

Is Europe Good for You?

EU Spending and Well-Being

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Research Problem

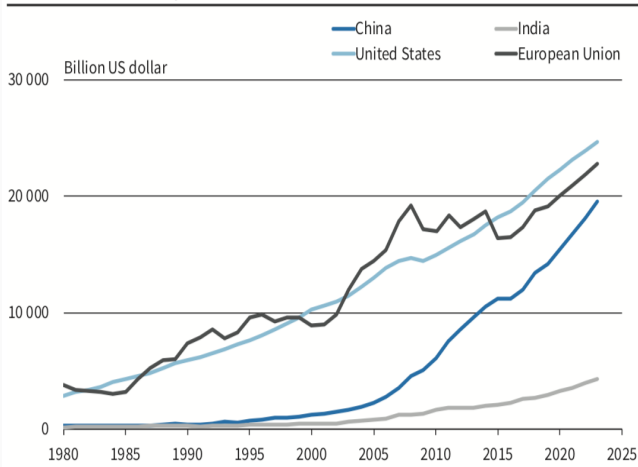
Research Problem

- Well-being is *the* dependent variable in the social sciences
- Well-being = just distribution of welfare in a region which increases the capabilities of the poor and otherwise vulnerable
- Shortfalls in well-being imply that:
 - People cannot use their capabilities to live the good quality of life they are striving for
 - Unequal income distribution can create discontent, deeply challenging the EU's problem-solving capacity



Research Problem – GDP

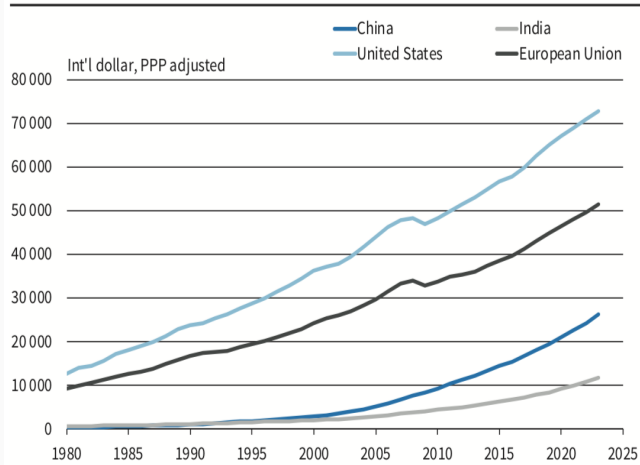
GDP of China, the European Union, India, and the United States since 1980



Source: EAAG 2019; IMF, World Economic Outlook (October 2018)

Research Problem – GDP per Capita

GDP per Capita of China, the European Union, India, and the United States since 1980



Source: EAAG 2019; IMF, World Economic Outlook (October 2018)

Research Question

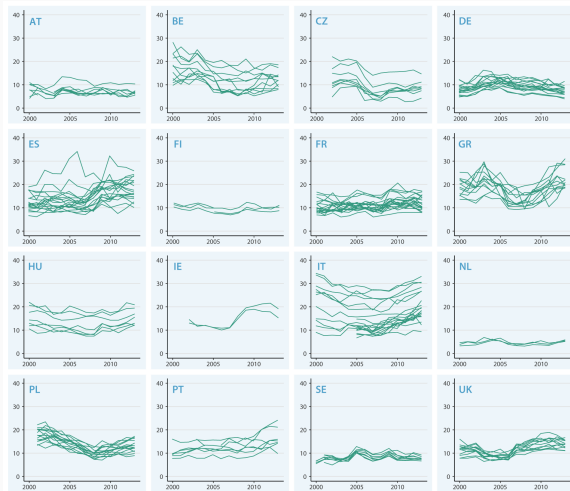
Research question: How, when and why do EU regional funding programmes enhance well-being?

Why Does EU Spending Matter in Well-Being Research?

1. EU funding are conditional loans and grants, which require national co-funding
2. EU regional funds are tangible resources for many citizens, implying that the EU can take credit – or be blamed – for spending effects
3. EU regional policy and institutions could prevent EU funds from benefiting the poor and otherwise disadvantaged

Why Do Regions Matter in Well-Being Research?

1. Regional characteristics are the immediate life circumstances of citizens
2. Regions are the EU's main unit of analysis for development assessment and funding
3. Much intra-regional variation in well-being remains poorly understood



Youth inactivity in percent of the labor force. Source: Eurostat.

