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Sixth report on economic, social and territorial cohesion: Investing in Europe's Future

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Chapter 2: Inclusive growth

1. INTRODUCTION

With the introduction of the Europe 2020 strategy, the European Commission strengthened its pursuit of social goals under the heading of ‘inclusive growth’, which means growth that increases employment rates and reduces poverty and social exclusion. As the crisis has gone on, the employment rate has declined further and unemployment and poverty have increased, making it more difficult to reach the targets set.

Poverty and social exclusion are concentrated in different types of area across the EU. In less developed Member States, they tend to be higher in rural areas, while in more developed ones, they are typically higher in cities. This latter concentration of the poor and the deprived in cities where employment opportunities also tend to be concentrated, is often called the urban paradox and it has not been altered by the crisis. The crisis has, however, increased poverty and exclusion in two-thirds of Member States since 2008.

The highly uneven spatial distribution of employment opportunities and income in the EU has led to people moving both between regions within countries and between countries. This has meant that some regions have seen their population shrink continuously over many decades. In many of the less developed Member States, internal movements of population tend to be from rural regions to urban ones, in part to escape the relatively high poverty rates in the former. The EU also continues to attract migrants from outside the EU, but in some Member States they find it difficult to integrate into the labour market. Disparities in health seem to add to the shift of population within and between Member States.

Tackling issues related to inclusive growth is at the heart of Cohesion Policy. Social cohesion was an objective from the very beginning in the Treaty of Rome, the European Social Fund being created in 1958 to help further this. It is a key dimension of a policy which, even though it is often targeted at regions, is in the end intended to improve the well-being of people throughout the EU.

Accordingly, a significant part of the financial resources allocated to Cohesion Policy is used to support such initiatives as training and education, active labour market policies and combating poverty and social exclusion of disadvantaged groups. Such measures are complementary to those implemented in other policy areas and are important for the success of these. For example, support to R&D and innovation cannot be successful if at the same time human capital is not improved. The social dimension is therefore a central part of Cohesion Policy and no less important than the economic dimension in fostering development.

2. CRISIS WIPES OUT MOST EMPLOYMENT GAINS SINCE 2000

This section describes how progress in reducing unemployment and increasing employment rates suffered a severe blow as a result of the crisis. It also considers what is required to meet the Europe 2020 targets for early school leavers and life-long learning.

2.1. Employment rates declined rapidly in the regions most affected the crisis

Between 2000 and 2008, the employment rate of those aged 20-64 in the EU increased on average by 4 percentage points (Table 8). The crisis, however, has wiped out half the gains made over this period. The experience over the two periods in the three categories of region under Cohesion Policy, however, was not the same. In less developed regions, the average employment rate in 2013 was below that in 2000 because the crisis wiped out all the previous gains. The Transition regions lost two-thirds of the previous gain, while the more developed regions lost only a third.

The crisis has, therefore, tended to widen disparities in employment rates and in 2013, rates were 11 percentage points higher in more developed regions than in less developed ones (72% and 61%). Under the Europe 2020 strategy, Member States have set national targets for the employment rate which are broadly consistent with the 75% overall target being achieved by 2020, These vary from 62.9% in Malta to 80% in Denmark and Sweden. Not all regions within countries are expected to reach the national target as they start from very different positions. Nevertheless, in the less developed regions and the Transition ones, employment rates are much further from the national targets: 9-10 percentage points as against 3 percentage points for more developed regions.

Table 1 Employment rate of those aged 20-64, 2000 - 2013 and distance to national target

	More developed	Transition	Less developed	EU-28
Employment rate population aged 20-64, 2013	72.0	65.1	61.1	68.3
Change 2008 - 2013, in pp	-1.4	-2.9	-2.7	-1.9
Change 2000 - 2008, in pp	4.1	4.6	2.4	3.7
Distance to national target	3.2	9.3	10.5	6.7
% of regions* that have reached national target	34.6	15.4	1.4	21.7

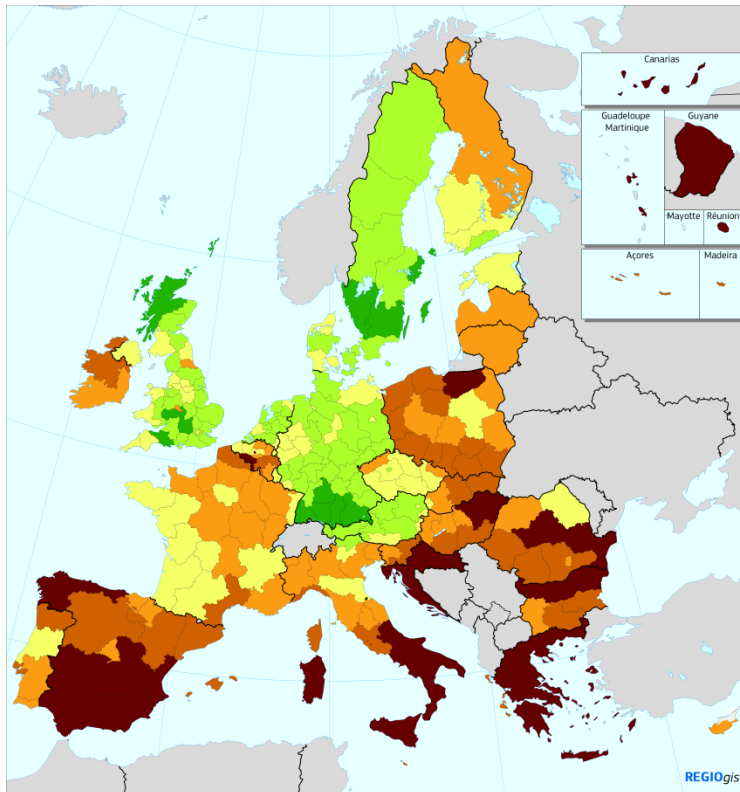
* Includes only regions with a national target

Source Eurostat and REGIO calculations

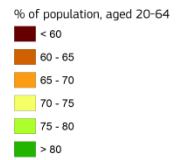
Only one in five regions across the EU has reached their national target and all but one of these are more developed or Transition regions. The 10 regions where the gap to the national target is widest are in Southern Spain and Southern Italy together with the French outermost regions of Reunion and Guyane (Map 10).

