

For Official Use

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

English - Or. French

**TERRITORIAL DEVELOPMENT SERVICE
TERRITORIAL DEVELOPMENT POLICY COMMITTEE**

For Official Use

Working Party on Territorial Indicators

**REDEFINING TERRITORIES:
FUNCTIONAL REGIONS**

OECD Headquarters, 24-25 January 2002

This document, prepared by Nadine Cattan, presents the main results of the study on functional regions. The Secretariat proposes to publish them in the "OECD Territorial Outlook, 2002".

TA 11820

**Document incomplet sur OLIS
Incomplete document on OLIS**

English - Or. French

TABLE OF CONTENTS

Introduction.....	3
1. Definition of functional regions	3
2. Compatibility with administrative boundaries	5
3. Size of functional and administrative regions	9
4. Uses and utility of functional regions	10
5. Responsibilities of functional regions.....	12
6. Advantages and limitations of functional regions	14
Conclusion and future outlook.....	15

Tables

Table 1. Definitions of functional regions.....	5
Table 2. Administrative regions and functional regions.....	6
Table 3. Territorial contexts and statistics.....	9
Table 4. Size of administrative and functional regions	10
Table 5. Reasons for creating functional regions.....	11
Table 6. Policy implementation and responsibilities of functional regions.....	13
Table 7. Financial resources of functional regions	14

Figures

Figure 1. The Uusimaa Region in Finland.....	7
Figure 2. The Midi-Pyrénées Region in France	8

REDEFINING TERRITORIES: FUNCTIONAL REGIONS¹

Introduction

The need for policy with a territorial focus is prompting central governments in most OECD Member countries to pay close attention to sub-national territorial levels. Given the importance of the regional and local context when seeking to gain more insight into national and sub-national dynamics and implementing territorial development strategies and policies, it is becoming increasingly necessary to disaggregate all types of information.

In all territorial development studies and assessments conducted at sub-national level, the choice of territorial unit is of prime importance. The reference used by international bodies, researchers and policy-makers in their work is usually a country's administrative units, given the availability of relevant information. However, in spite of their official status and stability, such units have some limitations and shortcomings when it comes to international comparability.

At the request of the Territorial Development Policy Committee of the OECD, the Territorial Development Service undertook an experimental study on functional regions. Delineated in accordance with a similar principle, that of commuting conditions, these regions correspond to labour markets and represent an exhaustive breakdown of national territories. As a general rule, the non-official nature and shifting boundaries of these regions make it relatively difficult to collect data and monitor changes over time. In most Member countries, however, certain territorial strategies and objectives are increasingly defined on the basis of such units.

This paper is based on the questionnaire sent to Member countries and provides an overview of definitions and usage of functional regions in OECD countries. It explains why countries have created such units, identifies their responsibilities and prerogatives, and finally looks at their financial resources. It also represents an assessment of the relevance of using such regions as territorial units for analysis and as the operating framework for selected territorial policies.

1. Definition of functional regions

A functional region is a territorial unit resulting from the organisation of social and economic relations in that its boundaries do not reflect geographical particularities or historical events. It is thus a functional sub-division of territories. The most typical concept used in defining a functional region is that of labour markets.

1. This document was prepared by Nadine CATTAN, CNRS-UMR Géographie-cités, Paris, France (e-mail: nadine-cattan@parisgeo.cnrs.fr).

Twenty-two Member countries replied to the questionnaire, of which five (Japan, Korea, Mexico, Spain and Turkey) do not define regions in terms of labour markets. In Belgium, the process is under way. Most OECD Member countries, either on an official or a semi-official basis, can therefore be said to delineate functional regions in terms of local labour markets. Even though there are slight differences in definitions used, in that the parameters applicable to commuters can vary from one country to another and/or the travel-to-work criterion may be combined with other criteria such as daily travel distances, inter-city co-operation etc., the rationale underlying the delineation of such regions nonetheless remains the same. In most countries, municipalities, or their equivalent, constitute the basic territorial units for the definition of functional regions. The boundaries of these regions are defined with reference to labour mobility. Put simply, it can be said that functional regions are integrated territories in the sense that labour mobility towards the exterior is low or even non-existent. In other words, workers in the region have jobs within the region's limits. Thus, there is a relatively good match between labour supply and demand in such regions which may be regarded as self-sufficient areas for daily living. In short, it should be noted that the delineation of functional regions in most Member countries is based on the same principle, that of **commuting conditions** (Table 1).

