



# Dealing with Demographic Change: Regional Policy Responses

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## Preface

This paper has been prepared by the European Policies Research Centre (EPRC) under the aegis of EoRPA (European Regional Policy Research Consortium), which is a grouping of national government authorities from countries across Europe. The Consortium provides sponsorship for the EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU Cohesion and Competition policies. EoRPA members currently comprise the following partners:

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### Sweden

- Näringsdepartementet (Ministry of Enterprise, Energy and Communications), Stockholm

### United Kingdom

- Department for Business, Innovation and Skills, London
- The Scottish Government, Enterprise, Transport and Lifelong Learning Department, Glasgow

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#### Disclaimer

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the EoRPA Consortium.

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# Dealing with Demographic Change: Regional Policy Responses

## EXECUTIVE SUMMARY

Ageing populations and the migration of people within and between countries are key demographic trends facing Europe and its regions in the coming years. This paper assesses emerging regional policy responses to demographic change in EU Member States.

### **The territorial dimension of demographic change**

Demographic ageing and migration represent two key challenges for the EU in coming years and each has a significant regional dimension. The EU as a whole displays a combination of high and growing life expectancy, falling mortality rates and low fertility rates, producing a strong trend of demographic ageing. There are clear territorial differences in the ageing pattern, with the highest shares of elderly population found in Eastern Germany, northwest of Spain, Italy and some parts of Finland. In contrast, in Central and Eastern Europe, the impacts of ageing are delayed due to their relatively young population base. Migration flows, both internal and external, are another significant demographic challenge facing the EU. These migratory flows have a strong territorial dimension: the majority of migrants tend to go to regions in Western and Southern Europe, with Eastern European regions experiencing significant outward migration. Interregional migration flows within countries are also significant, with regions in Southern Italy, Greece, Eastern Germany and Central and Eastern Europe experiencing significant outward migration. Migration patterns can interact with ageing processes to produce particular spatial characteristics and territorial effects. Comparing regions with a 'positive' and 'negative' demographic balance, there is strong differentiation: regions with 'positive' balances tend to be concentrated in the west (apparent within many Member States as well as across the EU). Moreover, the majority of 'urban regions' have a positive demographic picture. This is particularly the case in metropolitan regions and regions that are the location of capital cities. Generally, rural and eastern regions are much more likely to be experiencing processes of out-migration and/or population ageing.

### **The demographic dimensions of regional policy**

The complex nature of demographic processes means that responses are implemented in a number of different policy areas, from social and economic policy to infrastructural interventions. The interdisciplinary character and the varying sub-national impact of demographic change suggest that it is an appropriate priority for regional policy interventions. This is reflected in the prominence given to demographic issues in the current EU policy debate and also in emerging regional policy responses in Member States. These responses cut across a range of issues. From a review of emerging initiatives, some key headings can be identified.

**Regional labour markets.** Many countries perceive demographic processes from a labour market perspective, not least due to territorial differentiation in economic activity rates, issues of labour supply and the provision of skills. A vital task is to recognise how demographic processes interact with the changing profile of the labour supply available to regional economies. In some cases, demographic ageing and falling dependency ratios mean that fewer workers are supporting more retired people. Population movement also has a crucial impact. As different segments of the population migrate or age, regional labour markets must find ways to retain workers and mobilise the potential of older workers, entrepreneurs and volunteers. In response, regional labour market policies are generally becoming more proactive and targeted in their approach. There is increasing focus on specific groups that are often related to demographic processes: attracting migrant groups from other parts of the country or from abroad; ensuring that smaller regional populations of working age have relevant skills and training; and retraining older workers and the long-term unemployed.

**Spatial planning: regional social and technical infrastructure.** Demographic ageing and migration patterns can also have important implications for the spatial planning components of regional policy. The provision of social infrastructure (i.e. systems of social services, networks and facilities) and technical infrastructure (roads, housing, telecommunications etc.) are often a policy competence of regional or municipal levels and may have to be tailored to respond to the differentiated territorial impact of demographic change. The challenge is not necessarily the demographic change itself, but rather finding the appropriate policy response to maintain balanced, sustainable regional development. In this context, several Member States are developing new approaches to regional spatial planning and new ways of providing regional, social and technical infrastructure.

**Consumption of goods and services.** The spending power of economic migrants and retirees is regarded in some contexts as a potential driver of regional economies. The influx of different population groups can lead to increased consumption of goods and services. It can also provide opportunities for product and service innovation in some regional economies.

**Demographic change and regional social cohesion.** Migration and ageing can also lead to increasing social polarisation, concerning the isolation or exclusion of vulnerable population groups in regional communities. Demographic changes can create tensions amongst different age groups or ethnic groups and this can have a territorial dimension where different populations are concentrated in specific areas. In order to improve integration, policy measures can improve access to jobs, training or education for vulnerable groups. Changes in regional governance structures can also assist integration.

## **Policy design and delivery**

In responding to these challenges and opportunities, governments are acting on different spatial levels and in different ways. National governments continue to exercise policy responsibilities in fields that play a vital role in addressing demographic change: labour policy, pensions, welfare and migration. Moreover, there is increasing emphasis on the national role in



coordinating interventions at central level and between central and regional levels through the development of funding frameworks, development strategies and coordination structures. At the regional level, a range of approaches and instruments is apparent. The demographic and socio-economic profile of a region, as well as the domestic regional policy and administrative context, dictate priorities and activities. At one end of the spectrum, broad processes of devolution have created scope for elected regional assemblies to develop new, overarching organisations and strategies dedicated to demographic issues. At the other end, smaller initiatives have been launched by regional administrations and agencies to feed into and influence broader interventions. Most regional policy responses tend to fall between these points, combining efforts to integrate or 'mainstream' demographic themes throughout regional policy programming with the launch of specific initiatives designed to intervene directly in a given field.

The paper, thus, argues that demographic change is an important issue for contemporary regional policy: migratory flows and demographic ageing are producing 'place-based' challenges and opportunities and 'place-based' responses are needed. Nevertheless, the challenges associated with addressing demographic change as part of regional policy should not be underestimated. Policy responses to these processes, by necessity, cut across policy sectors and administrative boundaries, drawing in a range of organisations. Consensus, definitional clarity and policy coordination are vital.



# Dealing with Demographic Change: Regional Policy Responses

## 1. INTRODUCTION

Ageing populations and the migration of people within and between countries are key demographic trends facing Europe and its regions in the coming years. There is increasing realisation that these demographic trends have profound implications for regional policy and are critical for regional economic productivity and social cohesion. Migration and population ageing can put substantial pressure on labour supply, public budgets, health and welfare provisions and infrastructure. However, economists and demographers increasingly view demographic change as an opportunity as much as a threat. Progressive regional policy responses to demographic change can provide opportunities for accelerating economic growth and strengthening social inclusion by supplementing the labour force, developing entrepreneurship and reorganising or expanding services and markets for different consumers.<sup>1</sup> Nevertheless, it should be noted that the impact of demographic change will be experienced very differently from region to region according to a variety of factors and that regional policy responses to the challenges and opportunities offered must take these variables into account.

Against this background, the paper assesses a wide range of regional policy responses to demographic change in EU Member States. It is structured into four parts. The remainder of this section presents a broad overview of demographic trends in the EU, with a particular focus on migration and population ageing. The strongly differentiated territorial impact of these processes is highlighted to argue that demographic change is a relevant issue for regional policy-makers. Section 2 disaggregates responses to the challenges and opportunities offered to regional policy by demographic change under four main headings: regional labour markets; spatial planning; consumption of goods and services; and, regional social cohesion. Under each of these headings, examples drawn from different Member States are presented, potential complementarities, tensions and trade-offs are identified, and key issues and points for debate are drawn out. Section 3 explores issues of policy design and delivery, assessing the different methods and instruments regional policy-makers are using to address demographic change. These include efforts to strengthen the evidence base, to use demographic indicators to target regional funding, to integrate demographic issues into regional development strategies and to develop specific, active regional policy measures to address aspects of demographic change. The argument is that different policy mixes are appropriate in different national and sub-national institutional and socio-economic contexts. The concluding section synthesises the key points arising from this review. It argues that demographic change is producing 'place-based' challenges and opportunities and that 'place-based' responses are needed. Nevertheless, it

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<sup>1</sup> OECD (2004), *Coping with Ageing: a Dynamic Approach to Quantify the Impact of Alternative Policy Options in Future Labour Supply in OECD Countries*.

notes that the challenges associated with addressing demographic change as part of regional policy should not be underestimated. Policy responses to these processes, by necessity, cut across policy sectors and administrative boundaries, drawing in a range of organisations. Consensus, definitional clarity and policy coordination are vital.

### ***1.1 Demographic change in Europe: an overview***

Ageing populations and the migration of people within and between countries are key demographic trends facing Europe and its regions in the coming years. Europe is the second most rapidly ageing region in the world after Japan. Longer life expectancy and reduced fertility levels (e.g. postponement of childbirth, increase in the share of children without siblings, and higher frequency of childlessness) have meant that the share of elderly has been increasing everywhere. In 2060, half of the population is forecast to be aged 48 years or above. This is despite the forecast of modest recovery in the total fertility rates (i.e. the average number of births per woman over her lifetime) which is set to increase from 1.52 in 2008 to 1.57 by 2030 and 1.64 by 2060.<sup>2</sup> This increase will not meet the natural replacement rate of 2.1 needed for each generation to replace itself. In addition to fertility trends, mortality rates have fallen dramatically during the twentieth century for both men and women. For the EU Member States, life expectancy at birth for men is expected to increase from 76 years in 2008 to 84.5 years in 2060. During the same period, women are forecast to see their lives prolonged from 82.1 years (2008) to 89 (2060).<sup>3</sup>

There are clear territorial differences in the ageing pattern, with the highest shares of elderly population found in Eastern Germany, northwest of Spain, Italy and some parts of Finland. In contrast, in Central and Eastern Europe, the impacts of ageing are delayed due to their relatively young population base. However, significant increases in their old-age population are also expected in the longer run, not least due to fertility rates often below the EU27 average.<sup>4</sup> Natural reproduction also shows significant differences across Europe. There is a notable west-east and north-south divide, with the lowest fertility rates around 1.3, reported in the east (Slovakia, Poland, Romania) and south (Italy, Portugal), and the highest rates, above 1.8, in the west (Ireland, France) and north of Europe (Norway, Sweden, Denmark).

