

7th Cohesion Report

COMMISSION OF THE EUROPEAN COMMUNITIES 2017

GDP per capita

Employment / Unemployment

Innovation (patents, R&D expenditure)

Human capital

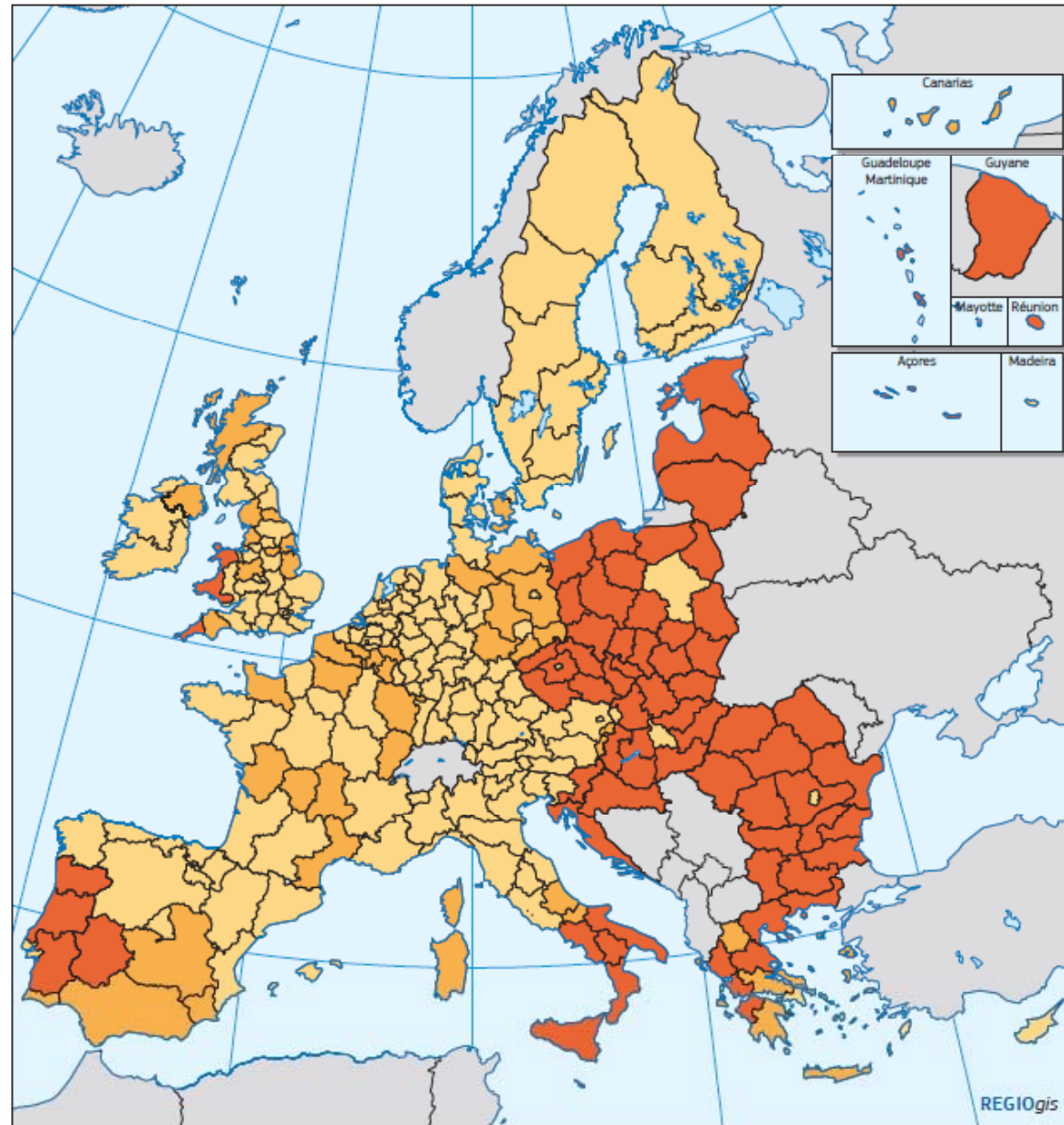
Social capital (Social Progress Index)

Regional Competitiveness Index

Quality of institutions

Types of NUTS

2 regions



Structural Funds (ERDF and ESF) eligibility 2014–2020

Category

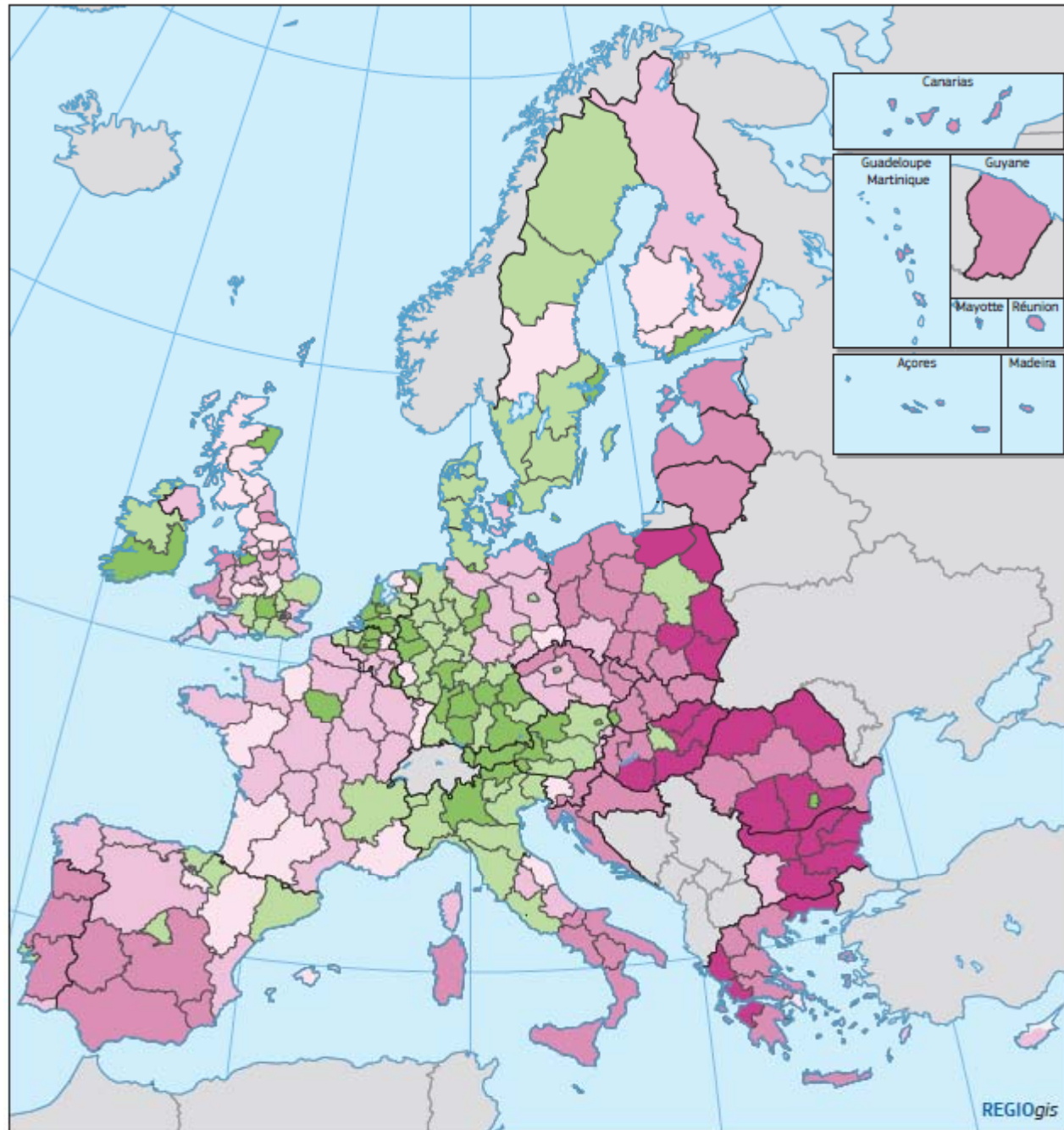
- Less developed regions (GDP/head < 75% of EU-27 average)
- Transition regions (GDP/head between $\geq 75\%$ and < 90% of EU-27 average)
- More developed regions (GDP/head $\geq 90\%$ of EU-27 average)