Despite this similarity in the approach towards definition, differences in the conceptual basis suggest that a distinction can be drawn between centre-based delineations -- around a given metropolitan area (for example, Canada, Germany, United States), a given urban area (France), or a geographical employment area (Portugal) -- and "non-centre based" delineations, such as commuting zones in the United States, employment areas in France, local employment areas in Finland and local employment systems in Italy. A single country may use both types of delineation. This applies for instance to France, the United States and Portugal. It should be noted that certain centre-based definitions, but not all, do not represent a division into regions or an exhaustive breakdown of the national territory, but correspond to the delineation of areas of extended urban influence. Those portions of the national territory which lie outside this area of influence are all considered to be rural areas. This applies to certain definitions in Canada and France. In delineations based on centres, particular care needs to be taken in the definition of these centres. While some countries identify centres according to size of population or level of employment, others take account of commuting conditions. In the latter case, the centre must be "self-sufficient", in that the number of workers living and working there is higher than the number of workers migrating to another centre, or it must attract a number of workers that is substantially higher than the number of workers leaving the centre to work outside.

However that may be, out of 22 definitions of functional regions, 12 are delineated around a given centre. The other 10 do not require identification of a centre but instead use algorithms or cluster analysis based on a combination of distance, closeness, commuting thresholds, travel times, etc. They are constructed through successive aggregation of adjacent territorial units. In all cases, non-centre-based definitions represent an exhaustive breakdown of national territories.

Table 1. Definitions of functional regions

Country	Functional region	Number	Criteria	Delineation around poles	Full national coverage
Austria	– <i>Arbeitsmarktbezirke</i> -- NUTS IV (Local labour market districts)	85	Established by law	No	Yes
Belgium	– <i>No definition of local labour market (in progress)</i>	..	..	..	..
Canada	– Census Metropolitan Areas	25	Commuting conditions	Yes	No
	– Census Agglomeration Regions	112	Commuting conditions	Yes	No
Czech Republic	– <i>Pracovistni okrsek</i> (Local labour market microregions)	235	Commuting conditions	Yes	Yes
Denmark	– <i>Pendlingsopland</i> (Commuting catchment areas)	27	Commuting conditions	Yes	Yes
Finland	– Sub-regions, NUTS IV, local labour markets	82	Commuting conditions + co-operation between municipalities	No	Yes
France	– Employment areas	348	Commuting conditions	No	Yes
	– Urban areas	361	Commuting conditions	Yes	No
Germany	– Local labour markets	271	Commuting conditions + travel time	Yes	Yes
	– Spatial planning regions	92	Commuting conditions	Yes	Yes
Hungary	– Regional labour centres / regional unemployment offices	148	..	No	..
Italy	– <i>Sistemi locali del lavoro</i> (Local employment system)	784	Commuting conditions	No	Yes
Japan	– <i>No definition of local labour market</i>	..	..	..	..
Korea	– <i>No definition of local labour market</i>	..	..	..	..
Mexico	– <i>No definition of local labour market</i>	..	..	..	..
Norway	– Economic regions -- NUTS IV	90	Commuting conditions + retail trade	Yes	Yes
Poland	– <i>Powiat</i> -- NUTS IV	92	Administrative	No	Yes
Portugal	– <i>Unidades Geográficas de Empregos</i> (Geographical employment units)	33	Commuting conditions	Yes	Yes
	– <i>Bacias de Emprego</i> (Local labour markets)	40	Commuting conditions	No	Yes
Spain	– <i>No definition of local labour market</i>	..	..	..	..
Sweden	– Local labour markets	81	Commuting conditions	Yes	Yes
Switzerland	– Labour markets	16	Commuting conditions	Yes	Yes
Turkey	– <i>No definition of local labour market</i>	..	..	..	..
United-Kingdom	– Travel-to-work-areas	308	Commuting conditions	No	Yes
	– Commuting zones	766	Commuting conditions	No	Yes
United States	– Metropolitan areas	268	Population density + commuting conditions	Yes	No

Source: Questionnaire on Functional regions, OECD, 2000.