In addition to ageing, migration is another key demographic trend in Europe with many European countries having gradually become destinations for migrants. For instance, many of the southern Member States have become net receiving countries during the 1990s and several

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<sup>2</sup> According to Eurostat, total fertility rates are set to increase in all Member States with the exception of Ireland and France where they are anticipated to fall, but remain above 1.85, and in Denmark, Finland, Sweden and the United Kingdom where they are expected to remain stable.

<sup>3</sup> CEC (2009), '2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060)', *European Economy* 2/2009.

<sup>4</sup> CEC (2008) *Regions 2020, Demographic Challenges for European Regions*, background document to Commission staff working document SEC(2008) 2868 Final *Regions 2020, An Assessment of Future Challenges for EU Regions*, November 2008.

countries in Central and Eastern Europe are currently both sources and destinations of migrants.<sup>5</sup> Over the period of 2008-2060, there is expected to be an inflow of approximately 59 million people to the EU27, most of which will be concentrated in the euro area (46.2 million). However, international migration is only partially expected to offset the process of population ageing in Europe.

Again, there is significant territorial variation in terms of migration flows. The majority of international migration has been traditionally directed to Germany, France and the United Kingdom, but there has been a recent rise in migration flows to Italy, Spain and Ireland, which have seen their role shift from countries of origin for immigrants to destination countries. In contrast, many Central and Eastern European regions have experienced and will continue to experience significant outward migration, particularly regions in Romania, Bulgaria and Poland.<sup>6</sup> The initial outmigration trends were largely related to the enlargements of the European Union which led to increases in migration flows from Central and Eastern Europe. The recent outmigration shows clear spatial patterns, too; for instance, Polish migrants are moving particularly towards the United Kingdom and Ireland, while outmigration from Romania is mainly directed towards Spain and Italy. However, research suggests that these flows are in many cases temporary and seasonal and that a high proportion have already returned to their home country.

Many countries have also experienced uneven inter-regional migration. Some regions have witnessed significant outmigration of young and educated people, which tend to relocate to capital cities, or to regional centres due to the study and employment opportunities these offer. This trend means that elderly people have sometimes been left in isolated sub-urban or rural areas. In contrast, regions in Southern France and in Spain are expected to experience a large influx of elderly people in preparation for retirement. In addition to the young and educated, gender differences are notable particularly in regions in Eastern Germany, in the Nordic and Baltic countries, as well as in Southern Europe. Indeed, these regions face a strong rural-urban migration of skilled females in economically active age groups. This phenomenon in turn exacerbates the low fertility trend and, in many cases, results in a high degree of 'masculinisation' of rural areas.<sup>7</sup>

## ***1.2 The territorial dimension of demographic change***

Thus, there is increasing evidence of sub-national variations in the impact of demographic change. Some basic categories can be developed to highlight spatially differentiated impacts.

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<sup>5</sup> Some of the increase does not only reflect the number of new migrants, but also regularisation programmes which have made parts of the immigrant population, illegally residing in the EU, visible in official statistics.

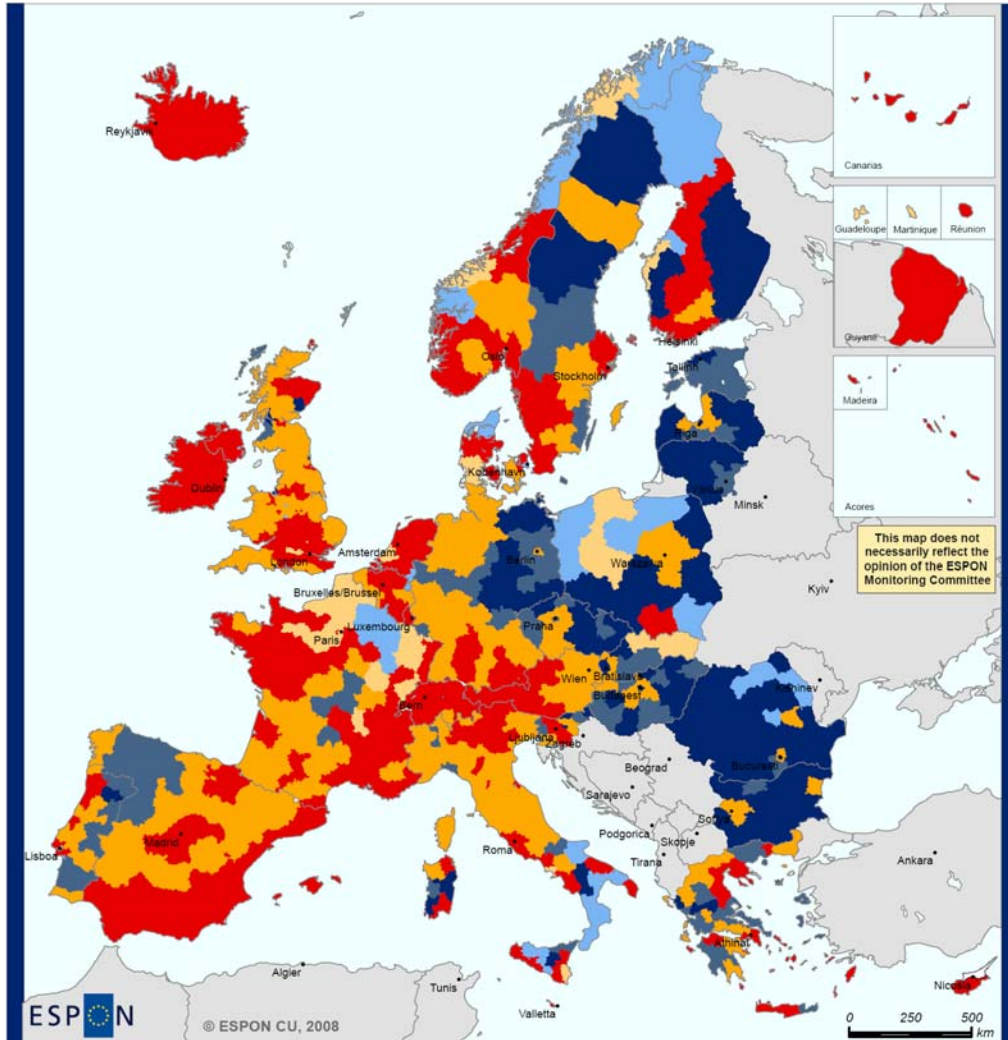
<sup>6</sup> CEC (2008) *op. cit.*

<sup>7</sup> European Commission, 'Regions 2020, Demographic Challenges for European Regions', *Background document to Commission staff working document SEC(2008) 2868 Final Regions 2020, An Assessment of Future Challenges for EU Regions*, November 2008.

- *East-West polarisation visible in recent years.* Regions with a 'positive' demographic balance are mainly concentrated along a corridor stretching from the Mediterranean coast of Spain through France and Switzerland to Northern Italy and Western Austria. Outside this area, regions such as Navarra, Loire, Normandy, Western Wales and Ireland also enjoy a positive position in terms of population development. A negative demographic balance is mainly observed in many regions in Eastern Europe, in particular in Estonia, Latvia, Lithuania, Romania and Bulgaria. This situation is particularly visible in some isolated rural regions and former industrial areas in Poland (such as Silesia) and Romania.
- *The urban-rural dimension.* The majority of 'urban regions' have a positive demographic development (important exceptions are found in the west of Germany, in the post-industrial south of Poland, Italy, Estonia and Lithuania). Metropolitan regions face high inward migration of a working age population, as well as being primary destinations for international migration. A resulting challenge for these areas is the integration of migrants into the labour force and society as a whole, as well as the adaptation of infrastructure in the case of high population growth. Social disparities tend to be high in metropolitan areas, reflecting high living costs. Rapid sub-urbanisation could also increase pressures on services in areas surrounding city centres. Remote rural regions have a stronger negative tendency. However, it is important to note the spatial distribution across the EU. Some remote regions with a positive development can be found in the western part of Europe: Spain, France, Ireland and the United Kingdom. On the other hand, Sweden, Finland and Norway have many large remote regions with negative demographic development. Furthermore, almost all remote regions in the three Baltic States, the South-East of Europe and most of the remote regions in the eastern part of Portugal encounter negative development.
- *The capital city factor.* Most capital cities in Europe have a positive demographic development. However, in capital cities in Eastern Europe, population increase takes place in surrounding regions. This could indicate that people are now settling in the surrounding regions, promoting processes of sub-urbanisation that were witnessed in EU15 member States in the past. Examples of such cities are Riga, Vilnius, Prague, Bratislava, Budapest and Bucharest.

The impact of some of these processes are demonstrated in Map 1, which illustrates the extent to which regions have been affected by demographic growth or decline and natural and migratory balances in the period 2001-2005. Based on Eurostat data, the map combines these two indicators to show how regions were affected, both in a positive and in a negative way.

Map 1: Typology of population development 2001-2005




 EUROPEAN UNION  
 Part-financed by the European Regional Development Fund  
 INVESTING IN YOUR FUTURE

**Population increase with**  
■ positive migratory balance and positive natural balance  
■ positive migratory balance and negative natural balance  
■ negative migratory balance and positive natural balance

**Population decrease with**  
■ negative migratory balance and positive natural balance  
■ positive migratory balance and negative natural balance  
■ negative migratory balance and negative natural balance  
 no data

© EuroGeographics Association  
 for administrative boundaries  
 Regional level: AT, BE, CH, CY, DE, IS, MT, NL, PL: NUTS2  
 Other countries NUTS3 (2006)  
 Origin of data: Eurostat (estimations)  
 Source: ESPON 2013 database

Source: ESPON (2008), Territorial Observation No. 1, p. 7.

As can be seen from the map, many regions in Northern and Western Europe (with the clear exception of Eastern Germany) gained population as a consequence of natural population growth and high inward migration. Southern Europe shows a mixed pattern. There were some regions with high population growth at least in part due to their role as retirement destinations and locations for residential tourism (e.g. Southern Spain, Southern France, Cyprus, Malta). At the same time, some Southern European regions experienced population decline, mainly as a

result of out-migration (Southern Italy, some regions in Greece). Many regions of Central and Eastern Europe faced population decline, as a consequence of declining fertility rates and high outward migration. Finally, metropolitan regions in general showed a positive demographic situation, due to high inward migration of working-age population (both domestic and external). These general trends are forecast to continue, at least over the next decade.

