



POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

EXECUTIVE SUMMARY

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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 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.
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”

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

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. Transports play an important role in increasing the demand of 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 are 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 invest 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 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 an 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 seems 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 (ECHIP 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 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.

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).

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

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.

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 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 where 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.

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

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 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 given 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 of 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, 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). 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.

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Contractor: Fondazione Giacomo Brodolini
Contact person: Marilena Sacchetta
www.fondazionebrodolini.it

Authors of the Final Study: Paola Bertolini, Marco Montanari, Vito Peragine.

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

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