

The regions of Europe

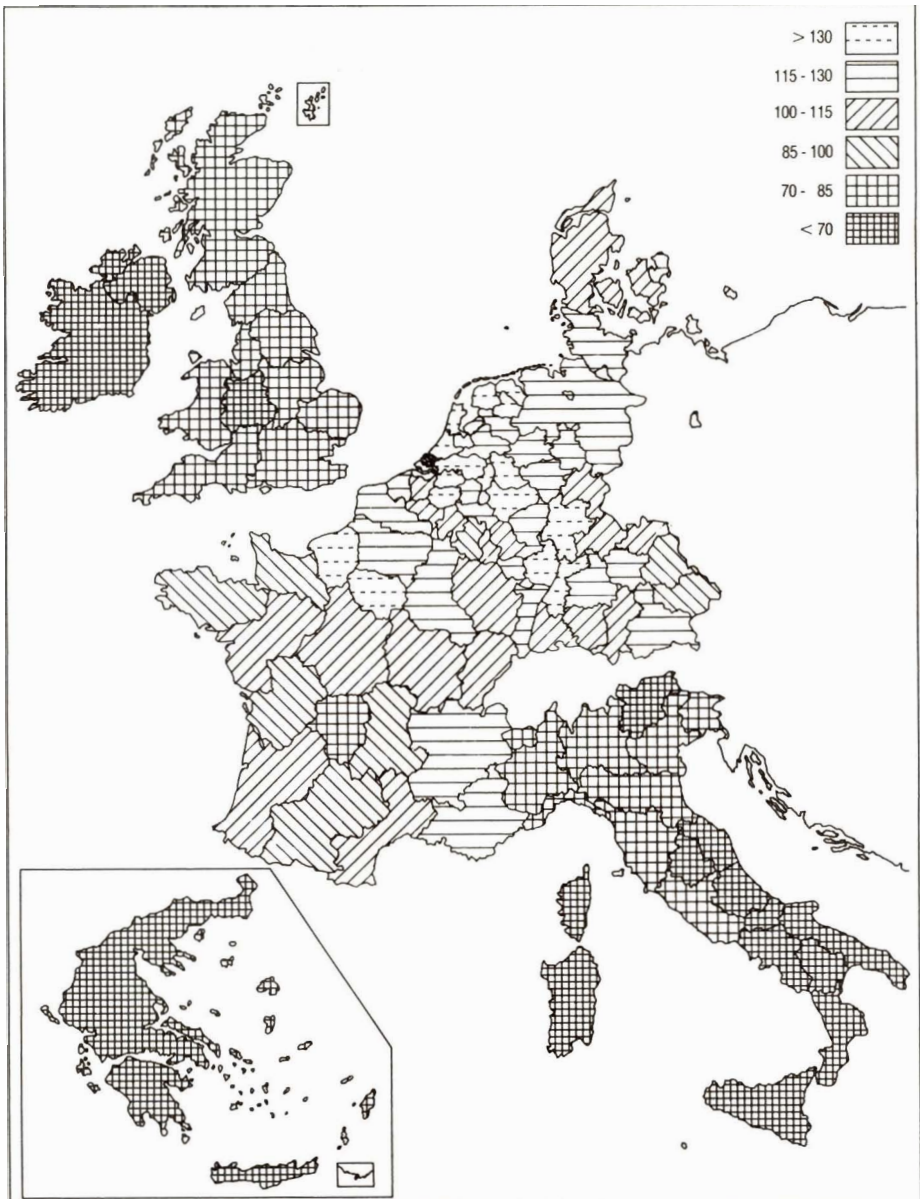
SOCIO-ECONOMIC SITUATION AND DEVELOPMENT
OF THE COMMUNITY'S REGIONS



European File

1. Relative level of gross domestic product per working person

Average of the years 1977, 1979 and 1981, at current prices and rates of exchange – Community average (EUR 10=100)



Absolutely essential to the formulation and implementation of European Community regional policy is a sound analysis of the socio-economic situation and development of the Community's regions. This is precisely what is provided in periodic reports, the second of which was published in 1984 and covers the situation of the regions in the early 1980s and developments since 1973, date of the first oil shock and the beginning of the economic recession.¹

