POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

Final Report

Annex I
Country Studies

STUDY ON POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

country: GERMANY

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Executive Summary

In official documents and research on poverty in Germany the aspect of rural poverty does not play a prominent role. The National Rural Development Plan 2007-2013 does not mention the problem of poverty at all. In national statistics no distinction between rural and urban poverty is made. Moreover, there is even no single, official definition of rural areas for Germany and different typologies are in use.

Our analysis referring to various available indicators used to measure poverty or characterizing poor living conditions of the population reveal contradictory results on the dimension and patterns of rural poverty in Germany:

>- density of social assistance ("Hilfe zum Lebensunterhalt") per 100 inhabitants: According to a report from the Federal Statistical Office the highest densities of social assistance cannot be found in rural areas but in the city-states and large cities in West Germany particularly in the Northern regions and in the Ruhr-area but not in rural areas;

>- gross national product (GDP) per capita: According to available information, rural areas reach on average only 80% of the national average whereas the GDP per capita accounts at 136% in concentrated cities. Moreover, the level in East Germany is at over 30 percentage points lower than in West Germany (in cities as well as in rural areas). The available income per capita in rural areas is below the level in cities, but the growth rate is higher in rural areas;

>- diverging demographic trends in German rural areas: Rural areas close to large aggregations are characterized by employment growth via migration whereas peripheral rural areas report a continuous drop in population density. This problem is especially prevalent in East Germany which is characterized by an exodus of young adults and a growing share of the older population;

>- infrastructure: Over half of the population in rural areas is living close to city agglomerations which offers various possibilities for city-country relations. However, in some remote rural areas, a reduction in public and private services (e.g. retail, postal offices, banks, childcare, libraries, schools, local health services) can be observed - especially in certain East German regions.

German policies against poverty focus primarily on improving access to work and on certain groups but do not differentiate by regional categories: In its second “Report on Poverty and Wealth” the German government states that poverty is highly correlated to unemployment and that measures against poverty should primarily aim at creating employment and integrating the unemployed into the labour market. Besides the group of the unemployed, other at risk groups such as single parents, families with many children and unskilled people are mentioned. Particular policies for rural areas in Germany remain to be strongly focused on the agricultural sector.
1. Overview

In official documents and research on poverty in Germany the aspect of rural poverty does not play a prominent role. If at all rural areas are mentioned, no definition is outlined, which gives the impression of ad-hoc definitions. In the most prominent document on poverty, the report on Poverty and Wealth of the Federal Government, poverty is defined as the proportion of persons in households with a needs-weighted net equivalent income below 60% of the median income of all persons, but we cannot call this an “official definition” as research also uses other definitions. Poverty research in Germany focuses on special risk groups like unemployed or lone parents. Measures against poverty and for social inclusion focus on economic growth and the inclusion into employment.
2. Main characters of rurality in Germany

2.1 The definition of rural areas

There is no single, official definition of rural areas for Germany (cf. also OECD 2007a). A classification of administrative districts (Landkreise) provided by the Federal Office for Building and Regional Planning (Bundesamt für Bauwesen und Raumordnung, BBR) differentiates nine regional types and classifies four of them as rural areas:

- rural areas in agglomerated regions (< 150 inhabitants per square km) (type 4)
- rural areas in urbanized regions (< 150 inhabitants per square km) (type 7)
- rural areas in rural regions with a relatively high population density (>100 inhabitants per square km) (type 8)
- rural areas in rural regions with a low population density (less than 100 inhabitants per square km) (type 9)

The list indicates that the main characteristic of rural areas is a low population density. This typology is for example used by the Federal Employment Agency for regional analysis of unemployment rates (cf. section 2.2).

A further very common typology is from the OECD, using the following criteria also related to population density:

- A community (Kommune, Gemeinde) is classified as rural if the population density is below 150 inhabitants per square km.
- A region is classified as predominantly rural if over 50% of the inhabitants are living in rural communities, as intermediate if between 15 and 50% of the communities are rural and as urban if less than 15% are rural.

In the OECD definition, the existence of an urban centre nearby can shift a rural area to an intermediate area. In the classification of the Federal Office for Building and Regional Planning these areas would still be classified as rural. If a rural region has an urban centre with more than 200,000 inhabitants nearby which counts for at least 25% of the population it will be classified as intermediate. If an intermediate region has an urban centre with over 500,000 inhabitants counting for at least 25% of the population nearby it will be classified as urban.

The main difference between the two definitions frequently used is that the OECD classification is based on a smaller number of regional units going along with the consequence that the criterion of rurality is measured on a higher aggregation level. Whereas the classification of the BBR includes 439 regional units (Kreise und kreisfreie Städte) at the NUTS 3 level, the OECD classification comprises 97 regions that are characterised as territorial level 3.

The German federal states use different definitions and even the Federal Office for Building and Regional Planning BBR applies different classifications according to the objective of the analysis, so that we cannot refer to a uniform national definition, but the definitions presented here seem to be the most common. A brief comparison shows that the proportion of rural areas in Germany is estimated as lower or higher depending on the approach and data source:

- According to the OECD (2007a), rural areas account for 29% of the territory, 12% of the population and 9% of the gross domestic product in Germany.
- According to the European Commission (2006: 30), the respective figures (NUTS 3-level) are at 36.5%, 13.2% of the population, 9.7% of GVA and 11.3% of total employment.
- According to the same source, on NUTS 2-level the shares of rural areas in Germany are much lower: Rural areas stand for 9.5% of territory, 4.5% of population, 3.9% of GVA and 4.3% of total employment.

Compared to the European averages on NUTS 3-level, the proportion of rural areas in Germany is below the average for all indicators. However, in comparison to the EU-15 average, the German rates are relatively close to that average in three of four categories (population: 15.5%; GVA: 12.4%; employment: 13.8%) (European Commission 2006: 30).
A national classification provided by the Federal Office for Building and Regional Planning, surprisingly reveals substantially higher proportions of rural areas. The respective figures are at 59% of the territory, 27% of the population and 21% of GDP (BBR 2005 – cited by OECD 2007a: 14). As no explanation of the approach is given here, the reasons for the deviations from the other data remain unclear. However, all in all it can be summarized that the two predominant sources of variation are various definitions of rurality and the aggregation level of the data.

### 2.2 The different typologies of rurality in Germany

The issue of typologies is closely related to the various definitions of rurality described above. For instance, the differentiation of nine types of regions by BBR according to population density and regional location can also be called a typology. Among the four types of rural areas a distinction is made between rural areas in agglomerated regions, rural areas in rural regions with a relatively high population density and rural areas in rural regions with a low population density. According to the analysis of the OECD, these different types of rural areas are confronted with different problems for example with respect to demographic trends.

There are some further criteria that are frequently used to analyze differences between urban and rural areas. The division between East and West Germany is certainly the most relevant criterion, as the East German communities are characterised in general by lower Gross National Product per capita, a sharper ageing of the population, and more remoteness from urban centres (OECD 2007a: 39).

In a further differentiation of its typology, the BBR distinguishes by a cluster analysis six different groups with reference to variable groups from the areas of demography, employment, settlement structure and land use, all regions in general have a population density below 150 inhabitants per square kilometer:

1. Exodus regions with huge economic problems and high population density
2. Exodus regions with huge economic problems and low population density
3. Regions favored by tourists and the resident population
4. Regions from the central German uplands with a good economic structure
5. Peripheral regions of urban centres with a good demographic perspective
6. Relatively unknown but strong regions

In the regions 1) and 2) the situation is particularly worse with huge economic problems and an exodus of the population. Most of them are located in East Germany.

In the National Rural Development Plan, we can also find some incidence for differences between rural areas that could be a starting point for building typologies. In a general remark a distinction is made between peripheral regions and regions close to agglomerations but this differentiation is not consequently used in the further text (BMELV 2006: 5). Part of the further analysis refers to differences among rural areas with respect to economic, social and natural aspects. Especially the objective 1 regions (East Germany and Lüneburg) are characterised by a low gross domestic product per capita (2003: 17,279 € compared to 26,231€ in the other regions for 2003). The objective 1 regions are also typically characterised by high unemployment rates (19% on average) (BMELV 2006: 21f.).

To sum up the findings on typologies in Germany, the most frequent divide is made between East and West Germany which is almost identical with the differentiation between objective 1 and other regions. A second important aspect for typologies is certainly the remoteness of regions. Purely rural areas in rural regions show a decrease in population, whereas the rural areas located close to agglomerations seem to be frequently more attractive with a relatively strong increase in the population.

### 2.3 Main social and economic problems in rural areas

The economic situation of rural areas in Germany is largely diverging. Some rural areas particularly in the south of West Germany are performing very well whereas others (predominantly in East Germany) are characterised by high unemployment rates, unfavourable demographic trends and a low income per capita. Accordingly, in the Western federal states unemployment rates were in 2005 highest in the cities (11.9% on average) while in rural areas they were substantially lower at about 8.4% on average. In the East the relation is vice-versa: the unemployment rates were highest in rural areas (on average 20.4%) and slightly lower in urban areas (19.1%) (OECD 2007a: 53).
In statistics of the Federal Employment Agency, the typology for rural areas of the BBR is used for analysing indicators such as unemployment rates or employment growth. Among the four types of rural areas, the highest unemployment rates typically affect rural areas in East Germany (Bundesagentur für Arbeit 2007):

- rural areas in agglomerated regions (< 150 inhabitants per square km) (type 4): Unemployment rates (July 2007) range from 18.3% in Brandenburg (Mecklenburg-Vorpommern / East) down to 2.9% in Erding (Bavaria / West).
- rural areas in urbanized regions (< 150 inhabitants per square km) (type 7): In this type, only 13 of 61 areas are located in East Germany, but they are all among the 14 areas with the highest unemployment rates – between 21.8% in Görlitz and Saale-Orla-Kreis with 9.6%. The lowest unemployment rate in this type is to be found in Eichstätt (Bavaria / West) with 1.7%.
- rural areas in rural regions with a relatively high population density (>100 inhabitants per square km) (type 8): 11 of 55 areas of this type are located in East Germany and they are among the 20 areas with the highest unemployment rates (between 17.7% in Wismar and 8.2% in Sonneberg). The lowest unemployment rate (3.0%) is to be found in Landshut (Bavaria / West).
- rural areas in rural regions with a low population density (less than 100 inhabitants per square km) (type 9): 19 of 41 areas of this type are located in East Germany and they are among the 25 areas with the highest unemployment rates (between 22.2% in Uckermark and 8.5% in Hildburghausen). Again, with a few exceptions all West German areas have much lower unemployment rates – the lowest at 3.0% in Dingolfing (Bavaria / West).

Moreover, among the ten regions with the overall highest unemployment rates in Germany, six of them come from type 9 and all of them are located in East Germany. Three are classified as rural areas in urbanized regions (type 7) and one is not categorized. So we can conclude that the areas with the highest unemployment rates in Germany are predominantly remote rural areas. The employment rates (not comparable with EU-definitions) in these areas are clearly below the German average (48.1%). However, there are some rural areas among them in which the employment growth in the last year has been relatively strong (Kyffhäuserkreis, Elbe-Elster, Ostprignitz-Ruppin, Görlitz Stadt). However, it is difficult to assess whether this may be an indicator for some improvements of bad situation or mainly a statistical artefact due to the low basis.

