

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT**  
STRUCTURAL AND COHESION POLICIES **B**



Agriculture and Rural Development



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**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC  
CHALLENGES?**

**ANNEX - CASE STUDIES**







**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

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**CASE STUDIES**

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**Abstract**

This study provides an overview of regional demographic structures and trends in the EU with the focus on their likely effects on socio-economic and territorial cohesion and the role of Cohesion Policy in addressing demographic change. In detail it analyses how and to what extent the 2007-13 European Cohesion Policy and Structural Funds have been tackling demographic change at the regional level in order to derive useful indications on how Cohesion Policy actions could be more effective in the future programming period (2014-2020). The study contains a literature and data review on demographic and spatial trends in the EU regions and the main policy developments; a review of Cohesion Policy programming documents for 2007-2013; an in-depth field analysis of ten regional case studies and good practices and finally, a horizontal reading of the main findings to draw conclusions and policy recommendations for the 2014-2020 programming period.

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**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

# **HOW CAN REGIONAL AND COHESION POLICIES TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY**  
**PROVINCE OF LIÈGE, WALLOON - BELGIUM**



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## LIST OF ABBREVIATIONS

- ALPI** Actions Locales Pour Indépendants
- DG AGRI** Directorate – General for Agriculture and Rural Development
- DG REGIO** Directorate – General for Regional Policy
- EFS** European Social Fund
- ERDF** European Regional Development Fund
- ESF** European Social Fund
- EU** European Union
- EU27** European Union of 27 Member States
- GDP** Gross Domestic Product
- HTC** High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
- ICT** Information and Communications Technology
- IN** Intermediate
- NSRF** National Strategic Reference Framework
- NUTS1** Nomenclature of Territorial Units for Statistics 1
- NUTS2** Nomenclature of Territorial Units for Statistics 2
- OPs** Operational Programmes
- PR** Predominantly rural
- PU** Predominantly urban
- R&D** Research and Development
- SF** Structural Funds
- SMEs** Small and Medium-sized Enterprises
- SPW** Public Service of Wallonie
- SRWT** Walloon Regional Society of Transport
- SWL** Walloon housing society

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## INTRODUCTION AND MAIN FINDINGS

This case study deals with the demographic changes emerging in the Belgium province of Liège and the regional strategies of the Structural Funds (SF) Programmes of Walloon<sup>1</sup> 2007-2013 to tackle them.

- According to the evidence collected with direct interviews and the review of strategic documents, the key demographic challenges are related to the severe structural changes the region is recently facing. More specifically:
  - Liège is one of the most urbanised areas of the Walloon region and is undergoing a deep economic transformation process. Like other Walloon provinces, in the past Liège was specialised in traditional industrial activities, but the loss of international competitiveness, started in the Seventies, forced to diversify the economic fabric and to search for new employment opportunities in more value-added sectors;
  - the lack of job opportunities, as well as of adequate education and skills of the labour force, constrain the development prospects of the entire region. While dynamic R&D centres and innovative enterprises are arising in some areas of the region, e.g. in the province of Brabant, Liège and the urban agglomerations located along the Meuse river, the former economic backbone of Walloon, are struggling to reconvert their economy;
  - recent demographic trends reflect the economic transformation. While the Meuse basin has been for several years the destination of migration inflows, today most incoming migrants settle in the fastest growing areas outside the main city centres so that population along the Meuse stopped growing.
- In order to respond to such challenges, in 2005/2006 the Government of Walloon set up an ambitious plan (the "Marshall Plan") to bring new life to the regional economy, by providing, on the one side, new economic and commercial activities in the urban centres and increased accessibility, and, on the other side, by training schemes to ensure a match between the demand and supply of labour. Since Liège faces challenges similar to those of other Walloon provinces, the strategy has been designed at NUTS 1 level. The main objective is to stimulate the metropolisation of the Meuse river basin, minimise the marginalisation of people affected by the industrial restructuring process, and making it attractive again for business, citizens and migrants.
- The Cohesion Policy interventions<sup>2</sup> are embedded in the regional strategy, which ensures complementarity between the ERDF and ESF projects: while the former ones implement infrastructure actions to regenerate the urban areas (business centres, transport connection, housing, environmental regeneration, etc.) and provide new economic opportunities, the latter provide training schemes to improve the skills of people, particularly the young ones and those dropped out from the labour market, so as to ensure a match between the labour supply and demand markets.

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<sup>1</sup> While the level of analysis is the NUTS 2 region of the Province of Liège, the Structural Fund Programme is addressing the NUTS 1 level region of Walloon.

<sup>2</sup> Other specific programmes have been drafted for the Convergence region of Hainaut.

Through these investments, the EU funds support both the economic and demographic growth along the Meuse river. It has to be noted that the volume of resources allocated by the EU fund is overall marginal compared to the total amount of public funds made available at either regional or local level.

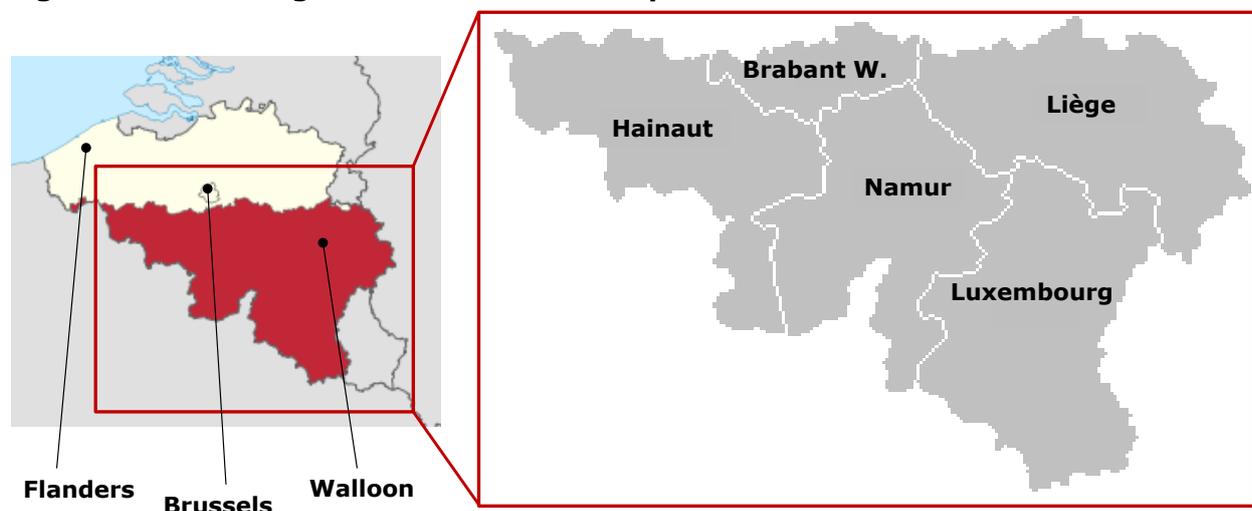
- No problems have been highlighted also in the implementation and governance of the two OPs. The high degree of collaboration between the ERDF and the ESF Managing Authorities in all the phases of the programming cycle, but also the involvement of organisations from the civil society ensured the design and implementation of projects tailored on the actual needs of population.
- A number of key findings result from the case study:
  - In order to trigger significant and sustainable changes to both the economic fabric and demographic trends, a long-term strategy has to be clearly outlined and all interventions need to be integrated with each other. In this respect, the overall approach put in place by the region of Walloon represents a good practice.
  - The integration and complementarity of different sources of financing (European, federal, regional and local, as well as private investments) under the framework of a long-term strategy with the same overarching goal, such as the Marshall Plan, allow to exploit the synergies, accelerating the achievements and maximising the results.
  - Additionally, the decision to select, finance and implement integrated portfolios of projects, rather than single projects, effectively stimulates coordination among all the parties involved in a set of interventions addressing the same area or sector.
- Large investments are still needed for the province of Liège and Walloon to regain competitiveness, reduce social malaise and stimulate population growth along the Meuse basin. To this aim, Cohesion Policy is expected to give its contribution also in the next programming period, even if the new conditionality rules risk reducing the actual use of EU funds.

## 1. REGIONAL CONTEXT

### 1.1 General socio-economic context and impact of the crisis

The province of Liège is the largest urban area of Walloon. It is classified as a Competitiveness and Employment Objective NUTS 2 region of the European Union, along with other three provinces, i.e. Namur, Luxembourg and Brabant Walloon. The province of Hainaut, instead, is classified within the group of Convergence (phasing out) regions, due to relatively lower level of development. As this case study illustrates, the Competitiveness and Employment Objective regions share a similar socio-economic context and the main demographic challenges. This is reflected in a common strategy of intervention and Cohesion Policy programming.

**Figure 1: The region of Walloon and its provinces**



Source: Authors.

Per capita GDP of Walloon has recorded a positive growth trend since 2000, although its level is still lower than the national and European average. In 2000 the employment rate was 55%, below the national and European average and largely below the Lisbon objective of 70%. In spite of a rate of growth higher than in the rest of Belgium between 2000 and 2011 (2.1% versus 1.4%), the employment rate for the whole Walloon remains below the average. Conversely, unemployment rate, currently at an average of 11.7%, is above both the Belgium and EU level. This rate has remained overall stable between 2000 and 2011. As a matter of fact, the high level of employment in sectors not directly linked to international macroeconomic trends, such as the social sector composed of non-governmental associations, but also the education and the health sectors, guarantees a certain stability in the labour market trend, with neither relevant growth or falls recorded over the past years. For the same reason, Walloon managed also to take the shock of the recent global crisis, with economic indicators falling in 2009, but then recovered and stabilised again already in 2010.<sup>3</sup>

It is interesting to note that the improvement in the employment rate has been sustained particularly by the increase of female employment. Actually, in Walloon the gap between

<sup>3</sup> Another Belgium NUTS 1 region, Flanders, suffered more from the crisis because its economy is more oriented towards open market sectors.

male and female participation in the labour market has been progressively narrowed. The employment rate of women passed from 46.4% in 2000 to 50.6% in 2010. Conversely, the rate of employment of men decline from 65.5% to 62.9% over the same decade. The groups of men under 24 years old have been experiencing the most significant fall of employment.<sup>4</sup>

Relevant disparities have to be highlighted both between and within different Walloon provinces. Two axes crossing each other can be highlighted when analysing the socio-economic features of the region (see e.g. Figure 2):

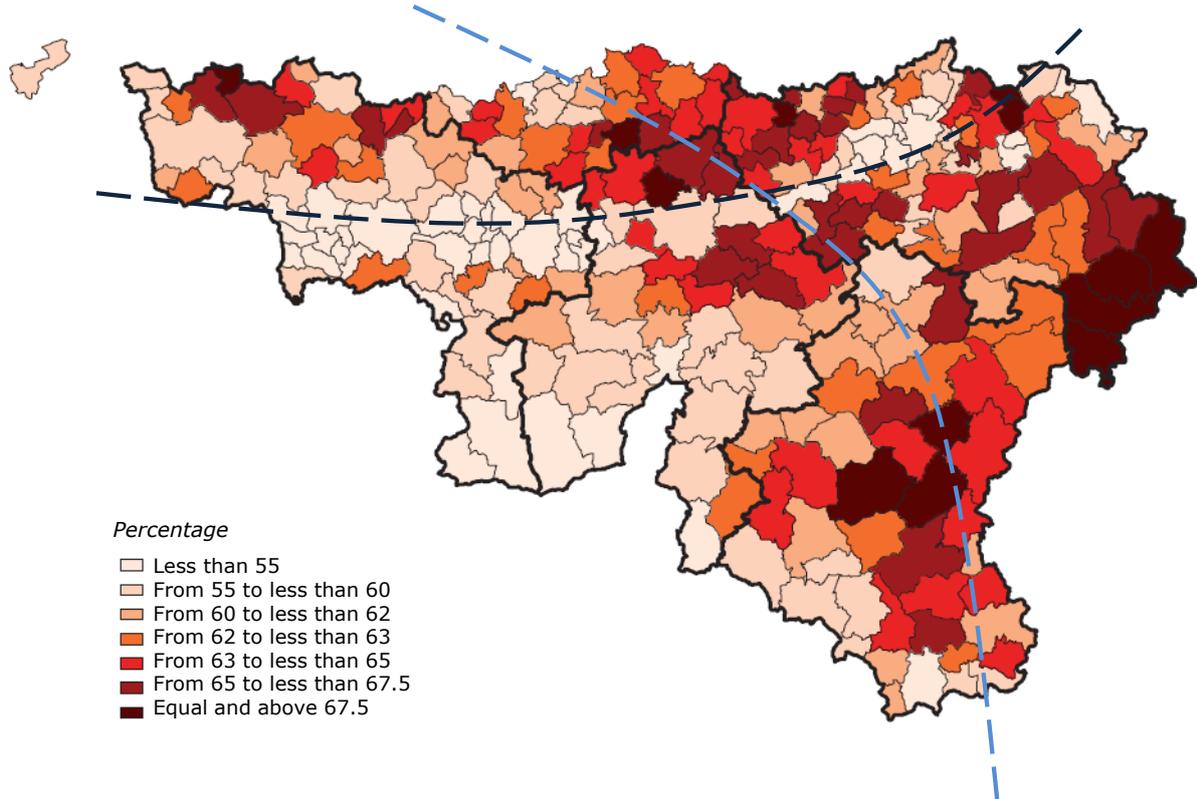
- A vertical axis going from Brussels through the Brabant Walloon province and to the south of Walloon, corresponding to an area that is recording good growth and employment rates and where development prospects are high. The underlying reasons for such a trend are the high number of universities and centres of research stimulating innovation, and the set-up of many start-ups operating in value-added sectors. Because of this accelerated development, per capita GDP in the province of Brabant Walloon has already caught up and even overtaken the national level. The economic indicators along the East border are also very positive, due to higher shares of people living in Walloon but working in neighbouring countries.
- An horizontal axis, mainly following the basin of the river Meuse and passing through the largest cities of Walloon: Charleroi, Namur and Liège. After World War II, this area represented the industrial back bone of the regional economy, based on the mining and steel industry. Due to loss of competitiveness and the delocalisation of many plants, since the Seventies this area is suffering from declining economic activity, resulting in a substantial increase of unemployment.<sup>5</sup> Today the industrial sector is trying to restructure itself but the area is still experiencing development challenges. Unemployment rate among young people, which find difficulties in entering the labour market, and long-term unemployment of people who dropped out from the traditional industrial sector and cannot find other suitable job opportunities are the most relevant economic challenges which sharply contrast with the dynamism of other region's areas. Lack of skills is also an issue, impeding citizens from finding an adequate job. In fact, the socio-economic weaknesses of the cities along this horizontal axis are constraining the growth and limiting competitiveness level of the whole region.

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<sup>4</sup> Passing from 28.2% in 2000 to 24.65 in 2010 (Source: IWEPS, 2012).

<sup>5</sup> Since the start of the crisis in the Seventies, about 200,000 jobs have been lost in the industrial sector (source: interviews).

**Figure 2: Unemployment rate of young people**



**Source:** Authors elaboration based on IWEPS (2012).

In order to improve economic competitiveness and also to align to the European Lisbon strategy for a stronger and sustainable growth, the former industrial cities are moving towards diversification of activities, particularly in innovative and knowledge-based sector (e.g. pharmaceuticals and aeronautics). Yet, although some efforts have been made, R&D intensity in the most fragile provinces is still far from the Belgium average: in Liège, employment in knowledge intensive sectors is at 3.74% against a national and EU average at 4.51% and 4.37% respectively in 2011. This can be explained also by the insufficient skills of the labour force to meet the demand for such new value-added activities.

**Table 1: Key socioeconomic figures**

	Province of Liège				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	18,500	21,200	23,700	28.1	24,600	29,000	31,500	28.0	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	18,402	20,493	22,059	19.9	246,397	282,279	298,461	21.1	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	2.4	1	-1.6	-4	3.7	1.8	-2.8	-6.5	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	54.9	56.1	57	2.1	60.5	61.1	61.9	1.4	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	61.2	63.8	63.0	1.84	65.1	66.8	66.7	1.6	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	10.2	11.9	9.5	-0.7	7	8.4	7.1	0.1	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>						14.8				25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	23.6	29.6	32.3	8.7	27.1	31	34.6	7.5	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)		1.51	1.43		1.97	1.83	2.04	0.07	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	35.8	42.3	45.1	9.3	40.4	44.5	47.8	7.4	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	4.02	3.3	3.74	-0.28	4.72	4.45	4.51	-0.21	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Note:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; Total intramural expenditure at NUTS2 level in 2005 and 2011 are valued (respectively) with 2006 and 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data.

## 1.2 Overview of the main demographic challenges in the region

Between 2000 and 2011 population in Liège Province has increased by more than 6%, slightly below the national average. Population growth has been sustained by a positive flux of migrants, coming especially from other Belgian regions, EU countries (France, Netherlands, Germany, Italy and Spain), and, more recently, from the Maghreb countries and African former colonies (e.g. Democratic Republic of the Congo). Immigrants contribute to increase the regional fertility rate, which is currently above the EU average (1.83% in Walloon versus 1.59% in the EU27). Positive fertility rate is sustained also by increasingly favourable work conditions for women which help balance family and work life commitments.

Higher life expectancy compared to the past and the progressive retirement of the “baby boom” generations born in the aftermath of World War II are at the basis of the population aging process. However, immigration and the population natural growth in help keeping the old-age dependency ratio below the European level. Over the 2000-2011 period, such a rate has decreased by 1.2%, against a slight increase by 0.4% in Belgium and 3% in the EU.

Walloon population is also characterised by a higher than EU average mortality rate. As pointed out by the IWEPS report (2012), the factors determining higher mortality are high suicide rates, cardiovascular diseases and cancers linked to bad behaviours (e.g. obesity, smoke or alcohol abuse). All these factors can be traced back to the socio-economic problems affecting the Walloon population, especially along the above mentioned horizontal axis.

Migrants or now naturalised citizens of foreign origin which came during the Fifties and Sixties, attracted by the positive economic prospects in the region, are mostly concentrated in the former industrial areas. The changing economic situation, with the closure of many large industrial plants in the major urban poles of the region, slowed down the migrants’ influx towards these areas and shifted them towards the fastest growing spaces outside the main city centres (see Figure 3). At present, no depopulation process can be observed in the major urban areas, mainly because of the low housing prices, so that the share of population of foreign origin living in the major cities of the region, such as Liège, is still relevant. This factor, in fact, increases the vulnerability conditions of people living along the Meuse river. Actually, migrants generally have lower than average education and skills, or problems in using their skills and validate their competences, thus making their (re-)integration in the labour market particularly difficult.

The economic difficulties, jointly with the concentration of low skilled people, mainly of foreign origin, in the declining industrial zones, create a phenomenon of spatial dualism within the region, with the former industrial districts characterised by situations of social malaise. In cities localised in the suburbs of Liège or Charleroi it is not rare to find “second generation” unemployed persons, i.e. young people without a job with parents that have been unemployed for most time of their life.

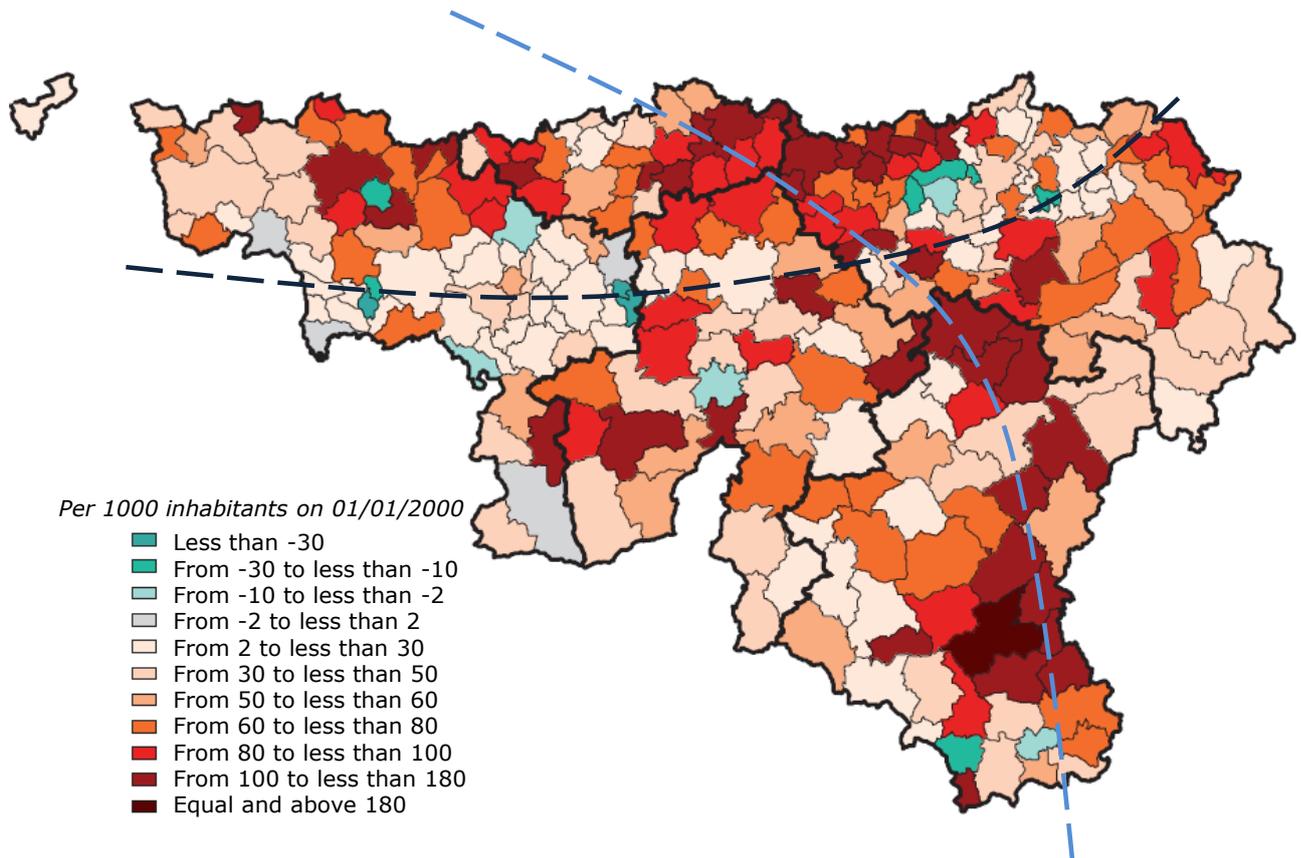
The already mentioned low price of houses, but also the large number of social houses,<sup>6</sup> the generous and solidarity unemployment benefits, the availability of free basic public services and the existence of many non-governmental associations providing support and assistance

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<sup>6</sup> In Seraing, near Liège, approximately one out of five people of the city centre live in social houses.

to vulnerable people guarantee a decent quality of life and limit the risk of social exclusion of unemployed. At the same time, the lack of economic opportunities and the limited skills for people dropped out from the industrial sector trigger a vicious circle that keep undermining the economic competitiveness and growth prospects of entire provinces.

**Figure 3: Migration ratio of the Walloon's municipalities between January 1st 2000 and January 1st 2010 (for 1,000 inhabitants)**



Source: Authors elaboration based on IWEPS (2012).

**Table 2: Key figures on demographic change**

Indicator	Province of Liège				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
Crude rate of population natural increase	0.2	0.2	0.9	0.7	2.4	6.3	3.7	1.3	2.9	4.2	2.5	-0.4
Crude rate of net migration	0.4	5.8	8	7.6	1.3	4.7	1.4	0.1	2.3	3.6	1.7	-0.6
Old age dependency ratio	26.7	26.7	25.5	-1.2	25.5	26.3	26.0	0.4	23.2	24.7	26.2	3.0
Total fertility rate		1.77	1.83	1.83	1.67	1.76	1.84	0.17		1.51	1.59	1.59
Population density	265.2	269.7	278.2	13	338	345.5	358.7	20.7	112.3	114.3	116.6	4.3
Prevalence of urban or rural population			PR									
Long-term care available beds in nursing and residential care facilities					1203.8	1194.9	1207.2	3.4				
Hospital beds	738.6	721.5	648.3	-90.3	776.9	742.5	644	-132.9	640.1	584.1	538.2	-101.9
Formal childcare (national and EU level)						19	19				14	
Total health care expenditure as a percentage of GDP (national level)						10.06	10.88					
Total long-term care health care expenditure as a percentage of GDP (national level)						1.60	2.15					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates in 2011 are valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data

**Table 3: Key figures on demographic projections**

Indicator	Province of Liège			National Average			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population (in thousand)</b>	1,064	1,179	0.115	10,784	11,745	0.961	499,389	519,942	20.553
<b>Share of people aged +65 over the total population</b>	16.9	22	5.1	17.2	22.9	5.7	17.4	23.6	6.2
<b>Old age Dependency ratio (%)</b>	25.60	36.10	10.5	26.10	37.60	11.5	25.90	38.00	12.1

Source: Eurostat, Europop2008.

Notes: All indicators are projections calculated in 2008 by the Europop2008 Report.

### 1.3 The national and regional policy approaches in addressing demographic change

The Government of Wallonia is making large efforts to tackle the economic and demographic challenges affecting the province of Liège, as well as other former industrialised areas, i.e. the highest concentration of unemployed and unskilled people, particularly of foreign origin, and the lower growth of population compared to other more prosperous areas. The regional strategy intends to revitalize the economic competitiveness in the whole Wallonia, by favouring the restructuring of the declining economic activities and the economic diversification towards innovative and value-added markets. In this way, the Region means to reduce the vulnerability of population living in the major urban centres, attract again migration flows towards these areas and sustain the metropolitanisation process of the cities along the Meuse. Actually, given the favourable position of cities such as Namur and Liège, which are located at the centre of various routes crossing the EU, the Region considers paramount to concentrate along this axis a significant number of economic, commercial touristic, cultural and financial activities.

Since 1999, the Government of Wallonia has developed a strategy to boost the Wallonia re-development in an integrated way, in coherence with the European strategic orientations: the "Contract for the Future of Wallonia". This strategic document is based on a long-term perspective, a sort of vision of how Wallonia should look like in the future. In August 2005, the Government of Wallonia decided to dedicate an important budget to a Priority Action Plan, called the "Marshall Plan", which aims at giving a qualitative jump to the economy of the Region. This Plan envisages structural reforms to foster the creation of competitiveness poles in key growth sectors, stimulate the creation of SMEs, promoting research and innovation and improving the skills of the workforce by meeting skills shortages in certain sectors. In 2009, the orientations of the Marshall Plan have been confirmed by the new Government of Wallonia in the "Marshall Plan 2.Green".<sup>7</sup> The Plan 2 resumes from the previous objectives and places greater emphasis on eco-efficiency and green technologies,

<sup>7</sup> Source: <http://www.wallonie.be/fr/actualites/plan-marshall-2vert-mise-en-oeuvre-2010-2012> and <http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/monitor/index.cfm?q=p.policy&n=14145&r=BE3>.

in line with the targets of the Lisbon strategy. It focuses on six priority areas, listed in Table 4.

Another plan contributing to economic recovery but specifically addressing the human capital development was signed in 2005 by the Government of Walloon and of the French Community: this is the '*Plan Stratégique Transversal n°2*', focused on the development of knowledge and skills in Wallonia. Its objectives are to increase creativity, skills, employment of the Walloon population. In the same year, the '*Plan Stratégique Transversal n°3*' was also launched, this one focused on improving social inclusion of old people, immigrants, disables, people facing in social exclusion and social malaise and unemployed persons.

Local Councils may also draft their own city plans, which explore possibilities of development tailored on the local needs and specificities, while being also linked to the overarching regional strategy. An example is the Master Plan developed by the city of Seraing, in the province of Liège, putting forwards a long term investment strategy to reconvert the steel industry and give a more attractive and sustainable aspect to the city (see Section 4).

The EU funds (the European Social Fund and the European Regional Development Fund) give their contribution towards the economic strengthening, particularly in the most disadvantaged areas, following the strategic orientations of the Marshall Plan. The total volume of EU funds available to Walloon is, however, a very small share compared to the total volume of public resources allocated by the federal, regional and local level.

All interventions, implemented both at regional and local level, and including different categories of actions (construction of incubator centres for SMEs, training courses, counselling for unemployed and support for job-search, infrastructures to improve the accessibility and attractiveness of cities, incentives for the business sector, and so on) complement each other and aim at achieving a leverage effect so as to maximise the benefit and speed up the transformation process of the regional economy.

In spite of the fact that the old age dependency ratio in Belgium is relatively low and that this demographic issue is currently perceived as less urgent compared to other EU Member States, measures have already been undertaken to make the welfare system more sustainable. A pension reform has been legislated in 2011, which envisaged the rise of the minimum number of career years required for eligibility to pensions and new rules for early retirement.<sup>8</sup>

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<sup>8</sup> Source: European Commission (2012).

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
Marshall Plan 1 (2006 and 2009)	Infrastructure, business support, life-long learning	<p>This is a regional action plan aimed at reinvigorating the economy and improving employment throughout Walloon. The Plan was endowed with a budget of about EUR 1.6 billion. It developed structural reforms under five priorities:</p> <ul style="list-style-type: none"> <li>• Competitiveness poles policy;</li> <li>• Stimulation of the creation of activities;</li> <li>• Reduction of taxes on companies;</li> <li>• Promotion of research and innovation;</li> <li>• Improvement of the skills of the work force.</li> </ul>	Region Walloon
Marshall Plan 2.Green (2009-2014)	Infrastructure, business support, life-long learning	<p>This Plan represents the continuation of Marshall Plan 1. Its budget amounts to EUR 2.75 billion, to be allocated in six priority areas:</p> <ul style="list-style-type: none"> <li>• Develop human capital;</li> <li>• Continue the policy of competitiveness poles and business networks;</li> <li>• Strengthen scientific research as an engine of the future;<sup>9</sup></li> <li>• Create a favourable framework for creating business and quality jobs;</li> <li>• Develop 'Employment-Environment' alliances;</li> <li>• Increase employment and infrastructure in the sector of personal services.</li> </ul> <p>The main objective of the two Marshall Plans is to strengthen the regional economic basis, by enhancing competitiveness, attracting foreign investment, promoting research and development and improving the skills of the workforce. Through these measures, the plans are also meant to favour urban regeneration.</p>	Region Walloon
Plan Stratégique Transversal 2 – Research and Training	Training, infrastructures R&D	<p>The Plan Stratégique Transversal 2, launched in 2005, is a strategy to reinforce the support of research, innovation, information technology, and training of human capital. It is fully in line with the objectives and initiatives put forward by the Marshall Plans.</p>	Region Walloon – French Community
Plan Stratégique Transversal 3 – Social inclusion	Infrastructures, social services, training	<p>In order to complement the regional economic policy put forward in the first Marshall Plan, this Plan Stratégique Transversal, signed in 2005, contributes to achieve an equal and sustainable development, by better integrating the most vulnerable segments of the society. The Plan focuses on 17 concrete actions, articulated around six axes:</p> <ul style="list-style-type: none"> <li>• A decent house for everyone;</li> <li>• Social inclusion of the elderly;</li> <li>• Social inclusion of disabled people;</li> <li>• Social inclusion of disadvantaged people;</li> <li>• Integration of people of foreign origin;</li> <li>• Support to job seekers.</li> </ul>	Region Walloon

<sup>9</sup> This priority intends to pursue the efforts to meet the target of investing 3% of the GDP in research and development activities.

Operational Programme "Regional Competitiveness and Employment" Walloon – ERDF intervention 2007-2013	Infrastructure, business support, training	The seven-year Operational Programme, covering the provinces of Brabant Walloon, Namur, Liège and Luxembourg, has at disposal a budget of EUR 720.28 million, 40% of which co-financed by the ERDF. The Programme is mainly focused on infrastructure development for the creation of new enterprises (Axis 1 'Creation of enterprises and employment'), the support of innovation and training (Axis 2 'Development of human capital, knowledge, skills and research') and the regeneration of industrial and urban land (Axis 3 'Equal and sustainable territorial development').	Region EU	Walloon,
Operational Programme "Regional Competitiveness and Employment", Troïka Walloon-Bruxelles – ERDF intervention 2007-2013	Business support, training	The Operational Programme covering the provinces of Brabant Walloon, Namur, Liège and Luxembourg and also the Brussels capital region, and co-financed by the European ESF, complements the ERDF Programme by providing adequate training and support services for the creation of employment the development of human capital (Axis 2) and social inclusion (Axis 3). The total budget amounts to EUR 328.83 million, 50% of which financed by the European Union.	Region EU	Walloon,

**Source:** Interviews and Government of Walloon (2007a and 2007b).



## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

The National Strategic Reference Framework (NSRF) of Belgium identifies the main weaknesses related to the economic framework of Wallonia and its provinces, highlighting the need to increase competitiveness by diversifying the economic activities and increasing innovation. The NSRF identifies four main priority areas, which the ERDF and the ESF Operational Programmes 2007-2013 jointly address (see Table 5). In particular, the first two Priority Axes of each OP target the same strategic objectives: the creation of enterprises and employment and the development of human capital, knowledge, skills and research. The types of interventions financed by the ERDF under Axis 1 relate to the support for the establishment of new enterprises, including actions of information, guidance and stimulus for the industrial development; under Axis 2, ERDF actions envisage the creation of incubator centres, the support of R&D projects carried out by the enterprises and the provision of facilities and equipment for professionalising training. In parallel, the ESF provides accompanying activities aimed at fostering the entrepreneurial spirit and improving the adaptation of skills to new works as far as Axis 1 is concerned, and at providing training, developing skills and protecting and valorise the technological innovation as far as Axis 2 is concerned.

The third Axis is specific to each OP. The ERDF finances infrastructure works to regenerate decaying industrial and urban areas and increase the attractiveness of former industrial cities. The metropolitan region of Liège is object of special attention. The ESF OP's third axis, instead, is about improving social inclusion, by providing training to specific segments of population, the most vulnerable ones which have the highest difficulties in entering the labour market or training opportunities.

**Table 5: Overview of Cohesion programmes' strategic priorities**

NSRF priority	ERDF OP	ESF OP
Creation of enterprises and employment	Axis 1: Support to financing of enterprises and support services to businesses and entrepreneurship	Axis 1: Response to business demand of skills and support for the creation of business
Development of human capital, knowledge, skills and research	Axis 2: Stimulation of innovation potential among SMEs and construction of centres of research and infrastructures supporting skills training	Axis 2: Life-long learning and set up of networks of actors for the technological innovation
Social inclusion		Axis 3: Socio-professional inclusion, support for job seekers, equality of opportunity
Balanced and sustainable territorial development	Axis 3: Brownfield sanitation, reception facilities and accessibility, urban renewal and sustainable use of energy	

Source: Authors.

Hence, both the ERDF and the ESF OP indirectly tackle the demographic changes of Wallonia. By contributing to mitigate the underlying socio-economic difficulties and making the decaying urban areas attractive again, the OPs address the social malaise of the vulnerable population living in formerly industrialised centres. Moreover, even if not explicitly stated as an objective of intervention by any of the two OPs, the economic renaissance is likely to support the demographic growth along the Meuse river, making it

again the destination of migration flows. This is crucial in order to transform the Meuse river axis into one of the main urban agglomerations at the core of the EU.

As shown in Table 6, the Cohesion Policy measures that can be considered related to demographic challenges are:

- Under the ERDF OP: the measures implementing the Priority Axis 3 “Balanced and sustainable territorial development”, which accounts for a large share of the total OP’s budget (43%, corresponding to EUR 312.32 million). These are:
  - 3.1: Reclamation and reuse of derelict industrial and urban land (6% of the total OP’s budget, i.e. EUR 45 million);
  - 3.2 Support for integrated urban renewal and territorial attractiveness policies (13% of the total OP’s budget, i.e. EUR 94 million);
  - 3.3 Urban revitalisation and territorial attractiveness (24% of the total OP’s budget, i.e. almost EUR 173 million).
  
- Under the ESF OP: selected measures within Priority Axis 2 “Development of human capital, knowledge, skills and research” and 3 “Social inclusion”, which approximately represent 55% of total OP’s budget (around EUR 362 million). Specifically:
  - 2.1 Dual training (9% of the total OP’s budget, i.e. EUR 61.9 million);
  - 2.2 Vocational training (23% of the total OP’s budget, i.e. EUR 149 million);
  - 2.4 Implementation and generalisation of systems to validate skills and valorise prior experience (less than 1% of the total OP’s budget, i.e. EUR 2.5 million);
  - 3.1 Activities of socio-professional insertion in the Region of Walloon (16% of the OP’s budget, i.e. EUR 105 million);
  - 3.3 Support and assistance to job seekers and to the employment (5% of the total OP’s budget, i.e. EUR 31.5 million);
  - 3.4 Mainstreaming activities of equal opportunities (2% of the total OP’s budget, i.e. EUR 11.9 million).

The volume of resources made available by the Cohesion Funds to co-finance these two OPs (40% and 50% respectively for ERDF and ESF measures) represents a very minor share of the total public resources allocated by the federal and the regional government and by the local councils. Nevertheless, their effectiveness is maximised through to a comprehensive and common strategy of intervention, which ensures the leverage effect of the Cohesion Policy programmes among each other and with the regional overarching strategy.

The overall regional intervention strategy is based on the principles of transversality and agglomeration. By *transversality* it is meant the financing of integrated portfolios of projects, which are intended to increase efficiency and favour the exploitation of the scale

effects. In other terms, potential beneficiaries of EU funds<sup>10</sup> have to present an integrated group of project proposals, composed by different single projects all aimed at achieving the same objective. This approach expects also to increase collaboration and synergies of different types of stakeholders which, depending on their specific specialisation, are called to give their contribution to the draft and implementation of portfolios of projects. The *agglomeration* principle relates to the concentration of measures on more disadvantaged areas, particularly the urban centres along the Meuse basin, in order to favour their economic recovery and, in this way, reduce the spatial economic dualism of Walloon.

The governance system of such a strategy involves a large number of actors, such as the ERDF Managing Authority within the Walloon regional government, the ESF Agency – which is a separate service of the Belgium French Community, managing the ESF funds for the regions of Walloon and Brussels – local councils, but also a large number of associations working in the social sector and in the civil society which contribute to the implementation of the regional development strategy. According to the information gathered from the field interviews, the collaboration between the different actors has been working well for both the ERDF and ESF programmes. The need of creating portfolios of projects, as required among the eligibility conditions for public financing, takes time but no major difficulties with this approach have even been experienced.

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<sup>10</sup> But also of other regional public financing.

**Table 6: Review of Cohesion programmes' strategies on demographic issues**

	Brief description	Comments and examples
<b>OPERATIONAL PROGRAMME ERDF FOR WALLOON</b>		
<b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The socio-economic analysis includes a section on the social structures of the region, with emphasis on the trend of population growth, the characteristics of the labour market in the Walloon provinces by age and gender, the education level, and social indicators of poverty and mortality. The most urgent socio-economic problems characterising specific areas, such as the metropolitan area of Liège and the Meuse basin, are discussed.	The analysis points out the main weaknesses characterising the socio, economic and demographic structure in Walloon and its provinces compared to the national and European average: the shortage of skills within population and the vulnerability of young people in the labour market. The increasing participation of women in the labour market is mentioned as a strength.
<b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The economic re-launch of the Meuse basin is put at the centre of the strategy of intervention. Special attention is given to the metropolitan area of Liège. The OP's general objective concerns the generation of competitiveness and attractiveness factors for the Walloon region, in order to ensure sustainable socio-economic development.	The synergies of the ERDF strategy of intervention with the regional strategy for economic growth (the Marshall Plans) and the ESF programme are clearly outlined. Objectives are common to the whole Walloon region even if wider attention is paid to the situation in the province of Liège. The strategy design, by tackling the main socio-economic roots at the basis of demographic change, is only indirectly related to demographic change issues.
<b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)	The measures which more directly address demographic change issues, particularly the social malaise emerging in decaying urban areas, are included under Axis 3 'Balanced and sustainable territorial development'. They are: 3.1 Reclamation and reuse of derelict industrial and urban land; 3.2 Support for integrated urban renewal and territorial attractiveness policies; 3.3 Urban revitalisation and territorial attractiveness.	The largest share of ERDF funds (43%, corresponding to EUR 312.32 million) has been allocated to measures under Priority Axis 3, thus confirming their relevance within the regional strategy for economic competitiveness and employment. These measures are fully in line with the regional strategy for economic growth.
<b>OPERATIONAL PROGRAMME ESF FOR WALLOON</b>		
<b>d) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The socio-economic context analysis includes a description of the social structure in Walloon, focusing on the labour market, education and social indicators of poverty and school leaving.	The analysis of economic context is similar to the one included in the ERDF Operational Programme, but with a higher focus on the social context, particularly as far as the education attainments of population and rate of participation to training are concerned. It contains also a focus on the main socio-economic challenging affecting the young people.
<b>e) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The ESF OP is focused on two of the three objectives of ERDF, i.e. the development of business and entrepreneurship (Axis I of both the ESF and ERDF OPs) and the promotion of training and knowledge to human resources (Axis II of both the ESF and ERDF OPs). The third objective, corresponding to Priority Axis 3, concerns the promotion of social inclusion in the labour market.	The general objectives and strategy design of the ESF OP are fully in line with those of the ERDF OP. The strategy is only indirectly related to the regional demographic challenges. Actually, by improving the conditions for inclusive and larger employment through soft investments such as training and business support, particularly in the most disadvantaged areas and the most vulnerable people, the ESF strategy guarantees the maximisation of benefits achieved by other hard investments.

	Brief description	Comments and examples
<p><b>f) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional “ordinary” policies)</p>	<p>While measures under Axis 1 target the business sector by providing adequate actions to promote the creation of enterprises and entrepreneurship, Axis 2 and 3 are more focused on issues related to demographic change. In particular, Axis 2 for the ‘Development of human capital, knowledge, skills and research’, envisages measures to increase professional qualifications of the labour force (measures 2.1. and 2.2), and valorisation of already acquired competences (2.4). Axis 3 (particularly measures 3.1, 3.3 and 3.4) propose actions to improve social inclusion, by favouring the employment women, people of foreign origin and disabled.</p>	<p>The ESF measures which more than others address demographic challenges, by tackling the socio-economic roots causing social malaise in selected areas of the region, represent approximately 55% of the total ESF budget (32% under Axis 2 and 23% under Axis 3), corresponding to around EUR 362 million. Among these, the measure with the highest allocation of funds is measure 2.2 “Projects or actions to develop professional training”, receiving 23% of the total OP’s budget.</p>

**Source:** Government of Walloon (2007a, 2007b, 2009 and 2012).



### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE

Among all the Cohesion Policy measures mentioned in the previous Section, three of them can be considered as the most relevant, also in financial terms, to address specific dimensions of demographic change.

Within the ERDF OP, there is **measure 3.3 “Urban revitalisation and territorial attractiveness”**, financed under Axis 3 “Balanced and sustainable territorial development” (EUR 172.81 million). Its specific objective relates to the fight of spatial dualism within the region, to be achieved by making the cities along the Meuse basin more attractive for residents, entrepreneurs, private investors and tourists, so as to make them again engines of economic development. The economic recovery is expected to reduce the share of population at risk of poverty and contribute to the process of metropolisation of the Meuse basin.

Projects financed in the framework of the ERDF measure 3.3 include infrastructural investments for creating housing, commercial and economic activities, green areas, and improving accessibility and transport mobility. Some examples of project portfolios receiving financing through this intervention measure include the promotion of the tourist industry of Walloon, the development of urban centres of Ciney and Philippeville, the regeneration of the city centre of Herstal and of the Serésienne Valley (more details on this project are given in Section 4), the development of the TEN rail station district of Liège, and sensitising actions for the use of photovoltaic technologies in a number of municipalities.

Other two relevant measures are included in the ESF OP. **Measure 2.2 “Vocational training”**, financed under Axis 2 “Development of human capital, knowledge, skills and research” (EUR 149 million), includes training activities to increase the employability and adaptability of the active work force of Walloon. The main objective is to reduce unemployment and the risk of being dropped out of the labour market. Recognising that the loss of a job is a critical moment especially for low-skilled and older workers, the ESF supports professional qualifications and training schemes for employed and unemployed, particularly related to new technologies and with a special attention to update the skills of the older workers.

More specifically, they include training courses for less skilled people to improve their integration in the company, provide them with a better understanding of the work environment and a more positive view of their work; courses on ICT to increase the digital literacy of job applicants, workers and teachers; courses of French, Mathematics and other subjects addressed to migrants and young people that left compulsory education; courses for qualified people to increase their technical skills; long courses aimed at increasing the workers self-confidence, increase their capabilities, and establish better relationships with colleagues; the creation of web portals for distance education and the consolidation of networking in e-learning; actions to help workers that faced a career break to adapt their skills to new job opportunities. Projects financed under this measure are, in general, the continuation of actions initiated in previous years, in sectors as diverse as personal care, metallurgy and trade.

Finally, the ESF **measure 3.1 "Activities of socio-economic insertion in the Region of Walloon"**, part of Axis 3 "Social inclusion" (EUR 105 million) is addressed to vulnerable people that are more likely to be discriminated in the labour market, but also in training activities: women, migrants, people with handicaps, illiterates and unskilled unemployed.

The measure envisages a combination of actions to increase employability, according to a person-centred approach, i.e. tailored on the characteristics and profiles of the target. The activities financed include the development of professional behaviour and fundamental technical skills to have access to skill training, and ultimately, the labour market, vocational training projects, and individualised psychosocial support. For instance, a project has been financed to help the migrants to face the various obstacles encountered towards their integration process and improve their employability. Other projects were addressed to imprisoned people, young persons and the most marginalised social groups living in degraded urban centres. An example is the *Ilôt directionnel* project in Seraing, giving gardening and construction skills to unemployed people with no previous job experience.

Funds allocated to these measure have been already fully committed and no more calls will be launched for the remaining period. Results achieved so far are positive and encouraging, even if in some cases (particularly with infrastructures) not yet measurable. The representatives of the ERDF Managing Authority and of the ESF Agency also highlight that the project implementation has not been significantly hampered by the world economic crisis. More information on the targets actually achieved will be produced by the impact evaluation of all projects that will be conducted two years after the end of the programming period.

All the measures above described are expected to generate a common long-term impact, which is hard to be quantified: the reduction of long-term unemployment and the economic re-launch of Walloon, in line with the objectives of the regional Marshall Plan. These measures are also connected with the EU 2020 strategy, by providing financial support to increase the employment rate, meet the climate/energy targets (through the installing of photovoltaic panels), reduce the number of people at risk of poverty, and increase the digital literacy of citizens (that is a specific target of the EU Digital Agenda flagship initiative).

The good integration of Cohesion Policy interventions is ensured not only by being embedded in a common overarching regional and EU strategy, but also by being part of integrated portfolios of projects. Actually, the inclusion of projects in portfolios is one of the selection criteria considered to allocate EU funds in Walloon. The rationale of this approach is to trigger leverage effects among the projects, and, in this way, maximise the impact.

This particular eligibility condition represents the strength of the public investment strategy in Walloon, affecting also the Cohesion Policy financing, and it has also been appreciated by the beneficiaries. A recent evaluation highlights great satisfaction with this approach since it forces beneficiaries to talk to each other to the benefit of all the interventions. Coordination starts since the project design phase and continues during their implementation: annual meetings are organised between the beneficiaries, experts and the Managing Authorities to discuss problems, risks and find possible solutions to manage them.

A specific feature of EU funded projects, which does not characterise other public investment policies, is the constrained time for planning the actions and apply for funds from the time the call is launched, as well as for managing the project and achieve its completion. Some beneficiaries consider the short time available as a limitation, but others are overall satisfied with it, because it forces them to move faster and comply with the schedules.

While the contribution of the Cohesion Policy to the success of the regional Marshall Plan and of the EU Lisbon strategy is evident, the ERDF and ESF measures cope with the current demographic challenges only in an indirect way. The objective of reducing the concentration of poorer and more vulnerable population within urban cities, led there by the working opportunities that the traditional sectors were offering in the past, is tackled by acting in two ways: creating new jobs and training people to do those jobs. Even if not explicitly mentioned in any of the selected measures (but even in any of the OPs) this strategy can be expected to counteract the stagnant population growth and make the Meuse river area attractive again for Belgium and foreign migrants. For this purpose, it is acknowledged that a long-term effort is needed. Actually, only a prolonged and well integrated strategy will allow to address the socio-economic problems affecting the Walloon region, as well as its demographic challenges.

**Table 7: Selected measures in relation to demographic change**

<b>Measure (programme)</b>	<b>Main type of intervention</b> (infrastructure, business support, social services, other)	<b>Thematic focus</b> (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	<b>Brief description</b>	<b>Beneficiaries</b>	<b>Resource Allocation in absolute value and % of total programme resources</b>	<b>Main effects (expected and/or actual)</b>
Measure 3.3: Urban revitalisation and territorial attractiveness (ERDF OP, Axis 3 'Balanced and sustainable territorial development')	Infrastructure	Spatial dualism	Funds allocated to this measure finance actions that fight the polarization of urban space, improve the attractiveness of urban centres, improve the air quality, increase international accessibility, create and spread a new image of the region. This measure is particularly focused on the Meuse river basin.	Cities, the Walloon Region, the Walloon Regional Society of Transport (SRWT), Walloon housing society (SWL), tourist engineering organisations.	EUR 172.81 million, 40% of which financed by the ERDF.	<p>The expected results of this measure are:</p> <ul style="list-style-type: none"> <li>• People targeted by the interventions: 250,000 by 2010 and 300,000 by 2015.</li> <li>• Enterprises and commercial installed in the regenerated areas: 10 by 2010 and 30 by 2015.</li> <li>• Direct full-time employment generated: 45 by 2010 and 105 by 2015.</li> <li>• Tourist flows in the supported areas: 2% in 2010 and 4% in 2015.</li> <li>• Number of enterprises involved in the tourism supply chain: 30 in 2010 and 60 in 2015.</li> <li>• Size of installed solar panels: 3,900 m<sup>2</sup> in 2010 and 6,800 m<sup>2</sup> in 2015.</li> </ul>
Measure 2.2: Vocational training (ESF OP, Axis 2 'Development of human capital, knowledge, skills and	Training	Unskilled labour force	This measure involves training activities to improve the employability and adaptability of active people, both unemployed and employed. Types of financed actions are: vocational training offered by public or	Universities, schools and public operators of training, social promotion and education.	EUR 149 million, 50% of which financed by the ESF.	The expected result of the whole Axis 2 (no information by measure are provided) is in terms of number of trainees that are hired after the training. Measure 2.2 contributes to achieve the following

research')			private training operators, educational courses to complete, improve or specialise knowledge and skills, diffusion of e-learning programmes for job seekers and workers.			targets: 16,134 people in 2010 and 28,234 in 2015.
Measure 3.1: Activities of socio-economic insertion in the Region of Walloon (ESF OP, Axis 3 'Social inclusion')	Training	Unskilled vulnerable labour force	This measure addresses vulnerable people that are discriminated in the labour market or in training activities and aims at stimulating their integration. It finances actions to facilitate the access to job and training to people discriminated by ethnic origin, literacy, or socio-economic level; actions to promote equal opportunities between men and women, by integrating home, psychosocial support; actions to give people with disabilities support with socialization, motivation, vocational guidance, pre-training, qualifying training and job search.	Institutes of social promotion and distance education, socio-vocational bodies, companies of job-training.	EUR 105 million, 50% of which financed by the ESF.	The expected results for the whole Priority Axis 3 are: <ul style="list-style-type: none"> <li>• Actions of assistance in job search: 3,456 in 2010 and 6,048 in 2015.</li> <li>• Actions of child care or dependent care provided: 1,854 in 2010 and 3,240 in 2015.</li> <li>• Number of trainees that are hired after the training: 5,088 in 2010 and 8,904 in 2015.</li> </ul>

Source: Government of Walloon (2008, 2012).



## 4. THE GOOD PRACTICE EXAMPLE

The set of interventions directed towards the economic revitalisation of the city of Seraing is considered by both the ERDF and ESF Managing Authorities an example of good practice in addressing demographic change. Seraing is a city of about 60,000 inhabitants, located along the Meuse river in the outskirts of Liège. Since the aftermath of the World War II, Seraing has been the destination of many immigrants (especially of Italian origin) attracted by the numerous work opportunities offered by the steel industry and its supply chain.<sup>11</sup> For many years, as stressed by the interviewees, before being an actual city, Seraing has been a unique large industrial site, with high chimneys, enormous blast furnaces and suspended pipes crossing the city's streets and characterising the landscape. Houses have been built attached to the factories' wall, further underlining the strong link between the steel industry and the urban growth.

**Figure 4: Street views of Seraing**



**Source:** Thomas Baaij, <http://www.thomasbaaij.com/category/blackwhite/page/4/>

The competitiveness decline of the steel industry, started in the Seventies, caused the progressive closure of several plants, with inevitable and immediate consequences on the unemployment rate (reaching now 40%). The recent decision by Arcelor-Mittal, the world's largest steelmaker, to close 7 out of the 12 productive lines in Seraing (dated January 2013) led to the loss of jobs for other 1,300 people. From a demographic perspective, this closing process is reversing the migration flows, so that Seraing stopped to be the destination of migrants. Hence, the city's population stopped to grow, but it is not even significantly declining. Actually, people that already live in the city, generally do not move to other more attracting places, because of different reasons: affordable housing price, generous unemployment benefits, large supply of civil sector associations providing a large variety of support to the most vulnerable people, but also lack of skills<sup>12</sup> which would make it difficult for them to find another job. This situation brings along the risk of death for the whole city and the increasing spatial dualism between the old city centre and the more dynamic areas developing outside the city and in Liège. This is considered the main challenge – in the mean time demographic and socio-economic – that Seraing is facing today.

<sup>11</sup> No problems of social integration of immigrants emerged. Integration was favoured, for example, by assigning social housing in a way to avoid the aggregation of people of the same country of origin, but to mix different nationalities.

<sup>12</sup> More than 60% of inhabitants have only primary education.

In order to cope with the adverse economic circumstances, in 2005 the City Council has drafted an ambitious Master Plan<sup>13</sup>, a long-term strategy aimed at renovating 800 hectares of the City, through projects for housing, economic activities, public spaces, retail, culture, training and leisure. The main objective is to maintain population at 60,000, by making the city more attractive and giving its inhabitants new employment opportunities. The portfolio of projects entitled "Urban regeneration of the Serésienne valley" includes a set of infrastructural interventions co-financed by the ERDF, in the framework of the OP Priority 3, and implemented by local and regional actors (the city of Seraing, the Walloon department of public services and the Regional Society of Transport). The ERDF portfolio includes 12 projects valuing in total EUR 23.35 million allocated between 2008 and 2013. It envisages the realisation of a new road specifically dedicated to the industrial transport, other new roads of access to the cities, a pedestrian underground way to improve mobility, the strengthening of public transport services, the provision of new apartments for the elderly in substitution to the older and unhealthy ones which will be demolished, the opening of a square in front of the cultural centre, and the setting up of a more liveable urban centre.

These projects have been complemented by other infrastructure investments co-financed by the Region, the Province and the City Council with non-Cohesion funds to depollute and regenerate the former industrial land and give them new uses, build new commercial and housing centres, enlarge the scientific park for innovative SMEs located in the periphery of Liège. A number of complimentary soft investments have also been co-financed by the ESF. Among the ESF projects financed in the 2007-2013 period one is dedicated to teaching the poorest people to drive a car, bus or tracks<sup>14</sup>, and one to train unemployed people with skills to be exploited in the construction or gardening sector<sup>15</sup>. These projects have been approved in conjunction with the ERDF portfolio, thus confirming the complimentary nature of ERDF and ESF interventions. Another project, launched twenty years ago, which in the past also benefitted from the ESF assistance, is ALPI – Actions Locales Pour Indépendants, providing training and support to people who wish to start an independent activity or already have one.

All these efforts, combined each other and all contributing to the achievement of the Seraing Master Plan, have already managed to create new and diversified work opportunities, attract some private investors, as well as ensure better living conditions for the residents. In order to be fully implemented, the Master Plan will need the allocation of a continuous and significant volume of public resources for the next twenty/thirty years.

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<sup>13</sup> Co-financed by the Belgium federal government as part of its urban policy.

<sup>14</sup> The total budget of this project (À 100/h vers l'emploi) is EUR 507 thousand.

<sup>15</sup> The total budget of this project (Ilôt directionnel- Réinsertion socioprofessionnelle) is EUR 2.59 million.

## **5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD**

A Steering Committee in charge of drafting the Cohesion Policy's programming documents of the forthcoming period, composed by representatives of the European Commission, the Walloon Region, the French Community and various politicians, has been set up. The strategy will still be focused on the NUTS 1 region of Walloon for the ERDF and on the French Community (Walloon and Brussels) for the ESF. It will represent the continuation of the present strategy for economic growth, in line with the direction of the Marshall Plan 2.Green. The increase of the employment rate through the creation of job opportunities, particularly among the young people, will remain the main priority of the Cohesion Policy strategy. The provision of training to improve education and skills of the unemployed is also considered crucial to take full advantage of the new labour chances.

Like in the current period, particular focus will be put on the urban areas, in order to re-launch their economic activity, stimulate innovation and favour the transition towards a more sustainable and green economy. A similar strategy will keep ensuring alignment with the targets set by the EU Lisbon strategy.

The strategic approach will continue to be based on the integration of different types of interventions, financed by the ERDF, the ESF and other national, regional and local resources. The practice of approving portfolios of projects, rather than single projects, will also be maintained, since it has proved to ensure higher degree of collaboration between the involved stakeholders and higher effectiveness of projects.

The drafting of the 2014-2020 programming documents still has to be completed, being now at the phase of outlining the context analysis and identifying the needs and challenges. No information is available about the extent to which those documents will mention demographic changes and integrate them within the overall strategy. According to the interviewees, it is likely that no significant change will be made in this respect. Hence, the spatial dualism between the Walloon horizontal and vertical axes, which has been determining in the past decades a redirection of migration flows, will be only indirectly tackled by initiatives focused on improving the socio-economic conditions of the formerly industrialised areas.

Some discussion is on-going about which measures could be possibly financed by the ESF in the next programming period. From the past experience it has been learnt that bringing people to employment is not enough, as the possibility they are rejected again out of the labour market after few months is high. The underlying reasons may be related both to inappropriate personal behaviour and to the increased flexibility of the labour market, which tends to favour short-term employment contracts. In order to prevent the dropping out of people who have just found a new job, ESF projects should possibly envisage actions that help people maintain their job, by providing them assistance even after they have been hired.

Other expected changes relate to the operational level, where some improvements are expected to make the application procedures easier and the allocation of funds more result-oriented and concentrated on few specific objectives. Ex ante conditionality for EU funds is perceived as a problem, as it will probably impose further constraints on the use of funds. The related risk is to reduce the absorption Structural Funds and to increase the share of investment from other policies. Given the need of a large volume of public investment to

finance the regional economic restructuring, more flexibility in accessing and using the Structural Funds would instead be welcomed.

Some additional information is highlighted in Table 8.

**Table 8: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	According to information gathered during the field interviews, updated qualitative and quantitative data on the socio-economic context and also of some demographic trends of Wallonia will be included in the next programming period documents.	No detailed information are available on the way how demographic data will be taken into account to assess the strengths and weaknesses of the region.
<b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The Cohesion Policy will continue to contribute to the regional strategy for the recovery and restructuring of the Walloon economy. The general objectives will remain to create new employment opportunities and to train people, particularly the young. The urban centres characterised by the declining of traditional activities (such as Liège), will remain at the centre of the strategy.	It is expected that the strategy of the next programming period will be only indirectly referred to demographic change.
<b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges	No information are available at this stage on the specific objectives and measures of the forthcoming programming documents.	None
<b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation indicators and activities	As far as the ERDF OP is concerned, the future set of indicators is expected to be more focused on concrete results and very specific objectives. No more precise information is available at this stage on the types of indicators and monitoring activities that will be proposed.	None

**Source:** Interviews.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

This case study has shown that a comprehensive and integrated regional strategy is in place in Walloon to address the socio-economic gaps between the fast-growing and dynamic areas, particularly located in the Brabant province, and the major cities along the Meuse river characterised by declining traditional industrial activities and high long-term unemployment rate. These are also the areas with the highest demographic pressure, due to relevant migration flows occurred in the past decades and the higher concentration of poorer and low-skilled population. Today the migration flows tend to move to other more attractive areas of the region and, consequently, population in the former industrial cities stopped growing. Nevertheless, at present, it is not even declining, mainly due to low price of houses and generous social benefits. The main challenge for Walloon is to launch again the economic prospects of the most disadvantaged areas, so as to prevent the progressive death of entire urban centres which for decades have represented the economic backbone of the region and make them attractive again.

The Cohesion Policy interventions are embedded in the regional strategy, which ensures complementarity between the ERDF and ESF projects: while the former ones implement infrastructure actions to regenerate the urban areas and provide new economic opportunities the latter provide training schemes to improve the skills of people, particularly the young ones and those dropped out from the labour market, so as to ensure a match between the labour supply and demand markets.

No problems of implementation have been envisaged during the 2007-2013 programming period. All available funds have been allocated in due time and activities are being carried out smoothly. The integrated approach of intervention, through the financing of portfolios of projects, is considered the major strength of the public investment strategy of the entire Walloon, and it ensured good results also for EU funded projects. The only value added specifically related to ERDF and ESF interventions is the possibility to have 50% of ESF projects and 40% of ERDF ones financed by the EU. Thanks to the so-called principle of "additionality" of EU funds, the co-financing rate allows to raise the total amount of investments and enlarge the impact of public investments.

The main limitation of ERDF and ESF OP, however, is the relatively limited volume of financing available. Actually, a much larger volume of resources would be needed to fully satisfy the investment demand and accelerate the recovery process. The major concern, in this respect, relates to the introduction of conditionalities on the use of EU funds, which risk to make them more difficult to access.

No problems have been highlighted also as far as the governance of the two OPs is concerned. The high degree of collaboration between the ERDF and the ESF Managing Authorities in all the phases of the programming cycle, but also the involvement of organisations from the civil society ensured the design and implementation of projects tailored on the actual needs of population.

Given the good attainment in the management of EU funds, it is natural to expect that no major changes will be made in the upcoming programming period. The ERDF and ESF programmes will continue to complement the regional development strategy, perhaps fine-tuning the types of actions proposed. Relevant demographic challenges will continue to be indirectly addressed through measures aimed at reducing the spatial dualism of Walloon.

Other demographic issues, such as aging population and fertility rate, are expected not to represent significant problems also in the future, given the sustained migration flows that contribute at lowering the average age of Walloon population and the recent approval of a reform of the pension system (2011).

## ANNEXES

### a) List of interviews/visits

NAME	POSITION	INSTITUTION/ENTITY	ROLE IN THE INITIATIVE (Financier, planner, beneficiary, etc.)	DATE AND PLACE OF THE INTERVIEW
Ms. Sandra Jelas	Officer	Walloon Managing Authority – General Secretariat, Department for the coordination of Structural Funds, Directorate of organisation and evaluation of Programmes, Evaluation and Monitoring Unit	Planner, financier	12 March 2013, telephonic interview; 17 April 2013, Place Joséphine Charlotte 2, Jambes - Namur
Mr. Bernard Conter	Expert	Agence FSE/IWEPS	Planner, financier	17 April 2013, Place Joséphine Charlotte 2, Jambes - Namur
Ms. Chloé Besnard	Attachée	ESF Agency for French speaking Belgium	Planner, financier	17 April 2013, Place Joséphine Charlotte 2, Jambes - Namur
Mr. Alain Bolly	Head of department in charge of the European projects coordination	Municipality of Seraing	Beneficiary	17 April 2013, Town Hall, Place Communale, Seraing
Ms. Valérie Depaye	Director of Public Work Contracting in charge of the economic redeployment of Seraing	ERIGES - Municipality of Seraing	Planner, Beneficiary	17 April 2013, Town Hall, Place Communale, Seraing
Mr. Olivier Copette	Conseiller en Entreprises Développement, Pérennisation	Alpi – Actions Pour Indépendantans	Beneficiary	17 April 2013, Town Hall, Place Communale, Seraing

### b) References

- Belgium Federal Government (2007) *Cadre de Reference Strategique National de la Belgique*, final version July 2007.
- European Commission (2012) *The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060)*.
- Government of Walloon (2005) *Plan Stratégique Transversal 3 – Inclusion Sociale*. Available at: [http://ec.europa.eu/ewsi/UDRW/images/items/docl\\_3630\\_315432188.pdf](http://ec.europa.eu/ewsi/UDRW/images/items/docl_3630_315432188.pdf).
- Government of Walloon (2007a) *Programme Opérationnel "Compétitivité régionale et emploi" Wallonie, Intervention FEDER 2007-2013*.
- Government of Walloon (2007b) *Programme Opérationnel "Compétitivité régionale et emploi" Wallonie, Troïka Wallonie-Bruxelles (COCOF), Interventions FSE*.

- Government of Walloon (2008) *Complément de programmation "Compétitivité régionale et emploi" Wallonie, Troïka Wallonie-Bruxelles (COCOF), Interventions FSE*, prepared by Henry Capron.
- Government of Walloon (2012) *Complément de programmation "Compétitivité régionale et emploi" Wallonie, Intervention FEDER*.
- Government of Walloon (2012) *Rapport Annuel d'Execution (1er Janvier 2011 - 31 Décembre 2011, Programme Operationnel Compétitivité FSE 2007-2013, CCI N\* 2007BE052PO002*.
- Government of Walloon and French Community (2005) *Plan Stratégique Transversal 2 – Research & Formation. Développer les connaissances et les savoir-faire en Wallonie*. Available at: <http://www.awt.be/contenu/tel/edu/pst2.pdf>.
- IWEPS – Institute Wallon de l'évaluation, de la prospective et de la statistique (2012) *"Le chiffres-clés de la Wallonie"*, N° 12, April 2012.
- Schoon A. (2007) *Evaluation ex-ante, Programme Opérationnel "Compétitivité" Wallonie, Intervention FEDER*.
- SEE and COMASE (2012) *Evaluation des resultants des actions co-financées par le FEDER 2007-2013 en matière de stimulation de l'entreprenariat, de création, de développement et de transmission d'entreprises dans le cadre des Programmes Opérationnels "Convergence" et "Compétitivité régionale et emploi" - Rapport final, Volume 1 – Rapport principal*.

### c) *Good practice fiche*

<b>Dimension of demographic change addressed</b>	Social malaise in deprived industrial areas
<b>Country/region</b>	Belgium/Walloon/Liège
<b>Name/title of the practice</b>	Urban regeneration of the Serésienne valley
<b>Period of implementation</b>	2008-2015
<b>Contact information</b>	ERIGES – Municipal public company of Seraing
<b>Brief description of the activities implemented</b>	The considered initiative is not a single project, but a portfolio of 12 infrastructural projects to help the urban and economic regeneration of the city of Seraing.
<b>Main partners/stakeholders involved</b>	ERIGES is the municipal public company in charge of the implementation of the Master Plan, in which the project is included. The responsibility over the project portfolio is shared between three different beneficiaries: the city of Seraing, the Regional Public Service of Wallonie (SPW) and the Walloon Regional Society of Transport (SRWT). In an indirect way, a large number of other associations and actors involved in side and complimentary projects (e.g. ESF initiatives) could also be considered as stakeholders involved.
<b>Territorial coverage (transnational, regional, local)</b>	Local
<b>Funding (total and funding on Cohesion Policy)</b>	The budget value of the overall portfolio is EUR 23.35 million. The ERDF contribution amounts to EUR 9.34 million (40%).
<b>Main goals and objectives</b>	The main goal of this portfolio of projects is to contribute to the redevelopment and transformation of 800 hectares of Seraing, favour its socio-economic re-launch, provide new opportunities for inhabitants, increase the employment rate in line with the overall strategy put forward by the Master Plan.

<b>Main target groups</b>	The target group is the entire population of Seraing, with a special attention to unemployed persons.
<b>Main measures and outcomes</b>	The considered portfolio involves different infrastructure measures involving demolitions, constructions, purchase of land and buildings, and creation of roads. The expected outcome is the provision of new housing, commercial and business centres, green and leisure areas, improved and more sustainable mobility.
<b>Implementation features</b> (project design and planning; management, monitoring and evaluation system; governance system: Partnership and Leadership; Innovative elements and approaches to implementation; key implementation obstacles and problem solving practices)	The portfolio took time to be drafted because of the difficulty for potential beneficiaries of different projects to coordinate each other. The Managing Authority provided significant support in the initial stage, particularly in solving doubts and problems with the administrative procedures involved with EU funded projects. After its approval, the portfolio's implementation proceeded smoothly. The role of ERIGES as higher-level coordinator of all projects has also to be pointed out as an element that significantly helped projects' implementation and ensured, so far, the compliance with the timeframe of activities.
<b>Main weaknesses/obstacles and how they have been addressed</b>	No major obstacles have been encountered so far. The project's activities are proceeding and they are expected to be completed within the planned timeframe. A weakness of all the Master Plan's interventions, and hence also of the considered ERDF projects, is the lack of direct involvement of citizens during the project implementation, to inform them about the types of activities on-going, the duration of the intervention works and other details. This would help to increase the ownership of the projects, but it would require the involvement of professional staff which is currently missing.
<b>Main strengths</b>	The existence of a shared Master Plan and of a dedicated Public Company (ERIGES) in charge of its realisation are the main strengths characterising the considered project, since they allowed to put in place a very integrated and coordinated approach of interventions.
<b>Main innovative elements</b>	The draft and implementation not of separate projects, but of a portfolio of projects can be considered an innovative way to address multifaceted issues, such as the need to economically restructure an entire city. This element, which is part of the overall regional strategic approach to public investment, ensures high collaboration between the parties involved and good integration of the different projects designed and implemented.
<b>Reproducibility/transferability elements</b>	The elements characterising these interventions and worth to be transferred and reproduced in other contexts are the existence of an ambitious but also realistic Master Plan and of a dedicated company, ERIGES, guiding the realisation of all projects towards the attainment of a common objective. ERIGES has already been invited to present its experience and strategy to some universities in other cities, and even in France.
<b>Sustainable elements</b>	The considered portfolio of projects will produce sustainable results provided that complimentary measures will also be completed. For example, the infrastructural building of commercial and business centres are the necessary, but not sufficient, condition to ensure the increase of employment. For this purpose to be achieved, it is important to implement a set of initiatives to increase the skills of unemployed population.
<b>Main lessons learnt</b>	The Seraing experience clearly highlights that an ambitious goal such as that of giving a completely new face to a city, in order to be successful, needs a long-term strategy and a wide set of interventions, both soft and hard, acting on different sides. Hence, the ERDF projects can successfully contribute to the overall strategy provided that accompanying measures are also activated.
<b>Sources of information</b>	Field interviews





**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
THURINGIA - GERMANY**



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## LIST OF ABBREVIATIONS

**DG AGRI** Directorate-General for Agriculture and Rural Development

**DG REGIO** Directorate – General for Regional Policy

**EAFRD** European Agricultural Fund for Rural Development

**ERDF** European Regional Development Fund

**ESF** European Social Fund

**EU27** European Union of 27 Members States

**GDP** Gross Domestic Product

**GERD** Gross Domestic Expenditure in R&D

**HTC** High Technology Sectors

**NUTS<sub>2</sub>** Nomenclature of Territorial Units for Statistics 2

**OP** Operational Programme

**R&D** Research and Development

**SME** Small and Medium-sized Enterprises

**TND** The Thuringia Network on Demography

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## INTRODUCTION AND MAIN FINDINGS

This case study analyses the national strategy put in place in Thuringia (Germany) to tackle demographic change in the period 2007-2013 and in the coming years.

- On the evidence of a review of planning and statistical documents and a set of interviews, the main demographic challenges facing Thuringia arise from:
  - significant imbalance in terms of distribution of population and employment rates between rural areas and main urban districts;
  - population decline (mainly caused by the negative net-migration) with high migration rates among the working-age population and especially the well-qualified (brain drain);
  - high dependency rate;
  - low birth rate.
- These elements pose significant challenges in economic terms. Migration started after reunification in the 90s, as infrastructural deficits in the rural and peripheral areas and economic restructuring processes lead to a crisis in the industrial sector and loss of jobs - about two-thirds between 1989 and 1995. Despite the considerable improvements in regional economic performance, Thuringia's total GDP is still far from the national average.
- There are a number of federal and regional programmes that recognise the importance of addressing the consequences of demographic change with a specific focus on economic development. The aim is to surmount the regional imbalances in income and employment, considered the most effective way to counter migration of the young and qualified persons. Several regional policy programmes focus on economic development, including measures to enhance enterprise competitiveness, especially for the SMEs, and boost innovation with investments in R&D.
- Over the 2007-2013 period the Cohesion Policy has continued this Strategy, with close alignment with EU and national policies for growth and jobs. The European Social Fund (ESF) Operational Programme and European Regional Development Fund (ERDF) Operational Programme complement each other in providing both infrastructures and services to tackle demographic issues.
- In particular, the ESF mainly financed interventions aiming at encouraging the unemployed and economically inactive to find their way into the labour market, as well as improving skill levels and workforce adaptability. To enhance the human capital 21.6 million EURO from the ESF were invested, principally in training for young people. A measurable indicator of the success of the measures is the improvement in the vocational training opportunities in recent years. The fall in the number of unemployed in Thuringia also highlights the effectiveness of the measures implemented through the ESF.
- The ERDF has been mainly dedicated to enhancing the attractiveness of local areas through a varied set of interventions ranging from business support to infrastructure restoration and/or extension. Both urban and village development have received special attention in the last few years, as declining population numbers have

brought pressure to bear on the local infrastructure, calling for investments in housing infrastructure (such as restoring old buildings or modernising housing units) and improvements in deprived living areas and city centres, as well as transport and communication infrastructure.

- For the next programming period, the Cohesion Policy will pay close attention to the federal structure and differences in regional development in Germany. As a consequence investments will be closely geared to the main development needs and potentials at the regional level with explicit focus on reducing regional disparities in competitiveness, taking demographic change into account.

# 1. REGIONAL CONTEXT

## 1.1 General socio-economic context and impact of the crisis

The socio-economic development of the region Thuringia has been greatly affected by the restructuring process since reunification, resulting in a political, economic and monetary transformation with tremendous economic and social consequences. Over the last decade the economic situation of the region Thuringia has been improving, but there are still structural deficits affecting economic performance, which continues to lag behind the German average.

As will emerge more clearly in the following section, development is greatly affected by demographic change, and especially the decline in the working age population due to migration. In fact, migration has far-reaching consequences for education, employment and occupation. It needs to be seen against the historical background, for migration started after reunification in the 90s, as infrastructural deficits in the rural and peripheral areas and the economic restructuring process lead to a crisis in the industrial sector and loss of jobs - about two-thirds between 1989 and 1995. Over the last few years the eastern German *Länder* have received financial support from several federal programmes as well as the "solidarity-surcharge"<sup>1</sup> to tackle both the economic and infrastructural problems and unemployment. The main challenge is renewal of the out-dated economic, transport, housing and social infrastructure – a process that has been underway for many years and remains to be completed.

Generally speaking, this "restructuring process" has achieved important results. Overall, the total GDP, even if still far from the national average, has risen more than the German average since 2007. This increase is influenced by a strong manufacturing sector (22.2%), as well as the commercial, tourist and traffic sector and the financial, renting and enterprise service sector,<sup>2</sup> while the public and private service sector accounts for 29.3% of the GDP<sup>3</sup>. In the last few years investments in educational institutions (Universities) and R&D institutions have led to the creation of new innovative branches such as microelectronic and medical technology.

The enterprise structure is characterised by a large proportion of micro, small and medium-size enterprises (with high innovative potential<sup>4</sup>), and a lack of large enterprises.<sup>5</sup> The small-scale structures entail limited employment opportunities as most employment is offered by medium and large enterprises, while the decline in employment has been particularly severe in small companies. Most of the employees enjoying social security (18.7%) work in large enterprises with staff numbering between 100 and 249, accounting for only 1.5% of the enterprises.<sup>6</sup>

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<sup>1</sup> Special tax at federal level implemented to finance the costs of the reunification.

<sup>2</sup> Institut für Arbeitsmarkt- und Berufsforschung (2011), Strukturbericht Thüringen.

<sup>3</sup> Actually the primary sector makes up 1,3%, the secondary sector 30.8%, and the tertiary sector 67.9% of the regional GDP. See: Institut für Arbeitsmarkt- und Berufsforschung (2011), Strukturbericht Thüringen. [http://doku.iab.de/regional/SAT/2011/regional\\_sat\\_0211.pdf](http://doku.iab.de/regional/SAT/2011/regional_sat_0211.pdf).

<sup>4</sup> <http://www.thueringen.de/de/publikationen/pic/pubdownload1379.pdf>.

<sup>5</sup> According to data of the Institute for labour market and employment (*Institut für Arbeitsmarkt- und Berufsforschung*) 73% of the enterprises had less than 10 employees and 47% less than 5, while only 5.5% of the enterprises had more than 50 employees. In: Strukturbericht Thüringen [http://doku.iab.de/regional/SAT/2011/regional\\_sat\\_0211.pdf](http://doku.iab.de/regional/SAT/2011/regional_sat_0211.pdf).

<sup>6</sup> Institut für Arbeitsmarkt- und Berufsforschung (2011), Strukturbericht Thüringen [http://doku.iab.de/regional/SAT/2011/regional\\_sat\\_0211.pdf](http://doku.iab.de/regional/SAT/2011/regional_sat_0211.pdf), p. 16.

Development in the region is also characterised by a slight increase in nominal GDP (+23.2%), although the real GDP growth rate is negative (-6.9% between 2000-2011). At the same time, the per capita GDP has increased since 2000, due mainly to the numerically declining population.<sup>7</sup> This also affected the general income level, which increased by 14.1% from 2000 to 2011 but remains below the Western-German level.<sup>8</sup>

Despite high investments - Thuringia is one of the main recipients of financial support in the new *Länder*<sup>9</sup> - the period from reunification to 2005 saw an increase in the unemployment rate (13.5% 2000 to 17.1% in 2005). Since 2006 the situation has been improving, with a decline in the unemployment rate to 7.6% (-5.9% from 2000 to 2011) – still higher than the national average (5.9%), but better than the EU average (9.6%).<sup>10</sup> The current financial crisis is also slowing down the positive trend, but the region has gone through a consolidation period which helps resist the economic crisis. Unemployment hits different areas and groups to different degrees. For example, it is higher in the urban areas, where long-term unemployment also plays a significant role.<sup>11</sup>

Over the last few years a positive trend can also be seen in the employment rate, which increased in all sectors between 2005 and 2009.<sup>12</sup> It now stands at 74.7% (2011), compared to 65% in 2000, being higher than the German average (72.5% in 2011) and that of the other new *Länder*.

