Orkestra
BASQUE INSTITUTE
OF COMPETITIVENESS
DEUSTO FOUNDATION

2024 BASQUE COUNTRY COMPETITIVENESS REPORT

INCLUSION: MOTOR OF COMPETITIVENESS AND WELLBEING

Deusto

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2024 Basque Country Competitiveness Report

Inclusion: Motor of competitiveness and wellbeing

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2024 Basque Country Competitiveness Report

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Foreword

At Orkestra we believe that the more people participate in the processes of building competitiveness, the more inclusive the resulting well-being will be, as they are two sides of the same coin that cannot be understood without each other. Inclusive competitiveness is the process by which all the people of a territory participate, giving the best of themselves, in the generation of value. And inclusive well-being is the process by which more and more people, with greater equality, have dignified access to the different dimensions of well-being, such as health, employment or education. Therefore, if we want to ensure inclusiveness in well-being outcomes we need to foster inclusiveness in the processes that build competitiveness, and vice versa.

When we talk about inclusion, we are talking about people, who are ultimately those who may experience inequality and exclusion, and who can participate in building competitiveness and well-being. Thus, the report analyses the challenges we face in building inclusive competitiveness, taking advantage of the opportunities created by diversity and ensuring access to well-being for the greatest number of people.

The analysis is complex because people are multidimensional and their needs and interests go beyond their role in the socio-economic and political sphere of a territory. Our report analyses the inclusion of people from the perspective of their relationship with competitiveness, and focuses the study on three demographic characteristics that are related to some of the critical challenges and opportunities for competitiveness and well-being in the Basque Country: people's age, place of origin and gender.

The first two are directly linked to the demographic challenge facing our territory. The third, the gender of people, is a critical category insofar as women's participation rates, fortunately, have been increasing in the world of work and this obliges us to analyse in depth the social relations of gender and their effect on the economy and well-being. Furthermore, gender equality is a key element in ensuring the competitiveness of industrial and internationalised companies in our territory.

Considering diversity as a driver of inclusive competitiveness and well-being will undoubtedly result in more advanced, more innovative, more tolerant and more cohesive societies. However, the inclusion of people in the socio-economic and political sphere does not happen automatically; it must be managed by public policies and companies. Efforts must be invested there because efficient management of diver-

sity increases the likelihood of increasing activity rates and consequently GDP per capita, a key indicator of competitiveness.

The Report begins with an analysis of the overall performance of the Basque Country in competitiveness and well-being and presents the most recent evolution of 66 indicators organised through our territorial competitiveness framework for well-being. It continues with a conceptual reflection on the importance of inclusion as a transversal axis for the competitiveness and well-being of a territory and empirically analyses three of the multiple demographic characteristics of people — age, place of origin and gender — related to some of the most demanding challenges of the Basque Country. The report ends with a series of conclusions and recommendations drawn from the analysis as a whole.

This report has been possible thanks to the excellent work, involvement and commitment of all the people who form part of and collaborate with Orkestra, as well as the sponsoring institutions that accompany us and without whose support Orkestra would not be a reality, nor an international benchmark in action-research in competitiveness for well-being.

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The Report has been prepared by a group of people coordinated by Mari José Aranguren, Susana Franco, Mercedes Oleaga and James Wilson. The entire Orkestra team has also participated in various ways, and we would like to thank them for their collaboration throughout the process. We would also like to thank the members of Orkestra's Governing Board and Advisory Board, Orkestra's sponsoring institutions, and the other institutions with whom we have received feedback on earlier drafts.

The computation of the indicators on which this report is based has been possible thanks to data supplied by Eustat (the Basque Statistical Agency), by means of special and disinterested use of its databases, carried out at the request of Orkestra. Our most sincere thanks to Eustat for their valuable collaboration. We are also grateful for the collaboration of Sabi-Informa in supplying data for other analyses in the Report.

We would also like to thank all the agents who have participated in and contributed to the generation of knowledge underscoring the Report as part of their collaboration in a wide range of projects carried out by Orkestra over recent years.

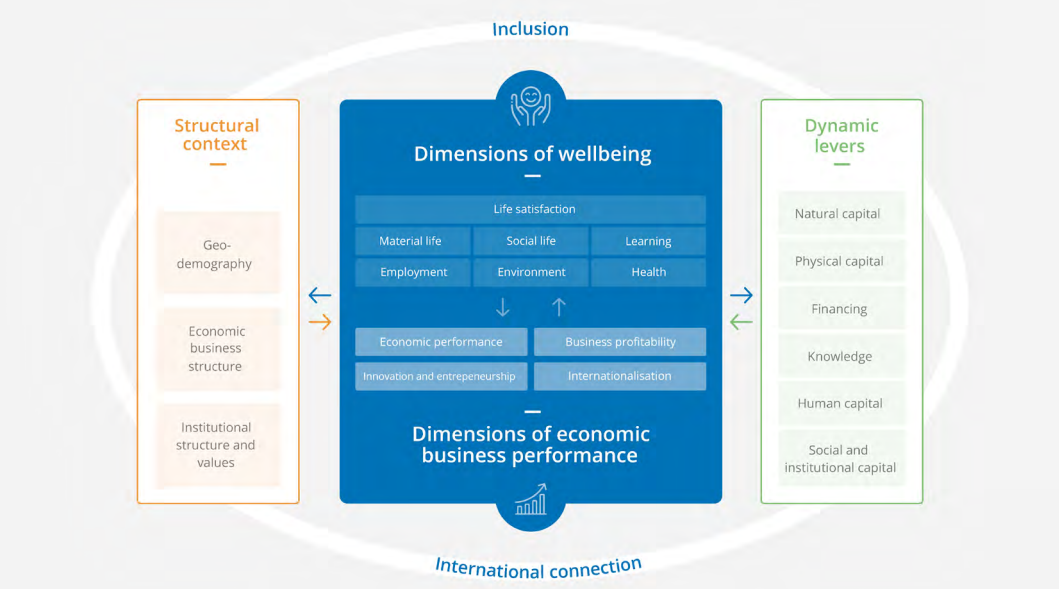
Orkestra assumes responsibility for any errors or omissions in the content of this Report.

Executive summary

The importance of inclusion for territorial development is reflected in the growing discourse of international organisations, such as the United Nations, the International Labour Organisation or the European Commission, on the need to promote a "just transition". It is common to speak of a triple transition that is both "green, digital and social" (OECDa, 2023), and in the new European Commission formed in September 2024 a Vice-Presidency has been given explicit responsibility for promoting a "clean, just and competitive" transition.

Inclusion is incorporated in Orkestra's competitiveness for wellbeing framework as a transversal axis because it has an intrinsic relationship with the three parts of the framework: (i) inclusion is reflected in the context of a territory; (ii) it affects the levers that determine its competitiveness and well-being; and (iii) it is integrated in the results that the territory is able to achieve.

COMPETITIVENESS FOR WELLBEING FRAMEWORK



Inclusion is multidimensional, addressing people's gender, age, origin, different abilities and economic resources, among other dimensions. On the one hand, at a time when we are aware of the economic and political consequences of rising inequali-

ties, it is particularly important to understand how our competitiveness and wellbeing outcomes change for different groups. On the other hand, in a context where we face critical challenges related to demographic changes and the scarcity of human capital, it is important to understand how competitiveness levers are affected by aspects such as gender inequality, relations between generations or the integration of immigrants in society.

The 2024 Competitiveness Report explores the transversal axis of inclusion with the aim of reflecting on the challenges we face to ensure inclusive competitiveness that can generate inclusive wellbeing. The Report begins with an analysis of the Basque Country's global performance in competitiveness and wellbeing, presenting the most recent evolution in 66 indicators organised by our territorial competitiveness for wellbeing framework. We then combine conceptual reflection on the importance of inclusion in sustaining a territory's competitiveness and wellbeing with empirical analysis of three dimensions of inclusion — place of origin, gender and age — in the competitiveness and wellbeing of the Basque Country.

Current competitiveness and wellbeing in the Basque Country

Our assessment of the current state of competitiveness and wellbeing in the Basque Country is based on the analysis of a panel of 22 indicators of economic-business performance, 20 indicators of wellbeing performance, and 24 indicators reflecting the dynamic levers of competitiveness and wellbeing. The following three tables summarise the main results of the three blocks of indicators analysed.

Economic and business performance	
Economic performance	GDP per capita (PPP) has continued its growth trajectory in 2023, widening the positive gap with the EU-27 average (111 %) and significantly reducing the negative gap with Germany (96 %). This performance is marked by improvements in productivity, both in the economy as a whole and in the manufacturing sector. In all productivity indicators, the Basque Country is above Spain and the EU-27, but below Germany and the benchmark regions of Upper Austria and Baden-Württemberg.
Business profitability	Business profitability grew in 2023, reaching values of 6.6 % in economic profitability (ROA) and 11.8 % in financial profitability (ROE), alongside a strong reduction in the Unit Labour Cost (ULC) of the manufacturing sector. Gross operating surplus has remained stable at around 43 % in the Basque Country, slightly above the level of Spain and the EU-27 and well above that of Germany.
Innovation and entrepreneurship	The percentage of SMEs doing both product innovation (26.1 %) and process innovation (32.6 %) has increased. However, this is still an area of weakness, especially in the case of small companies and in organisational and marketing innovation. The strategies adopted by Basque SMEs are low-risk and low-disruptive, and the barriers they perceive to innovation have more to do with the high costs of innovation and the existence of other priorities rather than those related to knowledge. In entrepreneurship, although the overall rate is still below Spanish or European levels, the Basque Country performs well in technological entrepreneurship and high-growth companies. Likewise, the number of companies with more than 5 employees is growing, which means that the average size of companies is increasing.

Economic and business performance	
Internationalisation	International exports of goods decreased in 2023 in the Basque Country from 37.9 % of GDP to 35.8 %, with a decrease in both energy and non-energy exports. This trend is also observed in Spain, Germany and the EU-27, and the positioning of the Basque Country with respect to the European average has improved considerably over the last few years, and even in 2023. Moreover, the trade balance has improved, indicating that international imports of goods have fallen proportionally more than exports, both in energy and non-energy goods.

Wellbeing outcomes	
Life satisfaction	Life satisfaction decreased slightly in the Basque Country in 2023. Its level is very similar to the EU-27 average and above Germany and Spain.
Material life	The proportion of people at risk of poverty or exclusion continues its downward trend to 15.5 %, lower than the EU-27 average (21.4 %), and economic inequality remains stable. However, median household income has fallen in the last two years, and the proportion of people who cannot afford to keep their home at an adequate temperature rose in 2023 to stand slightly above the EU average.
Employment	The unemployment rate (7.6 %), although above the EU-27 average (6.1 %), is narrowing the gap year by year. There are also improvements in job satisfaction (7.4 out of 10). However, the gender pay gap per hour worked, after a continuous decrease since 2017, has increased in the last year, standing at 8.8 %.
Social life	People's satisfaction with their free time is stable after the increases of the last decade, and trust in people has increased, recovering part of the decline experienced during the pandemic. On the other hand, although the level of crime remains significantly below the EU-27 average, crime against property per 100 000 inhabitants reached 895 in the Basque Country in 2022, an increase of 31 % over the previous year.
Learning	The proportion of the population aged 25-64 with upper secondary or tertiary education continues its upward trajectory and at 78.8 % has almost reached the European average (79.8 %). On the other hand, the Basque Country maintains its leadership in lifelong learning, with 18.2 % of the population aged 25-64 having participated in training or apprenticeship activities. However, the results of the Programme for International Student Assessment (PISA) show a decline in the average score in mathematics, reading and science that is greater than that experienced in the EU-27 average.
Health	Despite the slight decrease in the proportion of the population who perceive their state of health as good or very good (from 74.8 % to 73.4 %) and the increase in premature deaths due to particle pollution (from 30.9 per 100 000 inhabitants to 31.3), the Basque Country maintains its leadership with respect to the EU-27 average in these two indicators and in life expectancy (83.5 years).
Environment	Both greenhouse gas and air pollutant emissions increased in 2022 due to the increase in economic activity. In the case of greenhouse gases, the 5 % increase has opened a negative gap with the EU-27 average, whose emissions decreased by 1.3 %. However, with an increase that places the urban waste recycling rate at 47.4 % in 2022, the Basque Country has almost closed the negative gap with the European average.

Dynamic levers for competitiveness and wellbeing	
Natural Capital	Although the Basque Country is above the European average in most of the indicators analysed, progress in the last year has been worse than in the EU-27. The greatest challenge has to do with the share of renewable energies (18.2 %), which has worsened and is below the European average (23 %) with a difference that has not been reduced in the last decade.
Physical Capital	The Basque Country is well positioned with respect to the European average and Germany in the indicators of gross capital formation and capital stock. However, both gross capital formation as a percentage of GDP and the stock of physical capital fell slightly in 2023. Within gross capital formation, what did increase was the proportion allocated to capital goods, standing at 40.1 % and positively increasing the gap with respect to the other territories (30.6 % in Germany and 29.5 % in the EU-27).
Finance	Net worth, a structural indicator that refers to the funds that shareholders have invested in companies, has been improving and now stands at 49 %. On the other hand, the level of outward stock of foreign direct investment (FDI) (95 % of GDP) is clearly higher than in economies such as Spain or even Germany, associated with the high degree of internationalisation of Basque companies. However, the inward stock of investment (FDI), which is already structurally low, fell slightly in the last year, in contrast to what happened in other territories.
Knowledge	The orientation of patents in environmental technologies (18.7 %) and the level of scientific publications (3,373 per million inhabitants) are clearly above the EU-27 average. Challenges come from the level of R&D expenditure and patents, which are below the European and German average and have fallen in the last year. As far as digitalisation is concerned, the Basque Country has strengths in terms of the digital skills of the population and digital infrastructures, as well as certain elements of the digitalisation of public services. However, it has shortcomings in terms of ICT specialists and some aspects of business digitalisation, such as the use of big data, the cloud and AI, as well as in the accessibility of public administration websites.
Human Capital	The indicator of medical personnel per 100 000 inhabitants, which broadly reflects the ability of a territory to maintain its human capital in health, has remained stable at 560, 40 % above the EU-27 average (397). On the other hand, the employment rate, which captures the intensity with which a territory makes use of available human capital, has improved in 2023 more than the EU-27 average, closing the gap that previously existed to be at a par (70 %). The two indicators that capture the general skills of the younger population have maintained the improving trend of recent years and are above the EU-27 average.
Social and Institutional Capital	23.4 % of Basque SMEs cooperated in R&D in 2022, a significantly higher proportion than the EU-27 average, but only 2.4 % of scientific publications in the Basque Country are in cooperation with industry, much less than the EU-27 average (4.3 %). On the other hand, the quality of governance index shows, after a steady rise in previous editions, a considerable drop in its most recent edition, in which the Basque Country has fallen from first to sixth position among Spanish regions.

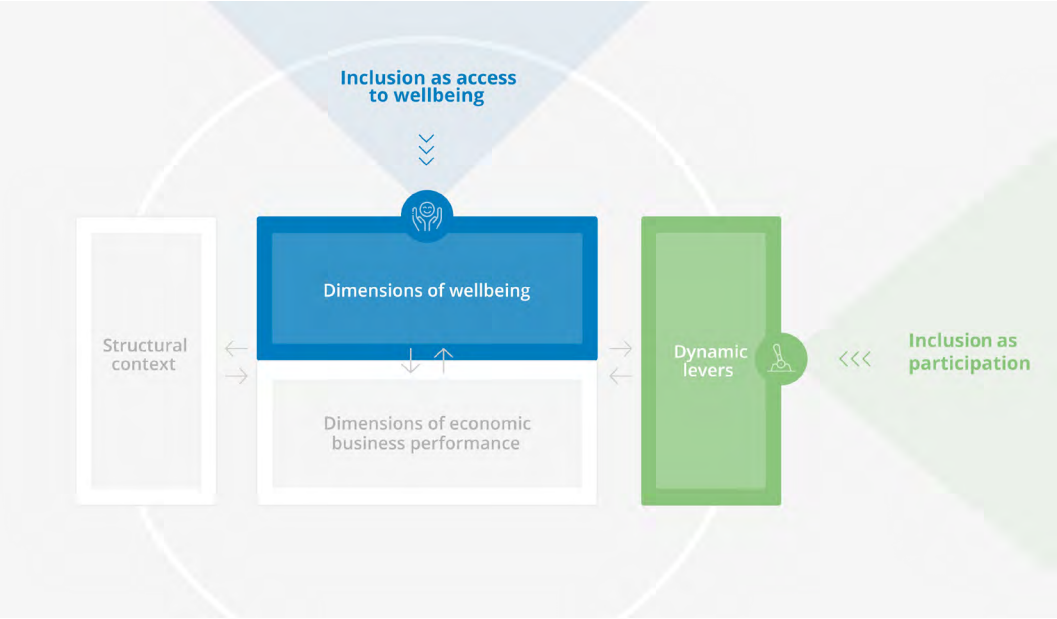
Inclusion: Motor of competitiveness and wellbeing in a changing demographic context

In 2024 we find ourselves in the Basque Country with a very different population to that of the early 1970s. On the one hand, although the proportion of people of working age is similar (60 %), the high percentage of young people has been replaced by a larger group of older people. On the other hand, while at the beginning of this century only 2 % of the population of the Basque Country were foreign-born, in 2023 this was 12 %. Finally, the profile of people of foreign origin has been diversifying. Currently, out of every 10 people of foreign origin, approximately 3 are women of American origin, 2 are men of American origin, another 2 are men from the rest of the world (especially the Maghreb) and the other 3 are a woman from the rest of the world and a man and a woman of European origin.

The combination of a much older population and a much more diverse population in terms of place of origin has important implications for the role of inclusion in the competitiveness and wellbeing of our territory. Inclusive competitiveness is understood as the process by which all people in a territory can participate by giving the best of themselves in the generation of value, both witing the market and outside it. Thus, in territories with inclusive competitiveness, all people can participate in the construction of the wellbeing results that they also enjoy.

To analyse the cross-cutting axis of inclusion as a driver of competitiveness and wellbeing, it is crucial to address both participation and access. Inclusion as access is associated with wellbeing outcomes, while inclusion as participation relates to the dynamic levers of competitiveness, especially human and social capital.

INCLUSION AS PARTICIPATION AND ACCESS



For empirical analysis of inclusion in the Basque Country we focus on the region's people, those who ultimately experience inequality and exclusion and who can participate in the construction of competitiveness and wellbeing.

Inclusion as participation in the processes of building competitiveness

Age, gender and place of birth have an impact on people's decisions to enter the labour market or train or undertaking studies, and on their working conditions. The analysis of inclusion in the levers of human and social capital in the Basque Country reveals a complex panorama, but understanding it is critical to work towards the inclusion of all people in the processes of competitiveness and wellbeing of the territory. The main features of this panorama can be summarised as follows:

- **Employment rates:** They are generally lower among women and among foreign-born persons. On the one hand, the greater dedication of women than men to care-related tasks has a direct impact on their incorporation into the labour market. On the other hand, foreign-born people face other obstacles to finding work, such as work experience, level of education and the process of regularising their residency and/or citizenship status.
- **Occupational activity:** Men are more likely to work in the industrial sector and women in public administration (education and health). Men and women from America and the rest of Europe are more likely to be employed in commerce, transport and hotels and restaurants, and men born in the rest of the world are more likely to work in construction. Foreign women, and in particular American women, have a greater presence in other services, a category that includes domestic workers. In terms of occupational category, people of local origin have occupations that require higher levels of skills, as they are in managerial, professional and technical positions, while foreign-born people tend to work in more elementary occupations. It is only in the sectors of Professional, scientific, technical and administrative activities, and Public administration, education and health where women predominate in management, professional and technical positions, and the growing incorporation of women into the business world has not been accompanied by a growth in their presence in decision-making positions.
- **Type of contract:** Temporary contracts affect more women than men, and among men they are more prevalent among those of foreign origin. This type of contract is also more common among the younger population. Moreover, full-time contracts are more common among men and among older people, while women have a higher rate of undesired part-time work. Among people of foreign origin, the presence of jobs without a contract or without social security affiliation stands out, probably due to their irregular legal situation, which limits their access to legal contracts and calls into question their levels of legal and social protection.
- **Skills:** The population of local origin has higher educational levels than that of foreign origin. Furthermore, while the percentage of women is higher than men in tertiary education and in continuing education, the percentage of men is higher in post-compulsory non-tertiary education. As for STEM studies, these are cho-

sen by 28 % of university students (34 % of whom are women) and 51 % of vocational training students (11 % of whom are women). Finally, men (11.8 %), women (16.4 %) and people of foreign origin (21.8 %) report that their educational level is higher than that required for their job. Therefore, people's skills — and especially those of women and people of foreign origin — are not being used to the full, potentially impacting both their own wellbeing and the competitiveness of the territory.

- **Social and institutional capital:** People of foreign origin have less trust in general than people born in the Basque Country, but more trust in institutions. Local people have wider personal networks in which to seek support and better access to financial, health and emotional support. On the other hand, or as a result of the above, people of foreign origin have greater personal independence than local people. While interest in socio-political issues is very similar regardless of origin, the regulation of voting rights means that people of foreign origin participate less in elections.

Inclusion as access to wellbeing outcomes

Our analysis of inclusion by gender, age and place of origin has also explored access to wellbeing outcomes in five dimensions:

- **Life satisfaction:** There are no major differences in life satisfaction between women and men, but satisfaction declines as people get older.
- **Material life:** Women generally have lower incomes than men and real poverty is higher in female-headed households. Incomes are lower and poverty higher also among younger people, but it is households headed by people of foreign origin that are most susceptible to poverty. There is a 34.3 % wage gap for people of foreign nationality, and a 27.9 % gap for the 25-34 age group compared to people aged 55 and over. These results translate into difficulties in accessing housing: owning a home is difficult, especially for young people, and this difficulty is even greater for people of foreign origin. On the other hand, the housing used by people of foreign origin is in worse condition in terms of humidity and cold.
- **Employment:** Women have lower job satisfaction, but job satisfaction has worsened more among men. Women also have fewer conflict situations at work than men.
- **Social life:** Inequality is detected in the division of domestic work between men and women, mainly in terms of childcare, with employed women having a higher daily dedication than men. Moreover, while the degree of satisfaction with the daily time spent on the different forms of domestic work is similar for both genders, there are indications that men are more satisfied with the overall division of tasks than women.
- **Health:** Men have a better self-perception of their health than women at all ages. In addition, the prevalence of symptoms of anxiety and depression, which can have an impact on social, emotional and work relationships, is higher among women than men, and is also higher in the 45-64 age group.

Recommendations

The Report presents a vision of a territory with comparatively good and relatively inclusive results in economic competitiveness and wellbeing. Reinforcing the results of previous years' reports, the major challenges lie in the levers of knowledge and natural capital, and in innovation and environmental performance. To work on these and other competitiveness challenges in our current and changing demographic scenario, it is especially important to actively work on the inclusion of all people in competitiveness processes, making better use of existing capabilities and enhancing them through lifelong learning. It also implies learning how to effectively manage diversity in our companies and organisations and generating the right leadership in contexts of diversity.

There are multiple plans and policies dedicated to different dimensions of inclusion, each with a role in this process. In the search for inclusive competitiveness to generate inclusive well-being, it will be particularly important to work on the connections, contradictions and synergies between these actions to align the needs of the territory from an economic-business competitiveness perspective with the wellbeing needs of its people. In this context, the Report's analysis provides recommendations in six specific areas.

I. ***Build on the capacities of all people:*** The analysis indicates that we are not taking advantage of the participation or capacities of all people living in the Basque Country, particularly women and people of foreign origin. It points to the need to work on the obstacles to the participation of these groups, in line with their capacities and the needs of the territory. In the case of women these barriers include the distribution of care tasks, while in the case of people of foreign origin it is especially important to seek solutions to their administrative situation, to foster their personal networks, and to ensure access to support and training opportunities that are well aligned with the needs of companies (in particular, through the vocational training system).

II. ***Embrace diversity:*** In a changing demographic scenario, it is particularly important to actively work towards the inclusion of all people in competitiveness processes. This inclusion, by gender, of immigrants, of different ages, etc., increases the likelihood of increasing activity rates and meeting the challenges faced by companies in their generational transitions and in the search for talent of all kinds, thus contributing to the generation of competitiveness and wellbeing. In addition, it is important to learn how to effectively manage (and lead) this diversity in companies and other organisations to harness its potential benefits for organisational performance, innovation, and internationalisation.

III. ***Strengthen digital-technological-green competitiveness:*** Without forgetting the other levers of competitiveness and wellbeing, there is a clear need to prioritise actions and strategies, on the part of the different actors in the Basque ecosystem, that strengthen the levers of natural capital and knowledge. Investment in R&D and the commercialisation of new knowledge must be accompanied by a special sensitivity to sustainability and digitalisation so that our industry can position itself at the forefront of the transition towards a new digital-technological-green competitiveness. Moreover, the challenge of moving towards an energy system with a higher share of renewable energies im-

plies technological, social and behavioural changes. These can favour inclusive wellbeing in several ways, such as consumer empowerment, the generation of new employment opportunities or positive effects on air quality and people's health.

IV. ***Foster innovation and productivity:*** Innovation in SMEs is a strategic issue due to its critical role in generating sustained increases in the productivity of the economic fabric in the medium and long term. It is necessary to continue fostering an innovative culture, supporting the reduction of costs associated with innovation, simplifying regulation and bureaucracy, and promoting the organisational and marketing innovations that are complementary to product and process innovations. In particular, it is necessary to focus these efforts on smaller companies.

V. ***Address threats to well-being:*** Despite high levels of wellbeing achieved in the Basque Country, and improvements made in recent years in a weak area like employment, it is important to be aware of threats to this wellbeing. These include negative trends and inequalities in aspects of health, the difficulties of access to housing, and the educational performance of young people. The challenges are especially acute in the environmental dimension of wellbeing. Here, in line with the conclusions of our previous Competitiveness Report (Orkestra, 2023), there is a need to accelerate, in an ordered way, the green transition of our society, being mindful of the social impacts of this transition.

VI. ***Increase inclusion in well-being outcomes:*** In a context of high overall levels of wellbeing, there are some aspects of access to various dimensions of wellbeing by different groups in society that demand attention to achieve truly inclusive wellbeing. In particular, the need to continue to address the gender gap in income, to find solutions to the great difficulties faced by young people and people of foreign origin in accessing housing, and to better understand the causes of the higher prevalence of mental health problems among women.

Introduction

A central conclusion of the Competitiveness Report 2023, which analysed the transition towards environmentally sustainable competitiveness, was the need to ensure that the green transition is addressed "in such a way as to produce the desired economic, environmental and social outcomes" (Orkestra, 2023). In order to address these three dimensions simultaneously, the inclusion of all people in competitiveness processes and wellbeing dimensions is fundamental, which is why it features as a transversal element in Orkestra's competitiveness for wellbeing framework (see Figure 1-1).

The importance of inclusion for territorial development is also reflected in the growing discourse of international organisations, such as the United Nations, the International Labour Organisation or the European Commission, on the need to promote a 'just transition'. Indeed, it is increasingly common to speak not only of the double transition, 'green and digital', which forms the backbone of current European industrial policy (European Commission, 2020, 2021), but of a triple transition that is at the same time 'green, digital and social' (OECDa, 2023). Moreover, in the new European Commission formed in September 2024, a vice-presidency has been given explicit responsibility for promoting a 'clean, fair and competitive' transition.

It is increasingly common to speak of a triple transition: 'green, digital and social' or 'clean, fair and competitive'

Inclusion is the critical axis of a 'just' or 'social' transition and has an intrinsic relationship with the competitiveness and wellbeing of a territory, as the competitiveness of a territory should be able to foster the wellbeing of all people living in it, both now and in the future. Thus, inclusiveness should be evident in wellbeing outcomes, which in our framework measure the ultimate performance of a territory.

However, inclusion also affects the effectiveness of a territory's competitiveness levers, where it interacts with some of the most important challenges for our future competitiveness and wellbeing, such as generational change in companies and public administrations, the availability of adequate skills (or 'talent') among the population, or the evolution of new management and organisational models.

Inclusion is multidimensional, addressing people's gender, age, background, different abilities and economic resources, among other dimensions. At a time when there is a heightened awareness of the economic and political consequences of increasing inequalities, it is especially important to understand how our competitiveness and wellbeing outcomes manifest themselves across different groups in a cross-cutting

manner. Moreover, at a time when we face critical challenges related to human capabilities to sustain high levels of competitiveness and wellbeing, it is critical to understand how the levers of competitiveness — in particular human and social capital — are affected by issues such as gender inequality, intergenerational relations or the integration of immigrants into society.

We analyse the challenges we face in ensuring inclusive competitiveness capable of generating inclusive wellbeing

This Competitiveness Report delves into the transversal axis of inclusion with the aim of reflecting on the challenges we face to ensure an inclusive competitiveness, capable of generating inclusive wellbeing. The Report begins with an analysis of the Basque Country's global performance in competitiveness and wellbeing, presenting the most recent evolution of 66 indicators organised by our territorial competitiveness for wellbeing framework. The second chapter makes a conceptual reflection on the importance of inclusion as a transversal axis underpinning the competitiveness and wellbeing of a territory, and the third chapter analyses three dimensions of inclusion — place of origin,[1] gender and age — in the Basque Country, exploring their relationship with wellbeing indicators and with the levers of human capital and social capital. We close the report with a series of conclusions from the analysis of the three chapters, highlighting the recommendations that emerge from them.

1 In this report, we understand a person's place of origin as the place where he or she was born.

1
The performance of the Basque Country in competitiveness for wellbeing

1.1 Our framework of analysis

To analyse the current situation in the Basque Country, we use the holistic framework developed by Orkestra to understand the determinants of a territory's competitiveness and wellbeing (Orkestra, 2021). As can be seen in Figure 1-1 the framework organises the key indicators for understanding the competitiveness and wellbeing of a territory into three blocks:

1. In the centre, in blue, the territory's ultimate performance is measured, with a distinction between: (i) the dimensions of economic and business performance that are typically part of competitiveness analysis; and (ii) the dimensions of people's wellbeing that competitiveness should ultimately foster.
2. On the left, in orange, the structural context of the territory is articulated. This includes characteristics that to a large extent are given, that are neither good nor bad *per se*, and that change little and in the long term.
3. On the right, in green, are the dynamic levers of competitiveness, which include all the factors that affect competitiveness and wellbeing, and which can be influenced by the policies and strategies of firms, governments and other territorial actors.

In addition to these three blocks, inclusion and international connectedness are integrated as cross-cutting elements. The first of these constitutes the main theme of this report, which is addressed in chapters 2 and 3.

Inclusion is integrated as a cross-cutting element in our competitiveness for wellbeing framework

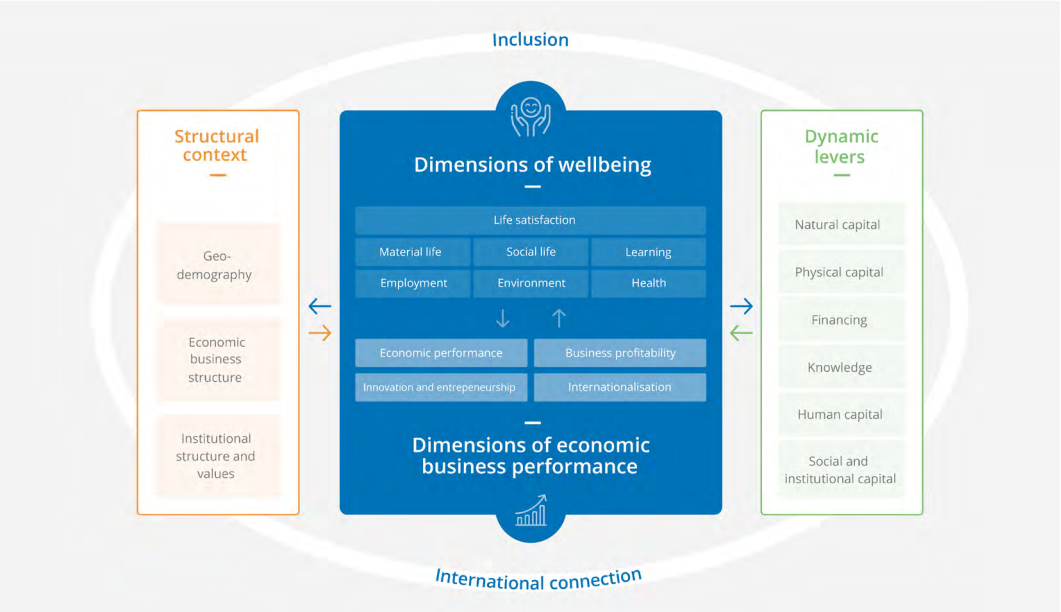
The orange part of the framework changes slowly and was analysed in detail in the 2022 Competitiveness Report (Orkestra, 2022), which identified the following main features:

- **Sophistication (diversification and uniqueness) of the manufacturing structure is high and stable** in the European context, but with a relative decline in sophistication when considering, in addition to manufacturing, the rest of the activities of the economy.
- **Gradual changes in the economic structure**, with an increase in specialisation (relative to Europe) in sectors related to advanced manufacturing and services

relevant to the knowledge economy, and a decline in specialisation in traditional manufacturing sectors and in services related to marketing activities and the promotion of new management models.

- **High ageing rate, combined with a positive migration balance**, both with important implications for the labour market and the social protection system.
- **Changes in people's values**, especially in the workplace, where younger generations prioritise aspects such as salary and working hours over the possibility of taking initiative or responsibility, and where high levels of absenteeism are causing concern.

FIGURE 1-1 Competitiveness for wellbeing framework



Source: Orkestra (2021).

In this chapter we focus on the blue and green parts of the framework to obtain an updated diagnosis of the Basque Country's recent performance in the four dimensions of economic and business performance and the seven dimensions of wellbeing, and to find out the recent evolution of the key indicators in each of the six competitiveness levers.

Our analysis of the competitiveness of the Basque Country is based on a panel of 66 indicators

The analysis is based on a panel of 66 indicators that have been selected considering, on the one hand, their relevance for understanding the dimension in question (the appropriateness of the indicator) and, on the other hand, the availability of recent and comparable data (the feasibility of the indicator). As in previous editions of the Competitiveness Report, we have tried to select indicators that allow a comparison with the European average and, where possible, also with other relevant European regions.[2] For each block — dimensions of economic and business performance, dimensions of wellbeing and dynamic levers — we present a table with the value of

[2] In order to broaden the possibilities of incorporating more suitable indicators, there are cases in which there is only a comparison with countries, with the Spanish average or with other Spanish regions (Autonomous Communities).

each indicator in the most recent year available, together with a ranking of its evolution in the last year and its position relative to the EU-27 average. In addition, each block has an annex with graphs showing the evolution of the indicators over the last decade in comparison with the reference territories.

1.2 Economic competitiveness

Table 1-1 presents the recent performance of the Basque Country in 22 indicators of economic and business competitiveness, organised into 4 blocks. For each indicator, performance is characterised in terms of its evolution over the last year with available data and its position relative to the European average, both in absolute terms and in terms of its relative evolution over the last year.[3] Annex 1 provides line graphs showing the evolution of each indicator over ten years, both for the Basque Country and for reference territories.[4]

Productivity increased in the Basque Country in 2023 and GDP per capita grew more than the European and German average

Both the **economic performance** of the territory and the **economic profitability** of companies are very positive. GDP per capita, measured in purchasing power parity (PPP), has continued its growth trajectory in 2023, increasing the positive gap with the EU-27 average (111 %) and significantly reducing the negative gap with Germany (96 %). The different measures of productivity have also generally increased above the European average (only productivity per person employed in the economy as a whole has grown less than the European average), with the Basque Country positioned in all indicators above Spain and the EU-27 but below Germany and the benchmark regions of Upper Austria and Baden-Württemberg.

With regard to the capacity of the economic-business system to generate profitability from its activities, the evolution in all indicators has been positive and the Basque Country is very well placed with respect to the European average. The unit labour cost (ULC), which captures the underlying relationship between labour remuneration and productivity, fell in all economies in 2022. In the manufacturing sector, the sharp reduction in ULC in the Basque Country has resulted in a lower ULC than in Germany and closer to that of the EU-27 and Spain than in previous years. The gross operating surplus, which shows the surplus generated by business operating activities once the labour factor (specifically wage earners) has been rewarded, has remained stable, slightly above 43 % in the Basque Country, somewhat higher than in Spain and the EU-27 and considerably higher than in Germany. Finally, the two indicators of corporate profitability also grew in 2023, reaching a value of 6.6 % in economic profitability (ROA) and 11.8 % in financial profitability

[3] Green represents a positive result and red represents a negative result. In the first and second coloured columns, the presence of one symbol indicates that the difference is between 1 % and 5 %, and the presence of two symbols indicates that the difference is greater than 5 %. In the third column, one symbol indicates that the change in the Basque Country differs between 0.5 and 3 percentage points with respect to the change in the EU-27 and two symbols indicate that the difference is greater than 3 percentage points. In all three cases, if the difference is less than the values indicated, it is indicated with an equal sign.

[4] We have chosen the following territories for the comparison: (i) two European regions (Baden-Württemberg and Upper Austria) due to their similar characteristics to those of the Basque Country and their strong economic and social performance (Orkestra, 2020); (ii) the European Union (EU) with 27 members (EU-27), to see how the Basque Country compares with the European average; (iii) Spain, to see how the Basque Country compares with the national average; and (iv) Germany as a benchmark country in Europe. We present the data for these territories according to their availability.

(ROE). The improvement in profitability has been most intense in the manufacturing sector (6.5 in 2023, +1.8 p.p. compared to 2022) and the services sector (6.8 in 2023, +1.7 p.p. compared to 2022).

TABLE 1-1 Performance of the Basque Country in economic and business competitiveness results

Indicator	Year	Value	Evolution (last year)	Relative positioning EU-27	
				Level	Change
ECONOMIC AND BUSINESS RESULTS					
Economic and business performance					
GDP per capita (PPP-€)	2023	42 159	→→	↑↑	+
Apparent productivity of labour per person employed (k€ / person)	2023	78.7	→	↑↑	-
Apparent productivity of labour per hour worked (€/hour)	2022	46.6	→→	↑↑	++
Apparent productivity of labour per hour worked (€/hour)	2022	84.6	→→	↑↑	++
Apparent productivity of labour per hour worked in Manufacturing (€/hour)	2022	50.6	→→	↑↑	++
Corporate profitability					
Unit Labour Cost in the total economy (ULC) (% per person employed)	2022	59.1	→	↑	+
Unit Labour Cost (ULC) in the manufacturing sector (% per person employed)	2022	58.2	→→	↓↓	++
Gross operating surplus (% GDP)	2023	43.1	=	↑	+
Economic return on assets (ROA) (median; %)	2023	6.6	→→	n/d	n/d
Financial profitability (ROE) (median; %)	2023	11.8	→→	n/d	n/d
Innovation and entrepreneurship					
Total innovative SMEs (% CORE est.)	2022	42.4	→→	↓↓	--
SMEs with product innovation (% CORE est.)	2022	26.1	→→	↓↓	++
SMEs with process innovation (% est. CORE)	2022	32.6	→→	↓↓	--
Sales of new/improved products by innovative SMEs (% total sales)	2022	11.1	←←	↑↑	-
Entrepreneurial activity rate (% population 18-64 years)	2023	5.5	→→	n/d	n/d
High growth companies (% companies with more than 10 employees)	2022	9.2	←←	↑↑	--
Internationalisation					
International exports of goods (% GDP)	2023	35.8	←←	↓↓	+
International trade balance of goods (% GDP)	2023	6.4	→→	↑↑	++
International exports of non-energy goods (% GDP)	2023	33.6	←	↓↓	+
International trade balance of non-energy goods (% GDP)	2023	11.7	→→	↑↑	--
International exports of goods and services (% GDP)	2023	40.2	←	↓↓	++
International trade balance of goods and services (% GDP)	2023	6.3	→→	↑↑	++

Source: Own elaboration based on the graphs and sources included in Annex 1.

Despite its ranking as a strong innovator and pole of excellence in the *Regional Innovation Scoreboard* (European Commission, 2023a), **Small and Medium-sized Enterprise (SME) innovation** indicators have been a recurrent weakness in the competitive performance of the Basque Country in recent years. As can be seen in Table 1-1, the Basque Country continues to be at a disadvantage with respect to the European average in all three SME innovation indicators in the last year for which comparative data are available (2020). However, the 2022 data for the Basque Country show a significant improvement in the total percentage of innovative SMEs (42.4 %), and in the percentages of innovative SMEs in product (26.1 %) and process (32.6 %). Furthermore, although comparative data for the EU-27 are not yet available for 2022, it is observed that the gap with Germany, although still large, narrowed in 2022 in all three indicators, thanks to both the improvements observed in the Basque Country and the decline in the indicators in Germany. On the other hand, while sales of new or improved products fell in the Basque Country in 2022 to 11.1 %, this is an indicator in which the Basque Country is traditionally very well positioned with respect to the averages for the EU-27, Spain and Germany (4.8 %).

There is an imcrease in the percentage of innovative SMEs (42.4 %) and of innovative SMEs in product (26.1 %) and process (32.6 %)

To elaborate further on this critical issue for competitiveness, Box 1-1 summarises the key messages from a detailed analysis of innovation in Basque SMEs carried out using microdata from Eustat's Innovation Survey (Alkorta *et al.*, 2024).

BOX 1-1 Innovation in Basque SMEs

The capacity of its SMEs to innovate is an important determinant of the competitiveness of any territory, and even more so in the Basque Country, which is characterised by a high weight of SMEs in its economy. The Basque Country is recognised for its strong overall innovation system, but there is persistent concern about the relatively low percentage of innovative SMEs compared to other benchmark territories. An analysis of the main characteristics of Basque SMEs with respect to innovation based on the Eustat and Eurostat innovation surveys highlights that:

- **Innovation and business size:** The Basque Country has a higher percentage of SMEs (98 %), especially small businesses (82 %), than other territories. Moreover, the percentage of innovative small establishments is low (38.9 %) and it has lost its relative advantage in the percentage of innovative medium-sized establishments (60.7 %) with respect to companies of the same size in the EU-27 (65.2 %).

