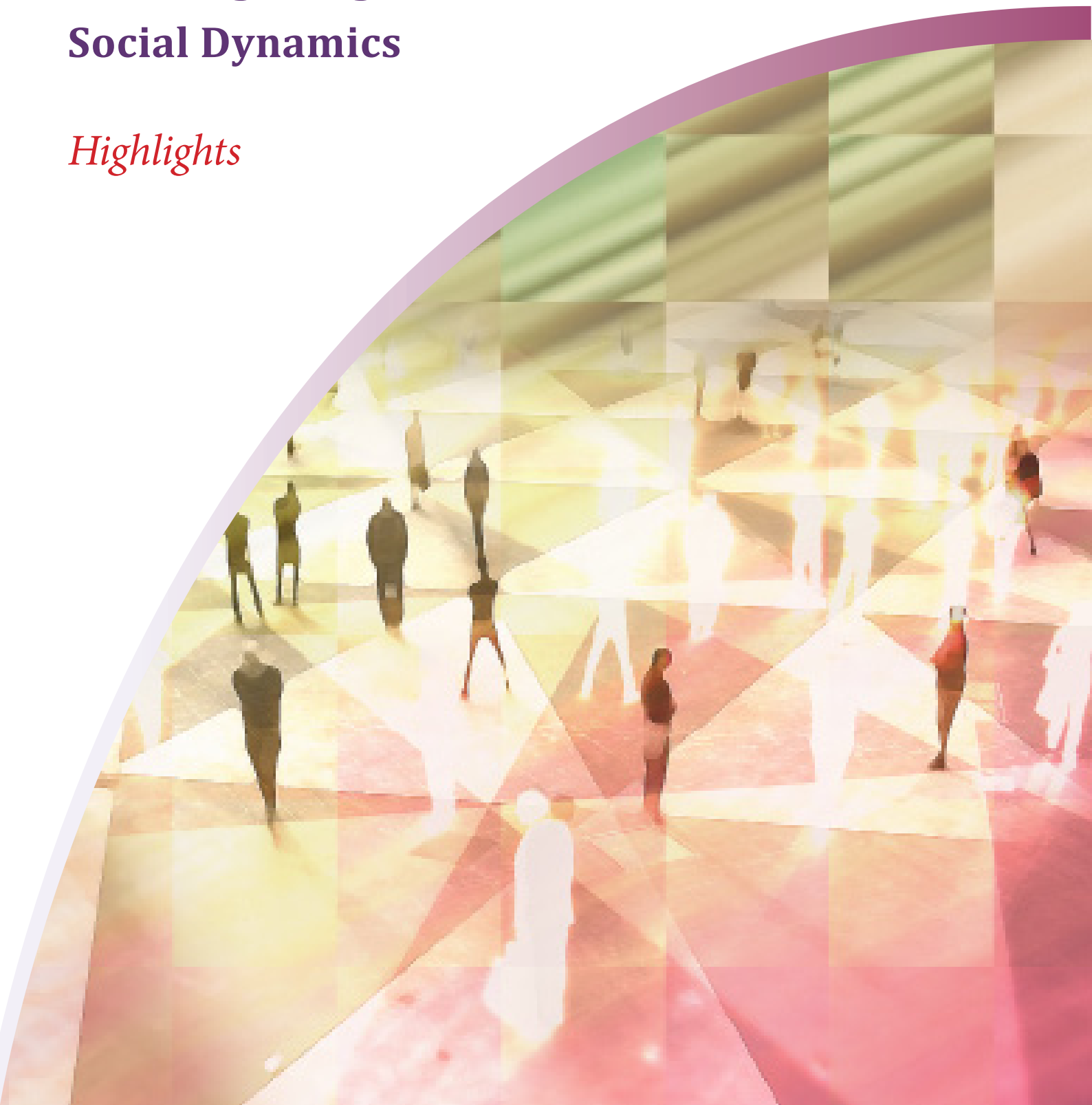


Demographic Change and Local Development: Shrinkage, Regeneration and Social Dynamics

Highlights



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EXECUTIVE SUMMARY

Countries across the world are affected in different ways by demographic change at the local level. For example, decline in the urban population due to suburbanisation and de-industrialisation, has resulted in a wide range of socio-economic issues (e.g. increased unemployment rate, decrease in revenue, degradation of properties). As a result of falling fertility rates, many cities and regions in OECD member countries are likely to continue to “shrink” in the coming decades, even with some increases in population due to migration (from within or from outside the country).

Demographic change is one of the key challenges today for local development together with globalisation, knowledge/technological shift, climate change and the development of the green economy, inclusiveness and poverty. Strategic solutions cannot be based on addressing one of these factors alone but must take into account the interplay of these elements within a particular local area of development (urban or rural). At the same time that there are important challenges to be addressed, there are also opportunities to be fostered such as the development of the “silver” economy of older entrepreneurs, the “white” economy for medical services for the elderly population, or the natural “green” advantage of shrinking areas. However, policy responses are still fragmented and there is no articulation of a sustainable answer to ensure and increase the quality of life in the light of these changes.

In order to succeed in addressing the challenges associated with demographic change, it cannot be left to the market alone to find a solution, effective policy interventions are needed. A multi-disciplinary approach with a long-term perspective is crucial and all actors (government, social partners, community organisations, etc.) need to share responsibilities. There is a need for new ways of thinking regarding ageing and older workers’ output to overcome some of the expected challenges and to ensure financing of services that are likely to increase, with the growth of an ageing population, but a declining resource base (OECD, 2011a).

This report presents chapters detailing cases from 20 countries divided under the following sections: community shrinkage and sustainability, regeneration strategies for communities, and the social dynamics of demographic change.

Community shrinkage and sustainability

Overall, the contributing chapters of this part indicate that there is a need for local governments to accept the growing trends of community shrinkage and to adapt to the emerging demographic trends of an ageing and declining population. From an economic sustainability point of view, the chapters underline the importance of diversifying the local economic base and exploiting local resources (e.g. natural environment for tourism or other renewable products) as well as other sources of growth (e.g. the “silver” and the “green” economies). Furthermore, collective efforts by both national and local governments are important in better managing the fluctuating trends (i.e. population growth and shrinkage in a given geographic area) and to respond appropriately to the changing environment (as seen in the examples of Finland and Poland). Efforts made at the individual city/municipality level alone may not be sufficient, and more consolidated regional efforts may be required. From an environmental sustainability point of view, shrinkage could offer opportunities (e.g. it may remove environmental pressures and increase green spaces), but adequate management and resources will be required in order to ensure the sustainability of cities/regions (e.g. to re-size infrastructure and unused space). It is also important to include different

stakeholders in decision-making processes, particularly local communities that are most affected by the shrinkage process. Local governments have wide-ranging responsibilities in dealing with community shrinkage. The declining resource base is expected to pose additional challenges and careful assessments are needed in prioritising and allocating appropriate funds (e.g. EU funds) in managing community shrinkage.

Regeneration strategies for communities

Local communities facing demographic changes are responding in different ways. In some cases, regeneration tries to address social phenomena while in others major economic changes are responsible for out-migration of large population from the the local area. The examples provided in this part show the diversity of actions needed as well as the interrelation of elements, for effective strategies to take place. Notably, many of the regeneration strategies try to re-orient the paradigm of growth to pragmatic downsizing (Germany) while in other cases the focus is on improving residential housing and living conditions, strengthening future socio-economic structures, and improving urban governance (Switzerland). Some countries continue efforts towards brownfield site regeneration, social planning, and housing policy (Czech Republic) while others think in terms of a new urban governance system, regeneration strategies, and new development models for residential use (Spain). In some countries there is no explicit urban policy imposed by the central state, existing planning documents are not sufficiently used for the clear identification of shrinkage processes in cities, and the potential of local planning is not sufficiently utilised for setting the context of different kinds of development priorities (Slovak Republic).

Social dynamics of demographic change

The complexity of the interaction between demographic change and shrinkage is especially witnessed when the social dynamics are considered. Keeping social cohesion and inflating new social dynamism in shrinking areas, where the economic and social fabrics are eroded and where groups at risk of exclusion live (elderly, lone parents, long-term unemployed) require a set of integrated approaches. Co-constructed, holistic policies and socially innovative practices and programmes are needed to provide services to the elderly, to families and the excluded. Social innovation, whose aim is to improve the quality of life of individuals and communities,¹ has a central role to play in addressing these issues. Intangible factors such as culture and creativity can be excellent levers for the revitalisation of shrinking areas, and skills development and transfer can harness capabilities in shrinking areas.

Emerging policy responses

Common policy responses to the demographic challenges identified by author contributions within this report include the following:

Community shrinkage and sustainability

- Specific policies for areas in decline need to be tailored to a comprehensive local strategic approach employing a multitude of efforts, such as greening, revitalisation, economic development, social cohesion.
- There is a need to employ sustainability measures for declining areas by diversifying local utilisation of natural resources by incorporating other values in addition to the industrial ones, such as offering sustainable environments for housing and nature tourism businesses.

1. See the OECD LEED Forum on Social Innovations: www.oecd.org/cfe/leed/socialinnovation.

- Declining areas require local actions for development such as business/industry clusters, marketing, skills and employment programmes, focusing on new growth areas such as the green and silver economies, to boost the local economy.
- Local development needs to focus on attracting youth and encouraging entrepreneurs to settle within declining areas through a systematic process of incentives and networking strategies aimed at target-group programmes for reducing unemployment and more active implementation of revitalisation programmes.
- Local programmes for declining areas need to be supported, not only by the local, regional and national governments, but also by supra-national authorities such as the EU for developing regions.
- Governance needs to be strengthened by establishing rich communication, networking or partnerships to encourage leadership, involvement by all stakeholders (public, private and community sectors), and provision of funds/resources.

