

# EUROPEAN POLICY BRIEF



## Reaping the Benefits of Migration in an Ageing Europe

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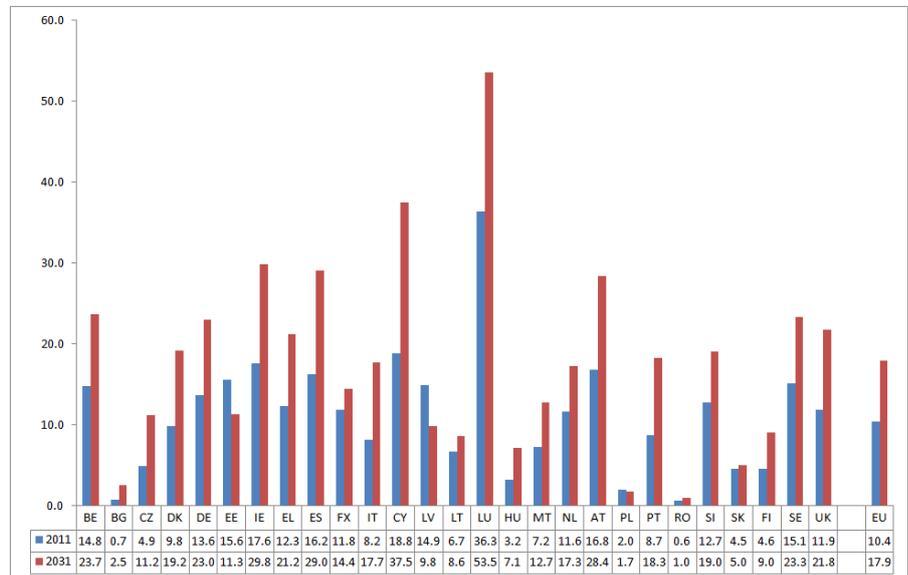
## Introduction

**Migration and ageing are parallel challenges to European welfare states and social cohesion.**

Demographic projections suggest that European welfare states are increasingly challenged by ageing. EUROSTAT's recent population forecast predicts an increase of old-age dependency ratios in all European Union (EU) countries until 2030 and a decline in working age population by over 18 million persons in its main scenario. Even though dependency ratios based on years of age may lack comparability over time (due for instance to changes in life expectancy and health status of older age groups) and currently high unemployment rates, low participation rates (especially among women) as well as high levels of part-time employment in many EU countries suggest some untapped reserves in the labour force, such developments highlight the demographic challenges facing the EU. In particular, it has been argued that ageing will challenge the sustainability of European pay-as-you-go social benefit systems as well as reduce growth on account of labour market shortages arising from declining working-age populations.

As a consequence, a number of analysts have called for increased immigration to Europe to prevent a decline in the working age population. Irrespective of whether this is feasible or not, current population forecasts and previous studies suggest that immigration already is and will remain to be the most dynamic part of EU-population movements. Previous studies indicate that the share of foreign-born in total EU-population (including intra-EU immigrants) may increase from 10.4% in 2011 to almost 18% by 2031 (Lanzieri, 2011). 10 EU countries are expected to have shares of foreign-born population exceeding 20% by that year (Figure 1). The current EUROSTAT population forecast indicates that without immigration from outside the EU working-age population decline would be higher than in the main scenario by almost 14 million people.

**Figure 1: Share of foreign born in total population, 2011, and forecast for 2031**



Source: Lanzieri, 2011

**Especially immigration poses a number of challenges...**

This increase in the share of foreign-born residing in the EU will pose a major policy challenge to European labour market and social policies. If migration issues are not addressed adequately, higher immigration could lead to increased rather than reduced costs to the welfare state. This will be the case if immigrants are not well integrated in their host societies, since imperfectly integrated immigrants are likely to be overly reliant on welfare benefits (Huber and Oberdabernig, 2014). Rising immigration may also aggravate rather than alleviate labour market problems if due to inappropriate immigration and integration policies immigrants compete rather than complement natives in European labour markets. Finally, if policies fail to convince the public of the necessity and the advantages of immigration, higher immigration may also lead to anti-migration sentiments and costly ethnic conflicts, in a European Union where already around 47% of the population would like to restrict immigration (Bridges and Mateut, 2014).