2. Compatibility with administrative boundaries

The compatibility between functional regions and administrative ones is an important issue since it reflects how the different territorial levels fit together and can determine how tasks and responsibilities are shared between them. This issue can be approached from two standpoints: compatibility with higher administrative territorial levels, and compatibility with lower ones. Each approach involves different questions and expectations.

Within the OECD Territorial Development Service, the Territorial Statistics and Indicators Unit collects demographic, economic and social data at two sub-national administrative levels: large regions, designated as territorial level 2, and small regions, corresponding to territorial level 3 (Table 2).

Table 2. Administrative regions and functional regions

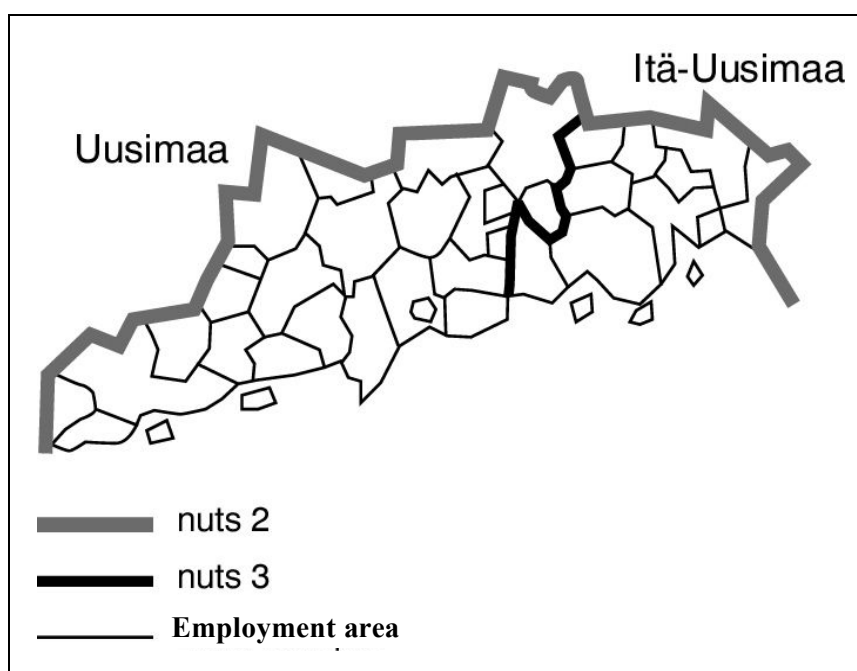
Country	Territorial level 2	Territorial level 3	Functional regions
Austria	– <i>Bundesländer</i>	<i>Gruppen von Politischen Bezirken</i>	<i>Arbeitsmarktbezirke</i> - NUTS IV (Employment market districts)
Belgium	– Regions	Provinces	No delineations (under way)
Canada	– Provinces	Census Divisions	a) Census metropolitan areas b) Census agglomeration regions
Czech Republic	– Statistical or technical regions	<i>Kraje</i>	<i>Pracovistní okrsek</i> (Labour market micro-regions)
Denmark	– Regions	<i>Amter</i>	<i>Pendlingsopland</i> (Commuting catchment areas)
Finland	– <i>Suuralueet</i>	<i>Maakunnat</i>	Sub-regions, NUTS IV, local labour markets
France	– Regions	<i>Départements</i>	a) Employment areas b) Urban areas
Germany	– <i>Länder</i>	<i>Regierungsbezirke</i> (modified)	a) Local employment markets b) Spatial planning regions
Hungary	– Planning statistics regions	Counties + Budapest	Regional labour centres/regional unemployment offices
Italy	– <i>Regioni</i>	Province	<i>Sistemi locali del lavoro</i> (Local employment systems)
Japan	– Group of prefectures	<i>Prefectures</i>	No delineation
Korea	– ---	Special metropol, metropolises, (autonomous urban communities)	No delineation
Mexico	– <i>Estados</i>	<i>Regiones</i>	No delineation
Norway	– <i>Landsdeler</i>	<i>Fylker</i>	Economic regions - NUTS IV
Poland	– <i>Voivodships I</i>	---	<i>Powiat</i> - NUT IV
Portugal	– <i>Comissaoes coordenação regional + regions autonomas</i>	<i>Grupos de Concelhos</i>	a) <i>Unidades Geográficas de Empregos</i> (Geographical employment unit) b) <i>Bacias de Emprego</i> (Local labour markets)
Spain	– <i>Comunidades autonomas</i>	<i>Provincias</i>	No delineation
Sweden	– <i>Riksomraden</i>	<i>Län</i>	Local labour markets
Switzerland	– Large regions	Labour markets	Labour markets
Turkey	– Regions	Provinces	No delineation
United-Kingdom	– Government Office Regions + Counties	Upper tier authorities or groups of lower tier authorities or LECs or groups of districts	Travel to work areas
United States	– State	Commuting zones	a) Commuting zones b) Metropolitan areas