Regional imbalances and production

- In the 1970s, far from lessening, regional disparities in production, expressed in terms of per capita gross domestic product, have remained quite substantial. Indeed, the 10 regions with the best performance and the 10 with the poorest performance are respectively 50% above and 50% below the Community average. The slowdown in the rate of growth in production since 1974 has often been less marked in predominantly rural areas than in those with a high level of urbanization, particularly the older industrialized regions. Nonetheless, the lowest levels of per capital GDP are still to be found in Greece, Ireland, Northern Ireland and the Mezzogiorno region of Italy – in other words, on north-western and south-eastern fringes of the Community. Regions in a better position in this respect are located in Germany, Belgium, Denmark, France and the Netherlands.
- A similar pattern emerges for labour productivity (GDP per active member of the population), as shown by map 1. The main reason for regional disparities in production at Community level is the difference in labour productivity from one region to another. Regional productivity depends on factors such as infrastructure and productive capital endowment, the skill of the labour force and the level of technological development. A more detailed analysis reveals that growth in productivity is linked most closely to the overall economic climate and depends only partly on the sectoral production mix, despite the fact that this mix differs considerably from region to region and productivity varies widely from one economic sector to another.

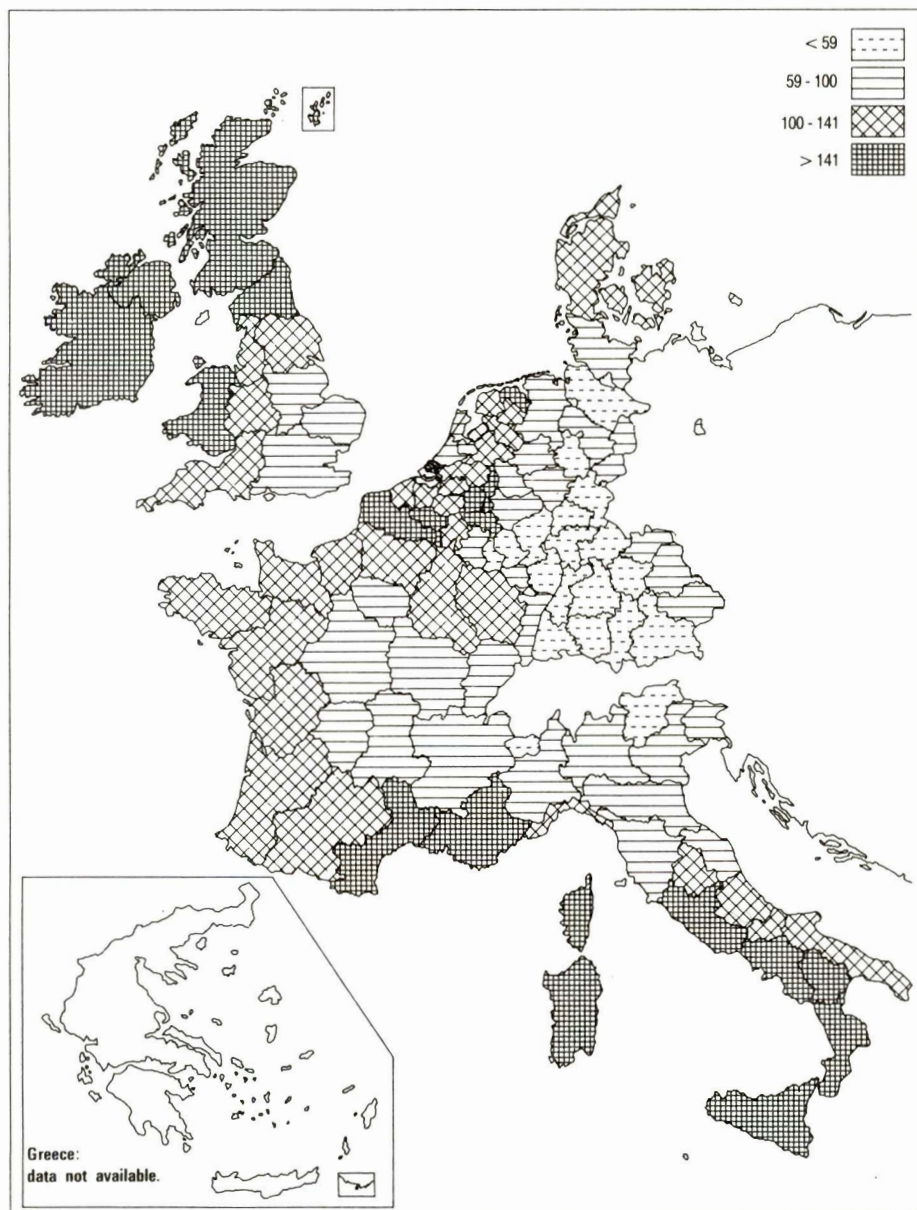
Regional imbalances and the labour market

