



POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

FINAL STUDY REPORT

European Commission

Directorate-General for Employment, Social Affairs and Equal Opportunities
Unit E2

Manuscript completed in August 2008

© European Communities, 2008
Reproduction is authorised provided the source is acknowledged.



European Commission

Contents

<u>EXECUTIVE SUMMARY</u>	4
Introduction.....	4
<i>Section I: Describing and understanding rural poverty</i>	4
Chapter I. Identification of rural areas: problems and methodology.....	4
Chapter 2. Main and specific problems of rural areas.....	7
Chapter 3. Poverty and social exclusion in rural areas.....	14
<i>Section II: Policies for social inclusion in rural areas</i>	22
Chapter 4. Policies for social inclusion of the rural poor.....	23
Chapter 5. EU policies against poverty of rural areas.....	26
Chapter 6. Conclusions: policy suggestion.....	29
<u>INTRODUCTION</u>	32
<i>Section I: Describing and understanding rural poverty</i>	34
<u>Chapter I. Identification of rural areas: problems and methodology</u>	35
1.1 Complexity of defining rural areas.....	35
1.2 The OECD definition of rurality.....	36
1.3 Alternative definitions of rurality proposed by the European Commission.....	37
1.4 The OECD typology and the accessibility issue: the classification by DG Regional Policy.....	38
1.5 The FGB definition of rurality.....	41
1.6 Advantages and shortcomings of the OECD, DG Regional Policy and FGB definitions.....	42
1.7 Comparison between the OECD definition and the FGB definition of rurality.....	43
1.8 Conclusions.....	48
<u>Chapter 2. Main and specific problems of rural areas</u>	49
2.1 Rural areas between economic development and risk of poverty.....	49
2.2 The transformation of rural areas.....	53
2.3 Poverty of rural areas and poverty in rural areas.....	55
2.4 Demography.....	56
2.5 Remoteness: infrastructure and access to basic services.....	59
2.6 Education.....	65
2.7 Labour Market.....	66
2.8 The vicious circles of “poverty of rural areas”.....	71
<u>Chapter 3. Poverty and social exclusion in rural areas</u>	74
3.1 Income poverty in rural areas.....	74
3.2 From income poverty to social exclusion.....	75
3.2.1 Labour market indicators.....	78
3.2.2 Housing quality.....	92
3.2.3 Life expectancy at birth.....	93
3.2.4 Education.....	94
3.2.5 Demographic structure.....	97
3.3 Groups at risk of poverty and social exclusion in rural areas.....	98
3.3.1 Women.....	99
3.3.2 Youth.....	101
3.3.3 Low educated, low skilled people.....	103
3.3.4 Elderly.....	104
3.3.5 Ethnic minorities and immigrants.....	106
3.3.6 Farmers.....	108
<i>Section II Policies for social inclusion in rural areas</i>	112
I. Policies against poverty of rural areas and policies against poverty of rural people.....	113
II. The political irrelevance of the rural poor.....	114
<u>Chapter 4. Policies for social inclusion of the rural poor</u>	116
4.1 Introduction.....	116
4.2 The European Strategy against Social Exclusion.....	116
4.3 Social security, pensions and health care in rural areas.....	119
4.4 Active policies in rural labour market.....	121
4.5 Human capital, education and training in rural Europe.....	123
4.6 Designing and implementing social policies in rural areas: a problem of governance.....	127

<u>Chapter 5. EU Policies and poverty of rural areas</u>	129
5.1 Agricultural policy: the two Pillars and the funding of the CAP.....	130
5.2 Rural development between CAP and Cohesion Policy.....	134
5.3 The new framework of Rural Development 2007-2013.....	138
5.4 Rural Development Policy: complementarities and conflicts with the fight against poverty and social exclusion in rural Areas.....	141
ANNEX 5.1 Examples of success stories in structural and rural development policies.....	147
A.1) Tourism Promotion.....	147
A.2) Diffusion of ICT and promotion of innovation.....	150
A.3) Production of energy from renewable sources.....	156
A.4) Promotion of local high-quality products.....	157
A.5) Improving the quality of life for local population.....	162
<u>Chapter 6. Conclusions and policy suggestions</u>	166
6.1 Understanding rural poverty.....	166
6.1.1 The specific features of rural areas.....	166
6.1.2 Poverty of rural areas.....	167
6.1.3 Poverty of rural people.....	169
6.2 Policies against rural poverty.....	170
6.2.1 Policies for the social inclusion of the rural poor.....	170
6.2.2 Policies against poverty of rural areas.....	172
6.2.3 Designing and implementing social policies in rural areas: a problem of governance.....	173
<i>References</i>	175

EXECUTIVE SUMMARY

Introduction

1. Despite the ambitious goals set by the Lisbon European Council of March 2000 and the subsequent efforts in this direction by the Community and Member States, poverty in Europe is still significant and the relevance of poverty increased with the recent enlargement that involved countries with a lower level of income.
2. Rural poverty represents an important aspect of European poverty, considering that rural areas account for a large part of the European territory and of the population of 27 Member States (MS). The relevance of the rural dimension has increased with the last two rounds of enlargement (2004 and 2007).
3. Nevertheless, so far at the European level rural areas have been neglected in their specific features in the analysis of poverty; indeed, the awareness of the European public opinion as well as the commitment of the public institutions, at different levels, with respect to the problems of rural poverty is extremely weak.
4. The present study partly fills the gap: it is intended to be a knowledge-improving step in the construction of a specific EU strategy for social inclusion in rural areas. This study aims at analysing the main and specific features of poverty and social exclusion in rural areas; on the policy side, it analyses those policies, implemented by local, national or EU authorities, that have an impact on rural poverty.
5. The study, after identifying rural areas in the EU and the European Economic Area (EEA), concentrates on fifteen countries for the description of the main features of poverty in rural areas. The fifteen countries are selected in order to present a balanced sample of different geographical regions (Northern, Southern, Western and Eastern Europe) and social models. The fifteen countries are fourteen EU countries - Italy, Spain, Greece, Portugal, France, Germany, UK, Ireland, Slovenia, Hungary, Poland, Lithuania, Bulgaria and Romania – and one EEA country – Norway.

Section I: Describing and understanding rural poverty

Chapter 1. Identification of rural areas: problems and methodology

6. Individual countries have very different official definitions of “rural areas”, the scope ranging from definitions in terms of dispersed population, an often agricultural-based economy, distance from major urban centres, and, as a direct consequence, lack of access to major services. There is no Community definition of rural areas.
7. At the international level, the most frequently used approach is that proposed by the OECD. The OECD has established a regional typology according to which regions have been classified as: Predominantly Rural (PR), Intermediate (IR) and Predominantly Urban (PU). This typology is based on a combination of three criteria: first, it identifies rural communities according to population density; second, it calculates the percentage of the population of a region living in rural communities; third, it takes into account the presence of large urban centres in such region.

8. According to the OECD definition, the most part of Europe is classified as rural (PR or IR). Indeed, only 26% of NUTS3 regions appear to be urban (PU), whereas 40% is classified as PR and 34% as IR. As happens in other highly industrialised areas, such as the US and Canada, in the EU the rural dimension is very significant.
9. A clear geographical pattern emerges: 1) countries in Eastern and Southern Europe (except for Italy), Scandinavia, Ireland and France show a predominance of rural regions; in most Eastern countries (the only relevant exception being Poland) only the region of the capital is classified as PU; 2) only in 3 Western countries (Belgium, the Netherlands and UK) there is a clear predominance of PU regions; 3) among the largest countries, Italy and Germany are in an intermediate position.
10. Looking at the distribution of the population among PR, IR and PU regions, the previous pattern is mostly confirmed. There is a high concentration of population in PR and IR areas in Eastern and Scandinavian countries, France and Ireland, while Belgium, the Netherlands and UK are the countries with the largest share of population living in PU regions. However, in Southern Europe the previous pattern appears to be less clear-cut: indeed Portugal, Spain and Greece show a certain concentration of population in PU regions. Therefore, the prevalence of rural population is not a feature of all peripheral countries and, at the same time, not all the countries located in the “geographical and economic core” of Europe (such as France) have a strong prevalence of urban population.
11. The OECD definition enables meaningful comparisons between regions of different countries. However, for any definition of rurality, there exists a clear trade-off between simplicity and capability of taking country heterogeneity into account. In other words, if a definition is to be used for international comparisons, it has to adopt some common thresholds, which however may not be suitable for all countries. With regard to the EU, the OECD definition may overestimate rurality in the case of small countries with only few large urban centres.
12. An important element characterising rural areas is that of accessibility, in terms of easiness to access to all those services and activities which represent common facilities for people living in urban centres (such as schools, hospitals, sports and cultural facilities). The OECD typology neglects this factor for identifying different kinds of rurality.
13. DG Regional Policy has thus proposed a new approach, which uses the OECD definition as a starting point and enriches it to take the accessibility issue of rural areas into account. More precisely, it divides both IR regions and PR regions into 2 subcategories ("remote regions" and "regions close to a city"), according to their distance from a large urban centre, expressed as the time required to get to such city by road.
14. This approach presents two specific advantages: 1) it looks beyond the boundaries of the NUTS3 regions; 2) it works within the OECD definition, so it remains comparable to the other studies. However, its main disadvantage seems to be that it adds other thresholds to the OECD definition, which increases the degree of arbitrariness in identifying the different categories of regions.
15. The accessibility issue does not appear to be relevant for IR regions, but seems to be significant for some Eastern countries (Bulgaria, Hungary and Romania), Southern countries (Greece and Portugal) and Ireland.

16. The OECD definition does not fully take into account socio-economic conditions of a region, for instance its economic structure. Indeed, there is a remarkable heterogeneity in the development trajectories of rural regions that go far beyond the traditional, generalised image of rural disadvantage. Within the same country it is possible to identify leading or lagging rural areas, periurban and commuting areas linked to urban centres or remote areas, rural areas still relying heavily on agriculture or rural areas with an economy more oriented towards services - such as tourism – and industry – such as food industry.
17. In the advanced stages of economic development, such as in the case of the European Union - despite its internal differences – the connection between agriculture and rural seems to become weaker because of the development of industry and services in the countryside. On the contrary, even though the economic destination of rural areas appears to be only partially related to agricultural performance, agriculture remains one of the distinctive traits of rural areas.
18. Because of the limitations of the OECD definition, we propose a simple but effective definition of rurality (henceforth, FGB definition), applicable to all territorial units at NUTS 3 level for all 27 EU member countries, plus the EEA countries. It combines the following elements at NUTS 3 level: population density, size of the largest urban centre and the share of employment in the primary sector (agriculture, hunting, forestry and fishing). The NUTS 3 regions are then classified into three categories (PU, IR and PR), in order to keep our definition comparable with that of the OECD.
19. Two specific advantages of FGB definition are the possibility of: 1) discriminating whether the population of a NUTS3 region is concentrated in a single centre or is more evenly distributed; 2) taking the relevance of the primary sector into account, because agriculture is clearly an element characterising rural areas, as opposed to urban ones. By contrast, a clear advantage of the OECD concept is that it analyses population density at the community (LAU2) level, while FGB definition only does so at NUTS3 level.
20. The use of the FGB definition provides a picture of the EU where the number of PR and IR regions and the share of population living in PR and IR regions are lower than those obtained by applying the OECD concept, even if the changes are not dramatic. In other words, the EU appears to be slightly less rural than by using the OECD definition. In more detail, there is a certain reinforcement of the urban dimension in Western countries and of intermediate rurality in Eastern countries (in the former, the number of IR regions diminishes and that of PU regions increases; in the latter, the number of PR regions diminishes and that of IR regions increases).
21. Therefore, the FGB definition partly corrects for the over-estimation of rurality in the EU produced by the OECD typology. The picture emerging from the FGB definition probably better reflects the characteristics of the European territory, where there is often a continuum between “city” and “countryside” and thus the geographical distinction between urban and rural areas is less clear-cut than in other areas such as the US or Canada. However, as already stated, the differences between the FGB and the OECD definitions are not striking and hence the geographical pattern of rurality identified by the OECD does not radically change.

22. The FGB definition could be refined by taking into account other variables related to agriculture and forestry (e.g. land cover), which could be considered as potentially relevant elements for discriminating rural areas from urban ones.
23. Clearly, all definitions of rurality suffer from a certain degree of arbitrariness in the identification of thresholds for the variables. When applied at the European level, such degree of arbitrariness increases because of the wide heterogeneity of rural areas. Moreover, at the European level the definitions of rurality have to take into account a number of constraints in data availability. Indeed, any typology necessarily needs a number of assumptions, which provide a simplified picture of such a complex phenomenon as rurality. For instance, a NUTS3 region classified as urban may still have a part of its territory with clear rural characteristics.
24. So far, the official definitions of rurality differ from country to country. The efforts made to create definitions applicable at the international level (such as the OECD, DG Regional Policy and FGB definitions) have proposed uniform criteria and thresholds in order to permit international comparisons. The study suggests that it would be very useful to agree upon a single official definition of rurality at the EU level. In other words, it would seem necessary to harmonise the definitions of rurality used in the EU, both for analytical and policy purposes.
25. However, there could be two different ways to harmonise definitions of rurality: 1) to identify single thresholds applicable to all Member States; 2) to consider rurality a relative concept - just as the risk of poverty – and define thresholds based on the values of certain variables at the national level. The first option would be the most simple and transparent, but the second, even if more complex, could be able to take into account the heterogeneity of EU Member States, in terms of population, physical dimension, geographical characteristics and economic structure.

Chapter 2. Main and specific problems of rural areas

26. The research carried out is based both on the available statistical data at NUTS3 or NUTS2 level and on the Country Studies¹. Data refer to the 15 countries covered by the study; regions are classified as PR, IR or PU according to the OECD definition, because it is the most the most widely used definition at the international level and makes the findings of the research more comparable with those of other studies and documents.
27. The risk of poverty and social exclusion is often more difficult to identify in rural areas than in urban ones. Despite remarkable differences among rural areas, it has been shown that average living standard, as expressed as GDP per head, is generally lower in rural than in urban areas. Even taking all the limitations of the GDP indicator into account, this evidence suggests the existence of a higher risk of poverty of rural areas as compared to urban ones. Data thus seem to show the presence of a phenomenon that we will call “poverty of rural areas”, i.e. the existence of a possible disadvantage of the rural context in comparison with the urban one.

¹ Since the analysis is based not only on Eurostat data, but also on data supplied by National Statistical Institutes, sources might not always be fully comparable and thus conclusions have to be drawn with caution

28. On the other hand, when compared to the urban context, the risk of poverty and social exclusion for people living in rural areas may assume different features. Some specific at-risk groups may stand out, either different from the urban ones or similar to them, but facing different specific problems connected to the characteristics of rural areas. We will call this phenomenon “poverty in rural areas”
29. The research permits to point out some specific problems that characterize rural areas and determine the risk of poverty and social exclusion for the rural population. This set of problems includes several difficulties linked to demography, remoteness, education, and to some special features of the labour market.

Demography

30. Demography is among the key determinants of the economic growth of an area and it represents the basic information on the characteristics of the poor in the area. Approximately 59% of the EU27 population live in rural (IR or PR) regions. Among the countries covered by the study, the greatest shares of rural population are in Bulgaria, Romania, Lithuania and Norway. At the other extreme, the most urbanised country is the UK.
31. In Western countries, two large scale processes of demographic change are taking place: a long established “urbanization” trend drawing population out of more remote rural areas into urban and accessible rural areas, and a more recent “counter-urbanization” flow out of urban areas into accessible rural areas (made possible by new transport and ICT infrastructure) increasingly under pressure from an urbanized lifestyle. The latter phenomenon is particularly evident in the case of France and the UK. Moreover, there is an increasing weight of the so-called returning migrations, i.e, people who return to their home villages after a previous migration to urban areas or abroad.
32. In Eastern countries the exodus from rural to urban areas (especially the capital city) is at present a relevant phenomenon; moreover, migration abroad – notably of young people and women – risks to lead to a general impoverishment of rural areas. The latter phenomenon (among the countries covered by this study) is particularly acute in Bulgaria, Lithuania, Poland and Romania.

Ageing

33. Europe's population is ageing, as a consequence of both lower birth rates and an increase in life expectancy. With regard to life expectancy, according to data from the National Statistical Institutes and the World Health Organization, relevant differences still exist across countries, but not between rural and urban regions inside the same country. Life expectancy is generally lower in Eastern countries and higher in Mediterranean countries and Northern countries. Indeed, it ranges from 65 years in Lithuania to 77 in Greece, Italy and Norway with regard to men, and from 75 years in Romania to 83 in Italy, Spain and France for women.
34. People aged 65 and over represent more than 15% of population in most countries (with the exceptions of Ireland, Lithuania, Hungary and Slovenia) and the percentage of elderly in PR regions is usually higher than the national average. This reflects higher levels of out-migration of young people. Since women live longer, a high proportion of households composed by aged people is made up of single women.

35. As regards the implications of ageing on labour market in rural areas, the most difficult situation is that of Bulgaria, Italy and France, where in PR regions the share of people aged 15-24 is lower than that of people aged 55-64. This may reveal not only an unfavorable demographic trend which may reduce local labor supply in the next few years, but can also pose a risk for the future sustainability of social protection systems, especially with respect to pensions.

Gender Disparities

36. There appears to be a certain gender imbalance in the rural parts of some Southern and Eastern Member States, where strong rural-urban migration of females in the economically active age groups causes a degree of “masculinisation” of the rural population, leading to a secondary effect on fertility rates. In some rural areas of Mediterranean countries (Southern Italy, Spain, Greece), women have frequently to search for remunerated job opportunities in urban areas, while in Eastern countries (notably Poland and Romania) they tend to migrate abroad in order to find a job.
37. In other countries, such as Norway and France, it has been reported a specific risk of social exclusion for poor male farmers, who tend to remain single, because women are reluctant to share their poor living conditions.
38. Some general patterns emerge with respect to demography. The problems connected to aging, which is a general problem in all countries, are particularly severe in PR areas, where old people may have additional difficulties due to isolation and distance to basic (e.g. health care) services. Gender problems appear different between eastern and western countries: in western countries a specific problem concerns the category of aged single women; in eastern and southern countries, instead, there is a problem of out-migration of rural women, due to labour market related barriers. In the former case there is a need of policy measures focused on the problems linked to remoteness; in the latter, instead, anti-discriminatory policies and affirmative actions in the area of labour policies are called for.

Remoteness, infrastructure and access to basic services

39. Remoteness is an important element of difficulty in rural areas, involving relevant aspects of life. Concentration of the main services in urban areas can impact on the quality of life of groups already at risk of social exclusion: health services for elderly or disabled, child care facilities for female workers, etc... The accessibility of schools is an other important question for children and parents living in remote rural areas. Moreover, in some remote rural areas, also a reduction in existing public and private services (e.g. retail, postal offices, banks, childcare, libraries, kindergartens) is ongoing. The problem is relevant for PR regions in all the 15 countries covered by the study.

Housing

40. Housing conditions in rural areas appear to be worse than those in urban areas, While differences in the number of rooms per person are not considerable when comparing urban and rural areas, there are relevant differences with regard to indoor flushing toilet facilities and the general state of maintenance. The urban–rural divisions reflect differences according to age, income, and occupational status. Generally speaking, young people, unemployed, low-skilled and low-income people report the worst housing conditions. These phenomena

appear to be almost non-existent in Northern countries, while they are quite severe in Eastern countries and in some Southern countries (Italy, Greece and Portugal).

Access to transport

41. Some rural areas have benefited from improved transport links, improving their economic performance. Transport plays an important role in increasing the demand for residential houses in rural areas. The possibilities of commuting or investing in a second house have played an important role in changing the economic and social aspects of many rural areas in western countries. Adequate infrastructures and, in particular, access to transport and the ability to travel, are identified as an especially significant resource to accessing employment and to developing social relations in remote rural areas.
42. However, limited transport infrastructure is still a problem in many rural regions, increasing the distance from markets and, more generally, social isolation of some social groups. In particular, in rural regions characterized by high dispersion and numerous small villages, providing the traditional public transport services is difficult and very expensive. This aspect is more relevant for some Eastern countries, notably Bulgaria, Poland and Romania, where the overall quality of infrastructure is lower.

Commuting

43. In many rural contexts, the widespread presence of economic activities in the territory or the proximity to a city stimulates the phenomenon of commuting. The importance of commuting has been taken into consideration by some European countries such as Italy and France, who have started to create a typology of classification of the territory which takes into account this phenomenon.
44. Commuting may help reducing unemployment in rural areas; however, it may divert demand for key services away from local providers towards nearby urban ones, resulting in a decline in local provision of services, which may represent an additional source of deprivation for more vulnerable groups (such as elderly and children). It may also cause house price inflation.
45. Commuting has changed the characteristics of many rural areas, by making them more similar to peri-urban areas. Consequently, they are characterized by problems such as high inflation in the housing market, transport costs, pollution and environmental problems, etc. These difficulties affect particularly the low income families who originally moved to peri-urban areas exactly with the aim of reducing the cost of living, and are now trapped in a circle “moving in search of cost reduction - facing cost increase as effect of such search”.

ICT

46. In most countries covered by the study, an important digital gap in rural areas is reported. For example, in Spain only 30% of rural households own a PC and a scarce 16% have access to the internet. ICT usage is generally higher in northern Member States, such as Norway, Ireland and the UK, than in most southern and eastern countries (Slovenia being a notable exception) for two main reasons: better physical infrastructure (e.g. broadband connections) and better educational levels. The diffusion of ICT is in general considered as an important tool for stimulating economic development and improving the functioning of economic activity and labour market. In some countries (e.g. France), a specific effort is

planned to facilitate the appropriation of and the access to ICT in rural areas, also with the goal of reinforcing the presence of Small and Medium-sized Enterprises (SMEs) in rural areas.

47. The adoption of ICT is endogenous and is in particular driven by the characteristics of the labour force. Physical investment in ICT is not enough to facilitate its adoption; the issue is also to adapt the skills of the labour force. In that sense, complementarity between human capital policies and the investment in communication infrastructures is crucial to reduce the technological gap between rural and urban areas.

Access to health care and social services

48. The analysis underlines the existence of strong disparities in the access to health care between urban and rural areas. These disparities, for some Member States, can be explained by geographical and demographic features such as remoteness, low density and dispersion of villages. In other cases the differences may be the result of a decentralised decision-making process which gives regional and local authorities policy discretion and therefore permits regional differences in funding.
49. The inhabitants of rural regions are on average much further from a major hospital than those of urban regions; in general, basic health care services are harder to provide in areas with low demographic density. The longest travel times are found in the regions of the northern, southern and eastern peripheries: Northern Norway, Northern Scotland, Southern Italy, Greek Islands, Eastern Poland, Romania.
50. Many isolated rural areas suffer from the lack or poor medical infrastructure and staff. Doctors, dentists, nurses, chemists, are less present in rural areas; in those areas characterized by remoteness sometimes it is very difficult to find specialists.
51. This problem is particularly relevant for social groups such as the elderly and the children. In some cases, the difficulty in accessing the health care is also the consequence of a low number of people with medical insurance in rural areas (e.g. agricultural workers and small farmers who usually have lower pensions compared to others). The accessibility of medical assistance is even lower for vulnerable ethnic minorities, in particular the Roma. Undocumented migrants are facing particularly severe problems in access to health care.
52. Although improvements in small villages are perceivable, thanks to the increasing use of mobile medical units, an important source of concern in rural areas is the need to improve emergency services, as the waiting time to receive assistance in such cases is high above the average.

Education and human capital

53. Being educated is a fundamental component of the quality of life of an individual. Hence, the lack of education is an intrinsic form of deprivation. Moreover, education and training provision play a role in determining levels of human capital, which, in turn, have an impact on rates of economic growth of the area. Therefore, understanding existing differences in education between rural and urban regions is a crucial task in order to construct a map of poverty and social exclusion.

54. Differences between rural and urban areas start to emerge with respect to the pre-school education. In Poland, for example, in 2003 the share of children between 3 and 5 educated in nursery schools was only 34.3%, with 58.9% in urban areas and 8% in rural areas. Many other countries seem to face similar problems of lack of pre-school structures. Even in the Nordic countries, well known for an efficient and extensive net of pre-education services, there is a clear pattern along the rural urban axis: in Norway, for instance, the variation across the country in the proportion of children in kindergarten is significant (e.g. 76% in Oslo and 52% per cent in the rural Aust-Agder region). Similar regional differences are found in the provision of supervised after-school activities.
55. Given the importance of school attendance in the very first years of life, as a way to compensate for the unequal social and family background of pupils, this means that in rural areas, as compared with urban areas, there is a higher risk of inter-generational transmission of poverty and exclusion.
56. The problem of education involves other orders of school as well. Students living in PR may have more difficulties to access education because they have to commute everyday; as a consequence of the decline in the number of rural schools, linked to a strategy of grouping schools, the primary and secondary school in rural areas are now less accessible in term of distance that the pupils have to cover and higher cost for the families. Access to education up to the end of the second level is quite widespread and the educational attainment is significantly lower in rural than in urban areas (Ireland, France, Greece, Poland, Italy, Spain, Hungary). The phenomenon is also influenced by out-migration of educated younger people from the countryside (Ireland).
57. In some countries, especially in Eastern Europe, even if usually the level of education is quite high, there is still a problem of illiteracy that affects mainly rural areas. Moreover, the quality of education is lower in rural areas due to both education infrastructure and level of qualification of staff. Many schools need rehabilitations and building endowments, also according to didactic needs. Usually ICT is very scarce and equipment for vocational and apprenticeship education is obsolete or missing in rural schools.
58. The countries with a high share of low educated people tend to have also low employment rates or high poverty rate. Two examples, one for Western countries and the other for Eastern, are given by Ireland and Hungary. In Ireland the county level correlation between the percentage of persons with primary education and the poverty rate is equal to 0.88. In Hungary - where one of the most important differences of rural areas compared to the urban ones is the higher proportion low educated people- the income poverty rate is 23% among people who have not completed primary education, and 18% among those who completed only eight years of primary school.
59. In sum, the analysis of human capital patterns in rural areas shows the existence of a *social immobility trap*, that manifests itself both in terms of intergenerational persistency of income and occupation positions and in terms of educational attainments. The only channel open to children and young from poor and poorly educated families in order to climb the social ladder is often represented by *out-migration: geographical mobility as a way for social mobility*. But this choice, while perfectly rational from the individual viewpoint, leads to the progressive ageing of the rural population and to an impoverishment and an economic decline of rural areas.

Specific problems of labour market in rural areas: the agricultural sector

60. In rural areas, and mainly in PR and in all rural areas of Eastern countries, the relevance of agriculture is still significant in terms of employment opportunities. Here, low incomes and seasonality of work could represent important risk of poverty and social exclusion; moreover they could be important element of intergenerational transmission of poverty, especially among farmers and agricultural workers. In perspective, seasonal workers may suffer of exclusion because of the low pensions they will receive when retiring (Greece, France, Italy, Spain).
61. In some Eastern countries (Poland, Bulgaria, Romania) the problem of farmers and agricultural workers is even more severe because of the transformation of the agriculture from state to private farms. Problems of fragmentation of farms and small dimension of economic activities represent important determinants of poverty and exclusion for farmers and their families. However, in countries such as Bulgaria, the majority of very small-scale farmers are pensioners, or have other gaining activity, and that may reduce their risk of poverty.
62. Linked to the agricultural activity there is often, and especially in western countries, a large employment of immigrants. Mainly for seasonal workers, there is a risk of illegal immigration often associated with very poor living condition, low salaries, and absence of any kind of insurance. Those problems are more severe in Southern countries, where the production of fruits and legumes has a strong seasonal cycle that requires a large amount of seasonal workers (Italy, Spain, Greece). Moreover, the risk of poverty and exclusion is still higher in those areas where there is a presence of criminal organizations that controls the sector labour market by new forms of *caporalato* (illegal work intermediary); this is particularly evident in Southern Italy, Spain, France.

Vicious Circles

63. The four categories of problems of rural areas described above (demography, remoteness, education and labor market) may interact and generate “vicious circles”, which may reproduce and amplify the phenomenon of poverty of rural areas. Policies are called to tackle and break those vicious circles.
64. The “demography circle” starts with the unfavourable demographic situation of many rural areas: large share of elderly, few young people and low density negatively affect the economic performance of the area; as a consequence, low birth rates and migration of young people further worsen the demographic situation. The “remoteness circle” is generated by poor infrastructure, which negatively affects the economic performance of the area, thus fostering out-migration; this has a negative consequence on the demographic situation, representing a further obstacle to the development of infrastructure. The “education circle” is generated by the low educational levels of most of the rural population; this causes a low employment rate and, consequently, may increase the poverty rate, which in turn negatively affects the chance of receiving high quality education. Finally, the “labor market circle” starts with poor labor market opportunities of many rural areas, which force many qualified people to migrate and thus worsen the quality of the local labor force; a low-skilled labor force is a disincentive for investment by domestic or foreign firms in the area; the consequence is a further deterioration of labor market situation.

Chapter 3. Poverty and social exclusion in rural areas

The extent of poverty and deprivation in rural areas

Income poverty in rural areas

65. The most widely used approach to measuring poverty is based on income, by comparing household income with thresholds (poverty lines) derived as a function of the entire distribution and by measuring the proportion of household with income below the poverty line. This is the relative income poverty method, adopted also at the European level: Eurostat defines the at-risk-of poverty rate as “*the share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income*”. The “at risk of poverty rate”, as defined above, is one of the key Laeken indicators of social exclusion.
66. Unfortunately, the available data do not permit a systematic and complete analysis on rural-urban patterns in income poverty in Europe. While comparable data on income distributions in different Member States exist (ECHP and, more recently, EU SILC), these data set do not allow to measure income poverty in Europe by distinguishing between rural and urban regions. This depends on the circumstance that most surveys are not available at NUTS 3 level.
67. However, there exist some country specific surveys in which a differentiation between rural and urban can be made. These surveys may refer to different years and can possibly use different methodological approaches, in terms of poverty lines, income units, individual indicators of well-being (income, consumption, equivalence scales, etc.). Hence, they are significant in within-country evaluations, but they should be used with caution in making cross-countries comparisons.
68. For instance, in Ireland in 2006 the at-risk of poverty rates at the 60% of the median threshold were 14.3% for urban areas and 21.5% for rural areas. A similar picture emerges in France, where rural districts (below 2,000 inhabitants) have the highest proportion of poor people, slightly above 25%, compared to about 24% in cities above 200,000 and to about 13% in cities below 200,000, and in Portugal, where, in 2000, the risk of being poor in a rural territory is the double of that in urban zone: 33% against 16% in urban areas. Also in Greece, in 2003, statistics show that the poverty rate was bigger in rural areas, with a 29%, than in urban, with a value of 21%.
69. Similar patterns emerge in Eastern countries: in Poland, in 2005, the 27.0% of the rural population lived below the relative poverty line, compared to 12.5% in cities and 18.1% for the entire country. In particular, the 18.7% of the rural population lived in extreme poverty (i.e. below the subsistence minimum), compared to 8.2 % of the urban population and 12.3% of the overall population. In Romania, the relative poverty risk in rural areas is more than double as compared to the one in urban areas (42% and 18%, respectively). A similar pattern is found in Lithuania and Hungary, where, in 2005, for rural population the poverty risk rate is three times higher than for inhabitants of biggest cities.
70. In sum, and with the *caveats* discussed above on the comparison of data of different sources, the following patterns seem to emerge. Rural areas are characterized by a higher degree of income poverty with respect to urban areas in all countries for which such distinction is possible. By considering that with the relative poverty approach the poverty line is

determined with respect to the entire country distribution, this picture is confirmed and is partly explained by the observation of a lower GDP in the rural areas with respect to urban areas, in all the countries considered.

71. The gap in poverty rates between rural and urban areas is bigger in eastern countries than in western countries. Moreover, in eastern countries poverty is generally associated with difficulties in the agricultural sector. In western countries, within rural areas, poverty is concentrated in remote regions and, in general, regions with accessibility problems. In addition, in western countries the trend, where available (e.g. in France), shows that poverty is mainly increasing in urban areas, even if rural districts still have the highest proportion of poor people.

From income poverty to social exclusion

72. The analysis of poverty in rural areas and the comparisons between rural and urban areas, within the methodological framework of relative income poverty, suffer of several drawbacks: first, by defining the poverty line on the basis of the entire income distribution, one ignores the regional differences in the cost of living, and this difference could be particularly relevant between rural and urban areas; second, the well being of individuals and groups may depend upon a number of factors, such as monetary and non-monetary factors, infrastructure disparities, life style, and so on, which are not captured by looking only at income.
73. In fact, a consensus has emerged in recent years on the opportunity to supplement income information by other “dimensions” of individual deprivation, in order to measure and evaluate social exclusion in a given area. This is the strategy proposed by the EU with the Laeken indicators: the idea of identifying several indicators, one (or a small set) for each relevant dimension of deprivation, and to make cross-country or trough time comparisons separately for each indicators. Income poverty is only one of those indicators.
74. This multidimensional approach is also followed in the present report. In order to identify the indicators able to capture the essence of poverty and social exclusion in rural areas and to compare such phenomena across European countries, we built on the methodological framework used to set up the list of the Laeken indicators, amending such a list in order to account for two different factors: (i) the specificity of rurality; (ii) the availability of data. As a result, we use the following overarching indicators: Employment rate; Activity rate; Youth unemployment ratio and rate; Employment rate of older workers; Long term unemployment rate; Housing quality; Demographic labour pressure; Multi-generation households; Adults with low educational attainment.

Indicators of deprivation in rural areas

Employment rate

75. The Lisbon European Council in March 2000 stated the objective to raise the employment rate to as close as possible to 70% by 2010 and to increase the employment rate for women to more than 60% by the same year. Generally speaking, PR and IR regions appear to be quite far from reaching the Lisbon targets. The only exception is the UK (plus Norway, which however is not a EU country). With regard to rural-urban cleavages, a mixed picture emerges: only in some countries the employment rate in PR regions is significantly lower

than in PU areas (Bulgaria, Spain, Hungary, Italy). This may be partly explained by poor employment opportunities in many rural areas. In other countries (e.g. Germany, France, Poland, Portugal) the employment rate is higher in PR regions. IR regions are usually in an intermediate position. Overall, Mediterranean (with the exception of Portugal) and Eastern countries tend to have lower employment rates.

76. The breakdown by gender leads to clearer conclusions. With regard to the Lisbon target for female employment, in aggregate terms only Portugal, Slovenia and the UK already exceed the 60% threshold. However, when looking at female employment rates there is much clearer dominance of the urban areas over the rural areas. This is a signal of the specific difficulties of women in such areas. With respect to this, some Country Studies in this study stress that in the last few decades the decline of agricultural activities in rural societies gave rise to a scenario in which women in rural areas found great difficulties in the labour market, especially for those who were traditionally employed in agriculture. In many countries the low employment rate of women is one of the main specificity of rural areas (France, Southern Italy).

Activity rate

77. The activity rates, in analogy with the employment rates, do not show a clear pattern along the rural-urban dimension: while in northern countries such as Norway, Ireland, UK, but also in Spain, Italy, Hungary, the PU regions show a clear dominance over the PR regions, the opposite picture emerges in countries such as Germany, France, Portugal, Romania.
78. The breakdown by gender however is revealing. While confirming big disparities between countries and in particular along the north/south axis, it reveals less important differences along the rural/urban pattern. The lowest female activity rates are recorded in Italy, where in the PR regions it is equal to 40% (while in Norway and Germany is above the 70%). Hence, opposite to what happens with the female employment rates, the female activity rates do not show a clear pattern in the rural/urban dimension: this evidence can be interpreted as a signal that the main difficulties encountered by women in the rural labour market are linked to the demand side, i.e. to the employment opportunities, rather than to the supply side.

Youth unemployment ratio and rate

79. The youth unemployment ratio² does not show dramatic differences along the rural-urban dimension, even if it is usually slightly higher in PR and IR regions than in PU ones, underlining a worse situation of the phenomenon of youth unemployment in rural areas. When disaggregated by gender, the data show that the unemployment ratio is generally higher for young men than for women in rural areas. The youth unemployment rate³ provides a different picture in the breakdown by gender, showing that in rural regions the female unemployment rate is generally higher than the male one. This difference between the two indicators may be explained by two facts: a) the participation of young women in education is higher than that of young men in all the countries covered by the study; b) a large number of young women are still discouraged in entering the labour market (as confirmed by lower activity rates of women).

² The youth unemployment ratio is the ratio between the number of unemployed aged 15-24 to total population of the same age class.

³ The youth unemployment rate is the ratio between the number of unemployed aged 15-24 to the labour force of the same age class. The labour force only includes people who are either working or actively searching for a job.

Employment rate of older workers

80. The Stockholm European Council in March 2001 set a new target of raising the average EU employment rate for older men and women (aged 55 to 64) to 50% by 2010. While this rate is very high in Norway (65%), among the EU countries, at present only the UK, Ireland and Portugal already meet the Lisbon target. On the contrary, very low rates can be recorded for Italy (where it can be explained by the phenomenon of early retirement) and for most Eastern countries (except for Lithuania), where the process of economic transition has pushed many workers from former publicly-owned firms out of the labor market. All these countries tend to have also low overall employment rates
81. The urban-rural pattern of this indicator is fairly mixed: in some Mediterranean and Eastern countries (Greece, Italy, Portugal, Poland and Romania) the employment rate of older workers is actually higher in PR regions than in both IR and PU regions. By contrast, in countries such as Spain, France, Hungary and the UK, the employment rate of older workers is significantly higher in PU regions than in PR ones.

Long-term unemployment rate

82. This rate is quite high in most countries, signalling that many people risk to be caught in “unemployment trap”. Notable exceptions are Norway, the UK, Ireland and Spain. Thus the labour markets of Northern countries (plus Spain) appear to be less affected by the problem of long-term unemployment. The risk of being long-term unemployed is especially high for people with low educational attainment.
83. Looking at the rural-urban cleavages, the pattern is mixed: while in some countries the long-term unemployment rate in PR regions is quite higher than the country’s average (Bulgaria, Greece, Ireland and Italy), in others it is lower than the country’s average. The explanation of lower rates in PR regions lies in the greater seasonality of unemployment, as a consequence of the relative importance of tourism and agriculture which are instead seasonal activities: seasonal workers, who possibly have a job for some months per year, are not statistically considered as long-term unemployed. However, the data may underestimate the number of long-term unemployed in PR regions, because this kind of unemployment could be partially hidden in: a) lower activity rates, which may signal that some people are not registered as unemployed simply because they have given up searching for a job; b) the diffused presence of subsistence agriculture, notably in Eastern countries (with the exception of Slovenia).

The trend in labour market

84. With respect to the trend in the period 2000-2005 of all labour market indicators, a clear message emerges from the data: the performance of rural regions is becoming constantly and significantly worse than that of urban regions. They show a clear improvement in PU regions, a weaker, but still positive, effect on IR regions, and a negative sign for the PR regions. In particular, the activity rate of men and women and the employment rate of men, women and older workers has decreased in PR regions, while it has notably increased in PU regions. The youth unemployment ratio has decreased only in PR regions, while the long-term unemployment rate has remained almost constant in PR and IR regions and has slightly decreased in PU regions.

Housing quality

85. As regards to housing quality, national definitions may be slightly different and therefore cross-national comparisons should be made only with great caution. Problems concerning basic housing infrastructures seem to be relevant only in some rural areas in Eastern countries. In Romania, besides the poor connections to water and sewerage systems, a big issue is the poor quality of water, which significantly diminishes the quality of life and activates the risk of diseases especially following natural disasters such as floods. Other Eastern countries, such as Hungary, Slovenia and Bulgaria, report notable improvements in housing quality in the last decade. However, in Bulgaria the need for investments in sewerage systems and modernisation of the water supply system is seen as a crucial issue.

Demographic labour pressure

86. This indicator is calculated as the ratio of people aged 15-24 (the youngest cohorts of working age) to people aged 55-64 (the oldest cohorts of working age). Values smaller than 1 for this indicator mean that the number of people who can enter the labor force is lower than that of people leaving the working age. Thus this indicator can be interpreted as a measure of "demographic labor pressure". The picture is mixed and no single clear pattern can be detected. The most worrying situation is that of Italy (the values of the indicator are below 1 for all types of regions), which also displays very low employment rates for people aged 55-64. In a number of countries (e.g. Spain, Greece, Hungary, Italy, Poland, Slovenia) the values of the indicator are highest in PR regions. On the contrary, countries such as Bulgaria and France show that the age structure of the population has deteriorated in PR regions, where the value of the indicator is below 1.

Multi-generation households

87. A diffuse presence of this kind of household may in some cases signal a risk of poverty, even if in certain rural areas multi-generation households tend to reflect traditions and culture. Moreover, the family network may alleviate some problems linked to care of older people or children (which, for instance, may represent a barrier to participation of women in the labour market). The presence of multi-generation households is not very common in Western Europe anymore, while it is much more diffused in Eastern countries, especially Lithuania, where 22.8% of households include more than two families (but it is also quite relevant in Romania, Bulgaria, Poland and Slovenia, notably in PR regions). Everywhere this phenomenon tends to be larger in PR and IR regions than in PU regions.

Adults with low educational attainment

88. The data show that the problem of low educational attainments is particularly relevant for rural areas, where the problem of low education levels and low skills is also characterized by a strong inter-generational transmission. Areas characterized by a strong dynastic persistence of educational attainments are areas with low investment in human capital and, hence, with low development perspectives. In all countries (except for Germany) the share of adults with low educational levels is higher in PR areas than in PU regions. Moreover, it seems that educational levels have not only an urban-rural dimension but also a geographical dimension. The data show that the only countries with the share of poorly educated adults above 50% in PR areas are those located in the Mediterranean region (Greece, Italy, Spain and Portugal).

The poor in rural areas

89. In this section we complete the analysis of multidimensional poverty and exclusion by identifying some specific groups at risk of poverty and exclusion in rural areas; with respect to such groups, we discuss the main socio-demographic characteristics, the intensity of poverty and exclusion they suffer, the possible explanations of the exclusions, and we highlight similarities and differences across EU member-states.

Women

90. There are specific differences between the general status of women and the status of rural women in European countries. In part, this is a reflection of the general disparities between urban and rural areas, in educational level, employment opportunities, and sources of income. These are the key facts: a) there is a greater educational gap between men and women in rural than in urban areas; b) women have a greater vulnerability to long-term poverty than men, largely because they are over-represented among elderly single people (in western countries); c) the participation of women to the labour market in rural areas is lower than in urban areas; d) some specific disadvantage concerns the farm women

91. As for the labour market, in many regions the rate of participation of women is far from the Lisbon Target. This is the case of many regions in southern Member States (Italy, Greece, Spain), in some EU10+2 Member States (Poland, Hungary) and in scattered rural regions of France, Germany and Ireland. Lower female rates are influenced not only by local labour markets and the local environment but also by the country's social institutions and societal habits. Strong rural-urban migration of females in active age may result in a degree of "masculinisation" of the rural population, with effects on the area fertility rates. In general terms, the Lisbon targets in terms of women activity and employment rates are, for the rural areas, more difficult to meet than for the urban areas.

Youth

92. The main concern for young people in rural areas is the exclusion from labour market participation: this has effects on the young people's ability to access services and more generally to participate fully in social life. A second key point is the interplay between transport, employment and housing. All the typical barriers to finding employment among youth apply to rural as well as urban areas. However, the experience of unemployment in rural areas is magnified by: a) the effects of adjustments in the agricultural sector (a traditional employer); b) the peripherality of many regions; c) the costs associated with spatial exclusion, such as access to education and training facilities; d) problems related to seasonality.

93. Demographic indicators show a tendency, across Europe's rural areas, for out-migration amongst younger people, in search of employment opportunities and perhaps a more promising life style in major towns. The out-migration of the more able makes the position of those left behind even more stark. Migration and the loss of young people, also related to housing and labour market processes, rupture informal support networks and leave also elderly socially isolated.

Children

94. Analysis of the risk of poverty by age shows a high risk for children, especially in Eastern countries. The issue of poverty among children in rural as well as in urban area is very much connected to poverty of the family were they were born and it is therefore very much associated to education, employment and housing problems. In particular, the vulnerability of children indicates that education contributes to a vicious circle of poverty, as poor households with low education levels face the greatest obstacles in sending their children to school. The issue of child poverty is especially present in large households: in fact, mainly in Eastern countries (e.g. Poland) but also in Mediterranean countries (e.g. Italy) poverty is highly correlated with the number of children in the family: multi-child families, i.e. with four or more children, are most threatened by poverty. In general, rural families have more children than urban families.
95. In most northern and western countries, the most problematic households from a poverty standpoint are those with one adult and children: the lone parents. However, this is unlikely to be a major issue for rural areas, the incidence of lone parents being generally lower than in urban areas.

Elderly

96. Although the social exclusion and marginalisation of the elderly is the result of the interplay of various factors, rather than any single primary cause, in rural areas it is primarily a reflection of poverty through lack of access to economic resources. Another important factor is access to services. Limited access can prevent the elderly from participating fully in social life or even from reaping the benefits of living in economies with highly developed welfare systems. Low levels of community-based care and assistance, either from health care providers or from family members - due to the effects of out-migration – can make things much worse.
97. In many areas, pensions and social benefits are not able to guarantee the elderly a life standard comparable to the national average: the data for their incomes and expenditures, access to healthcare and services, etc. show a significant risk of social exclusion and lack of adequate social services in rural areas. The categories of elderly most at risk are those living with low pensions and those living alone in villages. Lack of access to decent pensions for occasional/seasonal agricultural workers and (small) farmers/unpaid family workers is a serious problem
98. In Eastern countries, the risk of poverty and social exclusion for rural elderly has raised since the beginning of the economic reforms for the transition to a market economy, and especially during the economic crisis in the early 1990s.

Ethnic minorities

99. In the case of vulnerable ethnic minorities, social exclusion and marginalisation in rural areas can not only be seen as a reflection of poverty through lack of access to monetary resources. The Roma population is facing a high risk of poverty and social exclusion: predominance of large households with many children; bad housing and health conditions; low educational attainment; low employment rate and high unemployment rate. The Roma population in rural areas often lives in segregated settlements or in remote areas of villages, under very poor housing conditions.

Immigrants

100. With regard to immigrants, while research has shown that at the national level migrants from outside the EU are usually exposed to a higher risk of poverty than the local population, insufficient attention is paid to the specific risk of poverty and exclusion among immigrants in rural areas. Such risk may involve a number of issues, such as housing, family rejoining and education.
101. However, the main risk probably concerns labor market issues, namely the undeclared economy, which can be especially significant in areas where economic sectors characterized by strong seasonality and involving less qualified people are relevant. This is mainly the case of Mediterranean rural areas (Southern Italy, Spain, Greece), once traditional emigration areas, which have become a destination for a large number of immigrants during the last fifteen years.

Farmers

102. In PR and IR areas, farms with very small economic size⁴ represent more than a third of total farms in most countries, the exceptions being Germany, France, Ireland, and Norway. Moreover, in Eastern countries semi-subsistence farms⁵ are definitely predominant in Bulgaria, Hungary, Lithuania and Romania and very common in Poland.
103. The diffusion of very small or even semi-subsistence farms is a matter of serious concern because in most Eastern and Mediterranean countries (Bulgaria, Lithuania, Romania, Greece, Italy, Portugal) less than 30% of farmers have other gainful activities which can top up the income received from agricultural activities. Diversified sources of income may indeed reduce the risk of poverty among farmers. Therefore small farmers appear to be a specific group at risk of poverty and social exclusion in rural areas.
104. Some specificities characterize Western and Eastern Europe. In Western Europe, the presence of farmers as a specific group at risk can be explained by a conjunction of factors such as: a) the structural decline in the price of agricultural goods; b) the fact that, in most cases, farming remains a lifetime job. The reason may be strong individual preference for the agricultural lifestyle, but also the guaranteed minimum income provided by agricultural policies.
105. With regard to Eastern countries, overdependence of rural areas on agriculture and lack of alternative employment are reported. Moreover, in countries such as Poland, Bulgaria, Lithuania and Romania agricultural productivity is often low, because it is influenced by unfavourable investment environment, limited agricultural land market, poor technical and environmental status of water management systems (canals, drainage systems, hydraulic structures).
106. The difficulties related to the process of economic transition appear to be still present. In Poland, the study identifies ex-workers of the former state farms and their families as a specific at-risk-of-poverty group among rural populations. In Bulgaria, agriculture continues

⁴ Economic size < 2 ESU. 1 ESU (European Size Unit) = 1,200 € of Standard Gross Margin of the agricultural holding.

⁵ Economic size < 1 ESU

to suffer from a past legacy of central planning and state-ownership. In Lithuania, some former state farms villages are still enclaves of deep and chronic poverty, while the majority of farms are facing difficulties in meeting EU environmental, hygiene and animal welfare standards. Finally, in Romania it has been observed that the areas where the state co-operative system was implemented through the expropriation of land from private owners are more deprived than the ones where private ownership had resisted.

Section II: Policies for social inclusion in rural areas

107. We identify two broad types of policies affecting rural poverty: policies against the poverty of rural people and policies against the poverty of rural areas.
108. The first type includes those policies, implemented at different institutional levels, explicitly designed to address the difficulties of poor people; their evaluation is performed by measuring the degree of poverty or social exclusion *within* a give area. Unfortunately, in most of Member States, the specific measures that can directly affect poverty do not have the *rural poor* as a target.
109. The second type includes those policies aimed at improving the conditions of particular sectors of the economy or at reducing disparities between regions. The Rural Development policy and those structural policies which promote regional development and cohesion are part of this framework. These policies can have important consequences for the economy of a rural area, and therefore in reducing the *poverty of a region*. They influence the general context within which the condition of the rural poor are defined.
110. One the main obstacles faced by a strategy against rural poverty is *the political irrelevance of the rural poor*.
111. This may depend on the following reasons. The first is linked to the lack of adequate *data* and *analysis*: the European rural poor in official statistics and documents are often *invisible*. The second reason depends on the circumstance that the rural poor are less organized with respect to the urban poor, because of their geographical dispersion and because of the remoteness from the political and economic centres of the country: these factors make their *voice* much weaker than that expressed by other groups or categories at risk of poverty. A third reason is linked to the existence of *stereotypes* with respect to rural areas: for example, that in rural areas the family and the community support are stronger than in urban areas, therefore making a public support for the poor less necessary.
112. These factors determine a lack of public awareness around the real understanding of rural poverty and the need to intervene to address it. This, in turn, reduces the political support for policy measures which could imply a possible redistribution of resources in favour of the rural poor.
113. A first set of actions in order to help national governments to address the problem of rural poverty includes the collection of adequate data at EU and national levels in order to study, on a comparative basis, the extent and the features of rural poverty; the promotion of researches and analyses focused on rural poverty; the promotion of campaigns, conferences and meetings in order to raise public opinion's awareness on the necessity of social inclusion policies directed towards the rural poor.

Chapter 4. Policies for social inclusion of the rural poor

114. The set of policies affecting rural poor includes the social security system, the health care, the labour market policies, the policies of education and training. In addition to these, there is a problem of governance and institutional design which represents a transversal and general problem for the implementation of the different inclusion policies in rural areas.

Policies for active inclusion

115. Member States are increasingly focusing on active inclusion measures, which are based on integration between active employment policies and schemes of cash transfer to the poor. In most of the existing schemes cash benefits are accompanied by training initiatives and are made more strictly conditional on active availability for work.
116. Many Country Studies have signaled some difficulties with respect to the implementation of these policies in rural areas. This depends both on the difficulties of efficient active labor market policies and on specific difficulties related to welfare entitlements in rural areas.
117. There is clear evidence that take-up rates are lower in rural areas. Several studies underline the need for better access to information and advice about public benefit entitlement. In addition to insufficient information, also a specific culture of independence and self-reliance prevailing in rural areas appears to be an important mitigating factor against the collection of state benefits. Individuals seem reluctant to claim benefit, seeking in alternative a second or third job, often in the undeclared economy sector. Moreover, in rural areas - often composed of small villages - there could be lack of anonymity in collecting benefits, which in turn can generate disincentive effects of social stigma.
118. There is therefore a considerable challenge in activating measures in order to increase the uptake of benefit entitlement in rural areas. To do so, it would be useful to promote information campaigns about such possibilities; also a more decentralized institutional arrangement in the implementation of such policies could be helpful in this respect.

Labour market policies

119. As far as the labour policies is concerned, some specific barriers to finding employment in rural areas have been identified: a) Structure of the local labour market: mismatches between jobs and skills; b) Employers' behaviour and attitudes to recruit workers through informal social networks; c) Accessibility between home and workplace, and especially car-dependency; d) The opportunity cost of participating in the labour market: childcare, eldercare and the benefit trap (where a strong welfare benefit scheme exists); e) inadequacy of labour market intermediaries: for example, the job centres may be less accessible for people living in rural areas, particularly in regions with a dispersed population.
120. This picture helps to identify some priorities in the design of labour policy interventions especially effective in rural labour market: a) Building a more formal network for job search; b) Providing transport solutions, as for instance work bus, car sharing, etc.; c) Providing tailor-made training in order to reduce the mismatches between jobs and skills; d)

Ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labour market.

121. Existing successful stories of active labour policies stress the following key lessons to be learnt. First, the utility of a pilot policy experiment before a large intervention. Second, the importance of the social economy sector and the involvement of public and private actors in the implementation of the program. Third, in the case of childcare provision, the importance of ensuring assistance in all the different stages in which child-care may constitute a fundamental barrier to employment: from the training in the pre-employment stage to the support in possible period of crisis. Finally, in the case of training intervention, it is crucial the construction of a map of the sector specialization of the local economy and the consequent demand for specific skills in order to provide the appropriate training.
122. A vital source of job both in terms of quantity and quality, is represented by the *social economy sector*. It includes people with poor qualifications or reduced work capacity and provides those social services not produced by the market economy. The under-development of such sector in rural areas is another element of difficulty of rural labour market.

Education and training

123. The low level of education emerges throughout the entire report as one of the main problems of rural areas: it is a form of individual deprivation in a fundamental human functioning and it generates, in turn, low opportunities for economic growth in the area.
124. The evidence suggests that dispersed delivery of education, at all levels of the school system, is likely to prove an important mean of increasing the growth rate of rural and peripheral areas and of helping the poor and socially excluded in those areas.
125. Tackling early school leaving and strengthening young people's skills and qualifications reduce the risk of social exclusion and improve labour market prospects. Successful intervention in this respect includes the introduction of preventative measures such as pre-primary education, guidance and counselling, tutoring, grants; and compensatory actions such as second-chance schools. Education provision in the very first years of the individual life is one of the most effective means to reduce the intergenerational transmission of poverty and social exclusion.
126. Also the potential positive impact of work-related training comes out from the study. The surveys show that, despite the high unemployment rate, entrepreneurs encounter difficulties in finding qualified labour forces. This factor has immediate effects on the development of rural areas and creates a vicious circle that is difficult to cut off: unemployment increases; this leads not only to the rise of population at risk of poverty, but also to the migration of population at working age.
127. In this respect four priority actions can be identified: establishing an education system which provides an opportunity to learn more technical skills through vocational training; supporting educational strategies that promote the acquisition of qualifications needed to support the area's economic growth; introducing innovative approaches that go beyond the formal education sector; introducing active policies to ensure a closer link between training and employment. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).

128. A final point concerns access to higher education. To the extent that patterns of human capital reflect the location of higher education establishments, consideration should be given to measures supporting more dispersed provision and distance learning; this send us back to accessibility measures, such as transports or ITC access.
129. In sum, the analysis of human capital patterns in rural areas shows the existence of a social immobility trap; the only channel to escape this trap is often represented by geographical mobility, which in turn leads to a progressive economic decline of the rural areas.
130. To face this vicious circle it is necessary a strong investment aimed at increasing the educational opportunities open to the rural people, at different levels, from primary to tertiary and life-long education.

Designing and implementing social policies in rural areas: a problem of governance

131. Problems of governance in the implementation of policies in rural areas emerge in all the Country Studies in Annex I. Difficulties in this respect emerge partly because of the recent process of *decentralization* that has characterized many Member States, giving regional and local authorities policy discretion in additional areas of social policy and permitting regional differences in funding. While allowing services to better adapt to local circumstances, local decision-making leads to varying treatment and coverage across areas and regions, and this may increase existing regional disparities.
132. Additional problems characterize the governance of social policies in rural areas: a first difficulty is linked to a problem of *administrative capacity*, especially in managing anti-poverty measures based on in-kind transfers. A second difficulty encountered by small communities is linked to a problem of “*optimal scale of intervention*”. From this viewpoint, interesting cases of successful experiments are based on services that are planned and managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention.
133. Additional difficulties include: *low awareness* of the important role that local authorities could play in social inclusion strategies; lack of partnership approach in delivering social inclusion policies; insufficient dialogue and co-ordination between relevant institutions of central, regional and local levels; underdevelopment, particularly in some Eastern countries, of the social economy actors.
134. In general, there is a problem of *involvement and co-ordination of different actors*, both in *vertical* terms – i.e., at different levels of government, by encouraging the coordination between European, national, regional and local levels - and in *horizontal* terms – i.e., by including the social economy sector in all the decision-making process and also the implementation and the evaluation of the inclusion policies.
135. The study has underlined the effectiveness of a bottom-up approach, such as that of the Leader programme, especially with regard to its positive effects on institutional building and creation of networks and social capital. However, the heterogeneity in institutional capacity among local levels of government throughout the EU implies that where such capacity is weak, there may be difficulties in promoting a bottom-up approach. This problem may be more severe in the case of very small and dispersed communities. A possible solution could be the creation of networks of local communities in order to reach a critical mass of

population and territory, and technical capacity required for a more effective bottom-up action.