**...which require comprehensive and co-ordinated policy approaches.**

To reap the benefits of migration (irrespective of whether this is labour, family or asylum migration) in an ageing Europe, the European Commission and the EU Member States have to prepare a set of well-designed and far-reaching policies to ensure that immigrants with adequate skills are attracted to the EU. These policies will require encompassing approaches that go well beyond the narrow confines of current migration policies. They will also require stronger efforts in assisting all types of immigrants in their integration into host societies and preventing xenophobic or „anti-migrant“ feelings and will require a stronger emphasis on regional and local approaches to integrating immigrants.

This Policy Brief, based on the results of the WWWforEurope project and an in-depth literature review, illustrates implications of such an

encompassing programme in terms of policies for selecting and integrating immigrants to the EU. Its central message is that to address the challenges of increased immigration, narrowly-defined immigration and integration policies will not suffice. Rather, an approach is needed that, on the one hand, integrates immigration and integration issues into the entire range of policy areas and, on the other hand, addresses the concerns of Europeans over increased immigration. This will necessitate major institutional changes in many areas of labour market, education and social policy as well as a shift towards a perspective that considers migration to be a natural and positive aspect of the future demographic development in the EU.

### Making *Pull Factors* More Effective

**Skill-selective migration policies take too little account of the self-selection of immigrants...**

According to a large number of studies, actively attracting immigrants that are more able to integrate into European labour markets is likely to be among the most effective measures to fulfil the triple objective of relieving European social benefit systems, reducing labour market competition between natives and immigrants and preventing anti-foreign sentiments. An obvious policy conclusion from this strand of research is that host countries should select immigrants that have better chances of labour market integration in their respective economies. A number of European countries (e.g. the UK and Austria) have followed this advice by putting in place migration policies aiming to attract more highly educated permanent labour migrants as well as immigrants with more host-country-specific human capital (such as higher language proficiency).

**...which is shaped by the needs of highly skilled immigrants...**

These policies have so far met only limited success. Many EU countries still receive less well-educated immigrants than other major immigration regions and migration policy variables do not appear to be significant determinants of the selection of more able immigrants to EU countries once other factors are controlled for (Nowotny, 2015).

One explanation for this low success rate is that selective immigration policies have paid too little attention to the self-selection of immigrants to their destination countries. This is shaped by the labour market and social policy institutions of the receiving country, returns to skills in the receiving economies and the heterogeneity of needs of highly skilled immigrants.

For instance, for researchers, the availability of external research funding and interactions with acknowledged peers act as important pull factors for migration. These are unlikely to be traded against more liberal migration policies for highly skilled immigrants and/or any form of skill-selective immigration policies, as early-career researchers are willing to forego annual salaries of around US \$ 11.000 in exchange for privileged access to external funding, and of up to US \$ 17.000 for working in the same department as top researchers in their field (Janger and Nowotny, 2013).

Similarly, for entrepreneurially-minded immigrants, the societal and administrative climate for innovation, business start-ups and self-employment can play an important role in the decision for a

particular destination country. The prospects of better (on the job or vocational) training, research and education possibilities abroad constitute “pull” factors for highly skilled immigrants in general, and migration of qualified managerial staff also develops with growth and spreading of multinationals, which post highly skilled employees across countries within the company.

Attracting more high-skilled immigrants will therefore require adjusting policies to address the particular interests of the specific target group. This may involve reforms in such areas as the financing of research, remuneration of researchers, product market regulation and possibly industrial policy in order to attract high-skilled employees of multinational enterprises.

**...the labour market and social policy institutions as well as tax and income policies in host countries ...**

Self-selection is also shaped by the impact of labour market and welfare state regulations on immigrants. Immigrants with (ex-ante) better chances of labour market integration tend to opt for countries with more centralised wage bargaining, higher minimum wages, but a lower coverage rate by collective agreements (Huber, 2015). High-skilled immigrants also tend to move to countries with lower marginal tax rates and with higher returns to education, but – in particular immigrants of secondary and higher education level – will avoid countries where they expect to face deprivation or discrimination (Egger and Radulescu, 2009; Raggl, 2014).