Research Gap

- Large literature in political economics about EU regional funding effects on regional development
- Predominant focus on GDP growth and convergence, missing EU funding effects on regional well-being
- Only few studies in political science have examined intra-regional spending effects on outcomes other than GDP, such as:
 - Employment (e.g. Mohl 2016; Coelho 2019)
 - Public services (e.g. Bachtler et al. 2013, 2019)
 - Governance (e.g. Hooghe 1996; Begg 2009)

- Conceptualization of well-being in the context of EU regions
- Theoretical expectations about the conditions under which EU regional spending affects well-being
- Mapping of intra-regional well-being in 189 regions in 16 EU member states from 1994–2013
- Analysis of EU regional funding effects on intra-regional well-being, and the barriers to successful funding

= first systematic and comprehensive analysis of EU regional spending effects on regional well-being

The Argument

The Argument: Assumptions

- Key assumptions:
 - EU has a responsibility to address well-being challenges
 - EU growth is not inclusive enough
 - Cohesion encompasses both economic development and social justice

The Argument: Conceptualization

- **Regional well-being** = a condition of distributive justice in a region through which poor and otherwise vulnerable people are provided with the capabilities to achieve a good quality of life
 - Capabilities refer to the real opportunities that we have to accomplish what we value
 - Functionings are beings and doings that people value and have good reasons to value
 - Well-being is a continuum, rather than a dichotomy

The Argument: Expectations about EU Spending Effects

Social investment

- Can enhance well-being if it benefits the poorest and marginalized
- Causal mechanism: human capital investment

Economic investment

- Can enhance well-being if it benefits firms employing 'outsiders' or poor people
- Causal mechanism: business subsidies

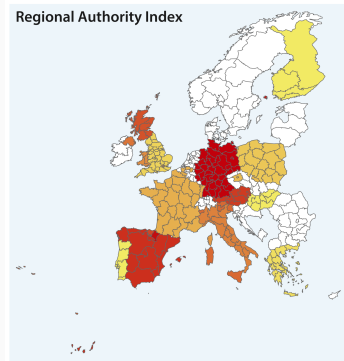
- Increasing 'outsiders' and poor peoples' capabilities will promote a more just distribution of wellbeing
- EU legal framework and spending practices benefit mostly 'insiders'
- In poor regions EU funding tends to target strong projects, selected early on to ensure absorption, which seldom benefit the poor
- Well-being effects likely weak and only present in rich regions

Research Design

Research Design

Comparative analysis across 189 regions in 16 EU member states from 1994–2013, covering social and economic national and EU investment

- Mixed-method design:
 - **Quantitative:** panel data and GMM regressions, 156 standardized interviews with bureaucrats in 19 countries
 - **Qualitative:** 33 in-depth interview data with EU policy-makers, EU, Euractive and other documents



Source: Hooghe et al. (2016)

Empirical Results

Measures of Regional Well-Being, NUTS 1 or 2 Level

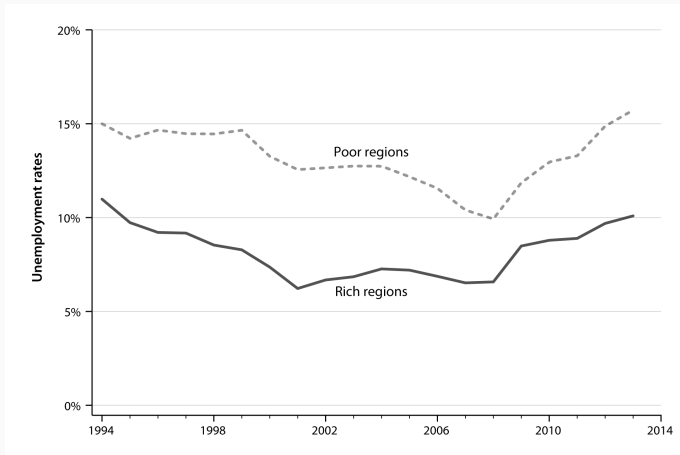
Capabilities Measures and Correlations with GDP

- Employment per capita
 $r=0.233$, $N=2,329$
- Unemployment rate
 $r=-0.166$, $N=2,765$
- Young inactivity rate
 $r=-0.174$, $N=1,040$
- Infant mortality rate
 $r=-0.146$, $N=2,622$
- Self-perceived health
 $r=0.084$, $N=915$