136. A crucial point is the importance of effective *monitoring and evaluation* of the policies implemented. There is scope for further improvement in this respect, especially in rural areas. To make this possible, it is necessary to develop a set of performance indicators of the policies implemented, as well as a systematic process for the exchange of good practices. From this viewpoint, the *Open Method of Coordination*, experimented with success at the EU level, could be the right model to use, as it helps to deepen mutual learning and to widen involvement of stakeholders at different levels.

Chapter 5. EU policies against poverty of rural areas

137. The Cohesion Policy and the Common Agricultural Policy (CAP) are the two main European Policies that can influence poverty of rural areas. The CAP includes the Rural Development Policy and can play an important role in supporting activity, employment and incomes in agriculture and in rural areas. The Cohesion Policy can provide a relevant support for improving the economic performance of poor regions of the EU, fighting indirectly against a general condition of poverty that could represent an important factor for an increase in poverty of individuals.

138. Even if they do not specifically take social inclusion issues into account and are not specifically directed to fighting poverty in rural areas, both policies can be an important source of funding that can benefit rural areas, by fighting against poverty of rural areas. For this reason they play an important role in influencing economic development in rural areas and implementing the Lisbon Agenda. In general they take into account the objectives of the Lisbon and Göteborg strategy (competitiveness, economic growth, employment and sustainability). This is especially relevant for the creation of new employment opportunities, improving the quality of life, modernising enterprises and infrastructure and improving education and vocational training.

139. The CAP has been deeply reformed, through a gradual removal of price support and the introduction of new areas of intervention, such as quality promotion, environment protection, animal wellbeing, rural development. Pillars 1 and 2, in which the CAP has been divided, reinforce the previous attention paid by the CAP to cohesion actions and to rural development. Pillar 1 represents the continuation of the previous price policy and includes all market support mechanisms, such as direct payments or export subsidies, with the largest part of the resources spent for direct payments. Pillar 2 is the evolution of the previous structural policy and now mainly consists of measures supporting rural development. As a consequence of these reforms, the CAP has significantly changed and a growing emphasis has been put on structural actions and rural development, even if producers' income support still prevails.

Rural Development Policy

140. Member States and sub-national levels of government enjoy a large autonomy as regards programming and expenditure allocation. This is a positive element according to the

principle of subsidiarity, but the effects of policy measures are inevitably quite diversified between Member States and also between different regions in the same country.

141. The Rural Development Policy and Cohesion Policy are very important for fighting poverty of rural areas especially by the improvement of infrastructures, labour market, tourism and cultural attraction, diffusion of SMEs and quality of life in rural areas. However, the effects of most of those policies are visible only in a medium and long run, because of the complexity of the problems that they intend to work on.
142. The regions have shown a significant interest on the improvement of physical infrastructures and employment generation, with some positive impact. The interest has been often focused on interventions such as roads, irrigation and waste management. However, the effects of regional policy and rural policy have been very diversified: some countries (Ireland) have had a very positive impact while in other countries (Greece or Italy) those policies have been less successful. The achievement of convergence of regions in terms of GDP is still far away. The measures of Rural Development (e.g. former objective 5b) seem to have had a positive impact on the average income per inhabitant; however, in countries such as France, there is no clear-cut evidence that they created new jobs in the 1990-99 decade and the programs had no significant impact on demographic trends (see the Country Studies in Annex 1).
143. In general terms, we can point out that many measures enacted by rural development and Cohesion policies aim at combating depopulation of rural areas, by creating new employment opportunities for residents and stimulating the economic activity of such areas. Success stories appear to be mostly concentrated in the following fields: a) tourism promotion, often linked to protection of the environmental heritage; b) diffusion of ICT and promotion of innovation; c) production of energy from renewable sources (e.g. water, wind); d) promotion of local high-quality products, especially in the agri-food or crafts sectors; e) improving quality of life for local population.
144. According to DG AGRI evaluation documents, the Rural Development Policy has had a positive impact on: a) employment (through measures supporting training, forestry and afforestation of agricultural land, and measures against depopulation); b) income support (by supporting less favoured areas, firms and young people); c) environment and landscape, which can promote multifunctionality through the development of tourism, that, in turn, can promote employment and economic development of rural areas; d) life conditions of population (by improving the dynamism of local institutions and the development of local action). In perspective, the Rural Development Policy for the 2007-13 period reinforces these aspects, by improving the coordination of measures through the creation of four Axes. In particular, the most promising elements with regard to social inclusion appear to be the emphasis put on the theme of Quality of Life in Axis 3 and the mainstreaming of the Leader in Axis 4; however, special attention should be paid to coordination between measures promoted by Axis 3 and Axis 4, notably with regard to their potential impact on the fight against poverty and social exclusion.
145. The Leader programme is considered very important in every country and a positive evaluation is given to the fact that now it has been mainstreamed (Axis 4 of Rural Development Policy). In particular Leader promotes social capital (institutional building, social and economic networks, strengthening of a bottom-up approach) that is an essential element for fighting poverty in rural areas. All those actions are considered very important but too limited; an increase in funding for this action could reduce poverty in many poor

areas. This aspect is particularly relevant in Eastern Countries, where the mobilisation of rural communities is not easy and the communities are still facing problems coming from transition (see the Country Studies in Annex 1).

146. The bottom-up approach arguably increases the level of initiative. However, existing studies also suggest that more dynamic territories -that have the appropriate human resources- may disproportionately benefit from the funds, thus widening the gap between territories. For instance, in many Eastern and Southern countries, where the institutional level is weak, there are some difficulties in promoting the activities of Leader (Bulgaria, Poland). The risk is a failure of the program in the areas that would need a larger action of Leader, in a sort of vicious circle: “low capacity building/difficulty in using Leader approach/low capacity building”.
147. Not all regions have the same ability in implementing the programmes and in the use of financial resources, also because of different degrees of experience in programme implementation. Moreover, the criteria of eligibility did not mechanically determine the recipient areas and thus the selection of the eligible areas was often rather the result of a negotiation process involving the different levels of government involved (State, Regions or local authorities). In the previous programming cycles, some countries have shown a weakness in national co-ordination and lack of coordination among different programmes (see the Country Studies in Annex 1). Measures enabling poorer areas to enjoy a better access to funds should be reinforced, by activating tools promoting institution building and lobbying capacity of such areas.
148. According to the European Commission evaluation documents, the coordination between bottom-up and top-down approaches should be improved, especially with regard to the management national co-financing. Moreover, the risk of an excessive bureaucratisation has been signalled in some cases.
149. With regard to specific groups, Leader has a positive impact on women and young people. Women represent quite a large share of project promoters, even if such a share tends to be higher in regions where the activity rates of women are higher (generally in Northern Europe). Women should be more involved in areas where their participation in the labour market is lower (especially in Southern and Eastern Europe). Young people have benefited from measures directed towards the creation of jobs and corresponding training. However, more could be done with regard to investment in the social and cultural environment, which could generate more visible effects on the attractiveness of an area for young people.
150. There is a clear trade-off between measures for economic development of an area, which have a medium-long term perspective, and some more short-term measures against poverty of individuals, that are destined to specific groups (e.g. monetary transfers). Obviously, structural actions mainly have a medium-long term perspective and thus tend to neglect groups like the elderly, who are at high risk of poverty and social exclusion in many countries.
151. The synergy with other projects may increase the effectiveness of this policy for fighting against poverty of rural areas. The functions of the Rural Development Policy and the Cohesion Policy can complement each other; thus synergies and cooperation between those policies should be improved.

Chapter 6. Conclusions: policy suggestions

152. The study has highlighted the existence of specific features of poverty and social exclusion in rural areas. The analysis is complicated by the lack of appropriate data, the socio-economic heterogeneity of rural areas and the different definitions of rurality used by Member States.
153. The study suggests that it would be very useful to harmonise the definitions of rurality used in the EU, both for analytical and policy purposes.
154. The study recommends to consider rurality as a relative concept and to define thresholds based on the values of relevant variables at the national level; this procedure, even if quite complex, might allow to take into account the heterogeneity of EU Member States, in terms of population, physical dimension, geographical characteristics and economic structure.
155. The study highlights the need to take the specific features of rural areas into account, with reference to both the elements characterising poverty of rural areas and those related to poverty and social exclusion of individuals in rural areas (i.e the rural poor). Considering the heterogeneity of rural areas throughout the EU, the application of the subsidiarity principle - with different degrees of involvement of the various actors at national and regional level in Member States- and an “open method of co-ordination” seem appropriate.
156. This should be done both when using quantitative and qualitative indicators of poverty and exclusion and when designing policy measures. We recommend to mainstream the rural dimension into social inclusion policies and, at the same time, to include social inclusion goals in rural development policies, reinforcing the actions already included in the current programming period. The co-ordination between social inclusion and rural development policies should thus be strengthened, but always respecting the subsidiarity principle.
157. EU policies against poverty of rural areas are quite developed and play an important role. The Cohesion Policy have already produced positive outcomes, as demonstrated by a number of success stories. Actions in the fields of education and infrastructure should be strengthened.
158. Rural development measures generally play a very positive role, as shown by various success stories and should receive more funding; however, sometimes they still keep too a sectoral approach. Axis 3 (Quality of Life) should better address the issue of poverty.
159. Some actions promoted by Pillar 1 of the CAP, such as multi-functionality, could play a role in fighting poverty of farmers and rural areas and should be strengthened. Modulation is a positive measure, but should be reinforced.
160. The need by Member States to respect the Stability and Growth Pact should not penalise investment in rural areas. It would be useful to promote systems of governance involving public authorities and private partners to generate an adequate amount of funding.
161. To break the vicious circles of poverty of rural areas and to avoid the risk of exclusion for the most fragile groups living in rural areas, policies (and thus expenditure) by all levels of government should focus on two priorities: human capital investment and infrastructure.

162. As for human capital, the delivery of education, at all levels, is likely to prove an important means of increasing the growth rate of rural and peripheral areas and of helping the poor and socially excluded in those areas.
163. The analysis shows the existence of a social immobility trap; the only channel to escape this trap is often represented by geographical mobility, which in turn leads to a progressive economic decline of the rural areas. To face this vicious circle it is necessary to promote a strong investment aimed at increasing the educational opportunities open to the rural people, at different levels, from pre-school to primary, from tertiary to life-long education.
164. A priority is the need for work-related training: it is necessary to ensure a closer link between training and employment by considering the specific demand for skills expressed in the area. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).
165. Improving transportation services, by fulfilling the transportation needs of the smaller communities, by making easier and faster the commute to urban areas, where inhabitants can find all necessary services, is a crucial part of a policy strategy intended to improve quality of life in rural areas. The diffusion of ICT is an important tool for stimulating economic development and improving the functioning of economic activity and labor market of rural areas. However, it has to be stressed that the adoption of ICT is endogenous and is in particular driven by the characteristics of the labor force. Physical investment in ICT is not enough to facilitate its adoption; the issue is also to adapt the skills of the labor force. In that sense, complementarity between education policies and investment in communication infrastructures is key to reducing the technological gap between rural and urban areas.
166. Labour market policies are also crucial in the fight against poverty in rural areas. The trend of all labour market indicators in the period 2000-2005 shows a clear message: the performance of rural regions is becoming constantly and significantly worse than that of urban regions. The analysis suggests the following priorities in the labour policies: i) Building a more formal network for job search, in order to reduce the mismatches between jobs and skills; ii) Providing transport and logistic solutions, in order to reduce the accessibility obstacles which characterize remote or dispersed rural areas; iii) Providing tailor-made training in order to reduce the mismatches between jobs and skills; iv) Ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labour market; v) Providing quality social services for those in need and as an opportunity for people searching for a job.
167. Problems of governance affect horizontally the process of design and implementation of social inclusion policies in rural areas. They include problems of *administrative capacity*, especially in managing anti-poverty measures based on in-kind transfers and problems of *“optimal scale of intervention”*. Successful experiments are based on services managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention.
168. In addition, there is a problem of *involvement and co-ordination of different actors*, both in *vertical* terms – i.e., at different levels of government, by encouraging the coordination between European, national, regional and local levels - and in *horizontal* terms – i.e., by

including the social economy sector in all the decision-making process and also the implementation and the evaluation of the inclusion policies.

169. The existence of an effective *monitoring and evaluation* of the policies implemented is crucial. To improve in this respect, it is necessary to develop a set of indicators measuring the performances of the policies implemented, as well as a systematic process for the exchange of good practices. From this viewpoint, the *Open Method of Coordination*, experimented with success at the EU level, could be the right model to use, as it helps to deepen mutual learning and to widen involvement of stakeholders at different levels.

INTRODUCTION

Despite the ambitious goals set by the Lisbon European Council of March 2000 and the subsequent efforts in this direction by the Community and Member States (European Commission 2007e), poverty in Europe is still significant: the main results of European studies on social inclusion and poverty outline that in the EU-25 relative income poverty affects more than 15% (72 million people) of the population in 2003 (Eurostat 2005a); the relevance of poverty increased with the recent enlargement that involved countries with a lower level of income.

Rural poverty represents an important aspect of European poverty considering that rural areas account for about 90% of European territory, with over half of the population of 27 Member States (MS) and have an important role in the EU framework of cohesion. Like urban poverty, rural poverty is a complex problem with different characteristics such as low incomes, low consumption, poor health and education, accessibility to the services and labour market.

Compared to non-rural areas, the “rural” dimension can present many different aspects which contribute to generate different *models of poverty and social exclusion*. For instance, geographical distance from the main centre of economic, political and cultural activity can be a distinctive element of rural poverty; moreover, in rural areas the economic activity is less diversified than in urban areas, with important consequences on wages and earnings of individuals and families (less diversified jobs, less possibilities of high earnings through qualified jobs, limitations in the possibility of careers, etc.). These disadvantages are partly compensated by other factors such as lower prices of houses, a greater possibility for self-consumption, the mitigation of the negative effect of unemployment by self-employment (though this often is hidden unemployment).

After the various enlargements, rurality and rural poverty in the EU is even more heterogeneous, because of geographical characteristics – extreme North coexists with Mediterranean and temperate areas - economic and social conditions, different models of public intervention in the social field. Peripheral countries, in particular, present very diversified rural context because of their different climate, landscapes, natural resources, groups of migrants, ethnicities, culture, etc. that could influence poverty and exclusion.

Despite their importance, so far at the European level rural areas have been neglected in the analysis of poverty. European rural poor in official statistics and documents are often *invisible*. This situation determines a lack of public awareness around the understanding of rural poverty and the need to intervene to address it. As a direct consequence, specific policies against rural poverty seem to be limited. The present study partly fills the gap: it is intended to be a knowledge-improving step in the construction of a specific EU strategy for social inclusion in rural areas. This study aims at analysing the main and specific features of poverty and social exclusion in rural areas; on the policy side, it analyzes the policies, implemented by local, national or EU authorities, that have an impact on rural poverty.

From the viewpoint of analyzing and understanding rural poverty, the present state of the art shows two major limitations which, in turn, represent the main aspects of novelty of the present report. First, at a methodological level, the existing literature almost ignores the issue of rurality: the distinctive characteristics and the special priorities that poverty and exclusion can assume in rural areas, and therefore the possible implications of these differences for the choice of the most informative and useful indicators to measure and monitor poverty and social exclusions. Second, at the empirical level, most of the existing analysis of poverty and social exclusion are based on data set that do not allow for distinction of areas based on their degrees of rurality (whatever the

criterion of rurality one decides to adopt). As a consequence, most of the existing indicators of poverty or social exclusion simply cannot be implemented for the scope of this study.

These two main limitations motivate the structure of the present report, based on three types of sources: European statistical data, drawn from various Eurostat databases; national statistical data; national information, provided by Country Studies on 15 countries: 14 EU countries - Italy, Spain, Greece, Portugal, France, Germany, UK, Ireland, Slovenia, Hungary, Poland, Lithuania, Bulgaria and Romania – and one EEA country – Norway.

The fifteen countries are selected in order to present a balanced sample of different geographical regions and social models. Along the geographical dimension, six areas can be identified:

- 1) Mediterranean countries: Greece, Italy, Portugal and Spain;
- 2) Continental countries: France and Germany;
- 3) Nordic countries: Norway;
- 4) Insular countries: UK and Ireland;
- 5) New member countries: Bulgaria, Hungary, Lithuania, Poland, Romania and Slovenia.

Along the different social models, our sample includes five welfare regime types (Esping-Andersen 1999; Sapir 2006):

- 1) Scandinavian social-democratic: Norway;
- 2) Continental: France and Germany;
- 3) Liberal: UK and Ireland;
- 4) Mediterranean: Greece, Italy, Portugal and Spain;
- 5) Transition countries: Bulgaria, Hungary, Poland, Lithuania, Romania and Slovenia.

A key element of the study was a presentation and discussion of preliminary findings during an interactive European seminar with policy-makers and experts in policies against poverty and social exclusion in rural areas, held in Rome in November 2007.

The study is structured as follows. Chapter 1 presents and compares different definitions of rurality, analysing their advantages and shortcomings in the EU context. Chapter 2 discusses the main social and economic characteristics usually associated to rural areas. Chapter 3 proposes a first consistent analysis of rural poverty and exclusion in European countries by means of a selected set of quantitative indicators⁶ and identifies some specific groups at risk of poverty and exclusion in rural areas. Chapters 4 and 5 discuss the main policies able to have an impact on poor in rural areas. Chapter 4 presents social inclusion policies, implemented by local, national or EU authorities, directly aimed at the reduction of poverty, but not explicitly referring to rural poverty; Chapter 5 is focused on the effects of EU policies that do not directly or specifically tackle the issue of poverty, but are able to influence the general context within which the condition of rural poverty is defined. Chapter 6 concludes and presents some policy suggestions.

Annex I contains the monographic Country Studies. This part deepens the analysis by giving a more detailed description of multi-dimensional aspects of poverty, through more detailed data and case studies, especially as regards the socio-economic groups more affected by such phenomenon, and an analysis of the specific policies for rural areas enacted by the countries; where relevant, it also presents some examples of good practices. Annex II includes the agenda and the assessment of the European Seminar held in Rome in November 2007, where the preliminary findings of the study were discussed.

⁶ It has to be remarked that, since the analysis is based not only on Eurostat data, but also on data supplied by National Statistical Institutes, sources might not be fully comparable and thus conclusions have to be drawn with caution.

Section I DESCRIBING AND UNDERSTANDING RURAL POVERTY

CHAPTER 1. IDENTIFICATION OF RURAL AREAS: PROBLEMS AND METHODOLOGY

Europe's rural areas are diverse in terms of population, demography, economic and social structures, labour markets and institutions. The diversity ranges from rural areas that are remote and suffer from depopulation and decline, to peri-urban areas which are under increasing pressure from urban centres. One of the EU's strengths is considered to be diversity of living situations although a suitable identification of urban and rural areas -with their specific traits, problems and perspectives- is made more difficult in the EU by the number of different aspects that rurality assumes.

This chapter presents and compares different definitions of rurality, analysing their advantages and shortcomings in the EU context.

1.1 Complexity of defining rural areas

The concept of *rural* is difficult to define and different ideologies have shaped the different definitions and rural-urban relationships. From a theoretical point of view, a variety of models has been developed in an attempt to explain why the economic activity concentrates in some regions and areas, usually towns: the multiplication of models follows the transformation of economic activity and social context. Among the most successful are models such as cumulative causation theories (Myrdal 1957; Kaldor 1970), the theory of growth poles (Perroux 1955), the core-periphery model (Friedman 1972), the new economic geography (Krugman 1991). Such models have a hierarchical vision of space and tend to see rural world dependent on the town, where usually industries locate (Storti et al. 2004).

Other approaches originated from the discussion on industrial districts and on the relevance of local system mainly based on SMEs. On this topic a large and interesting debate has been developed (Piore et al. 1991; Becattini and Rullani 1993; Sforzi 1987; Bellandi 1996) that gives relevance to the local dimension where economic, social and cultural elements interact and play a crucial role in the definition of the patterns of development. In this cultural context, the idea of hierarchical organisation of the space has been abandoned and the conditions of success of an economic activity is linked to the specific characteristics of the local economy and society.

In practice, **each EU country has its own definition of rurality** which is used for different purposes, the scope ranging from definitions in terms of dispersed population, an often agricultural-based economy, distance from major urban centres, and, as a direct consequence, lack of access to major services. **There is no Community definition of rural areas.** According to European Commission (2006b), the complexity of a common definition is related to the various perceptions of those elements that characterise "rurality", the difficulty to collect relevant data at the basic geographical units level and to the need to have a tailor-made definition according to the "object" being analysed or policy concerned.

The most frequently used criteria for identifying rural areas are population (usually the size of the main centre) and density (expressed as inhabitants per sq. km). However, thresholds differ among countries (see the Country Studies in Annex I for more details). Such a degree of heterogeneity does not permit to make meaningful cross-national comparisons using national definitions of rurality.

1.2 The OECD definition of rurality

At the international level, the most frequently used approach is that proposed by the **OECD** (OECD 2005, 2006). The OECD has established a regional typology according to which regions have been classified as **predominantly urban, predominantly rural and intermediate**. This typology, based on the percentage of regional population living in rural or urban communities, enables meaningful comparisons between regions belonging to the same type and level.

The OECD regional typology is based on **three criteria**. The first criterion identifies rural communities according to population density. A community, normally corresponding at Eurostat LAU2 level (Local Administrative Units corresponding to communes, municipalities and similar) is defined as rural if its population density is below 150 inhabitants per square kilometre.

The second criterion classifies regions according to the percentage of population living in rural communities. Thus, a region is classified as:

- *Predominantly rural (PR)*, if more than 50% of its population lives in rural communities.
- *Predominantly urban (PU)*, if less than 15% of the population lives in rural communities.
- *Intermediate (IR)*, if the share of population living in rural communities is between 15% and 50%.

The third criterion is based on the size of the urban centres. Accordingly:

- A region that would be classified as predominantly rural on the basis of the general rule is classified as intermediate if it has a urban centre of more than 200,000 inhabitants representing no less than 25% of the regional population.
- A region that would be classified as intermediate on the basis of the general rule is classified as predominantly urban if it has a urban centre of more than 500,000 inhabitants representing no less than 25% of the regional population.

It is worth noting that also intermediate regions present significant elements of rurality and can thus be included among rural regions (as opposed to urban ones): indeed in older documents and studies they were called "significantly rural" (SERA 2006).

According to the OECD definition, most part of Europe is classified as rural (PR or IR). Indeed, only 26% of NUTS3 regions appear to be urban (PU), whereas 40% are classified as PR and 34% as IR (see Figure 1.3 below). As happens in other highly industrialised areas, such as the US and Canada, in the EU the rural dimension is very significant.

A clear geographical pattern emerges (see Figure 1.1 below): 1) countries in Eastern and Southern Europe (except for Italy), Scandinavia, Ireland and France show a predominance of rural regions; 2) only in 3 Western countries (Belgium, the Netherlands and UK) there is a clear predominance of PU regions; 3) among the largest countries, Italy and Germany are in an intermediate position.

Looking at the distribution of the population among PR, IR and PU regions, the previous pattern is mostly confirmed. There is a high concentration of population in PR and IR areas in Eastern and Scandinavian countries, France and Ireland, while Belgium, the Netherlands and UK are the countries with the largest share of population living in PU regions. However, in Southern Europe the previous pattern appears to be less clear-cut: indeed Portugal, Spain and Greece show a certain concentration of population in PU regions. Therefore, the prevalence of rural population is not a feature of all peripheral countries and, at the same time, not all the countries located in the

“geographical and economic core” of Europe (such as France) have a strong prevalence of urban population.

1.3 Alternative definitions of rurality proposed by the European Commission

The OECD classification has the advantages of simplicity and widespread acceptance. However, a major weakness is the heterogeneity of NUTS 3 regions, in terms of the way in which they relate to cities and their hinterlands and of the different levels of economic development. Hence a number of possible improvements have been proposed in the last few years by the European Commission.

Eurostat has developed an urban-rural classification based on the concept of 'degree of urbanisation' for use in the Labour Force Survey (LFS) (Eurostat 2003b, European Commission 2003).

The EU Regulation on LFS defines “degree of urbanisation” at “local areas”, normally LAU level 2. The three types of area are defined as follows:

- Densely-populated area: a contiguous set of local areas, each of which has a density > 500 inhabitants per sq. km, where the total population for the set is at least 50 000 inhabitants.
- Intermediate area: a contiguous set of local areas, not belonging to a densely-populated area, each of which has a density > 100 inhabitants per sq. km, and either with a total population for the set of at least 50,000 inhabitants or adjacent to a densely-populated area.
- Thinly-populated area: a contiguous set of local areas belonging neither to a densely-populated nor to an intermediate area.

The LFS degree of urbanization is exclusively defined according to population distribution.

Rather than using population densities to differentiate rural areas, **DG Agriculture and Rural Development** has tested discriminate analysis on the basis of land cover. Rural areas are defined as being either forestry or agricultural area or natural area. Communes are overlaid on the reclassified land cover classes and different thresholds are applied in order to attribute one commune to one class (Vard et al., 2005). This classification scheme is however very sensitive to the level of accuracy of the land cover sources and is also affected by differences in commune size.

Finally, a recent study commissioned by DG Agriculture and Rural Development (SERA 2006) proposed and discussed three different options to improve the OECD definitions:

- 1) Integration of a peripherality indicator;
- 2) Minor adjustments to the density criteria and integration of a peripherality indicator;
- 3) Development of an alternative methodology based upon different population density criteria.

Four categories of regions were thus defined:

- Mainly rural with limited urban influence
- Rural with low urban influence
- Rural with significant urban influence
- Mainly urban

The study concluded that the third option might better reflect the different kinds of rurality in Europe, but the first two options had the advantage of being more easily comparable with the OECD definition, which remains the only internationally accepted concept of rurality.

1.4 The OECD typology and the accessibility issue: the classification by DG Regional Policy

An important element characterising rural areas is that of **accessibility**, in terms of easiness to access to all those services and activities which represent common facilities for people living in urban centres (such as schools, hospitals, sports and cultural facilities). The OECD typology neglects this factor for identifying different kinds of rurality.

DG Regional Policy has thus proposed a new classification, which takes the OECD typology (PU, IR and PR) as a starting point. Then it divides both IR and PR regions into 2 subcategories, according to the following criterion:

- Regions close to a city = at least 50% of the region's population lives at less than 45 minute travel by road to a city of at least 50,000 inhabitants;⁷
- Remote regions = otherwise

Five categories are then identified:

- Predominantly Urban (PU) regions
- Intermediate, close to a city (IR_C) regions
- Intermediate, remote (IR_R) regions
- Predominantly Rural, close to a city (PR_C) regions
- Predominantly Rural, remote (PR_R) regions

Figure 1.1 shows that PR_R regions are prevalently concentrated in the peripheral areas of the EU (Scandinavia, Ireland/Scotland, Spain/Portugal, Greece, Eastern Countries), while a very low number of IR regions are classified as remote.

Table 1.1 displays the shares of the national population living in the five different types of regions for the countries on which this study is focused. A very low share of population lives in IR_R regions; generally, more people live in PR_C than in PR_R regions (with the exceptions of Bulgaria, Greece, Portugal).

Therefore, the accessibility issue does not appear to be relevant for IR regions, but seems to be significant for some Eastern countries (Bulgaria, Hungary and Romania), Southern countries (Greece and Portugal) and Ireland.

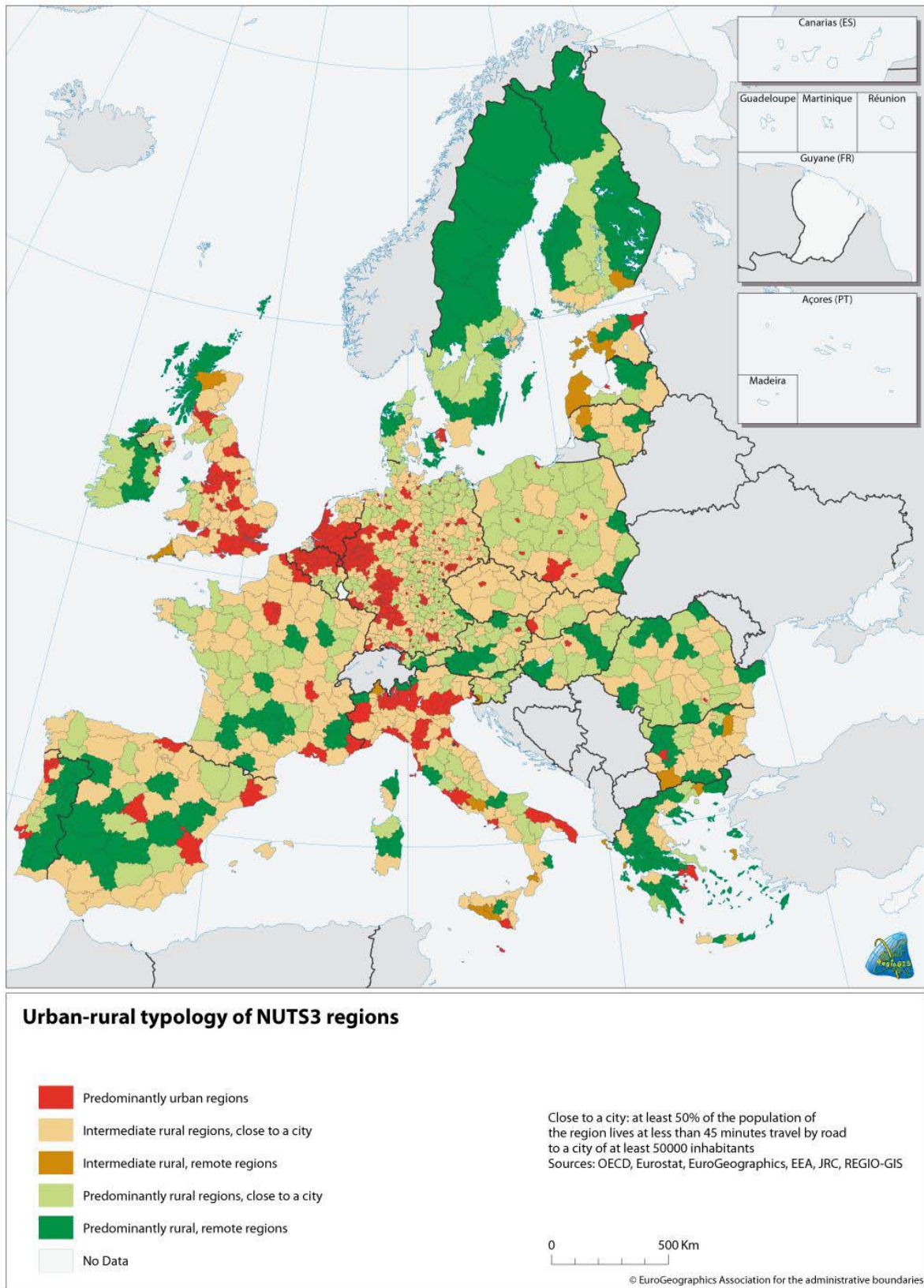
⁷ An alternative variant of this definition used the following criterion: "1 hour travel by road to a city of at least 100,000 inhabitants". According to DG Regional Policy's suggestions, in this study we follow the "45 minute travel by road to a city of at least 50,000 inhabitants" criterion.

Table 1.1 Share of national population 2004 (%)

	PR R	PR C	IR R	IR C	PU	COUNTRY
Bulgaria	15.7	9.5	6.9	52.4	15.6	100.0
Germany	0.0	4.5	0.0	50.2	45.4	100.0
Spain	7.3	7.5	0.0	49.9	35.3	100.0
France	3.8	12.6	1.6	54.4	27.6	100.0
Greece	31.4	5.6	3.1	24.2	35.8	100.0
Hungary	19.5	27.4	0.0	36.2	16.8	100.0
Ireland	27.8	43.8	0.0	0.0	28.4	100.0
Italy	2.8	6.8	2.7	37.8	50.1	100.0
Lithuania	9.1	10.8	5.2	75.0	0.0	100.0
Poland	3.3	32.9	0.0	39.4	24.4	100.0
Portugal	15.4	5.8	2.3	24.4	52.1	100.0
Romania	13.3	33.7	0.0	44.1	9.0	100.0
Slovenia	3.7	54.0	5.3	37.0	0.0	100.0
United Kingdom	0.5	1.5	1.1	27.3	69.7	100.0

Source: own calculations

Figure 1.1. Map of NUTS3 regions according to OECD and DG Regional Policy typologies



Source: European Commission, DG Regional Policy

1.5 The FGB definition of rurality

In the tender specifications for this study the European Commission requested to *develop relevant ways to make the concepts and classifications [of rural areas] operational in a cross-comparative perspective [...] and propose a concept to the Commission for the purposes of the study;*

The OECD definition does not fully take into account the socio-economic conditions of a region, for instance its economic structure. Indeed, there is a remarkable heterogeneity in the development trajectories of rural regions that go far beyond the traditional, generalised image of rural disadvantage. Within the same country it is possible to identify leading or lagging rural areas, periurban and commuting areas linked to urban centres or remote areas, rural areas still relying heavily on agriculture or rural areas with an economy more oriented towards services - such as tourism – and industry – such as food industry.

In the advanced stages of economic development, such as in the case of the European Union - despite its internal differences – the connection between agriculture and rural seems to become weaker because of the development of industry and services in the countryside. On the contrary, even though the economic destination of rural areas appears to be only partially related to agricultural performance, agriculture remains one of the distinctive traits of rural areas.

Therefore we propose a **simple but effective definition of rurality**, applicable to all territorial units at NUTS 3 level for all 27 EU member countries, plus the EEA countries. It takes into account the following elements at NUTS 3 level:

Density = inhabitants per sq. km;

"Adjusted density" = (total population - population of the largest NUTS3 town⁸)/area. The area of a region is expressed in sq. km;

Employment in the primary sector (agriculture, hunting, forestry and fishing) = persons employed in the primary sector as a share of total employment.⁹

The reference year is 2001, though there is some variation due to data availability. The choice of these variables is suggested by the fact that when used to identify rural areas, the traditional measure of density (total population/area) may indeed be biased upwards if most of the population concentrates in a single town/city. By contrast, our proposed measure removes the largest urban area from the calculation of density and therefore permits to discriminate whether the remaining part of the NUTS 3 territory is densely populated or not. Moreover, the share of employment in the primary sector indicates to what extent an area depends on agriculture, which clearly influences its degree of rurality.

The NUTS 3 regions¹⁰ are then classified into three categories (in order to keep our classification comparable with that of the OECD) as follows:

- *Predominantly Rural (PR)*, if at least one of the two following criteria is satisfied:
 - a) Density < 50 inhabitants per sq. km
 - b) Adjusted density < 100 inhabitants per sq. km AND employment in primary

⁸ This data comes from the various national statistical institutes.

⁹ The percentage of employment in the primary sector is calculated as the ratio of employment in "Agriculture, hunting forestry and fishing (NACE branches A_B)" to total employment. Source: Eurostat, regional 2001 census data.

¹⁰ NUTS2 regions are used for Germany. The reason for such a choice is that many socio-economic indicators to be used in this study are not available at NUTS3 level for Germany, since it is divided into an extremely large number of NUTS3 regions (439).

- sector > 150% of national average
- *Predominantly Urban (PU)*, if at least one of the two following criteria is satisfied:
 - c) Density > 250 inhabitants per sq. km
 - d) Adjusted density > 100 inhabitants per sq. km AND employment in primary sector < national average
- *Intermediate (IR)*: all other cases.

As regards PR NUTS3 regions, criterion a) classifies as PR those regions with a very low density, while criterion b) permits to include also those regions which may have a somewhat higher (but anyway lower than in urban regions) adjusted density, but also have a very large share of employment in the primary sector compared to the national average.

With regard to PU NUTS3 regions, criterion c) classifies as PU those regions with a very high density, while criterion d) permits to include also those regions with both quite a large adjusted density and a share of employment in the primary sector lower than the national average.

The thresholds for adjusted density are lower than the OECD one for density (150 inhabitants per sq. km), because, by definition, the value of adjusted density for a given NUTS 3 is lower than that of density, since the population of the NUTS 3 largest town is excluded from the calculation.

The choice of the national average as the reference against which to compare the share of employment in the primary sector is suggested by the fact that the relevance of agriculture is very different among Member States. Therefore any reference to a single value (such as the EU average) for all NUTS3 regions could be misleading, because it would reduce the number of rural regions in countries where a low share of the labour force is employed in the primary sector, while it would increase such number in countries where employment in the primary sector is still quite large.

1.6 Advantages and shortcomings of the OECD, DG Regional Policy and FGB definitions

The main advantages and shortcomings of the OECD, DG Regional Policy and FGB definitions of rurality are summarised and compared in Table 1.2.

For all definitions, there exists a clear **trade-off between simplicity and the capability of taking country heterogeneity into account**. In other words, if a definition is to be used for international comparisons, it has to adopt some common thresholds, which however may not be suitable for all countries. The OECD definition enables meaningful comparisons between regions of different countries, but, with regard to the EU, it may overestimate rurality in the case of small countries with only few large urban centres (as explicitly mentioned in the Country Studies for countries such as Ireland, Portugal and Slovenia).

DG Regional Policy's approach presents two specific advantages: 1) it looks beyond the boundaries of the NUTS3 regions, which solves the problem of the huge differences in the size of NUTS3 regions; 2) it works within the OECD definition, so it remains comparable to the other studies but creates more homogeneous categories. However, its main disadvantage seems to be that it adds other thresholds to the OECD definition, which increases the degree of arbitrariness in identifying the different categories of regions.

Two specific advantages of our FGB definition are the possibility of: 1) discriminating whether the population of a NUTS3 region is concentrated in a single centre or is more evenly distributed; 2) taking the relevance of the primary sector into account. By contrast, a clear advantage of the OECD

concept is that it analyses population density at the community (LAU2) level, while our definition only does so at NUTS3 level.

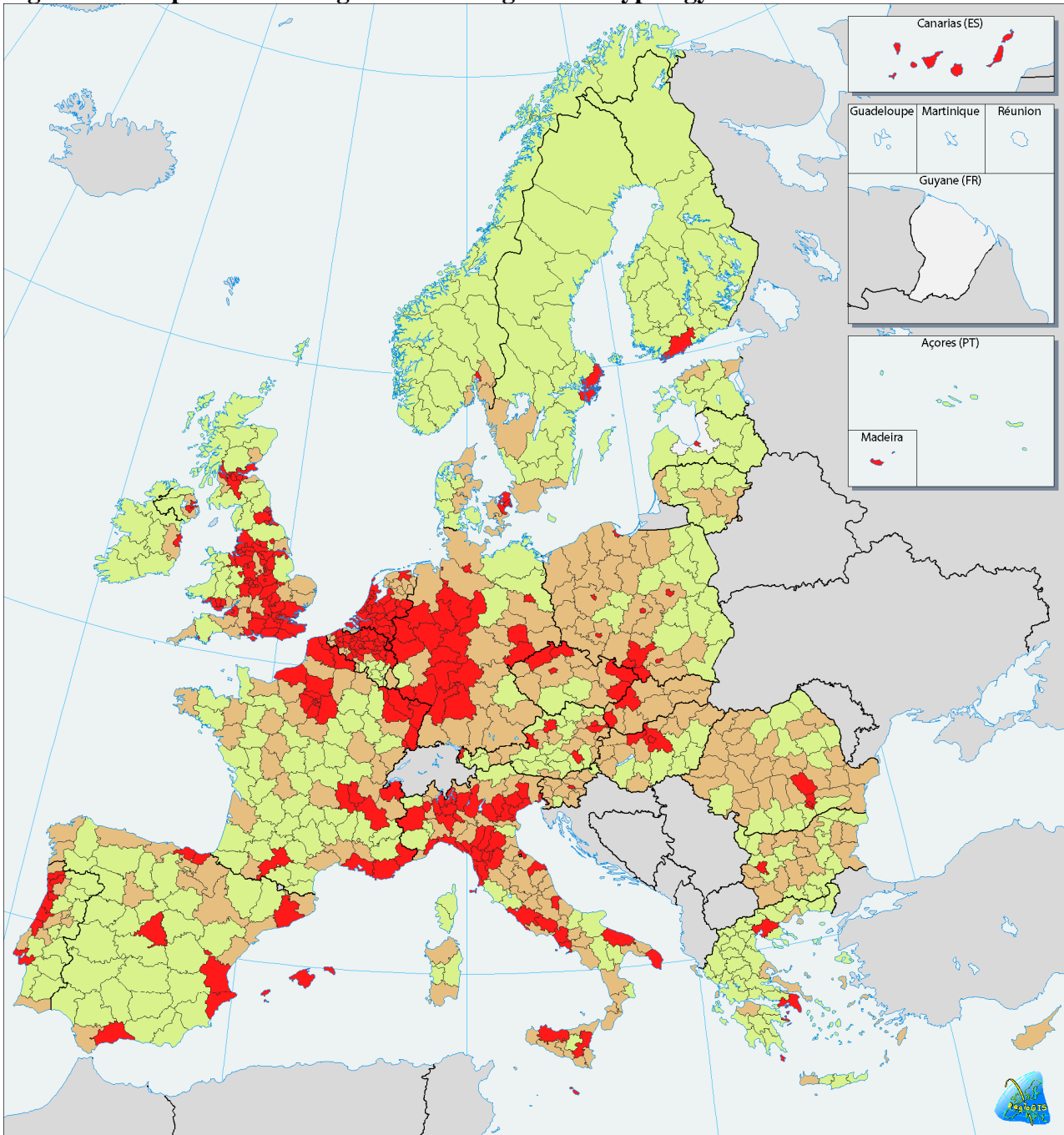
Table 1.2. The OECD, DG Regional Policy and FGB definitions of rurality: advantages and shortcomings

OECD DEFINITION		DG REGIONAL POLICY DEFINITION		FGB DEFINITION	
<i>Advantages</i>	<i>Shortcomings</i>	<i>Advantages</i>	<i>Shortcomings</i>	<i>Advantages</i>	<i>Shortcomings</i>
<ul style="list-style-type: none"> -Simplicity -Can be used for international comparisons -Analyses population density at the community (LAU2) level inside each NUTS3 region -Takes the presence of a large urban centre in a NUTS3 region into account -It is widely accepted at the international level 	<ul style="list-style-type: none"> -Thresholds may not be suitable for all countries -Is based only on density and the size of urban centres -Does not take the economic structure of a region into account -May overestimate rurality in small EU countries 	<ul style="list-style-type: none"> -Simplicity -Can be used for international comparisons -Takes the accessibility issue into account -Looks beyond the boundaries of the NUTS3 regions -Works within the OECD definition 	<ul style="list-style-type: none"> -Adds other thresholds to the OECD definition, which increases the degree of arbitrariness in identifying the different categories of regions -Does not take the economic structure of a region into account 	<ul style="list-style-type: none"> -Simplicity -Can be used for international comparisons -Is able to discriminate whether the population of a NUTS3 region is concentrated in a single centre or is more evenly distributed -Takes the relevance of agriculture into account 	<ul style="list-style-type: none"> -Thresholds may not be suitable for all countries -Data only at NUTS3 level, not at the community (LAU2) level

1.7 Comparison between the OECD definition and the FGB definition of rurality

If we compare the results obtained by applying the OECD definition and the FGB definition of rurality to the EU-27 and the EEA, we may notice some differences. Generally speaking, **the EU-27 and the EEA appear to be more urban according to our definition** than according to that of the OECD (Figure 1.2).

Figure 1.2. Map of NUTS3 regions according to FGB typology



FGB proposed typology of NUTS3 regions

- Predominantly urban (PU) regions
- Intermediate rural (IR) regions
- Predominantly rural (PR) regions

DE: NUTS2 regions
Source: FGB elaborations

0 500 Km

© EuroGeographics Association for the administrative boundaries

Source: own calculations

As regards the number of NUTS3 regions falling in the three categories (Figure 1.3), about 40% of EU-27 regions are classified as PR and 34% as IR by the OECD, against 35% as PR and 31% as IR by our definition. Consequently, the percentage of PU regions is higher according to our definition than according to the OECD one (34% against 26%). This is mainly an effect due to the criterion related to the share of employment in the primary sector. Since the reference value for such criterion is the national average, we obtain a smaller number of PR regions in countries where employment in agriculture is still quite high, notably in Eastern countries such as Poland and Romania. At the same time, the adjusted density criterion is mainly responsible for the larger number of PU regions in some Western countries, such as France, Germany, Italy and the UK.

However, it should be noticed that, in the whole EEA, a large majority of regions (660 out of 903, corresponding to 73%) are classified in the same way by both the OECD and our FGB definition.

As shown in Table 1.3, the largest change concerns 102 regions, classified as PR by the OECD, which become IR according to our definition. Moreover, 78 regions classified as IR by the OECD become PU according to our definition. A smaller number of regions, on the contrary, display an increasing degree of rurality according to our definition (57 IR regions for the OECD become PR and 6 PU regions become IR). It has to be stressed that no PR region according to the OECD becomes PU according to our definition, and vice-versa.

Table 1.3. Comparison between the OECD definition and the FGB definition of rurality: Number of PR, IR and PU NUTS3 regions* in the EEA

		OECD DEFINITION		
		PU	IR	PR
FGB DEFINITION	PU	226	78	0
	IR	6	169	102
	PR	0	57	265

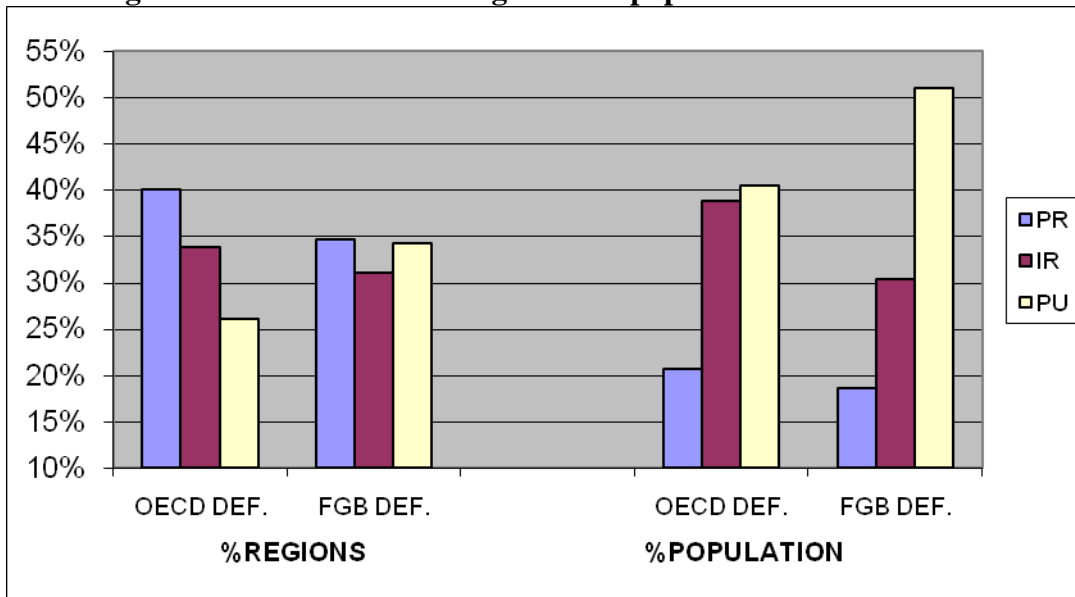
*NUTS2 regions for Germany

Source: own calculations

Moving to the share of population living in the different types of regions in the EU-27 (Table 1.4 and Figure 1.3), the difference between the two definitions is now smaller for PR regions: 21% according to the OECD, 19% according to our definition. This can be explained by the fact that, by definition, PR regions are less densely populated. Therefore, the previous 5% difference in the number of PR regions between the two definitions is now reduced to just 2% as regards the population share.

Symmetrically, since PU regions are more densely populated, the difference between the two definitions is larger for PU regions. According to our definition, an additional 10% of the EU-27 population (51% against 41%) lives in PU regions (the difference in terms of number of regions was 8%).

Figure 1.3. Comparison between the OECD definition and the FGB definition of rurality: Percentage distribution of EU-27 regions and population at NUTS3 level*



*NUTS2 level for Germany
Source: own calculations

Table 1.4. Comparison between the OECD definition and the FGB definition of rurality: Share of population residing in PR, IR, and PU NUTS3 regions* by country

COUNTRY	OECD DEFINITION			FGB DEFINITION		
	PR	IR	PU	PR	IR	PU
Austria	46.4%	30.8%	22.8%	30.3%	28.0%	41.7%
Belgium	2.9%	19.4%	77.7%	4.0%	8.4%	87.6%
Bulgaria	25.1%	59.2%	15.6%	29.6%	55.2%	15.2%
Cyprus	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%
Czech Republic	5.1%	83.5%	11.4%	11.2%	47.0%	41.8%
Germany	4.5%	50.2%	45.3%	6.9%	35.4%	57.6%
Denmark	38.8%	31.8%	29.4%	28.0%	38.2%	33.8%
Estonia	10.5%	76.5%	13.0%	48.5%	51.5%	0.0%
Spain	14.8%	49.9%	35.3%	30.0%	21.6%	48.4%
Finland	62.3%	12.2%	25.4%	74.6%	0.0%	25.4%
France	17.0%	54.5%	28.5%	24.2%	25.6%	50.2%
Greece	37.0%	27.2%	35.8%	41.2%	13.2%	45.6%
Hungary	47.0%	36.2%	16.8%	28.8%	40.2%	31.0%
Ireland	71.8%	0.0%	28.2%	60.7%	10.5%	28.8%
Italy	9.6%	40.4%	50.0%	7.8%	30.0%	62.2%
Lithuania	19.9%	80.1%	0.0%	44.3%	55.7%	0.0%
Luxembourg	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%
Latvia	23.2%	45.0%	31.8%	68.2%	0.0%	31.8%
Malta	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Netherlands	1.3%	15.8%	83.0%	0.0%	11.0%	89.0%
Poland	36.2%	39.4%	24.4%	24.3%	51.1%	24.6%
Portugal	21.3%	26.6%	52.1%	19.0%	19.7%	61.3%
Romania	46.7%	44.5%	8.8%	27.3%	58.1%	14.6%
Sweden	49.7%	29.6%	20.6%	48.1%	31.3%	20.6%
Slovenia	57.8%	42.2%	0.0%	8.8%	88.9%	2.3%
Slovakia	25.5%	63.3%	11.2%	0.0%	77.6%	22.4%
UK	2.0%	28.4%	69.6%	10.4%	12.0%	77.5%
TOTAL EU-27	20.7%	38.8%	40.5%	18.7%	30.3%	51.0%
Iceland	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Liechtenstein	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Norway	49.2%	39.4%	11.4%	67.7%	21.0%	11.4%
TOTAL EEA	21.0%	38.8%	40.2%	19.2%	30.2%	50.6%

*NUTS2 regions for Germany

Source: own calculations

To summarise, the use of the FGB definition provides a picture of the EU where the number of PR and IR regions and the share of population living in PR and IR regions are lower than those obtained by applying the OECD concept, even if the changes are not dramatic. In other words, the EU appears to be slightly less rural than by using the OECD definition. In more detail, there is a certain strengthening of the urban dimension in Western countries and of intermediate rurality in

Eastern countries (in the former, the number of IR regions diminishes and that of PU regions increases; in the latter, the number of PR regions diminishes and that of IR regions increases).

Therefore, **the FGB definition partly corrects for the over-estimation of rurality in the EU produced by the OECD typology**. The picture emerging from the FGB definition probably better reflects the characteristics of the European territory, where there is often a continuum between “city” and “countryside” and thus the geographical distinction between urban and rural areas is less clear-cut than in other areas such as the US or Canada. However, as already stated, the differences between the FGB and the OECD definitions are not striking and hence the geographical pattern of rurality identified by the OECD does not radically change.

The FGB definition could be refined by taking into account other variables related to agriculture and forestry (e.g. land cover), which could be considered as potentially relevant elements for discriminating rural areas from urban ones. Other possible refinements could include data analysis at LAU2 level, instead of NUTS3, and alternative definitions of "adjusted density".

1.8 Conclusions

All definitions of rurality clearly suffer from a certain degree of arbitrariness in the identification of thresholds for the variables. When applied at the European level, such degree of arbitrariness increases because of the wide heterogeneity of rural areas. Moreover, at the European level the definitions of rurality have to take into account a number of constraints in data availability. Indeed, any typology necessarily needs a number of assumptions, which provide a simplified picture of such a complex phenomenon as rurality. For instance, a NUTS3 region classified as urban may still have a part of its territory with clear rural characteristics.

So far, the official definitions of rurality differ from country to country. The efforts made to create definitions applicable at the international level (such as the OECD, DG Regional Policy and FGB definitions) have proposed uniform criteria and thresholds in order to permit international comparisons. The study suggests that it would be very useful to agree upon a single official definition of rurality at the EU level. In other words, **it would seem necessary to harmonise the definitions of rurality used in the EU**, both for analytical and policy purposes.

However, there could be two different ways to harmonise definitions of rurality: 1) to identify single thresholds applicable to all Member States; 2) to consider rurality a relative concept - just as the risk of poverty – and define thresholds based on the values of certain variables at the national level. The first option would be the most simple and transparent, but the second, even if more complex, could be able to take into account the heterogeneity of EU Member States, in terms of population, physical dimension, geographical characteristics and economic structure.

To conclude this chapter, in our view **the best choice for this study is to keep the OECD definition**, as it is the only internationally accepted definition and makes the findings of our study more comparable with those of other studies and documents.

Indeed, in the following parts of the study data will refer to regions classified as PR, IR or PU according to the OECD definition. Where relevant and when suitable data are available, we will analyse socio-economic indicators also according to the DG Regional Policy typology, alongside the OECD one.

2.1 Rural areas between economic development and risk of poverty

Rural areas¹¹ have a great relevance for the economic and social context of EU. PR and IR regions account for 91 % of EU territory and 56% of the population of EU27. These regions generate 43% of Gross Value Added (GVA) in the EU and provide 55 % of employment (European Commission 2007f).

The interest of the EU towards rural areas has grown in the course of time, hand in hand with discussions in the EU focused on the importance of planning specific actions for each territory¹², up to the arrival of the recently created European Agricultural Fund for Rural Development, which was established in 2005 and has been operating since 2007¹³. With the creation of this fund, the Common Agricultural Policy (CAP) becomes an important instrument to promote rural development through the actions of Pillar 2 (European Commission 2007f).

Attention around the themes of rural development has been stimulated by the observation of weaknesses of rural areas compared to urban ones with regard to some important indicators: for example, in general, **rural areas tend to lag behind urban areas in terms of GDP per head, female activity rates, education levels of the population.**

The use of the **most common indicator of economic performance - GDP per head** - at NUTS3 level **is subject to much criticism**, because it cannot take into account the commuting issue. A significant number of people live in rural areas but work in urban ones, where they produce incomes that are accounted there. This creates a systematic bias which leads to overestimation of GDP per head in PU regions and underestimation in IR and PR regions. Moreover, this indicator does not take into account that in rural areas living costs (especially those related to housing) are generally lower and (notably in PR regions) there can be a widespread phenomenon of self-consumption. These elements may lead to a further overestimation of the actual gap in living standard between urban and rural areas when using GDP per head. Having said that, GDP per head is however a useful indicator of the economic wealth of an area.

In all countries covered by the study, GDP per head is significantly higher than the national average in PU regions, quite close to the national average in IR regions and lower than the national average in PR regions (Table 2.1 and Figure 2.1).

When the **accessibility** issue (according to DG Regional Policy typology) is taken into account, PR_C regions are usually richer than PR_R regions (with the exception of Bulgaria, Greece and Lithuania) and IR_C are richer than IR_R (with the only exception of Portugal). Therefore, being close to a city usually has a positive impact on the economic activity of a region (Table 2.2).

¹¹ In this chapter we use the OECD definition of rurality, if not specified otherwise. By "rural areas", we mean both PR and IR regions, if not specified otherwise.

¹² Since the reforms of the Structural Funds in 1988, rural areas have become eligible to interventions under Objective 5b of the structural policy in the 1989-1993 and 1994-1999 programming cycles, while in the 2000-2006 cycle they were included in Objective 2.

