Regions in Europe, a Europe of Regions

In the context of a larger Europe and in the face of globalisation challenges, an isolated Region - one looking to act alone within its small scope - would not have the means to develop or for its territory to flourish. This is obvious: Regions need Europe. As soon as we hear about alternative, environmentally friendly policies being put forward for example, it is necessary to have a global perspective and to be open to an awareness on larger scales than the regional level. But the opposite scenario, a disembodied Europe incapable of hearing the views of the smallest and most fragile regions, would lose its raison d'être and legitimacy to take action: Europe must be attentive to its Regions to fine-tune its common policies and to act effectively. My investment in the Committee of the Regions has convinced me of the importance of this “win-win” exchange: the Regions need Europe and Europe needs the Regions.

This positioning study gives the Auvergne Region - ever concerned with boosting its appeal and competitiveness - the opportunity to assess its strengths and weaknesses in the demographic, economic and scientific fields and regarding employment. Through this document the Region also wished to find out more about the other European regions presenting similar characteristics and challenges, so as to identify communities of interest when setting up inter-regional European programmes and to examine the public policies drawn up by these regions for tackling common challenges.

René SOUCHON, President of Auvergne Regional Council
Auvergne’s situation seems unusual within France: moderate population growth, more pronounced ageing, and an industry- and agriculture-driven economy. When looked at from a European perspective however, Auvergne is found to have strong similarities with many regions.

Within the European Union (EU), 88 regions share Auvergne’s demographic profile – but the latter is thriving more in demographic terms thanks to a boost in appeal. As its population ages, the region’s healthcare services need increasing.

In economic terms, the agricultural and industrial footprint of the region tends to become less marked at European level: Auvergne is one of several regions characterised by major specialisation in services for households, health and social action.

Compared with these regions, Auvergne has an undeniable edge: a high research and innovation potential and a high capacity for welcoming tourists. That said, Auvergne lies in a lowly 142nd place for wealth creation in Europe. The employment rate is lagging behind the Lisbon Strategy’s objectives, particularly for employment of seniors.

Daniel GRAS, Sébastien TERRA, Insee Auvergne

 assertedly thriving demography, but of low density

With a surface area of 26,013 km², Auvergne is one of the larger European regions (43rd(1)). However, its mountainous areas and extensive, mainly rural expanse mean that it is not a very dense region. With 52 inhabitants per km² in 2007, Auvergne thus finds itself a long way below the average of European regions (356 inhabitants per km²). It has recently experienced a growth in its population (+ 0.28% per year between 2003 and 2007), thanks to renewed appeal (+ 0.3% per year). It is in 136th place for its demographic dynamics and 115th for its appeal among European regions.

By its demographic profile, Auvergne is on a par with a large group of 88 European regions (see text box "The demographic profile of European regions"). This group also includes Burgundy, two Spanish regions (Asturias and Extremadura), two Portuguese regions (Centro and Alentejo), the vast majority of German, Romanian, Bulgarian and Baltic regions and a handful of Scandinavian regions. These regions all have several features in common: a population density far short of the European average; more accentuated ageing and less thriving demographics (and even a population decline in half the regions) due to a pronounced natural deficit. Compared with the other 88 European regions presenting this demographic profile, the thriving demographics of Auvergne set it apart. Indeed, unlike most of these regions, its population is on the rise - the natural deficit being largely offset by an appeal above the average of similar regions. In this group, Auvergne thus features alongside those regions with the most dynamic demographics: it lies in 8th position by the growth of its population and 15th by the significance of its net migration rate.

(1) Of the 260 (out of 262) regions for which all demographic data are available.

Strengths and weaknesses of Auvergne compared with European regions

Key:
A value of 5 for an indicator places Auvergne in the first fifth of regions.
A value of 1 for an indicator places Auvergne in the last fifth of regions.

