

## FOCUS OF REGIONAL POLICY ON REDUCING ECONOMIC AND SOCIAL INEQUALITIES

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**Abstract:** *The article deals with an increasing social and economic inequality in several regions of the world and inside particular states. In the present research, major attention is focused on social differentiation and uneven regional development that have been increasing throughout the past decades in Lithuania. Polarisation of the economic and social potential, tendency of residents to move to cities increase economic and social inequality between cities and peripheral territories. The increased EU investment flows for under-developing regions of Lithuania over the period of 2021–2027 providing conditions for reduction of economic and social differences of regions have been analysed.*

**Key words:** *social and economic inequality, regional policy, EU investment*

### 1. INTRODUCTION

*Relevance and problems of the research.* The European Commission Competence Centre on Foresight formulated 14 megatrends, this way stimulating strategic and future-oriented culture of the EU policy-making process [1]. Megatrends are defined as long-term driving forces that are observed today and perhaps will have a global effect and can help identify the most likely future to happen.

*Widening inequalities* is one of the key megatrends because social and economic inequality determines the quality of life for a large part of population. An overall number of people living in extreme poverty is decreasing worldwide. Nevertheless, the gap between the wealthiest and poorest people increases. Inequality of various kinds remains and increases in society despite an ongoing progress to solve it. Inequality in areas of education, labour market and health is increasing; gender-based and territorial inequality remains, too. Unequal distribution of property, income and negative outcomes of the climate change increase worldwide. Inequality impedes economic growth and can cause threat to democracy and

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social cohesion, if corporations and the wealthy will continue having too high influence on establishing national and global living orders. More than ever before, there is an agreement over the aspect that the inequality is an urgent issue which should be at the top of agenda for the policy-makers.

Many economists and civic society organisations encourage to essentially change the system of economy indicators that assesses the welfare of society. The GDP measures production of goods and services. It does not assess the quality of people's lives. The welfare of society and not the GDP should be a major indicator. According to the data provided by an organisation "Oxfam", in 2020–2021, during the first two years of the COVID-19 pandemic, the ten richest people of the world more than doubled their wealth, from 700 billion to 1.5 trillion US dollars. Whereas the global economy underwent the largest decline; income of almost entire population decreased and more than 160 million people occurred in poverty [2].

Even though majority of countries have reduced the numbers of people living in extreme poverty, the inequality of inhabitants' well-being and income increases. Over the latter decade, the number of billionaires increased twice. The part of national income for 10 % of population who are the most earning people has increased or remained large in many countries of the world [3]. Richer individuals obtain larger return from their property. High inequality poses threat to democracy and social cohesion. Migration is closely related to large differences in terms of income among different countries.

In strong and rapidly expanding territories, polarisation of economic growth, innovations and talents increases. Along with ageing and shrinking numbers of inhabitants, a declining offer of labour force makes the situation of other territories worse. A gap between regions with increasing numbers of inhabitants and regions with decreasing numbers of inhabitants will be growing over the next decades to come [4]. The territorial inequality is obvious in areas of accessibility of infrastructure and public transport, other services as well as use of digital technologies. Since distance work becomes a more favourable mode of performance after the pandemic, a need to commute to and from work declines, on-line shopping turns to be more regular and there is less communication in public spaces. These changes may have effect on the formation of cities after the pandemic. A need of premises for office or dwelling in city and town centres might decrease and more people might move to live in suburbs or less densely populated rural areas. However, since not all can work in a distance mode, this tendency may cause even a larger social and economic divide with the inhabitants. In urban areas, a demand to develop spaces which are more suitable for living,

accessible and less polluted at outskirts of cities and towns occurs; and this may determine long-term urban development and expansion to suburban recreational territories where part of more wealthy inhabitants will reside.

*The aim of the research:* to find out the causes for the growth of social and economic inequalities as well as possibilities for the decrease of these inequalities.

