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From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
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My region, My Europe, Our future: The seventh report on economic, social
and territorial cohesion

Delegations will find attached document SWD(2017) 330 final - Part 5 of 13.

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PART 5/13

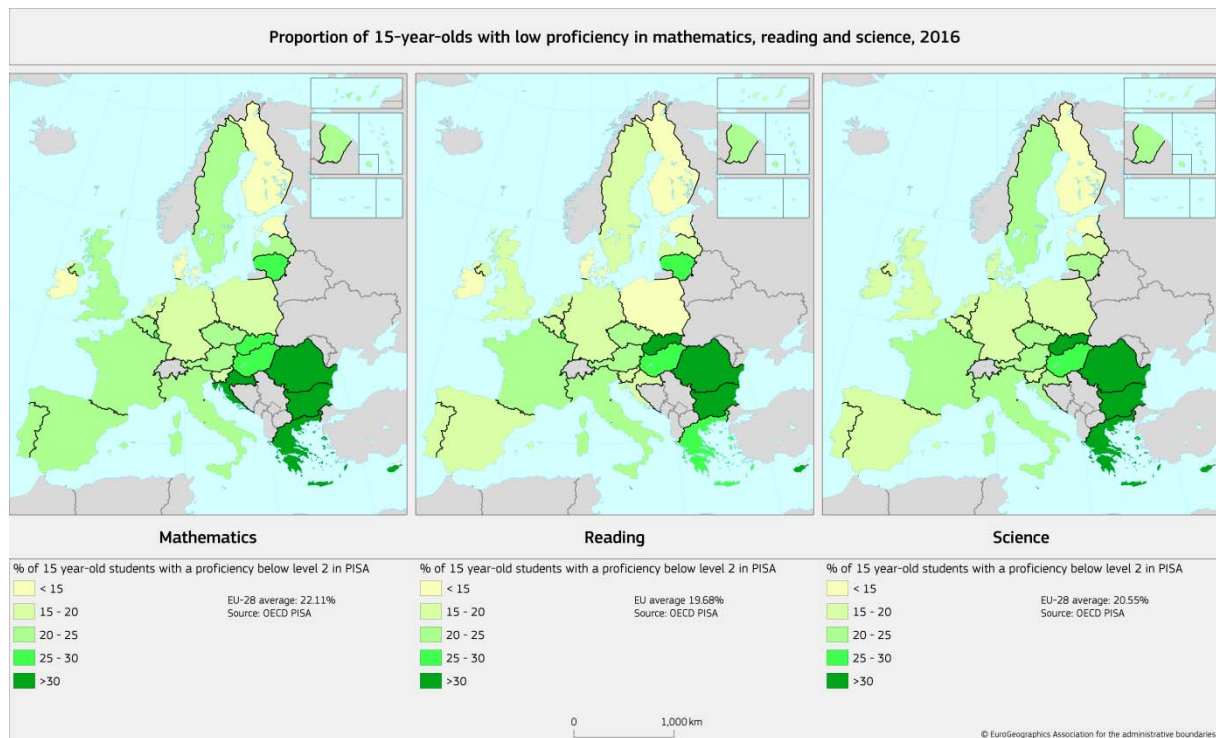
COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

**My region, My Europe, Our future:
The seventh report on economic, social and territorial cohesion**

{COM(2017) 583 final}

Map 1.12 Low achievers in mathematics, reading and science



Vocational education and training (VET) can improve job-specific and transversal skills, facilitating the transition to employment and maintaining and updating the skills of the work force. Over 13 million people enrol in initial VET programmes every year in the EU. Yet labour market forecasts indicate an upcoming shortage of people with VET qualifications in a number of Member States. Those with recent VET qualifications at upper secondary level generally have a smoother transition from education to the labour market and higher employment rates than those with upper secondary qualifications from general education pathways who do not go on to complete tertiary education¹.

The evidence suggests that VET programmes lead to better employment outcomes than non-tertiary general oriented ones. In 2015, those who had recently completed initial VET had an average employment rate of 73% in the EU, as against one of 61% for those who had recently completed upper-secondary general education and had not gone on to tertiary education. The biggest difference was in Belgium, Germany, Estonia, and Cyprus. Only in 6 countries (the Czech Republic, Ireland, France, Malta, Finland and UK)² was the average employment rate of those with VET qualifications similar or lower than those completing general upper-secondary programmes.

¹ The indicator measures the employment rates of persons aged 20 to 34 having completed education 1-3 years before the survey with a diploma from upper secondary education (ISCED 3) or post-secondary non tertiary education (ISCED 4), and who are currently not enrolled in any further formal or non-formal education or training, out of the people in the same age group.

² European Commission, 2016, *Education and Training Monitor 2016*, https://ec.europa.eu/education/sites/education/files/monitor2016_en.pdf.

Despite this, for many young people and their parents, initial VET is not seen as an attractive option, suggesting perhaps a need to improve the labour market relevance of VET programmes. Too few programmes at present fully exploit the potential of work-based training or provide opportunities to progress to tertiary education. As a response, Member States agreed in 2015³ to further strengthen key competences in VET curricula and provide more effective opportunities to acquire or develop these skills.

Measures to support apprenticeships

The **European Alliance for Apprenticeships** was launched in 2013 as a multi-stakeholder platform at EU level to improve the quality, supply and image of apprenticeships and to promote international mobility among apprentices. In addition, the **European Pact for Youth** was initiated in 2015 by CSR Europe (European business network for Corporate Social Responsibility) to bring together business and relevant stakeholders to create apprenticeships, traineeships, internships and entry-level jobs for young people. The latest 2017 Commission Work Programme and the Communication on "**Investing in Europe's Youth**"⁴ also announced that the Commission will propose a Council Recommendation for a Quality Framework for Apprenticeships.

2.6. Adult proficiency in literacy and numeracy needs to be raised in several EU Member States

The ability to read and understand both literary and numerical information is essential for full participation in society and the economy. Without adequate skills of these kinds, people are likely to remain at the margins of society and to face significant barriers in finding a decent job.

In practice, in most Member States, substantial numbers of people have low levels of proficiency in reading and maths, as indicated by the Survey of Adult Skills (PIAAC) (carried out by the OECD with support from the European Commission), which assesses the ability of people aged 16 and over in these respects (Figure 2.1 and Figure 2.2). According to the survey, the highest levels of literacy and numeracy are in Finland, the Netherlands and Sweden together with Japan. By contrast, levels are relatively low in Spain, Greece and Italy. The survey shows, moreover, that high levels of inequality in literacy and numeracy are related to inequality in the distribution of income.

³ 'Riga Conclusions 2015 on a new set of medium-term deliverables in respect of VET for the period 2015-2020'. Conclusions of the Council of Ministers in charge of vocational education and training. Available at: http://www.izm.gov.lv/images/RigaConclusions_2015.pdf.

⁴ European Commission 'Investing in Europe's youth' COM(2016) 940 of 7.12.2016.

Figure 2.1: Literacy proficiency of adults (aged 16-64), 2016

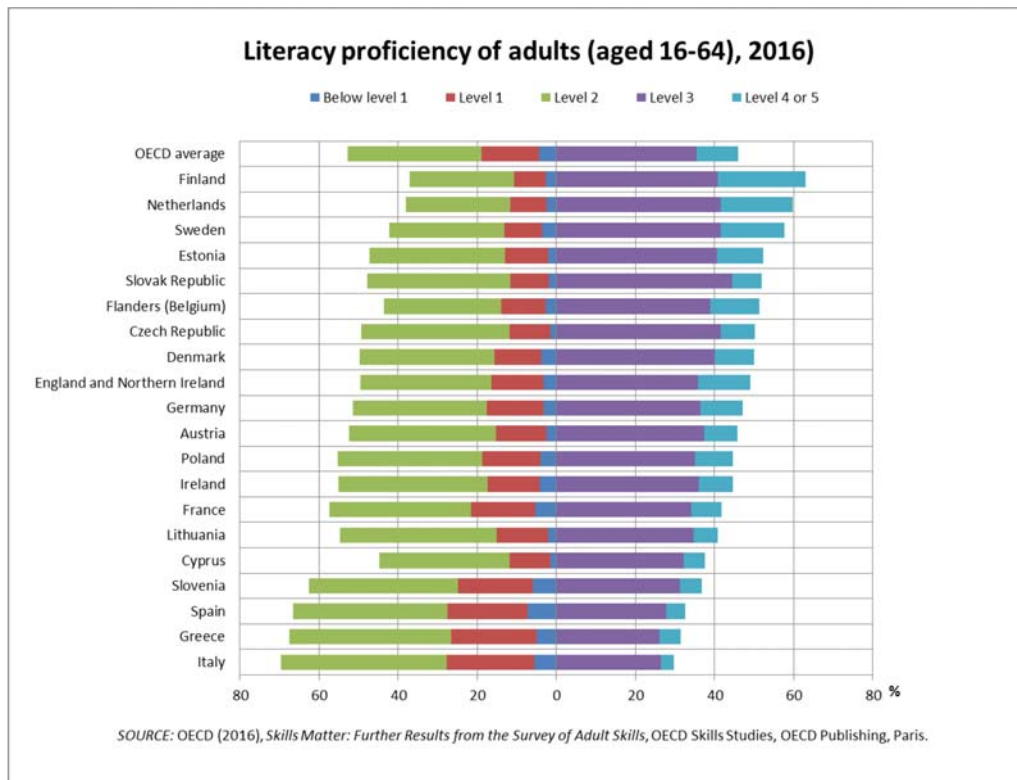
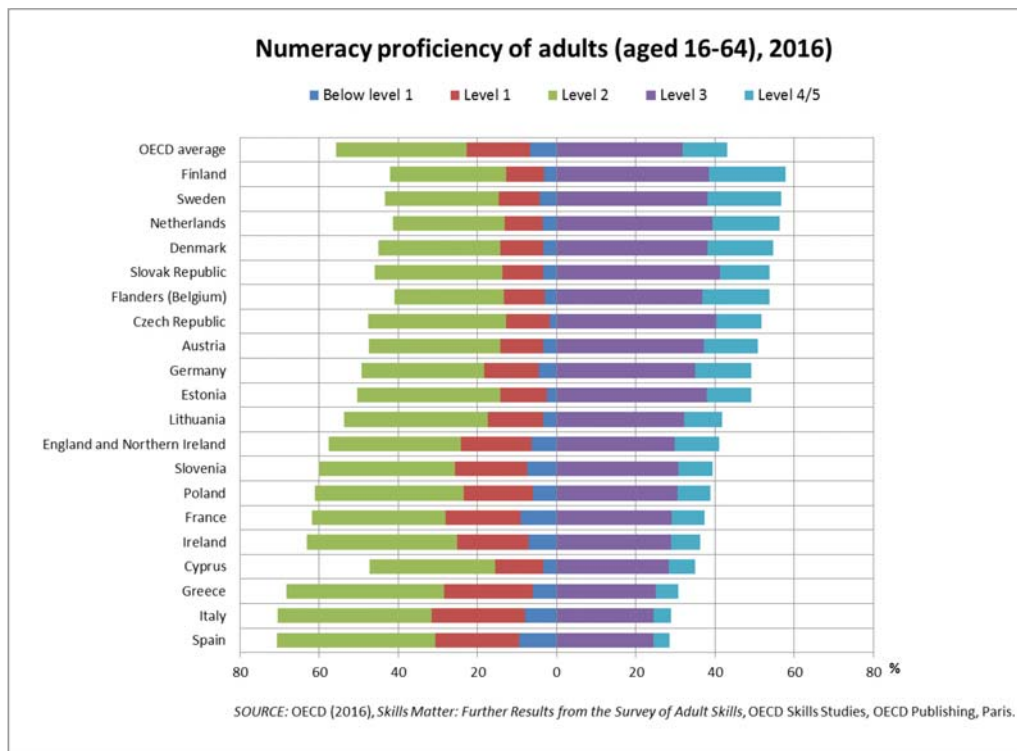


