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Directorate-General for Internal Policies of the Union

Policy Department B: Structural and Cohesion Policy

REGIONAL DEVELOPMENT

Shrinking Regions: a Paradigm Shift in Demography and Territorial Development

STUDY

IP/B/REGI/IC/2007-044

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Content:

The European Union, Russia and Japan are currently the parts of the world in which population growth is expected to be lowest over the next few years. This has implications in terms of not only external policy but also developments at regional and local level. In other words, economic, social and territorial cohesion policies as a whole are being affected by current demographic trends.

Shrinking population figures within entire regions are compounding and sometimes merging with the development disparity issues traditionally at the heart of EU cohesion policy. In the opinion of the authors, it is therefore necessary to review every aspect of this policy, including economic, social, environmental and, in particular, territorial issues. The problem of demographic decline must accordingly be met by means of a multilevel *supraregional* (European Union, Member States), *infraregional* (local authorities, conurbations) and *transregional* (cross-border and internal border areas) approach.

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This study is dedicated to the memory of Professor Pasquale Coppola

Summary

The relatively straightforward medium-term predictability of demographic changes at national level, and to a lesser extent at regional and local level too, carries special responsibility for the political decision-makers. While it is possible, to some degree, to excuse the lack of foresight displayed by policy makers when faced with external economic crashes (such as the sub-prime crisis and the increase in energy prices) or environmental disasters (floods, storms, earthquakes and so on), it is much more difficult to forgive the failure to anticipate demographic phenomena when it is generally known what their predictable trajectories will be for the next 20 or 30 years.

The European Union, along with Russia and Japan, is expected to register the lowest demographic growth in the years to come. Failing any further enlargement the population of the EU is likely to remain fairly stable at around 500 million, whereby several European countries, including Germany, Italy and all the new Member States apart from Cyprus and Malta, will probably witness a decline in population.. The countries of the eastern and southern Mediterranean, on the other hand, are expected to record a strong demographic growth during the same period, with the population of Turkey overtaking that of Germany by 2012 (82 million inhabitants) and Morocco overhauling Spain sometime around 2035 (44 million). These global trends, which are well recognised, raise a number of political and geopolitical dilemmas in respect of further enlargement and the opening, or closure, of borders to immigration.

These trends also interfere with much more formidable regional and local developments as far as demographic decline and ageing are concerned. In practically every EU country it is possible to find regions whose population has started to decrease in the course of the last twenty years (1980-2000), and this phenomenon is set to become more pronounced in the decades to come. It is therefore not only external policy issues but the entire range of internal policies on economic, social and territorial cohesion that will be affected by contemporary demographic transformation.

