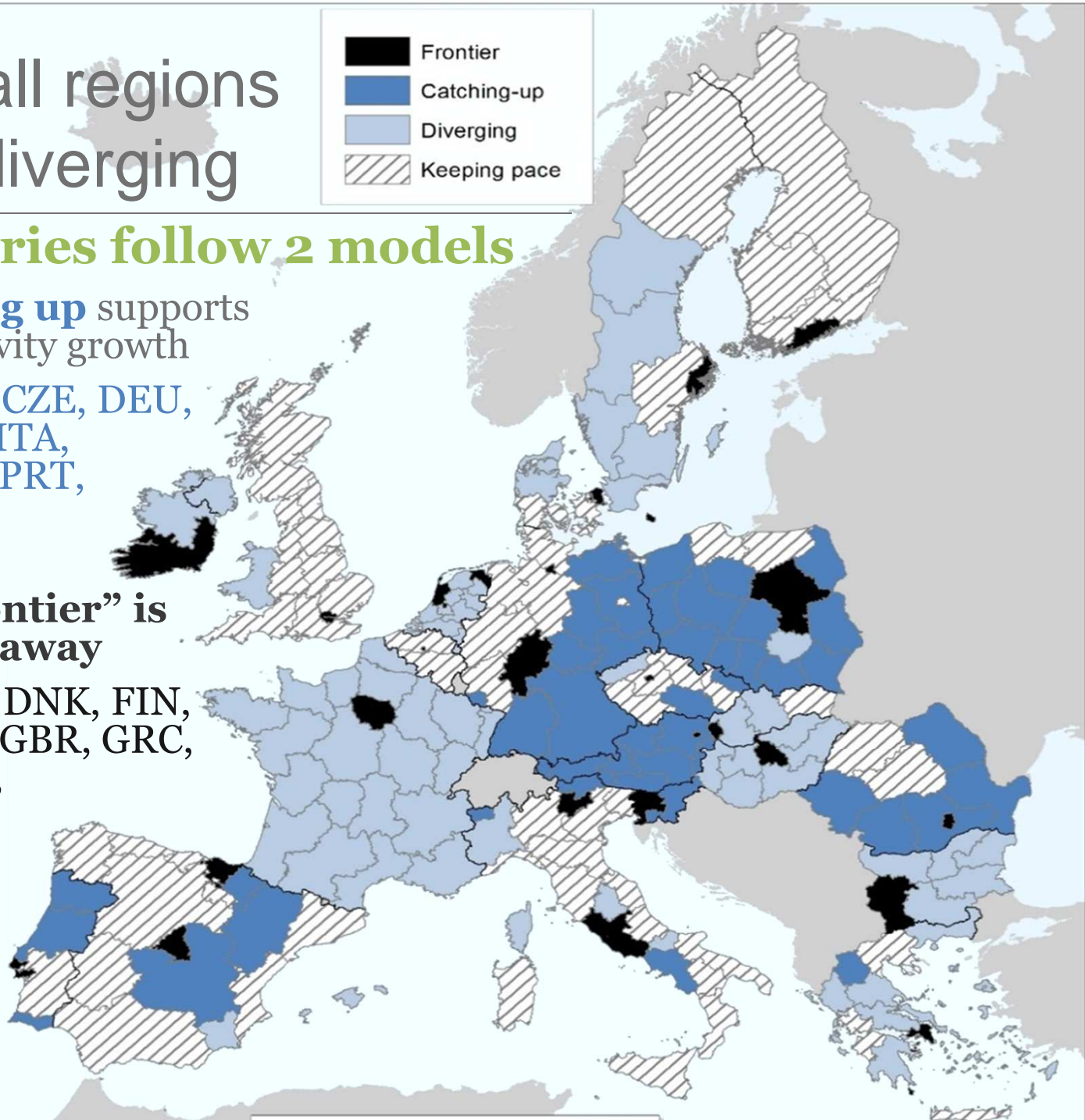
### Countries follow 2 models

**Catching up** supports productivity growth

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

