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The effects of the financial crisis on social cohesion and sustainable development of the island regions in the European South

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Aim

- This research attempts to record and highlight the effects of the financial crisis on the island regions (NUTS 2) of the countries of the European South (Greece, Cyprus, Portugal, Spain, Italy, Malta and France) through indicators corresponding both to social cohesion and the three dimensions of sustainable development: social inclusion, economic efficiency and environmental conservation in the period 2008 – 2019.



Methodology

- The present research combines the academic literature with secondary data available from Eurostat and the Organisation for Economic Co-operation and Development (OECD). In this way, the situation of the islands before, during and after the end of the financial crisis is reflected.
- It refers to the evolution of indicators such as the Gross Domestic Product (GDP), the unemployment rate, the number of people at risk of poverty and social exclusion and the percentage of young people not in education, employment or training, (NEETS).
- The situation of the island regions is approached through their deviations from the average of the 27 Member States of the European Union and the national averages.



Case study: The island regions of the European South (NUTS 2)

- 2 Island countries (Cyprus and Malta)
- 8 Island Regions NUTS 2:
 - i. Greece: North Aegean, South Aegean, Creta, Ionian islands
 - ii. Spain: Balearic Islands
 - iii. France: Corse
 - iv. Italy: Sicilia, Sardegna
- 2 outermost Island Regions NUTS 2:
 - i. Spain: Canary Islands
 - ii. Portugal: Açores



Key features of economic adjustment programmes in the euro area

- The financial crisis of 2008 was, and still is, a subject of extensive research in the academic literature. It had a negative impact on economic and social conditions, especially in the countries of Southern Europe and has highlighted the structural weaknesses of both the euro area and the European Union. Greece, Cyprus, Portugal and Spain pursued fiscal adjustment programs, while the crisis also affected negatively the Italian economy. The austerity policies imposed on the Southern countries were based on policies of recession that resulted in a slowdown in growth
- Only Spain has managed to fully disengage from the harsh adjustment programmes in the last decade. Spain not only exited the memorandum without a prudential line, but with the 6 installments paid early to the ESM it repaid 75% of the loans it received from the European mechanism.
- Greece entered the programme in May 2010 and managed to exit in August 2018 . Then the country continued its reforms by taking measures for debt relief. Surveillance by the lenders remained in the post-memorandum period.



Key features of economic adjustment programmes in the euro area

	Type of crisis	Beginning of the programme	End of the Programme
Greece	Financial, Competitiveness	May, 2010	August, 2018
Spain	Real estate, Banking	July, 2012	January, 2014
Cyprus	Banking	April, 2013	March, 2016
Portugal	Competitiveness, Financial	May, 2011	June, 2014



	2008	2019	Change 2019-2008	2008 National	2019 National
Greece	86	55	-31		
Voreio Aigaio	70	36	-34	-16	-19
Notio Aigaio	98	59	-39	12	4
Kriti	76	46	-30	-10	-9
Ionia Nisia	86	52	-34	0	-3
Spain	96	84	-12		
Illes Balears	103	91	-12	7	7
Canarias	83	68	-15	-13	-16
France	123	115	-8		
Corse	95	88	-7	-28	-27
Italy	109	96	-13		
Sicilia	71	58	-13	-38	-38
Sardegna	80	70	-10	-29	-26
Cyprus	96	83	-13		
Malta	60	89	29		
Portugal	67	67	0		
Região Autónoma dos Açores (PT)	60	59	-1	-7	-8

Gross domestic product (GDP) at current market prices

Euro per inhabitant in percentage of the EU27 (from 2020) average

**Source:
Eurostat**



- Unemployment increased in all island regions in 2019 compared to 2008. The worst performers are the Canary Islands, Sicily and the North Aegean. In addition, all regions show a significant deviation from the EU average. The only exception is Malta.