### ***1.3 Why is demography important for regional policy?***

There is, therefore, considerable regional variation in the direction, strength and characteristics of demographic change. Both growth and decline can represent threats to a territory or open up opportunities. In order to respond to the challenges, governments are acting on different spatial levels and in different forms. Moreover, the complex nature of demographic processes means that responses are implemented in a number of different policy areas, from social and economic policy to infrastructural interventions. The interdisciplinary character and the varying sub-national impact of demographic change suggest that it is an appropriate priority for regional policy interventions.

The growing importance of demographic themes in regional policy is reflected in their increasing prominence on the EU's Cohesion policy agenda. At a general level, part of the Lisbon Strategy's aim to increase Europe's competitiveness by 2010 should be achieved by raising the employment rate of the older population and hence responding to an ageing society. Various EU-level studies are analysing the status-quo of demographic change and contributing to the debate. DG Economy and Financial Affairs recently published the '2009 Ageing Report', which provides projections for Member States' financial planning.<sup>8</sup> The European Spatial Planning Observation Network (ESPON), financed by the ERDF under Objective 3, also identified demographic change as one of the most important challenges facing the EU.<sup>9</sup> The regional dimension of demographic change is explicitly highlighted in current EU Cohesion policy frameworks, publications and debates. The Community Strategic Guidelines, the Commission's outline of strategic developmental priorities for the 2007-13 programming period, included the scope to address demographic themes and several operational programmes have targeted these issues. DG Regio has published a series of studies under the title 'Regions 2020'; its findings are part of the reflection process on the future Cohesion policy. Demographic change has been identified as one of four main future challenges, together with globalisation, climate change, and energy supply. Demographic issues are also part of the Barca report, presented to the Commission in June 2009. This independent report assesses the effectiveness of Cohesion policy and develops a series of proposals for the reform of Cohesion policy after 2014. It identifies core priorities on which Cohesion policy should focus in the future. One relates to 'Social

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<sup>8</sup> CEC (2009) *op. cit.*

<sup>9</sup> ESPON has been created to support policy development in relation to cohesion. The first issue of ESPON's 'Territorial Observations' series focuses on 'Trends in population development'.



Inclusion' and tackles two major demographic themes, 'Migration' and 'Ageing'.<sup>10</sup> The recent Sixth Progress Report on Economic and Social Cohesion (June 2009) makes a case for stronger labour mobility and attracting qualified migrants from outside of Europe.<sup>11</sup> Thus, there is growing evidence of the territorial impact of demographic trends and emerging consensus that this is an issue for regional policy-makers: place-based challenges require place-based responses. Against this background, the following sections look at domestic regional policy responses to demographic change across the EoRPA countries.

## 2. DEMOGRAPHIC DIMENSIONS OF REGIONAL POLICY

Growing recognition of the territorial impact of demographic trends is occurring in tandem with changes in the regional policy paradigm. The scope of regional policy is broadening. There is increasing use of regional strategic programming and of policy instruments that support the development of regional economies not only through specific infrastructure support but also measures to promote entrepreneurship and innovation, urban development, transport, education and training, culture and the environment. This broadened agenda increases the scope for regional policy to address processes of demographic change. However, in assessing emerging regional policy responses there are definitional issues to be addressed. In several cases, it is difficult to identify anything akin to an explicit 'regional demographic policy'. Demographic change has a 'cross-sectoral' character and cannot easily be addressed through any single policy or strategy. Interpretations of the 'demographic agenda' can vary as different regional policy stakeholders lay different emphasis on the challenge being addressed. Such efforts can focus on improving regional or local employment opportunities, but also on other broader factors such as provision of quality housing, efficient regional services, strengthening community feeling and environmental benefits. The following section aims to unpack some of the regional demographic debate by assessing interventions that target specific themes.

### 2.1 Regional labour markets

Many countries perceive demographic processes from a labour market perspective, not least due to territorial differentiation in economic activity rates, issues of labour supply and the provision of skills. A vital task is to recognise how demographic processes interact with the changing profile of the labour supply available to regional economies. In some cases, demographic ageing and falling dependency ratios mean that fewer workers are supporting more retired people. Population movement also has a crucial impact. As different segments of the population migrate or age, regional labour markets must find ways to retain workers and mobilise the potential of older workers, entrepreneurs and volunteers. To underpin economic growth, policies must attract more people into regional labour markets and ensure that they

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<sup>10</sup> Barca, F (2009) *An agenda for a reformed Cohesion Policy: a place-based approach to meeting European Union challenges and expectations*, independent report prepared at the request of Danuta Hübner, Commissioner For Regional Policy

<sup>11</sup> European Commission, 'Sixth Progress Report on Economic and Social Cohesion', June 2009.

can achieve sustainable integration in jobs.<sup>12</sup> Several initiatives, underway across the EU, are addressing these issues.

### ***2.1.1 Regional economic restructuring as a response to demographic change***

Some broad policy interventions designed to address structural weaknesses in particular regional economies, include an explicit priority to address the impact of demographic processes on regional labour markets. Areas in North-East France, for instance, have struggled to retain younger people, in effect, losing their future workforce to southward migration. Population projections to 2030, based on rolling forward current fertility and migratory trends, showed a substantial fall in population in Nord-Pas de Calais, Picardie and especially Champagne-Ardenne and Lorraine. These regions have suffered from the restructuring of the defence sector which led to the closure of a large number of military bases. As a result, they display below average levels of GDP growth and are among the 'least dynamic' regions in population and economic growth terms. One of the main elements of the policy response is the *Grand-Nord Est* strategy. This includes plans for restructuring defence areas, involving '*contrats de redynamisation de sites de defense*' (CRSD). Around €225 million has been committed for the period 2008-15 for around 30 such contracts. Based on a strategic review of each area, the resulting contracts provide for a range measures suited to the locality, such as the provision of industrial estates, incubator units or leisure facilities. There is an explicit demographic rationale behind this: contracts are limited to areas losing more than 200 jobs and viewed as economically and demographically fragile. In addition, a '*mission Grand Nord-Est*' was established in September 2008 and charged with developing a strategy for the 'attractiveness' of the region.

### ***2.1.2 Targeted skills and training***

Although active labour market policies to boost employment rates are often nationally focused, the varied territorial impact of demographic processes on regional labour markets has been reflected in the emergence of more specific regional policy responses. These are coordinated between national and regional policy-makers and the business community, targeting different segments of regional labour forces. In a context of demographic decline or population ageing, some interventions are focusing on the provision of relevant education, skills and training to ensure that limited labour resources are tailored to the needs of regional economies. In **Nordrhein-Westfalen**, support is provided for education and training, aimed at enhancing human resources that are seen as fundamental to broad-based development, particularly in the context of demographic decline and the ageing of the work-force. Nordrhein-Westfalen's sub-regions are developing plans aimed at providing broad support for education and training which reach from pre-school to university. The '*Gemeinschaftsaufgabe zur Verbesserung der*

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<sup>12</sup> W. Kok, *Jobs, Jobs, Jobs: Creating more employment in Europe. Report of the Employment Taskforce chaired by Wim Kok* (2003), p9.

*regionalen Wirtschaftsstruktur* (GA) in Nordrhein-Westfalen is now being used to fund technical equipment etc. in vocational training schools and training institutes. Various *Land* Ministries are working together on this theme and are endeavouring to find ways of coordinating or reorienting existing funding streams towards complementary goals. In France, there has been a long-term policy of improving the provision of higher education in medium-sized towns (*villes moyennes*) in order to retain more young people. This has had the effect of postponing migration as the first stage of higher education can be completed relatively locally. In fact, the *villes moyennes* have become a destination for white collar workers and executives and are now gaining more of this category of employee than they lose. This is partly because of the development of commuter links and partly because of growing service sector employment.

### **2.1.3 Encouraging 'in-migration'**

Other interventions aim to encourage inward migration processes as a means of meeting regional labour market needs. Highly skilled migrants may be vital for some sectors of a regional economy. Migration can also be welcomed to fill less skilled gaps in the regional labour market, particularly where they offer a competitive advantage in terms of labour costs and productivity. For instance, immigration is perceived to provide at least a partial solution to the decline of the working population in some regions in Finland. The effects of immigration are regarded to be particularly important in the capital city area and in the largest urban areas, but it may also be an option in the east of the country.<sup>13</sup> Similarly in Sweden, there are initiatives to bring qualified people from abroad to address labour market shortages in the regions, supplementing domestic labour resources. Scotland's 'Fresh Talent: Working in Scotland Scheme' was introduced to deal with a projected decline in younger people entering the labour force and a reduced supply of skills. It aimed to counter these trends through greater retention of people and in-migration. The initiative focused on raising the profile of Scotland abroad as a destination for skilled workers. A Relocation Advisory Service was also established to provide support to people from abroad who were interested in moving to or staying on in Scotland. This included a particular focus on universities and international students. International graduates from Scottish universities were allowed to live and work in Scotland for two years without the need of a work permit. The Fresh Talent Initiative ended on 29 June 2008 when the United Kingdom government brought in a new points-based immigration scheme, though this also targets skilled migrants. Moreover, the government is currently proposing that the new points-based system should give people applying to work in the UK a higher score if they have set up home in parts of the country in need of increased population, including Scotland.

In some cases, initiatives are being introduced to attract back workers who have left the region in recent years or to reduce the proportion of workers leaving. In Germany, for instance, the Federal Ministry of Transport, Construction and Urban Development has funded two pilot

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<sup>13</sup> Finnish Ministry of Employment and the Economy (2009), *Työ- ja elinkeinoministeriön alustrategia 2009-2011*, 1/2009.

projects in the new *Länder*. One is aimed at developing mechanisms to maintain links with young out-migrants (e.g. via regional contact points). The other is aimed at developing (family-friendly) universities as a way of retaining students. In this context, it is worth noting that the current economic downturn may have an impact on the rate of return of economic migrants, though evidence is still emerging.

