

Feasibility of Mapping the Social Dimension of the EMU

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Summary

The first ten years on the EMU have seen increasing divergence and polarisation between Member States, notably in employment rates and social protection. Moreover, as a consequence of the crisis, unemployment and social exclusion have increased enormously in many Member States.

On 2 October 2013 the European Commission adopted a Communication on the Social Dimension of the EMU. It is a contribution from the Commission to the debate on the deepening of the EMU, it follows the Commission's Blueprint on a deep and genuine EMU, published in November 2012, and it responds to a call from the European Council to strengthen the social dimension of the EMU.

The "social dimension of EMU" relates to the ability of economic governance mechanisms and policy instruments to identify, take into account and address problematic developments and challenges related to employment and social policies in the EMU. Strengthening the social dimension should help all Member States achieve their growth and employment potential, improve social cohesion and prevent increasing disparities, in line with the Treaties and the Europe 2020 strategy.

According to the suggestion of the Commission, a scoreboard to follow key employment and social developments is included in the Joint Employment Report (see Chapter 3.2). Additionally, a limited number of extra employment and social indicators are integrated into the annual Alert Mechanism Report (AMR) used to detect economic imbalances (see Chapter 3.1).

In general terms, well-being has become established as a fundamental objective of EU policies. The OECD presents a common framework for measuring well-being at the regional level (see Chapter 2.5).

The surveillance of employment and social developments as well as inequalities at national level is one first step of the European Commission to strengthening the social dimension of the Economic and Monetary Union. However, like many of the other factors that influence people's well-being, these come into play on the local and regional level, as outlined by OECD.

Measures of regional well-being and social developments may contribute to capturing the differences that are hidden in national averages. Regional well-being indicators across OECD countries show that differences in well-being are often greater among regions within the same country than they are across different countries.

1. Introduction

1.1. Background

Strengthening the **social dimension of the Economic and Monetary Union** is one important element of the new European Commission. President Juncker has promised to launch during the first year of the mandate legislative and non-legislative initiatives to deepen the EMU, including the review of the "six pack" and "two pack" Based on the communication of the Commission in 2013 on *Strengthening the Social Dimension of the Economic and Monetary Union* and the internal planning of the Commission Work Programme 2015 a legislative package to deepen the EMU is foreseen for the 3rd Quarter in 2015.

The architecture of the **Economic Monetary Union** needs further strengthening so that the euro can maintain citizens' confidence, continue to weather market turbulence and create the conditions for sustainable jobs and growth. Following its **review of the economic governance rules and actions** to simplify and streamline the **European Semester process**, the Commission is working on deepening the Economic and Monetary Union, developing proposals on further steps towards pooled sovereignty in economic governance. This effort will be accompanied by actions to **reinvigorate social dialogue at all levels**.³

At the same time, there is a **general trend of higher divergence within the Member States** as a direct result of the recent economic and financial crisis. This does not only relate to GDP/capita, but also to unemployment and other socio-economic factors. Looking purely at the national figures does very often hide the fact of huge divergences within Member States. Also the OECD has recently stated that most of the unemployed in Europe are located in a few regions. To understand the very different impact of the **social challenges at regional level**, the EU and national figures used for defining the social dimension need to be analysed and mapped at NUTS 2 or even NUTS 3 level.

3

Regulations (EU) n° 1173/2011, 1174/2011, 1175/2011, 1175/2011, 472/2013 and 473/2013.

http://ec.europa.eu/archives/commission 2010-2014/president/news/archives/2013/10/pdf/20131002 1-emu_en.pdf

http://ec.europa.eu/atwork/pdf/cwp_2015_en.pdf

1.2. Aim of the file note

The Committee of the Regions (CoR) has been suggesting for quite some time to also take into account the territorial dimension of the EMU defined as the specific impact of the EMU on local and regional authorities in the EU, underlining the impact of the effects of EMU policies on local and regional authorities in the EURO zone. Until now, this claim has not been fully taken up by the other EU institutions, even though the huge social challenges recently outlined in the *Joint Employment Report* published as part of the Annual Growth Survey 2015 confirmed the CoR stance on that matter.

By launching an initiative for "Mapping the Social Dimension of the EMU", the CoR aims at influencing the EU institutions and particularly the European Commission and the European Parliament to raise the awareness of the territorial aspects of the social dimension of the EMU.

This file note provides:

- Chapter 2: Overview on the EU's economic governance and the social dimension of the EMU, as well as its links to the concepts of social cohesion and regional and local well-being.
- Chapter 3: Description of data availability of auxiliary employment and social indicators as well as indicators for a scoreboard of key indicators at NUTS 2 and NUTS 3 level, and other social indicators to describe the territorial social dimension of the EMU.
- Chapter 4: Mapping of the social dimension of the EMU.
- Chapter 5: Recommendations and conclusions.
- **Annex 1:** Bibliography and references.
- Annex 2: Additional Social Indicators.
- Annex 3: Maps on the social dimension of the EMU.

2. Defining the social dimension of the EMU

2.1. The EU's economic governance

The lessons learned from the recent economic, financial and sovereign debt crises have led to important reforms of the EU's economic governance rules. **Surveillance systems** have been strengthened for budgetary and economic policies and a new budgetary timeline for the euro area has been introduced.

The rules (introduced through the so-called "Six Pack", the "Two Pack" laws and the Treaty on Stability, Coordination and Governance) are grounded in the European Semester, the EU's economic policy coordination calendar. This integrated system ensures that there are clearer rules, better coordination and guidance of national policies throughout the year, monitoring whether Member States are working towards the targets of the "Europe 2020" strategy, regular follow-ups and the possibility of swifter sanctions for non-compliance. This helps Member States to deliver on their budgetary and reform commitments, while making the Economic and Monetary Union more robust.

The **Stability and Growth Pact** has been reinforced by the Six Pack, the Two Pack, and also by the Treaty on Stability, Coordination and Governance. The **Two Pack** introduced a new cycle of monitoring of draft budgetary plans covering the following year for the euro area and other measures. The **Commission's Annual Growth Survey** sets out general economic priorities for the EU and provides Member States with policy guidance for the following year. The **Six Pack** introduced a system to monitor broader economic policies (**Macroeconomic Imbalance Procedure**), so as to detect problems such as real estate bubbles, issues in external sustainability or falling competitiveness early on. Within the **Alert Mechanism Report**, Member States are screened for potential imbalances against a **scoreboard** of 11 indicators, as well as **auxiliary indicators**⁴ and other information, to measure economic developments over time.

A **Deeper and Fairer Economic and Monetary Union** is one of the top priorities of the Juncker Commission as detailed in its **Political Guidelines**⁵. This means continuing the reform of the Economic and Monetary Union to preserve the stability of the single currency and to enhance the convergence of

⁴ Including social and employment indicators.