Regeneration strategies for communities

- Specific policies for regeneration require robust and flexible strategies that encourage creative solutions; a model of urban governance with a clear vision and operational objectives incorporating local, regional and inter-municipal co-operation; the integration of multiple public and private stakeholders.
- Local strategies of urban restructuring may prepare declining areas for the consequences of demographic change and urban shrinkage, and offer favourable conditions for new development opportunities.
- Regeneration strategies need to be long term and have a comprehensive strategic agenda, focusing on a detailed analysis of the conditions of the urban area and interactions of its actors and institutions. They need to integrate economic, socio-educational and urban policies and consolidate efforts in relation to innovation, entrepreneurship and human capital. Strategies should be aimed at improving the physical condition, social and economic situations and environmental amelioration, to achieve better urban quality.
- Maintaining employment is critical to regeneration strategies, therefore it is essential to examine opportunities to strengthen and stimulate economic activity in the region, creating conditions for business opportunities to be supported by regional and municipal authorities focusing on emerging activities especially in high-tech and knowledge-based activities.
- Regeneration planning documents need to incorporate citizens' participation and involve leading local stakeholders in the preparation of the local policy, thereby increasing the awareness of demographic change within the local community to assist in the adoption of more realistic provisions/measures.
- To develop regeneration strategies, the quality of local population forecasting has to be improved. A common legal framework for small-scale surveys; a set of indicators for demographic change, which is simple to use and update; and co-ordination and co-operation to ensure consistency and synergy of data are needed. This would allow the development of a local urban perspective in planning policies and decision-making processes.

- There is a need to continue to support funding of ongoing research into sustainable urban forms, particularly in areas of decline and to promote the uptake of research outcomes.

Social dynamics of demographic change

- Social inclusion is important within the social dynamics of demographic change for local development to allow local populations to take an active part in the economic and social life of their community. Involving people will help build trust in the community and has the potential to influence individual decisions about whether to stay or leave the area. Social inclusion can also contribute to the community learning process by helping people understand how society works and how they can improve their own lives.
- There is a need to give priority to improving local living conditions (housing, public space), which could serve the needs of the existing population and attract new inhabitants, such as increasing the quality of the housing stock to help retain the most well-off population, and maintaining the provision of social housing to avoid the displacement of low-income households.
- Policy makers must recognise the importance of the vibrant social cultural climate in urban areas in order to promote the quality of life and economic prosperity of the city. Public policy should not only focus on places or industries but on people as well, creating opportunities for people to exercise their creativity.
- Regional employment pacts should be established to complement local approaches, providing a simple and effective mode of governance whereby stakeholders communicate and co-operate as equal partners, thus encouraging local empowerment. The implementation of local employment programmes can activate hidden reserves of the labour market and reduce the effect of the shrinking workforce due to ageing.
- It is important to raise awareness of the benefits and challenges of active ageing to employers and encourage them to invest in their staff and stimulate age-friendly HR policies; organise initiatives to eradicate the negative perceptions of age; encourage guidance and counselling services that incorporate a life-cycle perspective, that promote employability and that are adapted to the needs and abilities of the ageing population.

PART I
THE CROSSROADS OF DEMOGRAPHIC CHANGE
AND LOCAL DEVELOPMENT

By
Cristina Martinez-Fernandez
and Tamara Weyman

Demographic change is affecting all OECD member countries and developing economies. Fertility rates are falling, the population is ageing, youth unemployment is a challenge and the complexity of urban-rural shrinkage is posing numerous challenges for industrial development, job creation and sustainable development agendas. Strategic solutions cannot be based on addressing one of these factors alone but need to take into account the interplay of these elements within a particular local area of development (urban or rural) (OECD, 2011a). The increased relevance of the local level as the place where the integration of approaches and strategies occurs is well reflected in recent literature and is at the core of the OECD LEED's mission and many of its publications (Potter, 2008; Clark et al., 2010; OECD/International Labour Office, 2011). Chiefly, the local approach integrates particular characteristics of communities, especially in relation to human capital, industrial composition and the social distribution of the population (Martinez-Fernandez et al., 2011).

This report is a comprehensive review of contemporary research and analysis of demographic change in OECD countries and some emerging economies. It shows analytical trends and emerging themes for policy attention.

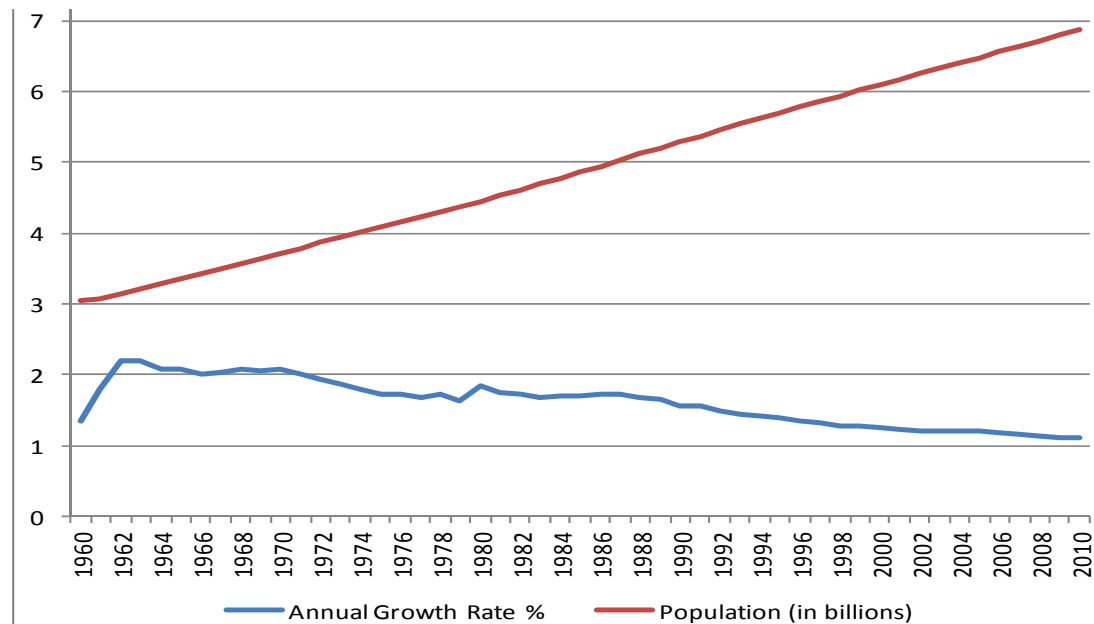
Indicators of demographic change

There are two reliable indicators of demographic change, usually available at the “local level”: population trajectories and ageing indexes. These indicators are useful in describing the demographic situation in a particular area but they do not explain why the situation has occurred nor do they provide strategies about what can be done about it.

Indicators at the national level provide the overall context of demographic change against which local communities can interpret their own trends. Thus, global and country level data is useful for the policy-making challenges. In order to provide a global picture of the extent of demographic change and for the purposes of this report, four indicators were selected: population change, fertility rates, youth population, ageing population. OECD member countries, G20 and MENA countries are included in the following analysis. Although MENA countries are significant for understanding migration dynamics with European countries, no case studies are included in this report.

Population change – although the world population is increasing, population growth rate is declining (see Figure I.1). The world population in 1960 was 3.04 billion people. By 2010, this total had more than doubled to 6.87 billion people, an increase of 3.83 billion people over 50 years. As Figure I.1 illustrates, the population growth rate has been in decline since 1962-1963 (2.2%) to 1.12% in 2010-2011, a change of -1.08%. According to the US Census Bureau (2004) the slowdown in population growth can be traced primarily to declines in fertility and their projection suggest that the fertility rate for the world as a whole will drop below the replacement rate before 2050.

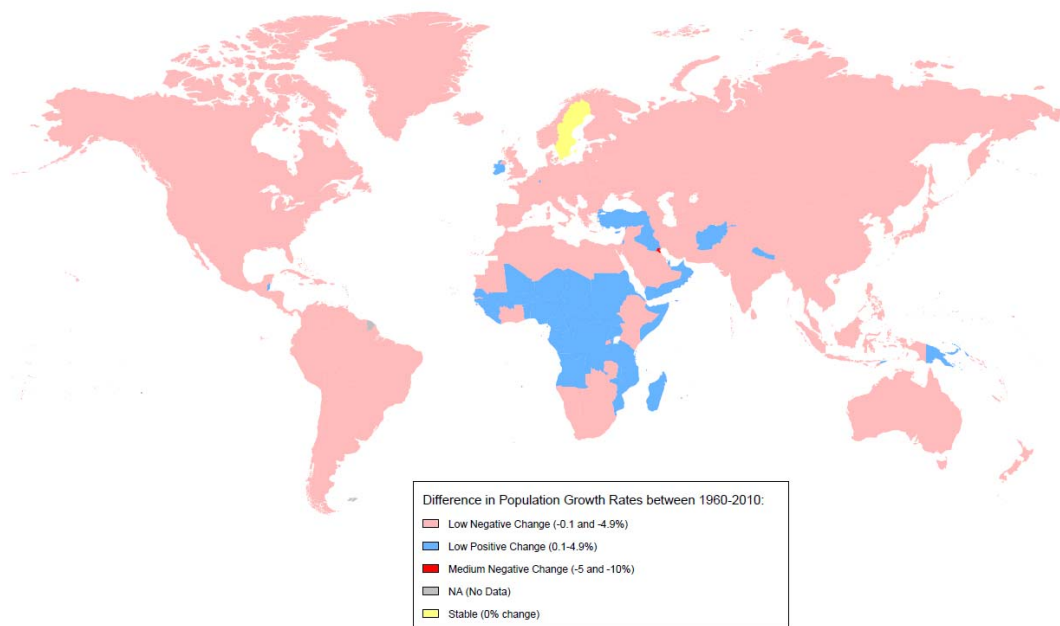
Figure I.1. World total population and growth rates, 1960-2010



Source: Developed with data from the US Census Bureau, International database.

