



Position paper
to the European Commission's consultation on

“Reducing disparities in the EU - 9th Report on economic, social and territorial cohesion”

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1. INTRODUCTION: PERSISTING CHALLENGES CALL FOR IMPROVEMENTS

The European integration process is a significant achievement which cannot be questioned. Cohesion is one of the main drivers for the European integration process and, at the same time, one of the key objectives of the EU.

Thanks to the Cohesion Policy, the EU supports investment policies at regional level and fosters economic convergence between territories, thus making a considerable contribution to citizens' living conditions.

Nonetheless, there is still a long way to go.

The plentiful challenges remaining on the ground are the signal that there is significant room for improvement of EU policies.

Furthermore, the recent economic recession due to the Covid-19 pandemic crisis has hit harder fragile economies and brought about asymmetric impacts at regional level, thus further highlighting the existing gaps.

2. COHESION'S LEGAL AND POLICY FRAMEWORKS IN A NUTSHELL

Economic convergence is undermined by specific territory-based drivers which ultimately affect the cohesion policy's goals, as well as the single market's potential: there cannot be a proper single market without economic convergence processes.

In some regions, development is harder than elsewhere.

Article 174 TFEU clearly distinguishes some categories of territories (i.e. islands, sparsely populated areas, cross border and mountain regions) from other regions, on the grounds of their permanent natural and geographical handicaps which bring about structural difficulties. The same article stipulates that the EU must pay particular attention to the aforementioned regions in order to achieve economic, social and territorial cohesion in EU.

Article 175 TFEU stipulates that "*The formulation and implementation of the Union's policies and actions and the implementation of the single market shall take into account the objectives set out in Article 174 and shall contribute to their achievement*", which is to say that **the achievement of the cohesion goals pertains to all EU's policies.**

Articles 174 and 175 TFEU constitute a sound legal basis for European Union policies to pay particular attention to island regions. However, their full implementation is still an open issue.

By two recent resolutions¹, the European Parliament called the European Commission to take into due account island regions all along the policy-design process in order to face the natural and permanent handicaps they suffer from.

In this sense, EU policies as a whole lack vision for territorial handicaps to be properly tackled in order to overcome permanent and natural handicaps stemming from geography they are rooted in.

Furthermore, regions with geographical specificities referred to under Art. 174 TFEU cannot be treated as one single block because their challenges may vary and differ greatly.

One-size-fits-all paradigm in EU policies is not fit to meet the objectives of territorial cohesion and socio-economic convergence stipulated in the TFEU. In this perspective, **a silos approach is fatally meant to fail in achieving cohesion goals.**

¹ Resolution on the condition of insularity, 2015/3014(RSP), of 4 February 2016, and Resolution on EU islands and cohesion policy: current situation and future challenges (2021/2079(INI) of 7 June 2022

3. STATISTICAL DATA ON ISLANDS

3.1 Island regions in EU studies and analysis

In order to tackle the challenges concerning territories referred to under Article 174 TFEU, a prior in-depth and statistical data-based analysis is key.

At present, Eurostat collects data at the level of NUTS3 regions only, according to the following parameters:

- the island typology is applied when entirely composed of one or more islands;
- islands which are part of coastland NUTS3 territories are out of focus.

In light of that, a significant number of islands are not defined as island regions, which applies to Italy, Croatia, Denmark and Sweden. For the same reason, sundry countries (i.e. Poland, Germany, Estonia and Croatia itself) are not considered as member states having islands in their territory.

This lack of systematic and harmonized data on EU islands collected at the appropriate administrative levels impedes to have an exhaustive and accurate picture of the island dimension in terms of population, GDP, employment, and the main aggregated macro-data.

As a consequence, island regions are not specifically considered under EU studies, namely – inter alia – the European Commission's *Reports on economic, social and territorial cohesion*, and the Committee of the Region's *Annual Report on the state of regions and cities*.

3.2 Island regions under the European Commission's reports on economic, social and territorial cohesion

Insularity is considered by the TFEU under two different articles, namely art. 174 and art. 349. In both cases it is framed as a territorial condition which plays as an obstacle to development.

Art. 174 of the TFEU is the legal basis for Cohesion policy. As such, it is also expected to guide the territorial analysis under the European Commission's report on economic, social and territorial cohesion.

Nonetheless, **the European Commission’s reports** on economic, social and territorial cohesion regularly **have no specific focus dedicated to islands**, nor any territorial category referred to under art. 174 TFEU, despite the special attention the TFEU stipulates should be paid to.

By way of example, the 8th Report on Economic, Social and Territorial Cohesion considers a wide set of specific areas, such as:

- metropolitan regions;
- predominantly urban, intermediate, predominantly rural regions;
- border areas;
- outermost regions;
- areas classified according to their degree of urbanisation (Cities / Towns and suburbs / Rural area) as well as their functional features (Cities / Commuting zones / Functional urban areas).

Island regions were not taken into account.

By contrast, the European Commission’s 8th Report provides with sundry statistical focuses on a different territorial category – i.e. outermost regions – and none about island regions, nor any other territory referred to under art. 174 TFEU (table1).

Table 1. List of statistical focuses under the European Commission’s Eighth Report on Economic, Social and Territorial Cohesion dedicated to regions facing insularity.

Statistical focuses dedicated to:		
a) outermost regions	b) territories referred to under art. 174 TFEU	
		of which islands
Box 2.1 EU outermost regions	none	none
Table 2.1 GDP per head and its components in outermost regions, 2019		
Box 5.3 Main labour market and education indicators in EU outermost regions		

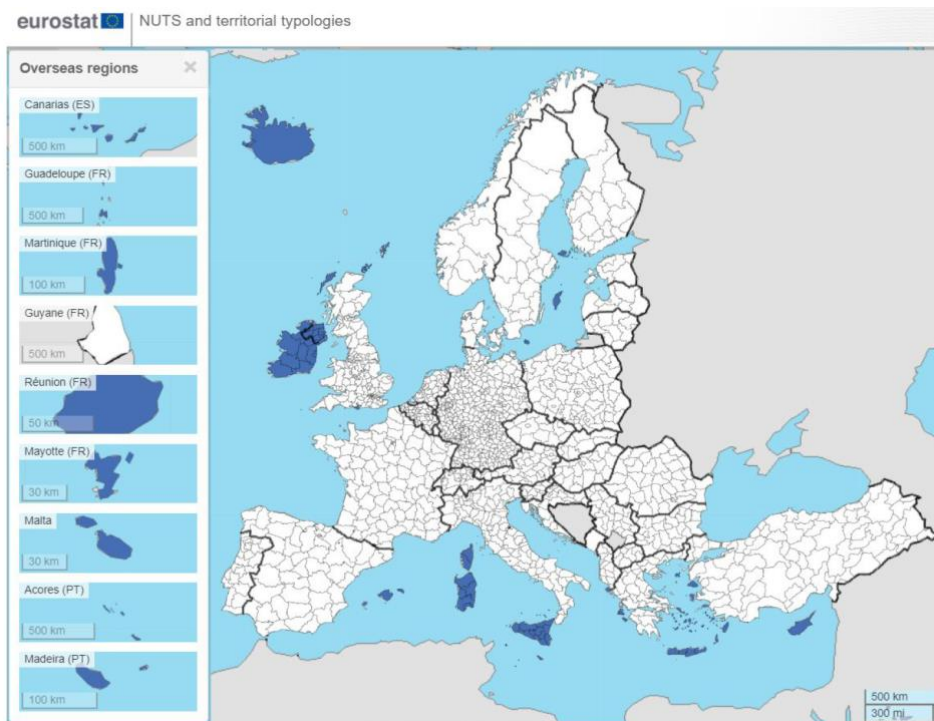
Table 5.4 Employment, unemployment and tertiary education in EU outermost regions, 2020		
Box 6.2 Demographic developments in EU outermost regions		
Table 6.4 Demographic change in the outermost regions, 2010-2030		

Source: Eighth Report on Economic, Social and Territorial Cohesion

3.3 Islands and outermost regions: one same group despite some great differences

Islands and outermost regions are generally grouped together under EU's analysis and debates.

Figure 1. European islands territories considered under Eurostat's elaborations.



Source: Eurostat, sundry publications

Nonetheless they belong to totally different territorial categories, both in terms of characteristics and challenges, as well as legal frameworks.

Art. 349 recognises insularity as one of the drivers which severely restrain their development.

Given that outermost regions undergo greater challenges than any other territory due to their huge geographical distance from the European mainland, they also benefit a specific legal status under EU legislation.

In order to tackle their handicaps and accordingly to the Treaty, the EU has produced a holistic body of rules taking into account the special characteristics and constraints of the outermost regions with no prejudice to the integrity and the coherence of the Union legal system, including the internal market and common policies.

Legally speaking, insularity as a competitive disadvantage is considered only with reference to outermost regions.

No specific provision has been laid down to tackle islands' structural problems as such, but only few narrow-scope provisions (see table 2).

Table 2. Comparison of European legislation in force for outermost regions and islands under EU policy areas².

EU Policy area	Legislative act	Provisions for Outermost Regions (ORs)	Provisions for EU island regions
Cohesion	Reg. (EU) 2021/1060	Articles: 7.3, 36.4 (b), 36.5 (b) Annexes: I, II, V, VIII, XXVI	
	Reg. (EU) 2021/1058	Articles: 4.2, 4.4, 7.1, 14	
	Reg. (EU) 2021/1057	Articles: 16.3, 5.2, 7	
	Reg. (EU) 2021/1056	Article 6 Annexe II	Article 6 Annexe II
	Reg. (EU) 2020/2221	Annexe VIIa	

² Specific measures in favour of island states of Cyprus and Malta are not taken into account in this analysis.

EU Policy area	Legislative act	Provisions for Outermost Regions (ORs)	Provisions for EU island regions
	Reg. (EU) 2021/1059	Annexes: 3.4, 5.2, 7, 9.2, 10.5, 16.5, 61	
	Reg. (UE) 1302/2013	Articles: 3a, 16a.1	
	Reg. (EU) 2021/1153	Articles: 9.2(a), 14.1(c), 15.6 Annexes: Part V	Article 14.1(c) Annexe Part V
Competition	Reg. (EU) n. 651/2014	Articles: 1.3(a), 1.3(b), 2[Paragraphs 7 and 55], 52b.4, 8.7, 13, 14.14, 15.1, 15.4	Articles: 2[Paragraph 7], 52b.4
	Communication C/2021/2594	Paragraphs: 1.a, 15, 38, 48, 56, 103, 157, 159, 180	Paragraph 175
	Communication 2014/C 99/03	Sections: 2.2(27), 4.1(72), 5.1(103), 6(156)	Sections: 2.2(27), 4.1(72), 6(156)
	Reg. (EU) 2022/2472	Articles: 14.12, 17.12, 49.7, 50.9	
	Communication 2022/C 485/01	Paragraphs: 160, 176, 474, 476, 480, 481, 530, 534	
Agriculture, Rural Development & Fisheries	Reg. (EU) 2021/2115	Articles: 13.1, 52.3(f), 59.2, 59.4, 73.4, 91.2, 93.4, 108, 112.2, 149	Article 108
	Reg. (EU) 2021/2116	Article 5.2	
	Reg. (EU) 228/2013 (modified by Reg. (EU) 2021/2117)	Articles: 1, 3, 9, 10.1, 10.2, 10.4, 15.1, 15.2, 16, 17, 16, 19, 21, 22, 22a,	

EU Policy area	Legislative act	Provisions for Outermost Regions (ORs)	Provisions for EU island regions
		23.1, 23.2, 23.3, 23.4, 24, 27, 28, 29.1, 30.2	
	Reg. (EU) 1380/2013	Articles: 5, 43	
	Reg. (EU) 508/2014	Articles: 3.10, 8.4, 13.5, 38.2, 70, 71, 72, 73, 82 Annexes: I	Articles: 3.10, 82
	Reg. (EU) 2021/1139	Articles: 5.2, 5.3, 8.3, 10.4, 14.1, 24, 35, 36 Annexes: II	Articles: 3.3, 29 Annexe II
Common commercial policy and custom provisions	Decision 2021/991/EU	Article 1	
	Reg. (EU) 2021/2048	Articles: 1, 2	
Specific tax regimes	Decision 2020/1792/EU	Article 1	
	Decision 2020/1790/EU	Articles: 1, 2	
	Decision 2020/1790/EU	Articles: 1, 2, 3	
	Directive 2006/112/EC	Articles: 104.3, 142, 149	
Climate	Directive (EU) 2023/958	Articles: 3c.6, 3c.8, 28a	Articles: 3c.6, 30.8
	Directive (EU) 2023/959	Articles: 12.3 -b	
	Reg. (EU) 2023/1805	Articles: 2.1, 2.4	Articles: 2.3, 2.6
	Reg. (EU) 2021/783	Article 14	

EU Policy area	Legislative act	Provisions for Outermost Regions (ORs)	Provisions for EU island regions
	Reg. (EU) 2023/2405	Articles: 3.1, 4.1, 5.1, 6.1, 8.1	Articles: 5.3, 17.2
	Reg. (EU) 2023/1804	Articles: 6.5(a), 9.3, 14.2	Articles: 6.5(b), 9.3, 14.2
	Directive (EU) 2023/2413	Articles: 3.d, 29.13	
	Reg. (EU) 2023/955	Article 6.1 Annex V paragraph 4.5	Article 6.1 Annex V paragraph 4.5
Digital transition	Reg. (EU) 2021/694	Article 20	

Source: Official Journal of the European Union. Own elaboration on current EU's legislation

The comparison between the specific measures in the main EU laws for the outermost regions and those for the other island territories highlights the lack of adequate regulatory provisions for the latter, and further underpins the call for specific policies and measures to compensate for the disadvantages from insularity.