- **Product innovation:** Although the percentage of SMEs with product innovation is lower than in the EU-27 and Germany, the percentage of medium-sized Basque establishments that innovate in products (38.8 %) stands out. In fact, sales of new or improved products by SMEs (11.1 %), despite a decline in recent years, are considerably higher than in Europe and Germany, mainly due to the higher values in medium-sized establishments. These results suggest a duality of Basque SMEs, with a relatively good positioning of medium-sized companies and a worse positioning of small companies.

There is a duality in the innovation of Basque SMEs: Medium-sized firms are better positioned than small firms

- **Process innovation:** The percentage of innovative SMEs in different process dimensions is, in general, higher than in Spain, but lower than in the EU-27 and Germany, only reaching values similar to those of the EU-27 and Germany in the category of production methods. Small companies are worse positioned than in the EU-27 and Germany in all indicators, with the greatest differences being observed in the categories of organisation and human resources, business practices and external relations, and marketing. In the case of medium-sized enterprises, the ranking compared to the European average is good in innovation in production methods, while it is comparatively worse in the rest of the categories, especially those related to organisational and marketing innovations.
- **Expenditure on innovation:** The distribution of innovation expenditure in the Basque Country has a significant concentration in SMEs, as opposed to the greater weight of large companies in other territories. Particularly noteworthy is the higher percentage of innovation expenditure as a percentage of turnover in medium-sized establishments, as well as the greater weight of internal and external R&D expenditure to the detriment of other innovation expenditure. The explanations for these results can be found in: (i) the lower percentage of large business units in the Basque Country; (ii) the larger average size of large units in the EU-27 and Germany; and (iii) the fact that most of the entities included in R&D services — which have a large weight in innovation expenditure in the Basque Country — are not large.

The main barriers to innovation for Basque SMEs are the existence of other priorities, high costs and uncertain market demand

- **Cooperation in R&D&I:** Cooperation in R&D&I with other agents is an important aspect of innovation in the Basque Country, where 52 % of innovative SMEs cooperate in R&D&I, a much higher percentage than in other territories. This cooperation mainly takes place at regional and national level, with a lower percentage of establishments cooperating abroad than in the EU-27, and the types of agents with which most SMEs cooperate are consultancy firms and technology centres, cooperative innovation centres, research centres and similar.
- **Public aid for innovation:** The percentage of SMEs receiving public aid in the Basque Country stands out, both in general (53 %) and for R&D&I (35 %). The percentage is much higher than in Germany and Spain, with the Basque Government being the administrative level that reaches the highest percentage of establishments, followed by the Provincial Councils.
- **Barriers to innovation:** The most important barriers for Basque SMEs (innovative and non-innovative) are the existence of *other priorities* and *high costs*, followed by *uncertain market demand*. In the case of innovative SMEs, which perceive the barriers to innovation to be the highest, *too high costs of innovation* is the predominant barrier, followed by the *existence of other priorities in the company* and *difficulties in obtaining public aid or subsidies*. In both cases, *knowledge-related* barriers appear as the least relevant barriers.

The innovation strategies of Basque SMEs focus on constant improvement and are low risk and low disruption

- **Business strategies and innovation:** Innovative establishments especially prioritise (i) strategies focused on quality leadership, (ii) improving existing products, (iii) satisfying established clientele and (iv) reaching new groups. Thus, in general, we observe innovation patterns focused on constant improvement, and characterised by low risk and low disruption.

The overall analysis confirms the perception that there is a need for continued attention to increase the number and percentage of SMEs with innovative activity. On the one hand, it is important to continue to foster innovation culture in SMEs, encouraging them to understand the importance of innovative activity for their future competitiveness as an integral part of their strategy. On the other hand, it is important to continue to support the innovative activity of SMEs so that they can address the barriers they face in this process, especially cost barriers and the presence of other priorities in the company. In particular, the situation highlights the need to focus efforts on smaller companies and to continue to promote innovations other than in production methods as levers for SME competitiveness.

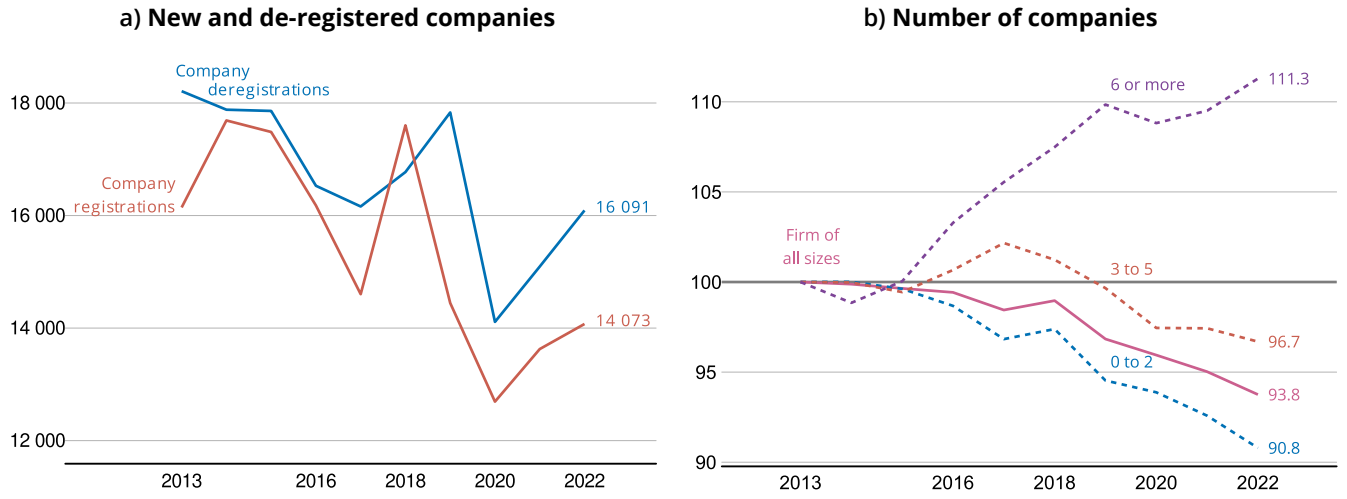
Source: Alkorta *et al* (2024). See the full report at: https://doi.org/10.18543/ECII3722

Table 1-1 also includes two **entrepreneurship** indicators. On the one hand, the rate of entrepreneurial activity, which measures the percentage of the population aged 18-64 in the early stages of entrepreneurship, has improved in the last year, although it is below that of Spain and Germany. Given that the rate of entrepreneurial activity is based on a survey of the population and includes very different types of entrepreneurship, it is interesting to note that a recent report on technology companies (El Referente, 2024) points out that the Basque Country is the fourth Spanish community (after Catalonia, Madrid and Valencia) in terms of the number of technology companies created since 2010 and is above these territories if prorated by the number of inhabitants. On the other hand, the indicator of high-growth companies,[5] which helps to assess whether the companies created are really capable of generating employment, is in decline, at levels similar to those of Spain, but above the average for the EU-27 and Germany.

The average size of Basque companies has increased over the last decade

Entrepreneurship is closely linked to the entrepreneurial dynamism of a territory, and to explore this issue in more depth Graph 1-1 shows the evolution of new and de-registered companies in the Basque Country between 2013 and 2022. After a downward trend in company registrations between 2014 and 2020 (with the exception of 2018, when the number of new companies increased considerably), the number of company registrations has increased in the last two years for which data is available. Given that the number of company de-registrations has remained higher than the number of registrations throughout the entire period analysed, with the exception of 2018, the territory shows a negative net balance of company start-ups. That is, as can be seen in the second part of the graph, which shows the evolution of the number of companies between 2013 and 2022 (base 2013 = 100), the total number of companies has fallen over the last decade. However, the evolution has been very uneven according to employment strata: while the number of smaller firms has fallen, the number of firms with 6 or more employees has increased over the period analysed. This development is also reflected in the increase in the average size of enterprises, which has risen from 5.34 employees in 2013 to 6.23 employees in 2022.

GRAPH 1-1 Business dynamism (2013-2022)



Source: Own elaboration on the basis of Statistics on the creation and death of companies and the DIRAE of Eustat.

[5] Data refer to companies in sectors B-N (except K642). As the calculations take into account the growth rates of the last three years, they are still affected by the impact of the pandemic.

Despite the decline in exports in 2023, the positioning of the Basque Country with respect to the EU-27 average has improved considerably

The last block of indicators in Table 1-1 reflects the results of **internationalisation** with indicators of foreign trade. International exports of goods fell in 2023 in the Basque Country from 37.9 % of GDP to 35.8 %. This has been partly due to the fall in energy exports, but also in non-energy exports, which account for the largest volume of exports and which have fallen to a lesser extent than energy exports (from 34.6 % of GDP to 33.6 %) and also to a lesser extent than in other territories. Indeed, the trend of returning to the levels prior to the peak in post-pandemic exports is also observed in Spain, Germany and the EU-27, but the positioning of the Basque Country with respect to the EU-27 average has improved considerably over the last few years and even in 2023. The ratio of the trade balance of goods to GDP showed an opposite evolution to that of exports in 2023, improving in the Basque Country, and to a lesser extent in the EU-27, to return to close to pre-pandemic levels. This indicates that international imports of goods have fallen proportionally more than exports, both in energy and non-energy goods. In the case of energy, the surplus has increased and in the case of non-energy, the deficit has narrowed. Trade in goods and services has followed a similar pattern to trade in goods.

BOX 1-2 Emerging *International Niche Market Leaders*

What Orkestra calls *International Niche Market Leaders* (INMLs) (see Kamp and Ruiz de Apodaca, 2023) are companies that lead international market niches and act in highly specialised demand spaces. These companies fall within the concept known as hidden champions (Simon, 1996; Simon, 2009; Venohr and Meyer, 2007). Hidden champions are one of the keys to understanding the progress of highly competitive economies of an innovative and open nature, with a high weight of industry in the economic structure, and with a large proportion of their manufacturing companies operating in *Business to Business* markets.

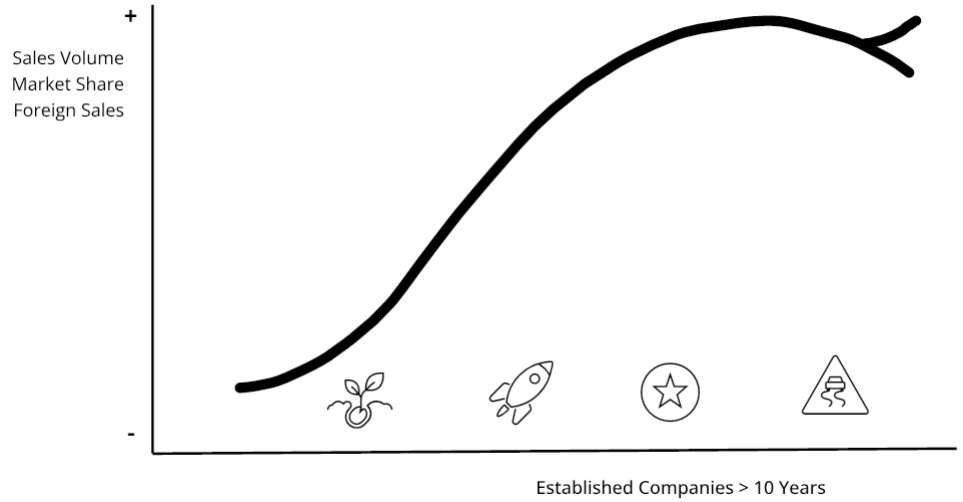
Hidden champions play a crucial role in the economic and social empowerment of the Basque territory

These hidden champions play a crucial role in the economic and social strengthening of the Basque territory. On the one hand, they provide quality employment, are deeply rooted and contribute to the distribution of economic activities throughout the territory. On the other hand, they serve to open the way to foreign markets, make a strong effort in R&D&I and drive strategic sectors.

They employ 15,000 people and are in the top quartile of manufacturing firms in terms of productivity (gross value added per person employed)	They are mainly Basque-owned companies (34% family-owned and 24% cooperatives) and tend to work sustainably with local knowledge agents such as technology centers or vocational training centers.	More than 75% of hidden champions are located outside the main Basque cities.
They export 75 % of their sales and own stakes in 241 companies in 39 countries outside of Spain.	They devote 4% of their turnover to R&D&I, twice as much as the average of other similar companies.	More than 75 % develop their activity in sectors considered key for the Basque economy, with strong economic links with the rest of the productive fabric.

As tangible examples of business success, hidden champions inspire other local companies to explore international markets and invest in innovation, thus fostering a more dynamic and resilient business ecosystem. However, identifying hidden champions is complex, as many of the factors that characterise them are internal to the company or there is no homogenised data that is publicly available. Orkestra has identified four types of NMIs based on their compliance with the characteristics of hidden champions:

1. **Star INMLs:** these are companies with an established international market position and which meet all the characteristics of a hidden champion.
2. **Threatened INMLs:** these are INMLs that, despite their international leadership, are seeing their market position (volume - share) and/or the profitability of their activity threatened.
3. **Emerging INMLs:** these are companies that have a growing international positioning in consolidated niche markets, both in terms of their foreign sales volume and the number of countries and continents in which they sell, although they have not achieved a sufficient international market share to enter the higher categories.
4. **Potential INMLs:** these are *start-ups* or companies operating in unconsolidated markets with a high-growth star product and an international vocation.



A close-up knowledge of INMLs and the strategies behind their success is essential for strengthening the Basque business fabric. Recognising this need, the BBK Banking Foundation and Orkestra have set up the Hidden Champions Observatory, which aims to count the number of INMLs (38 Basque companies uncovered to date); and to map new INMLs (more than thirty other potential INLSs have been identified and are being studied) in order to support them on their way to becoming Star INMLs.

The BBK Banking Foundation and Orkestra have launched a Hidden Champions Observatory

Source: Own elaboration.

1.3 Wellbeing

The economic competitiveness indicators analysed in the previous section provide a vision of the territory's capacity to generate wealth from its economic activities, but the ultimate results of a territory are reflected in the levels of wellbeing that it is capable of generating in its people. In this section, we first present the results in the seven dimensions of wellbeing contemplated in the framework (see Figure 1-1), and then we delve deeper into the state of inclusion in some of these outcomes.

1.3.1 Wellbeing outcomes

Table 1-2 presents the recent performance of the Basque Country in 22 wellbeing indicators, organised in 7 blocks. As in the previous section, the table characterises each indicator according to its own evolution and the comparison with the EU-27, while Annex 2 tracks the long-term evolution of each indicator, both for the Basque Country and for reference territories.

TABLE 1-2 Performance of the Basque Country in wellbeing outcomes

Indicator	Year	Value	Developments (last year)	Relative positioning EU-27	
				Level	Change
WELLBEING OUTCOMES					
Satisfaction with life					
Satisfaction with life (0-10)	2023	7.3	←	=	--
Material life					
Equivalent median annual household income (€)	2022	19 920	←	↑	--
Share of people at risk of poverty or exclusion (AROPE) (%)	2023	15.5	→	↑↑	=
Ratio of S80/S20 quintiles by income	2023	5.0	=	↓↓	=
People who cannot afford to keep the dwelling at an adequate temperature (%)	2023	11.5	←←	↓↓	--
Employment					
Unemployment rate (% of population 15-74 years)	2023	7.6	→→	↓↓	++
Level of job satisfaction (0-10)	2023	7.4	→	n/d	n/d
Gender pay gap per hour worked (%)	2022	8.8	←←	n/d	n/d
Social life					
Satisfaction with the time available (0-10)	2022	6.9	=	n/d	n/d
Trust in people (0-10)	2023	6.3	→	↑↑	-
Property crime rate (per 100 000 inhabitants)	2022	895	←←	↑↑	--
Learning					
Upper secondary or tertiary education (% population 25-64 years)	2023	78.8	→	↓	+
Lifelong learning (% population 25-64 years)	2023	18.2	→	↑↑	--
PISA average scores in maths, reading and science	2021	476	←	=	-
Health					
Perceived health status (% of people in good or very good health)	2022	73.4	←	↑↑	=
Life expectancy at birth (years)	2022	83.5	=	↑	-
Premature deaths due to air pollution (PM2.5) (per 100 000 inhabitants)	2021	31.3	←	↑↑	++
Environment					
Greenhouse gas emissions (tonnes CO_2 equivalent per capita)	2022	8.4	←←	↓↓	--
Air pollution (annual average concentration of particulate matter PM2.5 in ug/m3)	2022	9.5	←←	↑↑	--
Municipal waste recycling rate (%)	2022	47.4	→	↓	++

Source: Own elaboration based on the graphs and sources included in Annex 2.

Life satisfaction, a subjective measure of the overall wellbeing of the population, has decreased slightly in the Basque Country in 2023, returning to pre-pandemic levels after its rise during 2020. It is now at a level very similar to the EU-27 average (and above Germany and Spain).

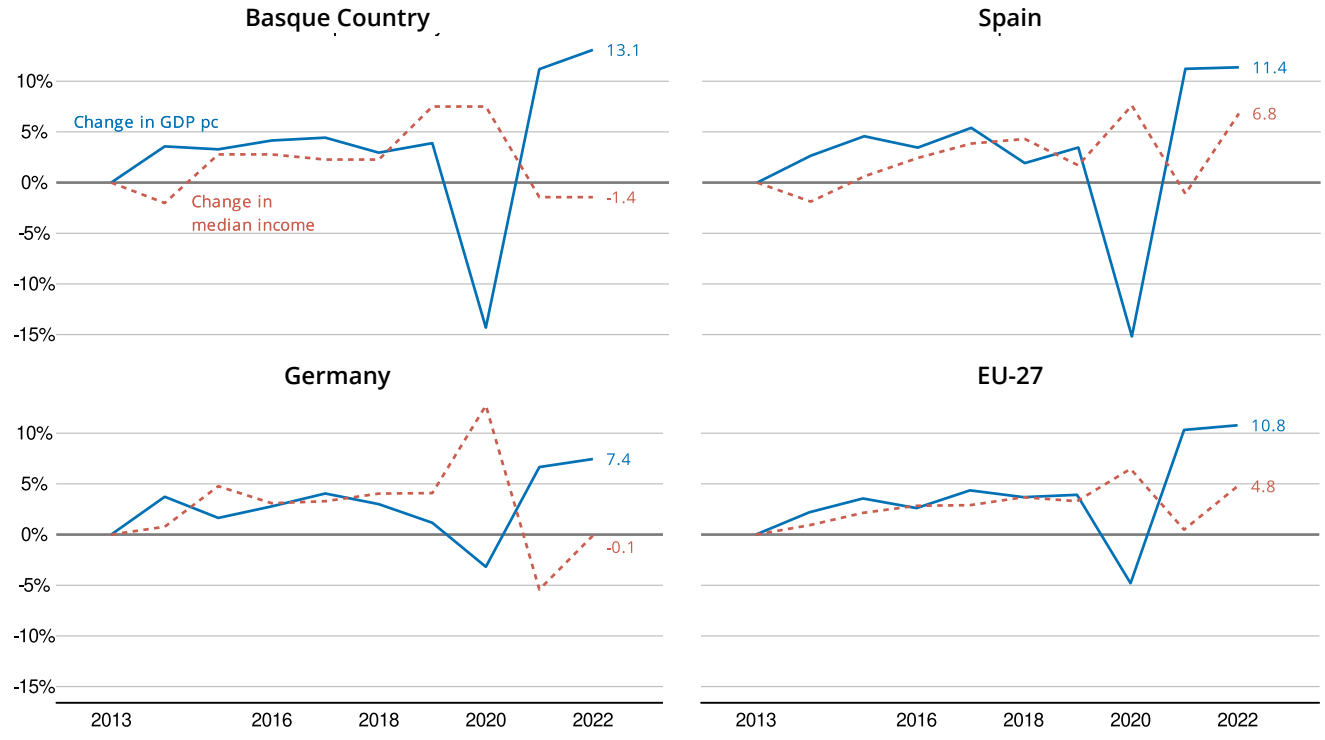
In the indicators of **material life,** the Basque Country is relatively well positioned, above the EU-27 average in two of the four indicators. However, as we shall see below, the evolution of the different indicators presents a mixed picture.

Life satisfaction in the Basque Country is similar to the EU-27 average (and above Germany and Spain)

With respect to overall material living standards, the Basque Country (€19 920) continues to rank above the EU-27 (€19 089) in the key indicator of median equivalised household income, but this indicator worsened slightly between 2020 and 2022. Moreover, the fact that this trend is occurring simultaneously with a robust upward trend in GDP per capita suggests that: (i) less of the benefits of economic growth are reaching households; (ii) the composition of households is changing; or (iii) a combination of both.

To further explore this important relationship between the economy's capacity to generate income and the income received by the median household, Graph 1-2 shows the variation in the two variables for the Basque Country, Germany, Spain and the EU-27 average over the last decade. It is interesting to note that in all four cases the variation in the two variables had been similar until the start of the pandemic in 2020, with the two lines in the graph very close to each other. But since the pandemic, which led to a sharp fall in GDP per capita in all territories at the same time as an increase in median household income, the two lines show a divergence. We can assume that this divergence in the pattern has been precipitated by the initial shock of the pandemic and by the policy adjustments put in place first to protect household

GRAPH 1-2 Change in GDP per capita and median equivalised household income (2013-2022)



Source: Own elaboration based on Eustat and Eurostat.

incomes during the pandemic and then to foster economic recovery. This divergence has been deeper in the Basque Country and Spain than in the EU-27 as a whole or Germany, and the decline in median household income in the Basque Country in 2021 and 2022 implies that the gap has not yet began to narrow, as it has in the other territories.

The top quintile has 5 times more income than the bottom quintile, and this ratio has remained stable over the last decade

The other three indicators of material life reflect, in different ways, the inclusion of the population in the economic fruits of the territory. The S80/S20 quintile ratio is a measure of existing economic inequality, comparing the income of the 20 % of the population with the highest income with the income of the 20 % of the population with the lowest income. In the Basque Country, the highest quintile has 5 times more income than the lowest quintile, and this ratio has remained very stable over the last decade. This ratio is now slightly above the EU-27 average (4.7) and Germany (4.4), whose ratios have fallen over the last 2 years, and slightly below Spain (5.5), whose ratio is also declining. Moreover, as shown in Box 1-3, a recent study by Orkestra in collaboration with Kooperatiben Kontseilua has found a relationship between this inequality indicator and the presence of cooperative enterprises in the different counties of the Basque Country.

The proportion of people at risk of poverty or exclusion continued its downward trend in 2023 after its rise during the pandemic

Despite the decline in median household income and a stable level of inequality, it is positive that the proportion of people at risk of poverty or exclusion in the Basque Country continued its downward trend in 2023, after its rise during the pandemic. At 15.5 %, it is significantly lower than the average for the EU-27 (21.4 %), Germany (21.3 %) and Spain (26.5 %). However, the proportion of people who cannot afford to keep their homes at an adequate temperature rose in 2023 to stand slightly above the European average, although well below Spain.

BOX 1-3 Contribution of cooperatives to wellbeing in the counties of the Basque Country

The United Nations General Assembly in its session A/78/187 of 17th July 2023 recognised that, because of their values and principles, cooperative enterprises are directly relevant to sustainable development. The report also states that cooperatives have proven to be able to promote the economic and social development of all people, including women, youth, older persons, persons with disabilities and Indigenous Peoples. It also concludes that they contribute to social inclusion and the eradication of poverty and hunger, and that they promote sustainable development in its three dimensions: social development, economic development and environmental protection.

55 268 people in the Basque Country are employed in 1 848 cooperatively-owned companies

According to data provided by Eustat, employment in cooperatives in the Basque Country stood at 55 268 people in 2023, distributed among 1 848 companies. In some counties, the percentage of cooperative employment represents more than 10 % of total employment, as is the notable case of Debagoiena (41.7 %) or the cases of Bizkaia Kosta (11.8 %) or Goierri-Tolosaldea (11.2 %).

In the project currently being carried out by Orkestra in cooperation with Kooperatiben Kontseilua, an attempt has been made to verify the relationship between the presence of cooperatives in the counties of the Basque Country and inequality indicators such as the population at risk of poverty or social exclusion, the gender pay gap, the median equivalent annual income or the S80/S20 ratio between the per capita income of the 20 % of the population with the highest income and that of the 20 % with the lowest income.

In the following table, the counties of the Basque Country are presented in rows in decreasing order according to their percentage of cooperative employment, alongside the aforementioned indicators. The relative position of each county in the quartile associated with each equality indicator is established by colour as follows: green for the first quartile, yellow for the second quartile, salmon for the third quartile and dark orange for the fourth quartile. It should be noted that the organisation of the indicators into quartiles does not reflect absolute positions of the equality indicator but relative positions among all the counties.

Relationship between the percentage of cooperative employment and equality indicators by counties

County	People at risk of poverty or exclusion (%)	Wage gap (%)	Equivalent median annual income (€)	S80/S20 (ratio)	Employment in cooperatives / total (%)
Debagoiena	11.80	16.0	22 710	3.6	41.7
Bizkaia Kosta	19.66	12.8	21 381	3.3	11.8
Goierri-Tolosaldea	15.68	18.1	20 087	3.8	11.2
Durangaldea	16.52	21.4	17 750	3.3	9.2
Debabarrena	22.07	17.8	20 556	3.9	5.4
Donostialdea	17.90	14.6	20 500	4.1	4.7
Aiara	10.61	23.1	22 800	3.6	4.5
Gasteiz	19.78	8.9	19 457	3.9	3.2
Ezkerraldea	20.58	21.7	18 673	3.7	3.1
Bilbo	23.99	10.4	19 646	4.7	3.0
Eskuinaldea	20.75	20.5	22 467	4.8	2.9
Araba hegoaldea	19.78	16.8	18 140	3.5	0.1

Source: Own elaboration based on data from the Poverty and Social Inequalities Survey (EPDS) of the Basque Government (Dept. of Equality, Justice and Social Policies) and Eustat.

The reality of a county is complex and subject to different past and present circumstances that can affect its current socio-economic reality, and the presence of cooperatives is just one of them. However, the following realities can be observed from the analysis of the data:

- The three counties with the highest cooperative employment present a more balanced situation in the variables analysed than the rest of the counties and none of them present indicators located in the fourth quartile. The case of Debagoiena (41.7 % cooperative employment) is in the first quartile of two of the variables analysed and in the second quartile of the two remaining indicators.
- The variable where the percentage of co-operative employment in the county has the greatest impact is on the ratio (S80/S20). None of the 5 counties with the highest cooperative employment is in the fourth quartile of this equality indicator.
- Moreover, according to other analyses of the project, a correlation can also be found between the percentage of cooperative employment in the counties and other variables that contribute to equality, such as the registered unemployment rate or the percentage of industrial employment.

In the absence of more detailed analysis on the relationship between cooperatives and equality, the evidence presented suggests a correlation between cooperative employment rates and various equality indicators as mentioned in the UN report. The UN report encourages governments to review existing legislation and regulations to make the national legal and regulatory environment more conducive to the creation and growth of cooperatives.

Source: Own elaboration.

The three counties with the highest cooperative employment have a more balanced situation in equality indicators

After a steady decline since 2017, the gender pay gap per hour worked increased in the last year to 8.8 %

The evolution of **employment** indicators has seen improvements in the degree of job satisfaction (which stands at 7.4 out of 10) and in the unemployment rate (7.6 %). While the latter is still above the EU-27 average (6.1 %), the gap is narrowing year after year. However, the gender pay gap per hour worked, after a steady decline since 2017, increased last year, standing at 8.8 %, up from 7.3 % the previous year. This is because the hourly wage per hour worked increased more for men than for women. This is an issue to which we will return in chapter 3.

The **social life** indicators present a mixed picture. People's satisfaction with their free time is stable (6.9 out of 10) following increases over the last decade (although there is no recent comparison with other territories). Trust in people has increased from 6.1 out of 10 in 2022 to 6.3 in 2023, recovering some of the decline experienced during the pandemic. But property crime per 100 000 inhabitants reached 895 in the Basque Country in 2022, an increase of 31 % over the previous year, although the level of crime remains significantly below the EU-27 average and only slightly above Spain.

The Basque Country leads in lifelong learning, but PISA results show a greater decline than the European average in scores in maths, reading and science

We use three indicators to measure the results of the **learning** dimension of wellbeing, which is important because the need to learn is a fundamental human characteristic. On the one hand, the proportion of the population aged 25-64 with upper secondary or tertiary education continues its upward trajectory in the Basque Country and at 78.8 % has almost reached the European average (79.8 %). On the other hand, with 18.2 % of the population aged 25-64 having participated in training or apprenticeship activities in 2023, the Basque Country maintains its leadership in lifelong learning, standing well above the 12.8 % European average. Finally, new results from the Programme for International Student Assessment (PISA), which have been published since the previous Competitiveness Report, show a worrying decline in the average score in mathematics, reading and science, which, moreover, is greater than the decline experienced in the EU-27 average.

Health is a dimension of wellbeing in which the Basque Country has traditionally performed well. Despite a decline in the proportion of the population who perceive their state of health as good or very good (from 74.8 % to 73.4 %) and a slight increase in premature deaths due to particle pollution (from 30.9 per 100 000 inhabitants to 31.3), the Basque Country maintains its leadership with respect to the EU-27 average (and with Germany) in these two indicators and in life expectancy (83.5 years).

Greenhouse gas emissions increased by 5% in 2022, opening a negative gap with the EU-27 average (whose emissions fell by 1.3 %)

The last block of wellbeing outcomes relates to the **environment,** because of its impact on people's health and quality of life, both now and for future generations. Both greenhouse gas and air pollutant emissions increased in 2022. Part of this increase is due to the fall in renewable energy production (see the analysis of natural capital leverage below) and the increase in gas demand. In the case of greenhouse gases, the 5 % increase has opened a negative gap with the EU-27 average, whose emissions fell by 1.3 %, and puts the Basque Country even further away from reaching the reduction levels that would be necessary to tackle climate change. However, with an increase that places the urban waste recycling rate at 47.4 % in 2022, the Basque Country has almost closed the negative gap with the EU-27 average in this indicator, although it remains a long way behind Germany (69.1 %).

1.3.2. Inclusion in wellbeing outcomes

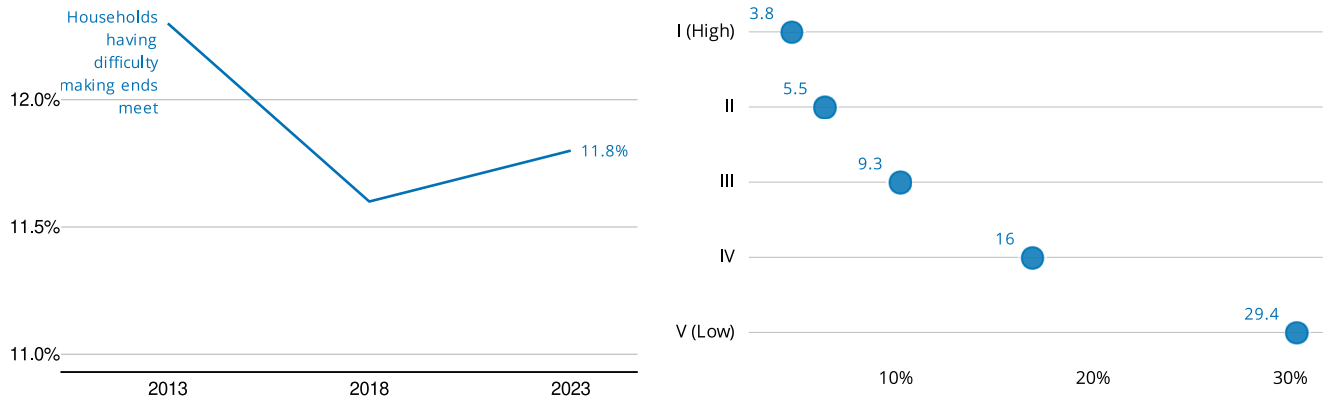
In this section we take a closer look at the inclusion of people with different levels of income and education in some of the dimensions of wellbeing discussed above, focusing on those indicators where the greatest differences are apparent when comparing the mean values for each group. Subsequently, in Chapter 3 we look in more detail at inclusion specifically by age, gender and place of origin.[6]

Overall, the level of inclusion in material life is positive and rising

With regard to **material life**, in the previous section we have seen that the proportion of people at risk of poverty or exclusion in the Basque Country stands at 15.5 %, significantly below the EU-27 average, having fallen in recent years after its increase during the pandemic. On the other hand, Eustat's Poverty and Social Needs Survey reveals that the overall Basque population with low income or relative poverty was 16.5 % in 2022 and the group at risk of basic needs poverty[7] was 4.9 %, a figure that has also fallen since 2020. These figures suggest that the level of inclusion in material life in the Basque Country is good and continues to rise.

However, there are nuances to this general picture. On the one hand, and perhaps related to the high levels of inflation in recent years, the evolution of specific deprivation indicators in the income and maintenance dimension — "Does not currently cover basic expenses" (3.2 %), "Unpaid or late payments (rents, credits, mortgages, bills)" and "Other problems associated with subsistence-Cold at home in the last winter" — have worsened in 2022 with respect to 2020. On the other hand, the percentage of Basque households reporting difficulties in making ends meet broken down by level of income, highlights the differences in the ability to have a basic material standard of living (see Graph 1-3). While the overall percentage (11.8 %) in 2023 is similar to the previous two years of the survey (2013 and 2018), there is

GRAPH 1-3 Evolution of households having difficulty making ends meet (% of total households, 2013, 2018 and 2023) and by income quintile (% of quintile households, 2023)



Source: Own elaboration on the basis of the Osagin Health Survey of the Basque Government Department of Health.

[6] Although we do not explicitly address gender inclusion in this section, the gender disaggregation of some of the indicators is included in Annex 3.

[7] This refers to a situation of insufficient financial resources to cover, in the short term, basic needs, particularly those related to food, housing, clothing and footwear. Households are at risk of severe poverty if, in a given reference period, their income is below the thresholds indicated for meeting these basic needs according to the size of the household and the age of the reference person in the household.

a large variation by income level. 29.4 % of households in the lowest income quintile struggle to make ends meet, compared to 3.8 % of households with higher incomes.

Lack of affordable housing supply is a key barrier to the wellbeing of young people

Another important dimension of inclusion in material life is access to housing, and the figures show that in 2023 the lack of affordable housing supply in the Basque Country is a key barrier for people of different levels of education and economic activity (see Table 1-3). The lack of inclusion in the housing market is evident when we see that 73.7 % of people aged between 18 and 44 who require access to their first home have incomes of their own (either insufficient/unstable or sufficient). Their circumstances are partly linked to their employment situation, although it should be noted that almost half (48.1 %) of those who require access to their first home and have insufficient income are in permanent employment. It can also be observed that among those in housing need, there is a high percentage of university students.

TABLE 1-3 Distribution of 18-44 year-olds requiring access to a first home by level of education and economic activity (2023)

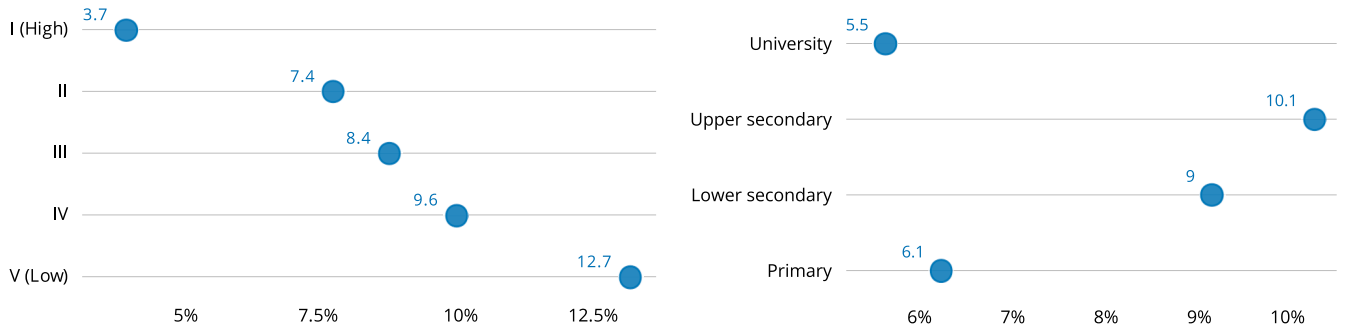
	Total	Level of education				Economic activity				
		No education / Primary education	Professional studies	Secondary education	University studies	Non-salaried	Permanently employed	Temporarily employed	Unemployed	Another situation
No income	26.3	13.8	25.2	32.5	28.5	0	0	0	43.4	56.6
With insufficient / unstable income	59.0	11.9	31.4	12.7	44	4.4	48.1	41.6	3.3	2.6
With sufficient income	14.7	4.8	30.6	14.1	50.5	14.3	66.8	18.8	0	0

Source: Own elaboration based on the Eustat survey on housing needs and conditions.

Dissatisfaction with work is higher among workers with lower incomes

Employment is another dimension of wellbeing where relevant data disaggregated by income level and educational attainment are available to facilitate the analysis of inclusion in different aspects. As can be seen in Graph 1-4, there is a clear relationship between income level and job dissatisfaction, as the frequency of feeling dissatisfied increases with decreasing income. The dissatisfaction gap between the extreme income groups stands at 9 percentage points in 2023. On the other hand, there is no clear relationship between job dissatisfaction and educational attainment, and it is people with upper secondary education who are less satisfied with their jobs.

GRAPH 1-4 Job dissatisfaction by income level and educational attainment (% of group, 2023)

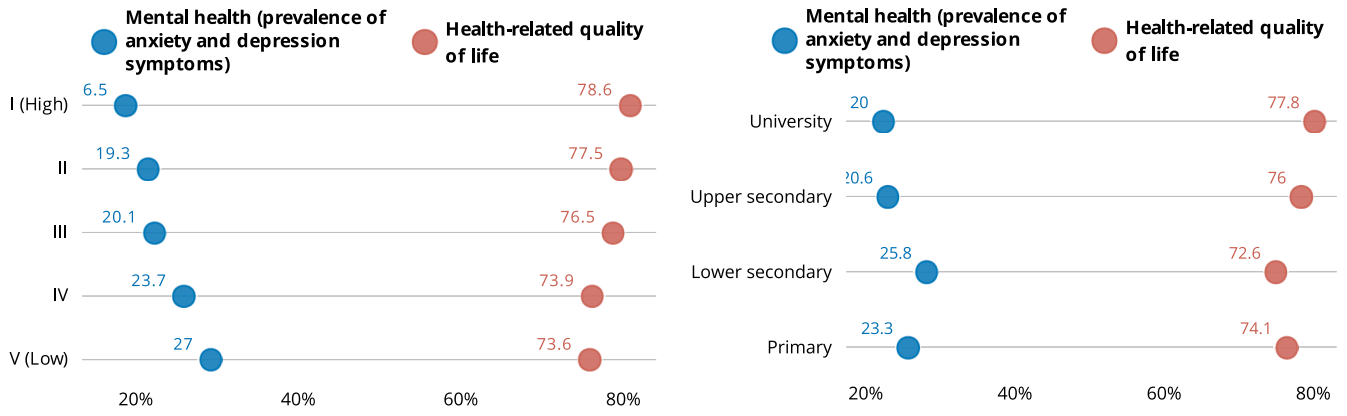


Source: Own elaboration based on the Osagin Health Survey of the Basque Government Department of Health.

Finally, with respect to the **health** dimension of wellbeing**,** Graph 1-5 shows that the average values of self-perceived health-related quality of life generally increase as income increases, with a difference of five percentage points between the highest and lowest income brackets. Moreover, the prevalence of symptoms of anxiety and depression, a measure of mental health, shows an inverse relationship with income level, consistent with health-related quality of life outcomes. The implication is that inclusion in health outcomes is conditional on income, with people in the lower-middle segment of the income distribution perceiving poorer health. The relationship with respect to educational attainment is similar in the sense that it is people with lower educational attainment (primary and lower secondary) who have poorer mental health and poorer perceptions of their health-related quality of life.

Inclusion in health outcomes is conditional on income, with people on lower-middle incomes perceiving poorer health

GRAPH 1-5 **Self-perception of health by income level and educational attainment (% of each group, 2023)**



Source: Own elaboration based on the Osagin Health Survey of the Basque Government Department of Health.

1.4 Dynamic levers for competitiveness and wellbeing

After analysing the most recent competitiveness and wellbeing results in the Basque Country – the central part of the framework illustrated in Figure 1-1 – in this section we analyse the key indicators in each of the six dynamic levers where the policies

and strategies of firms, governments and other territorial actors can have an impact (the right-hand side of the framework). As in previous sections, the indicator data are presented in Table 1-4 and the evolution graphs in Annex 4.

TABLE 1-4 Performance of the Basque Country in competitiveness levers

Indicator	Year	Value	Evolution (last year)	Relative positioning EU-27	
				Level	Change
COMPETITIVENESS LEVERS					
Natural capital					
Energy intensity (tonnes of oil equivalent/M€)	2022	85.8	→	↑↑	--
Share of renewable energy in gross final energy consumption (%)	2022	18.2	←←	↓↓	--
Environmental tax revenue (% GDP)	2021	1.75	→	↓↓	++
Employment in the environmental goods and services sector (% total employment)	2021	2.06	→	↑↑	--
Gross value added in the environmental goods and services sector (% GDP)	2021	1.95	←	↑↑	--
Physical capital					
Gross capital formation (% GDP)	2023	24.3	←	↑↑	--
Physical capital stock (times GDP)	2023	3.2	←	↑↑	--
Gross capital formation in capital goods (% total gross capital formation)	2023	40.1	→	↑↑	+
Funding					
Equity to assets (median, %)	2023	49.0	→	n/d	n/d
Stock of inward foreign direct investment (FDI) (% GDP)	2022	26.6	←←	↓↓	--
Stock of outward foreign direct investment (FDI) (% GDP)	2022	95.1	→→	↑↑	++
Knowledge					
Total R&D expenditure (% GDP)	2022	2.08	←	↓↓	-
EPO scientific patents per million inhabitants (three-year average)	2022	49.6	←←	↓↓	++
WOS scientific publications per million inhabitants (three-year average)	2022	3 814	←	↑↑	=
Percentage of EPO patents in environmental technologies (% total patents)	2021	18.7	→	↑↑	++
Human capital					
Medical personnel (per 100k inhabitants)	2021	560	=	↑↑	-
Population aged 25-34 with upper secondary or tertiary education (ISCED 3-8) (%)	2023	87.7	→	↑	++
Population aged 25-34 with tertiary education (ISCED 5-8) (%)	2023	67.6	→→	↑↑	+
Employment rate (% population 15-64 years)	2023	69.9	→	=	+
Percentage of employed people with ICT skills (%)	2023	5.3	→	↑↑	=
Percentage of ICT graduates (%)	2022	4.8	→→	↑↑	-
Social capital					
Quality of Governance Index	2024	0.05	←←	↑	n/d
SMEs cooperating in R&D (% CORE est.)	2022	23.4	→	↑↑	++
Publications with industry cooperation (three-year average) (% publications)	2022	2.44	→	↓↓	++

Source: Own elaboration based on the graphs and sources included in Annex 4.

