Commission of the European Communities

THE REGIONS OF THE ENLARGED COMMUNITY

- Third Periodic Report on the social and economic
situation and development of the regions of the Community -

SUMMARY AND CONCLUSIONS

Document

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SUMMARY and CONCLUSIONS

1. Like its predecessors, the third report on the social and economic situation and development of the regions in the Community seeks to give as comprehensive a picture as possible of the disparities between regions in the Community and their characteristics. However, it cannot and does not set out to present a detailed account of the situation in each individual region; that is done by the regional development programmes.

The content and structure of the report have been shaped in particular by two events :

(a) enlargement of the Community in 1986 to include Spain and Portugal; the situation in the regions and the differences between them have thus had to be looked at for the first time within this wider framework;

(b) adoption of the Single European Act which incorporates Community regional policy into the framework of the Community Treaties and assigns to it the task of helping to achieve convergence and cohesion in the Community.

Regional disparities within the Community

The investigations into the situation and development of the regions, which are based on the information available at the end of 1986, provide renewed confirmation of the wide disparities existing between the regions of the Community.

2. The doubling of the number of Member States from six to twelve in thirteen years has significantly altered the Community in progressive stages. It has become larger but also more heterogeneous. Above-average rates of unemployment and inflation and current-account deficits in most of the newer Member States during the first half of the 1980s provide indications of this greater heterogeneity. In addition, with each of the three enlargements since 1973, one of the new entrants took over the bottom position in the league table of Member States ranked in order of income.

3. With the most recent enlargement:
- the employed labour force and the volume of production (GDP) expanded by 12%-13%;
- the population rose by 18%;
- the number of unemployed climbed by around 30%;
- the territory of the Community and the numbers employed in agriculture increased by 36%.

At the same time, the problem of the regions lagging behind became twice as onerous. In the enlarged Community, around one fifth of the population lives in such regions, where income levels, measured in terms of GDP per head of population, trail behind the Community average by up to 60% or more.

4.   The seriousness of the problems of the two most recent members are reflected in particular in the fact that income per head of population in Portugal is only half, and in Spain three quarters, of the average for the other ten Member States and that, in the new Member States, one in five of those gainfully employed still works in agriculture, compared with a figure of one in thirteen for the former Community of Ten.

5.   The more pronounced disparities within the enlarged Community are even more clearly discernible at regional level. None of the regions of the two new Member States has a level of income equal to the average for the enlarged Community. There are also considerable differences in income within those two countries.

6.   In addition, there are marked differences in the labour market situation. For instance, unemployment in Spain is almost twice as high as the Community average. At the same time, the absolute level of regional disparities within Spain is the highest in the Community, exceeding those between the north and south of Italy. If we take regional unemployment disparities in the enlarged Community, we find that in the twenty-five worst-placed regions one in five of those making up the labour force is without a job, compared with a figure of only one in twenty for the twenty-five best-placed regions. Even more glaring are the disparities among young people. Unemployment in this category is twice as high as for the labour force as a whole, with every third young person in Italy and almost every second young person in Spain being without a job.

7.   The growth in output and incomes in the 1960s was accompanied by a process of convergence, with income disparities between Member States narrowing by a third. This period of convergence was characterized by relatively low rates of inflation, stable exchange rates, low unemployment and deficits in public budgets and balances of payments that were limited over time and in size. In any event, the convergence process under way during that period was attributable not only to faster growth in the worse-placed regions but also to migration between regions. These migration movements contributed to the narrowing of disparities but added to the concentration of population in the stronger areas, especially as in most cases no form of regional policy or only a weak form was practised.

8.   Since the beginning of the 1970s, however, sluggish growth, significant divergences in nominal variables and major imbalances have shaped the overall picture. At the same time, natural growth rates of population have diverged between regions. Moreover regional migration rates have fallen by over half. Whereas continuation of the convergence process on the scale witnessed in the 1960s would, given demographic trends, have required more pronounced regional growth differences, the latter were actually reduced to such an extent that the process of convergence of incomes came to a halt.

9.   Sluggish growth in output and serious nominal disparities coupled with continuing expansion of the labour force brought about a general rise in unemployment. At the same time, disparities in unemployment, both between and within Member States, widened further. Significantly above-average

increases in unemployment were recorded especially in many parts of the less-developed regions at the southern and western peripheries of the Community but also in some parts of the more developed regions whose industries were characterized by serious structural adjustment problems. As a result, regional disparities in total unemployment in the enlarged Community were two and a half times more pronounced in 1985 than in 1975.

10. A comparison of regional disparities in the Community with those in the United States underscores the scale of regional problems in the Community. Regional disparities in the Community are roughly twice as high in the case of incomes and three times as high in the case of unemployment rates, as in the USA[1].

11. The disparities between regions in the Community reflect both the heterogeneity between, and the regional differences within, Member States. In the former Community of Ten, one third of the Community-wide income and labour market disparities were due to international differences between Member States and two thirds to regional differences within them. With the enlargement of the Community, the international component has gained ground, with the result that half of the Community-wide regional disparities in incomes are now due to one or other of the two components. In the case of unemployment, the international component now somewhat overshadows the intranational component, the reason being the high level of unemployment throughout Spain.

12. If we combine the key socio-economic variables of regional economic performance and regional labour-market situation into a synthetic measure of problem intensity, we obtain a Community-wide ranking in which the regions in the outer peripheral areas in the south and west of the Community that are lagging behind are clearly the worst affected. Particularly low income and productivity levels, which, in most cases, are accompanied by particularly high unemployment, structural underemployment and a persistently above-average rate of expansion of the labour force are significant factors here. However, the intensity of problems is also above average in a number of developed regions with average or even above-average incomes. These are areas that are faced with particular structural adjustment problems and that, as a result, suffer from above-average unemployment. They are the old declining industrial regions, which display a less marked degree of spatial concentration than the regions lagging behind and are scattered chiefly throughout the north of the Community.

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[1] This comparison is based on the states making up the United States and on a roughly equal number of categories of regions in the Community (Bundesländer (D), zones économiques d'aménagement du territoire (F), standard regions (UK), etc.; they are referred to in short as Level I regions). Although the data are not fully comparable, the scale of the disparities is still revealing.

13. Overall, the intensity of regional problems throughout the Community has been accentuated by the most recent enlargement. Each individual region viewed in isolation still faces the same problems. Since the new regions are having to contend with particularly serious problems and are characterized by a below-average economic performance, there has been a change in the relative weight of the problems encountered in the individual regions and Member States. The following example illustrates this: with the accession of countries whose regions without exception have a below-average level of income, the Community average of income per head of population fell by 5%. The result is that a fairly large number of regions which had a below-average level of income in the Community of Ten are now above the average for the Community of Twelve.

Some factors explaining regional disparities

Analysis of the various factors that significantly influence the competitiveness, structures and development prospects of the regions brings to light the following:

14. Regional disparities in wage costs per person employed in industry are much smaller than those in labour productivity and, in some cases, do not correspond with differing regional labour-market situations. To some extent, both regions lagging behind and declining industrial regions have relatively high unit wage costs. Where these are not accompanied by any positive and sufficiently pronounced locational or other structural advantages, they act as a competitive disadvantage that compounds the regional employment problems or adjustment and development difficulties and is detrimental to any moves to resolve them.

15. Similarly, the infrastructure endowment of the regions significantly influences their development potential, as the Second Periodic Report showed. Findings of more recent studies carried out for the enlarged Community confirm the earlier observation that regions lagging behind are much more poorly equipped with infrastructures directly serving economic activities.

16. The present situation in, and prospects for, the various regions are also characterized by trends in population and labour supply that differ enormously between Member States and regions. During the 1990s, the increase in the Community's total population will come to a standstill. At the same time, the population will continue to expand strongly in the regions lagging behind where the proportion of young people is relatively high. In contrast, an increasing number of the other regions will have to become accustomed to a shrinking population and to an increase in the average age of the population. Over the coming twenty-five years, differences between the regions will range from natural population increases of up to one third to declines of up to one fifth of the present population (excluding migration). The resulting adjustment requirements and problems will materialize at differing times in the regions.

17. Estimates - made on behalf of the Commission - of job requirements in the coming ten years reveal that two thirds of total requirements in the Community are determined by the present level of unemployment and one third by the growth in the labour force. The labour force in the four weaker Member States and southern Italy will grow by some 1% a year, or around twice as fast as the Community average and almost four times as fast as in the other regions. Overall, half of the new entries into the labour market will be in these weaker areas, which hitherto have accounted for only one quarter of the labour force but for one third of the unemployed.

18. Pursuant to the Preamble to the Treaty establishing the European Economic Community and to Article 130 A of the Single European Act, the objective is to promote the overall harmonious development of the Community and to strengthen its economic and social cohesion. An essential aspect of this objective is a higher degree of convergence of the economic performances of Member States and their regions. The disparities between the Commmunity's regions underscore the importance of, and need for, a long-term strategy which will need to be differentiated according to the particular situation of each type of region.

Regional policy and economic and social cohesion in the Community

19. With the adoption of the Single European Act (Article 130 B), all Member States have undertaken to conduct and coordinate their economic policies in such a way as to attain also the objectives of cohesion and convergence. The regional disparities identified in this report show that the Community is still a long way from having achieved these objectives. The Community shall support the achievement of these objectives by the actions it takes through the structural funds. A vigorous and targeted Community regional policy is required, which can make an important contribution to the necessary catching-up and convergence process but cannot bring it about on its own.

Accordingly, apart from a targeted and effective Community regional policy, a favourable macroeconomic environment and closer coordination of national and Community regional policy are needed. In addition, account has to be taken of the possible regional effects of other Community policies.

Relationship of regional policy to general economic policy

20. With a view to establishing a favourable macroeconomic environment, the Commission, back in 1985, proposed a cooperative growth strategy for more employment[2] that was adopted by the Council in December 1985 and reaffirmed at the end of 1986. More specifically, the Commission's last two Annual Economic Reports have spelt out how all Member States can contribute to this strategy. All the Member States, but especially the better-placed ones, should take steps to generate more dynamic growth since, generally speaking, it is only in a dynamic environment conducive to growth that the hoped-for catching-up process can take place. A further requirement is that the growth rate in the Member States lagging behind in relative terms should exceed the Community average. The assisted countries and regions share a special responsibility in this process, since regional policy measures will lose their effectiveness if suitable economic policies are not followed.

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[2] See European Economy, No 26, November 1985.

21. Convergence is necessary if the objective of cohesion is to be attained. In this respect, two aspects need to be properly differentiated:

(a) nominal convergence, which is concerned with improved control over monetary developments and nominal incomes and with moves to secure and maintain price stability and overall equilibria in the fields of public finance and balances of payments;

(b) real convergence between regions and Member States, which involves bringing living standards and income generation more closely into line at the highest possible level while evening out disparities in unemployment at the lowest possible level.

22. Nominal convergence is a necessary but not a sufficient condition for real convergence. It is necessary in order to ensure that the growth process is not impaired by macroeconomic imbalances. The improvement in the conditions necessary for growth in income and employment in the problem regions, without which a greater measure of real convergence will prove elusive, is conditional on the existence of a sound macroeconomic environment. As the last fifteen years have clearly shown, regional policy alone cannot bring about real convergence but, at the most, can prevent disparities from becoming even more pronounced in the absence of nominal convergence.

23. Conversely, it is true that greater convergence between Member States is on its own no guarantee that regional disparities within Member States will be rectified in the desired manner, i.e. without forced, uneven migration and without excessive concentration of population.

Moreover, pronounced regional disparities are a constraint on the scope for securing greater nominal convergence. Strengthening economic performance and boosting employment in the problem regions will, therefore, make a major contribution to achieving sound, macroeconomic growth.

24. To ensure that real convergence between Member States benefits first and foremost the problem regions, regional policy has to work in two directions: (i) the less developed regions have to achieve sufficiently above-average growth of output, employment and investment, and (ii) the industrial problem regions have to be able to carry through the unavoidable structural adjustment processes without any contraction or stagnation of their economies.

25. Overall, it follows that greater convergence at Community level calls at the same time for greater convergence between Member States and between their regions, an objective to which Community and national regional policy must together contribute.

The weight of Community and national regional policy

26. The contribution of Community regional policy to convergence in the broadest sense is reflected in the role it plays in financing investment. In the period 1983-1985, this source of financing accounted for only something in excess of 1/4% of gross fixed investment in the Community as a whole, although the corresponding figure was 3% in Greece, 2% in Ireland and the Mezzogiorno, and 1/2% in the United Kingdom. In some areas, the Regional Fund's contribution to economic development was much greater since, in the interests of effectiveness, the resources were not spread evenly over the territories concerned.

27. The present weight of national contributions to real convergence relative to the Community's contribution comes to light in a comparison of the relevant levels of expenditure. Thus, Regional Fund expenditure on infrastructure investment projects is equivalent to less than one twentieth of total annual infrastructure investment in assisted areas. Similar proportions for national and Community expenditure were found in the case of regional aids for business investment.

28. In overall terms, these orders of magnitude illustrate the limited but - at the level of the individual Member States - not inconsiderable contribution made by the Regional Fund to the financing of national infrastructure and business investment. However, they also point up the prime responsibility of Member States for real convergence and the complementary rôle of the Community in taking specific action to underpin national measures in selected problem areas.

Real convergence and other Community policies

29. The relative weights of Community and national regional policy are determined in part by the size and expenditure structure of the Community budget. In 1986, the Community budget was some 35 000 million ECU, equivalent to 1% of Community GDP. That same year, regional policy expenditure accounted for around 7% of the Community budget. The overall expenditure structure is determined by the high proportion of agricultural spending, which tends to fluctuate and is difficult to control. The strains arising in this connection raise among other things the question as to the contribution made by the different Community policies to attainment of the objective of cohesion.

30. The European Social Fund is also to be viewed against this background. Its financial allocation broadly matches the Regional Fund's. Its concentration on measures to promote vocational training, especially for young people, together with regional priorities in the deployment of resources, have resulted in the five weakest Member States, which account for around one third of the Community's labour force, receiving 60% of its resources. Since measures under the Social Fund are directed towards qualitative improvement of the labour supply, they strengthen the development potential and adaptability of the problem regions.

31. The regional effects of sectoral policies are normally more complex and less transparent. They depend on the actual measures taken, which may be aimed more at underpinning sectoral output and employment or at facilitating

structural adjustment. They are also shaped by regional disparities in the efficiency and importance of the sector.

32. Being the Community's most developed sectoral policy, the common agricultural policy accounts for almost two thirds of the Community budget, with the bulk of its allocation being used to support prices and markets for agricultural produce. In 1985 (EUR 10), this form of expenditure was equivalent to just under one quarter of gross value added in agriculture (measured on the basis of the level of prices supported by the Community) and worked out at 2 700 ECU per person employed in agriculture (in man-years). At regional level, however, the corresponding figure in the latter case ranged from 1 500 ECU to over 5 000 ECU per person employed. Expenditure per person employed and per unit of value added incurred in most of the regions at the Community's southern periphery was at the lower end of this range owing to the low level of labour productivity and, in part, to the smaller proportion of products with a high cost to the Community budget in those regions.

33. In view of surplus production in a number of sectors, especially the milk, beef and cereals sectors, and bearing in mind poor marketing prospects in the longer term, agricultural policy has been gradually refashioned over a number of years. Its effects are currently concentrated mainly on regions in which there is a high degree of specialization in products that are in surplus and which have hitherto given rise to particularly high budgetary expenditure and have received above-average support. The tendency, therefore, will be to reduce the aforementioned regional disparities in the level of support³. At the same time, however, the changes that are essential if agricultural surpluses are to be reduced are giving rise to adjustment problems in specific areas.

Establishment of the internal market: the challenge at the regional level

34. Establishment of a single, large internal market is aimed at removing in the medium term the numerous physical, technical and tax barriers that still exist between Member States. Attainment of this objective would make for a major improvement in the general economic environment. New dynamic forces would be released that, in the light of experience, would be a fundamental factor in creating a climate conducive to growth. Completion of a large internal market will, therefore, make a decisive contribution to the establishment of the dynamic conditions without which there will be little prospect of the convergence process being restarted. These overall forces should, therefore, be used to bring about a greater measure of real convergence.

35. There can, however, be some risks. On the one hand, there is the danger that problem regions will not respond to the new challenge with the necessary vigour. On the other, it may be that the sought-after removal of existing barriers to the free movement of goods, services and capital will benefit first and foremost the stronger and more attractive regions. Neither development would be in the interests of convergence.

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³ The Commission has proposed to the Council three income support measures aiming to ease the effects of a more restrictive price policy and a more flexible market policy on farms in an economically and structurally weak position. Owing to its variation with respect to the social and economic situation, Community action will favour the weak regions and thus contribute to greater cohesion.

36. There is in particular an additional challenge in relation to the regions lagging behind the rest of the Community if this gap is not to widen. These are invariably peripheral areas that are, in many cases, quite remote from the major demand and supply centres and are much less densely populated than the Community as a whole. Their production structures are geared, to a disproportionate degree, to agriculture and, to a lesser degree, to industry and the service sector. The level of unemployment in many of those areas is disproportionately high. In terms of income and labour productivity, however, they rank in the bottom fifth of the regional league table. The special problems they face stem in part from their location, with which are associated higher transport costs, longer transport and travel times, longer delivery periods, higher storage costs, fewer opportunities to achieve size-related cost savings, and more difficult access to information. These factors hamper exploitation of the development opportunities and incentives arising from the internal market. Lastly, there is, in some instances, an excessive concentration of population in only a few heavily congested national centres; at the same time, a wider network of urban centres is needed that would reduce the costs involved in exploiting advantages associated with urbanization. These quantitative and qualitative drawbacks are due in large part to these regions being more poorly equipped with infrastructures directly serving economic activity. However, there is also a dearth of business investment aimed at creating new jobs and boosting productivity and competitiveness.

37. Declining industrial regions may also face risks. Unlike the peripheral areas lagging behind the rest of the Community, however, they enjoy advantages associated with agglomeration and, generally speaking, are much better endowed with infrastructures. The risk factors in these areas are connected primarily with inadequate business investment aimed at creating new jobs outside the crisis sectors, with the adaptation and retraining of the labour force, and with a lack of entrepreneurial dynamism and efficiency in exploiting regional development potential.

38. Above-average unit labour costs in a number of problem regions in both categories could pose a further risk to exploitation of the opportunities offered by a large internal market. High unit labour costs constitute a competitive disadvantage that is prejudicial to the opportunities for creating new or alternative jobs, to the profitability of the investment needed and hence to the prospects for more employment-creating growth and improved adjustment conditions in the regions concerned.

39. In view of the regional disparities in unemployment and in future labour force trends, one also needs to look at the role played by migration in the process of real convergence.

40. Measured in terms of gross annual migration between the regions, mobility in the Community affects some 1%-1.5% of the population. In recent years, however, net migration between Member States has come to a virtual halt, while net migration rates between regions have declined by more than half since the 1960s and, in the first half of the 1980s, affected scarcely 1/4% of the population on an annual basis. All in all, this trend

has contributed to growing regional disparities in unemployment.   If the labour-market situation in regions with relatively low unemployment were to improve significantly without an accompanying rapid increase in employment opportunities in regions with particularly high unemployment and a rapidly expanding supply of labour, a further change in migratory behaviour in the direction of the earlier pattern cannot be ruled out.   This applies, first and foremost, to migration within Member States but also to migration between them.

41. However, because they are so pronounced, regional differences in employment problems cannot be resolved but, at most, can only be reduced by migration.   Regardless of the scale of future migratory flows, out-migration from problem regions is something of a passive solution and poses a challenge for regional policy, the purpose of which is to generate employment and income in those areas possessing the necessary manpower and displaying potential for economic development.   Significantly higher investment is needed in such areas, together with the means to finance it. In addition to the regional economies' own savings, financing will have to come from private capital flows supplemented by organized capital flows and transfers in the form of investment aids.   Seen in this light, achievement of the free movement of capital within a large internal market would make a major contribution to real convergence, with capital mobility taking the place of labour migration.   However it is primarily the Member States that must take steps to secure nominal convergence and adequate profitability and to ensure that the labour force possess the necessary skills so that their economies attract national and foreign investors.   Assistance available under Community regional policy and organized capital flows must be in addition to, but cannot replace, the national efforts that are needed.

Elements of an effective Community regional policy

42. The objectives and instruments of Community regional policy and the way in which its resources are deployed are determined by the situation and development of the regions, as described above, and by the institutional framework.   As a result of the heterogeneity of conditions in the regions of the Community of Twelve, Member States' objectives and priorities in the regional policy sphere differ significantly.   This initial situation, together with the budgetary environment, means that Community regional policy must focus on clearly defined Community goals, as they derive from the Single European Act.

43. In determining the resources needed, special account has to be taken of the magnitude of the disparities, the need to get the process of real convergence going again, the current situation and future trends regarding the regional labour supply, and the risks to certain regions arising from establishment of the internal market. In the light of these aspects and others, the Commission has proposed to double the budget of the structural funds in real terms by 1992[4].

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[4] See "Making a success of the Single Act: a new frontier for Europe", doc. Com. (87)100, 15 February, chapter IIB.

44. The various analyses carried out in the report reveal that, taking the Community as a whole, the areas at the southern and western peripheries are areas lagging behind the rest of the Community that face the most serious structural adjustment problems (Greece, Mezzogiorno, Portugal, large parts of Spain, Ireland and Northern Ireland, along with the French overseas departments). By contrast, because of their heterogeneity, declining industrial regions can be less clearly demarcated. Their adjustment problems are reflected in a relatively high level of unemployment attributable to a reduction of labour requirements in industries with structural adjustment problems, with no offsetting increase in employment in other sectors.

45. Real convergence calls for considerable extra investment, both in infrastructures directly serving economic activities and by firms as a means of creating new permanent jobs.

46. The high unit labour costs in problem regions point to long-term diverging developments between wages and labour productivity. Both moderate wage increases and faster productivity gains are needed if the associated disadvantages are to be mitigated. Aids to promote business investment would help to underpin the necessary adjustments but cannot bring them about alone. The adjustment process must, therefore, involve both aspects.

47. In view of the importance of business investment for greater real convergence, an effective Community regional policy ought to be reflected in a higher weight given to assistance for productive investment under the Regional Fund.

48. With regard to infrastructure endowment, infrastructures directly serving economic activities display the most pronounced regional disparities. A qualitative and quantitative improvement in the situation will reduce firms' production costs and boost their productivity, and competitiveness, thereby satisfying one of the conditions for an ultimately more buoyant trend of business investment, employment opportunities, and incomes. Improved infrastructures directly serving economic activities thus contribute more to convergence than do other types of infrastructure. In view of the situation on, and prospects for, the labour market and given the associated requirements for vocational retraining and for initial and continuing professional educuation, there will be a constant need for substantial investment in human capital and in the corresponding infrastructures. Meeting this need is a sine qua non for more employment-creating and income-boosting productive investment and hence for greater real convergence.

49. Given existing regional disparities and with a view to completion of the large internal market, the problem of infrastructure endowment arises primarily in the case of the regions lagging behind[5]. However, in addition to being poorly equipped with infrastructures directly serving economic activities, these regions also suffer from an altogether inadequate number of jobs in the business sector and from a lack of the necessary investment to create such jobs. Coordination and optimum combination of the measures to be undertaken in both these fields is essential if they are to be effective in each separate field.

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[5] In this context, point 5 f of the Council Resolution of 16 September 1986 on the objectives of Community energy policy for 1995 (OJ C241, 25 September 1986) can usefully be referred to. This requires: "the implementation, for those regions which are less-favoured, including those less-favoured from the point of view of energy infrastructure, of measures designed to improve the Community's energy balance".

50. There are, in practice, three (political) levels in the Community at which regional development and structural policy is carried on: the Community, the national and the regional level. This has the advantage that appropriate measures reflecting their particular problems can, as far as possible, be formulated and implemented by those directly concerned. This, however, is bound to generate strains given the different weightings assigned to the objectives, the differing views of the instruments available and the differing size of the areas for which the relevant decision-makers are responsible. These opposing views must be reconciled through coordination if national and Community measures are to be effective. The application of articles 92 and 93 of the treaty seeks to ensure that a Community dimension is taken into account in national and regional aid policy.

THE REGIONS OF THE ENLARGED COMMUNITY

- Third Periodic Report on the social and economic situation and development of the regions of the Community -

MAIN REPORT

Preface

This report on the social and economic situation and development of the regions of the European Community was drawn up pursuant to Article 2 of Regulation (EEC) No 1787/84 of 19 June 1984 on the European Regional Development Fund (OJ No L 169, 28 June 1984). It was preceded by the First and Second Periodic Reports, published in 1981 and 1984, which were drawn up pursuant to the Council Decisions of 6 February 1979 (OJ No L 35, 9 February 1979).

The report surveys regional differences in the Community, analysing and commenting on the situation and developments. It relies on the most recent comparable data and for the first time has as its framework the Community of Twelve.

The report was adopted by the Commission after consulting the Regional Policy Committee. The Committee had an opportunity at an early stage to express its views on the structure of the report and, before its adoption by the Commission to discuss the full draft and to make the statement attached to the main report.

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Chapter 1: INTRODUCTION

1. The third report on the situation and development of the regions of the Community continues the information and analyses presented in the previous reports. Like its predecessors, it seeks to give as comprehensive a picture as possible of the main features of the differences between the Community regions. However, it cannot and does not set out to present a complete account of the situation in each individual region; that is done in the regional development programmes. So as to make the report clearer in its presentation and easier to read, many of the individual analyses, maps and tables have been grouped together in a separate annex whose structure follows that of the main report.

2. The content and structure of the main report have been shaped by two key ideas:

(1) Following the accession of Spain and Portugal at the beginning of 1986, the situation in the regions and the differences between them are for the first time to be looked at within the framework of the enlarged Community.

Since, as pointed out in the previous report, these two countries and their regions differ in many respects from the Community of Ten, it follows that the relative positions in the regions one to another are also directly affected by enlargement. Analysis of the situation with the regions of the two new Member States included was thus a first central concern; this is the subject of Chapter 2. Although it has not yet proved possible to comply with this objective in all sections of the report, all the analyses normally relate to the enlarged Community unless otherwise stated[1].

(2) Pursuant to the Single European Act, the task of Community regional policy is to help achieve convergence and cohesion in the Community.

The report accordingly endeavours to help clarify the meaning of and interrelationships between these two concepts. This is done in Chapters 3 and 4. After a general discussion of the interrelationships between convergence and cohesion, Chapter 3 looks at the past record. Chapter 4 then goes on to examine the place of Community regional policy in the context of cohesion. It looks at the present share of Community regional policy in the Community budget, its relationship to national regional policies and the regional aspects of other selected Community policies - in the context of the current debate - with the main focus on the regional impact of Community social and agricultural policies.

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[1] For the case of Portugal, comparable regional figures were not available when the report was drawn up. These would undoubtedly have shown certain regions of this Member State to be further below the Community average than the country as a whole.

In a brief Chapter 5, an outline is given of the development of Community regional policy in the past and of its present structure, i.e. its objectives and instruments.

3. In addition to extending the analysis to the two new Member States, updating the descriptions of regional imbalances in the present and reviewing the development of disparities in the past, particularly since the end of the last decade, the report presents the results of a number of new studies on the following specific topics.

. Regional disparities in the enlarged Community, differences between the Member States and a comparison with the United States (Chapter 2.2.1)

. An updated and extended version of the synthetic index used to rank the regions on the basis of the severity of their social and economic problems from a Community-wide point of view (Chapter 2.2.1-C)

. An examination of differences in labour costs and unit labour (Chapter 2.2.2-A)

. A quantified presentation of the main features of migration in recent years (Chapter 2.2.2-B)

. A description of the endowment of regions in the enlarged Community with infrastructure directly serving industry, and the initial findings of studies on infrastructure investment in the regions (Chapter 2.2.2-C)

. An alternative approach to the attempts to establish a typology of regions described in the Second Report; nine common types of region are examined in turn, for which special studies, some of them extensive, had to be drawn up (Chapter 2.2.3)

. A detailed examination of the types and scale of underemployment (Annex 2.2.1-C)

. A forecast of regional differences in long-term population trends and in me um-term job requirements (Chapter 3.3)

. T egional impact of social and agricultural policy (Chapter 4.3).

Chapter 2: REGIONAL IMBALANCES IN THE ENLARGED COMMUNITY

2.1 General characteristics of the enlarged Community

1. The doubling of the number of Member States from six to twelve in thirteen years has radically altered the Community in successive stages.[1] It has become larger, but also considerably more heterogeneous.

2. The Community's territory has almost doubled, and its population and employed labour force have risen by 60%. It now covers 1.7% of the earth's surface and accounts for some 7% of the world population. The ratio between these last two figures reflects the high population density of more than 140 inhabitants per square kilometre, which is associated with a high degree of urbanization. The Community's population of 321 million outstrips not only that of the United States (by 35%), but also that of the Soviet Union (by 18%). However, the United States and the Soviet Union have much larger territories; geographically, the United States is four times and the Soviet Union ten times as big as the Community (see Annex Table 2.1-1).

3. Because of its high population density and only modest natural resource endowment, the Community has a particular interest in ensuring that world trade, of which it accounts for nearly one third, is as free as possible. The relative size of its trade with other countries measured in terms of GDP is about twice as great as that of the United States and roughly the same as that of Japan.

4. The economy of the enlarged Community (in terms of GDP per head of population and at purchasing power parities) is relatively strong in world terms; however, that of the United States is 50% and that of Japan just under 20% greater (see Graph 2.1). This gap is in large measure due to the well below-average economic strength of four of the six Member States that have joined since 1973 (see below Chapter 2.2). Other indicators of the greater heterogeneity of the enlarged Community are the particularly high budget and current account deficits and double-digit inflation rates in the "weaker" Member States during the first half of this decade. However, it is the build-up and the extent of these imbalances over fairly long periods of time in the weaker Member States that typify the heterogeneity (see Annex Table 2.1-2). The "stronger" Member States too have had - and some still have - to contend with considerable difficulties from time to time on one or other of these fronts.

---

[1] The figures in this section relate to 1985; they reflect the differing dimensions of a Community of six and one of twelve Member States.

GRAPH 2.1
GROSS DOMESTIC PRODUCT PER HEAD OF POPULATION
(at purchasing power parities; 1985; EUR 12 = 100)
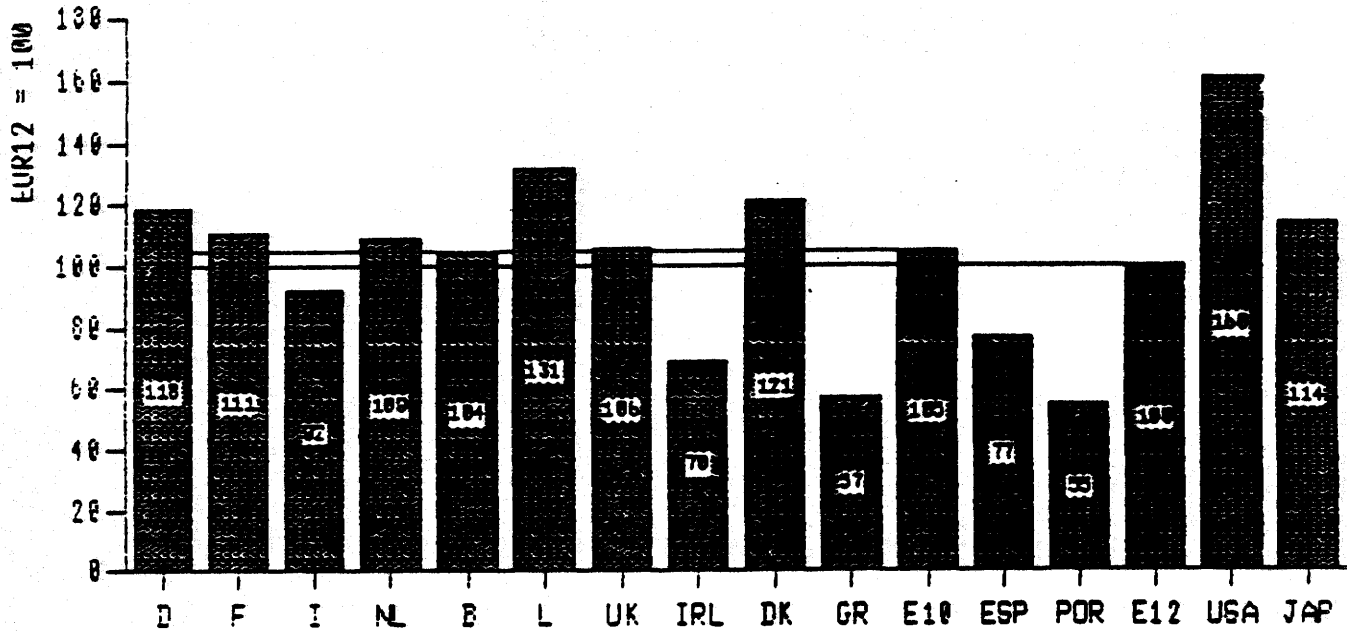
UNEMPLOYMENT RATES, 1986[1]
(EUR 12 = 10.8%)
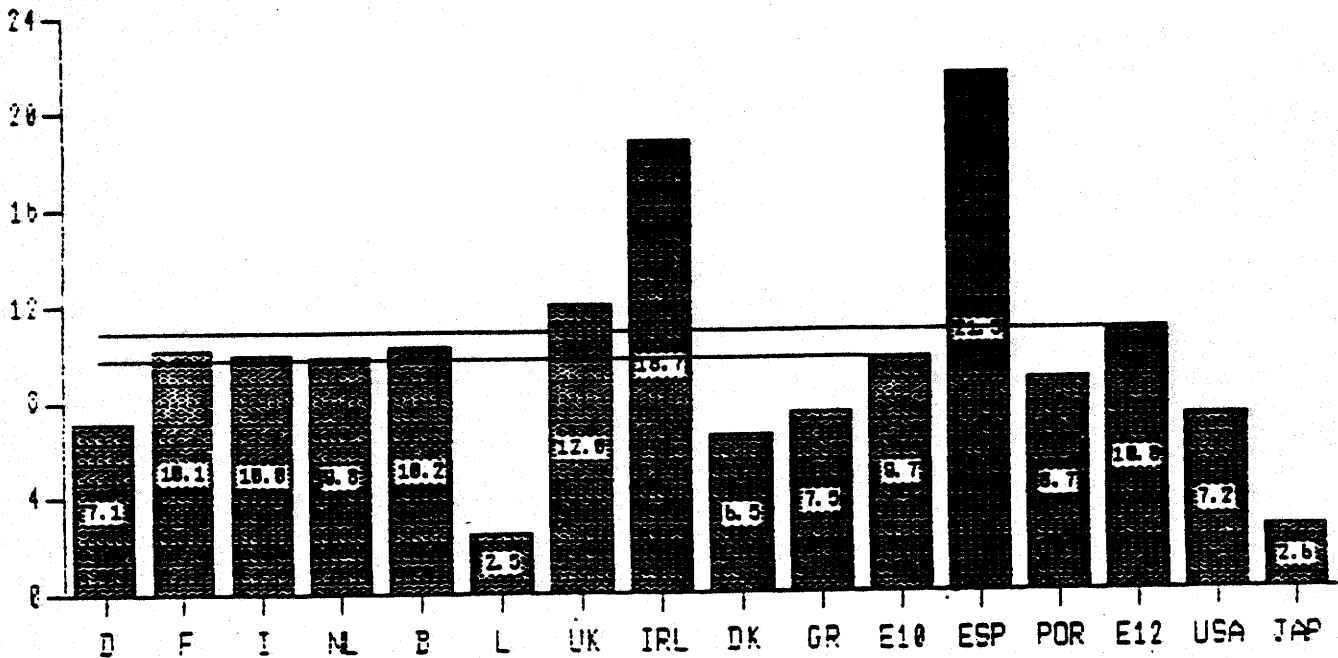
[1]Comparable figures from labour market sample survey, spring 1986.

Source: EUROSTAT and Commission services.

5. The heterogeneity of the enlarged Community is also clear from an international comparison of regional disparities in incomes and unemployment. Such disparities are at least twice as wide in the Community as in the United States in the case of incomes and almost three times as wide in the case of unemployment.[2]

The much smaller disparities within the United States compared with the Community - despite the fact that the territory of the United States is four times as large, its distances greater and the differences and contrasts in the nature of the country and its population at least as great - suggest that the existence of a large and relatively uniform market does not necessary lead in the long run to greater divergences. This does not exclude the possibility however, that on the road to such a market some forces may also be released which may lead to divergent developments. In fact, the interactions of a wide variety of integrating factors and their evolution over time including stimuli deriving from indirect resource transfers through public receipts and expenditures of the central budget influence the final outcome. In what spheres and under what general conditions this might happen as the large internal market is being established and how it might best be countered are questions that require further analyses which have not yet been completed.

6. The considerably greater disparities within a substantially smaller area in the Community underline the need for a range of selective and effective regional policy measures if the present extreme differences are to be gradually reduced.

2.2 Increased regional disparities in the enlarged Community

1. There are structural differences of many kinds between the Member States and regions of the Community. Relative economic performance and the intensity of structural labour market imbalances between Member States and regions are 2 indicators particularly significant for assessing the extent of existing disparities in the light of the objective of social and economic convergence. Economic strength is reflected in the relative level of GDP per head of population and the level of productivity (GDP per person employed). The intensity of structural labour market imbalances is usually indicated by total unemployment rates; these provide an overall indication of the extent of the underutilization of labour resources and of the social problems associated with this. In general, Member States too base their regional policy decisions primarily on these criteria. They also provide a direct link with the criteria used to assess national economic situations and thus fit directly into the framework of the prevailing general preoccupations at national and Community level. However, other specific features of regional structures can also reveal special problems. Below a description is therefore first given of the disparities based on the abovementioned key social and economic variables. This is then supplemented by a look at a number of special structural aspects relating to wage cost differences, migration patterns, infrastructure endowment and selected types of region.

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[2] On the basis of comparisons of per capita incomes in the 50 States of the USA, plus Washington DC, and 60 (level I) regions of the Community in 1983 (see Annex Table 2.1-3). Although these data are not fully comparable the size of the differences is nevertheless informative.

2.2.1 Income and employment disparities

2. The disparities between the regions of the Community as a whole consist of two sets of differences - those between and those within the individual Member States - one overlaying the other. From the individual Member States' point of view, regional problems usually mean only the second type of difference. However, if one takes a larger economic area, it becomes clear how relative the concept of region is. This is particularly evident in a world context, where whole continents or groups of countries are considered to be regions. Any analysis of intra-Community socio-economic regional differences must necessarily take account of differences both within and between Member States if it is to provide a proper picture (see also Chapter 3.1 below on the interdependence between these two aspects).

A. The level of overall disparities between Member States

3. With each of the three enlargements since 1973, the range of income differences between countries and regions in the Community has widened further. In all three cases, one of the new entrants moved into bottom position in the list of Member States ranked in order of GDP per head of population and per person employed.[3]

The extent of the differences between the twelve Member States is reflected in the range of relative productivity levels, the ratio between the lowest and highest levels being 1:2.8. Prior to the most recent enlargement, the ratio was 1:2 (Annex Table 2.2.1). Overall, the disparities in economic strength between the Member States increased by about one third with the accession of Spain and Portugal.

4. On the employment front too, the disparities between the Member States have widened visibly with the most recent enlargement. In 1986, the unemployment rate in Spain stood at almost 22%. Two of the weaker Member States (Ireland and Spain) have levels of unemployment which are well above average, while the Member States with the highest income levels (Germany, Luxembourg and Denmark) have below-average unemployment rates. However, the two weakest Member States (Greece and Portugal) also have only below-average unemployment[4]. This is due to a number of factors, in particular to different types of underemployment which cannot be summarised in a single figure[5].

---

[3] Total GDP in the Community of Twelve is nearly half as big again as that of the original six Member States. However, because of the well below-average economic performance of four of the six Member States which subsequently joined the Community, GDP per head of population of the twelve Member States is about 8% lower than that of the original six. The most recent enlargement alone accounted for 5 percentage points of this.

[4] The statistics used here are based on harmonised concepts. They are therefore more directly comparable between Member States than the usual national figures.

[5] See Annex 2.2.1-C and the results summarized in it of several special studies on the problem of underemployment in general and in agriculture in particular.

5. The economic performance of Member States and their levels of unemployment are on the whole negatively correlated, though in some cases the link does not hold. There are various reasons for this, which are also of relevance to regional disparities.

The first point to be noted is that, where there are large proportions of self-employed persons and unpaid family workers, mainly in agriculture and the service sector, the recorded level of unemployment tends to be lower.

Secondly, in many agricultural areas, labour market problems also take the form of structural underemployment, which is difficult to measure. In 1983, for example, in the twelve countries of the present Community, one quarter of self-employed farmers not engaged in any second activity worked less than 50% of normal working hours. Greece, Italy and Portugal accounted for more than 80% of this form of underemployment, which was equivalent to some 4%, 2 3/4% and 1% respectively of total man-hours worked in those countries.

Accordingly, statistically recorded levels of unemployment tend to be higher in regions where the proportion of wage and salary earners is high. This applies in particular to industrial regions, but also to those agricultural regions in which, because of ownership and farm size structures, there is a large proportion of paid farm workers. The influence of such employment structures on recorded unemployment is particularly evident in cases where the labour market is under pressure from sectoral adjustment problems or sluggish economic activity.

6. With the accession of Spain and Portugal to the Community, there has also been a shift in the balance between international and intranational disparities. Whereas previously about one third of income disparities within the Community could be attributed to differences in level between Member States, while two thirds were of a regional nature in the stricter sense (i.e. intranational regional disparities), the ratio in the enlarged Community is now about 1:1 (see Annex, Table 2.2.1). Similar shifts of balance have also occurred in the case of Community-wide regional disparities in unemployment. Before enlargement, only one third could be attributed to differences in level between Member States. Two thirds were due to regional differences within Member States. With enlargement, this ratio has been almost completely reversed because of the extremely high national unemployment rate in Spain, although Spain is at the same time the country in which regional differences are the largest in absolute terms, with unemployment ranging from 14% to 30%. However, a reduction of a few percentage points in Spain's unemployment rate would be sufficient to bring the ratio back to 1:1. Calculations of this kind

can provide only rough indications. They do not capture the interrelationships between national unemployment rates and intranational regional differences in the Member States. In general terms, it is fair to say that half of the regional disparities in income and employment within the Community are due to differences within Member States and half to differences between Member States.

B. **The level of disparities between regions**

7. The accession of Spain and Portugal resulted in a considerable widening in the gap between Community regions. None of the regions of these two Member States has a level of income that exceeds the Community's average income (GDP per head of population). In addition, just as in the other Member States, there are considerable differences between the regions of these two new Member States. The regions in which the capitals are situated exceed the respective national average, in Portugal by 35-40% and in Spain by around 20%. Furthermore, there is a clear north-east/south-west prosperity gradient within Spain with the five stronger regions achieving an income level similar to the Madrid region[6], thanks to industry and/or tourism, and lagging by no more than 10% behind the Community average. By contrast, the eleven other Spanish regions have incomes which are 20-50% below the Community average (see Graph 2.2-1).[7]

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[6]In addition to the Balearic Islands, which generate the highest per capita income in Spain, these are the regions of Catalonia, Navarre, Rioja and the Basque Country.

[7]No figures are yet available for the Portuguese regions according to the new regional classification. Estimates for 1979 based on the old regional breakdown show the following orders of magnitude, which are probably still valid today: income per head of population in the Lisbon region is about one third and that in the other regions 50-60% below the Community average. For Portugal as a whole, the gap is around 50%.

GRAPH 2.2-1

RELATIVE POSITION OF THE REGIONS OF SPAIN AND PORTUGAL
IN THE COMMUNITY

A) GDP per head of population, 1985 (EUR 12 = 100)
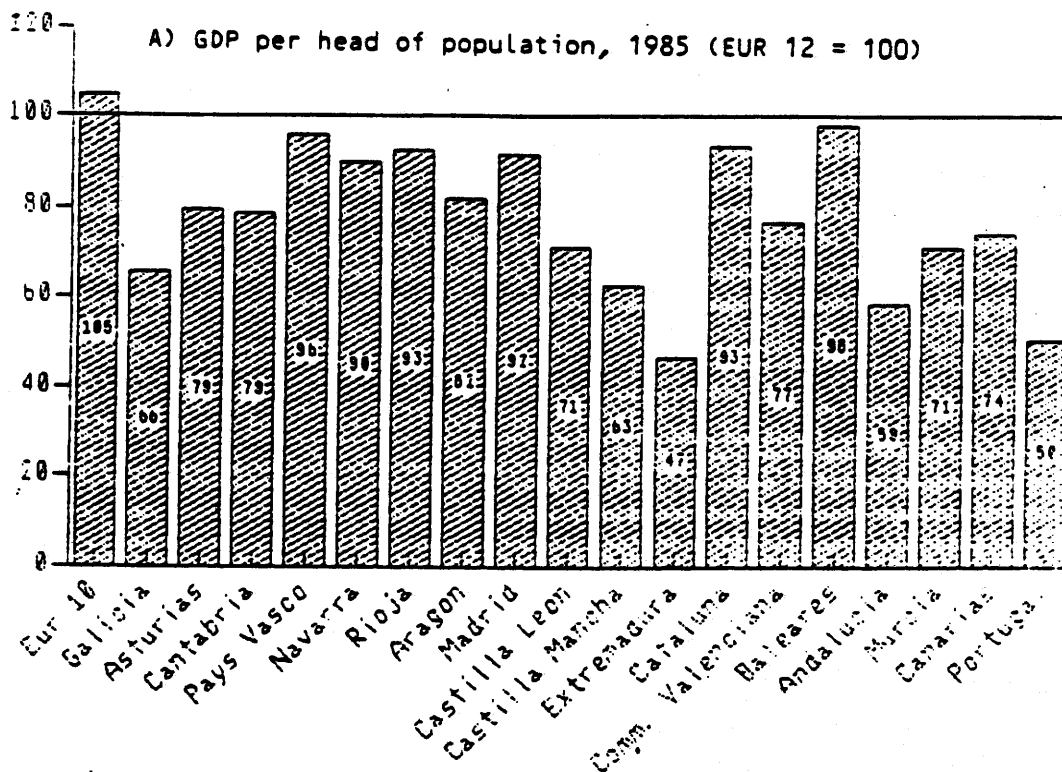
B) Comparable unemployment rates, 1986 (EUR 12 = 10,8%)
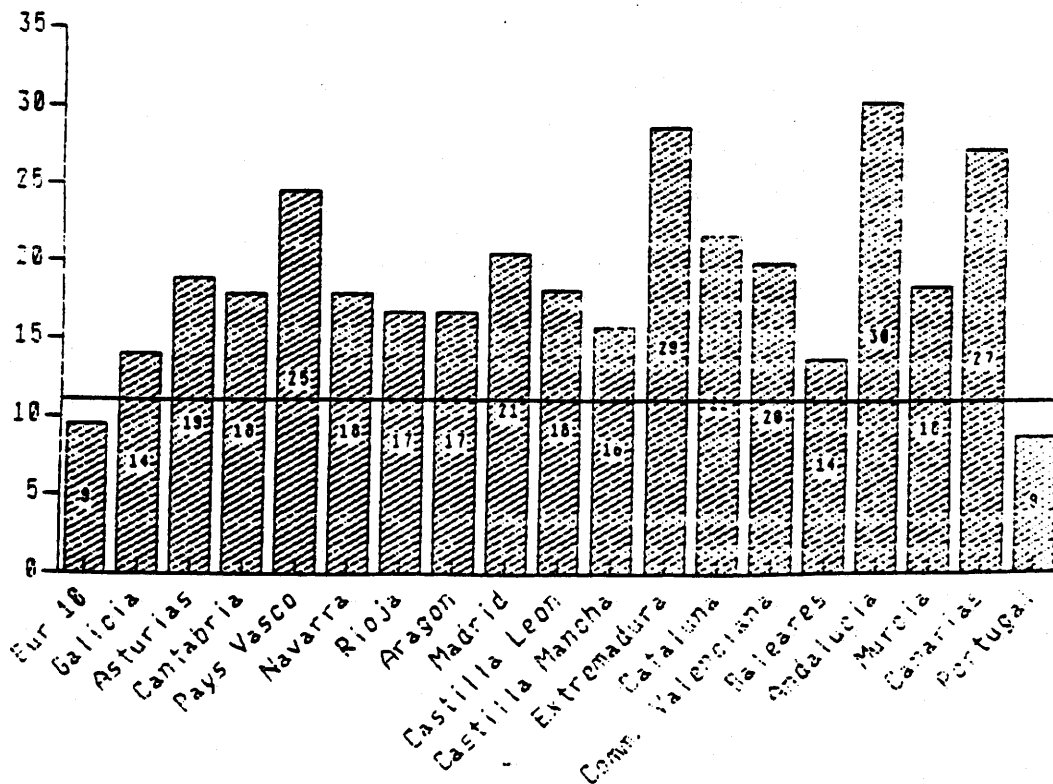
GDP PER HEAD OF POPULATION 1985
(at purchasing power parities)

X share of population
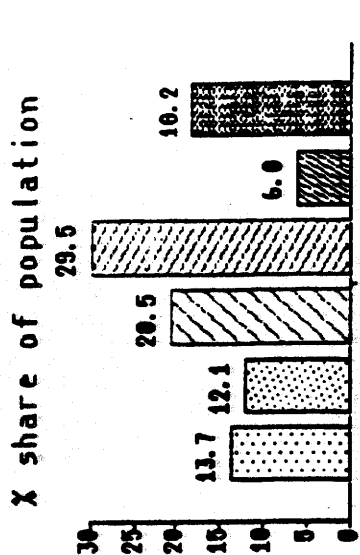
1 : > 127.3	
2 : 113.6 - 127.3	
3 : 100.0 - 113.6	
4 : 86.4 - 100.0	
5 : 72.7 - 86.4	
6 : < 72.7	

eur12 - 100.0 - s - 27.3
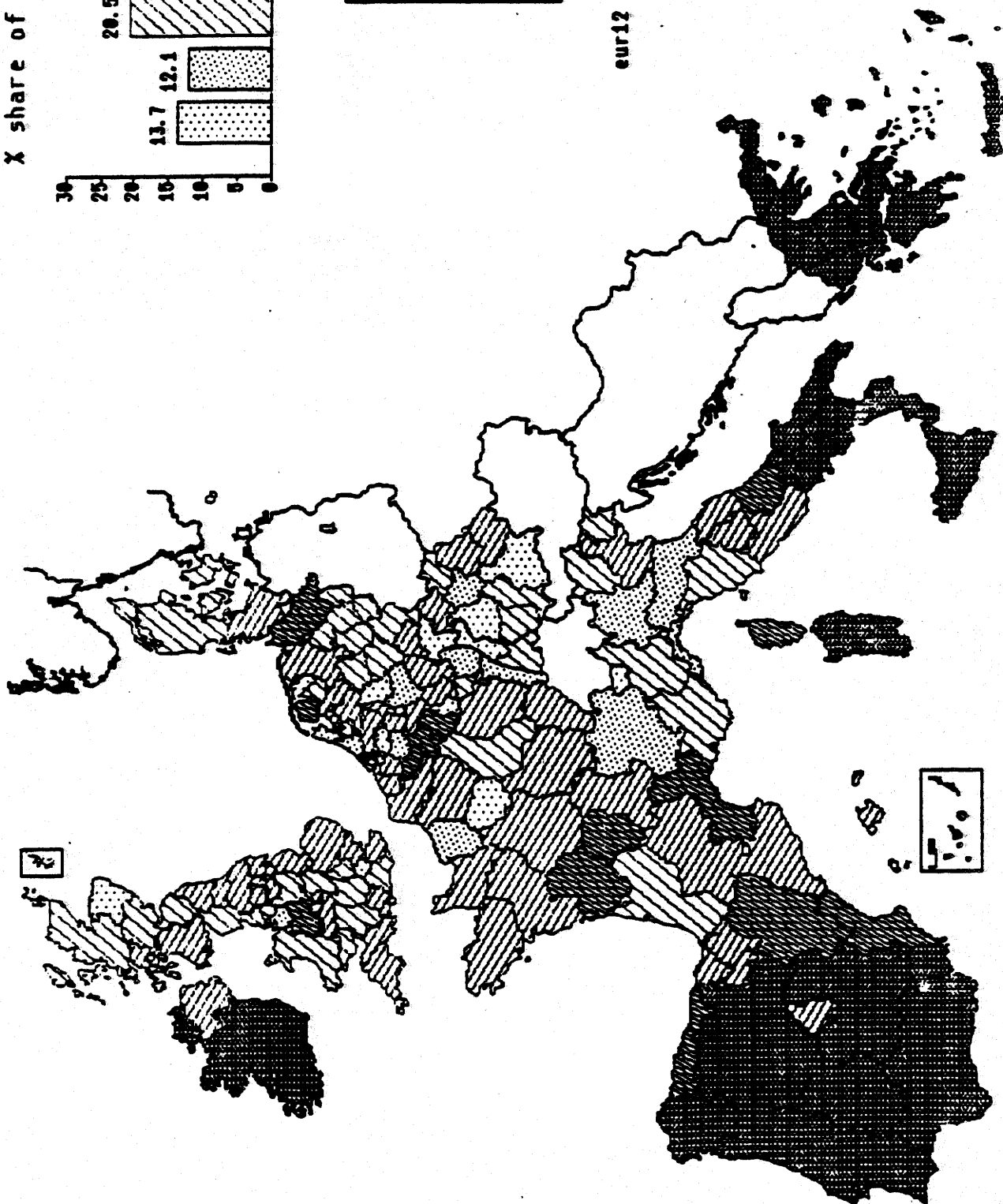
Note: For detailed ranking see table at
the end of the annex.
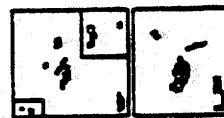
8. Following enlargement, the pattern of <u>regional income disparities</u> in the Community is as follows: about half the Community population lives in regions whose per capita incomes lie within a band of +/- 15% around the Community average. Below this band, there are some 40 regions, comprising about one quarter of the Community population. Closer examination reveals that this group is made up of two very unequal subgroups. About a dozen regions accounting for 6% of the Community population have an income gap of 15-25%, this group being a heterogeneous one that includes a number of regions with particular problems in the northern part of the Community. Clear signs of lagging development typify the second and larger subgroup, whose incomes are more than 25% below the Community average (see Map 2.2.1). These regions comprise just under one fifth of the Community population. They are all [8] regions on the extreme southern and western periphery of the Community, with on average low population density, a young and strongly growing population and production that is still heavily geared to agriculture. If one compares the ten weakest with the ten strongest regions in the Community as a whole, the disparity in incomes generated is on a ratio of 1:3. There is, however, less homogeneity in recorded unemployment between these backward regions; on the one hand, there are considerable differences due to national structures and policies; . on the other, there are forms of underemployment, in some cases substantial, due to agricultural structures and the lack of alternative employment.

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[8] For a more detailed description of the peripheral regions, see Section 2.2.3-E below.

9.   With the most recent enlargement, the intensity of problems at
regional level has been accentuated and has shifted.   While the
problems of each individual region taken in isolation have initially
remained unchanged, there have been clear shifts in the ranking and
relative positions of most of the regions Community-wide.   Two points
bring this out particularly clearly.   In the Community of Twelve,
practically twice as many people as in the Community of Ten live in
regions in which per capita GDP is 25% or more below the Community
average.   At the same time, however, the relative income positions of
all the regions of the Community of Ten have been raised by the 5%
statistical lowering of the Community average by 5 %.

10.   The strength or weakness of an individual region, in terms of GDP
per head of population, is very much dependent on its competitiveness
nationally and internationally.   This is affected by a variety of
factors and hence virtually impossible to measure satisfactorily.   Key
determinants, however, are the level of unit labour costs, labour
productivity and exchange rates in the medium term. These are crucial
in fashioning sales and growth potential for regional output and
employment.

9
These effects are due to (i) the addition of new regions, (ii) the particular
combination of problems in these new regions and (iii) the changes in
Community averages. The following examples may illustrate this:

- As a result of the inclusion of the regions of the new Member States, the
   number of regions whose GDP per head of population amounted to less than
   7 500 (1983) purchasing power standards (which is 75% of the average for
   the Community of Twelve and 71% of the average for the Community of Ten)
   rose from 18 to 30 and the population living in them from 33 million to
   60 million, i.e. by 85%;

- With the statistical lowering of average incomes by some 5% as a result of
   enlargement, the relative income level of the regions of the Community of
   Ten has risen by the same percentage.   A region which used to be 5% below
   the Community average is now on the new average.   Changes of similar
   proportions have resulted for all the regions of the Community of Ten.
   15 regions whose relative income levels in 1985 were up to 5% below the
   average for the Community of Ten now have incomes up to 5% above the
   average for the Community of Twelve.   These are five regions in France
   (Franche-Comté, Centre, Picardy, Provence-Alpes-Côte d'Azur and Aquitaine),
   five   regions   in   the   southern   half   of   the   United   Kingdom
   (Derbyshire-Nottinghamshire and Leicestershire-Northamptonshire in the East
   Midlands;   Bedford-Hertfordshire   in   the   South   East;
   Avon-Gloucestershire-Wiltshire in the South West;   Greater Manchester in
   the North West), two regions in Italy (Tuscany and Friuli-Venezia Giulia),
   two regions in Belgium (West Flanders and Liège) and Münster in Germany.

11. Exchange rates and purchasing power parities often diverge from each other for long periode.[10] One main reason for this is that production structures in less developed Member States are less well adapted to international demand structures and supply conditions and do not follow their constant shifts with sufficient flexibility.   If regional differences in productivity are measured at current exchange rates and - so as to eliminate short-term distortions - over a medium-term period, a clearly defined picture emerges (see Annex Map 2.2.1 A-2), reflecting simultaneously differences in productivity, exchange rates and sectoral structural weaknesses or strengths.

12. In addition to Greece, the Mezzogiorno and Ireland, the regions with particularly low levels of competitiveness and productivity are the western and southern parts of the Iberian peninsula. The situation is very unfavourable in Portugal, whose relative productivity level is even lower than its already very low income level, achieved with an above-average activity rate. The situation in Spain differs from that in Portugal in a number of important respects.   The low level of competitiveness is not so much the result of low labour productivity,[11] but more a reflection of other weaknesses in production structures. Other factors contributing to the low level of incomes are a very low activity rate (particularly among women), the particularly high level of unemployment and, for demographic reasons, the low proportion of persons of working age.   There are, however, considerable differences within Spain as regards these various factors.   Labour productivity in the central and western regions is well below the national average.

13. A comparison of the extent of regional disparities in incomes (GDP per head of population at purchasing power parities) and in competitiveness (GDP per person employed in ECUs) at Community level shows that both are roughly equally wide.   In both cases, moreover, large areas on the southern and western periphery stand out as particular weak spots.   This does not mean, however, that the two indicators are interchangeable. In the first place, as explained, they measure different concepts, and in the second place each indicator may produce quite different relative positions for individual regions.

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[10] See Eurostat, National Accounts ESA, 1960-84, p. 69.
[11] Labour productivity rose in Spain between 1973 and 1985 by 4% a year, which was about twice as fast as the Community average.   This produced a significant catching-up effect.

14. In addition to the abovementioned, substantial differences in unemployment between Member States, there are also serious disparities on a similar scale within Member States. The differences between the highest and lowest regional unemployment rates in 1986 ranged between 6 1/2 to 7 percentage points (in Belgium, the Netherlands and Greece) and 15 to 17 percentage points (in Italy and Spain).

15. A look at the differences in unemployment at regional level in the Community of Twelve shows that in the 25 worst-hit regions one in five persons in the labour force is without work, while in the 25 regions which are in the most favourable position the figure is one in 20. The highest unemployment rates are at present to be found in parts of southern Italy, almost all the Spanish regions, Ireland, Northern Ireland and a number of industrial areas in the United Kingdom (see Map 2.2-2). (For a detailed analysis including regional unemployment among young people and women, see Annex 2.2.1 B). Wide, though less extreme differences existed even before the enlargement of the Community.

2.2-2

TOTAL UNEMPLOYMENT RATES 1986

% share of unemployed

27.1
10.3
17.4
24.0
16.1
4.4

30 25 20 15 10 5 0
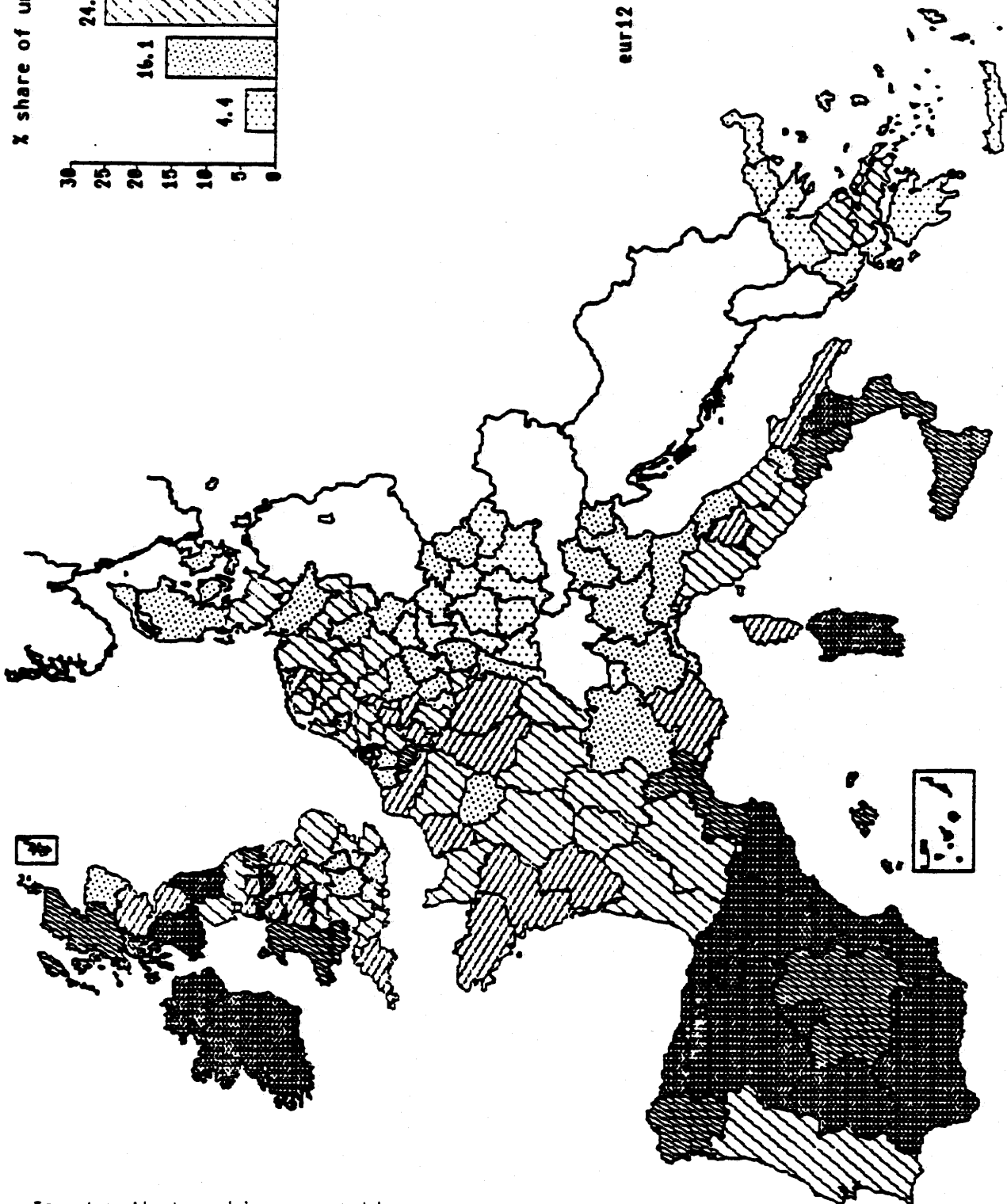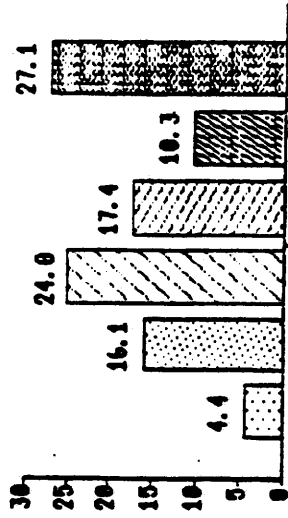
1 : < 5.0
2 : 5.0 - 8.3
3 : 8.3 - 10.0
4 : 10.0 - 13.4
5 : 13.4 - 15.9
6 : > 15.9

eur12 - 10.0 - s - 5.0

Note: For detailed ranking see table
at the end of the annex.
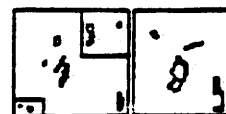
C. Classification of regions by problem intensity as shown by a
   composite measure

16. This section presents the results obtained when a number of key
indicators of Community-wide regional disparities are combined. As with
all statistical operations of this kind, choices had to be made of the
particular indicators to use and of the manner in which to combine
them[12]. In the application of particular policies and/or particular
operational purposes relating to Community structural funds, especially
in relation to their reform, other indicators and combinations may be,
and are drawn upon. The key indicators of Community-wide regional
disparities looked at so far have been combined to produce a
composite measure. The procedure is basically the same as that
developed earlier. The two criteria of a regions's economic strength
and its labour market situation are given equal weight (50/50).
However, the data base now covers the period 1981-83-85 and includes
all twelve Member States. A number of improvements have also been made
in response to criticisms of the Second Periodic Report by Parliament.
and the Economic and Social Committee.

17. One objection made was that, in using unemployment statistics to
describe labour market imbalances, other forms of structural
underemployment were ignored. The criticism was also made that the
indicator did not contain any dynamic and forward-looking elements.
Work will continue on the concept of underemployment and on the
techniques for measuring it not only in the agricultural but also in
other sectors.

After all the present possibilities - including the conditions set by
the goal of convergence and by the nature, quality and comparability of
regional statistics - had been examined, these objections were taken
into account as follows:

- the results of studies on underemployment (see Annex 2.2.1-C) have
shown that, in the agricultural regions, this problem is taking on
macroeconomically significant proportions in some cases and that it is
of a particular structural nature. Accordingly, the unemployment rates
of the regions concerned were adjusted on the basis of cautious
estimates of structural underemployment in agriculture.[13]

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[12] For the method used see Annex 2.2.1-D. Variables described above and weights
attached are as follows :
GDP per head in PPS: 25%
GDP per person employed in ECU: 25%
Unemployment adjusted for underemployment: 40%
Prospective labour force change till 1990: 10%
For the reasons underlying this choice see also p. 10, §1. This composite
index is not designed for the evaluation of national regional policies,
whose criteria are both more complex and differentiated according to the
aims pursued and are generally supported by a large range of data. Moreover,
at national level, regional analysis is generally carried out at a
territorial level lower than level II used here.
[13] Account was taken only of self-employed farmers having no subsidiary or
second occupation and working less than 50% of normal working hours. Half
of this number, expressed as a percentage of the labour force, was added to
the unemployment rate.

SYNTHETIC INDEX

% share of population

30
25
20
15
10
5
0

15.2   16.3   25.7   12.9   4.2   25.7

1 : > 132.9
2 : 116.4 - 132.9
3 : 100.0 - 116.4
4 : 83.6 - 100.0
5 : 67.1 - 83.6
6 : < 67.1

eur12 - 100.0 - s - 32.9

2.2-3
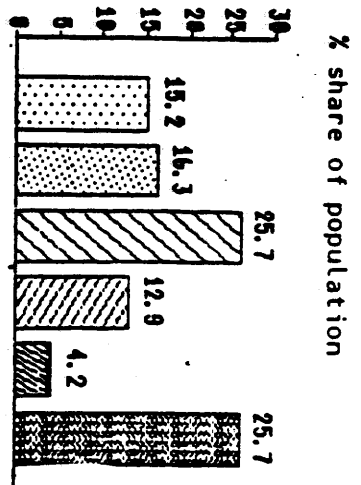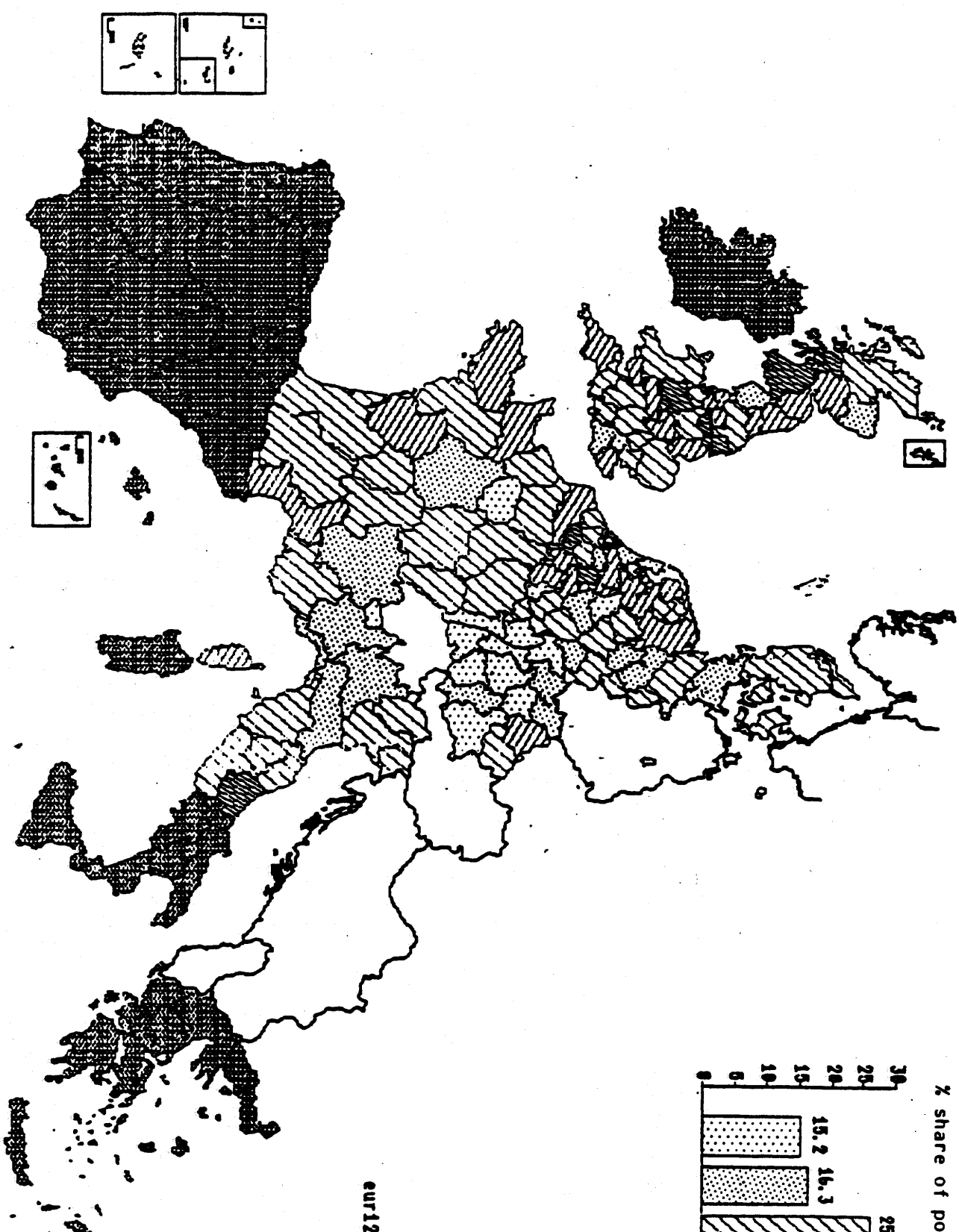
TABLE 2.2
SYNTHETIC INDEX
of the intensity of regional problems in the Community[1]
(1981-83-85)

(EUR 12 = 100)

Rnk	Region		Value
1	Basilicata	(I)	36.9
2	Calabria	(I)	38.0
3	Andalucia	(ESP)	38.8
4	Extremadura	(ESP)	39.2
5	Canarias	(ESP)	46.1
6	Ireland	(IRL)	47.6
7	Sardegna	(I)	49.4
8	Castilla Mancha	(ESP)	50.0
9	Thrakis	(GR)	50.5
10	Molise	(I)	50.6
11	Murcia	(ESP)	51.3
12	Galicia	(ESP)	53.8
13	Ipirou	(GR)	54.4
14	Comm. Valenciana	(ESP)	54.6
15	Sicilia	(I)	54.9
16	Castilla Leon	(ESP)	55.0
17	Campania	(I)	55.7
18	Pelop. & Dit. Ster. Ell.	(GR)	56.9
19	Puglia	(I)	57.2
20	Thessalias	(GR)	57.2
21	Cataluna	(ESP)	57.7
22	Pays Vasco	(ESP)	58.3
23	Asturias	(ESP)	58.4
24	Portugal	(FOR)	58.4
25	Kritis	(GR)	58.4
26	Anatolikis Makedonias	(GR)	59.0
27	Aragon	(ESP)	59.5
28	Cantabria	(ESP)	59.7
29	Madrid	(ESP)	59.8
30	Navarra	(ESP)	59.9
31	Anat. Stereas ke Nison	(GR)	61.9
32	Kent. ke Dit. Makedonias	(GR)	63.0
33	Northern Ireland	(UK)	64.4
34	Rioja	(ESP)	65.9
35	Baleares	(ESP)	66.8
36	Nison Anatolikou Egeou	(GR)	67.1
37	West Midlands County	(UK)	67.8
38	Merseyside	(UK)	74.8
39	Abruzzi	(I)	75.7
40	Dun. & Gal.,Strathclyde	(UK)	76.2
41	Limburg (B)	(B)	78.1
42	Hainaut	(B)	81.2
43	Salop, Staffordshire	(UK)	82.1
44	Humberside	(UK)	82.4
45	South Yorkshire	(UK)	83.2
46	West Yorkshire	(UK)	84.0
47	Corse	(F)	84.2
48	Heref. & Worc., Warw.sh.	(UK)	85.7
49	Languedoc-Roussillon	(F)	87.2
50	Cleveland, Durham	(UK)	88.1
51	Namur prov.	(B)	89.2
52	Northumber., Tyne & Wear	(UK)	89.0
53	Poitou-Charentes	(F)	90.7
54	Limburg (N)	(NL)	91.4
55	Liège prov.	(B)	91.6
56	Weser-Ems	(D)	92.2
57	Friesland	(NL)	92.3
58	Greater Manchester	(UK)	93.0
59	Bor, Cen, Fif, Lot, Tay	(UK)	93.0
60	Lincolnshire	(UK)	95.0
61	Basse-Normandie	(F)	95.3
62	Lancashire	(UK)	95.8
63	Overijssel	(NL)	96.0
64	Gwent, M. S. W. Glamorg.	(UK)	96.3
65	Gelderland	(NL)	96.4
66	Kent	(UK)	96.5
67	Nord-Pas-de-Calais	(F)	96.6
68	Noord-Brabant	(NL)	96.7
69	Cornwall, Devon	(UK)	96.8
70	Oberpfalz	(D)	96.9
71	Bretagne	(F)	98.0
72	Luxembourg (B)	(B)	98.5
73	Leices.sh., Northamp.sh.	(UK)	98.9
74	Pays de la Loire	(F)	100.6
75	Derbysh., Nottinghamsh.	(UK)	100.7
76	Highlands, Islands	(UK)	101.2
77	Oost-Vlaanderen	(B)	101.3
78	West for Storebaelt	(DK)	101.4
79	Umbria	(I)	101.7
80	Groningen	(NL)	102.0
81	East Anglia	(UK)	102.2
82	Trentino-Alto Adige	(I)	102.4
83	Ost for Storebaelt	(DK)	102.9
84	Saarland	(D)	103.6
85	Picardie	(F)	103.7
86	Marche	(I)	104.1
87	Clwy, Dyfe, Gwyn, Powy	(UK)	104.2
88	Niederbayern	(D)	104.3
89	Haute-Normandie	(F)	104.5
90	Trier	(D)	105.3
91	West-Vlaanderen	(B)	106.1
92	Lazio	(I)	106.3
93	Hampshire, Isle of Wight	(UK)	106.4
94	Bremen	(D)	106.8
95	Essex	(UK)	108.3
96	Brabant	(B)	108.4
97	Auvergne	(F)	108.5
98	Aquitaine	(F)	109.0
99	Limousin	(F)	109.2
100	North Yorkshire	(UK)	109.5
101	Veneto	(I)	109.8
102	Avon, Glou.sh., Wiltsh.	(UK)	109.8
103	Midi-Pyrénées	(F)	109.8
104	Berk.sh.,Buck.sh.,Oxf.sh	(UK)	110.4
105	Provence-Alpes-C d'Azur	(F)	110.5
106	Lorraine	(F)	110.5
107	Lueneburg	(D)	110.5
108	Bourgogne	(F)	110.9
109	Muenster	(D)	110.9
110	Champagne-Ardennes	(F)	112.2
111	Utrecht	(NL)	112.4
112	Arnsberg	(D)	113.0
113	Dorset, Somerset	(UK)	113.4
114	Friuli-Venezia Giulia	(I)	113.9
115	Bedfordsh.,Hertfordsh.	(UK)	114.0
116	Franche-Comté	(F)	115.0
117	Braunschweig	(D)	115.4
118	Kassel	(D)	115.7
119	Koblenz	(D)	115.8
120	Drenthe	(NL)	115.9
121	Toscana	(I)	116.0
122	Cheshire	(UK)	116.1
123	Detmold	(D)	116.7
124	Centre	(F)	117.0
125	Unterfranken	(D)	117.1
126	Oberfranken	(D)	117.5
127	E. Sus., Surrey, W. Sus.	(UK)	117.6
128	Zeeland	(NL)	118.5
129	Cumbria	(UK)	118.7
130	Antwerpen prov.	(B)	119.8
131	Noord-Holland	(NL)	120.1
132	Piemonte	(I)	120.1
133	Schleswig-Holstein	(D)	120.4
134	Hannover	(D)	120.8
135	Giessen	(D)	120.9
136	Zuid-Holland	(NL)	121.8
137	Emilia-Romagna	(I)	128.1
138	Koeln	(D)	129.8
139	Rhône-Alpes	(F)	130.1
140	Schwaben	(D)	130.6
141	Liguria	(I)	130.8
142	Grampian	(UK)	132.6
143	Lombardia	(I)	132.8
144	Tuebingen	(D)	134.8
145	Freiburg	(D)	134.9
146	Greater London	(UK)	135.0
147	Duesseldorf	(D)	136.3
148	Alsace	(F)	136.4
149	Mittelfranken	(D)	136.6
150	Hovedstadsregionen	(DK)	141.4
151	Berlin (West)	(D)	141.7
152	Valle d'Aosta	(I)	142.4
153	Rheinhessen-Pfalz	(D)	143.4
154	Luxembourg (G.D.)	(L)	144.2
155	Karlsruhe	(D)	151.3
156	Ile de France	(F)	151.5
157	Hamburg	(D)	158.7
158	Stuttgart	(D)	160.5
159	Oberbayern	(D)	165.7
160	Darmstadt	(D)	171.8

[1] Low index values indicate high problem intensity (and vice-versa). For variables used see p. 21, footnote 12.

- In addition, a dynamic and forward-looking element was incorporated into the indicator. Supplementing the base series on unemployment and underemployment, a medium-term projection of the labour supply (excluding migration) up to 1990 was included as an independent variable.[14]

18. Map 2.2-3 and Table 2.2 show the relative positions of regions in the enlarged Community using the above uniform criteria and procedures for all Member States. The positions are determined by the differing situations of the regions within individual Member States and by the relative situation of the Member States one to another. The six groups on the map were formed on the basis of statistics alone. It is understood that other groups can be established using different thresholds in terms of statistical dispersion measures, population size, or other indicators, for example in the context of article 130 of the Single Act.

19. The areas which from a Community point of view have the highest problem intensity as measured by the synthetic index are:[15]
   - Greece
   - Ireland
   - the Mezzogiorno in Italy (except the Abruzzi)
   - Portugal
   - Spain
   - Northern Ireland (UK).

A point to note is that there are wide differences within Spain that go beyond those in the other larger Member States (except Italy).

20. A second smaller group of regions[16] also with a relatively high level of problem intensity as measured by the synthetic index comprises the Abruzzi, six regions in the United Kingdom, and two in Belgium [17]. The regions in Belgium and the United Kingdom are, in contrast to the first group, areas confronted with particular industrial adjustment problems.

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[14] In all, 80% of total job requirements in the Community over the next five years is determined by the present level of unemployment and only 20% by the growth of the labour force. Since unemployment has a weighting of 50% in the overall index, a weighting of 10% was attached to this additional variable. See Chapter 3.3 and Annex 3.3 on the regional differences in future population and labour supply trends; the data used are based on a study by the Nederlands Economisch Instituut, Rotterdam, 1986.

[15] Regions whose index value is more than one standard deviation (32.9 points) below the Community average (100), i.e. is less than 67.1 points; see class 6 on Map 2.2-3. For statistical reasons, the French overseas departments, which should also figure here, could not be included.

[16] Defined by the interval -0.5 to -1 standard deviation; see class 5 on Map 2.2-3.

[17] Hainaut and Limburg in Belgium; West Midlands County, Salop-Staffordshire, Merseyside, Humberside, South Yorkshire, Dumfries-Galloway-Strathclyde in the United Kingdom, and West Yorkshire and Corsica as border-line cases. In terms of the usual larger planning regions in the United Kingdom, these areas account for substantial parts of the West Midlands, Yorkshire and Humberside, Scotland and the North West.

21. A third and final group[18] below the average is one dispersed throughout the Community consisting of regions in the United Kingdom, France, the Netherlands, Belgium and Germany (see Table 2.2). These are regions whose income levels are generally above the Community average, but which at the same time suffer from particularly high unemployment. This group also includes several old industrial regions.[19]

22. The synthetic index is currently calculated for 160 Community regions (NUTS Level II). However, the size of these regions can mask the severity of certain regional problems. For example, the problems of declining industrial regions caused by the collapse or run-down of dominant traditional industries are typically much more confined in geographical scope and limited to Level III or even smaller sized regions[20].

23. The classification of the regions on the basis of the synthetic indicator shows that the areas with the lowest GDP and the highest unemployment are the heavily agricultural regions in the South and the West of the Community, together with some old industrial regions in the same part of the Community and in the central areas; while the latter still generate an average level of income, they suffer from particularly high unemployment.

24. Summary: The analysis so far of regional disparities in income, productivity, competitiveness and employment shows the following picture.

Enlargement has considerably increased regional disparities in the Community. None of the regions of the new Member States has a level of income that is above the average for the Community. Portugal as a whole has the lowest income of all the Member States; a fairly large number of Spanish regions are also in the bottom fifth of the income range. In the Community of Twelve, therefore, twice as many people as in the Community of Ten live in regions whose incomes (GDP per head of population) are 25% or more below the Community average. Spain is the country with the highest unemployment and the widest regional differences. Previously, one third of disparities was due to differences between Member States and two thirds to regional disparities within Member States. In the enlarged Community, the two components are roughly equal in weight. However, smaller disparities in one field do not necessarily mean a more favourable situation in the other, as the differing pattern of problems in the individual Member States shows. If greater convergence is to be achieved at

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[18] Defined by the interval 0 to -0.5 standard deviation.
[19] In addition to several regions in the United Kingdom, these are Limburg (Netherlands), Liège (Belgium) and Nord/Pas-de-Calais (France).
[20] See chapter 2.2.3-B below and in the annex.

between _and_ within the Member States must be reduced simultaneously. The key task is to increase economic strength and employment in the problem regions. This means that continuous structural change in production and employment and the region's own development efforts must be encouraged and productivity raised. The emphasis will need to be placed on different aspects, to be determined case by case, depending on the existing structural situation in the Member States and regions. Critical requirements for this purpose are flexibility in setting priorities and the adoption of approaches that will have a rapid and lasting effect on employment.

2.2.2 Other characteristics of regional disparities and their causes

25. In addition to the general socio-economic features analysed in the previous section, discussion of regional problems often also focuses on a number of other elements. These are phenomena which are partly causes, but also partly consequences of regional development disparities and imbalances.

The links between the individual factors are extremely complex, since they are simultaneously determined by the situation in each individual region, by the interrelationships between regions and Member States and by past developments. Appropriate dynamic simultaneous models for the roughly 160 regions of the Community are not available and are virtually impossible to build.

Furthermore, the heterogeneity of structures in the regions frequently limits the scope for precise recommendations for the thrust of regional policy, which are applicable to all regions. Particular importance should therefore be attached to improving the framework within which regional economies must operate as a guideline for policy.

Acknowledging the difficulties of putting forward specific recommendations does not, however, mean that pointers to particular problems and causes cannot be deduced from analysis of regional differences in individual variables. Three explanatory factors will therefore be examined more closely below, namely labour costs, migration and infrastructure endowment.

The information which it has been possible to compile on these topics throws useful light on significant regional differences. However, for a number of reasons differing from case to case, this information cannot be incorporated in the synthetic index. In some cases, the relevant data cannot be broken down regionally in sufficient detail for all the Member States. Also, in the case of individual regions there are sometimes particular margins of uncertainty and a lack of precision which, while not affecting the overall picture, do affect the relative positions of the regions individually. Lastly, in the case of dynamic variables (e.g. population changes due to migration), it is not possible to draw up any clear and comprehensive ranking; all that can be done is to identify particularly sharp deviations in either direction as pointers to particular problems.

A. Regional differences in labour costs and wage incomes[21]

26. Overall, wage incomes are both the biggest source of income and the most important cost factor. They account for some 55% of GDP in the Community. As a cost factor in most economic activities, they have a considerable direct impact on competitiveness, profitability and employment. As a source of income, they have a direct influence on the level of prosperity. In addition, regional differences in costs and also in incomes and their use affect relative medium- and long-term growth and employment trends and thus the convergence process.