Distributive Justice Measures and Correlations with GDP

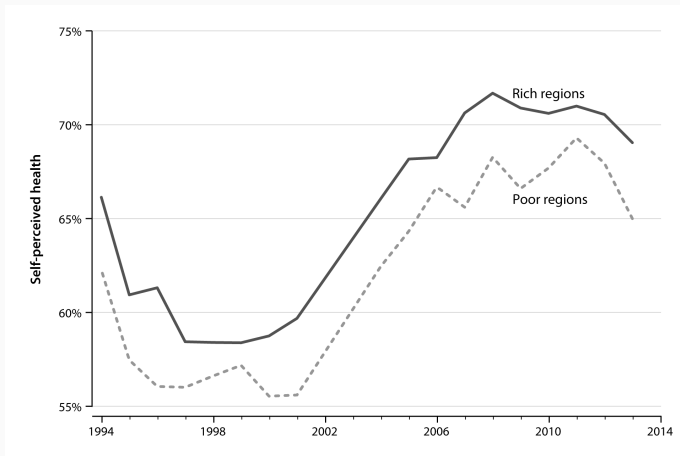
- Squared poverty gap index
 $r=-0.129$, $N=819$
- Gini coefficient
 $r=0.195$, $N=758$
- Theil index
 $r=0.179$, $N=813$
- Squared coefficient of variation
 $r=0.162$, $N=813$
- P90/10
 $r=0.041$, $N=811$