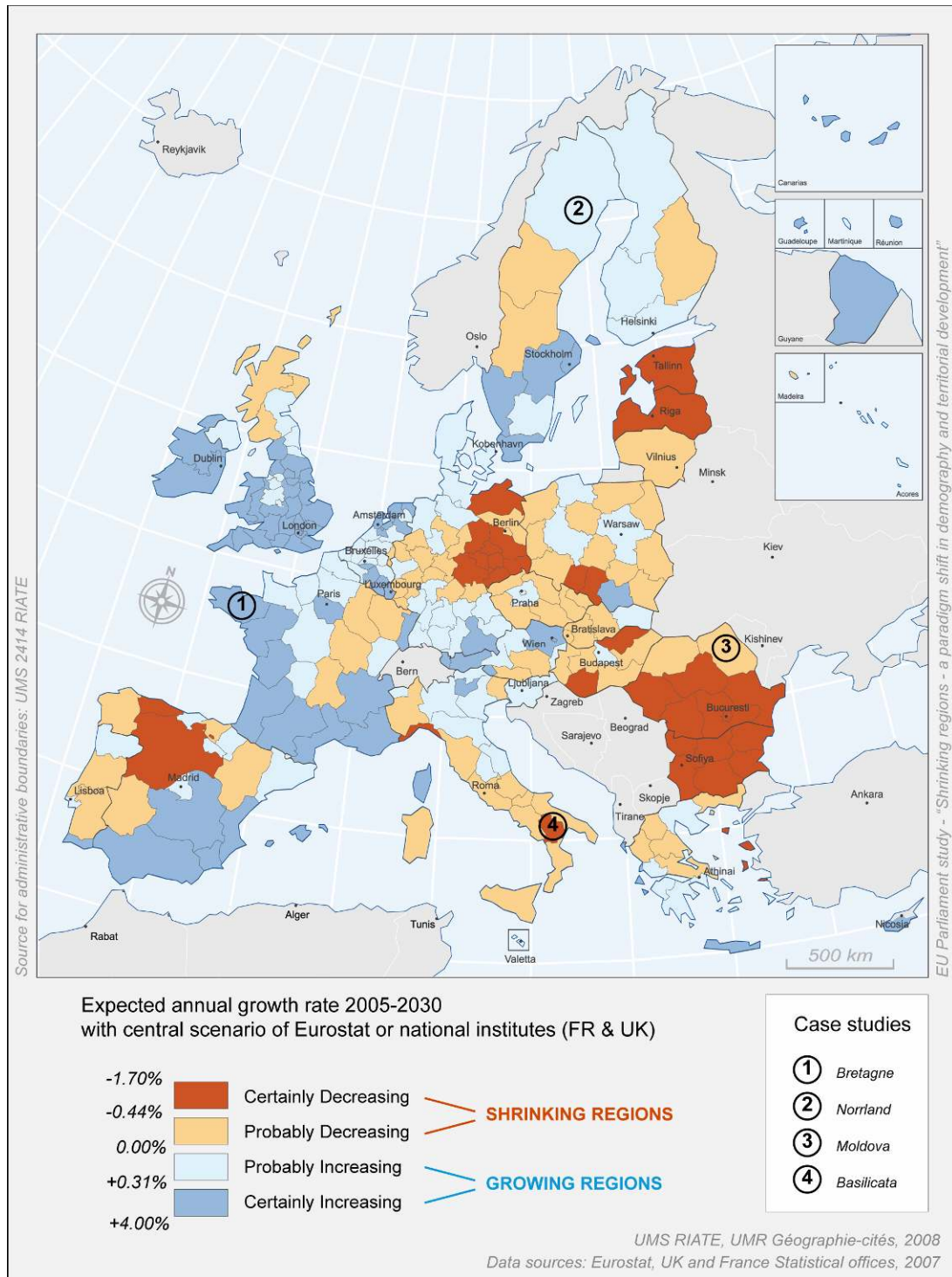
Shrinking regions: definitions and characteristics

Can we try to predict the nature of the regional demographic process over the next 25 years? Is there a systematic link between ageing and demographic decline? Is demographic decline linked to migration or is it attributable to the difference between the birth rate and the death rate?

- The concept of the ‘shrinking region’ is a recent one (the term was coined at the beginning of the current decade), even though this phenomenon goes back many years. What is essentially new here is that in some cases the phenomenon of depopulation has now come to affect entire regions, including urban areas (‘shrinking cities’).
- The very definition of the concept is still the subject of debate. Even if the phenomenon of population decline is linked to other events, such as ageing, it is preferable to stand by the simplest definition, which is the reduction in the number of inhabitants of a particular region over the course of a generation. This is therefore the option that has been adopted in this report.
- NUTS level 2 has therefore been retained, though the definition of those regions in demographic decline would be different if another regional division had been selected.

- The typology of ‘shrinking regions’ comprises four different categories in which population decline between 2005 and 2030 is classified as almost certain, probable, improbable and highly improbable.

Figure 1: Typology of the ‘shrinking regions’ (2005-2030)



- ‘Shrinking regions’ are more numerous in the former Socialist states and in the Mediterranean countries. However, practically every EU Member State has at least one region that will probably or very probably be in demographic decline during the next 25 years and this phenomenon is to a large degree spatially distributed.