Figure 2.2 Numeracy proficiency of adults (aged 16-64), 2016



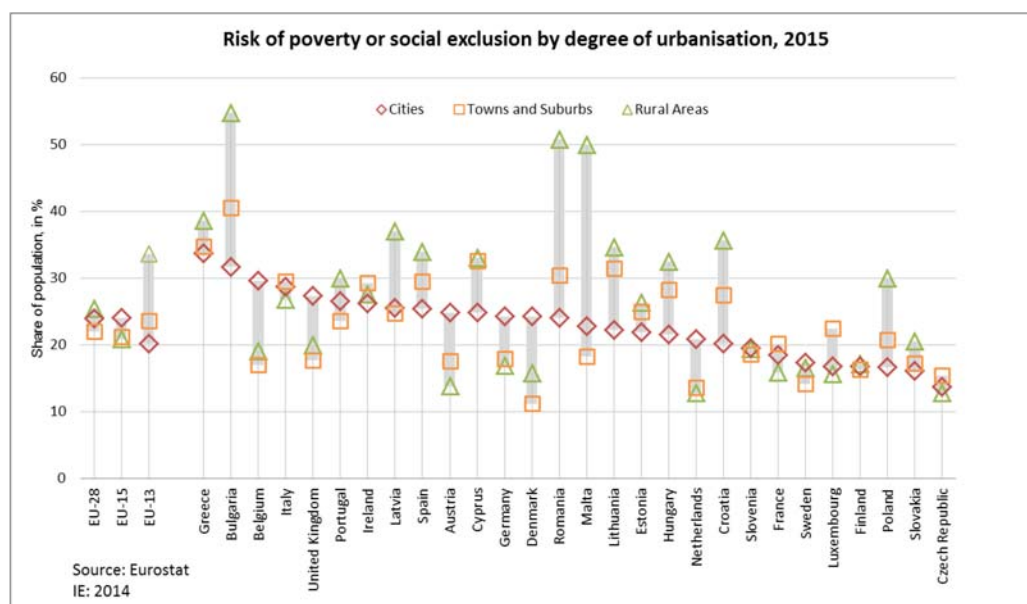
2.7. Poverty and social exclusion is declining in the EU-13 but growing in cities in the EU-15

Clear signs of a general improvement in the social situation in the EU are emerging, though divergences among Member States remain. In 2015, almost a quarter (23.7%) of people in the EU were recorded as being at risk of poverty or social exclusion, the poverty indicator targeted by Europe 2020 (see Box). The proportion increased during the crisis between 2008 and 2012 but then fell back to the 2008 level. This reduction, which was common to most Member States, followed increases in incomes as a result of the recovery in economic activity, improvements in labour markets and reductions in those affected by severe material deprivation and those living in low work intensity households (two of the components of the indicator). The proportion at risk of poverty, on the other hand was 1 percentage point higher in 2015 than in 2008⁵.

Despite positive signs, the risk of poverty or social exclusion remains a key challenge especially in the Baltic and southern Member States. The risk remains high despite improvements in Bulgaria, Croatia, Latvia, Lithuania, Romania and Greece, and it has been rising in Cyprus and Italy. Together with an increase in inequality in many Member States, it is one of the main challenges to social cohesion.

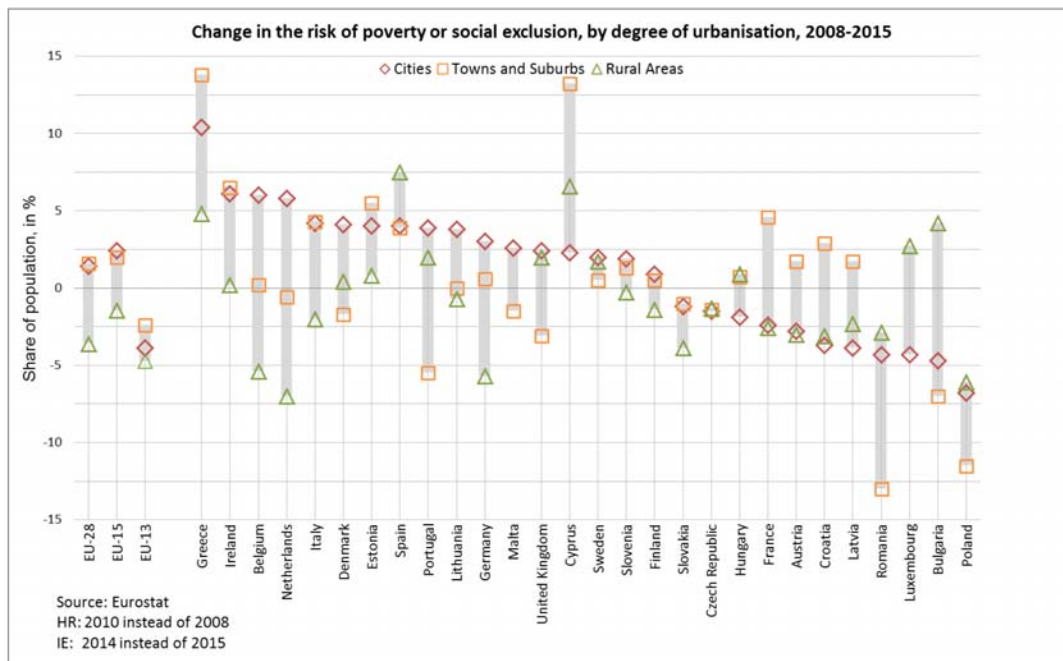
In the EU-13, the proportion of people at risk of poverty or social exclusion is considerably larger in rural areas (34%) than in cities (20%) (**Figure 2.3**). In the EU-15, the pattern is the opposite, the proportion being larger in cities (24%) than in rural areas (21%), though the difference is much smaller. Between 2008 and 2015, the proportion fell in all areas in the EU-13, the difference between cities and rural areas narrowing. In the EU-15, the proportion fell only in rural areas while it increased in cities, towns and suburbs (**Figure 2.4**).

Figure 2.3 The proportion of people at risk of poverty or social exclusion by degree of urbanisation, 2015



⁵ 2015 and 2008 refer to the years of the survey. The income being measured actually relates to the previous years, i.e. 2014 and 2007.

Figure 2.4 Change in the proportion of people at risk of poverty or social exclusion by degree of urbanisation, 2008-2015



There is some difference in the incidence of the three indicators combined in the aggregate measure across the EU, though there are also similarities since each of them is measuring an aspect of poverty or social exclusion. In 2015, 17.3% of the EU population was recorded as being at risk of poverty (Figure 2.5). As in the case of the aggregate indicator, there was a somewhat larger proportion of households at risk in rural areas across the EU (19.8%) than in cities (16.7%) or towns and suburbs (16.0%). At the same time, rural areas have a smaller proportion of households with very low work intensity, which suggests that their higher risk of poverty is not mainly due to their lower employment but to their lower incomes, or perhaps to their incomes needing to support larger households. The difference in the risk of poverty between cities and rural areas at EU level is due to the big difference in the EU-13 (26% as against 11%), while in the EU-15, the proportion at risk is slightly smaller in rural areas than in cities. Moreover, the proportion fell between 2008 and 2015, in rural areas solely in the EU-15 (Figure 2.6).

