



# Study on Poverty and Social Exclusion in Rural Areas

*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 continues to be a key challenge.*

*Rural poverty represents an important aspect of European poverty, considering that rural areas account for a large part both the territory of Europe and the population of its 27 Member States (MS). The rural dimension has become even more relevant with the last two rounds of enlargement.*

*Nevertheless, so far at the European level the specific features of rural areas have been neglected in analyses of poverty. Indeed, there is room for improvement, both in European public opinion's awareness of the problems of rural poverty and in the commitment of the public institutions, at different levels. The present study, commissioned by the European Commission, DG Employment, Social Affairs and Equal Opportunities, is intended to be a step in improving knowledge, in view of forming 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. Concerning the policies, it analyses those which are implemented by local, national or EU authorities that have an impact on rural poverty.*

The study identifies four main categories of problems of rural areas: demography, remoteness, education and labour market. Such problems may interact and generate 'vicious circles', which may reproduce and amplify the phenomenon of poverty in rural areas.

The 'demography circle' starts with the unfavourable demographic situation of many rural areas: large portion of elderly residents, few young people, and low density adversely affect the economic performance of these areas. The consequences are low birth rates and migration of young people, which 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 'labour market circle' starts with poor labour market opportunities of many rural areas, forcing many qualified people to migrate, which in turn lowers 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 the labour market situation.

Policies are needed to tackle and break those vicious circles. The study discusses two types of policies affecting rural poverty: policies against poverty of rural people and those that fight the poverty of rural areas. The first type includes policies implemented at different institutional levels that are explicitly designed to address the difficulties of poor people. Unfortunately, in most of Member States, the specific measures that can affect poverty directly 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 direct sectoral policies that support agriculture and rural development (CAP) and those structural policies which promote regional cohesion are part of this framework. These policies influence the general context within which the condition of the rural poor are defined.

### Poverty of rural areas

According to the OECD definition of rurality, regions are classified as Predominantly Rural (PR), Intermediate (IR) and Predominantly Urban (PU). It should be noted that IR regions also present significant elements of rurality.

One way to measure the disparities between rural and urban regions is based on GDP per head. Figure 1 shows the remarkable differences between rural and urban areas in terms of GDP in all the countries considered.

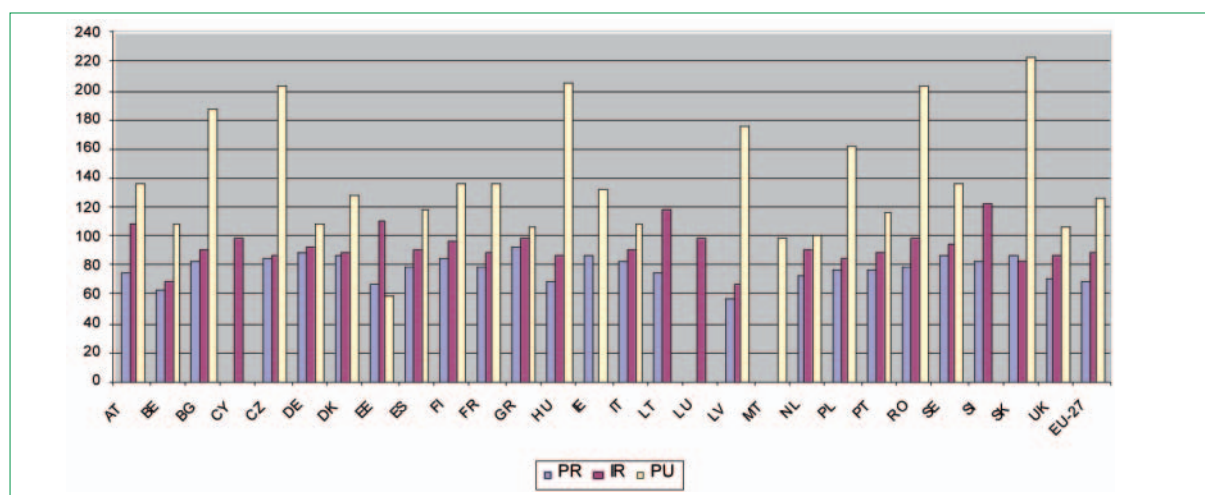
The lower GDP per head in rural areas is correlated with other indicators, among them those related to labour market and education. These data seem to show the presence of a phenomenon that we have called

**'poverty of rural areas'**, i.e. the existence of a possible disadvantage of the rural context in comparison with the urban one. This disadvantage, which is particularly serious for poor people living in those areas, manifests itself and is determined by a number of factors.