27. A region's competitiveness in a national context is influenced by the technical efficiency of the productive system, manpower skills, the cost situation and the type and quality of goods produced. Together with sales potential, they determine profitability. At international level, exchange rates are an additional factor. Profitability and sales potential in turn determine business investment and future competitiveness and thus the long-term growth potential for employment and wage incomes. While it is impossible to measure the profitability of regional economies using the general data available, the regional differences in labour costs and productivity provide certain pointers and evidence of problems.

28. Comparisons of differences in labour costs between regions in different Member States are heavily dependent on such national factors as exchange rates, tax systems, social security systems and their financing and wage determination procedures. On a Community-wide view, these factors have a considerable impact. Labour cost differences between regions in a Member State, on the other hand, are determined by numerous structural factors, none of which plays a dominant role. These include the skill pattern of jobs, capital endowment, industrial structure and wage differences within branches of industry. However, these factors normally also influence the productivity levels of regions in the same direction, affecting relative unit labour costs only to a much reduced extent, if at all.

29. The basic pattern of regional differences in labour costs in the various Member States broadly corresponds to that for GDP per head of population. The highest values are found in urbanized regions and the lowest in peripheral rural areas. Generally speaking, high labour costs combine with high productivity and low labour costs with low labour productivity. However, regional differences in labour costs are significantly smaller than those in our productivity. This applies to production sectors generally but also, especially, to the industrial sector alone (see also Annex 2.2.2-A).

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[21] Cambridge Economic Consultants Ltd: "Regional differences in labour costs and wage incomes"; 1986 (study carried out for the Commission). The available data permit in most cases only a level I analysis.

If we relate labour costs to labour productivity, we obtain unit labour costs, which provide a pointer to an essential element of the relative competitiveness of the different regional economies and to possible risks to their future development. As labour costs differ less between regions than productivity, there is a marked regional variation in unit labour costs, with some problem regions performing relatively badly. It can thus be seen that economically weak areas such as southern Italy and Greece and also areas with special structural adjustment problems in the northern part of the Commmunity have higher than average unit labour costs (see Map 2.2.2-A). In so far as some relatively strong regions show also high unit labour costs, specific structural factors mentioned earlier (S 28) are at work off-setting the potentially negative effects.

30. These observations show that a real and lasting convergence of incomes through a narrowing of wage differences can be achieved only as a result of increases in productivity. Any reduction in regional wage differences in anticipation of that would run the danger of increasing unit labour costs, of reducing return on investment and damaging price competitiveness and thus, in the final analysis, of inhibiting convergence or even promoting divergence. Where problem areas already have above-average unit labour costs, these should be reduced by means of appropriate differentiation in productivity and wage trends.

31. Summary: Regional differences in labour costs are significantly smaller than those in labour productivity; they therefore frequently appear to be out of line with underlying regional labour market situations. Unit labour costs (i.e. the ratio of labour costs to labour productivity) tend to be relatively high in problem areas. This applies both to less developed regions and to highly developed regions with special structural adjustment problems. In order to reduce this competitive disadvantage, which is also impeding regional convergence, it is necessary both to increase labour productivity and to ensure that wage determination is flexible enough to adapt to regional economic differences, as the Commission has already emphasized in its Annual Economic Report 1986-87.[22] In order to strengthen competitiveness and economic development through a higher level of productivity, not only is there a need for a sufficient level of infrastructure directly linked to economic activity, but also a higher level of capital equipment in firms. For the lagging regions to be sufficiently attractive to investors, the profitability of investment there must be at least as high as in regions in a more favourable position. Appropriate regional differentiation in wage rises would permanently enhance the prospects of achieving the sort of production, employment and real wage trends necessary to promote convergence. Given the relatively long periods required to make tangible progress towards convergence through increased productivity, and in view of the obstacles presented by above-average unit labour costs in problem regions, this dual approach is an essential precondition for a successful regional policy. These considerations are also of relevance to achieving the single internal market and dealing with its regional

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[22] See section 4.3.1 of European Economy, No 30, November 1986.

UNIT LABOUR COSTS IN INDUSTRY - 1981

2.2.2-A

% share of ind. employment
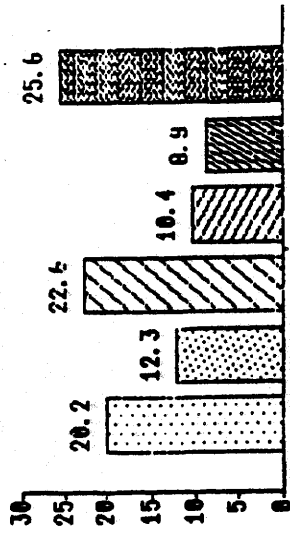
eur10 - 100.0 - s - 9.7

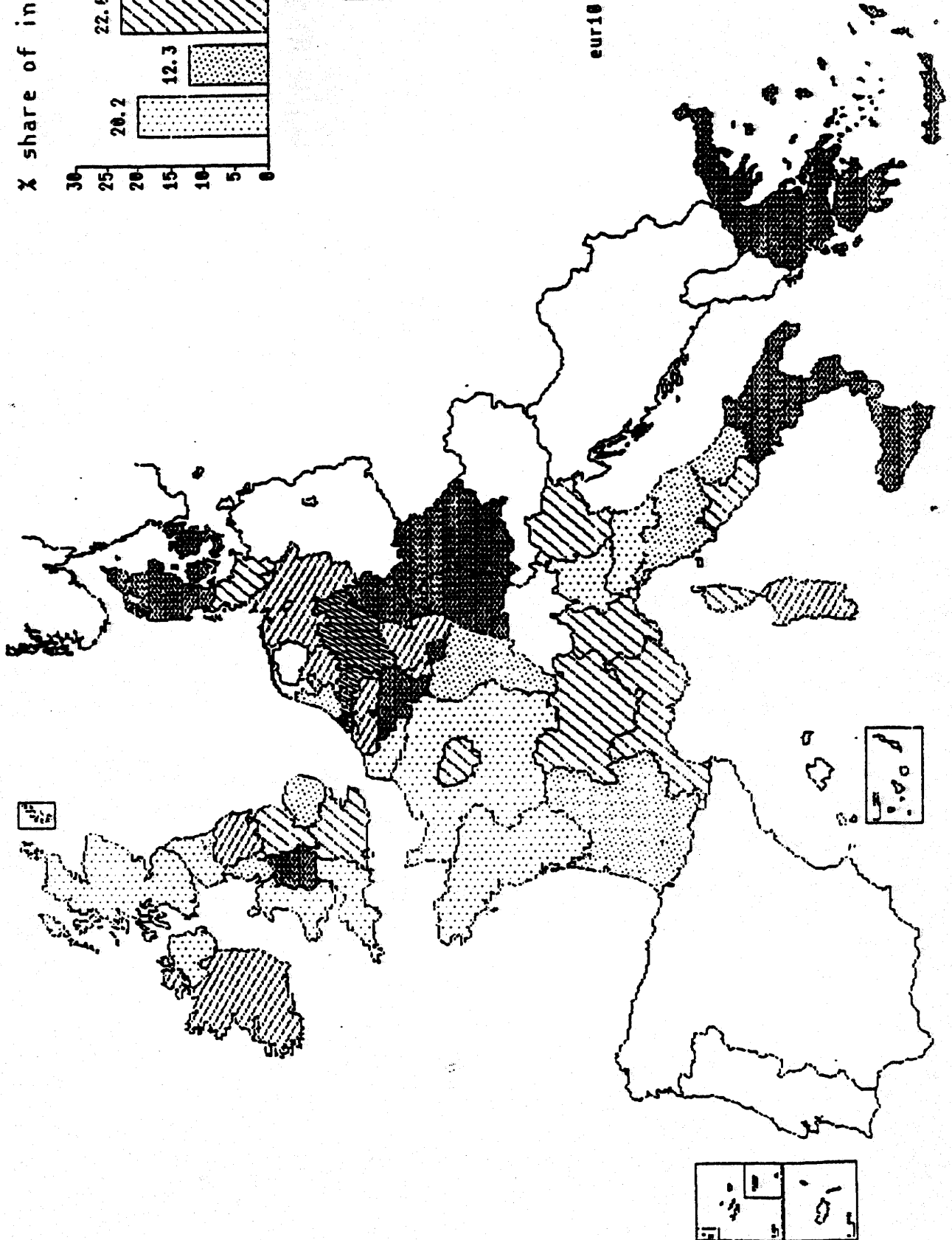impact. If problem regions are to be able to benefit from the dynamism that market will generate, it is vital that their prospects should not be harmed by above-average unit labour costs and the competitive disadvantages they entail.

B. Regional migration

32. It is estimated that on average each year between 1% and 1 1/2% of the Community's population decide to move to another of the 160 or so regions in the Community.[23]

33. The greatest gross migration movements normally take place within and between neighbouring regions. The greater the distances between regions, the weaker those movements generally become. Cross-frontier migration therefore involves much smaller numbers than migration between regions in a given Member State. Linguistic boundaries constitute an additional obstacle in this regard.

34. In the 1960s, there was a clear two-way division between net in-migrating and net out-migrating countries in the Community, determined by their economic strength. This distinction has become blurred over the last 15 years. Apart from Ireland, none of the weaker Member States was still recording net out-migration in the first half of this decade. International migration has almost come to a standstill. In the Community, it amounts on average to less than 0.1% a year (see annexed Table 2.2.2-B.1).

35. Net migration flows between regions in the 12 Member States, which amounted to approximately 3/4% a year in the 1960s,, have since declined to less than 1/4% in the 1980s. Even at this lower level, however, the flows continue to show typical patterns that are determined by overall income and employment situations (see annexed Map 2.2.2-B.1): there is still outward migration from low-income regions on the extreme southern and western edges of the Community. The same applies to heavily urbanized areas in the northern part of the Community and to regions with special structural adjustment problems. It should be noted, however, that the negative net figures for the second group are the result less of increased out-migration than of the drying up of the earlier appreciable gross migration flows into urban and old industrialized areas.

The net in-migrating areas also divide into two distinct groups: in the southern countries, the urbanized regions and capital cities, which generate relatively high incomes in national terms, continue to attract people, although the level of unemployment there would in some cases make one expect the opposite. In the other Member States, the nationally more dynamic areas around conurbations with few old industries continue to attract migrants.

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[23]The degree of mobility shown by these figures is, however, less than half that in the United States, where in the last five years some 11% (i.e. approximately 2% per year) of the population have moved their place of residence to another State. See "Wirtschaftswoche", 31 October 1986, p. 4.

36. Migration movements[24] are a logical corollary of freedom of movement and an expression of the population's mobility. Movements between Member States and regions are determined by general living conditions, both in out-migrating and in-migrating areas. Relative income and employment situations play a particularly important role in this regard; nor should factors such as climate, language and the political circumstances be underestimated. Migration is therefore primarily a consequence of differing living conditions and behaviour patterns and also of social and economic disparities between regions. Heavy migration flows frequently create new problems or aggravate existing ones. In out-migrating areas they reduce the potential labour force and also cause problems if the population contracts, if its age structure deteriorates appreciably and if highly skilled workers leave the region. In in-migrating areas problems can arise as a result of excessive concentration and the development of bottlenecks.

37. As the experience of the 1960s has shown, migration can reduce income and employment disparities. However, migration movements make only a secondary contribution to convergence and they frequently create considerable social hardship. In many cases, therefore, regional policy constitutes an attempt to increase employment, productivity and income generation in out-migrating areas in order to relieve the pressure to move to other regions.

38. Summary: Migration in the Community - as measured by gross migration flows per year between the regions - affects between approximately 1% and 1 1/2% of the population. In recent years, net migration between Member States has practically ceased; compared with the 1960s, net migration rates between regions have fallen by more than a half and were down to not quite 1/4% per year of the population in the first half of this decade. Overall, this trend has contributed to increasing regional disparities in unemployment. The future outlook for regional labour supply (see Chapter 3.3) suggests continuing wide regional disparities in unemployment. Should there be a significant improvement in the labour market situation in regions with relatively low unemployment without a simultaneous sharp increase in employment in the regions with especially high unemployment levels, an appreciable change in migration behaviour, back to earlier patterns, cannot be ruled out. This applies primarily to migration within individual Member States and to a lesser extent to migration between Member States. In respect of trends in migration between Member States over the medium-term, it should be noted that full freedom of movement of workers will only apply to Spain and Portugal after 1992. However, the initial situation and the scale of the employment problems are such that they can only be reduced, and certainly not solved, by migration.

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[24] As migration statistics are subject to relatively wide margins of error, great care must be exercised in using them for individual regions. But as the results of the analysis show (see Annex 2.2.2-B), the available data can be used to show patterns and groupings of regions by migration behaviour if the inevitable lack of precision in individual cases is disregarded.

In order to relieve the pressure stemming from socio-economic conditions and particularly from labour market disparities between the regions, it is therefore essential, from this angle too, that the conditions be created for more rapid employment growth in the regions with the most acute labour market problems.

C. Infrastructure endowment of Community regions

39. The employment capacity, competitiveness and economic performance of countries and regions are determined to a considerable extent by their stock of physical capital. This means both the capital stock of firms and the regions' stock of infrastructure. The latter consists of capital goods which predominantly serve society as a whole and which are normally provided and financed by the public authorities or by (semi-) public agencies acting on their behalf (infrastructure for such sovereign functions as defence, law and order and general administration is excluded from the analysis here).

Infrastructure plays a special role in many respects. The number of workers required for its operation and maintenance is admittedly not always very high. But its significance for employment and for the economic strength of a region lies more in its indirect than its direct effects. More and better infrastructure makes a region more attractive and cuts production costs for firms; it raises their productivity and competitiveness and also provides a permanent boost to the growth of business investment, employment opportunities and incomes.

Infrastructure also has a number of features which are much more peculiar to it than to other capital goods. It cannot be moved; it is largely indivisible; it is frequently not substitutable but some of it can simultaneously serve very different purposes. For example such infrastructures directly serving industry as transport, communications, energy and water supply facilities are often used not only by firms in producing various goods but also by households.

40. Studies of regional infrastructure can focus on two different aspects: (a) an individual region's stock of various types of infrastructure with a view to pinpointing bottlenecks and gaps which need to be filled; (b) a general picture of endowment differences between regions so that the overall situation can be assessed more accurately. Only the second of these two questions can be looked into here.

41. Earlier pioneering studies covering the Community of Ten[25] have shown that peripheral and weak regions have low levels of infrastructure endowment and that there is a relatively strong positive correlation between the regions' infrastructure stock and such major economic indicators as GDP per head of population and per person employed. This applies particularly to

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[25] Second periodic report, 1984, Chapter 4.3.

infrastructures directly serving industry (such as transport, telecommunications and energy) but less to socio-cultural facilities[26] where the differences appear to be less pronounced. These studies have been continued in a number of directions.[27]

42. The regions of the enlarged Community differ markedly in their overall stock of infrastructures directly serving industry (see Map 2.2.2-C). Most of the Community's outlying southern and western regions still lag appreciably behind the Community average; data from studies show that the level of basic infrastructure endowments for a number of lagging regions are 40 to 60% below the Community average; most of the centrally situated and more developed areas, on the other hand, have an appreciably above-average level of endowment.[28] The age, quality and degree of utilization of infrastructures may nevertheless vary from one region to another and bottlenecks or underutilization may occur in the case of individual sub-categories. However, the available statistics do not provide a satisfactory Community-wide picture of these characteristics. It should be pointed out, however, that certain measurable qualitative differences which at the same time affect capacity, such as road widths and the electrification of railways, have been included in the infrastructure endowment indicator.

43. Infrastructure endowment is both a consequence and a cause of the overall level of economic development. The present stock of infrastructure is the result of infrastructure spending over long periods in the past. The level of that spending by Member States and regions is dependent, firstly, on their economic strength (i.e. the level of their GDP and the proportion of GDP used for infrastructure investment) and, secondly, on the respective powers and revenue situations of the bodies responsible for infrastructure investment (central government, regions, municipalities and public enterprises).

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[26] Biehl, D. and others: "Die Infrastrukturausstattung der Regionen in der erweiterten Gemeinschaft - Datensammlung und erste Analyse"; Frankfurt, 1986 (carried out for the Commission).

[27] The infrastructure endowment of the regions in the new Member States had first to be appraised and included in the Community-wide comparison. The data base was then updated and extended, for example to include the categories "port facilities" and "vocational training and further training". The method of determining infrastructure capacity was refined by using the population and surface areas of regions as reference variables. Finally, the study was concentrated, in accordance with the rules governing the ERDF, on infrastructures serving industry. In order to determine the infrastructure capacities of the regions, weighted averages for infrastructure per head of population and per square kilometre were calculated; the correlations between the infrastructure stock on the one hand and the population figures and surface areas for the regions on the other served as weights. This approach is consistent with the view that the capacity of a transport network, for example, should be measured not only in relation to the size of the area to be served but also in relation to the population of the area.

[28] This general observation is normally also valid if the earlier simpler measuring method is used.

AGGREGATE INFRASTRUCTURE INDICATOR 1983.

2.2.2-c

eur12 = 100 -- s -- 44

X share of population
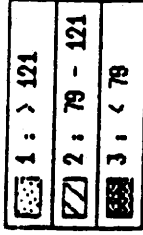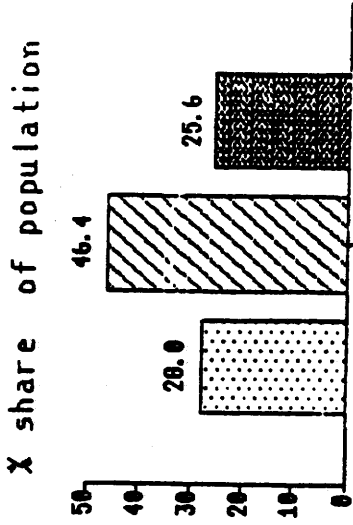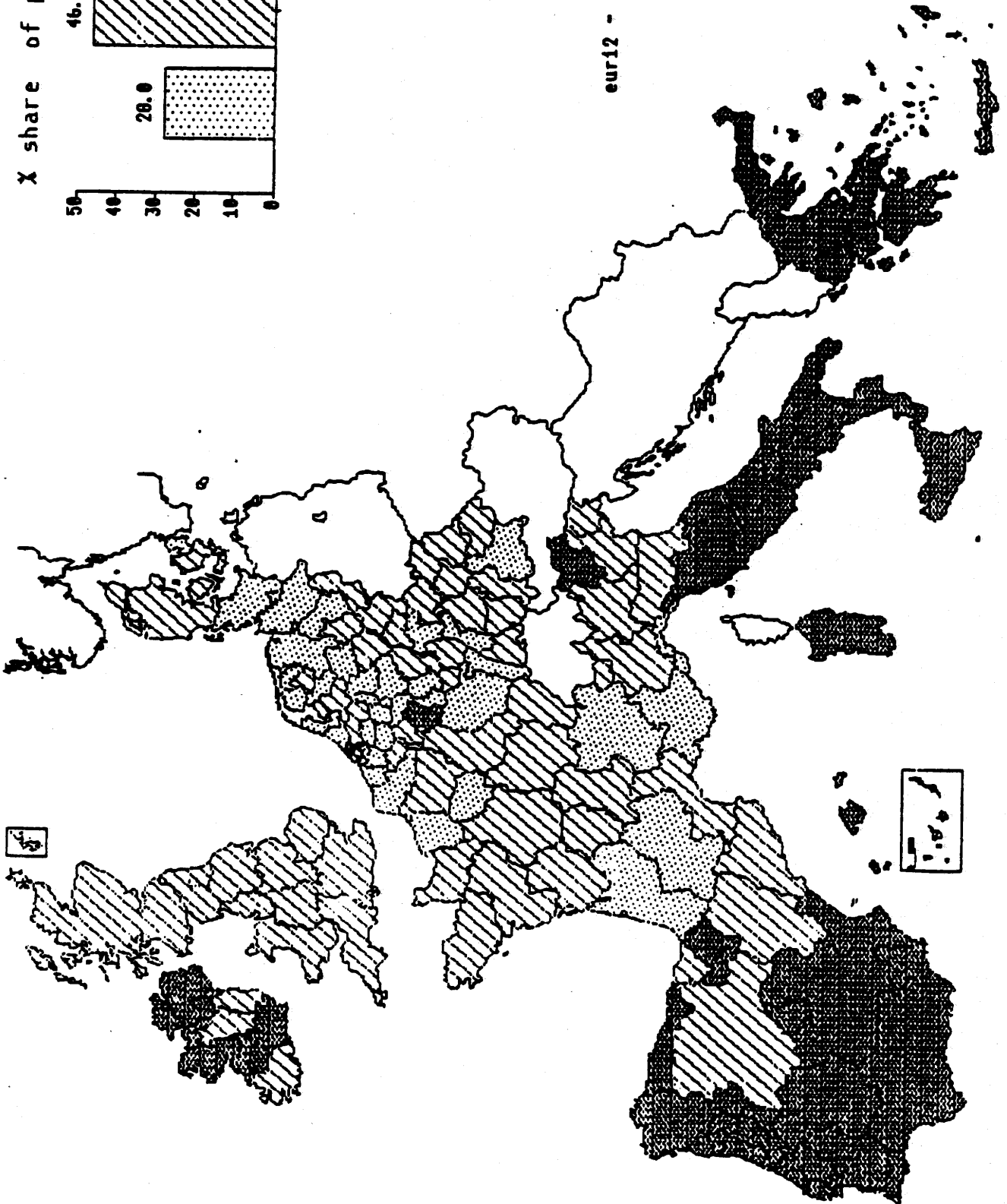
44. Total infrastructure spending in 1978-79 by all the investors in question averaged just under 4.5% of the Community's GDP (EUR 10).[29] However, there were considerable differences between Member States. Greece (5 1/4%), Italy (5 1/3%) and Belgium (5 1/2%) invested appreciably more than the other Member States, whose rates varied between 3 3/4% and 4 3/4%. Ireland (2 3/4%) on the other hand, invested considerably less. It is also worth noting that in most countries the infrastructure investment ratios of the weaker regions were above the respective national averages. This bears out the observation that there are considerable regional differences in infrastructure endowment and indicates that Member States take account of this when formulating their policies.[30] If infrastructure investment is related to population, a markedly different picture emerges. In Germany and Belgium, the values were 20% or more above the Community average, while in Greece (-35%) and Ireland (-60%) they were appreciably below that average. The values for the other six countries were all within a band of +/- 10% around the Community average. At regional level it is again clear that individual Member States tend to spend more on infrastructure investment in their weak regions than in other regions. On a Community-wide appraisal, however, this picture gets blurred by the sharp differences of level between the Member States.

45. Summary: Efforts to improve infrastructure endowment vary, independently of income levels and existing stock, from one country to another. There is a tendency within Member States to improve the situation in weaker regions through above-average investment. A comparison of the extent of labour market problems and the regions' infrastructure endowment shows two distinct groups and problem situations: in more developed areas with structural adjustment difficulties, the creation of new infrastructure is less urgent - provided that there are no problems of obsolescence or bottlenecks - than other measures to deal with regional problems. In less developed regions, by contrast, measures to improve infrastructure and to boost business investment are required simultaneously. The dual problem of (a) insufficient infrastructure and (b) the high number of new or alternative permanent jobs required in the business sector calls for a different balance to that in the first group. The optimum combination of measures to promote business and infrastructure investment at regional level can in the final analysis be determined only by specific regional analyses, which would also have to take into account such aspects as capacity utilization, obsolescence, etc. Quite generally, however, one-sided concentration on infrastructure measures is not the best approach in view of the existing basic conditions in less-developed regions.

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[29] Biehl, D. and others: "Regionale Infrastrukturinvestitionen und ihre Finanzierung", Frankfurt, 1986 (study carried out for the Commission). It has so far been possible to compile such data only for the Community of Ten. More recent data are too patchy to permit comparisons. In view of the importance of public infrastructure spending and budgetary problems, however, it can be assumed that the infrastructure investment ratio has been below 4% in the 1980s.

[30] Measured at purchasing power parities.

The current composition of Regional Fund expenditure should be reassessed accordingly. Spending on infrastructure accounts for approximately four-fifths of total expenditure. This share-out reflects the priorities is of the weaker Member States in particular.

2.2.3 Some types of regions, common characteristics and differences

46. In political discussion of regional problems, broad concepts are frequently used to classify regions into groups believed to form a specific type of region with particular common characteristics and problems. Thus, Article 130C of the Single European Act refers expressly to "regions whose development is lagging behind" and "declining industrial regions". In addition, discussions within the European Parliament and the Economic and Social Committee for instance regularly focus on a number of other types of region.

For such a typology to be applicable in practice, it is important, firstly, to establish a primary operational selection criterion and, secondly, to clarify in respect of what other characteristics a type is relatively homogeneous. An attempt has been made to do this below for a selection of frequently cited types. The general point must be made that the demarcations are generally of a relative nature and apply only in relation to a reference framework to be determined in advance, which in this case is the Community as a whole.

The primary criteria used lead us to distinguish four categories of types:

- development-related types (poor and rich regions, regions lagging behind);
- sector-related types (industrial regions, agricultural regions);
- settlement pattern-related types (urban and rural regions);
- situation- and location-related types (peripheral and central regions, islands, border regions, mountain regions).

It is immediately clear from this list of frequently used type categories that there is considerable overlapping between them, and that one and the same region can therefore belong to a number of types.[31]

A. Regions lagging behind the rest of the Community

47. Regions of this type generally have relatively low income, productivity and employment levels. When comparisons are made between one country and another, GDP per head is normally the main criterion used, not least because comparable data on the type of employment and other structural characteristics are lacking or incomplete. It provides an initial overall picture of the relative level of development.[32] Which income level should be taken to indicate

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[31] Mathematical-statistical attempts to establish a typology which excludes such overlapping have so far yielded no results for practical use.

[32] Distortions may occur in a situation where, although a high level of income is generated in an area through the exploitation of natural resources, the other activities there remain at a relatively low level of development.

that a region is lagging seriously behind is ultimately a normative matter and dependent on the reference framework. Not every deviation (for example, of a few percentage points from the Community average) reflects a serious difference in development.

48. The relative income and employment positions of the regions in the Community of Ten and Twelve have already been analysed in detail above (see Chapter 2.2.1). That analysis showed that the income level in some two dozen regions is considerably below (i.e. between 25% and 60% below) the average for the enlarged Community and that a fifth of the Community's population lives in those areas. In addition to a low income level per head of population, the regions lagging behind are distinguished by low labour productivity (GDP per person employed), a large agricultural sector, a below-average share of industry and the service sector and a peripheral situation. In the majority of cases, there is also a high level of unemployment (see annexed Table 2.2.3-1).

B Declining industrial regions

49. Regional problems have diversified over the last two decades. The problem of regions lagging behind has been supplemented by the structural adjustment difficulties faced by a number of old industrial areas, as is shown by the ranking of the regions based on the synthetic index (see Chapter 2.2.1-C). This problem group is referred to in Article 130 C of the Single European Act by the generic term "declining industrial regions".

50. The degree of industrialization in the Communit' s approximately 35%.[33] It differs considerably between Member St s and regions: while it is approximately 41% in Germany it is only 26-27% in Greece and Denmark.

In the two new Member States approximately every third person employed works in industry. This is somewhat below the Community average but more than in most other Member States.[34] Only in Germany, Italy and the United Kingdom is the degree of industrialization higher. The difference between the Community regions is reflected in the extreme values of 14% for Crete and almost 50% for the administrative district of Stuttgart.

51. In the long-term historical development process, employment shifts from agriculture to industry and services. The degree of industrialization also varies because, from a given stage in the development process, the share of industrial employment tends to fall in favour of service employment. Considerable differences also arise from the sectoral specialization of regions. The size of the industrial

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[33]Measured in terms of the share of industry (broadly defined) in employment and in gross value added. The following comments are based on employment shares, since value added statistics are regionally less disaggregated and are less up-to-date.
[34]See annexed Table 2.2.3-B.1.

sector is also affected by the extent to which services are provided by industry itself or by specialist service firms.

52. The end result of all these factors is that both highly developed and less developed regions can have a similar degree of industrialization.[35] The degree of industrialization does not therefore constitute a clear-cut measure of the level of development but is primarily a pointer to the production structure.

53. The areas of the Community with above-average levels of industrialization include large parts of Germany, northern and eastern France, the northern half of Italy, the Flemish-speaking parts of Belgium, the central and northern parts of the United Kingdom and the north-western and eastern parts of Spain.

Below-average levels of industrialization are found not only in the less-developed regions on the southern and western edges of the Community but also in the high income, special services-oriented, relatively central and urbanized regions and in a number of other areas in the northern half of the Community.[36]

Decline in industrial areas is reflected in falling industrial ‑ment. However, this criterion has certain disadvantages: the level of decline does not mean that the kind and intensity of the ‑olems are the same. Contracting industrial employment may have various causes and may reflect (a) a shift to post-industrial production structures, (b) cyclical fluctuations, (c) specific branch problems and/or (d) a general contraction in the labour force. The intensity of the problems associated with decline depends finally on industry relative share in a region and on how far the region is able to cope ‑h the adjustment processes. If all these arguments are taken in account, it is clear that the respective labour market situations of the regions, measured in terms of overall unemployment, are the key criterion in assessing problem intensity. The current level of unemployment reflects the outcome of trends in the regional labour market.

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[35] Thus, the degree of industrializ‑ion in ‑uch highly developed, service-oriented regions as Hamburg, Brabant (B ‑ssels), Zuid-Holland, Ile-de-France and south east England ‑London) (at ‑etween 25% and 30%) is the same as in such less developed areas as Andalusia, Apulia and Sardinia; see annexed Map and Table 2.2.3-B.1.

[36] Large parts of northern Germany, the Netherlands, Denmark, Ile-de-France, Provence-Alpes-Côte d'Azur, Lazio (Rome) and southern England.

55. If the criteria "degree of industrialization" and "unemployment" are combined, we obtain a group of regions which can be termed "declining industrial regions" (see Map 2.2.3-B).[37]

56. However, given the diverse nature of the Community (i.e. in this case the wide differences in industrialization and unemployment between Member States), the term "declining industrial regions" does not cover all regions which are sometimes subsumed under that term. There are two basic reasons for this: (a) what is regarded at national level as a high level of unemployment or industrialization in a region may not reach the common thresholds to be specified at Community level; (b) decline in industrial regions is also sometimes taken to include the situation where particular sectors contract, independently of the level of industrialization in the region.

57. These observations lead to the conclusion that the sectoral approach of the 1980-85 non-quota programmes under the old ERDF Regulation would prove a useful supplement.

58. Those programmes defined the areas covered by reference to the problem sectors steel, shipbuilding and textiles and clothing. To be eligible, an area had to satisfy all the following five conditions: (1) the industrial branch in question had to have a specified minimum workforce; (2) job losses in the branch over a medium-term reference period had to exceed the Community average; (3) the branch had to have an important share in the industrial sector generally; (4) the synthetic index figure for the region (level II) in which the area (level III) was situated had not to exceed a given threshold, and (5) the area had in principle to be covered by national regional policy (for details, see annexed Map 2.2.3-B.4).

59. Broadly, declining industrial regions are those in which the degree of industrialization and unemployment exceed certain threshold values, for example the Community average. Industrial regions with above-average unemployment employed some 17% of the employed labour force in 1985.[38] These regions have income levels near or above the Community average but they have above-average unemployment because of job losses in industry and an insufficient increase in employment in the other sectors.

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[37] The precise boundaries depend on the thresholds laid down for the degree of industrialization and unemployment. The map shows the regions with an above-average level of industrialization in which unemployment exceeded the Community average in 1985. For the purpose of classifying the areas concerned, the smaller level III regions were used for unemployment.

[38] This figure falls if the threshold for unemployment is raised above the Community average. With unemployment at 13.0% or higher, only regions accounting together for 8 1/4% of the Community's employed labour force would be covered.

2.2.3-B

INDUSTRIAL REGIONS AND UNEMPLOYMENT

(Share of industrial employment and unemployment high: community average)
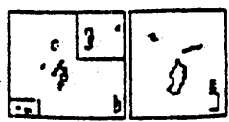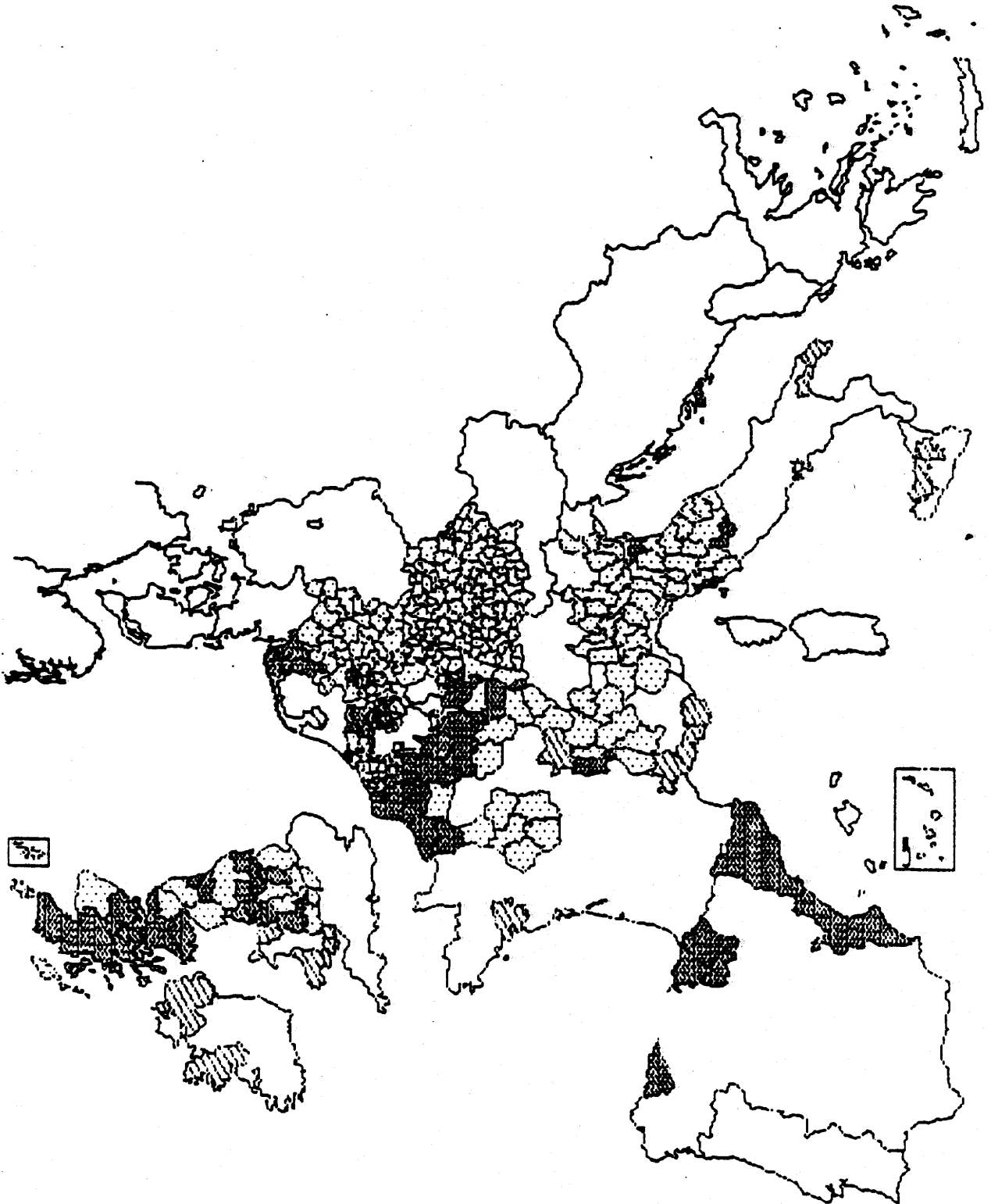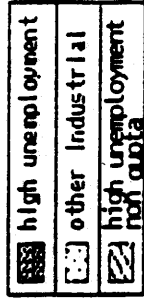
The majority of these regions are already covered by non-quota Community programmes.

In order to cover areas which, while they do not fulfil both key criteria simultaneously, nevertheless have serious problems in particular crisis sectors, the approach pursued for the non-quota ERDF programmes adopted between 1980 and 1985, or a comparable one, commends itself. Such an approach makes it possible to take account of areas with sectors in difficulty where the level of industrialization is not above average and/or where unemployment does not exceed the Community average but is high in national terms.

C. Agricultural regions[39]

60. The current sectoral composition of production and employment in all Member States and almost all Community regions is characterized by the fact that the service sector has by far the largest share and the agricultural sector the smallest. Of the Community's total employed labour force, some 56% currently work in the service sector, 35% in industry and only just under 9% in agriculture. This is the result of a development process which has been in progress for a long time in all Member States and regions but which began at different times and is therefore at differing stages of advancement. Given this basic situation, there would be little sense in defining agricultural regions as areas in which agriculture is the biggest production sector. Such regions have virtually ceased to exist.[40]

61. Agricultural regions might in theory be defined on the basis of production or employment shares. However, production shares are less suited as a measure of special regional problem situations, since they are determined by employment shares and productivity levels. While a high share of agricultural employment is a possible sign of structural weakness, high productivity points in the opposite direction. Since we are faced with a long-term restructuring process, therefore, only employment provides a clear signal.

62. The share of agricultural employment varies widely between the regions (see annexed Table 2.2.3-C.1). If agricultural regions are defined as those in which the share of the agricultural workforce is more than half as much again as the Community average (i.e. more than 13.5% of persons employed in the region), this gives a group composed of approximately a third of the regions in the Community - regions which account for 23% of the total employed labour force but for 58% of those working in agriculture (see Map 2.2.3-C). This group comprises the Greek regions (with the exception of Athens), the Mezzogiorno and the region Trentino-Alto Adige, Portugal, most of the Spanish regions (with the exception of the four most developed regions), south-west France, Ireland and Lower Bavaria.

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[39] For background details, see Annex 2.2.3-C.
[40] The Spanish region of Galicia and six of the nine Greek regions (Thrace, eastern Macedonia, Crete, Epirus, the Peloponnese and Thessaly) are the only regions in which agriculture is still the production sector with the highest share in employment.

2.2.3-c

X share of agric. empl.

41.0

16.4

13.1

19.9

8.0

45
40
35
30
25
20
15
10
5
0

Legend:
1: < 4.4
2: 4.4 - 8.9
3: 8.9 - 13.4
4: 13.4 - 18.0
5: > 18.0

eur12 - 8.9 - s - 9.1

AGRICULTURAL REGIONS
(Employment in agriculture as % of total e..
-1984-
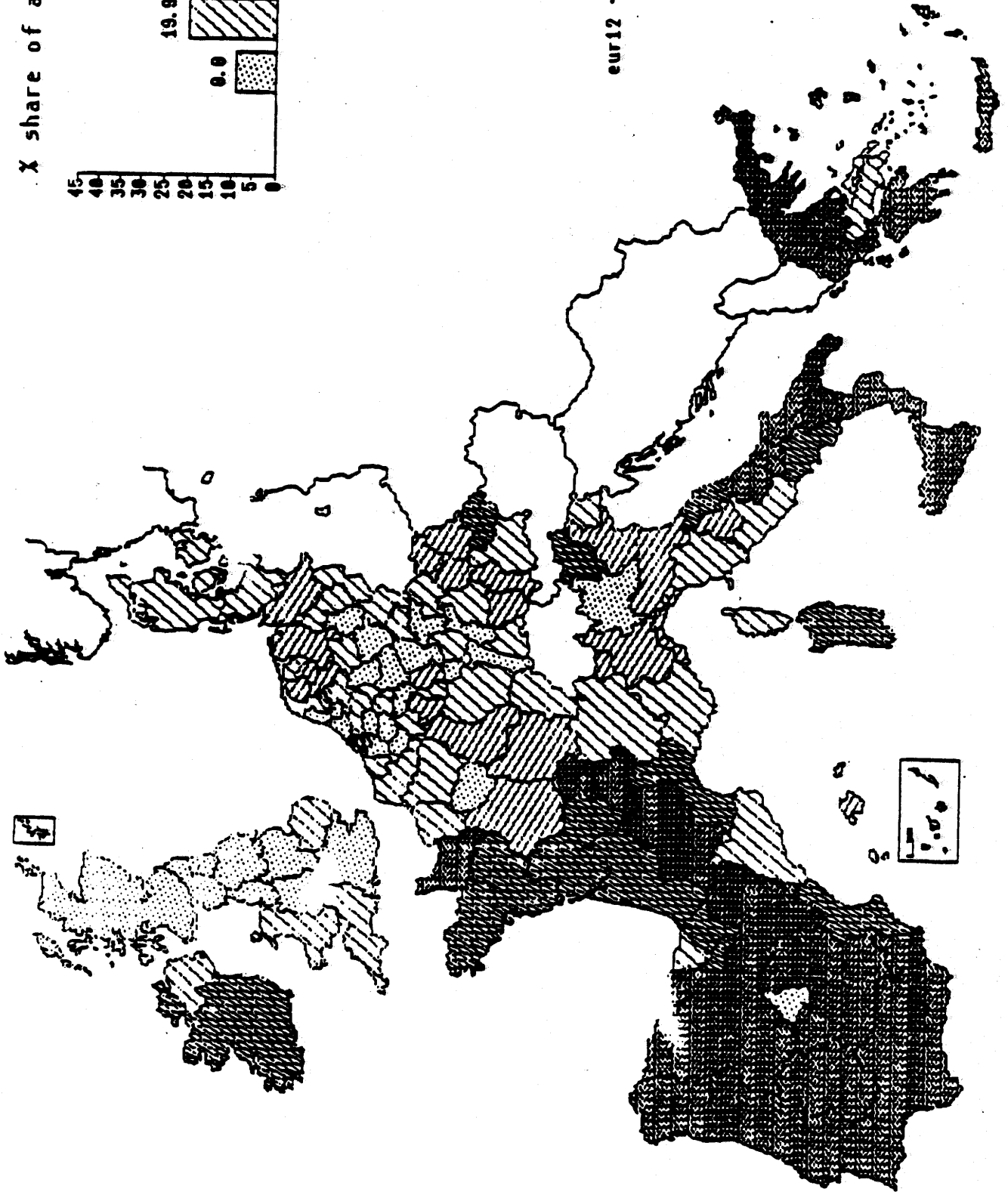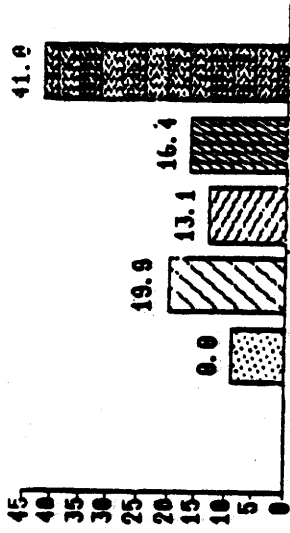
63. If we compare agricultural regions with the other regions and the Community average (see annexed Table 2.2.3-C.3), a number of striking differences emerge:

- In the agricultural sector of the agricultural regions productivity per work unit and hectare an- the size of holdings are considerably less than in the other regions.

- The socio-economic situation of the agricultural regions generally is considerably worse than that of the other regions; this applies to all available indicators (GDP per head and per person employed, unemployment generally and also among the young and women). In many cases, there is also the problem of underemployment in agriculture. The proportions of industrial employment and service employment lag well behind those in the other regions.

- Within the group of agricultural regions, the more marked the agricultural nature of a region, the worse its situation generally is. This applies to all variables with the exception of recorded unemployment.

- Finally, if the agricultural regions are compared with the category of less developed regions, three findings emerge: (a) agricultural regions as narrowly defined (i.e. areas in which the share of agriculture is twice the Community average) are generally also less developed areas when measured in terms of income levels; (b) not all agricultural regions as broadly defined (i.e. those in which the share of agricultural employment is between 13.5% and 18%) can be described from a Community viewpoint as still lagging markedly behind; (c) not all less developed areas are also agricultural regions.

64. Approximately half the agricultural regions as broadly defined are regions which specialize predominantly in Mediterranean products; these are referred to in short as Mediterranean regions[41] (see annexed Map 2.2.3-C.6). In socio-economic and agri-structural terms, they closely resemble the agricultural r ons generally (see annexed Tables 2.2.3-C.7). However, their product specialization is matched by a relatively high level of production per hectare. Their shares of service employment differ less sharply from the average for the other regions, since tourism and public administration employ a considerable number of people in a number of Mediterranean regions.

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[41] Defined as regions in which more than 50% of agricultural end-products consist of vegetables, fruit, tobacco, durum wheat, wine, olive oil and milk and meat from goats and sheep. Only five of the 26 Mediterranean regions thus defined have less than 13.5% of their workforce in agriculture and are therefore not part of the group of agricultural regions defined above. This applies to the Balearic Islands and to the regions of Lazio (Rome), Athens, Provence-Alpes-Côte d'Azur and Corsica.

65. A special category of agricultural area, "mountain and hill areas and other less-favoured agricultural areas", was brought within the ambit of the common agricultural policy in 1975. These are areas which have natural locational characteristics that hold back the productivity of agricultural holdings and limit the scope for earning an adequate income and which, as a result, also have to cope with a declining population.

In 1983, 40% of agricultural land in the Community (EUR 10) was defined as being in such less-favoured areas.[42] Around 40% of agricultural holdings and of the agricultural workforce were located there, with that workforce managing some 60% of meadow and pasture land in the Community but keeping only around 25% of the dairy herd. These figures indicate that these areas specialize in extensive dairy, cattle and sheep farming. By contrast, other forms of agricultural activity requiring much land, such as cereal, potato and beet growing and the cultivation of plants for industrial processing, are far below the Community average in these areas.

As a result of the enlargement of the Commmunity but also following extension ̄ ̄ areas classified as being "less-favoured" by Member States, some 50% of land now falls into this category.

blem regions

66. Around three out of every four people in the enlarged Community today live in one of almost 240 "functional urban regions" (FURs), each of which has over 330 000 inhabitants. However, only half or so of these regions have at their core a large town with a population of over 200 000. Approximately every second Comr ity inhabitant lives in one of these 122 functional urban regions with a r ounced and fairly large core area[43]. It is this smaller group of urban r ns that is discussed below.

67. It is particularly difficult to categorize the types of problem situation in urban regions and their causes. Invariably, such regions are characterized by multi-faceted social and economic circumstances that influence one another significantly, with the result that cause and effect are hard to distinguish clearly; in addition, only a limited amount of published statistical data is available on functionally defined urban regions. For this reason, estimates, special tabulations, case studies and expert opinions were relied upon to provide additional information.

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[42] The boundaries of these areas are d ̄ ˌn at loc level; in practice, therefore, it is impossible to make sʊ:io-economic comparisons with other regions in the Community. Annex 2.2.3-C describes the selection criteria and procedures applied in defining these areas. For the other statistics in the text, see in particular Tables 2.2.3-C.9 and C.10.

[43] Detailed investigations into functional urban regions undertaken by a study group have not yet been completed. Discussion of this matter must, therefore, be confined to some general but, none the less, fundamental aspects.

68. The historical process of urbanization has become very differentiated over time,[44] the following pattern being discernible. Urbanization marked by strong population expansion in the core areas was followed by a period in which the population grew more rapidly in the surrounding areas and contracted in the centres. In many cases, this then gave way to a general decline, both in urban centres and in surrounding areas. Such is the pattern of development of many urban regions in the northern part of the Community. Recently, there have been signs of "re-urbanization" in isolated cases but it is not yet certain whether these herald a new trend. This will also depend on the extent to which declining urban regions manage to resolve their adjustment problems.

The large towns in the less developed regions at the southern and western peripheries of the Community are still in the earlier phase of development, with continuing rapid growth of their populations and. the problems this brings.

69. Overall, some 55% of the functional urban regions in the enlarged Community are regions with declining populations while 45% belong to the second category of regions with expanding populations. Analysis of the information available reveals that, on the one hand, that, with similar demographic trends, the intensity of problems can vary markedly and, on the other, that, with a similar intensity of problems, quite different demographic trends are frequently observed in different towns (see scatter diagram in Annex 2.2.3-D). The existence of serious social and economic problems in a towns with a contracting and towns with an expanding population is an indication that difficulties of urban development are not solely or primarily attributable to demographic trends. Nevertheless, the type of adjustment problem is determined by whether the population is contracting or expanding.

70. If the analysis is concentrated on that third of functional urban regions which stand out consistently when differing methods are employed to take account of the wide variety of problems, the following picture emerges: some three fifths of these regions exhibit signs of decay and contraction while two fifths of them have to contend with specific growth problems, with a clear split again apparent according to geographical locations. Urban regions with growth problems are located almost exclusively in the peripheral areas in the south and west of the Community, while urban regions exhibiting signs of decline are located primarily in the old industrial areas, including certain ports in the northern part of the Community, concentrated especially in the United Kingdom.

71. The problems faced by the urban regions experiencing strong population growth go hand in hand with an in-migration of young people from the surrounding less-developed and predominantly agricultural areas, with rapid growth in the labour supply, with high rates of unemployment and with incomes below the Community average. The problems facing the group of

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[44]See Second Periodic Report, Chapter 4.2.

declining urban regions are compounded by special adjustment difficulties in specific industries such as mining, steel, shipbuilding and textiles, giving rise to a contraction in industrial employment, to out-migration, ageing of the population and - again - high unemployment.

72. The functional urban regions with particularly pronounced problems are found for the most part in areas already in receipt of regional aid. This applies to some 70% of them. Although there is a clear link with economic performance, the difficulties of the two groups cannot be attributed solely to sectoral problems or demographic trends. Problems of a social or ethnic nature, problems to do with building and land-use regulations, and the design of the tax, legal and administrative systems are often major obstacles to the necessary measures to adjust, develop or improve housing, the stock of industrial land and buildings, and local infrastructures.

E. Peripheral regions[45]

73. The physical distances between regions are inevitably greater in the Community than within each Member State. The regions situated at the periphery of the Community are often a very long way from the main centres of supply and demand. This relatively greater inaccessibility gives rise to disadvantages stemming from transport costs, travel time, supply and delivery periods, and more difficult access to information. On top of these quantitative and qualitative handicaps, there is an infrastructure network that is often more costly, less dense and less appropriate to economic needs notably because of the lower population density. Firms in those regions find it more difficult to achieve economies of scale, given the smallness and dispersal of regional markets and their remoteness from the main markets in the centre of the Community. All these drawbacks deter investors and hold back the development of the most peripheral regions, particularly those in the south and west of the Community.

74. An overall approach is needed if all these aspects are to be taken into account. This is why the position of each region in the Community in terms of peripherality is measured by reference to economic activity in each of them and to the distances separating them. The regions are then ranked and classified according to the value of their "peripherality index" (see Annex 2.2.3-E) into "central", "intermediate" and "peripheral" regions[46] (see Annex, Map 2.2.3-E.1).

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[45] For a detailed analysis, see Annex 2.2.3-E.

[46] The peripheral regions comprise Ireland, Greece, Spain, Portugal, Northern Ireland, the North and extreme South-West of the United Kingdom, Denmark with the exception of the Copenhagen region, Corsica, the South West of France, and Fruili-Venezia Giulia and the Mezzogiorno in Italy.

The recent enlargement has increased significantly the number of peripheral regions, whose population and surface area have expanded by 82% and 90% respectively. Four Member States (Ireland, Greece, Spain and Portugal) fall entirely within the Community's periphery while four others (Germany, Netherlands, Belgium and Luxembourg) have no peripheral region at all from a Community-wide point of view.

75. On the definition given earlier, peripheral regions cover over 55% of Community territory but account for only 33% of its population, 29% of employment and less than 25% of its GDP. Against this, almost 42% of the unemployed and 58% of those working in agriculture are to be found in peripheral regions.

The wide range of problems encountered in peripheral regions shows up in a population density 60% lower than the Community average (see Annex, Table 2.2.3-1), in an employment structure geared more to agriculture than to industry and services, in an unemployment rate almost 50% higher than the average, and in indicators of income (GDP per head of population) and productivity (GDP per person employed) less than 75% of the Community average.

- 48 -

Islands

76. On account of their geographical position, the islands in the Community constitute a subgroup of peripheral regions. They are, to an unusual degree, confronted with the problems typically found in this type of region (distance from markets, high transport costs, much extra time needed for travel, etc.).

77. In all, there are over 300 inhabited islands. They occupy some 5 1/2% of Community territory and account for 3 1/2% of its population.[47]

78. In terms of area and population, the largest islands (Sicily and Sardinia) are on a par with a number of smaller Member States.[48] Most of the islands, however, are small units. Average population density (only 80 inhabitants per km^2) is barely over half the Community average (143) but is distorted considerably by the high population densities of Sicily and the Canary Islands (almost 200 inhabitants per km^2). In most cases, population density is significantly below 50 (see Annex, Table 2.2.3-E.5).

79. Income and employment levels[49] on the islands tend to be somewhat lower than in the peripheral regions as a whole although there is substantial dispersion. In the case of the Balearic Islands (tourism and industry), the islands of Scotland (side-effects of North Sea oil production) and of Bornholm, GDP per head of population is close to the Community average. The level of unemployment also varies widely, from 4% to 28%. The three island regions mentioned are also relatively better placed in this respect (see Annex, Table 2.2.3-E.6).

80. The weaknesses of the islands show up in particular in the large share of agricultural employment (20%) and in the small role played by industry (23%), with the service sector matching the Community average.

81. The islands, which belong to the Community's peripheral regions, constitute a very varied group of regions in terms of size, population density, income, and employment. The features common to them are their special dependence on agriculture, a strong service-sector bias coupled with a low level of industrialization, and the transport and communications drawbacks associated with their peripheral location.

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[47] These figures take in all islands with more than 10 inhabitants. Not included are islands on which the national capital is located.

[48] Each of these islands covers some 25 000 km^2, comparable to the area of Belgium (30 000 km^2). They have populations of 4.9 million and 1.6 million respectively (Ireland: 3.5 million).

[49] The following figures relate to the ten larger islands or island groups for which data are available.

F. Frontier regions

82. Frontier regions[50] broadly defined are those areas in Member States adjoining the territory of one or more other countries, whether or not members of the Community. Nearly one quarter of the Community's territory - containing one fifth of its population - comes under this definition.

83. Frontier regions fall into two distinct groups, those located within the Community and those adjoining countries not belonging to the Community. Around one quarter of frontier regions (measured in terms of population and area) adjoin non-member countries while three quarters of them are contiguous to other Member States. Only four Member States share frontiers with third countries (Germany, France, Italy and Greece).

84. Community-level discussions on the problems of frontier regions focus for the most part on frontier areas within the Community since coordination and cooperation between the regions and countries concerned directly affect convergence and cohesion within the Community. Accordingly, what follows relates mainly to the frontier regions within the Community.

85. All Member States (with the exception of Greece) have areas adjoining other Member States, some of them large, others small. The relative share of those areas differs a great deal, however, from one Member State to another, being particularly large in the Benelux countries and Portugal but relatively small in Denmark, Italy and the United Kingdom. Interest in the problems of frontier regions must therefore be expected to differ between Member States, especially as the economic situations in the different frontier regions vary significantly.

86. Generally speaking, frontier regions are somewhat less heavily populated than the country to which they belong. In countries with a high population density, they are also heavily populated relative to the Community average. Consequently, population density in the Community's frontier regions varies enormously, from 33 inhabitants per km^2 in the case of Ireland to over 280 inhabitants per km^2 in the case of Belgium and the Netherlands.

87. Overall, income levels (GDP per head of population) and unemployment in the frontier regions within the Community broadly match the Community average (see Annex, Table 2.2.3-F). However, if the relative socio-economic situation of these areas is looked at solely in the national context, it can be seen that the majority of frontier regions in most Member States exhibit a below-average level of income and an above-average level of unemployment. In many cases, however, these deviations are not very large although they do differ significantly between individual regions. In addition, there are fairly large, adjoining frontier regions that cannot be

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[50] See Annex, Map and Table 2.2.3-F; as a rule, frontier regions are smaller units than the Level II regions generally referred to in this report. The figures given in this section were therefore derived from the Level III breakdown.

described as problem cases (e.g. the areas of France and Germany along the Upper Rhine, and the regions on either side of the frontier between France and Italy).

88. Overall, the frontier regions constitute a category of regions with very varied structures. They include regions representative of all the other categories: less-developed regions, regions heavily dependent on agriculture, old industrial regions facing special restructuring problems, peripheral regions and central regions. In practice, for purposes of national regional policies, frontier regions are therefore generally treated as assisted areas only if they have to contend with special problems measured by applying general criteria not tied to their frontier location.

89. Relations between neighbouring frontier regions are hampered because they are located in countries with different planning, legal, administrative, tax and social security systems and because there is inadequate coordination and cooperation in improving infrastructures and assisting trade and industry. These acknowledged shortcomings in frontier regions are not, however, so serious that they necessarily give rise to special employment and income problems that justify their being classified generally as assisted areas. Only if frontier location combines with a number of other shortcomings can serious general problems arise. It follows that resolving the problems of frontier regions as a whole is primarily a matter of closer coordination and cooperation between those concerned and that their frontier location can be advanced as an additional qualitative argument only where measures have to be determined for application in assisted areas selected on the basis of general criteria.

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90. Summary: Chapter 2.2.3 has taken a general look at six common main types of region and three subtypes,[51] the classification being based on level of development, sectoral structures, and settlement patterns or differing locational characteristics. Since these criteria are encountered in various combinations, there is inevitably much overlapping between most types. Each of the main types accounts for between 15% and 33% of the Community's population.

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[51] A. Less-developed or (backward) regions;
B. Declining industrial regions;
C. Agricultural regions;
C.1 Regions with predominantly Mediterranean-type agriculture;
C.2 Mountain and hill areas and other less-favoured agricultural areas;
D. Urban problem regions;
E. Peripheral regions;
E.1 Islands;
F. Frontier regions.
For a summary of their essential, quantifiable characteristics, see Annex, Tables 2.2.3-1 to 3.

Three of the six main types display, for the most part, a combination of relatively low population density, below-average industrialization, heavy dependence on agriculture, above-average unemployment, low labour productivity and below-average incomes. They are the peripheral, the agricultural and the less-developed (or backward) regions. Although these concepts in many cases embrace the same areas, their coverage is not identical as can be seen from their population shares of 33%, 27% and 19%. (The "Mediterranean regions" and "islands" sub-categories also exhibit this combination of characteristics).

Urban problem regions and declining industrial regions, on the other hand, are distinguished by high population density, disproportionately high unemployment and a certain weakness of incomes. The divergences are, however, less pronounced than in the case of the three main types mentioned above. Lastly, the frontier regions have to contend primarily with problems arising from the fact that they belong to differing planning, legal, administrative, tax and social security systems. The socio-economic characteristics of this group as a whole are not fundamentally different from the Community average although population density is somewhat lower and unemployment somewhat higher.

The income and employment situation sometimes differs substantially between regions belonging to the same type. This is particularly true of the frontier regions but also of the islands, the peripheral regions and even the agricultural regions.

Types provide useful categories for a general description of certain problem situations. In most cases, however, they are not sufficiently precise to help demarcate socio-economic problem areas. For typologies to be useful, general socio-economic criteria such as the income or employment situation should serve as filters. In particular, type characteristics can provide pointers to the nature and thrust of the measures to be taken in these regions. Examples include the development of industries for the further processing of agricultural products in agricultural regions, the establishment and extension of time-saving, efficient and cheap transport and communications systems in peripheral regions, the removal of obstacles to urban renewal and development in urban problem areas, and the reclamation and conversion of derelict industrial sites in declining industrial regions.

Chapter 3: PROBLEMS OF CONVERGENCE AND COHESION IN THE ENLARGED COMMUNITY

3.1 The notions of convergence and cohesion

1. The previous chapter examined disparities in recent years between the Community's regions. This chapter will give an account of how the disparities have evolved over time, depicting the problems of convergence. The main focus will be on two problems and policy tasks whose solution has proved crucial to the cohesion of the Community[1].

2. First, there is the need for "nominal convergence" towards price stability and the restoration and maintenance of the main equilibria in the fields of public finance and external balance. On a short- and medium-term view, convergence in these areas has made visible progress in recent years, insufficient though it may have been in many respects. The best performance was in the countries belonging to the European Monetary System.

Second, there is the need for "real convergence" within the Community; for this, the process of bringing living standards closer together between countries and regions must be got moving again, and the generally high level of unemployment and of its regional disparities must be reduced.
Nominal and real convergence are not opposed to each other but are processes that must be mutually reinforcing.

3. Nominal convergence is necessary for cohesion within the Community in two respects: (i) to maintain relative exchange rate stability and thereby foster balanced growth of intra-Community trade and completion of the large internal market, and (ii) to put general economic development and economic growth in Member States on a sound, sustainable and hence employment-creating basis.

4. Real convergence is one of the Community's fundamental objectives and is essential for its cohesion. As a result of the first oil shock and the major worldwide disequilibria of the last fifteen years, the process of real convergence was interrupted and partly reversed. It now needs to be set in motion again. To achieve convergence in living standards, the countries and regions lagging behind need to record above-average growth rates of income generation, i.e. of employment and productivity. The number of jobs in the weak areas must also grow at a much faster rate than elsewhere, because present unemployment, structural underemployment and demographically induced future growth in the labour force all tend to be highest in the weak regions. But real

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[1] See also Annual Economic Report 1986-87, Chapter 2, Communication from the Commission to the Council.

convergence is a process that can produce results that will become discernible only gradually. For this reason, regional policy must take a long view, short-term successes being no measure of its effectiveness.

5. The interaction between nominal and real convergence and the interdependence between national and regional developments highlight the links between general economic policy and structural policy. For regional disparities to be narrowed appreciably, there must be sustained growth, backed up by a maximum degree of price stability and by action to preserve the main economic equilibria. Real convergence between regions and the effectiveness of regional policy are therefore dependent on the progress achieved by general economic policy. So nominal convergence is a necessary but not sufficient condition for real convergence. To achieve the latter, regional policy and overall economic policy must be mutually complementary. In this connection, regional policy must bring about an improvement in supply conditions that will make it easier to boost output and employment in problem regions. This will enhance the effectiveness of general economic policy by helping to foster investment and contribute to the training and adaptation of the labour force in those areas where the underutilization of labour is greatest and where the efficiency of the productive system is at its lowest. The interdependence of national and regional developments also means that Community-wide trends of convergence and divergence cannot be satisfactorily broken down into separate national and regional components that can simply be added together.

6. Community expenditure on regional policy is an expression of financial solidarity. It entails a transfer of financial resources that relieves the balances of payments of the recipient countries. Yet this is not the essence but a side-effect of Community regional policy that also contributes towards convergence and cohesion. The real criterion is the permanent strengthening of the economies of particularly needy regions. It is especially important here to identify correctly the areas in which action should be taken. These include investment, management, business administration and manpower skills. The last aspect is covered at Community level by the Social Fund, which, alongside its functional tasks, also has a regional bias (see chapter 4.3).

7. In its subsection on Economic and social cohesion, the Single European Act explicitly states that the Community shall aim in particular at reducing disparities between regions. Attempts to achieve convergence are, therefore, viewed as an essential part of the wider political problem of cohesion. As a basis for the stability and further development of the Community, cohesion takes in more than just nominal and real convergence. On a broader front, it involves striking a balance between individual Community policies. Accordingly, Community policies as a whole need to be devised and weighted in such a way that the particularly serious problems of all Member States will receive due consideration.

8. In the original Community of Six, this political balance came about through simultaneous establishment of the Customs Union and of the Common Agricultural Policy. It was disrupted by the successive enlargements of the Community from six to twelve members and by the runaway growth of expenditure on the traditional agricultural policy. A new balance is needed therefore that takes into account the interests of the present twelve Member States, the optimum course of economic developments, the particularly important structural adjustments that are needed, and budgetary constraints.

9. It is not the task of this report to come up with solutions and definitions for this new balance but to highlight basic aspects that are of special relevance from a regional angle. To begin with, this chapter discusses convergent and divergent regional trends in key socio-economic variables. A later chapter will then take a look at the regional aspects of a number of particularly important Community policies.

3.2 Convergent and divergent trends in the past

3.2.1 Gross domestic product: convergence and divergence between Member States

1. Taking a long-term view, the convergent and divergent trends fa'
into two distinct periods: 1960-73 and from 1974 to the present day.

2. Between 1960 and the onset of the recession in the mid-1970s,
growth rates and relative income levels in the individual Member
States now making up the Community were such that there was a marked
convergence of income per head of population and per person employed
(see Graph 3.2-1), with disparities narrowing by about a third.
Although not insignificant, differing population and employment trends
between Member States did not impede convergence. This process came to
a halt in 1974. In the ensuing years, there was at times even a slight
tendency for divergence to widen. The level of disparities by the
mid-1980s was roughly the same as in 1970. In purely quantitative
terms, the higher degree of convergence achieved in the period from
1970 to 1974 was eroded during the following ten years.[2] Overall,
however, the disparities recorded in 1985 were still much less marked
than in the period 1960-69. This is true both of the earlier Community
of Ten and of the present Community of Twelve.

3. The interruption in the convergence process was in part aggravated
by the fact that, in some instances, population growth in the weaker
countries[3] accelerated for a while in the 1970s and began to slow down
later than elsewhere. While, in the period 1960-73, population growth
in the five weaker countries, at 3/4% a year, was broadly in line with
the Community average and the average for the stronger countries[4],
positions began to diverge in the ensuing period (1974-85), with a
deceleration in population growth in the stronger countries (down to
0.2% a year) and continuing increases in the weaker countries (0.7% a
year). Simply to prevent disparities from widening, the national
product of the weaker countries would thus have had to grow half a

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[2] Differing statistical measures of disparity such as standard deviation,
the Theil index or a comparison between the four strongest and the four
weakest countries yield the same results.
[3] Portugal, Greece, Ireland, Spain and Italy.
[4] The United Kingdom, the Netherlands, Belgium, France, Germany, Denmark and
Luxembourg (in ascending order).

Graph 3.2-1

EVOLUTION OF DISPARITIES BETWEEN MEMBER STATES[5]

A) GDP per head of population

B) GDP per person employed

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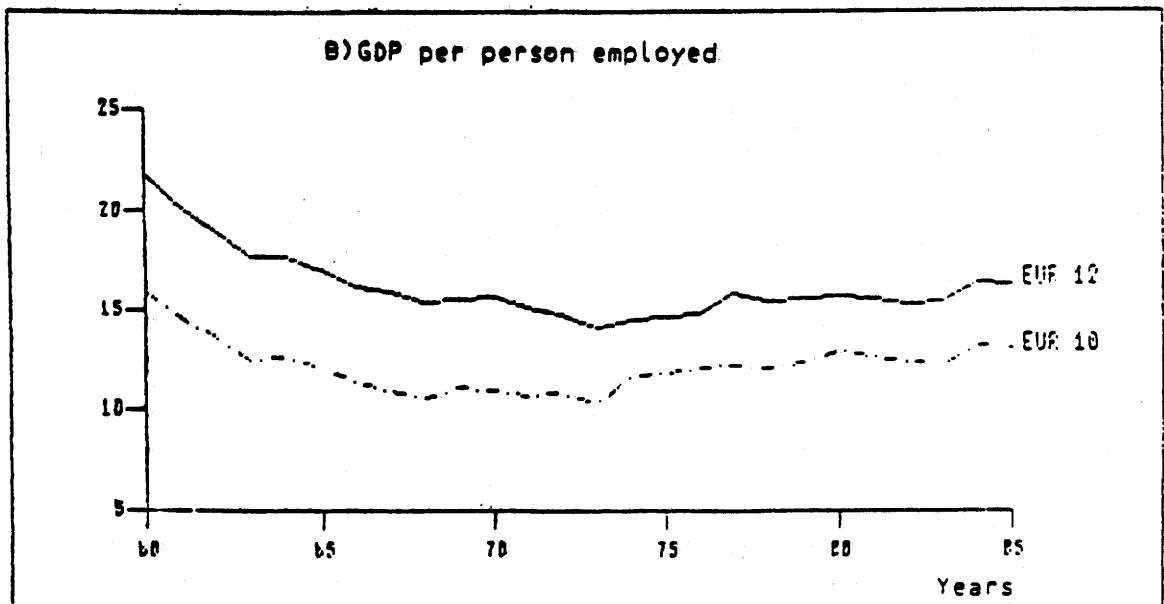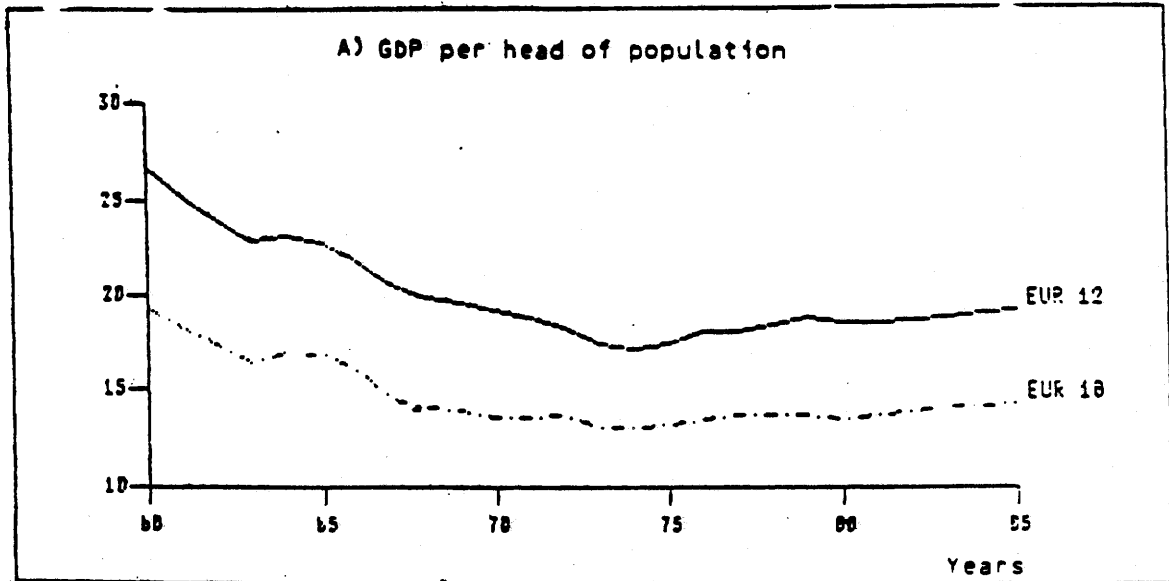
[5] Coefficient of variation = standard deviation of national GDP levels in PPS per head of population and per person employed as a percentage of the Community average.

percentage point a year faster than in the others. In actual fact, the growth-rate in the weaker countries since 1973 has averaged 2% a year compared with 1.6% elsewhere, the extra margin being a little less than was needed to keep pace with demographic developments. By contrast, in the period 1960-73, when the rates of population growth were broadly similar between the 2 groups of countries, the annual growth rates of the weaker group were 1 1/2% faster. In order to secure convergence (of GDP per head of population) in the coming years of the same magnitude as in the 1960s, output in the weaker countries would have to grow some 2 percentage points faster than in the others, given current and foreseeable divergences in population trends.

4. The overall pattern of convergent and divergent trends does, of course, mask fluctuations over time from one country to another. These reflect the impact on national growth rates of a wide range of factors of varying intensity, such as differences in the timing of the business cycle and differing responses to the two oil shocks of the 1970s. Overall developments were characterized until around 1973/74 by a process of unmistakable catching-up in all the less-developed countries (with the exception of Ireland), followed by some loss of ground in the second half of the 1970s due essentially to below-average growth in Spain, and by relatively constant disparities during the first half of the 1980s. The positions of the seven countries lying above the Community average showed a similar movement although in the opposite direction, and with sharper short-term and medium-term fluctuations. Developments in the United Kingdom and Ireland differed a little from this general picture. Up to 1980, the United Kingdom steadily lost ground, gradually falling back to the Community average, which it has since broadly maintained. By contrast, Ireland did not participate in the covergence process during the first period. However, it managed to speed up its growth rate after the first oil shock and its accession to the Community and, in so doing, to start catching up belatedly in a process that lasted until the 1980s before it came to a virtual halt.

5. Leaving aside special movements with their importance for individual countries, the period of rapid growth in per capita income (GDP) in the Community of between 3 3/4% and 4% a year represented a period of convergence. However, during the ensuing twelve years of sluggish growth of only 1%-2% a year, which included two severe recessions, this process came to a halt and was even slightly reversed for a time. The period of convergence was also characterized in general by predominantly low unemployment, relatively low rates of inflation, stable exchange rates and only temporary, limited disequilibria in public budgets and payments balances, an overall picture fundamentally different from that in the second period. These observations underscore the points made at the beginning of the chapter concerning the interaction between convergence in the sense of restoring the main nominal equilibria and the process of renewing real

convergence in the area of income generation. A closer look needs to be taken at how these relative developments between Member States have affected the regions.

3.2.2 Gross domestic product: convergence and divergence at the regional level

6. By and large, the same two major periods of real convergence and stagnation of disparities characterize developments in the regions.[6] Income generation per head of population and per person employed tended to converge during the first period, not only between the individual Member States but also between their regions. A similar parallelism of performance between Member States and their regions was evident during the second period. However, taking the period since 1977, a relatively short time span for assessing shifts in regional structures, a slight widening is apparent in disparities within Germany, Spain and the United Kingdom.

7. These general findings do not, of course, mean that developments in individual regions did not diverge to any significant extent from this overall picture of virtually constant disparities. Analysis has shown that regional production trends vary widely.[7] However, there is no significant relationship between the output level reached and its medium-term trend. Both regions with clearly above-average growth and those with clearly below-average growth constitute very heterogeneous groups in which, measured in terms of per capita GDP, we find highly developed and less developed areas.

8. Taking developments both within and between Member States together reveals a relatively constant level of regional disparities in the Community during the second period (see Graph 3.2-2). This holds true for both income per head of population and labour productivity. The broad trend in disparities for both series was subject to a certain amount of short-term fluctuation.

9. One essential difference between the two main periods must not, however, be overlooked: regional convergence within the individual Member States up to 1973 was partly attributable to migration from the weaker to the stronger regions and only partly comparatively stronger growth of production in the weaker regions. Convergence prior to 1973 was not all positive therefore. In numerous cases there seemed to be no sufficiently powerful regional policy to supplement general economic policy. In the period since 1973, net

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[6] Regional development statistics are particularly patchy for the period before 1970. The following comments on that period are based on W. Molle and H. van Haselen, "Regional disparity and assisted areas in a European Community of Twelve", NEI series, 1980/22.

[7] See the Second Periodic Report, The Regions of Europe, COM(84) 40, Chapter 3.2.

Graph 3.2.-2

EVOLUTION OF DISPARITIES BETWEEN COMMUNITY REGIONS[8]

A) GDP per head of population

B) GDP per person employed

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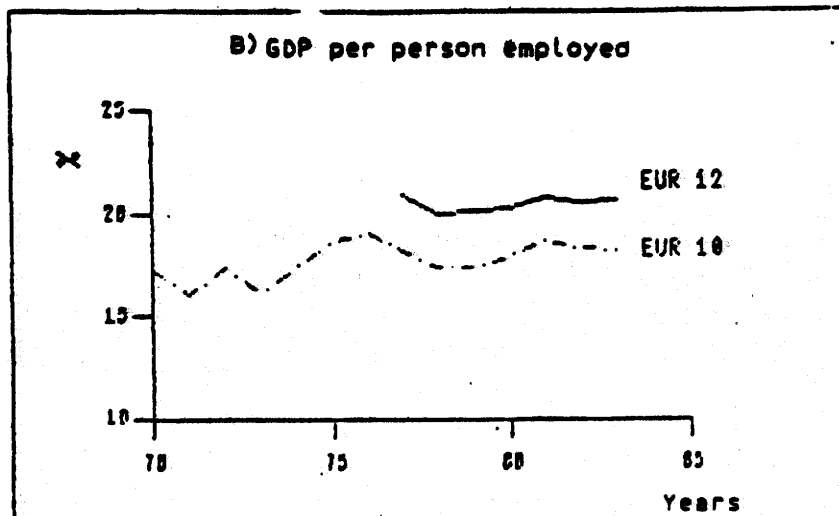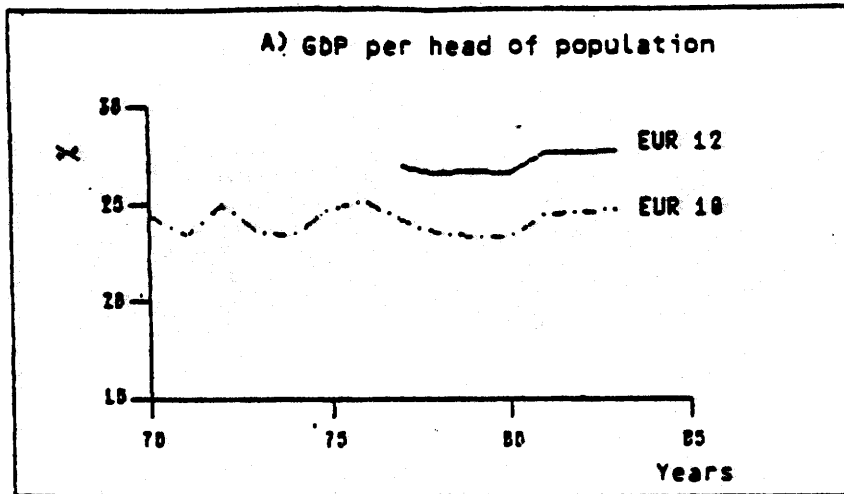
[8] Coefficient of variation = standard deviation of regional GDP levels in PPS per head of population and per person employed as a percentage of the Community average.

regional migration has declined significantly, and this, together with the generally lower rate of growth, helps to explain why regional income disparities too displayed the trends described above.

10. **Summary:** Low growth and periods of recession at national and Community levels since 1974 have led to a sustained interruption in the convergence process. Prior to 1974, faster growth had, it is true, been accompanied by convergence, but this had been achieved to a significant degree through population migration and, to a lesser degree through regional differences in output growth. The return to convergence in the field of income generation per head of population and per person employed is a problem of relative developments between Member States and between regions. Real convergence does not mean identical growth rates; instead, it requires growth rates of production that differ according to the initial national and regional positions. Bearing in mind that stagnation or even contraction gives rise to serious problems in all regions and is, therefore, undesirable, regional policy must seek to achieve two things: first, the weak regions must become more dynamic and grow at rates sufficiently in excess of the general rate of growth and, second, the developed regions must carry through the unavoidable structural adjustment processes without any contraction or stagnation of the regional economy.

3.2.3 Divergent trends in unemployment

11. The period after the first oil shock in 1973 was not only characterized by sluggish growth and the absence of any further progress towards convergence in incomes. At the same time, there was a progressive and general deterioriation in the labour-market situation that lasted for more than ten years. In addition, absolute differences in unemployment between Member States and regions in the Community widened substantially (see Graph 3.2.3).

12. The unemployment rate in the Community as a whole doubled between the first and the second oil shock, from some 2 1/2% in 1973 to 5 1/2% in 1979. In the first half of the 1980s, it doubled again, to around 11 1/2% in 1985, under the impact of the second oilshock and the ensuing recession. This gloomy picture came about, on the one hand, as a result of a temporary recession-induced contraction in labour demand and a job-creation process that, on a longer-term view, was generally inadequate and, on the other, in response to a steady expansion in the supply of labour attributable to demographic developments and to the rise in female activity rates. Although the recent recovery in output and employment brought the rise in unemployment more or less to a halt, it was not sufficient in the period up to 1986 to reverse the trend.

Graph 3.2-3

TREND OF UNEMPLOYMENT IN THE COMMUNITY
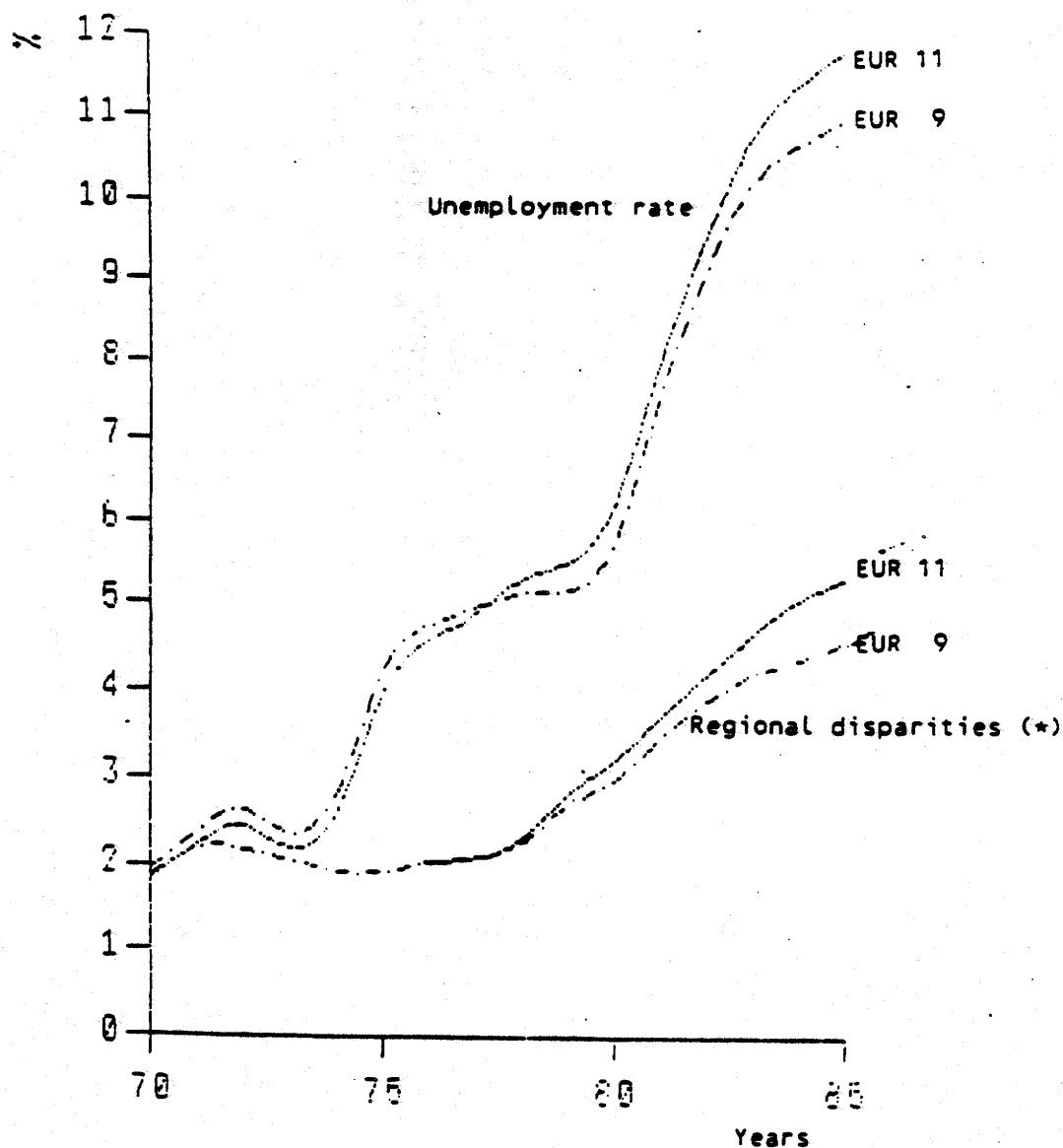
(*) Standard deviation weighted by the regional shares of the labour force

NB : Indications based on the statistics for the registered unemployed.Greece could not be included since its unemployment statistics do not lend themselves to this type of analysis.

13. All the Member States had to contend with mounting unemployment although its scale and trend differed over time (see Annex Table 3.2.3-1). Taking a longer-term view (1973-85), the highest increases in unemployment were in Spain where unemployment rose by no less than 18 percentage points, and in Ireland, the Netherlands, Belgium and the United Kingdom (in decreasing order), where increases ranged from 10 to 12 percentage points. These are also the states with the highest unemployment rates at the moment (see Chapter 2.2.1). The medium-term trends since the second oil shock of 1979 present largely the same pattern. However, if we look at the trends over a shorter period of between 12 and 24 months, the picture becomes blurred. The ranking and grouping of Member States then varies from period to period, mainly under the impact of cyclical differences. Between 1983 and 1985, for example, unemployment edged slightly downwards in Denmark, Belgium and the Netherlands.

These observations suggest that comparisons of the relative intensity of structural unemployment should be based not on short-term changes but on medium-term differencesin levels. These are a more reliable indicator of fundamental structural disparities.

14. Generally speaking, regional unemployment trends in individual Member States and in the Community as a whole show a similar pattern. The general rise in unemployment in Member States was accompanied by a gradual widening of disparities (on an absolute measure) between regions. Given the tendency for differences between Member States and between regions within Member States to become more pronounced, the gap between regions in the Community as a whole also grew significantly. Between 1976 and 1985 unemployment in the 25 regions with the lowest unemployment rates climbed from 2 1/2% to 6 1/2%, the corresponding figures for the regions with the highest unemployment rates being 8% and 21%. The gap between these two groups increased almost threefold (from 5 1/2 percentage points to 14 1/2 percentage points). While these figures in part reflect the huge increase in unemployment in Spain, substantial and growing disparities were nontheless also discernible between the regions in the former Community of Ten, where the gap between the 25 regions with the highest unemployment rates and those with the lowest more than doubled over the same period (from 5 to 11.5 percentage points: see Annex Table 3.2.3-2).

15. The regions that have been disproportionately hard hit by the general increase in unemployment include not only less-developed areas recording poor economic performances but also areas with normal or above-average income and productivity levels. Taking the Community as

a whole, the fastest increases were observed in economically weak areas. This does not mean that regions with above-average incomes or traditional industrial areas did not experience some of the most marked increases in unemployment during the first half of the 1980s.

16. Summary: Disparities in unemployment at the Community level have widened substantially over the last ten years, partly because increases in unemployment have differed between Member States. It transpires, however, that disparities in unemployment also became much more pronounced between regions within Member States. As a result, divergences in unemployment in the Community cannot be traced back chiefly to differing national trends.

Particularly sharp increases in the unemployment rate were recorded in large areas of the less-developed regions in particular but also in a number of high-income regions.