Figure I.2. illustrates the population growth rate change between 1960 and 2010. The majority of countries across the globe have had a low negative change (between -0.1% and -4.9%) with exceptions in Africa and the Middle East with low positive change (between 0.1% and 4.9%). The map clearly shows that although the total world population continues to increase, the growth rate has been declining. Figure I.3 shows population growth rates for 1960 and 2010 for OECD countries, G20 countries and MENA countries. What can be observed from these figures is that the majority of countries present a declining growth rate apart from Luxemburg (OECD) and Bahrain, West Bank Gaza, Qatar, United Arab Emirates, Yemen and Iraq (MENA). They reveal that the largest negative change has occurred in Kuwait (MENA), Korea (OECD/G20), Jordan (MENA) and Mexico (OECD/G20). In 2010 there was a negative trend in Eastern European countries, particularly Estonia, Hungary and Poland along with Japan. Germany and Portugal were close to having zero population growth.

Figure I.2. Change in population growth rates, 1960-2010



Source: Map produced using the following sources: OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Figure I.3. Comparison of population growth rate (%), 1960 and 2010

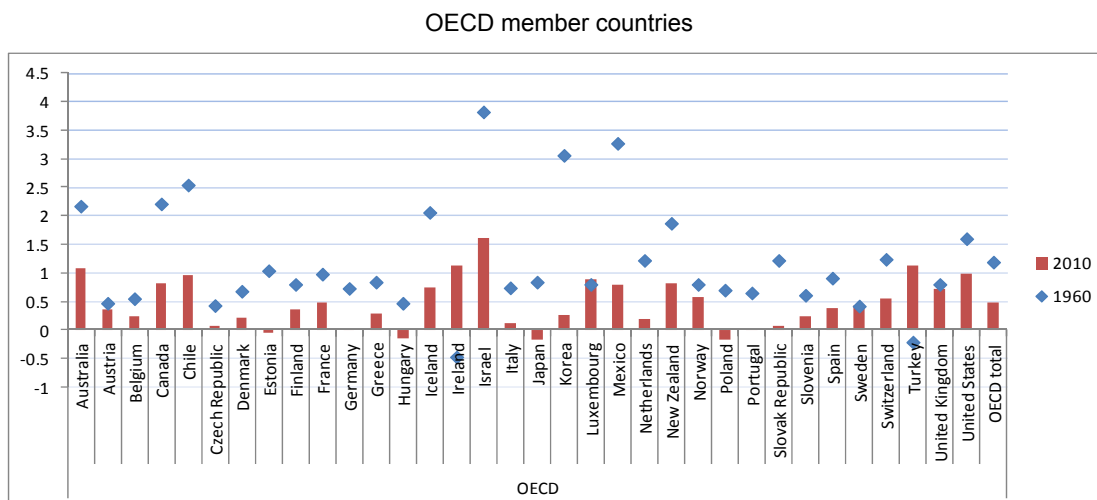
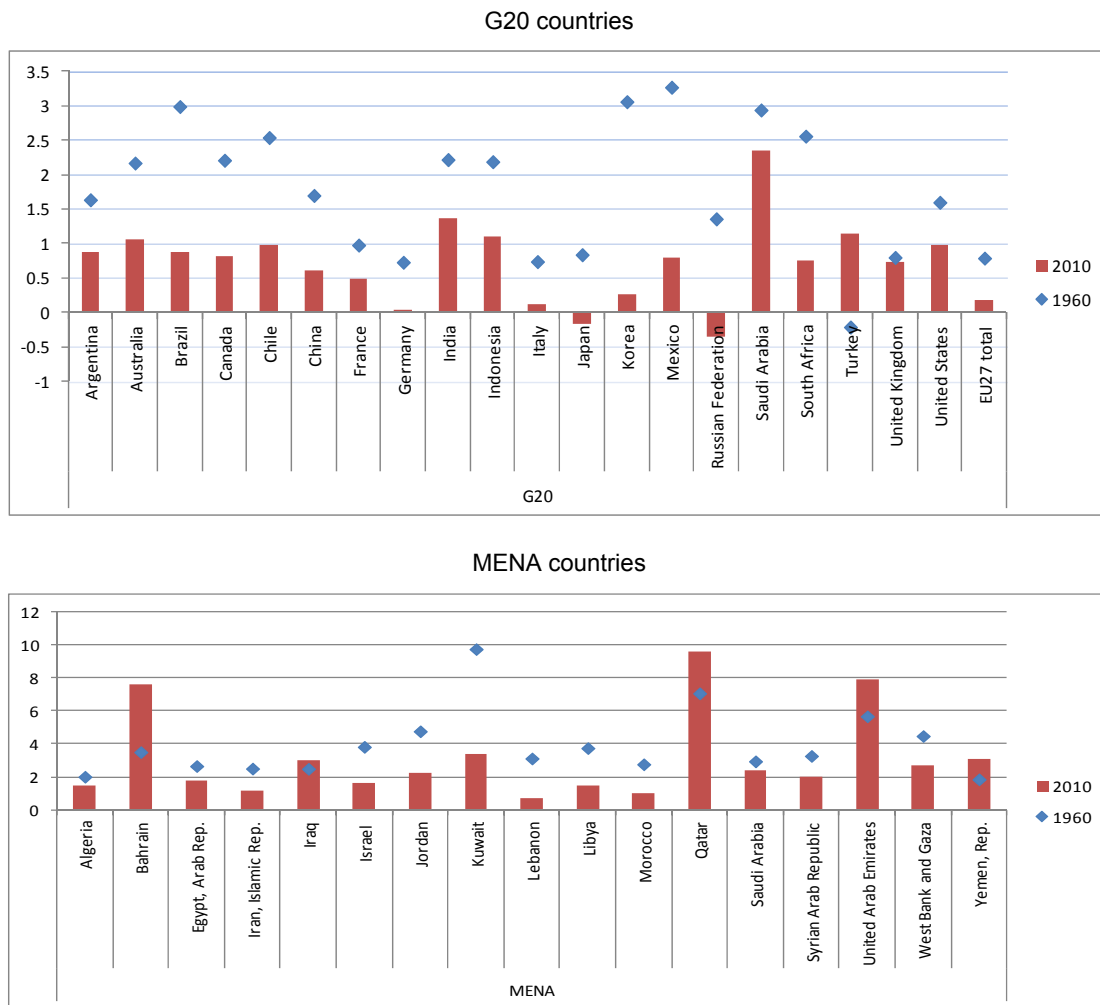


Figure I.3. Comparison of population growth rate (%), 1960 and 2010 (cont'd)



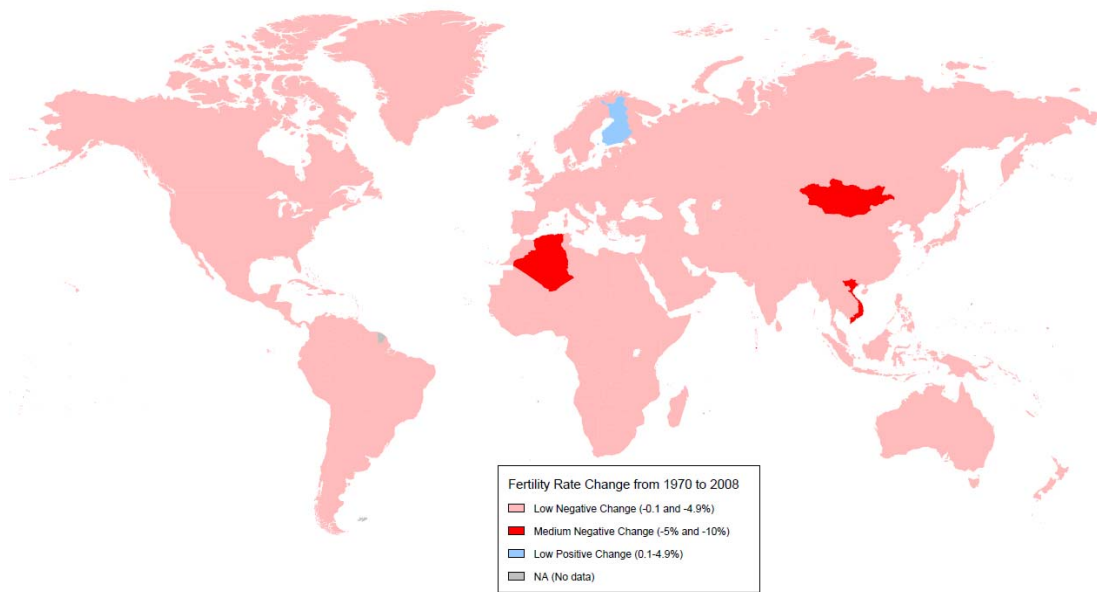
Note: West Bank and Gaza is from 1991; India is from 1989.