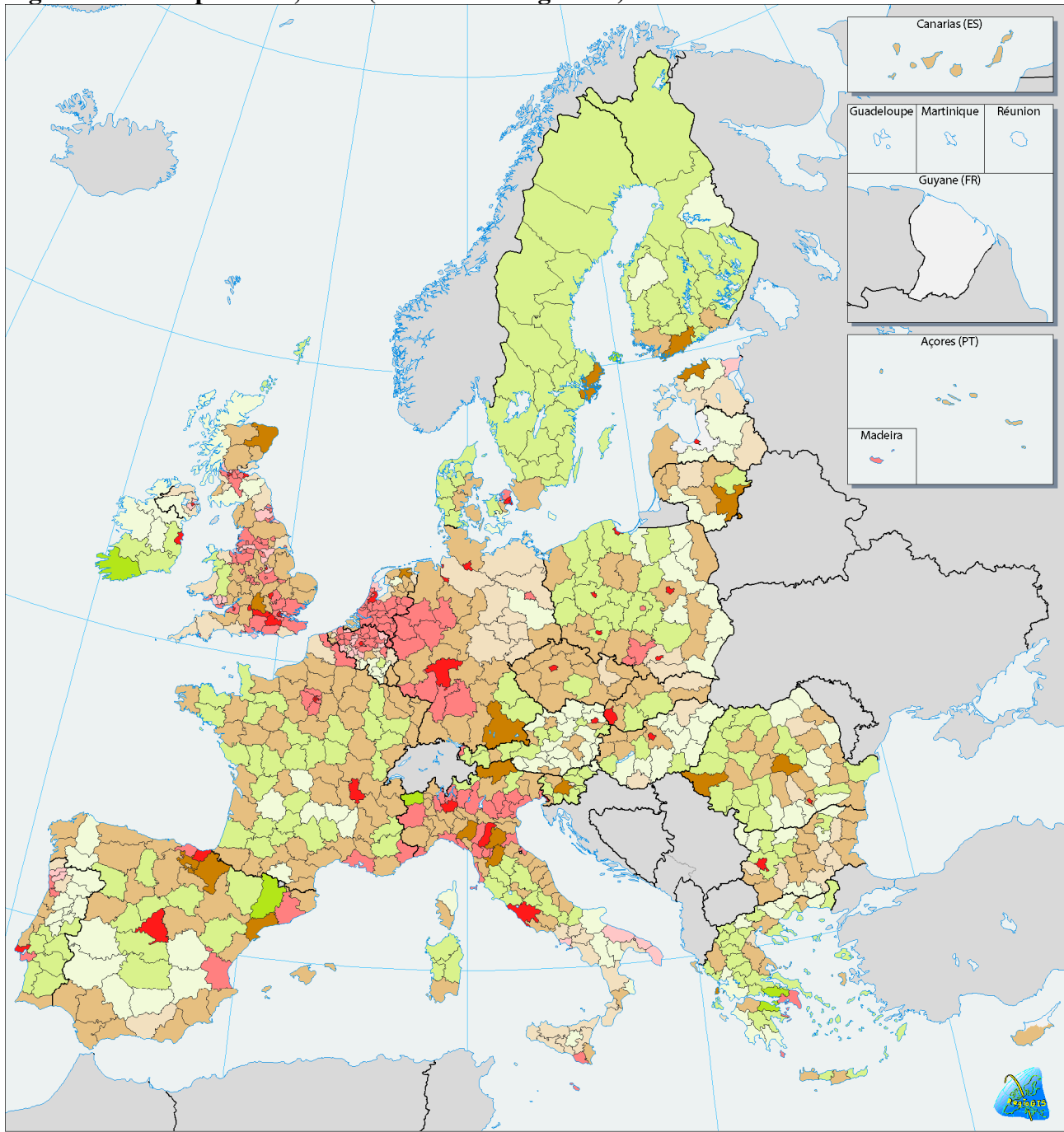
¹³ Council Regulation 1698/2005 of 20 September 2005 on Support for rural development by the European Agricultural Fund for rural development (EAFRD).

Table 2.1. GDP per head (national average=100) - NUTS3 level - 2004










	PR	IR	PU
Bulgaria	78	86	191
Germany	91	93	109
Spain	79	92	120
France	79	88	136
Greece	78	87	133
Hungary	72	88	205
Ireland	87		132
Italy	82	89	112
Lithuania	69	108	
Norway	NA	NA	NA
Poland	79	84	158
Portugal	79	85	116
Romania	81	101	198
Slovenia	85	121	
United Kingdom	68	86	107

Source: own calculations on Eurostat (Regional Economic Accounts) data

Figure 2.1. GDP per head, PPS (national average=100) - NUTS3 level - 2004



GDP per head, PPS (national average = 100), NUTS3 level, 2004

 PU region, < 75	 IR region, < 75	 PR region, < 75
 PU region, 75 - 125	 IR region, 75 - 125	 PR region, 75 - 125
 PU region, > 125	 IR region, > 125	 PR region, > 125

Source: FGB elaborations on Eurostat data.
NUTS2 data for Germany

0 500 Km

© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Regional Economic Accounts) data

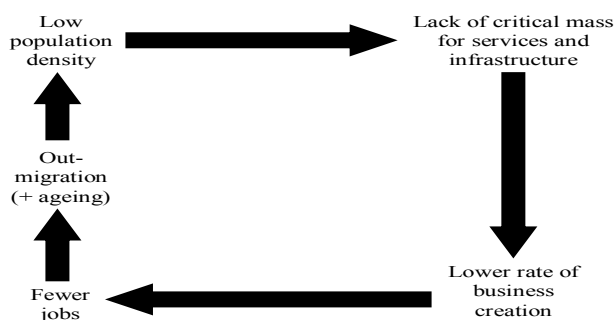
Table 2.2. GDP per head, PPS (national average=100) - NUTS3 level - 2004

	PR_R	PR_C	IR_R	IR_C	PU
Bulgaria	81	72	77	87	191
Germany		91		93	109
Spain	74	84		92	120
France	76	80		88	136
Greece	79	70	82	88	133
Hungary	69	73		88	205
Ireland	76	95			132
Italy	79	84	75	90	112
Lithuania	71	68	89	109	
Poland	60	81		84	158
Portugal	77	83	88	85	116
Romania	74	84		101	198
Slovenia	77	85	103	123	
United Kingdom	65	69	68	87	107

Source: own calculations on Eurostat (Regional Economic Accounts) data

What is apparent, anyway, is that **rural areas tend to show a weaker economic performance**. According to OECD (2006), this weakness is driven by a number of factors which can interact to generate what has been called the “circle of decline” for rural areas. The circle starts with low population density, which, according to the OECD, is a fundamental feature characterising rural areas as opposed to non-rural ones. This element generates a lack of critical mass for services and infrastructures, which in turn determines a lower rate of business creation and fewer jobs. These labour market weaknesses originate out-migration flows, which, combined with population ageing, further reduce population density, thus closing the "circle of decline" (Figure 2.2).

Figure 2.2. The OECD circle of decline



Source: OECD (2006)

However, according the same OECD study, doubts may arise that being located within the rural environment can by itself represent a factor of decline or a general risk of poverty for the population who live there.

For instance, in the past twenty years many rural areas have shown an increasing capacity to attract permanent investment. As a consequence, many rural regions have experienced positive

employment growth rates in industrial and service sectors and a loss of agricultural jobs. In many rural areas the diffusion of clusters, as seen in food processing activity or in other industries, has played an important role in improving the economic performance of the area.

Moreover, thanks to the improvement in transport links, a large number of rural regions have been able to take advantage of some emerging elements that improve their economic and social performance; this is the case of some rural areas that have been able to respond to the new demand for services, such as clean environment, attractive landscapes and cultural heritage. The demand of residential houses and commuting have played an important role in changing the economic and social aspects of many rural areas. All these factors have contributed to a partial reversal of the trend of rural out-migration in many rural areas in countries such as France, the UK and Italy and also in some of the New Member States, such as Poland and Hungary (European Commission 2006b).

In general, now **“rural” is not synonymous with decline**: there are several examples of regions that have become places where productive clusters of great importance are located. In other words, the connection between rural and backwardness cannot be generalised, considering that there is a remarkable heterogeneity in the development trajectories of rural regions that go far beyond the traditional, generalised image of rural disadvantage (OECD 2006).

However, the situation is complex, considering that many areas in the southern and especially eastern parts of the EU, are still experiencing relatively high levels of population decline. In such areas the theme of poverty and social inclusion in rural areas has particular importance, due to their relative disadvantage compared to the rest of the EU.

The same problem of depopulation is of concern in most of the so-called Less Favoured Areas (LFAs), usually located in territories with serious problems of accessibility (e.g. mountains, etc..). According to the recent SERA (2006) data, many of the most remote rural areas are still depopulated or dependent on agriculture; they still face problems of lower levels of income and employment rates, higher unemployment rates, weaknesses in skills and human capital –especially in agricultural sector and food processing industry-, unfavourable demographic situation, lack of opportunities for women and young people, slower development of the tertiary sector. Those areas will face in perspective heavier challenges as regards growth, jobs, environment, even if the disadvantage connected to location does not necessarily per se transform LFAs into poor rural areas. For example, many mountain areas of France and Italy have registered a notable improvement in their economic conditions thanks to the development of tourism.

2.2 The transformation of rural areas

For a long time, rurality has been defined by the predominance of agriculture in the economic activity, in the social and environmental context and in the ethic values of an area. Now, the transformation made in the European economy and the wide distribution of industry and services in the territory have profoundly modified the rural dimension, resulting in growing integration between city and countryside.

The **vast diffusion of small and medium enterprises (SMEs)** is a peculiarity of the EU compared to other areas, such as the US or Canada; this aspect is of great importance for the definition of the rural-urban divide. The large diffusion of SMEs as one of the main features of the EU economy also influences the diffusion and dimension of towns: according to ESPON (2006), Europe is a continent made of small and medium-sized towns, with a large proportion of the population (72%) living in

small and medium-sized towns (SMESTOs), i.e. cities with less than 100,000 inhabitants. According to such study, in general the spread of **SMESTOs and SMEs enables the phenomena of remoteness to be restricted compared to other countries**, where there is a greater concentration of populations in big cities and of the activities in large firms. Europe's urban centres are relatively close to each other and a high proportion of people can reach the centres of a functional urban area within 45 minutes driving time. The countryside has become an area of residence; the phenomenon of commuting is enabled by the development of road networks and the wide presence of industrial systems, spread throughout the territory.

Even if the diffusion of SMEs and SMESTOs generate different types of **interdependencies between urban and rural areas** and partially removes the rural-urban divide, however it has to be noticed that profound differences still persist between the continental core of the EU and the Eastern, Northern and Southern countries where remoteness is still an important issue (ESPON 2006)¹⁴.

If on the one side **the connection between agriculture and rural has become weaker**, because of the development of industry and services in the countryside, on the other side the same boundaries of the farm are now less clear. In the last twenty years, agriculture has been affected by important changes. Many farms are no longer only interested in production of raw materials for agro-business but also in other activities such as agro-tourism, environment protection, transmission of traditional knowledge (such as processing of traditional products) to new generations, openings for urban populations to participate in activities linked to eco-tourism. Moreover, new farmers from medium and high social classes are emerging with the development of part-time farms, sometimes with the aim of producing a new type of luxury self consumption goods, such as those connected to organic or healthy production.

In particular, the increasing attention paid to the **environment offers farms real opportunities in terms of their potential for growth in new sectors**. The production of environmental benefits is becoming an important element in the economy of farms, also as a consequence of the Common Agricultural Policy; this is evident in the increasing share of the agricultural area devoted to organic production, renewable resources and protection of biodiversity. In most Member States, 10-30 % of the agricultural area is allocated to activities directly or indirectly linked to environment protection (OECD 2006).

The activities linked to **environment promotion has allowed some disadvantaged areas to combat depopulation and decline**, thanks to the development of tourism linked to their natural or cultural heritage. For most EU-15 Member States, the growing attention on environmental aspects has not only caused an improvement in environmental conditions (e.g. water quality), but also in the economic potential of peripheral and economically disadvantaged areas, which were facing high risks of poverty and social exclusion.

As a consequence of all those changes, **agricultural enterprises have developed a plurality of activities and functions that involve many spheres, including the production of public goods**, such as environment and biodiversity protection, human and animal wellbeing, safeguard of the landscape and reproduction of cultural diversity and traditions. **Multi-functionality** of agricultural farms is a spontaneous phenomenon which is born out of the difficulties experienced by many small farms to keep up with market pressures for products. These farms have exploited the opportunities offered by the growing demand for other products and services, connected to leisure of the non-rural population and to a growing attention paid to environmental and health topics. The

¹⁴ It should also be remembered that outmigration from rural areas has an impact on the regional GDP measurement and growth.

characteristics of multi-functionality of farms are also promoted by the Common Agricultural Policy, which has progressively moved from sustainability linked to production towards sustainability promoting other functions of agriculture.

It is interesting to observe that not only the urban-rural borders and the role of agriculture, but even **the concept of rural society has become more blurred**. For a long time, sociologists have debated the theme of rural society as different from the urban one; the concept of rural included the idea of an entity associated with the perception of a social context with defined borders and specific values, as distinct from urban ones, often linked to the tradition and to more conservative values (Buttel and Flinn 1975). The enhancement of those values connected to rural specificities has been also one of the basis for political actions supporting rural areas in some country, such as the US, in order to bring stability to the political context through the strengthening of the rural society (Paarlberg 1964; Knutson et al. 1998).

Now, **in the most remote areas**, with dispersed populations and marked population ageing, **social disintegration** prevails which makes it more difficult to identify a sense of community, with an impoverishment of the human relationship networks. Similar considerations can be made for areas where there has been a significant inflow of investment in holiday homes. In this case a type of new “seasonal” resident has appeared who rarely interacts with the local inhabitants or participates in rural community life. This type of tourist is mainly interested in enjoying amenities such as the natural landscape, climate, or cheaper house prices; it does not seek for a great deal of interaction with the local culture and people.

Hence, with the reduction in the number of farmers, who were a permanent component of the rural society, and the increase in residential and industrial uses of the land, **new actors interact in the rural context** (European Foundation 2006c). The arrival of those new actors implies new relationships as well as new conflicts. A significant example is given by the competition between farmers and seasonal residents (or residents of counter-urbanization): the former ones tend to be more in favour of economic promotion and further development of the area, while the latter are usually keener to preserve “peace and quiet” and have a conservative approach to natural resources (Esparcia Pérez et al. 2001). The consequence is a change in the rural communities’ traditional social structures and an increasing complexity of the stakeholders who act in rural contexts.

2.3 Poverty of rural areas and poverty in rural areas

As underlined above, rural areas in the EU have experienced remarkable changes which, in a number of cases, have also curbed the economic divide with urban areas.

Despite remarkable differences among rural areas, it has been shown that living standard, expressed as GDP per head, is generally lower in rural than in urban areas. Even taking all the limits of GDP per head into account, this indicator suggests the existence of a higher risk of poverty and social exclusion of rural areas compared to urban ones. In Chapter 3 below we will analyze other indicators, especially those related to labor market, which will confirm this picture. Data thus seem to show the presence of a phenomenon that we will call **poverty of rural areas**, i.e. the existence of a possible disadvantage of the rural context in comparison with the urban one.

This phenomenon can be corrected by specific policies, at the European, national and local level. At the European level, the Common Agricultural Policy, including the Rural Development Policy, and the Cohesion Policy, even if not targeted towards fighting poverty and social exclusion of individuals, aim at promoting economic growth of rural areas and thus exert an impact on the

phenomenon of poverty of rural areas. For this reason, they will be examined in Chapter 5 of this study.

Compared to the urban context, the risk of poverty and social exclusion may assume different features. The risk of poverty and social exclusion is often more difficult to identify in rural areas than in urban ones; in Chapter 4 we will introduce the idea of **political irrelevance of the poor** in rural areas, examining the conditions that make rural poverty more concealed than urban poverty. For instance, as mentioned in some Country Studies in Annex I (such as those on Germany and France), rural residents are less likely to participate in poverty programmes. Moreover, it is more difficult and costly to deliver social services to poor people in areas characterized by dispersed population and problems of remoteness; specific problems may concern access to services, because of distance, transport costs and relative isolation of some rural populations. This may influence the phenomenon of poverty and social exclusion of individuals in rural areas. Some specific at-risk groups may stand out, either different from the urban ones or similar to them, but facing different specific problems connected to living in rural areas. We will call this phenomenon **poverty in rural areas**.

In the remaining part of this chapter we will focus on the main weaknesses of rural areas, which may determine the phenomenon of poverty of rural areas¹⁵: demography, remoteness, education and labor market (especially with regard to the agricultural sector).

2.4 Demography

Demography is among the key determinants of economic growth and can provide basic information on the risk of poverty of an area. Phenomena such as migration, ageing and gender disparities may represent significant elements linked to the risk of poverty of rural areas.

Migration

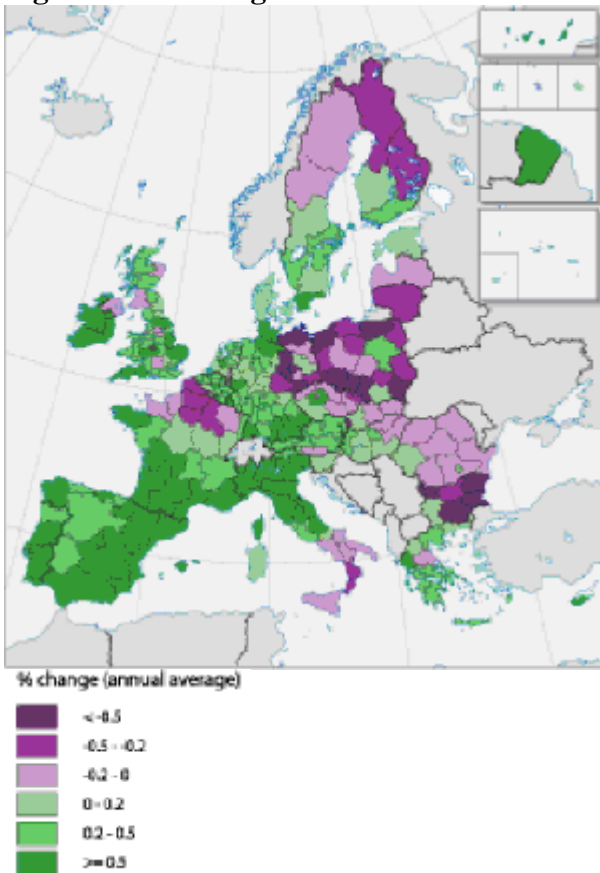
In Western countries, two large scale processes of demographic change are taking place: a long established “urbanization” trend drawing population out of more remote rural areas into urban and accessible rural areas, and a more recent “counter-urbanization” flow out of urban areas - increasingly under pressure from an urbanized lifestyle- into accessible rural areas (made possible by new transport and ICT infrastructure). The latter phenomenon is particularly evident in the case of France and the UK. Moreover, there is an increasing presence of the so-called returning migrants, i.e. people who return to their home villages after a previous migration to urban areas or abroad.

In Eastern countries the exodus from rural to urban areas (especially the capital city) is at present a relevant phenomenon; moreover, migration abroad – notably of young people and women – risks to lead to a general impoverishment of rural areas. The latter phenomenon (among the countries covered by this study) is particularly acute in Bulgaria, Lithuania, Poland and Romania.

The highest rates of net outward migration in the EU-27 over the period 2000–2004 were recorded in Eastern Germany, Poland and Bulgaria, but outflows were also significant in Southern Italy, Northern France, Northern and Eastern Finland and a few parts of Scotland. By contrast, many regions located in the geographical core of the EU (but also in Spain and Portugal) experienced significant net inward migration (Figure 2.3).

¹⁵ Poverty in rural areas will be dealt with in Chapters 3 and 4.

Figure 2.3. Net migration - NUTS2 level - Annual average 2000-2004



Source: European Commission (2007c)

Economic reasons, above all differences in income levels and employment, tend to be the main factors inducing people to move between regions. In Germany, all of the new Länder in the East have faced a net outflow to the western Länder since the early 1990s, reflecting the significant gap between the two in terms of income and employment levels. In Italy, migration still tends to be from the less wealthy Southern regions to the North, while in France, people have moved away from the old industrial regions in the North to the South (European Commission 2007c)

The implications of labor mobility for regions of origin have to be taken into account. A “brain drain” may be very costly for a region in terms of loss of productive workers and wasted investment in education and training which benefits labor markets in other regions or countries. However, in the case of international migration, a cost/benefit analysis must also consider the opportunities created by the presence of diasporas in other countries, such as increased trade, financial transfers, remittances and returns of certain migrants. It is difficult to ascertain a net benefit or net cost to countries of emigration.

For instance, while the large flows of migrants from the New Member States to the UK, Ireland and Sweden - the first EU-15 countries that removed all restrictions to free movement of people from the countries which joined the EU in 2004 - seem to have exerted a positive impact on the labor market of the destination countries, the outcome has been less clear-cut for the countries of origin. Remittances from migrants have increased, but the outflow of often employed and well-educated

workers has created pressures in some sectors. For example, the three Baltic States have faced severe shortages in the healthcare professions, where wage differences with EU-15 countries were substantial and the prospects of finding work high (OECD 2007a).

Ageing

Europe's population is ageing, as a consequence of both lower birth rates and an increase in life expectancy. With regard to life expectancy, according to data from the National Statistical Institutes and the World Health Organization, relevant differences still exist across countries, but not between rural and urban regions inside the same country. Life expectancy is generally lower in Eastern countries and higher in Mediterranean countries and Northern countries. Indeed, it ranges from 65 years in Lithuania to 77 in Greece, Italy and Norway with regard to men, and from 75 years in Romania to 83 in Italy, Spain and France for women (see Chapter 3 below).

People aged 65 and over represent more than 15% of population in most countries (with the exceptions of Ireland, Lithuania and Slovenia) and the percentage of elderly in PR regions is usually higher than the national average (Table 2.3). This reflects higher levels of out-migration of young people. Since women live longer, a high proportion of households composed by single aged people is made up of women, even if this is not a specific feature of rural areas only (Table 2.4).

The marked ageing of rural population can cause potential problems for sustainability of the social security system of these areas (notably health services), also because in most of these regions young people have difficulties in finding a job and so cannot contribute to financial sustainability of the social security system (OECD2006).

Table 2.3. People aged 65 and over (% of total population) - NUTS3 - 2001

	PR	IR	COUNTRY
Bulgaria	16.5	15.1	16.7
Germany	16.4	16.1	16.3
Spain	18.6	16.8	16.7
France	18.7	16.7	16.1
Greece	18.3	17.3	16.5
Hungary	15.2	14.1	15.2
Ireland	11.5		11.2
Italy	18.5	18.3	18.3
Lithuania	14.4	12.5	13.4
Norway	14.1	13.8	15.0
Poland	NA	NA	NA
Portugal	21.9	16.2	16.5
Romania	NA	NA	NA
Slovenia	13.9	13.9	13.9
United Kingdom	15.2	16.6	15.7

Source: own calculations on Eurostat (Regional level Census) data

Table 2.4. Single women aged 65 and over (% of total single people aged 65 and over) - NUTS3 - 2001

	PR	IR	COUNTRY
Bulgaria	NA	NA	NA
Germany	NA	NA	NA
Spain	73.6	75.7	76.8
France	76.5	78.6	78.4
Greece	74.5	78.4	76.0
Hungary	81.3	81.2	81.2
Ireland	64.1		66.6
Italy	77.2	78.5	79.1
Lithuania	83.9	83.3	83.4
Norway	72.7	74.8	73.9
Poland	80.3	80.0	79.9
Portugal	75.8	76.5	77.7
Romania	77.3	78.5	78.0
Slovenia	83.3	83.1	83.2
United Kingdom	73.0	74.3	73.5

Source: own calculations on Eurostat (Regional level Census) data

Gender Disparities

There appears to be a certain gender imbalance in the rural parts of some Southern and Eastern Member States, where strong rural-urban migration of females in the economically active age groups causes a degree of “masculinisation” of the rural population, leading to a secondary effect on fertility rates. In some rural areas of Mediterranean countries (Southern Italy, Spain, Greece), women have frequently to search for remunerated job opportunities in urban areas, while in Eastern countries (notably Poland and Romania) they tend to migrate abroad in order to find a job.

In other countries, such as Norway and France, it has been reported a specific risk of social exclusion for poor male farmers, who tend to remain single, because women are reluctant to share their poor living conditions.

To sum up, some general patterns emerge with respect to demography. The problems connected to ageing, which is a general problem in all countries, are particularly severe in PR areas, where old people may have additional difficulties due to isolation and distance to basic (e.g. health care) services. Gender problems appear different between Eastern and Western countries: in Western countries a specific problem concerns the category of aged single women; in Eastern and Southern countries, instead, there is a problem of out-migration of rural women, due to labor market related barriers.

2.5 Remoteness: infrastructure and access to basic services

Remoteness is an important element of difficulty in rural areas, involving relevant aspects of life. Concentration of the main services in urban areas can impact on the quality of life of groups already at risk of social exclusion: health services for elderly or disabled, child care facilities for female workers, etc... Moreover, in some remote rural areas, also a reduction in existing public and private services (e.g. retail, postal offices, banks, childcare, libraries, kindergartens) is ongoing. The problem is relevant for PR regions in all the 15 countries covered by the study. We will take into

account five relevant features of rural areas: housing conditions, access to transport, commuting, ICT diffusion and access to health care.

Housing conditions

According to European Foundation for the Improvement of Living and Working Conditions (2006b), housing conditions in rural areas appear to be worse than those in urban areas (Table 2.5).¹⁶ While differences in the number of rooms per person are not significant when comparing urban and rural areas, there are relevant differences with regard to indoor flushing toilet facilities and the general state of maintenance. The urban–rural divisions reflect differences according to age, income, and occupational status. Generally speaking, young people, unemployed, low-skilled and low-income people report the worst housing conditions. These phenomena appear to be almost non-existent in Northern countries, while they are quite severe in Eastern countries and in some Southern countries (Italy, Greece and Portugal).

Table 2.5. Housing indicators (2006)

	Average number of rooms per person		% of households without an indoor flushing toilet	
	Rural	Urban	Rural	Urban
Austria	1.9	1.6	1	2
Belgium	2.7	2.7	4	2
Denmark	2.1	2.0	0	2
Finland	1.7	1.5	2	2
France	2.2	1.8	1	1
Germany	2.0	1.9	1	1
Greece	1.5	1.4	6	3
Ireland	2.1	1.9	3	1
Italy	1.5	1.5	1	1
Netherlands	2.1	2.1	3	1
Portugal	1.5	1.4	6	3
Spain	1.6	1.6	3	1
Sweden	2.0	1.9	1	1
UK	2.5	2.6	1	1
Cyprus	1.6	1.7	2	4
Czech Republic	1.5	1.3	6	4
Estonia	1.6	1.4	33	7
Hungary	1.1	1.1	12	5
Latvia	1.2	1.1	36	11
Lithuania	1.3	1.1	45	13
Malta	1.8	1.8		1
Poland	0.9	1.0	17	5
Slovakia	1.3	1.4	10	4
Slovenia	1.2	1.3	4	6
Bulgaria	1.3	1.2	51	8
Romania	1.3	1.2	63	12

Source: European Foundation for the Improvement of Living and Working Conditions (2006b)

¹⁶ The definition of rural and urban areas used in that study is not comparable with the OECD one.

Access to transport

Some rural areas have benefited from better transport links, improving their economic performance. Transport plays an important role in increasing the demand of residential houses in rural areas. The possibilities of commuting or investing in a holiday home have played an important role in changing the economic and social aspects of many rural areas in Western countries. Adequate infrastructures and, in particular, access to transport and the ability to travel, are identified as an especially significant resource to accessing employment and developing social relations in remote rural areas.

However, limited transport infrastructure is still a problem in many rural regions, increasing the distance from markets and, more generally, social isolation of some social groups. In particular, in rural regions characterized by high dispersion of population and numerous small villages, providing the traditional public transport services is difficult and very expensive. This aspect is more relevant for some Eastern countries, notably Bulgaria, Poland and Romania, where the overall quality of transport infrastructure is lower.

Commuting

In many rural contexts, the widespread presence of economic activities in the territory or the neighbourhood of a city stimulates the phenomenon of commuting. The importance of commuting has been recognised by some European countries such as Italy and France, which have started to create a typology of classification of the territory taking this phenomenon into account. In France the classification “*Zoneage en aire urbaine (ZAU)* (Insee and Inra 1998) and in Italy the classification *Local System of Job (SLL, Sistemi Locali del lavoro)* (ISTAT *I sistemi locali del lavoro, annate varie*) define rural areas and urban fringes by their degree of connectivity with urban centres, in terms of employment¹⁷. However, even in those two countries, the attention paid to the rural context is different, considering that France distinguishes rural areas, while Italy does not. Using *ZAU*, rural areas are subdivided into three sub-categories on the basis of commuting and of the influence exercised by the town through commuting: rural areas under weak urban influence, rural centres and remote rural areas.

Commuting may help reducing unemployment in rural areas; however, it may divert demand for key services away from local providers towards nearby urban ones, resulting in a decline in local provision of services, which may represent an additional source of deprivation for more vulnerable groups (such as elderly and children).

Commuting has changed the characteristics of many rural areas, by making them more similar to peri-urban areas. Consequently, they are characterized by problems such as high inflation in the housing market, transport costs, pollution and environmental problems, etc. These difficulties invest particularly the low income families who originally moved to peri-urban areas exactly with the aim

¹⁷ In both countries, the classification is based on the municipality level which corresponds to LAU 2. The aggregation of those municipalities takes into account the concentration in terms of jobs: commuting is one of the most important aspects considered in the definitions of both countries. In the surveys there are some differences between the two countries. In France, the reference is to the administrative division of LAU2 and the common dimensions of the municipality and it is based on work and not on the population. In Italy however, the division of the territory is based upon the matrix of daily movements for reasons of work, of the geographic area's resident population and a centre of gravity. An SLL is identified when there is a level of self-containment of work defined by supply and demand. This is identified within a geographical area in which at least 75% of the supply and demand of work is crossed within the same area. The SLL number changed over time from 955 in 1981 to 686 in 2001 (based on the last Census data).

of reducing the cost of living, and are now trapped in a vicious circle: “moving in search of cost reduction - facing cost increase as effect of such search”.

ICT diffusion

The lack of access to good ICT infrastructure can have many negative consequences. Firstly, it impedes efforts to improve existing economies. In many cases, the internet is an important tool for improving tourism or other activities that can revitalise rural areas. Also from the point of view of medical assistance, internet services can have a positive impact on the quality of life of the population: today the internet is increasingly used for diagnostic purposes and distributing results from specialised examination.

Many rural communities are still poorly connected to DSL internet. In most EU countries an important gap in DSL coverage and DSL usage in rural areas compared to urban ones is reported by European Commission (2007f) (Table 2.6)¹⁸. At the country level, DSL usage is highest in Northern Member States, France, the Netherlands, Germany and the UK, while it is still very low in Greece and in most Eastern countries (Slovenia being a notable exception).

Table 2.6. DSL internet diffusion in the EU (2006)

	DSL coverage				% of population having subscribed to DSL internet			
	Rural	Suburban	Urban	Total	Rural	Suburban	Urban	Total
EU25	71.5	92.9	94.3	89.3	7.8	13.8	16.9	14.2
Belgium	100.0	100.0	100.0	100.0	15.8	15.0	14.3	14.6
Bulgaria	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Czech Republic	n.a.	n.a.	n.a.	81.3	3.9	3.7	8.6	4.8
Denmark	100.0	100.0	100.0	100.0	9.7	22.8	25.1	19.5
Germany	58.5	98.5	99.0	92.6	5.9	17.5	20.8	17.3
Estonia	n.a.	n.a.	n.a.	90.0	n.a.	n.a.	n.a.	7.6
Ireland	64.0	99.3	99.8	85.6	5.6	11.3	11.6	9.2
Greece	10.0	0.0	27.0	18.0	2.4	0.0	6.6	4.4
Spain	86.0	90.0	91.0	90.0	7.0	12.6	15.1	12.8
France	96.5	98.6	99.2	98.4	17.7	18.8	21.0	19.7
Italy	50.5	88.8	99.9	89.0	8.1	12.8	18.0	14.7
Cyprus	0.0	0.0	100.0	69.7	0.0	0.0	11.2	7.8
Latvia	37.0	60.0	90.0	72.0	0.3	28.7	6.8	5.3
Lithuania	58.0	95.0	99.0	83.0	1.9	5.5	7.6	5.3
Luxembourg	100.0	100.0	100.0	100.0	17.2	19.7	20.5	19.7
Hungary	77.0	93.0	96.0	89.0	2.3	6.2	9.6	6.1
Malta			99.0	99.0			8.8	8.8
Netherlands	99.0	99.0	99.0	99.0	18.6	18.6	18.6	18.6
Austria	79.0	99.0	100.0	91.3	5.8	13.0	15.3	10.9
Poland	54.8	70.9	73.9	67.1	0.7	7.0	6.8	4.9
Portugal	84.0	96.0	99.0	94.0	4.4	5.6	18.2	9.1
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Slovenia	78.5	93.0	97.8	88.2	6.8	7.5	18.6	9.7
Slovakia	29.5	71.4	91.0	65.7	1.1	3.3	5.5	3.4
Finland	82.0	96.0	98.0	91.8	16.7	25.7	28.0	23.4
Sweden	84.0	96.0	99.0	95.3	10.7	17.2	18.8	16.8
United Kingdom	95.0	100.0	100.0	99.5	14.2	13.0	18.6	16.6

Source: European Commission (2007f)

¹⁸ The definition of rural, suburban and urban areas used in that study is not comparable with the OECD one.

The diffusion of ICT is in general considered as an important tool for stimulating economic development and improving the functioning of economic activity and labour market. In some countries (e.g. France), a specific effort is planned to facilitate the appropriation of and the access to ICT in rural areas, also with the goal of reinforcing the presence of Small and Medium-sized Enterprises (SMEs) in rural areas. However, it has to be stressed that the adoption of ICT is endogenous and is in particular driven by the characteristics of the labour force. Physical investment in ICT is not enough to facilitate its adoption; the issue is also to adapt the skills of the labour force. In that sense, complementarity between human capital policies and the investment in communication infrastructures is key to reducing the technological gap between rural and urban areas.

Access to health care

As shown in Table 2.7, the handicaps of rural areas in access to health care are evident. In the EU-27, PU regions show an approximately five times higher density of hospitals compared to IR regions and an approximately 20 times higher density than PR regions. However, when looking at the number of hospital beds per 1000 inhabitants, rural regions show surprisingly similar figures compared to urban ones. Combining these two indicators, it can be found that the per capita provision of hospital beds in rural and urban areas is almost the same for most EU-27 countries, while accessibility to hospitals is more likely to involve significant disparities, as indicated by the hospital density indicator (SERA 2006).

Indeed, the inhabitants of rural regions are on average much further from a major hospital than those of urban regions; in general, basic health care services are harder to provide in areas with low demographic density. The longest travel times are found in the regions of the northern, southern and eastern peripheries of the EU: Northern Norway, Northern Scotland, Southern Italy, Greek Islands, Eastern Poland, Romania.

Table 2.7. Healthcare indicators (2001)

	Hospital density*				Hospital beds*			
	PR	IR	PU	TOTAL	PR	IR	PU	TOTAL
EU27	0,31	1.25	7.29	1.12	3.39	4.00	4.83	4.19
Belgium	0.24	1.30	14.91	0.66	1.94	6.80	7.87	4.78
Bulgaria	0.30	1.12	3.76	2.39	2.32	2.37	3.61	3.42
Czech Republic	0.36	0.92	11.90	0.55	3.27	4.85	6.43	3.98
Denmark	NA	NA	NA	NA	NA	NA	NA	NA
Germany	NA	NA	NA	NA	NA	NA	NA	NA
Estonia	0.44	1.21	6.29	1.95	2.22	3.49	5.11	4.30
Ireland	0.58	1.34	9.14	1.18	3.80	4.22	4.61	4.17
Greece	NA	NA	NA	NA	NA	NA	NA	NA
Spain	0.32	1.18	6.90	1.12	2.55	3.23	3.50	3.22
France	0.09	0.27	NA	0.10	4.20	3.98	NA	4.12
Italy	0.50	0.95	5.64	0.98	5.75	4.58	4.48	4.75
Cyprus	0.08	0.62	6.04	0.38	1.05	3.64	4.04	2.82
Latvia	0.60	0.77	53.33	0.96	6.33	4.56	12.51	6.74
Lithuania	0.09		5.42	0.16	1.10		2.55	1.51
Luxembourg	0.98	3.00	8.40	3.66	4.78	4.57	5.38	4.99
Hungary	NA	NA	NA	NA	NA	NA	NA	NA
Malta		1.16		1.16		2.68		2.68
Netherlands	NA	NA	NA	NA	NA	NA	NA	NA
Austria	NA	NA	6.33	6.33	NA	NA	3.57	3.57
Poland	1.79	0.92	3.42	2.48	3.53	2.51	3.11	3.02
Portugal	0.52	1.19	26.73	1.41	2.57	3.34	6.89	3.80
Romania	0.12	0.43	5.20	0.57	1.36	1.82	2.63	2.12
Slovenia	0.44	0.83	109.55	0.70	4.53	5.27	8.06	5.17
Slovakia	0.07	0.40	NA	0.08	2.68	2.02	NA	2.46
Finland	0.49	1.17	NA	0.69	3.62	4.95	NA	4.18
Sweden	0.63	1.09	5.85	1.20	4.57	5.27	9.14	5,62
United Kingdom	NA	NA	NA	NA	NA	NA	NA	NA

* Hospital density = Number of hospitals per 1000 sq. km (*only hospitals > 300 beds included*)

* Hospital beds = Number of hospital beds per 1000 inhabitants (*only hospitals > 300 beds included*)

Source: SERA (2006)

Many isolated rural areas also suffer from the lack of medical staff (European Commission 2007e). Doctors, dentists, nurses, chemists, are less present in rural areas; in those areas characterized by remoteness sometimes is very difficult to find specialists. The problem is particularly relevant if one considers the ageing population, since the elderly may be the most vulnerable group in this regard.

In some cases, the difficulty in access to health care services is also the consequence of a low number of people with medical insurance in rural areas or of lower income of people living in rural areas (e.g. agricultural workers and small farmers who usually have lower pensions compared to others). This is reported, for instance, in the case of Romania and Greece. Indeed, in such cases the difficulty in access to health services depends on the economic condition of population (inability to afford services) as well as on the distance people need to travel to access medical facilities.

Moreover, the accessibility of medical assistance is even lower for vulnerable ethnic minorities, in particular the Roma. Undocumented migrants are facing problems of access to health care.

Although improvements in small villages are perceivable, thanks to the increasing use of mobile medical units, an important source of concern in rural areas is the need to improve emergency services, as the waiting time to receive assistance in such cases is high above the average.

2.6 Education

Being educated is a fundamental component of the quality of life of an individual. Hence, the lack of education is an intrinsic form of deprivation. Moreover, education and training provision play a role in determining levels of human capital, which, in turn, have an impact on rates of economic growth of the area. Therefore, understanding existing differences in education between rural and urban regions is a crucial task in order to construct a map of poverty and social exclusion.

Differences between rural and urban areas start to emerge with respect to the pre-school education according to the Country Studies in Annex I. In Poland, for example, the share of children between 3 and 5 educated in nursery schools is 59% in urban areas and 8% in rural areas. Many other countries seem to face similar problems of lack of pre-school structures. Even in the Nordic countries, well known for an efficient and extensive net of pre-education services, there is a clear pattern along the rural urban axis: in Norway, for instance, the variation across the country in the proportion of children in kindergarten is significant (e.g. 76% in Oslo and 52% per cent in the rural Aust-Agder region). Similar regional differences are found in the provision of supervised after-school activities.

Given the importance of school attendance in the very first years of life, as a way to compensate for the unequal social and family background of pupils, this means that in rural areas, as compared with urban areas, there is a higher risk of inter-generational transmission of poverty and exclusion.

The problem of education involves other orders of school as well. Students living in PR may have more difficulties in access to education because they have to commute everyday; as a consequence of the decline in the number of rural schools, linked to a strategy of grouping schools, the primary and secondary school in rural areas are now less accessible in terms of distance pupils have to cover and higher cost for their families.

As for tertiary education, in most countries (with the exceptions of Germany, Poland and the UK) the percentage of adults with tertiary education is far smaller in PR and IR regions than in PU ones (Table 2.8). The phenomenon is also influenced by out-migration of educated younger people from the countryside (Ireland). Moreover accessibility to the nearest university is also much lower in PR regions than it is in IR or PU regions (SERA 2006).

In some countries, especially in Eastern Europe, even if usually the educational levels are quite high, there is still a problem of illiteracy that affects mainly rural areas. Moreover, the quality of education is lower in rural areas due to both education infrastructure and level of qualification of staff. Many schools need rehabilitations and building endowments, also according to didactic needs. Usually ICT is very scarce and equipment for vocational and apprenticeship education is obsolete or missing in rural schools.

The countries with a high share of low educated people tend to have also low employment rates or high poverty rates. Two examples, one for Western countries and the other for Eastern countries, are given by Ireland and Hungary. In Ireland the county level correlation between the percentage of persons with primary education and the poverty rate is equal to 0.88. In Hungary - where one of the

most important differences of rural areas compared to urban ones is the higher share of low educated people- the income poverty rate is 23% among people who have not completed primary education, and 18% among those who completed only eight years of primary school.

This evidence suggests that delivery of education and training, at all levels of the education system, is likely to prove an important mean of increasing the rate of growth in rural and peripheral areas and of helping the poor and socially excluded in those areas. Moreover, education of children and young people would prove crucial as a tool for fighting against intergenerational transmission of poverty and to increase social mobility.

Table 2.8. Percentage of adults (25-64 y.o.) with tertiary education - NUTS2 level - 2004

	PR	IR	PU	TOTAL
Bulgaria	22.2	17.8		21.6
Germany	23.9	24.8	24.3	24.5
Spain	20.3	25.5	32.1	28.2
France	21.6	22.8	32.9	24.9
Greece	15.9	20.6	25.3	20.6
Hungary	13.3	13.0	26.6	17.1
Ireland	22.7	30.3		28.4
Italy	11.0	11.8	12.8	12.2
Lithuania	26.3			26.3
Norway	28.7	29.1	44.9	32.6
Poland	15.5	17.8	15.4	16.8
Portugal	9.9	10.3	20.1	12.8
Romania	9.1	9.6	25.4	11.1
Slovenia	20.2			20.2
United Kingdom	n.a.	27.5	28.8	28.3

Source: own calculations on Eurostat (Labor Force Survey) data

2.7 Labor market

The analysis of employment and unemployment in rural areas also presents specific issues. The estimation of self-employment, which is widespread in the rural context, can be very difficult, especially in the case of work in small and very small enterprises. The rural environment can often present the phenomena of hidden unemployment and/or underemployment, notably in the less economically developed areas, as can be seen in many New Member States. This happens when other working opportunities are absent and it is possible to work within the family farm, with low or very low productivity. More specifically, phenomena of this kind are widespread where the agricultural sector is large, along with a large presence of self-employment in farms, and traditional services (small businesses), are often small or very small. Moreover, in agriculture the presence of employment is often declared solely for the purpose of obtaining social security benefits such as pensions and unemployment allowance. The presence of these phenomena causes an overestimation of employment in the rural environment.

Other elements can act in the opposite direction, resulting in an underestimation of employment in the rural environment; here in particular, we refer to the existence of an undeclared economy, whose diffusion is made possible by the dispersion of economic activity in the rural environment, which makes controlling and checking more difficult. Indeed a notable effect of irregular work connected to the seasonality of agricultural work or of other activities (such as tourism or construction) can be widely found in the rural environment.

The agricultural sector

As seen in the previous pages, agriculture does not play, in general, the most important role in the economy of rural areas. The relevance of agriculture in terms of its share of Gross Value Added (GVA) is very low: in the EU-25 agriculture now accounts for less than 2 % of GVA (Table 2.9).

Table 2.9. Gross Value added produced by agriculture, hunting, forestry and fishery (% of total)

	2000	2001	2002	2003	2004	2005	2006
EU-25	2.3	2.3	2.2	2.1	2.1	1.9	1.8
EU-15	2.2	2.2	2.1	2.0	2.0	1.8	1.7
Belgium	1.4	1.3	1.2	1.1	1.1	1.1	1.0
Bulgaria	13.9	13.4	12.2	11.7	11.0	9.4	8.5
Czech Republic	3.9	3.9	3.3	3.1	3.3	2.9	N/A
Denmark	2.6	2.8	2.2	2.0	1.9	1.5	1.6
Germany	1.3	1.4	1.1	1.1	1.2	1.0	1.0
Estonia	4.9	4.7	4.2	3.7	3.8	3.7	3.2
Ireland	3.4	3.0	2.6	2.5	2.5	2.1	N/A
Greece	7.3	7.1	7.0	6.7	5.7	5.2	N/A
Spain	4.4	4.3	4.0	4.0	3.8	3.3	3.1
France	2.8	2.9	2.7	2.5	2.5	2.3	2.0
Italy	2.8	2.7	2.6	2.5	2.5	2.2	2.1
Cyprus	3.6	3.8	3.7	3.4	3.0	2.9	2.8
Latvia	4.6	4.5	4.6	4.1	4.4	4.0	3.7
Lithuania	7.9	7.1	7.0	6.4	5.8	5.7	5.5
Luxembourg	0.7	0.7	0.6	0.6	0.5	0.4	0.4
Hungary	5.4	5.2	4.6	4.3	4.8	4.3	4.3
Malta	2.3	2.8	2.8	2.9	2.9	2.7	2.7
Netherlands	2.6	2.6	2.3	2.3	2.2	2.2	2.3
Austria	2.1	2.1	2.0	1.9	1.9	1.6	1.7
Poland	5.0	5.1	4.5	4.4	5.1	4.6	4.5
Portugal	3.8	3.6	3.3	3.2	3.1	2.7	2.8
Romania	12.4	14.7	12.6	13.0	14.1	9.6	9.1
Slovenia	3.2	3.0	3.2	2.6	2.7	2.5	N/A
Slovakia	4.5	4.7	5.1	4.5	4.5	4.3	4.0
Finland	3.5	3.4	3.3	3.2	3.0	2.9	2.6
Sweden	1.9	1.9	1.8	1.8	1.8	1.2	1.4
United Kingdom	1.0	0.9	0.9	1.0	0.9	0.9	N/A
Norway	2.1	1.8	1.7	1.5	1.6	1.6	1.6

Source: Eurostat, National Accounts data

The relevance of agriculture in terms of employment is less than 5%, larger than in terms of GVA but still relatively moderate (Table 2.10). Moreover, according the results of the *Scenar 2020* (European Commission 2007g) study, with regard to long-term patterns, both the agricultural labour force will continue to decline (by 2.5% in EU-15 and by 4% in EU-12 year on year) and, at the same time, productivity will increase.

Table 2.10. Primary sector's share of total EU civilian employment (%)

	2000	2005	Change 2000-2005
EU-25	5.7	4.9	-0.8
EU-15	4.3	4.2	-0.1
Belgium	1.9	2.1	0.2
Bulgaria	13.2	9.3	-3.9
Czech Republic	5.2	4.1	-1.1
Denmark	3.7	3.2	-0.5
Germany	2.6	2.3	-0.3
Estonia	7	5.8	-1.2
Greece	17	12.4	-4.6
Spain	6.9	5.2	-1.7
France	4.2	3.8	-0.4
Ireland	7.9	5.9	-2.0
Italy	5.2	4.1	-1.1
Cyprus	5.4	4.5	-0.9
Latvia	14.4	12.6	-1.8
Lithuania	18.4	14.8	-3.6
Luxembourg	2.4	1.7	-0.7
Hungary	6.5	4.8	-1.7
Malta	1.4	1.7	0.3
Netherlands	3.3	3.3	0.0
Austria	6.1	5.3	-0.8
Poland	18.7	17.1	-1.6
Portugal	12.5	11.8	-0.7
Romania	45.2	32.8	-12.4
Slovenia	9.6	8.9	-0.7
Slovakia	6.9	4.9	-2.0
Finland	6.2	4.9	-1.3
Sweden	2.9	2.3	-0.6
United Kingdom	1.5	1.4	-0.1

Source: Eurostat, Labour Force Survey data

Although the economic destination of rural areas seems to be only marginally correlated to agricultural performance, agriculture remains one of the distinctive features of rural areas and plays an important role in some areas (see also Tables 3.14 and 3.15 below). Indeed, the share of employment still shows a relatively large relevance of the agricultural sector in some Eastern (Romania, Poland, Latvia, Lithuania, Bulgaria, Slovenia) and Southern countries (Greece, Portugal), even if this share is rapidly decreasing, as the other economic sectors become more relevant. This is most evident in Romania, where the share of employment in agriculture has declined from 45% in 2000 to 33% in 2005, but also in Greece, where it has declined from 17% to 12% during the same period.

In those countries where agricultural employment is still relevant, the changes in agriculture can have great relevance in the evolution of the rural areas. Here, the sectoral adjustment will put considerable pressure on employment opportunities, considering the large extension of the uncompetitive farming sector, that needs to increase its productivity, especially in New Member States (Table 2.11). In those countries, as underlined below (see Tables 3.14 and 3.15), there is a large amount of very small and semi-subsistence farms whose adjustment will have an impact on the employment rate in the next future. Whereas in the medium-long run modernisation of agriculture may contribute to economic growth, in the short term there may be a trade-off between

productivity increase in agriculture (necessary to cope with international competitive pressure) and improvement in the labour market situation, since the former may entail a rise in unemployment, which is already quite high in some countries (e.g. Poland). Therefore, modernisation of agriculture may increase the risk of poverty and social exclusion of farmers in the short term.

Table 2.11. Labour Productivity in Agriculture: Gross Value Added per Annual Work Unit (thousands Euros) - NUTS 2 - 2003

Country	PR	IR	PU	COUNTRY
EU25	11.1	21.2	27.8	19.3
EU15	15.4	25.5	29.0	23.8
Belgium	n.a.	n.a.	n.a.	n.a.
Bulgaria	n.a.	n.a.	n.a.	n.a.
Czech Republic		5.8	n.a.	5.8
Denmark		50.3		50.3
Germany	n.a.	n.a.	n.a.	n.a.
Estonia		3.5		3.5
Greece	12.3	18.0	16.3	13.9
Spain	18.7	21.0	22.3	20.9
France	29.3	32.7	55.3	33.6
Ireland	13.3	21.2		17.4
Italy	13.4	20.3	24.1	20.8
Cyprus		13.1		13.1
Latvia		1.6		1.6
Lithuania	1.9			1.9
Luxembourg		31.1		31.1
Hungary	4.2	3.9	3.3	4.0
Malta			15.1	15.1
Netherlands		44.8	42.2	42.7
Austria	15.5	13.4	30.6	15.0
Poland	n.a.	n.a.	n.a.	n.a.
Portugal	n.a.	n.a.	n.a.	n.a.
Romania	n.a.	n.a.	n.a.	n.a.
Slovenia	4.2			4.2
Slovakia		3.2	8.2	3.4
Finland	16.3	15.9		16.1
Sweden	18.4	37.4		22.3
United Kingdom	24.2	31.9	31.4	31.5

Source: European Commission (2006b)

All Member States, anyway, are going to face the challenge of adapting to the new system of support provided by the reformed Common Agricultural Policy, just when international confrontation on agricultural issues in the Doha Round is quite harsh and new serious competitors are appearing among emerging countries (e.g Brazil, China, India).

In this regard, it has to be noticed that European agricultural farms, compared to their international competitors, have a smaller average size; this characteristic is particularly common in some EU countries and especially in the Southern and Eastern countries (Table 2.12).

Table 2.12. Distribution of farms by physical size (ha) (% of total number of farms) 2003

Country	< 5ha	>5 - <50 ha	> 50 ha
EU27	73.0	22.5	4.6
EU15	56.6	33.4	9.9
Belgium	28.0	57.1	14.9
Bulgaria	96.8	2.4	0.8
Czech Republic	58.1	28.4	13.5
Denmark	3.7	61.0	35.3
Germany	23.6	56.1	20.3
Estonia	50.8	43.4	5.8
Greece	76.1	23.1	0.8
Spain	55.0	36.3	8.7
France	27.6	39.4	32.9
Ireland	7.7	74.3	18.0
Italy	76.8	21.1	2.1
Cyprus	87.5	11.5	0.9
Latvia	50.6	46.4	3.0
Lithuania	62.1	36.1	1.9
Luxembourg	19.6	34.7	45.7
Hungary	89.6	9.0	1.4
Malta	97.7	2.3	0.0
Netherlands	29.6	58.2	12.2
Austria	32.2	61.9	5.9
Poland	66.5	32.7	0.8
Portugal	76.7	20.6	2.7
Romania	93.8	5.9	0.3
Slovenia	57.6	42.2	0.3
Slovakia	91.9	4.8	3.3
Finland	9.9	73.5	16.5
Sweden	10.4	61.2	28.4
United Kingdom	36.9	36.2	26.9
Norway	14.1	81.9	4.0

Source: Eurostat, Farm Structure Survey data

Indeed, with regard to farm size, different patterns can be identified: in Northern Europe (Denmark, Finland, Sweden, Norway, Ireland), but also in large continental countries such as Germany and France, there is a large presence of medium and large farms, while in all Southern and Eastern countries the size of more than half of farms is smaller than 5 hectares. Restructuring of smaller farms may lead to the closing of many farms and to a reduction in self-employment, with a negative impact on the labour market, especially in countries with a larger presence of this kind of farms.

Problems of fragmentation of farms and small dimension of economic activities represent important determinants of poverty and exclusion for farmers and their families. In some Eastern countries (Poland, Bulgaria, Romania) the problem of farmers and agricultural workers is even more severe because of the transformation of the agriculture from state to private farms. However, in countries such as Bulgaria, the majority of very small-scale farmers are pensioners, or have other gaining activity, and that may reduce their risk of poverty.

Linked to the agricultural activity there is often, especially in Western countries, a large employment of immigrants. Mainly for seasonal workers, there is a risk of undeclared immigration often associated with very poor living condition, low salaries and absence of any kind of insurance. Those problems are more severe in Southern countries, where the production of fruits and vegetables has a strong seasonal cycle that requires a large amount of seasonal workers (Italy, Spain, Greece). Moreover, the risk of poverty and exclusion is still higher in those areas where there is a presence of criminal organizations that control the sectoral labour market by new forms of illegal work intermediary; this is particularly evident in Southern Italy, Spain and France.

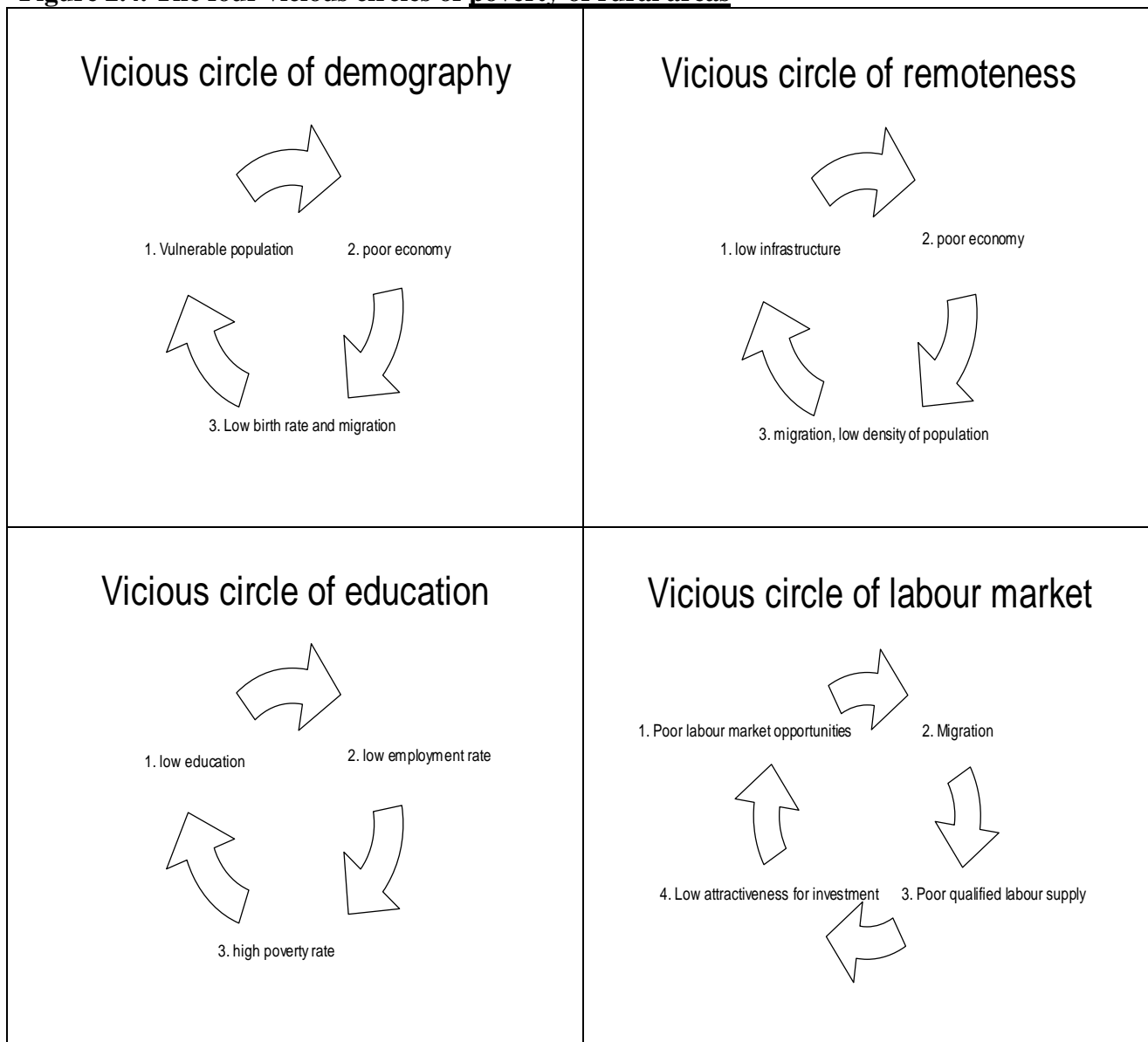
To sum up, in rural areas, and mainly in PR and in all rural areas of Eastern countries, the relevance of agriculture is still significant in terms of employment opportunities. Here, low incomes and seasonality of work could represent important risk of poverty and social exclusion; moreover they could be an important element of intergenerational transmission of poverty among farmers and agricultural workers.

Looking at the perspectives of rural areas, dynamic rural areas do not imply strong agriculture, and vice-versa strong agriculture may exist where rural areas are not dynamic. However, even if agriculture will become a weaker driver for the rural context, in the future agriculture will maintain its importance as an important tool for managing externalities such as landscape, biodiversity, tradition. Moreover, for a number of countries, particularly in Eastern and Southern Europe, agriculture will keep a certain relevance in labor market dynamics and will be able to play a significant role with regard to the themes of poverty and social exclusion.