Another positive development is the continuous decline in the at-risk-of-poverty rate, falling to 17.6% in 2011, compared to 19.9% in 2005. It is above the German average (15.8% in 2011), but lower than that of the EU27 (24.2%). Also, there are local differences, with higher rates in the northern areas (19.3%), lower in the south (14%).<sup>13</sup> Unemployment is also lower in the south (by 4-6%), than in the northern areas (with approx. 10-12%). This is partly influenced by the closeness to the old *Länder* (including Bavaria as one of the richest *Länder* in Germany), which offer employment opportunities. Thuringia has a high rate of commuter movement (15.6%), indicating that one-sixth of the workers do not find adequate employment in the local economy.

The region shows an above-average educational level among the working age population. About 30.1% have tertiary education, compared to 24.6% in Germany as a whole and 26.8% in the EU, 2011.

Over the last few years, several national and regional initiatives have been launched to boost competitiveness in R&D. From 2008 to 2011 about 2.8m Euro were invested in universities as well as research and innovation institutions, cofinanced by the Region, the national government (*Bund*) and European Funds (ESF/ERDF).<sup>14</sup> According to Eurostat the

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<sup>7</sup> Thüringer Ministerium für Wirtschaft, Arbeit und Technologie (2007), Operationelles Programm des Freistaates Thüringen für den Einsatz des Europäischen Fonds für regionale Entwicklung in der Periode 2007-2013. [http://www.tna-thueringen.de/fileadmin/tna/pdfs/ESF-EFRE\\_Thueringen/EFRE\\_OP.pdf](http://www.tna-thueringen.de/fileadmin/tna/pdfs/ESF-EFRE_Thueringen/EFRE_OP.pdf).

<sup>8</sup> Institut für Arbeitsmarkt- und Berufsforschung (2011), Strukturbericht Thüringen [http://doku.iab.de/regional/SAT/2011/regional\\_sat\\_0211.pdf](http://doku.iab.de/regional/SAT/2011/regional_sat_0211.pdf).

<sup>9</sup> Ministerium für Wirtschaft, Arbeit und Technologie Thüringen (2012) Zukunft Ost. Analysen, Trends, Handlungsempfehlungen. <http://www.thueringen.de/de/publikationen/pic/pubdownload1379.pdf>.

<sup>10</sup> Eurostat, see table.

<sup>11</sup> Thüringer Ministerium für Wirtschaft, Arbeit und Technologie (2007), Operationelles Programm des Freistaates Thüringen für den Einsatz des Europäischen Fonds für regionale Entwicklung in der Periode 2007-2013. [http://www.tna-thueringen.de/fileadmin/tna/pdfs/ESF-EFRE\\_Thueringen/EFRE\\_OP.pdf](http://www.tna-thueringen.de/fileadmin/tna/pdfs/ESF-EFRE_Thueringen/EFRE_OP.pdf).

<sup>12</sup> OP ESF.

<sup>13</sup> <http://www.thueringer-allgemeine.de/web/zgt/leben/detail/-/specific/In-Thueringen-sinkt-Armut-wie-nirgendwo-in-Deutschland-383739022>.

<sup>14</sup> Thüringer Kultusministerium (2009), Zukunftsinitiative Exzellentes Thüringen. <http://www.thueringen.de/de/publikationen/pic/pubdownload1023.pdf>.

total intramural expenditure of Thuringia was 2.06 of its Gross domestic expenditure in R&D (GERD) compared to 2.51 in Germany as a whole and 2.03 in the EU (2011). Employment in knowledge-intensive sectors (HTC) accounted for 5.1% in 2011 with an increase of 1.49% from 2000-2011, compared to 5.06% in Germany as a whole (+0.29) and 4.4% in the EU: (-0.08).

The table 1 below summarises the key socioeconomic figures for Thuringia.

**Table 1: Key socioeconomic figures**

	Thuringia				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	16,500	19,000	21,100	27.9	24,900	27,000	29,000	16.5	19,100	22,500	23,500	23.0
<b>GDP Total</b> (m_EUR, current market prices)	36,236	43,104	44,649	23.2	1,840,725	2,147,972	2,224,627	20.9	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	2.5	0.6	-4.4	-6.9	3.1	0.7	-5.1	-8.2	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	65	62.8	74.7	9.7	65.3	66	72.5	7.2	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	75.15	75.89	80.95	5.8	70.99	74.33	77.19	6.2	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	13.5	17.1	7.6	-5.9	7.9	11.1	5.9	-2	9	8.9	9.6	0.6
<b>At-risk-of-poverty rate</b>		19.9	17.6			12.2	15.8			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	30.5	30.2	30.1	-0.4	23.8	24.6	27.6	3.8	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b>		1.8	2.06		2.47	2.51	2.84	0.37	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	37.8	39	39.4	1.6	39.2	40.7	42.3	3.1	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	3.61	4.41	5.1	1.49	4.87	5.06	5.16	0.29	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Notes:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; GDP per capita and Total DGP at NUTS2 level in 2000 and 2005 are valued respectively with the 2001 and 2005 data from ISTAT; Total intramural expenditure at NUTS2 level in 2011 is valued with 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data.

## 1.2 Overview of the main demographic challenges in the region

The region Thuringia is one of the smallest in Germany and includes just 2.9% (or 2.3m) of the total German population (2010). 89% of the municipalities lie within the rural area (about 81% of the total area), while 31% of the inhabitants live in thriving urban districts accounting for 38% of the gross value added .<sup>15</sup>

Thuringia is characterised by population decline (mainly caused by the negative net-migration) and a high dependency rate. The highest migration rate is shown by the working-age population and especially the well-qualified (brain drain).

Population decline affects more than 70% of the cities and municipalities, especially in the rural area<sup>16</sup>. Since 2007, however, net-migration has been diminishing due to the lower migration potential and, partly, to the improving economic situation.

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<sup>15</sup> OP ESF – 2011, p. 15, and Ministerium für Wirtschaft, Arbeit und Technologie Thüringen (2012) Zukunft Ost. Analysen, Trends, Handlungsempfehlungen.  
<http://www.thueringen.de/de/publikationen/pic/pubdownload1379.pdf>, p. 33.

<sup>16</sup> About 40% of the population lives in villages with less than 5,000 inhabitants. These are more affected by population decline. Stiftung Schloss Ettersburg (2012), Tagungsband Die Zukunft der Dörfer, Zwischen Stabilität und demografischem Niedergang.  
<http://www.stiftung-ettensburg.de/getmedia.php/media/stiftung/files/201209/1346759370-orig.pdf>.

**Table 2: Key figures on demographic change**

Indicator	Thuringia				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>Crude rate of population natural increase</b>	-3.5	-3.8	-4.1	-0.6	1.2	-0.8	1.1	-0.1	2.9	4.2	2.5	-0.4
<b>Crude rate of net migration</b>	-3.8	-5	-2.5	1.3	2	1	3.4	1.4	2.3	3.6	1.7	-0.6
<b>Old age dependency ratio</b>	23.2	28.4	35.1	11.9	23.9	27.8	31.2	7.3	23.22	24.66	26.22	3.0
<b>Total fertility rate</b>		1.26	1.43		1.38	1.34	1.36	-0.02		1.51	1.59	
<b>Population density</b>	150.9	145	138.7	-12.2	230.3	230.9	229	-1.3	112.3	114.3	116.6	4.3
<b>Prevalence of urban or rural population</b>			IN									
<b>Long-term care available beds in nursing and residential care facilities</b>		842.6	1006.1		818.8	918.1	1031.7	212.9				
<b>Hospital beds</b>	996.4	970.8	984.9	-11.5	911.6	846.7	824.8	-86.8	640.1	584.1	538.2	-101.9
<b>Formal childcare (national and EU level)</b>						8	13				14	
<b>Total health care expenditure as a percentage of GDP (national level)</b>						10.72	11.61					
<b>Total long-term care health care expenditure as a percentage of GDP (national level)</b>						1.28	1.38					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates in 2011 are valued with 2009 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care beds available in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

From 1991 to 2009 the region lost about 350,000 inhabitants (approx. 13%), and has now reached a **density** of 138 inh./km<sup>2</sup>, which is half that of the national average.<sup>17</sup> Only the cities of Weimar, Jena and Erfurt (the so-called Thuringian Town Chain) have shown relatively stable population numbers in the last few years thanks to their economic performance and the universities.

The population has been shrinking steadily since German unification, the reasons being an exodus of people of working age and a low birth rate. Unfortunately, the relatively good infrastructure for child care, superior to the German average, does not affect the decline. For instance, about 43% of the under-3-year-olds are cared for in institutions (relative to a national average of 14% in 2009), 86% of them being cared for full time (DE: 36%). The coverage rate of children aged 3-6 years in childcare is 86%.<sup>18</sup>

Demographic projections from Eurostat indicate that the total Thuringian population will decline from 2.24m in 2010 to 1.8m in 2030 (-0.4m), although this is much lower than the German average (-1.99m).

**Table 2bis: Demographic projections**

Indicator	Thuringia			National Average			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population (in thousand)</b>	2.243	1.822	-0.421	82.145	80.152	-1.993	499,389	519,942	20,553
<b>Share of people aged +65 over the total population</b>	23.1	35.6	12.5	20.6	27.6	7	17.4	23.6	6.2
<b>Dependency ratio</b>	34.90	64.90	30	31.20	46.20	15	25.90	38.00	12.1

**Source:** Eurostat, Europop2008.

NOTES: All indicators are projections calculated in 2008 by the Europop2008 Report

**Ageing** due to longer life-expectancy greatly influences demographic development in the region, and a marked change in the age composition will take place in the coming years. According to the Ministry of Social Affairs, the average age will increase by 6.6 years up to 2030 (this phenomenon was already recorded in the past when the average age rose from 37.9 years in 1990 to 45.6 years in 2009).<sup>19</sup> The **dependency rate** will increase from 34.9% (in 2010) to 64.9% (2030), thus being a third above the national level. As early as 2020 one inhabitant in four will be over 65 years of age. While the proportion of over 80-year-olds will increase by 64.9% (till 2020 against 2008) the younger age groups will decline (the proportion of under 2-year-olds will decline by 25%, that of 2-6 years old by 18%, and that of 16-25 years old by 43.5%).<sup>20</sup> The numbers of the working-age population are also due for decline. This has significant effects on the educational institutions and the labour market: the declining numbers of younger cohorts are notable in the education

<sup>17</sup> <http://www.bpb.de/nachschlagen/zahlen-und-fakten/soziale-situation-in-deutschland/61535/bevoelkerung-nach-laendern?type=galerie&show=image&i=61536>.

<sup>18</sup> Ministerium für Wirtschaft, Arbeit und Technologie (2011), Operationelles Programm für den Einsatz des Europäischen Sozialfonds im Freistaat Thüringen von 2007-2013. [http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/op\\_version-19-10-2007.pdf](http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/op_version-19-10-2007.pdf).

<sup>19</sup> Thüringer Landesamt für Statistik, <http://www.kas.de/wf/doc/2162-1442-1-30.pdf>.

<sup>20</sup> Thüringer Ministerium für Soziales, Familie und Gesundheit (2008).

sector, with falling numbers of school leavers and graduates (-8,236 in 2020.<sup>21</sup> It is estimated that in some areas the decline in working population will top 50% between 2009 and 2030.<sup>22</sup>

The implications of demographic change are an important factor to be addressed in regional planning. The main challenges resulting from this development are: a) the number of unoccupied houses; b) the changing age composition of the inhabitants resulting in changing needs and c) an increasing concentration of old and poor people in rural areas.<sup>23</sup> The high number of unoccupied houses was addressed with demolition of low quality buildings (built during socialist times in the 70s and 80s), in order to concentrate the inhabitants near or in the city centres and avoid dispersion of the inhabitants in the suburbs. The changing age composition of the inhabitants is resulting in a changing demand (such as for hospitals, long-term care institutions, kindergartens and educational institutions, including transport or daily-life services), which often leads to insufficient coverage of basic services, especially in the rural areas. The migration of the active age population is also affecting income distribution, leaving behind population groups on lower incomes, e.g. the elderly population, the less qualified and people living on social support, resulting in an increasing concentration of poor people in rural areas and in large housing estates, which are often of poor quality.<sup>24</sup> People on higher incomes tend to move to suburban areas with new housing.

### 1.3 The national and regional policy approaches in addressing demographic change

Various federal and regional programmes recognise the importance of addressing the consequences of demographic change with specific focus on economic development. Their aim is to surmount the regional imbalances regarding income and employment, considered the most effective way to counter migration of the young and well-qualified. A number of regional policy programmes focus on **economic development**, including measures to enhance enterprise competitiveness, especially in the case of the SMEs, and step up innovation with investments in R&D. The following four economic programmes entailed a total investment of 1.2 billion Euro (of which 840 million national and 343 million Euro co-financed by ERDF)<sup>25</sup> and can be considered the most relevant:

- The national programme "Community improvement of Regional Economic Structures" (*Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur, GRW*)<sup>26</sup>, focuses on investments in the major economic sectors (such as trade and industry) of municipalities, redevelopment of industrial and commercial sites, tourist infrastructure, vocational training institutions and SME investment.

The aim is to stimulate the local and regional economy and create jobs. From 2004 to 2010 about 3,400 investments were financed in infrastructure (with 478

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<sup>21</sup> Ministerium für Wirtschaft, Arbeit und Technologie Thüringen (2012) Zukunft Ost. Analysen, Trends, Handlungsempfehlungen. <http://www.thuerinOPgen.de/de/publikationen/pic/pubdownload1379.pdf>, p. 24.

<sup>22</sup> Stiftung Schloss Ettersburg (2012), Tagungsband Die Zukunft der Dörfer, Zwischen Stabilität und demografischem Niedergang. [http://www.stiftung-ettersburg.de/getmedia.php/\\_media/stiftung/files/201209/1346759370-orig.pdf](http://www.stiftung-ettersburg.de/getmedia.php/_media/stiftung/files/201209/1346759370-orig.pdf), p. 74.

<sup>23</sup> Bundesministerium für Verkehr, Bau und Stadtentwicklung (2010), 4. Statusbericht, Stadtumbau vor neuen Herausforderungen. p. 71.

<sup>24</sup> Bundesministerium für Verkehr, Bau und Stadtentwicklung (2010), 4. Statusbericht, Stadtumbau vor neuen Herausforderungen. p. 75f.

<sup>25</sup> [http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/unternehmensf\\_rderung.pdf](http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/unternehmensf_rderung.pdf).

<sup>26</sup> <http://www.thueringen.de/th6/tmwat/a-z/daten/57151/index.aspx>.

Mio. €), 3,374 projects addressed firms (6,851 Million €) and 280 projects focussed on support for economic business.<sup>27</sup>

- the regional programme "Thüringen-Invest" focuses on investment projects for local and regional SMEs and start-up enterprise not financed by GRW. It provides loans with low interest (18,75 Million from ERDF).
- "Thüringen Dynamik" for enhancing the competitiveness of SMEs with long-term investment and loans. It was implemented in 2010 as a credit programme for long-term investments (60 million Euro from ERDF and 20 million Euro national financing).
- the "Foreign trade Promotion" (*Außenwirtschaftsförderung*) aims to boost internationalisation of the regional enterprises and step up the export rate.<sup>28</sup>

Improving the **qualification of workers** is another important focus of regional policy, as migration has been a drain on skilled persons although unemployment is still high. Training initiatives have been implemented through the regional programme "Thüringen Trainee" and the "Vocational training cheque" (*Bildungscheck*). Other relevant programmes, co-financed by the ESF, are:

- The programme "civil work" (*Bürgerarbeit*) aims to integrate 3,000 long-term unemployed (aged between 35 and 49) (starting in May 2011), with the support of the job centre.<sup>29</sup>
- The Landesarbeitsmarktprogramme "Work for Thuringia" and "Family future" of the Ministry of Economy and Labour supports disadvantaged population groups (especially women) on the way back to employment and aims to improve reconciliation of work and family life.
- the "Action programme securing skilled labour forces and qualification" (*Aktionsprogramm Fachkräfte und Qualifizierung*)<sup>30</sup>, addresses the increasing lack of skilled personal through five action fields;
- the training portal "QualiService Thüringen", provides services for professional development for businesses, education providers, workers and the unemployed<sup>31</sup>

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<sup>27</sup> [http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/foerderung/grw-th\\_ringen\\_eb\\_2011-09\\_final.pdf](http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/foerderung/grw-th_ringen_eb_2011-09_final.pdf).

From 1997 to 2003 investments of 9,042 Million Euro financed nearly 6000 projects. About 31,600 new work places (of which 27,4% for women) and about 75,000 jobs were secured. See: Thüringer Ministerium für Wirtschaft, Technologie und Arbeit (2004), Evaluierung des Einsatzes von Fördermitteln im Rahmen der Gemeinschaftsaufgabe „Verbesserung der regionalen Wirtschaftsstruktur“ (GA) in den Jahren 1997 – 2003 in Thüringen.

[http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/foerderung/evaluierung/evaluierung\\_ga\\_kurzfassung.pdf](http://www.thueringen.de/imperia/md/content/tmwta/wirtschaft/foerderung/evaluierung/evaluierung_ga_kurzfassung.pdf).

<sup>28</sup> During the period 2007 to 2013 about 1,48 Mio Euro will be invested by EFRE, to finance 5,700 projects, and create more than 5,000 jobs and 750 training opportunities.

<http://www.thueringen.de/efre/informationen/veranstaltungen/jahresveranstaltung2010>.

<sup>29</sup> The so called Civil workers are employed for 1.5 years (30 hours/week) and receive 900 Euro gross. It is implemented in 15 regions of Thuringia. <http://www.thueringen-reporter.de/29.03.2012/motivation-und-wertschatzung.htm>.

<sup>30</sup> [http://www.thueringen.de/imperia/md/content/tmwta/aktuelles/wir\\_aktionsprogramm\\_fachkr\\_fte.pdf](http://www.thueringen.de/imperia/md/content/tmwta/aktuelles/wir_aktionsprogramm_fachkr_fte.pdf).

<sup>31</sup> [www.qualiservice-thueringen.de](http://www.qualiservice-thueringen.de).

Another important pillar of the regional policy is **Research and Development**. The "Future Initiative Excellent Thuringia"<sup>32</sup> aims to boost investments in R&D: it is co-financed by the ERDF and ESF (total financing 2008-2011: 2,8 Billion Euro, of which from ERDF: up to 35m Euro for R&D Infrastructure and 52m € for cooperation and 80m for Innovation and technology incentive in single enterprises)<sup>33</sup>. The objective is to enhance local competitiveness, also involving SMEs, to create employment opportunities for skilled workers as well as promoting and modernising educational institutions (such as universities).

Some national programmes also implemented in Thuringia address demographic change with a more **comprehensive approach**, taking account of different aspects as quality in the public service sector, the real estate market and promotion of mobility and transport infrastructures.<sup>34</sup> Such is the case with the "Federal strategy for Demography"<sup>35</sup> and the action concept "Ensure Basic services in the context of demographic change" (*Handlungskonzept "Daseinsvorsorge im demografischen Wandel zukunftsfest gestalten"*)<sup>36</sup>. Also the national pilot project "Demographic Change – Regions make Future" (*Demographischer Wandel – Region schafft Zukunft*)<sup>37</sup> addresses local employment and the regional economy, transport infrastructure and mobility, social services and families, new forms of living forms and cultural and regional identity in the rural areas.<sup>38</sup>

**Urban and village development** have received particular attention in the last few years as the shrinking population has brought pressure to bear on the local infrastructure, requiring investments in housing infrastructure (such as restoring old buildings or modernising housing units<sup>39</sup>), improvement in the deprived living areas and city centres, and in particular in transport and communication infrastructure. Even if they may have less impact on migration than employment policies, the investments of the last few years have considerably improved living quality. Some regions affected by out-migration, depopulation and ageing have seen deprivation and abandonment due to lack of investments in the past. Also, on the strength of their participation the local inhabitants, involved through a neighbourhood management approach, have been able to see their interests reflected in the measures undertaken. Several programmes have been implemented in this field (see also box below).

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<sup>32</sup> Thüringer Kultusministerium (2009), Zukunftsinitiative Exzellentes Thüringen. <http://www.thueringen.de/de/publikationen/pic/pubdownload1023.pdf>.

<sup>33</sup> Thüringer Kultusministerium (2009), Zukunftsinitiative Exzellentes Thüringen <http://www.thueringen.de/de/publikationen/pic/pubdownload1023.pdf>.

<sup>34</sup> [http://www.beauftragter-neue-laender.de/BODL/DE/Themen/Demografie/Daseinsvorsorge/daseinsvorsorge\\_node.html](http://www.beauftragter-neue-laender.de/BODL/DE/Themen/Demografie/Daseinsvorsorge/daseinsvorsorge_node.html).

<sup>35</sup> [http://www.demografiestrategie.de/BODL/DE/Themen/Demografie/Situation/situation\\_node.html;jsessionid=1A00DECABCDBE426AFEB81BDD8703C69.2\\_cid295](http://www.demografiestrategie.de/BODL/DE/Themen/Demografie/Situation/situation_node.html;jsessionid=1A00DECABCDBE426AFEB81BDD8703C69.2_cid295).

<sup>36</sup> [http://www.beauftragter-neue-laender.de/BODL/DE/Themen/Demografie/Daseinsvorsorge/daseinsvorsorge\\_node.html](http://www.beauftragter-neue-laender.de/BODL/DE/Themen/Demografie/Daseinsvorsorge/daseinsvorsorge_node.html).

<sup>37</sup> [http://www.region-schafft-zukunft.de/cdn\\_030/sid\\_CDFD78090E189DF0805D960A18526118/DE/Home/homepage\\_node.html?nnn=true](http://www.region-schafft-zukunft.de/cdn_030/sid_CDFD78090E189DF0805D960A18526118/DE/Home/homepage_node.html?nnn=true).

<sup>38</sup> [http://www.region-schafft-zukunft.de/cdn\\_030/nn\\_252590/sid\\_CDFD78090E189DF0805D960A18526118/nsc\\_true/DE/ProjekteSuedharzKyffhaeuser/projekte\\_suedharz\\_kyffhaeuser\\_node.html?nnn=true](http://www.region-schafft-zukunft.de/cdn_030/nn_252590/sid_CDFD78090E189DF0805D960A18526118/nsc_true/DE/ProjekteSuedharzKyffhaeuser/projekte_suedharz_kyffhaeuser_node.html?nnn=true).

<sup>39</sup> In the Frame of the Programme „Stadtumbau Ost“ 30,482 apartments have been demolished until the 31.12.2007. [http://www.bbr.bund.de/nn\\_311368/BBSR/DE/Stadtentwicklung/Staedtebaufoerderung/StadtumbauOst/Ref\\_oProjekte/Evaluierung/03\\_ergebnisse.html](http://www.bbr.bund.de/nn_311368/BBSR/DE/Stadtentwicklung/Staedtebaufoerderung/StadtumbauOst/Ref_oProjekte/Evaluierung/03_ergebnisse.html).

**Table 3: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, country, town)
Community Improvement of the regional economic structure ( <i>Gemeinschaftsaufgabe Verbesserung der Regionalen Wirtschaftsstruktur</i> )	Business support and labour market	Aiming to improve the local economy and employment situation by providing financial support for municipalities implementing measures to enhance the economic infrastructure	Federal-regional
Thüringen-Invest	Business support and labour market	Supporting SMEs and start-up enterprises not financed by GRW (see above)	Regional
Thüringen Dynamik	Business support and labour market	Improving the competitiveness of SMEs through long-term investment aid through loans	Regional
Future Initiative Excellent Thuringia ( <i>Zukunftsinitiative Thüringen</i> )	Business support, labour market	Investing in universities and R&D projects to support innovation of SMEs and their innovation capacity in order to increase employment opportunities in quality jobs.	Federal-regional
Stadtumbau Ost	Infrastructure	Implemented 2002 to address the problem of "shrinking cities", leading to unoccupied living spaces in the "new Länder". <sup>40</sup>	Federal-Regional
Smaller cities and municipalities ( <i>Kleinere Städte und Gemeinden</i> )	Social infrastructure and services	Established in 2010, this programme targets smaller cities and municipalities in low-density rural areas affected by migration and demographic change. The objective is to secure the central local functions of public services.	Federal-Regional
Active City and district centres ( <i>Aktive Stadt- und Ortsteilzentren</i> )	Infrastructure	Re-qualification of inner-city areas.	Federal-Regional
Urban renovation and development measures - new Länder ( <i>Städtebauliche Sanierungs- und Entwicklungsmaßnahmen - neue Bundesländer</i> )	Infrastructure	119 municipalities in urban areas of Thuringia have been supported since 2011 (476,678.508 Euro).	Federal
"Demographic Change – Regions make Future" ( <i>Demographischer Wandel – Region schafft Zukunft</i> )	Labour market and economic development, Infrastructure, social services	This programme addresses six action fields, with special attention to the local needs. The main focus is on: local employment and regional economy, transport infrastructure and mobility, social services and families, and enhancing cultural and regional identity.	Federal-regional

**Source:** Authors.

Some examples of programmes for urban and village development are presented in the following Box 1.

<sup>40</sup> Thüringer Ministerium für Bau, Landesentwicklung und Verkehr (2012), Demographiebericht Thüringen.

## **Box 1: Regional and National programmes for urban and village development**

**Stadtumbau Ost (2010-2016, 2 phase)** is the main city development programme for the East-German regions, launched in 2002. The Federal programme addresses various aspects of city development in order to improve the quality of life and work. It aims to enhance the inner city areas and maintain their historical buildings (build before 1948) with renewal investments and demolition of (socialist period) buildings no longer in use. Another focus is on revaluation of the city and village areas for long-term improvement and adaptation of the inner city infrastructure. The programme played an important role in restructuring the municipalities in the new Länder. For instance, by 2010 about 45,000 apartments had been demolished.<sup>41</sup>

The national-regional **Smaller cities and municipalities** Programme (*Kleinere Städte und Gemeinden*) implemented in 2010 supports inter-communal and cooperation between municipalities with the aim to guarantee a better supply of social services. With this cooperation it is also expected to be able to generate investment synergies, to adapt investments in the city infrastructure better to the changing needs resulting from demographic change. It includes the rehabilitation of buildings and new use of empty buildings. In 2013 about 55 million EUR have been provided by the Federal Government (covering 1/3 of the costs), while the remaining amount is covered by the Region and the municipality.<sup>42</sup>

The Thuringer Initiative "**Brilliant location**" supports the cities in improving their inner-city areas by re-qualifying wasteland, for example by creating space for residential properties. This initiative is supported by the "**Active City and district centres**" programme.<sup>43</sup> Since 2002 about 43 municipalities have implemented 78 projects (stand: 12/2012) for the requalification of urban areas. The aim is to provide attractive living spaces in order to reverse the migration dynamics, improve the use of urban spaces and avoid sub-urbanisation.<sup>44</sup>

The **Village Renewal programme** (*Dorferneuerungsprogramm*) focuses on projects improving the living, working, social and environment situation of villages in rural areas. It is financed by the Funding Initiative Rural Development Thuringia FILET (*Förderinitiative Ländliche Entwicklung in Thüringen 2007-2013*) (2007-2013)– which is supported by the European Agricultural Fund for Rural Development (EAFRD).<sup>45</sup> It includes activities for the maintenance and renewal of the village structure, the transport infrastructure, the village ecology, the protection of historical and rural buildings and their adaptation to modern needs (for living and commerce), support for local infrastructures and change of use. The duration of village support is 5 years (can be extended to 7 years), during which private and communal measures can be supported. It includes an information and motivation phase for the general public, inducing the rural population to take part in the decision making process and enhancing their identification with the activities to be implemented. Also the municipality has established a planning office. During the whole period (1991-2011) about 1,800 villages have been supported, about 157 villages in 2012.<sup>46</sup>

<sup>41</sup> Bundesministerium für Verkehr, Bau und Stadtentwicklung (2010), 4. Statusbericht, Stadtumbau vor neuen Herausforderungen.

[http://www.bbsr.bund.de/cln\\_032/nn\\_21272/BBSR/DE/Veroeffentlichungen/BMVBS/Sonderveroeffentlichung/en/2010/DL\\_StadtumbauOstStatusbericht.templateId=raw,property=publicationFile.pdf/DL\\_StadtumbauOst\\_Statusbericht.pdf](http://www.bbsr.bund.de/cln_032/nn_21272/BBSR/DE/Veroeffentlichungen/BMVBS/Sonderveroeffentlichung/en/2010/DL_StadtumbauOstStatusbericht.templateId=raw,property=publicationFile.pdf/DL_StadtumbauOst_Statusbericht.pdf).

<sup>42</sup> [http://www.bmvbs.de/DE/StadtUndLand/Staedtebauforderung/KleinereStaedte/kleinere-staedte-und-gemeinden\\_node](http://www.bmvbs.de/DE/StadtUndLand/Staedtebauforderung/KleinereStaedte/kleinere-staedte-und-gemeinden_node).

<sup>43</sup> Bundesministerium für Verkehr, Bau und Stadtentwicklung (BMVBS), (2011), Aktive Stadt- und Ortsteilzentren – drei Jahre Praxis, Erster Statusbericht zum Zentrenprogramm der Städtebauförderung. [http://www.turmstrasse.de/downloads/pdf/foerdergebiet/foerderkulissen/110609\\_AZ\\_Statusbericht.pdf](http://www.turmstrasse.de/downloads/pdf/foerdergebiet/foerderkulissen/110609_AZ_Statusbericht.pdf).

<sup>44</sup> <http://www.thueringen.de/de/genialzentral>.

<sup>45</sup> Other activities are the development and diversification of agriculture activities. In: Ministry for Agriculture, Environment protection and Environment, Förderinitiative Ländliche Entwicklung in Thüringen 2007-2013 (FILET), <http://www.thueringen.de/de/publikationen/pic/pubdownload896.pdf>.

<sup>46</sup> [http://www.thueringen.de/de/landentwicklung/aufgaben/entwicklung/dorferneuerung\\_entwicklung](http://www.thueringen.de/de/landentwicklung/aufgaben/entwicklung/dorferneuerung_entwicklung).

## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

Both Operational Programmes (ERDF and ESF) of the Thuringia region directly or indirectly take account of the demographic development of the region as the effects of migration, lack of skilled persons, and depopulation of the rural and urban areas are considered problematic for the future development of the region. Even though economic development has picked up in the last few years and is coming closer to the German average, the economically weaker situation, with for example below average income growth, above average unemployment, high migration rates of the young and well-qualified people, remain a relevant push-factor.

The **ERDF Operational Programme** is divided into four axes: **Axis 1:** Education, Research and Development, Innovation (31.1%) of the ERDF OP focuses on activities for R&D, cooperation between enterprises and research institutions and improvement of research infrastructure. It aims to create jobs (target: 7000) and provide better qualification opportunities and education for the younger generations (future lack of skilled personnel). **Axis 2** "Increased competitiveness of the Economy" (37.8% of total funding) targets enterprise competitiveness and the development of the regional economy, with the aim to stimulate the macroeconomic growth process, create employment opportunities, focusing also on SMEs. **Axis 3** for "Sustainable regional and urban development" (14.6% of total funding) focuses on infrastructure, economic, environmental, social and demographic aspects and transport in cities above 10,000 inhabitants. **Axis 4** Protection and Improvement of the environment (15.2%) supports protection and improvement of the environment as well as rehabilitation of the physical environment.

**Table 4: Financial allocations of ERDF (by 2007)**

Priority Axis	Financial allocation (ERDF)	Share	Relevant to demographic change
1. Education, R&D and Innovation (Axis 1)	459 Million EUR	31.1% %	
2. Increased Competitiveness of the Economy	558,45 Million EUR	37,8%	✓
3. Sustainable Regional and Urban Development (Axis 3)	216 Million EUR	14.6%	✓
4. Protection and Improvement of the Environment	224,25 Million EUR	15.2%	
5. Technical Assistance	19,99 Million EUR	1.4%	
<b>TOTAL</b>	<b>1,477,687909 Million EUR</b>	<b>100%</b>	

**Source:** Thüringer Ministerium für Wirtschaft, Arbeit und Technologie (2010), Halbzeitbewertung zum Operationellen Programm des Freistaats Thüringen für den Europäischen Fonds für die Regionale Entwicklung (ERDF) in der Periode von 2007 bis 2013.

**Table 5: Review of Cohesion programmes' strategies on demographic issues**

ERDF	Brief description	Comments and examples
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The following aspects are considered in the OP ERDF:</p> <ul style="list-style-type: none"> <li>- Still great need for urban and transport areas, despite the economic and demographic development.</li> <li>- Increasing GDP in relation to shrinking population, but economic level still behind German average</li> <li>- Above-average decline in population (due to out-migration and negative population growth)</li> <li>- Lack of qualified personal, also due to the negative net migration of the 18-25 years old (brain drain).</li> </ul>	<p>The ERDF OP concentrates on surmounting the existing economic deficits and imbalances, reducing the high unemployment rate and reversing migration trends.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the general objectives stated mention elements related to the way the Country/Region can adapt to demographic change</p>	<p>The focus of the ERDF OP is on support for economic development and increase in R&amp;D activities, in order to generate high level employment opportunities.</p> <p>Of lesser importance, but still relevant to demographic development are activities in the field of urban and service infrastructure: enhancing the cities as regional economic and employment centres and modernizing the infrastructure is important to strengthen the functional position in the region, as cities have an interregional importance for the regional economy and labour market and as service centres for the surrounding rural areas</p>	<p>The future prospects of lack of skilled personal and migration of the younger and qualified population are considered particular challenges, addressed with economic investments in order to create employment.</p> <p>In combination with activities for R&amp;D, the focus is to support the innovation capacity of SME.</p> <p>Special attention is paid to the cities Erfurt, Weimer and Jena (affected by population decline and ageing) and improvement of their inner-city areas by adapting the social, educational and transport infrastructure to the changing demographic situation.</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)</p>	<p><b>Measure 2.2.</b> "Promotion of business investment" through the supply of innovative financing instruments (such as subsidised loans) for SME as well as large enterprises.</p> <p><b>Measure 3.1:</b> "Support for sustainable development in cities with more than 10,000 inhabitants" includes projects on infrastructure in urban and rural areas having direct economic effect.</p>	<p>The promotion of business investments aims to help enterprises make modernisation investments to enhance their competitiveness. It includes investment projects that contribute to the creation of jobs and also training in SMEs. Another focus is on support for Start-ups.</p> <p>Regarding urban development, special attention is paid to the development of larger city areas with more than 10000 inhabitants. ERDF measures are complementary to various federal &amp; regional urban development programmes.</p>

**Source:** Authors.

With regard to demographic change, the **ESF Operational programme** strategy focuses on human capital in general to counter the negative effects of migration on the regional labour market. The measures address in particular the lack of skilled personnel, tackled with educational and vocational training activities for the young to upgrade their qualifications, labour market integration measures, support for SME job supply, and qualification of personnel with management skills or in connection with R&D institutions. Also measures to support activation of the elderly are considered. The three keywords are: adaptation of employability and enterprises, enhancement of human capital and access to employment.

**Table 6: Financial allocations of ESF**

Priority Axis	Financial allocation	Share	Relevant to demographic change
1. Improvement to the adaptability and competitiveness of the labour forces and business organisations	132 Million EUR	20.98 %	✓
2. Enhancement of human resources	237,1 Million EUR	37.69%	
3. Improvements in access to employment and social integration of disadvantaged people / equal opportunities	215,748,739 EUR	34.29%	✓
4. Technical Support	25,160,364 EUR		
5. Transnational and inter-regional relationships	19 Mil EUR	3.02 %	
<b>TOTAL</b>	<b>629,009,103 EUR</b>		

**Source:** Thüringer Ministerium für Wirtschaft, Arbeit und Technologie (2011), Halbzeit für den Europäischen Sozialfonds in Thüringen.

**Table 7: Review of ESF strategies on demographic issues**

	Brief description	Comments and examples
<b>ESF</b>		
<b>d) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	Economic and demographic development calls for special activities: as the number of pupils and graduates declines, the average age of skilled personal rises and the need for high qualified personal (experts and management) increases.	The ESF is focusing on improvement of human capital through qualification activities, addressing the lack of qualified personnel.
<b>e) General objectives and strategy design</b> Extent to which the general objectives stated mention elements related to the way the Country/Region can adapt to demographic change	Measures for qualification of the young and disadvantaged population groups, labour market integration of older workers and improvement in reconciliation of work and family.	Emphasis is placed on the qualification and integration of disadvantaged population groups (older people, women, migrants) to enhance their employability.
<b>f) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)	<b>Axis 1:</b> "Improvement to the adaptability and competitiveness of the labour forces and business organisations" <b>Measure 1.1:</b> "Occupational training" for the qualification of workers and for the development of employment in the service sector (i.e. ageing). Special training opportunities for older	The selected measures focus on the development of human resources and employability of disadvantaged population groups. It makes provision for improvement in the skill levels of potential workforce and aims at raising educational levels, thereby addressing the actual

	Brief description	Comments and examples
	<p>and low-skilled workers to improve their employability. This measure also provides for the supply of knowledge on personnel organisation and management in SMEs against a background of demographic change.</p> <p><b>Axis 2: "Improvement to human capital".</b></p> <p><b>Measure 2.1:</b> "Development of vocational training - tailored professional training support" addresses the demographically-based decline in numbers of applicants by providing better basic qualifications for the young and young adults by means of closer connection between educational institutions and the world of work.</p> <p><b>Measure 2.3:</b> "Promotion of human capital in research and innovation and network activities between universities and research institutions, technological centres and enterprises" aims to provide qualified personnel for enterprises, and exchange of experts between the different institutions (enterprises and educational institutions) in order also to enhance the qualification possibilities of young people and improve vocational training opportunities.</p>	<p>future needs of skilled personal.</p>

Source: Authors.

### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE

The ERDF Operational takes very much into account the problems related to demographic change, and measures aiming to increase the productivity of the regional economy. Three of the four Axes were designed with the main intention to boost enterprise innovation and make the economy more competitive in order to increase the regions' attractiveness, stimulate investments and enhance the appeal of the cities and rural areas for the population. The activities include investments in infrastructure, such as education and research institutions, and indeed in the urban centres. This is also fostered with investments in the R&D field, and close connection with economy-related activities. Complementary to these, the ESF Operational programme supports activities for the development of human capital (including in research and innovation), in order to provide the necessary workforce and to keep high-skilled workers in Thuringia. It includes activities to promote employability, entrepreneurship and the social inclusion of different population groups, such as youth, the elderly and women as well as maintaining a high level of education and qualifications.

The **ERDF** selected measures more directly related to demographic change are:

- **Measure 2.1.** "Promotion of business investment" focuses on the supply of innovative financing instruments, such as subsidised loans for long-term investments, for support for enterprises to invest in appropriate economic infrastructure, as a requisite to create and protect jobs. The activities should support investments for the expansion and reorganisation of existing enterprises, as well as the development of new ones. It addresses SMEs as well as large enterprises. The promotion of business investments aims to help enterprises make modernisation investments to enhance their competitiveness. It includes investment projects that contribute to the creation of jobs and also training places in SMEs. Another focus is on support for start-ups.

In the activity field, about 818 projects of 752 enterprises have been supported (of which 94% were SMEs) up to 2011. The eligible investment volume corresponds to 780 million EURO, thus about 15% more than the previous year 2010.

Moreover, a total of 205 enterprise investments have been supported through the "Gemeinschaftsaufgabe der Verbesserung der Regionalen Wirtschaftsstruktur" (Improving regional economic structure) with an investment volume of 742 million euro up to 2011, which means tripling the investment volume of 2010. 77% of enterprises were SMEs, with an average investment of less than 10 million Euro per project. 17 projects had an investment of more than 10 million Euro. The total number of jobs created was 2,660, of which 25% were for women.<sup>47</sup> In the programme "Thüringen-Invest-subsidy" about 428 SMEs were supported, of which 131 (or 30%) were start-ups (of 41% of women). This fund received 18.75 million EUR from ERDF and 6,25 million EUR of national funds.

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<sup>47</sup> Jährlicher Durchführungsbericht 2011  
[http://www.thueringen.de/imperia/md/content/efre/j\\_hrlicher\\_durch\\_f\\_hrungebericht\\_2011.pdf](http://www.thueringen.de/imperia/md/content/efre/j_hrlicher_durch_f_hrungebericht_2011.pdf).

- **Measure 3.1** "Support for sustainable development in cities with more than 10,000 inhabitants" (ERDF) includes projects on infrastructure in urban and rural areas having direct economic implications. They focus on employment and living standards as well as economic competitiveness, in order to improve the long-term supply-side of urban districts in cities with more than 10,000 inhabitants. These cities are considered centres having regional importance for the surrounding rural areas and play an important role in providing the basic services for these areas, where depopulation is widespread and leads to a lack of service provision in smaller towns and rural areas.<sup>48</sup> The cities are also considered to be of importance for the labour market as they concentrate economic activities. The projects address inner-city business areas, city infrastructure improvement of living surroundings. As of 2011 about 7 projects had been approved, with a total investment of 14 million Euro, of which 11.14 million Euro were ERDF financed.

As for the **ESF**, the selected measures are the following:

- **Measure 1.1** "Occupational training and increase of the competitiveness of employees and enterprises through qualification and counselling" (ESF) includes 16 different activity fields (including support for vocational training, qualification counsellors, network activities for improvement of the regional employment situation, and the employment-database QualiService Thüringen) which aim to upgrade the qualification of workers and employers as well as special training opportunities for older and low-skilled workers to enhance their employability. The total investments (ESF) in this measure amount to 87 million EUR, of which 35.5% had been paid out by June 2010. Within this measure also the activity field "Projects on topics of personal and organizational development within the company" serves to provide knowledge on human resources and organizational development in SMEs in the context of demographic change.
- **Measure 2.1:** "Development of vocational training - tailored professional training support" addresses the demographically-based decline in numbers of applicants by providing a better basic qualification for the young and young adults through closer connection between educational institutions and the world of work.
- **Measure 2.3:** "Promotion of human capital in Research and innovation and network activities between universities and research institutions, technological centres and enterprises" aims to provide qualified personal for enterprises, and exchange of experts between the different institutions (enterprises and educational institutions) in order to improve also the qualification possibilities of young people and enhance vocational training opportunities.

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<sup>48</sup> [http://www.thueringen.de/efre/foerderbereiche/staedte\\_regionen](http://www.thueringen.de/efre/foerderbereiche/staedte_regionen).

**Table 8: Selected Measures in relation to demographic change**

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
<p><b>ERDF Measure 2.1.</b> "Promotion of business investment"</p>	<p>Business support</p>	<p>Migration of labour force</p>	<p>Supply of innovative financing instruments, such as subsidised loans for long-term investments, to support enterprises in investing in appropriate economic infrastructure, as a requisite to create and protect jobs. Activities should support investments for the expansion and reorganisation of existing enterprises, as well as development of new ones. It addresses SMEs as well as large enterprises.</p>		<p>In Axis 2 a total of 22 projects were supported with an eligible investment volume of approx. 29 million Euro.</p>	<p>Creation of 74 new enterprises (2007-2012)</p>
<p><b>ERDF Measure 3.1</b> "Support for sustainable development in cities with more than 10,000 inhabitants"</p>	<p>Infrastructure, social services</p>	<p>Rural/urban regeneration</p>	<p>Upgrading of the city infrastructure, and revaluation of the inner-city businesses, improvement of the living environment of urban centres and inner-city structures.</p>	<p>Local inhabitants in general, small enterprises in the functional centres.</p>	<p>Total: 120 Mio. € ERDF: 90 Mio. €</p> <p>As of 30.6.2010 public investments of 35.77m € have been approved (29.8%) and 17.7% have been paid. The target is of 50 projects, of which 22 have been approved (44%)</p> <p>The objective is to improve an area of 320 ha in the city centres (up to 2015). At present, an area of about 133 ha (42%) has received investments (in a total area of about 1000 ha). The average amount per project is 1.2m € (ERDF amount), (of the maximum of 1,6 Mio. € eligible amount per project).</p>	<p>Contributing to sustainable urban development by enhancing relevant functions such as services, education, culture, tourism and economy. Improving the living environment. Positive effects are the expected follow-on investments and real estate, land and property values,</p> <p>Projects: 22 Target: 50 projects</p>

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
<b>ESF Measure 1.1</b> "Occupational training, enhancement of the competitiveness of enterprises"	Education and qualification	Lack of skilled personnel	To provide occupational training opportunities to support LLL and increase the qualification level of employees. Flexible and individualized training should help to adapt training to the needs of the enterprises. Special attention is paid to the activation of qualification addressing the needs of the elderly through training in the service sector.	Workers and employees, younger and elderly people, Start-ups and SMEs	87 million EUR (21% of ESF total investments)  22.25 million Euro (44.4%) were for vocational training courses	Support for vocational training,  Stabilisation of the employment rate through qualification Target: 35,000 (of which women 16,000) Projects: 12,000 (of which women 5,300)  Improving the employability of the elderly and women, and support for LLL .
<b>ESF Measure 2.2</b> "Support for Lifelong learning and career choice competences (B2) Förderung des lebensbegleitenden Lernens und Verbesserung der Berufswahlkompetenzen)		Lack of skilled personnel, through qualification	Improvement of employability and qualification of the low-skilled. Special attention paid to pupils and young adults in transition from school to work through orientation courses		36 of the 47 million EURO have been paid for projects targeting pupils and young adults. <sup>49</sup>  15 million EUR have been paid for labour market orientation projects. (Halbzeit)	70,000 students in orientation courses  Securing the skilled labour base through initial education and working life extension: yearly admission to training 1000 (400 women)

Source: Authors.

<sup>49</sup> Halbzeitbericht.

The selected ERDF measures targeting demographic change focus on:

- Investment in infrastructure in different areas: in vocational and educational institutions, enterprises as well as urban infrastructure, including transport, services,
- Improvement of qualification possibilities for the young and elderly population in order to address the need for skilled persons
- Service provision for SMEs, including consulting activities for the improvement of management functions, support for networking with educational institutions to cope better with the need for qualifications and boost innovation by connecting R&D institutions with enterprises

To enhance human capital 21.6 million EURO from the ESF were invested, especially for the training of young people. A calculable indicator of the success of the measures is the improvement in vocational training opportunities in recent years. Also the decline in the number of unemployed in Thuringia highlights the effect of the measures carried out by the ESF.

To enhance the adaptability and competitiveness of employees and companies 5.2 million EUR were financed.<sup>50</sup> Also, activities for the qualification of the elderly are in line with the European Commission's "active ageing year " in 2012, as well as the "2020 Strategy" for intelligent, sustainable and integrative growth.

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<sup>50</sup> Kleine Anfrage 2773, der Abgeordneten Kubitzki und Hausold (DIE LINKE) und Antwort des Thüringer Ministeriums für Wirtschaft, Arbeit und Technologie Umsetzung der Operationellen Programme ESF und EFRE in der EU-Förderperiode 2007 bis 2013 in Gera, <http://www.dieter-hausold.de/uploads/media/dr55661.pdf>.



## 4. THE GOOD PRACTICE EXAMPLE

The project identified as a good practice in tackling demographic change in Thuringia is “The Thuringia Network on Demography (TND)”, a project coordinated by the Institute of the Thuringian Economy (Institut der Wirtschaft Thüringens - IWT), with the participation of several regional and national partners. It started its activities in 2006 and from 2008 to 2011 it was financed by the ESF. The TND project was also part of a nationwide initiative which aimed to implement changes to meet demographic challenges.<sup>51</sup>

The network encourages active approaches to address demographic change, exploiting the opportunities resulting from it by developing long-term strategies against the lack of skilled personnel with, for example, better integration and improvement in the employability of elder workers.

The Network’s aim is to enhance employability and prepare the SMEs to address the issues raised by demographic change, especially the lack of skilled persons and ageing, by taking a pro-active approach. It helps to develop age-appropriate measures to keep elderly employees in work and increase their productivity.

The activities of the TND include awareness-raising and consulting services for SMEs based on “demographic check-up” (including age analysis of the employees)<sup>52</sup>. The provision of individual consulting services helps in analysis of the specific needs of the company, based on a “demographic check-up”, which includes the collection and evaluation of company-specific data, e.g. age analysis of the employees.<sup>53</sup> By identifying their specific needs it is possible to develop concrete solutions and age management strategies (e.g. analysis of each SME’s’ situation, their training systems, future personnel management, recruitment, knowledge retention and maintaining the workability of elder workers). Also, a cost-free 5-day training seminar is offered to persons interested in becoming “Company demography consultants”. This is possible in enterprises with more than 50 employees. Enterprises with a high level of age-appropriate personnel and organizational strategy receive the certificate “Age-oriented enterprise”.<sup>54</sup> Here, enterprises are evaluated on the basis of 33 Indicators, including aspects like: corporate culture, personnel marketing, succession planning, leadership, workplace organization, working time, knowledge transfer, lifelong learning and health promotion, personnel management, work place quality, health, management and qualification.<sup>55</sup>

Another important field of activity is knowledge transfer and exchange of experience through the organisation of workshops and conferences, also to support enterprises in developing future scenarios and drawing up options for action and solutions, such as reorganisation of working hours, working conditions and work organisation, in order to upgrade working conditions and prevent health problems.

<sup>51</sup> <http://www.esfage.eu/sites/esfage/files/resources/Thuringia%20Network%20on%20Demography.pdf>.

<sup>52</sup> See the Demographic checkup overview:

[http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/\\$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf).

<sup>53</sup> See the Demographic checkup overview:

[http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/\\$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf).

<sup>54</sup> [http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/56227BC748DCB7C3C1257AFE0056384D/\\$File/Flyer-G%C3%BCtesiegel-final.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/56227BC748DCB7C3C1257AFE0056384D/$File/Flyer-G%C3%BCtesiegel-final.pdf).

In 2012 the certificate was given to Jena-Optronik GmbH, AGO Kontakttechnik, AWO Alten-, Jugend- und Sozialhilfe gGmbH, das Landratsamt Saalfeld-Rudolstadt and ProSeniore-Residenz Dornheimer Berg. See: <http://www.wir-thueringen.de/beitrag-zur-fachkraftesicherung>.

<sup>55</sup> [http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/56227BC748DCB7C3C1257AFE0056384D/\\$File/Flyer-G%C3%BCtesiegel-final.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/56227BC748DCB7C3C1257AFE0056384D/$File/Flyer-G%C3%BCtesiegel-final.pdf).

More details about the project can be found in the Annex.

## **5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD**

In view of the next programming period, Germany started drawing up the Partnership Agreement in autumn 2012 identifying as the country's most pressing challenges issues related to regional competitiveness and demographic change, the labour market, transformation of the energy system and the sustainable use of natural resources. Regional competitiveness and demographic change are also considered core focus issues.

Germany is a highly competitive economy. However, there are significant differences between the German regions, innovation activities being generally much more limited in Eastern Germany (with the exception of Berlin) than in Western Germany. While R&D expenditure represents up to 4.8% of GDP in Baden-Württemberg and 3.1% in Bavaria, it amounts to less than 1.32% in Sachsen-Anhalt, Brandenburg and also in Saarland and Schleswig-Holstein.<sup>14</sup> In all Eastern German Länder the share of R&D investments of the private sector is significantly lower than the public investments in the universities and public research institutes. Maintaining and boosting the innovation performance of the regions will require a significant increase in private R&D investments.

Germany also faces significant demographic challenges to sustained long-term growth with different regional trends. The population is projected to shrink yet further in Eastern Germany and to stagnate or grow in Western German regions.

This trend is not only based upon low fertility rates and the ageing of the middle-aged, population implying a massive decrease in the working age population following the trend in developed countries, but it also reflects a high rate of migration from Eastern to Western German regions, particularly on the part of young women.

The expected decline in population and the changing age structure constitute a serious challenge for the Eastern German Länder, with significant consequences for the revenues and expenditures of the local authorities (Länder and municipalities). The decline in population in Eastern Germany ranged from 3.9% in Brandenburg to 9.8% in Sachsen-Anhalt between 2000 and 2010. The German Federal Statistical Office forecasts that the population will decrease in Western Germany by 18% and in Eastern Germany by 36% between 2010 and 2060. The sub-regional impact is significant, particularly in rural and coastal areas which face the challenge of the availability and level of small scale infrastructure and public services.

In view of these demographic trends and the diminishing labour force, an important long-term challenge will also lie in avoiding systematic skill shortages in industry, the services and academia.

On this basis, considering the federal structure and differences in regional development in Germany as well as the relatively limited resources of the Funds, the investments will be closely linked with the main development needs and potentials at the regional level. Local- or regional-specific strengths will be addressed in order to avoid fragmentation and waste of valuable resources for successful economic re-structuring. The objectives of a specific funding priority 'Reducing regional disparities in competitiveness taking account of demographic change' will be achieved primarily with thematic objectives 'Strengthening research, technological development and innovation', 'Enhancing access to, and use and quality of, information and communication technologies'; 'Enhancing the competitiveness of

SMEs, the agricultural sector and the fisheries and aquaculture sector' and ' Investing in education, skills and lifelong learning'.

The preparation of the operational programmes for the next period of the Structural Funds 2014-2020 is still underway and the objectives and measures of the next strategic documents remain undisclosed. However, the interviewees from the Landern authorities point out that the documents will consider demographic change both directly and indirectly, as it is – especially when it comes to migration – a relevant development factor for the Thuringia region.

**Table 9: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The context analysis in the forthcoming programming documents is expected to include elements regarding demographic change. The effects of migration, the lack of skilled persons, and the depopulation of the rural and urban areas are expected to feature as weaknesses of the region.	None
<b>General objectives and strategy design</b> Extent to which the general objectives stated mention elements related to the way the Country/Region can adapt to demographic change	The overall strategy of the previous programming period remains the same, as it has been considered successful. According to field interviews, measures will certainly target young people and working migrants in order to improve their employment skills.	None
<b>Specific objectives and measure design</b> Extent to which the specific objectives and measures stated address demographic challenges	Greater emphasis will, however, be placed on energy efficiency according to the 2020 strategy. The 2020 indicators, such as employability, have already been reached, but are in any case included also in the new programming period 2014-2020.	None
<b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluating indicators and activities	No information is available yet.	None

Source: Authors.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

This case study aimed at assessing how and to what extent Cohesion Policy takes into account the demographic challenges facing Thuringia. On the basis of the evidence gathered from the analysis of relevant documents and interviews, the following conclusions can be drawn:

- **Demographic changes are posing serious challenges in Thuringia.** Thuringia is characterised by population decline (mainly caused by the negative net-migration) and a high dependency rate. The largest migration rate relates to the working-age population and especially the well-qualified (the so-called brain drain). Ageing due to longer life-expectancy greatly influences demographic development in the region, and a sharp change in age composition will occur in the coming years. According to the Ministry of Social Affairs, the average age will have increased by 6.6 years by 2030. This will aggravate the dependency rate (which will rise from the 34.9 registered in 2010 to 64.9 by 2030) and contribute to the declining numbers of younger cohorts, already notable in the education sector, with a drop in numbers of school leavers and graduates.
- **Thuringia's demographic challenges are widely addressed through national and regional strategies.** A number of national and regional strategies complement the EU interventions in coping with demographic challenges. Several federal and regional programmes recognise the importance of addressing the consequences of demographic change, turning specific focus on economic development. Their aim is to overcome the regional imbalances regarding income and employment, as this is considered the most effective way to counter migration of the young and qualified persons. Some national programmes also implemented in Thuringia address demographic change with a more comprehensive approach, taking account of different aspects such as quality in the public service sector, the real estate market, and adaptation of mobility and transport.
- **Both ERDF and ESF regional strategies address these demographic challenges, but their contribution could be more explicit and direct.** Although demographic change is not always explicitly considered as an issue in the EU funded programmes, both Operational Programmes (ERDF and ESF) of the Thuringia region take account of the demographic development in the region indirectly as the result of migration, the lack of skilled persons, and the depopulation of the rural and urban areas, considered problematic for the future development of the region. ERDF measures indirectly tackle demographic change by financing infrastructure for business start up, enhancing access to employment opportunities and improving the quality of life in rural areas. With regard to demographic change, the strategy of the ESF Operational programme focuses on human capital in general to counter the negative effects of migration on the regional labour market. The measures address in particular the lack of skilled personnel, providing for educational and vocational training activities for the younger and for improving their qualification, labour market integration measures, support for SME job supply, and qualification of personnel with management skills or associated with R&D institutions. Activation of the elderly is also included, targeting those who are still able to participate in the labour market.
- **For the next programming period, the Cohesion Policy will pay close attention to the federal structure and differences in regional development in Germany.** As a consequence investments will be closely geared to the main

development needs and potentials at the regional level with explicit focus on reducing regional disparities in competitiveness, taking demographic change into account.

In terms of lessons learnt, the case study show that **awareness of the importance of demographic change has grown in the last years**, as is borne out by the project identified as a good practice "The Thuringia Network on Demography (TND)" which began to be financed by the ESF in 2008. The network encourages an active approach to demographic change, exploiting the opportunities resulting from it by developing long-term strategies to address the lack of skilled personnel with greater integration and enhancement of the employability of elder workers. Its main aim is to boost employability and prepare the SMEs to address demographic change, especially the lack of skilled persons and ageing, by taking a pro-active attitude. At the same time, it helps to develop age-appropriate measures to keep elderly employees in work and increase their productivity.

## ANNEXES

### a) *List of interviews/visits*

Ms. Wille and Ms. Bossenrodt, Thüringer Ministerium für Wirtschaft, Arbeit und Technologie  
Referat 35 | Verwaltungsbehörde der EU-Strukturfonds (EFRE/ESF)

### b) *References*

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**c) Good practice fiche**

<b>Dimension of demographic change addressed</b>	To meet the challenges of demographic change for enterprises and the economy by helping to increase the employment rate of older workers, and addressing the lack of skilled personnel and employability of the elderly.
<b>Country/ region</b>	Germany / Thuringia
<b>Name title of the practice</b>	Thuringian demographic network ("Thüringer Netzwerk Demographie")
<b>Period of implementation</b>	2006, since 2008-2011 funded by ESF (total 1.2 million EURO), ongoing
<b>Contact information</b>	<p><b>Koordination :</b>                      IWT - Institut der Wirtschaft Thüringens GmbH                      Lossiusstraße 1, 99094 Erfurt  <a href="http://www.iw-thueringen.de">www.iw-thueringen.de</a>                      Kontakt:                      Antje Schmerbauch, T 0361 6531657, antje.schmerbauch@iw-thueringen.de                      Mandy Seidel, T 0361 6531658, mandy.seidel@iw-thueringen.de                      Peggy Lehmann, T 0361 6531659, peggy.lehmann@iw-thueringen.de</p> <p><b>Kooperationspartner</b>                      Bildungswerk der Thüringer Wirtschaft e. V.                      Magdeburger Allee 4, 99086 Erfurt  <a href="http://www.bwtw.de">www.bwtw.de</a>                      Kontakt:                      Dominik Ruge, T 0361 60155336, <a href="mailto:ruge@bwtw.de">ruge@bwtw.de</a>                      Nina Weigelt, T 0361 60155341, <a href="mailto:weigelt@bwtw.de">weigelt@bwtw.de</a>                      T +49 361 60155-330                      INQA Demographie-Lotsin                      Tel.: 0361 60155-341  <a href="mailto:weigelt@bwtw.de">weigelt@bwtw.de</a></p>
<b>Brief description of the activities implemented</b>	<p>The network provides different measures to raise the regional enterprises' awareness of the issues posed by demographic change. Activities include:</p> <ul style="list-style-type: none"> <li>- Networking/cooperation and exchange of experience between enterprises.</li> <li>- Individual consulting of enterprises based on a "demographic check-up" (including age analysis of employees)<sup>56</sup></li> <li>- A 5-day training seminar to become "Company demography consultant", in enterprises with more than 50 employees (at present about 120 trainees) (free of charge)</li> <li>- They can also participate in network meetings (6 per year).<sup>57</sup></li> <li>- Workshops for knowledge-transfer for different interest groups.</li> </ul>
<b>Main partners/stakeholders involved</b>	<p>Run by the Institut der Wirtschaft Thüringens (IWT))                      Partners (<sup>58</sup>):</p> <ul style="list-style-type: none"> <li>- ak Tree GmbH, Chamber of Crafts Erfurt, START e.V., SÖSTRA GmbH TIBOR IT Consulting GmbH Thüringen, University of Erfurt</li> </ul>

<sup>56</sup> See the Demographic checkup overview: [http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/\\$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/ECF0416E7E0F34B1C1257AFC00420159/$File/Infoblatt%20Demografie-Checkup%20%281-seitig%29%202013-01-23.pdf).

<sup>57</sup> [http://www.iw-thueringen.de/vwt/cms\\_de.nsf/%28\\$UNID%29/004BA276675A2EBAC1257952002A15CD/\\$FILE/Flyer-Demografieberater-2013.pdf](http://www.iw-thueringen.de/vwt/cms_de.nsf/%28$UNID%29/004BA276675A2EBAC1257952002A15CD/$FILE/Flyer-Demografieberater-2013.pdf).

<sup>58</sup> A detailed list is available on : [http://www.netzwerk-demografie.de/vwt/cms\\_de.nsf/tnd/weitere-partner-48.htm](http://www.netzwerk-demografie.de/vwt/cms_de.nsf/tnd/weitere-partner-48.htm).

	<ul style="list-style-type: none"> <li>- Thuringian Ministry of Economy, Labour and Technology, Thuringian Ministry for Health, Family and Health, Thuringian Ministerium for construction, land development and transport</li> <li>- Federal Employment Agency, Regional Directorate Saxony Anhalt/Thuringia, Regional Association of Joint ventures</li> <li>- <u>Social partners</u>: German Trade Union Confederation Hesse-Thuringia, Thuringia region, Local Employers Thuringia e.V. Association of Business Thuringia e.V.</li> <li>- Ostthüringen Chamber of Commerce to Gera</li> <li>- Social Security Institutions</li> <li>- Regional Partners: Office of Economic Development of the City of Erfurt</li> <li>- <u>Further partners</u>:              Agethur - Association State Association for Health Promotion Thuringia              Council for Sustainable Development in Thuringia              Berufsförderungswerk Thüringen GmbH              Leader Vernetzungsstelle Thuringia              LEG Thüringen GmbH              Thuringian Agency for recruiting skilled employees / ThAFF              Thuringian training consultant</li> <li>- Other partners from the Federal territory:              Federal Institute for Occupational Safety and Health - Regional Transfer Center Dresden              New Quality of Work Initiative              the demographic network              IFAA - Institute for Applied Work Science</li> </ul>
<b>Territorial coverage</b>	Regional (also part of the German Project DDN (Das Demographie Netzwerk))
<b>Funding</b>	Thuringian Ministry of Economy, Labour and Technology and European Social Fund
<b>Main goals and objectives</b>	<p>The objective is to increase the employment rate (especially for older people).</p> <p>It develops strategies to address the challenges resulting from demographic change in the employment market and the economy, to inform business and employees about the impact of demographic change and develop operational solutions.</p>
<b>Main target groups</b>	Small and medium-size enterprises in Thuringia
<b>Main measures and outcomes</b>	<p>SMEs are supported in developing competences to link professionals and support the learning capacity of elderly employees.</p> <ul style="list-style-type: none"> <li>- About 150 small and medium-size enterprises have so far participated in the network.<sup>59</sup></li> <li>- Awareness raising in 953 SMEs</li> <li>- Training of 630 people with 87 participants obtaining the qualification of Company demography consultant.</li> </ul>
<b>Implementation features</b>	<ul style="list-style-type: none"> <li>- consulting services</li> <li>- organisation of knowledge exchange and exchange of experiences through workshops, seminars and conferences</li> <li>- awareness raising by <i>Company demographic consultants</i></li> <li>- Publications, such as case studies, guidelines, teaching material and tools</li> <li>- website</li> <li>- Brochures</li> </ul>

<sup>59</sup> For a list of project partners see: [http://www.netzwerk-demografie.de/vwt/cms\\_de.nsf/ressourcesCategory.htm?ReadForm&p=tnd&rescat=tnd|TND\\$05-Partner-Projekte\\$05.01-Projekte&NavDocID=BC7FB3010C53985BC12579970056F70B](http://www.netzwerk-demografie.de/vwt/cms_de.nsf/ressourcesCategory.htm?ReadForm&p=tnd&rescat=tnd|TND$05-Partner-Projekte$05.01-Projekte&NavDocID=BC7FB3010C53985BC12579970056F70B).

	<ul style="list-style-type: none"> <li>- TND Info-newsletter</li> <li>- Good practice examples</li> </ul>
<b>Main weaknesses/obstacles</b>	No particular problems have been reported.
<b>Main strengths</b>	<p>The network encourages an active approach to demographic change, exploiting the opportunities resulting from it by developing long-term strategies to address the lack of skilled personnel, for example by improving integration and enhancing the employability of elderly workers.</p> <p>Since 2008 the services have been free of charge.</p> <p>Enterprises with a high level of age-appropriate personal and organisational strategy receive the <b>certificate</b> "Age-oriented enterprise".<sup>60</sup> Enterprises are evaluated on the basis of 33 Indicators (corporate culture, personnel marketing, succession planning, leadership, workplace organization, working time, knowledge transfer, lifelong learning and health promotion, personnel management, work place quality, health, management and qualification).<sup>61</sup></p>
<b>Main innovative elements</b>	The involvement of SMEs (as important job providers also for elderly people) in the network helps to raise employers' awareness of the need to address demographic change in their enterprises. They should be supported in motivating and boosting the productivity of their employees, regardless of age.
<b>Reproducibility</b>	The network is integrated in the German nationwide "Demographic Network" (Das Demographie Netzwerk – DDN) and is internationally connected with the project partners in Sweden and Italy. It has been selected by the ESF – AGE Network as good practice.
<b>Sustainable elements</b>	Strong regional approach, engagement and commitment of the partners to share local labour market experiences .
<b>Main lessons learnt</b>	Importance of national-regional connection and wide range of key stakeholders
<b>Sources of information</b>	<ul style="list-style-type: none"> <li>- <a href="http://www.netzwerk-demographie.de">www.netzwerk-demographie.de</a></li> <li>- <a href="http://www.wir-thueringen.de/beitrag-zur-fachkraftesicherung">http://www.wir-thueringen.de/beitrag-zur-fachkraftesicherung</a></li> </ul>

<sup>60</sup> [http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/56227BC748DCB7C3C1257AFE0056384D/\\$File/Flyer-G%C3%BCtesiegel-final.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/56227BC748DCB7C3C1257AFE0056384D/$File/Flyer-G%C3%BCtesiegel-final.pdf).

In 2012 the certificate was given to Jena-Optronik GmbH, AGO Kontakttechnik, AWO Alten-, Jugend- und Sozialhilfe gGmbH, das Landratsamt Saalfeld-Rudolstadt and ProSeniore-Residenz Dornheimer Berg. See: <http://www.wir-thueringen.de/beitrag-zur-fachkraftesicherung>.

<sup>61</sup> [http://www.bwtw.de/BWTW/cms\\_de.nsf/%28\\$UNID%29/56227BC748DCB7C3C1257AFE0056384D/\\$File/Flyer-G%C3%BCtesiegel-final.pdf](http://www.bwtw.de/BWTW/cms_de.nsf/%28$UNID%29/56227BC748DCB7C3C1257AFE0056384D/$File/Flyer-G%C3%BCtesiegel-final.pdf).





**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
BASILICATA-ITALY**



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## LIST OF ABBREVIATIONS

- CF** Cohesion Fund
- DG AGRI** Directorate – General for Agriculture and Rural Development
- DG REGIO** Directorate – General for Regional Policy
- ERDF** European Regional Development Fund
- ERDF OP** European Regional Development Fund Operational Programme 2007-2013
- ESF** European Social Fund
- ESF OP** European Social Fund Operational Programme 2007-2013
- EU** European Union
- EU27** European Union 27 Member States
- GDP** Gross Domestic Product
- HTC** High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
- ICT** Information and Communications Technology
- NUTS2** Nomenclature of Territorial Units for Statistics 2
- NUTS3** Nomenclature of Territorial Units for Statistics 3
- OP** Operational Programme
- R&D** Research and Development
- RSRF** The Regional Strategic Reference Framework 2007-2013
- SME** Small and Medium-sized Enterprises
- SWOT** Strengths, Weaknesses, Opportunities, and Threats (Analysis)

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## INTRODUCTION AND MAIN FINDINGS

This case study analyses the strategy put in place in Basilicata (Italy) to tackle demographic change in the period 2007-2013 and in the following years.

- As emerges from a review of planning and statistical documents and a set of interviews, the main demographic challenges facing Basilicata concern:
  - Significant imbalance in terms of distribution of population and employment rates between inland areas and those areas neighbouring with other regions where the main industrial sites are located;
  - intensive internal migration flows from inland areas toward the two municipalities of Potenza and Matera, overloading their technical and social infrastructures, especially in terms of their health and social services;
  - high net out-migration of the younger and better educated part of the population which fails to find suitable occupational opportunities in the local labour market;
  - population ageing and the gradual shift to retirement of the “baby boom” generation;
  - poor female participation in the labour market due to the limited availability of affordable quality childcare facilities.
- These elements pose significant challenges in economic terms. Despite the considerable improvements in regional economic performance between 1995 and 2005, there is still much to be done to reduce economic disparities within the region and with the rest of Italy. The relatively low GDP per capita is primarily attributable to the higher proportion of the working age population not being in employment and the region’s industrial composition. A further factor is the inability to benefit from strong agglomeration effects, Basilicata’s towns and cities being relatively small and much of the region being sparsely populated and poorly connected with the major centres.
- In the past few years, the Region has pursued a long-term strategy designed to tackle the peripheral condition of the regional system and the internal territorial discrepancies through a range of measures devoted to the development of local transport networks, spreading ICT connections, reinforcing the local productive system and developing efficient social infrastructures.
- Over the 2007-2013 period, the Cohesion Policy has continued this Strategy, with close alignment with EU and national policies for growth and jobs. The European Social Fund (ESF) Operational Programme and European Regional Development Fund (ERDF) Operational Programme complement each other in providing both infrastructures and services to tackle demographic issues. In particular, the ESF mainly financed projects designed to encourage the unemployed and economically inactive to find their way into the labour market, as well as improving skill levels and workforce adaptability, while the ERDF has been working on enhancing the attractiveness of local areas through a varied set of interventions ranging from business support to infrastructure refurbishment and/or extension.
- The small area covered by Basilicata has favoured success for the centrally funded projects, as it enables simultaneous provision of training activities and other services to

vast segments of the population. And yet the region's limited market has also represented an obstacle to the implementation of projects, mainly because of the relatively small number of bodies/institutes/organisations enabled to propose investment projects.

- Work on the 2014-2020 programme is to start from the social and productive characteristics of the Region, such as the fact that Basilicata has no major urban agglomerations, that the population is somewhat scattered, and in an area peripheral to both Italy and Europe. The report confirms that these regional peculiarities set constraints to what can be achieved, but they also hold out challenges to Regional Policy makers, such as how to organize the provision of transport services, how to enhance the economic performance of firms, and how to secure full access to social services. In this framework, in order to continue the Strategy implemented in the previous programming periods, four pillars have been identified as having true potential for the future development of Basilicata but still underutilized: i) regional competitiveness, innovation and cluster-based development; ii) environment, tourism and agricultural products; iii) energy; iv) education, social services and mobility.

## **1. REGIONAL CONTEXT**

### **1.1 General socio-economic context and impact of the crisis**

Basilicata is a region of Southern Italy with a surface area of 9,994.61 square kilometres. It is the third-smallest region in Italy, after Valle d'Aosta and Molise, covering 3.3% of the national territory and a population accounting for nearly 1% of the Italian total (586,900 inhabitants in 2011).

It borders on Campania, Calabria and Puglia, as well as two seas, the Ionian and Tyrrhenian. Hilly and mountainous areas make up over 90% of its territory, rendering it one of the least accessible regions of Italy and one of the most sparsely populated with about 58.9 inhabitants per square kilometre, against a national average of 200.7. Basilicata consists of 131 municipalities distributed throughout the two provinces of Potenza (the regional capital) and Matera.

The historically weak, regional economy picked up significantly during the 1990s. The arrival of multinational companies, the discovery and exploitation of oil and gas and the progressive enhancement of the tourism potential led to a marked change in economic performance. Between 1995 and 2005, the GDP at current prices increased by 16.5%, even faster than the national average (14%), placing Basilicata among the richest southern regions and enabling it to move from the "convergence" category into the "phasing-out" regions as defined under the EU Cohesion Policy. As in Southern Italy in general, in 2005 the regional GDP saw a sharp slowdown, which translated into real productive stagnation. Moreover, the recent economic crisis adversely affected Basilicata: during 2009 per capita GDP fell by -4.33% in from the previous year. In particular, regional economic development has been negatively affected by the temporary interruption of production at the FIAT industrial plant in Melfi and the crisis hitting the wood and furniture industry in the Matera area, and basic chemicals and the steel industry in the Valbasento area.

Compared to Italy in general, Basilicata has historically been characterized by higher unemployment rates, especially among young people and women, as well as lower labour market participation. The global recession has contributed to increasing this gap, especially regarding the participation rate. In 2011 the region saw a rising and above-average unemployment rate (12% compared to 8.4% nationally), while the activity and employment rates were decreasing.

Besides the dire impact of the global recession, Basilicata's economy still shows significant structural criticalities which represent a barrier to economic and occupational growth. Apart from the local industrial sites of the Val d'Agri and Melfi, the economy is mainly characterized by agriculture, food-processing fibre industries and some service industries such as tourism. Production is still too specialized in traditional sectors and is unable to absorb high-skilled human capital. Moreover, the economy is characterized by a prevalence of small and micro enterprises, which traditionally lack the financial resources, technical knowledge and organizational capacity to drive significant innovation in products and services and, consequently, to attract direct investment from abroad.

Finally the region still lacks significant infrastructures, in particular in the transport sector, which compromises its accessibility, despite its strategic position between the three main corridors (Adriatic, Ionian and Tyrrhenian) of Southern Italy.

**Table 1: Key socioeconomic figures**

	Basilicata				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP Per capita</b> (EUR/inh, current market prices)	14,699	16,899	18,587	26.5	21,000	24,500	25,400	21.0	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	7,918	9,034	9,610	21.4	1,274,774	1,387,402	1,469,863	15.3	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	-0.3	-1.4	-4.8	-4.5	3.7	0.9	-5.5	-9.2	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	46.1	49.3	47.6	1.5	53.7	57.6	56.9	3.2	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	55.15	56.31	54.16	-0.99	60.14	62.71	62.25	2.11	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	16.3	12.3	12	-4.3	10.6	7.7	8.4	-2.2	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>		31.3	31.6			18.9	19.6			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	6.9	10.5	12.5	5.6	9.7	12.2	14.9	5.2	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)	0.79	0.53	0.66	-0.13	1.04	1.09	1.25	0.21	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	19.9	29	28.1	8.2	26.8	31	32.9	6.1	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	1.98	2.39	2.79	0.81	3.94	4.11	4.41	0.47	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Notes:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; GDP per capita and Total DGP at NUTS2 level in 2000 and 2005 are valued respectively with the 2001 and 2005 data from ISTAT; Total intramural expenditure at NUTS2 level in 2011 is valued with 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data

## **1.2 Overview of the main demographic challenges in the region**

In 2011, Basilicata's population stood at 586,900 inhabitants, 21.6% of them living in the two main municipalities of Potenza and Matera. Because of the prevalence of mountainous land, Basilicata has a very low population density (about 58.9 persons per square kilometre). Only the two main municipalities of Potenza and Matera exceed the threshold of 50,000 inhabitants and only 10 municipalities out of 131 account for more than 10,000 inhabitants.

The trend in the regional crude rate of natural population increase has consistently remained negative, also in the years prior to the period considered, and can be seen as a structural phenomenon. According to Eurostat projections, the population is expected to decrease in the coming decades (-0.05% between 2010 and 2030), while Italy and the EU27 register the opposite trend. The crude rate of net migration values is still worrying: predominantly accounted for by the younger and better educated part of the regional population, it is not offset by external immigration, which finds scant attraction in Basilicata.

Within the region there is a significant imbalance in terms of development between inland areas and those areas neighbouring on other regions where the main industrial sites are concentrated. Consequently the territorial distribution of the population and employment rates are diverse and uneven. The inland areas are characterized by higher unemployment rates, mainly because of their lack of attractiveness and their limited capacity to deliver high-level services. Territorial disparities have historically been accompanied by high depopulation rates, with different trends within the region. Since the 1960s depopulation has significantly characterised inland mountainous areas, while in the two urban municipalities of Potenza and Matera and in some of the coastal areas the population has been substantially stable or even increased.

Emigration and intensive internal migration flows in the inland areas toward the two main municipalities of Potenza and Matera have led to depopulation of most of the villages and smaller municipalities, contributing to the deterioration of the social and economic framework, as well as the quality of the workforce in those inland areas. At the same time, population and workforce movements from the regional periphery towards the urban centres overload the latter's technical and social infrastructure, especially in terms of health and social services. Furthermore, these services are basically concentrated in the two municipalities of Potenza and Matera while they should have a wider distribution across the entire territory in order to be closer to the users.

Like many other European regions, Basilicata is facing the problem of an ageing population. The old age dependency ratio rose to 30.3% in 2011, +3.4% over 2000. The share of elderly people is expected to increase significantly due to the gradual shift to retirement of the "baby boom" generation and the simultaneous decline of fertility rates and increase in life expectancy trends.

Another demographic challenge facing Basilicata is represented by gender disparities on the labour market. In 2011 the total inactivity rate was about 45.8%. Turning to gender disaggregation, the rate for women stood at 59.8%, above the national average. The limited female participation in the labour market is mostly associated with cultural factors, which see women occupied with family and care work, but also with the limited availability of affordable quality childcare facilities.