What it means to be at risk of poverty or social exclusion

A set of indicators is used to measure poverty or social exclusion in the EU. The headline indicator for those at risk of poverty or social exclusion (AROPE) consists of a combination of three indicators:

- **At risk of poverty** (or relative monetary poverty) measures the percentage of people living in a household with equivalised⁶ disposable income in the previous year below the at-risk-of-poverty threshold set at 60% of the

⁶ 'Equivalised' means that income is adjusted for differences in the size and composition of households.

national median.

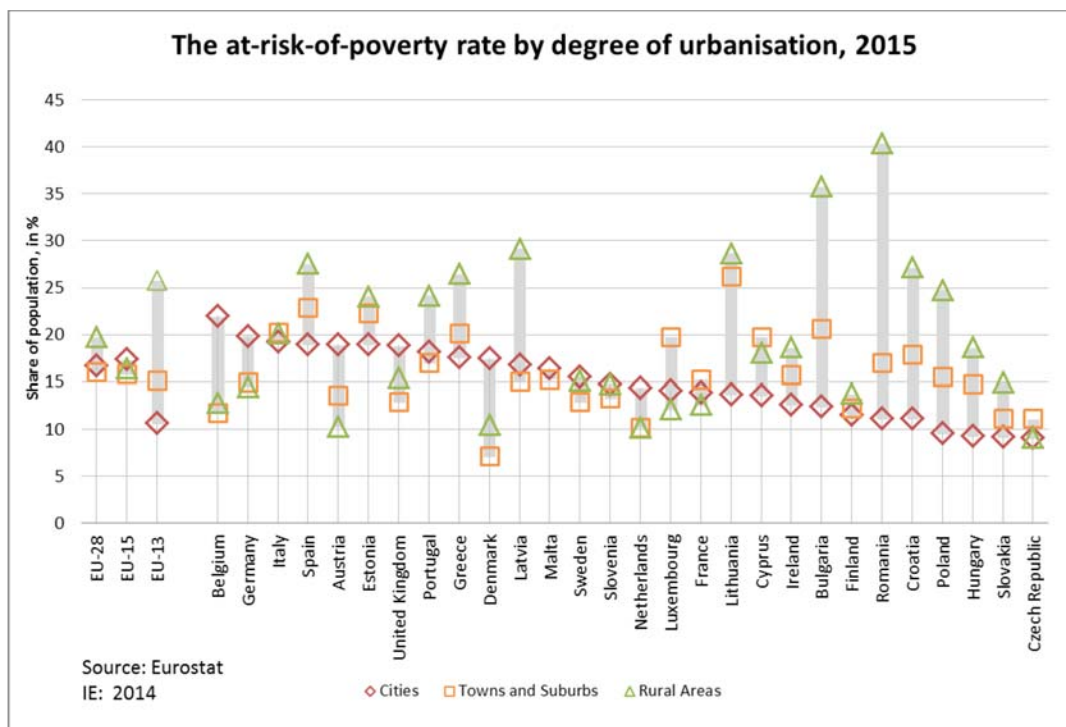
- **Severe material deprivation** measures the percentage of people who report to the EU-SILC survey that they are unable to afford any 4 of 9 items included in the survey⁷.
- **Living in a households with very low work intensity** measures the percentage of people living in households where those aged 18-59 worked for only 20% or less of the time they could potentially have worked during the past year if they had worked full-time throughout the year.

People identified as being at risk of poverty or social exclusion are those recorded under any one of these three indicators.

EU Statistics on Income and Living Conditions (EU-SILC)

The EU Statistics on Income and Living Conditions (EU-SILC) is the main source of data in the EU on poverty and social exclusion. The survey from which the statistics are derived covers a representative sample of households in all Member States. The survey is carried out each year and the data on income, and therefore the risk of poverty, and work intensity relate to the year preceding the survey – i.e. for 2015, the risk of poverty and low work intensity relate to 2014 while material deprivation relates to the year of the survey, i.e. 2015.

Figure 2.5 The at-risk-of-poverty rate by degree of urbanisation, 2015



⁷ The 9 items are a colour TV, a washing machine, a telephone, a car, a meal of meat or fish or the equivalent every other day, a week’s annual holiday away from home, an ability to avoid being in arrears on mortgage payments, rent, utility bills, hire purchase instalments or loans, an ability to make ends meet and an ability to keep the house adequately warm.

Figure 2.6 Change in the at-risk-of-poverty rate by degree of urbanisation, 2008-2015

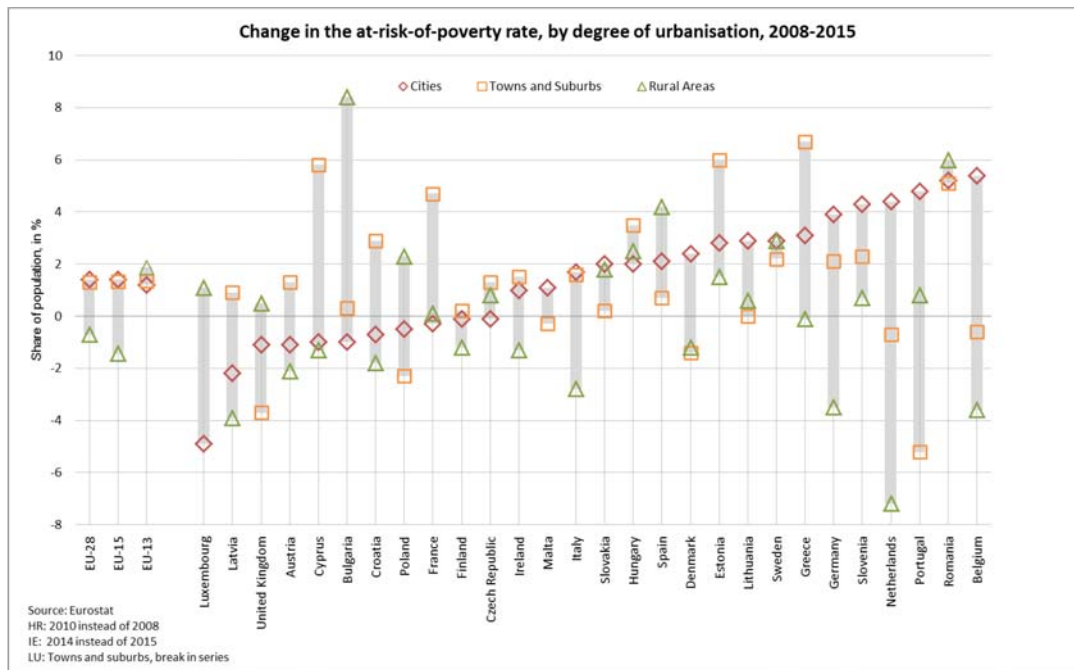


Figure 2.7 Proportion of people living in Low work intensity households by degree of urbanisation, 2015

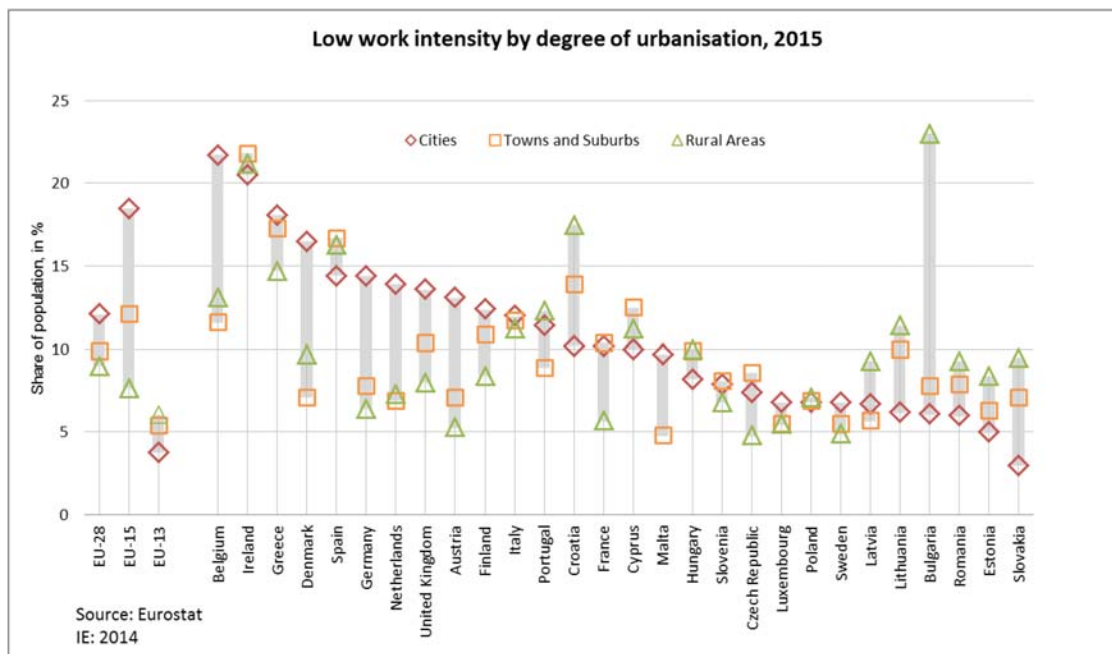
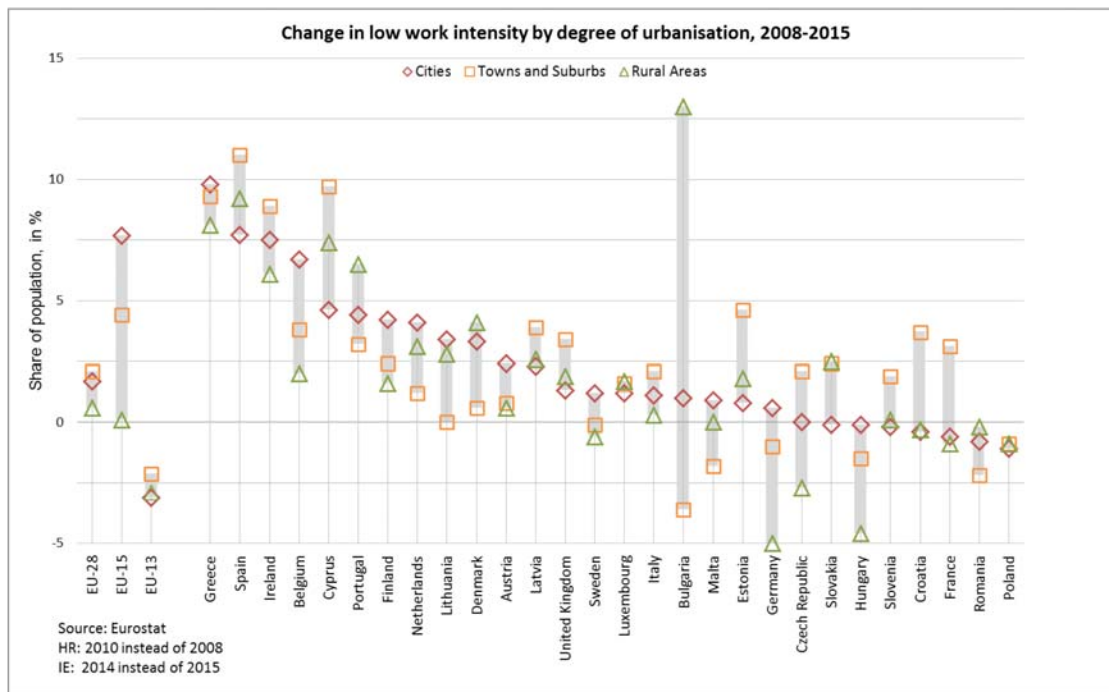