In the less-developed areas hardest hit by unemployment, the employment trend was not as disappointing as elsewhere. It fell a good way short though of what was needed to mop up the rapid growth in the labour supply associated in particular with the number of young people and women joining the labour market and with the decline in out-migration.

In the high-income regions seriously affected by unemployment, the increase in the labour supply was less significant. Instead, two other adverse factors were at play. The industrial sector proved to be more sensitive than other sectors to the recessionary trends in the economy as a whole, and this led to a correspondingly sharp rise in unemployment in the period 1980-85. On top of this, adjustment problems were encountered in the steel industry, shipbuilding, and the textile and clothing industries, which, for structural reasons, were obliged to shed large numbers of workers.

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[9] For example, Bremen in Germany and the West Midlands in the United Kingdom.

3.3 Population growth and job requirements: future trends and regional differences [10]

3.3.1 Long-run population trends

1. Long-run growth of the population in the Community as a whole has been slowing down steadily. Following increases of 3/4% per year in the period between 1950 and 1973, population growth has fallen to under 1/4% a year. This trend is set to continue, with population growth in the Community beginning to mark time during the coming decade and starting to contract around the turn of the century. The main reasons for this are the sharp fall in the birthrate in the past and its long-term repercussions. Immigration into the Community, which averaged less than 0.1% a year in the medium and longer terms, is not expected to alter this outlook fundamentally.

2. Generally speaking, population growth is tending to level off in all Member States, albeit with major differences. In some countries (Belgium, Denmark, Germany and Luxembourg), stagnation or contraction of the population has already set in. However, in the four weakest states (Spain, Greece, Ireland and Portugal), population growth is slowing down only gradually, starting from average increases of over 1% a year in the 1970s. The longer-term prospect for the next twenty-five years is thus as follows: in most Member States, the population will stagnate - sooner in some cases than in others - and will then contract; in the four weakest states, the rate of population growth, while also slackening, will still average some 1/2% a year. The picture of national population trends would, however, be less varied if there were a resurgence of international migration, but this cannot be reliably predicted (see also Chapter 2.2). In view of the existing freedom of movement within the Community, such a development could be expected if progress in reducing labour-market disequilibria were very uneven.

3. Population trends at regional level reflect to a large extent the differences between Member States (see Annex Map 3.3. 2) and the national demographic structures and behaviour patterns that determine those differences. However, striking regional disparities also exist. It is noteworthy that it is frequently the less-developed problem regions that are likely to experience the fastest rate of natural population growth. In the past, such disparities were reduced to some extent by inter-regional migration although this too tended to decline in the course of time. Whatever the future scale of inter-regional migration, it will probably lessen but not offset regional disparities in population growth.

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[10] For details, see Annex 3.3.

4.   The demographic trends outlined above have several consequences. An increasing number of regions will need to adjust to a levelling-off in population growth or even to an absolute decline. The average age of the population will generally rise - the more the weaker the growth of population in the region concerned. In practice, this means that (i) the proportion of young people not yet economically active will decline; (ii) the proportion of people no longer economically active will rise; and (iii) the average age of people of working age will increase.

5.   Given the differences in the longer-term prospects for population growth, regional policy with regard to the individual regions will also have to deal with differing requirements and challenges that will emerge only gradually and at different times. As a result, there will be a particular need for careful analysis at the level of selected individual regions and for flexibility in setting and applying functional priorities through regional policy. This applies not only to the pattern of infrastructure investments, their quantitative and qualitative aspects, and their priority over business investments, but also to the relative weight of measures for providing young people with improved vocational skills and training and those already in work with opportunities for retraining and further training. These issues will have to be tackled against the background of widely differing rates of natural population change. The range is from possible increases of over 30% to possible falls of up to 20% over the next twenty-five years (see Annex Table 3.3.1), and this will be coupled with shifts in the age structure and in the supply of labour.

3.3.2 Supply of labour in the medium term

6.   The medium-term prospects for the supply of labour differ in one major respect from those for population growth.[11] The age structure of the population, coupled with the continuing expansion in the employment of women, means that the potential labour force will grow more rapidly than the population and will follow the declining trend in population growth only after a lag. For the Community as a whole, therefore, the labour force is expected to grow by between 5 million and 7 million or by between 0.3% and 0.5% a year, in the period from 1985 to 1995.[12] Employment would need to grow at the same annual rate throughout that period in order to keep unemployment from rising. This is more than double the rate of long-term employment growth in the Community in the 1960s and 1970s.

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[11] On account of the uncertainties attached to the long-term trend of activity rates and to demographic changes over time, this section is concerned solely with the prospects for the coming ten years.

[12] Assuming that activity rates remain constant, the lower figure is the result solely of demographic factors, while the higher figure assumes a further increase in activity rates for women.

7. The differing trends between Member States can be summarized as follows: for the five weaker states, the potential labour force is expected to increase by an average of over 3/4% a year compared with only around 1/4% a year for the other seven states[13]; more than half the numbers joining the labour market will, therefore, do so in the five weaker states, which at the moment account for only around a third of the labour force.

8. The above country comparison reveals an essential feature of regional disparities in future labour force trends in the Community. Moreover, in most Member States, the expected increase in the labour supply tends to be higher in the weaker regions than in the country as a whole (see Annex Map 3.3-3). However, as we saw with the prospects for population growth, the problem of uncertainty about the extent to which migration within Member States will lead to a narrowing of disparities arises here too. Both past experience and attempts to estimate the effects of migration suggest though that, while modifying the overall picture, these will not alter it fundamentally or indeed rectify existing disparities.

9. In comparing regional differences in the number of jobs that will be needed in the future, it is, however, important to bear in mind the existing level of unemployment in each region. In many cases, the largest increases in the labour force must be expected in those areas where unemployment is already highest. The present level of unemployment accounts for two thirds of the number of jobs required in the Community as a whole over the next ten years, with the growth in the potential labour force being only an ancillary factor. However, the combined effect of relatively high unemployment and a relatively sharp increase in the potential labour force in many of the weaker regions may well cause regional divergences in the labour market situation to widen further. To avoid this, what is needed first and foremost is sharply differentiated employment growth geared to the situation in the regions. The size of the difference in extra job requirements between the two extreme groups[14] ranges between 1:4 and 1:5 in relative terms.

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[13] There are, however, substantial differences between them: France and the Netherlands in particular are likely to continue experiencing stronger increases than the other Member States. Demographically, there also exists a pronounced North-south divide in Italy.

[14] See annexed Maps 3.3-1 and 3.3-4. These ratios take account of, and are not therefore influenced by, existing regional differences in the size of the labour force.

3.5

TOTAL PERCENTAGE CHANGE OF LABOUR FORCE 1985-95.
without migration.

% share of labour force

18.9
9.6
12.0
23.1
19.6
16.0
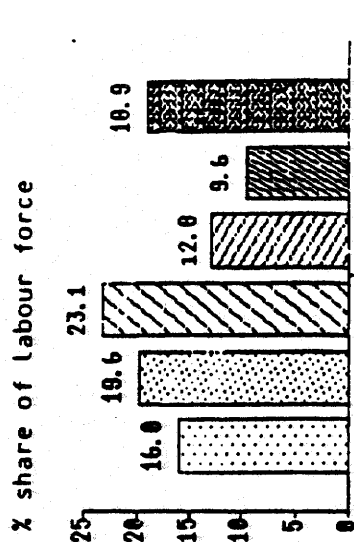
1 : < -0.4
2 : -0.4 - 2.2
3 : 2.2 - 4.0
4 : 4.9 - 7.5
5 : 7.5 - 10.2
6 : > 10.2

eur12 - 4.9 - s - 5.3
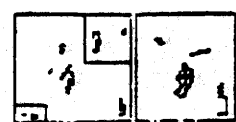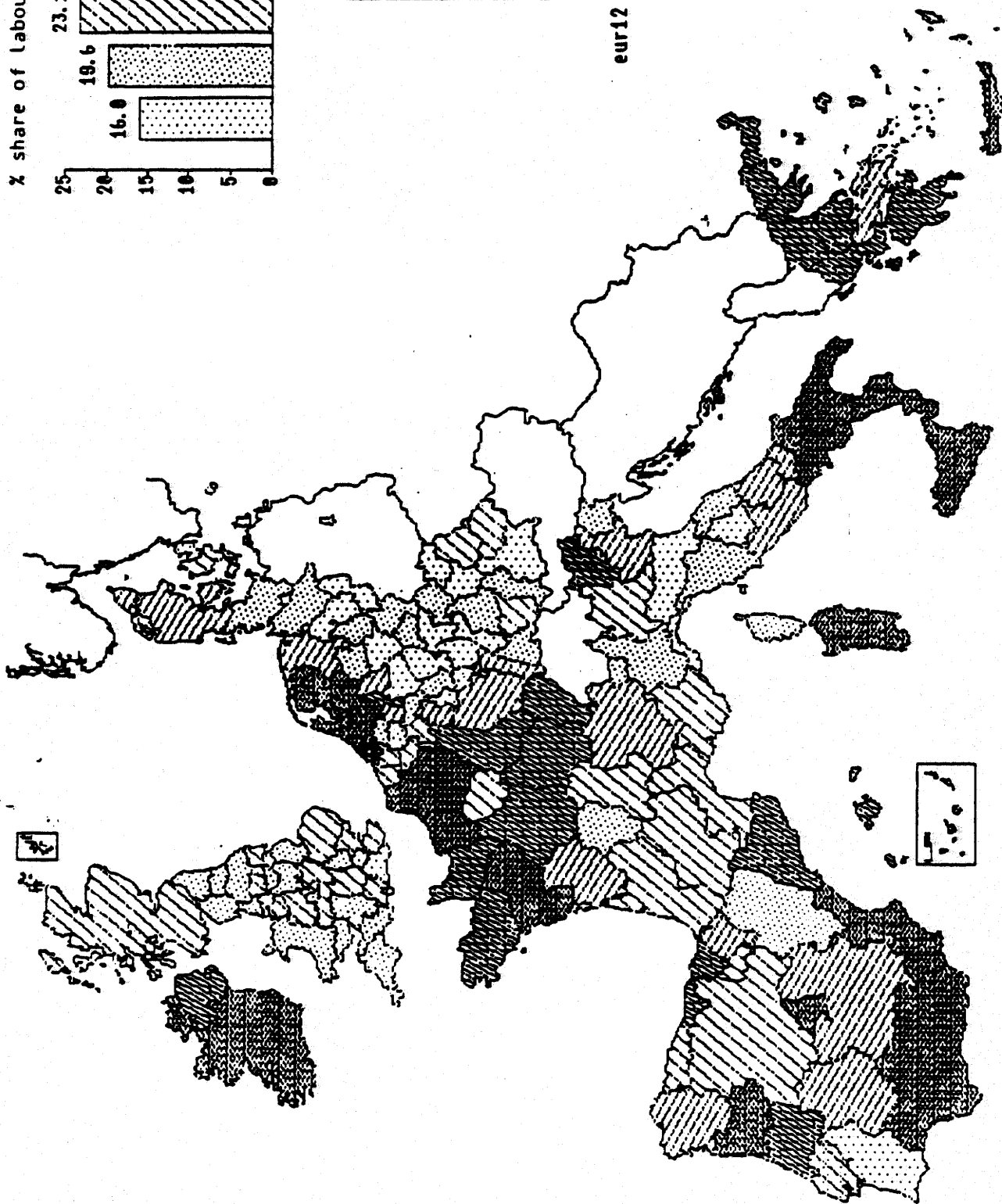
Chapter 4: REGIONAL POLICY AND THE PROBLEMS OF COHESION FACING THE COMMUNITY

4.1 Spending on Community regional policy and other Community policies

1. In 1986 the Community budget was equivalent to nearly 1% of Member States' combined gross national product. Farm price support absorbed 63%. Spending under the three structural funds (including moneys for the Mediterranean programmes) came far behind in second place at some 17%. Regional fund payments alone claimed just under 7%; spending under the Social fund was of broadly the same order; the EAGFF Guidance Section took some 2 1/2%.[1] (See Annex Table 4.1).

2. Since 1972, the year before the Community's first enlargement, the total budget has increased tenfold from 3 300 million ECU to 35 000 million ECU in 1986. If these figures are related to the GDP of the Member States in order to take account of inflation-induced increases and the effects of the enlargements, the real increase has been from 0.6% to 1% of GDP, i.e. 0.4 of a percentage point or approximately 70%. It reflects the following factors: the growth of farm price support measures (including the widening of the range of products covered), the growing importance of repayments, the growth of the Social fund and the setting up of the Regional Fund in 1975. Half of the real increase was for agriculture. While these trends have generally led to some restructuring of the Community budget in favour of non-agricultural expenditure, spending on agricultural price support as a proportion of GDP has still risen by a half.

3. Aside from expenditure under the budget, the Community also supports regional convergence through the activities of the European Investment Bank (EIB). Between 1972 and 1986 EIB lending for regional purposes showed an increase from 150 MECs. Although the development of Bank lending for other Community objectives has meant a reduction over time in the proportion of total resources lent for regional development, it nevertheless still constitutes the major proportion of Bank lending (54% of own resources in 1986), in conformity with the general credit policy guidelines set by the EIB Board of Governors.

Beyond 70% of this lending was concentrated in the regions with highest priority from a regional point of view i.e. Portugal, Greece, Ireland, the Mezzogiorno, certain Spanish regions and Northern Ireland. The Bank also continued to assist investment in those zones hit by the decline in traditional industries, especially in France and the UK. Around one-third of the loans went for industry and to a lesser extent for services, agriculture and fisheries: 1 200 MECUs, of which 640 MECUs were for SMEs by means of global lending. Loans for basic infrastructure reached 1 900 MECUs, of which three quarters were for transport and telecommunications.

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[1] If the comparison is restricted to actual payments, the Social fund outstripped the Regional Fund. If, however, spending commitments are taken as the basis, then the Regional Fund was ahead.

4.2 Community and national spending on regional policy

1. The Community budget's contribution to convergence and cohesion depends not only on its size and expenditure structure but also on the way in which expenditure is distributed among the Member States. That distribution is determined by the specific characteristics of the various Community policies.

2. The distribution of Community spending on regional policy is largely determined (88%) by the current Regional Fund Regulation and Member States' minimum shares specified in that Regulation (see also Chapter 5). The Member States' respective shares reflect their differing economic capacity. Within this framework, which also lays down maximum shares for each country, the discretionary 12% of total Fund resources can likewise be used to promote convergence and cohesion.

3. The manner in which resources are deployed and the effectiveness of deployment are largely dependent on the interaction between national and Community regional policies. As in the case of all Community expenditure on particular policies, regional policy spending is only a complement to national efforts and expenditure. Total spendings by Member States on the regions can be estimated only very roughly, since there are a number of difficulties[2] in establishing precise figures. However, the following pointers and orders of magnitude do provide some idea.

4. Cautious estimates of the amount of national regional aid allocated to business investment in 1982 (EUR10) have put it at 2 500 million ECU.[3] Corresponding Regional Fund expenditure in the same year amounted to 220 million ECU. Estimates for selected countries based on a different definition of aid (i.e. including tax concessions) suggest that actual spending was between two and three times that figure.[4] Regional Fund expenditure on investment aid for firms thus amounts, assuming a narrow definition of aid, to less than 10% and, on a broad interpretation, to less than 5% of national aid.

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[2] These difficulties include the many different forms of aid (including tax concessions, low-interest loans, etc.), which are frequently almost impossible to quantify and compare, the difficulty of distinguishing between general and regional policy spending on infrastructures, the fact that various levels of government grant regional aid, etc.

[3] Doc. XVI/187/84; the following figures relate to the Community in 1982.

[4] Doc. II/107/85.

5. According to information provided by the Member States, regional policy spending on infrastructures came to 7 000 million ECU in 1982. But, this figure again represents only a fraction of actual infrastructure spending in problem regions. Total government investment in that year amounted to some 100 000 million ECU. This does not include infrastructure investment by public enterprises (railways, postal services, etc.) and the energy sector. Since some 40% of the Community population lived in areas which received regional aid, infrastructure investment in those regions is likely to have been at least five times the reported figure of 7 000 million ECU.

By contrast, grants paid out by the Regional Fund for infrastructure projects in 1982 amounted to only 1 300 million ECU. Taken overall, this represented 0.3% of total gross fixed capital formation in the Community and 3 to 4% of infrastructure investment in areas eligible under regional schemes.

6. The Regional Fund's contribution to cohesion comes out more clearly if a comparison is made between aid granted and national gross fixed capital formation. On average over the period 1983-85, the relevant proportions were 3.0% for Greece, 2.1% for Ireland, 0.5% for Italy[5] and 0.4% for the United Kingdom.

7. The above figures provide evidence of the limited but not inconsiderable contribution made by the Regional Fund to national efforts in this field. They also show that, however the Community budget may be restructured and expanded, the Community's contribution to real convergence can do no more than complement the efforts which the countries and regions themselves must make. Finally, they show that encouragement of economic development and structural adjustment in the Community's problems regions is vital if economic and living conditions are to be brought closer together.

4.3 Regional aspects of other selected Community policies

1. All policies vary to some extent in their impact from region to region, although this is difficult to gauge in most cases. Only in rare instances are the measures themselves regionally differentiated. Generally speaking, the regional divergences stem from the fact that the points at which individual policies are applied are unevenly distributed geographically. Taking existing Community policies and the structure of the Community budget, the question of regional impact arises mainly in connection with agricultural policy and social policy. Regional effects do not normally depend solely on financial expenditure, although that can be most easily shown and classified by region.

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[5] Taking the Mezzogiorno alone, the level in Italy is similar to that in Ireland. The percentages for the other countries ranged from 0.03% to 0.15%.

4.3.1 The regional impact of the Social Fund

2. While the Regional Fund was not set up until 1975, provision had already been made for the Social Fund in the Rome Treaties. According to Article 123 of the EEC Treaty, the aim of the Social Fund is to improve employment opportunities and to contribute thereby to raising the standard of living. To that end, it is to promote geographical and occupational mobility of labour within the Community. These tasks have been spelt out in greater detail and interpreted by Council Decisions (the last time in 1983) in the light of prevailing labour market conditions. In addition, the Commission each year decides on special guidelines for selecting aid applications.

3. In contrast to the Regional Fund, which operates predominantly although not exclusively on the investment side, Social Fund measures are directed towards the qualitative improvement of the labour supply.

Because of the high level of youth unemployment, the Council has decided that 75% of the resources available should be used for measures to help those below the age of 25. More than 80% of expenditure therefore serves to promote vocational training. Purely because of the regional differences in unemployment among the young (see Annex map 2.2.1-8.2), Social Fund operations tend to have a positive regional impact.

4. In addition, however, specifically regional selection criteria are applied:

a) firstly, 44.5% of the funds available are reserved for the least-favoured regions or states[6], which are given absolute priority; those regions or countries account for approximately 17% of the labour force and 27% of unemployed young people in the Community.

b) secondly, priority is given also to areas with special sectoral adjustment problems within the meaning of the ECSC Treaty (Article 56) and the Regulations relating to non-quota programmes under the Regional Fund.

c) thirdly, all those regions are considered which are identified, on the basis of a specific composite indicator[7], as having very high unemployment and as being economically weak.

5. Overall, the application of these selection criteria in 1986 meant that the areas regarded as eligible for aid accounted for 63% of the Community's labour force. Those areas were entitled to 93% of Fund resources. (The discretionary 7% were used for special measures.)

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[6] Greece, the Mezzogiorno, eight Spanish regions, Portugal, Ireland, Northern Ireland and the French Overseas Departments.

[7] This indicator is related specially to the labour market. It takes account of per capita GDP (30%) and unemployment (70%); youth unemployment and adult unemployment are entered separately and are weighted in the proportion 4:1.

Because of the generally very wide geographical dispersion, however, it was decided to concentrate the use of funds more in future and, in a first stage, to reduce the proportion of the labour force accounted for by eligible areas to 57% in 1987.

6. The above mentioned functional and regional selection criteria together with the size of the programmes and projects submitted determine how the supported measures and resources are distributed between the Member States. While the selection procedures do not guarantee individual countries fixed quotas (individual shares fluctuating to some extent from one year to the next), the regional selection criteria generally guarantee the weakest countries shares of the Social Fund which are well above average. In 1986, Ireland, Portugal, Greece, Spain and Italy (in descending order) received the highest grants per member of the labour force and per inhabitant (see Annex Table 4.3.1). The level of aid granted to all five of these countries was appreciably above the Community average.[8]

7. Overall, therefore, the Social Fund contributes to cohesion and convergence in two respects: the five weakest countries, which account for approximately a third of the Community's labour force, receive some 60% of Fund resources. In addition, the fact that measures are directed primarily towards the qualitative improvement of the labour supply means that priority is given to promoting the development potential and adaptability of regions which have very high levels of unemployment or underemployment and which are economically weak.

8. The Social Fund can be regarded to some extent as the Regional Fund's twin with responsibility for labour market problems and the training of the labour force. However, such a comparison fails to take account of a fundamental difference: the Social Fund's tasks are primarily functional (i.e. defined by reference to the labour market); regional criteria become involved only in a second stage, in the allocation of aid. The Regional Fund's tasks, by contrast, are primarily geographically oriented, with functional selection criteria (such as specific types of investment) playing a role in the second stage of the policy process. This difference explains the much greater geographical spread of Social Fund operations and also the different task-related selection criteria used for the two Funds. In assessing these facts, it must be borne in mind that the problems in respect of investment and job capacity on the one hand and of the labour supply and training on the other arise in differing combinations at regional level. Despite these differences, however, there is a case for the coordinated use of both Funds in the same regions because of the enhanced chances of success and the efficient use of resources which that would offer.

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[8] Sufficiently precise data on the distribution of resources by region are not available, since an appreciable proportion of Fund expenditure goes to national or multiregional programmes, which are not broken down by region.

4.3.2 The common agricultural policy in a regional context

9. From a budgetary point of view, expenditure under the guartantee
section of the EAGGF amounted in 1985, the last year before Spain and
Portugal joined, to some 2 700 ECU per person working in agriculture
(measured in terms of man-years), and representing 23% of the gross value
added in that sector [9]. Given the importance of Community budgetary
spending on the agricultural sector, it seems useful to examine its
regional distribution. In this respect, expenditure by the EAGGF guarantee
section arises from market operations which often do not provide direct
support for farmers (for example storage costs, export refunds) but help
them indirectly. Regional figures can therefore only be worked out
indirectly, with expenditure on each market organisation's products broken
down according to the various regions' share of production. For details,
see Annex 4.3.2. .

10. The Community average of EAGGF guarantee section expenditure conceals
great differences from region to region, however in Denmark, North
Germany, the Netherlands, Belgium, the Parisienne Basin and England
budgetary expenditure per person engaged in agriculture was more than 25%
above the Community average, whilst in many regions of Greece, [10] Italy,
southern France and Ireland it was 25% or more below that average (c.f.
map 4.3.2-1). Projections for the enlarged Community indicate that
Portugal and the northern and eastern regions of Spain will also fall into
this second group.

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[9] These figures permit an assessment of the degree of budgetary support given
by the CAP to the different products and regions. There is, however, a need
to bear in mind that support for European agriculture is not solely
budgetary in nature, and that it is provided by means of mechanisms which
differ widely from one product to another. In certain cases, most of the
support is provided by protection at the frontier, and thus by higher prices
paid by the Community consumer (dairy products, cereals, sugar, meat...); in
other cases, in the absence of external protection, support is provided by
direct payments for products (oils, tobacco...). Lastly, a number of other
factors combine to limit or increase the degree of support for any
particular sector, such as production quotas, import restrictions,
veterinary and phyto-sanitary measures... .

[10] Less than 2 000 ECU on the one hand and more than 3 400 ECU on the other.
These figures and those which follow relate to the Community of Ten, since
final data for 1986 were not yet available at the time of this report.

4.3.2.-1

EAGGF GUARANTEE EXPENDITURE PER ANNUAL WORK UNIT
- 1985 -

X share of EAGGF
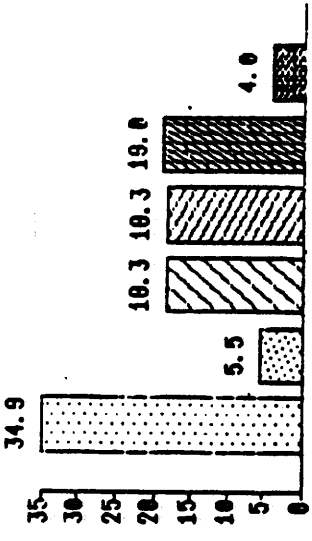
1 : > 151.3
2 : 125.6 - 151.3
3 : 100.0 - 125.6
4 : 74.4 - 100.0
5 : 40.7 - 74.4
6 : < 40.7

eur10 = 100.0 - s = 51.3
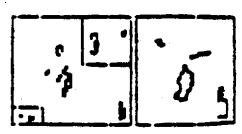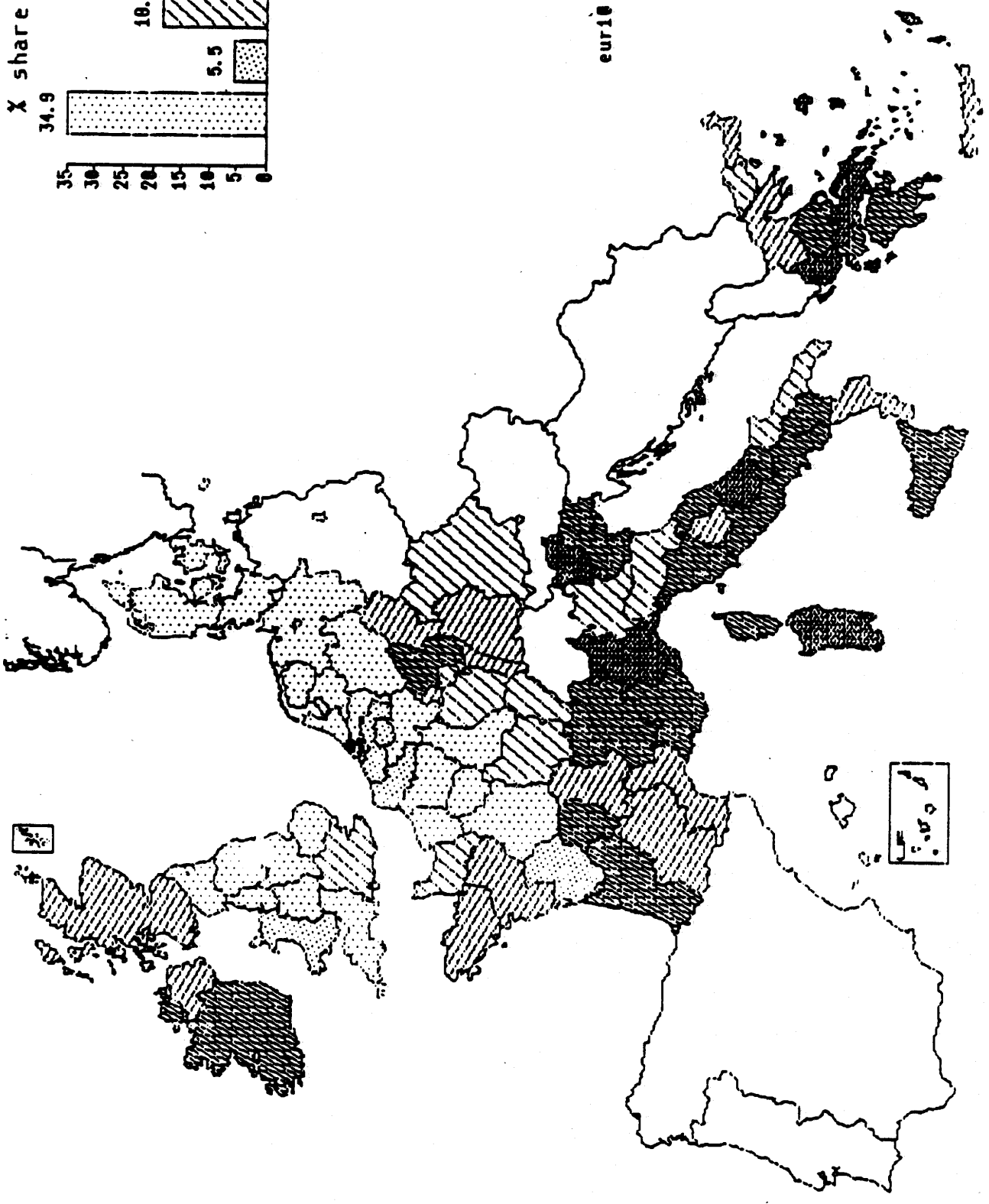
The differences become even more apparent if one compares the 25 regions with the highest and lowest expenditure figures, which deviated from the Community average by +90% and -45% respectively in 1985 (see Annex, Table 4.3.2-B.3). The corresponding absolute figures were approximately 5 100 and 1 500 ECU per person, respectively.

11. These difference are attributable to (1) the differing market organizations for the various products, (2) the specialization of regions in particular products and (3) the productivity of agricultural labour in the various regions.

- As regards the extent to which the various products are covered by market organizations, the situation over the period 1983-1985 was that Mediterranean products (cf annex table 4.3.2-B.4) accounted for about one quarter of final agricultural production and for the same proportion of guarantee expenditure. On the other hand, the proportion of expenditure accounted for by certain products is significantly higher than the percentage of final agricultural production which they represent; this is true of milk, sugar, tobacco, oilseeds, protein crops and, to a lesser extent, table wine and olive oil (c.f. Annex, Table 4.3.2-B.4).

- The second important aspect is regional specialization in particular products. Milk production is the outstanding example. It represented about 23% of final production but accounted for some 30% of expenditure. Dairy farming is concentrated in certain regions, which in most cases also receive an above-average proportion of the total expenditure per person engaged in agriculture.

- Thirdly, there are differences in the productivity of the agricultural labour force. In regions with low productivity, the expenditure per person engaged in agriculture is also relatively low. This is particularly true of large areas of Greece, central Italy and Ireland.

It should be noted, moreover, that trends in spending are heavily influenced by fluctuations on the world market and by the erratic movements in the ECU/US dollar exchange rate : annual changes in expenditure also depend on policies towards storage and market operations.

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[11] Milk production represents a particularly high percentage of final agricultural production in Denmark, North Germany, Bavaria, North-east Holland, Wallonia, eastern France, Lower Normandy, Brittany, the Alps, the West of England, Wales, Northern Ireland and Ireland.

12.   The influence of labour productivity on regional differences in EAGGF guarantee section expenditure per person employed may be pinpointed by considering such expenditure in relation to agricultural production (value added) rather than to labour input.[12]   This indicates that the dispersion of guarantee section expenditure among the regions in relation to value added is very considerable, but only half as great as it is in relation to labour input.   This means that about half the regional differences in guarantee section expenditure (per person engaged in agriculture) may be attributed to the structure of the market organizations and regional specialization whilst the other half may be attributed to differences in the productivity of labour.   It would therefore be a step towards a more even regional distribution of support measures and a more genuine convergence between regions if more emphasis was placed on aid for the creation of permanent jobs outside agriculture, thus facilitating the inevitable process of structural change and raising agricultural productivity in the less-developed regions without making for surplus production.

The analysis of the regional distribution of EAGGF guarantee section expenditure could be complemented by studying the economic effects of agricultural budgetary support outside the sector, both upstream and dowstream.

13.   The impact of the common agricultural policy on the various regions also depends, however, on the size of the agricultural sector. As shown in Chapter 2.2.3, there are great differences in this respect. Normally, the greater the emphasis on farming in a given region, the stronger will be the impact of the policy on that region.   If agricultural expenditure (to single this aspect out for consideration) is viewed in relation to gross domestic product at regional level, the following picture emerges: whereas guarantee expenditure in the Community as a whole accounted for 0.6% of GDP, it has represented between 1.2% and 3% of GDP in the regions most dependent on the CAP.   The latter includes Ireland, most regions of Greece, parts of the Mezzogiorno, half a dozen French regions (large parts of the Parisienne Basin, Brittany, Poutou-Charente, Midi-Pyrénées) and East Anglia[13].   In terms of the overall position (according to the synthetic indicator), this is an extremely heterogeneous group.   As a policy for an individual sector, therefore, the system of agricultural guarantees provides support by means of EAGGF budgetary expenditure for a number of regions, both prosperous and not so prosperous, irrespective of the general gravity of the problems they have to contend with.

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[12] By definition, the expenditure (D) per labour unit (E) is equal to the product of the expenditure per unit of value added (Y) and the productivity of labour: $D/E = (D/Y) \cdot (Y/E)$.

[13] Projections suggest that the less-developed regions of central and southern Spain will also fall into this group. (See Annex, Map 4.3.2-B.4, Group 1).

14. If one compares the importance of CAP expenditure for regional agriculture on the one hand[14] and the overall regional economy on the other,[15] the following differences become apparent. There are some regions where both influences are above average, e.g. the abovementioned French regions and East Anglia. Then there are other less prosperous regions where the Community expenditure per person engaged in agriculture is below average but where the importance for the regional economy is above average. The latter situation is a consequence of low productivity and the high percentage of agricultural employment in the less-developed areas. Although the expenditure per capita is small, it represents a relatively high degree of support.

15. These considerations illustrate two basic problems: from the budgetary point of view, the expenditure (per person engaged in agriculture) is very unevenly distributed, tailing off markedly towards the southern and western periphery. Part of this effect is due to regional differences in agricultural productivity and part to regional specialization in specific products and the differences in the market organizations for the various products. From the economic point of view as well, agricultural expenditure affects the regions in very different ways and in a diffuse manner quite unrelated to their development problems. On the one hand, it supports incomes but, on the other hand, it preserves the existing production structures. The uneven and regionally diffuse support provided for the agricultural sector does not therefore promote convergence or cohesion. In regions where the agricultural sector is small and very efficient, the tendency for the CAP to "fossilize" structures may be of little importance. In regions with a large agricultural sector and low productivity, however, it is of crucial importance in determining whether scarce resources are allocated to the promotion of economic development as a whole or to support prices and incomes. Given the wide regional differences within the Community, and within the farming sector in particular, convergence and cohesion require that more emphasis is given to promoting economic development.

16. The new agricultural policy guidelines, which are designed to reduce surplus production and to achieve tighter management of budgetary resources, should lead to progressive changes in the current situation. The products which are most affected in this respect are milk, beef, cereals, oilseeds, fruit and vegetable products and table wine.

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[14] Measured in terms of the expenditure per person engaged in agriculture.
[15] Measured in terms of agricultural expenditure as a percentrage of regional GDP.

The economic impact of the changes now under way should therefore be proportionately greater in regions with a high concentration of such products and with a significant share of agriculture in total employment. Farmers' capacity to adapt to the CAP reforms depends in addition on the structure of their enterprise (employment, investment and size) as well as on their incomes in absolute and relative terms; a price cut for a product does not in fact have the same effect in economic terms on well-structured farms enjoying favourable natural conditions as on marginal farms. Analysis of the vulnerability of different regional agricultural economies should therefore take account of their initial level of development as well as the overall economic environment and the extent to which natural conditions are favourable or not.

Different methods can be envisaged of evaluating the regional consequences of the decisions taken by the Community in this area. One particular approach was followed in a study carried out by an external research organisation[16]. (See Annex 4.3.2-C).

17. Apart from the guarantee measures the common agricultural policy comprises a number of guidance measures which are of much lesser importance in budgetary terms, accounting for some 2.5% of the Community budget in 1985. This spending, part of Community structural policy, represents however only a small part of national structural expenditure. Under these measures, aid is granted for structural adjustments on individual farms, the provision of agricultural infrastructures, improvements in the marketing of products, and farming in mountain and hill and other less-favoured areas. On the whole, the regional distribution of this aid tends to favour areas which suffer from natural handicaps or where the percentage of the working population in agricultural employment is well above the Community average.

The proportion of structural aid provided to the mountain and less-favoured areas has increased over the years. The new orientation of investment aid towards smaller farmers opens access on a wider scale to these aids in mountain and less-favoured areas. In general Community reimbursement for these measures is differentiated providing a higher rate of support in these areas.

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[16] SEDES (1986) 'Situation et évaluation de la Communauté élargie dans le domaine agricole. Les effets de la PAC en Espagne et au Portugal'. Study financed by the European Commission, 138 p. and 144 p.

18. Summary: The common agricultural policy provides a very good example of how a policy relating to a single sector can influence regional developments in different ways at the same time. In the agricultural sector itself, the support provided for most regions on the southern periphery and Ireland[17] would seem to be less than for elsewhere. The reasons for this are lower levels of productivity and less specialization in the products attracting most support.

The influence of the common agricultural policy on the overall economy of the regions presents a diffuse picture. A disproportionately large share of aid goes not only to the less-prosperous areas on the periphery of the Community but also to many relatively prosperous French regions, the eastern Netherlands, Schleswig Holstein and East Anglia. In the less-prosperous regions the role played by the guarantee system is determined chiefly by the size of the agricultural sector. In the more developed regions, on the other hand, the determining factors are high productivity and the concomitant volume of production. Now that most of the weaker regional economies have been bolstered by the common agricultural policy, the regions in question may be assumed to have more to gain from aid to development than from the agricultural guarantee system. This would also help to achieve convergence.

The effects of the new policy guidelines will be felt mainly in certain regions which specialize in the production of milk, beef and cereals. Until now most of the hardest-hit regions have enjoyed an above-average level of support. If production surpluses are to be reduced changes will have to be made and problems of adjustments are bound to arise. At regional level, a lasting solution to such problems could be achieved through the implementation, for a limited period, of measures to create additional jobs in the non-agricultural sector.

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[17] In the case of Ireland this is mainly due to the low productivity per labour unit.

The restructuring of the Community budget presents another ongoing problem, given the present budgetary situation, the serious and persistent problems associated with agricultural surpluses, and the poor long-term prospects for their disposal inside or outside the Community. What is more, as the Community has grown larger these problems have steadily worsened. The Community now has a much larger number of less-developed agricultural regions (see Chapter 2.2.3). Since these regions will have to be restructured and developed, the Member States most seriously affected have different priorities where the Community budget and Community policies are concerned. These are key factors bringing the cohesion of the Community under heavy strain. They also illustrate the need to strike a new balance between Community policies.

CHAPTER 5: DEVELOPMENT OF COMMUNITY REGIONAL POLICY IN THE PAST

1. The Preamble to the Treaty of Rome states that Member States are anxious "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions". Yet, it was not until October 1972, at the Paris Conference, that the principle of introducing a Community regional policy with a financial instrument of its own was endorsed. In anticipation of the first enlargement of the Community and the new regional problems this would bring (Ireland, industrial regions in the United Kingdom, Greenland), a high priority was assigned to the objective of remedying structural and regional imbalances in the Community.

2. The European Regional Development Fund (ERDF) was thus set up by a Council Regulation of 18 March 1975. Its objective was "to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural under-employment".

At the time, all the ERDF's resources[1] were apportioned among Member States on the basis of a quota system. ERDF financing went exclusively to operations in support of regional policy measures taken by Member States. Grants, made in response to applications submitted by Member States, were restricted to individual investment projects - in infrastructures or in firms - situated in areas covered by regional State aid schemes.

The 1975 Regulation already stipulated that applications for assistance were to fall within the framework of regional development programmes (RDPs) transmitted to the Commission by each Member State. These multiannual programmes were to be drawn up in accordance with a common outline. They were to provide an analysis of the economic and social situation in the region under consideration and to specify the development objectives, the measures envisaged to achieve those objectives, the financial resources planned to be made available, and the implementing instruments. The first "generation" of RDPs covered the period 1978-80.

A Council Decision, also taken on 18 March 1975, set up a Regional Policy Committee - attached to the Council and the Commission - whose task is to examine problems relating to regional development, the progress made or to be made towards solving them and regional policy measures needed to further the achievement of the Community's regional objectives.

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[1] For 1975, the ERDF was allocated commitment appropriations amounting to 258 million ECU, or 4.8% of the Community budget. Its endowment grew rapidly, to 1 540 million ECU (7.3% of the budget) in 1981, the year when Greece joined the Community. The 1986 endowment, which takes account of the accession of Spain and Portugal, is 3 098 million ECU (8.6% of the budget).

3. On 6 February 1979, a major reform of the ERDF took place, with the establishment of a "non-quota" section under which specific Community regional development measures could be financed. These measures, designed to cope with the regional consequences of Community policies and adopted in the form of regulations by the Council acting unanimously on a proposal from the Commission, were the most Community-oriented element of the ERDF although they were limited to only 5% of its allocation. Compared with "quota" measures, they had three key distinguishing features: implementation in the form of multiannual programmes; assistance no longer confined to "physical" investments but also extended to "non-physical" investments to assist small and medium-sized enterprises (SMEs); and geographical coverage that was determined by reference to Community criteria and that could differ from that of national assisted areas. Seven measures have been adopted, the first ones in October 1980. Over the period 1980-89, they will have mobilized over 1 000 million ECU.

Also on 6 February 1979, the instruments of Community regional policy were diversified in line with a Council Decision acknowledging that regional policy formed an integral part of the economic policies of the Community and the Member States. Community regional policy is no longer simply a financial transfer mechanism. It has become a comprehensive policy. This Decision, which provides for the preparation of a periodic report on the social and economic situation and development of the regions of the Community, lays down two fundamental principles. The first is that of regional impact assessment (RIA) of Community policies: these policies cannot be neutral in their impact on regional development, and RIA must help to modify the course of such policies or to identify measures for offsetting their negative effects or underpinning their positive effects. The second principle is that of coordination of national regional policies, mainly through RDPs and coordination of regional aid schemes.

4. A subsequent revision of the ERDF - leading to adoption of the present Regulation on 19 June 1984 - was undertaken in response to the Commission report on ways of increasing the effectiveness of the Community's structural Funds, asked for by the Stuttgart European Council in June 1983. The objective of the ERDF was reformulated to take account of the greater scale of regional problems associated with industrial restructuring. The ERDF is now "to contribute to the correction of the principal regional imbalances within the Community by participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions".

The new Regulation, which entered into force on 1 January 1985, assigns a more Community-oriented role to regional policy:

(a)   the non-financial instruments form an integral part of the Regulation, Title I of which deals with coordination of regional policies;

(b)   quotas have been replaced by a system of ranges denoting the upper and lower limits of the resources available to each Member State over a three-year period. Allocation of resources above the lower limit depends on the extent to which grant applications satisfy the

priorities and criteria laid down by the Regulation;[2]

(c) programme financing, which makes for greater coherence of regional development measures, has been extended to the entire Fund and is to build up to it at least 20% of assistance within three years;

(d) the ERDF may participate in the financing of:[3]

- Community programmmes, which are drawn up on the Commission's initative and are directly linked to implementation of Community policies. They are adopted by qualified majority by the Council, which lays down their objectives, their geographical coverage, the nature and terms of assistance, and the level of the ERDF's contribution. The Regulations instituting the first two Community programmes, the STAR and the VALOREN programmes, were adopted on 27 October 1986. These two programmes, which cover a five-year period and will receive ERDF assistance totalling nearly 1 200 million ECU, concern less-favoured regions and are aimed at improving access to advanced telecommunications services and at exploiting indigenous energy potential;

- national programmes of Community interest, which cover a number of years, contribute to the implementation of Community policies, are defined at national level and translate into operational commitments the indications contained in the RDPs. They may concern, jointly or separately, aid schemes for business, infrastructure investment and operations to exploit endogenous development potential. In 1985, three such programmes were adopted, representing a total Community contribution of some 260 million ECU;

- measures to exploit endogenous development potential. These aim to identify development opportunities in the regions, to provide support for small and medium-sized businesses (technology transfers, market surveys, common services, access to capital markets, etc.) or to make a contribution to public expenditure on the planning, technical preparation and implementation of ERDF operations;

- investment projects involving infrastructure or activities in industry, the craft industry and the service sector;

- studies closely related to ERDF operations or covering problems of special significance for the effective use of ERDF resources;

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[2] The ranges were modified in December 1985 to take account of the accession of Spain and Portugal.
[3] "Non-quota" measures, adopted under the old Regulation, are still being implemented.

(e)   the Regulation also contains provisions relating to ERDF participation in
integrated operations, and in particular the integrated Mediterranean
programmes (IMPs).   The first IMP, for Crete, was launched in September
1986.   The ERDF participates in its implementation in the form of a
national programme of Community interest.

Detailed information on the management of the ERDF in the first year of
application of the new Regulation (1985) is to be found in the ERDF's eleventh
annual report.

5. Map 5.1 shows the NUTS Level III areas all or part of which will be
eligible for ERDF assistance in 1987.[4] The map is provisional in nature as
regards Spain and Portugal.   All of Ireland is eligible. Elsewhere in the
Community, the areas eligible account for 15% of the population in the
Netherlands, 66% in Greece, 80% in Luxembourg and 81% in Portugal (Table 5.1).
Some 41 % of the Community's population lives in areas eligible for ERDF
assistance, covering almost two-thirds of the area of the Community.

TABLE 5.1
COVERAGE OF AREAS ELIGIBLE FOR ERDF ASSISTANCE

| Member State | ERDF assisted areas | | | |
| | as % of population | | as % of area | |
	Member State =100	EUR 12 =100	Member State = 100	EUR 12 = 100
D	36.8	7.1	47.2	5.2
F	40.2	6.9	78.0	18.8
I	38.6	6.8	43.4	5.8
NL	14.8	0.8	21.6	0.4
B	33.1	1.0	53.2	0.7
L	79.8	0.1	57.5	0.1
UK	37.7	6.6	21.6	4.3
IRL	100.0	1.1	100.0	3.1
DK	20.7	0.4	45.1	0.9
GR	65.7	2.0	96.6	5.6
EUR 10	38.5[1]	32.7	61.1[2]	45.0
ESP	48.6	5.8	74.4	16.7
POR	81.2	2.5	98.9	4.0
EUR 12	41.0	41.0	65.6	65.7

[1]As % of EUR 10 population.
[2]As % of EUR 10 area

6. Lastly, ERDF operations apart, the Community provides assistance to the
regions in the form of ECSC and EIB loans or in the form of grants, e.g. under
the Social Fund or the EAGGF Guidance Section.   However, the ERDF is the only
instrument whose specific and exclusive   task is to correct regional
imbalances in the Community.

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[4]The map and Table 5.1 do not include certain areas which are granted regional
aid by a number of Member States (e.g. Italy and the Netherlands) or by
regional authorities but for which no ERDF grant applications are made.

5.1

AREAS ELIGIBLE FOR ERDF ASSISTANCE
AT THE BEGINNING OF 1987
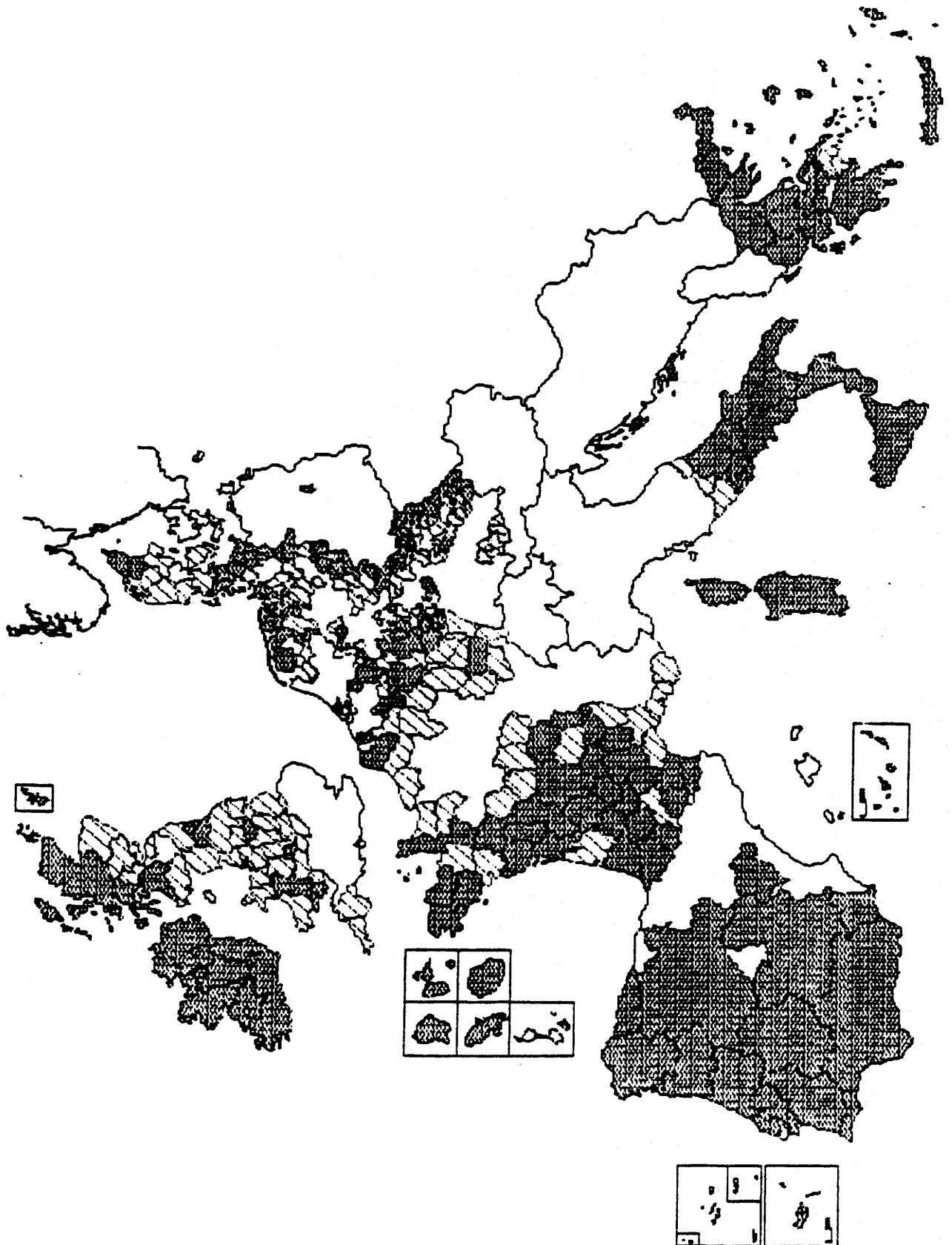
AREA

PARTIALLY ELIGIBLE

TOTALLY ELIGIBLE

STATEMENT BY THE REGIONAL POLICY COMMITTEE
ON THE THIRD PERIODIC REPORT

1. The Third Periodic Report on the social and economic situation and development of the regions of the Community has been drawn up by the Commission. The Regional Policy Committee has been consulted in accordance with Article 2 of Regulation (EEC) No 1787/84 on the European Regional Development Fund.

2. Most of the analyses in the report relate to Level II regions in the enlarged Community. However, in some cases, Level III regions are looked at (declining industrial regions, frontier regions). Although some improvement is apparent, Community statistics do not as yet permit a broad-based analysis at Level III.

3. The Committee is pleased to note that, following its statement on the Second Periodic Report, the Commission has studied certain aspects in greater detail and has introduced some new elements:

- analysis of underemployment, in particular in agriculture;

- typological analyses of frontier regions, urban problem regions, regions lagging behind the rest of the Community, declining industrial regions and agricultural regions in view of the reform of the common agricultural policy (CAP);

- information on regional infrastructure equipment and expenditure.

4. As regards the synthetic index, the Committee notes the efforts made by the Commission to bring it up to date. It welcomes the introduction of additional criteria. Concerning the use of the synthetic index for operational purposes relating to the various actions of the ERDF, the Committee considers that it constitutes an element intended to define in overall terms the degree of development of a region in relation to the other regions of the Community. It should, however, be complemented in each case by other indicators, thus enabling a better assessment of the situation of each type of region or of the problems to be resolved.

5. The Committee welcomes the introduction of some other new fields of analysis such as:

- comparison between regional disparities in the Community and those in the United States, while recognising the limits of such a comparison;

- regional differences in labour costs;

- statistical analysis of regional migration and its trend;

- new, forward-looking analysis of long-term population trends and medium-term labour-force trends in the regions;

- impact on the regions of expenditure under the European Social Fund, the EAGGF and the reform of the common agricultural policy;

- analysis of how disparities have evolved in the context of the pursuit of convergence and cohesion in the enlarged Community;

- analysis of regional disparities within the Member States;

- analysis of Community regional policy since its inception.

It requests the Commission to continue its work in these fields, which represents an important contribution to the understanding of the development dynamics of the Community's regions.

It notes moreover that the methods of evaluating the regional situation used in the periodic report are different from those used for the purposes of article 92 §3 (c) of the Treaty.

6. The Committee wishes the Commission to examine the possibility, depending on the means available particularly in the statistical field, of extending its analytical work so as to provide it with the following information:

- identification of present disparities in competitiveness between the regions and, if possible, of their trend;

- an initial assessment of the degree to which regions are integrated into the Community as a whole, with a view to completion of the internal market as provided for in the Single Act;

- an evaluation of the effects of community action in the regional field;

- continuation of work on the synthetic index at level III, and examination of the index with a view to including information on the stock of infrastructure;

- continuation of work on underemployment in sectors other than agriculture;

- further work on the definition of declining industrial regions;

- examination of the social and cultural situation in the regions.

7. In the opinion of the Committee, the policy guidelines resulting from the report should be the subject of further elaboration to be presented in a document to be discussed in more detail.

THE REGIONS OF THE ENLARGED COMMUNITY

- Third Period Report on the social and economic
situation and development of the regions of the Community -

A N N E X

(Maps, tables and special analyses on specific topics)

Note :   The closing date for information used in this document is December
             1986, with the exception of the synthetic index and the summary
             statistical tables appearing at the end of the document for which
             data available in March were used.

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Annex 1

Definition, level, and size of regions

Regional socio-economic analysis requires that the definition used for regions most clearly captures the problems to be examined at the level of the Community. There are a number of theoretical approaches leading to different regional concepts: "homogeneous regions", "functional regions",e.g. "labour market regions", and "administrative or institutional regions". The choice of administrative regions in this report has been determined by two factors: a political and a statistical one; regional policy is implemented by national and regional bodies, administrative units. Regional statistics, moreover, are mostly collected at the level of administrative regions. Both aspects, together with the fact that no Community-wide data are available for other types of regional breakdown, imposed the use of the institutional concept. This is particularly the case for any analysis of developments over time.