Demographic trends are very diverse in rural areas in Germany. Rural areas in agglomerated regions show the strongest increase in the population (+8.4% between 1994 and 2004). In rural areas located in rural regions with a high population density the population has also been increasing (+5.1%). In rural areas located in urbanized regions the increase has been lower (+2.2%) whereas in rural areas located in rural regions with a low population density show a decrease by -2.3%. The situation is especially worsening in East Germany where several regions are faced with an exodus of young adults and a growing share of the older population (OECD 2007a: 43).

By contrast, the rural areas in agglomerated regions seem to be the most attractive, combining employment possibilities and infrastructure with low costs of housing and living (OECD 2007a: 18, 43). Over half of the population of rural areas is living close to city agglomerations which offer various possibilities for city-country relations. This good accessibility of centres is supported by the German basic infrastructure. With some few exceptions it is everywhere in Germany possible to be on a state motorway in less than one hour.

Even in very peripheral areas the access to a basic public infrastructure is provided (e.g. telecommunication, health, education) although the distance to some facilities and the variety of choice is regionally different. However, as described in more detail in section 3.3, in some rural areas, a reduction in services like retail, postal offices and banks, as well as child care and libraries can be observed. Problems in the provision of local health services can occur, if the “critical mass” is not reached for a local basic service. This is especially a problem in the Eastern part of Germany as well as a trend of closing primary schools due to demographic trends (OECD 2007a: 59f.; BMELV 2006).
3. Main characters of rural poverty in Germany

3.1 Measurement of poverty in Germany

Until the 1980s, poverty played only a marginal role in research in the social sciences and economics (Bäcker/Hanesch/Krause 2003; Hauser/Neumann 1992). This attitude to the subject of poverty did not change until the late 1990s, when the German government published a Report on Children and Young People with the conclusion that especially children suffer from poverty. The fact that poverty is a problem in industrialized countries – and not only in developing countries – was first neglected by the German government, but the issue of poverty stayed on the political agenda and in 2001 the German government published the first “Report on Poverty and Wealth” (BMAS 2001). In the 2nd report of the Federal Government on “Poverty and Wealth” the poverty risk rate is defined as the proportion of persons in households with a needs-weighted net equivalent income below 60% of the median income of all persons. With this definition the authors refer to a common EU-definition. The report uses besides the new OECD scale also the old OECD scale. The analysis is based on a national survey (Einkommens- und Verbrauchsstichprobe) and comes to a poverty rate of 13.5% for 2003 which is an increase of 1.4 percentage points compared to 1998 (BMAS 2005).

The Federal Statistical Office uses the same proceeding and comes to a poverty rate of 13% in 2004, based on data from the EU-SILC (Statistisches Bundesamt 2006a). In another publication, the Federal Statistical Office uses again the same proceeding and comes to a poverty rate of 13.2% for 2005, based on the Socio-economic panel (Statistisches Bundesamt 2006b).

We can state that the definition of a poverty line at 60% of the median equivalised household income is very common in the most relevant reports on poverty. Nevertheless, other definitions are sometimes used like in reports on poverty on the level of the Bundesländer or further scientific studies. Besides the poverty threshold of 60% of the median income, also 50% of the median or the arithmetic mean is used. Like the report on poverty and wealth most research on poverty in Germany refers to an income based relative definition of poverty and discusses among other factors labour market participation as an important way out of poverty (e.g. Hanesch/Krause/Bäcker 2000; Büchel et al. 2000; Becker/Hauser 1997).

Table 1 gives an overview on poverty rates for Germany differentiated by East and West and by certain groups for 2004 to which we will refer in the further text as well as other structural characteristics that are discussed in detail in section 5. The poverty rate is higher for East than for West Germany for all groups, but not for pensioners. It should be taken into account, that poverty rates for East and West Germany are always measured against a single poverty threshold. If we use two separate thresholds instead, the poverty rates are very close together at 12.5% in West and 12.6% in East Germany (Engels/Scheller. 2005).

Table 1: Poverty rates by structural characteristics 2004 (60% of the median equivalised household income), in %

<table>
<thead>
<tr>
<th>Groups</th>
<th>Germany</th>
<th>East</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>13</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Unemployed</td>
<td>43</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>Single parents</td>
<td>30</td>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td>Singles</td>
<td>27</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>Low-skilled</td>
<td>24</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Pensioners</td>
<td>14</td>
<td>12</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt 2006a

The groups with the highest poverty risks in Germany are unemployed, single parents, singles and the low-skilled. According to our assessment, this might be also true for rural areas. Possibly, the rate of single parents in rural areas might be somewhat below average in West German rural areas whereas families with 3 or more children (another group with an over average poverty risk) may play a certain role. However, for rural areas in East Germany, the overall patterns seem to be more likely similar to those for Germany as a whole. Moreover, due to the very high
unemployment rates in Eastern rural areas, it can be assumed that the poverty risk caused by unemployment will be even higher (cf. 3.2 und 3.3 for more details).

3.2 Rural poverty in Germany

As a breakdown of poverty rates by urban and rural areas is not available on NUTS 3-level\(^1\), we must refer to other indicators and measures in order to assess the dimension of rural poverty in Germany.

One indicator for economic wealth is the gross national product (GDP) per capita, which accounts for 80% of the national average in rural areas and for 136% in urban areas. This difference remained stable over the last five years. The level in East Germany is at over 30 percentage points below that of West Germany in cities as well as in rural areas. The available income per capita in rural areas is below the level in cities, but the growth rate is higher in rural areas (OECD 2007a: 47f.).

Another indicator are the unemployment rates that differ largely across Germany. Although this indicator does not cover the whole population, it is a good proxy for an assessment of the poverty risk of the group of people in working age. Moreover, as table 1 has shown, the unemployed are the group with the highest poverty risk in Germany. In July 2007, the overall unemployment rate was at 8.9% with large differences between East (14.7%) and West Germany (7.3%). As already mentioned in section 2.3, the unemployment rates in rural areas in rural regions with low population density (type 9 of the BBR classification) range at between 3.0% (Dingolfing-Landau / West Germany) and 22.2% (Uckermark / East Germany) (Bundesagentur für Arbeit 2007).

Moreover, it is worth mentioning that among the 20 German administrative districts with the highest unemployment rates in July 2007, no less than 50% were rural areas in rural regions with low population density range – all of them located in East Germany, frequently being part of Mecklenburg-Vorpommern – the federal state with by far the highest proportion of this type of rural areas (see map in annex).

The average level of the new basic income for certain types of households compared to the respective poverty line in 2004 is shown in Table 2. It includes 345 € basic benefit for the first adult, reduced rates for further members of the household (depending on their age) and an on top payment for the costs of housing depending on the region and the number of persons living in the household. In the meantime, the benefit levels have risen slightly (347 €), but as the information on poverty lines for 2004 is the most up to date we assumed that it is more adequate to use the benefit levels of 2005.

Table 2: Benefit level and poverty line by household type (per month)

<table>
<thead>
<tr>
<th>Household type</th>
<th>Benefit level 2005 (€)</th>
<th>Poverty line 2004 (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>662</td>
<td>856</td>
</tr>
<tr>
<td>Single with child (4 years old)</td>
<td>1,090</td>
<td>1,113</td>
</tr>
<tr>
<td>Couple without children 1</td>
<td>0,34</td>
<td>1,284</td>
</tr>
<tr>
<td>Couple with child (4 years old)</td>
<td>1,311</td>
<td>1,541</td>
</tr>
<tr>
<td>Couple with two children (4 and 12 years old)</td>
<td>1,574</td>
<td>1,798</td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt 2006a, BMAS 2004

It comes out from the comparison that for almost each household constellation the benefit level is below the respective poverty line. From this theoretical assumption we can conclude, that the poverty risk for long-term unemployed might be at about 100% after the implementation of the new Hartz regulations of 2005. However, future empirical findings could be slightly different as the benefit level depends on the costs for housing and in the first two years additional benefits can be paid if the former income from employment was very high (e.g. 180 € for a single in the first year of unemployment benefit II if the former gross income was at 3,000 € per month or above). Very recent research by the DIW suggests that the poverty risk of long-term unemployed and recipients of social assistance in Germany have increased from about 52% in 2004 to up to 66.7% in 2005 – with a rate of 63.5% in West and even 71.9% in East Germany (Goebel/Richter 2007: 757).
3.3 Multi-dimensional analysis of poverty and social exclusion in Germany

All in all, a high risk of poverty in Germany is first of all related to unemployment, households with only one adult (single parents, singles) and lacking education (Statistisches Bundesamt 2006a).

As data differentiated by rurality is scarce, in the following we try to explore in how far rural areas are affected by poverty and social exclusion in two ways: On the one hand, we analyse poverty by structural characteristics and on the other hand we focus on possible rural-urban differences. However, it is notably in advance that in terms of international comparisons the differences between rural and urban areas are on average comparatively low in Germany (cf European Foundation 2006).

Geographical location

Regional disparities concerning the standard of living in Germany exist especially between East and West Germany which is still caused by the German unification. The income per capita in East Germany was in 2005 still at only 66.5% of the West German level. The differences in the income per capita between rural areas and cities are more marked in the East than in the West (BMWT 2006: 27). The unemployment rate in East Germany is twice as high as in West Germany (14.7% versus 7.3% in July 2007) and the poverty risk of unemployed is also higher in the East (2004: 40% versus 46%). In East Germany the unemployment rates are highest in rural areas while in West Germany the unemployment rates in rural areas are frequently lower than in urban areas. Thus, the poverty risk in rural areas in the East might be especially high.

Farm employment

The proportion of agriculture has decreased in Germany over recent years. Agriculture now accounts for only 1% of the GDP. In 2005, around 1.3 million people were involved in this sector – corresponding to about 550,000 full-time equivalents (due to a high proportion of people doing farming as a side job). The share of employees in farming is with about 3% of all employees one of the lowest in the EU-countries. Farm employment is slightly more widespread in rural areas but this is not closely related to poverty.

Economic activities and market structure

The structure of economic activities and the markets in rural areas are very diverse in Germany. Whereas rural areas in West Germany and particular in the south are frequently performing very well, the situation is worse in many rural areas in East Germany – particularly in the north. This is mainly due to de-industrialisation in several rural areas after the unification and an overall lack of new economic activities to replace the losses. Only a few rural areas have been successful in developing alternatives such as e.g. tourism.

Environment

The environmental quality tends to be higher in rural areas – except those in Eastern Germany where industries with high pollution were located. However, the de-industrialisation of those area regions has gone along with improvements of the environmental quality. This trend has been also confirmed by a panel survey carried out by BBR (BBR online data base): The satisfaction with environmental conditions which was substantially lower in East German in the early 1990s at 13% (compared to 36% in West Germany) has been increasing over recent years to 59% and now reaches the higher levels in West Germany (57%).

Public transportation and commuting

The access to public transportation facilities in rural areas is typically worse compared to urban areas. This can be seen in the indicator for the railway density: Whereas in urban regions the density is at 0.16 km per square kilometre, in rural areas the density is only half of this (0.08 km per square kilometre) (SERA 2006).