Migration has been a particularly important issue for EU12 Member States. Since accession and the opening of labour markets in EU15 countries, these countries have witnessed substantial outmigration of younger, skilled workers to other parts of the EU. To a certain extent, this process can be regarded simultaneously as an opportunity and a challenge. Potentially, it brings remittances and the prospect of a better educated labour force in the long run. However, in the short term it threatens to create an acute shortage of young, skilled workers. This process can have a strong regional dimension. According to some recent research in these countries, prior to accession, there was a strong spatial bias in outward migration that appeared to privilege job seekers from major cities, as they had access to passport offices and other necessary administrative services. Regions with strong migration traditions and access to established migration networks abroad were also favoured. After 2004, this pattern changed. Post-accession migrants have been more evenly distributed across regions than pre-accession migrants. Younger, more educated people from villages or less urbanised areas with limited employment opportunities have taken advantage of the opportunities offered by accession to work abroad<sup>14</sup>. On the other hand, processes of inward migration to these countries predominantly focus on those regions with the most dynamic economies, based on urban agglomerations. Thus, the most negative net impacts of migration are usually found in less developed areas.

Currently, there is debate concerning the impact of the current economic crisis on this process. Some research suggests that economic migrants may be returning home from EU15 countries as a result of the economic downturn. In this context, some regions, such as Opolskie in Poland, are developing initiatives to encourage return migration to the region (in this case as part of the regional sub-programme of the Human Capital OP, co-financed under Cohesion policy). This includes targeting members of the region's German minority. One option being considered is to offer double citizenship and limit the need for a transition period for attaining citizenship. The Polish Ministry of Labour has set up a web-site to provide information and advice to return migrants. There is also discussion about the establishment of regional contact points or advice centres for migrants who have returned or who are planning to return.

#### ***2.1.4 Increasing mobility of workers***

Of course, regional imbalances in the labour market can also be solved through internal migration and interregional commuting. In some countries, more flexible working arrangements

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<sup>14</sup> Kaczmarczyk, P. and Okólski, M (2008) 'Demographic and labour-market impacts of migration on Poland' *Oxford Review of Economic Policy*, Volume 24, Number 3, 2008, p614.

and an increasingly mobile workforce are calling for more sophisticated analyses of the impact of demographic change on regional labour markets. Long-distance commuting or remote working may mean that, while people may move to a particular region or locale, they can work elsewhere. Thus, the categorisation of labour markets according to established administrative boundaries may be too simplistic. In Italy, lack of skilled jobs in parts of the south of the country and the high cost of living in the Centre-North mean that a significant part of the working age population live in the region but work elsewhere. One solution apparent in several Member States is to take a more flexible approach to administering labour market interventions. In Sweden, there is ongoing discussion concerning the creation of larger labour market regions. This is because differences between regions in terms of imbalanced age structures have been increasing for some time now. There is an argument that the creation of larger labour market regions would allow policy-makers to match the supply and demand for competences within the labour force more efficiently.<sup>15</sup> This has become a particularly topical issue since the publication of the results of the Committee on Public Sector Responsibilities in 2007, which reviewed administrative structures and regional borders in Sweden. In the United Kingdom, various initiatives are underway to identify functional economic areas, including labour market areas (e.g. through inter-regional frameworks such as the Northern Way, Multi-Area Agreements and city-regions).

However, a fundamental issue for some countries, including several in EU12, is the lack of mobility of the domestic workforce. This can be due to the lack of jobs that provide a sufficient economic incentive for workers to take on the costs of relocation.<sup>16</sup> It can also be caused by a lack of adequate, affordable housing, particularly in the major cities, and an insufficient road and rail infrastructure, which inhibits workers from taking jobs outside of their immediate vicinity. As a result, in some countries, certain sectors of the economy may experience labour shortages in particular regions and labour surpluses in others.<sup>17</sup> For instance, in Poland, addressing labour market activity, mobility and flexibility to respond to demographic processes is a basic priority of the new national regional development strategy that is currently being drafted. In the short term, as part of the response to the economic crisis and the low internal mobility of the Polish labour force, the Human Capital OP has also introduced a 'mobility package' which provides funding to help people who have lost their jobs to relocate in order to find new employment.

Summing up, there is strong interaction between demographic trends and the size and composition of regional labour markets. General processes of demographic ageing can be focused in particular regions or locales with significant implications for labour supply. The regional labour market can play a key role in influencing inter-regional migration flows in terms

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<sup>15</sup> Nutek (2009), *Årsbok 2009*.

<sup>16</sup> Zsombor Cseres-Gergely (2003) 'The Effect of Economic Incentives on Residential Mobility and Migration in Hungary, 1990-1999', *Society and Economy*, Volume 25, Number 3, pp. 351-382.

<sup>17</sup> OECD (2008) *Territorial review: Poland*, p16.

of career opportunities and relative wage levels. An area experiencing jobs growth is likely to attract in-migrants at the expense of regions elsewhere in the country or elsewhere in the EU. Contemporary analysis of migration patterns also takes into account broader factors, such as 'place attractiveness', prices and living costs, quality of life considerations and the housing market, which can obviously have an impact on regional demographic change. The influence of these factors can vary according to particular features of a population (education/occupation level, age, ethnic origin). Population mobility has been facilitated by advances in transport and communications infrastructure and information technology (although this is not yet the case in all countries). However, this also raises some challenges for regional policy-makers. Where the population is increasingly mobile, how can the retention of valued economic migrants be guaranteed? The concept of migration can be complicated by flexible working patterns and technological advances. Parts of a business can be located in different regions and different countries. Thus, skills and labour may migrate while workers remain in their home regions. Of relevance in the current context of financial crisis is the fact that the economic cycle has a strong influence on migration patterns. During an economic boom, the most prosperous countries or regions may attract more migrants from less prosperous areas to fill job vacancies and restrain wage inflation. Conversely, during a national recession redundant workers may return to less favoured countries or regions. Against this background, regional labour market policies are generally becoming more proactive and targeted in their approach. There is increasing focus on specific groups that are often related to demographic processes: attracting migrant groups from other parts of the country or from abroad; ensuring that smaller regional populations of working age have relevant skills and training; and retraining older workers and the long-term unemployed.

## 2.2 Spatial planning: regional social and technical infrastructure

Demographic ageing and migration patterns can also have important implications for the spatial planning components of regional policy. The provision of social infrastructure (i.e. systems of social services, networks and facilities) and technical infrastructure (roads, housing, telecommunications etc.) are often a policy competence of regional or municipal levels and may have to be tailored to respond to the differentiated territorial impact of demographic change. Declining demand for public services creates serious problems for regional and local authorities. Fewer resources may be available to fund the same fixed costs of network-related infrastructures like water, energy supply or public transport, or wastewater treatment, as well as (social) public infrastructures such as schools or child care facilities.<sup>18</sup> More broadly, this can threaten the further marginalisation of peripheral areas and unbalance regional and national settlement structures. The challenge is not necessarily the demographic change itself, but rather finding the appropriate policy response to maintain balanced, sustainable regional development. In this context, several Member States are developing new approaches to

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<sup>18</sup> CEMR/DIFU(2006) *The Impact of Demographic Change on Local and Regional Government*.

regional spatial planning and new ways of providing regional, social and technical infrastructure.

### *2.2.1 Social infrastructure provision*

Social services are affected by demographic changes in several ways. Population ageing has a clear impact on pension systems but also on nursing care and health. A consequence of depopulation in peripheral, rural areas is the underutilisation of services. Regions with an ageing and shrinking population (for instance in some parts of eastern Germany or northern Finland) can experience difficulties in adjusting service provision to meet the changing demand of different population groups. Spatial planning has to employ tools to maintain the sustainability of regional social infrastructure. Cost efficiency of service provision is important in the context of the economic crisis and this is particularly the case where declining populations can have an impact on fiscal receipts. In the **Netherlands**, there is concern about the impact of demographic changes on the level of service provision in villages and rural areas. A related issue is that financial distributions to municipalities are largely based on population-related indicators. This has a direct impact on municipality budgets. The time lag between population developments (arising from in-migration, for instance) and associated funding flows can cause problems.

In **Portugal**, the upgrading of service infrastructure across the country in recent years has not countered demographic trends associated with urban concentration, the growth of the major cities and the depopulation of the interior. In depopulating regions, the absence of a critical urban mass has inhibited access to advanced services. In some cases, this is compromising regions' capacity to reverse the trend towards depopulation. Against this background, the so-called Territorial Development Thematic Agenda, funded under Cohesion policy, includes as a priority 'Infrastructure and Facility Networks for Social and Territorial Cohesion'. Besides including interventions in the fields of transport infrastructure, special attention is given to activities to overcome negative demographic trends. The provision of education facilities is seen as particularly important, including significant investment to widen the national pre-school network to peripheral areas and the physical upgrading of the schools network in particular regions.

In **Sweden**, discussions related to the provision of services particularly in the more sparsely-populated areas have been underway for some time. The focus has been on the development of new methods, products and services to meet the needs of the ageing population, particularly in terms of health care. In **Finland**, the key response to securing accessibility to basic services has been implemented through the Paras-project. This was launched in 2005 and its implementation has been guided through a framework Act on municipal and services structures reform (169/2007), which will expire at the end of 2012. The project has been largely implemented through municipal mergers, which aim to create municipalities with a minimum population of 20,000. The creation of larger municipalities is expected to improve accessibility, quality and productivity of services, but the primary aim is to strengthen the financial situation of the municipalities. Depopulation and population ageing in the Kainuu region puts similar

stress on the provision of welfare support and other services. There is a danger that, given the peripherality of the region and the dispersion of parts of the population in isolated, rural communities, older people will move to institutions in Kajaani (the regional capital). This influx would put increasing strain on Kajaani's services in the coming years, weaken the social and economic cohesion of towns and villages outside of the centre and unbalance the spatial development of the region. One of the main drivers behind the region's current experiment in self-government was to address the fragmented and uneven pattern of municipal service provision and create an overarching, integrated system that was accessible to all parts of the region. Existing organisational boundaries, based on the fragmented municipal structure are being replaced: many services are now organised as region-wide, integrated, systems.<sup>19</sup>

Similar options have been discussed in Germany. As a result of population ageing and migration, services may need to be concentrated in a smaller number of locations or relocated entirely. Since 2002, the Federal Ministry of Transport, Construction and Urban Development has funded a pilot project in three peripheral rural areas in the new *Länder* since 2002. This has focused on developing strategies for re-orienting the provision of public services. However, other options have also been discussed, including the possibility of reallocating funding for different types of service in line with ageing trends.