The underlying definitions of regions used in this report are based on the Nomenclature of Territorial Units for Statistics (NUTS) agreed upon between Eurostat and Member States with the purpose of providing a uniform reference framework for regional statistics. This nomenclature distinguishes 3 levels of regional disaggregation :

```
I    :  64 European Community regions
II   : 167 basic administrative regions
III  : 824 subdivisions of level II regions
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The values of statistical indicators are not independent from the regional framework selected. The relative position of each region - as measured by the different statistical indicators used in the report - is affected by the size of regions and their structure. Considering the existing differences of size and structure between regions within each Member State as well as among them, some uncertainty surrounds the comparability of statistical results.

Regions used in this report are mainly for level II unless otherwise stated. In the case of the UK a breakdown at level II into 35 regions has been used. However, only a limited number of series were available for this more detailed breakdown which represents a subdivision of the old one. Some of the analysis in the report therefore uses the old breakdown of only 11 regions.

The use of administrative units - whatever level is chosen - involves substantial variations between regions in size of area and population. Figures are given in table 1.1. below. This table confirms that there is no "ideal" size of regions since in some cases regions are large in area and small in population whilst in others the reverse is true. Such differences are part of existing regional disparities and would show up in most cases with other concepts and definitions of regions as well. In terms of area, average size at level II is largest for Ireland (single region), Spain and France. Regions in the Benelux countries have the smallest average size. In terms of population, the largest average size are to be found in Ireland followed by Italy, and France. The Benelux regions again are generally small.

Table 1.2 below gives the denomination of regions as used by Member countries. Map 1.1 together with the attached listings of Level II regions in alphabetical and geographical order allow the identification of the location and name of any given region on a map.

1) Table 1.1: Number and size of regions by area and population.

2) Table 1.2: Denomination and number of regions.

3) Map 1.1: The regions of the Community (Level II).

4) List of regions (Level I, II) in alphabetical order.

5) List of regions by geographical order (countries, Level I and II).

Table 1.1

Number and size of regions (level II) by area and population - 1985

Member State	Area (1000km2)				Population (Mio)				Number of regions		
	Regional			National	Regional			National	By level [2]		
	Max.	Min.	Disp.[1]	average	Max.	Min.	Disp.[1]	average	I	II	III
D	17.5	0.4	0.50	8.0	5.1	0.5	0.54	2.0	11	31	328
F	45.3	8.3	0.44	24.7	10.1	0.2	0.80	2.5	8	22	96
I	25.7	3.3	0.48	15.1	8.9	0.1	0.78	2.8	11	20	95
NL	6.3	1.4	0.38	3.4	3.1	0.4	0.66	1.3	4	11	40
B	4.4	2.4	0.17	3.4	2.2	0.2	0.52	1.1	3	9	43
L	-	-	-	2.6	-	-	-	0.4	1	1	1
UK	31.7	0.7	0.92	7.0	6.8	0.3	0.66	1.6	11	35	65
IRL	-	-	-	70.3	-	-	-	3.5	1	1	9
DK	33.3	2.9	0.94	14.4	2.0	0.6	0.53	1.7	1	1	15
GR	28.2	6.5	0.52	14.7	4.0	0.3	1.04	1.1	3	3	51
E [3]	94.1	5.0	0.99	29.7	6.5	0.3	0.84	2.2	7	17	50
P	26.1	0.8	0.75	13.1	3.4	0.2	0.94	1.4	3	7	29
EUR 10	70.3	0.4	0.94	11.6	10.1	0.1	0.80	1.9	54	142	743
EUR 12	94.1	0.4	1.11	13.6	10.1	0.1	0.82	1.9	64	166	822

[1] Coefficient of variation.
[2] Nomenclature of Statistical Territorial Units (NUTS)
for which Ireland as a whole is only one region at level II.
[3] Excluding Ceuta Y Melilla.

TABLE 1.2
DENOMINATION OF REGIONS

Country	Level I	N°	Level II	N°	Level III	N°
D	Bundesländer	11	Regierungsbezirke (1)	31	Kreise	328
F	ZEAT (zones économiques d'aménagement du territoire	8	Régions	22	Départements	96
I	Gruppi di Regioni	11	Regioni	20	Provincie	95
NL	Landsdelen	4	Provincies	11	COROP-Regio's	40
B	Régions	3	Provinces	9	Arrondissements	43
L	-	1	-	1	-	1
UK	Standard regions	11	Groupings of counties/local authority regions	35	Counties/Local authority regions	65
IRL	-	1	-	1	Planning regions	9
DK	-	1	Groups of Amter	3	Amter	15
GR	RCE (Groups of development regions)	3	Regions (of the Regional development service)	9	Nomoi	51
ESP(2)	Grouping of Communidades autonomas	7	Communidades autonomas	17	Provincias	50
POR	Grouping of CCR	3	CCR (Commissions of regional coordination)	7	Grouping of Concelhos	29
EUR 12	Level I regions	64	Level II regions	166	Level III regions	822

(1) and not subdivided Länder
(2) Excluding Ceuta Y Melilla

Source: EUROSTAT, Nomenclature of territorial units (NUTS)

THE REGIONS OF THE COMMUNITY (LEVEL II)

LIST OF REGIONS IN ALPHABETIC ORDER

Region		No.
Abruzzi	I	81
Abruzzi-Molise	I	80
Alentejo	POR	22
Algarve	POR	23
Alsace	F	42
Anat. Stereas ke Nison	GR	1
Anatolikis Makedonias	GR	5
Andalucia	ESP	61
Antwerpen prov.	B	1
Aquitaine	F	61
Aragon	ESP	24
Arnsberg	D	55
Asturias	ESP	12
Auvergne	F	72
Aven, Glou.sh., Wiltsh.	UK	61
Aceres	POR	31
Baden-Wuerttemberg	D	80
Baleares	ESP	53
Basilicata	I	92
Basse-Normandie	F	28
Bassin Parisien	F	90
Bayern	D	51
Bedfordsh.,Hertfordsh.	UK	52
Berksh.,Buck.sh.,Oxf.sh	UK	110
Berlin (West)	D	101
Ber, Cen, Fif, Lot, Tay	UK	26
Bourgogne	F	2
Brabant	B	31
Braunschweig	D	40
Bremen	D	52
Bretagne	F	93
Calabria	I	70
Campania	I	70
Canarias	ESP	13
Cantabria	ESP	41
Castilla Leon	ESP	42
Castilla Mancha	ESP	51
Cataluna	ESP	24
Centre	F	70
Centre-Est	F	
Centre	I	50
Centre	ESP	40
Centre	POR	12
Ceuta Y Melilla	ESP	63
Champagne-Ardennes	F	21
Cheshire	UK	81
Cleveland, Durham	UK	11
Clwy, Dyfe, Gwyn, Powy	UK	91
Com. Valenciana	ESP	52
Continente Sul	POR	20
Cornwall, Devon	UK	62
Corse	F	83
Cumbria	UK	12
Danmark	DK	10
Darmstadt	D	61
Derbysh., Nottinghamsh.	UK	31
Detmold	D	54
Dorset, Somerset	UK	63
Drenthe	NL	13
Duesseldorf	D	51
Dum. & Gal.,Strathclyde	UK	102
E. Sus., Surrey, W. Sus.	UK	53
East Anglia	UK	40
East Midlands	UK	30
Emilia-Romagna	I	40
Essex	UK	54
Est	F	40
Este	ESP	50
Extremadura	ESP	43
Franche-Coté	F	43
Freiburg	D	83
Friesland	NL	12
Friuli-Venezia Giulia	I	33
Galicia	ESP	11
Gelderland	NL	22
Giessen	D	62
Grampian	UK	103
Greater London	UK	55
Greater Manchester	UK	82
Groningen	NL	11

LIST OF REGIONS IN ALPHABETIC ORDER

Region	Code	No.	Region	Code	No.
Gwent, M. S. W. Glamorg.	UK	92	Marche	I	53
Hainaut	B	3	Merseyside	UK	84
Hamburg	D	20	Midi-Pyrénées	F	62
Hampshire, Isle of Wight	UK	56	Mittelfranken	D	95
Hannover	D	32	Molise	I	82
Haute-Normandie	F	23	Muenster	D	53
Heref. & Worc., Warw.sh.	UK	71	Murcia	ESP	62
Hessen	D	60	Méditerranée	F	80
Highlands,Islands	UK	104	Naaur prov.	B	7
Hovedstadsregionen	DK	11	Navarra	ESP	22
Humberside	UK	21	Niederbayern	D	92
Ile de France	F	10	Niedersachsen	D	30
Ilhas	POR	30	Nison Anatolikou Egeou	GR	9
Ipirou	GR	7	Noord-Brabant	NL	41
Ireland	IRL	10	Noord-Holland	NL	32
Karlsruhe	D	82	Noord-Nederland	NL	10
Kassel	D	63	Nord Est	I	30
Kent	UK	57	Nord Ouest	I	10
Kent. ke Dit. Makedonias	GR	2	Nord-Pas-de-Calais	F	30
Koblenz	D	71	Nordrhein-Westfalen	D	50
Koeln	D	52	Noreste	ESP	20
Kritis	GR	6	Noroeste	ESP	10
Lancashire	UK	83	Norte	POR	11
Languedoc-Roussillon	F	81	Norte do continente	POR	10
Lazio	I	60	North	UK	10
Leices.sh., Northamp.sh.	UK	32	North West	UK	80
Liguria	I	13	North Yorkshire	UK	22
Limburg (B)	B	5	Northern Ireland	UK	110
Limburg (N)	NL	42	Northumber., Tyne & Wear	UK	13
Limousin	F	63	Oberbayern	D	91
Lincolnshire	UK	33	Oberfranken	D	94
Lisboa e Valle Tejo	POR	21	Oberpfalz	D	93
Liege prov.	B	4	Oost-Nederland	NL	20
Lombardia	I	20	Oost-Vlaanderen	B	8
Lorraine	F	41	Ost for Storebaelt	DK	12
Luxembourg	B	33	Ouest	F	50
Luxembourg (B)	B	6	Overijssel	NL	21
Luxembourg (G.D.)	L	10	Pays de la Loire	F	51
Madeira	POR	32	Pays Vasco	ESP	21
Madrid	ESP	30	Pelop. & Dit. Ster. Ell.	GR	3

LIST OF REGIONS IN ALPHABETIC ORDER

Region	Country	No.	Region	Country	No.
Picardie	F	22	Thessalias	GR	4
Piemonte	I	11	Thrakis	GR	8
Poitou-Charentes	F	53	Toscana	I	51
Provence-Alpes-C. d'Azur	F	82	Trentino-Alto Adige	I	31
Puglia	I	91	Trier	D	72
Rheinhessen-Pfalz	D	73	Tuebingen	D	84
Rheinland-Pfalz	D	70	Umbria	I	52
Rhone-Alpes	F	71	Unterfranken	D	96
Rioja	ESP	23	Utrecht	NL	31
Rég. Bruxell./Bruss. (Gew)	B	30	Valle d'Aosta	I	12
Région Wallonne	B	20	Veneto	I	32
Saarland	D	100	Vest for Storebaelt	DK	13
Salop, Staffordshire	UK	72	Vlaams Gewest	B	10
Sardegna	I	110	Wales	UK	90
Schleswig-Holstein	D	10	Weser-Ems	D	34
Schwaben	D	97	West Midlands County	UK	70
Scotland	UK	100	West Yorkshire	UK	73
Sicilia	I	100	West-Nederland	NL	24
South East	UK	50	West-Vlaanderen	B	30
South West	UK	60	Yorkshire & Humberside	UK	9
South Yorkshire	UK	23	Zeeland	NL	20
Stuttgart	D	81	Zuid-Holland	NL	34
Sud	I	90	Zuid-Nederland	NL	40
Sud-Ouest	F	60			
Sur	ESP	60			

LIST OF REGIONS BY GEOGRAPHICAL ORDER

Code	Region		Code	Region
DEUTSCHLAND			F 30	Nord-Pas-de-Calais
D 10	Schleswig-Holstein		F 40	Est
D 20	Hamburg		F 41	Lorraine
D 30	Niedersachsen		F 42	Alsace
D 31	Braunschweig		F 43	Franche-Comté
D 32	Hannover		F 50	Ouest
D 33	Lueneburg		F 51	Pays de la Loire
D 34	Weser-Ems		F 52	Bretagne
D 40	Bremen		F 53	Poitou-Charentes
D 50	Nordrhein-Westfalen		F 60	Sud-Ouest
D 51	Duesseldorf		F 61	Aquitaine
D 52	Koeln		F 62	Midi-Pyrénées
D 53	Muenster		F 63	Limousin
D 54	Detmold		F 70	Centre-Est
D 55	Arnsberg		F 71	Rhone-Alpes
D 60	Hessen		F 72	Auvergne
D 61	Darmstadt		F 80	Méditerranée
D 62	Giessen		F 81	Languedoc-Roussillon
D 63	Kassel		F 82	Provence-Alpes-C d'Azur
D 70	Rheinland-Pfalz		F 83	Corse
D 71	Koblenz			
D 72	Trier		**ITALIA**	
D 73	Rheinhessen-Pfalz		I 10	Nord Ouest
D 80	Baden-Wuerttemberg		I 11	Piemonte
D 81	Stuttgart		I 12	Valle d'Aosta
D 82	Karlsruhe		I 13	Liguria
D 83	Freiburg		I 20	Lombardia
D 84	Tuebingen		I 30	Nord Est
D 90	Bayern		I 31	Trentino-Alto Adige
D 91	Oberbayern		I 32	Veneto
D 92	Niederbayern		I 33	Friuli-Venezia Giulia
D 93	Oberpfalz		I 40	Emilia-Romagna
D 94	Oberfranken		I 50	Centre
D 95	Mittelfranken		I 51	Toscana
D 96	Unterfranken		I 52	Umbria
D 97	Schwaben		I 53	Marche
D 100	Saarland		I 60	Lazio
D 110	Berlin (West)		I 70	Campania
			I 80	Abruzzi-Molise
FRANCE			I 81	Abruzzi
F 10	Ile de France		I 82	Molise
F 20	Bassin parisien		I 90	Sud
F 21	Champagne-Ardennes		I 91	Puglia
F 22	Picardie		I 92	Basilicata
F 23	Haute-Normandie		I 93	Calabria
F 24	Centre		I 100	Sicilia
F 25	Basse-Normandie		I 110	Sardegna
F 26	Bourgogne			

LIST OF REGIONS BY GEOGRAPHICAL ORDER

LIST OF REGIONS BY GEOGRAPHICAL ORDER

Region	Code	No.
NEDERLAND		
Noord-Nederland	NL	10
Groningen	NL	11
Friesland	NL	12
Drenthe	NL	13
Oost-Nederland	NL	20
Overijssel	NL	21
Gelderland	NL	22
West-Nederland	NL	30
Utrecht	NL	31
Noord-Holland	NL	32
Zuid-Holland	NL	33
Zeeland	NL	34
Zuid-Nederland	NL	40
Noord-Brabant	NL	41
Limburg (N)	NL	42
BELGIE / BELGIQUE		
Vlaams Gewest	B	10
Région Wallonne	B	20
Rég. Bruxell./Bruss. Gew	B	30
Antwerpen prov.	B	1
Brabant	B	2
Hainaut	B	3
Liège Prov.	B	4
Limburg (B)	B	5
Luxembourg (B)	B	6
Namur prov.	B	7
Oost-Vlaanderen	B	8
West-Vlaanderen	B	9
LUXEMBOURG (G.D.)	L	10
UNITED KINGDOM		
North	UK	10
Cleveland, Durham	UK	11
Cumbria	UK	12
Northumber., Tyne & Wear	UK	13
Yorkshire & Humberside	UK	20
Humberside	UK	21
North Yorkshire	UK	22
South Yorkshire	UK	23
West Yorkshire	UK	24
East Midlands	UK	30
Derbysh., Nottinghamsh.	UK	31
Leices.sh., Northamp.sh.	UK	32
Lincolnshire	UK	33
East Anglia	UK	40
South East	UK	50
Bedfordsh.,Hertfordsh.	UK	51
Berk.sh.,Buck.sh.,Oxf.sh	UK	52
E. Sus., Surrey, W. Sus.	UK	53
Essex	UK	54
Greater London	UK	55
Hampshire, Isle of Wight	UK	56
Kent	UK	57
South West	UK	60
Avon, Glou.sh., Wiltsh.	UK	61
Cornwall, Devon	UK	62
Dorset, Somerset	UK	63
West Midlands	UK	70
Heref. & Worc., Warw.sh.	UK	71
Salop, Staffordshire	UK	72
West Midlands County	UK	73
North West	UK	80
Cheshire	UK	81
Greater Manchester	UK	82
Lancashire	UK	83
Merseyside	UK	84
Wales	UK	90
Clwy, Dyfe, Gwyn, Powy	UK	91
Gwent, M. G. W. Glamrg.	UK	92
Scotland	UK	100
Bor, Cen, Fif, Lot, Tay	UK	101
Dun. & Gal.,Strathclyde	UK	102
Grampian	UK	103
Highlands,Islands	UK	104
Northern Ireland	UK	110
IRELAND	IRL	10
DANMARK		
Hovedstadsregionen	DK	10
Ost for Storebaelt	DK	11
Vest for Storebaelt	DK	12
	DK	13
ELLAS		
Anat. Stereos ke Nison	GR	1
Kent. ke Dit. Makedonias	GR	2
Pelop. & Dit. Ster. Ell.	GR	3
Thessalias	GR	4
Anatolikis Makedonias	GR	5
Kritis	GR	6
Ipirou	GR	7
Thrakis	GR	8
Nison Anatolikou Egeou	GR	9

LIST OF REGIONS BY GEOGRAPHICAL ORDER

ESPAÑA		PORTUGAL	
Noroeste	ESP 10	Norte do continente	FOR 10
Galicia	ESP 11	Norte	FOR 11
Asturias	ESP 12	Centro	FOR 12
Cantabria	ESP 13	Continente Sul	FOR 20
Noreste	ESP 20	Lisboa e Valle Tejo	FOR 21
Pays Vasco	ESP 21	Alentejo	FOR 22
Navarra	ESP 22	Algarve	FOR 23
Rioja	ESP 23	Ilhas	FOR 30
Aragon	ESP 24	Açores	FOR 31
Madrid	ESP 30	Madeira	FOR 32
Centro	ESP 40		
Castilla Leon	ESP 41		
Castilla Mancha	ESP 42		
Extremadura	ESP 43		
Este	ESP 50		
Cataluna	ESP 51		
Com. Valenciana	ESP 52		
Baleares	ESP 53		
Sur	ESP 60		
Andalucia	ESP 61		
Murcia	ESP 62		
Ceuta Y Melilla (*)	ESP 63		
Canarias	ESP 70		

(*) Enclave on the African continent.

Table 2.1-1
The enlarged Community in the world
- 1985 -

Member State	EUR 12 = 100							World=100		Unempl. Rates[2]	GDP Deflator % Change	As percentage of GDP			
	Area	Pop.	Pop. dens.	Emp.	Total GDP	GDP per capita	Foreign trade Exports	Foreign trade Exports[1]				Exports of goods and serv.	Current account	Budget deficit	Central gov. debt[3]
D	11.0	19.0	172.2	20.8	22.9	120.6	25.2	9.0	7.3	2.2	32.5	2.2	-1.1	33.7
F	24.1	17.2	71.2	17.5	19.4	113.1	16.2	4.9	9.9	5.8	23.6	-0.8	-2.6	19.0
I	13.4	17.8	132.9	17.3	16.2	91.4	12.7	3.9	9.2	8.8	25.4	-1.1	-14.0	67.5
NL	1.8	4.5	247.4	3.7	4.7	105.0	10.1	3.5	10.3	2.4	64.1	4.3	-5.1	46.4
B	1.4	3.1	226.6	3.0	3.4	109.2	7.6	2.7	11.3	5.1	73.9	0.4	-8.4	89.5
L	0.1	0.1	99.3	0.1	0.1	128.3	0.4	-	3.0	5.4	98.2	29.6	4.1	24.5
EUR 6	51.8	61.6	118.9	62.4	66.8	108.4	72.4	24.0	8.9	5.0	32.7	0.6	-5.3	41.3
UK	10.8	17.6	162.5	19.9	17.9	101.7	16.7	5.0	10.7	5.8	29.1	1.0	-2.8	40.0
IRL	3.1	1.1	35.5	0.9	0.8	70.1	1.4	0.5	18.3	5.5	62.2	-3.2	-11.6	-
DK	1.9	1.6	83.3	2.1	2.0	125.0	2.7	0.9	7.9	5.4	36.9	-4.4	-1.9	68.8
EUR 9	67.7	81.9	121.0	85.4	87.5	106.8	93.2	30.4	9.4	5.2	32.3	0.6	-4.8	41.7
GR	5.9	3.1	52.9	2.9	1.8	56.6	0.8	0.3	7.8	17.1	17.4	-8.4	-13.9	-
EUR 10	73.5	85.0	115.6	88.2	89.2	104.9	94.0	30.6	9.4	5.4	32.0	0.4	-5.0	-
E	22.4	12.0	53.6	8.5	9.3	77.4	5.0	1.2	21.9	9.0	18.3	1.7	-6.2	-
P	4.1	3.0	73.1	3.3	1.5	50.5	1.0	0.3	8.6	21.3	39.7	1.8	-11.2	-
EUR 12	100.0	100.0	100.0	100.0	100.0	100.0	100.0	32.1	10.6	6.0	30.8	0.5	-5.2	-
USA	415.7	74.3	17.9	90.8	111.9	150.5	-	11.4	(7.2)	3.2	9.2	-3.0	-3.5	-
Japan	16.5	38.0	230.2	50.6	45.0	118.3	-	8.9	(2.6)	1.6	16.4	3.7	-1.2	-
OECD	1428.2	258.2	18.1	283.4	273.9[1]	106.1[1]	-	63.0	(8.1)	4.7	22.1	-0.7	-3.6	-
USSR	993.7	84.8	8.5	106.0	-	-	-	4.8	-	-	-	-	-	-
World	6025.3	1460.5	24.2	-	100.0	-	-	100.0	-	-	-	-	-	-

Absolute values

	000's km2	Mio	Pop. p.km2	Mio	Mrd PPS	PPS per capita	Mrd ECU
EUR 12	2254	321.3	142.5	122.2	3765	11719	1050

[1] 1984
[2] EUR 12: Comparable unemployment rates for 16 countries.
OECD : Standardised unemployment from the Labour Force Sample Survey.
[3] 1983.

Source : EUROSTAT, Commission publications, OECD publications.

Table 2.1-2
Indicators of global imbalances by country

Member State	Annual averages 1981-85			
	Comparable unemployment rates	GDP deflator % change	Current account as % of GDP	Budget deficit as % of GDP
D	5.8	3.2	0.7	-2.6
F	8.0	9.4	-1.6	-2.6
I	8.3	14.1	-1.1	-12.8
NL	10.0	3.6	3.2	-6.0
B	11.5	5.8	-1.7	-10.7
L	2.8	7.6	27.2	0.2
EUR 6	7.7	8.4	-0.3	-6.4
UK	10.4	6.9	1.2	-3.1
IRL	15.2	11.1	-8.2	-12.6
DK	8.8	8.1	-3.4	-6.0
EUR 9	8.4	8.1	-0.1	-5.8
GR	6.6	20.3	-4.2	-10.6
EUR 10	8.3	8.4	-0.2	-5.9
E	17.7	11.9	-0.4	-5.0
P	8.2	21.8	-6.7	-9.0
EUR 12	9.3	8.9	-0.4	-5.9
USA	(8.3)	5.4	-1.4	-2.9
Japan	(2.5)	1.8	1.9	-2.9
OECD	(7.9)[1]	4.9[2]	-0.5[3]	-3.6

[1] Standardised unemployment rate in 16 countries.
[2] 1983 - 1985.
[3] 1982 - 1985.

Source : EUROSTAT, Commission publications, OECD publications.

Table 2.1-3
Regional disparities in the United States of America and the European Community

	Income per head 1983 (PPS)		Unemployment rate 1985	
	Coefficient of variation	10 weakest to 10 strongest regions	Standard deviation	10 weakest to 10 strongest regions
U.S.A. (States)	12.4	1 : 1.5	1.7	2.1 : 1
EUR 12 (Level I)	26.6	1 : 2.4	4.7	3.4 : 1
Ratio EUR 12/U.S.A.	2.1 : 1	-	2.8 : 1	-

Table 2.2.1

A summary of regional disparities in income, productivity and unemployment in the Community

	Community = 100						Unemployment rates (1986)	
	GDP per head PPP 1985		GDP per person employed					
			PPP 1985		ECU 1981/83/85			
	EUR 10	EUR 12	EUR 10	EUR 12	EUR 10	EUR 12	EUR 10	EUR 12
Disparities between regions of the Community								
1) Average of 10 weakest and 10 strongest regions	53/151 (1/2.8)	51/158 (1/3.1)	71/133 (1/1.9)	62/138 (1/2.2)	59/139 (1/2.4)	48/146 (1/3.0)	16.8/4.2 (4/1)	23.0/4.2 (5.5/1)
2) Average of 25 weakest and 25 strongest regions	62/134 (1/2.2)	60/140 (1/2.3)	77/124 (1/1.6)	71/126 (1/1.8)	71/130 (1/1.8)	59/137 (1/2.3)	14.9/4.8 (3.1/1)	20.2/4.8 (4.2/1)
3) Standard deviation (as a % of EC average)	26.0	28.5	18.5	21.1	23.6	28.3	35.1	47.2
4) Theil index	1.4	1.7	0.7	1.0	1.2	1.8	2.4	3.9
r.m. Community average	12 331	11 750	31 230	30 867	27 645¹	26 431¹	9.4	10.6
Disparities between Member States								
5) Weakest to strongest Member State	54/121 (1/2.2)	50/127 (1/2.5)	60/125 (1/2.0)	45/127 (1/2.8)	47/132 (1/2.8)	26/139 (1/5.3)	18.7/7.0 (2.6/1)	21.5/7.0 (3.1/1)
6) Standard deviation (as a % of EC average)	14.3	18.7	12.9	16.0	19.2	24.6	19.1	36.4
7) Theil index	0.5	0.8	0.4	0.6	0.9	1.5	0.8	2.5
8) Shares of disparities between countries in total Community-wide disparities²	34.0	47.0	53.0	63.0	71.0	81.0	32.0	63.0

¹ 1985

² According to decomposition of Theil indices

Note: Numbers in brackets = ratio of highest to lowest figures. For details see tables of annex 2.2.1.

MAP 2.2.1-A.1

GDP PER HEAD OF POPULATION
(at purchasing power parities)
- 1985 -

% share of population
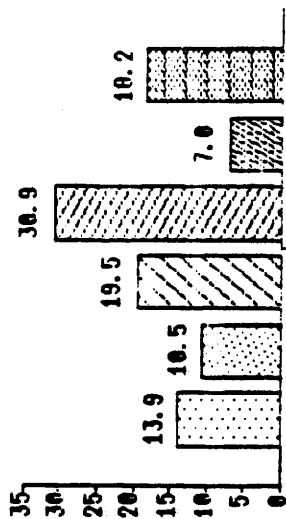
1 :	> 128.5
2 :	114.2 - 128.5
3 :	100.0 - 114.2
4 :	85.0 - 100.0
5 :	71.5 - 85.0
6 :	< 71.5

eur12 = 100.0 - s = 20.5

MAP 2.2.1-A.2
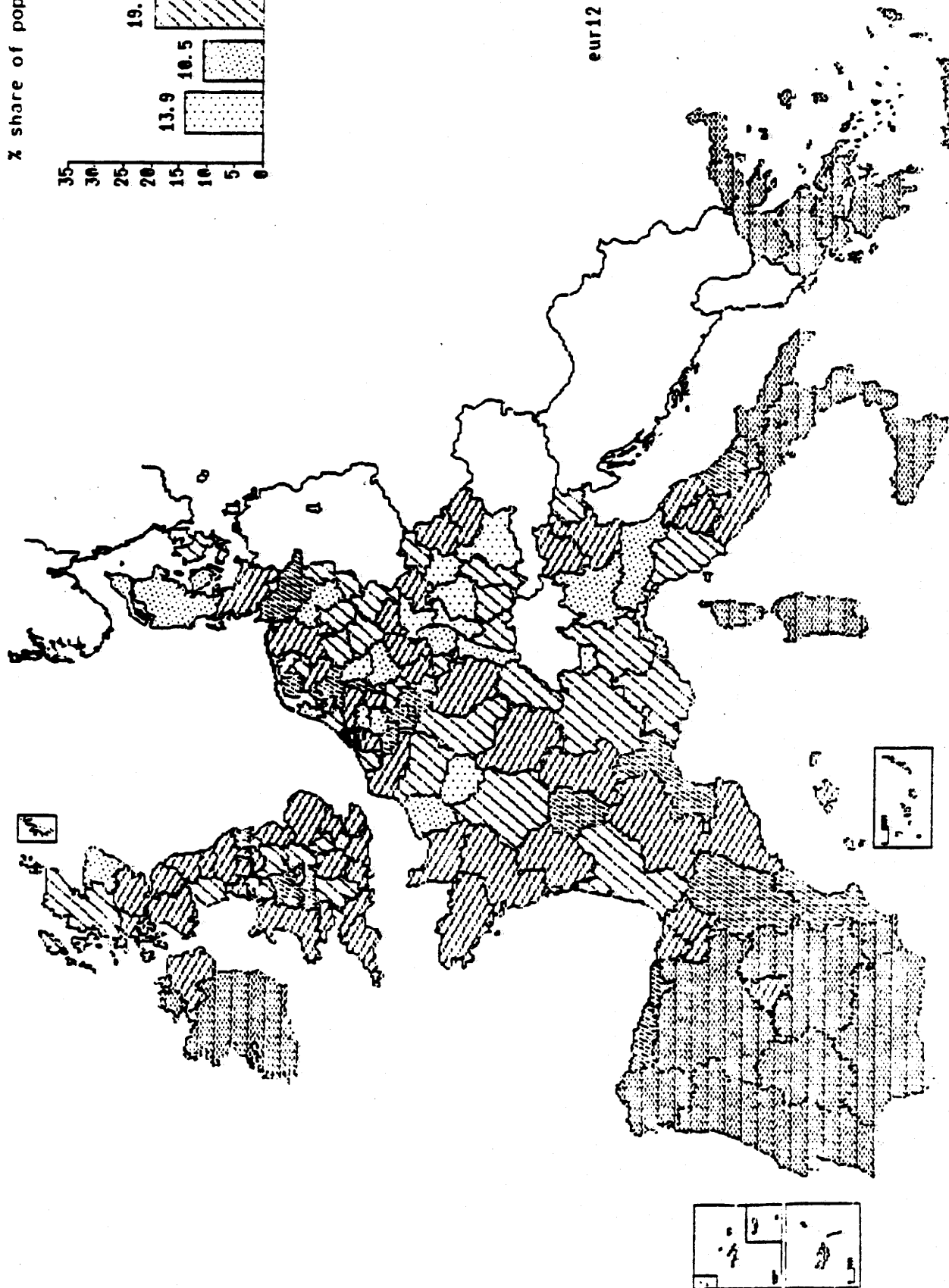
GDP PER PERSON EMPLOYED
(AT CURRENT PRICES AND EXCHANGE RATES)
1981 - 1983 - 1985

% share of persons employed
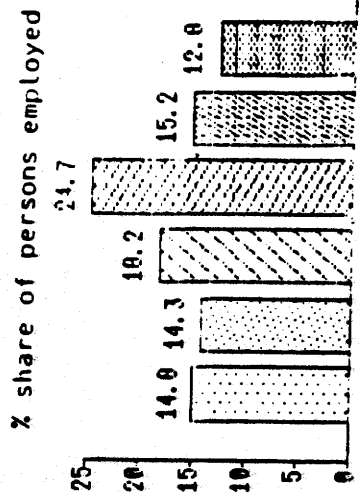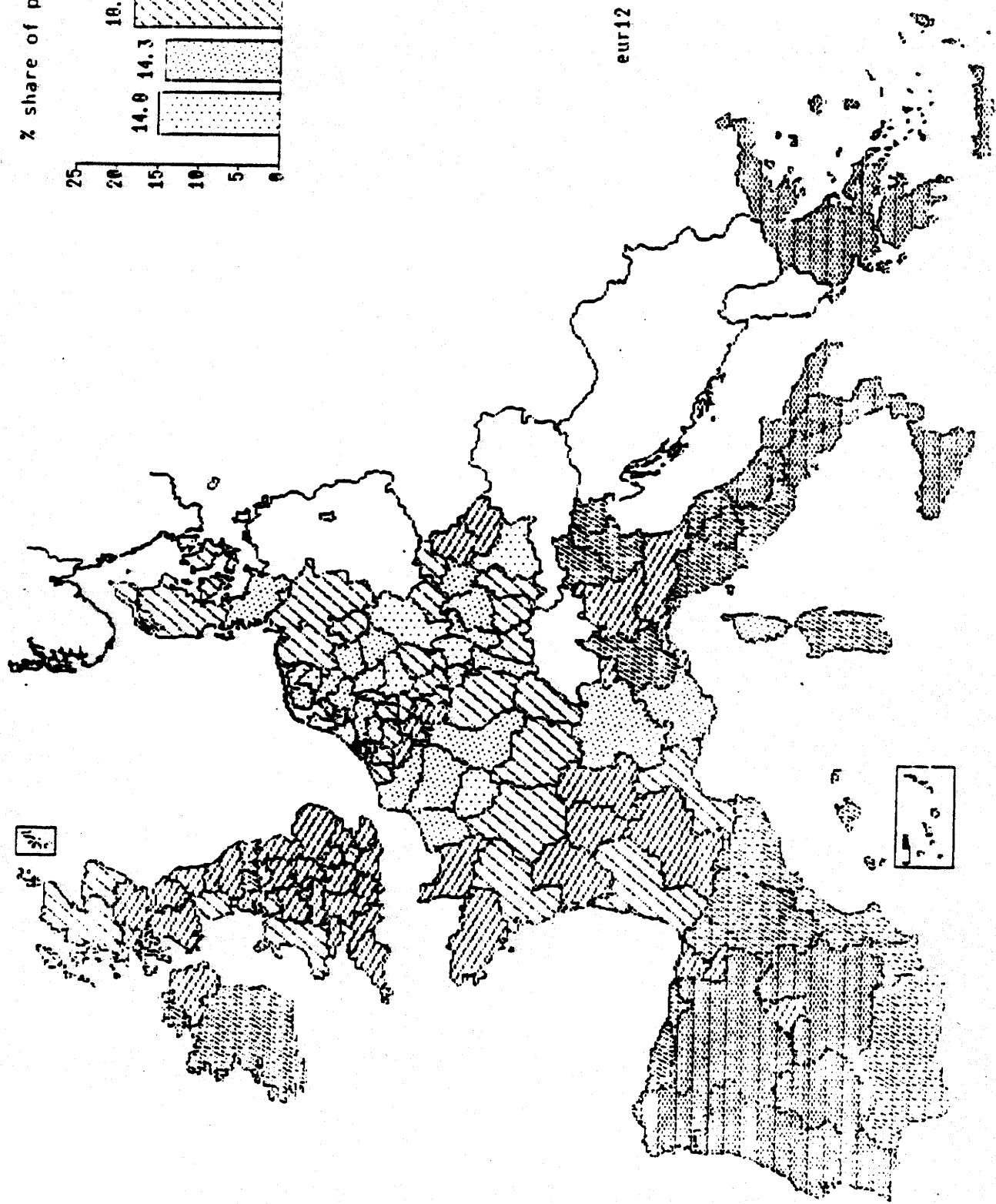
1 : > 120.3	
2 : 114.1 - 120.3	
3 : 100.0 - 114.1	
4 : 85.9 - 100.0	
5 : 71.7 - 85.9	
6 : < 71.7	

eur12 - 100.0 - s - 20.3
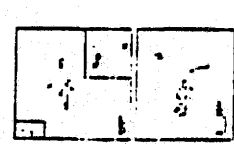
Table 2.2.1-A.1

Regional GDP per head of population, 1985

(at current prices and PPS)

Member State	EUR 10 = 100			EUR 12 = 100			Disparity	
	Max.	Min.	Average	Max.	Min.	Average	Coefficient of variation[1]	Theil coefficient (×100)
D	191[2]	77	116	200[2]	81	121	18.7	0.73
F	162[3]	81[4]	108	170[3]	85[4]	113	25.1[4]	1.25[4]
I	130	52	87	136	54	91	24.7	1.37
NL	111[5]	75	100	116[5]	79	105	13.4[5]	0.39[5]
B	131	79	104	137	83	109	17.6	0.67
L	-	-	121	-	-	127	-	-
UK	142	78	97	149	82	102	18.2	0.65
IRL	-	-	66	-	-	69	-	-
DK	140	102	119	147	107	125	12.8	0.35
GR	58	41	54	60	43	56	8.6	0.17
EUR 10[6]	151	53	100	158	56	105	26.0 (14.3)	1.43 (0.48)
L	-	-	-	98	47	77	18.7	0.78
P	-	-	-	-	-	50	-	-
EUR 12[6]	-	-	-	158	51	100	28.5 (18.7)	1.73 (0.82)
EUR 10[7] EUR 12[7]	134	62	-	140	60	-	- -	- -

[1] Weighted standard deviation as a percentage of the corresponding average.
[2] Hamburg, the second highest region is Darmstadt with 147% (EUR 10), 154% (EUR 12).
[3] Ile de France, the second highest region is Haute-Normandie with 116% (EUR 10), 122% (EUR 12).
[4] Exclusive of Corse.
[5] Exclusive of Groningen (GDP per head at current prices and PPS = 217% (EUR 10), 227% (EUR 12)). About 50% of the GDP is natural gas production.
[6] Max. and min. = average of 10 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to total disparity between the regions of the Community.
[7] Max. and min. = average of 25 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to total disparity between the regions of the Community.

Source : Commission services and EUROSTAT estimates.

Table 2.2.1-A.2
Regional GDP per person employed, (average of 1981-1983-1985)
(at current prices and ECU, at current exchange rates)

Member State	EUR 10 = 100			EUR 12 = 100			Disparity	
	Max.	Min.	Average	Max.	Min.	Average	Coefficient of variation[1]	Theil coefficient
D	155	89	117	163	94	123	11.1	0.27
F	140	83	113	147	87	119	14.8	0.47
I	92	55	78	97	58	82	13.4	0.40
NL	158[2]	118	132	166[2]	123	139	6.3[2]	0.08[2]
B	128	85	106	135	89	111	10.6	0.25
L	-	-	104	-	-	109	-	-
UK	107	76	89	112	79	94	7.0	0.11
IRL	-	-	76	-	-	80	-	-
DK	119	98	107	125	103	113	8.3	0.15
GR	54	30	47	57	31	49	15.2	0.53
EUR 10[3]	139	47	100	146	50	105	23.6 (19.2)	1.20 (0.85)
E	-	-	-	93	51	77	15.3	0.53
P	-	-	-	-	-	26	-	-
EUR 12[3]	-	-	-	146	35	100	28.3 (24.6)	1.85 (1.49)
EUR 10[4] EUR 12[4]	130	66	-	137	53	-	-	-

[1] Weighted standard deviation divided by weighted mean multiplied by 100.
[2] Exclusive of Groningen (about 50% of the GDP is natural gas production).
[3] Max. and min. = average of 10 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to disparity at regional level.
[4] Max. and min. = average of 25 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to disparity at regional level.

Source : Commission services and EUROSTAT estimates.

Table 2.2.1-A.3
Regional GDP per person employed, 1985
(at current prices and PPS)

Member State	EUR 10 = 100			EUR 12 = 100			Disparity	
	Max.	Min.	Average	Max.	Min.	Average	Coefficient of variation[1]	Theil coefficient
D	144	86	109	145	87	111	10.6	0.24
F	138	84	110	140	85	111	15.3	0.50
I	108	65	93	110	65	94	13.0	0.37
NL	148[2]	109	125	150[2]	110	127	7.7[2]	0.13[2]
B	133	99	111	134	100	112	9.4	0.18
L	-	-	110	-	-	111	-	-
UK	101	79	89	102	80	90	5.9	0.08
IRL	-	-	86	-	-	87	-	-
DK	102	89	94	103	90	95	6.4	0.09
GR	71	39	60	71	40	60	16.9	0.64
EUR 10[3]	133	55	100	135	56	101	18.6 (12.9)	0.72 (0.37)
E	-	-	-	132	70	109	17.6	0.70
P	-	-	-	-	-	45	-	-
EUR 12[3]	-	-	-	138	49	100	21.2 (16.0)	0.99 (0.62)
EUR 10[4]	124	74	-	-	-	-	-	-
EUR 12[4]	-	-	-	128	68	-	-	-

[1] Weighted standard deviation divided by weighted mean multiplied by 100.
[2] Exclusive of Groningen (about 50% of the GDP is natural gas production).
[3] Max. and min. = average of 10 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to disparity at regional level.
[4] Max. and min. = average of 25 regions with highest or lowest rates. The disparity coefficients inside parentheses refer to disparity at country level. The coefficients outside parentheses refer to disparity at regional level.

Source : Commission services and EUROSTAT estimates.

Annex 2.2.1-B

Differences in unemployment levels between countries and regions in the
enlarged Community

1. Unemployment rates are an important component in the overall appraisal
of a regional economy. They are in general terms a measure both of social
hardship and labour market imbalances representing underutilisation of
labour in an area.[1] For practical purposes, statistics on unemployment
tend to be readily available and fairly reliable. They are often a major
factor in the designation by national authorities of areas eligible for
regional policy assistance, and are thus a natural focus of interest from
the Community standpoint.

2. <u>Unemployment in the Community</u> as a whole now stands at some 10-11% of
the labour force, a rate substantially above that in Japan, and some 3 to
4 points higher than in the United States. Although employment in the
Community has risen since 1984, the increase in the number of jobs was
insufficient to match the growth in the labour force which resulted from
higher participation of women and the entry of young people into the
labour market.

3. The overall Community picture embraces some important <u>national
differences</u> in the level of unemployment. Spain and Ireland have <u>the most</u>
serious unemployment problems, with rates far in excess of the Community
average. Germany, Denmark and Luxembourg have lower than average rates,
with most of the other countries grouped more or less around the average.
Finally, in Greece and Portugal, unemployment is comparatively low,
although this has to be seen in the light of the substantial degree of
self-employment in services and agriculture in these countries[2], and the
likelihood that significant structural underutilisation of labour exists
unrecorded in the conventional statistics.

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[1] There are, however, some conceptual limitations of unemployment rates as
to the exact volume of underutilisation of labour. This applies notably
to those agricultural regions in the Community where the phenomenon of
structural underemployment occurs, even though measured unemployment may
be relatively low. These problems of underemployment are taken up more
fully in annex 2.2.1-C below.

[2] Self-employed and family workers account for half the total occupied
population in Greece, about one in three in Portugal compared with only
around one in six in the Community as a whole.

4. At the regional level, the highest unemployment rates are found throughout Spain and Ireland, where national unemployment is high, in parts of Southern Italy, in Northern Ireland and in some areas of industrial decline in Britain. This group of 23 regions - out of a Community total of 160, shown with the darkest shading on Map 2.2.1-B.1, all have unemployment rates of more than about 1 1/2 times the Community average and account for some 25% of total unemployment in the Community.

5. Within member countries regional differences of unemployment are highest in Spain, Italy and the United Kingdom. The level of unemployment in Spain - at over 21% - is double the Community average and exceeds it to such an extent that interregional differences within the country might appear less important than elsewhere. There is, however, a substantial spread of regional unemployment rates, ranging from a little over 13% to 30%. The highest rates occur in the agricultural regions of Andalusia and Extremadura where unemployment among landless labourers is particularly high. This contrasts with the position in Galicia, with an unemployment rate of 14%, where the structure of agriculture is such that many family members work on smallholdings, and where it is likely that a degree of structural underemployment exists unrecorded in the conventional statistics. In the more industrial areas of Madrid, Catalonia and the Basque Country, unemployment rates are at or a little above the national average, ranging from 21% to 25%.

6. Striking differences continue to exist in the incidence of unemployment between groups in the labour force. Young people under 25 years of age remain hardest hit, with an unemployment rate of 23%, more than twice that for the workforce in the Community as a whole. The most severe problems are concentrated in Spain, where youth unemployment is at a rate of almost 50%, and Italy with a rate of 33% (Map 2.2.1-B.2). Female unemployment is also higher than total unemployment, by about 2 percentage points³, and tends to have a different regional distribution from male unemployment (Maps 2.2.1-B.3 and 2.2.1-B.4). In Spain and Ireland, unemployment is high for all groups and across most regions. But in Italy, particularly in the South and also in Belgium, high total unemployment rates are largely a reflection of high female unemployment, which in those countries is more than double the rate of unemployment for males. In the UK, on the other hand, the reverse is the case, with high unemployment tending to occur in those mainly urban or industrial regions where employment in traditionally male jobs has declined sharply.

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³ And 3.7 points higher than male unemployment.

7. With the _enlargement_, regional disparities within the Community have increased significantly. The gap between the best and worst 25 regions has widened from 3:1 in the Community of 10 to 4:1 in the Community of 12 (Table 2.2.1-B.1). This is largely due to the very high level of unemployment in Spain, where 8 out of the 10 regions with the highest unemployment rates in the Community are located. Spanish entry thus adds a block of high unemployment regions to the Community and raises its average rate of unemployment, with the effect that the other regions of the Community no longer appear as disadvantaged relative to the average as they did before. Of course unemployment problems in those regions remain in absolute terms as serious as they were; however, relativities - which Community regional policy has to use as its yardstick - change significantly. As an illustration of this, one can take the group of regions with the highest unemployment rates representing 30% of all unemployed. In the Community of 10 member countries this group was made up in 1986 of 28 regions with unemployment rates ranging from just over 12 1/2% to 19%. In the Community of 12 this group would be composed of 27 regions with unemployment rates between 15% and 30% including 15 Spanish regions. Only 12 of the initial 28 regions of the Community of 10 remain in this group, while for 16 regions the change in relativities means that they are no longer included.[4]

---

[4] Seen from another angle one notes that with enlargement the number of regions with an unemployment rate just higher than 12 1/2% increased from 28 to 45 representing 43% of all unemployment (instead of the initial 30% for EUR 10).

TOTAL UNEMPLOYMENT RATES - 1986

% share of unemployed
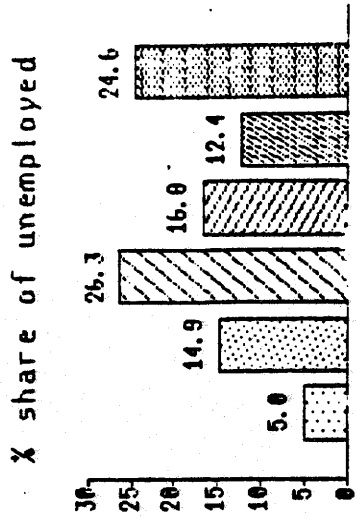
1 : < 5.6	
2 : 5.6 - 8.1	
3 : 8.1 - 10.6	
4 : 10.6 - 13.1	
5 : 13.1 - 15.6	
6 : > 15.6	

eur12 = 10.6 - s = 5.0
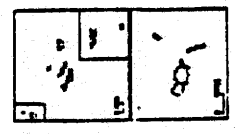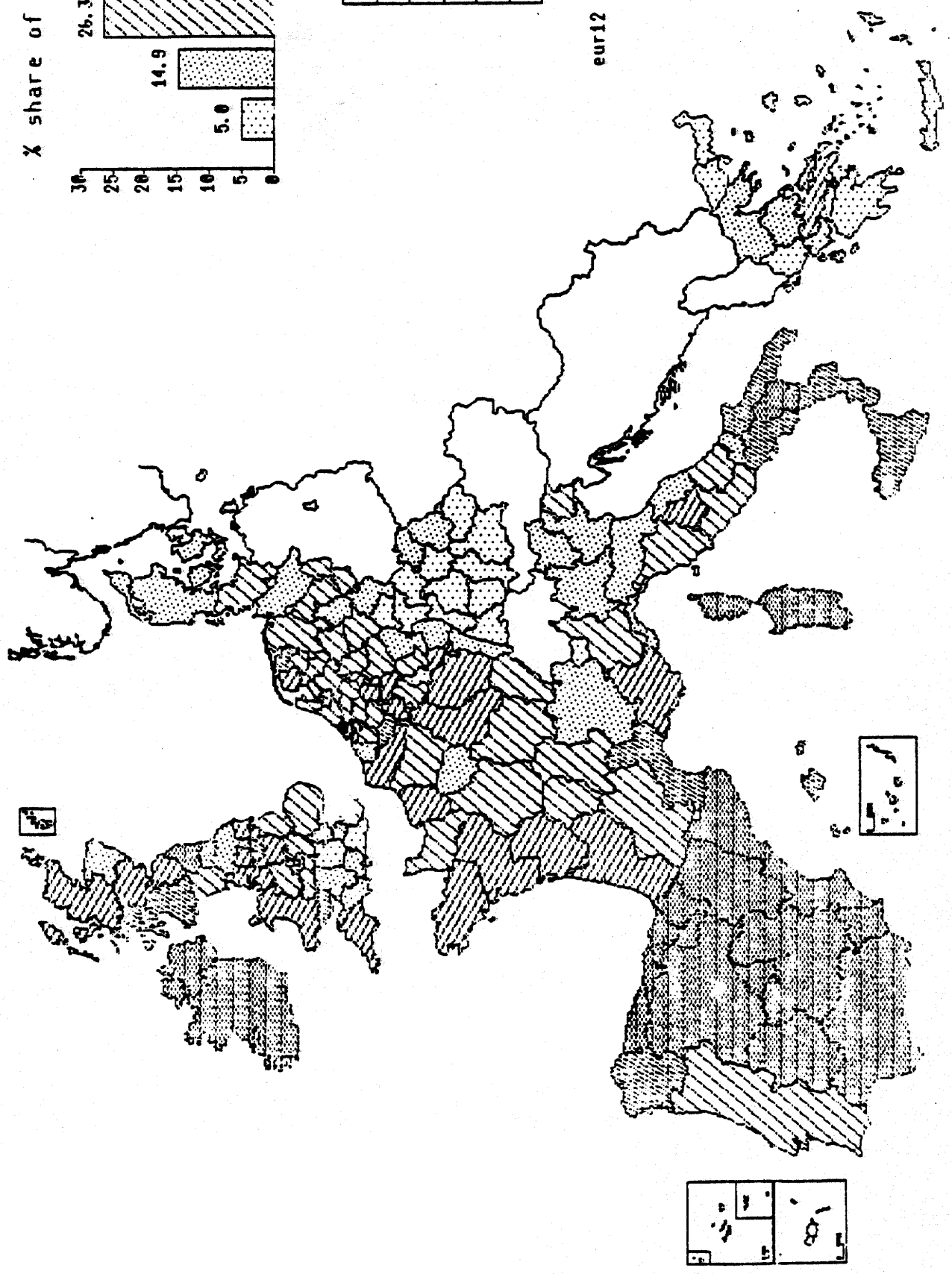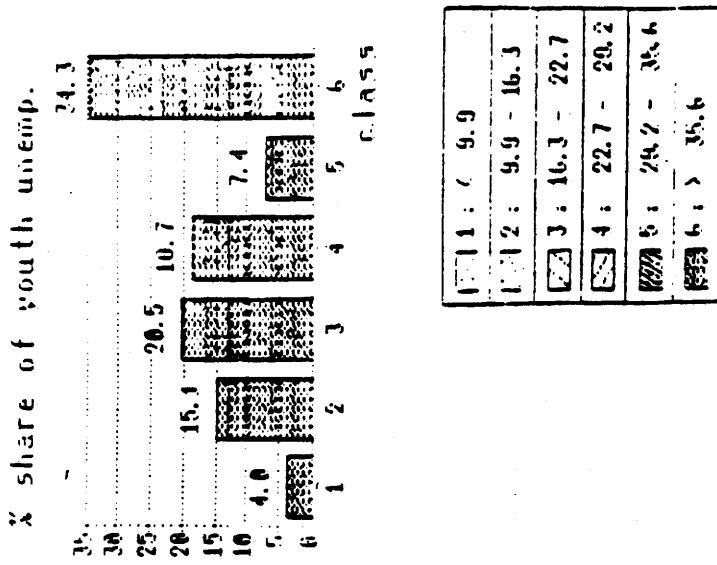
24.6

12.4

16.0

26.3

14.9

5.0

30
25
20
15
10
5
0

MAP 2.2.1-02
YOUTH UNEMPLOYMENT RATES, 1986

MAP 2.2.1-B)
FEMALE UNEMPLOYMENT RATES, 1986.

% share of female unemp.

class
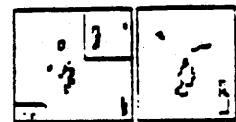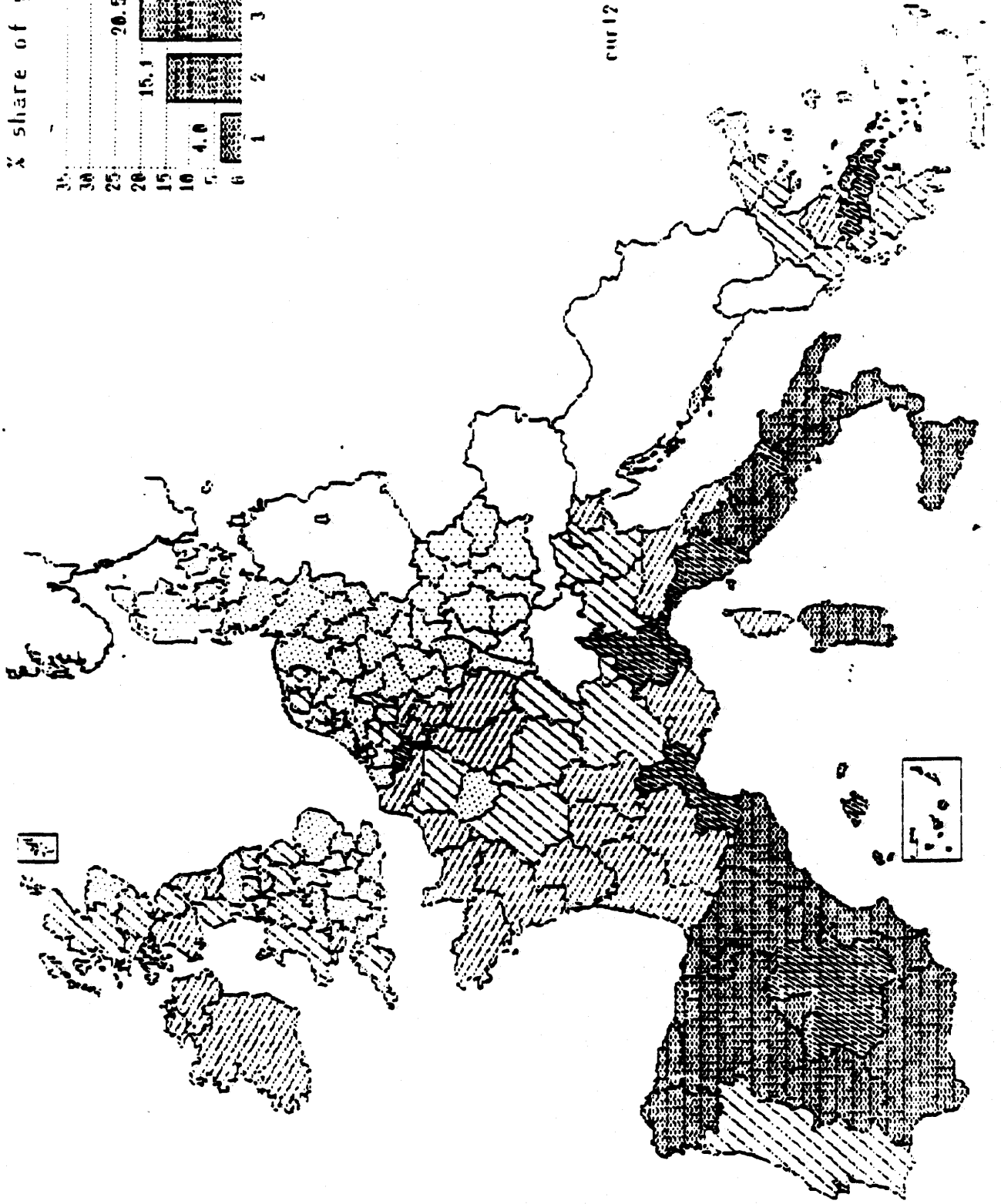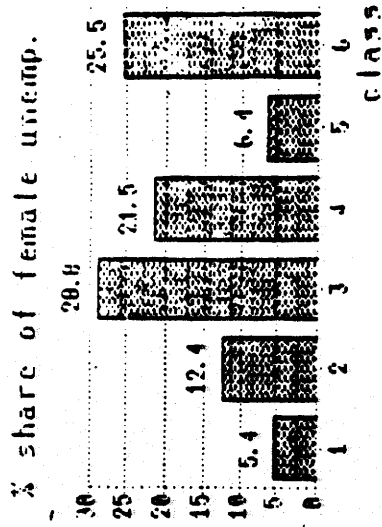
1: < 7.1
2: 7.1 - 10.0
3: 10.0 - 12.9
4: 12.0 - 15.0
5: 15.0 - 18.7
6: > 18.7
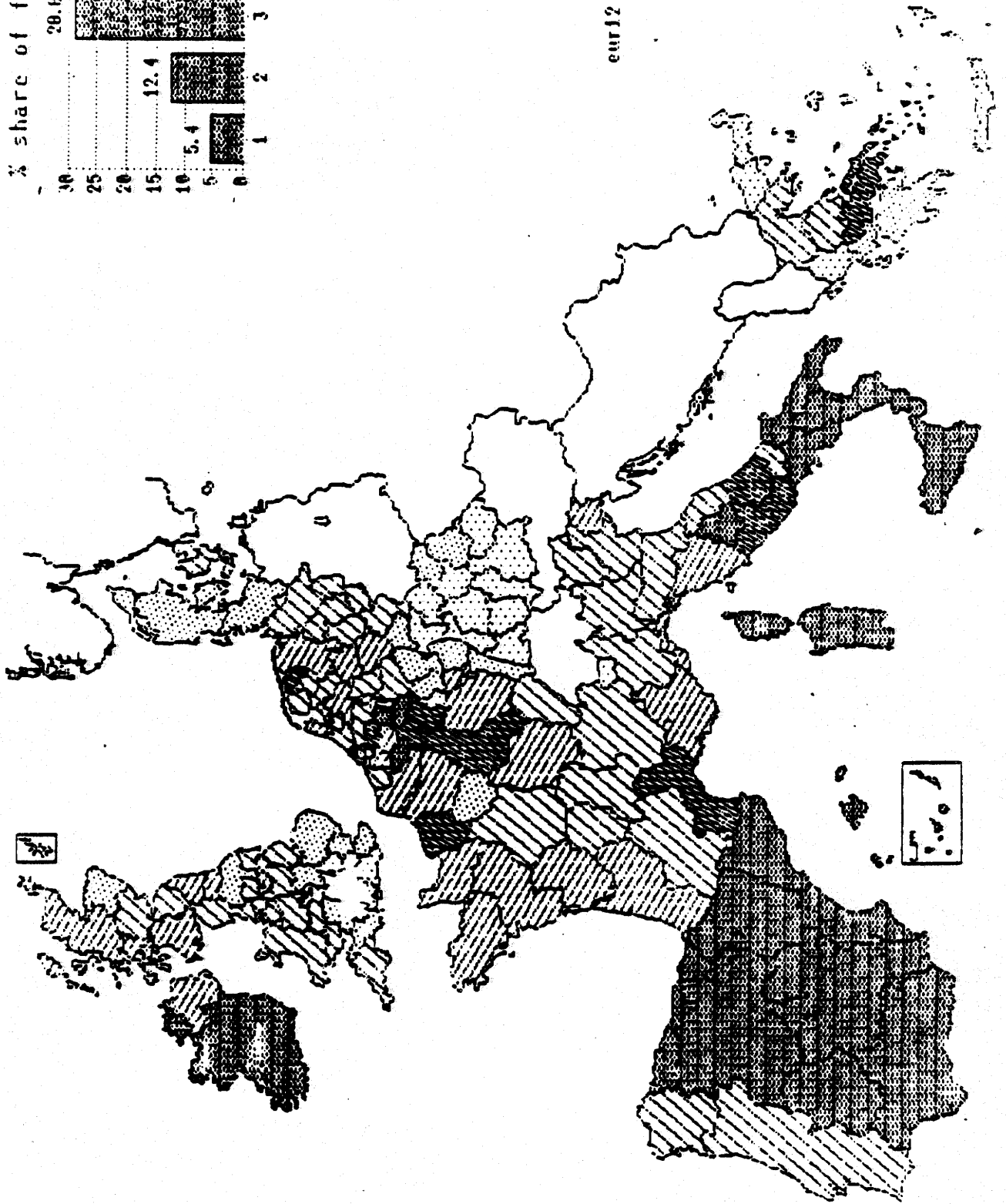
eur12 - 12.9 - s - 5.0
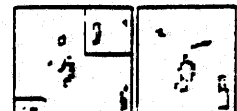
MAP 2.2.1-B4
MALE UNEMPLOYMENT RATES, 1986
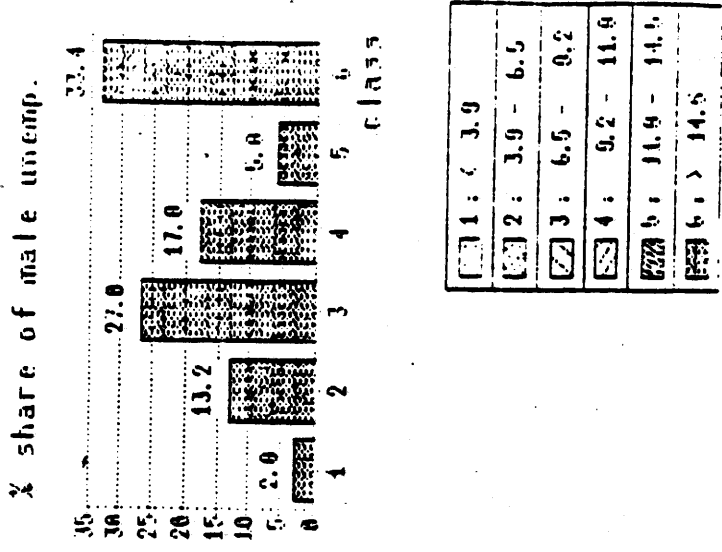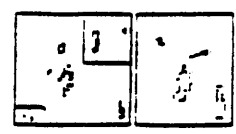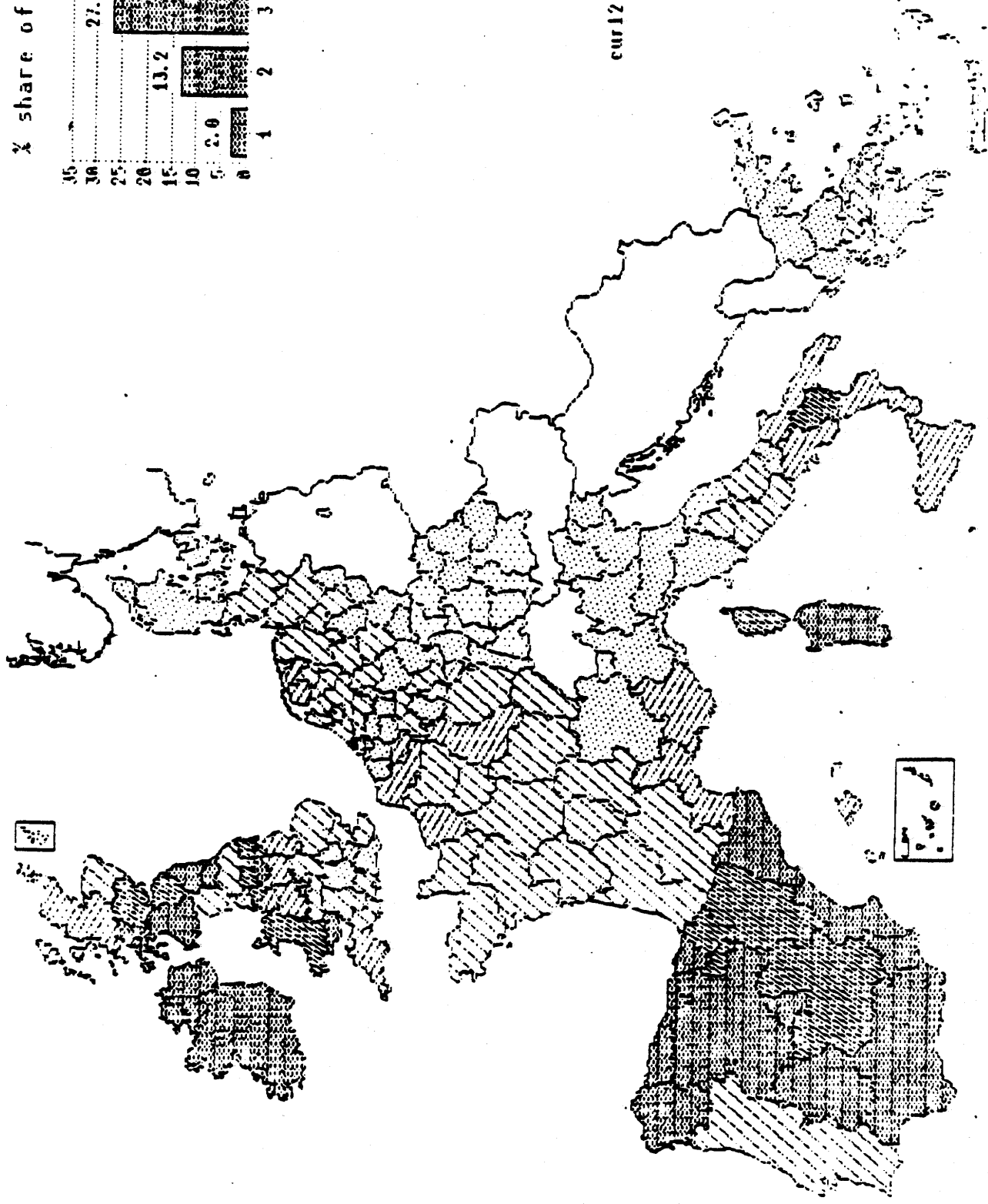
Table 2.2.1-B.1
Comparable unemployment rates, 1986[1]

Member State	Regional			National average
	Max.	Min.	Disparity[2]	
D	12.9	3.3	2.4	7.0
F	15.7	7.0	1.9	10.0
I	19.3	4.6	3.5	10.0
NL	13.2	6.5	1.2	9.8
B	14.2	7.2	2.3	10.2
L	-	-	-	2.5
UK	17.6	5.5	3.3	10.9
IRL	-	-	-	18.7
DK	7.8	5.5	0.8	6.5
GR[3]	11.0	3.0	2.8	7.8
EUR 10[4]	16.8	4.2	3.3	9.4
E	30.2	13.6	5.0	21.5
P	-	-	-	8.7
EUR 12[4]	23.0	4.2	5.0	10.6
EUR 10[5]	14.9	4.8	-	-
EUR 12[5]	20.2	4.8	-	-

[1] Registered regional unemployed adjusted by Sample Survey results for national differences in registration practices. Unemployment rates for Spain and Portugal come from national surveys.

[2] Standard deviation weighted by regional shares of the labour force.

[3] Data for Greece refer to 1985, the latest year for which regional information is available.

[4] Max. and min. = average of 10 regions with highest or lowest rates.

[5] Max. and min. = average of 25 regions with highest or lowest rates.

Source : EUROSTAT

Table 2.2.1-B.2
Youth, female and male unemployment rates, 1986[1]

Member State	Youth unemployment rate[3]				Female unemployment rate				Male unemployment rate			
	Regional			National	Regional			National	Regional			National
	Max.	Min.	Disp.[2]	average	Max.	Min.	Disp.[2]	average	Max.	Min.	Disp.[2]	average
D	27.2	4.8	4.1	10.6	14.8	4.6	2.9	8.9	11.6	2.4	2.2	5.8
F	31.1	14.3	1.0	22.7	19.1	9.1	2.7	12.7	13.6	5.6	1.6	8.1
I	53.8	17.2	11.4	33.5	29.7	6.8	5.8	16.3	14.7	3.4	2.9	6.6
NL	20.8	10.5	2.2	14.9	15.9	9.1	1.6	12.3	11.8	5.2	1.1	8.4
B	30.8	12.3	6.0	20.3	26.8	12.6	4.0	16.8	10.2	4.0	1.9	6.2
L	-	-	-	5.1	-	-	-	3.5	-	-	-	2.0
UK	29.6	8.0	5.9	18.2	14.4	5.5	2.4	10.2	19.9	5.3	4.0	11.4
IRL	-	-	-	26.9	-	-	-	20.2	-	-	-	18.1
DK	11.7	8.6	0.9	9.5	10.2	5.8	1.8	8.2	5.9	4.7	0.4	5.0
GR[4]	31.0	8.7	6.8	23.8	16.8	3.2	4.7	11.7	7.8	2.2	2.0	5.6
EUR 10[5]	45.2	6.0	10.2	19.8	24.0	5.4	4.5	11.8	17.1	3.0	3.6	7.9
E	61.8	32.8	6.8	46.9	35.4	12.6	5.6	25.3	29.9	11.0	5.4	19.8
P	-	-	-	19.7	-	-	-	11.2	-	-	-	7.0
EUR 12[5]	51.4	6.0	12.9	22.7	29.0	5.4	5.8	12.9	21.9	3.0	5.3	9.2
EUR 10[6]	36.9	7.8	-	-	19.6	6.2	-	-	14.0	3.8	-	-
EUR 12[6]	46.8	7.8	-	-	25.7	6.2	-	-	18.9	3.8	-	-

[1] Registered regional unemployed unemployed adjusted by Sample Survey results for national differences in registration practices. Unemployment rates for Spain and Portugal come from national surveys.

[2] Standard deviation weighted by regional shares in respectively the youth labour force, the female labour force and the male labour force.

[3] Numbers of unemployed aged under 25 years as a percentage of the labour force aged under 25 years.

[4] Data for Greece refer to 1985, the latest year for which regional information is available.

[5] Max. and min. = average of 10 regions with highest or lowest rates.
[6] Max. and min. = average of 25 regions with highest or lowest rates.

Source : EUROSTAT.

Annex 2.2.1-C

Underemployment of labour and problems of measurement

Types of underemployment

1. The European Community is a vast labour market where labour supply and demand situations vary widely from one place to another. The diversity of population patterns and employment market situations was accentuated by the accession of Greece, and then of Spain and Portugal, where the high proportion of agricultural workers is a partial reflection of the state of economic development. What is more, many European regions have now entered a new economic era: the post-industrial era, whose characteristic feature is the considerable expansion of service sector jobs, part-time work and other more or less casual or flexible types of employment.

2. The wide diversity in the economic development of European regions exacerbates certain disparities. In rural regions, where most activity is directly or indirectly associated with agriculture, labour is often underutilized or employment is subject to wide seasonal variations. Elsewhere, the decline in manufacturing industry, the relative growth of service industries and part-time jobs, the increase in female participation in the labour force, the development of new situations for workers of a certain age and, in general, of new, more flexible, types of labour contract are.all good reasons for examining the use of available labour power from a new angle. This analysis must go beyond the traditional breakdown of the population of working age into the occupied population, the unemployed and non-participants. For there are quite a few people whose situation is not so clear as it appears. There is some overlap between the three categories, which are not discrete, but merge into one another; the grey areas at their edges generate phenomena that can be interpreted as forms of UNDEREMPLOYMENT OF LABOUR.

3. Underemployment, defined in general terms, covers people willing and able to supply more labour than they do. It takes a variety of forms that cannot easily be organized into clearly circumscribed categories and, even more important, are difficult or impossible to identify on the basis of available statistics.

This attempt to assess the real extent of the mismatch between labour supply and demand is based on a pragmatic framework of analysis for the various forms of underutilization of labour power. The pragmatic assessment and framework are based on the findings of Community labour force sample surveys and surveys of the structure of agricultural holdings carried out in 1983.[1] The information supplied by these surveys is broadly comparable from one Member State to another. However, the possibilities of analysing the complex phenomenon of work shortage are limited as to the nature of the phenomenon by the contents of the questionnaires, and as to regional breakdown by the size of the sample.

4. The best known factor in the shortage of available work is the type of unemployment often referred to as "OPEN" or "ACTIVE" UNEMPLOYMENT. A jobseeker is considered to be in open unemployment if he is available for work immediately, and is actually looking for a job. The structure and regional breakdown of open unemployment are analysed in Chapter 2.2.1 of the main report, and in Annex 2.2.1-B above.

5. A more detailed assessment of the shortage of available work requires a distinction, within the category of open unemployment, between jobseekers looking for a full-time job and those looking for a part-time job. The supply of labour from the second group is smaller than that from the first; estimating the shortfall in available employment by counting heads without allowing for jobseekers' intentions concerning the amount of labour they wish to supply leads to some over estimation of the gap between supply and demand. Table 2.2.1-C.1 shows that, in the Community of Ten, 11% of jobseekers are looking for part-time work.

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[1] The contents of this annex concerning underemployment are based on the exploitation of Community statistics by Commission departments and the results of a number of studies carried out on the Commission's behalf:
- STANDING, G. (1985). Analysing Underemployment in Western Europe, 166 p.
- GIRALDEZ-NUNEZ, M.T. (1986). Le sous-emploi et son rôle sur les marchés du travail régionaux en Espagne, 263 p.
- ARANGIO-RUIZ, G. (1986). Le sous-emploi et son rôle sur les marchés du travail régionaux en Italie, 73 p.
- VASSILAKOPOULOS, D. (1986). Le sous-emploi et son rôle sur les marchés du travail régionaux en Grèce. Study financed by the Commission, 134 p.
The findings for Portugal have been obtained from the 1979 census of mainland agriculture, the data having been processed by Eurostat to make them comparable with Community survey data.

Almost a quarter of jobseekers come under this heading in the Netherlands, compared with under 5% in Greece and under 1% in Spain. There are always proportionately more women than men in the group: in the Community of Ten, over 20% of female jobseekers are looking for part-time work, compared with under 3% of male jobseekers. Over half of female jobseekers in the Netherlands are looking for part-time work, and over 25% in Ireland, the United Kingdom and Germany, but less than 10% in Italy and Greece, and only 2% in Spain. Job-seekers looking for part-time work, mainly women, represent about 1% of the labour force on average in the Community of Ten, with national figures varying from almost 3% in the Netherlands to only 1/2% in Greece and Italy (with an even lower figure for Spain).

6. Another aspect of the shortage of work is HIDDEN or PASSIVE UNEMPLOYMENT. This affects significant numbers of former jobseekers who have given up looking, mainly through discouragement, either because they have decided there are no more jobs available, or because they do not think they possess the qualifications required to get a job. Passive unemployment also implies that the person concerned is not immediately available, perhaps for institutional or personal reasons.[2] The 1983 labour force sample survey was also used to attempt to estimate the number of people affected by hidden unemployment; in the Community of Ten, it affects an estimated 1.5% of the labour force, or approximately a million and a half people.[3] The results (Table 2.2.1-C.2) show that hidden unemployment is very unevenly spread. It is highest in Italy, Denmark and the United Kingdom, low in Greece. Once more, women are harder hit than men in all the member countries. In Spain, hidden unemployment is much higher than elsewhere, affecting 4.3% of the labour force, or about 570 000 people.

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[2]People who are not immediately available because they are still at school or undergoing vocational training, or doing military service or assimilated civilian service, are considered non-participants in the labour force by the labour force survey; we do not include them here in the assessment of underemployment.
[3]As the questions that can be used to quantify passive unemployment in Germany, France and Denmark are not strictly the same as those used in the other member countries, these figures must be regarded merely as orders of magnitude. They are substantially below the estimates for "silent reserves" on employment markets based on the analysis of the fluctuations and trends of participation rates.

7. Besides those in open or hidden unemployment, there is an increasingly large population in an intermediate position, neither strictly unemployed nor employed. There are many ways of being in this position, and several of them correspond to forms of underemployment.

The people concerned are those who have a job but less work than they wish, for reasons beyond their control: not only economic reasons, but also because of labour disputes, accidents or weather conditions. In the first instance, these people can be classified into three main categories of VISIBLE UNDEREMPLOYMENT[4]:

(i) PEOPLE WORKING IN PART-TIME JOBS WHO WOULD PREFER TO WORK FULL TIME;

(ii) PEOPLE WORKING SHORTER HOURS THAN USUAL FOR REASONS BEYOND THEIR CONTROL (sometimes known as short-term underemployment);

(iii) PEOPLE WITH A JOB BUT NO WORK for economic reasons on the date of the survey.

8. Part-time work is widespread in many areas of Europe. Many people wish to work part time, since it can be a good compromise between personal preferences and the need to ensure an adequate disposable income. Part-time working is also a result of the general economic situation as it affects the labour market, of structural changes in industrial and service employment, of a new division of labour and of increased female participation in the labour force. In 1983, there were almost 13 million part-time workers in the Community of Ten, of whom over 11 million, i.e. 86% were women. The proportion of women in the population of part-time workers is high in all the member States, ranging from 60% in Greece to 85% in France and 90% in the United Kingdom.[5]

Underemployment concerns only those working part time despite a preference for full-time working. Such 'involuntary part-time work' is very unevenly distributed over the eight Member States for which figures are available (the 1983 labour force survey does not show the distinction in France or

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[4] VISIBLE UNDEREMPLOYMENT is a concept used by the International Labour Office (ILO), distinct from invisible underemployment, which mainly consists in low-productivity, low-income jobs.

[5] Fürst, H. Some results from the Community labour survey. Eurostat news 1/1986, p. 9.

Germany).. In four countries, it accounts for between 20% and 30% of part-time workers, and for about 1.5% of the labour force (see Table 2.2.1-C.3). In the United Kingdom and Denmark, where part-time working is widespread, the proportion of those working part time of necessity rather than by choice represents respectively 1.5% and 2.3% of the labour force. Except in Greece, this type of underemployment mainly concerns the female labour force, particularly in Belgium, the United Kingdom and Denmark.

9. Economic reasons,[6] which should be clearly distinguished from personal reasons,[7] oblige some workers to work shorter hours than usual. This unused available labour is sometimes considered a form of visible underemployment, even when it is temporary. An estimate for the Community of Ten puts the size of this group at about 2.8% of the labour force in the spring of 1983. However, results may vary substantially with the observation period, in view of the cyclical or seasonal nature of this type of underemployment. Moreover, the volume of unused available labour should represent only a small fraction of the hours of labour that the workers concerned could supply.

10. Another component of the underemployed population consists of people who have a job but are not working because of the situation of the employer firm, and despite being available during the period of observation. Although these people are sometimes regarded, on the basis of legal criteria, as occupied rather than unemployed, they do represent unused human resources. However, they accounted for only about 0.35% of the Community labour force in 1983, a much smaller group than those considered above.[8]

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[6] Economic reasons are shortage of work, unfavourable weather, industrial disputes, or starting, changing or leaving a job.
[7] Personal reasons are illness, training, annual holiday, time off and other personal reasons.
[8] Workers remunerated from the "Cassa integrazione guadagni" in Italy are in the second and third categories of underemployment. The CIG paid out about 747 million hours of wages in 1983, corresponding to 359 thousand man-work-years, or 1.6% of the labour force (Source: ARANGIO-RUIZ, G. op. cit.).

11. Assessment of the shortage of work is more difficult among the self-employed; this is particularly true in agriculture, where hidden unemployment too is a more characteristically structural problem. As the decline in the share of agricultural jobs in the occupied population in certain areas of the Community has led to a risk of sampling errors relating to specific questions in the labour force survey, the Community survey on the structure of agricultural holdings has been used to assess this aspect of underemployment.

Underemployment in agriculture

1. Underemployment of labour is a structural and latent form of unemployment that is endemic in the agricultural sector. It is explained by a variety of factors, linked in particular to the size of holdings, the lack of alternative jobs, population patterns in rural areas and the vocational training of agricultural workers and farmers.

As European agricultural holdings are often small, available labour cannot be properly exploited. The highly seasonal character of certain agricultural activities means underemployment outside busy periods, especially on smaller holdings which lack the opportunity or the means to diversify agricultural output. There may also be general and sectoral economic constraints when the region has little or nothing to offer in terms of gainful employment outside agriculture, either as an alternative or as a supplement to agricultural work.

The specific age structure of the agricultural population, with its fairly high average age, is another of the structural reasons explaining hidden unemployment; after a certain age, it is often very difficult to change to other full-time or part-time economic activities, especially as many of the workers involved have no vocational training whatsoever.

2. Underemployment among farmers has been estimated on the basis of the findings of the farm structure survey for 1983.[9] The estimate takes account of the number of farmers who state that they have worked less than the number of working days regarded as constituting a full working

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[9] For Italy, the most recent findings are those of the survey carried out in 1982; for Spain, the data come from the 1982 agricultural census; for Portugal, the data are based on the census of mainland agriculture for 1979.

year (i.e. 280 days a year in the agricultural sector)[10] on their holdings, and that they have no gainful activities elsewhere.

As the conventional full-time working year in the agricultural sector is considerably longer than that defined in other sectors of employment, some caution is needed in interpreting the replies of those who claim to work slightly less than full time; however, underemployment is certainly a disagreeable reality for most of the farmers who work for considerably less than the conventional number of days. Our assessment of underemployment takes account only of those farmers with no other gainful activity stating that they have worked less than 50% of the normal working period on their farms.

As well as observing the number of farmers who are underemployed, we have assessed the underexploitation of labour in terms of "man-work-years", both at Community level and within each geographical unit observed, basing the assessment on the assumption that each of the underemployed farmers works 50% of the normal period.

3. In 1983, almost 2 million farmers, or 23% of the total for the Community of 12, were underemployed (see Table 2.2.1-C.4). Converted into man-work-years, the surplus labour corresponds to about 1 million full-time jobs, corresponding to almost 12% of the total number of farmers.

Map 2.2.1-C.1 clearly illustrates the division between the northern and southern regions of the Community, the exception being the Spanish regions, where the proportion of underemployed farm managers is less than 10%. There are wide regional variations in percentages, from under 1% in Belgium to almost 57% of all farmers in the Italian regions of Calabria and Sicily. The figures show a serious shortage of work for 32% of Greek agricultural workers and 42% of Italians. Greece and Italy are in a different group from the other Member States from this point of view; their regions show a very much higher rate of underemployment among agricultural workers than any other regions of the Community except for the two French regions of Languedoc-Roussillon and Provence-Côte d'Azur, where the rate exceeds 20%[11]. At Community level, 76 % of

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[10] 300 days a year in Spain.
[11] The method used gives a rate of about 10% of farmers underemployed in Ireland. However, unlike the other member countries, Ireland has a very large proportion of farmers working between 50% and 100% of the normal working time with no other activity. If those farmers were also counted, the rate in Ireland would rise to 31%.

underemployed farmers are to be found in Italy or Greece, although only 43% of the Community's farmers live in those countries.

4. Estimated surplus labour measured in man-years can be shown as a percentage of each region's labour force (last column of Table 2.2.1-C.4). The resulting shortage of work represents 0.7% of the total labour force.

Map 2.2.1-C.2 illustrates these results at regional level. The proportion of unused labour is very low (often less than 1% or even 0.5% of the total labour force) in the northern, central and south-western regions of Europe. It is slightly higher (about 1%) in some French regions, in Ireland and in Portugal.[12] The volume of available agricultural labour is substantially underused in most of the Italian and Greek regions: the proportion is 4% in Greece, and over 5% in the Mezzogiorno. The Mediterranean regions (with the exception of Spain) thus appear as a vast reservoir of underused agricultural labour.

5. Underemployment in agriculture is a structural phenomenon that tends to be amplified during prolonged economic recession. However, comparison with the findings of the 1975 farm structure survey shows an increase in underemployment of 23% in the countries covered by both surveys. This accentuation of the phenomenon, despite the conservative assessment, is due in particular to the increasing difficulty of keeping a second job alongside agricultural activity in certain Community regions.

The relative importance of various forms of underemployment