Source: Based on data from OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Fertility rate¹ – Figure I.4 illustrates the negative fertility rate change from 1970 to 2008 across the majority of countries across the world, the exception being Finland. Figure I.5 shows fertility rates in 1970 and 2008 for OECD, G20 and MENA countries. On average, fertility rates declined across OECD, G20 and MENA countries, most notably within the MENA countries of Algeria, Kuwait, Libya, United Arab Emirates, Iran, Morocco, Qatar, Syria, Saudi Arabia and Jordan; other countries include Korea, Mexico and China. Countries that present a near stable fertility rate are Denmark, Sweden and the Russian Federation, while Finland had the only positive fertility rate change.

1. Number of children born to women aged 15 to 49.

Figure I.4. Change in fertility rates, 1970-2008



Note: dates vary for some countries.

Source: Map produced using the following sources: OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Figure I.5. Comparison of fertility rates, 1970 and 2008

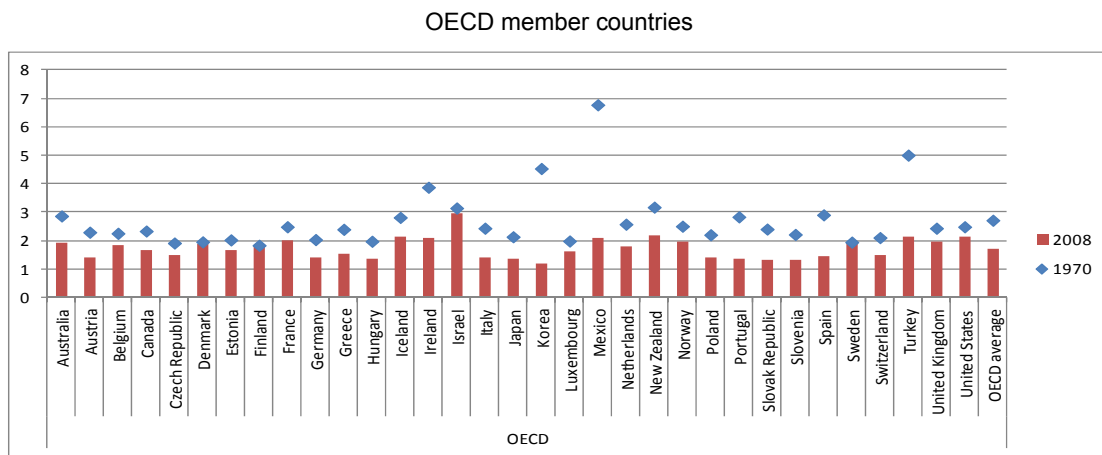
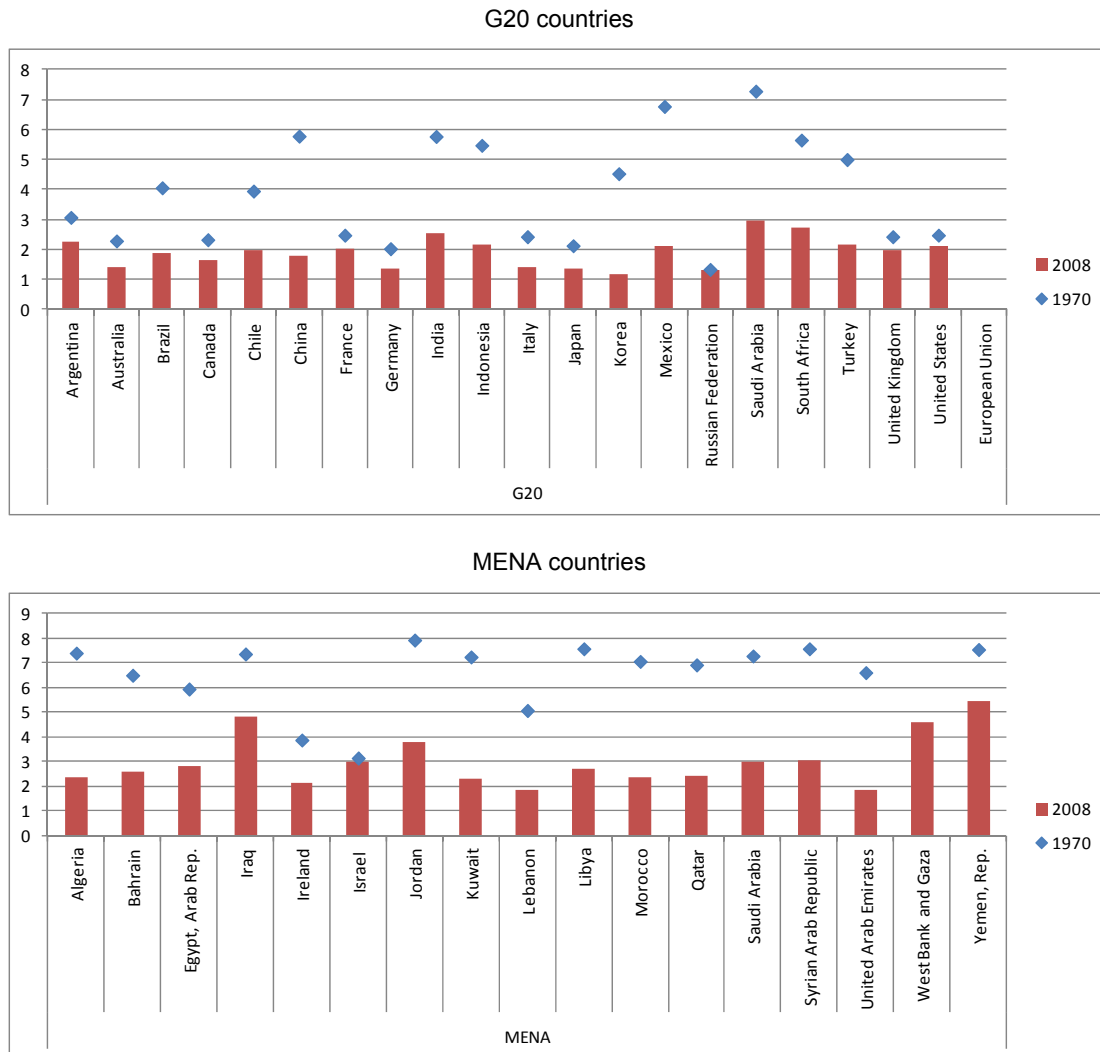


Figure I.5. Comparison of fertility rates, 1970 and 2008 (cont'd)



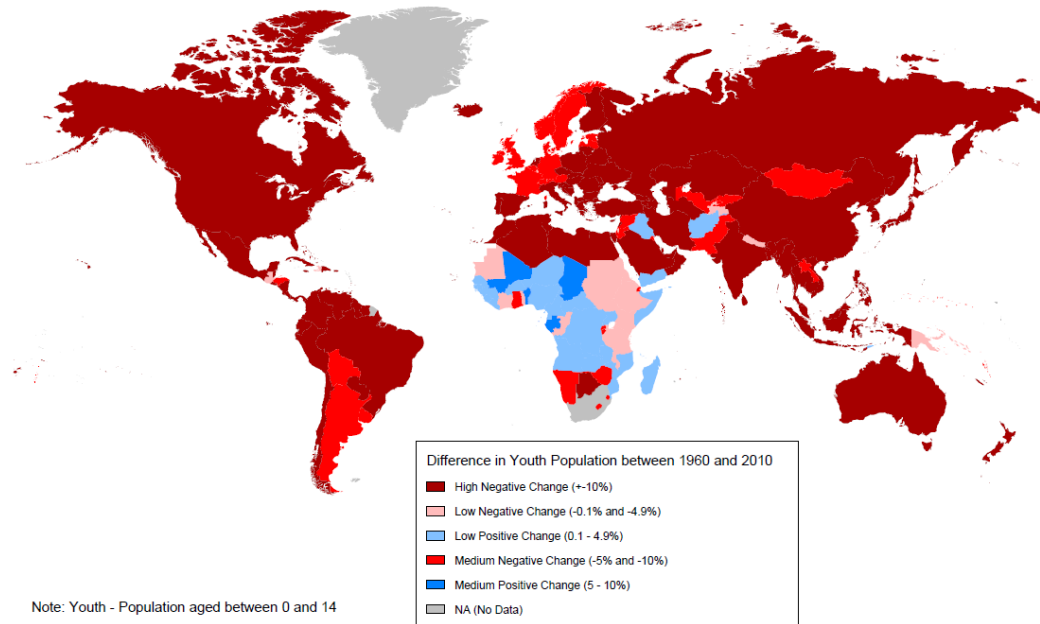
Note: 1980 data: Estonia, Israel, Brazil; 2006 data: Chile, China, India, Russian Federation, South Africa; 1990 data: West Bank and Gaza; 1995 data: Russian Federation; 2007 data: Australia, Canada, Slovenia, United States. For the G20 countries, data was not available for the EU.

Source: based on data from OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Youth population rate² – Figure I.6 illustrates that there has been a high negative change in youth population rates across the majority of countries except in some countries in Africa. Figure I.7 shows the youth population rate in 1960 and 2010 for OECD, G20 and MENA countries. The largest negative change occurred within MENA countries – Kuwait, United Arab Emirates, and Bahrain; other countries include Korea and China. Iraq and Yemen from the MENA group had a minor positive change in the youth population rate.