Figure 2.8 Change in proportion of people living in low work intensity households by degree of urbanisation, 2008-2015



In line with the pattern of change in unemployment, the proportion of people living in households with very low work intensity in the EU in 2015 was higher than in 2008 (10.6% as against 9.2%) but lower than the peak in 2014 (which in fact relates to 2013). In contrast to the risk of poverty, the proportion was much higher in the EU-15 than in the EU-13, especially in cities (18%), whereas in the EU-13, it was higher in rural areas (6%) than in cities (4%) (Figure 2.7). The situation in the EU-15 may seem surprising as employment opportunities tend to be greater in cities. But it is also the case that a larger proportion of people live alone than in other areas and if they become unemployed, household work intensity immediately falls to zero, whereas in households with two or more people, the other person(s) in the household may continue to be employed. It is also the case that the proportion of non-EU born in EU-15 cities is four times that in rural areas, which because of their lower employment rates also tends to increase the number of households with low work intensity.

In addition, the crisis hit cities in the EU-15 harder than other areas, the proportion of people living in low work intensity households increasing by 8 percentage points as a result, whereas it remained unchanged in rural areas. In the EU-13, by contrast, the proportion declined by 3 percentage points in both rural areas and cities and by 2 percentage points in towns and suburbs (Figure 2.8).

Figure 2.9 Proportion of people with severe material deprivation by degree of urbanisation, 2015

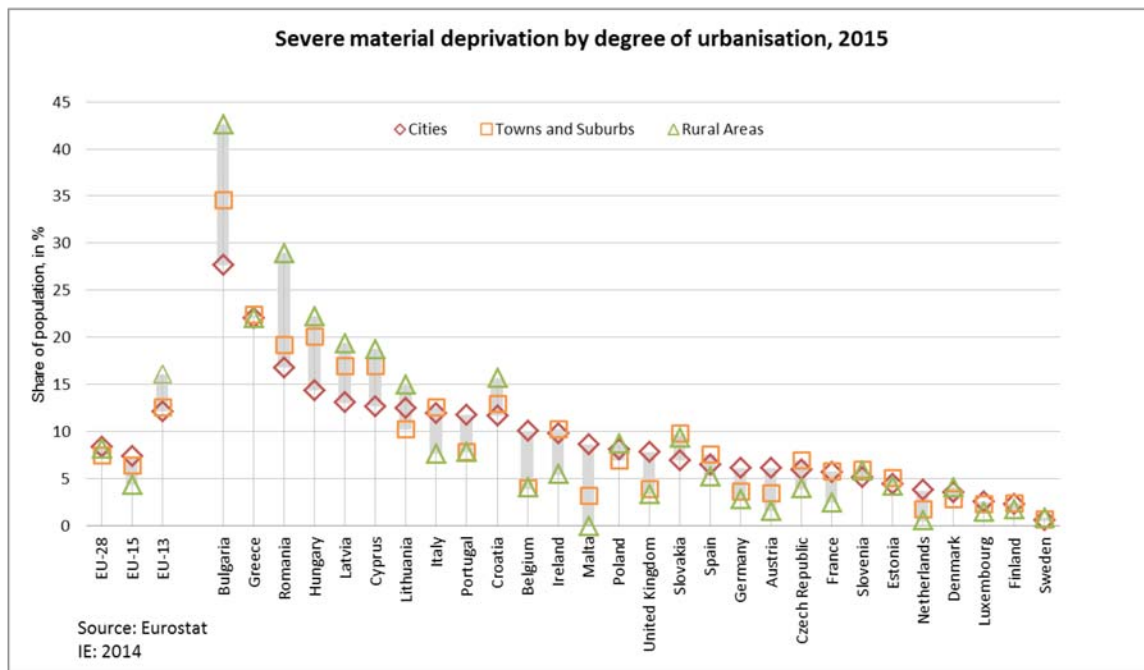
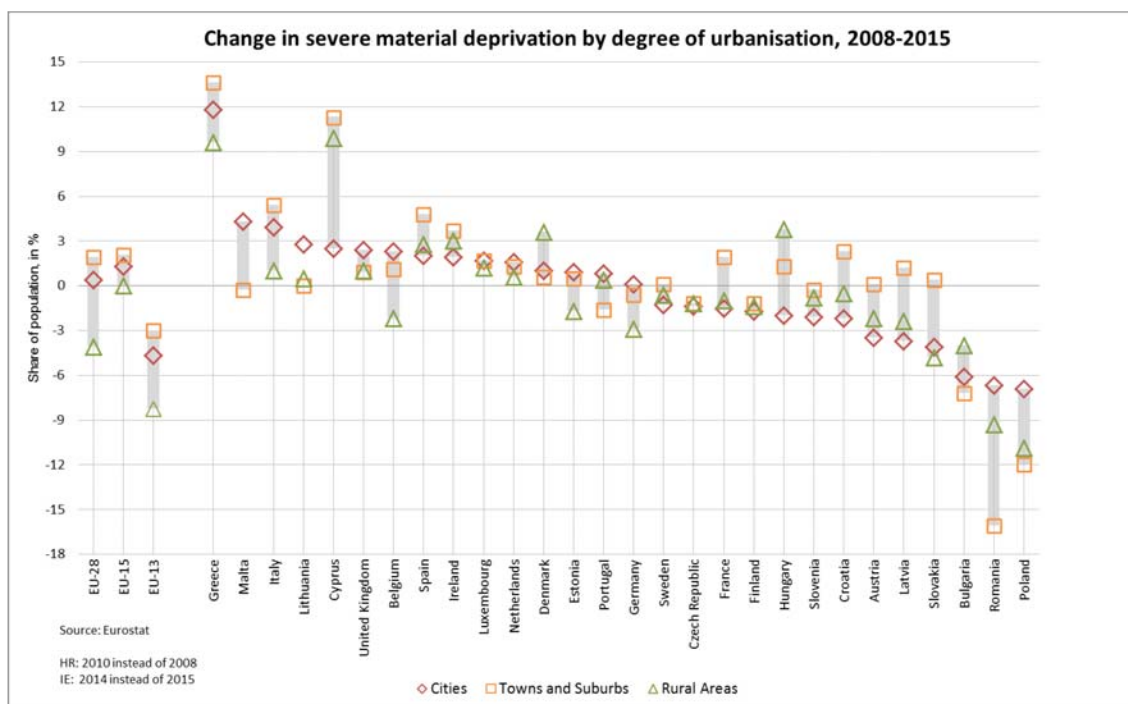


Figure 2.10 Change in the proportion of people with severe material deprivation by degree of urbanisation, 2008-2015



The severe material deprivation indicator identifies people who cannot afford any four of 9 basic items included in the EU-SILC. The proportion concerned in the EU-13 was more than twice that in the EU-15 in 2015 (14% as against 6%), reflecting the much lower income levels. In the EU-13, in the same way as the risk of poverty, it was larger in rural areas than cities (16% as against 12%, Figure 2.9), but the difference is narrowing. Between 2008 and

2015, the proportion fell by 9 percentage points in rural areas and 5 percentage points in cities (Figure 2.10).