Conversely, the capacity of regions to provide public services can be tested when there is an influx of population. For instance, the influx of older people to retirement destinations can pose obvious challenges to the provision of social infrastructure. The migration or retirement of professionals involved in the delivery of these social services can contribute to unbalanced territorial provision. In France, the National Institute for Statistics and Economic Studies (INSEE) recently published a report on the impact of the increasing rate of retirement of older workers up to 2020. The sectors most affected by this trend are education, health and social work services and public administration.<sup>20</sup> A recent health services bill initially proposed to limit the establishment of doctors in the south of France in areas where there was adequate provision, although that proposal was subsequently withdrawn. The influx of specific population groups to centres of economic growth can also demand new approaches to service provision. The provision of public services in certain areas may have to be expanded or made more accessible to meet the needs of economic migrants, particularly those from ethnic minority groups.

### ***2.2.2 Technical infrastructure provision***

Arrangements for the provision of technical infrastructure are strongly impacted by demographic change and evolving demand. For instance, demographic processes will influence

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<sup>19</sup> Leinonen, J. and Juntunen, P. (2004) 'A Few Years After Finnish Public Administration Reform: Regional And Municipal Administration In Comprehensive Perspective - The Current Situation, Critiques and Discussion' paper presented at *EGPA Annual Conference*, Ljubljana, Slovenia, September 2004.

<sup>20</sup> Warzee, C. (2009) 'Départs du marché du travail dans les régions à l'horizon 2020 : Le papy-boom n'explique pas tout' *INSEE* No 1255, September 2009.



traffic volume and performance, trip purpose and modal choice, as well as the spatial distribution of traffic volume. The provision of housing in specific locales clearly has to take into account the influx or outflow of significant population numbers, particularly if this involves people with specific requirements (e.g. older people or young families). In rural areas experiencing population ageing and decline, improved transport networks and the reconsideration of housing provision can improve accessibility and mobility and reduce physical and social isolation. The built environment is a component of the Austrian *Land*-level initiative in Obersteiermark that addresses depopulation in the town of Eisenerz. This is a former mining town in the old industrial north of the *Land* that has witnessed significant economic and population decline since the 1950s. While the situation has improved in economic terms, not least due to emigration and commuting, the main concern now is a controlled form of shrinking. As a response to these developments, the *Land* Styria launched the project 'redesign Eisenerz' in 2006. The project has a 15-year lifespan and aims to create a better quality of life, to guarantee jobs in the future and to ensure demographic and financial stability. As part of this, in 2007 the project included dismantling or converting disused flats and providing financial support to encourage tenants to relocate from the underused outskirts to the city centre.<sup>21</sup>

There is also increasing awareness that demographic tendencies of depopulation and ageing accelerate the need for an inclusive Information and Communications Technology (ICT) strategy. Tools such as e-government, e-business, e-learning and e-health can be crucial for spatial planning in these areas. In northern Sweden, one innovative response has been the e-health project (or '*e-hälsa*') which aims to provide regional platforms for the provision of regional health services based on IT solutions. The e-health project, which was co-funded under Cohesion policy during 2000-06, tested different approaches to how public and private health care providers, in cooperation with SMEs, could adopt new methods, and develop new products and services, in the e-health sector. This included: distance consultation and treatment using ICT tools; cooperation and sharing of information amongst regional health care providers; and, the design and launch of a sustainable regional innovation system to foster a culture of product and service innovation in the field of e-health.<sup>22</sup>

The concentration of population in urban cores or agglomerations can obviously have an impact on the quality of technical infrastructure. Population growth in many urban areas has prompted policy responses to ensure that the housing stock is appropriate to meet the needs of a changing demographic profile, and that the negative effects of urban sprawl are addressed. Indeed, even in countries such as the Netherlands, where demographic developments are given a relatively low priority in the regional policy context, population density and congestion in

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<sup>21</sup> Project presentation, available at: [http://www.eisenerz.at/redesign/images/stories/redesign/infomaterial/2009-04-14\\_kurzpraesentation\\_rako-2.pdf](http://www.eisenerz.at/redesign/images/stories/redesign/infomaterial/2009-04-14_kurzpraesentation_rako-2.pdf) (accessed 08.07.2009). Der Standard, Geordneter Rückzug aus einer sterbenden Stadt, 16.06.2009. Available at: <http://derstandard.at/1244460291937/Eisenerz-Geordneter-Rueckzug-aus-einer-sterbenden-Stadt> (accessed 08.07.2009).

<sup>22</sup> Egnell, P (2007) 'Creating Innovative Actions for e-Health in Northern Sweden', paper presented at conference *Finnish Innovative Actions programmes*, November 2007.

some areas, such as the conurbation of the Randstad, are important issues. Equally, processes of suburbanisation can result in urban decay and disinvestment in central cities and increased congestion, longer commutes, and loss of open space and environmental quality in suburban areas.<sup>23</sup> Migration processes are blurring the delineation of urban, suburban and rural territories. Although recent demographic trends in several countries suggest that many rural areas are gaining population, there are questions of just how rural they are, or whether they are predominantly urban fringes. Given this, there is a strong argument for regional policy becoming more actively involved in planning infrastructure provision across local administrative boundaries, coordinating urban and rural development, transport measures, housing provision etc. This is one of the motivations behind the new spatial planning responsibilities being given to Regional Development Agencies in **England**. RDAs are expected to work with regional and sub-regional partners in the development of integrated regional strategies (that cover economic development, spatial planning, housing and transport etc.).<sup>24</sup> Similarly, the dangers of population movements contributing to 'urban sprawl' have been noted in **Poland** and the regional policy agenda includes a priority to create new jobs outside the main urban areas and to build houses and improve transport infrastructure connecting rural areas with their nearest urban centre.<sup>25</sup>

Environmental impacts resulting from demographic processes are becoming increasingly discussed in the context of regional development. Two themes can be highlighted. First, in regions in **France** and **Spain**, for example, the concentration of population in urban agglomerations has led to environmental challenges, concerning the built environment, waste issues etc. Second, the environmental implications of longer commutes and urban sprawl are a growing cause for concern (e.g. in **France** and **Italy**). On the other hand, areas experiencing depopulation are becoming available for natural habitat (e.g. **Austria**, **Germany**). Related to this, some EorPA partner countries have even identified potential opportunities associated with this demographic process. For instance, in **Germany**, one opportunity is seen in terms of allowing larger areas to be devoted to nature conservation especially in the new *Länder*.

Thus, demographic processes can create mismatches in the supply of and demand for social and technical infrastructure. A range of processes are at work here (migration, ageing, peripheralisation, urbanisation, suburbanisation etc.). These have a range of implications for different population groups and draw in several policy fields (health, transport, education, housing, telecommunications etc.). These policies are often managed at the regional and local

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<sup>23</sup> Lisowski, A. and Grochowski, M. (2008) 'Procesy Suburbanizacji: uwarunkowania, formy i Konsekwencje' Problematyka rozwoju obszarów miejskich, w tym obszarów metropolitalnych w Koncepcji Przestrzennego Zagospodarowania Kraju 2008-2033, Ministry of Regional Development Seminar, February 2008.

<sup>24</sup> House of Commons Business and Enterprise Committee (2009) *Regional Development Agencies and the Local Democracy, Economic Development and Construction Bill* Fourth Report of Session 2008-09 Volume I, March 2009.

<sup>25</sup> Polish Ministry of Regional Development (2009) *Rozwój regionalny w Polsce - Raport 2009*.

level. Thus, there is an argument that the spatial lens of regional policy can promote integrated responses to these related trends.

## 2.3 Consumption of goods and services

The spending power of economic migrants and retirees is regarded in some contexts as a potential driver of regional economies. The influx of different population groups can lead to increased consumption of goods and services. It can also provide opportunities for product and service innovation in some regional economies.

### 2.3.1 Consumption of services

The economies of some rural areas, particularly those with attractive residential, tourism and other facets (notably ecological - such as water resources, biodiversity) are benefitting from inward migration. One example is through the rise of 'residential tourism', i.e. the seasonal relocation of people to resorts for long periods of time (several months rather than weeks), often in owner occupied houses. The development of ICT and transport systems is an additional factor, facilitating frequent movement between work and leisure and encouraging people to settle in attractive rural or coastal locations.<sup>26</sup>

Related, demographic ageing and the increased spending power of some older age groups has prompted a growing trend for some areas to utilise their role as popular retirement destinations to boost economic growth. Development of a region's residential economy usually focuses on consumer services, health (pharmaceuticals, biotech, medical technology, health care), leisure, culture and education, tourism, financial services and home-related services. Some regional economies, notably in Southern Europe, have expanded in this way to absorb income brought into the region as a result of these demographic flows. Such sectors are overrepresented in areas where there is a large retired population or residential tourism - mainly in south and west coastal areas, Alpes, Pyrenees, Massif Central and Corsica. The residential economy tends to reduce internal disparities since the expenditure on such services depends, at least in part, on income generated externally. However, an emerging issue for policy-makers is the long-term sustainability of the 'residential' or local service economy, based as it is on consumption, rather than production. The jobs created are often relatively poorly paid, and low skilled. Longer term, there is a perceived risk that the dominance of these activities could discourage development of higher value-added activities for which more skills are required. This could increase the fragility of local economies.<sup>27</sup>

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<sup>26</sup> Giaoutzi, M and Nijkamp, P eds. (2006) *Tourism and regional development; new pathways*. Ashgate.

<sup>27</sup> Davezies, L. (2009) 'L'économie résidentielle' *Géographie, économie, société* Volume 11 2009/1.