## **2. THEORETICAL FUNDAMENTALS OF THE ANALYSIS OF THE WIDENING INEQUALITIES MEGATREND**

Widening inequalities perhaps most strongly manifest in economically underdeveloped African countries, especially it is said about education. Since 2010, reforms of pre-school education started in Ethiopia. Over a period of six years, the number of pre-school education institutions increased ten times: in 2010–2016, an overall number of pre-school students aged 4–6 years increased from 5 % to 50 %. Also, extreme differences between achievements in education were observed for children of wealthy urban areas and those who live in unfavourable rural conditions, whose parents are not only disadvantaged but also illiterate [5]. However, in a situation of massive expansion of pre-school education, even more extreme differences between achievements were observed for children who attend and do not attend pre-school education institutions; and this may result in growth of inequality of learning attainments in comprehensive education schools. In 2016, majority of children from the poorest communities still had no possibilities to obtain pre-school education. Moreover, in separate territories, schools with more abundant resources could introduce pre-school education forms earlier than those schools with scarce resources. A recent stage of Ethiopian national scale pre-school education reform starts directing attention from effectiveness to equal opportunities to gain high quality pre-school education.

In recent years, discussions on prolonging the limits of the retirement age are going on around Europe. Due to an increasing quality of life and system of health care, people throughout the world more often live longer than the retirement age and reach senility. This brings an increasingly heavier financial burden for the retirement system of every state. In Denmark, the retirement age set by the law increases proportionally to the life expectancy of the inhabitants [6]. In Lithuania, the retirement age will reach 65 by 2026 and the Government of Lithuania has no plans to prolong it.

The research conducted in 2020–2021 aimed to provide more details on the effect of

the COVID-19 pandemic on person's subjective (experienced) well-being in Japan [7]. During the pandemic, social well-being of the population was mostly caused by economic difficulties and restrictions of daily activities. The research demonstrates that a positive effect of the pandemic was experienced only by more advanced individuals and those holding a high social status; therefore, this increased subjective inequality in terms of social well-being even more. Wealthier residents underwent economic shortage less, whereas the poor lost their small savings. Majority of wealthy population representatives are also more educated, have more intellectual jobs; therefore, they more easily shifted to the distance work mode by applying information and communication technologies. Lack of technology-based skills also caused increase of social inequality because under-educated in the information and communication technologies sector people had reduced prospects of employment, personal contacts with their relatives declined. As a result of economic difficulties caused by the COVID-19 pandemic, gender inequality increased because women lost their jobs and income more often. The pandemic more negatively impacted subjective well-being of children from poor families because support from family members allocated to their education and communication differed.

To sum up, the COVID-19 pandemic in Japan expanded the already existing social inequality in society: the pandemic made less effect on people living in socially favourable conditions; whereas socially disadvantaged people were negatively impacted by the pandemic much stronger. The pandemic not only increased the already existing social inequality, but also created new forms of social differences: for example, lack of technology-related skills resulted in growth of social inequality.

Even though scientific literature declared socio-spatial inequality in European cities and towns was moderate for a number of years, in recent years it more often underlines that such inequality increases because it is especially observed in labour and dwelling markets. The socio-spatial inequality is one of the most extensively discussed urban issues, it characterises uneven distribution of social groups in urban spaces. In majority of economically advanced cities, such inequality increased over the latter decades [8]. For a long time, the "European city" model was treated as an opposing model against the more market-oriented forms of urban development in the USA because European cities had more prevailing state regulation intended for reduction of socio-spatial inequality. A stronger role of a welfare state policy was especially underlined as well as local redistribution policy and more comprehensive dwelling policy were emphasised. However, growing unemployment,

income inequality and uneven distribution of the market dwellings in space became important features of the European city development in recent years.

A conducted survey of inhabitants of Vienna as a typical European city [8] demonstrated that a social and economic status in 2011–2017 improved in the city centre, where this status was high even earlier, and majority of distant neighbourhoods that earlier had their status value low faced further relative decline of their social and economic status. Because of higher purchase and rent prices for dwellings in city's central neighbourhoods and newly built developments, households of low social and economic status faced it harder to reside in higher-status areas or move to them, and this prompted an increased classification of households based on their social and economic position. During the period under investigation, inequality of social and economic status of urban spatial units increased. Moreover, low-status urban areas lagged behind the modernisation process in central and newly developed territories.

Socio-spatial inequality is observed not only in cities, towns, but also in urbanisation of the entire planet, which is characteristic of growing polarisation [9]. Urbanisation worldwide enhanced due to “hypermobility” processes of globalisation encompassing an increasingly more dynamic interaction of people, infrastructure, technologies, resources and information. Even though “planetary urbanisation” stimulated economic growth, technological progress and cultural innovations, it was not a homogenous process. Alongside, a universal trend of inequality increase manifested, representing rapid growth of global economic development, creation of welfare as well as infrastructure and technological innovation hubs; whereas peripheral regions more and more lag behind. Uneven distribution of resources and services, unproportioned impact on environment as well as social and economic differences increase socio-spatial inequality. Since globalisation has made a large political and economic impact on entire world's societies, social division of societies and uneven spatial distribution increased. As competition for global resources increases and ecological conditions worsen, it became of high importance to understand and manage increasing socio-spatial inequality and its impact worldwide.