- At regional level (NUTS level 2) there is no relationship between the population density of the regions and their future demographic growth. The phenomenon of depopulation affects the former industrial conurbations just as much as it does the more remote rural areas.
- The phenomenon of ageing depends not only on the average age of the population but also on their expectations of a healthy life. The authors of the report have proposed a new synthetic indicator for ageing that combines these two parameters (*Figure 3*) and highlights the close link that exists between demographic decline and ageing in the different regions.
- Demographic downturn does not always depend on a surplus of deaths over births. It is also, and increasingly, dependent on migratory movements towards metropolitan areas, especially by young workers in search of employment. The loss of this active younger generation accentuates the phenomena of ageing and falling birth rates in the ‘shrinking regions’, thereby creating a true vicious circle.
- The movement of retired persons in the opposite direction does not make up for these losses and ‘shrinking regions’ are generally less attractive to retired people from the wealthier classes who are likely to boost the local economy by way of pension transfers.

Are the regions that are being depopulated necessarily suffering most economically and socially?

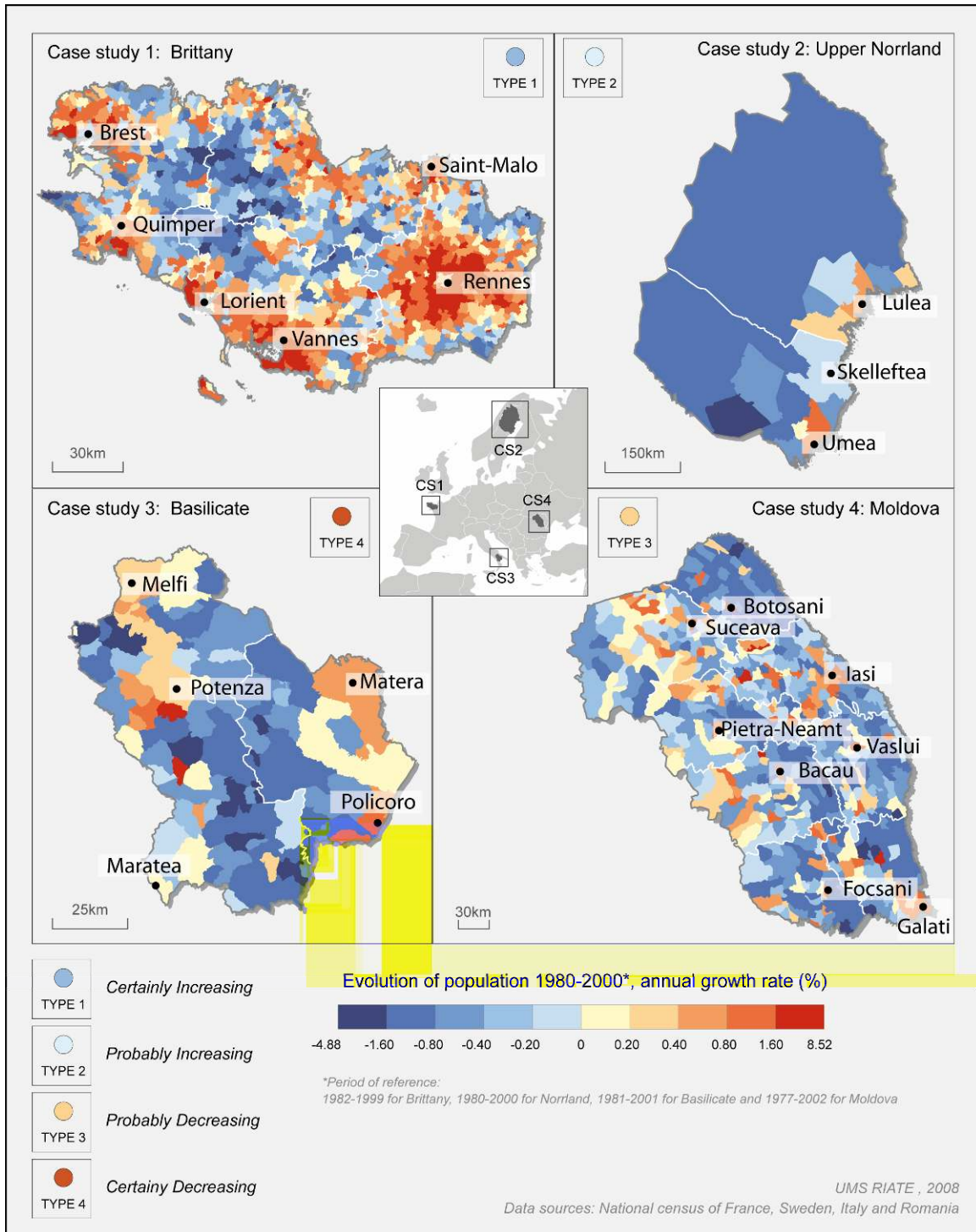
- Over the period 1995-2005 the economic situation of the ‘shrinking regions’ was less favourable than that of other areas, i.e. lower GDP per capita and higher unemployment rates. Most of these regions consisted of relatively poor outlying areas that were generally benefiting from cohesion policy investment. However it is important to note the very diverse nature of regions in demographic decline (agricultural, industrial and sometimes metropolitan).
- Various interregional transfers (incomes, public aid, tourist consumption) do significantly reduce the revenue gap that exists between the different demographic types.
- The ‘shrinking regions’ are poorer than the others but their economic growth rate during the period 1995-2005 was not really any lower than that of other regions because most were located in the new Member States where economic catch-up and demographic decline were going hand in hand.

