



**VASAB Expert and Stakeholder meeting
on Demographic Trends and Labour Market
Development
8 June 2010, Kaunas, Lithuania**

**Summary of outcomes of the VASAB meeting
on Demographic Trends and Labour Market Development**

VASAB, a cooperation of 11 Baltic Sea Region countries on spatial planning and development at its 7th Ministerial Conference in October 2009 adopted Vilnius Declaration stating that one of its thematic areas would be promoting urban networking and urban-rural cooperation. Within this direction VASAB has planned several activities for the next years. We think it is important to raise awareness in the Baltic Sea Region about the impact of demographic trends and labour market development on urban-rural polarisation and social cohesion. In other words, ageing, out-migration and thus depopulation has significant impact on the territory (quality of life, provision of services, accessibility etc.). To this extent it is planned to organize a pan-Baltic conference in 2011-2012 and develop policy recommendations how to mitigate the negative effects of this trend.

VASAB expert and stakeholders meeting on demographic trends and labour market development in Kaunas was the first step towards identification of main topics and proposing the policy recommendations at the Baltic Sea Region level. This meeting will bring together pan-Baltic, regional and local policy makers, national experts from the Baltic Sea Region countries and representatives of relevant transnational projects.

VASAB meeting in Kaunas will be followed by more thorough workshop on urban-rural relations in the Baltic Sea Region in September 2010, in Minsk, Belarus. The Minsk workshop will concentrate on urban-rural partnership issues; particularly it will discuss urban-rural relations towards knowledge-based development, new forms of urban-rural partnership in a view of the growing urban-rural divergence and present best urban-rural partnership cases in the Region.

The VASAB meeting in Kaunas had three sessions. During the first part of the meeting three transnational projects (DEMIFER, DC NOISE and HINTERLAND) dealing with the demographic trends and labour market development were presented. The opening part was followed by the round table discussion where national experiences from Germany, Poland, Sweden, Finland, Latvia, and Lithuania were shared and discussed. The last session was devoted to conclusions, outlined common problem areas for the Baltic Sea Region, identify research steps taken so far and policy measures needed.

Moderation of the meeting was provided by Mr. Garri Raagmaa, PhD, University of Tartu and Prof Zaiga Krisjane, PhD, University of Latvia.

DEMIFER – ESPON project on Demographic and Migratory Flows Affecting European Regions and Cities - deals with the effects of demographic and migratory flows on European regions and cities and examines the implications for regional competitiveness and European cohesion. It is led by Netherlands Interdisciplinary Demographic Institute and it involves 7 partners from Austria, Poland, UK, Netherlands, Sweden and Italy.

DC NOISE is the Interreg IVB North Sea Region project which unites 9 regions from 5 countries; Netherland, Norway, Germany, Belgium and Scotland to work together and to deal with the consequences of demographic changes. Main objectives of this project are - to raise the public awareness, to develop better understanding of and find solutions for demographic changes, to

implement strategies and to communicate the outcomes and best practices of the DC NOISE project.

HINTERLAND is the Interreg IIIB Baltic Sea Region project which involved 15 partners from 5 countries; Germany, Denmark, Lithuania, Poland and Russia, including Karelian Research Centre of the Russian Academy of Science and Baltic Institute for European Regional Concern. The project aims to manage the processes of decline in the Hinterland region by modern, innovative spatial development approaches and involved triangle partnership between local authorities - regional coordinators - decline experts which builds on strong horizontal and vertical cooperation in spatial development planning.

During the Round Table of national experts (**Dr. Ilari Karppi** - University of Tampere, Finland, **Dr. Vlada Stankuniene** - Institute for Social Research, Lithuania, **Dr. Zaiga Krisjane** - University of Latvia, **Dr. Natalia Klimenko** - I. Kant State University of Russia, **Dr. Joachim Ragnitz** - Institute for Economic Research (Dresden), **Dr. Daniel Rauhut** - Royal Institute of Technology (KTH) (Stockholm) presented and discussed the spatial conservancies of demographic development in their countries and in the Baltic Sea Region.

Main conclusions

- Awareness of politicians and general public should be raised:
 - to downward trends on account of natural losses resulting from low fertility rates, ageing of the societies and decreasing share of the youngest generations in the age structure in the Baltic Sea Region;
 - to interrelations between aging of the population and migration of younger age employees from rural and peripheral regions to the metropolitan labour markets;
 - to decline of the population numbers in many towns and cities in Baltic Sea Region especially severe in the southern and eastern part of the BSR;
 - to increasing out migration from the Baltic Sea Region.
- Gap between shrinking and growing regions in the Baltic Sea Region is increasing therefore causing changes also within the spatial structures of the regions. The most of undertaken policies have adaptive character.
- There is a need for long term policies in all planning levels based on long term development strategies. The policies at the Baltic Sea Region level should be based on appropriate monitoring data taking into account all peculiarities of the Region, NUTS 2 level is not corresponding for this purpose. There is also a need for new structures and instruments to solve coming challenges of a post-industrial era. Sometimes policies that are good in short term could be insufficient in a long run. Exchange of knowledge will be one of the most important issues.
- The existing potential of labour force in the Baltic Sea Region is underused (homemakers, long sickness, elderly people etc.). Immigration not always solves labour market problems. Proposed policies should be linked to long term development strategies.
- The focus in policy making should be devoted to the various groups of inhabitants, especially to young people.
- Establishment of a regional development analyses centre that would cover the Baltic States and Poland (similar to *Nordregio*) could be very valuable.