Source: Eurostat
Main demographic indicators for Auvergne and European regions

**Auvergne is 115th in Europe for its demographic appeal**

<table>
<thead>
<tr>
<th>indicator</th>
<th>Average of European regions</th>
<th>Average of French regions</th>
<th>Average of similar regions*</th>
<th>Auvergne</th>
<th>Auvergne’s rank (260 regions)</th>
<th>Auvergne’s rank (86 regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2007</td>
<td>1,884,310</td>
<td>2,807,773</td>
<td>1,617,656</td>
<td>1,339,000</td>
<td>144</td>
<td>44</td>
</tr>
<tr>
<td>Surface area in 2007 (km²)</td>
<td>356</td>
<td>142</td>
<td>182</td>
<td>52</td>
<td>234</td>
<td>74</td>
</tr>
<tr>
<td>Annual population variation rate between 2003 et 2007 (in%)</td>
<td>0.37%</td>
<td>0.67%</td>
<td>-0.18%</td>
<td>+ 0.28%</td>
<td>136</td>
<td>8</td>
</tr>
<tr>
<td>Proportion of over 65s in 2007 (in%)</td>
<td>17.30%</td>
<td>17.70%</td>
<td>18.90%</td>
<td>20.10%</td>
<td>50</td>
<td>32</td>
</tr>
</tbody>
</table>

* Regions presenting the same demographic profile as Auvergne

**Healthcare services that need stepping up to cope with population ageing**

Auvergne is one of the oldest regions in Europe, lying in 50th place among European regions for the proportion of over 65s. This proportion - which reached 20.1% in Auvergne in 2007 - is almost 3 points above the European average. Suitable healthcare for an older population with a greater risk of dependence is a central challenge. In response to this challenge, Auvergne’s situation seems to be contrasted. Its density of GPs is below the European average, and below the average of the regions it is a central challenge. In response to this challenge, Auvergne’s task will be to maintain good accessibility to healthcare services for the whole of its population.

### Main indicators on healthcare services for Auvergne and European regions

#### Economic growth below the European average

<table>
<thead>
<tr>
<th>2008 data</th>
<th>Average of European regions</th>
<th>Average of French regions</th>
<th>Average of similar regions*</th>
<th>Auvergne</th>
<th>Auvergne’s rank (260 regions)</th>
<th>Auvergne’s rank (86 regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dentists per 100,000 inhabitants</td>
<td>66</td>
<td>63</td>
<td>66</td>
<td>70</td>
<td>99</td>
<td>43</td>
</tr>
<tr>
<td>Number of GPs per 100,000 inhabitants</td>
<td>331</td>
<td>320</td>
<td>308</td>
<td>299</td>
<td>146</td>
<td>56</td>
</tr>
<tr>
<td>Number of hospital beds for 100,000 inhabitants</td>
<td>593</td>
<td>737</td>
<td>665</td>
<td>885</td>
<td>13</td>
<td>8</td>
</tr>
</tbody>
</table>

* Regions presenting the same economic profile as Auvergne.

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**Study scope**

- This study focuses on 262 of the 271 EU NUTS 2 regions. The outermost regions (Guadeloupe, Martinique, French Guiana, Reunion Island, Azores, Madeira and the Canaries) and the Spanish enclaves of Ceuta and Melilla have been excluded from the analysis.
- In order to identify those regions presenting similar structural characteristics to Auvergne’s, two comparison standards have been developed for this study.
  - For the demographic aspects, the comparison regions are the 88 that share the same demographic profile as Auvergne (see text box “The demographic profile of European regions”).
  - For the economic aspects, the comparison regions are the 93 that share the same economic profile as Auvergne (see text box “The economic profile of European regions”).
- For some issues analysed in the course of this study, the indicator values for a few regions are missing. The number of regions actually studied may therefore be less than 262. One of Eurostat’s working objectives is to improve the quality, comparability and exhaustiveness of data and the extension of regional cover.

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**Source:** Eurostat
In order to pinpoint similarities between regions, a typology was carried out on 260 metropolitan European regions\(^{(4)}\), revealing five demographic profiles.

- **Auvergne** is on a par with a large group of 88 regions with features in common: a population density far short of the European average; more accentuated ageing and less thriving demographics (and even a population decline in half the regions) due to a pronounced natural deficit.

- A second group encompasses 41 regions, mainly located in the south of France, north of Spain and north of Italy. These regions are distinct from the previous group by the more accentuated ageing of their population and their more pronounced natural deficit. They are also characteristic in the high growth of their population, based on their demographic appeal.

- The third group brings together 112 regions, mainly located in the UK, in the Benelux countries and in Poland. 14 French regions belong to this group. These regions are younger than the average, have a similar population growth to the average and are based on an equal contribution of the rate of natural increase and net migration rate.