The first lever is **natural capital**, which is important because the competitiveness of a territory and its companies can be improved through greater efficiency and productivity in the use of materials, energy and other resources, a smaller environmental footprint, and innovation towards greener products and services and nature-based solutions.[8] Here we consider indicators related to energy, environmental taxation and the weight of the environmental goods and services sector.

Energy indicators show that the Basque Country continues to improve its energy intensity (ratio of gross domestic energy consumption to GDP), where it has a consolidated advantage over the EU-27 average (and also Germany and Spain), although the gap with Germany is gradually narrowing year by year. On the other hand, the share of renewable energies in gross final energy consumption declined in the Basque Country, from 20.2 % in 2021 to 18.2 % in 2022, while this share in other territories continued to increase. Such a decline in one year is relatively common given that both renewable production and energy consumption are variable.[9] However, it is noteworthy that the Basque Country lags behind the EU-27 average on this indicator with a gap that has not diminished over the last decade (see Annex 4). Furthermore, the way in which the energy transition is carried out has an impact on elements of inclusion in the wellbeing outcomes analysed in the previous section (see Box 1-4).

The Basque Country continues to improve its energy intensity, but still lags behind the EU-27 average in terms of renewable energy share

The ratio of environmental tax revenue to GDP increased in the Basque Country in 2021, recovering the fall of 2020 and standing at 1.75 %, a level very similar to that of Germany and Spain. However, it is still significantly below the EU-27 average (2.24 %).

Finally, the indicators reflecting the weight of the environmental goods and services sector in the economy show a good positioning with respect to the EU-27 average,[10] but a stagnation in terms of growth in recent years after the strong growth experienced until 2019. The Basque Country's Environmental Cluster Management Organisation, Aclima, has 124 associated entities (94 private companies, 18 public entities, 6 technology centres, 4 universities and 2 international associations) that generate employment for 7 856 professionals, and had a turnover of 2 101 million euros in 2021 (5 % of Basque GDP).[11]

[8] The Competitiveness Report 2023 provided a detailed analysis of the relationship between competitiveness and environmental sustainability in the Basque Country (Orkestra, 2023).

[9] In fact, in 2022 renewable production at national level fell by 4 % according to data from Red Eléctrica, mainly due to the decrease in hydroelectric production and despite reaching maximums in wind and solar photovoltaic. As a result, and despite a slight reduction in final energy consumption, the Basque Country saw a reduction in this ratio, given that a significant part of its energy consumption in general, but electricity in particular, comes from the rest of Spain (see https://www.sistemaelectrico-ree.es/2022/informe-del-sistema-electrico/generacion/generacion-de-energia-electrica/generacion-renovable-de-energia-electrica).

[10] It is important to bear in mind that these data are not fully comparable, as the Basque Country includes some additional elements, which, as they are not compulsory, are not included in the data for the EU-27, Germany and Spain.

[11] Aclima (2024), retrieved from https://aclima.eus/somos/. The partners, generally small in size, are organised around six major cross-cutting value chains that are interlinked with the rest of the economy: (i) waste (minimisation, reuse, recycling, management and recovery); (ii) contaminated land (research and remediation); (iii) integrated water cycle; (iv) air and climate change; (v) ecosystems; and (vi) eco-efficient production and eco-design.

BOX 1-4 Just energy transition

Sustainable energy transition requires major social transformations, including the empowerment of consumers

The energy transition towards environmental sustainability goes beyond technological change and resource availability. It implies important social and behavioural transformations in a context where all actors in the system, especially consumers, must be involved.

The transition should drive the empowerment of consumers and the adoption of an active role as opposed to their traditional role as passive consumers. The transition will facilitate households' access to self-consumption solutions and energy communities, to flexible services through smart charging of electric vehicles and demand response with the use of smart meters and smart appliances. Energy communities contribute to social equity and energy justice, where community benefits are maximised and community participation is increased, recognising marginalised or vulnerable groups (Caramizaru and Uihlein, 2020).

The Basque Country is the main pole of development of energy communities in Spain, with 31 % of the total (118 of the 386 that were active in 2023), and around three times more than the next three autonomous communities with the highest number of active energy communities (Catalonia, 43; Valencia, 40; and Navarra, 36) (Valero *et al.*, 2021).

However, not all groups can participate in the benefits of the energy transition and renewables. Knowledge of technological and social innovations, skills development training, participation in decision-making and control over available resources are necessary. However, unequal access to resources can lead to exclusion from the transition, especially for groups living in energy poverty (DellaValle and Czako, 2022).

One of the determinants of energy poverty is high energy prices.[12] The deployment of renewable energy sources is expected to lead to lower electricity prices on the wholesale market, which could help to alleviate energy poverty if lower generation costs are passed on to the final consumer. However, this decrease is not guaranteed, as electricity bills do not only depend on generation costs.

Improvements in household energy efficiency are also expected from the electrification of heating (heat pumps) and transport (electric vehicles), as well as changes in people's behaviour (car sharing). Zhao *et al.* (2022) conclude that in Europe an increase in renewable energy consumption and improved energy efficiency will lead to a decrease in energy poverty.

Decarbonisation through renewables requires new investments in generation technologies, smart grids, and others, for which, in addition to financing, professionals are needed in areas such as digitalisation, equipment manufacturing, installers, etc., activities with relatively high salary levels.

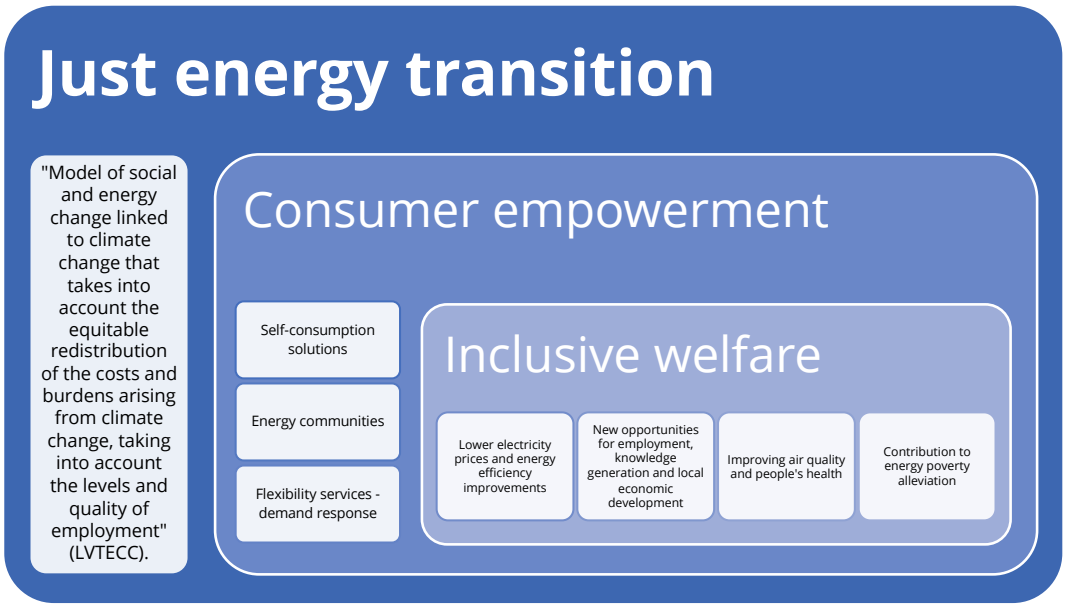
Community-led renewables projects will create jobs, increase energy access, promote social cohesion, and reduce inequality

This investment will lead to a reduction in greenhouse gas and particulate pollutant emissions, generating benefits around climate change mitigation, improved air quality and consequently lower premature deaths and health costs related to air pollution-related conditions. In the EU, it is estimated that emission reductions will prevent 58 000 premature deaths and generate savings of between 40 and 140 billion of euros in health costs from the impact of poor air quality (European Council, 2020; Deloitte *et al.*, 2021).

Renewable projects that also involve community participation will generate employment and promote local economic development, favour access to energy, foster territorial and social cohesion, and increase the attractiveness of counties and provinces, while reducing inequality in the territory.

[12] See: https://energy.ec.europa.eu/topics/markets-and-consumers/energy-consumer-rights/energy-poverty_en

Just energy transition for inclusive wellbeing



Note: LVTECC - Law 1/2024, of 8th February, on Energy Transition and Climate Change.

Source: Own elaboration.

For the **physical capital** lever we include indicators of gross capital formation and capital stock. The Basque Country is well positioned with respect to the EU-27 average and Germany in both areas. However, both gross capital formation over GDP and the stock of physical capital fell slightly in 2023 and the latter did so to a greater extent than in the EU-27 and Germany, where, in fact, it increased slightly last year. Within gross capital formation, what did increase was the proportion allocated to capital goods, standing at 40.1 % and widening the gap with respect to the other territories (30.6 % in Germany and 29.5 % in the EU-27).

Inward FDI is structurally lower than the amount of FDI that Basque companies undertake abroad

In terms of **finance**, it is worth highlighting the positive evolution of the equity-to-assets ratio, a structural indicator that refers to the funds that shareholders have invested in companies, which has been improving and now stands at 49 %. On the other hand, the economy's investment position abroad has been maintained. Outward foreign direct investment (FDI) stock (95 % of GDP) is clearly higher than that of economies such as Spain or even Germany and is associated with the high degree of internationalisation of Basque companies. However, the inward FDI stock, already structurally low, fell slightly in the last year, in contrast to what happened in other territories. These data corroborate Kamp *et al* (2024), who found that the amount of inward FDI is structurally lower than the amount of FDI that Basque companies undertake abroad over time; also, the vast majority of inward investment is for acquisitions of existing business projects.

BOX 1-5 Business groups in the Basque Country: A dynamic overview

Of the 11 265 Basque companies belonging to business groups, 76 % have Basque parent companies

The evolution of business groups reflects the corporate structure of an economy as well as the capital investment flows it makes abroad (outward FDI) or receives (inward FDI). Research carried out by Orkestra and *Deusto Business School*, with the support of the Basque Finance Institute, has identified 11 265 companies in the Basque Country (out of a total of 24 618 companies analysed) that belong to 4 230 business groups, 3.4 % more than in 2023 (Garmendia-Lazcano *et al.*, 2023). Among the business groups identified, the presence of foreign groups is a minority, as 76 % have a Basque parent company, compared to 13 % with a Spanish parent company from outside the Basque Country and 11 % with a foreign parent company.

The novel dynamic analysis based on the work of Garmendia-Lazcano *et al.* (2023) indicates that there is a slight increase in firms belonging to foreign business groups, which may be indicative of a structural change in the composition of the economy:

Basque companies affiliated to groups	2023		2024	
Basque parent company	8 371	77 %	8 591	76 %
Non-Basque Spanish parent company	1 385	13 %	1 466	13 %
Foreign parent company	1 142	10 %	1 208	11 %
	10 898	100 %	11 265	100 %

Other trends observed in the composition of business groups include:

- **Evolution in the type of shareholder:** The presence of companies (+0.5 percentage points) and venture capital (+0.1 percentage points) has increased among the shareholders of Basque companies, while the participation of private shareholders, who are the main type of shareholder with a weight of 66.4 %, has decreased by 0.6 percentage points. Full control is preferred by all types of shareholders, except private equity, which tends to opt for a minority type of control (<50 %).
- **Sectoral diversification and internationalisation:** One of the most outstanding features is the capacity of Basque business groups to diversify their activities and expand beyond the regional sphere. 48 % of Basque subsidiaries do not belong to the same sector of activity as their parent company. This effect is particularly intense in the industrial sector, where we observe a diversification of industrial activity to other activities, especially those linked to services (the industrial parent companies have 217 subsidiaries in service activities). Moreover, 26.2 % of the groups with a parent company in the Basque Country have a subsidiary abroad.

There is a greater presence of Basque business groups abroad than foreign groups in the Basque Country

- **A region connected with other territories:** There is a greater presence of Basque business groups abroad than of foreign groups in the Basque Country (a particularly favourable difference with America and Asia-Oceania). The main 20 countries where Basque business groups are present are in Europe (456 groups with 774 subsidiaries), North America (251 groups with 826 subsidiaries), South America (182 groups with 372 subsidiaries), and Asia-Oceania (111 groups with 224 subsidiaries). In contrast, an analysis of the origin of foreign business groups reveals a significant presence of groups from Europe (429 groups with 830 subsidiaries), a notably smaller presence of groups from North America (116 groups with 249 subsidiaries) and a token presence of groups from Asia-Oceania (21 groups with 34 subsidiaries).

Source: Own elaboration based on Garmendia-Lazcano ***et al.*** (2023) and SABI - Informa.

The indicators for the **knowledge** lever, as in previous years, are mixed. On the one hand, after peaking (2.11 %) in 2021, total R&D expenditure as a percentage of GDP fell slightly to 2.08 % in 2022 (while R&D expenditure rose substantially, GDP rose even more). It remains just below the EU-27 average (2.24 %) and well below our benchmark regions Upper Austria (3.51 %) and Baden-Württemberg (5.59 %).

R&D expenditure as a percentage of GDP (2.08 %) remains just below the EU-27 average (2.24 %) and well below Upper Austria (3.51 %) or Baden-Württemberg (5.59 %)

The level of patents per million inhabitants in the Basque Country continues to be lower than in the EU-27, and even lower than in the other benchmark territories. However, the decline identified for this indicator in all territories in 2022 is due the data not yet being complete, and the decline shown in the Basque Country is so far relatively lower than in the EU-27. Something similar happens with the indicator of scientific publications per million inhabitants, which shows a decline in all territories, and less so in the Basque Country, which maintains its position well above the EU-27 average and the other territories considered.

The evolution of the percentage of patents in environmental technologies is also positive, especially relevant given the importance of innovation in this field for the transition towards environmentally sustainable competitiveness (Orkestra, 2023). It increased to 18.7 % in 2022, and is well above the EU-27 average, which has fallen to 12.8 %.

The percentage of patents in environmental technologies (18.7 %) is well above the EU-27 average (12.8 %)

Along with green transition, digital transition affects all sectors of the economy and society, and knowledge related to digitalisation is particularly critical for the competitiveness of companies and the wellbeing of people. To delve deeper into the situation of the Basque Country in this specific knowledge dimension, Box 1-6 provides the main results and key messages of a recent Orkestra Report on the Basque Country's digital economy and society (Franco *et al.*, 2024).

BOX 1-6 The digitalisation of the Basque economy and society

In December 2022 the European Parliament and the European Council took the decision to declare this decade a Digital Decade to highlight the importance of this dimension and to broaden the European policy approach to digital transformation. As a consequence, the DESI (Digital Economy and Society Index) has assumed greater importance in monitoring digitisation in Europe, with the first edition of the annual State of the Digital Decade report published in September 2023 (European Commission, 2023b). This report compares the performance of member states in a *dashboard* structured in 4 dimensions: (i) digital skills; (ii) digital infrastructures; (iii) digital transformation of enterprises; and (iv) digitisation of public services. The report by Franco *et al* (2024) applies this *dashboard* to the Basque Country, with the following results.

Indicator	Value (latest year)	Position	Position with respect to EU-27 average	Ranking
1 Digital competencies				
1a1 Internet users	↑	↗	▲	
1a2 Digital skills, at least at basic level	--	--	▲	
1a3 Digital skills, above basic level	--	--	▲	
1a4 Digital content creation skills, at least basic level	--	--	▲	
1a5 Companies providing ICT training	↑	→	▲	
1a6 Women with digital skills, at least basic level	--	--	▲	
1b1 ICT specialists	↑	↑	▲	
1b2 ICT graduates	↑	↓	▲	
1b3 Women ICT specialists	↑	↑	▲	
2 Digital infrastructures				
2a1 Fixed broadband deployment of at least 100 Mbps	↑	↑	▲	
2a2 Fixed broadband deployment of at least 1 Gbps	↑	↑	▲	
2a3 Very high-capacity fixed network coverage (VHCN)	↑	↘	▲	
2a4 Fiber-to-the-premises coverage (FTTP)	↑	↘	▲	
2b1 Mobile broadband deployment	↑	→	▲	
2b2 5G coverage	↑	↓	▲	
2b3 5G spectrum	↑	↗	▲	
3 Digital transformation of enterprises				
3a1 SMEs with at least a basic level of digital intensity	↑	↘	▲	
3b1 Electronic information exchange	↑	→	▲	
3b2 Social networks	↑	→	▲	
3b3 Big data	↑	↓	▲	
3b4 Cloud	--	--	▲	
3b5 Artificial intelligence	--	--	▼	
3b6 Electronic invoicing	↑	↓	▲	
3c1 SMEs making online sales	↑	↘	▼	
3c2 Online commerce turnover	↑	↓	▼	
3c3 Cross-border online sales	↑	↑	▼	
4 Digitalisation of public services				
4a1 E-government users	↑	↑	▲	
4a2* Difficulty in using a government website	--	--	▼	
4b1 Access to electronic health records	--	--	▲	

EU Ranking Position	1 to 5	6 to 11	12 to 17	18 to 23	24 to 28
Colour					

Notes: The first column shows the change in values from the first to the last available year, with a green arrow if the change has been positive and a red arrow if it has been negative. In the second column, the orientation of the arrow indicates the variation in position in the European ranking: the green arrow, pointing upwards, means that it has improved more than three positions; the yellow arrow, slightly inclined upwards, that it has improved between 1 and 3 positions; the horizontal yellow arrow, that it has remained the same; the yellow arrow, slightly inclined downwards, that it has fallen between 1 and 3 positions; and the red arrow, that it has fallen more than three positions. The third column shows the position of the Basque Country in relation to the European average, with the Basque Country above the European average if it has a green arrow and below if the arrow is red. The ranking position column has been configured by grouping the positions according to the colour scale, with green indicating a high position and red indicating a low position.

The first two columns reflect dynamism: changes in the level of each indicator in the Basque Country and the changes in its positioning with respect to other countries. The Basque Country has improved its value in all indicators, something that reflects the *status quo* of continued progress in the digitalisation of our economy and society. However, the upward trend in indicators is generalised in all territories, and the second column shows a diverse scenario in terms of the relative evolution of the Basque Country with respect to other territories.

The final two columns show the current positioning of the Basque Country in each indicator: its position relative to the European average and in the ranking of the 28 territories analysed. In general, the picture is very positive, with the Basque Country above the European average in 24 of the 29 indicators, in one of the top five positions in 9 of them, and between positions 6 and 11 in another 8.

The Basque Country is above the European average in 24 of the 29 digitalisation indicators included in the DESI index

Within this overall picture, the following messages can be highlighted:

- **Digital skills:** The Basque Country has clear strengths in digital skills but is not a leader in Europe (except in the indicator for women ICT specialists). One area that stands out, especially for the future, is the number of ICT graduates, where the Basque Country has lost positions in the ranking and is far behind the leading countries.

- **Digital infrastructures:** The Basque Country is clearly among the leaders in Europe, occupying the top 7 positions in all indicators (except for 5G coverage).

- **Digital transformation of companies:** The picture is very diverse. While companies in the Basque Country are well positioned in the fundamentals of digitalisation, their positioning is lower in more advanced elements such as the use of big data, the cloud, electronic invoicing and, especially, artificial intelligence.

- **Digitalisation of public services:** This dimension lacks several of the indicators included in the European DESI, due to the difficulties of having indicators compatible with those of the e-Government *Benchmark*. Of the three indicators included, the Basque Country leads in access to electronic health records and shows an average position, with improvements, in the number of people using e-government. However, it is at the bottom with respect to the indicator reflecting the difficulty of using public administrations' websites.[13]

The analysis suggests the need to continue the efforts of recent years in the dimensions of digital skills, infrastructure and digitisation of public services. However, with regard to digital skills, the low rates of ICT graduates and relatively low rates of ICT specialists indicate that additional efforts need to be made, especially given their likely interrelation with some of the more sophisticated areas of digital transformation of companies, in which the Basque Country lags behind other territories (the use of big data, the cloud, e-invoicing and, especially, artificial intelligence).

Source: Franco ***et al.*** (2024). See the full report at: https://doi.org/10.18543/DVOC9093.

The Basque Country lags behind other territories in some of the most sophisticated areas of digital transformation of businesses

The **human capital** indicators show a very positive performance. The indicator of medical staff per 100 000 inhabitants, which broadly reflects the capacity of a territory to maintain its human capital in good condition, is the only indicator that has not improved in the last year, remaining stable at 560, 40 % above the EU-27 average (397). On the other hand, the employment rate, which captures the intensity with which a territory takes advantage of the available human capital, has improved in 2023 more than the EU-27 average, closing the gap that previously existed to place it on a par (70 %).

The employment rate, which captures the intensity with which a territory makes use of human capital, has improved and is on a par with the EU-27 (70 %)

The two indicators capturing the overall skills of the younger population (the percentage of the population aged 25-34 by educational attainment) have maintained the improving trend of recent years. The population with tertiary education (ISCED 5-8) reached 67.6 % in 2023, well above the average of the EU-27 (43.1 %) and of Germany, Spain, Upper Austria and Baden-Württemberg. On the other hand, the

The population with upper secondary and tertiary education has grown substantially in 2023 and is above the EU-27 average for the first time since 2013

[13] It is important to recognise the limitations of this indicator, given that data is only available for one year, by mixing websites of different levels of public administration, and not considering that the volume of users accessing public administration websites varies from place to place.

population with upper secondary and tertiary education (ISCED 3-8) — an area in which the Basque Country has been weaker in the past — has grown substantially in 2023. With a level of 87.7 % it is above the EU-27 average (85.5 %) for the first time since 2013.

We also analysed two indicators that reflect specific skills in the digital sphere, which are increasingly important due to the fundamental role played by digitalisation in all sectors of the economy. Both the percentage of employed people with ICT skills and the percentage of ICT graduates have increased in recent years, placing the Basque Country well above the European average in both. However, the positive gap with the EU-27 is narrowing in the percentage of ICT graduates, and the Basque Country lags behind Germany and Spain on this indicator (see also Box 1-6).

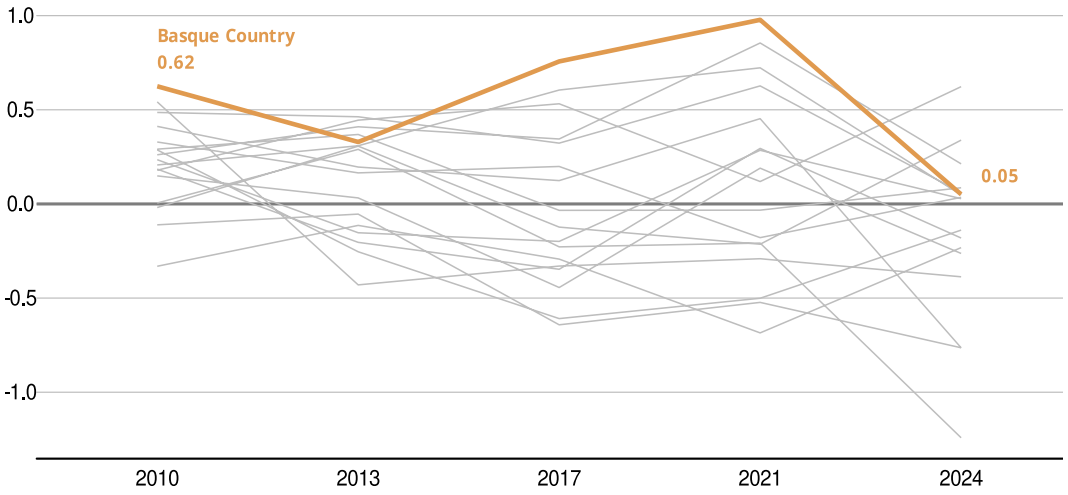
Scientific publications in cooperation with industry in the Basque Country (2.4 %) are lower than the EU-27 average (4.3 %)

The group of indicators in Table 1-4 reflect **social and institutional capital**, where a positive evolution is observed in the two indicators that capture the sophistication of cooperation. 23.4 % of Basque SMEs were cooperating in R&D in 2022, a significantly higher proportion than the EU-27 average (5.9 % in 2020, the last year with comparable data).[14] However, despite a positive evolution in 2022, only 2.4 % of scientific publications in the Basque Country are in cooperation with industry, indicating a much lower level of academia-industry cooperation than in the EU-27 average (4.3 %) (and also lower than in Germany, Spain, Upper Austria and Baden-Württemberg).

On the other hand, the quality of government index, an indicator that is updated every three or four years through a survey, shows a considerable fall in the Basque Country in its most recent edition (after a continuous rise in previous editions). The value of the indicator is not directly comparable from one year to the next because each year it is standardised so that the EU-27 value is equal to zero. In other words, the value indicates whether citizens' assessment of the different administrations present in the territory (from national to local) is higher or lower than the European average. Graph 1-6 traces the evolution of the Spanish Autonomous Communities and shows that the index has fallen in several, but not all of them, with the Basque Country dropping from first place in Spain to sixth place. The index assesses three components of the quality of public administrations: 1) the quality of education, the healthcare system and law enforcement, in which the Basque Country ranks seventh among Spanish regions; 2) the perception of corruption and having experienced some form of corruption, in which the Basque Country is in second place; and 3) fairness in terms of equal treatment or the existence of privileges in education, the health system or law enforcement, which is the component in which the Basque Country is worst positioned (in 12th place among Spanish regions) and in which it has fallen the most with respect to the previous round (in 2021 it was in first place in Spain in the corruption and fairness components and in second place in the quality component).

[14] The INE data, although not directly comparable, suggest that the levels of cooperation of Basque companies are not so high, but still well above the national average.

GRAPH 1-6 Evolution of the quality of government index in the Spanish Autonomous Communities



Source: Own elaboration based on the European Quality of Government Index of the University of Gothenburg.

1.5 Summary

The analysis demonstrates that performance in **economic competitiveness** is very robust: the economy has continued to grow, with improvements in productivity both in the economy as a whole and in the manufacturing sector, which has resulted in a reduction in unit labour costs and an improvement in business profitability. As the evolution of these variables has been, in general, better than in the EU-27, the distance that the Basque Country maintains above the average in most of the variables has increased and the gap in terms of manufacturing unit labour costs, which are above those of the EU-27, has narrowed. Regarding foreign trade, although the weight of exports in GDP fell in 2023, it did so to a lesser extent than in other territories and the trade balance improved.

In economic competitiveness, there is solid growth in GDP per capita, a reduction in unit labor costs and improvements in productivity, business profitability and the trade balance

Progress has also been made in innovation, with an increase in the percentage of SMEs innovating in both product and process innovation. However, comparative analysis shows that it is especially in the case of small firms that the gap with their European peers is widest, and that the disadvantage in medium-sized firms remains, especially in organisational and marketing innovations. SME innovation strategies are low-risk and non-disruptive, and the perceived barriers to innovation have more to do with high costs and the existence of other priorities and less to do with knowledge. This is therefore a strategic issue where the culture of innovation must continue to be fostered and support must be given to reducing the costs associated with innovation.

Further promotion of the innovation culture and support for reducing innovation costs is needed to boost innovation in small firms

In terms of entrepreneurial dynamism, the rate of entrepreneurship (TEA) is still below the levels of Spain or Europe, but with a relatively large presence of technology companies in the Spanish context and with a higher proportion of high-growth companies than in the EU-27 and Germany. The total number of firms has fallen, but their average size is increasing.

When it comes to **wellbeing** indicators, the picture is mixed. Strong evolution in the employment dimension stands out, which is making it possible to close the gap

There has been a good evolution in the wellbeing dimensions of employment, learning and social life, with issues to address in material life, health and environment

with Europe. Performance is also good in the part of the learning dimension that refers to adults, but there has been a decline in the educational levels of young people according to the results of the PISA report. In social life, the positive evolution of trust in people stands out, which remains above the European average, despite the increase in crime (the level of which, in any case, is not as high as in Europe).

Performance in the health dimension is very good, but with some deterioration. The position in terms of material life is generally good, but there are worrying elements, such as the fact that the median household income has fallen in the last two years. Energy poverty has also increased, and although this is a phenomenon that extends beyond the Basque Country and is linked to the rise in energy prices because of the exceptional event of the war in Ukraine, its evolution in the future will depend on the type of policies that are implemented to avoid negative impacts on the most vulnerable households.

It is in the environmental dimension where the worst performance is observed, both in absolute terms (higher levels of greenhouse gas emissions and air pollutants) and compared with the EU-27, which moves us even further away from the reduction targets needed to tackle climate change.

A look at how levels of wellbeing change depending on income and education levels reveals that, in terms of material life, almost 30 % of lower-income households have difficulties making ends meet, while only 3.8 % of higher-income households do. The analysis also reveals that housing difficulties for young people are widespread, even among those with an income, permanent job and/or university education.

Both general health and mental health levels are positively related to income and educational attainment

Employment should not only be a source of income but should also help personal and professional development. The analysis shows that the two are related and that job satisfaction is higher the higher the income, although this relationship is less evident with educational attainment. Finally, both general levels of health and levels of mental health appear to be positively related to income and educational attainment.

The evolution of the **dynamic competitiveness levers** is, in general, positive. This is especially so in the human capital lever, which starts from better levels than in Europe and shows an improvement in all indicators related to both education and employment, generally to a greater extent than in Europe. The evolution of the physical capital lever is also generally positive, as are the cooperation-related aspects of the social capital lever, where a positive absolute and comparative evolution is observed, but alongside a decline in the perception of the quality of governance.

The finance lever shows a mixed picture, with a good performance in terms of companies' net worth and accumulated outward investment, but with a decline in the stock of inward foreign investment, which may indicate a certain difficulty in attracting international financing.

The biggest challenges are to be found in the knowledge and natural capital levers. In the former, the orientation of patents in environmental technologies is positive,

as is the level of publications (although it has fallen slightly, it is above the European and German average). The challenge comes from both the level of R&D expenditure and the level of patents, which are below the European and German average and have fallen in the last year, although in the case of patents the data are not yet complete and have fallen in all territories. This suggests that we must continue our efforts to increase spending to close the gap with other territories. As far as digitalisation is concerned, the Basque Country has strengths in terms of the digital skills of the population and, above all, digital infrastructures, as well as some elements of the digitalisation of public services. However, it has shortcomings in terms of ICT specialists and some aspects of business digitalisation, such as the use of big data, the cloud and AI, as well as in the accessibility of the websites of public administrations.

The biggest challenges in the levers of competitiveness and wellbeing lie in knowledge and natural capital

In the natural capital dimension, although in most of the indicators analysed the Basque Country is above the European average, progress in the last year has been less than the European average. The greatest challenge has to do with the share of renewable energies, which is below average, has worsened, and has done so more than the EU-27 average, meaning that the difference has not been reduced in the last decade. The challenge of moving towards an energy system with a greater presence of renewables involves technological, social and behavioural changes, and the transition must be fair so that the costs and benefits are distributed fairly, taking into account especially the most vulnerable groups.

2
Inclusive competitiveness and inclusive wellbeing: Two sides of the same coin

As presented in Figure 1-1 of the first chapter, our framework of territorial competitiveness for wellbeing distinguishes between two broad groups of outcomes: (i) four dimensions of economic-business performance that typically form part of the analysis of competitiveness; and (ii) seven dimensions of people's wellbeing to which economic competitiveness should ultimately contribute. In the first chapter we have analysed key indicators in each dimension to characterise current competitiveness and wellbeing outcomes in the Basque Country, completing this analysis with indicators that characterise the six dynamic levers of competitiveness, i.e. those in which the policies and strategies of different territorial actors can act to seek better results.

The framework also has two cross-cutting elements: international connectedness and inclusion. The first is closely linked to internationalisation at the economic-business level and must also be considered in analysis of the dimensions of wellbeing, such as the environment, and in some dynamic levers, such as knowledge or finance. The second element also cuts across other parts of the framework and can manifest itself in different ways depending on the dimension and lever analysed; for example, inequalities in the distribution of wealth or differences according to gender, place of origin and age, among others.

This report delves into the cross-cutting theme of inclusion with the aim of reflecting on the challenges we face in making both the process of building competitiveness and its outcomes truly inclusive. Our argument is that inclusive competitiveness and inclusive wellbeing are two sides of the same coin and cannot be understood without each other. This relationship also becomes clear if we recall that four years ago the pandemic highlighted the importance of the foundational economy (health, food, transport, education or care), both to ensure the wellbeing of the entire population and to boost economic development (Orkestra, 2020).

It is people who ultimately experience inequality and exclusion and who can participate in building competitiveness and wellbeing

To deepen the focus on inclusion we put the spotlight on people. They ultimately experience inequality and exclusion and can also participate in building competitiveness and wellbeing. Inclusion of people in the socio-economic and political sphere can contribute to improving competitiveness and wellbeing in several ways. One of them is, for example, the possibility of increasing activity rates in a society such as the Basque society, which is facing a demographic challenge. An-

other would be to increase productivity, if we are able to value diversity as a lever for innovation in organisations. Existing literature in this field mostly maintains that the diversity of people by age, gender and place of origin leads to innovation, but stresses that it does not do so automatically and requires management of this diversity in order to generate positive effects (Solheim and Fiitjar, 2018; Solehim and Herstad, 2018; Vema, 2020). Good diversity management in turn contributes to the creation of more tolerant societies and has a direct impact on the social cohesion of territories.[15]

People can be differentiated by innate characteristics, such as gender or place of origin, or by personal choices such as religion or political affiliation. They can also be differentiated by age or by belonging to a particular social class. Categorising people according to certain characteristics is not innocuous. Categories create identity and group belonging, they allow reality to be ordered and make it easier to read,[16] but they also act as differentiating factors for people who are categorised without implying subjective belonging. Moreover, we are inevitably simplifying inclusion in terms of certain demographic characteristics when the person is multidimensional, with needs and interests that go beyond their role in the socio-economic and political sphere of a territory (Gidley *et al.*, 2010).

Recognising this complexity for the analysis of the inclusion of all people, in this report we address only part, analysing some of these characteristics from the perspective of their relationship with competitiveness. Specifically, we focus on three demographic characteristics that relate to some of the critical challenges and opportunities for competitiveness and wellbeing in the Basque Country:

We focus on three demographic characteristics: age, place of origin and gender

1. The age of the people
2. People's place of origin
3. The gender of people

It should be noted that there are other features that emanate from the multidimensionality of people and that have to do with their capabilities. In the Basque Country, the effort made in the socio-occupational inclusion of people with disabilities also contributes to competitiveness and wellbeing (see Box 2-1).

[15] In addition, the inclusion of diverse social, cultural and economic realities strengthens democracy and encourages citizen participation (Falk *et al.*, 2000).
[16] See: Trepte and Loy (2017) and Prati *et al.* (2021).

BOX 2-1 The model of socio-occupational inclusion for people with disabilities in the Basque Country

The Social and Labour Inclusion Model for People with Disabilities in the Basque Country began to be developed more than 40 years ago

The Basque Country Model of Social and Labour Inclusion for People with Disabilities (hereinafter the Model) began to be developed more than 40 years ago. One of its distinctive features is that it is the result of collaborative work developed by a network of public and private actors convinced that companies, in addition to being competitive, can contribute to creating societies characterised by inclusive and sustainable wellbeing.

At the centre of the Model is EHLABE Inclusión Sociolaboral (Euskal Herriko Lan Babestuaren Elkartea), the Basque association of non-profit organisations that promote the social and labour inclusion of people with disabilities. This association promotes and develops actions of institutional dialogue and with social agents, in cooperation with its constituting entities and shares, as a general interest, the improvement of the employability and social inclusion of people with disabilities.

A reflection process driven by EHLABE and facilitated by Orkestra (Canto *et al.*, 2023) identified that the Model contributes to competitiveness for the inclusive and sustainable wellbeing of the Basque Country through the following pathways:

- Through its business activities in the industrial and service sectors that form part of the different value chains that make up the Basque business fabric.

- Because of the lessons learned from more than 40 years working for the socio-occupational inclusion of people who face the greatest barriers to being an active part of society. Moreover, by prioritising within this group those with disabilities who have the greatest need for support, it has created a toolbox based on innovation and entrepreneurship which can be extrapolated to other groups. The development of this toolbox is actively contributing to the economic growth of the Basque Country.

In 2022, the Integrated Social Value generated by EHLABE entities reached 794 million euros (7 euros for every euro of public subsidy received)

- For generating value for society in general and for people with disabilities and their environment, as well as for the association's customers and suppliers. In 2022, the Integrated Social Value (ISV) generated by EHLABE entities reached 794 million euros (7 euros for every euro of public subsidy received), the value generated for people with disabilities and their families amounted to 90 million euros, and business initiatives generated value for customers and suppliers for a total of 395 million euros.

- For pursuing the general economic and social interest in accordance with the principles of the social economy: (i) the primacy of people and social or environmental purpose over profit; (ii) reinvestment of most profits and surpluses to carry out activities for the benefit of members/users or society at large; and (iii) democratic or participatory governance.

Source: Canto *et al.* (2023).

The three demographic characteristics identified, and others not discussed in the report, are not mutually exclusive. They can overlap in the same person and, depending on the context, reproduce systemic privileges or inequalities. Intersectionality, the concept that captures the overlapping of demographic characteristics (and others that we are not considering), is very relevant when analysing people's social inclusion, so the report discusses some cases where this intersectionality is present.

The first two demographic characteristics, age and place of origin, are directly linked to the demographic challenge facing our territory due to the continuous fall in birth rates and the ageing of the population. Indeed, high ageing rates mean a reduction in the working-age population, which can have a negative impact on productive capacity. Thus, immigration will be fundamental and represents an opportunity to compensate for part of the reduction in the potentially active population and for the expected population growth, which between 2021 and 2035 will come exclusively from the positive migratory balance (Orkestra, 2022). Given the competition between territories, regions and countries for attracting and retaining talent, it will be particularly important to put in place mechanisms to facilitate the proper integration of immigrants with different profiles and to work on their training and incorporation into the world of work in line with the needs of companies and the territory. This integration and incorporation into the world of work is a factor that boosts the wellbeing of these people.

It is essential to facilitate the integration of immigrants with different profiles in line with the needs of companies and the territory

But it is not only necessary to work to ensure that immigrants have opportunities to integrate into the economy and society; the demographic challenge facing our territory also requires the search for greater equality between older and younger people in different areas. For example, an OECD report (2020) warns that the creation of multigenerational workforces and the provision of greater job opportunities for older generations could increase GDP per capita by 19 % over the next three decades. In this context, there is a need to promote intergenerational dialogue between older and younger people in different social spaces (Lorenz *et al.*, 2023). Furthermore, the lengthening of people's lives is putting pressure on the care model and requires new formulations to reinforce it.

It is necessary to promote intergenerational dialogue

Regarding the third demographic characteristic, gender, it is necessary to make visible the gender dimensions of economic dynamics and their implications for women. It is a critical category as women's labour force participation rates have been increasing and it is necessary to understand how the role of gender shapes employment, the territorial labour market and the structure of firms (Gray and James, 2007). Women's participation in the economy is often characterised by a gender pay gap, gender segregation by branches of activity and occupations, not to mention the presence of unpaid domestic and care work (Rodríguez Enríquez, 2015).

The importance of gender in fertility also needs to be recognised. Sociological theory shows that the increase in women's work activity has an impact on birth rates when it is not accompanied by the redistribution of household and care tasks and appropriate reconciliation policies. It is therefore important that the increase in the incorporation of women into the labour market is accompanied by other structural changes such as the promotion of reconciliation policies and a greater distribution of household and care tasks between men and women. [17]

The increase in the incorporation of women into the labour market should be accompanied with reconciliation policies and a more even distribution of household and care tasks

[17] Studies of family formation patterns indicate that much of the decline in marriage, as seen by increases in both divorce and cohabitation, can be attributed to gender asymmetry in responsibilities (Goldscheider, 2000) and that the greater the gender equality, the greater the recovery of low fertility (Esping-Andersen and Billari, 2015). Public policies should therefore consider measures that reconcile family life with work and support a longer working life. According to Impicciatore and Semenza (2017) this would result in a beneficial effect on the labour market and on the social sustainability of population ageing.

Inclusive competitiveness is the process by which all people in a territory participate, giving the best of themselves, in the generation of value, both within the market and outside the market

In short, analysing and reflecting on the challenges we face to fully integrate all the people who make up our society, and above all, women, people of all ages and immigrants, is fundamental to ensure inclusive competitiveness and wellbeing. Inclusive competitiveness is the process by which all people in a territory participate, giving the best of themselves, in the generation of value, both within the market and outside the market. And inclusive wellbeing is the process by which more and more people, with greater equality, have dignified access to the different dimensions of wellbeing, for example, health, employment or education.

Thus, in territories with inclusive wellbeing, people should enjoy a good standard of wellbeing (a dignified minimum access) and greater equality. Decent minimum standards and equality should improve in tandem, in a coherent manner. Similarly, in territories with inclusive competitiveness, all people should be able to participate in the construction of the wellbeing outcomes they enjoy.

The rest of the chapter is organised as follows. In the next section we elaborate on the concept of social inclusion. We then discuss the importance of social inclusion in the different parts of our competitiveness framework for wellbeing.

2.1 What do we mean by social inclusion?

The academic literature depicts social exclusion and social inclusion on a continuum (Moyano, 2020).[18] At one extreme, social exclusion is the denial of resources, rights, goods and services, as well as the inability to participate in the normal relationships and activities available to the majority of people in a society, whether economic, social, cultural or political. It affects both the quality of life of individuals and the equity and cohesion of society as a whole (Levitas *et al.*, 2007). At the other extreme, social inclusion manifests itself in improved participation in society by people who may be disadvantaged for reasons related to age, gender, ethnicity, religion, disability, class and/or other status, and in opportunities, access to resources, voice and respect for their rights (Butkevičienė *et al.*, 2021).

Social inclusion is a complex process that unfolds in the interplay of economic, political, cultural and relational dimensions

Social inclusion is a complex process that unfolds in the interplay of economic, political, cultural and relational dimensions; it is about recognising the needs, and also the characteristics and richness of others, in a reciprocal way (Procentese and Gatti, 2024). A holistic approach to social inclusion points to shared responsibility for the preservation of community assets to which all people should have the opportunity to contribute (Lorenz *et al.* 2024).