At the same time, particularly in de-industrialised East German rural areas the mobility requirements for employees are quite high. In order to be employed many people have to accept long distances to go to work and they typically need one or even two cars to come to work (Becker et al. 2006). According to a BBR-survey, the average distance to the workplace is above average in East German rural areas (BBR online data base). Alternatives are weekly commuting (more likely for men) or the migration to urban areas or to West Germany (cf. 3.3.6)
Migration

Migration of predominantly well-educated young people is a major issue particularly for remote East German rural areas. If applicable jobs are not available and the quality of living is estimated as low (e.g. due to a thinning of infrastructure), the attractiveness of rural areas decreases and a loss of population is the consequence. This can be a vicious circle as a lower population density may reinforce the problems and the trend of migration.

This demographic trends can be clearly seen in statistical analysis: Between 1995 and 2004 the population in East German rural areas decreased by -7.8%, while in East German cities it decreased only by -1.2%. In West Germany the population increased, especially in rural areas (+3.2%), and at a lower level also in cities (+1.9%) (BBR online data base).

Access to health and long-term care

Although traditionally the German health system is largely inclusive (even for poor unemployed people), along with the decreasing population the regional availability of hospitals and doctors appears to become a problem in rural areas, especially in East Germany. The number of hospital beds per 1.000 inhabitants is at 2.2 much lower in rural areas than in urban areas (5.1). The average driving time to the next hospital is at 26 minutes much longer in rural areas than in urban areas (10 minutes) (SERA 2006, data for 2001).

The differences between rural and urban areas can be found in the East and the West, but in the East the access to health care seems in general to be at a lower level. The share of the population that can reach a hospital within 15 minutes is in rural areas in the East at 69.7% extremely low, compared to rural areas in the West (84.3%) and to cities (92.4 East and 97.6% West). Health care authorities are seeking to create solutions in order to keep the provision of health care at an appropriate level, for example by a liberalisation of the contractual relations between physicians and the statutory authority to give incentives for a better distribution of physicians, especially in rural areas in East Germany (European Commission 2007b), but it seems to be not easy to maintain the standards in certain areas. The availability of long-term care services tends to be better as the market is dominated by small providers. However, the access of poor people is worse – as the elderly care insurance only covers the costs up to certain amounts that are not always sufficient.

Housing quality

The basic standard of housing in Germany is quite high. The rate of house-owners is typically higher in rural areas what is mainly due to lower cost of land. According to the study of Becker et al. (2006), the proportion of house-owners tends to be higher in East Germany. However, particularly in some rural areas in East Germany the quality of flats and houses may be low – especially for those with low income. E.g. the share of people complaining about humidity of their house is about twice as high among those with a high poverty risk (Statistisches Bundesamt 2006a: 30).

Access to education

According to low birth rates in Germany the three-fold structure of the German school-system leads to decreasing numbers of pupils which is a particular problem in rural areas. Some federal states are now intending to create a new type of schools apart from Gymnasien (the school type typically functioning as entrance to university education) to solve this problem. The distances to advanced schools increase particular in rural areas. Almost the same applies to apprenticeships. Particularly in Eastern Germany where the rate of apprenticeships provided by companies is relatively low the access to this important type of vocational training is difficult and many young people have to move to other areas to be trained.

Moreover, poverty has a significant impact on the opportunities of children to move up the skills and income ladder. According to a study by Holz et al. (2005) the expected school form for children with a poverty background is with 12.2% the “Gymnasium” while the share for children without poverty is at 35.6%.

Access to capital and credit

Poor people have definitely substantial problems to get access to credits. However, there is no incidence that people in rural areas may be more affected by this problem than those in urban areas.
Age structure

Demographic trends are very diverse in rural areas in Germany. Rural areas close to large aggregations are characterized by employment growth via migration (+8.4% between 1994 and 2004). Contrary to this, peripheral rural areas with a very low population density report a continuous drop in population (-2.3% between 1994 and 2004). The problem of an exodus of the (especially younger) population and as a consequence the ageing of the population is especially relevant for rural areas in Eastern Germany as well as problems in the provision of infrastructure (OECD 2007a: 30f.).

The proportion of children is much lower in East Germany but this seems to be an overall problem that is not focused on rural areas. The birth rates are lower in rural areas at 10.1 per 1000 head of population compared to 10.9 in urban areas. The children to pensioner ratio is at 96.1 in urban and at 98.6 in rural areas (SERA 2006).

However, not in every aspect the situation in East Germany is worse than in West Germany. For example, the average pension level for new pension entries is higher in the East than in the West – particularly for women. This is mainly due to higher female employment rates and more constant employment biographies in the East. Although the level of economic wealth for older people is not automatically higher in the East as the pensioners there frequently have lower assets and fewer company pensions (HBS 2007), the at poverty risk of pensioners in East Germany is lower than in West Germany (Table 1).

Household composition

Nationally, the most problematic households from a poverty standpoint are those of long-term unemployed and single parents. However, the latter is unlikely to be a major issue for rural areas, as the incidence of lone parents is generally lower than in urban areas (Becker et al. 2006). However, the rate of single parents is higher in East Germany and this may also apply to rural areas. But the main rural problem is more likely related to particularly in East Germany – high unemployment rates.

According to the average size of households, it comes out from data provided by the BBR that it is highest in rural areas. This applies to both – East (2.15 persons) and West Germany (2.27 persons). However, the differences to the overall numbers for East and West are relatively small (2.15 in West and 2.03 in East Germany) (BBR online data base).

Gender

In East Germany, 17% of men and 21% of women are living in poverty, while the figure for the whole of Germany is 11% for men and 16% for women. The poverty risk is especially high for single parents (30%) with a higher level in the East (35%). Of all single parents about 90% are women (ZEPR 2003; cf. also section 5.2).

Although applicable data is not available for rural areas in Eastern Germany, in contrast, there is some evidence that young unemployed men may be a particular risk group for social exclusion whereas young women tend to migrate to West Germany more frequently. For rural areas in general the share of women is at 50.5% slightly lower than in urban areas (51.4%) (SERA 2006).

Ethnicity

The unemployment rates among non-nationals and people with a migration background are above average in Germany. As regards non-nationals, 25% of women and 23% of men are living in poverty. However, the majority of those groups do not live in rural areas. In West Germany the share of non-nationals is in cities (12.2%) more than twice as high as in rural areas (5.8%). In East Germany the share of non-nationals (4.6%) is in general less then half of that in West Germany (9.9%). In rural areas in East Germany, it is at 1.9% extremely low.

Crime

Problems relating to public order are of much less significance in rural areas. However, in certain rural areas in Eastern Germany right wing extremist tendencies have been increasing over recent years – which are closely related to high rates of unemployment, poverty and social exclusion. Moreover, the closure of small police stations in rural areas may cause insecurity feelings among the rural population.
Child poverty

Increasing child poverty is a major concern in Germany – much more pronounced than in many other countries although the level of public expenses for families is among the highest. According to a report of the Kinderhilfswerk published in November 2007, more than 2.5 million children are affected by poverty – i.e. one of six of the under 18. The poverty risk of those with a migration background is even twice as high (FAZ.NET 2007).

According to the current OECD study “Babies and Bosses” (OECD 2007b), this is mainly due to the lack of child care services which prevents particularly mothers from participating in the labour market. It is difficult to assess to what extent this problem applies to rural areas. In West Germany, female labour market participation rates in rural areas tend to be lower than in urban areas, but unemployment rates in the latter are higher on average. In East Germany, the rates of female labour market participation are typically higher. Thus, it can be assumed that mainly unemployment rates matter in both rural and urban areas.

The labour market participation rates coincide with the shares of children under 15 in the population, which are at 11% much lower in East than in West Germany (15.3%). In rural areas in the West the share of children under 15 in at 16% higher than in cities (14.8%), while in the East it is the other way around (10.8 in rural and 11.4% in agglomerated areas) (BBR online data base). This also coincides with the fact that labour market participation of women in West German rural areas is lower than in Western urban areas.

Notes

1 Free access is only provided on NUTS 2-level for Germany. A further differentiation on NUTS 3-level would have to be paid and the available restricted budget did not cover such extra cost.

2 60 % of the equivalised median income.
4. Rural poverty and policies

4.1 Rural poverty and social policies in Germany

According to the data already presented above, the overall poverty rate in Germany is at 13% (2004) and accordingly about 10.6 million persons in Germany are living in poverty. An analysis of the poverty risk before transfer payments has shown that it is much higher 43.7% and at 23.7% if pensions are not accounted as transfers (Statistisches Bundesamt 2006a: 44). This indicates that social policies help to reduce poverty to a certain extent. Moreover, even among those remaining below the poverty line the income levels are increased.

Taking into account that the poverty risk is highly correlated to unemployment (risk at 46% in East and 40% in West Germany) and that unemployment rates in East German rural areas are particularly high it can be assumed that the contribution of social transfers to reduce poverty risks may be particularly important in those areas.

This assumption is reinforced by a further important issue that seems to be frequently neglected in this regard: Although the median income in East Germany is still substantially lower than in West Germany (in 2003 the median earnings of full-time employees in East Germany are only at about 75.4% of the West German median – cf. Bosch/Kalina 2007: 31) the level of unemployment benefit II is the same for East and West. Accordingly, the relative position of long-term unemployed in East Germany compared to the typical pay level of employees is higher. As already mentioned earlier, a differentiated poverty line would account for this fact but there are also good arguments in favour of the uniform level of benefits.

According to the high proportion of unemployed at poverty risk, the Federal Government argues in its second “Report on Poverty and Wealth” that measures against poverty should predominantly aim at creating employment and integrating the unemployed into the labour market. Because of external shocks, structural change to a service and knowledge based economy and the ageing of the population it is concluded that a paradigmatic change in social policy is necessary. The policy of financial redistribution has reached its limits and the new paradigm should focus on enabling people to react flexible on the challenges of the service and knowledge economy (BMAS 2005).

With this focus on promoting employment as the most important way to fight poverty they state the following three topics as being the most important aims of social policy:

- Setting up a political framework that promotes participation by economic growth and measures that improve the competitiveness of the national economy.
- Encouraging the participation of the individuals, especially by means of education and further training. This policy is reflected in the “encouraging and requiring” principle that was established in the agenda 2010 by the red-green coalition and emphasizes the equality of opportunities instead of financial dependency from the state by redistributive measures.
- Guaranteeing a provision for basic need which is enabled by the social security system (health insurance, insurance against accidents, disability, care insurance, unemployment insurance and the pensions system).

Although this new orientation of policies may sound neutrally in terms of regional disparities, it tends to have a bias towards urban areas as the provision of services is much easier to be realized there whereas in rural areas the low population density makes it more difficult and expensive to provide an appropriate infrastructure.

4.2 Rural poverty and main policies affecting rural areas

This section will give an overview about policies influencing rural areas in Germany. Two policies of the European Union are highly relevant: The common agricultural policy (CAP) and policies funded by the European Structural Funds.

The common agricultural policy (CAP) of the European Union is organised in two distinct pillars: The first pillar is the market organisation, which seeks to guarantee market stabilisation, a fair standard of living for farmers and increases in productivity in agriculture. Also the provision of the population with food should be guaranteed. The second pillar is rural development which was introduced in 2000 as an integrated approach to ensure the survival of rural areas. This pillar includes measures of environmental protection, diversification of the rural economy
(tourism, biological fuel) and the protection of the rural cultural heritage (cf. European Foundation 2007b).