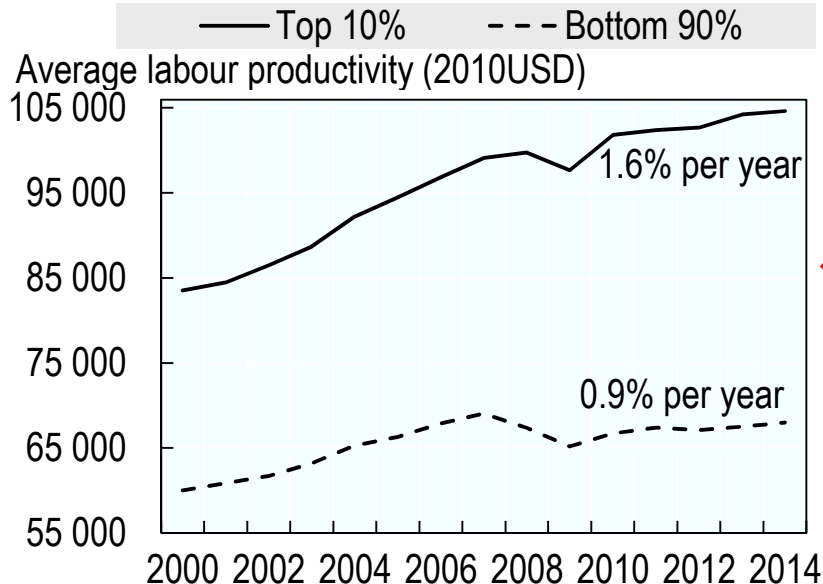
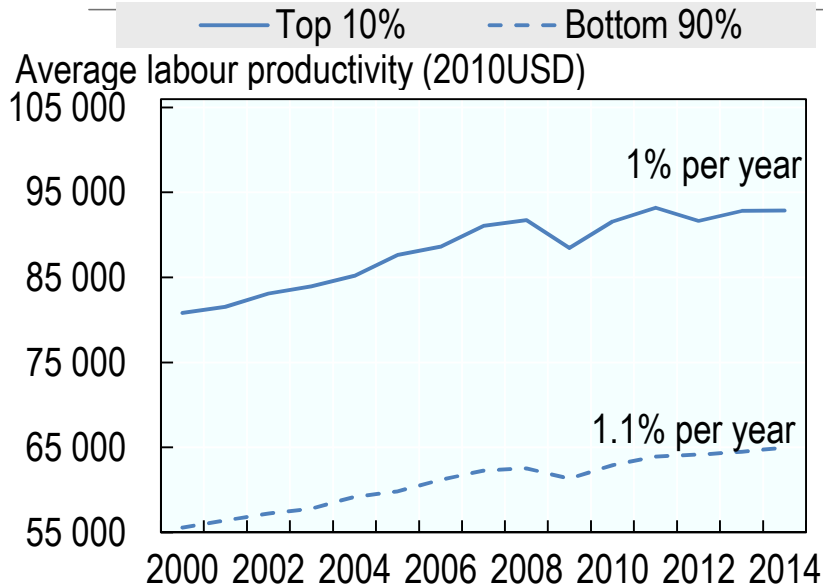
The “**frontier**” is pulling away