[18] The concept of social inclusion dates back to the 19th century and stems from Weber's work on the importance of social cohesion (Gidley *et al.*, 2010). Subsequently the concept was used with its opposite meaning: social exclusion. Durkheim (1964) posited social exclusion in relation to — and in opposition to — solidarity and social cohesion, while Lenoir (1974), Secretary of State for Social Action in France, used the concept to refer to those who lacked coverage by conventional social safety nets (Mascareño and Carvajal, 2015; OECD 2023b). More recently, the concept of social inclusion has gained prominence in policy discourse in Europe since it replaced the concept of poverty by encompassing more dimensions of people's lives (Aasland and Fløtten, 2000).

Thus, social inclusion can be understood as both an outcome and a process (Yang *et al.*, 2016). The literature identifies three ideological approaches behind this dual perspective (Gidley *et al.*, 2010). The first understands social inclusion as access, the second as participation and the third as empowerment. They differ from each other, above all, in their scope.

Social inclusion can be understood as both an outcome and a process

- **Access:** The narrower interpretation of social inclusion which, from a neoliberal perspective, focuses on people's access to resources and services as a means to achieve inclusion within existing social structures, and without taking into account the asymmetries of power that run through them. From this perspective, social exclusion would be the restriction of access to opportunities and the limitation of capacities to capitalise on them.

- **Participation:** A broader view of social inclusion emphasises the active participation of people in the key activities of the society in which they live, in their community life and in decision-making processes. It is rooted in principles of social justice and stresses the importance of inclusion and representation of marginalised groups.

- **Empowerment**: The broader interpretation of social inclusion that focuses on maximising the potential of each person, employing models of possibility rather than models of impairment. This lens, often associated with the human potential approach, works with the idea of the complexity of human beings and the notion that all people are multidimensional beings, valuing difference and diversity.

These three interpretations are not mutually exclusive and coexist in a given context or environment. In fact, they are represented as a nested scheme in which the broadest layer, empowerment, nests participation and this, in turn, nests access (Gidley *et al.*, 2010). In the context of this report, our position is that the three perspectives are complementary, and it is important to consider the co-existence of all three when addressing the concept of social inclusion.

Inclusion as 'access' is captured in wellbeing outcomes, while inclusion as 'participation' is reflected in the levers for competitiveness and wellbeing

The access perspective is essentially reflected in the access to wellbeing dimensions of the Orkestra framework, while the participation perspective is reflected in the dynamic levers, especially those of human capital and social capital. In the case of empowerment, given that it focuses on maximising the potential of each person to contribute to wellbeing, it requires a process of working with the person him/herself in the family, organisational and social spheres in which he/she develops. In Orkestra's framework, this is reflected, above all, in the dimension of subjective wellbeing and in the governance processes that underline and connect the different dynamic levers.

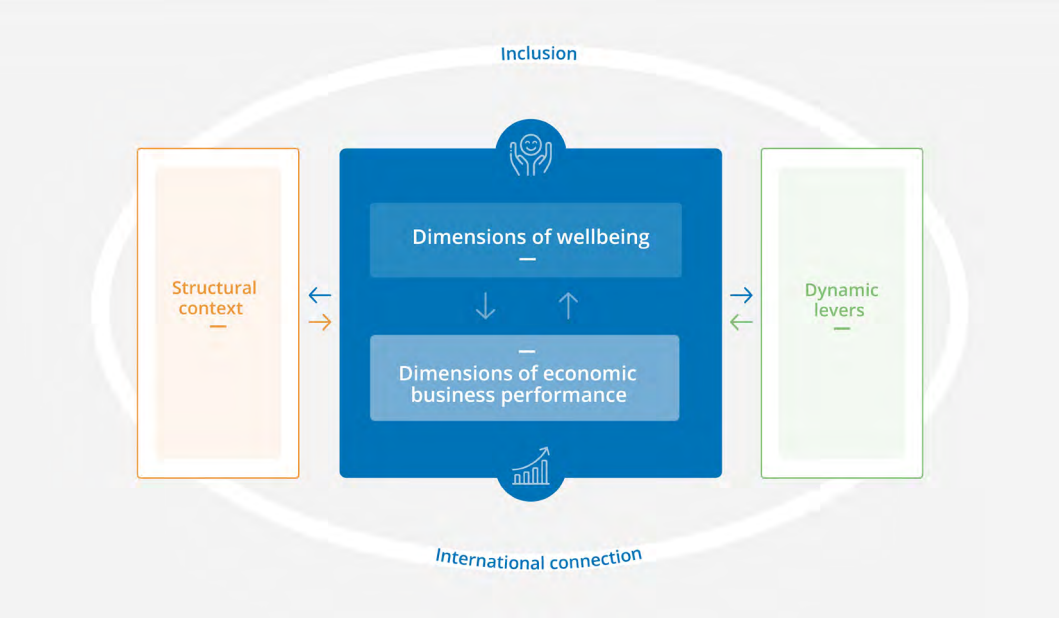
In the next section we reflect in more detail on social inclusion through the triple lens of access, participation and empowerment in each block of our competitiveness framework.

2.2 Inclusive competitiveness for inclusive welfare

Inclusion can generate a virtuous circle between inclusive competitiveness and inclusive wellbeing if there are reenfocing strategies such as diversity management

Orkestra's competitiveness framework for wellbeing incorporates inclusiveness as a transversal axis because it is fundamental both for the ultimate results sought by society (the blue part), for the dynamic levers that can influence these results (the green part), and for the structural context of the territory (the orange part) (see Figure 2-1). As a transversal axis, inclusion can generate a virtuous circle between inclusive competitiveness and inclusive wellbeing, if strategies such as diversity management help to reinforce each other. In this section, we integrate the three perspectives of access, participation and empowerment into our competitiveness framework to understand how the cross-cutting nature of inclusion is realised in our framework, and from there, reflect on the challenges we need to work on to achieve inclusive competitiveness and inclusive wellbeing.

FIGURE 2-1 Simplified Competitiveness for Wellbeing Framework



Source: Orkestra (2021).

2.2.1 Wellbeing outcomes: Inclusion as access

Fostering inclusive wellbeing is the process by which more and more people, with greater equality, have dignified access to the different dimensions of wellbeing

Wellbeing outcomes are multidimensional. Specifically, the framework captures six objective wellbeing dimensions (material life, social life, learning, employment, environment and health) and one subjective wellbeing dimension that encompasses all aspects of wellbeing (life satisfaction).

Fostering inclusive wellbeing is the process by which more and more people, with greater equality, have dignified access to the different dimensions of wellbeing. It is important not only to have a good level of wellbeing in each dimension, but a balance in all dimensions. As Bisquerra (2013, p. 15) points out, "it is probably the harmonious combination of the different types of wellbeing and the interaction between them that comes closest to overall wellbeing".

Of the three perspectives presented in the previous section, we refer to ***inclusion as access***. Thus, in territories with inclusive wellbeing, people have a good level of wellbeing in all its dimensions — a dignified minimum access — and there are relatively high levels of equality in the different dimensions of wellbeing, which facilitates social cohesion. Moreover, there should be balanced development so that decent minimum standards improve in a coherent way, maintaining adequate equality. Table 2-1 characterises the particular meaning of inclusion in each of the seven dimensions of wellbeing.

TABLE 2-1 Inclusion in the dimensions of wellbeing

Wellbeing dimension	Characterisation of inclusion as access
Material life	Minimum dignified and relatively equal access to the material aspects of people's lives in a territory (housing, income, etc.).
Employment	More people in a territory gain access to quality jobs.
Social life	More people in a territory have access to a social, family, friendship and community network.
Learning	More people in a territory have access to training, learning and lifelong skills development.
Health	More people in a territory have access to health services and enjoy good physical and mental health.
Environment	More people in a territory have access to a clean environment (air, water, natural spaces...).
Life satisfaction (general wellbeing)	Balanced access to the six dimensions of wellbeing

Source: Own elaboration based on Orkestra (2021).

2.2.2 Economic and business performance: competitiveness inclusive

In this Report we understand inclusive competitiveness as the process by which all people in a territory can participate by giving the best of themselves in the generation of value, both within the market and outside of the market. In territories with inclusive competitiveness, all people can participate in building the wellbeing outcomes they enjoy. Wellbeing is not something that is given to us, it must be built, but not all people can participate in this construction in the same way. There is a myriad of circumstances that facilitate or hinder people's participation in that construction, including, as noted above, intersectionality. As also noted above, in this report we analyse people's characteristics from the perspective of their relationship to competitiveness and therefore focus on people only in terms of their place of origin, age and gender.

Working on the inclusion of people of different origin, age and gender will generate increasingly inclusive competitiveness. This inclusion, of immigrants, people of different ages, gender, etc., increases the likelihood of increasing activity rates, meeting the challenges faced by companies in the search for talent of different types, and consequently increasing key indicators of economic competitiveness, such as business profitability, productivity and GDP per capita.

Working on the inclusion of people of different backgrounds, ages and genders will lead to increasingly inclusive competitiveness

In addition, the inclusion of people by age, origin and gender generates greater diversity. According to the literature, there are two types of diversity: primary and secondary. Primary diversity refers to the coexistence of diverse people in a given context, while secondary diversity adds to this the skills and knowledge that people acquire through their education and career path. Secondary diversity is linked to organisational performance and innovation, as it goes beyond primary diversity to consider the composition of organisational knowledge bases (Solheim and Herstad, 2018). There is insufficient empirical support in the literature on the relationship between primary diversity and levels of innovation and productivity, whereas when it comes to secondary diversity this relationship is more likely (Solheim and Fiitjar, 2018; Solheim and Herstad, 2018; Vema, 2020).

Inclusion of people by age, origin and gender generates greater diversity, with potential positive impacts on innovation, productivity and internationalisation

Finally, Solheim and Fitjar (2018) highlight the contribution of diversity to internationalisation, especially diversity of origin because of the cross-cultural skills and networks that people bring with them. Such skills give access to a wider range of knowledge and ideas, which are increasingly important for competitiveness. However, they point out that while some studies find a positive correlation between the presence of foreign workers and innovation, the impact may vary according to the educational level of foreign workers and the complexity of managing diversity due to different structural characteristics. They conclude that foreign workers contribute to innovation mainly through their ability to foster international relations, particularly in firms that lack other channels for international collaboration.

2.2.3 Dynamic levers: Inclusion as participation

The dynamic levers are those that can be influenced through policies and strategies of different territorial actors to improve economic-business and wellbeing results. Of the six dynamic levers (natural capital, physical capital, financing, human capital, knowledge and social and institutional capital), the two that most directly refer to people and their relationships are human capital and social and institutional capital, and it is these that we analyse in this report from an inclusiveness perspective (see Table 2-2).

TABLE 2-2 Inclusion in human capital and social and institutional capital levers

Dynamic lever	Characterisation of inclusion as participation
Human capital	Develop strategies for people's participation in training, learning and the labour market (impacting on the generation of economic value and wellbeing).
Social and institutional capital	Develop systems of rules, institutions and organisations that facilitate the participation of people in the different dynamics of society, strengthening social interactions that affect the generation of economic value and wellbeing.

Source: Own elaboration.

In general, it is necessary to develop and implement strategies in both the human capital and social capital levers, aimed at guaranteeing the participation of all people in a territory in the construction of wellbeing results. Thus, in these two

dynamic levers we refer to inclusion as participation. In the case of human capital, it means, for example, putting in place mechanisms that allow people to access something as basic as work, through training programmes. In the case of social capital, it would mean facilitating their participation in different areas of society through, for example, the homologation of qualifications (both university and non-university), speeding up the processes of integrating migrants into the labour market, training people in an irregular administrative situation (by working on policies such as the training-based rootedness) or fostering intergenerational relations.

It is necessary to implement human and social capital strategies aimed at guaranteeing the participation of all people in the construction of wellbeing results

In this sense, if the different actors in a territory (companies, governments, educational centres, etc.) generate contexts and promote strategies that facilitate the development of skills and the participation of people of different ages, gender and place of origin, through strategic management of diversity, this will have a positive impact on innovation, productivity and competitiveness, as we have pointed out above. Due to their potential impact in the short and medium term, organisational innovation strategies in training centres and work contexts that favour a creative, participatory and learning context for people stand out.

Also, if working contexts are created at different levels of government where people can learn and contribute more, this creates more collaborative governance that facilitates the contribution to generating more inclusive competitiveness. As argued in the Competitiveness Report 2023, for example, such collaborative governance is particularly important to accelerate the transition towards sustainable competitiveness (Orkestra, 2023). In general, if this participation and governance is facilitated and activated by including people, regardless of their characteristics (age, origin, gender...), it drives a more robust process to generate wellbeing-oriented, inclusive competitiveness.

These ways of working in companies and administrations facilitate the generation of more trust and relational capital between people of different ages, gender and place of origin, as well as between people and institutions or organisations, thus reinforcing the social and institutional capital of the territory. To continue strengthening this area, it is necessary to analyse which entities or groups have been left out of collaborative governance processes and what mechanisms are needed to integrate them.

2.2.4 Structural context

Finally, competitiveness and welfare outcomes are conditioned by several contextual characteristics of a territory. These are structural characteristics that, to a large extent, are predetermined and are difficult to modify. They include geo-demographic characteristics, the economic-business structure, and underlying institutions and values. Of these three groups of structural characteristics, those that most directly condition inclusion are the demographic and value characteristics, because they refer directly to people and different groups of people.

The composition and evolution of the demographic structure of a territory, both by age and place of origin, conditions competitiveness and wellbeing and generates different challenges in the territory in terms of inclusion. An ageing society, with low

The composition and evolution of the demographic structure, both by age and place of origin, conditions competitiveness and wellbeing and generates challenges in terms of inclusion

birth rates and life expectancy resulting in high dependency rates, generates, for example, important challenges for the sustainability of the Welfare State, access of people of different ages to the dimensions of wellbeing, intergenerational replacement, or the inclusion of groups of different ages in the labour market. Likewise, a society with a greater diversity of people by place of origin, which is also concentrated in people of working age, broadens the possibility of generating competitiveness and wellbeing in a territory. Yet it poses challenges for the inclusion of all people, regardless of their place of origin, and for their social integration and participation in the labour market and in other dynamics of society.

It is not only the demographic characteristics that have an impact, but also the values of people of different ages and backgrounds, since people's attitudes are shaped by their values. Values such as commitment, the value of work or effort encourage a proactive attitude in the generation of value in society (both for the market and outside it). These values are fundamental for inclusion from the perspective of participation.

In an analysis of the evolution of values in the Basque Country, Izulain (2024) concludes that people living in this territory perceive a high sense of freedom of choice and control over their lives, similar to in Germany. She also establishes a positive correlation between freedom of choice and control and life satisfaction (an indicator of subjective wellbeing), as recognised in the literature (Graafland, 2023; Inglehart *et al.*, 2008; Verme, 2009). These analyses of intangibles, which are difficult to measure, are a reflection of inclusion as empowerment which, as we said in the introductory section of this chapter, needs to be worked on directly in partnership with people. These are very important characteristics for competitiveness and wellbeing, difficult to capture, but reflected in different dimensions of the framework.

Finally, we must not forget that our territory develops in a global context that influences us, but in which we also exert influence. Thus, the transversal axis of international connection present in our framework also interacts with inclusion, which means that this perspective accompanies all our actions in other territories.

2.3 Summary

In this chapter we have analysed the concept of social inclusion in order to delve deeper into how inclusion relates to territorial competitiveness and wellbeing. Our main argument is that inclusive competitiveness and inclusive welfare are two sides of the same coin. If we want to ensure inclusion in wellbeing outcomes we need to foster inclusion in the processes that underlie competitiveness, and *vice versa*.

Inclusive competitiveness and inclusive wellbeing are two sides of the same coin and cannot be understood without each other

We have applied three ideological approaches to social inclusion — access, participation and empowerment — to our territorial competitiveness for wellbeing framework (see Figure 2-2). Inclusion as access is associated with welfare outcomes, while inclusion as participation is associated with the dynamic levers of competitiveness, especially human capital and social capital. Empowerment is a more difficult concept

to link to a specific part of the framework, but it is associated with the dimension of people's subjective wellbeing and with the governance processes that underline and connect the different dynamic levers.

FIGURE 2-2 Inclusion as participation and access

Source: Own elaboration.

This conceptual reflection lays the foundations for the analysis we carry out in the following chapter, which focuses on the three demographic characteristics which, as we pointed out earlier, present critical challenges and opportunities in the Basque context and whose overlapping generates various inequalities or advantages: people's age, place of origin and gender.

3
Inclusion for competitiveness and wellbeing in the Basque Country

According to the analytical framework presented in Chapter 2, it is crucial to address both participation (process) and access when analysing inclusion as a driver of competitiveness and wellbeing. The process perspective is approached by examining inclusion in the dynamic levers of our competitiveness framework, in particular human capital and social capital, since these are the two fundamental ways of guaranteeing the participation of all people in the generation of competitiveness and wellbeing in a territory. After a brief review of the population structure of the Basque Country in the first section of this chapter, the second section therefore focuses on analysis of human capital, while the third section focuses on analysis of social capital. The fourth section then analyses inclusion in the access to wellbeing outcomes, namely life satisfaction, material life, employment, social life and health.[19]

The aim is to analyse inclusion in the Basque Country at the present time, so we do not carry out evolutionary analyses, nor do we make comparisons with reference regions or the European average. To identify the most suitable variables for this analysis, we have reviewed multiple existing surveys from different statistical sources for the measurement of inclusion in the levers of competitiveness and dimensions of wellbeing. The selection criterion was to have data for analysis according to three demographic characteristics: age, gender and place of origin.

3.1 The population of the Basque Country by age, gender and place of origin

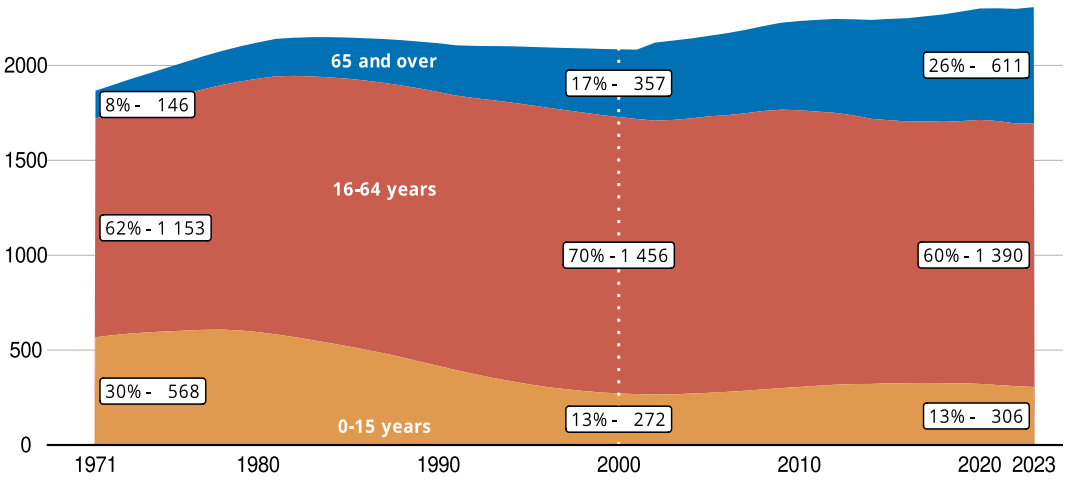
Demographic phenomena evolve gradually, but over time they generate changes in both the size and composition of populations. In Graph 3-1 shows that the pop-

Demographic phenomena evolve gradually, but over time they lead to changes in both the size and composition of populations

[19] Given that there is a certain overlap between human capital and some dimensions of wellbeing (learning and employment), this chapter has opted to concentrate all the elements relating to learning and training in the analysis of the human capital lever, on the understanding that these aspects are key to facilitating the attainment of employment that generates both personal wellbeing and improved territorial competitiveness. In the case of employment, the more subjective variables with respect to employment, such as satisfaction, are included in the analysis of inclusive access to wellbeing, while the more objective aspects are dealt with in the human capital section. The analysis of the environment dimension has not been included in this analysis due to its nature focused on the regeneration, preservation and proper management of the environment, and because it was extensively analysed in the Competitiveness Report 2023 (Orkestra, 2023).

ulation of the Basque Country was below 2 million people and very young at the beginning of the 1970s, with only 8 % of the population over 65 years of age and 30 % aged between 0 and 15. The population grew quite steeply during the 1970s, maintaining approximately the same age structure. From the 1980s onwards, the fall in the birth rate and the economic crisis, which halted the positive migratory balances, caused the total population to stagnate and even decrease slightly until the end of the 20th century. During this period, thanks to the fall in the mortality rate and the increase in life expectancy, the number of people over 65 years of age increased and gained weight in the population, reaching 17 % at the end of the century. At that time the percentage of young people was at its lowest (13 %) and the working-age population at its highest (70 %). Since then, the percentage of young people has remained fairly stable at around 13-14 % of the total population, but the declines in the birth rate in previous decades have taken their toll on the working-age population, which has declined over the two decades so far this century in both absolute and relative terms, and now accounts for only 60 % of the population. This decline contrasts with the even greater weight of the older population.

GRAPH 3-1 Evolution of the population of the Basque Country by major age groups (thousands of people, 1971-2023)



Source: Own elaboration on the basis of the Continuous Population Statistics – INE.

The population in 2024 is very different from that of the early 1970s, much older. Thus, although the proportion of people of working age is similar, the high percentage of young people has been replaced by a larger group of older people. As we shall see below, the structure of the working-age population has also changed.

In 2024 the population will be very different from that of the early 1970s, much older

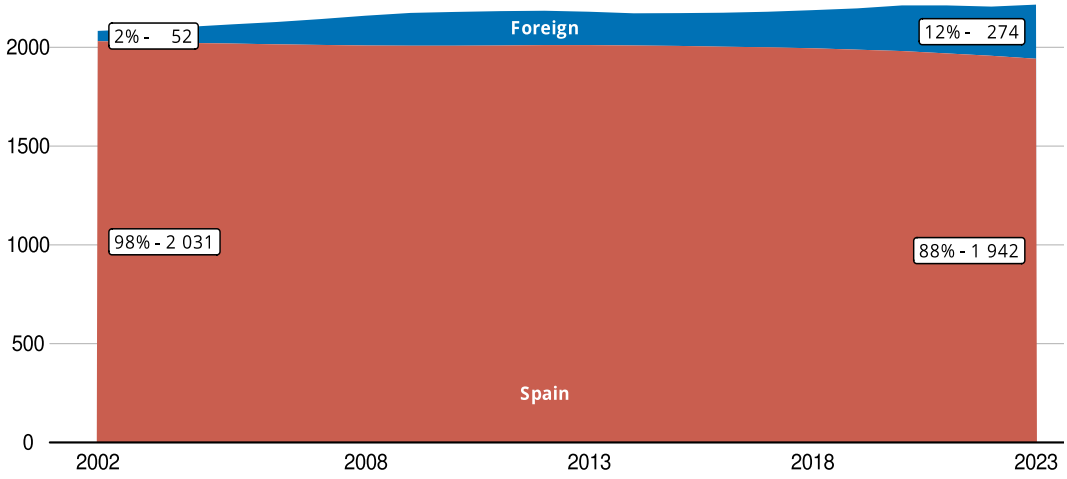
The changes seen in the age structure have not only been driven by changes in birth and death rates. Migratory flows have also played a major role and are changing the structure of the population in another fundamental aspect: the origin of the people. Although there have always been migratory flows in the Basque Country, until the beginning of this century the people arriving in the Basque Country came mainly from the rest of Spain. Thus, as can be seen in Graph 3-2, of the slightly more than 2 million people living in the Basque Country, only 2 %

were born abroad. Since then, the number of people born in Spain has fallen to less than 2 million, and yet the population has grown due to the continued increase in people of foreign origin, who accounted for 12 % of the total population in 2023.

People of foreign origin already account for 12 % of the population of the Basque Country, and for 62 % of them, their first arrival took place more than 10 years ago

Some of these people have arrived recently, but others have been in the territory for some time. According to the Statistics on the Population of Foreign Origin (EPOE), only 8 % of the population of foreign origin first arrived in the Basque Country less than 4 years ago, and for 62 % it was more than 10 years ago. Nine out of ten people of foreign origin have Spanish nationality, permanent residence or temporary residence with a work permit. Despite this, as we shall see below, their incorporation into the labour market is different to that of people born in Spain.

GRAPH 3-2 Evolution of the population of the Basque Country according to place of origin (thousands of people, 2002-2023)

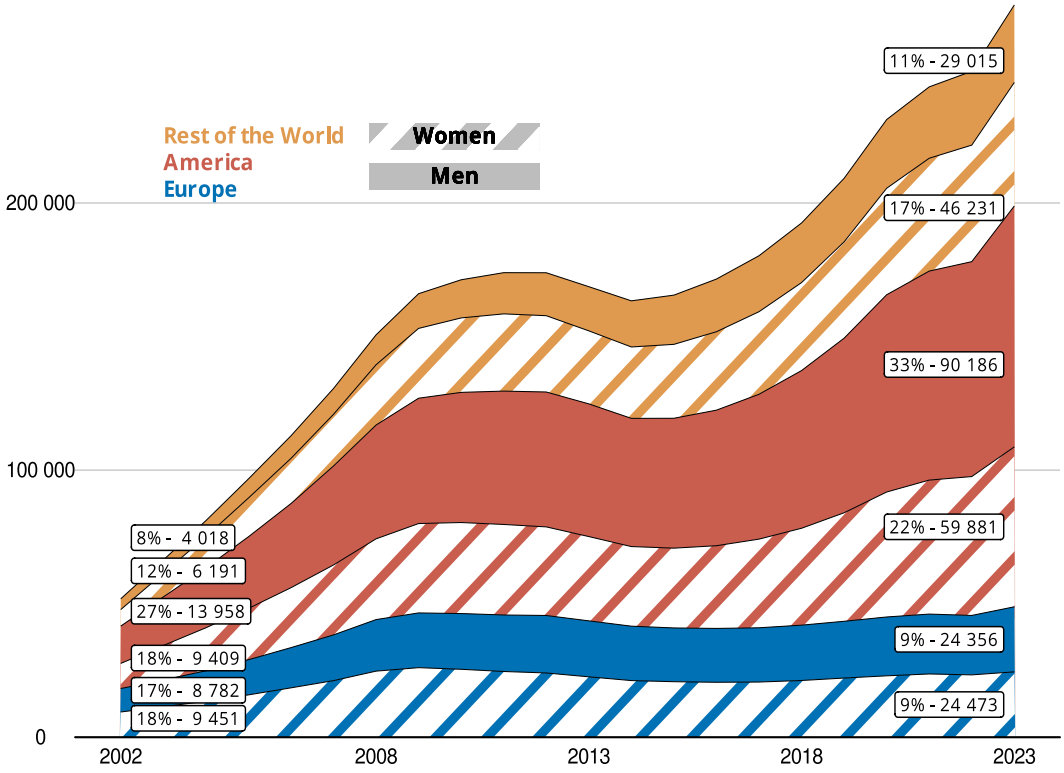


Source: Own elaboration based on the Statistics of the Continuous Register – INE.

Out of every 10 people of foreign origin there are 3 women and 2 men of American origin, 2 men and 1 woman from the rest of the world, and 1 man and 1 woman of European origin

The place of origin of the foreign population has also been changing (Graph 3-3). At the beginning of this century, around 35 % of the foreign population was from Europe and 45 % from America (women to a greater extent than men). The flow of people from Europe has stagnated in the last decade and has been losing weight in the total (around 18 % in 2022). The group of people from the Americas, especially women, is now the predominant group, accounting for more than half of the people of foreign origin. The number of people from the rest of the world has also increased, in this case with a greater presence of men than women. Currently, out of every 10 people of foreign origin, approximately 3 are women of American origin, 2 are men of American origin, another two are men from the rest of the world (especially the Maghreb) and the other three are a woman from the rest of the world and a man and a woman of European origin.

GRAPH 3-3 Evolution of the population of the Basque Country of foreign origin according to place of origin and sex (2002-2023)

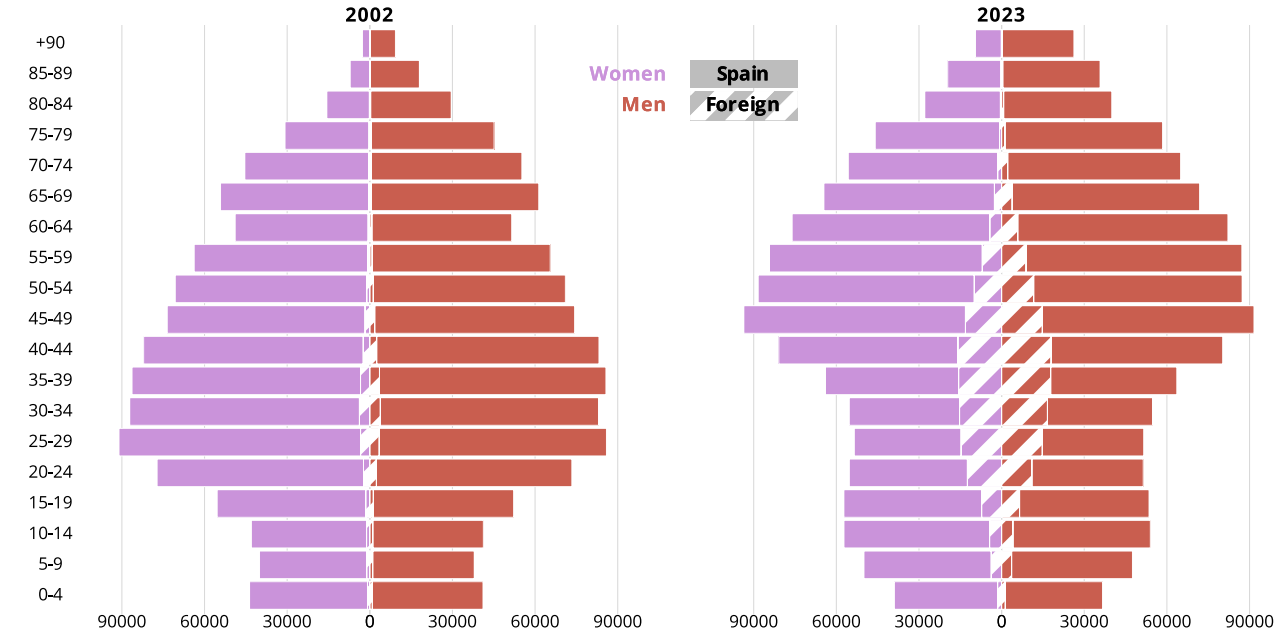


Source: Own elaboration based on the Continuous Population Statistics – INE.

The population of foreign origin is now at the heart of the population pyramid, making up a significant percentage (17 %) of the working age population

The age structure also differs according to the origin of the population. As can be seen in Graph 3-4, the population strata have been shifting upwards over the last twenty years and, as a result, not only is there a higher percentage of people over 65,

GRAPH 3-4 Population pyramids of the Basque Country (2002, 2023)



Source: Prepared by the authors based on the Continuous Population Statistics – INE.

One of the most important challenges posed by the demographic change we are experiencing is that of generational replacement

but the working-age population is also more concentrated in the higher age brackets, which poses challenges for the generational replacement of firms (see Box 3-1). The population of foreign origin, which was barely noticeable at the beginning of the century, is now at the heart of the population pyramid, making up a significant percentage (17 %) of the working-age population.

BOX 3-1 Generational renewal and age management in the Basque Country

One of the most important challenges posed by the demographic change we are experiencing is that of generational replacement. To find out how Basque companies are positioned on this issue Orkestra carried out research in 2022 in collaboration with the Basque Government's Department of Labour and Employment, in which we surveyed almost 1 000 Basque companies to: (i) find out their perception of generational replacement; (ii) identify specific replacement needs in companies and sectors that will have the greatest impact in the next 5-10 years; and (iii) identify tools of interest to be implemented to address generational replacement.

The companies surveyed, regardless of their size, do not have a plan or strategy to address generational replacement

One of the results of the analysis, in terms of the strategic approach to generational replacement, is that the companies surveyed, regardless of their size, claim that they do not have a plan or strategy to address generational replacement. In addition, a detailed analysis of the answers identified the occupations that are expected to be most in demand in the coming years, including some skilled occupations (such as science and engineering professionals and technicians) but also lower-skilled occupations (such as cleaners or personal care workers).

The results highlight four key messages:

- **Inclusive strategies:** Basque companies need to develop inclusive, age-diverse generational replacement strategies that develop critical digital and cognitive skills, social and emotional skills, as well as adaptability and resilience.
- **Age management:** Age management in the workplace should be encouraged by providing opportunities for people to stay and grow in their jobs.
- **Labour insertion:** Policies for generational replacement must be reinforced by working on labour insertion through training for all people of working age in the Basque Country, such as unemployed people, long-term unemployed people, people over 55 years of age, immigrants and women, from an intersectional perspective.

We must reinforce policies for generational replacement by working on labour insertion through training for all people of working age

- **Social dialogue:** To address the challenge in all its complexity, it is essential to work on generating social dialogue around inclusive generational replacement.

Source: Own elaboration from https://bideoak2.euskadi.eus/2023/03/29/news_84746/Orkestra_-_encuesta_reemplazo_generacional_ES.pdf

3.2 Human capital: A lever for inclusive competitiveness

Age, gender and place of birth condition people's employability and influence their decisions to enter the labour market or to be trained, as well as the possibilities of getting education or employment and the conditions of employment, all key elements to address inclusion in competitiveness. Thus, in this section we provide a de-

tailed analysis — by age, gender and place of origin — of labour market participation, working conditions, and educational attainment.

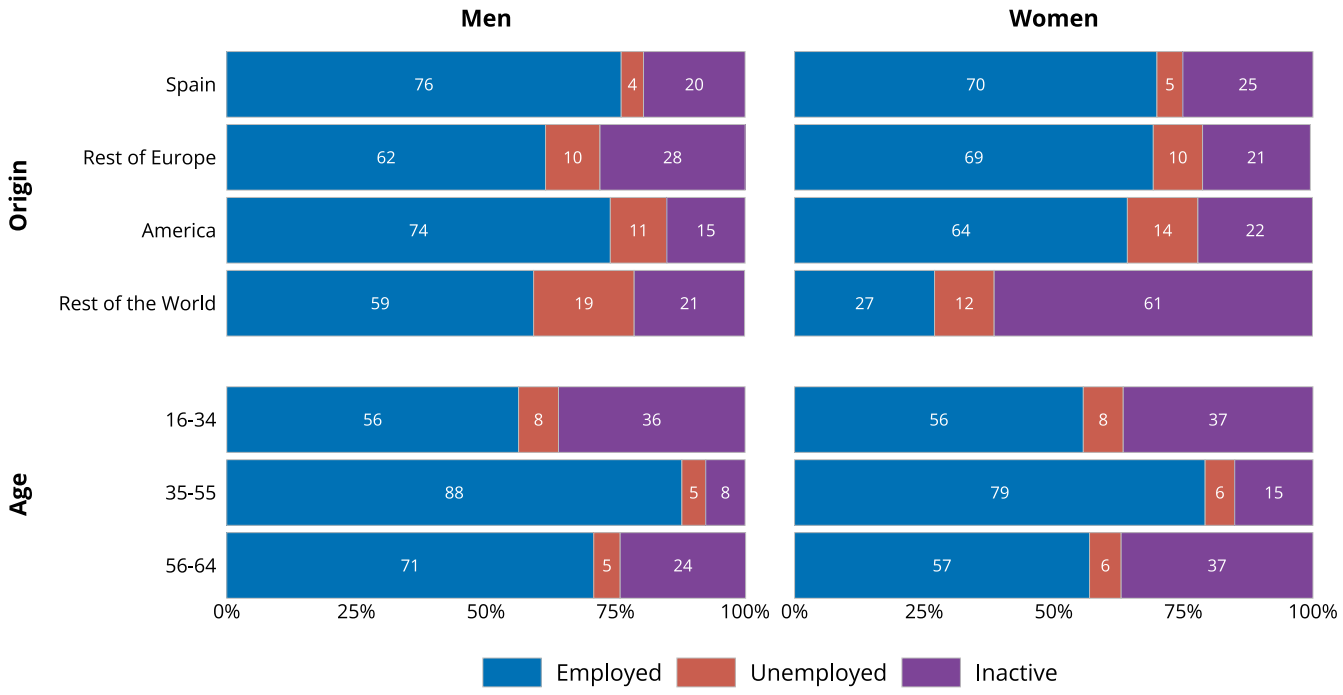
3.2.1 *Inclusion as labour market participation*

As can be seen in Graph 3-5 the inactivity rate of women is generally higher than that of men (except for people born in other European countries and younger people). The percentages of unemployed people do not differ considerably between the two sexes, with around a one percentage point difference (except in the cases of women from the Americas and men from the rest of the world). The fact that the percentage of employed women is lower than that of men is therefore not due them not looking for work, but rather that, for various reasons which will be discussed below, they are less active in the labour market. This is particularly striking in the case of women born in the rest of the world, as 61.4 % do not participate in the labour market.

The fact that the percentage of employed women is lower than that of men is not because they are not finding work, but because they are less active in the labour market

In terms of origin, employment rates are lower among people born abroad than those born in Spain, partly because there is a higher percentage of unemployed (they are looking for work but cannot find it) and in some cases because their inactivity rate (they are unemployed and not actively looking for work) is also higher than that of people born in Spain. This is the case for men born both in the rest of Europe and the rest of the world, but not for those born in America, whose activity rate is almost 85 % compared to 80.4 % for those born in Spain. The activity rate of women from that continent also exceeds that of women born in Spain by 3 percentage points and that of women born in the rest of Europe by 4.3 percentage points.

GRAPH 3-5 Employment situation of the Basque Country population (% population 16-64 years old, 2023)



Source: Own elaboration based on the INE Labour Force Survey.

Looking at the employment situation by age, the employment rate for both men and women is higher in the 35-55 age cohort, both because of a lower proportion of unemployed and, mainly, inactive people. It is worth noting that among young people there are no major differences between men and women, something that is observed in the other age groups, where the inactivity rates of women are much higher than those of men.

The reasons given by inactive people who do not want to look for a job are diverse and differ according to the groups analysed

As can be seen in Graph 3-6, the reasons given by inactive people who do not want to look for a job are diverse and differ according to the groups analysed. The differences linked to care tasks stand out, as they are mentioned by 26.6 % of women and only 2.5 % of men. Whether differentiated by place of origin or age, this is a reason that limits women's entry into the labour market to a much greater extent than that of men, even among younger people. It is particularly significant among women born in the rest of the world, where the percentage rises to 47.7 %. Therefore, it is the traditional caregiving roles that keep this group of women out of the labour market. In the analysis by age, as would be expected, the main reason for not looking for a job among younger people is that they are in training. In the middle age bracket, illness is the main limiting factor for men, while for women it is mainly divided between the caring role, illness and various other reasons not detailed. Among older people, retirement is more important, but this is mainly for men and is a much more limiting reason for women.

GRAPH 3-6 Reasons for not looking for a job among inactive people (% population 16-64 years, 2023)

Note: Sickness refers to one's own sickness or disability; Care includes both care for children or other family members and other family reasons.

Source: Own elaboration based on the INE Labour Force Survey.

With regard to the unemployed, the Statistics on the Population of Foreign Origin (EPOE) shed some light on the difficulties that this group perceives in finding

work, highlighting the structural discrimination of immigrants in the labour market (Table 3-1). In all cases, the lack of work experience, age and level of education, elements which are typically interrelated, stand out. In the case of people born in the rest of the world and in America, the lack of knowledge of the language is also an impediment. Added to this is the legal situation, which is particularly relevant in the case of those born in the Americas. Gender is not seen as an obstacle to finding employment for people from Europe, but it is cited as an obstacle by a small percentage of people from the Americas (1 %) and the rest of the world (1.3 %).

Lack of work experience, age and educational level are the key barriers to employment for people of foreign origin

TABLE 3-1 Barriers to employment (% unemployed population aged 16-66, 2023)

	Europe	America	Rest of the world
Level of education	23.0	19.1	31.2
Level of local languages	9.2	17.9	22.7
Work experience	26.1	23.5	27.9
Wage aspirations	5.1	4.4	3.8
Existence of family responsibilities	7.8	7.0	6.0
Country of origin	8.0	9.5	21.2
Sex	0.0	1.0	1.3
Age	19.8	18.8	15.2
Physical limitation	4.1	3.9	8.5
Legal status	0.0	29.5	16.9

Source: Own elaboration based on the Statistics on the Population of Foreign Origin (EPOE) of the Department of Justice and Human Rights of the Basque Government.