- The fourth group comprises 13 regions, located in the south of Spain, Ireland and Corsica. These regions are characterised by strong population growth fuelled by migratory intake and a much lower proportion of elderly people than the average.

- The fifth group includes six highly densely populated regions, with population growth mainly fuelled by a rate of natural increase. These are small regions around capital cities (Berlin, Brussels, Vienna and Greater London), or a highly populated urban area (region of the West Midlands in the UK around Birmingham).

\(^{(4)}\) Due to the absence of some data for two regions in the north of Scotland, the sample has been limited to 260 of the 262 metropolitan European regions.
An agricultural and industrial footprint tending to become less marked

Compared with other regions in mainland France, Auvergne continues to stand out by its both agricultural and industrial character. That said, this feature tends to fade when Auvergne is compared to other European regions: in 2007, the weight of agriculture in total employment in Auvergne (5.8%) is similar to the European average (6.0%). The situation is the same in industry, which holds 20.1% of jobs in Auvergne compared with 19.3% on average in other European regions. On the other hand, Auvergne seems to be relatively well equipped in services for households and healthcare and education activities (37.2% of employment compared with 29.9%).

Auvergne thus belongs to a group of 93 European regions (see text box "The economic profile of European regions") characterised by strong specialisation in services for households, health and social action, and public administration (35% of jobs on average). This group includes most French, British, German and Scandinavian regions.

Compared with the 93 European regions with this economic profile, Auvergne is one of those that have nevertheless maintained a fairly high agricultural and industrial footprint, with fewer services for businesses and commercial and hotel-catering activities. In this group, Auvergne is therefore on the same footing as the Belgian provinces of Limburg and west Flanders, the German regions of Coblenz and Trier in Rhineland-Palatinat, the Danish and British regions as well as such French regions as Picardy, Lorraine and Pays de la Loire.

A high research and innovation potential

The European Councils of Lisbon (2000) and Barcelona (2002) highlighted the key role of research, development and innovation in the EU. Knowledge and innovation as levers of growth are one of the main policy areas of the Lisbon Strategy. This strategy for growth and employment places science, technology and innovation at the heart of national and regional policies in the EU (see text box "The Lisbon Strategy"). Three primary indicators are used to assess regional performances in innovation and research: research and development (R&D) intensity, R&D personnel numbers and patent registrations. Compared with those regions presenting the same economic characteristics, Auvergne boasts a high research potential. With 2.4% of its gross domestic product devoted to domestic R&D expenditure, Auvergne's R&D intensity far exceeds the average of European regions(5) (1.4%) and even of regions with a similar economic profile(6) (1.5%). The region is therefore close to meeting the objective set in the Lisbon Strategy for R&D intensity: 3% of GDP earmarked for domestic R&D expenditure. Over 80% of such expenditure stems from businesses in the region - which ranks the region 32nd at European level. In addition to public research centres (universities, CEMAGREF, INRA, etc.), Auvergne can also rely on the research units of regional businesses (like Michelin and support staff. The low proportion of researchers is somewhat mute Auvergne's innovation capacities. The first weakness is the rather low proportion of researchers among Auvergne R&D personnel. Employment in R&D is broken down into three categories: researchers, technicians and support staff. The low proportion of researchers is specific to corporate research: the proportion of researchers in R&D jobs in Auvergne businesses seems to be particularly low. It is 30%, i.e. 22 points behind the European average.

(5) Of the 232 (out of 262) regions for which all R&D data are available. 2007 values for most European regions, 2004 for French regions.
(6) Of the 76 (out of 93) comparison regions for which R&D data are available.
Main indicators on research and innovation in Auvergne and European regions

Over 80% of research and development expenses come from businesses

| Domestic R&D expenses (in millions of euros) | Average of European regions | Average of French regions | Average of similar regions | Auvergne | Auvergne's rank
|---------------------------------------------|----------------------------|---------------------------|---------------------------|----------|----------------|
| Proportion of domestic R&D expenses made by businesses (in%) | 54.1% | 65.1% | 58.3% | 80.9% | 32
| R&D intensity (proportion of R&D expenses in the regional GDP) | 1.4% | 1.6% | 1.5% | 2.4% | 40
| R&D personnel numbers (in full time equivalents) | 9,005 | 16,336 | 6,817 | 7,322 | 90
| Proportion of researchers in R&D jobs in businesses (in%) | 52.2% | 47.6% | 51.5% | 30.0% | 227
| Number of patents registered at the European Patent Office | 143 | 268 | 112 | 85 | 81

* Regions presenting the same economic profile as Auvergne.