2.8 The vicious circles of "poverty of rural areas"

The four categories of problems of rural areas described above (demography, remoteness, education and labor market) may interact and generate “vicious circles”, which may reproduce and amplify the phenomenon of poverty of rural areas (Figure 2.4).

Figure 2.4. The four vicious circles of poverty of rural areas



The first circle (“demography”) starts with the unfavourable demographic situation of many rural areas: large share of elderly, few young people and low density negatively affect the economic performance of the area; as a consequence, low birth rates and migration of young people further worsen the demographic situation.

The second circle (“remoteness”) is generated by poor infrastructure, which negatively affects the economic performance of the area, thus fostering out-migration; this has a negative consequence on the demographic situation, representing a further obstacle to the development of infrastructure (for instance, the per capita costs of providing medical care or ICT infrastructure rise as rural population declines, because many of those costs are fixed).

The third circle (“education”) is generated by the low educational levels of most of the rural population; this causes a low employment rate and, consequently, may increase the poverty rate, which in turn negatively affects the chance of receiving high quality education.

Finally, the fourth circle (“labour market”) starts with poor labour market opportunities of many rural areas, which force many qualified people to migrate and thus worsen the quality of the local labour force; a low-skilled labour force is a disincentive for investment by domestic or foreign firms in the area; the consequence is a further deterioration of labour market situation.

As we will discuss in Chapters 4 and 5, policies are called to tackle and break the weaknesses of rural areas pointed out in this chapter and summarized by the four vicious circles.

3.1 INCOME POVERTY IN RURAL AREAS

The general intuition behind poverty measurement is that 'poverty' exists when an individual, or a group of people, in a particular society cannot attain a 'minimum' level of well-being. Making this general intuition of some use in empirical analysis and in evaluation exercises, requires to address two basic issues. The first is the choice of *the metric*: how do we assess well-being? Is the basis for individual comparisons income or consumption, and how comprehensively will either one be measured? The second regards the definition of a “minimum” level, also called poverty line: when an individual, or a group of individuals, is to be defined poor?

The most widely used approach to measuring poverty is based on income, by comparing household income with thresholds (poverty lines) derived as a function of the entire distribution and by measuring the proportion of household with income below the poverty line. This is the relative income poverty method, adopted at the European level: Eurostat defines the at-risk-of poverty rate as “*the share of persons with an equivalent disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalent disposable income*”. The “at risk of poverty rate”, as defined above, is one of the key Laeken indicators of social exclusion.¹⁹ Notice that with this definition no such thing as a European poverty line is defined, but single, country-specific poverty lines exist. As a consequence, the evaluation exercises based on this approach do not identify the poor in Europe, but the poor in each European country.

The relative approach to measure poverty will also be followed in this report. Unfortunately, however, the available data do not permit a systematic and complete analysis of rural-urban patterns in income poverty in Europe. Actually, we should stress the presence of a strong constraint on the availability of data. Since the Nice European Council (2000) and the Laeken European Council (2001), there has been a large effort at the EU level in collecting data for the analysis of poverty and social exclusion in member states in a comparative way.

The first collection of common primary data for the calculation of poverty rates started in 1994, with the implementation of the ECHP (European Community Household Panel), a cross-national data collection aimed at harmonising surveys focused on household income and living conditions. The survey, which lasted until 2001, covered a wide range of topics, such as income, health, education, housing, demographics and employment characteristics. In 2003 the EU-SILC (Statistics on Income and Living Conditions) was launched in six Member States (Belgium, Denmark, Greece, Ireland, Luxembourg and Austria) as well as in Norway; the survey included progressively new countries, also from the New Member States. At the end of 2006 the collected data and derived indicators covered for the first time all EU countries plus Norway and Iceland. The survey is expected to become the reference source of statistics on income, poverty and social exclusion in the EU. However, while comparable data on income distributions in different Member States exist, these data set do not always allow to measure income poverty in Europe by distinguishing between rural and urban regions. This depends on the fact that the surveys are not available at NUTS 3 level.

Nevertheless, there exist some country specific surveys in which a differentiation between rural and urban can be made. These surveys may refer to different years and can possibly use different methodological approaches, in terms of poverty lines, income units, individual indicators of well-

¹⁹ See section 3.2 below.

being (income, consumption, equivalence scales, etc.). Hence, they are significant in within-country evaluations, but they should be used with great caution in making cross-countries comparisons.

In Ireland, for instance, the data drawn from the EU-SILC 2006 show that generally rural areas have higher rates of poverty than urban areas: specifically, in 2005 the at-risk of poverty rates (at the 60% of the median threshold) were 16.0% for urban areas and 22.5% for rural areas. In 2006, in the same areas, the poverty rates decreased to 14.3% and 21.5 respectively. A similar picture emerges in France, where rural districts (below 2,000 inhabitants) have the highest proportion of poor people, slightly above 25%, compared to about 24% in cities above 200,000 and to about 13% in cities below 200,000, and in Portugal, where, in 2000, the risk of being poor in a rural territory was two times higher than that in urban areas: 33% against 16%. Also in Greece, in 2003, statistics show that the poverty rate was bigger in rural areas, with a 29%, than in urban, with a value of 21%.

Similar patterns emerge in Eastern countries: in Poland, in 2005, 27% of the rural population lived below the relative poverty line, compared to 12.5% in cities and 18.1% for the entire country. In particular, 18.7% of the rural population lived in extreme poverty (i.e. below the subsistence minimum), compared to 8.2 % of the urban population and 12.3% of the overall population. In Romania, the relative poverty risk in rural areas is more than double compared to that in urban areas (42% and 18%, respectively). A similar pattern is found in Lithuania and Hungary, where, in 2005, for the rural population the poverty risk rate was three times higher than for inhabitants of biggest cities.

In sum, and with the *caveats* discussed above on the comparison of data of different sources, the following patterns seem to emerge. Rural areas are characterized by a higher degree of income poverty with respect to urban areas in all countries for which such distinction is possible. By considering that with the relative poverty approach the poverty line is determined with respect to the entire country distribution, this picture is confirmed and is partly explained by the observation of a lower GDP in the rural areas with respect to urban areas, in all the countries considered.

The gap in poverty rates between rural and urban areas is bigger in eastern countries than in western countries. In western countries, within rural areas, poverty is concentrated in remote regions and, in general, regions with accessibility problems. In addition, in western countries the trend, where available (e.g. in France), shows that rural districts still have the highest proportion of poor people but poverty is becoming mainly an urban phenomenon.

3.2 FROM INCOME POVERTY TO SOCIAL EXCLUSION

Although measures of income poverty are still at centre stage of all poverty evaluations, this view has been recently questioned by the argument that the exclusive reliance on income can hide crucial aspects of economic deprivation. The well-being of individuals and groups may depend upon a number of variables, such as monetary and non-monetary factors, infrastructure disparities, life style, and so on, which are not captured by looking only at income.

Moreover, some specific limitations of the income metric, when used to assess poverty in rural areas, can be underlined. Several researches have pointed out that **a significant number of the income poor had relatively low deprivation scores in other important non-monetary items**. Income assessment for a single time period may overlook income fluctuations over a series of time periods – and this is especially relevant in the agricultural sector. Self-provisioning by some types of households (e.g. farming households) can compensate for low monetary incomes, but might be overlooked by measures of income poverty. Geographical differences in prices will influence the

purchasing power of a given income across locations, and this can be particularly relevant for rural areas.

These aspects justify a more general approach to distributional analysis, which overcomes the limits of the income poverty paradigm. In fact, a consensus has emerged in recent years on the opportunity to supplement income information by other “dimensions” of individual deprivation; in the public discourse of many European countries, as well as in EU institutional jargon, there has been a shift in emphasis from “poverty” to “social exclusion”.

Under the heading of social exclusion are included concerns for social phenomena as diverse as poverty, low educational attainment, unemployment and other labour market disadvantages, poor housing and lack of access to social and political institutions. Although it does not seem to exist a general consensus about the proper definition of **social exclusion**, it is possible to identify the main factors characterising such a phenomenon: (i) it is **multidimensional**, i.e. it is not only concerned with income, but with a wide range of indicators of living standards; (ii) it is **dynamic**, i.e. analysing social exclusion means understanding a process and identifying the factors which can trigger entry into or exit from it; (iii) it has a **neighbourhood dimension**, i.e. multiple deprivation is caused not only by lack of personal resources, but also by insufficient or unsatisfactory community resources; (iv) it is **relational**, i.e. it implies inadequate social participation, lack of social integration and a major discontinuity in the relationship of the individual with the rest of society.

Building on these conceptualisation, different approaches to the measurement and the assessment of social exclusion have been proposed (see, *inter alia*, Bradshaw et al. 2000, Tsakoglou and Papadopoulos, 2001, Bossert et al. 2007). Among these, the strategy proposed by the EU with the Laeken indicators amounts at identifying several indicators, one (or a small set) for each relevant dimension of individual deprivation, and to make cross-country or inter-temporal comparisons separately for each indicators. Hence, instead of summarizing the different dimensions of deprivation into a single “poverty superindex”, this approach analyses them separately, thereby permitting to highlight differences and causal relations, and to suggest areas of policy intervention.

This multidimensional approach is also followed in the present report. In order to identify the indicators able to capture the essence of poverty and social exclusion in rural areas and to compare such phenomena across European countries, **we build on the methodological framework used to set up the list of the Laeken indicators**, amending such a list in order to account for two different factors: (i) the specificity of rurality; (ii) the availability of data.

A careful evaluation of the data available leads us to the choice of a small set of **ten overarching indicators**, supposed to be the leading indicators which cover the most important elements generating social exclusion in rural areas.

Social indicators play in general a relevant role at two different levels in the European context: on the one hand, they are used to measure poverty and social exclusion in different Member States and to monitor the progress with respect to the commonly agreed objectives; on the other, they are used for the evaluation of inclusion policies in different States and hence represent a fundamental piece of the open method of coordination established at the Union level in the field of social policies. Also for the particular indicators we select, which focus on social inclusion in rural areas, we follow the standard European strategy: that is, we opt for indicators which measure the “output” of the relevant policies, rather than the “input”. Hence the indicators we propose are not able to measure inclusion policies directly; rather, they are able to measure the policies through their performances.

The following indicators have been selected:²⁰

- 1) Employment rate
- 2) Activity rate
- 3) Youth unemployment rate
- 4) Employment rate of older workers
- 5) Long term unemployment rate
- 6) Housing quality
- 7) Life expectancy at birth
- 8) Adults with low educational attainment
- 9) Demographic labour pressure
- 10) Multi-generation households

Looking at the list as a whole, the conception of social exclusion that implicitly emerges seems to be related to five different dimensions:

- lack of employment (indicators 1, 2, 3, 4, 5)
- housing (indicator 6)
- health (indicator 7)
- lack of education (indicator 8)
- demographic structure (indicators 9 and 10)

It is unquestionable that these are relevant dimensions in which social exclusion manifests itself, and that these dimensions are particularly relevant for rural areas. However, it should be noticed that other relevant areas could and should in the future be included: first of all, the dimension related to lack of income, hence the indicators of poverty and inequality. As already discussed, such indicators are not included in the present list because of lack of data.

Let us describe briefly the chosen indicators, starting with those linked to lack of employment. Indicators of joblessness are somehow in between the area of deprivation and social cohesion: unemployment is of course a leading indicator in analysing the working of the labour market; but at the same time the lack of a job is one of the main causes of poverty and social exclusion. Typically the poverty rate is higher among the unemployed; this is particularly true for the long term unemployed, for whom poverty is often persistent, leading to social exclusion. The focus on youth unemployment is particularly motivated by the structure of the labour market in rural areas: one of the main characteristic of such areas, in most of member states, is the lack of job opportunities for the young. The choice of the education indicators reflects a specific and highly problematic characteristic of rural areas: the low education rate of young people and the intergenerational transmission of such tendency. The indicators related to housing and health are intended to measure two relevant aspects of the individual living standards. The demographic structure as an indirect impact on social exclusion: rather than an indicator of deprivation, it is able to capture some basic features that characterize poor and excluded people.

Before presenting the results, it has to be remarked that, since the analysis is based not only on Eurostat data, but also on data supplied by National Statistical Institutes, sources might not be fully comparable and thus conclusions have to be drawn with caution.²¹

²⁰ Details on definition and territorial level are given for each indicator in the following sub-sections.

²¹ Moreover, in some cases it was necessary to use figures at NUTS2 level together with figures at NUTS3 level in the same table. Of course, this implies that very different groups of regions are compared and thus increases the degree of caution to be used when drawing conclusions.

As for the definition of rurality, as indicated in Chapter 1, we use the OECD typology. In the following tables, regions are thus indicated as follows:²²

- PR= PREDOMINANTLY RURAL REGIONS
- IR= INTERMEDIATE REGIONS
- PU= PREDOMINANTLY URBAN REGIONS

3.2.1 Labour market indicators

Employment rate and Activity rate

The Lisbon European Council in March 2000 set a strategic goal, over the decade 2000–2010, for the EU “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”. It specifically stated that the overall aim of employment and economic policies should be to raise the employment rate²³ to as close as possible to 70% by 2010 and to increase the employment rate for women to more than 60% by the same year, not least in order to reinforce the sustainability of social protection systems.

The following tables report the employment rates by distinguishing between PR, IR and PU regions (Tables 3.1a, 3.1b and 3.1c).

Table 3.1a. Employment rate (15-64 y.o.) - Total - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	50.8	54.7	61.9	55.8
Germany	68.1	66.0	64.6	65.4
Spain	57.3	59.7	66.5	63.3
France	65.9	62.4	60.8	63.1
Greece	59.9*	58.6*	61.4*	60.1
Hungary	52.2*	56.8*	63.3*	56.9
Ireland	66.7		68.3	67.6
Italy	54.0	55.3	59.8	57.6
Lithuania	62.4	62.6		62.6
Norway	75.2	77.4	75.3	76.1
Poland	53.9	51.2	52.7	52.8
Portugal	69.8*	66.2*	66.8*	67.5
Romania	58.9*	54.9*	59.3*	57.6
Slovenia	64.8	67.5		66.0
United Kingdom	71.9	74.7	70.5	71.7

*NUTS2

Source: own calculations on data from national statistical institutes

²² As indicated in Chapter 1, all data for Germany are at NUTS2 level.

²³ The employment rate is calculated by dividing the number of persons aged 15 to 64 in employment by the total population of the same age group (European Commission 2007e)

Table 3.1b. Employment rate (15-64 y.o.) - Male - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	53.6	59.2	66.1	60.0
Germany	73.6	71.5	70.8	71.2
Spain	71.2	74.1	77.2	75.2
France	69.9*	67.3*	68.7*	68.8
Greece	74.4*	73.3*	74.6*	74.2
Hungary	58.5*	63.0*	69.6*	63.1
Ireland	77.3		76.0	76.9
Italy	67.5	67.9	71.6	69.9
Lithuania	66.3	65.9		66.1
Norway	77.9	80.7	77.1	78.9
Poland	60.9	56.7	58.0	58.9
Portugal	76.2*	72.8*	71.0*	73.4
Romania	64.0*	62.7*	65.9*	63.7
Slovenia	69.1	71.1		70.4
United Kingdom	78.2	80.4	76.4	77.6

*NUTS2

Source: own calculations on data from national statistical institutes

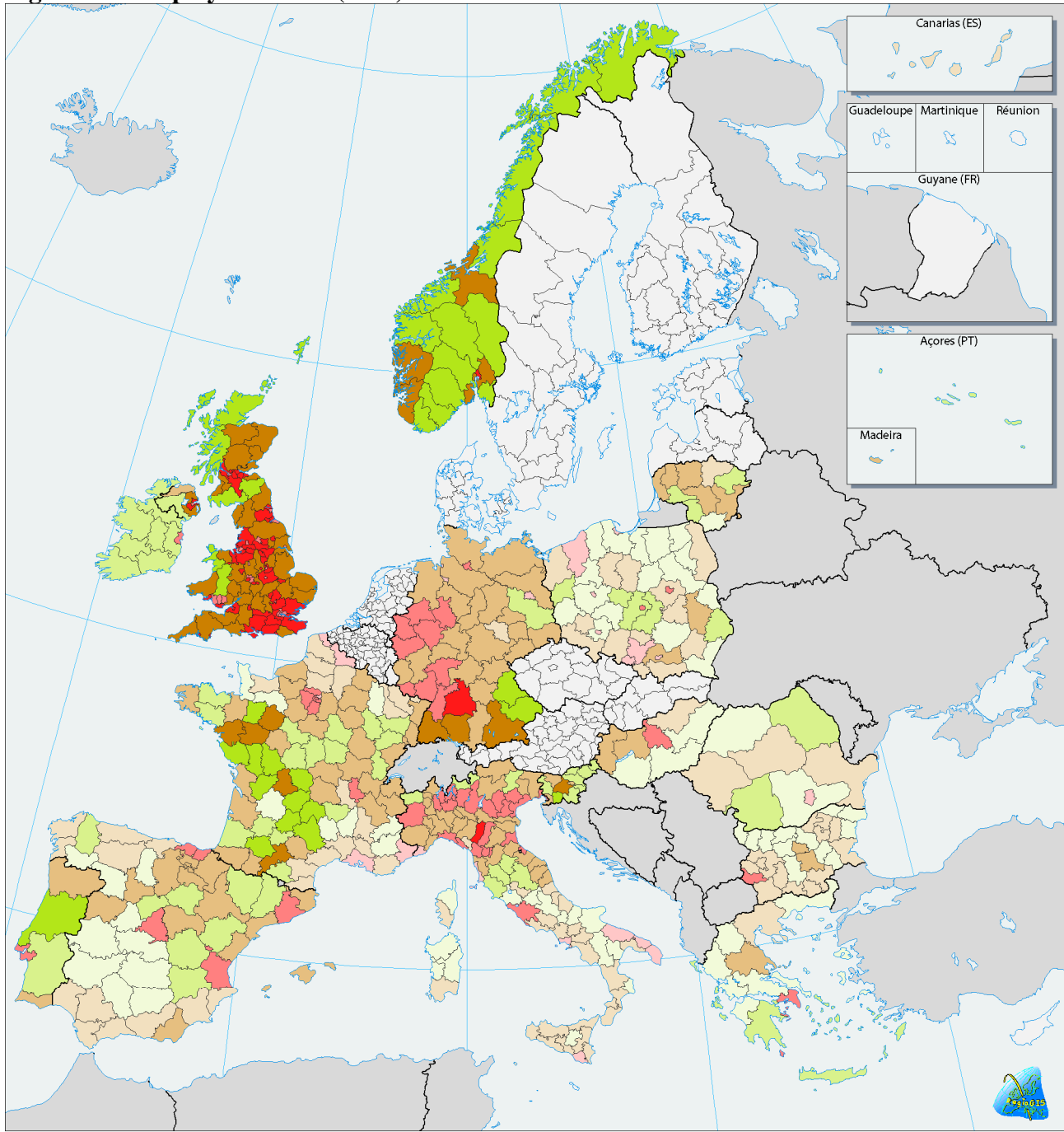
Table 3.1c. Employment rate (15-64 y.o.) - Female - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	48.1	50.4	58.1	51.8
Germany	62.4	60.5	58.3	59.6
Spain	42.6	49.0	56.8	51.2
France	59.0*	56.5*	56.5*	57.6
Greece	44.7*	44.1*	48.8*	46.1
Hungary	46.1*	50.8*	57.5*	51.0
Ireland	56.8		62.0	58.3
Italy	40.6	42.8	48.1	45.3
Lithuania	58.7	59.6		59.4
Norway	71.6	73.8	72.7	72.6
Poland	46.8	45.8	47.7	46.8
Portugal	63.5*	59.7*	62.7*	61.7
Romania	53.8*	47.2*	53.4*	51.5
Slovenia	59.7	63.3		61.3
United Kingdom	65.5	68.9	64.5	65.9

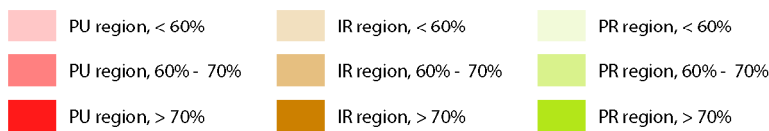
*NUTS2

Source: own calculations on data from national statistical institutes

Figure 3.1. Employment rate (total) - NUTS3/NUTS2 level - 2005



Employment rate (total), NUTS3/NUTS2 level, 2005



Source: FGB elaborations on Eurostat and national data



© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Labour Force Survey) and national data

From an inspection of the figures, clear differences between the countries can be noticed (from a 76% in Norway to a 55.8 in Bulgaria). However, with respect to the rural/urban dimension, a mixed picture emerges: only in some countries the employment rate in PR regions is significantly lower than in PU areas (Bulgaria, Spain, Hungary, Italy); and this may be partly explained by poor employment opportunities in many rural areas. However, in some regions, especially in Eastern countries, there is a large presence of subsistence economy that overestimate the employment rate (see Tables 3.15 below). In other countries (e.g. Germany, France, Poland, Portugal) the employment rate is highest in PR regions (Figure 3.1).

The breakdown by gender leads to clearer conclusions. With regard to the Lisbon target for female employment, in aggregate terms only Portugal, Slovenia and the UK already exceed the 60% threshold. It is worth noticing very high rates for Norway. However, when looking at female employment rates there is much clearer dominance of the urban areas over the rural areas. This is a signal of the specific difficulties of women in such areas. With respect to this, some Country Studies in Annex I (e.g. Spain) stress that in the last few decades the decline of agricultural activities in rural societies gave rise to a scenario in which women in rural areas found great difficulties in the labour market, especially for those who were traditionally employed in agriculture.

While the employment rates are the products of both employment opportunities and labour supply, it is interesting to study if there are systematic differences in labour supply between rural and urban regions, by studying the activity rates. Tables 3.2a, 3.2b and 3.2c report such information.

Table 3.2a. Activity rate (15-64 y.o.)- Total - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	59.1	61.4	67.7	61.9
Germany	76.9	75.5	72.7	74.3
Spain	69.4	66.2	74.5	69.6
France	71.6	68.7	67.7	69.3
Greece*	67.3	65.9	67.0	66.8
Hungary*	57.4	61.8	67.3	61.3
Ireland	69.7		71.9	70.8
Italy	51.4	60.2	65.8	62.5
Lithuania	66.9	69.7		68.4
Norway	77.9	79.9	80.2	78.3
Poland*	64.6	65.3	61.6	64.4
Portugal*	77.8	73.4	70.7	73.4
Romania*	65.0	58.4	61.0	62.3
Slovenia*	70.7			70.7
United Kingdom	N/A	75.9	76.5	75.3

*NUTS2

Source: own calculations on Eurostat (Labour Force Survey) data

Table 3.2b. Activity rate (15-64 y.o.)- Male - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	63.0	66.6	72.3	66.7
Germany	82.0	81.2	79.9	80.6
Spain	81.2	76.8	83.8	80.9
France*	75.6	74.4	76.7	75.1
Greece*	79.9	78.5	79.1	79.2
Hungary*	64.3	68.5	73.8	67.9
Ireland	80.3		79.5	80.1
Italy	62.4	72.6	77.7	74.5
Lithuania	71.0	73.4		72.5
Norway	80.3	83.7	84.4	82.1
Poland*	70.9	72.0	66.4	70.8
Portugal*	82.6	79.2	76.3	79.0
Romania*	70.6	67.3	68.7	69.4
Slovenia*	75.1			75.1
United Kingdom	N/A	81.5	83.2	81.9

*NUTS2

Source: own calculations on Eurostat (Labour Force Survey) data

Table 3.2c. Activity rate (15-64 y.o) - Female - NUTS3 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	55.2	56.3	63.3	57.2
Germany	72.5	70.4	66.5	68.0
Spain	54.9	54.8	64.1	58.3
France*	65.5	63.2	64.0	64.1
Greece*	54.4	53.5	56.1	54.5
Hungary*	50.8	55.2	61.4	55.1
Ireland	58.6		63.5	60.5
Italy	40.4	47.9	53.9	50.4
Lithuania	62.9	66.2		65.6
Norway	74.7	75.8	76.1	75.3
Poland*	58.0	58.6	54.9	58.1
Portugal*	71.8	65.9	66.6	67.9
Romania*	59.6	51.5	55.0	56.3
Slovenia*	66.1			66.1
United Kingdom	N/A	68.7	69.4	68.8

*NUTS2

Source: own calculations on Eurostat (Labour Force Survey) data

The activity rates, in analogy with the employment rates, do not show a clear pattern along the rural-urban dimension: while in northern countries such as Norway, Ireland, UK, but also in Spain, Italy and Hungary, PU regions show a clear dominance over PR regions, the opposite picture emerges in countries such as Germany, France, Portugal, Romania.

The breakdown by gender is revealing. While confirming big disparities between countries and in particular along the north/south axis, it reveals less significant differences along the rural/urban pattern. The lowest female activity rates are recorded in Italy, where in PR regions it is equal to 40% (while in Norway and Germany is above the 70%). Hence, opposite to what happen with the female employment rates, the female activity rates do not show a clear pattern in the rural/urban

dimension: this evidence can be interpreted as a signal that the main difficulties encountered by women in the rural labour market are linked to the demand side, i.e. to employment opportunities, rather than to the supply side.

Youth unemployment ratio and rate

The analysis of youth unemployment is particularly relevant for the structure of the labour market in rural areas: one of the main characteristic of such areas, in most Member States, is the lack of job opportunities for the young.

The youth unemployment ratio²⁴ does not show dramatic differences along the rural-urban dimension, even if it is usually slightly higher in PR and IR regions than in PU ones, underlining a worse situation of the phenomenon of youth unemployment in rural areas (Table 3.3a and Figure 3.2). When disaggregated by gender, the data show that the unemployment ratio is generally higher for young men than for women in rural areas (Tables 3.3b and 3.3c). The youth unemployment rate²⁵ provides a different picture in the breakdown by gender, showing that in rural regions the female unemployment rate is generally higher than the male one. This difference between the two indicators may be explained by two facts: a) the participation of young women in education is higher than that of young men in all the countries covered by the study; b) a large number of young women are still discouraged from entering the labour market (Tables 3.4a, 3.4b and 3.4c).

Table 3.3a. Youth unemployment ratio - total - NUTS2 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	NA	NA	NA	6.2
Germany	7.8	8.2	7.2	7.7
Spain	10.2	9.8	8.4	9.2
France	7.7	7.6	7.8	7.7
Greece	7.8	7.7	7.0	7.5
Hungary	5.7	5.1	3.9	5.0
Ireland	4.5	4.6		4.6
Italy	9.4	8.4	7.4	8.0
Lithuania	3.9			3.9
Norway	6.7	6.2	6.1	6.5
Poland	12.8	11.8	13.5	12.3
Portugal	6.0	6.5	6.7	6.4
Romania	6.4	6.0	6.2	6.3
Slovenia	6.4			6.4
United Kingdom	NA	NA	NA	7.9

Source: own calculations on Eurostat (Labour Force Survey) data

²⁴ The youth unemployment ratio is the ratio between the number of unemployed aged 15-24 to total population of the same age class.

²⁵ The youth unemployment rate is the ratio between the number of unemployed aged 15-24 to the labour force of the same age class. The labour force only includes people who are either working or actively searching for a job.

Table 3.3b. Youth unemployment ratio - male - NUTS2 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	NA	NA	NA	7.3
Germany	6.4	8.8	8.2	8.4
Spain	8.7	8.9	8.4	8.7
France	7.5	8.3	8.1	7.9
Greece	2.2	4.9	6.3	4.2
Hungary	6.7	5.8	4.0	5.7
Ireland	4.4	5.4		5.1
Italy	9.2	8.7	7.3	8.1
Lithuania	4.7			4.7
Norway	0.0	0.0	0.0	0.0
Poland	13.6	12.8	14.5	13.2
Portugal	5.4	5.9	7.0	6.0
Romania	7.5	7.8	8.3	7.7
Slovenia	6.6			6.6
United Kingdom	NA	NA	NA	9.4

Source: own calculations on Eurostat (Labour Force Survey) data

Table 3.3c. Youth unemployment ratio - female - NUTS2 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	NA	NA	NA	5.2
Germany	5.5	5.9	5.8	5.7
Spain	11.9	10.6	8.6	9.8
France	7.9	7.0	7.4	7.5
Greece	10.6	9.9	8.0	9.5
Hungary	4.9	4.5	3.7	4.4
Ireland	4.4	3.8		4.0
Italy	9.1	7.9	7.4	7.8
Lithuania	3.1			3.1
Norway	0.0	0.0	0.0	0.0
Poland	12.1	11.0	12.7	11.6
Portugal	5.1	7.3	6.6	6.4
Romania	5.4	3.6	4.2	4.7
Slovenia	6.4			6.4
United Kingdom	NA	NA	NA	6.5

Source: own calculations on Eurostat (Labour Force Survey) data

Table 3.4a. Youth unemployment rate (% labour force 15-24 y.o) - Total - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria				22.4
Germany	13.4	16.0	14.7	15.0
Spain	20.7	22.3	17.4	19.7
France	21.2*	22.5*	24.5*	22.3
Greece	26.7*	27.3*	24.2*	26.0
Hungary	23.5*	18.8*	14.5*	19.4
Ireland	8.6		8.6	8.6
Italy	29.6	27.4	20.5	24.0
Lithuania	12.1	16.4		15.7
Norway	11.8	11.2	10.6	11.6
Poland	36.5	38.2	35.0	36.9
Portugal	14.4*	14.0*	18.3*	16.1
Romania	20.0*	19.8*	23.4*	20.2
Slovenia	17.4	13.4		15.9
United Kingdom	7.7	10.2	14.8	12.9

*NUTS2

Source: own calculations on data from national statistical institutes

Table 3.4b. Youth unemployment rate (% labour force 15-24 y.o) - Male - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	NA	NA	NA	23.3
Germany	10.7	16.2	16.0	15.6
Spain	15.3	18.3	16.9	16.7
France	17.9*	21.0*	22.9*	21.0
Greece	NA	NA	NA	18.7
Hungary	23.5*	18.9*	14.4*	19.6
Ireland	7.9*	9.5*		9.1
Italy	25.4	24.2	18.7	21.5
Lithuania	10.8	17.0		16.0
Norway	12.6	11.7	12.0	12.2
Poland	34.4	37.5	35.1	35.7
Portugal	11.5*	11.6*	17.6*	13.6
Romania	20.8*	21.4*	27.5*	21.6
Slovenia	14.5*			14.5
United Kingdom	NA	NA	NA	14.5

*NUTS2

Source: own calculations on data from national statistical institutes

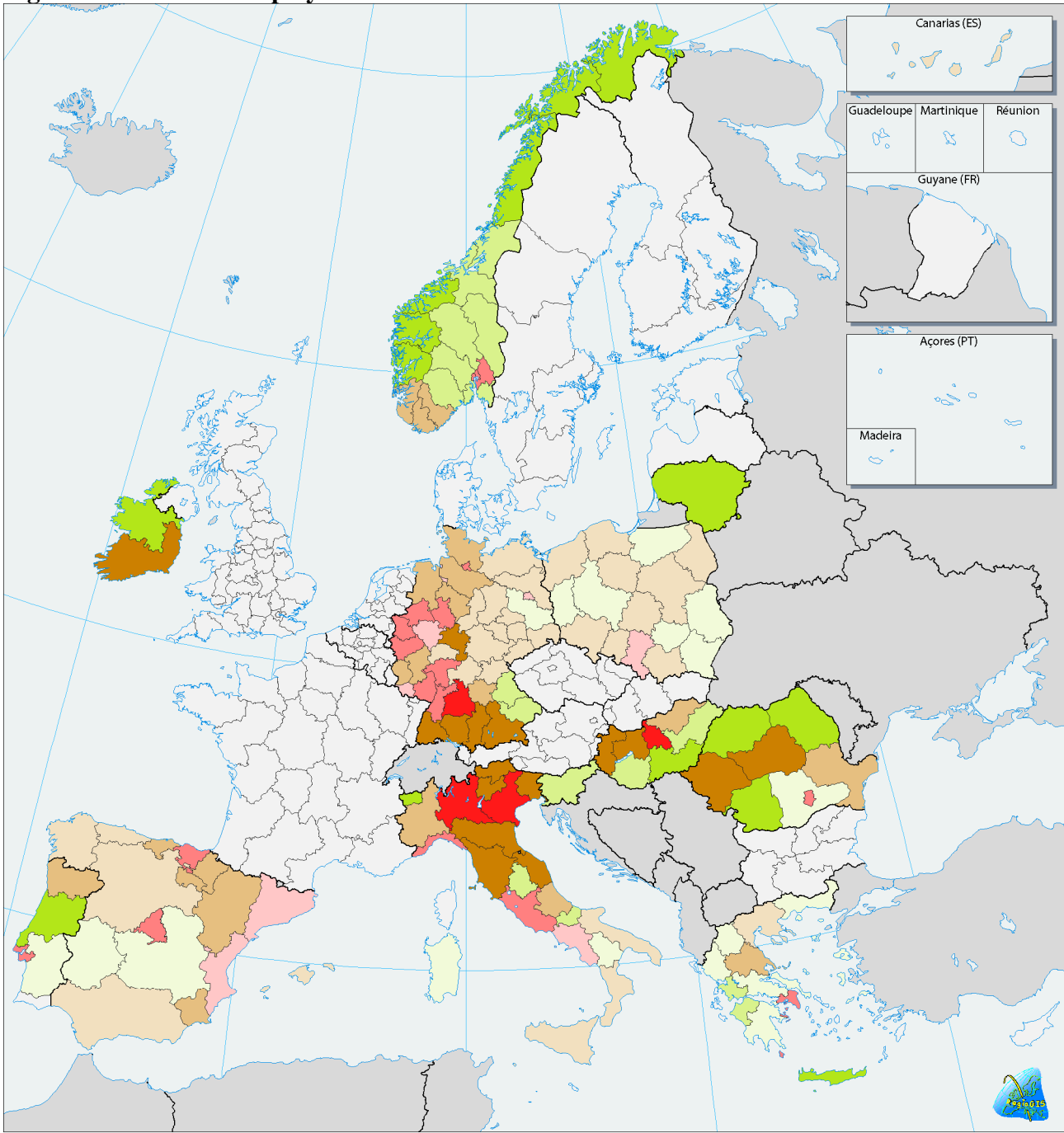
Table 3.4c. Youth unemployment rate (% labour force 15-24 y.o) - Female - NUTS3 - 2005

	PR	IR	PU	COUNTRY
Bulgaria	NA	NA	NA	21.1
Germany	11.4	14.8	13.8	14.3
Spain	28.1	26.4	18.0	23.5
France	23.7*	23.2*	25.2*	23.8
Greece	NA	NA	NA	34.8
Hungary	23.5*	18.4*	14.3*	19.0
Ireland	9.6*	7.4*		7.9
Italy	36.1	31.8	22.9	27.4
Lithuania	14.4	15.5		15.3
Norway	11.4	10.9	11.0	11.1
Poland	39.5	39.1	35.2	38.3
Portugal	19.0*	19.5*	19.2*	19.1
Romania	19.5*	15.5*	18.2*	18.4
Slovenia	17.8*			17.8
United Kingdom	NA	NA	NA	11.1

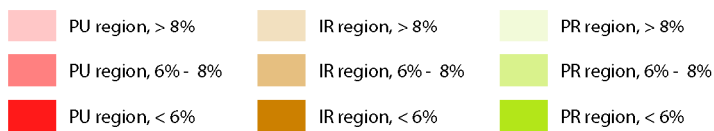
*NUTS2

Source: own calculations on data from national statistical institutes

Figure 3.2. Youth unemployment ratio - NUTS2 level -2005



Youth unemployment ratio, NUTS2 level, 2005



Source: FGB elaborations on Eurostat data



© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Labour Force Survey) and national data

Employment rate of older workers

The Stockholm European Council in March 2001 set a new target of raising the average EU employment rate for older men and women (aged 55 to 64) to 50% by 2010. While this rate is very high in Norway (65%), among the EU countries, at present only the UK, Ireland and Portugal already meet the Lisbon target. On the contrary, very low rates can be recorded for Italy (where it can be explained by the phenomenon of early retirement) and for the Eastern countries (where the process of economic transition has pushed many workers from former publicly-owned firms out of the labour market). All these countries tend to have also low overall employment rates (see Indicator 1).

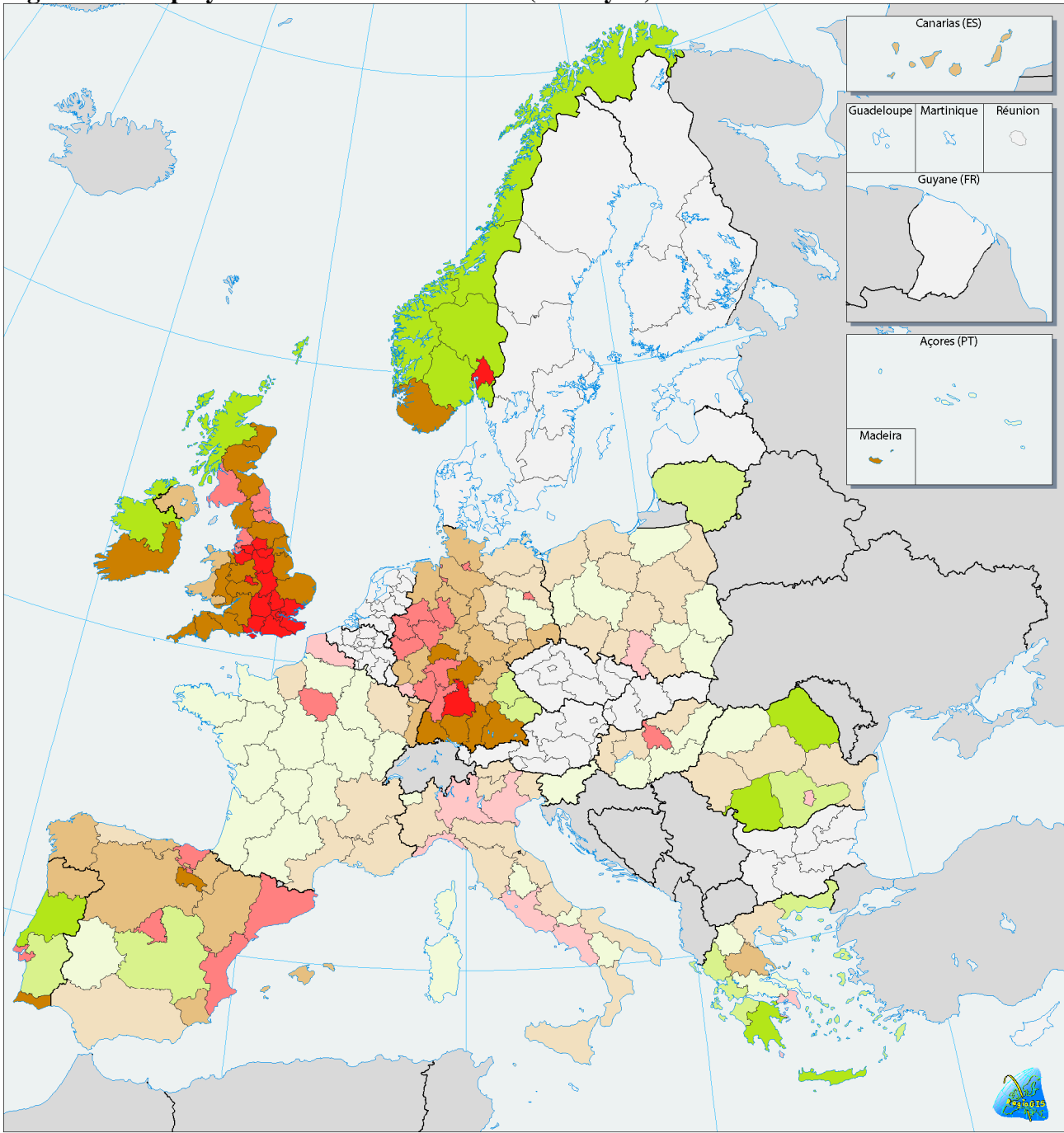
The urban-rural pattern of older workers employment is fairly mixed: in some Mediterranean and Eastern countries (Greece, Italy, Portugal, Poland and Romania) the employment rate of older workers is actually higher in PR regions than in both IR and PU regions. By contrast, in countries such as Spain, France, Hungary and the UK, the employment rate of older workers is significantly higher in PU regions than in PR ones (Table 3.5 and Figure 3.3).

Table 3.5. Employment rate (%) of older workers (55-64 y.o.) - NUTS2 level - 2005

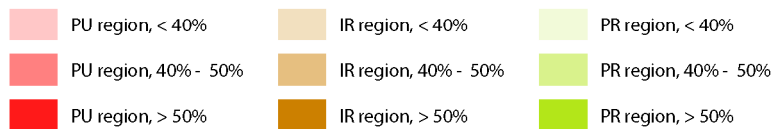
	PR	IR	PU	COUNTRY
Bulgaria	32.5	37.7		34.7
Germany	44.1	46.0	44.9	45.4
Spain	38.9	40.2	46.6	43.1
France	36.5	36.6	42.2	37.8
Greece	45.2	41.1	38.0	41.6
Hungary	27.5	30.3	42.6	33.0
Ireland	52.3	51.3		51.6
Italy	33.0	31.9	30.7	31.4
Lithuania	49.2			49.2
Norway	64.7	66.0	67.6	65.5
Poland	28.9	28.3	18.6	27.2
Portugal	58.1	48.3	45.1	50.5
Romania	46.2	32.3	26.6	39.5
Slovenia	30.7			30.7
United Kingdom	52.5	56.7	57.0	56.9

Source: own calculations on Eurostat (Labour Force Survey) data

Figure 3.3. Employment rate of older workers (55-64 y.o.) - NUTS2 level - 2005



Employment rate of older workers (55-64), NUTS2 level, 2005



Source: FGB elaborations on Eurostat data



© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Labour Force Survey) data

Long-term unemployment rate

The long-term unemployment rate is defined as the ratio of the people unemployed for more than 12 months to all unemployed people.²⁶ This indicator is particularly relevant in the context of an analysis of deprivation and social exclusion: in fact, in addition to be a signal of poverty – i.e., lack of current income - long term unemployment is a signal of a persistent situation of deprivation which can lead to exclusion from the ordinary economic and political life of the community.

This is the reason why long-term unemployed appear to be a group at high risk of exclusion in all countries. This rate is quite high in most countries (notable exceptions are Norway, the UK and Spain), signalling that many people risk to be caught in an "unemployment trap". According to the Country Studies in Annex I, in many countries the risk of being long-term unemployed is especially high for people with low educational attainment. While in some countries the long-term unemployment rate in PR regions is quite higher than the country's average (Bulgaria, Greece, Ireland and Italy), in others it is lower than the country's average (Table 3.6 and Figure 3.4).

The explanation of lower rates in PR regions lies in the greater seasonality of unemployment, as a consequence of the relative importance of tourism and agriculture which are instead seasonal activities (SERA 2006): seasonal workers, who possibly have a job for some months per year, are not statistically considered as long-term unemployed. However, the data may underestimate the number of long-term unemployed in PR regions, because this kind of unemployment could be partially hidden in: a) lower activity rates, which may signal that some people are not registered as unemployed simply because they have given up searching for a job; b) the diffused presence of subsistence agriculture, notably in Eastern countries (with the exception of Slovenia).

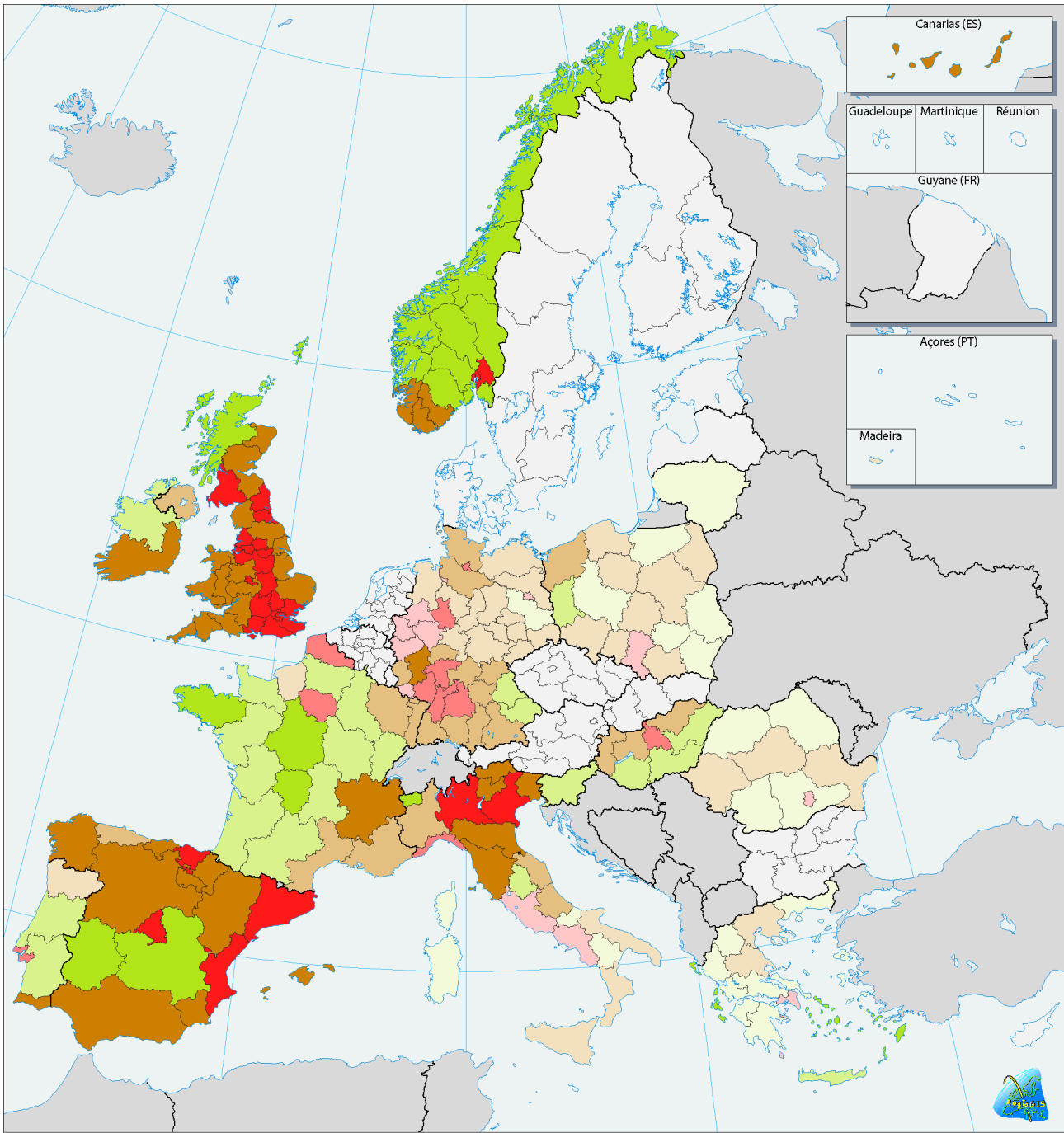
Table 3.6. Long-term unemployment rate (as a % of total unemployment rate) - NUTS2 level-2005

	PR	IN	PU	COUNTRY
Bulgaria	62.3	57.2		59.8
Germany	53.3	52.3	53.1	53.0
Spain	26.7	25.7	22.5	24.5
France	38.1	41.2	45.3	41.7
Greece	54.1	51.4	50.4	52.2
Hungary	44.6	44.1	47.5	45.0
Ireland	35.5	32.6		33.4
Italy	52.7	51.1	48.3	49.9
Lithuania	52.5			52.5
Norway	16.3	24.7	21.4	18.7
Poland	56.5	56.9	63.9	57.7
Portugal	45.5	50.7	48.2	48.2
Romania	56.9	54.6	58.9	56.3
Slovenia	47.4			47.4
United Kingdom	20.3	20.7	21.2	21.1

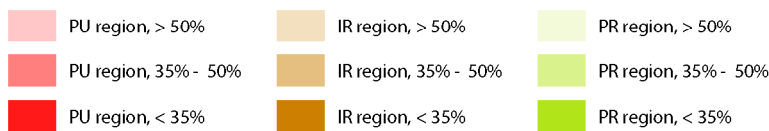
Source: own calculations on Eurostat (Labour Force Survey) data

²⁶ Long-term unemployed (12 months and more) persons are those aged at least 15 years who are without work within the next two weeks, are available to start work within the next two weeks and who are seeking work (have actively sought employment at some time during the previous four weeks or are not seeking a job because they have already found a job to start later). The duration of unemployment is defined as the duration of a search for a job or as the length of the period since the last job was held (if this period is shorter than the duration of the search for a job) (European Commission 2007e)

Figure 3.4. Long-term unemployment rate (% of total unemployment rate) - NUTS2 level-2005



Long-term unemployment rate (% of total unemployment rate), NUTS2 level, 2005



Source: FGB elaborations on Eurostat data



© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Labour Force Survey) data

The recent trend in labour market indicators

Table 3.7 reports the recent trend (2000-2005) in all the labour market indicators described above.

Table 3.7. Percentage change in labour market indicators - 2000-2005 - NUTS2 level

	PR	IR	PU	All regions
Activity rate - total	-3.4	0.8	5.0	1.2
Activity rate - male	-3.5	0.1	3.6	0.4
Activity rate - female	-3.4	1.5	6.3	2.0
Employment rate - total	-1.9	0.2	2.6	0.3
Employment rate - male	-1.6	-0.6	3.2	-0.2
Employment rate - female	-1.7	1.3	6.9	1.8
Youth unemployment ratio	-0.6	0.1	1.3	0.4
Employment rate of older workers	-1.2	3.1	8.7	3.6
Long term unemployment rate	-0.1	-0.1	-0.9	-0.2

Source: own calculations on Eurostat (Labour Force Survey) and national data

While the static analysis of the labour market indicators delivers a mixed picture, with respect to the trend a clear message emerges from the data. The performance of rural regions is becoming constantly and significantly worse than that of urban regions. All the labour market indicators (except for youth unemployment ratio) show a clear improvement in PU regions, a weaker, but still positive, effect on IR regions, and a negative sign for PR regions.

In particular, the activity rate of men and women and the employment rate of men, women and older workers have decreased in PR regions (the first one also in IR regions, albeit to a smaller extent), while they have notably increased in PU regions. The youth unemployment ratio has decreased only in PR regions, while the long-term unemployment rate has remained almost constant in PR and IR regions and has slightly decreased in PU regions.

3.2.2 Housing quality

As regards housing quality, national definitions may be slightly different and therefore cross-national comparisons should be made only with great caution. Problems concerning the lack of basic housing infrastructure seem to be relevant only in rural areas in some Eastern countries (for instance, lack of toilets or drinkable water in Bulgaria. In Romania a critical issue is the poor quality of water, which significantly diminishes the quality of life and activates the risk of diseases. Other Eastern countries, such as Hungary and Slovenia, report notable improvements in housing quality in the last decade (Tables 3.8a and 3.8b).

Table 3.8a. Housing quality: % of occupied dwellings with drinkable water - NUTS3 - 2001

	PR	IN	PU	COUNTRY
Bulgaria	89.0	94.0	99.3	93.5
Germany	NA	NA	NA	NA
Spain	99.4	99.2	99.4	99.3
France	99.9	99.9	100.0	99.9
Greece	96.6	98.8	99.6	98.3
Hungary	NA	NA	NA	NA
Ireland	97.1		96.2	96.8
Italy	98.5	98.4	99.6	99.0
Lithuania	NA	NA	NA	NA
Norway	100.0	100.0	100.0	100.0
Poland	NA	NA	NA	NA
Portugal	NA	NA	NA	NA
Romania	NA	NA	NA	NA
Slovenia	98.4	98.8		98.6
United Kingdom	100.0	100.0	100.0	100.0

Source: own calculations on data from national statistical institutes (Census data)

Table 3.8b. Housing quality: % of occupied dwellings with at least an in-house toilet - NUTS3 - 2001

	PR	IN	PU	COUNTRY
Bulgaria	48.5	66.9	95.0	66.4
Germany				
Spain	98.8	98.2	99.2	98.6
France	98.5	98.0	98.9	98.3
Greece	90.6	94.3	99.0	94.7
Hungary				
Ireland	97.2		96.1	96.8
Italy	99.7	99.7	99.8	99.8
Lithuania				
Norway	99.1	99.3	98.6	99.1
Poland				
Portugal				
Romania				
Slovenia				
United Kingdom	99.4	99.6	99.5	99.5

Source: own calculations on data from national statistical institutes (Census data)

3.2.3 Life expectancy at birth

With regard to life expectancy at birth²⁷, the relevant differences (up to 7-10 years in some cases) are across countries, not between rural and urban regions inside the same country. Life expectancy is generally lower in Eastern countries and higher in Mediterranean countries and Northern countries (Tables 3.9a and 3.9b).

²⁷ The mean number of years that a newborn child can expect to live if subjected throughout the rest of his/her life to the current mortality conditions (European Commission 2007e)

Table 3.9a. Life expectancy at birth (number of years) - Male - NUTS2 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	NA	NA	NA	69.0
Germany	NA	NA	NA	75.5*
Spain	77.2	77.0	76.9	77.0
France	76.4	76.6	76.0	76.4
Greece	NA	NA	NA	77.0
Hungary	NA	NA	NA	69.0
Ireland	NA	NA	NA	74.9*
Italy	77.2	77.5	76.8	77.2
Lithuania	65.0			65.0
Norway	77.6	77.5	77.3	77.5
Poland	70.7	70.9	70.5	70.8
Portugal				74.0*
Romania	67.6	67.8	69.9	67.9
Slovenia	74.1			74.1
United Kingdom	NA	NA	NA	76.2*

*2003

Source: World Health Organization and own calculations on data from national statistical institutes

Table 3.9b. Life expectancy at birth (number of years) - Female- NUTS2 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	NA	NA	NA	76.3
Germany	NA	NA	NA	81.3*
Spain	83.4	83.6	83.1	83.4
France	83.6	83.5	83.2	83.5
Greece	NA	NA	NA	82.0
Hungary	NA	NA	NA	77.0
Ireland	NA	NA	NA	80.7*
Italy	83.1	83.3	82.7	83.1
Lithuania	77.0			77.0
Norway	81.6	82.1	81.7	81.7
Poland	79.7	79.5	78.5	79.5
Portugal				80.5*
Romania	74.8	75.0	76.9	75.1
Slovenia	81.3			81.3
United Kingdom	NA	NA	NA	80.2*

*2003

Source: World Health Organization and own calculations on data from national statistical institutes

3.2.4 Education

Adults with low educational attainment

According to the Country Studies in Annex I, in all European countries the level of education has a significant effect on the risk of poverty. This is actually true for both rural and urban areas. However, the problem of low educational attainment is particularly relevant for rural areas, where

the problem of low education levels and low skills is also characterized by a strong inter-generational transmission.

In all countries (except for Germany) the share of adults with low educational levels²⁸ is higher in PR areas than in PU regions. Moreover, it seems that educational levels have not only an urban-rural dimension but also a geographical dimension. The data show that the only countries with the share of poorly educated adults above 50% in PR areas are located in the Mediterranean region (Table 3.10 and Figure 3.5).

Several factors may reduce the returns to education in rural regions, particularly in small and remote communities. First, poor employment opportunities in rural regions tend to reinforce the tendency to under-invest in education at the level both of individuals and of local institutions. Second, skills acquisition at the individual level is related to the behaviour and characteristics of other community members, so that an individual's incentives to upgrade skills may be reduced in rural areas where the percentage of highly educated people is small. Finally, the highly educated have a strong incentive to migrate towards places with a high concentration of people with similar skills. As a result, the return to education in rural areas may be further reduced by the migration of skilled individuals to urban regions (OECD 2005, 2006)..

Another interesting indicator to be considered is the level of education attained by the head of household. A household whose head is poorly educated may indeed face a higher risk of poverty, because low skilled people tend to be more vulnerable to unemployment or to have low paid jobs, and this may have a strong negative impact on their families' well-being. Moreover, many Country Studies in this study mention that in rural areas the children of parents who have low educational levels are more likely to have low educational levels themselves. This may lead to persistence of poverty risks across generations. Unfortunately data are available for only a few countries, but it seems that in rural areas a larger share of households have a poorly educated head.