Source: DG REGIO

Map 1.1 GDP per head (PPS), 2015

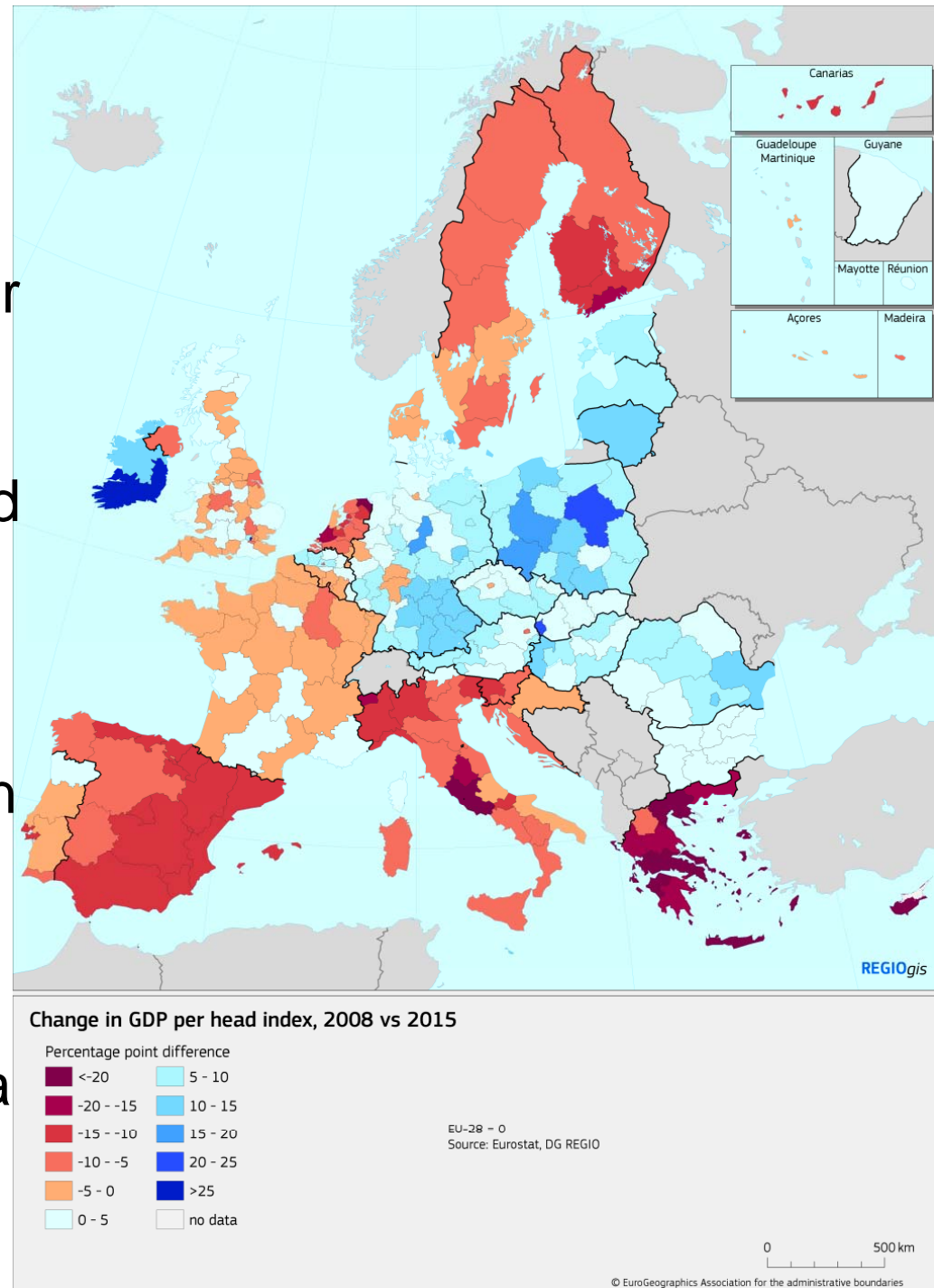
Index, EU-28 = 100

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



Economic cohesion

- Regional disparities are narrowing again
- Regions in eastern Member States have converged to the EU average, but Greek and Italian regions diverged substantially
- Regions with high GDP pc have grown faster than the EU average (agglomeration economies, capital city effect).
- Regions with a GDP pc 75%-120% seem stuck in a 'middle-income trap'



Middle-income trap

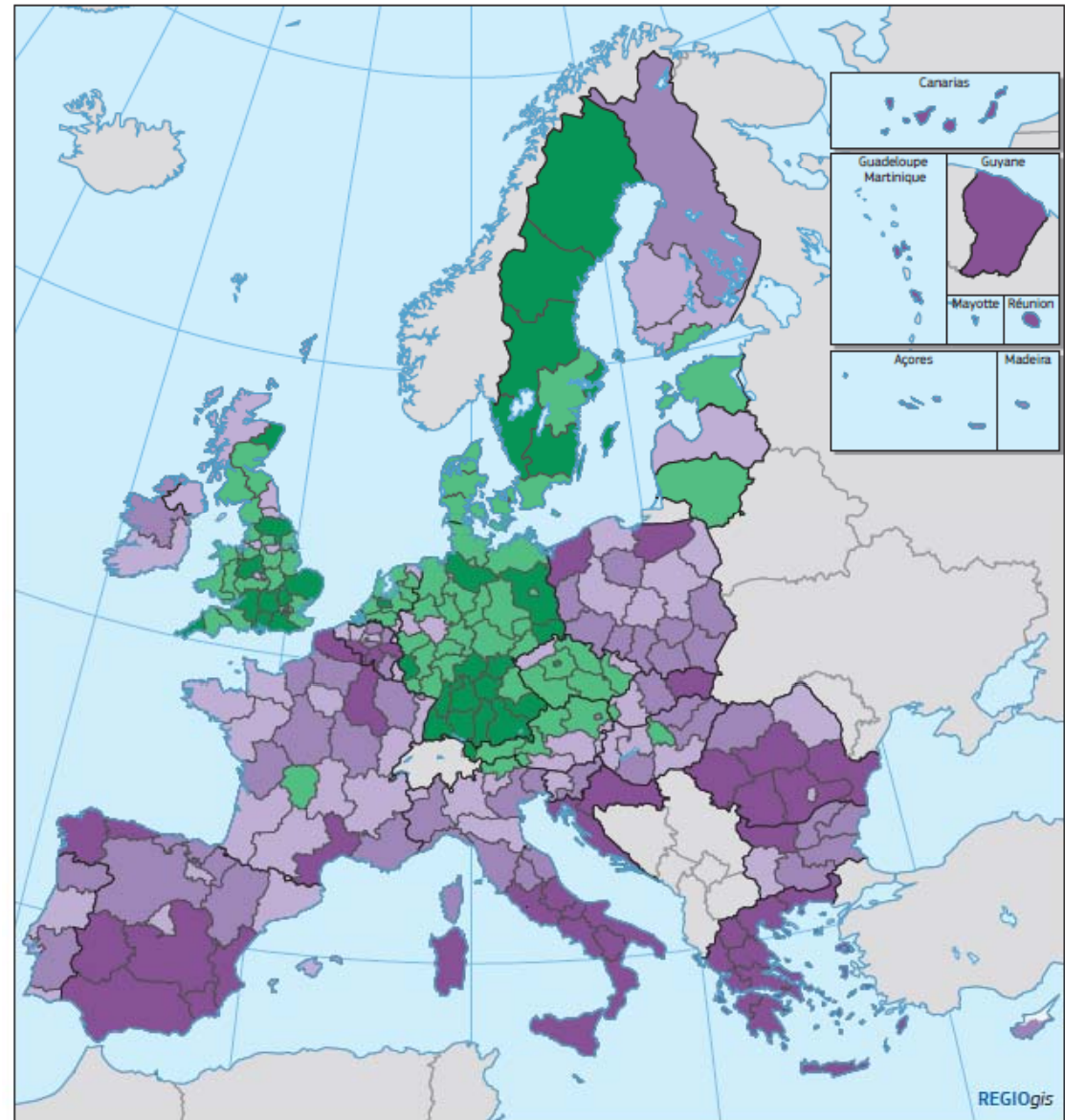
- Regions that do not move into the higher value added activities
- Face growing competition from less developed regions
- Innovation remains spatially concentrated
- Competitive regions in the east generate few spillovers

Large differences in economic structures

	Employment			EU-28
	Less developed	Moderately developed	Highly developed	
<i>Share in 2016 (%)</i>				
A: Agriculture, forestry and fishing	13.3	5.6	2.4	4.5
B-E: Industry (except construction)	20.6	23.0	13.5	15.3
F: Construction	6.8	7.0	6.2	6.3
G-J: Wholesale and retail trade; et al.	26.8	27.4	27.9	27.7
K-N: Financial and insurance activities; et al.	9.6	13.2	18.2	16.4
O-U: Public administration; et al.	22.9	23.7	31.9	29.7
Total	100	100	100	100

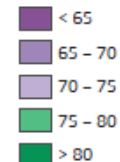
Employment rate 20-64

- In 2016 exceeded the pre-crisis level for the first time
- In 6 States (Sweden, Germany, Denmark, UK, Estonia and Netherlands) is above 75%. In more than half of States is below 70% and in Greece, Spain, Croatia, France and Italy, below 65%.