Source: Eurostat

This can mainly be explained by the stronghold of low technological intensity sectors (rubber, plastics and food processing industries) in regional research activity. The second weakness affecting Auvergne research is the still insufficient number of patent registrations at the European Patent Office (85 in Auvergne compared with 112 on average in European regions with the same economic profile).

Tourism: an asset worth bolstering

In addition to traditional activities, tourism represents an economic boon for the region. Auvergne’s characteristics do not make it a natural destination for mass tourism: it is neither a coastal region, nor a high-mountainous region. But it does harbour a great wealth of nature spots, spas and listed sites. In relation to its population, the region’s accommodation capacity in hotels and camp sites exceeds the European average by a long way (91 places for 1,000 inhabitants compared with 61). Such a capacity propels Auvergne into 48th place among all European regions(7) and 27th among regions with a similar economic profile.

Auvergne’s challenge will be to shore up its high tourist potential - for tourist numbers to the region seem to be short of this high accommodation capacity. With an annual average of 3,700 nights spent in the region per 1,000 inhabitants, the region is in 98th place in Europe. The short period of time spent in hotels and camp sites in the region (2.05 days compared with 2.73 for the average of European regions) and the limited proportion of foreign clientele in regional tourism (16.2% against 32.7%) reveal that Auvergne’s tourist appeal needs boosting.

Main indicators on tourism in Auvergne and European regions

Auvergne in 48th place in Europe for its accommodation capacity

| Accommodation capacity in hotels and camp sites (number of places-beds for 1,000 inhabitants) | Average of European regions | Average of French regions | Average of similar regions | Auvergne | Auvergne's rank
|---------------------------------------------|----------------------------|---------------------------|---------------------------|----------|----------------|
| Nights spent in hotels and camp sites for 1,000 inhabitants | 4,995 | 4,984 | 4,686 | 3,686 | 98
| Nights spent in hotels and camp sites | 7,031,282 | 13,477,232 | 5,727,350 | 4,934,950 | 107
| Proportion of nights spent in Auvergne by foreign tourists | 32.7% | 31.1% | 23.5% | 16.2% | 193
| Average length of stay in hotels and camp sites for foreign tourists | 2.97 | 2.70 | 2.84 | 2.20 | 173
| Average length of stay in hotels and camp sites - All tourists | 2.73 | 2.27 | 2.65 | 2.05 | 183

NB: to smooth out the effects of economic fluctuations, the data presented correspond to an average calculated over the period 2007-2009.

* Regions presenting the same economic profile as Auvergne.

Source: Eurostat
In order to pinpoint similarities between regions, a typology was carried out on 262 metropolitan regions, revealing five economic profiles.

- The first group includes 14 regions characterised by a strong agricultural slant (30% of jobs on average), with an industrial weight similar to the average. These are regions located in Eastern Europe, in Poland, Romania and Greece.

- The second group of regions brings together 40 regions characterised by a specialisation in agriculture and fisheries (8% of jobs on average), construction (12%), commerce and the hotel and catering industry (30%). Many regions in Southern Europe, Irish and Baltic regions belong to this category.

- The third group encompasses 70 regions characterised by a strong industrial slant (28% of jobs on average) with an agricultural and construction weight similar to the average. These are regions located in the north of Italy, central European countries and Poland.

- Auvergne belongs to the fourth group of 93 regions characterised by a strong specialisation in services for households, health and social action and public administration (35% of jobs on average). This group includes most French, British, German and Scandinavian regions.

- Lastly, a fifth group of 45 regions is characterised by a strong specialisation in the service industry, particularly services for businesses and financial and real estate activities (19% of jobs). These are often capital regions (London, Parisian region, Brussels, Vienna) with a thriving economy and focused on high value-added services.
A low employment rate of senior citizens

Beyond the objectives in terms of research and innovation, the Lisbon Strategy has set the goal of reaching a 70% employment rate in 2010 for 15 to 64 year olds and a 50% employment rate of senior citizens (workers aged 55 to 64 years) in 2010. Auvergne has a long way still to go to achieve both these objectives, particularly for the employment rate of senior citizens.