**Table 2: Key figures on demographic change**

Indicator	Basilicata				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>Crude rate of population natural increase</b>	0.3	-1.3	-1.8	-2.1	0.7	4.9	3.2	2.5	2.9	4.2	2.5	-0.4
<b>Crude rate of net migration</b>	-3.7	-2.8	-0.5	3.2	0.9	5.2	4.0	3.1	2.3	3.6	1.7	-0.6
<b>Old age dependency ratio</b>	27.0	29.9	30.3	3.4	26.8	29.3	30.9	4.1	23.22	24.66	26.22	3.0
<b>Total fertility rate</b>	1.3	1.2	1.2	-0.07	1.3	1.3	1.4	0.15		1.51	1.59	
<b>Population density</b>	61.8	61.3	58.9	-2.9	193.0	198.6	200.7	7.7	112.3	114.3	116.6	4.3
<b>Prevalence of urban or rural population</b>			PR									
<b>Long-term care beds available in nursing and residential care facilities</b>	33.8	59.3	98.5	64.7	221.0	289.8	352.3	131.3				
<b>Hospital beds</b>	409.2	313.3	316.2	-93	470.8	399.9	352.5	-118.3	640.1	584.1	538.2	-101.9
<b>Formal childcare (national and EU level)</b>						16.0	16.0				14	

**Source:** Eurostat

NOTES: Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates in 2011 are valued with 2009 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data

**Table 3: Demographic projections**

Indicator	Basilicata				National Average				EU27 Average			
	2010	2030		change 2030-2010	2010	2030		change 2030-2010	2010	2030		change 2030-2010
<b>Total population (in thousand)</b>	0.587	0.538		-0.049	60,017	61,868		1,851	499,389	519,942		20,553
<b>Share of people aged +65 over the total population</b>	20.2	28.3		8.1	20.3	26.2		5.9	17.4	23.6		6.2
<b>Dependency ratio</b>	30.40	46.90		16.5	31.00	42.40		11.4	25.90	38.00		12.1

Source: Eurostat, Europop2008.

Notes: All indicators are projections calculated in 2008 by the Europop2008 Report

### 1.3 The national and Regional Policy approaches in addressing demographic change

As explained in the previous section, demographic change is expected to result in a substantial decline in the working-age population and thus in the labour supply, with a consequent downward trend in potential growth, especially in inland areas. In light of these socio-economic challenges, the Region Basilicata considers it paramount to implement structural reforms, addressing in particular competitiveness, social cohesion and inclusion, as well as territorial balance.

Enhancement of economic and occupational dynamics together with the introduction of appropriate measures in the fields of research and innovation constitute significant factors in retaining high-skilled human capital.

Demographic change issues are addressed, directly or indirectly, with policies, programmes and initiatives drafted and launched at the national and regional level and then implemented at the local level. The following table provides an overview of the main Regional Policy approaches recently adopted in relation to the challenges of demographic change in Basilicata. In short, a mix of intervention categories was put in place during the 2007-2013 period, including support benefits for industrial and agricultural firms; progressive decentralization of social and health services, and reorganization of local governments, including their functions.

Moreover, two national Operational Programmes financed through the EU Cohesion Policy Fund have contributed to achieving the overall long-term policy objectives, providing in particular infrastructure, training and labour market support.

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
Regional Law n.4/2007	Social infrastructure or services	Creation of an integrated regional network of social citizenship which provides social services aimed at rendering assistance and health care to non-self-sufficient people and at risk of social exclusion people. In order to provide a greater territorial supply, local level social interventions are programmed, implemented and evaluated by local municipalities, in collaboration with Local Health Districts.	Region
Regional Law n.10/2008	Business support	Benefits for the achievement of the Consolidation and Development Industrial Plans. The benefits are financed by ESF 2007-2013. To be eligible Industrial plans must include: a) tangible and intangible investments aiming at modernizing, converting or diversifying production; b) maintenance and increase of occupational levels in the beneficiary firms; c) training activities for workers employed in those areas where the investments are programmed.	Region
Regional Law n.11/2008	Other	Establishment of Local Communities (consortium of municipalities), according to the National Law n.244/2007 (Finanziaria 2008). Local Communities are responsible for the economic planning of local government, as well as development in mountainous areas.	State and Region
Regional Law n.12/2008	Social infrastructure or services	Reorganization of Regional Health Service. Health offices and structures are decentralized in Health Districts and Units for Integrated Basic Services, which guarantee social and health service supply throughout the territory.	Region
Regional Law n.18/2008	Business support	The law defines general criteria regarding State aid benefits for agricultural small and medium enterprises operating in the Region. To be eligible, firms must plan investments in order to: a) reduce production's costs; b) enhance and convert production; c) enhance the quality of products; d) defend and protect the environment and animal hygiene. Specific aid is also provided to facilitate the early retirement of farmers aged 55-plus who decide to leave the farm to other farmers. At the same time, provision is also made for specific aid to help young farmers (aged max. 40) to set up their own farms.	Region
Memorandum of Understanding for Apprenticeship 2012 - DGR n.485/2012	Labour market policies	In accordance with the National Legislative Decree n.167/2011 on apprenticeship reform, the Region Basilicata signed a memorandum of understanding with the regional social and economic stakeholders (DGR n.485/2012) and the related guidelines (DGR n.1101/2012). The document defines how the Regional Authority will implement the national legislative framework through greater interaction between enterprises and educational institutions, enhancement of the regional educational	State and Region

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
		supply and on-the-job training. Moreover, the guidelines define the level of qualifications an apprenticeship represents.	
The New Deal for Young People 2007-2013	Labour market policies, school-work transition	A five-year strategy promoted by the Region Basilicata since June 2007 aims to implement a thorough overhaul of regional society focusing on youth, giving them more job opportunities and a better quality of life. The Strategy runs along 5 axes: a) talent, innovation, knowledge; b) access to work, enterprising spirit, new professions; c) the bridge to the future; d) creativity; e) the voice of youth.	Region
ESF Operational Programme 2007-2013	Social services, labour market support, training, capacity building, studies/research	Programme co-financed by the ESF and National Funds, with a total budget of about EUR 322.4 million, involving seven axes of intervention. The Programme in general aims to promote development, stability and quality of work by improving investments in human resources and research activities, and by supporting social integration and equal opportunities.	EU, State and Region
ERDF Operational Programme 2007-2013	Social infrastructure	Programme co-financed by the ERDF, CF and National Funds, with a total budget of almost EUR 752 million. Its main objective is to develop and generate economic growth, based on encouraging competitive economic activities and enhancing Basilicata's physical infrastructure, leading to a better quality of life and job opportunities for citizens. It includes a priority axis focusing on improvement of in the social, educational and health infrastructures.	EU, State and Region

**Source:** Authors based on interviews and desk research.



## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

The EU Cohesion Policy contributes to addressing the demographic challenges which characterise Basilicata. The Regional Strategic Reference Framework 2007-2013 (RSRF), provides the goals and the strategic framework for the Operational Programmes, setting the overarching objective of sustaining economic competitiveness through innovation and internationalization of enterprises and facilitating a knowledge-based economy through investments in the required physical and social infrastructural capacities, and in education and social inclusion.

The RSRF relies on a solid and comprehensive analysis of the socio-economic context characterising Basilicata in the 2000-2006 period, highlighting the demographic challenges to which the region has been and is still exposed: the decrease in population as a consequence of the increasing migration – especially among high-qualified young people – to other Italian regions and foreign countries, population ageing and the relative increase in demand for health care services, and the difficulty for the local productive structure to create new job opportunities for young people entering the labour market. The SWOT analysis confirms the existence of persistent inequalities in the labour market, increasing the risk of social exclusion of specific disadvantaged population group, such as women, young people, and aged unemployed people.

Within this frame, the **European Social Fund Operational Programme 2007-2013 (ESF OP)** and **European Regional Development Fund Operational Programme 2007-2013 (ERDF OP)** complement each other in providing both infrastructure and services to tackle the demographic issues.

The **ESF OP 2007-2013** plans a regional strategy to promote development, stability and quality of work by improving investments in human resources and research activities, favouring work flexibility as well as privately-owned and state-owned enterprises, and also by supporting social integration and equal opportunities. Focused as it is on the development of human resources and employment, it explicitly addresses all the above-mentioned elements related to demographic change. Highlighted in the SWOT analysis as weaknesses of the Basilicata socio-economic context that need to be properly addressed with a focused long term strategy are the declining population, especially in inland areas, the aging population, the increasing migration of the younger and higher-skilled part of population and the inequalities which characterize the labour market.

In this framework, demographic issues are directly and indirectly reflected in most of the objectives of the 7 Axes; however the link between the ESF objectives and relevant demographic challenges is particularly evident under **Priority Axis II “Employability”** and **Axis IV “Human Capital”**. Axis II is in fact characterized by the close connection with labour demand, focusing on work placement initiatives in the short-term, while actions aiming at the enhancement of skills and human capital in medium-term are included in Axis IV.

Within Axis II, the Region Basilicata intends to enhance policies to facilitate the match between labour demand and supply, and to increase participation in and accessibility to the labour market, with particular attention paid to geographical imbalances and gender inequalities. All the interventions can be seen to stem from a single occupational strategy aiming at pre-emptively fighting unemployment by boosting employment opportunities.

Thus, in general, activities will include advice and support for self-employment, business creation, anticipation of needs in terms of business skill and identification of the specific needs of the target population. The final objective is to create an efficient work placement system, with the participation of enterprises, able to address individual skill needs and specific skill shortages.

Under Axis II demographic issues are addressed with the OP **measure II.e “implementing active and precautionary work policies, with particular attention to the integration of migrants in the labour market, active ageing, self-employment and enterprise start-up”**. It aims at helping the unemployed and economically inactive to make their way into the labour market, with particular attention paid to those facing the greatest barriers to employment (for example migrants and the aged population) and a focus on the younger generations. As mentioned above, ensuring young people have success in transition from school to work is a priority goal for the Regional Authority. To this end this measure has also been planned to support youth in the development of new businesses, especially in growing innovative sectors.

Within Axis IV, on the other hand, the Region Basilicata intends to enhance human capital through improved education and training. As specified in the RSRF, in fact, knowledge is an essential requisite for increasing competitiveness. The importance of this issue is also reflected in the large share of funding allocated under this Axis, which is almost 34.3% of the total OP budget. This Axis is shown to efficiently address the demographic challenges of low levels of youth employment and the problem of youth net out-migration.

Under Axis IV the demographic challenges are mainly addressed by the OP **measures IV.i.1 “increasing the participation in lifelong learning, also through regulations aimed at reducing dropout rates and gender inequality with respect to school subjects” and IV.i.2 “increasing the access to education, and primary professional and university training through improvements”**. Measure IV.i.1 aims at increasing participation in education and training, as well as preventing any discrimination on the grounds of gender, disability, ethnic origin and age. It also aims to increase participation in lifelong learning, which is still under-exploited in Basilicata. Measure IV.i.2, on the other hand, is designed to boost participation in university education and higher education. This goal is an essential requisite for enhancing human capital and also requires extensive collaboration with local enterprises with the eventual aim of increasing work placement and career opportunities.

All the measures presented are consistent with the *Lisbon Strategy for Growth and Jobs*, which further underlines the importance of investing in skills and delivering employment opportunities for all.

**Table 5: Financial allocation of ESF OP 2007-2013**

Priority Axis	Financial allocation	Share	Relevant to demographic change
I. Adaptability	EUR 45,190,323	14%	
II. Employability	EUR 70,078,494	21.7%	✓
III. Social Inclusion	EUR 61,578,494	19,1%	
IV. Human Capital	EUR 110,446,235	34.3%	✓
V. Transnational and Interregional Actions	EUR 12,506,451	3.9%	
VI. Technical Assistance	EUR 12,894,623	4%	
VII. Institutional Capacity	EUR 9,670,968	3%	
<b>Total</b>	<b>EUR 322,365,588</b>	<b>100%</b>	

Source: Regione Basilicata, ESF OP 2007-2013

The **Operational Programme ERDF 2007-2013** aims at qualifying Basilicata as an open, competitive, inclusive and unified territory focused on cohesion by enhancing its natural and human resources. Thus, the main objective of the OP ERDF is to promote the convergence of Basilicata economic growth to the European average as well as providing support in the direction of the "Competitiveness and Employment" objective by improving innovation skills and diversification of the production system. The total amount of 752 million Euros allocated is invested in the regional territory in terms of 8 macro areas of interventions (priority axes).

Demographic challenges are indirectly reflected in most of the Axes' objectives, especially with regard to enhancing the region's attractiveness and connections between different regional areas. In particular, the link between the PO ERDF objectives and relevant demographic challenges is evident under **Priority Axis III "Productive Competitiveness"**, **Axis V "Urban Systems"** and **Axis VI "Social Inclusion"**.

The general objective of Axis III is to improve the rate of the regional productive system's competitiveness on the national and international markets. This is pursued by reinforcing the regional material and immaterial infrastructure network, enhancing quality enterprise services, promoting the image of regional production of excellence on the national and international markets, boosting attractiveness for investments and supporting innovative enterprises, research and innovation processes and young start-up talent. Under Axis III, **Measure III.2.1 "Financial aids to innovative productive investment"** aims at providing Basilicata with an advanced compensation system in favour of innovative investments in those growing sectors in order to orient regional production to highly innovative businesses, such as energy, sustainable mobility, biotechnology and ICT. This may entail financial aid for the creation of new enterprises in innovative sectors, as well as support in converting and innovating productive processes and products in already existing small and medium-size firms.

Axis V aims at enhancing the role of the two cities of Potenza and Matera as "development engines" through improvement with innovative urban networks, supply of high-quality services and raising the inhabitants' standard of life. As specified in the context analysis, Matera and Potenza are the two cities where the main problems related to urban alteration are concentrated due to the major flows of migration from inland areas. The challenge is how best to develop the two urban systems in accordance with their specific vocations and characteristics. Under Axis V the **Measures V.2.1 "Promoting the environmental, cultural and relationship amenities of the town of Matera to attract innovative investments"** and **V.2.3 "Regenerate urban environment to increase quality and citizens' living standards and to promote social inclusion in the city of Matera"**

appear the most relevant in responding to the demographic challenges. Measure V.2.1 in fact aims at enhancing the tourist attractiveness of the city of Matera by pursuing a range of operational objectives. Among other aims, promoting production specialization in the innovative sectors of ICT and in urban creative industry is particularly interesting as it could represent appreciable employment opportunities for young people. Measure V.2.3, on the other hand, aims at permanently raising the citizens' standard of life through structural interventions in terms of the quality of urban environments and effectiveness in the social inclusion services. The goal of enhancing the quality of the urban contexts is pursued through consistent actions of environmental regeneration, IT facilities and implementation of an innovation system for urban services.

Axis VI "Social Inclusion" is designed to strengthen, extend, improve and support services serving to boost social inclusion in order to ensure better accessibility to and quality of collective services. This Axis represents a significant change compared with the 2000-2006 Strategy, since these issues had been a matter of OP ESF alone. Under Axis VI, **measure VI.1 "Reinforcing care services and infrastructures"** is directly related to the enhancement of health and assistance services, educational services, and cultural and sports opportunities. **Measure VI.2 "Strengthening, diversifying and innovating business models for social care services management and organization"** focuses on social economy actors, enhancing the role of social enterprises in the care services system.

**Table 6: Financial allocation of ERDF OP 2007-2013**

Priority Axis	Financial allocation	Share	Relevant to demographic change
I. Accessibility	EUR 116,000,000	15.4%	
II. Knowledge-based society	EUR 88,000,000	11.7%	
III. Production competitiveness	EUR 79,500,000	10.6%	✓
IV. Enhancement of natural and cultural heritage	EUR 82,000,000	10.9%	
V. Urban system	EUR 74,500,000	9.9%	✓
VI. Social Inclusion	EUR 98,000,000	13.1%	✓
VII. Energy and sustainable development	EUR 186,000,000	24.7%	
VIII. Governance and technical assistance	EUR 28,186,373	3.7%	
Total	EUR 752,186,373	100%	

Source: Regione Basilicata, ERDF OP 2007-2013

The following table provides a summary of the main strategies on demographic issues addressed by the general and priority objectives of the two main Cohesion Policy Programmes operating in Basilicata.

**Table 7: Review of Cohesion programme strategies on demographic issues**

	Brief description	Comments and examples
<b>ESF OP 2007-2013</b>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis explores the labour market characteristics in terms of demand and supply of labour. With regard to labour supply, demographic trends are explored, as well as the population's educational levels. With regard to labour demand, on the other hand, the economic and financial regional context is considered, focusing on structural weakness (high incidence of traditional sectors – especially agriculture and construction - not innovative, lack of high-quality service sector, scant openness to international trade). A section is dedicated to R&amp;D and knowledge society activities which are still too limited in Basilicata, probably representing one of the main obstacles to local development.</p>	<p>The context analysis presents and discusses the main relevant demographic issues characterizing Basilicata. In the SWOT analysis, highlighted as weaknesses of the Basilicata socio-economic context that need to be properly addressed with a focused long-term strategy are the population decline, especially in inland areas, the aging population, the increasing migration of the younger and higher-skilled part of population, and indeed the inequalities which characterize the labour market.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives include elements relevant to the way the Country/Region can adapt to demographic change</p>	<p>The general objective of OP ESF is to raise the overall employment rate by investing in human capital. This is set out in 4 general aims, each directly or indirectly related to the region's demographic issues:</p> <ul style="list-style-type: none"> <li>- Encouraging and supporting development and competitiveness through labour and human resource policies aiming at reforming the productive system, in order to support the development of human resources, and generate key skills and new employment and entrepreneurial opportunities</li> <li>- Facilitating work demand and supply satisfaction</li> <li>- Opposing growing imbalances and satisfying the new social demands in order to reduce the risk of social exclusion and urban decay, reduce the emigration of young people and encourage the return of emigrants, satisfactorily integrate immigrants and reduce isolation and the lack of services and facilities experienced by the population in the inner areas</li> <li>- Favouring the growth of institutional capacity and local subjects.</li> </ul> <p>The above-mentioned list of strategic priorities refers to 7 axes of intervention, among which those directly tackling demographic changes are:</p> <ul style="list-style-type: none"> <li>- Axis II: Employability</li> <li>- Axis IV: Human capital</li> </ul>	<p>Axes II and Axes IV directly refer to the main demographic issues presented in the context analysis. The relevance of these topics is also reflected in the large share of funding allocated under Priority Axes II and IV, amounting to almost 56% of the total OP budget.</p>

	Brief description	Comments and examples
<p>c) <b>Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)</p>	<p>Under each relevant Priority Axis, a number of specific measures are outlined. Those more directly related to demographic issues are:</p> <ul style="list-style-type: none"> <li>• Under Axis II:           <ul style="list-style-type: none"> <li>- Measure II.e: Implementing active and precautionary work policies, with particular attention to integration of migrants in the labour market, active ageing, self-employment and enterprise start-up</li> </ul> </li> <li>• Under Axis IV:           <ul style="list-style-type: none"> <li>- Measure IV.i: IV.i.1) increasing participation in lifelong learning, also through regulations designed to reduce dropout rates and gender inequality with respect to school subjects; IV.i.2) increasing access to education, and primary professional and university training through improvements.</li> </ul> </li> </ul> <p>Measures IV.i.1 and IV.i.2 are directly oriented at enhancing local human capital in order to prevent youth exclusion from the labour market or high drop-out rates.</p>	<p>These measures supplement other regional policies, programmes and actions implemented addressing the demographic challenges of low levels of young employment and youth net out-migration. For example, they are perfectly integrated with the <i>New Deal for Young People</i> promoted by Region Basilicata as from June 2007, aiming at implementing radical renewal of regional society focusing on youth, giving them more job opportunities and a better quality of life.</p> <p>With regard to measures IV.i.1 and IV.i.2 in particular, the OP identifies the role of the Region as relevant in orienting, coordinating and monitoring educational and training activities. The Regional Authority has therefore launched several meetings with academic institutions in order to design tangible actions enhancing human capital in R&amp;D. For example, in November 2011 the results of these consultations were presented during a conference on the "Brain drain" organized by the Chamber of Commerce of Matera. Representatives of the Region, University and enterprises participated in the presence of, among others, Gianni Pittella, deputy president of European Parliament.</p>
<b>OPERATIONAL PROGRAMME ERDF 2007-2013</b>		
<p>a) <b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis explores the competitive position of Basilicata compared to the other Italian regions. A statistical outlook is provided focusing on economic growth and competitiveness indicators (GDP, industrial production, enterprise dimension, labour productivity, international trade, foreign investments, infrastructures). Demographic trends are also analysed in relation to both aging population and territorial economic and industrial performances. In terms of the local potential, great emphasis is placed on the tourist sector: six regional tourist sites are explored in relation to their accommodation capacities and their fame.</p>	<p>The context analysis presents and discusses the main relevant demographic issues. Depopulation trends are thoroughly explored in relation to the local productive characteristics. The analysis confirms the correlation between economic context and internal migration flows: the higher the economic and social criticalities, the higher are the migration trends. The emphasis on the tourist sector is particularly relevant, as it is one of the sectors involved in measure V.2.1.</p>

	Brief description	Comments and examples
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt to demographic change</p>	<p>The general objective of the OP is to develop and generate economic growth based on competitive economic activities, underpinned by adequate physical infrastructure. These are the fundamental requisites to promote the convergence of Basilicata's economic growth to the European average, as well as supporting its progress towards the "Competitiveness and Employment" objective by improving innovation skills and diversifying the production system.</p> <p>These general objectives refer to 8 axes of intervention, among which those directly tackling demographic challenges are:</p> <ul style="list-style-type: none"> <li>- Axis III "Productive competitiveness"</li> <li>- Axis V "Urban Systems"</li> <li>- Axis VI "Social Inclusion"</li> </ul>	<p>The OP general objectives address the demographic challenges related to infrastructure and investments. One of the requisites of regional competitiveness is the production shift toward emerging sectors that have shown rapid growth in recent years, e.g. the creative industry. These sectors could represent significant employment opportunities for young people and enhance Basilicata's attractiveness abroad.</p> <p>Axis VI is particularly important in relation to the lack of healthcare services and childcare facilities, which is one of the main causes of low female participation in the labour market. Moreover it responds to the lack of social services in inland areas.</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)</p>	<p>In the OP specific measures, issues related to demographic change are taken into account, especially with regard to the attractiveness of the region and interventions to prevent depopulation, especially by young people.</p> <p>In particular the following measures can be considered important in relation to demographic issues:</p> <ul style="list-style-type: none"> <li>- Measure III.2.1 "Financial aids to innovative productive investment" under Axis III "Productive competitiveness"</li> <li>- Measures V.2.1 "Promoting the environmental, cultural and relationship amenities of the town of Matera to attract innovative investments" under Axis V "Urban Systems"</li> <li>- Measure V.2.3 "Regenerate the urban environment to increase quality and the citizens' living standards and to promote social inclusion in the city of Matera" under Axis V "Urban Systems"</li> <li>- Measure VI.1 "Reinforcing care services and infrastructures" under Axis VI "Social Inclusion"</li> <li>- Measure VI.2 "Strengthening, diversifying and innovating business models for social care services management and organization" under Axis VI "Social Inclusion"</li> </ul>	<p>These measures perfectly integrate other regional policies and actions. Measure III.2 is integrated with Regional Law n.10/2008 and Regional Law n.18/2008. The measures under Axis VI are integrated with Regional Law n.4/2007 and Regional Law n.12/2008.</p>

**Source:** Regione Basilicata, ESF OP 2007-2013 FSE and Regione Basilicata, ERDF OP 2007-2013



### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE

The measures which can be considered the most relevant in addressing specific dimensions of demographic change, all financed through OP ESF 2007-2013, are the following:

- **Measure II.e:** Implementing active and precautionary work policies, with particular attention to migrant integration in the labour market, active ageing, self-employment and enterprise start-up, under Axis II "Employability".
- **Measure IV.i.1:** Increasing participation in lifelong learning, also through regulations designed to reduce dropout rates and gender inequality with respect to school subjects, under Axis IV "Human Capital".
- **Measure IV.i.2:** Increasing access to education, and primary professional and university training through improvements, under Axis IV "Human Capital".

**Measure II.e** aims at supporting the unemployed and economically inactive in making their way into the labour market, with particular attention paid to disadvantaged people (migrants, aged population, youth, women). This measure is expected to help the Basilicata Region in providing a new start for long-term unemployed individuals and increase participation in active labour market measures, reducing poverty and social exclusion risks. It addresses both individuals entering the labour market for the first time and those who have left it.

Consistently with the general objectives and priorities, the measure is divided into two operational objectives:

- Support for unemployed people in finding jobs;
- development of new business activities, especially in growing innovative sectors, promotion of self-employment and start-up creation.

As far as physical implementation is concerned, the measure shows some progress, especially for interventions involving new business and enterprises creation. Between 2009 and 2011 under Measure II.e there were 716 approved projects, 93% already launched. However, only 30 projects have so far been concluded. The majority of the interventions regarded employment incentives but also training courses for enterprise creation have been launched.

**Table 8: Indicators of measure II.e achievements (ESF OP)**

	2009			2010			2011		
	Subm.	Started	Concluded	Subm.	Started	Concluded	Subm.	Started	Concluded
Post compulsory school training	6	6	3	0	0	0	7	7	4
Employment incentives	211	204	0	211	204	0	211	204	0
Vocational guidance, consultancy	2	2	1	2	2	2	4	4	4
Training courses for enterprise creation	8	0	0	13	5	5	16	8	7
Training for re-integration in employment	2	0	0	4	4	1	5	3	3
Integrated training courses for enterprise creation							11	11	1

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013

Measure II.e implemented important interventions that impacted on the community, especially in terms of the number of people involved in projects underway. Between 2010 and 2011, 3,740 persons were involved, 54% of whom women. Among the recipients over 90% were unemployed.

**Table 9: Characteristics of measure II.e recipients (ESF OP)**

Labour market position	2010		2011	
	Number of recipients	% of women	Number of recipients	% of women
People in activity	67	59.7	91	59.3
Unemployed	1,623	53.8	1,830	53.7
Inactive people	38	39.5	91	46.2
Total	1,728	53.7	2,012	53.6

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013

**Measure IV.i.1** aims at increasing participation in education and training, preventing any discrimination on the grounds of gender, disability, ethnic origin and age. This measure is expected to help the Basilicata Region mainly in reducing school dropout rates, as well as enhancing participation in lifelong learning activities.

As far as physical implementation is concerned, the measure shows significant progress, especially in relation to the number of projects concluded. In 2011 there were 95 approved projects, 93 of which have been concluded. Most of the interventions concern the transfer of good practices and lifelong learning.

**Table 10: Indicators of measure IV.i.1 achievements (ESF OP)**

	2010			2011		
	Subm.	Started	Concluded	Subm.	Started	Concluded
Post compulsory school training	2	2	2	5	5	4
Transfer of good practices	58	58	56	58	58	58
Lifelong learning – cultural update	1	1	1	15	15	15
Lifelong learning – professional and technical update	12	12	12	12	12	12
Training for re-integration in employment	1	1	1	1	1	1
Compulsory schooling training	2	2	2	2	2	2
Other training during compulsory schooling	1	1	2	2	2	2

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013

Measure IV.i.1 implemented important interventions that impacted on the community, especially in terms of the numbers of people involved in projects underway. Between 2010 and 2011, more than 4,000 persons were involved, with ample participation on the part of women. With respect to the labour market position, the majority of recipients were inactive. Young people aged 15-24 accounted for almost 80% of total recipients in 2011 (78% in 2010). On the other hand, migrant participation in the measure was only limited.

**Table 11: Characteristics of measure IV.i.1 recipients (ESF OP)**

		2010		2011	
		Number of recipients	% of women	Number of recipients	% of women
Labour market position	People in activity	163	60.7	182	60.4
	Unemployed	506	51.8	777	62.9
	Inactive people	1,343	47.1	1,741	47
Age	15-24	1,575	46.5	2,154	49.3
	55-64	20	35	42	42.9
Vulnerable groups	Migrants	5	60	5	60
	Disabled people	9	11.1	9	11.1
	Other disadvantaged persons	0	0	23	26.1
<b>TOTAL</b>		<b>2,012</b>	<b>49.4</b>	<b>2,700</b>	<b>52.5</b>

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013

**Measure IV.i.2** aims at increasing participation in university education and higher education. This measure is expected to help the Basilicata Region mainly in raising the participation rates of young people in these kinds of educational paths.

The projects submitted concerned:

- Post university higher educational training;
- lifelong learning;
- integrated training courses for enterprise creation;
- training courses for re-integration in the labour market.

As far as physical realization is concerned, the measure shows significant progress, especially in relation to the number of projects concluded. In 2011 all the approved projects were concluded and also in the past years on average the implementation rate has been at around 50%. Most of the interventions were related to post university higher educational training, which accounted for 97% of the total of projects submitted in 2011.

Measure IV.i.2 implemented important interventions that impacted on the community, especially in terms of the number of people involved in projects underway. Between 2010 and 2011, more than 2,363 persons were involved, with female participation over 60%. With respect to the labour market position, the majority of recipients were unemployed (92% of recipients in 2011). Young people aged 15-24 accounted for only 4.1% of total recipients in 2011 and while the older population's participation also proved limited.

**Table 12: Characteristics of measure IV.i.2 recipients (ESF OP)**

		2010		2011	
		Number of recipients	% of women	Number of recipients	% of women
Labour market position	People in activity	1		33	69.7
	Unemployed	549	67.4	1,655	66.8
	Inactive people	20	75	105	81.9
Age	15-24	49	69.4	74	63.5
	55-64	0	0	1	100
Vulnerable groups	Migrants	0	0	0	0
	Disabled people	0	0	0	0
	Other disadvantaged persons	23	78.3	67	73.1
<b>TOTAL</b>		570	67.5	1,793	67.8

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013

With regard to OP ERDF 2007-2013, on the other hand, the measures which can be considered most relevant in addressing specific dimensions of demographic change are the following:

- **Measure III.2.1 "Financial aid to innovative productive investment"** under Axis III "Productive competitiveness";
- **Measures V.2.1 "Promoting the environmental, cultural and relationship amenities of the town of Matera to attract innovative investments"** under Axis V "Urban Systems";
- **Measure V.2.3 "Regenerating urban environment to increase quality and citizens' living standards and to promote social inclusion of the city of Matera"** under Axis V "Urban Systems";
- **Measure VI.1 "Reinforcing care services and infrastructures"** under Axis VI "Social Inclusion";
- **Measure VI.2 "Enhancing, diversifying and innovating business models for social care services management and organization"** under Axis VI "Social Inclusion".

**Measure III.2.1 "Financial aid to innovative productive investment"** under Axis III "Productive competitiveness" aims at providing Basilicata with an advanced compensation system in favour of innovative investments in the growing sectors in order to orient regional production to highly innovative businesses, such as energy, sustainable mobility,

biotechnology and ICT. This may entail financial aid for the creation of new enterprises in innovative sectors, as well as support for converting and innovating productive processes and products in already existing small and medium-size firms. Among the projects approved we may mention the call for tender "Support to enterprise start-up and spin-off in innovative sectors" which was published in July 2011. The call addressed applicant entrepreneurs making 5,050,000 euro available. 29% of this amount was reserved to start-up in the ICT sector and 13% to academic or industrial spin-off. This initiative registered 126 applications for funding, showing a great interest in the regional industrial system. With regard to support for existing small and medium-size firms, a call for tender published in December 2010 made 10,200,000.00 euro available for innovative investments. The total number of applications received was 289, among which as of June 2012 fifty small and medium-size enterprises received support with total financial aid amounting to 6,621,678.33 euro.

It should be noted that this measure has aroused great interest despite the economic crisis, as the number of applications regularly exceeds the funds available. This entailed some problems in relations between the banking system and the enterprises, which had difficulties in stocking debt capital due to the credit freeze forced by the economic crisis.

**Measures V.2.1 "Promoting the environmental, cultural and relationship amenities of the town of Matera to attract innovative investments"** under Axis V "Urban Systems" is oriented, in general, towards enhancing the tourist attractiveness of the city of Matera.

Consistently with the general objectives and priorities, the measure is divided into three operational objectives:

- V.2.1.A – To increase the attraction and tourist potential of Matera through the implementation of consistent actions of urban regeneration and to enhance the cultural and natural heritage;
- V.2.1.B – To strengthen and qualify urban entrepreneurial organization by starting up a targeted system of aids consistent with the production activities of the enterprises working in Matera in the sectors of tourism, culture and advanced services;
- V.2.1.C – To promote in Matera production specialization in the innovative sectors of communication and information and, moreover, of the urban creative industry through the organization of aids targeted to attract production investments from outside.

**Measure V.2.3 "Regenerating the urban environment to enhance quality and citizens' living standards and to promote social inclusion in the city of Matera"** under Axis V "Urban Systems" aims at permanent improvement in the citizens' standard of living through structural interventions on the quality of urban environments and the effectiveness of social inclusion services.

Consistently with the general objectives and the priorities the measure is divided into two operational objectives:

- V.2.3.A – To improve the urban supply of services and facilities for local residents in line with regional actions aiming at reorganization and convergence in "integrated

packages for territorial services” and the availability of school buildings, cultural facilities, sports facilities and areas for leisure activities;

- V.2.3.B – To empower and qualify operators in social economy and the third sector by launching an appropriate system of aids to enterprises for the promotion of innovative entrepreneurial models and management of social services and health care (home assistance for non-self-sufficient people, management of nurseries, canteens, transport for disabled people, etc.).

Axis V was effectively launched in 2011, after the signing of two schedule agreements for Integrated Plans for Sustainable Urban Development. As achievement indicators are still unavailable, table 12 summarizes the main objective indicators for each measure.

**Table 13: Objective indicators of measures V.2.1 and V.2.3 (ERDF OP)**

Measure	Indicators	Starting line	Objective
Measure V.2.1	Implemented interventions for enhancement of the natural and cultural heritage	0	14
	Enterprises which benefit from aid related to the enhancement of urban entrepreneurial organization	0	8
	Enterprises which benefit from aid in the innovative sectors of communication and information and of the urban creativity industry	0	5
Measure V.2.3	Social and health infrastructures, school buildings, sports facilities and areas for leisure time activities	0	14
	Third sector enterprises which benefit from aid	0	8

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 FESR Basilicata 2007-2013

**Measure VI.1 “Reinforcing care services and infrastructures”** under Axis VI “Social Inclusion” is directly related to the enhancement of health and assistance services, educational services, and cultural and sports opportunities.

Consistently with the general objectives and the priorities the measure is divided into three operational objectives:

- VI.1.1 To boost and improve health care services;
- VI.1.2 To improve a wider range of services for the community;
- VI.1.3 To refurbish school building.

**Measure VI.2 “Enhancing, diversifying and innovating business models for social care services management and organization”** under Axis VI “Social Inclusion”

This objective is pursued with interventions promoting and improving the quality of social enterprises.

Although disaggregated indicators for each measure under Axis VI are not available, the overall results for this Axis appear particularly satisfying in relation to demographic challenges. As shown in table 13, the Axis registers achievement of 4 out of 5 fulfilment indicators, with results even higher than anticipated with the predetermined objectives. With regard to the results, table 14 shows the positive trend of the indicator “Childcare facilities’ diffusion” which reached 30.5% in 2011, increasing over the previous year. A positive trend is also registered for the “In-home assistance for elderly people” indicator,

which stood at 5%, higher than the predetermined objective of 3.9%. The indicator "Early school leaving rate", on the other hand, registered a decline between 2010 and 2011, falling short of the predetermined objective of 10%. This trend is closely connected to the social and economic crisis affecting Basilicata, as well as the rest of Italy.

**Table 14: Fulfillment indicators for measures under Axis VI (ERDF OP)**

	Starting line	Objective	2007	2008	2009	2010	2011
Health care infrastructures	0	16	0	0	0	0	44
Social and assistance infrastructures	0	50	0	0	0	17	79
Community centres	0	20	0	0	0	2	30
Interventions for refurbishment of existing school buildings	0	40	0	0	77	122	175
Recipient enterprises	0	100	0	0	0	0	0

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 FESR Basilicata 2007-2013

**Table 15: Achievement indicators for measures under Axis VI (ERDF OP)**

	Starting line	Objective	2007	2008	2009	2010	2011
Childcare facility diffusion	16.8%	35%	0	0	0	27.5%	30.5%
In-home assistance for elderly people	3.9%	3.9%	0	0	0	0	5%
Early school leaving rate	15.2%	10%	0	0	12%	15.1%	N.A.

Source: Regione Basilicata, Rapporto Annuale di Esecuzione 2011 FESR Basilicata 2007-2013

**Table 16: Selected Measures in relation to demographic change**

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
Implementing active and precautionary work policies, with particular attention to integration of migrants in the labour market, active ageing, self-employment and enterprise start-up (OP FSE, Axis II Employability)	Labour market policies	Labour market imbalances	This measure aims at helping the unemployed and economically inactive to make their way into the labour market, with particular attention to disadvantaged people (migrants, aged population, youth, women). This measure is expected to help the Basilicata Region provide a new start for long-term unemployed individuals and increase participation in active labour market measures, reducing poverty and social exclusion risks.	Unemployed and inactive people; people in activity	<b>Axis II financial allocation 2007-2013:</b> 70,078,494 EUR which is 21.7% of the total programme resources.	This measure is expected to get more unemployed and inactive people returning to the labour market, as well as enhancing young people's skills in creating new businesses. Between 2010 and 2011, 3,740 persons were involved, 54% of whom women. Among the recipients over 90% were unemployed.
Boosting participation in lifelong learning, also through regulations aiming at reducing dropout rates and gender inequality, with respect to school subjects (OP FSE, Axis IV Human Capital)	Labour market policies	Early school leaving	This measure aims at increasing participation in education and training, preventing any discrimination on the grounds of gender, disability, ethnic origin and age. This measure is expected to help the Basilicata Region mainly in reducing early school-leaving rates, as well as enhancing participation in lifelong learning activities	People in activity, unemployed, inactive people	<b>Axis IV financial allocation 2007-2013:</b> 110,446,235 EUR which is 34.3% of the total programme resources.	The measure implemented important interventions that impacted on the community, especially in terms of the number of people involved in projects set under way. Between 2010 and 2011, more than 4,000 persons were involved, with considerable participation on the part of women. With respect to labour market positions, the majority of recipients were inactive. Young people aged 15-24 accounted for almost 80% of the total recipients in 2011 (78% in 2010). On the other hand migrant participation in the measure was only limited.
Improving access to education, and primary professional and university training through improvements (OP FSE, Axis IV Human Capital)	Labour market policies	Improving skill levels and workforce adaptability	This measure aims at increasing participation in university education and higher education	People in activity, unemployed, inactive people	<b>Axis IV financial allocation 2007-2013:</b> 110,446,235 euro which is 34.3% of the total programme resources.	The measure shows significant progress, especially in relation to the number of projects concluded. In 2011 all the approved projects were concluded and also in the past few years on average the realization rate has been around 50%. Most of the interventions concerned post-university higher education, which accounted for 97% of the total of projects

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
						submitted in 2011. Between 2010 and 2011, more than 2,363 persons were involved with female participation of over 60%. With respect to the labour market positions, the majority of recipients were unemployed (92% of recipients in 2011). Young people aged 15-24 accounted for only 4.1% of the total recipients in 2011 and the participation of the older population also proved limited.
Financial aid for innovative productive investments (OP ERDF, Axis III "Productive competitiveness")	Business support	Regional competitiveness and attractiveness	This measure aims at providing Basilicata with an advanced compensation system in favour of innovative investments in the growing sectors in order to orient regional production to highly innovative businesses, such as energy, sustainable mobility, biotechnology and ICT. This may entail financial aid for the creation of new enterprises in innovative sectors, as well as support in converting and innovating productive processes and products in already existing small and medium firms.	Entrepreneur applicants, small and medium industrial firms	<b>Measure III.2.1 financial allocation 2007-2013:</b> 24,875,000 euro which is 31.3% of the total Axis III allocation and 3.3% of the total ERDF Programme resources.	The measure is implemented in the light of the Region's aim to improve territorial competitiveness and consequently to draw high-skilled human capital and more investments. As highlighted in the Annual Implementation Report 2011, the number of applications for financial aid has always been above the calls' financial means.
Promoting the environmental, cultural and relational amenities of the town of Matera to attract innovative investments (OP ERDF Axis V "Urban Systems")	Infrastructures, business support	Urban regeneration	The measure aims, in general, at enhancing the tourist attractiveness of the city of Matera. This general objective is pursued with three operational objectives: a) increasing the attraction and tourist potential of Matera through implementation of large-scale urban regeneration and enhancing the cultural and natural heritage; b) enhancing and qualifying urban entrepreneurial organization by launching a targeted aid system consistent with the production activities of the enterprises working in Matera in the sectors of tourism, culture and advanced services; c) promoting	Enterprises	<b>Measure V.2.1 financial allocation 2007-2013:</b> EUR 12,648,937.50 which is 17% of the total Axis V allocation and 1.7% of the total ERDF Programme resources.	By the end of the programming period 2007-2013 the measure is expected to achieve the following objectives: - 14 interventions realized for the enhancement of the natural and cultural heritage - 8 enterprises benefiting from aid related to the enhancement of urban entrepreneurial organization - 5 enterprises benefiting from aid in the innovative sectors of communication and information and urban creative industry

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
			production specialization in Matera in the innovative sectors of communication and information and of urban creative industry by organising aid targeted to attract production investments from outside.			
Regenerating the urban environment to enhance quality and citizens' living standards and to promote social inclusion in the city of Matera (OP ERDF Axis V "Urban Systems")	Infrastructures, business support	Urban regeneration	The measure aims at permanent improvement in the citizens' standard of life, through structural interventions on the quality of urban environments and the effectiveness of social inclusion services. This general objective is pursued with two operational objectives: a) improving the urban supply of services and facilities for local residents in line with the regional actions for reorganization and convergence in "integrated packages for territorial services" and the availability of school buildings, cultural facilities, sports facilities and areas for leisure time activities; b) empowering and qualifying social economy and third sector operators by launching an appropriate system of aid to enterprises for the promotion of innovative entrepreneurial models and management of social services and health care (home assistance for non-self-sufficient people, management of nurseries, canteens, transport for disabled people, etc.)	Enterprises	<b>Measure V.2.3 financial allocation 2007-2013:</b> EUR 5,708,812.50 which is 7.7% of the total Axis V allocation and 0.8% of the total ERDF Programme resources.	By the end of the programming period 2007-2013 the measure is expected to achieve the following objectives: - 14 interventions realized for social and health infrastructures, school buildings, sports facilities and areas for leisure activities - 8 third sector enterprises benefiting from aid
"Reinforcing care services and infrastructures" and "Enhancing, diversifying and innovating business models for social care services management and organization" (OP ERDF Axis VI "Social Inclusion")	Infrastructures, social services	Active ageing, gender gaps in labour market	Axis VI "Social Inclusion" aims at enhancing, extending, improving and supporting services for the promotion of social inclusion in order to ensure improved accessibility and quality of collective services. Under Axis VI, measure VI.1 "Reinforcing care services and infrastructures" is directly related to the enhancement of health and assistance services, educational	Enterprises	<b>Measure VI.1 financial allocation 2007-2013:</b> EUR 82,585,000.00 which is 84.3% of the total Axis VI allocation and 11% of the total ERDF Programme resources. <b>Measure VI.2</b>	By the end of the programming period 2007-2013 the measure is expected to achieve the following objectives: - 35% diffusion of childcare facilities ( 30.5% at the end of 2011) - 3.9% of in-home assistance for elderly people (5% at the end of 2011)

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
			services, cultural and sports opportunities. Measure VI.2 "Enhancing, diversifying and innovating business models for social care services management and organization" focuses on social economy actors and the role of social enterprises in the care service system.		<b>financial allocation 2007-2013:</b> EUR 14,925,000 which is 15.2% of the total Axis VI allocation and 2% of the total ERDF Programme resources.	- 10% early school leaving rate (15.1% at the end of 2010)

**Source:** Regione Basilicata, Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013 and Regione Basilicata, Rapporto Annuale di Esecuzione 2011, ERDF Basilicata 2007-2013.



## 4. THE GOOD PRACTICE EXAMPLE

In the framework of this case study, the Managing Authority has identified a project which can be considered a good practice in tackling demographic change issues. The project identified is the tender notice for 5 educational vouchers for higher educational courses, "Projects and policies for local development", published by Basilicata Region on 16 October 2011. The total budget for the project was EUR 52,000, 40% of which co-financed by the ESF and 60% by national funds.

This is one of the projects implemented under Axis IV "Human capital". It responds to the structural needs to improve matching between supply of and demand for skills, especially for younger and high-skilled people. As anticipated in the context analysis, in fact, human capital formation is crucial for regional growth, but only if it matches the demand from local organizations. The course "Projects and policies for local development" was (PZ) organized by the School of Development Studies of Francesco Saverio Nitti Foundation and held in Melfi between March and May 2012. This course aimed at enabling highly-skilled young people to conceive and carry out local development projects mainly localized in Objective Convergence regions, taking into account the structural difficulties that development policies face in the particular context of Southern Italy.

The course addressed young people aged under 35 holding a master degree with an overall mark of at least 95/110, preferably already having had professional experience in projecting and implementing public or private interventions in Southern Italy. The tender notice granted 5 educational vouchers to cover the training course attendance costs and lodging fees for young people living in Basilicata on the basis of a job interview and curriculum vitae evaluation. Priority was given to people holding a post-graduate degree or a Ph.D. and deemed likely to have particular ability in projecting and implementing territorial cohesion policies.

It is considered a good practice by virtue of the positive results attained and its innovative nature.

In fact, the initiative was received with considerable interest by the local population, especially among young women. 22 persons replied to the tender, including 15 women, and they were all admitted to the job interview by virtue of their excellent curricula. Moreover, the project is of an experimental nature for two reasons in particular. Firstly, it was co-financed by public and private partners, representing an opportunity for the participants to establish professional contacts with the co-financing partners. This network was also able to provide a useful platform for the implementation of future training courses and activities on local development.

Secondly the application procedure, entirely on line, enabled the Basilicata region to shorten the administrative procedures linked to the tender notice with no need for the applicants to use printed forms.

The final aim is to sustain the organization of future training courses in the next programming period and to create in Matera a training centre of excellence in policies of territorial cohesion for young people from all parts of Europe. See Annex C for further details.



## 5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD

In January 2013 the Regional Authority, in collaboration with local stakeholders, presented a report which serves to develop a strategic approach for Basilicata with the drafting of an Operational Regional Development Programme 2014-2020.

Work on the programme is to start from the social and productive characteristics of the Region, such as the fact that Basilicata has no major urban agglomerations, that the population is somewhat scattered, and in an area peripheral to both Italy and Europe. The report confirms that these regional peculiarities set constraints to what can be achieved, but they also hold out challenges to Regional Policy makers, such as how to organize the provision of transport services, how to enhance the economic performance of firms, and how to secure full access to social services.

In this framework, in order to continue the Strategy implemented in the previous programming periods, four pillars have been identified as having true potential for the future development of Basilicata but still underutilized.

These four pillars are:

**(1) regional competitiveness, innovation and cluster-based development**, as long-term competitiveness depends on the ability of regions to secure physical and economic mobility of local people, to ease transition to a knowledge economy, to exploit industrial specialization potential more fully and to diversify the regional economy. It concentrates on four domains that involve the competitiveness of Basilicata, as the aim is to build on regional potential and tackle existing bottlenecks: i) physical infrastructure; ii) intra- and inter-organizational learning; iii) cluster-based development; and iv) regional diversification.

**(2) environment, tourism and agricultural products**, as tourism should be part of the cultural and natural system of Basilicata. It concentrates on the development of a multi-dimensional tourist system improving regional accessibility, enhancing visibility of the cultural assets and agro-gastronomy, making strategic investments, and also improving educational training programmes for managers and personnel in the sector.

**(3) energy**, which fully concentrates on the development of renewable energy sources and on the onshore fossil energy cluster. To increase the economic and social benefits of the oil and gas extraction business in the Basilicata region, attention has focused on four areas: i) local content in the oil and gas activities; ii) royalties through collaborative planning; iii) democratic management of royalties; and iv) environmental safeguarding through strategic planning.

**(4) education, social services and mobility**, the aim being to develop a set of strategic objectives and policy options in order to improve the regional provision of services for personal welfare and employability in the Basilicata region, with special reference to education and professional training, social services and mobility.

In relation to demographic challenges, Pillar 1 and Pillar 4 are the more relevant. Under **Pillar 1**, in fact, it is argued that the Region should develop a comprehensive innovation

plan to tackle the bottlenecks in low internal innovation capacity and the mismatch between supply and demand for knowledge and skills, thereby enabling transition to a knowledge-based economy. The suggested policy measures include: better access for firms to local innovation support services; creation of skill enhancement programmes more closely aligned to local needs; more interaction of local firms with the university of Basilicata and other major knowledge-intensive organizations; establishment of a new Regional Development agency providing more customized and coordinated public support in the field of regional innovation; and more support for return migration, instead of attracting expensive and weakly embedded external investors. All these measures could represent an opportunity to address the lack of employability of people with both secondary and tertiary education that do not match the needs of local organizations, and consequently reduce the migration of highly educated people to other regions.

**Pillar 4**, on the other hand, directly addresses the challenge of the sparse and ageing population and limited internal mobility, with few agglomerations. In line with the previous programming period (see Axis VI of ERDF OP 2007-2013), the guiding principle for the definition of the proposals under this Pillar will be improvement of accessibility, in terms of both spatial and socio-economic access to services, welfare and opportunities, offering a way out from problematic social and economic conditions. There are a number of challenges in terms of the supply of social services in Basilicata, given the low population density in general, and the particular spatial configuration of socially disadvantaged groups (elderly people, children, poor people, unemployed) targeted in particular. The proposal is to develop a systematic and periodic system of information on local needs and work on the existing provision of social services as a foundation for fact-based policies, and to move towards a 'radical innovation' approach in the delivery of social and home assistance services. The involvement of the private sector should be linked to clear incentives for the development of innovative methods of delivery.

**Table 17: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	Relevant demographic issues are mentioned in the preparatory report, and are therefore likely to be taken into account in the next programming document.	None
<b>General objectives and strategy design</b> Extent to which the general objectives stated include elements related to the way the Country/Region can adapt to demographic change	The general objectives for the forthcoming programming documents is to enhance regional competitiveness and economic growth. These general objectives refer to 4 pillars, of which those directly tackling demographic challenges are: - Pillar 1 "Regional competitiveness, innovation and cluster-based development" - Pillar 4 "Education, social services and mobility"	None
<b>Specific objectives and measure design</b> Extent to which the specific objectives and measures stated address demographic challenges	On the evidence of field interviews, the next programming documents should probably focus more on responding to the increasing demand on delivery of social services. The objective to improve the existing provision of social services also characterised the previous programming period 2007-2013, with excellent results in terms of infrastructures implemented and diffusion of services. It seems likely to be maintained and strengthened in the next programming period.	As confirmed in the preparatory report, measures should directly address territorial imbalances in terms of ageing population and employment opportunities.
<b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation indicators and activities	Not available.	None

**Source:** Regione Basilicata, Rapporto Annuale di Esecuzione 2011 ERDF Basilicata 2007-2013.



## **6. CONCLUSIONS AND POLICY IMPLICATIONS**

In the past years the Region Basilicata undertook a long-term strategy designed to address the major challenges which involve economic performance and social inclusion. Demographic change is recognized as one of the most important challenges that the public and social security institutions now face. Population ageing will impact upon all social security provisions from health and long-term care to pensions, unemployment and disability programmes. Moreover, the peripheral condition of the regional system entails the need for interventions to enhance the economic and occupational dynamics, in order to retain high-skilled human capital.

In this framework, a wide variety of interventions has been proposed, including support benefits for industrial and agricultural firms, progressive decentralization of social and health services and reorganization of local governments. Demographic change issues are addressed, either directly or indirectly, with significant support by the Cohesion Policy funds. The volume of funds allocated under ESF OP and, especially, ERDF OP for demographic issues enabled effective integration of the already existing national plans and reforms and maximisation of the socio-economic benefits of public investment. The Programme's priorities addressed the existing demand well and proved flexible enough to adapt to changing circumstances. In particular, ESF mainly financed interventions designed to encourage unemployed and economically inactive people to enter the labour market, as well as enhancing the skills and adaptability of the workforce, while ERDF aimed at boosting the attractiveness of local areas with a varied set of interventions ranging from business support to infrastructure restoration and/or extension.

From the analysis of the specific measures implemented in 2007-2013 period, the following lessons can be learnt:

- The socio-economic and demographic environment is rapidly changing, implying fast changing points of vulnerability. The frequent recombination of factors leading to the social disadvantage of those at risk of social exclusion as well as those who fall through the system of standard social protection calls for the constant adaptation of policies, measures and services.
- There is a need to ensure that existing policies, programmes and services are effective and efficient, which means continuous monitoring and evaluation of inputs and outputs.
- ERDF can be a useful tool to address demographic change issues on the basis of a thorough knowledge and analysis of the local context.
- Implementation of integrated projects closely linked to territorial needs and stakeholders seems to offer the best results, given the possibility to adapt to demographic change
- In this respect, improved and constant complementarities between ERDF and ESF could reduce the risk of social exclusion for some of the groups targeted, easing the implementation of innovative measures and interventions.



## ANNEXES

### a) List of interviews/visits

Patrizia Minardi, ERDF Managing Authority  
ESF Managing Authority

### b) References

- Boschma R. et al. (2013), *Sketch of a strategy for the Basilicata region. Towards an Operational Regional Development Program Basilicata Region 2014-2020*
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- Regione Basilicata (2005), *Documento Strategico Regionale*
- Regione Basilicata, *Programma Operativo 2007-2013 FESR*
- Regione Basilicata, *Programma Operativo 2007-2013 FSE*
- Regione Basilicata, *Rapporto Annuale di Esecuzione 2011 FESR Basilicata 2007-2013*
- Regione Basilicata, *Rapporto Annuale di Esecuzione 2011 del Fondo Sociale Europeo Basilicata 2007-2013*

### c) Good practice fiche

<b>Dimension of demographic change addressed</b>	Youth unemployment, brain drain
<b>Country/ region</b>	Basilicata
<b>Name of the practice</b>	Tender notice for educational vouchers for highly educational course "Projects and policies for local development"
<b>Period of implementation</b>	March 2012 – May 2012
<b>Contact information</b>	Assunta Palamone Regione Basilicata – Direzione Generale Via Vincenzo Verrastro 8, - 85100 Potenza E-mail: <a href="mailto:assunta.palamone@regione.basilicata.it">assunta.palamone@regione.basilicata.it</a> Web-site: <a href="http://www.basilicatanet.it">www.basilicatanet.it</a>
<b>Brief description of the activities implemented</b>	The tender notice provided for 5 educational vouchers to cover the attendance costs and lodging fees for the training course "Projects and policies for local development" organized by the School of Development Studies of Francesco Saverio Nitti Foundation and held in Melfi (PZ).
<b>Main partners stakeholders involved</b>	Bank of Italy Region Campania CISL Italian Ministry of Economic Development, Department for Development and Economic Cohesion Enel Green Power Italian Ministry of Interior National Institute of City Planning Micron RFI Region Sicily ST Microelectronics Tiscali
<b>Territorial coverage</b>	Regional
<b>Funding</b>	EUR 52,000.00 (EUR 20,800.00 by ESF 2007-2013 under Axis IV "Human Capital", EUR 31,200.00 by national funds)
<b>Main goals and objectives</b>	The project, which was entirely carried out in Basilicata, is of an experimental nature. The aim is to sustain the organization of future training courses in the next programming period and to create in Matera a training centre of excellence on policies of territorial cohesion for young people from all parts of Europe. 22 candidates replied to the tender notice, 15 women and 7 men. All the

	<p>candidates were admitted to the selection procedure based on a job interview. Moreover, in consideration of the high level of participation of candidates from other Objective Convergence regions, the project enhanced the visibility of the Basilicata region in the professional context of South Italy. Consequently Basilicata is opening the way to spearhead an innovative training process for young people in Southern Italy.</p>
<b>Main target groups</b>	<p>The beneficiaries of educational vouchers are young people living in Basilicata aged under 35 and holding a master degree with an overall mark of at least 95/110. Preferential qualifications were considered: a) holding a post-graduated master degree or a Ph.D.; b) having professional experience in projecting and implementing public or private interventions in Southern Italy; c) having advanced English language skills.</p>
<b>Main measures and outcomes</b>	<p>The aim of the training activities closely oriented to local development is to enable the beneficiaries to conceive and carry out projects mainly localized in South Italy. The purpose is to provide the skills necessary to develop competencies and skills for the selection, development and evaluation of projects. Moreover, and more specifically, the project has shown the structural difficulties that projects and development policies face in the particular context of Southern Italy. For each of these structural weaknesses, ideas and proposals have been presented in order to implement and finalize projects and policies.</p>
<b>Implementation features</b>	<p>Each educational voucher amounted to EUR 10,400.00 covering the attendance costs and lodging fees for the course. To qualify, candidates were evaluated on the basis of their curriculum vitae and of the results of an interview on their abilities to implement territorial cohesion projects. Training activities started on 1 March 2012 and ended on 31 May 2012. An attendance certificate is granted to all participants after completion of an exam at the end of the training course.</p>
<b>Main weaknesses/obstacles</b>	<p>No particular problems have been reported.</p>
<b>Main strengths</b>	<p>One of the main reasons for the success of a development project consists in its capacity to mobilise local actors, motivating them and giving them the opportunity to express their values and to exchange views with other stakeholders. The practices and methods able to mobilise local actors are given specific roles in the above-mentioned educational training, considering that little attention is devoted to such possibilities in the Objective Convergence regions.</p>
<b>Main innovative elements</b>	<p>The project was co-financed by public and private partners, with consequent opportunities for the participants to establish professional contacts with the co-financing partners. This network was also able to provide a useful platform for the creation of future training courses on local development with the associated activities. Secondly the application procedure, entirely online, enabled the Basilicata region to streamline the administrative procedures involved in the tender notice, with no need for the applicants to use printed forms.</p>
<b>Reproducibility</b>	<p>The idea behind the project is highly reproducible and transferable to other regions of Southern Italy, as confirmed by the participation of young people from other Objective Convergence regions.</p>
<b>Sustainable elements</b>	<p>Project sustainability was ensured even after the completion of the course thanks to the Basilicata Region's decision to continue training activities on local development also during the next programming period and to create in Matera a training centre of excellence on policies of territorial cohesion for young people from all parts of Europe.</p>
<b>Main lessons learnt</b>	<p>The project has confirmed the importance of drawing up skill enhancement programmes closely aligned to local needs in order to prepare highly skilled young people for the local labour market, and consequently to enhance regional competitiveness.</p>
<b>Sources of information</b>	<p>Region Basilicata, Annual Implementation Report 2011 ESF 2007-2013</p>



**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

# **HOW CAN REGIONAL AND COHESION POLICIES TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
LITHUANIA**



## **CONTENTS**

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## LIST OF ABBREVIATIONS

- BSR** Baltic Sea Region programme
- CF** Cohesion Fund
- DG AGRI** Directorate-General for Agriculture and Rural Development
- DG REGIO** Directorate-General for Regional Policy
- ERDF** European Regional Development Fund
- ESF** European Social Fund
- EU** European Union
- EU27** European Union of 27 Member States
- GDP** Gross Domestic Product
- HTC** High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
- ICT** Information and Communications Technology
- OP** Operational Programme
- OP DoHR** Operational Programme for the Development of Human Resources 2007–2013
- OP EG** Operational Programme for Economic Growth for 2007–2013
- OP PoC** Operational Programme for Promotion of Cohesion for 2007–2013
- SWOT** Strengths, Weaknesses, Opportunities, and Threats (Analysis)

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## INTRODUCTION AND MAIN FINDINGS

This report presents the regional case study of Lithuania. The key demographic challenges of the region and the relative policies tackling them have been analysed to draw lessons. In particular, the effectiveness of Structural Funds in tackling these issues have been assessed. The scope of the analysis comprises both ESF and ERDF Operational Programmes covering the period 2007-2013.

- Lithuania, one of the three Baltic states, joined the EU in 2004. Over the last decade, the country has continued to develop as GDP per capita in PPS increased from 53 per cent of the EU27 average in 2005 to 66 per cent in 2011. However in 2011, Lithuania was still ranked only 22 out of 27 EU Member States by the same indicator. Lithuania was one of the EU countries hit hardest by economic crisis but the country is on its way to recovery. The situation in the labour market has improved in comparison to the deep recession period; however, it is still unstable, and unemployment is still high especially among young people and unskilled workers.
- The main demographic challenges in Lithuania are:
  - Rapid population decline mainly due to intensive youth emigration and low fertility rate;
  - Very large gender gap in life expectancy (more than 10 years);
  - Low birth rate and negative net migration result in rapid ageing of the population and an increasing old age dependency ratio.

The most important demographic challenge to Lithuania is rapid population decline. Over the last 12 years, the Lithuanian population decreased by almost 15 per cent, down to 2,979.31 thousand at the beginning of 2013. This decline was caused mainly by intensive emigration of Lithuanians to live and work abroad. Natural decrease also contributed to the population decline since more than one hundred thousand more people died than were born in 2001–2012. Consequently, due to high emigration of mainly young people and the rather low fertility rate, the population of Lithuania has been ageing. Most elderly people are women as there is a big gap in life expectancy between women and men (more than 10 years).

- Depopulation results in a declining workforce. Moreover, the ratio of dependents (people younger than 15 or older than 64) to the working-age population (those aged 15-64) is worsening. This poses a threat to the sustainability of social security and other welfare systems. Although there were some positive demographic trends in Lithuania in the last decade such as a slowly increasing fertility rate, decreasing mortality, and growing return migration, the country remains fairly vulnerable to demographic changes, especially to emigration of young people, population ageing, and increasing rural-urban disparities.
- Although the Cohesion Policy Programmes address demographic changes only to a limited extent, some of their measures serve as an important instrument for implementing national policy in tackling demographic changes. The Cohesion Policy 2007-2013 contributed to implementing national strategies addressing demographic challenges such as migration, ageing, public health and other in Lithuania. Some measures were directly linked to the goals of national demographic policy, for instance,

to encourage return migration or to reduce morbidity due to cardiovascular diseases. In other words, the support of Structural Funds under the Cohesion policy made it possible to implement measures in the field of demographic policy that otherwise would most probably not have been implemented.

- The impact of the Cohesion policy measures that directly addressed demographic changes in Lithuania seems to be rather limited because the interventions were of a much smaller scale than needed for the challenges to be tackled. Well focused interventions, such as the junior professional programme "Kurk Lietuvai" ("Create for Lithuania"), may however have a positive effect on their participants and indirectly contribute to changes in demographic trends. Hence, it would be advisable to set better defined and focused goals for interventions that are expected to contribute to coping with demographic changes.

# 1. REGIONAL CONTEXT

## 1.1 General socio-economic context and impact of the crisis

Lithuania was one of the EU countries hit hardest by economic crisis but the country is on its way to recovery. Strong economic expansion prior to the crisis was followed by a deep recession in 2009 when GDP decreased by 14.8%. Lithuania returned to growth in 2010 (+1.5%). In 2011, economic growth picked up significantly and reached 5.9% (see Table 1), despite on-going fiscal consolidation. The country's GDP per capita in PPS increased from 53 per cent of the EU27 average in 2005 to 66 per cent in 2011. However, economic activity is largely concentrated in the capital county of Vilnius, where GDP per head in PPS is close to the EU average (95%). Consequently, internal disparities have increased over the last decade, with the development of rural areas lagging behind.<sup>1</sup>

The situation in the labour market has improved in comparison to the deep recession period; however, it is still unstable, and unemployment is still high (15.4% in 2011, see Table 1) especially among young people and unskilled workers. Although the level of human capital is quite high in Lithuania as about one-third of people aged 25-64 have tertiary education skill mismatches have appeared in some sectors and long-term unemployment has been increasing. As a rule, unemployment considerably increases the risk of poverty. In 2011, 20 per cent of the Lithuanian population was still at risk of poverty (see Table 1).

At the macroeconomic level, Lithuania seems to be in a rather favourable economic situation at the beginning of 2013. In 2012, Lithuania posted quite solid GDP growth of 4.1 per cent. Most often exports have been the main driver of the Lithuanian economy. However, investment in new technologies and equipment remains low and is a serious obstacle to increasing productivity. Meanwhile, uncertainty about the global economy and about growth of Lithuania's key trading partners is an extra risk factor.<sup>2</sup> Although the GDP growth for 2013 is forecast to be between 3 and 4 per cent<sup>3</sup>, an assessment of Lithuania's progress towards meeting its national 2020 targets identifies significant gaps in several areas, and in particular, in terms of increasing its research and innovation spending, improving energy efficiency, boosting employment rates and reducing poverty. Further economic diversification is needed in rural areas to promote more balanced economic growth and combat rural poverty.<sup>4</sup>

<sup>1</sup> European Commission (2012), Position of the Commission Services on the development of Partnership Agreement and programmes in LITHUANIA for the period 2014–2020.

<sup>2</sup> SEB (2012), "Lithuanian Macroeconomic review", December 2012, No. 50.

<sup>3</sup> Central Bank of the Republic of Lithuania (2013), "Lietuvos makroekonominė apžvalga" ["Lithuanian Macroeconomic Review"], February 2013, available at [http://www.lb.lt/lietuvos\\_ekonomikos\\_apzvalga\\_2013\\_m\\_vasario\\_men.](http://www.lb.lt/lietuvos_ekonomikos_apzvalga_2013_m_vasario_men.); Swedbank (2013), "Economic Outlook", available at [http://www.swedbank.lt/lt/previews/get/3462/1358328510\\_Swedbank\\_Economic\\_Outlook\\_\(January\\_2013\).pdf](http://www.swedbank.lt/lt/previews/get/3462/1358328510_Swedbank_Economic_Outlook_(January_2013).pdf);

Ministry of Economy of the Republic of Lithuania (2013), "Economy Review of Lithuania. 2012 Fourth Quarter", available at [http://www.ukmin.lt/uploads/documents/Apzvalgos/Lithuanian%20economy%20review-%202012%20Q4\\_1.pdf](http://www.ukmin.lt/uploads/documents/Apzvalgos/Lithuanian%20economy%20review-%202012%20Q4_1.pdf); Ministry of Finance of the Republic of Lithuania (2012), "Lietuvos ekonominių rodiklių projekcijos" ["Lithuanian Economic Projections"], available at [http://www.finmin.lt/web/finmin/aktualus\\_duomenys/makroekonomika](http://www.finmin.lt/web/finmin/aktualus_duomenys/makroekonomika).

<sup>4</sup> European Commission (2012), Position of the Commission Services on the development of Partnership Agreement and programmes in LITHUANIA for the period 2014–2020.

**Table 1: Key socioeconomic figures**

	Lithuania				EU Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP per capita</b> (EUR/hab, current market prices)	3,600	6,100	8,000	122.2 %	19,100	22,500	23,500	23.0 %
<b>GDP Total</b> (Mio_EUR, current market prices)	26,358	40,770	42,754	62.2 %	9,202,611	11,060,216	11,751,419	27.7 %
<b>GDP Growth rate</b> (real growth rate at market prices)	3.6	7.8	5.9	2.3	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	59.1	62.6	60.3	1.2	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	71.17	68.36	71.96	0.79	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	15.9	8.3	15.4	-0.5	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>		20.5	20			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	22.2*	26.3	34.1	11.9	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)	0.59	0.75	0.92	0.33	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	44.4	36.8	42.6	-1.8	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	2.96	2.78	2.61	-0.35	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Notes:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; Employment in HTC for EU27 in 2011 is valued with 2008 data. \* Data refers to 2001.

## 1.2 Overview of the main demographic challenges in the region

The most important demographic challenge to Lithuania is rapid population decline. Over the last 12 years, the Lithuanian population has decreased from 3487.0 thousand in 2001 down to 2979.31 thousand at the beginning of 2013, or by 14.6 per cent. In 2011, the population of Lithuania was already smaller in size than it was expected to become not earlier than in 2030, according to the Eurostat demographic projections (see Table 2bis).

The decline of the population was caused mainly by negative net international migration. According to the Lithuanian Department of Statistics (Statistics Lithuania), almost half a million (492.7 thousand) people emigrated from Lithuania in 2001–2012 whereas immigration amounted to 100 thousand in the same period<sup>5</sup>, about two-thirds of immigrants being returning Lithuanians. Consequently, the crude rate of net migration in Lithuania was one of the most negative among EU Member States during the whole period of 2001–2012. Emigrants were mostly young people. For instance, in 2011, 55.5 per cent were aged 20–34 and another 10.5 per cent were children under 15.

The natural decrease contributed to the population decline in Lithuania too since 116 thousand more people died than were born in 2001–2012. On the other hand, natural decrease per 1000 population changed from -4.0 in 2006 (the lowest level in 2001–2011 period) to -2.0 in 2011, a change caused by both decreasing mortality and increasing fertility. The number of deaths per 100 000 inhabitants decreased from 1 038.6 in 2001 to 910.6 in 2011. The total fertility rate kept increasing since 2002, when the lowest level of 1.24 was reached, and, in 2011, it stood at 1.76 (see Table 2). However, the total fertility rate is still below generation replacement level when each woman gives birth to at least 2 children.

Due to high emigration of mainly young people and the low fertility rate, the population of Lithuania has been ageing. At the beginning of 2001, the population aged 65 or over amounted to 484.7 thousand, or 14 per cent of the total population, while at the beginning of 2012 – 543.3 thousand, or 18 per cent. Most elderly people are women (66% in 2011) as there is a big gap in life expectancy between women and men. In 2011, life expectancy at birth for women was 79.3 years while for men - only 68.1 years, the lowest level in the EU.

Population decline has considerable socio-economic implications. First of all, it causes decreasing population density in Lithuania, especially in rural areas that suffer from comparatively higher emigration and mortality, and lower fertility than urban areas. According to the 2011 Census data, two-thirds of Lithuania's population (66.7%) lived in urban areas. Depopulation of rural areas pushes the remaining people, especially the young ones, to move also to cities. As a result, regional cohesion between urban and rural areas decreases.

Depopulation, which is caused mainly by a decreasing number of young people, results in a declining workforce and a worsening ratio of dependents (people younger than 15 or older than 64) to the working-age population (those aged 15-64). As Table 2 shows, the old age

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<sup>5</sup> International migration statistics for the years 2001–2011 was recalculated by Statistics Lithuania based on the final results of the Population and Housing Census 2011 which was carried out in Lithuania in March – May 2011 and taking into consideration undeclared international migration estimates.

dependency ratio<sup>6</sup> has been rising gradually in Lithuania, reaching 26.6 in 2011. The decline in workforce supply and share of employed population not only diminishes national competitiveness but also makes it more and more difficult to ensure the sustainability of health and social security systems financed from tax payers' budget contributions. Meanwhile the demand for health care and long-term care services continues to rise in line with the growing rate of the ageing population (see Table 2).

To sum up, there were some positive demographic trends in Lithuania in the last decade such as the slowly increasing fertility rate, decreasing mortality, and growing return migration but the country still seems to be fairly vulnerable to demographic changes, especially to emigration of young people, population ageing, and increasing rural-urban disparities.

**Table 2: Key figures on demographic change**

Indicator	Lithuania				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
Crude rate of population natural increase	-7.2	-6.5	-14.8	-7.6	2.9	4.2	2.5	-0.4
Crude rate of net migration plus statistical adjustment	-5.8	-2.6	-12.6	-6.8	2.3	3.6	1.7	-0.6
Old age dependency ratio	20.8	22.3	26.6	5.8	23.22	24.66	26.22	3.0
Total fertility rate	1.39	1.27	1.76	0.37		1.51	1.59	
Population density	55.8	54.5	48.3	-7.5	112.3	114.3	116.6	4.3
Prevalence of urban or rural population			PR					
Long-term care available beds in nursing and residential care facilities	523.9	539.6	566.5	42.6				
Hospital beds	883.3	708.8	675.1	-208.2	640.1	584.1	538.2	-101.9
Formal childcare (national and EU level)		9.0	11.0				14	
Total health care expenditure as a percentage of GDP (national and EU level)		5.9	7.6					
Total long-term care health care expenditure as a percentage of GDP (national and EU level)		0.2	0.7					

Source: Eurostat.

**Notes:** Fertility rate at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

<sup>6</sup> This indicator is the ratio between the total number of elderly persons of an age when they are generally economically inactive (aged 65 and over) and the number of persons of working age (from 15 to 64).

**Table 2bis: Demographic projections**

Indicator	Lithuania			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population (in thousand)</b>	3,337	3,083	-0.254	499,389	519,942	20,553
<b>Share of people aged +65 over the total population</b>	16	22.1	6.1	17.4	23.6	6.2
<b>Old age dependency ratio (%)</b>	23.20	34.70	11.5	25.90	38.00	12.1

**Source:** Eurostat, Europop2008. **NOTES:** All indicators are projections calculated in 2008 by the Europop2008 Report.

### 1.3 The national and Regional Policy approaches in addressing demographic change

Lithuania outlines its main policy approaches in relation to the challenges of demographic change in four specific national strategies indicated in Table 3. The strategies are long-term (demographic policy and public health) or medium-term (ageing and economic migration).

The key strategy which sets the framework of national policy to tackle demographic changes is the National Strategy on Demographic (Population) Policy 2004–2015 approved in 2004. It identifies the three the most important areas of intervention: family welfare, public health, and migration. The strategy foresees increasing family welfare by facilitating reconciliation between family and work commitments, promoting equal rights for women and men, providing child care services, and reducing family poverty and social exclusion.

The main interventions in the area of public health are focused on reduction of morbidity due to infectious and non-infectious diseases, improvement of public health monitoring, improved provision of health education to society and improved management of health services. Finally, interventions with regard to migration include measures aimed at maintaining close relations with economic migrants from Lithuania living abroad, cooperating with active Lithuanian organisations abroad and encouraging controlled immigration of labour force from non-EU countries.

The aims of the National Strategy on Demographic Policy in the areas of migration and public health are implemented through the two more specific national strategies, that is, through the Strategy on Managing Economic Migration for 2007–2012 and the National Strategy on Public Health for 2006–2013 respectively (see for the details Table 3). The fourth strategy addressing demographic changes is the National Strategy for Overcoming the Consequences of Population Ageing for 2004–2013. Its key aim is to create a society with equal opportunities for people of all generations and to empower the elderly to live active personal, public, professional, and cultural lives so that their experience is appreciated and utilized by society and that they themselves feel respected and confident about their future. The interventions under this strategy focus on ensuring participation of older persons in public and community life: keeping older persons active within the labour market as long as possible, ensuring steady income for every older person, achieving the best possible health among older persons and guaranteeing health care services of good quality for the sick.

**Table 3: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
1) National Strategy on Demographic (Population) Policy (2004–2015)	Various interventions (in the area of family welfare the interventions are focused mainly on social services for families and children, social infrastructure (e.g. day/child care centres), social insurance policy, active labour market measures, etc.)	<p>The strategy focuses on the three following areas - family welfare, public health, and migration. It sets also three strategic goals respectively:</p> <ol style="list-style-type: none"> <li>1) To promote self-sufficient and viable family life based on mutual care and responsibility that would assure intergenerational replacement and to create family-friendly legal, social and economic conditions.</li> <li>2) To improve quality of life of the Lithuanian population and to increase life expectancy by reducing morbidity, mortality, and prevalence of disability.</li> <li>3) To ensure a steady labour force and to avoid adverse consequences resulting from migration.</li> </ol> <p>The action plan in all three areas for 2005–2007 was approved in 2005. Since 2007 only the action plans in the area of family welfare were approved under this strategy (for 2008–2010 and 2011–2013) whereas the action plan of the Strategy on Managing Economic Migration and the action plan of the National Strategy on Public Health in Lithuania were used as the action plans in the areas of public health and migration respectively.</p>	State, municipalities
2) Strategy on Managing Economic Migration (2007–2012)	Various interventions (development of relevant legal basis, educational services for Lithuanians living abroad, informational support for returnees, monitoring and analysis of migration trends, etc.)	<p>The strategic goal of the strategy is to ensure a steady labour force and to avoid adverse consequences resulting from migration. The interventions focused on maintaining close relations with economic migrants from Lithuania living abroad and encouraging them to return to Lithuania as well as on cooperating with active Lithuanian organisations abroad.</p> <p>The action plan for 2007–2008 was approved in 2007 together with the strategy. The action plan for 2010–2012 was never approved because a new, more relevant programme on "Global Lithuania" for 2011–2019, which aims to develop a stronger strategic relationship with the Lithuanian diaspora, was developed.</p>	State
3) National Strategy on Public Health (2006–2013)	Various interventions (interventions focused on research activities, improvement of monitoring system of infectious and non-infectious diseases; dissemination of information about healthy lifestyle, etc.)	The main goal of the strategy is to improve the quality of life of the Lithuanian population and to increase life expectancy by reducing morbidity, mortality, and prevalence of disability. Particular attention should be paid to major causes of death: accidents and injuries, cardiovascular diseases, oncological diseases and mental health disorders.	State, municipalities
4) National Strategy for Overcoming the Consequences of Population Ageing (2004–2013)	Various interventions (social insurance (pension) policy, social and health services, labour market policies).	<p>The key aim is to create and strengthen society with equal opportunities for people of all generation following the principle of active ageing, by creating conditions which empower older persons to live full personal, public, professional and cultural lives at present and in the future, and seeking to ensure their experiences are valued and applied by society, so they may feel respected and certain of their future.</p> <p>The action plan for 2005–2013 was approved in 2005. The key intervention areas are income guarantees for the elderly, their employment, health and social services, improvement of living conditions for the elderly (housing, transport, etc.), and improvement of the public image of older people.</p>	State, municipalities

Source: Authors

## **2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE**

Three national Cohesion Policy Programmes operate in Lithuania implementing the country's strategy on the use of EU Structural Funds for 2007–2013: 1) Operational Programme for the Development of Human Resources 2007-2013 (OP DoHR); 2) Operational Programme for Promotion of Cohesion for 2007–2013 (OP PoC); 3) Operational Programme for Economic Growth for 2007–2013 (OP EG). The country is also covered by the transnational Baltic Sea Region programme (BSR).

The main demographic challenge in the region addressed by the Cohesion policy programmes address is a shrinking population, especially in people of working-age. It is mainly caused by large-scale emigration and results in a deficit of labour force and a worsening ratio between dependents (elderly people and children) and the working-age population. The problem is indicated in the Cohesion Policy Programmes as a threat to economic development of the country and to the sustainability of its social security system. The programmes also mention more specific consequences of an ageing population and low fertility rate for the welfare system such as increasing demand for health and social care services because of higher numbers of older people and fewer children and youth entering the system of formal education (see Table 4).

In general, all three national Operational Programmes address the demographic changes in context and / or SWOT analysis, especially OP for the Development of Human Resources (financed by ESF) and OP for Promotion of Cohesion (financed by ERDF and Cohesion Fund). The two latter actually complement to some extent each other regarding attention to demographic changes as the first one focuses more on ageing and labour force decline caused by migration while the latter emphasises more ageing, decreasing birth rate and mortality. However, when it comes to general objectives of the programmes these don't explicitly address demographic challenges but focus rather on employment, lifelong learning, public services, business productivity and so on.

According to the interviewees, there are two ways to approach the contribution of the Cohesion Policy programmes to coping with demographic change; that is, either you look only at measures that directly aim to tackle demographic challenges or you consider all the measures that directly or indirectly cope with demographic changes as well as their causes and consequences. In the first case, you will find only a few relevant measures in the Lithuanian Cohesion policy programmes, whereas in the second case almost all implemented measures will become relevant. That is why it is quite difficult to accurately assess the financial relevance of the Cohesion policy measures used to tackle demographic change on the overall Programme financial allocation.