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

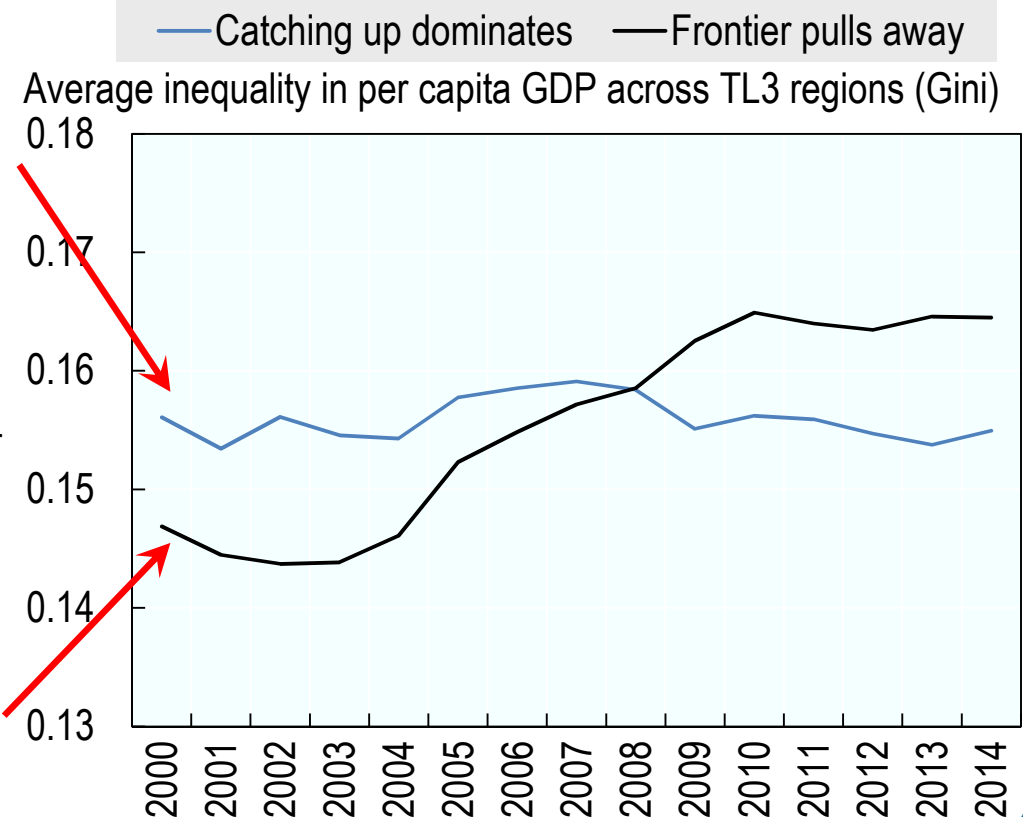




# The challenge of combining growth, catching up and inequality reduction



Catching up dominates: AUT, CZE, DEU, ESP, ITA, POL, PRT, ROU



Frontier pulls away: BGR, DNK, FIN, FRA, GBR, GRC, HUN, NLD, SVK, SWE