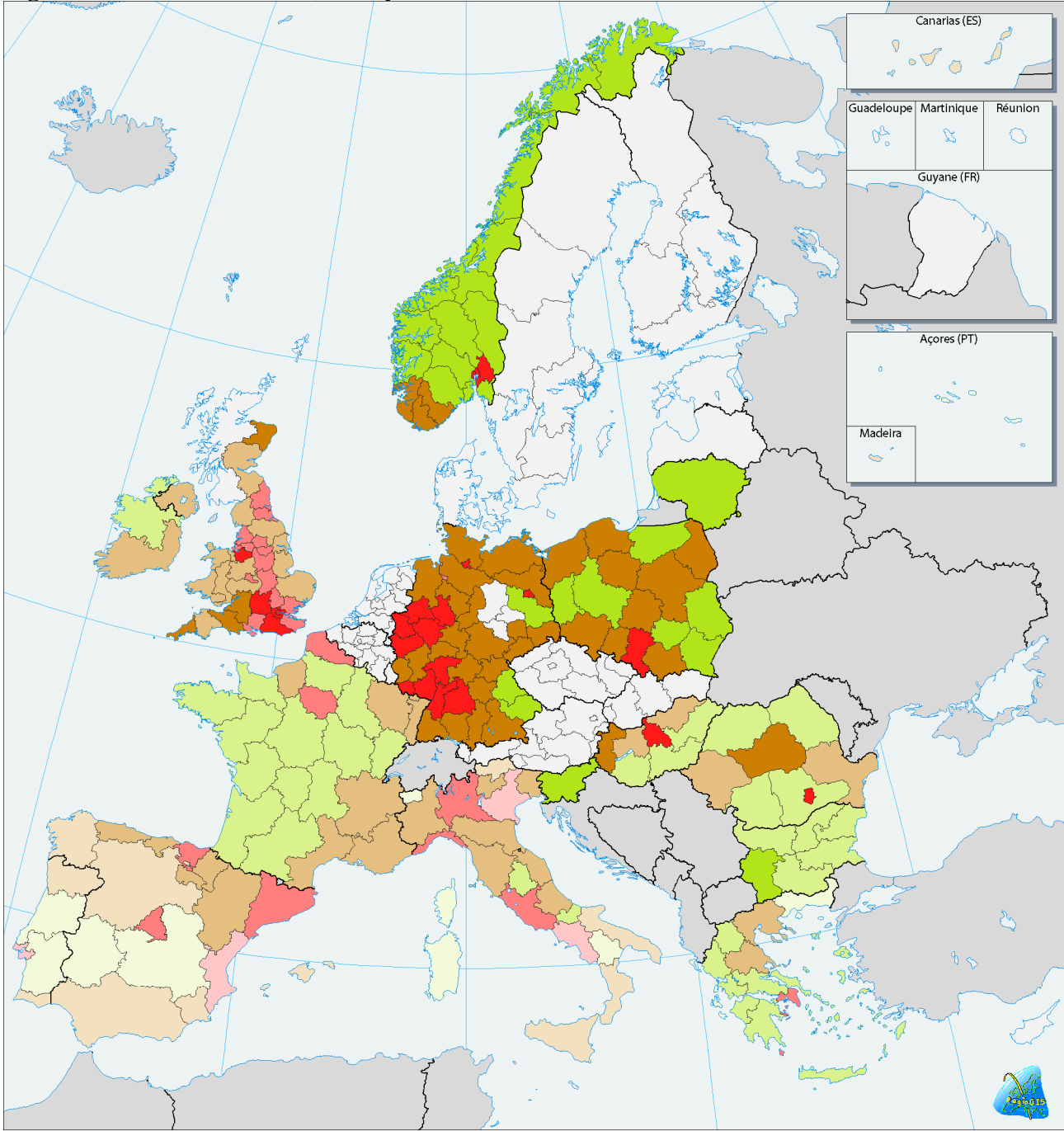
Table 3.10. Share of adults (25-64 year old) with low educational attainment (ISCED 0-2) - NUTS 2 - 2004

	PR	IR	PU	COUNTRY
Bulgaria	32.5	17.5		28.3
Germany	14.0	13.7	19.0	16.1
Spain	65.9	57.8	49.7	54.6
France	37.4	34.9	33.7	34.7
Greece	50.2	44.3	29.3	41
Hungary	29.0	26.3	17.1	24.7
Ireland	41.8	35.5		37.2
Italy	53.6	52.3	48.7	50.7
Lithuania	13.4			13.4
Norway	13.3	11.2	10.8	12.4
Poland	17.4	16.6	13.3	16.4
Portugal	78.9	80.3	63.3	74.8
Romania	30.5	29.2	16.6	28.5
Slovenia	20.3			20.3
United Kingdom	16.2	15.5	15.5	15.5

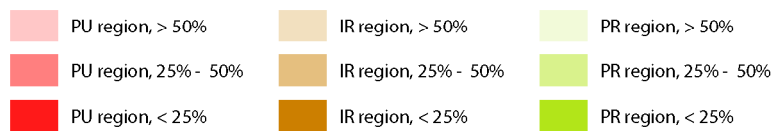
Source: own calculations on Eurostat (Labour Force Survey) data

²⁸ We use the International Standard Classification of Education (ISCED). By "low education attainment" we mean a level of education ranging from ISCED 0 (no education) to ISCED 2 (lower secondary or second stage of basic education).

Figure 3.5. Share of adults (25-64 year old) with low educational attainment - NUTS 2 - 2004



Percentage of adults (25-64) with low educational attainment, NUTS2 level, 2005



Source: FGB elaborations on Eurostat data



© EuroGeographics Association for the administrative boundaries

Source: own elaborations on Eurostat (Labour Force Survey) data

3.2.5 Demographic structure

Demographic labour pressure

This indicator is calculated as the ratio of people aged 15-24 (the youngest cohorts of working age) to people aged 55-64 (the oldest cohorts of working age). Values smaller than 1 for this indicator mean that the number of people who can enter the labour force is lower than that of people leaving the working age. This may reveal not only an unfavourable demographic trend, but can also pose a risk for the future sustainability of social protection systems, especially as regards pensions. Thus this indicator can be interpreted as a measure of "demographic labour pressure".

The picture is mixed and no single clear pattern can be detected. The most worrying situation is that of Italy (the values of the indicator are below 1 for all types of regions), which also displays very low employment rates for people aged 55-64 (see Indicator 4). In a number of countries (e.g. Spain, Greece, Hungary, Italy, Poland, Slovenia) the values of the indicator are highest in PR regions. On the contrary, countries such as Bulgaria and France show that the age structure of the population has deteriorated in PR regions, where the value of the indicator is below 1 (Table 3.11).

Table 3.11. Demographic labour pressure: ratio of people aged 15-24 to people aged 55-64 - NUTS3 - 2005

	PR	IN	PU	COUNTRY
Bulgaria	0.91	1.05	1.20	1.04
Germany	1.07	1.09	1.10	1.09
Spain	1.23	1.16	1.04	1.13
France	0.96	1.22	1.34	1.20
Greece	1.22	1.08	1.09	1.14
Hungary	1.20*	1.16*	0.94*	1.11
Ireland	1.46		1.47	1.46
Italy	0.94	0.92	0.81	0.87
Lithuania	1.32	1.54		1.49
Norway	1.03	1.14	1.06	1.07
Poland	1.65	1.63	1.29	1.54
Portugal	1.12*	1.30*	0.89*	1.12
Romania	1.54*	1.53*	1.50*	1.53
Slovenia	1.15	1.12		1.14
United Kingdom	1.27	1.20	1.42	1.36

*NUTS2

Source: own calculations on data from national statistical institutes

Multi-generation households

An interesting indicator is the ratio of multi-generation households²⁹ to total private households. A diffuse presence of this kind of household may signal a certain risk of poverty because probably families are living together because they can pool their resources, while they could not probably afford the costs of living separately.

²⁹ A multi-generation household is defined as a private household composed of two or more families, where the term "family" means a unit including no more than two generations (e.g. parents with children). An example of multi-generation household can be a household composed by parents with children and at least one grandparent.

It is not very common in Western Europe, while it is much more diffused in Eastern countries, especially Lithuania, where 22.8% of households include more than two families (but it is also quite relevant in Romania, Bulgaria, Poland and Slovenia, notably in PR regions). Everywhere this phenomenon tends to be larger in PR and IR regions than in PU regions (Table 3.12).

Table 3.12. Two or more family households (as a % of total number of private households) - NUTS3 level - 2001

	PR	IR	PU	COUNTRY
Bulgaria	7.5	6.6	4.4	6.5
Germany	NA	NA	NA	NA
Spain	2.6	3.4	2.2	2.9
France	0.6	0.6	0.7	0.6
Greece	4.0	2.9	2.0	3.4
Hungary	3.3	3.9	1.7	3.2
Ireland	0.5		0.4	0.4
Italy	1.5	1.5	1.2	1.4
Lithuania	22.1	23.0		22.8
Norway	0.5	0.5	0.4	0.5
Poland	6.1	5.2	2.3	4.7
Portugal	2.4	3.9	3.1	3.1
Romania	8.3	6.8	4.7	7.3
Slovenia	5.3	4.0		4.8
United Kingdom	1.8	0.4	0.4	0.5

Source: own calculations on Eurostat (Regional Census 2001 Round) data

The general conclusion which can be drawn from the analysis of these indicators is that, even if the picture is quite mixed, rural areas in European countries have problems with regard to human capital and labour market issues, which may signal specific risks of poverty and social exclusion. The labour market still offers more opportunities to young men than to young women, but young people often have to migrate in order to find employment opportunities. A risk of poverty and social exclusion in rural areas seems to emerge especially in Eastern countries, where the phenomenon of multi-generation households is more diffused and also problems concerning basic housing infrastructure are present in some cases.

3.3 GROUPS AT RISK OF POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

Poverty is usually viewed as an outcome, denoting an inability to share the everyday lifestyles of the majority because of a lack of resources (often taken to be disposable income).

Whether in an urban or rural context, social exclusion is frequently the result of multiple disadvantage. If living in rural areas, those identified as groups at risk can find their vulnerability enhanced by the factors characterizing rural disadvantaged area. Thus, policies for social inclusion should take into consideration the interactions of the various factors – location disadvantage, economic and social environment, and group vulnerability – and should therefore be tailored to rural areas.

Since social groups and individuals' experience of social exclusion differs across national economic and social models, and varies with the characteristics of the rural areas and the implementation of

national and local policies, we will provide here only a broad outline of these interactions, leaving to the Country Studies in Annex I the assessment of the specific aspects of their impact on the groups at risk in each country.

3.3.1 Women

Many of the factors that might cause marginalisation in labor and housing markets, difficulties in terms of access to services and in terms of their roles in community and social life are problematic for many social groups, but most keenly felt by women. **There are some specific differences between the general status of women and the status of rural women.** In part, this is a reflection of the general disparities between urban and rural areas, with regard, for instance, to educational levels, employment opportunities, access to social services, traditions and demographic structure.

The main difficulties encountered by rural woman are related to the absence (or difficulties) of job opportunities. In many rural regions the activity rate of women is far from the Lisbon Target. This is the case of many regions in southern Member States (Italy, Greece, Spain), in the New Member States (Poland, Hungary) and in scattered rural regions of France, Germany and Ireland.

The analysis of the labor market indicators, when considering the breakdown by gender, shows the specific difficulties of rural women: when looking at female employment rates there is a much clearer dominance of urban areas over rural areas. With respect to this, some Country Studies in this study stress that in the last few decades the decline of agricultural activities in rural societies gave rise to a scenario in which women in rural areas found great difficulties in the labour market, especially for those who were traditionally employed in agriculture. In general terms, the Lisbon Targets in terms of women activity and employment rates are, for the rural areas, more difficult to meet than for the urban areas. As an effect of this, women have a greater vulnerability to long-term poverty than men, "largely because they are over-represented among elderly single people and lone parents" (Kempson and Noble, 2001).

Low employment rates of rural women may however depend on factors both on the demand and the supply side. On the supply side, for instance, there could be both cultural and demographic related factors at work. Among the former, a particular culture and tradition - typical of small rural communities - could still prevail in which women prefer not to work and remain at home. However, the choice of remaining at home could be due to higher opportunity costs of working. As shown in the quantitative analysis above, an interesting indicator of the demographic characteristics of rural areas is the ratio of multi-generation households to total private households.

The data show that the presence of such model of households is stronger in rural areas. Now, while the presence of this kind of household may signal a certain risk of poverty, it may also signal that rural women have to cover the needs of larger families, often without social supports. In these cases the participation of women to the labor market is hindered not only by childcare but also by eldercare. Remoteness and lack of social services may also contribute to explain the different opportunities of female employment between urban and rural areas.

An additional ingredient in understanding the difficulties of rural women in labour market comes from the analysis of activity rates. This analysis, with respect to the one based on employment rates, reveals less important differences along the rural/urban pattern. The lowest female activity rates are recorded in Italy, where in the PR regions it is equal to 40% (while in Norway and Germany is above the 70%). Hence, opposite to what happen with the female employment rates, the female activity rates do not show a clear pattern in the rural/urban dimension: this evidence can be interpreted as a signal that **the main difficulties encountered by women in the rural labour**

market are linked to the demand side, i.e. to the employment opportunities, rather than to the supply side.

One of the most alarming situations is recorded in Italy, in particular in the southern regions (see Table 3.13): the female employment rate is significantly low at country level (it is one of the lowest in Europe) and even lower in PR regions, where it is found to be substantially lower (more than 25%) than the male figure.

Table 3.13. Italian employment rate (15-64 years old) NUTS3 – 2005

	PR	IR	PU	COUNTRY
Total	54.0	55.3	59.8	57.6
Male	67.5	67.9	71.6	69.9
Female	40.6	42.8	48.1	45.3

Source: own calculations on Eurostat LFS data

In Italy, young women tend to stay out of the labour market, probably to make up for the absence of efficient social and health services in the country. A lack of child care, together with the need to take care of older relatives, may prevent rural women from participating in the labour market.

The practice of relying on informal arrangements with family and friends is a common feature in some areas. There are also cultural concerns that influence the willingness of families to send children to a child-care facility. Generally in Southern European countries leaving children with family and friends is perceived as being a better solution because these caregivers are thought to give more attention to children in their care. These cultural barriers seems to be even stronger in rural areas. Moreover, rural areas are likely to be more adverse environments for women, because of fewer employment opportunities or resources, such as extended education opportunities. The need to improve child-care services has also been recognised by the European Strategy for Employment, which establishes a target for all European countries: the provision of child care by 2010 to at least 33 per cent of children under 3 years of age. This target is more difficult to meet in rural areas of most European countries.

A similar situation is found in Greece where women in rural areas continue exhibiting lower activity and hence higher inactivity rates in comparison to women in urban areas. In 2001, the inactivity rate of rural women was 69,4 % , while the percentage for urban women was 63,8 %³⁰. In 2006, there were 321,000 employed women in rural areas and half of them were engaged in agricultural sector's activities. Note that at the same time, the percentage of men working in the agricultural sector was 37,3%³¹ indicating the fact that women have fewer opportunities to work in the other economic sectors than men. Moreover, it must be noted that women in rural areas tend to postpone for a while their engagement into employment in comparison to women of the whole country. In 2006, almost half of employed women in rural areas were 45-64 years old. This share is well above the respective percentage for 45-64 year-old working women at country level (33, 2 %)³². In this case, the extensive employment of rural women in the agricultural sector may be connected with the fact that the educational level of women in rural areas is lower than that of men. It has been estimated that for 2003, both the percentage of women with low educational level³³ was higher than that of men and the percentages of women with medium³⁴ and high education level³⁵ were lower than the respective percentages of men living in thinly populated areas.

³⁰ Our calculations from: NSSG (2006), Table III:1, pp. 101-103.

³¹ NSSG (2006), Table 4.

³² Ibid, Table 4.

³³ Low level of education encloses all levels up to compulsory education.

³⁴ Medium level of education comprises all post compulsory education, except for tertiary education.

In addition to job-related problems, there are **some more specific dimensions of poverty and exclusion** that characterize rural women. Many women in rural areas do not have a pension because they have never worked during their life. When they receive a pension, in those States where a good welfare system exists, usually it is too low and not adequate to ensure an appreciable standard of life and to face all the difficulties related to the condition of living in remote areas. This makes (or could make) them dependent on the breadwinner of the family or on social security services. The women who are unpaid family workers or agricultural workers on their own land are very vulnerable to social risks because they are not covered by any insurance scheme.

A further consideration refers to the perception to be “diverse” (European Foundation for the Improvement of Living and Working Conditions 2006c). Rural women consider themselves isolated and not autonomous but, above all, they do not have a deep awareness of their wellbeing because of a lot of deprivations and difficulties, first of all their level of education. The opportunity to be educated, in fact, means the opportunity to find a quality job, to emancipate themselves and develop their work-life balance. By this, rural women could interrupt the vicious circle of dependence from the own husband or from social security system.

We can also add that **female employment in rural areas suffers from a sort of invisibility** when rural women support their husbands in the management of farm ownership. As O’Hara (1998) points out, cultural prescriptions about farming and family set parameters to their lives, confining women to subordinate roles and excluding them from formal and meaningful involvement in farm ownership and farming politics.

3.3.2. Youth

The issues facing young people in rural areas are in many ways similar to those in urban areas: access to education and training, employment, housing and welfare are all of national concern. However, **young people in rural areas may be additionally disadvantaged and excluded** because of factors linked to access to transport and leisure, education, cultural life and job opportunities.

Young people are disadvantaged as an age group, being unable to have access to many of the facilities and structures open to adults. But young people are also a heterogeneous group: some are privileged and others further disadvantaged by gender, by ethnicity, by social class, or by disability.

The main concern is **the exclusion from labor market participation**, which is a direct consequence of the difficulties for the young people to access certain services, particularly education and training, as well as infrastructures for mobility. More generally the social barriers to enter in the labor market represent a great obstacle to participate fully in social life. On the other hand, educated young people, especially women, do not find in rural areas good opportunities of employment, as the agricultural sector often offers low skilled jobs, not coherent with youth's capabilities. In this case, the structural problems of the labor market are the first cause of exclusion and youth migration towards urban areas.

³⁵ High level of education comprises all kinds of tertiary education.

In Italy, for example, the youth unemployment rate in rural areas is 6 points above the country average and one third higher than the urban regions figure³⁶. In the UK, two particularly striking findings emerged in relation to young people (Rugg and Jones 2000; Storey and Brannen 2000; Furlong and Cartmel 2000; Pavis et al 2000). The first is that young people from rural areas become integrated into one of two quite separate labor markets – the national (distant, well-paid, with career opportunities) and the local (poorly paid, insecure, unrewarding and with fewer prospects). Education, and of course social class, are the elements which allow some young people to access national job opportunities, in the same way as those from urban areas. But for those whose educational credentials trap them within local labor markets, further education and training are much less available than for their counterparts in towns, and their life-chances are reduced. This evidence can be easily extended to the case of other European countries.

Unemployment faced by rural youth sits within a wider European context where high levels of unemployment are already a concern. Employment of those groups represents a serious development problem, especially in transition economies.

All the typical barriers to finding employment among youth, such as the structure of local labor markets (mismatches between jobs and skills) and employers' behaviour and attitudes, apply to rural as well as urban areas. However in rural areas accessibility between home and workplace, and especially car-dependency, and childcare or eldercare, multiply the cost-opportunity of participating in the labor market, which in turn increase the risk of exclusion from the market or benefits trap.

Young people in rural areas often have a very limited number of options: either to remain unemployed or under-employed or to migrate. Demographic indicators show a tendency, across Europe's rural areas, for **out-migration amongst younger people**, in search of employment opportunities and perhaps a more promising lifestyle in major towns. The out-migration of the more able makes the position of those left behind even more stark. Migration and the loss of young people, also related to housing and labor market processes, break informal support networks and leave also elderly socially isolated (Philip and Shucksmith, 1999, 2003).

Out-migration, together with changing values about obligations to family and kin, can result in the decline of long established practice of informal caring and emotional support.

In Spain, for example, in rural areas there is a predominance of very small-sized and dispersed villages that have suffered over the years from a drastic exodus of the young, with a progressive population aging and male predominance, and the absence of any agent capable to develop new dynamics in the regions from an economic and social point of view. The youth usually attempt to avoid precariousness by combining remunerated employments with the participation in family agribusiness and agrarian subsidies - especially men - whereas young women are more likely to seek a better education and emigrate. In fact, this is one of the most remarkable handicaps regarding social issues: the barriers to access education and cultural resources that hamper the continuity of studies for the rural youth and encourage their exodus to larger towns.

Analogous evidence has emerged in Greece. Looking at the long term trends of population shares of young people and older people in rural areas population³⁷, it is evident that the contribution of young people presents a diminishing trend indicating that young people continue to “migrate” from

³⁶ In this case, the higher reported unemployment might be partly due to a higher rate of informal (undeclared) employment or underemployment in rural areas, a serious issues in the South, concerning particularly seasonal agricultural dependant workers.

³⁷ In 1991, the percentage contribution of people aged 0-19 in the formation of total population in rural areas was 24.0%, while the respective percentage for the elderly was 17.9%.

these areas to other areas, not only for employment reasons but also for social mobility reasons (Psaltopoulos 2006).

As well as in Spain, young women tend to migrate more often than young men (EC 2005). On the other hand, although in Greece the activity rate of young people in rural areas is higher than the activity rate of young people in urban areas, it has to be noticed that these differentiations may occur because young people in urban areas prolong their stay in the educational system, while young people in rural areas - especially young men - stop their studies in order to be engaged in labor market. It must be also noted that in rural areas young people are faced with more difficulties in finding their first job in comparison to young people in urban areas. In other words, the transition from school to employment is more difficult for young people in rural areas than the respective one for young people in urban areas.

Unemployment of rural youth is also particularly important in countries like Slovenia. Here, the levels of working activities of older (55-64 years old) and young people puts Slovenia behind the European average. One of the most evident social problems in Slovenia is the unemployment rate amongst youth, which is connected with low levels of education. The young unemployed live in difficult social conditions, mainly because temporary legislation provides them with little financial support - which leads towards long term dependency on parents. This is also due to the unregulated real-estate market.

Policies that might prevent unemployment faced by rural youth should therefore take into account the implementation of: formal job search strategies or linking into local networks; transport solutions; training; childcare solutions; support networks.

3.3.3 Low educated, low skilled people

Education is a key factor for social participation and economic success. **One of the most evident social problems in most of the rural areas is connected with low levels of education.** The level of education has an intrinsic importance for the well being of an individual, but has also an “instrumental value” in terms of higher productivity and hence better perspectives of growth of the area.

In addition to this, the level of education has obviously a significant effect on the incidence of poverty. It is a common finding, in empirical analysis of poverty, that **the higher the educational attainment, the lower the probability of living in poverty.** For instance, in Hungary the income poverty rate is 23% among people who do not have completed primary education, and 18% among those who completed only eight years of primary school. These values are significantly higher than the average rate (CSO 2006). The share of people with low educational level is higher in villages than in towns and is one of the most important factor behind the urban-rural differences of poverty.

In Greece, with regard to the educational level of people employed in the primary sector, 14.3% did not complete elementary school or are illiterate, 69.5% only completed primary education, 14% completed secondary education and only 1.2% have a university degree. Additionally, the participation of employed in the primary sector in training courses is very low: 2.9% in 2004.

The education level is connected to the functioning of the labor market. In fact, the unemployment rate in rural areas is explained by both a demand side effect - the lack of employment opportunities – and a supply side effect - the deteriorating quality of the labor force.

The lack of qualified labor force is mainly due to low education levels and not sufficient training system.

A relevant issue is the quality of schools in rural areas. In Romania, as in many other transition economies, although the number of schools in rural areas exceeds the population needs, the quality of education is lower with regard to both education infrastructure and level of qualification of staff. Most of the schools need rehabilitations and building endowments, but also according to didactic needs. IT is very scarce in rural schools and equipment for vocational and apprenticeship education is obsolete or missing (Government of Romania 2006).

Kempson and White (2001) were able from their analysis to identify a number of policy areas that would “be key to improving people’s chances of getting better-paid and more secure jobs”. These were largely supply-side measures including more skills training to reduce the vulnerability of those with few vocational or educational qualifications who were especially susceptible to a cycle of poorly-paid, insecure and often part-time work alternating with periods of unemployment. They also suggested retraining to reflect changes in rural labor markets. Therefore the main policy objectives in this cases should be to achieve equity in the education system and improvement in vocational training. Achieving equity in the education system would lead to improvement in education in terms of equity, aiming to develop human capital as a productive factor that, not only contributes to economic growth and productivity, but also achieves equal opportunities in the society.

Indeed **an improved vocational training** would promote the whole process of technical, commercial and economical training for improvement of occupational skill and competence of farmers and other persons involve in agricultural and forestry activities, and their conversion. This process would clearly lead to: the expansion of vocational training designed to disseminate new skills; job preservation and job creation in rural areas through diversification of activities and improvement in the the skills of farmers, enhancing the capabilities of rural areas to retain population.

3.3.4 Elderly

Europe's population is ageing, as a consequence of both lower birth rates and an increase in life expectancy. As already mentioned in Chapter 2, people aged 65 and over represent more than 15% of population in most countries (with the exceptions of Ireland, Lithuania, Hungary and Slovenia) and the percentage of elderly in PR regions is usually higher than the national average. This reflects higher levels of out-migration of young people and people in family-rearing age (SERA 2006).

Although the social exclusion and marginalisation of the elderly is the result of the interplay of various factors, rather than any single primary cause, in rural areas it is primarily a reflection of poverty through **lack of access to economic resources**. Another important factor is **access to services**. Limited access can prevent the elderly from participating fully in social life or even from reaping the benefits of living in economies with highly developed welfare systems. Low levels of community-based care and assistance, either from health care providers or from family members - due to the effects of out-migration – can make things much worse.

According to the case studies presented by the Country Studies in Annex I, the elderly in rural areas tend to suffer from the following problems:

- **Restricted access to services.** Sometimes this is due to the absolute absence of some of the services, but in some other cases, especially when it comes to the design of measure regarding the elderly, social services do not properly match into the specific need in rural areas, due to the predominantly urban character of the principles that inspire them. Accessibility, including personal mobility and the ability to access goods and service are issues that affect all people living in rural communities, but may be especially acute for older people. Accessing most health services, but especially specialist services, involves travelling considerable distances. For 'rural transport poor', a group which includes many elderly who cannot drive, do not have access to their own transport or who are badly served by limited public transport facilities, access to basic health care services can be extremely difficult. This is exacerbated by the decline of private services (e.g. shops, banks and pharmacies) as well as the centralisation of services.

- **Social isolation.** As a consequence of the vicious circle dynamics, the absence of places and institutions where the elderly can interact among themselves and with the rest of the society creates a progressive neglect of community's principles and belonging sentiments. This isolation process seems to be more frequent among women. The limitation of interpersonal relations restricts the possibility of acquiring knowledge and other skills that help to escape from poverty traps, negatively affecting their quality of life.

- **Limited of autonomy and reduced opportunities.** The absence or inadequacy of social services for the elderly in rural areas leads to situations of dependence that seriously undermine their personal autonomy and quality of life.

These disadvantages are reflected in higher poverty rates for the elderly. In Spain, for instance, according to the latest available data (SILC 2005), 19.8% of the overall Spanish population live under the above defined poverty threshold, whereas this share among the elderly reaches 29.4%. Even if the data do not make a distinction between urban and rural areas, these figures are especially worrying when they are compared to the situation in 2002, when the general poverty rate amounted to 18.8%, whereas 22.2% of the elderly were under the threshold. Old women are even more disadvantaged in terms of the poverty rate (31%), whereas the elderly living alone show the highest risk of poverty (43%).

In the UK, older people in rural areas have lower levels of disposable incomes mainly associated with income levels being low during their working life and the difficulties in saving for their retirement or contributing to a private pension. In addition, older people living in the more remote rural areas are reported to have lower incomes than those who live in more accessible rural areas (Philip et al. 2003). In Italy, the elderly in rural areas usually have a lower income as a consequence of lower educational attainment and, especially in the case of former agricultural workers, low pensions (Lucatelli et al. 2006).

Also problems about accessing benefit entitlements have been raised in some countries. In the UK, this has been associated with a combination of factors: lack of awareness of what is available, issues around perceived stigmatisation with regard to accessing benefits in small communities and a culture of independence in rural communities (Shucksmith 2000).

In Eastern countries, the risk of poverty and social exclusion for rural elderly has risen since the beginning of the economic reforms for the transition to a market economy, and especially during the economic crisis in the early 1990s. In many areas, pensions and social benefits are not able to guarantee the elderly a life standard comparable to the national average: the data for their income and expenditure or for their access to healthcare and services show a significant risk of social exclusion and lack of adequate social services in rural areas. **The categories of elderly most at risk**

are those living with low pensions and those living alone in villages. In Bulgaria, for example, the risk is particularly serious for older women, because most of them receive lower-than-average pensions, since they have not worked in industrial enterprises, but only in agriculture.

3.3.5 Ethnic minorities and immigrants

In the case of ethnic minorities, social exclusion and marginalisation in rural areas can be a reflection of poverty through lack of access to monetary resources as much as of cultural processes. While European cities have come to play host to a variety of cultures, rural areas have been the guardian of tradition and of national identity. In expressing the dominant national or regional culture, rural ideologies might leave little room for ethnic minority or immigrant cultures. In view of the multi-dimensional character of social exclusion, policy measures confined to the dimension of employment are bound to have a limited impact.

Within the New Member States there are many different ethnic and linguistic minorities, but one group - **the Roma** - stands out in cross-national profiles of ethnic minorities. Reliability of national estimates of the size of the Roma population is hard to ascertain, also because it is widely thought that there is a significant underreporting of Roma ethnicity at the Census. For several reasons including discrimination and stigmatisation experienced, it is understandable that not all members of the Roma community are willing to declare and record their ethnicity. For instance, during censuses persons may not declare as Roma because of the negative connotation associated with the ethnic group. In addition, especially in Romania, misrecording was reported during the census (e.g. the form not being completed by the individual concerned due to illiteracy).

As a consequence, according to the last Census data, Roma would represent 1.9% of population in Hungary, 2.5% in Romania and 4.7% in Bulgaria. By contrast, they are estimated by researchers to represent a larger share of population in those countries.

The Roma are frequently identified in the **National Reports on Strategies for Social Protection and Social Inclusion** as a particularly vulnerable group in terms of poverty and social exclusion. Their problems are multifaceted and cover employment, education, health, income and living conditions, including housing.

According to the case studies presented in this study, the Roma population in Eastern countries typically presents some common elements which identify a high risk of poverty and social exclusion:

- predominance of large households with many children;
- bad housing and health conditions;
- low educational attainment;
- low employment rate and high unemployment rate.

The Roma population in rural areas often lives in segregated settlements in remote areas of villages, under very poor housing conditions. Average family and household sizes are significantly higher among the Roma. In Hungary, around 40% of the Roma live in households of 5 or more members, while among the non-Roma only around 16% live in such large households. Since family size is one of the major risk factors of poverty and social exclusion, the predominantly large family and household size among the Roma has special significance for rural poverty (Hungarian Statistical Office 2005).

The strong presence of large families can be explained by high fertility rates among the Roma. In Slovenia, the share of teenagers (aged 15-19) for the Roma is almost 100% higher than the share for the Slovenian population in general. The situation is reversed for older people (aged 65 and more): 13% for the Slovenians and 1.7% for the Roma. The latter figure can be explained by higher levels of age-specific mortality rates among the Roma population, due to poorer housing and health care.

Indeed, bad housing quality is a matter of strong concern. In Hungary, for instance, less than half of Roma households in rural areas has a WC and shower or a bath. More generally, the European Commission has underlined the problem that many Roma in Eastern (but also Western) countries live in substandard or extremely substandard housing, and often in locations characterised by:

- Uncertainty over the ownership of land on which settlements are placed;
- A lack of security of tenure (and with it a permanent threat of forced eviction);
- Inadequate or absent sewerage, electricity, lighting and potable water systems (European Commission 2004c).

Low educational attainment of the Roma population at all age levels presents a major problem, especially because it is considered as one of the most important explanatory factor behind the low employment rates and the high unemployment rates of the Roma. In Hungary in 2005, in the population aged 18 to 75, 52.5 % of the non-Roma but only 27.4 % of the Roma were employed. Unemployment among the Roma was very high (27.4 %) compared to the 5.1 % among the non-Roma population. Unemployment among the rural Roma was higher (23.8 %) than among the urban Roma (19.2 %).

Another relevant factor for problems in the labour market is the persistence of stereotypes about the Roma, notably the presence of prejudice on the side of potential employers. In Romania, the Roma have low possibilities to get employed in income generating activities. Therefore they are typically involved in low-status occupations, including the sale of second-hand clothes in markets, basket and broom making, manufacturing of cart wheels and horse shoes, and collection of iron, aluminium, sheepskins, glass and paper for sale as scrap (Wandschneider 2003). In Slovenia, the majority of income that the Roma receive comes from the social support funds, while in Hungary almost 20% of the Roma in villages have the status of “other inactive dependent” which means that they have no regular income, their only source of income being occasional welfare benefits or aids. In some cases even receiving social benefits may prove very difficult: in Romania a large number of Roma (about 50,000 people) do not own identity documents, being thus excluded from all social benefits.

All these multiple disadvantages are reflected also in higher risks of income poverty. In Bulgaria, for instance, the Roma are ten times more likely to be poor than ethnic Bulgarians (Bulgarian National Statistical Institute 2005).

To summarize, in Eastern countries **poverty among Roma communities is multidimensional**, encompassing substandard housing conditions, low education levels, and poor health status, all compounded by social exclusion and discrimination within society.

Another relevant ethnic minority analysed in the Bulgarian Country Study in this study is that of Turks, which represent around 9% of Bulgarian population. Unlike the Roma, **the Turkish minority** is well integrated politically. Representatives of the Turkish ethnic minority participated in Bulgarian politics from the beginning of transition through the Movement for Rights and Freedoms – a political party registered under Bulgarian law, which has had seats in the National Assembly after all parliamentary elections since 1990. From a socio-economic point of view, by contrast, the areas inhabited by Turkish population and Bulgarian Muslims are amongst the less developed ones and Turks are four times more likely to be poor than ethnic Bulgarians.

With regard to **immigrants**, while research has shown that at the national level migrants from outside the EU are usually exposed to a higher risk of poverty than the local population (Lelkes 2007), insufficient attention is paid to the specific risk of poverty and exclusion among immigrants in rural areas. Such risk may involve a number of issues, such as housing, family rejoining and education.

However, the main risk probably concerns labour market issues, namely the undeclared economy, which can be especially significant in areas where economic sectors characterised by strong seasonality and involving less qualified people are relevant. This is mainly the case of Mediterranean rural areas (Southern Italy, Spain, Greece), once traditional emigration areas, which have become a destination for a large number of immigrants during the last fifteen years. For example, in Greece the existence of a substantial informal sector with latent demand for low-paid labour allows illegal immigrants to find jobs in sectors displaying informal activity and unskilled labour-intensity: agriculture, construction, small scale or “informal” business (garment), house maintenance and repairs, housekeeping and child or elderly care, tourism, catering and street selling.

3.3.6 Farmers

In PR and IR areas, **farms with very small economic size** represent more than a third of total farms in most countries, the exceptions being Germany, France, Ireland, and Norway (Table 3.14). Moreover, in Eastern countries semi-subsistence farms are definitely predominant in Bulgaria, Hungary, Lithuania and Romania and very common in Poland (Table 3.15).

The diffusion of very small or even semi-subsistence farms can partially explain why higher employment rates are recorded in PR regions in some countries (see Tables 3.1 to 3.6). However, the diffusion of such kind of farms is a matter of serious concern because in most Eastern and Mediterranean countries (Bulgaria, Lithuania, Romania, Greece, Italy, Portugal) less than 30% of farmers have other gainful activities which can top up the income received from agricultural activities (Table 3.16). Diversified sources of income may indeed reduce the risk of poverty among farmers. Therefore small farmers appear to be a specific group at risk of poverty and social exclusion in rural areas.

Table 3.14. Farms with economic size < 2 ESU³⁸ (% of total number of farms) - District level³⁹ - 2003

	PR	IR	COUNTRY
Bulgaria	92.7	91.5	92.4
Germany	15.2	12.2	12.6
Spain	NA	NA	29.5
France	15.2	15.2	15
Greece	36.1	39.3	37.5
Hungary	86.6	91.3	88
Ireland	14.6	11.6	14.4
Italy	47.4	45	45.1
Lithuania	87.5	90.5	88.6
Norway	2.4	4.2	2.5
Poland	59.5	72.1	65.8
Portugal	55.7	49.5	51.6
Romania	91.7	93.1	92.3
Slovenia	NA	NA	48.9
United Kingdom	37.2	40	41.8

Source: European Commission (2006b)

Table 3.15. Semi-subsistence farming: Farms with economic size < 1 ESU (% of total number of farms) - District level - 2003

	PR	IR	COUNTRY
Bulgaria	76.4	75.8	76.4
Hungary	76.8	84.8	79.2
Lithuania	65.3	70.4	67.2
Poland	45.3	56.8	51.4
Romania	70.3	76.8	73
Slovenia	20	21.7	20.4

Source: European Commission (2006b)

³⁸ 1 ESU (European Size Unit) = 1,200 € of Standard Gross Margin of the agricultural holding.

³⁹ The District level is a mix of NUTS2 and NUTS3 regions used by European Commission (2006).

Table 3.16. Farm holders with other gainful activities (% of total farm holders) - District level - 2003

	PR	IR	COUNTRY
Bulgaria	26	22.7	25.3
Germany	51.6	47.5	47.6
Spain	NA	NA	31.6
France	21.8	26.1	23.9
Greece	20.8	23.2	21.8
Hungary	36.6	41.3	38.1
Ireland	41.9	42.3	41.9
Italy	25	29.9	28.3
Lithuania	21.9	23.3	22.4
Norway	NA	NA	NA
Poland	27.7	29	28.5
Portugal	29.3	29.6	28.8
Romania	18.6	21.8	19.9
Slovenia	NA	NA	78.9
United Kingdom	50.8	39.6	40.4

Source: European Commission (2006b)

Besides these common features emerging from the data, some specificities characterise Western and Eastern Europe.

In Western Europe, the presence of farmers as a specific group at risk can be explained by a conjunction of factors:

- the structural decline in the price of agricultural goods;
- the specific adjustment process of the agricultural sector:
 - o adjustments take place through prices (revenues) rather than through quantities (employment);
 - o correlatively, in most cases, farming remains a lifetime job. The reason for that may be strong individual preference for the agricultural lifestyle, but also to the guaranteed minimum income provided by agricultural policies.

In France, for instance, several studies have consistently shown the persistence of poverty among farmers, despite the steady decline in the number of farms that could have implied the survival of the most profitable ones (Jégouzo et al. 1998; Blanc and Perrier-Cornet, 2001; Guillaume, 1999). In 2003, 12% of the French lived in households with equivalised disposable income below 60% of the national median). Among French farmers, this relative poverty rate amounted to 22%. Even for those farmers who complete their income with other activities, the additional income is low in most cases. In addition, the opportunity for additional revenues appears to decrease with the distance to labour markets: the probability of relying on social assistance (*Revenu minimum d'insertion*, RMI) increases with the distance to large cities.

The risk of social exclusion seems to be especially serious for men. In France, since the 1950s, single men start being strongly overrepresented among farmers aged 35 to 54. Research has shown how this can be interpreted as a sign of social exclusion of poor farmers who cannot marry women who are reluctant to share their poor living conditions. The phenomenon is persistent; it particularly concerns small farms and less favoured areas.

In Norway, the 1995 and 2002 surveys about Quality of Life by Statistics Norway showed that single male full-time farmers have considerable lower income than other employees and difficulties

in finding partners. The surveys report more depression and angst compared to other occupational groups, especially because of the weather and the farm economy. Also tradition and sense of duty are important motivational factor and thus the uncertainty with regard to take over is a stress factor for some farmers.

With regard to Eastern countries, **overdependence of rural areas on agriculture and lack of alternative employment** are reported. Moreover, in countries such as Poland, Bulgaria, Lithuania and Romania agricultural productivity is often low, because it is influenced by unfavourable investment environment, low levels of modernisation in the processing industry, limited land market, poor technical and environmental status of water management systems (canals, drainage systems, hydraulic structures).

In Poland, for instance, the researchers identify two at-risk-of-poverty groups of rural populations:

- 1) ex-workers of the former state farms and their families;
- 2) the owners of low-income small private farms.

This division relates also to the unemployment: registered unemployment is related first of all to the ex-workers of the former state farms, while “hidden” unemployment concerns private farms and members of farmers families.

In Lithuania some former state farms villages are still enclaves of deep and chronic poverty, while the majority of farms are facing difficulties in meeting EU environmental, hygiene and animal welfare standards. Finally, in Romania it has been statistically observed that the areas where the communist regime had implemented the co-operative system - consisting of the expropriation of land from private owners to the co-operatives, without paying any benefits - are more deprived than the ones where private ownership has resisted.

To sum up, small farmers may represent a group at risk of poverty and social exclusion in rural areas across the countries covered by the study, even if differences between Western and Eastern Europe can be observed. In Western Europe the risk is mainly related to the structural transformations of agriculture, whereas in Eastern countries (except for Slovenia) the difficulties related to the process of economic transition appear to be still present.

Section II POLICIES FOR SOCIAL INCLUSION IN RURAL AREAS

I. Policies against poverty of rural areas and policies against poverty of rural people

In the first section of this report we have introduced a distinction between poverty *of* rural areas and poverty *in* rural areas. The former refers to a concept of *poverty of regions*, and is captured by information about the overall or aggregate wealth or welfare of a region; this analysis implicitly calls for a comparison between rural and urban areas in terms of aggregate indicators such as per capita income, productivity and so on. The latter – poverty in rural areas - is instead related to a concept of *poverty of people*, and is captured by information about individuals or groups living in rural areas; i.e., about the distribution of resources or welfare within rural areas.

The distinction between *poverty of rural areas* and *poverty of rural people*, that has been used until now in describing rural poverty, has also a potential for application in prescriptive, policy terms. In fact, it is possible to identify two broad types of policies affecting rural poverty.

The first type includes those policies, implemented by local, national or EU authorities, directly aimed at social inclusion and poverty reduction. These are policies explicitly designed to address the difficulties of poor people; their evaluation is performed by measuring the degree of poverty or social exclusion *within* the areas in which they have been implemented. The evaluation of these policies is complicated by the fact that national approaches can be very different; moreover, as shown by most of Country Studies in Annex I, these policies often do not refer explicitly to the rural poor. In most cases therefore, specific measures within the policy actions that can directly affect poverty do not have *rural* poverty as a target.

The second type includes those policies aimed at improving the conditions of particular sectors of the economy or at reducing disparities between regions. The direct sectoral policies that support agriculture (CAP) and those structural policies which promote regional or territorial development and cohesion are part of this framework. These policies can have important consequences for the economy of a rural area, and in fact their impact is usually measured by the aggregate or average performance of a given area or a given economic sector; that is, by their ability in reducing the poverty of a region. These policies are able to influence the general context within which the condition of the rural poor are defined.

Although the above scheme is a simple and suggestive classification of policies affecting rural poverty, and in fact we will follow it in the next chapters, we should however add some *caveats* to it. First, the sectoral and regional policies, intended to address problem of aggregate performance of an entire sector or of a region, *are not necessarily neutral from a distributive point of view*. They can help some groups of people, while being harmful for other categories. It is for instance the case of the CAP, that will be discussed in Chapter 5, and that has been often criticised on the basis of its perverse distributive effects. Hence the sectoral and regional policies can also have an impact on the distribution of resources within rural areas, thereby increasing or reducing poverty in rural areas.

On the other hand, some of the anti-poverty policies, in addition to helping poor rural people, can have also an indirect effect on the aggregate performance of the area where those poor live, hence on the poverty of rural regions. This is particularly true for those policies aimed at including groups of people, for instance women, in the labour market or at investing in education and training: they are expected to have an immediate effect on the individuals involved in the programs and a long term effect on the economy of the area, *via* an improvement of the amount and the productivity of the labour force.

Hence there could be cases of policies that reduce both poverty in rural areas and of rural areas. But also policies for which a trade-off exists between aggregative, development objectives and social inclusion, anti-poverty goals. An example to explain the complicate interplay of some policy measures and the possible trade-off that could emerge is represented by the migration policy. In most rural areas characterized by a predominantly agricultural economy and out-migration of youth, in-migration represents a fundamental resource for the working of the economy. Hence, any policy intended to facilitate entry of seasonal workers could have a positive impact on the aggregate performance of the area. On the other hand, and for reasons that have been discussed in details in Chapters 2 and 3, migrant seasonal workers are often the individuals who, within rural areas, suffer of the highest risk of poverty and social exclusion. In this case, specific, tailor-made measures of social inclusion policy are called for in order to mitigate such a trade-off.

In sum, the theme of rural poverty, in the double sense of poor rural people and poor rural areas, covers a topic which is affected by both social inclusion policies and sectoral and regional policies. These two sets of policies will be discussed in turn in the next two Chapters.

Before starting with the analysis of policies, however, in the next paragraph we raise a preliminary question which is crucial in a strategy for social inclusion in rural areas: the question of the political irrelevance of the rural poor.

II. The political irrelevance of the rural poor

According to our analysis, European rural poverty is one of the main components of European poverty. Social exclusion suffered by a large fraction of the rural people is among the main obstacles in the way of building a European society characterized by social cohesion.

Nevertheless, the awareness of the European public opinion as well as the commitment of the public institutions, at different levels, with respect to the problems of rural poverty are extremely weak.

We argue that one the main obstacles faced by a strategy for social inclusion of the rural poor is *the political irrelevance of the rural poor*. There are several reasons that can explain such political irrelevance; they point out, in turn, possible points for intervention.

The first reason is linked to the lack of adequate *data* and *analysis*. The European rural poor in official statistics and documents are often *invisible*. As already underlined, the National Reports on Strategies for Social Protection and Social Inclusion drawn by Member States rarely discuss about the specific needs of (and policies for) the rural poor; official and academic reports on poverty and exclusion pay little attention to the rural poor; and statistical data set do not allow for analysis of distributional phenomena such as poverty and inequality by distinguishing between rural and urban areas. From this viewpoint, the EU appears to have a deficit of knowledge and analysis of rural poverty, especially if compared to other areas such as the US. In this respect, the present Report partly fills the gap: it is intended to be a knowledge-improving step in the construction of indicators of social exclusion and in the definition of a strategy for social inclusion in rural areas. In part, however, this Report itself shows the existence of many limitations in the statistical analysis of rural poverty because of the lack of adequate data.

The second set of reasons for the political irrelevance of the rural poor is linked to a *collective action* argument: the rural poor are less organized with respect to the urban poor, because of their geographical dispersion and because of the remoteness from the political and economic centres of the country. These factors make their *voice* much weaker than that expressed by other groups or

categories at risk of poverty. This weakness, in terms of organization and policy relevance, is also an effect of the under-development of the social economy sector in rural areas. In addition to this, in many Member States turnout rates at the political elections are lower in rural areas, and this contributes to make the voice of the rural poor less and less political relevant.

The third reason is linked to a cultural problem and to the existence of *stereotypes* with respect to rural areas. The perception of poverty in rural areas, from the national community point of view, even when appropriate and clear data exist, is often mitigated by the following *a priori* assumptions: that in rural areas the family and the community support are stronger than in urban areas, and therefore in these areas the public institutional support for the poor is less necessary than in urban areas; that in rural areas there are some non-monetary factors, such as environmental quality, beautiful landscapes and so on, which compensate individuals for the lower levels of income or wealth. Although some of these factors may be real, some other correspond to simple stereotypes. It is for instance the case of the family and community support, that is increasingly low in rural areas, also because of the demographic trend described in the previous chapters.

The reasons discussed above are linked each other and determine a lack of public awareness around the real understanding of rural poverty and the need to intervene to address it. This, in turn, reduces the political support for policy measures which could imply a possible redistribution of resources in favour of the rural poor.

Therefore, a first set of actions in order to help national governments to address the problem of rural poverty include the collection of adequate data at EU and national level in order to study, on a comparative basis, the extent and the features of rural poverty; the promotion of researches and analyses, with different and complementary methodologies, focused on rural poverty; the promotion of campaigns, conferences and meetings in order to raise public opinion's awareness on the necessity of social inclusion policies directed towards the rural poor.

4.1. Introduction

In this chapter we focus on policies, implemented by local, national or EU authorities, directly aimed at social inclusion and poverty reduction. We discuss some specific aspects of the existing strategies for social inclusion which are particularly relevant from the point of view of the rural poor; we underline some weaknesses of the existing policy measures and, on the basis of both the descriptive analysis contained in the previous chapters and of the good practices discussed in the Country Studies in Annex I, we make some specific suggestions and proposals.

The assessment of social policies affecting rural poverty is not an easy task, as they involve different and complex aspects, stakeholders and institutions. The difficulty to give a full account of how national policies operate across the EU depends also on the fact that each Member State follows different approaches according to the physical, environmental, political, economic and cultural forces influencing rural aspects. The reinforcement of decentralised levels of government complicates the picture further and makes it more difficult to identify and fully evaluate actions, because they can vary significantly throughout Europe, despite coming from the same general framework of intervention.

The chapter is organized as follow. We start with a short presentation of the European strategy for social inclusion. We then proceed with an analysis of the main policies affecting rural poor: the social security system, the health care, the labour market policies, the policies of education and training.

The Chapter concludes with a general reflection on problems of governance and institutional design in rural areas, which represent a transversal and general problem for the implementation of the different sets of inclusion policies described below.

4.2. The European Strategy against Social Exclusion

The fight against poverty and social exclusion is among the key points of the European political agenda. Art. 136 and 137 of the Amsterdam Treaty (1997) consider social inclusion among the fundamental social rights and as a priority for policy intervention. During the March 2000 European Council, Member States declared that the number of people living below the poverty threshold and in condition of social exclusion was unacceptable and needed to be drastically reduced. The European Council outlined the Lisbon Strategy to make Europe the most competitive and dynamic knowledge-based economy in the world by 2010. The ten-year strategy to modernise the EU social and economic model aims at improving the quality of work, to reach full employment and to ensure the access to labour market to men and women. The Nice European Council (December 2000) included these objectives in a "coordinated social inclusion strategy" and during the Goteborg meeting, in June 2001, the Lisbon Strategy was extended to deal with environment protection, carrying out a sustainable development model, which takes into account the specific territorial variations as a challenge for European development.

The adoption of the social inclusion strategy marks an important step forward in the European responses to poverty, after a period of stagnation. Previous to this, the main European-level

strategies against poverty centred around the 'Poverty Programmes'. After that, the Treaty of Amsterdam empowered the EU to act against social exclusion and made the Lisbon and Nice decisions on the Social Inclusion Strategy possible.

The overarching objectives in the European social protection and social inclusion strategy are relatively ambitious and clear. They are intended to promote:

1. social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
2. effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy;
3. good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.

In order to measure poverty and social exclusion inside Member States and to face them with national and regional policies harmonised at the European level, common indicators concerning the work and life quality were adopted (Laeken 2001)⁴⁰; while the method to be used is adapted from the Open Method of Coordination (OMC) used by the European Employment Strategy since the 1997 Luxembourg European Council.

The OMC is a voluntary process that encourages Member States to adopt a strategic and comprehensive approach about social exclusion issues and to critically examine their policies. Through the Open Method, the EU aims to reconcile the European purposes and common work methods with subsidiarity, coherence and diversity at national levels. In this way, in fact, the EU intends to pursue and improve the effectiveness and the efficiency of Member States' actions against poverty and social exclusion.

In order to achieve a deeper comprehension of poverty and social exclusion and to better face them, Member States are called -at national as well as trans-national level- to promote multi-level governance, cooperation, and mutual learning. Thus Objective 4, 'Mobilising all the Actors' is an important new contribution from the Strategy, as the fight against poverty needs to be taken up by Governments at different levels, as well as by civil society. In fact, the Strategy has provided channels for NGOs and other voices in society to analyze and discuss Governments' approaches to poverty and social exclusion issues, even though the direct involvement in consultations and discussions has varied considerably from country to country.

The Social Inclusion Strategy has provided a framework and deadlines for strategy development. The process foresees the following steps:

- Development of a number of common objectives and indicators;
- National Reports on Strategies for Social Protection and Social Inclusion (until 2006, National Action Plans Against Poverty and Social Exclusion) to be drawn up by each country to implement these objectives;

⁴⁰ These indicators (known as the Laeken indicators) are grouped in the following way : Primary indicators---drawn from a restricted number of broad fields; Secondary indicators --- supporting the lead indicators and focusing on sub-divisions of the main problems; Third level indicators---which need not be harmonised at EU level, to highlight specific national issues, and help interpret the primary and secondary indicators.

- A system of 'peer review', involving scrutiny of the national plans and exchange of examples of good practice, with Joint Inclusion Reports;
- A funding scheme for measures to support the programme, called the 'Social Exclusion Programme' (SEP).

The described process is intended to provide an enormous amount of comparative information on the strategies implemented and, to a certain extent, on their impact, in different countries and at different levels.

Nevertheless, looking at the aim of 'making a decisive impact on the eradication of poverty by 2010', the experience to date has been less encouraging. Eight years after the Lisbon European Council, there are serious doubts about the ability to reach this Objective. Limitations in data, as well as in both qualitative and quantitative analysis, hinder the development and monitoring of policies in many countries, while all Member States need to ensure that they have developed effective strategies for filling gaps in this respect.

The National Reports on Strategies for Social Protection and Social Inclusion have been used, in most countries, to describe positive national policies, but often there is a mismatch between the analysis and the challenges identified and the policies and actions proposed. In addition, in some fields of action, they give an incomplete picture of the real situation and challenges.

This is particularly true if one focuses on the specific problems of poverty and social exclusion in rural areas. An analysis of National Reports on Strategies for Social Inclusion and Social Protection has confirmed how different the interest in rural issues is among the Member States and how much it depends on the relevance of rurality and on the different national sensibilities (European Foundation for the Improvement of Living and Working Conditions 2006c).

This by no means denies the fact that EU policies, even when not explicitly targeting social inclusion, significantly affect rural areas with a generally positive impact, as mentioned in more detail in the Country Studies in Annex I. Rather, this means that does not exist a specific strategy against rural poverty; and that in most EU countries does not exist a national strategy against rural poverty.

Some countries (Italy, Portugal and Greece) do not make any reference to rural issues in their National Reports on Strategies for Social Protection and Social Inclusion, despite the fact that rurality is an important dimension for them. By contrast, other countries where the rural dimension, as measured by the share of the labour force employed in agriculture, could a priori seem less relevant, give emphasis to the specific problems of rural areas. This is the case, for instance, of the UK.

In general, Northern and Anglo-Saxon countries, belonging to the so-called Scandinavian and Liberal welfare regime types (Esping-Andersen 1999; Sapir 2006), show a long experience and a large variety of programmes concerning policies against poverty and social exclusion in rural areas. Special attention is paid in these countries to problems of exclusion and unemployment generated by accessibility difficulties of remote areas. Other countries tend to identify poverty as an essential urban phenomenon and do not seem to pay attention to rural poverty as a specific phenomenon. This is the case of Germany, where even a distinction between Western and Eastern regions is missing in official documents about rural areas. In most of the New Member States, poverty and social exclusion in rural areas are given much room in the public debate and in policy documents. In those countries, ethnic minorities and children living in rural families appear to be among the most at-risk groups.

Despite the difference between countries, in general the policy measures intended to reduce poverty and exclusion involve labour market policies, tax and fiscal policies, education policies and welfare benefits. Both the European strategy for social inclusion and the National strategies are centred around these lines. On the basis of the different national experiences, commented in details in the Country Studies in Annex I, and in the light of the characteristics of rural areas discussed in details in this study, we will now make some specific consideration on the effectiveness and on the characteristics of these policy measures in rural areas.

4.3. Social security, pensions and health care in rural areas

Under the mandate given to it by the Council, the EU works on the policy challenges related to the following objectives: “to make work pay and provide secure income, to make pensions safe and pension systems sustainable, to promote a good quality-life and to ensure high quality and sustainable health care”. To these purposes, EU actions refer mainly to three areas: social security; pension; health-care.

As a first consideration, we may notice that any **redistributive policy** intended to reduce the degree of poverty or economic inequality, through the tax or the benefit system, both at national or local level, will have an effect on rural poverty. This is true for the inequality-reducing policies implemented throughout progressive taxation; and it is true for the anti-poverty policies operated by tax expenditures or positive cash transfer to poor individuals and poor families.

On this side, Member States are increasingly focusing on **active inclusion** measures, which are based on an integration between active employment policies and schemes of cash transfer to the poor. As recently recognized in European Commission (2007e), “Active inclusion emerges as a powerful means of promoting the social and labour market integration of the most disadvantaged”.

In most of the existing schemes of active inclusion policies, cash benefits are accompanied by training initiatives and are made more strictly conditional on active availability for work. Some Member States show how conditionality can be successfully combined with gradual reduction of benefits on re-entry in the labour market and with tax credits for low-paid jobs to enable disadvantaged people to participate to the labour market. In this respect, however, we should add that to ensure that conditionality does not weaken support for those who are unable to work, it is necessary to improve the coverage of benefits and to ensure adequate resources to those individuals and groups unable to work.

While this approach has proved to be effective in general, many national studies have signalled some difficulties with respect to the implementation of these policies in rural areas. This depends both on the difficulties of efficient active labour policies in rural areas (on this, see the section below) and on the difficulties explicitly related to the implementation of cash transfers to the poor.

Even in those countries where well established schemes of universal, means-tested, welfare benefits exist (e.g. UK), and represent the basic anti-poverty national policy, there is a clear evidence that take-up rates are lower in rural areas. This is also true in countries where examples of such measures have been recently experimented (see for instance, the Italian experiment of “Reddito Minimo di Inserimento”, described in details in the Italian Country Study in Annex I). This may depend on lower access to information: several studies underline the special need in rural areas for better advice about public benefit entitlement and, in general, better access to information.

As receipt of welfare benefits is of crucial importance in households of working age during their typically short spells of poverty or unemployment, lower take up rates directly increase the risk of poverty for such social groups.

To increase the take up rates the **promotion of information campaigns** about such possibilities would be useful; also a more decentralized institutional arrangement in the implementation of such policies could be helpful in this respect.

In addition to insufficient information, also a specific culture of independence and self-reliance prevailing in rural areas appears to be an important mitigating factor against the collection of state benefits. Individuals seem reluctant to claim benefit, seeking in alternative a second or third job, often in the black economy sector. Apart from cultural reasons, in rural areas, often composed of small villages, there could be a lack of anonymity in collecting benefits, which in turn can generate disincentive effects of social stigma.

Hence, there is a considerable challenge in activating measures in order to increase the uptake of benefit entitlement in rural areas. Improved uptake, in turn, could make a powerful impact on poverty in rural areas.