However, following the first approach, the most relevant seem to be the measures aimed at encouraging return migration of Lithuanians living abroad, increasing economic activity of women by helping them to reconcile family and work commitments, and lowering morbidity and mortality due to cardiovascular and oncological diseases as well as traumas and other external causes of death. Many of the remaining measures may contribute, but only indirectly, to alleviating the demographic problems in Lithuania. For example, increasing economic activity helps to tackle the problem of a declining labour force whereas improved possibilities to engage in lifelong learning would probably encourage active ageing.

As for the connections and synergies with existing national "ordinary" policies, the few specific measures that directly address demographic changes are closely related to national strategies on the demographic issues. For instance, the measure "Reconciling family and work commitments" helps to implement the National Strategy on Demographic (Population) Policy (in the area of family welfare), and the measure "Promotion of the return of Lithuanian emigrants" is directly linked to the Strategy on Managing Economic Migration. Specific measures of the Operational Programmes are quite often treated as instruments to implement national strategies therefore, for example, in some cases the results of specific measures and national strategies are monitored using the same result indicators. Consequently, the changes in national strategies during the programming period may result in respective changes in programming documents. For instance, a new result indicator may be introduced into both the national strategy and Operational Programme. Apart from that, demographic changes themselves are not taken into consideration in the different phases of the programming cycle. As a rule, they are analysed only at the initial phase, that is, while preparing programming documents.

**Table 4: Review of Cohesion programmes' strategies on demographic issues**

	Brief description	Comments and examples
<b>Operational Programme for the Development of Human Resources 2007-2013 (OP DoHR) financed by ESF</b>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis provided in the OP DoHR indicates a labour force deficit as one of the main weaknesses of the country and a threat to its economic development. Intensive brain drain of high-qualified specialists and other workforce in general and from the system of high education and public administration in particular is seen as a great demographic challenge to Lithuania's labour market.</p> <p>The OP DoHR also mentions ageing of society and workforce as a demographic change that should be addressed, especially ageing of researchers and civil servants. The Operational Programme foresees a growing demand in social and health care services because of the ageing population that might decrease the sustainability of health and social security systems.</p> <p>Finally, according to the OP DoHR, the decreasing inflow of children and young people to the system of formal education is forecast to have an adverse impact on the system's financial and economic viability. On the other hand, young people who are especially active in seeking high education are mentioned as Lithuania's strength along with a large number of people having higher education.</p> <p>As regards opportunities to alleviate demographic problems, the SWOT analysis mentions the following two :</p> <ol style="list-style-type: none"> <li>1. A change in approach towards the family that will encourage women to become more actively involved in the labour market;</li> <li>2. A return of Lithuanian researchers currently living abroad who will apply best practices of other countries to Lithuania's higher education and RTD system.</li> </ol>	<p>The assessment of strengths and weaknesses of Lithuania provided in the OP DoHR addresses the key demographic changes faced by Lithuania, i.e. it mentions labour force decline, emigration, and ageing. However, no attention is given to other relevant issues such as natural decrease (mortality and fertility), demographic divergence between urban and rural areas.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The OP DoHR sets out the following priority goals:</p> <ol style="list-style-type: none"> <li>1. Increase the economic activity and employment of population, promote the creation of quality jobs and ensure equal opportunities for everyone to participate in the labour market and social life.</li> <li>2. Ensure better possibilities for the Lithuanian population to engage in lifelong learning activities by facilitating the dynamic development of knowledge-based society.</li> <li>3. Enhance the quality and quantity of human resources in the RTD area by fostering the capacity and potential of the Lithuanian RTD sector.</li> <li>4. Foster the administrative competences and increase the efficiency of public administration sector performance.</li> </ol> <p>The strategy design is based on these four goals. The strategic part of the programme is preceded by the overview of social and economic situation in Lithuania and analysis of development prospects. The latter includes sections on demographic trends and</p>	<p>The general objectives of the OP DoHR do not mention directly any elements related to the way Lithuania can adapt itself to demographic change. However, success in achieving some of the objectives would contribute to tackling the demographic challenges. For example, increase in the economic activity (priority goal No 1) would alleviate the problem of declining labour force whereas improved possibilities to engage in lifelong learning (priority goal No 2) would encourage active ageing.</p>

	Brief description	Comments and examples
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> Brief description and connections/synergies with existing national and Regional "Ordinary" Policies</p>	<p>emigration challenges (under the chapter on workforce supply).</p> <p>There are not many measures that directly address demographic challenges in the OP DoHR. The most relevant measures are as follows:</p> <ol style="list-style-type: none"> <li>1. Reconciling family and work commitments;</li> <li>2. Promotion of the return of Lithuanian emigrants;</li> <li>3. Improvement of human resources in a public sector (Training of health professionals who contribute to reducing the morbidity and mortality from the major non-infectious diseases)</li> <li>4. Reconciling work and family commitments: development of integral assistance.</li> </ol> <p>These measures are implemented under the Priority 1. „Quality employment and social inclusion“.</p>	<p>The specific measures that address demographic changes are closely related to national strategies on the demographic issues. For instance, the measure "Reconciling family and work commitments" helps to implement the National Strategy on Demographic (Population) Policy (in the area of family welfare), and the measure "Promotion of the return of Lithuanian emigrants" is directly linked to the Strategy on Managing Economic Migration. In some cases, the results of specific measures and national strategies are monitored using the same result indicators.</p>
<p><b>Operational Programme for Promotion of Cohesion for 2007–2013 (OP PoC) financed by ERDF and Cohesion fund</b></p>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The SWOT analysis of the OP PoC states very explicitly that among the major weaknesses of Lithuania are the following demographic challenges: decreasing birth rate and ageing of residents; high average age of labour force; high mortality rate due to mainly non-infectious diseases and external cause of death.</p> <p>As regards the threats to Lithuania, it is acknowledged that migration of specialists may deplete human resources while the ageing of society will increase the need for social support and health care services and the decrease in the flow of children and youth who enter the system of formal education will reduce financial and economic sustainability of the system.</p> <p>The OP PoC also devotes considerable attention to social, economic and territorial differences between different Lithuanian regions, within the regions and between towns and villages.</p>	<p>The OP PoC focuses on the demographic changes that are age and health related (high average age/ageing, high mortality rate, and decreasing birth rate). It also pays attention to rural/urban differences that are associated with emigration flows of residents (especially youths and highly qualified employees) from rural areas.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The OP PoC sets the three main aims as follows:</p> <ol style="list-style-type: none"> <li>1. To provide all conditions necessary for strengthening and revealing local development potential;</li> <li>2. To ensure availability and high quality of essential public services of health care, education, institutions implementing state employment policy, out-patient social services and services to the disabled;</li> <li>3. To pursue better environmental quality by giving special attention to increasing efficiency of using energy.</li> </ol> <p>The three aims correspond to the three following priorities of the Operational Programme:</p> <ul style="list-style-type: none"> <li>• Priority 1: Local and urban development, preservation of cultural heritage and protection of nature and its adaptation to development of tourism;</li> </ul>	<p>The general objectives of the OP PoC do not mention demographic challenges faced by Lithuania. However, their achievement may be critical in dealing with the consequences of demographic changes. For example, availability and high quality of health care services should be ensured for the inhabitants of Lithuania under the second aim of the strategy. This is especially important in the rapidly ageing society of Lithuania.</p>

	Brief description	Comments and examples
	<ul style="list-style-type: none"> <li>• Priority 2: Quality and availability of public services: health care, education and social infrastructure;</li> <li>• Priority 3: Environment and sustainable development.</li> </ul>	
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> Brief description and connections/synergies with existing national and Regional "Ordinary" Policies</p>	<p>The specific measures of the OP PoC that might be considered addressing demographic challenges are mostly health care related:</p> <ol style="list-style-type: none"> <li>1. Reduction of morbidity and mortality due to cardiovascular diseases;</li> <li>2. Early diagnostics of oncological diseases and full-fledged treatment;</li> <li>3. Reduction of mortality due to traumas and other external causes of death.</li> </ol>	<p>The specific measures of the OP PoC contribute to pursuing the strategic aim of the National Strategy on Public Health for 2006–2013: "To improve quality of life of the Lithuanian population and to increase life expectancy by reducing morbidity, mortality, and prevalence of disability. Particular attention should be paid to major causes of death: accidents and injuries, heart and vascular diseases, oncologic diseases, mental health disorders." The same goal is set in the National Strategy on Demographic (Population) Policy (in the area of public health).</p>
<p><b>Operational Programme for Economic Growth for 2007–2013 (OP EG) financed by ERDF and Cohesion fund</b></p>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The SWOT analysis of the OP EG mentions one weakness of Lithuania related to demographic changes, that is, high labour force emigration rates that cause a labour force deficit in the economy.</p>	<p>The OP EG gives comparatively little attention to demographic challenges faced by Lithuania. Only one demographic change – a decreasing labour force – is mentioned while assessing strengths and weaknesses of Lithuania in the OP EG.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The strategic objective of the OP EG is as follows: to speed up economic growth in the long term in order to reduce the development discrepancy between Lithuania and the EU average.</p> <p>The main objectives of the Operational Programme are as follows:</p> <ol style="list-style-type: none"> <li>1. Increase the share of high value added businesses;</li> <li>2. Increase business productivity especially by creating a favourable environment for innovations and SMEs;</li> <li>3. Increase efficiency of economic infrastructure.</li> </ol>	<p>The general objectives of the OP EG do not explicitly mention demographic challenges to Lithuania. However, their achievement is likely to contribute to the improvement of the demographic situation in Lithuania through, for example, reducing incentives to mainly economic emigration of working-age people.</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> Brief description and connections/synergies with existing national and Regional "Ordinary" Policies</p>	<p>None of the specific measures of the OP EG directly address demographic challenges to Lithuania.</p> <p>However, one project under this programme includes Junior Professional Programme "Kurk Lietuvai" ("Create for Lithuania") aiming to attract young Lithuanian graduates from universities abroad to Lithuanian public sector (see Chapter 4 on good practise example).</p>	<p>Since the specific measures of the OP EG only indirectly address demographic changes in Lithuania their connection with the relevant "ordinary" policies are vague. However, the OP EG may contribute to the achievement of an improved demographic situation in Lithuania through the improved economic performance of the country, which in turn would most probably result in a lower emigration rate, increased fertility, and so on.</p>
<p><b>Baltic Sea Region programme (BSR)</b></p>		
<p><b>d) Context analysis</b> Extent to which elements</p>	<p>According to the SWOT analysis provided in BSR, one of the challenges for urban and regional cooperation is disadvantageous demographic (e.g. ageing and negative birth</p>	<p>The programme mentions some demographic challenges to the Baltic Sea region such as ageing and</p>

	Brief description	Comments and examples
<p>related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>rate) and migration processes in already sparsely populated parts of the BSR while decreasing potential for innovations due to ageing of the BSR population is a threat to socio-economic welfare of the region.</p> <p>Moreover, BSR also indicates that demographic tendencies related to the ageing of the BSR societies and an extended life expectancy, which presents economic and social challenges, like securing enough work force to sustain the growth or providing third age services, is a common concern.</p>	<p>low population density in some parts of the region but does not focus on them.</p>
<p><b>e) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The overarching strategic objective of the BRS is "to strengthen the development towards a sustainable, competitive and territorially integrated Baltic Sea Region by connecting potentials over the borders".</p> <p>The priorities and corresponding objectives are as follows:</p> <ol style="list-style-type: none"> <li>1. Priority 1: Fostering of Innovations across the BSR. Objective: To advance innovation-based regional development of the BSR through the support of the innovation sources and their links to SMEs, facilitation of transnational transfer of technology and knowledge and strengthening the societal foundations for absorption of new knowledge.</li> <li>2. Priority 2: Internal and External Accessibility of the BSR. Objective: To increase the area's external and internal accessibility through development of transnational solutions diminishing the functional barriers to diffusion of innovation and to traffic flows.</li> <li>3. Priority 3: Management of the Baltic Sea as a Common Resource. Objective: To improve the management of the Baltic Sea resources in order to improve its environmental state.</li> <li>4. Priority 4: Promoting attractive and competitive cities and regions. Objective: To ensure co-operation of metropolitan regions, cities and rural areas to share and make use of common potentials that will enhance the BSR identity and attractiveness for citizens and investors.</li> </ol>	<p>The priorities and objectives do not address demographic challenges directly.</p>
<p><b>f) Specific measures addressing demographic challenges in the Programme</b> Brief description and connections/synergies with existing national and Regional "Ordinary" Policies</p>	<p>There is one example of strategic projects related to demographic challenges identified under Priority 4: "Strategies addressing the demographic change and migration processes in the BSR"</p>	<p>The programme does not identify specific measures, just examples of strategic projects. Only one of the examples is related to demographic changes.</p> <p>The project "Best Agers" (<a href="http://www.best-agers-project.eu/">http://www.best-agers-project.eu/</a>) aiming to encourage active ageing was co-funded by the Baltic Sea Region programme. The project partners included the three following organisations from Lithuania: Šiauliai Chamber of Commerce, Industry and Crafts, Šiauliai Branch of the National Regional Development Agency and KTU Regional Science Park.</p>

Source: Authors.

### **3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE**

This chapter provides a description of the three selected Cohesion Policy measures that more or less directly address demographic challenges to Lithuania. The measures are as follows:

1. Promotion of the return of Lithuanian emigrants (OP for the Development of Human Resources 2007-2013; ESF; allocated resources - 1.86 million LTL (0.51 million euro) or 0.056% of total programme resources);
2. Reconciling family and work commitments (OP for the Development of Human Resources 2007-2013; ESF; allocated resources - 48.4 million LTL (1.46 million euro) or 1.33% of total programme resources);
3. Reduction of morbidity and mortality due to cardiovascular diseases (OP for Promotion of Cohesion for 2007–2013; ERDF; allocated resources - 156.5 million LTL (45.4 million euro) or 1.51% of total programme resources).

#### **Promotion of the return of Lithuanian emigrants**

The measure aimed to encourage Lithuanians living abroad to return to Lithuania and reintegrate here as well as to prevent further emigration of Lithuanians. The main activities implemented under this measure were as follows:

1. Dissemination of information on living and working conditions in Lithuania for Lithuanians living abroad:
  - a. Labour information fair "Saddle up your horses, folks!" for Lithuanian emigrants in Ireland organized in 2008 in two Irish cities (Dublin and Monaghan) with the intention to promote return migration;
  - b. Project "Return! Lithuania needs you" under which consultations on employment opportunities in Lithuania were provided for emigrants living in the United Kingdom and Ireland by Lithuanian Labour Exchange and EURES Lithuania;
2. Migration research:
  - a. "Evaluation of the effectiveness of the Strategy on Managing Economic Migration and preparation of recommendations for the action plan for 2009–2012" (2009)<sup>7</sup>;
  - b. "Attitudes towards emigration and emigrants" (2008)<sup>8</sup>;

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<sup>7</sup> Public Policy and Management Institute, „Ekonominės migracijos reguliavimo strategijos įgyvendinimo efektyvumo įvertinimas ir projektinių pasiūlymų dėl strategijos 2009-2012 m. veiksmų plano parengimas" [Evaluation of the effectiveness of the Strategy on Managing Economic Migration and preparation of recommendations for the action plan for 2009-2012], available at <http://www.vpvi.lt/assets/Uploads/I-EMRS-efektyvumo-vertinimas-VPVI-2009.pdf> (in Lithuanian only).

<sup>8</sup> TMID, TMO and Vilmorus, "Požiūris į emigraciją ir emigrantus: Lietuvos gyventojų ir užsienio lietuvių bendruomenių atstovų požiūrio į emigraciją tyrimas" ["Attitude towards emigration and emigrants: survey of Lithuanians living in Lithuania and abroad"], Vilnius: Eugrimas, 2008, pp. 62.

### 3. Publications in local media on economic migration.

It was expected that the above activities would improve migration balance by increasing return migration and decreasing emigration. The main goal was to mitigate the adverse consequences of the growing deficit of labour force on then booming Lithuanian economy. However, the impact of the measure on return migration seems to be rather minor. There is no data on how many people decided to return to Lithuania encouraged by the activities implemented but return migration has not increased significantly during or right after the implementation of the measure. There are two possible explanations why the impact of the measure was limited. First, the scale of it was inadequate to increase return migration noticeably. The activities reached a very small number of Lithuanians living abroad<sup>9</sup>. Second, migration is determined by many different factors most of which have a much bigger impact on people's decision to migrate or to stay than specific measures implemented by the state, for example, economic growth or recession. Because of the limited impact of the measure the value added of the EU funding is also limited. However, the funding enabled to organise a few exceptional events (labour information fairs abroad) and carry out interesting and important researches.

This specific measure was closely linked to the Strategy on Economic Migration since they shared the same goals. Moreover, the applicants for the support under the measure "Promotion of the return of Lithuanian emigrants" could be only institutions that implemented the Strategy on Economic Migration. As for the connection with the EU 2020 strategy, the measure could be linked with a priority of inclusive growth and its Flagship Initiative "An Agenda for new skills and jobs", since under that initiative the EU Member States are encouraged "to promote a forward-looking and comprehensive labour migration policy which would respond in a flexible way to the priorities and needs of labour markets".

### **Reconciling family and work commitments**

The main goal of the measure was to provide assistance for working-age persons (employed or looking for a job) to reconcile family and work commitments and to promote family-friendly workplaces. In practise, the majority of interventions under this measure were focused on assistance to unemployed people with care responsibilities (mainly single parents taking care of their children). The projects implemented under this measure provided child care services for such people as well as trainings on, for example, computer literacy to give them an opportunity to start looking for a job.

The main expected effect of the measure was increased economic activity among people with care responsibilities as it was assumed that difficulties reconciling family and work commitments constitute a major obstacle to the participation of the working-age population in the labour market and adaptability to its requirements. According to the interviewees, the actual impact of the measure will be most likely limited because the projects implemented under this measure were not all well prepared; some of them even encountered difficulties finding enough people from their target groups. One "good practise" example was mentioned – a project that resulted in the development of a child-care facilities at a big enterprise that are used by the company's employees. The value added of the EU funding lies mainly in increased attention to the reconciliation of family and

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<sup>9</sup> Public Policy and Management Institute, „Ekonominės migracijos reguliavimo strategijos įgyvendinimo efektyvumo įvertinimas ir projektinių pasiūlymų dėl strategijos 2009-2012 m. veiksmų plano parengimas" [Evaluation of the effectiveness of Economic migration regulation strategy and preparation of recommendations for the action plan for 2009-2012], available at <http://www.vpvi.lt/assets/Uploads/I-EMRS-efektyvumo-vertinimas-VPVI-2009.pdf> (in Lithuanian only).

work commitments. It is very likely that in the absence of EU support no similar activities would have been carried out in this field or at least they would have been of much smaller extent.

The measure is closely related to the National Strategy on Demographic Policy and helps to implement the strategy in the area of family welfare. As for the connection with the EU 2020 strategy, the measure is clearly linked with the Flagship Initiative "An Agenda for new skills and jobs" under which the EU Member states are encouraged "to implement their national pathways for flexicurity, as agreed by the European Council, to reduce labour market segmentation and facilitate transitions as well as facilitating the reconciliation of work and family life".

### **Reduction of morbidity and mortality due to cardiovascular diseases**

The measure aimed at reduction of morbidity and mortality due to cardiovascular disease which is the main cause of death in Lithuania. This problem is especially noticeable among working people over 45 years, especially in men in the ageing society. Investments under this measure were focused on more efficient prophylaxis and optimized capacity of more accurate diagnostics, including interventional ones, as well as more efficient treatment. For this purpose, considerable investment in modern infrastructure and diagnostic equipment was made. The beneficiaries of the project implemented under this measure were health care institutions (hospitals) and their patients. The project was carried out in Middle and West Lithuania since regions in East and South-East Lithuania were covered by a very similar project implemented in the 2004-2006 programming period. The EU funding allowed investing into new medical equipment that most probably would not have been possible in the absence of the EU support because of scarce national financial resources, especially in the context of austerity policies.

The main expected effect of the project was reduced morbidity and mortality due to cardiovascular disease. It was also believed that the project would contribute to increased life-expectancy and improved quality of life with regard to health status in Lithuania. The actual effect of the project is yet not known since the project is not yet completed. According to the interviewees, the Ministry of Health is planning to carry out an ex-post evaluation of this project in 2015. However, considerable decrease in morbidity and mortality or increase in life-expectancy due to this intervention should not be expected because the above indicators are influenced by many other factors as well. First of all, they depend on life-style factors (nutrition, physical activity, and so on). Therefore, the intervention itself is too narrow to significantly influence morbidity and mortality due to cardiovascular diseases but it is of course expected to contribute to more effective health care.

The project also had some unexpected effects. According to representatives of the Ministry of Health, the project encouraged some young physicians and other medical staff to move from the cities to work in rural and remote areas in Lithuania. The rationale behind that was an opportunity to work with modern medical equipment, which is really important for young people. This positive unforeseen effect is especially important knowing that rural areas in Lithuania suffer from intensive emigration of young people causing the already relatively high average age of people providing public services (such as physicians and teachers) in those areas.

The measure is linked to the focus on inclusive growth in the Europe 2020 strategy and especially to its Flagship Initiative "European Platform against Poverty" as it increases

accessibility to better health care services in rural areas. The measure also contributes to pursuing the strategic aim of the National Strategy on Public Health for 2006–2013: "To improve the quality of life of the Lithuanian population and to increase life expectancy by reducing morbidity, mortality, and prevalence of disability. Particular attention should be paid to major causes of death: accidents and injuries, cardiovascular diseases, oncologic diseases and mental health disorders." The same goal is set in the National Strategy on Demographic (Population) Policy (in the area of public health).

**Table 5: Selected measures in relation to demographic change**

<b>Measure (programme)</b>	<b>Main type of intervention</b> (infrastructure, business support, social services, other)	<b>Thematic focus</b> (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	<b>Brief description</b>	<b>Beneficiaries</b>	<b>Resource Allocation in absolute value and % of total programme resources</b>	<b>Main effects (expected and/or actual)</b>
1) Promotion of the return of Lithuanian emigrants (OP for the Development of Human Resources 2007-2013)	Consultations; research	Migration, decreasing (working age) population	<p>Priority 1 "Quality employment and social inclusion"; Task 1 "To improve adaptability of workers and enterprises to the needs of the market"</p> <p>Actions under this measure included providing information to Lithuanians living abroad about working and living conditions in Lithuania as well as evaluation of the effectiveness of economic migration policy of Lithuania</p>	Lithuanian emigrants	<p>1.86 million LTL (0.51 million euro);</p> <p><i>At the beginning of the programming period 17.6 million LTL (5.1 million euro) were allocated to this particular measure but the allocation was reduced during the programming period.</i></p> <p>0.056% of total programme resources (0.48% initially)</p>	<p>Expected general effect: increased number of returnees</p> <p>Result indicators:</p> <p>Net migration increased up to -4783 in 2015;</p> <p>20 thousand consultations provided for migrants to promote their return to Lithuania.</p>
2) Reconciling family and work commitments (OP for the Development of Human Resources 2007-2013)	Social services (child care); active labour market measures (trainings)	Decreasing (working age) population, fertility	<p>Priority 1 "Quality employment and social inclusion"; Task 1 "To improve adaptability of workers and enterprises to the needs of the market"</p> <p>Actions under this measure were focused on the assistance for people (mainly women) with care</p>	People with care responsibilities	<p>48.4 million LTL (1.46 million euro)</p> <p>1.33% of total programme resources</p>	<p>Expected general effect: increased participation of working age people with care responsibilities in the labour market.</p> <p>Result indicators:</p> <p>participants in employment during</p>

			responsibilities in taking care of children, people with disabilities, the elderly or the sick.			the project or within 6 months after leaving the project (30%) and participants in employment 6 months after leaving the project (70%)
3) Reduction of morbidity and mortality due to cardiovascular diseases (OP for Promotion of Cohesion for 2007–2013)	Infrastructure (diagnostic equipment)	Active ageing, mortality	<p>Priority 2 "Quality and availability of public services: health care, education and social infrastructure"; Task 1 "To provide high-quality and available health care services"</p> <p>Investments under this measure was focused on more efficient prophylaxis of cardiovascular diseases and more accurate diagnostics, including interventional one, as well as more efficient treatment.</p>	Health care institutions (hospitals and their patients with cardiovascular diseases)	<p>156.5 million LTL (45.4 million euro)</p> <p>1.51% of total programme resources</p>	<p>Expected general effect: reduced morbidity and mortality due to cardiovascular diseases (of elderly people among others).</p> <p>Result indicator: number of patients with greater access to health care services and improved health care quality (95.3 thousand)</p>

**Source:** Authors.

## **4. THE GOOD PRACTICE EXAMPLE**

In September 2012, Invest Lithuania, a Lithuanian government agency that provides free advice and introductions to anyone from on the ground experts to global companies interested in doing business in Lithuania, started an innovative and so far very successful junior professional programme "Kurk Lietuvai" ("Create for Lithuania"). The programme aims to attract young professionals who have graduated from the best universities in the world to choose to come back to Lithuania in order to work at public sector institutions. The selected returnees are offered paid internships in various institutions of the public sector (more than 15) for one year. Every four month the participants move to a new institution where they work on selected policy projects. The programme is very popular among returnees and well-regarded in the public. Since the pilot year of the programme was successful, it was decided to extend the programme for a few more years. A new call for applications to participate in the programme from September 2013 was announced in March 2013.

As for the effects of the programme regarding demographic issues, it should be acknowledged that the programme cannot have a significant effect on migration trends because of its small scale but, on the other hand, it may indirectly encourage other emigrants to return to Lithuania. The programme could be easily transferred to other countries that also suffer from an intensive emigration of young people, so called "brain drain".



## **5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD**

To improve Cohesion policy in the 2014–2020 period to tackle better the demographic challenges, general and specific objectives as well as measures defined in the programming documents should directly address demographic issues. However, since demographic changes in general are determined by a complex of causes it is not easy to design effective measures that could impact significantly demographic trends. Therefore, they should be focused on specific causes or consequences of adverse demographic changes. Moreover, the goals set for any measure should be achievable. For example, it was unreasonable to believe that implementing of the measure "Promotion of the return of Lithuanian emigrants" may influence net migration of Lithuanians (result indicator). On the other hand, well focused interventions such as a junior professional programme "Kurk Lietuvai" ("Create for Lithuania") may have a positive effect at least on their participants and indirectly contribute to changes in demographic trends. Hence it would be advisable to set better defined and focused goals for interventions that are expected to contribute to coping with demographic changes.

The programming documents for the 2014–2020 are not available yet; therefore is not possible to assess how and to what extent the demographic challenges and the results of the current programming period are considered in the design of the 2014-2020 Cohesion Policy programming documents. However, there are some indications as to what priorities are going to be included into draft Operational Programme. Similarly as in 2007–2014 programming document demographic challenges will be discussed in context analysis for sure but it is less likely that any priorities or specific objectives will directly address demographic issues. The most discussed demographic topic in the context of 2014–2020 programming period is active and healthy ageing. However, even in this case there is an on-going discussion whether a separate funding priority should be given to active and healthy ageing or the activities encouraging it should be integrated horizontally under other relevant funding priorities.



## **6. CONCLUSIONS AND POLICY IMPLICATIONS**

Cohesion Policy Programmes operating in Lithuania in 2007-2013 discuss the demographic changes in context and / or SWOT analysis, especially OP for the Development of Human Resources (financed by ESF) and OP for Promotion of Cohesion (financed by ERDF). However, in terms of general objectives of the programmes, demographic challenges are not explicitly addressed, with the focus rather on employment, lifelong learning, public services, business productivity, and so on. Thus the Cohesion Policy Programmes present demographic challenges as quite important context issues but do not focus on them when it comes to specific interventions and investment priorities. Therefore, only a few specific measures can be seen as directly tackling demographic challenges.

The Cohesion Policy 2007-2013 contributed to implementing national strategies addressing demographic challenges such as migration, ageing, public health and other in Lithuania. Some Cohesion Policy measures were directly linked to the goals of national demographic policy, for instance, to encourage return migration or to reduce morbidity due to cardiovascular diseases. In other words, the support of Structural Funds under the Cohesion policy made it possible to implement measures in the field of demographic policy that otherwise would most probably not have been implemented.

The impact of the Cohesion policy measures that directly addressed demographic changes in Lithuania seems to be rather limited because the interventions were of a much smaller scale than needed for the challenges to be tackled. For example, it was naively expected that an improvement in the migration balance would be achieved by increasing return migration with an intervention focused mainly on information dissemination that in fact reached only a tiny proportion of all Lithuanians living abroad. Moreover, demographic changes in general are determined by a complex web of causes including such overarching factors as economic growth / recession or changes in life style of people. Therefore separate interventions are not likely to have a noticeable influence on demographic trends. On the other hand, well focused interventions such as the junior professional programme "Kurk Lietuvai" ("Create for Lithuania") may have a positive effect on their participants and indirectly contribute to changes in demographic trends. Hence, it would be advisable to set better defined and focused goals for interventions that are expected to contribute to coping with demographic changes.



## ANNEXES

### a) *List of interviews/visits*

- Ms Lingailė Biliūnaitė, Head of Structural Support Policy Division, Department of European Union Structural Support, Ministry of Social Security and Labour of the Republic of Lithuania, tel. (+370) 706 64230, e-mail: [lingaile.biliunaite@socmin.lt](mailto:lingaile.biliunaite@socmin.lt)
- Mr Artūras Bytautas, Head of Structural Support Management Division, Department of European Union Structural Support, Ministry of Social Security and Labour of the Republic of Lithuania, tel. (+370) 706 68159, e-mail: [arturas.bytautas@socmin.lt](mailto:arturas.bytautas@socmin.lt)
- Mr Rimantas Garbštas, Chief Specialist at Structural Support Policy Division, Department of European Union Structural Support, Ministry of Social Security and Labour of the Republic of Lithuania, tel. (+370) 706 68158, e-mail: [rimantas.garbstas@socmin.lt](mailto:rimantas.garbstas@socmin.lt)
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- Mr Paulius Raugas, Chief Specialist at EU Support Division, Ministry of Health of the Republic of Lithuania, tel. (+370) 5 266 1494, e-mail: [paulius.raugas@sam.lt](mailto:paulius.raugas@sam.lt)
- Ms Regina Klepačienė, Head of Education Organization Division, Ministry of Education and Science of the Republic of Lithuania, tel. (+370) 5 219 1116, e-mail: [regina.klepaciene@sam.lt](mailto:regina.klepaciene@sam.lt)
- Ms Akvilė Švolkienė, Manager of Marketing Projects at "Invest Lithuania" / coordinator of the Junior Professional Programme "Kurk Lietuvai" ("Create for Lithuania"), tel. (+370) 5 264 9073, e-mail: [akvile.svolkiene@investlithuania.com](mailto:akvile.svolkiene@investlithuania.com)

### b) *References*

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### c) **Good practice fiche**

<b>Junior Professional Programme "Kurk Lietuvai" ("Create for Lithuania")</b>	
<b>Dimension of demographic change addressed:</b>	Migration ("brain drain")
<b>Country/Region:</b>	Lithuania
<b>Name/Title of the Practise:</b>	Junior Professional Programme "Kurk Lietuvai" ("Create for Lithuania")
<b>Period of implementation:</b>	Started in September 2012, on-going
<b>Contact information:</b>	<a href="mailto:admin@kurklt.lt">admin@kurklt.lt</a>

<b>Brief description and activities implemented:</b>	Junior Professional Programme "Kurk Lietuvai" ("Create for Lithuania") aims to attract young professionals who have graduated from best universities of the world and chose to come back to Lithuania in order to work at the institutions of the public sector. The programme offers paid internships in the heart of government ministries for selected returnees.
<b>Main partners/ stakeholders involved:</b>	Institutions involved: the Government of the Republic of Lithuania (the Office of the Prime Minister), 10 Ministries, Competition Council, Invest Lithuania, Enterprise Lithuania and other institutions of the public sector.
<b>Territorial coverage:</b>	The programme is implemented in Vilnius - the capital city of Lithuania since most of government institutions are located there.
<b>Funding:</b>	The programme is funded under the measure Assistant-3 (Operational Programme for Economic Growth for 2007–2013). It is a part of the project "Attracting foreign direct investment to Lithuania" implemented by Invest Lithuania which is a Lithuanian government agency that provides free advice and introductions to on-the-ground experts to global companies interested in doing business in Lithuania.
<b>Main Goals and objectives:</b>	The programme aims to attract qualified people who graduated from universities abroad to the Lithuanian public sector. The returnees get an opportunity to apply their knowledge, to initiate changes at public institutions, to develop their professional network and to build their CVs while participating institutions gain new insights and ideas from the young professionals, improve their public image, and promote cooperation between the Lithuanian diaspora and the public sector.
<b>Main target groups:</b>	Young Lithuanian professionals who have graduated from universities abroad.
<b>Main measures and outcomes:</b>	Twenty returned young professionals participate in the first round of the programme. Most of them are going to stay in Lithuania.
<b>Implementation features:</b>	The selected professionals are offered paid internship at institutions of the public sector for one year. Every four month they move to a new institution.
<b>Main weaknesses/ obstacles and how they have been addressed:</b>	Because of the small scale of the programme it cannot have a significant impact on migration trends. However, it would be quite difficult to scale-up the programme without losing the quality.
<b>Main strengths:</b>	A very positive public image of the programme.
<b>Main innovative elements:</b>	A focus on graduates from foreign universities; internships at public institutions not private enterprises; rotation of the participants among institutions during the programme.
<b>Main lessons learnt:</b>	The success of the programme very much depends on support provided by the political leaders and the heads of the participating institutions as well as on the hard work of the managers of the programme.
<b>Sources of information:</b>	Website <a href="http://www.kurk.lt/">http://www.kurk.lt/</a>





**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
MALTA**



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## LIST OF ABBREVIATIONS

<b>CF</b>	Cohesion Fund
<b>EQUINET</b>	European network of equality bodies
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>EU27</b>	European Union of 27 Member States
<b>GDP</b>	Gross Domestic Product
<b>GERD</b>	Gross domestic expenditure on R&D
<b>HRST</b>	Human resources in science and technology
<b>HTC</b>	High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
<b>ICT</b>	Information and Communications Technology
<b>NCPE</b>	National Commission for the Promotion of Equality
<b>NSRF</b>	National Strategic Reference Framework
<b>OP</b>	Operational Programme
<b>SILC</b>	Statistics on income and Living Conditions
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, and Threats (Analysis)
<b>TEN-T</b>	Trans-European Transport Networks

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## INTRODUCTION AND MAIN FINDINGS

This case study analyses the national strategy put in place in Malta to tackle demographic change in the period 2007-2013 and in the upcoming years.

- In line with a number of planning and statistical documents and field interviews, the main demographic challenges affecting Malta are related to:
  - population ageing and the gradual retirement of a large number of people, belonging to the so-called 'baby boom' generation;
  - relatively high unemployment rate among young people due to a mismatch of skills offered by the labour market and those demanded by the industries which are undertaking a restructuring process (particularly towards scientific and other added value sectors);
  - low participation of women with children in the labour market, because of cultural factors but also lack of affordable and quality public child care facilities;
  - risk of social exclusion of other vulnerable groups (besides young people and women), such as asylum seekers and immigrants, which every year get to Malta in search of a job and better life conditions.

These elements pose significant challenges in economic terms. Low employment and education rate of vulnerable groups and high old-age dependency ratio constrain Malta's growth prospects.

- In the past years, a long-term strategy has been pursued by the Government, focusing on implementing structural reforms in the labour market and also ensuring better integration of disadvantaged social groups in the education and employment systems. Over the 2007-2013 period, the Cohesion Policy has significantly complemented the national initiatives to provide social infrastructures, training, lifelong learning, capacity building and other measures to directly and indirectly tackle demographic changes, particularly through the ESF-funded Operational Programme. The case study shows that:
  - The small size of Malta contributed to the success of the centrally funded projects, since it allowed to simultaneously provide training activities and other services to vast segments of the population. Yet, the limited Maltese market was also a challenge to the implementation of projects, mainly because of the availability of a relatively low number of bidders for tenders issued.
  - The administrative burden entailed in the proposal and implementation process of EU funded projects may also have contributed to make such projects more difficult to implement. So far, 80 percent of both Operational Programmes is committed, with the intention of full commitment in the next month. However, on the ground, projects with fragmented procurement arising from the limited market available, lead to slower contracting and slower disbursement. The much higher share of funds that will be allocated in the ESF programmes over the 2014-2020 period may further increase the difficulties in ensuring their full absorption. This risk may be mitigated by an enlargement of eligible actions under the ESF and an overall simplification of administrative rules, which could stimulate the proposal and implementation of a higher number of projects.



# 1. REGIONAL CONTEXT

## 1.1 General socio-economic context and impact of the crisis

The Maltese archipelago consists of three islands: Malta (246 sq km), Gozo (67 sq km) and Comino (2.7 sq km). The country is located in the Mediterranean Sea, on the periphery of the European Union. In 2010, Malta's population stood at 416 thousand of which approximately 31 thousand live on the island of Gozo and Comino.<sup>1</sup> The economy of Malta is characterised by a prevalence of micro and small enterprises operating predominately in the manufacturing and tourism sectors. The fragmented composition of Malta's industrial landscape, its economic openness, insularity and high export concentration of goods and services underpin the vulnerability of the Maltese economy.

Since its entrance in the European Union in 2004, Malta's economic performance had been showing a positive trend, with growing total and per capita Gross Domestic Product, dragged especially by the service sector.<sup>2</sup> Conversely, the output growth and gross value added of the manufacturing industry has been following a declining trend. Increased competition on the international markets and the rise of energy prices determined wide economic uncertainty, which influenced the labour market. The prevalence of micro and small enterprises operating predominantly in traditional sectors is reflected in the low level of innovation capacity. In order to face the existing economic challenges and recover competitiveness, in the past years the manufacturing industry has started to restructure towards higher value added activities (e.g. electronics, pharmaceuticals and ICT).

Industrial restructuring increased the demand for new skills. While the ICT base and literacy in Malta is good, research and innovation capacity, as well post-secondary attainment and vocational attitudes need to be strengthened in order to reach the EU average level. Education infrastructures, however, are insufficient and inadequate to fully meet the students' skills demand. In certain localities, relatively high level of unskilled labour are also linked to high level of early school leave and absenteeism.

The island of Gozo, connected to the main island of Malta only by ferry, experiences accessibility problems which also influence their socio-economic performance. Higher transaction costs, caused by the 'double insularity' constraints (an island of an island), hamper the development of the business sector and limit people's accessibility to education and health services and to employment opportunities.

The recent economic crisis adversely affected Malta, but its impact has been more modest than in other European countries: during 2009, Malta's GDP per capita fell by 1% against an average of 6% across the EU27.<sup>3</sup> In fact, Malta exhibited a better capacity to react to the exogenous shock, probably due to different factors, such as:

- the process of economic adjustment triggered by the industrial restructuring in the private sector;
- the process of fiscal consolidation to reduce the government's deficit and debt which started in 2004-2005;

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<sup>1</sup> Data source: Eurostat.

<sup>2</sup> Data source: Eurostat.

<sup>3</sup> Source: Eurostat.

- changing working patterns, through the expansion of part-time employment, which allowed to successfully increase national participation and employment rate over the 2000-2011 period, and to keep unemployment's variation minimal over the same period (see Table 1);
- Other governmental reforms, like the reform of pensions and social protection systems, aimed at optimising public spending and guaranteeing the sustainability of the welfare state in the long term.

**Table 1: Key socioeconomic figures**

	Malta				EU27 Average			
	2000	2005	2011	% change 2011-2000	2000	2005	2011	% change 2011-2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	11,000	11,900	14,000	27.3	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	6,313	7,105	7,978	26.4	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	-1.5	3.7	-2.7	-1.2	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	54.5	53.9	57.6	3.1	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	58.2	58.2	61.6	3.4	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	6.3	7.3	6.5	0.2	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>		13.9	15.4			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	5.4	11.4	15.3	9.9	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)		0.6	0.7		1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	25.9	27.6	33.4	7.5	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	7.2	6.3	6.5	-0.69	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Note:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; GDP growth rate in 2000 is valued with 2001 data; Employment in HTC in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data

## 1.2 Overview of the main demographic challenges in the region

Malta is the most densely populated EU Member State, with an average of 1,316 residents per squared kilometre in 2011. Even if between 2005 and 2011 population growth has been increasing to a lower pace compared to previous decades<sup>4</sup>, Malta's population density is further accentuated by the large annual influx of tourists and asylum seekers and illegal immigrants, which exert significant pressures on the environment, infrastructure and socio-economic structures.

Like many other European countries, Malta is facing the progressively ageing population. In 2005, the elderly population (aged over 61 years) constituted roughly 16% of the population. The share of elderly people, currently slightly below the average EU level, is

<sup>4</sup> Source: National Statistics Office of Malta (2012a).

expected to significantly increase due to the gradually move to retirement of the “baby boom” generations. At the same time, the decline of fertility rate<sup>5</sup> and the increase in life expectancy due to higher standards of living and advancements in health care,<sup>6</sup> contributed to an increase in the old-age dependency ratio which is even higher than the EU27 average. According to the latest Eurostat projections, this is expected to exceed 39% in 2030 and to reach 55.6% by 2060. In other terms, in 2060 every person in the working-age population will have to support around 0.8 non-active persons compared to 0.4 in 2007.

The shrinking of the economically active total population adds to the current higher levels of youth unemployment which is mainly caused by the lack of skills to cope with the ongoing industrial restructuring process and accentuated by the economic crisis. Unemployment of people below 25 years of age reached 16% in January 2013, 2.5% higher than in January 2012. Overall, the population in Gozo exhibits a markedly higher dependency ratio, due to a higher proportion of persons in retirement and to the outflow of young people, moving to Malta’s main island attracted by better economic prospects.

As pointed out in the European Commission’s 2012 Ageing Report and the Maltese National Statistical Institute (2013), demographic developments are likely to pose major economic, budgetary and social challenges. Malta is expected to record an increase in public pensions of 5.5% of GDP by 2010 and 2060, together with an increase of 2.9% of GDP in health care and 1.6% of GDP in long-term care during the period 2007-2060.

Another demographic challenge affecting Malta is represented by gender disparities in the labour market. In 2005, the total employment rate was about 54%. When looking at gender disaggregation, the rate for males stood at 74% (above the EU25 average of 71%), while the rate for females was 40% (lower than the EU25 average)<sup>7</sup>. Women experience also a higher unemployment rate (almost 9% compared to 6.6% for males in 2005). The low female participation rate in the labour market is mostly linked to cultural factors, according to which women prefer to commit to the family rather than to work, but also to the limited availability of quality and affordable childcare facilities. Furthermore the low participation of elderly females who tend to have limited skills and labour market experience is dragging down the overall female participation rate.

Unemployment is one of the main determinants of the at-risk-of-poverty rate, an indicator of social vulnerability. According to the SILC survey,<sup>8</sup> in 2010 the overall at-risk-of-poverty rate stood at 15%, with the rate for female exceeding that for male by one percentage point; persons under 18 years old constituted the age group that was mostly at-risk-of-poverty, with 20% falling below the threshold; these were followed by persons aged 65 and over, whose at-risk-of-poverty rate was estimated at 18%; for persons living in households with dependent children, the at-risk-of-poverty rate was estimated at 18% against 12% for those persons living in households without dependent children.

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<sup>5</sup> From 2.04 in 1990 to 1.7 in 2000 and 1.38 in 2010 (Eurostat data).

<sup>6</sup> Life expectancy at the age of 60 has risen from 15.29 years in 1980 to 20.71 years by 1995 and 24.1 years in 2010.

<sup>7</sup> Source: Planning and Priorities Coordination Division (2012) ‘Operational Programme I. Cohesion Policy 2007-2013’. The EU25 average does not include Romania and Bulgaria.

<sup>8</sup> National Statistics Office of Malta (2012b).

**Table 2: Key figures on demographic change**

Indicator	Malta				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
Crude rate of population natural increase	3.4	1.8	2.4	-1	2.9	4.2	2.5	-0.4
Crude rate of net migration	2.3	4.0	-0.3	-2.6	2.3	3.6	1.7	-0.6
Old age dependency ratio	17.9	19.3	22.4	4.5	23.22	24.66	26.22	3.0
Total fertility rate	1.7	1.4	1.4	-0.32		1.51	1.59	
Population density	1,208.4	1,279.6	1,316.4	108	112.3	114.3	116.6	4.3
Prevalence of urban or rural population								
Long-term care available beds in nursing and residential care facilities		512.1	1,060.4					
Hospital beds	547.7	744.6	450.5	-97.2	640.1	584.1	538.2	-101.9
Formal childcare (national and EU level)		0.0	4.0				14	
Total health care expenditure as a percentage of GDP (national level)								
Total long-term care health care expenditure as a percentage of GDP (national level)								

Source: Eurostat.

Notes: Fertility rates in 2011 are valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data

**Table 3: Key figures on demographic projections**

Indicator	Malta			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010
Total population (in thousand)	0.414	0.432	0.018	499,389	519,942	20,553
Share of people aged +65 over the total population	14.8	24.2	9.4	17.4	23.6	6.2
Old age Dependency ratio (%)	21.20	39.10	17.9	25.90	38.00	12.1

Source: Eurostat, Europop2008.

Notes: All indicators are projections calculated in 2008 by the Europop2008 Report.

### 1.3 The national and Regional Policy approaches in addressing demographic change

As explained in the previous section, demographic changes are expected to result in a substantial decline of the working age population and thus in labour supply, with a consequent declining trend in potential growth. In light of these socio-economic challenges, the Maltese Government considers paramount to implement structural reforms, especially affecting labour force participation, in order to sustain its growth potentials, but also better

integration of disadvantaged social groups, including, among others, young, women, elderly and immigrants.

Demographic change issues are addressed, in either a direct or indirect way, by policies, programmes and initiatives drafted, launched and implemented at national level. The following table provides an overview of the main recent national and local policy approaches in relation to the challenges of demographic change in Malta. In short, a mix of categories of interventions, which were both funded solely through national funds and co-financed through the national funds and Cohesion Policy, has been put in place during the 2007-2013 period, including physical infrastructure development in business, social, health and education sectors; increase in ICT and scientific initiatives at tertiary-level education; investments in the education system to address skill mismatches and ensure continuous education and training; support on equal opportunities in the labour market; tax exemptions and other initiatives (such as afternoon school programmes and the opening of child care centres) to ensure an easier and more feasible re-entry into the labour market for mothers; and amendments in the pension system legislation to increase the retirement age and gradually ensure that older workers will remain in employment for a longer period of time.

The two national Operational Programmes financed through the EU Cohesion Policy Fund (which will be further elaborated later on in this report), contribute to achieving the overall long-term policy objectives, by providing in particular infrastructure, training and labour market support.

A number of initiatives have also been launched by Local Councils, but their scope of intervention, and thus their impact, has been indicated by the interviewees as much more limited than central strategies and programmes.

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
Pension reform	Labour market policy	Since 2006 the Government introduced a number of parametric reforms aimed at addressing both the adequacy and sustainability of pensions in Malta. The reform also aimed at encouraging older people to remain active. The reform envisaged the gradual increase in retirement ages, the increase in the contribution period to be entitled to the full pension, and changes in the method of calculation of the pension income. The Budget for 2012 introduced an income tax allowance for pensioners remaining active in the labour market.	State
Active Ageing Strategy	Social and health services, welfare and labour market policies	A strategy based on the principles of intergenerational solidarity, employability, volunteering and health has been drafted. In the framework of this strategy, a dedicate Inter-Ministerial Committee will propose measures, programmes and actions aimed at ensuring the sustainability of the pension system, increasing employability, improving health life expectancy, ensuring active participation amongst the elderly in society as well as addressing other issues related to independent living and assisted living in the community.	State
Community Work Scheme	Training for workers	The 'Community Work Scheme' is a national measure that came into force in 2007. It provides focused attention to the particular training needs of various target groups, including older workers. Motivational seminars, newsletters and other adult initiatives in soft skills and job hunting skills are planned to be organised in the next months for adult jobseekers and very long-term registrants.	State
Measures targeting women	Social infrastructures and services, training	In spite of the fact that more women than men graduate each year from University, women face difficulties in re-entering the labour market once they have children. The Government has employed a combination of tax incentive schemes, afternoon school programmes and increase in the number of child care centres in a bid, in order to make female participation in the labour market attractive and manageable.	State
Operational Programme I – Cohesion Policy 2007-2013 'Investing in Competitiveness for a Better Quality of Life'	Social infrastructure	Programme co-financed by the ERDF, CF and National Funds, with a total budget of almost EUR 857 million. Its main objective is to develop and generate economic growth, based on encouraging competitive economic activities and strengthening Malta's physical infrastructure, leading to a better quality of life for Maltese citizens. It includes a priority axis focused on the improvement of social, education and health infrastructures.	EU and State
Operational Programme II – Cohesion Policy 2007-2013 'Empowering people for more jobs and a better quality of life'	Social services, labour market support, training, capacity building, studies/research	Programme co-financed by the ESF and National Funds, with a total budget of about EUR 132 million. The Programme aims at improving employment and job opportunities, promoting social inclusion and encouraging disadvantaged people to join the work force. It includes several initiatives and two training schemes implemented by the Employment Training Corporation: the 'Employment Aid Programme', the 'Training Aid Framework'. <sup>9</sup>	EU and State

Source: Interviews.

<sup>9</sup> The ESF funded-schemes, 'Employment Aid Programme' and the 'Training Aid Framework' were both temporarily suspended in June 2012 due to full absorption of funds.

## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

The EU Cohesion Policy contributes to addressing the demographic challenges which characterise Malta. The National Strategic Reference Framework (NSRF) 2007-2013 provides the goals and the strategic framework for the Operational Programmes, by setting the overarching objective of sustaining economic competitiveness through innovation and entrepreneurship and facilitating a knowledge-based economy through investment in the required physical and social infrastructural capabilities, education and social inclusion. The NSRF relies on a solid and comprehensive analysis of the socio-economic context characterising Malta in the 2004-2005 period, highlighting the demographic challenges to which Malta was exposed to and still is: population ageing which results in an increasing demand for health care services and an old-age dependency ratio, gender inequality in the labour market, relatively low rate of persons achieving upper secondary education or participating in life-long learning, and risk of social exclusion of disadvantaged population groups in general (such as women, young people, elderly, immigrants, etc.). Within this frame, Operational Programme I, co-funded by the ERDF and CF, and Operational Programme II, co-funded by the ESF, complement each other in providing both infrastructure and services to tackle demographic issues.

The most relevant Cohesion Policy support tackling these issues is provided by **Operational Programme II** 'Empowering people for more jobs and a better quality of life', co-financed by the ESF. It is focused on the development of human resources and employment and explicitly analyses all the above mentioned elements related to demographic change. In the SWOT analysis present in the OPs which was carried out in 2005, the low female participation rate to labour market, also linked to the limited number of affordable childcare facilities and after school services, the high level of illiteracy, early school leavers and absenteeism, the high level of unskilled labour and low participation in continuous education training are highlighted as weaknesses of Malta's socio-economic context that need to be properly addressed through a focused long-term strategy.

These demographic issues are addressed by the OP's two specific objectives aiming at the investment in human capital (Specific Objective 1) and the strengthening of labour market structure (Specific Objective 2). Investment in human capital aims to improve the quality of education and skills level of the current and future labour to the necessary flexibility in the labour market for it to be in a better position to respond to the needs of Malta's economic growth and development, whilst supporting disadvantaged groups. On the other hand, strengthening the labour market aims to increase the employment rate by ensuring that those facing difficulties or barriers to enter work or retain employment are supported. By strengthening the labour market structures and promoting an acceptable balance of work and personal life the Programme is expected to favour the entry in the labour market of women and other disadvantaged groups.

The link between the ESF objectives and relevant demographic challenges is particularly evident under Priority Axis 1 "*Improving education and skills*", Priority Axis 2 "*Investing in employability and adaptability of the workforce*" and Priority Axis 3 "*Promoting an equal and inclusive labour market*". These are also the lines of interventions to which the highest financing has been allocated, amounting to about 83% of the total Programme's budget. All the intervention lines under these Priority Axes are directly or indirectly related to demographic challenges (see the list in Table 5). The indicative share of funds committed

so far in the implementation of projects directly tackling demographic change issues can be estimated to around 10% of the total OP's budget, distributed across the above mentioned three Axes.

**Table 5: Financial allocations of OP II**

Priority Axis	Financial allocation	Share	Relevant to demographic change
1. Improving education and skills	EUR 41,400,000	31%	✓
2. Investing in the employability and adaptation of the workforce	EUR 30,995,000	24%	✓
3. Promoting an equal and inclusive labour market	EUR 36,900,000	28%	✓
4. Strengthening of institutional and administrative capacity	EUR 17,199,118	13%	
5. Technical assistance	EUR 5,270,589	4%	
<b>Total</b>	<b>EUR 131,764,707</b>	<b>100%</b>	

Source: Planning and Priorities Co-Ordination Division (2012c)

While the ESF Programme is oriented towards social and human capital development, the **Operational Programme I**, co-financed by the ERDF and CF, is more focused on economic growth and competitiveness. The strategy of intervention aims at stimulating economic development. As such, it does not explicitly address all the demographic-related challenges of Malta, but only those which are more directly connected to economic competitiveness. OP I mentions the following weaknesses in the situation and SWOT analysis: limited affordable childcare services and afterschool services, limited female participation in the labour market, the increased demand for health and education services resulting from ageing population, and the rising need of qualified labour force.

OP I is centred on two specific objectives which aim to sustain a growing and knowledge-based competitive economy (Specific Objective 1) and improve Malta's attractiveness and quality of life (Specific Objective 2). By sustaining a growing, knowledge-based economy, OP I is providing business support and enhancing knowledge and innovation in the enterprise and tourism sectors. In increasing Malta's attractiveness and the quality of life of the citizens, there are a number of focus areas aiming at improving the transport, education, social and health infrastructures, investing in environment and risk prevention, undertaking urban regeneration and upgrading services of general interest. These objectives are translated into seven Priority Axes, however, only one of them can be highlighted as particularly relevant from the perspective of demographic changes, i.e. Priority Axis 6 "Urban regeneration and improving the quality of life". Priority Axis 6 includes intervention lines to investment in the health, social and education sectors and to foster urban regeneration and integrated local development. The funding allocated under this Axis is EUR 149 million, corresponding to about 17% of the total OP's budget (Table 6). However, only one of the projects approved so far can be considered directly related to demographic change. This is an aid scheme, of a value of about EUR 500 thousand, providing infrastructure and equipment for childcare services. As at February 2013, EUR 434,314 were committed with the signing of 17 Grant Agreements. The concept of this Aid Scheme will help to upgrade and improve existing child care facilities, by assisting existing child care providers to re-locate premises (if required), encourage start-ups and facilitate compliance with the National Standards for Child Care Facilities.

**Table 6: Financial allocations of OP I**

Priority Axis	Financial allocation	Share	Relevant to demographic change
1. Enhancing knowledge and innovation	EUR 120,000,000	14%	
2. Promoting sustainable tourism	EUR 120,000,000	14%	
3. Developing the TEN-T	EUR 145,000,000	17%	
4. Climate change and resource efficiency	EUR 121,000,000	14%	
5. Safeguarding the environment and risk prevention	EUR 189,288,259	22%	
6. Urban regeneration and improving the quality of life	EUR 149,000,000	17%	✓
7. Technical assistance	EUR 12,327,096	1%	
<b>Total</b>	<b>EUR 856,615,355</b>	<b>100%</b>	

Source: Planning and Priorities Co-Ordination Division (2012c)

In short, the most significant support to address the demographic problems in Malta is provided through ESF-funded projects within OP II. As shown in Table 4, these are mostly 'soft' types of projects, i.e. training, labour market support and social services, capacity building and studies/research. These intervention lines are complemented by 'solid' interventions under OP I through the provision of social infrastructures. Both the OPs are fully in line with the overall governmental strategy for stimulating Malta's economic development while coping with the socio-demographic challenges, as described in the previous section.

**Table 7: Review of Cohesion Programmes' strategies on demographic issues**

	Brief description	Comments and examples
<b>OPERATIONAL PROGRAMME II (ESF)</b>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis explores the labour market characteristics and requirements, education and training system and attainment, social inclusion of disadvantaged persons (e.g. early school leavers, persons with disabilities, immigrants, elderly, etc.). A section is dedicated to analyse the specificities characterising the island of Gozo. The most relevant demographic change issues affecting Malta are considered in the SWOT analysis.</p>	<p>The context analysis presents and discusses the most relevant elements related to demographic issues in Malta, focusing also on local divergences and specificities.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The general objective of OP II is to raise the overall employment rate by investing in human capital. This is expected to be achieved through the attainment of two specific objectives:</p> <ul style="list-style-type: none"> <li>i) Investing in human capital, by improving the quality of education and skills level of the workforce and supporting disadvantaged segments of the population;</li> <li>ii) Strengthening labour market structures, by ensuring support to entry into the labour market. The OP expects this objective to be achieved by promoting flexible forms of work organisation, which allow for an acceptable balance of work and personal life, complemented by a reform of the tax benefit system to make work pay, particularly for the unemployed and inactive.</li> </ul> <p>The Priority Axes directly tackling demographic changes are:</p> <ul style="list-style-type: none"> <li>• Axis 1: Improving education and skills</li> <li>• Axis 2: Investing in the employability and adaptability of the workforce</li> <li>• Axis 3: Promoting equal and inclusive labour market.</li> </ul>	<p>The two OP's specific objectives take into duly account the relevant demographic changes in Malta. This is also reflected in the high share of funding allocated to address demographic change issues under Priority Axes 1, 2, and 3, which is more than 80% of the total OP's budget (around EUR 110 million).</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and Regional "Ordinary" Policies)</p>	<p>Under each relevant Priority Axes, a number of operational objectives are outlined. Those more directly related to demographic issues are:</p> <ul style="list-style-type: none"> <li>• Under Axis 1: <ul style="list-style-type: none"> <li>○ Investing in the education system;</li> <li>○ Addressing skill mismatches;</li> <li>○ Attracting more students in the research and innovation field;</li> <li>○ Training concerning ICT and research and innovation;</li> </ul> </li> <li>• Under Axis 2: <ul style="list-style-type: none"> <li>○ Continuous training and education;</li> <li>○ Training and re-skilling in the private sector;</li> </ul> </li> <li>• Under Axis 3: <ul style="list-style-type: none"> <li>○ Female participation in the labour market;</li> <li>○ Promoting and inclusive society;</li> <li>○ Addressing labour market distortions and ensuring that work pays.</li> </ul> </li> </ul>	<p>All intervention lines under Priority Axes 1, 2 and 3 are directly or indirectly related to relevant demographic challenges. These measures integrate other national policies, programmes and actions implemented by the Government on the same themes. No specific demographic change issue or type of intervention is exclusively covered by OP II.</p>

	Brief description	Comments and examples
<b>OPERATIONAL PROGRAMME I (ERDF-CF)</b>		
<p><b>d) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The situation analysis is focused on the trends related to the main economic sectors (manufacturing, tourism, etc.), labour market, urban development and other fields of public intervention, such as territorial accessibility, research and innovation, environment and energy, education, social and health. Internal disparities have been shown, by including a dedicated section about the island of Gozo and its specific socio-economic features. Some of the relevant demographic changes affecting Malta are discussed and included also in the SWOT analysis: limited affordable childcare and after-school services, shrinking work-force, insufficient capacity of post-secondary and vocational education level, ageing society and the resulting increased demand for health services.</p>	<p>The context analysis is focused on economic features of the country. Some demographic challenges are discussed as long as they have evident impact on the economic indicators and on competitiveness prospects.</p>
<p><b>e) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The OP's objective is to develop and generate economic growth based on competitive economic activities, underpinned by adequate physical infrastructure. This objective is meant to be achieved through two specific objectives:</p> <ul style="list-style-type: none"> <li>i) Sustaining a growing, knowledge-based competitive economy: it targets enterprises and the tourism sector, by reinforcing the existing industry base, favouring diversification in the traditional economic sectors and enhancing knowledge and innovation;</li> <li>ii) Improving Malta's attractiveness and quality of life: it will be pursued by improving the transport, education, social and health infrastructure, investing in the environment and risk prevention, upgrading services of general interest, undertaking urban regeneration.</li> </ul> <p>The Priority Axis which is the most related to demographic change issues is Axis 6 "Urban regeneration and Improving the Quality of Life", which envisages investment in the health, education and social sectors.</p>	<p>The OP is mainly focused on enhancing knowledge and innovation among enterprises, promoting the tourism sector and developing the transport and environmental infrastructures. Only one Priority Axis is related to a certain extent to demographic issues, i.e. Priority Axis 6, to which 17% of the total OP budget (corresponding to EUR 149 million) has been allocated. Nonetheless, the specific objective of Priority Axis 6 is to safeguard the country's urban heritage and promote an overall improvement in quality of life through better accessibility, enhanced education, social and health systems, and increased environmental monitoring capacity. Therefore share and volume of fund allocated in projects directly addressing demographic change are smaller (see below) due to the fact that the aim of OP I is not to address demographical challenges.</p>
<p><b>f) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and Regional "Ordinary" Policies)</p>	<p>The only area of interventions which addresses some of Malta's demographic changes can be found under Axis 6. This concerns the improvement of education, social and health-related infrastructures.</p>	<p>OP I contains one measure addressing part of the demographic challenges of Malta, i.e. the need of quality social infrastructures and equipment. This measure focuses on interventions which integrate other existing national plans and long term strategies aimed at changing the cultural factors that make work and family commitments mutually exclusive. There is no overlapping between this measure and those covered by the ESF Programme.</p>

Source: Planning and Priorities Co-Ordination Division (2012a and 2012b)



### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPE WITH DEMOGRAPHIC CHANGE

The three measures which can be considered as the most relevant in addressing specific dimensions of demographic change, all financed through OP II, are the following ones:

- **Continuous training and education**, under Axis 2 'Investing in employability and adaptability of the workforce' of OP II. Among the projects approved so far, we can mention one aid scheme, the 'Training Aid Framework', implemented by the Employment and Training Corporation and has been allocated EUR 8.85 million over the period 2008-2014 in initiatives and actions that provide different social groups with higher qualifications, skills, and promote access to training of persons actively participating in the labour market. Other single projects provide support in selected sectors (e.g. tourism), areas (e.g. residents in Gozo) or to specific population groups (e.g. women and old workers). Projects include, for example, foreign language courses or adaptation of existing skills to new growing industries (e.g. the film industry).
- **Promoting an inclusive society**, under Axis 3 'Promoting an equal and inclusive labour market' of OP II. Projects financed through this measure target different categories of disadvantaged groups at risk of poverty and social inclusion, by offering ad hoc training courses and actions directed towards the acceptance of diversity in the workplace, and capacity building of parents, educators, trainers and personnel working with vulnerable groups. Examples of projects approved include training to victims of domestic violence, young school drop outs, asylum seekers to secure formal employment, and the Youth Employment Programme specifically focused on the social and labour market integration of young people, particularly early school-leavers. Young people fall within this target and thus the OP is currently funding employment interventions which seek to increase the employability and labour market integration of young people particularly early school leavers who would benefit from further training as well as greater knowledge of their rights and responsibilities.
- **Female participation in the labour market**, under Axis 3 'Promoting an equal and inclusive labour market' of OP II. This measure more directly and explicitly focuses on unemployed women with young children, by financing training courses, campaigns and studies/research to support women in re-entering the labour market and improving their career prospects, and actions that reduce the gender gap and combat occupational segregation. See in this regard the good practice project described in Section 4.

These measures provide a large spectrum of types of interventions and target all the social groups which are the most vulnerable to demographic changes, i.e. young people, women with young children, elderly and asylum seekers. The Managing Authority estimated that 38 projects, within the three selected measures, directly focused on demographic change issues. The related resource allocation amounts to EUR 55.4 million, corresponding to 42.1% of total ESF resources. The most relevant measure, from a financial perspective, is 'Promoting an inclusive society', which lead to almost EUR 31 million committed. This is also the most successful measure, as it managed to almost double the target number of vulnerable people trained or supported (see Table 8 below for details).

While funds allocated under Axis 2 have been already fully committed, about EUR 6 million remain to be committed under Axis 3. This is mainly due to the relatively small size of projects financed through this Axis, but, to a certain extent, also to a limited number of drafted projects specifically addressing female participation. Despite the numerous efforts to attract more projects to enhance female employment, this still remains low. This was even though the Managing Authority, following the Mid-Term Evaluation's recommendation, tailored the calls for applications in such a way as to attract projects which would contribute towards those specific result and output indicators which were still lacking performance with respect to their likelihood of achievement. The main reason explaining this situation is ascribed to the overburden in the public administrations due to shrinking resources, which make them very difficult to launch a considerable number of projects in this field. The administrative burden linked to the implementation of EU funded projects has been highlighted as an additional factor which can lead to a strain on the limited human resources. Moreover, it has to be considered that, given the small size of Malta, there are only a few public bodies and private organisations dedicated to female support, which inevitably reduces the number of projects that may be proposed or implemented in a given period.

Nevertheless, the expected results of all the three selected measures are very positive, also as far as the measure on female participation is concerned. In fact, over the past years, an increase of women in employment has been recorded (see Table 8 for details). This is ascribed to the mainstreaming of woman support also in other OP's initiative (such as the measure promoting social inclusion at large) and other national plans and strategies, like tax incentives. Hence, the long-term strategy pursued by the Government to tackle demographic challenges is yielding concrete benefits, although, according to the interviewees, further efforts still need to be put in place.

Along with coping with national demographic challenges, the selected measures – but more in general OP I and OP II – are in line with the European 2020 growth strategy for a smart, sustainable and inclusive economy. In particular, the measures help to fulfil the employment target, reducing the rates of early school leavers while increasing the share of adult people completing third level education, and reducing the number of people in or at risk of poverty and social exclusion. National policies and the Cohesion Policy jointly move towards these common objectives, mutually sustaining and reinforcing each other. A type of initiative implemented by the Government, which effectively complements the identified ESF actions and strengthens the overall strategy of female, young and elderly participation, relates to legislative changes. The inclusion in the Maltese Income Tax Act of fiscal incentive to encourage more women to return to the labour market, the approval of measures ensuring an adaptable and flexible labour market, and investment in a national qualifications framework to set standards, develop accreditation processes and services for the valuation of qualifications are important initiatives to guarantee the maximisation of benefits also of EU funded projects.

Both the strengths and the weaknesses of these measures are ascribed to a common element, i.e. the small size of Malta. On the one side, the possibility to reach any city of Malta in less than one hour by car enables a large number of people to benefit from training activities or other services provided. On the other side, the limited Maltese market for some services in some cases forced to contract persons from abroad in order to deliver specific training or assist in certain activities. Besides raising the costs, the involvement of foreign consultants and experts may entail lack of full understanding of the local scenario. Additionally, as further explained in sections 5 and 6, another limitation faced during the programme implementation (particularly as far as the ESF programme is concerned) is the

small number of potential beneficiaries. In order to guarantee the take up of funds, the Managing Authority struggles to secure their involvement in a vast number of projects. This, however, is made difficult by the current administrative burden attached to the EU project implementation, as well as human resources constraints within the public administration.

**Table 8: Selected measures in relation to demographic change**

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
Continuous training and education (OP II, Axis 2 'Investing in employability and adaptability of the workforce')	Training and education	Skill mismatches	This measure supports the development of conversion courses to provide flexibility and upgrading of the labour force, particularly in the value added sectors, such as ICT. This may entail learning new skills, multi-tasking, or job mobility. In this regard, the measure pays specific attention to older workers, as they may find more difficult to adapt to change, and to those having seasonal work in sectors such as tourism.	All population groups in the labour market, with a special focus on the elderly	Thirteen projects fall under this focus area of intervention, amounting together to EUR 18,542,189 committed. This amount to 14.1% of the total ESF budget. <sup>10</sup>	This measure is implemented in the light of the Government's aim to address skill mismatches resulting from the restructuring of the Maltese economy. According to the programming document, a total number of 45,000 persons are expected to be trained/supported and five actions supporting educational structures should take place, resulting in at least 60% of participants gaining a qualification and 20% of participants in employment or further study 6 months after receiving assistance. At the moment of writing, 40,924 persons were trained/supported and two actions supported educational structures, resulting in 76% of participants in employment or further study 6 months after receiving assistance and 89% of participants gaining a qualification/certification.
Promoting an inclusive society (OP II, Axis 3 'Promoting an equal and inclusive labour market')	Training, campaigns, capacity building, study/research	Social exclusion	This area of intervention aims at empowering and enabling people, particularly from disadvantaged social groups, towards inclusion in the education system and labour	Women with young children and other persons with dependents,	Nineteen projects fall under this focus area of intervention,	The target number of vulnerable persons trained/supported was 6,500, with at least 20% of vulnerable persons in

<sup>10</sup> A number of projects also address the other focus areas under Priority Axis 2 and therefore it is difficult to determine the exact amount allocated on this particular focus area.

			market. Specific attention is given to young people, given that long-term unemployment at the start of the working life is likely to have long-term consequences for the person's development and social welfare.	young school leavers, elderly, disabled people, immigrants, inactive, parents, educators, social workers	amounting together to EUR 30,855,639.43 committed. This amount to 23.4% of the total ESF budget. <sup>11</sup>	employment or further study 6 months after receiving assistance. On the other hand, the target number of studies, actions, campaigns, research activities carried out is ten. At the moment of writing, 11,437 of vulnerable persons were trained/supported, with 40% of vulnerable persons in employment or further study 6 months after receiving assistance. Moreover, fourteen studies, actions, campaigns and research activities were carried out.
Female participation in the labour market (OP II, Axis 3 'Promoting an equal and inclusive labour market')	Social services, campaigns, training, study/research	Female unemployment	This measure supports a wide set of interventions aimed at reconciling the need for increasing female participation in the labour market with women's role in family formation. It includes: promotion of flexible and innovative working arrangements (flexi-time, job sharing, tele-working, part-time), provision of after school child-minding services and other quality and affordable childcare, campaigns to promote formal child care.	Women, with a special focus on women with young children	Six projects fall under this focus area of intervention, amounting together to EUR 6,012,162.62 committed. This amount to 4.6% of the total ESF budget. <sup>12</sup>	The initial target of women trained/supported was 2,000. At the moment of writing, 925 women have been trained/supported. Nevertheless, the 41% target (impact indicator) of female employment rate has been achieved in 2011, thanks to this measure, but also to other OP's areas of interventions and national plans.

Source: Interviews

<sup>11</sup> A number of projects also address the other focus areas under Priority Axis 3 and therefore it is difficult to determine the exact amount allocated on this particular focus area.

<sup>12</sup> A number of projects also address the other focus areas under Priority Axis 3, it is therefore difficult to determine the exact amount allocated on this particular focus area.



## 4. THE GOOD PRACTICE EXAMPLE

In the framework of this case study, the Managing Authority has identified a project which can be considered a good practice in tackling demographic change issues. The project identified is 'Unlocking female potential' (ESF 3.47), approved in 2008 and implemented between 2009 and 2012 by the National Commission for the Promotion of Equality (NCPE) in partnership with employers' representative associations and trade unions. The project's total budget was EUR 649,232, 85% of which co-financed by the ESF and 15% by the Government.<sup>13</sup> This is one of the few projects implemented under the measure 'Female participation in the labour market' and specifically targeted to women. It is considered a good practice by virtue of the extraordinary positive results attained, which greatly exceeded expectations, and its innovative nature.

The project's goal was twofold: i) to provide policy makers with information on the current situation of women in Malta and Gozo and on factors that influence and hinder the female participation in the labour market, and ii) to increase overall female employment rate by providing indirect incentives to work. The former objective was achieved through the first project's component, consisting of a research on the Maltese socio-economic context under several viewpoints. In particular, the research focused on the life prospects of teenage parents, the situation of male and female entrepreneurs and vulnerable workers in Malta, the relevance of economic independence of the Maltese female, an analysis of inactivity from a gender perspective, and the factors affecting women employment in Gozo. The research's findings and recommendations were aimed to be a valuable tool for policy makers in related policy formulation. The second objective entailed an awareness-raising component with the aim of promoting the culture of gender equality at the workplace, by sensitising employers at setting up gender equal work conditions, policies and other measures ensuring gender equality and family friendly measures and work live balance options. A certification, called the 'Equality Mark' has been introduced to award companies fulfilling all these requirements. Awarded companies received high visibility through public information means and the possibility to use the mark in their correspondence.

The 'Equality Mark' represents the most innovative element of this project. It is meant to increase the number of entities that actively foster gender equality, also by raising awareness on the rights and responsibilities of employees, employers, human resources managers, and equality committees/representatives within the workplace. The NCPE carries out an independent screening and assessment of companies and other entities and it awards those whose management is based on the recognition and promotion of the potential of all employees, regardless of their gender and caring responsibilities. More specifically, the following measures need to be in place in order to obtain the certification:

- Equality and harassment policy with efficient reporting mechanisms;
- Measures to ensure equal opportunities in recruitment and employment practices;
- Existence of Employee Equality Representatives and/or an Equality Committee;
- Measures to ensure equal opportunities in career and personal development opportunities;
- Family friendly measures and work live balance options;
- Gender audit and gender impact assessment.

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<sup>13</sup> The NCPE is a public body. It receives an annual grant by the Government to finance its activities.

Against an initial target of 10 entities, so far about 50 (among import companies, banks, manufacturing firms and governmental departments) have already received the 'Equality Mark' certification. Different factors can be identified behind the project's success:

- It filled a real gap, by providing both a research study of high need and the motivation and incentive for companies and others to ensure gender equality;
- The project partners ensured deep and comprehensive knowledge of the market, which helped in identifying the companies/bodies to target first;
- More importantly, it triggered competition among the targeted actors, because of the visibility obtained by those receiving the certification. This increased the number of entities interested in the project and applying for the certification.

See Annex C for further details.

## 5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD

The process related to the drafting of the next Cohesion Policy's Operational Programme(s) and the Partnership Contract has slowed down in the past weeks due to still on-going negotiations at EU level. Nonetheless, the process is gradually picking up and substantial decisions about the next programming period are being taken. Preliminary draft Operational Programmes are expected to be ready by summer 2013, provided that the Regulations concerning the next programming period and the consultations taking place at EU level are finalised.

According to the interviewees, the change in the Government (occurred after the Maltese general elections on 9 March 2013) may lead to changes in policies and strategies. However, given that the socio-economic needs are overall the same as in the past years, the Government could progress on the national strategy to strengthen and increase economic development, growth, competitiveness, employment and social inclusion. Even if significant achievements have been made so far, additional efforts are still required to further reduce socio-economic vulnerabilities of the Maltese population and to cope with demographic challenges. In particular, much remains to be done to improve formal education and to address the problems of young school leavers. Additional investments are also needed as far as lifelong learning is concerned, where higher efforts to better organise the training system are necessary.

Education and skills development have always been high on the Maltese national agenda; this can be seen through national policies and documents such as the NSRF as well as Budget Documents. In fact even though all the Europe 2020 targets are being addressed through Malta's *National Reform Programme Under the Europe 2020 Strategy*, education is one of the challenges that is being given priority. Since human resources are considered Malta's main natural resource, knowledge and higher educational attainment levels become critical contributors to Malta's economic growth and the improvement of the standard of living of its citizens. Consequently, Government's priority remains that of encouraging and supporting people to realise their full potential in order to contribute towards the country's socio-economic development. In conjunction with this, Malta is set to reduce school drop-out rates to 29% by 2020 and increase the share of 30-34 years old having completed tertiary or equivalent education to 33% also by 2020. Between 2010 and 2015, Malta will endeavour to offer new possibilities for learning whilst ensuring that all persons receive due certification and recognition of their studies in a drive to value all learning, in order for this to be able to serve the individual learner as a basis for further study or work. Key measures to reach such national targets include tackling absenteeism by strengthening student services, introducing new possibilities and modalities of learning in higher education, extension of the Malta Government Scholarship Scheme, offering more opportunities for participation in vocational education, and introducing lifelong learning into the community.

Labour supply and demand mismatches may hinder the development and growth of specific segments of economic activity, or induce a time lag until new economic opportunities can be actively targeted. In this respect, the Managing Authority could continue to seek/target social inclusion projects not only aimed at increasing education but targeting directly social inclusion. A discussion is on-going with the European Commission to understand whether the next Structural Funds Regulation would allow addressing the persons' basic needs even

with no immediate link to education and employment rates (e.g. projects against violence on women, or assistance and care for orphan children).

The increasing proportion of Cohesion Policy funds which by EU Regulation will be allocated to the ESF measures in the next period (40% compared to 13% of ESF funds over the total Cohesion Fund for the 2007-2013 period) could, in principle, guarantee a higher volume of investments in demographic change-related projects. The widening of eligible items under the ESF, which will include e.g. equipment and, perhaps social infrastructures,<sup>14</sup> is considered positive, as it will allow financing new types of initiatives and sustain the funds' absorption.

Yet, there is some concern within the Managing Authority about the capability to absorb the entire amount of ESF funds that will be available, because of the following factors:

- the limited number of actors capable of implementing EU funded projects (in Malta there is only one University, one vocational college, etc.). Their limited number and the high volume of funds available imply that each beneficiary should implement more than one project during the programming period to guarantee the take up of all funds. The Managing Authority has already started to consult the potential beneficiaries and to stimulate their involvement in the Cohesion Policy projects;
- the relatively limited number of vulnerable people to be targeted by training and other traditional types of interventions. Given the fact that Malta is a small country, national training projects are likely to reach a very large share of potential beneficiaries. Hence, the Managing Authority perceives the urgent need to find alternative types of projects to finance through the ESF funds which could still be of interest to the Maltese population.

In order to increase the effectiveness and attractiveness of the Cohesion Policy in general, and also in relation to demographic challenges, apart from a change in strategy and priorities or in the volume of funds allocated, a substantial simplification of eligibility and administrative rules will be required. This will contribute at further stimulating public and private bodies to undertake new projects. In the current period, difficult reporting and administrative requirements relating to EU funded projects may have discouraged some bodies from applying for funds or narrowed the possibilities of financing due to strict eligibility criteria.

The new EU Regulation in fact has already introduced some simplifications in the administrative and reporting system. The Maltese Managing Authority will also consult the beneficiaries and study possible ways to simplify the administrative procedures for the next years, as this is considered an effective way to stimulate the drafting and proposal of more projects. However, since no changes are expected for what public procurement is concerned, this will remain a major challenge for the implementation bodies.

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<sup>14</sup> The draft EU regulation is not clear yet on eligibility of infrastructures under the ESF. More clarifications by the European Commission on these issues and, perhaps, concrete examples of projects will be provided in the next months.