Skill-selective migration policies may therefore lose effectiveness by inappropriate labour market and social policy institutions, as well as by counter-productive tax and income policies. As a consequence they have to be designed in accordance and co-ordination with other relevant policy fields and must be accompanied by effective anti-discrimination policies.

**...and interacts with the stringency of overall migration policies.**

Finally, self-selection of immigrants is also highly dependent on the relative returns to skills in receiving countries. As highly skilled immigrants predominantly move to countries with high returns to skills and less skilled immigrants to countries with low returns to skills (Borjas, 1987), more restrictive immigration policies (increasing overall immigration costs) will lead to increased immigration of the less skilled rather than of the high-skilled to countries with low returns to skills (Huber and Bock-Schappelwein, 2014). In a number of European countries where returns to skill are low relative to other immigration economies, shifts towards more restrictive overall migration policies, therefore, counteract the introduction of skill-selective migration measures, making the latter potentially ineffective. This may require a less restrictive migration policy stance if more highly skilled immigrants are to be attracted.

As a consequence, migration policies aiming to attract more highly skilled immigrants will have to be designed against the background of and in co-ordination with the institutional framework of the education and research system and its characteristics, of labour market and social policy institutions and the overall set-up of migration policy of the receiving countries to become fully effective. They also have to become more specifically geared towards the target group of high-skilled immigrants.

## Beyond Selecting Immigrants: Asylum Seekers, Low Skilled, Illegal and Temporary Immigration

### **Skill-selective immigration policies have limits.**

As evidenced by the recent debate on the rising number of asylum seekers in the EU and of low-qualified irregular, seasonal and illegal immigrants in many EU countries, even the best selective immigration policies have clear limits. These arise, first of all, from the source-country structure of immigrants. In the future, the standard profile of countries sending immigrants to the EU is likely to shift towards low-income countries with (currently) lower educational attainment levels (Crespo Cuaresma et al., 2013). This questions the viability of a further increase in skill-selectivity of immigration policies. Second, selection policies have obvious limits in regulating immigration movements motivated by reasons other than labour market access (especially humanitarian reasons, but also family reunion) and also often fail to address the specifics of temporary migration that accounts for an increasing share of immigration to Europe.

### **This requires a review of existing policy approaches towards humanitarian immigration...**

In this respect, the current regulation of humanitarian or refugee immigration is in need of a fundamental reform. This will have to include (see also Rinne and Zimmermann, 2014):

- a. A revision in many countries of the current strict dichotomy between humanitarian and economic entrance criteria, to better account for the fact that humanitarian and economic motives are becoming increasingly intertwined in actual migration decisions.
- b. Further efforts by the European Commission to better coordinate humanitarian migration policies at the European level, with the aim of increasing the absorptive capacity of the EU for asylum seekers and of harmonising the conditions of residence and labour market access during their application period.
- c. Recognition of the fact that the majority of asylum seekers will eventually enter European labour markets sooner or later.

### **...beyond standard training and language-teaching measures...**

Such reform, however, will have to go beyond providing more standard training and language-teaching measures for asylum seekers. For instance, according to Bloch (2008), while language and vocational training, together with work experience, are important factors for refugee's integration into the labour market, they need to be accompanied by structural reforms concerning recognition of qualifications, legal access to the labour market during the application period and explicitly addressing discrimination. Such reforms appear particularly important against the revealed significantly worse labour market outcomes of refugees as compared with their native counterparts (e.g. Colic-Peisker and Tilbury, 2007).

### **...as well as policies addressing low skilled....**

In addition, the risk of ending up working in the informal sector calls for policies that address the long-term perspectives of low-skilled immigrants and asylum seekers. This can be achieved, on the one hand, by training low-skilled immigrants (e.g. by upgrading their skills and offering educational programmes for their children in order to increase social mobility) and investing into procedures and tools capable of identifying potential labour shortage in low-skilled labour

markets to avoid increased labour market competition between immigrants and natives

It may, on the other hand, also involve legalising their status (to avoid tax evasion), as well as increasing collaboration with sending countries (e.g. through bilateral agreements for temporary immigration of low-skilled individuals) and creating national institutions to provide regular jobs for immigrants, on a par with informal networks that are still the major route to employment of immigrants in most EU countries.