Short description of the presentations at the round table discussion

The main findings of the ESPON Project **DEMIFER: Demographic and migratory flows affecting European regions and cities related to the Baltic Sea Region** was presented by **Lisa van Well** (NORDREGIO). The main demographic changes across Europe are the slowing of population growth, the ageing of the population, the decline in the growth rate of the working age population and the switch from natural growth to migration as main driver of population growth. Analyze of demographic situation show that migration will have a significant impact on demographic and labour force development of regions. Population scenarios are important devices for thinking about alternative futures taking into account both the mutual relationship between demography and economy and the linkages between economic and social policies and demographic and migratory developments. There are proposed migration policy bundles among immigration, interregional and extra-European migration, policy combination of labour markets and economy to raise labour force participation and productivity. Policies aimed at affecting demographic and migratory flows should not be considered in isolation from other policies.

The main objectives and results of ongoing project **DC NOISE** was presented by **Roos Galjaard** from Twente region. One of the objective of Interreg IVB North Sea Region project „Demographic change: New Opportunities in Shrinking Europe” is to develop a better understanding of and find solutions for the consequences of demographic change in three main themes such as labour market, services provision and innovative housing. Demographic change is recognised as one of the most significant challenges facing Europe and its regions. It consist different trends among them: a population decline, an ageing society a shrinking labour force, decreasing number of young people. The demographic challenges require different, but often integrated solutions. Together the partners of DC NOISE are seeking to develop new approaches in practice and to share the lessons they learn throughout the North Sea Region: for example, revitalizing the housing market; ICT service for senior citizens and home bounded persons; social, demographic and spatial monitoring in Bremen.

Torsten Naubert from Havelland-Fläming Regional Planning Authority presented the main outcomes of the Interreg IIIB Baltic Sea Region project **HINTERLAND** (Potentials for a Spatial Development under the Aspects of Decline). The Project focused on management the processes of decline in the Hinterland region by modern and rising innovative spatial development approaches. One of crucial issue is to raise awareness on decline issues, encouraging actors to qualify attractiveness inspite of declines and stressing importance of decline strategy approaches and programs. There are proposed changes on policy at European, national, regional and local policy level for depopulation areas to strengthening regional and local civil society and public authorities, developing local capacities for change, mobilizing local and regional potentials and creating / supporting innovation in organisational and institutional processes. There are stressed necessity to integrate problems of decline into spatial development and planning activities by developing new visions, targets and measures at all levels. There are proposed policy recommendation for areas in decline such as establishing educational networks, using potentials of information technologies and services, ensuring regional access to infrastructure and knowledge, supporting interconnectivity between urban areas and the countryside.

Dr. Ilari Karppi from University of Tampere described issues on international (labour) migration mingled with other emergent demography-related political debates in Finland. There are analysed demographic trends, ageing and diminishing population in the working-age, longer-term impact of increased immigration, and spatial distribution of inhabitants in Finland and population projections, its errors and corrections. Finland has been faced to new challenges and policies to diversify development patterns and trends, public finance facing a need to enter an austerity regime, to manage the new labour market regime with increasing immigrant labour force, higher participation, changes in the higher education system. Strengthening business logistics and ITC emphasize better accessibility.

Dr. Vlada Stankuniene from Institute for Social Research identifies demographic trends of Lithuania since the beginning of 1990s and its impact on labour market and population distribution. There are underlined fertility decline, fluctuations of mortality and very extensive emigration. These led to rapid decline of population size and depopulation, an acceleration of population ageing and changes in population distribution. These processes are similar in Lithuania and neighbouring countries. There are observed new migration trends and diversity of migration flows. The most intensive emigration is from rural areas, small and medium size towns to work abroad. The latest trends show an increase emigration to study abroad and for family reasons. Recent demographic development face challenges to different policies for example, migration (emigration, return migration, etc.), family, health care, social security, employment and economic policy.

Dr. Zaiga Krisjane from University of Latvia focused on changing of migration pattern and its consequences in Latvia. Emigration reduces the size of the labour force, which keeps companies from expanding or seeking new opportunities. The country loses its future child-rearing generation, which in turn implies population loss. The dependency ratio between the working population and the dependent population turns increasingly unfavourable. There are proposed for supporting the new jobs in areas in distant from the Latvian capital to develop infrastructure of mobility, including inexpensive access to the Internet, support to retraining employees and unemployed, to expand opportunities for distance work and to support local economic activity. A set of direct and indirect methods to regulate migration has been developed in tandem with relevant employment and regional policies.

