Comparing European Regions

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Abstract

Guest Editors' introduction to the special issue on "European Regions"

Keywords: European regions

The European continent, in the last two decades, has become an excellent case of comparative study, thanks to the possibility of contrasting "Old European" countries, based on old-established (more or less well functioning) market economies, and the "New" countries of the European Union and, more generally, the Central and Eastern European countries, that have undergone a deep, complex and (partly) diversified process of transition.

Development in Europe has been uneven: over time, between countries and within them. Among all possible imbalances, we have decided to focus here on the *regional dimension*. The existence of regional disparities in economic structure and performance poses relevant questions not only to the scholar, but also to the policy-maker, both on equity grounds and with reference to economic efficiency.

This special issue of the Journal, focusing on European Regions, includes seven papers, differing in methodologies, the dimensions of time and space, each dealing with specific economic variables and – naturally – obtaining different results, although some interesting elements of convergence across the different papers will be highlighted. All of them, however, have two common features, since they (i) analyse European countries and (ii) focus on regional (sub-national) characteristics. In particular, two papers investigate "old and new" EU-25 regions (at two different levels of disaggregation); two others study EU-15 countries and regions, highlighting policy assessments or implications; one paper reviews the empirical literature on transition economies, stressing especially the common features of all EU-10 new members and Russia; and, lastly, two papers analyse the regional experiences of individual countries, Serbia and Great Britain.

The approach of all papers is mainly empirical, but some also make use of interesting theoretical models. Most analyses concentrate on general economic development issues, on the growth of GDP or productivity; however, three papers investigate specifically labour markets. Since a structural approach is generally followed, the economic structures of the regions – especially the sectoral mix of production and/or employment – are at the heart of many studies. Spatial variables, such as accessibility or distance, are in some case explicitly taken into account.

The specific objectives of each paper are clearly illustrated, although the structure of some papers is quite complex[1]. All of them present interesting

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[1] We would like to thank the referees – two referees reviewed each paper – whose evaluation and contribution to the improvement of the papers was essential. We would also like to thank the Editors for their encouragement and support.

methodological approaches and original empirical investigations and all are policy-oriented. Although some technicalities are present in a few papers, their substantial content is easily accessible even to non-specialist readers.

We now draw attention to some characteristics of each paper.

The first paper, by Christine M. Aumayr, on "European Region Types in EU-25", is a comprehensive investigation of 1,212 EU-25 regions at a fine level of territorial disaggregation (NUTS-3). The purpose of the paper is to find a taxonomy of European regions, which incorporates both geographic location (according to a core-periphery dichotomy, but taking account of regional centres in the periphery) and economic structure (secondary and tertiary sectors) as reflected by value added and employment shares and related productivity differentials. Thus, employing factor and cluster analysis, it groups the European regions – using data for the year 2002 – on the basis of level of development, sectoral structure of employment and spatial variables (density and accessibility). The resulting 14 region types (10 non-urban and four urban) do show differences in regional income per capita and some of them are expected to converge to different steady-state levels. One interesting result is that in Western countries growth has been higher in peripheral areas, whereas in Central and Eastern European ones, it has been more intense in central regions.

The second paper, by Enrico Marelli, on "Specialisation and Convergence in European Regions", concentrates on a comparison between "old" European regions (the EU-15) and "new" ones (the EU-10) that joined the European Union in 2004. The level of disaggregation is NUTS-2 and the analysis centres on sectoral specialisation, growth and convergence. As regards specialisation, the sectoral structures have become more similar across almost all European regions, but in some cases (especially in the industrial sector and in some services) a rise in specialisation can be detected. While for the full period (1980-2005 for the EU-15, or 1990-2005 for the EU-10 group) convergence of income per capita can be observed through standard sigma and beta convergence analysis, a trade-off between fast national growth and more equal internal distribution also emerges, especially in the case of transition countries. This outcome bears some important policy implications.

A more explicit policy orientation characterises the third paper, "The Impact of Structural Funds Policy on European Regions' Growth. A Theoretical and Empirical Approach" by Mari Carmen Puigcerver-Peñalver, whose aim is to assess the impact of the EU Structural Funds on the growth rates of Objective 1 European regions (areas lagging behind in their development) during the two first programming periods (1989-2000). The paper starts by developing a "hybrid" model of economic growth, which partially endogenizes the rate of technical progress. The empirical section focuses on a total of forty-one Objective 1 European regions (NUTS-2 level), by modifying the conditional beta-convergence approach and using a panel with fixed effects. One key result indicates that Structural Funds have positively influenced the growth process of Objective 1 regions, although their impact was stronger during the first programming period than the second. The author, in her conclusions, stresses that the goal of cohesion policy in the coming years should be to adapt to the new challenges European regions are expected to face. On the one hand, a first question is how cohesion policy can better promote harmonious, balanced and sustainable development, taking into account the diversity of EU territories. On the other hand, a second question is how cohesion policy can become more effective in supporting public policies in Member States and regions, and, given

the need for efficient management of cohesion policy programmes, how to look for the optimum allocation of responsibility between the Community, and national and regional levels within a multi-level governance system.