Regional Unemployment



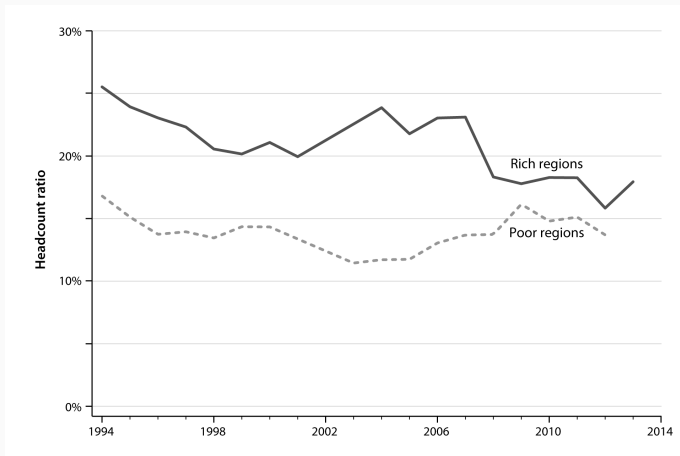
Source: Eurostat

Regional Health



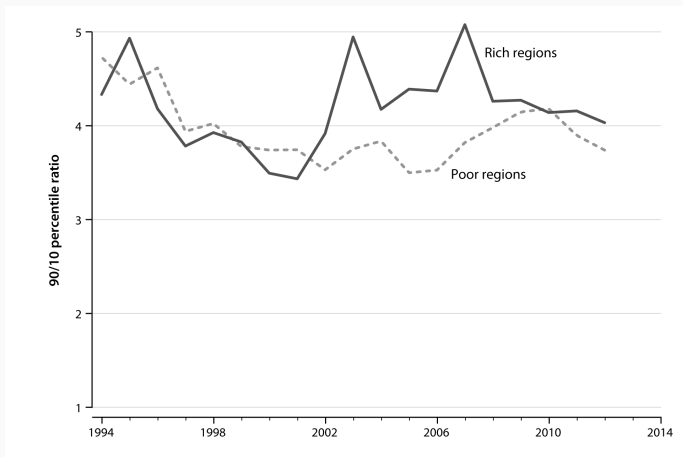
Source: ECHP and EU-SILC

Regional Poverty



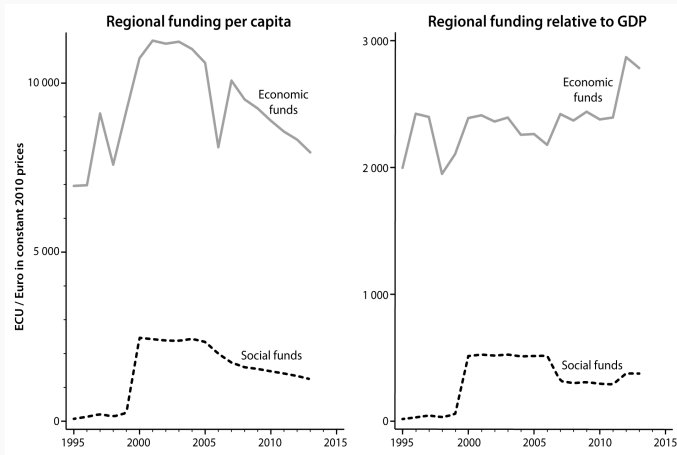
Source: ECHP and EU-SILC

Regional Economic Inequality



Source: ECHP and EU-SILC

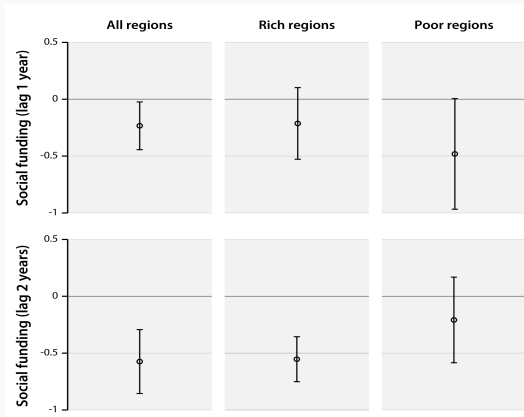
EU Economic and Social Investment



Source: EU Structural Funds Reports, DG Regio. Inflation-adjusted payment data in constant 2010 prices

EU Social Investment Effects on Unemployment

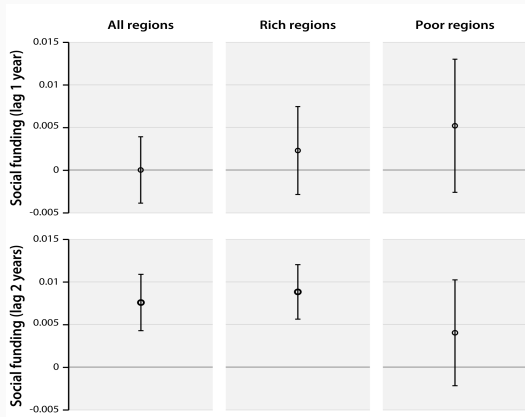
Reduction of unemployment in full sample and rich regions



Estimates with 95 percent confidence intervals from two-way panel data regression models with annual fixed effects and Driscoll-Kraay standard errors robust to spatial and temporal dependence (clustered at the level of regions). Dependent variable: Unemployment.

EU Social Investment Effects on Employment

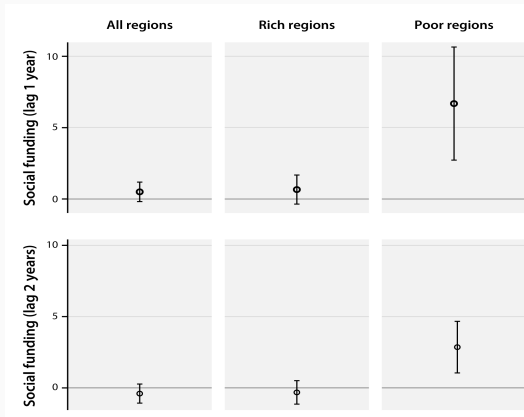
Increase in employment in full sample and rich regions



Estimates with 95 percent confidence intervals from two-way panel data regression models with annual fixed effects and Driscoll-Kraay standard errors robust to spatial and temporal dependence (clustered at the level of regions). Dependent variable: Employment.

EU Social Investment Effects on Inequality

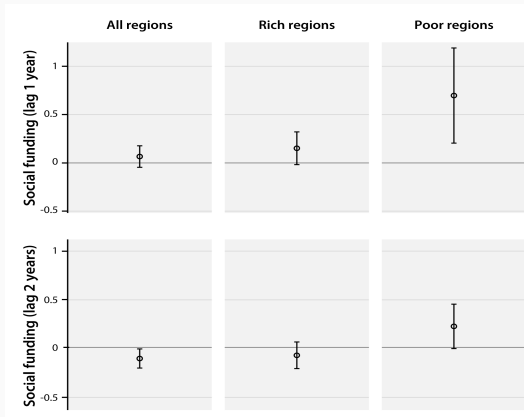
Adverse effect on Gini in poor regions



Estimates with 95 percent confidence intervals from two-way panel data regression models with annual fixed effects and Driscoll-Kraay standard errors robust to spatial and temporal dependence (clustered at the level of regions). Dependent variable: Gini coefficient.