In 2008, the region presented a similar employment rate among 15-64 year olds to the European average (66.6% compared with 66.8%). And yet, like in most other French regions, the employment rate among young people and senior citizens is lower in Auvergne than the European average: 37.4% compared with 39.5% for 15-24 year olds and 35.6% compared with 46.7% for 55-64 year olds. In particular, the employment rate among 55-64 year-old men in Auvergne (34.2%) is significantly below the European average (56.1%).

This discrepancy can be explained by factors common to all French regions and specific factors to Auvergne. It is primarily due to differences in social legislation between European countries (e.g., the retirement age is higher in some European countries) and in distinctive features of the labour market that have long been unique to France (notably encouragement of elderly workers to retire and difficulty for senior citizens in finding work again after losing their job). In Auvergne’s case, the particularly low employment rate of senior citizens is also explained by the widespread industrial activity in the region, which results in early retirement.

Auvergne in 142nd place in Europe for creation of wealth

With a gross domestic product (GDP) of 33.6 billion euros in 2007, Auvergne ranks in the first half of European regions in terms of creation of economic wealth. However, in the comparisons between European regions, it is necessary to take account of the price levels and standards of living between them. The use of an artificial common currency, known as “purchasing power standard” (see methodology) makes it possible to compare the purchasing power of different national currencies and the relative situation of different regions. With this calculation “in purchasing power parities”, Auvergne drops to 142nd place.

If the wealth created is compared to the region’s population, Auvergne finds itself in 146th place in Europe. In 2007, its GDP per capita was less than the European average: 22,800 purchasing power standards (PPS) against 24,200 PPS.

Unlike other French regions though, Auvergne has a higher observed work productivity than many European regions: to generate its wealth, Auvergne uses fewer jobs than the average of European regions. It is thus placed more favourably at European level for its GDP per job (112th) than for its GDP per capita (146th). In 2007, its GDP per job was also much higher than the European average.

Over the period 2003-2007, the region’s economic growth was less than the European average (1.85% per year compared with 2.97%). This discrepancy can particularly be explained by a catch-up effect in Eastern European regions (convergence). Nevertheless, Auvergne growth also seems lower than that of regions presenting the same economic profile (2.17% per year).

A much higher disposable household income in Auvergne than the European average

GDP per capita is not an indicator of the income of a region’s population, as it does not take account of transfer incomes, unemployment benefits, child benefits, income support, housing benefits, etc. To know what the wealth of a region’s inhabitants is, it is necessary to refer to the disposable household income (see methodology).

Main indicators on the labour market in Auvergne and European regions

A similar employment rate to the average of European regions

<table>
<thead>
<tr>
<th>2008 data</th>
<th>Average of European regions</th>
<th>Average of French regions</th>
<th>Average of similar regions</th>
<th>Auvergne</th>
<th>Auvergne’s rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>All regions</td>
</tr>
<tr>
<td></td>
<td>(262 regions)</td>
<td>(93 regions)</td>
<td></td>
<td></td>
<td>(93 regions)</td>
</tr>
<tr>
<td>Activity rate of 15-64 year olds (in%)</td>
<td>71.6%</td>
<td>70.1%</td>
<td>73.4%</td>
<td>71.3%</td>
<td>142</td>
</tr>
<tr>
<td>Employment rate of 15-64 year olds (in%)</td>
<td>66.8%</td>
<td>64.9%</td>
<td>68.5%</td>
<td>66.6%</td>
<td>142</td>
</tr>
<tr>
<td>Employment rate of 15-24 year olds (in%)</td>
<td>39.5%</td>
<td>33.2%</td>
<td>45.1%</td>
<td>37.4%</td>
<td>130</td>
</tr>
<tr>
<td>Employment rate of 55-64 year olds (in%)</td>
<td>46.7%</td>
<td>37.0%</td>
<td>48.4%</td>
<td>35.6%</td>
<td>208</td>
</tr>
<tr>
<td>Employment rate of 55-64 year-old men (in%)</td>
<td>56.1%</td>
<td>39.2%</td>
<td>55.3%</td>
<td>34.2%</td>
<td>255</td>
</tr>
<tr>
<td>Employment rate of 55-64 year-old women (in%)</td>
<td>37.8%</td>
<td>34.8%</td>
<td>41.7%</td>
<td>36.9%</td>
<td>134</td>
</tr>
<tr>
<td>Proportion of part-time employees (in%)</td>
<td>18.4%</td>
<td>17.0%</td>
<td>24.8%</td>
<td>19.5%</td>
<td>123</td>
</tr>
<tr>
<td>Unemployment rate (en%)</td>
<td>6.7%</td>
<td>7.3%</td>
<td>6.7%</td>
<td>6.6%</td>
<td>113</td>
</tr>
</tbody>
</table>