**Table 9: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	It is likely that relevant demographic issues will be mentioned in the context analysis of the next programming document.	None
<b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The general objectives of the next programming documents are still undisclosed and the new Government may revise the strategy followed so far. Like in the past, there would be a need to increase economic growth, competitiveness, employment and social inclusion, and consistently with the EU 2020 strategy.	None
<b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges	According to field interviews, the next programming documents should probably be more focused on supporting young school leavers and the attainment of skills in the science field. The objective of improving social inclusion in the education and employment sector should be maintained. The idea of proposing measures focused on social inclusion for its own sake (and not directly linked to education or employment increase) will be discussed. The target groups (immigrants, young, old people, women) should remain the same. However, the specific objective and measure design will much depend on the strategy that the new Government will decide to follow.	None
<b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation indicators and activities	No information is available yet.	None

Source: Interviews



## **6. CONCLUSIONS AND POLICY IMPLICATIONS**

In the past years, the Government of Malta undertook a long-term strategy, or 'vision', aimed at contrasting the most relevant challenges, including demographic ones, which negatively affect economic performance and social inclusion in Malta. Within this strategy, a wide variety of interventions have been proposed, from legislative measures to social infrastructures, from trainings to information campaigns. No major need has been left outside this long-term strategy. The knowledge and experience accumulated by the Managing Authority's staff over the past years have also been beneficial for a stable programme implementation and lessons learning.

The support provided by the Cohesion Policy funds in tackling demographic change issues over the 2007-2013 programming period and contributing also to the Lisbon Strategy targets, has been significant. The volume of funds allocated under OP I and, especially, OP II on demographic related themes ensured the effective integration of the already existing national plans and reforms and to maximise the socio-economic benefits of public investment. The Programmes' priorities well addressed the existing demand and they proved to be enough flexible to adapt to changing circumstances. For example, in 2012 some resources were shifted from Axis 4 'Strengthening of institutional and administrative capacity', where funds' take up is slower due to the shrinking of public administrative people, to Axis 1 'Improving education and skills' where demand is very high.

The only limitation in the Cohesion Policy aid mechanism relates to the administrative burden linked to the implementation of all EU projects, thus also those related to demographic change. In a period of shrinking resources like the current one, there is a challenge which prevents from taking full advantage from EU funds. More flexibility on eligible expenditures and simplification of reporting and financial system could help generating more projects. Some change is foreseen in the next programming period which could reduce this obstacle, but, according to the interviewees, not eliminate it yet.

The small size of Malta is a context factor that determines the success of centrally funded and managed projects: actually, services offered by fully governmental or EU co-financed projects (e.g. trainings) are immediately available to the entire population in a coordinated way and without the need to travel long distances. The same factor, however, determines one of the weaknesses in the implementation of the EU programmes in Malta, i.e. the relatively limited number of actors potentially interested or willing to take up EU funded projects, which makes the number of projects that could be proposed with every call constrained. With the high administrative burden associated to each project and the capping on the public administration within the public administration, the full fund absorption for the next programming period, during which ESF allocation will increase, will be particularly challenging. This risk is instead not perceived for the ERDF/CF projects, which can finance a wider set of initiatives, and of larger size, which can in turn attract a higher number of beneficiaries.

In conclusion, the extent to which Malta will be able to address demographic challenges in the next years will mainly depend upon i) the kind of strategy for socio-economic development that the new Government will launch, and ii) the degree of simplification of administrative rules and widening of eligibility criteria that the new Structural Funds regulation would allow.



## ANNEXES

### a) List of interviews/visits

NAME	POSITION	INSTITUTION/ENTITY	ROLE IN THE INITIATIVE (Financier, planner, beneficiary, etc.)	DATE AND PLACE OF THE INTERVIEW
Ms. Pauline Saliba	Economics Officer	Economic Policy Division – Ministry for Finance	Financier, planner	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta
Mr. Edward Buttigieg	Director (Contributory Benefits)	Benefits Department – Ministry for the Family and Social Solidarity	Planner	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta
Ms. Edel Cassar	Head Operational Programme II	Planning and Priorities Co-Ordination Division – Ministry for European Affairs and the Implementation of the Electoral Manifesto	Implementing body	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta
Ms. Marilou Micallef	Projects Manager	Planning and Priorities Co-Ordination Division – Ministry for European Affairs and the Implementation of the Electoral Manifesto	Evaluation	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta
Elizabeth Bugeja	EU Fund Officer	Planning and Priorities Co-Ordination Division – Ministry for European Affairs and the Implementation of the Electoral Manifesto	Evaluation	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta
Dr. Romina Bartolo	Chief Executive Officer	National Commission for the Promotion of Equality (NCPE)	Beneficiary	8 April 2013, Triq il-Kukkanja, Santa Venera, Malta

### b) References

- European Commission (2012) *The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060)*
- Gordina, G. and Borg, Amanda (2012), *Pensions, Health Care and Long-term Care – Annual Report 2012 for Malta*, Analytical Support on the Socio-Economic Impact of Socio Protection Reforms – ASISP (2012), prepared on behalf of the European Commission, DG Employment, Social Affairs and Inclusions.
- Ministry for Finance, Economic Policy Department (2013) *Economic Review – April 2013*.
- National Commission for the Promotion of Equality – NCPE (2012a) *Unlocking the female potential – Research Report*, available at <https://secure3.gov.mt/socialpolicy/download.aspx?id=2579>.
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### c) **Good practice fiche**

<b>Dimension of demographic change addressed</b>	Female unemployment
<b>Country/region</b>	Malta
<b>Name/title of the practice</b>	Unlocking female potential
<b>Period of implementation</b>	2009 -2012
<b>Contact information</b>	National Commission for the Promotion of Equality (NCPE), Dr. Romina Bartolo (CEO)
<b>Brief description of the activities implemented</b>	The project involved a research focusing on learning and understanding the factors that hinder women to get involved in employment opportunities, as well as the promotion of gender equality in the business sector, through the awarding of the "Equality Mark" to best performing companies.
<b>Main partners/stakeholders involved</b>	The initiative was carried out in partnership with the Employment and Training Corporation, the Malta Employers Association, the Union Haddiema Maghqudin, the Foundation of Human Resources Development and the General Workers Union.
<b>Territorial coverage (transnational, regional, local)</b>	National
<b>Funding (total and funding on Cohesion Policy)</b>	EUR 649,232 (85% by Cohesion Policy Funds, 15% by national funds)
<b>Main goals and objectives</b>	The project aimed at incentivising and ensuring equal access to female employment by providing policy makers with a situation analysis and sensitizing employers towards gender equality.
<b>Main target groups</b>	The research component of this project targeted various groups, including teenage parents, male and female entrepreneurs, workers that are self-employed or contract workers within the tourist industry/cleaning/language schools, men and women in employment, inactive and unemployed women, etc. The Equality Mark initiative targeted employers within the private and public sectors as well as employees and the general public.
<b>Main measures and outcomes</b>	The first project's component, i.e. the socio-economic research, entailed the production of a Research Report, launched during

	<p>the project conference held in January 2011.</p> <p>On the other hand, within the framework of the Equality Mark certification process, a publicity campaign targeted to the general public, with a particular focus on business and employers' organisations as well as the inactive population, was organised. The following products have been released to further promote the Equality Mark: an information brochure, various promotional materials (e.g. pens, note pads, desk calendars, etc.), three types of billboards, bus shelter, magazine and newspaper adverts, web banners, TV and radio public service announcements. As part of the Equality Mark campaign, 24 'Equality Representative Training' sessions were organised by the NPCE, involving 102 participants. The scope was to train representatives of organizations that were interested in obtaining the Equality Mark about the procedure to apply its value in the work place, as well as basic knowledge of the laws and practices for good human resource management in relation to gender equality.</p>
<p><b>Implementation features</b> (project design and planning; management, monitoring and evaluation system; governance system: Partnership and Leadership; Innovative elements and approaches to implementation; key implementation obstacles and problem solving practices)</p>	<p>The large experience of the NCPE in implementing projects co-financed by the ESF and the EU PROGRESS programme focusing on the fight against discrimination, as well as the involvement of trade unions and associations of employers ensured to design a project which was particularly well targeted to the real needs of beneficiaries. The project partners, in particular, helped identify the companies to target first.</p> <p>At the initial stage of the project implementation, some companies applied for the certification being sure they fulfilled all the awarding criteria, but without providing sufficient proofs. Others needed to be trained on which measures to implement to acquire the certification. The NCPE supported them in their adaptation process, which in some cases lasted for one year.</p>
<p><b>Main weaknesses/obstacles and how they have been addressed</b></p>	<p>One of the main challenges in relation to the Equality Mark was the ability to convince employers, management and employees that the Equality Mark is relevant and beneficial to the companies. This challenge was addressed by raising awareness on the Equality Mark through various means and by providing accessible and straightforward information on this certification.</p>
<p><b>Main strengths</b></p>	<p>One of the main strengths of this project was the wide ranging promotion including various means of communication and promotional material. Thus, through various means, NCPE reached different stakeholders and different groups within the general public. In fact, NCPE empowered employers and management within companies to work further to promote gender equality at the place of work in their policies and practices, in line with the criteria of the Equality Mark. To this end, more employees benefited from equal opportunities at the workplace, irrespective of one's gender or family responsibilities. In addition, through this promotion NCPE reached out to different audiences within the general public thus raising further awareness on various facets related to gender equality at the place of work. Furthermore the importance of retaining workers who have been trained by providing a work-life balance was emphasised and employers understood that it is cost-effective for them to implement the objectives of the equality mark instead of having to recruit in order to replace those workers who, due to family responsibilities, need to change their work patterns.</p>

<b>Main innovative elements</b>	The Equality Mark campaign was considered as an innovative approach to the promotion and official recognition of gender equality at the work place. In fact, it was set out to target businesses and employers' organisations with the aim to promote the culture of equality within the business sector. The 'Equality Mark' reviewed and certified the employers' efforts in ensuring gender equality at the workplace by recognising the potential of men and women employees irrespective of their gender or their family responsibilities.
<b>Reproducibility/transferability elements</b>	The project idea is highly reproducible and transferable to other countries and sectors: <ul style="list-style-type: none"> <li>- A SWOT analysis analysed the Equality Mark campaign's strengths and weaknesses in its structure, management and delivery. In addition, another SWOT analysis was carried out to analyse similar initiatives carried out in various EU Member States;</li> <li>- The Equality Mark has been selected by the European Network of Equality Bodies (EQUINET) as a best practice, thus favouring its dissemination across the EU;</li> <li>- The NCPE is now developing a new project idea using the certification system to address the disabled people;</li> <li>- The findings of the research study are likely to be taken up by other parties (universities, governmental bodies, non-governmental organisations, etc.) to find other possible ways to promote female equal opportunities.</li> </ul>
<b>Sustainable elements</b>	The research component of this project provided further knowledge and understanding on the female participation in the labour market. NCPE will implement these policy considerations in its work and use such information with the relevant authorities to continue promoting gender equality within the labour market. In addition, the Equality Mark became a coveted certification among employers. It is an asset which helps the competitiveness of enterprises and ensures their success. In fact, NCPE continued building on the success of the Equality Mark and continued reviewing as well as awarding the certification and re-certification of the Equality Mark after the termination of this project. Therefore, the sustainability of the project has been ensured even after the project's completion due to the NCPE's decision to continue implementing the certification process and financing the related activities with its own funds.
<b>Main lessons learnt</b>	Lessons learnt concerned the importance of finding the right partners which provide adequate knowledge about the context and the targeted actors, as well as a new way of targeting employers. Designing and implementing the project with the assistance of social partners contributed to informed decisions about the project components. In fact, the representativeness of various stakeholders that were targeted through this project provided an added value to the design and implementation of the research and the Equality Mark certification. In particular, the idea of using competition among companies to promote the Equality Mark was not originally envisaged, but emerged during the project's implementation.
<b>Sources of information</b>	Field interviews, NCPE (2012a, 2012b)



**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

# **HOW CAN REGIONAL AND COHESION POLICIES TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY**  
**LOWER SILESIAN VOIVODSHIP**  
**WOJEWÓDZTWO DOLNOŚLĄSKIE - POLAND**



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## LIST OF ABBREVIATIONS

<b>BSR</b>	Baltic Sea Region programme
<b>CF</b>	Cohesion Fund
<b>CGE</b>	Computable General Equilibrium Model
<b>CSG</b>	Community Strategic Guidelines on Cohesion
<b>DG AGRI</b>	Directorate-General for Agriculture and Rural Development
<b>DG REGIO</b>	Directorate-General for Regional Policy
<b>DSEP</b>	Development Strategy for Education in Poland
<b>DSHP</b>	Development Strategy for Healthcare in Poland
<b>DSLVS</b>	Development Strategy for the Lower Silesian Voivodship
<b>EU</b>	European Union
<b>EU27</b>	European Union of 27 Member States
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>GDP</b>	Gross Domestic Product
<b>HC OP</b>	Operational Programme Human Capital
<b>HTC</b>	High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
<b>ICT</b>	Information and Communications Technology
<b>IMR</b>	Infant Mortality Rate
<b>NFZ</b>	National Health Fund
<b>NSRF</b>	National Strategic Reference Framework
<b>NUTS</b>	Nomenclature of Territorial Units for Statistics
<b>OP</b>	Operational Programme
<b>ROP</b>	Regional Operational Programme
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, and Threats (Analysis)

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## INTRODUCTION AND MAIN FINDINGS

This report presents the regional case study of Lower Silesia in Poland. The key demographic challenges of the region and the relative policies tackling them have been analysed to draw lessons. In particular, the effectiveness of Structural Funds in tackling these issues have been assessed.

- Poland is one of the least developed countries in the European Union but Lower Silesia belongs to relatively highly developed regions of Poland (ranked 3rd among 16 provinces/regions).
- The main demographic challenges in Lower Silesia are :
  - Declining number of births and large out migration;
  - Negative population projections for 2010–2030
  - Growing share of population aged 65 and old age dependency ratio.

Declining number of births and mass migration for work abroad in which the young (aged 20–35) by far predominate, brings about accelerated ageing of the population and presents a major challenge to the region's future. Eurostat's population projection for 2010–2030 estimates a further decrease in the region's population size (by 5.7%), twice as much as for Poland. The share of population aged 65 or more is expected to grow by 11 percentage points (in case of national average by 9 percentage points and EU average by 6 percentage points) and the old age dependency ratio might more than double to reach 38.1 and exceed the EU average which in 2010 was by 7 percentage points higher than in Lower Silesia. With respect to the demographic structure, the region will become one of the most advanced in population ageing in Poland, though in 2011 it was still among the youngest.

- Lower Silesia witnesses also some other demographic phenomena which might be indicative of insufficient care or weakening social cohesion. Among them is relatively low life expectancy (lower than the Polish average, which in turn ranks low among the EU countries) and high infant mortality rate (in 2011, IMR was 23 per cent higher than the national average), especially in urban areas where it is even higher than in rural areas (a distinct exception in Poland). One of administrative units at county level (NUTS4) ranked the highest in Poland with IMR three times higher than the national average. Noticeable is also a relatively high share of extramarital births (30 per cent), which by one-third exceeds the national average, particularly in rural areas where it is by 64 per cent higher.
- A national development strategy, presented in the document "Poland 2030. Developmental Challenges" (<http://zds.kprm.gov.pl/raport-polska-2030-wyzwania-rozwojowe>), lists the demographic situation among ten major challenges for Poland's future. The regional 2020 Development Strategy for the Lower Silesian Voivodship (DSLVS) stresses undesirable demographic trends (depopulation) as one of the biggest challenges of the region. It points to unfavourable rise in the old age dependency ratio as one of the biggest barrier to the socio-economic growth of the region as well.

- Financial contribution of Cohesion Policy created an opportunity to initiate projects, actions and initiatives that (if continued) should improve demographic situation of the region in the long run.
- The use and effectiveness of the Structural Funds in addressing the region's demographic challenges has been however limited by the complexity of regulations (including Regulations concerning tender procedures, public procurement and certification). Furthermore, the lack of proper data on emigration and the unknown scale of the grey zone have been indicated among the biggest limitations of the applied measures in addressing the demographic change; in addition health measures did not reward projects relevant for the healthcare needs of the region.
- Major population-relevant interventions are and, in the decades to come, will be initiated and designed and executed by the central government. However, having in mind future demographic regional trends and intra-regional disparities, local governments and regional (*voivodship*), county (*powiat*) and communal (*gmina*) authorities and institutions should be more persistent in stressing their own demographic problems and challenges. Cohesion Policy 2014–2020 should emphasise demographic challenges and disparities among regions more visibly.

## **1. REGIONAL CONTEXT**

### **1.1 General socio-economic context and impact of the crisis**

Lower Silesia belongs to relatively highly developed regions of Poland (ranked 3<sup>rd</sup> among 16 provinces/regions), though Poland itself is one of the least developed countries in the European Union. In terms of GDP per capita, Poland's level accounts (2011) for slightly less than one-third of the EU average and Lower Silesia for 38 per cent. The Polish economy, however, grows faster than the EU and the Lower Silesian faster than the Polish; e.g. in 2000–2011 the EU GDP per capita rose by 23 per cent, the Polish by 65 per cent while the Lower Silesian by 78 per cent (see Table 1).

The region's socio-economic characteristics position Lower Silesia among structurally modern and potentially highly competitive areas. Its major economic activities are services (59.6 per cent of total employment in 2011) and industry (31.7 per cent). In recent years innovation became a major concern of regional authorities and leading economic actors. As follows from Table 1, in terms of employment in knowledge intensive sectors (and human resources engaged in HRST) not only that the region fares (2011) above the Poland's average and is close to the EU average but also its improvement over recent decade was far more impressive. This might be illustrated by two facts: first, a large part of regional output is being exported (in 2010 approximately a half of GDP compared to only one-third on the national level) and, second, apart from Warsaw, Poland's capital city, the region attracts the largest share of direct foreign investment, which usually are high-tech intensive.

The region is spatially well-balanced in terms of communication and transportation networks (although its related infrastructure needs urgent modernisation and it remains poorly linked with the rest of Poland), as well as location of industrial plants and special economic areas (established to promote local businesses) but at the same time it is highly differentiated with regard to employment opportunities, wage levels and GDP per capita.

Lower Silesia was among the regions which in 2000–2008 displayed the largest increases in GDP per capita in the EU but after 2008 the growth rate gradually decelerated to reach a little above 1 per cent in 2011. The global economic recession also impacted the region's labour market; e.g. the unemployment rate which in 2004–2008 decreased by 16 percentage points (to 8.9 per cent), in 2008–2011 rose by 1.7 percentage points (to 10.6 per cent). The deterioration, however, was less acute than in a majority of other Polish and EU regions.

Expectations about the future are good and mainly based on three premises: favourable geographical location (enhanced by improving economic infrastructure), well developed tertiary education and R&D sectors, and institutional infrastructure which is effective in attracting capital and new investment projects. Among major challenges are, on the one hand, low rate of natural increase and emigration of young and highly educated people, and, on the other hand, intra-regional disparities in economic performance.

**Table 1: Key socio-economic figures**

	Lower Silesia (Dolnośląskie)				National Average (Poland)				EU27 Average			
	2000	2005	2011	change 2011–2000	2000	2005	2011	change 2011–2000	2000	2005	2011	change 2011–2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	5,000	6,600	8,900	78.0	4,900	6,400	8,100	65.3	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	27,828	34,459	44,711	60.7	351,461	440,377	543,811	54.7	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)		4.8	1.6		4.3	3.6	1.6	-2.7	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	51.9	49.3	57.8	5.9	55	52.8	59.7	4.7	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	66.13	63.96	64.66	-1.47	65.77	64.38	66.12	0.35	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	21.3	22.8	10.6	-10.7	16.1	17.7	9.6	-6.5	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>		20.7	12.8			20.5	17.7			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	11.1	17.3	22.9	11.8	11.4	16.8	23.7	12.3	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)	0.53	0.45	0.53	0	0.64	0.57	0.77	0.13	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	23.3	29.4	35.8	12.5	23.1	27.6	35.3	12.2	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)		2.63	4.28			2.82	3.24		4.48	4.37	4.4	-0.08

Source: Eurostat.

**Notes:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; GDP growth rate at NUTS2 level in 2000 is valued with 2001 data; Total intramural expenditure at NUTS2 level in 2011 is valued with 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2007 data; Employment in HTC for EU27 in 2011 is valued with 2008 data.

## 1.2 Overview of the main demographic challenges in the region

Relative to the EU average, Poland is a country of net emigration (rather high, compared to few other EU countries with the negative balance), low fertility, high mortality and low share of residents of the urban areas. Population of Lower Silesia, like the of other Polish regions, does not significantly differ from the national average.

Major demographic characteristics of the region are its very low fertility (much below the replacement level) and high out-migration. According to data presented in Table 2, in 2000–2011 total fertility rate ranged between 1.1 and 1.3 (just below the Poland's average) which was 25–35 per cent less than the EU average. The stock of temporary migrants (by far the largest category among Polish emigrants) from Lower Silesia on 1 January 2012 is estimated at 190 thousand (6.5 per cent of the *de jure* population), which stands for 9.2 per cent of the temporary Polish migrant stock (the region share in the total Poland's population is only 7.6 per cent). In 2007–2008 a great part of region's temporary migrants returned home but after a while many of them emigrated again. In addition, in 2000–2011 net international migration (flows other than temporary) was continuously negative and involved around 0.5 per cent of the region's population, which was in a tiny part (in one-tenth) compensated by a positive balance of internal migration (after 2005 the region attracts more and more migrants from other regions). Since natural increase was systematically negative (accounting cumulatively at nearly 1 per cent of the total population), the region's population stock was on a steady decline.

While the region's population is predominantly urban (69.8 per cent in 2011, compared to 60.7 per cent national average), in recent years urban population tends to decline and rural population is on the rise. Major factors responsible for this tendency are adverse signs of natural increase (negative in urban areas and positive in rural areas) and stronger net outflow of urban than rural population.

Declining number of births and mass migration for work abroad, in which the young (aged 20–35) by far predominate, brings about accelerated ageing of the population and presents a major challenge to the region's future. Eurostat's population projection for 2010–2030 estimates a further decrease in region's population size (by 5.7 per cent), twice as much as for Poland. It is based on assumptions of continuing slight natural decrease and marginal (close to zero) net out-migration (composed of positive balance of international migration and negative balance of internal migration). The outcome in terms of ageing will be tremendous (see Table 3). The share of population aged 65 or more is expected to grow by 11 percentage points (in case of national average by 9 percentage points and EU average by 6 percentage points) and the old age dependency ratio might more than double to reach 38.1 and exceed the EU average which in 2010 was by 7 percentage points higher than in Lower Silesia. With respect to ageing, the region will become one of the most advanced in Poland though in 2011 it was still among the youngest.

Lower Silesia witnesses some other demographic phenomena which might be indicative of insufficient provision of care or weakening social cohesion. Among them is relatively low life expectancy (lower than the Polish average, which in turn ranks low among the EU countries) and high infant mortality rate (in 2011 23 per cent higher than the national average), especially in urban areas where it is even higher than in rural areas (a notable exception in Poland). One of administrative units at county level (powiat zlotoryjski, NUTS4) ranked the highest in Poland with IMR three times higher than the national average. Noticeable is also a relatively high share of extramarital births (30 per cent),

which by one-third exceeds the national average, particularly in rural areas where it is by 64 per cent higher. Extramarital births mainly occur in case of very young females, e.g. in 2011 43 per cent among those below 25 years of age (respective share for marital births was only 13 per cent). As much as 87 per cent of all births given by teenage women and 51 per cent by women aged 20-24 were out of wedlock. In a situation typical for Poland, i.e. declining propensity to conclude marriage before the age of 25 and a very low level of sexual education, unmarried mothers generally come from poorer families and are low educated.

The present and prospective demographic situation leads to a number of serious social and economic consequences which should be addressed by appropriate national and regional policies. The problems that seem to require action are as follows. First of all, more jobs should be created and existing rigidities in local labour markets should be alleviated. Employment opportunities should be more stable and adequate in terms of expectations and skills acquired by new cohorts of graduates of the education system. This may weaken the propensity to emigrate, encourage more emigrants to return and contribute to more favourable conditions of family formation. Effectiveness of regional or local initiatives targeting migration and fertility would, however, certainly depend on long-term policies at the national level that would eventually improve general "climate", the functioning of social institutions and economic reality affecting the entry of young people into their mature life (work and family).

In addition, related regional or sub-regional initiatives are recommended that would focus on neglected localities or areas of public life or groups of population. Facilitating infant and mother care in certain administrative units (powiat) or sexual education and provision of reproductive health services (including contraception) might serve as an illustrative example here.

**Table 2: Key figures on demographic change**

Indicator	Lower Silesia (Dolnośląskie)				National Average (Poland)				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>Crude rate of population natural increase</b>	-0.8	-1.0	-0.1	0.7	-0.2	-0.4	0.2	0.4	2.9	4.2	2.5	-0.4
<b>Crude rate of net migration</b>	-0.9	-0.7	0.5	1.4	-0.5	-0.3	-0.1	0.4	2.3	3.6	1.7	-0.6
<b>Old age dependency ratio</b>	17.6	18.7	18.5	0.9	17.8	18.7	18.9	1.0	23.22	24.66	26.22	3.0
<b>Total fertility rate</b>	1.2	1.1	1.3	0.09	1.4	1.2	1.3	-0.07		1.51	1.59	1.59
<b>Population density</b>	144.9	144.2		-144.9	122.4	122.1	122.1	-0.3	112.3	114.3	116.6	4.3
<b>Prevalence of urban or rural population</b>			PU									
<b>Long-term care available beds in nursing and residential care facilities</b>		265.6	291.7			232.6	234.9					
<b>Hospital beds</b>		809.6	799.9			652.1	658.5		640.1	584.1	538.2	-101.9
<b>Formal childcare (national and EU level)</b>						2.0	2.0				14	
<b>Total health care expenditure as a percentage of GDP (national level)</b>						6.2	7.4					
<b>Total long-term care health care expenditure as a percentage of GDP (national level)</b>						0.4	0.4					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rate at NUTS2 level in 2011 is valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data

**Table 3: Demographic projections**

Indicator	Lower Silesia (Dolnośląskie)			National Average (Poland)			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population (in thousand)</b>	2,869	2,705	-164	38,092	36,975	-1,117	499,389	519,942	20,553
<b>Share of people aged +65 over the total population</b>	13.5	24.3	10.8	13.6	23	9.4	17.4	23.6	6.2
<b>Old age dependency ratio (%)</b>	18.60	38.10	19.5	19.00	36.00	17	25.90	38.00	12.1

**Source:** Eurostat, Europop2008. **NOTES:** All indicators are projections calculated in 2008 by the Europop2008 Report.

### 1.3 The national and Regional Policy approaches in addressing demographic change

Although the 2020 Development Strategy for the Lower Silesia emphasises the importance and relevance of demographic change, there is no specific regional strategy that targets the demographic changes directly (see Chapter 2). In this respect Lower Silesia does not considerably differ from other regions. The reason for the absence of the regional strategy on the demographic changes seems to be structural and of nation-wide character.

As far as relevant national strategies are concerned, only in February 2013 the Government Population Council has adopted a document (Blueprints for Population Policy) which is to be submitted to the Prime Minister and upon the government's approval it will become the National Programme of Population Policy. Meanwhile, various *ad hoc* (and far from being comprehensive) programmes are being implemented by the government. The most important of those include: amendments of the system of maternal and child benefits and family assistance (<http://www.mpips.gov.pl/wsparcie-dla-rodzin-z-dziecmi/swiadczenia-rodzinne/komunikaty-dotyczace-swadczen-rodzinnych/>), reform of the pension scheme that lifts the entitlement age and equalises it for men and women (<https://www.google.pl/search?q=www.emerytura.gov&aq=f&oq=www.emerytura.gov&aqs=chrome.1.60j57j5j60j0l2.15202&sourceid=chrome&ie=UTF-8>), programme encouraging return from migration (<https://www.google.pl/search?q=www.powroty+zielonalinia+gov+pl&aq=0&oq=www.zielonalinia&aqs=chrome.2.57j5j0.12658&sourceid=chrome&ie=UTF-8>), programme enhancing economic activity of people at pre-pensioner age (<http://www.mpips.gov.pl/praca/programy/program-4550-plus/>), various regulations that facilitate employment of foreigners and a regulation that lower the age of eligibility for primary education. More detailed information on these programmes is provided in Table 4.

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention	Brief description	Level of responsibility
1) <b>Reform of the pension scheme</b> (in force since 1 January 2013; long-term oriented)	Welfare and labour market	<p>In 2012, the government launched a campaign entitled "Pension system reform 2012: why is it necessary?", e.g. by means of a special portal <a href="http://www.emerytura.gov.pl">www.emerytura.gov.pl</a> and mass media. The campaign explained major premises of the reform. Namely, due to worsening demographic situation (e.g. in 2040 compared to 2010, in the absence of reform, the number of people at working age could be lower by 4.9 million and those at pensioner age could be higher by 4.1 million), the public debt necessary to finance the pensions would grow to an unbearable level and there might appear a huge deficit of labour. It was also argued that the reform was a prerequisite for increasing economic activity of the population. Indeed, the campaign demonstrated that thanks to the reform, either a decline in the size of working age population or a rise in the number of pensioners will be substantially smaller (by 2.5 million and 1.6 million, respectively).</p> <p>Major changes assumed by the reform were: levelling off the pensioner age for men and women (at present men generally reach the pensioner age when they are 65 and women when they are 60) and rising eligibility age to 67 for the both sexes. The implementation of the reform will be gradual and will take seven years in case of men and 27 years in case of women. Ultimately, under certain conditions, 62-year old women and 65-year old men will be entitled to a partial (50 per cent) pension. In addition, the representatives of certain professional groups (so far exempted from general regulations concerning the pensioner age), such as uniformed services (soldiers, policemen, etc.) and administration of justice (attorneys and judges) in order to become pensioners will have to work longer than before.</p>	State
2) <b>"50 plus" activation programme</b> (yearly editions since 2008; long-term oriented), which is the implementation of an earlier government's declarations (the programme "Solidarity of generations – 50+"))	Labour market	<p>The programme attempts to enhance economic activity of people at pre-pensioner age (aged 45/50 years or more), which is one of top priorities for future economic growth of Poland. A very low activity of those people, which is observed nowadays (e.g. the employment rate in the age bracket 55-64 is only 30 per cent), will present a serious problem in decades to come, in view of a declining size of the working age population. Within the programme, the Ministry of Labour and Social Policy is obliged to allot money (from the Labour Fund) to labour offices at county level with an aim to foster economic activation of people at the pre-pensioner age. The target group are the inactive or unemployed to whom various programme-specific activities should be addressed, such as vocational training courses, training courses introducing to entrepreneurship and self-employment, offering facilities and lending money to start-up of own businesses, etc.</p> <p>The experts point to 'incompleteness' of the government's programme, especially the absence of specific mechanisms, forms and instruments that would promote the employment of 45/50+ persons and shortages of skilled personnel of the public employment service designated to related activities.</p>	State and county (powiat)

<p>3) <b>Family policy, in particular amendments of the mother and child care system</b> (in force since 2012 or 2013; long-term oriented)</p>	<p>Infrastructure, social infrastructure or services; welfare</p>	<p>This intervention is rather complex and consists of various specific programmes, e.g.</p> <p>a) "Toddler" ("Maluch"): this is an annual programme (to be repeated in years to come) introduced in 2013 by the Ministry of Labour and Social Policy. It is an instrument of the government policy of family support by means of creating or improving the infrastructure of care and education of children up to three years of age. It aims at raising the standards of child care institutions and setting up new facilities according to the needs of local communities. Ultimate goal of the programme is ensuring every parent in need a place for their child in a child-care institution, in order to increase economic activity of people with children at pre-kindergarten age.</p> <p>b) "Layette" ("Becikowe"): this is a special allowance of PLN 1,000 (introduced in 2006) paid only once to the parents on the birth of their child (provided that the mother was under regular medical care since at least the 10th week of pregnancy). Since 1 January 2013 it is paid only to those whose household net income does not exceed PLN 1,922 (the richest 10% of families have been deprived of this benefit). In certain communes, the "layette" is supplemented by an extra allowance financed from local funds (e.g. in Lower Silesia region – in the town of Legnica, PLN 500 is additionally paid to parents whose net income per capita is below PLN 504).</p> <p>c) Family allowances and related benefits: this is a comprehensive system of financial benefits of a very long standing, which generally targets the poorest and underprivileged. It includes: monthly child allowance and a number of specific allowances for those entitled to the monthly child allowance (due to e.g. lonely parenthood, child care during parental leave, child care in a family with many children, education and rehabilitation of a handicapped child, commuting of a child to school, and extra expenditures related to the start of new year of schooling). The monthly child allowance is generally paid until the age of 18 or 21 if education is being continued. Eligibility income (per capita) threshold is PLN 504 (with some exceptions), and the amount paid is very low (e.g. basic monthly allowance is PLN 68 up to the age of 5 and PLN 91 in further years).</p> <p>d) Maternal and child-care leave: maternal leave (up to 12 months after the delivery; paid generally for 20 weeks) and unpaid child-care leave (available to both parents) have a long tradition in Poland but since 2013 important changes are in force. In accordance with the new regulations, the maximum length of child-care leave (which follows the maternal leave) is 35 months (for any of the parents) plus additional one month for each parent provided that it is used by the both. The leave can be split into parts (up to four) but has to be used in full before child reaches the age of 4. For the first time, the entitlement to child-care leave pertains also to the self-employed.</p> <p>Despite a complexity of the family policy in Poland it – as it is widely argued by experts – lacks coherence and is based on insufficient financial and human resources. In real life it primarily addresses the issues of poverty and social inequality and it is hardly focused on demographic goals.</p>	<p>State, region, county (powiat) and commune (gmina), depending on the programme.</p>
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<p>4) <b>“Do you have PPlan of return?”</b> (since 14 November 2008; long-term oriented)</p>	<p>Labour market and business support</p>	<p>This programme is addressed to Polish citizens who live or are employed abroad and aims at encouraging the return of those people to Poland. Its objective is also to assist the returning migrants in the adaptation to Polish institutions, including the labour market upon their arrival. On the government level, its major instrument is a portal <a href="http://www.zielonalinia.gov.pl">www.zielonalinia.gov.pl</a> which features a guide “Powrotnik” that provides information and practical advice on the following issues: 1) necessary formalities before returning to Poland; 2) a removal; 3) necessary formalities after the return; 4) work in Poland; 5) self-employment and business; 6) financial regulations and taxes; 7) family life; 8) health care; 9) social security and related benefits, and 10) psychological problems. On the county level, various activities are carried out that focus on vocational training and social support of persons in need. In experts’ opinion, the outcome of the programme in terms of numbers of returnees, especially those who resettled in Poland (in fact, many return migrants emigrate again after a while) is far below the expectations of the Government.</p>	<p>State, region, county (powiat)</p>
<p>5) <b>Immigration and immigrant integration policy</b> (adopted by the Government in 2012; to be fully in force after enacting a novel Aliens Law which is expected in late 2013)</p>	<p>Infrastructure, social services, labour market</p>	<p>The document “Polityka Migracyjna Polski - stan obecny i postulowane działania” (<i>Migration Policy of Poland – the current state and further actions</i>) sets a frame within which diverse activities of the government are supposed to stimulate the inflow of immigrants. It also lists the premises that make an increase in immigration a preferable trend if not a must, among them a necessity to compensate for the post-accession outflow of Poles, which in turn caused significant changes in Polish labour markets (e.g. a growing demand for migrant workers). However, the document does not take the long view and fails to consider the immigration-related implications of shrinking Poland’s population and its rapid ageing in decades to come. The experts argue that from the demographic angle the proposed policy is short-sighted and it might encourage circular mobility (short-time flows of migrants) rather than (demographically much more favourable) long-term immigration.</p>	<p>State</p>
<p>6) <b>“Lowering the eligibility age of entry into primary education”</b> (will be fully in force on 1 September 2014; long-term oriented)</p>	<p>Infrastructure</p>	<p>The respective regulation sets the eligibility age for the admission in a primary school at six years, which is one year lower than before. Apart from general premises of the educational policy of the government, after a dozen years or so the intervention will indirectly influence (increase) the available stock of working age people. Its implementation implies considerable expenditures on new educational facilities.</p>	<p>County (powiat)</p>

Source: Authors.



## **2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE**

According to the interviewed experts from the Lower Silesia region, there are two Operational Programmes that directly or indirectly (although according to the interviews more indirectly) address demographic challenges of the region. These are Regional Operational Programme (ROP) (ERDF programme) and the Operational Programme Human Capital (HC OP) (ESF programme) (see detailed description below). Generally speaking experts had problems with understanding the correlation between demographic challenges of their region and cohesion policy. In case of the Lower Silesia they did not see direct connection. When the issue was explained to them more in-depth one of them said *'So in such a broad concept you can also find a relation between energy projects and demography'*. On the other hand, according to national experts, demographic aspects should not be limited to a strategy dealing strictly with demographic change. Therefore a regional strategy indirectly addressing effects generated by the declining population and the ageing process is necessary to increase the given region's competitiveness while respecting principles of sustainable development. This was a case of Lower Silesia for 2007-2013.

As we know from the previous parts, declining number of births and mass migration for work abroad, in which the young (aged 20–35) by far predominate, brings about accelerated ageing of the population and presents a major challenge to the region's future. Neither low total fertility rate nor emigration has been addressed by the Cohesion Policy directly. The explanation of such an approach may be in the fact that both ROP and HC OP became the main tool for implementation of the 2020 Development Strategy for the Lower Silesian Voivodship (DSLVS). DSLVS emphasises the importance and relevance of demographic change but does not take more concrete steps in preventing and adapting to population decline and other demographic challenges. A lack of awareness of demographic trends and a naive trust in return migration may serve as an explanation here.

The main objective of ROP and HC OP has been to improve the quality of life of Lower Silesia inhabitants and to increase the region's competitiveness while respecting principles of sustainable development. The objectives and priorities of Operational Programmes (ROP and HC OP) are both inherent in objectives of the Cohesion Policy supporting economic growth and employment included in the Community Strategic Guidelines on Cohesion (CSG) and in the National Strategic Reference Framework (NSRF) at the national level and cohesive with the 2020 Development Strategy for the Lower Silesian Voivodship (DSLVS). As mentioned before, a national development strategy, which is included in the document "Poland 2030. Developmental Challenges", lists the demographic situation among ten major challenges for Poland's future. As argued in the document, Poland needs a new future oriented project which would foster its modernisation. Consequently, among types of measures implemented in both Operational Programmes there were measures having a direct impact on adaptation to demographic change on a high scale (e.g. measures to improve access to employment and increase sustainable participation and progress of women (e.g. ROP : Priorities 1,7,3; HC OP Priority 6), measures supporting and promoting entrepreneurship and self-employment (e.g. ROP Priority 1, HC OP Priority 8), and measures applied that have also a direct impact on adaptation to demographic change but at the medium scale, such as: pathways to integration and re-entry into employment for disadvantaged people (e.g. ROP Priorities 1, 3, 8; HC OP Priority 7).

As far as two questions suggested to the expert are concerned, i.e. 1) What is the financial relevance of the Cohesion policy measures used to tackle demographic change on the overall Programme allocation, and 2) To what extent are demographic issues taken into consideration in the different phases of the programming cycle for two Operational Programmes, no one among interviewed persons was able to give any answer. Furthermore, they suggested that there is no answer for such questions. However, some answer to the first question is provided in Table 6 of this report where resource allocation is detailed in case of selected measures applied in relation to the demographic change.

**Table 5: Review of Cohesion programmes' strategies on demographic issues**

	Brief description	Comments and examples
<b>REGIONAL OPERATIONAL PROGRAMME (ROP)(ERDF)</b>		
<b>a) Context analysis</b>	ROP becomes the main tool for implementation of the 2020 Development Strategy for the Lower Silesian Voivodship (DSLVL). DSLVL emphasises the importance and relevance of demographic change but does not take more concrete steps in preventing and adapting to population decline and other demographic challenges.	DSLVL mentions the following regional strengths: large demographic potential, relatively high percentage of inhabitants in working age, large concentration of highly qualified scientific-technical personnel. DSLVL also lists some relevant threats as follows: unfavourable demographic trends (ageing, disabilities, and addictions), high population density in urban areas. The strategy does not list problems related to population decline. It also totally ignores the consequences of family and fertility crisis, including high incidence of teenage non-marital motherhood.
<b>b) General objectives and strategy design</b>	The main objective of ROP is to improve the quality of life of Lower Silesia inhabitants and increase the region's competitiveness while respecting principles of sustainable development.	According to experts, demographic aspects should not be limited to a strategy dealing strictly with demographic change. Therefore a regional strategy indirectly addressing effects generated by the declining population and the ageing process was established with an overall objective: to increase the region's competitiveness while respecting principles of sustainable development.
<b>c) Specific measures addressing demographic challenges in the Programme</b>	Among measures which have a direct impact on adaptation to demographic change in case of ROP we can list: Measures to improve access to employment and increase sustainable participation and progress of women since special attention has been paid to support the development of SMEs (Priority 1 "Enterprises and Innovation"), investing in the areas with high unemployment rate, in rural areas and small towns, and the areas specified in the Priority 9, "Towns". This contributed to the improvement of the economic situation in these areas through stimulating the investments providing new jobs in existing enterprises and inciting the inhabitants to establish business activity. This measure can also contribute to attracting return migrants and inhibiting migration outflows. Furthermore, there had been measures applied that have also a direct impact on adaptation to demographic change but at the medium scale, such as pathways to integration and re-entry into employment for disadvantaged people (Priority 3 "Transport").	

	Brief description	Comments and examples
<b>THE OPERATIONAL PROGRAMME HUMAN CAPITAL (HC OP) (ESF)</b>		
<b>a) Context analysis</b>	Similarly to ROP, HC OP has been the tool for implementation of the 2020 Development Strategy for the Lower Silesian Voivodship (DSLVL). DSLVL emphasizes the importance and relevance of demographic change but does not take the more concrete steps in preventing and adapting to population decline and other demographic challenges.	DSLVL mentions the following regional strengths: large demographic potential, relatively high percentage of inhabitants in working age, large concentration of highly qualified scientific-technical personnel. DSLVL also lists some relevant threats as follows: unfavourable demographic trends (ageing, disabilities, and addictions), high population density in urban areas. The strategy does not list problems related to population decline.
<b>b) General objectives and strategy design</b>	The purpose of the HC OP is to implement measures that will contribute to the growth of employment and social cohesion, improving the level of education in society, increasing competitiveness and improving the quality and availability of training and consulting services.	Elements related to demographic change are mentioned indirectly in the following areas of support of HC OP: employment, education, social inclusion, development of adaptive potential of workers and enterprises, as well as issues related to the development of human resources in rural areas, the construction of efficient and effective public administration at all levels and health promotion workforce.
<b>c) Specific measures addressing demographic challenges in the Programme</b>	Measures applied in accordance with the 2020 Development Strategy for the Lower Silesian Voivodship (DSLVL). Measures to improve access to employment and increase sustainable participation and progress of women, measures to improve pathways to integration and re-entry into employment for disadvantage people. Investments in health and educational infrastructure. More specifically measures under Priority 7: "Promotion of social integration". The essence of the implementation of the Priority 7 has been to eliminate all kinds of barriers faced by people at risk of social exclusion. Families, especially of the long-term unemployed and people who are disadvantaged in the labour market: disabled, leaving educational institutions and penitentiaries, immigrants and women stereotypically perceived. The emphasis has been on the support of rural population. Priority 9 has been a response to the need for equal opportunities in access to education. Primarily, this applies to pre-school education and lifelong learning, especially in rural areas. Particular emphasis has been put on vocational education. Specific objectives of this priority have been as follows: 1) To reduce inequalities in the dissemination and quality of educational services in rural and urban areas; 2) To increase the attractiveness and quality of vocational training; 3) To enhance professional development and qualification of teachers, especially in rural areas	Examples of implemented projects pertaining to the measures from the previous columns are as follows: 'Stop to the passivity – be a successful woman' (HC OP Priority 9, Measure 9.1). Project supported unemployed women in the region by increasing the level of capability to being employed (adapting qualifications and skills to the Lower Silesia labour market) and making conditions to stimulate professional activity. 'Third Age University' and 'Third Age Academy' (HC OP Priority 7, Measure 7.2) - both projects educated elderly people in the scope of foreign language, new technics, health and general knowledge. 'Chance Zone' (HC OP Priority 7, Measure 7.2) project gave educational, psychological and legal support etc. for the young people in Głogów at the risk of social exclusion.

Source: Authors

### **3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE**

Measures applied in both ROP and HC OP complied with Community Strategic Guidelines on Cohesion (CSG) and National Strategic Reference Framework (NSRF). Furthermore, if we are discussing e.g. "Health" or "Education" measures (see table and comments below), they are applied on the regional level in compliance with 2007-2013 Development Strategy for Healthcare/Education in Poland (DSHP)/(DSEP).

The national strategy advocates employing all affordable measures that would bring about a minimisation of socio-economic costs of the change in age composition of the population. It claims that in order to cope with the demographic challenges, Poland will need above all to considerably increase economic activity of its population. This, first of all, requires prolonging of an active lifespan and delaying the moment of retirement. To achieve this target more jobs have to be created. Auxiliary measures include those that foster fertility increase and (especially in the short-run and in case of selected local labour markets) the inflow of migrant workers. The latter measures were not applied in case of Lower Silesia.

One also has to remember that Poland does not have any integration policy concerning immigrants, and in fact, integration policy is based on EFS projects only. Because of this any regional action taken (even on the EFS projects basis) is welcome. However, lack of national system and national policy create a limitation here. On the other hand, financial contribution of Cohesion Policy created a perfect opportunity to initiate plenty of projects, actions and initiatives that (if continued) should improve demographic situation of the region in the long run.

In the regional 2020 Development Strategy for the Lower Silesian Voivodship (DSLSV) a priority for the regional government is to create the best conditions for business development and attract new investors. By putting stress on creating jobs and expanding the transportation system, objectives and measures address demographic challenges indirectly. According to experts, the biggest opportunity in implementation of these measures lies in EU financial contribution. However, as for 'transport' measure the biggest concern pertained to the issue of own contribution by beneficiaries. For example, projects pertaining to rail transport will not be implemented by 2015 due to the insufficient own contribution by beneficiaries.

Furthermore, the lack of proper data on emigration and the unknown scale of the grey zone (irregular employment) were considered as one of the biggest limitations of the applied measures in addressing the demographic challenges.

The functioning of the multilevel of governance (bureaucracy) in the implementation of such measures was also perceived by experts as one of the biggest obstacles. For example, as far as "Health" measure is concerned, not all projects led to an improvement in access to medical services as this feature does not depend solely on quantity and quality of medical equipment, but is strongly dependent upon the national healthcare policy and on contracts signed with the NFZ (National Health Fund) concerning the provision of healthcare services.

**Table 6: Selected Measures in relation to demographic change**

<b>Measure (programme)</b>	<b>Main type of intervention</b>	<b>Thematic focus</b>	<b>Brief description</b>	<b>Beneficiaries</b>	<b>Resource allocation in absolute value and % of total programme resources (in EUR)</b>	<b>Main effects</b>
1) <i>The expansion and modernisation of educational infrastructure (both tertiary education and education establishments) in Lower Silesia (EDUCATION (ROP – Priority 7) – direct impact on adaptation to demographic change at the medium scale)</i>	<i>Infrastructure</i>	<i>Migration, population decline, active aging</i>	<i>See below</i>	<i>Self-government institutions, their unions and associations, corporate organisation units of self-government institutions, scientific institutions, including scientific institutions of the Polish Academy of Science, higher education institutions, corporate and natural persons serving as managing bodies of education institutions or schools, non-governmental organisations, churches and religious associations and corporate persons of churches and religious associations, socio-economic partners</i>	<i>Community funding: 99,050,316; national counterpart: 21,047,342; total funding: 120,097,658; co-financing rate: 82.47%</i>	<i>See below</i>
2) <i>Transport (ROP – Priority 3) – direct impact on adaptation to demographic change at the medium scale (e.g. pathways to integration and re-entry into employment)</i>	<i>Infrastructure</i>	<i>Rural urban regeneration, population decline, migration</i>	<i>See below</i>	<i>Self-government institutions, their unions and associations, entrepreneurs</i>	<i>Community funding: 227,950,624; national counterpart: 45,512,610; total funding: 273,463,234; co-financing rate: 83.36%</i>	<i>See below</i>
3) <i>Modernisation of healthcare infrastructure (ROP-Priority 8) direct and indirect impact on adaptation to demographic change at the high level</i>	<i>Infrastructure, social services</i>	<i>Active ageing, mortality</i>	<i>See below</i>	<i>Healthcare institutions operating within the public healthcare system</i>	<i>Community funding: 52,722,970, national counterpart: 11,888,513, total funding: 64,611,483, co-financing rate: 81.60%</i>	<i>See below</i>

Source: Authors

**Brief description and main effects of the measure "The expansion and modernisation of educational infrastructure"** (community funding: EUR 99,050,316; national counterpart: EUR 21,047,342; total funding: EUR 120,097,568, co-financing rate: 82.47%).

**Brief description:** Projects under Priority "Education" were carried out as part of two Sub-Measures: 7.1 Development of infrastructure of tertiary education; and 7.2 Development of infrastructure of education establishments. The total amount spent on financing of Sub-Measure 7.1 was just over PLN 196 million (approximately EUR 49 million), with over PLN 248 million (approximately EUR 62 million) being spent on Sub-Measure 7.2. The city of Wrocław had the largest share of spending on Priority "Education" as it is the seat of the largest academic centres of the Region. There were separate calls for proposals for elementary schools and gymnasiums, for kindergartens, for lifelong learning and vocational education establishments, for tertiary education and for special schools. The largest quantum under Measure 7.2 was assigned to elementary schools, gymnasiums and school complexes, this being chiefly for sports facilities (two calls). The second largest share went to vocational schools and the least funds were assigned to the construction/modernization of kindergartens. Under Measure 7.1 Development of infrastructure of tertiary education, two calls for proposals were made: one for the construction and modernization of facilities and the other for e-services and e-Perspective again.

**Main effects (expected and/or actual):** According to the interviews and materials there is no available data on projects completed and beneficiaries. ROP web site provides updated, on the monthly basis, information on total funding spent and key projects only (<http://rpo.dolnyslask.pl/index.php?id=1205>). The largest grants went to key projects under Measure 7.1 related to the expansion of higher education infrastructure. Fourteen places of higher education completed 17 projects. Grants were provided for departments such as: economics, physical education, pharmacy, technology, arts, philology, law and administration, natural sciences, technology and life sciences, etc. Some 60 projects under Measure 7.2 were completed. In elementary schools, gymnasia and in school complexes aid was directed chiefly towards the provision of sport facilities and the modernisation of premises. In vocational schools the projects chiefly involved expanding the vocational training facilities. The construction or modernisation of some pre-school buildings was also financed. Most of the projects were located in rural areas or small towns. Project selection management system for The Education area used targeted calls for proposals. These allowed for the channelling of grants to small towns and rural areas and to realize the main objectives and targets of the Programme and of the Priority. Main effects of Measure 7 funding which the beneficiaries mentioned (see Table 6) were as follows: improving the teaching conditions for students/pupils, improving the working conditions for teachers, improving the quality of provided education services, improving pupils' access to studying aids, as well as improving access of disabled pupils to services offered by educational establishments. One of the important effects of projects carried out under ROP Priority 7 "Education" from the viewpoint of both the Programme itself, as well as the objectives and targets of the Lisbon Strategy and the Europa 2020 Programme, was the increase in staffing (new workplaces).

**Brief description and main effects of the measure "Transport"** (community funding: EUR 227,950,624, national counterpart: EUR 45,512,610; total funding: EUR 270,463,234; co-financing rate: 83.36%).

**Brief description:** As far as the rail transport is concerned, one should state that Lower Silesia is characterised by lower technical parameters, obsolete rolling stock and a poorly

developed multimodal zone (rail transport is not connected with other means of transport). Thus, there is a huge demand for investments in Lower Silesia rail transport. The needs in this sector of transport are conditioned by social, economic and tourism development requirements in the region. Therefore actions were taken under this priority aimed to modernize and extend transport infrastructure in a way that enables modernisation of external and internal connections contributing to development of economic activity zones and touristic attractions. The strength of the Priority was a clear vision of infrastructure, as a measure to support economy, including tourism. This approach is coherent with the Development Strategy of the Region and with the European policies. Actually, many of the projects (including two railway infrastructure projects) improve competitiveness of Lower Silesian resorts and economic activity zones.

**Main effects (expected and/or actual):** According to the interviews and materials there is no available data on projects completed and beneficiaries. ROP web site provides updated, on the monthly basis, information on total funding spent and key projects only (<http://rpo.dolnyslask.pl/index.php?id=1205>). There are 67 projects under this measure, at different stages of implementation, including 57 road investments in Action 3.1, three railway investments in Action 3.2 and seven investments of Action 3.2 – out of which 7 were urban public transport projects and 1 – railway rolling stock purchase. The main social and economic effects that will be provided by a developed transport infrastructure are as follows: lowering the costs related to cargo transport and improving the access to supply and potential customer markets all at the same time; the inhabitants' access to employment opportunities providing fast, commonly available, and relatively comfortable means of commuting; making the region more attractive for potential investors in the area of the access to markets and manpower attracting the capital; extending local employment markets and improvement of manpower mobility as one of the methods of fighting unemployment; curbing the migration of the population to urban conurbations. However, implementation of projects through all the aforementioned tasks is conditioned by the possibility of efficient implementation thereof by the end of programming period. Generally the outcomes depend on the sufficient beneficiaries' own contribution. Projects pertaining to road transport, including urban and commuter transport, are characterized by the highest potential of being efficiently implemented and, at the same time, of achieving satisfying effects. Unfortunately, projects pertaining to rail transport will not be implemented by 2015 due to the insufficient own contribution by beneficiaries (see Table 6). They are now in the process of searching for additional financial resources.

**Brief description and main effects of the measure "Modernisation of healthcare infrastructure"** (community funding: EUR 52,722,970; national counterpart: EUR 11,888,513; total funding: EUR 64,611,483; co-financing rate: 81.60%).

**Brief description:** Projects (90 in total) were carried out in both in-patient (hospitals) and out-patient (clinics) healthcare establishments, with more money being assigned to the former type of establishment. The largest portion of the quantum was spent in Wroclaw as the city is the seat of the largest healthcare establishments, which serve the entire region, as well as one key project. Healthcare related projects may be split into the following groups: 1) Purchase of medical equipment; 2) Telemedicine systems and necessary software; 3) Construction and modernisation of premises. Priority 8 used targeted calls for proposals for: Projects related to the modernization and purchase of equipment for in-patient healthcare establishments; Projects related to the modernisation and purchase of equipment for out-patient healthcare establishments; Projects related to pulmonology; Projects related to digitalisation or implementation of e-services by healthcare establishments.

**Main effects (expected and/or actual):** According to the interviews and materials there is no available data on projects completed and beneficiaries. ROP web site provides updated, on the monthly basis, information on total funding spent and key projects only (<http://rpo.dolnyslask.pl/index.php?id=1205>). The effects of completed projects were principally apparent in an improvement in the safety of patients and in better quality of provided medical treatment. Not all projects led to an improvement in access to medical services as this feature does not depend solely to quantity and quality of medical equipment, but is strongly dependent upon the national healthcare policy and upon contracts signed with the NFZ (National Health Fund) concerning the provision of healthcare services. The obtained results and information gathered during the study plus the analysis of the collected research material allow for the presentation of certain solutions and recommendations which should further the drawing of directions of actions concerning management and information needs in the area of health in the next programming period, e.g.: the agencies responsible for health care should design Programmes for selected areas or a Programme for the development of health care covering the entire voivodship (with consideration for factors of relevance to the populace). These could be used as a starting point for the formulation of criteria, for targeted calls for proposal and for the identification of key projects in the future financial perspective. Consideration should be given to projects of key importance in areas defined as being a priority of healthcare programmes in the Lower Silesian voivodship. Proposal selection criteria should reward projects which are relevant for the healthcare needs of the voivodship's population as well as in light of current demographic trends. Lower Silesia is characterized by a relatively widely developed network of medical facilities. Health care in the Lower Silesia region has innovative management, compliant to marketing principles of organisation management. Nonetheless, it still needs further financial outlays, mainly in order to curb the asymmetry in the access to medical services and quality disproportions in the health care infrastructure level. Implementation of projects within RPO WD takes place efficiently contracting of funds reaches 95 per cent. However, the results of interviews conducted as a part of the research have shown that the actions aimed at general improvement of the Lower Silesia health care system should become the key issue. Actions that have already been taken in the area of raising funds for investment projects in the health care area have made it possible to implement the following programmes: oncological, perinatal, psychiatric, and related to medical rescue.

### **General comments of evaluators**

The way of presenting the management system in the ROP was criticised. According to evaluators, unclear and complicated descriptions of the respective competences of particular institutions do not allow to verify the feasibility, efficiency and effectiveness of the proposed solutions. The very structure of the management was evaluated non-homogenous. According to the evaluators, the descriptions of authorities and processes were not clearly and functionally separated. In response to the above-mentioned remarks, the description of the management system was, in line with the recommendations of ROPs Coordinating Authority, changed to the standard description of the management and implementation system developed by the Ministry of Regional Development for all ROPs.

The transparency and completeness of the projection part of the Programme was highly evaluated. It was pointed out that priorities form a coherent and complete picture in the light of the developmental needs identified in the diagnostic part. Equally highly evaluated was the cohesion of the main objective with detailed objectives and priorities as well as the deep rooting of the axiological layer of the Programme in the values represented by the European Community. Nevertheless, the evaluator was critical about chosen priority

indicators and their unrealistic target values when confronted with funds allocated for the implementation of the Programme. In response to this remark, most of the indicators were reformulated and the probability of achieving target values was re-examined. In line with recommendations, the number of priorities was reduced, the Programme objectives were reviewed for their compliance with 5 desired outcomes (SMART), a table with an indicative breakdown of funds into categories of intervention was added, and the description of the demarcation and coordination of actions on the regional level was moved to an annex. Moreover, new arguments were added to the rationale behind the implementation of the ROP priority "Health". The analysis was extended to address the issues of "grey area" (irregular) employment and economic migration after Poland's accession to the EU. Unfortunately, the scale of these problems was not presented due to the lack of reliable statistical data. Therefore, the lack of proper data on emigration and the unknown scale of the grey zone were considered as one of the biggest limitations of the applied measures in addressing the demographic challenges.

The evaluation of the impact of the programme implementation on the voivodship economy was carried out using two macroeconomic models: HERMIN and MaMoR2. Both models assumed the specification of changes in macroeconomic quantities in the baseline scenario (i.e. with no inflow of the Structural Funds), and, next, the specification of the impact of the Structural Funds utilisation on the changes in these values. It must be emphasised that the values of the macroeconomic indicators presented below apply exclusively to the implementation of the Regional Operational Programme. They do not take into account other NSRF funds, which are potentially available for the region. Several analyses of the ROP impact on the region's economy were carried out using the HERMIN model. The research was conducted by Wroclaw Agency of Regional Development S.A. The evaluations concerned several draft versions of the Programme and consisted in comparing the impact of the several proposed fund allocation options on particular Programme priorities. In total, eight fund allocation options were analysed. The analysis, carried out using the HERMIN model on the draft version of the ROP approved by the Lower Silesian Voivodship Board on 19 June 2006, which was subject to an ex ante evaluation, indicated that the implementation of the Programme should result in 2013 in a 1.79 per cent rise in GDP relative to the baseline scenario. The impact of the Programme on the rise of REGIONAL OPERATIONAL PROGRAMME FOR THE LOWER SILESIA VOIVODSHIP FOR 2007-2013 employment in 2013 is estimated to approximately 7,030 persons, which should contribute to a decline in unemployment by 0.55 per cent. The implementation of the ROP should lead to a rise of investments in 2013 by 4.76 per cent. The above results were included in Report 2 of 28 July 2006 ("An evaluation of the macroeconomic effect of the Regional Operational Programme for the years 2007-2013 on the economy of the Lower Silesian Voivodship by use of the HERMIN model"). The achieved macroeconomic effect was also evaluated using the MaMoR2 model, which is a computable general equilibrium model (CGE). The research was carried out by the Gdansk Institute for Market Economics in November 2006. The analyses suggest that the implementation of the Regional Operational Programme should contribute to achieving in 2015 a 1.99 per cent rise in GDP relative to the baseline scenario. Moreover, by 2015, due to the programme implementation, the employment is expected to rise by 4.9 thousands persons, i.e. by 0.68 per cent, and remuneration by 2.22 per cent. It is projected that the rise in investments relative to the baseline scenario will be the highest in 2013 and will amount to 9.44 per cent. The models used differed in methodological assumptions, thus the results are not uniform, yet in most cases similar. The HERMIN model predicts that the year 2013 sees the maximum impact of the implementation of the Programme on the voivodship economy, while according to the MaMoR2 model, the culmination of the macroeconomic effect will appear in 2015 (with the

exception of the level of investments, for which 2013 is expected to see the maximum impact of the programme).

There is also an interesting conclusion stemming from the interim evaluation concerning "Health" measure. Namely, the only sector that has not been granted any external investment funds (within the all Poland programmes) is pulmonology. At the same time, the analysis of the demand for this kind of medical services in the Lower Silesia region has shown both huge social needs (concentration of the mining industry) and insufficient potential and structure (treatment and rehabilitation). According to programming/evaluation documents subsidising pulmonary health care is justified and appropriate. It would allow completing the implementation of the entire programme of supporting the pulmonary health care in the region. Such actions become part of the Lisbon Strategy and Europe 2020's objectives. Improvement of infrastructure of pulmonary facilities will allow the patients to improve state of health and give them the access to respiratory rehabilitation, which is connected with the return to the employment market. The future financial perspective should verify the currently used system for calculating the sum of refunding. Selection criteria should reward economically viable projects which invest in modern healthcare solutions thus assuring its future development. As the IT medical information system "SIM" is to be implemented by 2014, projects which are related to the digitalisation of healthcare establishments should be rewarded. Complementarity and the principles of its application at project level should be an element of training of potential beneficiaries. The next financial perspective could include the continuation of teleradiology projects as an extension of already completed projects. Teleradiology is the newest form of radiology which combines elements of telecommunications, of IT and medicine radiology in particular. The use of new technology makes it possible to share specialized data through the sending of static images and dynamic data (highest quality ultrasound or MRI images). Teleradiology enables remote medical diagnosis. One of the projects involved the creation of the Teleradiology Centre at the Specialised Voivodship Hospital in Wroclaw.



## 4. THE GOOD PRACTICE EXAMPLE

Between January 2010 and December 2012 Lower Silesia Centre for Social Policy participated in the international project DART (Declining Ageing and Regional Transformation). The DART project has carried out several activities to facilitate the exchange of experiences amongst the partners in three thematic fields, namely Health and Social Services, Education, Lifelong Learning and Job Market, and Innovative and Traditional Economy. 13 regions from 11 countries (coordinated by the German team) have been selected for DART. All DART partners chose a region from their countries or regions of the country where, according to their knowledge, demographic processes of ageing of the population and the population decline are particularly concise.

On the basis of 13 out of the most important indicators of demographic change, these processes in the DART study areas were represented and allowed for comparison. In detail, these were: population density, population change to clusters, population forecast, age structure, old age quotient, youth quotient, average age of a mother giving birth to her first child, birth/fertility, population change by gender, life expectancy, household size, marital status, and migration.

According to regional experts, the above (along with the many good practices selected in the project) can serve as the main strength of the project. However, also according to experts, due to lack of some statistics on regional level (especially in case of Poland and Spain) required by German partner, it was impossible to construct a research tool predicting future demographic changes that has originally been planned. The aim of DART was to develop an integrated approach for policy recommendations to adapt regional policies and public services. In this way the project raised awareness of demographic change, increased knowledge and assessed the critical role of public services in measuring success in declining and ageing regions. One of the important lessons to be learned was that regional planning guidelines throughout all the partner regions should prioritise the issue of demographic change and its associated challenges for the future.

The Best Practise from Lower Silesia in the thematic field Social Services "Chance Zone" has been selected by projects' partners due to its sustainability and transferability. The primary target group in the project were young adults and young people at the risk of social exclusion. Project promoted youth active participation, the idea of empowerment and mobilization of youth and institutions.

Concrete activities undertaken were as follows: 1) non formal education practises (debates, workshops, happenings, city games, regular meetings with YP, youth volunteering, networking and promotion of GP, international cooperation). Contact details: Lower Silesia Centre for Social Policy, Ms Karolina Samborska-Zaleska tel: +48 71 770 42 31, e-mail: [k.samborska@dops.wroc.pl](mailto:k.samborska@dops.wroc.pl), [www.dops.wroc.pl](http://www.dops.wroc.pl).

The other projects that can serve as a good practice for the region, according to experts, were as follows: 'Stop to the passivity – be a successful woman' (HC OP Priority 9, Measure 9.1). Project supported unemployed women in the region by increasing the level of capability to being employed (adapting qualifications and skills to the Lower Silesia labour market) and making conditions to stimulate professional activity. 'Third Age University' and 'Third Age Academy' (HC OP programme, priority 7, measure 7.2) - both projects educated elderly people in the scope of foreign language, new technics, health and general knowledge.

The projects strictly address major demographic and social challenges the region is to face in the next 20 years that stem from rapid (exceptionally fast in the national perspective) ageing of its population. They recognised that growing numbers (and share in the total population) of people, especially women, at the pre-pensioner and pensioner age require providing the target group of population with adequate information and training.

## **5. INDICATIONS FOR THE 2014–2020 PROGRAMMING PERIOD**

A predominant part of regional challenges pertaining to Lower Silesia and stemming from the developments in the demographic sphere are common to Poland as a whole. This is because inter-regional differences concerning basic population phenomena and their expected changes in Poland are “flat” and rather minor at present. And this is why major related initiatives and coordination comes from the central government. The role of regional and sub-regional actors is important but subsidiary. This is probably the reason why there was no possibility to get information from the interviews concerning future possible improvements in Cohesion Policy 2014-2020 with regards to demography at the regional level. However, interviewers pay attention to the fact that the regional 2020 Development Strategy for the Lower Silesian Voivodship (DSLVS) has been changed and corrected in recent months. Contrary to the earlier version, it stresses unfavourable demographic trends (depopulation) as one of the biggest challenges of the region. It points to unfavourable old age dependency ratio as one of the biggest barrier to the socio-economic growth of the region as well. According to the interviewers, this may suggest some future developments in favour of demographic aspects although 2014-2020 Cohesion Policy programming documents are not available yet. Therefore, it is difficult to assess how the regional demographic challenges and the results of the current programming period will be considered in the future action.

**Table 7: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	Presence of elements related to demographic change	Comments and examples
<p><b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>Demographic change is considered as one of both the country's and Lower Silesia's biggest challenges.</p>	<p>As far as relevant national strategies are concerned in February 2013 the Government Population Council has adopted a document (Blueprints for Population Policy) which is to be submitted to the Prime Minister and upon the government's approval it will become the National Programme of Population Policy. As for the region: the regional 2020 Development Strategy for the Lower Silesian Voivodship (DSLSV) has been changed and corrected in recent months as well. Contrary to the earlier version it stresses unfavourable demographic trends (depopulation) as one of the biggest challenges of the region. It points to unfavourable old age dependency ratio as one of the biggest barrier to the socio-economic growth of the region as well.</p>
<p><b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the country/region can adapt itself to demographic change</p>	<p>A national development strategy, which is included in the document "Poland 2030. Developmental Challenges" (published by the Prime Minister's Office in 2009), lists the demographic situation among ten major challenges for Poland's future. As argued in the document, Poland needs a new project. Its virtue should be a synergy of the perspective of inter-generational solidarity and a strategic orientation in the governance that prioritise the future over the present. For this orientation a key factor should be a rich social capital, whose ultimate main source is effective and friendly state.</p> <p>The 2014-2020 Cohesion Policy programming documents are not available yet. Therefore, it is difficult to assess how the regional demographic challenges and the results of the current programming period are considered in the future action.</p>	<p>"Poland 2030" is very specific and straightforward in dealing with general demographic objectives. According to the document, all five main factors of future development (confidence, cohesion, creativity, mobility and competitiveness) are highly dependent on demographic situation, especially on available and economically active human resources.</p> <p>As it was stated above, the regional 2020 Development Strategy for the Lower Silesian Voivodship (DSLSV) that has been changed recently mentions demographic challenges vaguely. It suggests necessity to create mechanisms 'supporting families and migration'. However, it is not clear, for example, whether the latter means mechanisms counteracting emigration or mechanisms in favour of return migration and immigration.</p>
<p><b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges</p>	<p>The national strategy advocates employing of all affordable measures that would bring about a minimisation of socio-economic costs of the change in age composition of the population. It claims that in order to cope with the demographic challenges, Poland will need above all to considerably increase economic activity of its population. This, first of all, requires prolonging of an active lifespan and delaying the moment of retirement. Auxiliary measures include those that foster fertility increase and (especially in the short-run and in case of selected local labour markets) the inflow of migrant workers. In the long-run Poland needs immigration policy which would facilitate smooth and responsive to labour demand inflow of foreigners and their integration.</p>	<p>It is evident that major demography-related interventions at the national level (as depicted in part 1.3 of this report), irrespective of their shortcomings, ensue from and correspond to the national strategy of development.</p>

	Presence of elements related to demographic change	Comments and examples
<p><b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation of indicators and activities</p>	<p>According to the European documents the role of the ex ante evaluation is reinforced in the new programming period. It should ensure that the Operational Programmes clearly articulate their intervention logic and can demonstrate their contribution to the Europe 2020 strategy. It should also help to put in place functioning monitoring systems which meet evaluation requirements.</p>	<p>In quantitative perspective it will be expressed through an increase in the GDP per capita, decrease in the unemployment rate and the number of created places of work. Indicators: e.g. programmes influence on the GDP level of the Lower Silesian Voivodship, number of gross workplaces created including: women, men; number of net workplaces created (monitored on the yearly basis).</p> <p>However, as a lesson to be learned from the DART project, we should remember that although success in the political debate is equalized with growth: economic growth, more jobs, more roads, more hospital beds, more places in kindergartens and other child care services etc. But more jobs are not a success if they cannot be filled because there are not "enough" people of working age alive. A lack of experts endangers companies in their own competitiveness. More places in nursery day care centres are not a success if there are too few children to use them. Regional decisions must consider these aspects for sustainable investments and use of public money. Declining regions can and should generate no growth. Instead, stabilization and sometimes deconstruction with the goal of sustainable development are needed. This can, however, neither be measured with the figures of official statistics nor assessed by the existing indicator systems. Descriptive statistics is therefore an inappropriate instrument to evaluate success in declining regions, and the current indicator systems are exclusively focused on growth and therefore useless for the evaluation of declining. Another problem stemming from the interviews with the experts is the lack of proper data on emigration (current and future trends) and the unknown scale of the grey zone (irregular migration) which were considered as one of the biggest limitations of the evaluation indicators and activities in addressing the demographic challenges in the region.</p>

**Source:** Authors.



## 6. CONCLUSIONS AND POLICY IMPLICATIONS

The present and prospective demographic situation leads to a number of serious social and economic consequences which should be addressed by appropriate national and Regional Policies. The problems that seem to require action are as follows. First of all, more jobs should be created and existing rigidities in local labour markets should be removed. Employment opportunities should be more stable and adequate in terms of expectations and skills acquired by new cohorts of graduates of the education system. This may weaken the propensity to emigrate, encourage more emigrants to return and contribute to more favourable conditions of family formation.

Effectiveness of regional or local initiatives targeting migration and fertility would, however, certainly depend on long-term policies at the national level that would eventually improve general "climate", social institutions and economic reality affecting entry of young people in their mature life (work and family). It also depends on European economic situation.

However, even if there is no specific regional strategy that targets the demographic challenges directly (Lower Silesia is such a case), one has to remember that national policies and global economic situation can create the biggest limitations of Cohesion Policy either for the 2007-2013 or 2014 -2020 periods. For example, the global economic recession impacted on the region's labour market; e.g. the unemployment rate which in 2004-2008 decreased by 16 points (to 8.9 per cent), in 2008-2011 rose by 1.7 points (to 10.6 per cent). There are no reliable statistics concerning emigration or return migration by Polish provinces but 2011 Census show an increase in labour out-migration after 2010 and a very limited number of returnees during the economic crises 2007-2008. One also has to remember that Poland does not have any integration policy concerning immigrants, so any action taken (even on the EFS projects basis) is welcome. However, lack of national system and national policy create again a limitation here. On the other hand, financial contribution of Cohesion Policy created a perfect opportunity to initiate plenty of projects, actions and initiatives that (if continued) should improve demographic situation of the region in the long run. As for the main lessons on what has functioned well and what has not, we can list here several concerns raised by the evaluators: the lack of proper data on emigration and the unknown scale of the grey zone were considered as one of the biggest limitations of the applied measures in addressing the demographic change, as for health measure it was mentioned that proposal selection criteria should reward projects which are relevant for the healthcare needs of the region population as well as in light of the current demographic trends. The only sector that has not been granted any external investment funds (within the all Poland programmes) is pulmonology. At the same time, the analysis of the demand for this kind of medical services in the Lower Silesia Voivodship has shown both huge social needs (concentration of the mining industry) and insufficient potential and structure (treatment and rehabilitation). According to evaluation reports, subsidizing pulmonary health care is justified and appropriate. It would allow completing the implementation of the entire programme of supporting the pulmonary health care in the province. In addition, related regional or sub-regional initiatives are recommended that would focus on neglected localities or areas of public life or groups of population. Facilitating of infant and mother care in certain administrative units (powiat) or sexual education and provision of reproductive health services (including contraception) might be an illustration here.

As for transport measure, the biggest concern pertained to the issue of own contribution by beneficiaries i.e. projects pertaining to road transport, including urban and commuter transport, are characterized by the highest potential of being efficiently implemented and,

at the same time, of achieving satisfying effects. Unfortunately, projects pertaining to rail transport will not be implemented by 2015 due to the insufficient own contribution by beneficiaries. Furthermore, the evaluators were critical about chosen priority indicators and their unrealistic target values when confronted with funds for the implementation of the Programme. Generally, as far as functioning of the Operational Programmes dealing with demographic issue is concerned the most often negative consequences were the lack of certain necessary information and problems in qualification of expenses. Other complaints concerned the large number of annexes required with the application for funding. A significant number of mentions raised the problem of interpreting Legislation (this including Regulations concerning Public Procurement). During the completion of projects the beneficiaries usually encountered problems related to delays in certification, delays in the verification of provided documentation and tardy transfer of funds for the project. Other common problems were those related to Public Procurement or Tender Procedures. A large number of mentioned problems concerned the difficulties in adapting the functioning of the institution to the project's requirements, difficulties in meeting the deadlines laid out in the schedule, or the need to take steps unforeseen at project design stage.

As for the role of different actors supporting regional and cohesion policies, it is worth here to mention recommendation stemming from the DART project i.e.: "In the overall policies and strategies: Awareness of the demographic change situation should be raised in all EU policies and actions of EU Commission by means of long-term awareness raising programmes and measures; valid indicators are necessary to measure economic development under the conditions of the demographic change. One helpful indicator could be the "share of the working age population". It is able to describe the demographic change in the economic sphere and could be a basic indicator for structural policy. The future EU cohesion policy should pay more attention to demographic change considering the population density as well as declining and ageing populations at the regional level".

A predominant part of regional challenges pertaining to Lower Silesia and stemming from the developments in the demographic sphere are common to Poland as a whole. This is because inter-regional differences concerning basic population phenomena and their expected changes in Poland are "flat" and rather minor at present. And this is why major related initiatives and coordination comes from the central government. The role of regional and sub-regional actors is important but subsidiary. Major population-relevant interventions are and in the decades to come will be initiated and designed by the state, and executed by the government. This notwithstanding, the effectiveness of many of those the interventions will largely depend on the collaborative efforts, genuine activities and professional skills of regional (voivodship), county (powiat) and communal (gmina) authorities and institutions. Irrespective of all circumstances, Cohesion Policy for the 2014–2020 period should emphasise demographic challenges and disparities among regions more visibly.