EU Social Investment Effects on Inequality

Adverse effect on squared coefficient of variation in poor regions



Estimates with 95 percent confidence intervals from two-way panel data regression models with annual fixed effects and Driscoll-Kraay standard errors robust to spatial and temporal dependence (clustered at the level of regions). DV: Squared coefficient of variation.

Five Barriers to Well-Being Effects

1. Social and economic investments remain largely siloed
2. Social funding amounts continue to be small
3. Small amounts are spread thinly and to richer areas
4. Informational asymmetries persist
5. Shortfalls in administrative capacity in poor regions

Conclusions

Conclusion

- Poverty and inequality standstill since the mid-1990s
- EU social investments promote employment in rich regions, but have no effects on health, inequality, poverty, and youth inactivity
- EU social investments exacerbate economic inequality in poor regions
- EU economic investments have no well-being effects
- Next steps for future research:
 - Add indicators, e.g. air pollution and physical safety
 - Examine well-being effects across social groups, e.g. gender
 - Examine trade-offs and synergies between different goals of EU regional funding (social goals/citizen well-being vs enhancing competitiveness/business well-being)

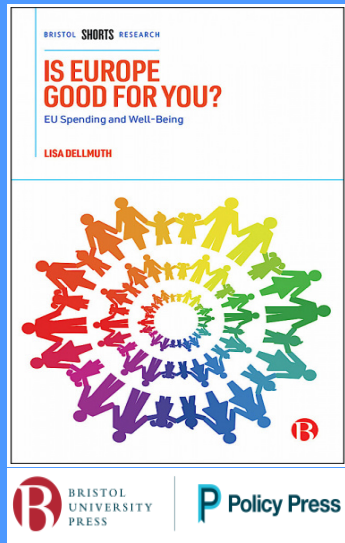
Broader Implications

- **Inclusive growth:** without a focus and integrated strategy on the issue, we are likely to continue to see well-being problems
- **EU legitimacy:** well-being problems help to understand why populist politicians find it profitable to target the EU
- **EU regional and social policy reform:** how to avoid unintended consequences of EU regional funding?

Thank you!

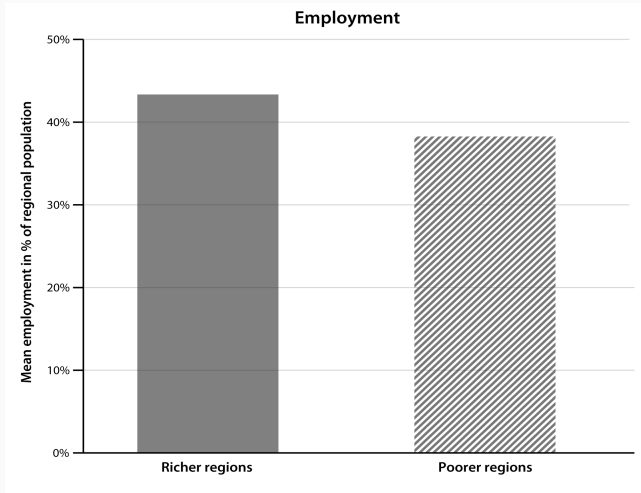
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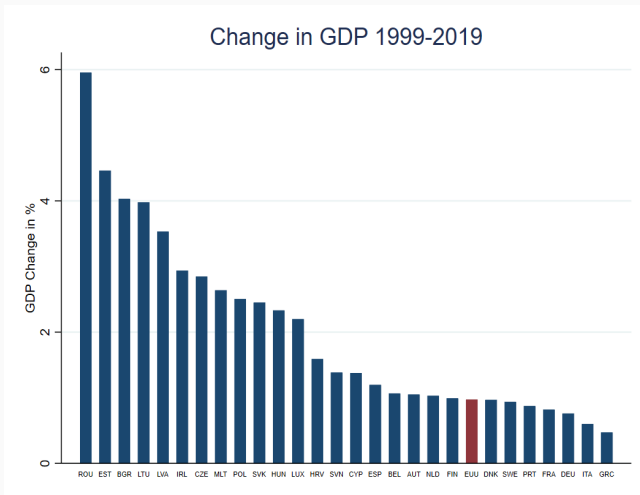
Illustrations for Q&A

