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The urban and regional dimension of Europe 2020

Seventh progress report on economic, social and territorial cohesion

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Foreword

The seventh progress report on economic, social and territorial cohesion highlights the urban and regional dimension of the Europe 2020 strategy. This report was adopted shortly after the publication of legislative proposals for the cohesion policy period 2014 to 2020. These proposals underline the critical contribution cohesion policy will make to smart, sustainable and inclusive growth and the Europe 2020 headline targets.

This report shows that cities and regions are faced with different combinations of development problems and growth potential. This is one of the main reasons cohesion policy uses an integrated approach that can be adjusted to local needs and opportunities.

Cities contain some of the biggest contradictions. Cities are highly productive, yet productivity growth in most cities was below the national average. Living and working in cities is less polluting, but city dwellers are exposed to more pollution. Cities offer the greatest concentration of employment opportunities, but in many Member States cities have the highest share of jobless households.

To support the preparation of the new cohesion policy programmes, this report measures the distance of EU regions to their national 2020 targets. This provides each region with a baseline, which can be used in regional development strategies, programme monitoring and evaluations.

This analysis does not imply that all regions can or should reach the national 2020 targets. This is neither realistic nor desirable. The clustering of R&D, for example, can generate strong, positive spillovers. The concentration of poverty and exclusion, however, can intensify deprivation, making it even more difficult to address. The real challenge is to identify how cohesion policy can make the biggest contribution to positive change.

In conclusion, for the next round of cohesion policy, programmes should select their investment priorities taking into account their baseline and concentrate on domains where investments will make the biggest contribution to smart, sustainable and inclusive growth. In this way, cohesion policy will become the efficient, results-oriented, integrated policy that the Union needs to realise its Europe 2020 strategy.

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1 Introduction

In June 2010, the European Council approved the Europe 2020 strategy, the EU's strategy for smart, sustainable and inclusive growth. Regional and local authorities can make a key contribution to this strategy through the actions that fall within their responsibility. This is particularly critical in more decentralised or federal Member States.

Involving regional authorities in European policies can increase the efficiency of these policies, as highlighted by a number of recent studies ([1]). An integrated regional, or place-based, approach can be more efficient for policies with marked externalities and in countries with substantial internal disparities. Such an approach, however, requires a strong administrative and institutional capacity and the right national framework conditions.

In the fifth Cohesion Report ([2]), the Commission proposed to further strengthen the regional and urban dimension of cohesion policy and its partnership principle. The following public debate showed clear support for these changes ([3]). The regulations for the period 2014-2020 put forward by the Commission on 6 October 2011 show how these changes will be implemented ([4]).

Cohesion Policy is a key delivery mechanism for Europe 2020 ([5]), with a long tradition of designing and implementing integrated regional and urban programmes in partnership with regional and local authorities, economic actors, social partners and civil society. It can provide Europe 2020 with the active support of regional and local authorities it needs to succeed.

This progress report assesses how, in the context of cohesion policy, regions and cities can contribute to three types of growth of the Europe 2020 strategy. It measures the distance of cities and regions to the national 2020 targets proposed in the national reform programmes. This distance to target depends on the disparities with the country, the ambition of the NRP and expected speed of change.

This analysis does not imply that all regions can or should reach all their national or the EU targets. For some regions, the distance to the target is simply too great. Furthermore, for some issues it is not realistic or desirable that all regions reach the same target. For example, R&D is highly concentrated in part due to benefits of clustering research. The concentration of poverty and exclusion, however, has a lot of negative effects.

In short, cohesion policy programmes should select their investment priorities taking into account the starting position of a region or city in relation to the national 2020 targets and identify the concentrations to promote and the ones to fight.

1. *An Agenda for a Reformed Cohesion Policy*, F. Barca, 2009. http://ec.europa.eu/regional_policy/archive/policy/future/barca_en.htm and The balance between sectoral and integrated approaches and the involvement of sub-national levels in EU Member States. http://ec.europa.eu/regional_policy/information/studies/index_en.cfm#2
2. Fifth Report on economic, social and territorial cohesion, 2011. http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm
3. SEC(2011) 590 http://ec.europa.eu/regional_policy/consultation/5cr/pdf/5cr_result_sec2011590.pdf
4. See COM(2011) 615 http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1
5. See: *A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020. http://ec.europa.eu/europe2020/documents/related-document-type/index_en.htm

2 Smart growth

The smart growth objective is to improve education, promote R&D and innovation and move towards a digital society. Through investments in education, training, research and innovation, the EU economy can become more productive and maintain or increase its global market share. This can in turn help to increase the number of jobs and improve their quality.

2.1. Education and training

Human capital is one of the key determinants of regional growth ([6]). High levels of education attainment favour innovation as it facilitates the rapid diffusion and absorption of new knowledge and techniques. Regional development is therefore closely linked to the capacity to create, retain and attract human capital, which is linked to the quality of education institutions and life-long learning opportunities. Investment in education and training should go hand in hand with policy reforms, such as those included in the education and training strategy ET 2020.

Developing and attracting (entrepreneurial) talent ([7]) has become a key source of growth as this can boost the innovative milieu and can lead to more innovative, high-growth firms ([8]) in a region.

The Europe 2020 target is to increase the share of people aged 30-34 with a tertiary degree to 40 % by 2020. Currently, only one in five EU regions has reached this target. Member States have set themselves targets ranging from 26 % to 60 %. The regions eligible under the regional competitiveness and employment (RCE) objective score the best with (one in three), the transition ([9]) regions score average (one in four), while the convergence regions score poorly (one in twenty).

The share of tertiary educated tends to be higher in capitals and adjoining regions, several of which have already reached the Europe 2020 target. The distance to the national target is significant for many regions in Portugal, Slovakia and Germany (see annex 1).

The variation in human capital between regions within a Member State is often larger than between Member States. Therefore, the national strategies need to be complemented by regional policies. A recent report suggests that delegating more human capital development decisions to the regions ([10]) can be more effective.

Europe 2020 aims to reduce the share of early school leavers to less than 10 %. The share is significantly higher in most southern European regions. In contrast, it is much lower in Poland, Slovenia, Slovakia, Austria and the Czech Republic. The distance to the national target is highest in Spanish and Portuguese regions and some regions in Greece, Italy and Bulgaria. For this target, the convergence regions score better than the other regions, with almost half respecting this target compared to only one in four for the RCE and transition regions (see annex 2).

2.2. Research and Innovation

The Innovation Union flagship underlines the role of research and innovation boosting job creation and economic growth. Regions are playing a more important role in innovation policy for two reasons: the recognition of the regional and local dimensions in national innovation strategies and the increasing role of innovation in regional development strategies.

Research and innovation tends to be concentrated in a few economically successful regions, but a large range of development paths exist across Europe. Also the institutional frameworks for innovation policies are extremely varied, in terms of the competences of regional governments, the match between administrative and functional regions, and cross-regional relationships.

6. See *Regional Outlook*, Paris, OECD, 2011.
7. See *Sixth Progress Report: Creative and innovative regions.* COM(2009) 295.
8. This is the new Europe 2020 innovation indicator.
9. Phasing In and Phasing Out regions are grouped as Transition regions since both receive transitional support.
10. *Human Capital Leading Indicators. Policy Brief,* Vol. V, No. 1, P. Ederer *et al.* Lisbon Council, Brussels, 2011. http://www.lisboncouncil.net/publication/publication/64-leadingindicators.html

Some regional innovation policies focus too narrowly on science and technology, which need a certain scale or critical mass of activities not present in all regions. Innovation, however, goes far beyond science and technology and also includes organisational and process innovation, creativity and design.

A regional innovation strategy should involve a rigorous assessment of a region's strengths and weaknesses and benchmarking with other similar regions. The strategy should cover all dimensions of innovation and involve key regional actors to identify targets and the appropriate policy mix. Human capital is a key source of innovation.

The level of technological innovation and the speed of its diffusion and absorption differ widely between EU regions ([11]). Regions with the highest innovative capabilities can be found in northern Europe, typically in the most innovative countries. However, a few regions outperform their national levels also in less developed countries, providing a general picture of high concentration of technological capabilities in few regions across Europe.

The Europe 2020 target is 3 % of GDP to invest in R&D and Member States have defined national targets for investments in R&D. In 2009, R&D expenditure represented 2 % of GDP in the EU-27. R&D is typically concentrated in core areas such as capital and metropolitan regions. In 2008, expenditure exceeded the Europe 2020 target in 24 out of 159 RCE regions, but only in one out of 84 convergence regions and not in a single transition region. On average R&D expenditure of the convergence regions is only 0.9 % of their GDP (see table 1). The RCE regions exceeding the Europe 2020 target are mostly located in northern countries (Germany, UK, Sweden and Finland), Austria and capital regions such as Hovedstaden (Copenhagen) and Île de France (Paris). In 2008, only 16 regions across Europe have reached the national targets set by 2020. Therefore, significant efforts are needed in all Member States to meet the national targets in this respect (see annex 3).

Table 1: Indicators by type of region

Indicator	Year	Convergence	Transition	RCE	EU
Tertiary educated aged 30-34, in %	2007-10	25	33	37	32
Early school leavers aged 18-24, in %	2008-10	13	18	14	14
RD as % of GDP	2008	0.9	1.0	2.0	1.9
Employment rate aged 20-64, in %	2010	63	64	72	69
Unemployment rate, in %	2010	12	15	7.9	9.7
At risk of poverty or exclusion*, in %	2009	31	25	19	23
Severe material deprivation*, in %	2009	16	7.5	4.3	8.1
At risk of poverty**, in %	2009	21	18	14	16
Low work intensity*, in %	2009	6.7	7.3	7.0	9.0
GDP per head index (in PPS)	2008	62	93	120	100
Change in GDP per head index	2000-2008	8.6	4.7	-6.1	0

* Only national figures were available for DE, FR, NL, PT, RO, UK and only NUTS 1 in BE, EL and HU.
** For Portugal 2005 NUTS 2 figures were used.

11. See *The regional impact of technological change in 2020* by Wintjes and Hollanders 2010. http://ec.europa.eu/regional_policy/information/studies/index_en.cfm#1

2.3. Digital society

The Digital Agenda for Europe ([12]) promotes the fast development of digital technologies and an inclusive digital society. The availability of high-speed networks is a key factor for competitiveness, as it determines the capacity of regions to compete in and benefit from the global knowledge-based economy, technology and market.

According to the 2011 digital agenda scoreboard, broadband (DSL) coverage in 2010 reached 95 % of the total population. Coverage in rural areas is significantly lower (83 %) and represents a challenge for a number of countries where less than 60 % of the rural population has access to broadband (Bulgaria, Slovakia, Poland and Romania). Nevertheless, the gap between urban and rural areas ([13]) has been reduced in the recent years (e.g. Romania and Cyprus). Still further investments are needed to reach the broadband targets.

The utilisation of the networks for private and public e-services is also growing but still involves a relatively limited share of the European population. In 2010, only 41 % of the population interacted online with public authorities and only 40 % ordered goods or services online. The percentage of turnover of enterprises generated online rose from 8.6 % in 2004 to almost 14 % in 2010, confirming a trend of increasingly dynamic growth in this area. However, important barriers to the digital single market remain to be addressed.

2.4. Creative cities: Hubs of innovation

Cities have always been centres of specialisation and innovation. For example, patenting is highly concentrated in a few metro regions ([14]) (see annex 4). Given the high concentration of innovative activities in cities, the full utilisation of their potential represents one of the main resources for strengthening regional innovation in both convergence and RCE regions. In virtually all Member States, the share of tertiary educated aged 25-64 is higher in cities than in other areas. In 22 Member States, the share is between 10 and 25 percentage points (pp) higher in cities (see Figure 1).

The coverage and use of broadband internet tends to be higher in urban areas ([15]) than in rural areas, but in countries with high share of broadband coverage this gap has almost disappeared. The ultra fast next generation access networks are also expected to be rolled out in large cities first.

The innovative capacity of cities can also be demonstrated through their productivity. Three out of four metropolitan areas in the EU have a higher level of productivity than the other regions in their country. But higher productivity should not be equated with higher productivity growth. Between 2000 and 2008, only two out of five metropolitan areas experienced higher productivity growth than the other regions in their country.

The comparative advantage of metro regions is strongest in the Member States of central and eastern Europe, where metropolitan areas often have a level of productivity more than 50 % higher than in the rest of the country. However, this often only applies to the capital region, while the productivity of secondary growth poles ([16]) lags further behind the capital region than in more developed Member States.

12. http://ec.europa.eu/information_society/digital-agenda/publications/index_en.htm
13. In the EU, 47 % of the population lives in urban areas or cities, 25 % in towns and suburbs and 28 % in rural areas based on the degree of urbanisation classification.
14. Metro regions are one or more NUTS 3 regions that represent an agglomeration of more than 250 000 inhabitants. For more detail see *Regional Focus 01/2011*. L. Dijkstra and H. Poelman, 2011. http://ec.europa.eu/regional_policy/information/focus/index_en.cfm
15. See *Eurostat Regional Yearbook 2011*, chapter 16.
16. See *ESPON interim report of Secondary Growth Poles*.

3 Sustainable growth

The sustainable growth objective aims to enhance resource efficiency ([17]) and to help the EU prosper in a low-carbon world, while preventing environmental degradation and biodiversity loss as well as a more competitive economy. It promotes more water efficiency and the use of waste as a resource. It addresses combating climate change and strengthening the resilience of our territories to climate risks. This includes the reduction of greenhouse gas emissions, the promotion of renewable energies and more efficient energy supply systems.

3.1. Resource efficient Europe

The Europe 2020 strategy aims to reduce greenhouse gas emissions by at least 20 % (and 30 %, if the conditions are right) compared to 1990, and to increase energy efficiency and the consumption of renewable energy both by 20 %.

Under the 'Effort Sharing Decision' ([18]), Member States have adopted a mix of emission reduction targets and limits on emission increases (see annex 5). Some have already reached their target and only need to maintain this lower level of emissions. Greece, for example, committed to reduce emissions by 4 % compared to 2005 levels and already had cut them by almost 7 % in 2009. Others committed to limit the increase in emissions and actually reduced them, like Slovakia which agreed to limit the increase to 13 %, but actually reduced emissions by 12 %.

On the other hand, some Member States will have to reduce their greenhouse gas emissions significantly. For instance Ireland, Denmark and Luxembourg still need to cut emissions by more than 10 percentage points to reach their target.

The picture is similar for renewable energy consumption (see annex 6). The share of renewable energy in gross final energy consumption varies from 44 % in Sweden to 0.2 % in Malta. All Member States, except Latvia and Slovenia, have increased renewable energy consumption, with especially high increases in Austria, Estonia and Romania.

Some Member States are close to the target they set under the Climate and Energy Package. For instance Sweden has to increase the share of renewables by another 4.6 pp to reach it target of 49 % by 2020. For some, the distance to the target is far greater and additional efforts will be required to reach it on time. For example, the United Kingdom and Ireland want to increase their share of renewables by 13 and 12 pp by 2020.

Sustainable growth has an important regional dimension. Regional characteristics directly determine the extent to which EU regions can produce renewable energy. For example, the production of solar and wind energy is highly location dependent. Coastal regions tend to have a high wind energy potential, while southern regions with more sunny days have more potential for solar energy. Moving renewable energy between regions with a high potential to regions with a high demand will require the development of better and more intelligent energy networks.

Regions can reduce greenhouse gas emissions by promoting cleaner modes of public transport and shifting to more sustainable modes of transport. Initiatives to promote cleaner and more efficient transport have to adapt to the local context, focusing on the infrastructure in regions where it is still lacking while targeting the attractiveness of sustainable transport modes and demand management in other regions.

Regions can play a prominent role in fostering energy efficiency. This is particularly true as regards buildings, where actions must adapt to the local context and climate. These actions are likely to be different between urban and rural areas or between places with old versus more recent buildings. The objective, however, remains the same: improving energy performance in conformity with EU legislation.