Dr. Natalia Klimenko from I. Kant State University of Russia stressed urban-rural polarization and social cohesion aspects in Kaliningrad. There are analysed spatial dimensions of population reproduction and migration, social inclusion and mobility of migrant groups in Kalinin grad agglomeration. Policy recommendations for development of sub-regional centres, increasing accessibility, levelling living conditions between cities and countryside, balanced labour market of the region and urban-rural partnership and trans-border cooperation should facilitate social cohesion.

Dr. Joachim Ragnitz from Institute for Economic Research (Dresden) outlined the main implications of demographic developments and its regional differentiation in Germany. There are stressed decrease and aging of population and labour force and policy advise how to face these implications.

The demographic development will influence spatial structures, providing public and private services. There are mentioned policy advice for restriction of publicly provided services to the basics (i.e. elementary schooling, medical care, public safety), concentration of basic public services (such as high schools, public administration, hospitals) in centrally located places (which means higher mobility costs for the private sector), decentralise organisation of public services where possible and less expensive (e.g. waste water treatment, electric power stations), mobile solutions where possible (e.g. certain forms of

public administration, elementary schools, basic medical services), internet-based provision of public services, reduction of quality standards (e.g. for road quality, assistance in case of emergency) and dismantling of infrastructures (e.g. buildings, water pipes).

The spatial policy will be focused on financial support for the dismantling of infrastructures, centralisation of public services, administrative reform, decentralisation of basic medical services, reorganisation of public transport, (financial) incentives for regional initiatives (e.g. with respect to economic development, public transport, cooperation of regional stakeholders).

Dr. Daniel Rauhut from Royal Institute of Technology (KTH) indicates demographic trends and development of labour market in Sweden. The capital intensive production in the Nordic countries indicates necessity to increase of productivity. The shortage of labour is linked to geographical location for instance in sparsely populated areas and economic cycles. The institutional setting of the labour market is tied to an industrial economy, but the economic structure today is post-industrial. It is necessary to find new creative and flexible solutions to using potential labour reserve. Policies should be addressed on different groups such as elderly, young peoples and targeted different issues.

Themes for pan-Baltic conference on demographic and labour market issues proposed by Mr. Garri Raagmaa and Dr Prof Zaiga Krisjane and presented at the Kaunas meeting

According to the earlier preparation four themes were proposed for the discussion:

1. Global competitiveness of the BSR versus social & regional cohesion (Europe 2020 strategy).
2. Restructuring economic structure and labour market beyond the “era of cheap labour”.
3. Peripherization of remote rural and brownfield areas in the conditions of increasing further urbanization.
4. General policy issue: “Linking strategies of different spatial levels (EU, BSR, national, regional) and different sectoral socio-economic development.”

Under the first theme “Global competitiveness of the BSR versus social & regional cohesion” following sub-themes were outlined:

1. Low-carbon society and changing spatial structures.
2. Core-periphery perspective in Europe.
3. Metropolization and suburbanization, increasing mobility and urban sprawl.
4. Changing cultural fabric of Europe. What are the costs in sustainability of the increased trans-European labour mobility?
5. Aging and rising social costs:
 - a. possible collapse of welfare systems,
 - b. new rising health and social care industry,
 - c. new forms of social work.

Under the second theme “Restructuring economic structure and labour market beyond the “era of cheap labour” in the Baltic States & Poland “following sub-themes were outlined:

1. From sub-contracting to indigenous growth & flexible specialization.
2. Tackling territories with 20% and more unemployment rate: investments and retraining.
3. Deficit of qualified labour force and the need to develop further education in 10 years perspective.
4. Investments in human capital (for example, education and training, research).
5. Flexicurity, as a combination of liberal and dynamic labour market with active public re-training and other.

Under the third theme “Peripherization of remote rural and brownfield areas in the conditions of further urbanization and increasing Asian competition in primary and secondary industries” following sub-themes were outlined:

1. Depopulation of peripheries.
2. High unemployment and inactivity rates.
3. Missing access to services, particularly schools, quality issues of these services.
4. Quality of life in rural areas, second housing perspectives.
5. Development of FUR’s (mini-growth poles) in the periphery.
6. Local mobility to the regional labour markets.

Under the fourth theme “General policy issue: “Linking strategies of different spatial levels (EU, BSR, national, regional) and different sectoral socio-economic development” following sub-themes were outlined:

1. More planning in development and land use.
2. Participation in development and planning.
3. How to pay attentions of politicians – pressure, urgency.
4. From project based development to programme/institution based approach.
5. Monitoring also in Eastern shores of the BSR. Establishment Nordregio type regional analyses centre “Baltregio”, including Baltic States and Poland.