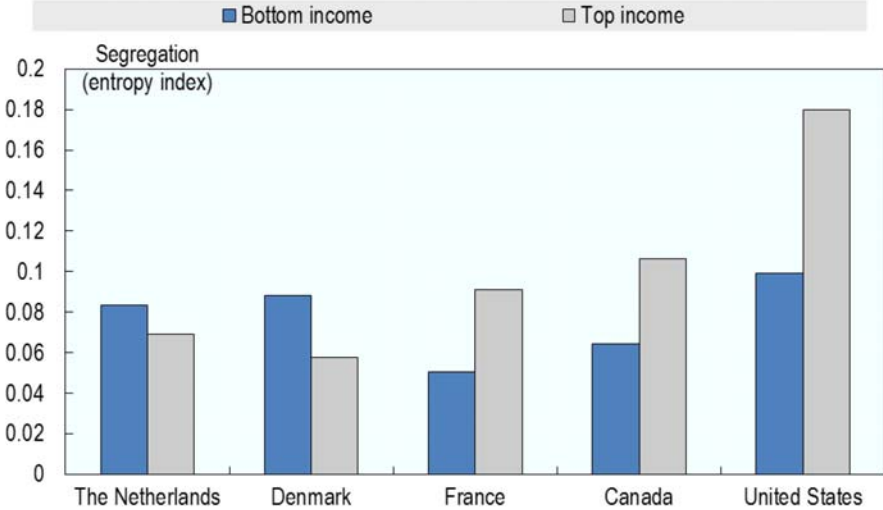
In the EU-15, severe material deprivation is more common in cities than rural areas (affecting 7.4% of the population in 2015 as against 4.4%) and has become more so over time (increasing by 1.3 percentage points while remaining unchanged in rural areas). Although many cities in the EU-15 have high levels of GDP per head, they also have, in many cases, high levels of inequality, as reflected in at-risk-of-poverty rates, higher concentrations of deprivation than other areas and more households with low work intensity.

Income inequality in cities has a spatial dimension

Rich and poor people often live in separate neighbourhoods in cities. The difference in average prosperity and living conditions in different parts of a city has been the subject of debate because of the potential effect on social mobility, since the quality of schools, access to services and decent living conditions are important for people to prosper and fulfil their potential.

Although households in European cities tend to be less spatially segregated by income than in North America, the pattern of segregation differs across the EU. In Denmark and the Netherlands, for example, the poorest households show the highest level of spatial concentration, while in France, as in the US and Canada, it is the most affluent who tend to concentrate most in specific areas of a city (Figure 2.17).

Figure 2.17 Income concentration in cities by income group, 2014 or latest available year (higher values indicate higher concentrations)



Source: Adapted from OECD (2016), *Making Cities Work for All*, OECD Publishing, Paris.

The concentration of poor households in disadvantaged neighbourhoods can give rise to less favourable outcomes for people who live and grow up there. In the Netherlands, for example, those who lived with their parents in poor neighbourhoods (bottom 20% of the income distribution) ended up, 12 years after leaving the parental home, having an income 5-6% lower than those who lived in the most affluent neighbourhoods.

References: OECD (2016), *Making Cities Work for All: Data and Actions for Inclusive Growth*, OECD

Publishing, Paris.

The European Pillar of Social Rights

After a wide public consultation, the European Commission published the European Pillar of Social Rights⁸ on 26 April 2017. It sets out a number of key principles and rights to support fair and well-functioning labour markets. This is also essential for building more resilient economic structures. In particular, the European Pillar of Social Rights sets out 20 principles in support of fair and well-functioning labour markets and welfare systems to serve as a guide

⁸ The Pillar was published as a Commission Recommendation and as a proposal for an inter-institutional Proclamation with the European Parliament and the Council.

for a renewed process of convergence towards better working and living conditions among participating Member States. Although it is primarily conceived for the euro area, is applicable to all Member States wishing to participate. The principles are grouped into three broad categories:

Equal opportunities and access to the labour market, which includes equal access to education and training, gender equality and active support to employment.

Fair working conditions, which includes the right to secure and adaptable employment, fair wages, information about working conditions and protection in cases of dismissal, consultation with social partners, support in achieving a suitable work-life balance and a healthy and safe working environment

Social protection and inclusion, which includes the right to childcare and support to children education, social protection, unemployment benefits and access to activation measures, minimum income support, old-age pensions, affordable healthcare, support to people with disabilities, affordable long-term care, housing and access to essential services.

Most of the tools for delivering on these principles are in the hands of local, regional and national authorities, though the social partners and civil society also have a role. The EU – and the European Commission in particular – can help by setting the framework, giving direction and establishing a level-playing field while fully respecting differences in national circumstances and institutions.

The Pillar reaffirms rights already present in the EU but complements them by taking account of new realities. As such, it does not affect principles and rights already contained in binding provisions of EU law. But: by putting together rights and principles set at different times, in different ways and in different forms, it aims to make them more visible, understandable and explicit..

2.8. Moving at different speeds to the Europe 2020 targets

The Europe 2020 strategy sets out five headline targets to be reached by 2020, covering employment, education, poverty, innovation and climate change. The targets for reducing greenhouse gas emissions and increasing renewable energy have been translated into legally-binding national targets. In the other cases, there are optional national targets.

Portugal, Spain, the south of Italy, Croatia, Greece, Bulgaria, Romania and eastern Hungary are furthest away from achieving the targets (**Map 2.1**). Intra-country variation is, however, pronounced. Apart from the traditional north-south divide in Italy, in France, Germany, Belgium, the UK, the Czech Republic and Denmark there are both regions with high values of the index and those with low values.

Europe 2020 targets for the EU

1. Employment

75% of 20-64 year-olds to be employed

2. R&D

3% of EU GDP to be invested in R&D

3. Climate change and energy

- Greenhouse gas emissions 20% lower than 1990
- 20% of energy from renewables
- 20% increase in energy efficiency relative to the projected use of energy in 2020

4. Education

- The rate of early school leaving to be reduced below 10%
- At least 40% of 30-34-year-olds to have completed tertiary education

5. Fighting poverty and social exclusion

At least 20 million fewer people to be at risk of poverty and social exclusion (equivalent to reducing the number to 19.5% of the population).

Between 2010, when the targets were set, and 2015, almost all regions in central and eastern Member States made progress towards achieving them (**Map 2.2**). The score on the index for the less developed regions increased on average from 36 to 46. The score for the transition regions, on the other hand, rose only marginally, reflecting the impact of the crisis. The score also increased for the more developed regions, from 76 to 80, but at this rate even these will not reach the targets by 2020 (**Table 2.1**).

Constructing the Europe 2020 achievement index

The Europe 2020 achievement index measures progress towards meeting the targets set at EU-level by NUTS 2 regions and by degree of urbanisation (see Dijkstra and Athanasoglou, 2015).

A score of 100 means that a region or a degree of urbanisation has reached or surpassed all the EU targets, a score of zero means that it the region or degree of urbanisation concerned is furthest away from reaching them.

Each headline target is weighted equally. This means that for the index the employment, poverty and R&D indicator are weighted at 25%, while the two education indicators are weighted at 12.5%. For the index for regions grouped by degree of urbanisation, the employment and poverty indicator are both weighted at 33%, while the two education indicators are weighted at 16.6%.

Climate change indicators are not available below the national level and so could not be included in the two indices. The R&D target had to be excluded from the index for degree of urbanisation groups as it is not measured at this level.

For purposes of the indices, the absolute target for reducing poverty and social exclusion was transformed into a reduction in the share of people at risk of poverty or social exclusion.

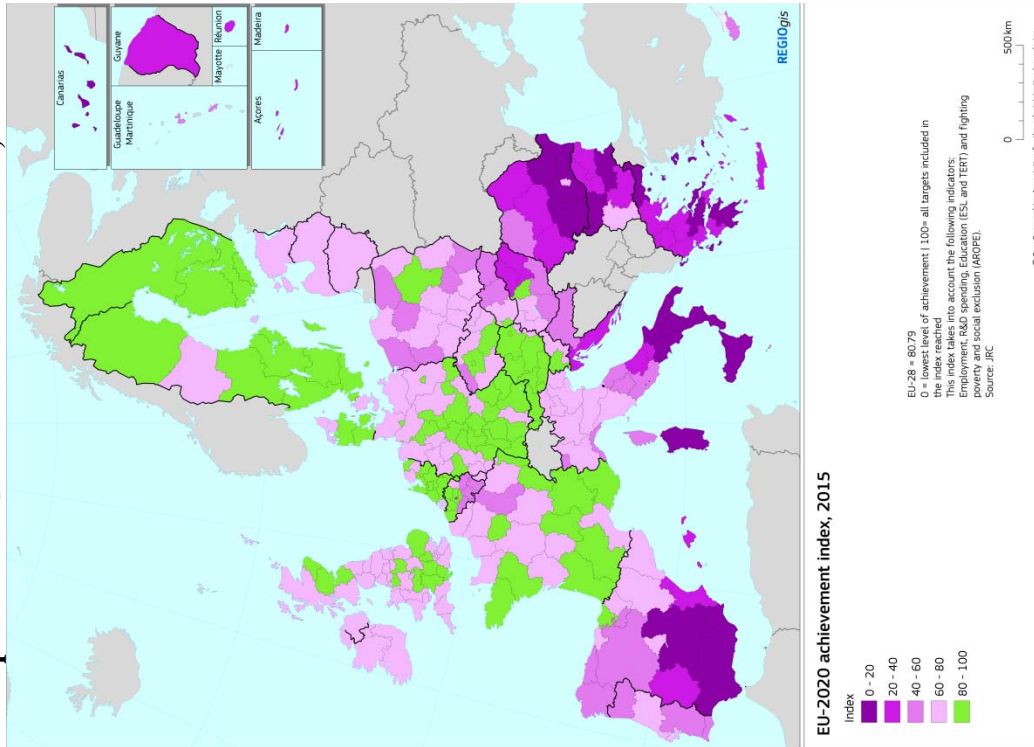
As not all Member States opted to set national targets for the employment, education and poverty reduction indicators, the index presented here is relative to the EU target in each case.