17. See *Roadmap to a Resource Efficient Europe*. COM(2011) 571.
18. In the Climate and Energy Package, the overall emission reduction goal will be accomplished through (1) the EU Emissions Trading System (ETS) and (2) the 'Effort Sharing Decision'. This last decision establishes for the period 2013-2020 annual binding national greenhouse gas emission targets with 2005 as a base year from sectors not included in the ETS – such as transport, buildings, agriculture and waste. Cohesion Policy actions can play a role in reducing GHG emissions in these sectors, but should not subsidise emissions reductions already covered by the ETS.

3.2. Sustainable cities

Cities are at the forefront of the fight against climate change, not only because they host a high share of the population and an even higher share of economic activities, but because working and living in cities is more resource efficient. People living in cities take shorter trips to get to work and are more likely to walk, cycle or take public transport. In the EU, for example, households living in urban areas are three times more likely to use only public transport, walking or cycling for their transport needs (see Figure 2). They tend to live in flats or townhouses which require less energy to heat and cool. In addition, district heating systems are more efficient in dense urban neighbourhoods.

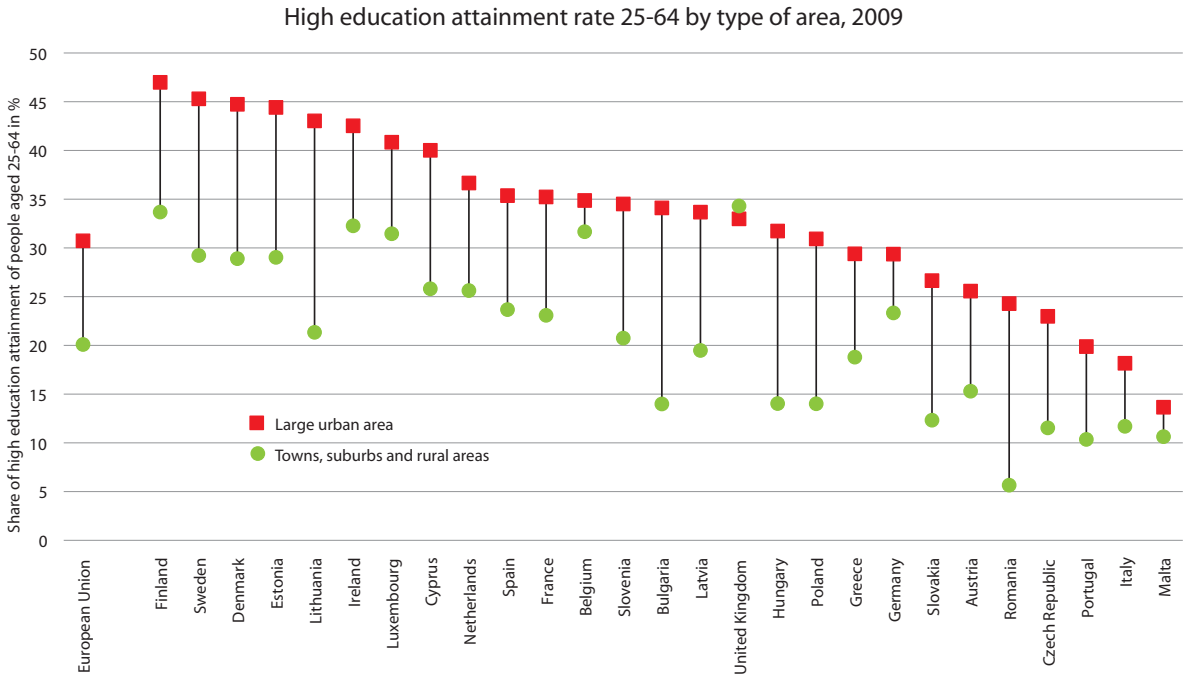
In the EU, final energy demand per capita was 40 % higher in rural areas than in urban areas ([19]). A large share of that difference is due to the higher efficiency of cities ([20]). From an energy efficiency point of view, policies that enhance the appeal of urban living and working should be promoted.

As a high share of CO_2 emissions occur in cities, the resource-efficiency of cities should be further enhanced. It is therefore essential to make cities an integral part of the solution in the fight against climate change. Policies should aim to reduce congestion, promote non-motorized transport and improve the energy performance of buildings ([21]). This would also improve air quality, which is lower in cities, and increase the health of city dwellers. However, care should be taken that these measures do not lead to urban sprawl by shifting jobs and residents to the outskirts of the city.

The Covenant of Mayors commits cities to reduce their greenhouse gas emissions by more than 20 % by 2020 and has been signed by more than 2500 mayors in Europe representing over 125 million inhabitants. The Smart Cities and Communities Initiative, which builds among others on this covenant, will develop a more comprehensive approach to urban challenges around energy, transport and ICT.

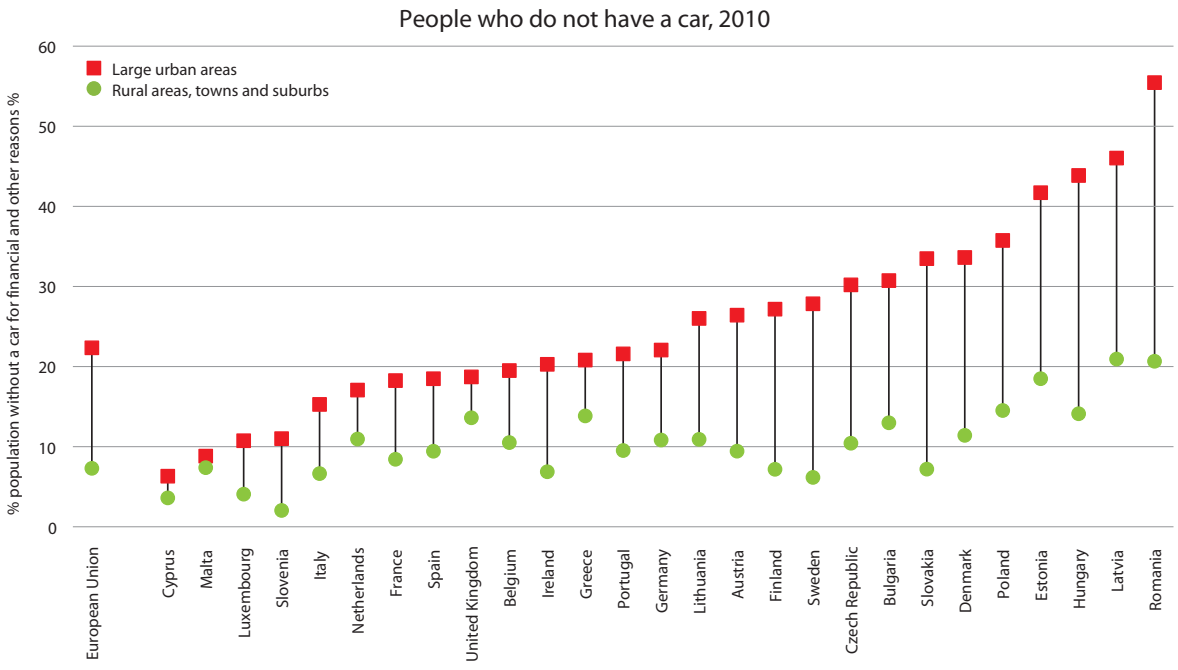
19. *World Energy Outlook 2008,* IEA, Paris, 2008.
20. The remaining difference may be due to a higher share of energy-intensive manufacturing located in rural areas.
21. *The green metropolis,* D. Owen. Riverhead, 2009. and *Triumph of the City,* E. Glaeser. The Penguin Press, 2011.

Figure 1: Higher education by type of area, 2009



Source: Eurostat LFS, MS ranked by share in large urban areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

Figure 2: Access to a car by type of area, 2009



Source: Eurostat SILC, MS ranked by share in large urban areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

4 Inclusive growth

The Europe 2020 strategy has a strong focus on employment creation, skills and labour market reform and explicitly targets reducing poverty and exclusion. It aims to increase employment rates and the quality of jobs, especially for women, young people and older workers. It also wants to better integrate migrants in the labour force. Furthermore, it will help people anticipate and manage change by investing in skills and training and modernising labour markets and welfare systems.

4.1. Employment

The Europe 2020 strategy aims to increase the employment rate to 75 % for the population aged 20-64 by 2020. Member States have set national targets varying from 62.9 % in Malta to 80 % in Denmark and Sweden.

Not all Regions are expected to reach the EU or national employment targets, as they face very different starting positions. The employment rate in convergence regions in 2010 was only 63 % after a decline due to the economic crisis. Only two convergence regions have reached the EU target of 75 % in 2010. If the goal was to reach the 2020 target in all convergence regions, 11 million people ([22]) would have to find a job. The transition regions also have a low employment rate of 64 % and would need 3 million jobs to reach the EU target in all these regions. The RCE regions have a considerably higher employment rate of 72 %, but because 60 % of the EU working age population lives in these regions, they would still need 9.4 million jobs to reach this target in each of these regions ([23]).

Employment rates below 60 % can be found in regions in southern Spain and southern Italy and some regions in Romania and Hungary (see annex 7). Many regions in Germany, the UK, the Netherlands, Denmark, Sweden and Austria have already reached 75 %. To ensure that the EU reaches 75 % by 2020, especially those countries and regions where employment rates are currently low will have to make significant progress but the contribution from countries and regions already close to or above 75 % will also be needed.

The recent crisis also led to rapid increases in unemployment rates (see annex 8). In the three Baltic States and seven Spanish regions unemployment rates increased by between 10 and 18 pp. Unemployment increased least (1.8 pp) in the RCE regions. The convergence regions witnessed a more substantial increase (2.8 pp). The sharpest increase, however, occurred in the transition regions (6.4 pp). Despite the overall increases, unemployment decreased in 52 regions, mostly in Germany but also in some regions in Poland, France, Finland and Austria.

4.2. Poverty and exclusion

The Europe 2020 strategy aims to reduce the number of people at risk of poverty or exclusion by 20 million by 2020, corresponding to a reduction from 23 % of the EU population to 19 %. The share of population at risk of poverty or exclusion is over 50 % in three Bulgarian regions and is 49 % in Sicily (see annex 9). The lowest rates can be found in Åland, Trento, Navarra and Praha, where is it 10 % or lower.

The at-risk-of-poverty-or-exclusion rate is composed of three indicators: (1) having an income below the national poverty income threshold after social transfers (2) severe material deprivation and (3) living in household with a low work intensity (see annex 9 for the full definition). The first indicator is a relative poverty indicator because it measures the share of people with an income below 60 % of the national median income. As a result, someone who is considered at risk of poverty in the UK would probably not be considered poor in Bulgaria with the same income. The second indicator is an absolute measure of poverty as it measures access to nine essential items in the same way in all Member States. This indicator is closely correlated to the level of development of a country. In 2009, it ranged from 32 % in

22. This shows the number of jobs required for all convergence regions to have an employment rate of 75 % or higher. The jobs required to reach 75 % in all EU regions is 23 million. The number required to reach this target at the EU level is lower (17.6 million), as regions with employment rates above 75 % can compensate for regions with lower rates.
23. Estimates based on current number of jobs and the Eurostat regional population forecast.

Romania to 1 % in Luxembourg. The last indicator measures exclusion from the labour market. This indicator is not correlated with GDP per head or even employment rates. In 2009, it was highest in Ireland and the UK, while the lowest rates were in Estonia and Cyprus.

The at-risk-of-poverty rate has a strong regional dimension which cannot be explained by personal characteristics such as education, employment status, household type and age. Estimates of regional poverty based on these dimensions considerably underestimate the regional variation of poverty. In other words, the at-risk-of-poverty rate depends not only on a person's education or employment status, but also on where they live ('location effect').

Unfortunately, the at-risk-of-poverty-or-exclusion rate is not available at regional NUTS 2 or 1 level in several large Member States. As cohesion policy aims to make a substantial contribution to reducing poverty and exclusion, especially in the least developed regions, a regional benchmark will be critical to monitor and assess its impact. Estimates indicate that convergence and transition regions score significantly worse than RCE regions on at risk of poverty and exclusion and two of its three dimensions (see Table 1).

4.3. Inclusive cities: the urban paradox

The urban dimension of inclusive growth is inversely related to the level of economic development: the more developed Member States tend to have less inclusive cities.

In more developed Member States, urban areas are frequently confronted with substantially higher shares of people living in a jobless household (see Figure 3). Also unemployment rates are higher and employment rates are lower in urban areas in more developed Member States. In the UK, Portugal, France, Austria and Belgium, urban unemployment rates are between three and five pp higher ([24]).

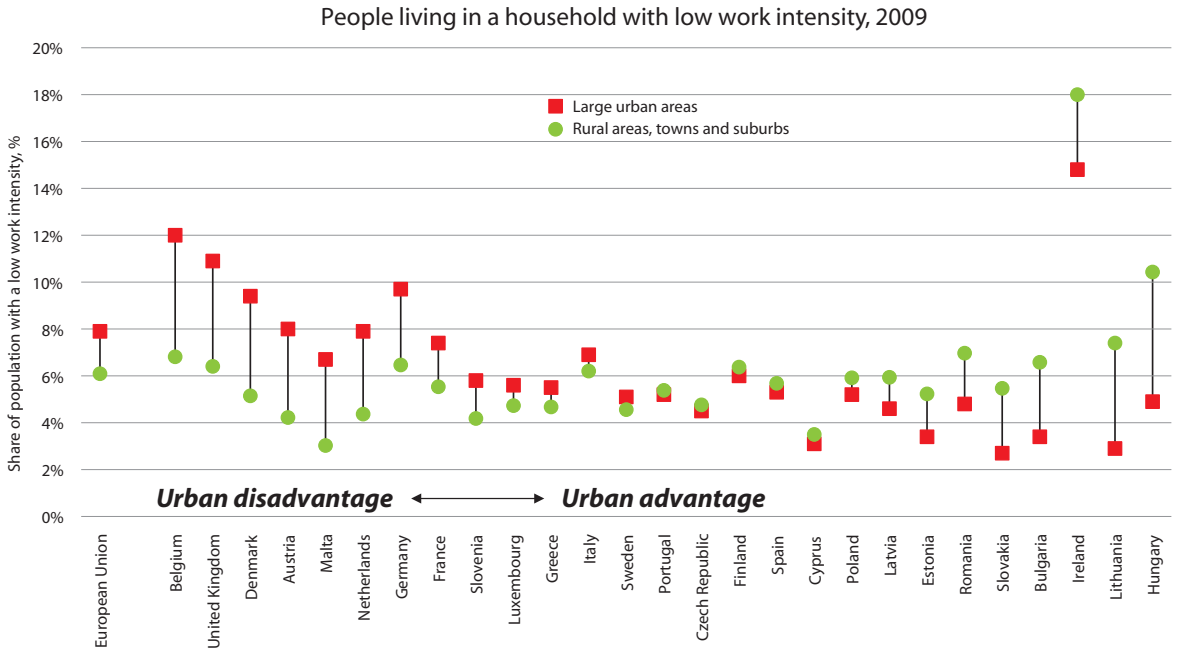
The high share of people disconnected from the labour market in areas with the highest physical concentration of job opportunities (cities) was highlighted as an urban paradox by the two State of European Cities Reports ([25]).

Severe material deprivation and the at–risk-of-poverty rate ([26]) (see Figure 4 and 5) tend to be higher in urban areas in many of the more developed Member States, despite higher average incomes in such urban areas. In Belgium, Austria and the UK, severe material deprivation is between three and five pp higher in urban areas than in the rest of the country. Research ([27]) has highlighted the presence of large (and growing) income disparities in cities.

Living in an urban area in a less developed Member State, however, has more advantages than living in a rural area or small town. Urban areas in these Member States tend to have higher employment rates and lower shares of jobless households, severe materially deprived and people at risk of poverty. In addition, average incomes are much higher. For example in Latvia, Bulgaria, Poland and Romania average incomes in urban areas are between 40 % and 70 % higher than in the rest of the country. This highlights the concentration of poverty in rural areas, often compounded by poor access to services ([28]).