⁵ http://ec.europa.eu/priorities/docs/pg_en.pdf

economic, fiscal and labour market policies between the Member States that share the single currency.⁶

2.2. The Social Dimension of the EMU

The European Commission in its communication on *strengthening the social dimension of the Economic and Monetary Union* published on 2 October 2013⁷ called for **better social and employment indicators**, more cross-border labour mobility and **greater involvement of the social partners** in the European Semester.

The communication builds on the Commission's Blueprint⁸ on a deep and genuine EMU (November 2012) and the request by the European Council (December 2012) for a strengthening of a social dimension of the EMU.

The initiatives put forward by the Commission are along three lines:

- Better monitoring of the social and labour market situation in the Member States by introducing a "scoreboard" of key employment and social indicators as part of the European Semester process. This scoreboard is incorporated in the annual Joint Employment report published each autumn.
- Greater **solidarity** with reinforced financial instruments ("mobilizing funds to better address social distress" and enhanced action on cross-border labour mobility. (employment and labour mobility).
- More involvement and consultation of the **social partners** in the European Semester process. (social dialogue).

The "social dimension of EMU" relates to the ability of economic governance mechanisms and policy instruments to identify, take into account and address problematic developments and challenges related to employment and social policies in the EMU. Strengthening the social dimension should help all Member States achieve their growth and employment potential, improve social

http://ec.europa.eu/archives/commission 2010-2014/president/news/archives/2013/10/pdf/20131002 1-emu en.pdf

http://europa.eu/rapid/press-release_MEMO-14-2180_en.htm

Communication from the Commission 'A Blueprint for a deep and genuine economic and monetary union. Launching a European debate'. 28/12/2012. COM(2012) 777.

cohesion and prevent increasing **disparities**, in line with the Treaties and the Europe 2020 strategy.

While the **overall social agenda remains at the EU level**, a well-functioning monetary union must be able to cater for the **social implications of reforms** that are necessary to boost jobs, growth and enhance competitiveness. It also needs to detect and tackle in a timely way the **most serious employment and social problems** across its Member States as these can have negative impact beyond national borders and lead to long-lasting disparities. ⁹

According to the suggestion of the Commission, a **scoreboard** to follow key employment and social developments is included in the **Joint Employment Report** (see Chapter 3.2). Additionally, a limited number of extra employment and social indicators are integrated into the annual **Alert Mechanism Report** (**AMR**) used to detect economic imbalances (see Chapter 3.1). The data feeds into policy – for example, the **in-depth economic reviews** undertaken as a result of the AMR exercise, or the Country-Specific Recommendations published each spring by the European Commission. ¹⁰

2.3. The overall social dimension of the Europe 2020 Strategy

In defining and implementing its policies and activities, the EU is obliged, under the Treaties, to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion and a high level of education, training and protection of human health (Article 9 TFEU).

The **Europe 2020 strategy**, adopted by the European Council in June 2010, aims at establishing a **smart**, **sustainable and inclusive** economy with high levels of employment, productivity and social cohesion. The key objectives of the strategy are expressed in the form of **five ambitious targets** in the areas of employment, research & development (R&D), climate change & energy, education and poverty reduction, to be reached by 2020. These have been translated into **national targets** in order to reflect the situation and possibilities of each Member State to contribute to the common goal.

http://europa.eu/rapid/press-release_IP-13-893_en.htm

http://europa.eu/rapid/press-release_MEMO-13-837_en.htm

With Europe 2020, the EU set **headline targets** for raising the employment rate, reducing early school leaving, increasing the proportion of completing tertiary education or equivalent and lifting at least 20 million people out of poverty. The targets are already **shaping social policies** in the EU. Key policies adopted and measures taken at EU level are being implemented, for example the **Employment Package** presented in April 2012, the December 2012 **Youth Employment Package**, and the February 2013 **Social Investment Package**. ¹¹

A set of **nine headline indicators** and four sub-indicators, compiled by Eurostat, give an overview of how far or close the EU is from reaching its overall targets. The radar chart below presents the **current situation of the EU** by showing the progress made since 2008 and the distance still to cover towards the Europe 2020 key targets. In the social domain, the distance to the employment and poverty targets has increased as a consequence of the crisis and has not yet diminished.

Europe 2020 headline indicators: target values and progress since 2008 Since 2008 substantial progress Employment rate has been made both in the area of climate change and energy People at risk of poverty or R&D expenditure social exclusion (through the reduction in greenhouse gas emissions and the increase in the use of renewable energy sources) and Tertiary educational Greenhouse gas emissions in the area of education (through attainment the increase in the rate of tertiary educational attainment and the reduction in the number of early Share of renewable energy in Early leavers from education leavers from education and gross final energy and training consumption training). Progress has been more limited for R&D expenditure, while the Final energy consumption Primary energy consumption distance to the employment and - Most recent data (2012/2013) poverty targets has increased.

Figure 1: Europe 2020 headline indicators: target values and progress since 2008

Source: http://ec.europa.eu/eurostat/documents/2995521/6664132/1-02032015-CP-EN.pdf/e339ff6c-ee5c-4385-9cbc-bce32fbdb8d7

2.4. Social challenges and the Commission's European Semester policy

http://ec.europa.eu/archives/commission 2010-2014/president/news/archives/2013/10/pdf/20131002 1-emu_en.pdf

EUROSTAT (2015), Smarter, greener, more inclusive? – Indicators to support the Europe 2020 strategy – 2015 edition.

http://ec.europa.eu/eurostat/documents/2995521/6664132/1-02032015-CP-EN.pdf/e339ff6c-ee5c-4385-9cbc-bce32fbdb8d7

The **Annual Growth Survey** for 2015 states that the risk of persistent **low growth**, close to **zero inflation** and **high unemployment** has become a primary concern. While the global economic environment explains some of the current slowdown, specific domestic factors are preventing faster growth in the EU. There are **large variations** between Member States. ¹⁴ According to the Commission, the answer lies in **structural**, **fiscal and monetary policies** combined in an integrated, growth-friendly approach to tackle this challenge effectively, acting both on the demand and supply sides of the European economies. This requires **action at all levels of government** from global, notably in the context of the G20, to EU, national, regional and local levels.

The draft **Joint Employment Report** as well as **Employment and Social Developments in Europe** (**ESDE**)¹⁵ outline huge social challenges in the aftermath of the crisis. High (Long-term, Youth) Unemployment, proportion of young people (15-24) not in employment, education or training (NEET), tax wedge, levels of inequality and at-risk-of-poverty and social exclusion rates are the social topics of concern.

The ETUC¹⁶ and others criticized the coordinated policy of **fiscal austerity**, and wage and social deregulation since the publication of the first Annual Growth Survey (AGS) in January 2011, warning that the Commission's European Semester policy recommendations and the focus on austerity would hamper Europe's economic recovery and **predominate over social priorities**.

