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COMMISSION STAFF WORKING DOCUMENT Accompanying the document

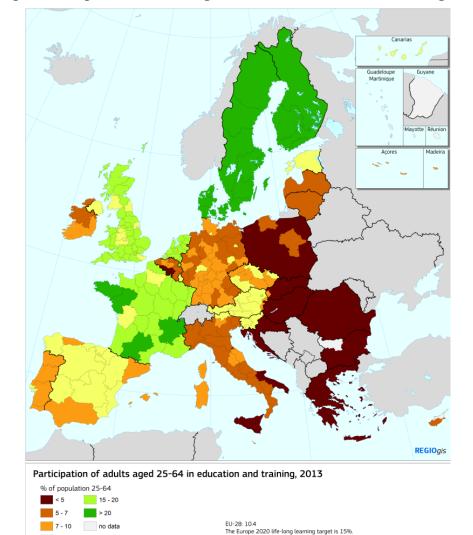
COMMUNICATION FROM THE COMMISSION

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

{COM(2014) 473 final}

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In 2013, the figure was just 10.5%, only slightly higher than in 2004 (9.1%). As a result, it may be difficult to achieve this objective. Just over one in four regions (77 out of 266) exceeded the 15% target, with regions in the three Nordic Member States having the highest figures (above 20%). In contrast, in regions in Bulgaria, Greece, Romania, Hungary, Slovakia and Poland, the proportion remained below 5% (map). The importance of improving adult learning policies is also emphasised in the country-specific recommendations issued by the Council under the European Semester – which, in 2013, included a recommendation on lifelong learning for Estonia, Spain, France, Hungary and Poland ¹.



Map 1 Participation of adults aged 25-64 in education and training, 2013

Source: Eurostat

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http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm provides access to all CSRs.

Education and training 2020 (ET2020)

Three benchmarks for 2020 have been set in addition to the headline targets for early-school leavers and participation in tertiary education:

- At least 95% of children between the ages of four and starting compulsory primary schooling should participate in early childhood education;
- Less than 15% of 15-years olds should have insufficient abilities in reading, mathematics and science
- At least 15 % of adults (age group 25-64) should participate in lifelong learning
- Considerable progress has been achieved through cooperation particularly through support
 of national reforms of lifelong learning, the modernisation of higher education and the
 development of common EU means of ensuring good quality education, transparency in
 qualifications and mobility between countries.

The budget for the EU programme on education and training Erasmus+ has been increased by 40% to EUR 14.7 billion in the 2014-2020 period, so providing opportunities for over 4 million Europeans to study, train, gain work experience and volunteer in another country.

2.6. Adult proficiency in literacy and numeracy needs to be increased in several EU Member States according to OECD PIAAC

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 kept at the margins of society and face significant barriers in entering the labour market.

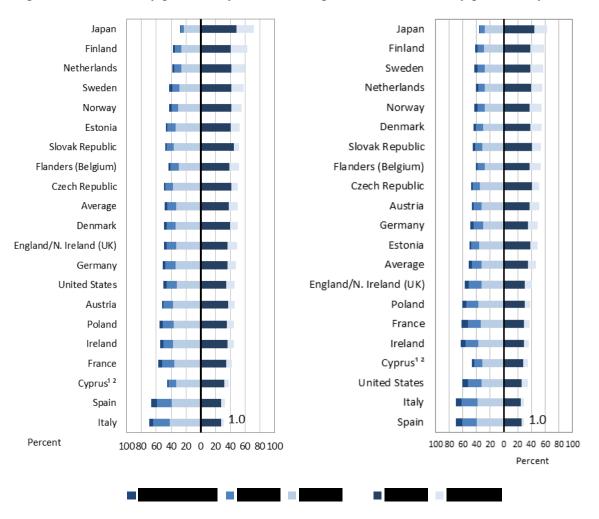
Unfortunately in most Member States, there are substantial numbers of people who have low levels of proficiency in reading and maths, as indicated by the Survey of Adult Skills (PIAAC) ² carried out by the OECD which assesses the literacy, numeracy and problemsolving ability of people aged 16 and over. According to the latest version (2013), the highest levels of numerical and literacy skills are in Finland, the Netherlands, Sweden and Norway together with Japan. By contrast, levels are relatively low in Spain and Italy, where many adults struggle with the most basic skills. The survey shows, moreover, that high levels of inequality in literacy and numeracy skills are related to inequality in the distribution of income.