## ANNEXES

### a) *List of interviews/visits*

- Ms Magdalena Kula, Urząd Marszałkowski Województwa Dolnośląskiego Departament Regionalnego Programu Operacyjnego tel. (0-71) 776-9120, 776-9142, e-mail: [magdalena.kula@dolnyslask.pl](mailto:magdalena.kula@dolnyslask.pl)
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- Dr Brygida Solga [brygidasol@wp.pl](mailto:brygidasol@wp.pl) Instytut Śląski (regional expert)
- Prof. Marek Okolski [moko@uw.edu.pl](mailto:moko@uw.edu.pl) Uniwersytet Warszawski (national expert)

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c) *Good practice fiche*

DART project as a good practice example	
<b>Dimension of demographic change addressed:</b>	Population decline, ageing
<b>Country/Region:</b>	POLAND/Lower Silesia
<b>Name/Title of the Practise:</b>	DART (Declining, Ageing and Regional Transformation)
<b>Period of implementation:</b>	01/2010 -12/2012
<b>Contact information:</b>	Lower Silesia Centre for Social Policy, Ms Karolina Samborska-Zaleska tel: +48 71 770 42 31, e-mail: <a href="mailto:k.samborska@dops.wroc.pl">k.samborska@dops.wroc.pl</a> , <a href="http://www.dops.wroc.pl">www.dops.wroc.pl</a>
<b>Brief description and activities implemented:</b>	<p>The DART project has carried out several activities to facilitate the exchange of experiences amongst the partners in three thematic fields, namely Health and social services, Education, lifelong learning and job market, and Innovative and traditional economy. During the project duration the DART partnership organised a number of transnational events related to the exchange of experience. Four preparation meetings with study visits were organised linked to the other DART events as well as six joint workshops with study visits in different partner regions: Kranj (Slovenia), Wroclaw (Poland), St. Pölten (Austria), Santiago de Compostela (Spain), Galway (Ireland) and Alba Iulia (Romania). Four of those workshops were dedicated to the presentation and evaluation of good practices in different thematic fields of the project and two workshops dealt with the results and documentation of the results, including the preparation of final report and elaboration of draft political recommendations. Furthermore, in total three international thematic DART conferences took place in Dresden, Germany (Economy), in Prague, Czech Republic (Education), and in Kajaani, Kainuu Region, Finland (Health and Social Services). In Prague and Kajaani also study visits were organised by the hosting partner. After each conference results of all events and activities in the thematic field in question were summarised and discussed during the evaluation workshop. As regards other activities related to the exchange of experience the DART project published a poster collection of good practices, where all 89 identified and described good practices were presented. Also the political recommendations created by the partners on the basis of lessons learned over the exchange period were published in the final conference of the project. The recommendations covering all thematic fields of the project were addressed to the EU, Member States and regions.</p> <p>As for Lower Silesia, the Best Practise from the region in the thematic field Social Services "Chance Zone" has been selected by projects' partners due to its sustainability and transferability. The primary target group in the project were young adults and young people at the risk of social exclusion. Project promoted youth active participation, the idea of empowerment and mobilization of youth and institutions. Concrete activities undertaken were as follows: 1) non formal education practises (debates, workshops, happenings, city games, regular meetings with YP, youth volunteering, networking and promotion of GP, international cooperation).</p> <p>The other projects that can serve as a good practice for the region and which were conducted within DART project, were as follows: 'Stop to the passivity – be successful woman' (HC OP Priority 9, Measure 9.1). The project supported unemployed women in the region by increasing the level of capability to being employed (adapting qualifications and skills to the Lower Silesia labour market) and making conditions to stimulate professional activity. 'Third Age University and 'Third Age Academy' (HC OP Priority 7, Measure 7.2) - both projects educated elderly people in the scope of foreign languages, new technics, health and general knowledge.</p>

<b>Main partners/ stakeholders involved:</b>	1. Investitionsbank des Landes Brandenburg Potsdam, Germany (leading partner); 2. State of Brandenburg (Represented by the State Chancellery) Potsdam, Germany; 3. Free State of Saxony (Represented by the State Chancellery) 4. West Regional Authority (WRA) Galway, Ireland. 5. Central Bohemia Region Prague, Czech Rep 6. Regional Council of North Karelia 7. Joint Authority of Kainuu Region Kainuu, Finland. 8. Xunta de Galicia Santiago de Compostela, Galicia, Spain 9. Province of Limburg Maastricht, Limburg, the Netherlands 10. Veneto Region Venezia, Veneto, Italy 11. Lower Austria Health and Social Fund (NÖGUS) St. Pölten, Austria 12. BSC – Business and Support Centre Ltd Kranj, Slovenia 13. Lower Silesian Centre for Social Policy Wroclaw, Poland.
<b>Territorial coverage:</b>	13 regions from 11 countries have been selected for DART. All DART partners chose a region from their countries or regions of the country where, according to their demographic processes of ageing of the population and the population decline, are particularly concise. On the basis of 13 out of the most important indicators of demographic change, these processes in the DART study areas were represented and allowed for comparison. In detail, these are: population density, population change to clusters, population forecast, age structure, old age quotient, youth quotient, average age of a mother giving birth to her first child, birth/fertility, population change by gender, life expectancy, household size, marital status, and migration.
<b>Funding:</b>	EUR 2,050,098.00 (ERDF contribution: EUR 1,579,941)
<b>Main Goals and objectives:</b>	The objective of the study was to attain co-operation among the participating countries to benchmark, identify and transfer appropriate solutions for dealing with demographic change (declining and ageing). The motivation for this work is given by a previous research. This work examined and defined common indicators for measuring demographic decline and other symptoms of demographic change in European regions. These indicators allow for a comparison of data to be made between different regions. This study focused on the identification of good practices which strengthen the economy and in turn concern educational as well as health care and social services in each region. The aim was that the best of these practices can be transferred to other regions not only among partner regions but also wider in Europe. The main results of DART are focused around recommendations aimed towards regional and European stakeholders, which could be used to raise public and political awareness with regard to declining and ageing regions, thus contributing in the future to help policymakers target areas prone to demographic change and its associated issues.
<b>Main target groups:</b>	Regional, national and European policymakers responsible for social and demographic change (policy).
<b>Main measures and outcomes:</b>	Two categories were drawn on of strategic documents used by the DART regions in dealing with Demographic change: Specific strategies – elaborated and implemented as stand-alone political documents, thus emphasizing the importance and relevance of demographic change for the future of the regions; Sections of more general strategies – included in national or regional development strategies and plans. These kind of political steps prove the acknowledgement of the fact that demographic change is becoming more and more a local/regional/national problem. For the first category we can mention as an example the “Demography Action Plan” elaborated and passed in 2010 by the Government of the Free State of Saxony. This strategy includes nine benchmarks or goals to be fulfilled by 2030. The Action Plan also contains eight programmatic topics for governmental activities on several fields related to the demographic change. Most of the Regional Strategies identified and presented by the DART partners fall into the second category. For example ageing and demographic change is an important element in “The Regional Strategic Program 2030” of North Karelia, which is an expression of joint will, regarding the future development of the province. Another DART example is the “2020 Development Strategy of Lower Silesian Voivodship” which includes sections directly targeting ageing problems. Dropping down one level toward the more concrete steps taken by the regions in preventing and adapting to demographic decline, some of the programmes and measures designed and implemented by the DART regions are presented, as part of their general or specific strategies.

<b>Implementation features:</b>	The "vulnerability index report" identifies the influence of demographic trends as one of the biggest challenges facing Europe. Meeting the demographic challenge through the consolidation of human capital and the maintenance of public services are key factors in Regional Policies, as outlined in the EU initiative "Regions for economic change", the "Lisbon Strategy" and its successor "Europe 2020". There are examples showing how to boost shrinking regions. Accordingly DART outlined these experiences, underpinning them with adapted standards and indicators, working out innovative and integrated solutions to maintain quality of life and social inclusion.
<b>Main weaknesses/ obstacles and how they have been addressed:</b>	Due to lack of some statistics on regional level (especially in case of Poland and Spain) required by German partner it was impossible to construct a research tool predicting future demographic changes that has originally been planned. Furthermore there were some misunderstanding among the regions concerning future demographic trends and the notion of "growth". However, the agreement was reached at the end of the project that the declining regions cannot and should not focus on generating growth. Instead, stabilisation and sometimes deconstruction with the goal of sustainable development are needed. This can, however, be neither reflected in the figures of official statistics nor assessed by the existing indicators systems. Descriptive statistics is therefore an inappropriate instrument to evaluate success in declining regions. Unfortunately the current indicator systems are exclusively focused on growth and therefore useless for the evaluation of a decline. Therefore regional planning guidelines throughout all the partner regions should prioritise the issue of demographic change and its associated challenges in relation to regional statistics as well.
<b>Main strengths:</b>	Transferability and sustainability of many good practices listed in the Project in three thematic fields that can be implemented in different countries and regions. The report with recommendations at EU and national/regional levels.
<b>Main innovative elements:</b>	In the DART project an indicator set and a regional observation monitor (demographic "early warning system" DART monitor) were developed and these were tested by the equipment with suitable demographic and social data from the various sub-regions. So it is possible for it to illustrate basic demographic changes in European regions in the time course, to measure, extrapolate and compare regions and demographic change processes with each other. The processed data was primary data from the sub-regions which existed and could be evaluated for the first time in a European demography project. In this sense underlying demographic and social counter set to demographic change, in its form and compactness of composition as well as the data-driven regional viewing monitor, represents a novel approach to the analysis of demographic change in European regions and their comparison.
<b>Main lessons learnt:</b>	<p>The aim of DART was to develop an integrated approach for policy recommendations to adapt Regional Policies and public services. In this way the project raised awareness of demographic change, increased knowledge and assessed the critical role of public services in measuring success in declining and ageing regions. Demographic issues were identified in the DART project which impact directly on regional development, therefore the identification of appropriate actions, recommendations and tools to tackle such issues were necessary. There is no integrated strategy at present what would deal with demographic change. Regional planning guidelines throughout all the partner regions should prioritise the issue of demographic change and its associated challenges.</p> <p>The main lessons to be learned from the projects that can serve as a good practise for Lower Silesia were as follows: cooperation between professional trainers, experts and teachers can positively influence the position of the unemployed women, elderly and youth at risk at the job market, increase their skills and motivation for improving their professional position, but the process must be properly prepared and directed to concrete individuals.</p>
<b>Sources of information:</b>	<a href="http://www.dart-project.eu">www.dart-project.eu</a>



**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
CENTRU - ROMANIA**



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## LIST OF ABBREVIATIONS

- ERDF** European Regional Development Fund
- ESF** European Social Fund
- EU** European Union
- EU27** European Union of 27 Members States
- GDP** Gross Domestic Product
- GERD** Gross Domestic Expenditure in R&D
- HRST** Human resources in science and technology
- HTC** High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
- NUTS<sub>2</sub>** Nomenclature of Territorial Units for Statistics 2
- OP** Operational Programme
- Phare** Programme of Community aid to the countries of Central and Eastern Europe
- R&D** Research and Development
- ROP** Regional Operational Programme
- SMEs** Small and Medium-sized Enterprises

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## INTRODUCTION AND MAIN FINDINGS

This report presents the regional case study of Centru Region in Romania. The key demographic challenges of the region and the relative policies tackling them have been analysed to draw lessons and the effectiveness of Structural Funds in tackling these issues have been assessed. The scope of the analysis comprises both ESF and ERDF Operational Programmes covering the period 2007-2013.

The main findings are the following:

- Centru Region has a total surface area of 34,100 sq. km (14.31% of the country's surface area), and is formed by Alba, Braşov, Covasna, Harghita, Mureş and Sibiu counties. According to the last population census (2011), the Centru region counts 2,251,000 inhabitants, 451,000 fewer than in 1992.
- Economic activities are diversified. While initially mining for gold, silver, coal and salt was the main economic activity, currently, the metal processing, chemistry and food industry represent the most significant branches. Agriculture is well developed, specialised in industrial crops, and quality viticulture is widespread. In the 2000-2011 period the Region was characterised by an initial growth in GDP and employment (2000-2008). The economic crisis that came under way in 2008 has been having a significant negative impact on the regional economy in terms of reduction in the GDP, in the economic activities in the region and in the employment level.
- Between 2000 and 2011, Centru Region was characterized by a decrease in the population, lower fertility rates (albeit above the national average) compared to the previous period, considerable youth migration towards the other EU countries and continuous ageing. These phenomena are even more accentuated in the rural areas and projections realised at both the national and regional level foresee a worsening of the demographic decline in the coming years.
- The main impacts of demographic changes in the Region are:
  - ageing of the workforce;
  - increased pressure on the healthcare and long term care systems and on the national social insurance system;
  - difficulties in services supply in the countryside (currently 40.6% of the region's population live in the countryside);
  - disappearance of some rural villages;
  - lack of profitability of public transport in small centres characterised by marked population decline.
- In Centru Region, attention to demographic issues is quite recent, mainly due to the fact that population decrease has been slower than in other EU regions due to the birth measures implemented by the communist regime (it is to be recalled that during the communist regime abortion was prohibited).
- The involvement of the Agency for Regional Development (in charge of some of the ERDF funds and intermediary body for the other Structural Funds programmes) in

the Interreg IV C programme DART raised awareness among the regional and local actors of the potential negative impacts of demographic changes on the future social and economic development and helped the Region to define the main priorities in this field, also looking at how the other partner countries deal with demographic challenges.

- The main policy implemented at the regional level to counter demographic change is the Cohesion policy. The main measures implemented within the 2007-2013 cohesion policy framework were:
  - formulation of Integrated urban development plans including integrated plans for growth poles (Brasov metropolitan area), for urban development poles (Sibiu and Targu Mures cities) and for the development of urban centres (all small towns with maximum 10,000 inhabitants);
  - rehabilitation/modernization of healthcare infrastructure, of social services infrastructure and of the pre-university, university and professional training infrastructure;
  - establishment and development of business support structures of regional and local importance, rehabilitation of industrial sites and support for regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.
- These policies will be further strengthened in the 2014-2020 through the introduction of a specific priority measure designed to tackle demographic change and taken into consideration in the demographic perspective in all the other measures.

## **1. REGIONAL CONTEXT**

Centru Region has the characteristics of a plateau, East-West oriented valleys, significant methane reserves, gold-bearing, silver-bearing and coloured ores, non-metal ores, salt, mineral and thermal waters, and more than one third of the surface covered by woods. In comparison with the other regions, the area has important hydrographical resources and a well-developed transport network, (except for the North-South direction). Economic activities are diversified. While initially mining for gold, silver, coal and salt was the main economic activity, currently, the metal processing, chemistry and food industry represent the most significant branches. Agriculture is well developed, specialised in industrial crops, and quality viticulture is widespread.

According to the last population census (2011), the Centru region counts 2,251,000 inhabitants, 451,000 fewer than in 1992. The average regional density is 74.2 inhab/sq. km, below the national value. The highest population density is registered in Brasov county (111.4 inhab/sqkm), while the lowest values, below the regional average, are in Alba (60.7 inhab/sq. km), Covasna (60.3 inhab/sq. km), Harghita (49.2 inhab/sq. km) counties. 59.9% of the population live in urban areas – in the 57 towns of the region. Braşov (74.7%) and Sibiu (67.6%) counties have a high degree of urbanisation while in Harghita county the rural population predominates (55.9%).

The economic changes subsequent to 1989 and the demographic changes have profoundly influenced the economic and social structure of the region. In the period analysed (2000-2011), there was a continuous decrease in the total population of the region as well as in the active and employed population. Despite a period of economic and social development (2000-2008), the number of inhabitants and active population continued to decrease due to large-scale migration to the old EU MSs and the continuous population ageing. In fact, in the period analysed the Centru region is characterised by steady demographic decline, emigration in the EU, in particular on the part of youth, population ageing and reduction in the birth rates. This phenomenon looms even larger in the rural areas. Moreover, the economic crisis has aggravated this phenomenon. The number of active enterprises fell by almost 20% and there was also a reduction in the volume of foreign investments between 2008 and 2011. Multinational companies reduced or closed their activities in the region. This brought about an increase in the unemployment level in the period analysed. 9.6% of the active population was unemployed in 2010. The difficult economic situation combined with the negative demographic forecasts, betokening population decrease and population ageing, will cause further imbalances on the labour market and higher costs for the social insurance system, which in turn impact negatively on the social and economic situation in the Region.

### **1.1 General socio-economic context and impact of the crisis**

In the period analysed, the Centru region is characterised by a continuous decrease in the number of active population and of the population employed, together with an increase in the number of pensioners, which has determined an increase in the economic dependency level. In 2010, in the Region every two persons had to bear the social costs for three. The decrease in the number of active population of the region exerts considerable pressure on the social insurance system.

In the 2000-2011 period the Region was characterised by an initial growth in GDP and employment (2000-2008) followed by a period of social and economic decline (since 2008).

The economic crisis that came under way in 2008 has been having a significant negative impact on the regional economy in terms of reduction in the GDP, in the economic activities in the region and in the employment level. In 2009, there was a 5% reduction in the GDP level with respect to 2008: it fell from 15,655 euro in 2008 to 13,450 euro in 2009 and came to 14,028 in 2010.

Furthermore, the employment level decreased by 13.6% in the 2008-2011 period and by 7.2% between 2000 and 2011. In fact, in 2011 the Centru Region registered the lowest employment rates in Romania: 52.3% in the Centru region compared to the Romanian average of 58.5%, and 64.7% in the Bucharest-Ilfov region (which registered the highest employment rates at country level). Within the region, the highest employment rate was registered in the Alba county (61%), the lowest in Brasov county (52.5%). Most of the employed population were employed in the services sector (42.6%), followed by the industry (26.6%) and agricultural sectors (24.2%). Furthermore, in the period in question the number of population employed in science and technology was above the national level: 24.7% in the Centru region as against 23.7% at the national level (2011 values).

At the same time, there was a considerable increase in the unemployment level in the period analysed (2000-2011): 3.8% compared to 0.2% at the national level. While in 2005 the unemployment level was 8.4%, in 2010 it reached 9.6% and in 2011 11.1%. This is mainly due to a considerable reduction in the presence of enterprises (-20% between 2008 and 2011) and limitation or closure of the activities of multinational companies.

However, the at-risk-of-poverty rate in the region fell: from 19.4% in 2010 to 18% in 2011, below the national average in the same period (22.2%).

The table below sums up the main social and economic indicators characterising Centru region in the 2000-2011 period.

**Table 1: Key socioeconomic figures**

	Centru Region				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	1,900	3,600	5,300	178.9	1,800	3,700	5,500	205.6	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	13,533	19,514	26,994	99.5	111,292	169,978	237,221	113.2	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	3	1.1	1.4	-1.6	2.4	4.2	-6.6	-9	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	59.5	54.1	52.3	-7.2	63	57.6	58.5	-4.5	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	64.56	59.11	58.93	-5.63	68.35	62.28	63.34	-5.01	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	7.3	8.4	11.1	3.8	7.2	7.2	7.4	0.2	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>			18				22.2			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	8.3	9.7	13	4.7	9.3	11.1	14.9	5.6	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)		0.16	0.3		0.37	0.41	0.48	0.11	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	17.1	20.8	24.7	7.6	15.6	19.7	23.7	8.1	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	1.53	1.35	1.71	0.18	1.69	1.74	2.2	0.51	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rate at NUTS2 level in 2011 is valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

## 1.2 Overview of the main demographic challenges in the region

In the last few years, Romania has been characterised by decrease in the population, large-scale migration to other EU countries, low fertility rates and population ageing. At the national level the population decreased by 3.8 million people between 1992 and 2011, mostly due to external migration. Currently, the number of Romanian migrants abroad is estimated to be around 2.5-3 million people and, with the labour market opening up in other EU countries, it is expected to increase in the coming years.

Centru Region follows the national demographic tendencies. Between 2000 and 2011, it was characterized by a decrease in the population, lower fertility rates (albeit above the national average) compared to the previous period, considerable migration towards the EU countries and continuous ageing. According to the latest census (2011), the population in Centru region stands at 2,251,000, 451,000 fewer than in 1992. The population decrease is due to: natural decrease (- 43,000 people between 1992 and 2011); internal migration (+ 8000 people between 1992 and 2011); external migration (-416,000 people between 1992 and 2011). Comparing Centru Region with the other Romanian regions, we may note that it is one of the regions that have registered a relatively low population decrease, in particular with regard to the natural population decrease rate and internal migration level (in contrast with the other regions, Centru region has registered a positive net internal migration rate). However, it is one of the regions with the highest external migration rates.<sup>1</sup>

According to the interviews, the lower decrease in the Centru region population is due on the one hand to a fertility rate (1.4% in 2010) above the national average (1.3% in the same period) and on the other to the better economic situation of the region, which induces people to migrate to Centru Region. Besides the Bucuresti-Ilfov region, it is the only region which has registered a positive internal migration rate.

Despite some positive signs, the region has to cope with a problem of population ageing. In fact, between 2000 and 2011 the elderly dependency rate increased more in Centru region than at the national level (2.4% in Centru region versus 1.9% at national level). In 2009, the share of population over 65 years was 22.6% of the overall population of the region. Population ageing and decrease are expected to become more marked in the future (Table 3).

National and regional studies show that the population of Centru region will fall by 26% between 2011 and 2060, due mostly to the reduction in the fertility rate and increase in external migration. However, the population decline in Centru region will be smaller than the national average (-30% in the same period), mostly due to a higher fertility rate. Nevertheless, demographic studies undertaken in the region show that if there is a reduction in the fertility rate, the population decrease will be even higher (-30.1% in the same reference period).

As for the age components, the over 65-year-olds constitute the only age category that will be in continuous increase in the next years, the population showing continuous ageing:

- - 50% for people aged 0-14 years old by 2050 (compared to the 2010 values);
- -37.1% for people aged 15 -64 years old by 2050 (compared to the 2010 values);

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<sup>1</sup> Vasile Ghetau, Analiza Regionalizarea Romaniei: o abordare demografica, 2013, <http://cursdeguvernare.ro/analiza-regionalizarea-romaniei-o-abordare-demografica.html>.

- +70.8% for people aged over 65 years old by 2050 (compared to the 2010 values).

As for the demographic dependency<sup>2</sup> rate, it was 42 in 2010, 44 in 2025 and 71 in 2050, showing that to every 100 potential active people (aged 15-64) correspond 71 inactive persons (0-14 or over 65). However, taking into consideration a continuous decrease in the youth population and birth rate, this means that in 2050 the inactive population will consist mostly of persons aged over 65. This will have an enormous impact on the social services system, and in particular on the healthcare system. This is quite worrying, especially in view of the current situation of the healthcare system, characterised by a continuous decrease in hospital beds (-217% between 2000 and 2011 in Centru region compared to -140% at the national level in the same period) as well as in care centres. In fact, interviews with the regional representatives highlight the fact that the current situation of the healthcare services is not adequate to the future demographic tendencies. In order to respond adequately to the demographic challenges, the region has to extend its service and supply. Another aspect to be considered is the fact that families will be "split" (most of the population migrating abroad is young, while the parents usually remain in Romania). This means that old care of the elderly cannot be supplied by the household, as is the case in other EU countries (Italy, Spain, etc).

The interviews also bring out the fact that the population ageing concomitantly with a reduction in the active population will exert enormous pressure on the state social insurance system and raise doubts about its sustainability (too many beneficiaries versus too few contributors) and the level of the average pension.

Furthermore, the population ageing and its decrease, in particular with regard to youth, will bring about marked imbalances in the labour market. The dwindling proportion of youth will determine a lack of specialised young people in the labour market. The professions most affected will be above all in the IT sector, medicine, construction. The increased migration to the EU countries, with the labour market opening up in all EU MS, will increase the challenges posed by the decrease in young population.

The labour market will be characterised by an increased presence of workers over 50 years old, with different needs. It emerges from regional interviews that in order to increase the current economic competitiveness of the region, lifelong training programmes will be needed.

The interviews with the representatives of the region also highlight other negative effects of demographic trends:

- difficulties in service supply in the countryside (currently 40.6% of the region lives in the countryside);
- disappearance of some rural villages;
- lack of profitability of the public transport system in small centres characterised by marked population decline.

Summing up, the table below outlines the main demographic trends in Centru region between 2000 and 2011.

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<sup>2</sup> Number of persons aged 0-14 and over 65 corresponding to 100 persons of the 15-64 years old category.

**Table 2: Key figures on demographic change**

Indicator	Centru Region				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
Crude rate of population natural increase	-0.1	-0.5	-0.7	-0.6	-1.1	-2.2	-2.7	-1.6	2.9	4.2	2.5	-0.4
Crude rate of net migration	-0.5	0.9	0	0.5	-0.2	-0.3	-0.1	0.1	2.3	3.6	1.7	-0.6
Old age dependency ratio	17.7	19.3	20.1	2.4	19.3	21.1	21.3	1.9	23.22	24.66	26.22	3.0
Total fertility rate	1.38	1.37	1.36	-0.02	1.31	1.32	1.25	-0.06		1.51	1.59	
Population density	78.3	75	74.7	-3.6	97.6	94.1	93.2	-4.4	112.3	114.3	116.6	4.3
Prevalence of urban or rural population			PR									
Long-term care available beds in nursing and residential care facilities	132.1	120.8	139.8	7.7	87.5	93.7	120.4	32.9				
Hospital beds	867.0	736.8	649.3	-217.7	769.3	677.3	628.5	-140.8	640.1	584.1	538.2	-101.9
Formal childcare (national and EU level)							3.0				14	
Total health care expenditure as a percentage of GDP (national level)						5.5	5.7					
Total long-term care health care expenditure as a percentage of GDP (national level)						0.5	0.8					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rate at NUTS2 level in 2011 is valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

**Table 3: Demographic projections**

Indicator	Centru Region			National Average			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population</b>	2,504	2,407	-0.097	21,334	20,049	-1,285	499,389	519,942	20,553
<b>Share of people aged +65 over the total population</b>	14.1	20.1	6	14.9	20.3	5.4	17.4	23.6	6.2
<b>Dependency ratio</b>	20.10	30.30	10.2	21.30	30.30	9	25.90	38.00	12.1

Source: Eurostat.

### 1.3 The national and Regional Policy approaches in addressing demographic change

As underlined in the previous sections, demographic changes will have a negative impact on the labour market (imbalances and reduction of young professionals) and on the social insurance system (increase in the elderly dependency rate and economic dependency rate, pressure on the healthcare system and pension system). Despite the studies undertaken at both the national and regional level, neither Romania nor Centru region have a demographic strategy to tackle these challenges. However, these issues are dealt with indirectly within some national policies (financed by the state budget) and Cohesion policy programmes (ESF and ERDF funds). At the regional level, these issues are tackled within the Cohesion policy framework (Structural Fund policies managed at the regional level).

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
1) Reform of the pensions system in 2007 and 2010	Social protection system	In 2007, the Romanian government adopted a pension reform, introducing private pensions mandatory for all employed young people (below 35 years old) and optional for people aged between 35 and 40 years old. Moreover, in 2010 the pension reform raised the retirement age to 63 years (in 2030) for women and 65 for men.	State
2) Programme for the employment of persons at risk of social exclusion	Labour market policies	The Programme aims at promoting the employment of youth at risk of being excluded from the labour market and is implemented in the context of the law 116 of 2002 on the fight against social exclusion. The law 116/2002 makes provision that the National Agency for Employment has to ensure personal assistance to youth at risk of social exclusion aged between 16 and 25 years old in order to ease their access to the labour market. According to the legal provisions, the Agency has to provide them with counselling and work mediation services.	The National Agency for Employment (state) in collaboration with its local branches (towns)
3) Programme for the high school and university students' employment	Labour market policies	The programme was created in 2008 by the National Agency for Employment in the context of the education law of 2007, which provides for financial stimulus for firms that employ high school and university students during the school breaks. The programme is implemented by the National Agency for Employment in collaboration with its territorial offices and aims at favouring labour market entry for young people by providing them with the possibility to improve their skills through concrete working experience during holidays.	The National Agency for Employment (under the Ministry state) in collaboration with its local branches (towns)
4) European Social Fund	Education, training and labour market	The main axes that tackle issues related to the demographic challenges presented above are: <b>Priority Axis 2 "Linking lifelong learning and labour market"</b> addresses at the national level the need to ensure that all individuals have equal opportunities for learning and are well equipped with competences and skills for their sustainable integration in the labour market. Specific measures address Roma and the rural population. <b>Priority Axis 3 "Increasing adaptability of workers and enterprises"</b> aims at: promoting entrepreneurial culture; training and support for enterprises and employees in order to promote adaptability; development of partnerships and encouraging initiatives for social partners and civil society. <b>Priority axis 5 "Promoting active employment measures"</b>	State (ESF Managing Authority), EU and regions (intermediary bodies for some of the axes)

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
		<p>aims at: developing and implementing active employment measures; promoting long term sustainability of rural areas in terms of HRD and employment.</p> <p><b>Priority axis 6 "Promotion of Social Inclusion"</b> aims at facilitating labour market access for vulnerable groups. The specific objectives are: to promote and support the creation of new jobs in the social economy field; to increase the qualification level of the persons belonging to the vulnerable social groups; to improve the level of competences of experts and public services in the social inclusion field.</p>	
5) European Regional Development Fund	Social infrastructure, business support, infrastructure	<p>The main axes that tackle issues related to the demographic challenges presented in the previous chapters are:</p> <p><b>Priority axis 1 Support for sustainable development of urban growth poles</b> aims to increase the quality of life and to create new jobs in cities, by rehabilitating the urban infrastructure, improving services, including social services, as well as developing business support structures and entrepreneurship.</p> <p><b>Priority Axis 3 Improvement of social infrastructure</b> aims at improving infrastructure for health, education, social and public safety in emergency situations.</p> <p><b>Priority axis 4 Strengthening the regional and local business environment</b> aims to set up and develop business support structures of regional and local importance, rehabilitate industrial sites and support regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.</p>	State, regions and EU
6) European regional development fund (territorial cooperation programmes)	Other	<p>The regional strategy specifically to tackle demographic challenges in Centru region has been defined through the participation to Interreg Programmes, among which the Interreg IV C programme Declining, Ageing and Regional Transformation. The programme explored the challenges presented by declining, ageing and regional transformation in different regions from the following EU MS: Germany, Finland, Poland, Romania, Austria, Spain, Netherlands, Italy, Czech republic, Slovenia and Ireland.</p>	Centru region

**Source:** Elaboration based on Romanian OPs and interviews with relevant stakeholders at regional level.



## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

As stated previously, there are no specific policies directly dedicated to tackling demographic challenges at the regional level or within the region itself. However, demographic challenges are tackled in the context of Structural Fund measures managed at the regional level and, moreover, through the participation of the Centru Region in transnational programmes in this field.

Before going into detail about the measures tackling demographic issues, it is to be recalled that in Romania the regional authorities (regional development agencies) are only partially responsible for Structural Funds programming and implementation. While the main priorities of Structural Funds OPs are identified and defined at the national level with the involvement of the Regional Development Agencies (even though, as numerous Structural Funds evaluation show, in the 2007-2013 programming period their involvement was more consultative than substantial in the programming phase), their involvement in the implementation process is limited to some OPs and priorities within these OPs. Therefore, while the ESF OP is entirely coordinated and implemented by the national ESF Management Authority (a body of the Ministry of Labour, Family and Social Affairs), the ERDF implementation is realized by the Ministry of Regional Development and Tourism jointly with the Regional development Agencies.

As can be seen in table 4, the ESF OP tackles issues regarding the creation of new jobs, lifelong learning, education and vocational training and social inclusion, which can potentially offer adequate solutions to demographic changes in Centru Region. However, as it is a national OP, its objectives and priorities do not reflect the direct needs or specificities of Centru Region. Moreover, national data regarding the ESF OP objectives and priorities are not disaggregated at regional level. Therefore, this section will focus on those strategies where regional data are available.

Unlike the ESF OP, Centru region is in charge of the implementation of the 5 axes of the Regional Development Operational Programme. It is in fact the body that promotes the project at the territorial level and evaluates the projects received. The ERDF funds allocated to Centru region through this OP amount to 483.62 million Euro, i.e. almost 10% of the entire OP budget.

The main priority axes that were used for tackling some of the demographic challenges in Centru Region are:

- Priority Axis 1: Support for sustainable development of urban growth poles;
- Priority Axis 3 Improvement of social infrastructure;
- Priority axis 4 Strengthening the regional and local business environment.

The regional strategy directly planned to analyse and offer solutions to the demographic challenges was developed through the participation of Centru Region to the Interreg IV C **DART programme** between 2009 and 2012. The programme, led by Investitionsbank Brandenburg (Germany), aimed to identify new products and services to maintain the quality of life in the regions analysed with a declining and ageing population, especially in new business fields for SMEs, education, life-long learning, health care and social services

(good practices were highlighted). The Interreg IV C Declining, Ageing and Regional Transformation (DART) programme confronted the challenges arising from demographic change. Thirteen regions, most of them affected by declining populations and all affected by ageing co-operated to identify and transfer appropriate solutions to deal with demographic change: Brandenburg represented by Investitionsbank and the State Chancellery, Saxony (Germany) represented by the State Chancellery, West Region Ireland represented by the West Regional Authority, Central Bohemia Region (Czech Republic) represented by the regional authorities, Kainuu Region (Finland) represented by Joint authority of Kainuu Region represented by the North Karelia Regional Council, Galicia (Spain) represented by Xunta, Limburg (Netherlands) represented by the Province, Veneto (Italy) represented by Veneto region, Centru Region represented by Centru Regional Development Agency (Romania). Furthermore, the programme also involved: the Lower Austria Health and Social Fund, the Business Support Centre Ltd. Kranj and the Lower Silesian Centre for Social Policy.

The programme defined common indicators for measuring decline and other symptoms of demographic change, thus enabling comparison of data to be made between different regions. DART identified good practices which strengthen the economy, concentrating on education and life-long learning, health care and social services and formulated political recommendations for all the regions involved in the programme.

As mentioned by the regional representatives interviewed, the participation of Centru Region in this programme has its origins in the long term cooperation with Brandenburg Land in Germany. Thus, in 2008 the Brandenburg Land opened an office at Alba Iulia and operates as contact point between the German and Romanian authorities. The Land office enhanced the participation of Centru region in numerous transnational projects and studies regarding demographic challenges and regional social and economic development.

According to the interviews carried out, participation in this programme helped the Region to acquire knowledge of the challenges of demographic changes in the region and to define the main priorities in this field, also looking at how the other countries participating deal with demographic challenges. Thus, the main directions of the regional demographic strategy are:

- Elaboration of regional development plans and strategies by taking into consideration the main regional demographic challenges foreseen (population decline and ageing, external migration increase);
- Allocating funds based on the demographic provisions not only at the regional level, but also within the region;
- Promotion and encouragement of professional and territorial mobility of the working force;
- Policies to increase labour market entry for youth;
- Educational policies responding to the demographic challenges, namely a decreasing number of children and an increasing number of adults over 50 years old that need to be professionally trained;
- Policies to encourage birth and to sustain the young families;
- Improvement in the social infrastructure, with particular focus on the health and long term care infrastructure.

Moreover, some of these measures are integrated in the programming documents of the regional development strategy in the 2014-2020 period, as it will be further detailed in chapter 5. The representatives interviewed underline the point that one of the major results of the programme lies in having become aware of the need to develop the 2014-2020 regional strategy in accordance with the demographic changes that have occurred in the last few years and those foreseen.

The table below offers a detailed overview of the regional strategy developed within the Interreg IV C DART programme and of the main measures managed at regional level within the 2007-2013 Regional Development Operational Programme.

**Table 5a: Review of Cohesion programme strategies on demographic issues - Interregional cooperation programme DART (2009-2012)**

	Brief description	Comments and examples
<b>PROGRAMME INTERREG IV C: DART</b>		
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The context analysis of the demographic challenges is quite detailed and offers insights into the main demographic trends in the region (see chapters above for the analysis). The first phase of the programme included the definition of a set of indicators for measuring demographic changes in the regions analysed. This represented an enormous opportunity for Centru region, which for the first time collected data on demographic indicators and analysed them. Thus, the context analysis goes into detail on the changes in the population number, density, sex and age composition, fertility and death ratio, life expectancy, household size, households by family status, net internal and external migration, youth and elderly quotients, population projections, employment and unemployment level by age, sex and urban/rural unemployment, job development in recent years; child care, school care, population education level, training and students, participants in vocational and further education training, mortality, long term care and healthcare infrastructure, workers employed in the health services and causes of death.	Not only did the context analysis offer an overview of the main challenges in demographic terms in the Region between 2000 and 2009, but it also compared the evolution of Centru region with the other regions participating in the programme. Based on the analysis of the analysis of the demographic indicators the programme divided the regions into 5 clusters: cluster 1 very intense decrease; cluster 2 intense decrease cluster III decrease, cluster IV stagnation and cluster V growth. Centru region falls into the second cluster (intense decrease).
<b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The entire project focuses on how to deal with the demographic challenges in the regions analysed. The project aims not only at analysing the demographic changes in the region, but also at exchanging best practices in the educational, labour market and healthcare fields between the partner regions.	The methodological approach to DART centred upon the adaptation of Regional Policies to take in the challenges of demographic change, drawing on existing identified good practice examples. Some of the partner regions have a long tradition offering services of public interest in sparsely populated regions. In other regions public services and – even new – infrastructure must be adapted. In identifying policy solutions, which have proved successful in other regions, this exchange of experience included the identification of existing standards regarding the availability of social and technical infrastructure and factors relating to success and failure. During the life-span of the DART project, there were 4 workshops and 6 conferences held on the main topics of the DART-project. In each of the conferences 2 crosscutting themes were discussed: (1) Life cycle proof Neighbourhood / Social Inclusion, and; (2) Standards and Indicators for Benchmarking. The programme aimed, thus, to develop instruments for an integrated strategy for a lifecycle proof region and indicators for analysing and comparing regional development in declining regions. Moreover, it aimed at identifying best practices which could be transferable to other regions even after project-end.
<b>Specific measures addressing demographic challenges</b>	The programme included the following measures: <b>exchange of Experience:</b> conferences, study visits and good practice analyses; Political recommendations and benchmark: development of political recommendations at EU and regional level based on analysis of the current demographic situation and future projections.	The measures proposed in the programme are consistent with those implemented within the ERDF Regional development OP. Moreover, some of the measures provided for in the development strategy developed within the Programme were included in the 2014-2020 regional programming documents.

**Source:** Elaboration on DART Final report Declining, Ageing and Regional Transformation and DART programme documents available on <http://www.dart-project.eu/it.html>

**Table 5b: Review of Cohesion programme strategies on demographic issues - 2007-2013 Regional Development Operational Programme**

	Brief description	Comments and examples
<p><b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis focuses on analysis of the main social and economic development issues in the region: population number, employment and unemployment level, social infrastructure level, development potential.</p>	<p>Even though the context analysis also includes demographic aspects, it is not meant to create a demographic profile of the region.</p>
<p><b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The ROP strategic objective consists in supporting the economic, social, territorially balanced and sustainable development of the Romanian Regions, according to their specific needs and resources, focusing on urban growth poles, improving the business environment and basic infrastructure, in order to make the Romanian Regions, especially the ones lagging behind, more attractive places to live in, visit, invest and work in.</p> <p>The specific objectives of the ROP are: to increase the economic and social role of urban centres, adopting a polycentric approach, in order to stimulate a more balanced development of regions; to increase accessibility within regions and in particular the accessibility of urban centres and their connection to surrounding areas; to increase the quality of social infrastructure of regions; to increase the competitiveness of regions as business locations; to increase the contribution of tourism to the development of regions.</p> <p>The specific axes that indirectly tackle demographic changes are:</p> <p><b>Priority axis 1 Support for sustainable development of urban growth poles</b> aims to increase the quality of life and to create new jobs in cities, by rehabilitating the urban infrastructure, improving services, including social services, as well as by developing business support structures and entrepreneurship.</p> <p><b>Priority Axis 3 Improvement of social infrastructure</b> aims at improving infrastructure for health, education, social and public safety in emergency situations.</p> <p><b>Priority axis 4 Strengthening the regional and local business environment</b> aims to set up and develop business support structures of regional and local importance, rehabilitate industrial sites and support regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.</p>	<p>The programme objectives do not directly tackle the needs of Centru region, as priorities are set at the national level despite the differences between the regions. However, as Centru region is confronted with a population ageing problem, the programme answers to this challenges through the establishment of measures aiming at developing social infrastructure. Moreover, through support for business competitiveness the programme aims to promote the creation of new jobs, which answers to the unemployment problems of Centru region.</p>
<p><b>Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)</p>	<p>Some of the main measures that address demographic challenges are:</p> <p>Priority axis 1: Integrated urban development plans should include the following measures: rehabilitation of the urban infrastructure and improvement of urban services, including urban transport; development of sustainable business environment; rehabilitation of social infrastructure, including social housing and improvement of social services.</p> <p>The main measures tackling demographic issues within priority axis 3 are: rehabilitation, modernisation and equipping health service infrastructure; rehabilitation, modernization, development and equipping social service infrastructure; rehabilitation, modernization, development and equipping pre-university, university education and continuous vocational training infrastructure.</p> <p>The main measures implemented within priority axis 4 that indirectly tackle demographic issues (creation of new jobs for maintaining people in the region) are: development of sustainable business support for structures of regional and local importance; support for the development of micro-enterprises.</p>	<p>The measures do not directly target the problems of Centru region as priorities and activity lines are set at national level. However, at the regional level some of the measures applied in particular to tackle demographic issues (continuous population ageing versus a reduction in the regional social infrastructure, in particular in the healthcare field) are those regarding the improvement of social infrastructure in the healthcare and long term care sectors.</p>

Source: ERDF OP and regional documents available on <http://www.regio-adrcentru.ro/>.



### **3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE**

As stated in the previous chapter, the Centru region demographic strategy is relatively recent and it will be implemented mostly within the coming programming period. In the 2007-2013 programming period, the Region did not have a specific policy addressing demographic challenges. Demographic challenges are indirectly tackled within the Structural Funds programmes. However, as recalled previously, the Centru Regional Development agency is responsible for the implementation of some of the measures of the national Regional development OP.

As for the ESF OP, interviews with the representatives of the Centru Regional Development Agency (in charge of Structural Funds in the Region) brought out the fact that there are no available statistics on the ESF projects implemented in the region or the issues they are tackling. Furthermore, at the national level the data collected are not disaggregated by regions.

Therefore, this chapter will focus on two of the main programmes that directly and indirectly tackle demographic changes in the region and that are managed at the regional level by Centru Regional Development Agency: DART Interreg IV programme and three priority axes of the ERDF Regional Development Programme.

The Interreg IV C DART programme had significant results in terms of making the main actors of regional development policies fully aware of the importance of designing policies and programmes by taking into consideration the demographic perspective.

The actors interviewed underline that demographic questions are new to local and regional actors and local or Regional Policies are not always based on careful consideration of the main demographic changes. Thus, the DART programme enabled the regional actors to get acquainted with demographic changes in Centru Region and to identify the main directions to be taken to address the problems of population decline and continuous ageing. For the first time, in-depth demographic analyses of Centru region were carried out and a demographic strategy was designed based on the political recommendations formulated within the programme.

Another programme result consists in the creation of a tool for monitoring demographic changes in Centru Region based on the demographic indicators designed within the DART programme. This database is continuously updated and gives decision-makers an idea of how demographic changes impact on Centru region economy and society and, consequently of how to design evidence-based policies. In fact, the regional development strategy of Centru Region in the 2014-2020 period is designed on the basis of the updated studies undertaken in the DART programme while taking into account the main political recommendations formulated by the programme. This is particularly relevant in the social infrastructure field, as will be detailed in the following chapters.

As for the Regional Development Programme, most of the projects implemented regard improvement of the social infrastructure, in particular in healthcare and long term care in order to cope with the demographic changes characterizing the Region over the last few years.

The table below offers a detailed overview of the main measures implemented at the regional level within the Regional Development OP and their effects. However, it is to be borne in mind that the calls for projects within the Regional Development OP were launched in 2008 and, therefore, most of the projects are still ongoing. It is, thus, hard to analyse the projects' effects in terms of coping with demographic challenges in the Region. The focus will be on the expected outputs and results of the projects.

As will be detailed in the table below, the ERDF projects financed within the ERDF priorities managed at regional level are expected to intervene on the following demographic problems in Centru Region:

- scarce social infrastructure, inadequate to the needs of an ageing population;
- population ageing and its pressure on the healthcare system;
- high level of unemployment and continuous reduction in the number of jobs offered;
- high level of external migration towards the other EU MS, in particular of highly qualified young people.

Therefore, the main results of the projects financed within this priorities are:

- improvement of social infrastructure in the Region;
- increase in the quality of social services provided at both regional and local level;
- improvement of the regional and local healthcare and long term care infrastructure;
- improvement of education infrastructure;
- development of business support infrastructure.

In the context of an economic crisis and continuous reduction of national and regional resources, the ERDF OP allows for implementation of Regional Policy measures with potential positive demographic effects that otherwise could be further reduced.

**Table 6: Selected Measures in relation to demographic change**

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
1) Regional Development OP: priority axis 1 S Support for sustainable development of urban growth poles	Infrastructure and in particular social infrastructure and business support	Urban regeneration	<p>Integrated urban development plans include the development of integrated plans for growth poles (Brasov metropolitan area), for urban development poles (Sibiu and Targu Mures cities) and for the development of urban centres (all small cities with maximum 10,000 inhabitants). Integrated urban poles include interventions focusing on infrastructure development and business support. The main types of interventions implemented within the Plans are: rehabilitation of the urban infrastructure and improvement of urban services, including urban transport; development of sustainable business environment; rehabilitation of social infrastructure, including social housing and improvement of social services.</p> <p>In April 2013 the state of the art of the projects implemented within this priority axis:</p> <ul style="list-style-type: none"> <li>• <i>Brasov Growth Pole</i>: 20 projects financed within the Integrated Development Plan, which regard the development of urban infrastructure and social infrastructure, support for the creation of business incubators or centres, tourist development.</li> <li>• <i>Sibiu and Targu Mures Urban Development Growth Poles</i>: 10 projects financed within the two plans, which aim to develop the urban and social infrastructure and ensure conditions of safety.</li> <li>• <i>Urban Development Poles</i>: 4 Integrated urban development plans were approved and financed for the following cities: Alba Iulia, Miercurea Ciuc, Sfantu Gheorghe, Toplita. The plans include 18 projects for the development of urban and social infrastructure.</li> </ul>	Municipalities	148.61 million euro; 30% of the programme budget allocated to centru Region	Not all project outputs are likely to have effects in terms of coping with demographic changes in the Region. The project outputs that have potential demographic impact relate to the rehabilitation or construction of social infrastructure in all fields (healthcare, long term care, education, social inclusion) and support for the creation of new jobs by enhancing business development. From the demographic perspective, the results of the projects regard on the one hand improvement of the social infrastructure and provision of better services, in particular in a context of continuous population ageing and scarce social infrastructure, and on the other preventing migration from the region through the creation of new jobs and cultural infrastructure. Therefore, the main outputs expected are: creation and modernization of 3 social centres for old people; 1 building with 44 social houses; 1 social centre for youth rehabilitated; 1 social centre for rehabilitated disabled; 1 centre that provides social services to 24,000 people; 2 Centres for business, technological transfer and business incubator; rehabilitation of urban infrastructure in all cities targeted by the Urban Plans.
2) Regional Development Programme OP Priority axis 3 Improving social infrastructure	Social infrastructure and social services	Active ageing; education; depopulation	The main measures implemented within this priority axis are: rehabilitation, modernisation and equipping health service infrastructure; rehabilitation, modernization, development and equipping social service infrastructure; rehabilitation, modernization, development and	public institutions	74.30 million euro; 15, 4% of the total budget allocated to Centru Region within the	Even though the measures do not directly tackle the demographic issues identified at regional level, they have a potential positive impact on some of the problems raised by the demographic changes in the Region. Thus, in the context of a continuous population ageing, improvement of

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
			equipping pre-university, university education and continuous vocational training infrastructure. The axis is divided into three intervention fields: - <i>rehabilitation/modernization of the healthcare infrastructure</i> . Within this field 6 projects were financed, of which 2 are already finalized; - <i>rehabilitation/modernization of the social services infrastructure</i> . Within this field 22 projects were financed, among which 5 are already finalized; - <i>Rehabilitation/modernization and development of the pre-university, university and professional training infrastructure</i> . Within this field 24 projects were financed, among which 4 are already finalized.		programme	the healthcare and long term care infrastructure is essential to cope with the ageing problem and the pressure it exerts on the healthcare system. Moreover, improvement of the education infrastructure enables increase in the education level of youth in the region in the context of an increased external migration of young professionals (it is worth recalling that Centru region has the highest values of external migration). The main outputs expected are: 5 specialised healthcare centres; 1 regional hospital rehabilitated and equipped with modern infrastructure; 10 modernised residential centres for old people; 1 renewed and equipped multifunctional centre for youth, 1 kindergarten and 2 houses for children; 3 neuropsychological centres renewed and equipped; 2 hospitals modernised; 1 modernised centre for abandoned children; 40 ambulances equipped; 26 schools and universities equipped.
3) Regional Development Programme OP Priority 4 Strengthening the regional and local business environment	Business support infrastructure	Migration, depopulation	<b>Strengthening the regional and local business environment</b> aims to set up and develop business support structures of regional and local importance, rehabilitate industrial sites and support regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.	Private firms	59.55 million euro; 12.3% of the total budget allocated to Centru region within the programme	The measure aims to strengthen the business environment in Centru region and to create new jobs. This should in turn keep people in the Region and reduce the external migration trends. Currently, 7 projects have been financed, of which one has been closed. The main outputs to be achieved within the measure are: 5 business centres, 1 business incubator, 1 logistics park and 800 new jobs to be created by the firms making part of the incubator/business centre.

**Source:** elaboration on documents listed in the bibliography.

## 4. THE GOOD PRACTICE EXAMPLE

One of the projects considered to be an innovative practice tackling issues related to demographic changes in the region consists in the creation of social and medical services at home for elderly/dependent people.

As stated at the beginning of the report, Centru region is confronted with a continuous ageing of the population (the old dependency rate passed from 17.7% in 2000 to 20.1% in 2011). Moreover demographic projections foresee a continuous increase in the population aged over 65 years old (+70,8% increase by 2050 compared to the 2010 values versus a -50% decrease of people aged 0-14 years old by 2050 compared to the 2010 values).

In this context, the project ***Social and medical services at home for elderly/dependent people*** aims at:

- increasing the quality of life for elderly people;
- providing assistance for elderly dependent people;
- providing the elderly with medical and social services.

In particular, the project includes the following measures:

- creation of an assistance centre in Mures county;
- provision of home assistance services.

Social and medical services provided at home regard in particular: hygiene services, feeding, assistance in getting dressed or undressed, support for mobility, communication, health monitoring, kinetotherapy, physiotherapy, kinaesthetics.

The project implementation started in 2007. The project is led by Caritas (lead partners) and is implemented in the collaboration with Mures County Council, General Direction for Social Assistance and Child Protection - Contracting Authority, Ministry of Labour, Family and Social Protection. Both local institutions (Mures county and the local councils) and national ones (Ministry of Labour, Family and Social Protection) play an important role from the financial point of view.

The main innovative elements that characterize this project and make it a good practice are:

- actors' integration: strong and long term collaboration between the public institutions;
- fund integration: PHARE funds, Structural Funds, regional and local financial resources; sponsorships/donations. In fact, the project was originally financed through PHARE funds and afterwards through Structural Funds (ERDF and ESF). Moreover the programme benefits from the financial contribution of the County councils and the sponsorships and donations granted to Caritas (lead partner). It also uses the funds from the social state insurance system.
- integration between programmes and measures: the programme includes both infrastructure rehabilitation measures and measures for the provision of social

services. Moreover, the programme is complementary to another Caritas programme, financed by the Ministry of Labour, Family and Social Protection, aiming at training social assistants to provide the services offered by the programme.

## 5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD

Inclusion of a demographic perspective in the cohesion policies at the regional level will depend not only on the political will to take this perspective into consideration in the policy design phase, but also on the level of decisional autonomy of the region. As mentioned previously in the report, in Romania only a small part of the Structural Funds is managed at the regional level by the Agencies for Regional development. Moreover, even when the funds are managed at the regional level their priorities are decided at the national level within the national OP framework. According to the interviews, the national OPs reflect the needs of all Romanian regions and do not take into consideration the specific features or needs of the single region. Currently, in Romania there is debate on the creation of Regions as a new administrative level. The objectives and priorities of the 2014-2020 cohesion policies will mostly depend upon the decisions to be taken on the creation of regions. Should regions be created, they will have real decision-making power in establishing the focus of the cohesion policies.

As specified previously in the report, the Agency for Regional Development (in charge of some of the ERDF funds) could only act within the framework established in the national OP. Moreover, the agency has an overview only of those projects it manages and not of all the Structural Funds used in the Region. Therefore, the agency does not have a complete picture of how the projects implemented within the cohesion policy framework impact upon the demographic problems in the Region. This limits its capacity to give indications to regional or local actors on how to improve the contribution of cohesion policy to addressing demographic changes in the region or directly intervening on this issue.

In view of transition from a national programming period (2007-2013) to a regional one (2014-2020), some recommendations on how to include the demographic perspective in the regional cohesion policies of Centru Region were formulated within the DART project:

### 1. In the *healthcare and long term care sector*:

- Supporting dynamic health systems and new technologies;
- Developing new housing solutions for elderly;
- Promoting a healthy lifestyle from the earliest years of life;
- Modernising the existing health centres, in particular in rural areas, to adapt them to the needs of an ageing population;
- Developing innovative long-term care policies.

### 2. In the *social services field*:

- Providing for custom-oriented, flexibly responsive and economically sustainable social services in the rural areas most affected by population ageing and population decline;
- Fighting negative stereotypes related to declining rural areas;
- Promoting employment of young people and sustaining the development of innovative companies, also in rural areas;

- Building up partnerships and networking cooperation schemes, fostering self-supporting capacity, citizen participation and community solidarity.

**3. In the life-long learning, education and job market fields:**

- Implementing life-long training schemes adapted to the demographic changes in the region and their impact on the labour market;
- Ensuring a good quality of education, in particular in the rural areas;
- Intensifying networking and mutual learning in education throughout the areas mostly affected by demographic change (in particular the rural areas);
- Developing regional early-warning forecasting systems to improve matching of skills and supply;
- Developing family policies and parental support services.

**4. In the traditional and innovative economy field:**

- Promoting on-the-job training;
- Supporting internationalisation of small and medium enterprises in the region and mobility for the regional workforce;
- Enhancing the development of high quality infrastructure – especially broadband, childcare facilities, etc – as it is a locational factor for entrepreneurial investment and/or for young people to decide to remain in the region;
- Supporting the development of active ageing and health management in enterprises policies, which are new to Romania;
- Supporting work-life balance policies;
- Supporting entrepreneurship development policies especially among young/starting entrepreneurs, senior entrepreneurs, women and Roma people, in the form of cooperatives in rural areas;
- Development of the tourist potential, especially in rural areas.

**5. Transversal measures:**

- Evidence-based policies: designing cohesion policies by taking into consideration the demographic changes that have occurred in the region. Therefore a small-scale dataset of demographic indicators should be developed and continuously updated at the regional level.
- Promoting on-going exchanges of experience concerning demographic changes at the regional and national level.

Some of these recommendations have already been internalized in the priorities envisaged for the 2014-2020 Centru region cohesion policy. The table below offers an overview of the measures most relevant from the demographic perspective.

**Table 7: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

2014-2020 Regional Policy	Presence of elements related to demographic change	Comments and examples
<p><b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis is based on an update of the studies undertaken in the DART project and includes elements related to demographic change: population level and projections in the programming period; education level of the population and differences from the past; age of the workforce and situation of the labour market disaggregated by age category and sex, etc. All analyses are undertaken in a comparative perspective at both macro (regional) and micro (towns) level.</p>	
<p><b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>Most of the recommendations envisaged within the DART project have been internalized within the 2014-2020 regional programming. Thus, the main objectives including a demographic perspective are:</p> <ul style="list-style-type: none"> <li>• Promoting integrated development of urban areas faced with population decline and economic restructuring through integrated urban regeneration and social inclusion measures;</li> <li>• Supporting economic development and creation of innovative businesses in the region;</li> <li>• Enhancing the development of rural areas deeply affected by population decline and economic difficulties;</li> <li>• Supporting the development of tourism, in particular in rural areas;</li> <li>• Supporting the development of human resources and social inclusion</li> </ul>	<p>The strategy could have positive effects on some of the demographic problems facing the region: population decline, in particular in rural areas and small towns; large-scale external migration in particular of youth; active ageing; ageing workforce.</p>
<p><b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges</p>	<p>The main measures that tackle issues related to the demographic problems of the region are:</p> <ul style="list-style-type: none"> <li>• Development of human resources through extension, diversification and increase in the quality of education services, with particular focus on education services in rural areas;</li> <li>• Development of human resources through diversification of and increase in the quality of healthcare services;</li> <li>• Support in the development of highly innovative and qualitative social services in rural areas and for vulnerable groups;</li> <li>• Development of projects and programmes that support labour market inclusion for youth and long term unemployed persons;</li> <li>• Facilitating access to education and training of marginalized communities, and in particular of the Roma population;</li> <li>• Promoting gender equality in all social and labour market policies;</li> <li>• <b>Combating the effects of demographic changes (priority axis)</b> which includes the following priority measures: <ul style="list-style-type: none"> <li>✓ promoting birth policies through the creation of social programmes addressing families and children;</li> <li>✓ developing programmes that support young families;</li> <li>✓ reducing external migration and within the region from rural to urban areas through enhancing the development of businesses and innovative services;</li> <li>✓ developing policies for return to home of migrants’;</li> <li>✓ financial support for other initiatives and projects that tackle demographic issues.</li> </ul> </li> <li>• support in modernising agricultural activities through the upgrading of farms, and development of services and logistics in this field;</li> </ul>	<p>The programme includes a specific measure aiming at tackling the above mentioned demographic changes in the region.</p>

2014-2020 Regional Policy	Presence of elements related to demographic change	Comments and examples
	<ul style="list-style-type: none"> <li>• support in enhancing the economic attractiveness of the rural areas and diversification of economic activities in these areas;</li> <li>• rehabilitating the building infrastructure in rural areas;</li> <li>• support in the development and internationalisation of innovative small and medium enterprises;</li> <li>• support in the economic development of areas affected by radical economic restructuring of some sectors in decline;</li> <li>• support in the development of business infrastructure, business clusters and business networks;</li> <li>• support in the creation of innovation incubators and start-ups;</li> <li>• support in the modernization of education infrastructure and life-long learning programmes;</li> <li>• support in urban regeneration.</li> </ul>	
<p><b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation indicators and activities</p>	<p>A set of demographic indicators was developed within the DART programme. The Agency for Regional Development of Centru Region is in charge of its management and continuous update.</p>	

**Source:** Elaboration based on 2014-2020 draft programming documents.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

Economic and demographic changes have profoundly influenced the economic and social structure of the region since 1989. Centru region is characterised by steady demographic decline, a high level of migration to EU countries, in particular of youth, and of migration from rural to urban areas, population ageing and reduction in the birth rates. These phenomena are even more accentuated in the rural areas and projections realised at both the national and regional level foresee a worsening of the demographic decline in the coming years. Moreover, the region has been greatly affected by the global economic crisis. The difficult economic situation combined with the negative demographic forecasts, including population decrease and ageing, will cause further imbalances on the labour market and higher costs for the social insurance system, which in turn impact negatively on the social and economic situation in the Region.

In this context, the main measures implemented within the 2007-2013 cohesion policy framework were:

- formulation of Integrated urban development plans including integrated plans for growth poles (Brasov metropolitan area), for urban development poles (Sibiu and Targu Mures cities) and for the development of urban centres (all small towns with maximum 10,000 inhabitants);
- rehabilitation/modernization of healthcare infrastructure, of social services infrastructure and of the pre-university, university and professional training infrastructure;
- establishment and development of business support structures of regional and local importance, rehabilitation of industrial sites and support for regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.

Nearly 100 projects have been implemented within these measures. It is difficult to evaluate their results in terms of tackling demographic problems in the region as almost all the projects are still ongoing. Furthermore, the Agency for Regional Development lacks a complete picture of all the Structural Funds implemented in the region as it is in charge of only some of the ERDF measures, while all the other ERDF measures and other Structural Funds are managed at the national level and disaggregated data by region are not always available. For instance, the ESF annual implementation reports and evaluation include an analysis of the overall results of the projects implemented at the national level, without disaggregating information on projects and their results at the regional level.

However, the projects implemented within the ERDF measures managed by the Agency for Regional Development of Centru region are expected to impact positively on two major demographic issues in Centru region: population ageing (addressed with improvement of healthcare and long-term care infrastructure and services, and keeping people over 50 in the labour market); increased external migration and migration from rural to urban areas (through the promotion of programmes for the employment of young people and support of business development, and through the improvement of social services and healthcare infrastructure in the rural areas).

One of the most significant results from the demographic perspective regards the development of recommendations for local and regional politicians on how to include the regional perspective in the 2014-2020 cohesion policies, within the DART programme, and the development of specific regional priority measures tackling demographic issues to be financed within the 2014-2020 cohesion policy (a specific priority dedicated to tackling demographic changes; almost all recommendations developed within DART programme were taken into consideration in the design of the new programming documents). The programming documents are under development and may undergo changes. Moreover the concrete implementation of these measures depends on implementation of the administrative reform in Romania that provides for the creation of regions with autonomous decision-making powers. In this case, the Region itself will be responsible for cohesion policy design and implementation.

## ANNEXES

### a) *List of interviews/visits*

- Vasile Ghetau, Professor, Faculty of Sociology, University of Bucharest, ROMANIA and Director, Demographic Research Centre of the Romanian Academy
- SIMION Cretu and Ovidia Caba Agentia de Dezvoltare Regionala Centru.

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**c) Good practice fiche**

Dimension of demographic change addressed	Population ageing
Country/region	Romania/Centru Region
Name/title of practice	<b>Social and medical services at home for elderly/dependent people</b>
Period of implementation	Since 2007
Contact information	Simion Cretu, ADR Centru
Brief description of the activities implemented	Social and medical services at home: hygiene services, feeding, assistance in getting dressed or undressed, support for mobility, communication, health monitoring, kinetotherapy, physiotherapy, kinaesthetics.
Main partners/stakeholders involved	Mures County Council, General Direction for Social Assistance and Child Protection - Contracting Authority, Alba Iulia Caritas Organization - Social and Medical Services Provider
Territorial coverage	The project is implemented in 4 of the 8 Romanian regions, among which also Centru region. In Centru Region the programme is implemented in the rural areas, which are usually isolated mountain areas.
Funding (total and funding on Cohesion policy)	The project was originally financed through PHARE funds and afterwards through Structural Funds (ERDF and ESF) Moreover the programme benefits from the financial contribution of the County councils and the sponsorships and donations granted to Caritas (lead partner). It also uses the funds from the social state insurance system.
Main goals and objectives	As a consequence of the ageing process, the number of old people with various chronic diseases who lack regular access to primary medical services has increased significantly over the last few years. Their families can't take care of them properly and many old people are poorly serviced with medical care. Thus, the main objectives of the project are: <ul style="list-style-type: none"> <li>• enhancing the quality of life for elderly people;</li> <li>• assistance for elderly dependent people;</li> <li>• providing elderly people with medical and social services.</li> </ul>
Main target groups	3240 persons aged over 60 with various chronic diseases who need assistance from other persons.
Main measures and outcome	The main measures implemented within the programme regard: <ul style="list-style-type: none"> <li>- creation of an assistance centre in Mures county;</li> <li>- provision of home assistance services.</li> </ul> Within the programme 3240 elderly persons living in rural areas of Mures County benefited from personal assistance at home. In comparison with the previous conditions experienced by the beneficiaries, the programme contributed to improving the social and physical situation of the elderly dependent people and increased the capacity of families with very old members to respond to difficulties encountered.
Implementation features	Project implementation started in 2007. The project is led by Caritas (one of the major non-profit

	<p>organisations in Romania) and has been implemented in collaboration with Mures County Council, General Administration for Social Assistance and Child Protection - Contracting Authority, Ministry of Labour, Family and Social Protection.</p> <p>Mures county and the local councils play an important role from the financial point of view. Moreover, the Ministry provides considerable resources for the social assistance services.</p>
Main obstacles/weaknesses and how they have been addressed	The interviews revealed no significant obstacles
Main strengths	<ul style="list-style-type: none"> <li>• actors' integration: strong and long term collaboration between the public institutions;</li> <li>• fund integration: PHARE funds, Structural Funds, regional and local financial resources; sponsorships/donations;</li> <li>• integration between programmes and measures: the programme includes both infrastructure rehabilitation measures and measures for the provision of social services. Moreover, the programme is complementary to another Caritas programme, financed by the Ministry of Labour, Family and Social Protection, aiming at training social assistants to provide the services offered by the programme.</li> </ul>
Main innovative elements	All above elements
Transferability	<p>The project was initially implemented in Alba Iulia county and then extended to Mures county and other Regions of Romania.</p> <p>One of the elements to be considered in the project transfer regards the collaboration between the regional and local authorities and social actors on the territory. Moreover, particular attention should be paid to the level of qualification of the professionals providing the home assistance services as well as the programme communication.</p>
Main lessons learnt	<p>Some of the main success factors are:</p> <ul style="list-style-type: none"> <li>- collaboration between the relevant actors in long-term care and the local actors;</li> <li>- availability of adequate structures and professionals at the local level;</li> <li>- multiple funding from various financial resources, which ensures sustainability of the programme over time;</li> <li>- multiple measures: integration between physical measures, training and social services.</li> </ul>
Sources of information	<p>Interviews to Agentia de Dezvoltare Regionala Centru</p> <p>Reports: Caritas, Raportul anual de activitati Caritas, 2008, <a href="http://www.caritas-ab.ro/?page_id=1829">http://www.caritas-ab.ro/?page_id=1829</a>; Caritas, Raportul anual de activitati Caritas, 2009, <a href="http://www.caritas-ab.ro/?page_id=1829">http://www.caritas-ab.ro/?page_id=1829</a></p>



**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
CASTILLA LA MANCHA - SPAIN**



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## LIST OF ABBREVIATIONS

<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>EU27</b>	European Union of 27 Member States
<b>GDP</b>	Gross Domestic Product
<b>GERD</b>	Gross domestic expenditure on R & D
<b>HRST</b>	Human resources in science and technology
<b>HTC</b>	High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
<b>ICT</b>	Information and Communications Technology
<b>ISCED</b>	International Standard Classification of Education
<b>NRP</b>	National Reform Programme
<b>NSRF</b>	National Strategic Reference Framework
<b>NUTS</b>	Nomenclature des unités territoriales statistiques
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PRAECLM</b>	Plan para la Reducción del Abandono Escolar y la Reincorporación al Sistema de Educación y Formación de Castilla La Mancha
<b>RIS</b>	Regional Innovation System
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, and Threats (Analysis)

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## INTRODUCTION AND MAIN FINDINGS

This report presents the regional case study of Castilla La Mancha. The key demographic challenges of the region and the relative policies tackling them have been analysed to draw lessons. The main issue is related to population decline owing to strong youth unemployment, as a consequence of difficulties accessing the labour market and early school leaving phenomenon.

In particular, the effectiveness of Structural Funds in tackling these issues have been assessed. The scope of the analysis comprises both ESF and ERDF Operational Programmes covering the period 2007-2013.

The analysis shows that:

- Adaptation to demographic change is a key challenge in Castilla La Mancha. The occurrence of the crisis has magnified the structural vulnerability of a low qualified workforce. The main problem is related to high unemployment, especially with reference to youths, the group most affected by the crisis. This unemployment has reverted the previous positive population trend, which is now declining. This challenge is addressed by the Regional Policy for labour, which is mainly implemented through the European Social Fund. The ESF strategy was initially focused on reconciliation of work with family. However, after the crisis, combating youth unemployment became the first priority.
- The analysis of the effectiveness of 2007-2013 Cohesion Policy in addressing the demographic challenges of Castilla La Mancha is positive, but with margins for improvement. In particular, the current performance of the measures aimed at improving competences and professional qualifications is lower than expected. However, in light of the new financial resources allocated, these measures have a high potential for being effective in the long term.
- The main limitation of the Cohesion Policy's contribution lies in its administrative requirements which discourage the adoption of the most complex and innovative interventions, also required to tackle the population decline challenge. It is therefore necessary to simplify the procedures for expenditure compliance.
- For the next programming period, the rationale of the Regional Policy for labour will rely on a thematic concentration of objectives, strictly linked with Europe 2020 strategy. The policy will focus on a lower number of priorities so as to increase effectiveness and added value.



## **1. REGIONAL CONTEXT**

### **1.1 General socio-economic context and impact of the crisis**

The economy of Castilla La Mancha is predominantly dominated by agriculture, which still constitutes about 10% of the regional GDP. Industrial production is, on the contrary, traditionally poor, owing to low population density and shortage of qualified workers. The only remarkable example is given by the processing of agricultural and food goods, which is the leading productive sector. Major exported goods are wine and olive oil. The service sector is also less developed than the Spanish average, albeit it employs more than half of the workforce.

In the recent years, tourism has been increasingly important, with the growth of agri-tourism in the form of *casas rurales* (similar to Bed & Breakfasts), and the establishment of the *Ruta de Don Quijote*, a tourism campaign based on the locations mentioned in the famous novel by Cervantes. In this field, there has been a great deal of growth, with Castilla La Mancha becoming in the last decades one of the principal tourist destinations in the Spanish interior. During 2006, for instance, the region had more than 2 million tourists (3% increase with respect to the previous year) for a total of 3,500,000 overnight hotel stays. Rural tourism also increased by 14% in overnight stays in a single year.

A dynamic economy featured the beginning of the third millennium in Castilla La Mancha, as witnessed by increasing population, significant reduction of unemployment rate up to 7% in 2007 and a steadily growing GDP around 3% per year (see Table 1 for details). In this scenario, the programming of 2007-13 Cohesion Policy assistance for Castilla La Mancha took place.

Positive economic growth was, however, more the result of a globally favourable trend than of structural mechanism underpinning real growth. As a matter of fact, this scenario dramatically changed with the occurrence of the financial and economic crisis.

Highly dispersed population, lack of a dense business fabric, undersized industrial enterprises, little specialization of labour and little investment in R&D were factors that contributed to reverse the positive trend and hinder, today, the expectations for the next future. From about 7%, unemployment rapidly grew up to 30%. Of these, about 50% are youths less than 25 years old. Today, employment represents the major structural challenge in Castilla La Mancha, to which all recent relevant public policies have been oriented. Major problems are faced in urban areas, where pockets of deprivation remain a very urgent challenge.

It is in this, substantially modified, scenario that closure of Cohesion Policy programmes is taking place.

**Table 1: Key socioeconomic figures**

	Castilla la Mancha				National Average				EU27 Average			
	2000	2005	2011	%	2000	2005	2011	%	2000	2005	2011	%
<b>GDP Per capita</b> (EUR/hab, current market prices)	12,300	16,400	18,500	50.4	15,600	21,000	22,800	46.2	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	25,244	33,559	39,950	58.3	745,913	995,106	1,112,883	49.2	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	3.2	3.0	-3.5	-6.7	5.0	3.6	-3.7	-8.7	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	55.2	61.4	56	0.8	56.3	63.3	57.7	1.4	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	63.19	67.66	72.68	9.49	65.4	69.71	73.73	8.33	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	12.6	9.2	22.9	10.3	13.9	9.2	21.6	7.7	9.0	8.9	9.6	0.6
<b>At – risk of poverty rate</b>		29.6	31.7			19.7	21.8			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	15.5	20.3	25.2	9.7	22.7	28.2	31.6	8.9	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)	0.56	0.41	0.63	0.07	0.91	1.12	1.33	0.42	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	23.1	27.6	32.2	9.1	31.3	36.5	38.8	7.5	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	1.68	1.77	2.16	0.48	2.9	3.18	3.23	0.33	4.48	4.37	4.4	-0.08

Source: Eurostat.

Note: GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; Total intramural expenditure at NUTS2 level in 2005 and 2011 are valued (respectively) with 2006 and 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data

## 1.2 Overview of the main demographic challenges in the region

After the negative trend of the 1990s, the population of Castilla La Mancha restarted to grow mainly because of two factors. On the one hand, a net positive immigration from foreign countries, especially Morocco and Romania. On the other, a favourable exchange with Madrid citizens, especially youths, who moved to Castilla La Mancha thanks to the opportunities offered in the agricultural and construction sectors.

In a context where finding jobs for unskilled workers was relatively easy, the phenomenon of the early school leaving grew steadily.

Youths less than 25 years old accounted for 566,544 people in 2012, which is to say about 27% of the total regional population, above the national average of 25%. Of these, about 30% in the age 16-19 (especially men) have left school to access the labour market especially construction and/or agriculture. Early school leaving rate in Castilla La Mancha is therefore larger than both the national (25.5%) and EU (14.1%) averages.

This generated a potential for labour, which was large in quantity, but also highly vulnerable, since it consisted of young people with very low professional qualification. As calculated by the OECD<sup>1</sup>, between 30% and 40% of the people who leave school early (i.e. before completing a secondary education) are at risk of social exclusion and face structural problems in getting a long term employment. In fact, this is exactly what happened in Castilla La Mancha.

The financial and economic crisis reverted the positive trend on regional growth and employment and came home to roost especially on the youths themselves, who rapidly became "a problem": unemployed and with scarce opportunities to find another job.

All socio-economic indicators for Castilla La Mancha report a negative performance after the crisis (see Table 2), but the situation appears particularly problematic for the youths, the group most affected by the crisis.

The unemployment rate for people less than 25 years old shifted from 18.2% in 2007 to 47.7% in 2011, more than doubling the EU average of 21.4%. Of these, 77.3% hold only primary or lower secondary education<sup>2</sup>, while less than 6% have a tertiary education<sup>3</sup> (see Figure 1). Accordingly, the share of youths having a job dropped off from 41.6% to 22.3%.

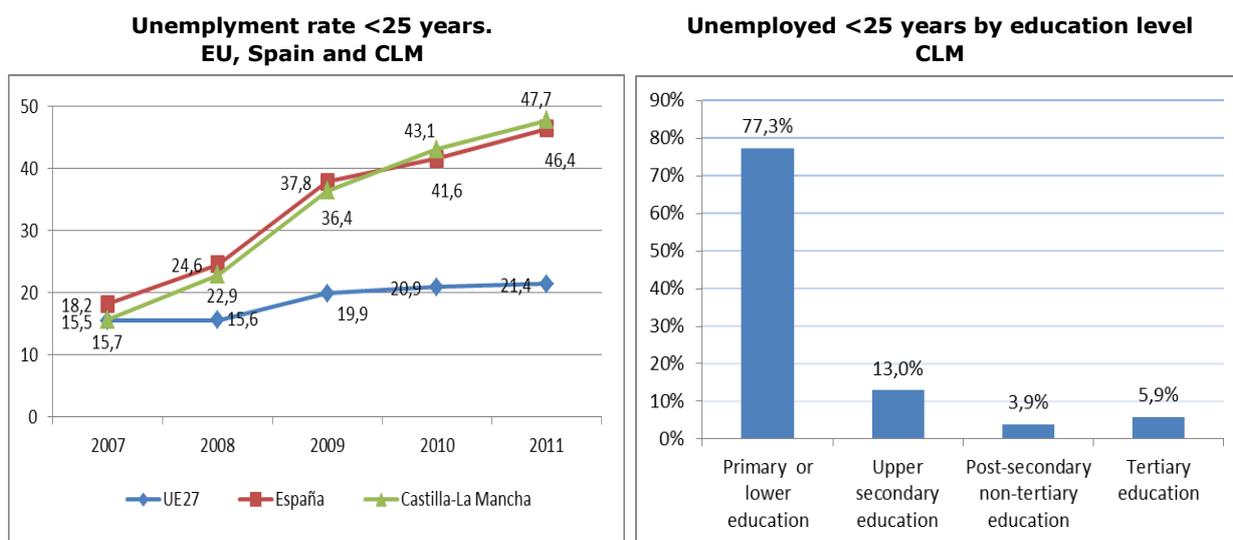
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<sup>1</sup> European Union – Country Note – Education at a Glance 2012: OECD Indicators

<sup>2</sup> ISCED codes 1 and 2.

<sup>3</sup> ISCED codes 5 and 6.

**Figure 1: Youth unemployment in Castilla La Mancha, 2011**



**Source:** D.G. de Desarrollo de Estrategía Económica y Asuntos Europeos (2013).

Unemployment is often accompanied by social exclusion, poverty and depopulation, all issues which come back at stake quickly. Today, after years of positive trend, the most recent projections (2012) on the population of Castilla La Mancha are again negative<sup>4</sup>. In 2022 it is expected to go back to the pre-crisis level (year 2008) meaning a progressive shrink of the labour potential. This is the key demographic challenge Castilla La Mancha is facing.

The situation emerging from the crisis has generated a significant increase of demand for education and vocational services, as a result of a massive pool of unemployed and low qualified people. How to manage increased demand for education, return to school and facilitation to labour access is now the urgent challenge of the regional political agenda, whose strategies are described in the following sections.

<sup>4</sup> Instituto Nacional de Estadística (National Institute of Statistics).

**Table 2: Key figures on demographic change**

Indicator	Castilla La Mancha				National Average				EU27 Average			
	2000	2005	2011	%	2000	2005	2011	%	2000	2005	2011	%
Crude rate of population natural increase	0.1	0.5	2.2	2.1	10.6	16.6	0.9	-9.7	2.9	4.2	2.5	-0.4
Crude rate of net migration	6.6	18.6	3.3	-3.3	9.7	14.8	-0.9	-10.6	2.3	3.6	1.7	-0.6
Old age dependency ratio	30.4	29.0	26.4	-4.1	24.5	24.4	25.2	0.7	23.22	24.66	26.22	3.0
Total fertility rate	1.3	1.3	1.4	0.15	1.2	1.3	1.4	0.13		1.51	1.59	
Population density		23.6	25.9		79.6	85.8	91.8	12.2	112.3	114.3	116.6	4.3
Prevalence of urban or rural population			PR									
Long-term care available beds in nursing and residential care facilities		239.3	1208.7			317.1	533.8					
Hospital beds	286.7	260.6	258.1	-28.6	367.8	336.1	315.7	-52.1	640.1	584.1	538.2	-101.9
Formal childcare (national and EU level)						14.0	18.0				14	
Total health care expenditure as a percentage of GDP (national level)						8.3	9.5					
Total long-term care health care expenditure as a percentage of GDP (national level)						0.7	0.8					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates in 2011 are valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

### 1.3 The national and Regional Policy approaches in addressing demographic change

The challenge of the population decline in Castilla La Mancha is addressed by the Regional Labour Policy, which is implemented by Consejería de Empleo y Economía (*Council for Labour and Economy*), acting also as Managing Authority for the European Social Fund.

The mission of the Regional Labour Policy does not explicitly mention adaptation to demographic change and reversion of the negative population trend as targets. However, it addresses issues such as youth employment, access to labour and protection of the most vulnerable groups, which, in turn, shall impact the demographic dimension.

According to the interviewees, the policy implemented with the European Social Fund is the main operational tool adopted by the regional strategy for labour. Thus, the scope left for other, national- or regional-based, policies is quite limited. The approach adopted by the regional government, however, is that of using the European Social Fund for the relatively easiest types of intervention, given the administrative burden required by certifying ESF expenditure. Interventions whose certification is more complex (although limited in terms of number and financial volume), are, on the contrary, preferably implemented using the regional budget. In this way, the risk of stopping or delaying implementation because of compliance with financial and administrative issues is mitigated.

Looking at these initiatives, the main regional, not ESF-funded strategy is the Plan de Choque (*Plan of Crash*). The Plan aims at mitigating the effects of long-term unemployment and facilitating access to labour. Final beneficiaries are long-term unemployed people, not necessarily youths, who can benefit from short-term job contracts and/or education and career orientation services. The Plan is implemented by the municipalities, which manage both the public procurement and aid delivery processes. They also implement information and sensitisation campaigns and hire career advisers and school counsellors to facilitate studying and employment choices (Table 3).

At national level, the main long lasting policy affecting the population challenge in Castilla La Mancha is the one on the Sustainable Development of the Rural Environment<sup>5</sup>. This policy regulates and establishes basic measures to favour rural economic, social and environmental development to improve quality of life for the inhabitants of the rural environments of Spain whilst promoting protection and appropriate use of ecosystems and natural resources. Given its predominantly rural character, the policy suits particularly Castilla La Mancha requirements of keeping people in the fields, avoiding migration as much as possible. The policy provides incentives and fiscal facilitations to inhabitants of rural areas to promote their businesses in the agriculture sector.

