



**Growing Inequality:**  
a Novel Integration of  
transformations research

# Major Transitions and Regional Convergence in Europe

Hans Christian Garmann Johnsen (UiA)  
Jon P. Knudsen (UiA)

September 2024

**POLICY BRIEF #6**



This project has received funding  
from the European Union's Horizon  
2020 research and innovation  
programme under grant  
agreement number 101004494

GI-NI contributes to an inclusive Europe of shared prosperity by providing a better understanding of the changes and joint impact of three major transformations: technological progress, globalisation and migration; and offering policy and governance solutions to better equip citizens and companies for future challenges, securing more equal opportunities and outcomes. The project team uses a multidisciplinary research approach with international stakeholder engagement throughout the project.

The contents of this publication are the sole responsibility of the GI-NI project Consortium and do not necessarily reflect the opinion of the European Union.



## Context

This policy brief analyses the European Union's approach to regional policy in the context of the significant transitions currently taking place. It examines how regions have historically adapted to socio-economic changes, evaluates the current state of divergence or convergence between regions, and considers policy measures needed to address upcoming transformations and support social and economic cohesion. The term "regions" refers both to clusters of countries that share relatively homogenous economic and social institutions, as well as to sub-national units, such as NUTS-2 regions. These distinct "Varieties of Capitalism" have demonstrated resilience over time, with no single model emerging as unequivocally superior.

While Europe has made substantial progress in integrating economic and market policies, the implementation of common social policies remains a challenge. Social integration has been pursued through the establishment of shared objectives for social outcomes across EU member states. For instance, the Lisbon Agenda set targets for employment, skills development, and social protection, while the European Commission's 2017 Pillar of Social Rights (PSR) aimed to promote greater convergence in three key areas: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. However, the PSR does not alter the existing institutional frameworks. The principle of subsidiarity allows member states to interpret these rights and implement social and employment policies according to their national contexts (Hungler, 2019).

From a European policy standpoint, this institutional diversity is regarded as a strength. However, these differences also mean that further institutional integration, particularly in the field of social policy, is not a current priority for EU policymakers (Hungler, 2019). In contrast, economic policies are more closely aligned, largely due to the unified European market. Reflecting on this issue, this policy brief suggests potential ways forward.

# Global view

We are currently experiencing significant transformations across economic, technological, and social dimensions. Baldwin (2016) argues that technological advancements facilitate global economic convergence, enabling countries to achieve high levels of development more rapidly, without the protracted learning curve historically experienced by the West. This convergence presents a challenge to the European Union, as it, along with increased global instability, must adapt to a more shifting global landscape while striving to maintain its leadership. In response, the EU has focused on enhancing supply chain resilience by reducing dependencies, diversifying supply chains, building capacity in strategic sectors, and guarding against external coercion (Lehne, 2023). However, these resilience policies are often reactive, lacking a forward-looking strategy that comprehensively addresses future international relations. Furthermore, the implications of shifting global trade patterns on skills and inequality—both within the EU and among its trading partners—remain underexplored.

While global convergence appears to be progressing, significant income disparities persist between the Global North and South. The South continues to depend on the North, and managing this dependency remains a contentious issue. For example, while the withdrawal of Western influence from Africa may seem politically advantageous, it risks exacerbating instability, potentially leading to increased anarchy and despotism. International partners in the GI-NI project similarly emphasize the South's difficulty in achieving self-sustained development. Ongoing conflicts, such as those between Pakistan and India, further hinder economic progress in these regions.


In this context, the GI-NI project has investigated the effects of multiple transitions—technological, globalisation, conflict, and pandemic—on the EU's goal of achieving social convergence. Given that economic convergence is a central aim of EU policy, it is critical to assess whether socioeconomic inequality is truly being replaced by convergence or not, and how factors such as technological advancements, globalisation, and migration influence this process.



## Varieties of regions

While Baldwin (2016) highlights the converging effects of new technology, research on regional development concurrently emphasizes significant variations in regions' capacity to effectively utilize these technologies. Drawing on firm-level concepts such as capabilities and resource bases (Petricevic & Teece, 2019), regional studies have identified similar institutional capacities at the regional level (Antonelli, 2003; Laasonen & Kolehmainen, 2017). These insights prompt the question of how the European Union can harness the diversity of its regions as a strategic asset.

