

THE SOCIO-ECONOMIC REGIONAL DISPARITIES IN THE EU. EVOLUTION IN THE LAST DECADE

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Abstract:

The problem of EU social-disparities is a complex one, being analysed from different points of view. The article aims at highlighting how the EU socio-economic disparities evolved in the latest years. We can see that progress was registered in some regions, also due to the EU Cohesion Policy. Most of the underdeveloped regions are and still continue to be in the Eastern part of the EU. As for the number of regions with GDP (PPS/capita) under 75% of the EU average, this haven't decreased, remaining a challenge for the future. Only the number of regions with GDP (PPS/capita) under 50% of the EU average decreased. Also, we noticed increases, especially at GDP/capita (PPS) of these regions. The persistence of development gaps requires the adaptation of EU policies in order to achieve an equilibrated development.

Key words: socio-economic disparities, underdeveloped regions, GDP/capita (PPS), Cohesion Policy, EU

JEL classification: R10

Received 30 March 2024; Accepted 20 June 2024

INTRODUCTION

In the past, it was believed that achieving a balanced development can be done through the territorial redistribution of economic growth, but research and evidence indicate that the reduction of gaps can only take place by creating the competitive capacity of the regions.

With the expansion of the EU, the disparities in development have become increasingly high, and within the Single Market, regional gaps could increase, affecting political, social and economic stability. Regional policy was created to reduce development gaps and prevent their growth, being also an instrument of financial solidarity. Thus, there is a transfer of resources in favor of the areas left behind, which will contribute to their development and to strengthening the competitive capacity of the poorer regions, also contributing to achieving greater cohesion and economic integration.

The main goal of this work is to highlight the evolution of the regional socio-economic disparities in the EU, using statistical data: values of GDP expressed in Purchasing Power Standard (PPS/inhabitant). The first part presents general aspects referring to the regional socio-economic disparities and Cohesion Policy. The next part includes an analysis of the socio-economic gaps in the EU, and the last part is focused on the evolution of GDP (PPS/capita) in the EU underdeveloped regions.

THE E.U. SOCIO-ECONOMIC REGIONAL DISPARITIES AND THE COHESION POLICY

Notable differences between levels of prosperity exist, both among regions and among some of the EU countries. According to Eurostat data, the highest GDP (PPS/capita) is recorded in the regions: Southern - Ireland (2,86 times the EU average), Luxembourg (2,57 times), Eastern & Midland - Ireland (2,47 times), Brussels and Prague (about 2 times the EU average). The poorest regions of the EU are in Bulgaria, Romania, Hungary, Croatia and Greece, to which are added Mayotte and Guyana (ultra peripheral regions belonging to France). There are also high differences in GDP (PPS/capita) among EU countries, from values of 2,6 times higher than the EU average in Luxembourg, followed by Denmark, the Netherlands and Austria, to values below 70% of the average – in Bulgaria, Greece, Croatia.

EU integration and regional policy can have positive influences on the economy. An eloquent example is that of Ireland, which recorded a GDP significantly lower than the Community average when it joined, and currently has among the highest values in the Union. There are studies that show ways in which European regional policy can contribute to reducing interregional development gaps (Sabău, 2012), but there are also analyzes that show notable progress in reducing development gaps in the context of the use of European Funds - for example in Poland (Czudec & Kata, 2016). Țigănașu et al. (2014) reveals the fact that in Central and Eastern European countries a center-periphery model is evident, due in large part to the historical course that leaves its mark on the systems. EU accession has influenced the economic development of Czechia, Hungary, Poland and Slovakia, and EU Cohesion Policy has helped them reduce regional disparities, but some significant gaps still exist (Polednikova, 2013). For the period 2000-2012, in Central and Eastern Europe, economic growth was also determined by the integration process, which did not necessarily lead to the reduction of disparities among countries, due to the fact that the mechanisms of the Internal Market could act beneficially only in the case of some conditions of appropriate deployment (Țigănașu et al., 2014). Czudec et al. (2019) are of the opinion that the operation of some changes in the structure of the use of EU funds (such as: higher expenses for entrepreneurship and the creation of new jobs) could contribute to reducing the gaps, and the establishment and development of competitive economic entities would revitalize the convergence process.