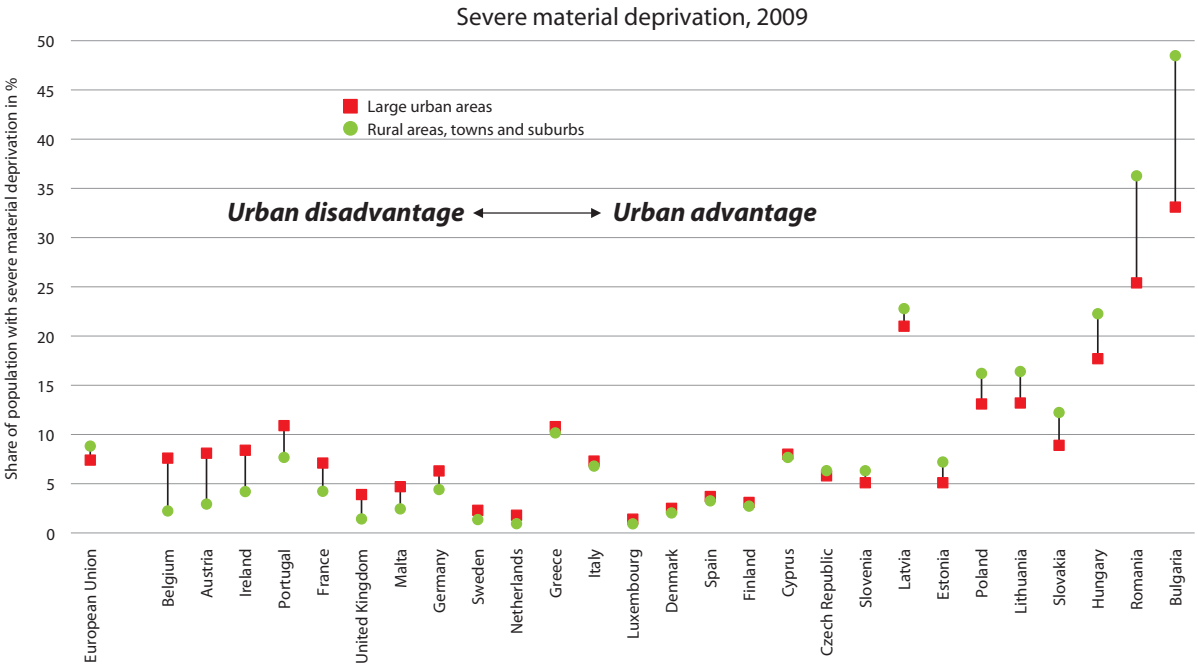
24. The Urban Audit shows that these higher unemployment rates are not evenly distributed over all cities, but affect some cities and some neighbourhoods much more than others.
25. *State of European Cities Report.* Commission, 2007 and 2010. http://ec.europa.eu/regional_policy/activity/urban/audit/index_en.cfm
26. This is particularly striking as the at-risk-of-poverty rate does not take into account the higher cost of living in urban areas, so probably underestimates the at-risk-of-poverty rate in cities.
27. For example see the ESPON FOCI study. http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/foci.html
28. See also *Poverty and social exclusion in rural areas,* European Commission, 2008. http://ec.europa.eu/social/BlobServlet?docId=2087&langId=en

Figure 3: Low work intensity by type of area, 2009



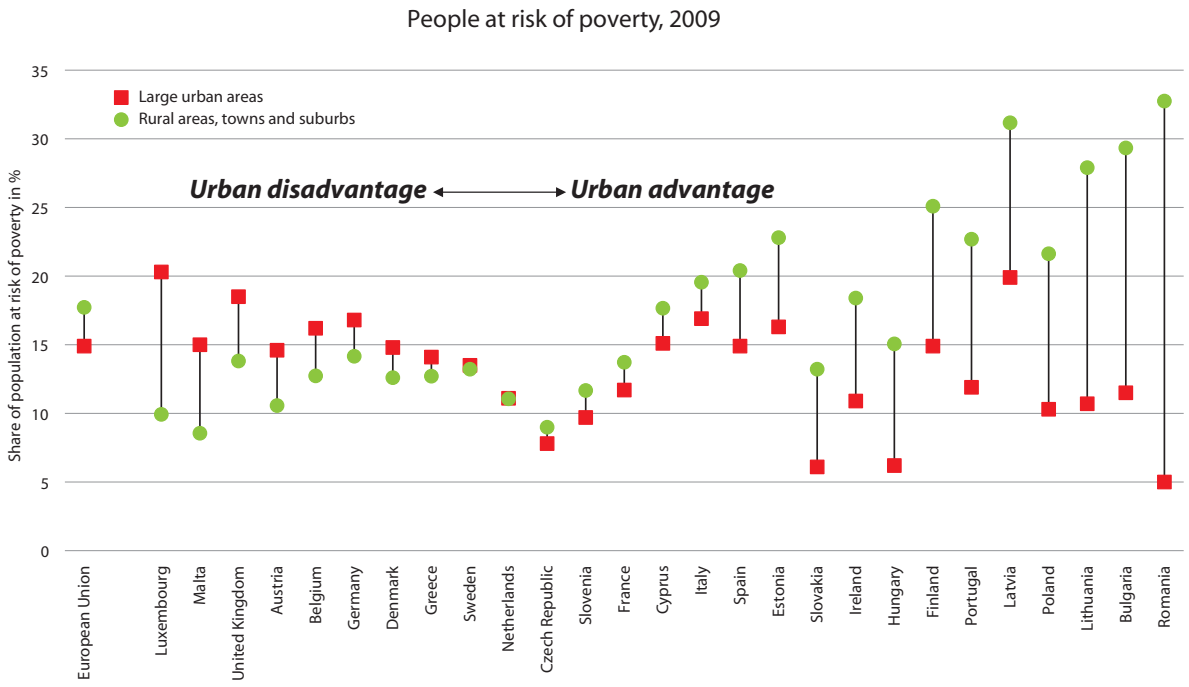
Source: Eurostat SILC, MS ranked by difference between large urban areas and other areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

Figure 4: Deprivation by type of area, 2009



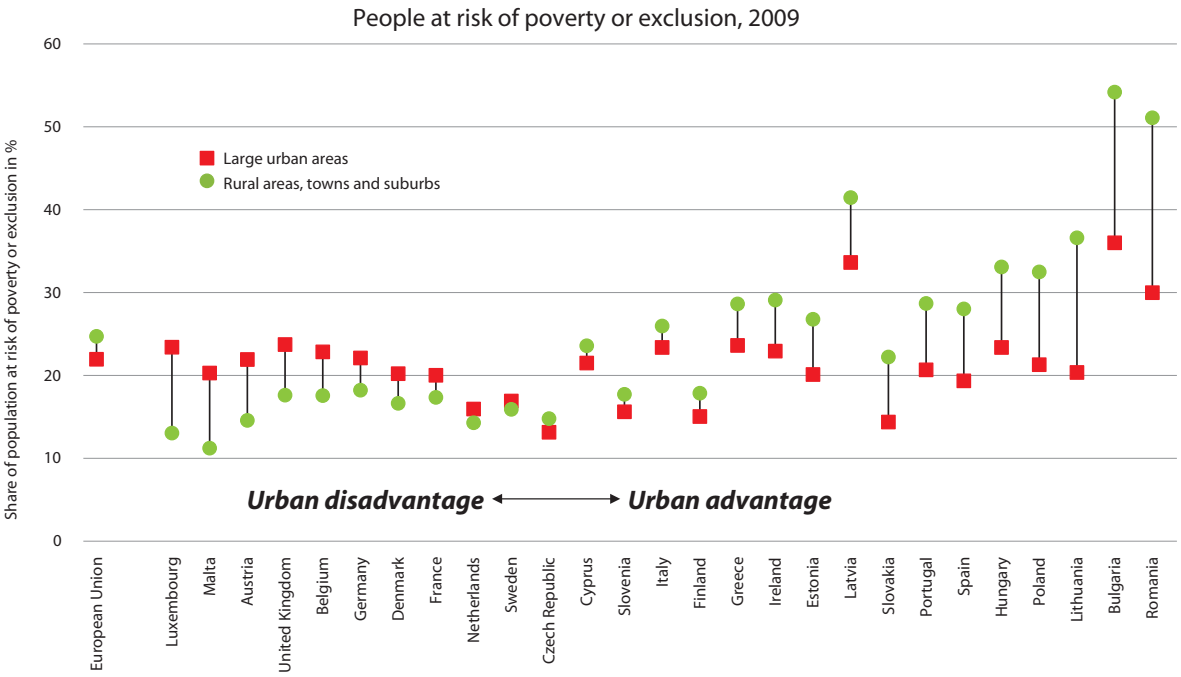
Source: Eurostat SILC, MS ranked by difference between large urban areas and other areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

Figure 5: Poverty by type of area, 2009



Source: Eurostat SILC, MS ranked by difference between large urban areas and other areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

Figure 6: At risk of poverty or exclusion by type of area, 2009



Source: Eurostat SILC, MS ranked by difference between large urban areas and other areas.
Areas defined by degree of urbanisation: Large urban areas = densely populated, towns and suburbs = intermediate, rural areas = thinly populated.

5 Conclusion

This report has highlighted the regional and urban dimension of the Europe 2020 strategy. It shows that significant efforts and investments are needed in all Europe's regions to achieve the smart, sustainable and inclusive growth objectives. It argues that those needs differ between regions and between cities and that policies should take these needs into account.

Given cohesion policy's key role in Europe 2020, particular attention needs to be paid to the convergence regions, but improvements are also necessary in the transition and RCE regions.

The convergence regions score poorly on the smart growth front with low levels of R&D, low shares of higher educated and low productivity. Many also display low levels of employment and high unemployment levels. The risk of poverty and exclusion is also higher in the convergence regions.

Although transition regions and RCE regions score better on these issues, they also need to improve their performance to reach the Europe 2020 targets. The crisis has reduced employment in RCE regions and revealed a lack of competitiveness in some of them. Unemployment has risen in more than 100 RCE regions and 36 have an unemployment rate above the EU average.

The challenge of sustainable growth is present in all regions. The energy efficiency of existing and new buildings has to increase everywhere. Increasing renewable energy will require more investment in efficient locations and in the network connecting supply with demand.

When designing regional growth strategies, cities should play an active role. Cities are uniquely placed to promote innovation by offering firms of all sizes the dynamic environments they need to succeed. They are at the forefront in the fight against climate change, creating new models of urban development with even higher resource efficiency. Last but not least, cities have a disproportionate share of social problems and poverty. As the Europe 2020 targets aims to increase employment and reduce poverty and exclusion, cities need to address urban deprivation and the disconnection from the labour market, especially in the EU-15.

This report provides an important input as strategies for the future 2014-2020 cohesion policy programmes are being prepared. In essence, it sets out the baseline situation to be addressed in relation to the EU2020 targets and the distance to the national targets. Future cohesion policy programme must articulate how they will contribute to this catching up process in concrete terms. How will the investment programmes contribute to change in these indicators? Are there intermediate steps or indicators which can capture positive progress? Cohesion policy programmes provide an opportunity to design strategies in an integrated way – focused on the specific needs of each territory – and reflecting the trade-offs and synergies between different types of investments.

1. Population aged 30-34 with tertiary education, 2007-2010

This indicator shows the proportion of population aged 30-34 with tertiary education to the total population 30-34 of the same age group.

Why does this matter?

Educational attainment of the population is one of the most important factors of economic growth. People with tertiary education are more likely to get a job, have a higher income and have higher life expectancy. Increasing employment rate of tertiary educated people is also likely to have positive effects on productivity. Most of the increase in the share of the tertiary-educated working-age population comes from those under 35. Therefore, the Europe 2020 strategy has set the target for the share of population aged 30-34 with tertiary education at 40 %. The EU share in 2010 was 34 %. The national 2020 targets range between 60 % (Ireland) and 26 % (Italy).

How do the EU regions score?

As well as in the case of other educational attainment indicators, the share of tertiary educated aged 30-34 varies widely in Europe. Considering the average levels for the years 2007-2010, one region in five has reached the EU 2020 target. The top ten regions have shares significantly above the EU 2020 targets and are mostly capital regions or adjoin capital regions. The bottom ten are located in the Czech Republic, Romania, Portugal and Italy (see map 1.1). Other regions lagging behind the European target are located in Greece, Bulgaria, Hungary, Slovakia and Germany.

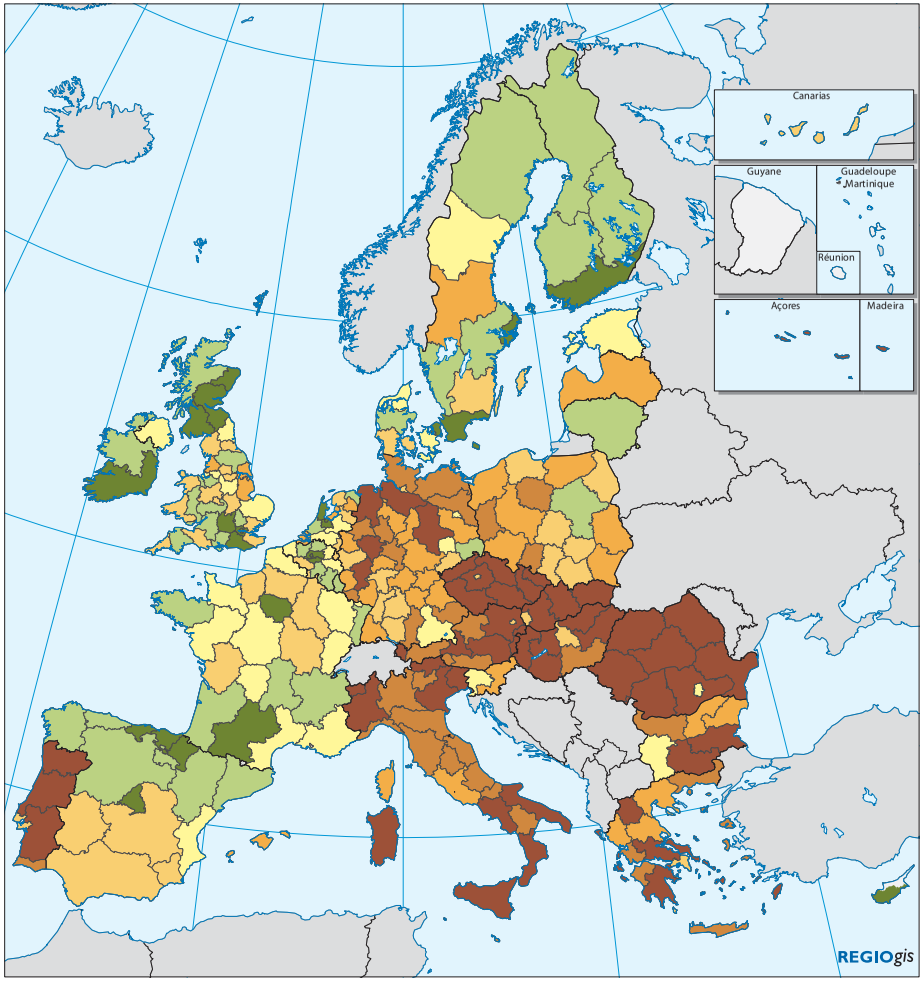
The distance to the national target is particularly significant for Açores and for some regions located in Slovakia, the Czech Republic, Poland and Germany. Overall, only 25 regions across Europe have reached the national target in the 2007-2010 average, mainly in capital regions, in northern Spain and in south Finland and Sweden (see map 1.2).