Regional Employment



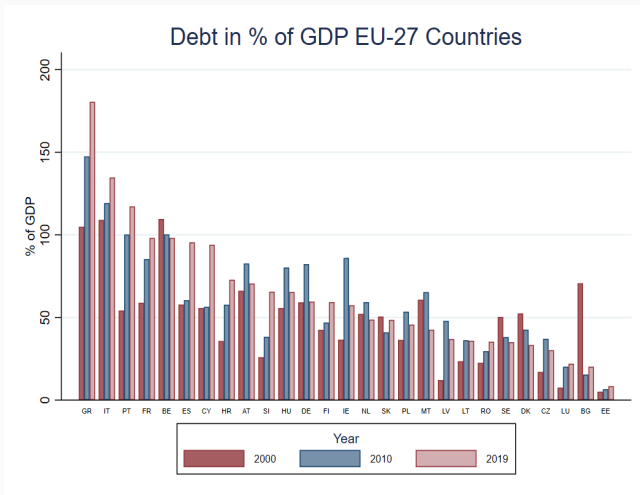
Source: Eurostat, Dellmuth (2021)

Background – GDP Change



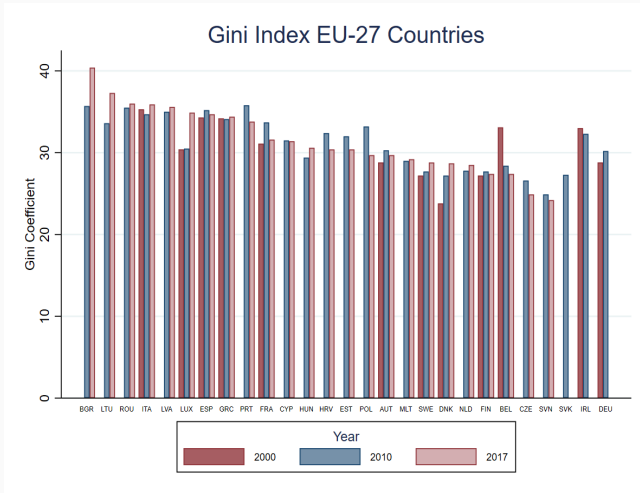
Source: Eurostat

Background – Debt



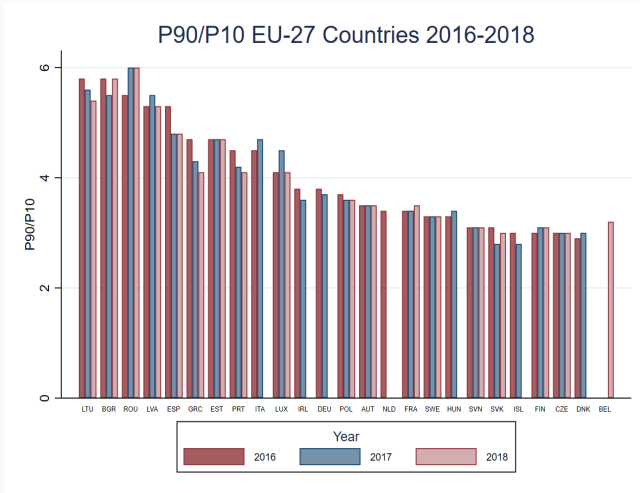
Source: Eurostat

Background – Gini



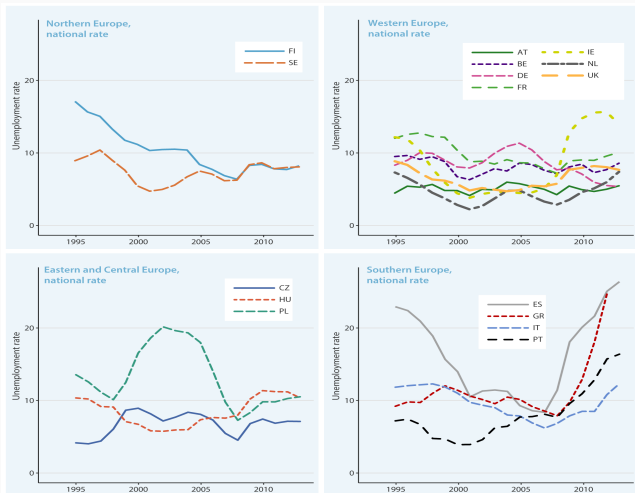
Source: Eurostat

Background – P9010



Source: Eurostat

Background – Unemployment



Source: Eurostat