# What supports catching up?

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





# 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

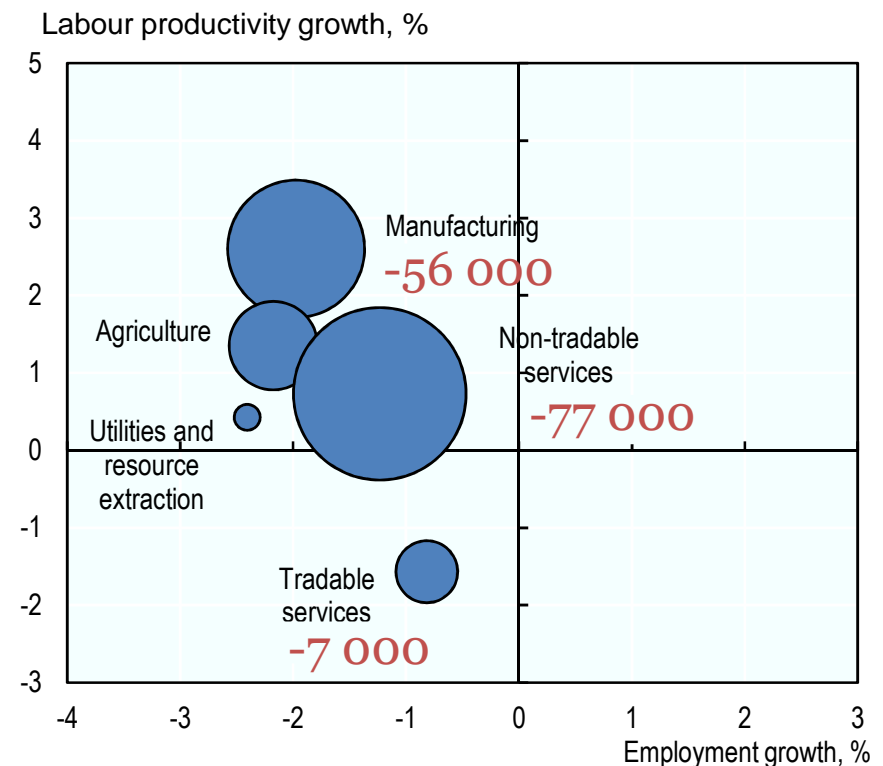
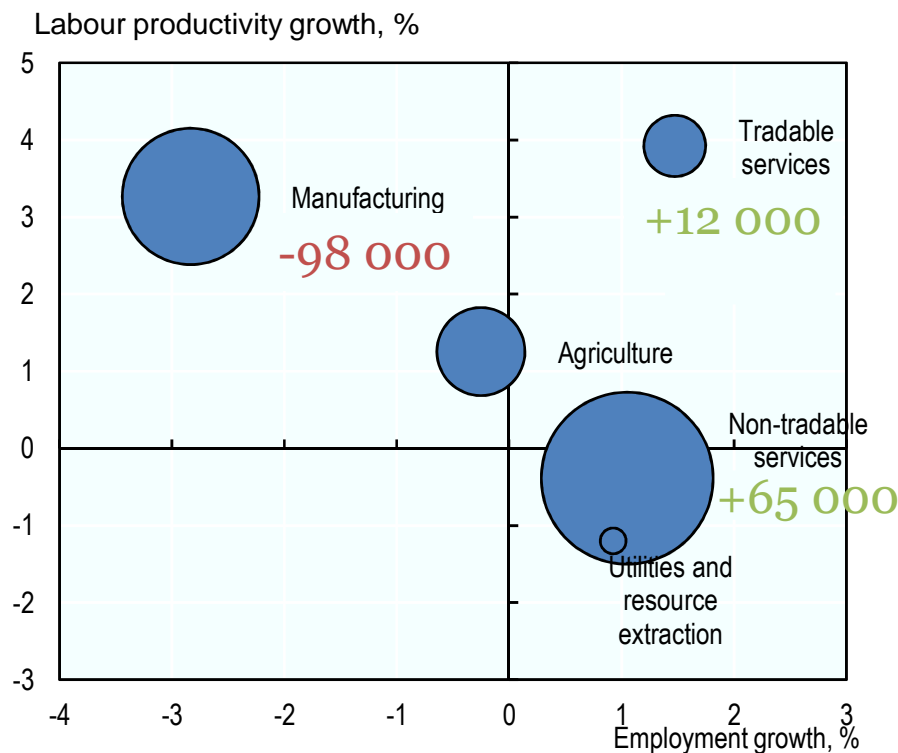
\* excluded in parts of the analysis