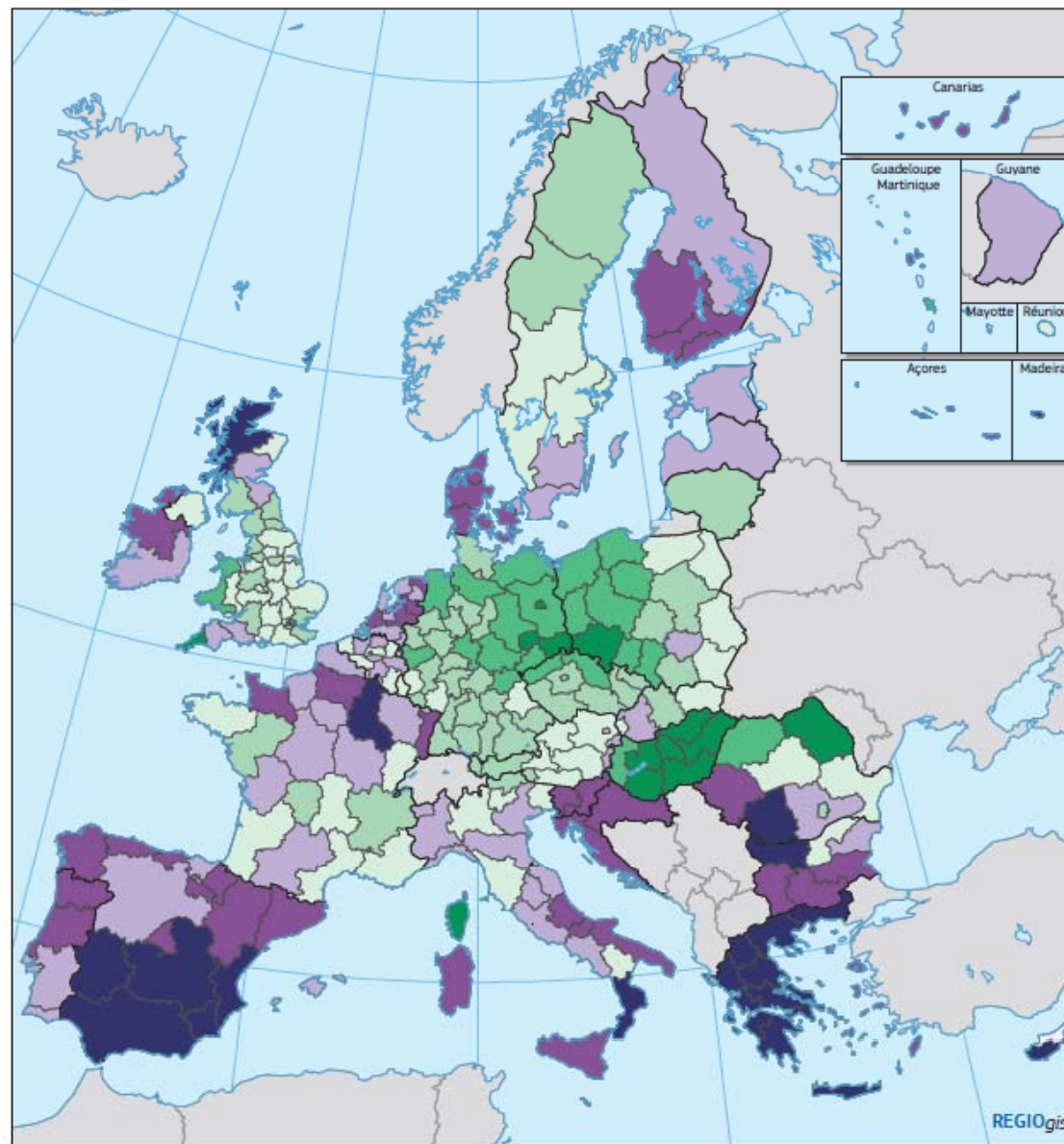


Map 2.5 Employment rate (20–64), 2016

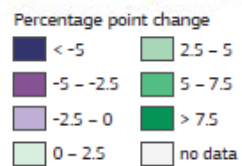
% of population aged 20–64



EU-28 = 71
The Europe 2020 target is 75
Source: Eurostat



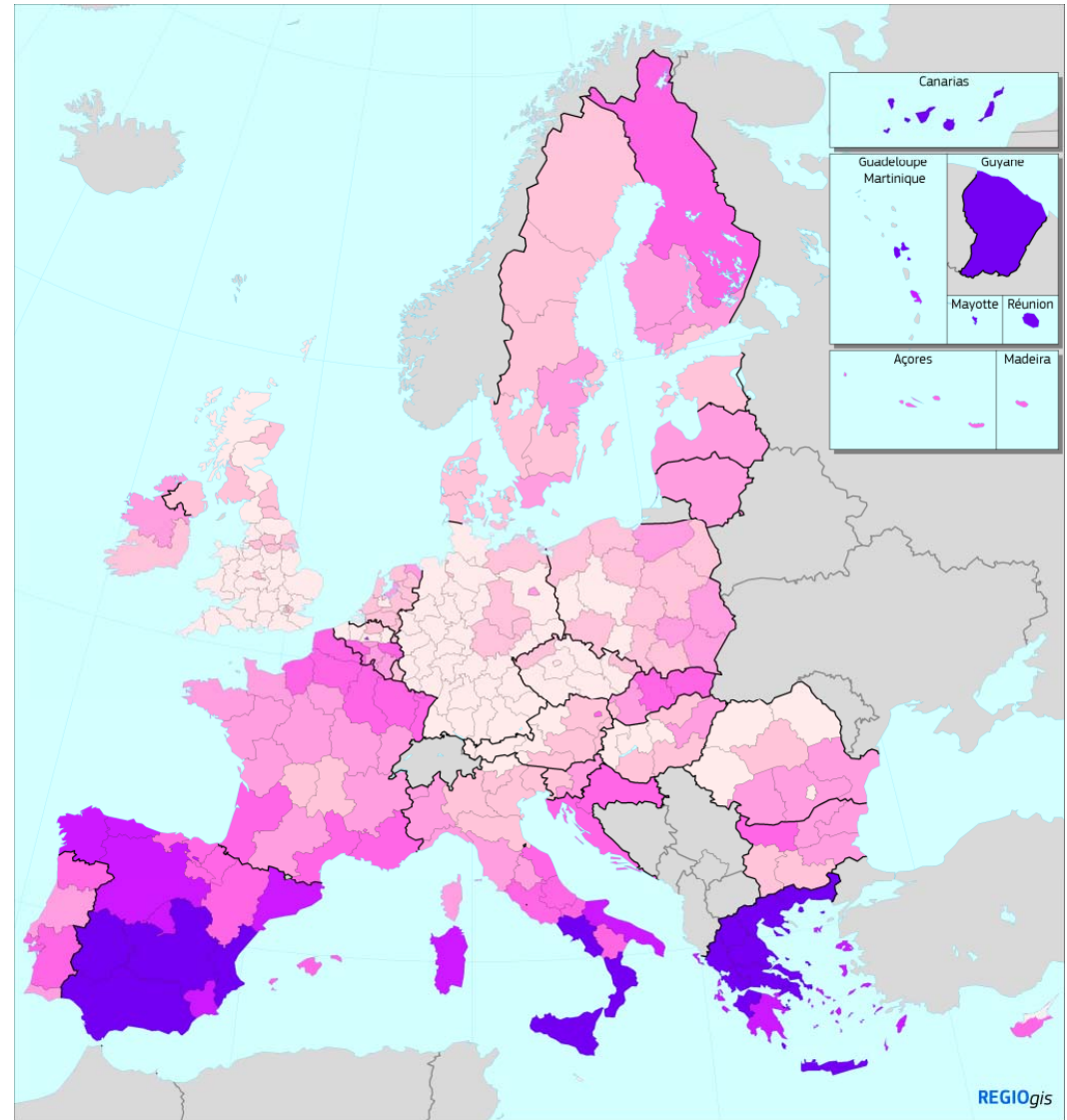
Map 2.6 Change in employment rate (20-64), 2008–2016



EU-28 = 0.8
Source: Eurostat, DG REGIO

Unemployment

- Unemployment is still above pre-crisis level and regional disparities have not started narrowing yet
- In particular youth unemployment remains high



Unemployment rate, 2016



EU-28= 8.5%
Source: Eurostat

Table 2.6 Employment and unemployment by category of region, 2016 and change 2008–2016

		Less developed regions	Transition regions	More developed regions	EU
Employment rate	2016	65.0	67.7	74.2	71.1
	change 2008–2016	1.1	-0.2	0.8	0.8
Unemployment rate	2016	9.5	12.3	7.4	8.5
	change 2008–2016	1.7	2.0	1.4	1.5

Source: Eurostat, Labour Force Survey

INTANGIBLE FACTORS

Innovation

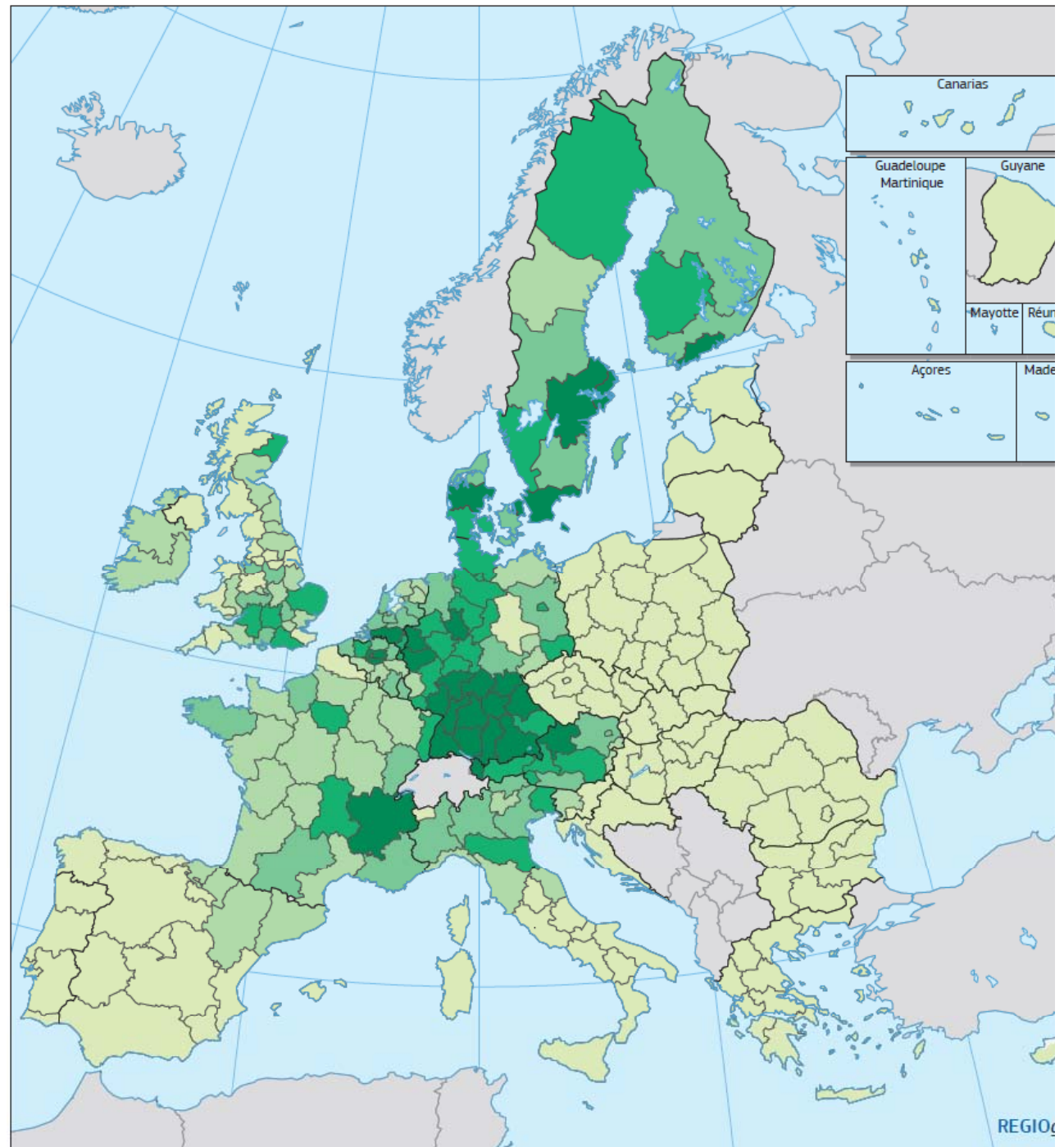
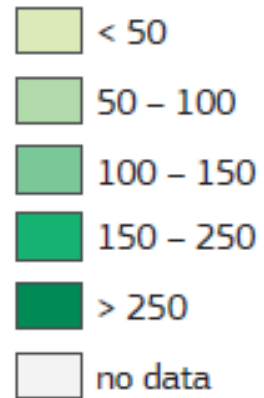
Innovation (product, process, market, organisational) is one of the major engines of economic growth, employment and environmental sustainability.