2. Percentage of persons aged less than 15.

Figure I.6. Change in youth population rate, 1960-2010



Note: youth: population aged between 0 and 14.

Source: based on data from World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Figure I.7. Comparison of youth population rate (%) between 1960 and 2010

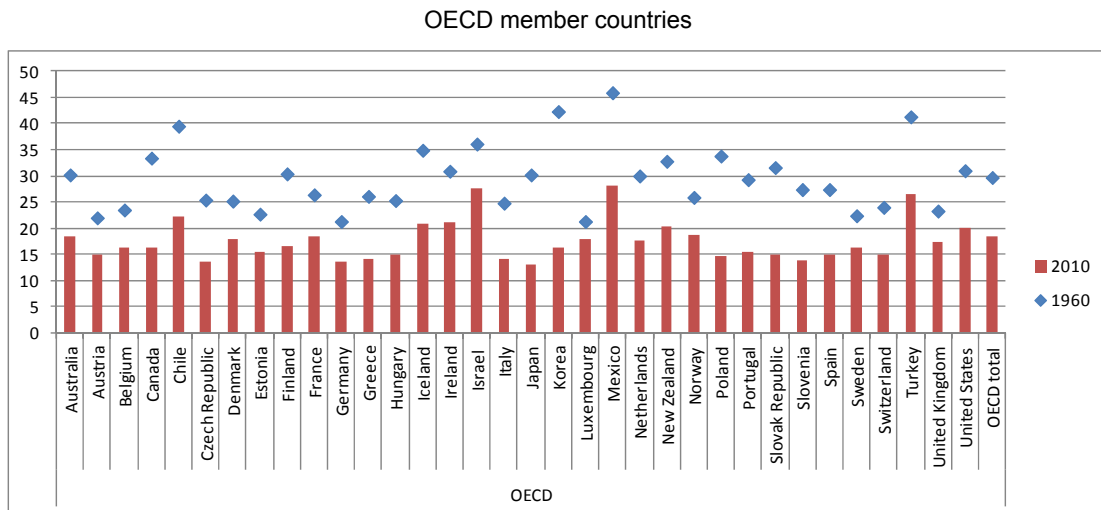
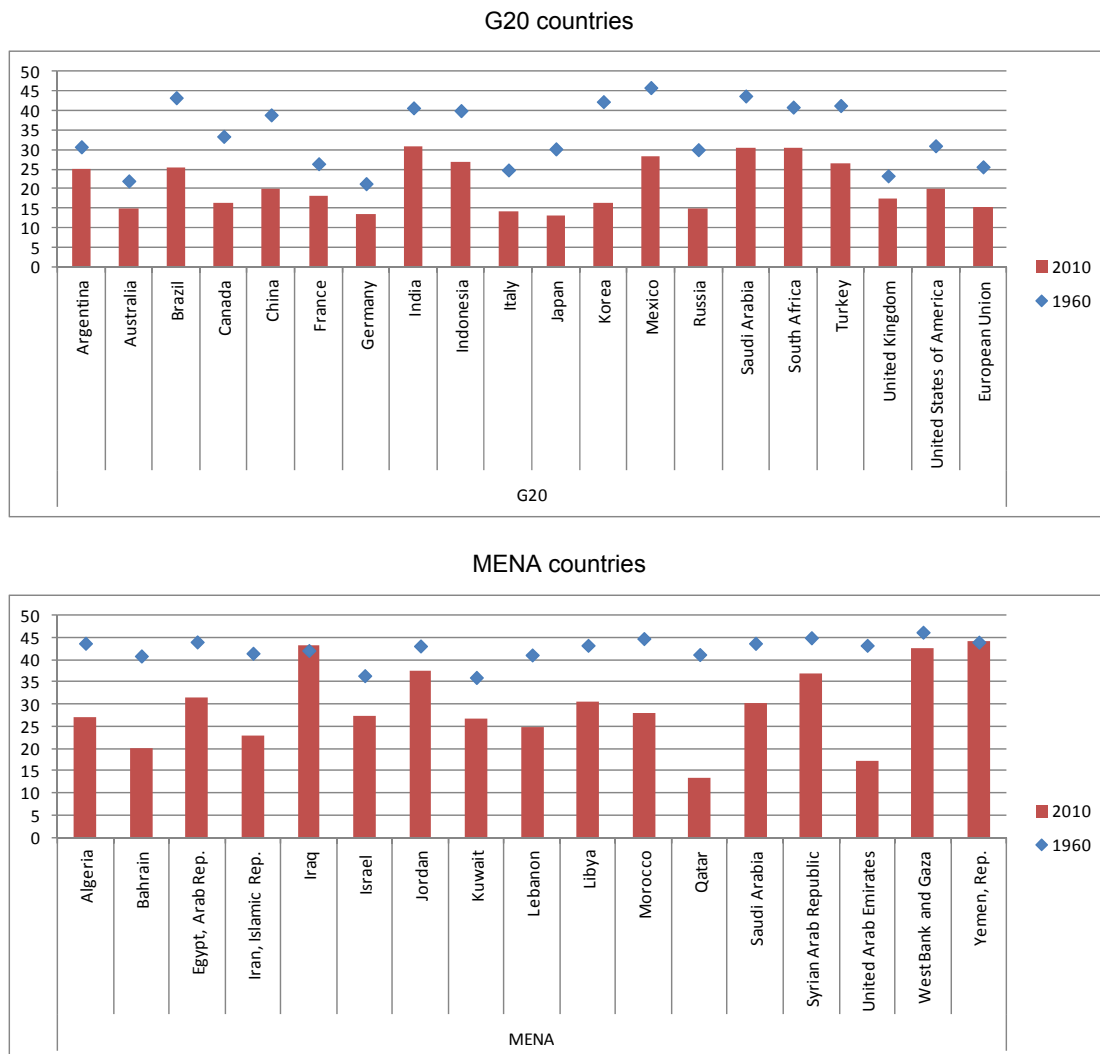


Figure I.7. Comparison of youth population rate (%) between 1960 and 2010 (cont'd)

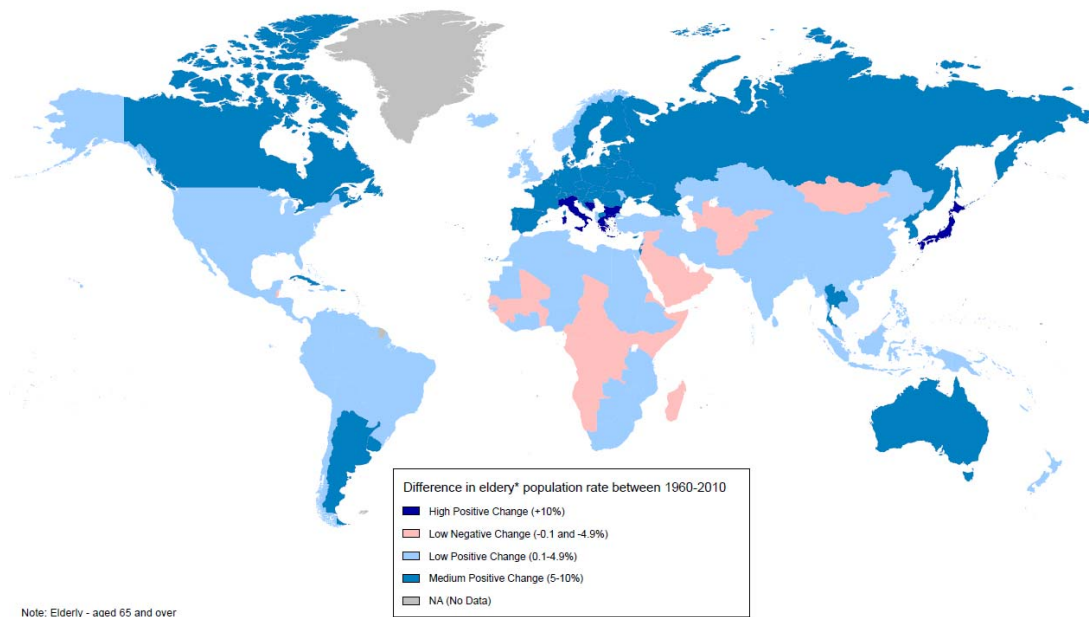


Source: based on data from World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Elderly population rates³ – Figure I.8 illustrates the elderly population rate change from 1960 to 2010. There is a clear trend of overall ageing across the world with minor exceptions within Africa and the Middle East. Figure I.9 shows elderly population rates in 1960 and 2010 for OECD, G20 and MENA countries. The steady increase of elderly people can be observed in the majority of countries; those leading this increase are Japan, Italy and Greece followed by Finland, Portugal, Spain and Germany within the OECD and G20 countries. A few countries mainly within the MENA region have had a negative elderly change, including the United Arab Emirates, Qatar, West Bank and Gaza, Syria, Jordan, Saudi Arabia and Yemen.