Table 2.1: EU 2020 regional achievement index, 2010-2015

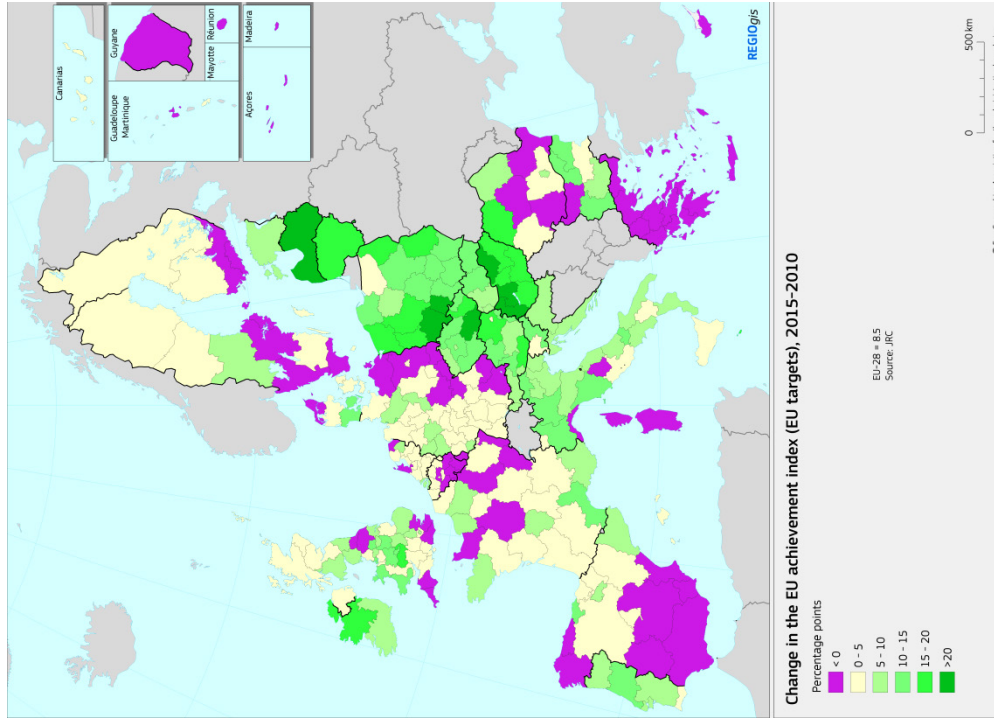
EU 2020 regional achievement index, 2010-2015			
	2010	2015	Change
Less developed	36	46	10.0
Transition	55	56	0.6
More developed	76	80	4.5

Source: Dijkstra and Athanasoglou, 2015.

Map 2.1 The EU-2020 achievement index, 2015



Map 2.2 Change in the EU-2020 achievement index, 2010-2015



In general, cities are closer to achieving the targets (Figure 2.11) than towns and suburbs or rural areas. In Sweden, Czech Republic and Luxembourg, cities have reached or surpassed the employment, education and poverty reduction targets - indeed; some had already done so in 2010. The difference between cities and other areas is very wide in some cases, in Bulgaria, Romania, Spain, Hungary and Poland, in particular, in all of which rural areas are lagging well behind.

In some countries, especially in the EU-15, towns and suburbs score better than cities. In France, the UK, Austria, Malta and, in particular, Belgium, cities score poorly, primarily due to low employment and high poverty rates.

While progress was made towards the targets in almost all countries between 2010 and 2015, if by not enough to meet them by 2020, in Greece and Cyprus, the situation deteriorated in all three types of area (Figure 2.1). The achievement index was also lower in 2015 than in 2010 in Danish and Belgian cities, in towns and suburbs in France and in rural areas in Spain.

Figure 2.11: Europe 2020 achievement index by degree of urbanisation, 2015

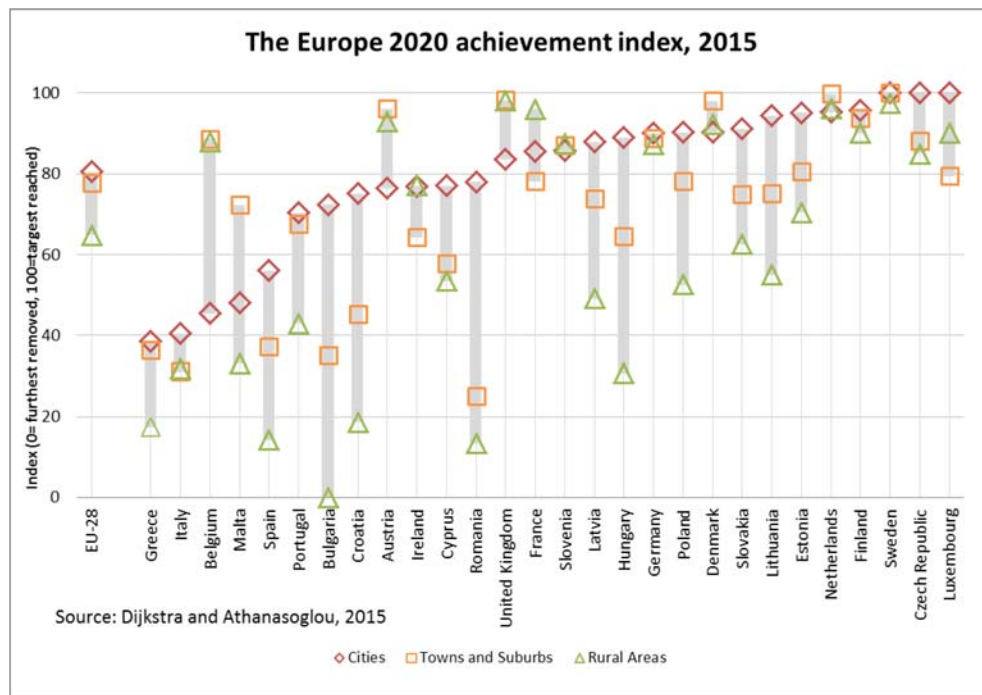
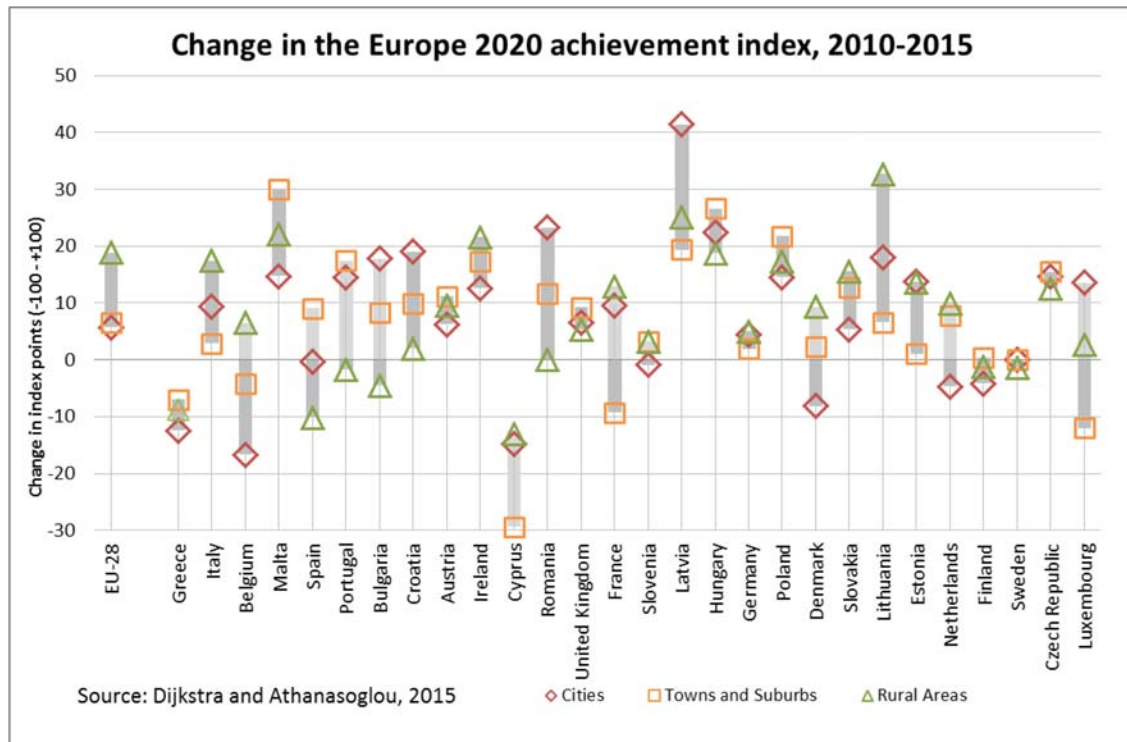


Figure 2.19: Change in the Europe 2020 achievement index between 2010 and 2015



2.9. More women are studying, working and being elected to regional assemblies

Equality between women and men has been enshrined in the EU Treaties from the very beginning and is part of the 2009 Charter of Fundamental Rights.

In 2016, the employment rate of men aged 20-64 in the EU was 12 percentage points higher than that of women (**Map 2.3**). In 2001, the gap was 18 percentage points and has narrowed every year since then, including over the crisis years. Employment rates of men are higher than for women in all EU regions except Övre Norrland in Sweden and Corse in France. The difference is over 20 percentage points in Malta and several Greek, Italian and Romanian regions. In Malta, Greece and Italy, the difference narrowed between 2001 and 2016, but in Romania, it increased by 5 percentage points.