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OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills, OECD Publishing http://dx.doi.org/10.1787/9789264204256-en

Figure 1 Adult literacy proficiency, 2012

Figure 2 Adult numeracy proficiency, 2012



SOURCE: OECD (2013), OECD Skills Outlook 2013

3. POVERTY AND EXCLUSION INCREASE DUE TO THE CRISIS

Ensuring inclusive growth is at the heart of the Europe 2020 strategy. It means that social policies should seek to empower people to find work, contribute to the modernisation of labour markets, invest in skills and training, fight poverty and reform social protection systems so as to help people anticipate and manage change and build a cohesive society. The aim is to ensure that the benefits of economic growth spread to all levels of society throughout the Union.

Most notably, the Europe 2020 strategy introduced a stronger focus on poverty and social exclusion. It also introduced a new summary measure of this with three indicators: being severely materially deprived, living in a household with zero or very low work intensity and being at risk of poverty (see box). This section examines, first the three underlying indicators and then the summary measure.

These indicators are all derived from data collected by the EU-SILC – EU Survey on Income and Living Conditions – the only comparable source of such data for EU Member States, though it does not as yet provide regional indicators in all Member States. (In 2014, however,

the European Commission is providing support to national statistical institutes to produce more regional level data.)

Box: What does it mean to be 'at-risk of poverty or social exclusion' (AROPE)?

People are considered to be at risk of poverty or social exclusion if they experience one or more of the following three conditions:

• **Being severely materially deprived**: with living conditions constrained by a lack of resources as measured in terms of being deprived of four of nine items: unable to afford 1) to pay rent/mortgage or utility bills on time, 2) to keep their home adequately warm, 3) to face unexpected expenses, 4) to eat meat, fish or a protein equivalent every second day, 5) a one week holiday away from home, 6) a car, 7) a washing machine, 8) a colour TV or 9) a telephone (including mobile phone).

This indicator captures absolute poverty in some degree and is measured in the same way in all Member States.

- Living in a jobless household or household with very low work intensity: where on average those of working-age (18-59) worked less than 20% of their potential total working hours over the past year, either because of not being employed or working part-time rather than full-time (students are excluded from the calculation).
- Being at risk of poverty: living in a household with an 'equivalised disposable income'(i.e. adjusted for the size and composition of households) below the at-risk-of-poverty threshold, set at 60% of the national median equivalised disposable income. This is a measure of relative poverty.

The total number of people at risk of poverty or social exclusion is less than the sum of the numbers in each category, as many fall into more than one of them.

Whereas, aggregate, national level indicators often hide important differences between regions or areas, a comprehensive analysis of poverty, its determinants and poverty-reducing interventions will often require a focus on poverty information that is further geographically disaggregated. In this section, these indicators are examined primarily in relation to the degree of urbanisation, a classification which distinguishes cities from towns and suburbs and from rural areas at the local level. For ease of presentation, rural areas are combined with towns and suburbs. This enables the main types of area in which poverty and exclusion are concentrated to be identified. In Western Member States, these are mainly cities, in Central and Eastern Member States, mainly rural areas.

3.1. Severe material deprivation is highest in the towns, suburbs and rural areas of less developed Member States

Some 11% of the population was identified as being severely materially deprived in the EU-27 in 2005. This fell to 8% in 2009 but due to the crisis increased back to 11% in 2012. There is a close link between the measure and levels of income and economic development of countries. It is highest in Bulgaria (44%), Romania (30%), Latvia and Hungary (both 26%).

In Bulgaria, Romania and Hungary, deprivation rates are much lower in cities – 12 percentage points lower in Bulgaria and 8 percentage points lower in Romania and Hungary (Figure 25). In cities in Austria, Ireland, UK and Belgium, by contrast, deprivation rates are between 8% and 10%, on average 5 percentage points higher than in the rest of the country.

Between 2008 and 2012, deprivation rates increased by 7-8 percentage points in Greece, Hungary, Lithuania, Latvia and Italy. In the two Baltic States and Greece, deprivation rates increased more in cities (see figure), while in Italy and Hungary they increased more in areas outside.

In Austria, Romania and Poland, deprivation rates declined by between 2 and 4 percentage points. In Poland and Romania, rates in towns, suburbs and rural areas fell by over than 5 percentage points (compared to 3 percentage points in cities in the first and zero in the second).

Overall, severe material deprivation remains highest in the less developed Member States, especially in rural areas, towns and suburbs. In more developed Member States, deprivation tends to be low but higher in cities than elsewhere. The crisis has led to substantial increases in deprivation in a number of Member States, but it has not altered this basic pattern.