Differently from global trends of socio-spatial inequality, national governments trying to cope with social challenges of state's regions pay increasingly more attention to “place” causing pressure and providing support to regions to increase their efficiency. Despite numerous initiatives, the gap between the best and worst regions of the United Kingdom in terms of productivity is becoming wider since the early nineteen-eighties. The results for

different regions show high regional imbalance of the UK [10]. In the recent decade, “place-based policy-making” became popular; it encompasses creation of existing local technologies, capacities and specialisations as well as the use of regional opportunities. A power and capacities of regional institutions are very important when aiming for efficient local policy-making. Therefore, when solving issues of increase of regional productivity, also a question of how to improve regional governance occurs. Seeking to increase regional efficiency and decrease inequality, the UK Government must solve two major local problems: 1) reduce regional social and economic inequality, especially extreme regional differences in productivity; 2) to ensure that decentralised regional institutions could improve productivity and social inclusion in regions. A research conducted in regions of the United Kingdom [10] demonstrated that regional governance must be re-oriented to a place-based system to decrease local economic and social inequality.

### **3. SOCIAL DIFFERENTIATION OF THE INHABITANTS OF LITHUANIA**

During the period from 1996 to 2022, Lithuania lost a large part of its population: a number of inhabitants shrank from 3.6 to 2.8 mln. In the same period, the birth rate decreased from 39 thous. to 22 thous. of inhabitants per year. Moreover, Lithuania underwent extremely high flows of emigration of the residents to West Europe: due to negative net migration in 2001–2018, a number of inhabitants declined by 450 thous. [11]. Demographic ageing became one of major consequences of depopulation. In peripheral zones of Lithuania, several hinterland regions populated by elderly and lower social and economic status groups of people formed. In cities, younger, more educated part of population concentrated.

Statistics on internal migration demonstrates that numbers of rural population rapidly decreased in Lithuania over the latter two decades. Out of five cities of Lithuania, the capital Vilnius together with Vilnius district retained their demographic stability: numbers of Vilnius inhabitants increased by 2.82 per cent in the period from 2001 to 2021, and in the circle-type municipality of Vilnius district these increased by 15.3 per cent. A similar situation was in the seaport city Klaipėda and Klaipėda district. Meanwhile, in Kaunas, Panevėžys and Šiauliai cities, rapidly shrinking numbers of inhabitants limited economic development prospects for these regions [12].

Intensive changes after the natural turnover and migration of population in Lithuania have basically altered the demographic structure of many of the 60 municipalities. Two

trends characteristic to the changes in the municipality population structure in Lithuania can be traced [12]. First, many smaller, and especially rural, municipalities lost part of younger (under 20) inhabitants. Second, processes of ageing society are observed in all municipalities: increase of the rate of elderly inhabitants and increase of the median age dividing population into two equal parts. Processes of society ageing most intensively took place in smaller municipalities situated further from cities.

In 2021, there were around 1.22 mln. of *households*<sup>2</sup> in Lithuania [11]; an average size of a household was 2.1 individuals (2.08 individuals in urban areas, 2.14 in rural areas). 41 per cent of all households consisted of one person, 19 per cent of couples do not raising children, 20 per cent of couples raising children, including at least one person under 25.

For 65 per cent of households, income from labour was a major source of income in 2021 [11]. For 34 per cent of households, *social benefits*<sup>3</sup> were a major source of subsistence. In 2021, income in disposition of one member of a household was 697 Euros per month on the average. In the five cities, income in disposition of one household was 35.7 per cent higher than in other towns and 19.6 per cent higher than in rural areas. 71.5 per cent of income comprised labour income, 24.7 per cent of social benefits. 20 per cent of groups of individuals getting higher income (42.8 per cent of all income) was 6.1 times higher than of those 20 per cent of groups of individuals who receive lowest income (7 per cent of all income). 17.1 per cent of households were bond by leasing or study loans.