Source: OECD Secretariat.

Because their delineation is based on the conditions that apply to commuting between municipalities, functional regions are not always compatible with these higher-level territorial grids. This is the case for fourteen definitions out of twenty-two. In the former, the delineation of functional regions is *strictly* based on commuting conditions inasmuch as no adjustment is made to match the functional delineation with an administrative one. In the eight remaining definitions, readjustments are made to ensure that the boundaries of functional regions correspond to those at provincial or regional level. It is difficult to judge whether such adjustments are helpful or not. It is true that making adjustments between functional regions and higher territorial levels facilitates territorial analyses. For example, it makes possible a more refined analysis of territorial disparities, and highlights structural problems which are often concealed by average evaluations made in regions which are too large. But such readjustments are to the detriment of a certain «readability» of functional regions since their delineation no longer corresponds exactly with the boundaries of a given employment market or community area.

Two examples illustrate these arguments: the example of Finland (Figure 1) shows a perfect fit between the different administrative and functional territorial units whereas in the case of France, things are a little more complicated (Figure 2). The functional regions are compatible with level 2 units, *i.e.*, regions, but not with those of level 3, namely *départements*.

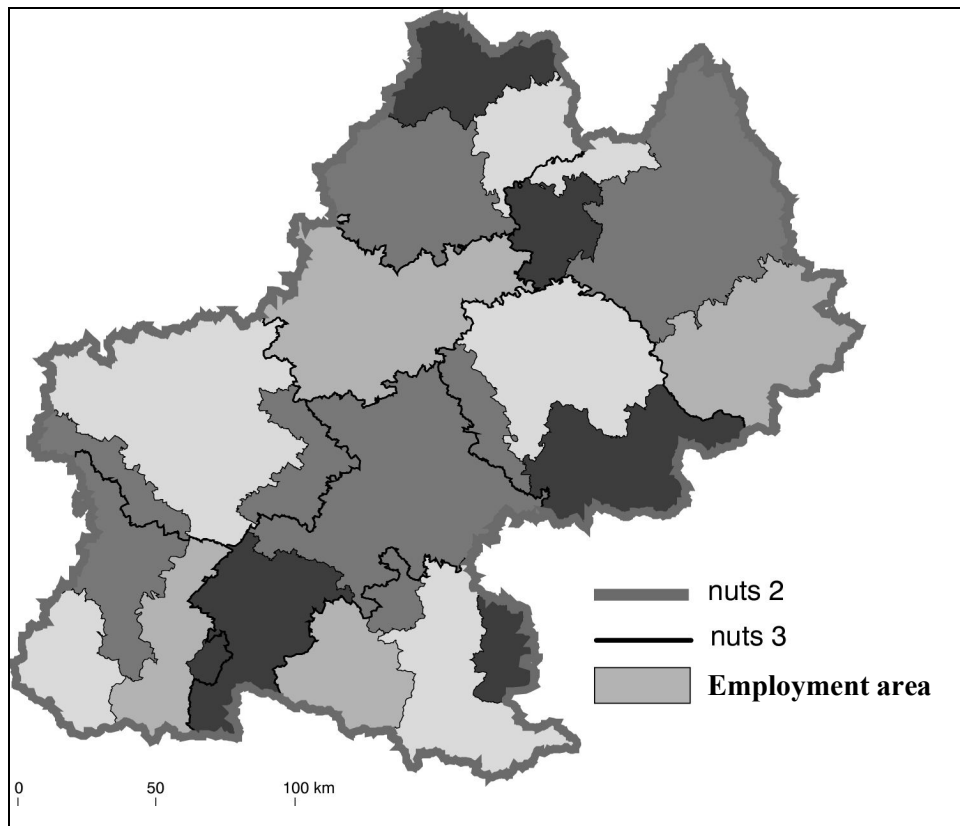
Figure 1. The Uusimaa Region in Finland



The employment areas *maakunnat* (NUTS III) and *suuralueet* (NUTS II) are compatible.