At the EU level, unemployment rates of men and women are much the same, the rate for women being only 0.4 of a percentage point higher than for men in 2016 (**Map 2.4**). This implies that the employment gap is primarily due to more women not participating in the work force. The Commission's Strategic engagement for gender equality has identified a number of way of increasing employment rates of women:

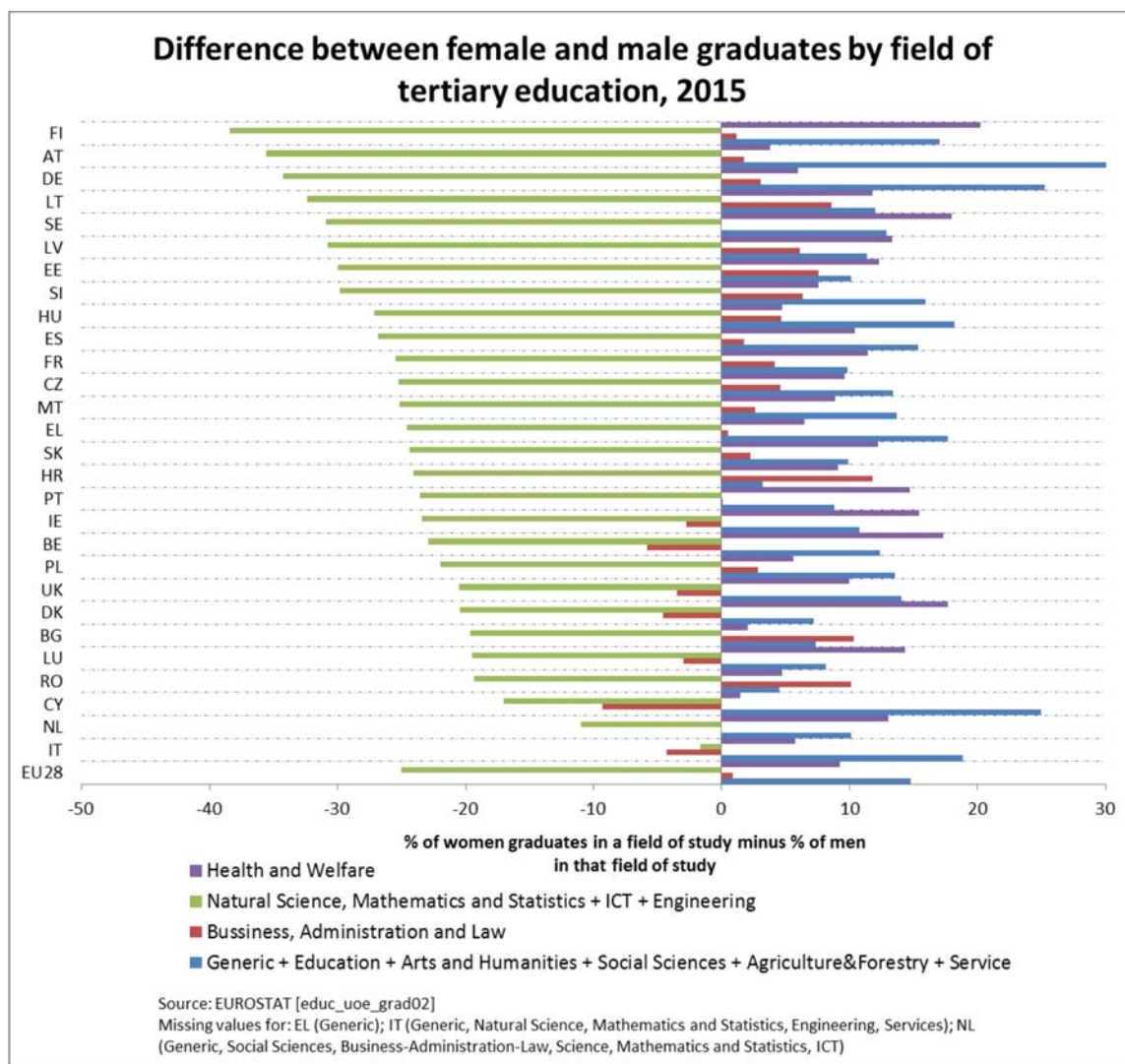
- make it easier to balance caring and professional responsibilities;
- share time spent on care and household responsibilities more equally;

- provide childcare for 33% of children under 3 and 90% of children between 3 and mandatory school age (the targets set under the Barcelona agreement in 2002);
 - provide support for care of other dependants;
 - encourage more women to become entrepreneurs;
 - promote gender equality in research;
 - improve the integration of women migrants into the labour market.
- Policies to support gender equality**

- Gender equality is a key element of the recently adopted European Pillar of Social Rights which states that "*equality of treatment and opportunities between women and men must be ensured and fostered in all areas*".
- The Commission's Strategic Engagement for gender equality 2016-2019 identifies 5 priority areas: increasing female labour-market participation and the equal economic independence of women and men; reducing the gender pay and pension gaps and so combat poverty of women; promoting equality between women and men in decision-making; combating gender-based violence and protecting and supporting victims of this and; promoting gender equality and women's rights across the world.
- The Commission recently adopted the Work-Life Balance initiative aimed at tackling women's underrepresentation in the labour market by modernising the current EU legal and policy frameworks for family-related leave, flexible working arrangements and formal care services and reducing economic disincentives for second-earners to work.

More of the women aged 30-34 have tertiary education than men in the EU and this is the case in all regions, except in several German ones and a few others scattered across the EU (**Map 2.5**). On average, 43% of women in this age group had this level of education in 2014-2016 as opposed to only 34% of men. In Latvia, northern Sweden, Slovenia, some Polish regions and Molise in Italy, the share of women with tertiary education was 20 percentage points or more larger than for men.

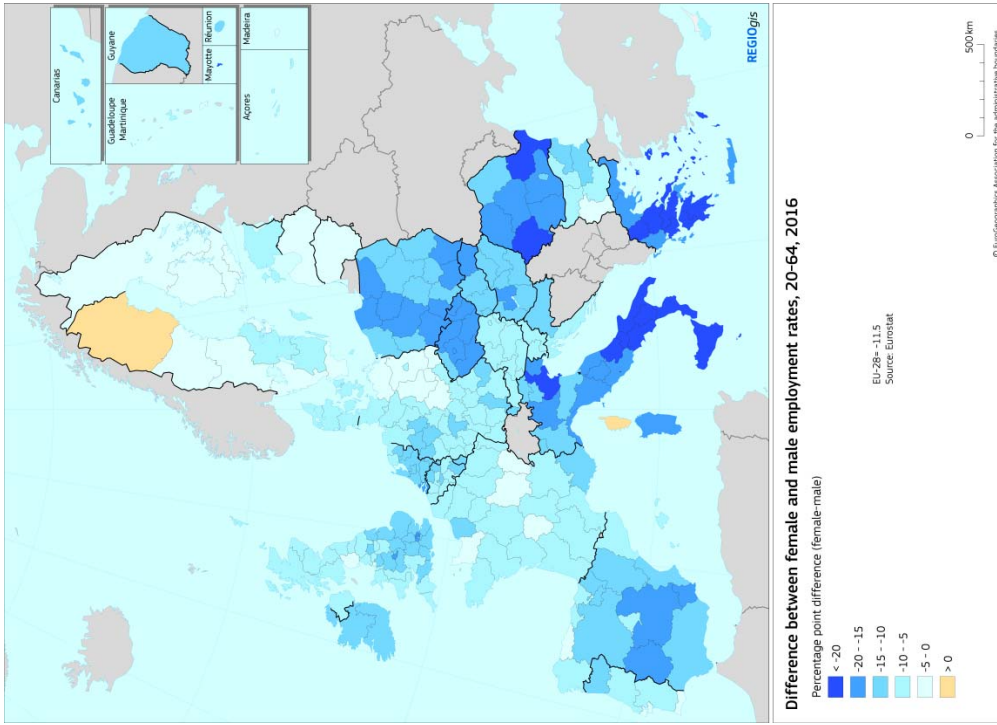
Figure 2.20 Difference between female and male graduates by field of tertiary education, 2015



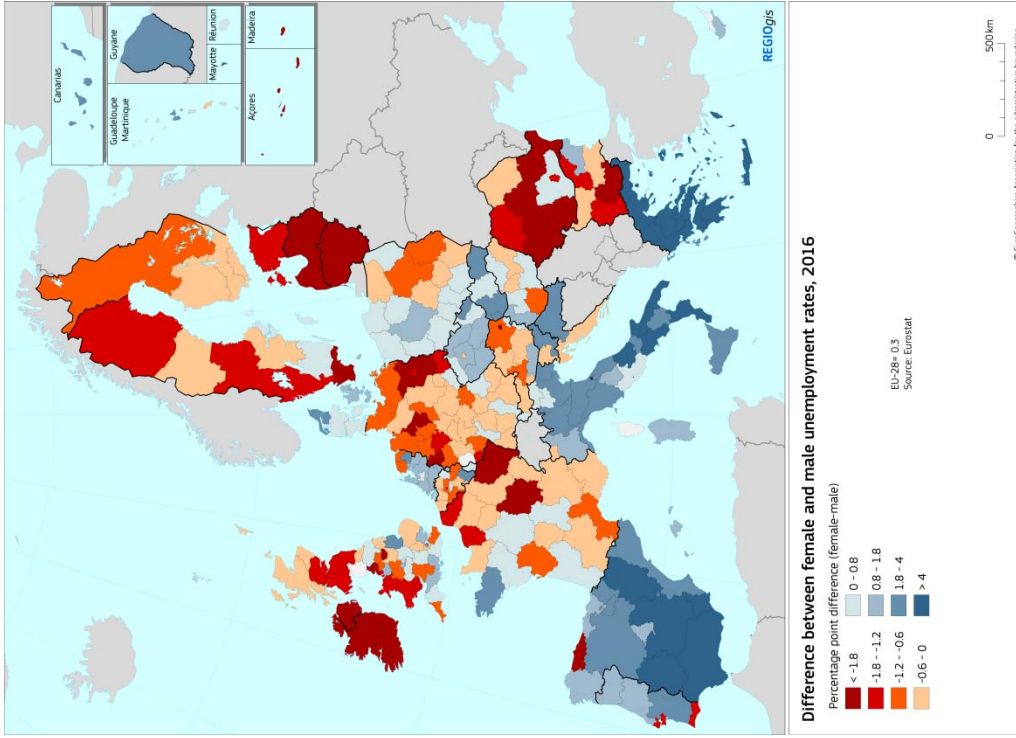
While more women than men have tertiary education, their fields of study differ substantially, which may partly be a factor underlying their lower employment rates. In particular, far more men than women opt for a natural science, mathematics, ICT or engineering degree in all Member States (Figure 2.20).