Unemployment in the Community as a whole rose from 2.5% in 1973 to nearly 11% in 1983; nearly 13 million people are now jobless. This sharp increase in overall unemployment has gone hand in hand with an exacerbation of regional disparities in unemployment. Again, a comparison of the 10 strongest and the 10 weakest regions reveals marked differences in unemployment rates which range from 5% to 20%. Unemployment amongst women and young people is higher and also varies considerably from one region to another.

¹ Commission of the European Communities: *The Regions of Europe*: Second periodic report on the social and economic situation and development of the regions of the Community (document COM(84)40).

2. Relative level of rates of structural unemployment

Average of unemployment index, 1977, 1979 and 1981 — (EUR 9=100)



Source: Eurostat estimates.

Although regions where production levels are weak are generally experiencing the greatest difficulties in this respect, unemployment is now high in more central and industrialized regions or in regions with strong production levels (see map 2).

Several factors have contributed to this growth in unemployment:

- In some regions, the working population has grown very quickly as a result of a combination of three factors: a large young population, an increase in the number of women on the labour market and shifts in population movements. With the labour market being in the state it is, movement towards the central regions has slowed or even stopped altogether. This means that the situation has worsened in regions of Italy, Ireland, Greece and western France from which there is traditionally a high level of migration.
- In other regions, the main reason for the rise in unemployment is a serious deterioration in industrial employment, a situation which is made more acute by the effects of restructuring measures in sectors in particular difficulties such as steel and textiles. This is the case in certain regions of the United Kingdom, northern and eastern France and Belgium, for instance.

Future prospects for labour markets in the 1980s suggest that the gap between the various regions will widen, largely because population pressure varies considerably from one region to another. Indeed, the supply of labour in certain countries and regions (Ireland, the Netherlands, Greece, northern and eastern France and southern Italy) will continue to rise in the 1980s.

The map of Community regional problems

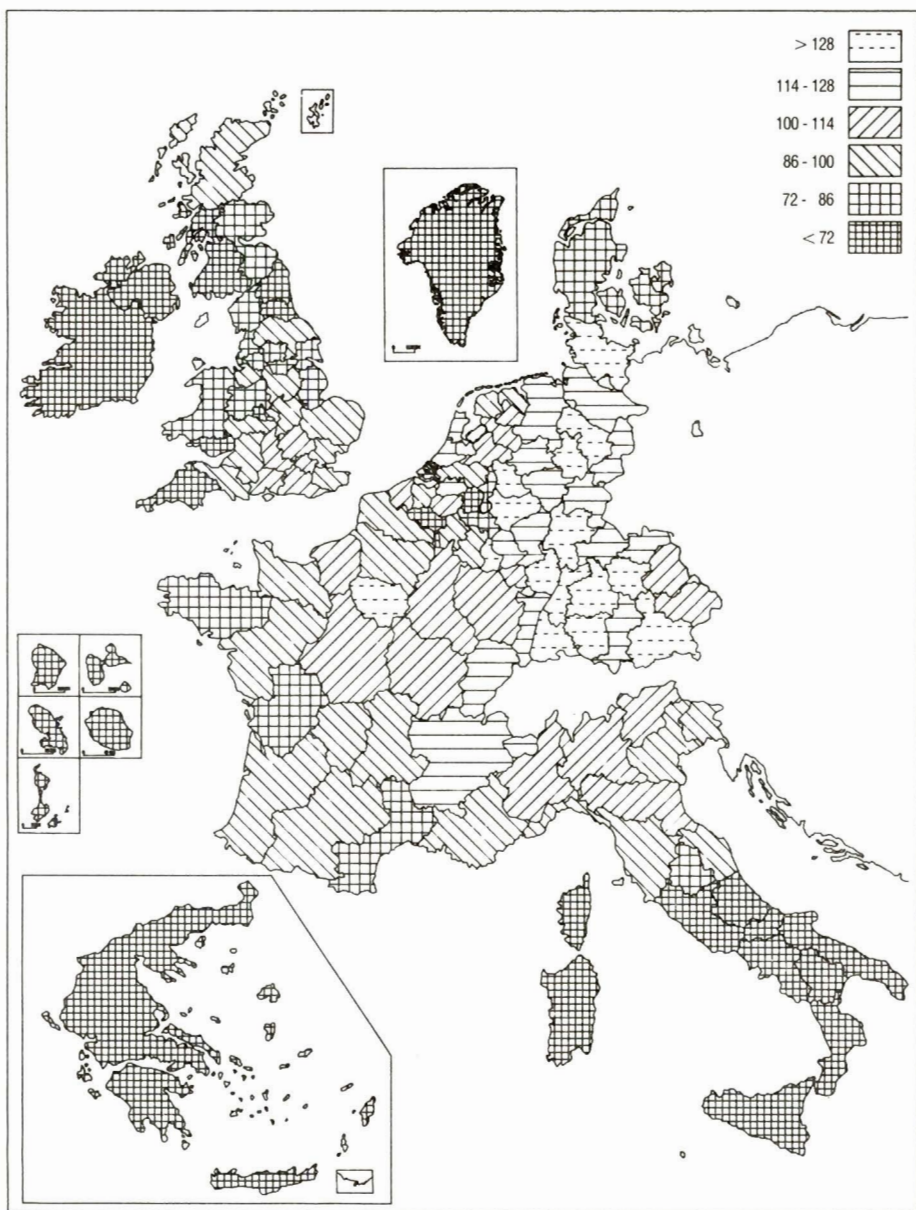
Regional disparities in production and employment are most striking when seen in the context of regional policy and efforts to achieve greater economic convergence between the Community Member States. An integrated index combining statistical data on both production and employment gives a clear indication of the relative intensity of regional problems at Community level (see map 3) and helps in the identification of regions to which priority should be given for assistance under Community regional policy. Statistical data collected over several years are used to compile the index so that it takes better account of structural factors and eliminates short-term fluctuations.