Significant differences in employment rates between regions are common to most countries, underlining the regional nature of labour markets, rates being less than 60% in many regions in Greece, Croatia, southern Spain and southern Italy as well as some regions in Bulgaria, Romania and Hungary (Map 9).

Map 1 Employment rate, (ages 20-64), 2013



Employment rate, (ages 20-64), 2013

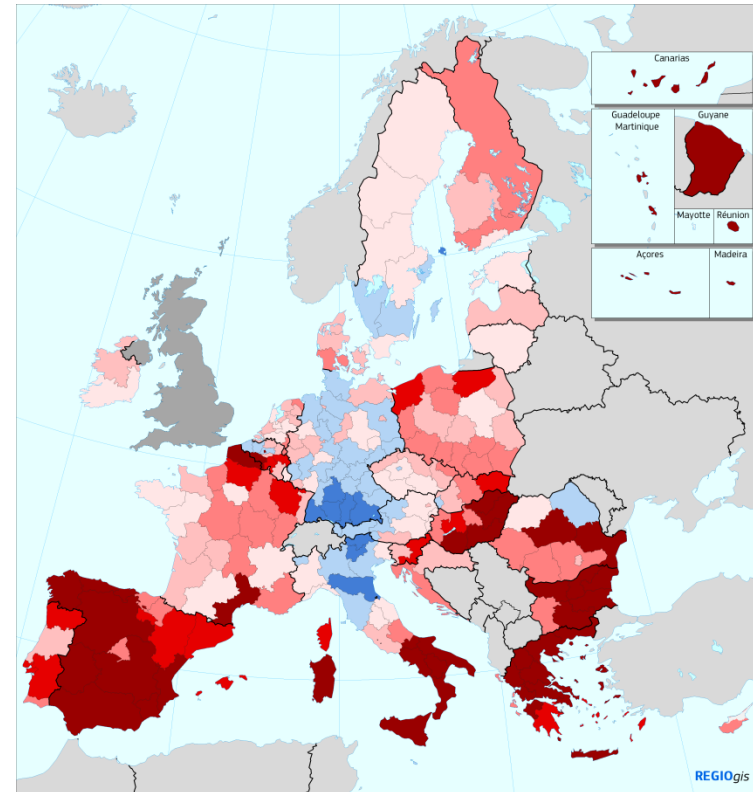


EU-28 = 68.3
The Europe 2020 employment rate target is 75%
Source: Eurostat

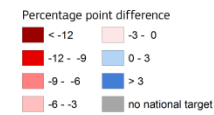


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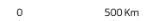
Map 2 Employment rate, (ages 20-64), 2013 - Distance to National 2020 target



Employment rate, (ages 20-64), 2013 - Distance to National 2020 target



EU-28 = -6.7
Blue regions have reached the target.
Red regions have not reached the target.
Source: Eurostat, DG REGIO



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Box on The European Employment Strategy and the EU-level labour market policy response to the crisis

Since 1997, the European employment strategy has been aimed at creating more and better jobs by striking a balance between flexible job arrangements and secure transitions between jobs. It relies on the open method of coordination to guide employment policy in Member States. While objectives, priorities and targets are agreed at EU level, national governments are responsible for formulating and implementing specific policies with the European Commission providing advice, monitoring and help in coordination. This strategy is linked to the annual growth survey, which sets out the EU priorities for the coming year. It comprises:

- the Employment guidelines - common priorities and targets for employment policies.
- the Joint employment report which reviews the progress made
- the National Reform Programmes
- country-specific recommendations

In 2012, the Commission adopted a set of proposals for action over the medium-term on three fronts - job creation, operation of the labour market and governance at the EU level. This **Employment Package** puts emphasis on skills development, including through lifelong learning, and on tackling skills mismatches. A number of initiatives were included as part of the overall package in 2012-2013:

- The **Youth Employment Package** (2012) aims to reduce high youth unemployment and social exclusion, in part through a **Youth Guarantee**. In 2013, the Council called on Member States to ensure that all young people under 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Member States eligible for the **Youth Employment Initiative** are expected to draw up Youth Guarantee Implementation Plans.
- The **European Alliance for Apprenticeships** (2013) aims to improve the quality and supply of apprenticeships across the EU and change attitudes towards these.
- A **Quality Framework for Traineeships** (2013) aims to enable young people to undertake good quality work experience to increase their employability.
- The modernisation of the functioning of the pan-European job search facility (EURES) was promoted, through a proposal in 2014 for a regulation aimed at stimulating intra-EU labour mobility to reduce labour shortages in high growth areas and persistent high unemployment in other regions.
- The **Grand Coalition for Digital Jobs** bringing together companies and organisations to cooperate in developing innovative training and teaching for jobs in ICT is aimed at facilitating the certification of skills and supporting worker mobility.

In addition, in 2013 the Commission proposed to strengthen the coordination and surveillance of employment and social policies within the Eurozone to help to identify and tackle social and economic divergences.

2.2. Unemployment highest in the EU in over a decade

The unemployment rate in the EU-28 fell from 9.3% in 2004 to 7.1% in 2008. Between 2008 and 2013, however, it rose to 10.9%, higher than at any time for which data are available (since 2000). In the EU-15, unemployment was 11.1% in 2013, higher than at any time since 1991 when comparable figures first became available.