Unemployment (From 20 to 64 years)



	2008	2019	Change 2019-2008	2008 National	2019 National	2008 EU	2019 EU
EU 27	7,0	6,6	-0,4				
Greece	7,7	17,3	9,6			0,7	10,7
Voreio Aigaio	4,8	17,7	12,9	-2,9	0,4	-2,2	11,1
Notio Aigaio	8,5	13,7	5,2	0,8	-3,6	1,5	7,1
Kriti	6,3	11,4	5,1	-1,4	-5,9	-0,7	4,8
Ionia Nisia	8,1	12,5	4,4	0,4	-4,8	1,1	5,9
Spain	10,6	13,8	3,2			3,6	7,2
Illes Balears	9,5	11,4	1,9	-1,1	-2,4	2,5	4,8
Canarias	16,6	20,2	3,6	6,0	6,4	9,6	13,6
France	8,9	8,2	-0,7			-1,8	1,6
Corse*	5,8	6,4	0,6	-3,1	-1,8	-4,9	-0,2
Italy	6,4	9,9	3,5			-0,6	3,3
Sicilia	13,1	19,9	6,8	6,7	10,0	6,1	13,3
Sardegna	11,8	14,8	3,0	5,4	4,9	4,8	8,2
Cyprus	3,7	7,0	3,3			-3,3	0,4
Malta	4,9	3,3	-1,6			-2,1	-3,3
Portugal	7,7	6,4	-1,3			0,7	-0,2
Região Autónoma dos Açores (PT)	5,2	7,6	2,4	-2,5	1,2	-1,8	1,0

Unemployment (From 20 to 64 years)

Source: Eurostat



- Education and vocational training for islanders, especially young people, is vital for islands sustainable competitiveness, social justice and resilience. As can be seen in the table the number of young people who were out of work education and training has increased in most island regions compared to 2008. Also, in this category the gap between island regions and the EU has widened, except for Malta.

**Young people
not in
employment,
education or
training (%
from 15 to 24
years)**



	2008	2019	Change 2019-2008	2008 National	2019 National	2008 EU	2019 EU
EU 27	10,7	10,1	-0,6				
Greece	11,4	12,5	1,1			0,7	2,4
Voreio Aigaio	9,3	25,7	16,4	-2,1	13,2	-1,4	15,6
Notio Aigaio	12,3	16,1	3,8	0,9	3,6	1,6	6,0
Kriti	10,5	13,1	2,6	-0,9	0,6	-0,2	3,0
Ionia Nisia	16,4	15,4	-1,0	5,0	2,9	5,7	5,3
Spain	14,3	12,1	-2,2	6,0		3,6	2,0
Illes Balears	20,3	12,8	-7,5	2,3	6,0	9,6	2,7
Canarias	16,6	17,2	0,6	-3,1	2,3	5,9	7,1
France	11,2	11,4	0,2			-1,8	0,4
Corse*	11,9	9,7	-2,2	0,7	-1,7	-1,1	-1,3
Italy	16,6	18,1	1,5			5,9	8,0
Sicilia	27,0	30,3	3,3	10,4	12,2	16,3	20,2
Sardegna	21,6	21,8	0,2	5,0	3,7	10,9	11,7
Cyprus	9,7	13,7	4,0			-1,0	3,6
Malta	8,3	8,6	0,3			-2,4	-1,5
Portugal	10,2	8,0	-2,2			-0,5	-2,1
Região Autónoma dos Açores (PT)	16,6	17,0	0,4	6,4	9,0	5,9	6,9