The European Union set a framework for the second pillar of the common agricultural policy (CAP) by the “European Agricultural Fund for Rural Development” (EAFRD) for the period 2007-2013. For Germany the EAFRD is implemented by the GAK (Gemeinschaftsaufgabe “Verbesserung der Agrarstruktur und des Küstenschutzes” – common task “improving of the agricultural structure and the coastal protection”) (cf. Nöting 2006). In some aspects such as the funding of small companies without involvement of farmers the EAFRD is more openly structured than the GAK because the latter must have a connection to agricultural issues according to the German constitution (BMELV 2007). For 2007, the GAK had a funding of 615 million € from the national level and further 400 million € from the federal states. In addition to this 1.2 billion € from EAFRD and further funding from the federal states can be used, totalling in a funding of 2.3 billion € per year for the period of 2007-2013.

Besides the GAK, the GWR (Gemeinschaftsaufgabe “Verbesserung der regionalen Wirtschaftsstruktur” – common task “improving of the regional economic structur”) and the EU structural funds provide further funding for rural development. These measures provide more funding than the second pillar of the EU agricultural policy, but besides measures for rural areas they also provide funding for urban areas.

The following section will first assess the influence of rural development policy and than refer to a wider policy framework by the EU-structural funds.

4.2.1 Rural and agricultural policies

The main elements of rural and agricultural policies are described in the national strategy plan for rural development 2007-2013 of the federal government (BMELV 2006) and are clearly related to the objectives outlined in the report provided by the European Commission on “rural development in the European Union”. They are organised along three axis:

• improving the competitiveness of agriculture and forestry,
• improving the environment and the countryside,
• improving the quality of life in rural areas and encouraging diversification of economic activity.

As a forth axis the LEADER concept offers a possibility of funding for more integrated approaches, that need not be limited to the agricultural sector.

In general, the funds for the development of rural areas (EAFRD) are taking 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 which are important for fighting poverty.

The policies in the axis one (improving the competitiveness of agriculture and forestry) are also relevant in this regard as agriculture is still offering employment for about 1.3 million people and about 300,000 additional seasonal workers. The number of about 400,000 companies has decreased by about 3% every year. The costs of production in German agriculture are high in international comparison. Thus, one aim of agricultural policy is the improvement of productivity. Another aim is the opening of new business areas like the cultivation and production of biological fuel or the development of tourism. On the one hand, the mentioned measures help to stabilise employment opportunities in rural areas and accordingly to prevent or reduce poverty. On the other hand, Germany can be characterised as a post-industrialised economy in which employment in agriculture has only a marginal share in total employment. Accordingly, more integrative policy approaches can be regarded to be more forward-looking than policies focused solely on the agricultural sector.

Axis three (quality of life) is very relevant to reduce poverty and social exclusion as it refers to infrastructural issues. Objectives mentioned in this regard for rural areas are creating employment and increasing income, securing and improving the quality of life and to guarantee a minimum provision with goods and services. A further aim is to take into account the local strengths as for example tourism or regional products.

In axis four (LEADER) the main objective is to build networks of local actors and to support the other axis, especially axis three. For the past especially the LEADER approach is regarded as very successful, as it helped to establish regional and local groups with various new actors to tackle the various problems in regionally differentiated cross-sectoral strategies. The needs, expectations and potentials of the local population could be integrated into projects.
4.2.2 Policies without focus on the agricultural sector

The main source of funding for rural development besides the second pillar of the common agricultural policy is the European structural policy which is described in the National Strategic Reference Framework for the use of EU structural funds in Germany 2007-2013 (BMWT 2006). Regional disparities are mainly seen between East and West Germany with a much lower income per capita in the East (66.5% of the West level) and an unemployment rate about twice as high as in the West. For the period 2007-2013 the East German federal states are funded according to the objective “convergence” whereas the West German federal states are funded according to the objective “regional competitiveness and employment”. There are four general objectives for the use of the EU structural funds:

1) Innovation and competitiveness,
2) Attractiveness of the regions,
3) Labour market and employment creation,
4) Development of regions.

The convergence regions in East Germany are especially burdened by the shrinking population, which causes problems in the maintenance of infrastructure which has been already discussed as a major problem of rural areas in section 2. This problem is tackled in the National Strategic Reference Framework under objective 2 (attractiveness of the regions) and 4 (development of regions). The following deficits are mentioned:

- deficits in the accessibility of agglomerations/transport infrastructure
- school infrastructure
- technical infrastructure like water supply

Solutions are seen in the following aspects: adaptation of the technical infrastructure to changing demand, securing social and cultural infrastructure, maintenance of the cultural heritage, use of the growth potentials of tourism, expansion of information- and communication services, improvements of the environmental quality and use of this potential.

As a more general policy approach, the agglomeration of rural population around small or medium sized cities is discussed as well as the development of new concepts for organising public services such as education, health, public transport are mentioned, but these concepts are not specified any further.

The issue of minimum standards in infrastructure is relevant for poverty in a wider sense, as it concerns participation in wealth development and social inclusion. For example, the access to public transport, education or social or cultural infrastructure is not only relevant for special groups with a high poverty risk, but it might be especially relevant for them as they cannot compensate deficits in the public infrastructure due to their low income.

Regional disparities are especially relevant comparing East Germany (all Eastern federal states are convergence regions) with West Germany. The most severe problems in the East are unemployment and missing opportunities for an integration in the regular labour market, two problems that are especially tackled under objective 3 (labour market and employment creation). The main objective is seen in the widening of the economic basis and the creation of new employment. From the past experience it is regarded as positive that the discrepancy in the per capita income has decreased over recent years. A potential in the convergence regions is still the high skills level of the workforce. A main policy challenge is to stabilize this level in the next years.

For rising of the skills level of younger people it is regarded as especially important to guarantee a sufficient supply with apprenticeship places as well as an improvement of the dual system of vocational training. A further focus is to raise the skills level of the active population in general, especially via further training. The skills oriented approaches can be focused on target groups like older or low-skilled workers or on companies like small and medium sized companies as well as on regions. For women, for example, a policy focus is on increasing the participation in employment in a life cycle oriented approach. This refers to the reconciliation of employment and family, income differences, different mobility chances and an increase in the number of women in leading positions. For migrants the focus is on language skills, advice and information and the network-building of actors. Policies improving the skills level of the population are highly relevant for the prevention of poverty as the poverty risk of unskilled is particularly high.
4.2.3 Assessment of the policies

Compared with former versions of the German national strategy plan for structural policy or rural development the orientation on risk groups and regional problem constellations seem to be more elaborated. However, it remains to be seen how the federal states will implement the programs on the regional level.

According to the assessment of OECD (2007a: 92ff), the focus of Germany policies for rural areas is still too strong on the agricultural sector which is estimated as not appropriate to tackle the current challenges. Even in East Germany where cross-sectoral measures are more widespread, the focus is mainly on the regeneration of villages (*Dorferneuerung*) and is not targeted on a diversification of the rural economic structures. Moreover, it is pointed out that regional development policies in Germany have an urban bias and pay not enough attention to the dynamics of rural areas and the importance of interrelations between urban and rural areas. The development of a strategic approach to support and frame the provision of services in rural areas is regarded as a further particular demanding challenge that needs to be addressed more specifically. All in all, the OECD misses a clear and sustainable vision for the future rural development and innovative approaches to tackle the various problems that reinforce social exclusion.

Another main issue of the critical assessment by the OECD is related to the governance. The policy in Germany remains predominantly a top-down approach and decentralisation frequently stops on the level of the federal states – with few exceptions: More regionalised and diversified programmes such as LEADER (see section 6) and REGIONEN AKTIV that also include cross-sectoral measures are highly appreciated by the OECD but regarded as strongly underfunded. Accordingly, the assessment is that they will not exert any significant effects.

4.3 Significant measures affecting poverty and groups at risk in rural areas

The level of poverty in rural areas can be affected by both national (country-wide) measures to reduce poverty on the one hand and particular measures focused on rural areas on the other hand. In the following we assess the impact of selected measures on poverty and groups at risk in rural areas.

**Unemployment benefit II**

The main overall system to ensure a minimum level of living in Germany to people in working age is the so-called "unemployment benefit II" (for people being basically able to work) and the „social allowances“ for the other member of their households (children, elderly, disadvantaged). The payments are means tested in the household context (cf. 5.1 for more details). Although – as shown in section 3.2 – the level of the transfers is typically below the poverty threshold we assume that their impact on a reduction of (extreme) poverty is significant and that East German (rural) areas are particularly affected. This is further reinforced by the fact that the level of transfers is higher in relative terms compared to the median income in East Germany as it is in West Germany (cf. 4.1). As the basic allowance is also available for employees with low earnings if they are not sufficient to cover the household’s minimum need, even lower wages in East Germany are compensated to a certain extent.

Although it is highly disputed whether the level of the transfers is appropriate or too low the basic insurance system can be regarded as one of the main measures to reduce (extreme) poverty in Germany. Moreover, this particularly applies to Eastern Germany and its numerous areas with very high unemployment rates – among them a high proportion of rural areas.

However, as already mentioned in section 3.2, there are first indications that the poverty risk of the long-term unemployed has been substantially increasing in 2005 due to the Hartz IV-reforms. This particularly applies to East Germany with an at-poverty-risk of recipients of unemployment benefit II or social assistance at about 71.9% (compared to 56.7% in 2004). One underlying reasons may be that the aim of the reforms has not been primarily the reduction of poverty risk but a “carrot and stick approach” – i.e. the increase of incentives to take up even low-paid work.

**Pensions and minimum pension**

The level of pensions in Germany is largely related to the level of earnings during the life course and the duration (continuity) of employment. Additionally, there are some compensations for people with children and derived entitlements for married couples (after the death of the wife or husband). Due to the traditional gender-specific distribution of childcare and house work, the level of female pensions is typically lower. However, this mainly affects West Germany whereas the labour market participation of women in East Germany has been traditionally much higher and the gender pay gap is much lower than in West Germany. Accordingly, the average level of pensions in
East Germany is higher and the overall poverty risk of pensioners is lower. As a recent study on average levels of pensions differentiated on NUTS 3-level has shown, even in rural areas the rates are higher than in West Germany. A further particular measure to ensure a minimum standard of living for the elderly has been the introduction of an overall minimum pension in January 2003. If the own entitlements for the pension is below a minimum threshold pensioners can apply for additional (means tested) payments aside from „social assistance“ which is frequently not applied by elderly people – mainly due to shame and the fear that children will have to pay. According to the higher level of pensions in the East, the impact of this measure might be lower than in West Germany.

**Labour market policies**

In order to improve the opportunities to find a job or at least to maintain or increase employability a broad range of instruments of active labour market policies is available – ranging from subsidies for employment (public or private) to various types of training courses. Recently, an additional federal programme for 100,000 additional publicly funded jobs in regions with over average unemployment rates (Kommunal-Kombi) has been initiated. It can be expected that a successful implementation will exert effects particularly in East Germany and the rural areas with particularly high unemployment rates.