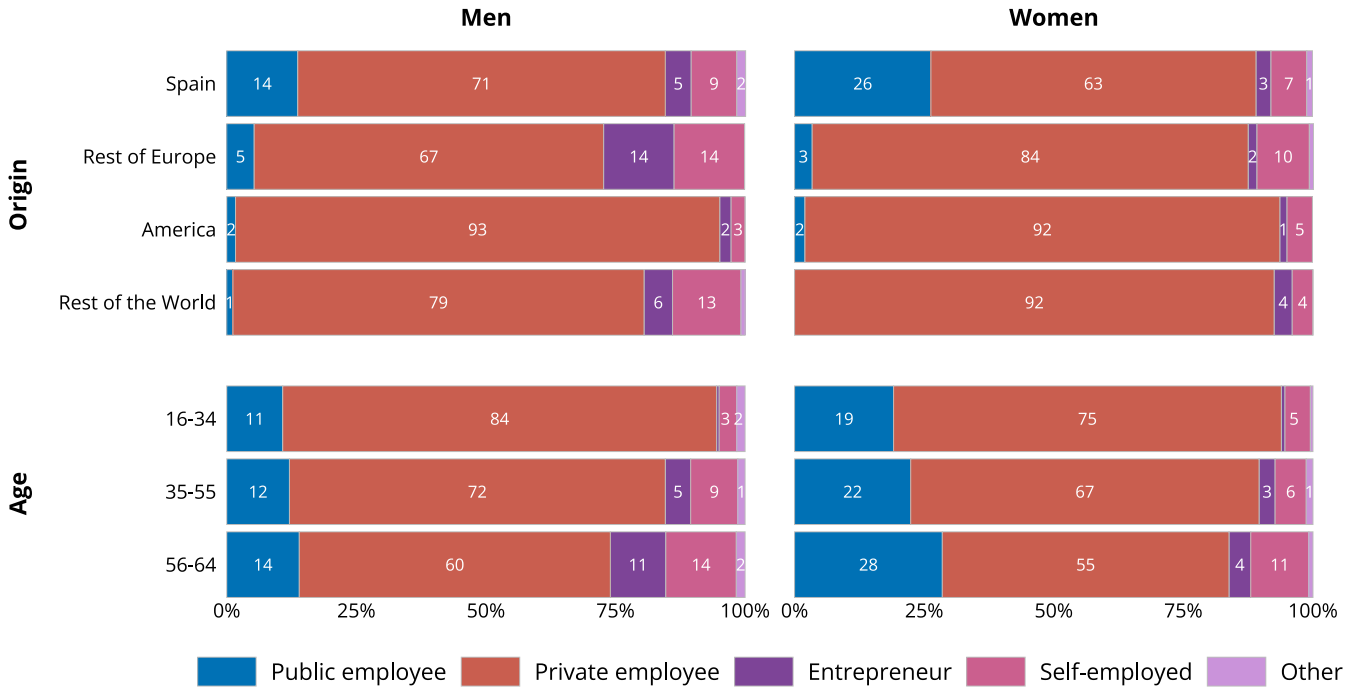
As for the type of job people would like to have, data from the Eustat survey on the reconciliation of work, family and personal life indicate that both employed men and women have a preference for working in the public sector, especially women (67.7 % compared to 51.5 %). On the other hand, employed men show a greater preference for self-employment (19.3 %) than employed women (11.8 %). However, data from the Labour Force Survey show that the majority professional status of all employed persons, regardless of origin or age, is that of wage-earners in the private sector (Graph 3-7).

The majority of 16-34 year olds are employed in the private sector, and this percentage decreases progressively in the following age groups, where there are more entrepreneurs, self-employed and public employees

In line with these preferences, there is a higher percentage of women than men who are employees in the public sector and a higher percentage of men who are self-employed or entrepreneurs. Of note are men from the rest of Europe in both categories and, in the case of the self-employed, men from both the rest of Europe and the rest of the world and women from the rest of Europe. The high percentage of self-employed people in these cases could be linked to reasons of necessity rather than a real preference for this type of situation, but also because it gives them the oppor-

tunity to apply their skills and experience. With regard to age, the majority of 16-34 year olds are private sector employees, and this percentage decreases progressively in the following age groups, where there are more entrepreneurs, self-employed and public sector employees.

GRAPH 3-7 Occupational status of employed persons (%, 2023)



Note: Entrepreneur indicates entrepreneur with employees; Self-employed indicates self-employed or entrepreneur without employees; Other includes members of a cooperative, help in the family business or enterprise and other situations.

Source: Own elaboration on the basis of the INE Labour Force Survey.

3.2.2 Inclusion and working conditions

Industry is the main sector for working men, while public administration, education and health is where women tend to be employed

Working conditions vary between sectors and, as can be seen in Table 3-2, men and women from different origins and ages are not proportionally distributed across different activities. Across all age groups, industry is the sector where most men work, and public administration, education and health where most women are employed, especially older women (46.3 % work in this sector). The lack of parity in industrial enterprises impacts not only on women's working conditions, but also on the competitiveness of enterprises in this sector, which is addressed in Box 3-2.

For both sexes, the trade, transport and hotel and catering sector is the second most important sector. However, this mainly describes the reality of people born in Spain. While it is true that the trade, transport and hotel and catering sector is prevalent among people regardless of origin, foreign-born men work in construction to a greater extent than those born in Spain, especially in the case of those born in the rest of the world. The presence of the latter in industry is also quite high. However, those of American and other European origin are less present in industry and to a

greater extent in commerce, transport and the hotel and catering industry. In the case of foreign-born women, employment in other services stands out, especially among women of American origin, where it reaches 42.8 %. It is in this category that domestic workers are placed. Foreign-born persons have less presence in professional activities and auxiliary services, as well as in public administration, education and health. This sectoral distribution means that the working conditions of foreign-born people, and of women to a greater extent than men, are worse than those of people born in Spain.

Sectoral distribution means that the working conditions of foreigners, especially women, are worse than those of people born in Spain

TABLE 3-2 Employed population by sector (%, 2023)

Origin	Men				Women			
	Spain	Rest of Europe	America	Rest of the world	Spain	Rest of Europe	America	Rest of the world
Agriculture and Livestock	1.3	5.4	3.2	0.8	0.7	0.0	0.0	0.0
Industry	32.7	16.8	11.0	26.0	9.5	9.7	4.9	0.0
Construction	7.1	20.7	18.9	38.3	1.9	0.0	0.5	0.0
Trade, transport and hospitality	20.9	30.0	44.1	24.9	20.2	31.5	31.2	64.9
IT, finance and real estate	7.4	9.1	2.8	1.2	5.9	0.0	1.9	0.0
Professional, scientific, technical and administrative activities	9.5	7.2	5.9	2.2	14.5	6.7	9.4	6.2
Public administration, education and health	17.8	10.8	5.5	3.8	40.0	30.0	9.3	6.7
Other services	3.3	0.0	8.6	2.7	7.5	22.2	42.8	22.2

Age	Men			Women		
	16-34	35-55	56-64	16-34	35-55	56-64
Agriculture and Livestock	0.6	1.4	2.7	0.0	0.5	1.5
Industry	30.4	32.6	24.5	8.3	10.1	5.7
Construction	6.6	9.3	13.1	1.1	2.0	1.2
Trade, transport and hospitality	25.3	21.6	24.2	27.0	21.5	19.5
IT, finance and real estate	8.0	7.7	3.4	5.8	5.9	2.3
Professional, scientific, technical and administrative activities	7.9	8.3	11.9	11.5	14.3	13.9
Public administration, education and health	15.7	15.7	18.4	35.1	33.2	46.3
Other services	5.4	3.4	1.9	11.3	12.4	9.7

Source: Own elaboration based on the INE Labour Force Survey.

BOX 3-2 Women, industry and internationalisation

A study on *the impact of women on industrial competitiveness* by SPRI analyses the relationship between gender equality and competitiveness in companies in the Basque industrial sector

Gender equality is a key element to ensure the competitiveness of industrial and internationalised companies in our territory. Since 2020, SPRI has been leading the *Women in Manufacturing* expert group promoted by the *World Manufacturing Foundation*, an organisation based in Milan that aims to spread industrial culture worldwide. One of the most recent results is the study *Impact of women on industrial competitiveness* (Spri, 2023), focused on studying the relationship between gender equality and competitiveness in companies in the Basque industrial sector. Given the worrying data on the presence of women in industry, SPRI decided to undertake this work with the aim of proving one of the premises highlighted by UNIDO (United Nations Industrial Development Organization) in 2019: gender equality is no longer just a question of human rights, but a fundamental issue to ensure competitiveness and economic recovery. The main result of the study is that the higher the level of equality in companies, the greater their competitiveness.

First, a methodological framework was developed through the design of a composite index that correlates dimensions of competitiveness and gender equality through the following variables:

	COMPETITIVENESS INDEX	EQUALITY INDEX
SUB-INDEXES	1. Growth in turnover	1. Distribution of women by department
	2. Employment growth	2. Distribution of women by post
	3. Innovation activity	3. Equality in selection processes
	4. Internationalisation	4. Work-life balance policies
		5. Commitment to gender equality

Based on this methodology, a study was carried out involving 474 companies in the industrial and/or related services sector. This concluded that, although women represent only 21 % of employees in companies in the sector, the most competitive companies are more egalitarian and show better equality results in the dimensions analysed.

Companies with a higher level of gender equality are more competitive and perform better in terms of turnover and employment, R&D&I and internationalisation

The findings show that companies with higher levels of gender equality are more competitive and perform better in terms of turnover and employment, R&D&I and internationalisation, and highlight the following keys to boost competitiveness based on equality: (i) horizontal segregation (by department); (ii) vertical segregation (by level of responsibility); (iii) measures to reconcile work and personal life (flexible working hours, teleworking, care leave, etc.); and (iv) internal equality policies (equality plans, committees, training and protocols). These results have great potential as a motivational tool for the implementation of gender equality policies in companies, as it is proven that gender equality is no longer just a matter of human rights, but a fundamental issue to ensure competitiveness and recovery.

In order to analyse the impact of gender equality on internationalisation more comprehensively, the study *Basque Women in Global* (Basque Trade & Investment, SPRI and Basque Government, 2024) was presented in 2024. Its analysis of 280 Basque exporting companies highlights the connections between business internationalisation and gender equality, with the following main conclusions:

- 29 % of those employed are women, a positive figure but far from gender parity.
- On average, 19 % of people are employed specifically in internationalisation activities, of which around 37 % are women. However, the presence of women is greater in other areas traditionally associated with women: commercial-marketing (42.8 %), area manager (40.4 %), and financial and administration departments (58.5 %).
- Only 21 % of women hold positions of responsibility in the internationalisation of the company, and as the size of the company increases this figure decreases.
- Only 16 % of these companies have female general managers, with a lower presence in medium-sized companies (6 %). The degree of internationalisation is also a factor, as the more internationalised the company, the fewer women there are in general management positions.
- Management teams are male-dominated, with only 32 % female presence, a ratio that worsens as company size increases.

The study therefore identifies gender gaps in internationalised Basque companies, mainly in the occupation of positions of greater responsibility and in the personnel structure of the internationalisation area, but also in general management. The causes of these gaps and the factors to be addressed in the near future could be gender stereotypes in the workplace and in work-life balance and care, the masculinisation of the company structure, and the absence of a vision of equality in the company culture. Similarly, the lack of female leadership role models and the lack of female profiles in certain sectors (e.g. STEM) are also relevant. These factors are currently being addressed through the *B-WOMENIN Global Meeting & Expanding 2024* programme, developed by Basque Trade & Investment together with SPRI and the Basque Government. The programme develops talks and events to reflect on these barriers and facilitate the connection between women who want to develop their careers in internationalisation.

Source: SPRI (2023) and Basque Trade & Investment, SPRI and Basque Government (2024).

The *Basque Women in Global* study by BTI and SPRI identifies gender gaps in internationalized companies, mainly in the occupations with greater responsibilities (including general management and the internationalization area)

In addition to the differences in terms of working conditions that can be deduced from the distribution of the population by sector, there are also those associated with the distribution by occupation. Table 3-3 orders occupations according to the general level of ability to carry them out. Women are prominent in the top category (managers, professionals and technicians) in all age groups except the 56-64 age group. However, Graph 3-8 reveals that it is only in the Professional, scientific, technical and administrative activities and Public administration, education and health sectors that women predominate over men in these management, professional and technical positions. Moreover, a more disaggregated analysis of this category reveals that only 3 % of women occupy managerial and managerial positions, compared to 4.4 % of men, and that there is a higher percentage of women than men in the category of technicians and scientific and intellectual professionals in health and education (corresponding to sectors where, as seen above, the presence of women is in the majority).

The growing incorporation of women into the business world has not been accompanied by an increase in their presence in decision-making positions

With regard to the presence of women in decision-making positions, a report by the Association of Businesswomen and Women Managers of Bizkaia (AED, 2024) highlights that the growing incorporation of women into the business world has not been accompanied by an increase in their presence in decision-making positions: in the Basque Country, women do not even represent a quarter (22 %) of the total number of positions on company boards of directors, a figure that remains constant with respect to 2022. As for the chairing of these boards, only 13 % are chaired by women, with no significant variation since 2021. It is worth noting that only 15 % of companies with 50 or more employees in the Basque Country have 40 % or more women on their Boards of Directors. In companies of this size, the percentage of women in management positions remains at 24 % and only 11 % of women hold the position of CEO/General Manager.

In the analysis by occupations by age, it can also be seen that the differences by age are less significant among men than among women (Table 3-3). In the case of women, it is worth noting the higher percentage of older women in elementary occupations than among women of other ages. This is probably linked to the improvement in the educational level of younger women which allows them to enter occupations requiring higher skill levels.

People of local origin have occupations requiring higher skill levels than foreigners, who are more present in elementary occupations

Finally, Table 3-3 also shows that people of local origin have occupations that require higher skill levels than foreigners. Thus, people born in Spain have a greater presence in managerial, professional and technical positions. In contrast, those born abroad are more present in elementary occupations, which is especially clear in the case of women, who often work as cleaners or domestic servants.

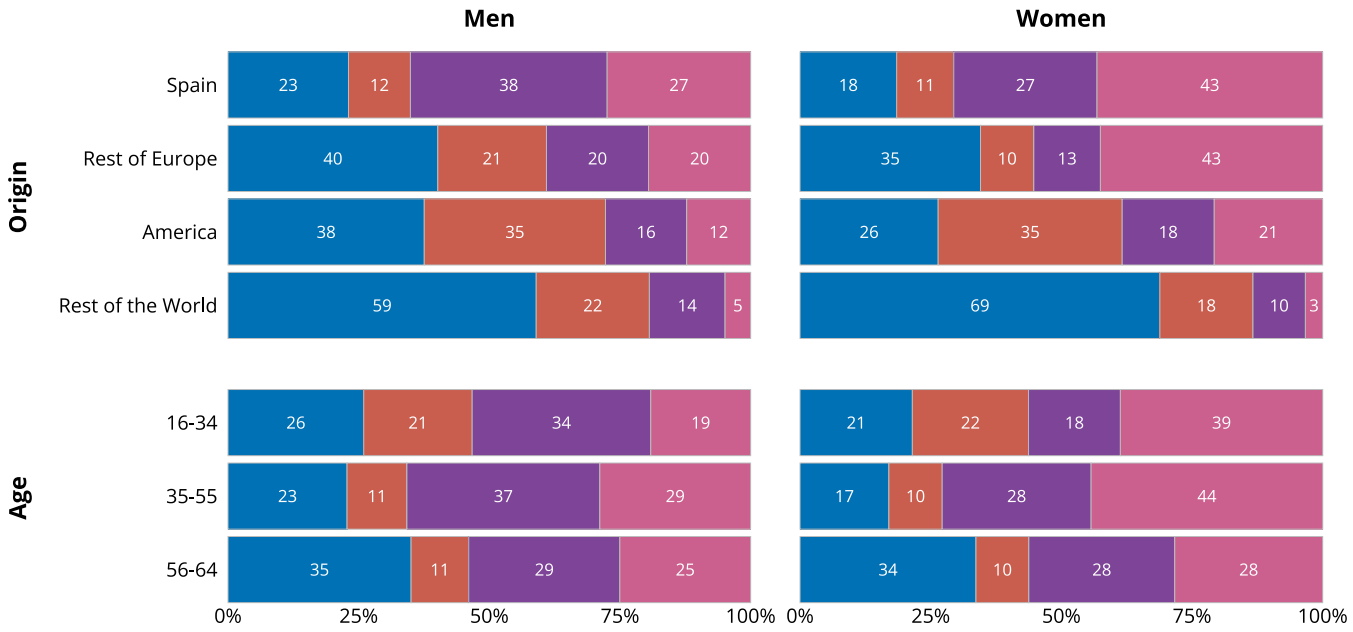
TABLE 3-3 Employed population by occupation, gender and place of origin (% employed 16-64 years old, 2023)

Origin	Men				Women			
	Spain	Rest of Europe	America	Rest of the world	Spain	Rest of Europe	America	Rest of the world
Managers, professionals and technicians	41.0	25.8	11.9	4.6	47.2	34.4	12.3	12.1
Jobs Administrative, service and sales	19.5	8.2	29.8	19.5	39.0	33.9	54.2	51.5
Skilled Skilled agricultural and craft workers	19.9	40.8	25.3	50.6	2.1	1.2	2.5	0.0
Plant and machinery operators and assemblers	14.9	23.2	15.3	10.7	2.3	5.0	0.9	0.0
Elementary occupations	4.7	0.0	17.4	14.7	9.4	25.6	30.0	36.4

Age	Men			Women		
	16-34	35-55	56-64	16-34	35-55	56-64
Managers, professionals and technicians	36.2	37.7	37.1	50.8	41.6	36.0
Jobs Administrative, service and sales	23.7	19.4	17.0	36.6	41.7	42.1
Skilled Skilled agricultural and craft workers	20.7	22.2	22.6	1.9	1.9	2.9
Plant and machinery operators and assemblers	13.0	15.2	17.0	1.2	3.0	1.0
Elementary occupations	6.4	5.3	6.4	9.4	11.8	18.0

Source: Own elaboration based on the INE Labour Force Survey.

GRAPH 3-8 Population in managerial, professional and technical occupations by sector and sex (%, 2023)

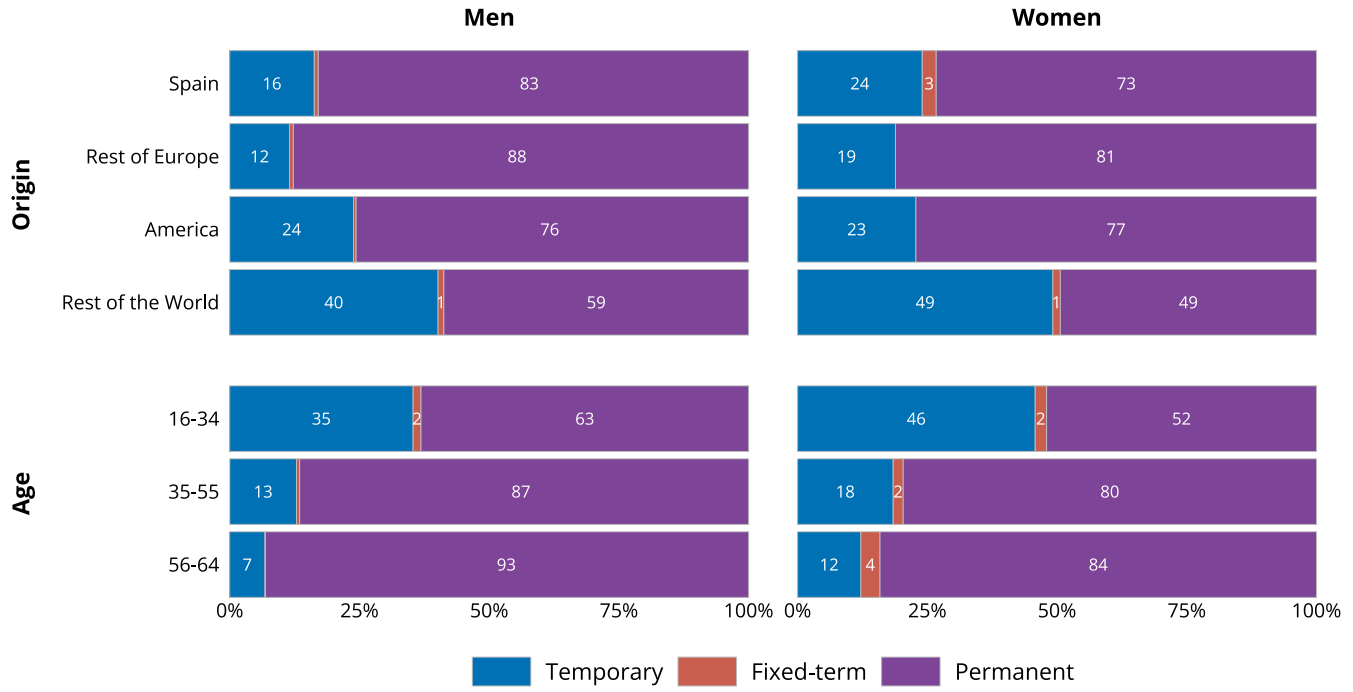


Source: Own elaboration based on the INE Labour Force Survey.

The working conditions of salaried employees also depend on the type of contract they have (Graph 3-9). In this case, among the population of foreign origin, temporary contracts mostly affect men from the rest of the world and from the Americas. In the case of women, however, it is those of local origin, alongside those from the

There is a higher prevalence of temporary contracts among the younger population

GRAPH 3-9 Type of contract (% employed population 16-64 years, 2023)



Source: Own elaboration based on the INE Labour Force Survey.

rest of the world, who are most affected by temporary employment. By age, there is a higher prevalence of temporary contracts above all among the younger population. On the other hand, only 1.5 % of people have a fixed, set-term contract, and this is more common among women (especially older women) than men (although slightly more common among young men).

9.2 % of people born outside Europe indicate that they can only access irregular jobs

It should be noted that these data do not include the situation of people working without a contract. This is a situation that probably affects people of foreign origin to a greater extent, especially those who are in an irregular administrative situation. Thus, EPOE data indicate that 6.1 % of this employed population is not affiliated to Social Security and, of the salaried population, 5.5 % do not have a contract. These percentages rise to 8 % and 7.4 % respectively in the case of people of American origin, suggesting that they are particularly lacking in legal and social protection. Th implication is that the precariousness of people of foreign origin is higher than that shown in Graph 3-9. This may be linked to their exceptional or irregular administrative situation, since, according to the EPOE, 9.2 % of people born outside Europe indicate that they can only access irregular jobs. One way to improve their stability and encourage them to enter the labour market on a regular basis is through the regularisation of this situation, which is addressed in Box 3-3.

BOX 3-3 Residence permission on the basis of roots as a tool to facilitate socio-occupational inclusion

Residence authorisation due to roots can be granted to a person in a situation of administrative irregularity who has not had a previous residence authorisation since his/her arrival in Spain (profound irregularity) or it can be granted to those in a situation of irregularity due to having had a previous authorisation (other than for roots) that could not be renewed or modified before its expiry (supervening irregularity). The current regulation governing rootedness in Spain is Royal Decree 629/2022 of 26 July, which modified to varying degrees the three traditional forms of having roots (social, family and labour) and added roots by training (OPI, 2024).

The granting of a temporary residence permit on the grounds of "roots" is subject to two conditions: (i) a minimum period of presence in the territory; and (ii) the existence of an employment, family, social or training-related reason

The granting of temporary residence permits on the grounds of having roots is subject to two conditions. The first refers to a minimum period of presence in the territory. The second is the existence of a reason or exceptional circumstance such as a previous employment relationship of a fixed duration (work roots); the existence of family ties with Spanish citizens (family roots); the existence of an employment contract and proof of integration into the life of the place where he or she has lived in recent years (social roots); or the commitment to acquire certain qualifications and the subsequent provision of an employment contract linked to these qualifications (educational roots). The residence permit that corresponds to each authorisation is fundamental because it determines the documentary stability of the person in Spain (OPI, 2024):

- **Family roots**: Work permit for five years,
- **Social and work roots**: Initial residence and work permit for one year.
- **Educational roots:** Initial authorisation only for residence for one year, extendable for a specific training course. Once completed, it leads to a residence and work permit for two years, provided that there is a linked work contract.

According to OPI (2024), 2 386 people were granted residence based on roots in the Basque Country in 2013. This figure quintupled in the following decade, rising to 12 039 by the end of 2023. While social roots accounted for most authorisations in 2013 (90 %), in 2023 their weight dropped to 43 % and family roots became more important (32 %). As for educational roots, a little over a year after introduction of this new category it already made up 20.3 % of the total: 2 439 people, well above the proportion in Spain as a whole (11 %). However, the data do not make it possible to know what percentage are linked to the first phase (training) or the second (employment contract).

The number of people who have been granted rooted status in the Basque Country increased fivefold between 2013 and 2023, from 2 386 to 12 039

With regard to the gender differences among persons with residence permits for roots in the Basque Country at the end of 2023, women accounted for 48.6 % of the total number of persons with permits for roots, being the majority in the case of social roots (52.4 %) and especially in the case of family roots (57.2 %), while only around a third in the case of employment roots (36.5 %) and 29.4 % in the case of training roots.

In terms of age, around 70 % were between 25 and 44 years of age, rising to 76.6 % in the case of family roots. On the other hand, younger people of working age (16 to 24 years old) represented 11.8 %, although this percentage rises to 18.5 % in the case of people with training roots.

The average time in irregularity of people who had their first residence permit in 2023 in the Basque Country was slightly longer (3.3 years) than in Spain as a whole (2.9 years), with this average time in both cases being the shortest since 2013. This time was slightly shorter among women (3.3 years) than among men (3.4 years). This may be an indicator that the new system of permits for roots is effective in reducing the average time spent in an irregular situation. However, it should be noted that the estimated time in irregular status of persons applying for permits based on roots depends on the minimum time required to apply for it, which varies between two (training and work) and three years (social).

The average time in irregularity of people who had their first residence permit in 2023 in the Basque Country was 3.3 years, the shortest since 2013

One of the most desirable consequences in terms of the social inclusion of foreigners who obtain a residence permit based on roots is their incorporation into the labour market as a facilitator of their social inclusion. In this sense, the percentage of people affiliated to Social Security with initial residence authorisation due to roots out of the total number of people with this type of authorisation at the end of 2023 in the Basque Country was 58.5 %, slightly lower than in Spain as a whole (60.2 %). These data indicate that there is still room for improvement in the incorporation into the labour market of people with residence permits due to their roots, which may be associated with level of qualifications or lack of recognition of qualifications and professional experience. In general, this also indicates the need for a strategy of comprehensive attention to the situation of the group in question.

In this sense, an important factor for the labour market integration of foreigners is the possibility of validating studies completed outside Spain. This recognition is subject to administrative procedures and long waiting times because it has traditionally been the responsibility of the State. Yet as of 1 July 2024, the Basque Country is the only Spanish Autonomous Community that will manage applications for the recognition or equivalence of higher education qualifications obtained abroad by persons registered in a Basque municipality (Regulation in Decree 44/2024, of 16 April[20]). The transfer of this competence to the Basque Country represents an opportunity to reduce waiting times in the process, facilitating the connection of qualified foreigners with the productive system, their socio-labour inclusion and the filling of vacancies by companies.

The transfer of authority to manage applications for the recognition or equivalence of diplomas is an opportunity to facilitate the connection of qualified foreigners with the production system

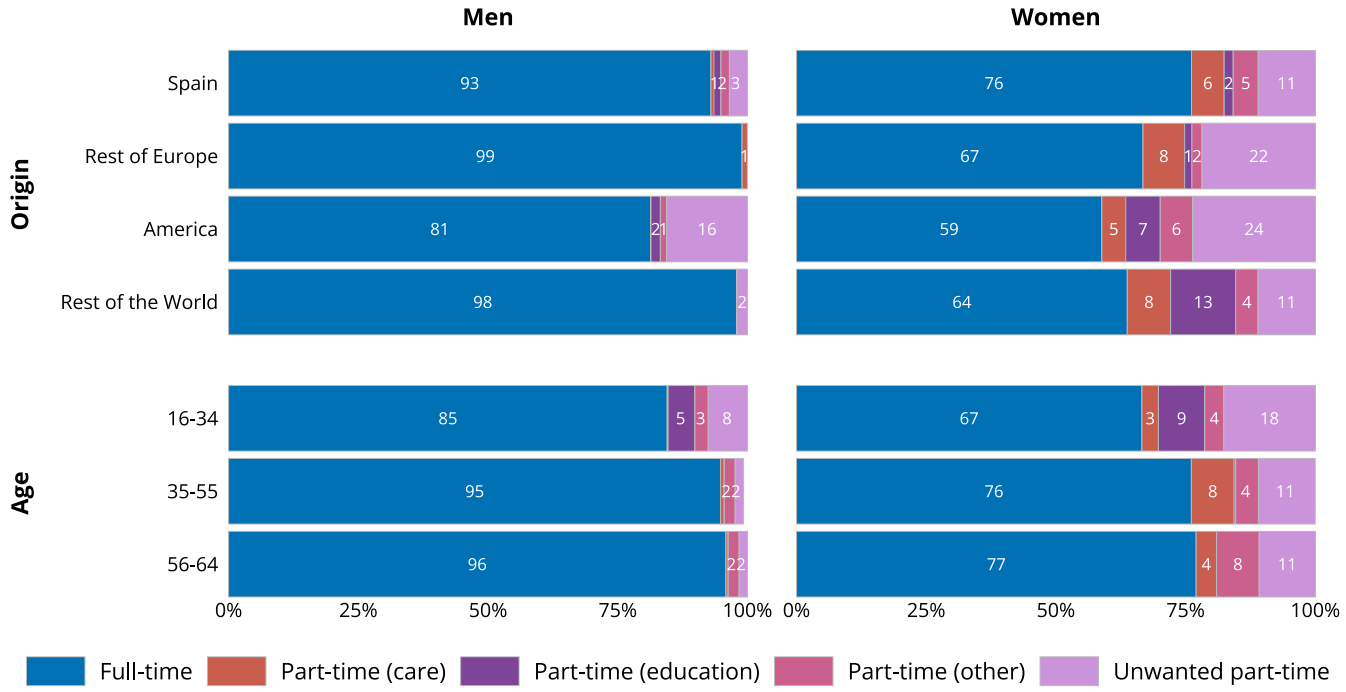
Source: Own elaboration based on data from OPI (2024).

[20] At the date of writing this report, the Supreme Court has agreed, by Order of 23 July 2024, to suspend as a precautionary measure the validity of Royal Decree 366/2024, of 9 April, on the extension of functions and services transferred to the Autonomous Community of the Basque Country by Royal Decree 2808/1980, of 26 September, in the field of education (recognition and declaration of equivalence of degrees obtained in the framework of foreign higher education systems), thereby paralysing the admission of applications, and all other procedures, for the recognition and declaration of equivalence in the Basque Country of the aforementioned degrees.

Care work has a greater impact on women than men in the decision to work part-time, with implications for current and future income

A final element in working conditions is the length of the working day, which is a determining factor in the wages people receive. As can be seen in Graph 3-10, having a full-time job is more common among men than among women, and among older people than among younger people. As in the previously analysed case of inactivity, the reasons for part-time work vary between groups. Unwanted part-time work is more common among women than among men, and among men from the Americas. Care work also has a greater impact on women than on men when it comes to deciding to work part-time. It is important to note that this has implications not only at the present time, reducing the average wage women receive compared to men, but will also have implications for the future, as their contribution base is lower and may affect their retirement pension.

GRAPH 3-10 Type of working day (% employed population 16-64 years, 2023)



Source: Own elaboration based on the INE Labour Force Survey.

3.2.3 Inclusion and educational attainment

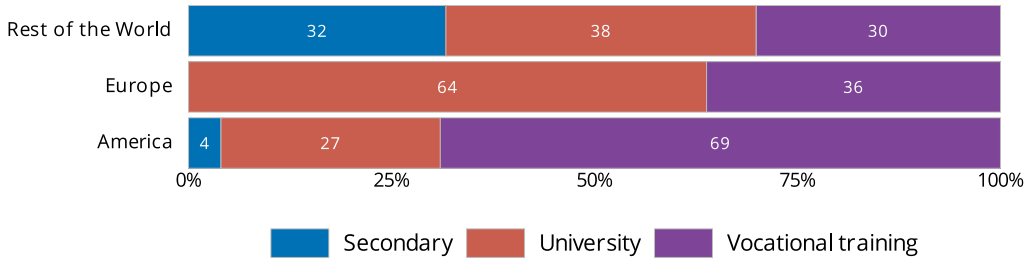
The employment situation of individuals is largely linked to their educational attainment, which, like other elements considered in this section, differs according to the groups analysed. Graph 3-11 shows that the level of university education is higher among women than among men, but the levels of basic education are very similar because men have comparatively more baccalaureate and vocational training. It is also evident that the population of local origin has higher levels of education than the foreign population, especially in the case of those who do not come from Europe or America. Moreover, it is the people aged between 35 and 55 who have the highest levels of education, since among the younger age groups there are people still in education.

GRAPH 3-11 Educational level of the population (% population 16-64 years, 2023)

Source: Own elaboration based on the INE Labour Force Survey.

In the case of people of foreign origin, part of their training was acquired after their arrival in the Basque Country and the level of studies attained depends on their place of origin (Graph 3-12). The population of European origin focuses mainly on university studies, the American population on vocational training and those from the rest of the world are more evenly divided between secondary school, vocational training and university studies.

GRAPH 3-12 Population aged 18+ of foreign origin who have undertaken or are undertaking regulated studies in the Basque Country by level of studies to be attained (% population undertaking studies, 2023)



Source: Own elaboration based on the Statistics on the Population of Foreign Origin (EPOE) of the Department of Justice and Human Rights of the Basque Government.

Vocational training is key to social inclusion, as it can contribute to tackling early school drop-out and favouring the incorporation of vulnerable groups into the labour market

With regard to Vocational training, the report of the *CaixaBank Dualiza-Orkestra Vocational Training Observatory* (Gamboa Navarro *et al.*, 2023) focused precisely on analysing the key role that this has for social inclusion, as it can contribute to tackling early school leaving and favour the incorporation of vulnerable groups into the labour market. This report indicates that in the 2021-2022 academic year, 11.4 % of vocational training students were of foreign nationality (a higher percentage than in Spain, where it only reached 8.3 %), a percentage that rises to 30.2 % for basic vocational training. The report also analyses the participation of women in vocational training, which in the case of the Basque Country is lower than that of men, representing only 34.6 % of students in the aforementioned academic year.

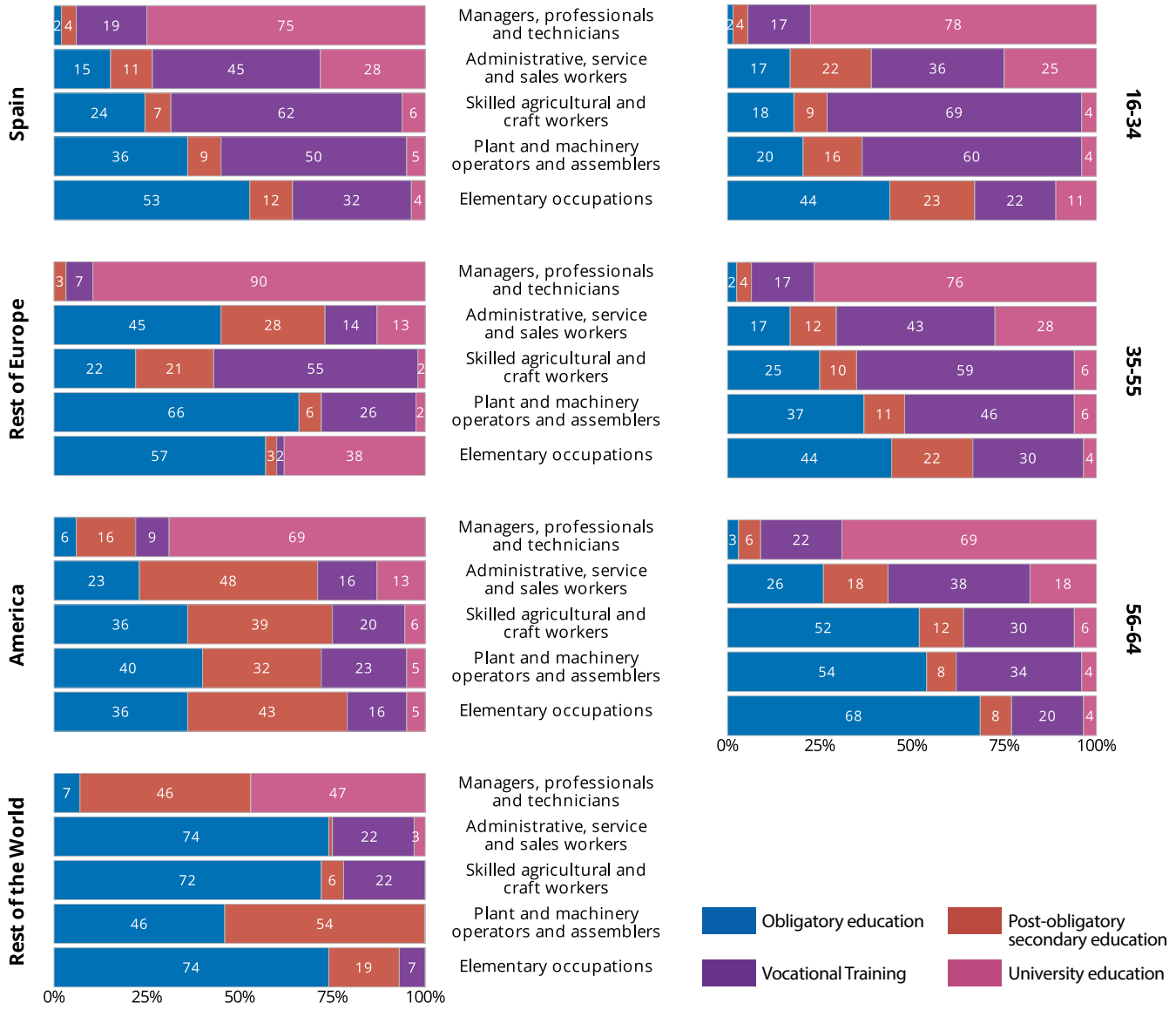
Training in scientific-technical areas is of particular interest in the Basque Country and, especially, the involvement of women in this type of training. Eustat indicates that for the 2022/2023 academic year, 28 % of students were enrolled in STEM degree studies and 34 % of these students were women. In the case of vocational training, the *CaixaBank Dualiza-Orkestra Vocational Training Observatory* shows that, for the same academic year, 50.6 % of students are enrolled in courses related to STEM professions, with only 10.9 % being women.

Despite having advanced training, jobs do not always correspond to the level of training that people have. Thus, according to the Survey on reconciliation of work, family and personal life, 16.4 % of employed women state that their level of education is higher than that required for their job. In the case of men this percentage drops to 11.8 %, and in the case of people of foreign origin it rises, according to the EPOE, to 21.8 % (27.4 % among those born in America). This suggests that we are not making the most of the skills of women and people of foreign origin, limiting aspects that have an impact on both their own wellbeing and the competitiveness of the territory. This is reflected in Graph 3-13, which shows a high percentage of people with tertiary education in occupations requiring lower skill levels. This is more prevalent among people of local origin (as their educational level is higher), but is also quite prevalent in elementary occupations among people born in the rest of Europe and among people of American origin working in plant and machine operator and assembler occupations. Possible over-qualification is also observed more frequently among the younger population.

The capacities of both women and people of foreign origin are not being used to their full potential

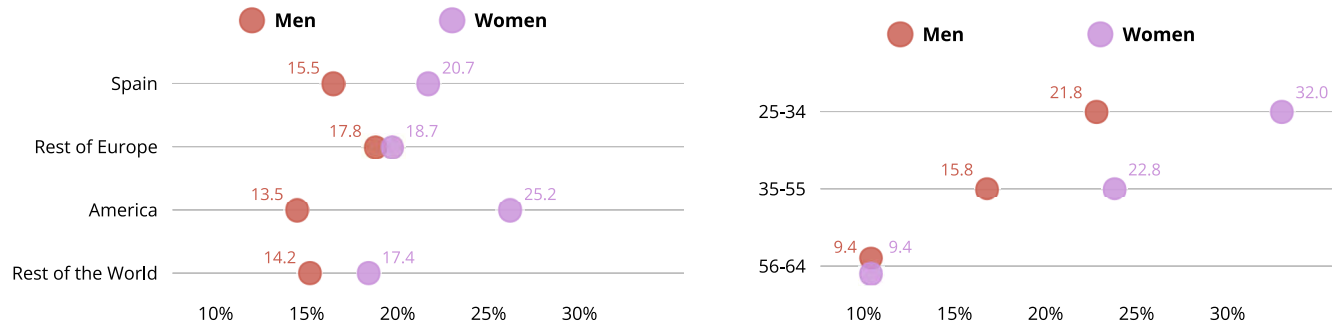
The type of education you have is not always adapted to what the constantly evolving market needs. Thus, it is important to keep training, whether or not you have already reached a high level of education, and Graph 3-14 presents figures on lifelong learning. In general, in addition to having higher educational attainment, women continue with training to a greater extent than men. Although training decreases with age, more than 9 % of both men and women aged 56-64 continue to receive some form of training. So do people of foreign origin, in some cases, such as men born in the rest of Europe and women of American origin, to a greater extent than their local counterparts. This may be due both to their starting from lower educational levels and to their studies not being accredited.

GRAPH 3-13 Educational level of the employed population by occupation (% employed population 16-64 years, 2023)



Source: Own elaboration based on the INE Labour Force Survey.

GRAPH 3-14 Lifelong learning (% population 25-64, 2023)



Source: Own elaboration based on the INE Labour Force Survey.

3.2.4 Summary

The picture revealed is highly complex, but understanding it is critical to work towards the inclusion of all people in the competitiveness processes of the territory

Our analysis of inclusion in the human capital lever by gender, age and place of origin makes it clear that these three elements condition people's employability and influence their decisions to enter the labour market, their chances of getting a job and their working conditions. The picture revealed by the analysis is highly complex, but understanding it is critical to work towards the inclusion of all people in the territorial competitiveness processes that underlie good results, both economically and in other dimensions of wellbeing. Summarising the analysis, the main features to take into account are:

- **Employment rates** are generally lower among women and among foreign-born people.
- There is a prevalence of women in **care work** compared to the low participation of men, which has a direct impact on women's entry into the labour market, especially among women born in the rest of the world.
- The **reasons limiting job search** differ according to age and place of origin. For younger people the main reason is to continue their education, illness limits the intermediate age bracket mainly for men, while for women it is also care. Retirement is more important for older people, but to a lesser extent for women than for men. Foreigners have other obstacles to finding a job, such as work experience, level of education and country of origin.
- The majority employment status, irrespective of origin, age and gender, is in the private sector. In this scenario, there is a higher percentage of salaried women in the public sector and a higher percentage of self-employed men and entrepreneurs, especially those from Europe and other regions of the world. Despite this, both women and men prefer to work in the public sector.
- Origin and age make a difference in the **type of work activity carried out**. Men have a greater presence in the industrial sector and women in public administration (education and health), especially older women. Men and women of American and other European origins are employed more in commerce, transportation and hospitality, while men born in the rest of the world are more likely to work in construction.
- Local people have **occupations that require more skills**, such as management, professional, and technical positions, while foreign people perform more basic occupations, especially in the case of women. It is only in the sectors of Professional, scientific, technical, and administrative activities and Public administration, education, and health where women predominate in management, professional, and technical positions, and the increasing incorporation of women into the business world has not been accompanied by a growth in their presence in decision-making positions.
- **Temporary contracts** affect women more than men and, among men, they are higher among those of foreign origin. In the case of women, however, it is those of local origin, as well as those from the rest of the world, who are most affected by temporary employment. This type of contract is also more prevalent among the younger population, especially women.