### ***2.3.2 Older people and opportunities for product and service innovation***

Demographic ageing and the influx of retirees also provides opportunities for the development of specific products and services that can potentially make a longer-term contribution to regional economic growth. The argument is that a large population of older people can have significant consumption potential. This offers new markets for the regional economy and the opportunity to develop innovative products and services for this part of the population. Certain regions, such as Kainuu in the east of Finland, have responded to demographic ageing by developing specialist facilities for older people. The municipality of Ristijärvi in Kainuu has attempted to brand itself as a '*Seniorpolis*', which provides high quality service to the elderly, and thereby aims to attract other older people to move to the municipality either as newcomers or as returning migrants.<sup>28</sup> Another example concerns the city of Kuopio (also in the east of Finland), where the 'Healthy Kuopio' programme was launched in 2003 as a response to population ageing and the resulting health problems. The programme aims to disseminate best practice examples related to health. Through the programme, Kuopio aims to become a significant centre of welfare by 2012.<sup>29</sup>

In **Nordrhein-Westfalen**, research concluded that a proactive response to the needs and interests of older people could result in the creation of around 100,000 new jobs by 2010 and could increase the *Land's* tax revenue by over €1.2 billion by 2010. Similar studies for the Federal Republic of Germany forecast more than 900,000 additional employees in the 'silver economy' within the next two decades and concluded that there are no other sectors or businesses with a higher growth potential. Against this background, the task force Silver Economy (*Seniorenwirtschaft*) has been established. The approach of the initiative is 'dialogue-oriented' which means that a variety of different actors such as businesses, trade unions, caring organisations and universities from regions across the EU are brought together in conferences and other events to look to how housing, telecommunications and leisure products can be developed and marketed for older consumers.

An important caveat to these examples is that the distribution of income amongst economic migrants and the older population is very uneven. The scope for regional economies to base growth on the spending power of economic migrants or retirees clearly depends on their status. There is a tendency towards migrant employment being most concentrated in the least productive sectors of the economy (in monetary terms), partly reflected in lower wages in these sectors. Similarly, pensioners generally have a lower income than working people. Regardless of the current economic crisis and its impact on pensions and savings, income

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<sup>28</sup> Heikkilä, E. and Pikkarainen, M. 'Research Note Differential Population Development in the Regions of Finland', *Population Space Place*, 2009.

<sup>29</sup> Terve Kuopio website: <http://www.tervekuopio.fi/index.jsp?pid=1>.

inequality and poverty rates in this group will increase over the next 25 years.<sup>30</sup> It should also be noted that, regardless of wealth, older people can contribute to regional economic growth in an indirect way. Older people can make unpaid economic contributions as volunteers or as carers, perhaps of older relatives or of grandchildren.

## 2.4 Demographic change and regional social cohesion

### 2.4.1 Introduction

Migration and ageing can also lead to increasing social polarisation, concerning the isolation or exclusion of vulnerable population groups in regional communities. Demographic changes can create tensions amongst different age groups or ethnic groups and this can have a territorial dimension where different populations are concentrated in specific areas. Lower income levels and the concentration of specific demographic groups in deprived urban areas or peripheral areas can expose them to the risks of poverty, social exclusion and physical isolation. This challenge may concern older people. The poverty rate for persons over the age of 65 years and above is considerably higher than for the rest of the population. Moreover, the outmigration of young people can lead to intergenerational exclusion particularly in rural and suburban areas (such as in some regions of Slovakia). This issue can also apply to migrants. Although there is recognition that immigration can be crucial in addressing skills gaps in regional labour markets, it can also create challenges for social and economic integration. This is apparent in territories receiving large scale international migration, including many urban areas. In these cases, one of the most challenging issues is the generally lower educational level of the immigrants, reflected in their employment rates. On the other hand, it is also important to note that in many countries, immigrants are often pushed into lower qualified jobs irrespective of their qualifications. For instance, the average employment rate for immigrants coming from outside the EU27 has been around 4.3 percent lower than for the native population, while non-naturalised immigrants (third country nationals) have lagged even further behind the native population (with 10.5 percent lower employment rates).<sup>31</sup> The risks of social exclusion are particularly high if migrants are drawn from ethnic minority groups. Linguistic and cultural differences may lead to migrants retreating from the regional community, increasing the number of economically inactive and poorly educated minorities and deepening social polarisation.

The challenge of integrating minorities is significant in several EU12 Member States, not least for historical reasons. For instance, in Estonia, the ethnic and linguistic profile of the country changed significantly following the end of the World War II and the consequent inflow of immigrants from countries such as Russia. Although the Russian speakers have gradually

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<sup>30</sup> Social and Cultural Planning Office of the Netherlands, *Unequal Welfare States. Distributive consequences of population ageing in six European countries*, The Hague, 2004. Accessed at :<<http://www.scp.nl/english/publications/books/903770185x.shtml>>.

<sup>31</sup>CEC (2008) *op. cit.*

become citizens of Estonia, tensions remain not least due to the lack of language skills and consequent exclusion from the labour market. This issue has a strong territorial dimension: in some areas of northeast Estonia, Russian speakers account for approximately 70 percent of the population. The integration of minorities has also become an important issue in countries such as Hungary and Slovenia, largely due to large Roma communities. In order to improve integration, policy measures can improve access to jobs, training or education for vulnerable groups. Changes in regional governance structures can also assist integration.

#### ***2.4.2 Providing access to jobs, training and education***

Many countries and regions have attempted to respond to these challenges by promoting the employability, training and education of different demographic groups. In **Northern Ireland**, these issues have been taken into consideration in the principle of Targeting Social Need (TSN), which is a high level policy for increasing employability, and addressing the causes of social exclusion. Policy actions are focused on the areas of greatest deprivation and highlight particularly the problems of older people, including older workers in poorly paid jobs, pensioners with no income other than state retirement pension and state benefits, and older people living in unfit homes.<sup>32</sup> Similarly, social exclusion of older people has been an increasing concern in **Poland**, where such problems have been addressed particularly under the Human Capital OP. This has required the regions to develop Action Plans for 2009, which include projects focusing on the social integration of older people, their skills and training. In **Austria**, the *Land* of Burgenland has developed a specific strategy for the elderly (*Seniorenleitbild*), which addresses not only the provision of social security and care facilities, but also the integration of the elderly into society. The proposed actions include the set up of day centres, promotion of education and the facilitation of elderly access to new media, all of which promote their inclusion in society and encourage further cross-generational contacts.

Elsewhere, there is a strong focus on migrant populations. **Portugal** has developed specific territorial priorities under the Human Capital Agenda relating to social integration of disadvantaged groups such as immigrants. This recognises the need for territorially-based integrated strategies that promote specific training programmes oriented towards the development of basic and professional skills to prevent exclusion from regional labour markets. **Spain's** NSRF includes integrated urban regeneration projects that target specific areas of a municipality with clear social and economic challenges. This includes social cohesion in areas with a growing immigrant population. In **Hungary**, policymakers have taken the minority issue into consideration through the Social Renewal Operational Programme, which has earmarked €444 million for improving social inclusion, with particular support given to the most disadvantaged regions with significant Roma populations.

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<sup>32</sup> Ferry, M. and Baker, R. (2006) *Regional Strategies and Demographic Ageing, Age Proofing Toolkit*, July 2006.

### 2.4.3 *Adapting governance structures*

Another means of improving regional social cohesion in a context of demographic change is through the introduction of new regional governance approaches or structures. Central to this challenge is the effective involvement of vulnerable population groups in policy initiatives. This is also related to raising awareness of these groups' potential contribution to a region's civic strength as a key source of social and cultural cohesion. For instance, although difficult to quantify, the elderly, through their use of local services, voluntary and caring work can be amongst the most active contributors to social cohesion, social capital, community identity etc. This contribution to communities and regions can be facilitated or hindered depending on the degree to which different groups have a say on issues such as urban and spatial development, housing, services and transport networks.

The appropriate response depends on policy-making traditions and the perceived strength of organised groups in society. Initiatives in **Nordrhein-Westfalen** stress the right of self-determination, and informal networks (e.g. through citizens groups). In **Wales**, the appointment of a Commissioner for Older People reflects the need for a response to discrimination against the elderly. Ensuring that older people articulate their interests is a crucial aspect of this process. In the **United Kingdom**, there is a growing literature reviewing good practice in dealing with the regional and local impacts of migration and some interesting initiatives are beginning to emerge. In some English regions there is a strong emphasis on the role of "civil society" organisations, particularly the voluntary sector in representing the interests of specific groups. The 'Migration Excellence' programme, managed by the Improvement and Development Agency for Local Government (IDeA)<sup>33</sup> on behalf of the Department of Communities and Local Government (DCLG) supports learning in the local government sector by providing support to councils experiencing significant in-migration from Central and Eastern Europe. Another example is the Migrant Gateway portal which has been developed by the East of England Development Agency and partners.<sup>34</sup> This site has been designed to provide information and guidance for migrant workers, employers, trade unions and other agencies who work with them. The aim has been to provide a forum that brings together relevant information (from official and other sites) relating to migrants' rights as employees/workers, rights to housing, immigration status, healthcare, etc.<sup>35</sup> In **Slovenia**, the development of the Roma communities has been taken explicitly into consideration in the aims of the Regional Development Act of 1999 and its amendment in 2005 (Promotion of Balanced Regional Development Act). Indeed, one of the main goals of the Act is to develop the Roma settlements. Furthermore, it requires that the Roma Community is represented in the Regional Development Council in regions where Roma Communities exist.

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<sup>33</sup> The IDeA supports improvement and innovation in local government, focusing on the issues that are important to councils and using tried and tested ways of working.

<sup>34</sup> See <http://www.migrantgateway.eu>

<sup>35</sup> West Midlands Regional Observatory (2007) *The Economic Impact of Migrant Workers in the West Midlands*, November 2007.

### 3. POLICY DESIGN AND DELIVERY

Many of the policy levers needed to address demographic change, such as in the fields of migration, pensions, employment and social welfare, are retained at the national level. Nevertheless, there is growing recognition that the regional level provides an appropriate arena for designing and implementing policy responses to demographic processes: demographic change is inherently spatial and it is at the regional and local level that its effects are most likely to be felt. Regional-level organisations are often close enough to the complex interaction of factors that dictate varied patterns of demographic change to develop suitable policy responses. Many regional-level authorities have growing autonomy and financial resources to develop strategies and other policy instruments that address demographic change, cutting across a variety of policy domains. Within this, there is significant variety in the instruments and actions that are emerging. This review has already noted some of the initiatives currently underway and several types of activity can be identified.