A further important measure for long-term unemployed are the so-called “work opportunities” (Arbeitsgelegenheiten) which are substantially more widespread in East than in West Germany. They aim at the reintegration of long-term unemployed to work at least for several months in order to maintain or increase their employability. Work opportunities are not to be seen as regular employment relations but represent a particular type of public schemes that should not replace other employees but provide services that are additional and in public interest. The participants receive a supplement to their transfer benefit of about 1 to 1.50 € per hour – i.e. depending on the working time a plus of up to 120 to 180 € per month. In several areas with very high unemployment rates (i.e. particularly rural areas in East Germany) they provide both – a temporarily higher income on top of the unemployment benefits and an improvement of the social or public infrastructure. Accordingly they can be regarded as a measure against poverty and social exclusion. However, from a more critically standpoint, one can also complain that other measures of publicly funded employment (such as Arbeitsbeschaffungsmaßnahmen) with higher pay and longer duration have been replaced by the increasing number of work opportunities.

**Child allowance supplement**

The child allowances supplement has been introduced in 2005 in order to prevent parents who earn enough to cover their own living but not for their child/ren from applying for supplementary unemployment benefit II (BMAS 2006: 23). The maximum amount of the supplement is 140 € per child and month and maximum period is 36 months. Although the supplement is a positive approach to improve the standard of living of single parents and families with low income (which may also be important in rural areas) the measure is under discussion because of high administration expenses and a high rate of denied applications (more than 80%). Several proposals to simplify the procedure have been developed but not yet agreed upon.

**Programmes for regional development**

There are several programmes already mentioned above such as LEADER, LEADER plus and “Active Regions – The Countryside Shapes the Future” with a huge number of projects developed on a local level and frequently focused on rural areas in order to promote economic development or increase social cohesion by improvements of the regional or local (social) infrastructure. Although it can be assumed that they exert positive impacts a precise assessments of their effects is difficult which is mainly due to the heterogeneity of measures (c.f. 6).

**Agricultural funding**

The several types of direct or indirect subsidies to farmers may partially contribute to reduce poverty in rural areas but according to the assessment of OECD (2007a) they may also hamper more suitable and broader approaches for the development of rural areas (cf. 4.2.3). Thus we do not go into detail here.
5. Poverty and groups at risk: case studies on significant groups at risk

The groups with the highest poverty risks in Germany are unemployed people (43%) – particularly those who are long-term unemployed – and single parents with a poverty risk of about 30%. Although in West Germany, the proportion of single parents and unemployed in rural areas might be somewhat lower than in urban areas, it can be assumed that this does not apply to East Germany in the same way. Indeed, for both groups at risk, the incidence is even higher in East Germany and it can be assumed that rural areas are particularly affected (long-term unemployment) or at least to a comparable extent compared to other regions (single parents). Thus, in the following these two groups at high risk will be analyzed in more detail.

5.1 Long-term unemployed

History

A high rate of long-term unemployment in terms of international comparisons has been typical for Germany over recent years. This was frequently explained by a relative high level of unemployment benefits which were typically related to the former earnings at work (53 to 57%). In 2005, however, in the course of the German labour market reforms (referred to as “Hartz IV”), the unemployment assistance and the social assistance have been replaced by a new benefit called “unemployment benefit II”. The former income-related benefits of long-term unemployed have been replaced by the means-tested benefits of “Arbeitslosengeld II” (unemployment benefit II) which tends to be lower primarily for those whose former earnings were above average. However, according to available research on that issue, the situation of other groups such as single parents has probably been improved.

Another major change is related to the fact that the new system tends to be very inclusive in terms of international comparisons as not only the unemployed are covered but also all adult members of the household – regardless of they have been looking for a job before. This systematical change has also led to an increasing number of recipients of the new unemployment benefit II compared to the former two systems.

With the Hartz reform the long-term unemployed are now part of the claimants of unemployment benefit II. Other persons getting this benefit are unemployed with a benefit level from unemployment benefit I below that of unemployment benefit II (according to a very low income in their former job) and also the children and partners of all claimants.

Elements of risk

In 2004, about 43% of all unemployed were characterized as poor (income below 60% of the equivalence-adjusted national median). With 46% the risk of poverty in East Germany was higher than in West Germany (40%). The risk of poverty for unemployed had been increasing over time from about 33% in 1998. The recent effects of the Hartz IV reform on poverty rates among unemployed are not clear as applicable data is not yet available by now but there is some evidence that there may have been a further substantial increase (Goebel/Richter 2007) – e.g. according to the increasing poverty rates of children which are closely related to the unemployment of their parents.

The share of long-term unemployed in all unemployed is higher for older people. The poverty risk is due to the low level of the allowances which probably can also have side effects like social deprivation because of lacking possibilities to participate in social and cultural activities. Although unemployed are not excluded from the German social security system, the degree of inclusion differs: Whereas contributions to the state pension system are very low, inclusion in health insurance is also guaranteed for the unemployed. However, poor people tend to have more problems to cover the co-payments required for doctors’ consultations and medicine.

The risk of poverty and social exclusion is not a temporary phenomenon for the individual, because the long-term unemployed are per definition more than one year in the status of unemployment and the chances to return to employment tend to decrease with the length of the period of unemployment.

Dimension and location

In East Germany the overall unemployment rate was at 14.7% (July 2007) more than twice as high as the rate in West Germany (7.3%). As already described in sections 2.3 and 3.2, in some East German rural areas the unem-
ployment rates are largely above the average in Germany as a whole and even above the higher East German average rate. Rural areas located in rural regions are particularly affected as they are far away from regions with a better labour market situation where the opportunities of getting a job might be higher.

The share of unemployment benefit II claimants in total unemployment is higher in East (71.4%) than in West Germany (65.8%) in 2007 and ranges from 53.1% in Bavaria to 81.3% in the city state of Bremen. The number of long-term unemployed is smaller than the number of unemployment benefit II claimants. Their share in the total number of unemployed is at 39.3% for Germany (38.2% in West and 41.3% in East Germany). However, while the share of long-term unemployed in the East increased only slightly (from 40.3% in 2005 to 40.9% in 2007), it increased in the West strongly from 32.9 to 39.4%.

The share of long-term unemployed is particularly high in the federal states of Eastern Germany (between 40.7% in Berlin-Brandenburg and 43.6% in Saxonia) and in the Northern federal states (43.5% in North Rhine-Westphalia and 44.7% in Bremen), while it is much lower in the Southern federal states (32.6% in Baden-Württemberg and 31.9% in Bavaria) (data from the Federal Employment Agency, November 2007). The share of long-term unemployed is especially high in East German regions like “Altenburger Land” (55.6%), “Zwickauer Land” (53.2%) and “Chemnitzer Land” (52.5%). These areas are not characterized as rural according to the BBR typology (cf. section 2.1), they are classified as condensed or highly condensed regions. The rural area with the highest share of long-term unemployed is “Oberspreewald-Lausitz” (51.3%) that is characterized as rural area in agglomerated regions and is located in East Germany.

**Gender**

In May 2007, 50.5% of all people in the new basic allowance system were female. However, the proportion of those registered as unemployed was higher for men (51.2%) than for women (44.6%). The unemployment rates for both sexes were at about 12% in May 2007. However, there are certain differences between East and West Germany: The proportion of women with children who state that their availability for taking up a job is limited or not applicable at all is much higher in West than in East Germany (Brand et al. 2007). This may be related to both the traditionally higher orientation of East German women to participate in the labour market and the more developed public childcare facilities in the East (cf. European Commission 2007a for more details).

As data on unemployment rates by region is frequently not available differentiated by gender, it is difficult to estimate the extent and particularities of gender-related problems of unemployed in rural areas. However, it can be assumed that long-distance commuting or a total absence from home for several days in a week (because of a workplace in another region far away from the home town) is much more difficult to manage for mothers than for fathers in both parts of Germany. This is due to the fact that the higher labour market participation of women in East Germany has not gone along with substantial changes in the distribution of responsibilities for childcare and home work among men and women.

**Institutions**

In the past, the Federal Employment Agency was the main institution concerned with the problem of (long-term) unemployment at the national and regional level. Since the Hartz reform in 2005, the institutions concerned with long-term unemployed are the job centres which are operated jointly by local federal employment agencies and local public authorities or (in 69 experimental cases) run solely by local public authorities (“Optionskommunen” or “zugelassene kommunale Träger”). This so-called “experimental clause” with two main types of responsibility competing is being subject to scientific evaluation until mid-2008.

**National/local policy**

Before the labour market reform in 2005 (Hartz IV), there were several programs effecting long-term unemployed such as “Arbeit für Langzeitarbeitslose” (work for long-term unemployed) which was an employment-creation measure with a maximum of about 28,000 participants in 2004. A further measure coordinated by the federal employment agency were the “Beschäftigungshilfen für Langzeitarbeitslose” (employment accompanying measures for long-term unemployed) with nearly 40,000 participants in 2001, 36,000 in 2002, 8,000 in 2003 but only 10 participants in 2004. These measures follow the general trend of a reduction of employment-creation and employment accompanying schemes.

With the introduction of the Hartz reforms in 2005, the governance and customer management of the Federal Employment Agency were modernized. The merging of the systems of unemployment benefit and social assistance into the new benefit called “unemployment benefit II” should create unified single gateways for all unemployed and job-seeking persons, called “job centre”. These job centres should create individual taylor-made “back to work
agreements” (Eingliederungsvereinbarungen) for each of the unemployed, using a wide variety of measures, contrary to single measures before the reform. The treatment may include individual profiling, case management by personal advisors, and measures especially tailored for the situation of the individual unemployed (e.g. organising child care, advisory services for debtors).

One important measure in this context are the work opportunities (Arbeitsgelegenheiten), offering the possibility to top up the benefits by a low income from paid work. These work opportunities must be offered by employers in addition to regular jobs and should be in public interest. They do not constitute regular employment and are paid with very low hourly rates (about 1 € per hour). From about 740,000 entries into work opportunities in 2006, about 28% were long-term unemployed which makes this measure very important for long-term unemployed. However, according to recent evaluation results the aim of focusing on the most disadvantaged groups has been failed by now.

EU funds

Several projects and programs for long-term unemployed were co-funded by the EU. One topic relevant for this group might be the aspect of employability in the context of the EQUAL program. An example for the use of EU-funds is the program “Hilfe zur Arbeit” (help to work). This project in the period from 1994 to 1999 got about 560,000 € from the European Social Fund and 1.2 million € from national sources. The aim was to integrate long-term unemployed into the first labour market by a vocational retraining.

A further current ESF co-funded program is the “Kombilohn NRW” (combination wage NRW). The target groups are long-term unemployed with special placement obstacles. The program focuses on the integration of the target group into employment via wage subsidies. The subsidies should initiate the creation of additional employment in the low-wage sector. Long-term unemployed are a prior target group in many regional programs for wage subsidies. For the period 2000-2006 for the European Social Fund the fight against long-term unemployment is mentioned as a key challenge.

EU rural development policy

In the national strategy plan for rural development 2007-2013 unemployment is mentioned as a focal societal problem. Based on the results of this analysis the creation of employment is one main policy objective (BMELV 2007).

Effects of national/EU policies

Precise information on the effects of the new system of benefits to the long-term unemployed are not yet available but evaluations of various instruments to promote the re-integration to work reveal mixed results. For some measures the effects are slightly positive (particularly training) whereas others do not show any positive effects or even negative effects on the probability to take up a job (compared to control groups). However, it has to be taken into account that reintegration is not the only indicator for success but social inclusion (at least for a limited period) may be also important – particular for long-term unemployed and in (rural) areas with high unemployment rates.