The increase in unemployment has reversed the trend towards diminishing regional labour market disparities. The rise in unemployment has been especially marked in regions in Spain, Greece, Ireland and the Baltic States, in particular (Map 15), taking the rate to over 18% in many cases (Map 14).

Between 2008 and 2013, the unemployment rate increased in 227 out of the 272 NUTS 2 regions. Virtually all of the regions where it declined were in Germany. The Transition regions had the highest unemployment rates in 2013, averaging 15% (Table 9). The increase in unemployment between 2008 and 2013 in these regions and in the more developed ones was much larger than the decline between 2000 and 2008. As a result, in both groups, unemployment in 2013 was higher than in 2000. The less developed regions experienced a much bigger reduction in unemployment rates between 2000 and 2008 (of 5.8 percentage points) and while the impact of the crisis was also large (increasing the rate by 4.9 percentage points), the rate was still lower than in 2000.

Youth unemployment was 23% of the labour force aged 15-24 in 2013. One in four regions had a rate of more than 35%, the rate being particularly high in southern Member States. In most regions, however, the majority of the age group is not part of the labour force, in the sense of being employed or actively seeking work. The NEET rate (the proportion of the age group neither in employment nor in education and training) gives a more accurate picture of the situation of young people as it covers all those aged 15-24 and not just those recorded as being part of the labour force. Between 2008 and 2013, the proportion of NEETs increased by 2 percentage points in the EU-28 to 13% of the age group. The rates were over 25% in some of the regions of Bulgaria, Romania, Italy, Spain and Greece, which also recorded the largest increases over the crisis period (European Commission 2013¹).

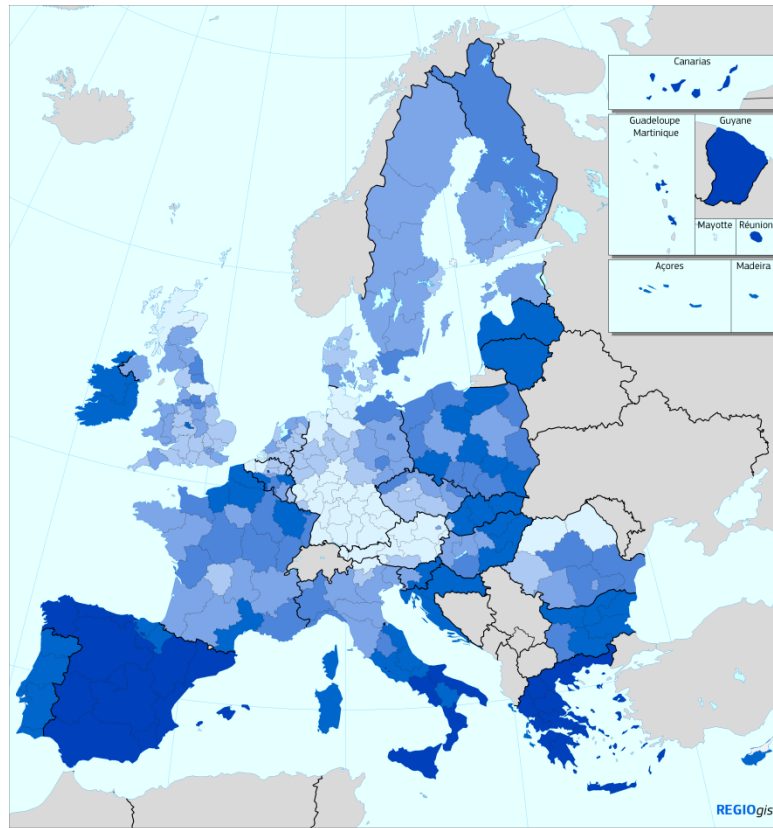
Table 2 Unemployment rate by category of region, 2000-2013

	More developed	Transition	Less developed	EU-28
Unemployment rate population aged, 2013	9.2	15.3	12.8	10.8
Change 2008 - 2013, in pp	3.2	5.0	4.9	3.8
Change 2000 - 2008, in pp	-0.8	-2.5	-5.8	-2.2

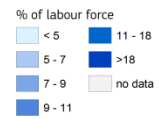
Source: Eurostat and REGIO calculations

¹ European Commission, 2013, *Employment and Social Developments in Europe 2013*, Directorate-General for Employment, Social Affairs and Inclusion, Publications Office of the European Union, 2014, ISBN 978-92-79-33878-6 (print), doi:10.2767/6072 (print)