Innovation is an important driver of long-run productivity growth and is crucial to maintaining the competitiveness of firms.

Various indicators: patents, expenditure in research and development.

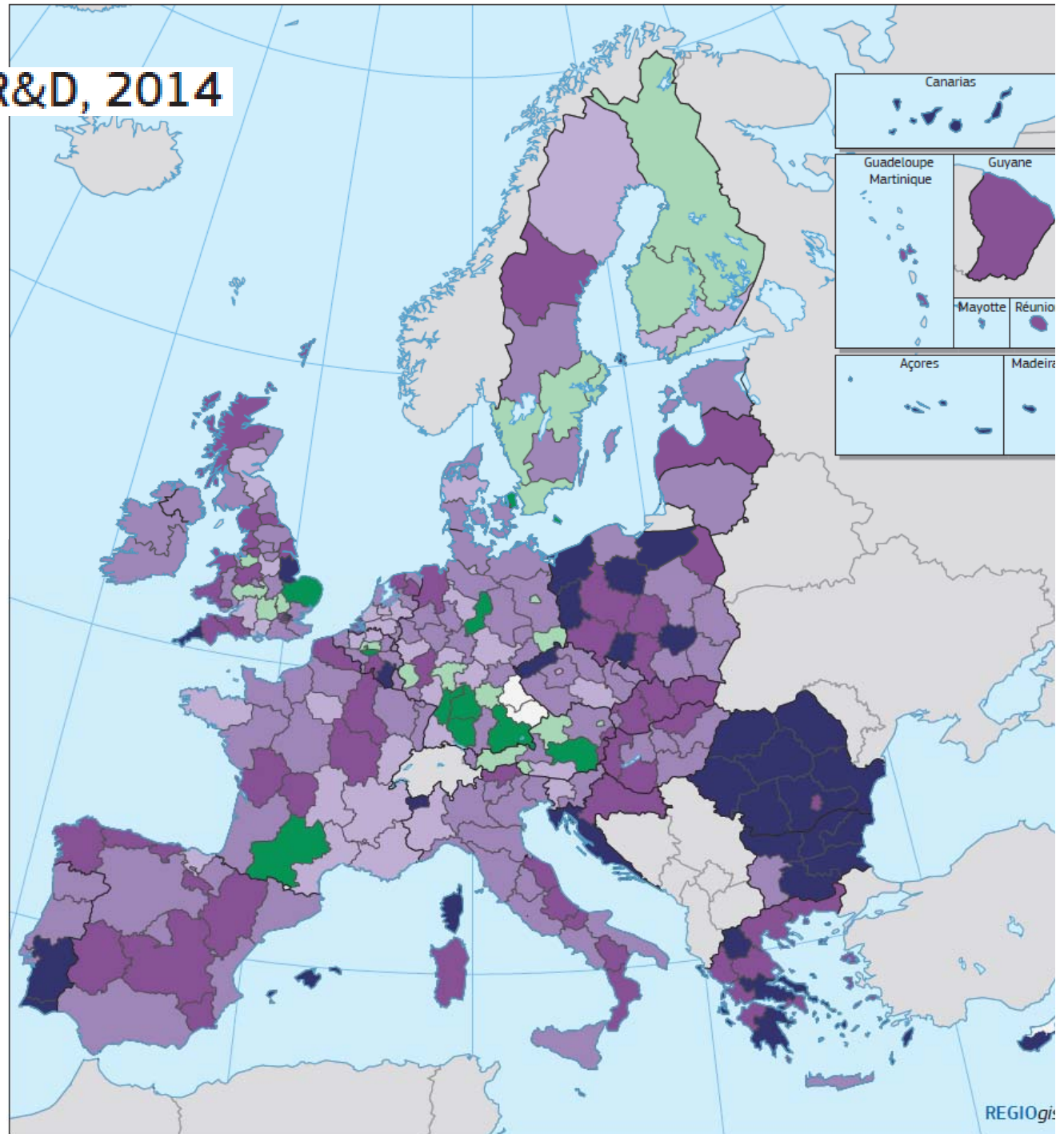
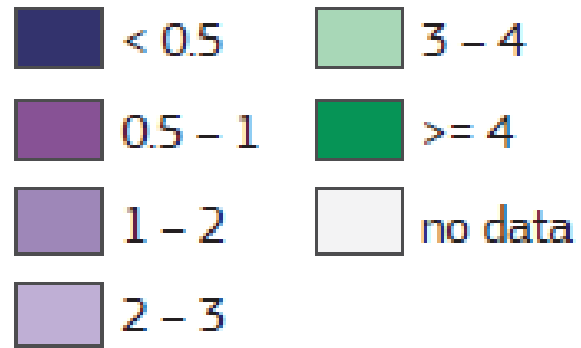
Patent applications to EPO, average 2010-2011

Applications per million inhabitants



Total expenditure on R&D, 2014

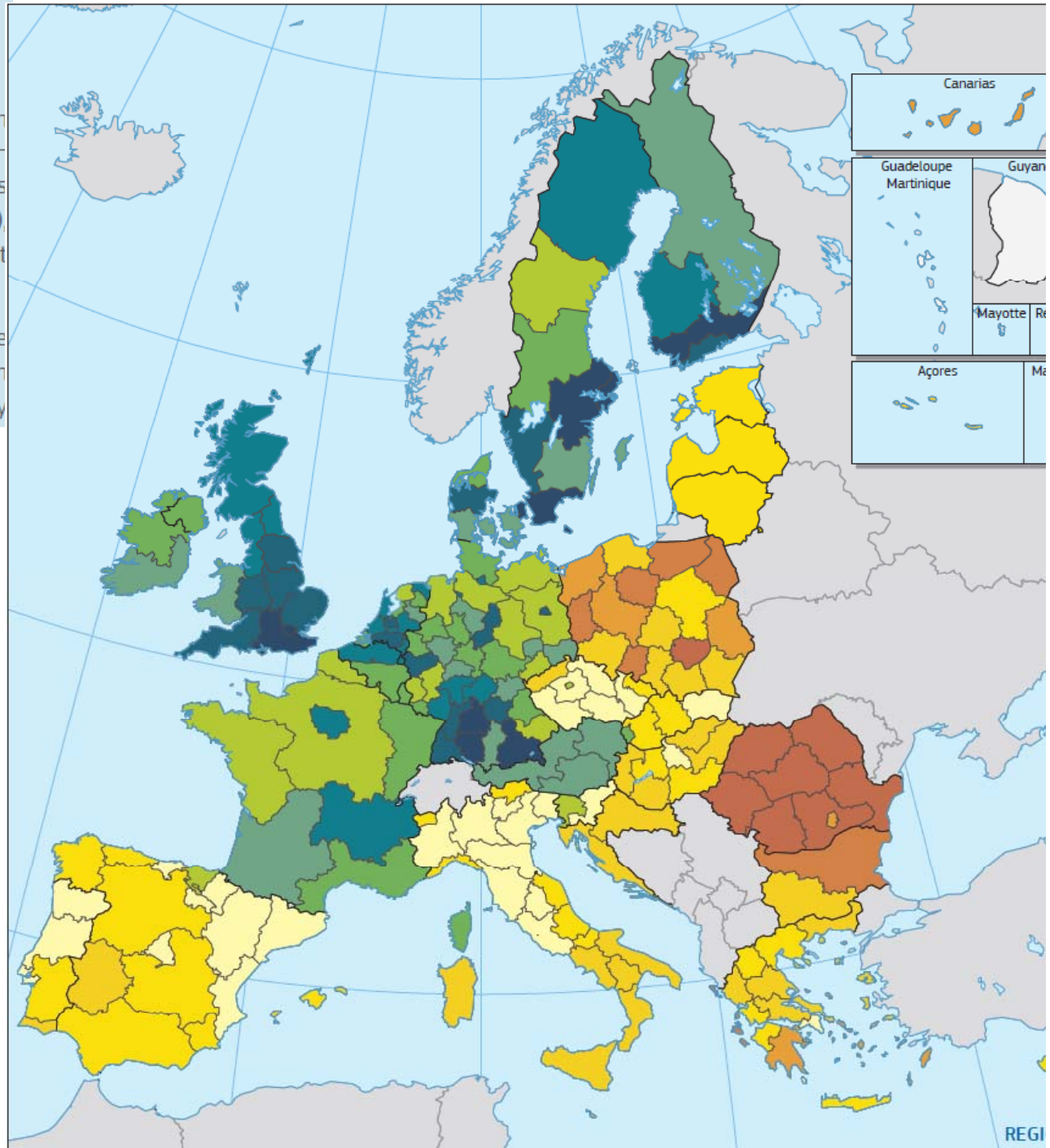
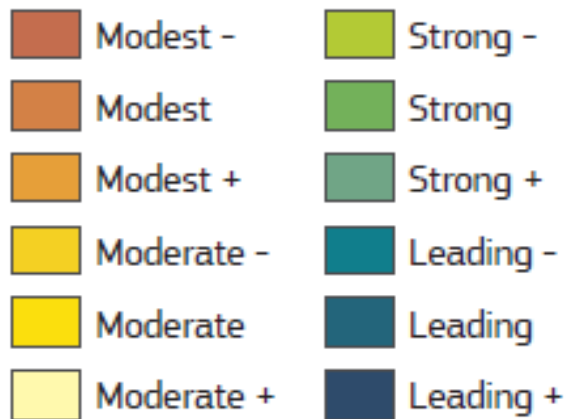
% of regional GDP



Regional Innovation Scoreboard (RIS) methodology

The 2017 edition of the Regional Innovation Scoreboard (RIS) classifies regions into four innovation performance groups: Innovation Leaders (53 regions), Strong Innovators (60 regions), Moderate Innovators (85 regions), and Modest Innovators (22 regions).