2.5. Social Cohesion and regional and local Well-being

In general terms, **well-being** has become established as a fundamental objective of EU policies; Article 3 of the Treaty on the Functioning of the European Union (TFEU) states that the Union's aim is to promote "the well-being of its peoples". Europe 2020 aims to put people first to create "more jobs and better lives".

There is no consensus on the definition or measurement of either of the overarching concepts – **social cohesion** and **well-being** – both of which are **multidimensional**. However, it is clear that social cohesion refers to a quality of a **collectivity of people**, not of individuals; societies – or regions, cities and neighbourhoods – can be more or less **cohesive**, while **individuals** can experience higher or lower levels of **well-being**.

http://ec.europa.eu/europe2020/pdf/2015/ags2015 en.pdf

http://ec.europa.eu/social/main.jsp?catId=113

http://www.etuc.org/

As defined by the Bertelsmann Stiftung: "A cohesive society is characterised by resilient social relations, a positive emotional connectedness between its members and the community and a pronounced focus on the common good." 17

Identification Trust in institutions Perception of fairness Solidarity and helpfulnes Trust in people Civic participation Acceptance of diversity

Figure 2: Domains of social cohesion and their respective dimensions

Source: http://eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1472en.pdf

Figure 2 visualises the concept of social cohesion, organised in **three domains** and **nine dimensions** of social cohesion, which combine to form a **measurable construct**. This framework makes it possible to compare the state of social cohesion in different countries and to describe trends over time, in specific dimensions and in an **overall index**.

The OECD presents a common framework for measuring well-being at the regional level. The framework covers 9 dimensions of life – income, job, housing, education, health, access to services, environment, safety and civic engagement – measured through a set of internationally comparable outcome indicators. The OECD framework for measuring regional and local well-being has seven distinctive features:

- Focus on **individuals** and **place-based characteristics**, measuring wellbeing where people experience it;
- Concentrate on well-being outcomes (direct information on people's lives) rather than inputs or outputs;
- Multi-dimensional, including both material and non-material dimensions:

http://eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1472en.pdf

- Assessment of **averages** but also **distributions** of well-being outcomes across regions and groups of people;
- Influenced by citizenship, governance and institutions;
- Takes account of **complementarities** and trade-offs among the different well-being dimensions;
- Looks at **dynamics** of well-being over time, at its **sustainability** and the **resilience** of different regions¹⁸.

http://www.oecd.org/regional/how-s-life-in-your-region-9789264217416-en.htm

3. Data availability at NUTS 2 and NUTS 3 level

3.1. Auxiliary indicators for determining the social dimension of the EMU

The European Commission¹⁹ in 2013 argued that the **social implications** of **macroeconomic imbalances** should be better integrated in the current framework for surveillance of macroeconomic imbalances and therefore a limited number of **auxiliary indicators** were added to the **Alert Mechanism Report**. The following table provides an overview of the availability of these proposed auxiliary indicators at **regional level**²⁰:

Indicator	Data Source	Code	Geographical availability	Temporal availability
participation rate	EU-LFS	trng_lfse_04	NUTS 2	2000-2013
long-term unemployment ratio	EU-LFS	lfst_r_lfu2ltu	NUTS 2	1999-2013
youth unemployment rate	EU-LFS	lfst_r_lfu3rt	NUTS 2	1999-2013
young people neither in employment nor in education or training (NEET)	EU-LFS	edat_lfse_22	NUTS 2	2000-2013
"at risk of poverty and social exclusion" rate	EU-SILC	ilc_peps11	NUTS 2	2004-2013
At-risk-of-poverty rate	EU-SILC	ilc_li41	NUTS 2	2003-2013
severe material deprivation rate	EU-SILC	ilc_mddd21	NUTS 2	2003-2013
proportion of persons living in households with low work intensity	EU-SILC	ilc_lvhl21	NUTS 2	2004-2013

Source: OIR

3.2. Indicators of the scoreboard of key employment and social indicators

The Commission publishes a **scoreboard of key indicators** in its draft **Joint Employment Report** to follow employment and social developments. It serves as an analytical tool allowing better and earlier identification of major

http://ec.europa.eu/archives/commission 2010-2014/president/news/archives/2013/10/pdf/20131002 1-emu en.pdf

The regional coverage of these data varies greatly between countries and indicators; no data at NUTS 3-level

employment and social problems, especially any that risk generating effects beyond national borders. The following table shows the availability of the **headline indicators** used by the commission, which could help detect negative trends at a reasonably early stage and help anticipate further deterioration²¹:

Indicator	Data Source	Code	Geographical availability	Temporal availability
unemployment level and changes	EU-LFS	lfst_r_lfu3rt	NUTS 2	1999-2013
youth unemployment rate	EU-LFS	lfst_r_lfu3rt	NUTS 2	1999-2013
young people neither in employment nor in education or training (NEET)	EU-LFS	edat_lfse_22	NUTS 2	2000-2013
real gross disposable income of households	ESA95	nama_r_ehh2inc	NUTS 2	2000-2011
at-risk-of-poverty rate (of working age population) ²²	EU-SILC	ilc_li41	NUTS 2	2003-2013
inequalities (S80/S20 ratio)	EU-SILC	ilc_di11	NUTS 0	1995-2013
S80/S20 disposable income quintile ratio	OECD	.S80S20A.	TL2 ^{23, 24}	2010

Source: OIR

3.3. Other social indicators to describe the social dimension of the EMU

3.3.1. Regional Data at the EUROSTAT and OECD databases

The following additional social indicators are available at **regional level** at the EUROSTAT and OECD Databases and could be used to describe the territorial social dimension of the EMU.

Indicator	Data Source	Code	Geographical availability	Temporal availability
Hospital beds	ESTAT, OECD, WHO	hlth_rs_bdsrg	NUTS 2	2003-2012

The regional coverage of these data varies greatly between countries and indicators; no data at NUTS 3-level available.

The scoreboard of key employment and social indicators uses the rate of working age population (18-64). For NUTS 2 regions, only the rate of total population is available!

TL2 corresponds to NUTS 1 (e.g. Germany) or NUTS 2 (e.g. Austria), depending on the country.