Map 3 Unemployment rate, 2013



Unemployment rate, 2013

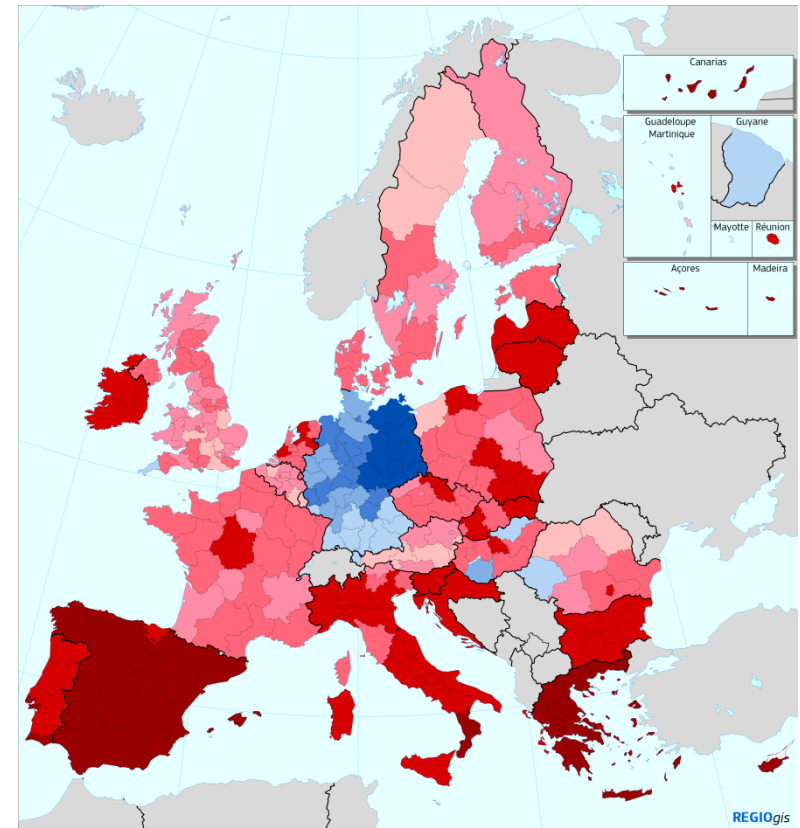


EU-28 = 10.8
Source: Eurostat

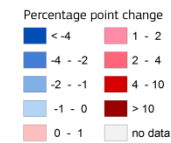
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Map 4 Change in unemployment rate, 2008-2013



Change in unemployment rate, 2008-2013

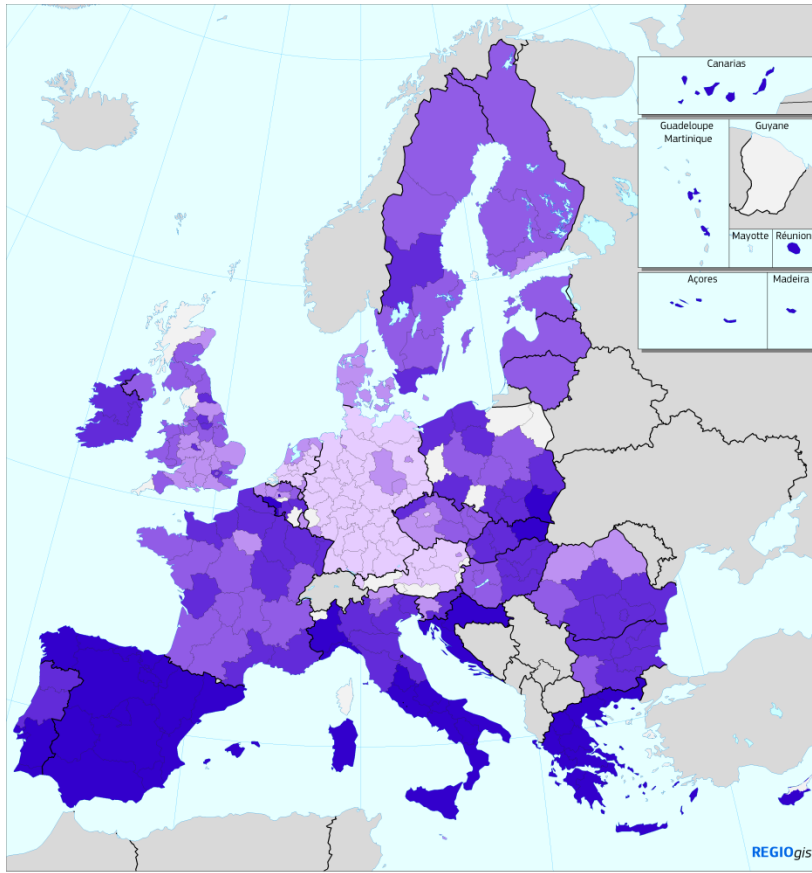


EU-28 = 3.8
Source: Eurostat, DG REGIO

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Map 5 Youth unemployment rate, 2013



Youth unemployment rate, 2013

% of active population aged 15-24

- < 11.2
- 11.2 - 18.6
- 18.6 - 24.1
- 24.1 - 36.4
- >= 36.4
- no data or unreliable

EU-28 = 23.4

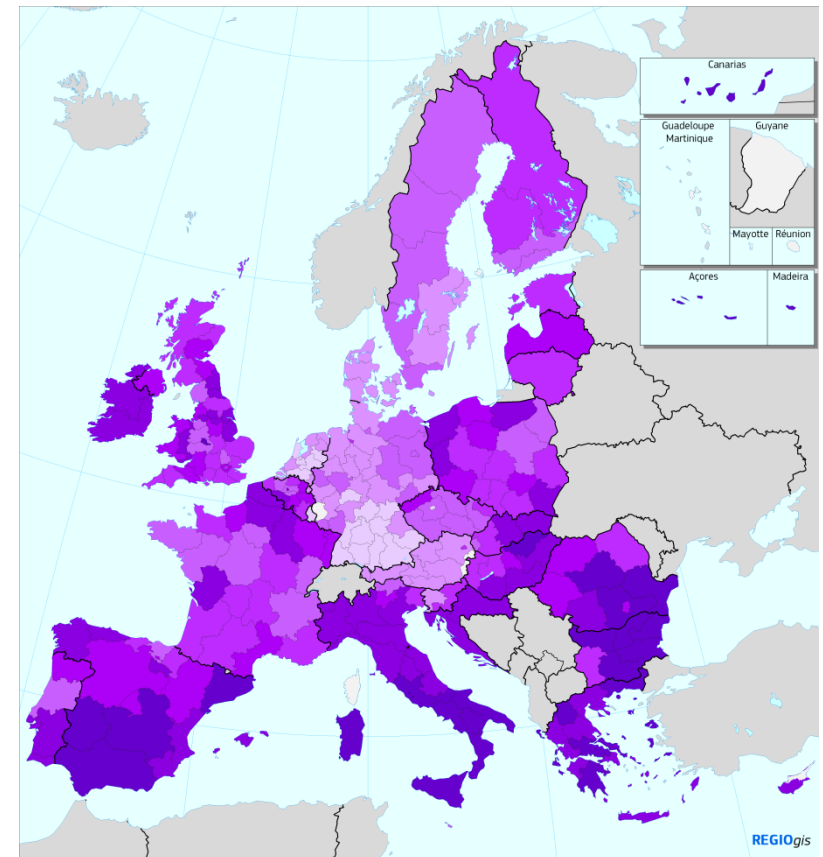
For data availability reasons an earlier year was used for 15 regions.