# Expansion and decline in non-tradables, Norte (Portugal)

2000-07

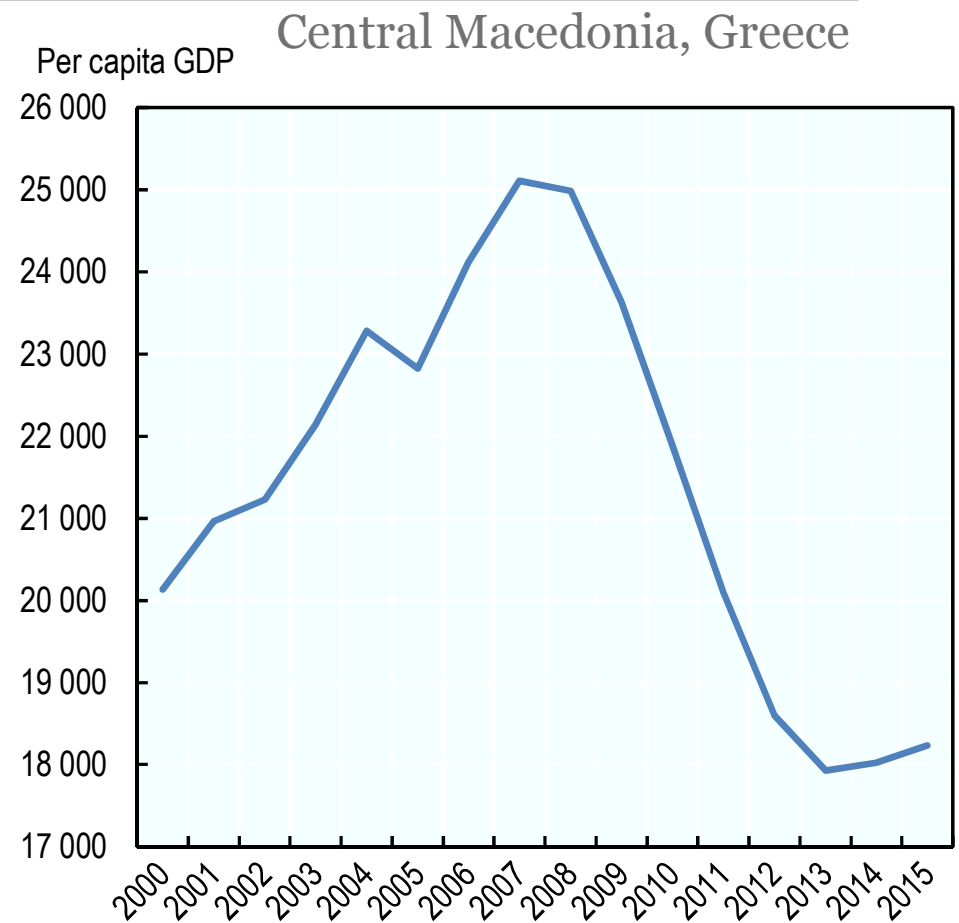
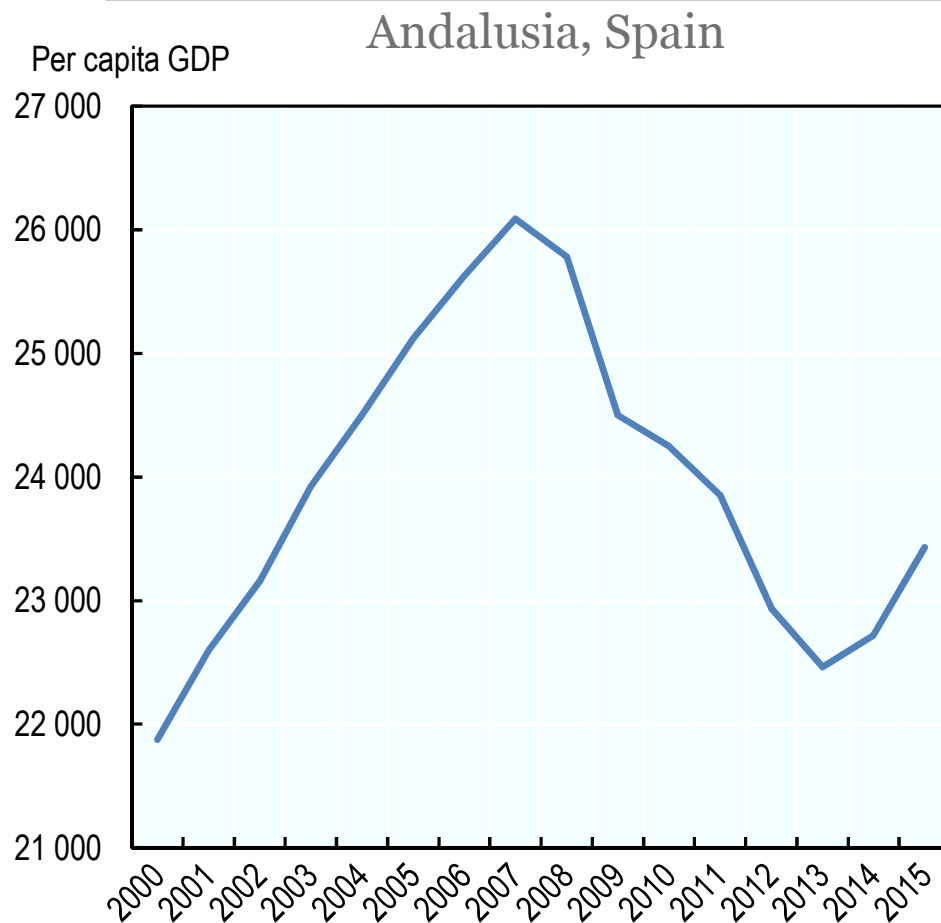
2008-14



- Decline in manufacturing employment, but growth in productivity and output point to significant restructuring
- Low-productivity jobs created in non-tradables were lost following the crisis