**Young people
not in
employment,
education or
training (%
from 15 to 24
years)**

**Source:
Eurostat**



	2008	2019	Change 2019-2008	2008 National	2019 National	2008 EU	2019 EU
EU 27	13,1	12,6	-0,5				
Greece	14,8	17,7	2,9			1,7	5,1
Voreio Aigaio	13,8	25,7	11,9	-1,0	8,0	0,7	13,1
Notio Aigaio	18,2	19,6	1,4	3,4	1,9	3,4	7,0
Kriti	14,2	17,0	2,8	-0,6	-0,7	0,4	4,4
Ionia Nisia	16,3	21,8	5,5	1,5	4,1	-1,9	9,2
Spain	15,3	14,9	-0,4			2,2	2,3
Illes Balears	18,7	15,6	-3,1	3,4	0,7	5,6	3,0
Canarias	19,5	19,9	0,4	4,2	5,0	6,4	7,3
France	13,8	13,8	0,0			-2,3	0,1
Corse*	12,0	11,5	-0,5	-1,8	-2,3	-4,1	-2,2
Italy	19,3	22,2	2,9			6,2	9,6
Sicilia	32,5	38,0	5,5	13,2	15,8	19,4	25,4
Sardegna	23,9	27,7	3,8	4,6	5,5	10,8	15,1
Cyprus	10,9	14,1	3,2			-2,2	1,5
Malta	11,4	7,9	-3,5			-1,7	-4,7
Portugal	11,9	9,2	-2,7			-1,2	-3,4
Região Autónoma dos Açores (PT)	16,4	16,9	0,5	4,5	7,7	3,3	4,3

**Young people
not in
employment,
education or
training (%
from 15 to 29
years)**



	2008	2019	Change 2019-2008	2008 National	2019 National	2008 EU	2019 EU
EU 27	n/a	21,1					
Greece	28,1	30,0	1,9				8,9
Voreio Aigaio	n/a	35,5			5,5		14,4
Notio Aigaio	n/a	34,5			4,5		13,4
Kriti	n/a	31,6			1,6		10,5
Ionia Nisia	n/a	25,7			-4,3		4,6
Spain	23,8	25,3	1,5				4,2
Illes Balears	23,6	15,1	-8,5	-0,2	-10,2		-6,0
Canarias	34,8	35,0	0,2	11,0	9,7		13,9
France	18,5	17,9	-0,6				-3,2
Corse	n/a	n/a					
Italy	25,5	25,6	0,1				4,5
Sicilia	48,2	48,7	0,5	22,7	23,1		27,6
Sardegna	35,0	28,1	-6,9	9,5	2,5		7,0
Cyprus	23,3	22,3	-1,0				1,2
Malta	20,1	20,1	0,0				-1,0
Portugal	26,0	21,6	-4,4				0,5
Região Autónoma dos Açores (PT)	n/a	36,7			15,1		15,6

Persons at risk of poverty or social exclusion

Source: Eurostat



- So far, we have referred to the negative effects of the economic crisis. However, as we can see in the next table, 'investing in education and training' has been the 'response' of young people to the crisis. In all the regions under consideration, the percentage of people leaving education and training early has fallen significantly.

Early leavers from education and training (% from 18 to 24 years)



	2008	2019	Change 2019-2008	2008 National	2019 National	2008 EU	2019 EU
EU 27	14,4	10,2	-4,2				
Greece	14,4	4,1	-10,3			0,0	-6,1
Voreio Aigaio	25,7	7,9	-17,8	11,3	3,8	11,3	-2,3
Notio Aigaio	18,3	6,5	-11,8	3,9	2,4	3,9	-3,7
Kriti	20,3	5,9	-14,4	5,9	1,8	5,9	-4,3
lonia Nisia	29,5	6,3	-23,2	15,1	2,2	15,1	-3,9
Spain	31,7	17,3	-14,4			17,3	7,1
Illes Balears	42,5	24,2	-18,3	10,8	6,9	28,1	14,0
Canarias	34,1	20,8	-13,3	2,4	3,5	19,7	10,6
France	11,8	8,2	-3,6			-2,6	-2,0
Corse	n/a	n/a					
Italy	19,6	13,5	-6,1			5,2	3,3
Sicilia	26,2	22,4	-3,8	6,6	8,9	11,8	12,2
Sardegna	22,5	17,8	-4,7	2,9	4,3	8,1	7,6
Cyprus	13,7	9,2	-4,5			-0,7	-1,0
Malta	27,2	13,9	-13,3			12,8	3,7
Portugal	34,9	10,6	-24,3			20,5	0,4
Região Autónoma dos Açores (PT)	53,3	27,0	-26,3	18,4	16,4	38,9	16,8

Early leavers from education and training (% from 18 to 24 years)

Source: Eurostat



Gross fixed capital formation

- Gross fixed capital formation, abbreviated as GFCF, consists of resident producers' investments, deducting disposals, in fixed assets during a given period. It also includes certain additions to the value of non-produced assets realized by producers or institutional units. Fixed assets are tangible or intangible assets produced as outputs from production processes that are used repeatedly, or continuously, for more than one year. Only Malta shows an improved performance compared to 2008.