1. The forms of underemployment of labour described above have been brought together in Table 2.2.1-C.5, and expressed as a percentage of the labour force, to illustrate their relative importance.

The percentage of underemployed workers varies widely from one country to another. Observed figures are highest in Greece (14%) and Italy (12%). The United Kingdom, Ireland and Denmark are in an intermediate position (8-9%). The Netherlands (5%) and Belgium (3%) are relatively unaffected; full information is not available for Germany, France, Luxembourg and Spain.

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[12] The same remark again applies to Ireland concerning this assessment of the number of surplus jobs.

The relative importance of each type of underemployment considered is different, and varies from one country to another. On average for the Community, passive unemployment and underemployment in agriculture are approximately of the same order of magnitude; however, the other forms of visible underemployment[13] (column 4 of Table 2.2.1-C.5) are predominant. The figures for agricultural underemployment in different Member States vary widely; agricultural underemployment is the main factor in the high rate of total underemployment observed in Italy and Greece.

2. These data are estimates of the number of underemployed people in the Member States. In most cases, it is not possible to estimate the actual volume of unused labour on the basis of available data. While this volume varies between categories and countries, it will be lower in percentage terms than the figures given in the table, mainly because of the features of the types of underemployment entered in columns 3, 4 and 5.

3. Beyond the problems of quantifying not only the number of persons concerned but also the volume of unused available labour, the influence of several factors operating in the opposite direction must be taken into account. Firstly, 11% of the jobseekers in the category of "open unemployment", or 1.1% of the labour force, are looking for part-time jobs (Table 2.2.1-C.5); secondly, a Community survey carried out in 1985[14] showed that almost a quarter of employees in full-time employment were ready to work fewer hours a week for the same hourly rate.

In view of these reservations, it is not possible to compare most of these types of underemployment with unemployment as usually measured.

4. There is, however, a special situation in the agricultural sector. It is related to structural conditions of production and to the major predominance of self-employed workers in the sector. The conservative estimate of the   volume of unused available labour is one million full-time jobs, i.e. less than 1% of the Community's labour force, rising to about 4% of the labour force in Greece and over 5% in the Mezzogiorno.

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[13] People working less than usual and people with a job but not working for economic reasons.
[14] NERB, G. (1986). Employment problems: views of businessmen and the workforce; results of an employee and employer survey on labour market issues in the Member States. European Economy No 27.
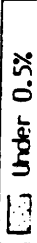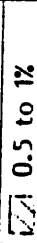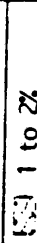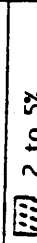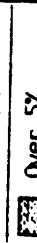
AGRICULTURAL UNDEREIIPLOYMENT

Share of farmers without other activities, working
less than 50% of normal hours
- 1983 -

Less than 10%

10 to 20%

20 to 30%

30 to 40%

Over 40%

MAP 2.2.1-C.2
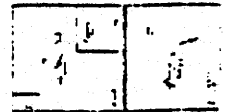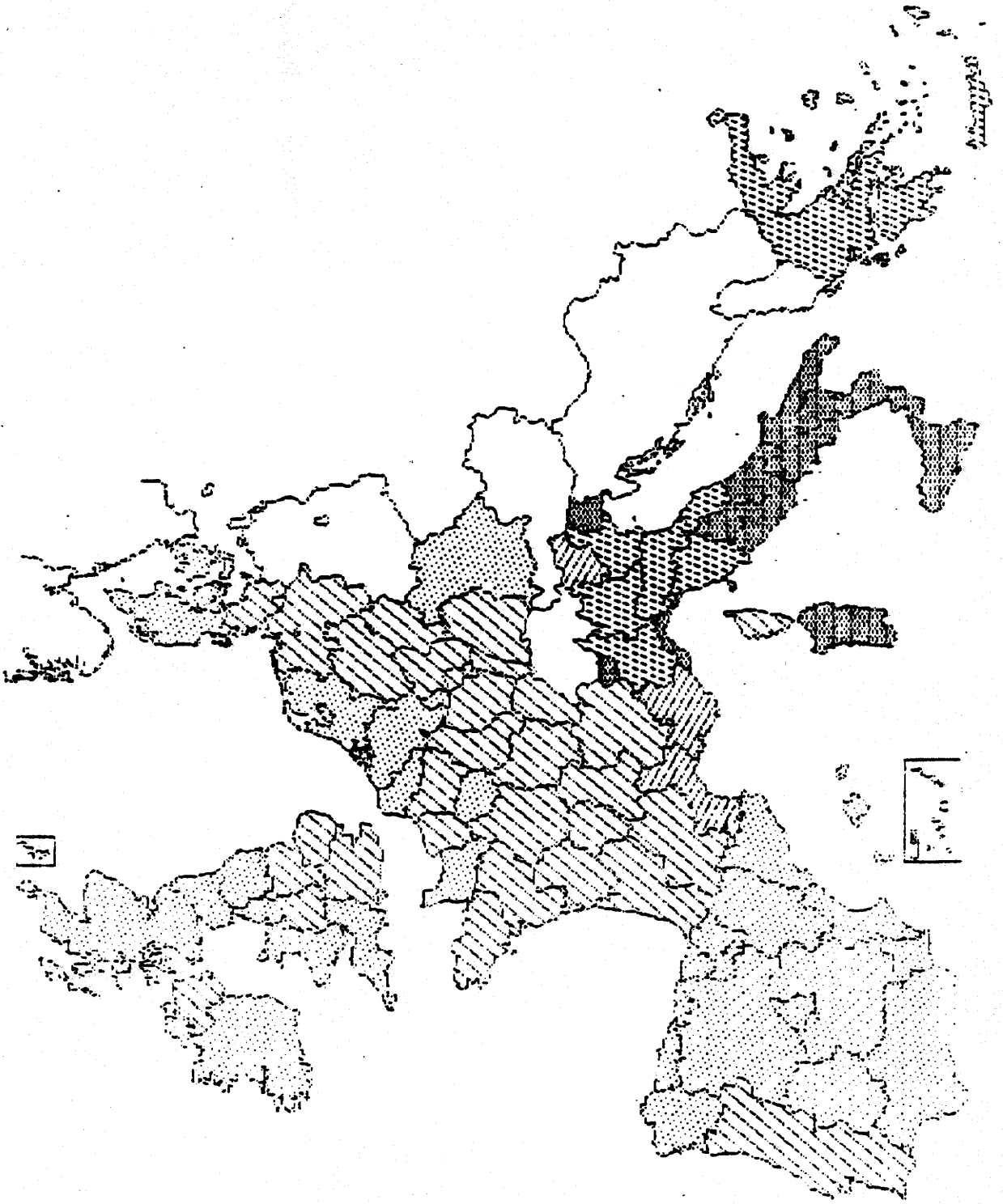
AGRICULTURAL UNDEREMPLOYMENT
Unused man-years as % of labour force
- 1983 -

Under 0.5%
0.5 to 1%
1 to 2%
2 to 5%
Over 5%
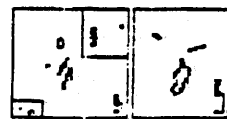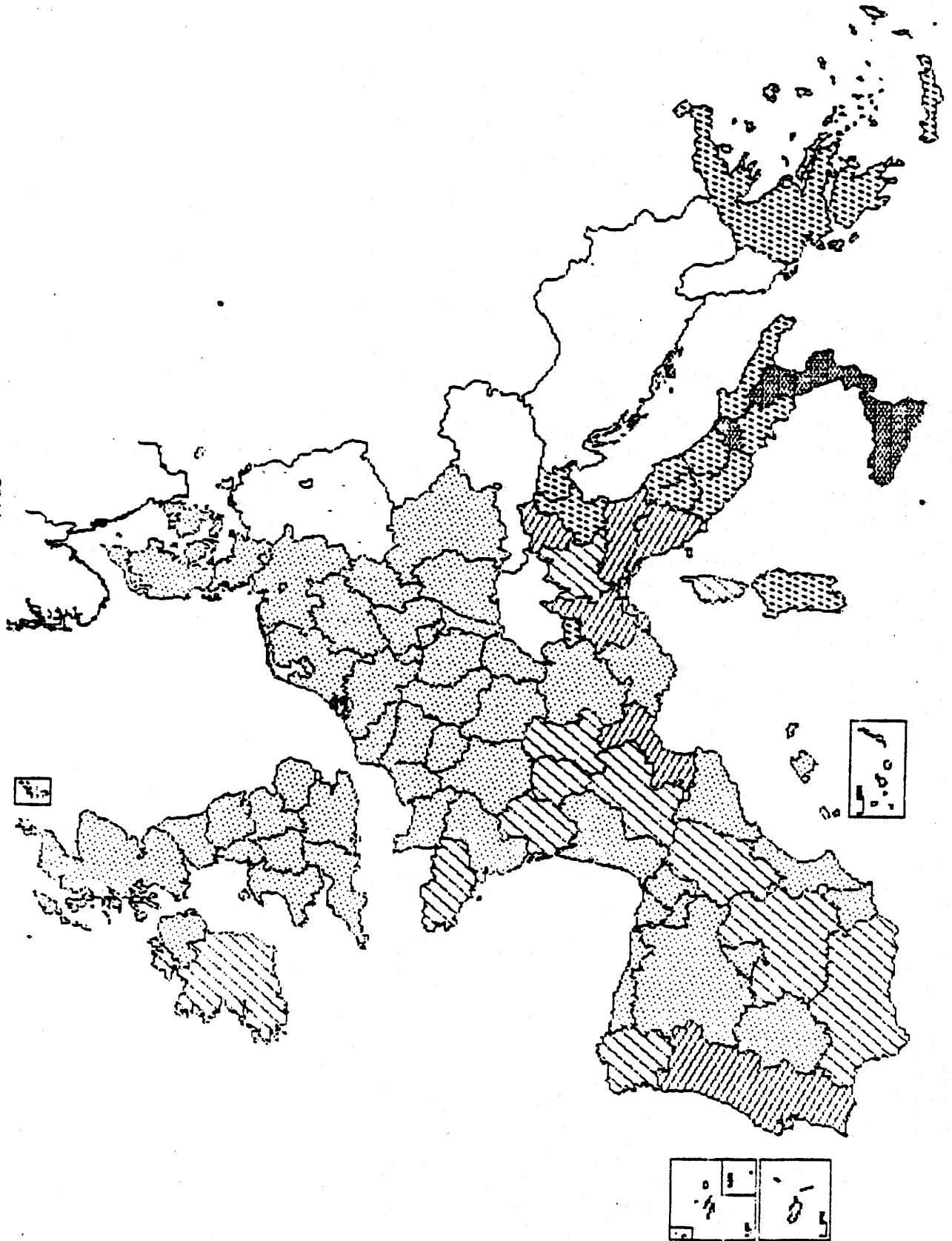
Table 2.2.1-C.1
Job-Seekers looking for part-time jobs
- 1983 -

Member State	As % of open unemployment			As % of labour force		
	Female	Male	Total	Female	Male	Total
D	26.3	3.4	13.9	2.0	0.2	0.9
F	15.3	2.3	9.5	1.6	0.1	0.8
I	9.5	2.7	6.5	1.4	0.2	0.6
NL	50.4	7.6	24.3	6.9	0.8	2.9
B	10.6	1.0	6.2	1.9	0.1	0.7
L	20.0	13.0	20.8	1.0	0.3	0.7
UK	28.9	2.0	11.5	2.8	0.2	1.3
IRL	30.7	2.5	11.1	4.9	0.4	1.6
DK	17.3	3.7	10.0	1.8	0.3	1.0
GR	6.7	2.6	4.7	0.8	0.2	0.4
EUR 10	20.4	2.9	11.0	2.4	0.2	1.1
E	2.0	0.2	0.9	0.4	0.0	0.2

Source: Community and Spanish labour force surveys

Table 2.2.1-C.2
Passive unemployment
- 1983 -

Member State	As % of total unemployment (open and passive)			As % of labour force		
	Female	Male	Total	Female	Male	Total
D	(11.5)	(7.8)	(9.5)	(1.0)	(0.5)	(0.7)
F	(16.5)	(6.7)	(12.4)	(2.1)	(0.4)	(1.1)
I	27.9	12.1	21.8	5.6	0.8	2.4
NL	9.4	4.0	6.3	1.4	0.5	0.8
B	8.3	4.8	6.8	1.6	0.4	0.9
L	-	-	-	-	-	-
UK	17.9	12.9	14.8	2.1	1.8	1.9
IRL	18.7	3.0	9.8	3.7	0.4	1.6
DK	(19.1)	(15.8)	(17.5)	(2.5)	(1.7)	(2.1)
GR	7.3	2.0	4.8	0.9	0.1	0.4
EUR 10	18.1	9.8	13.9	2.6	0.9	1.5
E[1]	39.4	3.0	20.0	5.6	1.2	4.3

[1] Comprises only "discouraged" withdrawals from the labour market.

Note: Passive unemployment comprises those who have ceased to be active job-seekers.

Source: Community and Spanish labour force surveys.

Table 2.2.1-C.3
Involuntary part-time working
- 1983 -

Member State	As % of all part-time workers			As % of labour force		
	Female	Male	Total	Female	Male	Total
D[1]	-	-	-	-	-	-
F[1]	-	-	-	-	-	-
I	27.3	31.0	28.7	2.2	0.7	1.2
NL	3.1	2.0	2.8	1.3	0.1	0.5
B	21.8	20.4	21.5	3.5	0.4	1.5
L	3.5	0.0	3.1	0.6	0.0	0.2
UK	7.9	18.2	8.9	2.9	0.5	1.5
IRL	15.5	54.9	26.7	2.0	1.3	1.5
DK	10.1	15.0	10.8	4.0	0.9	2.3
GR	11.4	44.3	24.9	1.2	1.6	1.5
EUR 10	-	-	-	-	-	-

[1] It is not possible on the basis of the labour force survey to distinguish between those working part-time by choice and others - the same applies for Spain.

Source: Community labour force sample survey.

Table 2.2.1-C.4
Underemployment among farmers
- 1983 -

Member State	Farmers (1 000)		Underemployed farmers as % of total farmers (= 100 x B/A)	Underemployment in man-work-years as % of regional labour force[1]
	Total (A)	Working less than 50% of normal hours without other activity (B)		
D	754.2	88.8	11.8	0.2
F	1.068.2	157.2	14.7	0.3
I	2.743.4	1 198.2	43.7	2.7
NL	134.9	5.6	4.1	0.0
B	100.5	0.9	0.9	0.0
L	4.3	0.3	6.9	0.0
UK	208.1	19.9	9.5	0.0
IRL	196.1	19.0	9.7	0.7
DK	96.8	6.5	6.7	0.1
GR	951.6	307.3	32.3	4.0
EUR 10	6 258.2	1 803.8	28.8	0.8
E	1 542.4	93.3	6.0	0.4
P[2]	713.4	91.5	12.8	1.0
EUR 12	8 514.0	1 988.6	23.4	0.7

[1] Assumption: Each underemployed farmer is assumed to work 50% of normal working time.

[2] Mainland agricultural census of 1979, labour force in 1981.

Sources: Community labour force and farm structure surveys.

Table 2.2.1-C.5
Main forms of labour underemployment
- 1983 -

Member State	Number of persons as % of labour force						Estimated agricultural underemployment: volume of work as % of labour force[3]
	Visible underemployment				Underemployment in agriculture[2]	Total number underemployed	
	Passive unemployment	Total	of which				
			Involuntary part-time workers	Other categories[1]			
	1	2	3	4	5	6 = 1 + 2 + 5	7
D	0.7	-	-	0.9	0.3	-	0.2
F	1.1	-	-	3.0	0.7	-	0.3
I	2.4	4.4	1.2	3.2	5.3	12.1	2.7
NL	0.8	1.9	0.5	1.4	0.1	2.8	0.0
B	0.9	4.1	1.5	2.6	0.0	5.0	0.0
L	-	1.5	0.2	1.3	0.2	-	0.1
UK	1.9	7.4	1.5	5.9	0.1	9.4	0.1
IRL	1.6	5.0	1.5	3.5	1.5	8.1	0.7
DK	2.1	6.1	2.3	3.8	0.2	8.4	0.1
GR	0.4	5.4	1.5	3.9	8.1	13.9	4.0
EUR 10	1.5	-	-	3.2	1.5	-	0.8
E	4.3	2.6	-	-	0.8	-	0.4

[1] Includes those working shorter hours than usual and those with a job but not working for economic reasons. Over time, these two types of underemployment depend to a large extent on cyclical and seasonal factors.

[2] Farmers working less than 50% of normal time without other activity.

[3] On the conservative assumption of 50% non-utilization.

Note: Columns 1 to 6 show the results of counting heads, in most cases, these figures cannot give an estimate of thevolume of unused labour.

Annex 2.2.1-D

Calculation of the synthetic index

1. The synthetic index is calculated for 160 Level II regions in the Community of Twelve; owing to the limited statistical data available for it, Portugal is treated as a single unit.

The synthetic index is computed in two stages:

(a) first, for the regions (Zr) in each Member State on the basis of a national index average of 100; and

(b) second, for each Member State (Zp) in relation to a Community average of 100.

The synthetic index for each region in relation to the Community average of 100 is obtained by combining the two intermediate indices as follows:

$$Z = \frac{Zr.Zp}{100}$$

The two-stage procedure for calculating the synthetic index takes specific account of the disparities within and between Member States.

The intermediate indices Zr and Zp are obtained by applying a method of calculation identical to that used for the second periodic report, the only difference being that the number of variables has been increased.

2. The synthetic index is calculated for 1981, 1983 and 1985 on the basis of the following indicators:[1]

(a) GDP per head of population in PPS (X_1)

(b) GDP per person employed in ECUs (X_2);

(c) the "adjusted" unemployment rate (X_3), i.e. the sum of the harmonized unemployment rate and of underemployment in agriculture expressed as a percentage of the total labour force;[2]

(d) additional job requirements due to the growth in the labour force up to 1990 (X_4).[3]

---

[1] Expressed as a percentage of the national average for the calculation of Zr and as a percentage of the Community average for the calculation of Zp.

[2] Underemployment in agriculture is estimated applying a methodology described in Section 2.2.1-C. The extent of underemployment in agriculture expressed as a percentage of the regional labour force is shown on Map 2.2.1-C.2.

[3] Regional estimates of additional job requirements, excluding migration, are made applying a methodology described in Section 3.3.

By combining the two indicators relating to unemployment and underemployment in the "adjusted" unemployment rate, the synthetic index has four components. The weight of each component is:

(a) for the economic performance of the region (weight = W_{12} = 50%):
- W_1 = 25% for GDP per head of population;
- W_2 = 25% for GDP per person employed;

(b) for the regional labour market (weight = W_{34} = 50%):
- W_3 = 40% for the "adjusted" unemployment rate;
- W_4 = 10% for new job requirements up to 1990.

Maps 2.2.1-D.1 to 2.2.1-D.4 depict the situation in the regions in relation to the Community average for each of the indicators making up the synthetic index. They take account of the adjustments made before the synthetic index is calculated (see point 4 below).

3. The indices Zr and Zp are calculated in the same way. The symbol Z is used below to simplify notation.

In order to obtain variables with the same dispersion, each of them is first transformed applying the formula:

$$Ui = \frac{Xi - Mxi}{Sxi} \quad i = 1, \ldots, 4,$$

where: M_{xi} is the weighted average[4] of the i^{th} component
S_{xi} is the weighted standard deviation[4] of the i^{th} component.

The two GDP indices (U_1 and U_2), on the one hand, and unemployment (U_3) and new job requirements (U_4) on the other, point in opposite directions in that a high index value for GDP reflects a favourable situation, whereas a high value for the last two components reflects an unfavourable situation. And so, in order to render each component consistent with a view to assessing the relative intensity of regional problems in the Community, the sign of the third and fourth indicators was inverted. Accordingly, $U'_3 = -U_3$ and $U'_4 = -U_4$ were used in the additions.

The synthetic index for each region is obtained by adding together the transformed values as follows:

(a) Calculation of two transformed intermediate indices by working out the average of the transformed values by means of the formulae:

$$V_1 = a_1(W_1 \cdot U_1 + W_2 \cdot U_2)$$

$$\text{and:} \quad V_2 = a_2(W_3 \cdot U'_3 + W_4 \cdot U'_4).$$

---

[4] The weighting is based on the 1985 regional population figures.

a_1 and a_2 are defined in such a way that the standard deviation of V_1 and V_2 is equal to 1:

$$a_1 = 1/\sqrt{W^2_1 + W^2_2 + 2.r_{12}.W_1.W_2}$$

where: r_{12} is the coefficient of correlation between U_1 and U_2;

$$a_2 - 1/\sqrt{W^2_3 + W^2_4 + 2.r_{34}.W_3.W_4}$$

where: r_{34} is the coefficient of correlation between U_3 and U'_4;

(b) Calculation of the average of the two intermediate indices V_1 and V_2 by means of the formula:

$$Z' = b(W_{12}.V_1 + W_{34}.V_2)$$

where: $W_{12} = W_1 + W_2$,

$W_{34} = W_3 + W_4$,

$$b = 1/\sqrt{W^2_{12} + W^2_{34} + 2.r.W_{12}.W_{34}}$$

r is the coefficient of correlation between V_1 and V_2.

(c) Conversion of the transformed variables into a synthetic index by means of the formula:

$$Z = Z'.Sz + 100$$

where: $Sz = \sqrt{W^2_{12}.S^2_{(X+X)} + W^2_{34}.S^2_{(X_3+X_4)} + 2.R.W_{12}.W_{34}.S_{(X_1+X_2)}.S_{(X'_3+X'_4)}}$

R is the coefficient of correlation between $(X_1 + X_2)$ and $(X'_3 + X'_4)$.

4. Before the synthetic index is calculated, the GDP indices for Groningen, Hamburg and Bremen are adjusted.

Since over half of the GDP of the Groningen region is generated by natural gas production, which is not attributable to that region, it was decided that that part of GDP should be apportioned between all the Dutch regions (including Groningen) in proportion to their population. This adjustment is made both for GDP per person employed in ECUs and for GDP per head of population in PPS.

Since a large proportion of the GDP generated in the city states of Hamburg and Bremen in fact benefits the people living in the surrounding regions who work in those two cities, an adjustment is made to take this into account. It has the effect of reducing GDP per head of population in PPS in Hamburg and Bremen and of increasing it in Schleswig-Holstein and in the administrative areas of Lüneburg, Hannover and Weser-Ems. This adjustment is not made for GDP per person employed in ECUs, as - according to ESA-REG accounting rules - the place of work concept is used.

MAP 2.2.1-D.1

GDP PER HEAD OF POPULATION[1]
(PPS: 1981-1983-1985)

% share of population

15.0 12.0 19.5 29.2 5.7 10.6

30 25 20 15 10 5 0
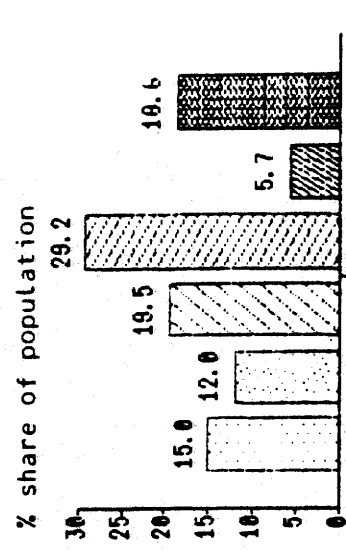
1 : > 125.7
2 : 112.9 - 125.7
3 : 100.0 - 112.0
4 : 87.1 - 100.0
5 : 74.3 - 87.1
6 : < 74.3

eur12 - 100.0 - s - 25.7

MAP 2.2.1-D.2
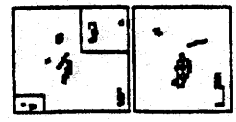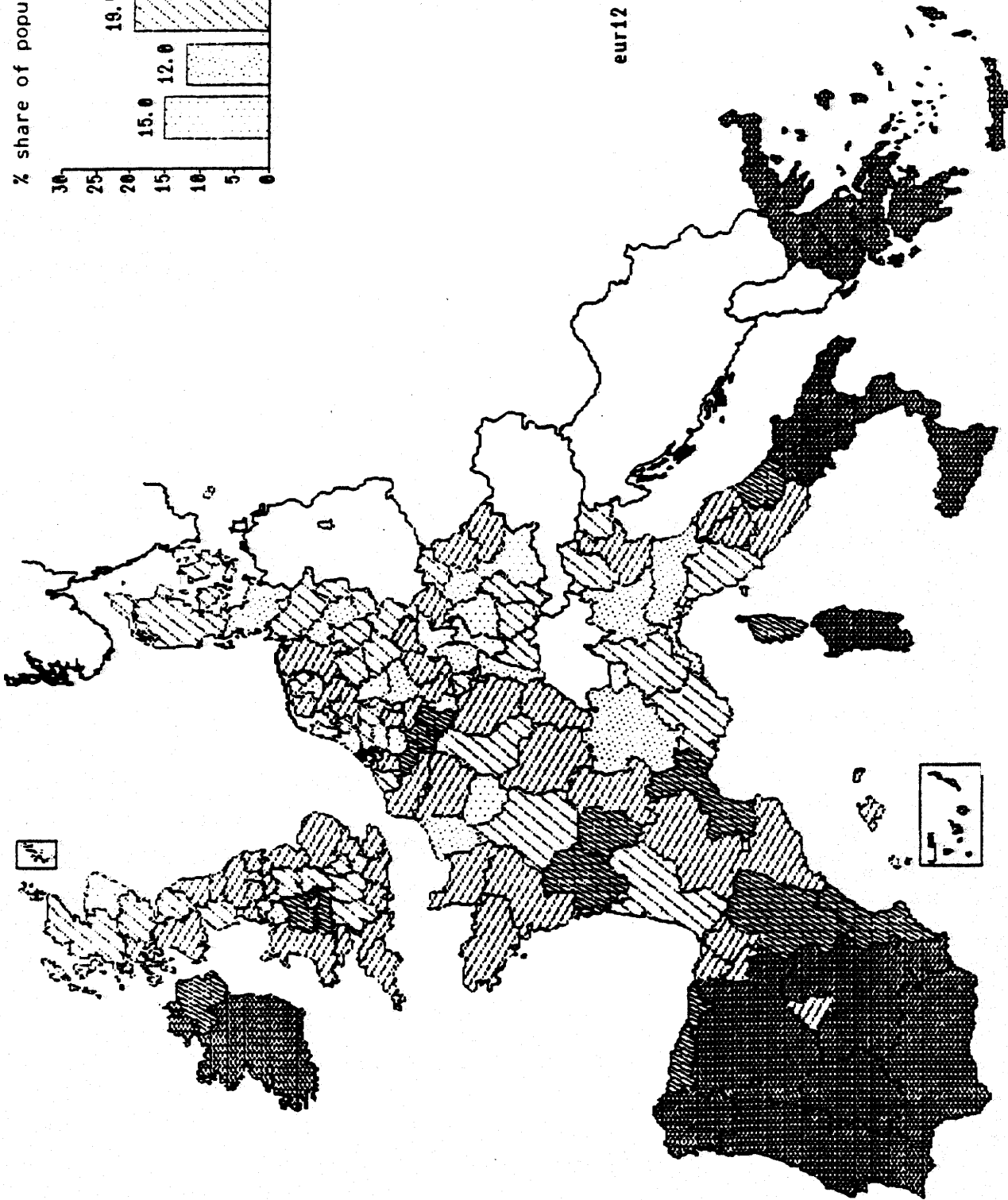
GDP PER PERSON EMPLOYED
(ECUs: 1981-1983-1985)

% share of employment

16.7   14.1   18.0   24.0   13.0   13.4

25
20
15
10
5
0
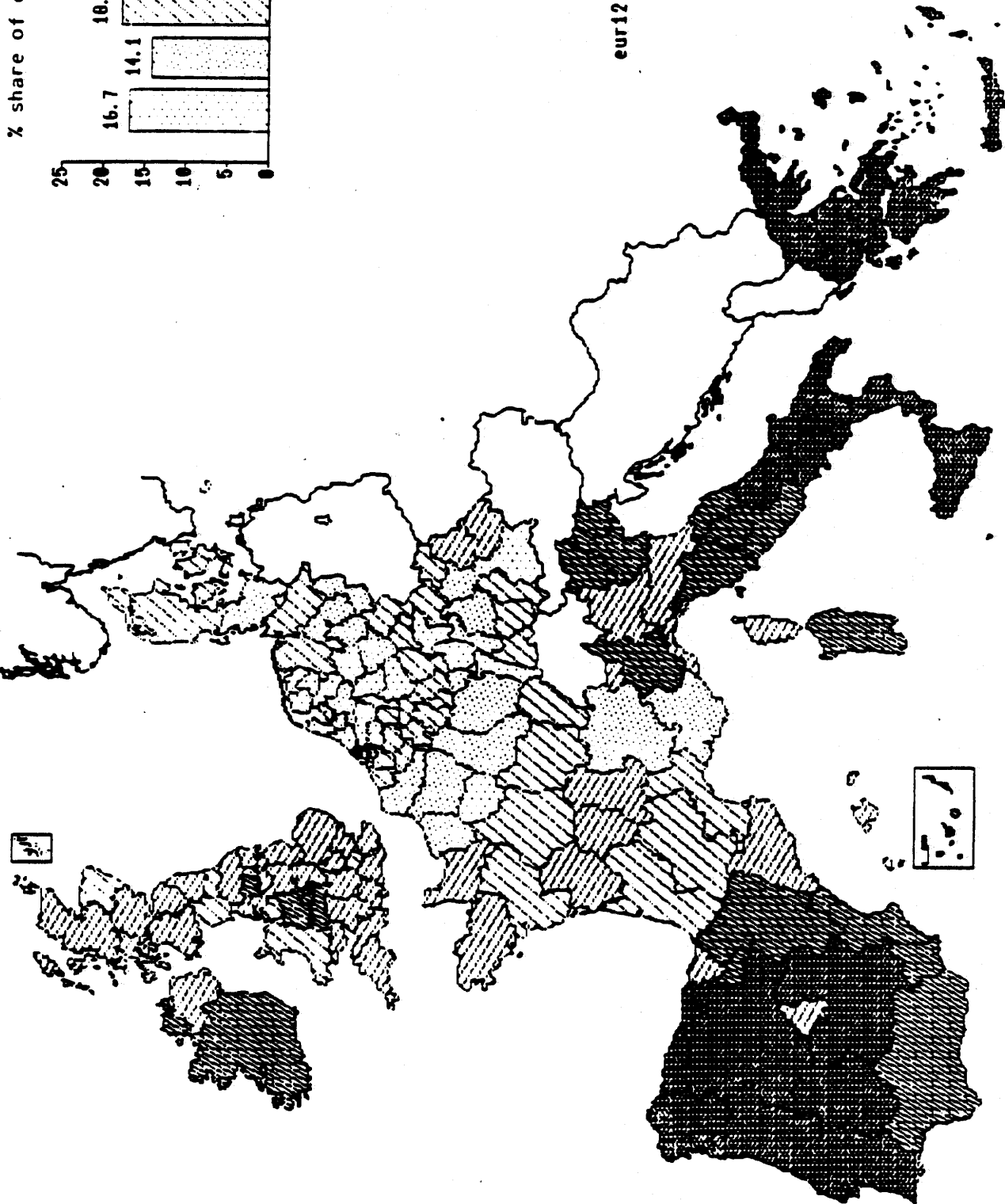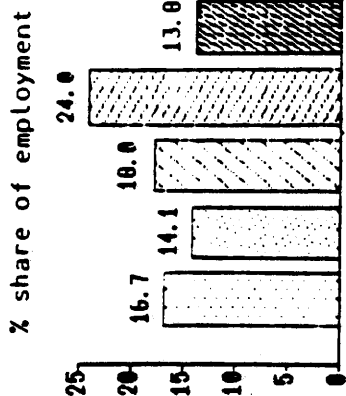
1 : > 127.4
2 : 113.7 - 127.4
3 : 100.0 - 113.7
4 : 86.3 - 100.0
5 : 72.6 - 86.3
6 : < 72.6
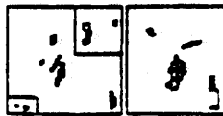
eur12 - 100.0 - s - 27.4

UNEMPLOYMENT RATE INDEX

(harmonized unemployment: 1981-1983-1985[+] underemployment in agriculture: 1983)

% share of unemployment

eur12 = 100.0 - s = 40.4

Legend:
- 1 : < 51.6
- 2 : 51.6 - 75.0
- 3 : 75.0 - 100.0
- 4 : 100.0 - 124.2
- 5 : 124.2 - 140.4
- 6 : > 140.4

Bar chart values: 2.6, 18.4, 16.5, 22.5, 6.0, 34.0
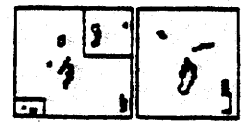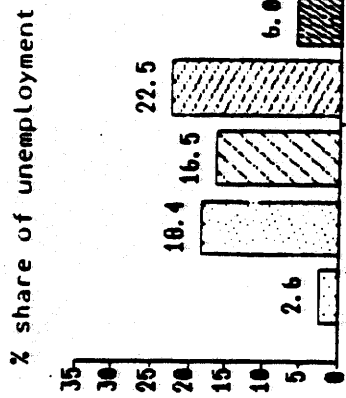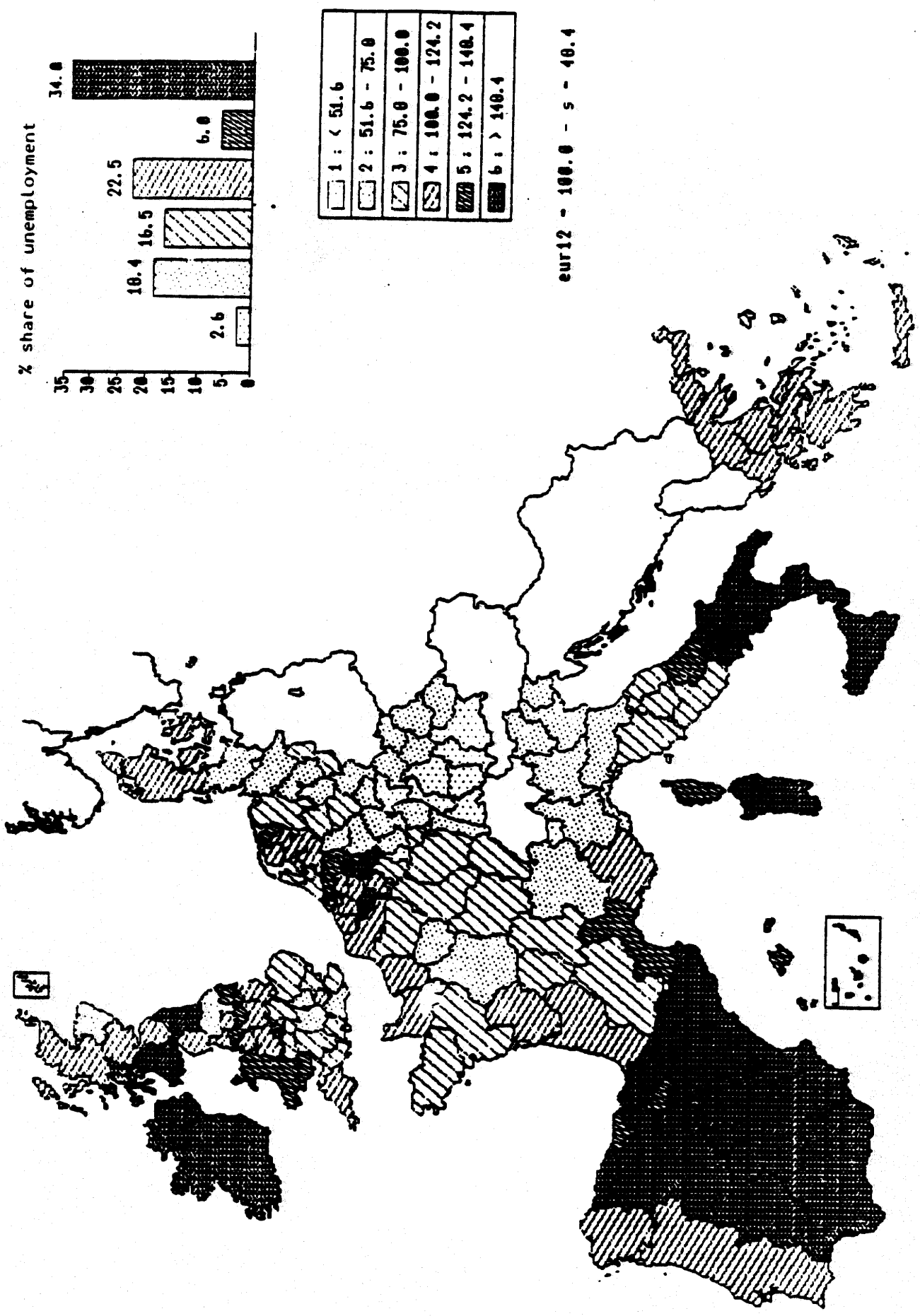
INDEX OF LABOUR FORCE GROWTH UP TO 1990

% share of labour force
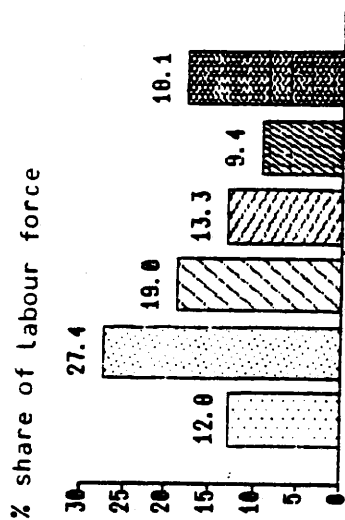
eur12 - 100.0 - s - 00.0

1 : < 19.2	
2 : 19.2 - 59.6	
3 : 59.6 - 100.0	
4 : 100.0 - 140.4	
5 : 140.4 - 100.0	
6 : > 100.0	

MAP 2.2.1-0.5

SYNTHETIC INDEX

% share of population
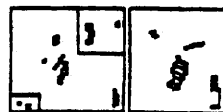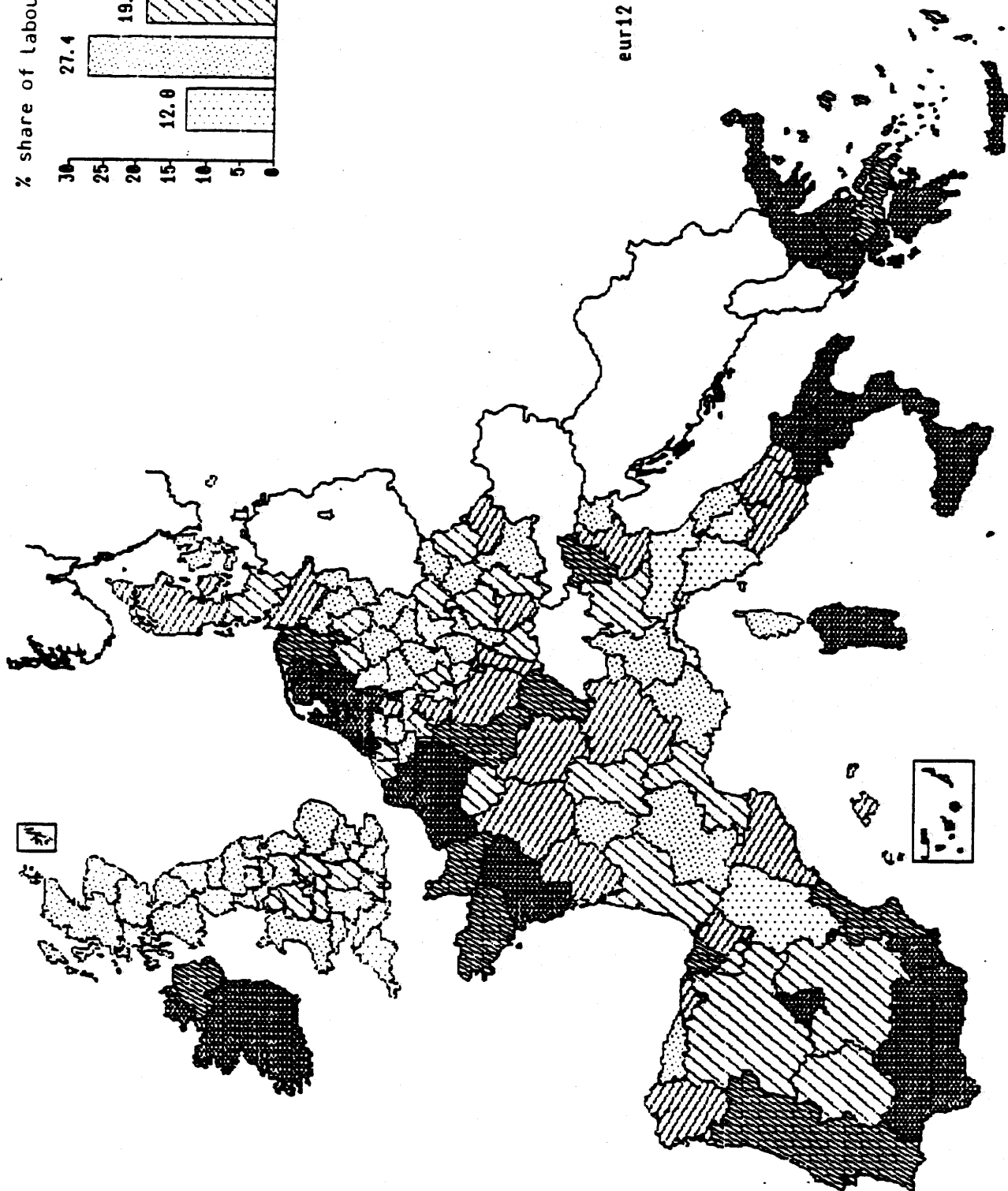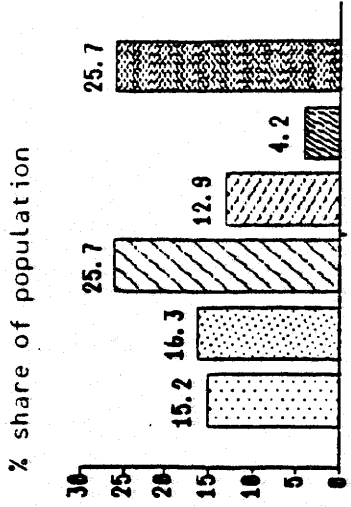
1 : > 132.9	
2 : 116.4 - 132.9	
3 : 100.0 - 116.4	
4 : 83.6 - 100.0	
5 : 67.1 - 83.6	
6 : < 67.1	

eur12 = 100.0 - s = 32.9
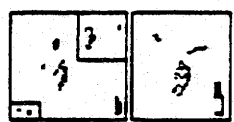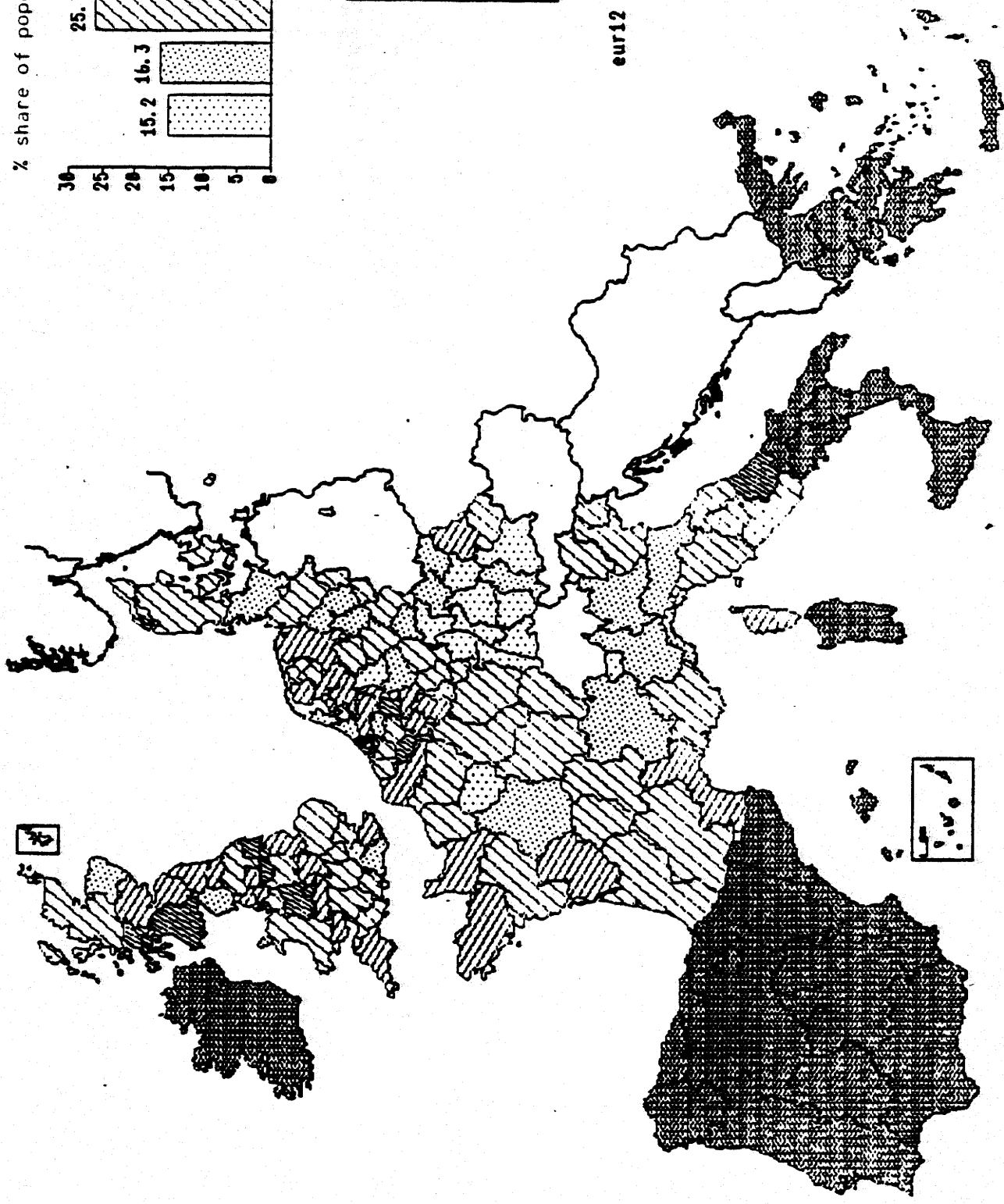
TABLE 2.2.1-D.1

SYNTHETIC INDEX
of the intensity of regional problems in the Community[1]
(1981 - 83 - 85)

(EUR 12 = 100)

#	Name of Region		Value
1	Basilicata	(I)	36.9
2	Calabria	(I)	38.0
3	Andalucia	(ESP)	38.8
4	Extremadura	(ESP)	39.2
5	Canarias	(ESP)	46.1
6	Ireland	(IRL)	47.6
7	Sardegna	(I)	49.4
8	Castilla Mancha	(ESP)	50.0
9	Thrakis	(GR)	50.5
10	Molise	(I)	50.6
11	Murcia	(ESP)	51.3
12	Galicia	(ESP)	53.8
13	Castilla Leon	(GR)	54.4
14	Comm. Valenciana	(ESP)	54.6
15	Sicilia	(I)	54.9
16	Castilla Leon	(ESP)	55.0
17	Campania	(I)	55.7
18	Pelop. & Dit. Ster. Ell.	(GR)	56.9
19	Puglia	(I)	57.2
20	Thessalias	(GR)	57.2
21	Cataluna	(ESP)	57.7
22	Pays Vasco	(ESP)	58.3
23	Asturias	(ESP)	58.4
24	Portugal	(POR)	58.4
25	Kritis	(GR)	58.4
26	Anatolikis Makedonias	(GR)	59.0
27	Aragon	(ESP)	59.5
28	Cantabria	(ESP)	59.7
29	Madrid	(ESP)	59.8
30	Navarra	(ESP)	59.9
31	Anat. Stereas ke Nison	(GR)	61.9
32	Kent. ke Dit. Makedonias	(GR)	63.0
33	Northern Ireland	(UK)	64.4
34	Rioja	(ESP)	65.9
35	Baleares	(ESP)	66.0
36	Nison Anatolikou Egeou	(GR)	67.1
37	West Midlands County	(UK)	67.8
38	Merseyside	(UK)	74.8
39	Abruzzi	(I)	75.7
40	Dum. & Gal.,Strathclyde	(UK)	76.2
41	Limburg (B)	(B)	78.1
42	Hainaut	(B)	81.2
43	Salop, Staffordshire	(UK)	82.1
44	Humberside	(UK)	82.4
45	South Yorkshire	(UK)	83.2
46	West Yorkshire	(UK)	84.0
47	Corse	(F)	84.2
48	Heref. & Worc., Warw.sh.	(UK)	85.7
49	Languedoc-Roussillon	(F)	87.2
50	Cleveland, Durham	(UK)	88.1
51	Namn prov.	(B)	89.2
52	Northumber., Tyne & Wear	(UK)	89.8
53	Poitou-Charentes	(F)	90.7

#	Name of Region		Value
54	Limburg (N)	(NL)	91.4
55	Liege prov.	(B)	91.6
56	Weser-Ems	(D)	92.2
57	Friesland	(NL)	92.3
58	Greater Manchester	(UK)	93.0
59	Bor, Cen, Fif, Lot, Tay	(UK)	93.0
60	Lincolnshire	(UK)	95.0
61	Basse-Normandie	(F)	95.3
62	Lancashire	(UK)	95.8
63	Overijssel	(NL)	96.0
64	Gwent, M. S. W. Glamorg.	(UK)	96.3
65	Gelderland	(NL)	96.4
66	Kent	(UK)	96.5
67	Nord-Pas-de-Calais	(F)	96.6
68	Noord-Brabant	(NL)	96.7
69	Cornwall, Devon	(UK)	96.8
70	Oberpfalz	(D)	96.9
71	Bretagne	(F)	90.0
72	Luxembourg (B)	(B)	98.5
73	Leices.sh., Northamp.sh.	(UK)	98.9
74	Pays de la Loire	(F)	100.6
75	Derbysh., Nottinghamsh.	(UK)	100.7
76	Highlands,Islands	(UK)	101.2
77	West for Storebaelt	(B)	101.3
78	West for Storebaelt	(I)	101.4
79	Umbria	(NL)	101.7
80	Groningen	(I)	102.0
81	East Anglia	(UK)	102.2
82	Trentino-Alto Adige	(I)	102.4
83	Ost for Storebaelt	(DK)	102.9
84	Saarland	(D)	103.6
85	Picardie	(F)	103.7
86	Marche	(I)	104.1
87	Clwy, Dyfe, Gwyn, Powy	(UK)	104.2
88	Niederbayern	(D)	104.3
89	Haute-Normandie	(F)	104.5
90	Trier	(B)	105.3
91	West-Vlaanderen	(B)	106.1
92	Lazio	(I)	106.3
93	Hampshire, Isle of Wight	(UK)	106.4
94	Bremen	(D)	106.8
95	Essex	(UK)	108.3
96	Brabant	(B)	108.4
97	Auvergne	(F)	108.5
98	Aquitaine	(F)	109.0
99	Limousin	(F)	109.2
100	North Yorkshire	(UK)	109.2
101	Veneto	(I)	109.5
102	Avon, Glou.sh., Wiltsh.	(UK)	109.8
103	Midi-Pyrénées	(F)	109.8
104	Berk.sh.,Buck.sh.,Oxf.sh.	(UK)	110.4
105	Provence-Alpes-C d'Azur	(F)	110.5
106	Lorraine	(F)	110.5
107	Luneburg	(D)	

#	Name of Region		Value
108	Bourgogne	(F)	110.9
109	Muenster	(D)	110.9
110	Champagne-Ardennes	(F)	110.7
111	Utrecht	(NL)	112.2
112	Arnsberg	(D)	112.4
113	Dorset, Somerset	(UK)	113.0
114	Friuli-Venezia Giulia	(I)	113.4
115	Bedfordsh.,Hertfordsh.	(UK)	113.9
116	Franche-Comté	(F)	114.0
117	Braunschweig	(D)	115.0
118	Kassel	(D)	115.4
119	Koblenz	(D)	115.7
120	Drenthe	(NL)	115.8
121	Toscana	(I)	115.9
122	Cheshire	(UK)	116.0
123	Detmold	(D)	116.1
124	Centre	(F)	116.7
125	Unterfranken	(D)	117.0
126	Oberfranken	(D)	117.1
127	E. Sus., Surrey, W. Sus.	(UK)	117.5
128	Zeeland	(NL)	117.6
129	Cumbria	(UK)	118.5
130	Antwerpen prov.	(B)	118.7
131	Noord-Holland	(NL)	119.8
132	Piemonte	(I)	120.1
133	Schleswig-Holstein	(D)	120.1
134	Hannover	(D)	120.4
135	Giessen	(D)	120.8
136	Zuid-Holland	(NL)	120.9
137	Emilia-Romagna	(I)	121.8
138	Koeln	(D)	128.1
139	Rhone-Alpes	(F)	129.8
140	Schwaben	(D)	130.1
141	Liguria	(I)	130.6
142	Grampian	(UK)	130.8
143	Lombardia	(I)	132.6
144	Tuebingen	(D)	134.8
145	Freiburg	(D)	134.9
146	Greater London	(UK)	135.0
147	Duesseldorf	(D)	136.3
148	Alsace	(F)	136.4
149	Mittelfranken	(D)	136.4
150	Hovedstadsregionen	(DK)	141.4
151	Berlin (West)	(D)	141.7
152	Valle d'Aosta	(I)	142.4
153	Rheinhessen-Pfalz	(D)	143.4
154	Luxembourg (G.D.)	(L)	144.2
155	Karlsruhe	(D)	151.3
156	Ile de France	(F)	151.5
157	Hamburg	(D)	150.7
158	Stuttgart	(D)	160.5
159	Oberbayern	(D)	165.7
160	Darmstadt	(D)	171.0

[1] Low index values indicate high problem intensity (and vice-versa)

Annex 2.2.2-A

Differences in labour costs

1. Labour costs are an important determinant of overall economic activity and prosperity within a region. The relationship between labour costs and GDP as a whole operates through 2 distinct and sometimes conflicting channels. On the one hand, they are a key component of the incomes of the employed population and as such make up a large part of the level of GDP in any given year; on the other, they form a major part of the total costs of production for most activities, and are thus closely related to the competitive position of a region, an important determinant of the growth of GDP and employment over time. Assessing the appropriate balance between these 2 channels for individual regions is a complex task and is not attempted here. This section presents the current pattern of labour costs and considers links with other variables characterising the structure and operation of regional economies.

2. The regional pattern of labour costs in the Community is similar to the distribution of GDP per head. Across the Community, the highest labour costs tend to be found in regions with a high level of GDP per head. These are mainly centrally-located urban regions, in particular around Hamburg, Paris and Brussels. Labour costs in Northern urban regions are double those in Southern Italy or Ireland, and 2 1/2 times the level in Greece. While the regional pattern of labour costs is broadly similar to that for GDP per head, disparities in all labour cost measures show considerably less variation than GDP per head or per person employed between regions within each Member State. The same is true for labour costs in industry (see Map and Table 2.2.2-A.1), which are taken as the basis for the analyses reported on in the remainder of this section.[1] In view of the very close relationship between overall labour costs and industrial labour costs, little generality is lost.

3. In general, variations in industrial labour costs between regions across the Community are shaped by differences between countries. Within countries, variations are considerably less. There are 3 main reasons for this. First, labour costs are expressed in current exchange rates since it

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[1] These analyses are based on the results of a study carried out for the Commission by PA-Cambridge Economic Consultants who examined labour costs and incomes in EUR10. Data sources available and drawn upon were from 19⁻8 and 1981, principally for labour costs in industry (NACE 1-5) at NUTS Level I.

is at these rates that trade actually takes place and production decisions
are etermined. So inter-country comparisons are affected by differences
in exchange rates to the extent that these do not fully reflect
differences in costs. Second, total labour costs include an element of
charges supplementary to wages and salaries, such as employers' social
s rity contributions, holiday provision etc. These factors, which are
partly institutionally-determined, vary considerably between countries,
but tend to be much more uniform across regions within the same country.
Such charges can account for as much as 45% of total labour costs (in
Italy) or as little as 15% (in Denmark). Finally, as far as the element of
wages and salaries is concerned, the incidence of nationally-applicable
pay agreements tends to reduce the spread of regional differentiation in
pay rates within countries.

4. Lack of comparable statistics for the Community has been a major
constraint on cross-country academic studies in Europe, in contrast to the
United States and Canada where regional labour cost disparities have been
analysed to a much greater extent. Nevertheless European work has
highlighted a number of factors influencing differences in regional labour
costs although none of these assumes a particular importance on its own.
Industrial pay rates and labour costs tend to be lower in regions where
part-time working is more prevalent, and where the proportion of
employment in manual occupations is high. Labour costs in smaller firms
tend to be lower than in larger firms, on average by around 20%.[2] Costs
also tend to be lower, the more rural and peripherally-located a region
is. Differences in industrial structure, however, do not seem to be
important in explaining inter-country differences in labour costs; indeed,
differences in pay rates for firms within the same industry can be much
more important than differences between industries. For the regions it
has not been possible to carry out an analysis at a sufficiently fine
level of disaggregation, but at the broad 3-sector level, differences due
to industrial structure are generally a relatively minor element in
overall inter-regional disparities in costs, outside of areas particularly
dependent on agriculture.

_____

[2] The relationship between costs and firm size is complex. The variation
in labour costs between regions appears to be dominated by the variation
in the behaviour of large firms. The size of the small firm sector
itself is not an important influence on labour costs, despite lower
average pay in small firms; what does appear significant is the degree
to which firm sizes are more equal within a region, indicating a greater
degree of competition between firms.

5. In considering the <u>competitive position</u> of industry in a region, differences in labour costs need to be viewed alongside differences in productivity. In general, labour costs are not differentiated in such a way as to compensate for differences in productivity levels. On a measure of labour costs per unit of output[3], there is some tendency for regions or countries with relatively low labour costs, such as Greece or Southern Italy, to perform relatively poorly (see Map 2.2.2-A.2 and Table 2.2.2-A.1). Labour costs appear rather higher there relative to productivity than elsewhere, and competitiveness is consequently lower. Conversely, many richer regions have levels of productivity which more than compensate for high labour costs, and these appear relatively competitive.[4] Differences in the endowment of capital are of course a key determinant of relative productivity levels, but lack of data restricts evaluation of the relative contribution of capital stocks to productivity at the regional level. Moreover, there may be factors other than productivity which tend to offset high wage costs in some cases, strengthening the degree of non-price competitiveness of a region.

6. An important question of current interest is the degree to which <u>wage differentials</u> reflect underlying market conditions. Across the regions of the Community it appears that labour costs do not fully adjust to regional labour market conditions: as an indication of that, pay rates are more uniformly spread between regions than general income levels and there appears to be little or no link with unemployment levels. Indeed, unemployment tends to be higher in areas where labour costs are already low, although this effect is primarily due to differences between countries. Within countries, the overall relationship is insignificant. Even after making an adjustment for productivity differentials, there appears to be no global relationship between unit labour costs and unemployment rates. However, competitive market conditions appear to be associated with lower pay rates in some areas, in particular where the small and medium-sized firm sector is dynamic and where large firms are not in a dominant position. Moreover, there are some striking cases of regions where high unit labour costs go hand in hand with a relatively

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[3] Defined as monthly labour costs in industry divided by output per employee in industry, i.e. measuring labour costs per unit of output.

[4] There are also a number of high cost regions with apparently insufficiently high productivity, especially in Germany, although data problems warrant caution in interpreting these statistics.

poor economic performance, such as in Southern Italy and Greece; or with
structural adjustment problems, such as in the West Midlands, Wallonia,
Nordrhein Westfalen and Saarland (See Map 2.2.2-A.2).[5]

7. Summary and conclusions: The regional spread of labour costs in the
Community is closely related to the distribution of GDP per head, with the
highest costs found in centrally-located urban regions and the lowest in
peripheral and rural regions. Differences between countries appear more
significant than differences within countries, reflecting the effects of
exchange rates, nationally-determined systems of social security provision
and a tendency for pay bargaining to be conducted and applied nationally.
Factors influencing regional rates of pay - the principal component of
wage costs - include the incidence of part-time working, and the
proportion of employment in manual occupations, which both tend to be
associated with lower pay rates. Pay is also relatively lower in small
firms, although the size of the small firm sector does not appear
significant in determining overall regional pay rates; it is the degree of
similarity in firm sizes within a region - an indication of the extent of
competition between firms - which appears important in keeping pay rates
and labour costs at lower levels. Industrial structure is, however, not a
significant influence on labour cost differences between countries; within
countries, structural effects appear of minor importance, outside regions
particulary dependent on agriculture.

8. Labour cost differentials do not appear to reflect underlying labour
market conditions, with little apparent link between labour costs and
unemployment either between or within countries. Nor does it appear
generally to be the case that labour cost differences adjust to compensate
for differences in the level of productivity between regions. For example,
labour costs per unit of output appear relatively high in areas where
productivity is low; to some extent the converse is also true. Convergence
in productivity levels within the Community is a relatively long term
process. In the meantime prospects for growth and employment could be
assisted by greater regional differentiation in setting pay rates and
other elements of labour cost to reflect differences in productivity and
market conditions more closely.

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[5] While measures of unit labour cost are influenced to a certain extent by
short term exchange rate fluctuations, the broad regional pattern is
unlikely to change substantially.

MAP 2.2.2-A.1

LABOUR COSTS IN INDUSTRY (MONTHLY)
(at current ECU exchange rates)
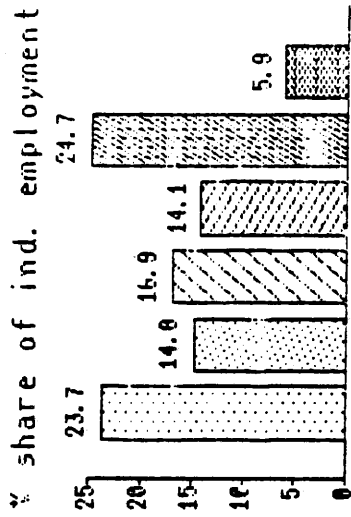
% share of ind. employment

23.7   14.0   16.9   14.1   24.7   5.9

☐	less than 81.6
▨	between 81.6 & 90.8
▨	between 90.8 & 100.0
▨	between 100.0 & 109.2
▨	between 109.2 & 118.4
▨	greater than 118.4

EUR 10-100.0
std dev-18.4

UNIT LABOUR COSTS IN INDUSTRY - 1981

% share of ind. employment

25.6   8.9   10.4   22.4   12.3   20.2

30
25
20
15
10
5
0
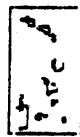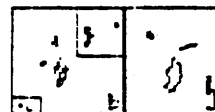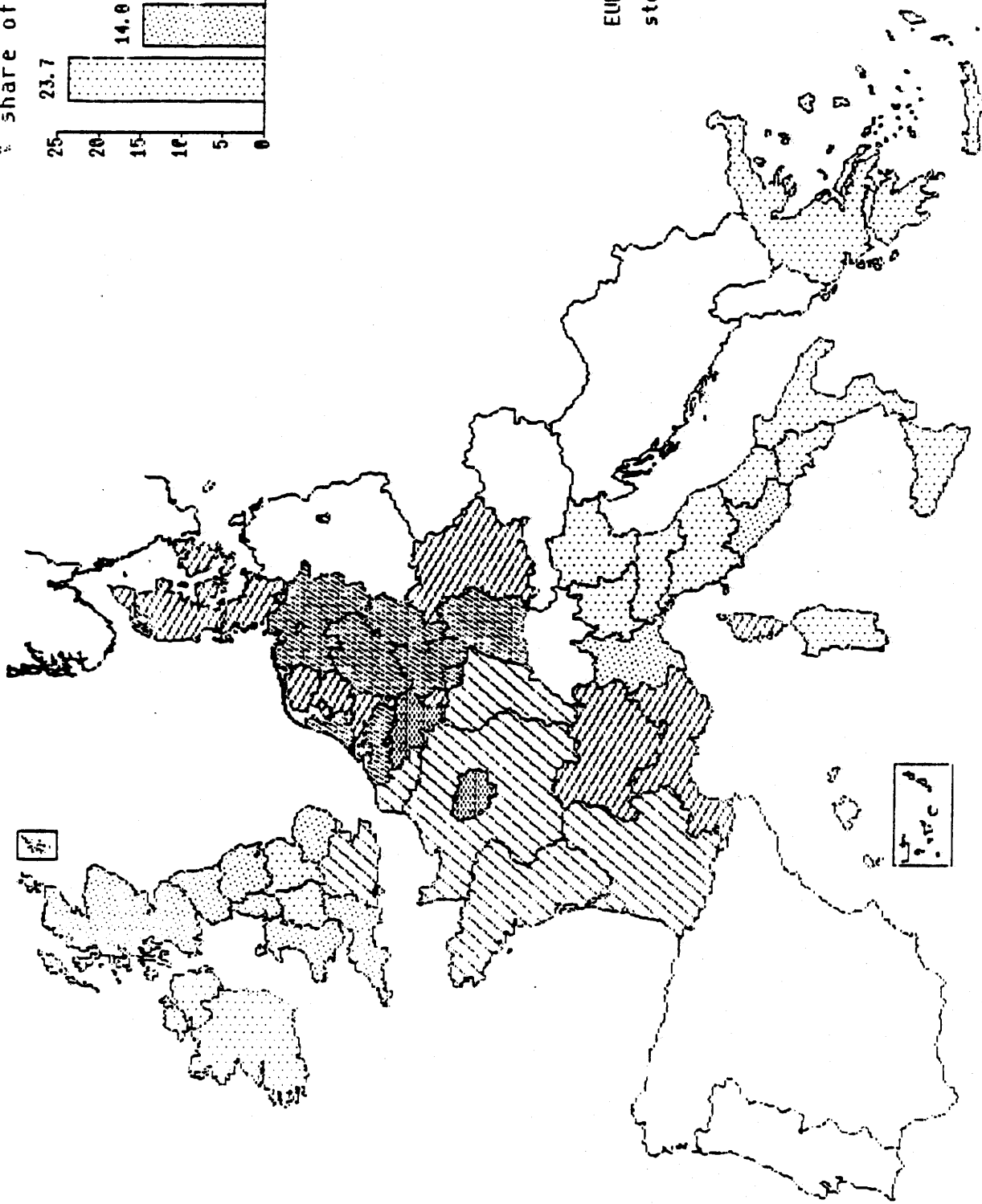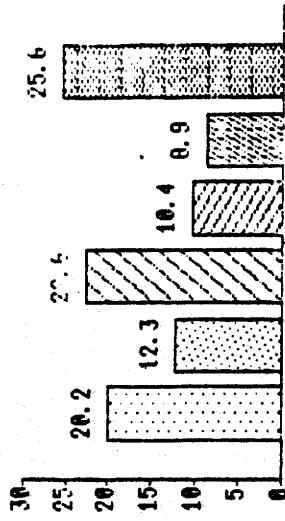
1 : < 90.3	
2 : 90.3 - 95.1	
3 : 95.1 - 100.0	
4 : 100.0 - 104.9	
5 : 104.9 - 109.7	
6 : > 109.7	
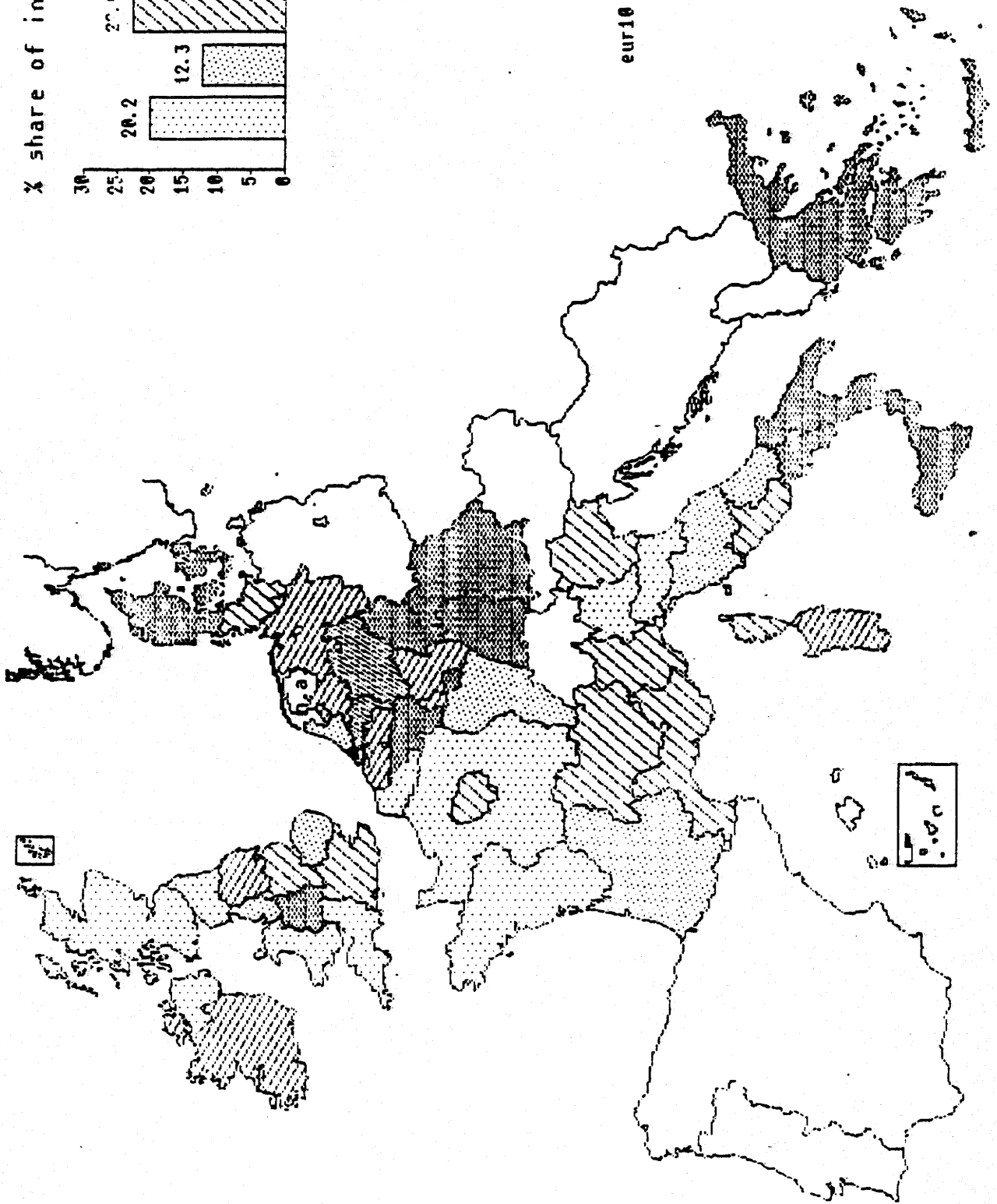
eur10 = 100.0 - s = 9.7
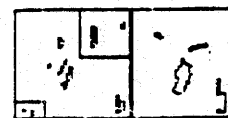
Table 2.2.2-A.1

Disparities in incomes and labour costs

EUR 10 = 100

- 1981 -

Member State	GDP per head				Monthly labour costs in industry				Unit labour costs in industry[1]			
	Regional			National	Regional			National	Regional			National
	Max.	Min.	Disp.[2]	average	Max.	Min.	Disp.[2]	averanc	Max.	Min.	Disp.[2]	average
D	200.5	103.2	16.4	121.5	140.9	104.9	6.2	113.5	119.6	80.7	6.4	108.4
F	171.2	92.4	27.2	116.2	133.1	91.0	14.8	106.0	99.7	84.8	5.7	92.8
I	89.8	46.4	16.7	68.0	83.9	63.5	4.7	77.9	116.2	63.8	9.3	98.1
NL	147.8	90.8	17.6	109.1	115.8	101.8	5.7	109.9	108.0	94.5	6.1	100.6
B	173.1	87.6	23.8	106.7	147.5	112.8	9.9	118.5	118.6	101.2	7.0	106.7
L	-	-	-	114.8	-	-	-	102.6	-	-	-	103.3
UK	114.6	80.7	10.7	99.2	97.7	75.7	7.3	87.2	116.0	93.5	8.8	96.6
IRL	-	-	-	58.3	-	-	-	72.4	-	-	-	100.8
DK	-	-	-	122.8	-	-	-	101.2	-	-	-	113.9
GR	-	-	-	41.7	-	-	-	48.8	-	-	-	112.5
EUR 10³	171.5	45.3	29.1	100.0	131.8	62.6	18.4	100.0	116.3	84.0[4]	9.7[4]	100.0

All series are expressed in ECUs at current exchange rates, and for reasons of data availability refer to level I regions only.

1 Unit labour cost equal monthly labour costs divided by output per employed person in industry.

2 Standard deviation weigthed by regional shares in population or industrial employment.

3 Max. and min. = average of 5 regions with highest or lowest values.

4 Noord-Nederland has been omitted from the calculation of the minimum and the disparity of unit labour costs because of the bias introduced by the attribution of energy output to Groningen.

Source: EUROSTAT, Commission Services and PA-CEC study.

Annex 2.2.2-B

Migration

1. In economic and historic terms, migration flows out of high unemployment or low income regions to those with better employment prospects or higher living standards have been a mechanism partly evening out differences in interregional labour market developments and disparities in regional income. However the decision to migrate depends on a wide range of factors, with personal, cultural and social influences also playing a significant part alongside purely economic considerations. While migration might contribute in certain cases to convergence of incomes and unemployment the persistence of important interregional disparities points to the process being a slow and limited one not solving the main problem. Moreover, prolonged net out-migration from a region tends to reduce its capacity for growth and development as those most able and willing to move are frequently the more highly skilled and productive members of the labour force. Many forms of regional economic policy can be seen as attemps to avoid these adverse effects of out-migration, by trying to bring jobs to people rather than people to jobs, although in some instances a dual approach has been followed by accepting migration as a partial balancing process.

2. In recent years, <u>international migration</u> in Europe has declined quite sharply. In the five years following the 1979 oil shock, total net international migratory movements in Community countries fell to negligible levels (Table 2.2.2-B.1).A major contributory factor was the general deterioration in the Community's economic performance, in particular the substantial rise in unemployment throughout the Member States, which reduced economic incentives to migrate both to and within the Community. In addition, restrictions on immigration from non-member countries were introduced by all Member States. The decline in international migration to under 0.1% of total population per annum reflects in large part the virtual end of large-scale immigration especially to France and Germany from the southern states and countries bordering the current Community. And in addition to the generalised economic problems in Europe, the return to democracy in Spain, Portugal and Greece during the 1970s was associated with a reversal of the previous trend of heavy net-outmigration from those countries.

3. Alongside the general decline in international migratory movements, <u>interregional migration</u> within the Community has followed a similar pattern. The total volume of migratory flows in community regions has generally fallen over the past 20 years or so. The average net migration balance either into or out of a Community region was around 0.5% of its population per annum during the 1960s (0.7% if migration in the three newest Member States is included), a period of substantial movement out of

low-income rural areas into towns and cities (Table 2.2.2-B.2). As noted in the First Periodic Report, migration rates generally declined during the first half of the 1970s, with the fall in out-migration particularly marked in the case of Southern Italy and Ireland. This process also occurred in Spain and to a certain extent in Greece. Since then, regional migration rates have fallen further, to reach an average of 0.2% of population for the period 1980-1984. The decline in total migration was due principally to a fall in out-migration, suggesting that although pressures to leave regions may not have declined, opportunities elsewhere were reduced by the spread of economic problems to the relatively more prosperous regions of the Community. However, despite the general decline in migration, the total volume of gross migratory flows into or out of regions is not insignificant, involving on average some 1-1 1/2% of the Community's population each year.

4. The current pattern of net migration at the regional level in the Community is shown in Map 2.2.2-B.1. Regions experiencing net out-migration include two rather distinct groups: heavily urbanised areas mainly in the North of the Community, often associated with industrial decline; and less developed low-income rural areas in the South, especially the rural hinterlands of capital cities and larger agglomerations. Net in-migrating regions are something of a more disparate group: the phenomenon of urban-rural shift in the North and its mirror-image of rural-urban movement in the South accounts for the relatively heavy net in-migration occurring both in the rural hinterlands of major northern cities, and large cities in the South; other areas of in-migration include Southern and Western France; Central and Northern Italy; and the relatively less urbanised regions in the UK and Germany.

5. Across the regions of the Community, the widely differing influences on migration tend to obscure links with economic variables. The opposing directions of urban-rural movements between North and South, for example, tend to distort the relationships between migration patterns and levels of GDP per head. Substantial out-migration from northern cities and areas of industrial decline with relatively high GDP per head coexists with out-migration from rural areas with low GDP per head; conversely, some southern cities continue to attract migrants, suggesting that in national terms potential earnings there are perceived to be greater than in rural areas, even though in Community terms they have relatively low GDP per head. These conflicting tendencies are reflected in the weak relationship between migration rates and GDP, which is statistically insignificant when measured across the Community as a whole. However, in spite of that, it remains true that low GDP regions taken as a group continue on average to experience net out-migration. Links between net migration and unemployment are a little stronger than for the case of GDP: in general, low

unemployment. regions attract migrants and vice versa. There are a number of exceptions - regions in Spain with significant in-migration despite relatively high unemployment throughout the country, and migration movements in France where Mediterranean regions have gained migrants despite having relatively high unemployment rates.

6. Future prospects for migration depend in large part on labour market developments, although some regions seem likely to continue to attract or lose migrants for other reasons such as climate, retirement patterns, or cultural and linguistic ties. While labour demand forecasts at the regional level remain a hazardous and contentious exercise, demographic developments can be anticipated in the short-to-medium term more satisfactorily. These are discussed more fully in Section 3.3 of this report. In the period to 1995, demographic pressure on labour supply is likely to be strongest in Southern Italy, Greece, Ireland, much of Spain, parts of Portugal, the Netherlands and in areas of Northern France. Many of these regions are already those with unemployment rates well above the Community average; in addition, those in peripheral locations also tend to have low levels of GDP per head. While some regions may be successful in generating sufficient jobs, others are already in a weak labour market position. Failure to match job requirements would lead to unemployment rates rising even further. Disparities between Community regions would probably increase, and pressures to migrate would become significantly stronger than they are at present.

7. Summary and Conclusions: Migration between Community regions appears low in comparison with the substantial movements recorded in the past. Current levels are less than one-half of what they were in the 1960s, with only 21 regions out of 160 having migration balances of the order of +/- 1/2 per cent or more of total population per annum. The fall in migration reflects the progressive spreading of economic problems, in particular of high unemployment, to the relatively more prosperous regions of the Community since the first oil crisis. While pressures to migrate from depressed regions have increased as unemployment has risen, job opportunities elsewhere have become more restricted leading on balance to a decline in net migration. Whether migration will begin to pick up again as the general economic climate improves depends in part on the future regional pattern of labour market developments. On present trends, demographic pressure on labour supply seems likely to exacerbate regional unemployment disparities. Many areas of high unemployment and low GDP per head, particularly in the western and southern periphery, are likely to experience rapid growth in labour supply. If enough jobs cannot be created in those areas for the substantial number of people expected to join the labour force over the next 10 years, then these regions will face unemployment rapidly rising from even today's high levels and consequently much greater pressures to emigrate.

MAP 2.2.2-B.1

REGIONAL DIFFERENCES IN MIGRATION, 1980-84 *
(Net migration per 1000 of population)
-1980 to 1984 -

% share of population

25 20 15 10 5 0

10.5 12.0 20.4 22.3 19.3 15.5
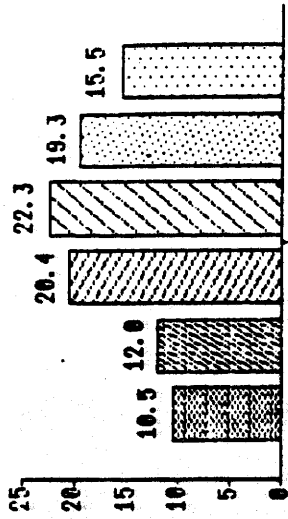
- per 1000 -

1: < -3.2
2: -3.2 - -1.6
3: -1.6 - 0.0
4: 0.0 - 1.6
5: 1.6 - 3.2
6: > 3.2

eur12 = 0.0 = s = 3.2
* 1971-80 for Greece
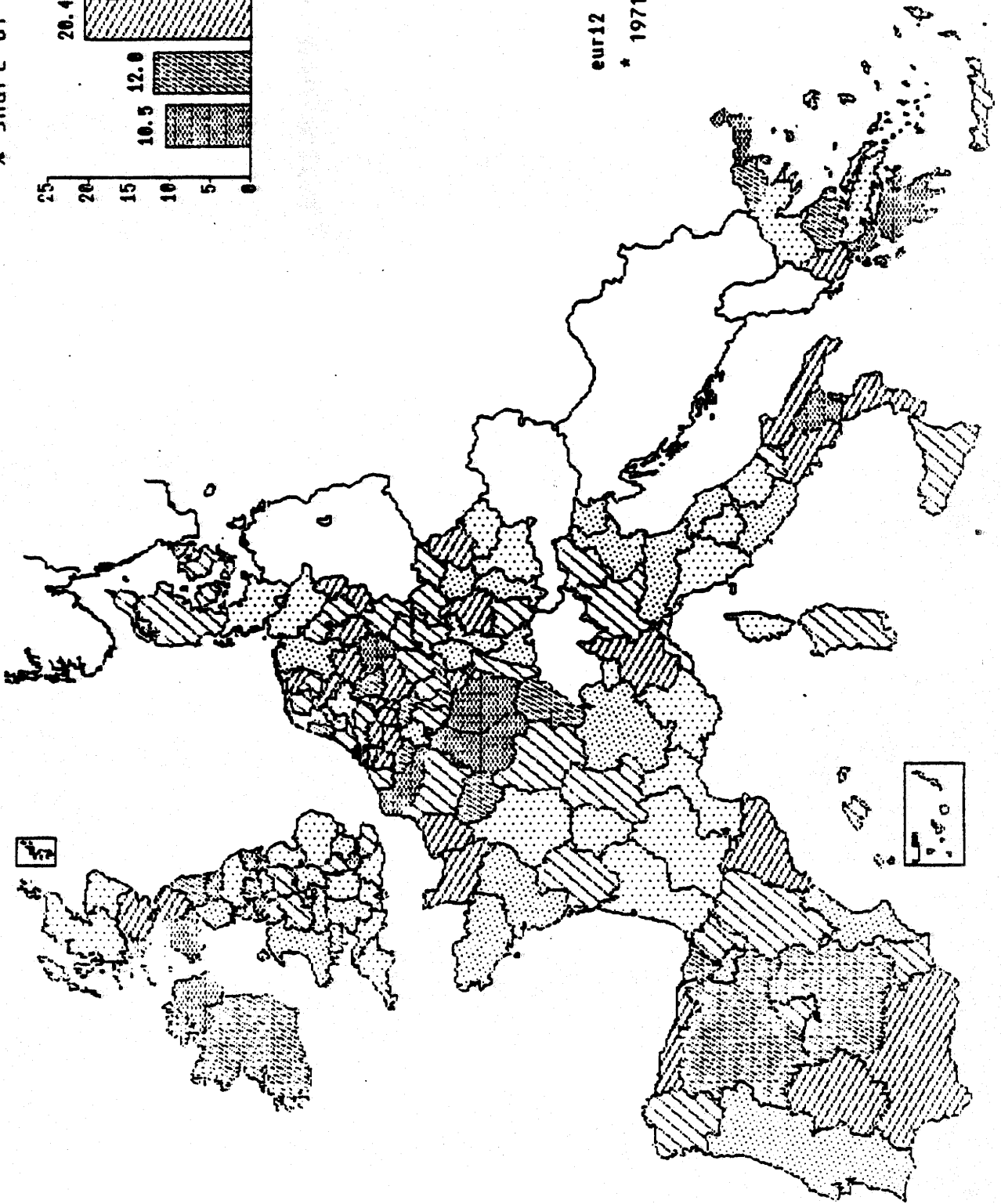
Table 2.2.2-B.1
International migration

Member State	Total migration (in thousands)			Average rates per year (per cent of population)		
	1960-69	1970-79	1980-84	1960-69	1970-79	1980-84
D	1 897	1 854	132	0.3	0.3	0.0
F	2 161	731	167	0.5	0.1	-0.1
I	-995	-223	300	-0.2	-0.0	-0.1
NL	86	329	87	0.1	0.2	-0.1
B	149	111	-23	0.2	0.1	-0.1
L	15	27	1	0.5	0.8	-0.0
UK	73	-242	-60	0.0	-0.0	-0.0
IRL	-178	101	-30	-0.6	0.3	-0.2
DK	18	37	4	0.0	0.1	0.0
GR	-385	160	86	-0.5	0.2	0.2
E	-683	-27	106¹	-0.2	-0.0	0.1
P	-1 034	12	101²	-1.1	0.0	0.2
EUR 12	1 124	2 870	871³	0.0	0.1	0.1
net in-migrating countries²	4 399	3 362	904	0.2	0.2	0.1
net out-migrating countries¹	-3 275	-492	-113	-0.3	0.0	0.0

¹ 1980-1983
² 1981-84
³ EUR 11: 1980-84, E: 1980-83, P: 1981-84
⁴ The in- or out-migrating groups are defined separately for each time period

Source: EUROSTAT and Commission services

Table 2.2.2-B.2
Regional net migration in Member States

Member State	Average rates per year (^{1}, ^{2}) (per cent of population)		
	1961-69	1970-79	1980-84
D	0.4	0.3	0.2
F	0.5	0.3	0.3
I	0.8	0.3	0.2
NL	0.2	0.3	0.2
B	0.2	0.1	0.1
L	-	-	-
EUR 6^3	0.5	0.3	0.2
UK	0.3^2	0.6	0.4
IRL	-	-	-
DK	-	0.3	0.1
EUR 9^3	0.5	0.4	0.3
GR	1.5	0.5	-
E	1.5	0.9	0.1
P	-	-	-
EUR 12^3	0.7	0.4	0.2

Notes:

^{1} Migration estimates at the regional level are calculated as residuals and are therefore subject to a considerable degree of uncertainty. They represent total net migratory movements across regional boundaries, and thus include movements to or from regions from other Member States and non-Community countries as well as movements between regions within a country.

^{2} The figure shown for each country is the average of the absolute values of the net migration balance for its level II regions (level I for UK (1961-69)

^{3} The figures shown for EUR 9 anc   12 are averages of the absolute values of the figures   each country, irrespective of their positive or negative si$_c$.

Source: EUROSTAT and Commission services.

Table 2.2.3-1

Types of regions and major socio-economic characteristics
- 1985 -[1]

| Type of region | Criteria[2] | Population density | Average values per type of region | | | | | |
| | | | Employment shares | | | Unempl. rates | GDP per | |
			Agriculture	Industry	Services		capita (PPS)	person employed (ECU)
A. Less developed regions	GDP per inhabitant (PPS)	80	24.2	27.5	48.3	14.0	61	57
B. Declining industrial regions	Share of employment in industry and unemployment rate	199	-	-	-	14.6	95	-
C. Agricultural regions	Share of employment in agriculture	75	22.5	28.9	48.6	13.5	70	71
C.1. Mediterranean regions	Share of selected products in final output	104	18.2	26.1	55.7	14.5	71	75
D. Urban problem regions[3]	Special index	312	(2.9)	(36.7)	(60.4)	16.6	83	-
E. Peripheral regions	Special index	85	18.0	30.5	51.4	14.5	74	74
E.1. Islands[4]	Location	109	20.1	23.0	56.9	15.6	67	74
F. Frontier regions	National borders between Member States	113	-	-	-	11.7	99	-
EUR 12		143	8.9	34.6	56.2	10.6	100	100

[1] Or most recent year available.
[2] For details see main text 2.2.3 and annex 2.2.3.
[3] Greece and Portugal are not included, employment shares refer to an average of 20 major FURs only.
[4] Average of major island groups (see Table 2.2.3-E.6).

Notes and definitions by type of region :
A. More than 25% below EUR 12 average.
B. Level III regions with share of employment in industry and unemployment rate above the Community average, plus non-quota regions with above average unemployment but below average share of industrial employment.
C. 50% above EUR 12 average.
C.1. More than 50% of final agricultural output.
D. 35% of least well performing urban areas. GDP/capita figures for FURs tend systematically to overstate living standards of the inhabitants: this is because elements of GDP are calculated by work place and/or head office, head offices are concentrated in the cores of major FURs and there tend to be more work places than residents in FURs.
C.& E.1. Special index lower than 78%. Island values refer to selected Community islands.
F. Level III regions adjacent to other Member States.

Table 2.2.3-2
Types of regions and their weight in the Community
- 1985 -

| Type of region | Criteria[2] | Area | Popul. | Employment shares | | | | Total Unempl. | Total GDP (PPS) |
				Agric.	Industry	Services	Total		
A. Less developed regions	GDP per inhabitant (PPS)	34.4	19.2	43.1	12.6	13.6	15.8	22.3	11.5
B. Declining industrial regions	Share of employment in industry and unemployment rate	16.5	23.2	-	-	-	(22.2)	30.7	22.1
C. Agricultural regions	Share of employment in agriculture	50.6	26.7	58.2	19.3	19.9	23.1	30.8	18.7
C.1. Mediterranean regions	Share of selected products in final output	24.3	17.8	29.2	10.8	14.2	14.3	20.7	12.6
D. Urban problem regions[3]	Special index	6.5	14.8	(2.3)	(6.7)	(7.9)	(6.9)	-	12.0
E. Peripheral regions	Special index	56.0	33.5	58.1	25.4	26.4	28.8	41.6	24.8
E.1. Islands[4]	Location	4.1	3.1	5.5	1.6	2.5	2.4	3.8	2.1
Γ. Frontier regions	National borders between Member States	19.1	15.2	-	-	-	-	15.2	14.4

Shares in Community total (EUR 12 = 100)

[1] Or most recent year available.
[2] for details see main text 2.2.3 and annex 2.2.3.
[3] Greece and Portugal are not included - employment shares refer to an average of 20 major FURs only.

[4] Average of major island groups (see Table 2.2.3-E.6).

Notes and definitions by type of region : see Table 2.2.3-1 - the same notes and definitions apply.

Table 2.2.3-3

Types of regions and their weight in national population
- 1985 -[1]

Member State	National population = 100							
	Less developed regions	Declining industrial regions[2]	Agricultural regions	Mediterranean regions[3]	Urban problem regions	Peripheral regions	Islands	Frontier regions (Level III regions)
D	0.0	10.4	1.7	0.0	1.8	0.0	0.1	13.1
F	0.4	26.7	32.3	11.3	12.5	17.4	0.5	19.9
I	36.0	11.8	40.1	46.5	16.4	42.1	11.7	5.6
NL	0.0	19.1	0.0	0.0	12.5	0.0	0.1	51.5
B	0.0	42.1	0.0	0.0	14.1	0.0	0.0	77.5
L	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
UK	0.0	45.2	0.0	0.0	28.5	15.2	0.4	2.8
IRL	100.0	8.5	100.0	0.0	40.0	100.0	0.3	11.5
DK	0.0	0.0	0.0	0.0	0.0	66.3	16.0	4.9
GR	100.0	0.0	57.7	92.4	:	100.0	14.7	0.0
E	45.0	36.2	64.3	39.5	24.7	100.0	4.2	17.6
P	100.0	0.0	100.0	0.0	:	100.0	5.0	22.3
EUR 12	19.2	23.2	26.7	17.8	14.8	33.5	3.5[4]	15.2

[1] Or most recent year available.
[2] For definition see Table 2.2.3-1.
[3] Includes some non-agricultural regions.
[4] All islands included.

Annex 2.2.3-B

Declining industrial regions: problems of definition

1. This section reviews some of the problems associated with defining the concept of "declining industrial regions".[1] It illustrates the sort of choices involved in making the concept operational.

2. A first task is to define an <u>industrial region</u>. A natural starting-point is to attempt to measure the importance of industry in the regional economy. One can approximate this by taking the share of industry in total employment[2] and selecting regions above a certain cut-off point. For a single country, determining the cut-off point appears relatively straightforward: one can simply take the national average. In pr··iple, the same approach can be followed for the Community as a whole.

3. The second task is to define <u>decline</u>. The approach followed here is to use the unemployment rate as a proxy for decline.

Abstracting from problems due to out-migration, an unemployment rate expressed relative to the average can be thought of as a summary indicator of the degree to which a region has coped and is coping with structural adjustment compared to other regions. It reflects the difficulties a region may have had in facing a situation of declining employment in industry or in certain branches of industry and also its successes in creating jobs in other branches or in services.

4. As an illustration of this basic approach 2 cases have been selected. Their results are shown on Maps 2.2.3-B.2 and 3, and summarized in Table 2.2.3-B.2. They are defined as follows:

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[1] Article 3 of the current ERDF regulation, n° 1787/84 of 19 June 1984 and repeared in the general statement of the ERDF's aims in Article 130 C of the Single European Act.

[2] Total value-added would be an alternative, but given data limitations and the importance attached to employment by Member States concerned, the employment-based definition is used here.

(A) Community-based definition

Map 2.2.3-B.2
Industrial regions: Level II regions with industrial employment share[3] greater than EUR12 average (34,6%).

Industrial regions with high unemployment: Level III regions with unemployment rate[4] above EUR12 average (10,6%) and located in a Level II industrial region.

(B) National definition

Map 2.2.3-B.3
Industrial regions: Level II regions with industrial employment share greater than national average.