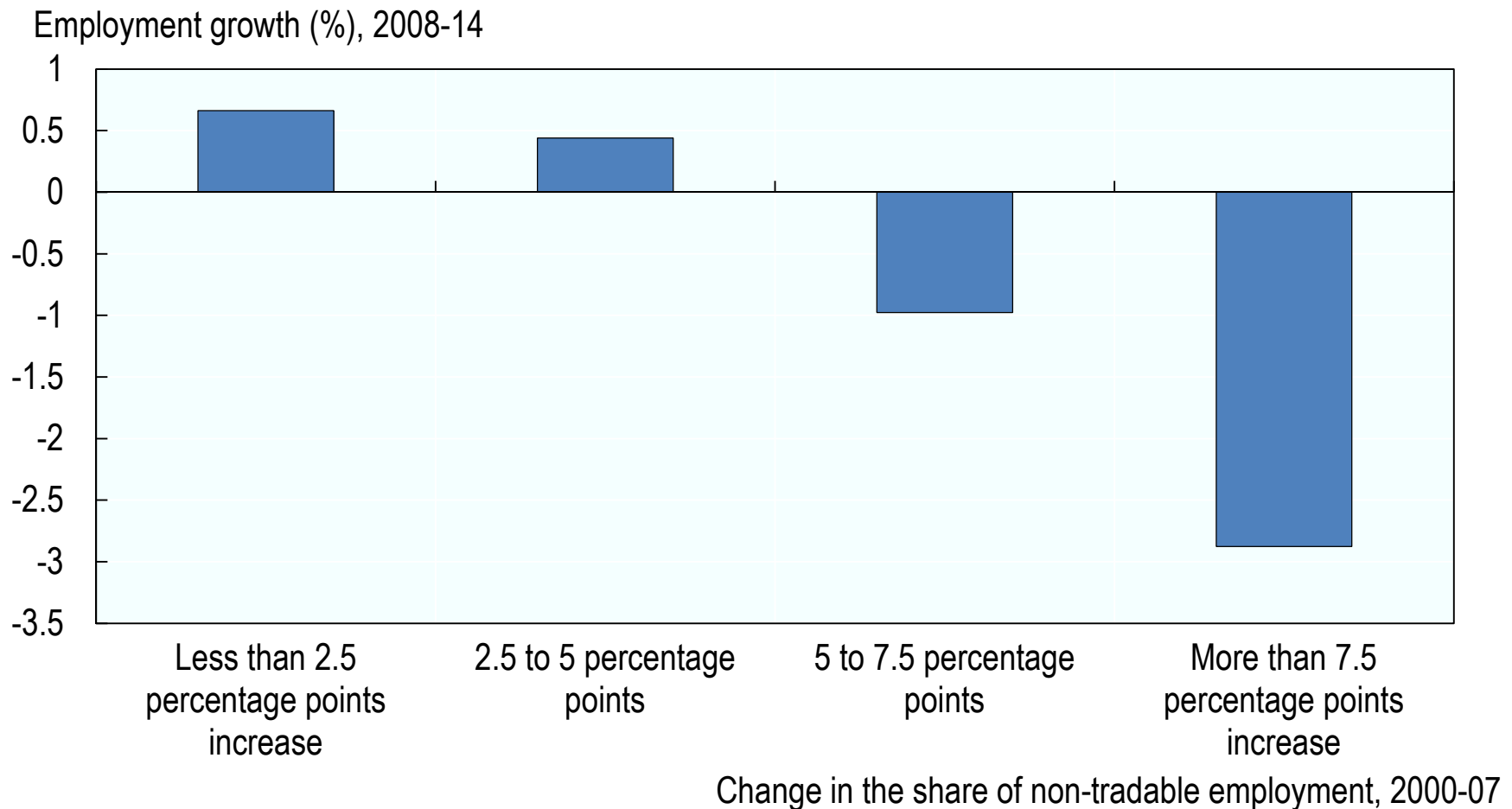
# The 2007-08 crisis revealed unsustainable growth models



- Across the OECD real per capita GDP in 2015 remained below 2007-08 levels in 135 out of 350 TL2 regions
- Construction- and consumption-fuelled growth turned out to be unsustainable