3. Population aged over 65.

Figure I.8. Change in elderly population rate, 1960-2010



Source: Map produced using the following sources: OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

Figure I.9. Comparison of elderly population rate (%) between 1960 and 2010

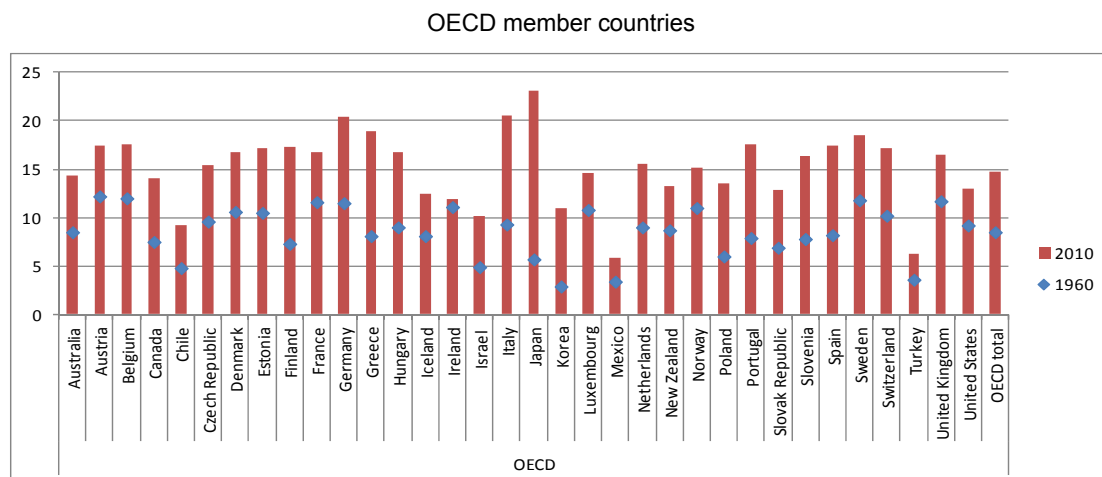
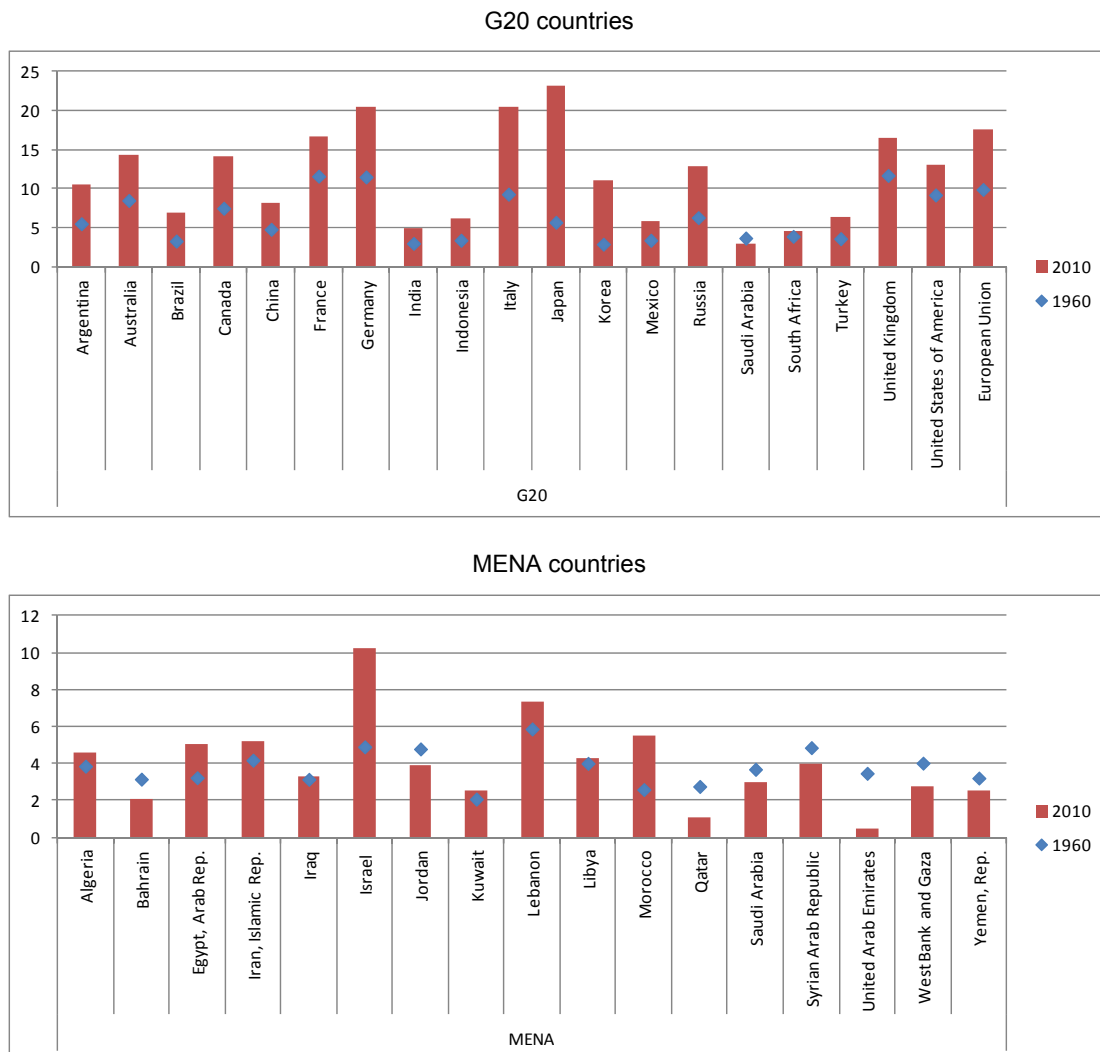


Figure I.9. Comparison of elderly population rate (%) between 1960 and 2010 (cont'd)



Source: based on data from OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2010-en>; World Bank (2011), *Open Data (database)*, <http://data.worldbank.org>.

The figures above illustrate a global picture of demographic trends, revealing that certain countries are experiencing changes in a more profound manner. However, these figures cannot be applied to all communities within countries; indeed, within each country the characteristics of demographic change can be as diverse as the country comparison.

Dynamics of demographic change at the local level

The international contraction pattern that is being observed today has multiple causes and it cannot be explained without a cross-cutting analytical approach. On one side are global dynamics such as the ageing of the baby-boomer generation and the low fertility rate (notable examples are found in East Germany, Eastern European countries and Japan). On the other side are localised, specific dynamics such as lifestyle/socio-political changes (suburbanisation in metropolitan regions, post-socialist transformation); economic/industrial changes experienced by all industrialised countries (de-industrialisation, de-urbanisation, de-corporatisation, spatial mismatches); environmental changes (environmental disasters

and climate change); and externally imposed changes for political, religious or historic reasons (conflicts and wars, administrative changes/territorial re-classification, political changes such as regulatory enforcement) (Martinez-Fernandez et al, 2012; Reckien and Martinez-Fernandez, 2010; Martinez-Fernandez and Wu, 2007; Pallagts et al., 2009).

The challenges for social inclusion of ageing populations also call for a re-evaluation of the role of older people and a new solidarity between generations as by 2030 it is estimated that two active people (15-65) will have to take care of one inactive person (+65) (World Economic Forum, 2007). According to the US Census report, the population over 65 will double to 1.3 billion by 2040, accounting for 14% of the total global population (Kinsella and He, 2009), forcing major increases in public expenditure that could slow economic growth in OECD countries. Thus, policies and programmes for ageing people need to be thought out and designed with a view to future generations' needs in order to create sustainable inter-generational development. Innovation, and particularly social innovation, have a critical role to play to respond to these challenges and initiatives.

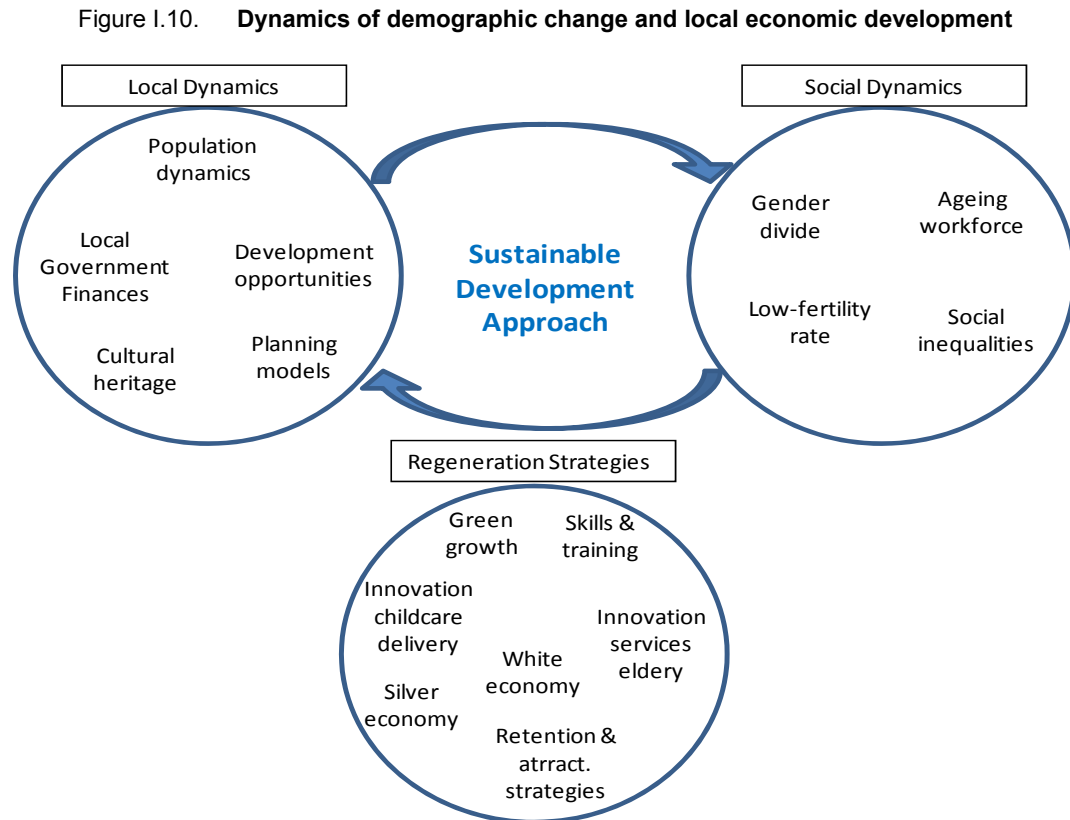
Migration is a key element in this debate; indeed, without immigration, the population in countries such as Germany would fall to 62 million by 2050 (now 82 million) and even if 220 000 immigrants arrive per year, the population will still decrease. Immigration cannot stop population decline, only diminish it; and the story is the same for skilled labour (CEMR, 2006).