#### 3.1 Strengthening the evidence base

A common feature of regional policy responses to demographic change across EU Member States is increasing commitment to strengthening the evidence base. Demographic changes are commonly analysed at the national level. In most countries, data is monitored through the national statistical offices, which provide information on various aspects including population numbers, profiles and migration patterns commonly derived from population censuses or registers. However, throughout the EU, governments are developing systems to capture more detailed and sophisticated demographic data. This is occurring in tandem with broader moves to improve the quality of sub-national statistical information, for instance through the creation or expansion of regional statistical observatories. The aim is to support moves towards more specific, place-based approaches to regional policy. Most EU countries have adopted the NUTS categorisation as a standard measure for analysing demographic trends, not least because of its use in the context of EU Cohesion Policy and because it often coincides with the respective administrative borders. In **Poland**, migratory processes and the associated impacts are being closely analysed. To aid such analysis, Structural Funds programmes (notably the Human Capital OP) are being used for the establishment of regional research and statistical observatories to track migratory processes and forecast impacts, particularly in terms of the labour market. In **England**, the North West Regional Research Laboratory based at Lancaster University has produced detailed population projections and has also consulted people across the North West on a range of policy areas. Its research reports have covered several issues: regional population decline and ageing, demographic change in urban areas and the impact of different ethnic groups on sub-regional demographic profiles. These reports have fed into regional strategic development programmes.

In many cases such analyses go beyond administrative boundaries. In **France**, detailed levels of demographic analyses have been produced on a regular basis by the National Institute for Statistics and Economic Studies (INSEE) (and more recently by the *Observatoire des territoires*,



established in 2004 under the aegis of DIACT). Analyses have focused on shifts in migration patterns, especially those affecting rural areas. At the same time, INSEE has developed the concept of the *aire urbaine*, which is a demographic unit centred on a core of urban communes. It is defined by taking the next adjacent commune and including it if more than 40 percent of its residents work in the core; if so, that commune becomes part of the core and the analysis moves outwards, adding communes to the core until the proportion of commuters to the core falls below 40 percent. The advantage of this approach is that it provides a functional analysis of commuting trends and is also useful in looking at migration. A similar approach has been adopted in Sweden, where regional variations (including demographic developments) are analysed on the basis of functional regions (in total 72). This level of analysis is perceived to be more appropriate than the NUTS II categorisation, which is often too large to monitor developments amongst specific population groups (e.g. in terms of age) and may conceal significant disparities particularly in more sparsely-populated areas.

### 3.2 Using demographic criteria to target regional aid

In several Member States increasing use is being made of demographic criteria (albeit among a range of other indicators) in designating regional aid areas, setting differential funding flows to different locales, and targeting specific territories. Demographic criteria can often be used to help define particular territories as urban, rural or peripheral for the purposes of targeting aid. In France, the main assisted area map for rural areas is the ZRR (*zone de revitalisation rurale*) or 'rural renewal zone'. The main criteria for designation as a ZRR are demographic - relating to low population density, falling population or falling active population and share of agriculture in the local economy. The main benefits take the form of a package of numerous fiscal measures relating to corporation tax, property taxes and local business tax to encourage businesses and profession (doctors etc.) to set up in rural areas. In Germany, all of the main regional policy instruments (e.g. the GA, the Solidarity Pact and federal instruments such as the Investment Allowance) aim to improve conditions for economic development in structurally weaker areas - including areas undergoing demographic decline - and thus aim to retain or attract people to live and work in these areas. A number of steps are currently being taken in the field of regional policy that aim, at least in part, to address issues relating to demographic change. First, the support under the GA has been increased particularly for rural areas located in the old *Länder*, some of which have been experiencing population decline. This has included the extension of the designated aid areas and an increase in the respective aid ceilings. Second, some GA funding is being used to fund infrastructure in rural areas that are experiencing population decline.

In Norway, changes to the 2007-13 regional aid guidelines have permitted the reintroduction of an important social security concession which reduces (on a graduated basis but to zero in the far north) social security costs in areas of very low population density (less than 8 inhabitants per km<sup>2</sup>). Such areas hold 17.7 percent of the Norwegian population. On top of this, the regional aid regime targets designated aid areas, with designation criteria again reflecting sparse population (areas with fewer than 12.5 inhabitants per km<sup>2</sup>, holding 27.5 percent of the

national population). Some 40 percent of regional aid expenditure (mainly grants and loans) is allocated to the three northernmost counties which contain 10 percent of the population. Also important for the far north is the Action Zone of North Troms and Finnmark which, given its geography and harsh climatic conditions, benefits from a special package of measures. In addition to zero-rated social security contributions, the aid package includes reduced personal taxes as well as personal benefits relating to student loan repayments, exemption from tax on the household use of electricity, higher family and children's allowances and benefits for pre-school teachers. More generally, low population density is an important component of regional aid guidelines and is widely used in methodologies for designating regional aid areas (e.g. in **Sweden** and **Finland**). The current approach in **Denmark** has institutionalised negative demographic change as a key parameter for the designation of peripheral areas eligible for support. This may have particular benefits for peripheral regions close to growing urban centres (mainly the outlying parts of North Jutland).

### 3.3 Building demographic issues into regional strategies

A broad trend in regional policy in recent years has been for the focus on regional programming to increase. This is, in part, a consequence of EU influences on the development of regional strategies and regional partnerships. However, it also reflects domestic factors: a shift towards promoting endogenous development, maximising regional contributions to national growth, increasing stress on regional competitiveness and development potential, and the belief that development decisions are best taken at the regional level. This move towards regional programming has provided a framework onto which demographic issues can be mapped. In some cases, demographic change is included as a priority in national regional development strategies. For instance, the national strategy for regional development currently being finalised in **Poland** includes responding to negative demographic trends and ensuring full use of labour market resources as a thematic priority. Demographic priorities also feature in some National Strategic Reference Frameworks supported by EU Cohesion policy. For example, the **Austrian** NSRF notes demographic change, including migration, as one of the four main challenges facing the country.<sup>36</sup> Moreover, the issue of demographic change is under close analysis in the 'STRAT.ATplus' process, which comprises a series of workshops and seminars for actors involved in Austrian Cohesion and regional policy. In 2009, the focus of the seminars is linked to trends and challenges identified in the Commission's 'Regions 2020' report, including demographic change. Indeed, in some Member States, particularly amongst the EU12, there are national strategies dedicated to demographic issues. These often include regional components. For instance, in **Bulgaria**, the National Strategy for Demographic Development 2006-2020, and the respective national annual plans for its implementation, envisages a range of horizontal and regional measures.

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<sup>36</sup> ÖROK (2007) *Nationaler Strategischer Rahmenplan Österreich 2007-2013*. See sections 2.3., pp. 77-81. Available at: <http://www.oerok.gv.at/eu-regionalpolitik/eu-strukturfonds-in-oesterreich-2007-2013/nationale-strategie/stratat.html>

Processes of devolution and regionalisation have also broadened the scope for strategy building at the regional level. The increasing prominence of demographic change as a regional policy issue is reflected in several of these regional-level strategies. In some cases, this concerns the priority attached to demographic issues in regional operational programmes funded under Cohesion policy. For instance, in **Sachsen-Anhalt** dealing with the consequences of demographic ageing is one of the horizontal objectives or tasks that applies across three separate operational programmes for the 2007-13 period. Demographic issues are also increasingly evident in domestic regional strategies and plans. In **Austria**, population decline in the periphery has prompted some *Länder*, such as Burgenland, to develop a specific strategy for ageing as a response to future challenges in the field of health care and housing in particular. The aim was to give an overview on actual and future themes in relation to ageing and challenges for the elderly. On this basis, strategies and recommended courses of action have been developed in various thematic fields (including life-long learning, regional public services, restructuring settlement patterns and supply structures, active ageing and promoting immigration and integration).<sup>37</sup> Similarly in **Wales**, the creation of the devolved National Assembly has created a new network of public organisations with the mandate to develop measures tailored to the Welsh context. Varying demographic and migration trends in urban and rural areas have produced different challenges at the sub-regional level in Wales and this has informed the Assembly's main response to the implications of an ageing population, the *Strategy for Older People in Wales*. This overarching ageing strategy focuses on ensuring that Welsh public bodies and policies are prepared for an ageing population. It has three basic strands: citizenship; a changing society; and, integrated care for older people (strategic aims for health, housing and social care).<sup>38</sup> In the **Netherlands**, concerns regarding population decline in some areas have prompted the drafting of an Action Plan which is currently being developed for consideration by the Dutch cabinet. In other cases, processes of regionalisation have produced a range of strategies or programmes, concerning economic or spatial development, transport or the labour market onto which the demographic agenda can be mapped or 'mainstreamed'. This often involves incorporating demographic motivations into priorities for increasing the attractiveness of regions (e.g. Finland, Sweden and Scotland).

### 3.4 Developing or adapting active regional policy instruments

Several sub-national authorities possess a range of supply and demand-side policy instruments that can address demographic change. These can encourage the regional business community to integrate local or regional demographic changes into their strategic planning. In this respect, **Nordrhein-Westfalen** has launched some interesting labour market initiatives in recent years. Under the title 'Arbeit und Innovation im Demographischen Wandel - Arbid' (Work and Innovation During Demographic Change), the former Ministry for Economy and Labour of Nordrhein-Westfalen, together with social partners such as employers organisations and the German Trade Union Confederation (DGB), launched a programme to help enterprises respond

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<sup>37</sup> Amt der Burgenländischen Landesregierung (2008) *Leitbild für die ältere Generation im Burgenland*, available at: [http://www.burgenland.at/media/file/898\\_Seniorenleitbild2008.pdf](http://www.burgenland.at/media/file/898_Seniorenleitbild2008.pdf).

<sup>38</sup> Welsh Assembly Government, (2003) *The Strategy for Older People in Wales*, Cardiff, 2003.

appropriately to the challenges of demographic change, including occupational health and safety measures. The Arbid initiative aimed to achieve consensus amongst *Land* actors in urgent fields of action (e.g. human resources and product development) and to improve dialogue between enterprises, business federations and academics on the theme of demographic change. Meetings and workshops for entrepreneurs and human resources managers were organised and training courses were provided for firms that wanted to analyse the demographic profile of their company and respond to changes appropriately. In cooperation with the Regional Employment Office, the *Land* Ministry for Labour, Health and Social Affairs also launched the Initiative for Older Long-Term Unemployed Persons. The main goal was to integrate this target group into the labour market by supporting model projects. The Organisation for Innovative Employment Promotion (G.i.B), which is a federal advisory organisation dealing with all aspects of labour market policies, served as the implementing agency of the programme. In total, the initiative received €10 million *Land* and EU funding. It was comprised of around 70 projects, each with 30 participants on average. Around 2,000 persons were supported up to 2007. The projects involved employment training measures and internships.