**...and temporary immigration.**

Finally, selective immigration policies rarely address the particular needs of the increasing number of temporary immigrants in Europe. In particular, regulations on the transferability of qualifications and social benefits across national boundaries are of central concern. Establishing efficient systems of temporary and circular immigration (“brain exchange”) is only feasible if it is accompanied by sensible and transparent rules concerning the portability of academic qualifications and social security entitlements. Recent empirical evidence documents considerable differences across migrants from different source countries in this respect (see Avato et al., 2010). At the global level, less than one quarter of all immigrants is covered by bilateral agreements that are necessary for such portability.

## Fostering the Integration of Immigrants

**Selective migration policies may support immigrants’ integration...**

Irrespective of their qualifications and ethnic composition, immigrants of almost all ethnicities tend to face substantially lower chances of being employed and a higher likelihood of being unemployed as well as of being over-qualified in their job than natives with similar characteristics. Dealing with the policy challenges of immigration therefore also requires taking care of the integration of new immigrants and securing returns to their investment in host-country-specific human capital.

As guidance for policy makers, there is ample literature analysing how individual characteristics of immigrants favour their labour market integration. This strand of research finds that, in general, better educated immigrants and immigrants endowed with more host-country-specific human capital (such as language proficiency) have fewer problems in integrating into host countries’ labour markets, and that age at migration, cultural or linguistic similarity to the majority population as well as the number of years of residence in the country also have an impact on the chances of successful labour market integration. The literature thus highlights the importance of selective migration and of providing incentives for immigrants to integrate.

**...but their success is contingent on the recognition and proper use of immigrants’ skills...**

Yet, selecting immigrants and providing integration incentives does not by itself guarantee better (labour market) integration. The success of integration policies is contingent on a number of other policies that may support or counteract the objectives of selection. For instance, even if selective immigration policies succeed in attracting more skilled immigrants, whether this translates into better labour market integration depends on how these skills are utilised in

receiving countries. If other aspects of migration policies (e.g. regional settlement policies for asylum seekers) prevent immigrants from settling in regions where their skills would be most demanded or if immigrants' skills are not recognized in the host country, this will counteract integration efforts via the skills of immigrants.

A more selective approach to European migration, therefore, also increases the need for policies promoting the recognition of skills and preventing waste of immigrants' human capital. Hence, the establishment of efficient and centralized institutions, guaranteeing a timely assessment and evaluation of foreign educational credentials, and a better management or abolition of regional settlement policies (in particular for asylum seekers) should be a central priority of integration policies in host countries.

There is also a need for better co-ordination between integration and immigration policies. Many EU-countries ought to (a) improve and intensify introduction programmes (that combine language and labour market training at an early stage after immigration), (b) provide accessible language training as well as active labour market policy measures addressing the needs of immigrants and, (c) implement more stringent and effective anti-discrimination policies (e.g. by requiring anonymous job applications).

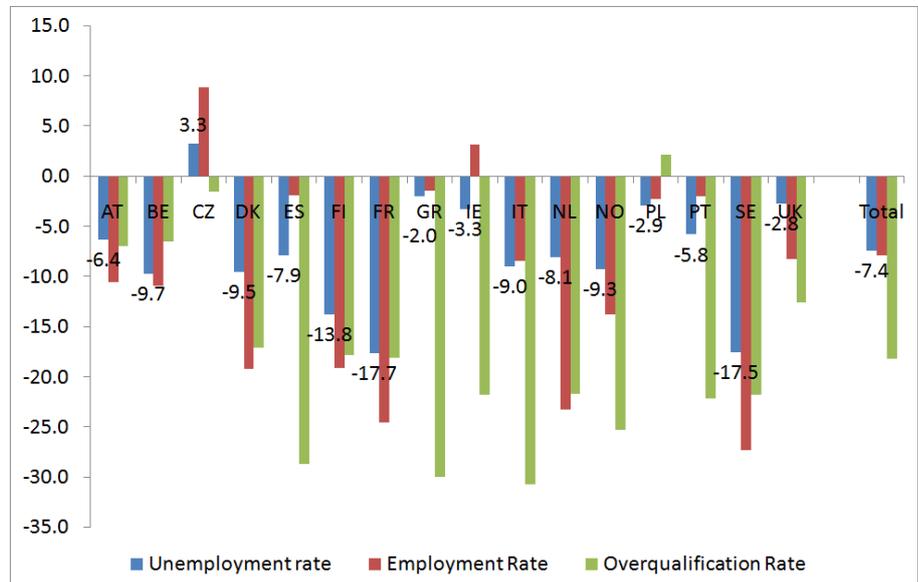
**...the needs of different groups of immigrants...**