Regions in which problems are the most serious (the last group on the map) are often situated on the periphery of the Community (Ireland, Northern Ireland, Mezzogiorno; Corsica, most of the Greek regions and the French Overseas Departments). Regions in the north and west of Great Britain, the centre of Italy and in Belgium are also in difficulties. Taken together, these regions have a population of over 50 million — nearly a fifth of the Community's total population.

Other regions in the United Kingdom, Denmark, Italy, France, Belgium and the Netherlands are experiencing severe hardship which has placed them well below

3. Integrated index of acuteness of regional problems

Based on the gross domestic product and average unemployment in 1977, 1979 and 1981 (EUR 9=100)



The Greek regions, Greenland and the French Overseas Departments figure in the map although they were not included in the integrated index.

the Community average (last but one group on the map). The combined population of these regions is about 30 million, over 10% of the Community's total population.

Regional disparities and sectoral developments

- A total of 2.4 million jobs were lost in the Community's *agricultural sector* between 1973 and 1982. There are major differences from one region to another in terms of both productivity and assistance provided under the common agricultural policy, although these disparities have lessened to some degree in recent years. On the one hand, certain weak regions, notably Italy and west and south-western France, have registered a higher rate of growth than the Community average, while regions with higher productivity, such as those in northern France and Germany, have experienced a more sluggish rate of growth. On the other hand, the strengthening of Community measures on the organization of certain agricultural markets (particularly for fruit and vegetables and wine) have helped restore a certain balance in the Mediterranean regions.
- Between 1973 and 1982, 5.8 million jobs were lost in the Community's *industrial sector*. Unemployment in the textiles and clothing industries has risen fast over the past 30 years. Although these industries are relatively well spread out throughout the Community, employment patterns vary according to region, with the number of jobs lost relatively smaller in the outlying regions than in the others. In the steel industry, where there has been a sharp upturn in unemployment since 1975, the industrial regions, often centrally-located and with a long-standing industrial tradition, have suffered the greatest job losses. On the other hand, employment has remained more or less stable in regions where the steel industry is a relative newcomer and steelworks are more modern. Finally, employment in shipbuilding has been in particularly marked decline since the 1960s.
- Although it has fallen off to a certain extent, growth in employment in the tertiary or *services sector* translated into the creation of 7.8 million jobs between 1973 and 1982. This, combined with the loss of jobs in industry and agriculture, has resulted in a strong increase in the services sector's share of employment and it now accounts for over 50% of all jobs in the Community. This sector has made the greatest inroads in the peripheral regions of the Community, although the share of services in the total number of jobs is still considerably lower in these regions than in the central regions of the Community.

