

Synthesis report



The impact of European demographic trends on regional and urban development



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JOHANNES HAHN

MEMBER OF THE EUROPEAN COMMISSION

Impact of demographic trends on urban development

In the current uncertain global financial and economic situation, it is ever more important to examine whether our policies are adapted to the challenges that Europe will face in the coming years. Beside globalisation, climate change and a secure, sustainable and competitive energy supply, the demographic trends and dynamics will be one of the main challenges for Europe and will be of particular relevance for European cities and regions.

There are wide variations in demographic dynamics and patterns between and within Member States, regions and cities across the EU. Some regions and cities are particularly exposed to demographic decline, with the outmigration of young people, a shrinking working age population and an ageing population. These areas will face difficulties in financing essential public goods and services, such as health care, long-term care, housing and transport infrastructure in a sustainable manner in order to avoid increasing social polarisation and poverty. Other cities, in particular metropolitan areas, will gain population with a high inward migration. A resulting challenge for these areas will be the integration of migrants into the labour force and society as a whole, as well as the adaptation of infrastructure in the case of high population growth.

In all its complexity, demographic change is likely to reinforce disparities between and within European regions and cities. Demographic dynamics will determine the economic growth potential of our cities and regions as well as the risk of social polarisation and pressure on the environment. The impact of demographic change will transform the age and employment structure of our societies, raising important issues of both economic efficiency and intergenerational equity. For the future, we will need to look carefully at ways how the complex implications of demographic trends and dynamics can be best addressed and how demographic change could be turned into an opportunity through for example developing the silver economy and promoting social innovation. Correspondingly, the Europe 2020 strategy identifies demographic change among the key challenges facing Europe and calls for specific action to be taken under several of its flagship initiatives.

Beyond this background, I would like to thank the Hungarian Presidency for putting a particular focus on the impact of demographic trends on regional and urban development. Demographic change has indeed a strong local dimension. To address the multiple dimensions of demographic change, it is necessary to adopt integrated and multi-level policy solutions. One important instrument in this respect is to promote integrated and sustainable urban development policies and actions at all levels. Cities need our joint support to successfully address the impacts of demographic trends on the urban economy, urban societies and the urban environment. Cohesion policy plays an important role in this respect and, for the future, can and should be even more ambitious in ensuring access to essential public services, creating new sources of employment and facilitating the integration of migrants and minority groups.

I believe that this study gives some good reasons for making demographic change and the impact on regional and urban development an important topic in all European regions and cities and for policymakers at all levels. It is an informative and inspiring document for those who, like me, are convinced that we need sustainable and cohesive cities as strong partners in responding to the major economic, environmental and social challenges and as a stable and consistent basis for a vital, dynamic and prosperous Europe.

A handwritten signature in black ink, appearing to read "Johannes Hahn".

Johannes Hahn

Commissioner for Regional Policy

FOREWORD

The European Union is facing serious challenges in the upcoming decades that may thoroughly modify its current economic and social structure as well as its developmental preferences. The most important of these challenges include climate change, energy problems and growing economic competition as a result of globalisation and demographic changes.

Currently available demographic projections forecast dramatic changes: the present population increase will slow down and turn into a decrease. As a consequence of ageing, the share of the retired population will constitute more than one third of the population above 15 years of age. Migration processes will lead to overcrowding in some parts of the EU, while poorer peripheral areas will lose the most active segment of their population, resulting in a further decline of their economic performance. On the long run, demographic change could lead to significant changes in the ethnic composition of the European population and a widening gap between the more and less developed European regions.

The cities (urban areas), as the engines of territorial development, are experiencing the extremes of both demographic processes. On the one hand, the biggest population growth with all its advantages and disadvantages is predicted to take place in cities (mainly in large metropolitan areas). On the other hand, cities situated in declining regions will face the emigration of active age residents and the fast ageing of their population.

All the above-mentioned problems make the question of demographic change one of the most urgent issues for politicians and researchers within the European Union. In order to curb the effects of change and to adapt to the situation, Europe needs to establish a new solidarity across generations and across geographical territories.

Taking all of these factors into consideration, the Hungarian Presidency of the Council of the European Union decided to put the evaluation of demographic processes on its agenda, with a special focus on the urban dimensions of these processes that had not previously been the object of detailed analysis.

The current study aims to raise awareness by summarising and structuring the main findings of the extended literature of the area. Besides a simple description of the phenomena, it gives examples of the innovative strategies employed by national and local governments. Above all, the study articulates recommendations on the national and European level that aim at supporting the urban actions in the field of demographic change.

I hope that the study will be useful for decision-makers on the local, national and European level who are able to influence the future of urban areas.



dr. Sándor Pintér

Minister of Interior, Hungary

1 EXECUTIVE SUMMARY

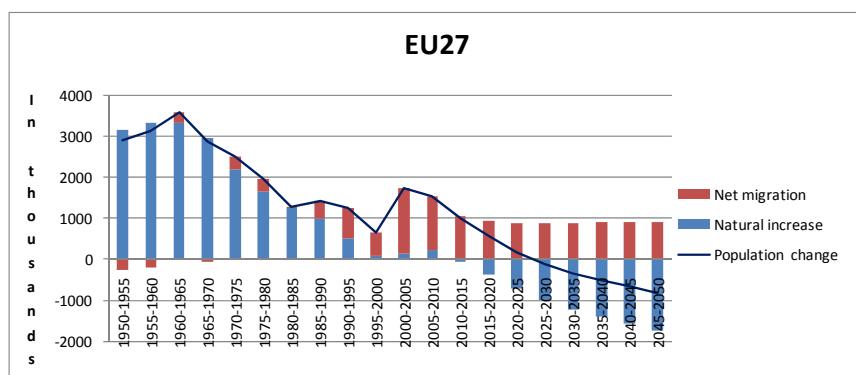
Demographic change is one of the most serious challenges Europe will face in the upcoming decades. It is a daunting task to address the interplay between the various policy areas (affecting fertility rates, the ageing of the population and the external and internal migration processes) that all influence how demographic change unfolds.

The aim of the report is to give a broad overview of the complexity of the problems, paying special attention to their territorial dimension and to the question of what the local (urban) level can do to influence demographic change in a favourable way or at least to accommodate its consequences.

1.1 Demographic change on EU level: the challenge

Europe has a population of approximately 500 million people. The fertility rate of the European Union is 1,6 (2009) which is far below the replacement rate of 2,1. The fertility rate differs significantly from country to country (ranging from 1.31 in Latvia to 2.07 in Ireland) and the predictions of future rates are very uncertain. There are two factors that can mitigate the effects of low fertility levels, and thus postpone the population decrease of the European Union: the first is increasing life expectancy and the second is migration from countries outside the EU. As the figure below shows, according to the predictions by the United Nations – which are more negative concerning the timing of population decline than the forecasts by Eurostat¹ – increasing life expectancy will not be enough to counterbalance low fertility rates (there is a natural decrease predicted to start in 2010), and the positive migration balance can only mitigate this process until approximately 2025. By that time, the population of the EU may reach 520 million, from which level it will begin to decrease.

Figure 1. The composition of population change in the EU



Source: United Nations 2008

¹ According to the latest Eurostat forecast, population decline in the EU will only start in 2040. This is a modification of their previous prediction, which put this date at 2025, like the UN.

According to the predictions (Figure 1), the current high level of migration to the EU would be able to counterbalance natural population loss in the European Union for a long time, mainly in the Western, Southern and Northern parts of Europe, but it is doubtful how long this high level of net migration can last. The United Nations predicts somewhat decreasing and than constant level of third country migration from 2010, which will bring about the beginning of population decrease around 2025-30. The forecasted decreasing level of net migration may be a reflection of the current debates on the integration capacity of the EU. However, the migration pressure to the EU is evident and the high level of illegal migration (about 500 000 people annually) cannot be controlled properly. Moreover, the latest flow of asylum seekers moving from North Africa predicts a possible future when war and climate refugees may not be stopped at the borders of the EU.

1.2 Demographic change on the national level: problems and policies

1.2.1 General European tendencies

Natural population change and the pace of migration vary strongly across the years and there are a number of policies that may influence these phenomena, which means that estimates of the future population size of Europe are very uncertain. One phenomenon which is clearly becoming more important over time is ageing: **the population of the EU will become significantly older**, no matter whether the current low fertility rate increases to the reproduction level or whether migration from third countries can counterbalance the natural decrease. The increasing number of the elderly in the population is a consequence of longer life expectancy which is definitely a positive phenomenon and characterises the increasing quality of life in the European Union. On the other hand, the elderly dependency rate (rate of elderly above 65 divided by the share of population aged 15-64) is currently around 20% and it may increase to 45-55% by 2050, which would definitely **put pressure on public spending** (first and foremost pensions, health care and social services).

Actually, Member States are already in the process of implementing a step-by-step intervention, **gradually altering the way the welfare state functions**. The constant growth of the elderly segment of the European population necessitates a thorough restructuring of the pension, health care and elderly care systems, and there are changes with regard to the retirement age as well. However, we must stress that the increase in the retirement age does not automatically lead to an increase in the labour force, as the older generation is only partly healthy enough and equipped with up-to-date skills in order to be able to remain in the labour market. Further public policies have been introduced which aim to compensate for the loss of the younger part of the workforce and thus to maintain the economic competitiveness of the EU. They mostly plan to increase productivity and the employment level.

Many argue that a coordinated migration policy is the only way to tackle the coming demographic crisis of the European Union. However, relying only on the number of migrants may not be enough to solve the problem of the shrinking workforce, as different economic sectors are predicted to evolve differently. According to a recent CEDEFOP report (2010, p: 13) the jobs that need high skills and education will increase by 16 million by 2020 while jobs requiring low qualifications will decrease by 12 million by 2020. Thus **the EU does not only need new entrants**

to the labour market, it needs labour in certain sectors with certain skills. Migrants (and the workforce that can be gained from the currently inactive population) should be equipped with the skills necessary to fill the gap that occurs when the number of active age workers diminishes while the demand posed by new technologies increases. It further has to be stressed that with labour immigration there will be **an increased burden on welfare expenditures.** Migrants not only need jobs but also housing, social and health care services. It is hard to estimate the balance between the costs of and the revenues from migration. It seems that for internal migration within the EU, the direct revenues outweigh the costs, but this might not be the case with third-country migrants. The **low integration capacity** of many societies poses a further problem: the integration of different cultural behaviours and the fight against social and spatial segregation require extra effort. In the early 21st century political parties with an anti-migration agenda gained ground in several countries, and in addition several EU countries have decided to tighten migration policies and limit the migrant inflow. However, these national reactions do not necessarily reflect the opinion of the bigger cities which experience the most immigration².

In spite of the problems concerning the migrant population, Europe has to work out and implement effective integration and empowerment strategies as according to the most recent forecasts (Demography Report 2010, p. 3) if nothing unpredicted happens than by 2060 one third of the population in the EU will have at least one parent with a foreign-born³ background.

1.2.2 Territorial differences across the EU countries

Ageing and its fiscal and social consequences affect all the EU countries (though to varying extent) vast immigration with all its social and infrastructural consequences could be observed in metropolitan areas of Western Europe. On the other extreme the other aspects, such as extremely low fertility and high emigration affect mainly the new Member States. A number of regions in all Member States experience a constant decrease of population at a restrained pace, but the fast rate of emigration together with a dropping fertility rate is particular to most new Member States and the eastern part of Germany.

The evaluation of this specific development path is not easy. The growing GDP of the new Member States divided by a decreasing number of residents leads to the increase in GDP/capita. On that basis, one could assume that the new Member States would benefit from large scale emigration. This simplifying statement, however, has to be reconsidered for the following reasons:

1. From a purely economic point of view, labour migration within the EU is a favourable process that reflects the free movement of the labour force inside the EU and contributes to the effectiveness of the Union by providing labour where there is a demand and removing redundant workers from places where there are no jobs. Emigration on the short run may reduce the unemployment rate of the country of origin as people that are

² There are a number of research results showing that most people who are against migration have very little contact with migrants. In addition, people living in the countryside generally have more negative attitudes against immigration than citizens in urban areas.

³ Foreign-born in this sense includes all residents – besides third country migrants - that were born in different Member States than they will live that time.

not able to find a job may seek employment possibilities abroad. In addition most emigrants send remittances back, contributing to the development of their home country. Also, a substantial share of the migrants returns after some years to their country of origin, bringing back knowledge and a new life-strategy. Despite all these positive effects, the emigration of the workforce and families mostly from the new Member States to the old Member States can lead to a negative final balance due to the several serious problems it causes, especially considering that **the highly skilled workforce who could otherwise be the engine of growth in the home country often leaves (brain drain)**. It is impossible to replace these emigrants with talented migrants from third countries, as these migrants also go to the growth poles of Western Europe. A further point to be considered is that people leaving the settlements of the countryside usually go back to bigger cities of their home country after spending some years in more developed regions of the EU. Thus, even if they return to their country, they do not return to their original home, contributing to the territorial inequalities of their home country.

2. Although migration is not a panacea for economic growth – its relation to both economic productivity and unemployment is complex – a certain positive balance of migration seems to be essential for sustaining economic growth on the long run and for maintaining the welfare state. Continuous lack of migration to the new Member States, coupled with very low fertility rates will produce a **very strong fiscal imbalance, making it impossible to keep up their current level of redistribution as part of the welfare state**. It is of course still a question of the future how migratory flows will react to the continuing economic development in these countries if the Structural and Cohesion Funds can help economic convergence. Taking all aspects into account, there is a real danger that the continuation of the current trends **would lead to deepening of the division between the two parts of the European Union**.

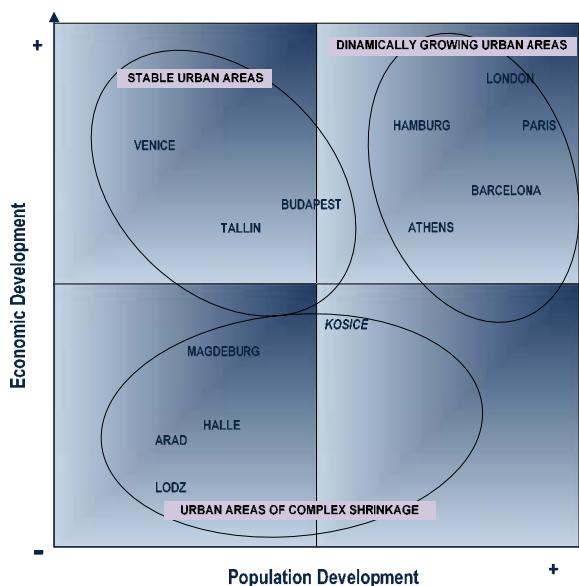
According to the 5th Cohesion Report (November, 2010) the new Member States are catching up to the EU average GDP per capita, although more slowly than expected. However **regional disparities are growing within the new Member States**: the capital cities and western regions of the new Member States are developing faster, while other regions are increasingly lagging behind. These regions – suffering the most from vast outmigration – are in economic and demographic decline, which may become even more dramatic in the upcoming decades.

The case of the Southern European countries (having faced serious migration outflows in the 60s and 70s, while currently experiencing vast immigration) shows that economic development might change migration tendencies – although this positive tendency does not necessarily affect all remote regions of Southern Europe. Accordingly, the new Member States could also become capable of attracting migrants in case economic convergence continues. The **question is, however, whether this convergence will occur fast enough to prevent the regional and micro-regional disparities to reach the “point of no return”, from which they cannot catch up any more**.

1.3 Demographic change on the local level and the possible strategies

In the long run many European regions/cities will face shrinking and the ageing of the population both on the national and the urban⁴ level. However, these processes will not be of similar intensity all over Europe. Moreover, the tendency of the demographic processes may not coincide with those of the economic processes.

Figure 2. Position of selected urban areas according to their demographic and economic performance



Source: based on the idea of Eric van Marissing and Thorsten Wiechmann, developed in a Budapest workshop on 15-16 November 2010

The inclusion of economic parameters in the demographic analysis is essential, **because the real challenges for the future are the economic and social causes and consequences of demographic change, not demographic change itself**. In fact, similar demographic processes may occur together with very different socio-economic structures. That is why our analysis has put great emphasis on typologies of urban areas not only according to demographic characteristics but based on a complex approach covering demographic and economic parameters at once.

Based on these considerations, three⁵ main types can be distinguished⁶:

⁴ The local level is understood in the study as a functional (metropolitan) area, i.e. cities are considered together with their surrounding areas of influence.

⁵ We could define a fourth type of city, characterised by economic decline or stagnation despite population growth. This type of city is mostly found in Eastern Europe, in rural areas. The source of population growth is typically the high birth rate of Roma families who are crowded out to (or stuck in) remote regions struggling with economic difficulties. The favourable demographic situation of these cities is vastly eroded by the economic problems, resulting in high inactivity and unemployment rate of the population. Due to the differences in the migration patterns of the Roma (in some countries they move to urban, while in others to rural areas) this type of urban area could not be identified clearly and needs more research in the future.

1. Even on the long run there will be cities that **experience a strong population increase** caused mainly by their large economic power. These cities are mostly bigger cities in Western Europe with local economies connected closely to the world economy. As economy is the most relevant factor in attracting migrants (who are usually younger and have a higher fertility rate), these cities may remain hosts to migrants also in the long run. Migration is generally regulated on the national level in the EU, but the local level has a lot to do to foster the integration of migrants. There are many European cities that have worked out efficient integration strategies, based on offering high level local services (registration, education, health and housing) and ensuring the most important requirements for integration (studying, working, knowing the language), thus enabling the migrants to join European society. In addition to integration policies, these cities face the challenge of pressing additional demand for infrastructure and public services. Dynamic population growth may result in the further increasing density of the built environment or in the uncontrolled sprawl of the urban area. In order to avoid the spatial and social tensions as a result of growth and increasing heterogeneity, **dynamically growing cities should concentrate on retaining the territorial and social cohesion of the urban area.**
2. **Cities with a strong economic background and a gradually shrinking – sometimes slightly increasing - or stable population.** Population shrinkage in itself cannot be considered a serious problem unless it has a dramatic effect on the local economy and infrastructure. Gradual population loss in a city may even be advantageous: as the density of the urban environment decreases, the economic output will be divided among fewer residents (resulting in higher GDP per capita). **The main task of cities with a more or less stable demographic and strong economic background is to create flexible urban strategies.** Population decline, or slight growth can quickly turn around – as economic and population dynamics are not stable on the long run – changing the age and ethnic composition of the residents, leading to new requirements towards public services. Flexibility means the improvement of urban infrastructure and environment in such a way that it can serve different purposes (e.g. new housing which can be both for the youth and the elderly, low density housing inside the urban borders). Besides flexibility, these cities should definitely prepare themselves for the consequences of ageing, by redesigning the urban environment, transportation and services according to the new type of needs.
3. Urban areas of complex shrinkage experience both demographic and economic decline⁷. These urban areas are mostly located in the Central and Eastern part of the EU (in the Eastern part of Germany, the Eastern regions of Poland, Hungary, Slovakia, Romania, and Bulgaria) but some peripheral areas of Western Europe are also affected (like the Southern part of Italy, the Eastern part of Portugal, the Northern part of England, the

⁶ We must note that data available to measure demographic and economic performance on the urban level are not totally reliable. The current study generally uses the data of the Urban Audit which are still somewhat incomplete in spite of the very innovative efforts. The important question about the exact share of growing or declining urban areas cannot be answered properly and evaluations sometimes have to be based on approximations. Thus the Urban Audit dataset needs to be further developed for monitoring and policy making purposes.

⁷ Economic decline in this sense does not necessarily mean a decline of output in net terms, rather economic stagnation or slower development than the national average.

Northern part of Scandinavia, etc.). The decline of a region does not necessarily mean the decline of the city as well, there are vital cities to be found in declining regions. The main cause of complex shrinkage is economic restructuring: the city starts to lose its population when it is not able any more to provide enough jobs compared to other cities (countries or regions). **Thus the strategy to mitigate complex shrinkage should concentrate on the redefinition of the economic basis.** It is an important question whether all urban areas of complex shrinkage could become capable of revitalising their economic base. Several examples (e.g. the German reunification, the Italian efforts to diminish the development gap between the Southern and Northern part of Italy and the Scandinavian policy to integrate the Northern part) show the difficulties of achieving full economic recovery in the less developed regions, despite the often enormous amounts of money invested. Another question is whether the development of the economy automatically results in the increase of population in shrinking countries. In many cases “jobless growth” is the outcome, when economic development means that the urban area recovers its economic basis but does not require more workforce, thus population increase may not be the consequence or only at a modest rate. Thus, besides concentrating on the economic recovery policy, these cities should adapt to the partial collapse of the overdeveloped infrastructure, housing and public services. Cities may aim at downsizing the urban infrastructure with fewer residents thus they can reach a new equilibrium on a smaller scale. For already smaller shrinking cities, the establishment of proper territorial connectivity to large urban centres in order to strengthen the access to high quality services may be of high importance.

The paragraphs above indicated the special measures that urban areas of different economic-demographic types should concentrate on. Besides, there are certain measures that are advisable for all urban areas no matter which special demographic process they experience:

- to implement local employment programmes in order to activate the hidden reserves of the labour market and reduce the effect of the shrinking workforce due to ageing;
- to provide new and improved local services for the fast ageing generations (social, health care, transportation, etc.);
- to strengthen local child-care services to encourage the labour participation of mothers;
- to implement methods in housing and spatial planning to encourage the formation of mixed residential areas regarding age and social composition;
- to create a family-responsible environment and strengthen the social context supporting family oriented values in order to encourage the families with children to stay in urban areas;
- to provide a secure and safe urban environment in order to lower spatial segregation and increase the quality of life of all generations.

These policy elements should be grouped into integrated policy interventions. Integration in this sense means vertical cooperation (between different level of governance including the EU, the

national state, the region and the local authorities) horizontal cooperation (between settlements of the same functional urban area) and transversal cooperation (between different sectors of intervention).

1.4 EU policy implications: how to influence the demographic future of the EU?

1.4.1 Opportunities and limits for EU interventions

The European Union itself seems to have limited role to influence the demographic processes. The EU does not have a common immigration policy⁸ or a common social policy. Even so, the EU has a certain authority and autonomy to influence demographic processes. In its Communication of 2006 “The Demographic Future of Europe — From Challenge to Opportunity” it described five main fields for intervention:

- better support for families;
- promotion of employment;
- raising productivity and economic performance;
- better support for immigration and the integration of migrants;
- sustainable public finances.

These policy areas are well defined although there should be a clear division of responsibilities between the EU and the Member States, and a new dimension should be included, namely, the handling of the regional disparities strengthened by demographic parameters.

The EU can, through indirect tools, encourage (or press) national governments to develop policies with a direct relevance to demographic processes in the following directions:

- Family-responsible social systems that give mothers the possibility to bear all the children they would like to have;
- Increased retirement age in order to handle the shrinkage of the working force and lessen the burden on pension funds;
- Sustainable pension systems that are based on pre-savings of the currently active generation;

⁸ The EU has issued several communications and directives on the topic of third-country migration (e.g. based on the Tampere, The Hague, Stockholm programmes). Among many others, directives were prepared on illegal migration, student migration, highly qualified workforce, family unification, researchers' exchange, the integration of immigrants, etc. However these directives form a loose framework rather than a complete common immigration policy. The real decision making concerning the immigration of third-country nationals belongs still to the competency of the Member States, so the most it can be said about the common migration policy is that it is an area of shared competence.

- Flexible labour markets without age, sex and ethnic discrimination that would enable the high-inactivity layers of society (youngsters, ethnic minorities, elderly, mothers, people with physical or mental disabilities) to enter the labour market;
- Migration policies that make it easier (or even support) those types of migrants to enter the EU whose qualifications are needed for the economy, or for whom there is a seasonal demand;
- National and local integration strategies that aim at providing social inclusion not only for the first but for the second and third generation of migrants;
- Multilevel regional development systems based on polycentric urban development to mitigate the micro-regional disparities strengthened by demographic factors.

The European Union has strong competencies in many policy fields which – having indirect links to demographic processes – can substantially influence the demographic future of Europe.

- One of the most important tasks of the Cohesion Policy of the EU is to reduce regional disparities by supporting social and infrastructure developments in remote/underdeveloped regions. This reflects the **principle of spatial solidarity** which is one of the striking differences between the approach of the EU and that of the USA. As demographic processes may deepen the already existing development gap between the more and the less developed regions or micro-regions of the EU, the Cohesion Policy (and all other policies with territorial outcomes) should make an extra effort to reverse this process – this is not only a moral but also an economic task, as the reserves of development are large in such areas. As the Cohesion Policy has (and will have) limited resources, it is an important question how local (regional) economic development can be supported in the most cost effective way while still fulfilling the required territorial cohesion goals. Efficiency could be increased by focusing on the growth poles even in remote regions together with the development of proper connections to the poles under the philosophy of “**decentralised concentration**” instead of spreading the resources evenly. Also those areas of the poor regions can get support that have the most innovative development strategies. In all cases integrated approaches both on territorial (settlements of urban areas planning together) and sectoral levels (calculating the effects of development of each sector) have to be required as condition for the support. By means of a more focused Cohesion Policy urban areas of complex shrinkage could gain concentrated resources⁹.
- Even if the population of the EU as a whole will not decline on the short and medium run, most countries will lose working age population as a consequence of ageing. For these countries it is extremely important to activate the internal reserves through **increasing**

⁹ The philosophy behind this suggestion is based on the experiences of the German Stadtumbau-Ost programme, which provided state and regional funds for cities of serious shrinkage after a selection process based on their integrated development plans. This policy proved that cities suffering from complex shrinkage are not able to restructure their economic and public infrastructure by themselves without getting financing from higher levels of government supporting their integrated plans with the proper balance of demolition and renewal/new construction.

the low labour market activity rates. There are many tools available from the provision of flexible working conditions to the training and social inclusion of inactive people. The EU already supports many types of activities that aim at increasing labour activity and efficiency (by means of resources of the European Social Fund), and the increase of the activity level is an important goal of the EU 2020 Strategy, as well. However, it seems that the support already provided is not sufficient, given the sometimes rigid national strategies of labour market regulations (social security initiatives, provision of public type of works etc.) into account. Measures pointing in the direction of higher activity rates should be of special importance for the access to **ESF resources**. Social integration and the acquisition of skills should start in kindergarten and continue throughout primary education and vocational training systems as well as life-long learning structures.

- The EU Member States have very different interests regarding third country immigration policy. The disparities between national labour markets (resulting in 10-20 times wage differentials within the EU countries) decrease only very slowly, thus the differences in national interests will remain for longer time. Thus the suggestions aiming at strong coordination of migrants' rights – such as creating a minimum level of rights – do not seem to be feasible in the near future. However there are **three broad areas** in which development is urgently needed (Collett, 2009): improving the use of human resources (both existing and incoming, with easier recognition of migrants' qualifications), improving mobility within Europe by making the portability of social rights a reality and guaranteeing minimum standards for regular work conditions, and finally, making Europe a more attractive destination for highly skilled migrants. In addition to these steps the set of preconditions to increase the number of workers under circular migration circumstances (e.g. multi-seasonal permits, compulsory savings schemes) would also provide mutual benefits for the EU and the migrants. Cities, urban areas can play important role in all of these, even leading the changes in the latter aspects.

1.4.2 The connection between the EU 2020 strategy and the demographic challenges

Of the five headline targets of the EU 2020 Strategy the following three are connected to the issues of demographic change:

- Target 1: "aiming to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants';
- Target 4: "improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%';
- Target 5: "promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion. (EU 2020 Strategy 17 June 2010)

The following links can be developed between these targets and the goals formulated with regard to the demographic processes:

- The most effective way to fighting the economic consequences of ageing is to raise the activity level of the active age citizens (target 1). This should be done according to the “solidarity between generations’ which enables the inclusion of the most vulnerable groups into the job market, like seniors, youngsters, mothers and ethnic minorities. It is important to emphasise that the currently inactive layers of the society may not be able to fill those tasks that are created in the sectors with highest added value, thus the growth strategy should be built on a wide range of job opportunities in different sectors.
- The reduction in the school drop-out rates (target 4) could contribute to achieving a higher activity rate and lower level of poverty (target 5). These goals are also in the focus of demographic policies which aim at integrating migrant and inactive youngsters into the education system and lower the level of poverty and segregation. On the other hand, these policies should be complemented by social and labour market policies of different types in order to encourage the fertility rate of more skilled and better off families to catch up with that of the low skilled ones.

The Commission is devoted to stress the importance of demographic challenges in the light of the EU 2020 Strategy as emphasized in the latest official document on demographic changes: “The strategy adopted in addressing demographic change seems to dovetail with the overall thrust of the new Europe 2020 strategy. In the wake of the recession, and despite the bleak outlook for public finances, the European Commission is convinced that the demographic dimension deserves to be taken fully into account by Member States when they are formulating their exit strategies from the current recession.’ (Demography Report 2010, p.5)

However, it has to be stressed that some of the demographic challenges are not addressed properly by the targets of the EU 2020 strategy:

- The EU 2020 strategy does not put emphasis on the growing regional differences between the European regions which may even be strengthened by the demographic processes. In order to better develop the territorial aspect of the EU 2020 strategy, the Cohesion Policy has to be strengthened and equipped with proper financial means. A close link should be developed between the EU 2020 Strategy and the Cohesion Policy, taking the territorial effects of demographic processes into account.
- The EU 2020 strategy does not refer to the decreasing fertility rate and the measures that should be taken to stabilise the natural population processes, affecting the demographic composition of the EU on the long run. In the evaluation and implementation of the National Reform Programmes policies aiming at encouraging mothers to bear those children they would like to have (like flexible employment conditions, supporting social services, basic maternity supports) should be taken into account.
- A further deficiency of the EU 2020 strategy is that it does not reflect on the issue of multiethnic composition of Europe. An EU level statement on this sensitive issue would be very important to guide the national approaches on migration and integration. The lack of proper integration capacity across EU countries and the weak role of the EU in this

regard contribute to the deficiencies on the labour market and the increase (and territorial concentration) of poverty. Based on the Presidency Conclusion of the Belgian Presidency (2010) there is a further need to include the integration (concerning not only migrants but ethnic minorities in a disadvantaged position, like the Roma) and immigration policy into the long-term strategy of the EU.

2 THE DEMOGRAPHIC LANDSCAPE OF EUROPE: PROJECTIONS AND ANALYSIS

The population of the European Union has been growing and ageing steadily. **In 2010 the total population of the European Union crossed the 500 million threshold.** Among its inhabitants, the youngest group of people (under the age of 14) makes up a little bit more than 15%, while the elderly (above 65) make up another 17%. The old-age dependency ratio - people aged over 64/people of 15-64 - has reached 25%, which has already prompted European governments to rethink their pension policies.

In comparison to other regions of the world, the EU's population has been growing at a relatively slow pace. Between 1960 and 2005 the world's population more than doubled, rising from 3 032 million inhabitants to 6 515 million, while the corresponding rate of change in the EU-27 was an overall increase of 21.9 % to reach 491 million inhabitants by 2005. The fastest expansion in world population during the last 45 years was reported for countries in Africa, Asia, and Latin America and the Caribbean. As a consequence, **the relative weight of the EU-27's population fell from 13.3 % of the world total in 1960 to 7.5 % by 2005.** This trend is projected to continue, such that by 2050, the EU-27 will account for 5.4 % of the world's population (Eurostat, 2009)

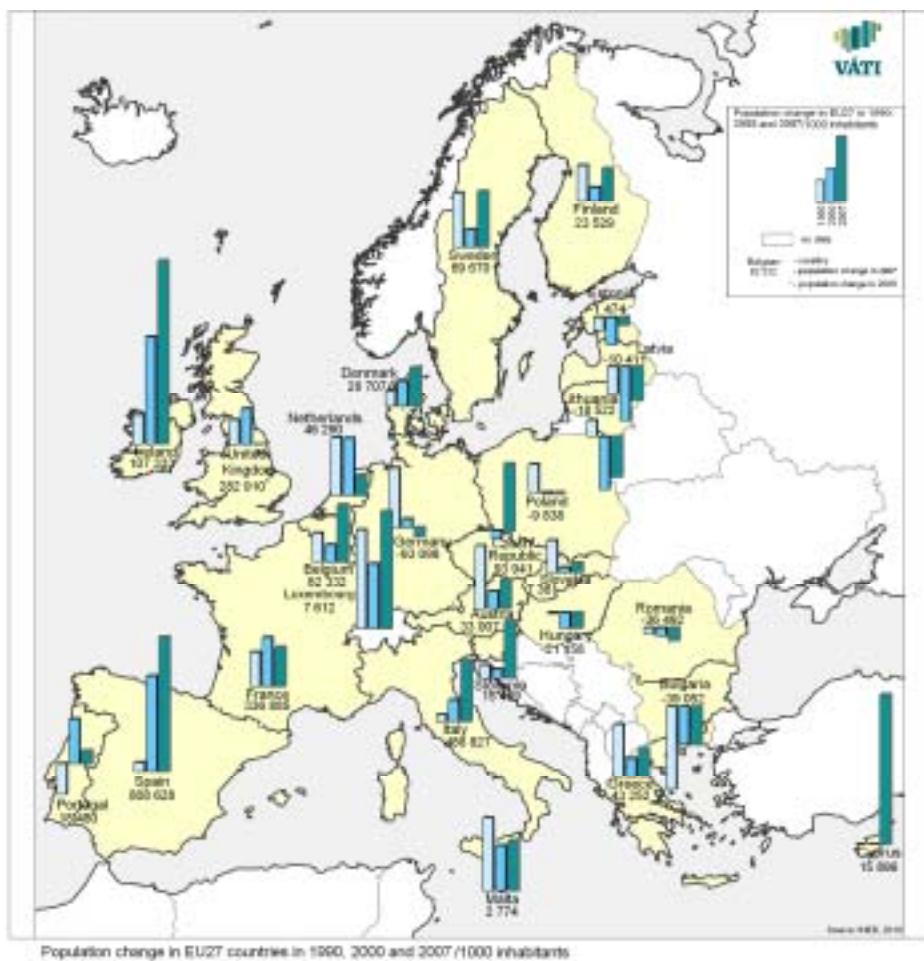
Table 1. The main demographic indicators of the EU 27 countries, 2000-2009

	2000	2005	2009
Total population	482 767 710	491 153 644	499 723 520 ^p
Population change in the year (including natural increase and net migration)	1 020 618	2 073 292	1 536 320 ^f
Natural population change	296 398	292 005	595 672 ^f
Total fertility rate¹⁰	1.45 (2002) ^e	1.51	1.55 (2007) ^e
Proportion of population aged 0-14	17.3%	16.2%	15.7% (2008)
Proportion of population aged 65-79	12.3%	12.6%	12.7%
Proportion of population aged 80 years and more	3.3%	4%	4.3% (2008)
Old age dependency ratio	23.2%	24.6%	25.2% (2008)

Source: EUROSTAT, 2010 (p: provisional value; f :forecast; e: estimated value)

¹⁰ The total fertility rate represents the average number of children a woman would have through all her childbearing years (15-49) in a single year, under all the age-specific fertility rates for that year.

Figure 3. Annual population growth/1000 inhabitants in the countries of the EU27



2.1 Natural population change

Looking at the dynamics of demographic change since the year 2000, there is clear evidence for both processes of **population growth and ageing at the aggregated level of the European Union**. In a time span of almost 10 years, the share of the 0-14 age group has diminished significantly, while the share of the elderly – especially of those above age 80 - has grown considerably. These trends show the fact – which is further corroborated by statistical data - that the **modest population growth of the European Union derives to a greater extent from the high level of migration than from natural population change**. Although the level of net migration has varied significantly over the last ten years, it was the source of at least two-thirds of the positive population change within one year in every instance.

Table 2. Total period fertility rate in the EU27 countries

	1990	2000	2007	2009
Austria	1.46	1.36	1.38	1.39
Belgium	1.62	1.66	1.81	1.84
Bulgaria	1.82	1.30	1.42	1.57
Cyprus	n.a.	n.a.	n.a.	1.51
Czech Republic	1.90	1.14	1.44	1.49
Denmark	1.67	1.77	1.85	1.84
Estonia	2.05	1.34	1.64	1.62
Finland	1.78	1.73	1.83	1.86
France	1.78	1.88	1.96	1.98
Germany	1.45	1.38	1.39	1.36
Greece	1.39	1.27	1.38	1.52
Hungary	1.87	1.32	1.32	1.32
Ireland	2.12	1.90	n.a.	2.07
Italy	1.36	1.26	1.34	1.42
Latvia	2.01	1.24	1.42	1.31
Lithuania	2.03	1.39	1.35	1.55
Luxembourg	1.62	1.78	n.a.	1.59
Malta	2.04	1.72	1.30	1.44
Netherlands	1.62	1.72	1.71	1.79
Poland	1.99	1.37	n.a.	1.4
Portugal	1.57	1.56	1.30	1.32
Romania	1.84	1.31	1.29	1.38
Slovakia	2.08	1.29	1.25	1.41
Slovenia	1.46	1.26	1.37	1.53
Spain	1.36	1.23	1.38	1.4
Sweden	2.14	1.55	1.85	1.94
United Kingdom	1.83	1.64	n.a.	1.96

Source: INED, 2010 and Demography Report 2010 in case of data of 2009

As the table above displays the population growth is far below the replacement level of 2.1, however in most Member States the fertility rate has increased lately most probable because of the tempo effect¹¹. Nevertheless the fertility rate below the reproduction level **forecasts a further imbalance in the relation between migration and natural population change** as a source.

There are many theories concerning why the differences in fertility levels exist over Europe and how they work. Many focus on the characteristics of the family, gender relations, the possible role of family policies and the possibility of entry in the labour market. Other theories connect it to different welfare state models. The question of culture is also used to explain the differences

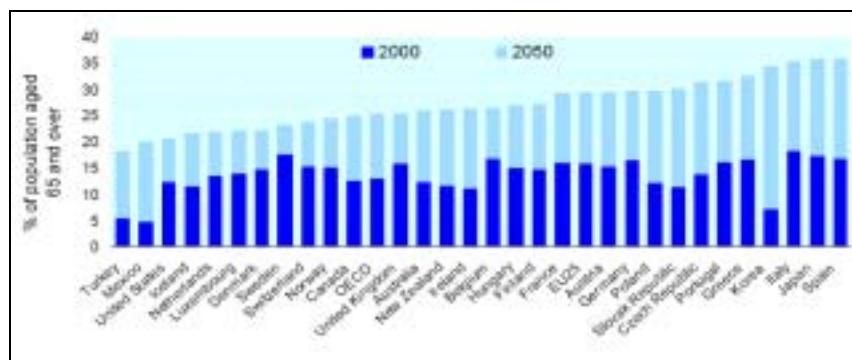
¹¹ Tempo effect means the effect of the postponement of childbearing, which results, that the low fertility rates could increase in several Member States as woman step into their 30s or 40s.

with regard to fertility among the members of the European Union between East and West, North and South. McDonald (2006) - quoted by Frejka and Sobotka (2008) – suggests the existence of a cultural divide between countries with very low and moderately low fertility. In his assessment, the total fertility rate of 1.5 constitutes the dividing threshold.

The proportional growth of the elderly population is strongly connected to the growing life expectancy of the European population. According to the Demography Report (2010), the **average life expectancy in the countries of the EU27 in 2009 was 82.4 years for women and 76.4 years for men**. This is the result of a steady increase over the past four decades, when approximately 2.5 extra years of life per decade were gained by reducing mortality. These gains over the years have been made primarily by advancement in healthcare. However, it is generally thought that there is little scope remaining for further gains in life expectancy by reducing premature mortality (up to the age of 60) in most Member States, with the exception of Central and Eastern European countries. As the vast majority of new-born children can expect to surpass their 60th birthdays, any further improvements in life expectancy will have to come from better health in old age.

As has been stressed by the Council of Europe (2002) – referring to all of its members, not just the Member States of the European Union, but its conclusions are valid for the countries of the EU as well - the European population structure no longer resembles the shape of a pyramid, but rather a snowball. The youngest generations under the age of 20 years have become smaller and smaller. They constitute the smaller future generations of parents, which again leads to a smaller number of births. So **the European population structure, which is already older than most of the countries in the world, shows the characteristic features of inbuilt, further ageing**.