The implementation of such policies in EU countries has to take into account the specific needs of immigrants for such services and thus has to distinguish between different types of immigrants. One case in point is the increasing share of temporary immigrants in total immigration. This requires different integration (and potentially also immigration) policies for temporary vs. permanent immigrants. For instance, investing heavily in the acquisition of host-country-specific human capital (such as language skills) for temporary immigrants (or setting overly restrictive entry or qualification requirements for them) is likely to be ineffective and a waste of resources that could be better used for other purposes. Investing in such skills for permanent immigrants, by contrast, is likely to substantially improve integration outcomes. Integration programmes thus need to be targeted to those groups of immigrants that are likely to directly profit from them.

**...as well as on institutional factors.**

These micro-oriented policies have to be supported by adequate macro-policies and, where necessary, by institutional reform. The huge differences in terms of success of labour market integration of immigrants across EU countries, suggest that, apart from effects arising from the profile of immigrants, also structural factors (such as differences in the institutional set-up of the receiving countries' labour market and education systems) significantly impact on the integration of immigrants (Dustman and Frattini, 2011).

**Figure 2: Differences in unemployment, employment and over-qualification (foreign-born vs. natives)**



Source: Eurostat, European Labour Force Survey (averages 2004-2011)

**These apply to the organisation of the education system...**

On the one hand, institutional changes are necessary with respect to the recognition of the formal education of immigrants, the integration of immigrants into education systems and the degree of educational mobility of first- and second-generation immigrants. Both skill recognition of foreign-born as well as educational integration of second-generation immigrants are closely interrelated with the organisation of national education systems. In general, “early education, time in school and central exams further the educational integration of second-generation immigrants, while social segregation of students among schools is detrimental” (Schneeweis, 2011). Similarly, a large share of vocational education and training inhibits the efficient skill transfer of immigrants to a particular receiving country (Guzi et al., 2015).

Both, policies to promote skill recognition as well as the improved integration of first- and second-generation immigrants into the education system will thus have to focus on the potential need for reform or re-organisation of the school systems to better meet the requirements of an increasingly diverse population (e.g. through compulsory pre-school education and improved foreign language training in the school system). The obvious target groups of such reform are second-generation immigrants. In addition, extra efforts are needed to address the problems of immigrant youths, in particular when they arrive in their teens, as these groups have been shown to be particularly at risk of dropping out of the education system in a number of countries (e.g. Cohen-Goldner and Epstein, 2014).

**...and to labour market and social policy institutions as well as migration policies.**

On the other hand, the role played by labour market institutions needs to be reviewed. Recent research suggests that labour market outcomes of immigrants relative to natives tend to be worse, after

controlling for compositional effects, in countries with more centralised wage bargaining, stricter product market regulation and higher union density (Huber, 2015). As a consequence, labour and product market regulations may need to be aligned to the goal of successful integration of immigrants into the labour markets of host countries. In particular, liberal product market regulation (to allow immigrants to become self-employed more easily) and less centralised wage bargaining (to increase wage flexibility for immigrants working in low-wage jobs), as well as ensuring inclusive trade unions and industrial relations institutions, seem to play a particularly important role in facilitating the integration of immigrants into European labour markets.