- The presence of **jobs without a contract or social security affiliation** stands out among foreign-born people, probably due to their irregular administrative situation, which limits their access to legal contracts and calls into question their levels of legal and social protection.
- **Full-time work** is more prevalent among men and among older people. It should be noted that women have greater undesired part-time work than men, and the importance of care work among women may be a possible explanation for this.
- The **skills** of both women and people of foreign origin are not being exploited to the full, which is limiting aspects that have an impact both on their own wellbeing and on the competitiveness of the territory. The population of foreign origin has lower levels of education than the population of local origin and part of the training they have has been acquired after their arrival in the Basque Country, with people of European origin opting for a higher level of studies (university studies), followed by people from the Americas (vocational training).
- Women participate in **lifelong learning** to a greater extent than men. In some cases (such as men born in the rest of Europe and women of American origin) people of foreign origin also participate to a greater extent than local people; perhaps because they start from lower educational levels, because their studies are not accredited or because they need to have professional studies or certifications to carry out their work and care tasks.

3.3 Social capital: A lever for inclusive competitiveness

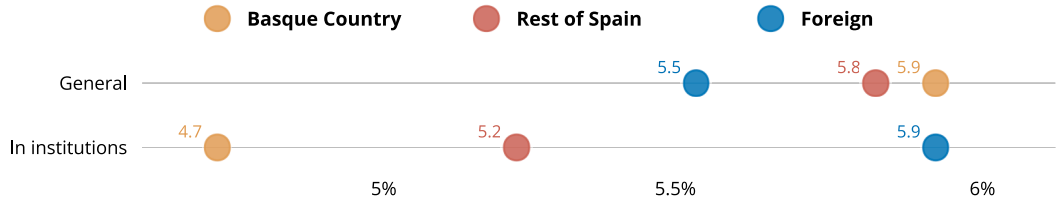
The social and institutional capital lever reflects the system of rules and organisations that structure social interactions, thus influencing the generation of economic and social value in a territory. In this section we analyse – by place of origin – elements that affect the inclusion of people in the competitiveness processes of a territory. We do not present results disaggregated by gender or age because no particularly significant differences have been revealed.

The first dimension analysed is trust in people and institutions, important for inclusion in the economic and social dynamics that underlie competitiveness (Graph 3-15). Overall trust (on a scale of 1 to 10) is somewhat lower among people of foreign origin (5.5) than among people born in the Basque Country (5.9) or the rest of Spain (5.8). However, trust in institutions[21] is higher among foreign-born people (5.9) than among people born in the Basque Country (4.7) and the rest of Spain (5.2). This may reflect trust in Basque and Spanish institutions being greater than in those of their countries of origin.

Overall trust is somewhat lower among people of foreign origin than among people born in the Basque Country, but trust in institutions is higher among people born abroad

[21] Institutions refer to: international institutions such as the UN, trade unions, the Basque Government, the Bank, European institutions such as the European Commission, charities such as Caritas, the courts, the regional police, the Spanish Government, NGOs such as Greenpeace or Doctors without Borders, the national police and the Civil Guard, the Catholic Church, the army, political parties, town councils and the media.

GRAPH 3-15 Types of trust by origin, (1-10, 2022)



Source: Own elaboration based on the Eustat Social Capital Survey.

Table 3-4 looks more closely at networks of friends and family. On the one hand, foreigners have the smallest average size of both their extended network (people who make up the family they live with, relatives with whom they maintain regular communication and their extended network of friends) and of their close network (relatives with whom they maintain a close relationship and close friends). However, the frequency of their personal relationships in the network is very similar to that of local people.

TABLE 3-4 Extended network and close network by origin, 2022

	Basque Country	Rest of Spain	Rest of the world
Size of extended network (average)	24.8	23.0	19.2
Size of close network (average)	12.6	11.5	8.8
Personal relationships within the network (average)	5.0	4.3	4.7

Source: Own elaboration based on the Eustat Social Capital Survey.

Foreigners have a higher average (7.6) personal independence than Basques (7.1) and the rest of Spain (7.4)

Related to these networks of friends and family, indicators of access to support are also collected in three areas: financial, health and emotional support (Table 3-5). In all areas, the social capital of foreigners is lower than that of those born in the Basque Country or the rest of Spain, with financial support being the most difficult to access. Perhaps related to the lack of support in these areas, another indicator suggests that people of foreign origin living in the Basque Country have higher average of personal independence (7.6) than people from the Basque Country (7.1) and the rest of Spain (7.4).

TABLE 3-5 Access to financial, health and emotional support, 2022

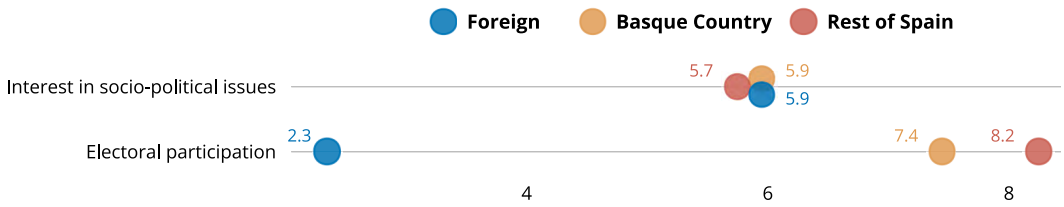
	Basque Country	Rest of Spain	Rest of the world
Access to financial assistance (average)	5.1	4.8	3.8
Access to help for health problems (average)	6.3	5.9	5.1
Access to emotional support (average)	5.8	5.6	4.8

Source: Own elaboration based on the Social Capital Survey.

Finally, in terms of socio-political interest, there are no differences between foreign and local people. On the other hand, foreign-born people have the lowest average voter turnout (2.3), due to the fact that only people naturalised as Spaniards have the right to participate in political affairs (Graph 3-16).

There are no differences in socio-political interest between foreign and local people, but foreign-born people have lower average voter turnout

GRAPH 3-16 Socio-political interest and political participation, (0-10, 2022)



Source: Own elaboration based on the Eustat Social Capital Survey.

In summary, with the limited data available, our analysis detects a series of features with respect to social and institutional capital that may have implications for the inclusion of people of different places of origin in the processes of competitiveness and wellbeing of the territory:

- People of foreign origin show less **trust in general** than people born in the Basque Country or the rest of Spain.
- People of foreign origin have greater **trust in institutions** than people born in the Basque Country or the rest of Spain.
- Local people have wider **personal networks** to seek support from, although the frequency of personal relationships is similar between the different groups.
- People of foreign origin rate their **access to financial, health and emotional support** lower than local people. On the other hand, or as a result of the above, people of foreign origin have more **personal independence** than local people.
- While interest in **socio-political issues** is very similar regardless of place of origin, different rights mean that people of foreign origin participate much less in elections.

3.4 Inclusion in wellbeing indicators

In the previous two sections we have analysed the inclusion of people by gender, age and place of origin in human and social capital in order to characterise participation in the processes underlying competitiveness in the Basque Country. In this section we analyse inclusion from the perspective of access to welfare outcomes, extending the analysis of the first chapter to delve deeper into inclusion in wellbeing outcomes by gender, age and place of origin.

Younger people (16-24 years old) report the highest satisfaction with life

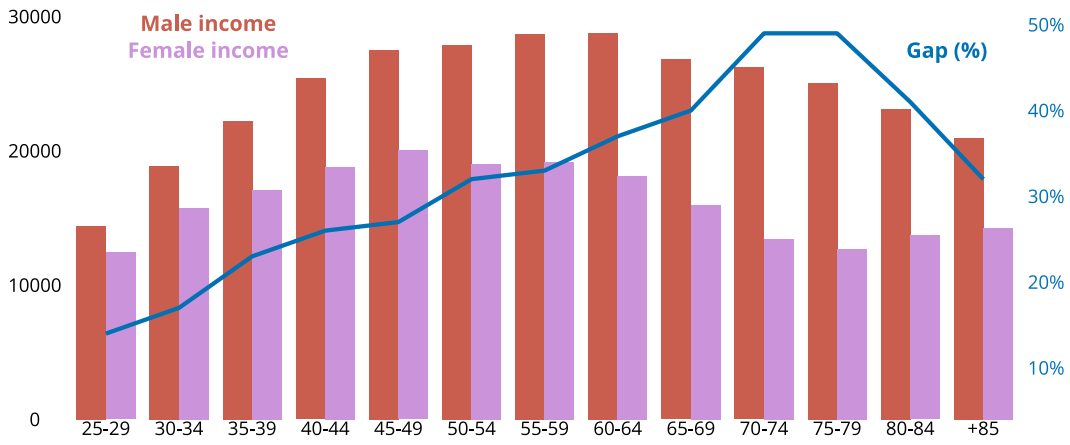
3.4.1 Life satisfaction

The life satisfaction indicator measures subjective feeling regarding quality of life. Although men feel slightly more satisfied with life than women (7.4 and 7.2 out of 10 respectively), the difference is such that we cannot speak of a gender gap. On the other hand, satisfaction decreases as people get older and it is the youngest people (16-24 years old) who report being the most satisfied.

3.4.2 Material life

The material aspects of the lives of people living in a territory are the most obvious manifestation of inequality between individuals and groups of people with respect to their wellbeing. According to data from the Personal and Family Income Statistics, in 2021 the personal income of people increases gradually as age increases, with the inflection point being found in the 55-59 age bracket, after which there is a decline (associated with the end of working life) (Graph 3-17). In terms of gender, there is a widening gap, with the largest difference in the 70-74 age group, at which age women have around half the income of men.

GRAPH 3-17 Disposable income by gender and age (2021)

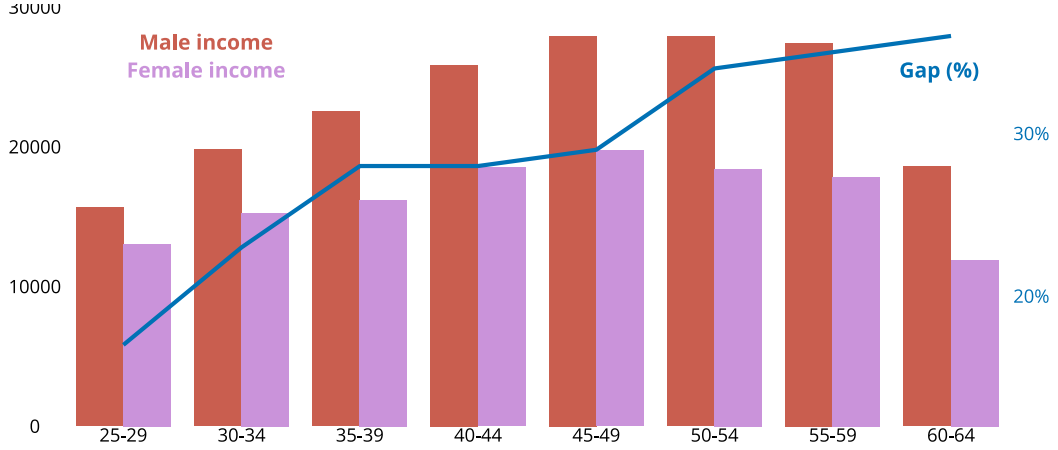


Source: Own elaboration based on Eustat Personal and Family Income Statistics.

From the youngest age cohort onwards there is a gender pay gap that increases progressively with age

Graph 3-18 shows only income from work. This income increases over the lifetimes of both men and women up to the 45-49 age bracket. Thereafter it stagnates or declines slightly for a decade before falling sharply in the last five years (60-64 years). From the youngest age cohort there is a gender pay gap which increases progressively in the following age cohorts up to the age of 39; it stabilises in the 40s and increases again, first substantially in the 50-54 age group, and more gradually thereafter. These differences are related to aspects of the type of work in which men and women are employed, which is discussed above.

GRAPH 3-18 Labour income by gender and age (2021)



Source: Own elaboration based on Eustat Personal and Family Income Statistics.

Differences in the type of sectors, occupations or contracts that have been addressed in the previous analysis of human capital can be reflected in the wages that people receive. Thus, in the first block of Table 3-6, we see that people working in the service sector earn, on average, 8.6 % per hour less than people working in industry. This gap is even wider in terms of average earnings because in the service sector there is more part-time work than in industry. On the other hand, people in medium and low-skilled occupations earn around 40 % less than those in high-skilled occupations (managers, professionals and technicians), both per hour worked and in average earnings. This combination of factors, among others, contributes to the fact that foreign nationals earn on average 34.3 % less than Spaniards and to the fact that the wage gap is wider the younger a person is.

In chapter 1 it has been mentioned that the gender pay gap per hour is 8.8 %, and this rises to 16.5 % in terms of average earnings, due to more partial work. That is only among working people. As the employment rate is lower among women, the gap in disposable income is even wider, as we have already seen. Moreover, the gender pay gap goes beyond what can be attributed to these factors individually. As can be seen in the second block of Table 3-6, there are also wage gaps in each of these groups. Thus, the gender pay gap per hour worked in both industry and services is very similar to the economy-wide average and the gap in average earnings is somewhat lower in the case of industry. Gender gaps are particularly high in low-skilled occupations, possibly because men tend to be industrial labourers and women domestic workers with much lower pay conditions. It is only in the case of temporary contracts that men's wages are lower than women's, perhaps linked to the particularly precarious nature of some of the jobs of this nature held by men.

Gender pay gaps are particularly high in low-skilled occupations

TABLE 3-6 Wage gap by sector, occupation, type of contract, nationality, age and gender (%, 2022)

		With respect to reference group		Women vs Men	
		By hour worked	By average earnings	By hour worked	By average earnings
Total				8.8	16.5
Sector	Industry	--	--	8.7	10.9
	Services	8.6	16.1	8.4	15.1
Occupation	High-skill	--	--	9.3	13.7
	Medium-skill	38.9	39.4	15.3	22.4
	Low-skill	38.0	40.1	25.6	39.7
Contract	Indefinite	--	--	12.0	19.6
	Temporary	-2.0	4.5	–10.2	-5.2
Nationality	Spanish	n/a	--	n/a	17.3
	Foreign	n/a	34.3	n/a	19.3
Age	From 25 to 34 years old	n/a	27.9	n/a	11.4
	From 35 to 44 years old	n/a	12.6	n/a	15.9
	From 45 to 54 years old	n/a	3.3	n/a	21.0
	55 and over	n/a	--	n/a	18.2

Note: Positive values indicate that the group under consideration earns the indicated percentage less than the reference group.

Source: Own elaboration based on the INE Annual Wage Structure Survey.

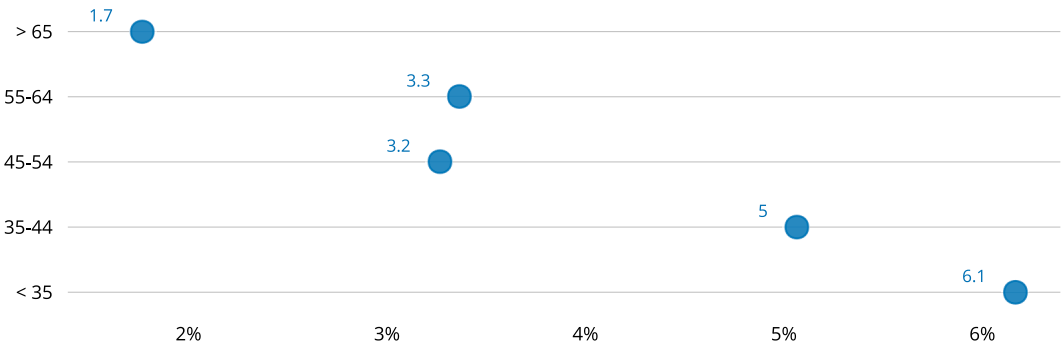
2.9 % of households whose reference person is a man are affected by poverty, compared to 5.5 % if it is a woman, or 20.5 % if it is a foreign-born person

As shown in the first chapter, the Basque Country has a low level of poverty and social exclusion relative to other territories. The real poverty rate stands at 4 % and is somewhat higher for men than for women.[22] However, the difference between men and women is more significant when considering the sex of the reference person in the household: 2.9 % of households whose reference person is a man are affected by poverty, but this percentage rises to 5.5 % if it is a woman.[23] Analysing real poverty by age (Graph 3-19), it can be seen that poverty affects younger households to a greater extent (6.1 %) and older households to a lesser extent (1.7 %). But the most significant differences are found by place of origin, where the poverty of households with foreign-born reference persons (20.5 %) is considerably higher than that of households with native-born reference persons (1.9 %).

[22] Real poverty refers to those circumstances in which the situations of risk of insufficient coverage of basic needs that appear in one or other of the different dimensions of poverty (maintenance or accumulation) are not sufficiently compensated in the daily life of the population in such a way that it is possible to access a minimum level of wellbeing, outside the experience of poverty (Basque Government, Department of Justice and Human Rights, 2024).

[23] The term reference person is associated with the person who is indicated in the household, or cohabitation unit, as a reference for the purposes of providing information (Basque Government, Department of Justice and Human Rights, 2024).

GRAPH 3-19 Real poverty by age (2022)



Source: Own elaboration based on the Survey on Poverty and Social Needs of the Department of Justice and Human Rights of the Basque Government.

For people of foreign origin, the Statistics on the Population of Foreign Origin (EPOE) allows us to identify the typology of their income by three large geographic areas (Table 3-7). Singularities are identified for each of the areas. Thus, 18 % of people born in Europe report having no income and another 12 % report having pensions. For those born in the Americas, 23 % had no income in 2023, a figure that rises to 29 % for people from the rest of the world. However, the main source of income for all groups is work or rents. This indicates a financially sustainable integration of migrants in the Basque Country, something that is supported by the fact that only around 2 % of people from the Americas and the rest of the world have outstanding debts to pay. This is despite the fact that 27.3 % (Americas) and 9.8 % (rest of the world) incurred a debt to make their journey to the Basque Country.

The main source of income of foreigners is work or income, which indicates a financially sustainable integration of migrants in the Basque Country

TABLE 3-7 Type of income of persons of foreign place of origin (%, 2023)

	Europe	America	Rest of the world
Work or rents	64	67	49
Unemployment	4	3	4
Pensions	12	3	5
Government subsidies or other assistance	2	5	13
No income	18	23	29

Source: Own elaboration based on the Foreign Population Statistics (EPOE) of the Department of Justice and Human Rights of the Basque Government.

Another indicator of the social and financial integration of migrants is home ownership. However, the residential situation of the foreign population of the Basque Country in 2023 is concentrated in rented accommodation to a much greater extent than the Basque Country average (Table 3-8). There is a very significant difference in the percentage of households with a fully paid-for property depending on the people's place of origin (54 % average in Basque Country households and only 3.3 % in those born outside Europe). This situation could be associated, on the one hand,

72.4 % of homeless people are of foreign origin, mostly men (76.7 %), of whom more than half are in the 18-29 age group (56 %)

with length of stay in the Basque Country, and, on the other hand, with the lower quality jobs of immigrants, which translate into lower wages and greater precariousness (see section 3.4.3). In this scenario, it is also necessary to highlight that 72.4 % of homeless people were of foreign origin in 2022, mostly men (76.7 %), of whom more than half are between 18 and 29 years of age (56 %).

TABLE 3-8 Home ownership by origin (%, 2023)

	Average of Basque Country households	Europe	America	Rest of the world
Owned and fully paid for	54	12.6	3.7	2.9
Owned with outstanding payments	26	34.2	19.4	14.5
Renting	14	45.1	63	66.7
Other situation (free loan, etc.)	2	3.4	4.3	3.5
Shared	--	4.7	9.6	12.3

Source: Own elaboration based on the EUSTAT Housing Needs and Demands Survey and the Survey of the Population of Foreign Origin (EPOE) of the Basque Government Department of Justice and Human Rights.

Another key aspect of housing is it being in condition, being able to heat it to an adequate temperature, to maintain it, and not suffering from space problems. In 2023, all these indicators are worse in dwellings of people of foreign origin than for all dwellings in the Basque Country, especially in dwellings of people whose origin is the rest of the world, which have higher humidity (29.3 %), cold in winter (39 %), delays in maintenance payments (21.3 %) and an inadequate space (45 %) (Table 3-9). With regard to the problem of noise in the surroundings of the dwelling, Basque households as a whole show a higher incidence (8.1 %), and it is people of American origin who perceive the greatest social problems in the surroundings of their dwellings (7.5 %), followed by people from the rest of the world (6.1 %).

TABLE 3-9 Housing conditions and housing environment by place of origin (%, 2023)

	Average of Basque Country households (2022)	Europe	America	Rest of the world
House with moisture problems	12.4	17.5	22.8	24.6
Cold in winter	8.2	15.6	35.9	39
Delayed maintenance payments	4.6	6.2	19.7	21.3
Inadequate space	13.3	20.8	30.4	45
Noise problems in the housing environment	8.1	7.4	6.6	5.9
Social problems in the housing environment	5.4	3.8	7.5	6.1

Source: Own elaboration based on the Survey on Poverty and Social Needs and the Survey of the Population of Foreign Origin (EPOE) of the Department of Justice and Human Rights of the Basque Government.

83 % of the residential needs detected in the Basque Country in 2023 were of people between 18 and 44 years of age who need to access their first home

Access to housing is also a major challenge for young people in the Basque Country. The Survey on housing needs and conditions shows that 83 % of the residential needs detected in the Basque Country in 2023 were of people between 18 and 44

years of age who have not yet left the family home and who need to access their first home. Indeed, the average age of emancipation was 29.3 years in 2023, 0.4 years younger than in 2021 and 3 years older than the European average.

3.4.3 Employment

There is no major difference between women and men in terms of job satisfaction

Employment is a critical factor of inclusion, enabling the economic resources that condition material life discussed above and possibilities for professional and personal fulfilment. Moreover, given the large proportion of our time that we devote to work, satisfaction (or not) with work can have an important impact on our wellbeing. As shown in Table 3-10 there is no major difference between women and men in terms of job satisfaction in 2023: 8.1 % of women and 8.2 % of men report being dissatisfied with their jobs.[24] Compared to 2018, there has been an increase of 1.1 percentage points for women 1.9 percentage points for men. In addition, a higher percentage of men than women say that they face conflictive situations at work (7.8 % and 5.5 % respectively).

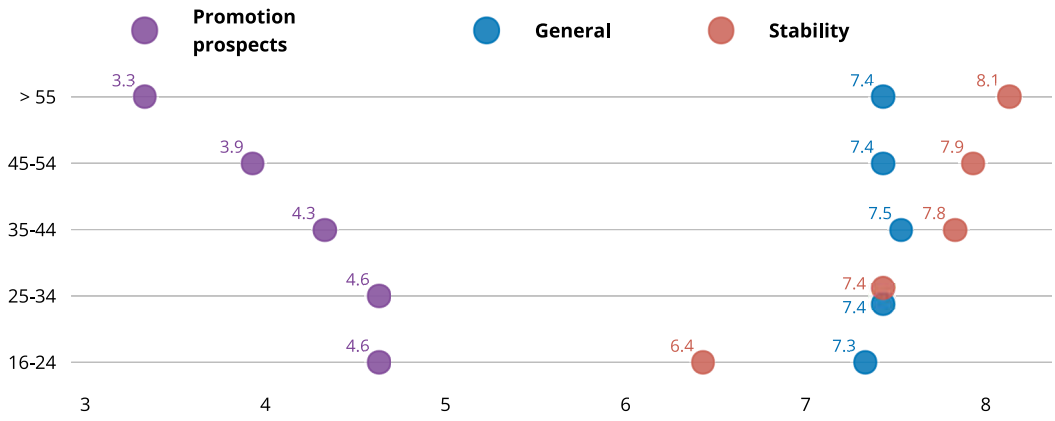
TABLE 3-10 Dissatisfaction with job by gender (2023)

	Men	Women
Job dissatisfaction (%)	8.2	8.1
Change in job dissatisfaction 2018-23 (p.p.)	1.9	1.1
Conflict situations at work (%)	7.8	5.5

Source: Own elaboration based on the BAC-ESVAC Health Survey of the Basque Government Department of Health.

To make a similar analysis with respect to age groups, Eustat's Survey on the Reconciliation of work, family and personal life reports on job satisfaction. As can be seen from Graph 3-20 there are almost no differences in overall job satisfaction by age group. However, people over 35 years of age are more satisfied with their jobs in terms of stability, while they are less satisfied in terms of job promotion.

GRAPH 3-20 Job satisfaction by age (2023)



Source: Own elaboration based on the Eustat Survey on the Reconciliation of work, family and personal life.

[24] Data from the Basque Country Health Survey (ESCAV) 2023 are standardised according to the age distribution of the population of the Basque Country in 2022.

Job insecurity decreases with age, but is higher for women than for men in all age groups

Another relevant aspect in the analysis of employment is the gender gap in job insecurity, which in 2023 is 4 percentage points, with 31.5 % of women and 27.6 % of men reporting job insecurity.[25] Precariousness decreases with age but is higher for women than for men in all age groups. In 2023, 86.2 % of women and 69.9 % of men aged between 15 and 24 years report job insecurity, compared to 22.5 % and 27.3 % for men and women aged 45-64 years respectively.

One of the elements that may explain these differences in perceived precariousness and job dissatisfaction has been analysed in section 3.2 on human capital. Objective job conditions are generally worse for women and, in some respects, especially for younger people. This confirms the perceptions of precariousness discussed here, but is not, however, reflected in differentiated levels of job satisfaction, indicating that there are other factors, both objective and subjective, that affect job satisfaction.

3.4.4 Social life

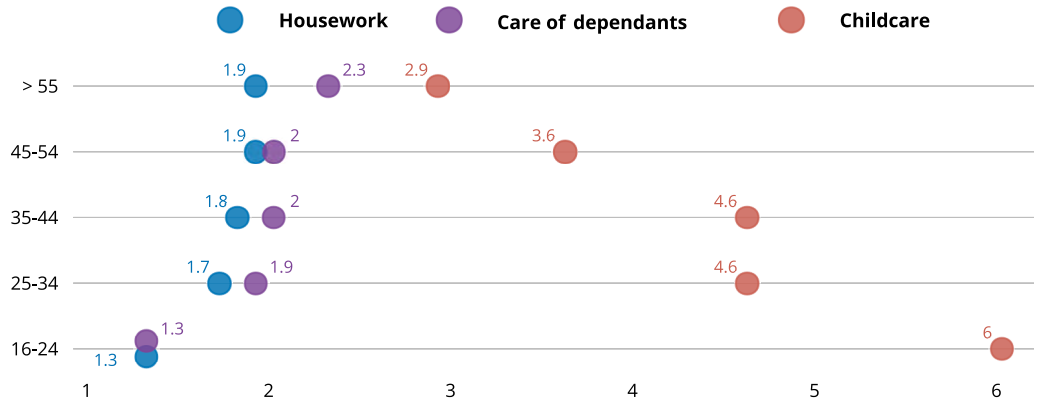
Dedication to domestic and care work, as well as elements related to work-life balance, are aspects that have an important impact on satisfaction with social life, as they affect the availability of free time to devote to relationships with other people, leisure, sport, hobbies, etc.

Employed women spent 4.7 hours per day on childcare activities in 2023, while men spent 3.6 hours per day

Looking first at the daily hours spent on childcare activities, in 2023 employed women spent 4.7 hours per day and men 3.6 hours per day. Employed women also spend more hours per day on household chores: 2 hours per day compared to 1.6 hours per day for employed men. As for caring for dependants, employed men spend 1.9 hours a day on this task, compared with 2.3 hours a day for employed women. It can be observed that, logically, the older the employed population is, the more hours they devote to this type of care on a daily basis.

By age, employed people between 16 and 24 spend the most hours (6), followed by employed people between 25 and 44 years (4.6) (Graph 3-21). This is because this is

GRAPH 3-21 Hours spent on domestic work, employed population, by age (2023)



Source: Own elaboration based on the Eustat Survey on the Reconciliation of work, family and personal life.

[25] Job insecurity is measured in the ESCAV using the Mini EPRES questionnaire, as the combination of six factors: temporality, salary, disempowerment, vulnerability and rights and the ability to exercise rights (Basque Government. Department of Health, 2024).

the age at which it is most common to have young children who require care. This greater dedication to childcare means that women feel that they have been or may be more disadvantaged by issues related to maternity, paternity and parental leave.

The degree of satisfaction with the daily time spent on these three forms of domestic work is similar for men and women (Table 3-11), but there is a difference in the degree of satisfaction with tasks performed by spouses: men (7.6) are more satisfied than women (6.2), which may imply that men are more satisfied with the overall division of tasks than women.

Men are more satisfied with the overall division of household tasks than women

TABLE 3-11 Satisfaction with time spent on reconciliation issues by gender (2023)

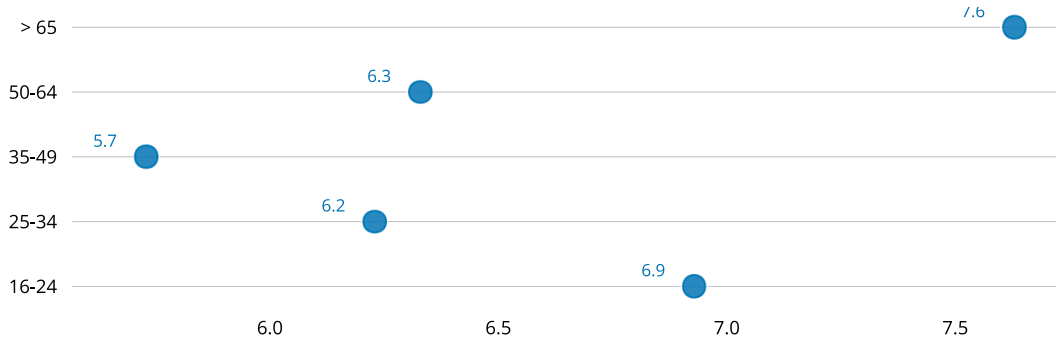
	Men	Women
Childcare	6.6	6.6
Household chores	6.4	6.2
Care of dependent persons	5.8	5.5
Spouse/partner household chores	7.6	6.2

Source: Own elaboration based on the Eustat Survey on the Reconciliation of work, family and personal life.

Possibly because of this disparity in the time spent on care and household tasks, women's satisfaction with the time they spend on their personal life (5.6) is lower than that of men (6.1). However, when the data includes people not in employment, the gender differences disappear, since, according to the Personal Wellbeing Survey, the average satisfaction of men is 6.6 and that of women 6.5. People over 65 years of age enjoy their leisure time the most (7.6), followed by younger people, with working-age people being the least satisfied with their leisure time, especially the 35-49 age group (5.7) (Graph 3-22).

People over 65 years of age enjoy their leisure time the most, followed by young people

GRAPH 3-22 Leisure time satisfaction by age (2023)

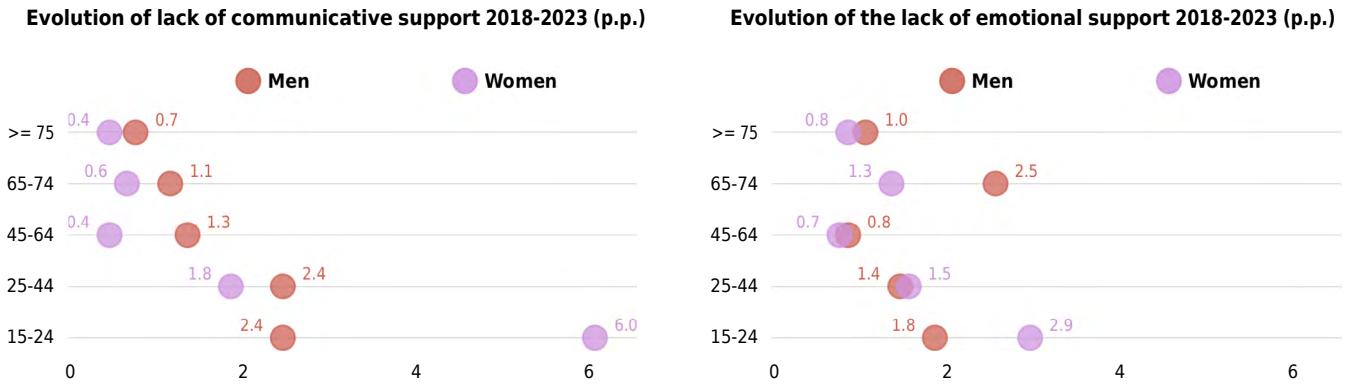


Source: Own elaboration based on the EUSTAT Personal Wellbeing Survey.

To conclude this section, we analyse the variation by gender and age in some psychosocial factors affecting social life. In 2023, the prevalence of lack of social support returns to similar values as in 2013 and 2007 for men and women. Lack of confidential support (possibility of having people to communicate with) is 0.1 per-

centage point higher in men than in women (10.7 % versus 10.6 %), while lack of affective support (demonstrations of love, affection and empathy) is 0.1 percentage point higher in women than in men (9.2 % and 9.1 % respectively). Compared to 2018, all age groups have worsened in terms of both social support and affective support (Graph 3-23).

GRAPH 3-23 Psychosocial factors by gender and age (2018-2023)



Source: Own elaboration based on the BAC-ESVAC Health Survey of the Basque Government Department of Health.

3.4.5 Health

In this section we analyse people's self-perception of health, disaggregated by gender and age, to better understand inclusion in this critical dimension of wellbeing. In 2023, the percentage of women who perceive their health as good (78.1 %) is lower than that of men (82.0 %), and this perception worsens with age for both women and men. As can be seen from Table 3-12 perceptions of good health for all age groups and for both sexes have decreased in 2023.

The perception of good health has declined for both men and women and for all age groups between 2018 and 2023

An element of growing concern is mental health, measured in terms of the prevalence of symptoms of anxiety and depression, which has significantly worsened in both sexes. Poor mental health negatively affects a person's cognitive, behavioural, emotional, social and relational wellbeing and functioning, as well as their physical health and personal identity. As a result, a person's ability to participate in work may be impaired, as there may be a decrease in productivity and performance, the ability to work safely, or difficulties in retaining or obtaining employment. In women, the prevalence of poor mental health is 26.5 % in 2023 while, in men, the prevalence is 17.7 %. Furthermore, the percentage of people with prevalence of anxiety and depressive symptoms is higher in older people, with a higher percentage in women for all age groups. In terms of evolution, it is worrying that, between 2018 and 2023, the perception of good health has declined in both men and women and for all age groups and, in turn, the prevalence of symptoms of anxiety and depression has increased, also across the board (Table 3-12).

TABLE 3-12 Self-perception of health by gender and age, 2018-2023

	Men					Women				
	15-24 years	25-44 years old	45-64 years old	65-74 years	75 and over	15-24 years	25-44 years old	45-64 years old	65-74 years	75 and over
Evolution of the perception of good health (p.p)	–4.8	–3.3	–5.6	–3.4	–1.9	–3.3	–4.8	–5	–3.8	–3.1
Evolution of mental health (prevalence of anxiety and depression symptoms) (p.p)	7.9	6.8	8.5	9.3	7.1	5.8	0.7	9.7	7.8	7.6

Source: Own elaboration based on the BAC-ESVAC Health Survey of the Basque Government Department of Health.

3.4.6 Summary

Our analysis of inclusion by gender, age and place of origin has explored access to wellbeing outcomes in five dimensions: life satisfaction, material life, employment, social life and health. The following main features of the current situation in the Basque Country stand out:

- Men have slightly better **life satisfaction** than women.
- Women in general have lower incomes than men, and very young and very old people also have fewer **material resources**.
- There is a **pay gap** for foreign nationals, and the younger the person is, the higher the pay gap. On the other hand, the gender pay gap is higher in low-skilled occupations, which may be due to women in these occupations being concentrated in care work, while men in these categories work in industry.

There is a wage gap for foreign nationals,and the younger the person, the greater the wage gap

- **Real poverty** varies not only by gender and age, but also by place of origin. Households headed by women have higher poverty than those headed by men, and households headed by people under 35 have higher poverty than those headed by older people. But it is households headed by people of foreign origin that are most susceptible to poverty.
- These economic difficulties are reflected in **access to housing**, which has two aspects. On the one hand, it is difficult for people born in the Basque Country, especially young people, to own their own home. However, owning a home is even more improbable for people of foreign origin, who mainly have access to housing through renting. On the other hand, the dwellings used by people of foreign origin are in worse condition in terms of humidity and cold.
- Barriers to access to housing hinder the **emancipation of young people**.

Barriers to access to housing hinder young people's emancipation

- Women have lower **job satisfaction**, but men's job satisfaction has worsened more than that of women. Women also have fewer conflict situations at work than men.
- Inequality is detected in the **distribution of domestic work** between men and women, mainly in the care of children, with employed women dedicating more time per day than men. The degree of satisfaction of both with the daily time they

The prevalence of symptoms of anxiety and depression, which can have an impact on social, emotional and employment relationships, has increased in recent years

dedicate to different forms of domestic work is similar, but it is employed men who are more satisfied with the time their spouses or partners dedicate to these tasks. This may imply that employed women are less satisfied than employed men in relation to their leisure time.

- Men have a better **self-perception of their health** than women at all ages. The prevalence of symptoms of anxiety and depression, which can impact on social, emotional and employment relationships, has increased in recent years and is higher in women than in men.

Conclusions and recommendations

The aim of the Basque Country Competitiveness Reports is twofold. On the one hand, we want to characterise the current state of competitiveness and welfare in the Basque Country, providing as up-to-date a view as possible of the results we have achieved in the territory and the state of the factors that will affect future competitiveness and welfare. On the other hand, each year we explore a specific topic, relevant in the current context, in order to identify key challenges and opportunities that we are facing and to provide clues on how to address them.

This year, the specific theme we have explored in depth is that of inclusion, a complex issue that cuts across our competitiveness for wellbeing framework. The aim has been to better understand the situation in the Basque Country so that both the process of building competitiveness and its welfare outcomes can be truly inclusive. The analysis is based on the argument that inclusive competitiveness and inclusive wellbeing are two sides of the same coin and that one cannot be understood without the other. If we want to ensure inclusiveness in wellbeing outcomes, we need to foster inclusiveness in the processes that underlie competitiveness, and *vice versa*.

If we want to ensure inclusion in wellbeing outcomes, we need to foster inclusion in the processes that build competitiveness, and *vice versa*

Economic and business competitiveness

The Basque Country's economic and business competitiveness remains very robust overall. In the years since the pandemic, the Basque Country's GDP per capita (€42 159 in PPP in 2023) has widened its positive gap with the European average (111 %), maintains a similar gap with Spain (125 %), and has narrowed the negative gap with Germany (96 %). This performance is marked by improvements in productivity, both in the economy as a whole and in the manufacturing sector, resulting in a reduction in unit labour costs and an improvement in corporate profitability (with positive implications for tax revenues and firms' ability to invest).

The economic and business competitiveness of the Basque Country remains, in general, very robust

Furthermore, although the general entrepreneurship rate is still below the levels of Spain or Europe, the Basque Country has a good performance in technological entrepreneurship and high-growth companies. Likewise, the number of companies with more than 5 employees is growing, so the average size of companies is increasing. This makes it easier to tackle competitiveness strategies for which busi-

ness size is relevant, such as internationalisation or innovation strategies. In fact, with regard to internationalisation results, despite the decline in exports in 2023 after the post-pandemic peak, the positioning of the Basque Country with respect to the EU-27 average has improved considerably over the last few years and even in 2023.

Innovation in SMEs continues to be an area of weakness for the Basque Country. However, there has been an increase in the percentage of SMEs that innovate in both product and process innovation. The gap with European peers is widest in the case of small companies, while in medium-sized companies the disadvantage remains, especially in organisational and marketing innovations. The strategies adopted by Basque SMEs are low-risk and low-disruption, and the barriers they perceive to innovation have more to do with the high costs of innovation and the existence of other priorities than with knowledge.

Innovation in SMEs is a strategic issue due to its critical role in generating sustained increases in productivity

Foster innovation and productivity: Innovation in SMEs is a strategic issue due to its critical role in generating sustained increases in the productivity of the economic fabric in the medium and long term. It is necessary to continue fostering an innovative culture, supporting the reduction of costs associated with innovation, simplifying regulation and bureaucracy, and promoting the organisational and marketing innovations that are complementary to product and process innovations. In particular, it is necessary to focus these efforts on smaller companies.

Wellbeing

In terms of wellbeing results, the Basque Country is on a par with or above the European average in 11 of 17 indicators, but in around half of the indicators the evolution over the last year is negative

In the case of wellbeing results, the picture is mixed. The Basque Country is positioned on a par with or above the European average in 11 of the 17 indicators for which comparative data are available, evidence that we have comparatively high levels of wellbeing. However, in around half of the indicators, the evolution of the Basque Country in the last year is negative.

Strong performance in the employment dimension, which is closing the gap with Europe, and in adult learning, stand out. However, there is a decline in the educational performance of young people according to the results of the PISA report. In social life, the positive evolution of trust in people can be highlighted, despite some increase in crime. The level of performance in the health dimension is still comparatively very good, but there is some deterioration in the indicators. The position in terms of material life is also generally good, but there are worrying elements, such as the fact that median household income has fallen in the last two years, despite good growth in GDP per capita. It is in the environment dimension where the worst evolution of indicators is observed, both in absolute terms (higher levels of greenhouse gas emissions and air pollutants) and in comparison with the evolution of these indicators in the EU-27.

A look at how levels of wellbeing change depending on income and education levels reveals the great difficulties of access to housing, even among those with an income, a university education or a permanent occupation, and the prevalence of symptoms of anxiety and depression, a measure of mental health, among those with lower incomes.

Address threats to wellbeing: Despite high levels of wellbeing achieved in the Basque Country, and improvements made in recent years in a weak area like employment, it is important to be aware of threats to this wellbeing. These include negative trends and inequalities in aspects of health, the difficulties of access to housing, and the educational performance of young people. The challenges are especially acute in the environmental dimension of wellbeing. Here, in line with the conclusions of our previous Competitiveness Report (Orkestra, 2023), there is a need to accelerate, in an ordered way, the green transition of our society, being mindful of the social impacts of this transition.

It is important to be aware of threats to the high levels of wellbeing achieved in the Basque Country

Competitiveness and wellbeing levers

In our framework the dynamic levers are those areas where governments, businesses and other actors can act to improve competitiveness and wellbeing outcomes. The levers of physical capital, social capital and, especially, human capital are in good shape in the Basque Country. The human capital lever starts from better levels than in Europe and there is an improvement in all indicators related to both education and employment. The evolution of the physical capital lever is also generally positive, as are the aspects related to cooperation that are included in the social capital lever, where a positive evolution is observed, but with a decline in the perception of the quality of government.