Source: Eurostat

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Map 6 Population aged 15-24 not in employment, education or training, 2013



Population aged 15-24 not in employment, education or training (NEET), 2013

% of population, aged 15-24

- < 5
- 5 - 7.5
- 7.5 - 10
- 10 - 12.5
- 12.5 - 15
- 15 - 20
- > 20
- no data

EU-28 = 13

DE27_FR63: 2012, UKM6: 2010

Source: Eurostat

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2.3. Women have far higher unemployment rates in southern EU regions

Unemployment of women relative to men differs markedly across the EU. Overall, the rate for women was the same as for men in 2013 though it was 0.9 of a percentage point higher in 2008. The relative decline is due to the concentration of job losses in the recession in manufacturing and construction in which comparatively few women are employed. Unemployment of women was at least 5 percentage points higher than for men in 15 regions in 2013, mostly located in Greece and Spain (Map 18). In contrast, it was 3 percentage points lower in 16 regions, located mainly in Ireland, Bulgaria, the UK and Portugal.

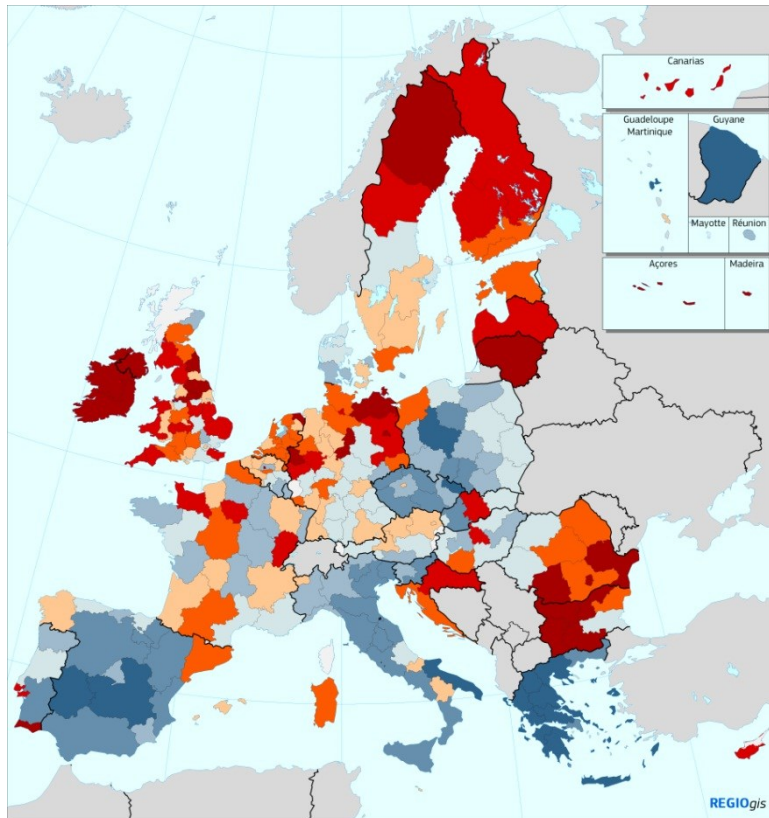
Because of differences in rates of participation in the work force, women had a lower employment rate than men in every region in the EU in 2013. The biggest differences were in Southern EU regions, especially in Malta (where the rate for women was 32 percentage points lower than for men), Greece, southern Italy and parts of Spain. On the other hand, in two regions in Finland (Åland and Etelä-Suomi) female employment rates were close to those of men.

The persistence of such large differences between employment rates for men and women will make it difficult, if not impossible, to reach the 2020 employment targets. The gap in employment rates is heavily influenced by the type of employment opportunities open to women, the wages offered and the availability and cost of childcare as well as elderly care, since caring responsibilities are still predominantly borne by women.

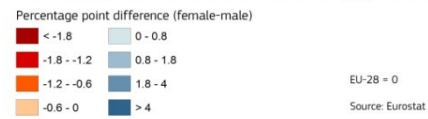
In terms of educational attainment, however, women outperform men in most regions. For every 100 men aged 25-64 with a tertiary qualification in 2013, there were 109 women. Over the past 20 years the proportion of women with tertiary education has caught up with and surpassed that of men. While, in 2013, there were only 98 women aged 50-54 with tertiary education per 100 men –i.e. those who mostly completed their education in the 1980s – there were 126 women aged 30-34 per 100 men (i.e. those who completed their education 20 years later in the 2000s) (Map 19).

This tendency is also evident at regional level. For those aged 30-34, in nine out of ten regions, there were more women than men with a university degree or equivalent in 2013. The main exceptions are Western German regions, which have a tertiary education system that requires more years of study to graduate than in most of the rest of the EU. With the transition to the bachelor-masters system, this difference might well disappear in the future.