Furthermore, no preliminary impact studies on EU policies' actual implementation in specific territories like islands has been factored in³.

³ This was the case for outermost regions under French legislation.

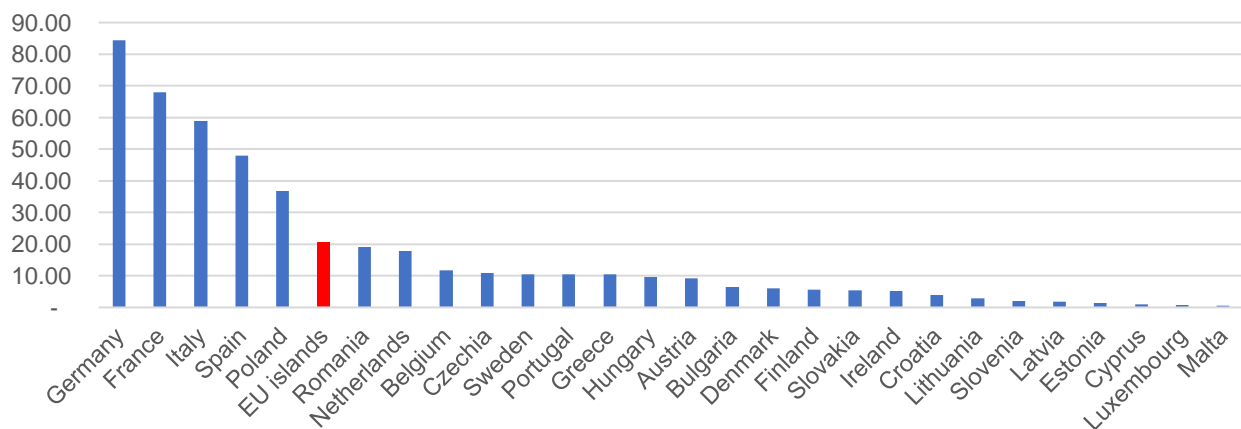
4. STATISTICAL OVERVIEW ON EU'S ISLANDS

4.1 Demographics in a nutshell

According to the Eurostat's data, with no prejudice of what highlighted under section 3.1 (thus excluding islands that are part of continental Europe NUTS3 regions), in 2020 European NUTS3 island regions were home to a total population of over 20,5 million inhabitants, corresponding to 4,6% of the EU's population.

This figure, which is 2% higher than the same NUTS3 regions had in 2016, is similar to a medium-sized European member state (figure 2).

Figure 2. European population by country (in million).



Source: Eurostat (2023)

Far from being a minor issue that entails a limited population, considering that territories have to be connected to the mainland – which in most cases corresponds to their homeland – insularity involves 13 member states, plus 3 island states (table 3).

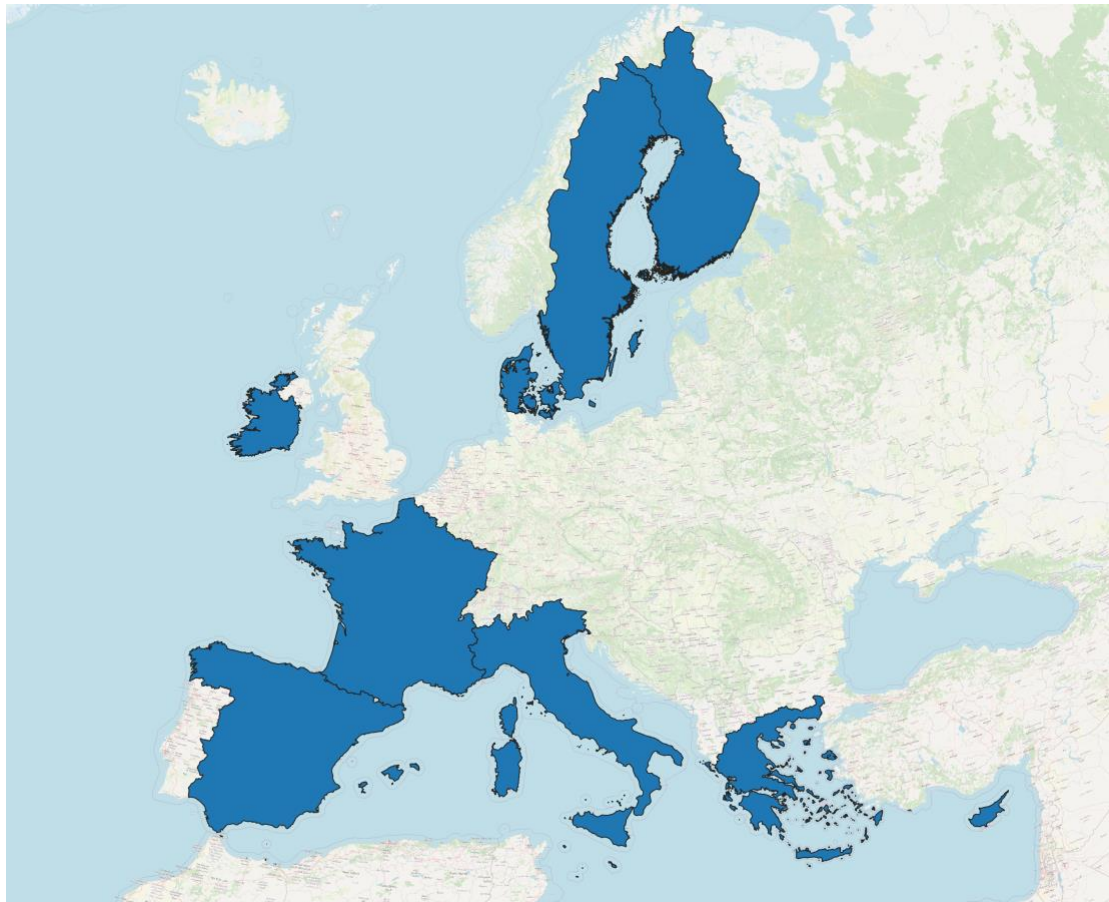
Five of them – i.e. Germany, Netherlands, Poland, Croatia, Estonia – are not taken in the Eurostat's picture although they have islands too within their territory (figure 3).

Table 3. NUTS3 island regions, total population and difference compared to 2016 in European member states.

Member state	NUTS3 island regions	Total population	Increase/decrease compared to 2016
Italy	14	6 486 911	- 4%
Greece	12	1 392 881	+ 3%
Spain	10	3 447 717	+ 5%
France	6	2 254 154	+ 1%
Portugal	2	497 050	- 2%
Denmark	1	39 583	- 1%
Finland	1	29 884	+ 3%
Sweden	1	59 686	+ 4%
Ireland	8	4 964 440	+ 5%
Cyprus	1	888 005	+ 4%
Malta	2	514 564	+ 12%
EU	58	20 574 875	+ 2%
Germany	-	not available	not available
Netherlands	-	not available	not available
Croatia	-	not available	not available
Poland	-	not available	not available
Estonia	-	not available	not available

Source: EPRS, "Islands of the European Union: State of play and future challenges", 2021

Figure 3. European member states having NUTS3 regions within their boundaries.



Source: own elaboration

4.2 Gross Domestic Product (GDP) in island territories

The Gross Domestic Product (GDP) per capita is traditionally considered the main economic indicator to assess the degree of wealth of a territory.

When considering GDP per capita, EU island regions show a significant gap compared to mainland territories as well as to the European average (table 4).

On the whole, island regions have an average GDP per capita that is almost a quarter lower than the EU average value, even including Åland and Malta which have a higher performance.

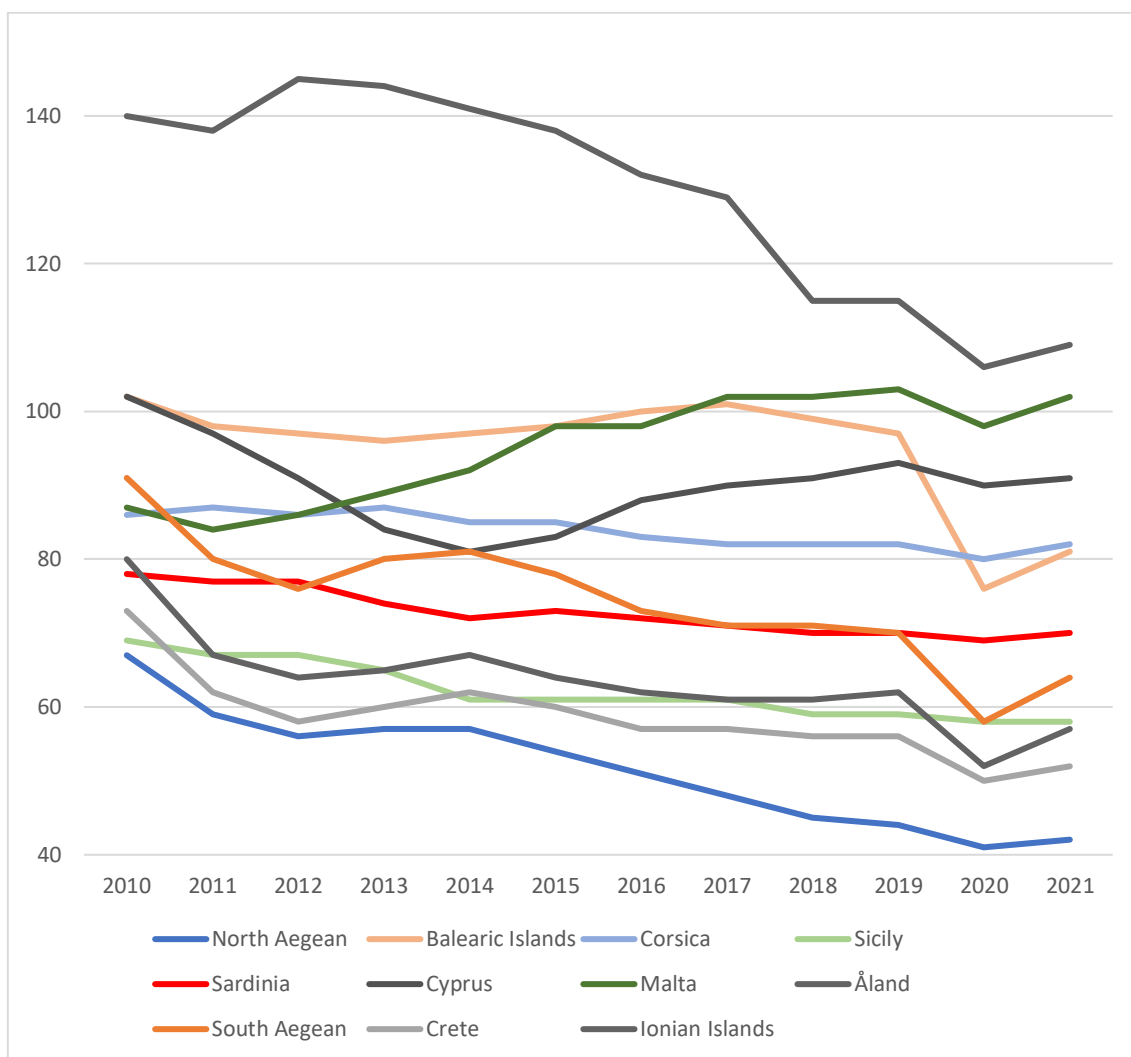
Table 4. GDP per capita (expressed in PPS) 2017-2021 of the NUTS2 level island regions compared to the EU27 average (=100).