Figure 4. Share of the population aged 65 in 2000 and 2050



Source: Mature@eu Final Report 2007 (Keese 2006:18)

The overall changes with regard to the demographic outlook of the EU also encompass the transforming family and household settings within its boundaries. (Demography Report, 2008, 2010). In line with the developments of the second demographic transition, people are entering their first marriage later. Between 1990 and 2003 an average two to three years long delay can be observed for both sexes. Divorce rates, have more than doubled in a few countries since 1970, while about 20% of all marriages involve divorced persons entering into second marriages. Parallel to this, cohabitation has become commonplace, and a large proportion of children – between 25-50% in the different Member States - are born out of wedlock.

Looking at household composition in the EU, we can see further significant changes. Within the countries of the EU-25 the average household size declined from 3.3 persons in 1960 to 2.4 in 2009. This also implies a much faster growth in the number of households than in the population size. In 2005, 27.7% of all households were single-person households, almost the same proportion as the households defined as families (two or more adults with dependent children). Not surprisingly, as a consequence of ageing, a large number of single person households belong to people over the age of 80. Nearly 15 million people over 80 live in a private household (as opposed to an institution), and about half of them live alone.

Given these tendencies affecting the family and household structure and the natural population change, the population structure of the European Union will presumably be very different from its current one. However, projections vary concerning the future composition of the EU's population. According to the latest numbers by EUROSTAT, the population of the EU-27 is likely to increase until the year 2040. By this time, the total population of the European Union will have reached a little more than 520 million. (This projection represents a change from earlier estimates¹², which predicted that the population of the European Union would begin to decline in 2025, a much earlier date.) Notwithstanding the additional 20 million inhabitants, this EU seems to be economically much less active, with the projected old-age dependency ratio reaching a staggering 45-55%. This growth of the elderly seems to achieve a steady pace, where every 10 years the old-age dependency ratio seems to grow by an additional 5-7%. **This could mean that by the year 2050, there will be one elderly person to be supported by two active-aged inhabitants – who, given the activity ratio will not necessarily work.**

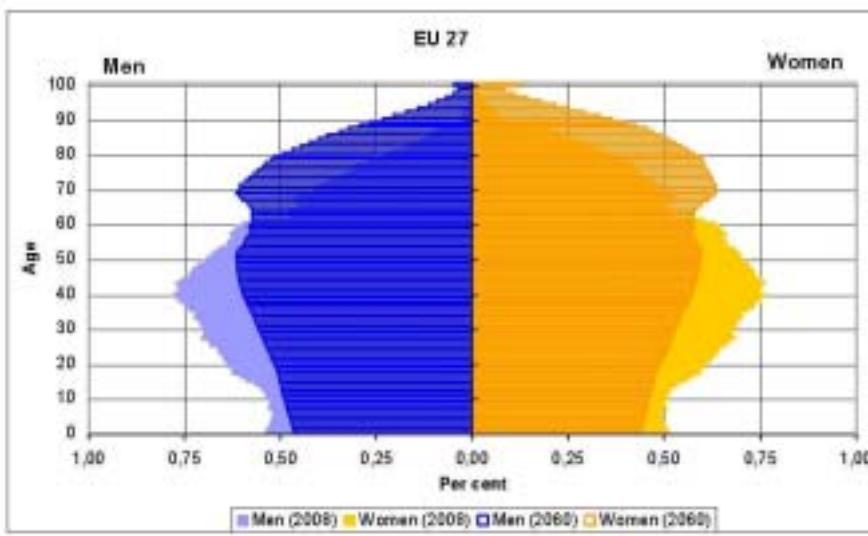
Table 3. Projected growth of old-age dependency within the EU27, 2010-2060

	2010	2020	2030	2040	2050	2060
Projected old-age dependency ratio	25.9%	31.1%	38.0%	45.4%	50.4%	53.5%

Source: EUROSTAT, 2010

¹² This estimate comes from the EU's Green paper on demographic change

Figure 5. Comparison between the age structure of the EU population in 2008 and the estimate for 2060



Source: Eurostat EUROPOP convergence scenario, 2008. Taken from the Demography Report, 2008, p.5.

2.2 Migration within and into the EU

Three types of migration can be distinguished within the confines of the European Union according to country of origin: **international, third-country migration** (coming from outside of the European Union), internal, **within the boundaries of the European Union** and national, **within the boundaries of each member state** – the analysis of the latter is not a subject of this research paper. These three types involve **very different motivations, time spans and people**.

The number of international migrants in the world has increased significantly in recent decades, but the share of the foreign-born population (people counted as immigrants according to UN statistics) is as low as 3%. Nearly 30 million of the 200 immigrants never moved – borders moved around them as a consequence of the fall of the Soviet Union. In Europe, Latvia and Estonia are among the countries with the largest foreign population. (Papademetriou, 2009). 60% of the world's immigrants now live in the 30 OECD countries, and most increase in the numbers took place after 1990. The share of the foreign-born population in the OECD countries doubled in the last 30 years from about 4.5 % to 8.3 % of the population. ‘But if we remove the five OECD countries with less than a 2 percent immigrant density in 2005 from the total (Turkey, Mexico, Japan, South Korea, and Poland), the immigrant density for the remaining 25 OECD countries rises to 11.5 percent.’ (Papademetriou, 2009).

Migration statistics are unreliable, and the foreign-born population in the EU is calculated in different ways. In 2008, according to the Eurostat statistics, the **number of migrants in the EU-27 defined as foreign-born inhabitants was 30.8 million, 6.5% of the population**. (According to the Demography Report 2010 it was approximately 8%). In the target countries, such as the UK, Germany, France, and so on, 8-12% of the population is foreign-born, while their share is 11.7% (2005, OECD) in the EU-15. Thus, when discussing migration trends in the EU, we cannot consider it a homogeneous entity. According to a presentation (Münz, 2008), the foreign born population in the EU-27 (2007) was 43 million, 14 million from inside the EU and 27 million from outside the EU.

The third source, the World Migration 2008 reports states that Western and Central Europe had 44.1 million migrants, 30% of them from another EU country. **30-37% of the immigrants come from a member state**, which, from the point of view of the EU, should be considered internal migration. However the volume of internal migration is relatively low with only 1% of the population moving among Member States annually, as compared to the US, where 2.5% of the population moves among the states.

Figure 6. Foreign-Born Population in Europe (EU/EEA + Switzerland), 2005



Note: *Latest available year (2000-2004). **Greek part of Cyprus only.

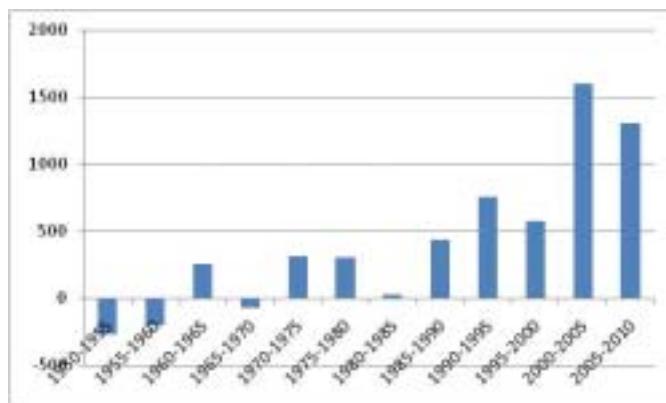
Note: Latest available year (2000-2004). Greek part of Cyprus only.
Source: OECD Database, UN Migration Database (2005) downloaded from <http://migrationinformation.org/charts/pop-table2-jun06.cfm>

Since 2002, net migration into the EU has roughly tripled to between 1.6 and 2 million people per year. As a result of this immigration, **around 5% of EU residents are non-EU citizens** (Demography Report 2010). The number of foreign residents depends, however, not only on migration, but also on the rate at which migrants acquire the citizenship of their host country. In 2006, 670 000 third-country nationals became citizens of an EU Member State, about the same number as in the US.

According to data from EIC (2009) since 2004, the old Member States saw an average of 250 thousand migrants arrive each year from the first wave new Member States (EU-8) and an additional 300 thousand migrants yearly from Romania and Bulgaria (EU-2, joining the EU in 2007). The EU-8 migration was directed mainly at the UK and Ireland, while people from Bulgaria and Romania mainly moved to Spain and Italy.

The initial high magnitude of emigration from the new Member States cannot last forever. Even before the crisis, there were signs in the UK that net immigration flows from the EU-8 countries had started to decline. Based on this information, further shrinkage is expected in the net migration rates from these countries. However, even if this tendency holds, East-West migration is still far from its peak. According to the forecasts (EIC, 2009) ‘...the stock of migrants from the NMS-8 in the EU-15 could increase from 1.9 million in 2007 to 3.8 million in 2020 under the present institutional conditions, and to 4.4 million when the free movement is eventually introduced by all EU-15 Member States. The stock of migrants from Bulgaria and Romania is estimated to increase from almost 1.9 million in 2007 to 3.9 million in 2020 under the current immigration conditions, and to slightly more than 4.0 million if the free movement of workers is introduced. Thus ... migration stocks from the NMS could double in a period of about 12 years.’

Figure 7. Third-country migration in EU-27 between 1950 and 2010 in thousand people per year



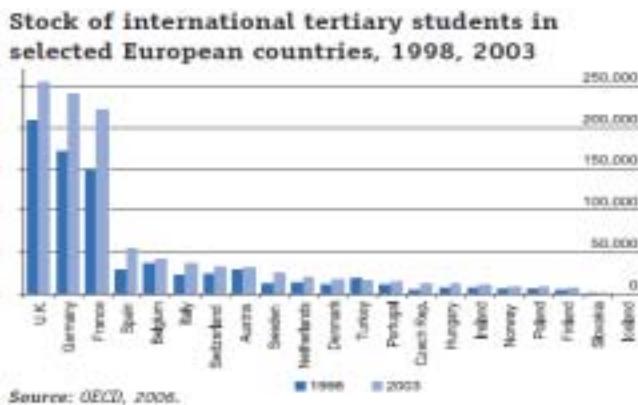
Source: UN Nation 2008

In 2000, third-country migrants came to Europe from nearly every part of the world. Large numbers came from the Maghreb countries (Morocco, Algeria and Tunisia) and Balkan countries plus Turkey. As a result of economic and demographic trends, many migrants came from the south-eastern neighbouring countries as well.

Student migration represents a special case. The number of international students studying in European countries increased by 38.5 per cent between 1998 and 2003. According to UNESCO (2006), the total number of international tertiary students leaving their countries of origin to study in Western European countries stood at a little more than 1.5 million in 2004. The top destination countries in that year were the U.K. (300 100 international students), Germany (260 300) and France (237 600), with 54 per cent of international students concentrated in these three countries (UNESCO, 2006). The increase in the number of international students seems to be a response to signals sent by destination countries concerning possibilities for work and residence

following the completion of study, especially in fields where there is a shortage of labour.
(Source: World Migration 2008)

Figure 8. International students in Europe



In addition, illegal immigration is a central concern of the EU. There are very different estimates of the number of migrants with illegal status. In 2005, some sources estimated the number of illegal immigrants at 8 million (20-25% of total immigrants), and 500 thousand illegal moves a year (which is 30% of the total yearly inflow). However, an EU research project (CLANDESTINO) gave much more moderate estimates for the stock: 1.9-3.8 million, half of the earlier estimate. This difference clearly shows how unreliable migration statistics are. On the other hand, according to one study (Baldwin, 2009), more and more migrants with illegal status are regularised every year. The amount of regularisation has reached 1.76 million between 2003-2008 in the EU 27 in spite of the relatively restrictive regularisation rules in some countries of the EU.

2.3 European countries in demographic transition: a more detailed analysis

Within the European Union there are big territorial differences with regard to demographic change, as will be detailed here for countries and in chapter 5 for cities and regions. There are currently two major divisions with regard to population dynamics worth mentioning within the countries of the European Union: **there is a clear East-West division - or a division between the old and new Member States - and there is something that could be called the North-South divide**. Although there are many country-specific differences, they do not alter the larger picture.

Taking differences in fertility rate and migration patterns together, we can talk about three major areas of demographic change within the confines of the European Union (Sobotka, 2007):

1. **Southern Europe and German-speaking countries:** In these areas low fertility is combined with replacement migration that can help to compensate for population loss.
2. **Central and Eastern Europe:** Low level of fertility combined with very little or no migration, in some cases combined with extensive emigration.

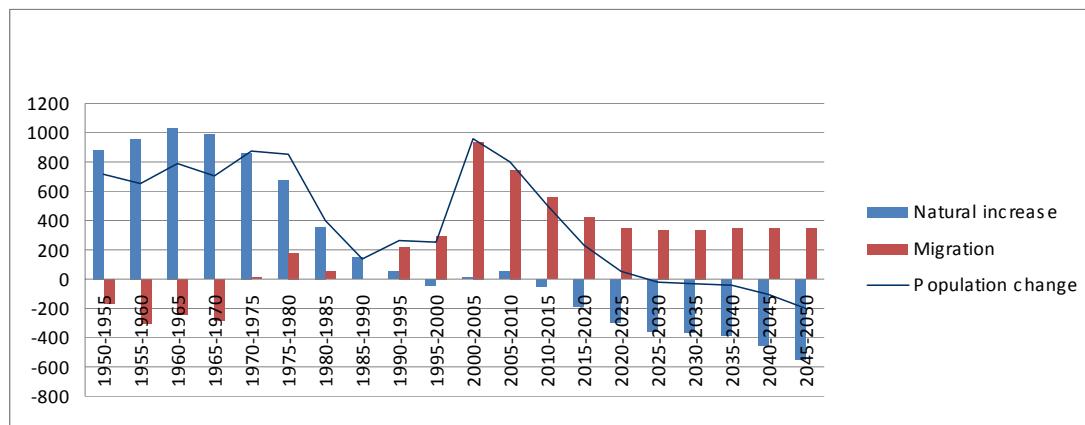
3. Western and Northern countries: This is the relatively high fertility belt of Europe, where there is also a high level of immigration.

In addition, each area suffers from extensive ageing. The former socialist countries have a generally younger age structure than Western European countries, but this advantage is predicted to disappear in a decade or two.

2.3.1 Southern Europe and German-speaking countries

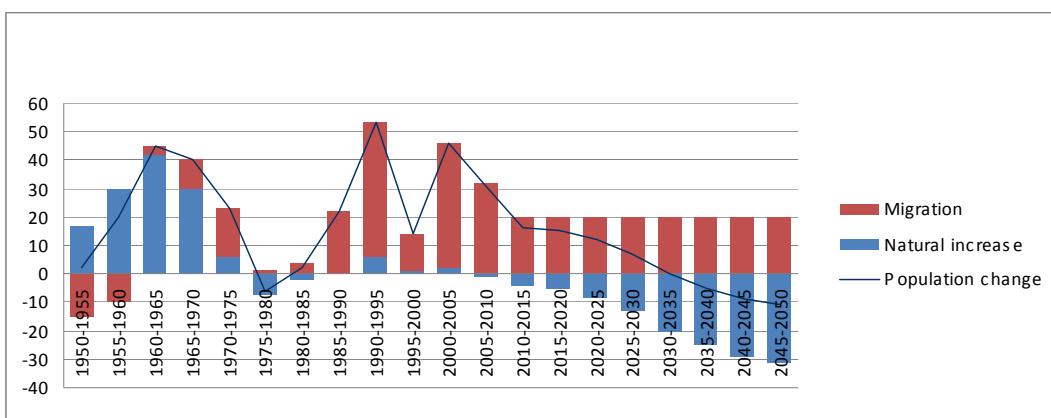
Countries in the first group are usually important migrant destinations, with Italy and Spain being the primary locations of migration reaching the EU. In fact, since the 1990s, the high level of replacement migration has kept a very positive population dynamic in the countries of Southern Europe. Both in Italy and Spain, the crude net migration rate for 2007 reached 8.3 and 15.6 respectively. This meant, together with natural population growth – which was negative in Italy but positive in Spain - over 800 000 persons for Spain and almost half a million for Italy in the same year in population growth (INED, 2010). Concerning other countries of the region, the annual natural population growth is somewhat positive in Greece and negative in Portugal, while net migration is much lower than that of Spain and Italy and the migration rate is stagnating (in Greece) or somewhat declining (in Portugal).

Figure 9. Past and predicted population change in Southern Europe (thousand people)



Source: United Nations, 2008

Among German-speaking countries, both Austria and Switzerland (the latter is not an EU member, but its population dynamics connect it to the former West Germany and Austria) are regarded as good examples of successful replacement migration. Austria is expected to grow approximately until 2035 and has been experiencing population growth solely as a result of net migration into the country since 1980. The diagram also shows when the surge in natural population growth – as a consequence of the birth of the baby boomers – started slowly declining from the mid-1960s onwards and ended by the early 1970s, when the fertility problems of Europe started to become evident.

Figure 10. Past and predicted population growth in Austria (thousand people)

Source:

United Nations, 2008

The only country registering population decline besides the former Socialist Member States of the European Union has been Germany, which has been struggling with very low fertility rates (1.39 in 2007) and has the highest rate of over 65 year-old population in the whole EU-27 region (19.8 in 2007) next to Italy (INED, 2010). There are two important factors that put Germany in a more difficult situation than all the other members in the low fertility with replacement migration group:

1. Its unification with the former GDR – which means that part of the country follows the demographic patterns typical of Eastern and Central Europe. In fact, Sobotka (2007) categorises East-Germany on a European level with the countries such as Bulgaria, Belarus and the Ukraine in Eastern Europe, obviously because low fertility rates are combined with excessive emigration. (In this case, to West Germany)
2. Its lowering rate of migration: The INED database suggests that there has been a significant decline in the percentage of migrants compared to the whole population between 1990 and 2007. Whereas the crude net migration rate was 8.3 in 1990, it went down to 2 by 2000, reaching the very low level of 0.6 in 2007.

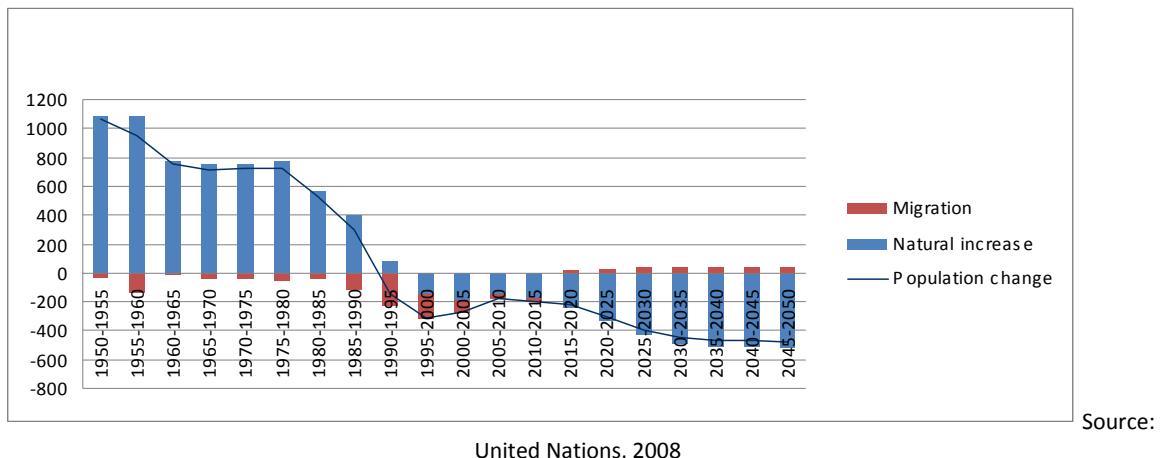
2.3.2 Eastern and Central Europe

In the case of the **ten new Member States of the former Eastern block**, where migration is either not a significant contribution to population growth or there is a net emigration, the signs of population decline are already apparent in seven countries: Romania, Bulgaria, Hungary, Poland and the three Baltic countries. Among these countries, emigration has been a major problem in case of Bulgaria, Latvia and Lithuania, but both Poland and Romania have suffered less significant but steady losses in population due to emigration (INED, 2010).

As far as projections are concerned, population decline is likely to intensify with time for the whole EU10. There are nevertheless big differences among these countries. Whereas population decline has already begun in seven cases, in the case of the Czech Republic and Slovenia projections say that migration will balance out population loss until about 2020 or 2025. And in the case of Slovakia, predictions say that natural population decline will truly begin only around 2015 (United Nations, 2008).

Hungary stands out from these countries in that its loss of population and low fertility rate have a longer tradition. While in the other countries the decline generally started around the 1990s, it was already present in Hungary earlier, from 1965. In 1990, only two countries (Bulgaria and Hungary) reported a declining population among the EU-10 (Council of Europe, 2002).

Figure 11. Past and predicted population change in the EU 10 (thousand people)



Source:

United Nations, 2008

If we look at the database of the INED (Institute National d'Étude Démographique), the obvious and rather dramatic drop in fertility rates in all of the former Socialist countries becomes evident. Although fertility rates were slightly under reproduction level in 1990 – varying between 1.8 and 2.05 – ten years later, they mostly fitted into the category of lowest low, usually varying around the level of 1.3 in 2000. Although they were not the lowest levels – countries in the Southern European region had lower levels of fertility, while both Austria and Germany had similarly low rates, there the shift had been more gradual, with relatively low rates even in 1990. This unprecedented decline has been a specific phenomenon characteristic only of the countries in the former Eastern block.

By the year 2009, we witness some rebound in a few countries belonging either to the former Eastern block or to the group consisting of countries with low fertility and high migration which underlines the notion that these very low fertility rates might be considered temporary, and partly due to the tempo effect.

Given their strong historical connections as a consequence of approximately 40 years of Socialism, it is worth taking a short look at the population dynamics of the 10 Central and Eastern European EU Member States together with other, non-EU member Eastern European countries. A study by the Council of Europe (2002) - which encompasses a larger framework than the European Union, as it incorporates all of its 44 members - also accentuates the special position of the former Socialist countries. It clearly shows an East-West demographic division. The study generally suggests that different European countries present different stages of demographic development, but over the last thirty years the demographic differences between them have become less and less pronounced. **However, it strongly stresses the fact that political and economic changes have created a unique situation in the countries of Central and Eastern**

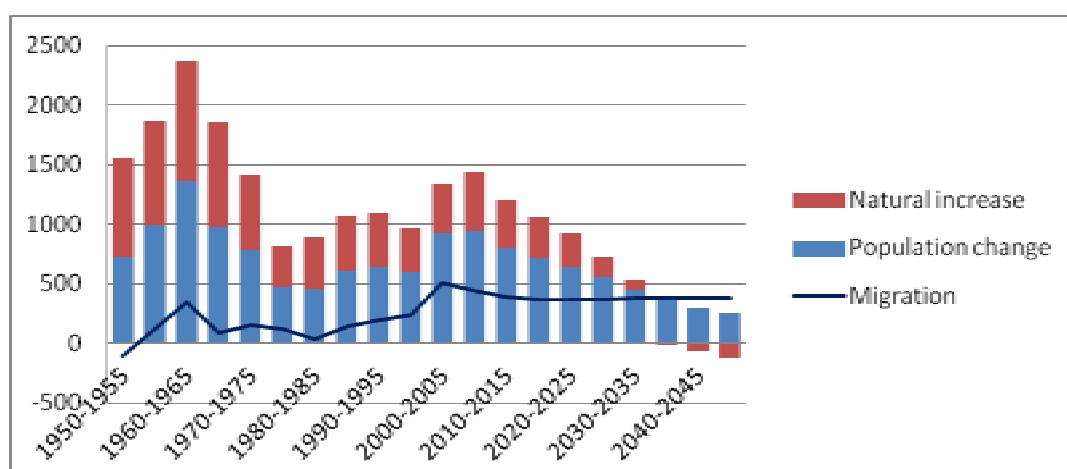
Europe since the 1990s, and have confronted them with a combination of low fertility and life expectancy leading to population decline.

The study shows that countries like the Russian Federation, Belarus, Moldova or Armenia also suffer from varying degrees of population decline and very low fertility rates. All the countries of the former Eastern block report significantly lower life expectancies than Western countries. However, there is a clear dividing line here, with non-EU members – like the Russian Federation, the Ukraine, Moldova or Belarus having significantly lower life expectancies than EU member countries like Slovakia, the Czech Republic, Slovenia, Poland or Hungary. (Croatia is a non-EU member, but its life-expectancy rates are similar to countries in the latter group.) Life expectancy in the latter group has been improving over the last couple of years.

2.3.3 Northern and Western Europe

Finally, with regard to the Northern and Western countries of Europe – the so called high fertility belt of Europe¹³ – it can be said that they are the primary motors of population growth within the European Union. As the chart below shows, even when the EU average is predicted to start to decline in the 2040s, this area would register slight population growth.

Figure 12. Past and predicted population in the Western and Northern Members States (th.people)

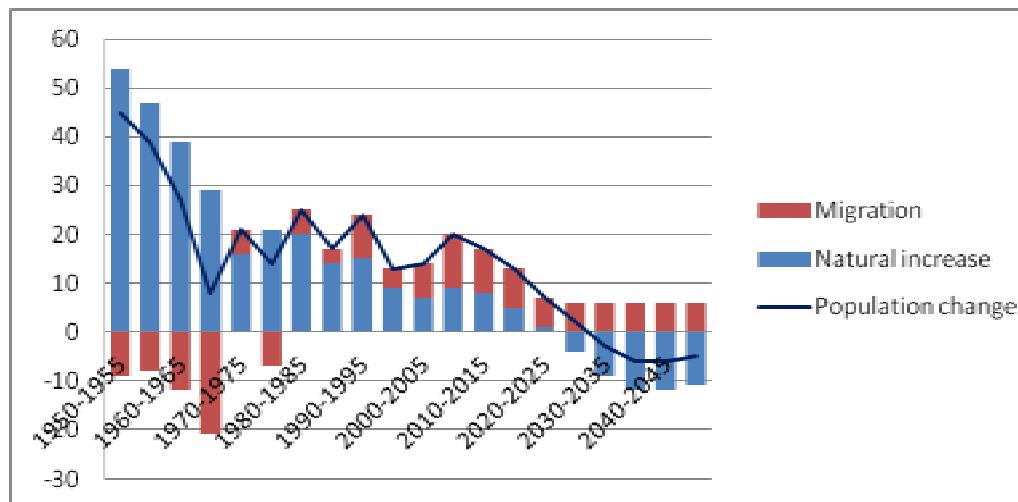


Source: United Nations, 2008

It seems evident from a first look at the projections that even here, natural population increase will lose its importance by 2040 as a source of population growth. Rather, **migration is predicted to provide the source of population growth**, which by 2050 seems to slowly approach a point of stagnation or even zero growth. In line with this reasoning, we could say that those countries in the high fertility belt where a naturally high fertility rate is coupled with relatively low levels of migration – like Finland - will begin to have a declining population earlier, in the Finnish case by the 2030s.

¹³ The following members of the European Union were put into this category: Belgium, Denmark, Finland, France, Ireland, Luxemburg, the Netherlands, Sweden, UK

Figure 13. Past and predicted population change in Finland (thousand people)

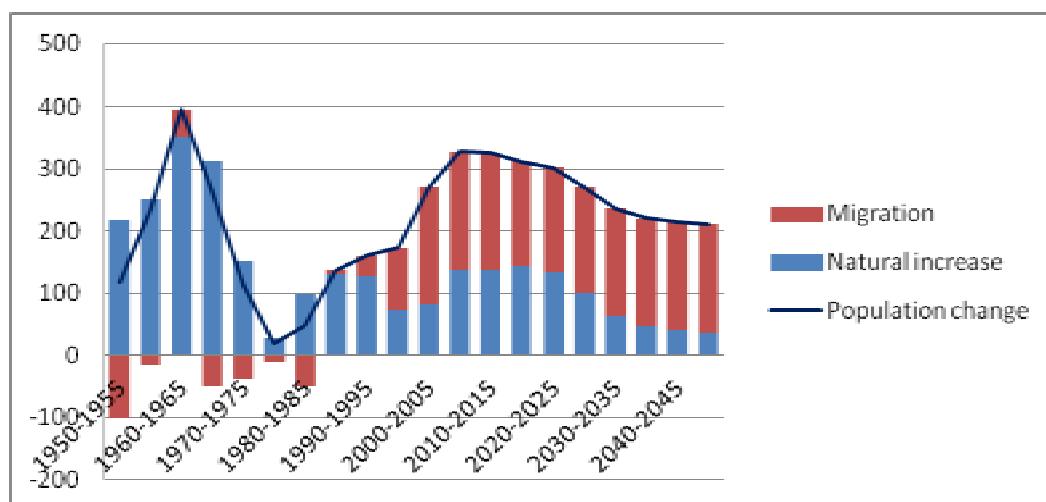


Source: United Nations, 2008

As the above example shows, there are significant differences among the members of this group, with the **UK, Ireland, Sweden and Luxemburg having the most steady population growth**. Here further population growth is predicted even after 2050, when countries like the Netherlands or France are expected to face decline. Longitudinal analysis shows (Sobotka, 2007) the most stable population rate so far in Sweden: cohorts born since the early decades of the 20th century have all had fertility rates around 2 with an exceptional sudden drop around 2000 for a few of years.

Whereas in Sweden the population growth is expected to be propelled solely by migration after the middle of 2030s, in the other three countries of long lasting population growth (UK, Ireland and Luxemburg) it will still play an important, but diminishing part. (For the example of the United Kingdom see figure below.)

Figure 14. Past and predicted population change in the UK (thousand people)



Source: United Nations, 2008

It is a question how this high migration level can be kept up on the long run. In the UK, which is among the top three most popular destinations from outside of the European Union, and which has also become a target for the accession countries of the former Eastern block within the European Union, this level has already put a strain on the social infrastructure of the country. The high level of migration became a central theme of the 2010 elections, and forced the historically migrant-friendly country to try to rethink its current regulations. Although the projection in Figure 14 counts with a continuing high level of migration, it is questionable how long this level can/will be kept up.

3 THE ROOTS AND IMPLICATIONS OF DEMOGRAPHIC CHANGE

3.1 Important theories regarding changes in vital statistics

While changes regarding the growing number of people reaching an advanced age have been deemed mostly positive – with only the fiscal consequences raising a concern - more apprehension surrounds declining fertility levels. It is actually the interplay of these two processes that created the phenomenon of an ageing European society. The roots of the longevity of people are clearly tied to the availability of developed universal health care services and dietary customs. However, there are many unanswered questions regarding the changing importance of these two factors, and how other factors may contribute to extended longevity. The causes of declining fertility rates seem to be less clear and their consequences may be more dramatic. Despite the agreement among demographers on the profound changes in society – most importantly the transformation of the family as a primary institution for reproduction - there is a great deal of uncertainty surrounding the predictability of future fertility trends.

3.1.1 The demographic transition model

Changes in demography and the patterns these changes follow have attracted the attention of scientists in large numbers since the end of 19th century. Strongly influenced by fear of a Prussian takeover, it was the French Third Republic that first began to take the falling number of births seriously, and hoped both to unravel its causes and find an appropriate antidote to combat it (Cova, 1994). They were clearly concerned by families' apparently deliberate efforts of contraception, as a result of which the number of children per family declined. It was soon understood that the voluntary limitation of marital fertility was a revolutionary novelty and the term 'demographic revolution' was, in fact, the original term used to describe it.

What the French scholars and politicians witnessed was later developed into the encompassing theory of the **demographic transition model**. The theory was developed based on observations by US demographer Warren Thompson, and it originally created four categories to describe population changes. The theory was regarded as universal, applicable to all countries, with the presumption that they all have to go through the same stages. **The stages themselves are tied to development levels.**

The theory argues that the agricultural revolution and industrialisation lead to falling death rates (particularly in case of child mortality) mostly as a result of improved food supplies and improving public health. These processes lead to marked population growth¹⁴, which bring about the population expansion of a country. The population expansion leads to changes in the age structure, which becomes increasingly youthful. More of these children enter the reproductive

¹⁴ The population growth created a "surplus" population that became the source of migration. In his paper of 1986 Jean-Claude Chesnais calculated that between 1846 and 1932 approximately 50 million migrants left Europe to settle in the United States, Canada, Latin America, and Oceania. Evidently, international migration served as a safety valve to release some of the pressure on resources caused by far too rapid population growth on the continent (van de Kaa, 2002).

cycle of their lives while maintaining the high fertility rates of their parents. This is the stage when the classic age pyramid is created, with its very wide bottom and small top. (Currently, the population of some third world countries resembles this pyramid, although many have started to experience fertility decline themselves.)

With the advancement of societies – this means a different period of time in each country, in connection with other social developmental factors, norms and customs - the birth rate begins to decline. As a consequence, population growth slows down. The causes behind this process are manifold, and some of the reasoning is speculative, but they include the change of traditional social values, increasing urbanisation, growing female literacy and work and even the spread of contraceptive techniques. The resulting changes in the age structure of the population include a reduction in the youth dependency ratio and eventually population ageing. The population structure becomes less triangular and more like an elongated balloon. During the period between the decline in youth dependency and rise in old age dependency there is a demographic window of opportunity that can potentially produce economic growth through an increase in the ratio of working age to dependent population.

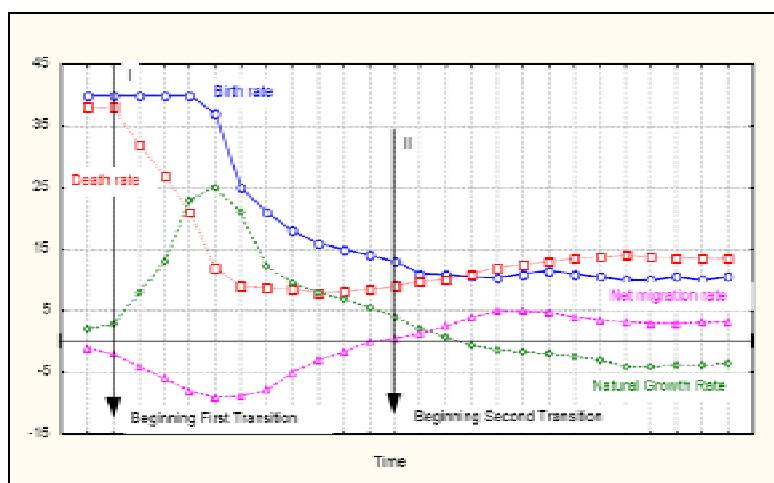
In the final stage in this theory, a quasi-equilibrium is reached with a relative population stability – although fertility rates can begin to decline already at this stage (Wikipedia, Demographic Transition). What it is important to note though, and what led to the expansion of the demographic transition model and the creation of the second demographic transition thesis is that this quasi-equilibrium is followed in many developed countries by the steady, and sometimes steep decline of fertility rates that result in the fertility levels dropping below replacement level over a long period of time.

3.1.2 The second demographic transition

The term **second demographic transition** to describe this demographic stage was created in 1986 by Lesthaeghe and van de Kaa. ‘The assumptions underlying the ...model are that in the industrialized countries experiencing the second transition the death rate will exceed the birth rate for quite some time to come. This because the former will further increase as a result of the ageing process, while the latter will remain low as a consequence of the fact that the number of women of reproductive age will be comparatively small and the number of children born to them will, most likely, remain below replacement level.’ (van de Kaa, 2002, p. 3.)

An important difference between the two demographic transitions according to Van de Kaa is the role played by migration.

Figure 15. Differences in demographic patterns between the first and the second demographic transition



Source: Van de Kaa, 2002

Whereas in the first demographic transition migration functioned as a safety valve to release the “excess” population, during the second transition it plays the opposite role. **It is actually immigration into these countries that not only sustains their economic performance, but can help to correct their demographic imbalance.**

The idea of the second demographic transition connects the dramatic decline in fertility levels to changing social norms and attitudes, where the fulfilment of self and individual aspirations becomes more central than previously. This process is aided by the rapid technological advancement that makes both longevity and total control over fertility possible. The authors maintain that starting in the 1960s, a significantly new attitude towards childbearing has spread with far-reaching consequences. In this new demographic stage, often called the **contraceptive revolution**¹⁵ (Westoff and Ryder, 1977), people not only enjoy full control over fertility, but couples appear to lack the motivation to have more than one or two children. In line with this, Tomas Frejka (2008) argued, based on the reasoning presented both by Presser (2001) and Sobotka (2004) that the availability of a large spectrum of legalised birth regulating devices have allowed families in general and women in particular **to have greater control over life-cycle events such as education, employment, career development and marriage.**

Other characteristics of the second demographic transition include **delayed family formation** and **childbearing**, which often coincide with only a **partial recuperation of the delayed births**. While the postponement of childbearing is a relatively new phenomenon in Central and Eastern Europe, it can be observed elsewhere in Europe from the mid 1970s on. As family size shrinks, the two-child family has became the norm, but there has been an almost universal increase in childlessness as well. Furthermore, there has been a marked increase in one-child families, mainly

¹⁵ Tomas Frejka points out that this contraceptive revolution took place at very different times in the different regions of Europe. It reached Northern and Western Europe in the 1960s and 1970s, Southern Europe mainly during the 1980s and 1990s, although its presence is still growing in the 2000s, and Eastern Europe after the collapse of Socialism. (Frejka, 2008).

in Southern and Eastern Europe. The share of families with three or more children has continued to decline (Frejka, Sobotka, Hoem and Toulemon, 2008 and Van de Kaa, 2002).

Another important characteristic of the second demographic transition has been the drastic **change in the family's status as an institution and in its role in the process of reproduction**. Marriage has become more unstable and growing divorce rates are prevalent. However, there is a marked trend towards cohabitation, with its role in reproduction growing. Although family arrangements are very heterogeneous across Europe, all the countries seem to be undergoing similar processes: fewer people are choosing to live together as a couple, especially as a married couple, and parallel to this, more children are born out of wedlock, and more do not live with both of their parents. The legislative changes follow – also at a country-specific pace – these new arrangements: there are laws and regulations concerning registered partnerships (of both homosexual and heterosexual couples), same-sex marriages, and, in the Netherlands, it is already possible to annul a marriage without a prior divorce proceeding (Sobotka and Toulemon, 2008).

Finally, the **third mortality regime** appears starting in the 1970s. The individual took on more responsibility for his/her longevity than ever before, which appears to be very effective in prolonging life expectancy in industrialised societies. This regime requires self-sacrifice in order to achieve a longer life-span. "That is to say; to take regular exercise, to be a bit frugal when eating, not to drink too much, not to smoke and, if smoking, to stop doing so' (Van de Kaa, 2002, p.19).

Although the second demographic transition is relatively well accepted as a theory that describes the demographic change in the industrialised world adequately, and the above-mentioned characteristics are prevalent almost everywhere, there are differences between countries. **It should be emphasised that different countries display the aforementioned signs in different ways, based on their social and demographic heritage, culture, norms, and economic and existing social conditions.** For example cohabitation or having a child out of wedlock is a less prevalent form of behaviour in most Southern European countries than in the Western or Northern Europe (Van de Kaa, 2002).

Furthermore, there are a lot of uncertainties surrounding how theories of demographic change can help to forecast future trends, and what role migration can/should assume in correcting the current demographic imbalance.

3.1.3 Predictability of future fertility trends – is the growth of fertility levels to be expected?

Current low fertility levels have sparked a debate on how long this trend will last. Given the EU average of 1.6, instead of the reproduction level of 2.1, an alarming trend of a rapidly ageing population with an inevitable population decrease and relatively small percentage of youth is taking shape, where a very high level of migration is necessary to sustain the societies. Given the steady decline, at least in some regions of Europe the current prevalence of the two-child family model might not last (Frejka, 2008).

However, there are many uncertainties surrounding demographic forecasts. As mentioned above, Eurostat has modified its predictions (postponing it by 15 years to 2040) with regard to when the population of the EU27 will begin to decrease (Greenpaper, 2005 and Eurostat, 2010) within the time span of 5 years. It seems clear that ageing is permanent, but the future of how fertility will change is in question.

Sobotka (2007) argues that theories of demographic implosion are exaggerated. He claims that current extremely low period fertility rates are linked to fertility postponement and are likely to be temporary. He calculates that the postponement of childbearing – the **tempo effect** – makes **current fertility calculations unreliable**. The tempo effect adjustments of fertility rates make the fertility of a few countries – mostly in the high fertility belt of Europe (Nordic countries and the North Western Europe) – close to, or even higher than replacement levels. And even in the countries of Central and Eastern Europe, where fertility dropped rapidly after the transition, results reveal that the adjusted total fertility rate declines substantially less than the observed fertility rates in all of these countries with the exception of Russia (Philipov and Kohler, 1999), and the fertility rate itself started to increase in most CEE countries in the 2000s. It seems that the theories of Sobotka could be proved by the latest fertility data (Demography Report 2010), which precisely show that between 2003-2009 in most countries of the European Union the fertility rate has slightly increased.