This table shows the ten regions with the highest share of population aged 30-34 with tertiary education – Average 2007-2010

MS	Region	tertiary education %
ES	País Vasco	60
UK	Inner London	59
DK	Hovedstaden	56
BE	Prov. Brabant Wallon	56
BE	Prov. Vlaams-Brabant	55
FR	Île de France	52
SE	Stockholm	51
NL	Utrecht	51
UK	North Eastern Scotland	51
ES	Comunidad de Madrid	49

This table shows the ten regions that are most distant from their national 2020 tertiary education target in percentage points

MS	Region	distance to national target, in pp
PT	Região Autónoma dos Açores	-29
SK	Západné Slovensko	-26
SK	Východné Slovensko	-25
CZ	Severozápad	-24
PL	Kujawsko-Pomorskie	-24
DE	Lüneburg	-23
PT	Alentejo	-23
FR	Corse	-23
DE	Sachsen-Anhalt	-23
PL	Opolskie	-23



1.1 Population aged 30-34 with a tertiary education, average 2007-10

% of population aged 30-34

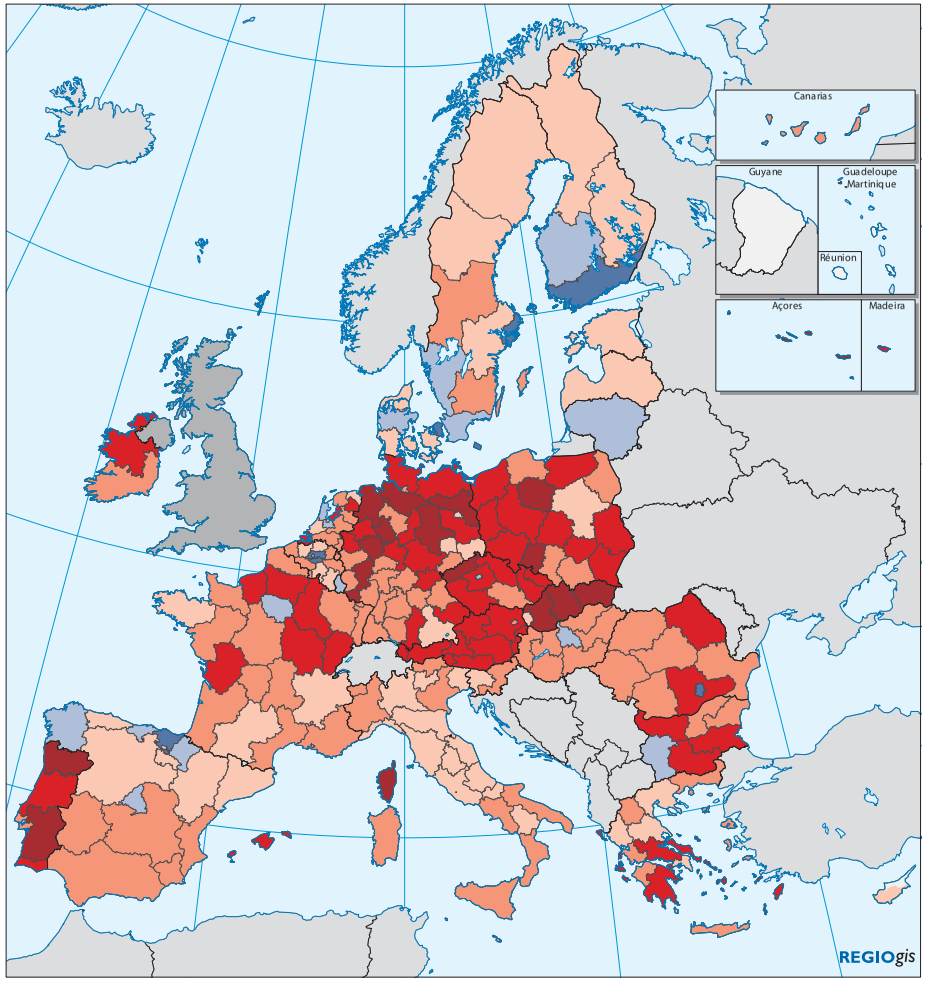
< 20
20 - 25
25 - 30
30 - 35
35 - 40
40 - 45
> 45

EU-27 = 31.8

The European 2020 target for the share of population aged 30-34 with a tertiary education is 40%.

Source: Eurostat

0 500 Km



1.2 Population aged 30-34 with a tertiary education, average 2007-10
Distance to National 2020 target

Percentage points difference

< -21
-21 - -14
-14 - -7
-7 - 0
0 - 7
> 7
no national target

EU-27 = -8.3

Blue regions have reached the target.
Red regions haven't reached the target.

Sources: Eurostat, MS NRPs, DG REGIO calculations

0 500 Km

2. Early leavers from education and training, 2008-2010

The share of early leavers from education and training measures the number of people aged 18-24 with at most lower secondary education and not attending any further education or training, divided by the total population aged 18-24.

Why does this matter?

The reduction of early school leavers and the increase of educational attainment of the population are key targets of Europe 2020. These two strategies can provide vital support to Europe's employment and growth objectives. Education contributes to productivity of an individual and can lead to increases in employment, personal income and ones' overall life satisfaction. People without a complete secondary education are much more likely to be unemployed. The Europe 2020 target is to reduce the early leaving from education and training below 10 % by 2020, while the 2008-2010 average is 14.5 %. National targets for this strategy range between 4.5 % (Poland) and 29 % (Malta).

How do the EU regions score?

Regional differences in early school leaving are high. Considering a three year average (2008-2010), the Europe 2020 target has been reached in 74 NUTS 2 regions, around one in four, requiring then a substantial effort in many regions to be achieved. Overall, the regions with the highest shares of early school leavers (above 30 %) are located in Spain and Portugal. Also Malta is in the top ten regions in this indicator. Regions with high shares (between 20 % and 30 %) are also located in Greece, Italy, Bulgaria, Romania and United Kingdom (see map 2.1). In contrast, the lowest rates of early leavers from education and train ing are registered in particular in Slovakia, the Czech Republic and Poland.

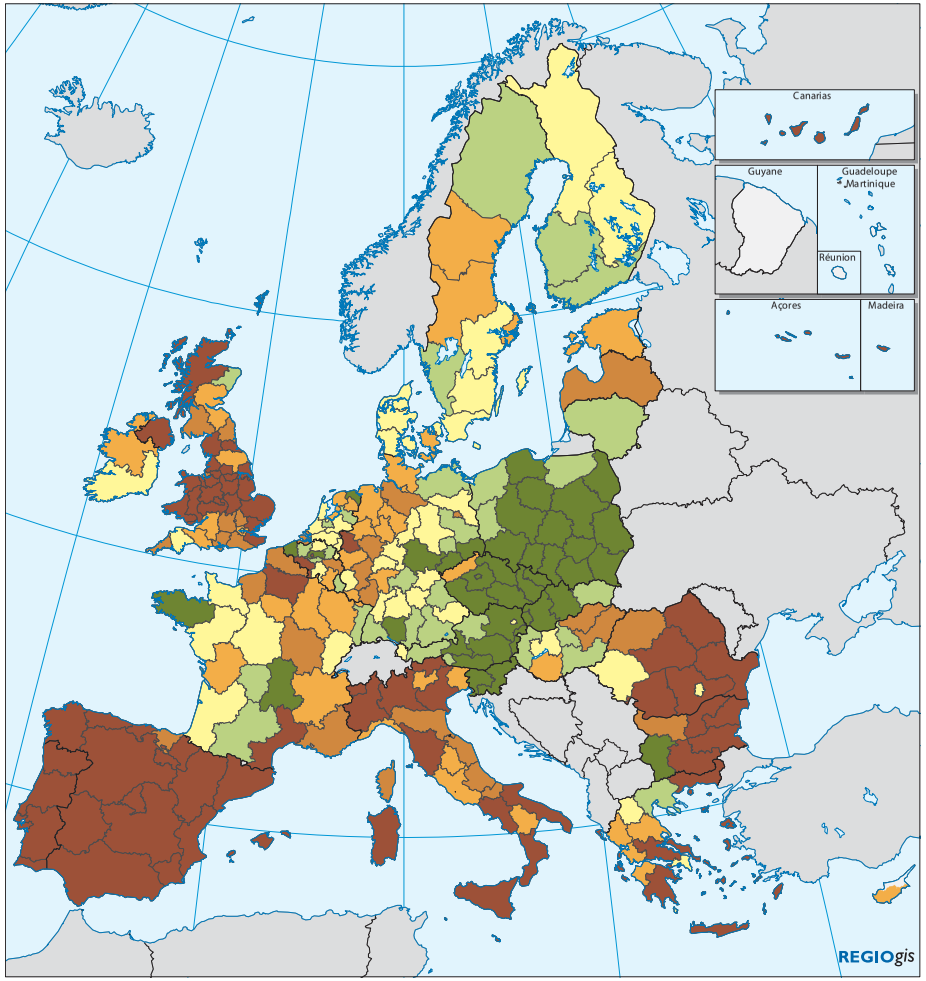
The distance to the national target is significant in regions of Spain and Portugal, as well as in Greece, Bulgaria and Southern Italy. Instead, several regions of Austria, Germany, Italy, the Czech Republic and Slovakia have already reached the national target (see map 2.2).

This table shows the ten regions with the lowest share of early leavers from education and training aged 18-24 – Average 2008-2010

MS	Region	% of early school leavers
SK	Bratislavský kraj	2
CZ	Jihovýchod	3
CZ	Praha	3
SK	Západné Slovensko	3
PL	Małopolskie	3
PL	Podkarpackie	4
CZ	Střední Morava	4
PL	Świętokrzyskie	4
PL	Podlaskie	4
PL	Wielkopolskie	4

This table shows the ten regions that are most distant from their national 2020 early school leavers target in percentage points

MS	Region	distance to national target, in pp
PT	Região Autónoma dos Açores	39
PT	Região Autónoma da Madeira	31
ES	Ciudad Autónoma de Ceuta	26
PT	Norte	25
ES	Illes Balears	25
PT	Algarve	23
ES	Región de Murcia	23
ES	Ciudad Autónoma de Melilla	23
ES	Andalucía	22
ES	Castilla-La Mancha	20



2.1 Early school leavers, Average 2008-10

% of population 18-24

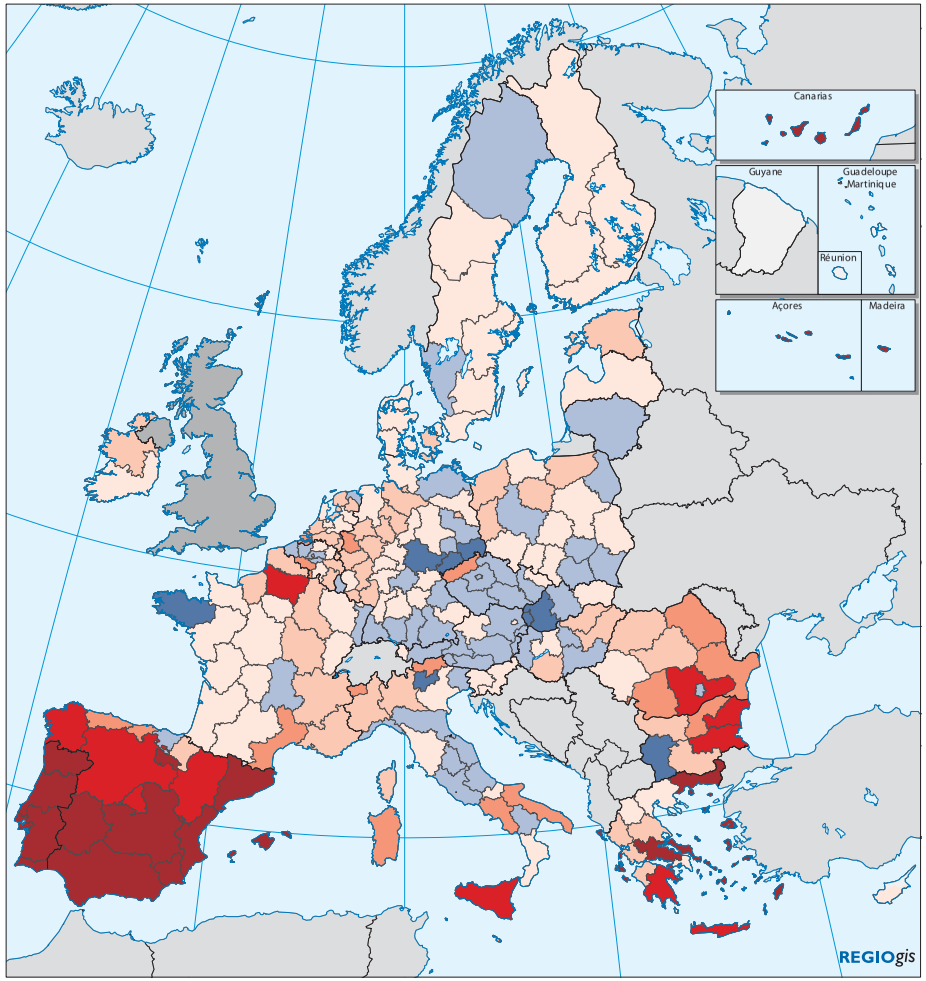
< 8
8 - 10
10 - 12
12 - 14
14 - 16
> 16

EU-27 = 14.5

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

Source: Eurostat

0 500 Km



2.2 Early school leavers from education and training, aged 18-24 – Average 2008-10 Distance to National 2020 target

Percentage points difference

< -3
-3 - 0
0 - 3
3 - 6
6 - 9
9 - 12
> 12
no national target

EU-27= 4.5

Blue regions have reached the target.
Red regions haven't reached the target.

Sources: Eurostat, MS NRPs, DG REGIO calculations

0 500 Km

3. General expenditure on R&D (GERD), 2008

This indicator measures the share of regional GDP invested in expenditure on research and development by both the private and the public sector.

Why does this matter?

GERD indicates the resources devoted by a region for the development of innovations and the transformation of new ideas into market opportunities through R&D. In general, the majority of activities related to R&D take place within the private sector but the public sector also plays a crucial role notably by supporting fundamental research. The Europe 2020 strategy includes the headline target of bringing GERD to 3 % of GDP for the EU-27 by 2020. In 2008, the share was 1.9 %. Member states, through their National Reform Programmes, set their targets between 0.5 % (Cyprus) and 4 % (Sweden) of their national GDP.

How do the EU regions score?

The performance on this dimension varies widely across European regions. A characteristic of GERD in developed countries is the geographical concentration in core areas, typically metropolitan and capital regions. In Europe, the regions with the highest GERD to GDP ratio are located in northern countries (Germany, UK, Sweden and Finland). The performance is also high in Austria and in capital regions such as Hovedstaden (Copenhagen), Madrid, Lisbon and Prague. At the other end of the spectrum, a series of regions mainly in Romania, Bulgaria, Greece and Poland have an expenditure on R&D below 0.5 % of their GDP (see map 3.1).

Only 16 regions across Europe have reached the national targets set by 2020, including some capital regions like Île de France, Berlin, Stockholm and Lazio (see map 3.2). The distance to the EU 2020 national targets is significant in a number of regions located in Spain and Portugal but also in countries performing well in this indicator (Germany, France, Austria and Sweden), showing that a significant effort is required also in the most developed areas of Europe in order to reach the national targets.