Island Region	2017	2018	2019	2020	2021	Average GDP 2017-2021
Åland	129	115	115	106	109	115
Malta	102	102	103	98	102	101
Cyprus	90	91	93	90	91	91
Balearic Islands	101	99	97	76	81	91
Corsica	82	82	82	80	82	82
Sardinia	71	70	70	69	70	70
South Aegean	71	71	70	58	64	67
Sicily	61	59	59	58	58	59
Ionian Islands	61	61	62	52	57	59
Crete	57	56	56	50	52	54
North Aegean	48	45	44	41	42	44
Average	79	77	77	71	73	76
EU	100	100	100	100	100	100

Source: Eurostat - Regional gross domestic product (PPS per inhabitant in % of the EU27 (from 2020) average) by NUTS2 regions [Online data code: TGS00006]

Furthermore, in a backward long-term perspective, EU island regions have experienced a significant decrease of the GDP per capita over time (figure 4).

Figure 4. Evolution of the regional gross domestic product in EU island regions (PPS per inhabitant in % of the EU27 average = 100).

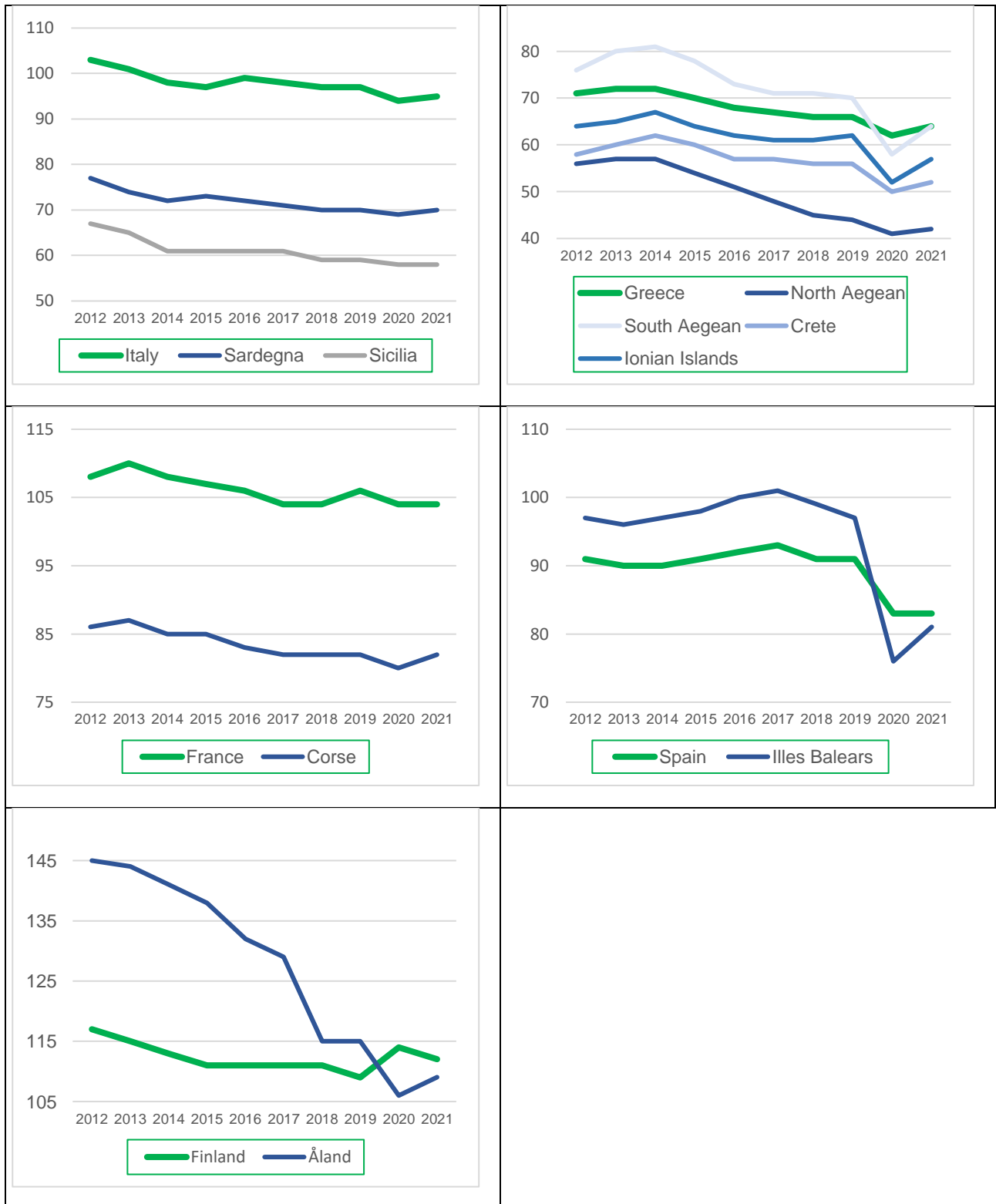


Source: own elaboration on Eurostat's data: Gross domestic product (GDP) at current market prices by NUTS2 regions [Online data code: nama_10r_2gdp]

This trend is even more remarkable if compared to their respective State's performances (figure 5).

The opposite trend recorded in the last two years is due to the bounce effect resulting from the general economic recovery after the brake imposed by Covid pandemic, which does not affect the tendency though.

Figure 5. Evolution of the gross domestic product (PPS per inhabitant in % of the EU27 average) in EU island regions and their respective member states

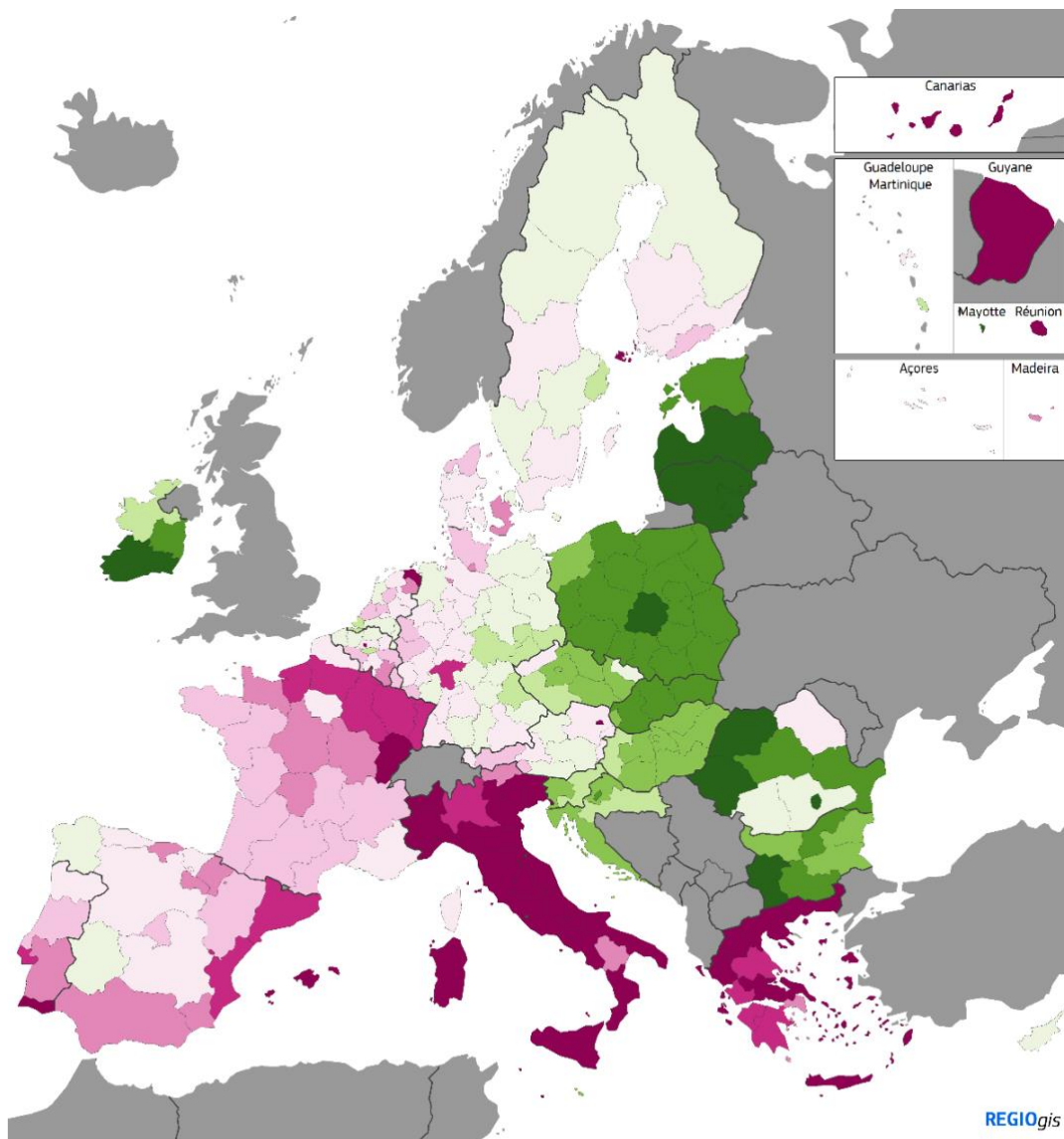


Source: own elaboration on Eurostat's data: Gross domestic product (GDP) at current market prices by NUTS2 regions [Online data code: nama_10r_2gdp]

The European Commission’s Staff Working Document “Regional Trends for Growth and Convergence in the European Union” (SWD(2023) 173 final) highlighted that Europe has experienced a significant dynamic of upward convergence over the last 20 years in terms of GDP per capita.

However, this trend does not apply to island territories, as shown in the map below (figure 6).

Figure 6. Real GDP per capita growth, 2001-2021



Growth of GDP per head, 2001-2021

Average percentage change on the preceding year

Dark red	<= 0	Lightest green	1.04 - 1.50
Red	0 - 0.25	Light green	1.50 - 2.00
Light red	0.25 - 0.50	Medium green	2.00 - 3.00
Pink	0.50 - 0.75	Dark green	3.00 - 4.00
Light pink	0.75 - 1.04	Darkest green	> 4.00

EU-27= 1.04
Source: DG REGIO based on JRC and Eurostat data

Source: DG REGIO based on Joint Research Centre (JRC) and Eurostat data - Commission Staff Working Document “Regional Trends for Growth and Convergence in the European Union” (SWD(2023) 173 final)

As far as concerns EU Island regions' growth compared to the national values, it is not surprising that island regions lag behind their respective Member States in terms of GDP growth per capita over time (see Table 5).

Table 5. Difference between island regions and their respective Member States in terms of GDP growth per capita from 2017 to 2021 (Euro per inhabitant).