The RIS for 2017 is based on data for 18 of the 27 indicators used in the European Innovation Scoreboard for the same year. In the same way



Human capital

A well-educated work force is the key to economic development and prosperity.

Higher education boosts upward social mobility and improves employment prospects.

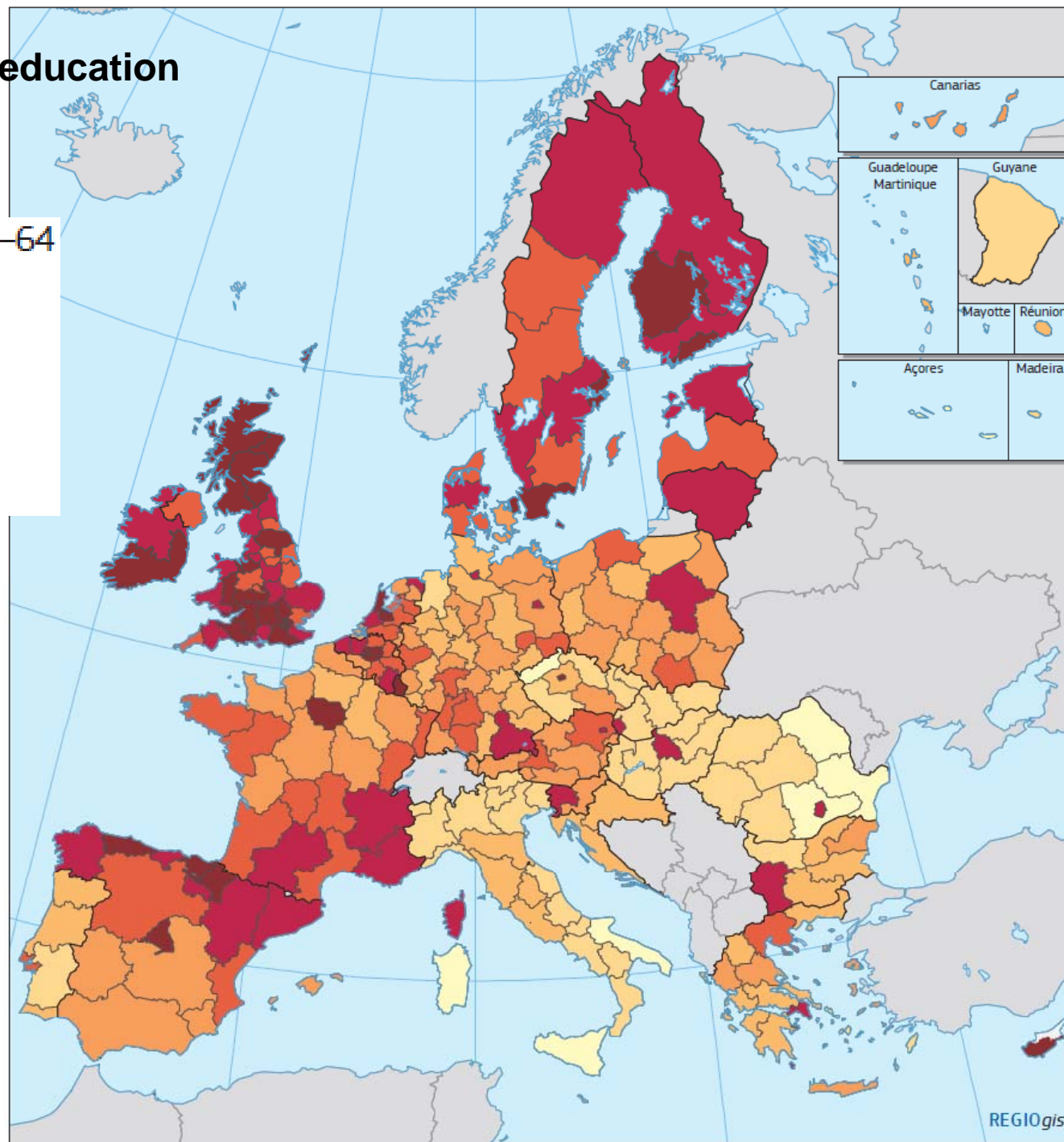
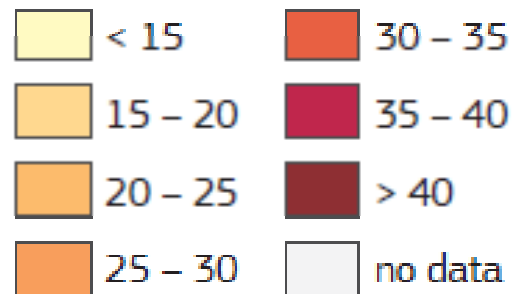
In 2016, people aged 25–29 with tertiary education had an employment rate of 81%, compared to 74% for those with an upper secondary education and 54% for those with only basic schooling.

Table 1.8 Population aged 30–34 with a tertiary education, by cohesion policy groups of regions, 2016

	More developed	Transition	Less developed	EU-28
Population aged 30–34 with a tertiary education, 2016 (%)	43.2	32.7	33	39.1
% point change 2008–2016	6.8	1	12.3	8
% point change 2000–2008	9.7	9.3	8	8.8
Distance to EU-2020 target (% point difference)	0	7.3	7	0.9
% of regions that have reached the EU target	53	22	29	41

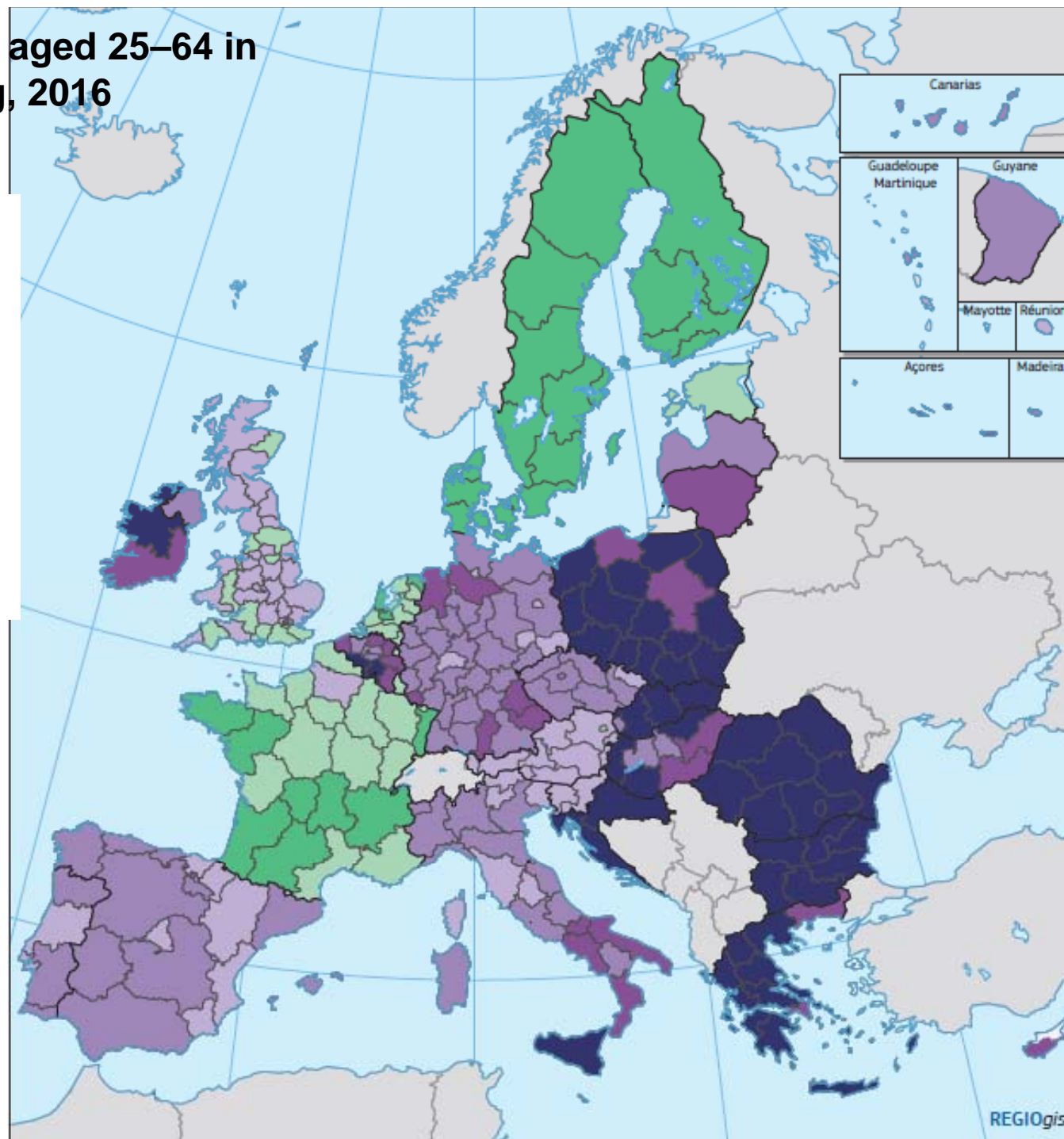
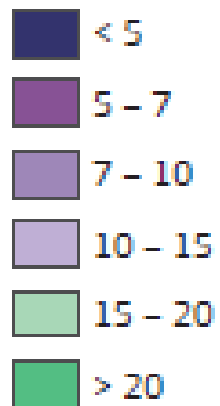
Population with tertiary education 2017