In **North West England**, the Regional Development Agency has created a dedicated Regional Development Manager for Enterprise amongst people aged over 50. Entrepreneurship in this age group is regarded as low and the Manager is tasked with mainstreaming demographic issues into the RDA's existing set of business creation and support measures. Responsibilities include developing working partnerships with mainstream business advice and support agencies, advising all RDA departments on issues relating to the ageing agenda and mapping out the level of specialist business support available to this age group in the region. A regional ageing framework is also being drafted.<sup>39</sup>

### 3.5 Improving coordination

Coordinating regional policy responses to demographic change across administrative levels, policy domains and public/private/voluntary spheres is vital but challenging. The role of central organisations is evolving from a sectoral focus on pensions, health or welfare to the development of broad strategies to coordinate this multi-stranded demographic agenda.<sup>40</sup> Demographic issues are increasingly addressed via a number of different policy areas, which can cut across the portfolios of a number of different Ministries. This makes coordination a key issue, particularly when it comes to the allocation of resources in support of different priorities (such as growth or cohesion), or sectors or when targeting specific territories. In **Germany**, a federal inter-ministerial working group was set up in 2008 to look at the theme of rural

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<sup>39</sup> Griffiths, K. (2008) 'Promoting Senior Enterprise and Entrepreneurship in England's Northwest' seminar paper presented at *Demographic change in the EU - political opportunities and specific regional solutions* Brussels, 7/11/08.

<sup>40</sup> Casey, B., Oxley, H., Whitehouse, E., Antolin, P., Duval, R. and Leibfritz, W. (2003) 'Policies for an ageing society: recent measures and areas for further reform' *ECO/WKP(2003)23* (Economics Department, OECD, November 2003).

problem areas, demographic change and public service provision. The working group has produced a paper which recommends a number of measures. However, there have been debates between different federal ministries over the provision of public services and infrastructure in demographically declining rural areas and whether the focus should be on villages or relatively larger towns.

National-regional coordination mechanisms can be important. National frameworks still determine important aspects of the demographic agenda, such as pension and labour market reforms. These may not always coincide with regional priorities. For example, regional interventions to attract immigrant workers clearly have to take into account national immigration policy. This emphasises the need for greater alignment of national and regional responses, involving the division of respective responsibilities, the development of formal mechanisms of coordination and clear guidelines on how national policies and interventions should be interpreted and implemented at regional level. Regional-municipal coordination is also important. Municipalities often possess vital policy-making competences and financial resources for regions developing policy responses to demographic change. Many of the regional policy interventions noted above cut across administrative boundaries, either to match the scope of demographic changes or to create the necessary critical mass to address the demographic challenge. In **Finland**, some coordination challenges have been noted, for instance, in the context of the Paras-project. This was designed to address population decline and ageing in peripheral regions by rescaling upwards the administrative framework for service provision. This has created some tensions as it is a national level initiative that is having a direct impact on local-level responsibilities. The municipalities have some say over the content and means for their respective restructuring albeit within a general framework set by the central level.<sup>41</sup> In this way, regional policy responses to demographic change are representative of the coordination challenges associated with the ongoing shift towards more flexible approaches to regional policy administration. A final point concerning coordination relates to the participation of the private sector. The business community has an important role to play in regional policies that are seeking to address the impact of demographic change on entrepreneurship, the labour market and the provision of services and infrastructure. However developing links with business is proving a difficult process. In several cases, private sector funding and participation remain limited. There is a strong dependency on public sector and, to a lesser extent, voluntary sector commitment in many of these initiatives.

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<sup>41</sup> Finnish Ministry of Finance (2009), 'Parasta nyt - Kunta- ja palvelurakenneuudistuksen suunnitteluvaiheen loppuarviointi', 11/2009.

## 4. CONCLUSION

Demographic change is as an emerging issue for regional policy. There is increasing evidence of sub-national variations in the impact of population ageing and the migration of people within and between countries. These demographic trends are producing a patchwork of shrinking and growing communities at regional and sub-regional levels. These processes of population growth and decline offer challenges and opportunities for regional economic development. Growing awareness of the regional dimension of demographic change is signalled in the priority attached to the theme in the current Cohesion policy debate. Crucially, the regional policies of EU Member States are also increasingly taking demographic trends into account. The complex nature of demographic processes and their strongly differentiated territorial impact means that there is wide variation in the scope and direction of these regional policy responses. From a review of emerging initiatives, some key headings can be identified.

First, in many cases there is a clear focus on the relationship between demographic change and the composition of regional labour markets. The ageing of a region's population can have clear implications for the size and the characteristics of the labour supply. The increasing mobility of the working age population, across countries and regions, is also a crucial issue for regional policy-makers. The regional labour market can play a key role in influencing migration flows by providing career opportunities and relatively high wage levels, although other factors related to the attractiveness of regions and locales (in terms of quality of life, living costs etc.) are also important. Against this background, regional labour market policies are focussing on attracting and retaining economic migrants and improving the capacity of the existing labour market through the provision of skills and training.

Second, in several instances regional policy is responding to shifts in the demand for social and technical infrastructure caused by demographic change. Population ageing and migration and related spatial development patterns (peripheralisation, urbanisation, suburbanisation) mean that demand for public services is falling in many regions, while in some it is changing structurally, and in others it is expanding.<sup>42</sup> Policy responses are drawing on a range of fields (health, transport, education, housing, telecommunications etc.) where regional and local levels of public administration have an important role to play. Several Member States are developing new approaches to regional spatial planning and new ways of providing regional, social and technical infrastructure to maintain balanced, sustainable regional development.

Third, in cases where processes of demographic change have led to a relatively high concentration of affluent economic migrants or retired people, increased consumption of goods and services can make a significant contribution to regional economic growth. Several initiatives can be identified across Member States, although some caveats are worth noting. In particular, doubts can be raised about the long-term sustainability of regional or local

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<sup>42</sup> Müller, B. (2004) 'Demographic Change and its Consequences for Cities: Introduction and Overview' *German Journal of Urban Studies*, Vol. 44, No. 1, Berlin 2004.

economies over-reliant on providing basic services to these incoming population groups. Moreover, the reorientation of regional economies to develop specific products and services for specific population groups is dependent on their consumer power.

Fourth, regional policy-makers are increasingly aware of the impact of demographic change on the cohesion of regional communities. Demographic change can increase the potential for social polarisation and intergenerational or ethnic tensions. In order to improve integration, policy measures can enhance access to jobs, training or education for vulnerable groups. Changes in regional governance structures can also assist integration.

Addressing migratory processes or the ageing of regional populations can provide potential synergies with other aspects of the current regional policy agenda. Supporting the employment of migrants through career guidance and training can increase participation in the labour force and boost social as well as economic inclusion. Wider economic development opportunities are offered by serving the needs of older people or migrants in areas such as education, leisure, housing, health and care products etc. However, such synergies are not guaranteed. Particularly in a context of fiscal constraint, difficult policy decisions have to be made. For instance, a policy of lowering pensions would make social security systems more financially sustainable and encourage greater participation in the labour market. However, it could also lead to a further rise in poverty and inequality for vulnerable groups.

In order to respond to these challenges and opportunities, governments are acting on different spatial levels and in different ways. National governments continue to exercise policy responsibilities in fields that play a vital role in addressing demographic change: labour policy, pensions, welfare and migration. Moreover, there is increasing emphasis on the national role in coordinating interventions at central level and between central and regional levels through the development of funding frameworks, development strategies and coordination structures. At the regional level, a range of approaches and instruments is apparent. The demographic and socio-economic profile of a region, as well as its domestic regional policy and administrative context, dictate priorities and activities. At one end of the spectrum, broad processes of devolution have created scope for elected regional assemblies to develop new, overarching organisations and strategies dedicated to demographic issues. At the other end, smaller initiatives have been launched by regional administrations and agencies to feed into and influence broader interventions. Most regional policy responses tend to fall between these points, combining efforts to integrate or 'mainstream' demographic themes throughout regional policy programming with the launch of specific initiatives designed to intervene directly in a given field.

Thus, the emergence of more sophisticated approaches to population change has dovetailed with the advent of new, 'place based' regional policy approaches in EU Member States. Emerging concerns about the impact of demographic change in a given region can more easily be picked up in the new regional institutional and programming architecture. Recent processes of network building mean that contributory partnerships involving the public, voluntary and

business spheres are emerging to raise awareness of issues such as migration and ageing and to influence relevant policy areas. There now exists at the regional level a variety of strategies - for instance in economic development, spatial development, transport and housing - onto which demographic issues can be mapped. More flexible approaches to the design and implementation of regional policy interventions increase the scope to track and respond to demographic processes that often cut across administrative boundaries. In this way 'bottom up' responses to ageing should feed into emerging regional strategies which in turn inform the overarching framework set by central government. At the same time, processes of administrative regionalisation and deconcentration mean that regional administrative bodies now possess a range of supply and demand-side instruments that equip them to address demographic challenges. Regional authorities have increasing authority to adapt existing initiatives to reflect specific regional demographic trends.

Nevertheless, the challenges associated with addressing demographic change as part of regional policy should not be underestimated. This paper has argued that regional policy has important demographic dimensions but this draws in a wide range of potential measures. Demographic change has a 'cross-sectoral' character and cannot easily be addressed through any single policy or strategy. Interpretations of the 'demographic agenda' can vary as different regional policy stakeholders may lay different emphasis on the challenge being addressed. This is as much a coordination issue as a definitional challenge. Although regional-level initiatives are emerging, many policy responsibilities regarding demographic change, notably in terms of welfare, pensions, health and migration, are held at the national level where sectoral priorities rather than consideration of the regional dimension may be paramount. At the sub-national level, incorporating an issue such as demographic change, that can fit competing economic productivity and social equity rationales, into regional policy agendas can highlight tensions or weaknesses in regional governance systems (e.g. between regional and local levels). A final challenge is ensuring that policies engage with and mobilise the regional community, including businesses, NGOs and target population groups.