5.2 Single parents

History

Due to changes in individual attitudes, the stability of family composition, and a rising number of divorces, the number of single parents has been increasing constantly over recent years from 2.2 million in 1996 to 2.5 million in 2006. According to data provided by the Federal Statistical Office, the share of single parents among all families increased from 17% in 1996 to 20.4% in 2005. In East Germany (25.5%), the proportion of single parents is even higher than in West Germany (19.2%).

Elements of risk

The poverty risk for single parents was at 30% in 2004. In East Germany it was at 35% higher than in West Germany (29%) (Statistisches Bundesamt 2006a). The group is at particular poverty risk for two main reasons: The households of single parents typically consist of only one adult person who can work. However, the employment rate of female single parents is higher than among married women with children. Due to a lack of public childcare facilities (particularly for small children under 3 and especially pronounced in West Germany) the reconciliation of work and family is particularly difficult. This actually affects all people with (small) children but the problem is more pronounced for single parents (as there is no partner in order to share the burden of the organization of work and family).
Basically, the former partner (mother or father) is obliged to pay an income-related monthly financial support for the child or children (and partially for the person in which the child or children live/s) but quite frequently they cannot pay or at least do not pay. For children under 12, the state pays in advance (Unterhaltsvorschuss) if the separated father or mother does not pay (in 1996, this was the case for 495,000 children).

In 2004 the average monthly equivalent available income of private households with children was 1.388 €, for lone parents it was at 1.026 € much lower, whereas families with two partners and one child had on average 1.540 € per month. Families with two partners and more children had a lower available equivalent income (1.454 € with two children and 1.267 € with three and more children). The proportion of single parents’ households living in poverty is at 30% much higher than for other family types (two partners with one child: 10%). In East Germany, the proportion of poor single parents is even substantially higher (35%) than in West Germany (29%) (Statistisches Bundesamt 2006a).

Among the recipients of the new basic allowance for job seekers in Germany (unemployment benefit II or “Hartz VI”), one half of all households with children under 15 are single parents (640,000 with around 950,000 children). Moreover, according to a recent study, in 2005 single parents showed the lowest mobility from Hartz IV into paid work (Graf/Rudolph 2006): More than two third of them stayed in Hartz IV over the whole year 2005.

As the study of Becker et al. (2006) indicates, the availability of a car is the main precondition for being able to have a paid job in rural areas because commuting is frequently necessary for being employed. However, this might be a vicious circle for poor single parents: Owning a car is frequently an important precondition for getting a job but the income level for the (long-term) unemployed typically does not allow to own and hold a car.

Dimension and location
The data on the number of single parents in Germany varies which is mainly due to diverging definitions. The main issues of variation are the age of children (up to 15, up to 18, no age restriction) and to the question how to classify single parents living together with a new life partner in the same household.

According to data from the German Statistical Office, in 2002 2.2 million children under 18 lived in a single parents’ household (15% of all 14.9 million children in Germany). The number of single parents (without a life partner in their household) in 2004 was about 2.5 million (among them 387,000 men). According to another analysis based on Mikrozensus data, there were 2.1 million single female parents in 2004 which corresponds to a proportion of 18.3% of all mothers among German nationals and 13.1% of non-national mothers.

The proportion of single parents tends to be lower in rural than in urban areas. However, as it is generally higher in East Germany it can be assumed that in rural areas in the East, their number may be substantial. Moreover, the poverty risk of single parents may be higher in rural areas given the fact that – on average – the lack of (whole day) childcare facilities is more pronounced in rural areas. Another hampering factor may be the lower availability of part-time jobs in rural areas.

Gender
According to data of the German Statistical office, the large majority (about 85%) of single parents are women. Among those in Hartz IV, the share of women is even at around 95%. Male single parents are less likely to be affected by low incomes.

Institutions
On the national level, the job centres (responsible for the implementation and organization of Hartz IV) now take care for single parents being unemployed or earn a low income. At regional and local level, the youth administration as a public authority is also responsible for the group (e.g. provision of childcare facilities, subsidies for childcare, other advice and support). There are also several public and private initiatives to support single parents in various regards.

National/local policy
National policies have changed substantially in recent years: While up to 2003, many jobless single parents received “social assistance” (Sozialhilfe) at local level, they are now among the clients of the job centres and shall be promoted and supported in finding both – a job and a care arrangement for their child or children.

In the course of the reform of the German unemployment benefit system in 2005 (Hartz IV), the new job centres taking care for the long-term unemployed are now also responsible for the support of job seekers with children.
with regard to the provision of child care facilities (if necessary to be able to take up a job). This is particularly
important for single parents but also for couples with children – especially the women who frequently are in prac-
tice mainly responsible for the child care and cannot take up employment without finding a solution for the child
care arrangement. The job centres can organize their support with regard to the provision of child care in different
ways – e.g. by a cooperation with the local public youth office (Jugendamt) or networks of day care providers.

The new job seeker allowance in Germany contains the obligation to take up any reasonable paid work if available
and consequently it must be accompanied by support of those job seekers with children who need child care. This is
particularly important for single parents who cannot share the responsibility for their children with a life partner.
Particularly the poverty risk of female single parents is largely above average which is closely related to restrictions
related to the low availability of public child care facilities especially in rural areas and regarding full day care. In this
context the new obligation of the job centres to provide support in child care can be regarded as a measure to prevent
poverty. The measure is also in line with the national strategy to improve of the quantity and quality of child care facil-
ities in Germany. Both aspects help to prevent poverty and social exclusion of job seekers and their children.

As the reform of the German unemployment benefit system (Hartz IV) has taken place in 2005 the implementa-
tion and evaluation of its effects and impacts is still in progress. This also applies to the results of the job centres’
obligations to support job seekers with children. Although evaluation results are not yet available it can be assumed
that this responsibility will contribute to improve the availability of child care facilities in a couple of terms. It pro-
vides more transparency on the need for child care and more support for job seekers to find an appropriate arrange-
ment. Particularly for single parents and families with a low household income a better child care provision is an
important precondition to take up paid work and to reduce their poverty risk.

For the social policy objective of improving the income situation of individuals with children the measure is one
important step in a broader set of the national aim of improving the child care facilities. This is also increasingly
regarded as necessary in order to reduce social exclusion and poverty and the currently highly segmented oppor-
tunities of children for a good education.

Another important feature are the public initiatives to increase and improve child care facilities and all day schools
in recent years. As regards children under 3, the available child care facilities shall be increased substantially to up
to one third of all children under 3 by 2010. As a good practice in this context the project “Out-of-school care for
children living in disadvantaged areas” can be seen, which covers projects providing care for school children or
flexible care arrangements (European Foundation 2007a).

A further political approach aimed at the introduction of the child allowance supplement (cf. 4.3.4) for families
with low income in 2005. This bonus is not restricted to single parents but in fact they are an important target group
of the subsidy. However, the preconditions of this bonus are complex and include several restrictions. Thus, the
proportion of applications rejected is very high (around 80 to 90%).

EU funds
Several projects were co-funded by the EU – e.g. special initiatives train and support single parents by various
approaches and to promote their access to employment and childcare (or both).

Effects of national/EU policies
On a national level, first effects of the initiatives to increase the number of child care facilities and longer school-
days by promoting all-day schools are visible. This applies to both urban and rural areas – however with some distin-
tent outcomes for rural areas in East and West Germany: According to a statistical review on the availability of
public childcare facilities in 2002, the availability tends to be very low in West German rural areas whereas the
child care facilities in East German rural areas even exceed the availability in most West German urban areas. This
particularly applies to facilities for the children under 3 and above 6. For instance, in “Altmarkkreis Salzwedel” in
Saxonia (a rural area of type 9), 54 places per 100 children under 3 and almost 40 places per 100 children over 6
are available and accordingly the provision is even better than in Berlin – the urban area with the overall highest
rates (Statistische Ämter des Bundes und der Länder 2004).

Notes
3 According to a European study based on ECHP data, in 2001 the number of single parents in Germany was much lower (766,000) or
at about 8% of all households with dependent children which is close to the European average (9%) whereas the proportion of single parents
was highest in Sweden (22%) and the UK (17%). Cf. Lehmann/Wirtz 2004: 2.
6. Conclusions

In official documents and research on poverty in Germany the aspect of rural poverty does not play a prominent role. Accordingly, neither the National Report on Welfare and Poverty nor the National Rural Development Plan 2007-2013 do even mention the problem of rural poverty.

In national statistics, no distinction between rural and urban poverty is made. However, a distinction between East and West Germany is often available - indicating lower income levels and higher poverty rates in East Germany and infrastructural differences between East and West. Especially the peripheral rural areas in East Germany are faced with very high unemployment rates.

As a differentiation of poverty rates on NUTS 3 level is not available, several other indicators are used to assess the extent and characteristics of rural poverty and social exclusion in Germany. The gross national product (GDP) per capita is in rural areas is at 80% of the national average and at 136% in urban areas. This difference remained stable about the last five years. The level in the East is at over 30 percentage points below that of the West in cities as well as in rural areas. The available income per capita in rural areas is below the level in cities, but the growth rate tends to be higher in rural areas.

As poverty in Germany is highly correlated to unemployment the unemployment rates are a further good proxy to assess the extent of poverty. The analysis shows that the highest unemployment rates affect (remote) rural areas in East Germany whereas the pattern in West Germany is largely different: Particularly southern rural areas frequently have very low unemployment rates.

Multi-dimensional analysis reveals several other problems of rural areas. Demographic trends are particularly negative in peripheral East German rural areas with a very low population density. A further severe problem enforcing social exclusion is the thinning of infrastructure in some rural areas where a reduction in services like retail, postal offices and banks, as well as child care and libraries can be observed. Problems in the provision of local health services can occur, if the “critical mass” is not reached for a local basic service. This is especially a problem in the Eastern part of Germany, as well as a trend of closing primary schools due to demographic trends.

Policies fighting against poverty are mainly framed and organized at the national level and largely focused on (un)employment issues in Germany. Very important in this regard is the unemployment benefit II-system which does not only provide payments to unemployed but also to employees with a low income on household level. However, a current analysis indicates that the reform in 2005 has substantially increased the poverty risk of the long-term unemployed (from 52% in 2004 up to 66.7%).

Policies for rural areas in Germany are still strongly focused on the agricultural sector. The policy approach in Germany remains to be a predominantly top-down approach. Although there are also several more regionalised programmes with innovative elements for instance in order to improve the local infrastructure, their impact tends to be limited as these programmes are partly underfunded by now.
7. References


BBR online data base: URL: www.bbr-bund.de.


Annex

Map on the location of rural areas in Germany (shown in light orange, light blue, light green and light yellow)
POVERTY AND SOCIAL EXCLUSION IN RURAL AREAS

EXECUTIVE SUMMARY

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

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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 disadvantage 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 Studies. Data refer to the 15 countries covered by the study; regions are classified as PR, IR or PU according to the OECD definition, because it is the most the most widely used definition at the international level and makes the findings of the research more comparable with those of other studies and documents.