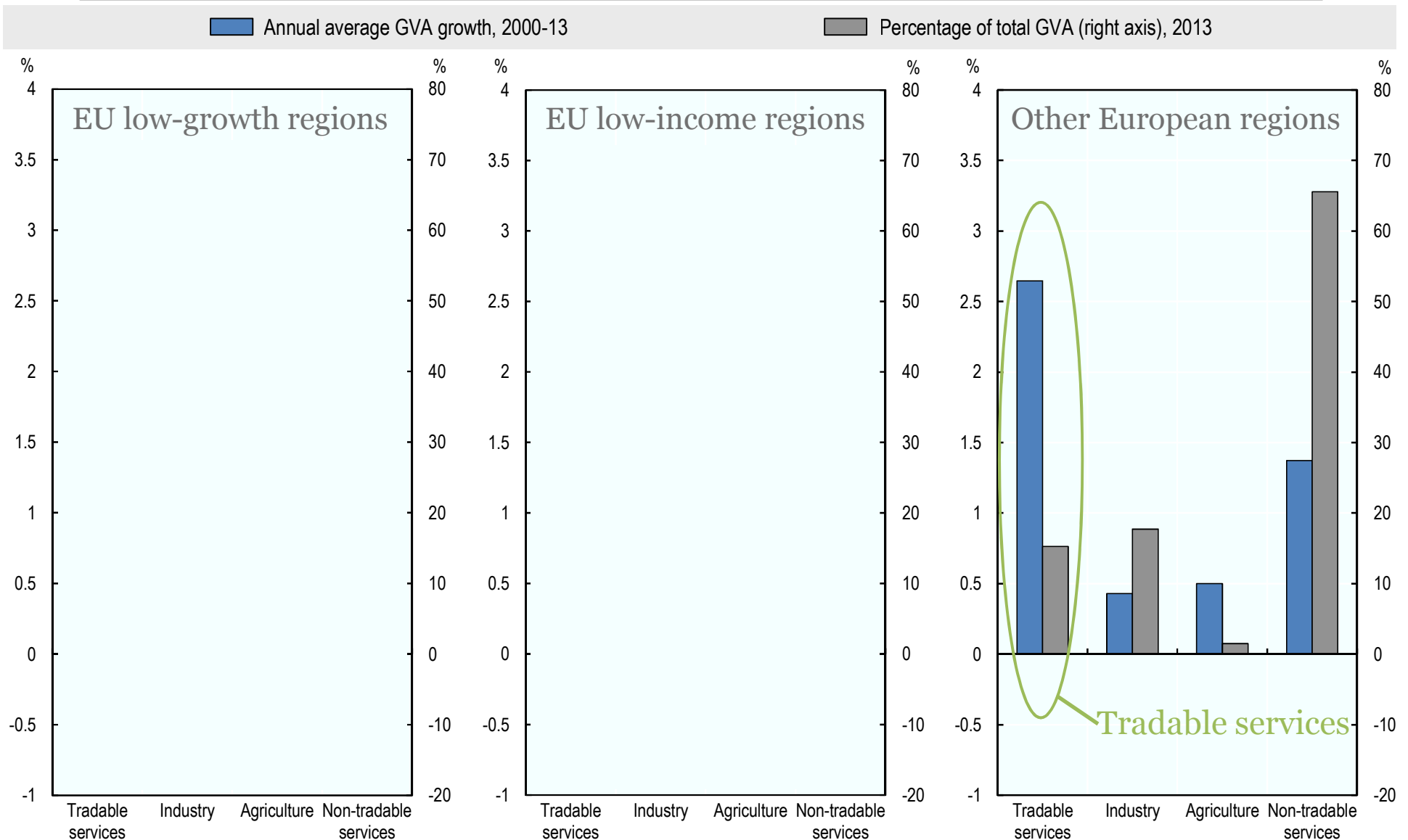
## Regions with strong pre-crisis increases in non-tradable sectors lost more jobs



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.