This table shows the ten regions with the highest R&D as a % of GDP in 2008

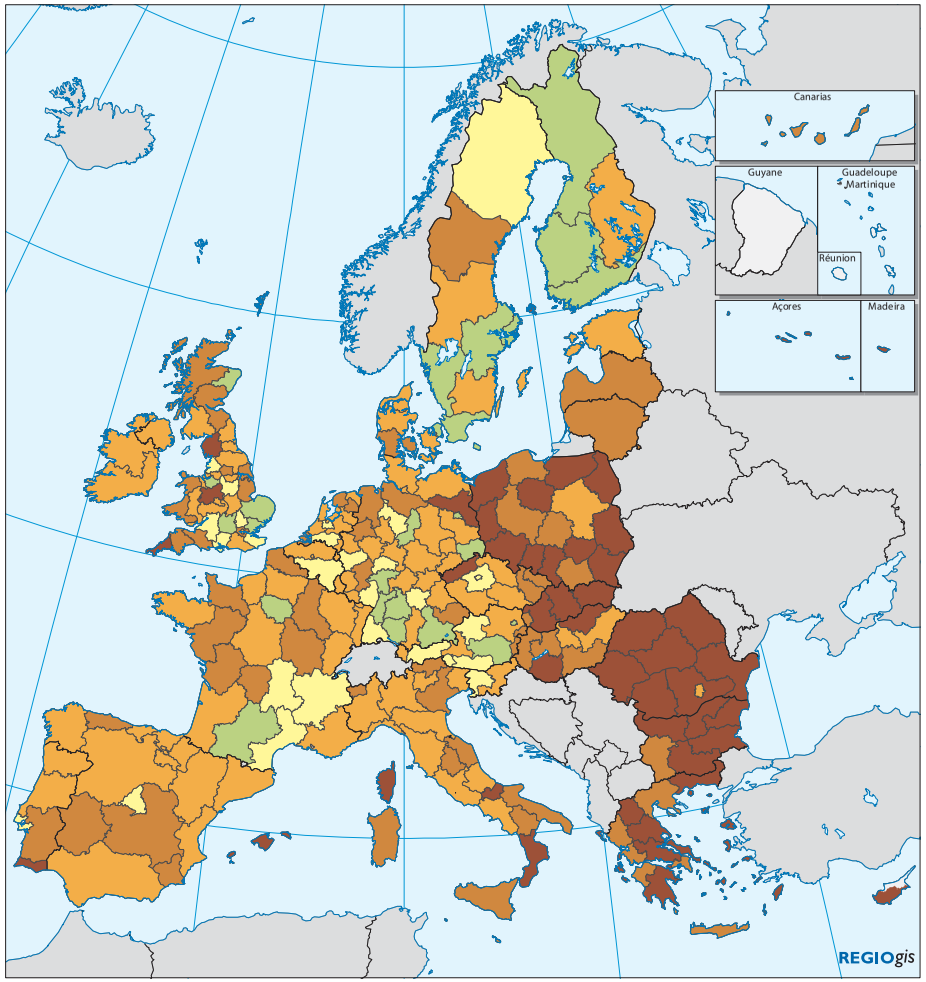
MS	Region	GERD as % of GDP
DE	Braunschweig	6.7
UK	East Anglia	5.9
FI	Pohjois-Suomi	5.9
DE	Stuttgart	5.8
UK	Cheshire	5.7
DK	Hovedstaden	5.1
SE	Sydsverige	4.8
DE	Oberbayern	4.3
FR	Midi-Pyrénées	4.2
DE	Dresden	4.1

Note: AT, BE, DE, DK, IE, IT, NL, SE: 2007, EL 2005 and FR 2004.

This table shows the ten regions that are the most distant from their national 2020 R&D target in percentage points

MS	Region	distant to national target, in pp
FI	Åland	-3.8
SE	Mellersta Norrland	-3.2
AT	Burgenland (A)	-3.1
SE	Småland med öarna	-2.9
ES	Ciudad Autónoma de Ceuta	-2.9
FR	Corse	-2.8
ES	Ciudad Autónoma de Melilla	-2.7
SE	Norra Mellansverige	-2.7
AT	Salzburg	-2.7
DE	Brandenburg – Nordost	-2.7

Note: AT, BE, DE, DK, IE, IT, NL, SE: 2007, EL 2005 and FR 2004.



3.1 Total expenditure on R&D, 2008

% of regional GDP

- < 0.5
- 0.5 - 1
- 1 - 2
- 2 - 3
- >= 3

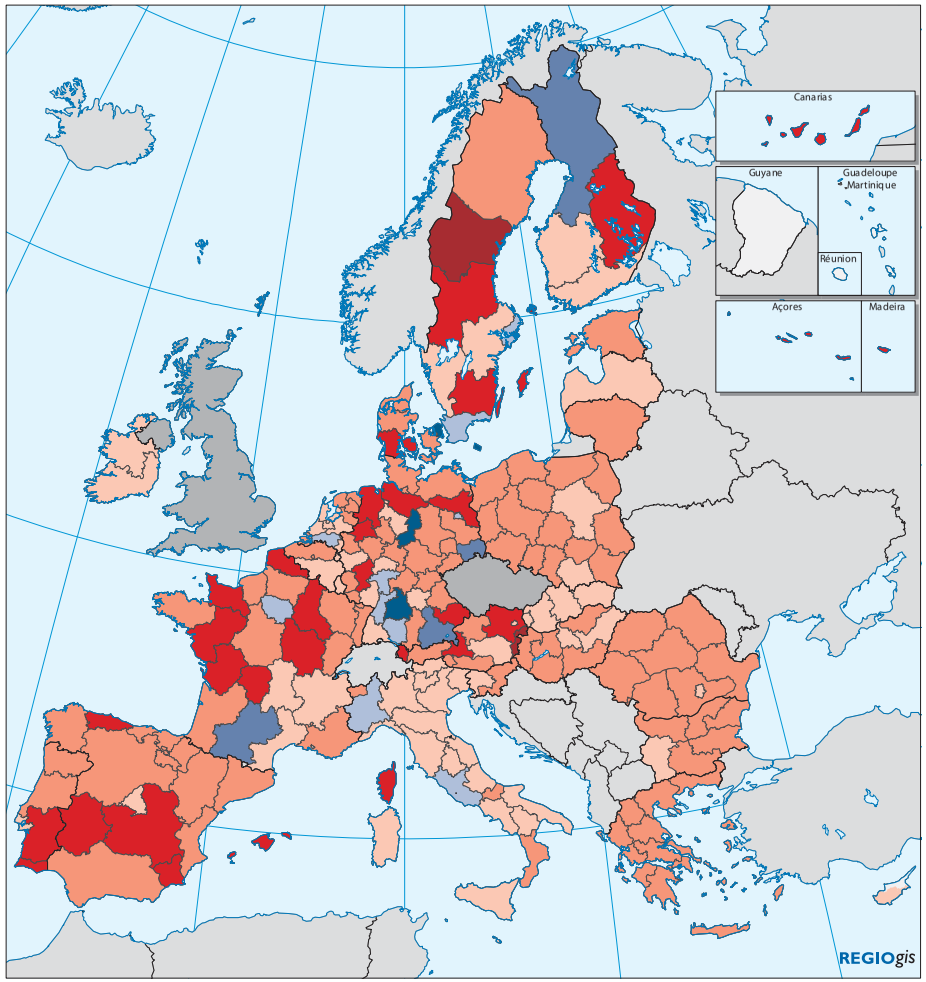
EU-27 = 1.92

The Europe 2020 R&D target is 3%.

AT, BE, DE, DK, IE, IT, NL, SE: 2007

Source: Eurostat

0 500 Km



3.2 Total expenditure on R&D, 2008 – Distance to National 2020 target

Percentage points difference

- < -3
- -3 - -2
- -2 - -1
- -1 - 0
- 0 - 1
- 1 - 2
- >2
- no national target

EU-27 = -1.08

Blue regions have reached the target.
Red regions haven't reached the target.

The Greek target will be revised.

Sources: Eurostat, MS NPRs, DG REGIO calculations

0 500 Km

4. Patent applications per 10 million inhabitants, 2006-2007

Patent applications per 10 million inhabitants is calculated by dividing the total number of patent applications to the EPO in a metro region by the total population of the metro region multiplied by 10 million. A metro region ([1]) represents an urban agglomeration of at least 250 000 inhabitants and consists of one or more NUTS 3 regions.

Why does this matter?

Patents, by protecting new inventions, ensure that inventors can get a return on their investment someone wants to use their invention. Patents can promote more innovation, competitiveness and economic growth. Patent applications per inhabitant give an indication of which metro regions operate close to the knowledge frontier.

How do the EU metro regions score?

Patent applications are the most concentrated issue discussed in this report. Patent application rates differ between the metro regions by a factor of more then 1 000 (hence the logarithmic axis in the graph). Even application rates between the country with highest rate (Sweden with 2 889) and with the lowest rate (Romania with 12) differ by a factor of 240.

In all Member States, the average metro region outperforms the average non-metro regions, with the exception of the UK ([2]).

The top ten metro regions are not capital regions. They tend to be second tier and smaller metro regions with a highly specialised industry or cluster and/or university. The differences between metro regions within a country are also large, with a few scoring far above the national rate and many scoring below the national and even non-metro rate. In several MS, a second tier or smaller metro region outperforms the capital metro region (see graph 4.1).

The ten metro regions with the lowest patent application per 10 million inhabitants are second tier and smaller metro regions located in Poland, Romania and Bulgaria.

This table shows the ten metro regions with the highest patent applications per 10 million inhabitants

MS	Metro region	Patent applications per 10 million inhabitants, 2006-2007
NL	Eindhoven	18 003
FI	Tampere	11 632
DE	Stuttgart	7 405
DE	München	7 180
DE	Mannheim	6 502
DE	Regensburg	6 486
DE	Heidelberg	6 063
DE	Nürnberg	5 972
DE	Reutlingen	5 777
DE	Ulm	5 394

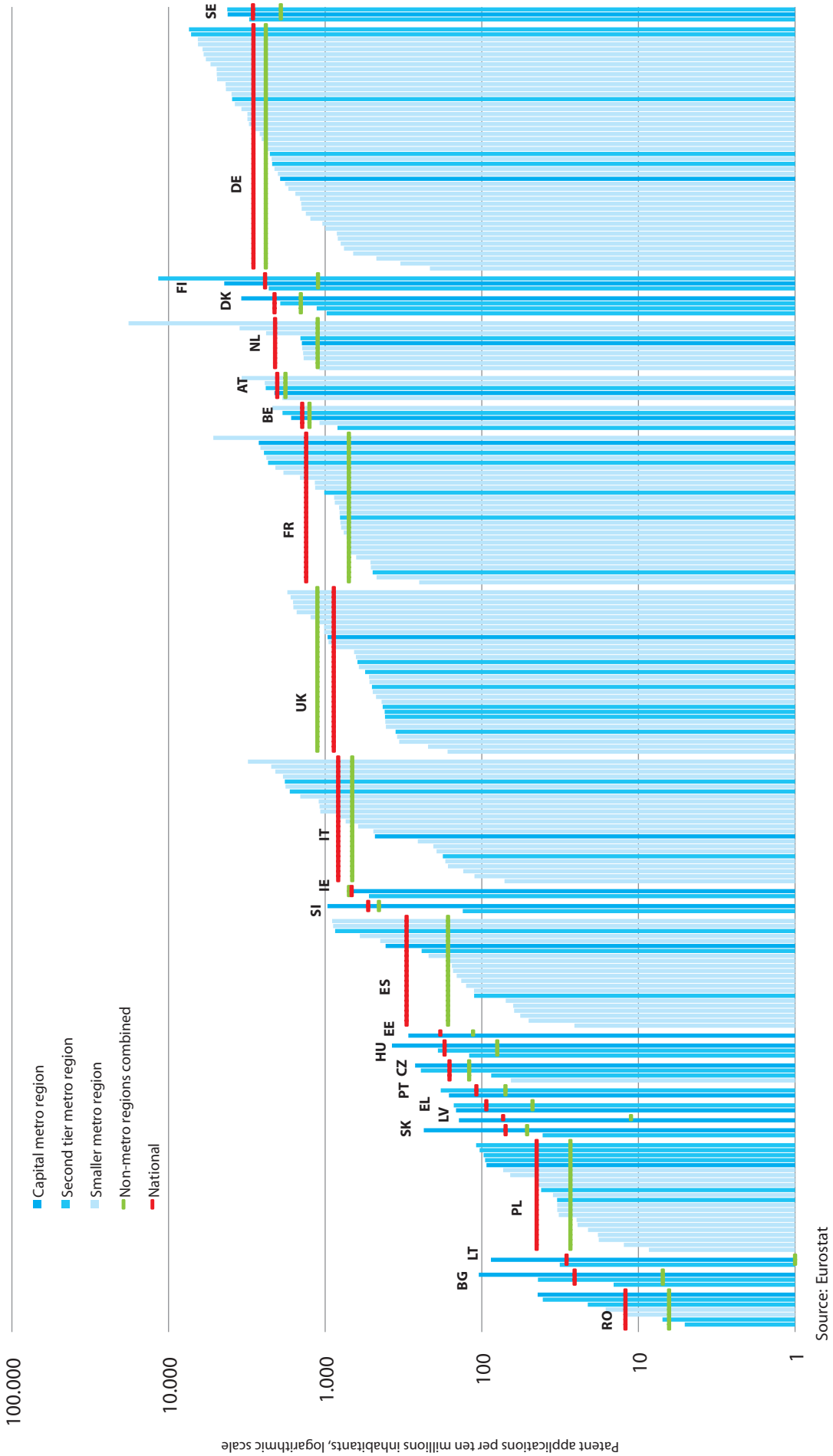
Note: Cambridge is not a metro region but scores 5 627.

This table shows the ten metro regions with the lowest patent applications per 10 million inhabitants

MS	Metro region	Patent applications per 10 million inhabitants, 2006-2007
PL	Kalisz	18
PL	Wloclawek	18
RO	Galați	16
BG	Plovdiv	14
PL	Opole	12
RO	Brasov	12
PL	Olsztyn	9
RO	Craiova	7
RO	Cluj-Napoca	5
RO	Constanța	0

1. The capital metro region contains the national capital. The second tier consists of the bigger metro regions just below the capital in the national urban hierarchy. Remaining metro regions are 'smaller'. For more information on metro regions see Regional Focus 01/2011 by Dijkstra L. and Poelman H.
2. In the UK, Cambridge and Oxford, both too small to be considered as a metro region, have such a high number of patent applications per inhabitants (5 627 and 3 369 resp.) that they raise the average performance of UK non-metro regions above that of the UK metro regions.

4.1 Patent applications to the EPO, average 2006-2007



Source: Eurostat

5. Green House Gas emissions 2005-2009

Change in GHG emissions outside the Emissions Trading Scheme and distance to national 2020 targets (national).

Why does this matter?

This indicator shows trends in total man-made emissions of greenhouse gases by sectors included in the so-called 'Effort Sharing Decision'. The EU as a whole is committed to achieving at least a 20 % reduction of its greenhouse gas emissions by 2020 compared to 1990. This objective implies a 21 % reduction in emissions from sectors covered by the EU emission trading scheme (ETS) compared to 2005 by 2020; and a reduction of 10 % in emissions for sectors outside the EU ETS. To achieve this 10 % overall target each Member State has agreed country-specific greenhouse gas emission reduction or limits for 2020 compared to 2005 from sectors included in the 'Effort Sharing Decision': transport, buildings, agriculture and waste.

This table shows the five countries with the highest GHG emissions reduction outside ETS in 2009

MS	Change in GHG emissions, 2005-2009 (%)
UK	-18.2
HU	-16.9
SK	-12.3
IT	-12.2
SE	-11.8

How do the EU Member States score?

The reduction of GHG emissions in sectors included in the Effort Sharing Mechanism has been very high is some Member States. In the United-Kingdom emissions were reduced by 18.2 % while in Hungary, they fell by almost 17 %. For most new Member States, the decrease is more modest which reflects the very high level of economic growth these countries have experienced. Emissions even increased in some countries, like for instance in Malta (+1.4 %) or Poland (+0.3 %).