% of total population aged 25–64



Participation of adults aged 25–64 in education and training, 2016

% of population aged 25–64



Early school-leavers from education or training aged 18–24, average 2014–2016

% of population aged 18–24

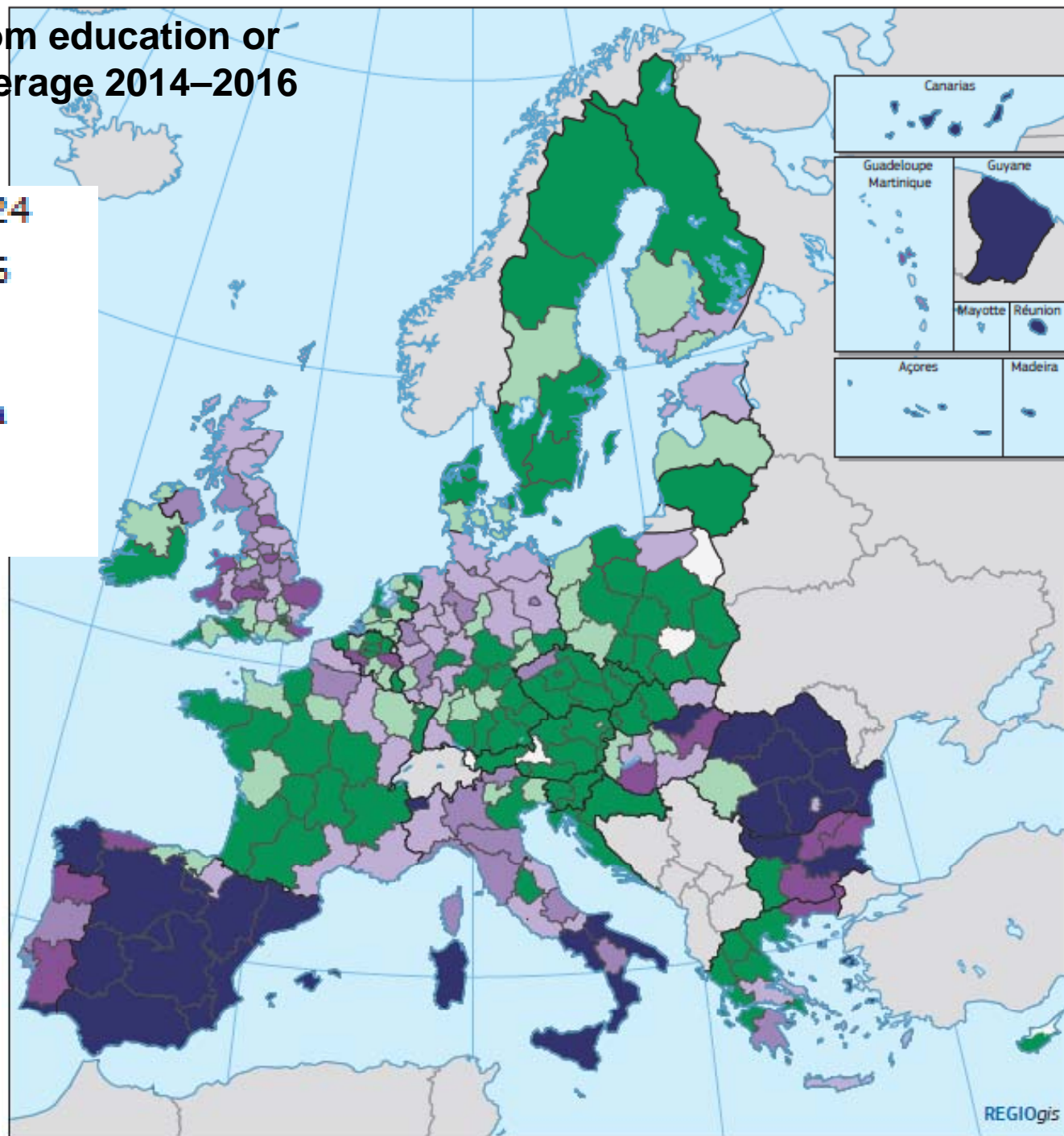
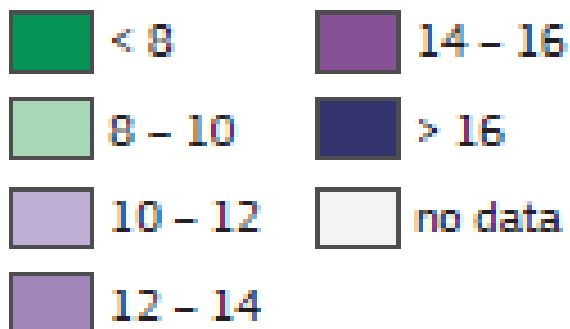


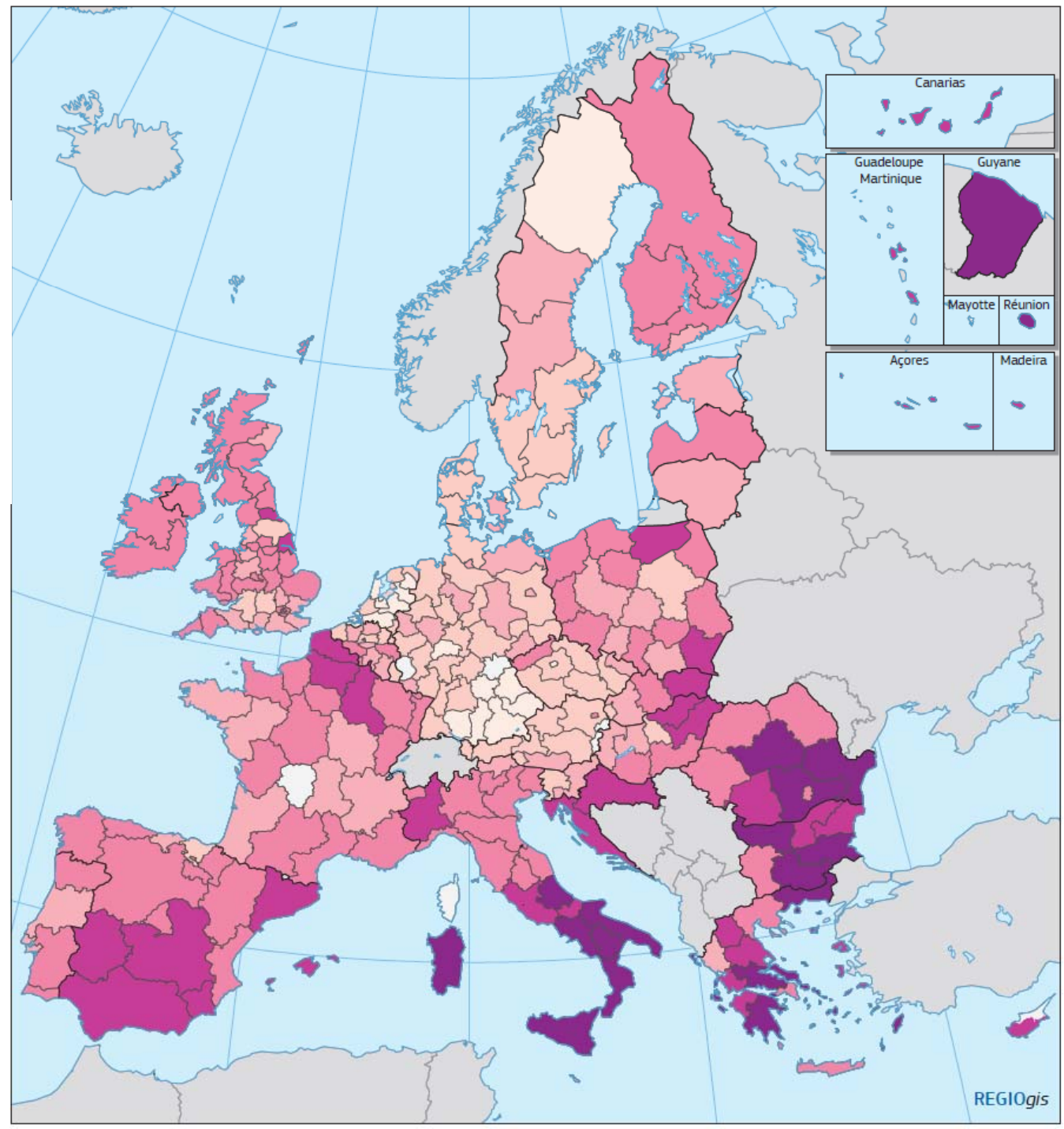
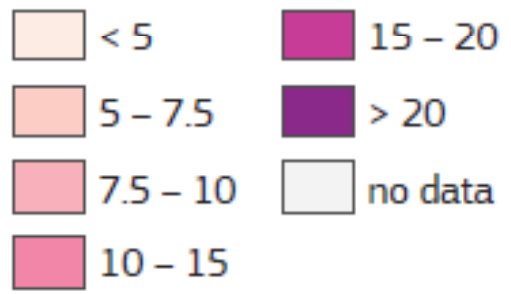
Table 2.7 Youth unemployment, those not in employment, education or training (15–24) and participation in education and training (25–64) by category of region, 2008–2016