## Preserving Sound Ethnic Relationships

**The increasing diversity of the EU raises additional challenges.**

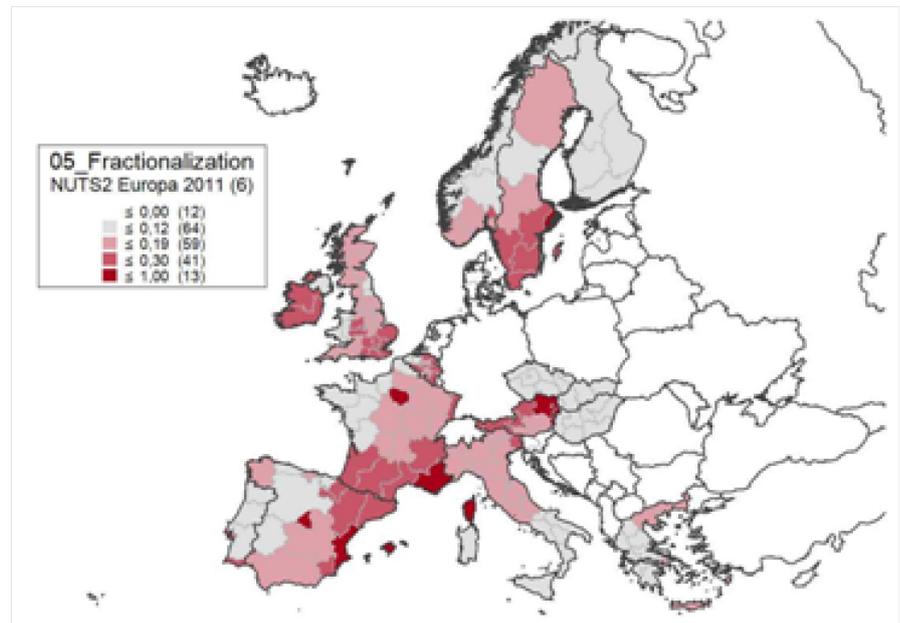
The structure of immigration to the EU is also likely to change substantially in terms of source countries in the next decades (Crespo Cuaresma et al., 2013, Abel and Sander, 2014). Due to the rising number of immigrants from current low-income countries, Europe is expected to become increasingly ethnically diverse.

The literature on the impact of the ethnic composition of immigrants has highlighted a number of benefits of diversity. These arise from enhanced creativity and innovation (and ultimately growth) as well as from a number of non-pecuniary benefits (Dohse and Gold, 2014b). At the same time, the literature has also highlighted potential costs of diversity. These are related to higher coordination costs, as communication is complicated by language differences in diverse societies, and diverse groups may distrust each other, thereby increasing the potential for social conflict.

Issues of diversity are particularly relevant at the regional and local level, in particular in cities. The reason is that, on the one hand, diversity differs more across regions than across countries and also leads to segregation or ghetto-isation at the regional level; phenomena that are not observed to the same degree at the national level. On the other hand, diversity raises a set of issues related to the most effective provision of public sector services such as schooling, health and housing in a multilingual context; it also complicates the recognition of skills from different countries and the assessment of job applicants' qualifications (Dohse and Gold, 2014a).

**Regional approaches seem most appropriate to address these...**

Policies dealing with diversity should take regional heterogeneity into account in their design. Accordingly, policies to integrate immigrants into broader communities are more likely to be successful if they have a strong regional component. The reason for such a result is that the host community itself is defined regionally, and can best take regional circumstances into account. Thus, in designing policies dealing with ethnic diversity, regional administrations and civil society stakeholders should be integrated as from the stage of policy formulation. Specifically, regional authorities should have the freedom and funds to adjust policies to regional needs (see Dohse and Gold, 2014b).

**Figure 3: Diversity in the EU regions**

Source: Eurostat, European Labour Force Survey, Horvath and Huber (2014)

**...but have to consider a wide aspect of day-to-day activities to build trust between residents...**

As noted by Dohse and Gold (2014a), these approaches should also be broad based, as frictions between different ethnic groups can arise in a wide range of fields. They should include issues such as housing, employment, transportation and urban planning and should highlight the additional benefits of cultural diversity as well as more conflict-ridden topics. Furthermore, they will have to take account of the particular challenges of labour market integration of the foreign-born in ethnically diverse regions (Horvath and Huber, 2014) and address issues related to the discrimination of immigrants on the labour or housing market, with the double aim of building trust and reducing transaction costs. Previous experiences suggest that this can be best achieved by initiatives that aim at coordinating existing social services directed at minority groups in a locality and at involving immigrants in neighbourhood regeneration projects. Such initiatives should be combined with the provision of a large range of cultural and educational services.