Industrial regions with high unemployment: Level III regions with an unemployment rate above their national average, and located in a Level II industrial region.

5. The definitions proposed above are not problem-free. There is clearly scope for debate, for example, about the selection of cut-off points. However, this difficulty is not specific to the concept of industrial decline, but applies across the whole range of variables involved in the selection of regions for policy intervention. Averages - whether relative to the Community as a whole or to each Member State - have been chosen here for illustrative purposes only. The definition of an industrial region, however, is a little more complex. One reason for this is that the Member States of the Community are at quite different stages of economic development. Their national industrial shares of employment range from 26% to 41%, compared with the Community average of 35% and their regional shares from 14% to 50%. Moreover, the industrial employment share does not always accord with preconceptions about the degree of industrialisation of a country: for example, Denmark and Greece are at roughly the same low level, while spain and Portugal have industrial shares close to most other Member States (see Table 2.2.3-B.1). Within countries one also finds similar phenomena, with Hainaut, Liège, and Wales having lower industrial shares than their national averages.

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[3] Employment shares are taken from the Labour Force Survey results for 1984. They are for Level II regions except in the case of the UK where only Level I results are available.
[4] Unemployment rates are EUROSTAT harmonised estimates for 1985.

6. To deal with these difficulties, it seems necessary to make some provision allowing for the inclusion of regions not classified as industrial but nevertheless suffering from high unemployment associated with structural adjustment problems in specific industrial branches. This has been done by including as a separate category regions benefiting from the steel, shipbuilding and textiles non-quota programmes of the ERDF, provided they also satisfy the unemployment rate criteria outlined in paragraph 4. Declining industrial regions in total are then defined as the sum of this restricted group of non-quota regions, plus industrial regions with high unemployment (definitions (A) and (B) above). This procedure leads to the inclusion of Hainaut and Liège in Belgium, South Wales and Northern Ireland in the UK, and some regions in France and Italy, all of which have industrial shares somewhat below their national or the Community average.

7. As shown in Map and Table 2.2.3-B.2 on the Community-based definition, declining industrial regions in total represent some 22% of the EUR12 labour force, of which 5% are in the restricted group of non-quota regions. The main areas of industrial decline on this definition emerge as Northern and Eastern France, Mid and North UK, parts of Belgium and the Netherlands, Northern and Eastern Spain and some areas of the Ruhr and Saar and the Weser-Ems region in Germany. The highest shares of the national labour force in declining industrial regions are found in the UK and Belgium, although in the latter case this is essentially due to the inclusion of the non-quota areas in Liège and Hainaut. Spain's high share reflects its very high rate of national unemployment and high concentration of industry in a few regions; Germany's share is kept low because of relatively low national unemployment.

8. Moving to a nationally-based definition on broad criteria (Map 2.2.3-B.3) increases markedly the number of regions classified as in decline in Germany and to a lesser extent in France and Italy, while reducing it in Spain and Belgium. Declining industrial regions would now cover some 27% of the Community labour force, of which 5% are in the restricted group of non-quota regions.

MAP 2.2.3-B.1.

THE DEGREE OF INDUSTRIALISATION, 1984

(Share of industrial employment in total employment)

% share of total employment
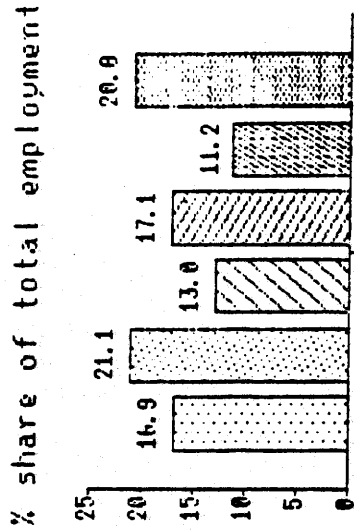
Class	Range
1:	< 27.2
2:	27.2 - 30.9
3:	30.9 - 34.6
4:	34.6 - 38.3
5:	38.3 - 42.0
6:	> 42.0
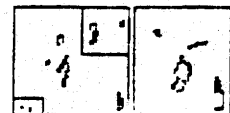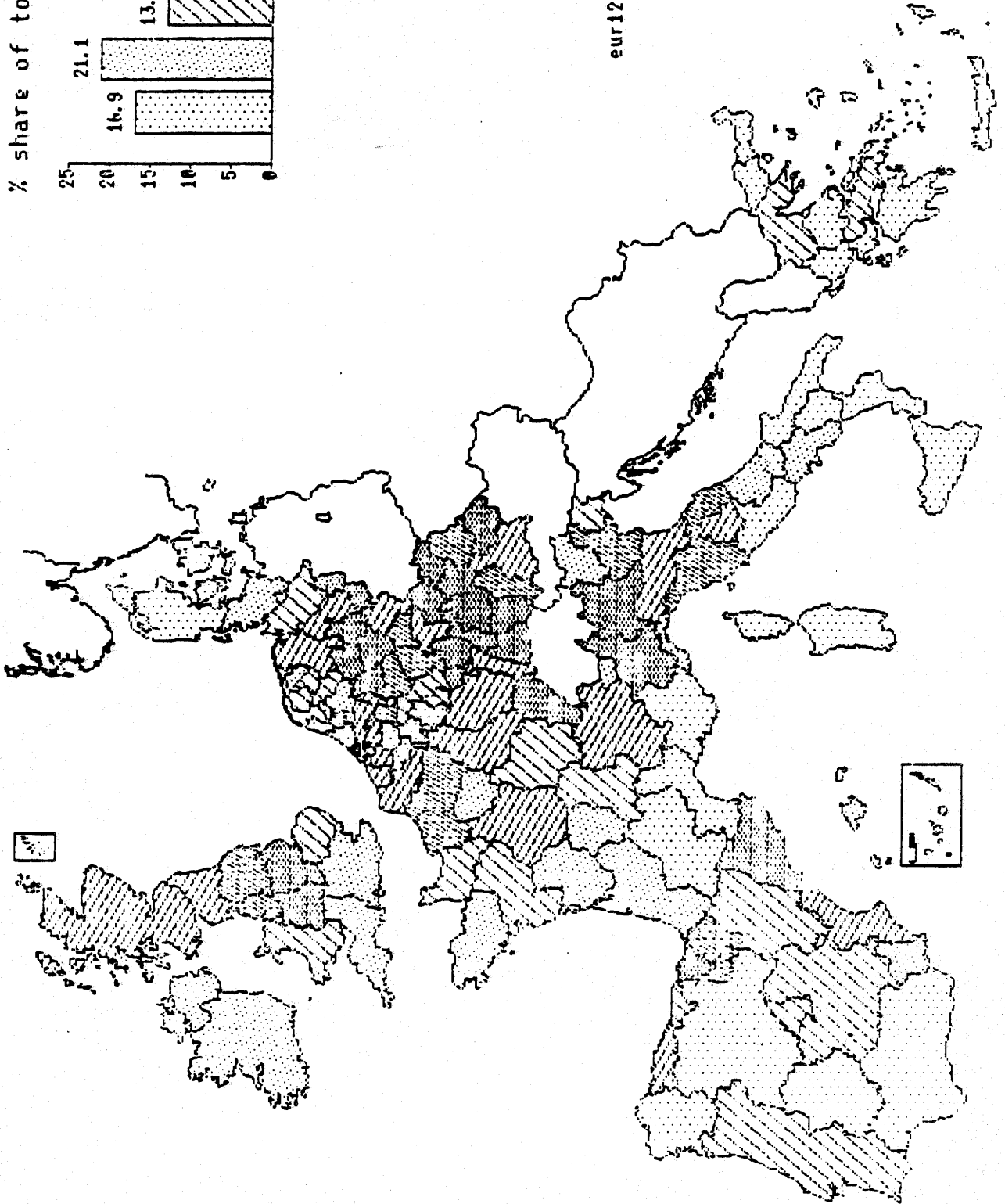
eur12 - 34.6 - s - 7.4

MAP 2.2.3-B.2

INDUSTRIAL REGIONS AND UNEMPLOYMENT

(unemployment rate and share of industrial employment above EC average)
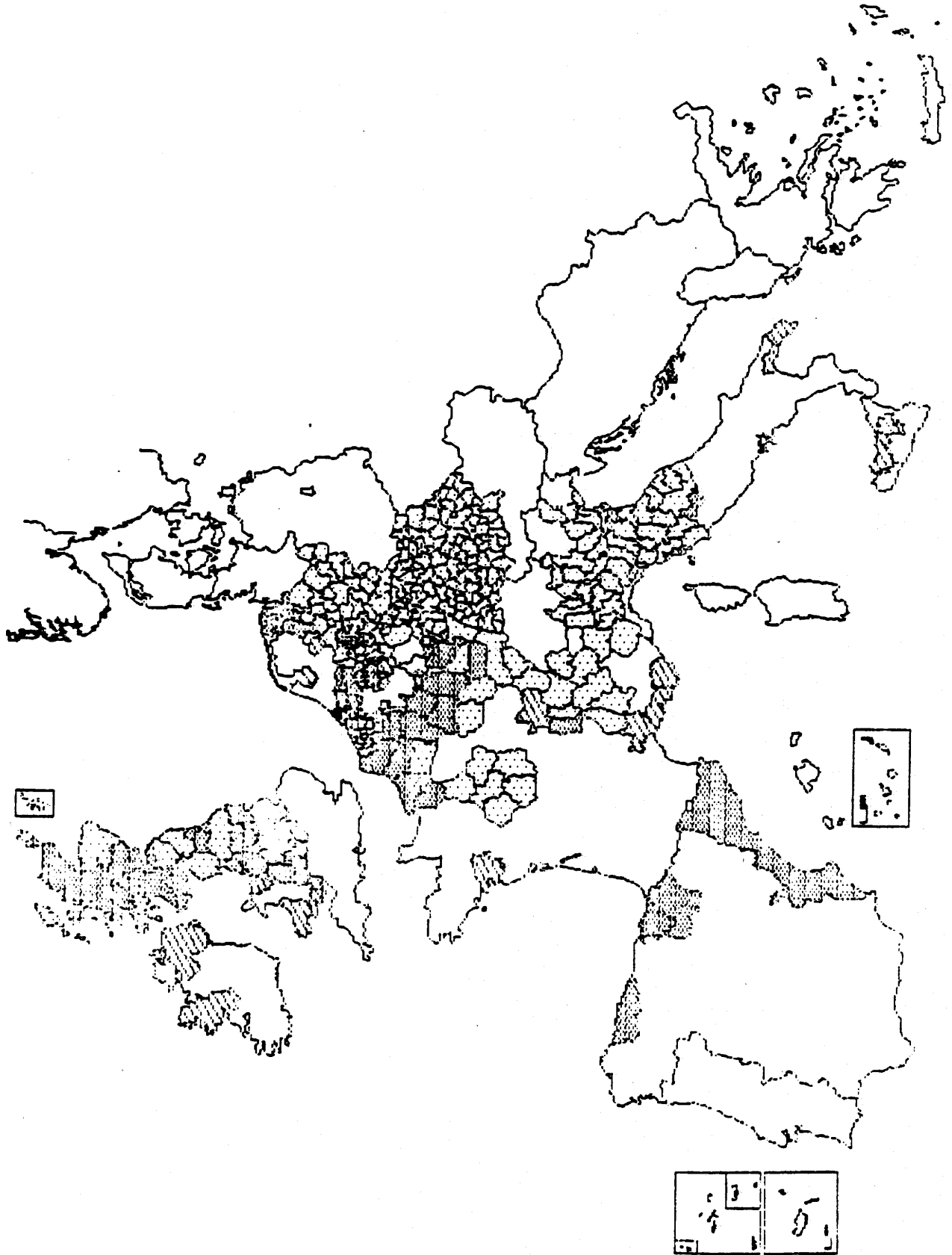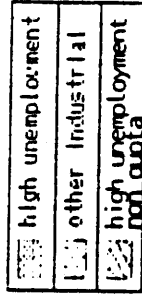
Legend:
- high unemployment
- other Industrial
- high unemployment non quota

MAP 2.2.3-B.3

INDUSTRIAL REGIONS AND UNEMPLOYMENT

(unemployment rate and share of industrial employment above national average)
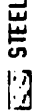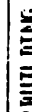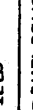
high unemployment

other industrial

high unemployment
non quota

MAP 2.2.3-B.4
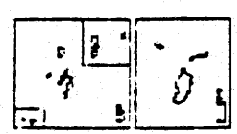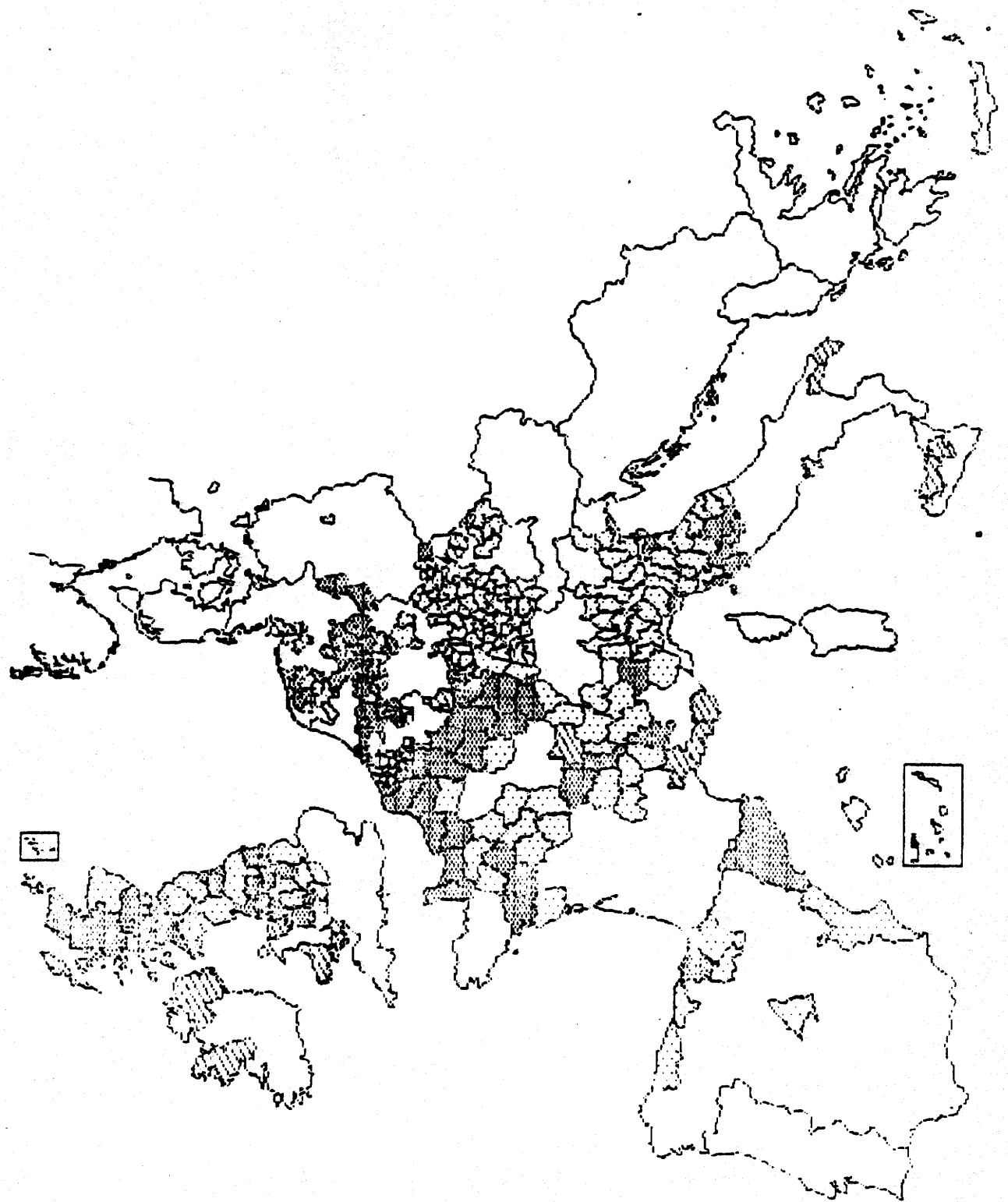
REGIONS WITH PROBLEMS OF DECLINE IN PARTICULAR INDUSTRIES
(according to the non-quota programmes of the ERDF)

STEEL

TEXTILES

SHIPBUILDING

STEEL + TEXTILES

STEEL + SHIPBUILDING

TEXTILES + SHIPBUILDING
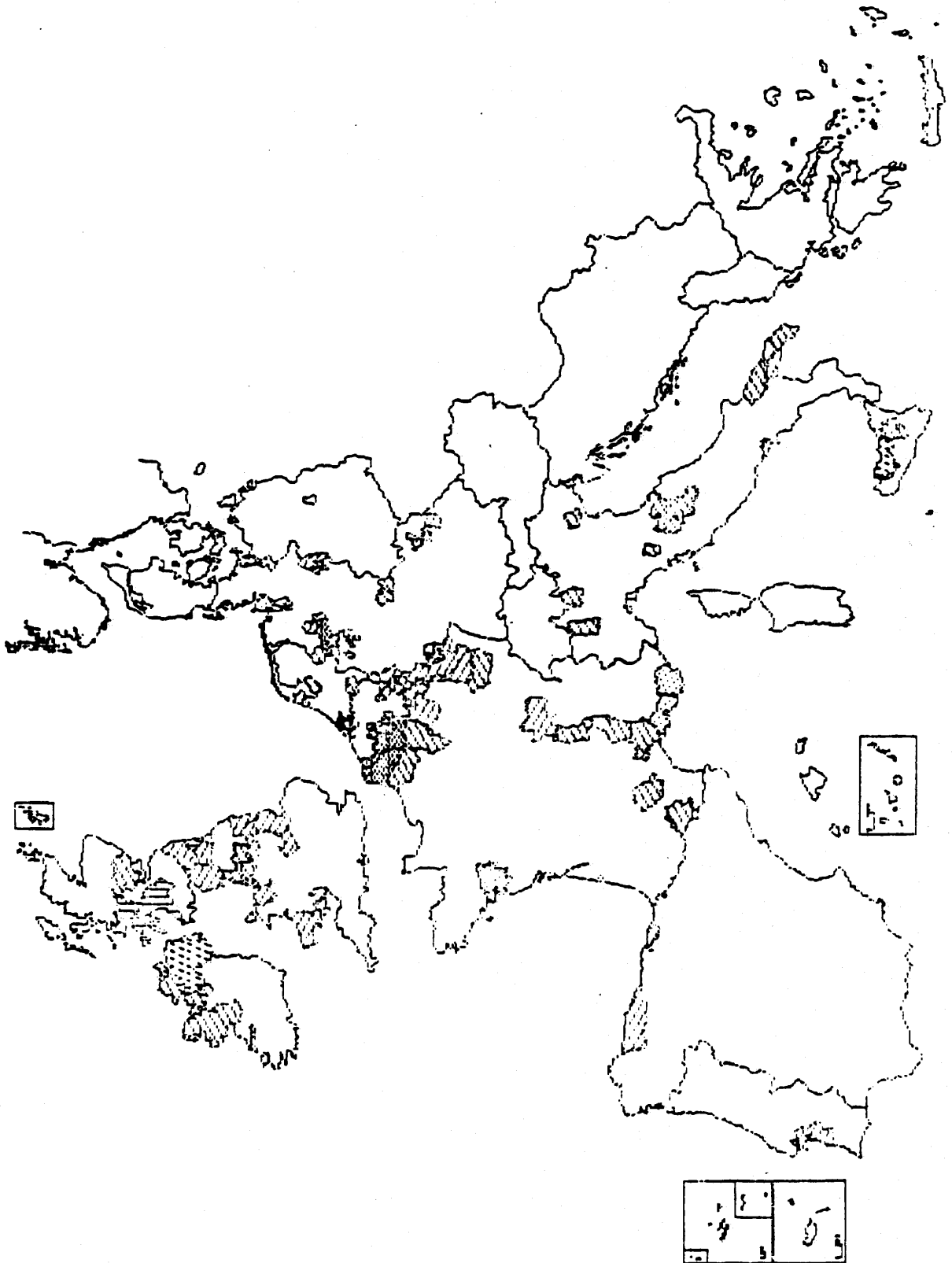
Table 2.2.3-B.1
The degree of industrialisation, 1984
(Share of industrial employment in total employment)

Member State[1]	Regional			National average
	Max.	Min.	Disparity[2]	
D	49.6	26.4	6.1	40.7
F	44.9	14.8	5.3	32.0
I	47.4	22.1	9.2	34.6
NL	36.4	22.3	5.0	28.7
B	39.1	24.9	5.5	32.6
L	-	-	-	32.0
UK	43.1	30.0	4.8	35.0
IRL	-	-	-	30.3
Dk	-	-	-	26.6
GR	32.6	13.9	7.1	26.1
EUR 10[3]	47.2	20.6	7.5	34.8
E	45.6	20.0	8.3	33.0
P	-	-	-	33.5
EUR 12[3]	47.2	20.1	7.4	34.6
EUR 10[4]	44.5	24.1	-	-
EUR 12[4]	45.1	23.2	-	-

[1] Level II regions were used for all countries except the UK which was included at Level I.
[2] Standard deviation weighted by regional share of total employment.
[3] Max. and min. = average of 10 regions with highest or lowest rates.
[4] Max. and min. = average of 25 regions with highest or lowest rates.

Source : EC Labour Force Sample Survey.

Table 2.2.3-B.2
Share of labour force in declining industrial regions

Member State	Community			National		
	Regions with above-average unemployment		Total declining	Regions with above-average unemployment		Total declining
	Industrial	Non-quota	industrial regions	Industrial	Non-quota	industrial regions
D	8.2	1.0	9.2	22.4	3.9	26.3
F	17.0	7.5	24.5	26.3	5.7	32.0
I	1.7	9.0	10.8	9.8	9.0	18.8
NL	14.9	3.7	18.6	32.3		32.3
B	18.5	22.7	41.2	11.4	19.9	31.3
L	-	-	-	-	100.0	100.0
UK	37.3	6.3	43.6	37.3	6.3	43.6
IRL	-	8.0	8.0	-	8.0	8.0
Dk	-	-	-			-
GR	-	-	-			-
E	37.5	-	37.5	22.3		22.3
P	-	-	-			-
EUR 12	17.1	5.1	22.2	22.0	5.2	27.2
Share of EUR12 population	17.5	5.7	23.2	22.2	5.8	28.0

Notes:

Industrial regions with above-average unemployment: regions with an above-average share of industrial employment, and with an above-average unemployment rate.

Non-quota regions with above average unemployment: regions with an above-average unemployment rate benefitting from a non-quota programme (in steel, textiles or shipbuilding) of the ERDF and not otherwise classified as industrial.

Annex 2.2.3-C

Typology of agricultural regions

Definition of agricultural regions

1. Agriculture now holds only a limited place in the Community economy.
In 1984 persons employed in agriculture accounted for less than 9% of the
total number of persons in employment in the twelve Member States.   There
are, however, big differences between countries: the rate of employment in
agriculture ranges from 2.5% in the United Kingdom to nearly 30% in
Greece.   Differences between regions are even greater, ranging from less
than 1% in certain highly built-up regions (Hamburg, Ile de France, (West)
Berlin, Bremen) to more than 50% in several regions in Greece.

The proportion of persons employed in agriculture was used as a criterion
for determining which regions may be deemed agricultural regions.   That
indicator was preferred to the gross value added in agriculture as a
percentage of the regional gross domestic product (GVA/GDP) as the latter
ratio takes account implicitly of agricultural productivity, which varies
significantly from one region to another.   The use of the employment
criterion to determine which regions are heavily dependent on agriculture
is all the more justified in view of the potential impact which the
current reform of the common agricultural policy may have on job
requirements in other sectors in such regions.

2. In twenty-seven regions the percentage of persons employed in
agriculture[1] is more than double the Community average, i.e. more than
18%.   In addition, a significant interval divides that group from the
other regions.   The first twenty-seven regions may consequently be
considered as a clearly distinct group heavily dependent on agriculture.
Eight regions out of nine in Greece, nine regions out of seventeen in
Spain, six Italian regions, three French regions and Portugal make up the
group.   Map 2.2.3-C.1 shows that the regions concerned, which account for
42% of total agricultural employment but only 14% of total employment, are
located in the south of the Community (with the exception of Lower
Normandy and Auvergne) and are concentrated in five Member States.

A second group comprises regions where the percentage of persons employed
in agriculture lies between 50% and 100% above the Community average
(class 4 on Map 2.2.3-C.1).   It comprises 16 regions, all located in the
five Member States mentioned above, with the exception of Ireland and
Niederbayern (Germany).

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[1] Agriculture covers employment in farming, forestry, hunting and fishing.

More than 58% of Community's agricultural workforce and approximately 23% of the total number of persons employed in the Community are situated in the 43 regions forming these two groups. All these regions may be deemed to be "agricultural regions" and are located on the periphery of the Community.

3. In most cases, the regions where agriculture is a major source of employment are also those where the gross value added in agriculture as a percentage of gross domestic product (GVA/GDP)^2 is well above the Community average (Map 2.2.3-C.2).

Nevertheless, there are also some regions where the agricultural GVA/GDP is clearly above the average but where the proportion of agricultural labour is close to the Community average. The chief examples are Champagne-Ardenne in France, the south-east of the United Kingdom and the regions of Zeeland, Friesland and Overijssel in the Netherlands. In those regions agricultural productivity is very high as compared with that in the Community as a whole.

Agricultural productivity and farm structures

1. **Labour productivity** is measured by gross value added (expressed in ECU at current prices and exchange rates) per annual work unit (GVA per AWU). Map 2.2.3-C.3 shows that the regions with high agricultural labour productivity are located mainly in the north and centre of the Community. They include all regions in the Netherlands and Denmark, northern Germany, the centre and south-east of the United Kingdom, more than half the regions in France and most regions in Belgium. On the other hand, Portugal, most regions in Greece, six Spanish regions and three Italian regions have lower productivity (less than the average minus half a standard deviation), as do the Belgian province of Luxembourg and three German regions.

2. **Land productivity** is measured in terms of the gross value added (in ECU at current exchange rates and prices) per hectare of utilized agricultural area (GVA/HA).

Map 2.2.3-C.4 shows that the productivity per unit of area has a very different pattern from labour productivity (Map 2.2.3-C.3). In particular, Ireland, Northern Ireland, Scotland and Wales (in the United Kingdom), Auvergne, Limousin, Franche-Comté, Alsace and Lorraine (in

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^{2}The gross value added in agriculture is the arithmetic mean of two successive years (1982 and 1983).

France), many regions in Spain and Sardinia (in Italy) all have low productivity per hectare. On the other hand, in most regions in Italy and all of Greece productivity per hectare is significantly higher than the Community average.

Caution should nevertheless be exercised in the use of indicators containing the utilized agricultural area; this production factor has lost all meaning in certain cases (e.g. intensive husbandry units in some northern regions of the Community) or raises major problems of statistical definition.[3] Furthermore, some types of agricultural production (particularly horticultural production) give a value per unit of area per year which is very much higher than the average. Land productivity is abetter basis for comparisons relating to a single type of agricultural product or a single type of farming.

3. Generally, assessing the size of agricultural holdings raises problems as to the choice of criteria to be used. The utilized agricultural area (UAA) per holding has often been used for this purpose but has the various drawbacks described in the previous paragraph. Consequently, the average size of agricultural holdings in each region has been assessed using the <u>gross value added per holding</u> (GVA per holding)[4] The GVA per holding is an indicator of the average structure of agricultural holdings in a region.

Map 2.2.3-C.5 shows that agricultural holdings in northern Europe are generally larger than those in the south. Some exceptions are however worthy of note:

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[3] Community surveys on the structure of agricultural holdings exclude rough grazing, non-used pasture and hill or mountain grazing. Such areas represent an important percentage of certain regions. In Greece, for example, rough grazing accounts for 5.8 million hectares or nearly twice the area covered by the Community survey, i.e. approximately 3.4 million hectares.

[4] This criterion is fairly comparable to the total standard gross margin per holding used by DG VI to measure the economic size of agricultural holdings.

- Ireland, · Northern Ireland, the province of Luxembourg (Belgium) and some German regions[5] have a GVA per holding lower than the Community average. Maps 2.2.3-C.3 and 2.2.3-C.5 show that they mainly correspond to those regions in the north of the Community where labour productivity was the lowest;

- the regions of Murcia and Communidad Valenciana (Spain), Emilia-Romagna and Lombardy (Italy), Provence-Alpes-Côte d'Azur and Corsica (France) have holdings of an economic size greater than the Community average.

Structural and socio-economic characteristics of the agricultural regions

1. Table 2.2.3-C.3 enables various indicators relating to the structure of agricultural holdings and the general socio-economic situation to be compared between several groups of regions. These indicators are based on the relative importance of agriculture in the regional economy as evidenced by the percentage of persons employed in farming. The five classes of region in Table 2.2.3-C.3 correspond to those in Map 2.2.3-C.1.

Classes 4 and 5 comprise the regions where the rate of employment in agriculture is 50-100% and more than 100% respectively above the Community average. These two groups are deemed to form the "agricultural regions".

Each box in columns 4 to 13 of Table 2.2.3-C.3 gives the weighted arithmetic mean for the group observed. This parameter enables the "agricultural regions" to be compared with the other regions and with the Community average and enables the degree of homogeneity of that group of regions to be analysed.

2. A comparison of farm-structure and general socio-economic indicators between the "agricultural regions" and the other regions shows significant disparities in all cases; analysis reveals that the situation is on average more unfavourable in the former group:

- Labour productivity in agriculture (GVA per AWU), soil productivity (GVA per hectare of AWU) and the average size of the holdings in economic terms (GVA per holding) are significantly lower in the "agricultural regions" than in the other regions.

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[5] The relatively weak structure of agricultural holdings in the German regions goes hand in hand, however, with the possibilities of employment outside agriculture. Part-time farming is in fact fairly widespread.

- The average rate of unemployment, both total and that recorded for women and young people below 25 years of age, is distinctly higher in classes 4 and 5 than in the three other groups. One should note, however, that these figures do not include underemployment in agriculture.

- Lastly, GDP per inhabitant and GDP per person employed are distinctly lower in the agricultural regions than in the others. The lower productivity of agriculture (particularly in these regions) partly explains the very low productivity (57% of the Community average in class 5).

3. The group of "agricultural regions" is also uneven within itself. The three farm-structure indicators show that the average situation is much worse in class 5 than in class 4, particularly as regards labour productivity (GVA per AWU) and the size of holdings in economic terms (GVA per holding or 'economic size'). As regards the general socio-economic situation, the three rates of unemployment measured (which do not take account of underemployment in agriculture) show little difference between the two classes of "agricultural regions", whereas the GDP per inhabitant and the GDP per person employed are significantly lower in class 5.

The class of regions where the percentage of employment in agriculture is more than double the Community average is uneven within itself to some extent as regards indicators of productivity and agricultural structure; while most regions which go to make up this class show signs of structural deficiency, some are above the Community average (Maps 2.2.3-C.3 and 2.2.3-C.5):

- Sicily, Calabria and Apulia (Italy) for labour productivity in farming;

- Midi-Pyrénées and Auvergne (France) for the economic size of holdings;

- Communidad Valenciana and Murcia (Spain) for labour productivity in farming and the economic size of holdings.

This relative dispersion is due not so much to the effect of the general economic conditions in the region as to the influence of factors such as weather conditions, the main type of farming and historical reasons.

Regions specializing in Mediterranean products

1. The degree to which each region specializes in Mediterranean products is expressed by the value of the following products as a percentage of final agricultural output: vegetables, fruit, tobacco, durum wheat, wine, olive oil, goat's and ewe's milk, sheepmeat and goatmeat.

In 1983 "Mediterranean products" accounted for 26% of final agricultural production. The differences between the regions are very great, the values calculated ranging from a maximum of 86% in Crete to only a few per cent in several regions in the north of the Community.

2. Map 2.2.3-C.6 shows the 26 regions in which Mediterranean products account for at least 50% of the value of final agricultural production. They comprise six Spanish regions, Sardinia, the Mezzogiorno and Trentino-Alto Adige (10 Italian regions), 7 regions out of 9 in Greece, Languedoc-Roussillon, Corsica and Provence-Alpes-Côte d'Azur in France (in Italy, Greece and France, they do not include all the regions qualifying for Integrated Mediterranean Programmes, which are defined using a multi-criteria approach).

In Anatolikis Makedonias (Greece), Extremadura (Spain) and Rhineland-Palatinate (Germany)[6] the share of Mediterranean products in final output is between 40% and 50% (Class 5 on Map 2.2.3-C.6). Apart from those three regions, a significant gap (greater than 12%) sets the 26 regions clearly specializing in Mediterranean products apart from the rest of the Community.

3. A comparison of Maps 2.2.3-C.1 and 2.2.3-C.6 reveals that all the regions which show a clear specialization in Mediterranean products (more than 50% of the value of final agricultural production) are in the group of regions dependent on employment in farming (Groups 4 and 5 on Map 2.2.3-C.1), with the exception of the Balearic Islands (Spain), Lazio (Italy), Anatoliki Sterea Kai Nizia (Greece) and Provence-Alpes-Côte d'Azur and Corsica (France).

In the regions specializing in Mediterranean products both the agricultural labour productivity and the economic size per holding are below the Community average (Table 2.2.3-C.7). Their socio-economic situation is also less favourable. Total unemployment rates and the rates for women and for young people less than 25 years of age are 4, 7.5 and 18 points higher than the Community average respectively. The GDP per inhabitant and the GDP per person employed in those regions are only 71% and 73% of the Community average, respectively.

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[6] Wine and fruit alone account for 31% and 8% respectively of the value of final agricultural production in those areas.

4. The corollary to this exercise would involve defining the regions specializing in northern products. This is more difficult, however, since many of these products are less dependent on natural conditions for their location. Basically, the following products should be taken into account: cereals (excepting durum wheat and grain maize), rape, sugarbeet, cow's milk, pigs and poultry products. Such products account for approximately 51% of the final value of Community agriculture, or two thirds of all non-Mediterranean products.[7] Thus, another group of regions, specializing to a fairly large extent in northern products, would appear to be fairly complementary to that of the regions specializing in Mediterranean products.

Mountain and hill farming areas and other less-favoured farming regions

1. Under the common policy on agricultural structures, a special aid scheme for certain "less-favoured farming areas" was set up in 1975.[8]

Less-favoured farming areas are subdivided into three categories:

Characteristics of "mountain and hill farming areas" are arduous weather and farming conditions. High altitude, steep slopes or a combination of those two factors are used as criteria to define such areas.

"Less-favoured areas in danger of depopulation" must meet all the following conditions:

 (i) low soil productivity (improvement entails excessive costs, land
     used mainly for extensive stockfarming);

 (ii) economic performence lower than national average;

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[7] The 25% of final agricultural value which comprises neither southern nor northern products includes cattle (beef/veal), potatoes, legumes cultivated for seeds, other oilseeds, etc.

[8] Directive 75/268/EEC of 28 April 1975 on mountain and hill farming and farming in certain less-favoured areas (OJ No L 128, 19.5.1975) describes in particular the procedure to be followed by the Member States and the criteria to be used to determine the boundaries of the less-favoured farming areas. In accordance with that Directive, each Member State is to propose its areas for inclusion on the Community list and is to communicate all relevant information concerning the boundaries and the characteristics of those areas. The Council is to adopt the Community list of less-favoured farming areas on a proposal from the Commission and after consulting the Parliament.

(iii) low or declining population density;

(iv) high proportion of working population employed in agriculture.

Various criteria are used for "areas affected by specific handicaps". These are generally physical (salinity, humidity, dryness of soil, risk of desertification, etc.), but also economic (isolation entailing high production and transport costs, etc.). The overall size of such areas must be relatively small (totalling less than 4% of the area of each State).

2. In the Community of Ten, approximately 38% of the utilized agricultural area (UAA) was "less-favoured" in 1983 (Table 2.2.3-C.8). Denmark has no less-favoured agricultural areas and there are very few in the Netherlands. However, all farming land in Luxembourg is "less-favoured". Between these two extremes, a significant proportion of farmland in the other Member States is located in less-favoured areas, ranging from 20% in Belgium to approximately 51% in Italy and more than 55% in Greece.

Employment in farming in those areas represented 39% of total agricultural employment in the Community of Ten; leaving aside Denmark, the Netherlands and Luxembourg, the percentage ranged from 13% in Belgium to 58% in Ireland. The percentages for employment are very similar to those obtained for UAA in each Member State, except the UK.

Table 2.2.3-C.9[10] also shows that the less-favoured farming areas have a higher proportion of farmers who are underemployed, except in Belgium. It also shows that in those areas there is less specialization in arable crops intended for sale (cereals, root crops, industrial crops); on the other hand, permanent grazing, pasturage and wooded areas are proportionately more common. Lastly, despite the concentration of permanent grazing and pasturage in such areas (56% of the Community total), only 25% of dairy cows are to be found there. This reflects the more extensive nature of farming in the less-favoured areas.

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[9] Some figures may be set too low as holdings which are smaller than a certain threshold are excluded from the scope of the Community survey.
[10] An analysis of the general socio-economic situation in less-favoured farming areas is impossible on account of the boundaries of such areas, which in certain cases include only parts of communes.

3. Since 1983, most of the Member States have asked for significant extensions of their less-favoured farming areas. This is true in particular of the United Kingdom, Ireland, Greece and Germany. For EUR-10, the proportion of UAA located in less-favoured farming areas went up from 38% to 48% between 1983 and 1986 (Table 2.2.3-C.10).

The proposals for Spain and Portugal were approved by the Council in 1986. Eight of the twelve Member States now have more than half their UAA in less-favoured farming areas. Such areas represent approximately 52% of the total UAA in the Community of Twelve.

4. The special system of aids to farmers in less-favoured areas basically comprises the following measures:

  (i) the grant of an annual compensatory allowance (per head of livestock for example) to compensate for permanent natural handicaps;

  (ii) special schemes for farms suitable for development, including tourist or craft industry investments carried out on agricultural holdings;

  (iii) the grant of aids for joint investment schemes for fodder production and the improvement of jointly-farmed pasture and hill-grazing land.

In the period 1983-86, annual commitment appropriations from the EAGGF Guidance Section specifically for less-favoured areas amounted to approximately 140 million ECU,[11] as compared with annual expenditure of approximately 890 million ECU for the Guidance Section as a whole over the same period.

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[11] The Agricultural Situation in the Community- 1986 Report.

AGRICULTURAL REGIONS
(agricultural employment as a percentage of total employment)
- 1984 -
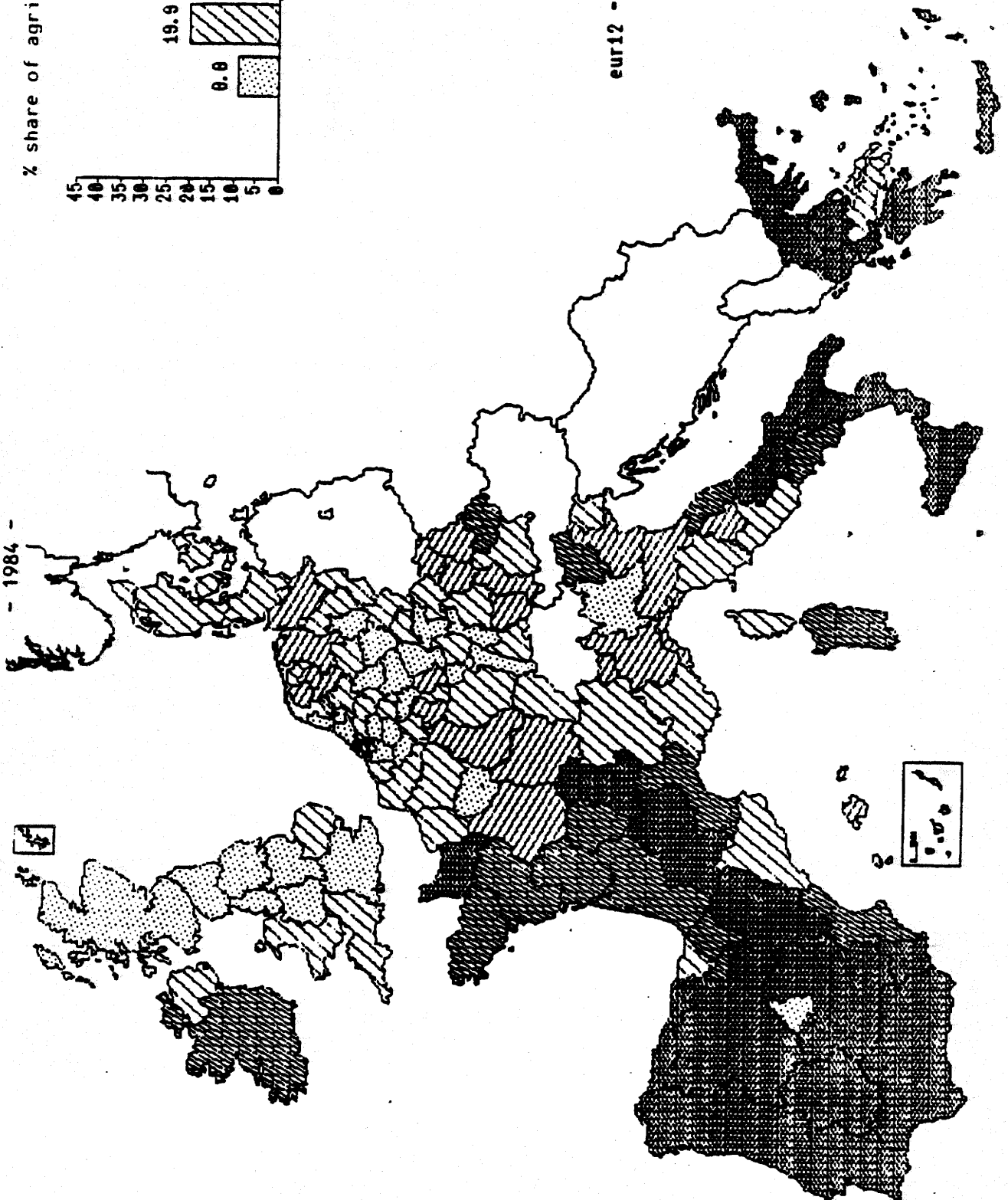
% share of agricultural employment

41.0

16.4

13.1

19.9

8.8

1: < 4.4	
2: 4.4 - 8.9	
3: 8.9 - 13.4	
4: 13.4 - 18.0	
5: > 18.0	

eur12 = 8.9 - 5 - 9.1

MAP 2.2.3-C.2
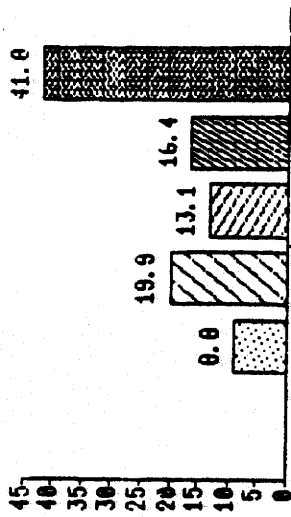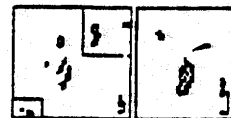
ECONOMIC IMPORTANCE OF AGRICULTURE

(gross value added in agriculture as a percentage of GDP)

- 1982 - 1983 -

% share of GVA in agriculture
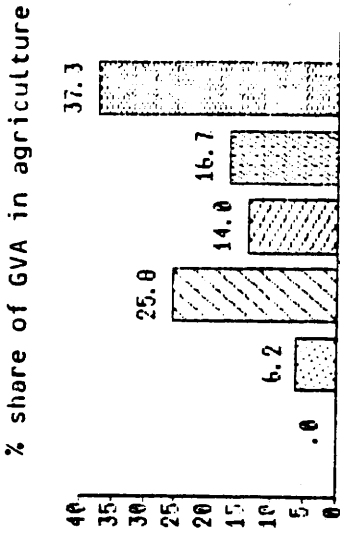
1:	< 0.1
2:	0.1 - 1.0
3:	1.0 - 3.4
4:	3.4 - 5.1
5:	5.1 - 6.0
6:	> 6.0

eur12 = 3.4 - s - 3.3

MAP 2.2.3-C.3
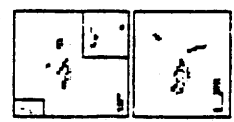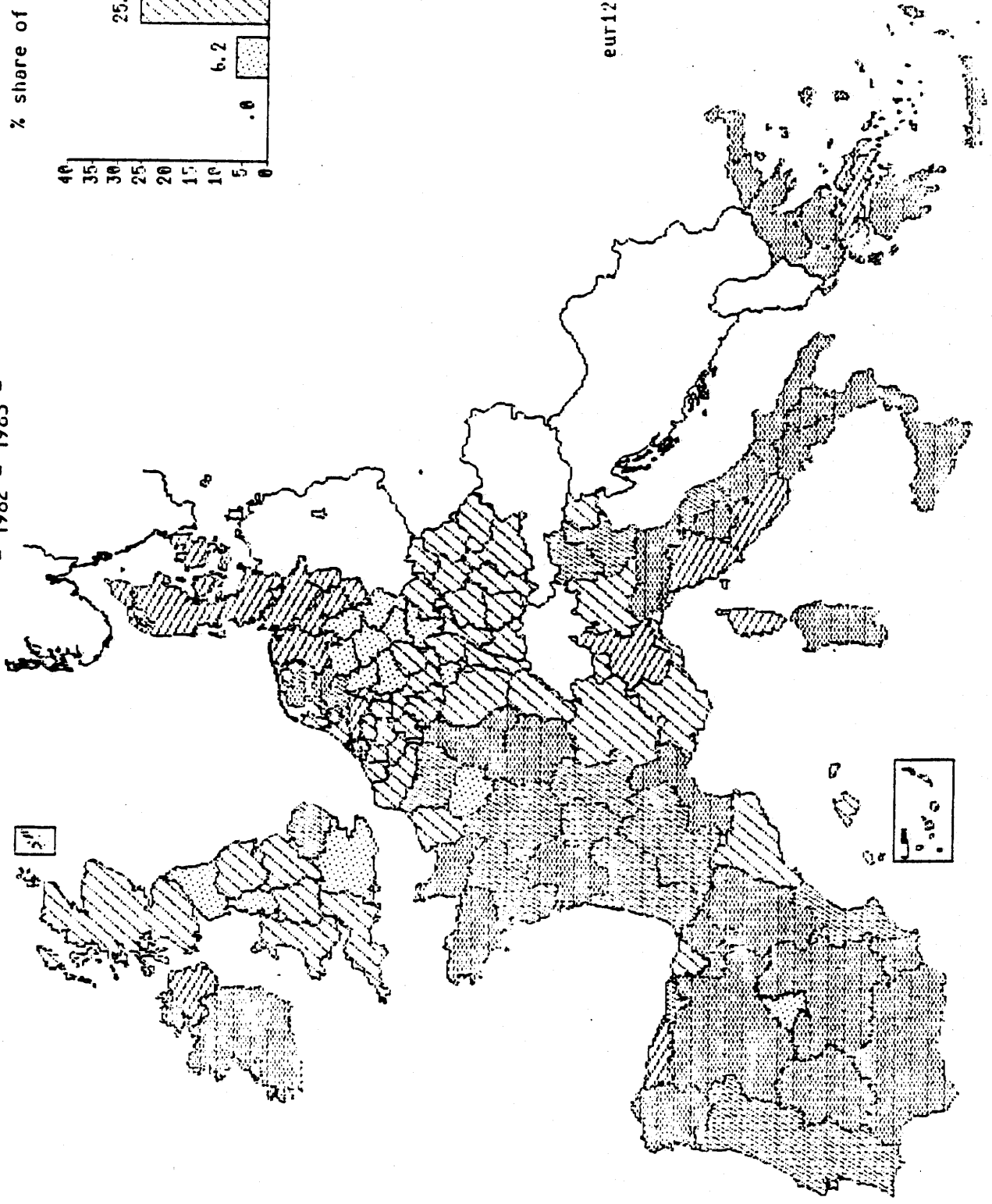
LABOUR PRODUCTIVITY IN AGRICULTURE
(gross value added per annual work unit)

- 1982 - 1983 -

% share of AWUs
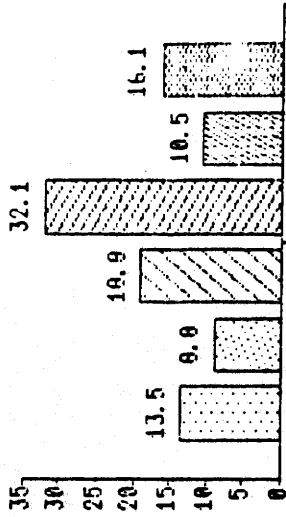
eur12 = 100.0 - s = 65.2

1 : > 165.2
2 : 132.6 - 165.2
3 : 100.0 - 132.6
4 : 67.4 - 100.0
5 : 34.0 - 67.4
6 : < 34.0
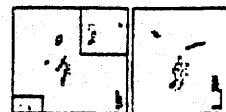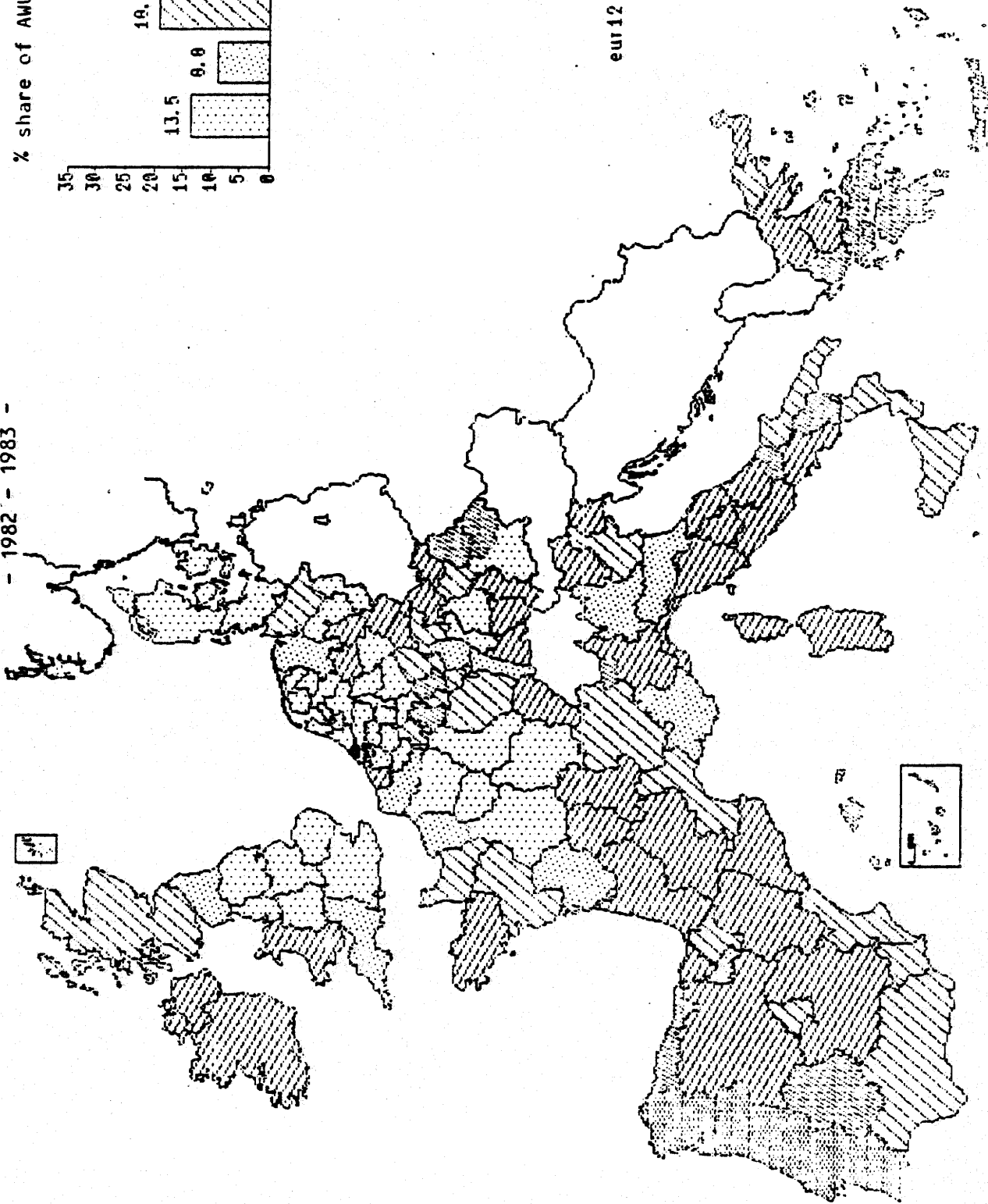
LAND PRODUCTIVITY IN AGRICULTURE
(gross value added per hectare)
- 1982 - 1983 -
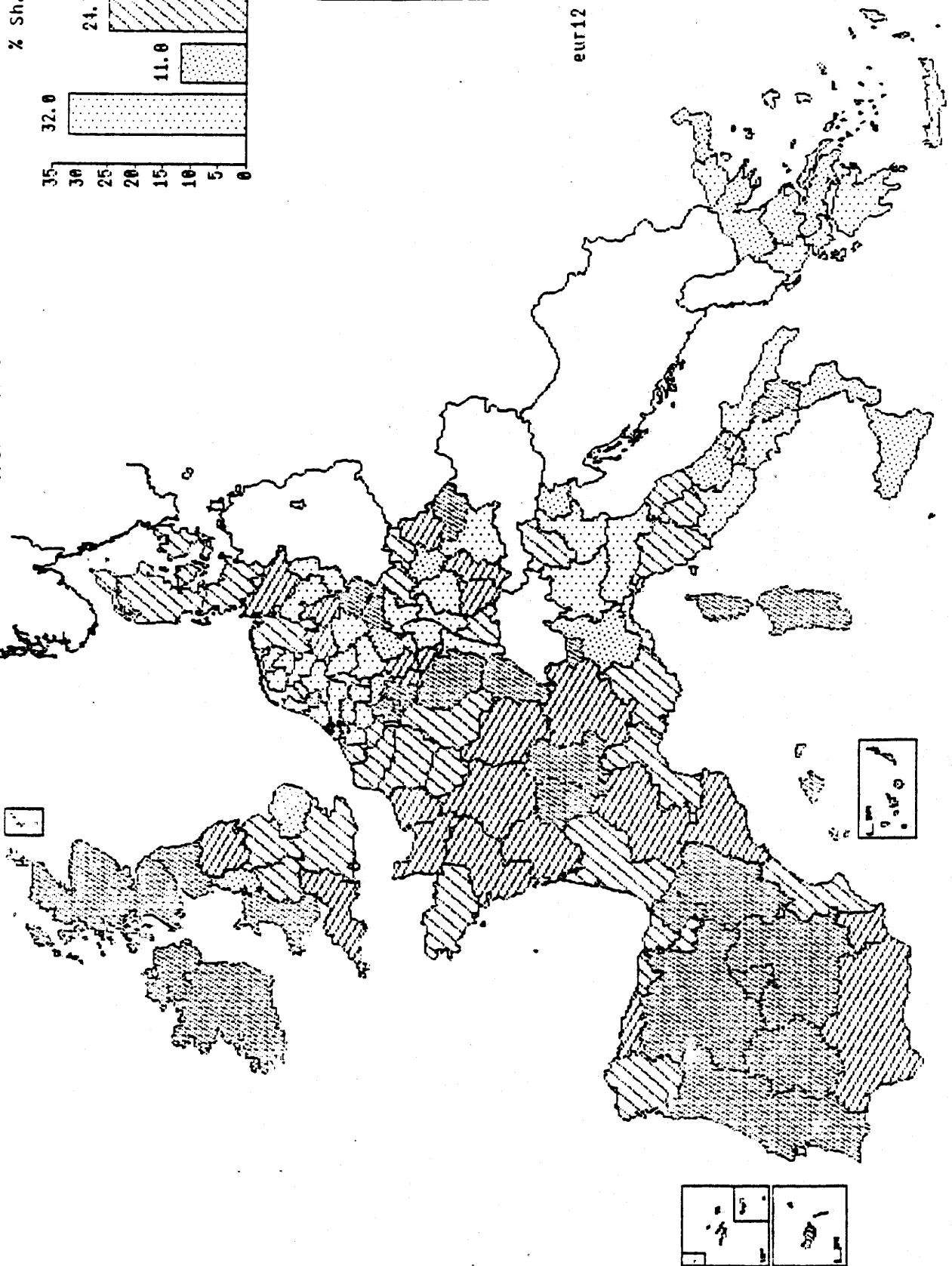
% Share of GVA
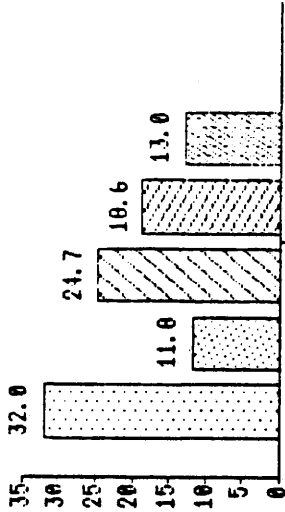
	1 : > 182.9
	2 : 141.4 - 182.9
	3 : 100.0 - 141.4
	4 : 59.6 - 100.0
	5 : < 59.6

eur12 = 100.0 - = 82.9
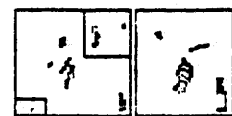
SIZE OF HOLDINGS IN ECONOMIC TERMS
(gross value added per holding)
- 1982 - 1983 -

% share of GVA

34.4   14.5   11.7   32.1   7.4

35
30
25
20
15
10
5
0
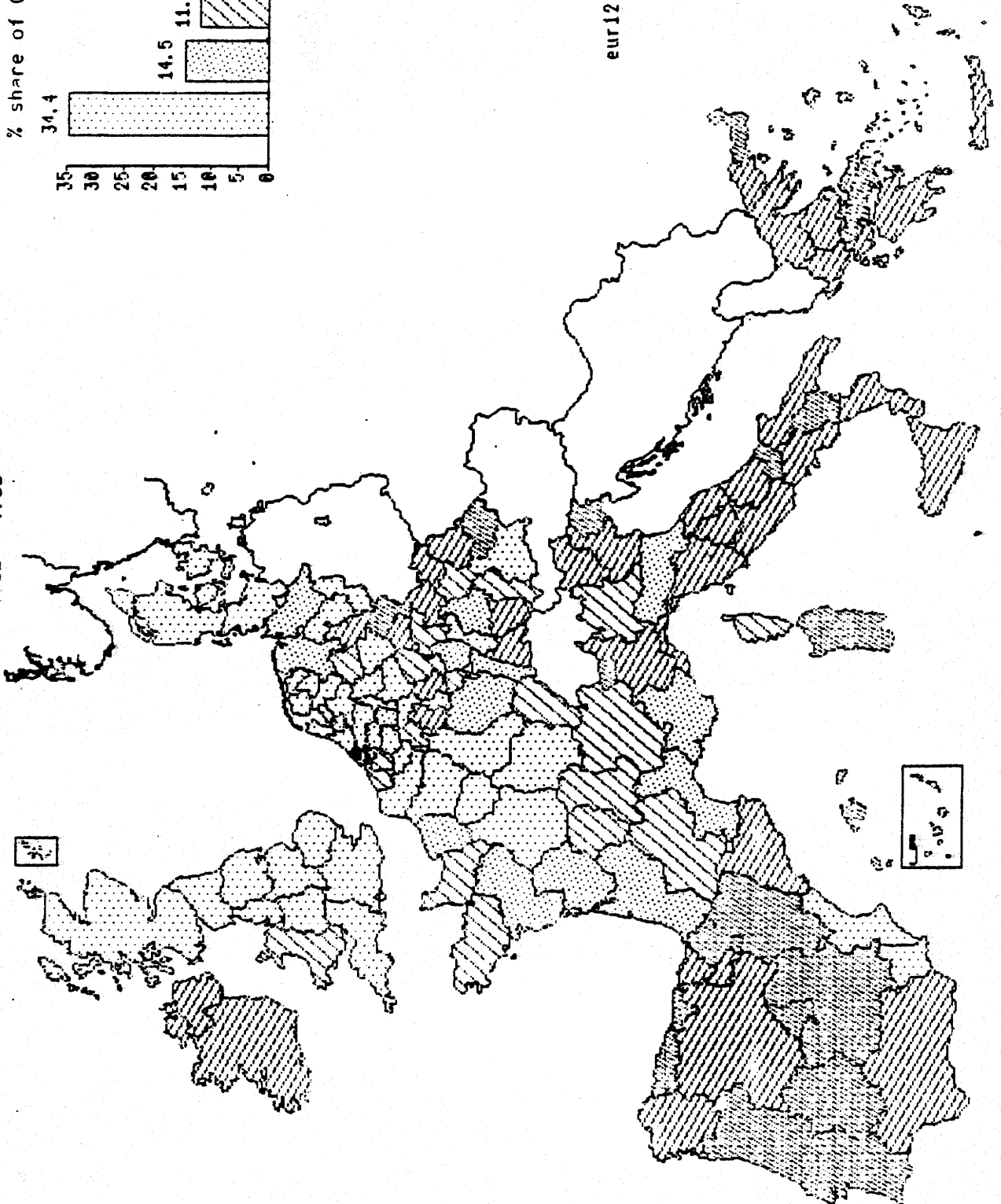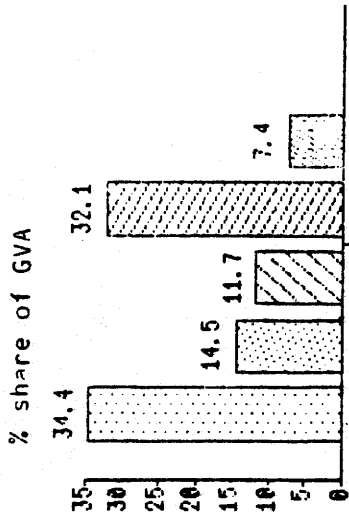
1 : > 190.2
2 : 140.1 - 190.2
3 : 100.0 - 140.1
4 : 50.9 - 100.0
5 : 1.0 - 50.9
6 : < 1.0

eur12 = 100.0 - s = 90.2
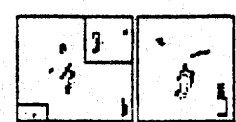
REGIONS PRODUCING MEDITERRANEAN PRODUCTS
(Mediterranean products as a percentage of final production)

- 1983 -

% share of final production
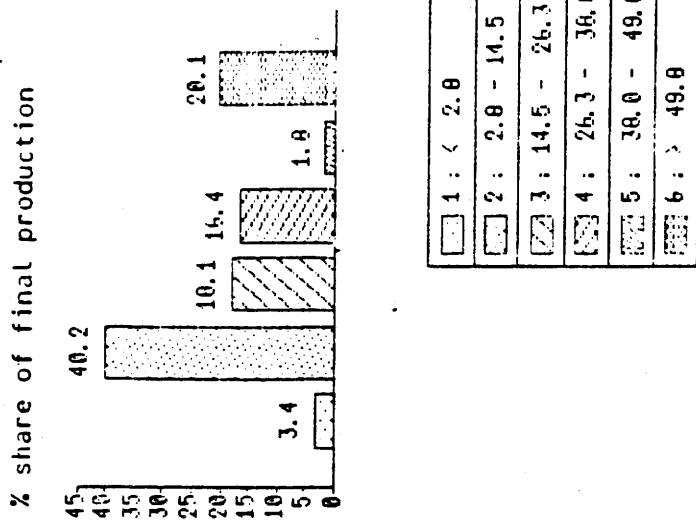
1: < 2.8			
2: 2.8 - 14.5			
3: 14.5 - 26.3			
4: 26.3 - 38.0			
5: 38.0 - 49.0			
6: > 49.0			

eur12 - 26.3 - s - 23.5

Bar chart values: 3.4, 40.2, 10.1, 16.4, 1.8, 20.1
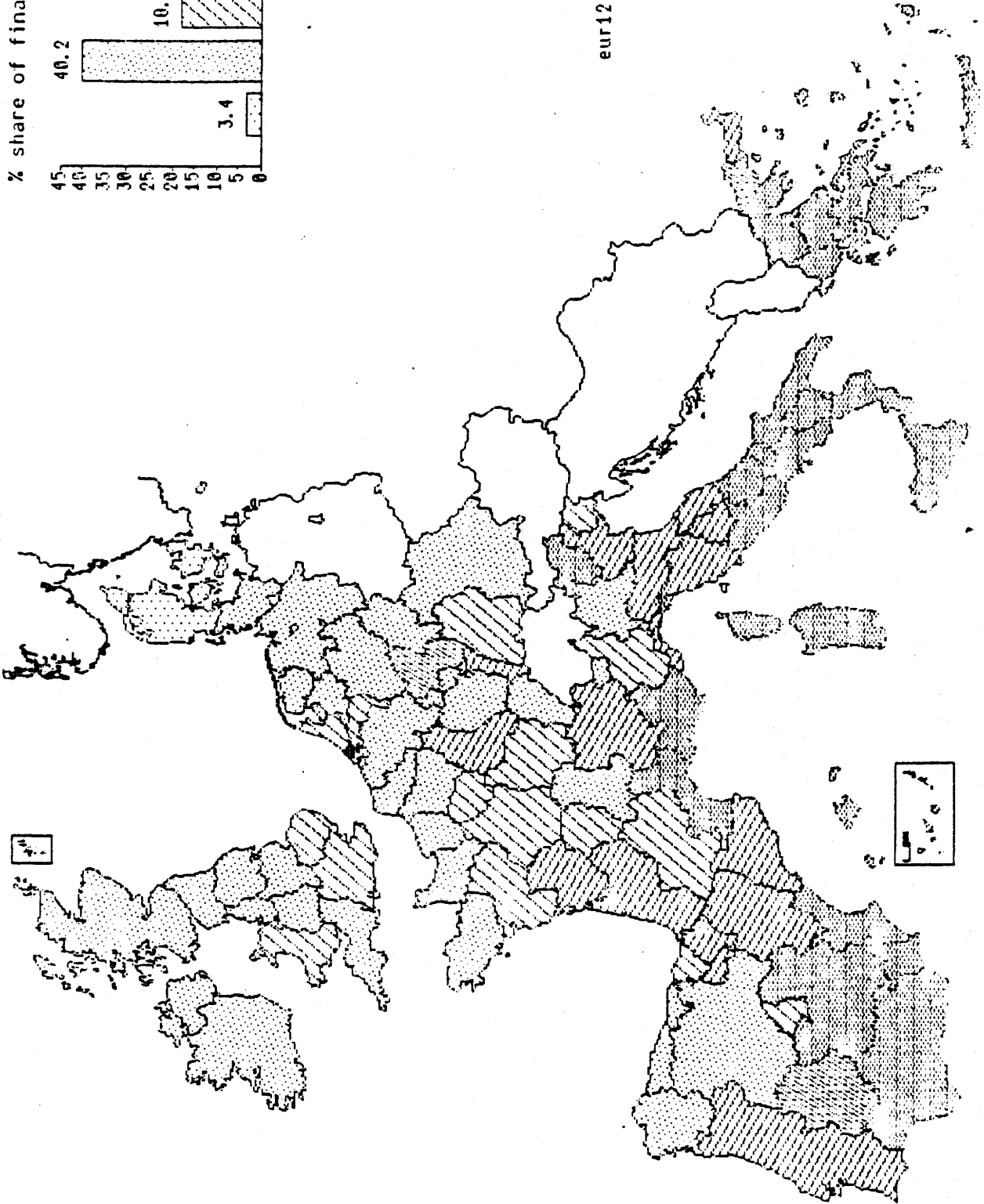
Table 2.2.3-C.1
Agricultural employment as a percentage of total employment
- 1984 -

Member State	Regions			National average
	Max.	Min.	Disparity[1]	
D	16.5	0.3	3.5	5.3
F	20.0	0.4	6.5	8.7
I	29.0	4.2	6.0	11.7
NL	9.7	3.3	2.2	5.5
B	9.6	2.0	1.7	3.5
L	-	-	-	4.6
UK	7.0	1.0	1.7	2.6
IRL	-	-	-	16.9
DK	-	-	-	6.7
GR	56.5	7.5	19.3	29.4
EUR 10[2]	38.1	1.1	7.7	7.5
E	44.9	1.8	12.7	18.1
P	-	-	-	23.1
EUR 12[2]	42.0	1.1	9.1	8.9
EUR 10[3]	22.2	1.8	-	-
EUR 12[3]	27.5	1.8	-	

[1] Weighted standard deviation.
[2] Max. and min. = average of 10 regions with highest values and 10 regions with lowest values.
[3] Average of 25 regions with highest values and 25 regions with lowest values.

Table 2.2.3-C.2
Economic importance of agricultural sector
- Average for 1982-1983 -

Gross value added from farming as percentage of GDP[1]				
Member State	Regions			National average
	Max.	Min.	Disparity[2]	
D	4.1	0.1	1.1	1.8
F	11.4	0.4	2.9	3.7
I	11.8	2.4	3.0	5.6
NL	10.9	2.2	2.0	4.2
B	2.4	2.4	-	2.4
L	-	-	-	2.6
UK	6.7	0.9	1.2	1.7
IRL	-	-	-	9.6
DK	-	-	-	4.4
GR	33.4	3.8	10.9	14.3
EUR 10[3]	17.0	0.6	3.2	3.3
E	14.8	0.5	4.1	5.6
P	-	-	-	6.4
EUR 12[3]	20.6	0.6	3.3	3.4
EUR 10[4]	10.4	1.1	-	-
EUR 12[4]	11.5	1.0	-	-

[1] In ECU.
[2] Weighted standard deviation.
[3] Max. and min. = average of 10 regions with highest values and 10 regions with lowest values.
[4] Average of 25 regions with highest values and 25 regions with lowest values.

Table 2.2.3-C.3
Agricultural regions and other regions
Structural and socio-economic characteristics
- Weighted standard -

Class	Number of regions	Relative size of agricultural sector		Structur of agricultural sector			General socio-economic situation				
		Persons empl. In agricult. as % of total employed	GVA of agriculture as % of GDP	GVA of agriculture			Rate of unemployment			PIB	
				per AWU	per hectare of UAA	per holding	Total	of women	under 25 years	p.in-hab.	per person empl.
		1984		EUR12=100[1]	EUR12=100[2]	EUR12=100[3]	1985			EUR12=100 1985	
				Average 1982/1983							
Agricultural regions											
5	27	26.6	10.2	57.4	71.5	52.8	13.3	16.3	34.2	63.2	58.7
4	16	16.0	6.8	95.0	89.5	102.7	13.9	17.7	33.8	81.9	82.0
Other regions											
3	22	10.4	5.3	128.4	135.4	134.1	8.2	11.3	20.1	103.4	99.4
2	30	6.3	3.1	138.8	119.9	152.1	10.1	12.2	21.5	104.2	109.0
1	30	2.1	1.3	182.3	118.4	185.2	9.7	10.6	18.4	118.2	111.4
EUR 12	133	8.9	3.4	100.0	100.0	100.0	10.6	12.5	23.2	100.0	100.0

[1] Community average = 9 673 ECU per AWU.
[2] Community average = 755 ECU per hectare of UAA.
[3] Community average = 10 257 ECU per holding.

Note: Depending on statistics available, the year used is sometimes the previous or subsequent year for some Member States.

Table 2.2.3-C.4
Labour productivity in agriculture
(EUR 12 = 100)
- Average for 1982-1983 -

	Gross value added per annual work unit			
Member	Regions			National
State	Max.	Min.	Disp.[2]	average
D	385.8	43.5	77.3 •	136.5
F	309.6	81.2	49.7	130.1
I	153.5	44.9	24.0	102.0
NL	341.6	201.7	39.2	256.9
B	377.4	54.8	106.1	193.8
L	-	-	-	128.9
UK	270.1	71.2	58.4	161.0
IRL	-	-	-	71.0
DK	-	-	-	194.0
GR	113.7	37.5	14.2	63.0
EUR 10[3]	323.4	53.2	61.3	120.4
E	133.8	28.5	33.2	73.7
P	-	-	-	12.8
EUR 12[3]	323.4	20.5	65.2	99.9
EUR 10[4]	267.8	65.1	-	-
EUR 12[4]	267.8	37.9	-	-

[1] In ECU
[2] Weighted standard deviation.
[3] Max. and min. = average of 10 regions with highest values
and 10 regions with lowest values.
[4] Average of 25 regions with highest values and 25 regions
with lowest values.

Table 2.2.3-C.5
Land productivity in agriculture
(EUR 12 = 100)
- Average for 1982-1983 -

	Gross value added per hectare[1]			
Member	Regions			National
State	Max.	Min.	Disp.[2]	average
D	1 897.0	38.0	77.4	136.9
F	194.5	23.3	28.9	87.5
I	473.7	37.9	82.5	177.8
NL	984.5	197.1	197.4	398.9
B	666.9	32.1	165.7	198.3
L	-	-	-	99.8
UK	146.1	21.1	43.4	68.7
IRL	-	-	-	44.5
DK	-	-	-	122.5
GR	257.6	150.7	27.0	189.4
EUR 10[3]	555.2	36.1	87.5	117.3
E	172.7	22.2	35.4	49.7
P	-	-	-	45.6
EUR 12[3]	555.2	25.9	82.9	100.0
EUR 10[4]	332.8	46.3	-	-
EUR 12[4]	332.8	35.7	-	-

[1] In ECU
[2] Weighted standard deviation.
[3] Max. and min. = average of 10 regions with highest values
and 10 regions with lowest values.
[4] Average of 25 regions with highest values and 25 regions
with lowest values.

TABLE 2.2.3-C.6

Table 2.2.3-C.6
Size of holdings in economic terms
(EUR 12 = 100)
- Average for 1982-1983 -

Gross value added per holding[1]				
Member	Regions			National
State	Max.	Min.	Disp.[2]	average
D	1 362.6	49.3	100.9	158.6
F	607.2	107.8	85.8	180.1
I	170.3	29.7	30.1	73.3
NL	673.5	245.5	118.1	413.8
B	374.6	52.4	105.5	199.1
L	-	-	-	206.9
UK	767.9	82.4	186.1	325.9
IRL	-	-	-	83.7
DK	-	-	-	260.1
GR	77.3	45.2	8.1	56.8
EUR 10[3]	557.7	47.0	105.4	122.3
E	269.6	5.3	43.0	54.6
P	-	-	-	18.8
EUR 12[3]	557.7	23.9	98.2	100.0
EUR 10[4]	455.3	55.7	-	-
EUR 12[4]	455.3	34.2	-	-

[1] In ECU.
[2] Weighted standard deviation.
[3] Max. and min. = average of 10 regions with highest values
and 10 regions with lowest values.
[4] Average of 25 regions with highest values and 25 regions
with lowest values.

Table 2.2.3-C.7

Regions specializing in mediterranean products and other regions
Structural and socio-economic characteristics
- Weighted averages -

Number of regions	Mediterranean production as % of final agricultural production	Relative size of agricultural sector		Structure of agricultural sector			General socio-economic situation				
		Pers. empl. in agric. as % of total empl.	GVA of agricult. as % of GDP	GVA of agriculture			Rate of unemployment			GDP	
				per AWU	per hectare of UAA	per holding	Total	of women	under 25 years	p.in-hab.	per person empl.
				EUR12=100[1]	EUR12=100[2]	EUR12=100[3]				EUR12=100	
	1984			Average 1982/1983			1985			1985	
Mediterranean regions											
26	66.9	18.2	7.8	89.5	112.6	65.9	14.5	19.4	40.3	70.6	74.9
Other regions											
107	15.4	7.3	2.9	104.4	92.7	120.9	9.9	11.5	20.4	106.4	104.3
EUR 12											
133	26.3	8.9	3.2	100.0	100.0	100.0	10.6	12.5	23.2	100.0	100.0

[1] Community average = 9 673 ECU per AWU.
[2] Community average = 755 ECU per hectare of UAA.
[3] Community average = 10 257 ECU per holding.

Note: Depending on statistics available, the year used is sometimes the previous or subsequent year for some Member States.

Table 2.2.3-C.8
Mediterranean products as percentage of final agricultural production
- 1983 -

Member State	Regions			National average
	Max.	Min.	Disp.[1]	
D	42.5	0.2	10.0	9.1
F	83.5	5.0	19.0	23.1
I	83.8	8.1	24.3	46.7
NL	15.3	3.4	5.6	10.1
B	-	-	-	14.1
L	-	-	-	11.9
UK	18.9	5.7	4.0	12.5
IRL	-	-	-	5.7
DK	-	-	-	2.3
GR	86.1	33.5	14.2	61.8
EUR 10[2]	77.8	4.2	23.1	23.6
E	78.0	7.3	21.7	40.3
P	-	-	-	36.9
EUR 12[2]	80.3	4.2	23.5	26.3
EUR 10[3]	60.9	5.6	-	-
EUR 12[3]	67.5	5.4	-	-

[1] Weighted standard deviation.
[2] Max. and min. = average of 10 regions with highest values
    and 10 regions with lowest values.
[3] Average of 25 regions with highest values and 25 regions
    with lowest values.

Table 2.2.3-C.9
Relative importance of less-favoured farming areas
- As percentage of corresponding total -
- 1983 -

Member State	Number of holdings	Persons employed	Annual work units	Under-employed farmers[1]	Area under					Number of dairy cows
					cereals	root crops	industrial crops	permanent grazing and pasturage	woodland on the holding	
D	35.3	34.9	31.9	37.8	24.4	18.7	15.0	43.9	49.3	38.1
F	33.2	33.2	31.3	33.3	22.0	7.2	28.3	52.6	65.5	58.6
I	45.0	44.8	42.0	48.7	8.0	29.0	25.7	81.2	85.4	35.7
NL	-	-	-	-	-	-	-	-	-	-
B	13.6	12.7	12.0	6.0	9.9	1.4	7.1	34.4	55.6	20.2
L	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
UK	23.8	19.4	19.5	24.0	6.4	11.1	0.6[2]	61.6	29.9	13.8
IRL	59.7	58.6	55.3	82.5	11.9	25.8	-	54.7	26.9	35.4
DK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GR	48.0	47.9	48.6	50.3	47.4	37.6	20.0	81.7	80.2	29.5
EUR 10	39.8	39.0	35.0	46.8	22.4	12.4	19.8	56.1	70.2	25.0

[1] Farmers working less than 50% of normal hours without any other activity.
[2] No production of industrial crops in Ireland.

Source: Community survey on the structure of agricultural holdings.

Table 2.2.3-C.10
Importance of less-favoured farming areas
- Situation 1983 and November 1986 -

	1983	November 1986			
		Less-favoured farming areas as percentage of total UAA			
	UAA of			of which	
Member State	less-favoured farming areas as percentage of total UAA	Total	Mountain and hill areas	Less-favoured areas in danger of depopulation	Areas affected by specific handicaps
D	31.6	50.9	2.9	46.9	0.9
F	34.9	38.5	14.0	23.1	1.4
I	50.6'	51.1	31.2	18.7	1.2
NL	0.7'	0.9	0.0	0.0	0.9
B	20.2	21.9	0.0	0.9	0.0
L	100.0	100.0	0.0	97.6	2.4
UK	41.4	52.5	0.0	52.5	0.0
IRL	48.2	67.9	0.0	67.9	0.0
DK	0.0	0.0	-	-	-
GR	55.4	78.2	53.8	21.6	2.8
E	-	62.4	21.8	38.2	2.4
P	-	75.6	19.5	51.9	4.2
EUR 10	38.1	48.0	14.8	32.2	1.1
EUR 12	-	51.9	16.4	34.0	1.5

' Estimate.

EUR 12: UAA of less-favoured farming areas = 68,4 million hectares, total UAA = 131,8 million hectares.

Source: Community survey on the structure of agricultural holdings and DG VI.

Annex 2.2.3-D

BOX

Measuring problems of urban decline and growth (Method of analysis)[1]

1. To make the process of urban decline and growth operational and comparable on a Community-wide basis urban units were defined in terms of functional urban regions (FURs) each with a population of more than 330 000 of which at least 200 000 live in an urban core area containing not less than 20 000 jobs. For a more differentiated view the FURs were split into 2 sub-groups of which group FUR 1 (Major FURs) was the basis of the main analysis, consisting of areas with populations over 330 000 and core population of more than 200 000. The other group of FURs has populations over 330 000 but cores that fail to meet the 200 000 criterion.

2. In total 193 FURs were determined for EUR10 (+ 41 for Spain and 5 for Portugal); of these 104 had core populations exceeding 200 000 (+ 16 for Spain and 2 for Portugal). The study focussed on these 122 major metropolitan areas.

3. Urban problems can be viewed as symptoms of imperfect adjustment to disequilibria in the spatial structure. However, as noted by the OECD, many of these problems are not unique to cities experiencing loss of population and employment but are found in growing urban areas as well.[2] Problems of urban decline have to be clearly differentiated from those of urban growth: urban decline is seen as a symptom of the socio-economic and environmental problems associated with relative or absolute economic decline, characterised by a loss of population; problems of urban growth, characterised by an increasing population due to migration towards cities, reflect the relative impoverishment and erosion of opportunities in rural hinterlands.

4. A two-stage process was chosen to measure urban problems: first a population decline index (weighted 65:35 core: hinterland) distinguishing population loss from population growth, was used to rank the FURs. Then, the extent of 'urban problems' was measured by a composite index generated by discriminant analysis[3] from a wide set of candidate variables.

----
[1] Based on results of a study on urban problems in Europe carried out for the Commission by CHESHIRE, HAY, et. al..
[2] Volume 1 of Managing Urban Change (OECD, 1983).
[3] This technique allows weights for a composite indicator to be derived from the data itself.

The analysis identified 3 variables as significant. These were:

Unemployment rate, U (labour force survey based FURs unemployment rate estimated for 1977-81 and 1983-84),

Migration index, M (FUR net in-migration percent rate 1971-81),

Travel Demand Index, T (taken as the number of quality adjusted hc: bedrooms, on the assumption that the demand of tourists and business travellers reflects environmental attraction, accessibility and local business opportunities of FURs).[4]

The estimated discriminant function with all coefficients significant at the 1% level was:

Problem Score = - 5.0166 + 0.0892 U - 0.3227 M - 0.5622 T.

The discriminant analysis was performed on a test group of FURs identified by national experts as falling clearly into either a 'problem' or 'non-problem' category. 6 alternative test groups were tried, demonstrating a fair degree of robustness, with most cities identified as having severe or serious problems being picked out by all discriminant procedures as among the worst 35% of FURs.

5. Problem scores were computed for all Major FURs and plotted against the population decline index. The resulting scatterdiagram is shown as graph 2.2.3-D.1 in Annex chapter 2.2.3-D.

----

[4] The income variables in the candidate set were excluded as non-significant; for example, many declining cities in the North of the Community have higher per capita incomes than the growing cities of the South. (The same pattern is observed in France.)

CLASSIFICATION OF FUNCTIONAL URBAN REGIONS ACCORDING TO
THE INTENSITY OF THEIR PROBLEMS AND POPULATION DEVELOPMENTS
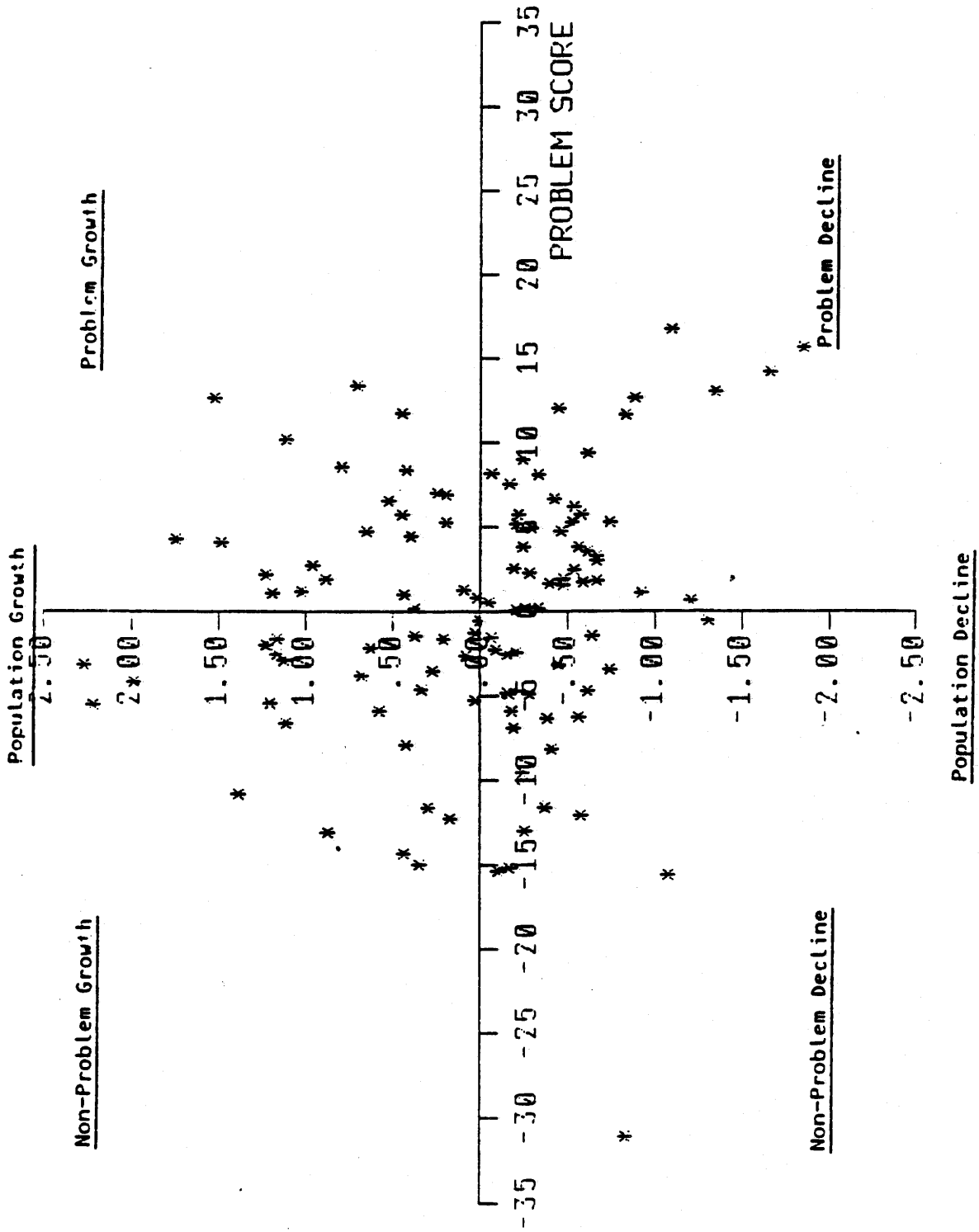
Table 2.2.3-D.1
Major functional urban regions (FURs) in the Community
FURs with a core (central town) of more than 200 000 persons'

Member State	Total			Worst 35 % major FURs in the EEC (1971-81)					
	Number of regions	Share in total popul.		Total			of which: covered by regional policy		
		Country = 100	EUR 12 = 100	Number of regions	Share in total popul.		Number of regions	Share in total popul.	
					Country = 100	EUR 12 = 100		Country = 100	EUR 12 = 100
D	28	63.0	12.2	1	1.8	0.3	1	1.8	0.3
F	22	49.0	8.3	8	12.5	2.1	3	2.9	0.5
I	17	45.0	8.0	7	16.4	2.9	6	14.8	2.6
N/L	4	44.0	2.0	1	12.5	0.6	0	0.0	0.0
UK²	24	71.0	9.5	15	14.1	5.0	11	14.1	0.5
IRL	1	54.0	0.4	1	28.5	0.4	1	20.7	3.7
DK	2	47.0	0.8	0	0.0	0.0	0	40.0	0.4
GR	2	45.0	1.4	-	-	-	-	-	0.0
EUR 10³	104	52.7	44.8	(35)	(13.9)	(11.8)	(24)	(9.4)	(8.0)
L	16	57.0	6.7	6	24.7	2.9	-	-	-
P	2	59.8	1.8	-	-	-	-	-	-
EUR 12	122	53.3	53.3	-	-	-	-	-	-

' All population shares refer to 1981.
² Manchester (UK) is not included in the number of regions covered by regional policy although part of the region is covered by regional policy.
³ Greece is not included in the EUR 10 totals for 'WORST 35 % MAJOR FURS IN THE EEC (1971-81)'.

Table 2.2.3-D.2
Major functional urban regions (FURs) in the Community
FURs classified by population decline and growth

Member State	Decline					Growth				
	Severe decline	Decline	Moderate decline	Total regions	% dist.	Moderate growth	Growth	Rapid growth	Total regions	% dist.
D	2	7	14	23	34.8	5	0	0	5	13.2
F	0	1	4	5	7.6	7	5	5	17	44.7
I	0	2	8	10	15.2	6	1	0	7	18.4
NL	0	0	2	2	3.0	2	0	0	2	5.3
B/L	0	3	1	4	6.1	0	0	0	0	0.0
UK	5	8	8	21	31.8	3	0	0	3	7.9
IRL	0	0	0	0	0.0	0	1	0	1	2.6
DK	0	1	0	1	1.5	1	0	0	1	2.6
GR	0	0	0	0	0.0	0	0	2	2	5.3
EUR 10	7	22	37	66	100.0	24	7	7	38	100.0
E	-	-	-	-	-	-	-	-	-	-
P	-	-	-	-	-	-	-	-	-	-
EUR 12	-	-	-	-	-	-	-	-	-	-

Annex 2.2.3-E

Peripheral and central regions

Economic significance of peripherality

1.   The Community is an economic area made up of twelve Member States and covering 2.25 million km^2.   The physical distances between regions in the Community are inevitably much greater than within individual countries. The outlying regions are, in some cases, very remote from the areas in which people and economic activities are concentrated, i.e. the main centres of supply and demand.   This remoteness affects the economic development potential of those regions.

2.   The relatively greater inaccessibility of the outlying regions entails additional costs in terms of money, time and access to information.   The costs that can be most readily measured are, of course, those associated with transport and with the time taken to supply raw materials and deliver finished products.   However, transport costs are only one aspect of a whole range of handicaps affecting activity in the outlying regions. Other factors are often important, such as telecommunications, postal charges and the greater difficulty of obtaining information in an efficient manner and of maintaining close links with business partners (for example, the cost incurred, and the time spent, in travelling); remoteness also adds to administrative, storage and production costs. In addition, innovativeness and technological dynamism are more often encountered in the central regions as part of efforts to maximize the supply of information.   On the one hand, potential demand there is generally richer and more receptive to innovation; on the other, there is an above-average concentration of highly skilled workers and research staff.

These factors also mean that firms located in areas furthest away from the large central markets are more dependent on smaller regional and local markets; hence the difficulties that arise in expanding sales, attracting investment and boosting regional economic growth.   For firms in the peripheral regions, these smaller markets also reduce the scope for achieving the economies of scale which firms in central regions can more easily achieve through proximity to much larger markets.

Regional variations in peripherality and the impact of enlargement

1. A study of the peripheral regions[1] - based on the methodology described in the box - has calculated the degree of peripherality of each of the Level II regions in the Community of Twelve using a single index. This "peripherality index" reflects each region's accessibility in relation to economic activity as distributed throughout the Community and in adjacent countries. The following five groups of regions have been defined on the basis of the relevant value of this peripherality index: "central regions" ("inner" and "outer"), "intermediate regions" and "peripheral regions" ("inner" and "outer").

2. The most central regions (the "inner central" regions shown on Map 2.2.3-E.1) are located mainly in an area comprising most of Belgium and the Netherlands, Nord/Pas-de-Calais in France and a number of regions along the Rhine valley in Germany; the London and Paris regions also belong to this "inner central" group.[2]

By contrast, Ireland, all the Greek, Portuguese and Spanish regions (with the exception of Madrid and Catalonia), Corsica, a number of regions in southern Italy and the extreme north of the United Kingdom belong to the "outer peripheral" group.[3]

3. Enlargement of the Community to include Spain and Portugal has increased the number of peripheral regions significantly.[4] The 24 Spanish and Portuguese regions fall into the peripheral group (outer and inner), with the number of such regions rising by 66% (Table 2.2.3-E.1). The population and surface area of the peripheral regions have virtually doubled, expanding by 82% and 90% respectively.

The coefficient of variation for the peripherality index has risen by some 17%, indicating greater dispersal of the regions in relation to Community markets.

[1] Keeble, D., Offord, J. and Walker, S., "Peripheral Regions in a Community of twelve Member States", Cambridge University, 1986.
[2] All these regions have a peripherality index value of over 150 (Community average = 100); five of them have a value of over 220. This situation, however, does not sufficiently reflect the particular situation of West Berlin.
[3] The 41 regions concerned all have an index value below 60, while the corresponding values for the Greek regions are below 36 and those for Madeira and the Azores around 20.
[4] This was also the case when Greece joined the Community.

4. Another method of describing the impact of enlargement on peripherality is to calculate the changes in the situation of the regions consequent upon the abolition of customs barriers between the Community and the two new Member States. This simulation shows a much greater accessibility gain for the Spanish regions (+28%) and the Portuguese regions (+20%) than for the other regions (+4% for the most southerly French regions and even less for the others).

This indicates that the gap separating Spain and Portugal from the vast economic nucleus in the north of the Community has narrowed somewhat and that, relatively speaking, the Spanish and Portuguese regions have benefited more than the other regions.

5. The two methods of describing the immediate impact of enlargement in terms of proximity to markets reflect two important consequences of that event. The peripherality phenomenon has become more pronounced in the enlarged Community and, at the same time, there has been a narrowing of the gap between the Spanish and Portuguese regions, on the one hand, and the main centres of economic activity in the Community, on the other.

Characteristics of the peripheral regions

1. Table 2.2.3-E.2 provides a comparison of the distribution of a number of demographic, economic and labour market indicators between the central, intermediate and peripheral regions of the Community.

The peripheral regions cover 56% of the total surface area of the Community but accounted for only 33% of its population in 1983; in addition, they provide only 27% of employment in the Community and generate less than 25% of Community GDP; they also account for 39% of all unemployed persons and for 45% of unemployed persons under 25. The distribution of each indicator is even more uneven within the peripheral regions and is particularly unfavourable in the outer peripheral regions as far as population, GDP and unemployment are concerned. By contrast, the central regions, while covering only 10% of Community territory, account for 31% of the population, provide 36% of total employment and generate 38% of total GDP.

2. The economic structure of the peripheral regions can be compared with that of the other regions in the Community by looking at the average values of the indicators for each group of regions (Table 2.2.3-E.3). For six of the nine indicators, a steady centre-periphery gradient is discernible. This gradient is very pronounced in the case of GDP per head of population and in the case of the indices for the structures of manufacturing[5] and the service sector[6]. Conversely, the weight of agriculture and the three unemployment rates considered (total, those under 25, and women) are greater in the peripheral regions. However, in the case of two of the unemployment indicators (total and women), the intermediate regions are better placed than the central regions, particularly the inner central regions.