With regard to demography, in Eastern countries the phenomenon of exodus from rural to urban areas (especially the capital city) is presently quite relevant. Moreover, migration abroad – notably of women and young people – risks leading 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 are particularly severe in PR areas of the EU, where the elderly may have additional difficulties due to isolation and distance from 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 elderly single women, whereas in Eastern and Southern countries there is an even more severe problem of out-migration of rural women of working age, often due to lack of job opportunities. In the former case there is a need for policy measures focusing on the problems linked to remoteness; in the latter, instead, *gender equality* policies and affirmative action in the area of labour policies are needed.

**FIGURE 1. GDP PER HEAD (NATIONAL AVERAGE = 100) – NUTS 3 LEVEL – 2004**



Source: own calculations on Eurostat data.

The analysis underlines the strong disparities between urban and rural areas in access to health care. These disparities, for some Member States, can be explained by geographical and demographic features such as remoteness, low population density and dispersion of villages.

This problem is particularly relevant for social groups such as the elderly and children. In some cases, the difficulty in access to health care is also the consequence of a low number of people with medical insurance in rural areas. The accessibility of medical assistance is even lower for vulnerable ethnic minorities, in particular the Roma. Undocumented migrants face particularly severe problems of access to health care.

In rural areas, and mainly in PR and in all rural areas of Eastern countries, agriculture is still significant in terms of employment opportunities. Here, low incomes in general, seasonality of work and forms of subsistence economy represent an important risk of poverty and social exclusion. In perspective, subsistence farmers and seasonal workers may suffer from exclusion because they will receive low pensions (or none at all) when they retire (Greece, France, Italy, Spain, Eastern Europe).

Looking at the perspectives of rural areas, despite examples where a positive economic performance is mainly determined by agricultural specialisation and agri-food industry, in general dynamic rural areas do not imply strong agriculture. On the other hand strong agriculture may exist in rural areas that are not dynamic. However, even if agriculture becomes a weaker driver for the rural context, in the future agriculture will remain an important tool for managing externalities such as landscape, biodiversity, and tradition. Moreover, for a number of countries, particularly in Eastern and Southern Europe, agriculture will maintain a certain relevance in labour market dynamics and will be able to play a significant role with regard to the themes of poverty and social exclusion.

Two aspects emerge as the major problems of rural areas: education and infrastructure.

Differences between rural and urban areas emerge with respect to pre-school education. An interesting example of a programme to improve pre-school education opportunities in rural areas is the 'Where there are no pre-schools' programme by Comenius Foundation for Child Development in Poland, whose main objective is to provide equal education opportunities to children aged 3-5, particularly in areas of high unemployment. Disparities involve other school levels as well. As a consequence of the decline in the number of rural schools, linked to a strategy of grouping schools, the primary and secondary schools in rural areas are now less accessible because of the distance the pupils have to cover

and higher cost for the families. Access to education up to the end of the secondary level is quite widespread but the educational level attained is significantly lower in rural than in urban areas. The countries with a high share of low educated people also tend to have 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 the quality of life of groups already at risk of social exclusion: health services for the elderly or disabled, child care facilities, etc. Moreover, in some remote rural areas, the number of existing public and private services (e.g. retail, postal offices, banks, childcare, libraries, kindergartens) is declining. The problem is relevant for PR regions in all the 15 countries covered by the study.

Limited transport infrastructure is 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 a highly dispersed population and numerous small villages, providing the traditional public transport services is difficult and very expensive. Interesting examples of 'shared transport services' based on demand have proved to be successful in the remote and rural communities in Norway, in Spain and in the Scottish Highlands.

Other successful policy interventions in remote rural areas involve specific measures that have been implemented to address the barriers to inclusion and job opportunities arising from lack of ICT in rural areas.

## Who are the poor in rural areas and how poor are they?

One of the key Laeken indicators is the at-risk-of poverty rate<sup>1</sup>. Even if available data do not allow a comparison of income poverty in Europe that distinguishes between rural and urban regions, in specific surveys of 8 different EU countries the following pattern emerges: *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.*