The levers of physical capital, social capital and, especially, human capital are in good shape

The finance lever presents a mixed picture, with good performance in terms of companies' net worth and accumulated outward investment, but with a decline in the stock of inward foreign investment, which may indicate difficulty in attracting foreign financing.

The greatest challenges are to be found in the knowledge and natural capital levers. In the former, the focus of patents on environmental technologies is positive and the level of publications is above the European and German average. The challenges lie in the level of both R&D expenditure and patents, and in specific areas related to digitalisation. While the Basque Country has strengths in terms of the digital skills of the population and, above all, infrastructures, as well as some elements of the digitisation of public services, it lacks ICT specialists and is behind in some aspects of business digitisation, such as the use of big data, the cloud and Artificial Intelligence (AI).

In the natural capital lever, while the Basque Country is above the European average in most of the indicators analysed, progress in the last year is lower than in the EU-27. The greatest challenge has to do with the share of renewable energies, which is below the EU-27 average and has worsened more than the EU-27 average. Indeed, the gap has not narrowed in the last decade.

There is a clear need to prioritise actions and strategies to strengthen the levers of natural capital and knowledge

Strengthen digital-technological-green competitiveness: Without forgetting the other levers of competitiveness and wellbeing, there is a clear need to prioritise actions and strategies, on the part of the different actors in the Basque ecosystem, that strengthen the levers of natural capital and knowledge. Investment in R&D and the commercialisation of new knowledge must be accompanied by a special sensitivity to sustainability and digitalisation so that our industry can position itself at the forefront of the transition towards a new digital-technological-green competitiveness. Moreover, the challenge of moving towards an energy system with a higher share of renewable energies implies technological, social and behavioural changes. These can favour inclusive wellbeing in several ways, such as consumer empowerment, the generation of new employment opportunities or positive effects on air quality and people's health.

Inclusion, driver of competitiveness and wellbeing in a changing demographic context

In 2024, in the Basque Country, we find ourselves with a very different population to that of the early 1970s. On the one hand, although the proportion of people of working age is similar (60 %), the high percentage of young people has been replaced by a larger group of older people. On the other hand, while at the beginning of this century only 2 % of the population of the Basque Country was foreign-born, in 2023 this figure rose to 12 %. Finally, the profile of people of foreign origin has been diversifying and, at present, out of every 10 people of foreign origin, approximately 3 are women of American origin, 2 are men of American origin, another two are men from the rest of the world (especially the Maghreb) and the other three are a woman from the rest of the world and a man and a woman of European origin.

The combination of a much older and much more diverse population has important implications for the role that inclusion plays in the competitiveness and wellbeing of our territory

The combination of a much older population and a much more diverse population in terms of place of origin has important implications for the role of inclusion in the competitiveness and wellbeing of our territory. Inclusive competitiveness is understood as the process by which all people in a territory can participate by giving the best of themselves in the generation of value, both within the market and outside it. Thus, in territories with inclusive competitiveness, all people can participate in the construction of the welfare results that they also enjoy.

To analyse inclusion as a driver of competitiveness and wellbeing it is therefore crucial to address both participation and access. Inclusion as access is associated with wellbeing outcomes, while inclusion as participation is associated with the dynamic levers of competitiveness, especially human and social capital.

To deepen empirical analysis of inclusion in the Basque Country, in this Report we have focused on people, those who ultimately experience inequality and exclusion, and who can participate in the construction of competitiveness and wellbeing. Recognising the complexity of analysing the inclusion of all people, we have focused our analysis on inclusion according to people's age, gender and place of origin, three demographic characteristics that are related to some of the critical challenges and opportunities for competitiveness and wellbeing in the Basque Country.

Embrace diversity: In a changing demographic scenario, it is particularly important to actively work on the inclusion of all people in competitiveness processes. This inclusion, by gender, of immigrants, of different ages, etc., increases the likelihood of raising activity rates and meeting the challenges faced by companies in their generational transitions and in the search for talent of all kinds, thus contributing to the generation of competitiveness and wellbeing. Furthermore, it is important to learn how to effectively manage (and lead) this diversity in companies and other organisations to harness its potential benefits for organisational performance, innovation, and internationalisation.

Inclusion increases the likelihood of increasing activity rates and meeting the challenges companies face in finding talent

Inclusion as participation in the processes of building competitiveness

Our analysis of inclusion in the human capital levers by gender, age and place of origin makes it clear that these three elements affect people's labour market entry decisions, possibilities of finding employment and working conditions.

Employment rates are generally lower among women and among foreign-born people. In the case of women, their greater dedication to care work has a direct impact on their incorporation into the labour market. Foreign-born people face other obstacles in finding work, such as work experience, level of education and regularisation processes.

With regard to the type of work carried out, men have a greater presence in the industrial sector and women in the public administration (education and health) and in the category of technicians and scientific professionals. Men and women of American and other European origins are more likely to be employed in commerce, transportation, and hospitality, while men born in the rest of the world are more likely to work in construction. Foreign women, and particularly American women, have a greater presence in other services, which includes domestic workers. It is people of local origin who have more skill-intensive occupations, working in managerial, professional and technical positions, while foreign-born people tend to work in more elementary occupations. The increasing incorporation of women into the business world has not been accompanied by a growth in their presence in decision-making positions.

With regard to the type of contract, the rate of temporary contracts affects more women than men, and among men it is higher among those of foreign origin. This type of contract is also more common among the younger population. Moreover, full-time contracts are more common among men and among older people, while women have a higher rate of undesired part-time work. Among people of foreign origin, the presence of jobs without a contract or social security affiliation stands out, probably due to their irregular legal status.

In terms of skills, the population of local origin has higher levels of education than those of foreign origin. Moreover, while the percentage of women is higher in tertiary education, the percentage of men is greater in non-tertiary post-compulsory education. Likewise, the percentage of women in continuing education is higher than that of men. However, both men (11.8 %) and women (16.4 %) and people of foreign origin (21.8 %) report that their educational level is higher than that required for their

job. Therefore, it seems that people's skills are not being used to the full, especially those of women and people of foreign origin. This impacts both their own wellbeing and the competitiveness of the territory.

Finally, when comes to social and institutional capital, people of foreign origin show less trust in general than people born in the Basque Country, but more trust in institutions. On the other hand, local people have wider personal networks and better access to financial, health and emotional support. On the other hand, or as a result of the above, people of foreign origin have greater personal independence than local people. While interest in socio-political issues is very similar regardless of origin, the regulation of voting rights means that people of foreign origin participate less in elections.

We are not taking advantage of the participation or capabilities of all people living in the Basque Country, in particular women and people of foreign origin

Build on the skills of all people: The analysis indicates that we are not harnessing the participation or capacities of all people living in the Basque Country, in particular women and people of foreign origin. It points to the need to work on the obstacles to the participation of these groups, in line with their capacities and the needs of the territory. In the case of women these barriers include the distribution of care tasks, while in the case of foreigners it is particularly important to seek solutions to their administrative situation, to foster their personal networks, and to ensure access to support and training opportunities that are well aligned with the needs of companies (particularly through the vocational training system).

Inclusion as access to wellbeing outcomes

Our analysis of inclusion by gender, age and place of origin has explored access to wellbeing outcomes in five dimensions: life satisfaction, material life, employment, social life and health.

On the one hand, there are no major differences in life satisfaction between women and men. However, in material life, women in general have less income than men and real poverty is higher in female-headed households. Incomes are lower and poverty higher also among younger people, but it is households headed by people of foreign origin that are most susceptible to poverty. There is a wage gap of 34.3 % for people of foreign nationality and of 27.9 % for people aged 25-34 years with respect to those aged 55 and above. These results translate into difficulties in accessing housing**:** home ownership is difficult, especially for young people, and this difficulty is even greater for people of foreign origin.

In the area of employment, women have lower job satisfaction, but men's job satisfaction has worsened more in recent years. In the area of health, men have a better self-perception of their health than women at all ages. In addition, the prevalence of symptoms of anxiety and depression, which can have an impact on social, emotional and work relationships, is higher among women than among men and also higher in the 45-64 age group.

Finally, with regard to social life, we detect an inequality in the distribution of domestic work between men and women, mainly in terms of childcare, with employed women having a greater daily dedication than men.

Increase inclusion in wellbeing outcomes: In a context of high overall levels of wellbeing, there are some aspects of access to various dimensions of wellbeing by different groups in society that demand attention to achieve truly inclusive wellbeing. In particular, the need to continue to address the gender gap in income, to find solutions to the great difficulties faced by young people and people of foreign origin in accessing housing, and to better understand the causes of the higher prevalence of mental health problems among women.

We must continue to address the gender gap in income, find solutions to the difficulties of young people and foreigners in accessing housing, and better understand the causes of mental health deterioration

In summary, the Report presents a vision of a territory with comparatively good and relatively inclusive outcomes in economic competitiveness and wellbeing. Reinforcing the results of previous years' reports, the great challenges lie in the levers of knowledge and natural capital and in the results of innovation and the environment. But to work on these and other competitiveness challenges in our current and changing demographic scenario, it is especially important to actively work on the inclusion of all people in competitiveness processes, making better use of all current capabilities, and enhancing skills through lifelong learning. It also implies learning how to effectively manage diversity in our companies and organisations, and to generate the right leadership in diversity contexts. There are multiple plans and policies dedicated to different dimensions of inclusion, each with a role in this process. In the search for inclusive competitiveness that can generate inclusive wellbeing it will be especially important to work on the connections, contradictions and synergies between theses plans and policies in order to align the needs of the territory from an economic-business competitiveness perspective with the wellbeing needs of its people.

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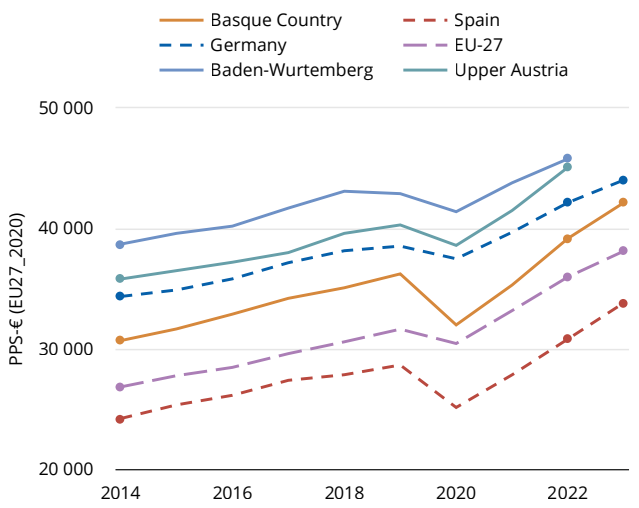
Annex 1

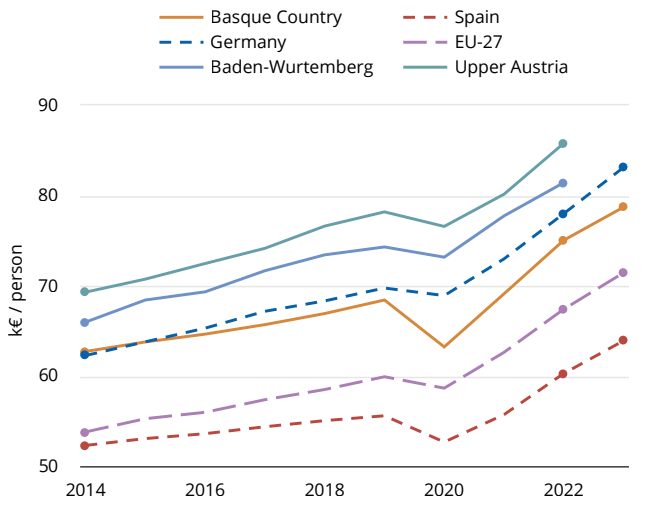
Evolution of economic and business performance indicators

Economic and business performance:

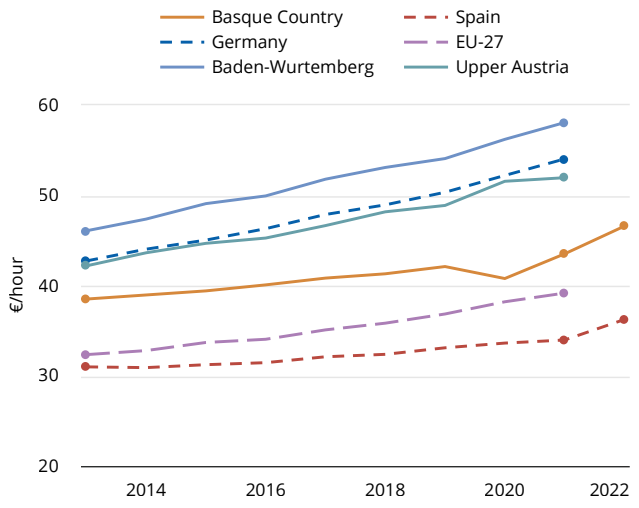
GDP per capita (PPP-€)



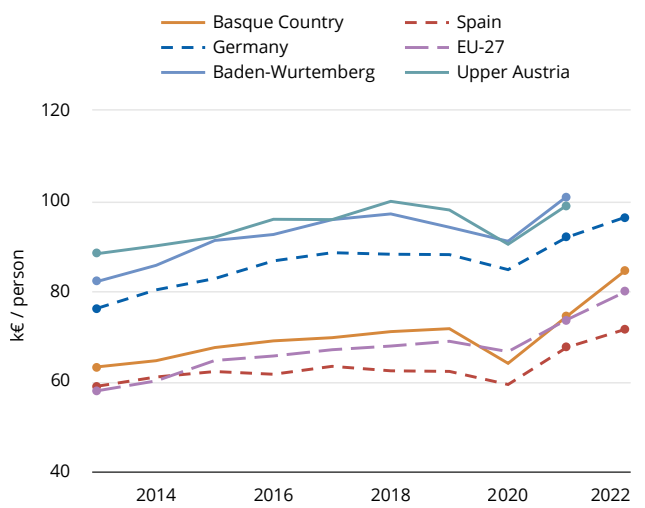
Apparent productivity labour per person employed (k€ / person)



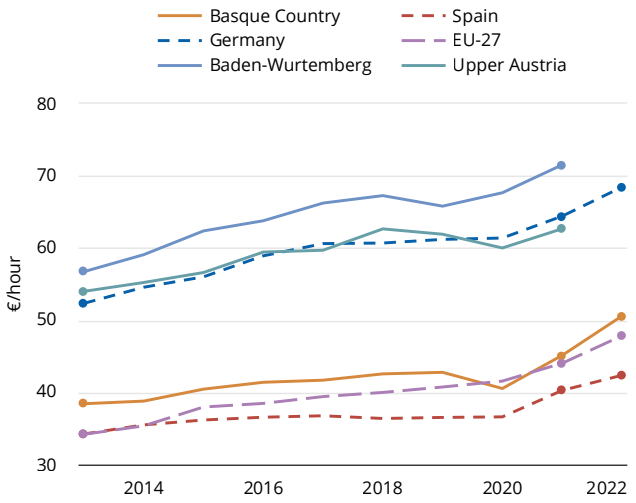
Apparent productivity of labour per hour worked (€/hour)



Apparent labour productivity per person employed in manufacturing (k€ / person)

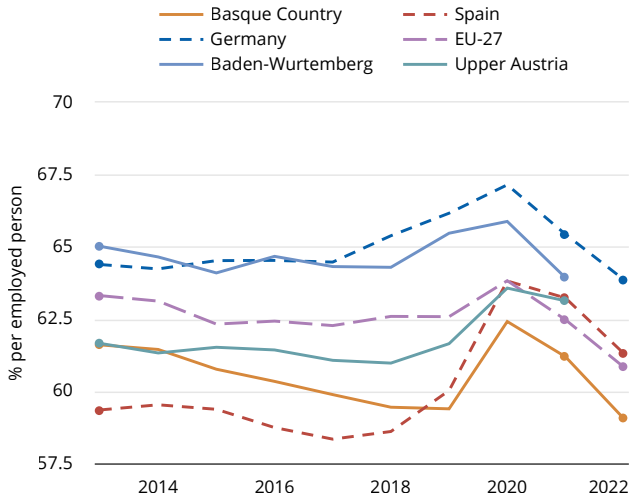


Apparent productivity of labour per hour worked in manufacturing (€/hour)

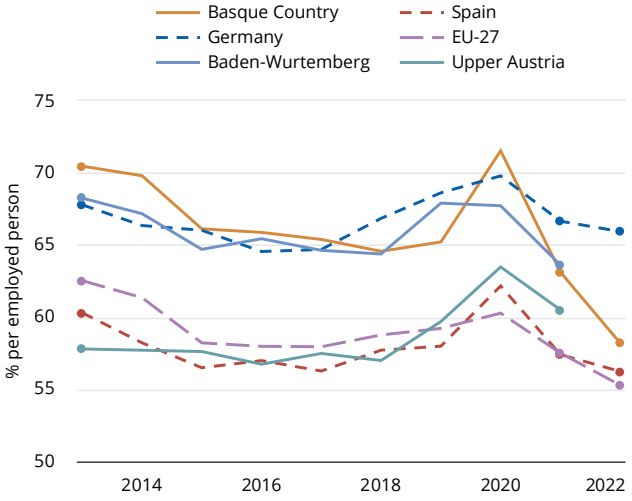


Business profitability:

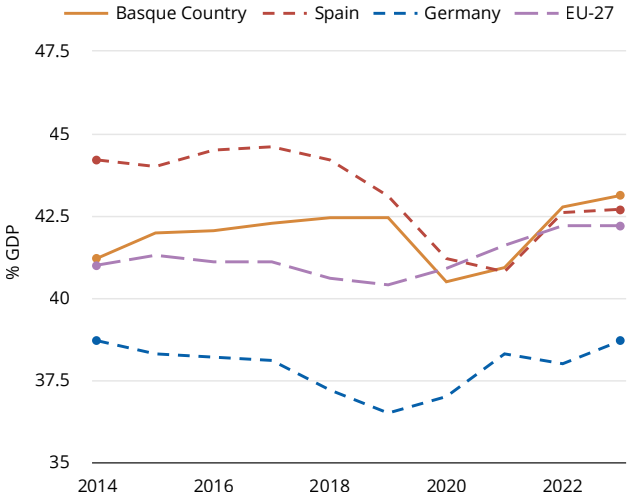
Unit Labour Cost in the total economy (ULC)
(% per person employed)



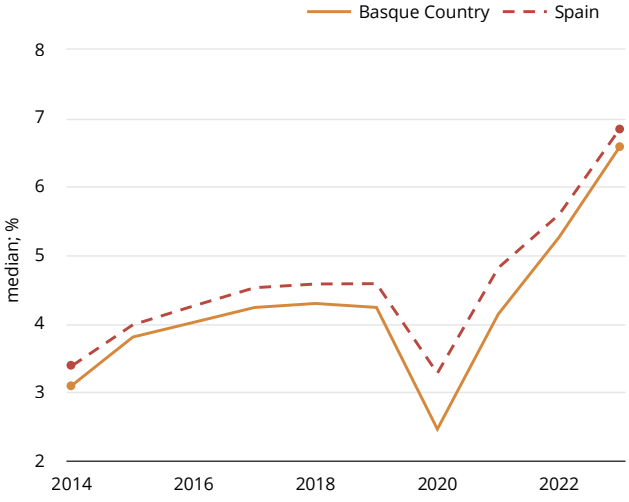
Unit Labour Cost (ULC) in the manufacturing sector
(% per person employed)

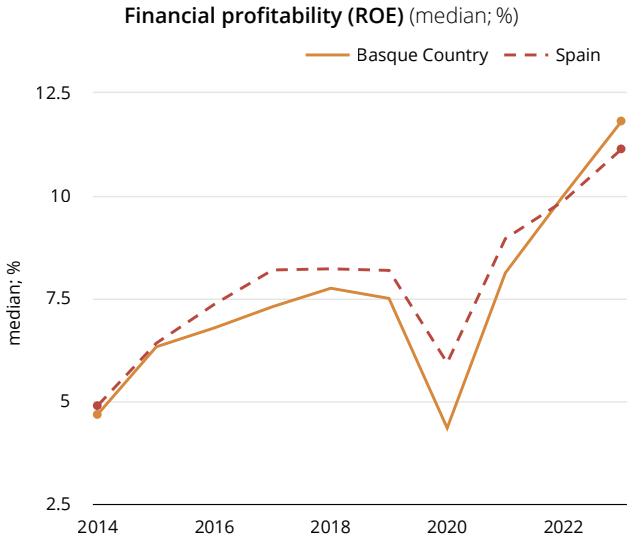


Gross operating surplus (% GDP)

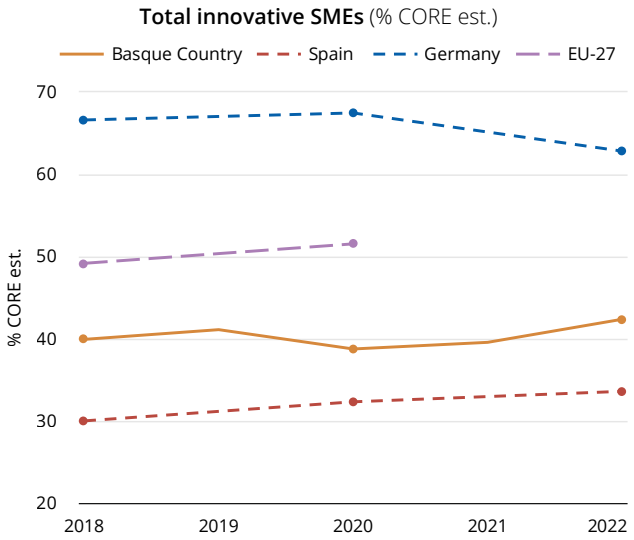


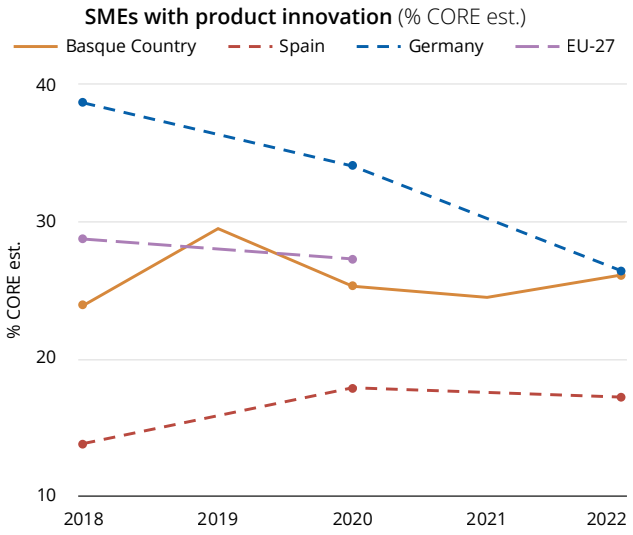
Economic return on assets (ROA) (median; %)

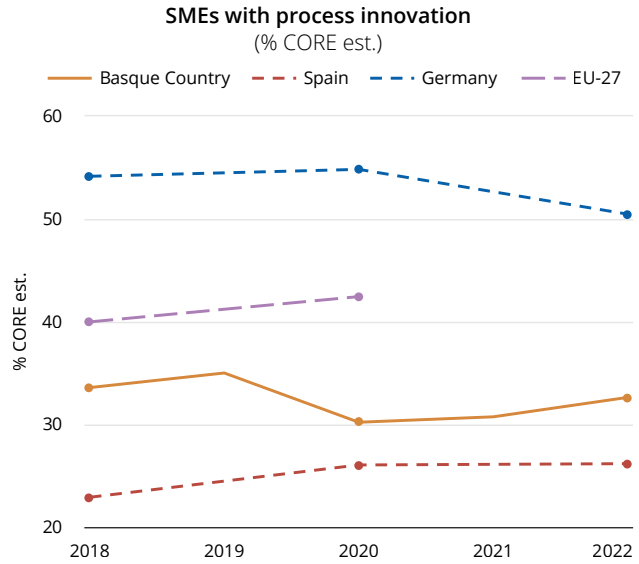


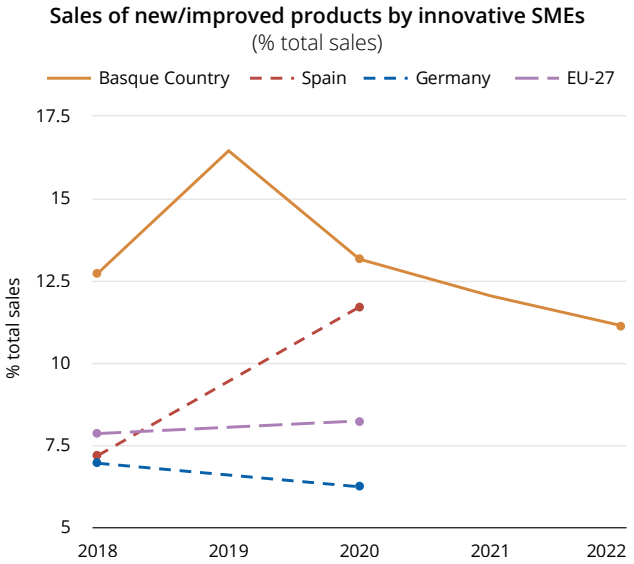


Innovation and entrepreneurship:

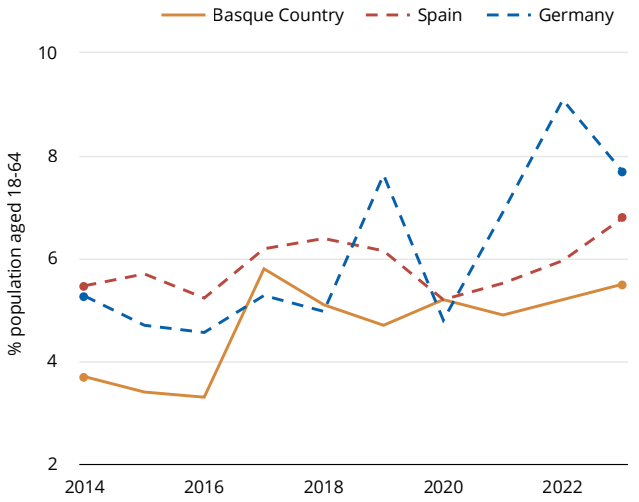




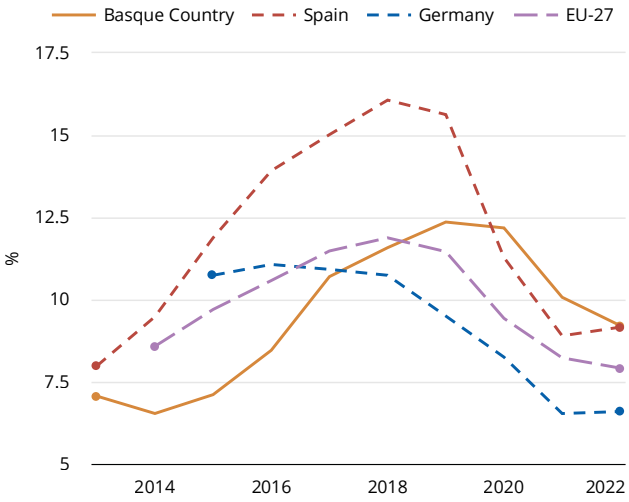




Entrepreneurial activity rate
(% population 18-64) years)

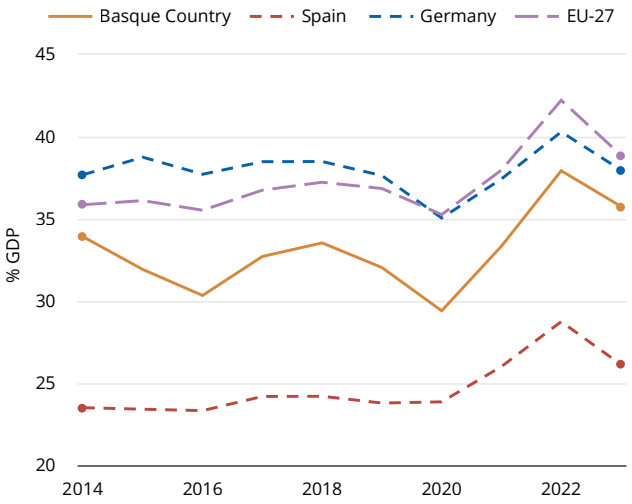


High growth enterprises
(% enterprises with more than 10 employees)

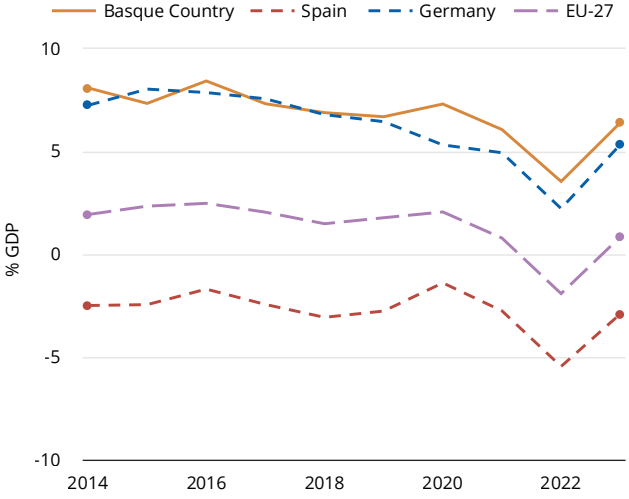


Internationalisation:

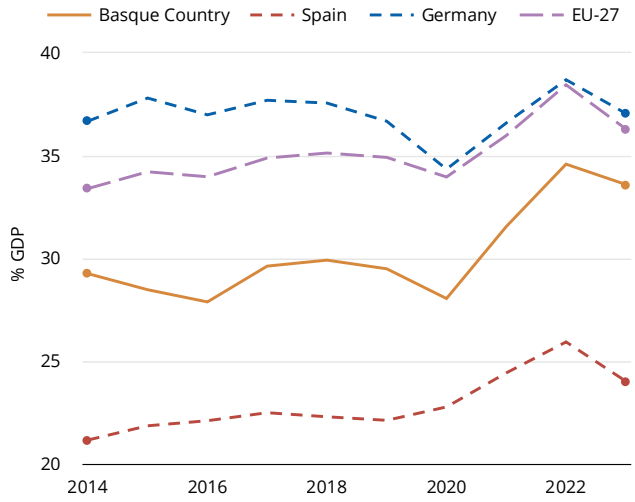
International exports of goods (% GDP)



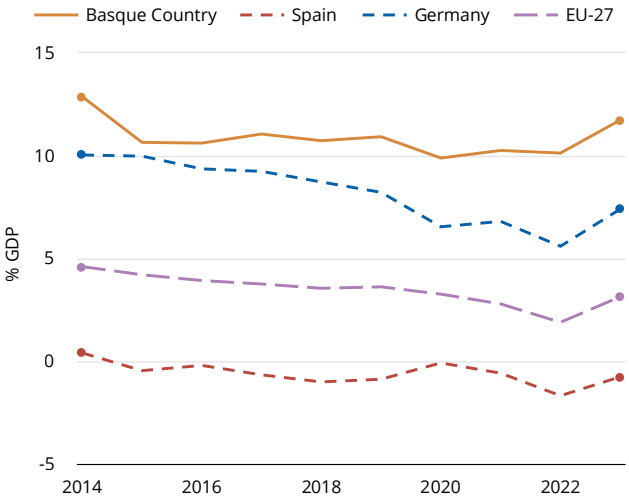
International trade balance of goods (% GDP)



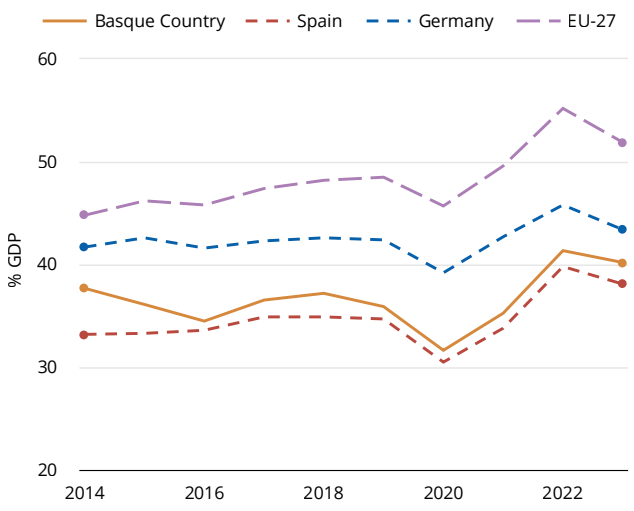
International exports of non-energy goods
(% GDP)



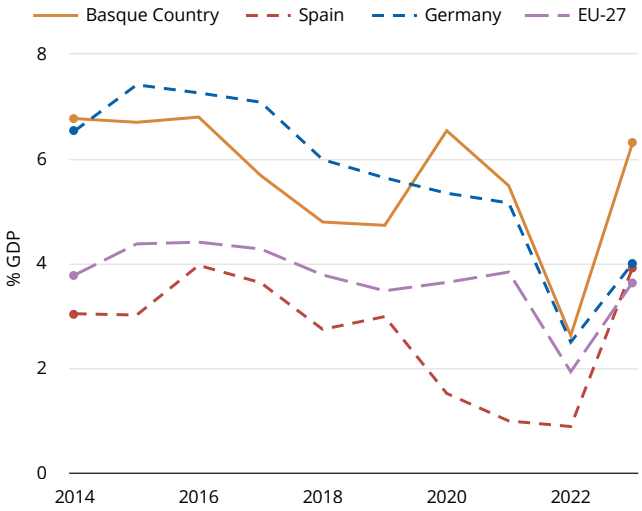
International trade balance of non-energy goods
(% GDP)



International exports of goods and services (% GDP)



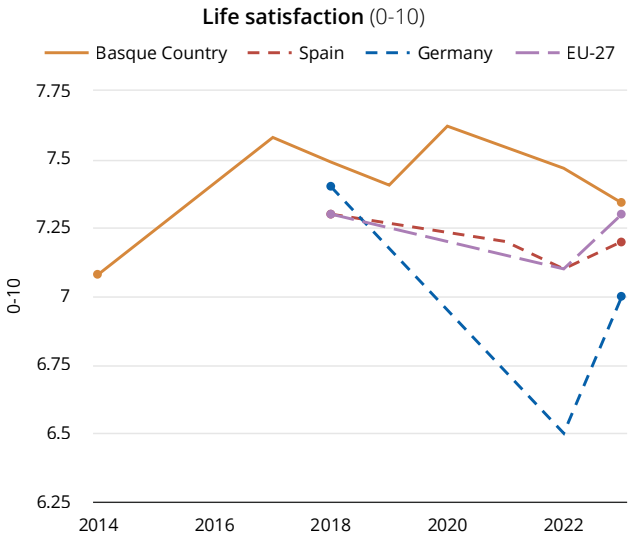
International trade balance of goods and services (% GDP)



Annex 2

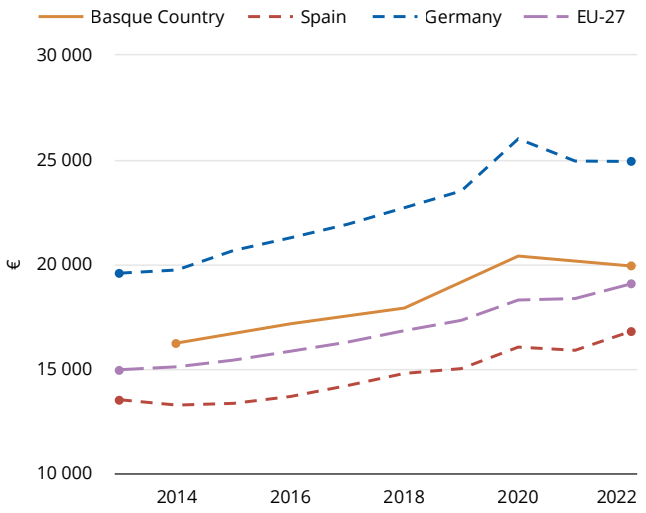
Evolución de los indicadores de bienestar

Life satisfaction:

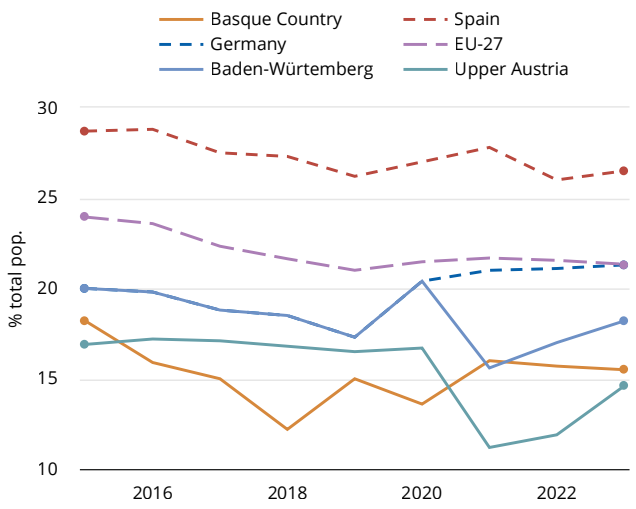


Vida Material:

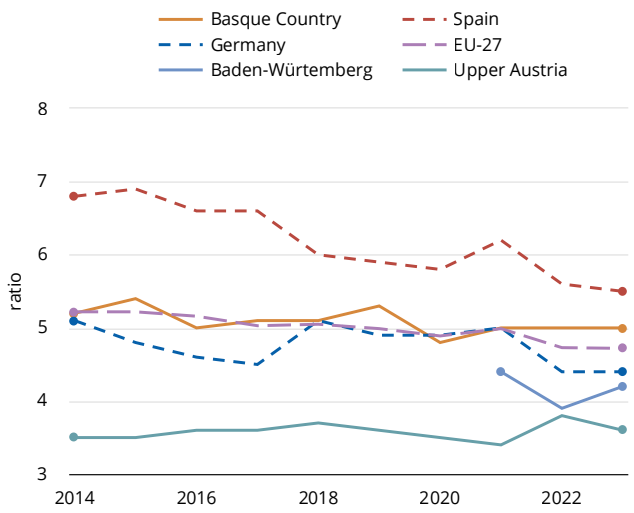
Equivalent median annual household income (€)



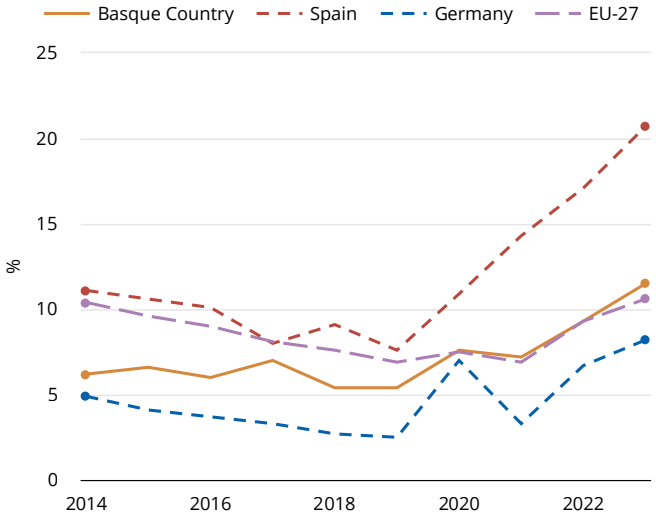
Share of people at risk of poverty or exclusion (AROPE) (%)



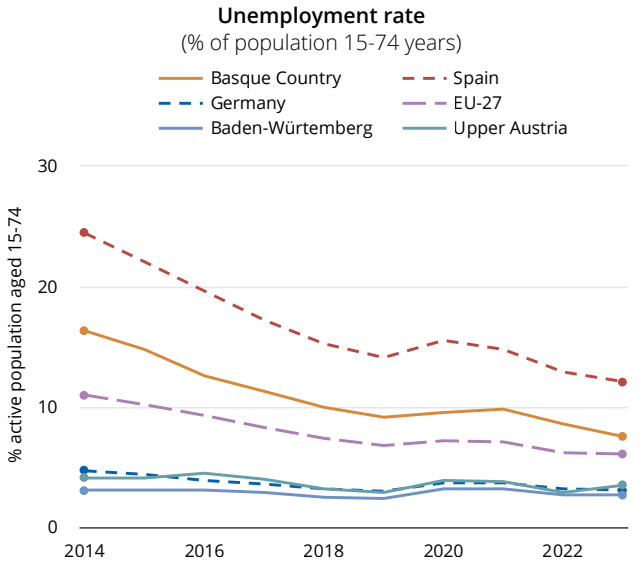
Ratio of S80/S20 quintiles by income

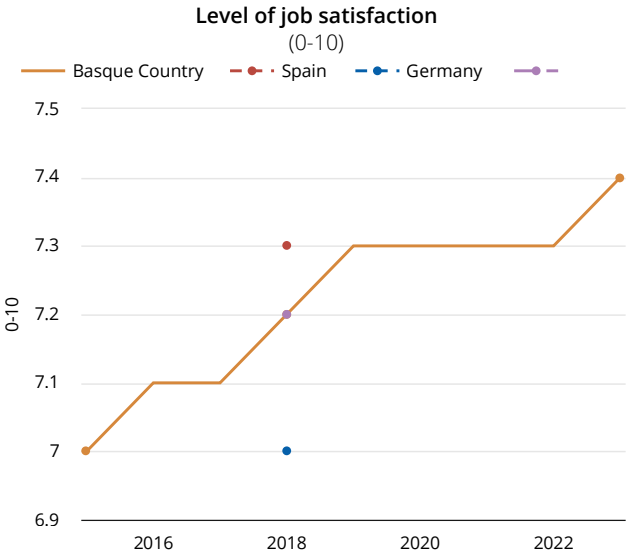


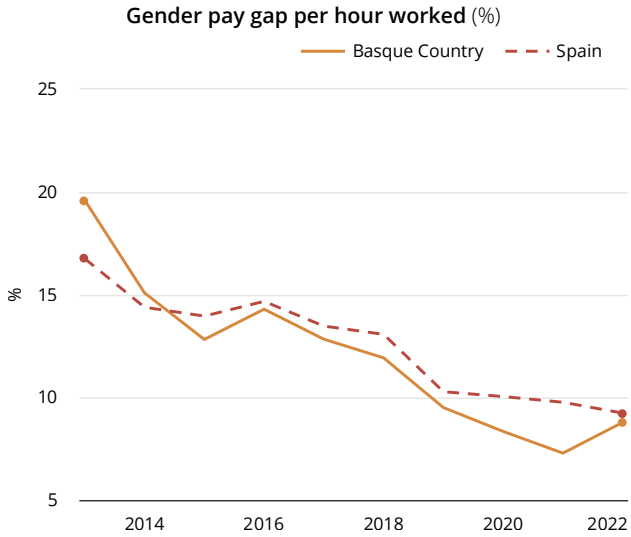
Persons who cannot afford to keep the dwelling at an adequate temperature (%)



