

Regional Economic Growth and Well-Being in the European Union: What Role for the Cohesion Policy?

Elena Calegari¹, Antonella Ferrara², Marzia Freo^{2,3}, Aura Reggiani³

¹Università Cattolica del Sacro Cuore, Piacenza, Italy,

²European Commission, Joint Research Centre (JRC), Italy.

³University of Bologna, Italy.

In recent years, there has been a growing debate on the need to move “Beyond GDP”, giving rise to more comprehensive and multidimensional measures of well-being (WB). In this perspective, given the relevance of the European Union’s (EU) Cohesion Policy (CP), aimed at strengthening economic and social cohesion by reducing disparities in the level of development between regions, it is worth studying the impact of CP on regional WB and its possible heterogeneity. Relying on the inference on counterfactual distributions proposed by Chernozhukov et al. (2013), we estimate the impact of CP on the WB and its dimensions. The method allows us to study the distribution of the impact of the CP in specific quantiles, thus capturing the heterogeneity of the CP effect across the treated regions. Moreover, limiting the analysis to the regions whose control variables are in the area of common support, the method may provide some insights for a causal interpretation. In the present paper, WB is measured with an Extended version of the regionalised Human Development Index (ERDI), that accounts for the three dimensions of the HDI proposed by the United Nations Development Programme, that is “long and healthy life”, “knowledge” and “decent standard of living” but with some extensions. In particular, the resources required for a decent standard of living are measured by means of a micro indicator of income, thus giving an indication of the condition of individual social exclusion (Marchante et al., 2006). To begin with, results show that CP affects regional WB, unveiling heterogeneity across regions. Moreover, CP displays significant effects mostly in lagging regions in terms of their overall WB and on Health and Education dimensions. In addition to this, we perform some robustness checks on the existence of core-periphery groups influencing regional convergence and by considering only EU15 Member States.

To further corroborate our analysis, we estimate the previous models also by adopting the regionalised version of the standard Human Development Index (RDI) as an outcome. Compared to the ERDI, the RDI includes per capita GDP to account for living standards and considers only a limited set of variables for the other dimensions. Differently from the results on ERDI, in this case estimates do not point to the existence of a core-periphery structure and a short-term effect of CP on per capita GDP for low-performing regions.

As far as the analysis on EU15 is concerned, also comparable with results in previous studies (Ferrara et al. 2020; Cerqua and Pellegrini, 2018), no effect is estimated for the overall WB. This may indicate that the convergence induced by the policy affected mainly regions of the New Member States, more frequently in the Treated group and recipients of a larger amount of funds.

All in all, the present study provides evidence of a significant impact of CP transfer over the 2007-2013 programming period on the well-being of the EU27 area. The impact is significantly positive but limited to the low-performing regions. No effect is detected on the well-being of treated intermediate-and high-performing ones. We also find general evidence of significant effects on per capita regional GDP, when a core-periphery pattern is included. Therefore, the results bring support in favour of the existence of a convergence process which is also the ultimate goal of the EU's Cohesion Policy.