Guest Editorial

THEODORE PANAGIOTIDIS
University of Macedonia and RCEA

GIANLUIGI PELLONI
University of Bologna, Wilfrid Laurier University and RCEA[*]

A short presentation and description of the papers that have been selected from the second workshop of the Regional Studies Research Network on Geographical Localisation, Intersectoral Reallocation of Labour and Unemployment Differentials (GLUNLAB II)) that took place in Rimini, Italy, on May 14th-15th, 2009.

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This special REA issue is the outcome of the second workshop of the Regional Studies Research Network on Geographical Localisation, Intersectoral Reallocation of Labour and Unemployment Differentials (GLUNLAB II) which was held in Rimini, Italy and organized by The Rimini Centre for Economic Analysis (RCEA) and the Department of Economics-Rimini, University of Bologna. GLUNLAB 2 was a great opportunity for economists, econometricians and economic geographers to meet and exchange ideas. The keynote speeches were delivered by Gilles Duranton from the University of Toronto and Gerald Carlino from the Federal Reserve Bank of Philadelphia.

Drawing inspiration from a renowned 1960's song Gilles Duranton has titled his contribution "California Dreamin: The feeble case for cluster policies". In this review and assessment of the existing literature and evidence, the author casts fundamental scepticism on the case for cluster policy. Good cluster policies entail solving a very difficult co-ordination problem on the one hand and on the other require correcting for a number of market failures. We know very little about both. There is no doubt that existing clusters are associated with pervasive market failures and that inefficient outcomes are expected in the absence of local policies. However, the complex nature of market failures makes it unclear what kind of cluster policies should be followed and how. Even more important, local composition of economic activity is an intermediate outcome and not a fundamental driver of prosperity.

Hence clustering is not an easily controllable variable and, as an intermediate outcome, is only weakly related to the final objectives of policy-makers. Furthermore, cluster policies need to be designed and implemented in very uncertain environments without being captured by special interests. Even if the policy-makers could get cluster policies right, the benefits of clustering are simply too small empirically to justify significant and sustained efforts towards clusters. So Gilles Duranton can claim that clusters are a complex second-order issue wrongly receiving first-order attention and suggest that local policy-makers should stop concentrating their efforts on the local production structure and aim instead at a more efficient provision of public goods that works for the needs of both residents and local producers.

Wolfgang Polasek, Wolfgang Schwarzbauer and Richard Sellener examine the relationship between human capital and regional growth in the Swiss cantons. They develop a regional production function model that takes into account human capital together with spatial effects. The authors' proxy human capital by two measures: the average years of schooling of the workforce and the shares of workers with secondary, post-secondary and tertiary education. Their results are sensitive with respect to the used proxy. Empirical evidence does not bear out productivity enhancing effects when the average years of schooling measure is used. The alternative measure instead shows that the share of academics in the workforce is the main component of human capital driving productivity growth in Swiss cantons.

Tyrowicz and Wojcik examine convergence of unemployment rates in Poland at the local level. They examine spatial, structural and distributional correlates of convergence occurrence for local labour markets and conclude that convergence pattern of regional unemployment rates has, to some extent, spatial dimension. However, inferences based on a nonlinear unit root test show that stochastic convergence is a rare phenomenon for the regional unemployment rates in Poland.

Morrissey and O' Donoghue provide a spatial modelling framework for labour force participation (LFP) and income estimation. The aim of their paper is to use microsimulation and alignment techniques to provide representative data on LFP and income distributions at the small area level for Co. Galway. Using these techniques to examine distributional differences in LFP and income levels, the authors find that LFP alone is not a determining factor in wealth generation at the ED level. Instead, occupation and industry type is more indicative of income levels rather than LFP alone. These findings could have important implications for a wide range of public policies.