Gross fixed capital formation

	2008	2019	Change 2019-2008
Greece	57.626,94	19.384,31	-66,4%
Voreio Aigaio	934,45	389,07	-58,4%
Notio Aigaio	2.130,4	905,67	-57,5%
Kriti	3.695,36	1.339,68	-63,7%
Ionia Nisia	1.069,25	415,08	-61,2%
Spain	308.857	249.887	-19,1%
Illes Balears	7.645,8	7.563,7	-1,1%
Canarias	11.255,6	8.394,6	-25,4%
France	470.122,68	572.293,99	21,7%
Corse	1.528,31	1.951,28	27,7%
Italy	348.467,7	321.553,6	-7,7%
Sicilia	17.500,7	14.082,4	-19,5%
Sardegna	9.087,2	5.916,9	-34,9%
Cyprus	5.167,37	4.329,77	-16,2%
Malta	1.243,49	3.027,72	143,5%
Portugal	40.928,99	38.815,16	-5,2%
Região Autónoma dos Açores (PT)	1.026,02	671,78	-34,5%



	2008	2019	Change 2019-2008
EU 27	438.725.386	446.446.444	1,76%
Greece	11.060.937	10.724.599	-3,04%
Voreio Aigaio	198.675	221.098	11,29%
Notio Aigaio	329.525	344.027	4,40%
Kriti	613.144	634.930	3,55%
Ionia Nisia	207.508	203.869	-1,75%
Spain	45.668.939	46.937.060	2,78%
Illes Balears	1.042.857	1.188.220	13,94%
Canarias	1.991.954	2.206.901	10,79%
France	64.007.193	67.177.636	4,95%
Corse	302.966	342.256	12,97%
Italy	58.652.875	59.816.673	1,98%
Sicilia	4.981.526	4.908.548	-1,46%
Sardegna	1.639.766	1.622.257	-1,07%
Cyprus	776.333	875.899	12,83%
Malta	407.832	493.559	21,02%
Portugal	10.553.339	10.276.617	-2,62%
Região Autónoma dos Açores (PT)	246.373	242.846	-1,43%

Population

Source: Eurostat



	NATURA 2000 MARINE AREA (km²)	NATURA 2000 LAND AREA (km²)	EU LAND AREA (km²)	NATURA 2000 LAND AREA (%)
GREECE	22,796	35,982	132,026	27,3
SPAIN	84,405	138,083	505,983	27,3
FRANCE	132,688	71,03	548,936	12,9
ITALY	21,720	57,354	300,578	19,1
CYPRUS	8,464	1,680	5,736	29,3
MALTA	4,142	42	315	13,3
PORTUGAL	42,434	18,968	91,888	20,6

NATURA 2000

**Source: European
Environmental
Agency**



Conclusions

- Despite the implementation of fiscal adjustment programs in Southern countries, convergence with the European Union average has not been achieved. Moreover, the island regions continue to poorly perform as far as their sustainable development is concerned. The analysis shows that in Southern Island regions which were already vulnerable due to their permanent features such as their small size, monoculture economies and remoteness. Furthermore, the analysis of the data shows that with a few exceptions, the European island regions and especially the Greek ones, continue to show a significant degree of divergence in relation to the average of the Member States of the European Union.
- This presentation comes a few days after the European Parliament adopted the text on EU islands and cohesion policy which confirms that island regions are all less developed than the mainland regions of their Member State.
- There is an urgent need to adopt targeted policies for islands in order to strengthen their social cohesion, economic efficiency and preserve their limited natural resources, especially after the economic and health crisis that followed. The proposal to set up a European Institute for Disadvantaged Regions is a step in the right direction in order to collect reliable and aggregated data.





**Thank
you!**