Monetary income held in disposition lower than the *poverty risk line*<sup>4</sup> were obtained by 20 per cent of population state-wide [11]. In 2021, the poverty risk line was 483 Euros per month for one resident, 1,015 Euros for a family consisting of two adults and two children under 14. In 2021 in urban areas, the *poverty risk rate*<sup>5</sup> was 17.4 per cent, in rural areas it was 25.4 per cent. The highest poverty risk rate was in the group of inhabitants aged 65 and over. In 2021, it comprised 35.9 per cent. An average retirement pension was 376.5 Euros and comprised 78 per cent of the poverty risk line. In 2021, the poverty risk rate for children under 18 was 17.2 per cent. In 2021, the poverty risk line for households of one residing

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<sup>2</sup> **Household** is a separately living one person or a group of people living in one dwelling place who share expenses and jointly provide necessary measures of subsistence and maintenance.

<sup>3</sup> **Social benefits** are pensions and monetary benefits in senility, cases of illness and disability; benefits for widows, widowers and orphans, family and children, the unemployed, in cases of social divide and other. Social benefits related to dwelling are counted: compensations for heating, water supply, fuel expenses.

<sup>4</sup> **Poverty risk line** is a relative value of income, when the households that receive less income held at disposition are attributed to those in poverty.

<sup>5</sup> **Poverty risk rate** is part of individuals whose equivalent monetary income held at disposition are lower than the poverty risk line.

person comprised 44.5 per cent. In 2021, the *absolute poverty line*<sup>6</sup> comprised 260 Euros per month for one resident and 546 Euros for a family consisting of two adults and two children under 14. In 2021, the absolute poverty line reached 3.9 per cent, i.e. around 110 thous. of inhabitants of the state lived below the absolute poverty line.

In 2021, there were 1.5 mln. dwellings in Lithuania. An average size of a dwelling was 69.9 m<sup>2</sup>. Even though 89 per cent of households resided in private houses or flats, still 22 per cent of inhabitants lived in dwellings where one person was allocated less than one room. In urban areas, 25 per cent of population lived in such conditions, in rural areas there were 18 per cent of such population [11]. A useful floor area allocated for one resident comprised 38.2 m<sup>2</sup> (33.8 sq. m in urban areas, 47.7 sq. m in rural areas).

#### 4. REGIONAL SOCIAL AND ECONOMIC DIFFERENCES IN LITHUANIA

In many states, regional policy is one of the most important areas of public policy having a purpose to avoid regional social and economic inequalities or to reduce these inequalities and ensure consistent and sustainable regional and also national development. In regional policy of the state, navigation between regional equality and state performance efficiency is a usual practice. The goal of state performance efficiency is to maximise the economic growth of a state and to optimise the use of resources. Whereas goals of regional equality inside the state focus on reduction of differences between regional social and economic growth. In some cases, these two goals can be matched; however, in case of mismatch, state priorities in regional policy more often tend to support goals of state performance efficiency. Moreover, various interested parties that collaborate when implementing multi-lateral processes of regional development of the state represent different experiences, each interested party holds its own system of knowledge on the issue under discussion and logic of suggested solutions. Differences among these different viewpoints usually obstruct the process of making compromising solutions satisfying many interested parties. Regional policy-makers have to develop their limits of competence to make common decisions on development relevant for very different regions [13].

The regional system of Lithuania (3+2+5) comprises 10 regions which include centres of three different levels: 3 cities (Vilnius, Kaunas, Klaipėda), 2 medium size towns (Šiauliai, Panevėžys), 5 regional centres (Alytus, Marijampolė, Tauragė, Telšiai, Utena). Cities (3+2)

<sup>6</sup> **Absolute poverty line** is a value of minimum consumption needs of a person, re-calculated annually by the Ministry of Social Security and Labour of the Republic of Lithuania.

have central subdivisions of state institutions and a national level of health care. 3 cities have MTEP infrastructure and universities, and 2, Šiauliai and Panevėžys, have affiliates of universities. *Lithuanian regional policy White book* [14] prepared in 2017 seeking to coordinate both visions of the national governance and local self-governance institutions as well as territorial cohesion of social and economic partners and actions to achieve them. Here, much attention was focused on inhabitants: “Every inhabitant of Lithuania, despite their place of residence, must have possibilities to work or carry out business at a distance not further than one-hour drive”; “All inhabitants of Lithuania, despite their place of residence, must have possibilities to live in quality environment and receive public services of sufficient quality at a distance not further than half an hour drive”. The White Book highlights two “[c]hallenges: 1. Geographically balanced cohesive and sustainable economic growth; 2. Quality conditions for living in entire Lithuania”.

Table 1 demonstrates big economic and social differences among 10 regions of Lithuania.