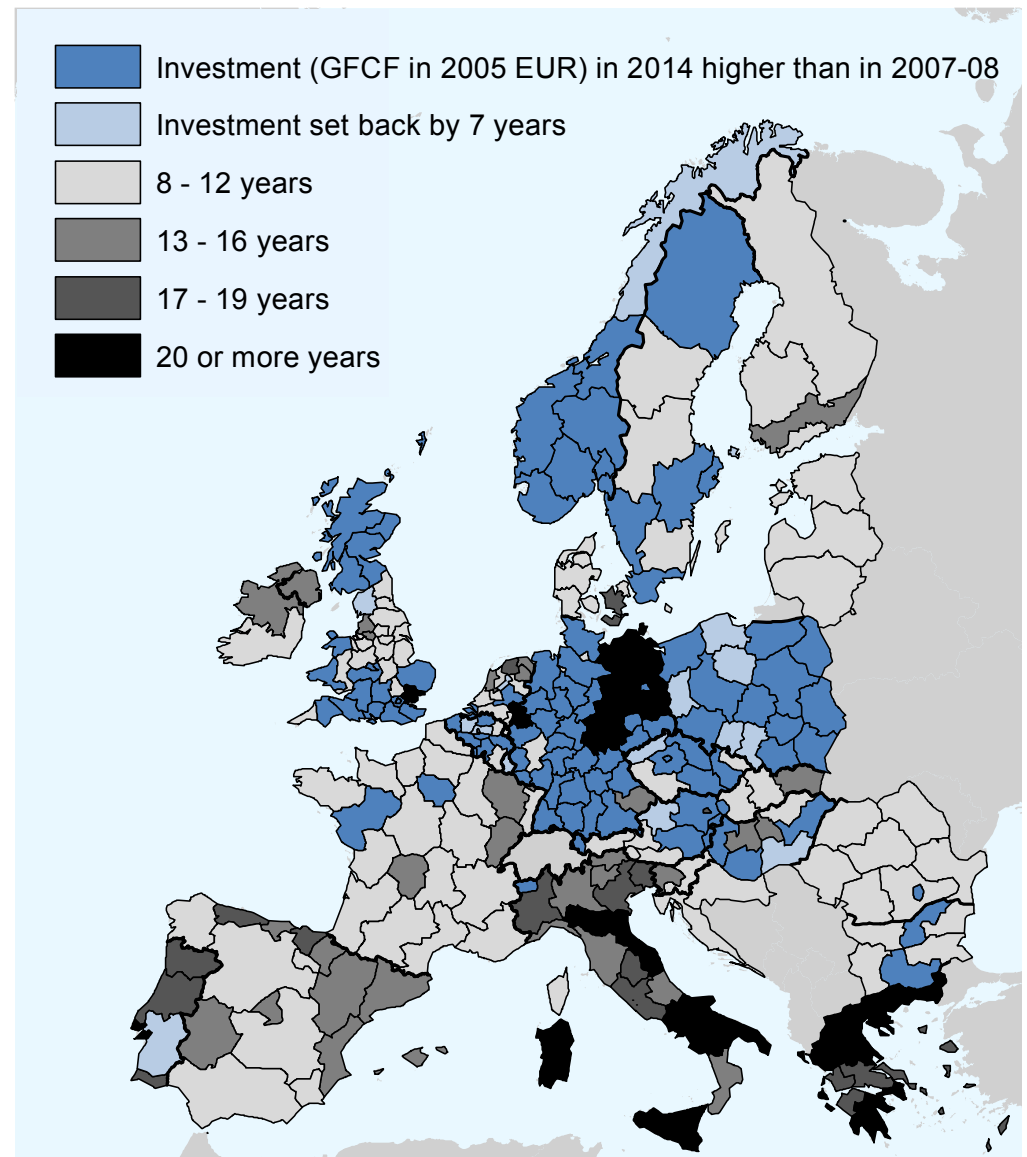
# The nature of tradable sectors is changing ... but not in all parts of Europe





## 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

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- **Strategically diversifying** regional economies
  - **Specialised regions** are more productive, **diversified** ones grow faster
  - Manufacturing can be important, but **tradable services** are gaining
- 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**
- ... and more (launch 26 April 2018)  
OECD (2018), Productivity and Jobs in a Globalised World:  
(How) Can All Regions Benefit, OECD Publishing, Paris.



Thank you

- OECD (forthcoming)  
**Productivity and Jobs in a Globalised World:  
(How) Can All Regions Benefit**
- OECD (2016)  
**OECD Regional Outlook 2016:  
Productive Regions for  
Inclusive Societies**
- Questions & Comments:  
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# Higher paying jobs in traded clusters

Average wage in 2010 EUR