**Table 3: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention	Brief description	Level of responsibility
Plan de Choque	Welfare and labour market	Financial assistance to municipalities to implement activities to mitigate unemployment effects, including: <ul style="list-style-type: none"> <li>- Job recruitment for short terms (six months) contracts</li> <li>- School and career advisory</li> <li>- Information and sensitization campaigns</li> </ul>	Municipality
Sustainable Development of the Rural Environment	Legislation for the sustainable development of rural areas.	Incentives and fiscal facilitations to inhabitants of rural areas to promote business in agriculture.	National

Source: <http://empleoyformacion.iccm.es>.

<sup>5</sup> Law n. 45/2007.

## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

As mentioned above, the main demographic challenge in Castilla La Mancha is related to population decline as a consequence of youth unemployment. This requires Regional Public Policies to meet an increased demand for educational and vocational services from those who left school early, as well as to facilitate access to the labour market.

This, however, was not a priority at the time the Structural Funds Operational Programmes were designed.

At that time, in 2007, unemployment was not an issue. Accordingly, both ESF and ERDF Programmes were focussed along other priorities, as described below.

### European Social Fund strategy

The 2007-2013 ESF OP for Castilla La Mancha was designed along the priority theme of reconciling work and family. The main objective was that of improving citizens' quality of life. This had to be achieved thanks to a strategy aimed at:

- Improving the adaptability of workers, companies and employers and promoting entrepreneurship to boost competitiveness, increase productivity and enhance quality.
- Attracting more people to the labour market, making employment a more real option for all, promoting employability, social inclusion and equality of opportunities between men and women, particularly promoting the social and labour integration of youth, long-term unemployed, immigrants, people with disabilities and people at risk of exclusion.
- Increasing and improving human capital through better education and the acquisition of skills, particularly promoting the dissemination of practical ICT knowledge, and reducing school dropout rates.

Although the ESF strategy does not mention demographic change explicitly, nevertheless, it is all oriented to resolve issues that stem from an analysis of the people's needs, as defined by the demography of the region. Thus, a link between ESF strategic programming and demographic challenges (relevant at that time) exists.

That said, it is possible to further identify some policy areas where this link is more evident than others, as for instance under Priority Axis 2 "*Promoting employability, social inclusion and equal opportunities between men and women*" and Axis 3 "*Increasing and improving human capital*". The interventions implemented under these two Axes can be summarised in:

- Reducing unemployment amongst youth, women, under-qualified people, immigrants, ethnic minorities and older persons, as well as other groups identified in the joint strategy report for social protection and social inclusion.
- Increasing regional activity and employment rates, especially amongst vulnerable groups.

- Designing and implementing instruments and new ways of working that help balance professional and personal life; encouraging equal opportunities as a way for women to access, continue in and reintegrate into the labour market.
- Developing an educational offer that meets the specific needs of the productive system and the regional labour market, as well as the employability of individuals from groups that have more difficulties accessing the labour market or keeping jobs.
- Designing and implementing instruments aimed at anticipating changes in the productive system and the labour market.
- Promoting the development of the vocational training system taking into account labour market requirements, and more particularly in relation to training throughout the working life, so that lifelong learning opportunities become a reality.

Narrowing the scope of the analysis, the following measures can be picked up as directly tackling demographic change-related challenges:

- **Measure 2.69:** Guaranteeing access to, better sustainable participation in, and women's involvement in the labour market, in order to reduce gender inequalities in the labour market, and strike a balance between work and family, including facilitating access to children and dependent relatives care programmes.
- **Measure 2.70:** Implementing specific measures aimed at increasing the participation of migrant workers in the market, thus consolidating their integration in society.
- **Measure 2.71:** Promoting the involvement of people with disabilities in the labour market; fighting against discrimination to be able to access the labour market and encourage career advancement; and promoting diversity at the workplace.<sup>6</sup>
- **Measure 3.73:** Implementing measures intended to increase participation in lifelong learning initiatives in an attempt to decrease school dropout rates and gender-oriented approaches to different subjects; to encourage access to education; and to improve the quality of basic, higher and vocational education programmes.<sup>7</sup>

All these Measures address some identified demographic challenges, ranging from work-life balance to equal opportunities, from immigration to professional qualification of youths. The most relevant one, especially in financial terms, is Measure 2.69, which accounts for 11% of the programme's total and consists of financial aid to firms and individuals to facilitate the work-life balance. For example, assistance to bear the costs related to maternity replacements, infant school attendance, minor and disability care services, etc. This measure is somehow representative of the whole ESF strategy about reconciling work with family.

From the analysis of the aforementioned measures it is possible to say that ESF does address demographic change issues directly.

Table 4 below reviews the link between ESF strategic programming and demographic change.

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<sup>6</sup> This Measure is implemented in complementarity with the provisions of the Multi-regional Programme « Lucha contra la Discriminación » (*Combating Discrimination*).

<sup>7</sup> This Measure is the main operative tool endorsed in the Plan para la Reducción del Abandono Escolar y la Reincorporación al Sistema de Educación y Formación de Castilla La Mancha (PRAECLM, 2010).

**Table 4: Review of ESF strategies on demographic issues**

ESF PROGRAMME	Brief description	Comments and examples
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis of the programme is structured along the following issues:</p> <ul style="list-style-type: none"> <li>- Analysis of the regional entrepreneurship</li> <li>- Analysis of the labour market</li> <li>- Analysis of the educational system and population's level of qualification</li> <li>- Analysis of the equal opportunities principle's degree of implementation</li> <li>- SWOT analysis</li> </ul>	<p>The context analysis is well elaborated and presents all necessary information to understand the demographic challenges of the region.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>General objectives:</p> <ul style="list-style-type: none"> <li>- Making the entrepreneurial structure of Castilla La Mancha more dynamic.</li> <li>- Promoting higher activity and occupation rates amongst the social groups that find it more difficult to join the productive market, especially women; improving the quality and stability of jobs by reducing seasonal jobs, and preventing and reducing school dropout rates.</li> <li>- Promoting the social and business use of ICT and the creation of back-up and advanced service networks in the field of R&amp;D for SMEs</li> </ul>	<p>The general objectives of the programmes do not explicitly mention elements for adaptation of the region to demographic change. However, the entire ESF strategy is oriented to coping with needs identified from an analysis of the demographic status and trend of Castilla La Mancha.</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional "ordinary" policies)</p>	<ul style="list-style-type: none"> <li>- 2.69 Guaranteeing access to, better sustainable participation in, and women's involvement in the labour market.</li> <li>- 2.70 Implementing specific measures aimed at increasing the participation of migrant workers in the market, thus consolidating their integration in society</li> <li>- 2.71 Promoting the involvement of people with disabilities in the labour market; fighting against discrimination to be able to access the labour market and encourage career advancement; and promoting diversity at the workplace.</li> </ul>	<p>These measures are the ones more directly related to demographic change issues. Overall, they are designed to reconciling work with family.</p>

Source: Eurostat.

## European Regional Development Fund strategy

The 2007-2013 ERDF OP for Castilla La Mancha was designed along the main priority theme of increasing labour productivity and boosting economic development.

According to the revised Lisbon Strategy, the National Reform Programme (NRP), the National Strategic Reference Framework (NSRF), and the Regional Strategic Framework of Castilla-La Mancha, the strategy for ERDF was structured across the following priority areas:

- Fostering real convergence by improving and optimizing transport and business networks, as well as by promoting the internationalization of the economy and the adaptability of enterprises to changes in the environment.
- Encouraging innovation and the knowledge economy by promoting R&D, the Information Society and a better coordination of the elements forming part of the Regional Innovation System (RIS).
- Promoting employability and adaptability as a vehicle for social cohesion by encouraging employment, entrepreneurship, social inclusion, and a better coordination of the integration mechanisms of Professional Training subsystems.
- Reinforcing the sustainable development pillar by promoting energy effectiveness and the protection of the environment.
- Promoting territorial cohesion by developing endogenous potential and better access to general economic interest services.

The ERDF strategy focuses, in fact, on development issues which are only indirectly related to the challenges of the demographic change. By promoting innovation, infrastructure provision, access to services of general interest and business support, ERDF assistance in Castilla La Mancha favours employment and better labour productivity, which, in turn, have effects on the demography of the region. Thus, it is plausible to say that a link between ERDF strategy and demographic challenges does exist, though it is indirect.

That said - as for the ESF - it is possible to identify some areas where this indirect link is more visible than in others, as for instance in Priority Axis 6 "*Investment in social infrastructure*". The programme faces the challenge of improving and adapting social infrastructure through interventions focussed on four spheres, including: education (Measure n. 75), health (76), childcare (77) and coverage groups with social exclusion risk (79). This, in concrete terms, requires creating, regenerating and/or widening educational (non-university) supply and equipment; building and refurbishing of hospitals, as well as specialization, diagnosis and treatment centres; creating centres for children assistance; providing infrastructures that favour integration of groups at social risk (centres for the elderly, immigrants, individuals with disabilities, children, abused individuals). In quantitative terms, most of the help (53%) is allocated to educational infrastructure.

All the Axis is oriented to a series of actions needed to improve social welfare and citizens' quality of life and indirectly addresses adaptation to demographic challenges, such as ageing population, immigration and childcare. The financial volume of the Axis is, however, limited since it accounts for only about 4% of the total ERDF assistance.

In conclusion, it is possible to say that, globally, the ERDF Operational Programme addresses demographic change issues only indirectly. Measures with a higher expected impact exist, but their relative weight is marginal.

Table 5 below reviews the link between ERDF strategic programming and demographic change.

**Table 5: Review of ESF strategies on demographic issues**

	<b>Brief description</b>	<b>Comments and examples</b>
<b>ERDF PROGRAMME</b>		
<b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The context analysis of the programme is structured along the following issues: <ul style="list-style-type: none"> <li>- Demographic features of the region</li> <li>- Geography</li> <li>- Analysis of the labour market</li> <li>- Analysis of the economic and productive structure</li> <li>- Cross-cutting themes</li> <li>- SWOT analysis</li> </ul>	The context analysis is well elaborated and presents all necessary information to understand the demographic challenges of the region.
<b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	General objectives: <ul style="list-style-type: none"> <li>- Promote and increase in per capita GDP thus allowing the region to converge with the EU average.</li> <li>- Foster labour productivity.</li> <li>- Promote an increase in activity and employment rates, particularly female rates so as to enhance their participation in the labour market.</li> </ul>	The general objectives mention elements of demographic change in relation to female employment participation in the labour market. However, when these objectives are translated into specific objectives, priorities and interventions the link with demographic change becomes looser.
<b>c) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and Regional "Ordinary" Policies)	Axis 6 "Investment in social infrastructure": <ul style="list-style-type: none"> <li>- Increasing the number of education infrastructures by developing the non-university education offer</li> <li>- Promoting the creation of Centres for Children Assistance.</li> <li>- Building and refurbishing hospitals, as well as Specialization, Diagnosis and Treatment Centres.</li> <li>- Building infrastructures for the integration of groups at risk of social exclusion.</li> </ul>	Measures under Axis 6 indirectly address demographic challenges. However, their financial volume is limited.

**Source:** Authors.



### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE

2007-2013 regional strategy regarding demographic change was initially focussed on the priority of reconciling work with family. Other measures facing different thematic focuses (e.g. youth unemployment, immigrants and protection of most vulnerable groups) existed, but their relevance (and financial volume) was limited.

The new socio-economic conditions prevailing since the crisis have, however, generated the need to refocus the priorities of the Regional Policy into the course. As already mentioned, the main demographic challenge faced in Castilla La Mancha is now declining population due to youth unemployment.

This need has been acknowledged by the ESF Managing Authority, which has very recently proposed a re-modulation of the programme with significant transfers of resources across axes. The objective of the re-modulation is to grasp resources still available from Axes 1 and 2 and devote them to Measure 3.73, which is about the provision of education and vocational training services. This is seen as the main tool to meet an increased demand of education from young people who remained unemployed and face difficulties either going back to school or accessing again the labour market. The proposed financial re-modulation amounts to a total of 52.6 Million of Euro that will be shifted to that Measure, plus other 2.7 Million from Measure 3.72 which, in contrast, will be abolished (see Table 6).

**Table 6: Proposed ESF financial re-modulation**

Measure	Current programming (Euro)	Difference (-)	Difference (+)	After re-modulation (euro)	%
1.62	14,368,389	-8,385,362		5,983,027	-58%
1.63	6,000,000	-3,109,071		2,890,929	-52%
1.64	4,499,765	-1,771,103		2,728,662	-39%
1.68	9,375,926	-233,440		9,142,486	-2%
<b>Total Axis 1</b>	<b>34,244,080</b>	<b>-13,498,976</b>		<b>20,745,104</b>	<b>-39%</b>
2.66	87,320,364	-36,417,101		50,903,263	-42%
2.69	19,409,707	-2,184,123		17,225,584	-11%
2.70	1,141,131	-458,124		683,007	-40%
<b>Total Axis 2</b>	<b>111,818,488</b>	<b>-39,059,348</b>		<b>72,759,140</b>	<b>-35%</b>
3.72	2,327,771	-2,327,771		0	-100%
3.73	7,576,201		54,886,095	62,462,296	724%
<b>Total Axis 3</b>	<b>30,289,198</b>	<b>0</b>	<b>52,558,324</b>	<b>82,847,522</b>	<b>174%</b>

Source: ESF Proposal for re-modulation (March 2013).

Given this framework, the selection of the Regional Policy measures most suitable to cope with the demographic challenge relevant for Castilla La Mancha is quite straightforward. On the one hand, Measure 2.69, targeted to meet the demographic challenges prevailing at the time the programme was designed. On the other, Measure 3.73, which is the "symbol" of the new ESF policy focus towards youths and employment.

Measure 3.73 is strongly related, or, better, in synergy with an ERDF measure (n. 75) about the creation and/or refurbishing of already existing educational facilities. Although this latter measure is relatively limited from a financial perspective (about 4% of the programme's total), nevertheless, its analysis represents a useful complement to the description of how Cohesion Policy copes with demographic challenges. Thus, it has been selected as relevant.

Table 7 below summarises the selected measures, their thematic focus in relation to demographic change, as well as their relative financial importance and expected effects. As the Table shows, after re-modulation Measure 3.73 becomes the core of the ESF programming absorbing alone more than 40% of total financial resources.

**Table 7: Selected Measures in relation to demographic change**

<b>Measure (programme)</b>	<b>Main type of intervention</b> (infrastructure, business support, social services, other)	<b>Thematic focus</b> (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	<b>Brief description</b>	<b>Beneficiaries</b>	<b>Resource Allocation in absolute value and % of total programme resources</b>	<b>Main effects (expected and/or actual)</b>
2.69 (ESF)	Social services	Work-life balance	Financial assistance for child, disabled, maternity and social care services; communication and sensitisation campaigns.	Firms, Households, Individuals	Original: 19,409,707 (10.8%) Re-modulation: 17,225,584 (9.6%)	Reconcile work with life by guaranteeing access to, better sustainable participation in, and women's involvement in the labour market.
3.73 (ESF)	Education services	Population decline	Provision of education, vocational training and lifelong learning courses.	Secondary education level students	Original: 7,576,201 (4.2%) Re-modulation: 78,077,870 (43.4%)	Decrease school dropout rates and improve professional qualification of the labour potential
75 (ERDF)	Social infrastructure	Population decline	Improvement, creation and widening of educational supply and equipment.	Secondary education level students; Teachers.	40,462,971 (2.8%)	Decrease school dropout rates and improve professional qualification of the labour potential

**Source:** Authors.



To describe the contribution of the selected measure to tackle the population decline challenge, the first indicator monitored is the financial realisation. The following Table 8 illustrates the accumulated expenditure as of 31 December 2011, which is the last official available data.

**Table 8: Selected Measures in relation to demographic change. Financial realisation**

Measure (programme)	Expected 2007-2013 (n.)	Accumulated at 31 Dec. 2011	% of realisation
2.69 (ESF)	19,409,707	14,425,180.70	74.3
3.73 (ESF)	7,576,201	10,013,446.58	132.2
75 (ERDF)	40,462,971	30,206,952.32	74.7

Source: ESF and ERDF 2011 Informe Anual.

The analysis of the financial data confirms the shift of priorities into the course of the programme implementation. Measure 2.69 presents, at the end of 2011, a good degree of realisation, in line with the initial expectations of a high demand for assistance to guarantee better and sustainable participation of the people in the labour market. On the face of it, Measure 3.73, at the same time, had already exceeded the expected cost, as a consequence of an increased supply of education and vocational services.

Financial realisation is not, however, the best indicator to analyse the results of a measure in terms of achievement of expected effects and, above all, of contribution to tackle demographic challenges. More reliable indicators are output (i.e. physical realisation) and results indicators since providing evidence of what has been actually achieved with the money spent.

The following Table 9 illustrates the accumulated physical realisations of the selected measures as of 31 December 2012.

**Table 9: Selected Measures in relation to demographic change. Physical realisation**

Measure (programme)	Indicator	Expected 2013	Accumulated at 31 Dec. 2012	% of realisation
2.69 (ESF)	N. of participating people (O)	38,264	38,688	101
	N. of beneficiary firms (O)	420	334	80
	N. of participating SMEs (O)	389	291	75
	N. of communication, information and sensitisation campaigns (O)	50	54	108
	N. of firms which have implemented initiatives to promote equal opportunities (R)	70	60	86
	N. of people beneficiary of minor, disability and social care services who accessed the labour market (R)	2,003	2,146	107
3.73 (ESF)	N. of participating people (O)	12,900	9,222	71
	N. of students who attended orientation and vocational courses and remained in the school system and /or hold upper secondary education (R)	8,385	3,841	46
75 (ERDF)*	N. of regenerated and/or newly built centres (O)	30	20	67
	N. of refurbished centres (O)	600	70	12
	N. of projects (O)	96	90	94

Note: (O) = output indicator; (R)= result indicator.\*For ERDF data refer to 31 December 2011.

Source: ESF Proposal for re-modulation (March 2013) and ERDF 2011 Informe Anual.

As Table 10 shows, Measure 2.69 has been very successful especially in its component targeting individuals who seek for assistance to comply with work requirements and family care. Relatively less successful is the component dedicated to firms for the implementation of the initiatives promoting equal opportunities, such as aid for temporary replacement of maternity.

It is worth mentioning that all the targets of the Measure, including those not yet achieved, do not change with the re-modulation proposal. This is because - on the basis of the information at its disposal - the Managing Authority is confident of achieving the full realisation of all interventions (comprised those on firms) by the end of the programming period. In addition, though a contingent evaluation was not carried out, the preliminary, informal feedback received from the beneficiaries is claimed to be fully positive. This is because the aid received was perceived as beneficial to actually improve quality of life. Thus, the assessment of the effectiveness of the Measure is positive since it is already producing, and likely to maintain, its benefits in terms of reconciliation of work with family. In turn, the relative limitation consists in the decreased relevance of the achievements owing to priorities reshuffling determined by the crisis.

Turning to Measure 3.73, the analysis of the targets realisation degree is more controversial. For example, the number of people participating in the courses financed by the ESF has currently reached the 70% of the target, but the original budget has been already absorbed (and even exceeded). This can be read as a sign of a low efficiency due to ex ante cost underestimation.

More significant, less than 50% of the students who attended the courses were able to remain at school and/or surpass the mandatory education. This could be a sign of potential low effectiveness since, given the money invested, results are (currently) lower than expected. According to the stakeholders interviewed, however, the main reason of the weak achievement is that the courses implemented from 2010 onwards have not been certified yet, thus this indicator should be intended on the increase. That said, it is acknowledged that this is a very challenging objective, because of a mix of social, cultural and economic reasons, including:

- the very low initial qualification of the participants which hampers from foundations a proficient school career;
- a possible feeling of "frustration" when going back to school once entered, although for limited time, the labour market;
- the difficulties related to investing time and resources in studying.

According to the study *"Preventing and combating early school leaving in Castilla la Mancha"*<sup>8</sup>, however, evidence exists about an increasing demand for Programs of Initial Vocational Trainings, given the very low chances, in these times, to find a new job without qualifications. This has induced the Managing Authority to shift efforts and resources on this Measure. New courses will be activated soon and, thanks to the financial re-modulation, it is expected to involve up to 30,514 students, of which 17,825 will remain at school and/or surpass the mandatory education. Thus, all the targets have been revisited even upward. The services will cover a wide range of educational areas, from tourism to

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<sup>8</sup> Estudio sobre la Prevención y Lucha contra el Abandono Temprano de la Educación y la Formación en la Comunidad De Castilla La Mancha (Noviembre 2011).

communication, from agriculture to marketing, and so on. Annex 4 provides the full list of priority areas.

Some reflections can be made on the basis of the evidence presented. As a matter of fact, for the trainings to be effective, some conditions shall be fulfilled, including:

- *Relevance*: trainings should be designed (in terms of content, duration, format, etc.) in such a way to respond to identified people needs.
- *Coherence*: trainings should be focussed on those sectorial areas where an existing or future demand for labour exists.
- *Quality*: both physical structures (equipment of the education centres) and human capital (skills and competences of organisers and teachers) should be good enough to deliver services with added value.
- *Integration*: trainings should be developed in complementarity with other strategies (e.g. industrial plans) to allow synergies and multiplier effects.

Reviewing the strategic documents and studies available, however, the likelihood to meet these conditions is uncertain. This is because the current diagnostics of both people (demand) and labour (supply) priorities have not yet reached that level of accuracy necessary to “shape” the strategy, which is still at a preliminary phase. This is witnessed by the long list of educational areas which basically covers all sectors. Thus, two chances exist.

If the current analysis is taken as a starting point, and a systematic process of evaluation and strategy revision is initiated, and maintained, the strategy is likely to succeed. If the level of analysis is not improved and decisions are taken following a top-down approach, based on “intuitions” of the Managing Authority, the strategy is likely to fail. Thus, the Measure has a high potential to meet its demographic challenges, but its impact remains unknown and will depend very much on the Managing Authority’s planning, capacities and resilience into the course.

In light of the above considerations, for a final assessment of the contribution of Measure 3.73 to tackle its demographic challenge a longer timeframe should be adopted therefore the judgment is momentarily suspended.

Finally, ERDF Measure n. 75 reports a low performance, although official data are available up to 2011 only, which is to say that current results are higher than those reported in Table 10. Given this limitation, some reflections can be anyhow made, according to the qualitative information gathered from the stakeholders.

From a technical point of view, the implementation of the Measure did not face any particular problem, in light of the typology of the interventions (mainly renovation and restoring of already existing buildings), which is not complex. However, the implementation suffered from financial constraints concerning the regional counterpart of funding (20%).

As a matter of fact, Castilla La Mancha was the region with the highest public deficit of Spain. Significant efforts have thus been made to contain public expenditure and the government finally met the deficit objective and achieved compliance with the national requirements, shifting from 7.87% in 2011 to 1.53% in 2012. On the face of this achievement, this budget constraint generated a shrink of financial resources that were initially devoted to implement the Operational Programme. This created an *impasse* that

made some of the interventions, not only those related to social infrastructures, difficult to realise.

After a financial re-modulation of the programme, however, resources have been shifted to the relatively less complex interventions, including those on education infrastructures. Thus, the Managing Authority forecasts by the end of the programming period a substantially positive, although not full, realisation of Measure n. 75.

In light of the above, the contribution of the Measure to produce the expected effects is assessed as "mixed". This assessment relies on two considerations. First, that better, modern and more efficient working conditions are factors increasing the quality of the services provided and, in the long run, their effectiveness. Therefore, the potential non-realisation of some interventions could hamper one of the above discussed conditions necessary to tackle the challenges of youth unemployment and early school leaving. On the other hand, the current endowment of education infrastructures in Castilla La Mancha is, in fact, assessed as sufficient by the relevant authorities. Thus, the non-realisation of some interventions would not mean, in any case, that the education and vocational courses planned under the ESF will not be realised.

## 4. THE GOOD PRACTICE EXAMPLE

The good practice selected by the main local stakeholders as most relevant, on the basis of the criteria of innovation, evidence of positive effects on demographic issues, transferability and sustainability, is the **Transnational Net on Youth Unemployment** within the broader Learning Network on Transnational Cooperation in ESF and Community of Practice on Transnational Cooperation project.

The Network is led by the Czech Republic and supported by England, France (Racine), Germany, Greece, Poland, Slovenia, Spain and Sweden. The aim of the network is to foster learning and build capacity among ESF programme managers to help ensure successful implementation and promotion of transnational actions under ESF.

In Castilla La Mancha 2007-13 ESF Operational Programme, the budget for the implementation of the activities to promote transnational cooperation is allocated to an *ad hoc* Axis<sup>9</sup>, which has a transversal nature crossing, horizontally, all the issues faced in the other thematic areas of the programme.

Under the network, different “nets” (i.e. working groups made of experts from different Managing Authorities) have been created to develop and discuss specific ESF-related issues. Among them, a specific net deals with youth unemployment, the major demographic challenge in Castilla La Mancha, and not solely.

The objective of the Transnational Net on Youth Unemployment is, in fact, to define common standards to improve youth employability across EU (see Annex C). The net started its work in 2008 focusing on three thematic areas, namely: young entrepreneurship; promotion of mobility; improvement of the career advisory system. 2011 was the year in which the project found its consolidation. The relevant working groups developed one benchmarking study for each thematic area, and a Common Reference Framework for the harmonization of professional qualifications across countries. The document should be seen as a practical guidance to recognize qualifications abroad with the final aim of facilitating access to labour. It has been adopted by Castilla La Mancha Managing Authority as a reference to which all activities promoting labour have been aligned with.

In addition, in 2010 a project for the mobility of school and career advisors was launched in collaboration with the other net “ESF-CoNet”. The project will be finalized with the development of a guidance document aimed at establishing homogenous procedures to allow field visits of career advisors in the countries represented by the net.

Finally, a communication platform, common to all nets, has been developed with the aim to facilitate exchange of good practice and experience in designing, implementing, monitoring, disseminating and mainstreaming transnational actions and also jointly develop new tools and procedures to make transnational cooperation work.

According to the stakeholders, the Transnational Net on Youth Unemployment and, more in general, the whole Learning Network on Transnational Cooperation in ESF also contributed to improve the capacity building and institutional learning of the Managing Authority.

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<sup>9</sup> Axis n. 4 “Promover la Cooperación Internatinal e Interregional”.



## 5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD

On the basis of the information gathered during the interviews, the Regional Labour Policy of the next programming period will mainly focus on increasing human capital and fighting unemployment, and especially youth unemployment, keeping the track, already initiated, to face population decline challenge. Roughly speaking, the strategy will be structured on two pillars:

1. Education
2. Employment

The first pillar aims at providing youths with the basic conditions to be employed, i.e. skills, competences and qualifications sufficient to be competitive when facing the labour market. This will be mainly achieved through education services and trainings, including, above all, *Programas de Qualificación Profesional Inicial (Programs of initial vocational trainings)*.

The second pillar aims at providing incentives to boost employment and active participation of the youths in the labour market. The programme will work in two directions: *i)* promotion of self-employment and young entrepreneurship (e.g. incentives and financial aid for exchange programs, trainings, credit advantages, etc.); *ii)* incentives to firms to employ youths.

This strategy will be developed within a broader process of thematic concentration of objectives consisting in focusing resources on a lower, less dispersed, number of priorities, but strictly linked to the objectives of Europe 2020.

For 2014-2020 programming period, a preliminary proposal of ESF general objectives and priorities for Castilla La Mancha has been already developed. The Programme shall be based upon four general objectives, which correspond to the last four thematic objectives, common to all Structural Funds, suggested by the Commission for 2014-2020<sup>10</sup>, namely:

- Employment & supporting labour mobility
- Social inclusion & combating poverty
- Education, skills & lifelong learning
- Institutional capacity building & efficient public administrations

To each of them, a number of more specific “thematic” objectives will be developed to further specify the policy and adapt it to Castilla La Mancha regional specificities. Again, reviewing the preliminary proposal, adaptation to demographic change does not appear as an explicitly mentioned priority. Several elements related to demographic change are present and considered relevant, but they are “diluted” into the strategy’s description (see Table 10).

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<sup>10</sup> Proposal for a Regulation of The European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006.

**Table 10: Ex ante potential impact assessment of the 2014-2020 ESF strategy**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	N/A	
<b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The following elements related to demographic change are mentioned in the preliminary proposal of the ESF thematic objectives: <ul style="list-style-type: none"> <li>- Youth unemployment</li> <li>- Work-life balance</li> <li>- Equal opportunities to access education and labour</li> <li>- Ageing population</li> <li>- Integration of the marginalized segments of population</li> <li>- Early school leaving</li> </ul>	As for the strategy 2007-13, new ESF thematic objectives will not mention adaptation to demographic challenges as an explicit priority. However, several demographic change-related issues are released within the description of the strategy.
<b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges	N/A	
<b>Monitoring and evaluation systems</b> Extent to which demographic issues are taken into account in monitoring and evaluation indicators and activities	N/A	

Source: Authors.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

The following key findings can be drawn from the analysis about how and to what extent Cohesion Policy in Castilla La Mancha takes into account challenges from demographic change:

- **The key demographic challenge in Castilla La Mancha is population decline as a consequence of youth unemployment.** The region is historically characterized by the predominance in economy of the agriculture and construction sectors within a context of a highly dispersed population. Lack of a dense business fabric, undersized industrial enterprises, little specialization of labour and little investment in R&D featured the recent regional development. In this structural context, a high potential for labour was developed mainly consisting of a young workforce which was highly vulnerable because of the low education and low professional qualifications. The occurrence of the crisis has magnified this vulnerability and, in fact, Castilla La Mancha's economy is today under severe pressure. The main problem is related to high unemployment, (especially for youths) which is the cause of a progressive population shrink.
- **Population decline challenge is tackled by the Regional Policy for labour, which is mainly implemented through the European Social Fund.** Although the ESF strategy does not explicitly mention adaptation to demographic change, nevertheless, it targets issues stemming from an analysis of the people priorities, as defined by the demography of the region. Accordingly, the strategy was initially focused on reconciliation of work with family and, after the crisis, refocused on mitigation of the negative effects of youth unemployment. This reshuffle of priorities into the course is an example of the capacity of the Regional Policy to adapt itself to demographic change and its challenges. On the contrary, ERDF addresses demographic change only indirectly, i.e. by providing services of general interest and support to businesses, which, in turn, favour employment therefore affecting the demographic dynamics.
- **Contribution of the Cohesion Policy 2007-2013 in tackling the key demographic challenge of Castilla La Mancha is positive, but still potential to a large extent.** The initial objective of reconciling work with family has been achieved thanks to the realisation of measures aimed at guaranteeing a better and sustainable participation of people in the labour market. On the face of it, the emerging objective of improving workforce's competences and professional qualifications is still to be achieved. The current performance of the relative measures, in fact, is lower than expected, considering an initial loose identification of priorities. However, in light of the new financial resources allocated, these measures have high potential, still to unfold, for being effective.
- **A limitation is the administrative burden of the Cohesion Policy, which discourages the adoption of the most complex and innovative interventions.** Given the administrative burden required by complying with the expenditure rules, some interventions are preferably implemented outside the scope of the ESF. In this way, the risk of delaying the Operational Programme's implementation is mitigated, but the added value of the Cohesion Policy is lower.
- **For the next programming period, the rationale of the Regional Policy for labour (ESF) will rely on a thematic concentration of objectives, strictly linked with Europe 2020 strategy.** The policy will focus on a lower number of priorities so as to increase effectiveness and added value. Within them, combating youth unemployment will be the core issue to revert the negative trend of population decline. To do so,

investments will be made in human capital to provide youths with the necessary skills, competences and qualifications to access the labour market. As far as the supply side is concerned, incentives to firms, self-employees and entrepreneurs will be activated to facilitate this access. Although these priorities, and the relative measures, are directly linked to a demographic change, no explicit mention is made in the programming documents.

On the basis of the above illustrated key findings, the following lessons can be learnt:

- **If the workforce is vulnerable, the negative effects of exogenous events, such as the crisis, are magnified.** A low qualified human capital has very limited chances to react actively to the negative effects of a crisis. The youths, in particular, are the most vulnerable group facing severe problems to find a first, stable, employment. In these contexts, improvement of competences, professional qualifications and facilitation of the access to labour become priorities for the Regional Labour Policy.
- **Whenever accurate context analysis is carried out, the ESF has a high potential to tackle adaptation to demographic change.** The demography of a region depends on a mix of social, cultural and economic dynamics shaping and featuring the regional context. Accurate context analysis is therefore essential to design the ESF policy according to the people's needs. Given that demographic change is an on-going process, context analysis should not be limited to the policy programming stage only, but should be intended as a continuous process to be carried out throughout the whole 7-years implementation timeframe. In this way, it is possible to promptly react to changes occurred into the course.
- **An increased demographic challenge requires more structured, well designed, policy responses.** The initial priority in Castilla La Mancha of reconciling work with family is a relatively smooth priority asking for less complex measures. The new emerging challenges of improving professional qualifications of the workforce and facilitating access to labour in a completely different, more critical, context require, on the contrary, more articulated, structured and well integrated initiatives. The adopted strategy of focusing on programs of initial vocational training seems a right choice to revert again to a positive population growth tendency. Adequate analysis of relevance, followed by the development of high quality trainings, are however necessary conditions to be effective in meeting the recipients' needs.
- **Cohesion Policy's added value in tackling adaptation to demographic change depends on a simplification of the delivery system.** As explained above, adaptation to demographic change may require adopting structured initiatives. To increase its added value, Cohesion Policy cannot be excluded from this strategic process. However, the current administrative requirements discourage programme managers to adopt those initiatives whose certification, given their bigger size, is cumbersome. It is therefore necessary simplifying the procedures for expenditure compliance to allow all typologies of measures to benefit from Structural Funds assistance.

## ANNEXES

### a) *List of interviews/visits*

Name	Institution	Position
Carlos Miguel Sanchez	Consejería de Empleo y Economía	Coordinator of 2007-13 ESF OP for Castilla LA Mancha
Ildefonso Martinez	Consejería de Empleo y Economía	Coordinator of 2007-13 ERDF OP for Castilla LA Mancha
Enrique Tenorio	Consejería de Empleo y Economía	Chief of statistical service
Maria Jesus Merino Espinar	Consejería de Salud y Asuntos Sociales	Chief of infrastructure service
Andes Calderon	Consejería de Agricultura	Coordinator of 2007-13 EAFRRD OP for Castilla LA Mancha

### b) *References*

- Castilla La Mancha ERDF Operational Programme 2007-13
- Castilla La Mancha ESF Operational Programme 2007-13
- ESF Proposal for re-modulation (March 2013)
- European Commission, 2012, Proposal for a Regulation of The European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006.
- Informe Anual 2011. Castilla La Mancha EEF Operational Programme 2007-13
- Informe Anual 2011. Castilla La Mancha ERDF Operational Programme 2007-13
- Informe Sobre Las Prioridades y Ámbito de Intervención Del FSE 2014-2020 (Octubre 2012)
- Introducción a la cooperación transnacional e interregional en el marco del Programa Operativo Fse 2007-2013 en Castilla-La Mancha.
- Ministerio del Trabajo e Inmigración, Estudio sobre la Prevención y Lucha contra el Abandono Temprano de la Educación y La Formación en la Comunidad de Castilla La Mancha (Noviembre 2011)
- Plan de Choque (available at: <http://empleoyformacion.jccm.es/principal/cee/plan-de-choque-frente-al-desempleo/>)
- Plan para la Reducción del Abandono Escolar y la Reincorporación al Sistema de Educación y Formación de Castilla La Mancha (PRAECLM, 2010)

- Protocolo de acuerdo entre la Provincia Autonoma Di Trento –ufficio Fondo Sociale Europeo y la Junta De Comunidades De Castilla-La Mancha – servicio público de empleo de Castilla-La Mancha
- Red “ESF CoNet” “Protocolo de Cooperación de las Autoridades de Gestión del FSE, sus Organismos Intermedios y las Autoridades Centrales FSE 2007-2013

**c) Good practice fiche**

Dimension of demographic change addressed	Youth unemployment
Country/ region	Spain, Austria, Finland, Aland Island, Germany, UK, Lithuania, Malta, Belgium, Poland, Slovenia, Romania, Italy
Name title of the practice	Transnational Net on Youth Unemployment
Period of implementation	2008-2013
Contact information	Anna Maria Gadotti Provincia Autonoma di Trento Ufficio Fondo Sociale Europeo Via Zambra 42 38100 Trento Italy
Brief description of the activities implemented	The activities are implemented within the Learning Network on Transnational Cooperation in ESF and Community of Practice on Transnational Cooperation project, aimed at fostering learning and build capacity among ESF programme managers to help ensure successful implementation and promotion of transnational actions under ESF. Under the network different international working groups (“nets” ) are created to jointly discuss specific ESF-related issues, exchange good practices, learn lessons and develop tools for a common understating and application of ESF instruments.
Main partners stakeholders involved	Bundesministerium für Wirtschaft und Arbeit Ministry of Employment and Economy Aland's Home Rule Government Federal Ministry of Labour and Social Affairs Section VI, GS1: ESF Department for Employment and Learning Ministry of Social Security and Labour Planning and Priorities Coordination Division (Office of the Prime Minister) Government Office for Local Self-Government and Regional Policy - EU cohesion policy dept ESF Agentshap Vlanderen Ministry of Regional Development- Department of ESF Management VOIVODATO DI PODLASIE Ministry of Labour, Family and Equal Opportunities - Managing Authority for SOP HRD SEPECAM - Servicio publico de Empleo de Castilla - La Mancha Servicio Riojano de Empleo Provincia autonoma di Trento Provincia autonoma di Bolzano Regione autonoma Friuli Venezia Giulia Regione Marche Regione Molise Regione Piemonte Regione Toscana Regione Siciliana Regione autonoma Valle d’Aosta

	Regione Lombardia Regione autonoma della Sardegna
Territorial coverage	Transnational cooperation
Funding	ESF
Main goals and objectives	Exchange of good practice and experience in designing, implementing, monitoring, disseminating and mainstreaming ESF activities, as well as jointly develop new tools and procedures to make transnational cooperation work.
Main target groups	EU Managing authorities and programme managers of the European Social Fund.
Main measures and outcomes	Each "net" develops knowledge and shares good practices about the implementation of the ESF. The main outcome of the joint collaboration is the development of tools (e.g. guidelines) and studies for a common understanding and application of EU rules and procedures. The Transnational Net on Youth Unemployment developed In particular a Common Reference Framework for the harmonization of professional qualifications,
Implementation features	Implementation is carried out through desk analysis, seminars, joint meeting and conferences, field visits. In addition, an e-platform was created for communication and information exchange.
Main weaknesses/obstacles	No particular problems have been reported.
Main strengths	The key strength is the transnational nature of the initiative, which is based on joint collaboration between authorities and a strong mutual learning process. This improves capacity building and institutional learning
Main innovative elements	As above.
Reproducibility	The initiative is highly reproducible. As a matter of fact, different working groups work simultaneously under the common framework established by the Learning Network on Transnational Cooperation in ESF.
Sustainable elements	The outcomes of the net are tools that can be used after the collaboration has expired.
Main lessons learnt	Thanks to the Transnational Net on Youth Unemployment a Common Reference Framework for the harmonization of professional qualifications across countries has been developed. The document is a practical guidance to recognize qualifications abroad with the final aim of facilitating access to labour.
Sources of information	<a href="http://www.transnationality.eu/">http://www.transnationality.eu/</a>

### ***Educational priorities areas***

Sport and recreational activities
Administration and auditing
Aeronautic
Agriculture
Food
Accommodation
Healthcare
Social care
Beverages
Meat industry

Real estates
Communication
Driving
Food storage
Construction
Development
Electro-mechanics
Railway and cables
Finance
Education
Electric installations
Gardening
Marketing and public relations
Bakery
Audiovisuals
Restoring
Security
Customer services
System and telematics
Tourism
Glass industry

**Source:** Consejería de Empleo y Economía Dirección General de Formación.



**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY**  
**ÖSTRA MELLANSVERIGE - SWEDEN**



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## LIST OF ABBREVIATIONS

- CF** Cohesion Fund
- DG AGRI** Directorate – General for Agriculture and Rural Development
- DG REGIO** Directorate – General for Regional Policy
- EU** European Union
- EU27** European Union of 27 Members States
- ERDF** European Regional Development Fund
- ESF** European Social Fund
- GDP** Gross Domestic Product
- HTC** High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
- ICT** Information and Communications Technology
- NSDS** Swedish National Sustainable Strategy
- NUTS** Nomenclature of Territorial Units for Statistics
- OP** Operational Programme
- SWOT** Strengths, Weaknesses, Opportunities, and Threats (Analysis)

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## INTRODUCTION AND MAIN FINDINGS

This case study focuses on the strategy adopted during 2007-2013 to tackle demographic change in the Swedish region of Östra Mellansverige (East Middle Sweden).

- Östra Mellansverige (East Middle Sweden) is a NUTS2 region in the east part of Sweden and includes five administrative regions (Swedish *län* or NUTS3 regions): the Counties of *Uppsala*, *Västmanland*, *Örebro*, *Södermanland* and *Östergötland*. The region of Östra Mellansverige has a total population of 1.5 million inhabitants. The closeness to the capital area of Stockholm is of significant importance for the whole region. Commuting to and from the Stockholm area is important. Several of the largest cities in Sweden are located within the region: Uppsala, Örebro, Linköping and Västerås. There are also several universities and university colleges in the region.
- The main demographic challenges in Östra Mellansverige resulting from policy documents and a number of interviews with regional stakeholders are the following:
  - The population is highly concentrated to regional centres and the population is decreasing in rural areas and small towns located far from regional centres;
  - Ageing population, especially in rural areas and small towns;
  - Weak integration of immigrants on the labour market;
  - Relatively high share of people outside the labour market especially in larger regional centres;
  - Relatively high unemployment rate among young people.
- During the period 2006–2011 the region of Östra Mellansverige as a whole had a positive population development. During the period 2006–2010 Östergötlands län, Södermanlands län and Upplands län had a positive net migration and this was due both to domestic immigration and to positive international migration. Västmanlands län and Örebro län also had a positive total net migration. The domestic net migration was negative but this was compensated by a positive international migration.
- As regards the socio-economic situation, the region is slightly falling behind the country average but is exceeding the corresponding EU27 indicators. The analysis<sup>1</sup> also shows that the economic crisis in 2008–2009 badly touched the banking and financial sector of the country and the region, but the region was only moderately affected by the economic crisis compared to the other regions.
- Five Cohesion programmes operate in the region of Östra Mellansverige in 2007–2013. When it comes to ESF programmes, there is a regional plan covering Östra Mellansverige.<sup>2</sup> As for ERDF programmes, there is the Structural Fund Operational

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<sup>1</sup> SWECO. "Rätt lösning för rätt problem. Rapport 2 från utvärderingen av genomförandeorganisationen för de regionala programmen för den regionala fonden och det nationella socialfondsprogrammet", 2009, page 14.

<sup>2</sup> Regional ESF-plan för Östra Mellansverige 2007-2013, "Ett hållbart arbetsliv för alla i Östra Mellansverige", <http://www.esf.se/Documents/Min%20region/%C3%96stra%20Mellansverige/Regional%20plan/Reviderad%20Regional%20plan%20%C3%96stra%20Mellansverige.pdf>.

Programme for Östra Mellansverige. The region is also covered by the Central Baltic programme, the Baltic Sea Region programme and the Interreg IVC programme.

- The contribution of Cohesion Policy 2007–2013 in the Östra Mellansverige region when it comes to addressing demographic challenges has been limited. The ESF and ERDF programmes have to some extent all highlighted the demographic development in the region when identifying strengths and weaknesses of the region but the objectives of the programmes do not directly address the demographic development in the region. Therefore only a few specific measures may be considered to be coping with demographic changes or their consequences in Östra Mellansverige, yet rather indirectly.

# 1. REGIONAL CONTEXT

## 1.1 General socio-economic context and impact of the crisis

Following the Regional plan for Structural Funds for the years 2007–2013<sup>3</sup>, the region of Östra Mellansverige (East Middle Sweden) covers the Counties of Uppsala, Södermanland, Örebro, Västmanland and Östergötland. The region also covers 52 municipalities with several large cities. The fastest growing parts of the region were these which made use of developed communications and transport links to other major economic centres. Such cities as Strängnäs, Enköping, Västerås and Eskilstuna grew fast because they were located near Stockholm, which offered more diverse employment opportunities for their populations and a larger market for the production of their companies<sup>4</sup>.

The network of non-governmental organisations is well developed and fosters stability in the region, which is not different from all the country in this regard. More than 75 000 persons in Sweden were active members in the local development groups and around 3 million of Swedes were touched by their activities<sup>5</sup>. Local initiatives, projects and other forms of activities create a basis for local community for development in cities as well as in rural areas. At the beginning these initiatives start with cultural activity and gradually move to creation of enterprises and employment<sup>6</sup>. As a result, socio-economic development stimulates an increase in employment through creation of work places, but no less important results of non-governmental sector are indirect benefits such as social capital and community spirit. The activities of various unions, cooperatives and networks create mutual trust, feeling of community, solidarity, which leads to entrepreneurship.

The socio-economic statistics (see Table 1) shows that the region is slightly falling behind the country average in terms of majority of socio-economic indicators, but is exceeding the corresponding EU27 indicators. Sweden is among leading EU27 countries according to the majority of socio-economic indicators and the economic crisis had a lesser effect on Sweden compared to many other EU27 countries.

The economic development was not evenly spread within the region. In respect of majority of the regional statistical indicators Uppsala County is leading. In 2009 the largest number of enterprises was in Uppsala County (2236), and the smallest in Västmanland County (1569). In 2009, there were 7603 registered workplaces in the region. The largest number of workplaces was again in Uppsala County (1918), and the smallest in Södermanland County (1301). The increase of workplaces in the region in 2001–2009 was small but positive. In 2009, there were 90278 employees in the region, out of which the largest number in Östergötland County – 22289, and the smallest in Västmanland County<sup>7</sup>.

Sweden which before 2008–2009 economic crisis had relatively high levels of employment, fast growth of economy and well-arranged state finances, were also touched by the economic crisis. The crisis significantly affected the banks and the financial sectors to such an extent that the short-term bank loans did not function at all. Additionally, the bank

<sup>3</sup> Regional ESF-plan för Östra Mellansverige 2007-2013.

<sup>4</sup> Ibid.

<sup>5</sup> Partnerskapet för Lokal Utveckling och Social ekonomi (PLUS). "En plattform för social ekonomi i Östra Mellansverige", 2011, page 13.

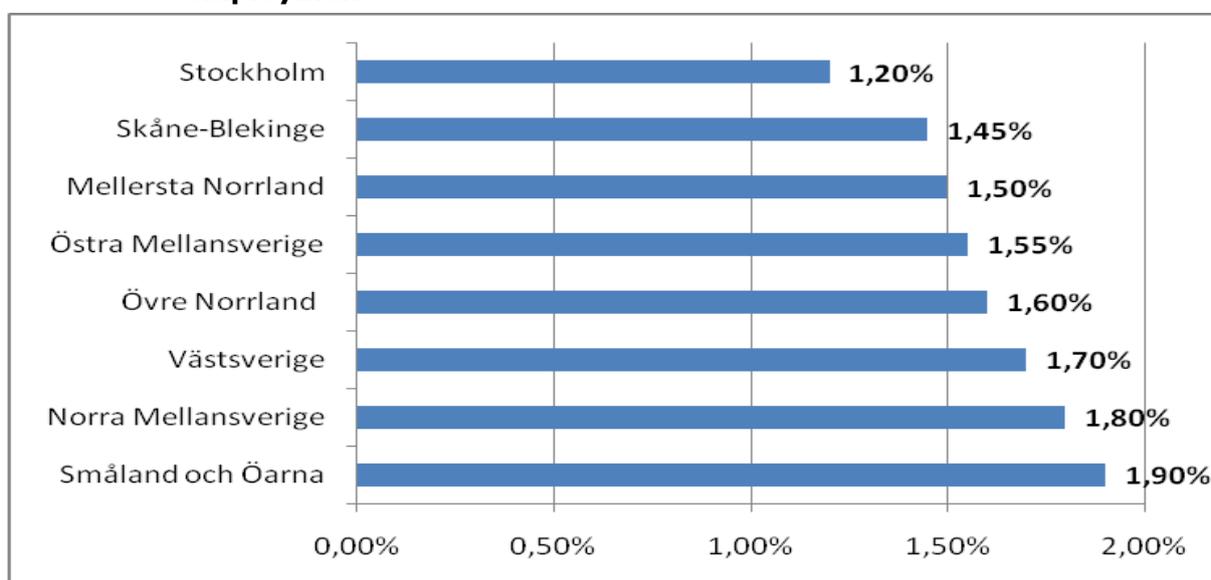
<sup>6</sup> Ibid, page 14.

<sup>7</sup> Partnerskapet för Lokal Utveckling och Social ekonomi (PLUS). "En plattform för social ekonomi i Östra Mellansverige", 2011, page 20.

profits shrank and a shortage of capital became evident. In November 2008 the investment bank Carnegie lost its license and went over to the state<sup>8</sup>. Even more the crisis touched the manufacturing industry and the vehicle industry in Sweden in particular. The latter industry and its suppliers suffered the greatest and were forced to dismiss the greatest numbers of employees<sup>9</sup>. Volvo and Saab were confronted by serious financial problems due to decreasing global demand. In the truck sector the companies faced the dramatic decrease of sales, because their clients could not afford new purchases.

In total around 70000 persons received notices of dismissal in the end of 2008 and in the beginning of 2009 in Sweden as a whole<sup>10</sup>. The picture below shows the share of notices of dismissal issued to workers in each region of Sweden in relation to their total employment. The region of Östra Mellansverige occupies the middle position compared to the other regions. This means that the region was moderately affected by the economic crisis compared to the other regions.

**Figure 1: The notices of dismissal in the Structural Fund regions in the period November 2008 – December 2009 as a share of their total employment**



**Source:** SWECO. "Rätt lösning för rätt problem. Rapport 2 från utvärderingen av genomförandeorganisationen för de regionala programmen för den regionala fonden och det nationella socialfondsprogrammet", 2009, page 15.

The long-term future social and economic development outlook of the region is positive. The research performed by Stockholm's County Council in 2007<sup>11</sup> listed the following development perspectives of the region by the year 2050:

- Overall good regional possibilities to adapt to globalisation;
- Favourable demographic situation, but the growing number of residents will create challenges to provide for them;
- The employment will be fast growing in the region compared to the other regions, the major source of this growth being immigration;

<sup>8</sup> SWECO. "Rätt lösning för rätt problem. Rapport 2 från utvärderingen av genomförandeorganisationen för de regionala programmen för den regionala fonden och det nationella socialfondsprogrammet", 2009, page 14.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Stockholms läns landsting. "Befolkning, sysselsättning och ekonomisk utveckling i Östra Mellansverige – framskrivning för år 2050", 2007, page 9-17.

- Income will increase more than the national average;
- The level of education will increase in the region;
- The region will specialise in the area of knowledge intensive services.

The main regional socio-economic conditions and trends characterising the region considered are summarised in the Table below.

**Table 1: Key socioeconomic figures**

	Östra Mellansverige				National Average (Sweden)				EU27 Average			
	2000	2005	2011	change 2011–2000	2000	2005	2011	change 2011–2000	2000	2005	2011	change 2011–2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	25,900	28,200	26,600	2.7	30,200	33,000	31,300	3.6	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	30,990	35,414	36,958	19.3	215,578	247,188	260,681	20.9	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)	4.8	2.6	-7.1	-11.9	4.5	3.2	-5	-9.5	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	71.8	70.6	71.9	0.1	72.4	72.3	74.1	1.7	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	76.07	76.9	78.27	2.2	76.67	78.23	80.25	3.58	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	5.5	8.1	8	2.5	5.4	7.5	7.5	2.1	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>			14.3			9.5	14			25.6	24.2	
<b>Human capital</b> (persons aged 25-64 with tertiary education)	28	28.3	31.8	3.8	29.7	29.6	35.2	5.5	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)		3.94	4.55			3.56	3.37		1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	39.7	41.5	43.6	3.9	42.3	43.3	47.7	5.4	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)	6.25	6.02	5.37	-0.88	6.62	6.18	5.93	-0.69	4.48	4.37	4.4	-0.08

**Source:** Eurostat.

**Notes:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; Total intramural expenditure at NUTS2 level in 2011 is valued with 2009 data; Employment in HTC (at all levels) in 2011 is valued with 2007 data.

## 1.2 Overview of the main demographic challenges in the region

There are two important factors which influence GDP growth in Sweden – the change in the total number of hours worked and the growth of productivity. The growth of productivity is closely connected with technological progress, growth of investments and with the ability of enterprises to adapt the number of employees to the demand for goods and services. The number of hours worked is closely connected with the changes in the quantity of labour force.

The changes in the quantity of labour force could be measured by statistical indicators listed in Table 2. The region's crude rate of population natural increase indicator fell behind the national and even EU27 average in 2011. The old age dependency ratio indicator slightly surpassed the national indicator and surpassed EU27 indicator by far. The fertility rate indicator was much better. The fertility rate indicator in 2011 slightly surpassed national indicator and surpassed EU27 indicator by far partially compensating for unfavourable indicators.

The analysis of the above mentioned statistical indicators shows that changes in the population in terms of age and nationality will have a considerable impact on the supply of labour force in the coming decade. A number of studies on the impact of demographic tendencies on the supply of labour force shows that in the coming years the supply of labour force is going to decrease, in particular in the Swedish regions with a smaller population (Östra Mellansverige being one of them). The shortage in labour force will negatively influence economic growth and well-being of residents.

With the reference to Eurostat data, there were 1 551 000 inhabitants in the region in 2010. Up to the year 2030 the number of inhabitants will increase to 1 675 000. Although the number of inhabitants will increase, inhabitants with the age of more than 65 years will also increase by 30 per cent in the period 2010–2030. The share of working age population in the number of total population in the period 2010–2030 will decrease from 59 to 54<sup>12</sup> in the region. This means that a lower share of working age population will have to provide for a growing share of non-working population. This problem could be solved by including more foreigners and immigrants to the labour force, by decreasing the age of entrance into the labour force and by encouraging persons in the age of 50-64 years to stay longer in the labour market<sup>13</sup>.

The problem of change of generations could be also added to the problem of ageing population. One-third of persons owning enterprises in Sweden are more than 55 years old. In the region of Östra Mellansverige from 34 to 36 per cent of persons owning enterprises are more than 55 years old<sup>14</sup>. In certain branches of economy this problem is even more acute: in energy production, water supply, agriculture and forestry and social care.

The main dimensions of demographic change in the region are summarised in Table 2 below.

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<sup>12</sup> Regional ESF-plan för Östra Mellansverige 2007–2013, page 16.

<sup>13</sup> Ibidem, page 17-18.

<sup>14</sup> Ibidem, page 18.

**Table 2: Key figures on demographic change**

Indicator	Östra Mellansverige				National Average (Sweden)				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>Crude rate of population natural increase</b>	-0.7	0.4	2	2.7	2.4	4	7.1	4.7	2.9	4.2	2.5	-0.4
<b>Crude rate of net migration</b>	1.8	2.0	5.0	3.2	2.7	3.0	4.8	2.1	2.3	3.6	1.7	-0.6
<b>Old age dependency ratio</b>	27.0	26.7	29.4	2.4	26.9	26.5	28.4	1.5	23.22	24.66	26.22	3.0
<b>Total fertility rate</b>	1.55	1.74	1.96	0.41	1.54	1.77	1.9	0.36		1.51	1.59	1.59
<b>Population density</b>	38.6	39.3	40.5	1.9	21.6	22	22.9	1.3	112.3	114.3	116.6	4.3
<b>Prevalence of urban or rural population</b>			PU									
<b>Long-term care available beds in nursing and residential care facilities</b>					1701.3	1521.3	1423	-278.3				
<b>Hospital beds</b>	327.8	306	290.9	-36.9	358	293.2	272.6	-85.4	640.1	584.1	538.2	-101.9
<b>Formal childcare (national and EU level)</b>						31	33				14	
<b>Total health care expenditure as a percentage of GDP (national level)</b>						9.06	10.02					
<b>Total long-term care health care expenditure as a percentage of GDP (national level)</b>						0.7	0.74					

Source: Eurostat.

**Notes:** Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates at NUTS2 level in 2011 are valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data.

**Table 3: Demographic projections**

Indicator	Östra Mellansverige			National Average (Sweden)			EU27 Average		
	2010	2030	change 2030-2010	2010	2030	change 2030-2010	2010	2030	change 2030-2010
<b>Total population (in thousand)</b>	1,551	1,675	0.124	9,306	10,270	0.964	499,389	519,942	20.6
<b>Share of people aged +65 over the total population</b>	18.7	24.1	5.4	18.2	22.5	4.3	17.4	23.6	6.2
<b>Old age dependency ratio (%)</b>	28.80	40.90	12.1	27.80	37.40	9.6	25.90	38.00	12.1

**Source:** Eurostat, Europop2008. **NOTES:** All indicators are projections calculated in 2008 by the Europop2008 Report.

### 1.3 The national and Regional Policy approaches in addressing demographic change

#### National approaches

There is no national strategy solely addressing demographic change in Sweden as a whole but the demographic issues are to some extent addressed in more overall national strategies for regional development. The *national strategy for regional competitiveness, entrepreneurship and employment 2007-2013*<sup>15</sup> is the overall national document steering the implementation of regional development policies including the use of ERDF and ESF in the regions. The priority areas of the National strategy are 1) Innovation and renewal, 2) Skills supply and improved labour supply, 3) Accessibility and 4) Strategic cross-border cooperation. It is underlined in the strategy that the demographic development is of outermost importance to secure growth and development in Sweden as a whole. In the strategy, there is a focus both on sparsely populated and rural areas and denser city areas. Thematically, there is a strong focus on the labour market, especially on inclusion into the labour market and skills supply. There is also a thematic focus on enlargement of labour market regions by improving infrastructure and public transport.

In 2002, the Swedish social democratic government published the first Swedish National Sustainable Strategy (NSDS). In 2006, the strategy was further developed and completed with the report "Strategic challenges".<sup>16</sup> In the strategy four main challenges were identified, namely, 1) building sustainable communities, 2) encouraging equal access to good health, 3) meeting the demographic challenge and 4) encouraging sustainable growth. It is stated in the report that there are large differences in how large impact the demographic changes will have on different parts of Sweden. Especially small municipalities in the northern parts but also in some rural parts of south Sweden will particularly face challenges when it comes to provision and financing of welfare services and skills and labour force supply due to a shrinking population. It is underlined in the report that measures to be taken to meet the challenges must focus on better labour market inclusion in general and on better labour market integration of immigrants in particular.<sup>17</sup>

<sup>15</sup> A national strategy for regional competitiveness, entrepreneurship and employment 2007-2013, <http://www.regeringen.se/sb/d/8739/a/77417>.

<sup>16</sup> Skr.2005/2006:123, Strategiska utmaningar – en vidareutveckling av svensk strategi för hållbar utveckling.

<sup>17</sup> Skr.2005/2006:123, Strategiska utmaningar – en vidareutveckling av svensk strategi för hållbar utveckling

In 2011, the current Swedish government (for the period of 2010–2014 it consists of a coalition of four right-wing and centre parties) launched an investigation to address the demographic challenges with a particular focus on the ageing population in Sweden. This investigation is one of four focus areas in the “Committee for the future”, led by the party leaders in the government and involving representatives of business and business organisations, labour unions and research institutions. In March 2013, a report on Future welfare and the ageing population was published and one of the overall conclusions in the report was that the challenge related to the ageing population is highly present today and not something that lies ahead several years into the future. It is also underlined that the burden on the welfare system and the high dependency ratio will be particularly present in the sparsely populated, peripheral parts of Sweden.<sup>18</sup>

In addition, Sweden holds the chairmanship of the Nordic Council of Ministers during 2013 and one of the focus areas of the Swedish chairmanship period is demographic challenges. The aim is to build up an arena for exchange of knowledge on demographic challenges between the Nordic countries.<sup>19</sup>

### **Regional approaches**

Each region in Sweden is commissioned by the government to formulate a regional development strategy. The regional strategy should detail how the objectives for the region are to be achieved, and should also include a strategy for how the county will help to achieve national objectives. These strategies are the point of departure for the priorities drawn up in the ESF and ERDF programmes in the regions. It must be kept in mind that Östra Mellansverige consists of five administrative regions and therefore there are five different regional strategies which will form the basis for the new ESF and ERDF programmes. The five administrative regions in Östra Mellansverige and in addition the Stockholm region, Örebro region and Gävleborg region took an initiative to make a joint regional analysis with forecasts on demography until 2050.<sup>20</sup> It was necessary to revise the forecasts made in 2007 because of a higher actual net migration than was predicted in 2007. There are three different forecasts in the report: “High” indicating a high net migration in the region, “Low” indicating low net migration and the “Basic forecast” which uses the national population prognosis from Statistics Sweden (SCB).<sup>21</sup> It is concluded in the report that Östra Mellansverige will have population growth in the coming decades, to a large part due to positive international migration to the region. It is also forecasted that the age group 65 will grow in proportion to the age group 20-64. This also means that the dependency ratio will increase in Östra Mellansverige.

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<sup>18</sup> Ds 2013:8, Framtidens välfärd och den åldrande befolkningen, delutredning från Framtidskommissionen

<sup>19</sup> Den nordiska modellen i en ny tid, Program för Sveriges ordförandeskap i Nordiska ministerrådet 2013, <http://www.regeringen.se/content/1/c6/20/26/74/fb30a283.pdf>.

<sup>20</sup> Stockholms läns landsting, Befolkning, sysselsättning och inkomster i Östra Mellansverige, reviderade framskrivningar fram till 2050, Rapport 1:2012.

<sup>21</sup> Ibid, p.16.

## 2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE

When it comes to ESF programmes, there is a regional plan covering Östra Mellansverige.<sup>22</sup> As for ERDF programmes there is the Structural Fund Operational Programme for Östra Mellansverige. The region is also covered by the Central Baltic programme, the Baltic Sea Region programme and the Interreg IVC programme. For an overview of to what extent and in what way the Cohesion policy programmes in Östra Mellansverige address demographic challenges see Table 4 below.

As it is shown in Table 4, in all the programmes, the context and/or SWOT analysis address demographic changes and what challenges and opportunities these changes might imply. On the other hand, when it comes to objectives and strategy design of the programmes these don't explicitly address demographic challenges. The objectives and priorities instead focus on issues more indirectly linked to demographic change, such as increasing employment and better accessibility to enhance movement of people. There seems to be a gap between to what extent the demographic challenges are addressed in the regional context/SWOT analysis and to what extent they are addressed in the actual policy measures.

As was stated above demographic challenges are not directly addressed in the strategy design and policy measures of the Cohesion policy programmes covering Östra Mellansverige, it is also difficult to answer to what extent financial allocations have been made to measures tackling demographic challenges. As for the ESF regional plan for Östra Mellansverige (see Table 4) the programme area "Provision and development of skills" focusing on better inclusion on the labour market sums up to 36 million € or 30% of the total programme resources.

The on-going evaluations of the Structural Fund Operational Programme for Östra Mellansverige<sup>23</sup> don't explicitly address the demographic issues. Interviews with regional stakeholders indicate that the demographic issues are not particularly addressed at any phase of the programming cycle. In addition, they are not directly addressed in the discussion and preparing for the next programming period 2014-2020 either.

Seen in the framework of the EU 2020 strategy, one of the main objectives of the ESF regional plan is social *inclusion*. Especially programme area 1 "Skills/labour provision" aims at measures to better integrate people into the labour market. Thus, it can be said to be linked to the focus on *inclusive* growth in the EU 2020 strategy. It is also – although perhaps more indirectly – linked to *smart growth* as it is addressing the need for better inclusion into the labour market in order to enhance innovation and competitiveness of firms. When it comes to the cross-border cooperation programme covering the region Östra Mellansverige; the Central Baltic programme, it also has an aim to enhance *social inclusion*. Priority 3 *Attractive and dynamic societies* clearly contains measures to create better quality of and access to services, especially for citizens living in rural and remote areas.

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<sup>22</sup> Regional ESF-plan för Östra Mellansverige 2007-2013, "Ett hållbart arbetsliv för alla i Östra Mellansverige", <http://www.esf.se/Documents/Min%20region/%C3%96stra%20Mellansverige/Regional%20plan/Reviderad%20Regional%20plan%20%C3%96stra%20Mellansverige.pdf>.

<sup>23</sup> Tillväxtverket, Rapport 0102, (2011), Följeforskning i programområde Östra Mellansverige Slutrapport.

**Table 4: Review of Cohesion programmes' strategies on demographic issues**

	Brief description	Comments and examples
<b>STRUCTURAL FUND OPERATIONAL PROGRAMME FOR ÖSTRA MELLANSVERIGE (ERDF)</b>		
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>Strengths/possibilities:</p> <ul style="list-style-type: none"> <li>• General increase in population</li> <li>• Increasing number of persons with foreign background on the labour market</li> </ul> <p>Weaknesses/threats:</p> <ul style="list-style-type: none"> <li>• Decreasing population in areas of the region located far from regional centres and lacking commuting possibilities</li> <li>• Weak integration of immigrants</li> <li>• Relatively high share of people outside the labour market</li> <li>• Relatively high unemployment rate among young people</li> <li>• Unequal age balance</li> </ul>	<p>Demographic changes are highlighted in the context analysis as important trends that will affect the economic development of the region. There is a general increase in population in Östra Mellansverige but this population growth is unevenly distributed between different parts of the region and this is identified as one of the weaknesses. There are several smaller municipalities in Östra Mellansverige – especially those located far away from regional centre - where there will be a potential lack of labour-force in the coming decades due to an ageing population and out-migration. It is however identified that there is a great unused potential labour-force in the region; it is especially initiatives aiming at better including young people and immigrants that are needed.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The three overall measures 1) Innovation, 2) Entrepreneurship and 3) Accessibility, of the programme do not <i>directly</i> mention elements related to the region's possibility to adapt to demographic change.</p>	<p>Two of the overall measures aim at enhancing innovation and entrepreneurship. New companies and growth in existing companies will lead to more employment opportunities.</p> <p>The third overall measure aims at enhancing accessibility in the region. The aim is to improve infrastructure and public transports to facilitate the movement of people.</p>
<p><b>c) Specific measures addressing demographic challenges in the Programme</b> Brief description and connections/synergies with existing national and regional "ordinary" policies</p>	<p>There are no specific measures addressing demographic challenges in the programme. However, the three overall measures will <i>indirectly</i> affect demographic development. Better conditions for innovation and entrepreneurship as well as accessibility may enhance the attractiveness of the region.</p>	<p>Even though there are no specific measures addressing demographic challenges in the programme, the context analysis shows that there is a strong awareness of the demographic development in the region and the impact the measures of the programme may have on the development.</p>

	Brief description	Comments and examples
<b>ESF REGIONAL PLAN FOR ÖSTRA MELLANSVERIGE</b>		
<b>a) Context analysis</b>	<p>Strengths/opportunities:</p> <ul style="list-style-type: none"> <li>• Large and growing population especially in regional centres and cities with universities;</li> <li>• Well-educated population;</li> <li>• Large potentials in unused labour force; immigrants, young persons, etc.</li> </ul> <p>Weaknesses/threats:</p> <ul style="list-style-type: none"> <li>• Shrinking population in small labour market regions creates lack of labour force;</li> <li>• Relatively high unemployment rates especially in socially exposed areas in the cities.</li> </ul>	Demographic changes are highlighted in the context analysis as important trends that will affect the social development of the region.
<b>b) General objectives and strategy design</b>	The two overall programme areas 1) Skills supply and 2) improved labour supply, do not directly address demographic change. However, measures and initiatives taken within the two programme areas may have an indirect effect on demographic change.	
<b>c) Specific measures addressing demographic challenges in the Programme</b>	Programme area 1: "Skills supply"	One example of a specific project under the programme area 1 is <i>Hälsolyftet</i> in Oxelösund municipality in Södermanland region in Östra Mellansverige. The health situation among employees both in public and private sector was severe. The project aimed at improving knowledge among employees within health and lifestyle improvement and also to improve the rehabilitation in the work place.
<b>CENTRAL BALTIC PROGRAMME</b>		
<b>a) Context analysis</b>	<p>Strengths/opportunities:</p> <ul style="list-style-type: none"> <li>• Skilled and well-educated labour force</li> </ul> <p>Weaknesses/threats:</p> <ul style="list-style-type: none"> <li>• Considerable area consist of small and peripheral regions with outmigration and an ageing population;</li> <li>• High unemployment within certain groups.</li> </ul>	<p>The Central Baltic programme is composed of 2 sub-programmes:</p> <ol style="list-style-type: none"> <li>1) The Southern Finland – Estonia sub-programme;</li> <li>2) The islands and archipelago sub-programme.</li> </ol> <p>Both sub-programmes address the challenges in welfare and social security due to a rapidly ageing population especially in small rural communities.</p> <p>In the sub-programme 2 it is addressed that island regions often don't have the critical mass of people needed for business development and entrepreneurship.</p>
<b>b) General objectives and strategy design</b>	Priority 3: Attractive and dynamic societies This priority focuses on measures taken to create a better living environment for the citizens of the area through, for example, addressing people's health, well-being, security as well as culture.	
<b>c) Specific measures addressing demographic challenges in the Programme</b>	There are no specific measures directly addressing demographic challenges in the Central Baltic programme but especially Priority 3: Attractive and dynamic societies, aims at creating better living environment, especially in rural and archipelago areas in order both to attract new citizens to these areas and to improve the living conditions for those who already live there.	One example of a specific project within the priority 3 addressing demographic issues is INNOCARE. The aim of the project is to enhance innovative solutions to care for elderly citizens living at home.

	Brief description	Comments and examples
<b>BALTIC SEA REGION PROGRAMME</b>		
<b>a) Context analysis</b>	<p>Common challenges:</p> <ul style="list-style-type: none"> <li>Increasingly ageing population (the opposite situation in North West Russia with high mortality and no gains in life expectancy).</li> <li>Migration continues to be directed towards the metropolitan areas</li> </ul>	In the context analysis of the programme, the demographic development – especially ageing and urbanisation - is highlighted as a common challenge for the Baltic Sea Region.
<b>b) General objectives and strategy design</b>	Priority 4 in the programme: Promoting attractive and competitive cities and regions.	
<b>c) Specific measures addressing demographic challenges in the Programme</b>	Measures and projects taken under priority 4 aims at creating better living environments to attract and retain citizens.	One example of a specific project under priority 4 here is <i>New Bridges</i> . The main objective in the project is to improve the management of quality of life in urban-rural planning. Örebro municipality (located in Östra Mellansverige) was one of the partners in the project. Örebro focused on planning for better accessibility to services and better public participation in the planning processes.
<b>INTERREG IVC</b>		
<b>a) Context analysis</b>		
<b>b) General objectives and strategy design</b>	The areas of support are innovation and the knowledge economy, environment and risk prevention. The overall objectives of Interreg IVC is not directly linked to how countries/regions can adapt to demographic changes	
<b>c) Specific measures addressing demographic challenges in the Programme</b>	Even though it is not set up in the overall strategy of the programme, there are examples of specific projects addressing demographic change.	One example of a concrete project is CREATOR which is a mini-programme under Interreg IVC that consists of 7 regions in different parts of Europe aiming at addressing the challenges of an ageing population.

Source: Authors.

### **3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE**

The measures selected and outlined in Table 5 are only *indirectly* addressing the demographic challenges.

As for the first measure (a) described it is the objective 1 within the programme area 1 of the regional ESF plan for Östra Mellansverige. This measure is focusing on better provision of skilled labour both to enhance the possibilities for individuals to enter and stay on the labour market and to meet the needs of companies. In rural and remote areas characterized by an ageing population and young people migrating this can be a way of trying to improve the provision of labour within different branches. The beneficiaries of this measure are individuals, both those who already have a job and want to change carrier and those who are unemployed. Companies in the region are of course also beneficiaries since they can get better access to skilled labour.

The second measure (b) described in Table 5 on preventing discrimination on the labour market (Regional ESF plan for Östra Mellansverige) can also be viewed as a way of securing provision of labour especially in rural and remote areas. All parts of Östra Mellansverige have a positive international migration but many immigrants are still excluded from the labour market. To find measures to better integrate them into the labour market can be the key to securing labour provision both to private and public sector. The beneficiaries of this measure are employers, organisations, authorities and individuals on the labour market.

The third measure (c) described in Table 5 is the Priority 3 of the Central Baltic programme; "Attractive and dynamic societies". This priority focuses on initiatives taken to create a better living environment for the citizens in the area through addressing health issues, well-being, security and cultural aspects. The beneficiaries of this measure are municipalities, authorities and other public organisations as well as universities and NGOs. In the mid-term report evaluation of the Central Baltic programme it is concluded that the projects implemented under Priority 3 are very diverse. It is also stated that a majority of the projects under Priority area 3 are targeting young people as well as elderly people and groups at risk of social exclusion.<sup>24</sup> According to the mid-term evaluation it has also been difficult for smaller organisations to apply for funding from the programme. There has also been a lack of people-to-people activities.<sup>25</sup> The three measures described in Table 5 are all clearly linked to the focus on *inclusive growth* in the EU 2020 strategy. To some extent they are also linked to *smart* and *sustainable growth*.

The two measures within the ESF programme mentioned above closely connects to the national policy goal on better inclusion on the labour-market outlined in the *national strategy for regional competitiveness, entrepreneurship and employment 2007-2013*. However, when it comes to the implementation of the programmes, projects both in the ESF and the ERDF programmes in Östra Mellansverige are implemented by regional and local actors. The involvement in projects of national actors is relatively limited. There are even examples when national regulations have prevented national authorities to participate

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<sup>24</sup> DeaBaltika, (2010), Evaluation of the Central Baltic Interreg IVA programme 2007-2013, Final Mid-term Evaluation Report, 24 November 2010, p.39.

<sup>25</sup> Ibid.

in projects within the ESF and ERDF programmes. Thus, this shows that the synergy and coordination with national actors are sometimes rather poor. When it comes to, for example, labour market projects, it is often necessary to involve national authorities within this field as well as national universities and university colleges in order to obtain an efficient result. Another example is infrastructure projects where national authorities need to be involved since it is necessary to have an overall national perspective on infrastructure projects.

Demographic change is addressed to a limited extent in all the ESF and ERDF programmes covering Östra Mellansverige. The reason can be that the challenges are not as severe as in many other parts of the country or Europe but also because demographic change is an *underlying* development affecting economic and social development in the region. The priorities in the programme are aiming at enhancing economic growth and social development in the region. This will in a longer perspective have an impact on demographic development in the region. The demographic challenges are addressed *indirectly* in all the programmes. Especially the ESF regional plan for Östra Mellansverige has a demographic dimension since it aims at improving working life conditions, better inclusion of those who are outside the labour-market and measures and initiatives targeting young people. In the ERDF Operational Programme for Östra Mellansverige 2007-2013 the main focus has been enhance regional growth and the competitiveness of firms in the region.

**Table 5: Selected Measures in relation to demographic change**

Measure (programme)	Main type of intervention	Thematic focus	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources (in euro)	Main effects
a) Measures to contribute to development of labour skills to help women and men adjust to the demands on the labour-market (Regional ESF plan for Östra Mellansverige 2007-2013)	Labour market	Migration, increasing/decreasing population	Objective 1 (Programme area 1: "Provision/development of skills"): Contribute to development of labour skills to help women and men adjust to the demands on the labour market	Employers, individuals on the labour market	Programme area 1: "Provision/development of skills": 360 million SEK (36 million Euro)  30% of total programme resources	Improve the matching between supply and demand on the labour market.
b) Measures to contribute to prevention of discrimination on the labour market (Regional ESF plan for Östra Mellansverige 2007-2013)	Labour market	International migration, gender balance	Objective 3 (Programme area 1: "Provision/development of skills"): contribute to prevent discrimination on the labour market	Employers, organisations, authorities, individuals on the labour market	Programme area 1: "Provision/development of skills": 360 million SEK (36 million Euro)  30% of total programme resources	Better integration into the labour market
c) Attractive societies/Quality of Life (Central Baltic programme)	Improve quality of and access to welfare services, inclusion on vulnerable groups	Migration, age balance	Priority 3: Attractive and dynamic societies This priority focuses on measures taken to create a better living environment for the citizens of the area through for example addressing people's health, well-being, security as well as culture.	Municipalities, authorities and other public organisations. Universities, research institutions and NGOs.	N.A.	Most projects in the social sphere address health care, social security and inclusion of vulnerable groups. Few projects addressing people-to-people-activities.

Source: Authors.



## 4. THE GOOD PRACTICE EXAMPLE

*Hälsolyftet (Health boost) project* aimed to identify and harmonize the work done to reduce ill health in the municipality of Oxelösund in Södermland (Östra municipality). Oxelösund is a small municipality by both area and population. The population is around 11000. The dominant workplace is SSAB (producer of high strength steel) with around 2400 employees. Other major employers are the municipality and the harbour.

The problem tackled by the project was a high sickness rate in Oxelösund. It is located on 51.5 days / year which is the highest in Södermanland (with ill health meant the number of days with sickness, work injury sickness benefit, rehabilitation and sickness and activity per person per year in the age group of 16-64 years). Moreover, the sickness rate of women is twice as high as that of men.

The goal of the project was to create a common platform for promoting wellness, improving the rehabilitation process and as a result have fewer long-term sick. The project aimed at mapping of the health situation at the largest working places in the municipality, provision of personally adjusted programs for all employees according to their health profiles, activities to raise awareness among both employers and employees of the need to work with more long-term activities for better health, improve the rehabilitation processes at the work places.

The main objective of the project was to develop skills of employees in the three largest employers in Oxelösund on health and wellness and to improve rehabilitation efforts in the workplace. The partners involved were as follows: SSAB (steel industry), the harbour of Oxelösund and the municipality. Close cooperation of the largest private employer and the largest public employer was the key innovative element of this project.

More detailed information on the project is provided in the annex of the case study.



## 5. INDICATIONS FOR THE 2014–2020 PROGRAMMING PERIOD

During spring 2013 the programming process for the ERDF and ESF programmes in 2014–2020 in Sweden and Östra Mellansverige is to a high extent an on-going process. The Ministry of Enterprise, Energy and Communications has commissioned Örebro regional council to coordinate the process of drafting an Operational Programme for Östra Mellansverige for the coming programme period. In addition, Örebro regional council is also responsible for providing analytical material as contribution to the process of developing a new national ESF programme. During the same period, the Swedish government is preparing for the partnership agreement that will be agreed with the European Commission on the goals of the Structural Funds programmes in Sweden and how they will be aligned with the Europe 2020 strategy. When it comes to the national ERDF programmes, the Swedish government has decided that 85% of the funding will go to the 8 regional ERDF programmes and 15% to a national programme.<sup>26</sup>

The Swedish authority Tillväxtanalys has been commissioned as ex-ante evaluators of the ERDF programmes including the new Operational Programme for Östra Mellansverige.