27. The risk of poverty and social exclusion is often more difficult to identify in rural areas than in urban ones. Despite remarkable differences among rural areas, it has been shown that average living standard, as expressed as GDP per head, is generally lower in rural than in urban areas. Even taking all the limitations of the GDP indicator into account, this evidence suggests the existence of a higher risk of poverty of rural areas as compared to urban ones. Data thus seem to show the presence of a phenomenon that we will call “poverty of rural areas”, i.e. the existence of a possible disadvantage of the rural context in comparison with the urban one.

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”.

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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 acceding 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 (ECHP and, more recently, EU SILC), these data set do not allow to measure income poverty in Europe by distinguishing between rural and urban regions. This depends on the circumstance that most surveys are not available at NUTS 3 level.

67. However, there exist some country specific surveys in which a differentiation between rural and urban can be made. These surveys may refer to different years and can possibly use different methodological approaches, in terms of poverty lines, income units, individual indicators of well-being (income, consumption, equivalence scales, etc.). Hence, they are significant in within-country evaluations, but they should be used with caution in making cross-countries comparisons.

68. For instance, in Ireland in 2006 the at-risk of poverty rates at the 60% of the median threshold were 14.3% for urban areas and 21.5% for rural areas. A similar picture emerges in France, where rural districts (below 2,000 inhabitants) have the highest proportion of poor people, slightly above 25%, compared to about 24% in cities above 200,000 and to about 13% in cities below 200,000, and in Portugal, where, in 2000, the risk of being poor in a rural territory is the double of that in urban zone: 33% against 16% in urban areas. Also in Greece, in 2003, statistics show that the poverty rate was bigger in rural areas, with a 29%, than in urban, with a value of 21%.

69. Similar patterns emerge in Eastern countries: in Poland, in 2005, the 27.0% of the rural population lived below the relative poverty line, compared to 12.5% in cities and 18.1% for the entire country. In particular, the 18.7% of the rural population lived in extreme poverty (i.e. below the subsistence minimum), compared to 8.2 % of the urban population and 12.3% of the overall population. In Romania, the relative poverty risk in rural areas is more than double as compared to the one in urban areas (42% and 18%, respectively). A similar pattern is found in Lithuania and Hungary, where, in 2005, for rural population the poverty risk rate is three times higher than for inhabitants of biggest cities.

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

71. The gap in poverty rates between rural and urban areas in 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 through 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
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.

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

The youth unemployment ratio 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 rate 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

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.

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

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

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 man an 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 are in rural areas 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 were they were born and it is therefore very much associated to education, employment and housing problems. In particular, the vulnerability of children indicates that education contributes to a vicious circle of poverty, as poor households with low education levels face the greatest obstacles in sending their children to school. The issue of child poverty is especially present in large households: in fact, mainly in Eastern countries (e.g. Poland) but also in Mediterranean countries (e.g. Italy) poverty is highly correlated with the number of children in the family: multi-child families, i.e. with four or more children, are most threatened by poverty. In general, rural families have more children than urban families.

95. In most northern and western countries, the most problematic households from a poverty standpoint are those with one adult and children: the lone parents. However, this is unlikely to be a major issue for rural areas, the incidence of lone parents being generally lower than in urban areas.

Elderly

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

97. In many areas, pensions and social benefits are not able to guarantee the elderly a life standard comparable to the national average: the data for their incomes and expenditures, access to healthcare and services, etc. show a significant risk of social exclusion and lack of adequate social services in rural areas. The categories of elderly most at risk are those living with low pensions and those living alone in villages. Lack of access to decent pensions for occasional/seasonal agricultural workers and (small) farmers/unpaid family workers is a serious problem.

98. In Eastern countries, the risk of poverty and social exclusion for rural elderly has raised since the beginning of the economic reforms for the transition to a market economy, and especially during the economic crisis in the early 1990s.

**Ethnic minorities**

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

**Immigrants**

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

101. However, the main risk probably concerns labor market issues, namely the undeclared economy, which can be especially significant in areas where economic sectors characterized by strong seasonality and involving less qualified people are relevant. This is mainly the case of Mediterranean rural areas (Southern Italy, Spain, Greece), once traditional emigration areas, which have become a destination for a large number of immigrants during the last fifteen years.

**Farmers**

102. In PR and IR areas, farms with very small economic size\(^4\) 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 farms\(^5\) are definitely predominant in Bulgaria, Hungary, Lithuania and Romania and very common in Poland.

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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 give area. Unfortunately, in most of Member States, the specific measures that can directly affect poverty do not have the rural poor as a target.

109. The second type includes those policies aimed at improving the conditions of particular sectors of the economy or at reducing disparities between regions. The Rural Development policy and those structural policies which promote regional development and cohesion are part of this framework. These policies can have important consequences for the economy of a rural area, and therefore in reducing the poverty of a region. They influence the general context within which the condition of the rural poor are defined.

110. One the main obstacles faced by a strategy against rural poverty is the political irrelevance of the rural poor.
111. This may depend on the following reasons. The first is linked to the lack of adequate data and analysis: the European rural poor in official statistics and documents are often invisible. The second reason depends on the circumstance that the rural poor are less organized with respect to the urban poor, because of their geographical dispersion and because of the remoteness from the political and economic centres of the country: these factors make their voice much weaker than that expressed by other groups or categories at risk of poverty. A third reason is linked to the existence of stereotypes with respect to rural areas: for example, that in rural areas the family and the community support are stronger than in urban areas, therefore making a public support for the poor less necessary.

112. These factors determine a lack of public awareness around the real understanding of rural poverty and the need to intervene to address it. This, in turn, reduces the political support for policy measures which could imply a possible redistribution of resources in favour of the rural poor.

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

Chapter 4. Policies for social inclusion of the rural poor

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

Policies for active inclusion

115. Member States are increasingly focusing on active inclusion measures, which are based on integration between active employment policies and schemes of cash transfer to the poor. In most of the existing schemes cash benefits are accompanied by training initiatives and are made more strictly conditional on active availability for work.

116. Many Country Studies have signaled some difficulties with respect to the implementation of these policies in rural areas. This depends both on the difficulties of efficient active labor market policies and on specific difficulties related to welfare entitlements in rural areas.

117. There is clear evidence that take-up rates are lower in rural areas. Several studies underline the need for better access to information and advice about public benefit entitlement. In addition to insufficient information, also a specific culture of independence and self-reliance prevailing in rural areas appears to be an important mitigating factor against the collection of state benefits. Individuals seem reluctant to claim benefit, seeking in alternative a second or third job, often in the undeclared economy sector. Moreover, in rural areas - often composed of small villages - there could be lack of anonymity in collecting benefits, which in turn can generate disincentive effects of social stigma.

118. There is therefore a considerable challenge in activating measures in order to increase the uptake of benefit entitlement in rural areas. To do so, it would be useful to promote
information campaigns about such possibilities; also a more decentralized institutional arrangement in the implementation of such policies could be helpful in this respect.

Labour market policies

119. As far as the labour policies is concerned, some specific barriers to finding employment in rural areas have been identified: a) Structure of the local labour market: mismatches between jobs and skills; b) Employers’ behaviour and attitudes to recruit workers through informal social networks; c) Accessibility between home and workplace, and especially car-dependency; d) The opportunity cost of participating in the labour market: childcare, eldercare and the benefit trap (where a strong welfare benefit scheme exists); e) inadequacy of labour market intermediaries: for example, the job centres may be less accessible for people living in rural areas, particularly in regions with a dispersed population.

120. This picture helps to identify some priorities in the design of labour policy interventions especially effective in rural labour market: a) Building a more formal network for job search; b) Providing transport solutions, as for instance work bus, car sharing, etc.; c) Providing tailor-made training in order to reduce the mismatches between jobs and skills; d) Ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labour market.

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

122. A vital source of job both in terms of quantity and quality, is represented by the social economy sector. It includes people with poor qualifications or reduced work capacity and provides those social services not produced by the market economy. The under-development of such sector in rural areas is another element of difficulty of rural labour market.

Education and training

123. The low level of education emerges throughout the entire report as one of the main problems of rural areas: it is a form of individual deprivation in a fundamental human functioning and it generates, in turn, low opportunities for economic growth in the area.

124. The evidence suggests that dispersed delivery of education, at all levels of the school system, is likely to prove an important mean of increasing the growth rate of rural and peripheral areas and of helping the poor and socially excluded in those areas.

125. Tackling early school leaving and strengthening young people's skills and qualifications reduce the risk of social exclusion and improve labour market prospects. Successful intervention in this respect includes the introduction of preventative measures such as pre-primary education, guidance and counselling, tutoring, grants; and compensatory actions such as second-chance schools. Education provision in the very first years of the individual
life is one of the most effective means to reduce the intergenerational transmission of poverty and social exclusion.

126. Also the potential positive impact of work-related training comes out from the study. The surveys show that, despite the high unemployment rate, entrepreneurs encounter difficulties in finding qualified labour forces. This factor has immediate effects on the development of rural areas and creates a vicious circle that is difficult to cut off: unemployment increases; this leads not only to the rise of population at risk of poverty, but also to the migration of population at working age.

127. In this respect four priority actions can be identified: establishing an education system which provides an opportunity to learn more technical skills through vocational training; supporting educational strategies that promote the acquisition of qualifications needed to support the area’s economic growth; introducing innovative approaches that go beyond the formal education sector; introducing active policies to ensure a closer link between training and employment. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).

128. A final point concerns access to higher education. To the extent that patterns of human capital reflect the location of higher education establishments, consideration should be given to measures supporting more dispersed provision and distance learning; this send us back to accessibility measures, such as transports or ITC access.

129. In sum, the analysis of human capital patterns in rural areas shows the existence of a social immobility trap; the only channel to escape this trap is often represented by geographical mobility, which in turn leads to a progressive economic decline of the rural areas.

130. To face this vicious circle it is necessary a strong investment aimed at increasing the educational opportunities open to the rural people, at different levels, from primary to tertiary and life-long education.

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

131. Problems of governance in the implementation of policies in rural areas emerge in all the Country Studies in Annex I. Difficulties in this respect emerge partly because of the recent process of decentralization that has characterized many Member States, giving regional and local authorities policy discretion in additional areas of social policy and permitting regional differences in funding. While allowing services to better adapt to local circumstances, local decision-making leads to varying treatment and coverage across areas and regions, and this may increase existing regional disparities.

132. Additional problems characterize the governance of social policies in rural areas: a first difficulty is linked to a problem of administrative capacity, especially in managing anti-poverty measures based on in-kind transfers. A second difficulty encountered by small communities is linked to a problem of “optimal scale of intervention”. From this viewpoint, interesting cases of successful experiments are based on services that are planned and managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention.

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

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

135. The study has underlined the effectiveness of a bottom-up approach, such as that of the Leader programme, especially with regard to its positive effects on institutional building and creation of networks and social capital. However, the heterogeneity in institutional capacity among local levels of government throughout the EU implies that where such capacity is weak, there may be difficulties in promoting a bottom-up approach. This problem may be more severe in the case of very small and dispersed communities. A possible solution could be the creation of networks of local communities in order to reach a critical mass of population and territory, and technical capacity required for a more effective bottom-up action.