Reflecting on current regional development within the EU and building on the GI-NI report *Are Regions in Europe Converging or Diverging?* (UiA's contribution to GI-NI WP 6, Task 4: D6.4), considerable regional variation is observed. Descriptive statistics reveal several general trends across Europe that illustrate overall progress. The level of educational attainment is increasing, as is employment in high- and medium-high-technology manufacturing and in high-technology and knowledge-intensive sectors. Unemployment rates have significantly declined, while gross domestic expenditure on research and development has remained relatively stable across sectors. The risk of poverty has seen little change and purchasing power per capita has followed a steady upward trajectory. Thus, while purchasing power has risen, educational levels have improved, and unemployment has decreased, substantial disparities persist.




Unemployment is converging toward lower levels, particularly due to improvements in Eastern regions—a trend that holds even when examining relative deviations. The Mediterranean region has experienced fluctuations but now shows lower unemployment levels. In contrast, tertiary educational attainment presents a divergent trend, even when analysing relative standard deviations. Although tertiary education levels have generally improved, divergence is most pronounced in the Mediterranean and Eastern regions, where some areas continue to lag behind. Additionally, while purchasing power has generally increased, divergence between regions has also grown, reflecting persistent differences in regional economic models. Trends suggest that these disparities are becoming more pronounced across different Varieties of Capitalism (VoC) classifications.

We also explored whether qualitative patterns could be identified that link specific Regional Innovation Scoreboard dimensions to overall regional performance in socio-economic indicators. However, no consistent relationship emerged. High-performing regions vary in their strengths and weaknesses, as do lower-performing regions, suggesting the existence of diverse regional models. Nonetheless, qualitative analysis reinforces the idea that three key dimensions structure EU regional socio-economic performance: a centre-periphery dimension, a west-east dimension, and a north-south dimension. Regions located towards the southeast periphery of the EU are still more likely to exhibit poor socio-economic performance. Given this landscape of regional disparities, how should EU policy respond?

## EU responses

Since its introduction, as a strategy for stimulating the European economy following the 2008 financial crisis (Foray et al., 2009), the concept of Smart Specialisation has been considered a key tool for engaging European regions in a combination of bottom-up and top-down approaches. The bottom-up aspect is defined by the requirement for regional actors to engage in strategic planning through entrepreneurial discovery, while the top-down aspect is represented by the European Commission's political and financial incentives for such efforts. Initially piloted in 2011, Smart Specialisation became a mandatory prerequisite for regions seeking access to the European Regional Development Fund (ERDF) in the 2014 budgetary period. As such, the concept was positioned both as a remedy to address the shortcomings of the Lisbon Agenda and as “a pillar in the fulfilment of the EU cohesion policy” (Wigger, 2023:31). It aims to contribute to economic, social, and territorial cohesion through “balanced economic growth and upward economic convergence” (Wigger, 2023:21).

The extent to which Smart Specialisation can deliver on these three dimensions of cohesion remains a highly contested issue, one that requires the consideration of additional factors. Institutional capacity, at both the national and regional levels, plays a crucial role in the ability to effectively implement and benefit from this policy framework (Medve-Bálint & Šćepanović, 2019; Morgan, 2017). In typologies that group nations or regions—such as club models (von Lynker & Thoennessen, 2017) or varieties of capitalism (Duranton et al., 2009; Hall & Soskice, 2001; Pinto et al., 2019)—institutional capacity tends to vary more between categories than within them. Whether this holds true remains both a theoretical and empirical question. Consequently, the effectiveness of Smart Specialisation in addressing inequality and uneven economic growth depends on two key factors. The first is how one evaluates the underlying mechanisms of the global and EU economies. The second is the degree to which Smart Specialisation is integrated with other policy areas that are essential for fostering cohesion.



Regarding the first question, scholarly opinions diverge predictably between reformist and non-reformist perspectives (McCann & Ortega-Argilés, 2016; Morgan, 2017; Wigger, 2023). While we do not intend to delve into this debate here, we do raise the issue of the relevance of comparative and competitive advantages and their potential to address inequality. The second question, however, warrants closer examination. Although Smart Specialisation is designed to promote cohesion and equality, it is not consistently integrated with other policy areas that could amplify its impact, particularly in relation to the objectives of the GI-NI project. When elements from the EU's social pillar are incorporated into regional strategies, it often occurs incidentally rather than through a systematically coordinated approach.