	Regional GDP growth (from 2017 to 2021)	Member State GDP growth (from 2017 to 2021)	Difference between regional and national GDP growth (from 2017 to 2021)
Italy		1.900	
Sicily	1.000		-900
Sardinia	1.700		-200
France		3.300	
Corsica	2.700		-600
Greece		800	
North Aegean	-1.100		-1.900
South Aegean	-200		-1.000
Crete	400		-400
Ionian Islands	400		-400
Spain		1.500	
Balearic Islands	-1.200		-2.700
Finland		5.800	
Åland	-2.900		-8.700

Source Eurostat: Gross domestic product (GDP) at current market prices by NUTS2 regions [Online data code: NAMA_10R_2GDP]

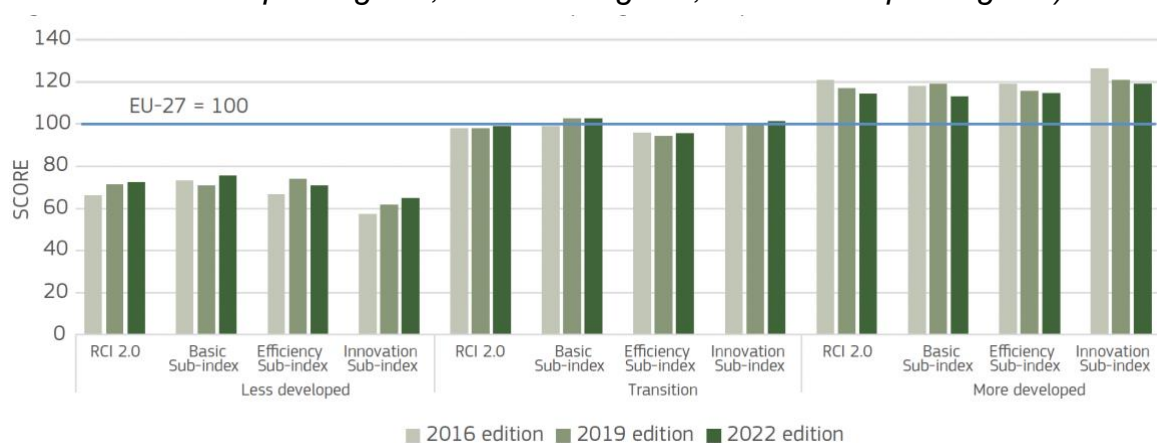
4.3 Regional Competitiveness Index

Regardless of their level of development, island territories suffer from a wide set of competitive handicaps that strongly affect their competitiveness, due to permanent geographical features which entail additional costs as to transport, energy, public services, first need goods and services, and waste management.

This aspect clearly results from the analysis of the Regional Competitiveness Index (RCI)⁴, published by the European Commission on a three-yearly basis, which measures the major drivers of competitiveness for all the NUTS2 level regions across the EU.

With reference to the last edition of the Index, one of the main results of the study shows an increase in regional competitiveness in less developed regions (see figure 7) – which can be interpreted as an evidence of the effectiveness of European cohesion policy.

Figure 7. Time evolution of RCI 2.0 and its sub-indices, by stage of development (less developed regions, transition regions, more developed regions).



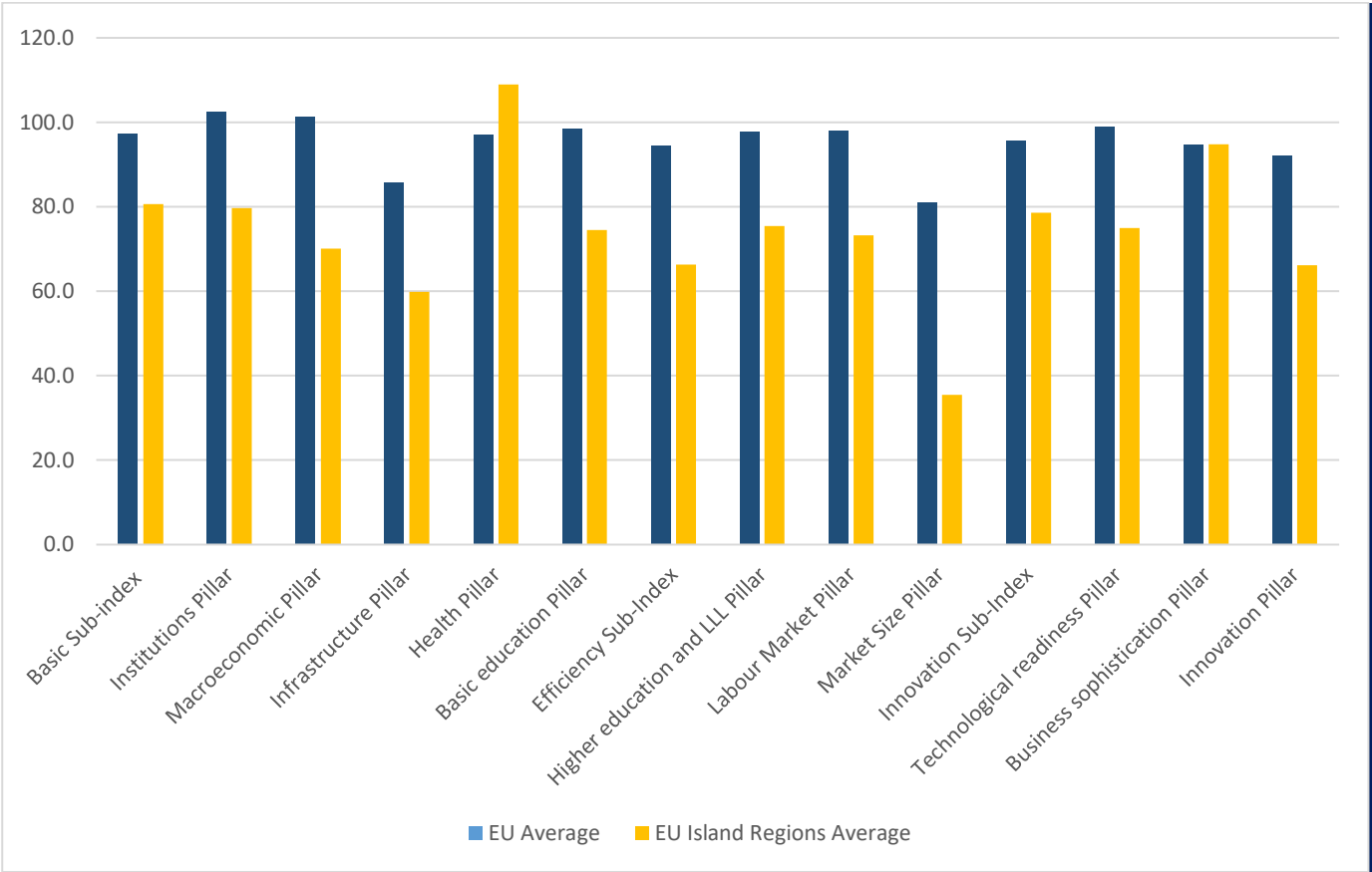
Source: DG Regional and Urban Policy and Joint Research Centre. European Commission's Regional Competitiveness Index, 2022

However, this trend does not apply in any way to island regions.

This gap concerns all the indicators that make up the index (figure 8), with the sole exception of the parameter related to health which demands further investigation.

⁴ European Commission's Regional Competitiveness Index 2022 - RCI 2.0

Figure 8. Comparison between the European average (EU 27) and the average of the island regions in terms of RCI 2022's pillars and its three sub-indices

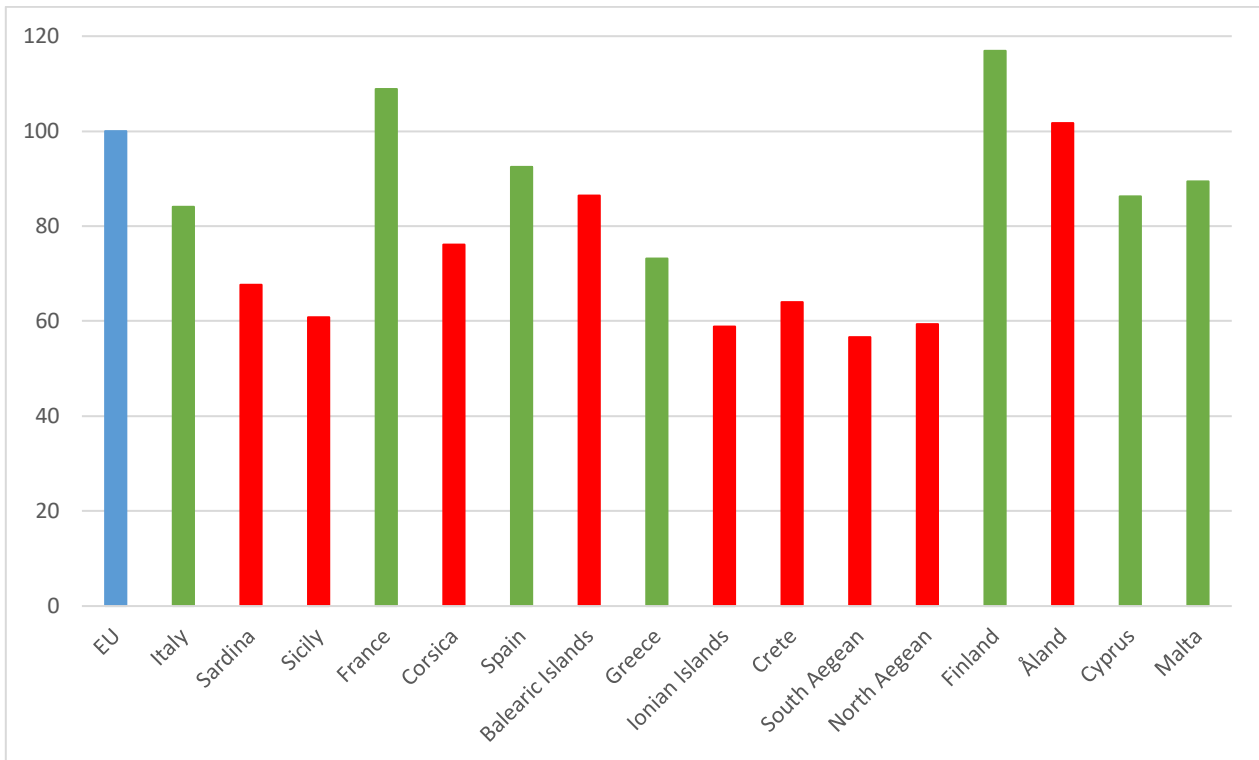


Source: own elaboration on European Commission’s Regional Competitiveness Index, 2022

A comparative analysis of the regional competitiveness index with national and European values clearly shows that island regions suffer from a competitiveness gap compared to both their respective Member States and the European average (figure 9).

Within this pool, Åland is the sole island having values tendentially over the EU’s average. This picture is due to the general high performance by Finnish regions under RCI.