The OECD classifies regions as the first administrative tier of sub-national government according to two territorial levels (TL): The higher level (territorial level 2) consists of macro-regions, while the lower level (Territorial level 3) is composed of micro-regions. See: http://www.oecd.org/gov/regional-policy/regionalstatisticsandindicators.htm

Indicator	Data Source	Code	Geographical availability	Temporal availability
Long-term care beds in nursing and residential care facilities	ESTAT, OECD, WHO	hlth_rs_bdsns	NUTS 2	2003-2012
Causes of death – Crude death rate (86 causes of the "European shortlist" of causes of death)	Community statistics on public health	hlth_cd_acdr2	NUTS 2	2011
Life expectancy at birth by sex	ESTAT	tgs00101	NUTS 2	2001-2012
Healthy life years and life expectancy at age 65/at birth, by sex	ESTAT	tsdph220, tsdph100	NUTS 0	2004-2012
Crimes recorded by the police	ESTAT	crim_gen_reg	NUTS 3	1993-2010
Education indicators (UOE) questionnaires on education statistics	UIS/OECD/ ESTAT	educ_regind	NUTS 2	1998-2012
Average number of usual weekly hours of work in main job	EU-LFS	lfst_r_lfe2ehour	NUTS 2	1999-2013
Average number of rooms per person	EU-SILC	ilc_lvho04n	NUTS 2	2004-2013
Gini (at disposable income, after taxes and transfers)	OECD	-	TL2	2010

Source: OIR

3.3.2. European Commission and World Bank Poverty mapping

Various **poverty measures** show the clear differences not only among but also within the Member States as regards living standards. Whilst some of the widely used indicators have limitations in grasping the very important **territorial dimension of poverty**, the most widespread presentations of the spatial patterns of poverty go below national levels. Despite having strong demonstration force, NUTS 2- and NUTS 3-level indicators hide the **concentration of extreme poverty** in particular in case of **micro regions** (LAU-1 level), **localities** (LAU-2 level) and **segregated neighbourhoods** especially in urban areas.²⁵

There are plentiful methodologies to **disaggregate data** produced for larger territorial levels by **combining e.g. Census data and EU-SILC data**, and other databases. The **World Bank** has been producing *small area estimation poverty maps* for many years, by applying regression models on census and survey data for the calculation of data on disaggregated level. ^{26, 27}

²⁵ Cf. http://ec.europa.eu/justice/discrimination/files/romaplatform_discussion_paper_poverty_2011_en.pdf

For further information see: http://go.worldbank.org/9CYUFEUQ30

For further information see: http://siteresources.worldbank.org/INTPGI/Resources/342674-1092157888460/493860-1192739384563/More_Than_a_Pretty_Picture_ebook.pdf

A recent collaboration between DG EMPL, DG REGIO, Eurostat, World Bank, and the national authorities in Member States ("EC/WB Poverty Mapping Project") deals with the construction of **poverty maps for all EU Member States** (NUTS 3 or lower) by combining census and survey information. The objective is to identify the small areas (e.g. municipalities) most likely to have the highest risk of poverty rates. The project entails a methodological pilot to compare poverty mapping methodologies and the production of maps for EU Member States using agreed methodology. It seems however, that these regional and local data are not (yet) available.

3.3.3. National data on social cohesion

To measure **social cohesion** a big number of indicators are needed, as the nature of the topic is **multidimensional**. Accordingly, the measurement instrument developed for this purpose is rather complex. The **Social Cohesion Radar**²⁹ developed by the **Bertelsmann Stiftung** splits the topic into 3 domains and defines 9 dimensions for these domains. To each of these dimensions a number of indicators of different **surveys** are used, to shed light on the constitution of the **countries**' levels of social cohesion (See table in the annex). The result is an overall index of social cohesion (also differentiated by the 9 dimensions) at **national level**.

3.3.4. Regional data on well-being indicators

OECD developed a set of indicators to measure the different topics of well-being for the 362 OECD regions³⁰. These indicators, comparable across OECD countries, come from official sources in most of the cases and are available over different years. They are publicly available in the OECD Regional Well-Being Database³¹. At present, regional measures are available for OECD countries in nine well-being topics: income, jobs, housing, education, health, environment, safety, civic engagement, and accessibility of services (See following table).

Regional measures, comparable across countries, are not currently available on three other well-being dimensions included in the **OECD Better Life Initiative**:

For information on the project see for example:

http://palyazat.gov.hu/download/49539/15.Poverty_mapping_C%C3%A9line_Ferr%C3%A9_WB.pdf http://www.gesellschaftlicherzusammenhalt.de/fileadmin/Inhalte/Downloads_Sozialer%20Zusammenhalt/Radar_InternationalerVergleich web_en.pdf

³⁰ At geographical level TL2 – corresponds to NUTS 1 or NUTS 2 regions, varies between countries.

For data and metadata, see: http://www.oecdregionalwellbeing.org/assets/downloads/OECD-Regional-Well-Being-Data-File.xlsx

social connections, life satisfaction (subjective assessment) and work-life balance. The OECD plans to include these indicators in future releases.³²

Indicator	Topic	Data Source	Geographical availability	Temporal availability
Labour force with at least secondary education	Education	OECD	TL2	2000/2013
Employment rate	Jobs	OECD	TL2	2000/2013
Unemployment rate	Jobs	OECD	TL2	2000/2013
Household disposable income per capita	Income	OECD	TL2	2000/2013
Homicide rate	Safety	OECD	TL2	2000/2013
Mortality rate	Health	OECD	TL2	2000/2013
Life expectancy	Health	OECD	TL2	2000/2013
Air pollution (level of PM2.5)	Environment	OECD	TL2	2000/2013
Voter turnout	Civic Engagement	OECD	TL2	2000/2013
Broadband access	Accessibility of Services	OECD	TL2	2000/2013
Number of rooms per person	Housing	OECD	TL2	2000/2013

Source: OIR

3.3.5. Bhutan's Gross National Happiness Index (GNH)

Another interesting measure from a methodological standpoint, combining social cohesion and well-being (referred to as "happiness") in a different geographical context, is **Bhutan's Gross National Happiness Index (GNH)**. The GNH index is built from data drawn from **periodic surveys which are representative by district, gender, age, rural-urban residence**, etc. Representative sampling allows its results to be **decomposed at various sub-national levels**. In the GNH Index, unlike certain concepts of happiness in current western literature, **happiness is itself multidimensional** – not measured only by subjective well-being, and not focused narrowly on happiness that begins and ends with oneself and is concerned for and with oneself. The pursuit of happiness is collective, though it can be experienced deeply personally. Different people can be happy in spite of their disparate circumstances and the options for diversity must be wide. The **nine domains and 33 indicators** of the GNH index are shown in the Annex.³³

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http://www.oecd.org/regional/regional-policy/website-topics-indicators-overview.pdf

http://www.grossnationalhappiness.com/wp-content/uploads/2012/04/Short-GNH-Index-edited.pdf

4. Mapping the social dimension of the EMU

4.1. Social disparities and social cohesion in the EMU

The course of events in recent years, with a **financial and economic crisis** which turned into a **sovereign debt crisis** and extensive recovery packages, followed by a wave of **austerity measures** by most EU governments, has clearly highlighted the need for a more integrated approach towards economic strategy, as well as towards **employment and social policy making**.

Some **26.6** million people were unemployed in the EU-28 in July 2013, including over 19.2 million in the euro area. Divergences of social and employment trends between countries have been growing, especially within the euro area. Southern EU Member States have been particularly hard hit. The crisis has, additionally, not impacted uniformly across the whole population and has often led to an even worse situation for groups already at heightened risk, notably young adults, children and to some extent migrants, thus contributing to social polarisation. Structural unemployment and labour market mismatches have also been growing. Net job destruction has been coinciding with an increase in precarious jobs.