The persons interviewed for this report that are involved in the programming process underlined that the process during spring 2013 is about coordinating the different priorities set up in the regional strategies of the five administrative regions within Östra Mellansverige and to select a limited number of priority areas out of the 11 thematic objectives set up by the European Commission. 60% of the funding should be dedicated to innovation, IT and competitiveness of SMEs and 20% to measures to support a shift towards a low-carbon economy.

Three priorities are suggested for the Operational Programme (ERDF) for Östra Mellansverige: 1) Innovation and entrepreneurship, 2) Low-carbon economy and 3) ICT and sustainable transports. For the ESF programme three investment priorities are suggested; 1) Enhance employment and Mobility of the labour force, 2) Enhance social inclusion and fight poverty and 3) Invest in education, skills and life-long learning.<sup>27</sup> As in the current programme period, the priorities are not explicitly addressing demographic change but measures under all these priorities may have affect the ability and possibility for the region to handle the demographic challenges. A number of seminars were arranged in Östra Mellansverige during April 2013 to discuss the priorities. At the end of June, the first draft of the Operational ERDF Programme for Östra Mellansverige will be discussed with representatives at the national level.

As for the cross-border and transnational programmes covering Östra Mellansverige, a new cross-border programme for the Central Baltic area is under development during spring 2013. Four priorities have been selected for the Central Baltic programme 2014-2020: 1) Environment, 2) Transport, 3) SMEs and 4) Education/Lifelong learning. In addition, there will be two horizontal themes: Low carbon economy and ICT. The Central Baltic programme will most probably cover the same geographical area as it does in the current programming

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<sup>26</sup> Näringsdepartementet, [Uppdrag och erbjudande att utarbeta förslag till regionala strukturfondsprogram för målet Investeringar i tillväxt och sysselsättning \(Europeiska regionala utvecklingsfonden\) avseende programperiod 2014-2020](http://www.regeringen.se/content/1/c6/21/70/83/2bd9d227.pdf), Regeringsbeslut 2013-05-16, <http://www.regeringen.se/content/1/c6/21/70/83/2bd9d227.pdf>.

<sup>27</sup> <http://www.regionorebro.se/blameny/internationellt/nystrukturfondsperiod/larkonferens19april.4.2a9f7fac13dd0dc500a80c.html>

period.<sup>28</sup> The Central Baltic programme covers capital regions as well as rural and archipelago areas. The issue of outmigration from rural and archipelago areas and concentration of population to the capital area is therefore a key issue in the discussion on the new programme. It is important to use the programme to address the different demographic challenges in the area.

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<sup>28</sup> For more information on the current Central Baltic programme see for example Hörnström, Smed Olsen and Van Well, (2012), Added Value of Cross-Border and Transnational Cooperation in Nordic Regions Nordregio Working Paper 2012:14, <http://www.nordregio.se/en/Publications/Publications-2012/Added-Value-of-Cross-Border-and-Transnational-Cooperation-in-Nordic-Regions/>.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

The contribution of Cohesion Policy 2007–2013 in the Östra Mellansverige region when it comes to addressing demographic challenges has been limited. The ESF and ERDF programmes have however to some extent all highlighted the demographic development in the region when identifying strengths and weaknesses of the region. The overall assessment is that the overall objectives of the programmes do not *directly* address the demographic development in the region. Since the programmes have not directly addressed the demographic change issues it is difficult to identify the main lessons on what has functioned and what hasn't.

In Östra Mellansverige, the programming process for the ERDF and ESF programmes in 2014-2020 is to a high extent an on-going process. As for the new ERDF programme for Östra Mellansverige, one contact person has been appointed in each of the five regions of Östra Mellansverige to coordinate the work. In March 2013, they are focusing on the construction of the programme, the structures for implementation of the programme and the alignment of the programme with the Europe 2020 strategy. The demographic issues is not directly addressed in the programming process but the measures proposed within the priority areas selected will of course have an impact on demographic development in the region.

The new ESF and ERDF programmes will be coordinated with the regional development strategies as well as with the Europe 2020 strategy and the national guidelines. Therefore one way to get an indication of to what extent the demographic issues will be highlighted in the future programmes is to look at the regional development strategies. For example, in the regional development strategy for Östergötland (>2030) demographic changes is identified as one of the preconditions for the strategies but in the 8 specific strategies in the document there is no strategy directly addressing demographic changes. One of the strategies is to strengthen the polycentric structure of Östergötland and thus maintaining the settlement pattern by improving communications.



## ANNEXES

### a) *List of interviews/visits*

- Mats Helander, Head of the department of planning, Regional council Östsm
- Per Holmström, Coordinator for the programming process 2014–2020, Regional council of Örebro
- Elisabeth Langgren, Project leader, Regional council of Sörmland
- Harry Leiman, General Secretary, Structural Funds partnership, East Middle Sweden
- Benita Vikström, former Mayor of Oxelösund municipality, Sweden

### b) *References*

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### c) *Good practice fiche*

<b>Dimension of demographic change addressed:</b>	Public health, better inclusion on the labour market
<b>Country/ Region:</b>	Sweden/Östra Mellansverige
<b>Name/Title of the Practise:</b>	<i>Hälsolyftet</i>
<b>Period of implementation:</b>	2010-01-15 till 2011-12-31
<b>Contact information:</b>	Ulrika Jansson, <a href="mailto:ulrika.jansson@oxelosund.se">ulrika.jansson@oxelosund.se</a> Benita Vikström, former Mayor Oxelösund municipality

<b>Brief description and activities implemented:</b>	Mapping of the health situation at the largest working places in the municipality, provision of personally adjusted programs for all employees according to their health profiles, activities to raise awareness among both employers and employees of the need to work with more long-term activities for better health, improve the rehabilitation processes at the work places.
<b>Main partners/ stakeholders involved:</b>	The largest employers in the municipality: SSAB (steel industry), the harbour of Oxelösund and the municipality.
<b>Territorial coverage:</b>	Local (the municipality of Oxelösund)
<b>Funding:</b>	7 555 612 SEK (approx. 750 000 Euro)
<b>Main Goals and objectives:</b>	The project Hälsolyftet aims at developing skills of employees in the three largest employers in the small municipality of Oxelösund in Södermland (Östra municipality) on health and wellness and to improve rehabilitation efforts in the workplace.
<b>Main target groups:</b>	Employees at the largest working places in the municipality.
<b>Main measures and outcomes:</b>	<p>The most important result of the project is that the health situation among employees in Oxelösund municipality has improved radically.</p> <p>The exchange of knowledge on rehabilitation between the municipality, SSAB and the harbour has been another important outcome of the project.</p> <p>There is increasing knowledge and awareness both among employees and employers about health issues.</p> <p>A more concrete outcome of the project is that the main facilities for sport activities in the municipality have been renovated. 60 000 persons per year used the facilities <i>before</i> renovation and after the renovation the figure had increased to 120 000 persons per year</p>
<b>Implementation features:</b>	-
<b>Main weaknesses/ obstacles and how they have been addressed:</b>	Different perspectives have been a challenge since it has been difficult to create a common picture of what should be achieved within the project.
<b>Main strengths:</b>	<p>The different perspectives have also been a strength. Oxelösund municipality has learnt from SSAB when it comes to rehabilitation methods.</p> <p>Since Oxelösund municipality, SSAB and the harbour employ 3700 of the total number of 4200 persons employed the project has reached a large number of the citizens in Oxelösund (total population 11 000).</p>
<b>Main innovative elements:</b>	The largest private employer and the largest public employer have worked closely together in this project.
<b>Main lessons learnt:</b>	The most important lessons was that it is very important to find good ways of cooperating between different actors in order to achieve results
<b>Sources of information:</b>	<a href="http://www.esf.se/en/Projektbank/Behallare-for-projekt/Ostra-Mellansverige/Halsolyftet/">http://www.esf.se/en/Projektbank/Behallare-for-projekt/Ostra-Mellansverige/Halsolyftet/</a>





**DIRECTORATE-GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

**HOW CAN REGIONAL AND  
COHESION POLICIES  
TACKLE DEMOGRAPHIC CHALLENGES?**

**REGIONAL CASE STUDY  
LINCOLNSHIRE (EAST MIDLANDS)  
UNITED KINGDOM**



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## LIST OF ABBREVIATIONS

<b>CAP</b>	Common Agriculture Policy
<b>CAZ</b>	Coastal Action Zone
<b>CSF</b>	Common Strategic Framework
<b>DEFRA</b>	Department of the Environment, Food and Rural Affairs
<b>DWP</b>	Department for Work and Pensions
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EMDA</b>	East Midlands Development Agency
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>EU27</b>	European Union of 27 Member States
<b>GDP</b>	Gross Domestic Product
<b>GERD</b>	Gross domestic expenditure on R & D
<b>GVA</b>	Gross value added
<b>HTC</b>	High-tech sectors (high-tech manufacturing and knowledge-intensive high-technology services)
<b>ICT</b>	Information and Communications Technology
<b>IRS</b>	Institute for Social Research
<b>LAZ</b>	Lindsey Action Zone
<b>LEPs</b>	Local Enterprise Partnerships
<b>LRO</b>	Lincolnshire Research Observatory
<b>NEET</b>	Not in Education, Employment or Training
<b>NINOs</b>	National Insurance Numbers

- NSRF** National Strategic Reference Framework
- NUTS** Nomenclature des unités territoriales statistiques
- OP** Operational Programme
- PA** Priority Axis
- RDPE** Rural Development Programme for England
- SMEs** Small and Medium-sized Enterprises
- SRIP** Sub Regional Investment Plan

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## INTRODUCTION AND MAIN FINDINGS

This case study focuses on the strategy adopted during 2007-2013 to tackle demographic change in Lincolnshire, a sparsely populated county located in the East Midlands.

- Lincolnshire is an interesting example of rural area where the increasing number of population is posing significant challenges to the local economy. In particular:
  - Over the last ten years, population in Lincolnshire has grown at a faster pace than national and regional average. In 2012, Lincolnshire's population amounted to 715,423 people (Eurostat data, 2012), representing an increase of 22% on the 1990 figure. This trend is expected to continue in the next years and population is set to increase up to 830,000 by 2030.
  - The main driver of population's growth in Lincolnshire is represented by the in-migration. The county has been experiencing a growing number of migrants both from other areas of England as well as from Eastern European countries. However, the profile of migrants entering the county has been changing over the years with a significant increase of people aged over 65.
  - The ageing population is coupled with a further challenge in Lincolnshire: the low skills of the working age group. Lincolnshire has a large proportion of the population aged 16-74 with no qualifications. Moreover, working migrants entering the county are usually low skilled and are employed in farms and agri-food industries.
- The shift towards an ageing community in Lincolnshire can be understood by taking into account two aspects:
  - It is the result of the inevitable retirement of the so-called baby boom generation occurring in UK between 1946 and 1964.
  - The rural and natural sites make the county a 'charming' place for people aged over 65, who decide to spend their retirement in Lincolnshire.
- As pointed out during the interviews, these demographic changes will have the following impacts:
  - Population aging will negatively impact on the economic growth of the county, since an ageing community will result in a smaller workforce as well as reduced tax revenues.
  - Conversely, pension and health care costs will rise, putting a great strain on public finances and service providers.
  - As far as the skill of labour force is concerned, according to the opinions collected, it is not due to the educational system offered in Lincolnshire rather to the job opportunities provided by the county, which are low added value, low skilled and low paid. As stressed by the interviewees, once people have gained higher level skills, they migrate to areas of the country where growth and incomes are higher, whilst those that remain in the county do not turn their early educational attainment into higher level skills and qualifications.

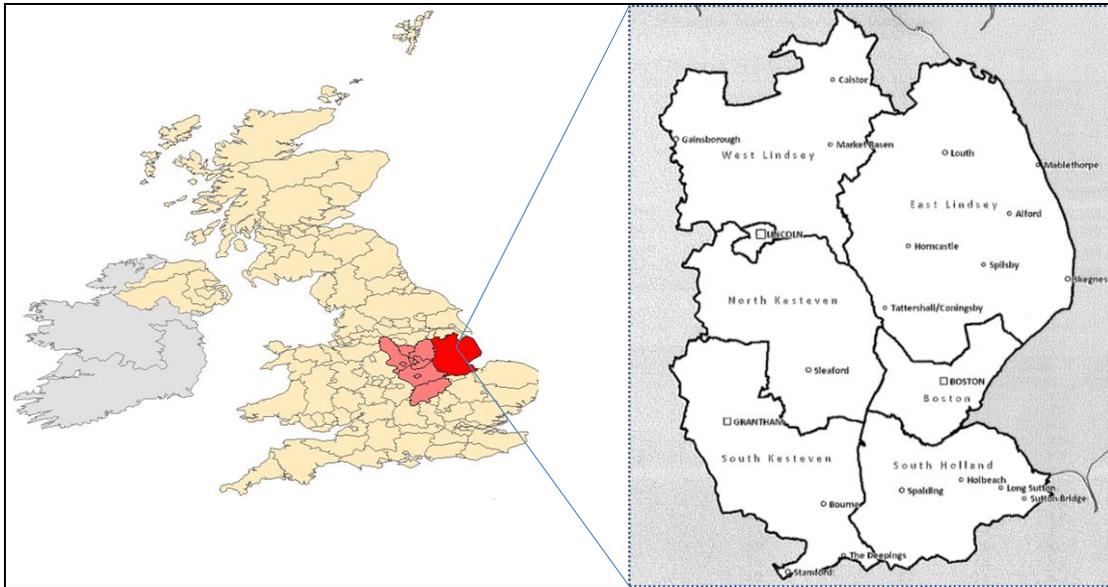
- Lincolnshire's demographic challenges are widely addressed by strategies and investment plans adopted at regional and local level. Over the 2007-2013 programming period, the Cohesion Policy has complemented these initiatives through measures which directly and indirectly tackle demographic challenges. In particular:
  - the ageing population, which is actually the demographic challenge mainly affecting the county, is neither mentioned as an issue nor directly addressed by the EU funded programmes covering East Midlands Region, therefore Lincolnshire. This is explained by the fact that ageing population has become an urgent issue during the running of the programming period.
  - both ERDF and ESF Programmes addressing Lincolnshire fall under the Competitiveness and Employment Objective, whose priority is to create jobs by promoting competitiveness and making the regions concerned more attractive to businesses and investors. Accordingly, the Programmes analysed are particularly focused on objectives such as raising employment opportunities in East Midlands and the skills of the working age population.
  - In Lincolnshire, the objective of increasing job opportunities is particularly targeted to raise on the one hand the demand for skilled people by the local businesses and on the other hand to prepare young people for working life, by reducing the number of workers without basic skills or Level 2 and 3 qualifications.
  
- For the next programming period, UK's regions will be aligned to the long-term objective for growth and jobs set out in the Europe 2020 strategy. Initial proposals for UK Partnership Agreement indicate that the spending of EU resources across the country will be focused on exploiting innovation, promoting SME's competitiveness, improving workforce skills, promoting employment opportunities for disadvantaged groups and promoting a low carbon economy. Regional strategies are expected to be influenced by these national priorities. Again, improving the skills of workforce and raising employment opportunities are likely to be the main relevant issues from demographic change perspective. As far as Lincolnshire is concerned, local authorities suggest that measures will be probably addressed to face the needs of ageing people, such as ensuring their access as far as possible to health services. In this regard, local authorities are discussing the use of EU funds to finance innovative technologies aimed at providing e-health services in the most sparsely populated districts of Lincolnshire.

## 1. REGIONAL CONTEXT

### 1.1 General socio-economic context and impact of the crisis

Located in the East Midlands region, Lincolnshire is the fourth largest county in England (5,928 sq.km)<sup>1</sup> and one of the most sparsely populated, having only 118 people per sq km, which is significantly below the national and regional figures<sup>2</sup>. Because of its size and low population density, Lincolnshire has been classified by the Department of the Environment, Food and Rural Affairs (DEFRA)<sup>3</sup> as one of the most rural counties in England. According to the latest Census (2011), on the seven Local Authority Districts within the county, East Lindsey, North Kesteven, South Holland and West Lindsey record the lowest population density while Lincoln is, in comparison, the most urbanised district (see Table d in Annex).

**Figure 1: Lincolnshire's District Map**



**Source:** Authors.

Lincolnshire's geography and topography has been influencing its economic structure over the years. Nearly half of all agricultural land in the county is classified as being of Grade 1 and 2 qualities, which means best and most versatile land<sup>4</sup>. This has boosted the development of agriculture and food industries. Similarly, the county's coastline and the presence of historical and natural assets have contributed to the growth of the tourism industry.

Although the largest share of total employment is absorbed by the public sector (more than 50%), the Agri-Food and Tourism industries historically provided more employment in Lincolnshire than in the overall England. However, these industries tend to be low skilled, low waged as well as low added value.

<sup>1</sup> It ranks fourth after North Yorkshire, Cumbria and Shropshire and Staffordshire. Data source: Eurostat 2012.

<sup>2</sup> 254 and 284 per sq km respectively.

<sup>3</sup> <http://www.defra.gov.uk>

<sup>4</sup> LRO (2011), Lincolnshire: a local economic assessment 2011, Lincoln.

The business demography and, more importantly, business sparsity are also crucial to understand the county's economic performance. The largest part of business stock is represented by small business enterprises, mostly employing from 1-10 employees (85% of total enterprises). There is an average of only five businesses per km<sup>2</sup> compared to 17 at national level (Lincolnshire Research Observatory –LRO-data, 2011). Moreover, a great diversity in terms of employment opportunities exists within the county, with Lincoln, Gainsborough and Boston ranking better than other zones.

Results of the 2011 Local Economic Assessment - performed by the Lincolnshire Research Observatory (LRO) - show that because of the size and the presence of certain traditional industries, Lincolnshire has not grown as much as national or even regional average rates. According to LRO data, the Gross value added (GVA) per head in Lincolnshire increased by 36% between 1999 and 2009 (against the 39% and 45% recorded at regional and national level respectively). As a percentage of the UK average, Lincolnshire's GVA per head has fallen from 75% in 1999 to 70% in 2006 and has remained at this level. As a result, and based on this measure of GVA per head, the county remains at the bottom five performing areas along with Merseyside, Tees Valley and Durham, Cornwall and the Isles of Scilly, and West Wales and The Valleys. This has been the case since the reform of the Common Agriculture Policy (CAP) in 2004: from 2005 onwards the allocation of CAP subsidies were reclassified from products to production, and the latter is excluded from GVA. As a consequence, a large fall in Lincolnshire's GVA occurred in comparison to other areas, due to its significant agriculture industry.

A further aspect to be considered when assessing the economic performance of Lincolnshire are the demographic changes occurred over the last decade. This issue will be better discussed in the next paragraph. However, it is interesting to note that while an overall increase of Gross Domestic Product (GDP) occurred in Lincolnshire since 2000 (+25%, higher than the national rate), the GDP per head has been decreasing (by 7.5% since 2000). This is explained by the fact that the total number of population has grown at a faster pace than the local economy, as a consequence of the increasing number of migrants. Most interestingly, the large numbers of people entering the county are of retirement age, so whilst increasing the population they do not contribute to the economy in terms of GVA per head.

Lincolnshire is among the areas which have suffered less during the recent economic crisis. Although a slight decrease occurred in the employment rate, the figure is still above the national and European rate (see Table 1 below). What has changed is that employment and recruitment opportunities have become more likely to be part-time and temporary. Since 2007, the number of full-time posts has fallen by 2% whilst part-time positions have increased by 3% (LRO data, 2011).

Overall, the key components of Lincolnshire quality of life and economy have remained largely untouched by the economic crisis. Such aspects include its rural nature and low population density, its ageing population (see next paragraph), traditional industries and low unemployment levels. All these aspects are playing a significant role in determining the current performance of the country and how it will develop into the future. However, LRO's forecasts are optimistic in this regard. The county's economy is expected to grow over the next two decades. Latest projections show that between now and 2030, the economy will grow at an average rate of around 2.3% per year (close to the national rate of economic growth) and GVA value will rise to over £ 12,5bn from the current £10bn.

The employment is also expected to increase from 251,000 full time equivalent positions to approximately 280,000 by 2030. Tourism and tertiary sectors will generate these new employment opportunities. One of the key challenges for the future will be to improve the skills of working age population. LRO forecasts show that although positive development will be achieved by 2030 (half of the working age population will have skills at Level 3 compared to only 40% in 2010), the county's skill profile will still lag behind the national economy.

**Table 1: Key socioeconomic figures**

	Lincolnshire				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>GDP Per capita</b> (EUR/hab, current market prices)	19,400	21,000	18,000	-7.2	27,200	30,500	25,300	-7.0	19,100	22,500	23,500	23.0
<b>GDP Total</b> (Mio_EUR, current market prices)	10,338	12,852	12,907	24.9	1,334,413	1,650,427	1,606,066	20.4	9,202,611	11,060,216	11,751,419	27.7
<b>GDP Growth rate</b> (real growth rate at market prices)				0	4.2	2.8	-4	-8.2	3.9	2.1	-4.3	-8.2
<b>Employment rate</b> (15-64)	74.2	73.3	74.1	-0.1	71.2	71.7	69.5	-1.7	59.9	63.2	64.2	4.3
<b>Participation Rate</b> (15-64)	78.01	76.09	79.42	1.41	75.45	75.37	75.67	0.22	68.5	69.8	71.2	2.65
<b>Unemployment rate</b> (+15)	4.9	3.7	6.5	1.6	5.6	4.8	8	2.4	9	8.9	9.6	0.6
<b>At – risk of poverty rate</b>				0		19	16.2	16.2		25.6	24.2	24.2
<b>Human capital</b> (persons aged 25-64 with tertiary education)	24.4	23.5	28.7	4.3	28.5	29.9	37	8.5	19.5	22.5	26.8	7.3
<b>Innovation capacity: Total intramural expenditure</b> (GERD)		0.38	0.26	0.26	1.82	1.72	1.77	-0.05	1.86	1.82	2.03	0.17
<b>Human resources in HRST</b>	27.8	31.3	35.5	7.7	34.4	37.9	47.5	13.1	31.7	35.6	40.1	8.4
<b>Employment in knowledge intensive sectors</b> (HTC)		3.42	3.63	3.63	5.85	5.38	5.08	-0.77	4.48	4.37	4.4	-0.08

Source: Eurostat.

**Note:** GDP per capita, Total GDP and GDP growth rate in 2011 are valued with 2009 data; Total intramural expenditure at NUTS2 level in 2011 is valued with 2009 data; Employment in HTC at NUTS2 level in 2011 is valued with 2008 data; Employment in HTC for EU27 in 2011 is valued with 2008 data

## 1.2 Overview of the main demographic challenges in the region

Since 1990s Lincolnshire has become one of the areas with the fastest growing population within UK with an annual growth rate of 1% per year, thus doubling the European and national average. In 2012, Lincolnshire's population amounted to 715,423 people (Eurostat data, 2012), representing an increase of 22% on the 1990 figure<sup>5</sup>. LRO's projections suggest that it is likely to further grow in the future and to be nearly 830,000 by 2030.

Despite a recent increase in the birth rates (+0.5%, Table 2), in-migration is the main driver of population growth in Lincolnshire. People come particularly from other counties in the East Midlands as well as from the Southern part of England. Moreover, since the expansion of the European Union in 2004, Lincolnshire has experienced a wave of in-migration from the central and Eastern European countries. Just over 30% of all National Insurance registrations (NINos) in the county are from Latvia, followed by Lithuania and Poland each with about 25%. According to data collected by the Worker Registration Scheme<sup>6</sup>, over 60% of in-migrants coming to Lincolnshire are employed in Administration, Business and Managerial Services, while 30% in Agriculture Activities, where they mostly cover low skilled positions.

Interestingly, the profile of migrants has been changing over the years thus significantly altering the demography of the county. As a matter of fact, a decrease occurred in the proportion of younger people aged 5-9 and 10-14 years (numbers fell by 4,004 and 2,250 respectively) and those of working age (with number falling in the 30-39 age group by more than 6,000 people). Data provided by the LRO show that since 2005 (the peak year) a gradual reduction has occurred in terms of number of National Insurance required by any overseas national (the so called NINos)<sup>7</sup> looking for a job or claiming benefits/tax credits in the UK (-550 in 2010, LRO data)<sup>8</sup>. As discussed above, the rapid growth and change in the county's population has also impacted on the key economic indicators, by lowering for instance the GVA per head.

Conversely, the number of elderly people (+65) has become an increasing share of Lincolnshire population, making to 21% compared to 16% nationally. According to LRO data, people over 65 years shifted from 121,776 in 2001 to 147,851 in 2011 (more than 26%). The rural profile of the county as well as its natural sites are the main reasons leading elderly people to settle in Lincolnshire. An issue to consider is that a fifth of elderly people living in the county are lone pensioners, thus meaning that a number of services and support for this age group are needed. However, given the large size of Lincolnshire and the sparsely populated areas, the physical access to services greatly differs across the county. As stressed by the Local Economic Assessment, about 8% of the county's retired population (11,000 people aged over 65 years) live in areas which have the longest distance to core services.

<sup>5</sup> According to the figures provided by the LRO (see Table in Annex), the districts of Boston, North Kesteven and South Holland are those having experienced the largest population growth (15% or higher over the last ten years).

<sup>6</sup> The Working Registration Scheme began in May 2004 to collect information on workers from the eight EU accession States registering for job in UK. The eight countries are: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

<sup>7</sup> NiNos are the National Insurance numbers allocated to overseas nationals.

<sup>8</sup> Following the economic crisis, the number of NINos registrations have been gradually reducing at regional (-4,720), national (-113,370) and local level (-550). However there are some areas within the county, like Boston and South Holland, which have remained fairly constant at 2006/2007 levels.

The ageing population is expected to become the main future demographic challenge in Lincolnshire. According to LRO data, the largest increase in Lincolnshire population is expected for people aged over 65 years. The share of children and those of working age is expected to fall while the proportion of the population made up of older people is set to increase from 21% to 24%. As a result, the dependency rate in Lincolnshire is projected to increase from 32.4 to 45.8 by 2030, even higher than EU27 rate (see Table below). This would mean a comparatively smaller workforce and reduced tax revenues, whilst pension and health care costs would rise, thus putting a great strain on public finances and service providers.

It is worth noting that the growing number of elderly people is a matter of concern not only in Lincolnshire. As showed by the Table below, the old dependency ratio is expected to significantly increase in the overall country (8.5% by 2030). This trend is explained by the inevitable retirement of the so-called baby boom generation over the coming decades. The baby boomers were born during a period of rapid population growth and social change (1946-1964), with 17 million births recorded in UK alone during this period. Those born at that time are now beginning to reach retirement age and are set to have a dramatic effect on the people, society and the economy of the country. There are currently 4 people of working age supporting each pensioner in Britain, by 2035 this number is expected to fall to 2.5, and by 2050 to just 2.

As far as Lincolnshire is concerned, the expected demographic changes pose major concerns to the economic development of the county. The shrinking of the economic active population is coupled by the low skills of the working age group. Lincolnshire has a greater proportion of the population aged 16-74 with no qualifications (33% against 29% nationally). Disparities in skills levels are not due to the quality of education being offered in Lincolnshire. As pointed by the Local Economic Assessment, the county's schools consistently perform above the national average for pupil attainment at Levels 2 and 3. A problem experienced in Lincolnshire is that once people have gained higher level skills, they are more likely to migrate to areas of the country where growth and incomes are higher. Those that remain in the county do not turn their early educational attainment into higher levels skills and qualifications.

**Table 2: Key figures on demographic change**

Indicator	Lincolnshire				National Average				EU27 Average			
	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000	2000	2005	2011	change 2011-2000
<b>Crude rate of population natural increase</b>	-1.8	-1	0.6	2.4	3.6	6.2	7.8	4.2	2.9	4.2	2.5	-0.4
<b>Crude rate of net migration</b>	13.5	9.2	6.3	-7.2	2.4	3.8	3.8	1.4	2.3	3.6	1.7	-0.6
<b>Old age dependency ratio</b>	29.69	30.40	33.70	4.0	24.30	24.25	25.27	1.0	23.22	24.66	26.22	3.0
<b>Total fertility rate</b>	1.64	1.79	2.1	0.46	1.64	1.78	1.98	0.34		1.51	1.59	
<b>Population density</b>	108.1	114.8	118.7	10.6	241.5	247.7	254.2	12.7	112.3	114.3	116.6	4.3
<b>Prevalence of urban or rural population</b>			PU									
<b>Long-term care available beds in nursing and residential care facilities</b>						882.2	870					
<b>Hospital beds</b>					409.8	373.4	295.5	-114.3	640.1	584.1	538.2	-101.9
<b>Formal childcare (national and EU level)</b>						5	4				14	

**Source:** Eurostat.

Notes: Crude rate of natural population increase and Crude rate of net migration at NUTS2 level in 2011 are valued with 2010 data; Fertility rates in 2011 are valued with 2010 data, while the same indicator at EU27 level in 2011 is valued with 2009 data; Population densities in 2011 are valued with 2010 data; Prevalence of urban or rural population (e.g. PU=predominantly urban, IN=intermediate, PR=predominantly rural) is an aggregate measure based on IRS elaborations on the corresponding values at NUTS3 level provided by DG REGIO and DG AGRI; Long-term care available beds in 2011 are valued with 2010 data; Hospital beds in 2011 are valued with 2010 data; Formal childcare in 2011 is valued with 2010 data; Total health expenditure in 2011 is valued with 2009 data; Total long-term care health expenditure in 2011 is valued with 2009 data

**Table 3: Key figures on demographic projections**

Indicator	Lincolnshire			National Average				EU27 Average			
	2010	2030	change 2030-2010	2010	2030		change 2030-2010	2010	2030		change 2030-2010
<b>Total population (in thousand)</b>	0.709	0.833	0.124	61,984	69,224		7.24	499,389	519,942		20,553
<b>Share of people aged +65 over the total population</b>	20.6	26.5	5.9	16.4	20.5		4.1	17.4	23.6		6.2
<b>Old age Dependency ratio (%)</b>	32.40	45.80	13.4	24.70	33.20		8.5	25.90	38.00		12.1

Source: Eurostat, Europop2008.

Notes: All indicators are projections calculated in 2008 by the Europop2008 Report

### 1.3 The national and regional policy approaches in addressing demographic change

As stressed in the previous section, Lincolnshire's population is expected to further grow and the shift towards an ageing population to intensify. 80% of population's growth expected by 2013 is likely to be made up of people of retirement age, with a consequent increasing pressure on the working age population. Meeting the needs of an ageing community is therefore the main priority of Lincolnshire County Council. However, reforms are also deemed necessary by the local authority to sustain the economic growth of the county, by preventing the decline of the working age population and improving its skills profile.

Many interviewees also stressed the need to tackle worklessness in Lincolnshire. Although unemployment is not a big challenge in the county, since the level has remained below regional and national averages also during the crisis, there is the need to ensure more full-time opportunities and, above all, a 'good' employment. This means that job opportunities need to be sustainable as well as of good quality with regard to the level of pays. Also, they need to be flexible in order to accommodate work and family life balance.

Lincolnshire's demographic challenges are directly and indirectly addressed by a range of initiatives launched at national, regional and local level. The Table below provides an overview of the main strategies dealing with demographic changes in the county. The range of interventions addressed to the county include social housing infrastructures, business support, health and education initiatives, investments addressed to improve population's skills as well as the quality of life of rural communities.

Also, two Operational Programmes, financed by the EU Cohesion Policy and managed at regional level, contribute to tackle demographic challenges in Lincolnshire. The range of interventions financed include infrastructure for disadvantages communities, support to the labour market, skills development and integration of working aged migrants.

**Table 4: Main policies in the field of demographic change in the country and region**

Name of the intervention and period	Main category of intervention (infrastructure, business support, social infrastructure or services, welfare and labour market policies, other)	Brief description	Level of responsibility (EU, State, region, county, town)
Ageing Well programme	Social services	The programme was delivered by the Local Government Association and funded by DWP at a cost of £4,6m and ran from July 2010 to March 2012. It was designed to support local authorities to improve their services for older people. The key aim of the programme was to provide a better quality of life for older people through local services that are designed to meet their needs and recognize the huge contribution that people in later life make to their local communities. It was a sector led programme which consolidated best practice from local authorities, the findings of wider research and the lessons learned from earlier pilot activities.	State and region
Rural Development Programme for England (RDPE) 2007 - 2013	Rural communities, welfare, business support	With a budget of £3,9bn, the RDPE is funded by the European Union (funds from the EAFRD) and the DEFRA. It is structured around three broad objectives: Improving the competitiveness of the farming and forestry sectors (Axis 1), Improving the environment and the countryside (Axis 2), Rural quality of life and diversification of the rural economy (Axis 3). A fourth objective is known as the Leader approach (Liaisons entre Action pour le Development de l' Économie Rural) financing projects where local groups decide and agree their own priorities and needs. Lincolnshire has been addressed by three projects financed under this Programme: the Coastal Action Zone (CAZ), the Lindsey Action Zone (LAZ) and Wash Fens, each being awarded £2m. Each scheme aims at improving the quality of life and the economic prosperity of the county.	State and Region
Sub Regional Investment Plan 2008 - 2011 (SRIP+)	Business support, skills development, labour market support	It sets out the priorities for investment in economic development for Lincolnshire in 2009- 2010 using the Lincolnshire County Council's economic regeneration budget and EMDA's single programme budget for Lincolnshire invested through Lincolnshire Enterprise. The priorities of SRIP + are to promote economic growth and to support disadvantaged communities. In particular, it is targeted to raise skills levels of people in employment, help the region have highly productive and competitive businesses, promote innovation, and provide good quality employment land.	County

Lincolnshire Housing strategy 2009-2014	Social infrastructure, welfare, rural communities Housing,	The strategy is part of the Lincolnshire Sustainable Communities Strategy aimed at improving the economic, social and environmental wellbeing of Lincolnshire. In particular, the Housing Strategy is expected to increase the supply of affordable housing across Lincolnshire, increase the supply of affordable homes in rural communities, meet the challenge of Lincolnshire ageing population (meeting the housing needs of older people), improve service quality, housing choice and accessibility of vulnerable people.	County
Joint Health and Wellbeing Strategy for Lincolnshire 2013-2018	Social services, education, training, housing, labour market support	It is the first Joint Health and Wellbeing Strategy for Lincolnshire. It has been produced by the Lincolnshire Shadow Health and Wellbeing Board and is based on the five priorities identified in the Joint Strategic Needs Assessment, which are: promoting healthier lifestyles; improve the health and wellbeing of older people in Lincolnshire; delivering high quality systematic care for major causes of ill health and disability; improving health and social outcomes and reducing inequalities for children; tackling the social determinants of health (e.g. Worklessness, housing).	County
OP I - East Midlands ERDF Operational Programme	Business support, labour market, skills development, infrastructure	Programme co-financed by the ERDF and National funds, with a total budget of EUR 268,5 million. Its main objective is to contribute to the East Midlands to becoming a region of highly productive, innovative and sustainable businesses, and to support its most disadvantaged communities in an effort to use their economic potential. The Programme includes a priority axis addressed to increase the economic and enterprises activity in disadvantaged communities. In particular, it targets the region's most disadvantaged districts by providing enterprise support; access to finance; access to resources and support; and opportunities to revive local infrastructure and environments.	EU, State, and Region
OP II - European Social Fund 2007-2013 – a framework for the East Midlands	Labour market, training, skills development	The Programme is part of the National ESF Programme for Skills and Employment for England (and Gibraltar) running from 2007-2013. The Regional ESF Framework was agreed in 2007 setting the context for investments (approximately £ 1636 million) in the region's employment and skills priorities. The Programme specifically aims at improving employment and job opportunities, encouraging disadvantaged people to join the work force, removing barriers to employment and skills development for certain groups of the population.	EU, State and Region

**Source:** Interviews.

## **2. COHESION POLICY: OVERVIEW OF THE REGIONAL STRATEGY REGARDING DEMOGRAPHIC CHANGE**

The ageing population is, nowadays, the main demographic challenge affecting Lincolnshire and, overall, one of the main challenge concerning UK. It is interesting to note that facing the growing number of elderly people was not a priority when the National Reference Strategic Framework (NRSF) and Structural Funds Operational Programmes was drafted.

At that time, in 2007, ageing population was not mentioned as an issue in the NRSF. The strategic priorities set at national level were aligned to the Lisbon Strategy and, therefore, addressed to raise the rate of productivity in every areas of the country, achieve prosperity and a better quality of life, with economic and employment opportunities for all. These overall objectives have been translated into three specific themes:

- Enterprise and Innovation, by promoting research, knowledge transfer and commercialisation, encouraging entrepreneurship and supporting a thriving SME sector;
- Skills and Employment, building a skilled and adaptable workforce, tackling disadvantage in the workplace and supporting employment opportunities for all; and
- Environmental and Community Sustainability, encouraging innovation to support sustainability, ensuring sustainable development, production and consumption and promoting social and economic cohesion in local economies, including in urban and rural areas.

Accordingly, both ESF and ERDF Operational Programmes were focused along those priorities. As far as Lincolnshire is concerned, the EU Cohesion Policy contributes through two Operational Programmes, which are aligned with the priorities mentioned above and deal, to a certain extent, with the demographic issues affecting the county.

The first Operational Programme is the 'East Midlands Operational Programme'. It is co-financed by the ERDF under the Competitiveness and Employment Objective and addresses the overall region of East Midlands. It is targeted to increase the productivity of the Region through investment in innovation and to promote sustainable economic and enterprise activity in disadvantaged communities. The Programme is structured along three priority axes (see Table 5). However, only Priority Axis 2 (PA2) can be highlighted as particularly relevant from the demographic change's perspective. PA2 is specifically targeted to provide support and resources to localities with high levels of deprivation and low levels of enterprise activity in order to help creating the conditions to generate new and sustainable forms of economic activity. Out of a total of EUR 226,9 million allocated to PA2, 30% has been specifically addressed to support the 12 most disadvantaged areas in East Midlands (selected according to a set of indicators). Among these, there are three districts located in Lincolnshire, namely Lincoln, Boston and East Lindsey, which have benefitted from EUR 26,1 million<sup>9</sup> between 2007-2013. The link between PA2 and demographic challenges affecting Lincolnshire can be found in two specific measures which are addressed to increase the job opportunities in the county and improve the connection across the districts (see Table below). Although not directly addressed to tackle the issue of ageing population, these two measures expect to attract/maintain in the county a high share of working age population, thus balancing the ageing trend. Moreover, they are targeted to provide job

opportunities for skilled workers, thus encouraging young people to start a business in these districts instead of moving towards highly paid and exciting jobs offered outside Lincolnshire.

**Table 5: Financial allocations of OP I**

Priority Axis	Financial allocation	Share	Relevant to demographic change
<b>PA1:</b> Increasing productivity through innovation	EUR 288,633,182	52%	
<b>PA2:</b> Sustainable economic and enterprise activity in disadvantaged communities	EUR 226,879,106	44%	√
<b>PA3:</b> Technical assistance	EUR 21,479,678	4%	
<b>Total</b>	<b>EUR 536,991,966</b>	<b>100%</b>	

**Source:** East Midlands 2007-2013 ERDF Competitiveness Operational Programme.

Cohesion Policy's contribution to Lincolnshire's demographic challenges is also provided by means of the ESF OP for skills and employment – a Framework for East Midlands<sup>10</sup>. The programme was agreed in 2007 on the basis of the National ESF Programme for Skills and Employment for England (and Gibraltar) which is coordinated by the Department for Work and Pensions. In line with the national programme, the regional ESF Framework for East Midlands is targeted to increase the employment rate and to develop a skilled and adaptable workforce. Both ESF Priorities (see Table below) complement the overall objective of the region's ERDF Programme. However, a major synergy lies with ERDF PA2 which targets the region's most disadvantaged districts by providing enterprise support; access to finance; access to resources and support; and opportunities to revive local infrastructure and environments. For example, ESF Priority 1 provides individuals with the support and training needed to maximise new opportunities arising from ERDF PA2 investments, whilst ESF Priority 2 seeks to tackle the low levels of skills that could be acting as a constraint on the economic development of the region, particularly in the most disadvantaged communities.

**Table 6: Financial allocations of OP II**

Priority Axis	Financial allocation	Share	Relevant to demographic change
1. Extending employment opportunities	EUR 361,978,152	64%	√
2. Developing a skilled and adaptable workforce	EUR 205,462,465	35%	√
3. Technical Assistance	EUR 456,017	0.1	
<b>Total</b>	<b>EUR 567,896,634</b>	<b>100%</b>	

**Source:** ESF 2007-2013 A Framework for the East Midlands.

Both ESF Priorities are related to demographic issues affecting Lincolnshire. They are intended to strengthen the structure of the labour market (by raising the skills of the labour force) and to extend employment opportunities to the most disadvantaged segments of the population, such as people with disabilities, lone parents, older workers, (aged 50 and over), ethnic minorities and people with low qualification.

<sup>9</sup> £ 17,908,642.

<sup>10</sup> In UK, the coordination between the national-level Operational Programme and regional strategies and plans was generated through regional ESF Frameworks – documents developed by Regional Skills Partnerships, which brought together a range of regional skills and employment stakeholders. The Frameworks are intended to enable the ESF programme to address distinctive regional employment and skills challenges.

**Table 7: Review of Cohesion programmes' strategies on demographic issues**

OPERATIONAL PROGRAMME I (ERDF)	Brief description	Comments and examples
<p><b>a) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis addresses the performance of East Midlands Region from the point of view of economic growth, productivity, labour market and urban development. It also explores the features of the region in terms of transport equipment, research and innovation investments, health and educational services. Elements of demographic changes are also addressed. In the SWOT analysis, sparsely population characterising some areas of the Region and low skilled profile of the working age population are assessed to be major weaknesses of the Region, while the ageing of population a major threat. As far as Lincolnshire is concerned, the socio-economic analysis specifically mention it as one of the areas experiencing deep rooted problems of multiple deprivation: low economic activity, low level of earnings, sparsely population, poor transport and communications links.</p>	<p>The economic competitiveness of the Region is the focus of the context analysis. Demographic challenges are addressed to explain the economic performance of the Region and the potential growth expected for the future.</p>
<p><b>b) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The OP is targeted to contribute to the East Midlands becoming a region of highly productive, innovative and sustainable businesses, and to support its most disadvantaged communities in an effort to use their economic potential. This objective is expected to be achieved through two specific priorities:</p> <p><i>i) PA1 - Increasing productivity through innovation: resources are targeted to focus on increasing the commercialisation of innovation in SME, in priority sectors and in businesses with high growth potential to create high value added products and services. Transport equipment, Construction, Health, Food and Drink are expected to be the priority sectors to be addressed. Support is also provided to SMEs engaged in R&amp;D for emerging and enabling technologies.</i></p> <p><i>ii) PA2 - Sustainable economic and enterprise activity in disadvantaged communities. It promotes sustainable economic growth by increasing the level of enterprise, creating new jobs and moving towards a more knowledge-based economy. It targets the 12 most deprived district areas in the region with the aim to meet the specific development needs of these communities. This specific objective is the most related to demographic changes issues. Resources are specifically addressed to increase the size and diversity of enterprise, stimulate demand for services, increase the level of private investments, improve the physical environment and attractiveness of disadvantages areas, improve access to employment opportunities.</i></p>	<p>The OP is mainly focused on enhancing the productivity of the Region, on promoting innovation and sustainable business, and on supporting the most disadvantaged communities to realise their economic potential. There is only one Priority Axis (PA2) which is related to a certain extend to demographic changes issues. This Priority is spatially targeted to focus resources on Lincolnshire's three disadvantaged areas (Lincoln, East Lindsey and Boston).</p>

OPERATIONAL PROGRAMME II (ESF)	Brief description	Comments and examples
<p><b>c) Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region</p>	<p>The context analysis discusses about the East Midlands’ specific skills and employment challenges. It explores the features of East Midlands’ labour market and the quality of employment opportunities offered in the Region (low-skilled jobs, poorly paid and low added value). The most relevant demographic challenges affecting Lincolnshire (fast growth of population and ageing community) are also mentioned. A detailed analysis about Lincolnshire’ s socio-economic context is presented in the Co-financing Plan drafted by the Department for Work and Pensions (DWP) <sup>11</sup>.</p>	<p>The context analysis is focused on the labour market challenges affecting East Midlands. Elements related to demographic challenges in Lincolnshire are discussed more in details in the Co-financing Plan.</p>
<p><b>d) General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change</p>	<p>The overall strategic objective of the programme is to support sustainable economic growth and social inclusion in the Region by contributing to increase the employment rate and to develop a skilled and adaptable workforce. This objective translates in two specific priorities:</p> <p><i>i) Extending employment opportunities.</i> it is aimed to increase employment and reduce inactivity. In particular, it helps to tackle barriers to work faced by disadvantaged groups such as people with disabilities, lone parents, older workers, (aged 50 and over), ethnic minorities and people with low qualification. Also, it aim to prepare people for working life, by reducing the number of young people not in education, employment or training (NEET).</p> <p><i>ii) Developing a skilled and adaptable workforce.</i> By reducing the number of workers without basic skills, this priority is expected to improve productivity, innovation, enterprise and competitiveness. Also, by focusing on those who lack basic skills and level 2 qualifications, this priority aims to promote sustainable employment and social inclusion.</p> <p>Both priorities directly tackle demographic changes.</p>	<p>The two priorities take into account demographic challenges affecting Lincolnshire. They fit with Lincolnshire County Council’ s objectives to extent employment opportunities for people entering the county (even older workers) as well as for skilled young people. Also, priority 2 meets the need to raise skill profile of working age group in Lincolnshire.</p>
<p><b>e) Specific measures addressing demographic challenges in the Programme</b> (brief description and connections/synergies with existing national and regional “ordinary” policies)</p>	<p>A number of operational activities, dealing with demographic challenges, are outlined under the two Priority Axes described above. Under Priority Axis 1:</p> <ul style="list-style-type: none"> <li>o Improving employability and skills of the unemployed and economically inactive people and those recently made redundant to enable them to gain, retain and progress in work.</li> <li>o Tackling barriers to work faced by disadvantaged groups (e.g. lone parents; older workers);</li> <li>o Reducing the number of young people who are not in education, employment or training (NEET).</li> </ul> <p>Under Axis 2:</p> <ul style="list-style-type: none"> <li>o Skills for Life/pre level 2 support</li> <li>o Support the delivery and achievement of full first level 3 qualifications.</li> <li>o Certifying skills of migrant workers.</li> <li>o Support for workers or new entrants to the workplace that are underrepresented in that industry.</li> <li>o Training for those facing redundancy.</li> <li>o Customised learning to meet employers’ needs.</li> </ul>	<p>All the operational activities under Priorities 1 and 2 are directly or indirectly related to demographic challenges. Both Priorities integrate interventions under PA2 of the ERDF Programme.</p>

Source: Authors.

<sup>11</sup> The Co-financing Plan is submitted by DWP for the East Midlands and sets out the activities delivered through ESF and the processes by which this will be achieved.

### 3. THE CONTRIBUTION OF SELECTED COHESION POLICY MEASURES TO COPING WITH DEMOGRAPHIC CHANGE

The following measures can be considered as the most relevant in tackling demographic changes in Lincolnshire:

- **Enterprise support**, under the Priority Axis 2 'Sustainable economic and enterprise activity in disadvantaged communities' of OP I. The measure is aimed to provide support to individuals willing to start a business. In Lincolnshire, projects financed under this measure mostly provide workspace for new entrepreneurs but also all the support they need to start their business (see for instance the good practice example, section 4). All the working age population is targeted by this measure. However, some of the projects financed specifically address the young skilled people with the aim of encouraging them to start a business in Lincolnshire.
- **Access to Resource and Support**, under the Priority Axis 2 'Sustainable economic and enterprise activity in disadvantaged communities' of OP I. The measure is addressed to improve access to employment opportunities. Schemes financed under this measures include the redevelopment of Boston College, Mablethorpe Vocational college, Lincoln University and college campuses with the aim of encouraging local employers to recognise the benefits of developing and retaining skilled workforce. These interventions are aimed at increasing job opportunities for skilled young people. Among the projects financed under this measure, there are also those aimed at enhancing the connectivity and accessibility of the most sparsely populated districts in Lincolnshire. 'An Online Revolution' is an example of project financed under this measure and dealing with the objective to improve connectivity within the three districts addressed by PA2 (Lincoln, Boston and East Lindsey). In particular, it delivers pilot schemes with the objective of raising usage of digital services and encouraging providers to deliver in Lincolnshire. The objective is to increase demand for digital services by communities and businesses.
- **Training measures**, under Priority Axis I 'Extending employment opportunities' of OP II. The measure tackles both worklessness and barriers to employment in rural areas. The activities financed are targeted to individuals living in rural and sparsely populated districts of Lincolnshire, by providing them with the support and skills needed to break down barriers and access job opportunities. The services provided are specifically aimed at building up individual's self confidence, skills levels and aspirations, so that they will be better able to face the labour market's challenges.
- **Training to support individuals/businesses**, under Priority Axis II 'Developing a skilled and adaptable workforce' of OP II. This measure is addressed to support those individuals (especially migrants) who are facing multiple barriers in starting a new business. The measure is expected to contribute to raise the number of business in Lincolnshire, which is underperforming when compared to the East Midlands and UK (see Section 1). Projects financed under this measures include activities aimed at raising the enthusiasm of individuals to set up their own businesses, and then providing them with the building blocks to start up/implement their business idea.
- **Supporting a programme of activity which links to business management skills in specialised areas**, under Priority Axis II 'Developing a skilled and adaptable workforce' of OP II. This measure is aimed at building up the skills levels

within small third sector organisations/social enterprises to become more effective at competing for public service contracts. The measure targets all the people working in the third sector. However, a special attention is paid to the most marginalised group, for which skills shortage is found to be greater. The aim is to ensure they can effectively run their organisations and are able to access board and decision-making positions.

Overall, the selected measures are aimed at increasing job opportunities in the county and at raising the skills of the workforce. Interestingly, none of the measures financed under the ESF and ERDF programmes directly address the ageing population, which is actually the main demographic challenge affecting Lincolnshire. However, they indirectly deal with this issue, by raising the job opportunities for the working age population. The intent is indeed to increase the number of working aged people in the county, thus balancing the ageing trend expected in the next years.

More directly related to demographic change are those measures which specifically target migrants and most marginalised group (people living in rural districts), by supporting their inclusion in the labour market.

The expected results of these measures are overall positive. According to data from monitoring system, the target planned have been overshoot or are likely to be achieved by the closure of the programme (see Table below for details). As shown in the Annual Implementation Report (2011), although only 40% of resources have been committed on the total PA2 allocation (OP I), it already appears that the target expected in terms of number of business assisted to improve performance has been overachieved. Similarly, the contracted square metres for building new workspace or upgrading the existing ones are about 150% more than planned. As far as Lincolnshire is concerned, a total of 13 projects have been financed under the measure 2.a - Enterprise Support, which has absorbed 73% of resources allocated to the county under PA2. According to the local authorities, the measure has positively performed in Lincolnshire, by achieving satisfactory results.

It is worth noting that following the Interim Programme Assessment of OP I (2010), Boston, one of the three districts in Lincolnshire addressed by the PA 2, was removed from the list of 12 most disadvantaged areas targeted under the priority. On the basis of the selection indicators adopted at the beginning of the programme, Boston resulted in ranking better and falling to the 15<sup>th</sup> position. On the basis of this progress, it was decided to replace it with Oadby and Wigston, which turned out to be among the most disadvantaged areas in East Midlands. The Programme Monitoring Committee also decided to allocate about EUR 1 million to Boston in order to support the transition of this district.

Positive results are also expected from the ESF selected measures (see Table below). However, some concern have been pointed out by the interviewees in terms of ESF management and delivery arrangement. While benefits from ESF intervention are recognised, the arrangement of a programme covering large areas is seen as having drawbacks, especially in terms of reduced ability to introduce flexibility and respond to the changes in economic circumstances.

**Table 8: Selected measures in relation to demographic change**

Measure (programme)	Main type of intervention (infrastructure, business support, social services, other)	Thematic focus (active ageing, rural/urban regeneration, depopulation, migration, fertility, etc.)	Brief description	Beneficiaries	Resource Allocation in absolute value and % of total programme resources	Main effects (expected and/or actual)
<i>Measure 2a</i> - Enterprise Support – Priority Axis 2 of OP I	Business support	Rural/urban regeneration, migration	<p>The measure provides support to people willing to start a new business. In particular the following actions are envisaged:</p> <ul style="list-style-type: none"> <li>-2a-1 Enhanced enterprise and start up initiatives including enterprise awareness coaching, mentoring provision and initiatives to support enterprise in target communities.</li> <li>-2a-2 Bespoke business support initiatives for business and social enterprises to develop and enter new markets, including those concerned with waste minimisation, renewable energies and resource efficiency opportunities, including financial assistance and consultancy support.</li> <li>-2a-3 Developing the capacity of local businesses and social enterprises to access local procurement opportunities</li> <li>-2a-4 Creation and refurbishment of premises, employment sites and small scale enterprise facilities.</li> </ul>	All population groups in the labour market, with a special focus on the working migrants and young people.	A total of EUR 18,961,137 have been addressed to finance projects under this measure. It represents the 73% of resources allocated to Lincolnshire under PA2.	According to the Annual Implementation report, a total of 84 funding agreements had been signed under PA2 by the end of 2011, committing €55,84m (39.25% of the PA2 allocation). It already appears that the number of output indicators have been overachieved, such as the number of people assisted to support a new business (2,703 against the target of 2,700). Similarly the contracted square metres for building new workspace or upgrading the existing ones have been significantly overcome (28,763 against 19,000). In terms of results, and impacts, target are likely to be met by the closure of the programme. As far as Lincolnshire is concerned, a number of 13 projects have been financed under this measures. Local authorities suggest that the measure has achieved satisfactory results.
<i>Measure 2c</i> – Access to Resource and Support – Priority Axis 2 of OP I	Labour market, social service	Rural/urban regeneration	The measure is expected to develop and improve the access to employment opportunities for working migrants entering the county as well as for people with high skills living in the most rural areas. Also, the measures aims at financing a series of infrastructures aimed at improving the connectivity and accessibility of those areas sparsely populated.	All population groups in the labour market	27% of resources allocated to Lincolnshire under PA2 have been spent to finance 6 projects under this	Local authorities suggest that the measure has achieved satisfactory results.

<p>Training measures under Priority Axis I of OP II</p>	<p>Training, capacity building</p>	<p>Social inclusion, rural and urban regeneration</p>	<p>One tender specification has been developed by the Lincolnshire County Council around the Priority Axis I of the OP II. It concerns a package of training measures to reach communities, within the County, by engaging more people in rural and sparsely populated districts of Lincolnshire.</p>	<ul style="list-style-type: none"> <li>•People with low skills</li> <li>•People living in deprived communities</li> <li>•People with learning difficulties or disabilities</li> <li>•Lone parents</li> <li>•Black &amp; Minority Ethnic (BME) communities</li> <li>•Older Workers (50+)</li> </ul>	<p>measure.</p> <p>A total of EUR 238,931 was addressed to finance this measure in Lincolnshire (of which 45% being provided by ESF). It represents 12% of total amount of resources allocated to Lincolnshire.</p>	<p>Data from monitoring system shows that output and results planned have been overshoot. 67,501 people (against 56,000 targeted) have been addressed across East Midlands. In terms of results, 12,728 (against 12,320) people in work on leaving have benefited from support under PA1. Local authority stresses that the measure was expected to target 100 people in Lincolnshire. By now, 88 people have been addressed of which 35 unemployed and 53 inactive people. In terms of results, the following achievement have been recorded:</p> <p>20 participants in work on leaving the project (against 30 targeted)          10 participants in work 6 months after leaving (matching the target)          34 economically inactive people engaged in job search or further learning (overcoming the target of 20).</p>
<p>Training to support individuals/businesses under Priority Axis II of OP II</p>	<p>Training, capacity building</p>	<p>Social inclusion, migrants, labour market</p>	<p>The measure is intended to support activities specifically addressed to meet the needs of those individuals who are facing multiple barriers in starting a new business.</p>	<ul style="list-style-type: none"> <li>•Those without any qualifications</li> <li>•People for whom English is not their first language</li> <li>•Older workers (50+)</li> <li>•Lone parents or those with caring responsibilities</li> <li>•Those from disadvantaged areas</li> <li>•Ethnic minorities</li> </ul>	<p>A total of EUR 597,332 was addressed to finance this measure in Lincolnshire, of which 45% provided by ESF. It represents 29% of total amount of resources allocated to Lincolnshire</p>	<p>The measure was expected to target 350 people who need basic skills, 170 without level 2 qualifications and 80 without Level 3 qualification. By now, the following outputs have been achieved:</p> <p>290 people who need basic skills, 150 without level 2 qualifications, 65 without Level 3 qualification</p> <p>In terms of results, the following target were set:</p> <ul style="list-style-type: none"> <li>• 85 gaining basic skills</li> <li>• 87 gaining Level 2 qualification</li> </ul>

				<ul style="list-style-type: none"> <li>• Women Migrant Workers</li> <li>• People with Learning difficulties or disabilities</li> </ul>		<ul style="list-style-type: none"> <li>• 11 gaining Level 3 qualification</li> </ul> <p>By now, the following results have been achieved:            97 gaining basic skills            78 gaining Level 2 qualification            9 gaining Level 3 qualification</p>
Supporting a programme of activity which links to business management skills in specialised areas under Priority II of OP II	Training, capacity building		It is intended to support activities that allows Third Sector organisations in the County to become more effective and efficient within their organisations, to become more effective at competing for public service contracts.	<ul style="list-style-type: none"> <li>• Those without any qualifications</li> <li>• People for whom English is not their first language</li> <li>• Older workers (50+)</li> <li>• Lone parents or those with caring responsibilities</li> <li>• Those from disadvantaged areas</li> <li>• Ethnic minorities</li> <li>• Women Migrant Workers</li> <li>• People with Learning difficulties or disabilities</li> </ul>	A total of EUR 597,332 was addressed to finance this measure in Lincolnshire, of which 45% provided by ESF. It represents 29% of total amount of resources allocated to Lincolnshire	<p>The measure was addressed to 449 people, of which 197 with basic skills need, 205 without level 2 qualifications and 47 without Level 3 qualification. By now, the following outputs have been achieved:</p> <p>384 people, of which 157 with basic skills need, 195 without level 2 qualifications, 32 without Level 3 qualification.</p> <p>In terms of results, the following target were set:</p> <ul style="list-style-type: none"> <li>• 44 gaining basic skills</li> <li>• 44 gaining Level 2 qualification</li> <li>• 12 gaining Level 3 qualification</li> </ul> <p>By now, the following results have been achieved:</p> <ul style="list-style-type: none"> <li>• 54 gaining basic skills</li> <li>• 39 gaining Level 2 qualification</li> <li>• 10 gaining Level 3 qualification</li> </ul>

**Source:** Interviews.



## 4. THE GOOD PRACTICE EXAMPLE

The project identified as a good practice in tackling demographic change in Lincolnshire is the BG's business and enterprise hub (actually know as BG Futures) funded under the Priority Axis 2 of the ERDF East Midlands OP.

BG Futures is a multi-function business incubator built on the campus of Bishop Grosseteste University College (BG)<sup>12</sup>, in Lincoln, with the aim of facilitating the development of micro-businesses. It is built on a previous project – the Sky Centre - created and funded via the Higher Education Innovation Fund. Opened in 2007, the Sky Centre enjoyed more success than expected, and more demand than availability. On this basis, BG decided to expand the building from a 5 unit, 1 meeting room, small scale business and enterprise facility, to a two-storey, 15 unit business and enterprise units, three conference rooms and exhibition space. The extension and renovation of the project was jointly financed by the ERDF (65%), Lincolnshire Enterprise, Lincolnshire County Council (2%) and BG itself for a total cost of £1,7million<sup>13</sup>. Approved in 2010, BG Futures was completed in 2011 and became operative on 1<sup>st</sup> January 2012.

As stressed by the Project manager, what makes the BG Futures a best practice is the fact the it is not just a building where 15 individual business go their own way. It is instead a real community where those businesses which are launched will support those which are just starting out. BG Futures is able to offer three levels of support to business:

- Virtual Office Facilities
- Hot Desk Facilities
- Business Units (ranging from 8 sqm to 25 sqm)

The Enterprise Development Manager is also on site to provide all the support that new businesses need. The aim is not only to provide the infrastructure and facilities needed to start a new business but also to encourage people to have the proper entrepreneurial attitudes to face business challenges. People at the BG constantly work with BG Futures' tenants in order to improve their self-confidence, enhance their communication skills (through training) and encourage them to take a risk. The project targets graduates/students of BG seeking to develop enterprises but also specific groups such as migrant workers, women and disabled. Thanks to newsletter and several campaigns carried out by chambers of commerce and business support entities, people get to know the opportunities offered by BG Futures. In order to benefit from it, they should fill in an application form and propose a business idea to BG. BG Futures' tenants are selected on the basis of two criteria: i) the business idea proposed should contribute to the economic development of the county, by providing a real added value to the local economy; ii) users applying for a business unit or a virtual office should actually need the support of BG Futures.

BG Futures' tenants actually amount to 23, of which 15 physically benefit from a business unit while 8 are virtual tenants. It is worth noting that after a maximum of two years, BG

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<sup>12</sup> Bishop Grosseteste University College Lincoln is committed to supporting business and enterprise both within the institution and in the wider community.

<sup>13</sup> The total cost of the project was £ 1.7 million equal to EUR 2.0 million (exchange rate equal to 0.8453, 7 May 2013).

Future's tenants are asked to move away and to find a new premise for their business. It already happened that a business was able to expand itself and leave the BG Futures before the time limit.

The support provided by BG Futures' team is the most innovative element of the project. The provision of an infrastructure housing new enterprises is deemed not enough to ensure the success of the initiative. It is important to understand what businesses actually need to put in place their business idea. For instance, migrants need more support to integrate themselves in the community, be familiar with the local legislations and practices. Therefore, training and guidance are provided by BG Futures' team to support them. In some cases, high skilled people with good business need to be advised on how to implement it properly. To this end, meetings and training courses with the right people are organised.

The project is highly reproducible and transferable to other areas of the county. In particular, the business idea behind BG Futures' infrastructure may be adopted also in the most deprived areas of Lincolnshire in order to encourage local and overseas entrepreneurs to take the risk of starting a new business, thus contributing to the local economic growth. Of course, securing funding is the biggest challenge to implement such a kind of project. The support of local authorities, such as Chamber of Commerce or Universities, are also considered of paramount importance for the success of the initiative, by playing the role of information channel for people who have a business idea but lack the resources or the skills to implement it.

**Figure 2: BG Futures**



**Source:** BG Futures.

More details about the project can be found in Annex. In what follows, some examples of new enterprises supported by BG Futures are provided.

**Box 1: Some of BG Futures' tenants**

*Amethyst Health Screening* is a business unit's tenant. The company provides a health screening service designed for private and corporate customers. The aim is to create a greater sense of "well-being" and health in Lincoln and the surrounding areas.

*Multi-Sport Pro* is a business unit's tenant. The company offers sports coaching to primary school children. They use the sports facilities at BG and are offering student placements. They are relocating from Enterprise at Lincoln.

*Blink Creative* Blink is a video and event design company that considers clients 'message' and how that is conveyed by thinking differently and producing something that impacts on an audience in the most relevant and effective way possible. It is a business unit's tenant.

*EPICTS* is a virtual tenant providing ICT Training and Consultancy services to schools (particularly staff), business users and the wider community particularly those in rural communities.

*GO Fitness* is setting-up a business around personal fitness training, getting into running and delivering training qualifications.

**Source:** Authors on the basis of interviews.



## **5. INDICATIONS FOR THE 2014-2020 PROGRAMMING PERIOD**

In view of the next programming period, the initial proposal that the UK Government has developed (on 21 November 2012) is for a model that includes as one element an "EU Growth Programme" where the objectives of the CSF Funds (ERDF, ESF, EAFRD, EMFF) overlap. The Growth Programme's top priorities will be innovation/research and development, support for SMEs, skills, low carbon, employment and social inclusion. This Programme will be financed by ERDF and ESF with a contribution from EAFRD (with some strategic alignment with EMFF where appropriate).

The Local Enterprise Partnerships (LEPs)<sup>14</sup> will be the fundamental building blocks of the EU Growth Programme. LEPs would have full term (2014-2020) "notional allocations" for EU funding for ERDF, ESF and the relevant aspects of EAFRD. An EU Growth Programme Board, made up of Government and Commission representatives plus key stakeholders, will oversee the investments and administration of ERDF and ESF. Under this model, LEPs would identify their portfolio of investments alongside their wider investment strategies. These investment programmes including financing plans and performance targets would be agreed by Government through the EU Growth Board. Once agreed LEPs would also have a role in ensuring their delivery.

As resulted from the consultations on the UK Partnership Agreement, EU resources will be likely deployed on the following priorities:

- exploiting innovation;
- promoting SME's competitiveness;
- improving workforce skills;
- promoting employment opportunities for disadvantaged groups;
- promoting a low carbon economy.

It is worth noting that improving the skills of workforce will still be the focus of the UK national and regional strategies in the next programming period. As stressed during the interviews, there is a need to increase the skills of the labour force at all levels with a focus on sectoral skills shortages. A particular challenge is to address the predicted shortage of technical and engineering skills, especially in sectors with high growth potential. There is also a need to increase pathways between skill levels – so that people can move from pre-apprenticeship training to higher skills levels. Accordingly, priorities for EU resources from 2014- 2020 will likely include:

- basic skills for the most disadvantaged groups;
- policies for smaller businesses to grow and play a role in an export led recovery. This would focus funding on management and entrepreneurship skills;
- apprenticeship and other up-skilling activities for those in work to improve the ability of key growth sectors to compete internationally;

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<sup>14</sup> LEP is a voluntary partnership between local authorities and businesses formed in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within its local area. They carry out some of the functions previously carried out by the regional development agencies which were abolished in March 2012. As of September 2012 there are 39 local enterprise partnerships in operation.

- support skills challenges in relation to particular economic drivers such the ageing population.

The objectives and measures of the next strategic documents are still undisclosed. However, the interviewees from regional and local authorities point out that the documents will be in line with those priorities identified at national level. Young people will certainly be the main target of the interventions planned in the next programming period, since they are the pillar of the economic growth. Although still under discussion, programmes may include measures addressed to improve the accessibility to health services by age groups living in the most rural and sparsely populated areas. The use of ICT technologies for the provision of services in remote areas of the region is an issue currently debated by the regional and local authorities.

**Table 9: Ex ante potential impact assessment grid for the 2014-2020 national or regional programming documents**

	<b>Presence of elements related to demographic change</b>	<b>Comments and examples</b>
<b>Context analysis</b> Extent to which elements related to demographic change are addressed when assessing strengths and weaknesses of a country/region	The context analysis of the next programming documents is expected to include elements related to demographic change. The ageing population and low skilled workforce are expected to be mentioned as weakness of the region.	None
<b>General objectives and strategy design</b> Extent to which the stated general objectives mention elements related to the way the Country/Region can adapt itself to demographic change	The general objectives of the next programming documents are still unknown. Interviews suggest that regional programmes will be likely to be focused on the four themes resulted by the consultation for UK Partnership Agreement, such as exploiting innovation, promoting SME's competitiveness, improving workforce skills and promoting employment opportunities for disadvantaged groups and reaping the commercial and environmental benefits of a low carbon economy.	None
<b>Specific objectives and measure design</b> Extent to which the stated specific objectives and measures address demographic challenges	The specific measures expected to be financed during the next programming period are still undisclosed. According to field interviews, measures will certainly address young people and working migrants in order to improve their employment skills. Attention will be probably paid to the issue of accessibility to health services by age groups living in the most rural and sparsely populated areas. The use of ICT technologies for the provision of services in remote areas of the region is an issue currently debated by the regional and local authorities.	None
<b>Monitoring and evaluation systems</b> Extent in which demographic issues are taken into account in monitoring and evaluation indicators and activities	No information is available yet.	None

Source: Interviews.

## 6. CONCLUSIONS AND POLICY IMPLICATIONS

This case study was aimed at assessing how and to what extent Cohesion Policy takes into account demographic challenges affecting Lincolnshire. Considering the evidence gathered from the field interviews and the analysis of relevant documents, the following conclusions can be drawn:

- **Demographic changes are posing relevant challenges in Lincolnshire.** Under the increase of migration flows, the county is experiencing one of the fastest growth of population within UK, with the highest proportion being represented by people aged over 65. The increasing number of elderly entering the county is likely to have implication for the economic activity, service provision, housing and social infrastructures. These challenges are further exacerbated by the county's economic structure, characterised by the predominance of traditional industries, such as agri-food and tourism industries, which offer low skilled, low paid and value added job opportunities. In this structural context, high skilled people leave the county in search of better employment opportunities. The shortage of workforce because of the increasing number of elderly people, the lack of job opportunities for high skilled people, as well as the low skill profile of the workforce are all factors posing concerns about the county's economic growth.
- **Both ERDF and ESF regional strategies addresses these demographic challenges, but their contribution could be higher.** Although ageing population is not explicitly mentioned as an issue in the EU funded programmes, measures indirectly address the challenges resulting from this phenomenon. Both ERDF and ESF measures target the working aged group, with the aim of increasing the job opportunities for them, thus affecting the current demography dynamics. ERDF measures indirectly tackle the demographic changes affecting Lincolnshire, by financing infrastructure for business start up, increasing the access to employment opportunities and improving the quality of life in rural areas. ESF measures directly addresses specific segment of the population (such as working migrants) with the aim of improving their entrepreneurial skills and of removing barriers to the labour market. The current performance of the demographic change related measures is positive. The objective of improving workforce's skills and qualifications has achieved positive results in the current programming period but it is still considered a priority. Some drawbacks are faced with ESF measures management and more flexibility would be needed.
- **Lincolnshire's demographic challenges are widely addressed through regional and local strategies.** A number of national and regional strategies complement the EU interventions in coping with demographic challenges. In synergy with ERDF and ESF priorities, local strategies have been addressed to raise the workforce's capabilities and professional qualification. In addition to EU interventions, these strategies also aim at improving the quality of life in the county as well as to meet the specific needs of an ageing population.
- **For the next programming period, the Cohesion Policy will rely on thematic objectives strictly related to the European 2020 strategy.** The next cohesion policy strategies in UK and East Midlands Region will be focused on a restricted number of priorities, among which improving skills of the workforce. On this basis, investments will be undertaken to improve basic skills for the most disadvantaged groups and to increase workforce's management and entrepreneurship skills.

In terms of lessons learnt, the case study shows that **Cohesion Policy could provide a higher added value in tackling demographic changes, when adopting a more flexible approach in delivering the ESF Funds.** The current ESF arrangements and management is likely to make a proper response to the local priorities difficult. Programmes covering large areas, like the ESF national Programme for Skills and Employment for England, reduce the ability of introducing measures specifically tailored to the local needs.

Moreover, the restricted eligible criteria for ESF expenditures prevent from financing measures which could, instead, be relevant for tackling demographic changes (for instance, tourism is not eligible under ESF funds while it is a relevant sector in Lincolnshire).

Lincolnshire is a good example also because it shows how priorities could change during the implementation of a programme. At the time of the EU funded programme's design, the ageing population was not even mentioned as an issue, whilst it has now become one of the main challenges affecting the county. Although indirectly addressed by the demographic changes related measures, the ageing population was not really tackled during the current programming period.

Therefore, the approach to designing, commissioning and delivering activity of EU funds at an appropriate level of governance should be more flexible in order to be effective.

## ANNEXES

### a) List of interviews/visits

NAME	POSITION	INSTITUTION/ENTITY	ROLE IN THE INITIATIVE (Financier, planner, beneficiary, etc.)	DATE AND PLACE OF THE INTERVIEW
Ms. Susannah Lewis	Responsible for Lincolnshire investment plan under PA2 of ERDF East Midlands Operational Programme	Lincolnshire County Council	Financier, planner	16 April 2013, Lincoln, East Midlands, UK
Ms. Sally Hewitt	Rural Policy Officer	Lincolnshire County Council	Planner	16 April 2013, Lincoln, East Midlands, UK
Mr. Andrew Books	Responsible for Lincolnshire investment plan under ESF 2007-2013 - a framework for the East Midlands	Lincolnshire County Council	Financier, planner	16 April 2013, Lincoln, East Midlands, UK
Ms. Michelle Targett	ERDF Contract Manager	Department for Communities and Local Government. ERDF Programme Delivery Team - East Midlands	Financier, planner	17 April 2013, Nottingham, East Midlands, UK
Mr. David Ryan	Director of Leicester Business Woman	Leicester Business Woman	Project Manager of the project Leicester Business Woman, benefitting from ERDF funds under Priority Axis 2	17 April 2013, Nottingham, East Midlands, UK
Mr. Mark Bowen	Enterprise Development Manager	Bishop Grosseteste University Lincoln	Project Manager of the project BG Futures, benefitting from ERDF funds under Priority Axis 2	26 <sup>th</sup> of April 2013, phone interview

### b) References

- East Midlands ERDF Competitiveness Programme 2007-13: *Annual Implementation Report 2011*.
- East Midlands ERDF Competitiveness Programme 2007-13: *Interim Programme Assessment*, Final Report August 2010.
- European Commission (2012) *The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060)*.
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- Lincolnshire County Council, *Sustainable Economic Enterprise Activity in Disadvantaged Communities Priority Axis 2 Targeted Districts*: Lincolnshire Investment Plan.
- LRO (2011), *Lincolnshire: a local economic assessment 2011*, Lincoln.

### c) *Good practice fiche*

<b>Dimension of demographic change addressed</b>	Working age people
<b>Country/region</b>	Lincolnshire (East Midlands)
<b>Name/title of the practice</b>	BG Futures
<b>Period of implementation</b>	2010 -2012
<b>Contact information</b>	Bishop Grosseteste University Lincoln (BG), Mark Bowen, Project Manager.
<b>Brief description of the activities implemented</b>	The project involved the building of a multi-function business incubator built on the campus of Bishop Grosseteste University College, with the aim to facilitate the development of micro-businesses. It is built on a previous project – the Sky Centre - created and funded via the Higher Education Innovation Fund.
<b>Main partners/stakeholders involved</b>	The project was implemented under the responsibility of BG. Other stakeholders involved were Lincolnshire Enterprise and the Lincolnshire County Council which contribute to finance the project.
<b>Territorial coverage (transnational, regional, local)</b>	Local
<b>Funding (total and funding on Cohesion Policy)</b>	EUR 2,0 <sup>15</sup> (65%% by ERDF, 2% by Lincolnshire Enterprise and the Lincolnshire County Council, 33% by BG)
<b>Main goals and objectives</b>	The project aimed at supporting the start of new business by providing individuals with workplaces as well as all the support they need to put in place their business idea.
<b>Main target groups</b>	The project targets graduates/students of BG seeking to develop enterprises but also specific groups such as migrant workers, women and disabled. The infrastructure had a limited capacity equal to 15 business units. However, in order to ensure the access to a large number of people, virtual positions have been foreseen.

<sup>15</sup> The total cost of the project was £ 1.7 million which is in EUR 2.0 (exchange rate equal to 0.8453, 7 May 2013)

<b>Main measures and outcomes</b>	BG Futures was built on a previous infrastructure opened in 2007: the Sky Centre. The latter enjoyed major success than expected, and more demand than availability. On this basis, BG decided to expand the building from a 5 unit, 1 meeting room, small scale business and enterprise facility, to a two-storey, 15 unit business and enterprise units, three conference rooms and exhibition space (ranging from 30-70 person capacity). BG Futures' tenants actually amount to 23, of which 15 physically benefit from a business unit while 8 are virtual tenants.
<b>Implementation features</b> (project design and planning; management, monitoring and evaluation system; governance system: Partnership and Leadership; Innovative elements and approaches to implementation; key implementation obstacles and problem solving practices)	People will get known about the opportunities offered by BG Futures thanks to newsletter and several campaigns carried out by chambers of commerce and business support entities. In order to benefit from it, they should fill in the application form and propose a business idea to BG. BG Futures' tenants are selected on the basis of two criteria: i) the business idea proposed should contribute to the economic development of the county, by providing a real added value to the local economy; ii) users applying for a business unit or a virtual office should actually need the support of BG Futures. After a maximum of two years, BG Future's tenants are asked to move away and to find a new premise for their business.
<b>Main weaknesses/obstacles and how they have been addressed</b>	Securing funding has been the biggest challenge faced and the support from ERDF and Local Authorities was essential. A further difficulty was to find the right channels to inform people about this opportunity. In this regard, the support from Chamber of Commerce or Universities demonstrated to be of paramount importance.
<b>Main strengths</b>	It is not just a building where 15 individual business go their own way. It is instead a real community where those businesses which are already launched will support those which are just starting out. BG Futures is able to offer three levels of support to business: i) Virtual Office Facilities; ii) Hot Desk Facilities; iii) Business Units (ranging from 8 sqm to 25 sqm). The Enterprise Development Manager is also on site to provide all the support that new businesses need.
<b>Main innovative elements</b>	The support provided by BG Futures' team is the most innovative element of the project. The provision of an infrastructure housing new enterprises is deemed not enough to ensure the success of the initiative. It is important to understand what businesses actually need to put in place their business idea.
<b>Reproducibility/transferability elements</b>	The project is highly reproducible and transferable in other areas of the county. In particular, the business idea behind BG Futures' infrastructure may be adopted also in the most deprived areas of Lincolnshire in order to encourage local and overseas entrepreneurs to take the risk of starting a new businesses, thus contributing to the local economic growth.
<b>Sustainable elements</b>	Some revenues are expected to be gained by hiring conference and exhibition rooms for events. However, these are not expected to cover the operating costs of the building. BG is therefore responsible to cover the financial gaps.
<b>Main lessons learnt</b>	Lessons learnt concerned the importance of answering properly to business needs in a disadvantaged context. Providing workplace for the start up of new business is not enough to secure the successful implementation of the business idea. It is necessary to provide the right support to enable the new entrepreneurs to take the risks and face business challenges.
<b>Sources of information</b>	Phone Interview, 26 <sup>th</sup> of April 2013

**Source:** Authors.

**d) Census 2011: population, area, density and household**

Area	2011 Census Estimate	Area (sq km)	Density (Persons/sq km)	All households 2011	Average persons per Household
Boston	64,637	362	179	27,291	2.4
East Lindsey	136,401	1,760	78	60,890	2.2
Lincoln	93,541	36	2,598	39,825	2.3
North Kesteven	107,766	922	117	45,972	2.3
South Holland	88,270	742	119	37,264	2.4
South Kesteven	133,788	943	142	57,344	2.3
West Lindsey	89,250	1,156	77	38,385	2.3
Lincolnshire	713,653	5,921	121	306,971	2.3

**Source:** LRO.



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