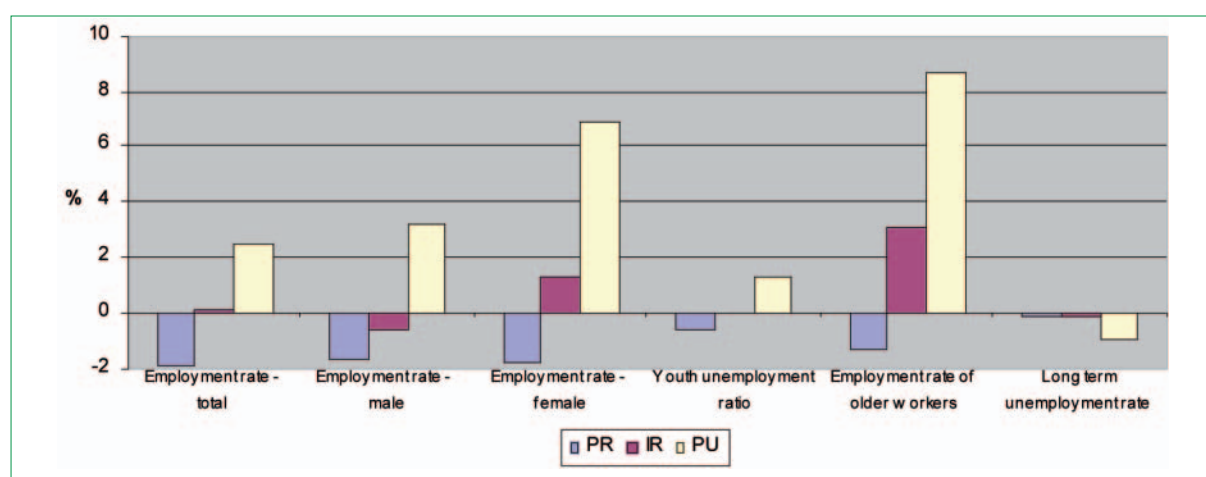
The gap in poverty rates between rural and urban areas is larger in Eastern countries than in Western countries. Moreover, in Eastern countries poverty is generally associated with difficulties in the agricultural sector. In Western countries, within rural areas, poverty is concentrated in remote regions and, in general, regions with accessibility problems.

Moving from income to other indicators of individual deprivation, the report analyses exclusion in the following additional dimensions: lack of employment; housing; health; lack of education; demographic structure. These analyses give consistent results.

All the indicators related to the rural labour 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.

Since Figure 2 is based not only on Eurostat data, but also on data supplied by National Statistical Institutes, sources might not be fully comparable and conclusions have to be drawn with caution. Bearing this caveat in mind, the trend in the period 2000-2005 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 employment rate of men, women and older workers has decreased

FIGURE 2. PERCENTAGE CHANGE IN LABOUR MARKET INDICATORS - 2000-2005 - NUTS 2 LEVEL<sup>2</sup>



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

<sup>1</sup> It is 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'.

<sup>2</sup> Data in Figure 2 refer to the following sample of countries: Bulgaria, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Poland, Portugal, Romania, Spain, Slovenia, and UK, plus Norway.

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 wide gender gap, as measured by the employment rates, in EU labour markets: there are large disparities both between countries (and in particular along the north/south axis), and along the rural/urban pattern. On the contrary, female activity rates do not show a clear pattern in the rural/urban dimension: this evidence can be interpreted as a sign that the main difficulties encountered by women in the rural labour market are linked to the lack of job opportunities rather than to low labour supply.

Figure 3 shows the clear pattern along the rural/urban axes in adult educational attainments.

In addition to lower levels of education, 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 to climb the social ladder is often *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 economic decline of the rural areas.

## Policies for the rural poor

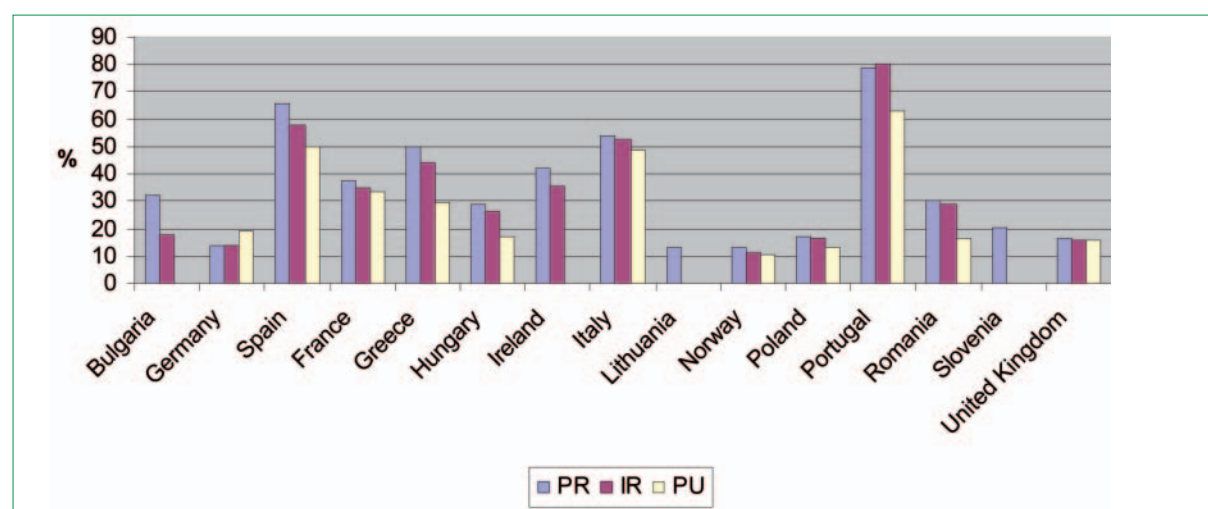
The set of policies affecting the rural poor includes the social security system, health care, labour market policies, and policies of education and training.