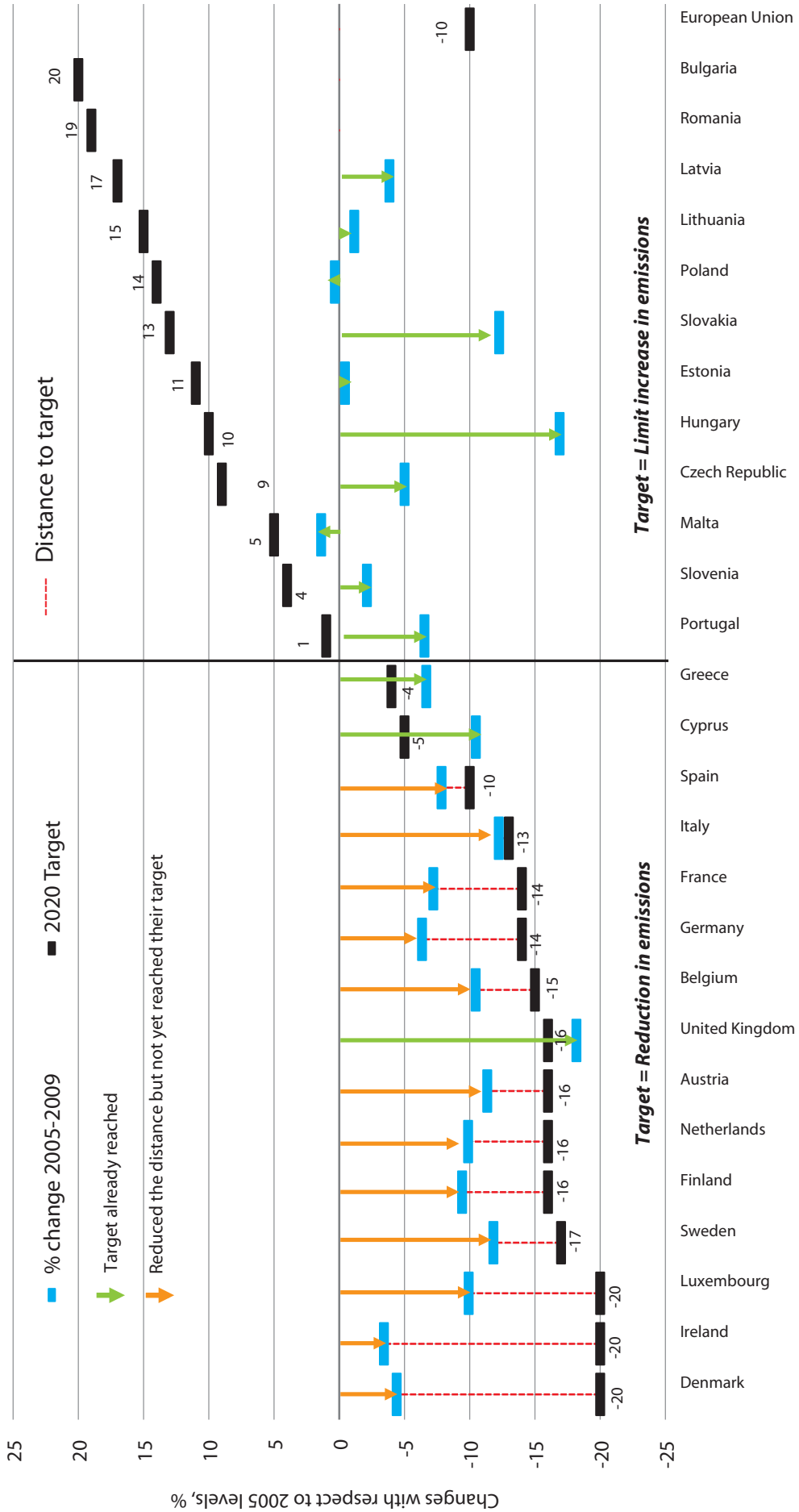
The distance to the target to which Member States have committed also strongly varies from one country to the other. A number of countries are way ahead of their target, like for instance Hungary and Slovakia which commit to limit their emissions to no more than 10 % and 13 % respectively and where emissions actually decreased significantly.

This table shows the five countries that are most distant to their national target in 2009

MS	Distance to target, percentage point
IE	16.6
DK	15.6
LU	10.1
DE	7.7
FR	6.8

In other countries, the target for emission reduction is not yet reached but the emissions have started to reduce, like for instance in Sweden where the target was set to a reduction of 17 % and emissions decreased by 11.8 % compared to levels of 2005. Among the Member States which have not reached their target, the distance to target is the highest in Ireland, Denmark and Luxemburg. It is the lowest in Italy, Spain and Belgium where additional reduction of 0.7 %, 2.2 % and 4.5 % are required to meet the objectives. The share of GHG emissions outside ETS was based on data on the total emissions and emissions within ETS from the European Environmental Agency.

5.1 Change in greenhouse gas emissions outside the Emmissions Trading Scheme, 2005-2009 and Europe 2020 targets



Source: EEA, provisional calculation method

6. Renewable energy 2008

Consumption of renewable energy and distance to national 2020 targets (national).

Why does this matter?

This indicator shows the share of renewable energy in gross final energy consumption of Member States. Sources of renewable energy are wind power, solar power (thermal, photovoltaic and concentrated), hydro-electric power, tidal power, geothermal energy and biomass. They constitute alternatives to fossil fuels and hence contribute to reducing greenhouse gas emissions as well as diversifying the EU energy supply.

Renewable energy is also a sector which offers interesting perspective for the development of new technologies and of new employment opportunities. The EU Directive on renewable energy has set targets for all Member States, such that the EU should reach a 20 % share of energy from renewable sources by 2020 and a 10 % share of renewable energy specifically in the transport sector. The share of renewable energy consumption in the EU in 2008 was 10 %.

How do the EU Member States score?

The share of renewable energy in gross final energy consumption is already high in some Member States. It accounts for more than 44 % of energy consumption in Sweden and more than 30 % in Finland. On the contrary, it is extremely low in other countries like for instance Malta, Luxemburg or the United Kingdom where renewable energy represents respectively 0.2 %, 2.1 % and 2.2 % of gross final energy consumption.

This table shows the five countries with the highest share of renewable energy in gross final energy consumption in 2008

MS	Share of renewable energy in gross final energy consumption, 2008 (%)
SE	44.4
FI	30.5
LV	29.9
AT	28.5
PT	23.2

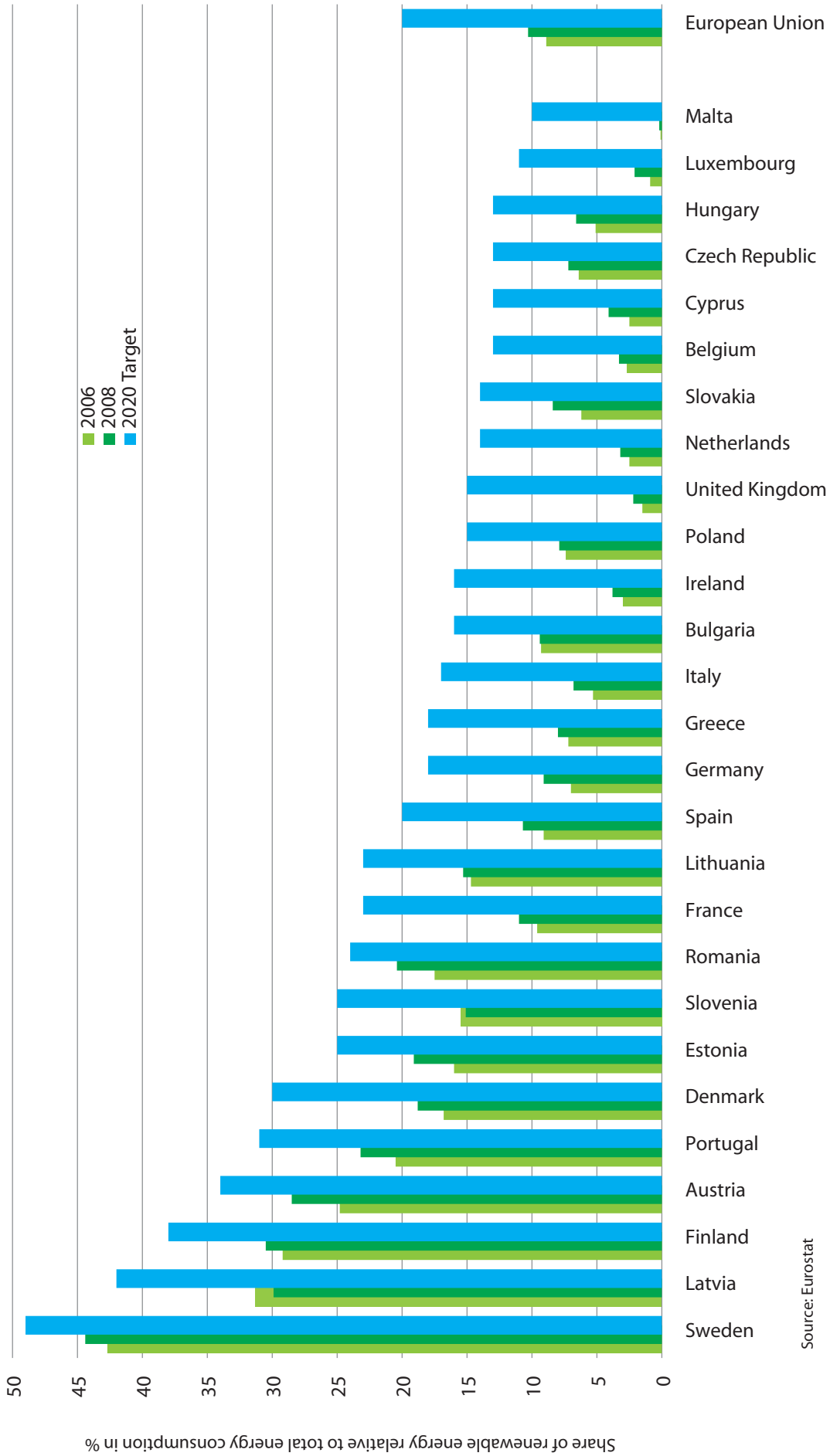
However, it is generally in the Member States where the use of renewables is particularly low that it is also growing the fastest. For instance, between 2006 and 2008, the share of renewable energy in gross final energy consumption has grown by 133 % in Luxemburg, by 100 % in Malta and 64 % in Cyprus. The growth in the share of renewables in consumption is above 20 % in all Member States where it is currently lower than 5 %.

This table shows the five countries that are most distant to their national target in 2008

MS	Distance to target, percentage point
UK	12.8
IE	12.2
LV	12.1
FR	12.0
DK	11.2

The situation of Member States also widely varies regarding the distance to the target they have committed. Some countries like the United Kingdom, Ireland, Latvia or France must increase the use of renewables by more than 12 percentage points to reach their targets. Other countries are already close to their 2020 objective, like for instance Romania, Sweden or Austria which must respectively add another 3.6, 4.6 and 5.5 percentage points of renewables into final energy consumption for reaching their targets.

6.1 Renewable energy consumption, 2006, 2008 and the 2020 targets



Source: Eurostat

7. Employment rate age group 20-64, 2010

The employment rate divides the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey.

Why does this matter?

The Europe 2020 strategy aims to increase the employment rate of people aged 20 to 64 to 75 % by 2020. In the EU, the rate was 69 % in 2010. Increasing the employment rate will help to reduce poverty and exclusion. It will also help to address the cost of ageing, in particular in countries with a pay-as-you-go pension system. To sustainably increase the employment rate, the EU will have to become more globally competitive. Investments in human capital and innovation in the broad sense, connections and the business environment can all contribute to this goal. National 2020 targets stated in the national reform programmes vary from 62.9 % in Malta to 80 % in Sweden and Denmark.

How do the EU regions score?

The convergence regions have the lowest employment rate at 63 %, the transition regions score slightly better at 64 %. The competitiveness regions have higher rate of 72 %. To reach the target of 75 % in 2020, the convergence regions need more than 5 million jobs, transition regions need 2.5 million and competitiveness regions need 12 million jobs.

The ten regions with the highest employment rate are all from the Northwest of the EU. Their employment rates are unlikely to increase much more. In particular, the Netherlands, Sweden, Denmark, Germany and the UK have reached high levels of employment.

Most countries show stark regional differences, underlining the regional nature of labour markets and the relatively low labour mobility within the EU.

The regions with employment rates below 60 % are almost all southern, eastern or outermost regions (see map 7.1). But some regions in the North-West score low too, for example West Wales and the Valleys in the UK, Border, Midland and Western in Ireland or Hainaut and Brussels in Belgium.

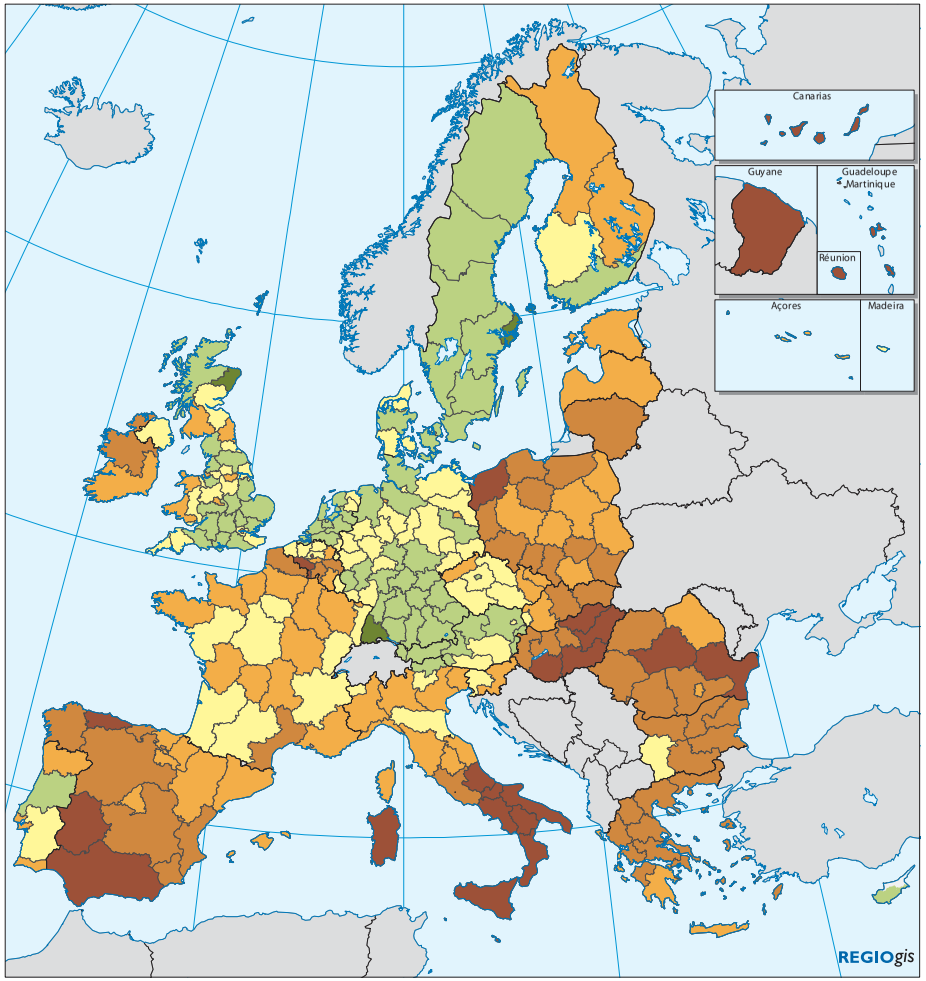
The ten regions most distant to their national target are three of the four French outermost regions, three southern Italian regions, two Hungarian regions and the Spanish enclaves Melilla and Ceuta. The UK has opted not to select a national employment target for 2020.