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

**Chapter 5. EU policies against poverty of rural areas**

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

138. Even if they do not specifically take social inclusion issues into account and are not specifically directed to fighting poverty in rural areas, both policies can be an important source of funding that can benefit rural areas, by fighting against poverty of rural areas. For this reason they play an important role in influencing economic development in rural areas and implementing the Lisbon Agenda. In general they take into account the objectives of the Lisbon and Göteborg strategy (competitiveness, economic growth, employment and sustainability). This is especially relevant for the creation of new employment opportunities, improving the quality of life, modernising enterprises and infrastructure and improving education and vocational training.
139. The CAP has been deeply reformed, through a gradual removal of price support and the introduction of new areas of intervention, such as quality promotion, environment protection, animal wellbeing, rural development. Pillars 1 and 2, in which the CAP has been divided, reinforce the previous attention paid by the CAP to cohesion actions and to rural development. Pillar 1 represents the continuation of the previous price policy and includes all market support mechanisms, such as direct payments or export subsidies, with the largest part of the resources spent for direct payments. Pillar 2 is the evolution of the previous structural policy and now mainly consists of measures supporting rural development. As a consequence of these reforms, the CAP has significantly changed and a growing emphasis has been put on structural actions and rural development, even if producers’ income support still prevails.

**Rural Development Policy**

140. Member States and sub-national levels of government enjoy a large autonomy as regards programming and expenditure allocation. This is a positive element according to the principle of subsidiarity, but the effects of policy measures are inevitably quite diversified between Member States and also between different regions in the same country.

141. The Rural Development Policy and Cohesion Policy are very important for fighting poverty of rural areas especially by the improvement of infrastructures, labour market, tourism and cultural attraction, diffusion of SMEs and quality of life in rural areas. However, the effects of most of those policies are visible only in a medium and long run, because of the complexity of the problems that they intend to work on.

142. The regions have shown a significant interest on the improvement of physical infrastructures and employment generation, with some positive impact. The interest has been often focused on interventions such as roads, irrigation and waste management. However, the effects of regional policy and rural policy have been very diversified: some countries (Ireland) have had a very positive impact while in other countries (Greece or Italy) those policies have been less successful. The achievement of convergence of regions in terms of GDP is still far away. The measures of Rural Development (e.g. former objective 5b) seem to have had a positive impact on the average income per inhabitant; however, in countries such as France, there is no clear-cut evidence that they created new jobs in the 1990-99 decade and the programs had no significant impact on demographic trends (see the Country Studies in Annex 1).

143. In general terms, we can point out that many measures enacted by rural development and Cohesion policies aim at combating depopulation of rural areas, by creating new employment opportunities for residents and stimulating the economic activity of such areas. Success stories appear to be mostly concentrated in the following fields: a) tourism promotion, often linked to protection of the environmental heritage; b) diffusion of ICT and promotion of innovation; c) production of energy from renewable sources (e.g. water, wind); d) promotion of local high-quality products, especially in the agri-food or crafts sectors; e) improving quality of life for local population.

144. According to DG AGRI evaluation documents, the Rural Development Policy has had a positive impact on: a) employment (through measures supporting training, forestry and afforestation of agricultural land, and measures against depopulation); b) income support (by supporting less favoured areas, firms and young people); c) environment and landscape, which can promote multifunctionality through the development of tourism, that, in turn, can promote employment and economic development of rural areas; d) life conditions of
population (by improving the dynamism of local institutions and the development of local action). In perspective, the Rural Development Policy for the 2007-13 period reinforces these aspects, by improving the coordination of measures through the creation of four Axes. In particular, the most promising elements with regard to social inclusion appear to be the emphasis put on the theme of Quality of Life in Axis 3 and the mainstreaming of the Leader in Axis 4; however, special attention should be paid to coordination between measures promoted by Axis 3 and Axis 4, notably with regard to their potential impact on the fight against poverty and social exclusion.

145. The Leader programme is considered very important in every country and a positive evaluation is given to the fact that now it has been mainstreamed (Axis 4 of Rural Development Policy). In particular Leader promotes social capital (institutional building, social and economic networks, strengthening of a bottom-up approach) that is an essential element for fighting poverty in rural areas. All those actions are considered very important but too limited; an increase in funding for this action could reduce poverty in many poor areas. This aspect is particularly relevant in Eastern Countries, where the mobilisation of rural communities is not easy and the communities are still facing problems coming from transition (see the Country Studies in Annex 1).

146. The bottom-up approach arguably increases the level of initiative. However, existing studies also suggest that more dynamic territories -that have the appropriate human resources- may disproportionately benefit from the funds, thus widening the gap between territories. For instance, in many Eastern and Southern countries, where the institutional level is weak, there are some difficulties in promoting the activities of Leader (Bulgaria, Poland). The risk is a failure of the program in the areas that would need a larger action of Leader, in a sort of vicious circle: “low capacity building/difficulty in using Leader approach/low capacity building”.

147. Not all regions have the same ability in implementing the programmes and in the use of financial resources, also because of different degrees of experience in programme implementation. Moreover, the criteria of eligibility did not mechanically determine the recipient areas and thus the selection of the eligible areas was often rather the result of a negotiation process involving the different levels of government involved (State, Regions or local authorities). In the previous programming cycles, some countries have shown a weakness in national co-ordination and lack of coordination among different programmes (see the Country Studies in Annex 1). Measures enabling poorer areas to enjoy a better access to funds should be reinforced, by activating tools promoting institution building and lobbying capacity of such areas.

148. According to the European Commission evaluation documents, the coordination between bottom-up and top-down approaches should be improved, especially with regard to the management national co-financing. Moreover, the risk of an excessive bureaucratisation has been signalled in some cases.

149. With regard to specific groups, Leader has a positive impact on women and young people. Women represent quite a large share of project promoters, even if such a share tends to be higher in regions where the activity rates of women are higher (generally in Northern Europe). Women should be more involved in areas where their participation in the labour market is lower (especially in Southern and Eastern Europe). Young people have benefited from measures directed towards the creation of jobs and corresponding training. However, more could be done with regard to investment in the social and cultural environment, which could generate more visible effects on the attractiveness of an area for young people.
150. There is a clear trade-off between measures for economic development of an area, which have a medium-long term perspective, and some more short-term measures against poverty of individuals, that are destined to specific groups (e.g. monetary transfers). Obviously, structural actions mainly have a medium-long term perspective and thus tend to neglect groups like the elderly, who are at high risk of poverty and social exclusion in many countries.

151. The synergy with other projects may increase the effectiveness of this policy for fighting against poverty of rural areas. The functions of the Rural Development Policy and the Cohesion Policy can complement each other; thus synergies and cooperation between those policies should be improved.

Chapter 6. Conclusions: policy suggestions

152. The study has highlighted the existence of specific features of poverty and social exclusion in rural areas. The analysis is complicated by the lack of appropriate data, the socio-economic heterogeneity of rural areas and the different definitions of rurality used by Member States.

153. The study suggests that it would be very useful to harmonise the definitions of rurality used in the EU, both for analytical and policy purposes.

154. The study recommends to consider rurality as a relative concept and to define thresholds based on the values of relevant variables at the national level; this procedure, even if quite complex, might allow to take into account the heterogeneity of EU Member States, in terms of population, physical dimension, geographical characteristics and economic structure.

155. The study highlights the need to take the specific features of rural areas into account, with reference to both the elements characterising poverty of rural areas and those related to poverty and social exclusion of individuals in rural areas (i.e the rural poor). Considering the heterogeneity of rural areas throughout the EU, the application of the subsidiarity principle - with different degrees of involvement of the various actors at national and regional level in Member States- and an “open method of co-ordination” seem appropriate.

156. This should be done both when using quantitative and qualitative indicators of poverty and exclusion and when designing policy measures. We recommend to mainstream the rural dimension into social inclusion policies and, at the same time, to include social inclusion goals in rural development policies, reinforcing the actions already included in the current programming period. The co-ordination between social inclusion and rural development policies should thus be strengthened, but always respecting the subsidiarity principle.

157. EU policies against poverty of rural areas are quite developed and play an important role. The Cohesion Policy have already produced positive outcomes, as demonstrated by a number of success stories. Actions in the fields of education and infrastructure should be strengthened.

158. Rural development measures generally play a very positive role, as shown by various success stories and should receive more funding; however, sometimes they still keep too a sectoral approach. Axis 3 (Quality of Life) should better address the issue of poverty.
159. Some actions promoted by Pillar 1 of the CAP, such as multi-functionality, could play a role in fighting poverty of farmers and rural areas and should be strengthened. Modulation is a positive measure, but should be reinforced.

160. The need by Member States to respect the Stability and Growth Pact should not penalise investment in rural areas. It would be useful to promote systems of governance involving public authorities and private partners to generate an adequate amount of funding.

161. To break the vicious circles of poverty of rural areas and to avoid the risk of exclusion for the most fragile groups living in rural areas, policies (and thus expenditure) by all levels of government should focus on two priorities: human capital investment and infrastructure.

162. As for human capital, the delivery of education, at all levels, is likely to prove an important means of increasing the growth rate of rural and peripheral areas and of helping the poor and socially excluded in those areas.

163. The analysis shows the existence of a social immobility trap; the only channel to escape this trap is often represented by geographical mobility, which in turn leads to a progressive economic decline of the rural areas. To face this vicious circle it is necessary to promote a strong investment aimed at increasing the educational opportunities open to the rural people, at different levels, from pre-school to primary, from tertiary to life-long education.

164. A priority is the need for work-related training: it is necessary to ensure a closer link between training and employment by considering the specific demand for skills expressed in the area. Specifically, it is important to provide agricultural education/training as an attractive and high-quality option for both young people (as a disincentive to out-migration), and to the middle aged (as a means of combating underemployment).

165. Improving transportation services, by fulfilling the transportation needs of the smaller communities, by making easier and faster the commute to urban areas, where inhabitants can find all necessary services, is a crucial part of a policy strategy intended to improve quality of life in rural areas. The diffusion of ICT is an important tool for stimulating economic development and improving the functioning of economic activity and labor market of rural areas. However, it has to be stressed that the adoption of ICT is endogenous and is in particular driven by the characteristics of the labor force. Physical investment in ICT is not enough to facilitate its adoption; the issue is also to adapt the skills of the labor force. In that sense, complementarity between education policies and investment in communication infrastructures is key to reducing the technological gap between rural and urban areas.

166. Labour market policies are also crucial in the fight against poverty in rural areas. The trend of all labour market indicators in the period 2000-2005 shows a clear message: the performance of rural regions is becoming constantly and significantly worse than that of urban regions. The analysis suggests the following priorities in the labour policies: i) Building a more formal network for job search, in order to reduce the mismatches between jobs and skills; ii) Providing transport and logistic solutions, in order to reduce the accessibility obstacles which characterize remote or dispersed rural areas; iii) Providing tailor-made training in order to reduce the mismatches between jobs and skills; iv) Ensuring childcare and eldercare support in order to reduce the opportunity cost of participating in the labour market; v) Providing quality social services for those in need and as an opportunity for people searching for a job.
Problems of governance affect horizontally the process of design and implementation of social inclusion policies in rural areas. They include problems of administrative capacity, especially in managing anti-poverty measures based on in-kind transfers and problems of “optimal scale of intervention”. Successful experiments are based on services managed by partnerships of contiguous municipalities, where each municipality is “specialized” in a single particular sector of intervention.

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

The existence of an effective monitoring and evaluation of the policies implemented is crucial. To improve in this respect, it is necessary to develop a set of 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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