Source: Ministry of the Interior.

Figure 2. The Midi-Pyrénées Region in France



The employment areas and the *départements* (NUTS III) are not compatible, whereas the employment areas and the regions (NUTS II) are.

Source: INSEE.

Compatibility with lower administrative levels -- essentially municipalities -- prejudices the existence and availability of census data. In most OECD countries, functional regions are delineated by aggregating entire municipalities (Table 3). Functional regions are therefore, in general, fully compatible with basic administrative territorial units, the level which serves as a reference for censuses and also often for other types of surveys and data collection. As a result, most of the socio-economic statistics and indicators are available at the level of functional regions.

Table 3. Territorial contexts and statistics

Country	Functional region	Compatibility with territorial levels		Availability of statistics
		Lower	Higher	
Austria	– <i>Arbeitsmarktbezirke</i> - NUTS IV (Local labour market Districts)	Yes (municip.)	Yes	Yes
Canada	– Census Metropolitan Areas	Yes (municip.)	No	Yes
	– Census Agglomeration Regions	Yes (municip.)	No	Yes
Czech Republic	– <i>Pracovistní okrsek</i> (Local labour market microregions)	Yes (municip.)	No	Yes
Denmark	– <i>Pendlingsopland</i> (Commuting catchment areas)	Yes (municip.)	Yes	Yes
Finland	– Sub-regions, NUTS IV, local labour markets	Yes (municip.)	Yes	Yes
France	– Employment areas	Yes (municip.)	No	Yes
	– Urban Areas	Yes (municip.)	No	Yes
Germany	– Local labour markets	Yes (<i>Kreise</i>)	Yes	Yes
	– Spatial planning regions	Yes (<i>Kreise</i>)	Yes	Yes
Hungary	– Regional labour centres / regional unemployment offices	No	No	Yes (in part)
Italy	– <i>Sistemi locali del lavoro</i> (Local employment systems)	Yes (municip.)	No	Yes
Norway	– Economic Regions - NUTS IV	Yes (municip.)	Yes	Yes
Poland	– <i>Powiat</i> - NUT IV	Yes	Yes	Yes (in part)
Portugal	– <i>Unidades Geográficas de Empregos</i>	Yes (<i>concelhos</i>)	No	Yes (in part)
	– <i>Bacias de Emprego</i>	Yes (<i>concelhos</i>)	No	Yes (in part)
Sweden	– Local labour markets	Yes (municip.)	No	Yes
Switzerland	– Labour markets	Yes (municip.)	No	Yes
United-Kingdom	– Travel-to-work-areas	Yes (wards)	No	Yes
	– Commuting zones	Yes (counties)	No	Yes
United States	– Metropolitan areas	Yes (counties)	No	Yes

Source: Questionnaire on functional regions, OECD, 2000.

3. Size of functional and administrative regions

The differences across countries in the average size of territorial units are often used to justify, at international level, the adoption of one unit rather than another. Table 4 shows that, contrary to what many people could think, the average size of functional regions, in terms of both area and population, varies as much if not more than the average size of administrative regions from one OECD country to another. In terms of surface area, it is level 2 regions which seem to show the least variation in average size between countries (a lower variation coefficient and a lower maximum/minimum ratio). As regards population, on the other hand, the extent of variation in the average size of regions between countries seems to be the same for the three units (same variation coefficient) (Table 4).

The question of the average size and how this varies across countries is certainly important. It is, however, less so than the principles underlying the division of national territories into sub-national units. In the case of functional regions, these principles are relatively similar from one country to another since they are based, in most cases, on labour mobility and the identification of local employment markets.