Severe material deprivation rate by degree of urbanisation, 2008-2012 60 Cities 2012 ■Towns and suburbs, Rural areas 2012 Cities 2008 ■Towns and suburbs, Rural areas 2008 % of population with severe material deprivation 50 40 30 20 10 __ nxemponrg ___ 0 Sweden Denmark Estonia Lithuania Greece Czech Republic Slovenia IE, AT - 2011

Figure 3 Severe material deprivation by degree of urbanisation, 2008-2012

Source: Eurostat

3.2. Very low work intensity in more developed MS is concentrated in cities

Compared to deprivation, very low work intensity is more evenly distributed across the EU. In 2008³, the proportion of people living in low work intensity households varied from 14% in Ireland to 5% in Cyprus. The crisis led to increases of between 5 and 10 percentage points by 2012⁴ in Lithuania, Latvia, Spain, Greece and Ireland. Over the same period, there was a small decline in Poland and Germany, where the crisis had much less of an effect on employment (in Germany, the employment rate increased).

The rate of low work intensity is between 5 and 9 percentage points lower in cities than in other areas in Bulgaria, Ireland, Lithuania, Slovakia, Hungary and Croatia. In contrast, it is 5 percentage points higher in cities in the UK, Denmark, Germany, Belgium and Austria. In general, therefore, low work intensity is more prevalent in cities in more developed Member States, with the exception of Ireland. This juxtaposition of joblessness in cities with the many employment opportunities they offer is sometimes referred to as the urban paradox.

The crisis seems to have had little effect on this pattern. Increases in low work intensity were higher in cities than in other areas in Greece, Sweden, Portugal and Austria. In Germany, the rate in cities did not change but in other areas it declined by 2 percentage points. In the Czech Republic, the exact opposite occurred.

Very low work intensity by degree of urbanisation, 2008-2012 30 Cities 2012 ■ Towns and suburbs, Rural areas 2012 % people living in households with very low work intensity (population aged 0 to 59 years) Cities 2008 ■ Towns and suburbs, Rural areas 2008 25 20 10 Cyprus Estonia Portugal Czech Republic -uxembourg Netherlands IE, AT - 2011

Figure 4 Very low work intensity by degree of urbanisation, 2008-2012

Source Eurostat

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Note that these years relate to the time of the survey. The year over which work intensity is measured is the preceding calendar year, except in the UK (the previous tax year) and Ireland (the preceding 12 months).

For most countries, the figures for 2012 relate to the 2011 calendar year; see previous footnote...

3.3. Higher urban risk of poverty in more developed MS and a higher risk in towns, suburbs and rural areas in less developed MS

The at-risk-of-poverty rate is a relative measure of poverty. Two aspects are important to take into account:

- Because the poverty threshold is set at the national level, someone with a (a) given level of income can be considered at risk of poverty in one country and not at risk in another where income levels are generally higher.
- The at-risk-of-poverty rates are sensitive to changes in overall income. (b) Someone whose income remains constant between two years can find themselves above the at-risk-of-poverty threshold if median income declines or below the threshold if median income increases. The reduction in household income which occurred in many countries as a result of the economic recession reduced median income and therefore did not lead to as big an increase in the proportion of people at risk of poverty as might have been expected – indeed, in some country it led to a fall

For example, in Latvia, the at-risk-of-poverty rate declined from 26% to 19% between 2008 and 2012⁵, primarily because overall income levels fell. If the poverty threshold had remained at the 2008 level, the at-risk-of-poverty rate would have risen from 26% to $36\%^{6}$.

Of the three indicators, this shows the biggest differences between cities and the rest of the country. In 15 Member States, most of them in the EU-13, at-risk-of-poverty rates were at least 4 percentage points lower in cities than elsewhere (Figure 27), indicating that people tend to earn more in cities than in other areas.

In 6 EU-15 Member States, on the other hand, at-risk-of-poverty rates were at least 4 percentage points higher in cities than elsewhere, highlighting the more unequal distribution of income in cities than in other areas.

This is termed the at-risk-of-poverty rate anchored at a point in time.

This means between the 2007 and 2011 income years.