Geographical isolation and certain social and economic changes (such as the transition from a centralized economy to a market economy) can contribute to the existence of interregional disparities. Underdeveloped regions have high rates of unemployment, poverty and social exclusion, and infrastructure is often deficient.

The changes and the increase in the importance of the regional policy of the EU Member States reveal the efforts that are being made in the direction of stimulating economic growth and increasing competitiveness (Scutariu, 2016). Along with the reduction of interregional gaps, the aim is also to create competitive capacity by the regions. The Member States are the ones that develop Operational Programs for accessing the funds and implement them after approval by the European Commission, also contributing with the necessary co-financing.

Cohesion policy covers all regions and cities in the European Union and supports job creation, business competitiveness, economic growth, sustainable development and improving the quality of life of citizens; to achieve these objectives and to contribute to the development of all EU regions, 392 billion Euros have been allocated to the cohesion policy for the period 2021-2027 – keeping the proportion from the previous period, of almost a third of the total EU budget (Inforegio - The EU's main investment policy). The increase over time of the allocated funds indicates that special importance is given to this policy. By reducing regional disparities, balanced and sustainable development can be achieved in the EU, and Cohesion Policy contributes to achieving this objective.

ANALYSIS OF SOCIO-ECONOMIC GAPS EVOLUTION IN THE E.U.

In this part of the work we analysed different aspects regarding the evolution of socio-economic disparities in the EU. We used GDP expressed in Purchasing Power Standard/capita in our analysis due to the fact that, in the case of using GDP expressed in Euros/capita, comparability would have been affected because of different price levels in different countries or regions.

In Figure no. 1, GDP levels (PPS/capita) are calculated according to the EU average, which has been given a value of 100%. To observe the evolutions/capita relative to the EU average, we have put together the values from 2010, 2015 and 2021.