Table 4. Size of administrative and functional regions

	Territorial level 2			Territorial level 3			Functional region		
	Number of units	Average area (100 km ²)	Average population (1 000 inhab.) 1999	Number of units	Average area (100 km ²)	Average population (1 000 inhab.) 1999	Number of units	Average area (100 km ²)	Average population (1 000 inhab.) 1999
Germany	16	223	5 130	49	72	1 675	a) 271 b) 92	13 39	303 892
Austria	9	93	899	35	24	231	85	10	95
Belgium	3	102	3 413	11	27	931	--	--	--
Canada	12	7 669	2 541	288	319	106	a) 25 b) 112	* *	* *
Korea	16	62	2 929	--	--	--	--	--	--
Denmark	3	144	1 773	15	56	355	27	16	197
Spain	16 + 2	280	2 190	48 + 4	97	758	--	--	--
United States	51	1 838	5 351	765	120	357	a) 765 b) 268	123 *	357 *
Finland	6	564	862	20	169	259	85	40	61
France (exc. DOM and TOM)	22	247	2 686	96	56	616	a) 348 b) 361	16 *	170 *
Hungary	7	133	1 438	20	49	503	148	6	68
Italy	20	151	2 854	103	29	554	784	4	73
Japan	10	378	12 669	47	80	2 695	--	--	--
Mexico	32	659	3 050	--	--	--	--	--	--
Norway	7	439	637	19	162	235	90	36	50
Poland	16	195	2 416	--	--	--	92	34	420
Portugal	5 + 2	131	1 427	28 + 2	31	333	a) 33 b) 40	28 23	303 250
Czech Republic	8	99	1 286	14	56	735	235	3	44
United Kingdom	12	201	4 958	133	18	447	308	8	193
Sweden	8	514	1 107	21	196	422	81	56	109
Switzerland	7	57	1 020	16	25	446	16	26	446
Turkey	7	1 107	9 403	80	106	823	--	--	--
<i>Minimum</i>	o	57	637	o	18	106	o	3	44
<i>Maximum</i>	o	7 669	12 669	o	319	2 695	o	123	892
<i>Maximum/Minimum</i>	o	134.5	19.9	o	17.7	25.5	o	36.4	20.4
<i>Standard deviation</i>	o	1 611.4	2 932.3	o	77	605.5	o	28.5	214.1
<i>Average</i>	o	694.8	3 183.6	o	89.1	656.9	o	28.2	237.1
<i>Variation coefficient</i>	o	2.3	0.9	o	0.9	0.9	o	1	0.9

Notes :

- * do not cover the whole of national territory
- no delineation
- o inapplicable

Source: OECD Secretariat.

4. Uses and utility of functional regions

Apart from the Czech Republic, Denmark, Hungary and Portugal, all the countries which define functional regions use them as a framework for socio-economic territorial analysis, structural studies of local labour markets and assessments of regional disparities (Table 5). Some countries use the concept as analytical markers to identify «fragile» regions requiring assistance. Indeed, in the larger administrative regions, structural problems requiring regional initiatives are not easily identifiable for the simple reason that they are «concealed» by average situations. Territorial analyses based on functional regions make possible a more detailed diagnosis and help identify areas in need of assistance.

As a general rule, functional regions are often defined by and placed under the responsibility of the national statistical institute and a given Ministry (employment, economy, territorial planning, or regional development).