This is not to say that theories regarding the **fertility trap** can be dismissed. The fertility trap refers to a certain interplay of demographic, sociological and economic factors, where the level of fertility begins a spiral of decline and there is very little chance of recovery. The thesis itself was formulated by Skirbekk, Lutz and Testa (2006), and calls for policy intervention to prevent this. The authors actually take their starting point from precisely the uncertainties of predictions, and state that there is a lack of good theory in social sciences that could ascertain when and how very low fertility levels would pick up. Given that, they differentiate three processes¹⁶ that could act as self-reinforcing, working toward a lower level of fertility. A fertility trap means that these processes cause a self-reinforcing decline in fertility rates that can **only be stopped by targeted policy action. Unchecked, it will result in a continued decrease in the number of births.**

With regard to the low levels of fertility, the demographic literature customarily differentiates two thresholds: **low levels of fertility** (below 1.5) and the **lowest low levels** (below 1.3). It often becomes much more difficult for a country to raise the fertility level once it reaches 1.5, and the situation further deteriorates below 1.3 (McDonald, 2005). However, Sobotka (2007) claims that if fertility levels are adjusted with the tempo effect, then no country has the lowest-low fertility level. He thinks that these lowest-low fertility levels are a temporary phenomenon.

Finally, the possibility of rebounding fertility levels also underlies the difficulty of predictions. A theory proposed by Mikko Myrskylä and his colleagues in 2009 established a positive correlation between economic advancement and the fertility rate. Their main findings go in the opposite direction of Skirbekk and his colleagues, and challenge the former assumption which connects development with declining fertility rates. They claim that in countries with a high Human Development Index¹⁷ (above 0.9), any further development halts the declining fertility rates. **This means that the previously negative development-fertility association is reversed and becomes J-shaped.** The authors conclude: ‘As long as the most developed countries focus on increasing the

¹⁶ The three processes are the following: a negative population growth momentum (e.g. the fact that fewer potential mothers in the future will result in fewer births), the decline of the ideal family size (partly as a consequence of what they see around themselves) and finally the contradiction between the growing aspirations and a probably lower income level for the younger generations.

¹⁷ The **Human Development Index (HDI)** is a composite statistic used to rank countries by level of ‘human development’ from data on [life expectancy](#), [education](#) and per-capita [GDP](#) (as an indicator of [standard of living](#)) collected at the national level.

well-being of their citizens, and adequate institutions are in place, the analyses in this paper suggest that increases in development are likely to reverse fertility declines - even if we cannot expect fertility to rise again above replacement levels.¹⁸ This assumption partly challenges conventional wisdom and also requires that policy makers re-evaluate their present assumptions regarding the fertility-development relationship when they work on future policies.

Sobotka (2007) also challenges the fertility trap hypothesis, but from a different point of view. According to his line of reasoning, the more the changes in value systems and habits associated with the second demographic transition have penetrated a country, the more likely it is that fertility rates will remain relatively high, or even achieve replacement level if corrected with the tempo effect. This only seems a contradiction at first sight. He contends – noting that more research would be necessary - that as societies become more gender-equal, child-friendly, women-friendly and family-friendly, giving individuals more freedom to better realise their childbearing plans alongside their competing aspirations, the second demographic transition might become linked positively with fertility. He also claims that family instability – most importantly the prevalence of cohabitation and new living arrangements - appears to be positively linked to fertility. This is not surprising, if we take into account that these phenomena are most common in those countries with the highest penetration of the changing value systems. In line with this reasoning, in his article with Toulemon (Sobotka and Toulemon, 2008) he says that the aggregate data suggests that the decline in marriages cannot be considered an important cause for the declining fertility rate¹⁹.

3.1.4 The contribution of migrant fertility to the overall fertility rate of the destination country

Given the many uncertainties that surround the future development of fertility rates over Europe, and the likely scenario that in many countries – despite the aforementioned tempo effect – this rate will remain well below reproduction level, migration is often considered a panacea to the population woes of Europe. The question that has been raised a number of times is how migration contributes to population development on the long run. With regard to **replacement migration**, a consensus has been reached that **it cannot stop population ageing and will only have a modest impact on the process, slowing it down slightly**. A more difficult question is whether immigration can make up for most of the birth 'deficit' even in countries with very low fertility.

It seems established that migrant fertility is largely determined by two factors: the **customs/norms in their country of origin** and a **slow process of adaptation to the norms/customs of the country of destination**.

¹⁸Quoted by Ed Yong

http://scienceblogs.com/notrocketscience/2009/08/fertility_rates_climb_back_up_in_the_most_developed_countrie.php However, some critics of these views point out that the fertility rate increases are connected with later childbearing. "The increase in the total fertility rate observed in some countries may be partly due to a catching-up process following postponement of the decision to have children. When women have babies later in life, the total fertility rate initially indicates a decrease in fertility, followed later by a recovery.' (EUROSTAT, 2010:164)

¹⁹ However we must note that for example in Hungary the fertility rate of married women is much higher than that of women in cohabitation, so the drop in the number of marriages may be a cause of the constantly low fertility rate.

Researchers of the topic (Westoff and Frejka, 2007 and Sobotka, 2008b) contend that there is often a lack of good, reliable data to precisely determine migrant fertility, and they also say that researchers are faced with growing pressure as the topic becomes more central to the discussion in the media and politics.

Despite these difficulties, a few important statements can be made with regard to migrant fertility (Sobotka, 2008b):

1. Immigrant fertility surpasses that of native born women
2. The net impact of migrant fertility on a country's total fertility rate is modest, but not negligible, especially if examined on the urban level. In a comparison of a ten year span (between 1996 and 2006), the overall contribution of migrant women to a country's population has grown
3. However, as part of the process of adaptation, the fertility rates of immigrants converge to the fertility rates of the natives after a longer duration of stay and especially for the second generation
4. Different migrant groups follow different fertility patterns, but institutional factors may have a similar effect on them.

3.2 Theories regarding the causes and consequences of migration

3.2.1 Types and forms of migration

Human migration is defined as the physical movement of people among jurisdictions within a region, a country or beyond for the purpose of changing one's residence. Bell (2010) lists the following types of migration: "Migration processes are not homogeneous, and different kinds of migration must be considered in the study of this phenomenon ... people migrate for different reasons, but over the latter half of the 20th century, it was possible to identify three main types of international migration: labour and temporary migrations, including illegal migration, forced migration (refugee movements) and International Retirement Migration (IRM). There is also internal migration, most commonly from rural areas to urban centres but also a trend in some places for counter urbanisation.'

In this study we focus on **international migration**. We will not analyse in detail internal migration (rural-urban migration in Member States), which had a major impact on societies in the last two hundred years, but is less in the centre of policy issues in urbanised Europe. From the perspective of the EU, it is important to differentiate between migration among Member States and migration from outside to the EU (third-country migration).

Migration can be **permanent or temporary**²⁰, but the dividing line between the two categories is blurred. The "buffer theory" states that migrants return home if the economic situation of the host country worsens, which means that the theory supposes that migrants only move temporarily because of job opportunities. There is a discussion about the validity of this theory based on the observation that migration is not exclusively demand determined. Migration is

²⁰ Circular migration is considered to be a subtype of temporary migration when the out and immigration is carried out repeatedly by the same people. (Presidency Conclusion 2010)

influenced by pull and push factors. The most relevant pull factors are economic opportunities, demand on workforce, higher living standard, while the most relevant push factors are unemployment, poverty, crisis (political, economic, human), social conflicts, and environmental disruption. The change of the pull factors (for example, job opportunity) does not necessarily give incentives for migrants to return to the home country, as the push factors may remain relevant and strong.

In the history of European immigration (Garson, 2004), the first larger increase of migrants in the 1950s and 1960s were influenced by the need for unskilled workers in more developed European countries (especially Germany, Belgium, France, Netherlands and Switzerland). In the period of post-war economic restructuring (1945-1973), a total 30 million foreign workers entered the European Economic Community (a figure which includes both temporary migrants and multiple entries). The resident foreign population had reached 15 million in the early 1980s (three times higher than in 1950). This period is characterised by **economic migration**. The typical home countries were less-developed Southern European countries (Spain, Greece, Italy, Turkey, Yugoslavia), which had a surplus of cheap labour.

Migration trends in the second period of European migration (1973-1989) raise doubts about the validity of the buffer theory. After 1973, the government in Germany restricted any future economic migration and even offered incentives to return home, but very few migrants used the possibilities. They kept their jobs (demand did not decrease radically) or started to participate in government financed welfare programs. In the host countries, which were targets of migration in 60s and 70s, a second generation of migrants (born in the host country) grew up, who are not considered migrants by statistics, but represent special social problems because of social exclusion.

After the oil price crisis, migration decreased substantially, as European countries reduced employment-related migration. However, because of the other type of the migration (**family reunification**), the number of migrants has not decreased. In fact, about 60% of migration to the EU was due to family formation or family reunion. This demonstrates the importance of motivation beyond labour oriented migration. However, this type of migration is also connected with the labour market, as families could hope to be unified when proper job opportunities are available for the active members of the family.

Involuntary migration played an important role in the third period of European migration (1990-2000), when migration increased especially to Germany, the United Kingdom, France and Austria as a consequence of the civil war in the former Yugoslavia. In this period, as a consequence of the collapse of the East-European Socialist bloc, nationality migration (especially for German ethnic descents) became substantial for a decade.

The fourth period (after 2000) is characterised by Garson (2004) as a return to employment-related migration with an emphasis on skilled workers and temporary migration. The migration landscape has changed: in the 1990s, Germany and Austria were the main target countries, while after 2000, the Southern European countries (Italy, Spain, Portugal, Greece), Britain and Ireland became major destinations. The new migration policy was connected to the EU accession of Poland, the Czech Republic, Hungary, Slovakia and Slovenia in 2004, and Romania and Bulgaria in 2007. These countries became important source countries because of the huge income differences, even though certain target countries kept restrictions on free movement of labour.

In Europe, migration processes started in the 1950s and 1960s, that is, more than two generations ago. The question is whether the children of migrants who were born in the host country are to be considered migrants or not. The answer depends on how the members of the minority group and the majority society define the borderline between the ethnic minority and the majority society. A good example of this can be cited from Holland; the following is an important perspective, even if we do not consider it to be a mainstream or official standpoint.

"In 1955, Amsterdam was an overwhelmingly 'white' and monocultural city - inhabited by ethnic Dutch people who spoke the Dutch language, and with an unchallenged Dutch culture and national identity. **Mass immigration** has transformed the character of the city, clearly destroying the society which existed 50 years ago. That might not have been an issue, if no-one had objected, and if the immigrants had been assimilated into a new society. But in fact assimilation has failed, many ethnic Dutch are bitterly resentful of the loss of their former society, and Amsterdam is a polarised and increasingly segregated city. Immigrant poverty and white flight have combined to make 'race' and 'class' issues inseparable. On top of that, the arrival of Islam as a major religion provoked an aggressive reaction, reviving the country's tradition of inter-religious hostility. As a result, many social and political issues are intertwined: residential segregation, religious schools, homophobia, unemployment, the place of Islam in Europe, female circumcision, urban renewal, immigration, terrorism, discrimination, crime, the burqa. This mix dominates Dutch political culture, both nationally and in Amsterdam. It cannot be understood without the terms **autochtone and allochtone**. Borrowed from geology and biology, they were originally intended as neutral terms, but acquired extensive political connotations. The national official definition is that an allochtone is a 'person with at least one foreign-born parent'. That underestimates immigrant minorities, since they disappear from the official statistics after the second generation. In general use 'autochtone' means persons of Dutch descent, with no recognisable traces of foreign ancestry. All the others are 'allochtones' - it means essentially *foreigners*, with a negative connotation. The word is often used interchangeably with 'immigrant' and often with 'Muslim'. Dutch political culture assumes an inherent conflict between the two groups - which is generally true, since the national identity is at stake. In the municipality of Amsterdam, using the official definition, 51% of the population are autochtone. In reality, the ethnic Dutch are probably in the minority, and they are certainly on the defensive.' (Amsterdam - City, region, and history: An overview of the geography, history, economy and society of Amsterdam. Knol unit of knowledge downloaded at 10/10/2010, <http://knol.google.com/k/paul/amsterdam/m3hp3552jcv/11#>)

In Germany, the statistical information tries to identify different groups of migrants taking into consideration the "migratory background" of the population.

"Since 1955, the recruitment of guest workers, the process of family reunification, the influx of Ethnic Germans from Eastern Europe, as well as the reception of asylum-seekers have led to the growth of the immigrant population. Today, 8.9% of the population in Germany are foreigners or legal aliens. However, recently the term 'person with a migratory background' is gaining currency. This term refers both to foreign nationals and

German citizens who are themselves immigrants (repatriates, naturalized foreigners) and to their children born in Germany. One in every five persons living in Germany has an immigrant background; 62% of all immigrants are Europeans, with Turkish immigrants constituting the largest group (14.2% of all immigrants), followed by immigrants from the Russian Federation (9.4%), Poland (6.9) and Italy (4.2%).' (Münz, 2009 p. 442)

3.2.2 Explaining migration: economic and sociological approaches

Migration has been a highly important research question since the last quarter of the 19th century. There are three main approaches in the migration literature that are important for the purposes of our study. There is a neo-classical economic approach, which explains migration by economic factors (more precisely the regional differences in the economic opportunity) and which typically has an optimistic view of regional differences. The structuralist (sometimes called Marxists, or neo-Marxist) approach thinks of migration as a consequence of uneven political and economic development, and does not see any trends toward a decrease of regional disparities. The third approach, which can be called an institutional approach, tries to combine the elements of different explanations, and places more emphasis on sociological theories which can efficiently contribute to the explanation of migration.

Neo-classical economic approaches²¹

The **neo-classical economic approach** emphasises that migration is simply a consequence of the adaptation of the labour force to supply and demand, and migration is determined basically by economic factors (Rawenstein, 1985, 1989). It argues that as people move from low wage areas to high wage areas and from high density areas to low density areas, the system gradually approaches a spatial-economic equilibrium. (Castes and Miller, 2003) The analyses include other factors such as geographical distance and density. **As a consequence of migration, differences tend to decrease, and migration will cease if these differences (corrected by the transaction cost) disappear.**

The micro-economic version of the theory focuses on the behaviour of the individual, who makes a rational choice with respect to migration on the basis of the costs and benefits. The theory assumes perfect information and, in its original form, no transaction cost.

The neo-classical approach was developed in the last three-four decades, and several relevant factors were incorporated into the basic structure of the arguments, for example, the fact that migration takes place even if there is unemployment in the cities (Harris and Torado, 1970). Later, the cost of travel, risk of unemployment, psychological cost of migration and the "human capital" of the migrants were incorporated into the model (Bauer and Zimmermann, 1998). Even the risk connected to illegal migration was taken into consideration (Toredo and Maruszko, 1987).

The theory discards the issue of uneven regional development, arguing that if the free movement of the production factors is guaranteed, regional differences will disappear. The economic approach dominates research even today. It is a very strong and well developed theory, but

²¹ The summary of the theories draws upon Hass, 2008

because it neglects institutional factors (such as transaction cost and other structural constraints on development), its empirical strength remains quite weak.

Structuralist theory

The historical-structuralist theory, which dominated migration research in the 1970s and 1980s, postulates that economic and political power is unevenly distributed among the developed and underdeveloped world. The **world systems theory** (Castel and Miller, 2003) divides the world into core (developed world) and periphery nations (developing nations), where the direction of migration is from the periphery to the core. (Wallenstein, 1974, 1980) The theory operates with a more detailed development typology: core, peripheral, semi-peripheral and external areas. The migration process is determined by the capacity of the core nations to exploit the periphery nations within the framework of the capitalistic system. As a consequence, labour and raw materials move to the more developed countries under the control of the core nations. In fact, the growing or at least not decreasing distance between developed and developing nations supports this Marxist view of development, though other theories can also explain these facts. The “dependency theory” (Frank, 1969) argued that migration contributes to the conservation of the development gap between the developed and developing world, because it contributes to the disintegration of traditional societies. Capital investments are not moving into the underdeveloped area (as the neo-classical theory thought), but to the developed world. However, recent development does not support this conclusion, as several countries which used to belong to the underdeveloped world were able to catch up through integration into global capitalism. (Sen, 1999)

Dual Labour Market Theory, which can be considered a version of the structuralist approach, gives an explanation of migration at a sub-national, urban level, arguing that the economy has a primary and secondary sector in developed countries (Piore, 1979). The primary sector is characterised by good wages, high social benefits, and job security, low salaries, no benefits, and instability are typical of the secondary sector. The theory argues that originally, women, minorities, and teenagers filled these jobs in developed countries, but because of the expansion of the economy and the demographic changes, developed countries have a huge need for someone to fill these unskilled, unqualified jobs.

“There is increasing consensus that capitalism as such cannot be blamed for the problems of underdevelopment, but that the specific developmental effects of incorporation of a region or country into the global capitalist system seems to depend much more on the conditions under which this takes place, that is, how the incorporation is embedded into wider institutional structures as well as the internal socio-political cohesion and economic strength of countries and regions. Thus, depending on these circumstances, the incorporation into global capitalism can have both positive and negative effects in different areas of development and on different groups of people within society. In the same vein, (labour) migration cannot automatically be interpreted as a desperate flight from misery, not only because **it is seldom the poorest who migrate**, but also because we can at least logically rule out the possibility that migration facilitates development through reverse flows of capital (remittances), knowledge, ideas, attitudes, and people (return migration).’ (Haas, 2008, 8.)

Institutional economics

An interesting modification of neo-classical theory combines certain institutional factors with the main body of the theory. Utility maximising individuals are replaced by “households” (a collective actor) which have a special strategy in the migration decision (**new household economics**). Households can be defined in a broad sense as a larger family (“tribes” in Africa) which can send individuals to more developed economies to manage the risks and use the opportunities fully. Another version of this approach is **network theory**, which argues that migration takes place through interpersonal ties that connect migrants, former migrants, and non-migrants in origin and destination areas through ties of kinship, friendship, and shared community origin. Migration always involves a high risk for the migrant, which can be reduced through **step migration**, when migrants leave the home country gradually (maintaining social and economic ties) or through **chain migration**, which means that migrants follow the path of other migrants, who share their experiences, and help the newcomers. Both step and chain migration presuppose coordination among family members. The significance of remittances shows the relevance of this theory.

Another sociological approach is the **institutional theory**, which emphasises the role of institutions as receiver, sender or intermediary organisations interested in the migration of cheap labour. These influential organisations may exercise pressure on governments to develop a favourable migration regime. They provide services ranging from humanitarian protection, human smuggling, the provision of counterfeit documents, to arranging for lodging and/or credit in the receiving country.

We argue in the analysis of migration processes that different approaches should be combined, like in the theory on cumulative causation by Massey et al (1993). He argues that migration is an evolutionary process which influences institutional, economic and social factors both in the country of origin and the host country, and the process of migration is conditioned by the interaction of these forces and by the feedback mechanisms.

3.2.3 Concepts of integration of ethnic minorities in new multicultural cities

In order to conceptualise ethnic minorities, we use schemes worked out by Berry and Tischler (1978) to classify ethnic relations. Their scheme, which is called the “Scenarios Approach”, defines five basic (“ideal”) types of ethnic relations: segregation, pluralism, stratification, assimilation and annihilation. The model tried to understand the nature of conflict among different ethnic groups that arises when different ethnic groups live together.

The **segregation** of ethnic minorities is an important characteristic of the urban structure, but its intensity varies considerably. Segregation is considered to be the natural consequence of migration, but, depending on urban policy, the labour market and the housing market, its social importance may be mitigated. The literature on urban stratification and segregation goes back to the Chicago School, which produced excellent empirical studies on social and ethnic elements of the rapid urbanisation in the first decades of the 20th century in the US. Urban sociology gives a high priority both to the processes and consequences of social segregation today, and to the programs fighting extreme segregation.

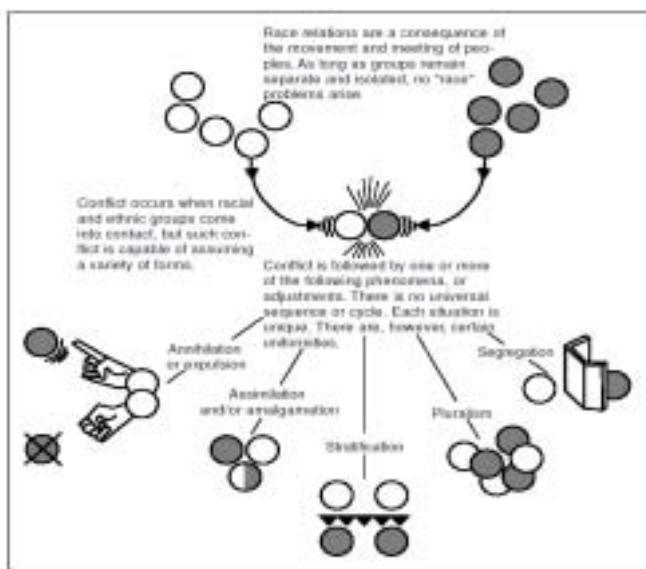
Pluralism represents a way of integration provided that ethnic minorities maintain their own separate institutions and cultural attributes, but there is no sharp territorial segregation. This is the model of **multiculturalism**, where groups retain ethnic origins (subculture in the form of media, business, churches), but participate with the same rights and opportunities in other spheres of community life. The social standing of the individual in terms of income, job market position, education does not depend significantly on ethnic relations.

Assimilation is a process whereby ethnic boundaries and differences cease to play any significant role in social life. The differences among ethnic groups gradually disappear, though the process takes place at various speeds in different areas of social life (education, culture, religion, etc.).

Stratification can be interpreted as an extreme case of ethnic division, where cultural and social differences overlap. It is expressed very well in the theory of "divided society". Minority groups end up at the lower spectrum of all dimensions of social life through market and institutional discrimination. In this situation, very high segregation goes together with deep poverty.

Annihilation can be interpreted as a situation of conflict among ethnic groups in which one or more ethnic groups try to introduce radical changes which would change not only the allocation of power among different groups but would question the very existence of the other group. An extreme form of annihilation is ethnic cleansing, but the forced eviction of Roma minorities can also be interpreted as a special form of annihilation.

Figure 16. The logic of inter-ethnic relations



Source: Berry and Tischler, 1978, Figure 5.1. p.91²²

In the process of national or urban development, the position of different ethnic groups may take the above forms, but there is no universal trend or cycle.

²² Quoted by Boal, 1999

Box 1. Process of multiethnic adaptation

"Migrating to a new country and city is a multi-stage process and it is difficult to establish the point to which it requires adaption and when integration begins. The degree of integration of migrants in the host society depends on many factors, including their command of the local language, the availability of job generating a sufficient income, their legal status, their participation in civil and political life, their access to social services (UNDESA, 2004) as well as their own expectations and objectives. Most newcomers prefer settling within their ethnic communities, where mutual aid social networks assure them the support that local institutions are often unable or unwilling to provide. In Karachi, Dakar or Abidjan the reliance on social networks lead to strong ethnic communities, vis-a` -vis weak governments unable to cater for even some basic needs of the local population, and in particular international migrants. In this case migration strengthens non-civic identities and reinforces both a condition and a sense of marginalisation up to the point of exclusion.

Anyway, some migrant communities are definitely more open to integration than others depending mainly on cultural, religious and educational background, from which the very notion of inclusion and citizenship varies. For example in Tijuana, despite the absence of spatial concentration in ethnic enclaves, Chinese community tends to self-exclude from local society. Moreover, ICT facilitate migrants in maintaining strong networks with households and friends left behind, while reduced transportation costs permit more frequent journeys home. Migrants' desires to affiliate with the values, language and way of life of the host country and city is thus weaker than in the past, and they thus end up belonging simultaneously to two societies. For second generations, i.e. children born in the receiving country from foreign parents, the situation is even more complicated since they often do not feel themselves locals nor do they have clear links with the countries of origin. This emerging phenomenon of a dual civic identity, makes citizenship a major issue when widely available, cheap and rapid communications allow "the creation of 'deterritorialised' groups which owe allegiance to no single space but operate in transnational space with identities of their own" (Skeldon, 2001).

Source: Balbo and Marconi, 2005

4 THE ECONOMIC AND SOCIAL CONSEQUENCES OF DEMOGRAPHIC CHANGE AND THE MAIN POLICY REACTIONS ON THE NATIONAL LEVEL

4.1 Economic and social consequences of migration

4.1.1 Economic aspects: cost and benefit of migration

Labour migrants are a very heterogeneous group concerning age, family structure, education, skills and cultural background. Consequently, it is not easy to generalise the effect of migration without a context. We can summarise the effect of migration on the country of origin and on the host country:

The country of origin suffers “brain drain”, which means that the loss of its skilled work-force emigrates to wealthier EU countries. However, the opposite can also happen when students return to their country of origin, thus increasing the efficiency of the education system, that is, creating “brain gain”.

On the one hand, the emigration of low-skilled workers decreases the pressure on the welfare system in the country of origin, and consequently reduces poverty through decreasing unemployment, as well as through remittances. Furthermore, a decrease in the supply of low-skilled workers increases wages in the country of origin. On the other hand, the emigration of skilled workers may reduce the potential for economic growth in the country of origin. However, it can still be indirectly beneficial if the “well-educated diaspora can transfer its knowledge, capital, technology, information, foreign exchange, and business contacts to firms in the country of origin.” (Chassard, 2008). The latter effect is more relevant in case of EU internal migration, where the return rate to the country of origin is higher than in case of the third country migrants.

In the host countries, new migrants (and their households in the country of origin) experience a gain in income, but migrants who move to the country earlier may see a decline in wages as the supply of foreign-born workers increases. As far as the effect of migrant inflows on the opportunities for the local labour force is concerned, the hypothesis is that higher level of immigration lowers the wages of competing workers and increases the wages of complementary workers.

An additional, possibly negative consequence of migration could be that it contributes to unemployment in the host country. Italy for example complains that the majority of immigrants from Romania (mostly Roma people) are unemployed. However, there is no statistical relation between unemployment and migration level in the EU countries. Nevertheless, the everyday opinion of ordinary people is that migrants take away jobs, homes, etc. from the natives. On the longer term, the effects for labour markets may be roughly neutral, even if there may be negative effects on the short term. The evidence of the UK, Ireland, Italy and Spain show that the rate of unemployment fell or stayed constant, so predictions of even short-term negative effects could be unduly pessimistic.

Empirical studies of the effect of immigration on labour markets lead to very different results, depending on whether immigration is in competition with the local labour force or complements it (displacing local workers). (OECD, 2009)

"Empirical studies of the impact of migration on natives' wages have had mixed results. The rise in migration leads to a small decline in average wages in high-income countries relative to the baseline, which one would anticipate from a labour supply shock. But the decline has a barely perceptible impact on the long-term growth rate for wages. Most cross-sectional studies find that immigrants have no impact, or a very limited impact, on the wages or employment of natives. However, cross-sectional approaches relate wage differences across local labour markets to the share of immigrants in each market. If immigrants are attracted to high-wage areas, it is difficult to identify the exogenous impact of immigrants on wages. Some panel studies have found a significant impact on the wages of unskilled natives, who in addition have suffered declines in wages due to skill-biased technical change and increased trade.' (Chassard, 2008)

Immigration has put a burden on public services (health care, education and housing), but there is no empirical evidence concerning the extra cost the demand by migrants for public services presents. Typically, host countries prefer migrants who are young and educated risk takers, and who rely on public help (especially benefit programs) only if necessary. But at the same time, they contribute to the tax revenues.

'Our findings do not support the widespread concerns that immigration creates a fiscal burden to the welfare state in the receiving countries. Although our analysis is hampered by data limitations, we find evidence from the EU-SILC that immigrants from the EU-25 (i) receive less contributory benefits than natives, and (ii) not significantly more non-contributory benefits than natives. The econometric analysis further demonstrates that there are no behavioural differences between the two groups once potential confounders are controlled for. The finding that migrants participate less in contributory benefits is not surprising since those systems tend to discriminate against short contribution periods, which particularly affects the immigrant population. That migrants participate no more than proportionally in non-contributory benefits may be traced back to the age structure and other favourable demographic characteristics of the migrant population which may compensate for the higher unemployment risks that migrants face in the EU. The findings reported here apply to migrants from the EU-25 as covered by the EU-SILC. However, we observe no distinct pattern in countries where migrants from the NMS-10 have a high share in the immigrant population, such that we conclude that our findings can be generalised to some extent to the group of interest here. The findings from the country studies are mixed in this respect. While NMS migrants in the UK and Ireland are characterised by very high labour market participation rates, low unemployment and other characteristics which imply a favourable balance for the welfare state, in other countries such as Germany we find that NMS migrants are more than proportionally affected by unemployment.' (EIC, 2009: Para 10-11)

The latest expert report on the economic impact of intra-EU mobility after 2004 (EIC, 2009) draws a positive economic balance: post-enlargement mobility accounts for an increase of the enlarged EU's GDP of 0.2%.

4.1.2 Social issues: integration

Immigration has many 'side effects', of which the connection between immigration and social inclusion deserves special attention.

Immigrants create additional social inclusion challenges (e.g. towards housing, education, public services, social welfare policies), while they also compete for the new jobs which the socially excluded domestic population is also partly in need of. Thus, to link the issues of already existing social exclusion in the host country with the problems of immigration is one of the key questions. The social and economic consequences of migration have been a subject of discussion in the last decades, and increased migration has caused public opinion to change. Cultural differences may be a source of conflict between natives and immigrants, which has been intensified by religious differences and the radicalisation of extreme Muslim groups.

The problems of the second generation migrants are different. In France, the rioters in 2006 were typically second/third generation migrants aged 14-17. They have spent their life in France and cannot accept the kind of job/life their parents had, or the marginalisation their parents accepted as migrants. France used to be very proud of its integration model through schooling and did not give room for the expression of migrants diversity/religion in public offices and schools. The riots delivered a blow to that approach, when unemployment was particularly high among those people (20%) and at least double in city-outskirts. These are the conclusions of an inquiry of the French Intelligence Service (Reneseignements Généraux).

Box 2. Conflicts between migrant groups

The influx of Poles after the accession of 2004 has created quite a stir among the Pakistani population in Great Britain, as they have begun to fear losing their long established positions in the labour market. As an article in the New York Times documented, **many former migrants who came a few decades earlier have begun to advocate anti-immigration policies.**

"I think this country is coming overpopulated, too many people coming in from everywhere, especially Europe,' In particular, he said, thousands of Poles in Luton were taking jobs from the children and grandchildren of a previous generation of immigrants like himself, those who arrived from Pakistan in one of Britain's early waves of migration in the 1960s'.

The question of migration has thus become a central theme in the 2010 election in Great Britain. Although traditionally a country for migration – the first wave of sustained flow of migrants came in the 1950s from the Caribbean - the large influx of migrants into Great Britain has united all major parties, saying that something must be done to reduce it. Since 1997, when Labour came to power, a net inflow of about two million foreigners, many of them people who found their way into Britain without prior approval, have arrived. Voters consistently rank the high level of immigration as one of the most pressing issues, after the recession-hit economy, the state-run health service and crime. Government statisticians predict that the population of Britain could grow by nearly 10 million, to 70 million, within 20 years.

<http://www.nytimes.com/2010/05/05/world/europe/05britain.html?emc=eta1>

The social integration of migrants (which, according to the commonly used EU term, means a two-way process of mutual accommodation between migrants and host cities) **is one of the main challenges for the future of European migration policy.** Migrants typically face the same problems as the native population, but their access to education, employment, health and housing services, and welfare programs is more limited. To handle these issues, a more targeted integration policy is needed. As a consequence of globalisation and international migration, the traditional options of integration have to be revisited.

Three main approaches to integration (Boswell, 2005) were developed after the Second World War. The first is a multicultural approach, which was based on the principle of tolerance towards cultural and religious differences, employed anti-discrimination legislation and opened the way to citizenship. The second approach offered a “social citizenship”, which guaranteed a quasi-membership with full social and economic rights, but restricted access to full citizenship. The third is the republican approach, which allows easy access to citizenship, but only on the understanding that citizens divest themselves of particular ethnic or religious traits in the public sphere.

“However, all three models have come under criticism over the past decade for failing to deal adequately with the challenges of integration. One of the reasons for this critique is linked to disappointment about the apparent ‘failed’ integration of many second or third generation immigrants. Many of these show disappointing levels of social interaction with non-coethnics, lack of affinity with the norms and values of host societies, and poor performance in education or the labour market. Concerns about failed integration have been one factor explaining the recent emphasis on language learning in many European countries. France, Germany, the Netherlands, Norway the UK have all introduced new or reinforced measures to promote host country language learning for immigrants or those acquiring citizenship. A second reason for doubts about existing approaches to integration is the particular problem associated with the integration of Muslim residents in European states. Since the early 1990s, and especially since 11 September 2001, Islamic beliefs and practices have been singled out as incompatible with liberal democratic and human rights standards in European countries. This has resulted in the often populist targeting of Muslim communities in Europe. It has surfaced in recent debates and measures banning teachers or pupils from wearing the headscarf in schools in Germany and France; or concerns about Muslim extremism following the Islamic fundamentalist motivated murder of a film director in the Netherlands. On a more positive note, there has also been a marked trend towards more generous rules on naturalisation in Europe. We can expect that this will in turn create more robust ethnic minority groups, with better prospects for political mobilisation. In this sense, the continued presence of ethnic minorities in itself acts as an important check on restrictive immigration policies. It does not necessarily exert pressure in favour of more liberal entry policies, but it certainly creates pressure to liberalise policies on cultural diversity and discrimination.’ (Boswell, 2005)

With growing transnationalism, a redefinition of the traditional notion of integration is needed, as individuals belong to more than one country or society. Transnational communities are thus becoming an important way to organise activities, relationships and identity for the growing number of people with affiliations in different countries.

4.1.3 Handling the process of illegal immigration

Illegal immigration is a consequence of both the lack of efficient coordination among EU Member States and the large migration pressure from low-income developing countries. As already mentioned, there are different estimates of the number of illegal immigrants: from 8 million to 1.9 million. The larger the number of illegal immigrants, the less the EU (and the Member States) can influence the social composition of migrants. Europe cannot simple close the door to economic migrants, because illegal migration will become unmanageable. According to certain estimates, 400 000 – 500 000 migrants with illegal status slip or are smuggled into the EU each year (International Centre for Migration Policy Development in Vienna).

The social and economic cost of illegal immigration is unevenly allocated among the Member States. There are countries with a very high number of undocumented migrants (France, Germany, Greece, Italy, Spain and the UK), which puts a burden on public expenditures. It is complicated and costly to expel these migrants, and different countries use their own strategies to return illegal immigrants to their home country (or to the transit country). The typically poor home countries are unwilling to share the cost of readmission.

One of the sources of conflict lies in the different approaches to the regularisation of undocumented migrants. Spain, for example, regularised several thousand migrants with illegal status, which was heavily criticised by other countries. Such a large-scale (1.76 million between 2003-2008 – Baldwin 2009) regularisation of undocumented immigrants will probably be avoided in the future, while leaving the possibility open for individual regularisations based on fair and transparent criteria.

Box 3. Bossi-Fini law on illegal migration

The infamous **Bossi-Fini law**, which was passed by the Italian Parliament in July 2002 as a modification of a former law on immigration policies, tried to find a solution to the problem of strong flows of migrants with illegal status by making the expulsion policy stronger. It came into existence not only because the Italian government included two parties close to the extreme right (Alleanza Nazionale and Lega Nord), but also as a reaction to the popular anti-migrant sentiment. This sentiment is closely connected to the fact that Italy has become one of the prime destinations of illegal migration targeting the European Union, especially coming from Africa via the Mediterranean sea.

The law, which was the subject of intense public debate and criticised by many for its strong anti-migrant stance - generally made the registration of all foreigners in the country stricter, criminalising them upon arrival by introducing the obligation of having a detailed system of finger prints taken as part of receiving a temporary residence permit. It further strengthened the police's powers against migrants with illegal status, speeding up their process of expulsion. It also introduced a sanction of 1-4 years in prison in case an illegal migrant was found in the country after his/her supposed expulsion. This later amendment was brought in front of the Constitutional Court, which found the penalty legitimate and constitutional in 2007.

Source: Italian Wikipedia, Legge Bossi Fini, website: http://it.wikipedia.org/wiki/Legge_Bossi_Fini

4.1.4 Approaches of national migration policies

Third-country migration policy belongs to the shared competency of the EU and the Member States. From the end of the 90s onwards, the EU tried to strengthen its coordination competencies in the field of third-country migration (it has full competencies in the field of intra-

EU migration after the 7-year transition period) and issued guidelines and directives. However the real authority in deciding the volume, the composition, the rights of migrants and the process itself belongs to the Member States.

There are large differences between national immigration policies from the policies in Denmark to migration processes in Sweden: the former has one of the most restrictive immigration regimes in Europe, while the latter – though currently under change – used to be the country in Europe that opened its doors to the highest number of immigrants.

Member States mostly aim at attracting a highly skilled workforce while trying to avoid the conflicts of integration. The first aim is reached by wide range of tools from the former German ‘green card’ policy to the British categorisation of migrants combined with a quota system. The latter aim is promoted by required participation in language courses or passing a citizenship test in order to gain citizenship.

Germany is an interesting example, where the basic migration regulations (including the maximum use of derogation time to keep the workers from the new Member States away from the German labour market) are decided on the level of the federal government, while the states have some flexibility to apply the regulations and develop their own policies – for example in case of official deportation.

Mulley (2010) discusses the problem – which became part of the UK election campaign – that **immigration rules are national while the need for migrant workers and the impact on communities are local**. The existing Point Based System in the UK already allows for some regional flexibility, with the resident labour market test requiring employers to demonstrate that they were not able to recruit locally. Another ‘regionalised’ element of the regulation is the migration impact fund, which allocates funds to local projects and services to areas where the impacts of sudden immigration (strains on public services, availability of housing) prove to be especially large. The question is whether the regionalisation of the point-based system would go in the right direction towards recognising the role of local actors in the immigration debate. The answer of the article is no, the regional element in the PBS would further complicate the system, while it can only restrict where people work, not where they live. Instead, the different local and regional contexts of immigration have to be recognised in other ways, probably with the better inclusion of these levels of government into the shaping of immigration policies and regulations.

Box 4. A new approach to help the integration of newly arrived refugees – Sweden, 2010

The aim of the national scale program is to give professional support for all newly arrived refugees, as quickly as possible to learn Swedish, find work, support themselves, and become informed about the rights and obligations that apply in Sweden. Prior to the new program, municipalities were responsible for the ‘introduction’ of the newly arrived refugees, but according to the evaluation prepared on their practices, it has taken a long time for the migrants to become stable in the labour market, and the municipalities implied quite different policies in the framework of the “introduction process” providing different amount of benefits and support.

According to the reform, Swedish Employment Service (coordinating agency of the central government) will have the responsibility for the adult introduction activities instead of the municipalities. It become responsible for deciding how many newly arrived immigrants the different counties should receive in cooperation with the county administrative boards, Swedish Migration Board and the local municipalities. This solution will hopefully improve the

chances of matching the newly arrived immigrant's skills with the suitable municipalities to settle down.

A newly arrived refugee is entitled to an introduction plan within one year of registration in the Swedish population register. The introduction plan is designed individually according to the need of the immigrant and determined case by case. Newly arrived immigrants will be entitled to central government benefits, which will be same for everyone regardless of where in the country one lives. (Municipalities will no longer pay introduction benefit to the newly arrived immigrants covered by the reform.)

A newly arrived immigrant with an introduction plan is entitled to choose an introduction guide. The guide is an independent actor working for the Swedish Public Employment Service to support newly arrived immigrants in their search for work. Companies and organizations may apply on a regular basis to be guides. Remuneration for introduction guides will be performance- and results-based. Guides will thus have a financial interest in newly arrived immigrants being able to support themselves as soon as possible.