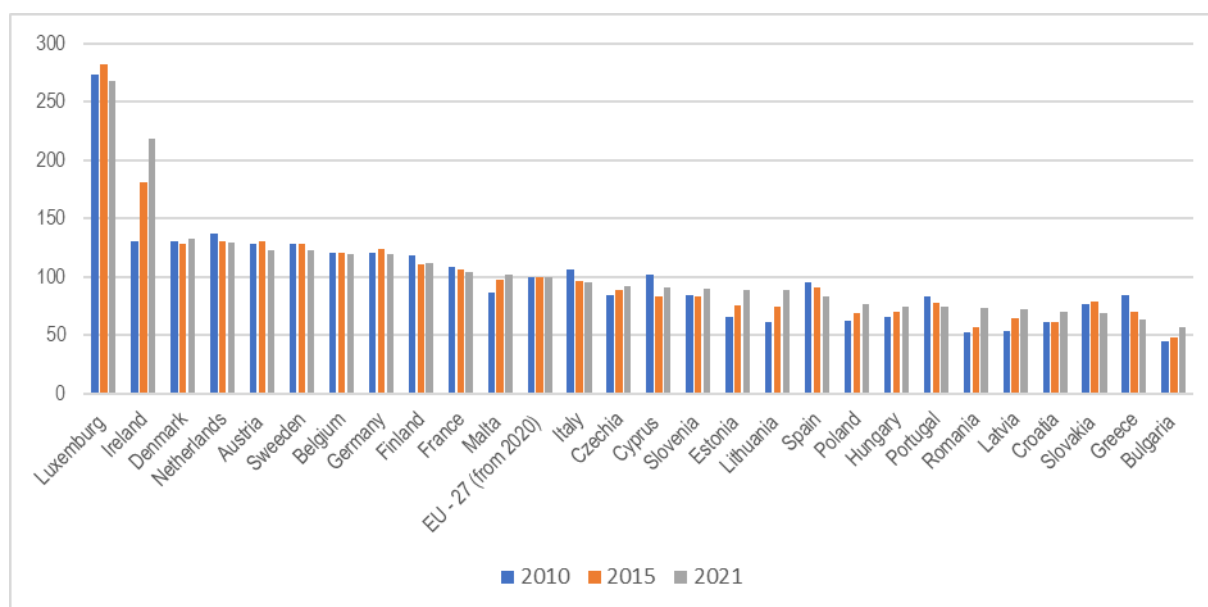


Figure no. 1. GDP in PPS per inhabitant, as a percentage of the EU27 average (from 2020)

Source: on the basis of data from Eurostat, 2024

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The highest GDP values (PPS/capita) continue to be recorded in Luxembourg, followed by Ireland, Denmark, the Netherlands, Austria and Sweden, and the lowest values are in Bulgaria, Greece, Slovakia and Croatia. Progress can be observed in some of the Eastern European countries: Poland, Hungary, Romania, Latvia and Croatia, so the gaps tend to reduce slightly, none of the countries having values below 50% of the EU average in 2021. These positive effects are also due to the implementation of the Cohesion Policy, through which substantial funds are directed to the areas left behind.

Eastern and Central European countries that joined the EU since 2004 had lower GDP values (PPS/capita) compared to the EU average. We observed in our previous researches (Scutariu, 2014, pp. 65-73) that the accession to the EU had a positive effect on the regions, with GDP increases becoming higher compared to the period before the acquisition of EU membership. However, the east-west regional gaps are still high, discordant note making, as a rule, the Central and Eastern European regions that include the capitals and register values above the EU average.

The number of regions with GDP (PPS/inhabitant) below 75% of the EU average is still quite high. We revealed that, in the period 2004-2014, the number of regions with GDP between 75% and 90% of the EU average increased, and the share of regions with GDP higher than 90% decreased (Scutariu, 2016); even if the number of regions with GDP/capita below 75% of the EU average (poorly developed) continues to be high, the number of regions with GDP/capita below 50% of the average has decreased by a third. These positive trends indicate that the Cohesion Policy has contributed to reducing the gaps among the EU regions.

For the period 2015-2021, the number of regions with GDP under 50% of the EU average continued to decrease, but the number of regions with GDP below 75% increased slightly (Figure no. 2).

The highlighted aspects show that an adaptation of the cohesion policy is necessary in order to be able to continue to contribute to reducing the gaps. The concerns regarding the socio-economic disparities at the level of the European institutions became more intense after, starting with the enlargement in 2004, within the EU, the development differences became bigger.