*Table 1. Economic and social indicators for regions of Lithuania in 2021, Source: [11]*

Region (r.)	GDP, %	GDP per capita, %	FDI per capita, EUR	ITFA per capita, EUR	Unemploy ment rate	Employment, thous.	Migration, net	Higher education, 1,000	Birth rate
Lithuania	100	100	9,661	3,718	7.1	1368.6	19,653	694.5	23,330
Vilnius r.	43.1	148.8	25,041	5,587	4.8	453.4	11,092	287.8	8,083
Alytus r.	2.8	57.6	1,735	1,603	9.1	60.8	- 114	24.3	838
Kaunas r.	20.7	102.1	4,335	3,697	6.7	281.9	4,289	149.7	4,993
Klaipėda r.	10.6	91.9	5,557	3,724	7.6	155.7	4,378	77.9	2,863
Marijampolė r.	2.9	59.2	1,042	1,870	9.1	60.8	- 222	19.9	942
Panevėžys r.	5.4	70.5	2,560	1,769	11	92.3	- 744	34.9	1,389
Šiauliai r.	7	74.8	1,962	2,324	7.3	116.1	1,943	50.2	1,833
Tauragė r.	1.8	54.6	903	1,522	9.6	40.2	- 639	11.6	618
Telšiai r.	3.2	67.6	4,749	2,226	7.6	58.4	- 489	19.6	1,027
Utena r.	2.5	56.2	1,714	1,254	12.4	48.9	159	18.5	744

Table 1 shows that 74.4 % of Lithuanian GDP (Gross Domestic Product) in 2021 were generated by three regions that include cities: Vilnius, Kaunas and Klaipėda. Vilnius region almost one and a half times exceeds the average GDP per capita of Lithuania, too. This shows large economic advantage of three cities against other territories of Lithuania. In 2021, five

economically weak regions generated only 13.2 % GDP of Lithuania.

Even larger contrasts were observed in 2021 in the FDI (Foreign Direct Investment) per capita rea. In this case, Vilnius region exceeded the average of Lithuania by 2.6 times. Vilnius region had 75.6 % of all FDI for Lithuania, and Vilnius city had 95.5 % of all FDI for Vilnius region. This demonstrates high priority given to Vilnius city by foreign investors in comparison to other territories of Lithuania.

ITFA (Investment in Tangible Fixed Assets) per capita also shows a high advantage of Vilnius region over other regions: the average of Lithuania was exceeded by 1.5 times.

Moreover, Vilnius region stands out for the lowest unemployment rate (4.8 % only) and the highest population employment: in 2021, one third of Lithuanian employees worked here. Whereas the five smaller regions employed only 19.7 % of the workforce of entire Lithuania.

Internal and international migration (net) demonstrates high attraction of inhabitants to reside in Vilnius region: in 2021, there were 11,092 of arriving residents that outgoing, and this comprises 56.4 % of the number of such residents throughout Lithuania. Jointly with Kaunas and Klaipėda regions, the number of such inhabitants exceeds the numbers of such residents throughout Lithuania. This shows strong attraction of inhabitants to live in three cities and their outskirts in Lithuania.

In Vilnius region, higher education of the population aged 25–64 comprise 41.4 % of all such kind of population of Lithuania; and, jointly with Kaunas and Klaipėda regions, they comprise 74.2 %. Whereas in five smaller regions, such inhabitants comprise only 13.5 % of such residents of Lithuania.

The birth rate in 2021 shows that 34.6 % of all new-born babies of Lithuania were born in Vilnius region. Jointly with Kaunas and Klaipėda regions, this comprises 68.3 % of all new-born babies in entire Lithuania.

To sum up, Vilnius (capital) region) stands out among other regions of Lithuania by its rapid growth and comprised around 40 % of economic and social potential of Lithuania. Moreover, around 20 % of this potential are covered by Kaunas and 10 % by Klaipėda regions. These three regions grow at the advantage of the cities in them. Other two larger towns of Lithuania, Šiauliai and Panevėžys, demonstrate trends of decrease; correspondingly, their regions are becoming weaker, too. Five smaller regions of Lithuania manifest with even higher trends in decrease of the potential. Intensive polarisation of inhabitants and economic-social potential as well as attraction to three cities, especially the capital Vilnius, take place in

Lithuania. These processes increase economic and social inequality of between inhabitants living in cities and peripheral territories.