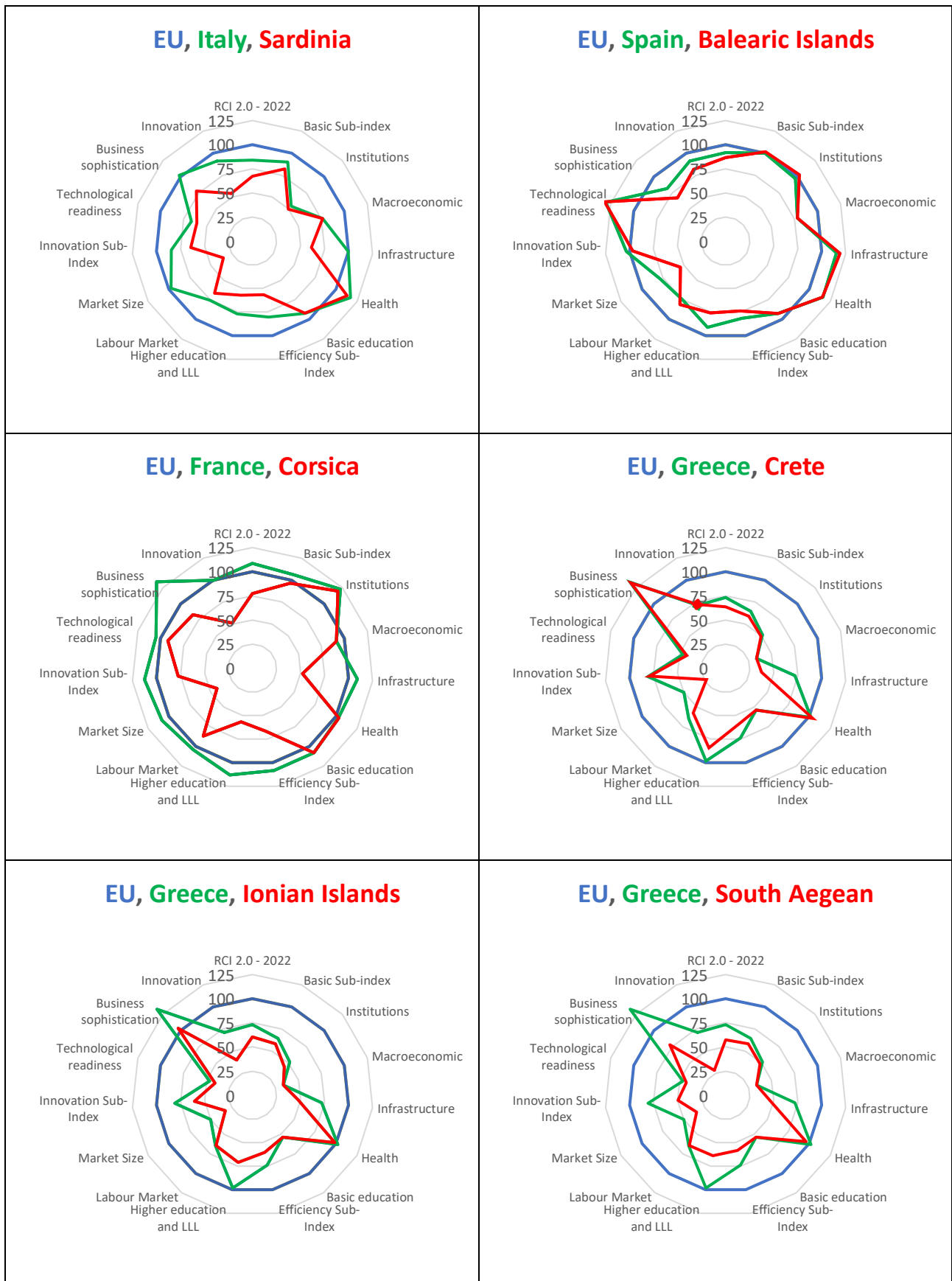
Figure 9. RCI 2022 in island regions, in relation to national and EU values.

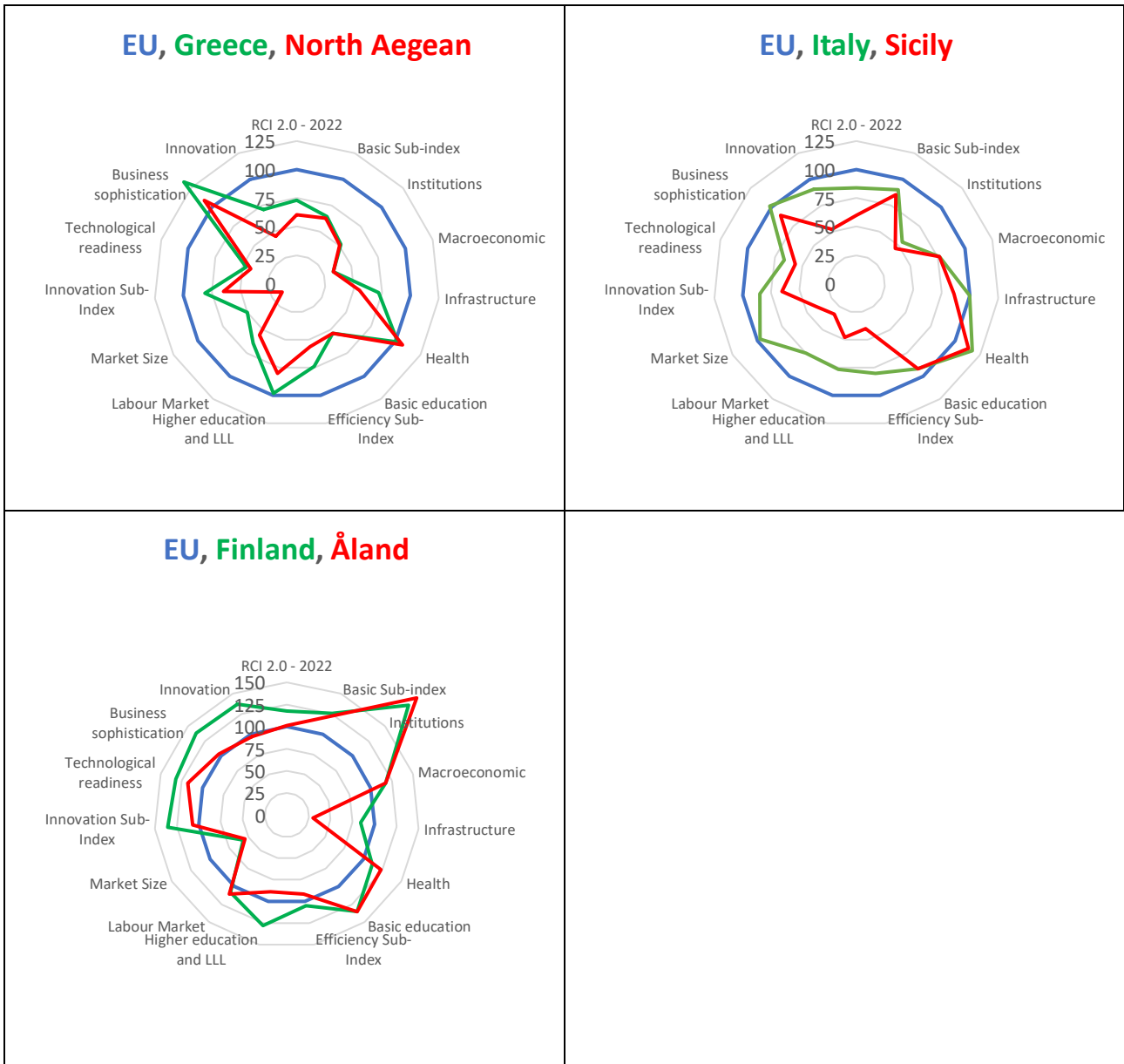


Source: European Commission (Regional Competitiveness Index, 2022)

Nonetheless Åland's standards remain lower than its own member state's, thus confirming the trend at issue.

Figure 10. Comparative analysis of the RCI 2022 pillars in island regions, in relation to national and EU values.

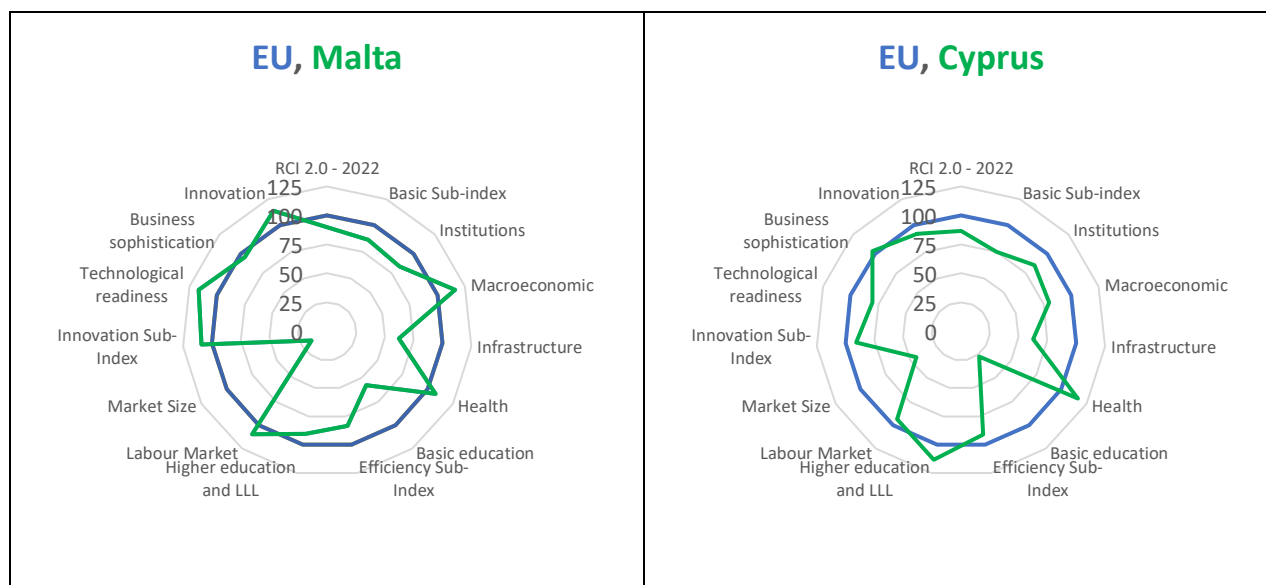




Source: European Commission (Regional Competitiveness Index, 2022)

The same trend applies to island States as Malta and Cyprus, whose performance is lower than the European average (not having NUTS2 regions, data cover the island territory as a whole). This handicap does not apply to all dimensions of the Index (figure 11).

Figure 11. Comparative analysis of the RCI 2022 pillars in island states of Cyprus and Malta, in relation to EU values.



Source: European Commission (Regional Competitiveness Index, 2022)

The Regional Competitiveness Index reveals an even more dramatic scenario than that depicted by the gross domestic product.

When comparing RCI and GDP, island regions rank far lower (on average 31 places lower) in the RCI than in the GDP-based ranking (table 6).

Table 6. Difference in island regions' ranking between regional GDP (2018-2020) and RCI 2022 (NUTS2 level)

Code NUTS2	Island Region	Ranking of Nuts 2 EU island regions according to GDP 2018-2020 (PPS per inhabitant) ⁵	Ranking of Nuts 2 EU regions according to RCI 2022 ⁶	Difference in the ranking
EL41	North Aegean	227	218	9
EL43	Crete	207	209	-2
ITG1	Sicily	199	214	-15
EL62	Ionian Islands	200	220	-20
ITG2	Sardinia	171	203	-32
EL42	South Aegean	182	224	-42
FI20	Åland	58	103	-45
ES53	Balearic Islands	108	154	-46

⁵ Source Eurostat: "Regional gross domestic product (million PPS) by NUTS2 regions [TGS00004]". Data from the NUTS2 regions of the metropolitan areas identified by the ICR 2022 analysis were merged to compare the ranking according to GDP per capita, provided by Eurostat, with the position with respect to the RCI 2022.

⁶ Source: European Commission (Regional Competitiveness Index, 2022).