While **long-term unemployment has increased in most Member States** in recent years, the problem appears most concentrated in Spain and a few other Member States. In general, one in five long-term unemployed in the EU has never worked, three quarters of these being **young people** below 35 years of age. Nearly a quarter of economically active young people in Europe are unemployed: 23.4% (5.6 million) in the EU-28 in July 2013 and 24% (3.5 million) in the euro area.

A trend towards polarisation of jobs existed in the EU before the crisis, as new jobs became concentrated in relatively high and low pay levels. The intensity of the 2008 recession and consequent job reallocation has further intensified this polarisation by massively destroying medium-paid jobs in manufacturing and construction. The polarisation of wages is one factor impacting on a broader social problem facing the EU, namely rising inequalities and polarisation of incomes. Available macroeconomic evidence

points to increasing levels of skills mismatch in the EU³⁴, further aggravating the labour market difficulties resulting from the unfavourable economic cycle.

Poverty is one extreme result of rising inequalities and as such rightfully deserves major attention by policy makers. However, due to its **multidimensional nature**, measuring and monitoring of poverty is far from straightforward. In the framework of the **Europe 2020 strategy**, the Member States have agreed on a three-pronged approach to **monitoring poverty and social exclusion**. In 2009-2014, nearly 25% of the EU population were at risk of poverty or social exclusion. The absence of tangible recovery has strongly increased **the risks of long-term exclusion** for the most heavily affected people. While having a job remains the best safeguard against poverty and social exclusion, it does not prevent it. The risk of **in-work poverty** is higher for people in temporary or part time jobs or with low education. **Poverty has also been on the rise since 2007** in the EU overall while it has fallen moderately in several other OECD countries.

The unemployment rate rose from less than 7% in 2008 to 10.8% in 2013, putting around **9 million people out of work compared with 2008**, with youth and long-term unemployment being a source of particular concern. While **economic output** and **employment** have both started to recover in 2014, they remain **below the pre-crisis levels** and the foundations of further growth remain fragile. **Unemployment has declined from the crisis peaks**, but still remains in double digits in the EU as a whole.

Also **household incomes** have shown some signs of improvement since late 2013, after several years of decline, but this is insufficient to address the social challenges that have exacerbated since the beginning of the crisis. **Increased levels of poverty and inequality** in the most affected Member States threaten the EU goal of inclusive and sustainable growth. Another important task facing the EU following the crisis years concerns the ways in which it can promote and support the return to an upward **socio-economic convergence of its Member States**. This particularly concerns Southern and peripheral EU 15 Member States, since most of the post-2004 Member States managed to continue to converge even during the crisis. ³⁵

The discrepancy between the qualifications and skills that individuals possess and those needed by the labour market

See publications on "Employment and Social Developments in Europe", 2011-2014 http://ec.europa.eu/social/main.jsp?catId=113

4.2. Mapping regional data on the social dimension of the EMU

Like many of the other factors that influence people's **well-being** (see Chapter 2.5) **employment and social developments** come into play **on the local and regional level**, as outlined by OECD.³⁶ Policies to promote growth, jobs, equity and environmental sustainability have greater impact when they take into account the **economic and social realities of where people live and work**. Many of the important interactions among sectoral policies are **location-specific**.

Employment and Social Indicators are available at EUROSTAT for **NUTS 2 levels** and can be mapped, however with huge differences in spatial coverage. Many countries only provide data on the national (NUTS 0) or sub-national (NUTS 1) level, which can be broken down to the regional level by using an available **proxy indicator** with better data availability. For example, the "at risk of poverty and social exclusion" rate can be modelled by using the **regional distribution** of the highly correlating ³⁷ (see Figure 3) long-term unemployment rate combined with available data on higher spatial level (NUTS 1 or NUTS 0).

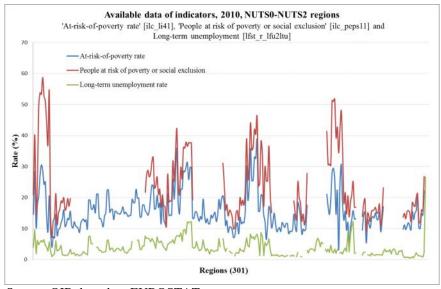


Figure 3: Comparison of available data of poverty indicators and long-term unemployment

Source: OIR, based on EUROSTAT

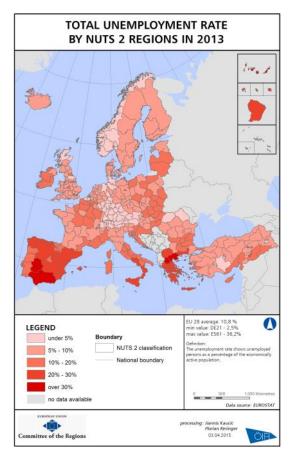
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³⁶ Cf. http://www.oecd.org/regional/how-s-life-in-your-region-9789264217416-en.htm

Kendall-Tau-b correlation between "long-term unemployment" rate and "at risk of poverty and social exclusion" rate significant at 0,01 level, displaying correlation coefficients of 0,48-0,56 for the years 2010-2013.

The following chapters show a series of maps on NUTS 2 level accompanied with a short analytical text. More maps in a higher resolution can be found in the Annex 3.

4.2.1. Regional Unemployment

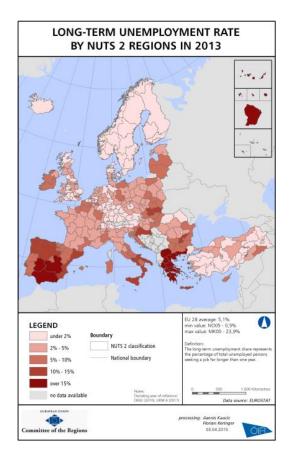


Unemployment rates in the EU between 2008 and 2013 were higher than the OECD average. Unemployment reached a historic high of 27.3 million in the first quarter of 2013 (11.5%).

The impact of the crisis has varied substantially across the labour markets of different EU Member States. The average unemployment rate reached 17% in the "South and periphery" of the euro area (Greece, Spain, Italy, Portugal, Estonia, Ireland, Cyprus, Malta, Slovenia and Slovakia), against 7% for the "North and core" of the euro area (Belgium, Germany, France, Luxembourg, Austria, the Netherlands and Finland).

Unemployment rates at NUTS 2 level reveal regional patterns and show that national averages in many cases hide the huge differences between regions. Between the minimum value in the German region Oberbayern and the maximum value in the Spanish region Andalusia lie more that 30%.

The unemployment rates in capital regions in the "North and core" lie above or at the national average in most cases, while capital regions in the "South and periphery" show the opposite pattern.