### Inclusion measures

Member States are increasingly focusing on inclusion measures in which cash benefits to the poor are accompanied by training initiatives, along with stricter conditions on active availability for work. However, there are specific obstacles with respect to the implementation of these policies in rural areas. This depends both on the difficulties of efficient active labour policies and on specific difficulties related to welfare entitlements in rural areas.

There is some evidence that take-up rates are lower in rural areas, due to less 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,

FIGURE 3. % OF ADULTS (25-64 YEAR OLD) WITH LOW EDUCATION ATTAINMENT – NUTS 2 – 2004



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



which in turn can generate disincentive effects of social stigma. There is therefore a considerable challenge to improving the uptake of benefit entitlement in rural areas through the promotion of information campaigns and a more decentralized institutional arrangement in the implementation of such policies. There is also a need for anti-discrimination policies, in particular for the Roma.

### Labour market policies

Labour market policies are also crucial in the fight against poverty in rural areas. It is possible to identify some priorities in the design of labour 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 labour market.

Existing success stories of active labour policies stress the following key lessons. 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 training in the pre-employment stage to support in possible periods of crisis. Finally, in the case of training intervention, the construction of a map of sector specialization in the local economy and the consequent demand for specific skills is crucial in order to provide the appropriate training.

### Education and training

The evidence suggests that education and training is likely to prove an important means of increasing the rate of growth in rural and peripheral areas and of helping the poor and socially excluded in those areas.

Tackling early school leavers and strengthening young people's skills and qualifications reduce the risk of social exclusion and improve labour market prospects. Moreover, education provision in the very early years of the life is one of the most effective means to reduce the intergenerational transmission of poverty and exclusion. 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.

Furthermore all the reports highlight the potential positive impact of work-related training. The low qualification of rural labour force has immediate effects on the (under)development of rural areas and increases the

risk of poverty for a considerable 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 both for young people (as a disincentive to out-migration), and for 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.

## 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.

Fighting poverty and social exclusion is not the primary aim of those policies, which 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.

The Rural Development Policy can play an important role in supporting activity, employment and incomes 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.

Both policies can be an important source of funding that can benefit rural areas, especially by improving infrastructures, labour market, tourism and cultural attraction, quality of life and promoting the diffusion of SMEs in rural areas. They have already produced positive

results, 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; 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.

Rural development measures generally play a very positive role, even if it can be argued that not all regions have the same ability in implementing programs and that certain measures still keep a sectoral approach. Because of their positive effects, rural development measures should receive more funding. In this regard, especially Axis 3 (Quality of Life) should be strengthened.

## Conclusions of the research

- ◆ We suggest to mainstream the rural dimension into social inclusion policies and, at the same time, to reinforce 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 one 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 effective *monitoring and evaluation* of the policies implemented is crucial. For improvement in this respect, it is necessary to develop a set of indicators for the performances of the policies implemented, as well as a systematic process to exchange best 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.



The present study, commissioned by Employment, Social Affairs and Equal Opportunities DG, 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.

The analysis is based on three types of data: European statistical data, drawn from various Eurostat databases; national statistical data; national information, provided by National Reports on the fifteen countries covered by the study, supplemented with case studies of at-risk groups and examples of policy measures identified as good practice. 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.

The study was coordinated by Paola Bertolini (University of Modena and Reggio Emilia, Fondazione G. Brodolini), Marco Montanari (University of Modena and Reggio Emilia, Fondazione G. Brodolini) and Vito Peragine (University of Bari and Fondazione G. Brodolini) in collaboration with a network of national experts. of Bari and Fondazione G. Brodolini) in collaboration with a network of national experts.

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