The following three papers deal primarily with labour market issues. The contribution by Cristiano Perugini and Marcello Signorelli is on "Labour Market Performance Differentials and Dynamics in EU-15 Countries and Regions". The topic is particularly attractive, due to the existence (and, partly, persistence) of remarkable national and regional differentials, but also to the unexpected recent shift from a long period of prevailing "job-less growth" and diverging (un)employment performances to a situation of prevailing "job-rich (low-)growth" and convergence in EU-15 labour market performance. An innovation of the paper is the use of three indicators of labour market performance: employment rate, unemployment rate, and long-term unemployment rate. Both national data (from 1997 to 2006) and regional NUTS-2 data (for 1999-2005) are considered, and the empirical analyses are carried out by means of various comparative statistics and econometric approaches. As to the latter, a large set of four groups of explanatory variables (development/growth indicators and sectoral structure, labour costs, institutional settings, and other variables) is used to investigate the potential determinants of regional (un)employment levels and dynamics. Some key policy implications are derived from the results of empirical investigations.

The fifth paper, by Peter Huber on "Regional Labour Market Developments in Transition: A Survey of the Empirical Literature", is a very exhaustive contribution. The survey is mainly oriented to empirical works and is supported by the collection of specific data concerning many transition countries. According to most of the literature reviewed, transition seems to be associated with increased regional disparities. In particular, considering long-run causes, polarisation effects have favoured concentration of production in capital cities, but regions closer to EU borders have also developed better. Thus, increased integration has contributed to divergence. Regional disparities are also unlikely to diminish in the short run through the classical adjustment mechanisms (helpful in transition) or shock-absorbers: migration, wage flexibility and capital mobility. Wage flexibility is indeed higher than in most labour markets of "old Europe", but migration is lower in most transition economies, and capital mobility tends to reinforce existing regional disparities. The author's conclusions stress a number of areas which should be the focus of future research.

The paper by Mihail Arandarenko and Milena Jovičić, "Regional Labour Market Differences in Serbia: Assessment and Policy Recommendations", focuses on a single transition country with a well-known particular economic and political history. It does, however, share some similarities with the other transition economies. In particular, on the basis of an interesting methodology, the empirical analysis produces some compound indices (constructed from 21 basic indicators) which serve as a means for comprehensive regional labour market classification. The first classification distinguishes between indicators depicting the regional economic situation and development prospects; the second assembles indicators of the general economic conditions, labour market situation, and restructuring dynamics. The authors propose a simple two-dimensional taxonomy of regions with regard to their labour market situation and prospects. A specific policy mix of employment

measures and active labour market programmes was tailored to the regional characteristics revealed by the analysis.

The last paper, by Don J. Webber, Martin Boddy and Anthony Plumridge on "Explaining Spatial Variation in Business Performance in Great Britain" is also dedicated to an individual country, in this case to an old industrialised country, whose business performance is investigated by considering essentially labour productivity indicators. While most existing studies make use of aggregate data to explain differences in productivity across UK regions, this paper employs cross-sectional regression analysis and British firm-level data to identify empirically whether firm-level labour productivity rates are affected by factors that vary spatially. The main results show that economic potential, included in gravity-type models, is important, although its impact diminishes with the introduction of further explanatory variables. Being in the periphery, in particular, leads to significant losses in terms of productivity and economic competitiveness. From a methodological point of view, the need to take account of space in firm-level regressions is very well highlighted. Some interesting policy implications are presented.

We hope that this special issue of EJCE on European Regions will contribute to the development of rigorous and innovative comparative economic studies in the field of regional economics. This should favour better understanding and analysis of economic structures and dynamics at sub-national levels. It should also contribute to the definition of effective and sustainable policy mixes at the different levels of government (European, national, regional, local). We hardly need stress that a further development of empirical research at regional levels (NUTS-2 and NUTS-3) is strongly dependent on the availability of new, reliable and easily accessible data along the main dimensions of analysis – economic, structural and institutional.