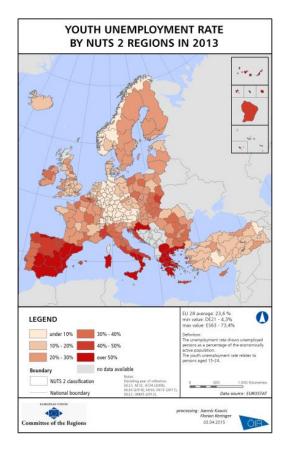
While long-term unemployment (unemployed for 12 months or more) has increased in most Member States in recent years, doubling between 2008 and 2013 at EU level, the problem is particularly acute in some Member States, notably Spain and Greece.

The long-term unemployment rate increased from less than 4% of the active population before the crisis (end of 2007) to more than 18% in EL, more than 12% in ES and more than 7% in BG, IE, IT, HR, PT and SK in 2013.

The regional patterns at NUTS 2 level are quite similar to those of the overall unemployment rate. Regions in the "North and core" of the euro area show the lowest shares of long-term unemployment rates, with 0,5% in region Vestlandet in Norway being the minimum.

Regions in the "South and periphery" comprehensively show the highest shares, with Macedonia showing the maximum value of 23.9% and all Greek regions ranging above the 15% category, except Crete. Again, some capital regions like Madrid, Prague, Warszawa, Bucharest or Sofia show rates below the national averages.

4.2.2. Regional Youth Unemployment and NEET



Young people remain the hardest hit by the crisis and its aftermath. Youth unemployment in Europe in the year 2013 reached 23.6%, which is over twice that of adults and a huge increase compared to 15% in the first half of 2008. Again, the situation is very diverse across Member States. Germany, the Netherlands and Austria have the least severe youth unemployment problems with rates of 7-10%. The worst rates are in Spain and Greece (above 50% in August 2014), and Croatia, Cyprus, Ireland, Italy, Slovakia and Portugal (all in the 25-45% range).

Regional youth unemployment is comprehensively high in Greece, Spain and Croatia. Italy shows different rates in the North and South of the country. Also regions in the East of Poland, Slovakia and Hungary show youth unemployment rates above 30%.

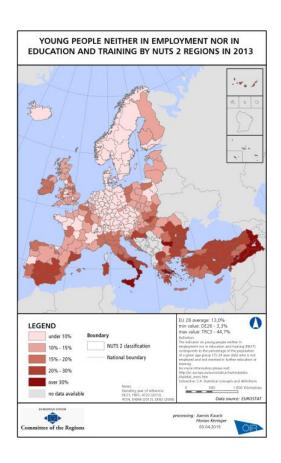
The maximum youth unemployment rate was measured in the Spanish region Ciudad Autónoma de Ceuta, with 73.4%. The minimum was measured in the German Region of Oberbayern, with 4.3%.

To substantially reduce youth unemployment, greater recourse to contracts linked with further vocational education and training should be considered, as these can facilitate transitions into quality employment, as observed in some countries (Austria, Sweden, Slovenia, Germany, the Netherlands).

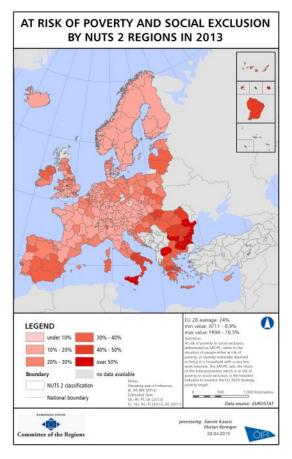
The proportion of young people (age 15-24) not in education or employment (NEET) reached 13% in 2013 against 11% in 2008. Again, it varies considerably between Member States while remaining higher than before the downturn.

Highest NEET rates (above 20%) can be observed in some regions of Southern Spain, Southern Italy, Turkey, Greece, Romania and Bulgaria as well as Regions in Croatia and Slovakia.

The minimum NEET rate in 2013 was recorded in the German region of Unterfranken, with 3.3%. The maximum was 44.7% in the NUTS region Mardin of Turkey.

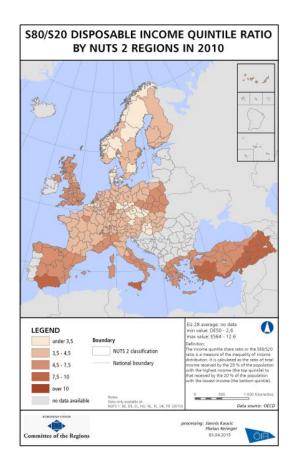


4.2.3. Regional Incomes and Poverty



The at-risk-of-poverty measure counts the number of people whose disposable income is below 60% of the median equivalised income of their country. At risk of poverty or social exclusion, abbreviated as AROPE, refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity, and is the headline indicator to monitor the EU 2020 Strategy poverty target. The number of people at risk of poverty and social exclusion has risen to 123 million in 2013, i.e. 24% of the EU population.

The availability of regional data on risk of poverty and social exclusion is very poor, so data had to be estimated in some cases (see chapter 4.2). Regions in Norway, Sweden, Austria, Czech Republic, Western Slovakia and Northern Italy show lower rates — with the minimum of 8.9% in the Austrian region Burgenland. Regions in Southern Spain and Italy, Bulgaria, Romania and Northern Finland show higher rates, the maximum being 76.5% in Réunion. Urban regions, also in the higher developed countries, tend to display higher AROPE values.



figures The most recent show considerable inequalities in the distribution of income among the population of the European Union Member States. On average in 2013 the 20% with the highest income within a country received 4.9x as much income as the 20% of the population with the lowest "equivalised disposable income". This ratio varies considerably across the Member States, from less than 4x in the Central European and Nordic countries (SI, CZ, HU, SK, AT FI, SE, BE, NL) to 6x or more in Greece, Spain, Portugal, Lithuania, Romania, Bulgaria and Latvia.

On regional level, data on the income quintile share ratio is available for OECD TL2 regions only for some Countries. The highest quintile share ratio is to be observed in the Spanish region of Ciudad Autónoma de Melilla, where the income of the richest 20% of the population is higher by a factor of 12.6 than the income of the poorest 20%. The lowest ratio of 2.6 was recorded in the German region of Bremen.

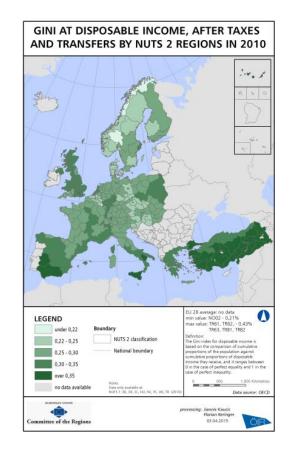
4.2.4. Regional Incomes and Participation

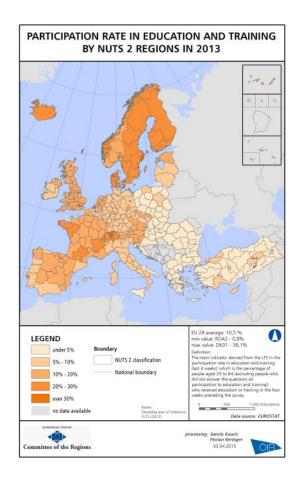
The Gini coefficient measures the extent to which the distribution of equivalised disposable income among individuals deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality and 100 (or 100%), perfect inequality.