		Less developed regions	Transition regions	More developed regions	EU
Youth unemployment rate (% of labour force 15–24)	2016	24.4	27.3	16.7	18.7
	change 2008–2016	4.7	6.4	2.9	2.8
Not in employment, education or training (% population 15–24)	2016	15.4	13.7	9.6	11.5
	change 2008–2016	2.6	0.0	0.3	0.6
Participation in education and training (% population 25–64)	2016	4.6	11.6	12.9	10.8
	change 2008–2016	0.2	2.2	1.8	1.3

Source: Eurostat, Labour Force Survey

NEET 2016

% of population aged 15–24



Social Capital

Social Progress Index

Table 2.9 The framework of the EU-SPI index

Basic Human Needs	Foundations of Well-being	Opportunity
Nutrition and basic medical care	Access to basic knowledge	Personal rights
Water and sanitation	Access to information and communication	Personal freedom and choice
Shelter	Health and wellness	Tolerance and inclusion
Personal safety	Environmental quality	Access to advanced education

Map 2.25 EU Social Progress Index, 2016

Index

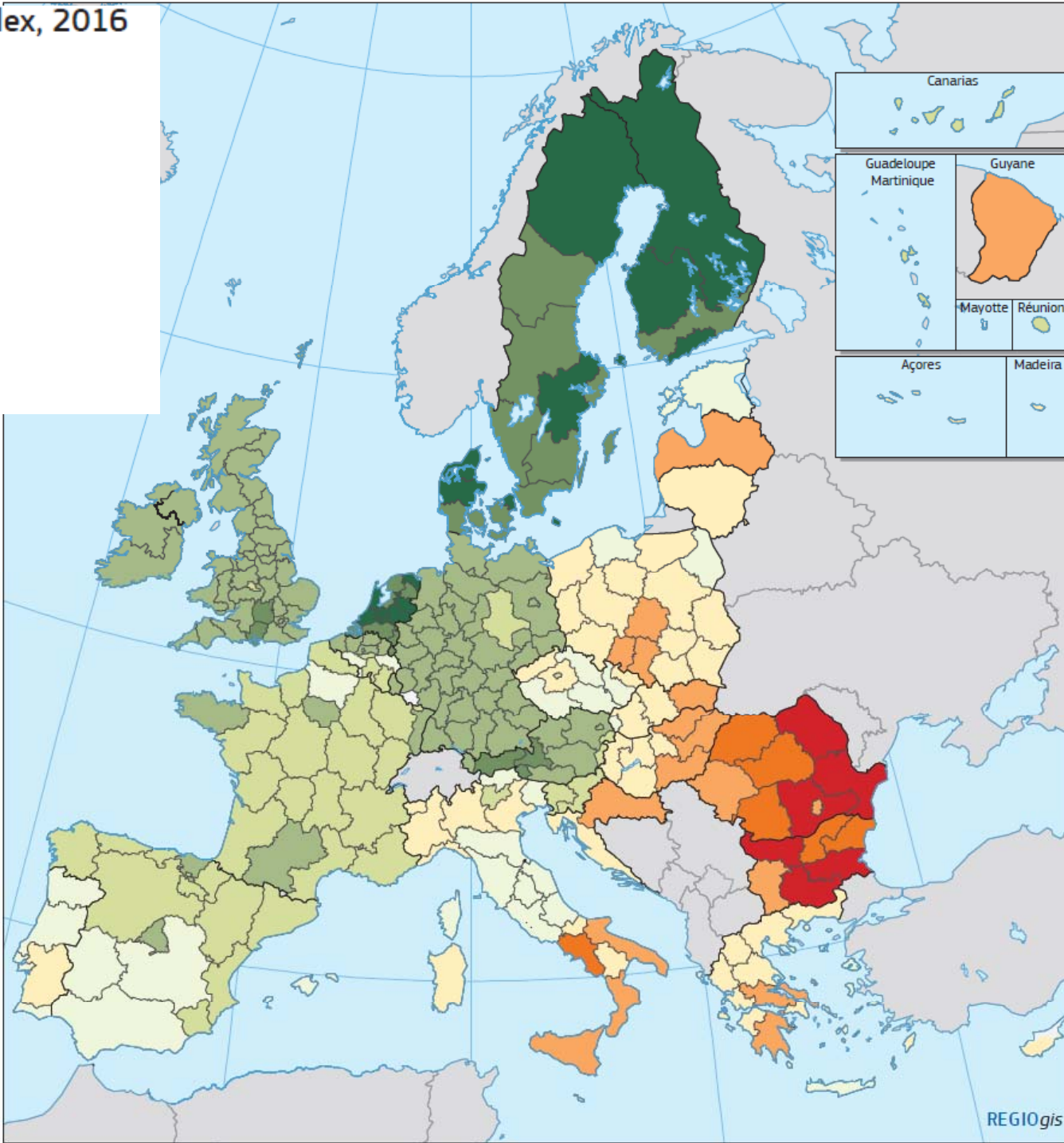
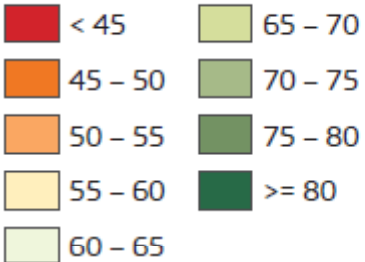


Figure 2.22 Relationship between EU-SPI and GDP per head



Source: DG REGIO

The Regional Competitiveness Index (RCI) 2016

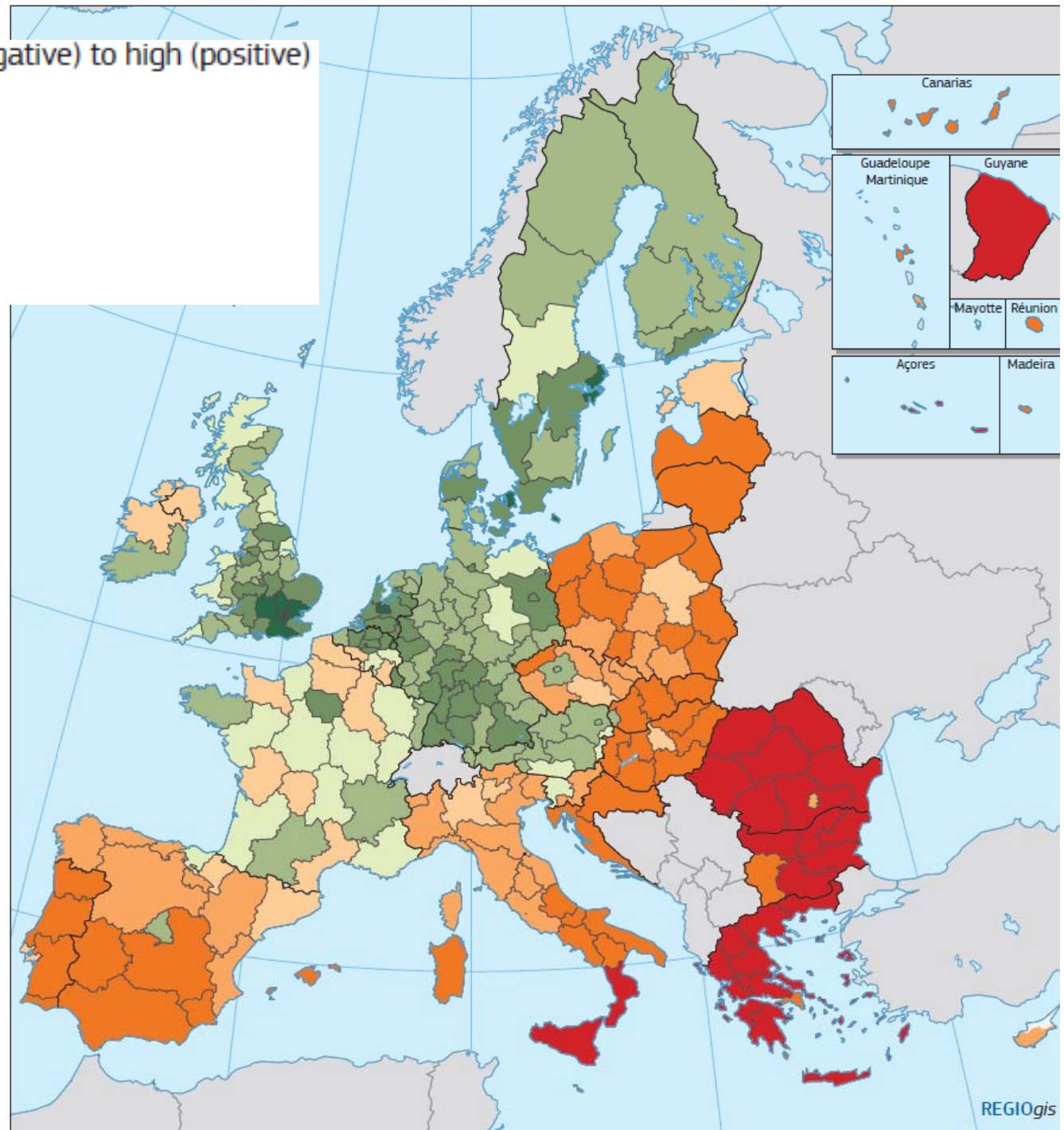
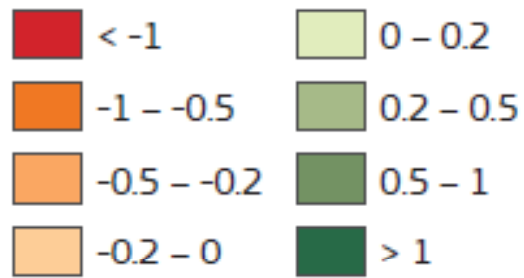
Set of 74 indicators mainly covering the 2012–2014 period. It is composed of 11 pillars that cover the different aspects of competitiveness.