At the same time, opportunities will emerge for what is now called the “silver” sector (business and services specifically designed/oriented for the 65 and over population) which is not new but can expand much further both in quantity and especially in quality of employment. Migrant skills can become more important for social inclusion, most importantly because migrants have been occupying a large subsector of elderly care in OECD countries at the low end and so they are already well positioned and integrated in employment networks. This therefore will help them to play a bigger role and to increase the quality of services and access to better jobs within the “silver” economy. Sectors of potential rapid growth in activity and employment are building and housing, health and wellness, tourism and leisure, and education and learning.

The cost of pension payments and fewer workers to pay for them is of course a source of worry for public institutions. However, there are also other equally problematic factors such as the disappearance of the financial base of entire communities. There are difficulties in providing services to citizens, the obsolescence of local infrastructure, the increase of criminal activity in shrinking urban areas, the invisible loss of skills and talents, and the challenging task for the private and public sectors of creating jobs in a context of constant decline/crisis. For some communities the solution has been to re-grow greener and smaller (e.g. the city of Youngstown in the United States, Großräschchen and Leipzig in Eastern Germany) or promoting a total reorientation of the local economy towards low-carbon and green tourism (e.g. El Bierzo region in Spain; Datong in China). There are still communities that have yet to figure out plans (e.g. Vorkouta in the Russian Federation, Walbrzych in Poland).

The financial crisis has highlighted how the mobility of people and the ageing of the population are major reasons for up-skilling and developing a more productive OECD labour force. The factors are multiple and still little understood. On the one hand, we have the mobility of people across countries and regions with some communities at the sending end (resulting in a shrinkage of the population – notably post-resource intensive areas) while other areas experience net gains (e.g. capital cities and regional centres). On the other hand, we have communities and entire countries such as Germany or Japan with a low fertility rate and a rapidly ageing population, a process that is often combined with out-migration of young people and therefore accelerating the process of shrinkage. Some industry sectors are also ageing at a higher speed than others and this is an added challenge for up-skilling the workforce and designing training plans (e.g. heavy manufacturing adaptation to low-carbon economy).

These themes are discussed in this report as they interrelate with policy and strategic outputs along with the social and local dynamics. The different elements at play for local communities are shown in Figure I.10.



The following boxes discuss some of the themes⁴ involved in the policy analysis of demographic change as they affect local development: *i*) issues of place, space and sustainable development; *ii*) issues of the increase and implications of an ageing society; *iii*) issues of skills and technology for a changing society; and *iv*) issues of migration implications and labour market needs. These themes are not exhaustive but they represent broad areas that analysts and practitioners are carrying out today.

Box I.1. **Place, space and sustainable development**

The importance of sustainable development underlines the need of adopting a long-term approach that considers economic, social and environmental issues at the same time. The twin effects of demographic change and shrinkage are a complex and multi-dimensional process, and increasingly, a worldwide phenomenon. However, the local level stands as a fundamental level of analysis and policies. Local governments and organisations are expressing a strong need for expertise to deal with associated challenges, particularly regarding local labour markets.

4. Themes were discussed in a workshop organised by the OECD LEED Programme on “Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development”, June 2011; OECD (2011a), “Summary note of OECD workshop”, OECD workshop on “Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development”, 20 June 2011, OECD, Paris.

Box I.1. Place, space and sustainable development (cont'd)

The process of urban shrinkage is one of the products of the inter-relationship between globalisation, de-industrialisation and demographic change. It creates a negative spiral of unemployment, loss of services, deterioration of infrastructure and housing, loss of amenities, negative image of territories (due to the deterioration of the surrounding environment) often leading to the out-migration of young and skilled inhabitants and to the difficulty of attracting new people. In the end, this creates a phenomenon of socio-spatial segregation.

To address territorial shrinkage there are several aspects of possible policies and strategic approaches that can be suggested. Policies should foster social innovation, which could provide fresh ideas to manage shrinkage, particularly through new actors such as social entrepreneurs and social enterprises (Noya, 2009). Challenges can be turned into opportunities, through multi-dimensional and innovative approaches. In addition, social innovation could be embedded in the policy strategies to foster, for example, the silver economy, green growth or smart planning in view of population decline.

Including multiple actors is important; from new private actors such as social entrepreneurs, together with other public stakeholders (national and local), business, education and training organisations, trade unions, and NGOs. The necessity of policy co-ordination and coherence, particularly between the national and the local level, is crucial to increase the effectiveness of policy delivery and implementation of programmes and strategies by local actors.

Source: OECD (2011), "Summary note of OECD workshop", OECD workshop on "Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development", 20 June 2011, OECD, Paris.

Box I.2. The increase and implications of an ageing society

Decreasing fertility rates and increasing life expectancy have resulted in big changes in the population structure in the majority of developed countries. The OECD has extensive expertise in the area of demographic change, including the analysis of its impact on the labour market, employment, migration and pension policies. The OECD's response after the recent economic crisis and in relation to the ageing population issue is to encourage people to work longer, to improve their skills, and at the same time, to promote stronger incentives for employers to hire and retain older workers.

CEDEFOP's skills supply and demand forecast indicates that the shift from a manufacturing to a services-based economy will continue in the forthcoming years, and the share of people over 50 in the labour force will increase in all sectors and occupations. The new generation is more qualified (increased supply of skills) than older generations, and future occupations will require a higher level of qualifications that often cannot be filled by the current labour force (skills mismatch). Skills often become outdated quickly, and those with limited/low skill sets encounter difficulties in staying in the labour market. Therefore, improving training policies could help retrain people and assist them to find new jobs, possibly in different fields (OECD, 2011a; CEDEFOP, 2011).

To face the social impact of demographic change, the inter-generational approach can be useful in narrowing the gap between different age groups and in helping disadvantaged people. A number of projects realised by the Calouste Gulbenkian Foundation have shown that bringing people together, especially elderly people and youngsters, is fundamental to increasing civic participation, building communities, improving health and creating better employment opportunities.

Source: OECD (2011), "Summary note of OECD workshop", OECD workshop on "Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development", 20 June 2011, OECD, Paris.

Box I.3. Skills and technology for a changing society

Societies are adjusting to the ageing of populations and the shrinkage of labour markets through the development of new skills and technologies. The case of Japan exemplifies how the spatial distribution of urban shrinkage shows that social dynamics (e.g. fertility rates and changes in family composition) is a dominant factor of population decline as much as natural de-growth. In rapidly shrinking rural areas, for example, activities to rebuild cultural heritage could assure the transfer of skills as key tacit knowledge to future generations, through the inter-regional sharing of engineering skills from one Japanese region to another.

Japan is also initiating information and communication technology (ICT) projects for a silver society. ICT has become central to the reorganisation of care services, especially health-care delivery, but effective implementation faces a range of issues, from opportunities for innovation in services to institutional support and familiarisation of people over 65 to digital services. Japan, which spends 1.6% of its GDP to enable ageing with ICT, benefits from the fastest and least expensive broadband among OECD countries. The effective implementation of ICT in the care system requires the involvement of non-market activities, for which a number of governmental actions can be taken.

The projected 2020 figures on job creation and job replacement in the EU underline the continuous domination of the service sector on future labour markets and the growing demand for high-level qualifications, requiring social/cultural, technical and managerial skills. Structural educational progress is needed to raise productivity and allow active ageing, especially in shrinking regions.

Lastly, ageing societies need to reform financial and institutional aspects of educational progress and in-service training, as well as policy choices that balance pro-active formal education with better assessments of labour market requirements.

Source: OECD (2011), "Summary note of OECD workshop", OECD workshop on "Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development", 20 June 2011, OECD, Paris.

Box I.4. Migration implications and labour market needs

Population decline and shrinkage are not homogenous within a country as territorial dimensions of internal mobility need to be considered; therefore, an analysis at the local level is important for understanding demographic mobility and finding appropriate policy responses. It is also important to anticipate the trends and identify the regions that will be shrinking in the future, in order to assist them effectively and to share the lessons learnt from other areas.

In the Netherlands, an intergovernmental plan aimed at maintaining the level of liveability in shrinking areas was launched in 2009 in three regions, with a priority focus on increasing awareness. The role of the government focused on knowledge sharing, monitoring, networking and facilitating planning. The regions are primarily responsible for solving problems related to housing, the labour market and services. In the context of this policy, the new concept of "economic vitality" is being developed. It aims to promote economic growth in the context of population decline by reducing the mismatch between the supply and demand on the labour market and focusing on investing in a few strong locally embedded sectors.

Migration is often seen as a possible solution to reduce the population demise and rebalance the labour force structure, although countries with a long history of immigration can face different situations. The size of migration flows, the typology (families or young people) and the levels of qualification of the immigrants vary significantly within and across countries.