Although the Swedish Public Employment Service has been given coordinating responsibility for introduction activities for newly arrived adults, the municipalities continue to have other important responsibilities. Housing provision and initiatives for children in schools and pre-schools, for example, continue to be the responsibility of municipalities. The municipalities receive compensation from the state for these initiatives.

Sources: New policy for the introduction of newly arrived immigrants in Sweden downloaded from <http://www.sweden.gov.se/content/1/c6/15/76/88/2e1d8725.pdf> at 27/3/2010

4.2 Reforming the welfare state

4.2.1 Reforming the pension system within the EU²⁷

The major demographic changes have forced decision makers in EU countries to rethink how retirement policies are constructed. In ageing societies, reform measures needed to be introduced in order to ensure that pension levels provide adequate living standards, and that the real value of pensions could be sustained in the long run under different demographic circumstances. Changes in pension systems included **parametric reforms**, which introduced substantial changes to pension indexation, retirement age, contribution period leaving unchanged the pay-as-you-go (PAYG) financial mechanism, and/or led to a **systematic reform** which moved from a defined benefit (DB) of the PAYG structure toward defined-contribution schemes.

The parametric changes are the key elements of the reforms; even the systematic reforms are not sustainable without parametric changes. Many rich countries spend more than 8% of their GDP on public pension, and without reforms, this share may rise above 15% by 2050. There are no "ready-made" solutions for reforms, and there is no agreement among experts what the perfect solution would be. The official retirement age has been the last in the series of reforms in the EU countries, which brings about the equalisation of the rules applying to men and women in the official retirement age, while gradually abolishing a number of early retirement schemes. Furthermore, this also includes the punishment of early retirement by a subtraction from the amount of pension, and the introduction of bonuses for late retirement.

There are two types of systematic reforms: (i) the multi-pillar system supported by the World Bank at the beginning of the 1990s, which set up private pension funds with individual accounts of the compulsory pension payments in order to directly link the current active population to their individual pension demand in the future, and (ii) the Non-Financial Defined Contribution (NDC) system, which introduced notional individual accounts in order to tighten the link between

the contributions and benefits under the public pension system. (Zaidi, 2010) The advantages of the World Bank approach of the multi-pillar system has been questioned partly by the “asset meltdown” hypothesis, which states that the pre-funded pension wealth will not be able to finance pension payments (because the demand for assets will be reduced as the active age population shrinks) and partly by the fact that the fiscal cost – financed by the state budget - of the introduction of the defined contribution system (DC) may slow down economic growth because it increases the budget deficit and increases the borrowing cost of the country, especially if the funds were used to buy treasury bonds and not for economic investments.

In the EU countries there have been attempts to strengthen the third, voluntary pillar²³ of the pension system. This third pillar is in essence an individual pension plan that is there to supplement the often insufficient provisions of the first and second pillars. This third pillar is an essentially asset-based pension pillar, which is mostly supported by tax incentives. Given the general support, private pension plans have expanded rapidly in the past 15 years and they all figure prominently in the pension systems of the EU countries; however, their level of importance varies. What can be said is that despite future trends of a growing role of asset-based pensions, public/state funded pensions have so far remained crucial even in those countries where occupational pensions have played an important role for decades – e.g. the Netherlands or Finland – or in countries where private pension schemes have been historically strong as in the United Kingdom, for instance. And despite the availability of tax incentives and the apparent push from the states to encourage people to save in voluntary pillars, growth in the voluntary saving plans is very dependent upon how much people actually trust their pension systems.

A further change happening all over the European Union in recent years concerning pension funds has been a big **shift from defined-benefit schemes** (where the eventual pension depends on a formula that takes into account the level of pay and years of contributions) **to defined-contribution schemes** (where a certain level of contribution is agreed on and the money is invested, with the eventual pay-out depending on the return on that investment). Private sector companies have been abandoning their commitment to defined-benefit (DB) pension schemes, in which employees receive an income based on their final salary. The cost of the promise has been too great. But the replacement of DB schemes with defined-contribution (DC) plans hurts employees. Under a DB scheme, it was up to the employer to fill any hole in the fund caused by a market shortfall; in a DC plan, the employee bears all the market risk. If returns are disappointing then pensions will be, too. And employers often use the switch from DB to DC to cut their contributions. If less goes into the pot, less will come out.

The changes listed above have all formed part of the process of adaptation to the new circumstances, which manifested themselves in the introduction of pension reforms in various countries of the European Union, some more wide-ranging, whereas others are rather supplementary to the existing systems. Although the exact reforms could differ depending on the pension system in place in the respective country, their overall aim has been to relieve some of the state’s responsibilities as a provider and by strengthening additional savings opportunities such as compulsory or voluntary pension funds, or bringing in private funds in the financial scheme.

²³ The first two pillars are mandatory, with the first one being the state funded pension plan and the second an occupational pension plan managed by private funds usually.

Box 5. Pension reforms in the UK and in Sweden

In Great Britain the newly incumbent Conservative-Liberal government pledged to restore a **more favourable indexing system to state pensions** by 2011. The current system – introduced by the Thatcher government in 1980 – attracted little attention then, but caused the state pensions to lose their value. Margaret Thatcher changed the formerly existing regulation, and tied the indexing of state pensions not to earnings, but to prices. This meant that the rating of pensions up would not follow economic growth, and their value would not remain stable, gradually diminishing their role.

From April 2011 onwards, the state pension will enjoy a ‘triple guarantee’, which means it will rise each year according to earnings, prices (inflation) or 2.5%, whichever is the highest. This could help the state pension to rise more quickly over time. That said, many pensioners find that their personal rate of inflation is far higher than any of these measures, meaning the more generous state pension will still fail to keep pace with actual increases in the cost of living.

Source: Paul Pierson (1994)

The **Swedish pension system**, which has a total contribution rate of 18.5 percent, has two components. The first, and major, component is a pay-as-you-go Notional Defined Contribution (NDC) plan, which receives 16 percentage points of contributions. The second component is an individual account, the Premium Pension, which receives the remaining 2.5 percentage points. Several characteristics contribute to the financial stability of the NDC plan. Benefits are linked to lifetime contributions; the account balance grows with annual contributions and the rate of return on the account. The rate of return on NDC accounts is set equal to per-capita real wage growth to link earned pension rights to earnings of the working population. At retirement, the account balance is converted to an annuity by an annuity divisor that automatically ties benefits to changes in life expectancy. In addition, the system has a balancing mechanism that adjusts NDC benefits if the plan’s financial position deteriorates. Financial stability in the NDC is measured by the balance ratio, which relates the system’s assets to its liabilities. System assets consist of the capitalised value of contributions and the current value of the system’s reserve, or “buffer funds.” Pension liabilities are the system’s current vested liabilities. Contribution assets and pension liabilities are calculated using a three-year moving average, while the buffer funds are valued on December 31 of the year for which the balance ratio is calculated.

Source: Annika, Sundén (2009)

4.2.2 New trends in elderly care in the EU 27 countries

A now common saying is that 80 is the new 65, alluding to the fact that people are fitter and in better shape than they used to be. Nevertheless, even fairly fit old people require more health care spending than young ones. Coupled with an ever developing and very successful health care industry, the steady rise of health care spending can be observed over the last couple of decades in the developed world. Looking at the OECD data between 2000 and 2007, we can witness an approximately 10-15% rise in health care costs in almost all member countries, with few examples of relatively stable share of health care expenditures. (OECD internet library, Health data, 2009)

What it is very important to look at from the point of view of health care and long-term care is the question of healthy life expectancy in old-age. Having reached 65, according to statistical data (Demography Report 2010), males are usually expected to live another 17.2 years in the EU 27 region, while females can hope to live another 20.7 years. But healthy life expectancy approximately amounts to half of the years still lying ahead after 65. Importantly, differences in life expectancy that exist between the sexes seem to shrink when it comes to healthy life

expectancy. In the EU 27 region men could expect 8.7 years while women another 8.9 years to live healthily in 2007. (EUROSTAT, 2010).

The social model of ageing is quite different in different European societies: the south-eastern model puts more emphasis on the role of the elderly in the family while the North-western model puts more emphasis on the elderly person as an individual. Accordingly, the interdependence of the family members is higher in the south-eastern societies, and the need for public services for the elderly is currently lower. "In Southern Europe, families are still legally bound to take care of elderly people; in continental Europe, family responsibilities are regulated implicitly; in the UK and Scandinavian countries there is no family obligation specified by law and there is a more explicit individual entitlement to a minimum level of service. The Central and Eastern European countries have moved back to a care regime which relies heavily on the family.' (Active age Baseline study 2008) Nevertheless, the public burden in the Western and Northern European societies is eased by the fact that the elderly are in a better mental and physical shape, thus needing public care in a later period of their lives. In the Western, Southern and Northern part of Europe a new challenge is emerging in connection with ageing: a growing number of immigrants grow older and need social and health care while they have linguistic difficulties and cultural problems with the services offered.

While health care is usually considered to be financed by societies taking mutual risks, the financing of long-term care – despite growing state contributions – is different. Here, individual risks are greater and there is more room for the adequate use of savings and other assets, including housing equity. Long-term care (LTC) unites two different policy areas: that of health care and that of welfare. While anyone at any age is susceptible to becoming bedridden because of a chronic illness, independent living also depends on other factors, especially mental condition and age. Childhood is one critical period, while old age is another. As Europe's societies undergo demographic change (long-term), care for the elderly becomes a critical issue in public affairs.

Ageing has caused challenges in most European countries because LTC is fragmented and often does not define a clear link between care and cure. It is also not clear within debates about LTC what the links between different sectors of welfare, care, housing services and social security are. (Driest, 2006) Although nursing homes and any care institutions fall under the category of long-term care, LTC's main objective is to enable frail, elderly and disabled people to stay in their homes as long as possible. **As such, the strong involvement of states in home-care provision can be regarded as a relatively new phenomenon. During the 1990s, the rapid expansion of state involvement in this sphere could be witnessed in many European countries.** (Österle, 1996) Long-term care at home has traditionally been a family affair. The need for the state to step into this realm has been triggered by the increase in solitary living as more and more elderly people (especially women) find themselves living alone, in addition to the decline in co-residence. A further problem has been the shrinking pool of potential care takers, with women more likely to work. This means that the provision of care becomes more problematic under the new circumstances, requiring assistance from the authorities.

Residents of the European Union clearly do not expect to give up jobs or their careers in order to tend an ailing family member. Based on the a survey of 2007 carried out in all 27 Member States, we can assume that only 2% of the respondents think that s/he will have to quit his/her job, and 6% think that s/he would have to change shifts in order to accommodate the needs of elderly

parents. This is in slight contradiction with the fact that, within the same survey, 45% expressed their wish that if they became dependent they would prefer to get assistance from a relative/spouse/child in their own home. Only 24% said that they would opt for professional care takers at their home, and another 12% said that they would be happy with a personal carer hired by the relatives or himself/herself. Although this sheer preference of the family over any other solution might be interpreted as a result of realistic expectations – e.g. the lack of money or state support to finance professional care at home – what remains clear is how unwilling many are to move into institutions. Only 8% said that they would prefer to go to a nursing home for long-term care. (Health and long-term care report, 2007)

Depending on the country, the necessary financial contribution from a household can be very different, just as the state run provision of LTC services is usually divided between different budgets (national, provincial, regional or local). However, when it comes to financing long-term care, European residents expect the state to contribute substantially to its costs. In the above mentioned survey, 93% of the respondents expressed their desire for the public authorities to provide appropriate home care or institutional care for the elderly. Furthermore, nine out of ten Europeans think that family carers should be given a chance to take a break and be paid for their caring activities instead. (Health and long-term care report, 2007). This is in line with the trend that the share of LTC has been steadily growing in the health budgets. In 2000, among the EU 15 the percentage of GDP spent on LTC varied between 0.7% (in France or Ireland) to 3% in Denmark. (Driest, 2006). Despite the growing involvement of state funds, long-term care still requires contributions from the families and it can impose a great financial burden on households, especially for those with lower income levels, for example, with only retired members. In such cases, the use of housing assets to cover costs is one solution. How this can be carried out depends on the availability of specific market schemes that help to turn housing into care services and on whether care institutions accept housing as a basis for paying the costs (e.g., residential homes might trade care-recipients' housing assets for private rooms and services).

4.2.3 Policies aiming to increase fertility level

At the current fertility level, there is a big gap between the desired number of children a family wants to have and the actual number the parents eventually have. The comparative research project REPRO²⁴, which was financed by the European Union on the theme of reproductive decision making called the difference between planned and actual number of children the **fertility gap, which in their view is a latent demand for family policies.**

Generally, policies affecting the reproductive decision making of families and individuals are manifold, and encompass a wide range of different areas. Family, social and labour market policies exert a direct influence on the decision making process, but it often seems that housing policies and the overall economic climate, relative economic position and job security also influence how high fertility rates will be. Furthermore, the time factor might matter: long

²⁴ REPRO is an acronym for "Reproductive Decision-Making in a Macro-Micro Perspective", a project funded by the European Commission's Seventh Framework Programme. The project unites the efforts of nine research institutions in Europe. The REPRO project focuses on reproductive decision-making both at micro level - why individuals think and decide the way they do - but also incorporates the macro environment, as it defines the setting of the decision making process. The macro-micro relationship is a central topic in the REPRO project.

established policies could give more security and accountability to families, enabling them to plan ahead. But besides policies, such less tangible factors as norms and customs also play an important role. Even the desired family size changes, not only with the passing of time, but also among the different Member States.

But the policy influence is often hard to measure. Especially since these policies have to be formulated in an environment where prediction is difficult – as has already been spelled out. Some research findings suggest that people try to maximise their gains from social policies, but this only has an effect in the shorter term. (E.g. they will not have more children, only change the timing.)

In an era of growing individuality, where success is important for both sexes and where expectations about parenthood have changed – increasing both the time spent and the cost of raising children – policies that help this – e.g. **enable part-time work for both parents, facilitating the equalisation of gender relations** – might help to raise the fertility level.

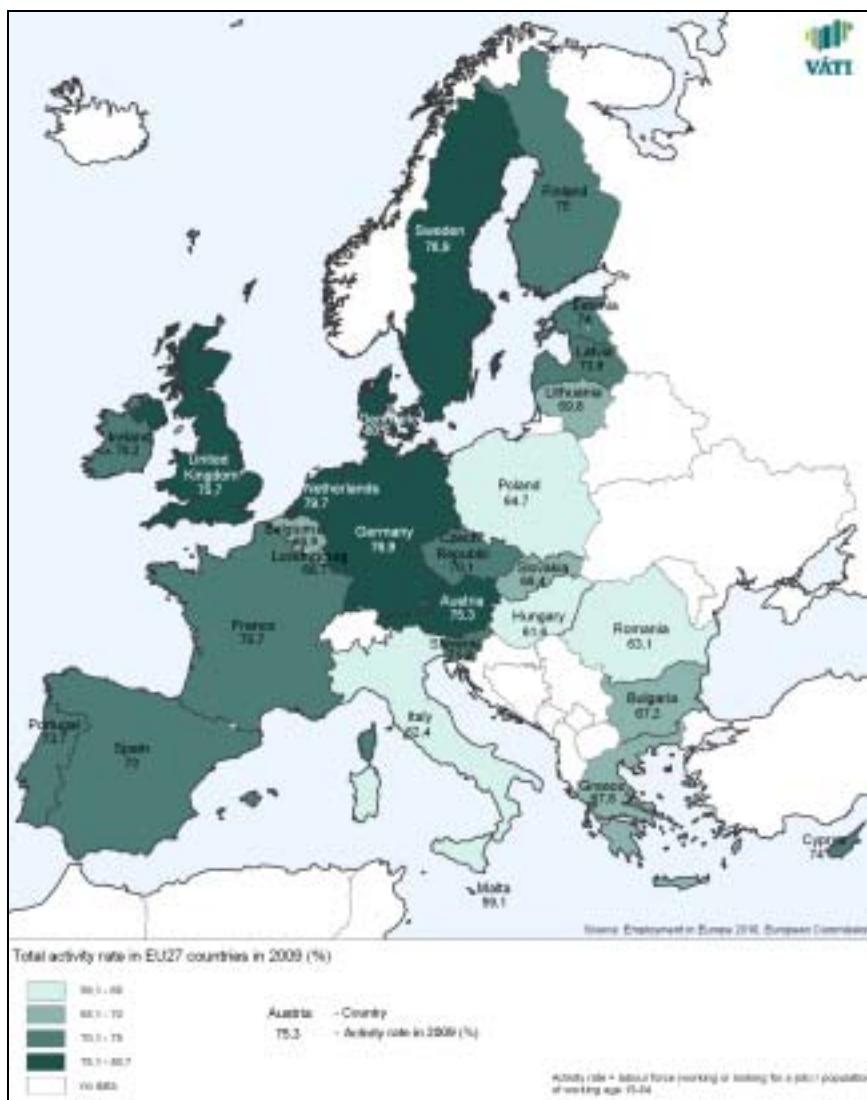
In Western Europe from the mid-1990s on there has been a positive correlation between female labour force participation and high fertility rates. Countries with low female participation have experienced low fertility rates. This has been the reverse of the trend from the mid-1970s. This observation is in line with what Sobotka (2007) thinks about the role of the second demographic transition. He proposes the idea that the more a country has adopted the social changes characteristic of this transition, the more likely that fertility rates will be higher

It seems that high female employment rate together with generous cash transfers can have a combined effect. “Extensive research in 16 OECD countries has shown that there is a strong correlation between high female employment rates and large government cash transfers to families, generous replacement pay during parental leave, the availability of plenty of part-time work and lots of formal child care. Where all these things are present, fertility rates tend to go up. France and most of the Nordic countries have embraced such policies and been rewarded with a rise in fertility close to replacement level. It does not come cheap: the OECD reckons that they spend 3-4% of GDP on direct benefits to families, far more than do Germany, Japan and southern Europe.’ (The Economist, Special issue on Demographic Change, June 27th 2009)

4.3 Labour market policies

The old-age dependency rate is predicted to double by 2050. This enormous growth will primarily be the result of the dramatically changing demographic parameters that will bring about a serious decline of the number of active age residents and a dramatic shrinkage of the workforce. (According to the Presidency Conclusion of the Belgian Presidency 2010, without immigration the working age workforce may decrease by 27%, 93 million people by 2050). **National economies may even collapse if demographic tendencies are not counterbalanced by changes in labour market activity and employment rates and growth in the productivity rate.** As the figure below shows, there are still ample reserves in the labour market that may theoretically be exploited.

Figure 17. Activity rate in the EU 27, 2009



Activity rate highlights the rate of inactive residents²⁵ in the active age population, however we have to emphasize that inactivity and unemployment are interlinked but not equal phenomena. (An unemployed is actively looking for a job, thus statistically it does not belong to the inactive layer of the society.) In case of a high inactivity rate serious, structural problems might be discovered:

- Low rate of female labour market participation
- Low rate of youth labour market participation
- Low rate of labour participation of workers over 55
- High rate of workers in the grey economy (meaning a high share of working, but not registered employees)
- High rate of early or disabled pensioners

²⁵ Activity rate can never reach 100%, as there are layers of the society that must be inactive: students, people on parental leave etc.

- Ethnic discrimination in the labour market (migrants, Roma minorities)
- A high share of workforce with a low level of education ²⁶
- Territorial and social concentration of hopeless labour market position in certain micro-regions (where no proper demand for labour is available)

Some factors stated above contribute to the high unemployment rate as well (e.g. low education level, ethnic discrimination, age-related unemployment). This means that the national policies aiming at a higher activity and a lower unemployment rate should contain not only labour market measures but a rather complex mixture of policies.

Labour market policies:

- To implement the philosophy of flexicurity, so as to ensure flexibility and security at the same time in the labour market.
- To increase the retirement age (however, in order to expand the age of work, raising the retirement age is in itself insufficient; enabling healthy ageing and providing proper skills for work is also necessary).
- To encourage part time employment (those countries with more than 25% part time employment of the labour force have the highest activity rates).

Educational policy:

- To provide proper education not only as part of the philosophy of life long learning but more importantly in primary and secondary schools, as disadvantages in the first few years of education can never be compensated for. (This set of problems has a lot to do with desegregation measures in schools and the reduction of the drop-out rate being one of the headline targets of the EU 2020 Strategy).
- To strengthen vocational education in order to counterbalance “overeducation” at the university level

Social policies:

- To create a healthy balance between social allowances and wages in order to avoid the effect of the poverty trap and encourage returning to work.
- To provide social care services (child care, elderly care) in order to assist women returning to the labour market.

Other policies:

- To encourage mobility inside the Member States through affordable rental housing, low transaction costs etc.
- To reduce huge territorial disparities and to provide working opportunities in remote regions or micro-regions.
- To fight against racial prejudice towards ethnic minorities.

²⁶ For example the activity rate of medium and high skilled active age residents is the same as the OECD average in Hungary, and the huge difference comes from the low level of activity rate of the low skilled residents. (Fazekas, 2006)

Some of these policies have already been applied in some Member States as “until the crisis hit, the number of people in employment had increased by around 16.5 million between 2000 and 2008 and, even with the impact of the crisis, the increase was still almost 12.5 million, or 6%, in 2009 compared with 2000.’ This process was not simply the result of the recovery of the world economy. Other structural changes must have been made as “the longer term progress particularly reflects the substantial increases since 2000 in employment of women and especially of older workers aged 55-64 (whose employment has risen 43%).’ (Employment in Europe 2010) These efforts should be continued in order to avoid a labour crisis some decades from now.

4.4 Demography and cohesion: the threat of a divided European Union

4.4.1 Factors influencing trends in convergence and divergence in EU

The study has already shown that there are huge regional differences in the EU both with regard to migration and natural population change, which have an important connection to the economic performance of the national states. The basic question is how asymmetric demographic trends contribute to the convergence or divergence of the Member States (and the regions) in the EU. It is clear that the EU, in comparison with the USA, has a more unequal territorial income distribution: income per capita (measured by standard variation) was almost two times higher in 50 NUTS1 regions in the EU than across 49 states in the US; the variations in the unemployment rate were even larger, 0.55 in the EU against 0.24 in the US. (Faini, 2003) According to the mainstream economic theory, higher “factor mobility” in US may be one of the reasons why the differences in the territorial system are less significant. In the EU, those of working age who changed their region of residence in 2008 amounted to only 1.2% of the total working-age population, as against 2.8% in the US. (Commission, 2010)

The theoretical literature on regional development (convergence) is not conclusive: there is no clear theoretical framework which would clearly predict whether regional disparities follow trends of convergence or divergence. (Paas and Schlitte, 2009)

According to traditional “trade theory” or standard growth model (Solow, 1956), **the disappearing trade barrier (with perfect factor mobility) will lead to the convergence of different regional economies.** The theory argues that labour will migrate from poor to rich regions until wages are completely equalised, and regional economies will reach equilibrium with the same income level (and capital/labour ratio). According to this model, labour mobility is a key factor for achieving convergence.

However, “new growth theory”, which moves away from the assumption of perfect competition and takes institutional factors of development into consideration, argues that **increasing polarisation is a possible outcome of development.** Romer (1990) argues that the rule of diminishing returns is not necessarily valid. His theory offers a very different set of predictions. In the case of increasing rate of return on investments in rich regions (the presence of economies of scale, that is, the relative wages in rich regions are an increasing function of the share of population living in those regions) and free movement of production factors, labour tends to be concentrated in rich regions. The wages in rich regions will increase, which provides incentive to additional workers to move to there. In fact, migration trends seem to support the predictions of

the “new growth theory”, as both migration within the EU and third-country migration into the EU has been directed towards the most developed regions.

However, with moderate returns to scale, or with limited labour mobility the result would be a more even development. Krugman’s (1990) conclusion is that the impact of different conditions and factors (for example, transport costs) could cause **regional disparities to increase or decrease**.

“The new geography models predict quite consistently that greater factor mobility is likely to be associated with the polarization outcome, with poorer regions being at risk of being depopulated. In this approach therefore regional development policy should not aim at fostering labour mobility, but **rather should create the conditions for self-sustained growth in backward regions**. This conclusion however is only tentative given that, with a few noticeable exceptions, welfare analyses are conspicuously absent from the new geography models.’ (Faini, 2003, p. 3-4)

Another important consequence of the new regional economics (Dosi, et al 1988; Freeman, 1994) is that the relationships are not linear in time, and there are also other factors that can modify the trends of convergence and divergence, such as spillover effects, “social filters”, changing conditions etc. Consequently, a period of conversion can switch to a period of divergence and vice versa.

4.4.2 Convergence at the national level, divergence at the sub-national level

Empirical evidence in the case of new Member States shows that until the end of the 1990s, the distance between old and new Member States increased, but after the strong recovery of new Member States in the 2000s, most of them reached the pre-transition GDP level. The GDP per capita in the EU-25 increased by 1.8% annually between 2000 and 2007, but by 5.2% in the less developed Member States where the GDP per capita was below 75% of the EU average. Consequently, a clear “catching-up” process has taken place since the end of the 1990s. As the recent (5th) EU convergence report stated: “The effect of this integration is evident in the growth of intra-EU trade after each enlargement, the large and growing flows of foreign direct investment (FDI) between Member States, the remittances sent back to their home country by migrants and the movements of labour across the EU.’ (Commission, 2010, p. 5) The timing and speed of convergence has varied substantially across new Member States depending on different political and economic approaches.

The process of convergence was halted by the economic recession after 2008. The Baltic states suffered the most, but Hungary, Romania and Bulgaria were also intensely affected.

Table 4. GDP per head (PPS) in 2007 and change 2000-2007 by urban-rural typology

	Predominantly Urban	Intermediate	Predominantly Rural	Total
EU-12	relative to the EU-12 GDP per head index			
GDP per head index	167	92	73	100
Change in GDP per head index¹	4.6	-0.3	-2.6	0.0
EU-15	relative to the EU-15 GDP per head index			
GDP per head index	114	91	82	100
Change in GDP per head index¹	-0.2	-0.7	1.2	0.0
EU-12	relative to the EU-27 GDP per head index			
GDP per head index	94	52	41	56
Change in GDP per head index¹	20.4	10.0	6.9	10.9
EU-15				
GDP per head index	128	101	91	112
Change in GDP per head index¹	-4.5	-4.1	-1.6	-3.7
EU-27				
GDP per head index	124	90	73	100
Change in GDP per head index¹	-1.6	-0.3	2.1	0.0
1: percentage point change in index				
Source: Eurostat, DG Regio				

Source: Commission, 2010

However, the **convergence at the member state level may go together with divergence at the regional level within Member States**. According to the 5th Convergence Report, regional disparities in GDP per head increased in the new Member States between 1995 and 2007 - especially the differences between the capital city regions and other urban regions. It is a question whether the increase of regional income inequality as a condition of faster economic growth is a short-term phenomenon, which will adjust itself automatically at a later stage, or whether it is a characteristic which will decrease the country's competitiveness in the long run. In new Member States, increasing regional disparities are characteristic of faster growth, which gives rise to the hypothesis of a **trade-off between international convergence and interregional convergence**. (Marelli, 2007)

Increasing regional inequity in countries where the rate of GDP growth exceeds the EU average raises the question of the efficiency of the regional development policies. Direct regional development policies generally do not represent a major part of the total investment in a country, and regional aid is relatively unimportant in firms' location decisions compared to other factors (human resources, accessibility, market etc.). One of the main dilemmas of regional policy is that an **aggressive equalisation intervention would constrain the development of the growing urban centres and slow down the general convergence process**. A progressive redistribution of the development funds may easily lead to a waste of the growth opportunity. This is why the

support of possible growth centres (polycentric development policy) became the mainstream approach in many European countries.

On the other hand, the convergence measured by GDP or income is too restricted to measure development in its complexity. The differences in infrastructure (public transportation, road system, etc.) health system, education and housing consumption are not expressed by this indicator, even if there is a correlation between production (GDP) and other quality of life variables. However, the expectations of the population of new Member States are strongly influenced by the EU average, which exerts a high pressure on public finance in these countries. The convergence in income level may go together with an increasing divergence of fiscal pressure on the countries.

4.4.3 Will the asymmetric demographic pressure halt the trends of convergence?

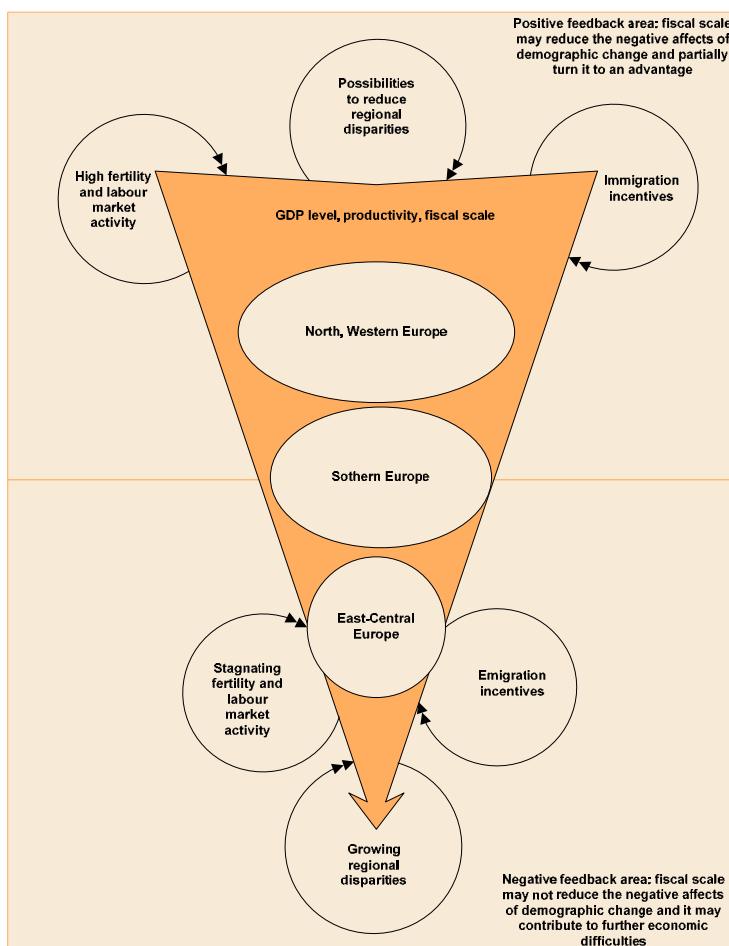
A further question of interest is **how demographic processes will influence convergence**, especially considering that barriers on free migration will be further loosened. There is a danger that the ageing population will exacerbate the fiscal pressure on low income states (especially the new Member States) and risk the financial sustainability of the convergence processes. Ageing combined with low fertility rates and increasing outmigration may have an adverse effect on employment and economic growth, which will contribute to the fiscal burden of low income Member States.

'Rising longevity combined with falling fertility and higher emigration has led to shrinking working age populations in many CEE countries. Such challenges will exert significant additional demands not just on future public finances in the form of rising expenditures on pensions, health and long-term care but also they will have an adverse impact on the growth potential.' (Zaidi and Rejniak, 2010, p.1)

The demographic change would limit the economic and fiscal possibilities of these Member States, forcing them to bring about inevitable structural reforms in order to maintain fiscal balance. At the same time, due both to their better economic and demographic performance, Northern and Western countries will be able to maintain their welfare state at a much higher level. This can lead to a major transformation of the welfare state – but the level of transformation will be largely dependent on each country's demographic profile and income level. These tendencies may strengthen the current division of Europe, putting its cohesion into question after a while.

This process is illustrated in the next figure. It emphasises on the one hand that in the economically weaker countries, the outmigration of the working age population, the lower fertility rate and increasing regional disparities constrain the economic growth of the countries, and because of the increasing social cost of demographic processes, it may put fiscal pressure on governments' budgets. The short term increase of the per capita GDP (as a consequence of the reduction in the number of inhabitants and a slight growth on the GDP level) may be misleading and may cover the territorial divergence trends. On the other side of the spectrum (in the economically stronger countries), immigration of the working age groups and higher fertility help the countries to manage the social cost of the ageing population; their better fiscal position makes regional programs aiming at decreasing regional inequity possible.

Figure 18. Logic of positive and negative feedback between demographic processes and fiscal scale



Source: prepared by Metropolitan Research Institute

Some Southern European countries are also at risk: they have high levels of replacement migration (especially Italy and Spain), but also face serious fiscal problems – which endangers their welfare state – coupled with a high share of the informal economy and substantial regional disparities.

The ongoing revision of the Territorial Agenda of the EU defines demographic change as one of the 7-8 main challenges concerning territorial disparities.

As the draft TA states: 'Europe faces increasing territorially differentiated demographic challenges. Ageing and depopulation are among the most crucial challenges, which will pose changes in some rural and peripheral regions facing severe impacts for social cohesion, public service provision, labour market and housing. Other regions have growing population with remarkable consequences. After the enlargement of the EU significant intra-European migration started from the East to the North-West generating special challenges mainly in the urban areas of some Northern and Western countries, while large number of non-EU immigrants mainly from less developed countries causes special problems, particularly in the Mediterranean countries and cities weakening their integrity and lessening spatial order.'

5 DEMOGRAPHIC CHANGES IN THE REGIONS AND CITIES OF THE EUROPEAN UNION

5.1 Trends in population dynamics in European regions

As described in chapter 21 the European Union as a whole is characterised by a modest population increase with significant differences between the North/Western, Eastern and Southern regions. These differences could be experienced not only in connection with macro-regions as it was already presented in chapter 2.3 but also between regions on NUTS2 level.

In the years 2000-2006, the percentage of regions experiencing population decline increased from 27 to 30, and the percentage of regions with a high share of elderly people (aged 65 or over) grew as well.

Analysing the population dynamics data from a broader, territorial point of view, the variations in the direction and dynamics of development across Europe can be illustrated by the following table, which contains the typology on the NUTS2 level.

Table 5. Typology of NUTS2 regions according to their population change

Total population change, NUTS2 regions, 2000-04	Natural population change	Net migration	Total population in 2004 (th)	% of EU population
Population growth	Positive	Positive	174 056	36
	Negative	Positive	129 123	26
	Positive	Negative	49 585	10
Population decline	Negative	Positive	39 673	8
	Positive	Negative	23 074	5
	Negative	Negative	73 113	15

Source: EUROSTAT, DG Regio calculations (EC, 2008b: p.47)

During the last years of the 1990s, 60% of the regions experienced a population increase, both as a consequence of natural population growth and positive net-migration. However, according to the current projections, more and more regions will experience population decrease in coming decades. Nowadays, the most unfavourable case of depopulation - when natural population decline is combined with migration loss - characterises 17% of the regions, where 73 million Europeans live. The most active part of the population is leaving these areas, emigrating either to larger cities or to other countries. In general, **the peripheral and sparsely populated areas are losing, while metropolitan regions and regional centres are gaining population.**

5.1.1 Migratory trends

Since the 1990s, net migration has been the main source of population growth; 72% of the regions have had positive net migration, while natural population increase was positive in 59% of regions in the 1990s. (ESPON, Demifir)

From 2000 on, net migration has characteristically been high in mostly Southern regions of Europe, especially in the South-Eastern regions of Spain, and Northern Italy. Moreover, Ireland has had high positive net migration. At the same time, many regions in Eastern Europe as well as several French regions, the Southern regions of Italy and the Northern regions of Norway, Sweden and Finland have experienced negative migration rates.

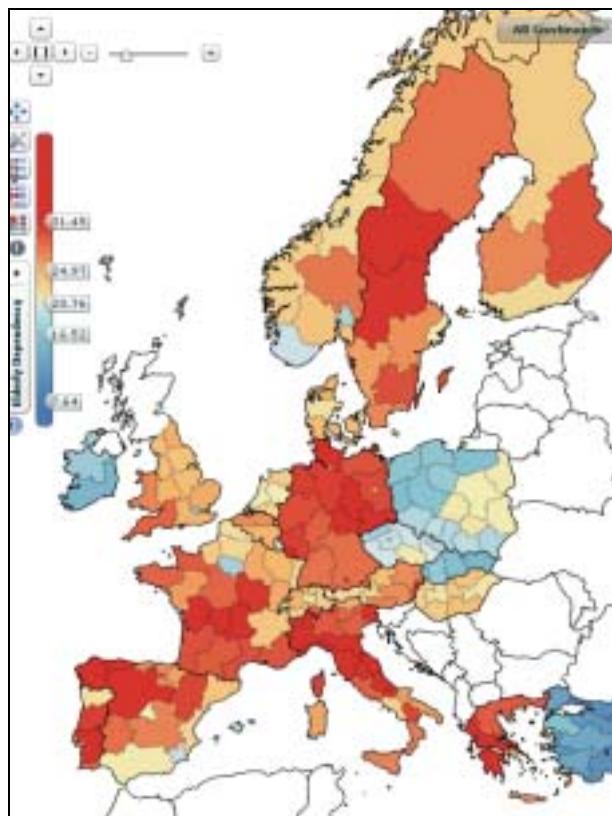
Internal migration within countries has remained stable during the whole period: metropolitan areas have been the most favourable targets for migrants, while older industrial areas have been less attractive than they were before the crisis of the 1970s.

5.1.2 Ageing and increasing life expectancy

Ageing is reinforced by the increase in life expectancy. Since 2000, the number of the oldest old (persons over 75) has risen in almost every European region without any specific geographic concentration. Average life expectancy is 80 years or over in 21% of the European regions. By contrast, life expectancy is 76 or younger in 17% of the regions, mainly in Eastern Europe . (ESPON, Demifer, 2004)

The percentage of people aged 65 or over is high in several Northern regions (mainly in Sweden), in central regions (mainly in Germany), and in Southern regions (in Italy, especially in Tuscany and Liguria, where the share of the elderly population was more than 25% of total population in 2008). The rate of ageing is relatively low in Poland, Ireland and Iceland.

Figure 19. Elderly dependency rate, 2007

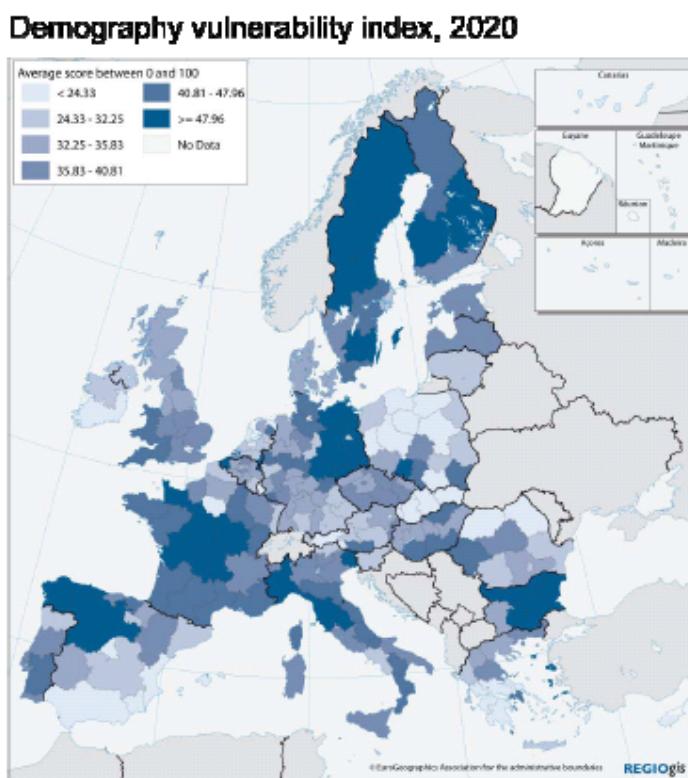


Source: <http://stats.oecd.org/OECDregionalstatistics>

5.1.3 Projections for the future; demographic vulnerability

In 2008, the Commission published the REGIONS 2020 paper (EC, 2008c). It identified four main challenges for Europe, and one of them (besides globalisation, climate change and the energy challenge) was demographic change. National and regional population projections were based on a demographic analysis from 2004. The ‘demography vulnerability index 2020’ was created, which combined three different indicators: the estimated proportion of people over 64 in the total population, the proportion of working age people in the total population and finally the percentage of population decline by 2020. These three indicators show different territorial patterns across Europe (e.g. population decline will hit mainly Central and Eastern European regions, while ageing will be delayed in these regions due to the lower life expectancy; the decline in working age population will be the highest in the Scandinavian countries and Germany). Metropolitan regions in general show a more favourable demographic situation as a consequence of the high inward migration of the working-age population (both interregional and international). As a result, the demography vulnerability index 2020 shows a patchwork-like character, not a unified demographical picture of the European macro-regions.