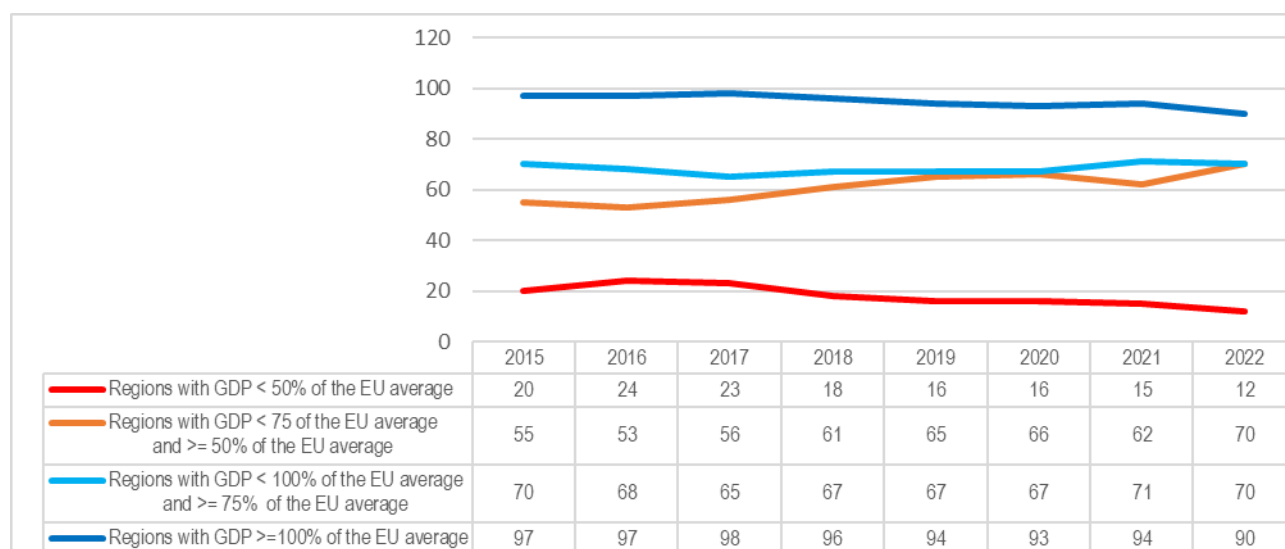


Figure no. 2. Evolution of the number of EU-27 regions by GDP (PPS/inhabitant) (2015-2022)

Source: own elaboration using Eurostat data, 2024,

<https://ec.europa.eu/eurostat/databrowser/view/TGS00006/default/table>

The figures show various developments, both positive and negative. According to studies, poorer economies recorded higher increases in GDP/capita in the period 2000-2012 (Simionescu, 2014, pp.167-177). Ionescu's opinion (2016) is that the EU was facing a turning point and changes in political and economic approaches were needed to reduce regional disparities. The analysis carried out for the post-accession years (Scutariu, 2017) revealed that regional development gaps in Central and Eastern European countries are still significant.

In 2014, the ratio of the highest to the lowest regional value of GDP (PPS/capita) was 18, the highest being 5 times the Community average and the lowest approximately one third of the same average. In 2022, the value ratio was over 9, the highest value being 2,86 times the community average, and the lowest one third.

As for national values of the European and Central Europe countries, they have increased compared to the EU average, ranging between 57% (Bulgaria) and 92% (Czech Republic) (Eurostat, 2024). There are also countries with notable increases in GDP/capita compared to the EU average: Estonia, Latvia, Lithuania, Poland and Romania. At the regional level also, the GDP values had an increasing trend, so the difference between them and the EU average decreased; the exception was Cyprus, where the evolution was fluctuating. We note, however, according to Eurostat data, that there are still low values compared to the average (minimums of 40% and 42% - in Bulgaria and of 41% - Greece). The regions that include the capitals are also the most developed, in Poland, Czechia, Slovakia, Hungary, Romania and Slovenia the values are above the EU average, and in many of the Central and Eastern European countries well above the national average - up to the maximum which is more than double.

For a more precise highlighting of the gaps, we proceeded to calculate the national values considering the national average as the reference base (Scutariu, 2017); thus, we found that, as a rule, the regional gaps are preserved, with the lowest values exceeding 60% (in Romania, Hungary and Bulgaria), and sometimes the discrepancies even increase (for example, in Bulgaria and Romania).

The GDP gaps expressed in PPS/inhabitant at regional level in the EU are represented in Figure no. 3, by referring to the EU-27 average and using different shades. As is known, many of the lower values are found in the east of the EU, with the exception of Cyprus and the regions including the capitals. Within the same country there are also sometimes significant gaps in GDP, as is the case of Poland, Spain, Portugal and Italy.