In recent years, a number of immigration policies have been adopted across OECD countries. Regardless of their openness towards the immigrants, country policies do not seem to always be consistent over time and are often not adapted to the demographic and labour market needs (OECD, 2011c). In this respect, national governments should allow local governments more flexibility to develop policies focusing on a broader set of issues, which respond to the local needs.

Box I.4. Migration implications and labour market needs (cont'd)

Migration is often a choice but is determined in response to socio-economic conditions and environmental degradation. In this latter case, migration flows are generally internal/cross-border and temporary depending on the size and the impact of the natural/environmental disaster affecting the area. Migration is usually selective and vulnerable groups generally tend to stay due to limited availability to resources. On the contrary, those who leave are the strongest groups of the population, and for them, migration could be a positive mechanism for adapting to environmental disasters and livelihood diversification. Durable solutions should be identified to mitigate impacts of forced or mass migration and encourage the interplay between migration and sustainable development.

Source: OECD (2011), "Summary note of OECD workshop", OECD workshop on "Policies and Strategies for Demographic Change: Skills, Employment and Sustainable Development", 20 June 2011, OECD, Paris.

Emerging policy responses to demographic change at local level

In many ways, these are new challenges of globalisation rapidly materialising at the local level, but very few local authorities are adopting an integrative strategic approach that is not linear and that takes into account the complex interaction of the issues discussed above. It is increasingly urgent to develop strategies, policies and programmes adapted to the specific local situation but with a strong understanding of the global dynamics in place. There are seven areas of notable policy and strategic focus for sustainable local economic and job development in view of demographic change scenarios (European Commission, 2008; Martinez-Fernandez, 2010):

1. **Sustainable planning models for shrinking communities.** Urbanisation is not taking place at the same pace everywhere and countries and territories, chiefly at the local level, experience huge differences as to how demographic change is affecting them. The planning discipline itself has developed a strong anchor to transitional economic models of urban growth and therefore the new situation of demographic change and shrinkage is outside the "international planning box". Addressing the issue of sustainable development models that move away from the growth paradigm requires different instruments and strategies strongly anchored to the local situation and the manifestations of shrinkage.
2. **Addressing low fertility rates** through policies that better support families, in particular better conditions for working parents and for those entering the labour market. Much work still needs to be done by public institutions to raise awareness of the critical need to support families beyond standard working conditions in the public and private sectors (chiefly in SMEs) as well as the need to provide good and flexible access to childcare. Awareness programmes might need to be integrated early and systematically in business training curriculums.
3. **Promoting tailored quality employment for the population over 65**, raising labour force participation and facilitating entrepreneurship providing new opportunities for the over 65 age group to engage in employment that is adapted to their age characteristics and that takes advantage of the accumulative knowledge acquired during their working life. Training and skills development systems will play an even more important role in the years to come as companies, especially SMEs, and their older workers adjust to the new imperatives of the low-carbon and silver economy. The assumption by employment systems that job routines are the same independent of the age of the employee needs to be challenged, taking into account the changing physical conditions of workers as they become older. New roles for older workers as mentors of younger workers also need to be developed in line with emerging intergenerational approaches.

4. **Developing the silver economy.** Many OECD member countries are fast becoming an elderly society. Japan, for example, will top 25% of the population aged 65 or over by 2015. In light of this demographic change, governments face critical policy challenges in the areas of welfare services for elderly citizens, policies aiming to raise birth rates, and social inclusion of the elderly. At the same time, new opportunities are emerging in the areas of the so-called “silver economy” where new technologies, products and services are being designed for and, sometimes by, the senior population. For example, care services will experience higher demand in quantity but especially in quality as well as increased opportunities in the leisure sector.
5. **Reforming local labour markets to increase productivity** and economic performance. The potential for further employment growth beyond pre-crisis levels is uncertain and therefore productivity will become the main engine of growth. The retirement of the baby boomers can potentially stress productivity. This is one of the key issues worldwide at the same time as society focuses on increasing quality and decent jobs. Training and skills development programmes and activities will become increasingly important for productivity gains and for fomenting entrepreneurship skills as well as green and silver skills. Intergenerational approaches for transferring knowledge and developing intergenerational knowledge-intensive activities are useful ways towards increasing performance.
6. **Integrating migrants in declining labour markets.** The role of migrants in alleviating labour market shortages increases as the baby-boomers retire and the silver economy expands beyond the traditional low-paid jobs in geriatric care and into high knowledge intensity jobs in leisure, healthcare and medical devices innovation. Challenges for training and skills development of a needed migrant population will also require new skills in the area of multi-cultural awareness and cross-cultural communication that would also need to influence changes in attitude of public and private employers.
7. **Assuring public finances of local areas** remain sustainable to address: *i)* the growing needs of an ageing society that will require higher demand for pensions, health and long-term care; and *ii)* provision and maintenance of current and new infrastructure of shrinking communities with a disappearing financial base. Supra-national and national governments have a role to play here together with local government institutions to assure their policies and strategies are aligned.

In summary, by not developing political strategies and guidelines that tackle demographic change, communities and local areas risk not only losing competitiveness or becoming disconnected from the globalisation grid but chiefly becoming further rooted in population, economic and employment shrinkage – or “triple helix shrinkage”. Table I.1 shows a matrix of combined growth and shrinkage effects from which joining the pathway to sustainable development poses greater challenges (Martinez-Fernandez, 2010).

Local institutions need to develop a “demographic check” system that informs of their needs in line with demographic dynamics. Training and skills development programmes of public sector employees will play an increasing role in understanding demographic dynamics in their area of policy and strategic planning.

Table I.1. Triple helix shrinkage

	Growth			Shrinkage		
	Population	Economy	Employment	Population	Economy	Employment
Population GROWTH					Falling income per head	Unemployment – skills surplus
Economy	Growth					
Employment	Growth	High-skilled equilibrium		Skills gap and shortages	Low-skilled equilibrium	
Population		Attractive shrinkage	Skills gaps and shortages			
Economy SHRINKAGE	Falling income per head		Low-skilled equilibrium	Shrinkage helix 2: decline of business activity		
Employment	Shrinkage helix 1: unemployment – skills surplus	Higher productivity, greater income disparities		Adapted shrinkage	Shrinkage helix 3: high unemployment – loss of skills	

Source: Martinez-Fernandez, C. (2010), "Knowledge-intensive service activities in the success of the Australian mining industry", *The Services Industries Journal*, 30: 55-70, 1 January 2010.

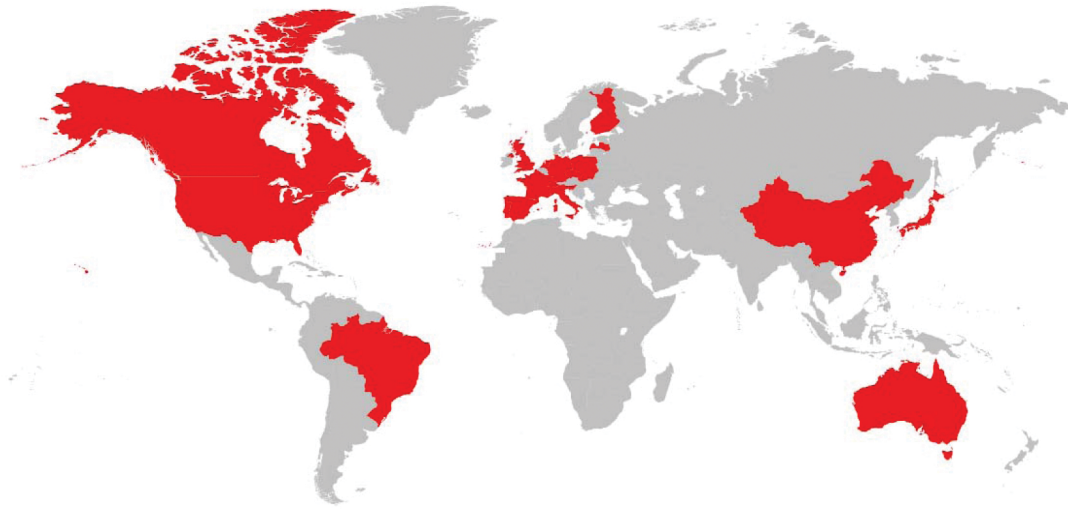
Structure of the report

This report is structured in three themes, categorised into regional continents to assist readability:

1. community shrinkage and sustainability;
2. regeneration strategies for local communities; and
3. social dynamics of demographic change.

There are 29 chapters from 20 countries from the Americas, Europe and Asia-Pacific regions discussed in this report. The distribution of country case studies can be seen from Figure I.11.

Figure I.11. **Country case studies distribution**



Note: A few chapters discuss Europe as a whole and one is a hypothetical approach.

The full report is available here:

<http://www.oecd.org/cfe/leed/demographicchange.htm>

Demographic Change and Local Development: Shrinkage, Regeneration and Social Dynamics

Demographic change is one of the key challenges today for local development together with globalisation, knowledge/technological shift, climate change and the development of the green economy, inclusiveness and poverty. Strategic solutions cannot be based on addressing one of these factors alone but must take into account the interplay of these elements within a particular local area of development (urban or rural).

At the same time that there are important challenges to be addressed, there are also opportunities to be fostered such as the development of the “silver” economy of older entrepreneurs, the “white” economy for medical services for the elderly population, or the natural “green” advantage of shrinking areas.