Figure 20. Demography vulnerability index, 2020



Source: Eurostat, DG REGIO staff calculations

The briefly mentioned analysis of the Commission raised some criticism among experts. According to Demeny (2007), natural population dynamics should be evaluated in themselves, without migration figures, as the latter depend on different (political) factors and are exposed to possible corrective actions. Natural processes should be forecasted country by country, leading to

the questions: to what extent is population shrinkage tolerable and to what extent can further growth be accommodated in already crowded areas? Another criticism that could be formulated – by the authors of the current report – is that this index combines different factors²⁷ that are each the result of different phenomena: ageing (the rate of people over 65) is mostly the result of longer life expectancy and characterises the better-off regions of Europe, while outmigration and low fertility are more a sign of depopulating regions struggling with economic difficulties. The two dimensions would require different policy approaches which should not be mixed.

The Kröhnert et al (2007) study applied this approach, focusing on the territorial differences within general European trends. A ‘sustainability’ or ‘attractiveness’ map of European regions was set up based on 24 social and economic indicators. This can be translated into migration flows which show ‘...populations dive by 12 to 18 percent by 2030 in the Baltic States, Ukraine, Belarus and large swathes of rural Bulgaria and Romania as well as remote parts of Poland and east Germany.’ The study sheds light on the problem that the **continuation of present trends might lead to some regions (and to a lower extent, cities) in Eastern Europe becoming almost deserted. On the other extreme, some areas in Western Europe might become much more crowded than is currently the case.** Both processes are undesirable and raise the question, what type of public interventions (regarding demographic and migration patterns and related aspects) are needed. Based on this analysis, we can assume that **ageing and migration in Europe will not only put strain on the social welfare system but also on the territorial integrity of Europe.**

Box 6. Growing cities in shrinking regions – an example of Saxony

The example of **Saxony** (Germany) shows that the growth paradigm is not universal. In Saxony there are ‘... a limited number of strong local growth centres against the backdrop of an otherwise shrinking periphery.’ (EC, 2007:44) This is in connection with the strategy of the region, which aims to focus on the limited available resources. ‘Saxony has started to apply a demographic test to all its laws and funding programmes. In spite of its shrinking population Saxony hopes to remain one of the most dynamic regions in Germany, and, so far, it has been able to maintain its economic growth.’

Source: EC: Europe’s demographic future: facts and figures

Among the ongoing ESPON projects, DEMIFER (Demographic and migratory flows affecting European regions and cities) deals with the analysis and projection of demographic processes in Europe. It prepared a projection (in three versions) of changes in the population and labour force

²⁷ Since these indicators have different measurement units, they had to be normalised before aggregated in the following way: Standardised value = (Value for region minimum value)/(maximum value-minimum value). In the case of the working-age population and the old-age population, a weight of 0.75 has been applied. The standardised indicators have no unit and lie between 0 and 100. The standardised indicator on the share of the working-age population is subtracted from 1 so that higher values indicate a less favourable situation. The obtained values for the three indicators have been summed and divided by the sum of their weights (0.75+0.75+1). The final value is the arithmetic average of the three standardised indicators using their weights and standardised according to the above formula. Given the standardisation each region is compared relative to the situation of the total group of European regions. The obtained index allows for ranking the regions according to the severeness of the demographic challenges they will be facing in 2020.

covering a period of 45 years from 2005 until 2050. According to the Status Quo scenario, all sex and age-specific rates characterising the intensity of demographic events as well as labour force participation rates remain constant over the projection time. The two other population simulations assume constant fertility, mortality and activity rates, the same as used in the first projection, but different migration scenarios: the first one assumes there is no migration at all (No Migration scenario), while the second one, labelled No Extra-Europe Migration scenario, assumes there is no international migration from outside of the ESPON countries while internal and international migration remains constant.

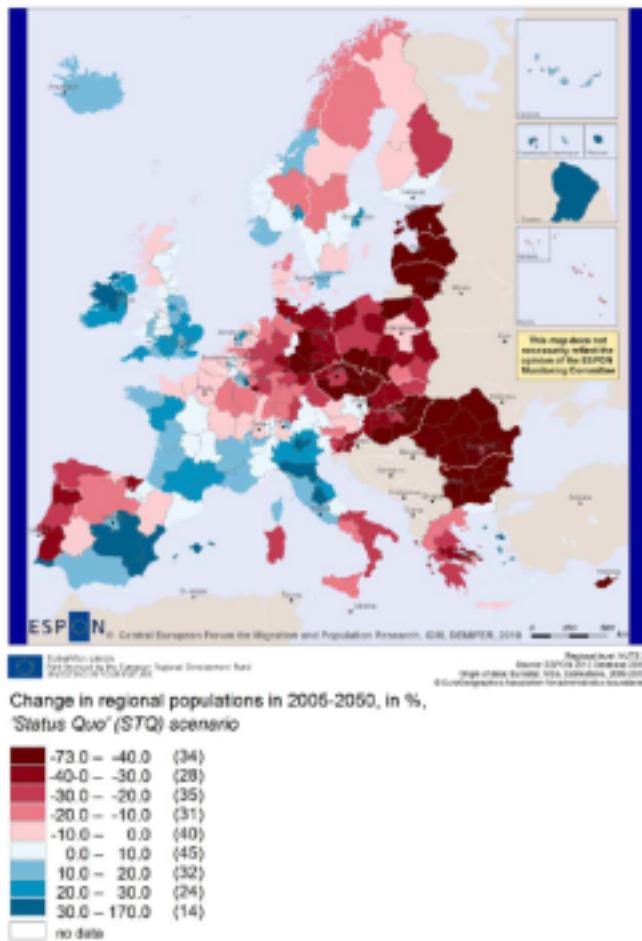
To summarise the main findings of DEMIFER:

- **Although migration is not sufficient to compensate for the decline in the labour force**, it may lead to an increase in regional disparities and it affects the age structure of population and labour force resources.
- In the Status Quo scenario, the population declines by 40 million by 2050. Over 75% of the regions are winners of migration, but losers are mainly concentrated in the EU-12.
- If migration from outside the EU were to drop suddenly, the labour force of 90% of the regions would decline by 2050.
- **Ageing is the most important challenge**, with an increasing old age dependency ratio.

The ESPON DEMIFER projection shows that ‘migration, both extra-Europe and migration in general, would have a significant impact on demographic and labour force development of the regions. Migration-induced population changes are not uniform across the regions. Importantly, they would benefit the most affluent regions, whereas poor regions would lose population due to migration. Similarly, migration would reduce ageing in affluent regions and increase in poor and remote ones. Therefore we may expect **that migration would be a strong factor increasing regional disparities**. This is the aspect of regional policies which is not disputed much yet, but perhaps quite crucial for future regional developments. **The only way to prevent the demography-related growth of regional disparities is to implement policies reducing incentives to emigrate from poor to wealthy regions and policies allowing poor regions to attract more extra-Europe migrants.**’ (DEMIFER, 2010. p. 21-22)

Figure 21. Population change 2005-2050 STQ scenario, DEMIFER

Population Change 2005-2050, STQ Scenario



Source: The ESPON 2013 Programme DEMIFER (Demographic and migratory flows affecting European regions and cities) Reference scenarios, 2010:28

5.2 Population dynamics in European urban areas

The majority of the European population (71%) lives in cities. The largest urban zones in Europe are traditionally in the Western part of the continent: mainly on the Atlantic Arc, and in the so-called Pentagon area, where 40 percent of European citizens live, mostly in cities and towns. It is a core area in a wider sense, characterised by high population density, good accessibility and numerous cities of a global socio-economic importance (e.g. London, Paris). In addition to the individual cities situated here, there are many large metropolitan areas, for instance the Ruhr-area, the South-England metropolitan area, the North-Italian (Milano-Torino-Genova) metropolitan area, and the cities in Benelux-countries (e.g. Randstad).

5.2.1 Population dynamics

According to the 2007 State of European Cities Report (DG REGIO, 2007:13) one third of the Urban Audit cities are in the urbanisation phase (both the city and the urban zone are growing), another third are in the phase of overall urban decline (both the city and the urban zone are declining, losing population), one quarter are dominated by suburbanisation (the city is declining while the urban zone is growing) and 5% of the cities are experiencing re-urbanisation (the city is growing while the urban zone is not). Thus, a large variation in urban dynamics exists across Europe, which is the composite result of natural population change and migration. The shrinking urban areas are concentrated in the East-Central European new Member States, while most cities in the EU-15 countries are growing.

Figure 22 presents population change in Urban Audit cities between the last two dates of data collection (1999-2002 to 2003-2006).

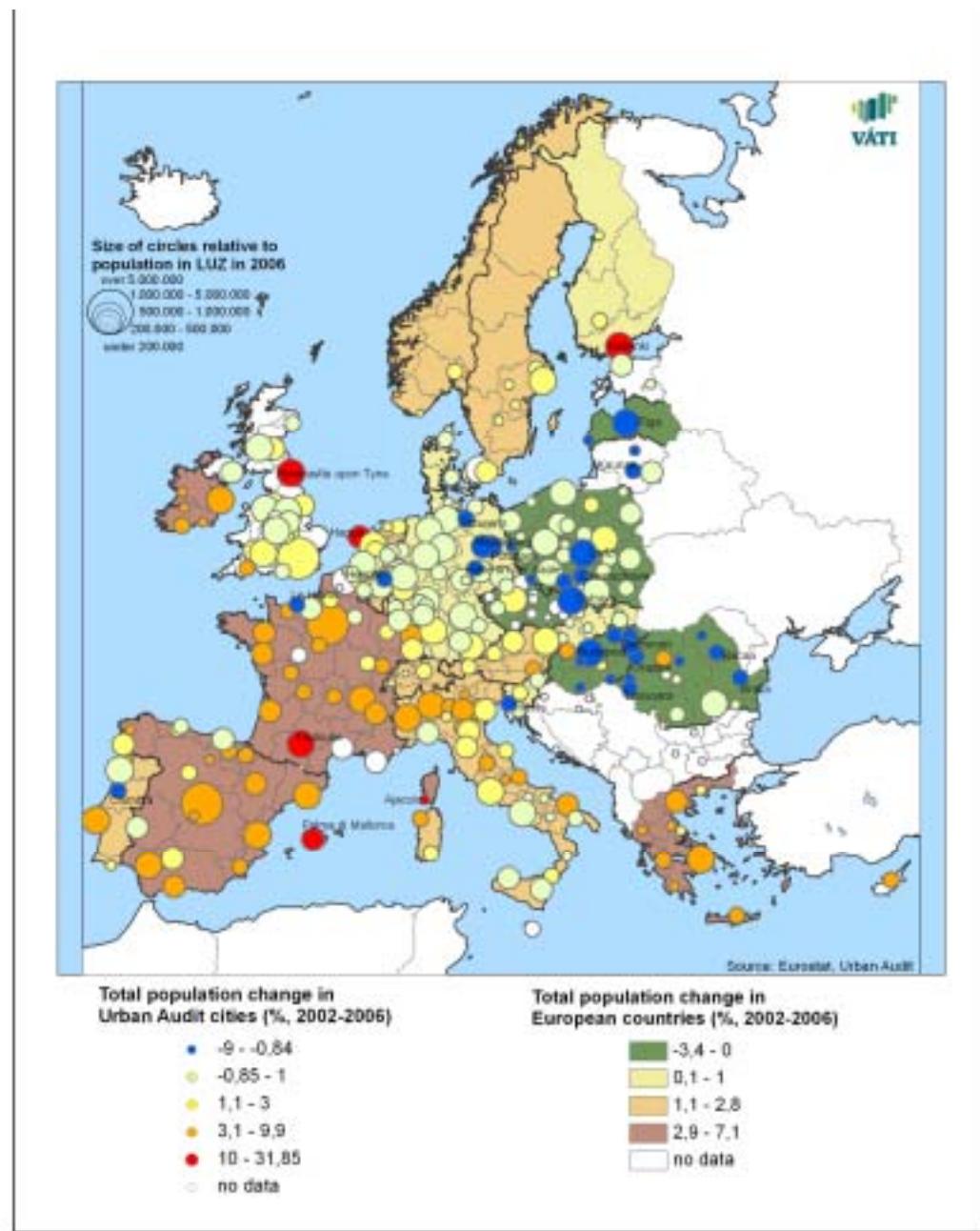
The Urban Audit provides European urban statistics for more than 300 cities from nearly all European countries. The initiative of the Urban Audit was conducted by the Directorate-General for Regional Policy at the European Commission, in cooperation with EUROSTAT and the national statistical offices of the 27 current Member States and three additional countries. Urban Audit collects data on three territorial levels: the core city, the larger urban zone (LUZ) and the sub-city district (SCD). This chapter analyses the **larger urban zone level**: the city and its surroundings (agglomeration).

It is a common problem in urban research to define the precise area of a city. Since there is no generally accepted approach to define urban areas, and due to the manifold cultural differences affecting the layout of cities, it will hardly be possible to find a universal definition even within Europe. It is one of the achievements of the Urban Audit to derive a standardised approach to defining Functional Urban Areas, which follows a widely accepted method based on measuring commuter zones. The Urban Audit also works with the national administrative agglomeration boundaries. For some of the smaller cities where a LUZ couldn't be created, the city boundaries equal that of the larger urban zone.

The time periods of data collection have been so far: 1989-1993, 1994-1998, 1999-2002 and 2003-2006. In the analysis we refer to a period by the end date of the data collection. If – as is planned – data collection will be repeated every 3 years in every city, there will be enough data for comparative purposes. However, so far the data collection system has been changing so rapidly that only relatively limited data exists for each city. The data set is incomplete for about 100 cities. There are, however, a number of key indicators with a higher response rate (demographic indicators in particular).

As a result of the technical problems with the Urban Audit data, it is hard to define precisely which urban areas are losing population and which are not. However, since there is no other relatively up to date dataset which contains medium sized cities as well, researchers mostly rely on the data provided by the Urban Audit.

Figure 22. Population dynamics in Urban Audit cities 2002-2006



Source: VÁTI

The city networks of Europe generally show similar demographic trends as the regions and countries where they are situated. With some exceptions, most Western European cities registered population increase at the beginning of the 2000s (2002 to 2006).

Box 7. Changing demographic trends in Newcastle

Newcastle upon Tyne was one of the most important coal mining cities during the Industrial Revolution in the 19th century. The population of the city increased dramatically, but from the second half of the 20th century onwards, heavy industry declined, and so did the population. It seems that the end of the decreasing period was in 2001 and since then the population has been increasing again. However, the metropolitan area around the city has also registered population increase, which gives the bulk of the growth.

Growth characterises the Nordic and Mediterranean urban zones as well. The population of the cities in the Nordic countries has increased; the ‘winner’ is the Helsinki urban zone with the second highest value in Europe (more than 25%). In the recent years, the number of inhabitants of all the analysed Scandinavian cities has grown, but the average increase remains between 1 and 3 percent. However, the population of small and medium-sized towns and cities in remote Scandinavian regions tend to decline.

Box 8. Growth patterns inside the urban area - Helsinki

The population growth of the **Helsinki** larger urban zone is due particularly to the Helsinki's neighbours (especially to Espoo and Vantaa), not the capital city itself. Some outmigration from Helsinki to this agglomeration area can be observed, as well as a huge wave of immigration from other regions of Finland. Most of the immigrants from other countries also move to the capital and the Helsinki agglomeration. These combined factors cause the high population growth.

In Italy, there is a strong North-South dichotomy, which is also present in population dynamics. Northern Italian cities have grown, while cities in the South just stagnated or decreased.

The picture is mixed in the Benelux and Central European urban zones. For instance, in ‘s Gravenhage (The Hague), population growth is in the top five on the European scale, but most of the Benelux cities just stagnated or even decreased. The situation is similar in Switzerland, Austria and in Germany, but here the decrease is even more significant in several cities (one of the fastest shrinking cities, Frankfurt an der Oder, is also in Germany, close to the Polish border).

Cities in Eastern Europe (the New Member States) and in the eastern part of Germany suffered population decline (in most cases between 1-4 %); within the EU, most of the decreasing cities are situated in these countries, and there are just a few cities – mostly capital cities or metropolises - with significant population increase.

Urban shrinkage

Urban shrinkage as such means the declining number of residents (households) in a given city (or urban area). The data shows that in general nearly all countries are facing this phenomenon.

Most shrinking cities in the last 50 years have been situated in Western industrial countries. According to the Urban Audit, out of 220 large and medium-sized European cities, 125 (57 %) lost part of their population in the period between 1996 and 2001 (EU 2007). Included in this list are 22 German cities (14 from the western and 8 from the eastern part of Germany), 19 Italian cities, 11 British cities, and 5 Spanish cities. In the Central and Eastern European accession countries, 53 out of a total of 67 cities shrank. The ten cities with the highest relative population loss of more than 1.75 % annually were: Halle an der Saale, Frankfurt an der Oder, Schwerin, Magdeburg (all in the Eastern part of Germany), Bacau, Cluj-Napoca, Piatra-Neamt, Tîrgu Mureş (all in Romania),

Lisbon (Portugal), and Venice (Italy). This urban shrinkage in Europe was not predominantly caused by suburbanisation, as both the core and the suburban ring lost population during the last decades. Out of 98 larger urban zones around the city cores included in the database 53 (54 %) were shrinking.

However, these declining tendencies seem to have slowed down in the 2000s, when the new migration wave and the reducing intensity of suburbanisation created a new dynamism of growth, mostly in the bigger cities and metropolitan areas of Europe.

There are some categorisation schemes concerning the causes of shrinkage (e.g. those were developed in the CIRES project); however, the current study created the categories presented below²⁸:

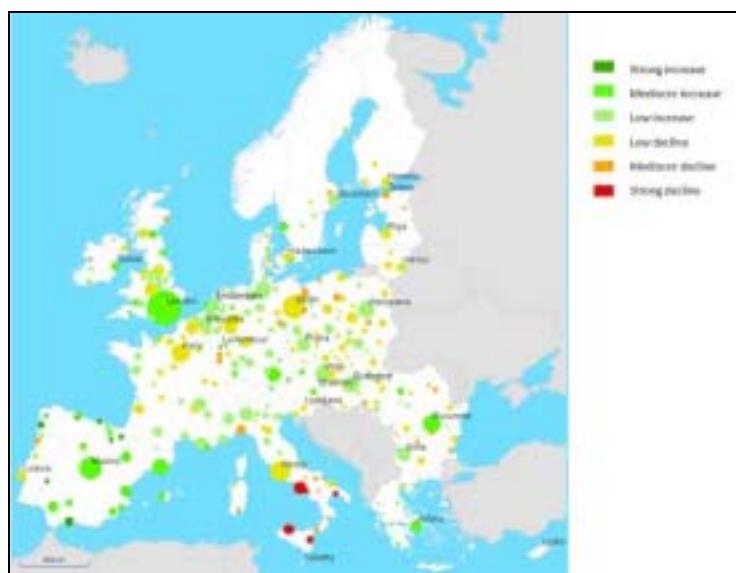
- The classical form of shrinkage was a result of the economic downturn in industrialised cities like the North-Eastern cities in Great Britain, the Ruhr-area in Germany, and the North-Western cities of Spain. The cities which had a monocentric industrial structure that became outdated were extremely sensitive to decline.
- Smaller cities in remote regions have been characterised by emigration from the countryside to bigger urban centres both in the second half of the 20th century and the 21st century. This was mainly the result of the growing importance of skilled work and higher education, with bigger cities offering more opportunities for work.
- Most Central-Eastern European cities where the economic transition, outmigration to more developed Western countries, suburbanisation and the low fertility rate are experienced simultaneously. Bigger scale urban regions of Central-Eastern Europe have experienced a modest decline or stagnation if we add up the core city and its suburbs. Shrinkage is more relevant in the case of smaller cities and their surrounding areas. According to the research of Vlad Mykhnenko and Ivan Turok, ¾ of the urban areas above 200 000 residents in post-socialist countries are shrinking (Mykhnenko 2007). Most of these areas are in the former Soviet Union and Yugoslavia. (Urban shrinkage, ageing and emigration are more likely to be dramatic east to the EU than in the EU.)
- In the late 90s and 2000s, shrinkage became typical of the eastern part of Germany. It was characterised by de-industrialisation, suburbanisation, low fertility rates and the dynamic enlargement of the urban infrastructure and housing stock (Großmann 2008). (One may think that the radical population loss is strongly connected to the outmigration to the western part of Germany. However, the net migration balance between the two parts of Germany was not at all as negative.)

²⁸ In several studies, suburbanisation is considered one of the main causes of urban shrinkage. However, the current study does not intend to address this issue, as our unit of analysis is the urban area and not the core city, which already includes the suburbanisation process.

Currently, the phrase of shrinking is commonly used all over Europe, as all countries are affected. **Shrinking seems to be a long term process** which is also caused by further factors, like permanently low fertility rates. (Although one must be careful with fertility rates, as the tempo effect might partially change the population dynamics.)

As we have seen in chapter 5.2, Central-Eastern European cities are losing their population rapidly. But the picture becomes more mixed if we use the **extended meaning of shrinkage**: ‘When a city loses population it does not necessarily represent the actual loss sustained. But if a city is ‘complex-shrinking’ (including a declining population via migration and less births, less jobs, more unemployment, a smaller gross domestic product and a declining income) implies that help for it is very urgent.’ (Wolf 2010) According to this claim, strategic shrinking should be taken into consideration alongside nominal shrinking. This vicious circle can come into being when the population decline coincides with a decline in economic performance and substantially less demand for public services and housing. From the figure below it becomes obvious, that shrinking cities are somewhat different from ‘complex shrinking cities’. The main cities of Central-Eastern Europe are not in such a bad position as it seemed at first, but medium sized cities all around Europe (mostly in Central and Eastern Europe and in the Mediterranean Area) occupy a worse position.

Figure 23. Position of cities according to their complex economic-demographic status



Source: Wolf 2010

Development of six indicators (population, jobs, migration, unemployment, gross domestic product, income) in the 2001-2004 period (own source). Norway, Switzerland, Malta and Cyprus could not be analysed because of missing data.

Box 9. Causes of complex shrinkage - Ostrava

The **urban region of Ostrava** is located in the north-eastern part of the Czech Republic, in the Moravian-Silesian region and was the main industrial centre of the country before 1989. In 1991, Ostrava had 327 000 inhabitants, and was the third biggest city in the Czech Republic. Since then the population has declined, by 2006 to 307 000 inhabitants; the city lost more than 20 000 inhabitants in the course of 15 years. The reasons for the shrinkage are job-migration – mainly to the Prague region, but to Western Europe or to the US as well –, low birth rates and the soaring suburbanisation of the 1990s. The process of massive deindustrialisation after the collapse of the centrally planned economic system resulted in dramatic job losses. The mining industry in the region had lost 100 000 jobs by 2006. Ostrava still has a high rate of unemployment; it is at about 11% at the moment.

Source: <http://www.ufz.de/data/case%20study%20czech%20republic11280.pdf>

5.2.2 Natural population change

The values of natural population change are similar to that of the total population change, with the territorial differences being a bit sharper. The highest natural increase is observed in global metropolitan areas (London, Paris) and in Irish cities (Dublin, Galway, Waterford). Natural decline characterises German urban areas and most of the cities in the new Member States, especially in the Baltic States. The highest decrease appears to be in Latvia (Riga, Liepaja). Northern Italian cities also suffer from natural decrease (Genoa and Trieste are among the bottom five cities which have the highest natural population loss).

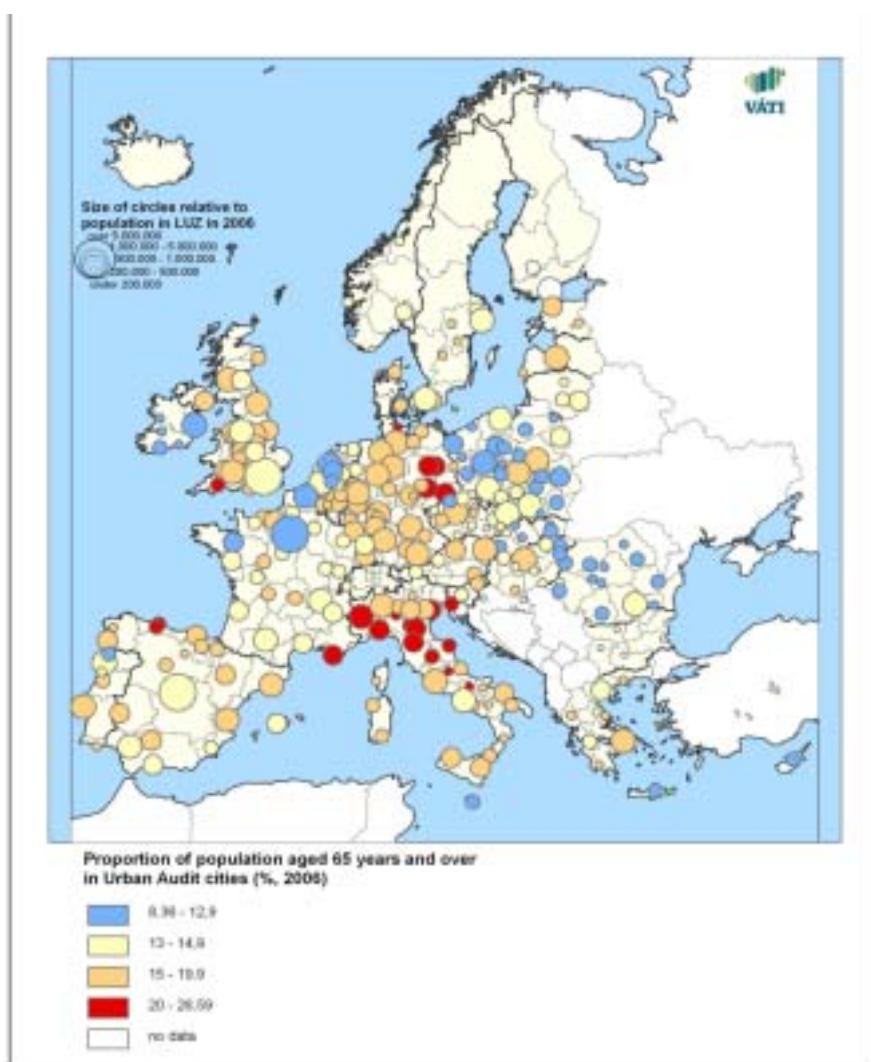
Ageing

Ageing and the increase of the dependency ratio (as a result of low fertility rates and growing expected lifetime) are among the most important challenges for European cities. If this demographic deficit is not balanced out by international immigration, natural decrease may result in total population shrinkage. However, cities have a mostly younger composition of residents than the Member States themselves. This fact may be explained by more intense immigration to cities and the economic dynamism of urban areas that attracts students to study and active age people to work there.

Regarding the ‘future generation’, the highest proportion of 0-14 year-old children are to be found in Norwegian and Irish cities (Stavanger, Tromso, Kristiansand, Bergen (21-22%); Waterford, Limerick, Galway, Cork, Dublin (20-22%)) and in some French cities like Lille, Paris, le Havre and Nantes (19-20%). The highest increases in the proportion of children between 2002 and 2006 were registered in Dutch cities; however cities in the UK, Spain and Greece also showed increase in the share of children.

The highest decreases in the proportion of children were in East Germany (Schwerin, Frankfurt an der Oder) and Romania (Bacau, Braila, Calarasi).

The share of the elderly (65+) and the oldest old (75+) is the highest in several Italian cities, for instance in Trieste, Genoa, Bologna, Firenze, Cremona, Ancona, Campobasso, Perugia, etc, and in some French and Spanish cities (e.g. Gijón, Oviedo, Toulon). In these cities the proportion of population aged 65 years and over is above 20%, of which the oldest old is above 10%.

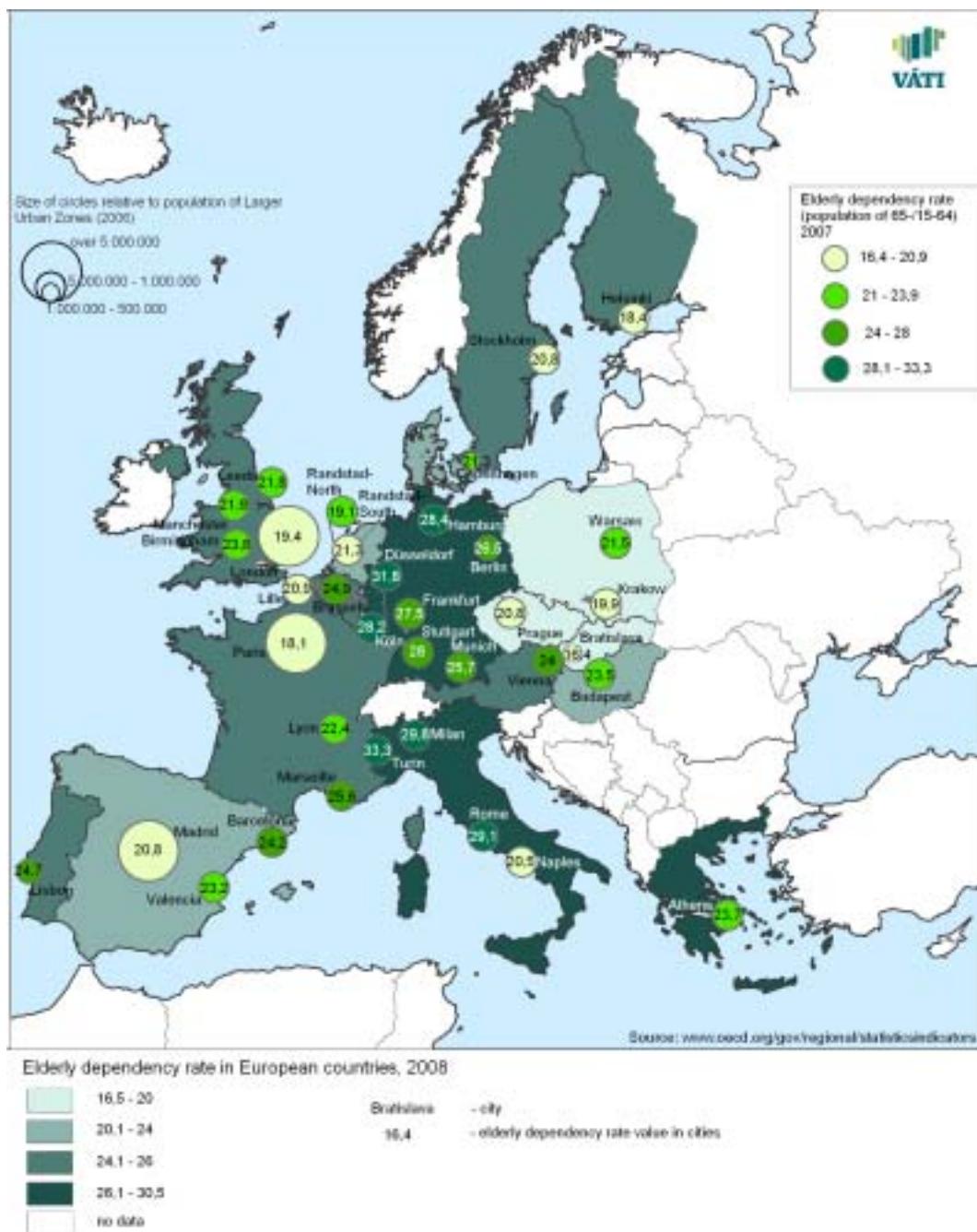
Figure 24. Proportion of population aged 65 years and over in Urban Audit cities, 2006

Source: VÁTI

The share of retired people is the highest in Western and Central Western European cities, in Eastern Germany and Southern Italy, while the New Member States, the Eastern European cities are in a relatively more favourable position. However as a result of the intra-European migratory flows caused by the unequal economic positions, and allowed by the enlargement of the EU, this asset can dissolve in 10-15 years. According to the projections for 2050, the Mediterranean countries (Spain, Greece, Italy, Portugal) will be joined by many Eastern European countries such as the Czech Republic, Slovakia and Poland in having a higher proportion of elderly than the EU-25 average, as the fertility rates are mostly lower than that of Western Europe and life expectancy is growing rapidly. (Romania and Bulgaria were not included in this projection, although they are also considered to be heavily affected heavily in this question too).

Currently, the old age dependency rate of European cities (the proportion of the active, working age group (15-64) compared to the old) is around 20-25, and it is predicted to double by 2050.

Figure 25. Elderly dependency rates of selected European Metropolitan Regions



However, we should stress that the elderly dependency rate displays only the age-composition of the given state or city. It does not necessarily represent the real economic burden taken on by the national or local economy. If we take the 'support burden ratio' that compares the number of people really working with the number of retirees, this rate can change completely. Some of the states with the youngest composition of residents (Ireland, Luxembourg) are in a far worse position when it comes to real economic coverage of the youngsters towards the old, because of the high unemployment rate and low rate of activity. However, these countries have the biggest reserves in counteracting the effects of ageing, as they have a large potential workforce to

activate in the future. On the other hand, states like Germany or Sweden are in the worst position, as their population is aged while they have reached a high rate of activity – so there are not many reserves either in the age structure (although Sweden has the highest fertility rate) or in the labour market. These countries are in need of immigration flow. (Hablicsek, 2010)

The evaluation of the elderly dependency rate and the support burden ratio puts the economic consequences of aging into focus, while we must take into consideration that the old generation of the future is not necessarily identical to the old generation of today. The cultural and social behaviour of the elderly (as of all layers of society) is changing. While many pensioners in states like the Netherlands, Germany and France moved into homes for the elderly soon after retirement, the current pensioners of these states are more educated, more active, consume more and have demands on more individual oriented public and private services. Also, more and more elderly people will have an immigrant background. The elderly generation of the Central Eastern Europeans, however, is 20-30 years behind this tendency. There, homes for the elderly are not on the agenda; reducing consumption and focusing on the family is a more common strategy after retirement.

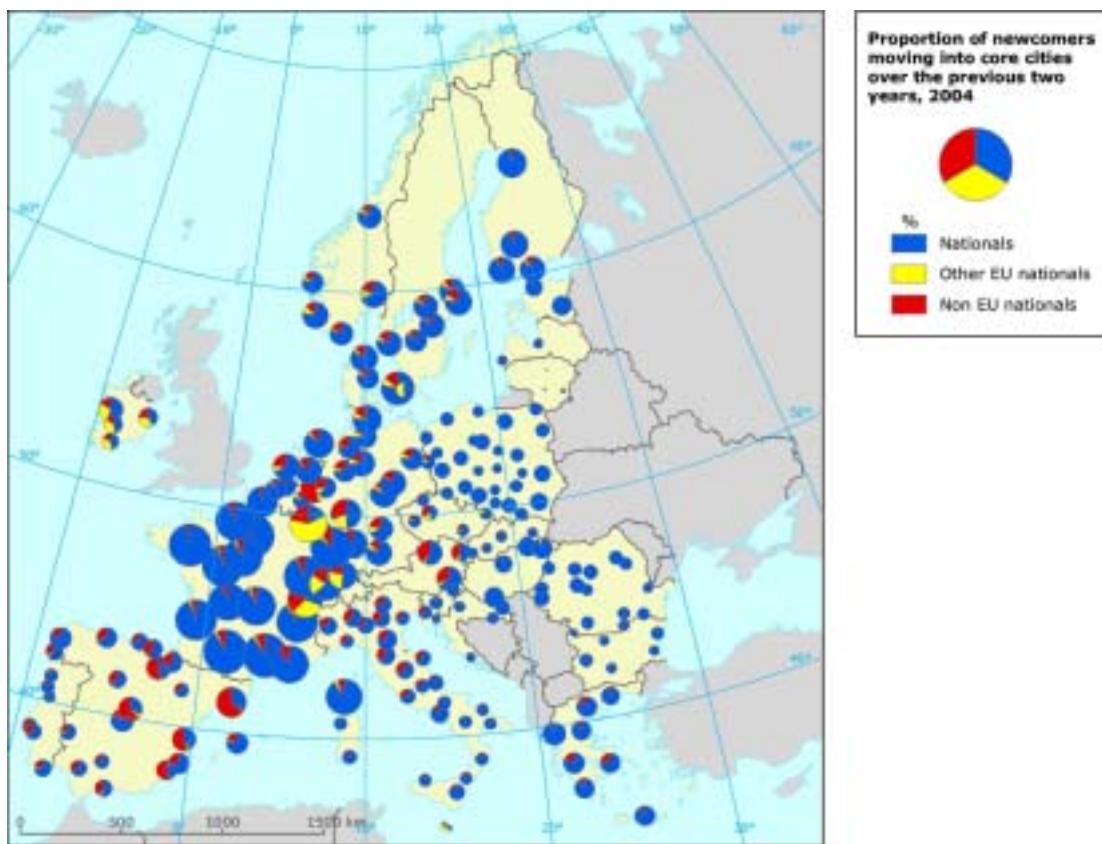
The changes are visible in many ways, for example, the massive migration of pensioners within the EU. Even though cities are places with special services and equipment, several thousands of retirees move from bigger cities to specific parts of the European Union to make their life more comfortable (e.g. in most countries on the coastal zone or in the south of Europe). This movement is quite typical at the age of 55-74, but ageing citizens tend to return to the cities after turning 75 or 80 when they need special health care services.

5.2.3 Migratory trends

As discussed in the theoretical chapter on migration, it is important to distinguish three categories of migrants: the ‘nationals’ (coming to the city from other parts of the same country), the ‘other EU nationals’ and the ‘third country nationals’. These categories differ substantially in all aspects, from the regulations which influence their numbers to the way they can/want to integrate themselves into the labour and housing market of the city.

It is not easy to get reliable data on the city level on the magnitude of migrants and especially on the share of the three categories. The most recent Europe-wide comparable data are based on the Urban Audit survey of 2004.

Figure 26. Share of newcomers moving into core cities, 2004



Source: European Environment Agency, based on Urban Audit data <http://www.eea.europa.eu/data-and-maps/figures/urban-audit-cities-2014-number-and-origin-of-newcomers-2004>

It is clear that the 2004 data should be regarded as somewhat outdated in many aspects, as they still show the pre-enlargement situation, before the mass East-West migration started and were collected well before the financial crisis. It is also problematic that some countries (notably the UK) did not supply data.

In any case, without going too much into the details, the 2004 data allow us to make the following observations:

- Migration targets mainly the cities of the north-western countries, including France, Germany and Austria. The map also shows what kind of differences there are between these countries in the share of non-EU nationals (and it is clear that this difference increased dramatically in the second half of the decade).
- The cities of the Central and Eastern European countries have low numbers of newcomers and even these are almost exclusively nationals.
- A few southern regions and cities, mostly located in Spain, experienced dramatic increases in migration between 2000 and 2005. The majority of the immigrants who came to the cities of the Southern European countries are non-EU migrants.

After the two waves of EU enlargement in 2004 and 2007, internal migration from the eastern to the western parts of Europe strengthened. For instance, Poland has lost 2 million people in the

last years, as a consequence of the 'export of baby-boom generation to the UK' (Potrykowska, WS); and there are 3 million long-term migrants (staying at least 12 months in the last three years) from Romania to other EU countries and cities, many of whom chose Spain, Italy or France (Alexe, WS).

There is a huge variety of estimates regarding the number of migrants living in different European cities. According to the very rough estimations by CLIP, in 2008 the highest share was around 63% (in Luxembourg), followed by 49% (in Amsterdam) and 38% (in Frankfurt am Main.)²⁹ The lowest, one-digit figures were reported from Central European, post-socialist cities.

Several European cities can be considered 'hyperdiverse' (Price and Benton-Short, 2007), defined as cities in which:

1. at least 9.5 percent of the total population is foreign born (this is the average percent of foreign-born stock for developed countries according to the United Nations);
2. no one country of origin accounts for 25 percent or more of the immigrant stock; and
3. immigrants come from all regions of the world.