Based on EU-SILC data, between 2008 and 2011 the EU-27 GINI decreased by 0.1 point although,

for EA-17, it increased by 0.3 points. Significant variations in the inequality trends were observed between different Member States with changes in the GINI coefficient between 2008 and 2011 ranging from decreases of over 2 pps for Romania, Latvia, and Netherlands to increases of 2.7 pps for Denmark and Spain.

On regional level, data on the Gini Index is available for OECD TL2 regions only for some Countries. The highest inequalities according to Gini can be observed in Southern Spain and Italy, Turkey, as well as some French regions. They are lowest in Norwegian regions.





The participation rate in education and training of people aged 25 to 64 depicted in the Map is particularly high in Danish, Swedish, Finnish and Swiss regions, with a maximum value of 36.1% in the region Hovedstaden (capital city region) in Denmark. Very low participation rates are to be observed in the regions of New Member States in the East, as well as Greek and Turkish regions. The minimum value of 0.8% was recorded in the Romanian region Vest.

Since 2008, an increasing number of young people have remained in, or have returned to, education, notably within the younger age group (18–24) and especially in Member States where youth unemployment was especially high (Spain, Ireland and Portugal) and where the share of young people in education had been below the EU average in 2004. In some countries however, participation in education has either stalled (Greece,

Italy, Romania, the Czech Republic and Slovakia), or even declined (Poland and Hungary).

5. Recommendations and conclusions

Measures of **regional well-being** and **social developments** may contribute to capturing the differences that are **hidden in national averages.** Regional well-being indicators across OECD countries show that differences in well-being are often **greater among regions** within the same country than they are **across different countries**. Also the mapping of the social dimension of the EMU shows huge differences between regions, as well as the effect of **regional maxima and minima** being hidden behind national averages.

Household surveys such as EU-SILC have a breadth of indicators, but **sample sizes are too small** to be representative for NUTS 3 or local area units (LAU). Population censuses do allow small areas calculations but frequently lack the breadth of indicators necessary to calculate main poverty or other social indicators. The **World Bank** has been applying a method to produce poverty maps called *small area estimation poverty maps* for many years, using a combination of census and survey data. Given the availability of **micro data** from censuses, social indicators (such as poverty measures) can be modelled on a disaggregated spatial level, using similar methodologies.

Employment and Social Indicators are available at EUROSTAT for **NUTS 2 levels**³⁸ and can be mapped, however with huge differences in spatial coverage – e.g. poverty indicators displaying very **poor data availability**. Many countries only provide data on the national (NUTS 0) or sub-national (NUTS 1) level, which can be broken down to the regional level by using an available **proxy indicator** with better data availability. For example, the "at risk of poverty and social exclusion" rate can be modelled by using the **regional distribution** of the highly correlating long-term unemployment rate combined with available data on higher spatial level (NUTS 1 or NUTS 0).

Regional well-being indicators of OECD are available at **TL2-level**, which is a combination of NUTS 1 and NUTS 2 data. An Index covering nine dimensions of **Social Cohesion** is available at national level³⁹. Receiving regional data in this domain is mainly a question of introducing surveys with regionally representative sampling. An analysis of the social dimension of the EMU at the territorial level could also be done by using different types of charts showing inter-regional disparities with minimum, median and maximum values within a country.⁴⁰

There is no data on NUTS 3 level publicly available for the indicators discussed in this file note.

³⁹ See Bertelsmann Stiftung's "Social Cohesion Radar".

E.g. bar charts, http://www.oecd.org/regional/regional-policy/website-topics.pdf

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ANNEX 2 – Additional Social Indicators

	Dimension	Indicators
1. Social relations	1.1 Social networks	Important in life: Friends How much time during past week you felt lonely (-)? How often socially meet with friends, relatives or colleagues? Support if needed advice on serious personal or family matter Count on to help
	1.2 Trust in people	People can be trusted People try to be fair Most of the time people helpful
	1.3 Acceptance of diversity	Would not like to have neighbor: of different race Would not like to have neighbor: immigrants/ foreign workers Rating of ethnic tension (–) Justifiable: homosexuality Gays and lesbians free to live life as they wish Country's cultural life enriched by immigrants Country's culture undermined by immigrants (–) Rating of religious tension (–) City/area good place for: Racial/ethnic minorities City/area good place for: Gay or lesbian people
2. Connectedness	2.1 Identification	How attached to country? How proud of nationality? Ideally, would permanently move to another country (–)
	2.2 Trust in institutions	Confidence in police Confidence in parliament Confidence in political parties Confidence in justice system Confidence in health care Confidence in financial institutions Honesty of elections Didn't report a crime, because feared/did not like the police (-)
	2.3 Perception of fairness	Corruption (-) Corruption within businesses (-) To get ahead need to be corrupt (-) To get ahead, forced to do things that are not correct (-) Government should reduce differences in income levels (-) I earn what I deserve Get paid about what deserved Tensions between the rich and the poor (-)
3. Focus on the common good	3.1 Solidarity and helpfulness	Government provide for people (–) Help others exd. family/work/voluntary organizations Unpaid voluntary work through community and social services Donated money Helped a stranger
	3.2 Respect for social rules	To what extent people obey traffic laws How wrong to commit traffic offense (–)? Feel safe after dark on the street Feel safe walking alone at night Size of shadow economy (–)
	3.3 Civic participation	Important in life: politics Interest in politics Worn or displayed campaign badge/sticker Signed a petition Contacted politician or public official Voiced opinion to public official Served on committee or done voluntary work for organization Volunteered time to organization Worked in association or organisation Voting turnout in elections or referenda

Indicators marked (-) are reversed when calculating the dimension. Explanation of abbreviations: EB = Eurobarometer, EQLS = European Quality of Life Survey,