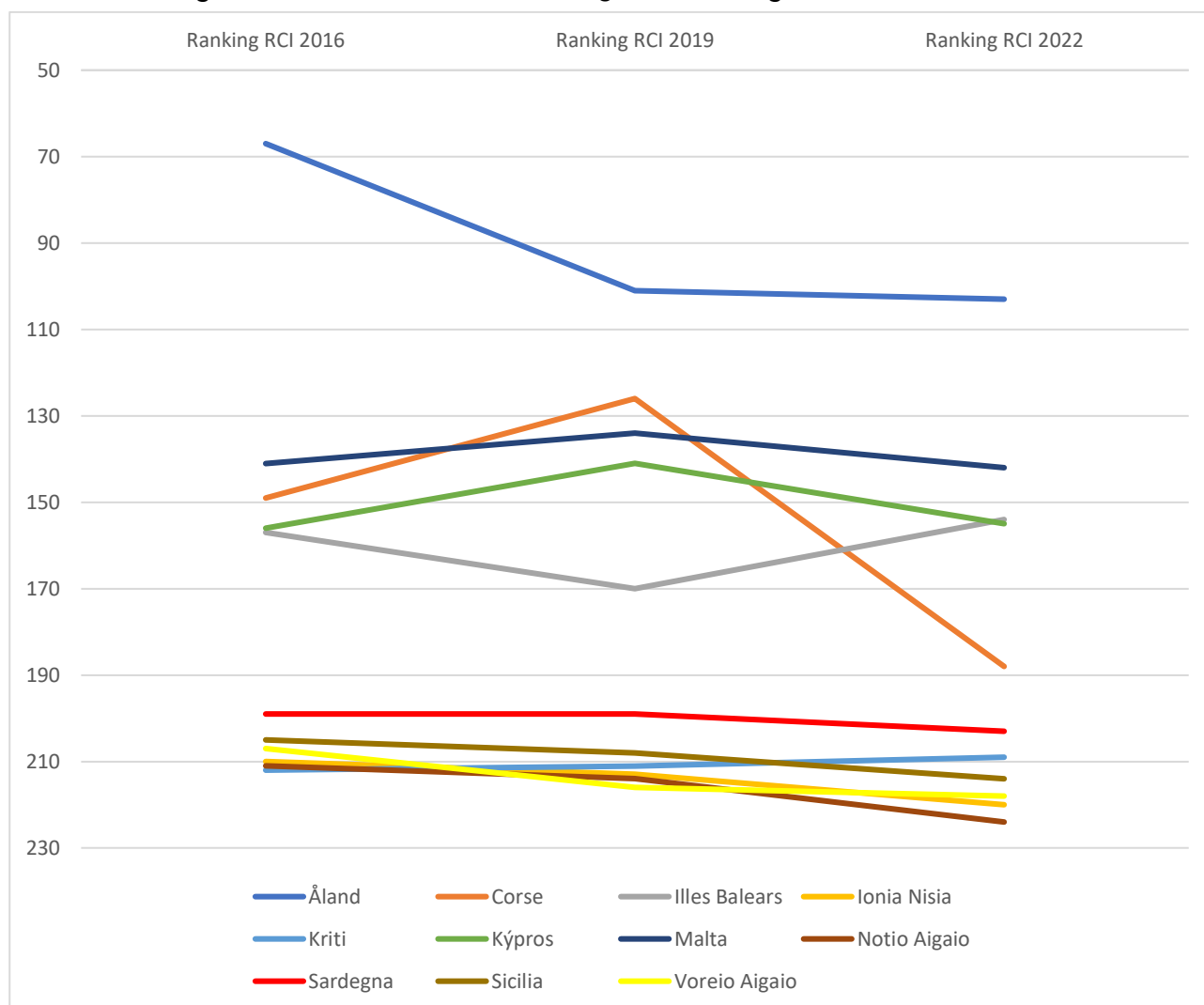
Code NUTS2	Island Region	Ranking of Nuts 2 EU island regions according to GDP 2018-2020 (PPS per inhabitant) ⁵	Ranking of Nuts 2 EU regions according to RCI 2022 ⁶	Difference in the ranking
CY00	Cyprus	107	155	-48
FRM0	Corsica	138	188	-50
MT00	Malta	89	142	-53

Source: Eurostat, *Regional gross domestic product (million PPS) by NUTS2 regions* [Online data code: TGS00004], and European Commission's *Regional Competitiveness Index 2022*

The evolution of the competitiveness in island regions over time does provide more comforting results, as showcased by the chart in figure 12.

Specifically, from 2016 to 2022 island regions tend to fall progressively behind in terms of RCI, which highlights a further competitiveness reduction in island territories.

Figure 12. Trend of EU island regions' ranking in the RCI over time



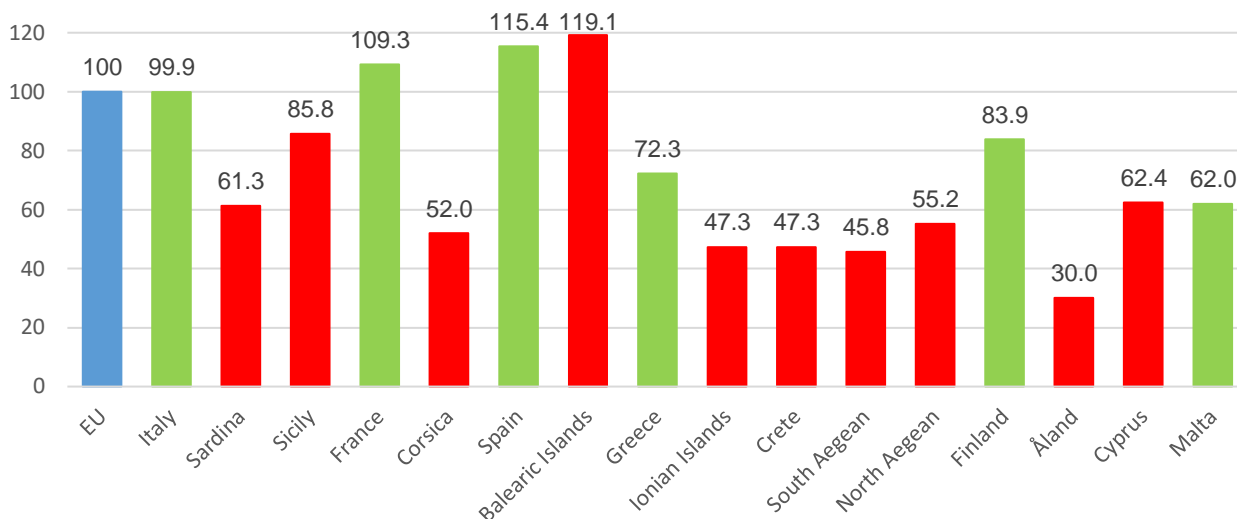
Source: European Commission (Regional Competitiveness Index, 2016; 2019; 2022)

The economic and social development of the regions and the competitiveness of the territories are profoundly related to accessibility and connectivity, which are a precondition for territorial development.

In these terms, combined with the limited size of domestic markets, the territorial discontinuity determines a clear competitive disadvantage for islands.

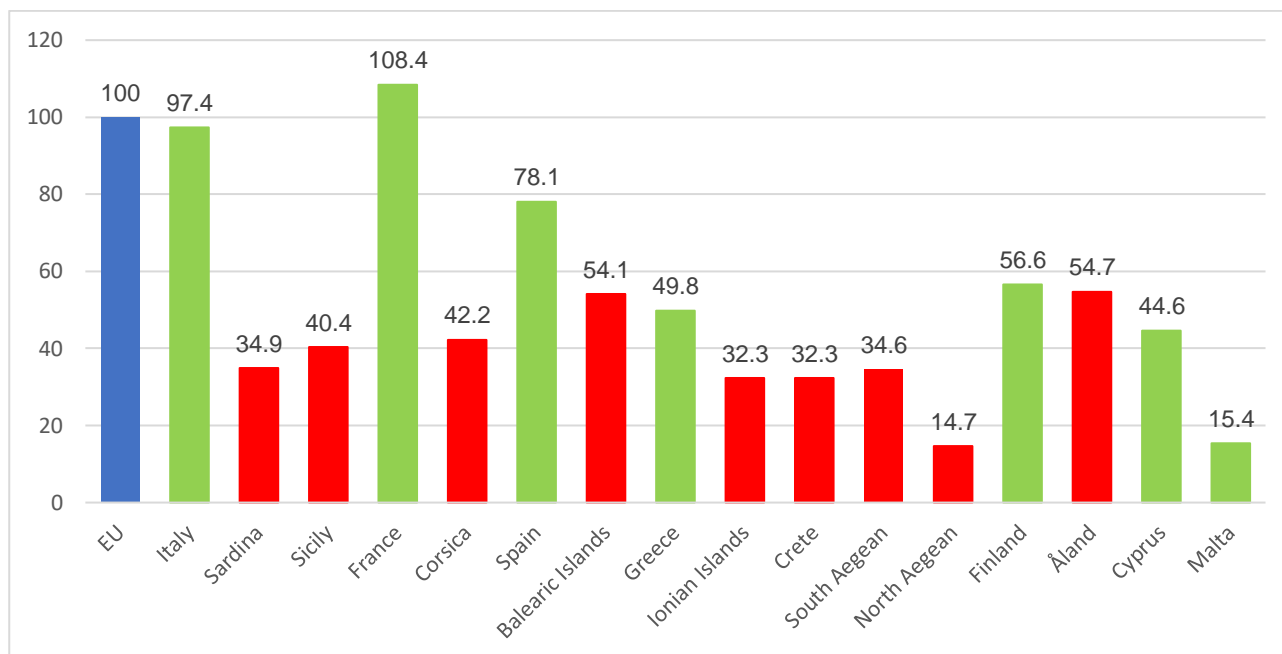
The Regional Competitiveness Index provides some significant insights into some crucial variables connected to the island's challenges to their development, i.e. the infrastructural endowment and the size of the domestic market (figures 13 and 14).

Figure 13. Comparison between the European average (EU 27), Member States and island regions regarding the "infrastructure" dimension under RCI 2022 (values normalized on a scale from 0 to 100).



Source: European Commission, Regional Competitiveness Index, 2022

Figure 14. Comparison between the European average (EU 28), Member States and island regions regarding the "market size" dimension under RCI 2022 (values normalized on a scale from 0 to 100).



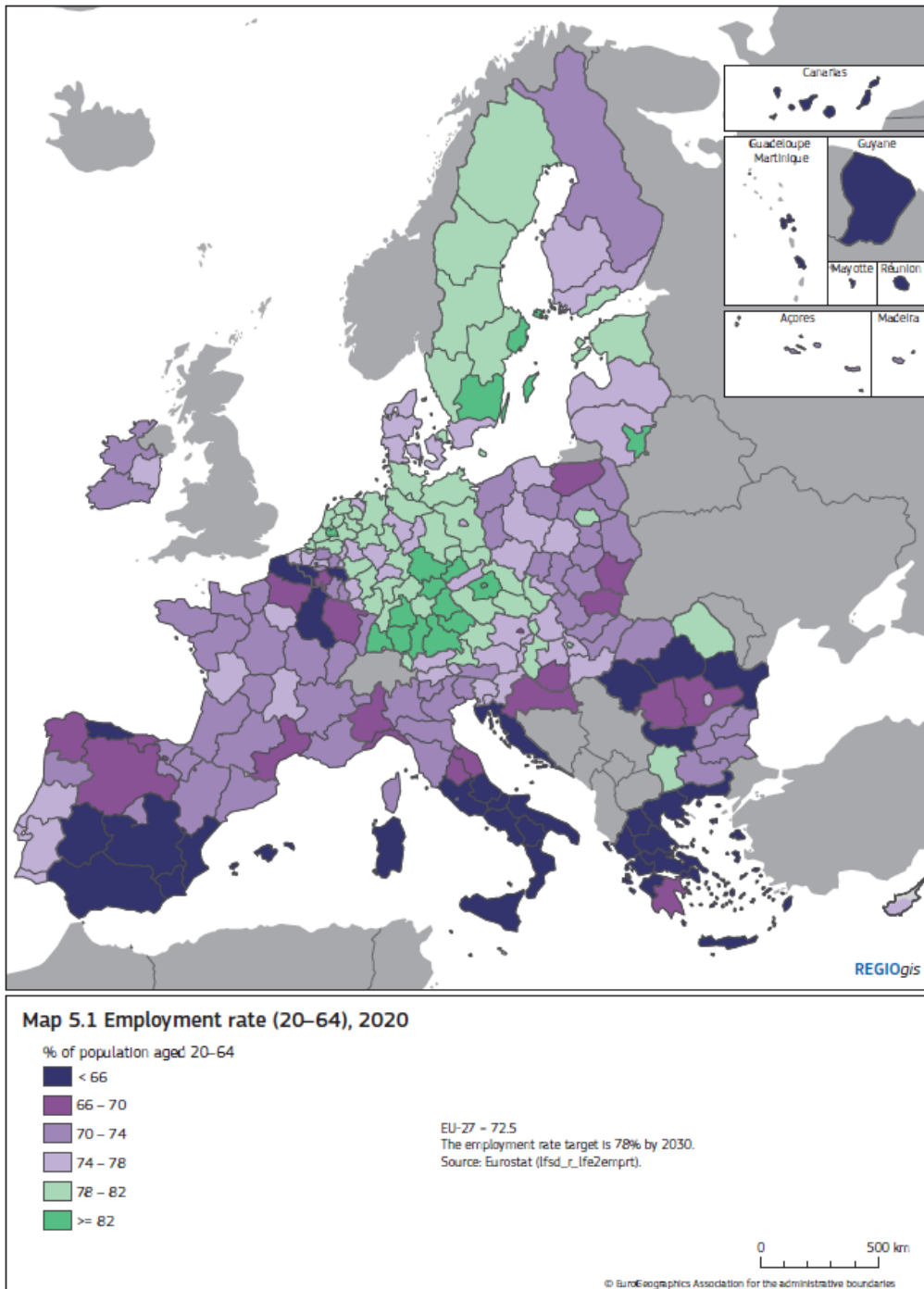
Source: European Commission, Regional Competitiveness Index, 2022

Island regions under consideration systematically showcase lower endowments than EU's and respective states' averages (with the sole exception of Balearic Islands concerning the "infrastructure" dimension), thus highlighting unquestionable handicaps for businesses and economic players which ultimately result in economic gaps and regional disparities at EU level.