In Europe, not only London, Amsterdam, Copenhagen, Hamburg and Munich, but many other cities in Sweden, Spain, and Denmark also belong to this type. According to recent trends, the number of immigrants has increased in countries where immigration was not traditionally present, e.g. in Finland. In Helsinki, the share of immigrant population is about 9 %, which is not a high value, but it has increased from less than 2% in the last two decades. (Dhalmann and Vilkama, 2009) The high level of immigration is a distinctive characteristic of the largest European cities, but the immigrant population in medium size cities has been on the increase since the 1980s as well. (Reeve and Robinson, 2007)

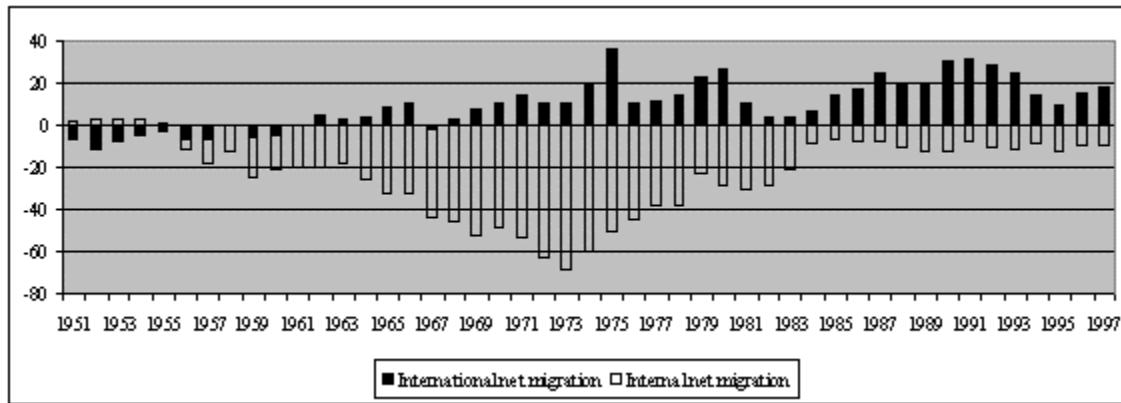
Box 10. Migration waves in Dutch cities

A shortage of unskilled workers during the 1960s and early 1970s in the **Netherlands** made it necessary to attract 'guest workers' from the Mediterranean countries. In most cases these Spanish, Italian, Turkish, Moroccan and Yugoslavian immigrants settled in the big cities. In the 1970s, the inflow from abroad increased through the immigration of Turkish and Moroccan people specifically for the purpose of family reunification. Most of the immigrants from Turkey and Morocco settled down in cheap dwellings in the big cities. Also in the 1970s, two waves of immigrants from Suriname caused an increase in the number of immigrants. The independence of Suriname in 1975 led to some forty thousand Surinamese migrants flocking to the Netherlands, in particular to the big cities. A second wave occurred five years later, when the option for people from Suriname to obtain Dutch nationality expired automatically. Unrestricted migration to the Netherlands has not been possible since. At that time, there was some geographical dispersion of these immigrants in the Netherlands, because municipalities were obliged to make dwellings available to them. However, most of the immigrants from Suriname moved to the big cities later on. Between 1980 and 1990, the increase in the number of immigrants continued. The immigration flow for the purpose of family reunification and family formation halted the decrease of the population in the big cities. In the 1990s, international immigration was characterised by the arrival of asylum seekers. For these asylum migrants, the central government introduced a policy of dispersed settlements. However, the asylum seekers also tend to migrate relatively often to the big cities. But the migration of asylum seekers could not counterbalance the decrease in the total number of immigrants to the four big cities. Thus, the decline in population growth in the four big cities in the

²⁹ There is no unified definition of migrant population across the cities: in some case foreign born, in other cases foreign nationality persons are counted as migrants. In some cities migration background is used, deriving from the migration status of the mother or father (as foreigners or foreign born).

mid-1990s is first and foremost a result of the decrease international migration.

Internal and international net migration to the four large cities (x 1 000)



Source: Huise et al

New migrants prefer the developing big cities, although the importance of the ethnic minorities is relevant in secondary cities as well.

Box 11. Distribution of migrants in Spanish cities

'Foreign immigration is a very recent phenomenon in Spain. Over the last few years, and especially since 2001, there has been strong growth in the number of non-EU immigrants changing the historical characterisation of Spain as a country of emigration, which was true above all in the 1960s and 1970s. As in other countries with a high degree of foreign population, one of the principal consequences has been the transformation of the social structure, with a special focus on the larger cities. In this way, the main metropolises (Madrid, Barcelona, Valencia, Seville, Malaga, Bilbao and Zaragoza) have been the principal areas for the settlement of those migration waves. Between 1999 and 2005, these metropolises have absorbed some 45% of the 3 000 000 immigrants who have arrived in Spain'. (Fullaondo)

Across Europe, migration has had the most significant impact on large cities. An interesting observation in the UK is however that, not least because of new transport links and cheap airlines, the immigration of EU citizens is spread more evenly across the UK's urban areas than expected, beyond the typical destinations for migrants, including previously less popular cities.

While third-country nationals are still the most important migrant group for most EU cities, citizens from the EU-8 (the countries that joined the EU in 2004, except for Cyprus and Malta) have dominated the net migration inflow in some, and have formed important new migrant communities. This trend is most significant in the United Kingdom and in Ireland, but is also important in the Netherlands. (IPPR 2008).

According to local statistics from the UK, the number of registrations from the EU-8 in the first two years following May 2004 was well above 10 thousand in many cities, reaching 23 000 in Leeds and 18 000 in Dublin. EU accession has clearly changed the face of economic migration for these urban areas, as none of these cities had a significant group of people from the EU-8 countries prior to 2004.

There are differences among cities in the share of immigrants from different parts of the world. The sudden flow of EU-8 (predominantly Polish) immigration made this group dominant in the previously mentioned cities. In other cities like Bristol and Edinburgh, citizens from new EU

Member States only account for roughly half of all registrations of non-nationals, the rest consisting mostly of third country nationals. In Barcelona, the population of citizens from EU-8 and EU-2 grew by some 6 500, however, these migrant groups were clearly outnumbered by the inflow of citizens from South America and Central America (20 000) and from the EU-15 countries (30 000) over the same period.

Less is known about the migration numbers on the side of the issuing cities. Emigration statistics are even more scarce as leaving the country does not have to be announced anywhere, and not even labour statistics can supply estimates, as many of the emigrants were unemployed before leaving the country.

Box 12. Emigration processes in Lublin

The city of **Lublin** (350 000 inhabitants), and the Lublin voivodeship (2 200 000 inhabitants) have lost population through migration over recent years. Net outward migration from the voivodeship increased from 3 082 in 2000 to 6 593 in 2006. The region loses population both to other regions of Poland and to other countries. The numbers of inhabitants moving annually to other countries increased by more than 600% in 6 years: from 260 in 2000 to 1 703 in 2006. At the same time, international inward migration to the voivodeship is only rising slowly: from 147 in 2000 to 270 in 2006, mostly from neighbouring Eastern European countries. The municipality is expecting immigration to rise further in the long term.

The majority of people who leave the province and the city are young, active and well educated. The city considers the recent population loss as problematic both from an economic and a social point of view, so it is now developing a policy to become more attractive to young international populations, including Polish citizens who have migrated to other countries.

Source: Gebhardt-Güntner, 2009:26

As seen also in the example of Lublin, anecdotal evidence points to a 'double loss' of population in smaller and more peripheral areas of Poland: on the top of the emigrants to the western countries, there are also 'domestic' emigrants, who go to the larger Polish cities, replacing those who emigrated from these cities to the West.

The case of Romania, one of the largest issuing countries, has gone through – without knowing the precise numbers – interesting changes. In the first period, outmigration eased the tensions of the job market (high unemployment). Around 2007, when an economic boom started, labour shortages developed quickly in the construction and textile industries, in health care and in the education sector. Although immigration quotas were increased for eastern countries (e.g. for Turkish, Chinese and Moldovan firms working in Romania), this could by far not replace outmigration: compared to the 3 million long-term (at least 12 months in the last 3 years) emigrants from Romania to EU countries, the total number of immigrants in Romania is only around 60 thousand.

Ethnic minorities in urban areas

Ethnic groups – according to the mainstream definition – are people who share a common identity that arises from a collective sense of distinctive history, and people who possess their own culture, norms, tradition and, usually, common language. The 'boundaries between the ethnic groups are defined through social processes of exclusion and incorporation; that is, ethnic group members identify themselves in terms of ethnic categories and are in turn recognized as

members by outsiders.³⁰ Ethnicity takes very different forms of collective identity including economic relations, cultural and religious forms, or political awareness. It is very important to distinguish between cultural ethnicity and political ethnicity, where the latter refers to the need for political activity based on real or assumed ethnic bases. Another important aspect of the problem is that ethnicity sometimes originates from the members of the ethnic group, but more importantly people are designated as members of an ethnic minority by the majority society.

Ethnicity and ethnic minorities represent a very complex problem, so we should be very careful with any generalisation. Even though the current study focuses on the ethnic minority issues related to immigration as a permanent factor in the future demographic process, we should not forget the existing **territorial or borderline minorities**, which raise severe conflict in European society and have an impact on urban policies as well.

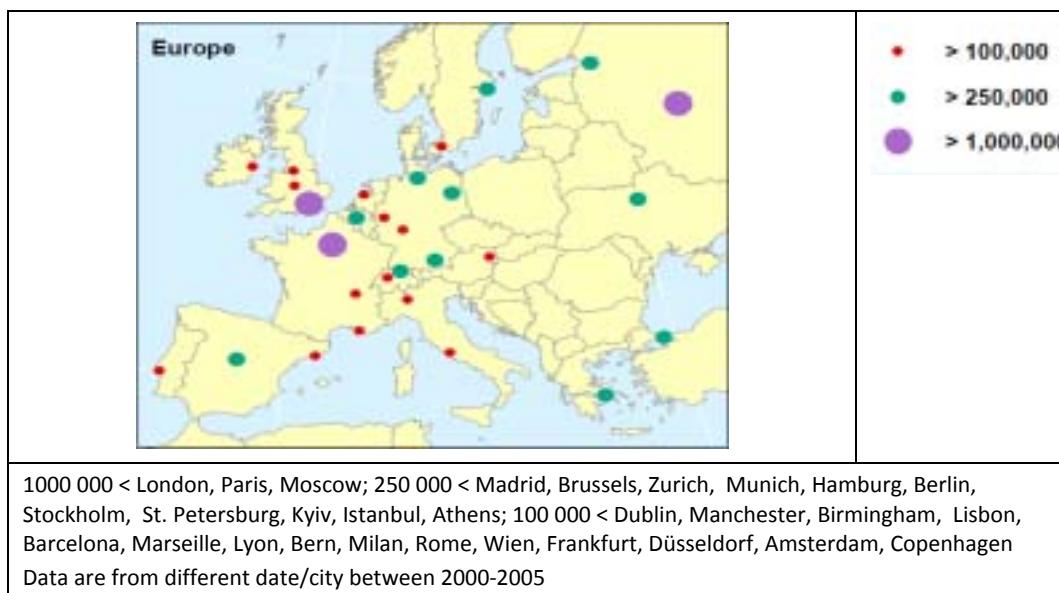
There are cases when the territory of an ethnic group is clearly defined as a consequence of the historical past, and members of the group are treated as long time residents (indigenous people). However, there are ethnic minorities that gained the status of minorities because of the shifting borders of states. As the borders shifted, a part of an ethnic group found itself in the territory of another state, which then gave rise to racial, ethnic or civic discrimination against them from the majority groups. Because of the dominance of politics of nation states, multi-ethnic regions and countries were created such as Belgium, or Bosnia.

Multi-ethnicity emerged in the course of history, and has generated important political conflicts in urban areas, for example, in cities like Brussels and Belfast, or in the South-Tyrol region. There are other important examples outside the EU, e.g. in the Balkans, especially in Bosnia-Herzegovina, (Mostar and Sarajevo). Furthermore, in the new Baltic states, Russian minorities represent a specific problem for the capital cities. 'From 1959 to 1989, higher rates of growth of the number of Russians are more peculiar in Lithuania's urban areas rather than all over the Republic. In 1959, 77% of Russians lived in Lithuania's cities, in 1989, this number reached 90%. For Russians of Latvia and Estonia, striving for capital cities was more characteristic: more than a half of all urban Russian residents of Latvia lived in Riga (56%), in Tallinn the number was a bit lower than a half, but still it comprised a significant part of the Russian population, i.e. 45%. In Lithuania this indicator (the number of Russians living in the capital city) was the lowest and comprised 38% of all urban Russians and this in its own turn comprised 20% of all population of Vilnius (Lithuanians comprised 50.5% of the residents of the capital city).' (Kastakina and Beresneviciute, 2004)

In sum, the political and social problems of multi-ethnic cities are not necessarily related to recent migration processes.

It is not easy to define the scope of the problem statistically – considering the different statistical meaning of first and second generation migrants - especially in respect to cities.

³⁰ Harper Collins Dictionary of Sociology, D. Jary and J. Jary, 1991 p. 151

Figure 27. Cities with at least 100 000 foreign born inhabitants

source: <http://www.migrationinformation.org/Feature/display.cfm?ID=567>

All Western European states now have at least one major immigrant city, and states such as Germany, France, and the United Kingdom have several (see Figure 27). In fact, 29 European cities have over 100 000 foreign born inhabitants. Since European metropolitan areas tend to be smaller than North American ones, the 100 000-person threshold often accounts for 10 percent or more of a city's total population. (Price and Benton-Short, 2007)

In Europe, Muslim minorities pose special challenges to the national governments and cities with respect to integration. The Muslim population in Europe is estimated to be around 16 million. In Western Europe, they have settled in largely urban areas. The Muslim population in selected European cities is estimated to be as high as 25% in Rotterdam (Netherlands), 24% in Amsterdam (Netherlands), 20% in Marseilles (France), 17% in Brussels (Belgium), 16% in Bradford (UK), while in others, like Paris, London and Copenhagen, the figure is approximately 10%.³¹ However it must be clarified that there are no exact data available on the share of Muslim population, there are no official statistics on this matter as in most countries.

There are ethnic minority issues (besides the problem of borderline minorities) also in the eastern part of Europe, but in this area the main topic is the share of the Roma population. This group represents quite a high proportion of the population of the new Member States, especially in Bulgaria, Romania, Slovakia (above 9%), Hungary (around 7%), and the Czech Republic (5%) – however, we have to emphasise that there are no reliable data collection methods available to define exactly the attributes of being Roma or their share in the population. The Roma have historically been marginalised in every European country where they have settled. The social conditions of the Roma population in each of these countries are critical, their income, housing and employment position has in most cases deteriorated. This ethnic group has suffered most in the process of the two-decade transition to a market economy. The high share of Roma

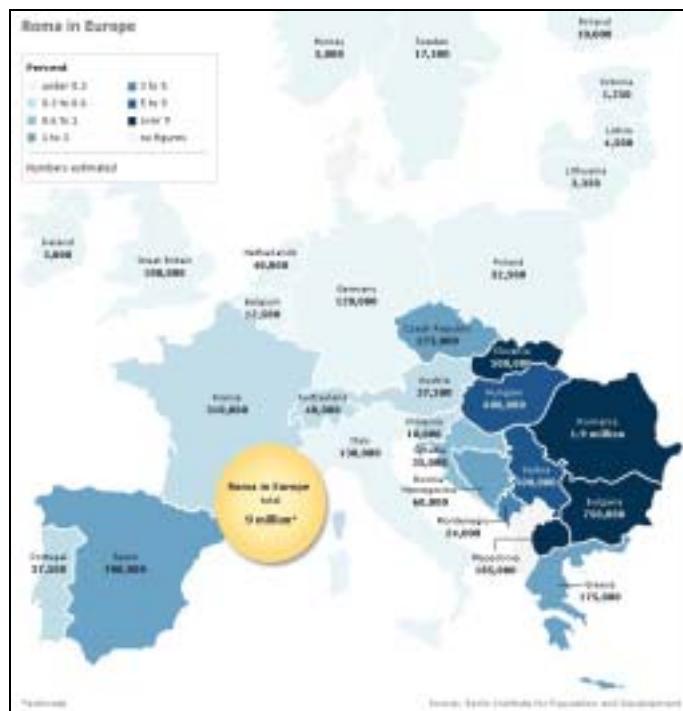
³¹ Wikipedia: http://en.wikipedia.org/wiki/Islam_in_Europe

population is a social phenomenon mostly in rural areas in most of the new Member States, while in some cases – such as in the Czech republic – the concentration of Roma households is more an urban issue.

The Roma population is estimated to be 9 million in Europe, but, according to data of the Council of Europe, it is 10-12 million. (Council of Europe, 2010) Roma migration to western countries, and especially to big metropolitan cities, has become one of the most critical ethnic conflicts of urban development recently in France, Italy and Spain.

The wave of expulsion of Roma people from France called attention to this problem, and made it clear that the problem of the Roma minority is a European one. (According to estimates, 15 000-20 000 Roma live in France, in 300 hundred shanty towns.)

Figure 28. Roma in Europe



Source: (downloaded from <http://www.spiegel.de/international/europe/bild-718043-126072.html>)

5.2.4 Typology of urban demographic trends based on Urban Audit data

In order to create an urban dynamics typology, we took two factors into account: the natural population increase and the net migration rate in the Urban Audit cities (urban areas) between 2002 and 2006. From the combination of these factors, we formed six distinct categories of change. However, to refine the analysis for smaller changes (when both the natural increase and the net migration factor shows values under +/-0.5 percent) we introduced the category of 'stable cities'. This caused two other categories to disappear, both of which represented population decline (natural population increase, but negative net migration and natural population decrease but positive net migration). However, in more stable cities the population was growing rather than decreasing.

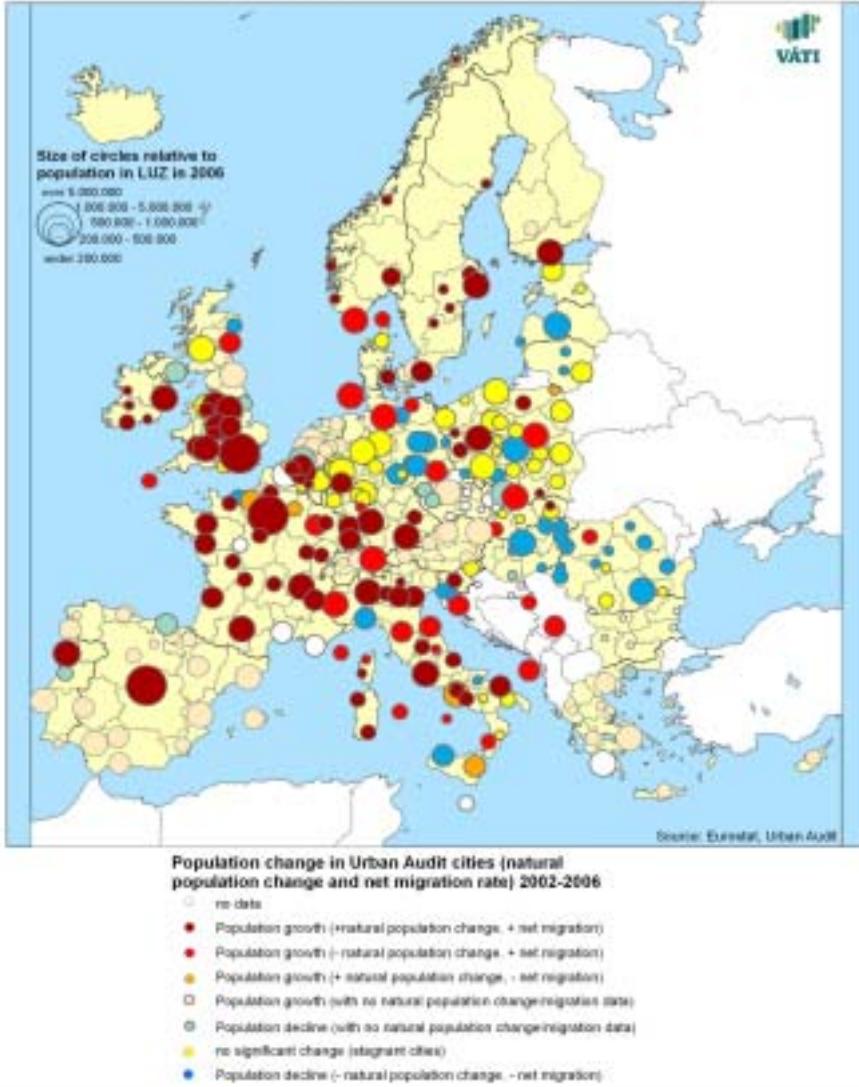
The lack of comparable information presented a serious problem during the typology-making process. This is why most of the Mediterranean cities (in Portugal – except Porto, in Spain – except Madrid, and in Greece), many Central European cities (in Switzerland and Austria), Eastern European cities (in Bulgaria and the Czech Republic), some British, French and all Dutch cities were left out of the analyses. Nevertheless, something in connection with these areas can also be said, as there is some data available (on recent population change, natural increase and migration analyses) and information on capital cities was available from the OECD metropolitan database.

The final result is summarised in the table and the map below, which show four different types of population growth (with positive natural change and positive net migration; negative natural change and positive net migration; positive natural change and negative net migration, and unknown source for growth), stable cities with no significant change (which can be either small scale growth or decline), and two types of population decline (negative natural change and negative net migration, and unknown source of population decline).

Table 6. Typology of population dynamics in Urban Audit Large Urban Areas 2002-2006

Total population change, Urban Audit cities (urban areas), 2002-2006	Natural population change	net Migration	Number of cities	total Population in 2006
Growth	positive	positive	83	85 050 652
	positive	negative	29	28 977 266
	negative	positive	5	3 725 357
	no data		66	47 583 516
Stabilisation	lower than +/- 0.5%	lower than +/- 0.5%	50	32 194 514
Decline	no data		16	6 832 350
	negative	negative	38	17 643 808
Missing data			120	

Figure 29. Typology of population dynamics in Urban Audit Large Urban Areas (2002-2006)



Source: VÁTI

In spite of the difficulties concerning missing (or even incorrect) data, we tried to find the most obvious factors behind demographic trends, and analyse their impact on the demographic process of European cities. As can be seen from Table 6, we have information on 183 increasing, 50 stagnating and 54 decreasing urban areas during the period of the early 2000s. It is also evident that bigger urban areas increased more than medium-sized or the smaller ones. If we have a look at the map above, we can also observe an unequal spatial arrangement of the different types of cities. In the following analysis, we try to ascertain the impact of these factors on population dynamics.

We find three potential factors that correlate with, and in some cases even influence demographic trends:

1. settlement size and position in the urban network (measured by the total population)
2. economic potential (measured by GDP per capita)
3. regional location

Of course, these three factors are not independent, since the largest western urban areas are traditionally the most powerful ones, like the ‘Pentagon’. We carried out statistical analyses to give a broader picture of the main factors underlying demographic trends despite problems with data collection and missing data.

1.) Settlement size

There is a significant linear correlation between the size of a city's population and its demographic trends: the population increases the most in the biggest centres, while medium size (45-65,000) cities lose population. Despite this general linearity, there is a quite high deviation, which results in a relatively low, 3% explanatory power.

2.) Economic potential

The GDP per capita data were used to measure economic power because of the lack of other available relevant variables. Here, the tendency is not so evident; there is a slight difference between the average GDP per capita of growing and declining cities, and the correlation is clearly connected to the immigration. **The GDP is higher in cities where migration is positive.** However, in cities where population increase comes as a result of natural population change, the GDP is rather close to that of the average of declining cities. The explanatory power of this factor is 17%. However, in this case we cannot really establish the direction of causality: do the economically prosperous cities attract migrants, or does the early arrival of migrants make the city prosperous? As an assumption, we can state that causality functions both ways.

3.) Regional location

To test the impact of geographical position on demographic trends, we aggregated NUTS2 regions into five bigger spatial zones, based on the traditionally used territorial units:

- Scandinavia (NO, SW, FI, DK)
- Western Europe (UK, IE, FR, BE, NL, LU)
- Central Western Europe (Western part of Germany, AT, CH, Northern Italy)
- Mediterranean (PT, ES, Southern Italy, GR, CY, MT)
- Eastern Europe (post-socialist states: PL, CZ, SK, HU, SI, HR, EE, LT, LV, RO, BG)

Observing the cross tabulation, there is a clear suitability between regions and typical demographic trends:

- Most of the larger urban zones with positive natural change and positive net migration are in Western Europe, Scandinavia and presumably in the Mediterranean area.

- There are stable Urban Audit cities and cities with negative natural change or negative net migration in these regions only in Northern France, Belgium and Northern Great Britain.
- Population growth caused by migration counterbalancing natural decrease is true for many of the Central Western European cities.
- There is significant population growth even in the Mediterranean cities; unfortunately we do not have any further information about the factors behind it, but from the national data we may assume that migration factors could be an explanation.
- Stable urban areas can be found mainly in Germany, Poland, the Czech Republic, Slovakia, Slovenia and in Hungary (despite the incorrect UA data). In Germany, the birth rate is declining but net migration is positive, so the stagnant cities can compensate for their population loss through immigration. In Poland and in Slovakia, natural change is generally positive, so it shows an increase, and immigration is lower – or there is often even outmigration. But all in all, because of the low rates (under 0.5 %) and the short time period, we cannot draw an exact conclusion.
- In Eastern Europe, many cities are declining. Particularly in Bulgaria and Romania, in the Baltic countries and in East Germany, most Functional Urban Areas form a homogenous outmigration territory. Definite natural decrease in this time period was only observed in two countries, in Latvia and in Hungary (according to available data), but at the same time, all the Baltic cities registered population decline.

Table 7. Regional typology of population dynamics of Urban Audit cities (2002-2006)

	Scandinavia	Western Europe	Central WESTERN Europe	Mediterranean	Eastern Europe	Total
population growth (natural +, migration +)	15	40	13	7	8	83
	78.9%	51.3%	25.0%	12.5%	9.8%	28.9%
population growth (natural -, migration +)	0	3	16	2	8	29
		3.8%	30.8%	3.6%	9.8%	10.1%
population growth (natural +, migration -)	0	2	0	2	1	5
		2.6%		3.6%	1.2%	1.7%
population growth	4	17	9	34	2	66
	21.1%	21.8%	17.3%	60.7%	2.4%	23.0%
stagnation (+/-0,5% change)	0	7	10	3	30	50
		9.0%	19.2%	5.4%	36.6%	17.4%
population decrease	0	7	0	5	4	16
		9.0%		8.9%	4.9%	5.6%
population decrease (natural -, migration -)	0	2	4	3	29	38
		2.6%	7.7%	5.4%	35.4%	13.2%
Total	19	78	52	56	82	287
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

6 DEMOGRAPHIC CHANGE AND URBAN POLICIES

6.1 The influence of urban policies on population shrinkage

6.1.1 The consequences of shrinkage

As emphasised in chapter 0, shrinkage in general means that the total number of residents in an urban area declines. This characterises about 30-40% of the larger urban areas of the European Union (Urban Audit) and about 75% of the major cities in Eastern Europe (Mykhnenko, 2007). This does not necessarily mean that all of these urban areas should expect serious consequences of shrinkage, as **shrinkage can be very different based on its volume, pace, and the socio-economic background of the city** that experiences shrinkage. Shrinkage can be a small-scale temporary phenomenon, e.g. as a result of suburbanisation. It can also be a gradual decrease in the population that causes partial redundancies in the urban infrastructure. And there are also dramatic forms of shrinkage, when the collapse of the local economy is combined with outmigration and a decreasing fertility rate (this last case will be analysed in depth in chapter 6.5.3).

The phenomenon of shrinkage covers not only population loss, but also the problem of oversized infrastructure compared to the number of households (housing, sewer, heating etc.) Thus, **the significance of shrinkage depends less on the number of inhabitants than on the number of households**, and on the infrastructure and services already in existence. Central and Eastern Europe has a particular advantage in this sense. Before the transition, there was a lack of housing and low levels of commercial infrastructure, so that several generations were forced to live together. After the transition, demand for more housing and goods resulted in accelerated construction both in the fields of housing and commercial real estate. There are countries where 20 years were not enough to make up for the shortage of infrastructure (like in Poland), where the demand (number of households) and supply (number of residential units) are more or less in equilibrium in urban areas (like in Hungary), and there are countries where supply came to exceed demand (like in the Eastern part of Germany). Consequently, shrinkage has a different effect on housing in the different subgroups described above.

Even as the population decreased in many Polish and Czech cities, the construction industry was booming, as there was an inherited housing shortage and the households were getting smaller (Großmann 2008). At the same time, in the eastern part of Germany, the growth dynamism and the pace of construction was enormous in the 90s – partially thanks to large-scale state subsidies -, and as a result of oversupply, outmigration and the decreasing fertility rate, about 1 million housing units were vacant by 2000. However, vacant housing may become a more serious problem in the future in Eastern and Central Europe than in Germany, because the privatisation process in many countries of the region left multi-family houses in the hands of the sitting tenants, turning them into condominiums. That means that any kind of reconstruction, downsizing or demolition of the housing stock in the future would require the payoff of millions of private owners after a serious devaluation process. (However, on the other hand, the fact that tenants became owners in condominiums may have slowed down the exhaustion process, as the

owners could not move to other apartments before they sold off their property, thus tying them to their homes even in remote areas.)

Unlike in the case of housing, oversupply can be sharply experienced everywhere in the educational infrastructure. As its development follows the number of children, not that of households, low fertility affects this infrastructure seriously. Experience shows that downsizing the infrastructure and closing schools is always much more complicated than building new ones, since people protest strongly against it.

The oversupply of other types of infrastructure (e.g. sewer, roads, heating) causes the fixed costs of the system to be divided into fewer and fewer parts, which makes the operation less and less economic and affordable for the residents.

When shrinkage reaches a certain level, it may also have social consequences, since better-situated people with more opportunities (youngsters, educated residents, better-off families) are more likely to leave the city. The withdrawal of the members of the upper layer of the society may deepen segregation. The depopulation effect may be more serious if the structure of the city is segregated and less so if it is more mixed. Interestingly enough, the case of Dresden shows that the pattern of segregation can stay in place even after population growth picks up again: the higher prestige areas grow, while the socially less prestigious ones continue to lose population (Wiechmann 2006).

The financial consequences of shrinking are heavily influenced by intergovernmental fiscal relations. If a large share of an urban municipality's revenues comes directly from its residents (property tax, directly redistributed revenue tax), then the population decline and mainly the loss of more affluent residents may cause serious financial debt.

6.1.2 Urban policies for mitigation

The key question is to what extent a city (urban area) should accept the fact that its population is declining and that the surplus of the infrastructure and services consume more and more of public expenditure. **Sooner or later most European countries will experience population decline, so cities will only be able to attract residents from each other.** Population gain for one is population loss for the other. Moreover, the reasons behind urban decline are mostly too big for a city to influence. The labour force is practically free to move within the EU from one place to another (in the case of EU citizens), and so it reflects the differences in working opportunities and wages. The fertility rate and life expectancy are also phenomena that can only be influenced on the national level. Other factors that influence population-related policy options, i.e. the size of the city (small cities generally have fewer opportunities) and the area where it is located (e.g. in a remote region or in regions where the economy is booming) are, obviously, a given.. ('Global trends with local consequences' - Großmann 2008) Cities thus have quite limited tools to influence the number and composition of their inhabitants, and they need to accept the fact of decline and adapt to it.

On the other hand, there are examples of city policies which were able to stop population decline and turn it around. The key factor is the quality and quantity of jobs and related public services. Some of the former East German cities that experienced a serious population decline in the 90s were able to catch up by means of a cautious city development strategy. So cities like

Dresden, Jena, Potsdam, Erfurt, Leipzig were able to grow again, while several other German cities remain in the former hopeless situation. (Wiechmann 2009)

The Member States themselves have had different reactions. The Netherlands, which has only 4 small shrinking areas while the country itself has experienced dynamic growth, created a strategy of shrinking in 2009. By contrast, countries like Great Britain or France that also experience population growth but have serious decline in several regions did not put this issue on the political agenda (Cunningham 2009).

6.1.3 Urban policies for adaptation

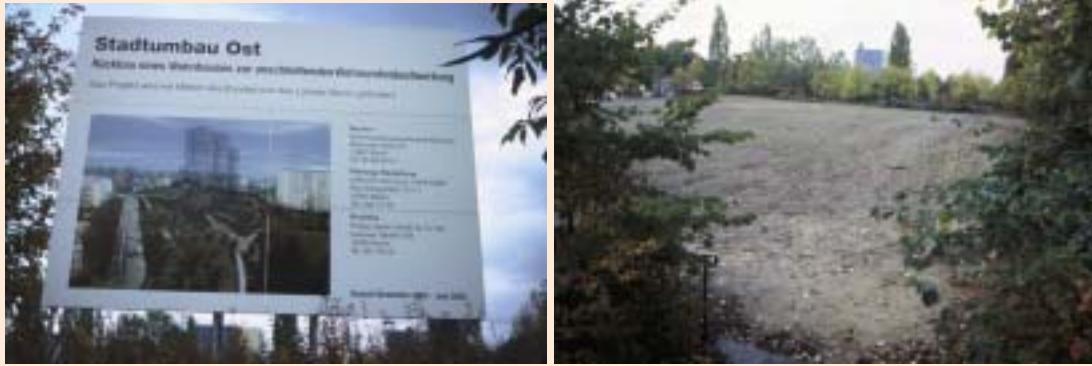
As we stressed before, sooner or later most European cities will lose population. This change can be as dramatic as what German cities experienced, but it is mostly expected to be smooth. Shrinkage itself is not a negative phenomenon – until the point where it endangers the local economic base - as it provides the opportunity to create a more liveable, less dense urban environment and may lead to a new equilibrium on a lower spatial and population level.

The change of the urban dynamism makes it advisable to change current growth-oriented urban strategies into qualitative decline-oriented ones. This new concept can be characterised by the phrase 'regrowing smaller' (Wiechmann 2006)

The main points of a smart decline-oriented strategy are the following:

- Restructuring the local economy: Increasing the number of jobs should not be the only and primary policy goal; it is also important to keep jobs in the urban area and to increase productivity. However, we must take into consideration that cities of complex shrinkage generally suffer from unemployment, because the supply and the demand side are not in equilibrium with respect to their structure. Thus, cities with a shrinking labour force should carry out a proactive approach which aims at attracting those sectors of the economy that meet the requirements/education level of the residents and also lures back the educated young people who would otherwise never return to the city.
- Controlling the housing market by demolition, downsizing and introducing new forms of housing. It is necessary to strive to retain property values, which results in a reorientation from new construction to refurbishment.

Berlin. October 2003. The pictures show the „back-building“ or down-sizing (rückbau) of the Marzahn housing estate: on the place of a previous high-rise building a park will be created while the surrounding buildings will be lowered or renovated. ©Iván Tosics



- Public services: Experience shows that it is not specifically the shortage of amenities that makes a shrinking city feel unlivable to the residents. Rather, the main problem is if services, amenities are not reachable in the city or neighbouring cities in reasonable distance. The quality of services (education, health, transportation, public utilities) cannot be sustained under a certain scale. This requires the introduction of flexible solutions, like school buses to local centres, flexible transportation solutions to meet the residual demands (e.g. cycling, car sharing, taxis), and home-care services to replace costly hospitalisation. In addition, multifunctional solutions should be evaluated which combine services for different sectors, like social and health care centres and complex educational centres.
- The land use structure of a shrinking city can also be reshaped: instead of using up green-field land, brown-field areas should be turned into green-field. After the demolition of unused residential, commercial or industrial objects, new green field areas can be created with parks that increase the quality of the residential environment. However, this solution requires a large amount of public funding, which should be at least partly covered by special financial schemes like taxes on the increase of the property values.

Box 13. Shrinkage oriented strategy of Zeeland

Although the Netherlands is considered to be a country with growing population, there are rural regions that are losing population. In these areas, the number of households is decreasing along with the size of the population. (Zeeland Flanders, Parkstad, eastern part of Groningen)

Zeeland – like other shrinking provinces – is suffering from the need to change from the principle of growth to stabilisation and shrinkage. (Shrinkage is a phenomenon that had never been experienced there except during wars.) The new philosophy of strategic planning has moved **from quantity to quality**: ‘Quality is the goal, and quality must be pursued in all sectors and themes’.

The Province of Zeeland has prepared a detailed action plan to guide the process of shrinking (The path ahead! Brochure) which contains several practical suggestions concerning the different segments of urban life:

- The focus of urban development should be reoriented to the quality of the existing urban area. The built-up area can thus become smaller, thinner, greener and better.
- Regional housing construction arrangements will be prepared, with identification of present and future needs in qualitative and quantitative terms. This will provide a basis for making regional choices as to

where demolition, refurbishment and extra construction will occur and how much funding (Urban Renewal Investment Budget [ISV], possibly Location-Related Subsidies Decree [BLS]) will be used for this purpose. A crucial question is how to generate funds for the needed reconstruction of the housing sector. ‘One way towards a solution could be to have a disposal levy deposited in a restructuring fund of and for all of Zeeland for every newly built home in the province. The disposal levy would be payable by banks, project developers and housing corporations, and by the private buyer. The private buyer could reclaim its levy through a discount on the transfer tax that the central government could introduce for shrinkage areas.’ (The path ahead! Brochure)

- It is a guiding principle of the Zeeland provincial government that the quality of education should always be a central consideration. Under this principle, it is more likely that small primary schools will be merged or that several primary schools will be accommodated centrally. However, accessibility and the provision of proper transportation solutions becomes essential.
- The Province of Zeeland has worked out a programme which aims at luring back the youngsters who left the province to attend university. The province tries to maintain contact with Zeeland students and offers promising opportunities like teachers’ training school (training opportunity for future teachers in the primary and secondary schools of Zeeland) or in-company traineeships.
- The province aims to strengthen the cooperation between different sectors (like education/health care/housing) in order to coordinate needs and provide the needed economy of scale. Cooperation will also be a precondition for granting financial aid or obtaining the cooperation of the provincial government and financial incentives will be introduced to reward cooperation.
- The strategy aims also to strengthen the cooperation between different villages and cities in order to avoid competition and to secure the provision of complete range of amenities, homes and jobs which one city or village cannot provide on its own.

Source: The path ahead! Breaking down reflexes to respond to demographic changes in Zeeland. Brochure, Province of Zeeland

6.2 Urban policy in ageing urban areas

6.2.1 Consequences of ageing

As described in chapter 2.1, the European Union (mainly the EU 15) has one of the oldest age structures in the world. It is the result of growing life expectancy paired with a falling fertility rate. (However, it is important to note that the already low fertility rate is predicted to increase somewhat in the next decades as a result of the tempo effect and the baby-boom effect.)

Ageing as such must be considered a positive phenomenon, as the growing life expectancy indicates social progress. This was a major achievement for European societies in the last century. However, this improvement in the individual’s quality of life adds a further financial and social burden that society must take on. Policymakers need to acknowledge the positive aspects of ageing, but need to formulate policies based on an awareness of the problems it causes.

The economic consequences of ageing (shrinking work force, shrinking tax base, growing need for pension provision, social and health care services) are described in detail in chapter 4.2, as most of the consequences can be evaluated on the national level. However, nearly all of the consequences and policies implemented experienced and applied on the national level have links to the urban policy level.

Cities are mostly the operators (owners) of local health care and social services, although the financing of the services may be divided between national, local and private funds. The growing demand for these services due to the ageing process requires the enlargement of the social and health infrastructure. The organisational problems of social services are even more relevant to cities where shrinking takes place parallel to ageing. The outmigration of young people reinforces the effects of ageing, which means that the urban environment and services need to change quite fast.

This phenomenon is very visible in the countryside, in rural areas where the age composition is mostly older and large scale outmigration can be observed. Service provision in rural areas is even more difficult than in urban areas, as the urban areas are able to realize economies of scale, which makes the organisation of services more efficient and of higher quality.

The consequences of ageing require a certain level of flexibility from the cities. Some decades ago, the need for educational and child care institutions was high. Currently, there is an urgent need for retirement homes, but in some years, as a result of the tempo effect and the baby-boom effect, child-care institutions will probably be needed again.

This flexibility is also required in the case of the housing sector. A new demand has appeared together with ageing: smaller sized units with high services and if possible, without physical barriers. However, this new demand is not easy to meet either in Western or in Eastern Europe. There is a special complicating factor in the East a special condition should be taken into consideration: most of the housing units in urban areas are in private ownership (in most but not all CEE countries). These apartments represent financial reserves for the owners (they can complement their pensions by moving to smaller apartments), but often it also represents the first housing unit of their grandchildren. Thus, housing not only serves the comfort of the elderly in the CEE countries; it also serves as a value for their successors.