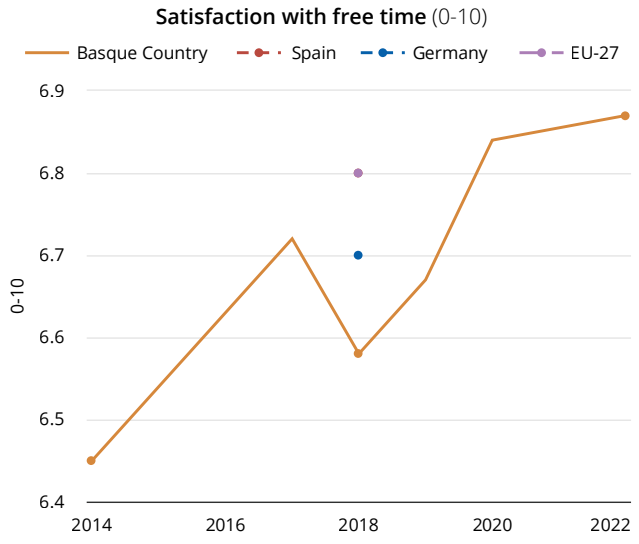
Employment:

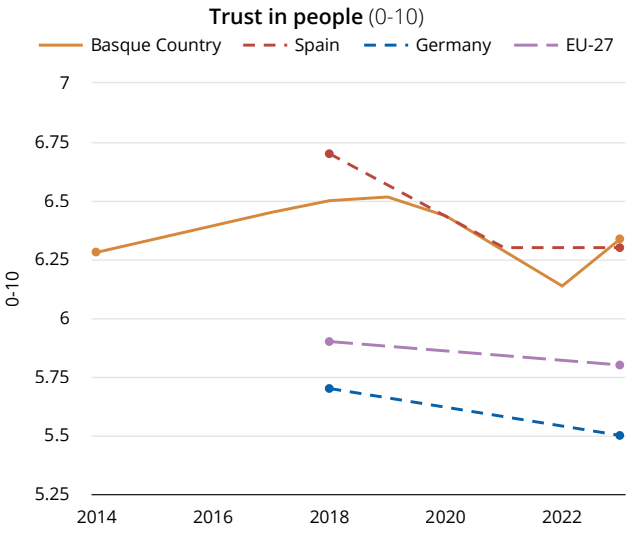




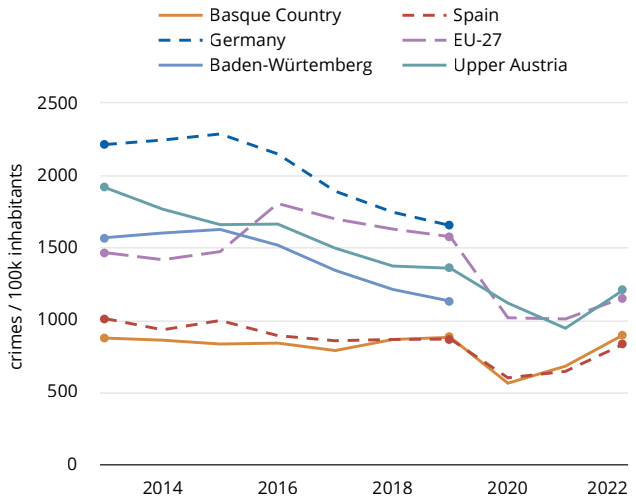


Social life:



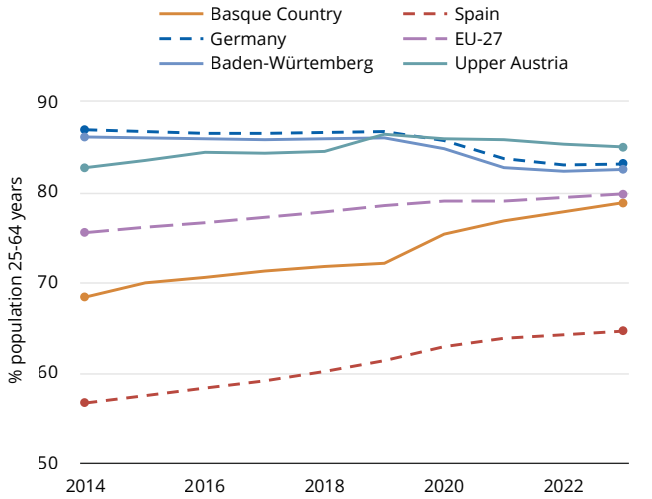


Rate of crime against property (per 100 000 inhabitants)

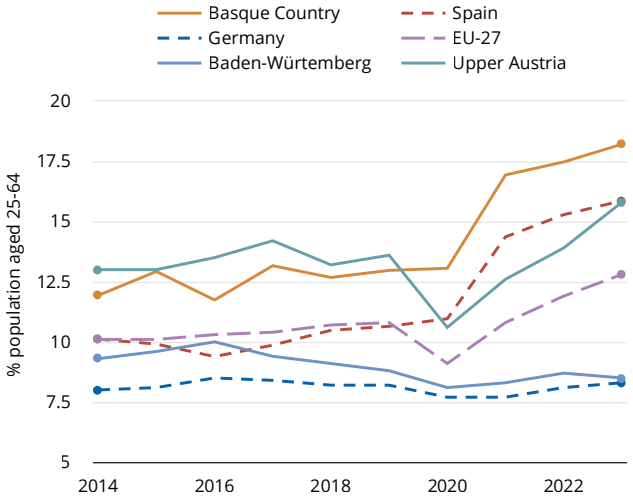


Learning:

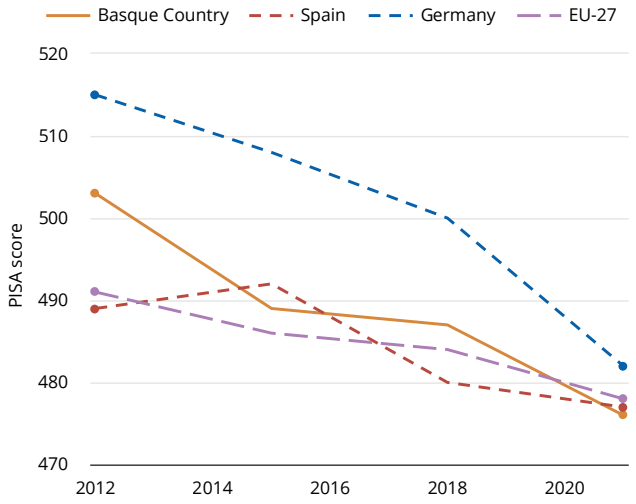
Upper secondary or tertiary education (% population 25-64 years)



Lifelong learning (% population 25-64 years)

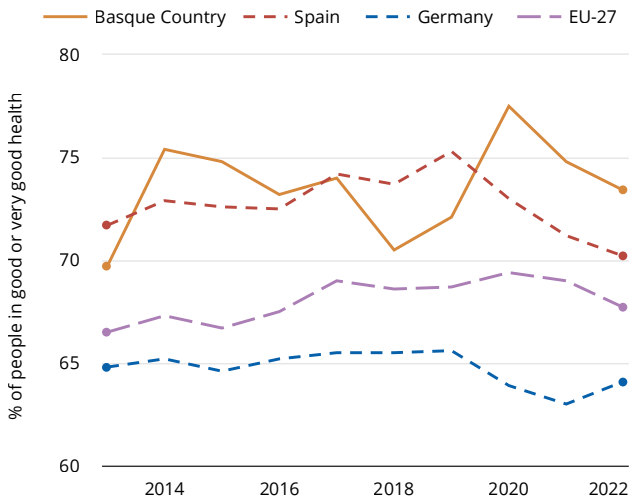


PISA average scores in mathematics, reading and science

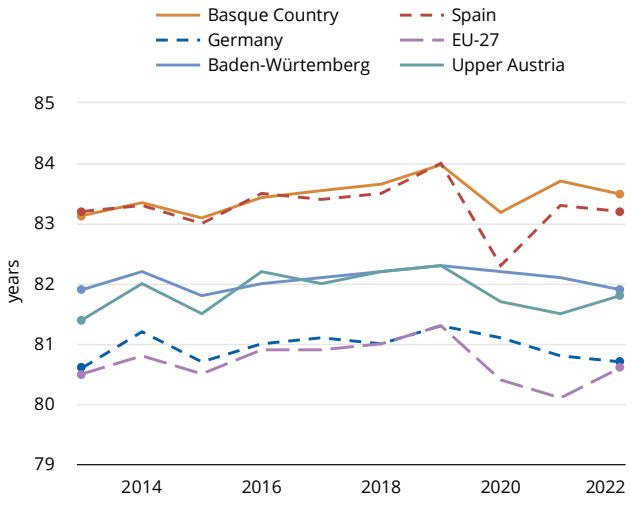


Health:

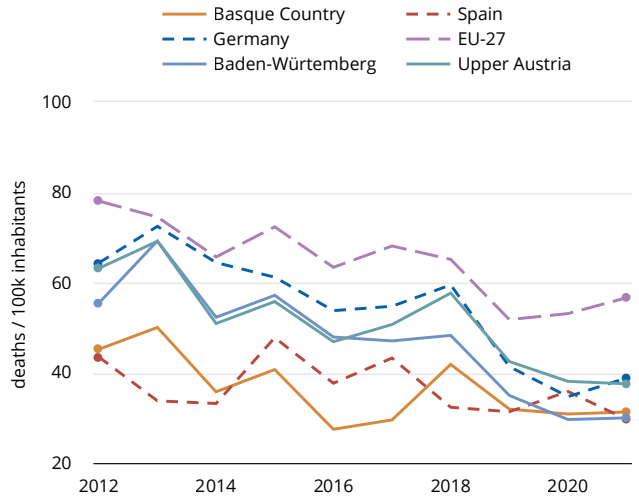
Perceived health status (% of people in good or very good health)



Life expectancy at birth (years)

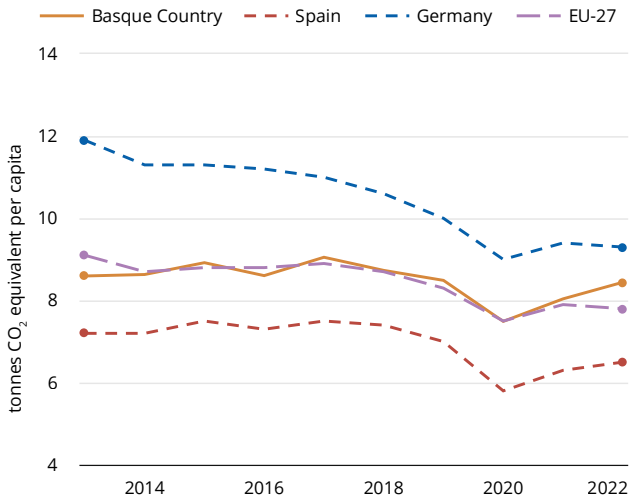


Premature deaths due to air pollution (PM2.5)
(per 100 000 inhabitants)

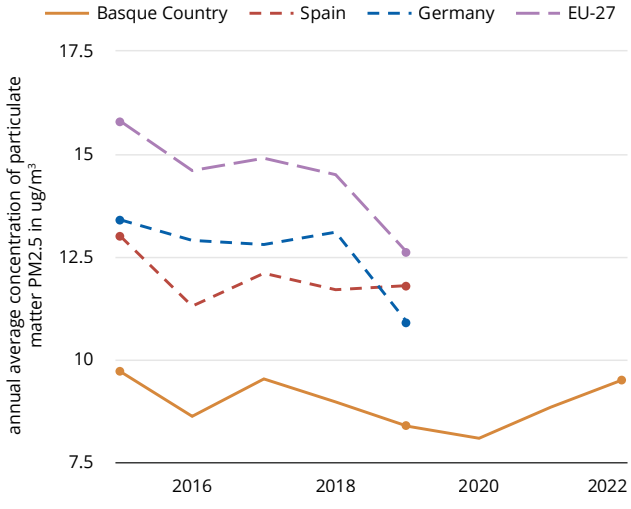


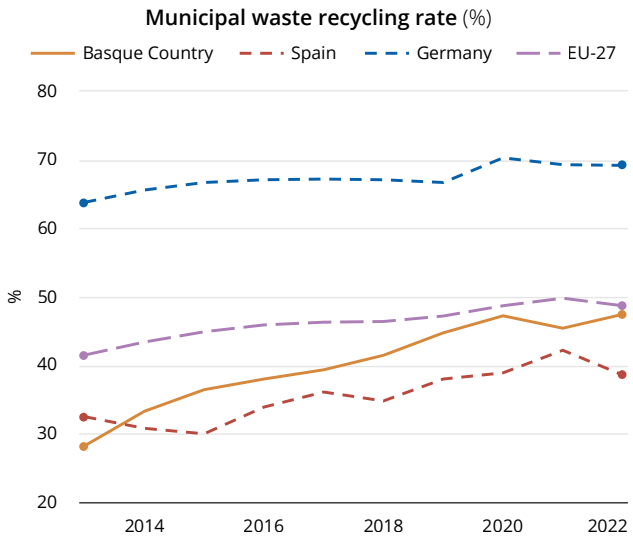
Environment:

Greenhouse gas emissions
(tonnes CO_2 equivalent per capita)



Air pollution (annual average concentration of particulate matter PM2.5 in ug/m3)




Municipal waste recycling rate (%)
Basque Country
Spain
Germany
EU-27
80
70
60
50
40
30
20
%
2014
2016
2018
2020
2022

Annex 3

Inclusion in terms of wellbeing

In this annex we present data on inclusion in terms of wellbeing by gender, income and educational attainment.

Persons 18-44 years old in need of access to a first home by level of education and relationship to economic activity by educational level (2023)

	Women				Men			
	No education / Primary education	Profes-sional studies	Second-ary studies	Univer-sity studies	No education / Primary education	Profes-sional studies	Second-ary studies	Univer-sity studies
With some income or income of their own	13.1	38.6	13.6	34.7	7.1	21.1	12.2	59.6
With insufficient/ unstable income	16	41	12.1	31.1	6.7	18.9	13.6	60.8

Wellbeing in employment by earnings and educational attainment (2023)

	Income level (quintile)									
	Women					Men				
	V (Low)	IV	III	II	I (High)	V (Low)	IV	III	II	I (High)
Job dissatisfaction (%)	11.4	11.1	8.1	4	4.1	13	9	9.7	11.3	2.7

	Level of education							
	Women				Men			
	Pri-mary	Lower second-ary	Upper second-ary	Univer-sity	Pri-mary	Lower second-ary	Upper second-ary	Univer-sity
Job dissatisfaction (%)	6	8.5	10.4	5.4	2.8	16.5	10.3	5.7

Self-perception of health by income and educational attainment (2023)

	Income									
	Women					Men				
	V (Low)	IV	III	II	I (High)	V (Low)	IV	III	II	I (High)
Health-related quality of life (%)	72.3	72.2	76.2	76.3	77.8	76.3	75.1	76.5	78.4	79.8
Mental health (prevalence of anxiety and depression symptoms) (%)	27.8	29.9	22.3	20.9	24.5	26.9	18.9	18.1	16.5	10.3

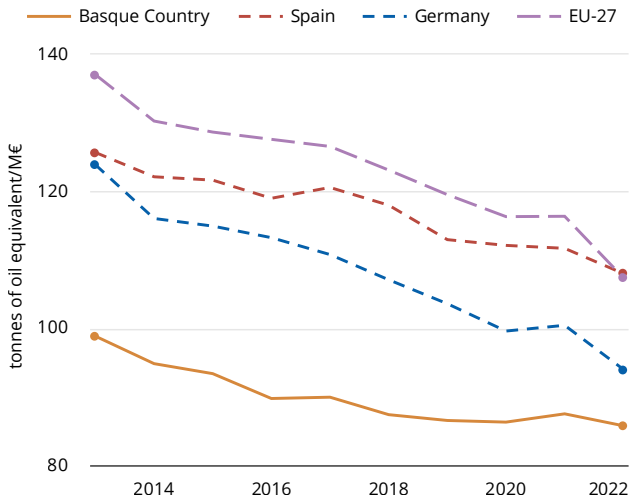
	Level of education							
	Women				Men			
	Primary	Lower secondary	Upper secondary	University	Primary	Lower secondary	Upper secondary	University
Health-related quality of life (%)	77.8	76.3	76.2	72.2	79.8	78.4	76.5	75.1
Mental health (prevalence of anxiety and depression symptoms) (%)	24.5	20.9	22.3	29.9	10.3	16.5	18.1	18.9

Annex 4

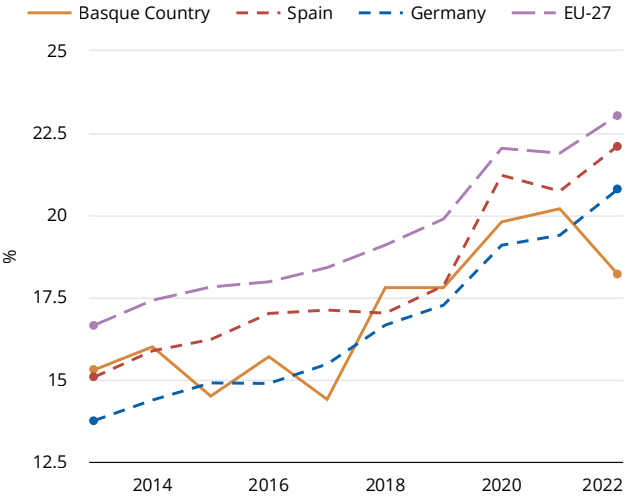
Competitiveness levers

Natural capital:

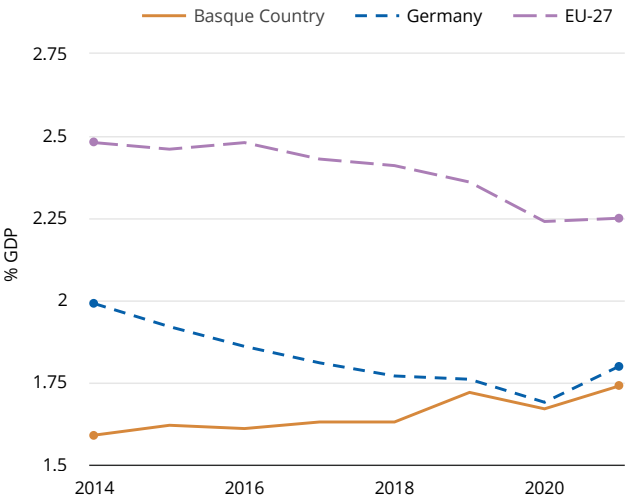
Energy intensity (tonnes of oil equivalent/M€)



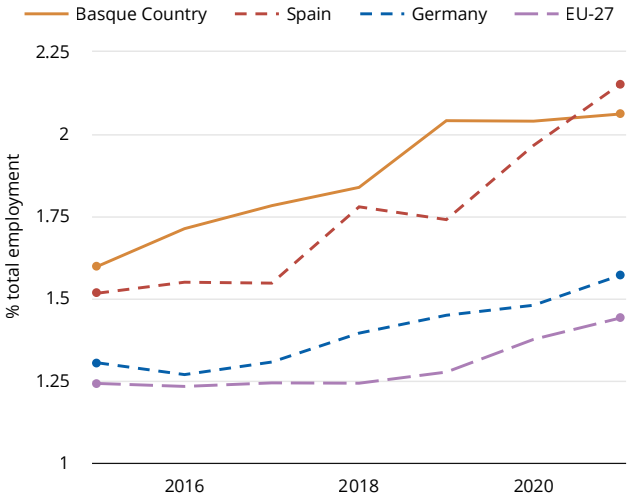
Share of renewable energy in gross final energy consumption (%)



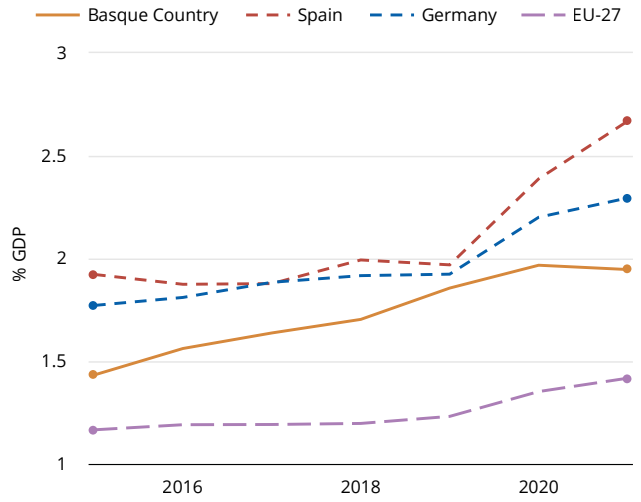
Environmental tax revenue (% GDP)



Employment in environmental goods and services sector (% total employment)

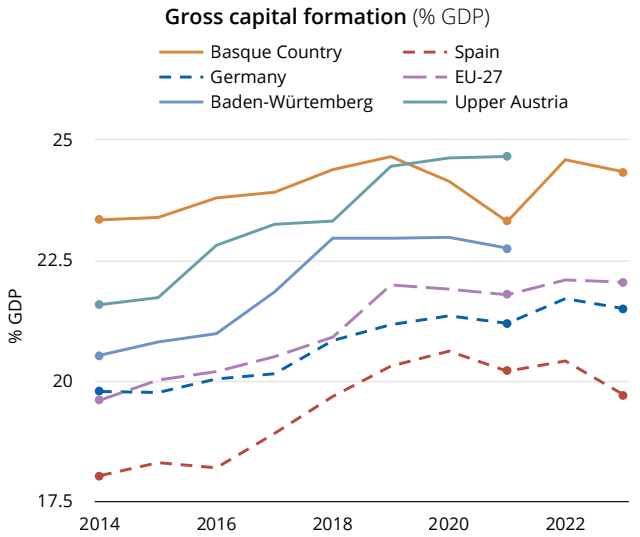


Gross value added in environmental goods and services sector
(% total GVA)

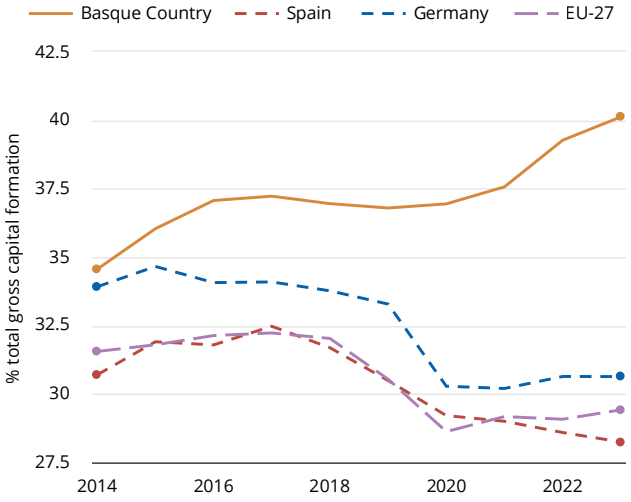


Physical capital:

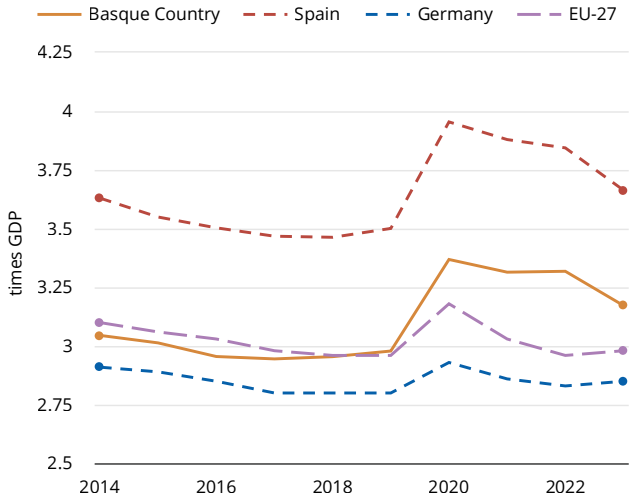
Gross capital formation (% GDP)



Gross capital formation in capital goods
(% total gross capital formation)

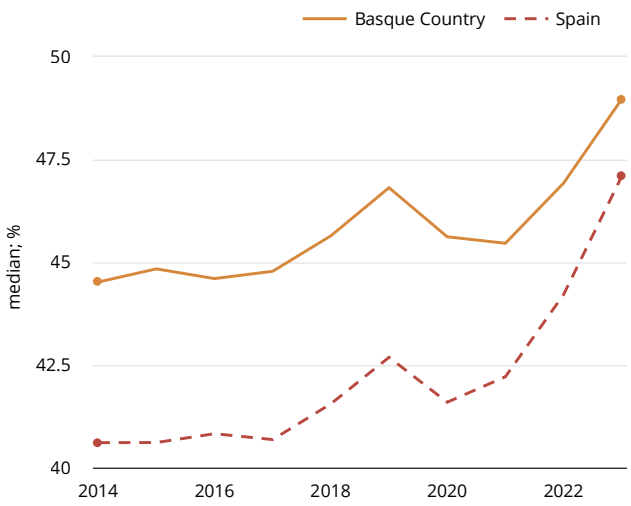


Physical capital stock (times GDP)

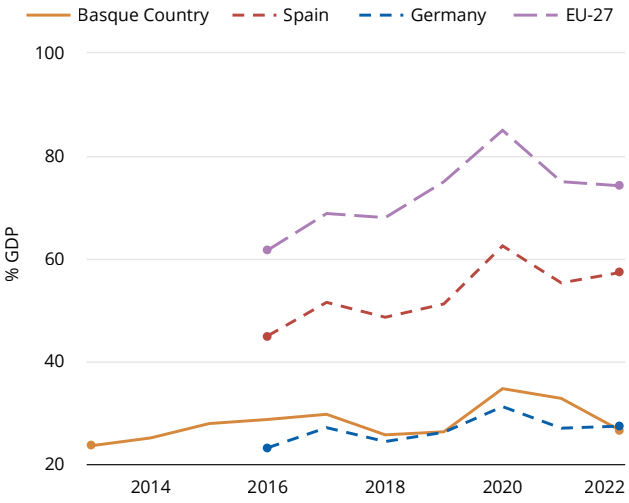


Financing:

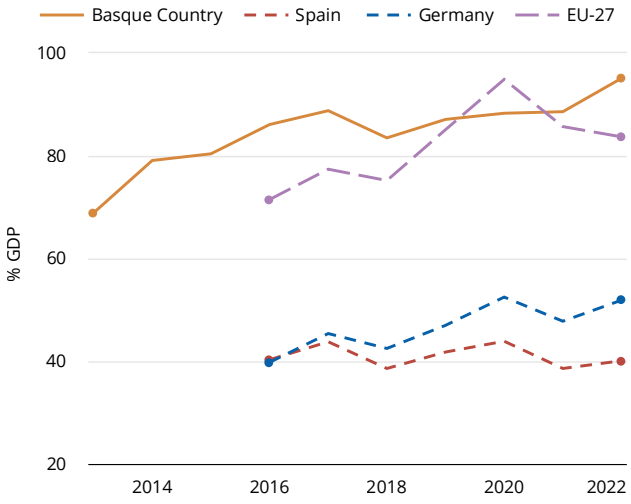
Equity-to-assets ratio (median, %)



Stock of inward foreign direct investment (FDI) (% GDP)

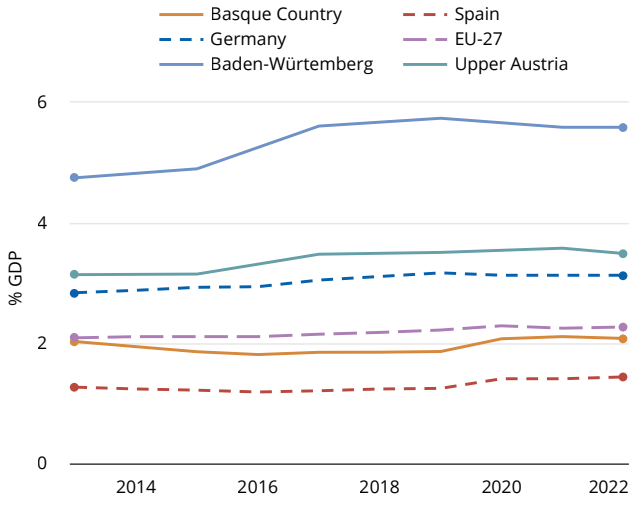


Stock of outward foreign direct investment (FDI) (% GDP)

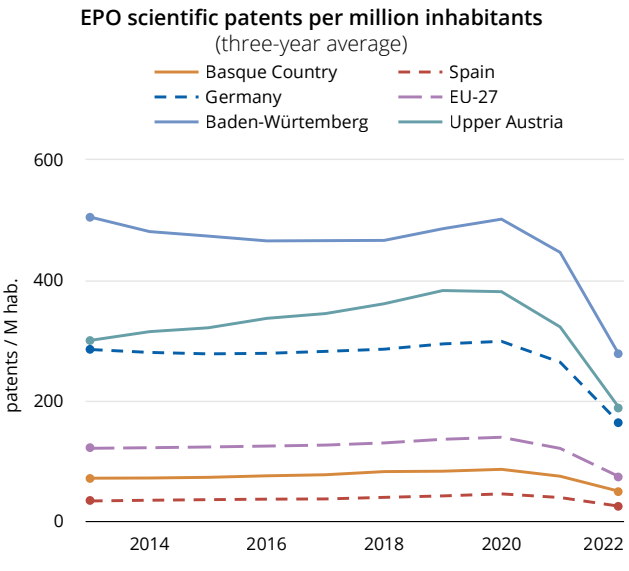


Knowledge:

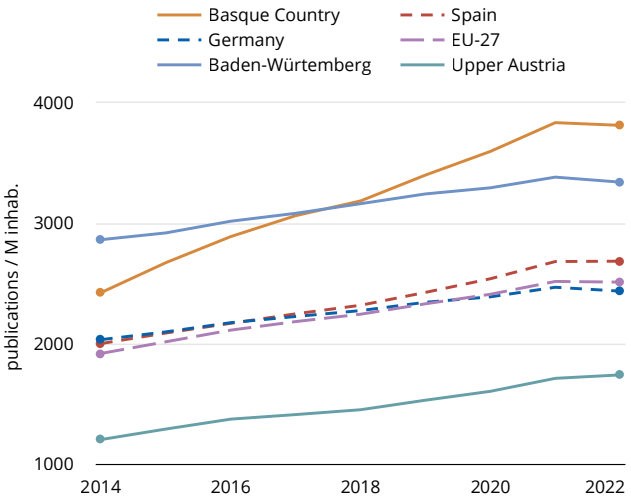
Total R&D expenditure (% GDP)



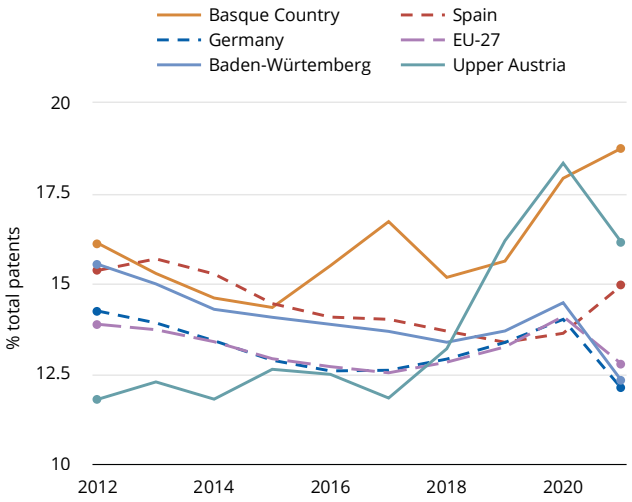
EPO scientific patents per million inhabitants
(three-year average)



WOS scientific publications per million inhabitants
(three-year average)

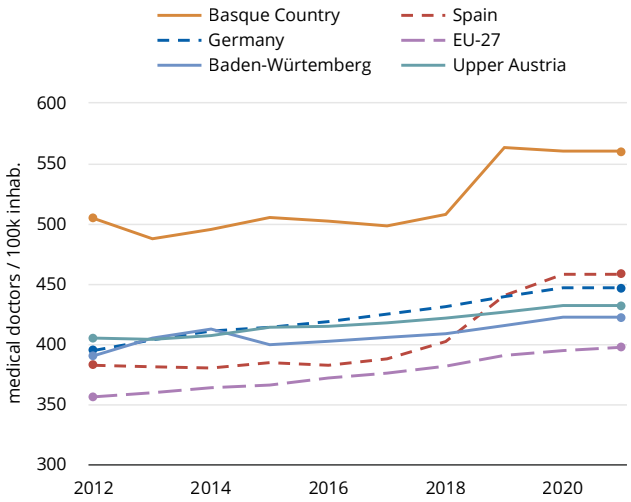


Percentage of EPO patents in environmental technologies
(% total patents)

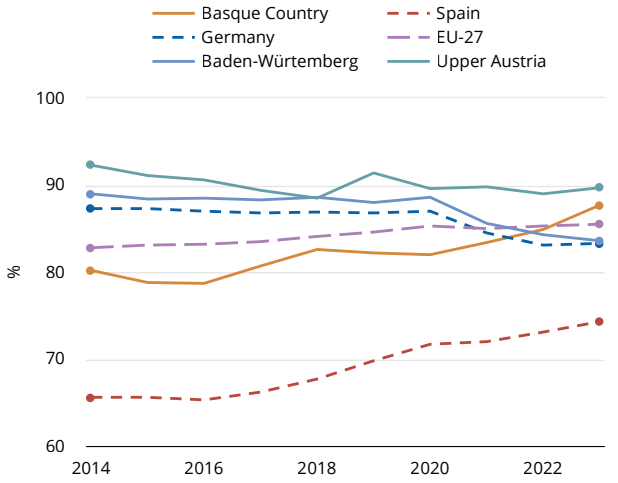


Human capital:

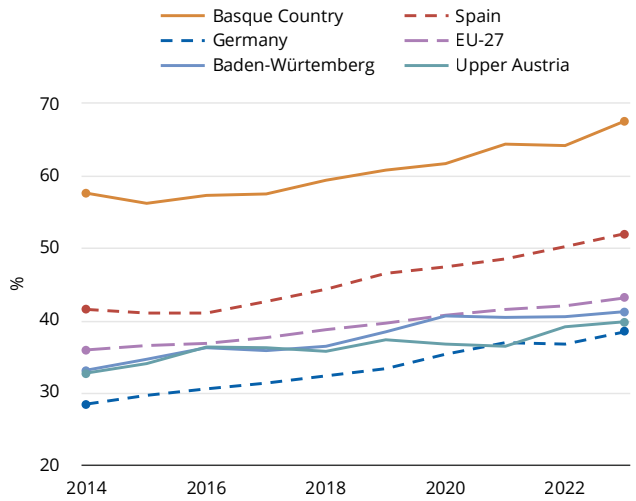
Medical personnel (per 100k inhabitants)



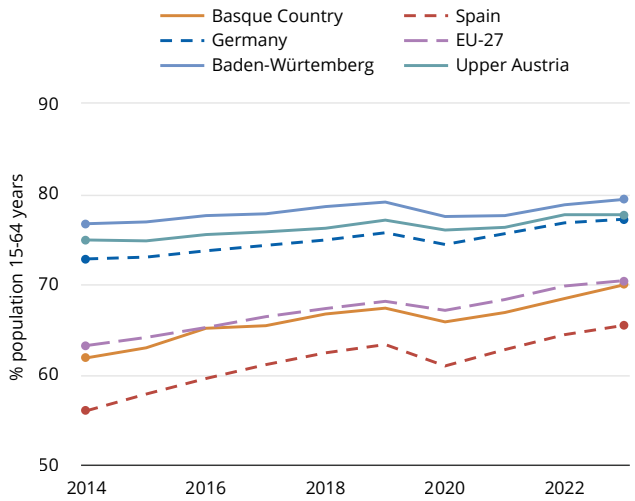
Population aged 25-34 with upper secondary or tertiary education (ISCED 3-8) (%)

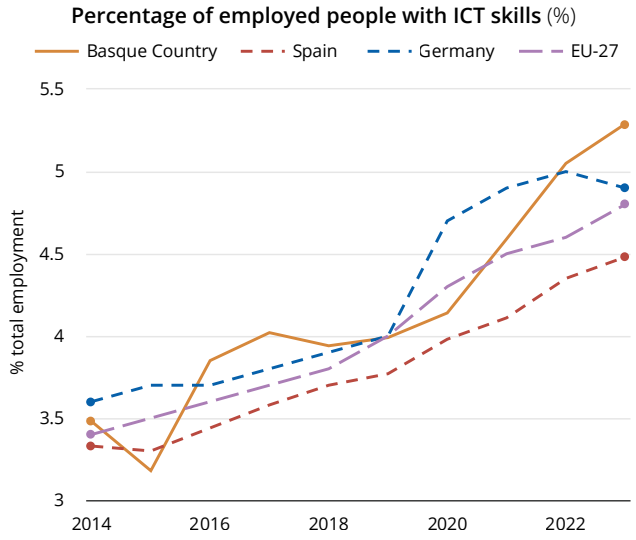


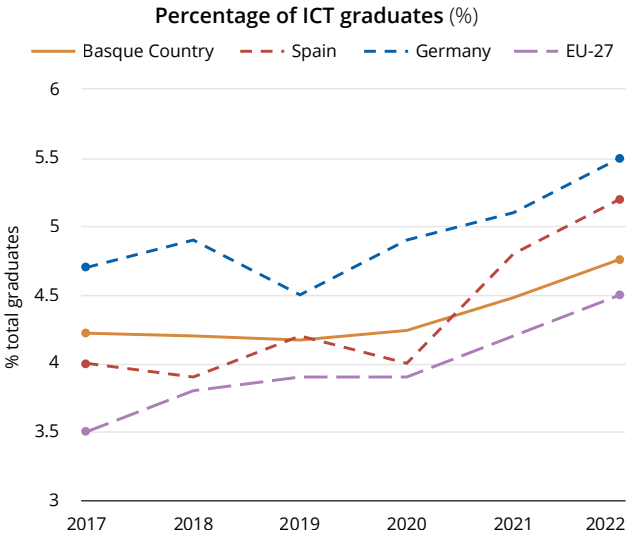
Population aged 25-34 with tertiary education (ISCED 5-8) (%)



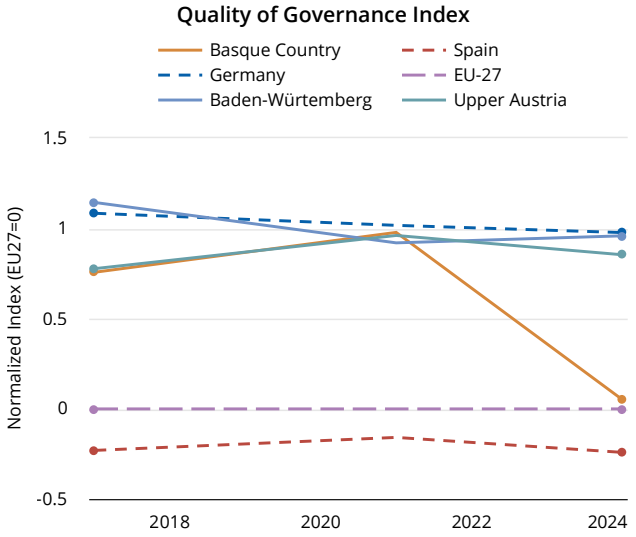
Employment rate (% population 15-64 years)

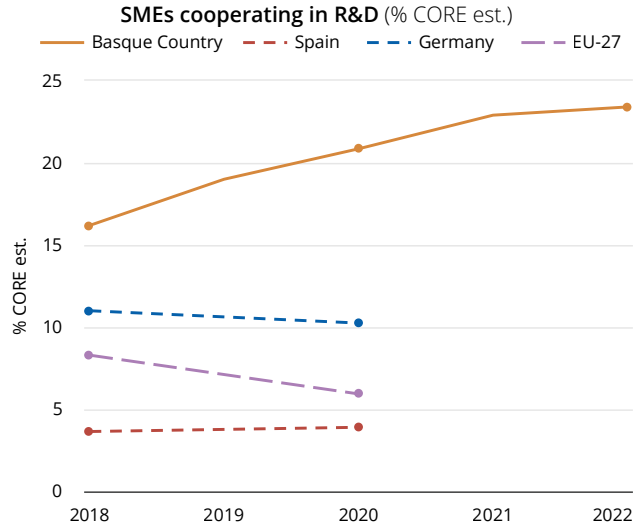


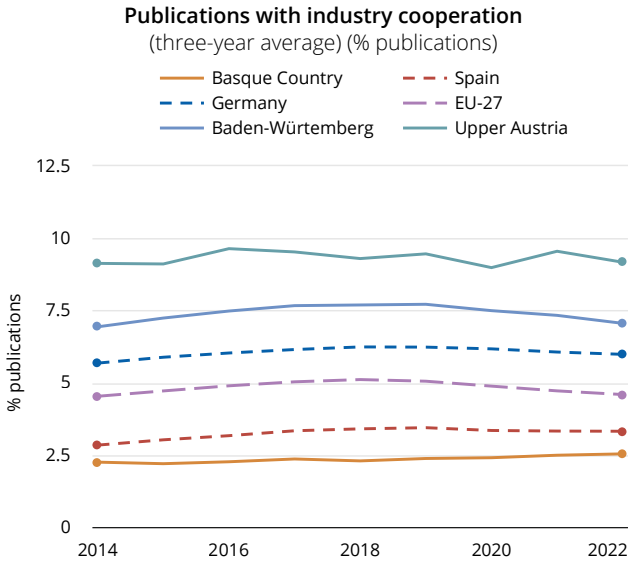




Social capital:







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