At-risk-of-poverty rate by degree of urbanisation, 2008-2012

30

25

Cities 2012

Towns and suburbs, Rural areas 2012

Cities 2008

Towns and suburbs, Rural areas 2008

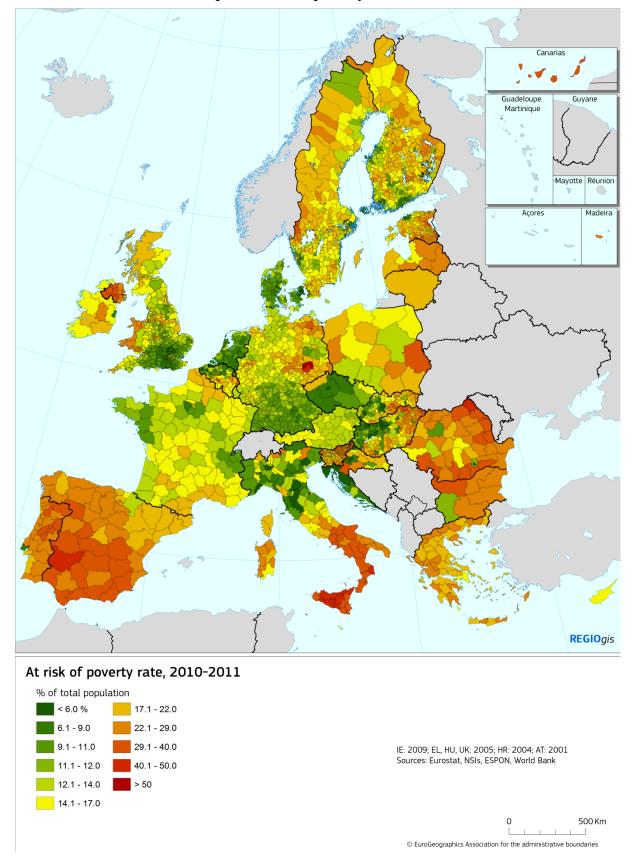
Figure 5 At-risk-of-poverty rate by degree of urbanisation, 2008-2012

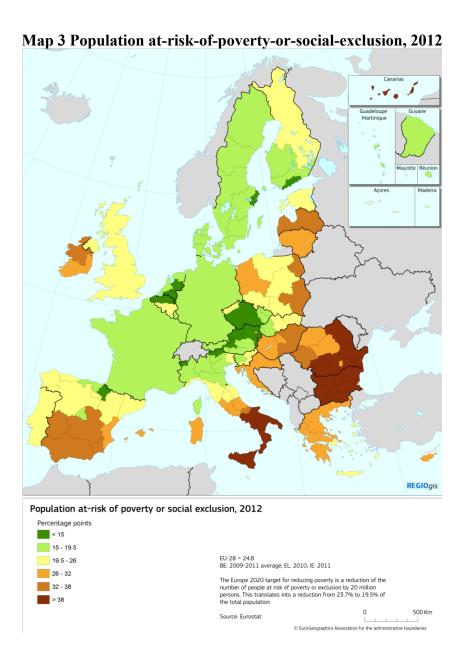
Source Eurostat

Between 2008 and 2012, at-risk-of-poverty rates increased in 17 Member States in part due to the crisis. Overall across the EU, rates increased more in cities (by 1 percentage point on average) than in other areas (0.3 of a percentage point). The difference was particularly wide in Greece, where the rate increased by 6 percentage points in cities and by 1 percentage point in other areas. Poverty rates in cities in Germany increased by 4 percentage points and in Austria by 6 percentage points. In the Netherlands, poverty rates in cities increased by 2 percentage points while poverty rates in other areas fell by 4 percentage points. As result, in 2012, at-risk-of-poverty poverty rates in cities were higher than in other areas, while in 2008 they were lower.

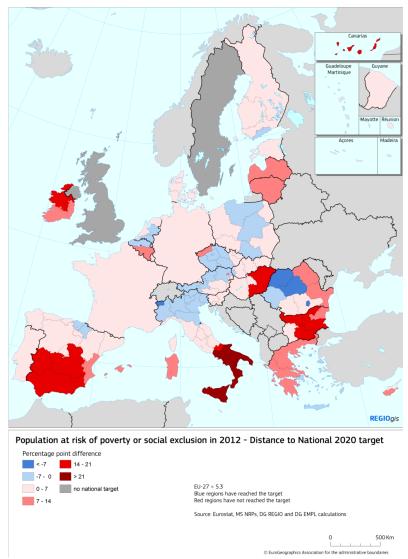
Given the marked territorial dimension of poverty rates, national level indicators hide important differences. Policies addressing poverty could benefit from a more detailed geographical breakdown of the prevailing situation and of the main determinants. This is why the European Commission has launched an exercise together with ESPON and the World Bank to produce more detailed poverty maps for each Member State.

