Regional and social cohesion: Widened gaps and how to close them

Chapter 4

EU cohesion before the pandemic

Central and Eastern Europe grew rapidly in the two decades before the pandemic, while Southern Europe stalled somewhat

A high concentration of startups in capital cities illustrate the importance of agglomeration effects (% of country startups)

The economic environment in cohesion regions remains more challenging, with important obstacles to investment (% of firms)

The impact of COVID-19

The pandemic’s long-term effect on employment risks exacerbating geographical and social inequalities (% of firms)

Investment in training also decreased, particularly at small firms (% of firms)

The impact on education was also more deeply felt in poorer countries, which closed schools for longer

A highly skilled workforce is important as it helps countries absorb shocks and adjust to structural change

The pandemic risks exacerbating social and regional divergences

- The pandemic’s effect could extend beyond the immediate shock and negatively affect business dynamism, human capital development and firms’ ability to adapt to a changing environment.
- The crisis risks causing scarring. Improving the quality of the business environment is crucial for raising productivity, particularly in cohesion regions. A high-quality business environment supports firms’ ability to adapt to the “new normal” and a more digital and green economy.
- Investing in skills, including education and training, is key to mitigating the negative effects of the pandemic on human capital. A highly skilled workforce can help economies to adjust to shocks and can facilitate structural change.
- Support programmes and additional resources for schools are needed to make up for the learning losses accumulated during the pandemic.