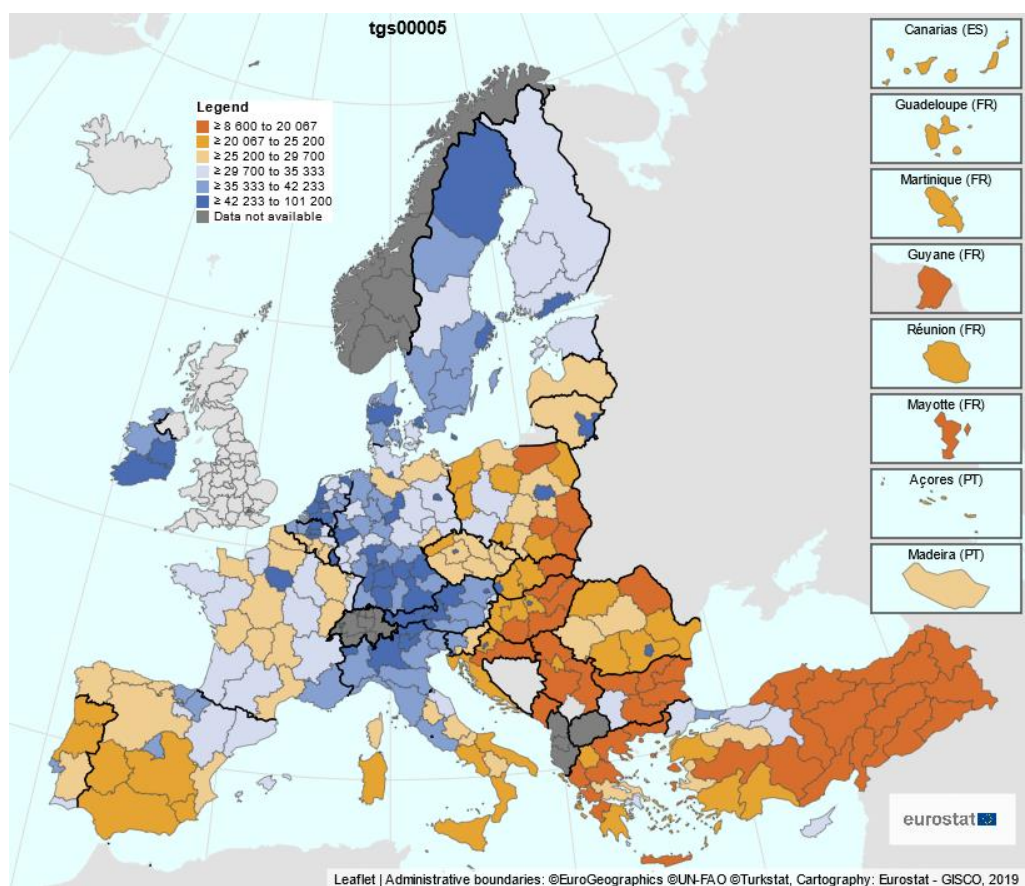


Figure no. 3. Regional GDP (PPS/inhabitant in % of EU-27 average) in the NUTS 2 regions – 2022

Source: Eurostat, 2024, <https://ec.europa.eu/eurostat/databrowser/view/tgs00006/default/map?lang=en>

In the context of EU accession, regional GDP trends (in PPS/inhabitant), expressed as a weight of the EU-27 average at the level of NUTS 2 regions, show increases. If in 2004, the lowest value was 22,58%, in 2008 it reached 28%; 2 years before accession, only 2 regions from the new member countries exceeded the EU average in terms of GDP expressed in PPS/inhabitant (Prague and Bratislava), and 2 years after accession, 5 regions exceeded the EU average (Scutariu, 2014), their number reaching 8 in 2020.

So, we can say that the accession to the EU and the Cohesion Policy had a beneficial influence on the development in the Central and Eastern European States of the EU, in most regions the GDP/inhabitant increasing more and more intensively and thus approaching the community average.