Map 2 At-risk-of-poverty rates, 2011





Map 4 Population at-risk-of-poverty-or-social-exclusion in 2012, distance to national 2020 target



3.4. Cities in less developed Member States are close to the 2020 targets, while cities in more developed Member States lag behind

The Europe 2020 strategy aims to reduce the number of people at risk of poverty or social exclusion by 20 million relative to 2010 or to around 19.5% of the total population. Already in 2012, most of the regions in Austria, Czech Republic, the Netherlands and the Nordic Member States as well as one or more regions in Spain, Italy, Slovakia, Slovenia and Belgium had reached this target rate (Map 44). (For Germany and France, a regional breakdown is not yet available, though their national rates are in both cases below the 2020 target⁷.)

The difference from the national target is typically widest in the less developed regions (Map 45). For example, in Italy, Spain, Hungary and Bulgaria, the least developed regions are all more than 14 percentage points away from their national targets, suggesting perhaps that Cohesion Policy in these regions should include significant measures for reducing the number of people at risk of poverty or social exclusion.

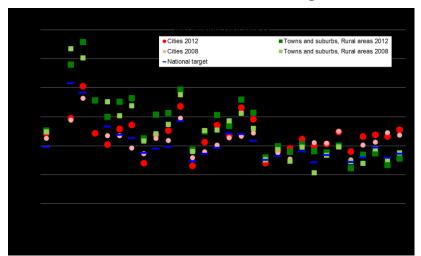
Between 2008 and 2012⁸, the number of people in the EU at risk of poverty or social exclusion increased by 6.5 million to almost a quarter (24.8%) of the population. Those most affected are people of working age because of the significant increase in unemployment and the downward pressure on earnings in a context of persistent job shortages.

In 2012, the rate in cities in 7 Member States was already, on average, below the respective national 2020 targets (Figure 28). In three Member States, this was the case in 'non-city' areas (i.e. towns and suburbs and rural areas). (Note that the UK, Sweden and Croatia have not set national targets.) To formulate policies for reducing rates, it is important to know what type of area those at risk of poverty or exclusion are concentrated in, since, to some extent at least, the measures need to differ because of differences in the underlying factors.

For Germany, it should be noted, the national indicator used, differently from other Member States, is long-tern unemployment.

⁸ Between the 2007 and 2011 income years.

Figure 6 At risk of poverty or exclusion by degree of urbanisation, 2008-2012 and national 2020 targets



Box on Social inclusion and social protection policies

The fact that at-risk-of-poverty and social exclusion target is included in the Europe 2020 strategy is a reflection of the stronger focus on social issues in the Europe 2020 policy framework. National Governments have primary responsibility for implementing social policy reforms with regional and local authorities also playing an important role, especially in providing services. Some Member States had already taken steps to re-structure their social protection systems before the crisis and these have tended to weather the crisis better in both economic and social terms.

The European Platform against poverty and social exclusion was set up to help Member States s reach their poverty and social exclusion target, including through more effective use of EU funds.

A Social Investment Package was adopted by the Commission in 2012. It has three strands, the first relating to tackling childhood disadvantage at an early stage by providing accessible and good quality education and measures to improve the economic situation of the families concerned. The second involves investing in skills, even in a climate of fiscal consolidation, by supporting training and affordable care services as well as job search assistance. The third entails simplifying the administration of benefits and making it easier to obtain support.

The European Globalisation Adjustment Fund, established in 2006, provides support to workers made redundant as a result of changes in patterns of world trade or, more recently, because of the crisis. In the 2014-20 period, it will also provide support for youth employment at regional level.

The PROGRESS programme (EU Programme for Employment and Social Solidarity) is an EU-wide platform for exchange and learning, aimed at producing evidence on the effectiveness of European employment and social policies as well as encouraging wider involvement, including of social partners and civil society organisations, in policy-making.

PROGRESS Micro-Finance Facility (set up in 2010 in response to the crisis) is intended to increase the availability of microfinance for people who are socially and economically disadvantaged, very small firms and social economy organisations.

In 2014-2020 period, the two parts of PROGRESS and the European Employment Services (EURES) network, form part of the new programme for Employment and Social Innovation (EaSI). This is intended to support Member States in their efforts to design and implement employment and social reforms at all levels through helping to coordinate policy and to identify, and exchange information on, examples of best practice.

The new Fund for European Aid to the most deprived (FEAD) is intended to further social cohesion through non-financial (in-kind) assistance to those experiencing the most deprivation.