This table shows the ten regions with the highest employment rate in 2010

MS	Region	Employment rate age group 20-64 in %, 2010
FI	Åland	83.6
SE	Stockholm	81.7
DE	Freiburg	80.2
UK	North Eastern Scotland	80.1
NL	Utrecht	79.7
DE	Schwaben	79.5
SE	Småland med öarna	79.5
UK	Berkshire, Buckinghamshire and Oxfordshire	79.4
SE	Västsverige	79.1
DE	Oberbayern	79.0

This table shows the ten regions which are the most distant to their national 2020 employment rate target in 2010 in percentage points

MS	Region	Distance to national 2020 employment target in pp
FR	Réunion	-25
IT	Campania	-24
ES	Ciudad Autónoma de Ceuta	-23
ES	Ciudad Autónoma de Melilla	-23
FR	Guyane	-22
IT	Calabria	-22
IT	Sicilia	-21
HU	Észak-Magyarország	-21
HU	Észak-Alföld	-21
FR	Guadeloupe	-20



7.1 Employment rate, (ages 20-64), 2010

% of population aged 20-64

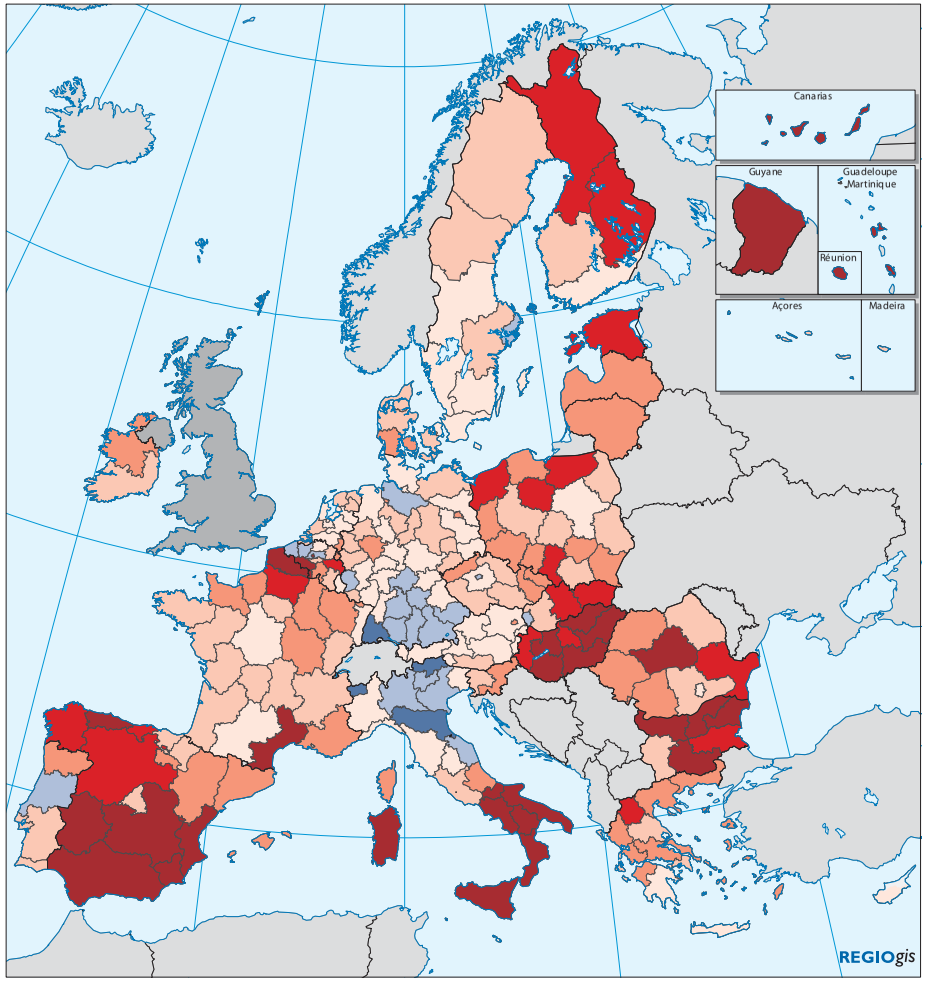
- < 60
- 60 - 65
- 65 - 70
- 70 - 75
- 75 - 80
- > 80

EU-27 = 68.5

The Europe 2020 employment rate target is 75%.

Source: Eurostat

0 500 Km



7.2 Employment rate, (ages 20-64), 2010 – Distance to National 2020 target

Percentage points difference

- < -12
- -12 - -9
- -9 - -6
- -6 - -3
- -3 - 0
- 0 - 3
- > 3
- no national target

EU-27 = -6.5

Blue regions have reached the target.
Red regions haven't reached the target.

Sources: Eurostat, MS NRPs, DG REGIO calculations

0 500 Km

8. Unemployment rate, 2010

This indicator measures the number of people aged 15-74 who are without work but looking for work and available for work, divided by the number of people aged 15-74 and active in the labour market, i.e. those employed and unemployed.

Why does this matter?

High unemployment is a threat to social cohesion leading to poverty and social exclusion and it is one of the most important incentives for people to leave their regions.

	Convergence	Transition	RCE	EU
Unemployment rate, 2010	11.9	14.8	7.9	9.7
Change in unemployment rate, 2007-2010 in pp	2.8	6.4	1.8	2.5

Convergence regions are faced with high unemployment rates due to low levels of economic activity and skills mismatch due to restructuring and the reduction of employment in agriculture. The Transition regions have an even higher unemployment rate. They were hit particularly hard by the crisis with an increase in unemployment of 6 percentage points between 2007 and 2010. Competitiveness regions have a slightly lower unemployment rate, but they were still confronted with an increase of almost 2 percentage points between 2007 and 2010.

How do the EU regions score?

Regional disparities among the EU-27 regions remain high. One region in three has an unemployment rate above 10 %.

The highest rates are registered in the French overseas departments, which face specific challenges, and many Spanish regions. Most of the 26 regions with unemployment rates over 15 % can be found in these two, as well as in Slovakia and in the Baltic States. In contrast, 34 regions mainly located in Austria, Germany, northern Italy and the Netherlands have rates below 5 %.

The ten top movers between 2007 and 2010 are, with the exception of Corse, German Landers, where labour mobility (from East to West Germany) can explain part of this performance. Unemployment rates dropped also in some regions of France, Poland, Austria and the UK. On the other side, several regions in Spain, Ireland, Baltic States and Greece witnessed a substantial increase in the unemployment rates.

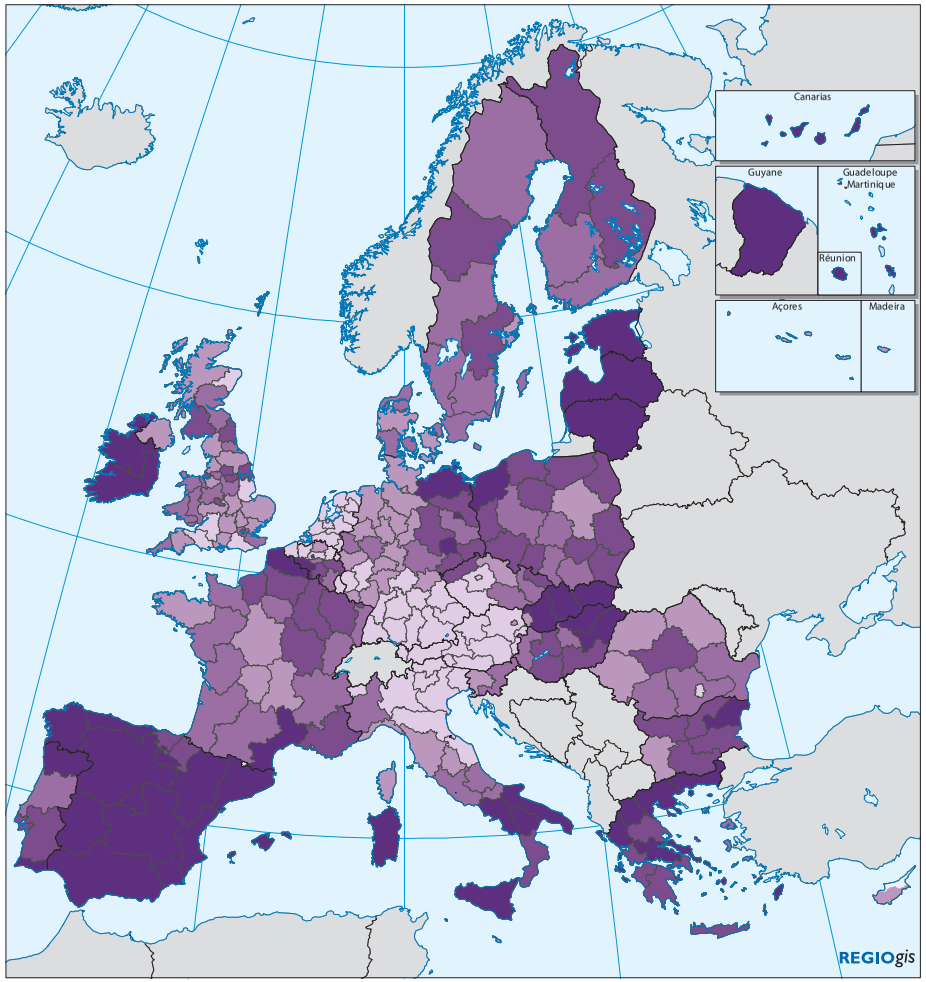
In most cases, reductions in unemployment rates are correlated with increased levels of GDP per capita and lower levels of poverty. Conversely, regions growing unemployment tend to have lower levels of economic growth and higher levels of poverty.

This table shows the ten regions with the highest rate of unemployment in 2010

MS	Region	Unemployment rate, %
FR	Réunion	29
ES	Canarias	29
ES	Andalucía	28
ES	Ciudad Autónoma de Ceuta	24
FR	Guadeloupe	24
ES	Ciudad Autónoma de Melilla	24
ES	Región de Murcia	23
ES	Comunidad Valenciana	23
ES	Extremadura	23
FR	Martinique	21

This table shows the regions in which unemployment rate decreased the fastest between 2007 and 2010 in percentage points

MS	Region	Change in unemployment rate, in pp
DE	Thüringen	-5.1
FR	Corse	-5.0
DE	Mecklenburg-Vorpommern	-5.0
DE	Leipzig	-4.8
DE	Sachsen-Anhalt	-4.3
DE	Brandenburg – Nordost	-3.9
DE	Brandenburg – Südwest	-3.9
DE	Bremen	-3.8
DE	Berlin	-3.1
DE	Dresden	-2.9



8.1 Unemployment rate, 2010

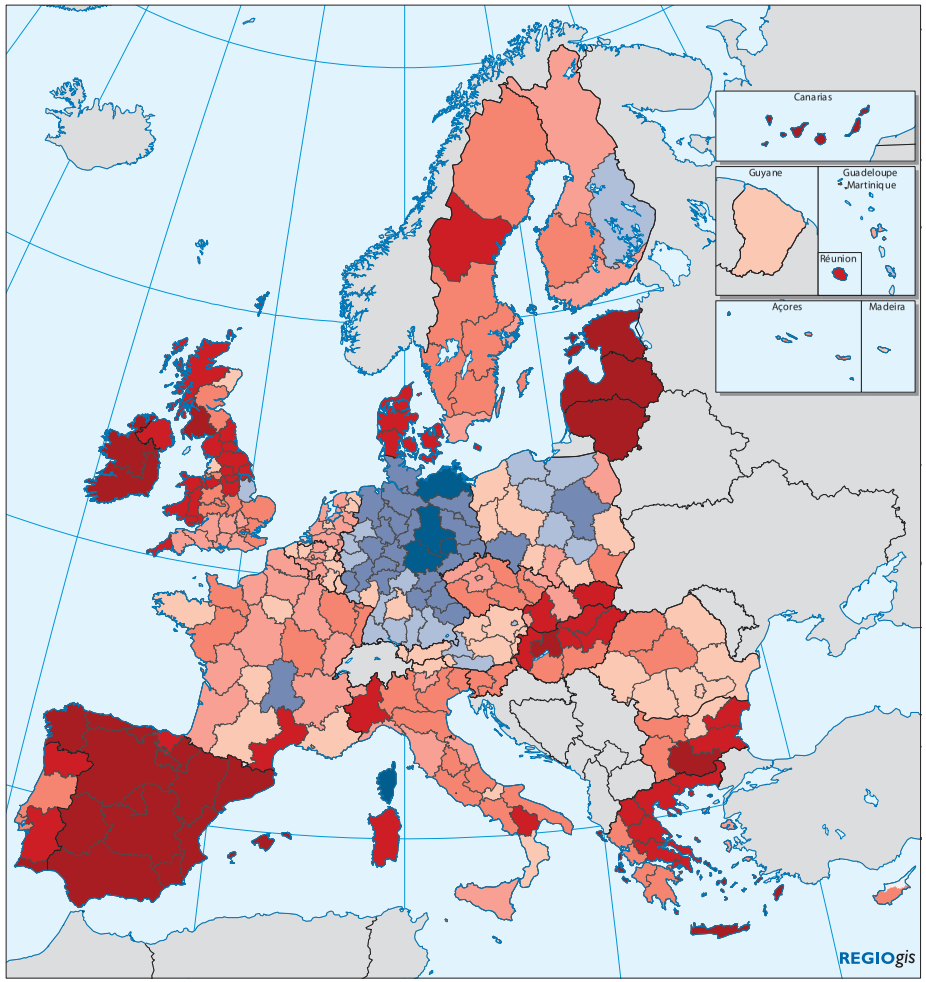
% of labour force

< 5.8
5.8 - 7.4
7.4 - 9.3
9.3 - 12.3
>= 12.3

EU-27 = 9.6

Source: Eurostat

0 500 Km



8.2 Change in unemployment rate, 2007-2010

Percentage points change

< -4
-4 - -1
-1 - 0
0 - 1
1 - 2
2 - 3
3 - 5
> 5
no data

EU-27 = 2.4

Source: Eurostat

0 500 Km

9. At risk of poverty or exclusion rate, 2009

This indicator is the share of people who are (1) at-risk-of-poverty and/or (2) severely materially deprived and/or (3) living in households with very low work intensity.

(1) At risk-of-poverty means having an income below 60% of the national median equivalised disposable income after social transfers.

(2) Severe material deprivation means experiencing at least 4 out of 9 situations of financial strain or enforced lack of durables.

(3) People living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year.

The national targets based on national reform programmes and Commission calculations. They vary from a reduction by 0.3 pp in the Czech Republic to 6.6 pp in Bulgaria.

Why does this matter?

The Europe 2020 strategy aims to reduce the number of people at risk of poverty or exclusion in the EU with 20 million by 2020. Reaching this target may require depending on the country income and employment growth, adjusting the welfare and/or tax system.

How do the EU regions score?

The ten regions with the lowest at-riskof-poverty-or-exclusion rate are surprisingly diverse. They contain regions from the North and the South, from the East and the West, capitals and more rural regions.

The regional breakdowns often reveal substantial internal variation. For example, Spain, Italy and Belgium all three have a strong North-South divide. In Bulgaria, Hungary, Poland, Slovakia and the Czech Republic the capital region has the lowest rate, while in Austria, Belgium the opposite is true. Overall there is a link to GDP per head, with the highest rates in Bulgaria, Romania. This is particularly due to their high rates of severe material deprivation.

The ten regions which are most distant to their national 2020 target are located in southern Italy (four regions), Spain (four regions) and one region in Bulgaria and one in Belgium. The combination of a high GDP per head and relatively high atrisk-of-poverty-or-exclusion rate in Brussels highlights the juxtaposition of high income and high poverty. The southern Italian regions show that low employment rates and low growth rates tend to exacerbate poverty and exclusion.

Germany, France, the Netherlands, the UK and Portugal could not provide regional figures, which may influence the regions in the two tables.