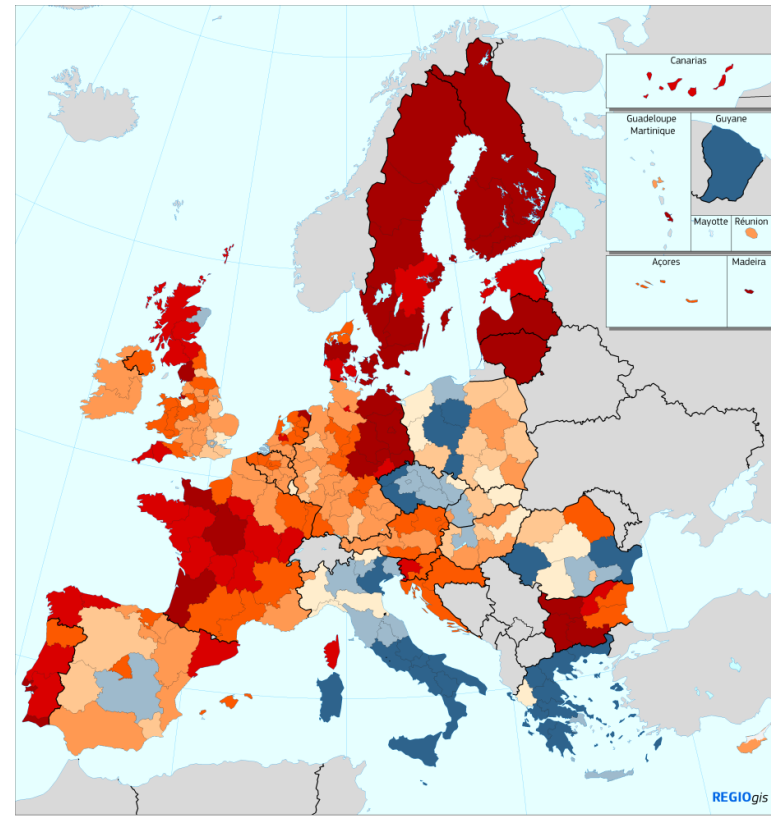
Map 7 Difference between female and male unemployment rate, 2013



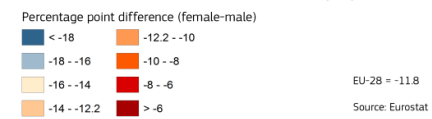
Difference between female and male unemployment rate, 2013



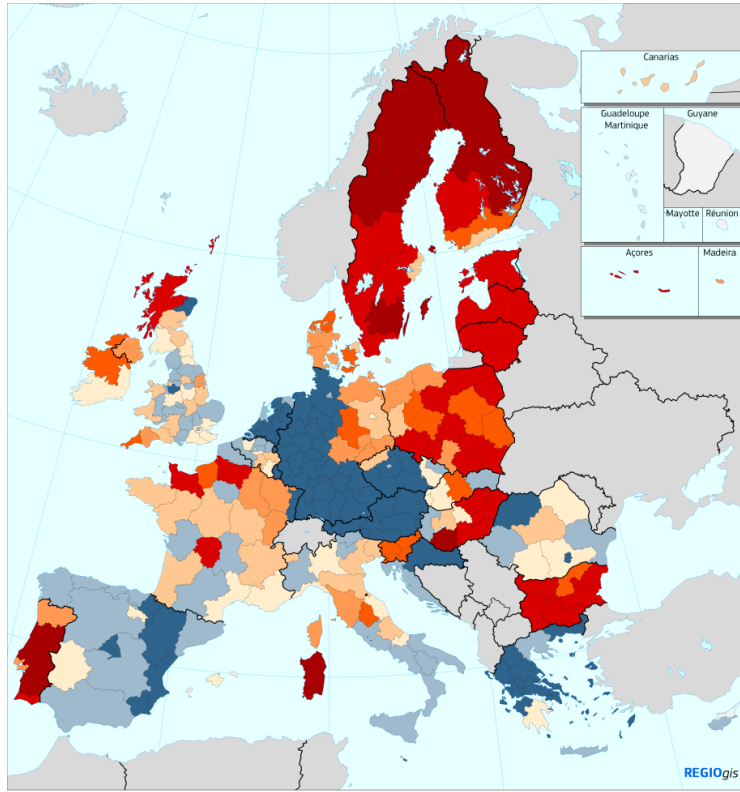
Map 8 Difference between female and male employment rate, 20-64, 2013



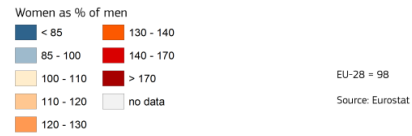
Difference between female and male employment rates, 20-64, 2013



Map 9 Gender balance of population 50-54 with tertiary education, 2011-13

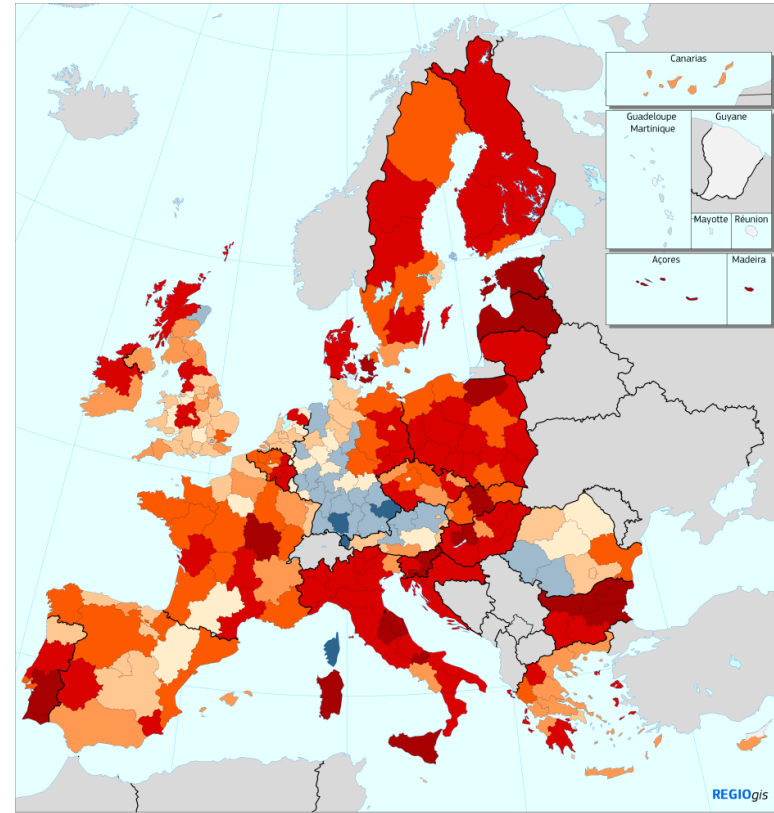


Gender balance of population aged 50-54 with tertiary education, average 2011-2013