What new information appears when we study demographic variations at the more local level of towns and villages? In particular, how are public services redistributed in areas affected by demographic decline and in spatially concentrated population centres?

- Whether a region is undergoing a period of growth, stabilisation or demographic decline such mutations essentially affect the rural zones that are isolated and sparsely populated. The large towns and cities, by comparison, often display a certain dynamism. The same applies to communities that are located close to the major population centres, this being due to the sub-urbanisation effect.
- Recent examples of depopulation have often involved areas that are already weakened, where there has been a loss of creative and innovative talent and the capacity to react to change. Depopulation phenomena of this kind compromise the chances of new and attractive economic zones developing and will inevitably lead to the introduction of a labour-force from outside the area, whether national or foreign based.
- Ageing, combined with depopulation, has consequences both for the environment and for the local job market. This process accelerates the disintegration of certain services and

accentuates the inequality of access to these services. It also brings with it a set of new needs, especially where the elderly are concerned.

Figure 2: Population trends 1980 – 2000



As regards the management of these ‘shrinking regions’ what is being done at the present time on a European, national, regional and local level? Is support being provided for developing specific solutions?

- Actions taken at national level, which is the main reference framework, ensure that wealth is redistributed between the regions, in the same way as between the towns and rural areas –

this mechanism is in part the origin of what is referred to as ‘aid to small regions’. However, the general context for restructuring the welfare state places local and regional European communities at the head of the queue for investment. The region, in particular, has established itself as the key scale on which the planning process is based. In the particular case of ‘shrinking regions’ new opportunities (promotion of the living environment) are therefore arising for the communities, along with new financial constraints, due to the growing disparity in resources.

- The health sector is representative of these changes. Whether we are redrawing the medical-services map of France or Italy, the response to the problem of how to maintain public services in zones in decline is connected at both national and regional level with measures that relate to the individual and are based on the twin approach of ‘the stick and the carrot’; others are based on the complementarity between the public and the private sectors; and finally, at regional and international level, there is cooperation based on cross-border logic.
- This restructuring of territorial governance highlights two types of ‘troublespot’: that which is linked to the shortage of public resources, which at present particularly affects the countries of central and eastern Europe, and that which is linked to the crisis in inter-territorial solidarity, which at the present time mainly impacts on countries undergoing regionalisation-federalisation but could in future extend to include other European states.
- In this complex and often tense situation that governance in Europe is now experiencing it is noted that the European Union’s cohesion policy, through the impetus it has given to national and regional policies, represents an essential element of stability. However it too has experienced a number of changes in direction, which have affected its capacity to apply ‘leverage’.

‘Shrinking regions’ and territorial cohesion

The emergence of demographic decline over entire regions has come on top of – and sometimes merges with – the various problems associated with the disparities in development that traditionally lie at the heart of the European Union’s cohesion policy. This should lead to a rethink of this policy area in all its dimensions: economic, social, environmental and, most particularly, territorial.