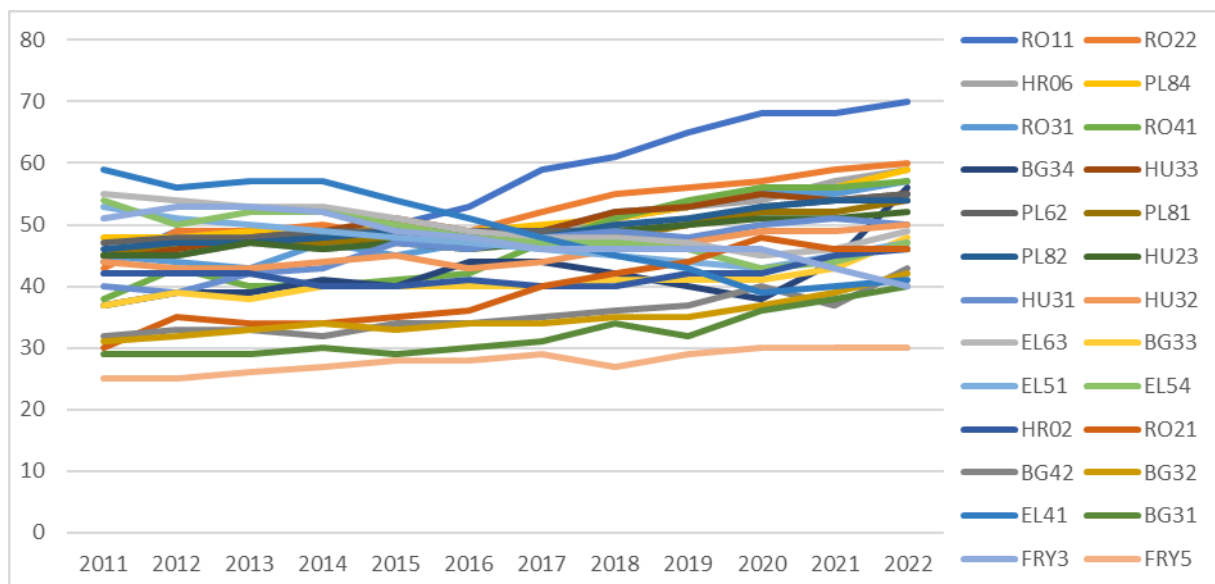
ANALYSIS OF GDP (CAPITA/PPS) EVOLUTION IN THE UNDERDEVELOPPED REGIONS OF THE E.U.

We can see that along with the Eastern and Central Europe countries, there are also some regions from Western Europe having a GDP (PPS per capita) under 75% of the EU average. These regions, with low values in 2012, belong to: Belgium, Italy, Portugal, Greece, France, Spain and Ireland. The last two have no region in this category in 2022. Regarding the regions with GDP under 50% of the EU average, we can see that in 2022 in older EU Member States, only two ultra-peripheral regions of France and four Greek regions register such figures. Also, in Eastern and Central Europe, the number of very underdeveloped regions decreased significantly, this being the case of one in Romania, one in Croatia and four in Bulgaria. Most of the regions with GDP (PPS per capita) under 75% and under 50% of the EU average are located in Eastern and Central Europe (Table no. 1).

Table no. 1. Number of regions with GDP (PPS per capita) less than 50% and less than 75% of the EU average, per country

	Number of regions			
	2012	2022	2012	2022
	<75	<75	<50	<50
BE	0	2	0	0
ES	4	0	8	0
IT	4	6	0	0
PT	5	4	0	0
EL	10	12	0	4
FR	5	7	2	2
IE	1	0	0	0
EE	1	0	0	0
CZ	5	5	0	0
LV	1	1	0	0
PL	16	11	4	0
SI	1	1	0	0
LT	1	1	0	0
HU	7	7	4	0
RO	7	6	6	1
HR	3	3	2	1
SK	3	3	0	0
BG	5	5	5	4
	79	82	23	12

Source: own elaboration based on the Eurostat data

https://ec.europa.eu/eurostat/databrowser/product/view/NAMA_10R_2GDP**Figure no. 4. Evolution of GDP (PPS per capita) in the EU NUTS 2 regions with less than 50% of the EU average in 2012 and 2022 (% of EU average)**Source: Eurostat, 2024, <https://ec.europa.eu/eurostat/databrowser/view/TGS00006/default/table>

We have also analyzed the evolution of the GDP (PPS per capita) calculated as a percent of the EU average for the regions that have values under 50% of this average in 2012 and 2022. As we can see in the Figure 4, most of the evolutions are quite positive. Excluding the French Mayotte island who records a value of 30%, the lowest value on continental EU is 40% in 2022, compared to 29% in 2012. Also, some of the regions passed the threshold of 50% (Figure no. 4).