3.5. Quality of life in European cities varies

Surveys of people's perception of the quality of life in European cities which are carried out on a regular basis are intended to give a snapshot of opinions on a range of urban issues. The latest one for 2013⁹ measures the satisfaction of those living in

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⁹ European Commission, 2013, *Quality of life in cities, Perception survey in 79 European cities* Flash Eurobarometer 366

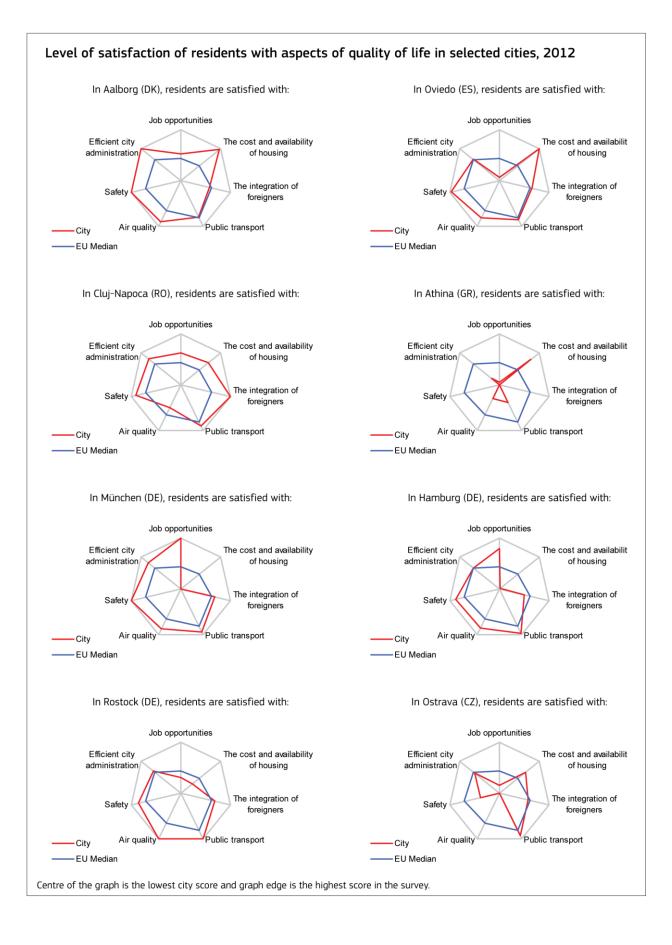
79 cities in the EU. The responses to 7 indicators are examined below for 16 selected cities to illustrate the situation across the EU¹⁰.

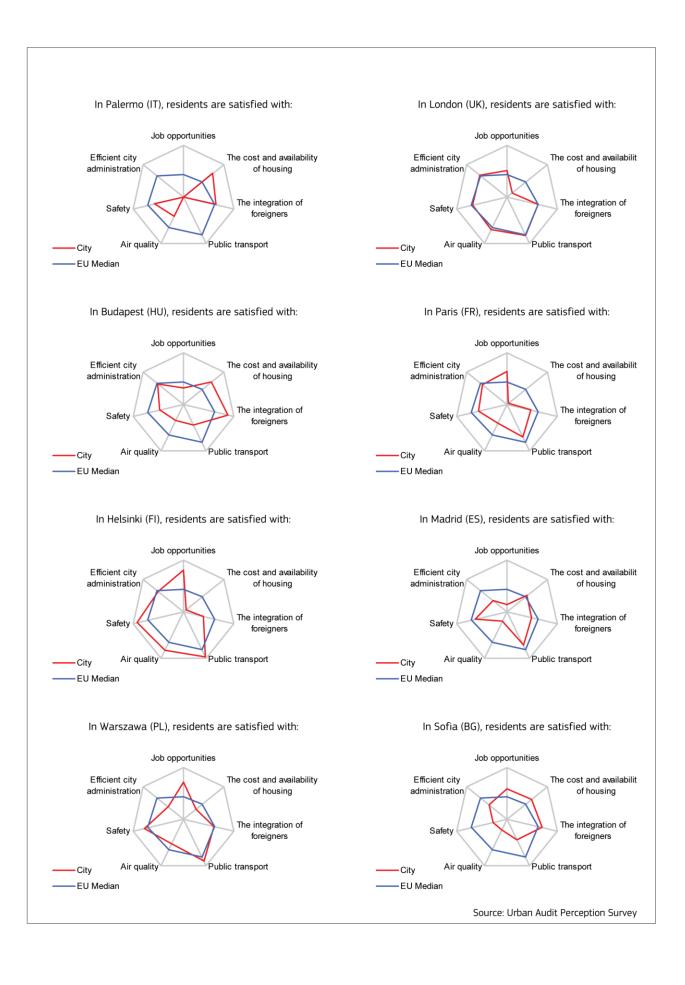
Interviewees were asked to judge their satisfaction with the following features of the cities in which they lived: public transport, air quality, safety, quality of city government, job opportunities, the cost and availability of housing and the integration of foreigners. The results are plotted in spider graphs and compared with the median level of satisfaction in the EU.