An awareness of **the territorial dimension, which is both regional and local**, of the demographic changes under way radically alters the issues involved because it raises new questions and allows a new set of responses in relation to the macro-economic studies carried out at national level. If the Commission Green Paper of March 2005 marks a departure from the traditional thinking at European level it is less as a result of its written conclusions – which are relatively commonplace – and more to do with the fact that for the first time it includes in its annex regional demographic projections for the period 2005-2030. Whether consciously or not, the European Commission is thereby opening up a fundamentally new political debate since it appears that the local and regional impact of demographic change is totally different from that which might be perceived at state level. The question of **public services**, for example, can no longer be regarded as a simple parameter for adjusting the budget but becomes a real political and social issue since the free market will eventually lead to the abandonment of entire tracts of Community territory. Similarly, the question surrounding the **environmental impact** of the demographic changes can no longer be evaded since it appears that the process of desertification in sparsely populated areas is likely to create an increased risk of erosion, fire outbreaks, etc. Last but not least the question of **social and territorial cross-subsidies** is

something that will have to be addressed when examining the impact of depopulation at local and regional level.

Demographic decline and ageing form **a complex system of interactions involving economic, social, political and environmental aspects** and it is therefore impossible to take a sectoral approach to the problem. It would for example be futile to try to create centres of employment or competitiveness in zones that are losing population unless a policy is developed at the same time for maintaining and reorganising health, education and transport services. It would also be pointless to develop a pro-active policy of attracting national and international migrant workers to zones that are being abandoned (to provide support to services for the elderly, for example) unless account is taken of the problems associated with the economic and social integration of the new arrivals in the zones in demographic decline.

From this viewpoint the **concept of territorial cohesion** constitutes the most relevant deliberative framework for developing an integrated approach to demographic questions for it specifically includes the territorial dimension associated with these phenomena and proposes **a strategic vision for regional development** that takes account of the compound effects of each of the sectoral policies being pursued. While there is room for debating the relevance of NUTS level 2, the central role in drawing up a **sustainable demographic development policy** should certainly be played out on a **regional level**, provided that this is done in complementarity and not in competition with the national level. In fact from the moment the national and European levels introduced the cross-subsidies that were needed between the rich and the poor territories a new tier of management – intermediate between the local and the national levels – was created that certainly made it much easier to identify the issues of demographic ageing and to plan the reorganisation of the spatial population framework. This does not mean that other territorial levels cannot contribute, by way of specific actions, to the establishment of a global political response to demographic change. The European level and the national level remain more crucial than ever for providing the global cross-subsidies that will reduce the inequalities that exist between social groups, territories and generations, though the region constitutes a vital intermediary when it comes to producing an operational and territorial response, especially as regards access to welfare and medical services for the inhabitants of the ‘shrinking regions’.

