OECD Regions at a Glance 2016

Executive summary

For policy makers and citizens alike, thinking globally increasingly requires looking hard at the many different local realities within and across countries. A thorough assessment of whether life is getting better requires a wide range of measures that are able to show not only what conditions people experience, but where they experience them. OECD data show remarkably high disparities in people's living conditions across regions and cities: for example, there is a 20 percentage point difference among unemployment rates between regions within Italy, Spain and Turkey, comparable to the difference between the national unemployment rate of Greece and that of Norway. And life expectancy varies by 8 years among all OECD countries, but by 11 years across Canada's provinces and by 6 years among states in Australia and in the United States.

This report provides a comprehensive picture of the level of progress in OECD regions and metropolitan areas towards more inclusive and sustainable development. It does so through eleven well-being dimensions, those that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction). These dimensions are gauged through outcomes indicators, which capture improvements in people's lives. The report also looks at what local resources are being mobilised to increase national prosperity and well-being, to better assess the contribution of regions to national performance.

Since the economic crisis of 2008, many regions are still struggling to increase the productivity of firms and people and to restore employment. Traditionally, relatively few regions have led national job creation: on average, regions that concentrated 20% of OECD employment in 2000 have created one-third of the overall employment growth in the period 2000-14 and 50% or more in the Czech Republic, Estonia, Hungary, Korea and Poland. However, since 2008 employment growth has also slowed down in the most dynamic regions in all OECD countries, with the exception of Israel, Luxembourg, Mexico and Turkey.

Regional and local governments (collectively known as "subnational governments" or SNGs) control many policy levers for promoting prosperity and well-being. SNGs were responsible for around 40% of total public expenditure and 60% of public investment in 2014 in the OECD area. Education, health, general public services, economic affairs and social expenditure represent the bulk of SNG expenditure (85%). At the same time, responsibilities for these sectors are often shared, requiring co-ordination across national and subnational levels of governments to ensure effective and coherent policy making. Indeed, lack of such co-ordination was indicated as a top challenge by three-quarters of European SNGs participating in an OECD-Committee of the Regions survey in 2015.

Key findings

Geography matters for well-being

- While gaps between regions have narrowed in education levels and access to services over the last decade, they have increased in income, air pollution and safety.
- Income is also unequally distributed within regions. Inequality in household disposable income in some regions in Israel, Spain, Turkey and the United States is much higher than inequality in each country as a whole. While households in OECD metropolitan areas are, on average, 17% richer in income than elsewhere, income inequalities are the highest in metropolitan areas, and the share of household income devoted to housing expenditure can be 15 percentage points higher in some metropolitan areas than in the rest of the country.
- Improvement in the educational attainment of the workforce in less-educated regions has narrowed the gaps with more-educated regions in the past 15 years. In France and Mexico, for example, thanks to improvements in the regions that had a relatively lower-educated workforce in 2000, regional disparities in the workforce with at least upper-secondary education have decreased by 12 and 7 percentage points, respectively.
- A new feature of this publication, estimates of subjective well-being at the subnational level reveal that life satisfaction and perceived social support also depend on where one lives. Forty percent of the explained variation of OECD residents' self-reported life satisfaction is accounted for by regional characteristics, with individual characteristics accounting for the other 60%.

Regions contribute to national growth and prosperity

- In the period 2000-14, on average, GDP growth rates were lower in predominantly rural regions than predominantly urban regions in 18 out of 24 OECD countries, while job creation was higher in rural regions than in urban ones in 12 out of 24 OECD countries.
- Productivity gains explain more than 75% of growth in GDP per capita of the fastest-growing regions in the period 2000-13. A majority of these regions include large metropolitan areas where the concentration of different industries facilitates access to skilled labour, infrastructure, innovation, entrepreneurship and trade. The regions whose GDP per capita declined in the past 15 years – mainly in Greece, Italy and Spain – performed poorly both in productivity and in workforce utilisation.
- In 22 out of 27 OECD countries, lagging regions have increased the share of tertiary educated labour force faster than advanced regions, in the period 2000-13. In contrast, the share of research and development (R&D) personnel has increased faster in the advanced regions widening regional gaps in 12 out of 19 countries in the same period.
- The elderly population in OECD countries has increased more than 5 times as much as the rest of the population in the past 15 years. In 26 out of 33 OECD countries, the elderly dependency rate was higher in rural than in urban regions in 2014. Rural regions in OECD countries lost on average 11 people per 10 000 population through migration in 2011-13. At the same time, in Belgium, Korea, Portugal, Switzerland and the United Kingdom, rural regions were net recipients of domestic migration.

Subnational governments finance and invest in regional development

- SNGs carry out 40% of total public expenditure. They have an important economic role as employers, in public procurement, and as providers of essential services in areas such as education (25% of SNG expenditure), health (17%), social protection and economic affairs (14%, for both).
- Economic affairs (mainly transport) and education are the priority investment sectors, accounting for 39% and 22% of SNG investment. SNG investment decreased by almost 4% in real terms between 2007 and 2014 in the OECD area.
- The economic crisis has led to a major deterioration of both SNG budget balance and debt in most OECD countries. In 2014, SNGs' outstanding gross debt accounted for 24% of GDP and 20% of total public debt on average in the OECD.