## **5. MEASURES TO REDUCE REGIONAL DIFFERENCES IN LITHUANIA**

By the Partnership Agreement for 2021–2027 [15], the European Commission projected 6.4 billion Euros investments in Lithuania. Lithuania will additionally contribute with 1.7 billion Euros of national funding; therefore, an overall value of EU investment will comprise 8 billion Euros. The Agreement emphasises that Lithuania has large differences in terms regional development and participation of separate social groups in the labour market, the labour market is insufficient inclusive, high rate of unemployment for individuals from vulnerable groups, many low qualified individuals or people disabilities neither work nor study. In 2020, 24.8 % of population in Lithuania were attributed to poverty or social divide risk; whereas in 2020, in EU 27 states, an average of such population reached 22 %. In 2019, Lithuanian public expenditure on social security comprised 16.5 % of GDP; whereas in 2018, the EU states allocated for this area 27.9 % of their GDP each on the average. Therefore, the Partnership Agreement foresees implementation of the EU Council's recommendation set in 2020: to increase funding for and scope of the measures of active labour market policy and to improve skills. The funding of such measures will have the biggest effect on individuals living further from Vilnius and other cities; therefore, these measures will be beneficial in reducing social differences among regions of Lithuania.

By the European Union Funds Investment Programme for 2021–2027 [16] the European Commission projected to allocate almost 8 billion Euros of investments in Lithuania. The financial means of the Programme are planned with regard to a need to reduce regional differences in Lithuania; therefore, a relatively larger part of the measures is allocated not to Vilnius but other regions of Lithuania. Investments in Vilnius region will comprise around 1.3 billion Euros; whereas investments in other 9 regions will reach 4.1 billion Euros. It is planned to allocate 94,726,567 Euros for Vilnius region from the European Social Fund; and other regions of Lithuania will be allocated 962,123,024 Euros; whereas 478,201,667 Euros will be allocated for Vilnius region from the European Regional Development Fund and 3,156,444,253 Euros for other regions of Lithuania.

In the Regional Development Programme for 2022–2030 [17], three problems of regional development are pointed out: 1) different potential of economic growth and uneven

economic development of regions; 2) separate regions are characteristic of a higher poverty risk and social divide; 3) insufficiently sustainable environment making a negative impact on attractiveness of regions. To solve these problems, the Programme allocated 210,928.8 thous. Euros for measures stimulating regional progress in Vilnius region, whereas the remaining 9 regions of Lithuania were allocated 1,413,017.4 thous. Euros of EU financial means. Based on a much greater potential of Vilnius region, this region was allocated relatively less financial means of the EU than other regions. Moreover, Vilnius regions needs at least 37.9 % of the national means; and other regions of Lithuania will be satisfied with only 15 % of the national means. Vilnius city needs at least 50 % of the national means.

## 6. CONCLUSION

Various economic and social inequalities remain and increase despite much effort to reduce them in many states of the world. Territorial inequality grows in regions of the world and inside states. The increase of inequality extremely strongly manifests in economically under-developed states of Africa. The COVID-19 pandemic increased social inequality in society because socially disadvantaged people were negatively affected by the pandemic much stronger. Urbanisation and technological advancement created new forms of inequality, making the situation of under-educated inhabitants worse.

Since 1996, the number of inhabitants decreased for almost a quarter of a million due to emigration and decreasing birth rates in Lithuania. The population is undergoing ageing; numbers of workable age inhabitants are declining. Recently, as a result of low income, around one-fifth of inhabitants lived below the poverty risk line. Whereas income of 20 per cent of the richest residents of Lithuania was 6 times higher.

Over recent decades, economic and social differences grew in regions of Lithuania. Because of the rapidly growing capital, Vilnius region accumulated around 40 per cent of the state economic and social potential. Under the effect of growing cities of Kaunas and Klaipėda, the potential of these regions expanded as well. Towns of Šiauliai and Panevėžys are shrinking; therefore, the potential of these regions is declining, too. The five regions of Lithuania that do not include cities or larger towns are becoming the periphery of Lithuania, with rapidly decreasing numbers of inhabitants, poorly attracted investments.

Aiming to improve the situation of under-developing regions, the Government of Lithuania enhanced the EU investments in these particular regions seeking to increase

competitiveness of businesses, to stimulate efficiency of energy consumption and the use of renewable energy resources, to reduce social divide, to improve quality and accessibility of health care, education, cultural services. These investments are targeted at reducing regional development inequalities as well as social and economic differences.

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