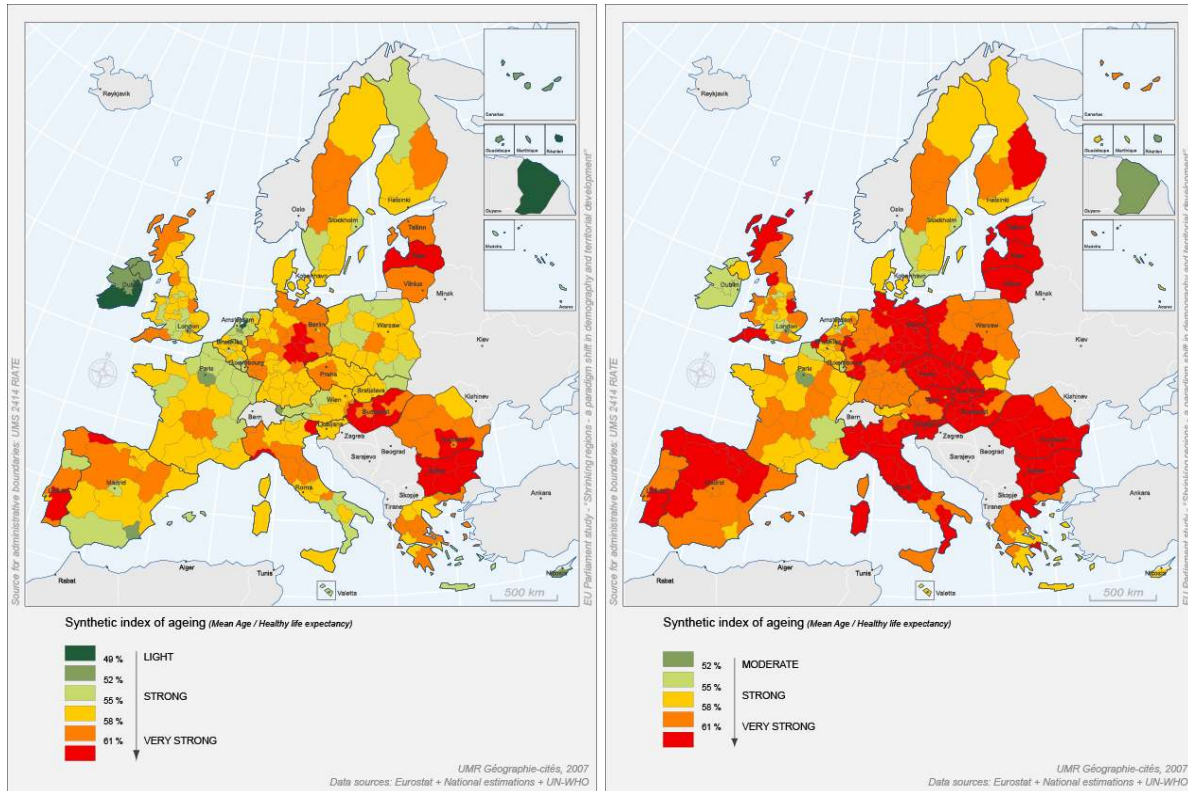
‘Shrinking regions’ and multiscalar governance

Producing a response to the problem of regional decline means putting in place a multiscalar system of governance involving levels of intervention that are at the same time *supra-regional* (European Union and Member States), *infra-regional* (local authorities and conurbations) and *trans-regional* (cross-border zones, fringe areas).

At European Union level priority has to be given to the development of simple and reliable statistical indicators capable of both following and anticipating the demographic trends. No Community policy could in fact be implemented without the support of such indicators for assessing ex-ante and ex-post the effect of the policies to be decided on. From this point of view the typology of the ‘shrinking regions’ that we have put forward in this study comprises a simple and reliable indicator that can easily be updated by Eurostat on the basis of regional demographic projections. The indicator for sustainable demographic development, which is defined as the ratio between the healthy life expectancy and the average age of the inhabitants,

also constitutes an innovative index inasmuch as it is not based on predefined age groups (0-19, 20-64, 65 and +) that tend to fix people in specific roles ('young', 'working' and 'elderly').

Figure 3: Indicator for sustainable demographic development in the European regions (Situation in 2005, predictions for 2030)



This indicator expresses the 'remaining life potential' (the percentage of years lived in relation to the number of years left to live), which does not prejudge the economic or social uses that may be made of it by a particular society. A region with a high percentage of elderly persons can have a good sustainable demographic development index if its inhabitants are likely to live for a long time and in good health. Such a region then has a number of options for making the most of this potential. Conversely, a region that appears to be 'youthful' may have an unfavourable sustainable demographic development index if its inhabitants have a low healthy life expectancy and if their prospects are poor when they reach retirement age. Unlike the traditional 'dependency ratio', which only relates to the working life-span and the legal retirement age, the sustainable demographic development index takes account of longevity and the quality of the social facilities as a positive factor and not as a problem. **The question of whether innovative demographic indicators can be introduced when reviewing regional policy clearly remains an open one.**