The ageing process is predicted to result in a kind of age-based segregation in cities (Hanappi-Egger 2009), where certain neighbourhoods tend to become more homogeneous according to their age structure. If a city administration controls the local housing market (e.g. it is the biggest landlord), then it is capable of providing special forms of housing and urban design in order to strengthen the mixture of different generation (e.g. with multigenerational housing estates).

The ageing process also has an effect on the demand for transportation services in the cities. However, it is obvious that the transport use of the elderly is not at all homogeneous. In Germany, for example, the use of cars among the elderly has significantly increased between 2002 and 2008, while the use of public transportation increased among youngsters between 18-24. (AENEAS 2010 p.5) The reason (among others) may be that older people are less familiar with the alternatives to private cars, and it can be more difficult for them to get information, use ticket machines, or just to get on the vehicle.

Beyond urban services, the urban environment itself needs to be changed, most importantly by removing physical barriers to movement. The elderly share these needs with the disabled and mothers with baby carriages.

Hospitalet (part of Barcelona), Collblanc i la Torrassa area. The park shows the usual mixed use of such areas: elderly playing petanque, youngsters playing football. The regeneration programme of the area paid special attention to the problems of ageing society: besides the usual regeneration interventions also 177 elevators and 3 outside moving stairs have been built. ©Iván Tosics



In addition, older generations may have special needs concerning the structure and functions of the urban environment. As members of the older generation make their everyday purchases on foot, shops and services should be at a walking distance from their places of residence. The importance of the accessibility of local amenities increases with age.

An ageing society does not only require social and health care services; it also represents a new challenge for a new type of demand for free time activities. According to the philosophy of 'new ageing', elderly residents require (and pay for) more and more free time activities, which should be provided by the city. There are free public and cultural services for seniors over 60 in many cities, but the sharply increasing number of residents over 60 may put a heavy burden on the budget of cities and require them to reconsider these generous services.

6.2.2 Urban policies for mitigation: family responsible cities

Ageing is a constant phenomenon which cities must accept up to a certain level, but the pace of ageing and the age composition of a city is heavily dependent on the approach a city develops in order to attract families with children.

The distribution of families with children may be unequal within the urban area. The most common phenomenon is that families with children move to the suburbs where they can find healthier living conditions in a greener area. They leave the inner cities or housing estates where the concentration of older citizens is growing sharply. This spatial imbalance leads to the isolation of generations and the decrease of social solidarity.

In order to mitigate these processes, city municipalities may implement several policies, such as:

1. Providing a proper residential environment for families, mainly with affordable but low density forms of housing.
2. Providing family-friendly public services like child-care centres, schools, social and health care facilities, and transportation facilities without physical barriers.
3. Creating and maintaining sport and leisure facilities, playgrounds and cultural centres.

4. Providing safety in public spaces, streets and transportation systems.
5. Providing several types of allowances to support young families and their children, like local support for buying or constructing homes, ‘baby-bonds’ in case of births, allowances for public transportation use etc.

Several of the above policies also meet the needs of the elderly and promote a generally high level of public infrastructure and urban environment (like transportation without physical barriers, cultural and sports infrastructure, public safety etc.).

The Commission issued a Communication in 2007 (COM/2007/244: ‘Promoting solidarity between the generations’) which promotes family-friendly urban policies on a European scale.

However, we must stress that families – just like active age people – are mainly attracted by a good supply of jobs available in the urban area. The most family-friendly urban areas are those that are able to provide jobs. On the other hand, the distribution of families with children in the urban area is mostly affected by the housing conditions and transportation facilities. The first wave of suburbanisation is nearly over all across Europe, mainly because of the equalisation of housing prices and the difficulties of transportation, which could mean that the number of families with children living in cities may grow again.

6.2.3 Urban policies for adaptation to ageing

The process of ageing cannot be stopped or turned back, its pace can only be slowed down by measures that encourage higher fertility rates and the higher prevalence of families with children. The major economic effects of ageing may be counteracted by increasing the activity rate and the productivity level. The first goal can be assisted by measures on the national level, but the second – increasing the number of people active in the labour market - is also very relevant on the urban level. Increasing labour participation has a lot to do with the integration of ethnic minorities (immigrants or Roma) the activation of the already inactive active age residents – mainly women - and combating the age discrimination of older (mainly unskilled) workers. There are enormous differences between countries concerning the employment rate of 55-64 year old people. The rate is around 30% in Member States like Italy, Luxembourg, Slovenia, Slovakia, Malta, Hungary, while it is about 50-60% in states like Denmark, Germany, Estonia, Ireland, the Netherlands, Cyprus, Latvia, Lithuania and Portugal. (Active AGE 2008, Table 3.) The difference is mostly based on the difference in the labour market participation of residents as such, but in some cases, the labour market participation of the elderly is relatively high in spite of the low level of general labour participation, like in Ireland.

The involvement of close-to-pension-aged residents in the labour market requires, on the one hand, quite similar tools as in the case of other age groups: part time employment, improvement of competencies and skills, but it also requires special measures like gradual pension. Cities are capable of intervening in the labour market by financing – or coordinating – training for adults, providing working places in the public sphere, coordinating the demand and the supply side of the labour market with intermediate institutions.

Even if the labour market consequences of ageing may be eased by measures on the labour market, the fact that more and more elderly people need urban services cannot be avoided.

Services should not only be reconsidered according to the needs of the currently elderly, but also according to the needs of the 'new ageing' generation. (Hanappi-Egger 2009) This generation is more active, individualised and uses new tools of communication (like ICT, e-health services).

The financing of health-care services is mostly divided between the state, the region and the city, besides private actors, like insurance companies. Depending on the social security system, the operation of the services is based on public or private insurance funds, and the cities have a limited role. However, cities may play a significant role in combining the social and health care services, as the provision of basic infrastructure for both services can often be a city responsibility. In the case of services for the elderly, the artificial separation of health care and social care systems is costly and ineffective; it would be more efficient to integrate the two. The case of home-care services which replace hospitalisation, an expensive service, is an example of this synergy.

Box 14. Screen to Screen service in Zeeland

Implementation of Screen to Screen contact services in Zeeland (**the Netherlands**) is a good example of the combination of ICT solutions and home-care services.

Initiated by the Foundation Personal Alarm Centre Zeeland (SPAZ) – and financed by the Province of Zeeland, SPAZ, Interreg IVB North Sea Programme - a pilot phase of a monitor safety system was introduced. The video telephones are located in the houses of vulnerable people able to contact the help desks in case of a health emergency. The assistant is able to send professional staff to the patient within a few minutes. (Two MIDIM nurses and three home care teams are ready to respond immediately) The monitor also provides downloadable applications.

By means of the safety system, there is no need for costly 24-hour medical supervision. It also improves the patient's quality of life and provides independent living and sustainable health care. By now 30 clients and their informal carers have been selected and trained, and a network for dissemination on the regional, national and interregional level will be developed.

Source: DC Noise project, Interreg IV. B North Sea Region Programme

In many cases, cities are service providers or at least service organisers of public transportation. The adaptation of the services to the needs of the elderly includes supplying public transportation service to places with high rates of elderly people, as well as providing the necessary information, flexible services – public taxis - and transportation services without physical barriers. One goal is to remove the elderly from their cars and get them used to more sustainable means of transportation, but another goal is to provide transportation means for those elderly individuals who would be unable to travel without public services. All the measures drafted above require strong cooperation between the city and the service provider (if it is not the city itself). The fee structure of the transport services should also be reconsidered, as more and more people can reach the age group where significant reduction on the ticket prices or even free tickets apply. The structure of age sensitive pricing may be subject to change, where age sensitivity is combined with income sensitive pricing.

Box 15. Personal assistance to public transportation in Paris

The ‘Compagnons du Voyage’ (personal assistance for using public transportation) service in **Paris** does not operate with vehicles; it only provides personal accompaniment for the elderly, people with disabilities or families with children to help them use public transportation. This door-to-door service provides an assistant who helps the customer make their own way through the city, shows them how to travel safely, and mainly provides self-confidence in order to regain autonomy while travelling.

The service operates weekdays and the cost is paid by the customer.

Source: AENEAS 2010 p.28-29

Cities can play a large role in providing opportunities for active ageing activities by organising or supporting clubs, free time activities, and providing suitable places for free time activities (like parks, green spaces). Most cities provide organised free time activities for pensioners in order to prevent them from getting psycho-physical diseases when they end their active life in the labour market.

Box 16. 60+ programme in Budapest

District 11 in **Budapest** decided to make the provision for quality ageing one of the strategic goals for the development of the district. The district worked out a group of programmes, services and opportunities called ‘60+'. These measures are mostly financed by the district, but European Funds are also involved through the European Territorial Cooperation objective under the Central European programme named ‘Quality Ageing’.

The complex programme provides various opportunities for residents above 60, such as:

- Lifelong learning opportunities (languages, ICT skills, etc.)
- Clubs for free time activities like photography, handicrafts
- 60+ card which provides a discount in certain shops, for cultural activities like the theatre, for sports and recreational events etc.
- Organisation of voluntary work that provides services on a mutual basis. (Database of service providers and requirements for services.)

The 60+ programme developing continuously, trying to include all the manageable ideas of the partners and members.

Source: EUKN conference on demographic change 13-15.09.2010

Free time activities can go beyond providing amusement for the elderly and enable them to focus on providing services to others. For example, old citizens can provide tutoring services for students or volunteer for other kinds of social work.

In spite of the fact that elements of policy interventions were listed above for the purpose of encouraging cities to adapt to the challenges of ageing, we must emphasise that concentrating on policies of ageing as such is a less effective way to make policy. In reality, ‘adopting a holistic view entails that successful ageing policy-making needs to address all generations: ageing policy is fundamentally about providing, extending and safeguarding political, economic and social rights for citizens of all ages. In short, citizenship for older people presupposes citizenship for everyone’. (Baseline study active ageing 2008)

6.3 Economic migration and urban policies

6.3.1 Effects of migration on destination (receiving) cities

The Eurocities Working Group of Economic Migration has spent two years collecting empirical background on the effects of economic migration on cities. The unpublished report of the Working Group (Eurocities, 2009a) includes detailed analyses, of which we summarise the example of two cities.

Box 17. Economic migration from the EU-8 to Glasgow

According to official statistics, there are over 5 thousand EU-8 (countries joining the EU in 2004 except for Malta and Cyprus) citizens in **Glasgow** (total population 580.000), although it has now been established that this is an underestimate by a very large margin, as the real number might be more than double of that. The migrants (90% of whom are Polish) are relatively young, 50% are aged 25-34 (the UK average is 38%) and highly skilled: 20% have a post-graduate qualification, 19% have degrees; 39% have high school qualifications and 12% have formal vocational qualifications.

The effect of immigration on the local economy and population had been generally positive. It is clear that the labour supply increased, with the potential to fill vacancies, including those unpopular with the local population. It is uncertain, however, to what extent EU-8 nationals are taking up vacancies that would otherwise be filled by unemployed residents (Glasgow has a particularly high economic inactivity rate that may be related to the migrant flow).

The city considers demographic factors as important as economic ones in the evaluation of immigration. In Glasgow, the mortality rate was higher than the birth rate for many years, further exacerbating population decline. This demographic trend still continues, but is now counteracted by net in-migration. Glasgow's elderly population is being replaced by a younger – and statistically more prosperous – population, and economic migration appears to play a key role in this process. A further advantage is increased cultural diversity, which in turn leads to new jobs and economic growth.

Box 18. Economic migration from the EU-8 to Belfast

The scale of economic migration in **Belfast** (population 270.000) is significant: the proportion of ethnic minorities and people born outside the UK and the Republic of Ireland are higher than in Northern Ireland as a whole. It was estimated that Belfast had become home to some 10 000 new workers from the EU-8 new Member States between April 2004 and March 2006. Of these 80% were aged 18-34, and 61% were male. By number, the largest population is from Poland, and they form the only sizeable cohesive new 'community' in Belfast.

Rapid immigration brought a number of new trends: an increase in diversity, both in society as a whole and within the migrant population; growing numbers of children; mixture of duration of stays; diversity in backgrounds by wealth, language and careers. The impact of this is clear in its implications for public services.

The economic migrant population in Belfast is mainly concentrated in a small number of employment sectors: construction; health (nursing and ancillary staff); hospitality; and Information Technology. A particular migration paradigm has been observed in the case of IT. This is that higher salaries in the Republic of Ireland (especially Dublin) attract skilled professionals away from Belfast, who are in turn replaced by similarly qualified staff from outside Northern Ireland, for example from the new EU Member States.

The acceptance of economic migrants in Belfast within the context of its specific community has been mixed. Employers have increasingly come to appreciate the contribution of migrants; some are developing good practices to maximise potential benefits. However, language skills can be a limiting factor. Employers and employees alike are also learning to be more selective, and the labour market is therefore becoming more efficient. Trade unions are also leading initiatives to increase information, advice and support to newly arrived workers. However, these and public resources are limited. There has also been a measurable rise in racist incidents.

Even without hard economic facts it is obvious that the quick influx of young and well educated population groups aiming to work and earn economic benefits, contributes to the economic progress of the destination cities to a large extent, even turning around unfavourable demographic trends.

While the fiscal (financing the welfare system) aspects are more closely linked to the national than to the city level, the responsibility for the public services is usually on the local level. One of the leading arguments of the anti-migration political forces is that migrants crowd out locals from the public services.

Contrary to this general belief, the EIC 2009 study proves that the input/output balance concerning social systems is usually positive for receiving countries (concerning internal migration within the EU), as migrants typically have a shorter contribution period and pay more into contributory systems (such as pensions) than what they get out of them. However, this positive balance may be altered if we focus on the urban level, where the social costs may be quite visible – like housing, social and health care, education services – but the benefits may go to the nation state. Thus, on a local level, the financial balance might much less be advantageous than on the national level.

Of course, the final balance is only one side of the coin, the other is a sudden change in demand for public services when migrants arrive (and also when they leave). According to the experiences of Glasgow, the arrival of EU-8 nationals has an impact on public services, for example, housing, health and education, and places added pressure on language support services and the demand for English language classes. At the same time, EU-8 nationals can contribute to the provision of public services and amenities as care workers, health workers and bus drivers.

In the Brücker (2008) analysis, the effects of migration on the social model (taking Germany and all types of immigration as an example) were summarised as follows:

- migrants take fewer services from e.g. pensions but more from e.g. medical services
- the net balance of these is positive, i.e., the social cost of migrant workers is lower than for local workers
- without an average immigration of 200 000 per annum, Germany will need to increase its tax intake by 2-3% of GDP.

Although internal (within EU) and external (third country) migrants line up for the same public services, there are differences in their status. While internal migrants generally have better chances to acquire the services, the arrival of bigger numbers of vulnerable EU citizens over a short period of time can lead to unexpected consequences. As Maselnik (2010) points out, mainstream services in many cities face difficulties in addressing the specific needs of vulnerable EU citizens, **as they are not allowed to use resources that are reserved for third country nationals**. In such cases, paradoxically, EU citizens risk not having access to support that is available to non-EU migrants.

There are analyses which point out the longer-term effects of intensive immigration on the local housing market and on the development of the public infrastructure. In the case of the UK, the House of Lords (2009) paper claims the following:

‘Immigration is one of many factors contributing to more demand for housing and higher house prices. We note the forecasts that 20 years hence house prices would be over 10% higher, if current rates of net immigration persist, than if there were zero net immigration. Housing matters alone should not dictate immigration policy but they should be an important consideration when assessing the economic impacts of immigration on the resident population in the UK (para 172).

In addition to its direct impact on the housing market, rising population density creates wider welfare issues and consequences for the living standards of UK residents. These wider welfare issues are potentially significant but in practice difficult to measure and, in part, highly subjective. They do, however, involve economic impacts on, for example, the cost and speed of implementation of public infrastructure projects. It is therefore important to include them in the debate about the economic impacts of immigration.’

Despite the challenges mentioned above, the most innovative destination cities consider immigration as an important opportunity. Many European post-industrial cities face shrinking and ageing populations and labour forces, and it is inward economic migration which can address and even reverse economic decline. Thus, economic migration should also be seen as an opportunity for cities, and even one which can reverse depopulation and suburbanisation. In this case, economic migration is part of the context of competitiveness, as cities must compete for population as for other resources.

6.3.2 Effects of migration on the issuing cities

There is much less public information to be found in the international literature about the economic effects of migration on the cities from where migrants emigrate. The consequences of economic migration were discussed in a Eurocities conference in Poland – in the country where 2-2.5 million people, i.e. 5% of the population works and lives abroad. The experiences of the Polish cities can be summarised in the following way:

The open labour market has both positive and negative consequences on the development of Polish cities. At the beginning, the main positive consequence was the decline in unemployment, which was partly caused by the emigration of the unemployed. Polish people working abroad acquire new experience and skills. The economic benefits to them are clear and a large share of that flows back to Poland (remittances). Polish workers are building a new dynamic image of Poland in Europe.

According to estimates, at least 50-60% of emigrated workers will return to Poland. Besides money, there are also important civic and political benefits to their return, as returning migrants bring with them their experience and expectations of higher values in public services and governance. Many of the returnees accumulate enough capital to start their own businesses in Poland.

The rapid and large-scale emigration has, of course, many negative consequences as well. Some sectors (e.g. construction, health-care) have experienced skills and labour shortages. Due to the shortages, especially of skilled jobs, there is a pressure on wages which decreases the competitiveness of the industry, and puts a burden on further economic growth.

Labour-related emigration creates huge social problems in the form of broken families – the number of ‘Euro-orphans’ (children raised by grand-parents as their parents work abroad) is estimated to be 160 thousand only in Poland. Even return migration has dubious side effects, e.g. **returning migrants usually go back to the largest Polish cities, not to their place of origin**, further increasing the infrastructure pressure in these cities.

Emigration contributes to the increase of development gaps between Polish cities. Large cities which are located in the west and have more communication to the rest of the EU could easily benefit from the process. However, the opening up of the EU labour market has been a disaster for cities in eastern Poland. In Białystok, for example, extreme skills shortages developed coupled with depressed demand and depopulation. Emigration followed two patterns: besides ‘normal’ emigration to the West, economic migration within Poland also increased, e.g. from Białystok to Warsaw. This is due to the fact that the Warsaw economy attracts workers from other parts of the country to replace the workers who have emigrated to other EU countries.

Thus, the **open job market has a special effect on weak cities**, because there a ‘double pull effect’ develops, making emigration even more attractive.

6.3.3 Urban policies for the mitigation of economic migration

Cities can take different positions towards economic migration. On the one hand, they can act reactively, i.e. intervening with regard to the consequences of migration, otherwise letting the market or the national regulatory system shape the migration processes. On the other hand, cities can play a more active role, aiming to influence the process of migration in their urban area, either through interventions into the various aspects of the job market and services, or through influencing national regulators. The rationale for the devolution of some of the responsibilities of migration policy to sub-national governments is provided by the fact that migrants tend to be concentrated in large cities. Public policy has to understand the main migration trends directed to economically dynamic cities and foster coordination between national and local policies and practices. Coordination among and within the various levels of government is an important condition for a successful integration policy.

‘Notably, in cases of rejected asylum seekers it is often the local authorities who must evict people from their homes. This frequently gives rise to policy dilemmas, not least because local authorities are also responsible for maintaining public order. As a result, considerable discussions demanding full compliance with government policies have taken place in recent years. This has occurred on two levels, between the larger Dutch cities and the Association of Netherlands Municipalities⁵ (VNG), and between the cities and the government. Of especially great concern has been the growing number of homeless aliens, including approximately 4 000 unaccompanied minors (Letter of the VNG to Parliament, 5 December 2005). In effect, many local governments openly refused to implement the strict rules set by the central government, for instance, by choosing to subsidize additional accommodation for the homeless. Despite the occasional rebuke by subsequent ministers, the general trend has been to tolerate such inconsistencies. A compromise was reached between the municipalities and the present government that provided for three principle agreements’ (Doomernik, 2008, p. 134)

At first sight cities do not have strong tools to influence migration policies, as they cannot take concrete steps to acquire those migrants whom they would like to see in the city. In most countries restrictive national government policies and regulations seem to be stronger than concrete ideas emerging on the local level.

This view, however, is one-sided. Cities, though not in a leading position to determine migration policies, have many opportunities to influence these policies and build up their active strategies within the national frameworks.

Box 19. OPENCities project

The **OPENCities** project is an attempt, supported by the British Council, to develop the idea of ‘openness’ of a city in order to become more attractive towards migrants and also actively influence the processes of migration through leadership and governance, internationalisation of thinking in the city and managing the resulting diversity (Clark, 2010). The UK even developed a method to classify cities according to their level of openness, which might be used by cities as a benchmarking tool to explore how efficient the policies of the city are in the attraction and inclusion of migrants.

The tasks of active, mitigation-type of migration policies can be manifold:

- to attract ‘wanted’ migrants while keeping ‘non-wanted’ groups of migrants away
- to slow down or even reverse emigration
- to attract back migrants who left earlier to other cities.

Such a strategy has to apply a wide range of different policies, as ‘Growth can not simply be enhanced and disparities cannot simply be reduced by policies aimed at directly affecting demographic developments and migratory flows since these depend on the economic situation.’ (DEMIFER, 2010)

Examples of successful mitigation-type policies

Some cities that want to attract more migrants are doing qualitative research on how to attract a well-educated workforce from other cities. One example for this strategy is **Newcastle**, which has carried out exploratory research on how to attract a well-educated workforce from Romanian cities. Such research is quite costly, especially when trying to explore far away and difficult countries (e.g. China, which in itself consists of many different parts with different languages). Some cities raised the idea of cooperating in such exploratory research, although the competition between the cities for the best potential migrants makes such cooperation difficult.

Cities could design special schemes together with their universities to make the most of the talented potential workforce already studying there. One example for such a strategy is **Glasgow**: after a long period of shrinking, the city is now actively working to appeal to migrants and offered a two-year work permit in Scotland for people who graduate from Scottish universities for this reason. Another case is **Newcastle**, which aims to build up links with medium sized Chinese cities with a population of a few million. The city hall passes over the information arriving from these cities to the university to enable a direct connection between them.

Transport links constitute an important aspect of migration decisions. Open and active cities try to explore the needs in potential issuing countries and cities and then make steps to establish direct flights. Some UK cities contact their already existing Polish migrant workers to find out

where they come from and whether they would need direct flights. **Newcastle** collected such information through the Polish community groups, and had two flights to Cracow daily established on a commercial basis. Efforts towards the improvement of transport links to potential sources of migrants might lead to the development of non-traditional airports or even High Speed Train lines, which can all further increase and diversify migration.

It is somewhat easier to find out how to lure emigrants back through surveys that reveal under what circumstances they would return to their home country. Many Polish cities are in the process of building up policies to attract back their emigrants – with housing as a key aspect, to ensure that the returning migrant can find attractive housing at home.

Box 20. 'Mind in Italy' initiative

Italy is one of the European countries most strongly affected by the demographical challenge, the so called 'brain drain' effect, the international migration of talented Italian scientists. In the European Union, about 5% of Italian scholars currently work abroad, while less than 1% of scholars employed in Italy are foreign-born. Many factors contribute to a scientist's decision to leave the country, including the relatively low level of investment in science, a cumbersome bureaucracy and a less quality oriented advancement system. Lombardy has to face the challenge as well, although Milan's region is one of Italy's great scientific bases.

In order to solve the problem, the regional government and the CNR (the National Research Council) established the 'Mind in Italy' initiative. The programme supports 142 entrant researchers starting in 2009 for three years via temporary contracts (64), research cheques (43), doctorates (5) and scholarships (30). The 4 supported project areas are: 1. New technologies and tools for energy efficiency and exploitation of renewable energy sources for civil uses (34 positions), 2. Innovative biological and technological resources for the sustainable development of the agro-industrial system (21 positions), 3. High-tech processes and consumer-oriented products for the competitiveness of Lombardy's manufacturing sector (59 positions), 4. Nanosciences intended for materials and biomedical appliances (28 positions).

Source: <http://www.mindinitaly.cnr.it/> <http://www.insidehighered.com/news/2008/06/09/braindrain>

A special type of problem is the handling of 'unwanted' migrants. It mainly occurs in Southern European countries and cities, where a substantial share of the immigrants is unemployed. If there are no realistic perspectives in the host country to change this situation and there are better chances for work in the home country, organised efforts can be made in the cooperation of the issuing and receiving country to change the state of affairs.

Box 21. Cooperation between Spanish and Romanian cities

'Romanian and Spanish authorities are discussing a plan to provide incentives for unemployed Romanian migrants to return home to fill public sector vacancies. In recent times, Romania has had trouble finding enough workers to go ahead with the construction of motorways and other infrastructure which in Romania can be counted on the fingers of one hand. The initiative was launched by the Federation of Romanian Associations in Europe (FADERE) when it suggested that governments should offer relocation assistance for 300 000 jobless immigrants in Spain (Spain currently has a Romanian population of 700 000) who may wish to return to Romania. The Spanish government immediately voiced support when it announced that it would cover travel costs for the project. The plan is also likely to receive a positive response in Bucharest, where President Traian Basescu, has declared that his government welcomed the return of Romanian workers, who could help 'alleviate a painful situation, where public works projects have to be put on hold because of the labour shortage.'

FADERE will shortly present a list of concrete proposals to the Spanish government, and it also believes that Romanian authorities should support the initiative with specific measures to facilitate the reinsertion of returning exiles in the job market, such as finance for skills training in economic sectors where labour is short in supply, and tax

exemptions for companies that employ returning migrants.'

Source: (Presseeurop, 2011)

The collected examples show a quite strong divide between two categories of cities: those who actively search for new sources of immigrants and those who do not consider this as a task they should perform. The difference between the two categories lies partly in the difference regarding their expectations about the role of the public sector. It is striking that the cities of the new Member States that have the most market-oriented, laissez-faire type thinking practically make very little effort to influence migration processes – they consider this as a market matter into which the public sector should not intervene.

6.3.4 Adaptation policies

Cities which are facing quick changes in migration patterns, either substantial immigration or quick decline (emigration) of their population cannot avoid reacting, i.e. adjusting the local circumstances to the fast changing situation. (They might also aim to change the migration processes, i.e. try to apply mitigation policies.)

The Gebhardt-Güntner (2008) study systematically analyses the possible adaptation-type of interventions, based on good cases collected from member cities of the Eurocities network. These policies characterise the cities facing a migration surplus (the adaptation policies of cities experiencing outmigration are described in chapter 6.1.3 under the topic of 'shrinking cities'). The starting point of the Eurocities study is that the local impact of economic migration goes well beyond the labour market. A whole range of areas have to be discussed for which local authorities have responsibility: (some of them will be discussed in the chapter on ethnic minorities)

- Promoting social inclusion
- Providing proper information
- Ensuring decent working conditions
- Fighting against discrimination and racism
- Language training
- Building transnational partnerships with areas of origin
- Ensuring political participation
- Strategic planning.

These are the areas which are broadly acknowledged as critical by destination cities of migration, in need of interventions from the side of the public sector. There are some other areas, about which there are more diverging opinions as to whether public interventions are needed or not. One of these areas will be discussed: housing and desegregation policies.

In the following, we list good approaches and practices for tackling the above issues.

Provision of proper information

Access to services is the first step towards social inclusion. For this reason, many cities pay increased attention to supplying migrants with relevant information, making their initial situation easier. There are many ways to distribute such information, making sure that migrant are reached. (The source of most of the cases is the Gebhardt-Güntner, 2008 study.)

- **Vienna** has a well designed, top-down system: newcomers receive welcome packages on arrival, containing information regarding all the important aspects of life in the city, including contact details for useful organisations and counselling services. The city administration organises presentations which give an overview of Vienna's labour market and other important areas concerning daily life, including special provisions for immigrant women. Training courses for newcomers conducted in their mother tongues are also included. The city also uses the social and cultural capital of migrants who have already settled to support the reception of newcomers in a culturally sensitive manner. Migrant associations and groups of established highly skilled migrants play a key role in this.
- **Barcelona** pays also a great deal of attention to running the reception system in partnership with civil society organisations. The core idea of the Barcelona Reception Plan is to use the diversity of existing associations in the city to promote and increase the participation of new residents in the daily life of Barcelona: it involves both traditional associations and new migrant associations, and empowers them to provide basic information to newcomers. The Reception Plan is implemented through a so-called 'Reception Network', which consists of about 100 associations from a huge range of sectors (social associations, neighbourhood associations, commercial associations, religious groups, migrants' organisations). In 2007, 85 251 newcomers were welcomed by the Reception Network. Three sub-groups have emerged from the Reception Network: the legal assessment network (45 associations), the language network (28 associations), and the professional placement network.
- In 2004, Portugal developed two One-Stop-Shops, called National Immigrant Support Centres (CNAIs) through the High Commission for Immigration and Ethnic Minorities in Lisbon and Porto. Migration experts first conducted a Europe-wide search to find the best model for immigrant service delivery, and selected the **Lisbon One Stop Shop model**. At the One-Stop Shop in Lisbon, over 30 different services are available in one location, including the social security and inland revenue offices, judicial services, banking services and everything one needs to know to connect to local government offices. Information is available on schools and the national sports institute, as well as on the electricity and water board. These help integrate migrants into both city life and work much faster and with less frustration and fewer false starts. This One Stop Shop brings services together under one roof, applies reliable service standards and ensures open access to everyone (regardless of status). On average, the One-Stop-Shop in Lisbon received 782 users per day in 2007, and service for that number of users is directly provided by 65 cultural mediators, 19 civil servants and 5 security guards.

Ensuring decent working conditions

Access to appropriate work is a key condition for all migrants to ensure their material and social inclusion into the majority society.

The municipalities have various tasks in this regard. Some employers take advantage of the vulnerable situation of the migrants and of the fact that they are often ill-informed about their social rights. This leads to unsafe labour, exploitative salaries and undeclared work, which decreases workers' social protection status. Thus, cities have to monitor labour conditions. Furthermore, they need to gain better control over labour recruitment agencies and provide advice to migrants on legal procedures as a means of improving this situation.

- **Belfast:** Good Practice Charter on employing migrant workers. The Belfast City Council has signed on to a voluntary code of practice for the employment of migrant workers. The code of practice encourages employers to support the integration and safety of migrant workers into the local community and reinforces best practices in relation to their employment. Another good practice from Belfast is the floating advisory service for migrants to make them aware of their rights. In the Belfast City Council, all policies are 'equalities-proofed' and considerable resources are available for this purpose. These include the Good Relations Unit which has provided frontline training for some 2 400 staff. There is also a specialist Migrant Workers Officer; a welcome pack in 14 languages; and participation of minority representatives in a Migrant Forum.
- **Berlin:** Intercultural openness of the Job Centres. Improvement in the intercultural competencies of all stakeholders in the labour market is an essential pre-condition for reaching target migrant groups. Berlin has put an emphasis on achieving intercultural openness in its job centres to ensure equal accessibility and treatment for people of every culture, working with employment agencies in the region and in the boroughs. Initiatives which introduce an intercultural approach in selected job centres aim to make them more welcoming and inclusive for immigrants as a target group; implementation includes consultation, for example, in terms of required organisational changes and intercultural training for staff.
- **Fair Cities** is an employment initiative which was started in 2004 in Birmingham, Bradford and the London Borough of Brent. Fair Cities Birmingham is designed by the National Employment Panel, which aims to help disadvantaged members of ethnic minorities to apply for jobs and prepare for interviews. The project has helped many BME (Black and Minority Ethnic) participants take part in a pre-recruitment programme of skills development, which includes the application process, teamwork, communication skills, as well as maths and English tests. The programme is based on the precise skills requirements of employers. Through this project a number of unemployed BME graduate participants have gained employment in organisations such as the West Midlands Police and The Heart of England NHS Foundation Trust and Mitchells & Butler. Birmingham City Council was working with Fair Cities in 2007 to recruit street cleaners from areas in the city where unemployment is high.

Language training

In the employment field, interviews and surveys have revealed that language skills are felt to be particularly important both to migrants and to their employers. There is a clear correlation between low language skills and high levels of brain waste and vulnerability.

Granting quick and flexible access to language training has been identified in almost every city as crucial for the empowerment of newcomers. Allocating financial resources for language courses that are open to all, and are not just for one particular group of migrants (such as asylum seekers) is important if cities are to meet this widespread need for language training.

- **Vienna** introduced language vouchers for newcomers: new migrants receive a voucher for a language course when they receive their residence permit. The voucher is worth 300 Euros and is valid for 30 months. It can be used for German courses and integration courses that reach level A2.
- **Rotterdam** hired two Polish persons to be able to advise Polish migrant workers using their mother-tongue.

Building transnational partnerships with areas of origin

The partnerships with migrants' areas and countries of origin was already mentioned in the example of Spanish cities which tried to ease the conflicts with Romanian migrants through building up direct links to the issuing cities. The same tool can also be used in a more positive context.

- **Rotterdam**, in an effort to improve the management of Polish migration, works closely with the Polish authorities. There is regular dialogue with the Polish Ministry of Social Affairs. In addition, representatives from the Polish municipalities visit the City of Rotterdam to discuss the issues related to economic migration from Poland with Rotterdam officials.

Strategic planning

Innovative cities recognise that the social and economic integration of migrants is an essential part of local policy which has to be addressed from a holistic perspective: through cooperation within the city administration and with external partners. Cities set goals and define responsibilities and instruments to reach these goals. They also engage in a process of monitoring to assess how these goals are met over a period of time.

Integration strategies either address the whole immigrant population, as in Berlin's Integration Strategy, and in Tampere's Integration Programme or they highlight particular groups as in Leeds, with its Local Area Agreement on Migrant Workers, Refugees and Asylum Seekers.

- **Rotterdam** has developed a local action plan on economic migration from new EU Member States. Its main purpose is to tackle the key issues concerning working conditions, housing, health and school education. It proposes to extend existing integration policies for third country citizens in some fields (such as language training) to

migrants from new EU Member States, although these measures are not compulsory for EU citizens. The action plan also sets up a communication strategy to inform migrants about their rights and obligations which addresses both migrants who are already in Rotterdam and potential migrants in their countries of origin. With the development of the action plan, the municipality is monitoring the situation in a six month cycle.

The listed topics and briefly summarised case studies give a snapshot of the possibilities cities have to handle the direct and indirect consequences of the influx of migrants. It is up to each city to design the 'policy mix' of these (and also of mitigation-type) tools which best fits specific local circumstances.

6.4 Ethnic minorities and integrative urban policy

One of the new challenges posed by European demographic trends is the increasing number of international migrants moving to cities in the most developed parts of Europe and their impact on urban governance. Although migration is perceived as a contribution to economic competitiveness and urban cultural diversity of Europe, it has social, economic and political outcomes which present challenges to Europe's national and local governments. The presence of ethnic minorities in Europe is only partly a result of recent migration trends; national/ethnic minorities have emerged throughout the course of European history. The opportunity and constraints of the social integration of ethnic minorities vary a great deal across Europe depending on cultural and historical factors. Consequently, urban governments develop different strategies to cope with the problem of integrating people with different cultural, social and religious traditions. However, the growing multicultural nature of Europe creates more and more new conflicts which have to be solved by innovative policies. The efficiency of the solutions depends both on horizontal cooperation (among Member States and among local governments) and vertical cooperation between governments (among European level institutions, Member States institutions and sub-national institutions).

Brussels, June 2010. On the main street of Ixelles, an African neighbourhood of Brussels, large crowd celebrates the Matonge festival. ©Iván Tosics



Our approach is based on the conviction that although urban policy in Europe is constrained by the strict external conditions determined by the main globalisation trends and member state institutional regulations, **urban policy still has some room left to manoeuvre** to find solutions to its problems.

Policies for the social integration of ethnic minorities build heavily on the tools mentioned in chapter 6.3.4, emphasising municipalities' possibilities to provide immigrants the proper information, labour market and social services. Besides all these elements **this chapter focuses on the consequences of the prevalence of ethnic minorities for the spatial structure of the city and the political dimension** of the changing ethnic composition of citizens.

6.4.1 Ethnic segregation in European cities

High migration has an effect on the urban social structures of developed metropolitan cities characterised by social and ethnic division. In these cities there are often significant levels of segregation along social and ethnic lines.

Ethnic segregation is problematic because it makes the integration of immigrants into the host society more difficult. Immigrants can be isolated, they have less of a chance and less motivation to learn the language, and the area where ethnic groups are concentrated can be stigmatised and barred from other opportunities. However, we know from the literature that ethnic concentration is a result of the rational behaviour of new migrants, who tend to move to an area where their social connections help their chances to find housing, work and services. (van Kempen and Özüekren, 1998; Musterd et al. 2008; Tomlins et al. 2001; Phillips 2006).

Segregation is a social problem because it is the consequence of social inequality, and results in the spatial concentration of poverty. The social significance of urban segregation and spatial inequality depends on the 'distance' between social groups (allocated disproportionately among the urban districts) – that is, if a society is more unequal, segregation may cause more social problems.

The concentration of poverty is not only a sign of spatial inequality, but a reason for the neighbourhood effect. Poor households in distressed neighbourhoods face more obstacles to escape from poverty than poor households in socially mixed neighbourhoods. This is the most important justification for counter-segregation policies.

There is a general agreement between different approaches and theories of urban stratification that the ethnic dimension is one of the most important factors in territorial and social segregation in modern cities, but not the only factor – income, education, social position, occupation etc. play a role as well.

Research on the social stratification of European cities has found that the social division between different groups is generally much lower than in US cities, but it varies very much and changes in time as well. **Thus segregation in European cities tends to be lower than in the US.** Wacquant (2006) compared the French and US ghettos, both of which were the residence of poor households – a concentration of poverty. However, they differed from each other substantially: 1. The French ghetto was racially heterogeneous, while the US ghetto was homogenous; 2. The French ghetto was located on the outskirts of the city (typically in the housing estates built in 1970s), while the US ghetto was located in the centre of the cities; and 3. An efficient welfare system operated in the French ghetto, while there was no safety net program present in the US. It is not possible to make a generalisation for European cities, but this analysis highlights the significance of the welfare state in two respects: first, income inequality, the distance between the rich and the poor, is one of the most important causes of the social problems related to segregation; second, the social and institutional mechanism of neighbourhood development in the welfare state causes the difference between France and the US.

According to Musterd and van Kempen (2009), **overall segregation levels do not appear to increase in Western European cities.** However it is very difficult to generalise, because there are big differences between immigrant groups in any one city (history, social and ethnic background, etc.), and similar groups in different cities may also have had different experiences. Moreover, Várady (2008) gave an overview of the residential segregation of the Muslim population in European cities, and he concluded that it is very high: ‘Muslims in other European countries are concentrated in public housing estates, typically on the urban fringe. In contrast to America in the 1990s, where the level of black racial segregation dropped in metropolitan areas, Muslim residential segregation remained high in many cities.’ (Várady, 2008, 59 p.)

It is important to note that ethnic segregation is an important problem even in countries which have an efficient welfare system. (For example in Sweden.)

Stockholm, June 2003. In the outskirt of Tensta housing estate a garage shopping centre has been created by migrants. The underground parking became empty as people wanted to see their cars. Migrants have turned the underground parking into a bazaar, selling all types of goods. Some years later the bazaar has been shut down by the police. ©Iván Tosics



The basic question is how the ethnic and social dimensions are interrelated as determining factors in segregation.

'Since the unification of the city, Berlin has been confronted with the decline of 220 000 industrial jobs. The industrial and economic deterioration in particular affected Berlin's non-German inhabitants, which comprise 13.4 per cent of the total population. While the overall unemployment rate is about 18.5 per cent, currently more than 44 percent of non-German inhabitants are jobless. Related to this economic decline and social marginalization process was the spatial decline of several neighbourhoods where affected persons are concentrated.' Beer et al, 2006

Ethnic immigration raises political concerns and anxiety among the native population, which easily creates political upheaval and support for extreme movements.

'Increasing ethnic diversity tends to produce anxiety and fear among local residents. Nowadays migration takes place at a very fast pace making the assimilation process more difficult than in the past. Though only quite a small percentage of the urban population, the presence of migrants is frequently overestimated in the perception of local residents. International migrants are easily not only recognizable, they are often spatially concentrated, while also tending to agglomerate in specific economic sectors.' (Balbo and Marconi, 2005, 8.p.)

6.4.2 Policy approaches against segregation

Both ethnic and 'social class based' spatial segregation are considered to be a social problem, and public policy in European Member States has tried to combat segregation trends since the 1970s.