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Map 10 Gender balance of population 30-34 with tertiary education, 2011-13



Gender balance of population aged 30-34 with tertiary education, average 2011-2013



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2.4. Reduction in early-school leavers is on track

Reducing the number of early school leavers (i.e. those who fail to complete upper secondary education) is critical not only to raise the skills of the work-force but also for the employment prospects and life chances of the people concerned. People with at least an upper secondary qualification are much more likely to find a job, earn a higher income and have a longer life expectancy than those with a lower level of education.

The Europe 2020 target is to reduce the share of early school leavers among the population aged 18-24 in the EU to 10% as against 11.9% in 2013, which was already significantly lower than in 2008 (14.8%). While this reduction may in part be attributable to a more difficult employment environment, there is also evidence of structural improvements and the trend is expected to continue, even if at a slower pace. In 2013, 82 out of 221 regions for which there are data and a national target (the UK has not set a target) had reached the target. Around two-thirds of these regions were more developed ones.

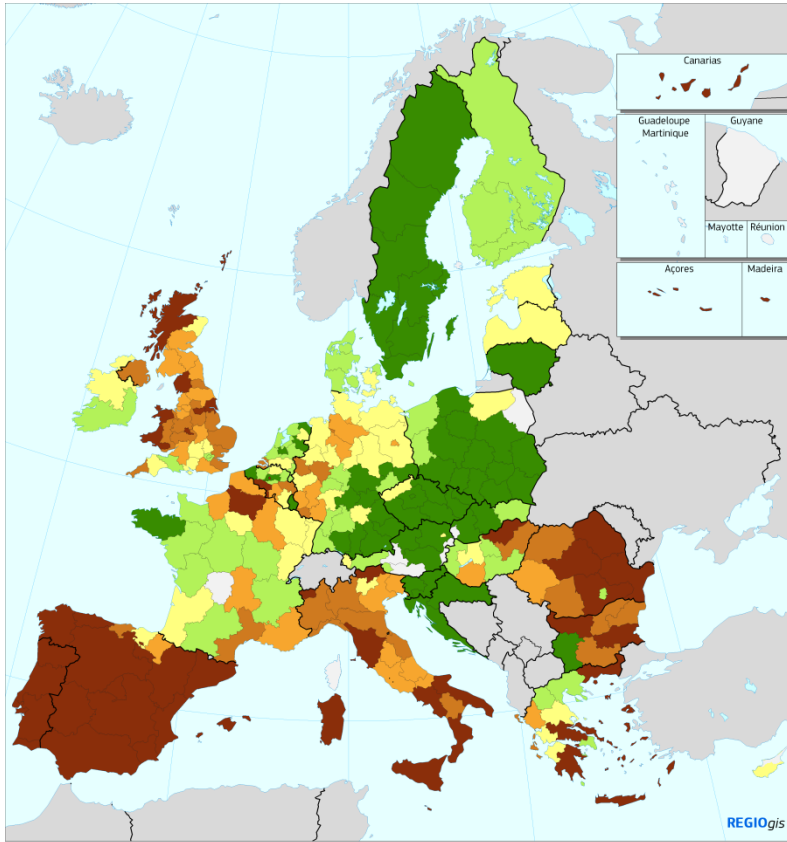
Table 3 Early school leavers and distance to national target, 2008-2013

	More developed	Transition	Less developed	EU-28
Early school leavers (18-24 years), 2013	11.1	15.5	12.1	11.9
Reduction 2008 - 2013, in pp	3.3	3.7	1.0	2.8
distance to target 2013-2020	0.5	4.0	3.3	1.9
Share of regions* that have reached national target in %	47	22	25	37

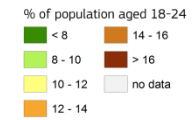
* Includes only regions with data and a national target

Source: Eurostat

Map 11 Early leavers from education and training aged 18-24, average 2011-2013



Early school leavers from education or training aged 18-24, average 2011-2013



EU-28 = 12.7

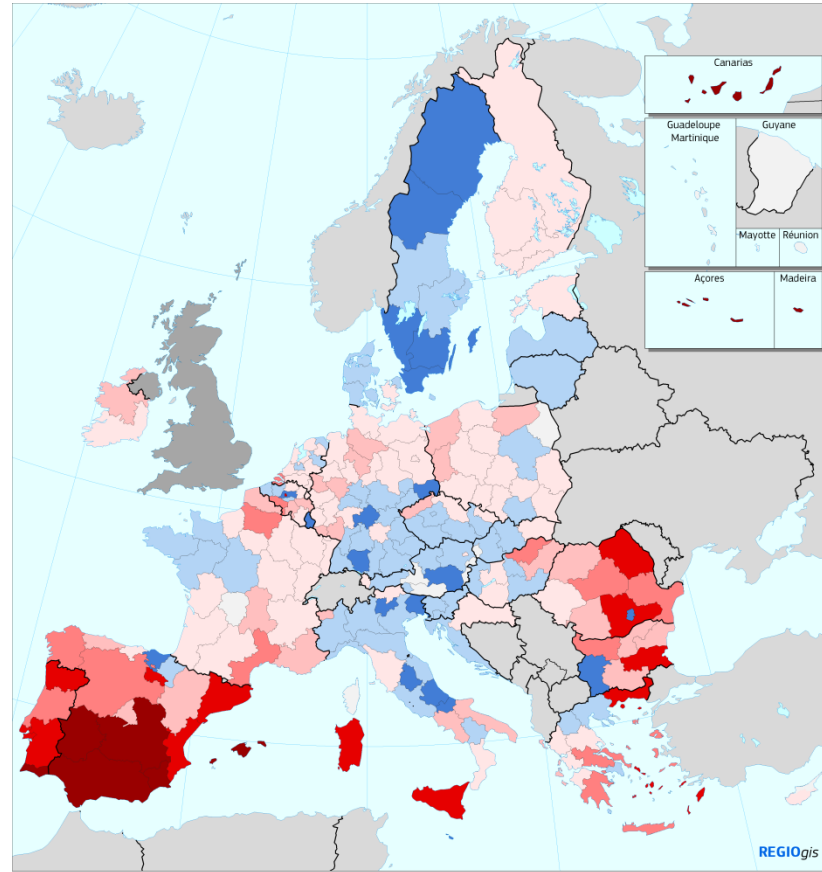
The Europe 2020 target for early school leavers from education and training aged 18-24 is 10%.