Other factors contributing to regional disparity

- Population density varies widely from one region to another. While a quarter of the Community's territory is occupied by only 5% of the population, 20% of

the population is massed in only 1.5% of the land area. Even though this factor is not in itself a reason for regional disparities, there is a connection between the density of the population and income and productivity levels. There is no escaping the fact that a dense population is a source of congestion and therefore of high social costs.

- There has been a twin trend in *population movements* and the *structure of settlements* over the last 10 years. In Italy, Ireland and Greece, the rural exodus has continued, leading to an increase in the populations of towns and large conurbations, a trend which has accentuated the problems that the maintenance of a minimum level of public services in rural areas and high population density in urban areas cause in the least developed regions of the Community. In the other Member States, on the other hand, there has been a shift in the population away from the large conurbations towards the suburbs, towns and especially rural areas. This has led to a decline in inner city populations and a worsening of the socio-economic situation and, as a corollary, a disproportionate increase in the cost of public services.
- There is a close connection between the regions' level of economic development and their infrastructures, particularly for transport and energy. Here, too, regional disparities within the Community are marked, even though some countries' infrastructures are more evenly distributed throughout the regions than in others. Generally speaking, the urbanized central regions are better endowed in infrastructures than the outlying rural regions. These disparities are less marked, however, as far as social and cultural infrastructures are concerned, since they are less closely related to the level of development. Infrastructures in the weaker regions are often used less intensively because, even though they tend to have smaller populations, they need a minimum level of infrastructure to compensate for their natural disadvantages so that they can attract productive investment.
- The outlying regions often appear to be in a less favourable economic and social position than the central regions. The degree to which regions are peripheral is determined by their accessibility to the Community's centres of economic activity – the Stuttgart-Hamburg-Lille triangle – or to regions such as the Ile-de-France or south-east England. The peripheral regions have a number of features in common such as an important agricultural sector and weak industry (especially manufacturing), and their tendency to specialize in labour-intensive industries which are therefore particularly vulnerable to international competition.
- *Frontier regions* within the Community are affected more directly and more strongly than others by the difficulties arising from the failure to establish a fully-fledged international European market. Such difficulties include changes in exchange rates, disparate national legislation on social or environmental protection, and problems coordinating infrastructure planning and State aid for the regions.

- The introduction of *new information technologies* will determine to a large extent the pattern of employment in the services sector in the regions — and is also likely to engender a shift towards the employment of highly-skilled personnel. Another problem that will have to be tackled is that disparities in this field are becoming more marked since telecommunications facilities tend to be concentrated in the most developed regions of the Member States while user costs are higher in the peripheral regions.

The implications of enlargement for the regions

- The enlargement of the Community to include Spain and Portugal will have both positive and negative effects on industrial employment in the regions (depending on the sectors concerned), but these effects should tend to offset each other overall and are unlikely to be concentrated regionally to any great extent. In the agricultural sector, however, regional disparities will appear to the detriment of the Mediterranean regions. While enlargement should provide more outlets for the so-called ‘northern’ agricultural products, there will be greater competitive pressure on specifically Mediterranean products. The Community has therefore worked out a series of measures aimed at modernizing production in these regions and helping them adapt to the new competitive situation.
- Regional disparities will be much more marked in the enlarged Community. Spain and Portugal’s economic performances are much weaker than the Community average, unemployment in both is higher and each of them is subject to population pressure. Both applicant countries are characterized by the vary large share of agricultural jobs in total employment and highly dissimilar levels of internal development. Thus, the populations of regions considered the least developed, i.e. those where the per capita GDP is less than 30% of the Community average (see map 4) will be twice as high in the Community of Twelve than it is in the Community of Ten.

