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Sectoral Shifts, Diversification and Regional Unemployment: Evidence from Local Labour Systems in Italy

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Abstract:

Using Local Labour Systems (LLSs) data, this work aims at assessing the effects of sectoral shifts and industry specialization patterns on regional unemployment in Italy over the years 2004-2008, when huge worker reallocation caused by changes in the international division of labour occurred. Italy represents an interesting case study because of the high degree of spatial heterogeneity in local labour market performance and the well-known North-South divide. Furthermore, the presence of strongly specialized LLSs (Industrial Districts, IDs) allows us to test whether IDs perform better than highly diversified urban areas thanks to the effect of agglomeration economies, or vice versa. Building on a semiparametric spatial auto-regressive framework, our empirical investigation documents that sectoral shifts and the degree of specialization exert a negative role on unemployment dynamics. By contrast, highly diversified areas turn out to be characterized by better labour market performances.

Text: See [Discussion Paper No. 6197](#)



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