Source: Eurostat, DG REGIO

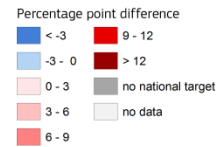


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Map 12: Early school leavers aged 18-24 in 2011-13 - Distance to national 2020 target



Early school leavers aged 18-24, 2011-2013 - Distance to National 2020 target



EU-28 = 2.7

Blue regions have reached the target
Red regions have not reached the target

Source: Eurostat, DG REGIO

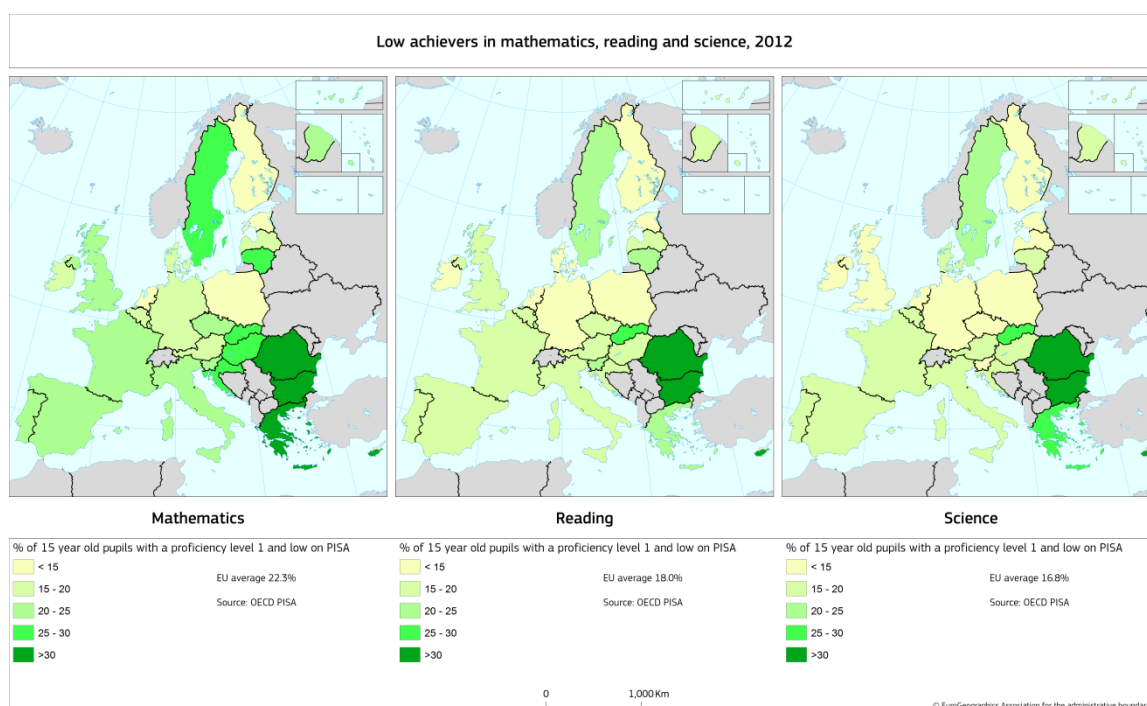


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To boost growth and jobs and to prevent skill bottlenecks and shortages, education and training systems have to be able not only to absorb an increasing number of students but to provide good quality teaching. Surveys carried out by the OECD in this regard (Map 41) reveal that about 20% of the 15 year olds tested under PISA have an insufficient understanding of what they read and an even larger proportion have insufficient competence in maths. In many EU countries, there are still a large number of ‘low achievers’ in the two basic skills as well as in the third basic skill, scientific literacy.

In Bulgaria, Romania and Cyprus, the proportion of low achievers has consistently been over 30%, while in Greece, there are over 30% of low achievers in maths but less in the other two areas. By contrast, three Member States (Finland, Estonia and Netherlands) have already reached the EU 2020 benchmark of no more than 15% of low achievers in reading, maths and scientific literacy and Germany, Denmark, Ireland and Latvia are very close.

Map 13 Low achievers in mathematics, reading and science



Source: OECD PISA

2.5. Lifelong learning is stagnating

Continued learning after initial education and training is necessary for people to maintain and develop their skills, to adapt to structural change and technical developments, to retain their jobs, to progress in their careers or to get back into employment. In view of its importance, a benchmark objective has been established by the Council for 15% of adults in the EU to be participating in lifelong learning by 2020².

² European Commission, 2012, *Education and training monitor 2012*, Publications Office of the European Union, 2012, ISBN 978-92-9201-350-9, doi: 10.2797/51172