Table 5. Reasons for creating functional regions

Country	Bodies defining functional regions	Analytical objectives of establishing such regions
Austria	Defined by law	Studies of disparities in regional labour markets and analyses of regional economic development
Canada	Statistics Canada, Geographical Division	Socio-economic territorial analyses
Czech Republic	Terplan (territorial planning institute) and the Statistical Office, under the responsibility of the Ministry of Regional Development	No socio-economic analyses
Denmark	Statistics Denmark	No socio-economic analyses
Finland	Ministry of the Interior (except for Åland)	Analyses of regional development
France	<i>Employment areas</i> : Ministry of labour and National Institute of Statistics and Economic Studies (I.N.S.E.E.)	Socio-economic analyses which provide a basis on which to define the eligibility of territories for national/European objectives
	<i>Urban areas</i> : I.N.S.E.E.	Socio-economic analyses
Germany	<i>Local labour markets</i> : Academic institutions under the responsibility of the Ministry of the Economy <i>Spatial planning regions</i> : Minister of the <i>Länder</i> responsible for spatial planning	Structural analyses of labour markets, analyses of regional economic competitiveness, job opportunities and territorial disparities
Hungary	Ministry of Economy	No socio-economic analyses
Italy	ISTAT (national statistics institute) in accordance with the CIPE Act (Interministerial Committee on economic policy)	Socio-economic analyses of local labour markets and territorial disparities
Norway	Statistics Norway	Socio-economic analyses, forecasts of regional policy, planning objectives, etc.
Poland	Minister of Labour and Social policy	No socio-economic analyses
Portugal	<i>Unidades geográficas de emprego</i> : author Pisco (publication by the Ministry of Planning and Territorial Administration)	No socio-economic analyses
	<i>Bacias de emprego</i> : author Pereira (publication by the National Statistical Institute)	No socio-economic analyses
Sweden	NUTEK (National Board for Industrial and Technical Development)	Socio-economic analyses, instrument for preparing Objective 2
Switzerland	Schuler, Compagnon, Jemelin (Publication by the Federal Statistical Office and the Federal Office of Territorial Development)	Structural analyses, mobility studies, benchmarking for survey samples
United-Kingdom	Government statisticians and academics from Newcastle University	Local economic analyses and construction of assisted area map
United States	Economic Research Service + Louisiana State University	Socio-economic analyses
	Office of Management and Budget (part of the Executive Office of the President)	Disparities, performance, socio-economic analyses

Source: Questionnaire on functional regions, OECD, 2000.

5. Responsibilities of functional regions

a) Framework for the implementation of national policy

Official recognition of functional regions as a framework for territorial measures and policy implementation varies fairly significantly from one OECD Member country to another (Table 6).

In four Member countries (Austria, Canada, Denmark and Switzerland), functional regions are used, either directly or partially, as a framework for the implementation of certain policies relating primarily to labour markets and transport.

In five other Member countries, all within Europe (Finland, France, Germany, Italy and United Kingdom), these regions serve as a basis for identifying areas which qualify for aid and support at either the national or European level. However, subsidies are not usually paid directly to functional regions since they do not constitute official administrative units.

In Norway, functional regions are considered to be of great interest in debates about “regionalism” and in the introduction of “new regional policies”.

In other Member countries such as the Czech Republic, Portugal, Sweden and the United States, such regions are not used as an official unit for policy implementation.

b) Prerogatives and responsibilities

In the great majority of OECD Member countries, functional regions have no prerogatives or responsibilities with regard to policy strategy or implementation (Table 6). In only three countries (Austria, Denmark and Germany), do they have responsibility for local labour market policies.

c) Financial resources

With the exception of Austria, Canada, the Czech Republic, Denmark, Finland and Hungary, no funding is provided for functional regions in the OECD area (Table 7).

Table 6. Policy implementation and responsibilities of functional regions

Country	Functional region	Policy implementation / Responsibilities	Prerogatives
Austria	– <i>Arbeitsmarktbezirke</i> - NUTS IV (Local labour market districts)	Labour market policy	Through the regional offices of the Labour Market Service
	– Census Metropolitan Areas	Partial, e.g. transport policy, legislation	No
Canada	– Census Agglomeration Regions	On equal opportunities, housing market, etc.	No
Czech Republic	– <i>Pracovistní okrsek</i> (Local labour market microregions)	No	No
Denmark	– <i>Pendlingsopland</i> (Commuting catchment area)	Education policy with regard to the working population, under the supervision of the Ministry of Employment	With regard to local labour market, e.g. education, jobs for the unemployed
Finland	– Sub-regions, NUTS IV	Official unit for identification of areas benefiting from national support policy and EC Objectives 6, 2 and 5b.	..
France	– Employment areas	Official unit for identification of areas benefiting from national and European support policy (structural funds)	No
	– Urban areas	No	No
Germany	– Local labour markets	Official unit for identification of areas benefiting from the regional support policies of the Ministry of the Economy	No
	– Spatial planning regions	No	Partial, at <i>Länder</i> level
Hungary	– Regional labour centres / regional unemployment offices	No	No
Italy	– <i>Sistemi locali del lavoro</i> (Local employment systems)	Official unit for identification of areas benefiting from national and European support policy (structural funds)	No
Norway	– Economic regions - NUTS IV	No, interest in debates on "regionalism" and "new regional policies"	No
Poland	– <i>Powiat</i> - NUT IV	Labour market policies	..
Portugal	– <i>Unidades Geográficas de Emprego</i>	No	No
	– <i>Bacias de Emprego</i>	No	No
Sweden	– Local labour markets	No	No
Switzerland	– Labour markets	Transport and mobility planning	No
United-Kingdom	– Travel-to-work-areas	Official Unit for identification of areas benefiting from national and European support policy (structural funds)	No
	– Commuting zones	No	No
United States	– Metropolitan areas	No	No