4.4 Employment

The employment rate varies markedly across regions, as shown in map below (figure 14) extracted from the Eighth Report on economic, social and territorial cohesion. The map clearly shows that the vast majority (almost the totality) of island regions experience lower employment rates than the rest of Europe.

Figure 15. Map of Employment rate (20–64) in EU Regions, 2020



Source: Eurostat, Employment rates NUTS2 regions (%) [Online data code: lfsd_r_lfe2emprt]. Eighth Report on economic, social and territorial cohesion

The figures shown in the table below prove that employment rate in island regions is lower than the EU average, except for Åland and the island States of Cyprus and Malta.

Table 8. Employment rate in EU island regions

	Employment rate (% of pop. aged 20–64)					Average (2018-2022)
	2018	2019	2020	2021	2022	
EU 27 (from 2020)	72,3	73,1	72,2	73,1	74,6	73,06
Åland	85,1	85,1	86,5	89,1	89,7	87,1
Malta	75,5	76,8	77,3	79,1	81,1	77,96
Cyprus	73,9	75,7	74,9	75,9	77,9	75,66
Balearic Islands	72,5	72,1	66,0	69,3	73,3	70,64
Corsica	68,1	69,1	73,6	69,6	70,9	70,26
Crete	65,2	67,0	61,9	63,1	68,8	65,2
North Aegean	60,8	65,1	65,2	64,0	67,3	64,48
Ionian Islands	64,5	64,7	60,1	61,5	64,0	63,0
South Aegean	64,0	66,0	58,7	58,6	64,4	62,34
Sardinia	56,1	57,3	55,6	57,0	58,6	56,92
Sicily	44,1	44,5	44,5	44,5	46,2	44,76

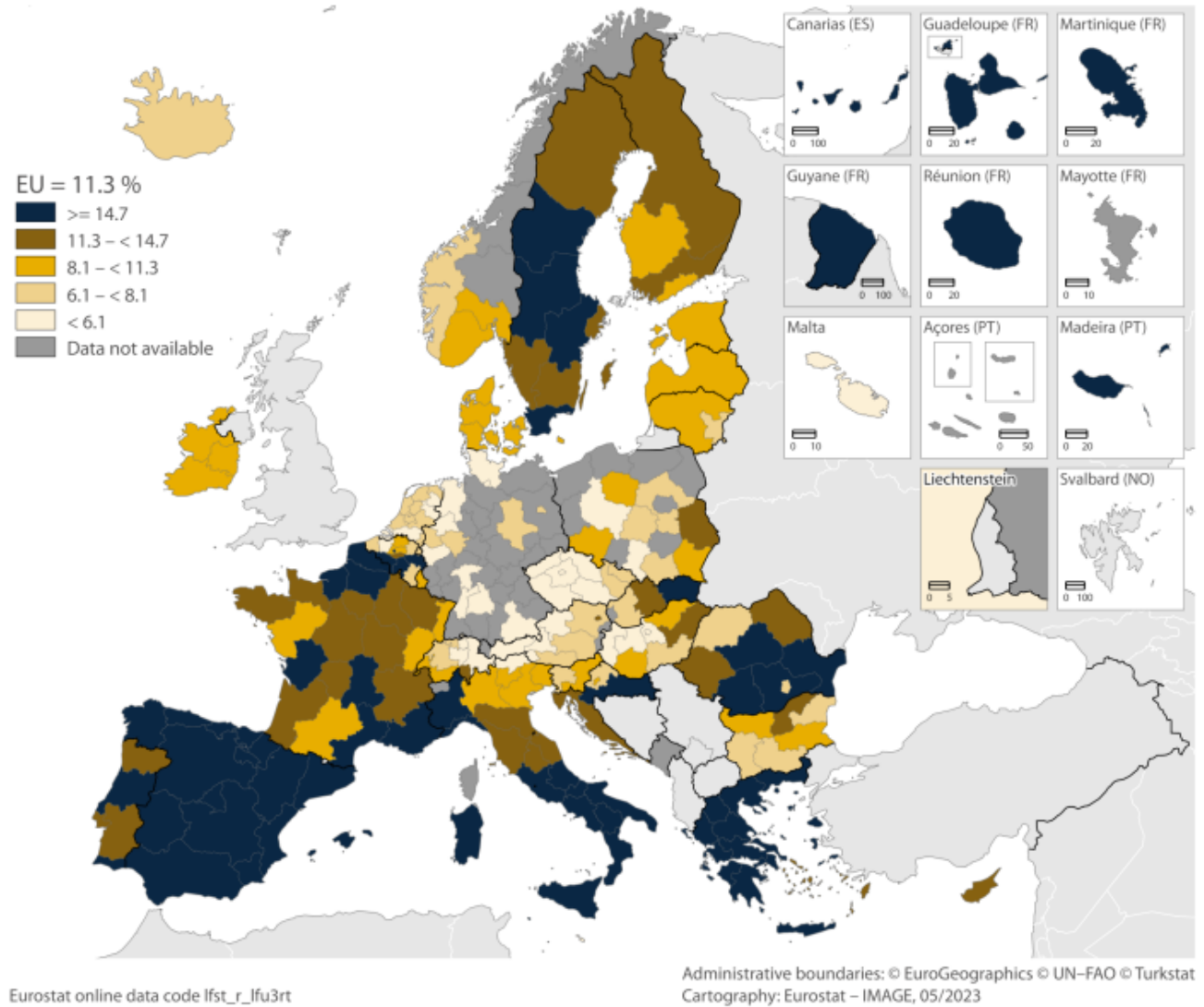
Source: Eurostat Employment rates NUTS2 regions (%) [Online data code: lfsd_r_lfe2emprt]

Similar results apply considering the youth unemployment rate (figure 16). Island regions tendentially undergo worse performance than most of the other EU territories.

Figure 16. Map of the young unemployment rate (20–64) in EU Regions, 2020

Youth unemployment rate (15-29 years), 2022

(in % of the labour force, people aged 15-29, by NUTS2 region)



Source: Eurostat, *Unemployment statistics at regional level* [Online data code: lfst_r_lfu3rt]. *Eighth Report on economic, social and territorial cohesion*

Considering the comparison to the EU average, the EU Island regions, with the sole exception of the insular State of Malta, experience higher youth unemployment rates (table 9).

Table 9. Youth unemployment rate (age 15-29) in EU island regions.

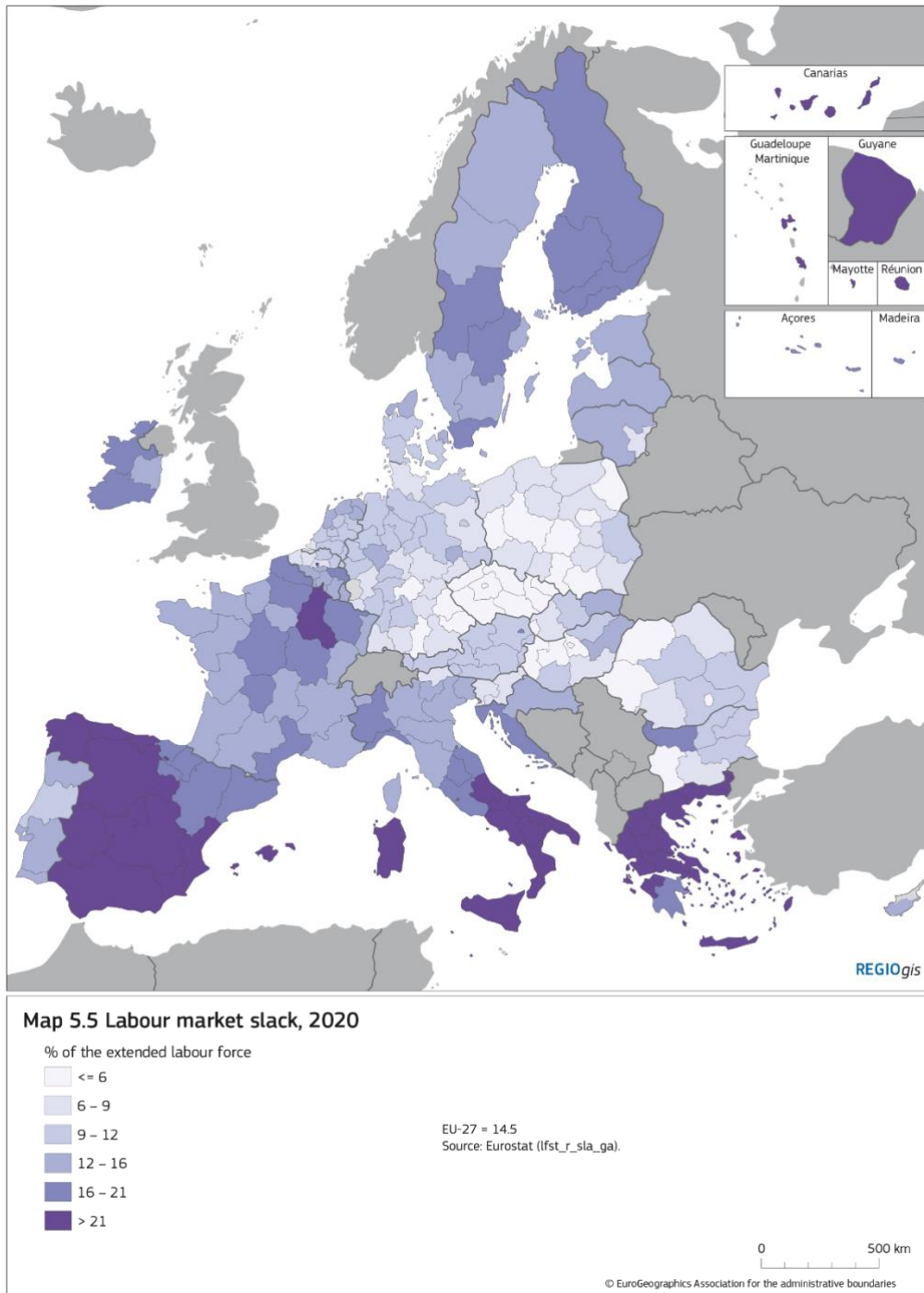
	Unemployment rates (age 15 -29)					Average (2018-2022)
	2018	2019	2020	2021	2022	
EU 27 (from 2020)	12,8	11,9	13,3	13,0	11,3	12,46
Malta	5,5	6,2	7,4	6,3	5,9	6,26
Cyprus	14,7	11,3	13,3	14,2	14,1	13,52
Balearic Islands	19,8	22,0	30,2	24,3	18,1	22,88
Ionian Islands	29,3	22,7	32,7	21,4	15,8	24,38
South Aegean	27,2	24,4	33,0	29,9	12,0	25,3
Crete	22,7	22,9	30,9	30,0	24,2	26,14
Sardinia	33,3	33,0	31,4	30,0	26,2	30,78
North Aegean	39,3	33,4	33,0	24,4	24,6	30,94
Corsica	:	:	34,2	:	:	34,2
Sicily	45,2	43,3	40,3	40,1	34,3	40,64
Åland	:	:	:	:	:	n.a.

Source: Eurostat Unemployment NUTS2 regions (%) [Online data code: lfst_r_lfu3rt]

As concerns the labour market slack⁷, which represents a measure of the full extent of labour force that could be employed and actually is not, once again island regions tend to lag behind (figure 17).

⁷ In the Eighth Report on economic, social and territorial cohesion, the labour market slack is defined as the sum of those aged 15–74 who are unemployed, underemployed, part-time workers, and the potential additional labour force.

Figure 17. Labour market slack (2020)



Source: Eurostat Labour market slack in NUTS2 regions [Online data code: lfst_r_sla_ga]. Eighth Report on economic, social and territorial cohesion

The island regions' handicap in terms of labour market slack is shown in the table below where island regions, with the exception of Corse and the insular State of Malta, have lower values than the EU average.