Also, we must consider that the EU average is growing in time. A clearer image of the progresses made can be revealed by the graph including the evolutions of the GDP (PPS per capita) absolute values (Figure no. 5). Here we can see significant increases in most of the regions. In 2012 the values were between 6400 and 14500, but in 2022 they were between 10600 and 24700, showing notable rising.

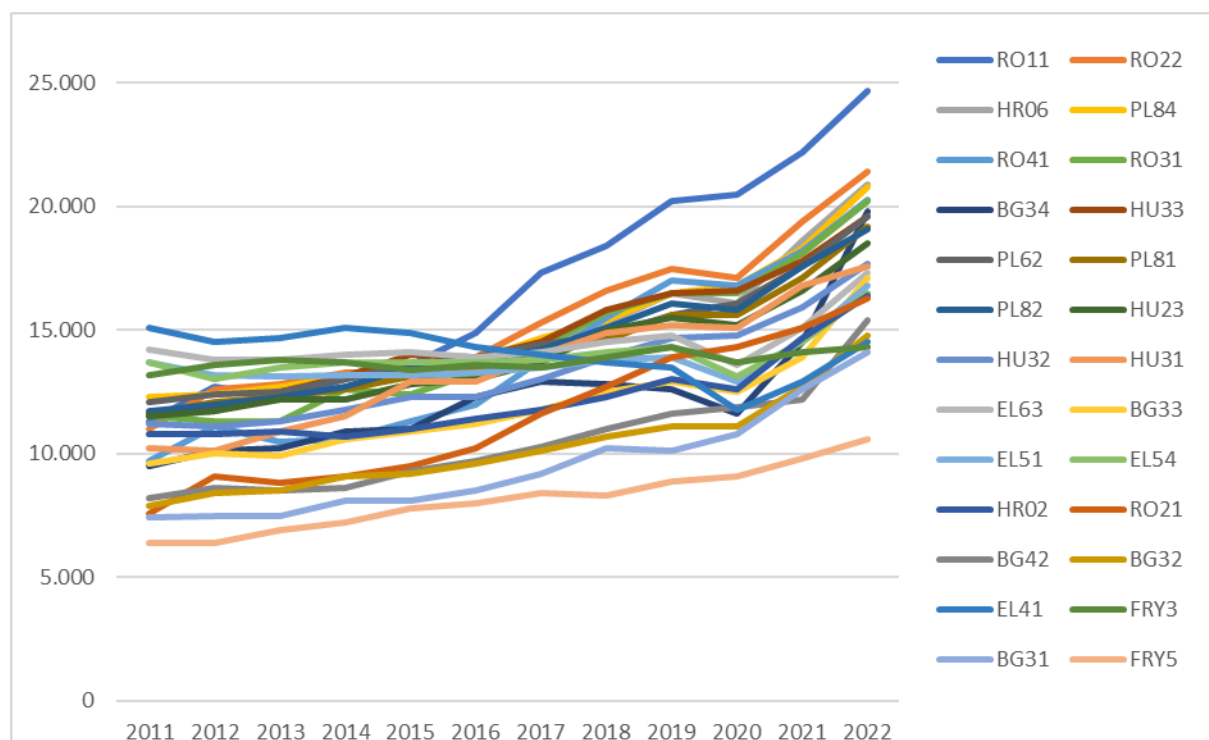


Figure no. 5. Evolution of GDP (PPS per capita) in the EU NUTS 2 regions with less than 50% of the EU average in 2012 and 2022

Source: Eurostat, 2024, <https://ec.europa.eu/eurostat/databrowser/view/tgs00005/default/table>

To quantify the increases registered, we calculated the evolution indexes in the Table no. 2. We can see high increases of almost double the 2012 absolute values, like in BG34, RO11, BG31, RO41, RO21, BG42, some of them having real low values. The general tendency is that of notable increases. There are also some few cases of low increases in some Greek regions and French Guyana.