At national level the central question concerns the social and economic transfers that operate simultaneously between individuals and places, both as a result of public action and through the activities of economic bodies. Our study has shown that 'shrinking regions' are by and large poorer than the national average, but that the differences are largely reduced when account is taken of the indirect transfers that are associated with retirement pensions, public allocations for equipment and facilities, spending by tourists, etc. The effect of these invisible transfers, which do not benefit all the regions in the same way, should probably not be overestimated, but they do need to be considered if a more equitable cross-subsidy system is to be achieved. Fair regional accounting should take account of the fact that certain peripheral regions provide

training for young workers whose labour is subsequently used by distant metropolitan regions; or conversely that some metropolitan regions transfer a large part of the added value they produce to regions specialising in tourism and in catering for wealthy retired people. **The question here is to know whether national cross-subsidy logic can be maintained in the future or whether in fact the beggar-my-neighbour attitudes of the richest and most dynamic regions will prevail.**

At regional level the main problem is that of the reorganisation of services and facilities in an environment where there is a dwindling population whose characteristics are gradually being transformed. A reduction in the number of young people will therefore require a downsizing of the training and education facilities (reduced number of classes) but leaves a number of options open as to the manner in which these closures can be effected, both in time and in space. Grouping schools together may in fact improve the educational system just as much as it may lead to a worsening of the demographic crisis in sparsely populated and isolated areas. In the same way an increased demand for care services for the elderly may provide an opportunity for regional economic development and the reorganisation of the spatial framework for care services. However it may also result in a deterioration in the quality of the service and in socio-spatial polarisation between zones that are well provided for and those that are not. While experience indicates that various institutional solutions are possible (deconcentration, decentralisation, federalism), it is nevertheless desirable that the region should constitute a political entity with a strong element of legitimacy (system of elections, budget and so on) when it has to take decisions of major consequences for the daily lives of its inhabitants, such as overhauling the services sector as a result of the decline in population. Disputes are inevitable when facilities become in short supply and the decision-making process has to be based on proper consultation of the people and of the local elected representatives. Special account has to be taken of the different demands of urban and rural areas, and of large towns and small towns, that will inevitably arise in such a context. The introduction of mobile services can often prove to be a useful option for isolated areas, thereby avoiding any dispersal of under-used facilities. **The question here is to know whether the regional policy for the reorganisation of the spatial framework for the local population and the provision of facilities would be better directed by giving priority to economic efficiency or by seeking to protect social equity and sustainable development.**

At local level the main challenge is to make villages and towns aware of the fact that they alone cannot resolve the problem of ageing and depopulation. In rural zones in demographic decline each community will try to protect ITS school and ITS local shop, at the risk of competing with neighbouring villages that are developing the same strategy, which will either result in everything closing or in prohibitive expenditure from public funds in order to support unprofitable activities. In urban areas the same type of opposition may be displayed between urban centres in demographic decline and the fast-growing urban fringes, the result being a waste of resources and seeking local responses to questions that should be addressed at a higher level. Short of leaving matters to the authoritarian decisions taken at regional or national level the best way to deal with the question of local town and country structuring, when faced with demographic change, is to put in place intercommunal structures (town and village communities, urban communities) or to resort to intermediate levels (country-wide, 'bassins de vie', for example). **The question here is to know what forms of dialogue can be found with officials from the upper levels so that local authorities can participate without being subjected to reconstruction where applicable.**

It should be added that this multiscalar approach to the governance of ‘shrinking regions’ should not simply operate vertically but should also include a horizontal dimension in order to avoid discontinuity at the boundaries between political and administrative entities.

At cross-border level, which in the wider sense also means intercontinental (the EU’s external borders), international (the EU’s internal borders), interregional (administrative boundaries) and intercommunal, there are numerous opportunities for cooperation on demographic issues that have hardly been exploited to date due to political, legal or administrative obstacles. There are plenty of examples of ‘shrinking regions’ that adjoin areas experiencing economic growth where the former are organising the expensive demolition of vacant and unwanted housing, while the latter are constructing new dwellings at great financial and ecological cost. Of course not all situations involving cross-border demographic complementarity are as striking as this, though it is certain that there is a rich seam of initiatives to be explored in the political contact zones. **The question here is to know whether the fear of demographic decline and unsustainable ageing would be sufficient to transcend the opposition and animosity that can exist towards ‘strangers’ and to do this on an inter-continental level** (e.g. a north-south partnership for the Mediterranean), **on an international level** (e.g. cross-border medical care) and **at an intercommunal level** (e.g. pooling of public health and educational services).