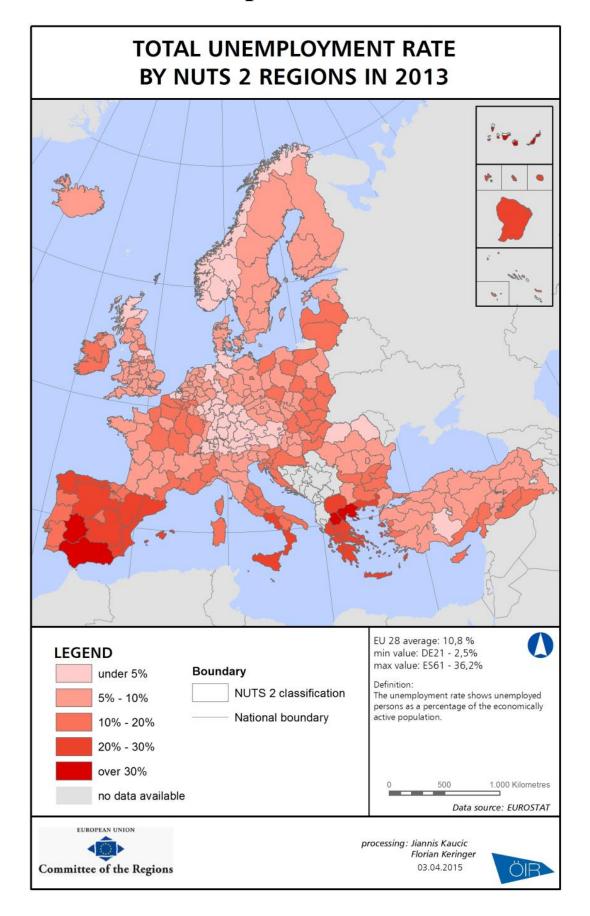
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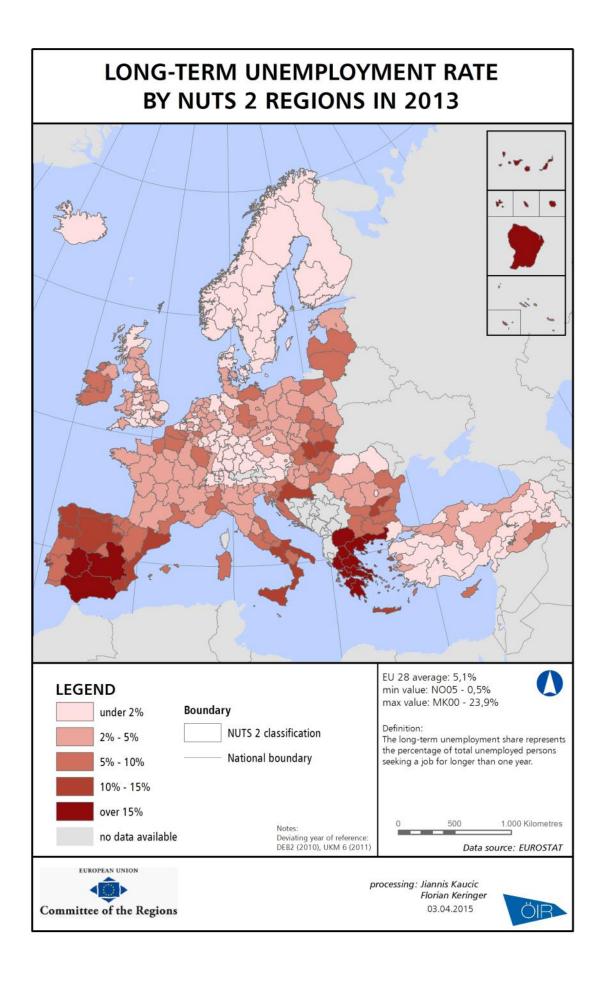
The nine domains and 33 indicators of the GNH index

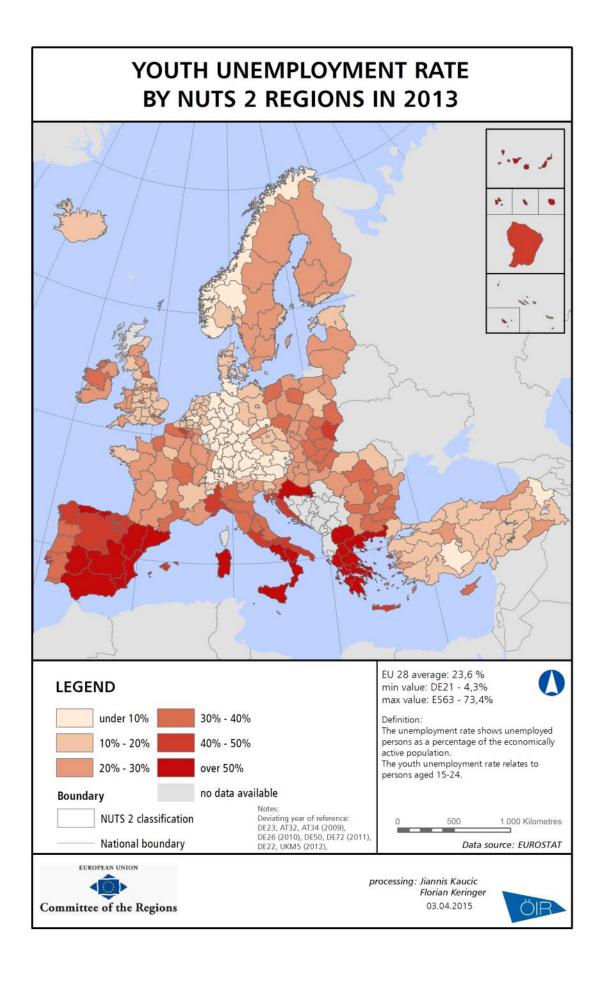


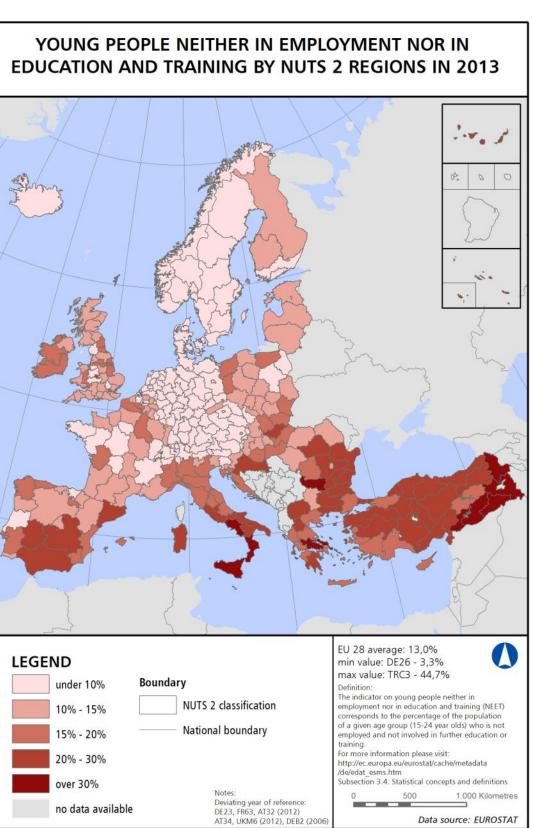
Source: http://www.grossnationalhappiness.com/wp-content/uploads/2012/04/Short-GNH-Index-edited.pdf

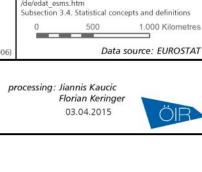
ANNEX 3 – Maps











no data available

Committee of the Regions