This table shows the ten regions that are the most distant to their national 2020 at-risk-of-poverty-or-exclusion target in 2009 in percentage points

MS	Region	Distance to national 2020 at-risk-of-poverty-or-exclusion target in pp
IT	Sicilia	28
IT	Campania	22
IT	Calabria	21
IT	Basilicata	21
ES	Melilla	20
BE	Région de Bruxelles-Capitale/ Brussels Hoofdstedelijk Gewest*	19
ES	Extremadura	18
ES	Ceuta	18
BG	Severen tsentralen	17
ES	Canarias	15

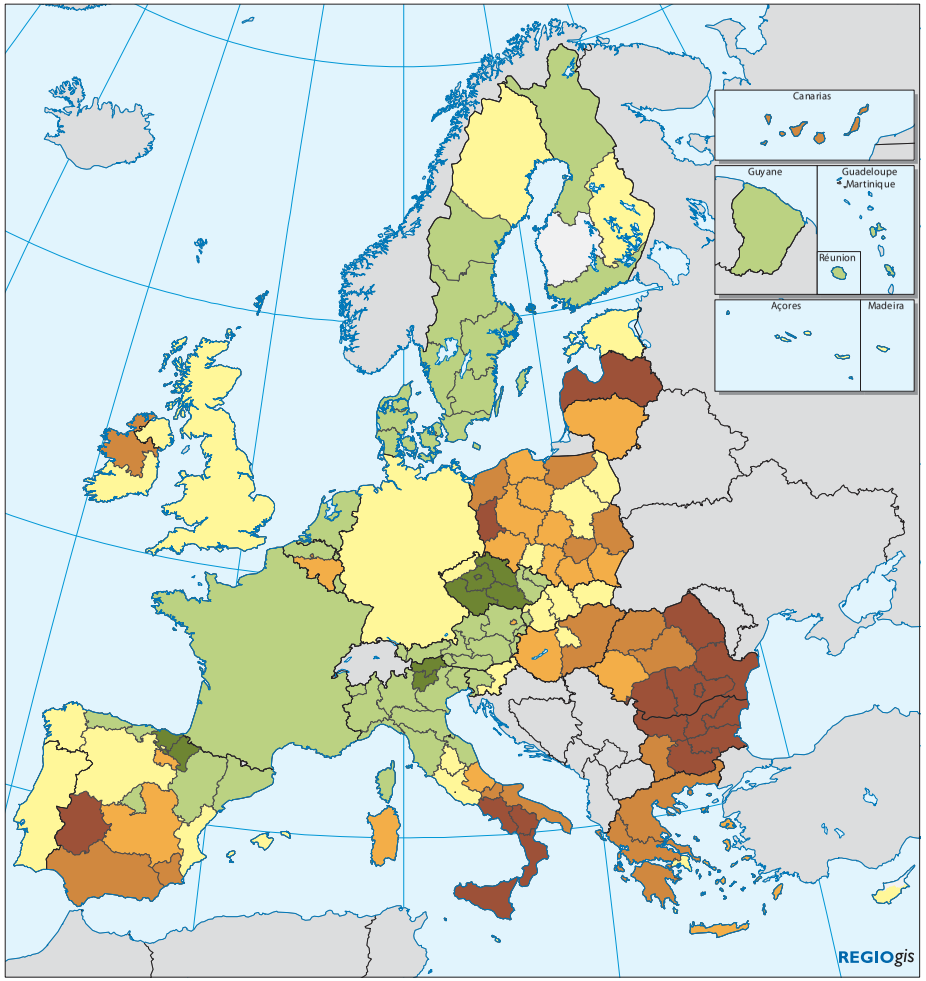
* Average 2007-2009

Note: For DE, FR, NL, PT and UK only national level data was available. For BE, EL and HU only NUTS1. AT and BE is average 2007-2009.

This table shows the ten regions with the lowest at-risk-of-poverty-or-exclusion rate in 2009

MS	Region	At-risk-of-poverty-or-exclusion rate 2009, in %
FI	Åland	5
IT	Provincia Autonoma Trento	9
ES	Comunidad Foral de Navarra	10
CZ	Praha	10
CZ	Střední Čechy	11
CZ	Severovýchod	12
IT	Provincia Autonoma Bolzano/Bozen	13
CZ	Jihozápad	13
ES	País Vasco	13
CZ	Jihovýchod	13

Note: For DE, FR, NL, PT and UK only national level data was available. For BE, EL and HU only NUTS1. AT and BE is average 2007-2009.



9.1 Population at risk of poverty or exclusion, 2009

% of total population

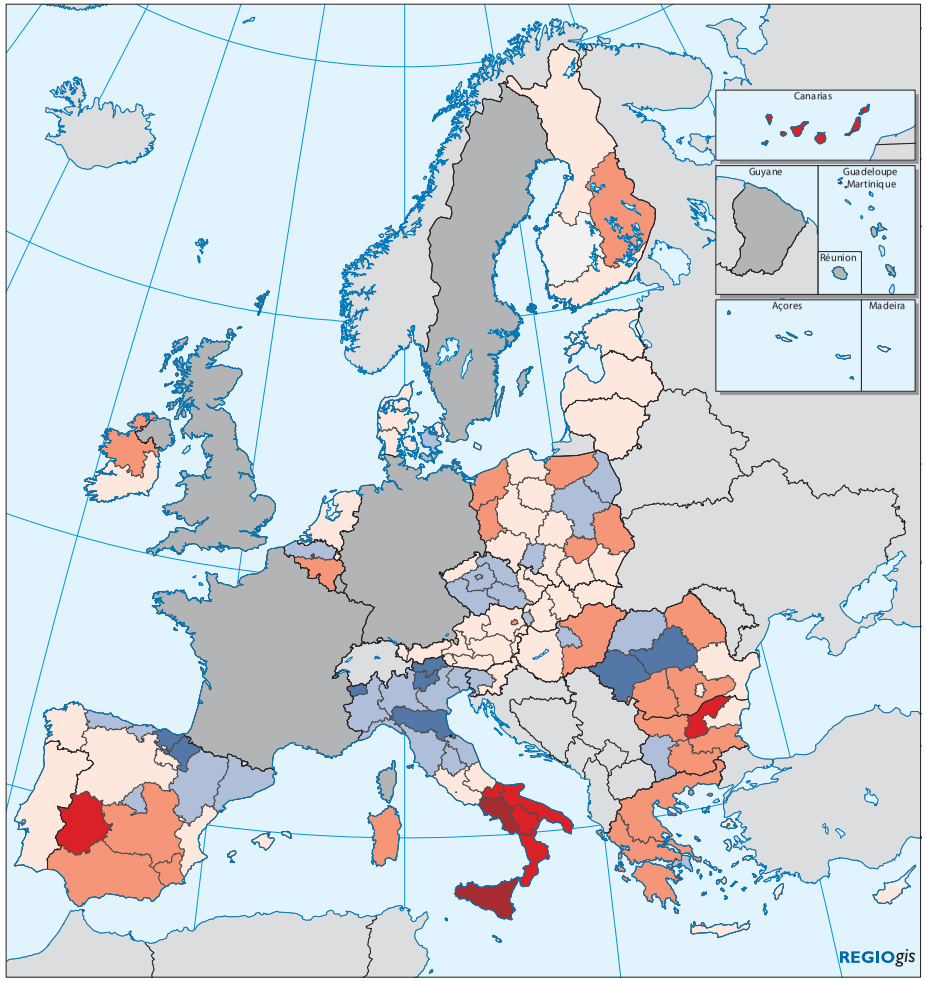
- < 13
- 13 - 19
- 19 - 25
- 25 - 31
- 31 - 37
- > 37
- no data

EU-27 = 23.1

AT, BE: 2007-2009 average

The Europe 2020 target for reducing poverty is a reduction of the number of people at risk of poverty or exclusion by 20 million persons. This translates into a reduction from 23% to 19% of the total population.
Source: Eurostat

0 500 Km



9.2 Population at risk of poverty or exclusion in 2009 – Distance to National 2020 target

Percentage points difference

- < -7
- -7 - 0
- 0 - 7
- 7 - 14
- 14 - 21
- > 21
- no national target

EU-27 = 4

Blue regions have reached the target.
Red regions haven't reached the target.

Sources: Eurostat, MS NRP's, DG REGIO and DG EMPL calculations

0 500 Km

10. GDP/head 2008

Gross Domestic Product per head in Purchasing Power Standards.

Why does this matter?

Gross domestic product (GDP) is the total value of all goods and services produced within a region in a given period of time. GDP/head is the level of output per inhabitant which is an indication of the average level of economic wealth generated per person. In order to compare regions, it is computed in Purchasing Power Standards (PPS) which eliminates differences in purchasing power due to different price levels between regions.

In general, the level of GDP per head is closely related to global economic performance, in particular to production, factor productivity and employment. Change in time is also used as an indicator of the pace of economic development.

How do the EU regions score?

The geographical distribution of GDP/head underlines large development gaps between EU regions and particularly between the Western and the Central and Eastern Member States. Eight of the top ten regions are located in the West. They are also often capital city regions. At the other end of the spectrum, several regions in Bulgaria and Romania have levels of GDP/head below 30 % of the EU-27 average. The lowest level is 27 % in Severozapaden, Bulgaria.

Regions where GDP per head has increased often host the national capital or a large city. Strong growth is also frequently observed in regions with a low level of GDP/head, like for instance Vest, Romania whose GDP/head is only 51 % of the EU average but whose index has grown by almost 24 percentage points between 2000 and 2008. On the other hand, growth has often been modest in regions with high levels of GDP per head, particularly in Northern Italy or in some capital city regions like Wien or Région de Bruxelles-Capitale. In the latter, GDP/head index decreased from 256 in 2000 to 216 in 2008.

This shows that poor regions are catching up with the rest of the EU and is consistent with the fact that convergence among EU regions in terms of GDP/head has increased. Between 2000 and 2008, the coefficient of variation, which is a statistical measure of regional disparities, indeed decreased by 10 %.

This table shows the ten regions with the highest GDP per head in PPS in 2008

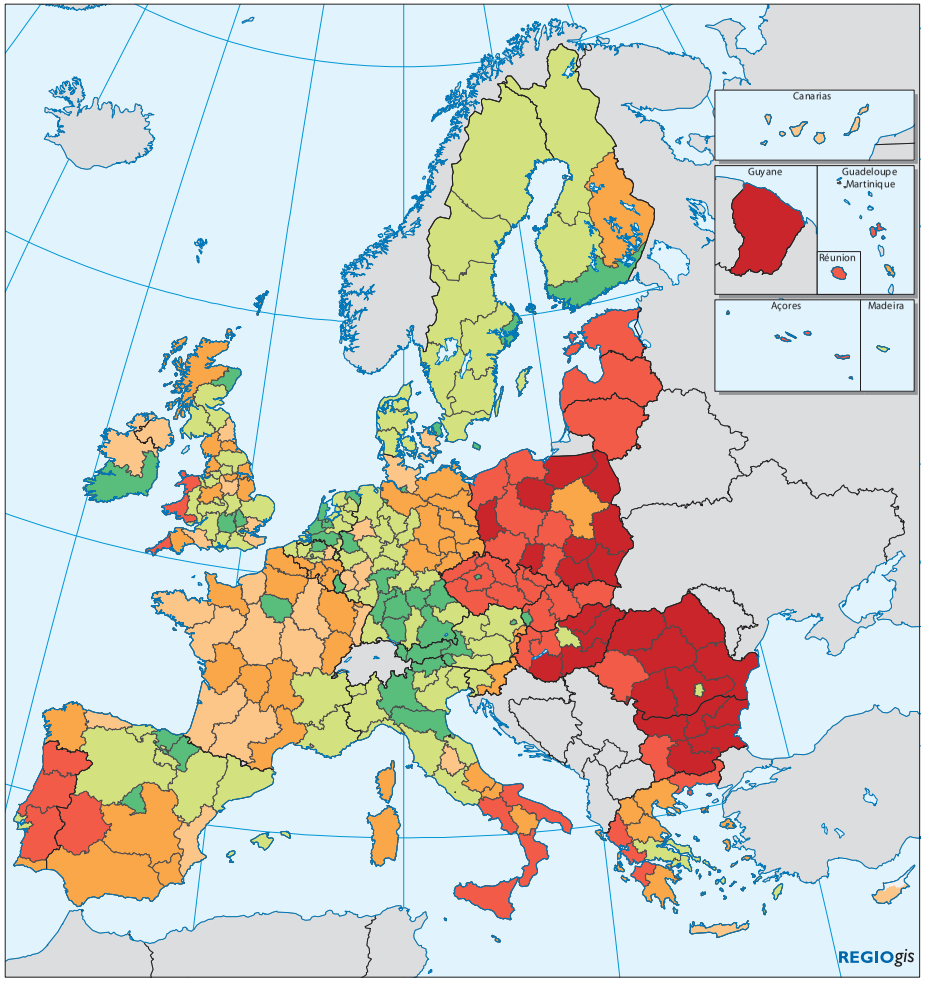
MS	Top Ten regions	GDP per head in PPS EU-27 = 100
UK	Inner London *	343
LU	Luxembourg (Grand-Duché) *	280
BE	Région de Bruxelles-Capitale *	216
NL	Groningen **	198
DE	Hamburg	188
CZ	Praha	172
FR	Île de France	168
SE	Stockholm	167
SK	Bratislavský kraj	167
AT	Wien	163

* Overstated due to commuter flows.
** Overstated due to GVA from off-shore gas production.

This table shows the ten regions with the biggest increase in GDP per head in PPS between 2000 and 2008, in difference in index points

MS	Top Ten Movers	Difference in EU-27 GDP per head index points
SK	Bratislavský kraj	58
RO	Bucureşti – Ilfov	57
NL	Groningen **	48
CZ	Praha	36
BG	Yugozapaden	35
LU	Luxembourg (Grand-Duché) *	35
UK	Inner London *	31
RO	Vest	24
EE	Eesti	23
HU	Közép-Magyarország	22

* Overstated due to commuter flows.
** Overstated due to GVA from off-shore gas production.



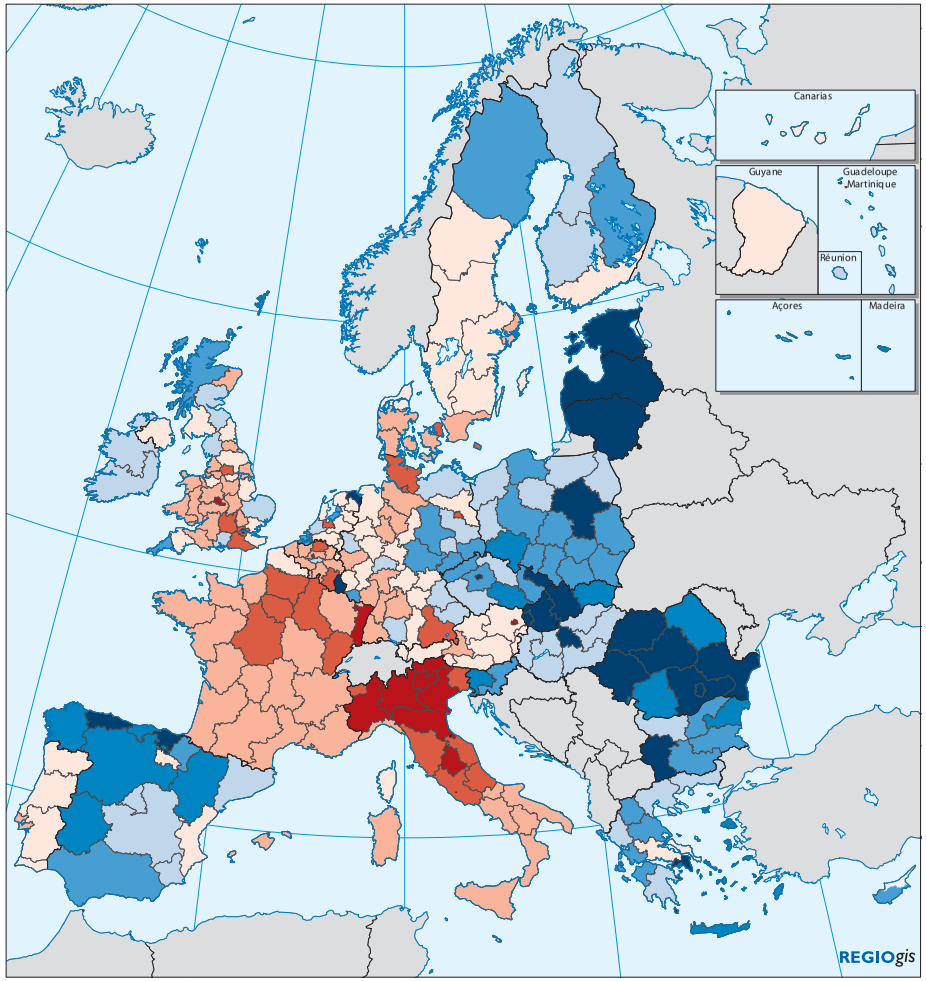
10.1 GDP per head (PPS), 2008

Index, EU-27 = 100

< 50
50 - 75
75 - 90
90 - 100
100 - 125
>= 125

Source: Eurostat

0 500 Km



10.2 Change in GDP/head (PPS), 2000-2008

Difference in index

< -15
-15 - -10
-10 - -5
-5 - 0
0 - 5
5 - 10
10 - 15
> 15

EU-27 = 0

GDP/head expressed as index of EU-27 average = 100

Sources: Eurostat, DG REGIO

0 500 Km

European Commission

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