Other specific problems for the working of social security institutions in rural areas come from the demographic characteristics of those areas. In fact, the expected future demographic changes, already discussed in Chapter 2, and notably the increasing ageing of the rural population, will have important effects on the welfare systems and on the functioning of the labour market.

First, the implications of ageing reflect themselves on the labour market, by reducing local labour supply and hence the potential for growth; second, it also poses problems for the future sustainability of social security systems, especially with regard to pensions and health-care. These problems, which are perceived as severe in all countries, are particularly relevant in rural areas.

But other specific difficulties emerge with respect to demography in rural areas. The changing structure of families, the increased geographical mobility and, specifically, the out-migration of young people, requires more formalised care for the elderly and the disabled. In fact, especially in rural areas, low levels of community-based care and assistance, either from health care providers or from family members, prevent the elderly from participating fully in social life or even from reaping the benefits of living in economies with highly developed welfare systems. There is a therefore a consensus on giving priority to policy measures, possibly based on home services and new technologies, to enable these groups at risk to participate to social life.

An additional specific difficulty that emerges in rural areas with respect to **access to social protection measures**, involves specific groups at risk, such as seasonal workers - often employed in the agricultural sector - women, migrants. These categories are often employed in the undeclared economy; but even when regularly employed, the lack of continuity in their job may determine their exclusion – or only partial inclusion- in the social security system, and therefore a more pronounced risk of poverty and social exclusion.

The problem of strong geographical variations in coverage and provision of health care, even within the same country, is recognized as a further barrier to access by the last Joint Report on Social Inclusion (European Commission 2007e), which states that “...supply is typically greater in bigger cities and more densely populated areas, whilst there is a lack of GPs [general practitioners] or family doctors and certain basic specialist services in small, rural and remote areas. Hospitals are

often unevenly distributed and as a large proportion of medical staff is concentrated in hospitals this exacerbates geographical disparities”.

These disparities, for some Member States, can be explained by geographical and demographical features such as remoteness, low density and dispersion of villages. In other cases however, the differences between rural and urban areas may be the result of a decentralised decision-making process which gives regional and local authorities policy discretion and therefore permits regional differences in funding.

The policies proposed by Member States to counter regional inequalities in health care provision include: better adjustment of resources to specific and measurable characteristics, cooperation between Municipalities, the definition of a package of national standardised services (e.g. Spain Italy), the provision of incentives to work in areas where inequalities are most prevalent (European Commission 2007e). Among the suggested policy measures, the improvement of transport networks and the creation of free or low-cost help lines can be expected to be particularly effective for improving access to health care in rural areas.

4.4. Active policies in rural labour market

Since the launch of the **European Employment Strategy** in 1997, there has been an increasing resort to **Active Labour Market Policies (ALMP)**. The Member States approach to ALMP is also continuing in the context of the active inclusion policies. The main priority of the European Employment Strategy is to attract and maintain the greatest number of persons in the labour market. In coherence with the Lisbon objectives to raise the employment rate as close as possible to 70 % and to increase the female employment rate to more than 60 % by 2010, the EU Structural Funds support ALMP through the **ESF and Equal** instruments. The Structural Funds have allowed several recently acceded Members to implement significant active employment measures, too.

The European Commission establishes that “the new generation of employment programmes should try to assume the lessons learned from Equal, adopting the models of innovation, empowerment, partnership and transnational cooperation”, in order to achieve a real social balance.

With respect to the rural areas, as shown in Chapter 3, all the EU **Laeken indicators** related to the labour market, both in their absolute levels and in the dynamics observed in recent years, show that the rural regions appear to be quite far from reaching the Lisbon targets.

The situation of **women** is particularly weak, especially for women whose education is relatively low. The gender gap in employment rates in almost all Member States is higher in rural areas than in urban areas, while the female activity rates do not show a clear pattern in the rural/urban dimension: this evidence can be interpreted as a signal that the main difficulties encountered by women in the rural labour market are linked to the demand side, i.e. to the employment opportunities, rather than to the supply side.

In addition to gender disparities in employment rates, a retributive discrepancy between sexes and many notable differences in the career development, continue to exist. To reduce such differences, a decisive support directed to increase family services and assistance is necessary.

In most **Eastern countries**, rural labour market are characterized by an **overdependence on agriculture**. In countries such as Poland, Bulgaria, Lithuania and Romania agricultural productivity is often low; the difficulties related to the process of economic transition appears to be still present.

Another feature of the agricultural employment is the large number of immigrants, mainly as seasonal workers, that often means the risk of illegal immigration, very poor living condition, low salaries, and the absence of any kind of insurance. As many Country Studies in Annex I underline, there are demand-side problems that remain deeply entrenched in rural labour markets. Hence, what is needed most in rural areas is **job creation**. But this is not only a matter of labour market policy; it is also a problem of development and regional cohesion policy.

The analysis of Country Studies in Annex I allows to identify some specific difficulties that characterize the labour market in rural areas, both on the demand and the supply side.

First, the structure of the local labour market reveals a strong **mismatch between jobs and skills**: this discrepancy may be due to the employers' behaviour and attitudes to recruit workers through informal social networks, as well as to the inadequacy of labour market intermediaries in rural areas. For example, job centres may be less accessible for people living in rural areas, particularly in regions with a dispersed population. Second, rural labour market suffers from problems of accessibility between home and workplace, such as car-dependency. Finally, a strong barrier, especially relevant for the female labour force, is represented by the opportunity costs of participating in the labour market, because of factors such as childcare, eldercare and the benefit trap (where a strong welfare benefit scheme exists).

On the basis of this analysis, it is possible to identify some priorities in the design of labour policy interventions which could be especially effective in rural labour market.

First, by building a more formal **network for job search and investing in job intermediaries**. Second, by **addressing the remoteness difficulties**, by providing transport solutions, for instance work bus, car sharing, etc.; an interesting example of good practice in this respect is the "*Transport to Employment (Scotland)*", which is an example of a 'shared transport service' in some remote and rural communities in the Scottish Highlands (see the UK Country Study in Annex I for details). Third, by increasing the provision of vocational school and providing tailor-made training in order to reduce the mismatches between jobs and skills; an example in this respect is the program, reported as good practice in the Romanian Country Study in Annex I, "*Economic Empowerment of Rural Women in Romania*", which is a UNDP Programme. Finally, by ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labour market. Examples of good practice in this field are "*The Working for families Fund (WFF)*" in Scotland and *Familles rurales* service and *Familles rurales interim in rural Lorraine* (France), described in detail in the Country Studies in Annex I.

Existing success stories of active labour policies stress the following key lessons to be learnt. First, the utility of a pilot policy project before a large intervention. Second, the importance of the social economy sector and the involvement of public and private actors in the implementation of the program. Third, in the case of childcare provision, the importance of ensuring assistance in all the different stages in which child-care may constitute a fundamental barrier to employment: from the training in the pre-employment stage to the support in possible period of crisis. Finally, in the case of training intervention, the construction of a map of the sector specialization of the local economy and the consequent demand for specific skills is crucial in order to provide the appropriate training.

Youth unemployment is an especially severe problem in rural areas. Young people often find themselves in a vicious circle of "low pay - no pay". Interesting measures to tackle this problem involve expanding apprenticeships, providing individualised support or active alternatives after short spells of unemployment, focusing on training activities.

However, it is not only a question of “amount of employment”. According to European Commission (2007e), 7% of the employed people are under the poverty line: that is, employment in itself is not a solution to the poverty problem. The quality of jobs, in fact, remains the only and sustainable way to get out of poverty and social exclusion and to strengthen human and social capital in the future. From this point of view, there is a need to adopt a transversal approach through the correct balance between personalized support, social services and adequate minimal retributions; and to upgrade skills in order to reduce the educational disadvantage of the rural poor.

An additional specific point, especially relevant in rural areas, concerns the integration of migrants into the labour markets and the social inclusion of **ethnic minorities**, in particular Roma. A strategy in this sense should involve designing tailor-made interventions and addressing educational disadvantages and developing language skills, but also fighting discrimination and promoting participation in civic life more broadly.

A vital source of job both in terms of quantity and quality, is represented by the **social economy sector**. It includes people with poor qualifications or reduced work capacity and provides those social services not produced by the market economy.

It can enable the most disadvantaged to exercise gainful activities or to create employment in areas without mainstream companies and employers, such as peripheral and remote rural areas. It also plays a key role in involving participants and European citizens more fully in society since stakeholders, i.e. workers, volunteers and users, are by a rule involved in management.

Unfortunately, the under-development of such sector in rural areas is another element of difficulty of rural labour market and, therefore, another point for intervention. Examples of measures that could help the development of the social economy in rural areas include: (i) the support for activity cooperatives and reintegration enterprises; (ii) the creation of a sustainable model for the development of social enterprises; (iii) the building of partnership between local authorities and local stakeholders; (iv) the encouragement to the start up of cooperative enterprises.

4.5 Human capital, education and training in rural Europe

The **low level of education** and the **under investment in human capital** emerge throughout the entire report as two of the main problems of rural areas.

The existing differences in education between rural and urban regions are a crucial determinant of the high degree of poverty and social exclusion in rural areas. Lack of education is a form of individual deprivation in a fundamental human function and it generates, in turn, low opportunities for economic growth of the area.

According to many indicators, in all Member States the level of human capital in rural areas is below the average national level. This state of affairs is in clash with the goal of developing a knowledge-based society, which is at the heart of the EU Lisbon Strategy for an inclusive society. Therefore, an fundamental step in the Lisbon Strategy is represented by the improvement in human capital quality, through education and training policies, in EU rural areas.

On the one hand, the level of education is a key factor for social participation and has a significant effect on the incidence of poverty: it is a common finding in empirical analyses that the higher the educational attainment the lower the probability of living in poverty. On the other hand, the increase in education, aiming to develop human capital as a productive factor, contributes also to economic

growth and productivity of an area. Moreover, it also helps to achieve equal opportunities in the society and to increase the degree of intra-generational and inter-generational mobility.

Training and human capital investment have a direct impact on the employment opportunities for the groups at social risk⁴¹. Good competences and capabilities, in fact, reduce the risk to remain or to fall into poverty and social exclusion because they help people to obtain a good job. Human capital is an important qualitative aspect of labour supply which plays a role in determining rates of inward investment, indigenous entrepreneurship, and capacity to generate or absorb innovations, and therefore has a knock-on impact upon rates of economic activity and employment. Skills composition is a major factor in explaining regional variations in productivity.

As far as the EU strategy is concerned, the EU sets out three priorities in the field of education, namely: **basic education and teacher training; work-related training; higher education.**

The actions for these priorities are: rising the total resources channelled into education; improving the efficiency of education systems by drawing up strategies that take account of the specific situation of each country; improving school access opportunities and moving towards free and compulsory access to primary education; flowing budgets towards the most urgent needs for poor and vulnerable population groups which have only limited access to schools; placing emphasis as much on the quality as the quantity of education; and increasing knowledge of education programmes relevant to development.

Support for higher education is particularly necessary in order to ensure successful teacher training and general institutional development. In this context, the actions suggested aim at the development of information and communication technologies and at encouraging cooperation and vigilance on the impact of these measures.

To these purposes, the European Strategy, within the so-called **Copenhagen Process**, guarantees for all regions equal access to knowledge and learning, designed to limit the differences in the national system of education and training. **The Job Program Instruction & Formation 2010** is intended to give a European dimension to education, to align policies on school education, to favour the mutual recognition of diplomas, to encourage continuing education and promote excellence in higher education.

The Program supports the improvement of capacities and skills, contrasts early school leaving and, along with other European programs, aims to strengthen cooperation in vocational education and training (including adults). Moreover, the programmes for exchanging students, particularly important for the poorest rural and urban regions, are increasing youth mobility and alleviating the disadvantage of living in regions with a lack of schools and other structures for education, culture and leisure.

This general approach seems consistent with the special features and needs that characterize rural areas and that have been underlined in Chapters 2 and 3.

⁴¹ A recent study, reported in European Commission (2007c), has examined over 100 labour policies and has shown that training programmes are particularly efficient when they are accompanied with private sector incentives or other supports like tutoring. Besides, all the evaluation studies conducted among the beneficiaries of the projects, reveal their employment rate was increased in a meaningful way in the long term. For instance, in Italy, those people who finished with success a course, had more than 31% of opportunities to find a job in the following months. In England, an investigation among the participants has pointed out that 6 months after the project, middle employment rate of participants was more than 14% compared to the 12 previous months..

Systematic differences between rural and urban areas start to emerge, in most countries, in the very first years of education. Evidence of withdrawal of children living in rural villages from pre-school emerges in many Country Studies (see Annex I).

Tackling early school leaving and strengthening young people's skills and qualifications reduces the risk of social exclusion and improves labour market prospects. Successful interventions in this respect include the introduction of preventative measures such as pre-primary education, guidance and counselling, tutoring, grants; and compensatory actions such as second-chance schools. Developing these measures into comprehensive strategies will help to achieve significant results.

Insufficient education in the very first years of life is closely related to the problem of child poverty. Children have a higher-than-average risk of poverty in most Member States. Children from poor families are less likely than their peers to do well in school, stay out of the criminal justice system, enjoy good health, and integrate into the labour market and society.

The March 2006 European Council asked Member States "to take necessary steps to rapidly and significantly reduce **child poverty**, giving all children equal opportunities, regardless of their social background". The vast majority of Member States prioritised the need to develop an integrated and long-term approach to preventing and addressing poverty and exclusion among children⁴².

This problem is particularly severe in rural areas where it needs an integrated approach with a mix of policies addressing different angles of the problem: increasing family income; improving access to services, including decent housing; protecting children's rights; providing adequate access to education.

Two aspects stand out in the existing strategies: ensuring equal educational opportunities for all, including pre-school and adult education, and promoting parents' labour market participation. Measures to make work pay are being taken and reconciliation of work and family life is being facilitated through improved access to quality child care and flexible working arrangements. This raises also the question of promoting a more equal sharing of domestic work and care responsibilities⁴³.

Examples of good practices in this fields are, among others, the "*Education Programme*" implemented by the Voluntary Labour Corps, and the programme "*Where there are no pre-schools*", implemented by the Comenius Foundation for Child Development, both in Poland (see Annex I for details). Education provision in the very first years of the individual life is a very effective policy to increase human capital and to reduce the intergenerational transmission of poverty and exclusion, phenomena that in rural areas are particularly evident.

In the EU's less developed countries, besides a larger gap between rural and urban areas in terms of average level of education, there is a complain about the inadequacy or even the lack of facilities suitable to new and higher educational standards; on, in some cases, about the trouble in reaching the schools, because of poor infrastructures.

The cases of Bulgaria and Romania are evidence of that. Significant investment is needed to improve the quality of education, including introduction of modern up-to-date teaching methods and technologies. The buildings and facilities of rural kindergartens need significant investments for

⁴² See European Commission (2007e).

⁴³ See European Commission (2007e).

rehabilitation. Information technologies are very scarce in rural schools and equipment for vocational and apprenticeship education is obsolete. There are also extremely limited opportunities for leisure, recreation, culture and sports in rural area, which also constrains human capital development and retaining of young population.

In other member states (Ireland, UK, Italy) the main problem for rural areas is represented by **depopulation**. For example, education participation rates in Irish rural areas compare favourably with the urban rates, but the problem is that those with the better education achievements move out to the more urbanised regions. This is a common possible explanations for the educational differentials between rural and urban areas: selective migration of young well educated people in search of urban employment and lifestyles. This lends support to measures which may encourage young, well educated people to stay in rural areas, both because of the positive effects upon demographic structures and trends, and because of the potential benefits in terms of entrepreneurship and innovation.

Another recurrent theme throughout all the Country Studies in Annex I is the need for **life-long education and (re)training initiatives**. As the EU 10+2's surveys of rural areas show, despite the high unemployment rate, entrepreneurs encounter difficulties in finding qualified labour forces. This factor creates a vicious circle that is difficult to cut off: unemployment increases; this leads not only to the rise of population at risk of poverty, but also to the migration of population of working age. Hence, consideration should be given to the access of rural people to higher levels of training and vocational education, especially in peripheral regions. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment). This is also an issue addressed by Axis 3 of the new Rural Development Regulation.

An additional and related problem in rural areas is the declining rate of enrolment in secondary vocational schools. Giving priority to work-related training, at different levels, means to consider the specific demand for skills expressed in the area. More precisely, four priority actions can be identified: establishing an education system which provides an opportunity to learn more technical skills through vocational training; supporting educational strategies, systems and processes that promote the demand for education and the acquisition of qualifications needed to support the area's economic growth; introducing innovative approaches that go beyond the formal education sector; introducing active policies to ensure a closer link between training and employment.

A final point concerns the access to higher education. To the extent that patterns of human capital reflect the location of higher education establishments, consideration should be given to measures supporting more dispersed provision and distance learning; this send us back to **accessibility measures**, such as transports or ITC access. Unfortunately, also the access to higher education in school or university is still strongly influenced by the educational status of parents; from this we can see a vicious circle: poor people have a low level of education and their children have low chances to move up the skills and income ladder.

In sum, the analysis of human capital patterns in rural areas shows the existence of a **social immobility trap**, that manifests itself both in terms of intergenerational persistency of income and occupation positions and in terms of educational attainments; the only channel open to children and young people from poor and poorly educated families in order to climb the social ladder is often represented by out-migration; but this, in turn, while perfectly rational from the individual viewpoint, leads to the progressive ageing of the rural population and to an impoverishment and an economic decline of rural areas.

To face the vicious circle described above it is necessary to act at different levels: by a strong investment aimed at increasing the educational opportunities open to rural people, at different levels, from primary to tertiary and life-long education; by building conditions in order to improve the labour market possibilities in those economic sectors, such as agriculture or tourism, where rural areas have some comparative advantages.

4.6 Designing and implementing social policies in rural areas: a problem of governance

Problems of governance in the implementation of policies in rural areas emerge in all the Country Studies in Annex I. In particular, the study suggests to monitor and to support the capacity of local institutions to fulfil the goal of promoting social inclusion in rural areas. The problem of governance affects horizontally the process of design and implementation of all social inclusion policies discussed in the previous pages.

Problems of decision-making and institutional design emerge also because in most Member States there has been a recent process of decentralization, giving regional and local authorities policy discretion in additional areas of social policy and permitting regional differences in funding. As it is well known in the theory of decentralization, while allowing services to better adapt to local circumstances, thereby improving the ability to answer to the special needs of the local community, local decision-making leads to varying treatment and coverage across areas and regions, and this may increase existing regional disparities. Hence the existing disparities between urban and rural areas might be exacerbated by this process.

There are, in addition to this, some specific difficulties that characterize the decision-making process and the institutional settings in the area of social policies in rural areas.

A first difficulty that emerges in the implementation of inclusion policies in rural areas characterized by small villages and towns is linked to a problem of **administrative capacity**. A special difficulty is encountered by local authorities in managing, from an administrative point of view, the anti-poverty measures based on in-kind transfers. A second difficulty is linked to a problem of scale: in small communities the scale of intervention, in social areas such as the health care services, the home and the elderly services and so on, is not the “optimal scale” from an economic point of view.

From this viewpoint, interesting cases of successful experiments of social policies in rural areas characterized by small villages are based on services that are planned and managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention: see for instance the case of the “*Social Plan of the Area*” introduced in Italy and described in Annex I.

Additional difficulties observed in the design of social inclusion policies in rural areas include: low awareness of the important role that local authorities could play in social inclusion strategies; lack of partnership approach in delivering social inclusion policies; insufficient dialogue and co-ordination between relevant institutions of central, regional and local levels; underdevelopment, particularly in some Eastern countries, of the social economy actors.

This situation suggests the following points of actions: promoting campaigns, conferences and meetings in order **to raise the awareness of the local authorities** about their crucial role in designing and implementing social inclusion policies; support the construction of partnerships among local actors involved in social inclusion processes, from the public, private and social

economy sectors; encourage the participatory process in the design and delivery of social inclusion policies; developing the social economy, in particular by training social cooperatives and social enterprises in business and fund-raising activities; involvement of all the stakeholders, including the people directly affected, in the design and the evaluation of the impact of social policies. A good practice in this field is the “*County Leitrim Partnership*” experimented in Ireland, which is a interesting model of partnership of stakeholder representatives and an interesting institutional design (see the Irish Country Study in Annex I).

In general, there is a problem of **involvement and coordination of different actors**, both in vertical terms – i.e., at different levels of government, by encouraging the coordination between European, national, regional and local levels - and in horizontal terms – i.e., by including the social economy sector in all the decision-making process and also the implementation and the evaluation of the inclusion policies.

A crucial point, which is now generally acknowledged, is the importance of effective monitoring and evaluation of the policies implemented. Still, there is scope for further improving in this respect, especially in rural areas. To make this possible, it is necessary to develop a set of indicators of the performances of the policies implemented, as well as a systematic process for the exchange of good practices.

From this viewpoint, the Open Method of Coordination, experimented with success at the EU level, could be the right model to use, as it helps to deepen mutual learning and to widen involvement of stakeholders at different levels.

CHAPTER 5. EU POLICIES AND POVERTY OF RURAL AREAS

This chapter is focused on the analysis of the effects of policies that do not directly or specifically tackle the issue of poverty, but are able to influence the general context within which the condition of rural poverty is defined. In particular, **Rural Development**, which is part of the Common Agricultural Policy (CAP), **and Cohesion policies** are taken into consideration because both can exercise a significant influence on the living conditions of rural areas. The following pages do not aim to give a detail account of those policies, whose complexity would require specific studies: we will just recall those policies in general terms, with a view to considering how they could influence rural poverty and risk of exclusion.

Fighting against poverty and social exclusion is not the primary aim of those policies, since the Common Agricultural Policy (CAP) is the direct sectoral policy that supports a specific sector (agriculture) and the Cohesion Policy's main goals are promotion of regional development, and, basically, socio-economic cohesion.

Even if the Rural Development Policy and the Cohesion Policy do not specifically take social inclusion issues into account, however, both policies play an important role in influencing economic development in rural areas and implementing the Lisbon Agenda. In general they take into account the objectives of the Lisbon and Göteborg strategy (competitiveness, economic growth, employment and sustainability). This is especially relevant for the creation of new employment opportunities, improving the quality of life, modernising enterprises and infrastructure and improving education and vocational training.

Both policies can be an important source of funding that can benefit rural areas. The Rural Development Policy can play an important role in supporting activity, employment and incomes in areas characterised by a significant presence of agriculture in the economy, such as many areas of peripheral regions of the EU. The CAP has been progressively including new actions which can have a positive impact on rural development and on the fight against poverty and social exclusion of the rural population. The growing relevance of policy measures focusing on such themes as rural development, environment protection and multifunctionality of farms has been determining a move from purely sectoral approach and goals to a support to diversification of activities in rural areas, that can represent a significant element for socio-economic development. Moreover, attention has been shifted from a focus on production of raw materials for the agri-industrial sector towards new issues, such as the production of environmental services. The Cohesion Policy can provide a relevant support for improving the economic performance of poor regions of the EU, fighting indirectly against a general condition of poverty that could represent an important factor for an increase in poverty of individuals.

In other words and looking at the distinction introduced in Chapter 2 between poverty *of* rural areas and poverty *in* rural areas, both policies can influence significantly the aspects of poverty *of* rural areas even if they are not specifically directed to fighting poverty *in* rural areas.

The assessment of both the Rural Development Policy and the Cohesion Policy with reference to the poverty issue, as underlined previously, is complicated by the fact that they are **not directly aimed at poverty alleviation**. Moreover, two specific elements further complicates the picture. First, both policies interact with many other policies, often implemented by the Member States and/or by subnational levels of government (e.g. transport, infrastructure, welfare and education policies). In other words, it is almost impossible to isolate the effects of a single policy from those

of the other policies. Second, it is very difficult to make generalisations from an implementation framework that inevitably appears fragmented as regards the priorities identified and the results achieved by different Member States and regions. According to the subsidiarity principle, each Member State follows different approaches -according to the physical, environmental, political, economic and cultural forces influencing rural aspects (European Foundation for the Improvement of Living and Working Conditions 2006c). The governance in definition and control of specific measures undertaken is complex, as required by the adaptation of actions to the specific needs of the different areas. The variety of measures implemented by the subnational levels of government further complicates this picture and makes it more difficult to identify and fully evaluate actions, because they can vary significantly throughout Europe, despite coming from the same general framework of intervention. In other words, we are facing actions implemented with approaches that could be very different among countries and regions and usually does not take poverty specificities into account.

Bearing these limits in mind, this chapter aims to introduce the main features of those policies, to discuss some general effects they can produce and to present some examples of success stories that could have an impact on the phenomenon of poverty of various rural areas. Taking into account that the picture is inevitably fragmented, those success stories represent just some relevant examples among the various successful measures of EU policies in rural areas.

5.1 Agricultural policy: the two Pillars and the funding of the CAP

Introduced since the 1960s, the CAP was the first common policy, mainly aimed at increasing farm productivity, providing a fair standard of living for farmers, stabilising the markets for agricultural producers, guaranteeing the supply of goods and ensuring that consumers paid a fair price. Even if the CAP is a sectoral policy, it represents the main EU policy influencing rural areas since the beginning of the European Community life. The impact exerted by the CAP is obviously larger in areas where the relevance of agriculture is higher. In Chapter 2 we underlined that, even if the economic relevance of agriculture has been declining, however it is still notable in many areas in Southern and Eastern Europe.

Up to 2006, the CAP was funded by the European Agricultural Guarantee and Guidance Fund (EAGGF). The Guarantee section played the greatest role in terms of funding; originally, it was mostly based on price policy aiming to support internal market and farmers income through the guarantee of minimum prices and the protection from international competition. Through the years, the scope of the Guarantee section has widened to include new actions, such as environmental measures. The Guidance section was mainly oriented towards the support of structural actions, such as the restructuring of farms and agro-food activity or the support of some particular territories (e.g. less favoured areas). The latter section, however, even if strengthened through the years, has generally played a minor role, because of the small amount of funding allocated to its actions.

The CAP has been deeply reformed, through a gradual removal of price support and the introduction of new areas of intervention, such as the production of public goods (e.g. environment protection), quality promotion, animal wellbeing, rural development. The reform process consisted in three major steps: the 1992 McSharry Reform, the 1999 "Agenda 2000" and the 2003 Fischler Reform. As a consequence of these reforms, the CAP has significantly changed and a growing emphasis has been put on structural actions and rural development, even if, from a financial viewpoint, producers' income support still prevails. The growing importance attributed to structural actions - including rural development - becomes particularly evident with the Agenda 2000 reform. Indeed the CAP has been divided into two Pillars. **Pillar 1** represents the continuation of the previous price policy and includes all market support mechanisms, such as direct payments or

export subsidies, with the largest part of the resources spent for direct aid. **Pillar 2** is the evolution of the previous structural policy and now mainly consists of measures supporting rural development.

By creating the two Pillars, the CAP framework has been clearly defined and measures promoting rural development (which can also exert an indirect, albeit significant, impact on the fight against poverty and social exclusion) have been strengthened. At the financial level, only in 2007 the EAGGF has been split into two different funds supporting the activities of the two Pillars: the European Agriculture Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The former provides market and agricultural incomes support, the latter finances rural development (Table 5.1).

Table 5.1. Main actions funded by the two Funds of the new CAP 2007-2013

EAGF	EAFRD
refunds for the exportation; intervention measures to regulate agricultural markets and fisheries markets	Rural Development
direct payments to farmers	
information and promotion measures for agricultural products	
veterinary measures (e.g. inspections)	
conservation, characterisation, collection and utilisation of genetic resources	
accounting information systems and survey systems	

Source: Council (2005)

The evolution of European actions has taken a complex route which has seen a gradual but significant **movement away from a sectoral paradigm**, principally centred around agriculture, to one where the **themes of structural action firstly and rurality later** have included territorial and regional issues as well as sectoral ones. A particular emphasis has been put on the need to invest in the broader rural economy and rural communities, to encourage multifunctional agriculture, environment protection and to improve the competitiveness of the farming sector. In the last few years, the increasing attention paid to rurality has become evident through some reforms such as **mandatory modulation**, introduced since the 2003 by the Fischler reform, where the reduction in direct payments for larger farms (*modulation*) is aimed at the transfer of financial resources into rural development measures, shifting resources from Pillar 1 to Pillar 2. This is a clear example of the new and larger vision of Cap and of its effort directed towards strengthening the rural dimension of agricultural policy instead of its solely sectoral dimension. A brief outline of the principle stages of this evolution is shown in Table 5.2.

Table 5.2. Main steps of the Rural Development Policy

1968	Manholt Plan: first proposal for moving from price policy toward structural policy
1972	Directives on the modernisation of agricultural holdings, early retirement and training
1975	Directive on support for Less Favoured Areas (LFAs)
1987	EU-funding for agri-environment measures
1988	Reform of Structural Funds and ‘The Future of Rural Society’
1992	McSharry CAP Reform
1995	European Agricultural Strategy Paper
1996	First European Conference on Rural Development in Cork
1999	Agenda 2000 and the Rural Development Regulation; creation of the two Pillars
2003	Mid-term review agreement on Rural Development

2003	Second European Conference on Rural Development in Salzburg
2004	Commission proposal on rural development policy 2007-2013
2005	Regulation on rural development support for 2007-2013 and institution of the new European Agricultural Fund for Rural Development (EAFRD)

Source: European Commission (2004a) and Council (2005)

The shift in perspective of the CAP, with increasing attention paid to rurality instead of purely sectoral issues, was followed by a progressive shift in resource allocation of the EAGGF-Guarantee towards the new CAP measures, e.g. agri-environmental measures. Also the Leader action⁴⁴, created in the context of the first 1988 Structural Funds reform, and aimed at improving the development of rural areas by calling on local initiative, was funded by EAGGF-Guarantee.

As a consequence, up to 2006 a complex financial framework characterised the CAP. In the 2000-2006 period, funding for Pillar 1 measures came from the EAGGF-Guarantee; the situation for Pillar 2 was more complex. The majority of expenditure for rural development measures was funded by the EAGGF-Guarantee, though a significant part came from the Guidance section. The EAGGF-Guarantee funded all Rural Development measures in regions outside Objective 1 of the Cohesion Policy and also a certain number of measures in regions inside Objective 1⁴⁵. Over the 2000-2006 period the total financial plan for all Rural Development financial instruments amounted to around 64,4 billion euro; the Guarantee provided for 60% of the budget, 51% directed to the EU-15 countries and 9% to the New Member States during the period 2004-2006. The EAGGF-Guidance covered those measures not funded by the EAGGF-Guarantee in Objective 1 regions, plus the Leader+ programme throughout the EU (see Figure 5.1 for more details). The Guidance section represented 35% of Rural Development expenditure. The remaining 5% was allocated to SAPARD (Special accession programme for agriculture and rural development), a programme established in 1999 and focused on future New Member States in the pre-accession phase. It mainly aimed to enhance efficiency and competitiveness in farming and food industry and to create employment and sustainable economic development in rural areas of acceding countries (European Commission 2007f).

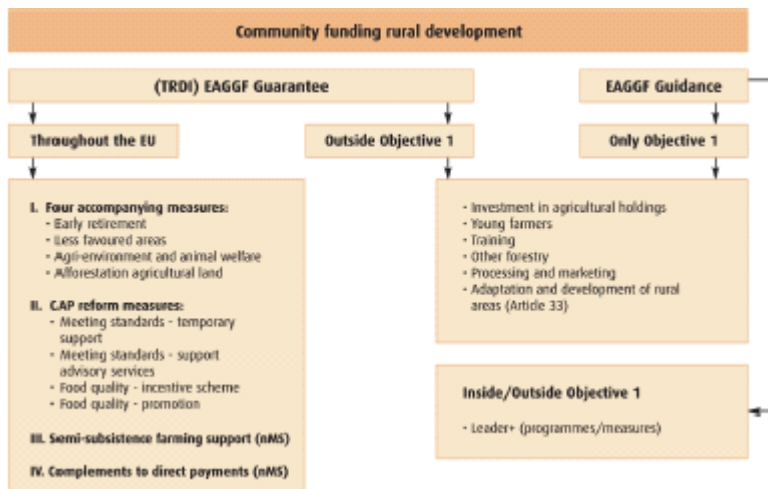
⁴⁴ Leader began in an experimental way, bringing together at local level the various actors and resources (this was known as the integrated development approach). Local action groups (LAGs) were created from the public, private and voluntary sectors to oversee the implementation of the local Leader programme. The year 1991 witnessed the 'initiation' phase of Leader operating with 217 LAGs in less developed rural areas; by 1994, Leader II had moved to what is regarded as the 'generalisation' phase, with almost 1 000 LAGs. Leader+ was established in 2000 as one of four initiatives (together with URBAN, Interreg and EQUAL) financed by the EU Structural Funds and available in all rural areas (Leader+ Magazine, 2005). With a strong focus on partnerships and networking in order to exchange experience, the Leader method is now embodied as a horizontal Axis in the 2007-2013 Rural Development Policy (see section 5.3 below).

⁴⁵ For the period 2000–2006 structural policy was focused around three main objectives:

- Objective 1: programmes in regions where development is lagging behind, including regions in which the per capita gross domestic product (GDP) falls below 75% of the EU average, as well as sparsely populated regions of Finland and Sweden, and the most remote regions.
- Objective 2: programmes in regions undergoing conversion, including industrial or service sectors subject to restructuring, or those experiencing a decline in traditional activities in rural areas, or difficulties in the fisheries sector, along with problem urban areas.
- Objective 3: programmes aimed at modernising training systems and at promoting employment outside of the regions eligible for Objective 1 support.

Rural areas were eligible under Objective 1 and 2 and defined on the basis of population density, rate of agricultural employment and unemployment rate. The total appropriation for the Structural Funds and Cohesion Fund for the 2000–2006 period has mainly gone to Objective 1.

Figure 5.1. Community funding rural development (2004-2006)



Source: European Commission (2007f)

Such a complex financial framework was a product of the evolution of the CAP, which has been progressively taking the territorial dimension of the rural context into account.

Finally, starting from 2007, with the institution of the new EAFRD, the picture has become clearer, with new rules for a simplification of administration procedures and a more coherent approach between the rural development measures and their funding.

The actual framework of CAP covers both the sectoral and territorial aspects. All those changes are very important and represent a positive step in the direction of fighting against poverty and risk of exclusion of rural areas. Even if the competitiveness of farms is a very important goal for fighting against poverty, especially in those countries where agriculture still plays an important economic role, the socio-economic development of rural areas is a goal that cannot be pursued with a sectoral policy tool even if there are positive side impacts from the development of certain sectoral policies, such as the agricultural one.

As underlined in Chapter 2, the economic evolution and performance of rural areas show a decreasing dependence on agriculture and an increasing relevance of other activities: moreover, the emergence of many different local models of development of rural areas suggests the need for a diversification of policy measures, in order to better promote the specific economic potential of the different areas. The evolution of the CAP has been taking into consideration the changes affecting rural areas and represents an important tool for modernisation not only of agriculture but also of the rural context, where the economic and social changes underlined in the previous chapters show a declining role of agriculture. The shift in emphasis has allowed the CAP to keep a very significant place in the EU policy scenario, maintaining also a relevant dimension inside the EU budget.

However, despite the increasing attention paid to issues other than farmers' income support, the Rural Development expenditure still represents quite a small share of the EAGGF-Guarantee expenditure: in the 2000-2005 period, it ranged between 10% and 14%, even if a certain increase towards the end of the period can be noticed (Table 5.3).

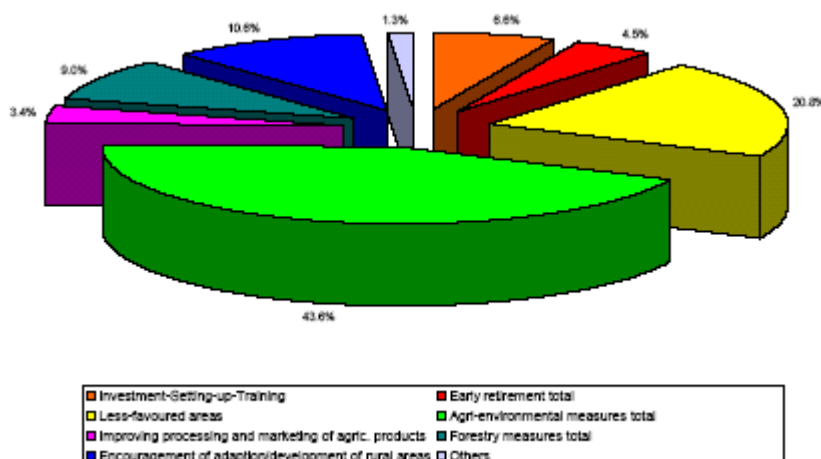
Table 5.3. EAGGF-Guarantee expenditure for rural development (2000-2005, million Euro)

	2000	2001	2002	2003	2004	2005
Rural Development	4176	4364	4349	4680	6462	6827
Total EAGGF-Guarantee	40467	42083	43214	44461	44761	48928
Rural Development / EAGGF-Guarantee	10.3%	10.4%	10.1%	10.5%	14.4%	14.0%

Source: DG Agriculture and Rural Development

Moreover, the allocation of expenditure appears to be still mainly oriented towards activities linked to agriculture and forestry. For instance, Figure 5.2 shows that the largest share of the EAGGF-Guarantee expenditure for rural development in 2000-2006 went to agri-environmental measures (43.6%), followed by measures for less-favoured areas (20.8%). Even if agri-environmental objectives do not represent strictly sectoral goals, those measures are often linked to agriculture and the beneficiaries are predominantly agricultural and forestry enterprises, as agriculture is an important sector for addressing agro-environmental concerns.

Figure 5.2. EAGGF Guarantee: Rural Development expenditure in the EU-15 by measure (2000-2006)



Source: European Commission (2007f)

5.2. Rural Development between CAP and Cohesion Policy

Since the beginning of his history, the Rural Development Policy has kept two "roots": the first originates from the sectoral approach of the CAP, the second from the territorial approach, evident in some measures, such as directive 75/268 EEC on mountain and less favoured areas that could be considered one of the first important actions in the field of structural policy having a territorial approach (Bertolini 1977); indeed it introduced measures for less favourite areas (compensatory allowance, installation grants to young farmers) that are still relevant in the Rural Development Policy.

The territorial perspective of the Rural Development Policy was reinforced with the Reform of Structural Funds of 1988, by the inclusion of all the relevant measures coming from the previous agricultural structural actions inside the Cohesion Policy framework. From 1988 to 2006, the Rural Development Policy was thus part of the Cohesion Policy framework and funded by both sections – Guarantee and Guidance- of the EAGGF.

The **Cohesion policy** represents a relevant source of funding that can benefit rural contexts and there is a clear complementarity between it and Rural Development Policy in promoting rural

development. The Cohesion Policy has an elaborate and institutionalised structure of implementation⁴⁶. It operates via the appropriation of funds to specific programmes and projects. Implementation involves the European Commission, the Member States, regional and local authorities, and social partners, in a "bottom up" process in which process programmes and projects are formulated and implemented locally (Danish Technological Institute, 2005).

However, while the Rural Development Policy is designed for a specific kind of area -the rural one- and pays attention also to sectoral issues linked to agriculture and the agri-food sector, the Cohesion Policy aims at reducing disparities between different regions and supporting sustainable development and general economic efficiency and is designed to improve the capacity of regions and social groups to compete effectively within the EU (EAPN 2007). By facilitating the mobilisation of resources (natural, technical and human) its instruments seek to '**invest**' in **new capabilities** that can help regions' economic growth and cohesion, rather than acting as a form of welfare support or tax concessions (which are still the prerogative of Member States). This goal is shared by the Rural Development Policy, which aims to promote the socio-economic development of (in particular) rural areas.

The focus of cohesion actions is a **territorial** one, that intends to reduce the various structural cleavages existing between the different regions of the EU. Since they are directed at strengthening cohesion through the reduction of internal differences, Cohesion policies contain many actions which can significantly influence the regional context, and many specific measures that have the scope to improve development within the area and, among other things, the quality of human capital. There is indeed a considerable congruence between the objectives of Lisbon Agenda and the Cohesion Policy as regards economic growth, high employment and low unemployment, sustainability of economic development, even if they do not make explicit and direct reference to poverty of individuals. The relevance of the Cohesion Policy is also highlighted by the significant amount of funds distributed by it (European Foundation for the Improvement of Living and Working Conditions 2006c).

As already underlined, the most directly relevant action towards rural areas inside the framework of the Cohesion Policy was the Rural Development Policy, up to 2006 included in the programming cycles of the Structural Funds. Other actions played a significant role in the promotion of Rural Development also in countries involved in the enlargement process; in particular, with the **pre-accession strategy**, SAPARD was the instrument specifically devoted to rural areas. It was focusing its financial assistance on the agricultural sector and on rural development measures with the aim of improving the standard of living for those living in rural areas and supporting the four so-called 'accompanying measures'⁴⁷ and some specific rural development measures⁴⁸.

⁴⁶ The Cohesion Policy, covering the period 2007–2013, includes 3 objectives:

- **Convergence**, (former **Objective 1** in 2000-2006) the most important in financial terms, aims to accelerate the economic convergence of the less developed regions with a per capita GDP below 75% of the new EU average (mostly in the New Member States).
- **Regional competitiveness and employment**, (former **Objective 2** and **Objective 3** in 2000-2006) involves the continuation of the European Regional Development Fund (ERDF) and the European Social Fund (ESF) in regions outside those eligible under the Convergence objective;
- **European territorial cooperation**, (former INTERREG Action in 2000-2006) aims to foster cross-border collaboration and the development of transnational development zones.

⁴⁷ Agri-environment, early retirement, afforestation and compensatory payments for less-favoured areas and areas subject to environmental constraint.

⁴⁸ Semi-subsistence farms undergoing restructuring, producer groups, investment for meeting standards, technical assistance, complements to direct payments.

Also the **Leader** Programme played an important role, mainly because it has promoted a new **bottom-up** approach to rural development, based on areas of limited size, with a recognisable local identity and an active involvement of local people, firms, associations and authorities in all phases of its implementation. It also has a strong focus on partnerships and networking with the aim of exchanging experience among regions for the diffusion of good practises. The local focus on development is achieved through Local Action Groups (LAGs), created from the public, private and voluntary sectors to oversee the implementation of the local Leader programme.

Throughout the EU, the Rural Development Policy and the Cohesion Policy interact in rural areas, and this complicates an evaluation of their effects. Moreover, both policies also interact with many other policies, often implemented by the Member States and/or by subnational levels of government (e.g. transport, infrastructure, welfare and education policies). In this regard, a useful distinction has been proposed in the literature between "broad" and "narrow" policies that could have an impact on rural economies and societies. Broad policies include a wide range of policies, such as agricultural and forestry policies, transport and infrastructure, health and education, housing, social welfare, etc.: in other words, all those policies that can influence the rural context even if not designed for promoting rural development. Narrow policies have as a clear aim the promotion of rural development and include those action such as rural development and national/regional programmes oriented toward the support of rural areas (Bryden 2002).

The coordination of all those measures, certainly important for pursuing an effective action, is however quite difficult. The Rural Development Policy and the Cohesion Policy present similar implementation principles, based on planning mechanisms emphasising the role of the decentralised policy levels, according to the subsidiarity principle. Member States should assure complementarity between Rural Development and Cohesion Policy, submitting the National Strategy Plans (NSP), with a view to translating the EU priorities agreed in the Community Strategic Guidelines to the member state situation and then setting up their Rural Development Programmes (RDP).

The Mid Term evaluation of the Rural Development Policy points out that even if there is synergy between structural, employment and rural development policies, this synergy needs further encouragement and Member States are required to ensure more complementarity and coherence between actions. (Agra CEAS Consulting 2005). The various institutional and managerial systems which formulate and implement policies for rural areas should be encourage to search for a better co-ordination at the purpose of oriented policies toward a convergence in a coherent strategy (Diakosavvas 2006). Member States should assure complementarity and coherence among actions funded by the Cohesion Policy and those funded by the Rural Development Policy through their plans; however, the concrete capacity of co-ordination depends on the ability of local institutions of making coordination at territorial level effective (Finuola and Lucatelli 2006). This implies a clarification of roles and responsibilities of different institutions acting at different level of governance; in particular at the local level, a horizontal co-ordination among those institutions would be important. In this regard, the exit of the Rural Development Policy from the framework of the Cohesion Policy in the new 2007-2013 cycle can lead to a certain simplification and can reinforce coherence between agricultural and Rural Development policies (Diakosavvas 2006); however it may also induce a risk of isolation for this policy and make co-ordination between the Rural Development and the Cohesion policies more difficult (Lucatelli and Raimondo 2007).

The implementation of the Rural Development Policy and the Cohesion Policy at local level is very diversified, following the different specificities of rural areas throughout the EU; the **subsidiarity** principle gives emphasis to the local decision-making level and to the building of relevant experience with the participation of local stakeholders. The effects on poverty and social exclusion may vary significantly, depending on the coherence between actions and needs, co-ordination with

other policies, the capacity of interpreting local needs by the institutions and stakeholders and the co-ordination between different actors and institutions. The fragmentation of initiatives is evident if we look at the variety of success stories, that reflects the variety of rural European contexts. According to the information provided by DG Agriculture and Rural Development (European Commission 2007a) and DG Regional Policy's databases (DG Regional Policy 2007, 2008), Table 5.4 presents some (not exhaustive) examples of those success stories (see Annex 5.1 for more details).

Table 5.4. Summary of some success stories

Country	Success Story	Type of Programme/Fund	Total cost €
UK	<i>Development of Niche Markets in East of Scotland</i> Marketing initiative focused on niche tourism markets with the purpose of encouraging the spread of benefits from tourism to rural areas	ERDF	23.8 million
Greece	<i>Karditsa</i> Promotion of rural tourism and development of complementary activities in other sectors.	LEADER II	9.3 million
France and Italy	<i>Cross-border hiking trails</i> French-Italian collaboration for promotion of cross-border hiking trails improving attractions of the mountains	INTERREG II	3.6 million
Italy	<i>Structural Funds for a natural park</i> Valorisation of Parks combining tourism, research, culture and ecology	INTERREG, LEADER +	765.000
Italy	<i>A computer in every home</i> Assisting households in purchasing a computer and connection software and improving training of population in the use of the new technologies	ERDF	39.9 million
Spain and Italy	<i>Network of Fragile Areas</i> Transnational cooperation area for setting up IT Access Gates and giving consultation and online assistance	ERDF	598,000
Portugal	<i>Scemad</i> Accessibility to Internet and promotion of ICT for all categories of citizens to improve quality of life	ERDF ESF	4.9 million,
Greece	<i>Small-scale hydroelectric power stations</i>	ERDF	17.2 million
Greece	<i>Projects to exploit wind energy</i>	ERDF	128.0 million
Italy	<i>Promotion of typical products in local restaurants</i> Extending the market for local products in order to improve the quality of local restaurants and to promote nutritional education	Leader+	255.306
Spain	<i>Regional quality brand</i> Adding value to local products and to improve the image of different rural regions	Leader+	771.143
Belgium	<i>Socio-economic development of the stone sector in rural areas</i> Generating new job opportunities in the local area, through the creation of arts and crafts activities and the improvement of local services	Leader+	495.600
Greece, Albania, Bulgaria and Former Yugoslav Republic of Macedonia	<i>Cross-border Public Health Centres</i> Cross-border Public Health promoting cooperation and exchanges of experiences with the countries concerned in the fields of medical research and health education	INTERREG II	5.3 million
Portugal	<i>Starting from the beginning: training in theatrical activities in rural areas</i> Support to the local theatrical company in carrying out theatrical training activities in the local area	Leader +	251.330

Austria	<i>Innovation Assistant</i> Supporting SMEs in rural areas to employ recent graduates in order to strengthen their technological and innovation competence	ERDF	1.1 million
UK and Ireland	<i>Epicentre</i> Cross-border project focused on helping small companies to develop new products and services by developing industrial research base	Interreg	3.5 million
Germany	<i>Energy Competence Centre</i> Setting up a center that offers support for knowing techniques and products in the sector of low energy constructions.	ERDF	1.5 million
Austria	<i>Rio – Regional Innovation System</i> Programme aimed at strengthening the regional innovation system and the innovation performance of the regional sectoral clusters	ERDF	5.1 million

Success stories concerning Cohesion policies in rural areas appear to be mostly concentrated in the following fields:

- tourism promotion, often linked to protection of the environmental heritage;
- diffusion of ICT and promotion of innovation;
- production of energy from renewable sources (e.g. water, wind);
- promotion of local high-quality products, especially in the agri-food or crafts sectors;
- improving quality of life for local population..

In general terms, we can point out that all measures aim at combating depopulation of rural areas, by creating new employment opportunities for residents and stimulating the economic activity of such areas. Leader has mainly financed small projects, both in terms of geographical coverage and financial resources. By contrast, the other programmes have financed larger projects, even if only in some cases they involve large territories. More frequently they cover parts of NUTS3 regions, even when they involve areas in more than one country (such as in the case of Interreg projects).

The projects, even if endowed with a limited amount of financial resources, have exerted an important leverage for the exploitation of the economic potential of the various EU regions, also adapting EU actions to the different specificities of rural areas. However, it must be remembered that there may be a trade-off also between the Cohesion Policy and anti-poverty measures: measures for economic development of an area have a medium-long term perspective, while measures against poverty of individuals are destined to specific groups and are more short-term. Cohesion actions mainly have a medium-long term perspective and thus tend to neglect groups at high risk of poverty and social exclusion.

A more precise description of those success stories is presented in Annex 5.1 at the end of this Chapter.

5.3 The new framework of Rural Development 2007-2013

The new 2007-2013 programming cycle brings more clarity to the financial framework of the Rural Development Policy through the creation of the new EAFRD, which finances all Rural Development measures. Moreover, the Rural Development Policy has now been reinserted into the CAP framework (whereas, as previously mentioned, it was included in the Cohesion Policy framework until 2006).

For the 2007-2013 period, the **Rural Development** policy (CAP Pillar 2) is organised around three thematic axes, focused on competitiveness of agriculture (Axis 1), land management and the environment (Axis 2) and improving quality of life in rural areas (Axis 3). The goals of the three Axes demonstrate that the Rural Development Policy keeps its twofold dimension of sectoral and territorial policy. Indeed, Axis 1 (competitiveness of agriculture) and Axis 2 (land management and the environment) have *de facto* a more sectoral focus since the beneficiaries are predominantly agricultural and forestry enterprises. The former includes investment in infrastructure, modernisation of farm holdings, training and other measures; the latter aims to support particular types of land management, including less-favoured areas payments, agri-environment and afforestation. By contrast, the aims of Axis 3 (improving quality of life in rural areas) is less sectoral and more linked to territorial development: it aims to increase the quality of life in rural areas through diversification of the rural economy, including investment in rural tourism and recreation and in rural infrastructure.

Finally, a "methodological" axis (Axis 4) is devoted to the Leader approach, aimed at improving development of rural areas by calling on local initiative, acquisition of know-how on local development and dissemination of such know-how in other rural areas. The mainstreaming of Leader (Axis 4) in the new Rural Development Policy appears a very positive innovation of the 2007-2013 programming cycle because Leader tends to promote **social capital** (institutional building, social and economic networks, strengthening of a bottom-up approach). This could be an important innovation also with a view of fighting poverty of rural areas, considering that social capital is an essential element for improving capability of rural areas and, through that, for fighting against the risk of poverty.

With regard to anti-poverty and social inclusion measures, some measures could help the action of Member States in those fields. This is the case of some measures included in CAP Pillar 2. Indeed, in many new national Rural Development Programmes, relevant measures able to promote social inclusion have been included, such as off-farm job creation, microenterprise development, child care facilities, investment in primary schools, investment in housing for the elderly, transport service for children to reach educational facilities, ICT centres, training for rural population. However, all those measures, even if they are potentially important, might reach poor results if a clear goal of fighting poverty and social exclusion is not clearly stated and if the Member States are not stimulated towards such goal. The risk could be twofold: first, all those measures could be neglected, under the pressure of other priority/goals, such as the necessity of modernisation of farms; second, there could be a dispersion of activities in many small and uncoordinated projects if resources are not concentrated towards specific anti-poverty and social inclusion measures.

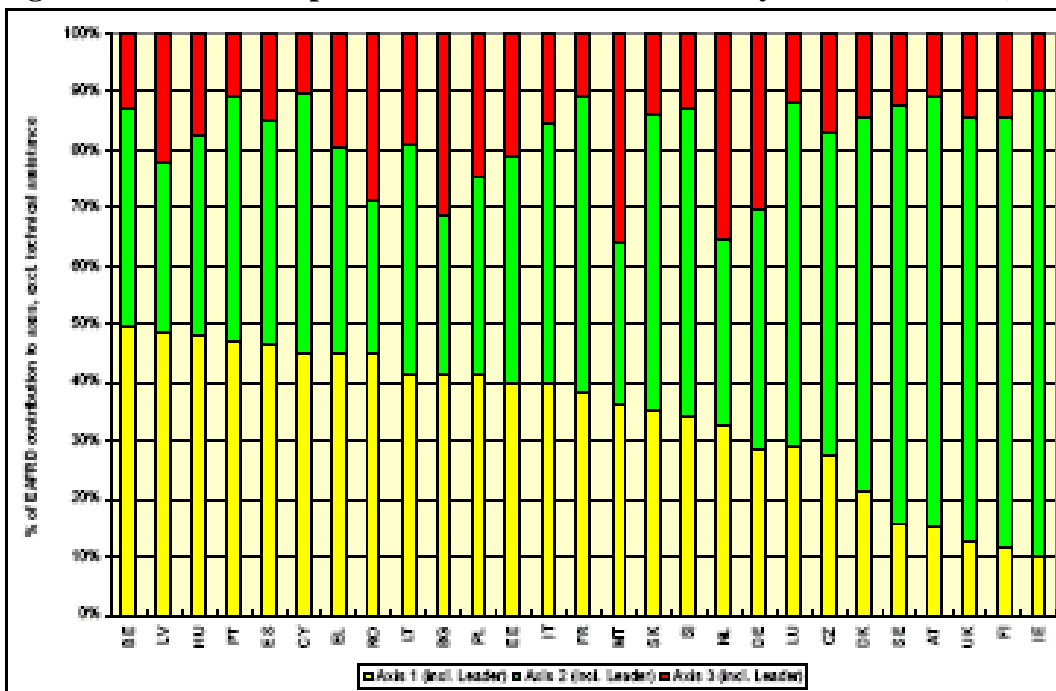
The analysis of the relative importance attributed to the various Axes by the Member States shows a certain degree of continuity with the previous programming cycle. In general, Axis 3 (quality of life) receives less funding than Axis 1 and Axis 2. However, different patterns among countries can be identified. More sectoral actions (Axis 1) tend to prevail in Mediterranean countries and in most New Member States, where the agri-food sector may still face modernisation problems. By contrast, Continental and Northern countries give more relevance to environmental issues (Axis 2). Only in a few countries (the Netherlands, Germany, Malta, Bulgaria and Romania) Axis 3 receives at least 30% of total EAFRD contribution (Figure 5.3).

With regard to single measures inside the Axes, at the EU-27 level agri-environmental payments (measure 214) and modernisation of agricultural holdings (measure 121) are the most relevant in financial terms, while such actions as "quality of life" (measure 413, which covers Leader actions in the field of Axis 3) and "village renewal" (measure 322) -which can be particularly suitable for

fighting against poverty and social exclusion- together account for only 8% of total funding (Figure 5.4).

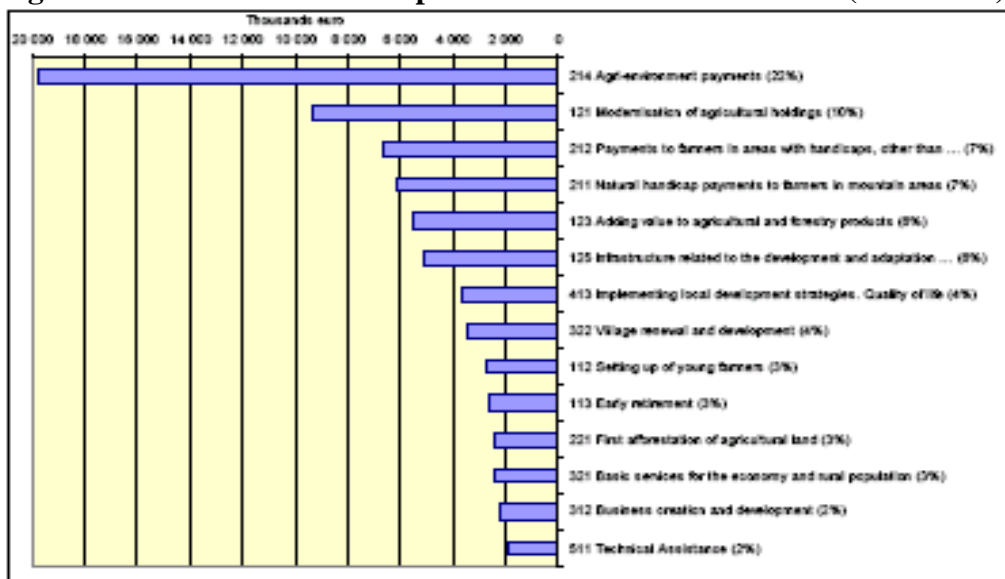
In the following section, we will analyse the main benefits and shortcomings of the Rural Development Policy, with reference to its possible impact on poverty of rural areas.