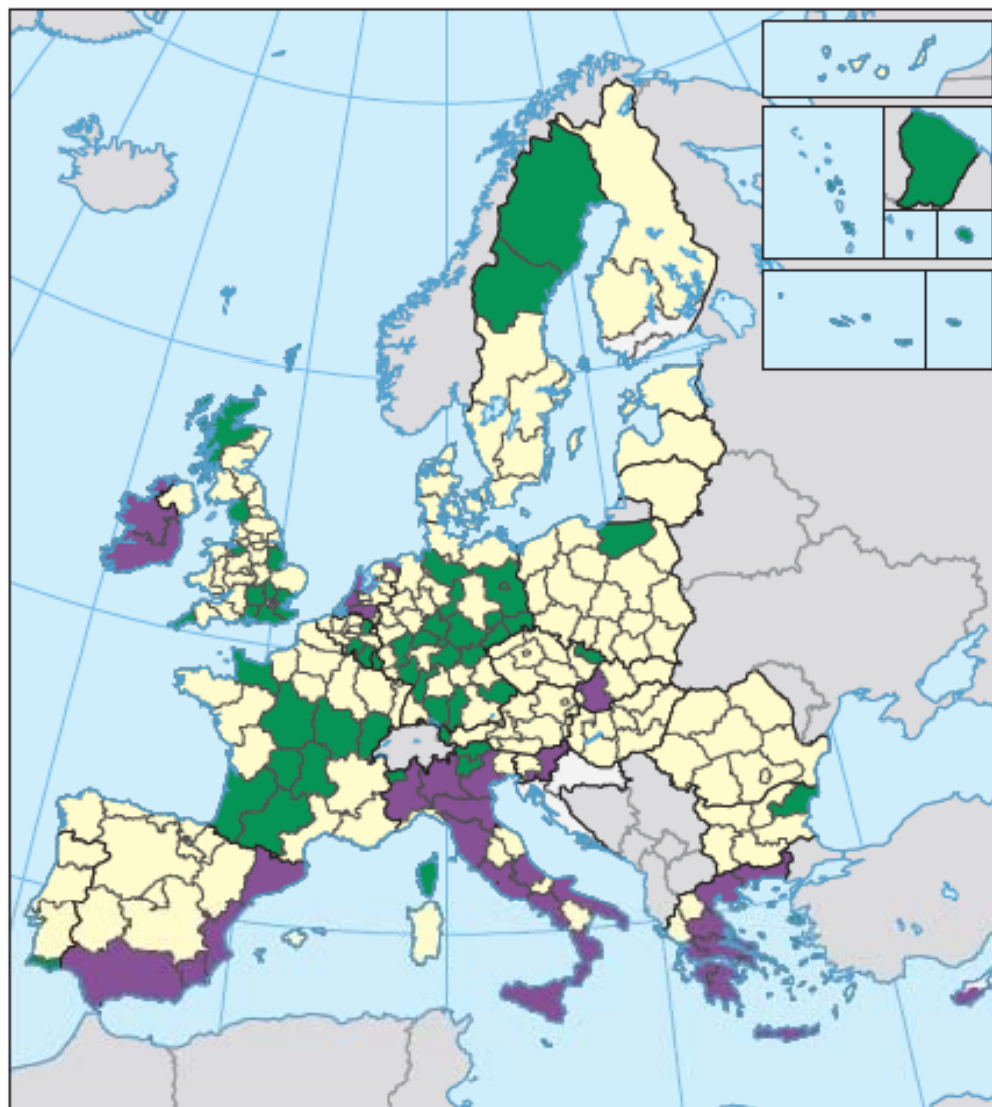
Basic: (1) Institutions; (2) Macroeconomic stability; (3) Infrastructures, (4) Health, (5) Basic education,

Efficiency: (6) Higher education, Training and Lifelong learning; (7) Labour market efficiency; (8) Market size.

Innovation: (9) Technological readiness; (10) Business sophistication; (11) Innovation.

Index: values range from low (negative) to high (positive)






2010–2016

Difference between RCI 2016 and RCI 2010

 deterioration

 stability

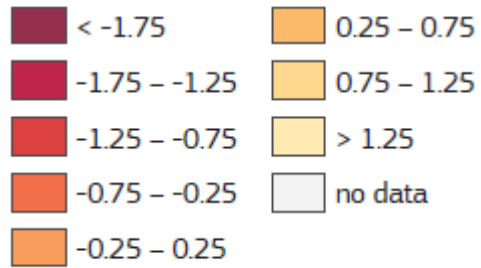
 improvement

Quality of governance and institutions

Many studies in recent years have highlighted the importance of good governance for economic performance and the fact that poor government in lagging areas in the EU represents a significant obstacle to development

Map 4.1 European Quality of Government index, 2017

Standard deviation, range from poor quality (negative) to high quality (positive)



EU = 0
Source: World Bank data a

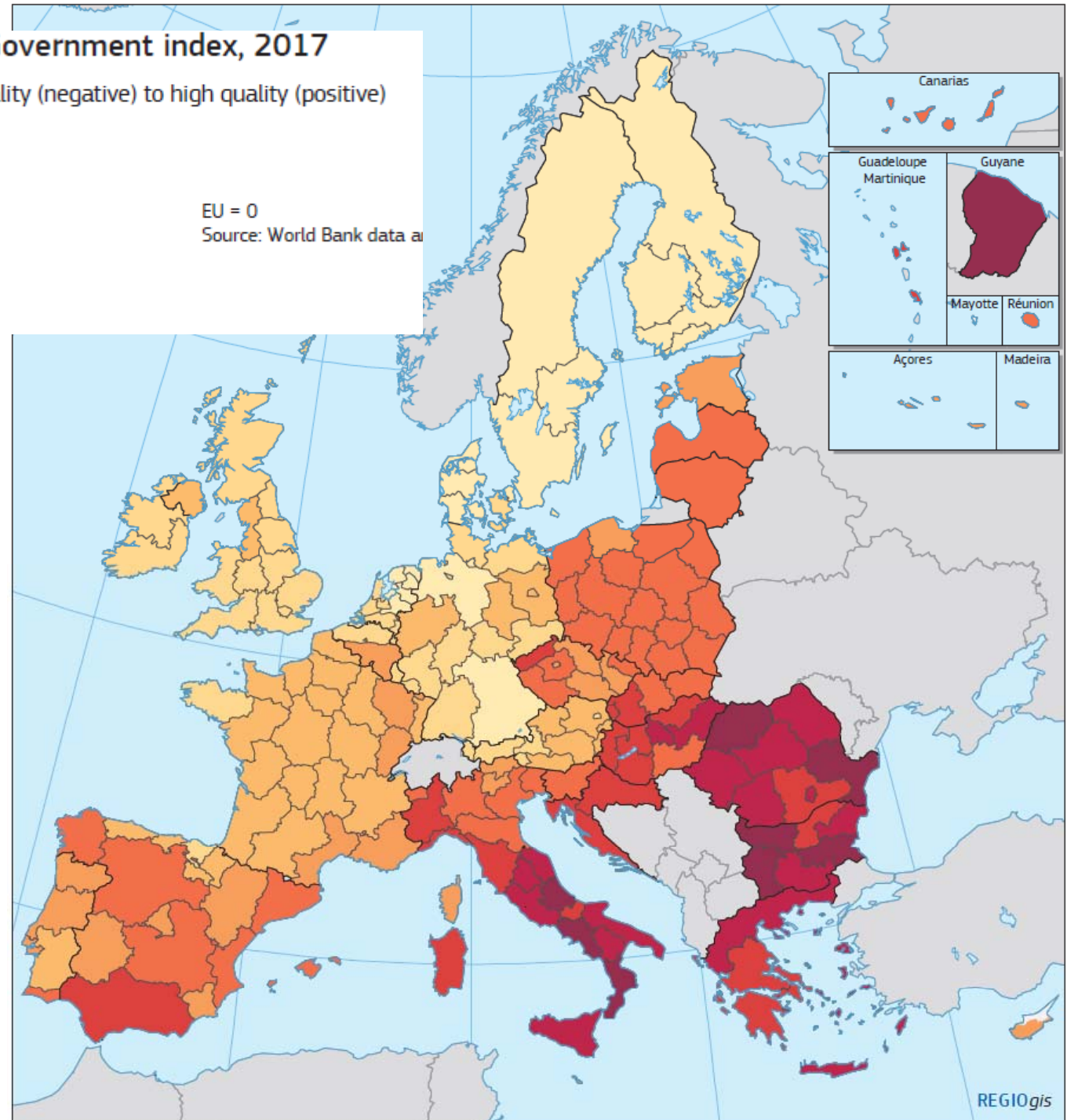


Table 4.1 Summary of fixed effects analysis

Results of all growth determinants		Results by institutional index components	
Dependent variable: GDP per capita growth (1999–2013)	All EU regions	Dependent variable: GDP per capita growth (1999–2013)	All EU regions
Initial GDP per capita	Orange	Level of corruption index	Light Blue
Investment	Orange	Change of corruption index	Green
Population growth	Orange	Level of rule of law index	Light Blue
Agglomeration	Light Blue	Change of rule of law index	Orange
Level of accessibility index	Orange	Level of government effectiveness	Light Blue
Change of accessibility index	Light Blue	Change of government effectiveness	Green
Level of human capital & innovation index	Light Blue	Level of government accountability	Light Blue
Change of human capital & innovation index	Orange	Change of government accountability	Green
Level of institutional quality (QoG)	Light Blue		
Change of institutional quality (QoG)	Green		

Key:	
Green	Positive and statistically significant impact
Orange	Negative and statistically significant impact
Light Blue	No statistically significant impact

Panel data analysis for 249 NUTS 2 regions in the European Union using a standard Solow-Swan-type growth framework. Investment is proxied by regional gross fixed capital formation as a percentage of GDP. All independent variables are included with a five year lag. Natural logarithms have been taken for most regressors apart from the population growth variable. All regressions include constant time dummies.

Source: DG REGIO calculations on the basis of A. Rodriguez-Pose, T. Ketterer (2016).