Table no. 2. Evolution indexes for the regions with GDP (PPS per capita) less than 50% of the EU average in 2012 and 2022

Region code	Region name	2012	2022	Evolution index	% of the EU average in 2012	% of the EU average in 2022
RO11	Nord-Vest	12,700	24,700	94.49%	49	70
RO22	Sud-Est	12,600	21,400	69.84%	49	60
HR06	Sjeverna Hrvatska	11,700	20,900	78.63%	45	59
PL84	Podlaskie	12,400	20,800	67.74%	48	59
RO41	Sud-Vest Oltenia	11,100	20,300	82.88%	43	57
RO31	Sud-Muntenia	11,300	20,200	78.76%	44	57
BG34	Yugoiztochen	10,100	19,800	96.04%	39	56
HU33	Dél-Alföld	11,800	19,600	66.10%	46	55
PL62	Warmińsko-mazurskie	12,400	19,600	58.06%	48	55
PL81	Lubelskie	12,100	19,200	58.68%	47	54

Region code	Region name	2012	2022	Evolution index	% of the EU average in 2012	% of the EU average in 2022
PL82	Podkarpackie	12,000	19,100	59.17%	47	54
HU23	Dél-Dunántúl	11,700	18,500	58.12%	45	52
HU32	Észak-Alföld	11,100	17,700	59.46%	43	50
HU31	Észak-Magyarország	10,100	17,600	74.26%	39	50
EL63	Dytiki Elláda	13,800	17,300	25.36%	54	49
BG33	Severoiztochen	10,000	17,100	71.00%	39	48
EL51	Anatoliki Makedonia, Thraki	13,200	16,800	27.27%	51	47
EL54	Ipeiros	13,000	16,500	26.92%	50	47
HR02	Panonska Hrvatska	10,800	16,400	51.85%	42	46
RO21	Nord-Est	9,100	16,300	79.12%	35	46
BG42	Yuzhen tsentralen	8,600	15,400	79.07%	33	43
BG32	Severen tsentralen	8,400	14,800	76.19%	32	42
EL41	Voreio Aigaio	14,500	14,500	0.00%	56	41
FRY3	Guyane	13,600	14,300	5.15%	53	40
BG31	Severozapaden	7,500	14,100	88.00%	29	40
FRY5	Mayotte	6,400	10,600	65.63%	25	30

Source: own elaboration based on the Eurostat data, 2024

<https://ec.europa.eu/eurostat/databrowser/view/TGS00006/default/table>

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All these data show some progress, but, in some cases the socio-economic gaps are kept, despite of some significant increases in absolute values.

CONCLUSIONS

The socio-economic disparities have been analysed by many researchers. In some cases, there were some positive aspects leading to decreasing of these socio-economic gaps, but also things that must be done, mainly through the EU Cohesion Policy. Some of the EU countries with small values of GDP (PPS/capita) managed to reduce the gaps, and so did some of the underdeveloped regions.

As we can see, the underdeveloped regions are mostly found in the Eastern Europe, but some are also in Italy, Spain and Greece. From the absolute values point of view, there were obvious increases. The number of regions with GDP (PPS/capita) under 75% of the EU average did not decreased (from 79 to 82), but a significant progress is noticed at the number of regions with GDP (PPS/capita) under 50% of EU average (from 23 to 12). In the case of these ones, we can see high increases in absolute values in the case of most of them. Despite this fact, the socio-economic disparities still remain quite high, and the EU policies need to adapt in order to efficiently fight with the underdevelopment.

We can conclude that the reduction of interregional development gaps is an important premise for the balanced and sustainable development of the EU, to which the cohesion policy aims to fully contribute.

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