Figure 5.3. Relative importance of the 3 thematic axes by Member States (2007-2013)



Source: European Commission (2007f)

Figure 5.4. Main Rural Development measures at EU-27 level (2007-2013)



Source: European Commission (2007f)

5.4 Rural Development Policy: complementarities and conflicts with the fight against poverty and social exclusion in rural areas

As discussed in the previous sections, Rural Development Policy is considered very important for fighting poverty of rural areas (ESPON 2006), especially by improving infrastructures, labour market, tourism and cultural attraction, quality of life and promoting the diffusion of SMEs in rural areas. As noticed in Section 5.2, these are precisely the main fields where success stories are concentrated (see Annex 5.1).

As previously underlined, the evaluation of the programme under the light of inclusion policies is very complicate. In general there is a significant diversification of the effects in the different countries (European Commission 2007f)

Some general positive elements emerging in rural areas have been positively influenced by the action of the Rural Development Policy (and Cohesion Policy). This is the case of diversification of the economy of rural areas, that could represent an important element for economic growth and improvement of labour market and life conditions of rural areas (Table 5.5). According to European Commission (2007f), the diversification of the economy of rural areas towards sectors other than agriculture is progressing, with an increasing rate of European farmers having other gainful activities. Tourism is especially important and considered as one of the key opportunities in terms of potential growth for rural areas. The development of such activity is supported by the implementation of infrastructure: for instance in 2005 nearly three quarters of bed places in the EU-27 were located in rural areas (European Commission 2007f). Certainly many actions of the Rural Development Policy (and of the Cohesion Policy) have supported the positive evolution of infrastructure, as seen also in the presentation of some success stories mainly based on the development of infrastructure and tourism.

Table 5.5. Diversification of economic activity in rural areas

<i>1. Employment in secondary and tertiary sectors – NUTS 3</i>						
	% total Employment - 2004			Average annual growth rate in % 2000 - 2004		
	PR	IR	PU	PR	IR	PU
EU 27	85.5	93.0	98.7	0.6	0.9	0.5
EU 15	88.7	95.2	98.8	0.9	1.0	0.5
EU 12	77.7	86.7	98.5	-0.2	0.7	0.5
<i>2. Tourism Infrastructure in term of bedplaces (in hotels, campings, holiday dwellings, etc.) – NUTS 3</i>						
	% total number of bedplaces- 2005			Average annual growth rate in % 2000 – 2005		
	PR	IR	PU	PR	IR	PU
EU 27	25.9	47.2	26.9	1.2	2.6	1.1
EU 15	25.9	45.8	28.3	1.5	2.4	1.2
EU 12	26.2	61.2	12.6	-1.6	1.0	0.2
<i>3. Self employment development- NUTS 2</i>						
	% total employment - 2005			Average annual growth rate in % - 2000 - 2005		
	PR	IR	PU	PR	IR	PU
EU 27	18.3	15.9	13.9	-0.4	-0.04	2.0
EU 15	17.5	15.0	14.0	0.5	1.5	2.2
EU 12	20.0	18.7	13.2	-1.9	-3.2	-0.3

Source: European Commission (2007f)

However, according to European Commission (2007f), infrastructure is still less developed and should be improved, such as in the case of broadband internet infrastructure and services in general. The development of services in rural areas is lower if compared to urban areas. Even if the pattern varies significantly in the different Member States, the net migration rate is often lower in rural

areas that in the urban ones. The education and human potential is still lower in rural areas even if the situation is improving rapidly (over the last years in some cases it improved more rapidly in rural areas than in urban ones); also life-long learning, which is a good instrument to improve the skills of workers positively influencing economic growth, is applied only in some Northern countries, and mainly in Scandinavian countries and the United Kingdom. However, even in those countries, life-long learning is often less used, and progressing slowly in rural areas (Agra CEAS Consulting 2005, European Commission 2007f).

In other words, even if many positive changes are affecting rural areas, many elements underline the fact that many rural areas are still weak compared to the urban ones. Remoteness and peripherality, lack of services, negative trends in population dynamics and in education are still affecting many rural areas, reproducing the vicious circles described in Chapter 2.

Despite the positive effects of the Rural Development Policy, European Court of Auditors (2006), on the basis of information collected in the previous 2000-2006 programming cycle, suggests a number of problems related to the application of Pillar 2 of the CAP. Many of those problems are also underlined in the Country Studies in Annex I. The critical suggestions coming from the audit and Country Studies could represent an important element of discussion of those policy in the perspective of social inclusion. In particular three main shortcomings are considered relevant: the allocation of and access to financial resources, the governance capability of the recipient areas and the effectiveness of such policy.

Financial resources

The first problem concerns the distribution of financial resources between the two Pillars of the CAP. Indeed, we have already mentioned that Pillar 2 is the most appropriate for improving the economic conditions of less developed areas, by promoting measures helping the various territories to trigger processes of endogenous development. Nevertheless, **the Rural Development Policy is much smaller than Pillar 1 in financial terms**, despite the positive move of the CAP towards rural development issues. This is evident in Table 5.6, which shows that the financial resources for rural development - also in the most recent years - continue to represent about 10% of the EU budget, which means only 20-22% of the total financial resources allocated to agriculture and rural development.

If during the last twenty years, starting from the reform of the Structural Funds in 1988, many steps have been made to strengthen and improve the Rural Development Policy, this process appears still incomplete.

Table 5.6. Financial resources for Agriculture and Rural Development 2004-2007 (million Euro)

	2004	2005	2006	2007
EU budget	106982,7	113942,5	118413,4	123932,3
Agriculture and rural development	48473,2	53059,8	55401,3	55028,4
Rural development	10158,4	10849,2	12012,2	12366,2
	2004	2005	2006	2007
Agriculture and rural development/EU budget (%)	45,3	46,6	46,8	44,4
Rural development/EU budget (%)	9,5	9,5	10,1	10,0
Rural development/Agriculture and rural development (%)	21,0	20,4	21,7	22,5

Source: DG Agriculture and Rural development

Other problems concern the allocation of financial resources among regions and countries, which is not always consistent with the need of concentrating funds towards less developed areas. In this regard, as a consequence of the co-financing requirements for Pillar 2, various Member States faced difficulties in co-financing national and regional new rural development measures (Mantino 2003). As the investment measures and the projects financed are proposed by private persons and by municipalities, which must co-finance part of the investment, aid could concentrate where there are economically stronger areas and beneficiaries rather than in the poorer rural areas. In other words, there is a risk that the better informed, better-organised and richer beneficiaries have easier access to EU funds (European Court of Auditors 2006). The result is an **uneven allocation of rural development funding**, and countries with the greatest environmental and rural development needs remain under funded. In this regard, the fact that Axis 3 measures on basic infrastructures and services have rates for public beneficiaries and NGOs equal or very close to 100% of funding could represent an improvement towards removing the problem connected to co-financing actions for poor areas.

This was also observed by the Mid Term evaluation of the Rural Development Policy (Agra CEAS Consulting 2005) that underlines that in 2000-2003 the extent to which the Rural Development Policy fitted within a territorial approach to cohesion was limited. The poorer regions/Member States tended to focus more on sectoral measures relating to structural issues, such as investment on farm or investments in food processing and marketing. At the opposite, more ‘territorial’ measures, such as those for Less Favoured Areas or agri-environmental measures, that ought to offer significant coherence with other Structural Funds, tended to focus on the more economically dynamic areas of the EU (Shucksmith et al 2005). For instance, a higher use of Less Favoured Area payments in richer, more developed areas has been a consequence not only of the lower ability of poorer Member States to co-finance measures, but it was also the effect of the farm size structure, considering that in poorer parts of the EU many smaller farms were failing to meet size eligibility criteria (Agra CEAS Consulting 2005).

In short, the rural development measures may be used least in the poorer areas of the EU because of the lack of match funding (European Foundation for the Improvement of Living and Working Conditions 2006c). As a consequence, even if Pillar 2 support is less concentrated in core and richest regions of Europe than Pillar 1, it could still tend to distribute resources in favour of richest regions and countries (Shucksmith et al. 2005).

There seems to be a certain difficulty in access to funds by many rural areas. Indeed, looking at the allocation of financial resources between rural and non-rural areas, the audit of the 2000-2006 programming cycle by the European Court of Auditors⁴⁹ highlights a **lack of transparency** by the Member States, which do not show a clear strategy in using resources and defining programmes: some programmes do not set out clearly what objectives are pursued and in which proportion a measure shall address them. Other programmes set out objectives, but implement measures which achieve different objectives. As a consequence, also in the Rural Development Policy, a significant part of the **expenditure is implemented in areas which are not predominantly rural and investment support for rural areas decreased** significantly when compared to the previous programming period. Moreover, it also appears that Member States’ programmes do not sufficiently take into account the characteristics of the geographical area supported and maintain largely a sectoral approach, focusing on the agricultural sector (European Court of Auditors 2006). This aspect is confirmed by some Country Studies in Annex I (Italy, France).

⁴⁹ The audit was carried out in 2005 by means of studies, visits to the Member States and deep analysis of some projects.

What emerges from the implementation of the Rural Development Policy in the 2000-2006 period is that not all regions have the same ability in implementing the programs and in the use of the financial resources. Some countries have shown a **weakness in national co-ordination and lack of coordination among different programmes**: this is the case, for instance, of Italy's southern regions (Lucatelli and Raimondo 2007). Moreover, considering that the criteria of eligibility did not mechanically determine the recipient areas, the risk was that in practice, the selection of the eligible areas could be often rather the results of a negotiation process involving the different levels of government (State, Regions or local authorities). This implies that political, administrative as well as socio-economic considerations interfered in the selection process. This was the case, for instance, of Italy and France (see the Country Studies in Annex I). The negative implication with regard to poverty and social exclusion is thus the risk that the poorest areas, which usually have also a weaker bargaining power, could be seriously penalised in the allocation of financial resources.

As a positive evolution of structural actions, the relevance of the Leader programme is increasing and now the programme covers 14% of the EU-15 population and more than 20% in some Member States (such as Ireland, Portugal, Luxemburg, Austria, Greece and Finland) (European Commission 2007f). The actions promoted by Leader are considered very important but also **too limited**, an increase in funding for this action could reduce poverty of many poor areas. This aspect is particularly relevant in Eastern Countries, where the mobilisation of rural communities is not easy and the communities are still facing problems coming from transition (such as Bulgaria).

Governance

Because of the flexibility of the Rural Development Regulation for the 2000-2006 period, that included a large range of objectives, in Member States the selection procedures to target funds were not completely clear. Moreover, objectives were too broad, strategies to implement the policy were lacking and there was no balanced achievement of the two main objectives of the Rural Development Policy, related to the agricultural sector (competitiveness and sustainability) and the structural adjustment of regions with structural problems. As a consequence, a lack of effective targeting has led to a risk of increased deadweight effects, which reduce the effectiveness of the aid (European Court of Auditors 2006).

Since the first evaluation documents, Leader has shown many positive aspects, such as the capacity of considering diversity of needs of rural areas, allowing autonomous decisions and orienting actions towards endogenous initiatives and promotion of local resources. Also the employment impact has been considered quite significant, taking into account that Leader aimed at a new approach to rural development rather than at the creation of jobs. Many positive effects have been recognised in the field of generation of new enterprises, innovations and qualification of human resources.

In the 2000-2006, the program (renamed Leader +) has maintained the strong focus on **partnership** (networks of exchange of experience), and **participatory approaches**, encouraging the implementation of integrated strategies for sustainable development. This approach is very important considering that in many countries, and mainly in those where most part of the land is classified as rural and a large amount of population lives in rural areas, top-down approaches tended to dominate. Leader has played an important role in the increased emphasis on Community development-based approaches, capacity building and development of social capital in rural areas. New network structures have evolved as part of the mainstreaming of Leader and this is now seen as a model for improving an active development of rural regions.

The **bottom-up** approach arguably increases the level of initiative. However, existing studies also suggest that more dynamic territories -that have the appropriate human resources- may

disproportionately benefit from the funds, thus widening the gap between territories. For instance, in many Eastern and Southern countries, where the institutional level is weak, there are some difficulties in promoting the activities of Leader (Bulgaria, Poland). The risk is a failure of the program in the areas that would need a larger action of Leader, in a sort of **vicious circle: “low capacity building/difficulty in using Leader approach/low capacity building”**.

DG Agriculture and Rural Development's evaluation documents argue that the coordination between bottom-up and top-down approaches should be improved, especially with regard to the management of national co-financing. Moreover, the risk of an excessive bureaucratisation has been signalled in some cases (European Commission 2006c).

With regard to specific groups, even if the Rural Development Regulation is explicit on this topic, little specific consideration has been paid to the gender issue by implementing authorities. Gender appears to have typically been considered in a horizontal manner rather than through specific programmes although the extent to which the impact of this has been assessed is not clear (Agra CEAS Consulting 2005). Even if there are those limits, **Leader has a positive impact on women and young people**. Women represent quite a large share of project promoters, even if such a share tends to be higher in regions where the activity rates of women are higher (generally in Northern Europe). Women should be more involved in areas where their participation in the labour market is lower (especially in Southern and Eastern Europe). Young people have benefited from measures directed towards the creation of jobs and corresponding training. However, more could be done with regard to investment in the social and cultural environment, which could generate more visible effects on the attractiveness of an area for young people.

Effectiveness

With regard to the **effectiveness** of the Rural Development Policy, an evaluation is very difficult, as the effects of this policy are visible only in a medium and long run, because of the complexity of the problems that it intends to work on (Saraceno 2002; Lofredi and Schmitt 2006). Moreover, fund allocation is extremely variable among Member States. In general, the regions have shown a significant commitment in the **improvement of physical infrastructures and employment generation**, with some positive impact as underlined in the success stories presented in Annex 5.1.

According to DG Agriculture and Rural Development's evaluation documents (European Commission 2004a), the Rural Development Policy has exerted a positive impact on:

- a) employment (through measures supporting training, forestry and afforestation of agricultural land, and measures against depopulation);
- b) income support (by supporting less favoured areas, farms and young people);
- c) environment and landscape, which can promote multifunctionality through the development of tourism, that, in turn, can promote employment and economic development of rural areas;
- d) life conditions of population (by improving the dynamism of local institutions and the development of local action).

Looking at the 2000-2006 period, about 40% of rural development financial resources were devoted to farms, infrastructure and other investment schemes, mainly to improve competitiveness. In practice most countries seem to favour the competitiveness axis (Axis 1) and the proportion of funds allocated to improving competitiveness is likely to increase, especially in the New Member States, where most of the budget will be allocated to that Axis.

As previously mentioned, there is a trade-off between measures improving the economic conditions of an area in the long run - such as the enhancement of competitiveness- and measures able to

alleviate poverty in the short run; in this regard, putting more emphasis on the issues covered by Axis 3 would be appropriate. With regard to social inclusion, the mainstreaming of Leader in Axis 4 appears to be a positive innovation; however **special attention should be paid to coordination between measures promoted by Axis 3 and Axis 4**, notably with regard to their potential impact on the fight against poverty and social exclusion.

The application of the subsidiarity principle, granting each Member State and each sub-national level of government a large autonomy as regards programming and expenditure allocation, permits to better tailor policy measures to the specific territorial needs. However, this inevitably makes **the effects of policy measures quite diversified** between Member States and also between different regions in the same country. Some countries (Ireland) have experienced a very positive impact, while in other countries (Greece or Italy) those policies have been less successful.

To conclude, Table 5.7 summarises some of the main positive and negative features of the EU Rural Development policy with regard to fight against poverty and social exclusion of rural areas, as discussed in this section.

Table 5.7. Some positive and negative elements of the EU Rural Development policy with regard to poverty and social exclusion of rural areas

POSITIVE	NEGATIVE
<ul style="list-style-type: none"> • Large autonomy of Member States and sub-national level of government (programming and expenditure allocation) • Synergy with cohesion policy • Bottom-up approach (Leader) and positive effects on institutional building, network, social capital 	<ul style="list-style-type: none"> • Diversified effects in different countries • Risk of failure in the poorest areas (vicious circle “low capacity building/difficulty in using funds/low capacity building”) • Bottom-up approach: selection process (criteria of eligibility) influenced by political and administrative considerations • Leader is important for promotion of social capital (institutional buildings, networks, etc.) but funding is too limited

Even if it is difficult to evaluate such a complex policy, rural development has been confirmed as an important policy tool for implementing social inclusion of rural areas; a key factor which may increase the effectiveness of this policy is **synergy with other projects** (European Court of Auditors 2006). As a consequence, as already underlined, the fact that in the 2007-2013 programming cycle this policy moves away from integrated programmes of the Cohesion Policy may represent a step behind to the 1988 reform of the Structural Funds (Storti et al. 2004). However, there are also advantages in keeping the Rural Development Policy under the same umbrella as the CAP: the functions of these two policies are complementary to each other; thus synergies and cooperation between farmers and the other rural actors would be improved with greater efficiency and innovation for both (Saraceno 2002).

Finally, even if the Rural Development Policy may represent an important tool for fighting against poverty of rural areas, its results are not completely satisfactory. In particular, measures enabling poorer areas to enjoy a better access to funds should be reinforced, by activating tools promoting institution building and lobbying capacity of such areas.

ANNEX 5.1 EXAMPLES OF SUCCESS STORIES IN COHESION AND RURAL DEVELOPMENT POLICIES

The following examples of success stories are taken from European Commission (2007a) and DG Regional Policy (2007, 2008)

A.1) Tourism Promotion

Project: Development of Niche Markets in East of Scotland

Total cost € 23.8 million, of which EU contribution € 13.5 million from ERDF

This project supported the marketing initiative in the East of Scotland focused on four niche tourism markets identified within the Scottish Executive's "New Strategy for Tourism" of 2000. The project was not only based on the above-mentioned strategy, but also complemented it by encouraging the spread of benefits from tourism to rural areas. This project aimed to use local tourism products and attractions to strategically promote the area between the visitors through a focused marketing campaign.

The first phase of the project was subject to an independent economic evaluation, which concluded that the project exceeded its core economic development objectives in terms of net additional jobs and increased expenditure (1,165 gross jobs (990 net jobs); € 56 million gross expenditure (€ 47.57 million net expenditure). Due to the success of the first phase it was felt appropriate that a second phase should be supported.

Project: Karditsa Programme: LEADER II (country: Greece)

Total cost € 9.3 million of which EU contribution € 4.8 million

Soaring above the artificial lake of Plastira in central Greece is the staggeringly beautiful mountain landscape of the department of Karditsa, with its mountain pastures, streams, gorges and a varied forest ecosystems dotted with Byzantine monuments and traditional villages. However, not everything is idyllic in this rural region, which has experienced severe economic and social decline in recent decades. The negative impact of the construction of a lake on some the areas most fertile land, poor access, insufficient health and educational facilities, and a general lack of services have prompted many young people, who are disinterested in farming, to leave the area. This has resulted in a falling and ageing population.

The Development Agency of Karditsa (AN.KA S.A.), which includes the Local Authorities' Association (TEDK) and the Farming Cooperatives' Association of the Department of Karditsa (EASK), was created in 1989. Its role is to co-ordinate initiatives and promote partnerships and networks to revitalise the region. With several years of experience behind it, the AN.KA was therefore well placed to establish and manage the Karditsa area's Local Action Group (LAG), under the LEADER Community Initiative programme, from 1996 to 1999. The LEADER area had 37,500 inhabitants and included 13 municipalities and 78 districts in the south of the department.

The objective of the Karditsa LEADER programme was to reverse the trend of decline by creating viable activities to provide rural community with additional income, improve their living conditions, and encourage them to stay in the area. The approach adopted was to promote the "integrated" development of the rural area by means of bottom-up innovative measures involving all the partners, as well as the community. These measures covered all areas of activity and

exploited the full range of local resources (human, natural, institutional, cultural and other), whilst also focusing on protecting the environment.

The basic guiding philosophy was to transform weaknesses into assets and to focus on discovery and authenticity. The promotion of rural tourism and other alternative forms of tourism was an area of considerable success. This also had a leverage effect and resulted in the development of complementary activities in a number of other sectors. It also contributed to boosting the provision of community services.

Some of the most tangible results included: the establishment of ten hotels with 180 beds, five leisure centres, 12 craft businesses (folk art, iron, woodwork, knitted garments, etc.), 12 agri-food businesses (including meat, organic products, bread and animal feed), two exhibition centres selling quality products, a sawmill and two mountain petrol stations. Other outcomes included: the restoration of monuments, themed tours, the publication of guides, and training courses. In total, 130 permanent jobs and 120 temporary jobs were created and a further 90 jobs were safeguarded. The success of LEADER, and its popularity among the local community, owes much to the role of the AN.KA, which was designed to be a flexible, transparent structure, which would have a close relationship with the community and be free from red tape. Through the LEADER programme, the AN.KA has fostered a spirit of initiative and encouraged local innovation.

Projects: 1) Cross-border hiking trails, 2) Mountain rescue operations, 3) Daily cooperation

Programme: INTERREG II A France/Italy (Alpes)

Total cost € 3.6 million, of which EU contribution € 1.4 million

Making the border more open through the French-Italian Alps and developing the rich natural and cultural heritage without harming the environment are real challenges and the focus of the INTERREG-supported actions being carried out in the areas surrounding Mount Blanc. The mountains are a part of nature and encouraging eco-friendly tourism in the Alps is one of the missions of the "Conférence transfrontalière Espace Mont-Blanc"/"Cross-Border Conference of the Mount Blanc Area". This organisation was founded by the Italian Autonomous Region of Val d'Aosta and the Intermunicipal Association "Espace Nature Mont-Blanc"/"Mount Blanc Nature Area" on the French side and in the Swiss Canton of Valais. Fifty cross-border hiking trails around Mount Blanc were selected according to thematic itineraries with a view to developing the different attractions of the mountains: glaciers, forests, marshes, mines, Alpine pastures and traditional architecture. These trails were included in a promotional guide published in the summer of 2001 in French and in Italian. The aim was to make walkers aware of what the mountains have to offer and to encourage them to discover lesser-known trails. This will take some of the pressure off the more heavily trodden paths and help to protect the ecosystem.

The mountains are also synonymous with danger and those who seek it out. Since 30 June 2001, in Val d'Aosta, Valais and Haute-Savoie, borders no longer exist for mountain rescue operations. Pursuant to a general convention for civil protection and mountain rescue operations signed in 1997, emergency calls now pass through a single radio channel, with the same procedures and same frequency in the three areas. A very simple brochure, containing instructions on how to use this new alarm system, is distributed to those who go hiking in the high mountains. What's more, the emergency call centres and rescue call centres have been connected to one another and over 90% of the area now has radio coverage.

The mountains are also a place where people live. Sharing the border identity around Mount Blanc

is at the heart of the project on "Daily Cooperation in the Mount Blanc Area". The long collaboration between two regional newspapers, "La Vallée Notizie" (Val d'Aosta) and "Le Messenger" (Haute-Savoie), to inform those living near the border about what is happening on the other side of the Alps has led to the joint publication of a four-page brochure, "InfoMontBlanc", inserted each week in the two newspapers. An Internet site has also been set up.

Project: Structural Funds for a natural park Programmes: INTERREG, LEADER + (country: Italy)

Total cost € 765,000, of which EU contribution € 306,000

In the interests of sustainable regional development the Structural Funds finance many environmental projects. The autonomous Province of Bolzano coordinates several such projects in the Stelvio National Park.

The Stelvio (or Stilfserjoch) National Park covers an area of 1 350 km² on the borders of Trentino Alto-Adige (autonomous Provinces of Bolzano and Trento) and Lombardy. It also shares a border with the Swiss National Park, which effectively extends a further 169 km² into the canton of Grisons, making this one of Europe's biggest protected areas. For several years now, a consortium of committees and representatives from various areas of the park have been responsible for its management and coordination. In addition to environmental protection, the park offers opportunities for recreational activities, environmental education and ecological research. These activities have led Stelvio National Park to implement a number of projects in recent years which are designed to make the public more aware of issues relating to the protection of flora, fauna and natural habitats. The INTERREG and LEADER+ actions, coordinated by the autonomous Province of Bolzano, have contributed to this effort.

Habitatp

Since November 2002, the Stelvio National Park and the autonomous Province of Bolzano have participated in the "Diversity of the Alpine habitat (Habitatp)" project, in the framework of the network of protected areas of the Alpine Arc. Nine national parks in Italy, Switzerland, Austria, France and Germany are partners in this INTERREG IIIB action, which is headed by the Berchtesgaden National Park in Bavaria. The mission - in line with the principles set out in the Habitat Community directive and the Natura 2000 environmental network - is to harmonize data on the long-term observation of endangered animal species. Infrared aerial photographs, which enable animals to be located by the heat they produce, are an essential tool in this work. Habitatp involves the production of these photographs, and their subsequent analysis and interpretation using a common interpretation key so as to be able to identify all the zones which should be covered by the Habitat Directive. The information is then entered into a multilingual database. Habitatp has a budget of € 1.5 million over a three-year period, including € 700,000 from the European Union.

Project partners include: Nationalpark Berchtesgaden (Germany, lead partner), Parc Naziunal Svizzer (Switzerland), Parco Nazionale dello Stelvio (Italy), Nationalpark Hohe Tauern (Austria), Parc National de la Vanoise (France), Parc National des Ecrins (France), ASTERS (France), Parco Nazionale Dolomiti Bellunesi (Italy), Parco Nazionale Gran Paradiso (Italy), den selvstyrende provins Bolzano (Italy), and Parco Naturale del Mont Avic (Italy).

The Alpine Golden Eagle

The Golden Eagle used to be widespread across the whole of Central Europe. Unfortunately, it was

hunted almost to extinction at the turn of the 19th century as a "harmful predator". Other large predators of the Alps such as the bearded vulture, the wolf and the bear suffered the same fate.

Golden Eagle populations now seem to be stable but our knowledge of their habits and breeding behaviour remain insufficient. Participants at a meeting of the network of protected Alpine areas held in Rauris (Austria) in October 1999 agreed there was a need for coordinated action to observe and study their populations. The Stelvio, Dolomites (Italy) and Hautes Tauern (Germany) National Parks decided to form a partnership to pool their know-how, knowledge and data on the Alpine Golden Eagle, while also coordinating their protective measures. Operational since 2002, this network covers an area of 3 200 km². It receives total funding of € 400,000, including € 200,000 from the Community, under the INTERREG IIIA Italy/Austria programme.

Naturatrafoi

"Naturatrafoi" is one of the three visitor centres in the Stelvio National Park. The other two are "Aquaprad" in Prad, which is based on the theme of water, and "Culturamartell" in Trattla, based on the mountain way of life. "Naturatrafoi" was built by the Stelvio local authorities between 2001 and 2002 with assistance from the LEADER II and INTERREG II Community Initiative programmes.

Opened in 2002, the centre includes a reception area for visitors to the park, a vast hall for conferences, seminars and training, a library and a permanent exhibition covering 400 m² on the theme of "frontier life".

Objective 2 aid of € 765,000 (including € 612,000 from the autonomous province of Bolzano and the European Union, each contributing 50%) has now made it possible to open this Nature House. A new research centre on the park's Alpine ecology will also be opening shortly in the complex.

Combining tourism, research, culture and ecology, Naturatrafoi is set to become an important resource in terms of jobs, services and intellectual exchanges, for both the local population and for the Stelvio National Park as a whole.

A.2) Diffusion of ICT and promotion of innovation

Project: A computer in every home ("Un computer in ogni casa") (country: Italy)

Total cost € 39.9 million, of which EU contribution 15.9 million from ERDF

In Basilicata, a NUTS2 region in southern Italy, Internet access was insufficiently widespread. One of the aims of the 2000-06 regional development programme for Basilicata was therefore to facilitate access to computers and the services offered by advanced telecommunications services. European funds made it possible to implement a programme to assist interested households in purchasing a computer and connection software. In addition to helping correct the shortage of computers in the home and paying towards the high cost of being online, there is also a need to overcome a common difficulty in Basilicata: the insufficient training of its population in the use of the new technologies.

Small and medium-sized enterprises (SMEs), the public administration and private individuals all showed keen interest in the project entitled "Un computer in ogni casa" (A computer in every home). At the end of 2002, 43 648 of the 49 500 applicant households had benefited from the scheme. Once the hardware had been purchased, the software installed and the configuration and

Internet connection completed, these households were awarded 80% of the financing to which they were entitled, calculated on the basis of their income. The remaining 20% was granted one year after registering with the regional telecommunications services.

The project has brought many benefits: the purchase of computers, the supply of 120 hours of free Internet access per household per year, the availability of an e-mail address, provision of computer courses, access to online administrative services, etc. Thanks to an electronic signature with legal value, the online transmission of documents to various public services has become more reliable, to the point where it has virtually replaced traditional mail and telecopiers.

More than 5 million e-mails were sent between June and October 2002 and by January 2003:

- 50 000 private individuals and 400 companies had registered at the Region's portal;
- 180 companies had opened up to e-commerce by offering online services;
- 40 of them had created their own website;
- 10 000 people were visiting the site daily, for an average of 25 minutes;
- 37% of families had bought a computer and 31% had Internet access.

In the light of this success, and despite the reservations and prejudices of a number of companies and members of the public in regard to e-commerce, between 2003 and 2006 the Basilicata regional authorities concentrated on SMEs, schools and members of the public facing specific difficulties (unemployed, elderly people, inhabitants of isolated areas, etc.). Finally, the success of the "A computer in every home" operation could serve as an example to other regions experiencing similar problems.

Project: Network of Fragile Areas Programme: INTERREG II C Western Mediterranean and Italian Alps

Total cost € 598,000, of which EU funding € 362,000

In small remote urban centres, away from the major areas of economic activity and trade, new communication technologies have a vital role to play to ensure that people have access to a whole range of information, knowledge and services. But for this to be possible, the towns must have IT infrastructures and Internet sites that match their needs and are accessible to people who often do not have a computer or do not know how to use one effectively.

It was with this idea in mind that the "Network of Fragile Areas" project was launched in 1999, with the support of INTERREG and the coordination of the region of Umbria, in a series of regions in the transnational cooperation area of the Western Mediterranean and the Italian Alps. There were some Italian regions (Sardinia, Sicily, Basilicata, Liguria and Val d'Aosta) and the region of Murcia in Spain.

The primary objective was to set up "IT Access Gates" (ITAG). That has now been accomplished for the sites of Arbus (Sardinia), Accettura (Basilicata), Esperia and Lenola (Latium), Petralia Sottana (Sicily), Rhêmes-Notre-Dame, Saint-Pierre Castello and Saint-Pierre Pain de Coucou (Val d'Aosta) and Tuoro Sul Trasimeno (Umbria). Another Umbrian site, that of Colfiorito in the earthquake-afflicted municipality of Foligno, has been set up in a temporary building and will later be transferred to a building currently undergoing renovation (the work is being co-funded by the Italian State and the European Union, and the people affected by the earthquake have received a computer in addition to the compensation traditionally granted). As for the region of Murcia, it has carried out IT actions to develop local and human resources in the field of arts and crafts.

The ITAGs provide two kinds of services: consultation and online assistance. Consultation covers fields like tourism, trade, education and vocational training, the police and civil protection, jobs and businesses, etc. Online assistance is for e-mail, videoconferencing or multimedia programmes, services for different groups of people (young people, women, the elderly or disabled), legal, tax or trade union assistance, teleworking and even participation in European programmes. The sites are designed for a wide public and meant to be user-friendly.

Project: SCEMAD (country: Portugal)

Total cost € 4.9 million, of which EU funding € 2.5 million from ERDF and ESF

If the Internet is to become a genuine lever for regional economic development, it is necessary to start from the ground up by making it accessible to everyone. This project, managed by the University of Tras-os-Montes and Alto Douro, is making practical efforts to combat the digital divide in one of Portugal's least-favoured regions.

The Tras-os-Montes and Alto Douro region lies in north-east Portugal, not far from the Spanish border. It is an isolated region, a fairly long way from the sea, and one of the country's poorest. Tras-os-Montes, in particular, suffers from its geographical situation. It is a mountainous plateau, crossed by deep valleys and with a harsh climate. Its inhabitants are scattered among small villages.

This is the context in which the SCEMAD (Serviço Cooperativo de Extensão em Tras-os-Montes e Alto Douro) programme was launched, in 1999. Its objective was to promote and develop information and communication technologies (ICTs) throughout the territory. This multi-annual programme has been managed by the University of Tras-os-Montes and Alto Douro, in cooperation with various bodies, including the association of the municipalities of Terra Quente Transmontana and the Regional Delegation for Culture in the North. The SCEMAD programme has also been sponsored by the Portuguese Ministry of Science and Technology and has been part of the national DIGITAL programme designed to reduce the digital divide. This major programme received € 2.472 million from the ERDF and European Social Fund.

The SCEMAD is a global, integrated initiative, that addresses all categories of citizens (and not just a few high-tech SMEs) with the aim of acting as a lever for regional development. The basic concept developed by the coordinating university is, in a sense, to create a supply to stimulate demand. The idea is to bring the Internet closer to the citizens so that, at a later stage, these same citizens will come to perceive the more directly economic uses of this new media. In this sense, the SCEMAD programme has chosen to act at a very decentralized level while setting very practical objectives that go beyond the simple communicating of information. Improving living conditions for the population, reducing bureaucracy in the public administrations, helping small businesses benefit from e-commerce, improving the quality of training, and creating jobs through telework are just some examples of the possible benefits.

A range of tools and services have been developed with such aims in mind, the central project – the “backbone” of the SCEMAD programme – being the regional portal site: <http://www.espigueiro.pt>

The "Espigueiro" website provides a wide range of data, including reports on the social, economic and cultural life of the villages, practical information such as the list of local computer stores, and contact points at the various administrations. It is also interactive, enabling the region's inhabitants to contribute their own news.

One section of the regional site is particularly notable as it is aimed at the many emigrants who have left this sometimes inhospitable territory. "Espingueiro" provides this population with information on how to invest in the region and the procedures for returning home.

Another objective is to bring the public administrations closer to the citizens. About 30 computerized information offices, set up in the town halls, are at the service of the region's inhabitants. Another 83 computer centres have also been set up in the smallest villages ("freguesias" in Portuguese; literally translated as "parishes"). These village centres not only allow local people to use the computers free of charge, but also to complete a number of administrative procedures online, without having to travel to the nearest town.

The social dimension has been taken into account too, with the "cyber-infirmaries" for example. Set up in hospitals in the districts of Chaves and Villa Real, these provide Internet access (with specially adapted equipment) for patients, especially those who are confined to bed for long periods. This enables them to communicate with other hospitalized patients or with family members and friends on the outside.

Project: Innovation Assistant (country: Austria)

Funding: Total cost: € 1,118,000, of which EU contribution € 514,000 from ERDF

The project aim is to encourage SMEs to employ recent graduates in order to strengthen their technological and innovation competence. Targeting small SMEs and those in rural areas, the project provided support for an Innovation Assistant to work on a specific innovation project. The first results are positive with new products developed in many of the SMEs supported.

The support consists of 4 pillars:

- Grants for the labour costs of the Innovation Assistant
- Mandatory training of the Innovation Assistant through a specially designed postgraduate training programme
- Grant of a maximum 50% of the costs for further training linked to the project on which the Innovation Assistant is working
- Funding for expert consultancy for the Innovation Assistant project (100%)

The main innovation is to provide regional SMEs with skills that were missing in order to innovate and remain competitive. In addition, the Innovation Assistant follows an 18-day course which covers project management, communication skills, team building, conflict management and tools for innovation management. The project had a holistic approach in that it combined different elements to meet the objective of bringing innovation to SMEs: the financing of a new member of staff with a university background, assistance for the implementation of a defined innovative project (with the possibility of accessing the technical expertise of a consultant if required) and some training in management.

The project was successful in piloting a new approach to supporting innovation in the region and first results demonstrate positive feedback from the SMEs and the Assistants. The project is mainstreamed after the pilot with support from other regional and EU funds. In addition, a spin-off from the project is support being provided for "Export Assistants".

Project: Rio – Regional Innovation System, Upper Austria (country: Austria)

Total cost: € 5.1 million, of which EU contribution € 2.6 billion from ERDF

The programme "Regional Innovation System Upper Austria" (RIO) aimed to strengthen the regional innovation system of Oberösterreich (Upper Austria) and the innovation performance of the regional sectoral clusters, in particular by interconnecting the clusters through cross-sectoral networks with horizontal competence.

The main aim of the programme was enhancing collaboration between the regional public and private innovation actors, in particular enterprises, knowledge-generating and knowledge disseminating organisations like universities, training organisations, R&D institutes, technology transfer facilities and professional organisations. The most innovative feature of RIO was to build horizontal bridges and thus critical mass between the existing sectoral cluster initiatives in the region. It set up thematic business networks, conducted networking and knowledge-transfer activities and ran innovative pilot projects.

RIO initiated four thematic networks as cross-sectoral platforms that bring together businesses and public actors (for example, competence centres, cluster initiatives and research institutions) from different sectors around shared interests and topics. These networks addressed areas such as human resources, research, technology, innovation, logistics and design and media. Furthermore, an innovative rural network was established. These networks not only encouraged networking activities between the actors of the Upper Austrian innovation networks, but also provided know-how transfer to and in between companies through best practice forums. This was accompanied by innovative pilot projects where experiences could immediately be channelled through to the enterprises in the networks

The networks complemented the sectoral activities of the cluster initiatives that manage project funding and act as intermediaries between SMEs and universities or public authorities. The relation between the RIO thematic networks and the sectoral clusters is conceived in a matrix model, which is also reflected in the membership conditions. Those companies that sign up and pay the membership fee for a cluster initiative receive a rebate on the membership fees for the thematic networks.

The RIO programme funded 38 projects involving around 130 participants from enterprises, research institutes, educational bodies, public authorities and support service providers. The pilot projects succeeded in enhancing the collaboration between schools and enterprises, attracting more students, in particular girls, into technical professions. This addressed one of the main obstacles to innovation in Upper Austria, the increasing lack of skilled labour in technical professions. Another outstanding example of a pilot project was a business university platform for sharing non-damaging material testing facilities.

The networks were transferring competences to the companies via best practice events, newsletters and other means of communication. Three of those networks are now self sustained (human resources, design and media and logistics). The Clusterland Upper Austria Ltd provides the secretariat for two of the networks, while a logistics association has taken over the logistics network.

RIO was characterised by a systematic and early stage involvement of all relevant economic and public actors in the region, both in the steering committee and in variable geometries in the different networks and projects. Stakeholder ownership, which is vital to successful projects and active

networks, was built up. The partnership also proved to be stable through the creation of structures that provide active support, and accumulate know-how on project management and analytical capacities.

In many ways, RIO prepared the ground for a range of actions in the new operational programme for Upper Austria and the strategic development plan through to 2010.

Project: EpiCentre Programme: INTERREG IIIA (countries: UK and Ireland)

Total cost € 3.5 million, of which EU contribution € 2.6 million

EpiCentre is a cross-border project operating in the North West of Ireland. The centre focuses on developing a strong industrial research base by integrating existing capabilities in the three tertiary level education providers in the region. The support delivered by EpiCentre has helped more than sixty small companies to develop new products and services.

The EpiCentre project serves a region which has suffered economically from the decline of traditional industries. The overall objective of the project is to promote the development of a knowledge based economy in the area. Universities and academic institutions in the region act as centres of R&D and therefore constitute a key element of the project. The three tertiary level education providers in the region are the University of Ulster at Magee (UUM), the North West Regional College (NWRC) and the Letterkenny Institute of Technology (LYIT).

EpiCentre provides:

- Assistance with solving practical industrial problems
- Access to specialised expertise and equipment
- A networking and knowledge centre (training courses, evening events)
- "Signposting" – directing companies to the appropriate organisation that can help them

The centre is distributed across the three sites but has one Centre Manager to ensure cohesion and maintain consistent service across the region. The academic institutions involved have made an effort to adopt a customer focused approach which encourages businesses to collaborate with them.

This cooperation between academia and industry on a cross-border basis reflects the innovative character of the project in the regional context. The Centre is presented to the region as an integrated Centre, with one Manager, and any company (irrespective of location in the region) is directed towards the most appropriate resource to address their needs. The cross-disciplinary nature of the project is also innovative. EpiCentre coordinates cooperation between different disciplines such as creative arts, sciences, technology, multimedia and life sciences. EpiCentre establishes contacts within the institutions on behalf of the clients and also provides signposting services.

EpiCentre has engaged with over 80 local companies (the target was between 35 and 40) and provided hands-on technology support to these companies. Some products are even in production and are being sold worldwide.

The ultimate goal of the EpiCentre project is job and wealth creation for the North West region. In this respect, the project has had a significant impact on the regional economy. To date, over 60 local companies have benefited from the expertise of EpiCentre. Many of these companies are small and have limited or no R&D budget. The support delivered by EpiCentre has permitted these companies to innovate with existing products/services and to develop new products/services. This has

encouraged growth and job creation in these companies and has also ensured that companies which may otherwise have left the region have decided to stay in the North West and benefit from the continued support and expertise of EpiCentre.

New and existing entrepreneurs in the region now have access locally to state of the art support facilities - including specialised equipment and expertise. This means that the lead time to new product design and development has been massively decreased. This has led to an increase in innovation and new products and services being created by local entrepreneurs and inventors. The EpiCentre project has therefore fostered links between industry and academic institutions, which is beneficial for both parties.

A.3) Production of energy from renewable sources

Project: Small hydroelectric power stations (country: Greece)

Total cost € 17.2 million, of which EU contribution € 5.8 million from ERDF

For a long time now the renewable power of water has been harnessed for a wide variety of hydraulic applications, in all parts of the world, and it is currently the most common source of renewable energy (RES) for the production of electricity. In Greece, hydroelectric power stations produced 3,693 gigawatts/hour of electricity in 2000, compared with a total of 4,145 gigawatts/hour from RESs as a whole (including biomass, wind energy, solar power stations, photovoltaic solar arrays, geothermal energy, etc). Most of this hydroelectric power is generated by large power stations.

However, the full potential of these large power stations is already being largely exploited, or they are confronting environmental problems that limit further expansion. Even though water is a clean energy, the construction of major dams often requires the flooding of natural sites, disrupting biotopes and resulting in other negative environmental impacts. However, small hydroelectricity power stations have so far been relatively unexploited, and they have a number of potential advantages over larger stations. They do not require the construction of large-scale and expensive infrastructure, they are well suited to the needs of rural areas, and potentially, they have a much lower impact on the environment.

For this reason the Greek authorities decided to launch projects for small-scale hydroelectric power stations as part of the European Union supported programme for developing RESs. The private sector, which was given financial incentives to implement the projects, contributed 55% of the total cost. Although projects were planned throughout the country, they tended to be concentrated in regions with high hydroelectric potential. The nine projects that were completed successfully in the 1994-1999 period, with a total installed power of 11.5 megawatts, are situated in the departments of Ioannina (Anatoliki, Anthochori, Mikro Peristeri and Distrato), Arta (Theodoriana), Karditsa (Vatsounia), Serres (Agkistro) and Laconia (Selegoudi). The energy targets of these plants have been largely achieved. The construction work created temporary local employment and led to 12 permanent jobs.

The Anatoliki micro power station in Epirus is fairly typical of these smaller plants. It has an installed capacity of 700 kilowatts, for an output of 460 litres/second, and achieves an annual electricity production target of four gigawatts. Difficult meteorological and geological conditions and obstacles delayed the completion of a connecting line with the electricity mains until late 1999. However, the implementation of these projects, despite the difficulties, has promoted the transfer of

experience and encouraged new applications for licences to build and run small hydroelectric power stations.

Project: Projects to exploit wind energy (country: Greece)

Total cost € 128.0 million, of which EU contribution € 38.4 million from ERDF

The wind is an inexhaustible source of energy that does not require any raw materials and produces neither waste nor greenhouse gases. Successors of the windmills, which have been used since ancient times, modern-day windmills are much lighter structures, with excellent aerodynamics. They can also generally be sensitively integrated into the landscape, provided that they are appropriately sited. Technological improvements continue to reduce noise levels of wind turbines, and the minimal damage caused to birds (which mostly tend to avoid them) is infinitely smaller than the damage caused by pollution.

The rapidly expanding wind sector has also become less expensive and more profitable, with production costs only a tenth of what they were 10 years ago. Together with the other renewable energy sources (RES), wind energy helps to reduce fuel consumption and to increase energy self-sufficiency. By giving local communities the capacity to exploit endogenous resources, wind energy has significant potential in rural areas, as well as in peripheral and island regions.

Greece has a considerable wind resource. Although exploitation of this resource has been limited, it still accounted for 451 gigawatts/hour of electricity in 2000, which is equivalent to 135.3 million litres of fuel oil (around 0.3 litres of oil is needed to produce one kilowatt/hour). Having decided to “go with the wind” between 1994 and 1999, the national authorities, with European Union assistance, set up a programme to promote RESs involving the establishment of wind generator parks. Financial incentives to attract private investors proved to be very successful, with the private sector contributing 60% of the total cost of the projects.

The proposals were assessed on the basis of a series of criteria relating to technical aspects and the choice of sites. Some of these criteria included: exposure to prevailing winds, open location, proximity to a local electricity distribution system, distance from houses, and respect for archaeological heritage and nature preservation. Of the 19 projects approved, 15 have been successfully completed, providing a total installed power of 119.2 megawatts. Although this was a national programme, the regions with the best wind exposure showed the greatest interest and also submitted the best proposals. As a result, twelve projects were located in the department of Euboea, two in the Dodecanese and one in the Cyclades Islands. Inspection of completed projects showed that in general they had achieved their energy objectives. Twenty-one permanent jobs were created and a number of temporary jobs for local residents were also created during the construction.

A.4) Promotion of local high-quality products

Project: Valorisation of typical products in local restaurants Programme: Leader+ (country: Italy)

Total cost € 255,306, of which EU contribution € 156,310

The LAG Mare & Monti is located in the north of Sardinia, an area stretching from the east to west coasts of the island mostly in the hills of the province of Nuoro. In the area’s recent history, there have been increasing socio-economic problems due in large part to continuing depopulation of rural

areas in favour of coastal and urban zones. There is a bias towards the agriculture sector, in particular dairy production and cattle breeding. Apart from agriculture, the only other sectors present in the region are crafts, construction and commerce. There has been a growth in the hospitality sector, even though this is based largely on micro-enterprise. Tourism has been increasingly linked to the distinctiveness of the territory, and there has thus been an emphasis on natural resources, local folklore and crafts in rural areas. However, the province of Nuoro has seen an overall reduction in the number of tourists compared with other areas of Sardinia, due to a lack of large-scale facilities. The local development strategy has concentrated on adding value to the territory's natural and cultural heritage, improving the economic environment to generate employment, and increasing the organizational capacity of the local communities.

The project aimed to extend the market for local products in order to improve the quality of local restaurants and to promote nutritional education. Initial market research assessed both the supply (of local produce) and demand (of mostly restaurants, but also of school canteens) sides of the local market. Among others things, the research looked into the possibilities of establishing delivery agreements between local restaurants and producers. On the supply side, the research assessed the quality and the typical range of local products. It indicated a limited production base (i.e. low diversity of products), and a concentration on agriculture and cattle breeding in particular.

On the demand side, the research focused on local restaurants, including their products and services. Furthermore, it analyzed the provision of meals in school canteens, including their food procurement procedures and processes of food preparation. The possibilities for the introduction of special diets using local ecological products with high nutritional values were examined. On the basis of the market assessment, and the links between regional producers and purchasers in particular, two main areas of intervention were defined for the project:

a) the creation of a local producer–restaurant network;
b) the development of a communication system in order to improve the quality of food education (with particular focus on local products).

a) This process started in September 2005 with an analysis of the conditions/factors needed to set up, coordinate, promote and operate a local restaurant network. The network now includes a range of restaurants that have committed themselves to signing a partnership agreement that focuses on providing quality services using local agro-food products. Some 15 restaurants outside the Leader+ area are also part of the network. In addition, 32 producers (including bakery, pastry, cheese and wine producers) have also signed up to the network to supply local quality products. The establishment of agreements between restaurants and producers is ongoing. The LAG provides promotional and dissemination support for the network (e.g. through the organization of educational tours).

b) In the framework of this activity, a range of seminars have been organized for school canteens (with the participation of civil servants and staff responsible for the procurement in canteens) and for families with the help of nutrition experts in order to raise awareness of the value of local products and their contribution to a healthier diet. In addition to the seminars, further awareness-raising activities have been carried out, including:

- writing a theatre play for schoolchildren on the life cycle of local products;
- producing information material for teachers, parents and pupils on the value of local products;
- preparing special exercise books for schoolchildren, with animated illustrations/cartoons on local products;
- organizing school visits to companies producing local products.

Furthermore, a memorandum of understanding has been signed with the local health insurance company, which provided information and guidance for the activities of the project (e.g.

information on healthy diet for the exercise book, guidance for the preparation and execution of seminars, etc.).

The project started on 15 March 2004 and was completed in December 2006. The LAG has taken an area-based approach, as it focuses on local products, and the project has involved a wide range of local stakeholders (producers, restaurants, schools, etc.). The school visits to local production companies have helped young people to identify themselves better with the values of their regions. The LAG has a well-balanced structure consisting of both public and private actors. The partnership includes municipalities and other public authorities, cooperatives and producer associations representing private actors and representatives of different sectors. The project has reflected a strong bottom-up approach, as it has been implemented by a wide range of local stakeholders, representing both the supply and the demand sides of local food production (i.e. producers and restaurants), as well as addressing the wider public (i.e. schools, civil servants, etc.) through awareness-raising actions. A particularly interesting element has been the successful involvement of the local health insurance company.

The project has involved restaurants from non-Leader areas thus ensuring successful territorial networking. This approach has also highlighted the transferability of the project concept to other areas. Through the inclusion of awareness-raising elements, the project has taken a long-term approach. The initial market study emphasized the need to focus both on the supply and the demand sides in order to efficiently develop the market for local products. The project is therefore expected to have a longer-term sustainable impact on the regional food industry and market, as well as on the attitude of local people towards healthy eating. Targeting young people (through schools) is a particularly long-term strategy.

Project: Regional quality brand Programme: Leader+ (country: Spain)

Total cost € 771,143, of which EU contribution € 510,789

The LAG is located in the county of El Condado, in the north of the province of Jaén, which is characterized by a rich variety of flora and fauna, fertile lands and an attractive landscape with olive groves, mountain ranges, a natural park to the east and the River Guadalimar to the south. The local population of El Condado depends almost exclusively on agricultural activities (95 %), with the production of olive oil as well as cattle breeding being central to the local economy. There is a strong presence of micro-enterprises or self-employed people and rural cooperatives. Other basic trade or services are below the provincial average and for years the area has been the least visited province in Spain.

Levels of education and income are low and unemployment rates are much higher than the provincial and national averages. Only 17.4 % women of working age are active, and more than a third of the active population are unemployed. Fewer opportunities and lower salaries in the labor market lead to an outflow of local people, particularly women, which in the long run can cause demographic problems.

The LAG's strategy is to exploit all endogenous possibilities and resources of the territory by mobilizing local agents and by uniting efforts to create new projects and ideas for truly integrated and sustainable rural development. The main focus is to add value to local products and to improve the image of different rural regions while balancing and integrating the activities between these regions.

The main purpose of the project in the first phase of Leader+ (2002–06) was to set up a regional quality brand in different rural economies in Spain (as well as separately in Italy and France). It is an instrument to improve a region's image and competitiveness by offering high-quality products and services. Initially, the Spanish LAG El Condado de Jaén, the territory of Cathare in France and a third partner from Italy (Valle Umbra) exchanged experience and mobilized local actors in their own countries/regions. The project has recently been boosted by further funding for a second phase (2006–08) aiming to introduce a European quality brand through transnational cooperation with other European countries (France, Greece and Italy).

In Spain, nine LAGs took part in the first phase, actively involving and cooperating with a number of public institutions, private companies and social groups to set up the regional quality brand and agreeing on shared principles and values. The regional quality brand differs between territories as each LAG adds a regional logo with the name of the area accompanied by the common brand, the logo used by all groups with the legend 'Calidad Rural'. For the new phase (2006–08), the transnational network consists of 19 LAGs (10 Spanish, five Greek, three Italian, and one French).

During the first phase of the project, the county of El Condado in Jaén actively exchanged experience with a group in Cathare in France, which was already at an advanced stage of implementing regional quality brands and served as a good example. A study tour was organized and the LAG started to promote the initiative among other groups and regions in Spain. The groups then introduced quality brands in each of their areas and set up clear guidelines on how to use the common quality brand (design, colour) together with the regional quality brands. A draft regulation for all LAGs was drawn up outlining all rules and shared values and principles. The groups further participated in diverse intraregional marketing activities and national fairs.

The project's duration was almost three years and five months. It started on 7 November 2002 and was completed on 30 March 2006. The project has followed a strong area-based approach and has built on the endogenous strengths of each region. It has valued local resources and the heritage of each area, aimed to protect the natural environment and worked towards sustainable local development. The project has further demonstrated a strong partnership approach to achieve balanced and integrated rural development. It has involved a wide range of local stakeholders such as public and private representatives of city councils, trade unions, cultural organizations and social groups, private sector companies and universities.

The activities developed by the project are transferable at both interterritorial and transnational levels to regions involved searching for synergies and opportunities to diversify and to improve the competitiveness of their rural economies.

Project: Socio-economic development of the stone sector in rural areas Programme: Leader+ (country: Belgium)

Total cost € 495,600, of which EU contribution € 223,200

The four municipalities covered by the LAG Au Fil de la Pierre are Bertrix, Herbeumont, Libin and Saint-Hubert, which are all rural areas characterized by extensive woodlands, and are located in the middle of the Ardennes. Together, the four municipalities have rich natural resources that are very important for the region's development. Now, as in the past, the mineral resources are utilized in a wide range of ways by local communities.

The use of stone has always had an important impact on the socio-economic and cultural development of the region. Cultural and artistic activities have been developed on the basis of the stone industry and have largely contributed to employment creation and the enhancement of the attractiveness of the region. Stone resources include schist in Bertrix and Herbeumont, kaolin (Cornish stone) in Libin, and sandstone and limestone in Saint-Hubert. The local strategy builds on the collective historical traditions centred on the stone industry. The strategy includes promotional and pedagogical activities on the basis of the geological heritage, the history of stone, its exploitation and transformation, the development of the utilization of stone for urban and architectural purposes, and the promotion of the use of stone in the construction and tourism industries.

The main purpose of this project, launched in 2004, is to generate new job opportunities in the local area, through the creation of arts and crafts activities and the improvement of local services. In addition to the local crafts industry, small and medium-sized enterprises (SMEs) play an important role in local economic development. SMEs in the area are mostly one-person enterprises or self-employed people who are managing individual projects independently of one another, resulting in a lack of links and synergies between their activities. SMEs generally do not have access to specialized information or professional training, do not communicate with one another and do not carry out joint promotional activities. At the same time, these dynamic SMEs have the potential to create employment opportunities in the local area.

Therefore, this project aims to develop the local socioeconomic situation, through:

- the creation of synergies, links and exchange of information and experience among the professionals of the stone industry and other socio-economic actors in the region;
- the development of entrepreneurship in the stone industry, which is of importance in the local area;
- the setting-up of an 'integration network' in the stone industry (through provision of training, improvement of existing activities, socio-professional reintegration, etc.).

The main activities of the project include:

- providing entrepreneurial tools and knowledge;
- assisting existing and new enterprises in improving/developing their production through access to specialized information; diversification;
- developing new skills in order to create new projects and products, and creating a favourable environment for the promotion of new job opportunities for local people (including women and young people): for this purpose, a range of conferences and thematic debates are organized, and personalized services are provided to enterprises, and specific training modules are developed with the participation of IPES (Institut Provincial d'Enseignement Secondaire), employer organizations, the unemployed, workers and employees of SMEs;
- promotional activities about the stone (highlighting its utilization, knowledge and skills of enterprises and local artists of the industry), the development of a directory, which presents the products of local enterprises, various stone products and materials and their variable use;
- participation at fairs and exhibitions;
- organization of training visits and information meetings for builders, architects, etc. on the materials and their main characteristics, their assets, and their technical and architectural features;
- setting up a stone industry network in order to identify complementarities among the various local activities;
- offering specialized training responding to the specific training needs of the enterprises, in line with the special characteristics of the local market and area.

The project has a strong area-based approach, since it builds on the stone industry that has a long tradition in the rural area. The mineral resources have been utilized in several ways in the four municipalities covered by this project (Bertrix, Herbeumont, Libin and Saint-Hubert) both in the past and also today. The types of minerals always depend on the changing conditions of the rich underground nature of the area. The extraction and use of the wide range of stones have always had a considerable impact on the four municipalities' socio-economic and cultural development. This project aims to create employment through promoting activities in the stone industry, which is an integral part of the rich cultural and historical heritage of the region.

The project follows an integrated approach, since it brings together various stakeholders, entrepreneurs and artists within the stone industry, involving several stakeholders in the promotion of the area. As a result, it stimulates the creation of new activities in the region and creates new job opportunities.

The strategy followed by the LAG Au Fil de la Pierre has several transferable elements. The four participating municipalities are representatives of a wider group of Wallonian municipalities that are working with stone materials. The activities developed by the project are transferable not only at an interterritorial level, but also transnationally. The methodology of the project is flexible and builds on synergies between local actors acting in different fields. The methodology is based on the specific needs of the sector and strongly relies on the natural and cultural resources of the rural area.

The transferability of the project approach is demonstrated through the links that are currently being developed with the LAGs Botte du Hainaut and Sources et Vallées (Picardy, France). A cooperation project entitled 'Éclats de pierre et de marbre' ('The sparkle of stone and marble') is currently being developed by the partner LAGs with the aim of exchanging experience and knowledge about practices in the sector, and of adding value to the occupations and organizations working in the stone industry.