* Regions presenting the same economic profile as Auvergne.

Source: Eurostat
Main indicators on the created wealth in Auvergne and European regions

**Economic growth below the European average**

<table>
<thead>
<tr>
<th>2007 data</th>
<th>Average of European regions</th>
<th>Average of French regions</th>
<th>Average of similar regions*</th>
<th>Auvergne</th>
<th>Auvergne's rank (261 regions)</th>
<th>Similar* regions (92 regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP in millions of euros</td>
<td>46,857</td>
<td>84,612</td>
<td>40,624</td>
<td>33,569</td>
<td>129</td>
<td>54</td>
</tr>
<tr>
<td>GDP in millions of PPS**</td>
<td>46,866</td>
<td>76,921</td>
<td>36,913</td>
<td>30,518</td>
<td>142</td>
<td>51</td>
</tr>
<tr>
<td>GDP per capita in PPS**</td>
<td>24,198</td>
<td>24,236</td>
<td>24,409</td>
<td>22,800</td>
<td>146</td>
<td>54</td>
</tr>
<tr>
<td>GDP per job in PPS**</td>
<td>53,399</td>
<td>61,514</td>
<td>57,760</td>
<td>57,591</td>
<td>112</td>
<td>46</td>
</tr>
<tr>
<td>Mean annual growth rate in GDP</td>
<td>2.97%</td>
<td>2.09%</td>
<td>2.17%</td>
<td>1.85%</td>
<td>191</td>
<td>59</td>
</tr>
<tr>
<td>Disposable household income</td>
<td>14,329</td>
<td>16,872</td>
<td>15,542</td>
<td>17,426</td>
<td>69</td>
<td>14</td>
</tr>
</tbody>
</table>

* Regions presenting the same economic profile as Auvergne.

**Purchasing Power Standard.**

Source: Eurostat

In 2007, the disposable income of Auvergne households was 17,400 PPS per capita and much higher than the average of European regions (14,300 PPS) and regions presenting the same economic characteristics (15,542 PPS). Auvergne thus lies in 69th position among European regions and 14th among those regions presenting a similar economic profile. The differences in fiscal and redistribution policies in member states may partly explain Auvergne's positioning (and more generally French regions).

The high professional competence of agricultural holdings

At European level, three characteristics set farming in Auvergne apart. Firstly, some seven in ten Auvergne holdings are located in mountainous areas, placing the region in 19th position in Europe. Secondly, the size of holdings in the region largely exceeds the European average. Indeed, 49% of them have more than 50 hectares of useful farming surface area compared with 17% on average in other European regions. This reflects the high professional competence of Auvergne farming. Lastly, the sector-based specialisation of regional holdings is very strong: rearing of herbivores (especially cattle) is the dominant technico-economic focus since almost three-quarters of holdings fall into this sector (compared with less than a third for the European average). Some 20 European regions present similar characteristics to Auvergne. These are regions located in the Alpine arc, in Western Austria (regions of Tirol and Salzburg in particular), Northern Italy (Aosta valley, Trentin), Western Slovenia or around the Pyrenees, such as the Spanish regions of Asturias, Cantabria and the Basque country. Corsica, Franche-Comté and Limousin are the most similar French regions to Auvergne in the structure of their agriculture.

The Lisbon Strategy

During the meeting of the European Council in Lisbon (March 2000), the Heads of State or Government launched a "Lisbon Strategy" aimed at making the European Union (EU) the most competitive economy in the world and achieving full employment by 2010. This strategy, developed at subsequent meetings of the European Council, rests on three pillars:

- an economic pillar preparing the ground for the transition to a competitive, dynamic, knowledge-based economy;
- a social pillar designed to modernise the European social model by investing in human resources and combating social exclusion;
- an environmental pillar, which was added at the Goteborg European Council meeting in June 2001, draws attention to the fact that economic growth must be decoupled from the use of natural resources.