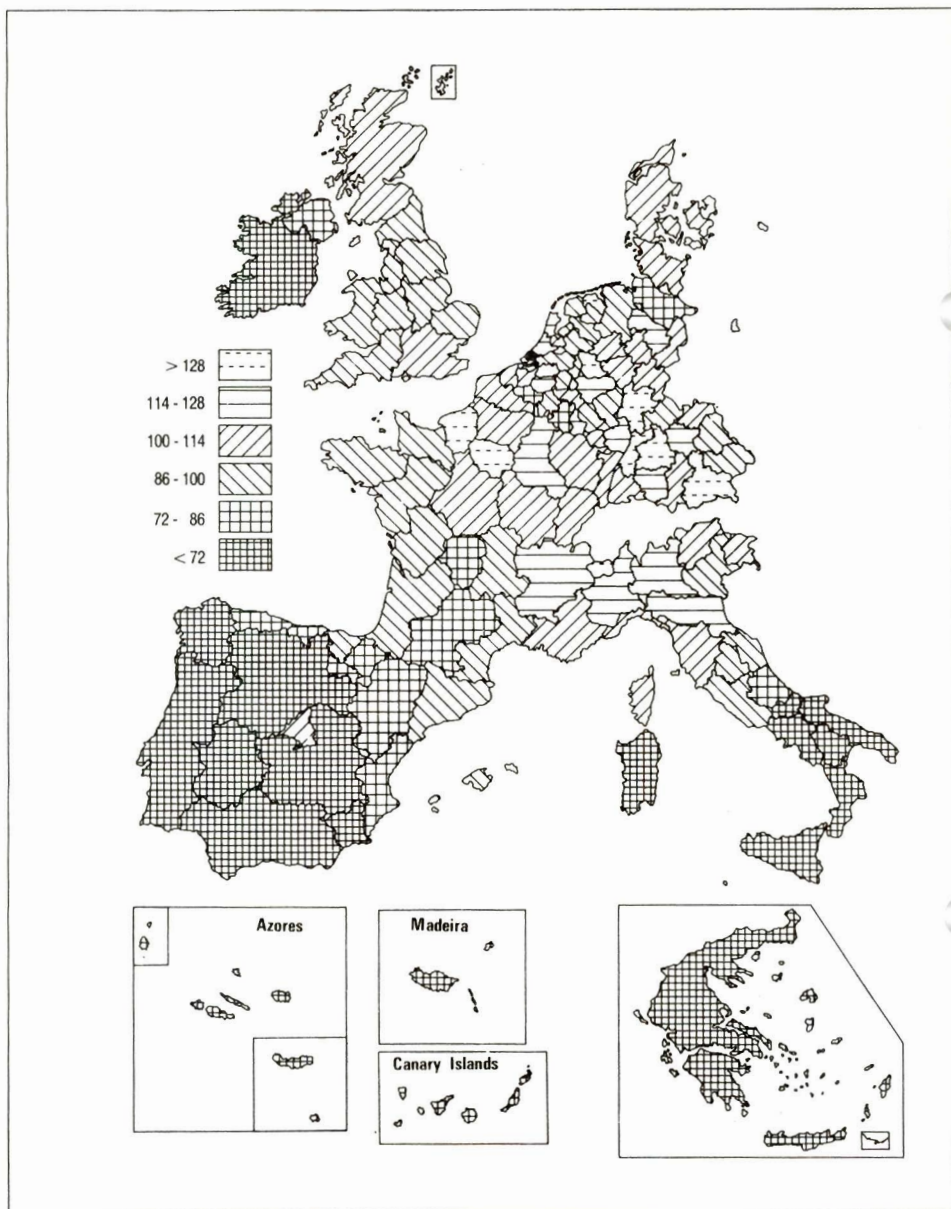


It is only too clear, therefore, that there are considerable economic and social disparities between the regions of the Community and that enlargement will only make the problem more acute. In order to cope with this situation, the Community has gradually evolved a regional policy.¹ By using its major instrument, the European Regional Development Fund, coordinating national regional policies and incorporating regional policy into other Community policies, European regional policy helps achieve greater convergence in the Member States’ economies while giving expression to European solidarity ■

¹ See *European File No 18/83: Regional Development and the European Community*.

4. Per capita gross domestic product

1977, 1979 and 1981 average at current prices and purchasing power parities (EUR 12=100)



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Commission of the European Communities

Information offices (countries fully or partially English speaking*)

- Ireland** 39 Molesworth Street, Dublin 2 – Tel. 71 22 44
- United Kingdom** 8 Storey's Gate, London SW1P 3AT – Tel. 222 81 22
– 4 Cathedral Road, Cardiff CF1 9SG – Tel. 371631
– 7 Alva Street, Edinburgh EH2 4PH – Tel. 225 2058
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Belfast BT2 7EG – Tel. 40708
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- USA** 2100 M Street, NW, Suite 707,
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– 245 East 47th Street, 1 Dag Hammarskjöld Plaza,
New York, NY 10017 - USA – Tel. (212) 371-3804

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