They reveal wide differences between cities on how the people there view the quality of life as well as indicating the strengths of some cities and the difficulties encountered in others. Some adverse opinions reflect the impact of the crisis on people's well-being as well as on city finances. This is more evident in cities in countries hit hard by the recession. In Athens, Oviedo and Palermo, the lack of employment opportunities is seen as the major problem. In the big cities in northern Europe - Helsinki, Munich, Hamburg, Paris and London – on the other hand, the majority consider it relatively easy to find a job. At the same time, because jobs are concentrated in these cities which attracts people to live there, this puts pressure on housing, increases the cost and reduces levels of satisfaction.

Satisfaction with levels of safety, air quality and public transport tends to be related to the perceived efficiency of the city authorities. Cities where there is a relatively high opinion of the latter, such as Aalborg, Munich, Hamburg and Rostock, also show high satisfaction levels with the former, while the reverse is the case in Oviedo, Athens, Palermo, Paris, Madrid and Sofia where dissatisfaction was expressed with both.

Responses like "do not know" have been eliminated during the elaboration of the data.





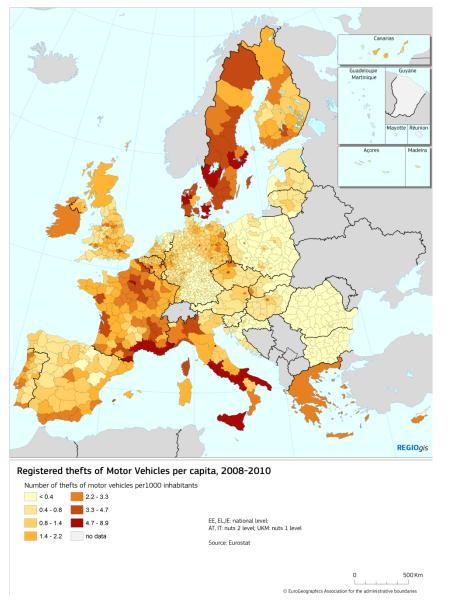
3.6. Crime rates are higher in urban regions, border regions and tourism destinations

Criminal activity is not evenly distributed across the EU. Highly urbanised areas, tourist destinations and some border regions have considerably higher numbers of registered crimes per head than others, though these figures need to be interpreted with a great deal of caution. Many crimes, such as burglaries, are under-reported, while victims may live in a different region from the one where the crime was committed, such as if they were robbed when on a visit or had their car stolen, which can lead to an over-estimate of crime rates in some regions and an underestimate in others.

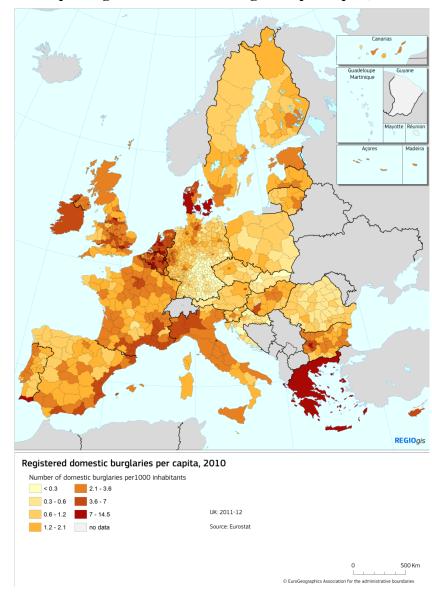
Robberies are more frequent in regions with large cities, as, for example, in Belgium in the Brussels region or the regions in which Antwerp, Liege and Charleroi are situated. Burglaries also occur more often in the more urban NUTS 3 regions, such as those where Vienna or Sofia are located, than elsewhere. This is equally the case for regions with many tourists, such as those along the Mediterranean coast of France and Spain or the Algarve in Portugal. The same applies to thefts of motor vehicles, which show high rates a well in some border regions, such as those along the border between Belgium and France or between Germany, Poland and the Czech Republic.

