Regional Disparities in Europe

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While the level of disparities across regions in 10 advanced European economies studied in this paper mostly reflects productivity gaps, the increase since the Great Recession has resulted from diverging unemployment rates. Following the pandemic, this could be further exacerbated given teleworkability rates are lower in poorer regions than in high-income regions, making them ex-ante more vulnerable to the pandemic’s likely material impact on the prevalence of remote work. Preliminary evidence from 2020 confirms that regional disparities between countries increased during 2020. A further concern is that the pandemic might accelerate the automation of jobs across Europe, something which often happens following recessions. While lagging regions have lower ex-ante vulnerabilities against the routinization, the transformation of jobs through sectors with higher routinization rates in these regions could increase their vulnerability to technological change over time. The green transition could also lead to challenges for regions that have benefitted from carbon-intensive growth strategies. Finally, the paper discusses the role for policies—including placed-based ones—in reducing disparities in the face of the aforementioned short, medium, and long-term risks.

**Url:**<https://www.imf.org/en/Publications/WP/Issues/2022/09/30/Regional-Disparities-in-Europe-523583>