Source: Questionnaire on functional regions, OECD, 2000.

Table 7. Financial resources of functional regions

Country	Functional region	Financial resources
Austria	– <i>Arbeitsmarktbezirke</i> - NUTS IV (Local labour market districts)	Regional offices are funded under the federal budget
Canada	– Census Metropolitan Areas – Census Agglomeration Regions	No, solely in exceptional cases such as public transport funds
Czech Republic	– <i>Pracovistni okrsek</i> (Local labour market microregions)	Partially, State subsidy
Denmark	– <i>Pendlingsopland</i> (Commuting catchment area)	State subsidy
Finland	– Sub-regions, NUTS IV	Yes (in part)
France	– Employment areas – Urban areas	No No
Germany	– Local labour markets – Spatial planning regions	No No
Hungary	– Regional labour centres / regional unemployment offices	Yes
Italy	– <i>Sistemi locali del lavoro</i> (Local employment systems)	No
Norway	– Economic regions - NUTS IV	No
Poland	– <i>Powiat</i> - NUT IV	..
Portugal	– <i>Unidades Geográficas de Emprego</i> – <i>Bacias de Emprego</i>	No No
Sweden	– Local labour markets	No
Switzerland	– Labour markets	No
United Kingdom	– Travel-to-work-areas	No
United States	– Commuting zones – Metropolitan areas	No No

Source: Questionnaire on functional regions, OECD, 2000.

6. Advantages and limitations of functional regions

A question about the working methods and objectives of an experimental study on functional regions was included in the questionnaire sent to Member countries, several of which provided highly informative replies.

Most of these confirmed the usefulness of a study on functional territorial units. In some countries, no such units exist but the territorial development actors consider that functional regions based on travel-to-work areas would be a useful addition to administrative units and would facilitate understanding of the regional dynamics involved. In those countries in which functional units do exist and for which statistics at this level are available, the replies emphasised that such units made a more detailed diagnosis possible. Furthermore, especially in some European countries, the main advantage involved is to help identify those areas with specific problems, and therefore in need of assistance. That is why the replies reflected a demand for more detailed analyses and territorial assessments on the basis of such units, so as to have a better idea of country requirements and enhance international comparability. Lastly, several countries asked that the policies and regulations for which functional regions constitute a framework for initiatives should be identified for each OECD Member country.

At the same time, many replies pointed out that employment markets are only one possible basis for delineating functional units. While they are the criterion most often used, this is partly because labour is a key factor in territorial development and also because relevant data are available. It is not certain that this type of delineation would be the most appropriate as regards industrial development, for example. In such a case, the criteria for delineating regions would have to include relations between enterprises, and the movement of goods, services and information. It is an open question whether these two types of functional units coincide. Elsewhere, several countries had reservations about using functional regions as a framework for initiatives. Many considered that while such units were very useful for analysis, they were not, generally speaking, so useful for policy implementation. The administrative regions remained the most relevant units for this purpose. A large number of countries were therefore of the opinion that it would be better, in a first phase, to use functional regions for purposes of analysis and study. This would give them validity as a territorial category and would ultimately warrant their use in helping formulate policies and strategies.

Conclusion and future outlook

Because their definition is based on similar criteria, *i.e.*, commuting conditions, functional regions offer new prospects for international comparisons at sub-national levels. The first of these would be to examine in greater depth the results of development, performance and territorial disparity analyses based on administrative regions, using analyses based on the concept of functional regions. The second, would be to undertake a more detailed analysis of the causes and reasons for creating functional regions in each country. Work could begin with case studies of a small number of countries, with particular emphasis on issues concerning labour market policies and economic development.