Generally, the income and other types of active social support programs for the poor (who are typically concentrated in poorer areas of the cities) can be considered as one strategy against social segregation. However, when not only social status but other factors like ethnic composition

enter the picture a more complex intervention is needed. Simple administrative solutions - like prohibition of movement to the area - cannot work, either.

On the basis of the literature on more complex programs, we can differentiate among three basic approaches to fight against segregation. Urban restructuring and housing mix programmes try to reduce the level of segregation, while socially sensitive area-based programmes try to mitigate the effect of segregation.

Urban restructuring programmes

Urban restructuring policies basically aim to redefine the status of the urban structure affected by segregation. Increasing the status of the area involves mass demolition, reconstruction, public space interventions etc. The displacement of households from distressed neighbourhoods can be a tool for these interventions. In the urban sociology literature, replacement is seen as a negative by-product of urban reconstruction. Through reconstruction or gentrification the poor are basically forced to move, typically to another distressed neighbourhood. Consequently, the segregation of low-income households and ethnic minorities does not decrease (Wittebrood & van Dijk, 2007). However, the empirical studies showed that the change of neighbourhoods is a more complex process. Bolt and van Kempen (2010) showed in a study of the Dutch housing program that 'urban restructuring leads to a desegregation of low-income groups', as they found that even the lowest income group among those displaced has taken the opportunity to move to more affluent neighbourhoods. (Bolt and van Kempen, 2010, p. 177) But according to the authors, even these direct results do not guarantee that segregation will not grow through indirect effects, because the increase of ethnic minority residents has a relatively large effect on the outmigration of the better-off population, which contributes to the segregation process.

Social and housing mix policies

Social and housing mix programs are aimed at reducing the spatial concentration of ethnic groups and poor households. There are very different programs which basically focus on the allocation of housing opportunities in new developments or existing areas through housing policy interventions (tenure structure, allocation of public housing, inclusionary planning rules, etc.).

There is an interesting conflict between two public policies in England. On the one hand, the government's urban policy aims to create more ethnically and socio-economically mixed neighbourhoods; on the other hand, housing policy aims to give tenants more choice in housing mobility. As Van Ham and Manley (2009) showed, the two policies may contradict each other, as choice-based letting (the new housing policy initiative) contributes to self-segregation. They concluded that ethnic minorities renting property under choice-based letting are the most likely to accept a dwelling in an ethnic concentration neighbourhood.

The Hague, November 2005. In the inner city of The Hague there are run-down areas, dominated by social housing and poor and migrant population. Many of these houses are demolished, and the inhabitants are offered new social housing in the edge-of-the-city new social estates. On the place of the demolished houses new owner occupied buildings are built by developers for middle class families. In this way the city wants to achieve more social mix through initiating tenure mix. ©Iván Tosics



Area-based socially sensitive programs

Area-based socially sensitive urban policy approaches complement the general sectoral programs. These programs concentrate policy measures on a spatially defined area of a manageable size with the expectation that the improvement of the whole area and the increase of the social capacity of the inhabitants living there would decrease segregation or its negative effects. (Slob et al, 2006) Through the area-based socially sensitive approach, policy instruments can be used in a concentrated way in order to achieve visible results in a well-defined poor area. However, there are several drawbacks to an area-based policy (Andersen, 2001). One of the problems is that it presupposes that poverty is concentrated and neglects social problems which are not concentrated territorially (poverty, social exclusion, etc.) (Andersen & Van Kempen, 2003; Andersson & Musterd, 2005). The other typical problem with these policies is that the individuals or households that became socially more stable and affluent as a result of intensive personal treatment (like training or education) will leave the area and are replaced by other disadvantaged families that need help in turn.

The opposite of the problem mentioned above (that the better off families leave the area after special treatment and new families with difficulties replace them, thus making problem permanent) is the threat of 'overdeveloping' an area. If an area is upgraded by the rehabilitation programme, it may increase its value on the real estate market and the disadvantaged families will leave the area because they will not be able to pay the increased rents or – being owners – by trying to gain on the sale of their unit. This phenomenon occurs mostly when an area has a relatively good urban position and increasing its market potential would lead automatically to the crowding-out of the residents with lower social status.

Box 22. Anti-segregation measures in EU cities

Large cities in Europe (especially cities in the more developed part of Europe with a strong economic background) have considerable experience in the integration of ethnic minorities. The integration of ethnic minorities into the urban economic, social and spatial structure is a key element of a successful urban policy, although cities are rarely independent when it comes to international migration and largely depend on national legislation and other global factors.

It is in the interest of the city to use its own resources and power to stop extreme segregation; the majority of policy makers are convinced that immigrants will integrate into the society more easily if they live together with the native population rather than in segregated areas.

In Amsterdam, there is an agreement between the Amsterdam authority, city district authorities, housing corporations and project developers which aims at an 'undivided city': a city without concentration of lower classes, social housing or ethnic groups. There are several implicit anti-segregation measures in the city which aim to create social cohesion in deprived and segregated areas. In Amsterdam the most relevant anti-segregation method used is indirect and positive: the aim is to attract middle-class people to an area full of dilapidated houses that are to be demolished and replaced by a mixture of expensive rental, inhabitant owned and social housing, which attracts a mixture of socioeconomic classes.

Some cities in Germany use a quota system, for instance, Stuttgart and Frankfurt: In Stuttgart the urban housing company 'Stuttgarter Wohnungs- und Städtebaugesellschaft' (SWSG) assigns dwellings according to certain quotas: 80% of tenants in a housing block should be from the EU, and a maximum of 20% may be citizens of third countries. In Frankfurt a proportion of foreigners (30%), welfare recipients (15%) and ethnic German migrants – Spätaussiedler (10%) cannot be exceeded in a given housing area. However, the efficiency and the legality of the quota system can be questioned, thus experts and policy makers often support proactive, explicit anti-segregation programs.

Another typical strategy is to spread social housing in order to avoid a spatial concentration of low-income households and migrants. In Arzberg the regulation for the construction of social housing estate requires that only projects with a maximum of six to eight housing units can receive financial support. Furthermore, construction on the outskirts of the city and the concentration of subsidized housing facilities are no longer allowed. Proximity to infrastructure like childcare facilities and shopping centers is also a relevant aspect in matters of financing.

The so-called 'soft, socially sensitive' urban renewal approach applied in many European cities tries to transform segregated and disadvantaged neighborhoods into more attractive and diversified residential areas. In contrast to resettlement, gentrification or purely 'hard' urban renewal projects, 'soft' urban renewal programmes are orientated towards the specific needs of the local population; in this way, physical urban development is combined with social development. This includes, for example, an open planning process with the full participation of the citizens concerned, the retention of the local population in particular areas and the integration of housing, educational, cultural and labour market initiatives. The Magdolna district in Budapest is a good example of such attempts; in Frankfurt, Stuttgart and Vienna, successful general strategies of soft urban renewal can also be found.

Other interesting measures aim at improving the image of the urban district through the media, political parties or other organizations.

In Frankfurt the three-month project 'Kids World Cup of the 32 fantasy countries' was a football competition in a district with a high percentage of migrants. The concept helped to show how isolation and racist conflicts can be overcome in football and in daily life; the children's ability to deal with conflict was promoted by establishing tolerance and fairness rules. About 500 children and 30 district migrant organizations participated in this project. The positive press coverage led to a positive change in the image of the entire district.

Source: Housing and integration of migrants in Europe 'European network of Cities for Local Integration Policies for Migrants' (CLIP), 2007

6.4.3 Urban governance and the ethnic minorities

The growing significance of migration in European cities raises questions concerning the **political rights of the migrants**, their possible political participation in the society both at the national and the local level. Ethnic minorities in Europe (caused by immigration or other historical factors) are typically under-represented in political institutions, but put more and more political pressure on national and local governments. As a result of the decentralisation process in the last two decades, urban governments have more and more responsibility for managing problems related to ethnic minorities.

'International urban migration involves essentially all dimensions of urban policy, from local economic development, particularly the informal sector, to education, health, housing and urban safety. Moreover, it has important urban governance dimensions on two counts: firstly, as it relates to the access of international migrants to local decision-making processes. Secondly, and more importantly, because international urban migration must be considered as a domain where the interests of different actors are at play—*institutions and individuals, public and private, legal and illegal* (Salt, 2001). Dealing effectively with the phenomenon means providing adequate responses to international urban migrants when they settle in a city or want to become returnees as early as possible. However, it also means understanding the interests the different actors have in encouraging and "selling" migration and setting up a system of governance focusing on these actors, as well as on the urban migrants'. (Balbo and Marconi, p. 9)

Two areas of political change will be discussed here: first, the new attempt with the neighbourhood councils and second, the new structures of the urban government which give more responsibilities to the representatives of ethnic minorities.

Neighbourhood councils

There was a demand to strengthen the local **representation of neighbourhoods**, which are typically smaller areas than districts. The starting point in Europe was the need for public participation in urban rehabilitation programs, which led to the formation of the sub-municipality structure. There are two types of approaches to neighbourhood councils: (1) neighbourhood-initiated organisations and (2) city-initiated organisations. For example, in Los Angeles, the concept of Neighbourhood Councils was approved in 1999. Neighbourhood Councils are designed to give community members a forum for addressing issues in their neighbourhood as well as the capacity to improve their neighbourhoods. A special department, the Department of Neighbourhood Empowerment, helps the work of the spontaneously formed neighbourhood councils. Amsterdam's first neighbourhoods were established in the early 1980s. Amsterdam-Noord and Osdorp were the first to have their own authorities with extensive independent powers, with their own budget and team of civil servants. The idea was that neighbourhood authorities like these would contribute to more efficient and effective decision-making, and that people would feel more involved in local government. The experiment in Amsterdam-Noord and Osdorp went well and in the years that followed the number of neighbourhood councils increased to sixteen.

Several countries make it possible for large cities to set up **sub-district units** of governments, which can guarantee a higher level of local participation and legitimacy. In Hungary, for example,

the sub-local governments in Budapest typically represent homogeneous residential areas that have a common history. Their existence (scope of responsibility and finance) depends entirely on district council decisions. The sub-municipalities of ethnic and national minorities in Hungary are organised under the local governments but not on a residential basis.

'Immigrant participation is a central issue for newly-established decision making bodies such as the Neighbourhood Councils (Quartiersrat). These fora enable local institutions, associations and residents to participate in decisions on allocation of grants and selection of projects. Neighbourhood Council participants are primarily residents with high levels of professional and cultural integration. Thus, the challenge is to also make opportunities and possibilities for participation available to residents with more limited language skills and very low levels of social integration – both immigrants and non-immigrants. Structural exclusion from opportunities for political participation (the right to vote) constitutes an obstacle for non-Germans, and results in the paradoxical situation that while 'public participation' is compulsorily required of immigrants, important elements of citizen status simultaneously remain denied to them. 'Beer et al., 2006

Consociation and majority governments

The political question is how formal power is shared among ethnic minorities. One solution is the 'consociational power sharing', which means that the representation of different ethnic groups is guaranteed. For example: Lijphart (Netherlands) has 4 non-majoritarian devices: a coalition government by representatives of all the ethnic groups; representation proportional to their relative sizes; autonomy in their group organisation; and mutual vetoes to protect particular ethnic group interests. The danger of this model is that it institutionalises ethnic differences. Another solution is that ethnic representation is guaranteed at a lower level of the urban government: the district or sub-district council can provide room for ethnic diversity, which requires a multi-level urban government structure. There are no ready-made solutions, urban policy is always an interaction of the global (regional and national) developments and local opportunities, where the discretionary power of local politicians affects the social and economic outcome of the policy. (Smooha, 2002)

6.5 Typologies of urban areas requiring integrated policies

There are several studies and research activities that aim to create a typology of regions or cities based on their demographic parameters. However, we think that a typology based on purely demographic factors is not a good basis to define integrated policy answers. Demographic processes in and of themselves do not necessarily cause serious problems. Instead, their social and economic causes and consequences are generally responsible for the problems. The same demographic parameters may be coupled with very different economic backgrounds, while different demographic parameters could cause quite similar economic consequences. That is why we believe that a **typology of urban areas should be made according to demographic and related economic parameters**.

Demographic – and economic – trends in a certain urban area may change with time, and most cities do not have a definite demographic status on the long run. However, large-scale changes which would change the type of economic-demographic character of the city, occur quite rarely.

These changes are a result of substantial changes in national or world trends – e.g. artificial establishment of industrial capacities as in the ‘socialist city model’, or the collapse of traditional industries, or revolutionary political changes like the German Reunification. Thus, in the absence of radical forces for change, urban areas tend to follow quite stable patterns.

6.5.1 Dynamically growing urban areas

Dynamically growing urban areas are the territories that are characterised by both economic and demographic growth. These cities have a favourable economic position, being substantial metropolitan areas with good connections to the national, European or world market. Such cities have a positive migration balance as migration flow (both third-country and within EU) is mostly concentrated on areas where working opportunities are to be found.

In spite of the relatively favourable conditions, dynamically growing cities must face several demographic challenges:

- Increasing social tension as a result of constant migration flow
- Heavy demand for affordable infrastructure (housing, education and social infrastructure)
- Growing density in certain urban areas
- Challenges of the urban structure (uncontrolled dispersed growth in the suburbs)
- Segregated areas inhabited by migrant families throughout the city both in the outskirts and the downtown areas
- Still existing need for skilled workforce
- Growing number of older residents – however, their share may not grow significantly as a result of the inflow of youngsters

Thus, the goal of the integrated policy in this case is to retain the territorial and social cohesion of the urban area.

Box 23. Socio-demographic strategy of Munich

The city of **Munich** prepared a socio-demographic strategy in 2008 in order to evaluate the socio-demographic processes of the city and to highlight all the relevant policy fields that are affected by demographic changes.

The document emphasises that the demographic processes of Munich substantially differ from that of the national ones. While Germany has a migration loss – in spite of intense immigration – and population decline, the city of Munich experiences massive population growth. It occurs despite its current very low fertility rate – 1,2 – as a result of the high level of internal and external immigration. Demographic processes will result in only slight changes in the age structure in the next 10 years, but they may significantly sharpen the social and spatial differences.

In order to ease the pressure on the social system, the strategic document of the city defined several thematic goals and policies that should be further developed:

- Encourage polycentric urban development and compact urban structure
- Regional cooperation in housing supply
- Provide affordable housing

- Define spatial plans adapted to the needs of the elderly
- Support the creation of sustainable and barrier free transportation modes (for the elderly and the disabled)
- Strengthen employment opportunities and abilities (language competencies, life-long learning, flexible employment modes)
- Enlarge and improve social care services (child care, home care)
- Health care programmes for special target groups (youth, migrants)
- Cultural integration of residents with migrant background
- Promote mixed residential neighbourhoods
- Strengthen intergenerational solidarity
- Use culture as a tool for intercultural and intergenerational integration

Besides the definition of interrelated policy fields the strategy stresses the importance of the monitoring activities and awareness raising among decision makers and the inhabitants.

Source: Perspektive München (2008)

6.5.2 Urban areas with stable economic-demographic parameters

The category of stable cities contains a wide variety of demographic parameters from modest reduction to modest growth. These areas have the most heterogeneous demographic structure which may include immigration or emigration, relatively high or low fertility levels. The spatial distribution of residents may also be very different from the suburbanisation process to disurbanisation or reurbanisation. The main attribute of these urban areas is the stable economic background and the manageable, gradual change of the number of the residents.

Cities belonging to this category are located all over Europe, like capital regions and cities in the western part of the countries of Central and Eastern Europe or mostly medium sized urban areas in Western, Southern and Northern-Europe.

As this category is the most colourful, the problems caused by demographic changes may also be very different:

- Ageing of the population
- The need for restructuring the local labour market
- Need to integrate migrant or ethnic minority families
- Growing regional disparities in the urban area
- Substantial shrinkage of the population with all its social and infrastructural consequences (which, however, does not make the whole local economy unstable)
- Unstable demographic trends concerning the composition of residents (age structure, social structure, spatial distribution)

Thus, the goal of the integrated policy in this case is to develop a flexible urban development strategy in social and territorial terms with a special focus on the ageing generations.

The focus of such policies could be very different as the status and composition of the cities is very diverse in this category.

6.5.3 Urban areas suffering from complex shrinkage

The topic of urban shrinkage is currently very popular in Europe, but we should distinguish carefully between gradual population decrease and the structural decrease of the human and economic basis (see the description based on data in chapter 5.2.1).

If a city is considered to be in the process of 'complex shrinking', than both its demographic and economic position are endangered: production may decline (or not grow properly), the unemployment rate may increase. The **real danger appears when the demographic and economic decline strengthen each other** and the whole local economy goes into a downward spiral. When there is a shortage of jobs and their quality is inadequate, the most productive layer of the local society may leave the city, which may not be capable of restructuring its economy without the skilled labour force.

A special subcategory in this group of cities is where the urban area is growing demographically with the inflow or higher birth rate of disadvantaged social groups but its economic potential is still stagnating or decreasing as the growing number of inhabitants is mostly inactive. Relatively few cities experience this phenomenon; it is more typical for villages or smaller provincial cities to face these difficulties. In these cases, ageing as such is not a relevant problem, but the shortage of skilled workforce still remains a weak factor.

Dramatically shrinking cities can be found all over Europe, such as smaller cities in rural areas far from main infrastructure or a large share of East and Central European cities - except for the capital regions and the more developed western regions. This type of city is most commonly found in the former East Germany. Urban areas with a growing number of inhabitants but with serious economic difficulties are located mostly in remote areas of Central and Eastern Europe.

The goal of the integrated policy in this case is to redefine the local economic potential and create sustainable living conditions.

The scale of action of the cities depends largely on the multilevel governance of the state. **A city is very rarely able to turn the shrinking trend around alone.** National, regional support, investment is needed not only because of the scarcity of funds but also because of the lack of the right scale of action.

Beyond vertical cooperation in elaborating a shrinking strategy, horizontal cooperation with neighbouring cities and villages turns out to be more and more important. Cooperation should be based on mutual advantages, on the distribution of functions with the provision of proper connections and transportation lines to make the services accessible. The other dimension of cooperation can be the link that connects the shrinking city or village to a growing one in order to benefit from the growth or to create risk sharing mechanisms (like financial pools or compensation schemes).

The goal of the strategy of revival does not necessarily mean that the city has to attract many newcomers and make the population grow again. It may also try to find a new equilibrium on a lower spatial and population size. With the structured downsizing of the redundant infrastructure and the strengthening of the economic basis a city may survive and become liveable on a smaller scale than before. **A shrinking city could be successful even if it becomes permanently smaller, but better integrated into its metropolitan surroundings.**

Practically, the national policy of supporting locally sustainable economic policies, the strengthening of the urban-rural networks, the rational distribution of services in urban areas should be part of the national regional development policy that usually aims at creating a sensitive balance between supporting remote regions while giving impetus to the growing regions with Europe-wide economic potential.

Box 24. Stadtumbau-Ost programme in Germany and its implementation in Dresden

The Stadtumbau-Ost programme in Germany from 2000 was a policy response developed to handle shrinking experienced in the Eastern part of Germany. The programme (supported by the Federal Government and 6 Eastern German Federal States with an annual budget of 150-200 million Euros) had two main goals:

- Demolition and downsizing of underused residential units mainly in large housing estates (about 220 000 units were demolished)
- The revitalisation of the urban environment, mainly city centres

The cost of demolition was totally paid by the Federal Government (Bund 50%) and the Federal State (Länder 50%), while the rehabilitation costs were divided into three parts (Bund, Länder and the owner).

The existence of integrated city-wide urban development strategies became a precondition for the state subsidy. Even the preparation of the strategy was subsidised by the Programme. These strategies were the right documents on which to base the further potential economic recovery of the city. Thus could then be used to bid for other regional and federal funds for economic development.

Source: EUKN database

Case study: Dresden

Dresden is the capital of Saxony with about 520 000 inhabitants (2009). The city has experienced a serious decline in the number of inhabitants in the 90s (decreasing fertility rate, massive outmigration to Western areas), combined with a growing unemployment rate. However, between 1990-1995 it still followed a growth-oriented development strategy.

Although the city lost a lot of citizens, the construction industry was booming as a result of the euphoria of the unification and the suburbanisation process. The housing construction was heavily subsidised by the state. The renovation of the inner city and the housing estates were subsidised as well. As a result of oversupply, by 2000 about 20% of the housing stock was vacant.

The turnover can be observed both on federal and municipal levels. In 2001 – connected to the requirements of the Stadtumbau-Ost programme – the city prepared its new Reconstruction Strategy, which was no longer growth oriented. As a result of the new planning philosophy and the new waves of state subsidy the following steps were taken:

- With high state subsidy, high-tech industry settled in the area ('Silicon Saxony' microelectronics cluster) which resulted in a significant raise in the GDP, although it did not replace the working places that had already been lost.

- The economic take off started to attract newcomers and immigration became a relevant process. In addition, the birth rate increased, and with all these factors the number of inhabitants has increased by 25000 people.
- The strategic plan focuses on the model of a compact city: attractive urban centre, reduced land consumption, stable population.
- Several thousands of housing units were demolished or downsized with the financial help of the Stadtumbau-Ost programme. About 5 000 units are still to be demolished. (However the construction of about 1 000 housing units annually is still on the agenda.)
- The brown-field sites were converted into green-field areas, where new family housing forms were created. (This supply was competitive with the suburban areas and attracted a lot of potentially suburban residents.)

As a consequence of strategic planning and the huge amount of state subsidy, the city is growing again and the suburbanisation process has been terminated. However, while some parts of the city are prospering (historic centre, green residential areas), others are still declining (housing estates). Growing and shrinking neighbourhoods are close to each other.

The strategy that Dresden has followed was flexibility-oriented rather than purely decline-oriented and had to accept the fact that planners can never predict the future entirely.

Source: Wiechmann 2009

The typology described above proves that **all urban areas are affected by demographic change**, but the scale, the consequences and the policy approaches are different. The scale of the problem is the greatest in the first and third category, where the degree of population change is the biggest. However, in the case of the first category, the economic potential seems to be more substantial compared to the magnitude of the problem than in case of the third category, where the change in the trends could hardly be managed without the effective assistance of the national or EU level policies.

Thus, integrated policy interventions are needed mainly in the crucial categories. Integration in this sense means vertical cooperation (between different level of governance including the EU, the national state, the region and the local authorities) horizontal cooperation (between settlements of the same functional urban area) and transversal cooperation (between different sectors of intervention).

7 THE ROLE OF THE EUROPEAN UNION IN SHAPING MAIN DEMOGRAPHIC TRENDS

7.1 The most important EU documents concerning demography

Although its competences vary depending on the specific aspect of demography, **the EU has very little say in how demographic balance can be achieved within its territory. The policies with regard to demographic change rest mostly with the nation states, and only in the case of migration is there consent concerning the need for mutual coordination and intervention.** Despite its relative lack of power, the European Union has a set of strategic aims it wants to achieve in demography. These aims are strongly influenced by the common documents – most importantly the Lisbon Strategy, the Europe 2020 strategy and, in the case of urban development, the Leipzig Charter – as intervention in the field of demography is seen as a way to achieve goals such as economic prosperity, development and sustainability. It can even be said that the European Union has become more and more active in recent years, taking stock of the grave problems that vital statistics reflect, and trying to facilitate population dynamics that help to achieve its main goals.

The most important document with regard to the demographic strategy of the EU is its Green Paper (2005). **The Green Paper emphasises that although most issues associated with demographic change fall within the competences of the Member States, demographic change has to be regarded as a common interest.** The main factor behind the EU's intensifying interest in demographic change is the predicted fall in economic productivity as a result of rising welfare costs and a possible labour shortage. Given the worsening old-age dependency ratio and the changing population structure, the Green Paper advocates that the objective of the Lisbon strategy – employment rate of 70% - be exceeded.

In order to compensate for the predicted fall in working-age population, the Union advocates the following measures in its Green Paper:

1. **Greater employment participation** 'Two problems today are often the lack of employment opportunities for those youngsters who want to enter the labour market. At the same time many still retire relatively early (the employment rate for the above 55 was 40.2% in 2003'). This encouragement especially applies to women and older people. Furthermore, it encourages productivity growth through economic reforms, research and innovation
2. **Greater encouragement, introduction of incentives to raise fertility levels.** According to surveys Europeans (EU25) would like to have 2.3 children instead of the current average of 1.5
3. **Outside immigration** could mitigate the effects of the labour shortage. However, migrants should be integrated properly – not only as manpower, but as members of the societies. Right now, it seems that even larger migrant flows are needed on the long run for compensation

4. A new solidarity between generations

- Better integration of younger people (the educational system will have to become more flexible and at the same time raise the level of initial training).
- Global approach to the ‘working life cycle’. The number of young adults (25-39) will drop by 16% between 2010 and 2030, and the number of 40-54 year old adults will start to decline from 2010. Younger people might want to work less and stay more with their children, while they might want to work more later on.
- A new place for elderly people: more flexible bridges should be built between work and retirement. The movement of the elderly can have strong spatial consequences as well.

The Commission document '**The demographic future of Europe — from challenge to opportunity**' was presented in 2006, and focused on the following five areas as key targets of action in order to face the challenges of demographic change:

- Better support for families;
- Promoting employment;
- Reforms to raise productivity and economic performance;
- Immigration and integration of migrants;
- Sustainable public finances.

The announcement of the European Forum on Demography also shows an increased activity in face of the challenges. This event has been held every two years starting in 2006 in order to understand developments and review policies.

Box 25. EU research projects focusing on demographic change

Another sign of intense interest from the side of the European Union has been the funding of research projects focusing on various aspects of demographic change. Just among projects funded by the 7th framework there have been several aimed at better understanding the social, economic and cultural consequences of the changing demographic picture of European societies, as well as the motivations behind the personal decisions that have caused this change.

An important theme in these research projects has been the question of the growing share of the elderly among European citizens. Both ASPA (Activating senior potential in ageing Europe) and DEMHOW (Demographic change and housing wealth) have focused on this issue, with the former trying to figure out different ways of employing the young elderly in a fruitful way both inside and outside of the labour market, and the latter hoping to estimate the possible use of housing wealth as a source of pension in an ageing Europe.

MULTILINKS has focused on the aspect of change in the composition of different generations, more precisely on how demographic change shapes intergenerational solidarity, well-being, and social integration. It has also tried to understand intergenerational interdependences in order to identify care regimes. Finally, among the projects concerning the changing age-composition of Europeans REPRO (Reproductive decision making in a macro-micro perspective) has focused on the question of fertility, more precisely on the factors that drive changes in the birth rates and influence the reproductive decision-making of contemporary Europeans. The most important projects about migration include MAFR, TRANS-NET and GEMMA. The starting point of MAFE (Migration between Africa and Europe) has been that African migration has become a major concern for European policy-makers. Nevertheless, new policy measures often rely on a poor understanding of the underlying causes and the consequences of African migration. Consequently, the MAFE project has aimed to overcome this lack of understanding, most importantly by

trying to unravel the causes and roots of African migration and the nature of return migration. Similarly, TRANS-NET (Transnationalisation, migration and transformation) tries to understand the transnational networks of migration and their political, economic, and socio-cultural activities. Finally GEMMA (Gender and Migration) concentrates on female migration with the aim of giving a more accurate portrait about it to policy makers.

With regard to the spatial consequences of demographic change, two major ESPON projects have been funded during the last decade. The first one (ESPON 1.1.4) published a final report in 2006, whereas the second, DEMIFER (Demographic and Migratory Flows Affecting European Regions and Cities), just finished in September, 2010. The first project encompassed all aspects of demographic change, focusing on its spatial effects, while the second one had an urban focus with migration as its major concern.

In addition to Framework research projects and ESPON projects, there are several research-oriented cooperation projects of Member States that aim at investigating special aspects of demographic change such as DC Noise, Aeneas, CIRES etc.

7.2 The European Union's role in migration policies

There are two semi-independent policy areas of migration: first, the migration policy of the Member States (which includes both inter-EU migration and immigration from outside the EU), and secondly, EU level regulation that has to do with two types of (internal and third-country) migration.

For the EU, more internal mobility is favourable as it represents **free movement of labour**. It does not make a difference at the EU level where the unemployed worker is located, provided the EU has reached maximum level of employment. Within the EU, labour migration has been free, with the exception of the new member countries. Regulations offer transitional immunity to both the old and the new Member States for a maximum of seven years. (This, however, is divided into periods of 2+3+2 years, which periodically offers a chance to revise the decision). Besides full immunity, it is possible to employ restrictions, such as making the attainment of working permissions easy only for a selected number of professions (as was done by Belgium, France, Holland and Luxembourg after 2004) or requiring a residence permit at the time of starting a job, and favouring full-time employment only. (This was introduced by Denmark against eight accession countries after 2004.)

In the course of successive EU enlargements, different countries followed different strategies with regard to opening up their labour markets. Whereas Austria and Germany opted to use the full seven years of immunity, Great Britain, Ireland and Sweden opened their markets fully to the new Member States after 2004. (The situation was more difficult for Bulgaria and Romania after 2007.) However, most countries followed a middle road by partially using the immunity option or introducing restrictions. Labour migration will be completely free among all Member States by 2014, when restrictions on Romania and Bulgaria, who joined the European Union in 2007, will also have expired.

However, the **free movement of Europeans does not mean free access to social services everywhere**. It remains a question to what extent the three main pillars of a unified job market, i.e. an adequate minimum income, inclusive labour market, and the access to quality social services are becoming reality in different European countries and cities. Especially interesting are those cases in which countries want to reduce labour immigration indirectly, through the limitation or reduction of any of the accompanying conditions or services.

A more complex political issue on the EU level is how to control third country immigration and respect the freedom of emigration as a universal human right. (Universal Declaration of Human Rights Art. 13, International Covenant on Civil and Political Rights Art. 12.)

Historically, EU Member States had the right to formulate their own policy on migration. Since the beginning of 1980, the EU has initiated coordination of migration policy, which was strongly motivated by security issues (the fight against terrorism, international crime, and so on). The first efforts resulted in an informal agreement among Member States, for example, the Trevi group (1986), which formed a starting point of the supranational approach to migration. The Schengen agreement (1985) made the harmonisation of immigration policy (especially the asylum measures) more important. Asylum, migration, illegal immigrants, trafficking and border crossings were the subject of various ad hoc groups, working groups and committees. The increasing number of asylum seekers in the 1990s and the danger of mass migration after the collapse of the Soviet Block gave more impetus to cooperation efforts.

The first significant step toward a common migration policy came with the **Amsterdam Treaty (1997)**, which set the objective of establishing an 'area of freedom, security and justice' and, to that end, introduced a new title (Title IV) to the Treaty establishing the European Community: visas, asylum, immigration and other policies related to the free movement of persons became shared competences and therefore came under the first pillar. It was decided, however, in the Amsterdam and then the Nice Treaties that the Community method would only be applied gradually. Thus, the Commission has only had a right of initiative in this area since 1 May 2004. The role of the Council and Parliament varies according to the area concerned (legal immigration, visas, asylum, illegal immigration), but tends to gradually approach the Community model.

This basic framework, enshrined in the Amsterdam Treaty, was developed further at the **Tampere European Council** of 15 and 16 October 1999. At that summit, the European Council set out the objective of a 'common immigration policy' and defined three main guidelines:

- Development of partnerships with countries of origin, in order to promote co-development in particular;
- Fair treatment for third-country nationals;
- More effective management of migratory flows, including effective external border controls.

It also set the objective of a 'common asylum policy', which gave rise to the introduction of five new instruments: a clearer system for determining the Member State responsible for examining an asylum application, minimum standards of the reception of asylum seekers, a common definition of the status of refugee and beneficiary of subsidiary protection, a temporary protection mechanism to deal with mass influxes of displaced persons, and harmonisation of asylum procedures.

Following the impetus given by the Amsterdam Treaty and the Tampere Council, **European legislation began to develop** and a number of acts were adopted, of which the following are the most important:

- March 2001: adoption of a common list of third countries whose nationals must be in possession of a visa;

- May 2001: directive on the mutual recognition of decisions on the expulsion of third-country nationals;
- June 2001: directive on the penalties applicable to carriers who fail to meet their obligation to control travel documents;
- November 2001: communication from the Commission on a common illegal immigration policy;
- June 2002: proposal for a comprehensive plan to combat illegal immigration and trafficking of human beings in the European Union;
- November 2002: directive defining the facilitation of unauthorised entry, transit and residence;
- September 2003: directive on family reunification;
- November 2003: directive on a long-term resident status for third-country nationals;
- 2004: adoption of a programme of technical and financial assistance to third countries in the area of migration and asylum (AENEAS);
- 2004: directive on the obligation of carriers to communicate passenger data;
- February 2004: regulation on the creation of an immigration liaison officers network (ILO);

The Hague summit of 5 November 2004 gave new impetus to European immigration policy with the adoption of a multiannual programme for the establishment of an 'area of freedom, security and justice', following on from the Tampere programme. It focused on three areas: combating illegal immigration, in particular trafficking in women and children; setting up a legal immigration plan; and the integration of immigrants. It called for several instruments relating to visas and biometrics: joint centres for issuing visas, the introduction of biometric identifiers on national identity cards and interoperability of data banks in 2005 with a view to establishing a Visa Information System (VIS). The Hague programme also set the objective of developing an immigration policy outside the EU's borders by means of partnerships with the countries of origin.

The establishment of a European immigration policy has continued since then:

- November 2004: publication by the Commission of a European 'Handbook on Integration', which discusses good practices;
- December 2004: directive on facilitating the admission of foreign students;
- January 2005: Green Paper 'An EU approach to managing economic migration';
- October 2005: directive on facilitating the admission of researchers;
- December 2005: adoption by the European Council of a comprehensive approach to the question of migration;
- 2006: creation of European border patrols to combat illegal immigration;
- 2006: establishment of a programme of work with Africa;
- October 2007: 'Blue Card' directive to make the EU more attractive by proposing a common, accelerated and flexible programme for the admission of highly qualified immigrants;
- June 2008: 'Return' directive

- May 2009 Council Directive on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment

Despite all this legislation, **there was still no genuine European immigration policy.** The **Lisbon Treaty** was a further step in that direction. Chapter 2 of Title IV concerns 'Policies relating to border controls, asylum and immigration' and allocates several matters to the ordinary legislative procedure. Moreover, the European Council of 15 and 16 October 2008 gave rise to the adoption of the European Pact on immigration and asylum, which harmonises asylum systems, organises legal immigration, strengthens border controls and arranges the expulsion of illegal immigrants.

The **Stockholm programme** (2009) has put the freedom, security and justice of 'European citizens' at the heart of the EU's political agenda for the next five years. However, the question is how the citizen of Europe is defined. Third-country nationals belong to citizens according to some regulations. (Carrera and Wiesbrok, 2010)

EU migration policy has been developed in the interplay between two main EU level institutions: the Commission and the Council. From the beginning, there was consensus that the EU needs a coordinated migration policy, but the majority of the Member States were reluctant to give up their power in this area as 'they have considered it a core part of their sovereignty' - that is, migration policy has serious consequences for the Member States' politics. Political negotiations started around the interpretation of the Single European Market, especially about exactly what the 'free movements of goods, services, people and capital' means with respect to migration policy. The Council typically prefers conservative (cautious) migration policy because of the concerns and differences among the Member States. The Commission represents a more friendly approach to immigration, partly because they 'do not have to face re-election and the importance that the Commission gives to the enhancement of its own position have played a significant role in the Commission's attitude towards immigration.' (Acosta, p 21) The position of the Parliament is important as well, as there is a struggle between the Parliament and the Council to gain more legal power, and the Parliament, despite huge discrepancies along ideological lines, represents an operative attitude.

The range of agencies dealing with asylum, migration, 'illegal immigrants', 'trafficking' and border crossing shows the activity of EU institutions in this area.³² EU migration policy is one of the most sensitive policy areas in the EU, because it definitely needs cooperation, but at the same time, the interests of the Member States not only tend to diverge, but depend very much on their own constituencies whose attitude toward immigration has changed.

³² Like the Ad Hoc Group Migration, the High Level Working Group on Migration, the Strategic Committee on Migration, clearing centres on asylum and on border crossing or the Working Community Police Cooperation with Middle East and East-Central European.

7.3 The European Union's role with regard to natural population movements and pension systems

As it has been spelt out in the previous chapters, a dire need for migration within the EU can be partly explained by the worsening ratio between generations: there are more and more elderly people who have to be supported by a fewer number of youngsters. Given the fertility rates on the EU level, the tendencies forecast a worsening scenario for the years to come.

The change in vital rates has implications for several policy areas. Enhancing fertility levels affects policies on maternity and paternity leave in particular, family policies in general but also child care provisions and services. The growing number of the elderly raises the question of provision, most importantly involving pension, care and health care policies. The growing number of dependent households also affects social policies – and it is questionable how a worsening economic performance can keep up a similar level of the welfare state. Finally, changing vital rates can also have territorial effects as well, and coupled with migration, can lead to certain regions losing their economic competitiveness. As such, changing vital rates affect economic policy as well.

Although combating changes in natural population movements belongs to national competency, some attempts have been made by the EU to influence fertility levels and also to make sure that pension systems function adequately. As will be spelt out in the following paragraphs, these attempts are mostly restricted to general recommendations, and directives are mostly aimed at either ensuring a minimal level of benefits (in the case of maternity leave), or making sure that joint market principles remain unabridged (in policies with regard to pension funds).

Signifying the generally still valid opinion of the Commission about European responsibility in ensuring adequate fertility levels is a response from 1998 to a written question E-2382/97 by Nikitas Kaklamanis (UPE) to the Commission (10 July 1997).

'The provision of incentives to combat low birth rates is a matter for the Member States. Even if a number of initiatives have been taken in order to raise public awareness of this issue, such as recommendations in a number of areas which may be seen as related to the demographic trend, the Commission does not intend to go further, given its limited role in this area' (EUR-LEX).'

Still, there have been new measures introduced to ensure a minimal level of parental benefit in each member state. Most importantly, despite the opposition of some Member States, the EU seems determined to lengthen paid maternity leave. As a result of the Estrela report, the European Parliament adopted a directive on 20 October, 2010 about the extension of the maternity leave from 14 to 20 weeks. This move is not without controversy, given its ensuing costs, which is why the Council has rejected this directive which could not step into force.

With regard to adapting to the requirements necessitated by a growing elderly population, the European Union has a double strategy. On the one hand, it hopes to ensure that the pension system of each member state remains sustainable and offers a decent living for retirees. The EU does not influence the particular set up of the pension systems in individual countries. In 2001 the Economic and Social Committee adopted the opinion that the open coordination method should be used to establish common objectives and indicators for the Member States, stressing that they should not depart from the principle of subsidiarity. Its three main objectives were the

following: obtaining the adequacy of pensions, ensuring the sustainability of private and public funds and modernising pension schemes. In 2007 the European Economic and Social Committee issued a general statement on the budgetary impact of ageing populations. It further underlined the importance of proper pension systems for future generations, saying that supplementary pensions, if required, must be reliable, secure and shielded from unforeseeable fluctuations on the financial markets. It also stressed that the evasion of tax and social security contributions in some countries endangers the reliability of pension systems, and consequently, strict measures should be introduced.

On the other hand, the EU regulates the pan-European pension market through consecutive directives, making sure that citizens of EU Member States enjoy both their state and occupational pensions regardless of whether they live in the same country where they accumulated these funds. Individuals who have made contributions to a state pension in one European Union (EU) country gained the right to receive their occupational funds with a directive in 1998 (Directive 98/49/EC). In May 2003 a new directive (2003/41/EC) was adopted on the activities of institutions for occupational retirement provision. This set out a general framework for the operation of pan-European pension schemes. The deadline for incorporation into national law was September 23, 2005. According to this directive, a pension plan established in one EU member state that is compliant with its national regulatory system may extend its coverage to employees in other Member States. This 2003 directive laid down the regulations for pan-European pension fund principles, including the mutual recognition of national supervisory bodies, but safeguarding the specific labour and social security rules of each country.

The separate national demographic frameworks and incentives have an EU level effect, and they affect the overall economic competency and competitiveness of the whole region, influencing whether the attainment of the EU2020 objectives is possible or not. However, it is important to emphasise that demographic changes affect the different countries differently, providing in our opinion a reason for worsening the already existing economic gap between different areas of Europe.

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