Crime can have a major impact on economic and social development, instilling fear into people and deterring entrepreneurs from starting businesses. It gives rise to additional costs which can affect the poorer members of society in particular and discourage potential investors. Development strategies in regions with high crime rates cannot ignore these aspects.

Map 5 Registered thefts of motor vehicles per capita, 2008-2010



Map 6 Registered domestic burglaries per capita, 2010



4. MOVEMENT OF PEOPLE WITHIN AND BETWEEN MEMBER STATES IS SPURRED BY DISPARITIES IN EMPLOYMENT, WAGES AND HEALTH

4.1. The EU is highly urbanised and is still urbanising but only slowly

The change in population in the EU over the long-term gives a broader perspective to more recent tendencies, indicating whether they are part of a long-term trend or represent a break with the past. It also provides a point of comparison, in the sense of showing whether changes are unprecedented in scale or relatively minor as compared with those which have occurred over the previous 50 years. In addition, investment in large-scale infrastructure needs to be planned in the light of the likely population change over coming decades and past trends can help to project this. Rapid population growth gives rise to adjustment costs as a result of the increased need for services and infrastructure – schools, hospitals and so on – which may be difficult to finance if public funds are in short supply. Slower growth on the other hand, enables investment to be planned more easily, when, for example, a school or hospital needs renovating or replacing.

Regions losing population rapidly may need to downscale their services and infrastructure. One in 20 NUTS-3 regions lost more than 10% of their population between 2001 and 2011, leading in all probability to an oversupply of housing, public services and so on. Several cities in Eastern Germany lost so many people that neighbourhoods were demolished to reduce the city to a more viable size.

Over the 50 years, 1961-2011, population growth in the EU was at its highest in the 1960s when the increase was 8% over the decade. Growth slowed gradually up to the 1990s to an increase of around 2% in the decade but picked up to an increase of some 3.5% between 2001 and 2011. These changes are reflected in the relative number of NUTS-3 regions with population growth of more than 10% a decade. Between 1961 and 971, one in three grew by more than 10%, in the next decade, and in the 1980s, 1990s and 2000s less than one in 10.

The regions with a population reduction of more than 10% a decade followed a different pattern than might be expected. In the 1960s, this occurred in 5% of regions, located primarily in Portugal, Greece and Spain. In the 1970s, the proportion fell to around 2.5% and in the 1980s and 1990s to 1.5%. In 1989, the Berlin Wall came down and there were regime changes throughout Central and Eastern Europe around the same time, leading to a substantial increase in migration. In the 1990s, just over 4% of regions lost more than 10% of their population and in the 2000s, 7%, the regions concerned being located mainly in the Baltic States, Romania, Bulgaria, Croatia and Eastern Germany.

Growth in the 1960s was mostly concentrated in the urban regions, where there was an increase over the decade of 12%, as against 9% in intermediate regions and 1% in rural regions.

After 1971, differences between growth in the EU-15 and the EU-13 became more marked. Between 1971 and 2011, population in the EU-15 grew by about 4% a decade. Growth in urban and intermediate regions was slightly above average while in rural regions, it was around half the average.

In the EU-13, population growth slowed down after 1981 and became negative after 1991. In all three types of region, population fell during the 1990s and continued to fall in rural regions in the 2000s (by 3%), while it increased in the 2000s in urban regions (by just under 1%) (Table 11).

Table 1 Population change by urban-rural typology, 1961-2011

Population change in in %	URBAN RURAL TYPOLOGY	1961- 1971	1971- 1981	1981- 1991	1991- 2001	2001- 2011
EU15	Urban	11.6	4.4	2.9	3.6	6.4
EU15	Intermediate	7.8	4.9	3.6	3.9	4.5
EU15	Rural	-0.3	1.8	1.5	2.4	2.4
	Total	7.8	4.1	2.9	3.5	5.0
EU13	Urban	14.9	11.0	4.5	-2.4	0. 7
EU13	Intermediate	11.2	9.6	3.5	-0.6	-0.3
EU13	Rural	3.6	4.2	2.0	-2.8	-3.2
	Total	8.5	7.6	3.1	-1.9	-1.3
EU28	Urban	12.0	5.1	3.1	2.9	5. 7
EU28	Intermediate	8.6	6.1	3.6	2.8	3.4
EU28	Rural	1.2	2.7	1.7	0.3	0.3
	Total	8.0	4.9	2.9	2.2	3.6

Source: Time series of LAU2 population data, NSI, DG REGIO / Spatial Foresight