From a regional governance perspective, this lack of integration is problematic. Preliminary findings from Work Package 8.2 (Johnsen et al., 2024) indicate that key policy areas, such as education, skills development, and migration, require strong interaction between national and regional authorities. If Smart Specialisation is seen as an effective tool for coordinating governance along the geographical chain—from the European Commission, through national governments, to regions—then it could be beneficial to extend this methodology to the field of social integration, thereby fostering a more holistic approach to prosperity and equality. To operate effectively in this broader context, we propose supplementing the traditional notions of comparative and competitive advantage with the concept of collaborative advantage (Johnsen et al., 2014). This shift would emphasize the importance of coordinated action across sectors, pillars, and geographical levels in order to navigate the complex challenges of cohesion.

A strategic approach may involve designing policies that explicitly account for regional diversity, fostering tailored solutions that leverage each region's specific strengths by drawing explicitly on the institutional capital on the region in question (Duranton et al., 2009). Furthermore, policies aimed at enhancing institutional capacity at the regional level, particularly in lagging areas, may help address inequalities and promote convergence. By focusing on collaborative innovation and reinforcing regional institutions, the EU could transform regional diversity from a challenge into a strategic asset, supporting more inclusive and balanced economic development across the Union.



## Further reading

Antonelli, C. (2003). Knowledge complementarity and fungibility: implications for regional strategy. *Regional Studies*, 37(6-7), 595-606.

Duranton, G., Rodríguez-Pose, A., & Sandall, R. (2009). Family Types and the Persistence of Regional Disparities in Europe. *Economic Geography* 85(1): 23-47.

Foray, David, P.A., Hall, B. (2009). 'Smart Specialisation – The Concept'. *Knowledge Economists' Brief*, No. 9, June.

Hall, P. & Soskice, D. (2001): *Varieties of Capitalism. The Institutional Foundations of Competitive Advantage*. Oxford: Oxford University Press.

Johansen, H.C.G, et. al. (2024) Repertoire of institutional and governance arrangements in perspective of policy demands. *Report from WP 8 task 2*.

Johansen, H.C.G. & R. Ennals (eds.) (2014) *Collaborative Advantage*. London: Routledge

Laasonen, V., & Kolehmainen, J. (2017). Capabilities in knowledge-based regional development—towards a dynamic framework. *European Planning Studies*, 25(10), 1673-1692.

Medve-Bálint, G. & Šćepanović, V. (2019) EU Funds, State Capacity and the Development of Transnational Industrial Policies in Europe's Eastern Periphery. *Review of International Political Economy*, 27(5): 1063-1082.

Morgan, K. (2017). Nurturing Novelty: Regional Innovation Policy in the Age of Smart Specialisation. *Environment and Planning C: Politics and Space*, 35(4): 569-583.

Petricevic, O., & Teece, D. J. (2019). The structural reshaping of globalization: Implications for strategic sectors, profiting from innovation, and the multinational enterprise. *Journal of International Business Studies*, 50, 1487-1512.

Pinto, H., Healy, A. & Cruz, A.R. (2019). Varieties of capitalism and resilience clusters: An exploratory approach to European regions. *Regional Science Policy & Practice* 11(6): 913-933.

Von Lynker, K & Thoennessen (2017). Regional club convergence in the EU: evidence from a panel data analysis. *Empir Econ*, 52: 525-553.

Wigger, A. (2023). The new Industrial Policy and Deepening Structural Asymmetries: Smart Specialisation Not So Smart. *Journal of Common Market Studies*, 61(1): 20-37.

# Project Identity

## Project name

Growing Inequality:  
a Novel Integration of transformation research — GI-NI

## Coordinator

Nederlandse Organisatie Voor Toegepast  
Natuurwetenschappelijk Onderzoek TNO, Netherlands

## Consortium

CNAM – CEET, Centre d'études de l'emploi et du travail (France)  
University of Groningen (Netherlands)  
Centre for European Policy Studies (Belgium)  
University of Adger (Norway)  
Centre for Economic and Regional Studies (Hungary)  
Utrecht University (Netherlands)  
Europa-Universität Flensburg (Germany)  
University of the Basque Country (Spain)

## Duration

2021 – 2025

## Funding Scheme

Grant Agreement n° 101004494 — GI-NI — H2020-programme

## Website

<https://www.gini-research.org>

## For more information

[steven.dhondt@tno.nl](mailto:steven.dhondt@tno.nl)



**Growing Inequality:**  
a Novel Integration of  
transformations research



**Growing Inequality:**  
a Novel Integration of  
transformations research

[www.gini-research.org](http://www.gini-research.org)