A.5) Improving quality of life for local population

Project: Cross-border Public Health Centres (CBPHC) Programme: INTERREG II A
Greece/Albania, Greece/Bulgaria and Greece/Formal Yugoslav Republic of Macedonia

Total cost € 5.3 million, of which EU contribution € 3.7 million

The political upheavals in the Balkans have resulted in a deterioration of the public health services of the countries bordering Greece, which also has consequences for Greece because of migratory flows. In the face of this situation, the Greek Ministry of Health took the initiative of setting up, with the help of INTERREG, Cross-border Public Health Centres (CBPHC) to cope with the immediate needs while promoting cooperation and exchanges of experiences with the countries concerned in the fields of medical research and health education.

In a first phase, CBPHCs were opened along the borders of Albania and Bulgaria where uncontrolled migrations and a lack of awareness of health risks have posed acute problems. A series of 76 studies on major health risks, performed as part of the project, laid the groundwork for cooperation and made it possible to draw up a Public Health Charter for the Greek border areas. Particular emphasis was placed on controlling transmissible diseases and water pollution, monitoring the effects on humans and animals and improving health-care facilities. Various international activities have also been organized to encourage a common approach to current and future health problems and to help implement appropriate mechanisms to cope with emergency

situations. Public health experts from all the countries concerned participated in 35 events, which led to the creation of a Greek-Balkan Cooperation and Communication Network.

In Greece, over 200 people completed a training course on the main health problems, such as disease protection and prevention, so that medical services had sufficient human resources to implement all the necessary reforms in the public health sector.

For the period 2000-2006, the programme, being funded under INTERREG III, included the expansion of the existing CBPHCs and the setting-up of five new centres along the parts of the border with Macedonia that became eligible for European aid, the publication of health information for medical professionals and the general public, the development of educational programmes and the transfer of know-how.

Project: Starting from the beginning: training in theatrical activities in rural areas Programme Leader + (country: Portugal)

Total cost € 251,330, of which EU contribution € 94,249

The territory of Adriminho is located in the north-eastern part of Portugal, bordered on the north by the autonomous region of Galicia (Spain), on the south by the Vale do Lima communes, and on the west by the Atlantic Ocean. The principal sectors of the region are agriculture (wine), textiles and trading.

The priority theme for the local strategy is improving the quality of life of the local population. The strategy is developed on the basis of local resources, such as the area's cultural heritage. Key intervention areas include socio-economic development of Vale do Minho, attraction of investment, job creation and diversification of economic activities, promotion of local culture, and preservation of the environment and natural resources.

Cultural and theatrical activities are considered to be the main driving forces of social and personal development in the region. The project 'Theatrical company in the rural environment' initiated by the Minho valley town councils (Câmara Municipal de Melgaço, Câmara Municipal de Monção, Câmara Municipal de Valença, Câmara Municipal de Paredes de Coura and Câmara Municipal de Vila Nova de Cerveira) aims to contribute to local development in the Minho valley by strengthening local cultural activities.

The local town councils have set up an association, the Comédias do Minho, as part of the local cultural strategy. The association has applied for Leader+ funding in order to carry out a range of theatrical training activities in the local area. The main purpose of this project is to improve local cultural knowledge and to make the local population more aware of culture through involving local people in theatrical activities.

In the framework of the project, a wide range of training and cultural activities have been implemented, such as:

- an introductory theatrical language course, with the aim of introducing theatrical language to pupils in local schools and of ensuring the use of this language by setting up theatrical groups in schools;
- the 'theatre in the school' initiative, with the aim of training teachers in primary, secondary and technical schools in five municipalities on how to use theatrical language as a pedagogical tool;
- non-professional actor training, with the aim of developing non-professional theatre activities.

The project ran for a year. It started in June 2005 and finished in June 2006. The project has been characterized by an area-based approach. It has provided support to the local theatrical company (Comédias do Minho) in carrying out theatrical training activities in the local area. Access to information, training and culture is an important factor in the improvement in the quality of life in rural areas. The project has strengthened local cultural traditions and heritage through presenting plays on local subjects, such as the legends of the Minho valley.

Culture is also important in attracting more visitors, tourists and residents to the region. It is widely recognized that culture contributes not only to local social development, but also to economic development through stimulating the growth of the entertainment sector and increasing the attractiveness of the local area. The Adriminho LAG has been formed on the basis of a strong partnership of several local public and private stakeholders, including the five municipalities, tourism organizations, farmers and entrepreneurs, etc. The project has been developed through the cooperation of local stakeholders (particularly local municipalities, entrepreneurs and schools).

A cultural network in the Minho valley (Rede Intermunicipal do Vale do Minho) has been created with the participation of a local cultural development officer and technician, the Comunidade Intermunicipal do Vale do Minho and the Adriminho LAG. The network has developed a local cultural development strategy during working meetings, and has identified the main intervention areas and actions needed. As a result, the association Comédias do Minho has been created with the aim of supporting cultural promotion in the area.

Project: Energy Competence Centre (country: Germany)

Total cost: € 1.5 million, of which EU contribution € 62,354 from ERDF

The Energy Competence Centre in Böbingen an der Rems has been set up in the rural area of Ostalb, Baden Württemberg as part of the region's Rural Development Programme. The Centre offers future clients, building companies, architects and other interested parties comprehensive information about techniques, products, support and trends in the sector of low energy construction.

The project has established a cooperation network of companies as well as a training centre for craftsmen and architects. The project is based on 3 pillars:

- Show property: the Centre is a residential and commercial building constructed on passive design principles to demonstrate innovative resource-saving techniques in the area of low-energy construction.
- Advice and competence centre: around 220 m² of the building has been fitted out as an advice and competence centre, which offers future clients, building companies, craftsmen, architects and other interested parties comprehensive information about techniques, products, support opportunities and trends in this sector.
- Training centre: the Centre also offers training to craftsmen and architects from the local area and further afield, with the aim of promoting entrepreneurship and ensuring positive consequences for the competitiveness of the region.

The fundamental objectives of the project were to:

- save energy and/or switch to alternative energy sources
- promote wealth creation in the district of Ostalb by winning orders for local craft companies and architects
- network the various agenda groups in the area of energy

- implement training measures in the craft industries
- establish a cooperation network between companies, architects/planners and other organisations in order to facilitate a mutual exchange of experiences and know-how in the energy sector.

The project is the result of a public/private partnership between the Ostalb district, the municipality of Böbingen, the district trade association, individual guilds and the district chamber of architects. The agency is run in the form of an association, which constitutes its main innovative character. This form of organisation is new and unique in the region and ensures that all the organisations and associations involved in the area of energy saving work together and pool their know-how, which is then passed on to citizens and businesses.

The cooperation network is working well, growing rapidly and expanding. Each participant in the network can arrange discussion sessions and information seminars either by themselves or with the management. Dates and activities are set out in an Internet diary. In addition to the events and actions organised on an ad hoc basis, a number of different working parties set up by towns, municipalities and districts on energy meet and work together regularly.

Visitors receive comprehensive information about new investment techniques, products and sources of funding. So far, more than 1000 members of the public have already received advice on innovative and resource efficient strategies and energy efficient building techniques

The project has succeeded in raising awareness of energy use and low-energy construction among companies and citizens. The Energy Competence Centre makes a significant contribution through advisory and planning activities and provides actual evidence of increased energy savings. In two vocational colleges in the Ostalb district, the installation of individual room heating and better use of lighting has resulted in a significant reduction in energy consumption.

The Centre is financed from investments and contributions made by members of the association, from grants by the district authority for staffing and material costs and from funds provided by third party sponsors. The economic sustainability of the Centre has been achieved by designing the energy competence building as a multifunctional residential and commercial property built on passive design principles.

6.1 UNDERSTANDING RURAL POVERTY

6.1.1 The specific features of rural areas

So far at the European level rural areas have been neglected in their specific features in the analysis of poverty; indeed, the awareness of the European public opinion as well as the commitment of the public institutions, at different levels, with respect to the problems of rural poverty is extremely weak. One of the main obstacles faced by a strategy against rural poverty is **the political irrelevance of the rural poor**. This depends on a set of reasons: **the lack of adequate data and analysis**; the circumstance that the rural poor are less organized with respect to the urban poor, which makes their **voice much weaker than that expressed by other groups**; the existence of *stereotypes* with respect to rural areas. These factors determine a lack of public awareness around the real understanding of rural poverty and the need to intervene to address it.

The study has highlighted the existence of **specific features of poverty and social exclusion in rural areas**. The analysis is complicated by the lack of appropriate data, the socio-economic heterogeneity of rural areas and the different definitions of rurality used by Member States.

Each country has its own definition of rurality which is used for different purposes, the scope ranging from definitions in terms of dispersed population, an often agricultural-based economy, distance from major urban centers, and, as a direct consequence, lack of access to major services.

There is **no Community definition of rural areas**. The most frequently used criteria for identifying rural areas are population (usually the size of the main centre) and density (expressed as inhabitants per sq. km). However, thresholds differ among countries. Such a degree of heterogeneity does not permit to make meaningful cross-national comparisons using national definitions of rurality.

The efforts made to create definitions applicable at the international level and analyzed in this study (the OECD, DG Regional Policy and FGB definitions) have proposed uniform criteria and thresholds in order to permit international comparisons. For all definitions, there exists a clear trade-off between simplicity and the capability of taking country heterogeneity into account.

The study suggests that **it would be very useful to harmonize the definitions of rurality** used in the EU, both for analytical and policy purposes.

The study recommends to consider rurality a relative concept - just as the risk of poverty – and define thresholds based on the values of certain variables at the national level, because, even if quite complex, it might be able to take into account the heterogeneity of EU Member States, in terms of population, physical dimension, geographical characteristics and economic structure. It also suggests that the phenomenon of rural poverty should be taken into account in national and European surveys.

6.1.2 Poverty of rural areas

The risk of poverty and social exclusion is often more difficult to identify in rural areas than in urban ones. Indeed rural residents are less likely to participate in poverty programmes. Moreover, it is more difficult and costly to deliver social assistance to poor people in areas characterized by dispersed population and problems of remoteness.

Despite remarkable differences among rural areas, it has been shown that living standard, expressed as GDP per head, is generally lower in rural than in urban areas. Even taking all the limits of GDP per head into account, this indicator suggests the existence of a higher risk of poverty and social exclusion of rural areas compared to urban ones, confirmed by indicators related to labor market and education. Data thus seem to show the presence of a phenomenon that we have called “**poverty of rural areas**”, i.e. the existence of a possible disadvantage of the rural context in comparison with the urban one.

This phenomenon can be corrected by specific policies, at the European, national and local level. At the European level, the Rural Development Policy and the Cohesion Policy, even if not targeted towards fighting poverty and social exclusion of individuals, aim at promoting economic growth of rural areas and thus exert an impact on the phenomenon of poverty of rural areas.

Compared to the urban context, the risk of poverty and social exclusion may assume different features. For instance, specific problems may concern access to services, because of distance, transport costs and relative isolation of some rural populations. This may influence the phenomenon of poverty and social exclusion of individuals in rural areas. Some specific at-risk groups may stand out, either different from the urban ones or similar to them, but facing different specific problems connected to living in rural areas. We have called this phenomenon “**poverty in rural areas**”.

With regard to **demography**, in Eastern countries the exodus from rural to urban areas (especially the capital city) is at present a relevant phenomenon; moreover, migration abroad – notably of young people and women – risks to lead to a general impoverishment of rural areas. The latter phenomenon (among the countries covered by this study) is particularly acute in Bulgaria, Lithuania, Poland and Romania.

The problems connected to **ageing**, which is a general problem in all EU countries, are particularly severe in PR areas, where old people may have additional difficulties due to isolation and distance to basic (e.g. health care) services. Gender problems appear different between Eastern and Western countries: in western countries a specific problem concerns the category of aged single women; in eastern and southern countries, instead, there is a problem of out-migration of rural women, due to labor market related barriers. In the former case there is a need of policy measures focused on the problems linked to remoteness; in the latter, instead, anti-discriminatory policies and affirmative actions in the area of labor policies are called for.

In rural areas, and mainly in PR and **in all rural areas of Eastern countries, the relevance of agriculture is still significant in terms of employment opportunities**. Here, low incomes and seasonality of work could represent important risk of poverty and social exclusion; moreover they could be important element of intergenerational transmission of poverty, especially among farmers and agricultural workers. In perspective, seasonal workers may suffer of exclusion because of the low pensions they will receive when retiring (Greece, France, Italy, Spain).

Looking at the perspectives of rural areas, dynamic rural areas do not imply strong agriculture, and vice-versa strong agriculture may exist where rural areas are not dynamic. However, even if

agriculture will become a weaker driver for the rural context, in the future agriculture will maintain its importance as an important tool for managing externalities such as landscape, biodiversity, tradition. Moreover, for a number of countries, particularly in Eastern and Southern Europe, agriculture will keep a certain relevance in labor market dynamics and will be able to play a significant role with regard to the themes of poverty and social exclusion.

The study therefore highlights the need to take the specific features of rural areas into account, with reference to both the elements characterizing poverty and social exclusion of rural areas and those related to poverty and social exclusion in rural areas (i.e. the at-risk groups). Considering the heterogeneity of rural areas throughout the EU, the application of the subsidiarity principle -with different degrees of involvement of the various actors at national and regional level in Member States- and the Open Method of Co-ordination seem appropriate. This should be done both when using quantitative and qualitative indicators in socio-economic analyses and when designing policy measures.

To break the vicious circles of "poverty of rural areas" and to avoid the risk of a widening rural-urban development gap, policies (and thus expenditure) by all levels of government should focus on **two priorities: education and infrastructure**.

Differences between rural and urban areas start to emerge with respect to the pre-school education but involves other orders of school as well. Students living in PR have more difficulties to access education because they have to commute everyday; as a consequence of the decline in the number of rural schools, linked to a strategy of grouping schools, the primary and secondary school in rural areas are now less accessible in term of distance that the pupils have to cover and higher cost for the families. Access to education up to the end of the second level is quite widespread but the educational attainment is significantly lower in rural than in urban areas. The countries with a high share of low educated people tend to have also low employment rates or high poverty rate.

Remoteness is an important element of difficulty in rural areas, involving relevant aspects of life. Concentration of the main services in urban areas can impact on the quality of life of groups already at risk of social exclusion: health services for elderly or disabled, child care facilities for female workers, etc. Moreover, in some remote rural areas, also a reduction in existing public and private services (e.g. retail, postal offices, banks, childcare, libraries, kindergartens) is ongoing. The problem is relevant for PR regions in all the 15 countries covered by the study.

Limited transport infrastructure is still a problem in many rural regions, increasing the distance from markets and, more generally, social isolation of some social groups. In particular, in rural regions characterized by high dispersion of population and numerous small villages, providing the traditional public transport services is difficult and very expensive.

The lack of access to good ICT infrastructure can have many negative consequences. Firstly, it impedes efforts to improve the performance of the rural economy. In many cases, the internet is an important tool for improving tourism or other activities that can revitalise rural areas. Also from the point of view of medical assistance, internet services can have a positive impact on the quality of life of the population: today the internet is increasingly used for diagnostic purposes and distributing results from specialised examination. However, many rural communities are still poorly connected to DSL internet.

Improving transportation services, by fulfilling the transportation needs of the smaller communities, by making easier and faster the commute to urban areas, where inhabitants can find all necessary services, is a crucial part of a policy strategy intended to improve quality of life in rural areas. The

diffusion of ICT is an important tool for stimulating economic development and improving the functioning of economic activity and labor market of rural areas. However, it has to be stressed that the adoption of ICT is endogenous and is in particular driven by the characteristics of the labor force. Physical investment in ICT is not enough to facilitate its adoption; the issue is also to adapt the skills of the labor force. In that sense, complementarity between education policies and investment in communication infrastructure is key to reducing the technological gap between rural and urban areas.

In general, the need by Member States to respect the Stability and Growth Pact should not penalize investment in rural areas. It would be useful to promote systems of governance involving public authorities and private partners to generate an adequate amount of funding.

6.1.3 Poverty of rural people

One of the key Laeken indicators of social exclusion is the at-risk-of poverty rate, defined as “*the share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income*”. Unfortunately, the available data do not allow to measure income poverty in Europe by distinguishing between rural and urban regions. This depends on the circumstance that most surveys are not available at NUTS 3 level. However, there exist some country specific surveys in which a differentiation between rural and urban areas can be made. These surveys are significant in within-country evaluations, but should be used with caution in making cross-countries comparisons.

With these *caveats*, the following patterns emerge: rural areas are characterized by a **higher degree of income poverty with respect to urban areas** in all countries for which such a distinction is possible. This picture is confirmed and is partly explained by the observation of a lower GDP per head in rural areas with respect to urban areas, in all the countries considered.

The gap in poverty rates between rural and urban areas is larger in Eastern countries than in Western countries. Moreover, in Eastern countries poverty is generally associated with difficulties in the agricultural sector. In Western countries, within rural areas, poverty is concentrated in remote regions and, in general, in regions with accessibility problems.

Income poverty gives an interesting but incomplete picture of the deprivation suffered by an individual or a group; and this is particularly true for the specificities of the rural poor. Hence, we moved from income to other indicators of individual deprivation, in order to analyze exclusion in the following additional dimensions: lack of employment; housing; health; lack of education; demographic structure.

All the indicators related to the rural labor market, both in their absolute levels and in the dynamics observed in recent years, show that **rural regions are quite far from reaching the Lisbon targets**. The trend in the 2000-2005 period shows clearly that the performance of rural regions is becoming constantly and significantly worse than that of urban regions. There is a clear improvement in PU regions, a weaker, but still positive, effect on IR regions, and a negative sign for the PR regions. In particular, the activity rate of men and women and the employment rate of men, women and older workers have decreased in PR regions, while it has notably increased in PU regions. The youth unemployment ratio has decreased only in PR regions, while the long-term unemployment rate has remained almost constant in PR and IR regions and has slightly decreased in PU regions.

The **gender dimension is particularly relevant**. There is a big gender gap, as measured by the employment rates, in EU labor markets: there are big disparities both between countries and in particular along the north/south axis, and along the rural/urban pattern. On the contrary, the female activity rates do not show a clear pattern in the rural/urban dimension: this evidence can be interpreted as a signal that the main difficulties encountered by women in the rural labor market are linked to the demand side, i.e. to employment opportunities, rather than to the supply side.

As far as the other indicators are concerned, the general conclusion which can be drawn is that, even if the picture is quite mixed, rural areas in European countries have problems with regard to human capital and demographic structure, which may signal specific risks of poverty and social exclusion for specific categories of individuals. The labor market still offers more opportunities to young men than to young women, but young people often have to migrate in order to find employment opportunities. A risk of poverty and social exclusion in rural areas seems to emerge especially in Eastern countries, where the phenomenon of multi-generation households is more diffused and also problems concerning basic housing infrastructure are present in some cases.

The analysis has allowed to identify some specific social and demographic groups that suffer a particular risk of poverty and exclusion in rural areas: women, children and young people, the elderly, ethnic minorities (such as Roma), immigrants and small-scale farmers. Policy interventions, at different institutional levels, should target explicitly such groups.

6.2 POLICIES AGAINST RURAL POVERTY

There are two types of policies affecting rural poverty: policies against poverty of rural people and policies against poverty of rural areas. The first type includes those policies, implemented at different institutional levels, explicitly designed to address the difficulties of poor people. Unfortunately, in most Member States, the specific measures that can directly affect poverty do not have the rural poor as a target. The second type includes those policies aimed at improving the conditions of particular sectors of the economy or at reducing disparities between regions. The Rural Development and those structural policies which promote regional cohesion are part of this framework. These policies influence the general context within which the conditions of the rural poor are defined.

6.2.1 Policies for the social inclusion of the rural poor

The set of policies affecting the rural poor includes the social security system, the health care, the labor market policies, the policies of education and training.

Member States are increasingly focusing on active inclusion measures, in which cash benefits to the poor are accompanied by training initiatives and are made more strictly conditional on active availability for work. However, there are specific difficulties with respect to the implementation of these policies in rural areas. This depends both on the difficulties of efficient active labor market policies and on specific difficulties related to welfare entitlements in rural areas.

There is a clear evidence that **take-up rates are lower in rural areas**, due to difficulties in access to information and advice about public benefit entitlement, to a specific culture of independence and self-reliance prevailing in rural areas, and to the lack of anonymity in collecting benefits, which in turn can generate disincentive effects of social stigma. There is therefore a considerable challenge to increase the uptake of benefit entitlement in rural areas, throughout the promotion of

information campaigns and a more decentralized institutional arrangement in the implementation of such policies.

Labor market policies are also crucial in the fight against poverty in rural areas. The **trend of all labor market indicators in the period 2000-2005 shows that the performance of rural regions is becoming constantly and significantly worse than that of urban regions.**

Some specific barriers to finding employment in rural areas have been identified: a) Structure of the local labor market: mismatches between jobs and skills; b) Employers' behavior and attitudes to recruit workers through informal social networks; c) Accessibility between home and workplace, and especially car-dependency; d) The opportunity cost of participating in the labor market: childcare, eldercare and the benefit trap (where a strong welfare benefit scheme exists); e) inadequacy of labor market intermediaries: for example, the job centres may be less accessible for people living in rural areas, particularly in regions with a dispersed population.

It is possible to identify some **priorities in the design of labor policy interventions in rural areas:** a) Building a more formal network for job search; b) Providing transport solutions, such as work bus, car sharing, etc.; c) Providing tailor-made training in order to reduce the mismatches between jobs and skills; d) Ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labor market.

Existing successful stories of active labor policies stress the following key lessons to be learnt. First, the utility of a pilot policy project before a large intervention. Second, the importance of the social economy sector and the involvement of public and private actors in the implementation of the programme. Third, in the case of childcare provision, the importance of ensuring assistance in all the different stages in which child-care may constitute a fundamental barrier to employment: from the training in the pre-employment stage to the support in possible periods of crisis. Finally, in the case of training intervention, it is crucial the construction of a map of the sector specialization of the local economy and the consequent demand for specific skills in order to provide the appropriate training.

The **low level of education emerges throughout the study as one of the main problems of rural areas.** The evidence suggests that education and training are likely to prove an important means of increasing the growth rate of rural and peripheral areas and of helping the poor and socially excluded in those areas.

Tackling early school leaving and strengthening young people's skills and qualifications reduce the risk of social exclusion and improve labor market prospects. Successful interventions in this respect include the introduction of preventative measures such as pre-primary education, guidance and counselling, tutoring, grants; and compensatory actions such as second-chance schools. Education provision in the very first years of the individual life is one of the most effective means to reduce the intergenerational transmission of poverty and exclusion.

Also the potential positive impact of work-related training comes out from all the report. The low qualification of rural labor force has immediate effects on the (under)development of rural areas and raise the risk of poverty for an important segment of the population.

Four priority actions can be identified: establishing an education system which provides an opportunity to learn more technical skills through vocational training; supporting educational strategies that promote the acquisition of qualifications needed to support the area's economic growth; introducing innovative approaches that go beyond the formal education sector; introducing active policies to ensure a closer link between training and employment. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).

A final point concerns access to higher education. To the extent that patterns of human capital reflect the location of higher education establishments, consideration should be given to measures supporting more dispersed provision and distance learning.

In sum, the analysis of **human capital patterns in rural areas shows the existence of a social immobility trap**; the only channel to escape this trap is often represented by geographical mobility, which in turn leads to a progressive economic decline of the rural areas. To face this vicious circle, a strong investment, aimed at increasing the educational opportunities open to the rural people, at different levels, from primary to tertiary and life-long education, is necessary.

6.2.2 Policies against poverty of rural areas

Rural Development and Cohesion policies are taken into consideration because they can exercise a significant influence on the living conditions of rural areas. However, fighting against poverty and social exclusion is not the primary aim of those policies.

They play an important role in influencing economic development in rural areas and implementing the Lisbon Agenda. In general they take into account the objectives of the Lisbon and Göteborg strategy (competitiveness, economic growth, employment and sustainability). This is especially relevant for the creation of new employment opportunities, improving the quality of life, modernizing enterprises and infrastructure and improving education and vocational training.

Both policies can be an important source of funding that can benefit rural areas; the Rural Development can play an important role in supporting activity, employment and incomes in areas characterized by a significant presence of agriculture in the economy, such as many areas of peripheral regions of the EU; moreover it is playing an increasing role in supporting the development of rural territories. The Cohesion Policy can provide a relevant support for improving the economic performance of poor regions of the EU, fighting indirectly against a general condition of poverty that could represent an important factor for an increase in poverty of individuals.

The CAP was very successful in meeting some of its objectives. The evolution of European actions has taken a complex route which has seen a gradual but significant movement away from a sectoral paradigm, principally centered around agriculture, to one where the theme of rurality has included the territorial and regional issues as well as the sectoral ones. In the last few years, the increasing attention paid to rurality has become evident through some reforms, directed towards strengthening the rural dimension of agricultural policy instead of its solely sectoral dimension. The creation of Pillars 1 and 2 and the recent attempt to shift resources from Pillar 1 to Pillar 2 by means of mandatory modulation, are a good example of this process.

The **Rural Development Policy, together with the Cohesion policy, is very important for fighting poverty of rural areas**, especially by improving infrastructures, labour market, tourism and cultural attraction, quality of life and promoting the diffusion of SMEs in rural areas and modernization of farms. They have already produced positive outcomes, as demonstrated by a number of success stories, mostly concentrated in the following fields:

- tourism promotion, often linked to protection of the environmental heritage;
- diffusion of ICT and promotion of innovation;
- production of energy from renewable sources (e.g. water, wind);
- promotion of local high-quality products, especially in the agri-food or crafts sectors;
- improving quality of life for local population.

However, a number of **limits** have been underlined for the Rural Development Policy. First of all, the **Rural Development Policy is much smaller than Pillar 1 of the CAP in financial terms**. There is an **uneven allocation of rural development funds**: considering the co-financing requirements for Pillar 2 and the fact that various Member States faced difficulties in co-financing national and regional new rural development measures, regions with the greatest environmental and rural development needs risk to remain under funded. The **selection of the eligible areas** was often rather the results of a negotiation process involving the different levels of government involved (State, Regions or local authorities). Moreover, **not all regions have the same ability in implementing the programs and in the use of the financial resources**. Measures enabling poorer areas to enjoy a better access to funds should be reinforced, by activating tools promoting institution building and lobbying capacity of such areas.

Rural development measures generally play a very positive role and **should receive more funding**; however, sometimes they still keep too a sectoral approach, biased towards agriculture. Axis 3 (**Quality of Life**) **should be strengthened and should also address the issue of poverty**.

Some actions promoted by Pillar 1 could play a role in fighting poverty of farmers and rural areas and should be strengthened. In particular, modulation is a positive measure, and should be reinforced.

6.2.3 Designing and implementing social policies in rural areas: a problem of governance

We recommend to mainstream the rural dimension into social inclusion policies and, at the same time, to include social inclusion goals in rural development policies. The co-ordination between social inclusion and rural development policies should thus be reinforced, but always respecting the subsidiarity principle.

Problems of governance affect horizontally the process of design and implementation of social inclusion policies in rural areas. They include problems of **administrative capacity**, especially in managing anti-poverty measures based on in-kind transfers and problems of **“optimal scale of intervention”**. Successful experiments are based on services managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention.

In addition, there is a problem of **involvement and co-ordination of different actors**, both in **vertical** terms – i.e., at different levels of government, by encouraging the coordination between European, national, regional and local levels - and in **horizontal** terms – i.e., by including the

social economy sector in all the decision-making process and also the implementation and the evaluation of the inclusion policies.

The existence of an effective **monitoring and evaluation** of the policies implemented is crucial. To improve in this respect, it is necessary to develop a set of performance indicators of the policies implemented, as well as a systematic process for the exchange of good practices. From this viewpoint, the *Open Method of Coordination*, **experimented with success at the EU level, could be the right model to use**, as it helps to deepen mutual learning and to widen involvement of stakeholders at different levels.

References

- Agra CEAS Consulting (2005). *Synthesis of Rural Development Mid-Term Evaluation Lot 1 EAGGF Guarantee*. Brussels.
- Atkinson A.B. (1998). Social exclusion, poverty and unemployment. In Atkinson A.B. and Hills J. (ed), *Exclusion, employment and opportunity*. Case Paper, 4. London: Centre for the Analysis of Social Exclusion. London School of Economics.
- Atkinson A.B., Cantillon B., Marlier E. and Nolan B. (2005). *Taking forward the EU Social Inclusion Process*. Report to the Luxembourg Presidency of the Council of the European Union.
- Bailey N., Flint J., Goodlad R., Shucksmith M., Fitzpatrick S. and Pryce G. (2003). *Measuring deprivation in Scotland: developing a long-term strategy*. Edinburgh: Scottish Executive Central Statistics Unit. Available at www.scrsj.ac.uk/Publications/deprivationfinal.pdf
- Becattini G. and Rullani E. (1993). Sistema locale e mercato globale. *Economia e Politica Industriale*, 80, pp. 25-48.
- Bellandi M. (1996). La dimensione teorica del distretto industriale. *Incontri pratesi sullo sviluppo locale*, Artimino, 9-13 September 1996.
- Benassi F. and Mingione E. (2000). Life Strategies and Social Integration in Contemporary Italy. In Pansters et al. *Rethinking Poverty. Comparative Perspectives from Below*. Assen: Van Gorcum, pp.55-68.
- Berghman J. (1995). Social exclusion in Europe: policy context and analytical framework. In Room G. (ed.), *Beyond the threshold: the measurement and analysis of social exclusion*. Bristol: the Policy Press.
- Bertolini P. (1977). Lo stato di applicazione delle direttive comunitarie. *Rivista di Economia Agraria*, 4.
- Bertolini P. (2000). Agricultures familiales et développement rural en Italie. In Abaab, A. et al., *Agricultures familiales et développement rural en Méditerranée*. Paris: Kartala-Ciheim.
- Bertolini P., Giovannetti E. and Montanari M. (2003). La riforma Mac Sharry: distribuzione degli aiuti per i cereali ed effetti regionali. In Brasili C. (ed.), *Cambiamenti strutturali e convergenza economica nelle regioni dell'Unione Europea*. Bologna: Clueb.
- Blanc M. and Perrier-Cornet P. (2001). Pauvreté et RMI dans l'agriculture. *INRA Sciences sociales*, n. 5.
- Boarini R. and Mira d'Ercole M. (2006). Measures of Material Deprivation in OECD Countries. *OECD Social Employment and Migration Working Papers*, 37. Paris: OECD Publishing.
- Bollman, Ray D. and Prud'homme, M. (2006). Trends in the Prices of Rurality. *Rural and Small Town Canada Analysis Bulletin, Statistics Canada*, Cat. No. 21-006-XIE

Bossert W. D'Ambrosio C., and Peragine V. (2007) Deprivation and social exclusion. *Economica*, (forthcoming).

Brox O. (2006). *The Political Economy of Rural Development. Modernisation without Centralisation?* (Edited and introduced by John Bryden and Robert Storey). Eburon.

Bryden J. (2002). *Rural Development Indicators and Diversity in the European Union*. Paper presented at the "Measuring Rural Diversity" conference, Economic Research Service, Washington, DC, 21 November.

Bryden J. and Refsgaard, K. (2006). *The concept of multifunctionality and its relationships with the new rural development policy paradigm in Europe*. Invited paper presented at 74th Congress of ACFAS (Association francophone pour le savoir), Université McGill, Montreal, 16 May.

Bulgarian National Statistical Institute (2005). *The Challenges of Poverty 2003. Analyses of the Multi-target Survey of the Households*. Sofia.

Buttel F. H. and Flinn W.L. (1975). Sources and consequences of agrarian values in American Society. *Rural Sociology*, 40, pp. 134-51

Chapman P. et al. (1998). *Poverty and exclusion in rural population*. York: Joseph Rowntree Foundation.

Coccia G., Colombini S. and Masi A. (2002). Territorial Poverty Analysis: a Comparison of Different Approaches. In *Atti della XLI Riunione Scientifica SIS, Padova, 5-7 giugno 2002*.

Combat Poverty Agency (2006). *The Role of Community Development in Tackling Poverty in Ireland*. Dublin.

Commins P. (1995). Social exclusion in the context of the European Union's Third Poverty Programme. *Druzboslovne Razprave*, 19/20, pp. 137-50.

Commins P. (2004). Poverty and Social Exclusion in Rural Areas: Characteristics, Processes and Research Issues. *Sociologia Ruralis*, 44, n. 1, pp. 59-75.

Communication from the Commission to the Council and the European Parliament (2006). *Employment in rural areas: closing the jobs gap*. Brussels, 21.12.2006 (COM/2006/857 final).

Council (2005). *Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy*.

Countryside Agency (2003). *Guidance Note on Indicators of Rural Deprivation*. Available at <http://www.ruralcommunities.gov.uk/files/CAX129-IndicatorsOfRuralDisadvantageGuidanceNote>.

CSO (2006). *Jelentés a Változó Életkörülmények Adatfelvétel 2005-ös hullámáról* [Report of the 2005 wave of the Survey Changing Circumstances of Life /SILC/]. Budapest: Central Statistical Office.

Curtin C., Haase T. and Tovey H. (eds) (1999). *Poverty in Rural Ireland; a political economy perspective*. Dublin: Oak Tree Press.

Danish Technological Institute (2005). *Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy*. Copenhagen.

de Lima P. (2001). *Needs Not Numbers*. London: CRE and Community Development Foundation.

de Lima P. (2002). *Rural Women and Poverty, in Scottish Executive Researching Women in Rural Scotland*. Edinburgh: Scottish Executive.

de Lima P. (2003). Beyond Place: ethnicity/race in the debate on social exclusion/inclusion in Scotland. *Policy Futures in Education*, 1, n. 4, pp 653-667.

DG Regional Policy (2007). *Success Stories. Profiles of projects in Europe*. Database available at http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm.

DG Regional Policy (2008). *Regio Stars Awards 2008 (Presentation of the 26 finalists)*. Brussels.

Domański H. (2002). *Ubóstwo w społeczeństwach postkomunistycznych* [Poverty in post-communist societies]. Warszawa: ISP.

Diakosavvas D. (2006). *The Development Dimension. Coherence of Agricultural and Rural Development Policies*. Paris: OECD.

EAPN (2007). *Inclusion in Structural Funds 2007-2013*. Available at http://www.eapn.org/code/en/publ_detail.asp?pk_id_content=3134

EC (2005). *The fundamental rights of women in countryside of Europe – Greece: legislation and policies*, Project “DAFNI” – JAI/DF/2002/003, October 2005. Available at <http://www.ruralwomen.net/pdf/Greece-legislation.pdf>

Emigh J.R. and Szelenyi I. (eds.) (2001). *Poverty, Ethnicity and Gender During the Market Transition*. Westport, Conn.: Praeger.

ENAR (European Network Against Racism) (2007). *Political Participation of Roma, Traveller and Sinti communities*. Brussels.

Esparcia Pérez J., Buciega Arévalo A. and Trick N. (2001). *Building Rurban Relations*. University of Valencia, Department of Geography.

Esping-Andersen G. (1999). *The social foundations of post-industrial economies*. Oxford: Oxford University Press.

ESPON (2006). *Territory matters for competitiveness and cohesion, Facets of regional diversity and potentials in Europe, Synthesis Report III*.

European Agricultural Fund for rural development (EAFRD) (2005). *Support for rural development*. Council Regulation 1698/2005 of 20 September 2005.

European Commission (1997). *Towards an urban agenda in the European Union*. COM (97) 197 final. Luxembourg: Office for Official Publications of the European Communities.

European Commission (1999). *Ex-post Evaluation of the Leader I Community Initiative 1989-1993, Final report*. Brussels: DG Agriculture and Rural Development.

European Commission (2003). *Regional Indicators to Reflect Social Exclusion and Poverty*. Brussels: DG Employment and Social Affairs.

European Commission (2004a). *Impact assessment of rural development programmes in view of post 2006 rural development policy*. Brussels: DG Agriculture and Rural Development.

European Commission (2004b). *The Common Agricultural Policy Explained*. Brussels: DG Agriculture and Rural Development.

European Commission (2004c). *The Situation of Roma in an Enlarged European Union*. Brussels: DG Employment and Social Affairs.

European Commission (2005a). *Prospects For Agricultural Markets And Income 2005 – 2012*. Brussels: DG Agriculture and Rural Development.

European Commission (2005b). *Report on social inclusion 2005*. Luxembourg: Office for Official Publications of the European Communities.

European Commission (2006a). *New Perspectives for EU Rural Development*. Brussels: DG Agriculture and Rural Development.

European Commission (2006b). *Rural Development in the European Union. Statistical and Economic Information. Report 2006*. Brussels: DG Agriculture and Rural Development.

European Commission (2006c). *Synthesis of mid-term evaluations of LEADER+ programmes. Final Report*. Brussels: DG Agriculture and Rural Development.

European Commission (2007a). *A selection of Leader+ best practices*. Brussels: DG Agriculture and Rural Development.

European Commission (2007b). *Agriculture in the European Union - Statistical and economic information*. Office for Official Publications of the European Communities.

European Commission (2007c). *Growing regions, growing Europe. Fourth report on economic and social cohesion*. Brussels: DG Regional Policy.

European Commission (2007d). *Prospects For Agricultural Markets and Income In The European Union 2006 – 2013*. Brussels: DG Agriculture and Rural Development.

European Commission (2007e). *Joint Report on Social Protection and Social Inclusion*. Brussels: DG Employment, Social Affairs and Equal Opportunities.

European Commission (2007f). *Rural Development in the European Union. Statistical and Economic Information. Report 2007*. Brussels: DG Agriculture and Rural Development.

European Commission (2007g). *Scenar 2020 – Scenario study on agriculture and the rural world*. Luxembourg: Office for Official Publications of the European Communities.

European Court of Auditors (2006), “Special report concerning rural development investments: do they effectively address the problems of rural areas?”, *Special report*, No 7/2006, Official Journal 2006/C 282/01

European Foundation for the Improvement of Living and Working Conditions (1999). *European Quality of Life Survey: Urban–rural differences*. Luxembourg: Office for Official Publications of the European Communities.

European Foundation for the Improvement of Living and Working Conditions (2006a). *European Quality of Life Survey: Quality of life in Bulgaria and Romania*. Luxembourg: Office for Official Publications of the European Communities.

European Foundation for the Improvement of Living and Working Conditions (2006b) *European Quality of Life Survey: Social dimensions of housing*. Luxembourg: Office for Official Publications of the European Communities.

European Foundation for the Improvement of Living and Working Conditions (2006c). *European Quality of Life Survey: Urban-rural differences*. Luxembourg: Office for Official Publications of the European Communities.

European Foundation for the Improvement of Living and Working Conditions (2007). *Employment and labour market policies for an ageing workforce and initiatives at the workplace. National overview report: Italy*. Available at www.eurofound.europa.eu.

Eurostat (1996). *The ECHP – survey methodology and implementation*. Luxembourg: Series E.

Eurostat (2003a). *Social Situation in the European Union 2003*. Luxembourg.

Eurostat (2003b). *European Social Statistics – Income, poverty and social exclusion, 2nd Report, Data 1994-1997, Theme 3*. Luxembourg.

Eurostat (2004). *European Social Statistics – Poverty and social exclusion in the EU, Statistics in focus*, 16.

Eurostat (2005a). *Income poverty and social exclusion in the EU25. Statistics in focus*, 13.

Eurostat (2005b). *Material deprivation in the EU. Statistics in focus*, 21.

Eurostat (2005c). *In-work poverty. Statistics in focus*, 5.

Eurostat (2007). *Feedback from the Helsinki Conference: Comparative EU Statistics on Income and Living Conditions: Issues and Challenges*. Doc. Eurostat/F/07/SDG/01/03/EN.

Ferrão J. (2004). *Dinâmicas Territoriais e Trajectórias de Desenvolvimento: Portugal 1991-2001. Revista de Estudos Demográficos*, 34, pp.17-25.

Ferrera M., Hemerijck A. and Rhodes M. (2000). *The Future of Social Europe: recasting work and welfare in the new economy*. Oeiras: Celta Editores.

Ferrera M., Matsaganis M. and Sacchi S. (2002). *Open co-ordination against poverty: the new EU “social inclusion process”*. *Journal of European Social Policy*, 12, n.3, pp. 227-239.

- Finuola L. and Lucatelli S. (2006). Territori rurali e processo di definizione della politica regionale 2007-2013. *AgriRegioniEuropa*, 23.
- Friedman J. (1972) The spatial organization of power in the development of urban systems. *Development and Change*, 4, pp. 12-50
- Fundación Hogar del Empleado (2006). *La Exclusión Social y el Estado de Bienestar en España*. Madrid.
- Furlong A. and Cartmel F. (1999). *Youth Unemployment in Rural Areas*. York: York Publishing Services.
- Glaeser E. L. and Kohlase J. E. (2004). Cities, Regions and the Decline of Transport Costs. *Regional Science*, 83, N. 1, pp. 197-228
- Glennerster H., Lupton R., Norden P. and Power A. (1999). Poverty, social exclusion and neighbourhood: studying the area bases of social exclusion. *CASEpaper*, 22. London: Centre for Analysis of Social Exclusion, London School of Economics.
- Golinowska S., Tarkowska E. and Topińska I. (eds.) (2005). *Ubóstwo i wykluczenie społeczne. Badania. Metody. Wyniki* [Poverty and Social Exclusion. Research. Methods. Results]. Warszawa: IpiSS.
- Gorgoni M. (1998). Sviluppo rurale e lotta alla povertà. *Politica Internazionale*, 5.
- Gorgoni M. (2001). Attacking Poverty. *QA La Questione Agraria*, 2.
- Government of Romania (2006). *National Strategic Plan for Rural Development 2007-2013*. Ministry of Agriculture, Forests and Rural Development Available at http://www.maap.ro/pages/dezvoltare_rurala/NSP_octombrie_2006_en.pdf.
- Guillaume S. (1999). Les exploitations agricoles à faibles revenus persistants. *Economie et statistique*, 329-330, pp. 147-164.
- Guio A.C. (2005). Population and social condition. *Statistics in Focus*. Eurostat.
- Halvorsen K. and Johannessen A. (2001). *Social participation in the Nordic countries: Inclusion through paid work or exclusion through welfare state arrangements?*. Paper presented at the RC19 Conference in Oviedo (6-9 September 2001).
- Hantrais L. (2000). *Social Policy in the European Union*. Basingstoke: MacMillan.
- Harrop A. and Palmer G. (2002). *Indicators of Poverty and Social Exclusion in Rural England 2002*. The Countryside Agency.
- Hoggart K., Buller H. and Black R. (1995). *Rural Europe: Identity and change*. London: Arnold.
- Hoynes H.W., Page M.E. and Stevens A.H. (2006). Poverty in America: Trends and Explanations. *Journal of Economic Perspectives*, 20, n. 1.

- Hungarian Central Statistical Office (2005). *Turning Points of Life*. Budapest.
- Istituto Nazionale di Economia Agraria (2005). *Le politiche comunitarie per lo sviluppo rurale. Un bilancio di metà percorso*. Rome.
- Instituto da Segurança Social (2005). *Tipificação das situações de exclusão em Portugal continental*. Lisboa: Colab. Geoideia.
- Irish Government (1999). *White Paper on Rural Development*. Dublin: Government Publications.
- Italian Economy Ministry (2005). *Rapporto annuale del Dipartimento per le Politiche di Sviluppo e di Coesione*. Rome.
- Izcara P. and Simón P. (2002). *Infraclases rurales: procesos emergentes de exclusión social en España*. Madrid.
- Jégouzo G., Brangeon J.L. and Roze B. (1998). *Richesse et pauvreté en agriculture*. Paris: INRA-Economica.
- Jentsch and Shucksmith (2003). Education and individualisation among young people in Angus, Scotland. In T. Dax and I. Machold (eds.). *Voices of Rural Youth: A Break with Traditional Patterns?*. Vienna: Bundesanstalt für Bergbauernfragen.
- Jervell A.M., Prestegard S.S. and Refsgaard K. (2005). Multagri Project: WP4, "Multifunctionality of activities, plurality of identities and new institutional arrangements. D4.2 Regional report for Nordic Countries. Available at www.multagri.net.
- Jones G. (1995). *Leaving Home*. Edinburgh University: Centre for Educational Sociology.
- Jones G. (1997). The Policy Context. In Henderson M. and Jones G. (eds.). *Rural Scotland Today. Policy Briefing. Young people in Rural Communities*. Perth: Rural Forum.
- Kammerman S.B., Neuman M., Waldfogel J. and Brooks-Gunn J. (2003). Social policies, family types and child outcomes in selected OECD countries. *OECD Social, Employment & Migration Working Paper*, 6. Paris: OECD.
- Kaldor N. (1970). The case for regional policies. *Scottish Journal of Political Economy*, 17, pp. 337-347.
- Kempson E. and White M. (2001). *Ways in and out of low income in rural England*. Unpublished report to the Countryside Agency.
- Knutson R.D. et al. (1998). *Agricultural and Food Policy*. Upper Saddle River: Prentice Hall.
- Korzeniewska K. and Tarkowska E. (eds.) (2002). *Lata tłuste, lata chude... Spojrzenia na biedę w społecznościach lokalnych [Lean Years, Years of Plenty... Looking at Poverty in Local Communities]*. Warszawa: IFiS PAN.
- Krugman P. (1991). *Geography and Trade*. Cambridge, MA: MIT Press.

Kuchler B. and J. Goebel (2003). Incidence and intensity of smoothed income poverty in European countries. *Journal of European Social Policy*, 30, n. 4, pp. 357-369.

Layte R. et al. (2001). *Monitoring Trends and Exploring Poverty Dynamics in Ireland*. Dublin: ESRI.

Layte R., Nolan B. and Whelan C.T. (2001). Reassessing income and deprivation approaches to the measurement of poverty in the Republic of Ireland. *The Economic and Social Review*, 32, n. 3, pp. 239-61.

Lelkes O. (2007). *Poverty Among Migrants in Europe*. Vienna: European Centre for Social Welfare Policy and Research.

Leyshon M. (2003). *Youth Identity, Culture and Marginalisation in the Countryside*. PhD Thesis, University of Exeter, Department of Geography.

Lofredi P. and Schmitt B. (2006). *Evaluer les impacts territoriaux des politiques de développement économique géographiquement ciblées: l'exemple du programme objectif 5b en France*. Mimeo.

Lucatelli S. and Raimondo L. (2007). La politica regionale e i territori rurali: il Quadro Strategico Nazionale 2007-2013. *AgriRegioniEuropa*, 8.

Lucatelli S., Savastano S. and Coccia M. (2006). Health and social services in rural Umbria. *Materiali UVAL*, 12. Rome: Italian Ministry of Economy and Finance.

Macours K. and Swinnen J. (2006). Rural Poverty in Transition Countries. *Licos Discussion Paper*, 16906. Leuven: Centre for Transition Economics.

Mantino F. (2003), La riforma delle politiche di sviluppo rurale in Europa: aspetti finanziari e istituzionali. Paper presented at the Conference "Le politiche di sviluppo rurale in Europa: profili attuali e proposte di riforma", Rome 29-30 April.

Matsaganis M., Ferrera M., Capucha L. and Moreno L. (2003). Mending nets in the South: anti-poverty policies in Greece, Italy, Portugal and Spain. *Social Policy & Administration*. 37, n. 6, pp. 639-655.

Mingione E. (2001). The Southern European Welfare Model and the Fight against Poverty and Social Exclusion. In Tolba M.K. (ed.). *Our Fragile World. Challenges and Opportunities for Sustainable Development*. Oxford: EOLSS Publishers.

Mingione E. and Pugliese E. (2000). Unemployment and Welfare: Two Stories of Migrant and Minority Disadvantage. *The Netherland Journal of Social Sciences*, 36, n. 2.

Ministry of Economy and Finance of Greece (2006). *National strategic reference framework 2007-2013*. Athens.

Ministry of rural development and foods (2006). *National strategic plan for agricultural development of Greece: 4th programming period 2007-2013*, Final plan. Athens.

Nolan B., Whelan C.T. and Williams J. (1998). *Where are Poor Households?*. Dublin: Oak Tree Press.

- Myrdal G. (1957). *Economic Theory and Underdeveloped Regions*. London: Duckworth.
- Nolan B. et al. (2002). *Monitoring poverty trends in Ireland: results from the 2000 Living in Ireland Survey*. Dublin: The Economic and Social Research Institute.
- NSSG (2006). *Statistical yearbook of Greece – 2004*. Athens
- OECD (2001). *Territorial Reviews: Italy*. Paris: OECD Publications.
- OECD (2002). *Territorial Reviews: Siena, Italy*. Paris: OECD Publications.
- OECD (2003). *Agricultural and Rural Development Policies in the Baltic Countries*. Paris: OECD Publications.
- OECD (2005). *Regions at a Glance*. Paris: OECD Publications.
- OECD (2006). *The new rural paradigm: policies and governance*. Paris: OECD Publications.
- OECD (2007a). *International Migration*. Paris: OECD Publications.
- OECD (2007b). *Promoting Pro-Poor Growth*. Paris: OECD Publications.
- Office of the Deputy Prime Minister (2004). *The English Indices of Deprivation 2004: Summary (revised)*. Available at <http://www.communities.gov.uk/index.asp?id=1128442>.
- O'Hara P. (1998). *Partners in production: women, farm and family in Ireland*. New York: Berghahn Books.
- ONPES (2006). *Rapport de l'Observatoire national de la pauvreté et de l'exclusion sociale 2005-2006*. Paris: La Documentation française.
- Paarlberg D. (1964). *American Farm Policy*. New York: John Wiley & Sons.
- Pavis S., Platt S. and Hubbard G. (2000). *Social Exclusion and Insertion of Young People in Rural Areas*. York: York Publishing Services.
- Perroux, F. (1995). La notion de pôle de croissance. *Economie Appliquée*, n. 1-2.
- Philip L., Gilbert A., Mauthner N. and Phimister E. (2003). *Scoping Study of older People in Rural Scotland*. Edinburgh: Scottish Executive Social Research.
- Philip L. and Shucksmith M. (1999). *Conceptualising Social Exclusion*. Paper to European Society of Rural Sociology XVIII Congress, Lund, Sweden.
- Philip L. and Shucksmith M. (2003). *Conceptualising Social Exclusion*. European Planning Studies.
- Piore M. J., Sabel F. C. and Storper M. (1991). Tre risposte ad Ash Amin e Kevin Robins. In Pyke F., Becattini G. e Sengenberger W. (eds.). *Distretti Industriali e Cooperazione fra Imprese in Italia*. Firenze: Banca Toscana, pp. 233-249.

- Polish Ministry of Social Policy (2004). *Narodowa strategia integracji społecznej* [National strategy for social integration]. Warsaw.
- Psaltopoulos D. (2006). *The confronting of social exclusion in Greek countryside* (unpublished study). Available at <http://www.econ.upatras.gr/>.
- Pugliese E. and Morlicchio E. (2004). Il modello italiano di povertà. *Economia e Lavoro*, 38.
- Ravallion M. (1996). Issues in Measuring and Modelling poverty. *The Economic Journal*, 38.
- Rees P., Østby L., Durham H. and Kupiszewski M. (1998). Internal migration and regional population dynamics in Europe: Norway Case Study. *Working paper 98/04*.
- Report on Social Inclusion (2005). *An analysis of the National Action Plans on Social Inclusion (2004-2006)*, submitted by the 10 New Member States.
- Room G. (1994). *Poverty studies in the EU: Retrospect and prospect*. Paper presented to the Conference on Understanding Social Exclusion, London, Policy Studies Institute.
- Rugg J. and Jones A. (1999). *Getting a Job, Finding a Home: Rural Youth Transitions*. Policy Press.
- Rural Forum (1994). *Disadvantage in Rural Scotland Summary Report*. Perth: Rural Forum.
- Rural Poverty and Inclusion Working Group (2001). *Poverty and Social Exclusion in Rural Scotland*. Edinburgh: Scottish Executive.
- Sapir A. (2006). Globalisation and the Reform of European Social Models. *Journal of Common Market Studies*, 44, n. 2, pp. 369-90.
- Saraceno E. (2002). *Rural Development policies and the Second Pillar of the Common Agricultural Policy*. Paper presented at the EAAE Congress, Zaragoza, August.
- Scottish Affairs Committee (2006). *Poverty in Scotland - List of Memoranda*. Memorandum submitted by the Highland Council- EV57. Available at <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmsscotaf/ucxxx/001.pdf>
- Scottish Executive (2006). *SIMD 2006 General Report*. Available at <http://www.scotland.gov.uk/Resource/Doc/151578/0040731.pdf>
- Sen A. (1982). *Choice, Welfare and Measurement*. Oxford: Basil Blackwell.
- Sen A. (1992). *Risorse, valori e sviluppo*. Turin: Bollati Boringhieri.
- Sen A. (2000). *Lo sviluppo è libertà*. Milan: Mondadori.
- SERA (2006). *Study on Employment in Rural Areas*. Brussels: European Commission, DG Agriculture and Rural Development.
- Sforzi F. (1987). L'identificazione spaziale. In Becattini G. (ed). *Mercato e forze locali: il distretto industriale*. Bologna: Il Mulino.

- Shucksmith M. (2000). *Exclusive countryside? Social inclusion and regeneration in rural Britain*. York: Joseph Rowntree Foundation.
- Shucksmith, M. (2004). Young people and Social Exclusion in Rural Areas. *Sociologia Ruralis*, 44, n. 1, pp. 43-59.
- Shucksmith M., Chapman P. and Clark G. (1996). *Rural Scotland Today: the best of both worlds?* Avebury: Aldershot.
- Shucksmith M., Thomson K. and Roberts D. (eds.) (2005). *CAP and the Regions: the Territorial Impact of the Common Agricultural Policy*. CAB International.
- Søgaard A.J., Kritsil Verstein D. and Wingard D.L. (1994). Finnmark heart-study – Employment status and parenthood as predictors of psychological health in women, 20-49 years. *International Journal of Epidemiology*, 23.
- Spanish Ministry for Labour and Social Affairs (various issues). *National Action Plan on Social Inclusion of the Kingdom of Spain*. Madrid.
- Storey P. and Brannen J. (2000). *Young people and transport in rural communities: access and opportunity*. York: York Publishing Services.
- Storti D., Henke R. and Macri M.C. (2004). *The new European rural policy: a comparative analysis across regions in the EU*. Paper presented at the Seminar of the European Association of Agricultural Economists, Vienna, April 21-24.
- Subirats S. et al. (2005). *Exclusión social en España. Elementos para un debate*. Madrid.
- Tanner A. (ed.) (2004). *The Forgotten Minorities of Eastern Europe - The History and Today of Selected Ethnic Groups in Five Countries*. Helsinki: East-West Books.
- Tarkowska E. (ed.) (2000). *Zrozumieć biednego. O dawnej i obecnej biedzie w Polsce* [Understanding a Poor. Past and Present Poverty in Poland]. Warszawa: Typografia.
- Townsend P. (1979). *Poverty in the United Kingdom*. Harmondsworth: Penguin.
- UHI PolicyWeb (2005). *Policy Brief: Indicators used for Rural and Urban Poverty in Policy Processes*. Inverness: UHI PolicyWeb.
- UHI PolicyWeb (2005). *Briefing: Rural Deprivation*. Inverness: UHI PolicyWeb.
- UNICEF (2007). *Child poverty in perspective: An overview of child well-being in rich countries*. Florence: UNICEF Innocenti Research Center.
- University of Craiova (2006). *Creating an Observatory for Raising Awareness on the EU Social Inclusion Policy in the South-West Region of Romania*.
- Vard, T. Willems E., Lemmens T., Peters R. (2005) Use of the CORINE Land Cover to Identify the Rural Character of Communes and Regions at EU level. In *Trends of Some Agri-environmental Indicators of the European Union*, Luxembourg, Office for Official Publications of the European

Communities

Wandschneider T. (2003). *Determinants of access to rural non-farm employment: Evidence from Africa, South Asia and transition economies, Report No: 2758*. Natural Resources Institute.

Watson D. et al. (2005). *The Spatial Distribution of Poverty in Ireland*. Dublin: ESRI.

World Bank (2005). *Introduction to poverty analysis*. Washington.

This report was financed by and prepared for the use of the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities. It does not necessarily represent the Commission's official position.

http://Ec.europa.eu/employment_social/spsi

Contractor: Fondazione Giacomo Brodolini
Contact person: Marilena Sacchetta
www.fondazionebrodolini.it

Authors of the Final Study: Paola Bertolini, Marco Montanari, Vito Peragine.

Sara Scaramuzzi, Elena Pisano e Silvia Sivini contributed to the Italian Report.

Francesco Pastore edited the Country Studies.

The report greatly benefited by contributions from participants in the European Seminar (Rome, 22-23 November 2007)

National Corrispondents: Lilia Abadjieva (Bulgaria), Luc Behaghel (France), Paola Bertolini (Italy), Nikolaos Bouzas (Greece), Ruta Braziene (Lithuania), Patrick Commins (Ireland), Philomena De Lima (UK), Oana Gherghinescu (Romania), Elvira Gonzalez (Spain), Florindo Ramos (Portugal), Karen Refsgaard (Norway), Mateja Sedmak, Blaz Lenarcic (Slovenia), Elzbieta Tarkowska (Poland), Achim Vanselow, Claudia Weinkopf, Thorsten Kalina (Germany), Gabriella Vukovich (Hungary).

Scientific Committee: Philomena De Lima, Marcello Gorgoni, Sabrina Lucatelli, Enzo Mingione, Karen Refsgaard, Annamaria Simonazzi, Francesca Utili

If you are interested in receiving the electronic newsletter "ESmail" from the European Commission's Directorate-General for Employment, Social Affairs and Equal Opportunities, please send an e-mail to empl-esmail@ec.europa.eu — The newsletter is published on a regular basis in English, French and German.