**...and need the support of national authorities.**

Equally important in the design of policies aimed at maintaining sound ethnic relationships are top-down communication strategies and supplementary action by the European Commission and national governments to support regional initiatives. These should on the one hand aim to convince the public and the media of the necessity and the advantages of immigration. On the other hand, they should understand that regions experiencing a substantial increase in ethnic diversity are in need of additional support to avoid popular anti-immigration sentiment. This may in particular be the case in regions receiving lower skilled immigrants, as anti-migration attitudes are particularly prevalent in regions where immigrants are low-skilled or where immigrants receive particularly high social benefits relative to natives (Huber and Oberdabernig, 2015).

Although older persons have been found to be more concerned about immigration, the empirical evidence available points towards such a correlation being driven by cohort effects (see the analysis in Calahorrano, 2013); negative attitudes towards immigrants are therefore not expected to become more prevalent with population ageing in Europe. This assumption is confirmed by the evidence presented in Lutz et al. (2006), who suggest that the strong cohort component of self-reported European identity trends gives reason to believe that for future generations the nationality at birth will play a significantly less important role than it does nowadays.

A considerable part of the negative attitudes towards immigration are related to the fear of increased crime, an argument that lacks evidence in the literature (Reid et al., 2005), and the perceptions about immigrants among the attitude holders. Especially the perceived number of migrants, length of stay and birth country appear closely connected to people's attitudes towards immigration (Sides and Citrin, 2007; Brader et al., 2008; Blinder, 2015). Evidence for Great Britain suggests that the attributes *Asylum seeker* and *permanent immigrants* are "much more frequently in imagined immigration than in statistical estimates" (Blinder, 2015, p. 96). The provision of information to the population about facts and actual numbers of immigrations could lead to more realistic perceptions and thus to more moderate attitudes.

## Recommendations

### Major changes are needed in EU immigration policies...

In order to reap the benefits of migration in an ageing Europe, the European Commission and national governments should develop coherent migration policies targeted at attracting immigrants to the EU and integrating them into national European labour markets. Such policies should include:

a) better-targeted approaches to both selecting and integrating highly skilled immigrants, taking into account the specificities of national and regional education and research systems as well as labour market and social policy institutions. This will inter-alia require adjusting policies to address the particular interests of the specific target groups, aligning education, labour market and social policy institutions with immigration policies, and potentially a less restrictive immigration policy stance in many EU countries.

b) a higher degree of co-ordination and streamlining of regulations concerning different entry channels, in order to harmonise entry conditions for low-skilled immigrants or persons migrating for humanitarian reasons. In particular, the stipulations governing humanitarian and non-economically motivated immigration are in need of a major overhaul, which acknowledges the fact that humanitarian and economic motives are becoming increasingly intertwined in actual immigration decisions.

c) skill-selective immigration policies and improved recognition of skills and educational attainment as well as skill development policies for immigrants, by adjusting education systems and skill recognition standards and practices; adapting public institutions to

become more inclusive and more conducive to educational mobility of first- and second-generation immigrants. This will include the establishment of efficient and centralized institutions, guaranteeing a timely assessment and evaluation of foreign educational credentials, and a better management or abolition of regional settlement policies as well as improving the portability of social security claims.

d) reforms in both education systems and labour market governance of receiving countries, in order to align labour market, social policy and education institutions to the needs of an increasingly multi-ethnic society. This will require increasingly focusing on the integration of first- and second-generation immigrants into the education system in early phases of their lives (e.g. pre-school education) and reforms of vocational education and training systems. Measures aimed at more liberal product market regulation, less centralised wage bargaining and inclusive industrial relations institutions are key elements of such a policy impulse.

f) an introduction of integration policies that target particular groups of immigrants. These would differentiate, inter alia, between permanent and temporary immigrants and aim to develop and implement consistent and effective introduction programmes, provide accessible and affordable language training courses and effective active labour market policies tailored to the needs of permanent immigrants. This will also require regular evaluation of these programs to ensure their continued improvement.