The general trend is not affected though.

Table 10. Source: Eurostat Labour market slack (age 15-74) in EU island regions

	Labour market slack (age 15-74) in percentage of extended labour force (2020)
Malta	4,4
Corse	11,6
Cyprus	12,5
North Aegean	16,6
Balearic Islands	18,3
Crete	18,4
Ionian Islands	17,7
South Aegean	22,8
Sardinia	28,6
Sicily	38,9
Åland	n.a.
EU 27 (from 2020)	12,3

Source: Eurostat Labour market slack in NUTS2 regions [Online data code: lfst_r_sla_ga]

4.5 Education

As reported in the Eighth Report on economic, social and territorial cohesion, reducing high rates of early leaving from education and training can help to improve labour market outcomes and eradicate pockets of socioeconomic deprivation.

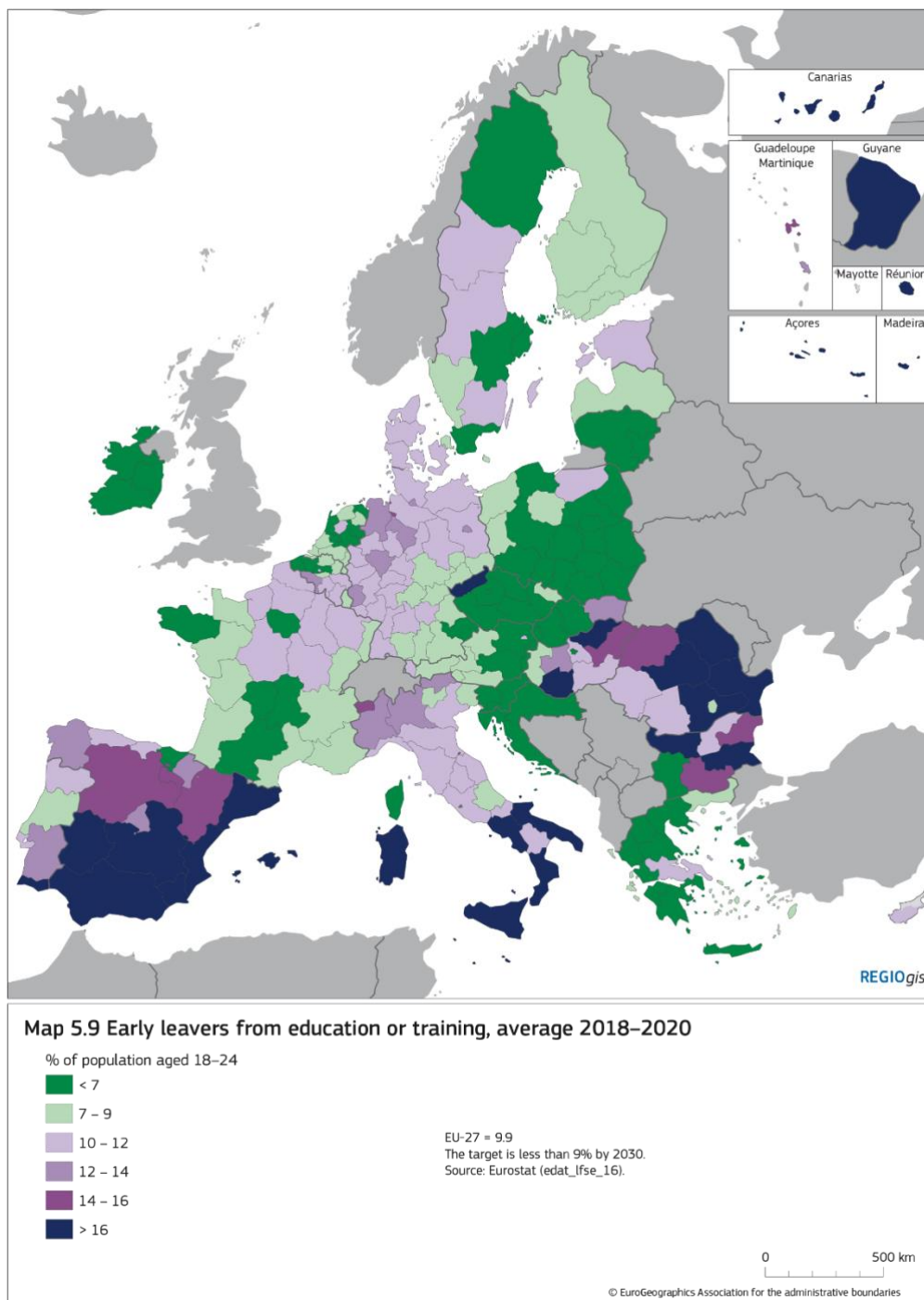
In this context, island territories tend to underperform EU and national averages in terms of early leavers from education and training (see table 11 and figure 18), apart from Cyprus and the Greek island regions with reference to the EU average.

Table 11. Early leavers from education and training (age 18-24) in EU island regions

	Early leavers from education and training (age 18-24)					
	2018	2019	2020	2021	2022	Average (2018-2022)
EU 27 (from 2020)	10,5	10,2	9,9	9,8	9,6	10,0
Italy	14,5	13,5	13,1	12,7	11,5	13,1
Sardinia	23,0	17,8	12,0	13,2	14,7	16,1
Sicily	22,1	22,4	19,4	21,2	18,8	20,8
Spain	17,9	17,3	16,0	13,3	13,9	15,7
Balearic Islands	24,4	24,2	21,3	15,4	18,2	20,7
France	8,7	8,2	8,0	7,8	7,6	8,1
Corsica	:	:	:	:	:	n.a.
Greece	4,7	4,1	3,8	3,2	4,1	4,0
Crete	7,2	5,9	4,7	4,4	6,6	5,8
Ionian Islands	:	:	:	:	:	n.a.
South Aegean	:	:	:	:	:	n.a.
North Aegean	:	:	8,2	:	:	8,2
Finland	8,3	7,3	8,2	8,2	8,4	8,1
Åland	:	:	:	:	:	n.a.
Cyprus	7,8	9,2	11,5	10,2	8,1	9,4
Malta	14,0	13,9	12,6	10,7	10,1	12,3

Source: Eurostat, Early leavers from education and training in NUTS2 regions [Online data code: edat_lfse_16]

Figure 18. Early leavers from education and training, average (2018-2020)



Source: Eurostat, *Early leavers from education and training in NUTS2 regions* [Online data code: edat_ifse_16]. *Eighth Report on economic, social and territorial cohesion*

A similar trend can be observed with regard to the young people neither in employment nor in education and training (NEET rates). Island regions show higher NEET rates than EU and national average (table 12), with the sole exception of the insular State of Malta.

Table 12. NEET rates (age 18-24) in EU island regions

	Neither formal nor non-formal education or training (age 18-24)					
	2018	2019	2020	2021	2022	Average (2018-2022)
EU 27 (from 2020)	13,1	12,6	13,8	13,1	11,7	12,9
Italy	23,4	22,2	23,3	23,1	19,0	22,2
Sardinia	27,7	27,7	26,1	23,6	21,4	25,3
Sicily	38,6	38,0	37,5	36,3	32,4	36,6
Spain	15,3	14,9	17,3	14,1	12,7	14,9
Balearic Islands	14,8	15,6	21,4	16,4	15,6	16,8
France	13,6	13,0	14,0	12,8	12,0	13,1
Corse	:	:	25,2	16,8	:	21,0
Greece	19,5	17,7	18,7	17,3	15,4	17,7
Crete	16,7	17,0	17,8	16,7	14,1	16,5
North Aegean	26,6	25,7	27,4	23,1	17,8	24,1
South Aegean	22,3	19,6	29,8	20,5	16,8	21,8
Ionian Islands	24,1	21,8	24,8	22,0	21,2	22,8
Finland	10,1	9,5	10,3	9,3	9,5	9,7
Åland	:	:	:	:	:	n.a.
Cyprus	14,9	14,1	15,3	15,4	14,7	14,9
Malta	7,3	7,9	9,5	9,5	7,2	8,3

Source: Eurostat, Young people neither in employment nor in education and training NUTS2 regions (NEET rates) [Online data code: edat_ifse_22]

5. CONCLUSION

The European Union is characterized by significant regional disparities in terms of economic wealth, income, and employment rates.

Despite the positive contribution of cohesion policy and its support to regional development policies, the convergence process it aims at is more complex in island regions than in mainland.

Regions referred to under article 174 TFUE – islands in the first place – can hardly contribute to reducing disparities between regions, due to territorial features like distance and discontinuity from the mainland which play as permanent drivers that negatively affect socioeconomic development.

Broadly speaking, island regions suffer from structural, natural and permanent constraints which result in market failures and diseconomies of scale that represent a real "cost of citizenship". Insularity is made even more critical when it is linked to the peripheral condition, defined in terms of significant distance from economic and administrative centres in mainland and isolation from the continental shelf.

Islands' diversity in economic structure makes generalization difficult: while some are completely dependent on tourism, others have developed diversified service sectors.

Nevertheless, it is possible to identify common specific challenges and needs that make their social and economic systems more fragile, which ultimately undermine economic convergence processes.

Table 13. Main territorial challenges island regions are confronted with

TERRITORY	<ul style="list-style-type: none">• territorial discontinuity• remoteness from the major administrative and economic hubs• isolation and distance from large markets
ECONOMY	<ul style="list-style-type: none">• lack of infrastructure and services for businesses at a comparable level to mainland regions, especially in the field of telecommunications• imperfect competition (oligopolies or even monopolies)• market dominant position to the detriment of users' interests• economy based on the local market• limited size of the domestic market• lack of economies of scale (e.g. high unit costs for businesses and public services)

	<ul style="list-style-type: none"> • higher investment and production costs (undertakings in islands can hardly compete with mainland businesses) • tendency to specialise in exploiting one single resource or sector • dependence of local economy on few economic industries, i.e. tourism • high incidence of tourism industry in the regional economy • strong dependence on supplies from the mainland • high transport costs of goods • additional costs stemming from insularity in key sectors such as energy, passengers transport, transport for import-export of raw materials, semi-products and consumer commodities • high costs for basic public services and energy • increases of the cost of services and goods islands are highly dependent on
TRANSPORT	<ul style="list-style-type: none"> • strong dependence on air and sea transport • high transport costs for inhabitants • high transport costs for logistics and freight (which affect the competitiveness of businesses) • connections fares rise • limited accessibility impacting on citizens' living conditions • lack of alternative modes of transport
PUBLIC SERVICES	<ul style="list-style-type: none"> • weak health infrastructures • fewer public services • limited essential public services such as education, health, welfare, proximity facilities • scarce network infrastructure • physical and digital disruption
CRISIS	<ul style="list-style-type: none"> • migration flows
LABOUR MARKET	<ul style="list-style-type: none"> • brain drain • youth unemployment • restricted labour market size • lack of qualified workers • fragility of the labour market
DEMOGRAPHICS	<ul style="list-style-type: none"> • demographic shrinkage trends: depopulation, ageing
ENERGY	<ul style="list-style-type: none"> • limited network infrastructures • energy supply constraints • high energy costs

ENVIRONMENT	<ul style="list-style-type: none"> • general environmental vulnerability and fragile ecosystem • vulnerability to climate change and coastal erosion • seasonal demographic pressure • water supply • scarcity of natural resources
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As a result, citizens' living conditions and the level playing field for businesses are highly jeopardized.

The beyond-2027 regulatory and policy framework must not leave island territories behind.

To this purpose, a different comprehensive approach is needed.

Firstly, findings and evidence have to take the form of up-to-date aggregated statistical data in order to take a sharp picture of territorial challenges islands are confronted with, and mainland regions are not.

The upcoming European Commission's 9th report on economic, social and territorial cohesion is expected to specifically consider island regions accordingly.

Secondly, in a long-term perspective, EU policy frameworks have to blend in a coherent strategy and avoid one-size fits all schemes that can hardly meet the challenges specific islands' citizens, businesses and local and regional authorities cope with on a daily basis.

Under this point of view there is significant room for improvement to make all EU policy frameworks fully fit for Cohesion purpose, including State Aids rules which highly impact on regional development potential and are likely to widen existing territorial handicaps.