Two primary targets have been set:

- increase in employment rates: overall employment rate of 70%; employment rate for workers aged 55 to 64 years of 50% and employment rate for women of 60%;
- increase in investment in research and development, which should rise to 3% of the GDP.

Following mid-term revision of the Lisbon Strategy, the Heads of State and Government decided, at the European Council of March 2005, to focus their action on two targets: growth and employment.

The Lisbon Strategy will have run its course by the end of 2010. Member States and the European Commission are drafting a new strategic plan "Europe 2020: A strategy for smart, sustainable and inclusive growth". This "Europe 2020" project defines three priorities:

- smart growth: developing an economy based on knowledge and innovation;
- sustainable growth: promoting a more resource-efficient, greener and more competitive economy;
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.
Methodology

The NUTS 2 European regions

This study compares the 262 NUTS 2 metropolitan regions of the European Union. Nine have been excluded from the analysis: the seven outermost regions (Guadeloupe, Martinique, French Guyana, Reunion Island, Azores, Madeira and the Canaries) and the Spanish enclaves of Ceuta and Melilla.

The nomenclature of territorial units for statistics (NUTS) is a single and coherent territorial breakdown for the compilation of EU regional statistics. It has been used for decades to compile regional statistics and form the basis of regional funding policy. This classification is hierarchical in that it subdivides each Member State into three levels: NUTS 1, NUTS 2 and NUTS 3. The second and third levels are subdivisions of the first and second levels respectively.

The definition of territorial units is based on the existing administrative units in Member States. One administrative unit designates one geographical zone for which one administrative authority is authorised to take administrative or strategic decisions in accordance with the legal and institutional framework of the Member State.

The NUTS level to which an administrative unit belongs is determined on the basis of demographic thresholds:

<table>
<thead>
<tr>
<th>Level</th>
<th>Minimum population</th>
<th>Maximum population</th>
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<tbody>
<tr>
<td>NUTS 1</td>
<td>3 million inhabitants</td>
<td>7 million inhabitants</td>
</tr>
<tr>
<td>NUTS 2</td>
<td>800,000 inhabitants</td>
<td>3 million inhabitants</td>
</tr>
<tr>
<td>NUTS 3</td>
<td>150,000 inhabitants</td>
<td>800,000 inhabitants</td>
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Where the population of a Member State as a whole is below the minimum threshold for a given NUTS level, the Member State itself constitutes a NUTS territorial unit of that level. If, for a given level in the classification, there are no administrative units of an adequate size in a Member State, that level is to be established by aggregating an adequate number of smaller neighbouring administrative units. The resulting aggregated units are to be known as "non-administrative units".

For France, the NUTS 2 level corresponds to regions and the NUTS 3 level to départements.

Purchasing power parities and international comparison of gross domestic product

The regional GDP is calculated in the currency of the country in question. To compare the GDP between countries, this indicator is converted into euros at the official mean rate of the civil year in question. The currency rates do not, however, reflect all of the differences in price level between countries. To offset this, the GDP is converted using conversion factors called "purchasing power parities" (PPP), into artificial common currency, known as "purchasing power standard" (PPS), which enables the purchasing power of different national currencies to be compared.

Disposable household income

In countries with a State redistribution mechanism, two stages in income breakdown can be distinguished.

The primary breakdown corresponds to the household income resulting directly from operations carried out on the market, i.e. the purchasing and sale of goods and production factors. We should mention here above all payment of salaries, i.e. income stemming from the sale of the "work" production factor. Private households can, moreover, receive property income, particularly interest, dividends or rent. Lastly, there is also an income resulting from independent activity or operating surplus. Regarding liabilities, in terms of primary breakdown, any interest and rent to be paid by households must be recorded. The total of all these transactions equates to the primary income of households.

Primary income forms the basis for secondary income breakdown, which represents the State redistribution mechanism. All monetary social benefits and transfers are added to this primary income. From the latter, households must pay tax on income and property, settle social contributions and make transfers. The remaining balance after these transactions is called "disposable household income".