g) regional strategies for improving integration and dealing with ethnic diversity that are embedded in a consistent multi-level governance approach to integration policy. Such a framework should recognize the necessity to provide support to those regions that are exposed to particularly large increases in ethnic diversity. These initiatives should target housing, employment, transportation and urban planning and should highlight the additional benefits of cultural diversity. Furthermore, they will have to take account of the particular challenges of public service provision (in particular in the provision of health and education services) in multi-lingual contexts.

h) effective initiatives to ease the mounting concerns of EU residents over increased immigration and diversity, notably by implementing appropriate communication strategies that address these concerns in a serious and responsible way.

**...these require a shift towards policies that consider immigration a natural and positive aspect of the development in the EU.**

Designing such policies calls for a shift in perspective by regional, national and European policy makers. Such a shift will require viewing immigration as a natural and positive aspect of future EU development and accepting immigration issues as an integral part of the European policy debate.

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## RESEARCH PARAMETERS

### Objective of the research

In the face of the financial and economic crisis and long-term challenges from globalisation, demographic shifts, climate change and new technologies, Europe needs to redefine its development strategy. The objective of WWWforEurope – Welfare, Wealth and Work for Europe – is to strengthen the analytical foundation of this strategy. It goes beyond the Europe 2020 targets of smart, sustainable and inclusive growth and lays the basis for a socio-ecological transition. The new development strategy aims at high levels of employment, social inclusion, gender equity and environmental sustainability.

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### The research programme

WWWforEurope will address essential questions in areas of research that reflect vital fields for policy action to implement a socio-ecological transition:

- It will deal with challenges for the European welfare state, exploring the influence of globalisation, demography, new technologies and post-industrialisation on welfare state structures.
- It will analyse the impact of striving towards environmental sustainability on growth and employment and provide evidence for designing policies aimed at minimising the conflict between employment, equity and sustainability. This involves using welfare indicators beyond traditional GDP measures.
- It will investigate the role that research and innovation as well as industrial and innovation policies can play as drivers for change by shaping the innovation system and the production structure.
- It will focus on governance structures and institutions at the European level and the need for adjustments to be consistent with a new path of smart, sustainable and inclusive growth.
- It will explore the role of the regions in the socio-ecological transition taking into account institutional preconditions, regional labour markets and cultural diversity and examining the transitional dynamics of European regional policy.

This research will be conducted within a coherent framework which from the outset considers linkages between research topics and highlights how different policy instruments work together. The results of all research areas will be bound together to identify potential synergies, conflicts and trade-offs, as a starting-point for the development of a coherent strategy for a socio-ecological transition.

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### Methodology

The project builds on interdisciplinary and methodological variety, comprising of qualitative and quantitative methods, surveys and econometrics, models and case studies.

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## PROJECT IDENTITY

<b>Coordinator</b>	Karl Aiginger, Director, Austrian Institute of Economic Research
<b>Consortium</b>	<p>Austrian Institute of Economic Research          Budapest Institute          Nice Sophia Antipolis University          Ecologic Institute          University of Applied Sciences Jena          Free University of Bozen/Bolzano          Institute for Financial and Regional Analyses          Goethe University Frankfurt          ICLEI - Local Governments for Sustainability          Institute of Economic Research Slovak Academy of Sciences          Kiel Institute for the World Economy          Institute for World Economics, RCERS, HAS          KU Leuven          Mendel University in Brno          Austrian Institute for Regional Studies and Spatial Planning          Policy Network          Ratio          University of Surrey          Vienna University of Technology          Universitat Autònoma de Barcelona          Humboldt-Universität zu Berlin          University of Economics in Bratislava          Hasselt University          Alpen-Adria-Universität Klagenfurt          University of Dundee          Università Politecnica delle Marche          University of Birmingham          University of Pannonia          Utrecht University          Vienna University of Economics and Business          Centre for European Economic Research          Coventry University          Ivory Tower          Aston University</p>
<b>European Commission</b>	Domenico Rossetti di Valdalbero, DG Research and Innovation
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<b>Website</b>	<a href="http://www.foreurope.eu">www.foreurope.eu</a>
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