These figures show that the peripheral regions are distinguished from the others by their relative poverty, their greater dependence on agriculture, pronounced labour-market disequilibria, and an industrial structure geared more to less technologically advanced activities and to services which are more dependent on consumers than on regional productive activities.

3. Comparison of the average movements in a number of indicators over the period 1977-83 for the Community of Ten again brings to light a steady centre-periphery gradient (Table 2.2.3-E.4). While the total population is virtually unchanged in the inner central regions, it is increasing in all the other regions, and especially in the most peripheral regions.

GDP per head of population shows a steady decline from the central regions to the peripheral regions, both in 1977 and in 1983. During that period, this indicator moved closer to the Community average in the inner peripheral regions but dropped a little further behind in the outer peripheral regions. Taking the Community of Ten, GDP per head measured in real terms increased by 1.5% between 1979 and 1983, the largest increases being recorded in the inner peripheral regions (+2.8%) and the smallest in the outer central regions (+0.5%).

---

[5] The structural index for manufacturing (NACE classes 2, 3 and 4) represents the ratio of employment in NACE class 3 (metal manufacture, mechanical, electrical and instrument engineering, motor vehicles, aerospace, equipment, etc.) to that in NACE class 4 (textiles, clothing, footwear, paper industry, food and drink, etc.). A high index value indicates that the industrial structure is more modern and technologically advanced.
[6] The structural index for services represents the ratio of employment in services used by firms (finance, banking, insurance, business services, transport, communications, etc.) to that in services intended more for consumers (health, education, tourism, public administration, etc.).

Employment in the service sector and particularly in manufacturing has displayed a more favourable trend in the peripheral regions than elsewhere. However, it must be remembered that the growth in population, including the population of working age, has been higher there, producing an appreciable rise in the level of unemployment. In addition, a more detailed analysis reveals that these apparently more favourable employment trends are largely due to the positive development recorded in the peripheral regions in Italy.

4. Taken together, the above analyses show that, in terms of the distribution of economic activity within the Community, the peripheral regions display a series of attributes that place them in a distinctly less favourable position than the other regions. Certain - apparently somewhat more positive - trends in the more peripheral regions do, in fact, mask divergent developments and have failed to reduce a number of other, pronounced disparities. In particular, the more favourable trend in total employment in the peripheral regions has to be seen in the context of the weight and structure of an industrial sector, which is inherently weaker and against the background of more rapid growth in the number of job-seekers. On the whole, these trends form part of an overall picture of unchanging disparities in income and growing disparities in unemployment over the last ten years.

BOX

Peripherality Index

1. In the context of regional economic development, the concept of peripherality - and its converse, centrality - is based on that of the uneven distribution of economic activity within a particular territory. The degree of peripherality of each region depends on the physical distance bbetween it and all the other regions, account being taken of the total volume of economic activity in each region.

2. The formula used for the peripherality index is:

$$Z_i = \frac{P_i}{D_{ii}} + \sum_{\substack{j=1 \\ i \neq j}}^{n} \frac{P_j}{D_{ij}} \quad \text{with } D_{ii} = \frac{1}{3} \sqrt{\frac{\text{area of region}}{JJ}}$$

where: Z_i is the peripherality index of region i,
  P_i is the volume of economic activity in region i,
  P_j is the volume of economic activity in region j,
  D_{ij} is the distance between regions i and j,
  D_{ii} is the average distance between the centre and the periphery of region i.

This formula is taken to reflect the relative strength or weakness of the economic agents in one region in relation to those in all the other regions in their capacity as suppliers or purchasers.

3. The peripherality index is calculated on the basis of regional GDP, which measures the volume of economic activity. The distances between two regions are measured by road; however, in view of the need for sea-crossings in some cases, a formula reflecting the cost of loading and unloading was used.

The peripherality indices were calculated for each of the 166 NUTS Level II regions in the Community of Twelve, between which no internal customs barriers exist. The GDP and the distance from the region under consideration - adjusted to take account of external customs barriers - of adjacent countries which are not members of the Community were also taken into account.

4. On the basis of the calculated value of the peripherality index, the regions were divided into three groups: <u>central regions, intermediate regions and peripheral regions</u>. The central and peripheral regions were then subdivided into "inner" and "outer" sub-groups. This classification was derived by identifying the most significant discontinuities in the ordered statistical series.

On the basis of this classification, an analysis of the structure of the peripheral regions and a comparison between their characteristics and those of the central and intermediate regions were carried out using the available regional data relating to demographic trends, economic activity and the labour market.

CENTRAL, INTERMEDIATE AND PERIPHERAL REGIONS
IN THE COMMUNITY
- 1983 -

% share of population
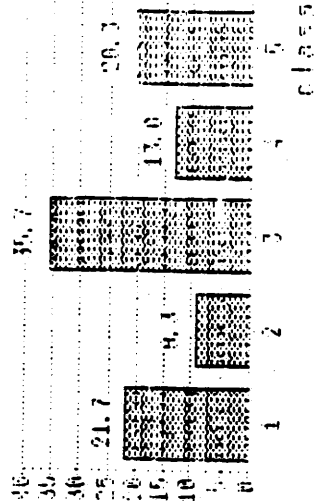
- 120 -

MAP 2.2.3-E.1

Inner central

Outer central

Intermediate

Inner peripheral

Outer peripheral

Source: FFHLF et al.
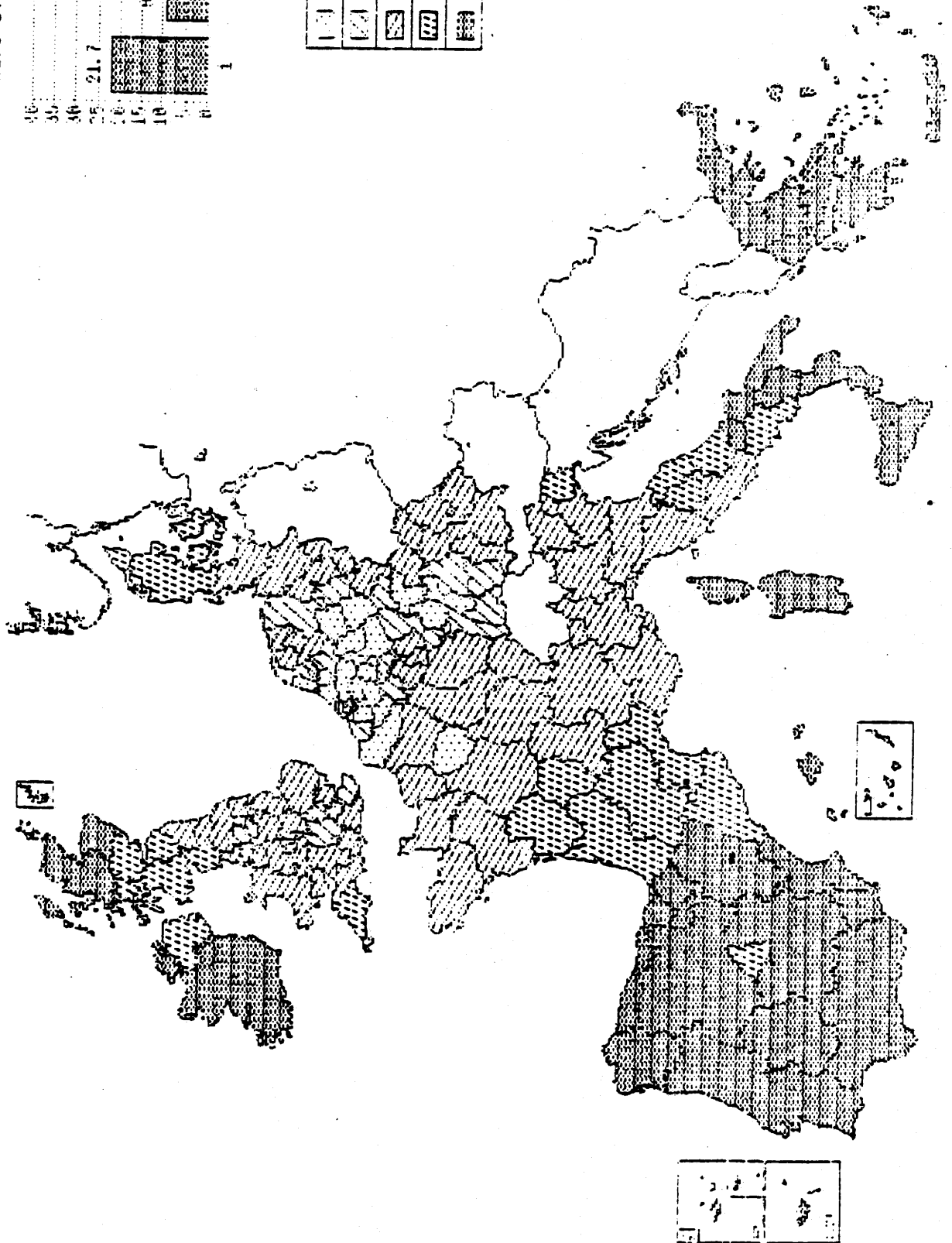
Table 2.2.3-E.1
Impact of enlargement on peripherality

| | EUR 10 | EUR 12 | Changes due to enlargement | |
			in value terms	as %
Number of NUTS level II peripheral regions	36	60	+ 24.00	+ 66.00
Population of the peripheral regions in 1983 (million)	58.67	106.66	+ 47.99	+ 82.00
Surface area of peripheral regions in 1983 ('000 km2)	664.40	1 260.10	+ 595.70	+ 90.00
Coefficient of variation for the peripherality index	44.40	51.90	+ 7.50	+ 16.90
Source: Keeble et al.				

Table 2.2.3-E.2
Relative shares of central, intermediate and peripheral regions
- 1983 -

(EUR 12 = 100)

Regions	Number of regions	Surface area	Popu-lation	GDP in PPS	Employment				Unemployment		
					Total	agri-culture	manufact-uring[1]	services	Total	Young people	Women
Centrale	44	10.0	31.0	37.9	35.6	11.6	37.9	36.8	31.5	25.8	29.5
of which											
- inner	25	5.0	21.7	28.2	25.4	6.3	24.7	28.6	21.0	16.6	20.3
- outer	19	5.0	9.3	9.7	10.2	5.3	13.2	10.2	10.5	9.2	9.3
Intermediate	62	33.9	35.7	37.6	37.0	31.6	40.0	36.5	29.3	29.4	31.2
Peripheral	60	56.1	33.3	24.5	27.4	56.8	22.1	24.7	39.3	44.8	39.3
of which											
- inner	19	15.9	13.0	11.6	10.4	12.2	9.2	10.6	16.0	17.7	16.1
- outer	41	40.2	20.3	12.9	17.0	44.6	12.9	14.1	23.3	27.2	23.2
EUR 12	166	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Classes 2, 3 and 4 of the NACE nomenclature.

Source: Keeble et al

Table 2.2.3-E.3

Socio-economic indicators for the central, intermediate and peripheral regions
Weighted averages
- 1983 -

Regions	GDP/head (in PPS) (EUR 12= 100)	Specialization[1] in			Structural index		Unemployment rate		
		agricult.	manufact-uring[2]	services	manufact-uring[3]	services[4]	Total	Young people	Women
Central	122.0	3.0	27.2	60.1	1.36	0.34	8.6	15.7	10.1
of which									
- inner	129.5	2.3	25.2	62.9	1.36	0.37	8.9	16.6	10.1
- outer	104.6	4.6	31.9	53.6	1.36	0.27	7.8	14.0	8.8
Intermediate	105.4	7.8	27.6	54.4	1.02	0.26	7.9	18.3	9.9
Peripheral	73.7	10.8	20.5	49.6	0.58	0.24	12.6	31.5	17.0
of which									
- inner	89.3	10.7	22.5	56.0	0.70	0.24	12.6	30.2	15.7
- outer	63.7	23.8	19.4	45.7	0.50	0.23	12.6	32.4	18.0
EUR 12	100.0	8.9	25.5	55.1	1.05	0.28	9.6	21.7	11.4

1 Employment in the sector expressed as % of total employment.
2 Classes 2, 3 and 4 of the NACE nomenclature.
3 Ratio of employment in NACE class 3 to that in NACE class 4.
4 Ratio of employment in producer services to that in consumer services.

Source: Keeble et al.

Table 2.2.3-E.4
Trends in central, intermediate and peripheral regions
(total change over the period expressed as %)
- EUR 10 from 1977 to 1983 -

Regions	Total Population	GDP per head (in PPS)			Employment		
		EUR 12 = 100		Rate of change in real terms[2]	Total	Manufact-turing[3]	Services
		1977	1983				
Central	+ 0.6	120.5	119.7	+ 1.3	+ 0.8	-14.2	+10.0
of which							
- inner	+ 0.0	129.2	128.2	+ 1.7	+ 1.6	-13.0	+10.0
- outer	+ 1.4	109.2	108.6	+ 0.5	- 1.1	-16.3	+ 9.9
Intermediate	+ 1.9	108.6	109.0	+ 1.8	+ 2.2	- 8.7	+ 9.5
Peripheral	+ 3.6	76.0	76.2	+ 2.0	+ 6.2	- 7.8	+11.3
of which							
- inner	+ 1.9	94.0	96.3	+ 2.8	+ 3.0	- 9.8	+ 9.6
- outer	+ 4.4	67.7	67.0	+ 1.6	+12.5	- 1.4	+14.6
EUR 10	- 2.2	100.0	100.0	+ 1.5	- 2.2	-11.1	+10.0

[1] Period 1979-83, data for Greece not available.
[2] Period 1979-83
[3] Classes 2, 3 and 4 of the NACE nomenclature.

Source: Keeble et al.

Table 2.2.3-E.5
Area and population of islands[1]

	Shares of islands in Community totals		Shares of islands in national totals		Persons/km2
	EUR 12 = 100		Country = 100		Population
	Area	Population	Area	Population	density of islands
D	0.03	0.02	0.2	0.1	108
F	0.4	0.08	1.7[2]	0.5[2]	29
I	2.3	1.96	16.6	11.7	126
NL	0.02	0.01	1.0	0.1	46
UK	0.5	0.07	4.5	0.4	21
IRL	0.01	0.002	0.5	0.3	26
DK	0.4	0.2	19.9	16.0	104
GR	1.1	0.4	18.9	14.7	54
E	0.6	0.6	2.5	4.2	119
P	0.1	0.2	3.4	5.0	164
EUR 12	- 5.4	3.5	-	-	80 (143)[3]

[1] Islands embracing capitals and overseas departments excluded, data refer to most recent year available, different from country to country.

[2] Including the French overseas departments the share of French island population would change from 0.5 to 3.5 and the share of island area from 1.7 to 7.0.

[3] Community average.

Table 2.2.3-E.6
Major socio-economic indicators for selected Community islands
- 1985 -[1]

| | Sectoral shares in total employment | | | | | | Unemployment rates (comparable) | | GDP | | | |
| | Agriculture | | Industry | | Services | | | | PPS per capita | | ECU per empl. | |
	Actual share	Country = 100	Actual share	Country = 100	Actual share	Country = 100	Actual share	Country = 100	EUR 12 = 100	Country = 100	EUR 12 = 100	Country = 100
F: Corse	8.2	94	14.8	46	77.1	131	15.3	154	66	58	110	92
I: Sardegna	16.4	140	26.1	75	57.5	107	19.3	209	68	74	77	91
Sicilia	19.1	163	23.6	68	57.3	107	13.7	149	63	69	74	88
UK: Scottish Isles	-	-	-	-	-	-	9.1	85	103	101	96	102
Isle of Wight	-	-	-	-	-	-	11.5	107	78	77	88	94
DK: Bornholm	13.7	206	22.4	84	63.5	96	5.8	74	103	86	110	97
GR: Kritis	53.7	183	13.9	53	32.4	73	3.7	47	54	95	36	79
Aigaiou	21.7	74	19.4	75	58.9	132	5.4	69	45	80	39	86
E: Baleares	12.5	70	29.7	90	57.8	118	13.4	61	98	127	90	111
Canarias	17.4	97	20.0	61	62.4	127	27.7	126	74	96	83	103
Total[2]	20.1		23.0		56.9		15.6		67		74	
EUR 12	8.9		34.6		56.2		10.6		100		100	

[1] Data refer to 1985 or most recent year available.
[2] Data for Scottish Isles (UK) and Isle of Wight (UK) are not included in the total for sectoral shares in total employment.

MAP 2.2.3-F
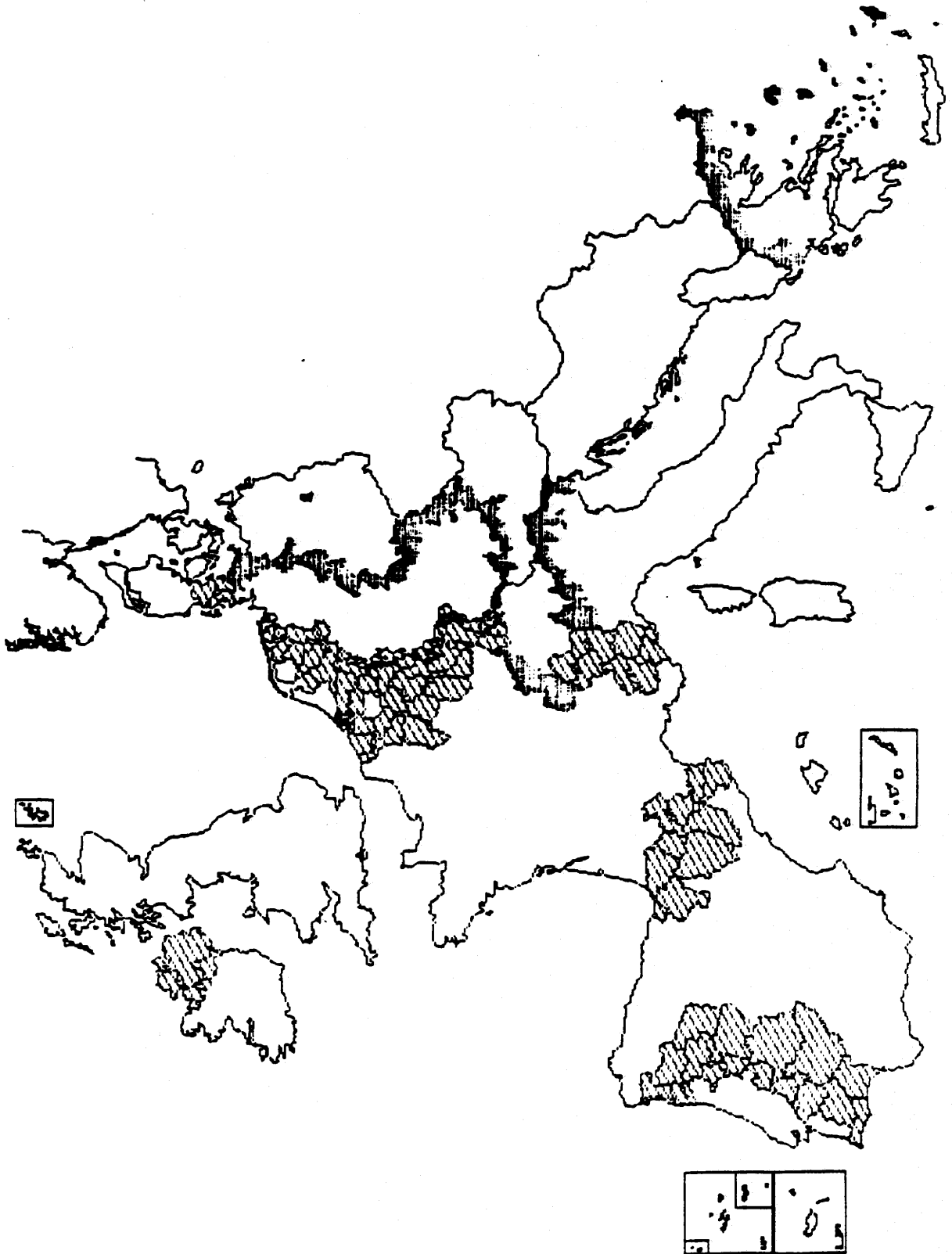
BORDER REGIONS
- - - - - - -

Table 2.2.3-1

Socio-economic Indicators of frontier regions

	Frontier Regions with Non Member States		Frontier regions[1] between Member States							
	area share	population share	area share	population share	population density per km2[1]		GDP/head (1983) EUR 12=100[2]		Unemployment rate[3] (1985)	
	State = 100	State = 100	State = 100	State = 100	Total State	frontier regions	Total State	frontier regions	Total State	frontier regions
D	24.5	17.4	14.7	13.1	247	220	118.9	103.8	7.3	8.2
F	3.1	2.3	18.2	19.9	101	110	116.9	110.0	9.9	10.6
NL	9.9	7.5	6.0	5.6	189	177	90.3	109.3	9.2	8.5
B	0.0	0.0	64.9	51.5	346	275	106.2	101.7	10.3	11.0
L	0.0	0.0	89.0	77.5	323	281	110.9	105.5	11.3	11.7
UK	0.0	0.0	100.0	100.0	141	141	118.0	118.0	3.0	3.0
IRL	0.0	0.0	5.8	2.8	231	111	101.6	78.0	10.7	16.6
DK	0.0	0.0	17.3	11.5	119	33	69.9	63.6	18.3	19.8
GR	23.6	11.7	9.1	4.9	74	64	119.6	107.7	7.9	8.2
E	0.0	0.0	0.0	0.0	76	-	57.2	-	7.8	-
P	0.0	0.0	27.7	17.5	76	48	75.6	68.6	21.9	20.8
			54.5	22.3	107	44	50.3	-	8.6	-
EC	6.1	5.4	19.1	15.2	143	113	100.0	99.4	10.6	11.7

[1] See map defined at level 3, except for NL & B.
[2] In purchasing power parities.
[3] Comparable EUROSTAT unemployment rates.

Table 3.2.7-1
Evolution of disparity in GDP between the Member States of the Community', 1960-85

	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85
GDP / Head																										
EUR 10	19	18	17	16	17	17	16	15	14	14	14	14	14	13	13	13	13	14	14	14	13	14	14	14	14	14
EUR 12	27	25	24	23	23	23	22	20	20	20	19	19	18	17	17	17	18	18	18	19	18	19	19	19	19	19
GDP / Empl.																										
EUR 10	16	15	14	13	13	12	11	11	11	11	11	11	11	10	12	12	12	12	12	12	13	13	12	12	13	13
EUR 12	22	20	19	18	18	17	16	16	15	16	16	15	15	14	14	15	15	15	15	16	16	15	15	15	16	16

' Coefficient of variation = standard deviation of national GDP levels as a percentage of the Community average in PPS.

Table 3.2.2-2
Long term development of real GDP, GDP per capita and population

(average % change per annum)

Member State	Real gross domestic product			GDP per capita			Population		
	1973/ 1960	1979/ 1973	1985/ 1979	1973/ 1960	1979/ 1973	1985/ 1979	1973/ 1960	1979/ 1973	1985/ 1979
D	4.4	2.3	1.2	3.6	2.5	1.3	0.8	-0.2	-0.1
F	5.6	3.1	1.1	4.5	2.6	0.6	1.0	0.5	0.5
I	5.3	2.6	1.3	4.6	2.1	1.1	0.7	0.5	0.2
NL	5.3	2.7	0.6	4.1	1.9	0.02	1.2	0.7	0.6
B	4.9	2.2	1.1	4.4	2.0	1.1	0.5	0.2	0.03
L	4.1	1.5	1.7	3.2	0.9	1.6	0.8	0.6	0.1
UK	3.1	1.5	1.0	2.6	1.5	0.9	0.5	0.01	0.1
IRL	4.4	4.9	2.1	3.7	3.3	1.2	0.6	1.5	0.9
DK	4.7	1.9	1.6	4.0	1.6	1.7	0.7	0.3	-0.01
GR	7.7	3.7	1.0	7.1	2.6	0.2	0.5	1.1	0.8
EUR 10	4.6	2.4	1.1	3.8	2.2	0.9	0.7	0.3	0.2
E	6.5'	2.5	1.5	5.4'	1.4	0.9	1.0'	1.1	0.6
P	6.8	3.2	1.5	6.9	1.6	1.0	0.03	1.5	0.5
EUR 12	4.7'	2.4	1.2	4.0'	2.0	0.9	0.7'	0.4	0.3
Disp. EUR 10²	1.1	1.0	0.4	1.1	0.7	0.5	0.2	0.5	0.3
Disp. EUR 12²	1.2	0.9	0.4	1.3	0.6	0.5	0.3	0.5	0.3

' 1973/1964
² Unweighted standard deviation

Table 3.2.2-3
Long term development of real GDP, productivity and employment

(average % change per annum)

Member State	Real gross domestic product			Productivity (GDP per person employed)			Employment		
	1973/ 1960	1979/ 1973	1985/ 1979	1973/ 1960	1979/ 1973	1985/ 1979	1973/ 1960	1979/ 1973	1985/ 1979
D	4.4	2.3	1.2	4.2	2.9	1.5	0.1	-0.3	-0.3
F	5.6	3.1	1.1	4.9	2.8	1.5	0.7	0.3	-0.4
I	5.3	2.6	1.3	5.7	1.8	1.0	-0.4	0.8	0.3
NL	5.3	2.7	0.6	4.4	2.4	1.4	0.9	0.3	-0.8
B	4.9	2.2	1.1	4.3	2.1	1.8	0.6	0.1	-0.7
L	4.1	1.5	1.7	3.0	0.9	1.5	1.1	0.6	0.2
UK	3.1	1.5	1.0	2.9	1.3	1.8	0.3	0.2	-0.8
IRL	4.4	4.9	2.1	4.3	3.5	2.8	0.02	1.3	-0.6
DK	4.7	1.9	1.6	3.6	1.3	1.0	1.1	0.5	0.6
GR	7.7	3.7	1.0	9.2	3.0	-0.2	-0.5	0.7	1.1
EUR 10	4.6	2.4	1.1	4.4	2.2	1.4	0.2	0.2	-0.3
E	6.5'	2.5	1.5	5.5'	3.9	4.0	1.0'	-1.3	-2.4
P	6.8	3.2	1.5	6.7	0.5	0.9	0.1	2.7	0.6
EUR 12	4.6'	2.4	1.1	4.4'	2.3	1.2	0.2'	0.1	-0.4
Disp. EUR 10²	1.1	1.0	0.4	1.5	0.8	0.7	0.5	0.5	0.6
Disp. EUR 12²	1.2	0.9	0.4	1.5	1.0	1.0	0.5	0.9	0.9

' 1973/1964
² Unweighted standard deviation

Table 3.2.2-4
The development of regional disparities of GDP in the Community[1]

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
GDP per capita														
D	17.7	17.1	16.9	17.1	17.6	17.0	16.6	17.0	16.9	17.1	16.9	17.1	17.6	17.8
F	25.5	23.2	29.5	25.5	24.1	28.8	28.6	25.1	22.6	21.6	21.6	24.2	24.0	24.0
I	26.6	24.4	24.9	24.9	25.3	24.2	26.0	25.6	26.0	25.0	25.0	24.5	24.6	25.0
NL	13.3	12.2	12.6	14.2	17.2	22.7	24.8	22.2	20.4	20.0	22.5	27.5	26.1	26.2
B	16.0	16.5	16.3	15.6	14.9	16.9	16.4	17.1	16.6	16.7	16.7	16.7	16.6	16.5
UK	14.0	14.0	12.6	11.6	10.6	10.9	10.0	9.9	9.9	10.4	10.6	11.5	11.7	11.6
DK	16.2	16.3	15.3	13.9	14.4	14.4	13.9	12.8	12.4	12.4	13.1	14.0	13.7	13.0
EUR 10	24.5	23.4	24.9	23.5	23.5	24.8	25.1	24.2	23.5	23.3	23.3	24.4	24.5	24.7
E								17.1	17.1	17.5	17.3	18.3	18.5	18.5
EUR 12								26.9	26.5	26.6	26.6	27.5	27.5	27.7
GDP per person employed														
D	13.1	12.4	12.0	12.2	12.8	12.0	11.4	11.3	11.3	11.5	11.2	11.4	11.6	11.5
F	16.4	13.6	19.3	15.9	15.1	19.0	19.6	15.7	13.3	12.8	12.7	14.9	14.7	14.7
I	17.3	15.7	16.2	15.4	15.3	13.8	15.6	15.2	15.3	14.4	13.8	13.7	13.9	13.9
NL	6.9	6.4	7.2	10.7	14.6	22.2	24.7	21.1	18.6	18.3	21.6	27.3	25.1	25.4
B	7.7	9.4	9.5	9.5	9.2	11.2	11.0	12.1	11.5	12.2	12.1	12.1	12.1	12.1
UK	7.7	7.7	5.9	5.6	4.9	6.0	5.5	5.3	5.2	5.8	5.8	6.0	6.3	6.3
DK	11.8	11.8	10.5	8.7	10.8	10.6	10.6	9.4	9.3	9.4	9.6	10.3	9.9	9.2
EUR 10	17.2	16.1	17.3	16.2	17.3	18.6	19.1	18.1	17.3	17.4	17.9	18.6	18.3	18.2
E								15.2	15.5	16.5	15.2	14.1	14.4	14.6
EUR 12								20.8	20.0	20.1	20.2	20.7	20.5	20.6

[1] Coefficient of variation = Standard deviation of regional GDP levels as percentage of the national or Community average in PPS.

Table 3.2.2-5

Regional growth in real GDP, population and employment in the 25 strongest and weakest regions

(average % change per annum)

	Real GDP/capita			Real GDP			Population			Real GDP/empl.			Employment		
	1979/ 1973	1982/ 1977	1982/ 1973	1979/ 1973	1982/ 1977	1982/ 1973	1979/ 1973	1982/ 1977	1982/ 1973	1979/ 1973	1982/ 1977	1982/ 1973	1979/ 1973	1982/ 1977	1982/ 1973
EUR 10															
Average of regions'															
(A) 25 weakest	2.4	2.0	1.8	3.0	2.5	2.4	0.6	0.4	0.5	2.2	1.9	1.7	0.8	0.6	0.6
(B) 25 strongest	2.2	1.3	1.7	2.3	1.6	1.8	0.1	0.2	0.1	2.5	1.6	2.1	-0.2	-0.03	-0.3
(C) All regions	2.1	1.3	1.5	2.4	1.6	1.7	0.3	0.3	0.3	2.2	1.6	1.8	0.2	-0.02	-0.1
EUR 12															
Average of regions'															
(A) 25 weakest	-	1.4	-	-	2.1	-	-	0.7	-	-	2.5	-	-	-0.4	-
(B) 25 strongest	-	1.3	-	-	1.6	-	-	0.2	-	-	1.6	-	-	-0.03	-
(C) All regions	-	1.2	-	-	1.6	-	-	0.3	-	-	1.8	-	-	-0.3	-

Level II regions ranked by real GDP/CAPITA level at the beginning of each period.

MAP 3.2.3

CHANGE IN REGISTERED UNEMPLOYMENT RATES 1979-1985
eur 11

%-share of lab. force 1985
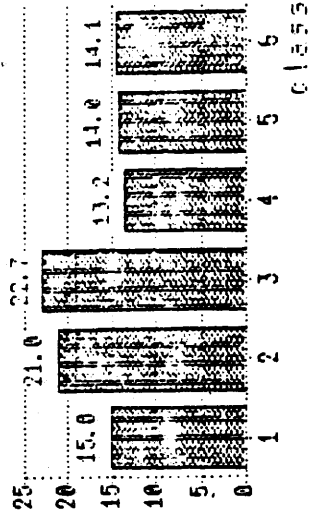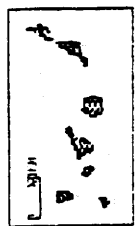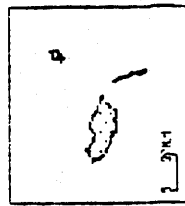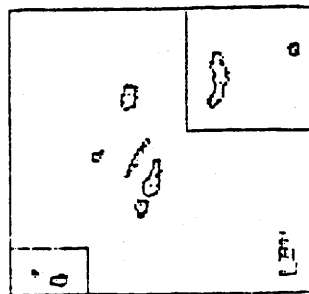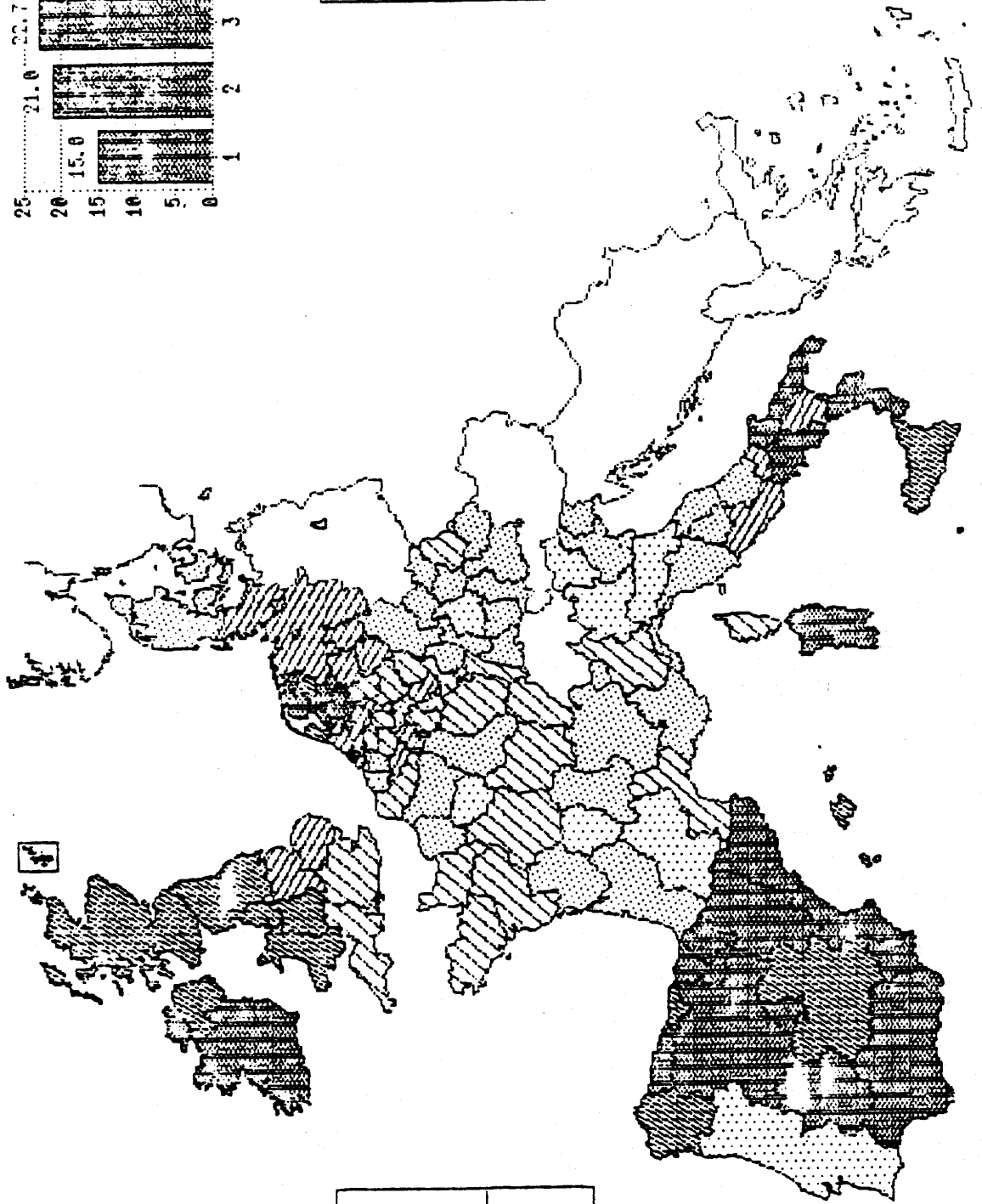
Table 3.2.3-1
Changes[1] in registered unemployment rates by Member State: 1973-85

	1973-79	1979-85	1973-85
D	+2.2	+ 5.3	+ 7.5
F	+4.2	+ 4.3	+ 8.5
I	+1.8	+ 5.3	+ 7.1
NL	+2.9	+ 7.9	+10.8
B	+5.6	+ 5.1	+10.7
L	+0.6	+ 0.9	+ 1.5
UK	+2.5	+ 7.6	+10.1
IRL	+1.9	+10.3	+12.2
DK	+5.0	+ 2.9	+ 7.9
EUR 9[2]	+2.8	+ 5.7	+ 8.5
E	+6.9	+11.9	+18.8
P	+6.2[3]	+ 0.5	+ 6.7
EUR 11[2]	+3.0[3]	+ 6.2	+ 9.2

Notes:

[1] Expressed as differences between unemployment rates at the beginning and at the end of the period considered.
[2] Greece is excluded from the analysis because the registered unemployment rate is not suitable for measuring changes in its labour market position.
[3] 1974-79.

Changes in the methods of calculating registered unemployment have been introduced in many Member States over the period since 1979. These tend to reduce the reliability of inter-country comparisons of the trend in unemployment rates.

Table 3.2.1-2

Evolution of unemployment disparities between the Member States and regions of the Community

	Year															
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Registered unemployment rates																
Eur 9'	2.0	2.4	2.6	2.4	2.8	4.2	4.8	5.0	5.1	5.2	5.7	7.5	9.1	10.2	10.6	10.9
Eur 11'	-	-	-	-	-	-	4.6	4.9	5.3	5.5	6.2	7.9	9.5	10.7	11.3	11.7
Weighted standard deviation																
(A) Between Member States																
Eur 9'	1.4	1.5	1.5	1.4	1.1	0.8	0.8	0.9	1.1	1.4	1.5	1.8	1.7	1.9	2.1	2.0
Eur 11'	-	-	-	-	-	-	1.0	0.9	1.1	1.6	1.9	2.2	2.4	2.9	3.2	3.4
(B) Between regions																
Eur 9'	1.9	2.2	2.2	2.1	1.9	1.9	2.0	2.1	2.3	2.7	3.0	3.5	3.9	4.2	4.4	4.6
Eur 11'	-	-	-	-	-	-	2.1	2.1	2.3	2.8	3.2	3.7	4.2	4.7	5.0	5.3
(C) Within Member States																
D	0.3	0.4	0.4	0.4	0.6	0.7	0.8	0.9	1.0	1.0	1.0	1.2	1.6	1.9	2.1	2.3
F	0.5	0.5	0.6	0.6	0.6	0.7	0.6	0.6	1.0	1.2	1.2	1.4	1.5	1.6	1.9	1.8
I	2.6	3.2	3.2	3.2	3.3	3.5	3.6	3.6	3.7	4.6	5.0	5.6	6.7	7.0	7.4	7.9
NL	0.4	0.5	0.6	0.6	1.2	1.9	1.8	1.9	2.0	1.9	2.0	2.4	2.7	2.8	2.4	2.2
B	1.0	0.9	1.1	1.0	1.2	1.3	1.6	1.8	1.5	1.7	2.0	1.9	2.6	2.7	2.6	2.0
L	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UK	1.0	1.2	1.3	1.0	1.0	1.1	1.2	1.4	1.5	1.6	2.0	2.5	2.6	2.7	2.6	2.0
IRL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DK	-	-	-	-	-	-	0.3	0.3	0.4	0.7	1.2	1.6	1.6	1.4	1.2	1.1
E	-	-	-	-	-	-	1.6	2.3	2.6	2.9	3.1	3.3	3.6	3.8	4.7	4.6
P	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average of regions Eur 9'																
(A) 25 weakest	4.8	5.3	6.0	5.9	6.1	8.0	7.9	8.4	8.7	9.6	10.3	12.6	15.0	16.4	17.1	17.8
(B) 25 strongest	0.5	0.6	0.8	0.9	1.5	2.6	3.0	2.8	3.0	2.7	3.0	3.8	5.2	6.0	6.3	6.4
(C) Difference (A)-(B)	4.3	4.7	5.2	4.9	4.6	5.4	4.9	5.6	5.7	6.8	7.3	8.9	9.8	10.4	10.8	11.4
Average of regions Eur 11'																
(A) 25 weakest	-	-	-	-	-	-	8.0	8.6	9.4	10.3	11.7	14.3	16.8	19.1	20.1	21.1
(B) 25 strongest	-	-	-	-	-	-	2.4	2.5	3.0	2.7	3.0	3.8	5.2	6.0	6.3	6.6
(C) Difference (A)-(B)	-	-	-	-	-	-	5.7	6.0	6.4	7.6	8.8	10.5	11.6	13.1	13.8	14.6

Notes:
'This table is based on registered unemployment rates for level II regions.
Data for Greece are omitted, and for Spain and Portugal are not included before 1976.

Annex 3.3

3.3 Future developments in population and job requirements, and their regional differences

3.3.1 Population trends into the next century

1. Population growth in the Community is slowing down. Over the past decade, growth rates have been around 0.3% per annum, less than half what they were in the 1960s. By the 1990s, the Community's population growth will be stagnating, and after the turn of the century the total population itself will begin to decline[1]. These developments are mainly the result of the decline in fertility rates[2] over the past 20 years or so. The population projections assume that the 1980 levels of both fertility and mortality will continue. While death rates have remained fairly constant over recent decades, fertility rates in 1980 were at a relatively low level. The balance between these two factors means that, by 2000, the number of births will continue falling, the average age of the population will have increased, and the number of elderly people will be rising.

2. This general outlook for the Community as a whole, however, is not shared by all Member States. In countries with lower than average living standards, population growth due to natural factors (i.e. excluding migration) has generally been comparatively high. If recent trends persist, the populations of Spain, Portugal and Greece will still be growing in the long term, although gradually they will also experience some decline in the number of births, and overall growth will become less rapid. In Ireland, population growth is expected to be particularly strong, with an increasing number of births and indeed a fall in the average age of the population. Elsewhere, trends are closer to the Community average, although to varying degrees. Germany and Denmark already show some features of the long-term outlook, with both births and

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[1] These results are based on a study carried out for the Commission by the Netherlands Economic Institute (NEI), which projected population and labour force for Community regions covering the period 1980-2010. An overview of the methodology of this study is provided in Box 3.3.

[2] A fertility rate is defined in general as the average number of children born to a woman of a specified age. The total fertility rate represents the average number of children which would be born to a woman during her complete fertile lifecycle if these age-specific fertility rates applied. This concept is distinct from the birth rate, which expresses the total number of births in any one year as a percentage of the total population of the country concerned.

total population declining at present. Luxembourg is expected to approach the German pattern in the near future. Belgium and Italy should experience below-average growth, and the outlook for the UK is similar to that for the Community as a whole. Growth in the Netherlands will be comparatively high until the turn of the century, and in France will remain positive for some time after that.

3. These results are to a large extend determined by the future course of fertility rates. With the assumption that these remain constant at 1980 levels, and given their decline since 1965, fertility rates over the next 25 years are effectively assumed to be lower then they were over the past 25 years or so. There are two main consequences of this: the average number of children born to a woman during her lifetime will be lower than it was; and eventually the population of women of child-bearing age will decline, resulting in a further downward influence on the total number of births itself. However, fertility is influenced in a complex way by a wide range of factors and cannot be forecasted with a high degree of accuracy, particularly over a long time period. Developments since 1980, the base-year of the projection, show that fertility rates in Ireland and Greece have declined sharply, indicating that longer term population growth in these two countries may be rather less than suggested here. Nevertheless the broad pattern of population developments is not likely to change significantly given a plausible range of alternative fertility rate developments. This is largely due to the long lead-time between changes in fertility and eventual impact on total population developments; and the comparative stability of death rates, the other main component of the projection.

4. At the other end of the age-scale, the population aged over 60 will increase rapidly. By 2010 there are expected to be some 12-13 million more people in the Community aged 60+ than there are at present - up from 19% to 22% of total population. This proportion tends to be higher for countries with lower than average growth in total population - in Germany, Italy, Denmark and Luxembourg - and lower for faster-growing France, Spain, Portugal, Greece, and in particular for Ireland.

5. Looking at the share of the population of working age (taken as aged 15-59 in view of the trend towards earlier retirement), the rising numbers of retired people are to some extent offset by the prospective fall in the numbers of young people. Indeed the population aged 0-14 as a whole will

decline after 2000 if fertility rates do not recover from present levels[3] The net effect is for little change in the extent of demographic pressure on the population of working age over the long term. Ireland, Portugal and the UK are expected to see a reduction in demographic pressure, with Germany, Luxembourg, Greece and Italy an increase. By 2010, the population of working age in the Community is expected to be only some 2 million higher than at present, with the whole of this increase taking place in the period up to 1990, followed by little change, or even slight decline thereafter.

6. If the effects of migration are ignored, regional patterns of demographic change are largely shaped by what happens nationally (Annex Map 3.3.-2 and Annex Table 3.3.-1). Almost all regions in Germany are expected to lose population over the next 25 years, as are quite a number of regions in Belgium, the UK and Denmark. However, in Italy and France there are significant divergences within each country. Regions in the North and Centre of Italy are expected to lose population and those in the South to have a high natural rate of increase. In the case of France, this situation is reversed, with regions in the North and East having higher relative population growth rates. The outlook for Southern Italy is shared by other parts of the maritime periphery of the Community: regions in Spain, Greece, Portugal and Ireland are all expected to show significant rates of natural population growth.

7. The overall regional picture is of course subject to considerable change once the effects of migration have worked through. On current trends, one might expect to see continued out-migration in the North of the Community from urban areas to rural hinterlands, the reverse process in the South, some further outward migration from the Mezzogiorno to other parts of Italy, and North-South movements within the UK and France (see section 2.2.2 of this report). Whether or not these trends persist will depend upon future changes in relative job and income opportunities across regions.

8. A number of differing policy issues are raised by this long term outlook for the population. A major feature is the changing age composition of the population. By 2010 most regions of the Community will have experienced a shift from younger to older age-groups and in particular a rising share of the over 60s in the total population. This latter effect will be particularly marked in the case of Central and

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[3] 'Demograhic pressure' is defined as the sum of the population aged under 15 or over 59 as a percentage of the population of working age. It indicates the need for the working population to support those who are dependent or inactive, whether in terms of incomes or pension and other social provisions.

North-eastern Italy and throughout most of Germany. Aside from the more general economic problems associated with lower demographic growth - or even decline - and an ageing population, such as reduced impetus for natural economic growth and the problems of pension provision, there are specific regional consequences to be taken into account. In regions with a sharply rising proportion of over-60s, for example, there will clearly be a shift in social infrastructure needs from provision for the young - schools, etc. - toward provision for the old, such as medical and general care facilities. In many cases this could combine with a fall in the utilisation of existing infrastructure if total population is declining. The increase in the average age of the working population itself raises an additional question for investment in training. Countries and regions with an ageing workforce with fewer new recruits will face pressures to move towards different types of training - involving increased acquisition of new skills by the existing workforce as well as more widespread updating of existing skills and qualifications. The emphasis on adult training is therefore likely to increase.

9. By contrast, regions which currently have the lowest levels of GDP per head in the Community are in general not so affected by the problems of an ageing population, even up to 2010. These areas - on the western and southern periphery of the Community - currently have a relatively high proportion of young people. Most of them also have a relatively low proportion of over 60s (although there are a number of exceptions, particularly in rural areas of Greece and Portugal). In general this situation is expected to continue for the foreseeable future. The problems posed for these regions by demographic developments are therefore quite different from those in other parts of the Community, being associated with fairly rapid growth rather than absolute decline. Their needs will centre around the provision of work for their growing populations and the achievement of sufficient economic growth to raise incomes per head.

3.3.2 The medium-term outlook for labour supply

10. Demographic developments in the immediate future will, however, be somewhat different from the longer term picture. Over the decade to 1995, the population of the Community will still be growing, although at a declining rate. Indeed, it is likely that the number of births will temporarily rise, owing largely to an increase in the number of new mothers, themselves born in the demographic boom years of the 1960s. The population of working age will also show a further increase. In common with the long term developments, however, is a rise in the numbers of those aged over 60.

11. The outlook for the labour force is shaped largely by the population of working age, which can be forecast fairly accurately over a 10-year period, and by what happens to <u>activity rates.</u> In recent years there has been a tendency for activity rates among the youngest and oldest age groups in the labour force to decline, due to increased educational participation and earlier retirement for men. It seems reasonable to suppose that these trends will continue up to a certain point. Activity rates among women in general, however, seem likely to rise further, especially in countries where these have been traditionally low.

12. On these assumptions, the <u>Community's labour force</u> will rise by some 6 1/2 to 7 million in the 10 years to 1995 (Annex Table 3.3.-2). Around 5 million of this increase is due to demographic factors alone, with the remainder due to the likely rise in female activity rates. The overall increase represents a rate of growth in labour supply of some 0.4-0.5% a year. Employment in the Community would therefore need to grow by at least 0.5% a year - some 600-700 000 jobs - simply to prevent unemployment from rising above its current level of around 11%, and not even taking into account the number of jobs actually required to cut this level. This rate of employment growth is more than twice the rate achieved during the 1970s.

13. On the further assumption that there will be no net migration between regions, the sharpest increases in labour supply are likely to be concentrated in Ireland, Southern Italy, Spain, Portugal, Northern France, the Netherlands and Greece (Annex Map 3.3.-3). Many of the regions involved are already among the weakest in the Community. In fact over half of the total increase in labour supply expected for the Community as a whole over the 1985-95 period is likely to occur in the areas with the lowest GDP per head, namely Portugal, Spain, Greece, Ireland and Southern Italy. Almost 3 1/2 million more people from these areas are likely to be seeking work over the period up to 1995. This represents a rate of increase in labour supply of on average 1% a year, twice that for the Community as a whole and more than three times that in the more prosperous areas. Moreover, the rate of growth of employment in the weaker areas during the 1970s was only some 0.1% a year, which is under one- tenth of the increase required over the next 10 years merely to prevent unemployment rising from its already high level of 16%. It is worth noting, however, that the poor performance of the weaker areas during the 1970s was due largely to the very steep decline in Spanish employment after 1974. Excluding Spain, these areas achieved growth in employment of on average over 1% a year, well above the average for the Community.

3.3.3 Job requirements in the regions

14. Looking at job requirements against the background of current unemployment rates, it is likely that the most severe pressure on the labour market to create new jobs will occur in areas where unemployment is already relatively high, in particular in regions of Spain, Southern Italy, Ireland and the Netherlands. The regional spread of job requirements, again under the assumption of zero net migration, is shown in Map 3.3-1, combining current unemployment rates with the expected increase in labour supply over the 1985-95 period[4]. For the Community as a whole, current unemployment at some 16 million people is clearly the dominant factor, accounting for over two-thirds of job requirements.[5] In Spain, the greater part of job requirements also comes from current unemployment, which is well above prospective labour supply growth. Regions in Southern Italy show the same pattern, although the difference between the two is somewhat smaller. In Ireland and the Netherlands, however, the two factors are more evenly balanced, with labour supply growth being the relatively more important element.

15. These projections exclude migration between regions, which has in the past tended to even out disparities in unemployment rates, to some although limited degree, as the persistence of regional differences in unemployment indicates (see e.g. sections 2.2.1 and 3.2.2 of this report). If migration trends in recent years were to continue, then the regional pattern of job requirements would remain generally the same (Annex Map 3.3.-4), with pressure reduced somewhat in Southern Italy, North-Eastern France, Southern Portugal and northern parts of the United Kingdom; but increased in Southern France, Corsica, parts of Central and Northern Italy and Southern England.

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[4] This method of presentation is not intended to indicate an objective for the reduction in Community unemployment over the period to 1995. It simply illustrates the regional spread of the efforts required to create jobs, whatever the eventual level of unemployment might be.

[5] For shorter periods, eg. up to 1990, the weight of current unemployment is even higher, approaching 80%.

16. However, job requirements will remain most severe in regions with high current unemployment even if migration continues at current levels. High unemployment now is itself an indication that not enough jobs have been created in the past to absorb increases in labour supply in those regions. Given that, there would have to be a significant improvement on past performance even for unemployment in those areas to remain at its current very high level. Without such an improvement, pressures to migrate will increase very substantially.

Summary

During the course of the next 25 years, the population of the Community is likely to begin to decline if present trends continue. The average age of the population will increase, and the numbers of those aged over 60 will rise substantially. But with a likely decline in births, and a corresponding fall in the population aged under 15, demographic pressure on the population of working age is not likely to change much from present levels. However, regions in the maritime periphery of the Community with relatively low GDP per head - in Greece, Southern Italy, Spain, Portugal and Ireland - are likely to experience continued population growth up to the year 2000 and beyond. So the nature of longer-term demographic influences on regional problems in the Community will differ. The focus of policy in the more prosperous regions will tend to shift towards problems associated with an ageing and declining population. For the majority of weaker areas of the Community, the problem will remain how to achieve sufficient growth to provide jobs and rising incomes for a growing population.

In the period to 1995, however, developments are rather different from the long-term outlook. The population of working age will rise, adding some 5 million to the total labour force. If female activity rates increase, as seems likely, the total increase in the Community labour force could reach 6 1/2 to 7 million over the next 10 years, a rate of increase of 0.4-0.5% a year. This would require employment growth of at least 600-700 000 jobs a year merely to prevent unemployment from rising. Such a rate of job creation is more than twice the rate achieved during the 1970s.

On the assumption of zero net migration, over half the increase in labour supply will occur in the Community's weakest areas in terms of GDP per head, in Greece, Southern Italy, Spain, Portugal and Ireland. In those areas, labour supply could grow by 1% a year, more than twice the rate in the Community as a whole, and ten times the rate of increase in employment achieved during the 1970s. This poor past performance, however, is largely due to the severe decline in employment in Spain since 1974, and it is in Spain that the most serious gap between past performance and future requirements lies.

Job requirements are likely to be highest in areas where current unemployment is also high, assuming again zero migration between regions. The most severe pressure to create new jobs occurs in regions in Spain, Southern Italy, the Netherlands and Ireland. The outlook is for increasing disparities in labour market imbalances unless employment growth picks up in the high unemployment areas. The alternative is a resumption of high levels of out-migration, which would by themselves do little to solve the problem.

BOX

Population and labour force projections

1. The projections reported on in this section are based on the results of a study carried out for the Commission by the Netherlands Economic Institute (NEI). This provided projections of population and labour force for the level II regions of the Community covering the period 1980-2010. These were based on common assumptions at the national level; and the same method of regionalising the national projections was followed for each Member State.

2. The <u>national</u> projections were based on 5-year age groups, and assumed:

- age-specific death and fertility rates stable at their 1980 levels

- a development of age-specific activity rates, in line with recent trends

- zero net international migration

3. The <u>regional</u> projections assumed:

- fixed ratios between regional and national age-specific death and fertility rates equal to these prevailing in 1980

- a stable age-specific migration schedule

- a distribution of out-migrants over all regions equal to the 1980 pattern

In addition, proj.. .ns were provided on the assumption of zero net inter-regional migration. These have been taken as the base-case for the analysis in the preceding text and in chapter 3.3.

4. No attempt was made to forecast the demand for labour. But illustrations were provided of the regional pattern of <u>job requirements</u>, by combining current (1985) unemployment rates with projected labour force growth over the 1985-95 period.

MAP 3.3-1

REGIONAL DIFFERENCES IN JOB REQUIREMENTS UP TO 1995
without migration.

% Share of labour force

12.2

49.4

23.2

15.2

50
40
30
20
10
0

LEVEL OF PRESSURE
TO CREATE JOBS

1 : LOWEST
2 : BELOW AVERAGE
3 : ABOVE AVERAGE
4 : HIGHEST

eur12 = 15.4 - s = 8.9

MAP 3.3-2
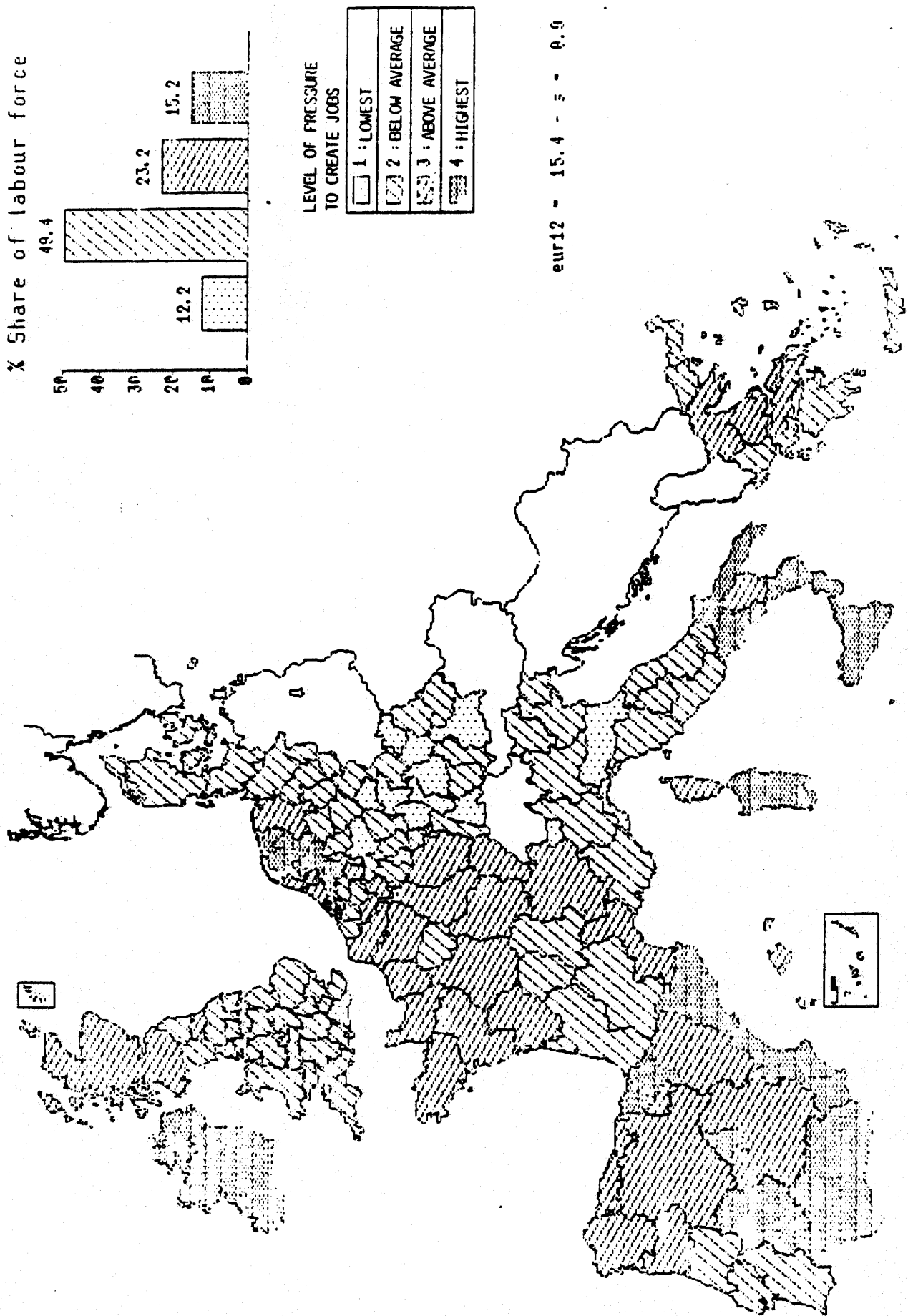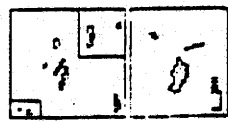
TOTAL PERCENTAGE CHANGE OF POPULATION 1985-2010
without migration.
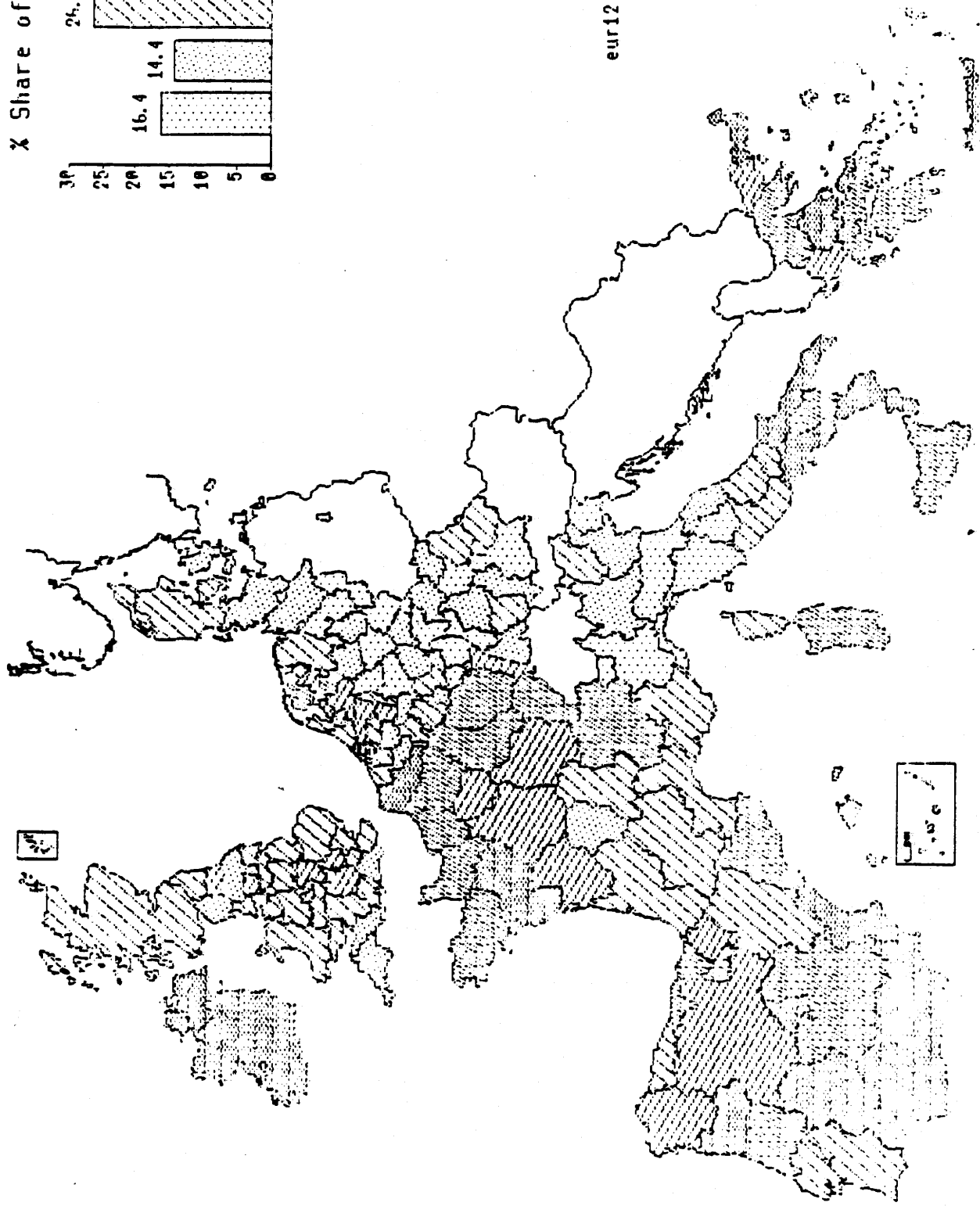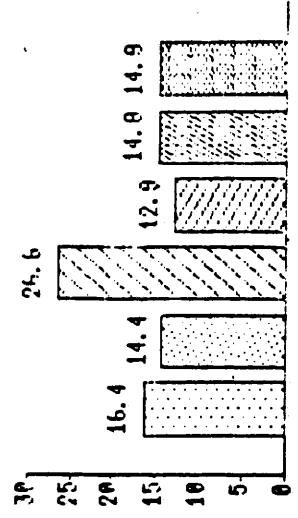
% Share of population

MAP 3.3-3

- 146 -

TOTAL PERCENTAGE CHANGE OF LABOUR FORCE 1985-95.
without migration.
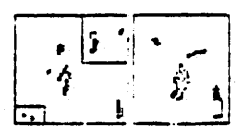
Share of labour force in %
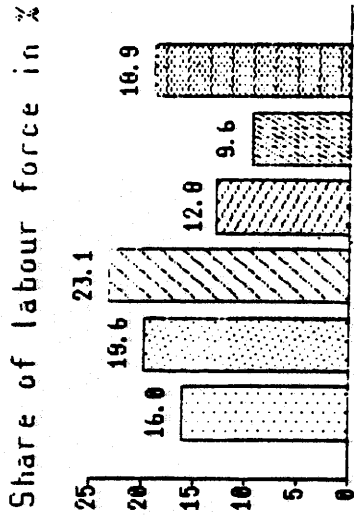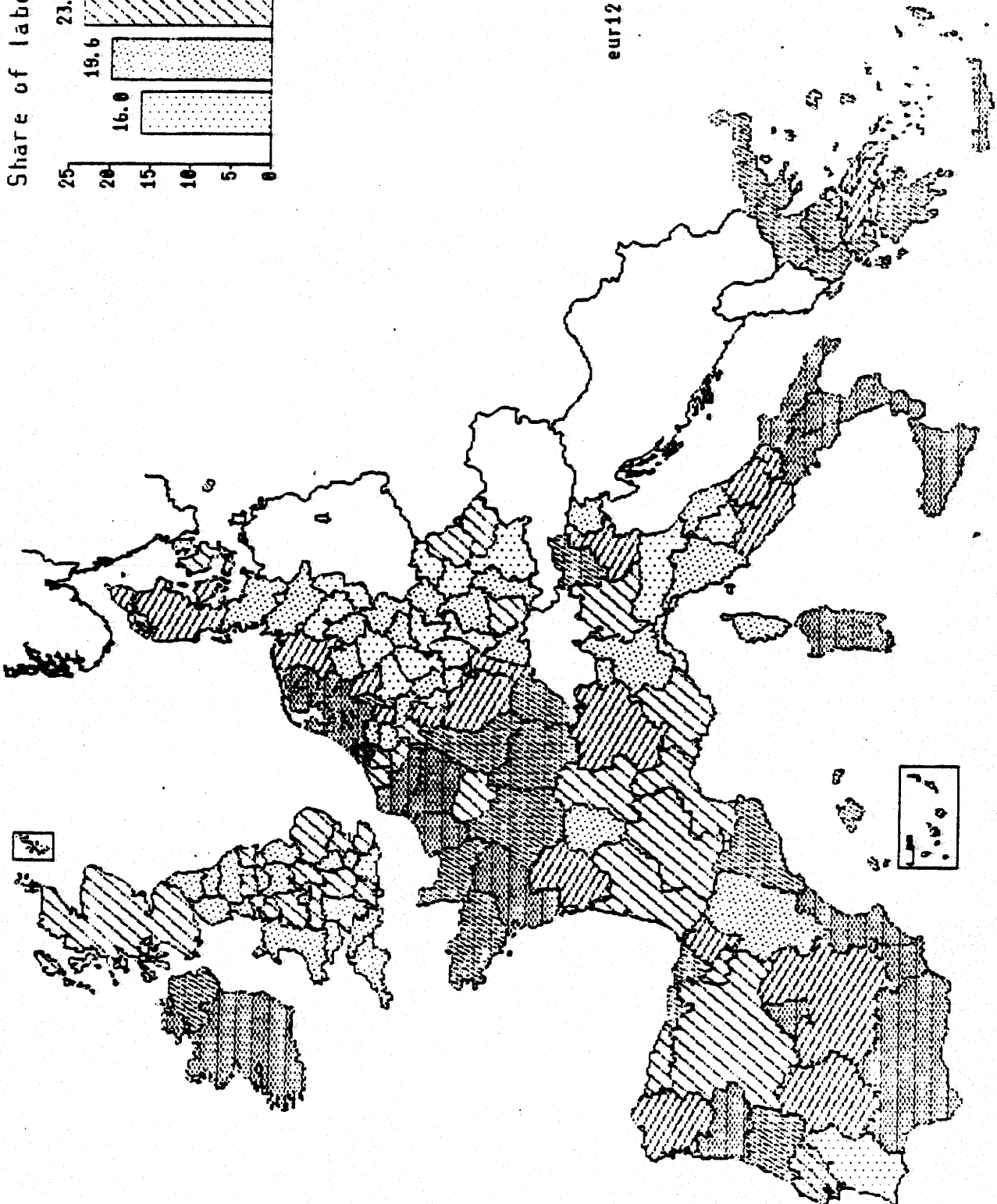
1: < -0.4	
2: -0.4 - 2.2	
3: 2.2 - 4.9	
4: 4.9 - 7.5	
5: 7.5 - 10.2	
6: > 10.2	

eur12 = 4.9 - s = 5.3

16.0   19.6   23.1   12.0   9.6   10.9

25 20 15 10 5 0

MAP 3.3-4

- 147 -
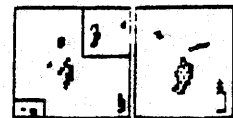
REGIONAL DIFFERENCES IN JOB REQUIREMENTS UP TO 1995
with migration.

% Share of labour force

LEVEL OF PRESSURE
TO CREATE JOBS

1 : LOWEST
2 : BELOW AVERAGE
3 : ABOVE AVERAGE
4 : HIGHEST

eur12 = 15.3 - s = 9.1
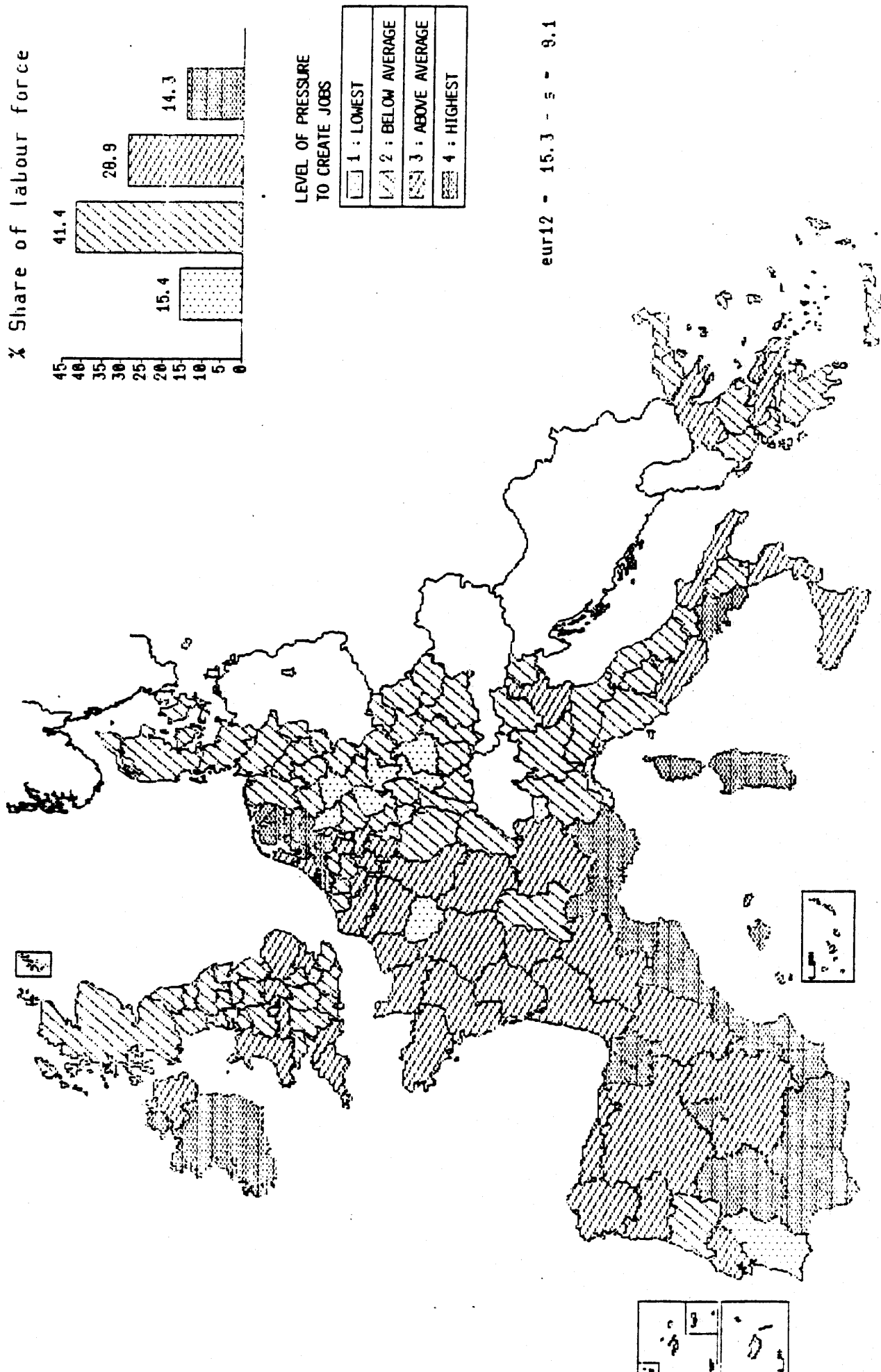
Table 3.3-1
Future developments of population and labour force (excl. migration between regions)

(Total % change)

Member State	Total population 1985-2010				Labour force 1985-1995			
	Regional			National	Regional			National
	Max.	Min.	Disp.¹	average	Max.	Min.	Disp.¹	average
D	1.3	-19.3	4.7	-8.7	5.4	-5.2	2.6	0.1
F	16.8	-8.9	6.2	7.3	11.7	-1.2	3.1	6.6
I	20.5	-21.4	13.3	-0.4	15.9	-3.2	5.9	6.2
NL	12.9	-1.8	4.5	4.4	17.9	10.1	2.3	12.8
B	8.4	-7.9	4.2	-3.2	5.8	0.1	1.7	2.2
L				-7.7				-1.0
UK	25.9	-6.6	5.2	-1.2	10.1	-1.4	1.9	1.7
IRL				44.4				20.7
DK	0.2	-10.7	5.0	-4.2	5.1	0.3	2.2	3.2
GR	18.3	6.7	2.9	11.0	11.6	6.6	1.5	8.3
EUR10²	22.2	-15.1	10.9	0.7	16.3	-2.4	5.1	4.2
E	33.0	0.6	9.7	16.5	18.2	1.0	3.9	9.4
P	33.1	0.8	10.2	13.3	16.8	-1.1	5.4	8.5
EUR12²	28.0	-15.1	12.0	3.0	16.5	-2.4	5.3	4.9
EUR10³	16.8	-12.6	10.9	0.7	13.4	-1.5	5.1	4.2
EUR12³	21.3	-12.6	12.0	3.0	14.2	-1.5	5.3	4.9

¹ Standard deviation weigthed by regional shares in population or labour force.

² Max. and min. = average of 10 regions with highest or lowest values.

³ Max. and min. = average of 25 regions with highest or lowest values.

Source: NEI

Table 3.3-2
Labour force growth in the Community

| Country/region | Labour force Projection | | Previous growth in employment | | |
| | Increase in thousands 1985-95 | % growth per annum 1985-95 | % growth per annum | | |
			1960-73	1973-79	1979-83
Weaker areas					
E	1 380	0.2	1.0[1]	- 1.3	- 2.4
P	387	0.8	0.1	2.7	0.9
GR	338	0.8	- 0.5	0.7	- 0.1
IRL	291	1.9	0.0	1.3	- 0.4
Mezzogiorno	1 046	1.3	n.a.	1.0	0.3
Total weaker areas	3 443	1.0	n.a.	0.1	- 1.0
(Total weaker areas, less E)	(2 063)	(1.1)	(n.a.)	(1.4)	(0.3)
Total stronger areas	3 256	0.3	n.a.	0.1	- 0.7
Total EUR 12	6 699	0.5	0.2	0.1	- 0.8

[1] 1964-73

Source: EUROSTAT, Commission Services and NEI

Table 4.1
Structure of the Community budget

		Mrd ECU	Shares in total expenditure			Shares in Community GDP		
		1986¹	1972	1980	1986	1972	1980	1986
1	Agriculture and fishing of which	23.0	76.2	73.6	65.5	0.42	0.61	0.64
1.1	price guarantee	21.9	75.0	69.7	62.4	0.42	0.58	0.61
1.2	fishing	0.2	-	0.3	0.5	-	0.00	0.01
1.3	structural guidance	0.8	1.2	3.6	2.4	0.00	0.03	0.02
2	Other sectoral policies (R+D, transport, energy and other industries)	0.8	3.6	1.9	2.3	0.02	0.02	0.02
3	Social Fund	2.5	2.9	4.7	7.2	0.02	0.04	0.07
4	Regional Fund	2.4	-	6.7	6.8	-	0.06	0.07
5	Mediterranean Programmes	0.13	-	-	0.4	-	0	0.004
6	Development and cooperation	1.2	6.1	3.1	3.3	0.03	0.03	0.03
7	General administration etc.	1.8	5.9	5.0	5.2	0.03	0.04	0.04
8	Repayments	3.3	5.3	5.1	9.4	0.03	0.04	0.09
9	Total (1 to 8)	35.1	100.0	100.0	100.0	0.56	0.83	0.97
10	Structural funds (1, 3 + 3 + 4)	5.7	4.1	15.0	16.3	0.02	0.12	0.16
	Corresponding GDP (mrd ECU)	x	x	x	x	594	1998	3614

¹ Draft supplementary budget: April 1986, payments: total engagements amount to 36.3 Mrd ECU, difference mainly related to the Regional Fund whose engagements exceed payments by 0,8 mrd ECU

Table 4.3.1
Distribution of Social Fund resources, 1986
(EUR 12 = 100)

	Population	Labour force	Social Fund		
			Share of the Fund	per inhabitant	per person employed
D	19.2	20.5	3.7	19	18
F	17.1	17.3	14.8	87	86
I	17.7	16.6	21.7	123	130
NL	4.5	4.3	2.7	58	63
B	3.1	2.9	1.2	38	41
L	0.1	0.1	0.1	81	82
UK	17.6	19.6	16.2	92	83
IRL	1.1	1.0	9.4	859	980
DK	1.6	2.0	1.9	117	94
GR	3.1	2.8	5.6	182	200
EUR 10	85.0	87.1	77.3	91	89
E	11.9	9.7	13.9	117	144
P	3.0	3.2	8.8	282	272
EUR 12	100.0	100.0	100.0	100	100
5 weakest countries	36.8	33.3	59.4	161	178
NB : EUR 12 absolute amounts	320.5 Mio	136.0 Mio	2.6 Mrd ECU	8.0 ECU	18.8 ECU

Annex 4.3.2

Regional impact of the common agricultural policy

A. The common agricultural policy in 1986 - inequalities in agriculture

1. The common agricultural policy is still, in 1986, the most developed Community policy and the funds allocated to it, via the European Agricultural Guidance and Guarantee Fund (EAGGF), account for 65% of the Community budget. The policy is a matter of serious concern to the Community and the Member States because of surpluses which have become permanent features of most production sectors subject to market organizations and because of the sheer cost of these surpluses. The problems for the enlarged Community are likely to become even more severe, in particular with regard to Mediterranean products (fruit and vegetables, table wine and olive oil).

The Community is seeking an agricultural policy enabling balance to be achieved on the markets for agricultural products and enabling the surpluses which are the cause of increasingly unacceptable budgetary expenditure to be disposed of. After the Commission's in-depth discussion following up the publication of the "Green Paper", the new guidelines for the agricultural policy were drawn up in December 1985[1] and have been confirmed in the price decisions and related measures adopted, in particular, since the 1986/87 marketing year.

2. In view of the steady technical progress being made in the fields of technology and genetics and the consequent improvement in technical productivity together with the need to restrain increasing output, the agricultural workforce will be further reduced in the medium term. The effects of these changes will be felt particularly keenly where agriculture plays an important rôle in the regional economy, and where conditions of production - both natural and structural - are difficult.

3. As an extension of previous studies[2] on the regional impact of the CAP, a further updated study has been carried out for the Commission[3] on trends in the Community of Ten, on the state of agriculture in the various regions of the enlarged Community and on the regional effects which the CAP may be expected to have in view of the guidelines laid down for it by the Community.

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[1] COM(85)750 final "A future for Community agriculture - Commission guidelines".
[2] - Study of the regional impact of the common agricultural policy - Regional Policy Series No 21, 1981;
- Second Periodic Report, Chapters 3.5.2 and 6.2.2.
[3] SEDES (1986). Situation and development of agriculture in the enlarged Community: the regional impact of the CAP in Spain and Portugal. Study financed by the EEC, pp. 138 - 144.

4. The Community of Ten is characterized by considerable regional differences[4] in the productivity of agricultural labour[5] (Table 4.3.2-B.1). The ratio between the extreme national averages, those of Greece and the Netherlands, is about 1:4. Roughly the same ratio, 1:4.4, applies to the average productivity of the ten "worst" and ten "best" regions. These regional inequalities reflect a fairly clear differentiation between central and outlying regions (map 4.3.2-E.1). They remained virtually constant between 1976 and 1983 (Table 4.3.2-B.2).

Regional differences in the productivity of labour are greater still in Community of Twelve because of the very low levels of productivity[6] in the two new Member States (cf. Table 2.2.3-C.4).

B. <u>The regional impact of the common agricultural policy in 1986</u>[7]

1. The common agricultural policy is implemented via market organizations for each product, expenditure for which is financed by the Guarantee Section of the EAGGF. This expenditure covers various types of intervention the purpose of which is to ensure the stability of the various agricultural product markets and to provide an adequate level of prices for producers: it includes export refunds and intervention measures relating to the production and marketing of agricultural products within the Community (production aids, storage aids, aid for the withdrawal of products, etc.).

2. The regional impact of the common agricultural policy on markets and prices may be evaluated in several ways. One approach is to distribute EAGGF Guarantee Section expenditure by product according to the structure of regional agricultural production. The expenditure thus "regionalized" is not the expenditure actually disbursed in a given Member State or a given region but a projection at regional level of the expenditure attributable to regional agricultural production.