Women aged 18-24 are also less likely to have left education and training before completing upper secondary schooling than men. (Map 2.6). There are many reasons why young people may decide to leave school early. Personal or family problems, learning difficulties, a fragile socio-economic situation are all potential reasons but the school environment, teacher-pupil relations and the quality of teaching may also play an important role. The highest rates of early school-leaving are in regions in Spain, Portugal and Italy, mostly because of young men leaving early. In Sardegna, for example, around 28% of young men left education before completing upper secondary education as against just under 15% of young women. While more men than women leaving education early is the norm across the EU, there are a few regions (around 10% of the total) scattered across northern, central and eastern parts of the EU (but in Bulgaria especially), where the reverse is true, though only marginally so in most cases.

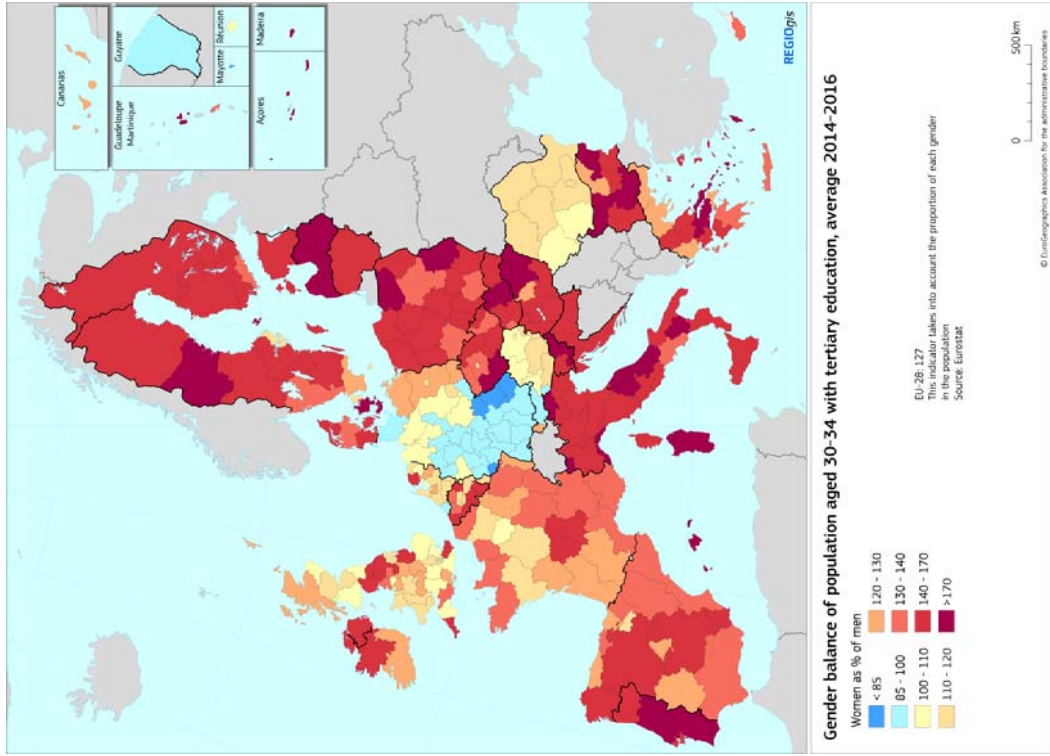
Map 2.3 Difference between female and male employment rates (20-64), 2016



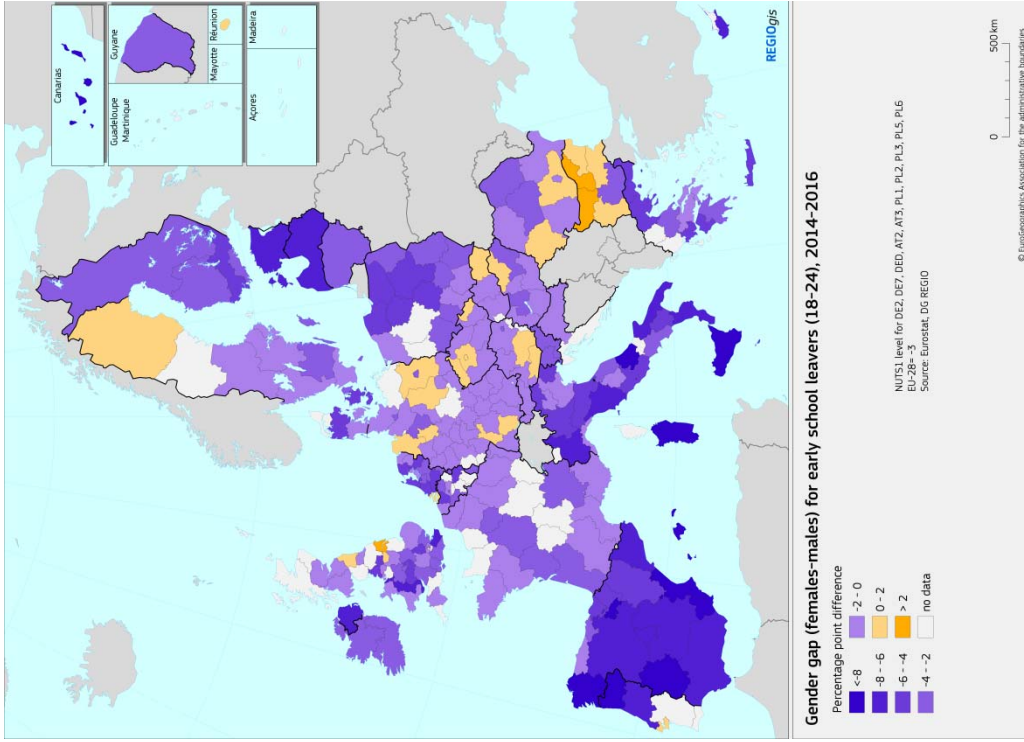
Map 2.4 Difference between female and male employment rates, 2016



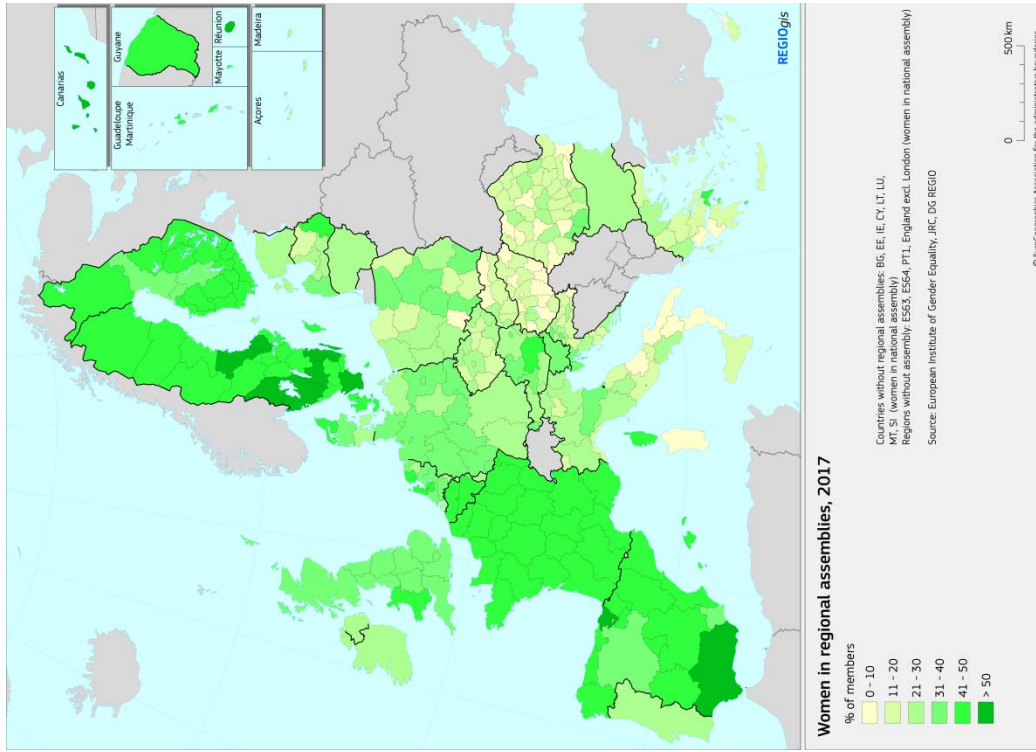
Map 2.5 Gender balance of population 30-34 with a tertiary education, average 2014-2016



Map 2.6 Gender gap for early school leavers, average 2014-2016



Map 2.7 Women in regional assemblies, 2017



Map 2.8 Change in the share of women in regional assemblies, 2007-2017