3. It should be noted, in the case of Spain and Portugal, that the various market organizations will gradually be set up or aligned with the existing market organizations during the transitional period. The analyses which follow thus give a projected image of what the impact of the CAP and its levels of support would be in those countries if, in 1986 and on the

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[4] In order to even out the - sometimes considerable - differences between successive years due to the weather, the figures used are, in each case, the average values for two successive years - 1976 and 1977 or 1982 and 1983.
[5] The productivity of labour is measured in terms of the gross value added (in ECU at current prices and exchange rates) per annual work unit (GVA/AWU).
[6] Other criteria of productivity and farm structure are analysed in respect of the Community of Twelve in the Annex to chapter 2.2.3-C. The reference period is also 1982/83 but, since the regional level for certain Member States was not identical to that used in this section, the measures of dispersion are not comparable.
[7] The analyses set out in this section are based on the figures for the 1986 budget as regards EAGGF Guarantee Section expenditure. As regards the other parameters (GVA-GDP-employment), the data used are the most recent figures available at regional level, i.e. those for 1983.

basis of the most recent information regarding their regional structure of production, their agriculture and agricultural markets had been completely integrated into the Community's agricultural markets.

4. EAGGF Guarantee Section expenditure is one of the most tangible elements of the CAP and it is useful to assess its regional impact. However, a number of cautionary remarks are called for with regard to the significance of such a regional projection.
Most expenditure under the EAGGF Guarantee Section does not consist of aid paid directly to producers but of financing for measures implemented by the various market organizations. These measures, the purpose of which is to maintain a certain price level, nevertheless indirectly benefit regional production in proportion to its volume and lead to the concept of "EAGGF Guarantee Section support". Conversely, EAGGF Guarantee Section expenditure in support of a particular product may be considered to have originated in those regions where such production takes place. This expenditure may be distributed among the regions in question according to the concentration of such production in those regions. One may thus speak of the "regional origin of EAGGF Guarantee Section expenditure". It is on this basis that a regionalization[6] of EAGGF Guarantee Section expenditure may be carried out.

The level of EAGGF Guarantee Section expenditure relating to a given region is a function of the structure of final production (specialization), of agricultural productivity and of the unit expenditure on each product; this last parameter is the only one which does not vary from region to region.

5. Map 4.3.2-B.2 shows the regional values of the <u>indicator of EAGGF Guarantee Section expenditure per Annual Work Unit</u>. It shows clearly that the highest values for this indicator are found in central and northern regions; this is due to the fact that, since final production per worker is higher in those regions, they are the cause (or the beneficiaries) of greater EAGGF Guarantee Section expenditure per worker. Production in these regions (classes 1 and 2 on map 4.3.2-B.2) accounts for 42% of EAGGF Guarantee Section expenditure and provides less than 36% of the Community's agricultural GVA.

Conversely, most of the regions which have a very low indicator of EAGGF expenditure per AWU (classes 5 and 6 on the map) also have a low or very low labour productivity. Some regions, however, appear in classes 5 and 6 although their labour productivity is above the Community average (Murcia,

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[6] EAGGF Guarantee Section unit expenditure is calculated for each product, i.e. the ratio of expenditure on a given product to Community production of that product. The "regional expenditure" (or "regional impact on expenditure") is then calculated on the basis of the regional structure of final production.
[9] In this section, reference has been made to the EAGGF Guarantee Section budget of 10 July 1986, regionalized on the basis of the regional structures of final production for 1982/83. Two important comments are necessary in this regard; firstly, the analysis given is of EAGGF Guarantee Section financing per product and not of the actual expenditure effected in 1986; secondly, Spain and Portugal are subject to the transitional period and the relationship between their production and EAGGF expenditure is not calculated in the same way as for other Member States. For these reasons, the impact of the EAGGF Guarantee Section expenditure actually effected in 1985 has been calculated, at the end of this section, in respect of the Community of Ten.

C. de Valenciana, Rioja, Navarre, Provence-Alpes-Côte d'Azur). This is chiefly due to a considerable production of fresh fruit and vegetables, which attracts little support from the EAGGF.

6. Map 4.3.2-B.3 shows the regional values of the indicator of EAGGF expenditure in relation to gross value added in agriculture (EAGGF/GVA). The level of this indicator is a function of regional specialization and of the level of EAGGF unit expenditure on the various products.

Table 4.3.2-B.4 shows the products for which there is least unit expenditure[10] from the EAGGF (eggs and poultry, pigmeat, fresh fruit and vegetables, beef/veal). Classes 5 and 5 on map 4.3.2-B.3 thus include regions in which those products, and certain products not affected by EAGGF expenditure (potatoes, quality wine, etc.), are well represented. In the Mediterranean basin, the products chiefly concerned are fruit and vegetables. In Portugal and Northern Spain, the products concerned are pigs, eggs and poultry, cattle and potatoes.

Maps 4.3.2-B.2 and 4.3.2-B.3 relating to those indicators show generally similar results. Contrasts between these two maps may be noted in regions where the productivity of agricultural labour is either particularly high or very low.[11]

7. The budgetary assessment of the impact of the CAP on the economy of a region also depends, however, on the role played by agriculture in that region. As shown elsewhere (see Annex 2.2.3-C), the share of agricultural GVA in regional economies ranges from very small values to 33% in some cases. To allow for this variable, CAP expenditure has been related to regional GDP; this indicator of EAGGF expenditure in relation to regional GDP highlights two things. In countries where agriculture still plays a relatively important role, support is also well above the Community average. In Greece and Ireland, for example, the ratio is, respectively, 3 and 5 times higher than the average. In the case of Spain, France, Italy and Portugal, it is between 20% and 60% higher than the Community average. Conversely, it is 40% below the average in Germany, Belgium, Luxembourg and the United Kingdom.

However, at regional level (Map 4.3.2-B.4), the indicator varies widely so that, in many cases, there is hardly any relation between the level of support and the general socio-economic situation of the regions. The impact of the EAGGF is proportional to the importance of agriculture and is thus very considerable in "agricultural regions" as defined in the typology presented in Chapter 2.2.3-C as well as in a number of other regions where high productivity is combined with specialization in the best-supported types of agricultural production. The level of support thus varies widely from one region to another regardless of the severity of general regional difficulties.

8. In view of the comments made at the beginning of this section, the regionalization of EAGGF Guarantee Section expenditure actually disbursed in 1985 has also been examined in respect of the Community of Ten. The indicators of EAGGF expenditure are set out in Table 4.3.2-B.3 for each Member State and on maps 4.3.2-B.5 and 4.3.2-B.6 for each region. Apart

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[10] The relationship between expenditure on a given product and its value in final Community production.

[11] This is accounted for by the equation between the two indicators: EAGGF/AWU = EAGGF/GVA x GVA/AWU.

from a few changes of class chiefly for statistical reasons,[12] the classification of regions according to the indicator of EAGGF Guarantee Section expenditure in 1985 shows the same characteristics as for Community of Twelve in 1983.

C.   Regional impact of the new guidelines for the common agricultural   policy

1.   Since 1983, new guidelines have been laid down for the common agricultural policy in order to curtail production in the sectors most affected by surpluses and in those with particularly heavy committments on the EAGGF budget. These measures, which take various forms (restrictive prices, co-responsibility, limits on intervention, quotas and guarantee thresholds), result in a reduced level of support for the market organizations in question and, consequently, in pressure on the income of the producers concerned.

The types of production most affected by these measures and for which EAGGF Guarantee Section expenditure is greatest (accounting for 57.4% of EAGGF Guarantee Section funds in 1986) are the dairy, cereals and beef/veal sectors. Map 4.3.2-C-1 shows the regional specialization in these types of production. To these should be added fruit and vegetable products and table wine.

2.   In the regions, the changes will, in the short term, mean that regional agricultural output will fall or mark time. This, when combined with the increased productivity of labour resulting from continuing technical and genetic advances, can only lead, in the medium term, to a reduction in the amount of labour required in agriculture.

The short-term reduction in the value of agricultural production will have implications for the regional economy (upstream and downstream of agriculture and its general economic environment) which will be particularly serious in regions where agriculture plays an important role in regional production.

3.   The impact on regional employment of the medium-term reduction in the amount of agricultural labour required will be particularly serious where agricultural labour accounts for a large share of total employment.

4.   In order to assess the relative seriousness of this impact it must be related to the overall situation of the region as shown by the composite or "synthetic" indicators.[13]   Certain regions where the socio-economic situation is already very poor (synthetic indicator lower than the average minus one standard deviation) may experience an appreciable worsening of their situation as a result of the implementation of the changes in the CAP: such regions are Ireland and North-West and Central Spain.

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[12] In the case of the Community of Ten, there are fewer regions and the standard deviation is smaller. The separation of classes by half standard deviation therefore yields different results.
[13] The synthetic indicator is explained in the Annex to Chapter 2.2.1-D.

PRODUCTIVITY OF AGRICULTURAL LABOUR
(GVA/AWU EUR 10 = 100 = 11 646 ECUs)
- 1982-1983 -

Number of AWUs as %

class

MAP 4.3.2-B.2
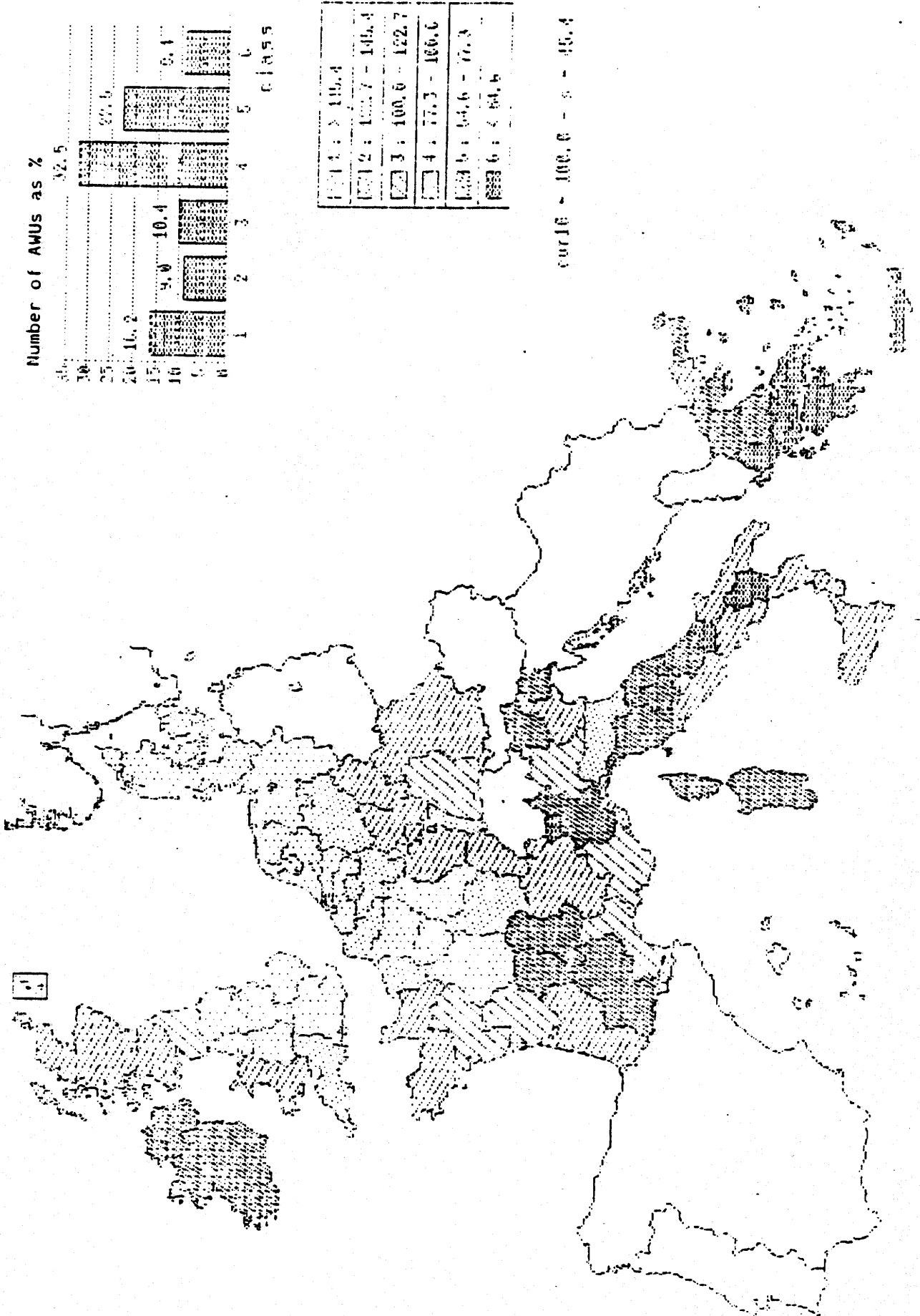
EAGGF GUARANTEE SECTION EXPENDITURE PER ANNUAL WORK UNIT
(EUR 12 = 100 = 2 180 Écus)
- 1986 -
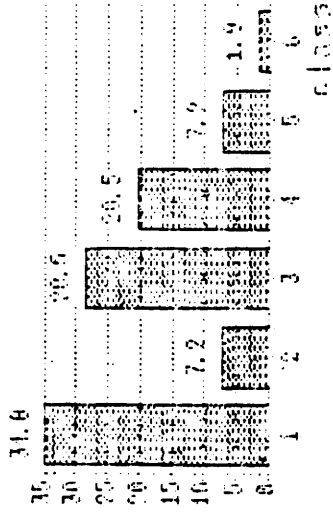
Proportion of EAGGF expenditure, as %
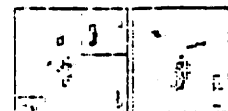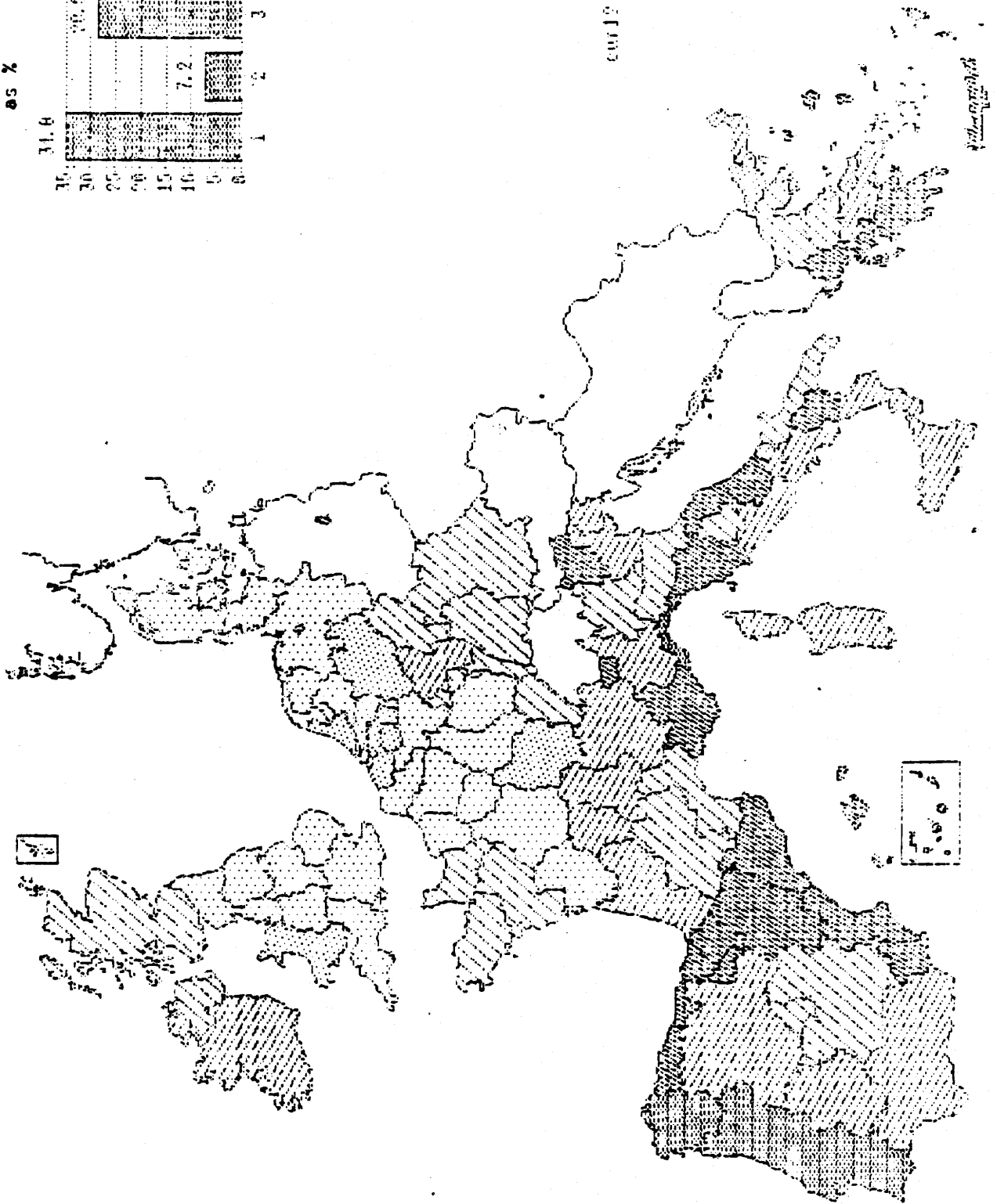
EAGGF GUARANTEE SECTION EXPENDITURE IN RELATION TO AGRICULTURAL GVA
(EUR 12 = 100 = 22,5%)
- 1986 -

Proportion of EAGGF expenditure,
as %

1 : > 132.0	
2 : 116.0 - 132.0	
3 : 100.0 - 116.0	
4 : 84.0 - 100.0	
5 : 68.0 - 84.0	
6 : < 68.0	
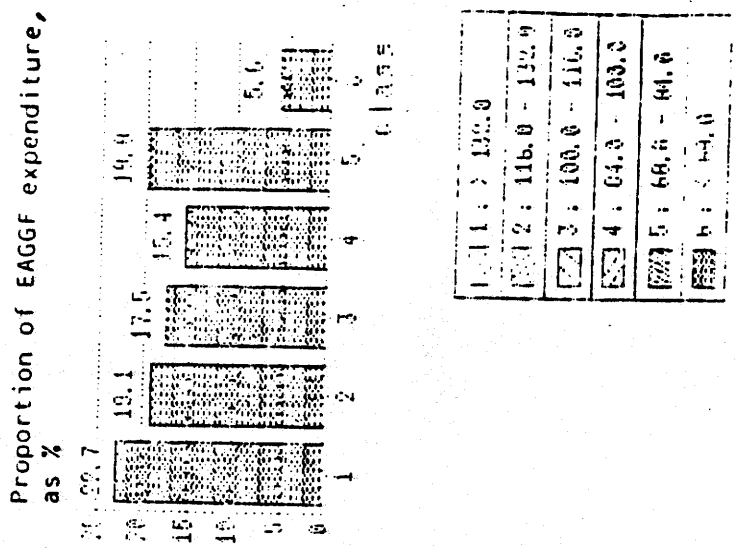
EUR 12 = 100,0 = s = 32,0
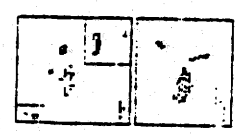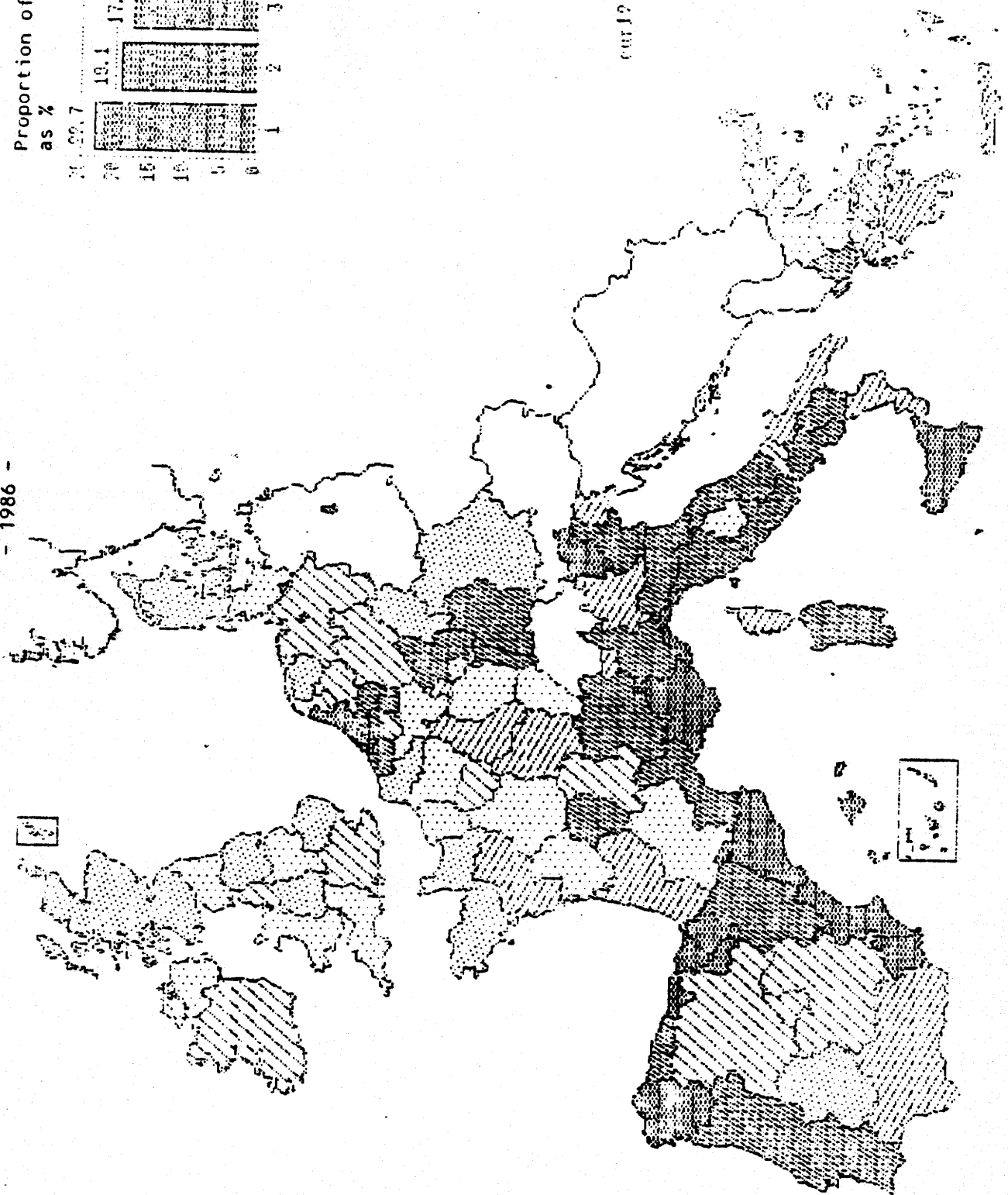
EAGGF GUARANTEE SECTION EXPENDITURE PER ANNUAL WORK UNIT
(EUR 10 = 100 = 2 710 ECUs)
- 1985 -

Number of AWUs as %
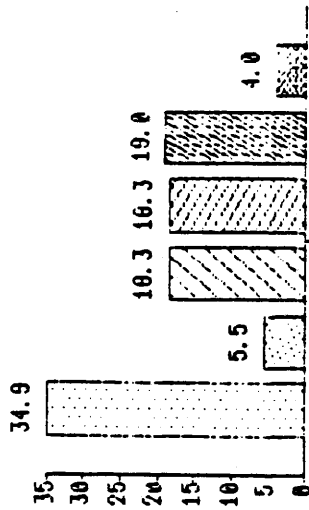
34.9   5.5   10.3 16.3 19.0   4.0

1 : > 151.3
2 : 125.6 - 151.3
3 : 100.0 - 125.6
4 : 74.4 - 100.0
5 : 40.7 - 74.4
6 : < 40.7

eur10 = 100.0 = 5 = 51.3

MAP 4.3.2-8.4

- 161 -
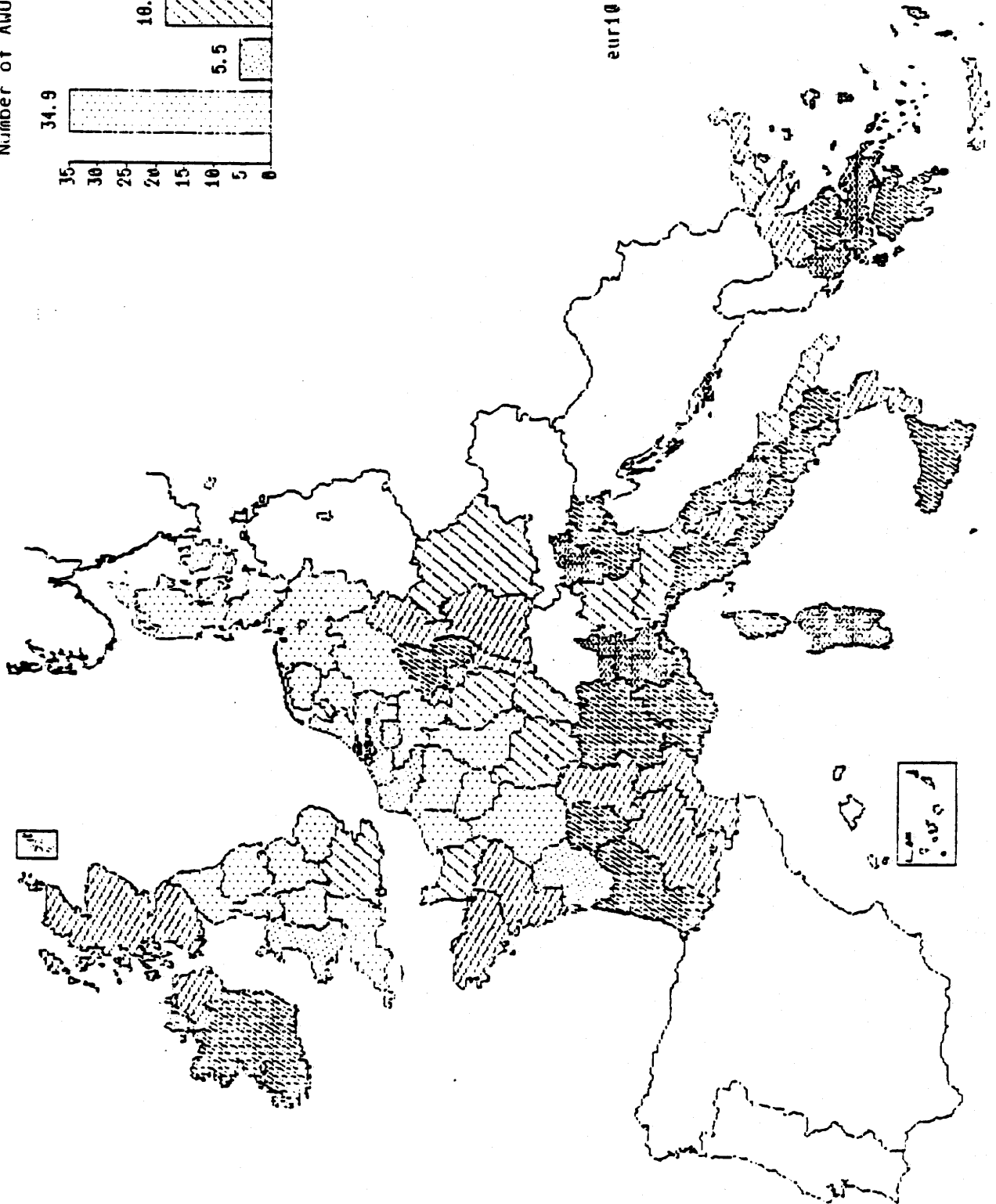
EAGGF GUARANTEE SECTION EXPENDITURE IN RELATION TO GROSS DOMESTIC PRODUCT
(EUR 12 = 100)
- 1986 -

Proportion of EAGGF expenditure, as %
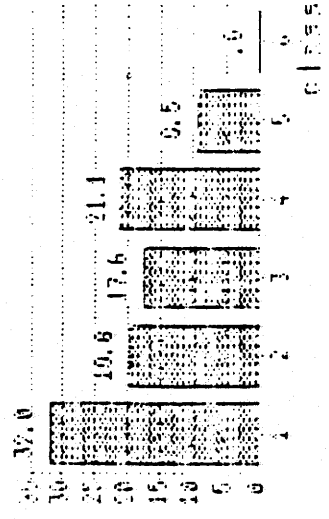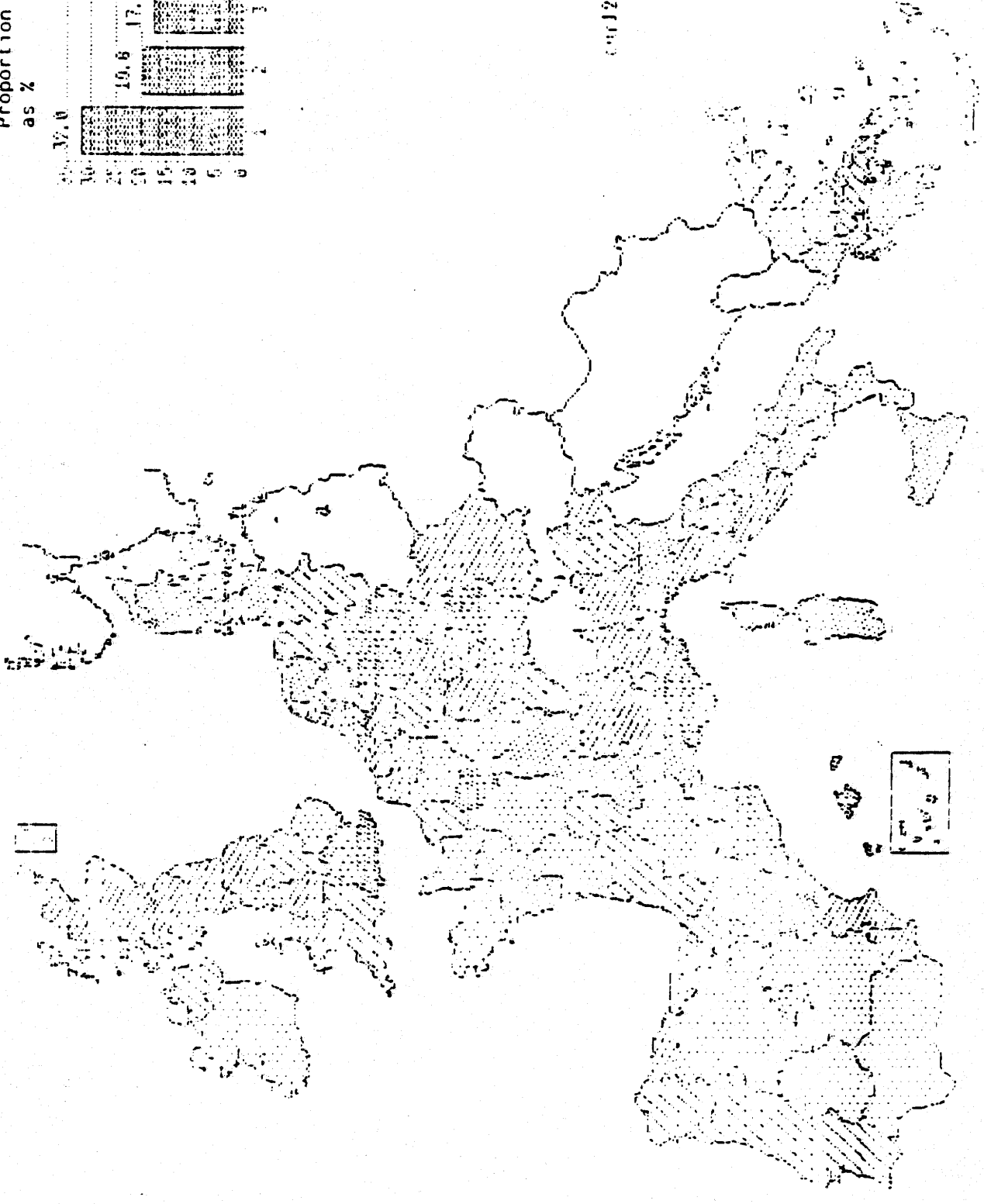
EUR 12 = 100.0 - - 100.9
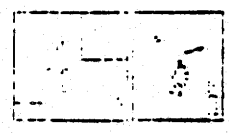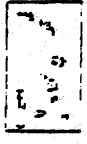
MAP 4.3.2-3.6

EAGGF GUARANTEE SECTION EXPENDITURE IN RELATION TO AGRICULTURAL GVA
(EUR 10 = 100 = 25,3%)
- 1985 -

Proportion of EAGGF expenditure,
as %

35.0

16.0   14.2

16.0

11.0

7.1

35
30
25
20
15
10
5
0
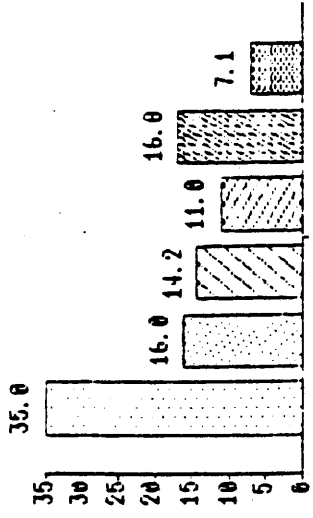
| 1 : > 124.0 |
| 2 : 112.4 - 124.0 |
| 3 : 100.0 - 112.4 |
| 4 : 87.6 - 100.0 |
| 5 : 75.2 - 87.6 |
| 6 : < 75.2 |

eur10 = 100.0 = 25,0
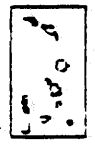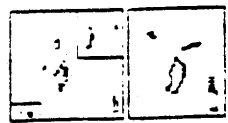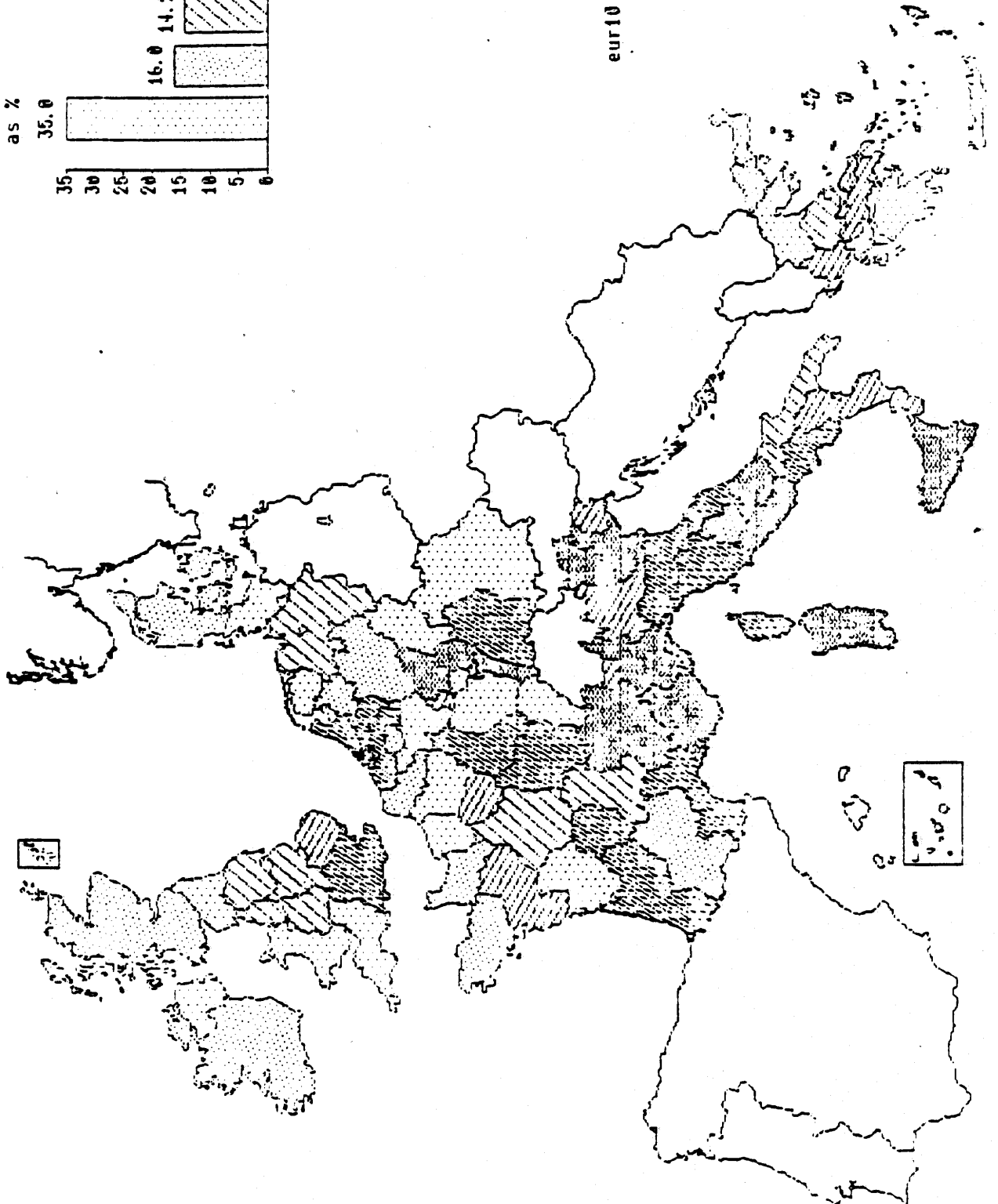
EAGGF GUARANTEE SECTION EXPENDITURE IN RELATION TO GROSS DOMESTIC PRODUCT
(EUR 10 = 100)
- 1985 -

MAP 4.3.2-8.7

Proportion of EAGGF expenditure, as %
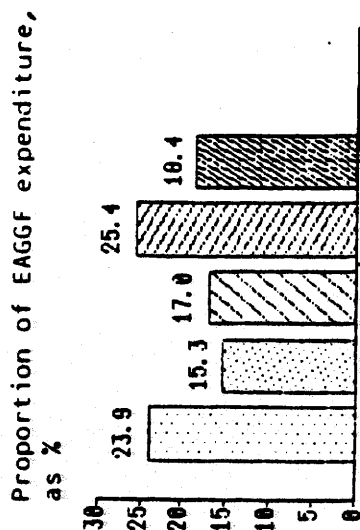
1 : > 212.2
2 : 156.1 - 212.2
3 : 100.0 - 156.1
4 : 43.9 - 100.0
5 : < 43.9
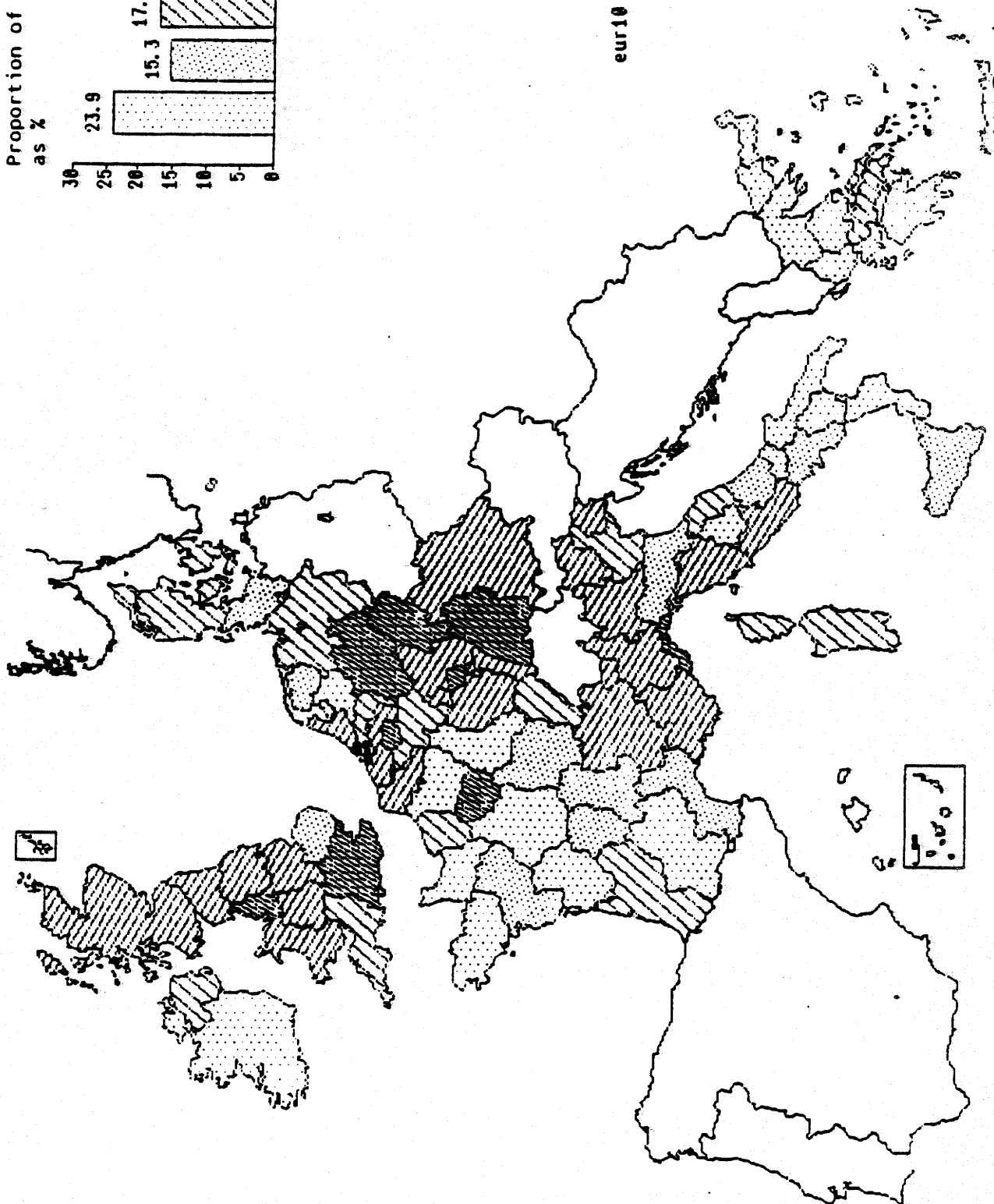
eur10 - 100.0 - s - 112.2

MAP 4.3.2-C.1
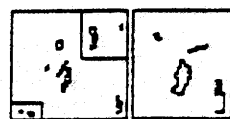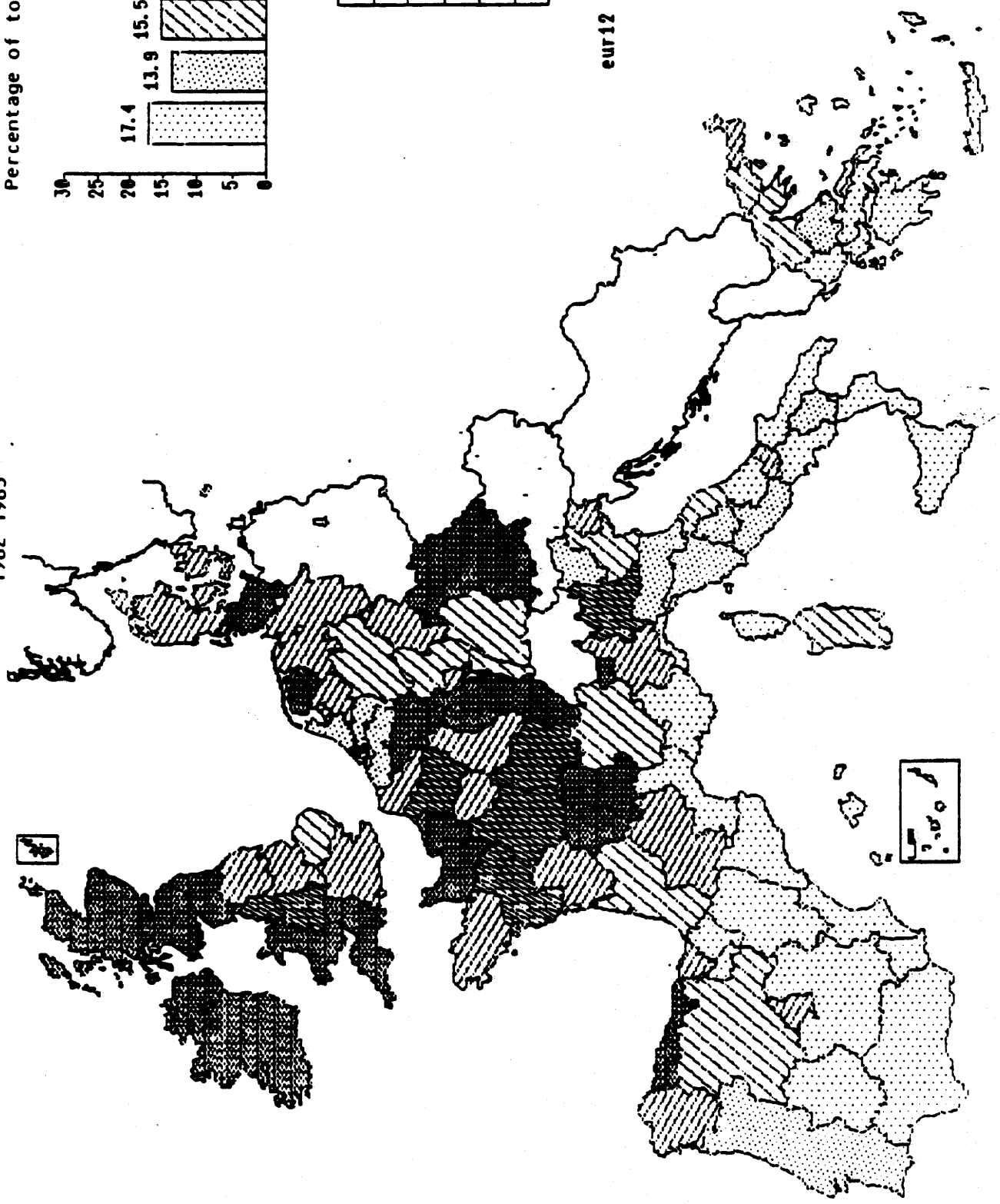
Percentage of total final production

SHARE OF DAIRY, CEREAL AND BEEF/VEAL PRODUCTION
(as % of final production)
- 1982-1983 -
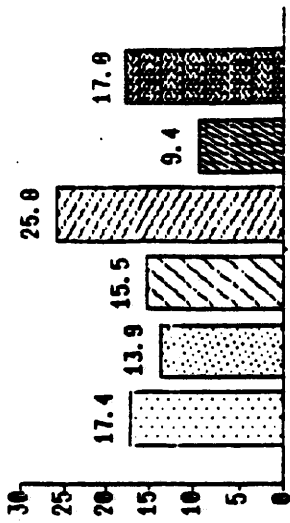
1 : < 25.3	
2 : 25.3 - 34.5	
3 : 34.5 - 43.6	
4 : 43.6 - 52.0	
5 : 52.0 - 62.0	
6 : > 62.0	

eur12 = 43.6 - s - 10.4
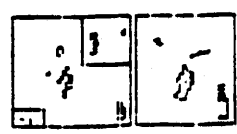
Table 4.3.2-B.1
Productivity of agricultural labour
(agricultural GVA per AWU EUR 10 = 100 = 11 646 ECU)
- 1982-1983 -

Gross value added per annual work unit				
Member	Regional			National
State	Max..	Min.	Disp.[1]	average
D	167.7	65.4	33.6	113.4
F	257.1	67.5	41.3	108.0
I	127.5	37.3	20.0	84.7
NL	237.3	188.3	21.8	213.4
B	183.2	125.7	24.8	161.5
L	-	-	-	107.1
UK	224.4	59.1	48.5	133.8
IRL	-	-	-	59.0
DK	-	-	-	161.2
GR	94.4	31.2	11.8	52.3
EUR 10[2]	212.3	48.4	45.4	100.0
EUR 10[3]	171.7	58.8	45.4	100.0

[1] Weighted standard deviation.
[2] Max. and min. = average of 10 regions with highest values and 10 regions with lowest values.
[3] Average of 25 regions with highest values and 25 regions with lowest values.

Table 4.3.2-B.2
Trend of regional differences in the productivity of agricultural labour[1]
from 1976/77 to 1982/83

Year	Weighted standard deviation	
	EUR 9 (= 100)	EUR 10 (= 100)
1976-1977	40	-
1981	41	-
1982-1983	41	45

[1] Agricultural GVA per AWU.

Table 4.3.2-B.3
Indicators of EAGGF expenditure
(national averages and dispersion measurements)

Member State	EUR 10 = 100			EUR 12 = 100		
	per AWU	in relation to agricultural GVA	in relation to the GDP	per AWU	in relation to agricultural GVA	in relation to the GDP
D	125	110	C1	153	112	58
F	107	99	111	145	111	118
I	70	82	136	80	79	129
NL	208	97	131	222	86	104
B	170	105	78	190	98	68
L	96	8?	67	113	87	67
UK	147	110	59	207	129	65
IRL	67	113	321	76	107	298
DK	185	115	143	239	123	156
GR	64	123	590	78	123	510
EUR 10	100	100	100	125	104	98
E	-	-	-	55	75	122
P	-	-	-	10	78	146
EUR 12	-	-	-	100	100	100
Average for the 10 regions - "worst" regions - "best" regions	42 231	66 154	24 592	13 311	38 161	20 552
Average for the 25 regions - "worst" regions - "best" regions	56 190	74 136	39 305	28 243	59 144	31 343
Disp.¹ - EUR 10 Disp.¹ - EUR 12	51 -	25 -	112 -	72 75	31 32	108 110

¹ Weighted standard deviation calculated at regional level.

Table 4.3.2-B.4
Structure of EAGGF Guarantee section expenditure
and of final Community production

Product	Share of final production (%) average for 1982-1983[1]		Share of EAGGF expenditure (%)	
	EUR 10	EUR 12	1985 Expenditure (EUR 10)	1986 Funds (EUR 12)
Cereals (and rice)	14.8	14.5	12.5	15.7
Sugar	2.9	9.0	9.5	7.8
Olive oil	1.6	2.0	3.6	4.9
Oilseeds and high-protein products	1.6	1.6	7.8	10.5
Fibre plants	0.35	0.3	1.3	2.0
Fresh and processed fruit and vegetabl.	8.6	8.8	6.4	4.4
Table wine	3.?	3.7	4.8	5.1
Tobacco	0.75	0.7	4.5	3.7
Milk	23.6	22.4	31.2	29.0
Beef/Veal	17.7	17.1	14.4	12.7
Sheepmeat and goatmeat	2.2	2.5	2.6	2.5
Pigmeat	13.7	14.0	0.9	1.0
Eggs and poultry	8.7	9.3	0.3	0.6
Total	100 0	100.0	100.0	100.0
of which mediterranean products[2]	23.9	26.5	24.2	23.4

[1] The final production in question is the sum of the products which are subject to market organizations: it is equivalent to about 90% of total final Community production.

[2] Vegetables, fruit, tobacco, durum wheat, wine, olive oil, milk and meat from goats and sheep.

Table 4.3.2-C.1
Share of dairy, cereal and beef/veal production
(as % of final production)
- 1982-1983 -

Milk, cereals and beef/veal as % of final production				
Member	Regional			National
State	Max.	Min.	Disp.[1]	average
D	65.4	3.3	11.0	50.6
F	82.3	6.5	17.0	50.9
I	72.5	6.7	15.1	32.5
NL	68.5	27.0	15.0	42.1
B	68.6	31.6	16.8	42.4
L	-	-	-	72.4
UK	70.8	37.8	10.5	57.2
IRL	-	-	-	75.2
DK	-	-	-	51.3
GR	49.0	9.6	12.0	25.7
EUR 10[2]	74.0	11.5	17.3	46.2
E	77.9	3.5	15.1	23.3
P	-	-	-	26.3
EUR 12[2]	74.4	7.0	18.4	43.6
EUR 10[3]	65.8'	22.0	-	-
EUR 12[3]	66.7	13.9	-	-

[1] Weighted standard deviation.
[2] Max. and min. = average of 10 regions with highest values and 10 regions with lowest values.
[3] Average of 25 regions with highest values and 25 regions with lowest values.

	Reg. Share in 85 population 0/000 (1)	popul. 15-64% Tot. pop. (2)	Partic. rate (3)	Agric. (4)	Sectoral shares in 1981(&80) Industry (5)	Services (6)	Unemployment Level 1986 (7)	Index 1981-85 (8)	GNP/Pop. PPP Index 1981-85 (9)	GNP/ fact. std Index 1981-85 (10)	Lab. force growth Index 85-99 (11)	Synthetic Index (12)
Deutschland	190.0	70.1	45.7	5.2	41.0	53.8	7.1	62	117	123	47	121
Schleswig-Holstein	8.1	69.2	40.4	6.0	29.0	65.1	8.8	65	99	107	62	111
Hamburg	5.0	68.0	48.3	0.8	27.0	72.2	11.4	76	121	141	48	177
Niedersachsen	27.5	69.1	44.9	6.7	37.5	55.9	9.9	76	100	114		
Braunschweig	5.0	68.5	45.8	3.7	43.7	55.4	8.9	77	109	119		
Hannover	6.3	69.7	45.4	4.2	36.9	59.9	8.9	74	112	119		
Lueneburg	4.4	68.5	49.3	10.2	35.2	54.9	8.0	68	90	110		
Weser-Ems	6.6	70.2	41.4	8.8	36.5	51.7	12.1	81	96	110		
Bremen	2.1	67.5	60.6	1.2	36.0	62.8	13.2	101	151	119	23	
Nordrhein-Westfalen	52.1	70.4	41.1	3.0	43.9	53.1	9.1	74	115	128		
Duesseldorf	15.8	70.0	42.2	1.8	44.1	54.1	9.1	76	118	146		
Koeln	12.1	71.1	41.5	2.1	41.4	56.5	8.3	78	116	122		
Muenster	7.5	70.2	50.0	6.7	42.8	50.3	11.1	89	101	127		
Detmold	5.4	68.0	41.4	4.0	44.2	47.9	8.1	69	104	122		
Arnsberg	11.2	70.2	60.0	3.0	45.9	51.1	9.9	82	104	112		
Hessen	17.2	70.9	46.4	3.0	38.5	58.4	5.3	38	120	118	27	
Darmstadt	10.6	72.5	47.8	1.9	37.9	60.2	4.7	31	140	145		
Giessen	3.0	68.5	44.6	3.4	42.3	54.2	5.5	43	92	108		
Kassel	3.7	68.5	43.7	4.3	37.3	56.1	7.2	47	101	112		
Rheinland-Pfalz	11.3	69.2	44.5	5.5	39.7	54.7	4.6	50	103	117		
Koblenz	4.2	68.1	44.1	4.1	38.1	57.7	6.7	60	92	107		
Trier	1.5	68.0	45.3	10.7	34.3	55.0	7.5	46	90	95		
Rheinhessen-Pfalz	5.6	69.5	44.6	5.3	42.4	52.3	4.4	55	119	131		
Baden-Wuerttemberg	20.7	70.8	47.8	6.4		45.7	4.0	38	122	119	72	
Stuttgart	10.7	71.6	40.6	5.0		44.7	3.1	31	134	135		
Karlsruhe	7.4	70.7	45.5	2.5		51.4	4.9	44	124	127		
Freiburg	5.0	70.1	48.2	6.5	47.6	45.9	4.5	41	104	111		
Tuebingen	4.7	70.1	49.4	13.2	47.5	39.3	3.9	35	108	106		
Bayern	34.1	69.8	70.9	8.5	41.4	50.1	5.1	50	115	115		
Oberbayern	11.5	71.1	71.4	6.7	36.5	54.8	4.6	40	140	135		
Niederbayern	3.1	69.5	70.9	13.5	43.3	43.2	5.5	60	92	97		
Oberpfalz	3.0	69.4	69.4	7.1	41.3	49.3	6.9	71	97	76		
Oberfranken	3.2	69.4	70.8	11.0	47.1	41.9	6.0	61	104	108		
Mittelfranken	4.7	69.9	71.0	7.0	45.0	47.2	5.1	54	121	114		
Unterfranken	3.7	70.3	67.6	6.9	46.4	46.6	5.0	52	94	102		
Schwaben	4.8	67.6	71.7	9.4	40.9	49.7	4.6	43	104	108		
Saarland	3.3	73.5	57.3	1.4	43.0	55.4	10.7	91	106	114	5	104
Berlin (West)	5.7	69.3	71.0	0.9	30.6	68.5	8.5	73	110	135	-3	142
Eur 10	850.6	67.3	65.1	7.1	34.5	57.2	9.7	90	105	105	92	100
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.8	100	100	100	100	100
Weighted std. deviation	3.1		7.3	9.0	7.5	7.0	5.0	40.4	27.0	20.4	81.7	33.9
Coeff. of variation (x 100)	4.7		11.2	104.5	21.0	85.5	46.2	40.4	27.0	20.4	81.7	33.9

MAIN REGIONAL INDICATORS

	Reg. Share in EC population 0/000 (1)	Popul. 14-64/ Tot. pop. (2)	Partic. rate (3)	Sectoral shares in employment — Agric. (4)	Industry (5)	ices (6)	Unemployment rates — Level 1986 (7)	Index 1981-85 (8)	GDP/Pop. PPP Index 1981-85 (9)	GDP/cap. ECU Index 1981-85 (10)	Lab. force Growth Index 85-20 (11)	Synthetic Index (12)
France	171.8	64.5	66.7	8.1	32.3	59.2	10.1	86	112	119	116	116
Ile de France	31.0	70.5	70.9	0.5	29.2	70.0	8.1	67	143	145	69	152
Bassin parisien	31.4	62.3	60.1	11.2	35.0	53.5	10.8	92	103	111	163	107
Champagne-Ardennes	4.2	59.0	67.4	14.2	35.5	50.2	12.6	90	109	118	175	112
Picardie	5.5	65.3	67.6	8.5	35.5	55.7	10.4	90	99	114	191	104
Haute-Normandie	5.2	64.0	66.6	4.9	37.0	55.8	12.8	110	118	125	191	104
Centre	7.2	62.3	72.0	10.2	34.6	55.0	9.4	75	102	107	138	117
Basse-Normandie	4.3	65.0	68.7	20.3	32.9	46.5	10.2	103	93	97	158	95
Bourgogne	5.0	57.4	67.7	12.1	32.1	55.5	10.3	86	99	107	130	111
Nord-Pas-de-Calais	12.3	65.4	58.9	5.3	37.4	55.2	12.9	111	94	117	102	97
Est	15.6	63.1	64.5	5.5	40.7	53.5	9.3	79	106	119	130	119
Lorraine	7.3	60.5	61.5	6.8	41.0	51.8	11.1	93	100	117	134	111
Alsace	5.0	69.7	64.0	4.3	30.7	56.6	7.1	62	119	120	126	136
Franche-Comté	3.4	59.2	60.4	5.0	43.1	51.6	9.6	77	100	109	165	115
Ouest	22.8	62.4	66.5	15.6	30.0	53.5	11.2	94	91	100	160	109
Pays de la Loire	9.3	65.2	66.8	13.0	35.3	51.5	11.1	97	97	105	108	101
Bretagne	8.6	61.7	66.0	17.7	25.5	56.6	11.0	97	88	98	155	98
Poitou-Charentes	4.9	50.4	66.9	17.2	30.7	52.1	11.9	111	86	76	112	91
Sud-Ouest	18.1	63.9	66.9	15.5	27.5	54.7	9.8	87	96	105	59	111
Aquitaine	8.4	65.4	66.4	14.3	28.3	57.2	10.8	100	101	113	70	109
Midi-Pyrénées	7.3	63.2	67.0	16.5	25.9	57.3	9.0	89	93	100	58	110
Limousin	2.3	60.3	68.4	16.9	29.6	53.3	9.9	80	83	107	20	107
Centre-Est	20.1	66.8	67.3	7.2	35.8	56.6	8.5	71	112	118	122	124
Rhône-Alpes	16.0	67.5	66.9	5.5	36.9	57.3	8.2	69	118	124	134	130
Auvergne	4.2	64.2	68.5	14.0	31.4	53.8	9.6	85	90	96	71	108
Mediterranée	19.5	59.8	62.1	7.5	24.4	66.7	13.2	112	99	130	57	102
Languedoc-Roussillon	6.2	60.8	61.3	13.3	26.2	59.3	13.9	130	84	108	71	87
Provence-Alpes-Côte d'Azur	12.6	59.9	62.6	4.8	23.2	70.3	12.9	109	107	126	52	110
Corse	0.8	40.3	71.0	6.6	16.7	73.0	12.5	126	76	96	37	84
Eur 10	050.6	67.3	65.1	7.1	34.5	57.2	9.7	90	105	105	92	:
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.8	100	100	100	100	100
Weighted std. deviation	3.1		7.3	9.0	7.5	9.0	5.0	48.4	27.0	20.4	81.7	32.9
Coeff. of variation (x 100)	4.7		11.2	104.5	21.8	15.6	46.2	48.4	27.0	28.4	81.7	32.9

MAIN REGIONAL INDICATORS

	Reg. Share in EC Population 0/000	Popul. 14-64/Tot. pop.	Partic. rate	Sectoral shares in employment			Unemployment rates		GDP/Pop. PPP Index	GDP/Empl. ECU Index	Lab. force Growth Index	Synthetic Index
				Agric.	Industry	Services	Level	Index				
							1986	1981-85	1981-85	1981-85	85-70	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Italia	177.9	68.1	58.3	11.0	33.5	55.5	10.0	89	92	82	177	96
Nord Ovest	19.6	68.0	60.6	8.3	30.4	53.3	8.1	72	113	87	21	121
Piemonte	13.7	69.2	62.1	9.2	43.7	47.7	8.3	73	111	85	38	120
Valle d'Aosta	0.4	69.7	61.3	10.1	27.3	62.5	4.6	34	136	89	39	142
Liguria	5.5	67.8	57.0	5.6	26.6	67.8	7.9	69	116	92	-29	131
Lombardia	27.7	70.2	60.4	3.9	46.5	49.6	6.7	60	120	96	94	133
Nord Est	20.2	68.2	59.5	8.7	37.9	53.5	7.2	70	98	82	176	108
Trentino-Alto Adige	2.7	67.7	61.0	11.3	26.2	62.5	6.4	73	101	74	173	102
Veneto	13.6	68.5	59.5	8.5	41.4	50.0	7.1	72	95	84	138	110
Friuli-Venezia Giulia	3.0	67.6	58.4	7.3	33.6	59.1	8.2	72	104	81	41	114
Emilia-Romagna	12.3	68.9	66.0	11.8	36.5	51.7	7.2	69	116	90	10	128
Centro	18.1	67.9	62.1	9.0	37.3	53.7	8.4	78	99	82	16	111
Toscana	11.2	67.5	61.4	6.1	37.0	56.9	8.4	81	103	85	13	114
Umbria	2.5	69.8	59.0	10.1	34.0	55.9	11.3	100	90	77	-5	102
Marche	4.4	68.1	65.7	15.0	39.4	45.6	6.5	81	92	77	46	104
Lazio	15.8	71.5	54.9	6.0	20.6	73.4	9.9	94	97	85	116	106
Campania	17.5	66.7	54.4	15.4	25.1	59.5	15.4	130	64	68	272	56
Abruzzi-Molise	4.9	67.1	59.4	19.3	26.7	54.0	10.0	87	74	69	105	85
Abruzzi	3.9	67.4	59.7	18.4	26.4	55.0	10.5	138	76	70	101	74
Molise	1.0	66.0	58.3	22.8	27.0	50.1	7.7	191	68	60	120	51
Sud	20.9	65.7	54.0	22.5	23.3	54.2	14.2	116	63	64	255	63
Puglia	12.4	66.1	53.7	22.4	24.4	53.3	13.3	153	64	64	265	57
Basilicata	1.9	64.4	58.3	27.7	24.2	48.0	18.5	214	64	57	223	37
Calabria	6.6	64.0	53.3	31.1	20.8	58.1	14.4	220	57	65	246	38
Sicilia	15.7	65.9	51.0	17.5	23.9	58.5	13.7	194	44	72	197	55
Sardegna	5.1	65.6	53.9	15.3	26.5	58.2	19.3	215	66	73	257	49
Eur 10	850.6	67.3	65.1	7.1	34.5	57.9	9.7	90	105	105	92	...
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.0	100	100	100	100	100
Weighted std. deviation	3.1		7.3	9.0	7.5	9.0	5.0	40.4	27.0	28.4	81.7	32.9
Coeff. of variation (x 100)	4.7		11.2	104.5	21.8	15.9	46.9	48.4	27.6	29.4	81.7	32.9

MAIN REGIONAL INDICATORS

	Reg. Share in EC population 0/km0 (1)	Popul. 14-64/ Tot. pop. (2)	Partic. rate (3)	Sectoral shares in employment Agric. (4)	Industry (5)	Services (6)	Unemployment rates Level 1986 (7)	Index 1981-85 (8)	GDP/Pop. PPP Index 1981-85 (9)	GDP/ Empl. ECU Index 1981-85 (10)	Lab. force Growth Index 85-90 (11)	Lab. Synthe- tic Index (12)
Nederland	45.2	68.0	57.3	5.2	28.0	65.9	9.8	108	111	139	249	109
Noord-Nederland	5.0	67.3	54.0	7.9	30.5	61.0	11.2	129	118	215	266	104
Groningen	1.8	68.6	54.0	5.9	29.4	64.7	13.2	145	244	336	246	102
Friesland	1.9	65.6	53.8	9.5	30.1	59.0	10.7	122	84	127	330	92
Drenthe	1.3	67.9	54.2	8.5	33.4	57.6	9.1	119	112	164	282	116
Oost-Nederland	9.1	68.1	56.5	6.9	29.0	62.6	10.1	115	91	122	292	95
Overijssel	3.3	67.9	55.5	7.9	33.2	58.4	9.9	119	93	125	303	96
Gelderland	5.8	68.2	57.1	6.4	28.0	64.9	10.2	113	91	121	285	96
West-Nederland	21.1	68.6	59.3	3.9	23.7	71.2	9.2	90	118	137	216	120
Utrecht	2.9	69.1	57.6	3.1	22.9	73.1	8.0	81	106	123	256	112
Noord-Holland	7.2	67.3	60.1	3.0	22.7	73.1	10.6	94	123	137	204	120
Zuid-Holland	9.0	68.3	59.5	4.3	24.0	70.7	8.8	90	120	141	213	122
Zeeland	1.1	65.6	56.4	8.6	33.2	57.5	6.5	85	107	143	265	118
Zuid-Nederland	10.0	70.7	55.0	5.5	34.7	59.1	10.0	129	95	125	262	95
Noord-Brabant	6.6	70.5	56.2	5.4	34.0	59.1	7.4	124	90	126	282	97
Limburg (N)	3.4	71.1	54.5	5.7	34.5	59.1	11.2	139	90	123	220	91
Belgie / Belgique	30.7	60.5	58.7	3.6	31.9	64.5	10.2	126	105	111	50	101
Vlaams Gewest	17.6	69.2	59.5	3.8	34.5	61.7	8.7	110	104	118	0	..
Région Wallonne	10.0	60.0	56.4	4.4	29.5	66.0	12.4	139	87	105	0	..
Rég. Bruxell./Bruss. Gew	3.1	66.4	60.4	0.1	22.7	77.3	12.3	133	168	101	0	..
Antwerpen prov.	4.9	69.4	57.9	2.9	36.6	60.5	9.5	119	131	133	50	120
Brabant	6.9	68.2	60.5	2.1	24.3	73.6	9.2	112	120	104	19	108
Hainaut	4.0	67.8	55.2	3.2	31.9	64.9	14.2	154	81	103	58	81
Liège prov.	3.1	68.4	57.3	3.6	31.6	64.7	12.7	149	100	109	39	92
Limburg (B)	2.3	70.9	57.2	3.5	39.6	50.0	13.0	171	92	112	132	70
Luxembourg (B)	0.7	66.6	56.1	11.5	24.5	63.9	9.0	94	81	102	100	92
Namur prov.	1.3	67.2	57.5	6.7	24.3	69.1	11.5	124	82	101	85	87
Oost-Vlaanderen	4.1	68.2	61.0	3.1	35.4	61.5	8.1	118	94	114	67	101
West-Vlaanderen	3.4	68.3	60.5	6.7	35.5	57.7	7.2	104	102	112	86	106
Luxembourg (G.D.)	1.1	69.5	59.6	4.5	31.4	62.0	2.5	30	127	109	11	144
Eur 10	056.4	67.3	65.1	7.1	34.5	57.9	9.7	90	105	105	92	..
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.8	100	100	100	100	100
Weighted std. deviation		3.1	7.3	9.0	7.5	9.0	5.0	48.4	27.0	28.4	81.7	32.9
Coeff. of variation (x 100)		4.7	11.5	104.5	21.0	15.9	46.2	48.4	27.0	20.4	81.7	32.9

MAIN REGIONAL INDICATORS

	Reg. Share in EC population 0/000	Popul. 14-64/Tot. pop.	Partic. rate	Sectoral shares in employment			Unemployment		../Pop. PPP Index 1981-85	GDP/ Empl. ECU Index 1981-85	Lab. force Growth Index 85-90	Synthetic Index
				Agric.	Industry	Services	Level 1986	rates Index 1981-85				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
United Kingdom	174.0	66.4	73.1	2.3	34.1	61.9	12.0	115	104	94	38	100
North												
Cleveland, Durham	9.6	67.1	60.9	3.6	37.8	56.5	16.4	159	99	100	15	93
Cumbria	3.6						17.3	177	96	102	38	88
Northumber., Tyne & Wear	1.5						10.5	103	111	102	12	119
Yorkshire & Humberside	4.5						17.4	163	97	97	-2	90
Humberside	15.2	66.4	72.8	2.4	37.4	58.4	13.2	124	94	89	42	85
North Yorkshire	2.6						14.1	140	90	91	55	82
South Yorkshire	2.2						8.6	72	98	91	21	109
West Yorkshire	4.1						15.5	145	94	90	32	83
East Midlands	6.4						12.3	122	94	86	50	84
Derbysh., Nottinghamsh.	12.1	66.9	72.9	3.0	42.1	53.2	10.8	103	99	92	49	90
Leicestersh., Northamptonsh.	6.0						11.7	108	101	93	33	101
Lincolnshire	4.4						9.2	97	101	92	76	99
East Anglia	1.7						11.5	108	91	92	37	95
South East	6.1						9.0	84	97	91	57	102
Bedfordsh., Hertfordsh.	53.5						9.1	84	119	97	21	122
Berksh., Buck.sh, Oxf.sh.	4.7			4.7	34.2	59.3	6.7	69	106	93	44	114
E. Sus., Surrey, W. Sus.	5.9			1.2	29.6	68.0	6.7	62	103	91	74	119
Essex	7.4						6.1	58	96	93	-14	118
Greater London	4.7						6.2	62	91	97	58	108
Hampshire, Isle of Wight	21.0						8.7	82	153	102	-13	135
Kent	5.1						11.2	103	99	90	66	104
South West	4.6			3.8	29.7	64.7	8.3	78	89	95	57	97
Avon, Glou.sh., Wiltsh.	14.0	64.5	74.5				9.6	90	98	93	22	105
Cornwall, Devon	6.2						9.7	94	105	94	37	110
Dorset, Somerset	4.5						6.9	89	90	94	11	97
West Midlands	3.3			1.9	41.9	54.0	11.0	114	96	96	4	113
Heref. & Worc., Warw.sh.	16.1	67.4	7.3				8.8	81	92	84	40	74
Salop, Staffordshire	3.5						13.6	140	86	84	61	62
West Midlands-County	4.4						10.2	97	84	85	63	82
North West	0.2			1.2	36.1	60.7	11.2	110	99	83	34	69
Cheshire	19.9	66.4	72.7				16.3	173	99	95	45	93
Greater Manchester	2.9						14.5	141	103	105	44	114
Lancashire	0.0						11.8	113	114	93	47	73
Merseyside	4.3						11.0	116	105	93	34	93
Wales	4.6			4.5	32.4	63.7	12.1	118	90	94	36	78
Clwyd, Dyfed, Gwyn, Powy	8.1	65.8	67.2				11.4	109	96	94	36	78
Gwent, M.G.,W. Glamorg.	3.1						11.4	141	98	100	26	98
Scotland	5.4			3.0	33.4	59.4	13.0	130	97	102	29	101
Bor., Cen, Fif, Lot, Tay	15.9	67.3	71.2	3.4	33.4	61.5	14.7	141	99	99	24	104
Dum. & Gal., Strathclyde	5.7						14.4	141	102	93	56	97
Grampian	7.0						13.0	123	102	92	56	72
Highlands, Islands	1.5						14.7	128	95	104	56	133
Northern Ireland	0.0						13.0	126	108	97	56	101
	4.9	63.7	65.4				10.7	121	96	95	109	44
Eur 10	850.6	67.3	65.1	7.1	34.5	57.9	9.7	90	105	105	92	100
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.0	100	100	100	100	100
Weighted std. deviation	3.1		7.3	9.0	7.5	9.0	5.0	48.4	27.6	20.4	81.7	32.9
Coeff. of variation (x 100)	4.7		11.2	104.5	21.9	15.9	46.2	48.4	27.0	20.2	81.7	32.9

MAIN REGIONAL INDICATORS

	Reg. Share in EC popul. '000 (1)	Popul. 16-64/tot. pop. (2)	Partic. rate (3)	Sectoral shares in employment Agric. (4)	Industry (5)	Services (6)	Unemployment rates Level 1986 (7)	Index 1981-85 (8)	GDP/Pop. PPP Index 1981-85 (9)	GDP/Empl. ECU Index 1981-85 (10)	Lab. Force Growth Index 85-90 (11)	Synthetic Index (12)
Ireland	11.1	60.2	60.7	16.5	29.8	53.3	18.7	170	70	79	333	40
Danmark	15.7	67.0	80.0	6.7	27.0	65.2	6.5	97	117	112	69	115
Hovedstadsregionen	5.4						5.5	75	138	122	24	141
Ost for Storebaelt	1.0						7.0	110	101	108	58	103
Vest for Storebaelt	0.7						6.8	109	107	106	100	101
Ellas	31.0	64.4	60.7	20.9	25.7	45.4	7.5	115	58	49	100	60
Voria Ellada	10.0	64.9	59.8	30.7	35.4	35.6	6.0	59	55	46	208	60
Kentriki Ellada	18.5	64.6	60.2	21.7	27.1	51.2	8.6	89	61	52	174	60
Anatol. ke Notia Nisia	2.5	60.7	68.4	40.1	16.6	43.3	4.0	45	51	43	199	61
Anat. Sterres kai Nisia	13.1	66.4	54.5	7.8	31.6	60.5	10.2	119	63	57	156	62
Kent. ke Dit. Makedonia	5.4	66.0	56.6	29.9	30.5	39.5	5.8	103	57	50	215	43
Pelop. & Dit. Ster. Ell.	4.0	59.9	70.9	51.0	17.0	31.2	5.5	120	59	45	214	57
Thessalias	2.2	64.5	59.9	42.1	24.8	33.0	8.4	120	56	40	104	57
Anatoliki Makedonias	1.3	63.3	65.6	47.6	20.1	32.4	5.6	112	57	44	202	59
Kritis	1.4	50.7	75.3	52.7	15.3	32.0	4.0	108	54	42	278	58
Ipirou	1.1	61.4	67.7	46.7	17.0	35.5	5.0	114	49	34	191	54
Thrakis	1.1	62.0	69.9	59.6	13.0	27.3	3.6	118	44	31	229	51
Nison Anatolikou Egeou	1.1	63.4	59.7	20.0	10.7	61.3	6.0	85	46	46	148	67
Eur 10	850.6	67.3	65.1	7.1	34.5	57.2	9.7	90	105	105	92	-
Eur 12	1000.0	65.7	63.9	8.6	34.3	57.2	10.0	100	100	100	100	100
Weighted std. deviation	3.1		7.3	9.0	7.5	9.0	5.0	40.4	27.0	28.4	82.4	32.9
Coeff. of variation (x 100)	4.7		11.2	104.5	21.0	15.9	46.2	48.4	27.0	28.4	81.7	32.5

	Reg. Share in EC population 0/000	Popul. 14-64/ Tot. pop.	Partic. rate	Sectoral shares in employment			Unemployment rates		GDP/Pop. PPP Index 1981-85	GDP/ Empl. ECU Index 1981-85	Lab. force Growth Index 85-90	Synthe- tic Index
				Agric.	Industry	Services	Level 1986	Index 1981-85				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
España	112.6	63.9	54.5	17.9	33.0	49.1	21.5	189	77	77	152	53
Noroeste												
Galicia	14.1	63.7	61.0	39.1	26.7	34.3	15.6	116	70	57	99	56
Asturias	8.9	65.2	45.5	46.2	22.4	31.4	14.0	110	65	50	117	54
Cantabria	3.5	65.0	55.1	24.1	36.2	39.7	18.5	150	80	72	37	50
	1.6	63.0	54.8	25.3	34.9	41.3	17.9	131	80	72	126	60
Noreste												
Pays Vasco	13.0	65.7	55.0	12.4	41.0	46.4	21.0	184	90	85	104	59
Navarra	6.8	66.4	55.9	6.4	45.6	48.0	24.6	211	94	91	149	58
Rioja	1.4	64.6	53.7	14.7	40.6	43.4	17.9	176	90	83	112	60
Aragon	0.8	63.9	53.0	19.7	40.0	40.8	16.6	131	92	84	70	66
	3.8	65.4	54.5	20.9	33.0	45.8	16.7	160	81	75	17	60
Madrid	15.1	64.4	54.0	1.4	33.1	65.5	20.5	188	92	93	192	60
Centro												
Castilla Leon	14.6	64.1	52.7	30.9	27.4	41.8	19.4	166	63	63	83	51
Castilla Mancha	8.1	64.8	54.1	30.3	27.1	42.6	18.2	152	70	66	76	55
Extremadura	5.2	63.3	51.0	29.8	31.6	38.6	15.7	177	62	64	86	50
	3.4	63.7	51.7	34.9	20.5	45.1	28.6	221	47	52	100	37
Este												
Cataluna	32.6	63.7	54.7	10.2	40.7	42.1	20.5	193	88	84	140	57
Com. Valenciana	10.8	64.4	56.9	6.7	44.8	48.4	21.6	208	92	88	132	50
Baleares	11.7	62.6	56.2	15.4	36.2	48.4	19.8	103	79	77	155	55
	2.1	63.4	58.4	12.5	27.7	57.0	13.6	131	87	88	131	67
Sur												
Andalucia	23.8	62.9	48.5	20.7	25.5	53.8	28.7	252	60	73	230	41
Murcia	20.7	61.2	49.0	20.1	24.9	55.0	36.2	270	58	73	235	37
	3.1	61.8	51.1	24.1	20.5	47.4	10.4	104	70	75	196	51
Canarias	4.4	62.9	54.7	17.4	20.0	62.4	27.3	226	73	78	316	46
Portugal	29.9	66.2	70.8	23.6	33.9	42.2	8.7	102	55	26	152	50
EUR 10	950.4	65.3	65.1	7.1	34.5	57.9	9.7	90	105	105	92	.
EUR 12	1040.0	65.7	63.9	8.2	34.3	57.2	10.0	100	100	100	100	100
Weighted std. deviation		3.1	7.1	9.0	7.5	9.0	5.0	40.4	27.0	28.4	81.7	32.9
Coeff. of variation (x 100)		4.7	11.2	104.5	21.8	15.9	46.2	48.4	27.0	28.4	81.7	32.7

EXPLANATORY NOTE ON THE SUMMARY TABLES

1. Annual average population, 1985;

2. Population aged 14 to 64 years as a percentage of total population, labour force surveys, 1985 (Spain 1984). Population aged 15 to 64 years used for UK Level I;

3. Labour force (persons in employment plus the unemployed) as a percentage of population aged 14 to 64 years; labour force surveys 1985 (Spain 1984); population aged 15 to 64 years used for UK Level I;

4. Persons with a main occupation in agriculture, as a percentage of all those in employment, labour force surveys 1985 (Spain: 1984);

5. icem 4, for industry;

6. idem 4, for services;

7. Number of persons unemployed as a percentage of the labour force, 1985, provisional EUROSTAT estimates, using registered regional unemployment adjusted for national differences in registration practices by labour force survey results;

8. Average of unemployment rates (ILO concept) 1981, 1983, 1985, with the addition of underemployment in agriculture in 1983, expressed as a percentage of the Community average rate; EUROSTAT estimates for unemployment, using registered regional unemployment adjusted for national differences in registration practices by labour force survey results; estimates of underemployment among self-employed farmers from the farm structure surveys;

9. Gross Domestic Product per capita as a percentage of the Community average in 1981, 1983, 1985 in purchasing power parities;

10. Gross Domestic Product per person employed measured at current prices and ECU exchange rates as a percentage of the Community average in 1981, 1983 and 1985;

11. Estimated increase in the regional labour force up to 1990 as a percentage of the Community average, see annex chapter 3.3.

12. Synthetic index combining columns (8), (9), (10) and (11) adjusted for GDP in Groningen, Hamburg and Bremen: see annex chapter 2.2.1-5.

GDP PER HEAD OF POPULATION 1985 - EUR 12 = 100

(Level II regions ranked lowest to highest)*

RANK	REGION		GDP/CAPITA CURRENT PPS 1985	UNEMP. RATE 1986	POPULATION 1985	
					TOTAL (MILLIONS)	CUMULATIVE % SHARE
1	Thrakis	(GR)	43.2	33.1	0.4	0.1
2	Nison Anatolikou Egeou	(GR)	46.0	55.5	0.3	0.2
3	Extremadura	(ESP)	46.6	263.5	1.1	0.6
4	Ipirou	(GR)	47.1	45.9	0.4	0.7
5	Calabria	(I)	54.4	132.9	2.1	1.4
6	Portugal	(POR)	54.6	80.4	9.6	4.3
7	Kritis	(GR)	54.7	37.2	0.5	4.5
8	Thessalias	(GR)	55.4	77.5	0.7	4.7
9	Kent. ke Dit. Makedonias	(GR)	56.3	53.2	1.7	5.2
10	Anatolikis Makedonias	(GR)	57.3	51.3	0.4	5.4
11	Andalucia	(ESP)	58.3	278.9	6.7	7.4
12	Pelop. & Dit. Ster. Ell.	(GR)	58.8	50.9	1.3	7.8
13	Anat. Stereas ke Nison	(GR)	61.4	93.7	4.2	9.2
14	Castilla Mancha	(ESP)	62.2	144.7	1.7	9.7
15	Sicilia	(I)	63.0	126.1	5.1	11.2
16	Campania	(I)	63.4	142.2	5.6	13.0
17	Puglia	(I)	64.7	122.5	4.0	14.2
18	Basilicata	(I)	64.7	170.2	0.6	14.4
19	Galicia	(ESP)	65.4	129.2	2.9	15.3
20	Molise	(I)	67.8	70.9	0.3	15.4
21	Sardegna	(I)	68.1	178.0	1.6	15.9
22	Ireland	(IRL)	69.5	172.7	3.6	17.0
23	Castilla Leon	(ESP)	70.7	167.4	2.6	17.8
24	Murcia	(ESP)	70.9	169.7	1.0	18.2
25	Corse	(F)	73.0	115.0	0.2	18.2
26	Canarias	(ESP)	73.5	251.9	1.4	18.7
27	Abruzzi	(I)	74.3	97.2	1.2	19.1
28	Comm. Valenciana	(ESP)	76.3	183.0	3.8	20.2
29	Cantabria	(ESP)	78.2	165.4	0.5	20.4
30	Luxembourg (B)	(B)	78.9	90.2	0.2	20.5
31	Asturias	(ESP)	78.9	173.9	1.1	20.8
32	Lueneburg	(D)	79.3	73.3	1.5	21.3
33	Hainaut	(B)	80.9	130.8	1.3	21.7
34	Namur prov.	(B)	80.9	105.9	0.4	21.8
35	Limousin	(F)	81.4	81.8	0.7	22.0
36	Aragon	(ESP)	81.8	154.0	1.2	22.4
37	Friesland	(NL)	82.4	99.0	0.6	22.6
38	Languedoc-Roussillon	(F)	83.6	127.8	2.0	23.2
39	Poitou-Charentes	(F)	84.8	110.2	1.6	23.7
40	Salop, Staffordshire	(UK)	85.7	103.2	1.4	24.1
41	Umbria	(I)	87.3	104.2	0.8	24.4
42	Auvergne	(F)	88.1	88.5	1.3	24.8
43	Gelderland	(NL)	88.2	93.9	1.9	25.4
44	Bretagne	(F)	88.7	101.4	2.8	26.3
45	Limburg (N)	(NL)	88.9	103.7	1.1	26.6
46	Humberside	(UK)	89.0	130.2	0.8	26.9
47	Heref. & Worc., Warw.sh.	(UK)	89.3	94.2	1.1	27.2
48	Navarra	(ESP)	89.5	165.0	0.5	27.4
49	Northern Ireland	(UK)	89.7	172.4	1.6	27.9
50	Kent	(UK)	89.8	88.9	1.5	28.3
51	Oost-Vlaanderen	(B)	89.8	75.0	1.3	28.7
52	Trier	(D)	90.3	68.9	0.5	28.9
53	Marche	(I)	90.5	59.7	1.4	29.3
54	Overijssel	(NL)	90.8	91.2	1.0	29.7
55	Limburg (B)	(B)	90.9	119.8	0.7	29.9
56	Madrid	(ESP)	91.1	189.1	4.9	31.4
57	Cornwall. Devon	(UK)	91.3	108.8	1.4	31.8
58	Oberpfalz	(D)	91.9	63.2	1.0	32.1
59	Rioja	(ESP)	92.0	153.5	0.3	32.2
60	South Yorkshire	(UK)	92.1	152.4	1.3	32.6
61	Basse-Normandie	(F)	92.1	94.4	1.4	33.1
62	Koblenz	(D)	92.3	61.6	1.4	33.5
63	Cataluna	(ESP)	92.9	199.2	6.0	35.4
64	Nord-Pas-de-Calais	(F)	93.0	119.3	4.0	36.6
65	West Yorkshire	(UK)	93.1	113.7	2.1	37.2
66	Essex	(UK)	93.3	80.7	1.5	37.7
67	Midi-Pyrénées	(F)	93.4	83.2	2.4	38.4

GDP PER HEAD OF POPULATION 1985 - EUR 12 = 100

(Level II regions ranked lowest to highest)*

RANK	REGION		GDP/CAPITA CURRENT PPS 1985	UNEMP. RATE 1986	POPULATION 1985	
					TOTAL (MILLIONS)	CUMULATIVE % SHARE
68	Niederbayern	(D)	93.7	50.9	1.0	38.7
69	Lincolnshire	(UK)	94.0	100.7	0.6	39.0
70	Giessen	(D)	94.5	50.5	1.0	39.2
71	Veneto	(I)	94.6	65.8	4.4	40.6
72	Cleveland, Durham	(UK)	94.6	162.4	1.2	40.9
73	Weser-Ems	(D)	95.2	93.2	2.1	41.6
74	Pays Vasco	(ESP)	95.6	226.7	2.2	42.3
75	Pays de la Loire	(F)	95.6	102.4	3.0	43.2
76	Northumber., Tyne & Wear	(UK)	96.3	160.7	1.4	43.6
77	Unterfranken	(D)	96.6	48.3	1.2	44.0
78	Picardie	(F)	96.6	95.8	1.8	44.6
79	Bourgogne	(F)	96.7	95.0	1.6	45.1
80	North Yorkshire	(UK)	96.7	79.6	0.7	45.3
81	Noord-Brabant	(NL)	96.8	86.6	2.1	46.0
82	Hampshire, Isle of Wight	(UK)	97.0	76.9	1.6	46.5
83	Schleswig-Holstein	(D)	97.0	77.8	2.6	47.3
84	Lazio	(I)	97.4	91.2	5.1	48.9
85	Baleares	(ESP)	97.5	125.3	0.7	49.1
86	Dum. & Gal.,Strathclyde	(UK)	97.6	154.3	2.5	49.8
87	Dorset, Somerset	(UK)	97.7	81.2	1.1	50.2
88	Franche-Comté	(F)	98.0	89.4	1.1	50.5
89	Liege prov.	(B)	98.8	117.5	1.0	50.8
90	Centre	(F)	98.9	86.0	2.3	51.5
91	Merseyside	(UK)	99.2	176.0	1.5	52.0
92	Lorraine	(F)	99.5	102.5	2.3	52.7
93	West-Vlaanderen	(B)	99.7	66.0	1.1	53.1
94	East Anglia	(UK)	99.7	82.9	2.0	53.7
95	E. Sus., Surrey, W. Sus.	(UK)	100.1	56.9	2.4	54.4
96	Trentino-Alto Adige	(I)	100.3	58.8	0.9	54.7
97	Muenster	(D)	101.4	93.3	2.4	55.4
98	West Midlands County	(UK)	101.5	150.3	2.6	56.3
99	Gwent, M. S. W. Glamorg.	(UK)	101.6	135.8	1.7	56.8
100	Lancashire	(UK)	102.2	113.8	1.4	57.2
101	Aquitaine	(F)	102.3	99.4	2.7	58.1
102	Berk.sh.,Buck.sh.,Oxf.sh.	(UK)	102.7	56.6	1.9	58.7
103	Clwy, Dyfd, Gwyn, Powy	(UK)	102.8	125.7	1.1	59.0
104	Friuli-Venezia Giulia	(I)	102.8	75.5	1.2	59.4
105	Utrecht	(NL)	103.0	74.1	0.9	59.7
106	Toscana	(I)	103.1	79.1	3.6	60.8
107	Kassel	(D)	103.1	66.2	1.2	61.2
108	Provence-Alpes-C d'Azur	(F)	103.4	119.0	4.0	62.4
109	Bor, Cen, Fif, Lot, Tay	(UK)	103.8	120.1	1.8	63.0
110	Zeeland	(NL)	104.2	59.6	0.4	63.1
111	Ost for Storebaelt	(DK)	104.3	72.1	0.6	63.3
112	Leices.sh., Northamp.sh.	(UK)	104.4	85.0	1.4	63.7
113	Derbysh., Nottinghamsh.	(UK)	104.5	108.5	1.9	64.3
114	Champagne-Ardennes	(F)	104.9	116.1	1.4	64.7
115	Oberfranken	(D)	105.2	55.3	1.0	65.1
116	Schwaben	(D)	106.5	42.3	1.5	65.5
117	Avon, Glou.sh., Wiltsh.	(UK)	106.6	81.7	2.0	66.2
118	Detmold	(D)	106.7	74.3	1.8	66.7
119	Saarland	(D)	107.2	90.4	1.0	67.0
120	Arnsberg	(D)	107.4	90.9	3.6	68.2
121	Bedfordsh.,Hertfordsh.	(UK)	108.2	63.8	1.5	68.6
122	Braunschweig	(D)	108.4	85.0	1.6	69.1
123	Greater Manchester	(UK)	108.5	134.7	2.6	69.9
124	Freiburg	(D)	109.0	41.3	1.9	70.5
125	Drenthe	(NL)	109.0	84.1	0.4	70.6
126	Tuebingen	(D)	109.1	34.7	1.5	71.1
127	Piemonte	(I)	110.6	76.3	4.4	72.5
128	Cumbria	(UK)	111.4	97.0	0.5	72.6
129	West for Storebaelt	(DK)	111.6	62.8	2.6	73.5
130	Highlands,Islands	(UK)	111.3	127.1	0.7	73.6
131	Hannover	(D)	112.4	81.2	2.0	74.2
132	Emilia-Romagna	(I)	115.7	66.1	4.0	75.5
133	Koeln	(D)	116.6	74.3	3.0	76.5
134	Rhône-Alpes	(F)	116.6	79.8	5.1	78.3

Community averages :

GDP/CAPITA (PPS) 1985 = 12189
Comparable unemployment rate 1986 = 10.8%.

GDP PER HEAD OF POPULATION 1985 - EUR 12 = 100

(Level II regions ranked lowest to highest)*

RANK	REGION		GDP/CAPITA CURRENT PPS 1985	UNEMP. RATE 1986	POPULATION 1985	
					TOTAL (MILLION)	CUMULATIVE % SHARE
135	Haute-Normandie	(F)	117.0	117.7	1.7	78.8
136	Cheshire	(UK)	117.1	105.4	0.9	79.1
137	Liguria	(I)	117.6	72.4	1.8	79.6
138	Alsace	(F)	118.0	65.5	1.6	80.1
139	Rheinhessen-Pfalz	(D)	118.5	55.6	1.8	80.7
140	Zuid-Holland	(NL)	119.0	81.3	3.2	81.7
141	Lombardia	(I)	119.0	61.5	8.9	84.4
142	Brabant	(B)	121.3	85.1	2.2	85.1
143	Noord-Holland	(NL)	121.4	97.6	2.3	85.9
144	Mittelfranken	(D)	125.4	47.3	1.5	86.3
145	Karlsruhe	(D)	127.9	45.2	2.4	87.1
146	Grampian	(UK)	126.6	75.3	0.5	87.2
147	Duesseldorf	(D)	129.6	83.8	5.1	88.8
148	Antwerpen prov.	(B)	130.5	87.4	1.6	89.3
149	Luxembourg (C.E.)	(L)	131.4	23.0	0.4	89.4
150	Stuttgart	(D)	135.1	30.7	3.4	90.5
151	Valle d'Aosta	(I)	137.0	42.5	0.1	90.5
152	Oberbayern	(D)	140.7	42.5	3.7	91.7
153	Hovedstadsregionen	(DK)	142.9	59.7	1.7	92.2
154	Berlin (West)	(D)	144.4	79.4	1.8	92.8
155	Bremen	(D)	148.7	121.9	0.7	93.0
156	Darmstadt	(D)	150.4	43.3	3.4	94.0
157	Greater London	(UK)	155.1	107.0	6.8	96.1
158	Ile de France	(F)	159.4	74.3	10.2	99.3
159	Hamburg	(D)	195.5	104.9	1.6	99.8
160	Groningen	(NL)	237.4	121.8	0.6	100.0

Community averages :

  GDP/CAPITA (PPS) 1985 = 12189
  Comparable unemployment rate 1986 = 10.8%

*Notes :

1. Portugal is included at country level.
2. Ceuta Y Melilla (ESP) and D.O.M. (F) are not included for data reasons.

COMPARABLE UNEMPLOYMENT RATES 1-86 - EUR 12 = 100

(Level II regions ranked highest to lowest)*

RANK	REGION		UNEMP. RATE 1986	GTP/CAPITA CURRENT PPS 1985	POPULATION 1985	
					TOTAL (MILLIONS)	CUMULATIVE % SHARE
1	Andalucia	(ESP)	278.9	58.3	6.7	2.1
2	Extremadura	(ESP)	263.5	46.6	1.1	2.4
3	Canarias	(ESP)	251.9	73.5	1.4	2.9
4	Pays Vasco	(ESP)	226.7	95.6	2.2	3.5
5	Cataluna	(ESP)	199.2	92.9	6.0	5.4
6	Madrid	(ESP)	189.1	91.1	4.9	6.9
7	Comm. Valenciana	(ESP)	183.0	76.3	3.8	8.1
8	Sardegna	(I)	178.0	68.1	1.6	8.6
9	Merseyside	(UK)	176.0	99.2	1.5	9.1
10	Asturias	(ESP)	173.9	78.9	1.1	9.4
11	Ireland	(IRL)	172.7	69.5	3.6	10.5
12	Northern Ireland	(UK)	172.4	89.7	1.6	11.0
13	Basilicata	(I)	170.2	64.7	0.6	11.2
14	Murcia	(ESP)	169.7	70.9	1.0	11.5
15	Castilla Leon	(ESP)	167.4	70.7	2.6	12.3
16	Cantabria	(ESP)	165.4	78.2	0.5	12.5
17	Navarra	(ESP)	165.0	89.5	0.5	12.6
18	Cleveland, Durham	(UK)	162.4	94.6	1.2	13.0
19	Northumb., Tyne & Wear	(UK)	160.7	96.3	1.4	13.4
20	Dum. & Gal.,Strathclyde	(UK)	154.3	97.6	2.5	14.2
21	Aragon	(ESP)	154.0	81.8	1.2	14.6
22	Rioja	(ESP)	153.5	92.0	0.3	14.7
23	South Yorkshire	(UK)	152.4	92.1	1.3	15.1
24	West Midlands County	(UK)	150.3	101.5	2.6	15.9
25	Castilla mancha	(ESP)	144.7	62.2	1.7	16.4
26	Campania	(I)	142.2	63.4	5.6	18.2
27	Gwent, M. S. W. Glamorg.	(UK)	135.8	101.6	1.7	18.7
28	Calabria	(I)	132.9	54.4	2.1	19.4
29	Hainaut	(B)	130.8	80.9	1.3	19.8
30	Humberside	(UK)	130.2	89.0	0.6	20.0
31	Galicia	(ESP)	129.2	65.4	2.9	20.9
32	Clwy, Dyfe, Gwyn, Powy	(UK)	128.7	102.8	1.1	21.3
33	Greater Manchester	(UK)	128.7	108.5	2.6	22.1
34	Languedoc-Roussillon	(F)	127.8	83.6	2.0	22.7
35	Highlands, Islands	(UK)	127.1	112.3	0.3	22.8
36	Sicilia	(I)	126.1	63.0	5.1	24.3
37	Baleares	(ESP)	125.3	97.5	0.7	24.5
38	Puglia	(I)	122.5	64.7	4.0	25.8
39	Bremen	(D)	121.9	148.7	0.7	26.0
40	Groningen	(NL)	121.8	237.4	0.6	26.2
41	Brr, Cen, Fif, Lot, Tay	(UK)	120.1	103.8	1.8	26.7
42	Limburg (B)	(B)	119.8	90.9	0.7	27.0
43	Nord-Pas-de-Calais	(F)	119.3	93.0	4.0	28.2
44	Provence-Alpes-C d'Azur	(F)	119.0	103.4	4.0	29.5
45	Haute-Normandie	(F)	117.7	117.0	1.7	30.0
46	Liège prov.	(B)	117.5	98.8	1.0	30.3
47	Champagne-Ardennes	(F)	116.1	104.9	1.4	30.7
48	Corse	(F)	115.0	73.0	0.2	30.8
49	Lancashire	(UK)	113.8	102.2	1.4	31.2
50	West Yorkshire	(UK)	113.7	93.1	2.1	31.9
51	Poitou-Charentes	(F)	110.2	84.8	1.6	32.4
52	Cornwall, Devon	(UK)	108.8	91.3	1.4	32.8
53	Cheshire	(UK)	108.4	117.1	0.9	33.1
54	Derbysh., Nottinghamsh.	(UK)	108.3	104.9	1.9	33.7
55	Greater London	(UK)	107.0	155.1	6.8	35.8
56	Namur prov.	(B)	105.9	80.9	0.4	35.9
57	Lincolnshire	(UK)	105.7	94.0	0.6	36.1
58	Hamburg	(D)	104.9	195.5	1.6	36.6
59	Umbria	(I)	104.2	87.3	0.8	36.8
60	Limburg (N)	(NL)	103.7	88.9	1.1	37.2
61	Salop, Staffordshire	(UK)	103.2	85.7	1.4	37.6
62	Lorraine	(F)	102.5	97.5	2.3	38.4
63	Pays de la Loire	(F)	102.4	95.6	3.0	39.3
64	Bretagne	(F)	101.4	88.7	2.8	40.1
65	Aquitaine	(F)	99.4	102.3	2.7	41.0
66	Friesland	(NL)	99.0	82.4	0.6	41.2
67	Saarland	(D)	98.4	107.2	1.0	41.5

Community averages :

Comparable unemployment rate 1986 = 10.8°
GTP/CAPITA (PPS) 1985 = 12189

COMPARABLE UNEMPLOYMENT RATES 1986 - EUR 12 = 100

(Level II regions ranked highest to lowest)*

RANK	REGION		UNEMP. RATE 1986	GDP/CAPITA CURRENT PPS 1985	POPULATION 1985	
					TOTAL (MILLIONS)	CUMULATIVE % SHARE
68	Noord-Holland	(NL)	97.6	121.4	2.3	42.2
69	Abruzzi	(I)	97.2	74.3	1.2	42.6
70	Cumbria	(UK)	97.2	111.4	0.5	42.8
71	Picardie	(F)	95.8	96.6	1.8	43.3
72	Bourgogne	(F)	95.0	96.7	1.6	43.8
73	Basse-Normandie	(F)	94.4	92.1	1.4	44.2
74	Heref. & Worc., Warw.sh.	(UK)	94.2	89.3	1.1	44.6
75	Gelderland	(NL)	93.9	88.2	1.9	45.2
76	Anat. Stereas ke Nison	(GR)	93.7	61.4	4.2	46.5
77	Muenster	(D)	93.3	101.4	2.4	47.2
78	Weser-Ems	(D)	93.2	95.2	2.1	47.9
79	Lazio	(I)	91.2	97.4	5.1	49.5
80	Overijssel	(NL)	91.2	90.8	1.0	49.8
81	Arnsberg	(D)	90.9	107.4	3.6	50.9
82	Luxembourg (B)	(B)	90.2	78.9	0.2	51.0
83	Kent	(UK)	88.9	89.6	1.5	51.5
84	Auvergne	(F)	88.5	88.1	1.3	51.9
85	Franche-Comté	(F)	88.4	98.0	1.1	52.2
86	Antwerpen prov.	(B)	87.4	130.8	1.6	52.7
87	Centre	(F)	86.6	93.9	2.3	53.4
88	Noord-Brabant	(NL)	86.6	96.8	2.1	54.1
89	Brabant	(B)	85.1	121.3	2.2	54.8
90	Leices.sh., Northamp.sh.	(UK)	85.0	104.4	1.4	55.2
91	Limerne	(NL)	84.1	105.0	0.4	55.3
92	Duesseldorf	(D)	83.8	129.6	5.1	56.9
93	Midi-Pyrenées	(F)	83.2	93.4	2.4	57.7
94	East Anglia	(UK)	82.9	97.7	2.0	58.3
95	Hannover	(D)	82.2	112.4	2.0	58.9
96	Limousin	(F)	81.8	81.4	0.7	59.1
97	Avon, Glou.sh., Wiltsh.	(UK)	81.7	106.6	2.0	59.8
98	Zuid-Holland	(NL)	81.3	119.0	3.2	60.7
99	Dorset, Somerset	(UK)	81.2	97.7	1.1	61.1
100	Essex	(UK)	80.7	93.3	1.5	61.5
101	Portugal	(POR)	80.4	54.6	9.6	64.5
102	Braunschweig	(D)	80.0	108.4	1.6	65.0
103	North Yorkshire	(UK)	79.6	96.7	0.7	65.2
104	Toscana	(I)	75.1	103.1	3.6	66.4
105	Berlin (West)	(D)	78.4	144.4	1.8	66.9
106	Schleswig-Holstein	(D)	77.8	97.0	2.6	67.7
107	Thessalias	(GR)	77.5	55.4	0.7	68.0
108	Hampshire, Isle of Wight	(UK)	76.9	97.0	1.6	68.5
109	Piemonte	(I)	76.3	110.6	4.4	69.9
110	Koeln	(D)	76.3	116.6	3.9	71.1
111	Friuli-Venezia Giulia	(I)	75.5	102.8	1.2	71.4
112	Rhone-Alpes	(F)	75.5	116.6	5.1	73.0
113	Grampian	(UK)	75.3	128.6	0.5	73.2
114	Oost-Vlaanderen	(B)	75.0	89.8	1.3	73.6
115	Detmold	(D)	74.3	106.7	1.8	74.2
116	Ile de France	(F)	74.3	159.4	10.2	77.3
117	Utrecht	(NL)	74.1	103.0	0.9	77.6
118	Lueneburg	(D)	73.3	79.3	1.5	78.1
119	Liguria	(I)	72.4	117.6	1.8	78.6
120	Ost for Storebaelt	(DK)	72.1	104.3	0.6	78.8
121	Molise	(I)	70.9	67.8	0.3	78.9
122	Trier	(D)	68.9	90.3	0.5	79.1
123	Kassel	(D)	66.2	103.1	1.2	79.4
124	Emilia-Romagna	(I)	66.1	115.7	4.0	80.7
125	West-Vlaanderen	(B)	66.0	99.7	1.1	81.0
126	Veneto	(I)	65.8	94.6	4.4	82.4
127	Alsace	(F)	65.5	118.0	1.6	82.9
128	Bedfordsh..Hertfordsh.	(UK)	63.5	108.2	1.5	83.3
129	Oberpfalz	(D)	63.2	91.9	1.0	83.6
130	Vest for Storebaelt	(DK)	62.8	111.6	2.8	84.5
131	Koblenz	(D)	61.6	93.3	1.4	84.9
132	Lombardia	(I)	61.5	119.0	8.5	87.7
133	Marche	(I)	59.7	90.5	1.4	88.1
134	Zeeland	(NL)	55.6	104.2	0.4	88.3

Community averages :

Comparable unemployment rate 1986 = 10.8%
GDP/CAPITA (PPS) 1985 = 12189

COMPARABLE UNEMPLOYMENT RATES 1986 - EUR 12 = 100

(Level II regions ranked highest to lowest)*

RANK	REGION		UNEMP. RATE 1986	GDP/CAPITA CURRENT PPS 1985	POPULATION 1985	
					TOTAL (MILLIONS)	CUMULATIVE % SHARE
135	Trentino-Alto Adige	(I)	58.8	100.3	0.9	88.5
136	Rheinhessen-Pfalz	(D)	56.6	118.5	1.8	89.1
137	E. Sus., Surrey, W. Sus.	(UK)	56.9	100.1	2.4	89.8
138	Berk.sh.,Buck.sh.,Oxf.sh.	(UK)	56.6	102.7	1.9	90.4
139	Nison Anatolikou Egeou	(GR)	55.5	46.0	0.3	90.5
140	Oberfranken	(D)	55.3	105.3	1.0	90.8
141	Kent. ke Dit. Makedonias	(GR)	53.2	56.3	1.7	91.4
142	Anatolikis Makedonias	(GR)	51.3	57.3	0.4	91.5
143	Pelop. & Dit. Ster. Eil.	(GR)	50.9	58.8	1.3	91.9
144	Niederbayern	(D)	50.9	93.7	1.0	92.2
145	Hovedstadsregionen	(DK)	50.7	142.9	1.7	92.8
146	Giessen	(D)	50.5	94.5	1.0	93.1
147	Mittelfranken	(D)	47.3	125.4	1.5	93.5
148	Unterfranken	(D)	46.3	96.6	1.2	93.9
149	Ipirou	(GR)	45.9	47.1	0.4	94.0
150	Karlsruhe	(D)	45.2	127.9	2.4	94.8
151	Darmstadt	(D)	43.3	150.4	3.4	95.8
152	Oberbayern	(D)	42.5	143.7	3.7	97.0
153	Valle d'Aosta	(I)	42.5	137.0	0.1	97.0
154	Schwaben	(D)	42.3	106.5	1.5	97.5
155	Freiburg	(D)	41.2	109.0	1.9	98.1
156	Kritis	(GR)	37.2	54.7	0.5	98.2
157	Tuebingen	(D)	34.7	109.1	1.5	98.7
158	Thrakis	(GR)	33.1	43.2	0.4	98.9
159	Stuttgart	(D)	30.7	135.1	3.4	99.9
160	Luxembourg (G.D.)	(L)	23.0	131.4	0.4	100.0

Community averages :

  Comparable unemployment rate 1986 = 10.8%
  GDP/CAPITA (PPS) 1985 = 12185

*Notes :
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1. Portugal is included at country level.
2. Ceuta Y Melilla (ESP) and D.O.M. (F) are not included for data reasons.